

Industrial Relations in Austria

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Austria's economic progress during the last twenty years has been most impressive, comparing favourably with other industrialised countries. Major credit is ascribed to the social partnership between labour and management, which extends to all areas of social and economic concern. Its most significant manifestation has been the adoption, in 1957, of an incomes policy, of voluntary wage and price restraint. The results have been: significant improvements in the standards of living; full employment; modest inflation; and an enviable record of industrial peace. The social partnership is supported by an understanding with the government, which allows the two major interest groups considerable freedom to carry out their commitments to wage and price restraint.

The Austrian experience is the result of very special circumstances, namely the trauma of a civil war in 1934, occupation by Germany in 1938, and a lost war. Otherwise there would hardly have been a social partnership nor the highly centralised character of the labour and management organisations which are largely responsible for the incomes policy.

Introduction

Austria, located in Central Europe, is about 34,000 square miles in size and, in 1979, had a population of over seven and a half million. It is thus about one third of the size of New Zealand but with a population twice as large. Two thirds of the country is mountainous. The country shares a common border with Germany, Italy, Switzerland and Lichtenstein, as well as three communist countries; Czechoslovakia, Hungary and Yugoslavia. The climate is moderate, the summers relatively cool, the winters mild, except for plenty of snow in the mountains.

Until 1918, Austria was part of the Austria-Hungary Monarchy (Gulick, 1948), which comprised over 20 different nationalities and a population of 58 million, among them Germans, Poles, Czechs, Hungarians, Italians, Serbs, Croats, Slovenes. Defeated in World War I, the empire collapsed. Austria became a republic, reduced by the 1919 Treaty of St Germain to a population of six million, one third of whom lived in the capital city of Vienna. The young republic had first to cope with a huge bureaucracy which was geared to the financial and commercial needs of the old empire, then to deal with runaway inflation, and, finally, to surviving the great depression of the early 1930s.

In 1934, the two major political parties, The Socialist Party and The People's Party, became embroiled in a civil war. The Socialists lost and the People's Party, under Chancellor Dollfuss, established a dictatorship. The Socialist Party and the Socialist Unions were outlawed and many of their leaders imprisoned. In March 1938 Hitler invaded Austria and annexed it to Germany. This time, leaders of the People's Party, along with leaders of the Socialist and Christian Unions, were imprisoned or sent to concentration camps.

In the course of World War II, 194,000 Austrians were killed, 76,000 were still missing and 200,000 were taken prisoner. The economic cost to Austria was staggering, estimated at 160 billion schilling;¹ 50 percent of its railroad system was destroyed and 90 percent of some cities.

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¹ 14 schillings are approximately equal to \$NZ 1.00.

Austria's independence was restored in 1945, but the occupation by the four powers, France, Britain, the Soviet Union, and the United States of America, lasted until 1955. Austria has undertaken to remain neutral between the East and the West and to forego any military alliances. Prevented from joining the Common Market, Austria negotiated with the Organisation for Economic Cooperation and Development (OECD) an agreement to drop nearly all customs tariffs.

Today, Austria is a federal republic with nine provinces. It is a parliamentary democracy, governed by a bicameral legislature. Parliament (Nationalrat) has 183 members, elected by popular vote for four years. The Federal Council (Bundesrat) has 58 members, elected by the nine provincial legislatures. Major legislative power rests with Parliament, the Federal Council being limited to reviewing legislation enacted by Parliament. The Federal Council can delay but not veto legislation. The Cabinet, headed by the Chancellor, is responsible to Parliament. The President of Austria, chosen by popular vote for six years, has mostly ceremonial functions. The major political parties are the Austrian Socialist Party (SPOe) and the Austrian People's Party (OVP). Between them they represent some 90 percent of the voters.

The Economy

Since the end of World War II, Austria has achieved political and economic stability. Marshall Plan aid from the USA was crucial, amounting to a staggering \$962 million in aid and credits between 1948 and 1953. Productivity has risen sharply, partly because of imported foreign technologies. Today Austria is a modern industrialised country with a highly-skilled labour force.

Agriculture, neglected under the Monarchy, became an important factor during the First Republic, 1918-1938. It is now highly mechanised and its share of the labour force is declining. The chief crops are grains, corn, potatoes, beets, and grapes.

Industrial production has grown six-fold since 1945 and manufacturing now amounts to about 45 percent of the Gross National Product (GNP). The emphasis has shifted from the production of consumption goods, such as textiles, clothing and food, to growth industries, notably steel, machinery, electrical equipment, forest products, and chemicals. The latter is supported by deposits of coal, aluminium, oil and natural gas. A network of rivers provides much of the electric power for Austria and several other European countries. Building has flourished since 1945 with the expansion of roadbuilding and housing construction. Characteristic for Austria is the operation, in both industry and agriculture, of a few large undertakings side by side with many small and middle-sized establishments.²

The largest Austrian enterprise is the nationalised VOEST company, one of the world's leading steel producers, employing over 80,000 people. VOEST has developed the LD oxygen top blowing process which has been adopted, with some modifications, by steel companies all over the world. About two thirds of VOEST's production is exported.

Vital to Austria's economy is the income from tourism. Traditionally, income from tourism has helped offset part of the deficit in the Austrian trade balance. In 1980 foreign currency revenues from tourism amounted to 37 billion schilling (about \$NZ 2.6 billion) and covered about 45 percent of the negative trade balance.

According to OECD reports (OECD, 1981), Austria's real economic growth over the last ten years, has been the highest among Western nations, its inflation modest, and its unemployment rate one of the lowest.

Full employment has been the cornerstone of economic policy. It has the support of management and labour, of all political parties, and the Government. The labour market policy aims at economic growth through promotion of investment, attention to structural and special employment situations, technological developments, and vocational training and retraining.

² As at July 1979, of a total of 229,430 establishments, 212,418 (92.5 percent) of them employ fewer than 20 employees. Only 401 (0.17 percent) employ more than 500 employees.

Part of Austria's economy is nationalised, including the three largest banks, the raw materials industry, energy production, much of machine manufacturing, the chemical industry, vehicle production, and the electrical industry. Many of the nationalised enterprises had been technically "German property". At the end of World War II, they were without direction, their owners and/or executives having fled Austria. Property rights were unclear, and in view of the chaotic situation there was no chance that private capital could be found within Austria to assure the continued operation of various enterprises. There was also the very real danger that the occupying powers might claim all "German property" for purposes of reparation, as the Russians in fact did, keeping such plants until 1955.

The nationalised industries are managed like private enterprises. The government oversees their operation and may make suggestions for planning and co-ordination, but each plant has the responsibility of operating efficiently. Managers decide such matters as production costs, sales, and personnel. For wages and other working conditions, the nationalised industries are tied in with the private sector of the economy, bargaining with labour organisations together with private companies through the employer organisations.

The government also owns and operates post and telegraph services, railways, printing offices and some monopolies such as salt, tobacco, brandy and explosives. All told, the public sector employs about 20 percent of the labour force.

The worldwide slowing of economic activities since 1975 hurt Austria. The government made strenuous efforts to maintain employment. It ordered the nationalised industries to refrain from layoffs and instead to use one day a week for training. The government paid 70 percent of the wage for that day. A similar subsidy was offered to the private sector. Thus full employment was maintained, but at a high cost, leaving a serious deficit in the federal budget. Since hopes for a quick recovery in Western Europe did not materialise, the government took drastic measures in 1978 to reduce its trade and budget deficit, including a 30 percent value added tax on luxuries such as automobiles, cameras, furs and jewellery. At the same time the government initiated a ten year investment programme for technological improvements in construction, agriculture and other industries to create 130,000 jobs.

The trade union federation supported these measures and renewed its pledge to put the maintenance of full employment ahead of all other demands, including wage adjustments and tax relief.

Social Conditions

The population is ethnically unified. The only significant minorities are some 20,000 Slovenes living in the province of Carinthia, and some 25,000 Croats in the province of Burgenland. The native language, German, is spoken by 99 percent of the population. Ninety percent belong to the Roman Catholic Church but a small Protestant minority lives in Vienna and the mountains of Carinthia.

The educational system provides a minimum of nine years of compulsory schooling for all youngsters up to the age of 15. It is rigidly enforced and illiteracy is virtually non-existent. Public health services are of the highest quality. While immigration into and emigration from Austria is minimal, the country does employ some 170,000 foreigners, mostly Yugoslavs and Turks.

The labour force is highly skilled; numbering 2,830,438 in 1979: 40 to 45 percent skilled, 30 to 50 percent semi-skilled, 20 percent unskilled. Women constituted about 40 percent of the labour force in 1979. Skill training is carried on either through apprenticeships or schools. Ninety percent of all skilled workers have completed an apprenticeship of three to four years. In 1979 the number of apprentices totalled 192,227. Some 20 vocational schools plus many evening schools provide full-time instruction to people who wish to become skilled. Productivity of Austrian workers in industry is very high and according to OECD reports rose at an annual rate of 4.8 percent between 1971 and 1979.

Per capita GNP in 1978 was \$US7,730 – compared to \$5,880 in New Zealand. There were 248 automobiles per thousand population in 1977, 325 telephones, and 2.3 doctors. In 1978, infant mortality was 16.9 per thousand births; 690,000 families lived in their own one family house and 250,000 families owned a second home.

Social Welfare

A comprehensive system initiated after the end of World War I, protects Austrians against various social ills. Health insurance is obligatory and covers all aspects of health care, including dental needs, periodic examinations, treatment, medicines, hospitalisation, maternity, convalescent homes, cash payments for lost income, and the cost of burials. Civil servants, railway and agricultural workers are covered separately. Self-employed persons may join the system voluntarily. It is financed by equal contributions from employers and employees.

Accident insurance provides cash benefits for partial or permanent disability, comprehensive medical care, needed appliances, orthopaedic and other technical aids, and rehabilitation as well as survivors benefits to widows, orphans and other survivors. All services are financed solely from employers' contributions.

Old age benefits begin for women at age 60, for men at 65. Early retirement is possible for women at 55, for men at 60, as is delayed retirement, beyond 60 or 65 respectively. The amounts of benefits are adjusted annually in relation to changes in the cost of living as well as in line with changes in the real earnings of workers, enabling pensioners not only to maintain the purchasing power of their pensions but also to share in the improvement of living standards. Currently old age pensions are financed by equal contributions of 9.75 percent of wages and salaries from both employers and employees. Any deficits are borne by the Federal Government.

Unemployment compensation pays benefits, for periods from 12 to 30 weeks in amounts related to past earnings and size of family. Emergency benefits beyond 30 weeks are available for needy persons who have exhausted their claim to unemployment compensation. Employers and employees each pay 1.3 percent of wages and salaries to finance the system.

Family assistance programmes consist of:

- (a) Child cash allowances, currently 1,000 schillings per month (\$NZ 71.00) for the first child and staggered amounts for additional children. (Allowances are paid to either parent until the child is 19 or, if studying, age 27.)
- (b) Birth grants, one time payment of 16,000 schillings (\$NZ 1,143.00) in two instalments, at birth and the first anniversary; and
- (c) Wedding grants, to the amount of 7,500 schillings (\$NZ 536.00) to each partner.

Family assistance grants are provided from a special fund, subsidised from contributions from federal, state and local government.

Labour legislation covers other aspects of labour-management relations. The legal work week is 40 hours, though actual hours worked, because of collective agreements are commonly 35 hours a week. Overtime, if allowed, carries a premium payment of 50 percent. Night work or work on holidays and Sundays, requires a premium of 100 percent. Paid annual vacations are four weeks after six months of service, and five weeks after 21 years of service. Paid legal holidays now number 13 days annually.

The right to dismiss workers is limited and, generally speaking, requires the consent of shop stewards. The dismissal of older workers can be challenged by shop stewards on the grounds that it may be "socially" unjustified and hurt the older worker more than other employees. Dismissal notices for white-collar workers range from a minimum of six weeks for the first two years of service up to a maximum of five months after 26 years of service.

Severance pay for white-collar workers, due on termination of their employment, ranges from two months pay after a service of three years to 12 months salary after 25 years of

service. Manual workers received severance pay for the first time, in January 1981. They now receive 40 percent of the severance pay applicable to white-collar workers. An increment of 20 percent is to be added in each of 1982, 1983, and 1984 to equalise the severance pay for all employees, manual or white-collar.

Other labour legislation protects the rights of apprentices, young workers, women, older workers, domestic and agricultural workers, and rights of workers whose employers declare bankruptcy.

Industrial Relations

Collective bargaining is prescribed by law and fully accepted by management, in the private as well as the public sector, as an integral part of healthy and democratic employer-employee relationships. On the union side, the responsibility for bargaining rests with the 15 affiliates of the Austrian Trade Union Federation (ATUF). Though each affiliate negotiates on its own, their agreements, since 1957, have to meet with the approval of the Joint Commission on Wages and Prices, to be discussed later in this paper. Agreements, as a rule, run for periods of 12 to 15 months and mostly they cover a whole industry. An exception is the building material industry where settlements often apply only to a single employer or to individual products. Supplemental plant agreements, adjusted to the ability of individual companies, are common if the union agreement applies to a whole industry.

Union security provisions, such as closed shop or union shop, are rare. The constitution of the labour federation emphasises freedom of choice in union membership. If there is pressure for membership it comes from employees rather than from the provisions of a collective agreement. Union contracts tend to be less elaborate than those in other countries, notably the USA, since so many working conditions are already regulated by law.

Union policy in wage bargaining is focused on securing for workers a fair share in the growth of the economy; and on using the collective union strength to lessen the spread between low and high wage earners (solidaristic wage policy).

Works Councils

Shop stewards, elected for terms of three years, function in most enterprises as the first level of the union hierarchy. During their term of office they cannot be dismissed, or otherwise discriminated against, for any activities in the exercise of their duties. Their rights range from mere consultation on some matters to joint decision making. They have minority representation on management boards of companies, monitor management's compliance with collective agreements, and may negotiate supplements to union contracts. Changes in plant locations or in plant organisation have to be discussed with the appropriate shop stewards as have plans for reductions in the labour force.

Union stewards are allowed two weeks paid annual educational leave for attendance at training institutes designed to prepare them for their many-sided duties. They may, if they wish, take a year off without pay, to participate in more substantial training programmes.

Labour Courts

Individual disputes between workers and employers are handled by the Labour Courts. They are composed of one judge and two lay persons, one each from labour and management. The procedure is quick, informal, and competent. Disputes between shop stewards and management go to an Arbitration Court. Government arbitration and mediation machinery is available for other disputes between labour and management but is seldom used, the parties preferring to settle disputes without government interference.

Labour Organisations

Until 1934 trade unions in Austria were split along religious and political lines, i.e. catholic and protestant, socialist and communist. In 1938 all unions were outlawed and

went underground. Many of their leaders were imprisoned and/or sent to concentration camps. There they reflected on their fratricidal struggles and discovered that what they had in common was much more important and significant than what had separated them. They were determined to avoid the errors of the past and work towards the establishment of one unified trade union movement, should Austria's independence be restored.

The opportunity came with the end of the war in 1945. Since then the ATUF is the only legitimate union organisation in the country open to all wage earners irrespective of their political or religious beliefs. As of December 1979 it claimed 1,641,475 members, about 60 percent of the eligible labour force. Of these 489,901 were women, some 100,000 were young people between the ages of 14 and 18, 763,241 were blue-collar workers, and 346,029 office employees.

The ATUF is highly centralised and organised along industrial lines. It has only 15 affiliates. Most of the powers are lodged with the central federation which makes all major policy decisions, controls all income from dues, and administers the strike fund. Dues vary from one percent to two percent of income. The union federation provides all members with free insurance in case of accidents and death away from the workplace, and burial expenses.

Although the union federation is now politically neutral, union leaders are free to be active in politics as individuals. Many Members of Parliament are union members, many union leaders are Members of Parliament. The President of the ATUF, a member of the Socialist Party, is currently also serving as President of Parliament.

Austria's union concerns transcend the traditional role of unions in promoting the economic and social interests of workers. The ATUF considers itself a partner with both government and business in assuring the political and economic stability of the country. Its activities and influence extend to every aspect of public life, including foreign affairs, defence, credit and tax policies, foreign trade, city planning, environment, fiscal and monetary policies, and antitrust and antimonopoly legislation. It shares fully the responsibility for a prosperous and productive economy as a vital condition for further improvements in the standards of living of all people.

The affiliates of the ATUF and their membership, in 1979, are set out in the Appendix.

Chambers of Labour

A unique institution, peculiar to Austria, serves as yet another level for the protection of wage earners. The Chambers of Labour, one in each of the nine provinces, are semi-governmental bodies to which all employees must belong. Their operations are financed through a level of one-half percent of wages and salaries, deducted from pay, along with the contributions for social insurance. The Chambers collect information and statistics in the field of labour; they sponsor education, vocational and cultural programmes; they employ a staff of over 150 academicians to assist trade unions in collective bargaining and in formulating major economic and social policies; and provide workers with free legal advice on in-plant and out-of-plant problems. Finally, the government is committed to consult with the Chambers of Labour on any legislation under consideration in Parliament which may affect employees.

General Assemblies, elected every five years by all employees in dependent employment, govern the affairs of the Chambers of Labour. Its members are either trade union officials or shop stewards. Thus the policies of the Chambers are invariably closely in accord with those of the trade union.

Employer Organisations

The Association of Austrian Industrialists (AAI) is a voluntary organisation of business to which most industrial enterprises belong. The organisation is a very influential and powerful voice for management with government and the public. It has a small staff, competent in economics, trade policies, tax matters, patents, grade labelling, etc. Unlike

the ATUF, the AAI does not engage in collective bargaining, having ceded that role to the Chambers of Commerce.

The Chambers of Commerce are the counterpart of the Chambers of Labour and preceded them historically. All enterprises (except in agriculture, which have their own agricultural chambers) must belong to the Chambers of Commerce. They advise government on all economic or social legislation impacting on the interests of business. They advise management on all aspects of their business operation, provide a variety of services and negotiate and sign collective agreements with trade unions on behalf of management. There is a Chamber of Commerce in each of the nine provinces. Their activities are financed by a tax determined by the amount of the corporation taxes paid by employers. Membership is also obligatory for the nationalised industries.

The Chambers of Commerce are governed by boards elected by members on the basis of lists compiled by the political parties. They work closely with the AAI. Many officials of the latter double as representatives of the former in discussions and negotiations with government and unions. Membership in the nine Chambers of Commerce is estimated at more than 300,000 enterprises.

Economic and Social Partnership

Since the end of World War II, labour and management in Austria have developed a remarkable partnership, as part of the effort to reconstruct the economy. The partnership is, in fact, a trilateral relationship, since the government is an integral partner in the arrangements, though it keeps in the background intervening only if called upon in difficult situations by either management or unions.

Like the unified trade union structure which emerged after the war, the partnership between the two major interest groups owes its impetus to the fact that many of Austria's business and union leaders shared the same fate of persecution and internment in Nazi concentration camps. There they decided that their divergent economic interests would not stand in the way of peaceful and democratic solutions to mutual problems.

The partnership started in 1947 when, at a time of serious inflationary pressures, the Federal Chamber of Commerce and the Union Federation agreed on a policy of wage and price restraint. Annual understandings were institutionalised in 1957 with the adoption of an incomes policy, which has defied conventional wisdom and endured until the present. It is given much of the credit for the very impressive economic progress of Austria and the harmonious employer employee relationships.

Incomes Policy

The instrument for the implementation of Austria's incomes policy is the tripartite Joint Commission on Wages and Prices. It is composed of two members of each of the AUTF, the Chambers of Labour, Chambers of Commerce, and Chambers of Agriculture. The Prime Minister, as well as the Secretaries of the Interior, Trade and Labour, are also members but, by their own choice, do not vote. The Joint Commission has the final word on wage and price changes.

The procedure is simple, flexible and informal. All wage demands of unions, are first screened by the Central Union Federation's Committee on Wage Policy, for their likely impact on the economy (i.e. prices, productivity, exports, employment, balance of payments), and their compliance with the "Co-ordinated Wage Policy" of the federation, notably its concern for the relative improvements of the lower income groups. If acceptable on both grounds, the union's proposal goes to the Joint Commission's subcommittee on wages at a date and priority determined by the Central Federation. The subcommittee has eight members, two each from the four organisations and meets every two weeks. It has six weeks to act on the matter. Decisions have to be unanimous, otherwise the case is referred to the Joint Commission which must act within five weeks. It may return the matter to the subcommittee and do so several times.

The procedure for price changes is similar. Requests from companies are channelled through the Chambers of Commerce which act as a first level of review and determine whether the case should go to the price subcommittee and in what form. The Price Committee, like the Wage Committee, must act, unanimously, within six weeks. If no decision is reached the Joint Commission has five weeks to settle the case. Labour and management have agreed that price increases will be allowed only if justified by higher costs, which cannot be made up by better technology, better organisation, increased sales, or improved productivity. Favourable market conditions, such as strong internal or external demand, are not accepted as valid reasons for price increases. Exempt from the jurisdiction of the Joint Commission are imported goods, fashion articles, restaurant food, and some goods still under government control including basic foods, energy, and public services.

The requirement for unanimity on all decisions forces the parties to search for acceptable compromises. Problems that defy solution by the Joint Commission go to the Presidents' Conferences (i.e. meetings of the Presidents of the four participating organisations, scheduled at irregular intervals). It is there that much of the give and take occurs and final compromises are reached. Background information is exchanged between the staff of the four organisations prior to meetings of the subcommittees and/or the Joint Commission. Not infrequently, the staff will agree to reject or approve a proposal, or suggest a possible compromise. Occasionally, there is a trade-off between wage restraint and tax relief. Several times, since the initiation of the incomes policy, unions have negotiated with the government a reduction in the progression of the income tax as a condition of moderating their wage demands. Once, in 1976, the unions offered to forego tax relief if the government would use the funds saved to expand badly needed social services, such as housing, hospitals, kindergartens, and urban transportation. The government readily agreed.

Enforcement

The Austrian incomes policy is voluntary (Mire, 1977). Management and unions are free to quit the Joint Commission at any time. It has no legal status, no guidelines, and no power of sanction. There has been no legal limit on the right to strike or to bargain collectively. Yet, the Joint Commission has been able to make its decisions stick, largely because of the power which the central organisations of labour and business have over their constituents and affiliates, as well as the determination of government to support decisions of the Joint Commission. The latter is very effective since the government has broad powers in the economic field and is also the largest purchaser of goods in the country. It will not recognise wage or price increases which exceed those approved by the Joint Commission.

Nor has the Joint Commission been a haven for bureaucrats. It has no staff of its own and no budget. A few people in the office of the Prime Minister handle administrative matters. All other staff work is provided free by the four member organisations.

Appraisal of Incomes Policy

It is difficult to measure, statistically, the impact of the incomes policy since it is impossible to gauge what would have happened had there been no Joint Commission to pass on wages and prices. However the following facts stand out:

- (a) Real economic growth during the period of wage and price restraint has been at four to five percent annually, as good or better than that of other Western European countries;
- (b) The rate of inflation, as measured by the Consumer Price Index, averaged 4.8 percent for the period 1960 to 1980, again better than most other OECD countries. Wage and price increases which could not be avoided were moderated, or delayed, or spread over longer periods of time. A survey by the International Monetary Fund

- (IMF) noted in Austria "... an irrelevancy of inflationary expectation", by itself a testimony to the success of the incomes policy (Suppanz and Robinson, 1972, p.33);
- (c) Unemployment has been between two and three percent in the 1960s and between one and two percent in the 1970s. It was about 1.9 percent of the labour force in 1978, two percent in 1979, and 1.9 percent in 1980;
 - (d) Real average earnings of workers more than doubled between 1957 and 1979;
 - (e) Strikes, lockouts and other industrial strife, have been almost completely absent. The number of days lost is hardly statistically measurable. All issues are discussed at the bargaining table and negotiations continue until agreement is reached. Management is able to engage in long term economic planning and keep fixed delivery dates, so important for a country so heavily-dependent on exports. For the unions, the absence of strikes has freed funds, which they have been able to use for the building of schools and vacation homes for union members and their families.

Because of its success, the incomes policy no longer aims only at moderating inflation but has become an important tool in the control of the business cycle. It does so in two ways, through conservative approval of increases during periods of boom, but more liberal approval when the economy begins to slacken (countercyclical wage and price policy); and through a wage policy favouring lower income groups as against higher-paid workers. Thus, wide swings in the economy are avoided, investment encouraged, and purchasing power maintained.

The Social and Economic Advisory Board

To carry the social partnership an important step further, the Joint Commission established in 1963, a Social and Economic Advisory Board, composed of labour, business, government and experts from the Austrian Institute for Economic Research. The social partnership is thus extended to every conceivable issue of labour/management relations, including fiscal and monetary policies, investment, taxation, trade policies and labour market measures. Some 300 technicians participate in its work. Its recommendations go to the Presidents' Conferences for their evaluation and decisions on whether they should be passed on for consideration to the Joint Commission on Wages and Prices.

Opinion polls taken at various times have shown that the social partnership has won the overwhelming support of the Austrian people. It has become a "sacred cow" and has survived under three different governments: first a coalition government of the Conservative and Socialist Parties, then a majority Conservative Party government, and now a majority Socialist Party government.

This is not to say that the system of wage and price restraint does not have its critics in Austria. Criticism comes from both extremes of the political spectrum, those firmly committed to the class struggle, and those equally firmly committed to the free operation of the market place. Each represents only small minorities of management and labour. To make sure that workers understand and appreciate the need for the partnership, the trade union federation is spending ten percent of its income from dues – about \$NZ 6 million – a year on educating and informing its membership.

The Future

The outlook for the 1980s is uncertain. Along with the rest of the world, Austria is facing the problem of how to deal with successive oil shocks, and, for the first time, a declining growth rate. The rapid economic growth over the last two decades has allowed a generosity which favoured both a higher standard of living and an absence of industrial strife. The outlook for 1981 is for zero economic growth, an inflation rate of six percent and an unemployment rate of 2.4 percent. Worldwide economic conditions have also worsened, notably those of West Germany, the "Engine of Europe" and the most important trading partner of Austria.

Employment in 1980 was helped by a reduction of two hours in the length of the work week; a reduction in the number of foreign workers; strong demands in the service sector; and continued government subsidies to maintain full employment. Imports in 1980 rose by 17 percent, whereas exports rose by only 10 percent, sharply increasing the trade deficit to 90 billion schillings (\$NZ 6.4 billion). For energy imports alone, Austria spent 50 billion schillings in 1980 (\$NZ 3.6 billion), 50 percent more than in 1979. The increase in the value of the dollar has added to the increased costs of oil. The Federal Government's budget deficit, excluding debt payments, rose from 3.5 percent of GDP in 1979 to about five percent of GDP in 1980. Annual payments for the national debt now amount to 12 billion schillings (\$NZ 857 million). The government has tightened its monetary and fiscal policies in order to reduce the budget deficit. Wage adjustments in 1979 averaged between four and five percent and, in 1980, an estimated 5 to 5.5 percent. In both years workers suffered a slight decline in their standard of living, considering the rate of inflation and increases in social security taxes. In view of the expectation of zero growth in the economy in 1981, it is unlikely that workers will be able to do much better this year.

The ATUF showed itself fully aware that a temporary moderation of wage demands seemed to be the only way to absorb the increases in oil prices if more drastic inflation was to be avoided. It continues to place the maintenance of full employment at the very top of its priorities and it is pressing the government to provide more funds for training, retraining, and other labour market measures. Finally, the ATUF is calling for structural changes in industry to promote exports and reduce imports through the substitution of domestic products. If full employment is maintained, the unions can be expected to continue the social partnership and the policy of wage and price restraint. If this should fail the unions will seek a combination of a shorter work week, early retirement, and more annual paid vacations to offset lay-offs.

Appendix

Affiliates of the ATUF

TRADE UNION	MEMBERSHIP	PERCENT
Clerical Workers	330,122	20.1
Metal, Mining and Energy	271,153	16.5
Construction and Woodworkers	195,927	12.0
Civil Servants	188,625	11.5
Municipal Employees	156,974	9.6
Railroads	117,475	7.2
Post and Telegraph	69,131	4.2
Chemical Workers	64,656	3.9
Textile, Cloth and Leather	63,004	3.8
Food, Drink, Tobacco	45,400	2.8
Hotel, Restaurants and Personal Services	43,137	2.6
Commerce, Transport and Communications	34,368	2.1
Graphical Workers	23,765	1.4
Agriculture and Forestry	21,831	1.3
Art, Media, etc.	15,907	1.0
Totals	1,641,475	100.0

Source: *Wirtschafts und Sozialstatistisches Taschenbuch 1980*, published by Oesterreichischer Arbeiterkammertag, Wien.

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