

National Social Dialogue on Employment Policies: Case Study Austria

Lorenz Lassnigg

National report commissioned by RILSA-Research Institute for
Labour and Social Affairs on behalf of the International Labour
Organisation (ILO)

January 2004



International Labour Organization

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Introduction

A description as well as an assessment of the social dialogue in Austria is difficult at the moment, as the situation is very much in flux. It is clear that changes are going on, but to some extent the situation shifts back and forth and we cannot foresee in objective terms when and where it will end up. Attitudes towards the Austrian social partnership had already changed in the 1990s, under the big coalition of the Social Democratic Party ('Sozialdemokratische Partei Österreichs', SPÖ) and the Austrian People's Party ('Österreichische Volkspartei', ÖVP). Subsequently, the new coalition between the Austrian People's Party and the Freedom Party ('Freiheitliche Partei Österreichs', FPÖ), which started in 2000, has announced "a new way of policy making", part of which was a new critical attitude towards the social partners that led to some severe changes in the institutions of the Austrian social security system. More recently, the social partners seem to have regained some of their former influence, but a prediction regarding their future position in the Austrian political system is simply not possible at the moment.

There are two important assets of the Austrian social partnership, which make an analysis particularly difficult: The first is the complexity and comprehensiveness of the system in the past, constituting dense linkages between the various policy fields (i.e. employment policy and macroeconomic policy) and inhibiting the separate analysis and understanding of a specific field; the second is its informality and dependence on the personalities and personal relationships of the important players in the past, leading to a lack of written material and to a strong underlying "political message" of the statements they give.

The report follows the required structure of chapters given in the project outline. Some words seem feasible for understanding the main concepts and the material upon which the report is mainly based. In the Austrian case – due to the complexity and informality of the social partnership system – the topics of the industrial relations environment (section 2), the institutional framework (section 3), and the procedures (section 4) of the social dialogue are closely interrelated.

We can make a distinction between the industrial relations environment in a more narrow sense, including the issues of collective agreements between employees' and employers' associations, and the broader institutional setting of social partnership as the frame within which the wider processes of the social dialogue take place and which structures the industrial relations. In the section about procedures the focus is laid more specifically on participation in the employment strategy.

The current report draws heavily on a set of recent studies about the various issues required: A study by Pichelmann/Hofer (1999), which was carried out during the course of an earlier ILO project, a study about the social dialogue on training commissioned by CEDEFOP (Mayer/Lassnigg/Unger 2000), the contributions by Traxler and his collaborators about the mechanisms of collective bargaining (Traxler 2003), information provided by various contributions to the EIRO information base (1997-2003),¹ the mid-term evaluation of the implementation of the European Employment Strategy in Austria (BMW-Synthesis 2002), a study about the results of the Employment Strategy at the European level (Schweighofer 2003), and the mid-term evaluation of the ESF interventions in Austria, particularly regarding the Territorial Employment Pacts (Huber 2003).

¹ <http://www.eiro.eurofound.eu.int/2002/country/austria.html>

1. Economic and labour market situation

Pichelmann/Hofer (1999, see also Pichelmann/Hofer/Rosner 1998) have summarized their thorough analysis of the long-term performance of the Austrian labour market in the following conclusions (Pichelmann/Hofer 1999, 1):

- Austria has managed to maintain *unemployment* at a comparatively low level, with very low youth unemployment and low long-term unemployment.
- Austria is a top performer in terms of *employment rate* (highest full-time equivalent employment rate in the EU in 1995). Its shortcomings, however, are the low employment rate among older workers, and the high unemployment of workers before the age of early retirement.
- Austria has quite a dynamic labour market in terms of job turnover rates, mobility of workers and flows in and out of unemployment.

As roughly three-fourth of unemployment were estimated to be due to non-cyclical factors, problems with unemployment were expected to persist without feasible policy intervention. Compared to most other countries, a lower amplitude of the business cycle and a less volatile development of the output gap have been observed in Austria. Consequently, the key labour market indicators have been more stable in the past than in most other EU countries.²

Schweighofer (2003, 100-102) has shown that there has been a relative deterioration of labour market performance during the more recent years. There was a reduction in unemployment between 1998 and 2000, which was, however, subsequently outweighed during the economic downturn. The unemployment dynamic in Austria during the recent cycle has worsened as compared to the cycle 1993, and the decrease of unemployment and long-term unemployment during the period of the employment strategy 1997-2002 was smallest among the EU member states (even as compared to those states which had already had very low unemployment at the outset). The improvement of the employment rate also ranks very low in comparison with the other member states.

Based on the more analytical concepts, the greatest focus of the temporal reduction of unemployment should have been on the structural component. The reduction of the NAIRU was below the EU average. The outward shift of the Beveridge curve from the 1980s did not continue during the 1990s. The "*employment intensity*" of growth was smaller than in the EU, and the cyclical reaction of unemployment remained low (Schweighofer 2003, 101-102).

The comparative figures presented in 'Employment in Europe 2003'³ show that in the overall period 1991-2002 only two out of seven macroeconomic indicators ranked below the EU average: the growth

² An important point made by Pichelmann/Hofer has been the stabilising role of policies in terms of the actors' expectations, which might have had positive effects on investment and consumption (see also Peneder 2001, about investment behaviour and the impact of the "automatic stabilizers", namely the provision of income security and acceptance of lower state revenue) – however, the recent European Economic Review concludes that consumer confidence might have changed as the tax reform has not produced the increase in private consumption that was hoped for, maybe because it was not considered credible by the actors. "The increase in savings can probably be explained by the fact that such reforms were not considered credible, as the strategies to finance them were not well defined or were simply unrealistic, and therefore could not be perceived as permanent, a condition necessary to induce consumers to believe that their permanent income would be improved by such reforms." (EC-DG ECFIN 2003, 33)

³ http://europa.eu.int/comm/employment_social/news/2003/oct/eie2003_en.pdf

of the occupied population and the nominal compensation per employee. During 2001 and 2002 the situation was reversed, as only two indicators ranked above the EU average in these two years: inflation measured by the consumer price index and overall labour productivity. Moreover, the growth of the occupied population went down further in Austria while the average growth accelerated, and the productivity per hours worked also decreased from a figure above average to a figure below the EU average (as compared to the favourable result for overall productivity). For most of these indicators, the projections for 2003 and 2004 predict values very similar to the EU average.

In sum, the Austrian position thus seems to have fallen back from being quite favourable to being merely average. However, the explanations for such a development may be conflicting, one being that some hidden long-term deficiencies that were neglected by policies would now bring their negative consequences to light, the other being that the recent reforms and changes would have led to other than the expected results, at least in the short run. Peneder (2001, 738) has also shown that in a more long-term perspective, i.e. since the 1970s, the positive difference of growth in Austria as compared to the EU has declined from a high value to an average level, and that an important component of the high average growth figures in Austria in a longer term is the lower volatility during the economic cycle, and particularly the comparatively good performance during recessions, which is attributed to “automatic stabilizers”.

Table 1: Economic indicators 1991-2002

Annual percentage growth	91-02	01-02
A Real GDP	2,1	0,9
EU Real GDP	2,0	1,4
A Occupied population	0,4	0,2
EU Occupied population	0,6	0,9
A Labour productivity	1,8	0,8
EU Labour productivity	1,5	0,6
A Productivity / h'r worked	2,0	0,7
EU Prod / h'r worked	1,8	1,0
A Harmonised CPI	2,0	2,0
EU Harmonised CPI	2,4	2,2
A Nominal compensation per employee	3,3	2,0
EU Nominal compensation per employee	3,7	3,3
A Real compensation per employee (private consumption deflator)	1,1	0,0
EU Real compensation per employee (private consumption deflator)	0,9	1,2

Source: Employment in Europe 2003, macroeconomic indicators, calculations by the author

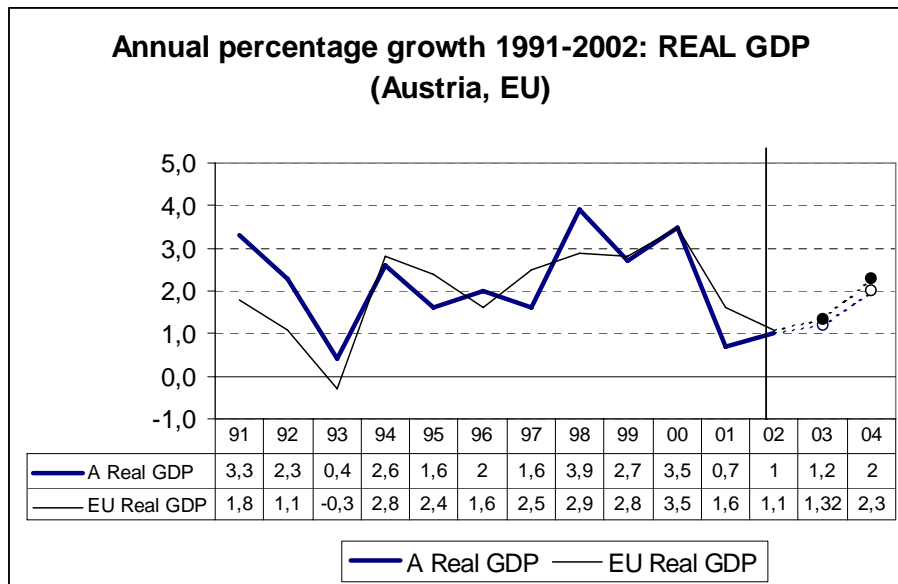
The recent European Economic Review (EC-DG ECFIN 2003) has classified the comparative position of the Austrian economy in terms of overall growth performance since the early 1990s within the group of countries close to EU average (Austria with Belgium, Spain, Denmark, France, and the UK). Two outstanding results are highlighted:

- A very positive development of productivity ranging well above the EU average and even the USA (together with countries from another starting level, such as Greece, Ireland, and Poland), and a reasonable balance of manufacturing and service industries in productivity growth (together with Poland) is contrasted to a notably poor performance concerning the contribution to growth from labour: it is concluded that Austria, together with Belgium, is a country with a most striking labour productivity performance, which is, however, unable to combine labour productivity with high rates of labour utilisation.

- In terms of innovation and flexibility, the Austrian “performance paradox” is implicitly underlined. The ICT share and the level of regulation (by Fraser Institute measure) show below average performance. However, the growth figures are above what would be expected from the level of innovation: The report points to a "group of European countries consisting of Germany, Austria and Portugal which showed TFP growth rates above the rates predicted by their knowledge investment efforts despite below average performances in terms of the combined effect of ICT production shares and regulation. This could possibly be explained by their relatively timid efforts to increase the employment content of growth via labour market reforms. While the contribution of employment to growth has increased in the EU as a whole between the first and the second half of the 1990s, it has declined in Germany and Portugal, with Austria having a zero employment contribution to growth over the 1996-2000 period.” (EC-DG ECFIN 2003, 111)

The report concludes that Austria shows a flexible wage setting performance due to the economic cycle.⁴ Wage growth was stable during the 1999-2004 period, after a pronounced trough in 1997/98. In 2001 and 2003, Austria has had large increases in unit labour costs (as measured against average and volatility in the period 1996-2002). The wage developments in Austria are closely linked to Germany, a significant improvement of labour cost competitiveness is reported for Austria (together with Germany and Greece).

Figure 1: Development of real GDP 1991-2002: Austria and EU average

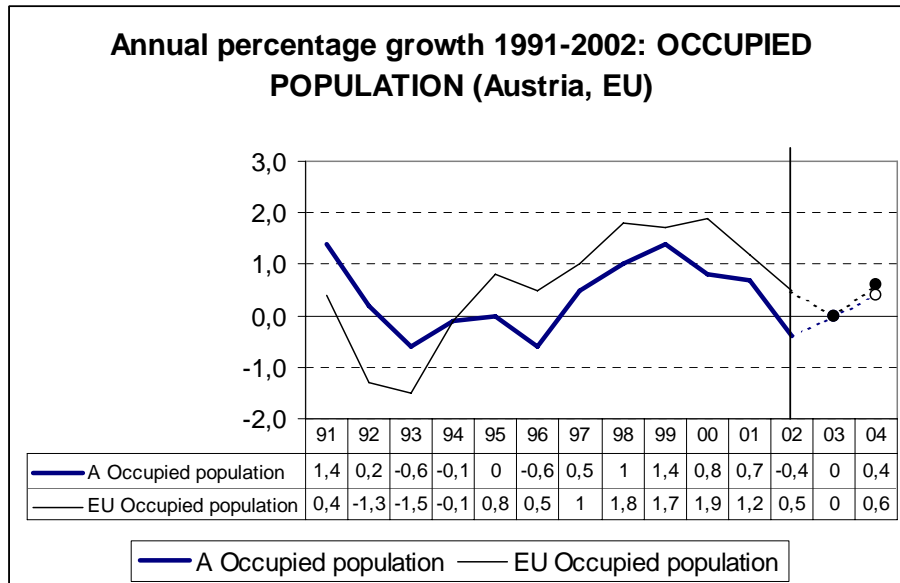


2003, 2004 projections

Source: Employment in Europe 2003, p.202, 205 (http://europa.eu.int/comm/employment_social/news/2003/oct/eie2003_en.pdf)

⁴ Based on Philips curve estimates, the report states: "Relatively low costs of disinflation can be found for Portugal, Austria and the UK, with similar adjustment patterns despite very different labour market institutions." (EC-DG ECFIN 2003, 168)

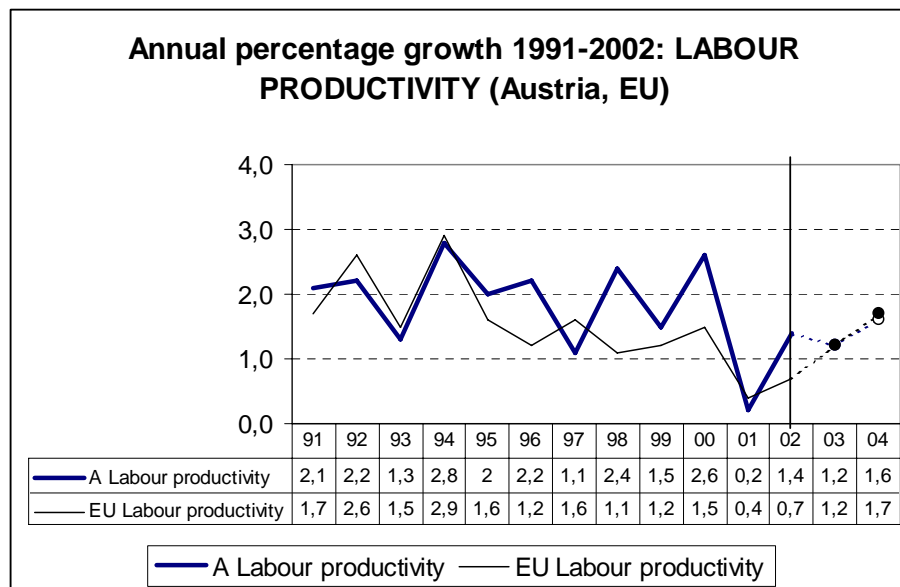
Figure 2: Development of occupied population 1991-2002: Austria and EU average



2003, 2004 projections

Source: Employment in Europe 2003, p.202, 205 (http://europa.eu.int/comm/employment_social/news/2003/oct/eie2003_en.pdf)

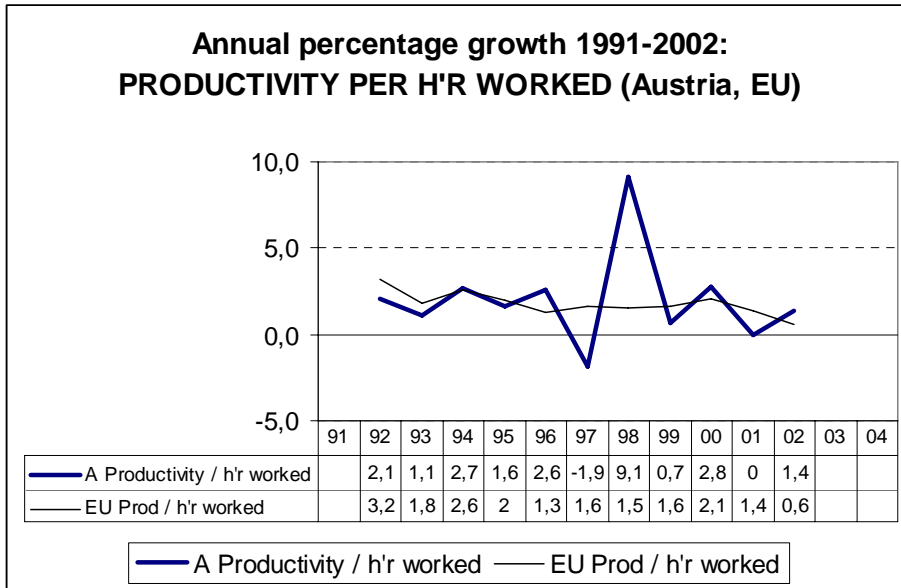
Figure 3: Development of labour productivity 1991-2002: Austria and EU average



2003, 2004 projections

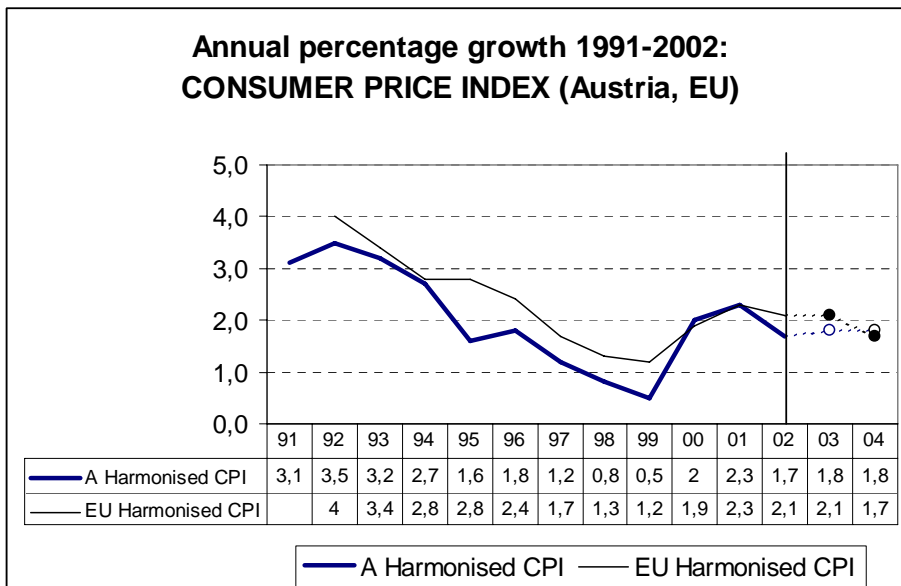
Source: Employment in Europe 2003, p.202, 205 (http://europa.eu.int/comm/employment_social/news/2003/oct/eie2003_en.pdf)

Figure 4: Development of productivity per hour worked 1991-2002: Austria and EU average



Source: Employment in Europe 2003, p.202, 205 (http://europa.eu.int/comm/employment_social/news/2003/oct/eie2003_en.pdf)

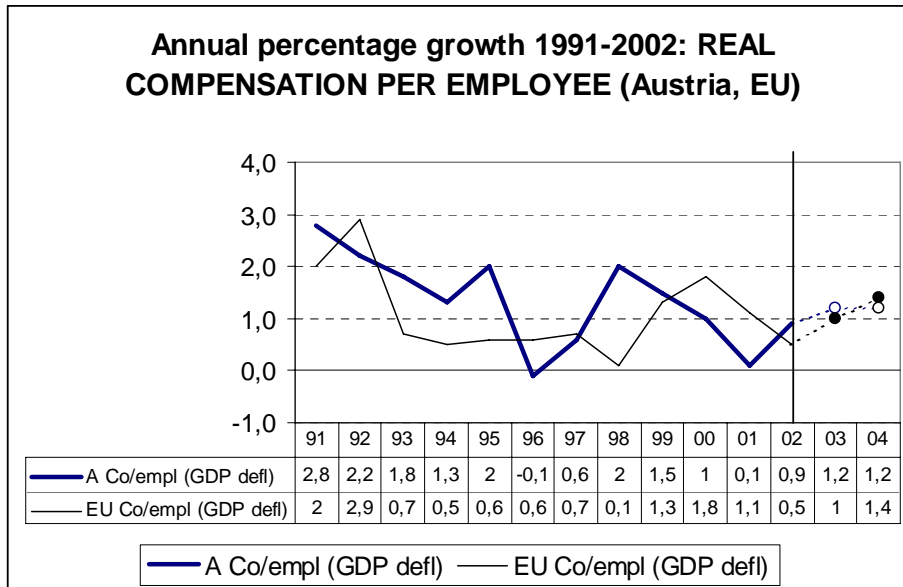
Figure 5: Development of consumer price index 1991-2002: Austria and EU average



2003, 2004 projections

Source: Employment in Europe 2003, p.202, 205 (http://europa.eu.int/comm/employment_social/news/2003/oct/eie2003_en.pdf)

Figure 6: Development of real compensation per employee 1991-2002: Austria and EU average



2003, 2004 projections

Source: Employment in Europe 2003, p.202, 205 (http://europa.eu.int/comm/employment_social/news/2003/oct/eie2003_en.pdf)

2. Industrial relations environment

This section describes the Austrian industrial relations framework in a more narrow sense, particularly regarding the issues of collective bargaining.⁵ This framework must be seen as being embedded in the wider system of social partnership, which is described in the next section.

The setting of wage bargaining is a core element of the procedures of social dialogue in Austria. The income policy as a result of the collective bargaining process is also considered to be the most important factor in the successful economic and labour market development until the 1990s. The principal structure of collective bargaining is regulated by law ('Arbeitsverfassungsgesetz').⁶ Collective agreements include wages and salaries and their components (pay scales, special and additional payments and bonuses, expense allowances), and to some extent several other issues, such as working hours and piece-work, sick leave, terms of notice and termination dates, 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. It must be noted that the framework conditions of working time and social security are regulated by law, so that collective bargaining has limited discretion in those areas, e.g., about reduction of weekly working time, or in case of a legally amended part-time scheme for older workers the concrete specifications might be designed by collective agreement. Increasingly, clauses on training and leave schemes have

⁵ For a short description and analysis, see: <http://www.eiro.eurofound.ie/1999/12/feature/at9912207f.html>; the system is described in more detail by Pichelmann/Hofer 1999, 41-44; see also Biffi/Pollan 1995, Krichmayr 2002.

⁶ See: <http://www.ris.bka.gv.at/bundesrecht/>

also been concluded in collective agreements.⁷ All collective agreements are subject to a peace obligation.

In the Austrian system of industrial relations there have been no statutory minimum wages so far, despite some political debates and some intentions that have been expressed during the more recent years concerning the establishment of minimum wages. Interference of the government or other actors in the wage setting process (e.g., the provision of guidelines or similar proposals by the state) is rejected by the actors in the system of collective bargaining. The collectively agreed wages are legally binding for the (compulsory) members of the involved employers' associations, and they cover union members and non-members alike. This structure automatically constitutes a widespread "extension mechanism".⁸ Two categories of wages are negotiated.⁹ First, the so-called 'negotiated wages and salaries' ('Mindestlohn tarif'), which are minimum rates that set the floor for the effective wages and salaries. The second negotiated category are the 'actual wages and salaries' ('Ist-Löhne'). Both categories of wages and salaries are set out in the collective bargaining contracts, the actual wage clause is a peculiarity of the Austrian system.

Collective bargaining is mainly conducted at a sectoral level, resulting in more than 400 separate agreements annually, most of them covering the whole federal territory, although some of them also pertain to regions or a small number of companies.¹⁰ About half of the dependent labour force is covered by the three largest negotiations. The system also includes strong coordinating mechanisms, which will be described in greater detail in the following paragraphs. The main bargaining partners to conclude the agreements are the sectoral and branch organisations of the Chambers of Commerce and Industry ('Wirtschaftskammern'), which are the legal representatives of employers, and the trade unions on behalf of the employees.¹¹

There is almost universal coverage on the side of employers in the private sector (membership in the 'Wirtschaftskammer' is compulsory, so 98% of the employers and subsequently their employees are covered by collective agreements).¹² The scope of coverage differs between industrial sectors, being as high as 100% in the industry, but lower in some growing private service trades. So far, the unions have been quite successful in the attempt to improve coverage in these employment areas. As an example, Austria's first sectoral collective agreement for temporary work agencies, setting minimum wages for almost 27.000 agency workers, was reached in 2002 after years of negotiations. Furthermore, several collective agreements were signed in recent years for certain branches (e.g., electric power supply, telecommunications, information technology services, and mineral oil production), which include framework regulations relating to telework. Most of these agreements contain rules concerning the place of work, working time, working materials, compensation payments

⁷ See <http://www.eiro.eurofound.eu.int/2002/01/feature/at0201206f.html>

⁸ For further details on the presentation of extension mechanisms, see: <http://www.eiro.eurofound.eu.int/2001/12/feature/AT0112250F.html>

⁹ A third separate category of negotiated wages are the apprenticeship wages ('Lehrlingsentschädigung').

¹⁰ "There is no provision for company level agreements in Austria. Individual legal entities such as the Austrian Broadcasting 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." (Krichmayr 2002, 62)

¹¹ The private interest organisations of the employers and individual companies, except for those that are formally entitled, cannot conclude collective agreements. The Chamber of Labour as the legal representative of the employees has transferred the right of collective bargaining to the trade unions. The ÖGB as the umbrella organisation of the trade unions formally has the authority to conclude collective agreements, it has, however, given that responsibility to the individual unions. See a more detailed description of the organisations in section 3; for an overview of the complex structure of the branch organisations of the WKO, see also: <http://portal.wko.at/portal.wk?AnglID=1&CtxID=15&DstID=0&subcontentparam=AnglID%3d1> and of the trade unions: <http://www.gpa.at/1-index.htm>

¹² In the public sector, negotiations take place between the trade unions and the government representatives.

for extra work or expenditures, and liability provisions.¹³ The first-ever collective agreement for the information technology sector was concluded in 2000.¹⁴ The bargaining organisations themselves have been involved in a comprehensive reform process for some years, which is to some degree concluded at the employers' side, but will last a few more years at the side of the trade unions.

Despite its sectoral focus, the Austrian system of collective bargaining involves a high level of de facto centralisation and coordination.¹⁵ It is processed in a two-tier system, which operates both at the sectoral level and the enterprise level, where the latter agreements ('Betriebsvereinbarungen') have to be concluded within the standards of the sectoral agreements (i.e. they are only allowed to provide better conditions for the employees). This two-tier system is embedded in certain formal and informal ways of coordination, in which the ÖGB¹⁶ as the national branch of the trade unions plays an important part. The relationship between the sectoral and the enterprise level, and the distribution of authority among those levels are under dispute, and there have been demands to increase the weight and responsibility at the enterprise level.¹⁷

In a comparative study, Traxler (2003, 203f) has analysed the coordination mechanisms of collective bargaining in great detail. The bargaining process is coordinated via pattern bargaining as a completely informal process, in which the metal workers' union plays a pattern-setting role. In the overall process of bargaining the individual unions accept some basic standards provided by the ÖGB, which are seen as complementing the mechanisms of pattern bargaining. The ÖGB also determines the timing of wage negotiations. It controls the funds of the individual unions and has therefore considerable power over their actions. As there is a continuous exchange of views between the ÖGB and the employers' association WKO, strong vertical and horizontal coordination mechanisms are in place. The state does not interfere in the bargaining process, and there is no (formal) tripartite or bipartite accord regarding the principles of bargaining. Within the sketched frame, the bargaining process is conducted by the individual unions at the industry level and the Chambers of Commerce and Industry. There are two annual rounds of bargaining, one in the fall and one in spring, and the metal workers' union (increasingly in cooperation with the union for salaried employees) conventionally takes leadership during the whole process, resulting in a rather small bandwidth, within which the sectoral wage increases are settled. The fact that the bargaining process also includes the actual

¹³ See: <http://www.eiro.eurofound.eu.int/2003/01/feature/at0301204f.html>

¹⁴ See: <http://www.eiro.eurofound.eu.int/2000/12/feature/at0012200f.html>

¹⁵ However, Wallerstein/Western (1999, 38) have classified the level of centralisation in the Austrian system of wage setting markedly below the mean of sixteen countries. This may be explained by the informal mechanisms of coordination, which cannot be counted by the quantitative measures. See Traxler 2003, 203. The EU 2003 Economic Review has also analysed wage adjustment processes in more detail. "In Germany and Austria, wage coordination is not formal, as in Belgium, but pattern bargaining is traditionally important, and strong trade union federations (DGB and ÖGB) play a coordinating role. Our analysis shows that in Austria, 'central' sectors, which have strong co-movements with wages in other sectors, are chemicals, refining and rubber, food processing, electronic valves as well as insurance. Metalworking comes out with surprisingly weak correlations. ... The weak evidence for a central role of metalworking ... might be due to wage drift, if companies systematically pay extras to the agreed wage increases, but what influences the other sectors are negotiated wages. Further work is warranted to clarify this puzzle." (EC-DG ECFIN 2003, 185)

¹⁶ See: http://www.oegb.at/servlet/ContentServer?pagename=OEGBZ/Page/OEGBZ_Index&n=OEGBZ_0

¹⁷ See Karlhofer (1999, 39f): In 1996, during the single-table bargaining of the metal industry, an attempt – which was, however, strongly opposed by the metal union – was made by some camps at the employers' side to shift the level of bargaining to the 81 regional guilds. Similar problems occurred during the single-table bargaining of the metal industry in 1998. In 2001, the employers in the electrical and electronics subsector withdrew from the joint negotiations in the metal sector and bargained separately. At the unions' side, the metal workers union and the powerful union of salaried employees have intensified their cooperation.

wage clause (not only the negotiated minimum wages) implies that the unions indeed have a high level of control over the development of wages.¹⁸

The second-tier of bargaining at the enterprise level takes place between the management and the work councils.¹⁹ The latter are firmly rooted in the trade unions, whereby such strong ties can also contribute to coordination. Bargaining at the enterprise level mainly improves the outcome of collective agreements. In recent years, “opening clauses” were sometimes included in the bargaining process, which allow for an exchange of wage reduction for job guarantees.

The main standards for setting wages in the bargaining process have been laid down by the ÖGB (Traxler 2003, Pichelmann/Hofer 1999) as follows:

- macroeconomic growth and aggregate inflation,
- growth in aggregate labour productivity (as contrasted to sector-specific productivity),
- some account of the conditions on the labour market, the balance of payment, and the international competitiveness.

Due to the focus on sectoral bargaining, the organisation reform of the ÖGB might have some influence on the structure of industrial relations in the future, and the attempts undertaken by the employers' side to undermine the given structures are seen by some observers as possible threats to the system.²⁰

3. Institutional framework of the social dialogue

This section describes the wider framework of the social partnership in Austria, referring to some extent to its historical evolution and to various recent changes that are currently under discussion among observers as well as among actors. Austria is frequently portrayed as a political system comprising a dominant corporatist model of interest mediation. The collaboration of the social partners has been particularly pronounced and can be regarded as a decisive element of the political system. Till the beginning of the 1980s, the government left most of the issues related to economic and social policies to the interest associations, who were expected to resolve conflicting points before submitting a draft proposal to parliament. Policy making in these areas was the prerogative of the social partners. The central objective of the economic and social partnership in Austria was to secure social peace by raising the standard of living for wage and salary earners as well as by strengthening the competitiveness of the Austrian economy: until the beginning of the 1980s, the values of full

¹⁸ The European Economic Review points to the high sectoral correlation of wage development in Austria (together with Belgium, Germany, Italy, and Denmark), and refers to the model of pattern bargaining, with a coordinating role of ÖGB (EC-DG ECFIN 2003, 187).

¹⁹ In Austria, one third of the seats on a company supervisory board are occupied by works council delegates; for more information, see: <http://www.eiro.eurofound.eu.int/1998/12/feature/at9812122f.html>

²⁰ For more information, see the following sections; see also the EIRO online sources: 2002 Report about Industrial Relations in Europe, which includes many links to descriptions of specific issues: <http://www.eiro.eurofound.eu.int/2003/03/Feature/TN0303101F.html>; the link to the annually provided EIRO national reports: <http://www.eiro.eurofound.eu.int/annualreports.html>

employment and economic growth were the undisputed binding links of the Austrian social partnership (Mayer 1994). In this context, social partnership as a policy model extended the concept of a social dialogue beyond punctual cooperation and negotiation among employers' and employees' representatives.²¹ The social partners' cooperation in the social partnership system meant that binding commitments needed to be taken on in a broad range of activities, with a long-term orientation based on a common value basis, which included that the trade unions accepted the necessity of profits and that businesses accepted that workers should participate in the increasing wealth.

A specific policy structure had been built up after the experiences of the severe political struggles of the in-between-wars period of the First Republic and the subsequent Nazi-regime, which was due to solve the distribution conflicts between capital and labour, and which was also related to the parliamentary system via the tight relationships between the main organisations of social partnership and the dominating political parties ÖVP (Austrian People's Party) and SPÖ (Social Democratic Party). Cooperation between the social partners and their influence on politics has become institutionalised to a greater extent than in virtually any other democratic state.²² Apart from the state, the main actors in this model are:

- The Federation of Austrian Trade Unions ('Österreichischer Gewerkschaftsbund', ÖGB);
- The Austrian Federal Chamber of Labour ('Bundesarbeitskammer', BAK);
- The Federal Economic Chamber ('Wirtschaftskammer Österreich', WKÖ);
- The Chambers of Agriculture and Forestry ('Landwirtschaftskammern');
- The Federation of Austrian Industry ('Industriellenvereinigung', VOEI).

Employees are represented by the Federation of Austrian Trade Unions and the Austrian Federal Chamber of Labour. The Federal Economic Chamber, the Federation of Austrian Industry, and the Chambers of Agriculture and Forestry represent businesses and those independently employed on the land.

While membership in the Federation of Austrian Trade Unions and in the Federation of Austrian Industry is voluntary, the chambers are public corporations installed by law, they have compulsory membership, and they have the right to comment on government proposals before they are forwarded to parliament (Kittel 2000). Consequently, the financial resources of the chambers are legally guaranteed by means of compulsory dues. As statutory corporations, the chambers are entitled to represent their members' interests intensively, internally they rest on democratic representation and include extensive mechanisms of interest intermediation among the various subgroups. Their sphere of influence ranges from self-governance of the social security system and formal involvement in social and economic legislation to representation in an immense number of tripartite advisory boards (Karlhofer 1996, 121f). A short description of these organisations will be provided in the following.

²¹ See Delapina 2002, and as a contrasting position Prisching 2002, about current issues and perspectives of the Austrian social partnership; see also the page of the Austrian social partners: <http://www.sozialpartner.at/default.htm>

²² This model has some specificity, which is unique to the Austrian economy. Following an OECD analysis, "on both sides of the labour market, there exists a parallel set of voluntary organisations (trade unions, industrial associations etc.) and self-governing incorporated bodies called chambers (Kammer) ... The chambers on each side of the labour market are hierarchically organised with two central chambers for, respectively, workers and employers. In addition farmers have a separate chamber" (OECD 1997, 128).

The *Federation of Austrian Trade Unions* (ÖGB) differs from most trade union organisations in other democratic countries in that it is non-party and highly centralised. Its main tasks consist of the representation of the social as well as of the economic interests of its members and of employees in general in their working life. Different political directions are represented by individual sections within the organisation, the biggest being the social-democratic section. The Federation of Austrian Trade Unions is more than just an umbrella organisation, like Germany's DGB or England's TUC. It was founded before the individual trade unions and it is still the main body representing workers, having retained power of the purse and personnel over the specific trade unions to this day. The structure of the individual trade unions is in a dynamic process of restructuring, which leads to subsequent cooperation agreements and mergers of individual unions.²³

The *Austrian Chamber of Labour* is the statutory interest group organisation of dependent employees with compulsory membership. Particularly important among their duties is the participation in all measures and organisations that affect employment or the economic and social situation of blue- and white-collar workers (KulturKontakt 1996, 128). Chambers of Labour are constructed in all nine Federal Laender of Austria. Members fundamentally include all employees except public servants and white-collar workers belonging to the management. The Austrian Chamber of Labour works closely together with the Federation of Austrian Trade Unions, leaving the responsibility for collective bargaining with the ÖGB,²⁴ and – among its various functions – serving as an important intelligence staff unit. It employs a large number of specialists capable of playing a crucial role in social and economic policy.²⁵

The *Austrian Federal Economic Chamber* is, as the statutory interest association of employers, likewise based on compulsory membership and appointed to defend the common interests of all independent entrepreneurs. Like the Chambers of Labour, the Economic Chambers are also constructed in all nine Federal Laender of Austria. The organisation of the individual Chambers of Economy is constituted of a range of highly differentiated organisations to represent the different branches of the economy (business and trades, industry, commerce, finance, tourism, credit and insurance). Similar to the Chamber of Labour, the Federal Economic Chamber has a large number of specialists at its disposal who may play a decisive part in economic and social policy discussion. Due to the structure of Austrian enterprises, small and medium-size businesses dominate the Federal Economic Chamber.²⁶

The *Federation of Austrian Industry* comprises the rather large industrial enterprises, but also companies from the service sector and many SMEs. Membership in this group is voluntary. Even though this association is not a formal part of the Austrian social partnership, a representative of the Federation of Austrian Industry is always included in the employer's negotiating team in social partnership negotiations, so as to do justice to the often divergent interests held by trade and industry.

²³ See the list of individual unions at the ÖGB page: http://www.oegb.at/servlet/ContentServer?pagename=OEGBZ/Page/OEGBZ_Index&n=OEGBZ_2.7&startElement=1&cid=&cid_query1=&cid_collection1=; At the moment, there are 13 unions and an initiative "infra" for cooperation among seven unions related to infrastructure services, and there have also been intentions to initiate a merger between two of the most powerful unions, the blue-collar Metalworking and Textiles Union ('Gewerkschaft Metall-Textil', GMT) and the white-collar Union of Salaried Employees ('Gewerkschaft der Privatangestellten', GPA).

²⁴ The development of the relations among the employees' organisations are analysed in more detail in Klenner/Pellar 1999.

²⁵ See the Federal Chamber of Labour: <http://www.arbeiterkammer.at/>, and its Brussels office: <http://www.akeu.at/index.htm>

²⁶ The Economic Chamber has a very complex structure, including federal and sectoral subunits, summing up to more than 900 associations through all levels of aggregation. See the page of the WKO: <http://portal.wko.at/portal.wk>, and its English version: <http://www.austriantrade.org/chamberinfo.htm>

Since the main European interest organisations do not accept statutory membership, the Federation plays an important role at the European level (Falkner 1999a, 229).²⁷

The *Chambers of Agriculture and Forestry* represent the interests of those independently employed on the land. They exist only at a provincial level, there is, however, central representation at the Presidential Conference of the Chambers of Agriculture and Forestry.²⁸

The interest organisations' broad coverage of their clients, partly based on compulsory and partly on voluntary membership, is an important asset to the functioning of the system. In response to criticism about compulsory membership the chambers were able to achieve a major success in the mid-1990s: They managed to receive a high level of approval in ballots, in which the members were asked for their opinion on the continuation of the chambers as public interest corporations established by law.²⁹ Compulsory membership is a key issue in the Austrian system, also in juridical and constitutional terms, because it is linked to the concept of professional self-determination (analogous to the self-determination of the local communities), which is constitutive to social partnership (see Falkner 1999a, 229).³⁰

The construction of the chambers as well as the compulsory membership have come under criticism, and signs of gradually declining membership involvement (e.g., declining participation in the elections of the political representatives of the chambers), and processes of reform and reorganisation have been observed since the 1990s. The Chamber of Labour started a major reform process based on a new law in 1992, which also included organisational reforms, and particularly a substantial extension of services for its members.³¹ A new law for the Economic Chamber was amended in 1998. The organisation changed its pension and promotion regulations in 1999 and started major restructuring efforts in 2000, including a severe cut of membership dues of about 30% in 2002, a reduction of staff, and a reorganisation of its departments and subunits.³²

The membership density of trade unions in Austria ranges at a medium level. In his international overview, Auer (2000, 58) reports 37%, as compared to 65-77% in Nordic countries, or 15-30% in southern countries. Taking a slightly different index, Wallerstein/Western (1999, 36) have observed a long-term decline from the 1950s to the beginning of the 1990s in Austria – from 62%, which was distinctly above the mean of eighteen countries, to 53%, which is very close to the mean – and classified Austria as one of the European countries that suffered a marked decline in unionisation (*ibid.*, 4). The trade unions took various measures against the decrease in membership, such as extension of services, cost cutting by organisational reform, and membership drives. The decline became smaller towards the end of the 1990s, and in 1998 the number of young members had started to increase. A long-term reform of the trade unions was initiated at the 1995 congress of ÖGB with a

²⁷ See the Federation of Austrian Industry: http://www.voei.at/index_english.htm

²⁸ See the portal of the Chambers of Agriculture and Forestry: <http://www.agrar-net.at/>

²⁹ Based on a turn-out of 66,6% of the members of the Chambers of Labour and 36,4% of the members of the Economic Chambers, the approval amounted to 90,6% regarding the Chambers of Labour and 81,7% regarding the Economic Chambers (Kittel/Tálos 1999, 106).

³⁰ "Ohne Abstützung auf umfassende, mit PMS (Pflichtmitgliedschaft; L.L.) ausgestaltete Organisationen wäre das System der gesamtwirtschaftliche Relevanz besitzenden Wirtschafts- und Sozialpartnerschaft nicht aufrechtzuerhalten." (Mesch 2002, 70)

³¹ The members' acceptance of the reforms might be indicated by the increase of participation in the 1999/2000 elections for the political bodies of the AK to a level of 49%, as compared to 31% in 1994.

³² There was also a change in leadership and a personal renewal of WKO, which in the view of the employees' representatives has also had consequences for the social partnership, as many experienced persons have retired or lost power. The reorganisation has also affected the economic policy department, which in the past had an important position in the system of social partnership (Delapina 2002, 108).

decision to reduce the number of trade unions from 14 to finally three, covering manufacturing, services, and public service. This process was gradually given impetus by several cooperation agreements, which had been reached among trade unions since 1998, thus increasing memberships to about 250.000 employees.³³ A first merger, between the metal and textile unions, took place in 2000. In 2001, the president of ÖGB presented a proposal to reduce the number of unions from 14 to 8 mainly by mergers. GPA, the largest union with about 300.000 members, introduced a restructuring process in 2000 and has recently approved a planned merger with four other unions in 2005, resulting in a union with about 600.000 members (approximately 40% of all union members).

The Austrian system of social partnership has as its institutional core the Parity Commission, which was originally set up (1957) to control the development of wages and prices. The Parity Commission consists of four sub-committees:

- the Sub-Committee for Prices (since 1957);
- the Sub-Committee for Wages (since 1957);
- the Advisory Board for Economic and Social Affairs (since 1963);
- the Sub-Committee for International Issues (since 1992).

Since the Parity Commission has no legal foundation, its basis consists of a non-binding understanding between the parties, according to a form of gentlemen's agreement. This commission works under the chairmanship of the Federal Chancellor and with the participation of relevant Federal Ministers (more recently, the Minister of Finance has been co-opted to the Parity Commission), but only the four main interest groups are entitled to vote.³⁴ The procedures will be described in more detail in the next section.

The original aim of the Parity Commission was, above all, to keep inflationary price and wage developments in check. Later, in addition to the focus on income policy, the social partners were also increasingly incorporated in the economic and social policy decision-making process. It was not only accepted, but often explicitly requested that decisions be taken by the social partners and then passed on to the responsible state bodies – parliament and government – for the corresponding resolutions to be passed after further discussion and concretisation. This particularly applies to social policy. As changes in social policy, like determining incomes, were increasingly seen as a conflict between labour and management, it was perfectly natural to consent to a consensus of these groups at the state level. This applies to both employment regulations and statutory social insurance arrangements.

The major interest groups were also included in other areas of economic policy, where they represented the specific interests of their members in dealing with the state agencies without committing the state agency to an agreement in advance. Fifty percent of the Central Bank (OeNB) is owned by institutions that are close to the major interest groups. The social partners also hold seats

³³ In 1998, an attempt was made in association with right-wing populism to create a new union competing with the ÖGB. This effort, however, was not crowned by success: "The anticipated application to the Federal Conciliation Office ('Bundeseinigungsamt') for the right to conclude collective agreements (AT9705113N) was never made. No information is available, but it is thought that an insufficient number of members is the reason for the FGÖ's restraint." (<http://www.eiro.eurofound.eu.int/1998/12/feature/at9812122f.html>)

³⁴ There is some debate among experts, whether the Federation of Austrian Industry should be counted as a 'social partner', and some researchers (Kittel/Tálos 1999) hesitate to do so. Nevertheless, the Federation of Austrian Industry plays an important role, especially on the political or 'macro' layer of interest intermediation.

and voting rights in the General Council of the OeNB and are consequently included in the ongoing debate on monetary policy (Pichelmann/Hofer 1999, 46).

4. Procedures of the social dialogue

As pointed out so far, the national social dialogue on employment has been embedded in a wider framework of economic and social policy, including the representation of the social partners in the main institutions of the employment system, i.e. the managing bodies of the social insurance system³⁵ and the Public Employment Service. The procedures of the social dialogue within the complex Austrian system of social partnership are described according to the various levels and institutional frameworks. The following aspects were selected for a more detailed description:

- the overall policy framework, and the institutions of the Parity Commission;
- the Public Employment Service (AMS);
- the European initiatives, particularly the National Action Plans and the Social Funds;
- the territorial employment pacts.

4.1. Procedures in the overall policy framework, and the Parity Commission

The social partners have been included in a variety of policy procedures to promote the interests of their members, to provide their expertise, and to shape political decision-making (Seidel 1996, Tálos 1996, European Commission 1997). The main channels can be summarized as follows:

1. Parity Commission for Prices and Wages (as mentioned above)
2. Advisory Council for Economic and Social Affairs (as mentioned above)
3. Advisory Councils, commissions and subcommittees (as mentioned above)
4. Development of proposals at the pre-parliamentary stage
5. Evaluation of bills
6. Committee work at the parliamentary level
7. Personal interlocking with political parties
8. Personal interlocking with government and parliament

Generally, the establishment of advisory boards, whose task is to give advice to administrative authorities and to present expert reports by the interest groups within the framework of a number of committees and commissions (European Commission 1997, 65), is an instrument widely used in Austria for the preparation of the consensus-building process in the administration. Advisory councils

³⁵ The social insurance system has recently been reformed, taking power from the social partners. However, the constitutional court has subsequently cancelled the law on substantial reasons, and at the moment the social partners are asked to provide a proposal for repairing it.

are one of the institutional forms mirroring the strong influence the social partners have on the Austrian economic, labour market and social policies. Between 1971 and 1987, the interest associations were represented in 223 of such institutions (Bulda et al. 1990). These advisory boards, which were set up on the basis of special laws, are to provide their expert knowledge and experience in advising the authorities and to fulfil the function of explaining and balancing the interests involved in the process.

The procedures of the *Parity Commission* include the following issues: The commission's decisions must be approved unanimously, consequently reinforcing the process of compromise. This commission never had any recourse to direct legal sanction possibilities, but rather expects that the associations concerned with it will maintain a conciliatory attitude by virtue of the authority of their members. Yet in the 1990s, the Parity Commission lost its coordinating function and currently only serves as a discussion forum between the interest associations and the government (Kittel/Tálos 1999). Of the two traditional subcommittees (prices and wages), only the wage commission still functions in that it formally has to consent to bargaining over collective agreements. Price regulation is practically irrelevant. On the other hand, since internationalisation has increasingly become a challenge for national economic policy, a new sub-committee for international issues was established in 1992. In the course of Austria's entry to the EU and the opening of the Eastern market the primary task of this sub-committee has become to evaluate the current international process and to submit expertise and proposals to the Parity Commission (Karlhofer 1996, 126).

The *Advisory Council for Economic and Social Affairs* ('Beirat für Wirtschafts- und Sozialfragen') is also playing a major role in making the process of collective bargaining and overall decision-making work in the broader field of economic and social policies work. Since 1963, the Council, as a kind of joint 'brain trust' of both employees and employers, has been responsible for carrying out research on social and economic policy issues. To accomplish this, the board calls upon specialists from research institutes and universities. The board's aim is to arrive at a consensus on the perception of economic and policy issues. Both sides accept the recommendations of the studies as correct data resulting in a binding interpretation. Since in the 1990s the government had started to take a more active role in policy formation with regard to socio-economic issues, the Advisory Council was even able to enhance its position within the Parity Commission. The Council has developed into a significant consultant of the government but is also a forum for interest intermediation in terms of establishing a common understanding of problems and issues, which is laid down in joint reports.³⁶

4.2. The Public Employment Service at national and regional levels

The Public Employment Service ('Arbeitsmarktservice', AMS) was part of the federal administration until 1994. Then, an organisational reform established a new organization model, which can be described as a mixture of a self-governed body, a funds, and a business company, comprising a two-tier structure of an executive body and a supervisory body at all levels (national, regional, local). The

³⁶ The Council ('Beirat für Wirtschafts-, und Sozialfragen') has produced about three studies per year, including periodic mid-term projections of the public budget. Some more recent topics have been, for example: 'Wirtschaftspolitische Handlungsspielräume' (Room for Manoeuvring in Economic Policy, 1998); 'Beschäftigungspolitik' (Employment Policy, 1997); 'Europäische Wirtschafts-, und Währungsunion – Neue Rahmenbedingungen für die österreichische Wirtschafts-, und Finanzpolitik' (New Conditions based on the European Monetary Union, 1994), 'Wirtschaftsstandort Österreich' (Austria as a Business Location, 1994); for a complete list of studies, see: <http://www.sozialpartner.at/>.

members of the supervisory bodies are nominated by the social partners; at the national level³⁷ the board is tripartite, nominated by the government, the employees' and the employers' organisations.

The activity of the AMS is based on law ('Arbeitsmarktservicegesetz') and governed, on the one hand, by general policy objectives formulated by the Federal Ministry of Economics and Labour.³⁸ On the other hand, it is guided by procedures of management-by-objectives founded on mid-term and yearly priorities formulated by the management bodies of AMS, which are also translated into quantitative objectives. The financing of the activities is strongly based on quantitative indicators. Thus the social partners have a strong institutionalised role in the formulation of labour market and employment policy.

4.3. European initiatives

The social partners are involved in the policy development and in many steering and monitoring bodies of policy initiatives, which are related to the European Employment strategy at the national and the sub-national levels. There is a close interrelation between the interventions within the framework of the European Social Funds, the Community Initiatives, and the NAP. The social partners are members of the monitoring committee of the national ESF Objective 3 interventions and also play an important part in the activities of community initiatives.³⁹

The development and set-up of the National Action Plan for Employment has been particularly important as a framework for the national social dialogue on employment.⁴⁰ The Ministry for Economics and Labour coordinates the NAP, and the social partners contribute via consultation to the development of the national employment strategy. The role of the social partners in the NAP process has been explicitly mentioned from the beginning. In general, the NAP 1998 has formulated their important role as follows: "Employment policy can be successful only if it is supported by all the actors concerned, in particular the social partners, provinces and municipalities, and with the organisational and financial participation of all public bodies. To take account of regional features, there is a need for territorial employment pacts involving the social partners in developing programmes at regional level so that job creation is as effective as possible." (NAP 1998, 2)

In the beginning of the first period of 1998-2002, the social partners defined their position and activities in the course of the employment strategy. There are signs of a reduced role of the social partners in the recent NAP: "... the extent of the involvement of organised labour in the development of the 2002 NAP was essentially reduced to a rather low level. All organisations consulted submitted their views on a draft version of the 2002 NAP. While the employers' associations expressed their satisfaction with the information provided and the reaction time allowed by government, representatives of organised labour would have preferred to be consulted earlier in the process of drawing up the 2002

³⁷ See: <http://www.ams.or.at/neu/ams/1446.htm>

³⁸ The objectives given by the Minister are presented in the following document: BMWa (2001) Zielvorgaben des Bundesministers für Wirtschaft und Arbeit zur Durchführung der Arbeitsmarktpolitik an das Arbeitsmarktservice. Wien (http://www.bmwa.gv.at/NR/rdonlyres/ejnfwgapij6yekn6aqwg5pqrclu2myqddw6krfs3mz7cm5lllidaaxx5k67cisifq6fwhavzs77oa3f/ZIELVORGABEN_DES_BUNDESMINISTERS.pdf)

³⁹ For further details, see the programme planning document of the EQUAL community initiative: <http://www.equal-esf.at/new/en/index.html>

⁴⁰ See the Austrian NAPs 1998-2003:

<http://www.bmwa.gv.at/BMWA/Themen/Wirtschaftspolitik/Beschaeftigung/Aktionsplan/default.htm>

NAP 2003, main document:

<http://www.bmwa.gv.at/NR/rdonlyres/ezuctavdxfnpi5bycphkzuzkugvkmqot4gaiyah2zaetsquynqprqwqikq63grvqs3f6n7x5nl54im/AUT%2b2003%2bNAP%2bEN%2bkorr.pdf>; NAP 2003, appendix:
<http://www.bmwa.gv.at/NR/rdonlyres/es6v6nntgl7kkjbfm7s4jr7syy5adetj43vrbva23hku4oc52ebzl3yyqmyoehf2bbozi6rlv5f7i/AUT%2bNAP%2b2003%2bAPPENDIX%2bEN%2bkorr.pdf>

NAP. ÖGB states that since the FPÖ/ÖVP government came to office in 2000, representatives of labour have been consulted only in written form and there have been no subsequent negotiations on any NAP. As in 2001, the 2002 NAP is not a joint text but was drawn up by government alone and was not resubmitted to the social partners after being completed. Moreover, a WKÖ representative pointed out that – in contrast to the previous NAP – the social partners did not contribute a chapter to the 2002 NAP.⁴¹

4.4. Territorial employment pacts

The Territorial Employment Pacts (TEPs), which were set up between 1997 and 2001 at the level of the nine Austrian Laender⁴² (federal states) and sometimes also at a local or sub-regional level (Huber 2003, 11-16), likewise serve as a framework for the social dialogue on employment. The initial initiative for the development of these pacts was the proposal of the European Union in 1996, which led to the support of four pilot projects. Subsequently, the pacts were designed as an important part of the implementation of the NAP strategy, and expanded to all Laender, mainly on the initiative and support of the Labour Ministry (later: Ministry of Economics and Labour).

The Territorial Employment Pacts, which are mentioned as a core institution for the implementation of the employment strategy at the regional and local levels, have evolved during the first period of the European Employment Strategy as an organisational innovation, which might be seen as an extension of the original structure of social partnership in Austria. However, the social partners are not the main players in these organisations.

Two main, overall aims of these new institutions must be mentioned: The horizontal integration among various policy fields within the Laender (particularly of economic and employment policy), and the vertical coordination of federal policies (particularly employment policy) and policies of the Laender, which are rather autonomous in Austria. The strategic coordination of employment policy also presents an important focus of the pacts. The main players in all pacts are the units of the AMS at the Laender level, the Laender governments, as well as the social partners at that level. Every pact includes these institutions (AMS, Laender government, two from the employees' side and, with the exception of one pact, two from the employers' side) as members. In order to promote the evolution of the pacts, a federal coordination unit for the support and assistance of the pacts was established in the early phase.

In terms of influence, the pacts are dominated by the AMS and the Laender governments, the social partners rank markedly behind these administrative and political institutions. According to a survey among the actors of the pacts, only in two of nine pacts are the social partners ranked as "predominant partners" beneath AMS and government (Huber 2003, 45-47). From the three dimensions taken to assess predominance (intensity of involvement, importance for success, and influence on goal setting), the influence of the social partners was considered to be high mainly with regard to the intensity of involvement and the importance for success. In none of the nine pacts were the social partners ranked as predominant partners at the dimension of goal setting. Thus, their influence at this dimension is for the most part executed through indirect channels, i.e. by being

⁴¹ For further details, see: <http://www.eiro.eurofound.ie/2002/06/tfeature/at0206201t.html>

⁴² The Laender in Austria are regions at the NUTS 2 level.

represented in the boards of the AMS, and by less formalised and more varying mechanisms at the level of the Laender governments.

From their own point of view, the involvement of the employees' organisations is much higher than that of the employers' organisations, and the expectations and benefits mentioned differ as well.

5. Involvement of the social partners in the employment strategy

Referring to Article 3 of Convention 122,⁴³ which has been ratified by Austria on July 27th, 1972, the consultation and involvement of workers' representatives and persons affected by measures of employment policies is largely given in overall terms in the system of social partnership. The complex structures of social partnership have been sketched out above. To describe the involvement in the employment strategy more specifically, the NAP process as a core procedure and its relation particularly to the Territorial Employment Pacts is discussed in the following, mainly on pragmatic grounds of space and available analytic material.

The involvement in the NAP at the national level is already explicitly formulated in the NAP 1998. Especially the following policy areas are highlighted as the responsibility of the social partners: "The efforts already being made to ensure a better distribution of the volume of work by agreements between the social partners will be intensified, one important aim being to reduce seasonal unemployment, especially in the tourist industry. Agreements between the social partners should help to remove existing barriers to mobility by changing the present pay and income structures (lifetime income profiles)." (NAP 1998, 3)

The social partners agreed on a common position to the NAP 1998, which is presented as a specific section of the NAP (NAP 1998, 6-13).⁴⁴ The statement of the social partners includes, firstly, a set of priorities for adaptation and improvement in the area of initial and continuing training, which they are committed to follow in their own policies:

- Further development of apprenticeship training and vocational schools
- Use of the new arrangements known as 'Bildungskarenz' (training leave) and 'Solidaritätsprämienmodell' (solidarity bonus model)
- Achievement of the targets agreed in the AMS 1998/1999 annual programmes
- Increased use of the further education institutions of the social partners

⁴³ "Article 3: In the application of this Convention, representatives of the persons affected by the measures to be taken, and in particular representatives of employers and workers, shall be consulted concerning employment policies, with a view to taking fully into account their experience and views and securing their full cooperation in formulating and enlisting support for such policies." (<http://www.ilo.org/ilolex/english/convdisp1.htm>)

⁴⁴ "The Austrian Government has called on the Austrian Federation of Trade Unions (ÖGB), the Federal Chamber of Labour (BAK), the Austrian Chamber of Industry (WKÖ) and the Association of Austrian Industrialists (VÖI) to take part in work to draw up the National Action Plan. Their jointly agreed contribution is set out below. The Austrian Government welcomes the social partners' contribution and identifies with the aims set out. These will be pursued by means of the measures provided for in the individual guidelines.

GL 4'98 - Agreements between the social partners for training, work experience, placements, improvement of employability

GL 5'98 - Lifelong learning

GL 6'98 - Improving school standards

GL 7'98 - Adaptability of young people." (NAP 1998, 6)

See also: http://europa.eu.int/comm/employment_social/employment_strategy/nap_1998/at_en.pdf

- Further development and market-oriented expansion of this type of vocational training, promoting the high qualification standards of Austria's skilled workers and their deployment in business
- Easing of the transition from work experience placement to apprenticeship (e.g. by crediting of time accumulated) in the interests of ensuring practical relevance
- Development of colleges of higher education geared to existing needs (also for persons already in work) and securing of public funding.” (NAP 1998, 6-7)

Secondly, the main part of the statement includes a set of specific – mainly short-term – measures to improve the transition of young people into employment. Some of these measures were addressed to other actors (state or education system), and some of them were formulated as responsibilities of the social partners themselves.⁴⁵ The proposals were included by the government in the programmes for guidelines 4-7.

The third part of the statement proposes a set of measures to be developed under the guideline 13 (social partners' agreement on modernising work organisation). The measures focus solely on the flexibilisation of working time and are based on a new law from 1997, which requires for the implementation of concrete measures that they are included into the collective bargaining process.

During the subsequent follow-ups of the employment strategy, the involvement of the social partners has remained at the same level, at least in the formal sense of providing consultation in the formulation of the NAP. Yet in the NAP 2002, the original broad approach of employment policy is no longer mentioned, and the overall strategy focuses much more on structural features (particularly on the pension reform and measures aimed at employment of older people, some measures to improve the employment of women, various steps to expand lifelong learning, and a reform of the security regulations at work). There is no longer a separate position of the social partners, and the reference to the horizontal goal of partnership merely contains rather general and indirect indications of the support and involvement of the social partners (see also the section about implementation).⁴⁶

The social partners' contribution is emphasised in general terms in Pillar III, and also in the policy areas of equal opportunities, lifelong learning, quality of work, and company measures for health improvement. A survey undertaken within the context of the European Industrial Relations Observatory (EIRO) emphasises the marked impact of the change of government from the former SPÖ-ÖVP coalition to the new ÖVP-FPÖ coalition in 2000 on the involvement of the social partners in the NAP procedures.⁴⁷ Based on a qualitative survey conducted in the EU member states, the employers' organisations have responded rather positively to the changes, whereas substantial criticism on government policy has been expressed by the employees' organisations. This concerns not only the policy content, but also the degree of their involvement and consultation. On a broader scale, the degree of industrial conflict has also increased since a member ballot organised by the ÖGB in 2001 has brought support for the opposition against the direction of some planned government

⁴⁵ Concerning the aim to provide real training opportunities for the 1998 school leavers, the following measures were recommended: New apprenticeships; wider-access certificate; pre-apprenticeship as a form of special needs training; retaking of lower secondary leaving certificate; work preparation for young persons; AMS schemes in independent training institutions; occupational courses at part-time vocational schools; ending of the ban on repeating school years; more places in medium and higher-level vocational colleges and cutting of drop-out rates; further education institutions run by the social partners; training guidance and arbitration panel.

⁴⁶ The references in the 2003 NAP are even more reduced, which may be partly due to the new formulation of the employment strategy.

⁴⁷ See: <http://www.eiro.eurofound.ie/2002/06/feature/AT0206201F.html>

reforms (e.g., the organisational reform of the social security system, the pension reform, and also reforms of more specific labour market and social assistance regulations).⁴⁸

Thus employment policy is conducted in an overall climate of increased political competition and conflict. However, the political struggle is situated on a rather abstract and aggregate level: "... organised labour is harshly critical of the current employment policy of the FPÖ/ÖVP government, because it takes into account neither organised labour's proposals for an 'anti-cyclical' economic and budgetary policy nor its demand for active labour market policies to tackle the problem of rising unemployment. Moreover, ÖGB representatives blame the government for the increasing number of unemployed people and criticise it for extending the possibility of employing seasonal workers to all enterprises – they could formerly be employed only in tourism and agriculture."

The NAP 2002 emphasises the contribution of the social partners in general terms, and makes reference to their contribution in a number of specific policy issues. "Greater responsibility and autonomy of the social partners are part of the Austrian employment strategy not only with regard to the third pillar but they pervade the entire strategy approach aimed at striking a balance between the interests of employers and employees across all pillars. Hence, opportunities for balancing these interests have been found within equal opportunities and lifelong learning, whereas the new horizontal objective of improving quality in work opens up an additional avenue for active social partner involvement." (NAP 2002, 10) In the NAP 2002, collaboration with the social partners is explicitly mentioned in connection with the following specific issues, which are all more or less closely related to the employment strategy:

- The introduction of a special part-time model developed by the social partners ('Altersteilzeit') was a part of the policy mix to increase employment of older workers (see below Pillar III, guideline 13)
- Based on a social partners' agreement, a reform of the health and safety regulations is mentioned, which ought to reduce the number of work accidents and industrial or occupational diseases; and together with the social partners a campaign was announced, which revolves around the issue of 'plant-level health promotion' with a view to prevention and/or early diagnosis of industrial or occupational diseases. These issues rather pertain to regulatory developments concerning the labour inspectorate under guideline 14.
- Representatives of the social partners have been involved in a project about non-discriminatory job rating and work organisation ('diskriminierungsfreie Arbeitsbewertung und Arbeitsorganisation'), which analyses the differences of women's and men's incomes and possible sources of discrimination.
- The social partners are mentioned as collaborators in the preparatory work for the development of a lifelong learning strategy as part of the horizontal objective. A number of sectoral collective agreements containing clauses on training and leave for training programmes were signed in 2001 (e.g., in telecommunications, in the oil industry, and in the paper and pulp industry). The agreement for the paper and pulp industry stipulates that employees have the right to take a fully paid leave of one week per year to participate in training programmes. This right refers only to programmes that

⁴⁸ For more information, see: <http://www.eurofound.ie/2001/11/feature/at0111201f.html>

are useful for both the employee's career and for the company's operations. In-service training has priority over programmes offered outside the company (these initiatives correspond to guideline 15).

- The social partners are involved in specific programmes to improve young people's transition into employment through education and training and to combat youth unemployment (e.g., a special service centre ('Jugend-Info'), which provides comprehensive information material to young people, or a regional programme 'New Pathways towards the World of Work', or the provision of ECDL in apprenticeship programmes).

Pillar III is mentioned as the main area for the social partners' involvement. It was already argued that, especially at the sectoral level, collective bargaining lies solely with the social partners. As the responsibility for the NAP has been taken at the central level of public policy making, there are no formalised links between the NAP and collective bargaining. However, a number of measures have been taken on most of the guidelines that recommend activities by the social partners.⁴⁹

The following initiatives have been launched under the guideline 13'02 (Modernisation of the work organisation: initiatives of social partners):

- The statutory provisions pertaining to part-time work for older workers allow older employees to reduce their working time without damaging their entitlements to pension and severance pay. The same applies in connection with 'active ageing' (guideline 3). A collective agreement, a works agreement or an individual contract must be reached in order for the scheme to be applied. Agreements have been concluded in several industries and groups of workers. The scheme has proven very attractive. As this increased the costs of the scheme to the state, conditions were tightened.⁵⁰
- In a number of industries (e.g., telecommunications businesses, data processing and IT companies, energy suppliers, banks and savings institutions, and the mineral oil industry) collective agreements have been concluded with regard to telework.⁵¹ These agreements contain rules concerning the place of work, working time, working materials, compensation payments for extra work or expenditures, and liability provisions.
- The framework for flexible working models through collective agreements has been extended to other sectors (e.g., crafts operations in trades and services, Telekom Austria, private hospitals). For instance, the collective agreement covering Telekom Austria employees includes a clause that enables employers to redistribute working time more flexibly over the year.
- The collective agreement for workers of temporary work agencies considerably increases the financial and legal security of temporary workers and presents a successful attempt to improve the quality of work and employment. The agreement sets minimum wages for almost 27.000 workers –

⁴⁹ Rather low levels of activity in this respect can be observed in connection with guideline 7, as well as the guidelines concerning gender equality (guidelines 16,17 and 18). A collective agreement for the employees of Austria's savings banks explicitly refers to the aim of improving the reconciliation of work and family/private life by a general obligation to contribute to equal treatment and equal opportunities for men and women in their enterprises.

⁵⁰ For more information, see: <http://www.eiro.eurofound.ie/2001/10/feature/AT0110203F.html>

⁵¹ For more information, see: <http://www.eiro.eurofound.ie/2000/12/inbrief/at0012235n.html>

mainly male workers in metalworking. The new collective agreement specifies a minimum wage that is applicable even if the worker is not actually hired out to a user company.⁵²

- The collective agreement for seasonal workers in the catering industry allows for the extension of employment relationships in seasonal undertakings up to two weeks based on overtime credits, resp. on leave entitlements acquired and not yet used up by the end of the employment relationship.
- After exemptions from the ban on women's night work had been incorporated in some collective agreements the new night work legislation introduced in July 2002 ended the existing ban on night work for women.

Under the guideline 14'02 (Modernisation of the work organisation: regulatory environment) the social partners have contributed to the development of the new legislation on severance pay.⁵³ Outsourcing of obligations to provide for severance pay to legally independent pension funds is a characteristic of the new scheme. The changes are expected to result in labour market effects in the form of more job mobility among employees. The former provisions had excluded a majority of employees from eligibility for severance payments. Payments under the new scheme, however, will be significantly lower than they were previously. Since the legislator failed to provide detailed regulations relating to important administrative issues, the implementation of the new severance pay scheme has proven rather difficult.

Under the horizontal objective D (Development of a comprehensive partnership between member states and social partners) several additional projects and initiatives are mentioned in the NAP 2002:

- a project, Work and Old Age ('Arbeit und Alter'), which includes a virtual business counselling centre;⁵⁴
- a major campaign to increase women's employment rate was launched by the Federation of Austrian Industry, including competitions, information events, seminars for careers counsellors at Austrian schools, and the preparation of a list of concrete requirements to be met by policy-makers and the industry;
- involvement in the Austrian consultation process on the Memorandum on Lifelong Learning, within which the social partners have been consulted on the development of further lines of action for continuing training;
- raising awareness by means of a campaign by the Austrian Economic Chamber in 2001 about the demographic changes and their impact on the world of work ('World of Work in Flux – Creating Awareness for the Impact of Demographic Changes');
- creation of the so-called pre-apprenticeship ('Vorlehre') to pave the way towards formal apprenticeship contracts;

⁵² For more information, see: <http://www.eiro.eurofound.ie/2002/02/inbrief/AT0202202N.html>

⁵³ For more information, see: <http://www.eiro.eurofound.eu.int/2003/01/feature/at0301204f.html>

⁵⁴ See: <http://www.arbeitundalter.at/>

- efforts by the social partners to update the training requirements for the dual system, creation of new apprenticed trades;
- involvement in the recognition of new or changed bachelor degree courses in higher education.

The Territorial Employment Pacts (TEPs) have been mentioned as an important institutional innovation, which has included the social partners into the implementation of the employment strategy at the regional and local levels. As the NAP 2002 states, the “TEPs systemise the implementation of the National Action Plan for Employment at regional level. They are a binding and programmatic basis for cooperation in labour market policies and programmes, and are being continually developed and updated. The main objective of such TEPs is to achieve a comprehensive partnership among regions and communities to

- identify the employment policy problems, aims and aspirations of all regional and local actors;
- guide all available resources towards a common overall strategy, which is accepted by all the actors involved, meets actual requirements and is defined in the respective territorial employment pact;
- better combine and harmonise employment-promoting activities;
- implement such employment-promoting activities and measures.” (NAP 2002, 13)

The Territorial Employment Pacts are supported as a specific priority area in the national programme for the ESF interventions. Overall, the coherence between the NAP and the ESF interventions is high, although these interventions mainly focus on labour market policy, development of human resources and competencies at the levels of enterprises and initial education and training, measures for the disabled, and equal opportunity for women and men.

Other synergies and linkages of the NAP policy to broader employment-related measures and policies can be emphasised as follows (see also BMWA-Synthesis 2002, 47-50):

- The project e-Austria and, as a part of it, the education- and training-related programme e-fit Austria supports the development and use of ICT at various levels, and various linkages of the ICT programmes are given to NAP measures in all pillars;
- via the e-fit Austria programme, some linkages between employment policy and the education authorities have been created;
- gradual steps towards an increase of R&D activities in Austria are taken in the course of a research and technology initiative, which is to some extent related to measures in the ESF programme and explicitly mentioned in the NAPs;
- several federal policy initiatives beyond the Territorial Employment Pacts but within the scope of the NAP are also explicitly related to regional needs, namely the delivery of ICT programmes, measures for the disabled, and the creation of supply in initial education and training;

- relationships to social policy measures are given at many points of the NAP policy in Pillars I and IV;
- there are also some linkages to environment policy, particularly to measures for employment creation in Pillar II.

The involvement of the social partners in the policies related to the employment strategy is given in many respects, and at many levels, in these initiatives. However, it is impossible to figure it all out in more detail without specific research activities.⁵⁵

6. Roles of the social partners in the formulation, the implementation, and the monitoring and evaluation of the employment strategy

6.1. Formulation

The social partners have been involved in the formulation of the National Action Plans from the very beginning, although the main responsibility for the employment strategy has been with the government.⁵⁶ The national strategy is formulated in rather broad terms, taking into account the reduced action space due to the EMU and the stability pact, in particular. The NAP 1998 therefore explicitly includes the expectation of restrictive effects from fiscal policy, and highlights the reduction of structural unemployment (with reference to the NAIRU) as a main aim of employment policy.

A broad policy approach was formulated with reference to increasing interactions between macroeconomic and microeconomic factors at the national level. The following policy elements were mentioned in the first NAP 1998:

- creation of new occupation and additional jobs in the service sector (e.g., in technology and environmental protection, and non-marketable work, welfare and health occupations);
- measures fostering new start-ups or the expansion of existing businesses, and the development of infrastructure in the broadest sense (e.g., public investment in traditional infrastructure, investment in environmental technology and protection);
- reduction of the costs attaching to the labour factor; a planned tax reform should make the structure of taxes and duties more employment-friendly;
- ensuring a better distribution of the volume of work (e.g., reduce seasonal unemployment, especially in the tourist industry);
- removing existing barriers to mobility by changing the present pay and income structures (lifetime income profiles);
- continuous improvement of the educational system (e.g., improving 'dual system' training and furthering lifelong learning, especially for less qualified workers);

⁵⁵ See the description and analysis of the social dialogue on training in Mayer/Lassnigg/Unger 2000.

⁵⁶ The first NAP 1998 was jointly edited by three Federal Ministries (Labour, Economic Affairs, and Education), the NAP 1999 by two Ministries (Labour, Economic Affairs), and as these two have been merged, the NAPs since 2000 have been edited by the Ministry of Economics and Labour. Measures under the responsibility of the Ministry of Education have also been included in the NAPs until now.

- increasing the number of women in gainful activity as a means of further raising the employment rate (e.g., through women returners programmes and expansion of children's day-care facilities);
- active integration of long-term unemployed and young people into the labour market; a more active approach including improved counselling arrangements for job-seekers and the provision of various active labour market policy measures;
- ensuring that employment measures are not frustrated by foreign labour policy;
- taking account of broader additional factors (e.g., boosting the competitiveness of businesses, a social policy that supports employers and employees in adapting to and in safeguarding them against negative consequences of structural change, and fostering equal opportunities in the labour market);
- new priorities in all public expenditure in order to provide funding for an assertive employment policy, including the use of financial contributions from the EU, particularly the ESF, which cover all the priorities set out in the employment strategy;
- finally, the European Investment Bank measures under the Amsterdam Special Action Programme (ASAP) should be used to make substantial funding available for employment measures.

Despite the broad approach taken in general, the specification and weight of the concrete measures has been concentrated on labour market policy in a more narrow sense. Moreover, a review of the Austrian NAPs 1998-2002 concludes that the main activities have been focusing on Pillar I, whereas only very few activities have been developed under the remaining pillars (Schweighofer 2003, 103). The main actor for the implementation of labour market policy under Pillar I is the AMS, which is governed to a large degree by the social partners.

The procedure of the social partners' involvement in the formulation of the NAP 1999 can be described as follows:

"- The Ministries of Economic⁵⁷ and Social Affairs⁵⁸ (which in the meantime have been merged to the Ministry of Economics and Labour) first contacted the social partners in mid-March 1999, after they had drafted a revised version of the 1998 NAP.

- The following tripartite meeting set out the basic schedule for further work.

- The relevant ministries elaborated drafts on the basis of the talks in the first meeting, where the institutions had the opportunity to present their positions on the 1999 NAP.

- In the course of the following steps of the decision-making process, the social partners were permitted to comment on the Ministries' drafts in writing."⁵⁹

In 2000, the procedure was similar. In 2001, the extent of the social partners' involvement changed somewhat. The employees' representatives have expressed their dissatisfaction, while the employers' associations appear to be more satisfied with their involvement.⁶⁰

⁵⁷ Bundesministerium für wirtschaftliche Angelegenheiten, BMWA

⁵⁸ Bundesministerium für Arbeit, Gesundheit und Soziales, BMAGS

⁵⁹ See: <http://www.eiro.eurofound.eu.int/1999/12/feature/at9912208f.html>

The policy programme drafted in the NAP has been to a large extent a kind of pooling of existing policies and proposals,⁶¹ and some streamlining of priorities towards the European priorities.⁶²

At the regional level, the social partners have turned out to be stable collaborators in the Territorial Employment Pacts. However, the main objective of these pacts is the establishment of closer cooperation between the regional AMS authorities and the regional government authorities, so as to create linkages between labour market policy and the broader policies for regional economic and social development. In addition, they function as an information and networking device, which aims to embed these policies in the broader set of institutions involved in the implementation and delivery of policies, including the social partners and a varying bulk of additional institutions operating at the regional and local levels (see the figure showing the involved actors) rather than as an institution that influences policy making.

Table 2: Actors involved in the Territorial Employment Pacts in Austria 2003 (sum of all pacts*)

Categories of actors ranked by their number	Number of actors
Social partners employers' side	18
Social partners employees' side**	17
AMS	9
Laender government	9
Gender mainstreaming officers	8
Administration for matters of the disabled ('Bundessozialämter')	7
Communities	7
Local pacts from employment	6
Social partners from agriculture	4
NGOs or enterprises	3
Schools	3
Local community delivery structure of employment policies in Vienna (WAFF)	1
Total	93

* number 9 or more means that the respective actor is represented in each of the pacts; number below 9: distributed unevenly among pacts
 ** one regional Chamber of Labour has left the pact

Source: Huber 2003, 39

More recently, some asymmetries between employers' and employees' representatives seem to have appeared, as employees' organisations have shown more involvement and more satisfaction than employers' organisations in the survey. This constellation differs from the national level and might reflect complementary ambitions as compared to the situation at the national level.

6.2. Implementation

The main body for the implementation of the NAP is the AMS. The Territorial Employment Pacts seem to have increased cooperation between the AMS and the regional governments, yet the social partners do not play a major role in the implementation process. According to Schweighofer (2003, 111; see also BMWA-Synthesis, 1), the social partners have not been involved in the implementation

⁶⁰ See: <http://www.eiro.eurofound.eu.int/2002/01/feature/at0201206f.html>; in the 2003 NAP, the asymmetric involvement of employers' and employees' organisations seems to have become even more severe, see: <http://www.eiro.eurofound.eu.int/2003/10/feature/at0310203t.html>

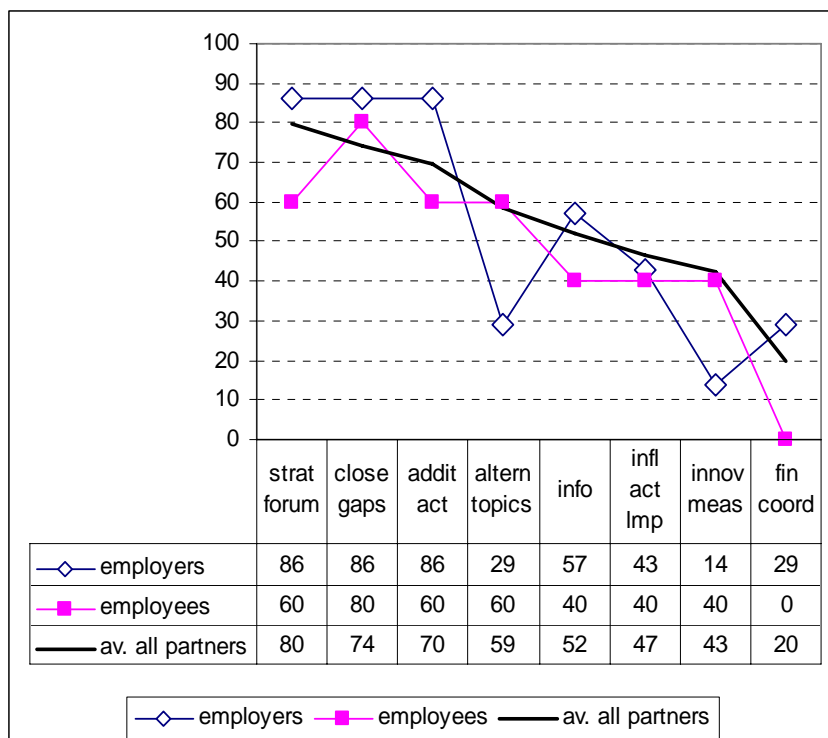
⁶¹ According to Schweighofer (2003, 111), no new ideas had been created in Pillar III during the NAP process: "Während der gesamten Laufzeit des 'Luxemburg-Prozesses' wurde im Rahmen des NAP keine einzige Maßnahme originär entwickelt. Alle angeführten Umsetzungsschritte waren Ergebnisse von Sozialpartnerverhandlungen, die völlig unabhängig vom NAP vonstatten gingen."

⁶² BMWA-Synthesis (2002, 8) have observed especially in Pillar I a stronger emphasis of active labour market policies on the European priorities.

of the employment strategy, but they have rather looked upon the NAP as a responsibility of the government.

The role of the Territorial Employment Pacts has been analysed in detail by Huber (2003). The role of the pacts in the institutional system of the regions, as well as their more specific objectives, were observed on the basis of a survey among the various actors.⁶³

Figure 7: Role of Territorial Employment Pacts (TEPs) in the regional institutional setting expressed by the actors of the TEPs



Legend: Strat forum = Forum for the development and conclusion of labour market policy strategies; close gaps = pacts close gaps in services for target group; addit act = pacts undertake additional activities; altern topics = tackle topics which are not mainstream; info = area for exchange of information among actors; infl act Imp = pacts have major influence on devising active labour market policy; innov meas = pacts develop and implement innovative measures; fin coord = pacts coordinate substantial part of financial means for labour market policy.

Each item was rated by each actor as being or not being an important role of the TEP in the regional environment.

The questions were geared towards the “objective” role the pacts play in the regional environment, although to some extent the answers might also reflect what roles the actors think the pacts should play. The actors rated four items to be very high or high: the role of being a strategic forum for labour market policy, to close gaps for certain target groups, to undertake additional activities, and to tackle topics which are not mainstream. Providing a platform for information, influencing active labour market policy, and devising innovative measures were ranked at a medium level, and financial coordination as an important role of TEPs was ranked very low by the actors. The employees’ organisations tended to give less weight to the roles on average, and there are clear differences to the employers’ organisations. Four roles were rated distinctly higher by the employers: Financial coordination (despite this item having a low value anyway), additional activities, strategic forum, and – somewhat less

⁶³ See the basic information about the data in the annex.

markedly – the role of a platform for information. The employees particularly gave a higher rating to the roles of alternative topics and of innovative measures. Two items were given similar ratings by both sides: closing gaps for target groups was unanimously ranked above average, and influencing active labour market policy was rated below average by both.

Figure 8: Ranking of roles of Territorial Employment Pacts (TEPs) by social partners as compared to all actors

Overall ranking among all actors	Employers' organisations	Employees' organisations
strategic forum Imp	additional activities (++)	close gaps for target groups (=)
close gaps for target groups	strategic forum Imp (++)	alternative topics (++)
additional activities	close gaps for target groups (=)	additional activities
alternative topics	information among actors (+)	strategic forum Imp
<i>Average score all actors</i>	<i>Average score employers</i>	<i>Average score employees</i>
information among actors	influence active Imp (=)	innovative measures (++)
influence active Imp	financial coordination Imp (++)	information among actors
innovative measures	alternative topics	influence active Imp (=)
financial coordination Imp	innovative measures	financial coordination Imp

Source: Huber 2003, 58, figure 6.1; picture and re-calculations by L.L.

If we interpret the ratings as a mixture of the actors' preferences and potentials of bringing their own positions into the TEPs, we can see that the roles ranked high by employees' organisations are more oriented to the provision of specific additional activities, whereas the employers' organisations also give higher rankings to some of the more generalised roles (strategic forum, financial coordination, information).

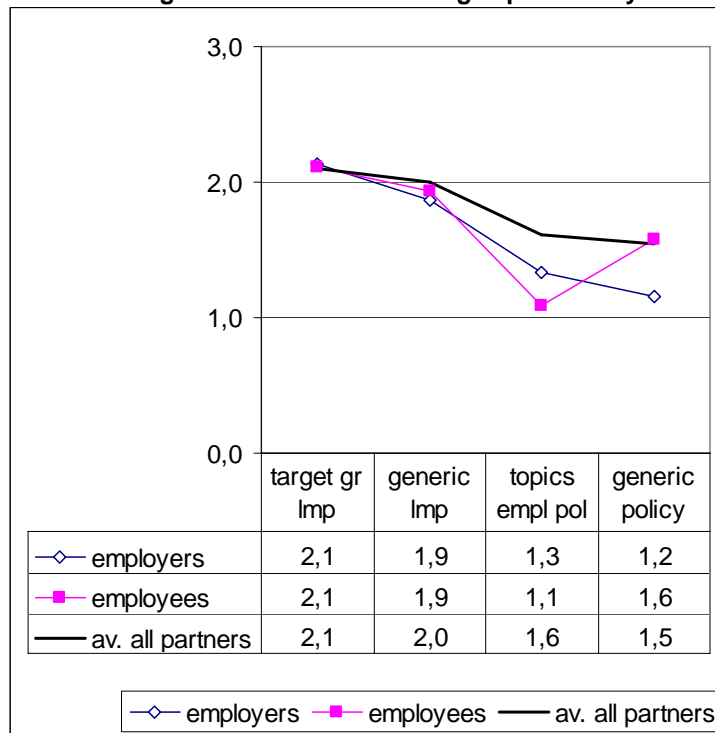
Another dimension surveyed was the contribution of the pact to the more concrete objectives of economic policy. 25 items concerning specific objectives were rated on a scale of four categories, ranking from no contribution (0) to big contribution (3). Different kinds of objectives were assessed:

- some objectives concern generic aspects of policy making or more general policy priorities beyond labour market policy: improvement of cooperation among partners (cooperation), coordination of economic and labour market policy (ecpol-impol), improved sustainability of living (sustainability), support of science and research (support sci-res), support employment potential in science and research (empl sci-res);
- some objectives concern thematic priorities within employment and labour market policy: implementation of EU initiatives (impl EU-init), securing subsidies for the region (sec subsidies), improvement of lifelong learning (lifelong learn), improvement of schools (improve schools), support of entrepreneurship (entrepreneursh), creation of firms (firms creation), employment creation (empl creat);
- some objectives concern the generic delivery structure and mechanisms of labour market policy: implementation of preventive labour market policy (impl prev Imp), improved efficiency of active labour market policy (effic act Imp), implementation of innovative labour market policy measures (impl innov Imp), development of innovative labour market policy measures (dev innov Imp),

improvement of services for specific target groups (target gr), implementation of gender mainstreaming (impl GM);

- some objectives concern the services for specific target groups: combat youth unemployment (youth ue), combat unemployment of older persons (ue older pers), combat long-term unemployment (long term ue), integration of disabled persons into employment (intgr disabled), support of re-entry of women into employment (reentry fem), support equal opportunities of men and women (equal opp ge), integration of women into non-traditional occupations (fem nontrd occ).

Figure 9: Rating of the grouped objectives of Territorial Employment Pacts (TEPs) in the regional institutional setting expressed by the actors of the TEPs

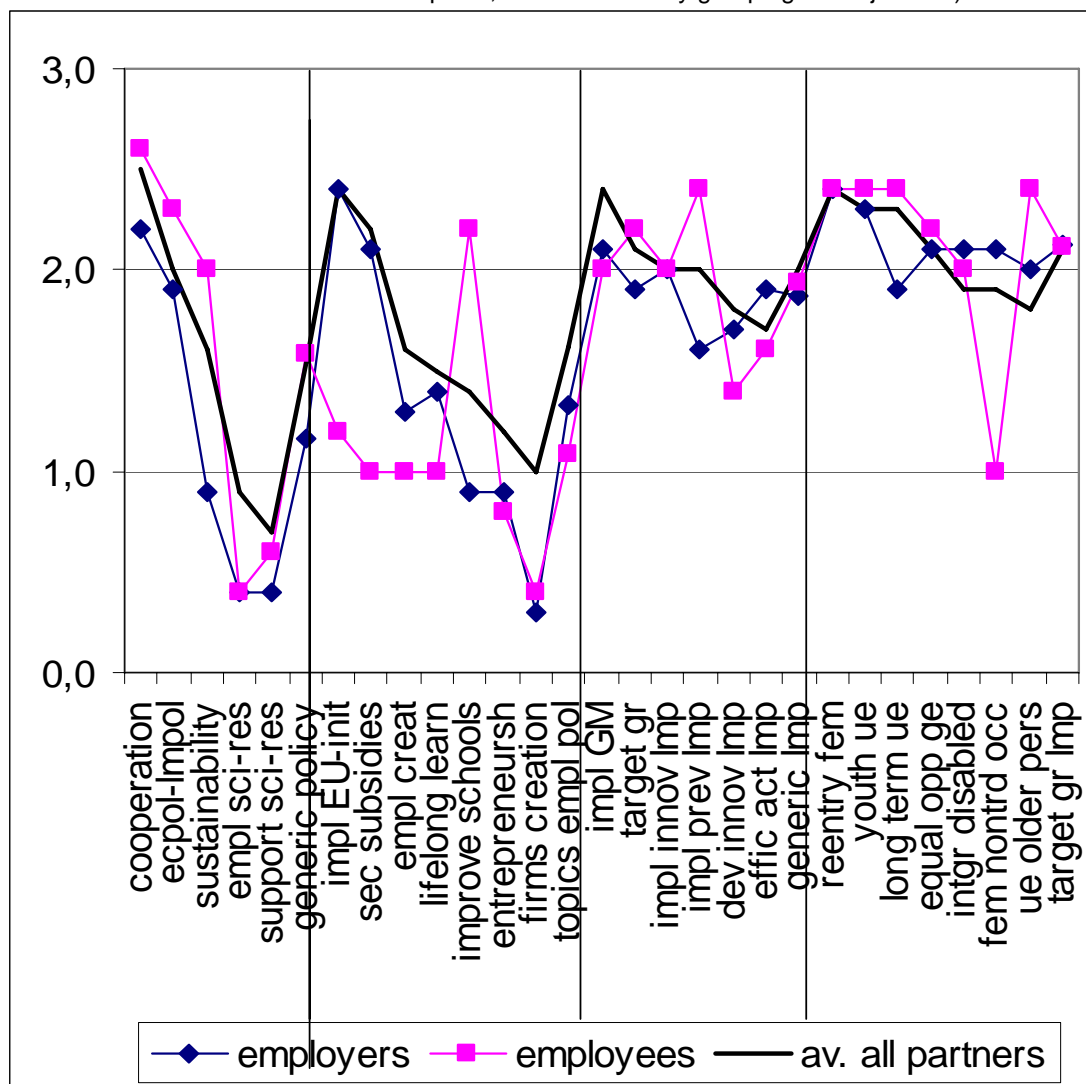


We get a relatively high and unanimous rating for the objectives concerning the policies to improve services for specific target groups, and a slightly lower rating for the generic objectives concerning the delivery structure and mechanisms of labour market policy. The two remaining groups of objectives, which concern the broader topics of employment and labour market policy and the generic aspects of more general policy making, have clearly received a lower rating, and there are also marked divergences among the actors. However, the rankings of specific objectives within the groups of items are not always homogenous.

The items concerning the *topics of labour market policy*, in connection with which the actors were asked to assess the contribution of pacts, were rated below average by both sides of the social partners, whereby the employees' representatives ranked them somewhat lower than the employers' representatives. Four of the seven items (lifelong learning, improving schools, support of entrepreneurship, and firms creation) were rated (almost) without contribution (1.5 or lower), four items show divergences between the social partners (two of those, implementation of EU initiatives and

securing subsidies, were rated high by employers and all actors, but not by employees). In sum, none of these topics was considered to be a clear priority area of the activities of Territorial Employment Pacts.

Figure 10: Rating of the objectives of Territorial Employment Pacts (TEPs) in the regional institutional setting expressed by the actors of the TEPs (sum of all pacts, assessment for individual pacts, items ordered by groupings of objectives)



Rating on a scale between (0) no contribution, (1) small contribution, (2) medium contribution, (3) big contribution of pact to economic policy objectives

Source: Huber 2003, 62, figure 6.3; grouping, picture and re-calculations by L.L.

The average rating of the pacts' contribution to the *generic aspects of economic policy* is even slightly lower than that of the former group. But the constellation of the actors is also somewhat different: The employers' rating is markedly lower than that of all actors and of the employees' representatives (this pattern likewise applies to the single items). One of the items (improvement of cooperation) was assessed as contributing positively to regional policy making (with some lower rating by employers' representatives), the two items concerning science and research received negative assessments by

all groups. The item measuring the key objective of coordination of economic policy and labour market policy was rated average, with a slightly higher rating among employees' representatives than among employers'.

The assessment of items measuring the more specific aspects of labour market policy turned out to have a lot more similarities among the different actors, and the majority of items with high contribution can be found in these groupings. Among the six items measuring the contribution of Territorial Employment Pacts to *generic aspects of employment and labour market policy* three were unanimously rated high (implementation of gender mainstreaming, improving services for target groups, and implementation of innovative labour market policy measures). The contribution to gender mainstreaming was judged to be a bit below average by the social partners. The improvement of efficiency of labour market policy was rated lowest in this category, thus the activity of the pacts seems to concentrate more on implementation than on monitoring and evaluation.

In the fourth grouping concerning the services for target groups only one of the seven items assessed showed a clear divergence among the actors. Four items were rated high (re-entry of women into employment, to combat youth unemployment and long-term unemployment, and improvement of equal opportunity for women), older persons and disabled persons were rated lower as target groups of the pacts. Support for women in non-traditional occupations was ranked very low by the employees' representatives.

6.3. Monitoring and evaluation

Several monitoring procedures for employment policies and the employment strategy were performed in Austria. A procedure to monitor labour market policy is regularly developed within the AMS. As described above, the AMS is basically governed by management-by-objective procedures, and the financial means are to a large extent allocated on the basis of indicators. An extensive system of monitoring the labour market process has been built up during the last decade, based on data about all labour market transactions and all spells of unemployment in Austria. The labour market policy part of the NAP was to a great degree supported by the ESF interventions. On this basis, the monitoring of policy measures has been integrated into the AMS monitoring system.

However, there are hardly any ongoing monitoring procedures on a formal basis for the policy elements that are situated outside the AMS. The year-by-year NAP process has been monitored according to the key indicators, particularly concerning guidelines 1-3. The remaining policies were monitored in a more complex fashion. On the one hand, rather informal judgements were made by the actors during the delivery process and the year-by-year assessment of the NAP. In addition, formal evaluation procedures were commissioned to outside evaluators.

In the early period, two evaluation projects were performed by specialised research institutes (see WIFO/IHS 1998, 2000). The objectives of these evaluations were first to assess the overall impact of NAP policies on employment and the labour market, and second the assessment of specific policy priorities.

The evaluators during this early period were confronted with very tight time frames and insufficient data about most policies outside the core labour market policy issues. Moreover, the NAP procedures

were set up in a very complex fashion, including a high number of specific activities and a very dispersed and complex delivery structure. Hence, the overall policies were rather difficult to oversee.

According to the mid-term evaluation, the strategy was changed and the focus was now being placed on an aggregate evaluation of the policy, based on a micro data methodology. The evaluation provides very strong results about the macro outcomes, although they are rather weak concerning the delivery mode and more specific activities. A formalised methodology was applied, and the social partners are not involved in the evaluation process.

A very ambitious evaluation approach was applied, aiming at an overall assessment of the impact of NAP policies on the demand for and the supply of labour (BMW-Synthesis 2002). An attempt was made to assess each of the four pillars of the employment strategy by comparable measures, which derive from the labour market transactions on a micro level. The data basis for the ongoing monitoring of the labour market was used for the evaluation. The core of the data comprises, on the one hand, employment spells (measured by days in employment) taken from the social security records, and, on the other hand, the data about unemployment spells (measured by days in unemployment) from the AMS. These data include information about individuals as well as about employers. The sequence of employment spells of individuals is available, and each spell is matched to the respective employer. The information about employers includes the employment spells within the firm. Bridges to other data (e.g., census data), giving information about demographic and background variables (e.g., education and training), are included in that data base. The income related to the employment spells is also available in the data.

The basic evaluation approach was to compare the employment changes of individuals, who participated in a measure in 1999 during the sequence from the year before the intervention (1998 as a baseline) through the year after the intervention (2000), to the employment changes of a matched comparison group of individuals, who were unemployed in 1999 and did not take part in a measure in 1999 and 2000. Several procedures were applied to derive from these micro data the aggregate figures of employment and unemployment (measured by the yearly volume), as well as of financial flows. Projections about some aggregate figures were also calculated for the years 2001 and 2002.

The core results presented about the aggregate impact of the employment strategy are summarized in the following figure. The key indicator was the increase of employment, and the evaluation obtained impressive positive results about the impact of the employment strategy until 2000. The study has also established rather clear and specific causal links from the results to certain policies, and it has provided projections for the subsequent years 2001 and 2002. However, the study seems to rest to a considerable extent on "heroic" assumptions,⁶⁴ which cannot be further analysed at the moment for several reasons. Especially the relationship between measures and overall labour market results is established in rather indirect terms. If we take the prognostic power of the estimates for 2001 and 2002 as an indication for the validity of the results, the impact may be considerably overstated. This caveat does by no means lower the worth of the study, rather should it be used as a source of a deepening debate about the employment strategy among the actors. However, this does not yet seem to be the case.

⁶⁴ One example is the definition of the matched comparison group, another is the attribution of the change in the development of firms creation to the NAP measures of Pillar II.

Figure 11: Core estimates from the Austrian evaluation of the employment strategy 1977-2002

- Overall growth effect of 0,55%-points out of total 2,34% growth of GDP per year
- Thereof 0,32%-points resulting from training measures of unemployed persons in scarce occupational fields (Pillar I) and 0,23%-points resulting from the creation of new enterprises related to NAP measures.
- The labour productivity/hour was raised by NAP measures by 0,08%-points out of a total of 1,83%, and the employment volume measured by hours was raised totally by 0,51% through the GDP growth.
- The available labour supply for the additional employment volume is estimated as being provided almost totally by the flexibility measures in Pillar III.⁶⁵
- The high impact of Pillar III is derived from the proportion of part-time to full-time employment among the increase of the total employment volume: The increase of 0,51% of the volume of hours in employment was provided by two thirds by persons working part-time and only one third by persons working full-time.
- It is estimated that the ratio of newly founded firms rose by 1,04%-points out of totally 8,18%, which equals an increase of the number of yearly created firms by 10%. That increase was at least indirectly applied to the NAP measures in Pillar II.
- The impact on equal opportunity of men and women was assessed with mixed results: on the one hand, about ¾ of the additionally employed persons were female, thus additional employment opportunities for women were created; the employment rate of women also increased, slightly reducing the gender gap, and the jobs in newly created firms are held to a higher extent by women than jobs on average – on the other hand, even an increase of the income difference between men and women has been observed, too (the difference in full-time employment increased from 29,4% in 1995 to 30,9% in 2000 of men's income).

Source: BMWA-Synthesis 2002, 50

An alternative assessment of the Austrian employment strategy in relation to the experience at the European level has been commissioned by the Chamber of Labour (Schweighofer 2003). The focus of this study lies on the European level, and the Austrian experience has been analysed in comparative terms by descriptive statistics and the application of techniques, which try to separate cyclical effects from trend effects. The study is very critical of the employment strategy, mainly because the impact of macroeconomic measures is seen as being more important than the impact of structural features. The main argument, which also applies to Austria, is derived from the mid-term evaluation at the European level: it states that the improvement of the employment and labour market situation in terms of output was much higher than the inputs in the course of the employment strategy can justify in quantitative terms. This point indirectly concerns the question of the attribution of results to measures, which has not been solved in the BMWA-Synthesis study.

The social partners don't play a major role in the monitoring of the employment strategy. To some extent they are involved in the debate about the results of the strategy, or some of its elements. However, they do not have any considerable channels at their disposal that would enable them to influence the monitoring.

⁶⁵ "Dieses zusätzlich nachgefragte Arbeitsvolumen konnte angebotsseitig nur deshalb bereitgestellt werden, weil die Betriebe und erwerbstätigen Personen bereit waren, ihr Beschäftigungsverhalten im Sinne der Strategiesäule III zu flexibilisieren." (BMWA-Synthesis 2002, 50)

6.4. The Open Method of Coordination and the role of the social partners

In order to understand the relation between the social partners and the Open Method of Coordination in the employment strategy, we have to make some distinctions. The following aspects seem to be of major importance: Firstly, how is the NAP process related to policy making in the overall system of social partnership? Secondly, how do the changes in the broader policy system affect the cooperation among actors in the NAP process? Thirdly, what has the NAP process contributed to economic and labour market policy making?

At least in its beginning, the NAP process provided a kind of platform for bringing the various activities in the field of employment and labour market policy together, reshaping these activities to some degree towards the European priorities, and also to some extent for thinking about new measures. This kind of pooling particularly concerned the ministries involved, and the AMS. For instance, the ministries responsible for education and training matters developed some cooperation with the employment authorities, and the issues of firms creation and entrepreneurship moved a bit closer towards the questions of job creation for dependent employees. The social partners were involved in this process in the same way as they were involved in those issues anyway. Their main role was to contribute to the formulation of the NAP. In terms of implementation and monitoring, they were involved indirectly via their role in the steering of the AMS, and via the measures that were implemented by collective bargaining (mainly measures concerning flexibility of working time). They also participate actively in the Territorial Employment Pacts, mainly in a supportive role to promote the delivery of measures for certain target groups.

The overall system of social partnership seems to be undergoing severe changes, and at the moment it is impossible to foresee where these changes will end. At present, an appropriate picture for these changes would probably be that of a process of diversification or dissolution. A rather compact and complex system with rather clear channels of functioning is losing some of its holistic character and becoming more fragmented. Different activities become less focused and less coordinated, and the overall system grows to be more complex. Likewise, the role of the social partnership becomes less clear, as the government's attitude has shifted towards maintaining a looser relationship to the social partners, and a more selective relationship to the actors. The involvement in the NAP process is one specific policy line among many others, and the activities in this area might be seen as an attempt to find a new kind of shape or balance in the overall changing system. To make an assessment of the weight of the employment strategy in the scope of these changes seems impossible. The main issue at this policy level appears to be the question of how the allocation of power among the main players (government and political parties, employers, employees) will be shaped.

Within economic and employment policy, the weight of structural measures in relation to macroeconomic policy, which has shifted mainly to the European level, seems to be an important – and at least at the ideological level unresolved – issue, which is particularly emphasised by the employees' organisations. As the overall shape of economic policy making has changed, the policy of social partnership must change as well. If we see the employment strategy as a “turn” towards the structural dimension, we might ask whether the policy of social partnership has also been pushed in that direction.

The answer seems to be no rather than yes. The NAP has mostly collected policies that have already been there before, instead of creating new ones. And, moreover, a new consensus that could be located at the level of structural policies has certainly not been reached via the NAP process. As to the changes at the level of government policy, the social partners have rather drifted aside than developed steps towards a new common policy. They have maintained their relationships in their core activities, namely the industrial relations in the narrow sense (i.e. collective bargaining), but a new impetus in a certain direction is not in sight.

7. Evaluation of the social partners' involvement

An evaluation of a more formal, explicit kind of the social partners' involvement in Austrian employment policies has not been carried out so far. Some studies have touched a few specific aspects of this issue, which will be discussed in the following. An analysis of the longer-term economic performance in Austria (Pichelmann/Hofer 1999) has given an overall assessment of the role of the social partners in the industrial relations. Evaluations of the employment strategy have provided at least indirect appraisals of the role of the social partners in that process (BMW-Synthesis 2002, Schweighofer 2003, Huber 2003). Comparative studies of industrial relations have supplied detailed analyses of the system and procedures of collective bargaining (Traxler 2003).

7.1. Overall assessment of the impact of the social partnership on economic policy

In their economic analysis, Pichelmann/Hofer (1999, 31-33) identified four elements of *macroeconomic policy* in Austria as building blocks of the stability orientation of economic and social policy, which has avoided higher cyclical fluctuations in the past:

- *the hard currency policy*, since long before the EURO the Austrian currency policy has been the fixed pegging of the Austrian currency to the *Deutschmark*, and the maintaining of the stable link between policy-controlled interest rates in Austria and Germany;
- *the employment-promoting wage and income policy*, which was required by the hard currency policy to ensure competitiveness and was not imposed by the government but rather based on a consensus between the social partners, i.e. the unions and the employers' associations;
- *the counter-cyclical fiscal policy*, which has accepted an increase in budget deficits by lower tax revenues and increases of expenditure for compensating public demand in periods of recession, but has also resulted in a rising government debt, an increasing structural component of the deficit, and decreasing room for fiscal manoeuvre due to high interest payments;
- *the preservation of consumer confidence*, as a factor in the stabilisation of expectations, encouraging consumption during downturns in economic activity.

Assessing the reasons for the favourable labour market and employment situation in the past, Pichelmann/Hofer (1999, 1) point to the industrial relations environment as a most prominent factor: “Apart from the macroeconomic orientation of economic policies on the stability goal the most significant factor appears to be wage and incomes policy. In international comparisons Austria belongs to the group of countries with the highest macroeconomic real wage flexibility, i.e. the wage determination process follows more or less the medium-run price and productivity trends and also takes account of the employment situation. The wage setting process is highly coordinated and can be understood only by recognising the sophisticated and long-standing system of social partnership.” The following factors were identified as additional success factors of the Austrian policy mix:

- the apprenticeship system as a factor, improving young people's transition into employment and avoiding too high minimum wages;
- sufficiently flexible regulations for employment protection;
- with some exceptions in the seasonal trades, a system of unemployment benefits that is not particularly generous;
- very high labour supply responsiveness to cyclical employment fluctuations;
- impact of public sector employment on net employment gains.

However, some of these factors were judged as being not applicable on a permanent basis, and severe adjustment needs were expected in some sheltered economic sectors.

7.2. Recent changes in the system

Despite its undoubted success the system of social partnership has also met with criticism regarding the economic efficiency, on the one hand, and issues of legitimacy, transparency and democracy, on the other hand (Auer 2000, 67; see also Mayer/Lassnigg/Unger 2000). In the 1990s, organisational reforms have modified the Parity Commission and the institutions of social partnership (see Karlsrufer 1996, 125f):

- the field of activity of the sub-committee of prices was shifted from price control towards a more pronounced focus on questions of competitive trade and on the observation of developments in the economic sector;
- a new sub-committee for international issues was established, as internationalisation has increasingly become a challenge for national economic policy;
- a permanent working group for environmental questions was set up within the Advisory Board for Economic and Social Affairs;
- the Minister of Finance became a permanent member of the Parity Commission;
- reforms of the organisations representing the social partners have been in process since the 1990s, including polls among the members of the chambers with mandatory membership, and various changes of the organisational structure and the main services provided.

As compared to the post-war years, the social partnership has had to function in a considerably changed environment during recent years. The overall model is therefore confronted with several challenges:

- the room for regulation has actually been reduced by integrating the Austrian economy more closely into the international division of labour;
- competition on the goods markets and consequently on factor markets has greatly increased;
- price regulation has become practically meaningless, which is why the Parity Commission hardly regulates prices anymore;
- much of the regulation is not done in Austria, but is rather taken care of in international agreements in a broader context;
- due to changes in the political behaviour in the course of increased competition for voters the government has increasingly tried to take up a more active stance in policy making and to take away decisions from the social partners (Kittel/Tálos 1999, 102ff);
- the increased pressure at the macro level inclines the social partner organisations to put more emphasis on the requirements of their members, sometimes to the detriment of both their political influence and their ability to convene on compromises (Kittel/Tálos 1999).

The 1999 elections were to some extent highlighted as a kind of verdict about the “Austrian system”, and the results were frequently interpreted as a vote against the social partnership (Mayer/Lassnigg/Unger 2000). Particularly the right wing populist Freedom Party ('Freiheitliche Partei', FPÖ), which temporarily won the second position with 26,9% of the votes and subsequently formed a coalition with the Austrian People's Party ('Österreichische Volkspartei', ÖVP) in the Austrian government, had been a kind of outsider to that system and took a strong position against the “chamber system” and the “chamber state”, and against what they called “political patronage”.

The consequences of this political change for the system of social partnership have been difficult to assess so far, mainly because of the informal and complex nature of the system. There are signs pointing in different directions, as some reforms were initiated by the government, which have severely changed the position of the social partners (e.g., the reform of the institutions of the social insurance system), yet at the same time the social partners are invited to contribute to the policy process, albeit with less influence in the decision-making process. Several analysts have pointed to a gradually changing distribution of the potentials for power and control between the two sides of the labour market, with the employees' potentials coming under pressure by several trends of the economic, the social and the political development.

7.3. Strengths and weaknesses of the involvement

The social partners have regularly been involved in the *formulation* of the employment strategy, and they have contributed their policy proposals from the beginning of the NAP process. This process has been a pooling and to some extent also a re-shaping of existing policies rather than an attempt to develop new policies. During its course, due to the changes in government at the political level, the involvement of the social partners has changed in some respects: it has gradually become less pronounced, and weights and influence have somewhat shifted towards the employers' side.

Responsibility for the implementation of the NAP is clearly taken by the government, with the Public Employment Service (AMS) as a core player. The social partners have mainly been involved in the policies that were implemented by collective bargaining, namely working time flexibility, and they have participated in the Territorial Employment Pacts at the regional level.

The involvement of the social partners in the monitoring and evaluation of the employment strategy has been rather weak. They have mostly been involved in an indirect way, via their participation in the steering bodies of the AMS and in the monitoring committees of the European programmes, particularly the ESF programmes.

7.3.1. Involvement in the formulation of employment policy

The social partners have been involved in the formulation of Austrian employment policy in several respects: on the one hand, in the overall system of social partnership, including the steering of the AMS, and, on the other hand, in the NAP process as well as in the European programmes. Their involvement in formulation has been more pronounced than in implementation and monitoring.

The strengths can be found in the more or less intact communication and information mechanisms, despite the fact that the involvement of the social partners has recently grown somewhat weaker in many respects and at various levels.

The major weakness of the Austrian employment strategy must be seen mainly in two aspects of the NAP. The first is its complexity, as a very broad bulk of multiple measures has been included, which should be implemented by a great number of actors in a rather segmented system. In the background of this structure lies a lack of a concise analysis of the situation and therefore also a certain inability to set clear priorities. The second major shortcoming is the lack of measurable objectives in most policy areas except for the European priorities in labour market policy (guidelines 1-3) implemented by the AMS.⁶⁶

⁶⁶ "In general, the 2002 NAP is an implementation plan rather than an action plan in the genuine sense. It includes and describes a number of policies and measures implemented or adopted in 2001. The drafting of the 2002 NAP followed more or less the same formal practice as in previous years, under which the social partners were included in all areas of the NAP." See also the commentary in the EIRO assessment concerning the NAP 2002: AUSTRIA - Social Partner Involvement in the 2002 NAP (<http://www.eiro.eurofound.ie/2002/06/feature/AT0206201F.html>)

7.3.2. Involvement in the implementation of employment policy

Involvement in the implementation process is most important in the area of collective bargaining, which concerns firstly the effective functioning of wage moderation, and secondly the flexibility of working time. The participation of the social partners in the Territorial Employment Pacts has primarily helped to implement measures for a number of target groups, especially women, young people and long-term unemployed people.

So far, the income policy has been regarded as a strong point of economic policy in Austria, which reflects the overall structure of industrial relations. The system is grossly expected to remain stable, despite some remarkable tendencies to weaken coordination and to shift the focus to the enterprise level.

The rather narrow approach towards working time regulations might be seen as a weakness in the activities in Pillar III, where the social partners' primary task is in the area of modernising work organisation, despite the fact that the mid-term evaluation has given rather positive estimates about the impact of these measures.

It is estimated that half of the budget for active measures has been used within the context of the Territorial Employment Pacts in 2002. The particular contribution of the social partners' participation in the Territorial Employment Pacts to the implementation cannot be determined from the available material. The main forces seem to be the AMS and the regional governments, while the other players mostly play a supportive role.

7.3.3. Involvement in the monitoring and evaluation of employment policy

The small amount of involvement in the monitoring and evaluation of the employment strategy should be seen as a weakness of the overall strategy, and of the practices of social partnership in a broader sense as well. Unlike earlier times, the use of comprehensive analyses of the main obstacles of economic development in order to reach a consensual definition of the situation in the field as a basis for the setting of priorities has considerably diminished.

The need for reforms has been brought forward with much impetus by the government, but a consensual analysis could not be reached. In very few respects of policy formulation is the policy monitoring procedure carried out according to the model of evidence-based policy making. One exception is the labour market policy delivered by the AMS.

The social partners have substantially contributed to some of the reforms, and they have taken different positions on other, controversial ones.

7.4. Effects for the employment strategy

In terms of the broader issues of economic performance, the key contribution of the social partners is considered to be their role in wage determination via collective bargaining. The activities providing more working time flexibility have also been assessed as an important contribution to the improvement of employment performance of Austria.

The question of building a balanced relationship between the broader economic policy and the structural issues of employment and labour market policy remains to be solved. Structural policy elements are relatively small in scope, as compared to the broader issues of fiscal and monetary policy. The amount of active labour market policy, for instance, is rather small in Austria, and the need to extend innovation policy and to strengthen lifelong learning has not been a well-established part of structural policies so far. To a considerable extent the social partners take different positions on the relationship between these different strands of policies, the differences being reinforced by the recent policy shift towards increased party competition at a general level.

In previous evaluations, the effects of the social partners' activities have not been specifically analysed in detail. Different positions have been taken by the researchers. The mid-term evaluation (BMWA-Synthesis 2002) has, in sum, given a positive assessment of the social partners' involvement in the NAP process, albeit without providing a specific analysis of their contribution. Indirectly, however, the strong estimated impact of working time flexibility on additional employment is deemed to be a result of the social partners' activities. The evaluation of the Territorial Employment Pacts has not given an explicit assessment of the social partners' participation. Yet ultimately, the results point to an intensive and stable participation in and support of the pacts, even though no assessment has been made with regard to the effects of this participation. Taking the role of policy promoter in the regional contexts seems to be their main contribution. The comparative analysis of the employment strategy (Schweighofer 2003) has given a very critical assessment of the social partners' contribution to the employment strategy. However, the study takes a specific position on the employment strategy, arguing that the structural policy elements would be overemphasised in relation to macroeconomic, monetary, and fiscal policies at the EU level. In Austria, the question is what the additional contribution of the employment strategy to employment policy could be. In other words: what policies were created in the NAP process that would otherwise not have been put into practice?

The main assessment is twofold: Firstly, substantial additional efforts are recognised in the area of active labour market policies in Pillar I, including the formulation of clear objectives and the provision of a substantial amount of additional investment in this area. However, the effects on the development of more specific labour market indicators turned out to be not sustainable in these analyses, as the situation improved considerably during the economic upturn (1998-2000), but quickly deteriorated again with the downturn in 2001 (Schweighofer 2003, 101-02). As compared to the previous cycles, the increase of unemployment is greater in 2001, and the decrease is lower in 2002. The overall position of the Austrian labour market is still favourable, as compared to the EU level, although the development of key indicators during the last few years is below the EU average, and distinctly worse than that of the EU best performers. Secondly, considerably less activities can be observed in the remaining Pillars II-IV, and the Territorial Employment Pacts are mainly seen as a new delivery structure that would not have changed the substance of policies. Due to this assessment, ongoing activities have found a new framework, but additional contributions in terms of new policies are, in fact,

appraised very low: "Much Ado About Nothing".⁶⁷ Concerning the aspect of equal opportunity of men and women, the contribution of social partners is heavily criticised (Schweighofer 2003, 113).

We may summarize the somewhat conflicting assessments of the effects of the social partners' contribution in the following way:

- In the past, the social partners' contribution had a substantially positive effect on economic and employment policy, mainly via the collective bargaining of wages, which was embedded in a wider consensus about the main policy objectives in a broader sense. More recently, these contributions have somewhat been compromised by the overall policy development, especially with regard to the overall consensus on economic policy objectives.
- The short-term contribution of the NAP policies, and the contributions of the social partners in the area of working time flexibility may have had considerable effects in terms of growth, employment and reduction of unemployment. However, the extent to which these effects can be attributed to the specific measures of the employment strategy remains unclear.
- These short-term contributions do not seem to be sustainable, as many indicators point to a gradual worsening of the comparative employment and labour market position in Austria, which might well reduce its position from one of the top performers in the past to average or less. Still, a clear analysis of this development does not yet exist, and the strong capability of the past system of social partnership to reach a consensus concerning the analysis of the situation and to take action towards a certain strategy can no longer be relied on. Instead, political struggle and ideological polemics about very general issues of economic policy seem to have overtaken the more specific and pragmatic debates about the strengths and weaknesses of the Austrian performance. The main issue to be clarified is the "Austrian performance paradox" (Peneder 2001; see also the European Economic Review 2003), meaning that there appears to be a long-standing gap between the positive economic performance on the one hand and the weak capacity for innovation at the other.
- Despite the fact that gender issues are ranked highly in the policies of the AMS and the Territorial Employment Pacts, both analyses show a poor outcome in terms of the incomes gap between men and women as well as in terms of the sectoral segregation in Austria. One study explicitly points out the social partners' "ignorance" about this issue.

7.5. Constraints and problem areas

Some major constraints result from the overall political development, which has brought the overall system of social partnership under scrutiny. The overall development is somewhat contrary to other countries, as one of the well-established systems of social partnership is in the process of moving towards a less pronounced participation of the social partners in the political process. However, the

⁶⁷ "Es kann ... davon ausgegangen werden, dass der weit überwiegende Anteil der ... Ausgaben ... auch ohne TEPs eingesetzt worden wäre und dass ganz allgemein die zusätzlichen Wirkungen der TEPs als äußerst gering eingeschätzt werden müssen, weil u.a. eine tatsächliche Integration von regionaler Wirtschaftsförderung und Arbeitsmarktpolitik, wenn überhaupt, nur sehr ansatzweise und in einzelnen Regionen gelang ... Damit bleibt allerdings der Eindruck: Viel Lärm um Nichts!" (Schweighofer 2003, 107)

debate about the future role of the social partnership is heavily embedded in the political struggle and competition between government and opposition. Thus, a rigorous analytic assessment of the strengths and weaknesses of the system is more or less superimposed by the day-to-day political struggle and competition for votes.

As outlined above, many arguments indicate that because of broader trends in society and the economy the functioning of the traditional system of social partnership might not be sustainable in the longer term. Some important and influential points of this change are:

- the European integration process and the shift of responsibilities in the area of economic policy to the European level;
- the nation state's and the political actors' decreasing potential to influence the economy and society, and the growing need for justification for and accountability of state activities;
- the shifts towards individualisation and devolution of authority, which undermine the corporate associations' determination of their membership on a very general level;
- the upcoming of several new collective actors of civil society, who compete to some extent with the social partners for influence in the political decision-making process;
- the differentiation and broadening of the political party system, with new players, which have not been included in the system of social partnership (the Greens, and the Freedom Party), gaining influence;
- problems of "lock in", which are typically related to the kinds of closed systems of actors that function on the basis of informal rules and mechanisms and personal relationships among the actors, and which may lead to problems in insider-outsider relations;
- practices at the level of enterprises' organisation shifting towards flexible solutions in many kinds, industrial and business structures shifting towards new, upcoming forms of business organisation as a mixture between entrepreneurship and dependent employment, and, related to this, employers' attitudes shifting towards organised labour in a more adversary or even hostile direction.

When speaking about the constraints and problem areas of the Austrian social partners' involvement in the political process, we have to start with the very general problem of the ongoing change in the basic patterns of the political regime. The assessment of more specific issues depends very much on the framework of reference we choose: do we take the traditional system as a reference, or do we base our considerations on a much looser model of a social dialogue?

In the first case, we need to assess changes in a kind of holistic system, which has been strongly integrated and also balanced in a certain way, and where the various policy elements have been related very much to each other and to the overall system. The outcome regarding the social partners' contribution has to be attributed to the functioning of the overall system rather than to individual policy elements. A good example for this is the assessment of the investment in active labour market policy in quantitative terms. In comparative terms, the amount of investment has ever been low. This can be

ascribed to the fact that broader measures of economic policy have been the main concern in the political system. If we want to assess the involvement of the social partners in the employment strategy from the point of view of the traditional system, the main constraints and problems appear to result from possible changes in the system of industrial relations in the more narrow sense. An important issue in this context is that the employers' attitudes towards the overall system and particularly towards the established practices of collective bargaining may change. One basic argument concerns personal changes in the Economic Chamber, as a new generation of representatives is deemed to be markedly less oriented towards and "socialised" into the system of social partnership than the former generation, and as the organisational units, which had been at the core of the social partnership system, have been re-engineered. At the level of collective bargaining we can observe two important lines of change, the first being that at the employers' side there have been a number of attempts to turn negotiations over to more decentralised units and particularly to increase the weight of individual enterprises, the other line being the process of reorganisation of the trade union structure, which goes in the direction of markedly bigger and stronger union structures and might be seen as a contrary trend to the former. The system of compulsory membership of the chambers at both sides has been reinforced by the polls and has also been underpinned by some successful, far-reaching reforms undertaken by these organisations. However, some criticism still remains and is being reinforced by the fact that organisations with compulsory membership are not accepted as representative social partner organisations at the European level. At the broader levels of policy making, the weight of the social partners' involvement in the policy formation process has been substantially reduced anyway, and their involvement in the Territorial Employment Pacts cannot be seen as a functional equivalent to their activities at the regional level, as their impact on policy development in broader terms is very small. These general policy changes mainly result in the fact that, due to the social partners' tendency to be involved in the political competition between government and opposition at the party level, the formulation of a consensus on a new overall policy strategy, which is based on an inclusive analysis of the situation, and the setting of key priorities for the development of the Austrian economy at the structural level seem less and less possible.

If we take the framework of a looser model of the social dialogue as a reference, then the involvement of the social partners in the Austrian employment strategy is comparatively strong, firstly in terms of the inclusive system of collective bargaining as well as the level of coordination of the bargaining process, and secondly – and also more specifically – in the process of policy formulation within the context of the NAP during the earlier phases. A major weakness might be seen in the unresolved relationship between the different economic policy fields of macroeconomic, monetary and fiscal policies on the one hand, and the more structural policies, touching upon certain interests more directly, on the other hand. Two constraints, in particular, seem to prevail at the level of policy formation: the first concerns the question of how to reconcile the fiscal policies of budget consolidation with the fulfilment of the tasks and responsibilities of the public welfare system, and the second concerns the building of a consensus on the main weaknesses of the Austrian economy in structural terms and the reasonable priorities that ought to be taken in order to improve the business location. The latter questions are reinforced by the close proximity to the new European member states. Because these questions have been insufficiently resolved, the strategy formulated in the NAP has turned out to be a collection of several existing policy elements, and a pooling of these elements towards the European priorities, rather than an attempt to develop a new strategy to anticipate and respond to future challenges. As an example, we may take the two major weaknesses of Austria described in the recent European Economic Review, i.e. the lacking contribution of labour utilisation to

growth, which is related to human resources and lifelong learning, and the low level of investment in human capital and innovation. These key problem areas have not been addressed as integral parts of the employment strategy in visible operative terms.

7.6. Policy recommendations for the social partners and the government

A key question in connection with policy recommendations concerns the overall attitude of all actors towards the future system of social partnership in Austria. A fundamental change seems to be under way, but it appears to be more or less incremental, without clear plans and commitments from the actors and without a rational and pragmatic debate about the pros and cons of the traditional system. The system has undergone several gradual shifts and adaptations negotiated by the actors in the past. Critical stances have been developed since the mid-eighties, but a sustainable perspective of further development has not yet been found by the actors. Moreover, their attempts to seek new perspectives seem to be going in the direction of a substantial weakening of the social partnership rather than towards a renewal of its former power and problem-solving capacity. No steps have been taken so far towards a substantive assessment of the strengths and weaknesses, or the costs and benefits. Therefore, the positions concerning this assessment vary among the actors involved, and as far as there is evidence available, it points to different directions. Very general and abstract arguments from the ideological world of neoliberalism are often taken as a source for discussion, which may on this basis understandably take a rather polarised path.

An overall recommendation to all players is to decide about the strategies for changes to the overall political system on a more rational ground, to enforce a more rigorous analysis of the strengths and weaknesses of the Austrian economy, and to restrain from cheap ideological struggle. This had been said before, but it must also be pointed out that at present this recommendation sounds like a pious hope rather than a realistic alternative. Several signs point in the opposite direction. An open assessment of the positive and negative aspects would be required as a basis for new creative solutions. However, to tackle these questions seriously, a basic cooperative climate would be a necessary condition – maybe too much time has passed to start a process of this kind, and the sum of incremental changes has already cumulated to such an extent that the personal and institutional preconditions for this process are no longer existent.

In view of this situation, we must rather speculate about the improvements that ought to be made by the government and the social partners in the short as well as in the longer term. Considering the present conditions, a differentiation between a short and a longer time scale does not really seem appropriate. There are, instead, some medium- or longer-term issues coming up, which should be sincerely considered in the short term at different levels of activity.

7.6.1. Overall level

At the overall level, the debate about the further development or reform of the social partnership should be carried on more seriously and be based on evidence about the costs and benefits of the

prevailing institutional set-up. There is only a very superficial consensus on the necessary changes, and the assessment of the strengths and weaknesses and the development potentials of the traditional system is quite controversial among the various actors. On the one hand, understandable statements about “sclerosis” and interest-bound “lock in” against reforms have been brought forth (e.g., the issues of pensions, lifelong learning, environment protection, health care, and public spending). On the other hand, some statements about other elements of the system point to its strengths (e.g., incomes policy, successful reforms like the new severance pay regulations). These views on the strengths and weaknesses have, however, had the status of hypotheses rather than evidence so far. The focus of the assessment has been more on the shortcomings of the system, resulting in arguments for dismantling certain aspects of social partnership, than on solutions within a strong system of social partnership – as one critique has pointed out: building a new governance system *instead* of social partnership (Prisching 2002). He has given some general lines of change, which should be taken into account by the actors (less state domination – more flexibility; more diverse interests; less hierarchy – more negotiation; broadening of horizon to the European and international level; reconciliation of state and market; new social policy), and he has sketched some general lines of a new diversified governance system, including multi-level governance, bargaining among state and non-state actors, inclusion of civil society, and interest organisations as part of the civil society. Some investment would clearly be necessary to deepen these debates, and the question arises who could realistically take the role of the investor. At the moment, the employees’ representatives seem to have the strongest interest in a further development of the social dialogue.

There are two other important problems that should also be resolved on that overall level. The first concerns the reconciliation of macroeconomic issues and structural policy issues, particularly on the employees’ side. Schweighofer (2003) has posed this question most directly, albeit with a certain tendency to downplay the structural side. There doesn’t necessarily have to be a contradiction between the challenge for a stronger European policy at the macroeconomic level on the one hand and a comprehensive structural policy at the national level to provide the necessary supply conditions for economic growth and social inclusion. The second issue concerns the Austrian performance paradox, and the further clarification of the need to bring innovation and lifelong learning into the overall strategy of employment policy. Peneder (2001) has made a strong case for the development of a strategic orientation of structural policy by providing some evidence for a declining impact of the traditional Austrian strengths because of the end of the catching-up process and the declining economic policy discretion at the national level.

With respect to innovation policy and the development of lifelong learning, various steps have already been taken, mostly by the government. However, these steps do not go far enough and a considerable amount of work is still required to develop the strategies in more concrete terms, and to set steps for their implementation, particularly by raising the necessary means. It is recommended that the social partners participate more strongly in these activities.

According to the concept of lean corporatism (Traxler/Blaschke/Kittel 2001, Traxler 2000), one of the thresholds of a successful functioning of economic coordination is the social partners’ participation in broader issues of political decision-making and not only in incomes policy. The social partners as well as the government ought to keep up this kind of cooperation in a more stable way than they have appeared to do in the recent past. At least in terms of employment and social policies the social

partners' involvement has rather been strengthened by the European policies (Falkner 1999b, Falkner/Leiber 2003).

7.6.2. Formulation

Concerning the policy within the framework of the NAP, the complexity of the overall strategy and the lack of clearly formulated priorities, as well as the formulation of measurable objectives in terms of inputs and outcomes, have been identified as problems. Although the proposal for the NAP 2003 has been reduced in terms of complexity, the character of an "implementation plan" has not been changed and the policies have been formulated even more loosely than before.

Some of the priorities set in the work programme of the European social partners, which have also been highlighted by the Austrian employers' representative, have hitherto been rather weak action priorities in Austrian employment policy, particularly the ageing workforce and lifelong learning.

In accordance with the recommendation to perform a more thorough analysis of the strong and weak points of the Austrian economic and employment system, the formulation of the NAP should be geared towards an action plan, which would include firstly a set of strategic priorities for structural policy, and secondly a formulation of measurable objectives and policies realistically intended to meet them, particularly taking into account the various issues of innovation policy and the development of a lifelong learning strategy.

7.6.3. Implementation

At the level of implementation, various benefits of the inclusive and coordinated system of collective bargaining have come to light, which should be underlined and clarified in order to further stabilise that system. The existence of a system of collective bargaining beyond the level of enterprises is seen as the most important threshold for the functioning of lean corporatism (Traxler/Blaschke/Kittel 2001, Traxler 2000). Hence a substantial change of the Austrian system of industrial relations, and the overall functioning of the social dialogue can be predicted, if the attempts for dismantling this system were successful. The actors are strongly encouraged to think over this issue very thoroughly.

The negative development of equal opportunities of women and men particularly in terms of income and occupational segregation came out as the result of problems in implementation. The social partners should take this issue more seriously, and especially try to reduce the incomes gap and improve the provision of additional employment opportunities for women.

The position and influence of the social partners could be enhanced and stabilised by a stronger strategic role of the Territorial Employment Pacts.

7.6.4. Monitoring

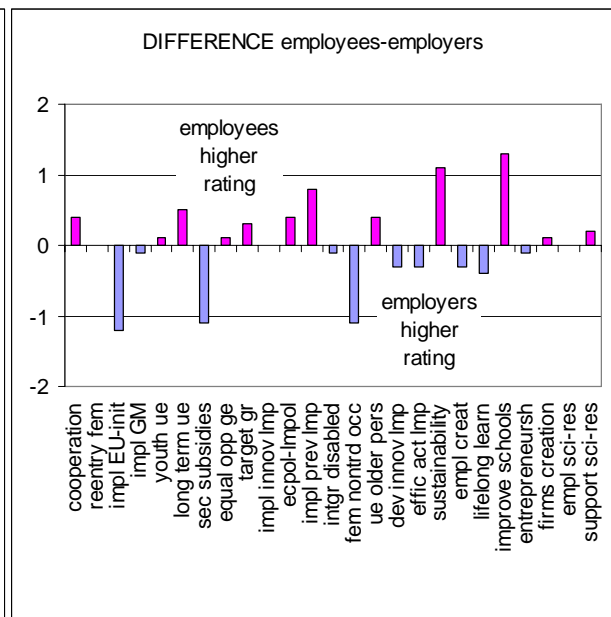
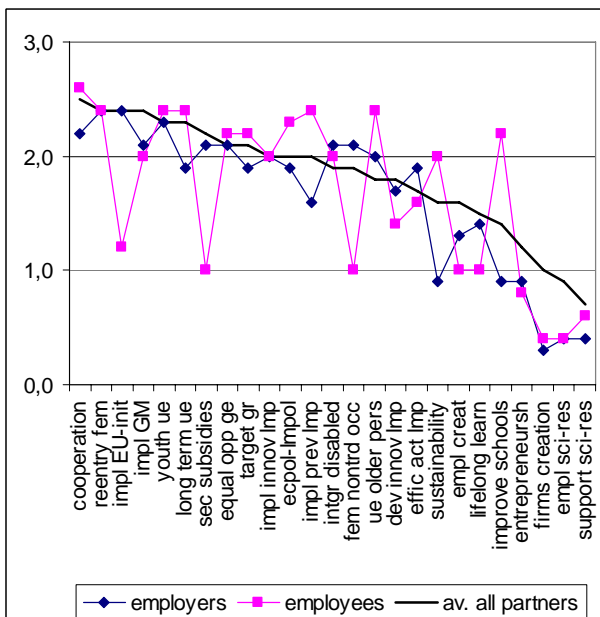
A number of monitoring activities, which have been briefly described in the report, are in place in Austria. However, a broader debate about the results of monitoring and evaluation is still lacking and should be encouraged in the future. It is recommended that monitoring and evaluation be continued and deepened, particularly by aiming to perform a more thorough analysis at the level of concrete policies in addition to the overall assessment of the impact of the employment strategy.

So far, the evaluation exercises have produced impressive results with regard to the overall impact of the employment strategy. However, the attribution of these results to the respective actions still lacks clarity.

Annex

Figure A1: Rating of the objectives of Territorial Employment Pacts (TEPs) in the regional institutional setting expressed by the actors of the TEPs (sum of all pacts, assessment for individual pacts)

	Employers' org	Employees' org	All partners
Improvement of cooperation among partners (cooperation)	2,2	2,6	2,5
Support of re-entry of women into employment (reentry fem)	2,4	2,4	2,4
Implementation of EU initiatives (impl EU-init)	2,4	1,2	2,4
Implementation of gender mainstreaming (impl GM)	2,1	2,0	2,4
Combat youth unemployment (youth ue)	2,3	2,4	2,3
Combat long-term unemployment (long term ue)	1,9	2,4	2,3
Securing subsidies for the region (sec subsidies)	2,1	1,0	2,2
Support equal opportunities of men and women (equal opp ge)	2,1	2,2	2,1
Improvement of services for specific target groups (target gr)	1,9	2,2	2,1
Implementation of innovative Imp measures (impl innov Imp)	2,0	2,0	2,0
Coordination of economic and labour market policy (ecpol-Impl)	1,9	2,3	2,0
Implementation of preventive Imp (impl prev Imp)	1,6	2,4	2,0
Integration of disabled persons into employment (intgr disabled)	2,1	2,0	1,9
Integration of women into non-traditional occupations (fem nontrd occ)	2,1	1,0	1,9
Combat unemployment of older persons (ue older pers)	2,0	2,4	1,8
Development of innovative Imp measures (dev innov Imp)	1,7	1,4	1,8
Improved efficiency of active labour market policy (effic act Imp)	1,9	1,6	1,7
Improved sustainability of living (sustainability)	0,9	2,0	1,6
Employment creation (empl creat)	1,3	1,0	1,6
Improvement of lifelong learning (lifelong learn)	1,4	1,0	1,5
improvement of schools (improve schools)	0,9	2,2	1,4
Support of entrepreneurship (entrepreneursh)	0,9	0,8	1,2
Creation of firms (firms creation)	0,3	0,4	1,0
Support employment potential in science and research (empl sci-res)	0,4	0,4	0,9
Support of science and research (support sci-res)	0,4	0,6	0,7
AVERAGE per group	1,6	1,7	1,8



Rating on a scale between (0) no contribution, (1) small contribution, (2) medium contribution, (3) big contribution of pact to economic policy objectives

Source: Huber 2003, 62, figure 6.3; picture and re-calculations by L.L.

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