

Social partners: Collective bargaining in Austria

A big advantage of Austria's institutionalized collective bargaining system is its calculability. Most pay settlements are within a few per cent of the average wage. But could current government policies pose a threat to the consensus?

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Austria is well known for its system of social partnership, which has secured continued political and social stability since 1945 and has remained largely intact even in recent years. By international standards, Austria can be regarded as one of the countries in which institutionalized structures are most highly developed.

Collective bargaining represents one of the key areas of institutionalized industrial relations in Austria. It can still be characterized as a highly elaborated, stable and centralized system of fixing the working conditions of the vast majority of the workforce in the private sector. This is mainly due to the centralized and inclusive nature of the main actors, the Austrian Trade Union Confederation (ÖGB) and the Austrian Federal Economic Chamber (WKÖ). They act independently without any government intervention – except where the Government is the employer, as in the public-service sector.

Since the early 1960s, collective agreements have become the most important trade union instrument for the development of labour relations in Austria. Since that time, the ÖGB has traditionally operated a productivity-oriented wages and incomes policy with the objective of general wage and income development.

Collective agreements can be negotiated at the federal, provincial or sectoral

level, but not at company level. The majority of the roughly 500 collective agreements concluded apply to the whole federal territory, about 150 are regional in scope and about 50 are valid at the company level. Additionally, there are some homeworking agreements, minimum pay scales or regulations for wage compensation.

This summary emphasizes sectoral collective agreements. These prevail throughout the country, thus giving rise to some characteristics of collective bargaining in Austria:

- Wage policy is primarily decided by trade unions and not by works councils.
- The ability to make collective legal arrangements between employers and works councils at the company level is subordinated to the regulation of collective agreements at inter-company level.
- In particular sectors, standardized guidelines are the rule in setting the most important working conditions.

Due to the specific Austrian structure of professional self-administration and the highly institutionalized system, another peculiarity has to be mentioned:

- Almost all collective agreements are concluded on behalf of employers by

their legal representative, the Austrian Federal Economic Chamber and its sectoral substructures, and on behalf of employees by their voluntary professional association, the Austrian Trade Union Confederation.

- An existing independent trade union organization for white-collar workers is responsible for concluding separate collective agreements on behalf of blue- and white-collar workers.

Capacity to conclude collective agreements

In Austria, the capacity to conclude collective agreements is based on legal or administrative recognition by the Federal Conciliation Board in the Ministry for Economy and Labour.

By law, the following are permitted to conclude collective agreements:

- legal bodies representing the interests of employers and workers (the chambers of business and of labour, as public corporations by virtue of special laws);
- legal personalities, under public law, unless they are within another collective bargaining entity.

Upon request, the following are entitled to conclude collective agreements by virtue of their recognition by the Federal Conciliation Board:

- voluntary trade associations of workers and employers, on condition that they fulfil certain criteria such as appropriate statutes and suitability as a body representing professional interests (as is the case for the ÖGB, with its 13 trade unions, on the employee side);
- associations, on condition that they fulfil the stated criteria but are not part of any collective bargaining entity.

There is no provision for company-level agreements in Austria. Individual legal entities such as the Austrian Broad-

casting Corporation, the Federal Chamber of Labour or the Federal Employment Service are, by special laws, given formal competence for collective bargaining solely as concerns those actually employed by them.

Workers' right to conclude collective agreements

Formally, the authority to conclude a collective agreement negotiated by a trade union is vested in the ÖGB. Since September 1947, the ÖGB has the exclusive entitlement to conclude collective agreements for employees and workers. Although formally the ÖGB has the entitlement, the 13 trade unions take the responsibility for setting up collective agreements. As empowered organs of the ÖGB, they can also conduct negotiations with the competent sectoral subdivisions of the employers. Therefore, collective bargaining policy is implemented both by the 13 trade unions and their branches and professional committees, but the legal responsibility is borne by the umbrella organization (ÖGB). By recognizing the autonomous wage and income policy of the trade unions, the ÖGB rejects central wages and incomes guidelines.

The Chamber of Labour, the legal representative of workers' interests, transferred the right to collective bargaining to the trade unions and does not exercise this right in any of the areas where workers are organized in unions.¹ Nevertheless, the Chamber of Labour has considerable significance in the formulation of laws, as it provides technical expertise during the bargaining process.

Employers' right to conclude collective agreements

In contrast to the situation for employees, voluntary associations of the employers, like the Federation of Austrian Industry, do not have general responsibility for collective bargaining. This task was assigned

to the Federal Economic Chamber (WKÖ), through their legally enshrined role as a professional representative of interests. Since all independent companies in Austria are legally obliged to be members of the WKÖ, and its legal obligations include collective bargaining, labour relations are more or less comprehensively regulated by collective agreements.

Scope of collective agreements

Normally, collective agreements apply for 12 months. After that, they are generally not fully renewed or replaced, but are amended by supplementary agreements. They remain legally applicable until a new agreement comes into force. The traditional standard scope of these agreements includes the setting of minimum wages, as well as pay scales, special payments (annual entitlements roughly equivalent to two extra months' pay – the "13th and 14th month"), additional payments and bonuses, expense allowances, working hours and piece-work, sick leave, terms of notice and termination dates.

The scope of collective agreements was substantially increased by the Labour Constitution Act in 1973. They may now also determine the following: collectively agreed pension and retirement benefits, consultation and co-determination rights of the workforce concerning the implementation of works agreements about redundancy programmes and decent work, joint facilities of the social partners and matters which are referred to collective agreement by law.

Effects of collective agreements

Provisions of collective agreements are directly legally binding for all contracts of employment in the professional, local and personal area of validity of the agreement. Employees can assert their rights directly vis-à-vis the employer and if necessary sue on this basis in the labour and social security court.

The standard provisions laid down in the agreement are minimum rights. Collective agreements concluded by the ÖGB apply not only to trade union members but to all workers (the so-called "non-member effect"). A collective agreement, once concluded, is therefore valid for all employees of an economic sector or industry.

The standards set by a collective agreement are minimum rights, which must not be undercut even with the employee's consent. Any waiver of these minimum rights is null and void.

At the company level, works councils can conclude workplace agreements relating to wage structures and wage scales. These are valid only if they contain better wage provisions or conditions for the employee than do the collective agreements, or if they relate to matters not covered by collective agreements. In no case may the terms of a collective agreement be undercut.

Which collective agreement applies to which employees will be determined by the sectoral subdivision of the WKÖ to which their employer is assigned.

Practical experience

In Austria, collective bargaining is limited to the private sector. In the public sector, there is no formal bargaining, but negotiations take place between public-sector trade unions and government representatives. Within the private sector, more than 98 per cent of all employees are covered by collective agreements negotiated at the sectoral level and more than 500 collective agreements are concluded each year. While bargaining coverage in industry is 100 per cent, it is lower in some private services, such as insurance, real estate and community, social and personal services. While some of the groups without coverage grew in the 1990s (e.g. employees of non-profit organizations), unions have made some successful attempts to widen the coverage of collective bargaining.

The reason for the high density of coverage is that entrepreneurs are organized

by law in the Austrian Federal Economic Chamber and, based on this fact, sectoral subdivisions of the WKÖ engage in negotiations with the corresponding sectoral nationwide union. As a result of the social partners' high capacity for problem-solving, strikes are very infrequent in Austria by international standards. Annual downtime due to strikes (including all employees) amounts traditionally to only a few seconds per head. However, major industrial action has occurred in the public sector and in aviation.

In general, and as long as they are not political, strikes cannot give rise to court actions. Legal regulation is disliked by the trade unions, because it is considered as an interference in trade union autonomy.

The sectoral bargaining system is differentiated according to employee category (blue-collar workers and white-collar workers) and also to industry and small-scale enterprises. Most of the sectoral agreements cover the whole national territory. Company agreements are an exception.

Traditionally, the collective agreements for blue- and white-collar workers in the metal industry are the first to be negotiated each year, in early autumn. The metalworkers set the pace for the other unions (including the public sector), which enter into these bargaining processes in the ensuing months. This leading role is shared between the Metalworking and Textile Union (GMT), representing the highly unionized blue-collar workers in the metalworking industry, and the Union of Salaried Employees (GPA).

Generally, all agreements are within just 2 or 3 per cent of the average wage increase. There are no wage guidelines, and the Government never intervenes in the bargaining process. If negotiations reach deadlock, the presidents of the central associations (the Trade Union Federation and the Economic Chamber) usually step in as intermediaries.

In 2001, Austria's "leading" metalworking agreements were negotiated for about 105,000 waged and 95,000 salaried employees. Negotiations were formally

opened with an exchange of basic bargaining positions by the social partners in September and collective bargaining proper was due to start in October. For the first time, the Metalworking Union and the Union of Salaried Employees jointly decided on the issues to be put on the negotiating table for both blue-collar and white-collar workers in the industry. This year, negotiations became very difficult and contentious, as the unions were seeking to compensate employees for their loss of purchasing power resulting from the Government's expenditure-cutting reforms. Under the deal, minimum wage rates increase by 3 per cent and the new minimum monthly wage is thus 1,187.92 euros.

Fritz Verzetnitsch, President of the ÖGB, asserts that a big advantage of the Austrian collective bargaining system is its calculability. However, he also recognizes that negotiations may possibly become more difficult over the next few years, due to political circumstances.

The industrial sector is by far the most important level of wage bargaining. However, collective agreements concluded for the industry as a whole do not always entirely exhaust the scope for wage increases. Hence, depending on the situation of the individual enterprise, workers' representatives at the company level may bargain for additional wage increases.

Finalized collective agreements are binding for all members of the signatory parties. By law, they are automatically extended to an employer's non-unionized workforce. Collective agreements may also be extended to unaffiliated businesses within the domain of a signatory voluntary organization. When some territorial subunits of the WKÖ do not join a nationally negotiated collective agreement but others do so, extension is also possible.

New forms of work

In Austria, a growing number of jobs can no longer be described as based on a standard employment contract. More than 30 per cent of the total workforce is involved in

atypical employment relationships, with a yearly rate of growth of 12 per cent. The reasons for this development are changes in demand for labour, e.g. extended opening hours in commerce. Part-time work is growing constantly, since part-time work is more common in the service sector than in industry. It is mainly performed by women.

The spread of temporary employment has been limited; therefore, it is not regulated by collective agreements. In 1997, a collective agreement was concluded for the first time on teleworking in the mineral oil industry. A typical worker is salaried; in contrast, the more common term for a teleworker is "external employee". The agreement is important for several reasons. It was a first attempt at negotiating agreements covering activities in the field of new technologies. As a precedent, it will ease negotiations in other significant industries with external employees such as services, commerce, banking, etc.

When new sectors emerge, unions try to achieve collective agreements. For instance, employees in computers and information technology were covered by a collective agreement that was not sector-specific and deals with working time and flexibility.

As collective agreements are valid for employees only, the small but growing group of self-employed persons is not covered. In 1999, the union succeeded in concluding a binding agreement with the voluntary association of Austrian newspapers, fixing minimum fees for self-employed journalists. The ÖGB opposes non-inclusion of certain groups of employees into collective bargaining coverage, because as a consequence these groups often cost less and wherever possible employers try to substitute covered employees by non-covered. Therefore, when groups without coverage emerge or grow, unions try to achieve a collective agreement for them. Regarding the self-employed, the ÖGB would like as many of them as possible to have employee status (especially those whose work situation is the same as that of employees). Unions realize that

such forms of self-employment are not going to disappear, so they would like to contain this phenomenon and be able to set a framework for remuneration and working conditions, such as was achieved for journalists in 1999.

Generally, the ÖGB demands that the Government includes new forms of employment within the insurance system.

Future trends

At the national level, since a new coalition Government of the populist Freedom Party and the conservative People's Party came to power in February 2000, the traditional consensual atmosphere of public policy-making has been greatly disrupted. In particular, organized labour has been forced on to the defensive by the Government's policy of limiting social partnership. The Government was implementing a variety of reform measures and initiatives, covering a wide range of economic and political issues. It did not consult with social partner institutions on important economy policy decisions, such as social benefits reform and balancing the budget. The reform package included lots of measures in the social and employment field such as shifting inter-company co-determination down to the company level in relation to working hours or the right to collective bargaining.

That Government was undermining the system of social partnership, which is in fact very strong. Thus, political tensions between the Government and the trade unions have continually increased.

There is widespread consensus among social partners that strikes and other forms of industrial action should be prevented. However, debates about the Government's measures have resulted in warning strikes and other action by the ÖGB and its affiliates. Demonstrations and a very successful membership ballot in 2001 have indicated notable discontent with social and employment policy.

Whereas in other European countries, such rhetoric is a usual part of labour dis-

putes, at least as carried out by left-wing unions, the established Austrian model is not really prepared for such a conflict. The neo-liberal shift implemented by the Government challenges the economically successful Austrian model of industrial relations, all the more so since the Freedom Party has never been an integrated part of the model and has thus opposed it for political and ideological reasons.

In early September 2002, the coalition Government collapsed due to the resignation of ministers of the Freedom Party as a result of internal rows. Now it seems likely that the Government will dissolve soon and elections will take place this year.

A big challenge for collective bargaining is the growing internationalization and European integration. Generally, more flexibility in collective bargaining is demanded in order to meet the requirements of stronger competition. Efforts are concentrated on issues of working time, which is regulated by legislation. More flexible working time benefits employers, who no longer have to pay for overtime and who see their labour costs reduced. Employers are urging further liberalization (e.g. Sunday working and prolonged opening hours), while the ÖGB wants employees to have more control over their working time and is in favour of working time reduction. Flexible worktimes should, the unions say, be implemented within the existing framework, i.e. by law, collective agreements or company agreements, whereas the employers want to leave this issue out of collective bargaining. It is not certain that the Government will try to

change working time legislation in order to meet the employers' demands.

The Austrian system of collective bargaining has not undergone large-scale structural changes. Some of the challenges have been resolved firstly by the extension and modification of provisions, particularly the inclusion of non-covered groups of employees and, secondly, by increasing flexibility in organized decentralization.

Collective bargaining as an instrument of wage settlements is an indispensable tool for the attainment of trade union targets in future. Collective bargaining can achieve the complex balance between operational decentralization and general legislation. Thus, social partnership must maintain its autonomy vis-à-vis the State.

Collective bargaining plays a crucial role in establishing labour relations not only in the European Union, but also in the globalized economy of the twenty-first century.

References

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- Ullmann, Erich. 1997. *Die kollektive Rechtsgestaltung im Arbeitsrecht*.

Note

- ¹ The Chamber of Labour represents all employees vis-à-vis the Government and the European Union. Membership is compulsory. The Chamber of Labour, like the ÖGB, is a social partner.