



# ***INDUSTRIAL RELATIONS AND ACTIVE LABOURMARKET POLICIES***

## ***AUSTRIAN NATIONAL REPORT***

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## INTRODUCTION

### Social Partnership – the Austrian system of industrial relations

The Austrian system of industrial relations rests on a far-reaching system of **social partnership** (Karlhofer/Tálos 1999). The “social partners” negotiate wages on a sectoral level and have participated in a huge number of subcommittees and advisory bodies on social and economic questions on the state level. Most laws on employment and social issues were passed after the social partners had reached a consensus/compromise. This system has been in crisis since the 1990s, when the “grand coalition” embarked on a strategy of budget consolidation to fulfil the Maastricht criteria. This led to an increase of power for the government, which began to sideline the social partners. Since 2000, when the current rightwing government came into power, the employees’ organisations in particular have been excluded from the decision-making process by the new government (Karlhofer 2001).

However, social partnership is still in place at the level of **collective bargaining** (Guger et al. 2001, Blaschke/Kirschner/Traxler 2002). Collective bargaining takes place at the sectoral level with the engineering and metal workers’ union having a kind of flagship position. For a long time, wage-developments were linked to productivity though the unions refrained from excessive demands in exchange for guaranteed income growth and cooperation at the macro-level. As the unions did not pursue a strategy solidarity on wages, wage differentials between sectors and different groups of employees (men/women, migrants etc) are now among the highest in Europe. Esping-Andersen (1990) has thus described Austria as conservative corporatist.

### Austrian system of social security

The Austrian system of social security is employment and marital/familial status centred. Almost 40% of the population (children, youth, students, spouses/housewives) acquire social rights via somebody else (husband, parents etc). However, these groups can take up employment up to a certain threshold without having to pay to social-security contributions themselves (marginal employment “geringfügige Beschäftigung”). There are a number of tax-exemptions for single-earners (“Alleinverdienerabsetzbetrag”) and families. The growth of atypical employment also led to the growth of new forms of self employment. Most now have to pay social-security contributions. People in standard-employment can have freelance contracts up to a certain threshold without having to pay additional social-security contributions (€3,000 after tax write-offs). Hence, normal forms of employment subsidise atypical forms of employment. In this context it is also necessary to mention the “Kinderbetreuungsgeld” (childcare allowance).

### Active labour-market policy (ALMP)

Generally, there has been a debate on ALMP since at least the 1980s, when unemployment in Austria began rising. Normally, critical studies in Austria bemoaned a lack of adequate measures and resources to support employees to cope with structural changes in the economy. For many years the ALMP in Scandinavia was taken as a positive example. It seems evident that early ALMP programmes (such as Aktion 8000) served to support re-entry into standard employment relations. The programmes were also used to support an alternative subculture, the emergence of what could be the third sector or civil society in Austria. However, activation policies have been of growing importance since the 1990s though there has been a qualitative change. They are closely linked to cuts in unemployment benefits and an emerging sanctions regime against the unemployed aimed at forcing them into employment. At first sight, the European Union, in particular its employment strategy, seems to be rather important for the

emergence of a number of activating measures. There are now a number of programmes to finance (on-the-job) training or job-experience or re-entry into employment (usually the state/employment service pays at least part of the wage and social contributions). There have also been attempts of (mandatory) labour service for long term unemployed. They have to do communal work, receiving their benefit and a top-up. Hence, there is a debate on the mandatory or voluntary character of activating measures. Thus, the workfare debate has been introduced into Austria. A number of measures concern the employment of older people (over the age of 50). Since the 1990s, the conservative people's party (ÖVP) and the employers' organisations have been seeking to reduce the allegedly excessive non-wage labour costs in Austria. These are depicted as barriers to employment. Apart from a number of general reductions, non-wage labour costs of some groups have been reduced to give employers the incentive to keep them in employment or to hire employees from these groups (in particular older workers).

The National Report on Austria will be structured according to the research tasks. Thus, in the first section (1.) an overview will be given about the results concerning the Workpackage (WP4) on "Societal logics of linkages between resources and social rights and employment institutions". On the one hand, the analysis will focus on the different levels of industrial relations that formed the social-partnership system in Austria for five decades and on recent developments which have led to a veritable crisis in this system. On the other hand, a summary will be given on the results of "Components of individual direct and indirect remuneration in case of employment and related social benefits at a national level". In the following sections of this report, the focus will be on the research for Workpackage 6. Thus, in the second section (2), the results concerning "Active Labour-Market Policies and Subsidised Employment in Austria" will be presented. First, a historical and general assessment of the emergence of ALMP in Austria will be given. Second, the report will focus on the evolution of a number of "employment-creation" measures in Austrian ALMP which were chosen as examples of changes in the wage relations.

The final section (3) will focus on "Interviews about Active Labour Market Policies" which were conducted for Workpackage 6. Three "passeurs" (i.e. members of the Economic Policy Committee (EPC) and the Employment Committee (EMCO)) and three union and Workers Chamber activists were interviewed about the European Employment Strategy and recent ALMP developments in Austria.

## 1. SOCIETAL LOGICS OF LINKAGES BETWEEN RESOURCES AND SOCIAL RIGHTS AND EMPLOYMENT INSTITUTIONS

### 1.1. Historical developments

For Austria it is necessary to highlight three historical dates that mark relevant steps in the transformation of the Austrian resource regime.

1986: Taking of office of the grand coalition between the Social Democrats (SPÖ) and the Conservative People's Party (ÖVP). This date symbolises the end of "Austro-Keynesianism" (Unger 1999).

1995: Entry to the European Union.

2000: Taking of office of the coalition government between the Conservative People's Party and the far-right Freedom Party (FPÖ) – the "Wende" (turn-around) Austrian style.

#### **1986: The end of "Austro-Keynesianism" and the "small coalition"**

In the early 1980s, strategies to counter the economic crises (e.g. based on deficit spending, an expansion of the welfare state and policies of full-employment) failed. Unemployment began to increase, the nationalised industries ran into deep crises and the budget deficits grew considerably. Faced with a changed international economic situation and the upsurge of neo-liberal projects in the US, Britain and Germany, the contradictions and limits of the "Austro-Keynesian" (Unger 1999, Lauber 1991) path of development became manifest.

A growing number of the population no longer supported policies which the right depicted as extravagant and the true cause of the economic problems. Together with the emergence of the Green Party, the voter-coalition that had guaranteed social-democratic parliamentary majorities began to dissolve. After a short intermezzo between 1983 and 1986, when the SPÖ formed the "Kleine Koalition" (small coalition) with the Freedom Party (FPÖ), dominated at that time by its liberal wing, a grand coalition between the Social Democrats and the conservative People's Party was formed. In 1985, the government buried Austro-Keynesianism as a strategy to counter the crises. In 1986, after the collapse of the small coalition following the election of Jörg Haider as party leader of the Freedom Party, the Social Democrats managed to win the elections by a very narrow margin. A considerable section of the conservatives would have preferred a coalition government with the Freedom Party, but the employers' organisations and most of the conservative party had not accepted neo-liberal concepts and the idea of an aggressive "Wende". They more or less wanted a social-partner-led consolidation of the Austrian economy and the state budget to avoid social conflicts. In particular, they aimed at preparing Austria's entry to the EU, but thought that this was impossible if opposed by the SPÖ and the trade unions.

Budget consolidation and supply-side structural reforms were the main goals of this government. Social security "reforms" – in particular in the pension system – were the main area of cuts. On the other hand a number of tax reforms were implemented to increase competitiveness and to reduce the so-called tax-burden. As a result of their deep crises, faith in the nationalised industries waned and a step-by-step strategy of privatisation began in 1987. Policies of full employment were replaced by policies of "high employment levels".

However, notwithstanding the end of Austro-Keynesianism, what followed cannot be seen as fully developed neo-liberal strategy, as many commentators point out (Unger 1999). Hence the basic structures of the Austrian welfare system remained in place but the scope of social rights was slowly reduced. The social partners continued to play an important role. Thus, there were

some social-democratic reforms as well (5<sup>th</sup> week of holidays for all employees 1987, creation of the “Pflegeversicherungs-System” in 1993 (care insurance)).

### **1995: Entry to the European Union**

In a referendum 1994 more than two thirds of the population voted for Austria’s entry to the European Union. The strategy of budget consolidation in the late 1980s and early 1990s and afterwards was closely linked to Austria’s application for entry and the necessity to bring the Austrian budgetary development in line with the Maastricht criteria (Van der Bellen 1996). However, the question of the Austrian welfare system figured prominently in the debates on the pros and cons of joining the European Union. The coalition government promised not to use Austria’s integration into the EU as an excuse for (further) cuts in the social-security system or for a policy of wage dumping. However, immediately after the referendum, the employers’ organisations began a campaign against allegedly excessive non-wage labour costs (“Lohnnebenkosten”) in Austria.

To fulfil the Maastricht criteria and to prepare for economic and monetary union, the coalition government passed two austerity budgets (Falkner 1996). The main cuts focused on social security and pensions. This increased the crisis within the social partners and between the social partners and the government. Moreover, it became clear that the conservatives wanted to leave the coalition government sooner or later, as they were in danger of falling behind a constantly growing Freedom Party under Jörg Haider, which had made considerable gains at the elections in 1994.

### **2000: The “Wende” – Coalition government between the ÖVP and the far-right Freedom Party**

In February 2000, the coalition government of the conservatives and the Freedom Party came to power, which led to huge protests and a number of sanctions from the EU. After a catastrophic defeat of the SPÖ at the 1999 elections, and a huge victory by the Freedom Party which managed to equal the conservatives’ share of the vote, the People’s Party decided to leave the grand coalition. After several months of negotiations with the SPÖ, in which the Social Democratic leadership had almost accepted a pact completely dominated by the interests of the conservatives and the employers’ organisations, the union wing of the Social Democrats refused to sign this agreement.

The retrenchment and restructuring of the Austrian welfare system and the destruction of social partnership can be seen as central goals of this government (Tálos 2001), notwithstanding the fact that the basic principles of social security still remain in place. Huge cuts and the implementation of a vast array of new rules continue to hollow out the Austrian pension system and other parts of social security (concerning unemployment insurance in particular). The implementation of new rules for severance pay (“Abfertigung Neu”) based on a compromise between the social partners, tax exemptions for personal private pension plans, huge cuts in the existing pension system including the abolition of early retirement (see report on pensions), debates on harmonisation within the rather differentiated Austrian pension system and the introduction of individual “Pensionskonten” (individual pensions-account) are clearly aimed at a systems change. Emmerich Tálos (2003) points out that the new government envisages the construction of a “Sozialhilfestaat” (social-assistance state).

## 1.2. *Collective bargaining actors at national level: Dynamics of form and content of bargaining over the last two decades; description of institutions in charge of management of resources and social rights and their dynamics*

### 1.2.1. *Considerations on the meaning of social partnership and social partners*

Concerning social and economic matters, bipartite and/or tripartite (including the government) social partnership was the main form of decision-making at the level of the elite organisations of labour and capital up to the year 2000 in Austria. Social partnership has become an ideological notion to describe a way of conflict resolution and co-operation between the main organisations of labour and capital after 1945, leaving behind the period of fascism and civil war.

From the point of view of the organisations of the labour movement and the left, social partnership could draw on the strength of organised labour to force capital to negotiate and to guarantee adequate wages and a comprehensive welfare system. But it could also mean the integration of the labour movement into the system, at best a reformist illusion if not treason by the leaders of the labour movement. In particular, the new left, social movements and the Greens highlighted the non-democratic character of social-partner decisions, which were said to be at the expense of parliament and democratic participation by the population. It was also shown that social partners' decisions favoured a predominantly male, Austrian labour force at the expense of women and migrants. From the employers' point of view, social partnership could mean social peace and cooperation and a model to guarantee rising living standards, social integration and security for all. But, since the 1990s, it could also mean corruption and sleaze, trade union influence, rigid market-regulation, an excessive welfare system and an inflexible wage structure.

References to social partnership in public discourse usually highlight the idea that problems should be solved jointly, and through a compromise in which no side loses out. Reference to the "social partners" is very common, which usually means the organisations of capital and labour will have to find a compromise or should be included in the political process.

Thus "social partnership" and "social partners" are highly ideological concepts linked to a number of conceptions about what the actors involved normally do for the common good, what they should and should not do. In particular, it rests on the belief that conflicting interests of labour and capital can be solved through cooperation and compromise in a way that nobody loses out, i.e. that these interests are not mutually exclusive basic contradictions within capitalism.

### 1.2.2. *Three levels of collective bargaining in Austria*

Guger et al. (Guger et al. 2001) differentiate three levels of negotiations in the Austrian system of industrial relations.

- **Micro-level: co-determination at the company level**

The "Arbeitsverfassungsgesetz" (employment law) regulates the representation of collective interests at the micro-level. In companies with at least five employees there is the right to vote for a works council ("Betriebsrat"). In companies employing more than 150 employees, those elected become full-time works councillors paid by the company. In principle there is a dual system of industrial relations in Austria as the works councillors form the backbone of the trade unions. The ability of works councils to represent the interests of the employees is regulated by law. They have rights to advice, information and intervention in all matters concerning

employees. There is co-determination in a number of areas related to economic, social and human-resource (“personalpolitische”) problems. Works councils can conclude a “Betriebsvereinbarung”, a collective agreement at company level. They cannot negotiate wages, although there can be informal agreements.

The agreements at the company level must not be worse than those laid down in national collective agreements. More than 80% of all works councillors are union members. Without the support of the works councillors and their mobilising capacities, the unions could not negotiate collective agreements at sectoral/branch level, or at least, only very poor ones. The importance of works councils has grown over the last decade, as the introduction of “opening clauses” (“Öffnungsklauseln”) in collective agreements concerning pay corridors or working time, gave them the ability to negotiate company-specific agreements within the framework provided by collective agreements. Franz Traxler has called this development “coordinated decentralisation” (Blaschke/Traxler 2002). The strength of the works councils is very uneven between the sectors and depends on company size. In the service sector in particular the structure of works councils is rather weak. The representation of women and migrants at the level of works councils is also inadequate. Employees in the public sector can elect personnel representatives (“Personalvertreter”). This structure of representation is quite similar to the works councils, though they do not have the right to conclude company agreements.

▪ **Meso-level: the “Kollektivvertragssystem” – The system of collective bargaining**

This is still the most important level of collective bargaining as regards wage negotiations in most sectors in the Austria system of industrial relations.

The main employers’ and employees’ organisations have a representational monopoly for collective negotiations. Neither company-specific unions, nor works councils or companies have the right to negotiate wages. There are a few exemptions (such as the OeBB (railways), PTA - Postal and telecom services) which are regulated by law. In general, the employers’ voluntary organisations (trade organisations, guilds) and employees negotiate collective agreements. The most important employers’ organisations are the WKÖ (“Wirtschaftskammer Österreich” – Chamber of Commerce) and the VÖI (“Verband österreichischer Industrieller” – Federation of Austrian Industry). The WKÖ is a mandatory organisation for all companies outside the agricultural sector, public services and freelance professions. In the second half of the 1990s (Guger et al. 2001) the WKÖ organised about 250,000 companies employing some 2.1m employees (68% of all employees in Austria). Sectoral subdivisions of the WKÖ negotiate about 95% of all collective agreements for the employers’ side. The VÖI is the employers’ most important voluntary organisation. At the end of the 1990s, about 2,000 companies (using industrial production methods) belonged to the VÖI. They employed 450,000 workers. The VÖI does not negotiate collective agreements directly, though it would have the right to do so, but it has considerable direct influence over the WKÖ. The WKÖ and the VÖI represent the employers on the macro-level.

There are two main organisations on the employees’ side. On the one hand there are the trade unions. (Up to now) 13 predominantly sectoral unions (the main exceptions is the union of private white-collar employees – “Gewerkschaft für Privatangestellte” – which is now among the biggest unions) are organised under the ÖGB (Oesterreichischer Gewerkschaftsbund – Austrian Trade Union Federation). In 1999 the ÖGB organised about 1.46m members – 47.1% of all employees. The unions have lost more than 200,000 Members in absolute figures since the 1980s. Thus, union density has decreased by almost 13%.

The unions have problems coping with structural changes in the Austrian economy (decrease in employment in manufacturing, privatisation of national industries, growth of the service sector, etc.) and in organising young, female and so-called atypical or precarious employees. The Austrian unions are currently undergoing a period of restructuring leading to a number of



mergers. Generally, there is an internal differentiation within the ÖGB and the unions along political lines representing all political parties in Austria (including the KPÖ – communist party). Hence there are quite a few trade unionists in the Austrian parliament. The strength of the political groups within the ÖGB depends on the results of the works councils elections. Traditionally the ÖGB is dominated by the FSG (fraction of social-democratic trade unionists).

In general collective agreements are negotiated by the sectoral unions. The ÖGB as such only negotiates general collective agreements, which are very rare. In the public sector there is no right to collective bargaining. Employment conditions and wages are subject to regulations by the legislative and the executive (Guger et al. 2001). Because of the strict regulations of employment relations in the public sector and the traditionally strong position of the unions, there is an informal practice of negotiations.

The other organisation on the employees' side is the Workers Chamber ("Kammer für Arbeiter und Angestellte"). The Workers Chamber is an Austrian peculiarity. Membership is mandatory, hence all private employees are organised. In the second half of the 1990s, about 90% of all private employees were members of the Workers Chamber. They have the right to negotiate collective agreements, offer many services (legal etc.) to employees, represent employees in dealings with the state (together with the ÖGB) and form a think tank for the Austrian labour movement. They are financed through the "Kammerumlage" (0.5% of the wage, *cotisation chambriale*) which every employee has to pay. The Workers Chamber cooperates very closely with the unions (e.g. they prepare material for collective bargaining on economic and social developments in Austria or in the sector etc). The political parties that run the ÖGB also stand for the chamber-elections ("Arbeiterkammerwahlen", every four years). The Workers Chamber and the ÖGB represent the employees at the macro-level.

Every year, about 350 to 400 collective agreements are negotiated between the employers' and employees' organisations. Collective agreements are binding on all employers and employees. Formally, the unions ask the "Lohnunterausschuss" (subcommission on wages) at the "Paritätische Kommission" (parity commission) for permission to negotiate a new collective agreement. This is only a formal process, as in reality the wages subcommission does not interfere.

This procedure has been important in the 1950s when the system to regulate wages and prices was still centralised. Since then, there has been a process of decentralisation in which the metal and textile workers' union (GMT – Gewerkschaft Metall Textil) has gained a leading role. However, there are big sectoral differences depending on union strength and economic conditions in different sectors. Wages can therefore differ considerably between different sectors and different groups of employees. In particular, women and migrants lose out as they are concentrated in certain sectors and very often have low skills (Mairhuber 2002).

The Austrian unions have not pursued or been able to implement solidarity-based wage policy to equalise differences between the sectors. However, some improvements for low income groups have been seen since the 1990s. A number of new regulations within collective agreements, such as opening clauses and wage corridors, offer the possibility to improve the situation at the bottom end of income categories within a sector.

In many sectors in Austria, unions not only negotiate KV-wages (wage rates laid down in the collective agreements) but also "Ist-Löhne" (actual wages). Actual wage-rates can be 20 to 30% higher than those laid down in collective agreements. However, the drift has decreased over the last years as newly employed workers in particular are paid at the collective-agreement rate.

Generally, industrial relations in Austria are usually described as cooperative and consensual. Unions are satisfied with moderate wage increases, allegedly keeping an eye on Austria's general economic situation. Before the year 2000, Austria had extremely low figures for industrial action. Furthermore, industrial action was rather focused on the public sector, notwithstanding the rather conservative character of the public-sector unions. Having said this,

it is necessary to point out that a close look reveals some other channels for industrial action than those covered by the statistics. Obviously, many unions use the ability of works councils to call works meetings to inform their members about the negotiations and to decide on further measures as a more or less effective strike threat. In most sectors it has been enough to show the employers that most employees participate in the works meetings – which thereby become a form of industrial stoppage – revealing a (potentially) high mobilising capacity to conclude an agreement.

- **Macro-level system of tripartite and bipartite corporatist negotiations – the social partnership**

Macro-level negotiations lost their importance when the new coalition government between the conservative People's Party (ÖVP) and the far-right Freedom Party came to power in 2000. Hence the social partners – in particular the unions and the Workers Chamber – have lost considerable influence over government policies under the present neo-liberal regime (Karlhofer 2001). The recent developments have culminated in a creeping crisis of social partnership in Austria which has developed since the 1990s (Karlhofer/Tálos 1999, Karlhofer/Tálos 2000)). In this decade, conflicts and tension between the organisation of labour and capital and the government have multiplied. The accordance of interests has become more complicated.

Based on the definition by Colin Crouch, the Austrian system of social partnership can be called “labour-dominated corporatism”. This means that the social partners in Austria had far-reaching opportunities to codetermine policies (Kittel/Tálos 1999) at the macro-level, which formed part of an elite consensus after 1945 between representatives of the most important political camps (socialists/social democrats, unions and conservative/ Christian democrats, employers' organisations and farmers) and their organisations/ parties.

Hence, the “social partners” were closely connected with the parties and state departments/ministries via formal and informal channels. The social partners participate in a huge number of advisory councils, committees, etc. (e.g. at the end of the 1990s the Workers Chamber sat on 88 different committees in the field of social policy). They have the possibility to comment on draft bills. High ranking officials of the employers' and employees' organisations are members of parliament (Tálos/Kittel 1999).

Traditionally, the main institution was the “Paritätische Kommission” (parity commission) with the “Unterausschuss für Lohn- und Preisfragen” (subcommittee on wages and prices) and the “Beirat für Wirtschafts und Sozialfragen” (Advisory Council on Economic and Social Questions). Generally, the parity commission is merely a framework for talks and negotiations in the subcommittees, but apart from this it has lost its importance. Furthermore, debates about prices have also lost their relevance. At the end of the 1990s, talks were centred on competition and sectoral problems. The subcommittee on wages (“Lohnunterausschuss”) only plays an informal role in the coordination between the social partners. The Advisory Committee on Economic and Social Questions was still very important in the 1990s. Kittel and Tálos (1999) point out that it published a number of very important studies on employment and social policy matters, which served as very important points of orientation for the coalition government of the time. These studies also reveal growing differences between the social partners. Top-level meetings and talks have lost their relevance; since the 1990s contacts have predominantly been focused on experts.

### *1.2.3. Developments of social partnership in Austria*

Notwithstanding the seemingly all-pervasive influence of social partnership in Austria, Kittel and Tálos (1999) argue that its role should not be overestimated. Social partnership was predominantly concerned with wage setting, which rather belongs to the meso-level. As regards

social policy, the social partners were rather influential in questions of working-hours regulations and employment rights. Concerning questions of social and unemployment insurance, their impact seems to be mixed. In the pension and health insurance system, they participated strongly in the system of “self-administration”. Since the 1990s, the government has very often had to mediate between the social partners, hence the government’s position has become even stronger.

The social partners – in particular the employers’ organisations – have lost their influence over economic questions as a result of the entry to the European Union, privatisation etc.

At the end of the 1980s, the organisations of the social partners had become increasingly unstable. Apart from the unions’ continuous loss of membership, the Austrian system of chambers had entered a crisis of legitimacy. The Workers Chamber in particular was heavily attacked by the far-right Freedom Party and liberal commentators. The criticism focused on mandatory membership, sleaze and undemocratic influence on the government. The crisis of legitimacy became manifest in falling participation rates (far below 50%) at chamber elections in these years. After a number of reforms, the Workers Chamber held a ballot in 1995/6 on its future role, which was very successful. The Chamber of Commerce was confronted with similar problems and had to reform itself as well.

After the ballot, the debate about the Austrian Workers Chamber was more or less silenced. However, when the new government came to power in 2000, Freedom Party politicians proposed to reducing the ”chamber contribution (0.5% of the wage, *cotisation chambriale*) by about 40% and redirecting the funds to the pension system (Tálos 2001). Together with other attacks, these proposals called into question the very existence of independent employees’ organisations for the first time since 1945.

The erosion of the influence of the social partners began in the 1990s. As mentioned above, the conflicts among the social partners and between the social partners and the government grew. It became increasingly difficult to find a compromise on social and economic problems. However, both sides of the social partners were still powerful enough to block reforms.

According to Kittel and Tálos (1999), conflicts increased around the following topics: welfare reform, flexibility of working hours arrangements, changes in the unemployment and pension system, employment law, apprenticeships, rules for severance payments, non-wage labour costs, equality of blue- and white-collar employees.

Since the 1980s, and in particular after Austria’s entry to the EU in 1995, budget-consolidation became top priority for government policy. Thus, since the middle of the 1990s, the government has passed a number of “reforms” without any formal consultation or involvement of the social partners. These reforms have mainly focused on social and employment issues (1. *Strukturanpassungsgesetz* 1995) and the pension system (1997). Thus, the members of the labour organisations have been heavily affected.

In particular, in 1995 the “1st *Strukturanpassungsgesetz*” (first law on structural adjustment, the austerity package I) led to a genuine crisis between the unions and the SPÖ (Social democratic party). The austerity package proposed cuts on public expenditure, whereas the unions and the Workers Chamber would have preferred a demand-oriented policy. The Social Democrats involved the unions in the negotiations on the national budget in the following year, which in turn led to a real crisis within the coalition government, as the conservative party and the business organisations wanted a tough strategy of budget consolidation.

In 1997, the pension reform led to massive conflicts between the government and the unions/Workers Chamber. Kittel and Tálos (1999) conclude that the government gained confidence vis a vis the social partners in the 1990s. There are only a few areas in which the decision-making process is completely dependent on the social partners – these mainly cover wages and employment law. The social partners were still involved in tripartite negotiations at

the end of the 1990s, but the political process is dominated by the governments/ministries/the cabinets of the ministries.

Notwithstanding the emerging crisis of social partnership in the 1990s, the change of government in 2000 marks a considerable break. The coalition government between the conservative ÖVP and the far-right Freedom Party has shown an unprecedented hostility towards social partnership in general and the organisations of labour in particular. The organisations of the employers on the other hand have rather privileged channels into the government. Thus, the government has no interest to negotiate welfare reforms and cuts in social expenditures with the unions or the Workers Chamber (Karlhofer 2001). Self administration of the health insurance system has been restricted, the dominance of the labour organisations within these bodies was broken and the system is now more or less controlled by the government/the employers.

Notwithstanding the fact that the influence of the social partners at the macro level is waning (the reform of severance pay (Abfertigung Neu) was a remarkable, but in the light of this project highly problematic exception) the corporatist structures and practices are still in place at the meso-level. The new political circumstances have certainly changed the overall conditions of industrial relations in Austria. The unions would like to keep social partnership but have to change their strategies as the meso-level has gained in importance. Collective bargaining and collective agreements have become the most important field of trade union policies in Austria. Faced with a very hostile government and a number of drastic cuts in the social security and pensions system and massive restructuring within former public services and nationalised industries, the unions decided to take industrial action against the reforms. Notwithstanding the rather hesitant character of the measures taken by the unions, these developments are quite remarkable for the Austrian system of industrial relations.

The ideology of social partnership has not disappeared. It still offers unions and employers the possibility to conclude collective agreements at the meso-level without major conflicts. In particular the “Wirtschaftskammer” (chamber of commerce) still seems to be very interested in social partnership. But this has the effect that the unions have problems taking industrial action against the government when the Chamber of Commerce is willing to negotiate about reforms.

### *1.3. Social movements*

When the coalition government between the conservative People’s Party and the far-right Freedom Party came to power, the “Bewegung gegen Schwarz-Blau” (Movement against Black and Blue – i.e. the traditional party colours of the two parties in government) developed. For several weeks, demonstrations – some of them very large – and other forms of protest revealed strong resistance to the new government. In particular, the protests were aimed against the Freedom Party and its racist and authoritarian character. Social policy issues were not very important at this time.

Apart from this, political debates and conflicts over welfare and employment issues are nowadays not only dominated by the political parties and the interest organisations of labour and capital in Austria. There are a number of independent, non-governmental organisations and networks that are concerned with welfare issues (e.g. on poverty such as the Conference on Poverty and the Poverty Network). However, these organisations rather try to influence the wider public and the political level.

The following analysis will focus on two events that are very important in the light of our project. The first will be the women’s plebiscite (Petition for a referendum focussing on the situation of women) in 1997 (Mairhuber 2000) and the social plebiscite (Petition for a referendum on the Welfare State) in 2002 (Rosenberger/Tálos 2003).

Both were based on the mobilising capacity of the social movements and civil society in Austria to create a public debate on the issues brought forward in these petitions for a referendum. The Social Democrats, the Greens and the unions also supported these petitions, though they were not particularly engaged in the mobilising processes.

The women's plebiscite raised the issue on gender equality from a social-policy oriented angle. Among other demands, the petition aimed at the introduction of a minimum wage of about €1,1000 and equal social- and employment rights for all forms of atypical employment. Furthermore, "Notstandshilfe" (unemployment assistance for long term unemployed) and "Ausgleichszulage" (basic cost-of-living allowance) should be decoupled from the income of the partner. Parents should have the right to work part-time. An adequate number of childcare facilities are to be provided by the state. Protection against dismissal for those returning to work after parental leave is to be extended to 26 weeks. The petition also demanded a basic pension for everyone. Periods of child-raising and child care should increase pension entitlements, there should be no further increase of the retirement age.

645,000 people (11.17% of the electorate) signed this petition, making it the seventh biggest petition in Austria. As the petition was signed by more than 100,000 voters, the parliament was obliged to debate it. The effects however are rather negligible.

In 2002, a petition for a referendum on the welfare state ("Sozialstaatsvolksgehren") was held (Rosenberger/Tálos 2003). This was supported by a huge number of organisations and aimed at safeguarding the welfare state in the Austrian constitution. Furthermore, it aimed at a social assessment procedure – i.e. a mandatory audit of every law or regulation passed in Austria on their effects of welfare. The third demand focused on the finance structure of welfare. The welfare-state plebiscite called for public and just finance of welfare. More than 715,000 voters signed (12.2% of the electorate) making it (again) the seventh biggest petition in Austria.

As the petition was signed by more than 100,000 voters the parliament was obliged to debate it. The effects however are rather negligible.

#### ***1.4. Components of individual direct and indirect remuneration in case of employment and related social benefits at a national level***

##### ***1.4.1. Direct and indirect components of the wage***

Wages and a number of additional payments such as bonuses and Christmas and holiday payments (13<sup>th</sup> and 14<sup>th</sup> payment) are negotiated between the employers and unions. Social security contributions of all kinds are regulated by the law. Modifications of the regulations and laws on social insurance contributions have usually been negotiated between the social partners at the macro-level.

There is no legislation on minimum income, though there have been debates on this topic for more than a decade now. This is due to the fact that most employees are covered by collective agreements. Therefore, well in line with the overall characteristics of the Austrian system of industrial relations concerning wage differentials, minimum wage levels diverge substantially between different sectors (Mairhuber 2002c). Certain groups of employees that are concentrated in low-wage sectors (such as women, low-skilled employees and immigrants) lose out.

Apart from this, the growth of atypical employment has changed the employment and wage structure in Austria considerably (Tálos 1998). In particular, a group of new self-employed ("Neue Selbständige") has developed. Generally, there are two categories: freelance employment ("Freie Dienstverhältnisse") and "Werkverträge" (Contract for work and services). Both types of self-employment are differentiated from standard-employment as employees working

under these contracts are not integrated into the company and do not have to follow the directions of the employers in fulfilling their tasks. Differences between “Werkverträge” and “freie Dienstverhältnisse” are rather vague. “Werkverträge” describe an employment relation that is more goal oriented. The contractor is obliged to carry out a work or a service. However, in reality these forms of employment contracts serve as possibilities for companies to evade standard employment contracts.

Since 1996, mandatory social insurance contributions have had to be paid for both forms of self-employment (see Table 1-1). Self-employed “WerkvertragsnehmerInnen” (self-employment as main job) have to pay social insurance contributions if they earn more/if their profit is more than €6,453.36. (They also have to pay income tax if they earn more than €6,975 per year). If people work self-employed as a second job, contributions have to be paid if earnings/profits are higher than €3,712.56 per year. Those on contracts for work below €309.38 per month can opt into the social insurance system by paying flat rate contributions for health insurance (52.31/month) and for accident insurance (81.37/year). For freelancers, social insurance contributions have to be paid if monthly earnings are over €309.38. In this case the employer has to pay 17.2% and the employee 13.5%. In both cases no unemployment insurance contributions are paid.

The following table gives an overview over all contributions employers and employees have to pay to the social insurance system as regulated by law. The contributions of different forms of dependent employment (blue collar, white collar and public services) do not vary much. The main difference between these groups can be found in their contributions to the pension system. Self-employed and farmers do not contribute to the unemployment insurance system. Thus, they contribute a lower share of their income to social security. However, the upper earnings limit of these groups is about 20% higher compared to directly employed workers.

Table 1-1: Structure of social insurance contributions for different groups of employees and self-employed

Employment status	Rate of contribution (%)	Upper earnings limit (€)	Maximum contribution	
			Employee	Employer
<i>Arbeiter (blue-collar workers)</i>				
Health insurance with EFZG(1)	7.6 (7)	3,360	132.72	122.64
Health insurance without EFZG	9.1 (7)	3,360	152.88	152.88
Pension insurance	18.5	3,360	310.80	310.80
Additional contribution to the pension system	4.3	3,360	33.60	110.88
Accident insurance	1.4	3,360		47.04
Unemployment insurance	6.0	3,360	100.8	100.80
IESG-Surcharge (2)	0.7	3,360		23.52
Bad-weather compensation	1.4	3,360	23.52	23.52
NSchG-Contribution (3)	2.0	3,360		67.20
Workers Chamber	0.5	3,360	16.8	
Contribution for construction of residences	1.0	3,360	16.8	16.80
<i>Angestellte (white-collar workers)</i>				
Health insurance	6.9 (7) (8)	3,360	114.24	117.6
Pension insurance	18.5	3,360	310.8	310.8

Additional contribution to the pension system	4.3	3,360	33.6	110.88
Accident insurance	1.4	3,360		47.04
Unemployment insurance	6.0	3,360	100.8	100.8
IESG-surcharge (2)	0.7	3,360		23.52
NSchg-contribution (3)	2.0	3,360		67.2
Workers Chamber	0.5	3,360	16.8	
Contribution for construction of residences	1.0	3,360	16.8	16.8
<b>Civil Servants</b>				
Health insurance	7.1 (7)	3,360	132.72	105.84
Contribution to the pension system (4)	11.75	(9)		
Accident insurance	0.47	3,360		
Unemployment insurance (5)	6.0	3,360	100.8	100.8
IESG-surcharge (2)	0.7	3,360		23.52
Workers Chamber(5)	0.5	3,360	16.8	
Contribution for construction of residences	1.0	3,360	16.8	16.8
<b>Self-employed</b>			<b>Lowest contribution</b>	<b>Highest contribution</b>
<b>a. Members of the Chamber of Commerce (6)</b>				
Health insurance	8.9	3,920	49.11	348.88
Pension Insurance	15.0	3,920	160.92	588.00
<b>b. Self-employment as main job</b>				
Health insurance	8.9	3,920	47.86	348.88
Pension insurance	15.0	3,920	80.67	588.0
<b>c. Self-employment as second job</b>				
Health insurance	8.9	3,920	27.54	348.88
Pension insurance	15.0	3,920	46.41	588.0
<b>d. Freelance Self-Employment</b>				
Pension insurance	20.0	3,920	214.56	784.0
<b>Farmers</b>				
<b>a. Head of undertaking</b>				
Health insurance	6.4 (7)	3,920	36.53	250.88
Accident insurance	1.9	3,920	10.85	74.48
Pension insurance	14.5	3,920	82.78	568.4
<b>b. Cohabiting children</b>				
Health insurance	6.4 (7)	3,920	19.80	83.62
Pension insurance	14.5	3,920	44.86	189.47
<b>c. Cohabiting parents</b>				
Health insurance	6.4 (7)	3,920	18.27	125.44
Pension insurance	14.5	3,920	41.39	284.20

Source: Hauptverband der österreichischen Sozialversicherungsträger

Footnotes:

- (1) EFZG: Entgeltfortzahlungsgesetz: Law on continuation of payments
- (2) IESG-Surcharge: Insolvenz-Entgeltsicherungsgesetz: Law to protect wage claims by employees in the case of insolvency.
- (3) NSchG: Nachtschwerarbeitsgesetz: Law on heavy night work.
- (4) Collected by the employer.
- (5) Only for certain groups of employees
- (6) Flat-rate yearly contribution of €81.37 for accident insurance
- (7) 0.5% additional contribution to finance hospitals
- (8) 0.1% additional contribution by the employer to finance collective agreements for apprentices
- (9) According to the assessment level respectively a flat-rate yearly contribution of €16.23.

## 1.4.2. *Reforms of the unemployment insurance system and parental leave*

### 1.4.2.1. *The Austrian system of unemployment insurance*

Since the late 1980s and in particular since the 1990s developments in the unemployment insurance system have been dominated by cuts in social transfers linked to unemployment and a growing set of restrictions and sanctions concerning access to benefits, levels of benefits, acceptability of jobs, the willingness to take up new employment and the prevention of welfare fraud (Artner 2001, Dimmel 2000).

In particular, measures aimed at a reduction of the “Berufsschutz” (criteria for acceptance of a new job). Under the “Berufsschutz” criteria, unemployed people have to be offered an acceptable job according to their previous wage and skill level. Campaigns on welfare fraud by the tabloids and the rightwing parties were very important strategies in the ideological mobilisation to prepare for acceptance of cuts and a stricter sanctions regime.

Under the rules of unemployment insurance (Tálos/Wörister 1998) an employee acquires the right to unemployment benefit after 52 weeks of employment (for which social contributions have to be paid) within two years. Benefit is paid for 20 weeks. The right to unemployment benefit is renewed after another period of employment of 20 weeks within 52 weeks. People who are employed for at least for 156 weeks within the last 5 years acquire the right to 30 weeks of unemployment benefit. The benefit rate is approximately 40% the gross wage. Before 1990, unemployment benefits were assessed according to income over the previous four weeks preceding unemployment. The basic assessment period was extended to six months in 1990 and twelve in 1996. The unemployed can receive allowances for family-members at a fixed rate (“Familienzuschläge”). Later the system was changed to a net replacement rate.

The long-term unemployed receive “Notstandshilfe” (unemployment assistance for the long term unemployed) which is a bit lower than regular unemployment benefits (95%). The right to this benefit is linked to household income. Thus, many women lose out if their partners earn too much. Under the “Notstandshilfe” regulations the rules on “Berufsschutz” (acceptance criteria) are not so strict.

Between 1979 and 1996, women aged 54 and men aged 59, who had been employed for 15 years over the last 25 years could receive “Sonderunterstützung” (special support) for 12 months until they had reached (early) retirement age. “Sonderunterstützung” amounted for the level of unemployment benefits and a top up of 25%. Up to the introduction of the “Kinderbetreuungsgeld” (childcare allowance) parental leave was paid through the unemployment insurance system.

Some reforms in the 1980s and early 1990s extended the scope of the unemployment insurance system (Tálos/Wörister 1998). After a verdict by the Supreme Constitutional Court the



“Vollverdienstklausel” was abolished in 1988. After this decision, the unemployed (mainly women) could receive “Notstandshilfe” (unemployment assistance), even if their partner was employed full-time. The amount, however, is linked to the income of the partner. A net replacement rate for the calculation of unemployment benefits (57.9%) was introduced: Under certain circumstances immigrants could gain the right to “Notstandshilfe” (unemployment assistance) from which they had been excluded before (1989). Previous assessment levels for the calculation of unemployment benefits were kept for men (50 years) and women (45 years) if they took up a job at a lower wage.

Between 1988 and 1993, employees could receive unemployment benefits up to four years in some crises regions. Thus, the right to unemployment benefits became linked to age. This reveals the interaction of the Austrian unemployment insurance system and the pension system. For many years, many measures in these systems were closely related. The pension system (in particular early retirement) was used as a means to obscure high levels of unemployment. A number of provisions were introduced to give older workers the opportunity to retire before the age of 55 (women) or 60 (men). Social transfers for the unemployed, parts of the parental leave system and active labour market policies were financed through the unemployment insurance system.

However, at the end of the 1980s and in the 1990s, a growing number of restrictions and cuts were introduced to the unemployment insurance system. Since 1993, only cuts and restrictions have been implemented (Tálos/Wörister 1998). These measures comprised the reduction of “Notstandshilfe” (unemployment assistance) to 92% (from 95%) of unemployment benefit-levels. The sanctions regime blocking benefits for a maximum of eight weeks was extended. If somebody does not take up an acceptable job or does not participate in training measures, he/she can lose their benefit for several weeks. Unemployed people have to apply for at least one job a week and they have to show up at the Employment Service regularly.

In 1995, the net replacement rate of unemployment benefits was reduced to 57% and to 56% for higher incomes. The qualifying period to renew the right to unemployment benefits was extended to 26 weeks (previously 20 weeks) of employment within the last 52 weeks. „Notstandshilfe” was reduced. If somebody was receiving this benefit for the first time it was converted into a flat-rate benefit after six months of payment.

Under the new government, the path of changes has continued and even accelerated (Mairhuber 2002a+b, Tálos 2001) Since 2001, employees who terminate their employment contracts themselves are subject to a four-week waiting period before they receive unemployment benefits. Cases of “just cause”, which provided the opportunity for exceptions under the previous scheme, have been abolished (Mairhuber 2002a+b). The qualifying period to renew the right to unemployment benefits was extended to 28 weeks; the net replacement rate was further reduced to 55% (Tálos 2001).

Furthermore, family supplements for those who claim social security benefits have been cut to € 29.7 per dependant family member – a reduction of 40%. Unemployed people eligible for family supplement are to receive unemployment benefit of a maximum of 80% of previous net income (up to 100% before this reform). The introduction of a maximum amount (a maximum net replacement rate of 80%) leads to a further reduction of family supplements by anything but the name. Partners’ or spouses’ incomes are no longer taken into account (previously, family supplements depended on the partner’s or spouse’s income if it exceeded €1,000 per month).

Most of these measures affect women and marginal groups in the labour market heavily, as they often have low income or so-called atypical jobs of low skill levels (for detailed analyses see Mairhuber 2002 a+b). In 2001 the new government also abolished educational leave, which could be claimed for the period immediately following parental leave.

In 2001 the obligatory monthly interview with a Public Employment Service adviser was replaced by one appointment per week. A new mandatory work scheme for the long-term unemployed was introduced.

While the developments of the Austrian unemployment insurance system over the last decade are clearly defined by cuts, growing restrictions and an emerging sanctions regime, the new government has even decided to use the unemployment insurance reserves to finance its strategy to balance the Austrian state budget (Zero-Deficit) (Tálos 2001).

#### 1.4.2.2. *The Austrian system of parental leave*

The Austrian system of parental leave has undergone a series of distinctive changes and developments over the last decade and in particular since the new government had come to power. Before the year 2002, parental leave was paid via the unemployment insurance system (Tálos/Wörister 1998).

Though this benefit was employment related it was paid at a flat rate (55% of the assessment rate of the “Ausgleichszulage” – basic cost-of-living allowance). Single mothers could get a top-up of 50%. This led to a rather ferocious campaign of the right on alleged welfare fraud by single mothers and the negative effect this benefit was said to have on marriage. In 1990 the right to parental leave was extended to 24 months, the possibility for part-time parental leave until the 4<sup>th</sup> birthday of the child was introduced. In 1996 the right to parental leave was reduced to 18 months if only one parent took up this right. Single mothers who could not get a job and who had no access to childcare facilities (there is an inadequate provision of childcare facilities in most parts of Austria) had the right to “Sondernotstandshilfe” (special unemployment assistance for single mothers) up to the third birthday of their child. Accessibility criteria were tightened in 1995. In 1996 access to “Sondernotstandshilfe” was reduced to the 30<sup>th</sup> month of the child's life.

In 2002 the “Kinderbetreuungsgeld” (childcare allowance) of €436 paid for 36 months (30 if only one parent receives this allowance) was introduced. Childcare allowance is a universal benefit that has replaced the traditional form of parental leave (Karenzgeld), which was an employment-related, insurance-based benefit (Rosenberger 2001, Mairhuber 2002b). Hence the new benefit and its finance are not linked to employment status. Protection against dismissal is only offered for 24 months under the childcare allowance regulations.

There is a top up for lone parents and low income households. The new government propagated this benefit as a possibility to combine work and family life and to increase birth rates (to secure the pensions and to prevent immigration). Persons receiving this benefit can take up/keep employment up to a certain amount of income (€14,600 per year). Migrants from countries outside the European Economic Area can only take up this benefit under certain conditions (for detailed analyses see Mairhuber 2002b).

However, the rules concerning this new family benefit make parental leave less attractive for men and thus serve to strengthen traditional forms of the division of labour between men and women. Considering these rules together with the wage-levels and employment situation of many women – in particular those who work part-time – this benefit can clearly be seen as an incentive to stay at home. These women form a flexible reserve army of labour as they will rather take up low-wage, part-time employment.

## 2. *ACTIVE LABOUR MARKET POLICIES AND SUBSIDISED EMPLOYMENT IN AUSTRIA*

In the 1990s the importance and significance of ALMP grew. There are some rather general attempts to understand and criticise the unfolding restructuring of the Austrian welfare system (cf. Dimmel 2000, Stelzer-Orthofer 2001). The emerging plethora of programmes and devices, subsequent institutional changes etc. make in-depth and systematic analyses rather problematic.

### 2.1. *The emergence of Active Labour Market Policies (ALMP) in Austria*

#### 2.1.1. *The rise and fall of Austro-Keynesian employment policies*

The first bill on Active Labour Market Policy in Austria was passed in 1969 under the conservative government of that time (cf. Tálos/Kittel 2001, Kodré 2000, Tálos 1987). The “Arbeitsmarktförderungsgesetz” (AMFG, Bill to support the Labour Market (LM)) resulted from debates between the unions, business organisations and the government. A first draft of this law was presented to parliament not later than 1963, but conflicts between the social partners delayed a decision. According to Kodré (2000) the scope of this bill concerning measures not conforming to market-pressures had to be reduced considerably. Hence, a focus on supply-side measures emerged concerning monetary incentives to increase the quantity, quality and mobility of the Austrian labour-market supply.

However, it is also important to highlight that the AMFG increased the influence of the social partners on ALMP. The AMFG offered a formal setting for their participation on different levels (state department, employment offices of the council on labour market policy was founded (“Beirat für Arbeitsmarktpolitik”). This advisory council issued influential – though not legally binding – contributions on LMP.

In the 1970s and early 1980s (active) labour market policies formed only one element of a wider policy mix concerning employment under the social-democratic government (cf. Tálos 1987). Employment policies were a central aspect of the Austro-Keynesian social and economic strategy whose main goal was full employment. In the economic crisis of the first half of the 1970s, it was possible to maintain full employment due to a number of factors, among which active labour market policies only formed a minor part. However, according to Tálos (1987) the Public Employment Office was extended to support the mobility and skill levels of the labour force. Furthermore, it was also to help to overcome regional labour market problems and to integrate economically inactive groups (women). The control of the labour market supply was seen as a crucial instrument in preserving full employment. Apart from the reduction of migrant workers (see below) possibilities for early retirement were extended in these years (subsequent extension of the “Sonderunterstützungsgesetz” – bill on special support – to help older unemployed workers to bridge the time until early retirement). The expansion of education had a positive effect on unemployment rates as well.

Faced with an economic downturn, it was possible to maintain relative full employment at this time due to a number of factors.

- an expansionary budget policy to increase public demand (deficit spending)
- working-hours reduction (40-hour week)
- massive expansion of service-sector employment in the first half of the 1970s
- stable employment levels in the nationalised industries

- reduction of migrant workers (so-called “guest workers”) between 1973 and 1985 by more than 75,000 (from about 227,000 to 140,000, 3.6% of the labour force), thus unemployment was exported.

The last point, on the reduction of the “guest workers”, reveals the contradictory character of the Austro-Keynesian Strategy. Austro-Keynesianism was also based on a stable currency and moderate wage increases – some commentators rightly point out that this has to be seen as a low-wage policy.

Generally, LMP at this time was intended stabilise employment levels, thus a number of measures were developed to support companies and employees to cope with economic problems. In 1975 the system to support short-term employment and to cope with regional labour market difficulties was expanded (so-called “Arbeitsbeschaffungsmaßnahmen” – job-creation measures ), in 1976 a system of support of training at the company level was developed. Other measures were intended to support vocational training for young workers (apprenticeships). It is interesting to note that in 1981 about 65,000 employees were supported through these programmes (about 2.3% of the workforce) (Tálos 1987).

In the second half of the 1970s the emerging system of ALMP began to focus on particular groups such as young people, women, disabled persons, older workers and workers in regions with economic problems. Guest workers formed no acknowledged part of these target groups.

Thus, the supply side dimension of ALMP gained importance in the second half of the 1970s though demand-led policies were still an important option. Tálos (1987) shows that the consensus on employment policies began to crumble during these years as differences between the social-democrat government, the unions and the Workers Chamber on the one side, the opposition parties and business organisations on the other grew. The latter campaigned for supply-side measures to increase competitiveness and to overcome sluggish growth rates. In particular the conservative People’s Party (ÖVP) and the business organisations opposed further working-hours reductions and aimed for ALMP to reduce the cost of labour-market turnover. They aimed for tax reductions and exemptions on social-security contributions.

In 1973 expenditure on ALMP amounted to 43% of all expenditure on LMP (active and passive). Due to increasing levels of unemployment, the figure was reduced to 19% in 1982.

The Austro-Keynesian strategy ran into deep problems in the early 1980s and the conflicts between the political parties and the social partners began to grow. During these years the conservative People’s Party began to embark on neo-liberal and neo-conservative concepts attacking increasing budget deficits, high tax levels, expanding welfare expenditure and rigid labour market regulations.

At this time unemployment began to grow considerably (from 2% at the end of the 1970s to 4.5% in 1983) (Tálos 1987). This led to an increase in long-term unemployment and growing problems for particular groups (women, youth, older workers) on the labour market. Remarkably, in the beginning the rapid growth of unemployment was not seen as a break in Austrian development since World War II. However, while the problems of some groups – such as young people – figured prominently in political debates and in the implementation of measures on active policies, others – in particular women and migrant workers – were excluded from perception by the wider public and the politicians. For young people, a number of measures were developed to support companies offering apprenticeships. In 1982 and 1983 these measures supposedly secured or created some 10,000 jobs for young people (Tálos 1987).

However, the main strategies concerning (A)LMP outlined above were continued and expanded. In 1982/3 strategies of “experimental” LMP (“innovative” LMP in the 1990s) – such as Aktion 8000 – were developed. These measures supported employment in co-operatives, non-profit organisations etc. to help unemployed people to move into stable employment.

### 2.1.2. *The end of full employment – the slow demise of employment policy*

In 1983 the SPÖ had lost the election but remained the strongest party in parliament. Thus a coalition government with the FPÖ (led by its liberal wing at this time) was formed. Though the conservative People's Party had failed to win the elections in 1983 and to implement a "Wende" (u-turn) Austrian style, the political and economic climate had changed considerably. Confronted with rising budget deficits, continuing economic problems, crises of the nationalised industries and constantly growing unemployment, full employment was given up and employment policies moved down the agenda of the government.

In the unfolding controversial debate about the reasons for the growing levels of unemployment, neo-liberal arguments became widely accepted. Backed by campaigns on welfare-scrungers the allegedly voluntary character of unemployment, which was seen as a result of over-generous levels of welfare provisions serving as disincentives to take up employment, was highlighted by conservative and right wing politicians and by representatives of the business organisations. These arguments were linked to claims about the rigidity of the Austrian employment system, which was said to choke economic prosperity.

Other arguments highlighted the lack of adequate skills and pointed towards growing mismatches between demand and supply in the labour force.

Thus, (A)LMP gained in importance at the expense of a wider economic policy mix to keep full employment, which had prevailed in the previous decade (Tálos 1987). The policy goal of full employment was replaced by "high levels of employment".

Tálos points out that a new consensus was emerging which was based on budget consolidation on the one hand and measures to improve economic conditions on the other. When the nationalised industries began to reduce employment levels, regional labour market problems were increasing. A number of instruments were implemented to support new companies in regions with economic problems. These strategies included tax exemptions for new businesses for seven years, a job premium/bonus of 200,000 ATS etc. The emerging policy consensus on (A)LMP comprised the development of "incentives" paid through the Public Employment Office (in particular temporary wage subsidies) and the creation of tax incentives that were demanded by the conservative People's Party and the business organisations. They rejected demands for further cuts in working hours (35-hour week).

It is remarkable that the unions and the Workers Chamber began to use a different reasoning for working-hours reductions in this period. Up to the 1970s reductions in working hours were to improve working conditions etc.; in the 1980s they were presented as a tool of LMP.

Other forms of controlling the labour supply were continued. Among these was the increase of holiday entitlements (five weeks) and further expansions of instruments to support older workers to bridge the gap until (early) retirement (most important: pension entitlements due to reduced capacity to work, incapacity to work). The reduction of the numbers of guest workers continued until 1985.

As highlighted before, (A)LMP gained in importance. The main focus was on young people and the long-term unemployed. Several instruments and measures were implemented to support 15-19, and 19-25 year olds to acquire adequate skills and to move into standard employment. The strategy to use spells of unemployment for vocational training, which was formulated in 1984 by the Public Employment Office, was strengthened in the subsequent years. The relative level of expenditure on ALMP continued to decrease.

Due to rising rates of unemployment, the share of ALMP of all expenditure on LMP was constantly decreasing until 1982. Since then, the share remained more or less stable until 1988. Until 1982 expenditures for the preservation of employment were constantly growing. Thus in 1982 almost 43% of all expenditure on ALMP was spent on programmes to preserve

employment. In 1974 this share amounted to about 25%. Between 1983 and 1988 the share of these programmes was reduced from 26,5% to 12,2%.

On the other hand, expenditures on re-/training, which amounted to almost 50% of all expenditures on ALMP in the middle of the 1970s, had lost their overall importance by 1982. However, 1983 seems to see a reorientation of ALMP in Austria in the 1980s. Since then, between 45% and 55% of all expenditures on ALMP have been spent on re-/training. It is also interesting to see that in the course of the 1980s expenditures to create employment gained in importance. While at beginning of the 1980s between 1% and 2% of all expenditures on ALMP were spent on job creation, at the end of the 1980s about 12-13% was spent on these programmes.

## 2.2. *Developments of active labour-market policies since the 1990s*

### 2.2.1. *Institutional Developments*

Tálos and Kittel (2001) have shown that the “social partners” have had a strong impact on (A)LMP since the end of the 1960s. In 1993, the Public Employment Office (“AMSG – Arbeitsmarktservice Gesetz”, implemented in 1994) was contracted out and became a quango (quasi non-governmental organisation) run jointly by the government/ ministry and representatives of the unions and business organisations (the “social partners”) (Spreitzer 1999). Under this organisational structure it is obligatory to find a consensus.

The social partners participate at all levels. Their impact is crucial concerning conceptualisation and implementation of (A)LMP in Austria. However, the AES lost control over employment possibilities of migrants on the Austrian labour market. Furthermore control over the bad-weather-compensation fund was transferred to the construction workers’ holiday- and severance-pay fund, the control over advance payments for retirement and special support for early retirement was given to the pension insurance fund, control and execution of the bankruptcy-fund was given to the federal welfare office (Bundessozialamt).

Since 2000, when the coalition government between the conservative Peoples Party and the far-right Freedom Party came to power, the AES was put under control of the ministry of the interior again. According to Dimmel (2000) this led to the neglect of integrative approaches to ALMP at the expense of strategies to improve the competitiveness of the Austrian economy. Furthermore, he points out that the re/training programmes are less important, as people are forced to take up employment as soon as possible.

### 2.2.2. *ALMP in the 1990s*

According to Artner (2001) (A)LMP in Austria in the 1990s were determined by two developments. On the one hand a number of cuts in the unemployment benefit system were to increase the incentives for the unemployed to take up employment. The benefit system was subsequently reorganised in a more and more restrictive way. On the other hand, activation measures were of growing importance to increase employment levels and to move people off the employment register (cf. Dimmel 2000). Austria’s entry to the EU was crucial to the emergence of this strategy. Artner refers to the role of the ESF and the national action plans in recalibrating ALMP in Austria in this decade though the amount and real impact of these changes remains unclear.

There was a consensus among commentators until the middle of the 1990s that ALMP was a weak spot in the Austrian welfare system. In recent years, a number of commentators have pointed out that expenditures on ALMP have grown considerably since then. A growing number

of people/unemployed are affected by ALMP-measures. Dimmel (2000) shows that the growth of activation policies is clearly linked to an ever tighter and restrictive benefit and job-search regime. In his view there is a growing obsession in the unemployment regime with forcing people into employment at all costs. Activation policies are even extended to the so-called second net (social assistance) of the Austrian welfare system. Hence he underlines that there is at least hidden compulsion to take up employment in the Austrian unemployment insurance system (and in the system for social assistance).

Following the argument of Dimmel (2000), shifts in the rights to resources in Austria are closely linked to the creation of transitional labour markets and a second labour market.

As highlighted above, there are a number of problems concerning the data on (A)LMP. There are a lot of different databases, figures, calculations and estimates about ALMP in Austria. Thus the PES (Public Employment Service, unemployment insurance fund) and the state seem to change the form of calculating ALMP constantly.

Table 2-1: Recent Developments of ALMP

	ALMP as % of LMP	Sum Active Passive and ALMP as % of LMP	Active Passive Expenditures as % of ALMP	Share ESF on total exp. ALMP	Share Re- /Training on total exp. ALMP	Share Employment on total exp. ALMP
1996	12.15%				71.8%	22.27%
1997	16.02%	18,27%	14.04%	25.06%	68.37%	23.03%
1998	16.90%	19,32%	14.28%	21.79%	66.47%	24.16%
1999	20.27%	24,40%	20.34%	18.07%	66.05%	24.91%
2000	21.26%	25,81%	21.41%	11.08%	60.50%	29.87%
2001	20.50%	26,43%	28.92%	12.98%	58.89%	30.55%
2002	21.86%	27,80%	27.23%		63.13%	28.68%

Source: Business Reports PES (Public Employment Service).

Note: The data only refer to expenditures of the unemployment insurance fund, or managed by the unemployment insurance fund (ESF). The data do not cover expenditures for young people and expenditures by the government.

### 2.2.3. *Devices and measures*

In the following section I will focus on a number of measures that support integration into employment and how they have evolved. As mentioned above, a clear cut analysis of the development of this stream of ALMP in Austria is rather tentative. In the following section the focus will be on measures that support companies, non-profit organisations, public bodies etc. to employ people who face severe problems on the regular labour market, due to long-term unemployment, health and psychic problems, disabilities, lack of skills, youth, older workers, returners to the labour markets etc.

#### **AKTION 8000**

In many respects AKTION 8000 is the predecessor to current employment-creating measures in Austrian ALMP. This measure was created in the early 1980s as part "experimental ALMP". Between 1983 and 1994, 40,000 people were supported through AKTION 8000. Aktion 8000

was a programme to create employment for long term unemployed and unemployed people under 25. The jobs were to be created by public administration, municipal councils, non-profit organisations/voluntary organisations etc. for socially important work (environment, urban regeneration, social services, culture and arts). Private companies were excluded from AKTION 8000. In the beginning a lot of municipal councils, public administration bodies of the provinces participated in AKTION 8000. They offered about one third of all places. Later their share was reduced considerably whereas the number of non-profit and voluntary organisations increased. Thus Lechner et al. (1996) came to the conclusion that public bodies were not willing to support ALMP (of this kind) in Austria. Under AKTION 8000 unemployed people were to be employed for at least 12 months (standard employment contracts) and paid according to the collective agreement of the sector concerned (no other employee was to be fired during the period of support). This wage subsidy paid 100% of all direct and indirect wage costs for 8 months.

AKTION 8000 was regarded as a success. An evaluation which focused on the development of this measure in 1988-1990 (Lechner et al. 1996, Fehr-Duda et al. 1996) pointed out that participants were more likely to find stable employment (calculated as percentage of time in work during 12 months after they had left AKTION 8000) than members of a control group which had not participated in any measure. The effect of AKTION 8000 was particularly high for people who had been constantly unemployed/out of work for at least 12 months before participation in this measure (compared to a control-group). AKTION 8000 also proved to be a successful measure for older workers. Whereas a control-group which did not participate in this measure decreased its average time in work by 1%, older participants (45+) in AKTION 8000 increased their percentage of time in work 12 months after the measure by 41%.

Most interestingly, the results of this evaluation even show that income developments for participants in AKTION 8000 were more favourable than for a control-group. The increase for participants in AKTION 8000 was about a third higher. Though participants in AKTION 8000 had to be paid at the level of the collective agreement, it has to be pointed out that this also means that they were not paid above the rate, which is rather common in the Austrian system of industrial relations. Furthermore, notwithstanding the reported positive wage developments, participants were paid at rather low levels.

The evaluation of AKTION 8000 shows that this measure had a bias towards unemployed people with higher skills and higher levels of education (relatively more participants of these groups – if compared to their ratio among the unemployed as a whole).

### *2.2.3.1. Company Integration Subsidies*

#### **BESEB (special integration subsidy – Besondere Eingliederungsbeihilfe)**

BESEB has to be analysed in relation to similar measures. Furthermore, BESEB is a certain step in the evolution of ALMP (in particular experimental/innovative LMP) in Austria. Hence one has to be aware of its predecessors such as AKTION 8000 (see above).

BESEB was introduced in 1997. BESEB offers wage subsidies for the employment of certain groups of unemployed people to prevent their exclusion from the labour market. BESEB is financed by the PES (and the ESF) and paid to the employer if the company hires an unemployed person from the target group. The subsidy covers up to two thirds of wage and non-wage costs (100% in the first three months) and can be paid for 12 months (24 months if the participant is disabled, BEB 24 months, 36 if the participant is disabled).

In particular, BESEB, which is also called “Come Back”, is offered to the long-term unemployed actively seeking employment (BMAGS 2000). From a budgetary perspective BESEB represents an activation of passive resources, thus this measure is only available for unemployment benefit/assistance recipients. Other integration subsidies are available for other people who are not entitled to transfers from the unemployment insurance system: (BEB –



company integration subsidy/“Betriebliche Eingliederungsbeihilfe”, GEB – subsidy for employment in the non-profit sector/“Gemeinnützige Eingliederungsbeihilfe”). The conditions for these subsidies are similar.

The special integration subsidy, BESEB, offers a 41% op-up to unemployment benefits/assistance (in 1998) – thus, concerning the remuneration of participants, the immediate integration into collectively agreed wages was abandoned.

Evaluations for BESEB (Mitterauer et al. 1997) show a rather mixed result. In 30% of all cases supported through BESEB, part-time employment is created. Furthermore, income for BESEB recipients is 28% below average income (for women 23%, thus the income gap for male workers must be wider). It seems that BESEB is not very successful concerning sustainable integration into the regular labour market. Apart from this, evaluations show that in 60% of all supported employment relations according to BESEB dead-weight effects cannot be excluded (in 40% they are very likely, in 23% they are certain).

### **GEB – Integration subsidy for non-profit companies**

GEB was a successor programme to AKTION 8000 offering wage subsidies for the employment of certain groups facing barriers for integration into the regular labour market in NPOs. Thus additional employment in socially useful sectors has been created. The same regulations as for BESEB concerning management and finance through PES apply

### **BEB – Company integration subsidy**

BEB aims at the integration of certain unemployed groups into the regular labour market. Companies are offered wage subsidies to employ long-term unemployed people and to keep them once the subsidy has run out. Between 1995 and 1996 there was an increase of 75% in the number of people supported.

Evaluations of BEB show that 12 months after the end of this measure 38% of recipients were still in employment, another 15% were in employment for another 6 to 12 months. 47% of all recipients of BEB were in employment for less than 6 months after the subsidy ended, 18% of all employment positions ended when the subsidy entitlement ended. Notwithstanding these rather mixed results, evaluations show that the total costs of BEB are compensated by taxes and social insurance contributions paid for each case of subsidised employment according to BEB after 47 days.

Since 2002 BEB, BESEB and GEB have been replaced by BEBE (“Betriebliche Eingliederungsbeihilfen” – Company Integration Subsidies).

### **SÖB – Socio-economic enterprises**

“SÖBs” were created in 1980. They are characterised by organisational specificities as defined by the Austrian PES (Public Employment Service). On the one hand they have to fulfil tasks of up-skilling and job-placement within active labour market policies. On the other hand, being an enterprise, “SÖBs” have to cover part of their costs through the marketisation of the goods and services they produce. The Austrian PES has to cover about 47.25% of the cost of “SÖBs” though there is a high degree of variation between different “SÖBs”.

On average there have been about 50 to 60 SÖBs over the years. SÖBs consist of two categories of employees. First, there are key employees who organise and run SÖBs and offer counselling and advice to the other category of employees – transitional employees. Transitional employees are unemployed people who face severe problems on the regular labour market, such as long-term unemployed, people with precarious private situations and others, women returning from maternity leave, youth, low qualified people, people with disabilities, lone parents and ex-convicts. According to Lechner et al. (2000), about a quarter of all employees of SÖBs are key

employees. The number of employees at SÖBs can range from less than 10 to more than 150. The main task of SÖBs is to offer employment opportunities to people with severe problems on the labour market and to accustom them to employment situations. Thus personality training, reliability and responsibility are important skills participants (transitional employees) are to acquire.

In the beginning, SÖBs were organised on a rather egalitarian non-hierarchical basis. In recent years they have undergone far-reaching processes of professionalisation and managerialisation according to Lechner et al. (2000).

According to Lechner et al. (2000), about 72% of all employees of SÖBs are male (among the long term unemployed they made up 52, at the time of the evaluation). There is also a relatively higher proportion of younger employees (26% of all participants at SÖBs).

Though the immediate effect after participation in a SÖB for the long-term unemployed is comparably low, in the long run (three years after participation) former participants reveal a considerable increase in participation in employment if compared to a control group which did not participate in SÖBs. However, Lechner et al. (2000) highlight that the outcomes of participation in SÖBs show a rather polarised picture. About 37% of former participants experience a considerable increase in participation in employment, whereas for about 45% there is no effect at all. About 30% of former participants report an increase in income of about 3,000ATS (about €220) whereas another 30% report a decrease.

Lechner et al. (2000) have shown that sometimes SÖBs act as subcontractors for private companies, which can thereby reduce their peripheral labour force.

### 3. *SUMMARY OF INTERVIEWS ON ACTIVE LABOUR MARKET POLICIES*

#### 3.1. *General introduction*

Altogether seven interviews were conducted about ALMP. Six are used for the following analyses. On the one hand, three “passeurs”<sup>1</sup> were interviewed who were either members of the employment committee (EMCO, two interviewees) or a delegate at the economic policy committee (EPC, one interviewee). On the other hand, three officials of the trade unions (two interviewees) respectively the Workers Chamber (one interviewee) were interviewed. The “Passeurs” interviewed at EMCO are civil servants at the Federal Ministry for Economic Affairs and Labour. They work on labour-market issues. The “passeur” from EPC works at the Austrian National Bank. P1 is a full member at EMCO for two years now. Before that she was a substitute member since 2001. P2 had started to work as a “passeur” at the precursor committee ELC (Employment and Labour Market Committee) in 1998. Currently he is a substitute member at EMCO but he still works on the sub-committee on indicators. P3 is not a full member at EPC anymore as her status had been reduced to delegate when the number of committee members was reduced to integrate new members after the eastern enlargement of the EU.

The “passeurs” explicitly demanded anonymity for their participation in the interviews. Notwithstanding the fact that they are official representatives of Austria/Austrian institutions on European committees, their views on European employment strategy and policy issues in Austria differed considerably. Thus, it is not possible to say that they simply represent mouthpieces of the current government. The civil servants however, tried to uphold a more or less official, more or less balanced (but not neutral) discourse on the interview topics. This also means that their wording was rather careful when giving their opinion.

The officials of the unions and the Workers Chamber were chosen according to their role and tasks within their organisation and at the boards of the Austrian Employment Service (AES). Taken together these interviews reveal a number of contradictions which have beset the Austrian labour movement for at least two decades now. Of these contradictions, the weakening of “social partnership” since the 1990s and the neo-liberal policies of the current coalition government between the conservative ÖVP (People’s party) and the far-right BZÖ (formerly FPÖ, Freedom Party) is only one aspect. Questions concerning strategies of how to organise, support and represent atypical and precarious employees and how to handle migration would be others.

The interview partners ranged from an official who, at least at first sight, appeared to be a technocratic moderniser keen to secure a culture of compromise and partnership with the state and the employers and seemed very proud of efficient management structures at the AES. However, a closer examination of his views and assessment of labour market policies in Austria and the EU reveals an in-depth understanding of crucial developments in the Austrian labour market and some strategic ideas about new instruments for ALMP which could fundamentally alter resource regimes and social rights in Austria offering alternatives to neo-liberalism.

Another interviewee was a very traditional (social democrat) trade union activist whose political concepts had not changed very much since the 1970s. Thus, he not only pointed out that unemployment will not be reduced unless adequate economic growth is secured and demand-led

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<sup>1</sup> To uphold some anonymity I will not use the names of the interviewed “Passeurs”. They will be referred to as P1, P2, P3. Though the interviewpartners from the unions and the Workers Chamber did not explicitly demand anonymity they will be treated in the same way. They will be referred to as A1, A2, A3.

policies are implemented again, but also referred to the necessity to control labour-market supply. For him, this not only meant working-hours reductions but first and foremost to prevent further immigration. Increased immigration would not only increase unemployment under the current labour market situation but might also increase the burden on the pension system in 25 years' time. However, he also demanded strategies to up-skill second generation immigrants, who are at the lowest end of the labour market in Austria, and to make them fit for structural changes and integrate them.

The third official interviewed from the trade unions and the Workers Chamber represented a more activist approach. Thus, she did not simply focus on social partnership negotiations and what the state should do about unemployment and labour market changes in Austria. Rather, she also referred to activities within the unions and together with grass-roots organisations to raise awareness about the situation of atypical and precarious employees (e.g. within the unions), to develop programmes for help and advice and to organise them.

### 3.2. *The European employment strategy (EES)*

Among the “passeurs”, an interesting consensus can be found concerning the relevance of the EES. They point out that the EES has lost importance for Austria in the last few years. P3 explicitly states that she has become “disillusioned” about the EES. Obviously, there was a higher motivation in the beginning of the EES to co-ordinate employment policies in Europe. However, P1 and P2, who are civil servants, refer to the fact that many of the strategies and measures about employment laid down in the guidelines of the EES existed in Austria already or would have been implemented without the impact of the EES. They stress that no country becomes active because of the EES.

Thus, for P1, Austria would not need the EES to become active, as the government is well aware of the labour-market problems in Austria. P2 however grants that the EES has led to some focusing of labour market policies in Austria but did not bring about a new direction. Also P3, who is most critical of European employment policies, refers to “streamlining processes” around the EES. For P1 the EES has lost importance because the process has become increasingly complex and less transparent, as there are too many obligations (e.g. concerning reporting) for member states. It is necessary to write reports constantly to support the monitoring process while no time is left to implement measures. According to P1, the strategy of the Austrian delegation was to create a clear and efficient process (e.g. reduction of guidelines to ten) before the guidelines were issued in 2003. There were very tough debates as the Italian delegation demanded a guideline on “undeclared work”, which in the opinion of the Austrian delegation did not make much sense in the context of the EES.

Asked about the influence of the EES and the NAP, respectively about the recommendations of the Commission concerning the NAP, the “passeurs” grant that the “recommendations are taken seriously” (P1) or that the NAP has “some influence” (P2). The Guidelines and the EES are well known to the actors in Austrian labour market policies who have “internalised” them (P2). According to P2, those areas which correspond to national programmes and strategies receive support as the national approach towards the EES is a selective process.

P2 points out that more activities are implemented in those areas in which quantitative targets have been introduced into the EES. According to P1, the recommendations of the Commission and the Joint Employment Report are debated hotly because the labour market record of Austria compared to other EU member states comes under public scrutiny. For the ministry and the office of the minister that P1 works for, the recommendations are based on misunderstandings. These misunderstandings are due to the fact that the Commission as well as the wider public in Austria have the tendency to view measures in isolation. She points out that there is a trade off of measures and that it is not enough to focus on single measures but rather to view the whole

picture. Thus, she has doubts about the effects of the recommendations because “the government is well aware of the issues and tries to develop strategies to tackle the problems”.

Concerning the assessment of the EES, the views of the officials from the trade unions and the Workers Chamber do not differ very much from those of the “passeurs”. Thus the EES “has not a lot of influence” (A2) and the NAPs did not have the “intended effects” (A1). Even more so, A2 points out that the EES is instrumentalised by the government if it wants to change laws. However, it becomes obvious that the officials differentiate between European policies (economic framework etc) on the one hand and the EES and the processes linked to it on the other hand. Without being very specific they point out that EU policies are too neo-liberal and too much oriented towards budgetary and fiscal stability (A1). For them, policies of deregulation and flexibility are influenced by the EU. But they rather see indirect effects coming from the EU which constructs/represents a framework for policies taking place at the national level. For A2, employment policies of the EU make a “terrible impression”.

These assessments should not be downplayed even though they appear to be rather vague. For me, the interesting point can be found in the fact that the officials interviewed from the unions and the Workers Chamber think that the EES has not had a lot of influence and has not had the intended effects. At the same time, they feel that the EU has considerable influence on employment and labour market policies in Austria. Certainly, the contradictions between these views could either represent a lack of understanding of the role of the EU – even though those interviewed know a lot about some European policy fields – or parrot public discourse about an almighty super-state. However, it is also possible that classical concepts of decision-making process and implementation of policies and the role of state institutions are not adequate to understand the system of multi-level governance of the EU.

### 3.2.1. *The last NAP*

The attempt to approach the significance of the EES for Austria via an analysis of an important “passeuring” event, i.e. the writing of a NAP, did not prove to be very effective. Certainly, this could be due to the fact that the last NAP was issued in 2003 and since then only progress reports have been written. Other “events” concerning LMP have become more important for the interview partners (i.e. agreement about “Zumutbarkeitsbestimmungen” (see below), “Dienstleistungsscheck”(see below)). Given the alleged loss of importance, the irrelevance of the NAP might simply mirror the general assessment of the EES by the interview partners. The “passeurs”, in particular P1 and P2, focus on the process of monitoring, reporting and evaluation of the NAPs. In the context of these processes, the participation of the wider public and the media is not really relevant for them – but then they are civil servants and not politicians. The most important point for them is the evaluation and comparison of LMP and the employment situation of Austria with other countries. P1 and P2 mention a number of areas which were rather important in the evaluation process: e.g. employment rates of older workers, lack of a strategy for lifelong learning, reform of the Austrian pension system.

P1 also stresses that the employment rates for other groups on the labour market such as women and low rates of unemployment of young people are seen as strengths of the Austrian employment situation. Concerning instruments and measures, P1 points out that concerning future developments of the employment rate of older workers the pension reform of 2003<sup>2</sup> represents one of the biggest strengths. Throughout Europe, this pension reform has been the most far-reaching implemented by a country and “has a high reputation internationally”. She stresses that the results can already be seen but it will take some time until the Stockholm goals for employment rates of older workers (50%) can be reached. These goals will not even be reached by 2010.

<sup>2</sup> See Mairhuber (2004): Pension Reforms in Austria: Actors and Corpus (1980-2003), (Austrian Contribution for Dv. 8).

P2 is more cautious and stresses the relevance of quantitative indicators. He also refers to weaknesses of the Austrian employment system concerning the gender wage gap and sectoral concentration of female employees. “There is more awareness of problems in those areas for which targets have been fixed and therefore more is done to reach these goals.” However, asked whether the volume of ALMP has changed due to the introduction of targets, P2 states bluntly that “monitoring has changed”. He stresses that there is a tendency to put more weight on volume – i.e. to offer measures to more people. This might have effects on the length, form and cost of measures. For him, here the concept of “activation” comes to the fore.

For the officials of the trade unions and the Workers Chamber, the NAP at best plays a “certain role” (A1). Apart from that they highlight that they do not have sufficient possibilities to make their views heard and that they are writing statements for the bin.

### 3.2.2. *The governance of the ALMP and the NAP at the national level and the open method of coordination*

The assessment of OMC reveals considerable differences between (some of) the “passeurs” and the officials of the unions and the Workers Chamber. These differences do not only concern the governance of ALMP and the implementation of OMC at the national level and the integration of stakeholders. They also raise questions of what the content and goals of co-ordination of LMP are all about. Thus, for P1 OMC is very important for the writing of the NAP and the implementation of the EES in Austria. According to her, it is Austrian practice to cooperate with a lot of actors because social partnership is rather established. She points out that the social partners are very interested in the process. Other stakeholders such as NGOs hardly participate, which she thinks is a pity but is certainly due to a lack of resources. However, this can also be said about the provinces. Generally a strategy to improve the participation of the provinces would lead to demands from them for more resources to implement measures. This would be very delicate given the budgetary situation.

P2 is rather tentative in assessing the role of stakeholders such as the social partners in the governance of the EES at the national level and the NAP. He stresses that they “can participate” because they are invited to send statements and report about developments in different areas. However, P2 also points out that under the current government (coalition between conservative ÖVP and far-right BZÖ, formerly FPÖ) one side of the social partners has better access to the government. He is well aware of the critique that the social partners are not invited to participate. P3 stresses that in theory OMC would be wonderful, “if the member states were included in the construction of goals”. This would be important as the Commission is dependent on their willingness to participate.

Notwithstanding the importance the “passeurs” ascribe to the participation of stakeholders in the NAP, it remains unclear what impact the participation of the social partners has. Furthermore, given the current government, social partners is clearly a kind of synonym for trade unions. Thus, the “passeurs” refer to policy fields in which social-partner negotiations are still very important (working-hours issues and flexibility) and also highlight that the social partners communicate with the Commission directly. As an example of the effectiveness of social partnership in Austria P2 refers to the agreement on “Zumutbarkeitsbestimmungen” (see below). Asked about conflicts concerning LMP, the wording used by P1 is most interesting as she uses a very “neutral” or “objectivist” discourse. Thus, she states several times, that “conflicts are in the nature of things”. Therefore, conflicts are very good as adequate measures will be found which are in everyone’s interest. But conflicts should not block policies, rather they should produce an output.

The opinion of the effectiveness of OMC and possibilities for the social partners to participate in the governance of LMP in Austria differs considerably from the views of the officials of trade unions and the Workers Chamber interviewed. However, they also differ among themselves Workers Chamber. Concerning the NAP, A2 points out that the interest of the unions

in the whole process has diminished as their statements do not have any effect. For her it is useless to write papers for the “drawer” and the “bin”. A3 even points to the fact that since 2000 (change of government) the unions have not been asked to give their opinion in written form, though there are talks afterwards.

Related to this rather disenchanting assessment of possibilities for the unions to influence the NAP, A1 rather focuses on the role of the Workers Chamber at the Austrian Employment Service. He points out that social partnership is still working on the boards of the AES. Hence, the unions and the Workers Chamber can still influence LMP in Austria though things have become more complicated as there are different majorities on the boards now. In former years it was easier for the Workers Chamber to secure majorities on the boards together with representatives of the government, as it had privileged access. This, however, has changed since 2000. According to A1 there is still a certain culture on the boards of the AES not to use this advantage too much. “It is clear for all partners that governmental majorities can change and that the pendulum can swing the other way”. For A1, “the AES seems to be the only institution where social partnership is still in place. Here you do not find attempts to overwhelm the other side. Rather there are conscious attempts to make long-term plans”.

A2 presents a rather different view from this very optimistic opinion put forward by A1. For her, the debates at the boards of the AES have become more conflictive. In former years it was unthinkable that there could be a majority vote as consensual decisions were sought by everybody. This has changed. “The employers’ side and the members of the government vote against employee representatives”.

### ***3.3. Labour market developments, employment policies and active labour - market Policies in Austria***

Generally, the views the “passeurs” and the officials of the trade unions and the Workers Chamber raise about employment policies, active labour-market policies and labour-market developments in Austria show striking similarities and remarkable differences. Concerning their assessment of the current labour-market developments, employment policies and active labour market policies in Austria, an interesting difference between the “passeurs” on the one hand and the officials of the trade unions and the Workers Chamber on the other emerges.

Maybe it is little surprising due to their function at the Ministry of Economic Affairs and Labour but the “passeurs”, I am referring to P1 and P2, do not say a lot about labour market developments. They rather focus on employment policies and ALMP. When asked about these topics, P1 even refers to P2 for a more detailed account. The officials of the trade unions and the Workers Chamber put more weight on recent labour-market developments and the deterioration of many people’s employment situation. Furthermore, they sometimes point to labour-market developments that are constructed through LMP. Though this position is not very pronounced, for the “passeurs” (P1 and P2) the labour market seems to be something which is happening out there. Policies are created to tackle problems – particularly for those people who have problems integrating into the labour market. For the officials of the unions and the Workers Chamber, the labour market is not simply something which is happening out there but rather something which is more or less created or at least enabled by government activity or in-activity. This should not come as a surprise, as the unions and the Workers Chamber demand political measures and believe in their efficiency.

Based on the analyses of recent developments, officials of the unions and the Workers Chamber criticise LMP and employment policies in Austria and demand new measures. They do not just focus on measures, but also demand new macroeconomic-policies to create more jobs and increase demand. However, P2 and P3 also stress that the demand side is usually neglected and supply-side policies do not create jobs. For P2, ALMP cannot be very successful if jobs are lacking. P3’s main focus is on necessary changes in macro-economic policies (pact on growth

and stability, monetary union) to stimulate growth and to increase demand. Thus, she opposes flexible wage bargaining, deregulation, flexibility and recommendations to increase wage differentials (this undermines productivity growth). In her opinion, it is not true that labour markets in Europe are too rigid. The current economic crisis has other reasons in many European member states. However, she thinks that the crisis is used to break up social security systems and deregulate labour markets. She refers to countries outside monetary union, which have different rules about public spending (“golden rule” – balanced budgets over the economic cycle) and interest rates and whose employment situation is by far better than, say, in Germany (she refers to the UK, Sweden, Denmark). She thinks social redistribution is necessary not only from a “moralistic” point of view but also because it stimulates economic growth.

### 3.3.1. *Labour-market developments in Austria*

Two labour market developments figure rather prominently in the answers of P1 and P2. P1 refers to low employment rates of older workers, which was due to the tradition of early retirement. For her, this will change in the future as recent pension reforms (see above) are very successful. Obviously she has no worries about the future labour-market situation of older workers as there are other measures to support employment rates of older employees. Apart from this, she stresses several times that the government is well aware of problems on the Austrian labour market but says things must not be seen in isolation.

P2 bases his answers on labour market developments in Austria on an analysis of labour-market supply. First, he makes clear that in Austria changes have often been managed through labour-market supply, i.e. immigration. Second, he stresses that the Austrian labour market has a rapidly reacting “silent” labour-market supply. Labour-market supply increases during an economic upswing, e.g. women enter the labour market when it is easy to find employment. They will stay on the labour markets in times of an economic downturn. Apart from this, he underlines the significance of atypical and precarious forms of employment, which affects a high number of people. For him, it is no longer correct to call part-time work atypical. Furthermore, he points out that employment rates might increase but the volume of work does not. The growth of atypical and precarious forms of employment is rather contradictory for him. For many employees, these employment forms might be rather positive in the beginning, as they represent an entry point into the labour market. People can earn additional money. Hence, there is big demand for part-time employment. However, in the long term, entitlements to social benefits are reduced. These developments have to be seen as constraints. Contradictions emerge, as it is not clear whether the introduction of standards (integration of these employment forms into social security system etc) will solve the problems. Not only employers but also employees might not accept this and move into informal work. If only precarious forms of employment relations are on offer in certain sectors such as retailing, cleaning etc. (he claims he cannot really verify this), then problems will be emerge.

The officials of the unions and the Workers Chamber focus on similar problems and developments, even though in more detail. Thus, they refer to growing employment problems for older workers due to the recent pension reforms. The abolition of early retirement (step by step increases from 55/60 to the standard retirement age of 60/65 over the next few years) has increased long-term unemployment of older workers. The answers of the officials of the unions and the Workers Chamber show that the transitional period to retirement is becoming an increasingly insecure and unstable period in life.

As can be expected, the increase in atypical and precarious forms of employment figure prominently in their answers. A1 stresses that a growing number of jobs do not guarantee someone’s existence. They do not even lead to standard forms of employment which would guarantee an adequate standard of living. In the last 10 years full-time jobs have been replaced by part-time and marginal jobs and people have no longer have a choice as no other jobs are on offer. This also leads to deskilling and a waste of human potential. A1 points out that the risk is



shifted to the employees and insecurity and life-stress increase. A2, who argues in a similar line, makes clear that it is women and immigrants who are predominantly affected by these developments and the threat of poverty.

The problems of young workers and the growing crisis of the apprenticeship system are particularly stressed by A2 and A3. They stress that youth unemployment has increased and that young people can hardly find employment to serve an apprenticeship. Increasingly, unemployment also affects highly qualified people. For A3 the second generation of immigrants, who include a high number of low-skilled young workers, will need vocational training to make them fit for structural changes and to integrate them.

Generally, the biggest differences among the officials of the unions and the Workers Chamber emerge around the question of immigrants. Whereas for A1 and A2 problems of immigrants are part of their tasks in their organisation, A3 stresses several times that further immigration has to be prevented to keep labour market supply low and to prevent problems of the pension systems around 2030. However, as outlined above he also demands up-skilling strategies for second generation immigrants. The answers clearly reveal the contradictions within the organisations of the labour movement in Austria. Some parts of the labour movement are beginning to realise that they have to find new answers to the entry of immigrants on the Austrian Labour Market, together with new forms of organising, supporting and representing precariously employed and atypical employees. Others, while recognising that most immigrants (second generation) are here to stay, still believe that for trade unions the prevention of further immigration is an adequate strategy to control labour-market supply in Austria – as it was the case in the heyday of social partnership. Even though they realise that immigrants are used to increase flexibility of the Austrian labour market, it is as if they are fighting immigration and not neo-liberal flexibility and deregulation.

### 3.3.2. *Employment policies and active labour-market policies*

The answers on employment policies and ALMP show that the question of resources is most crucial in this field. All interview partners have an opinion about this problem or identify it as central to LMP in Austria. While the officials of the unions and the Workers Chamber criticise the lack of resources for ALMP and the fact that the government has used reserve funds of the AES to finance its zero-deficit –policy, P2 also points out that not a lot of money is spent on ALMP in Austria (see below). P1 refers to budgetary restrictions and the necessity to find a balanced approach (see below). However, the officials of the unions and the Workers Chamber but also two “passeurs” (P2 and P3) highlight that supply-side measures such as ALMP do not create jobs. They can just support people to cope with changes and decrease frictions on the labour market.

Two things concerning LMP are most important for P1. First, she stresses several times that measures should not be viewed in isolation. To assess the impact of single measures the whole picture has to be taken into account (e.g. concerning pension reforms and employment opportunities for older workers). Second, she refers to budgetary restrictions several times. She stresses that measures can only become law if there is money to finance them. Given the budgetary situation, middle ways and trade-offs must be found. This is certainly linked to the emergence of conflicts. She stresses that a consensus can be found in all areas in which the government decides to invest more, though there will always be debates whether even more money should be invested. For her, “a consensus concerning tax reforms can be found quite easily – everyone wants lower taxes. But it depends on the taxes concerned. However, a tax reform means improvements for everyone”, she stresses.

P2 gives a more detailed and content-oriented account of LMP in Austria starting with the trend towards activation. Generally, he tries to present a balanced view referring to possible contradictions and the necessity to avoid simple ideas about unemployment and one-sided explanations for long-term unemployment. For him, the idea of activation is to intervene early

in the process of unemployment to prevent long-term unemployment. However, the implementation of this concept depends on target groups as it does not make sense to force every unemployed person into the same procedure, as some people might be more job-ready than others. In the context of activation, P2 also speaks about policies of “in-work-benefits” which can be found in the UK and the US. He stresses that different approaches exist as tax-systems and transfer-systems vary. In Austria, existing wage subsidies are temporary integration subsidies mainly addressing the employers. Due to the low net-replacement rate of unemployment benefits, the strategy to increase incentives to take up employment through a reduction of benefit levels is not pronounced in Austria. Though his answer is rather tentative (“I would say so, yes . . .”) he states that the government’s approach to the unemployed is to offer help and support. There is not across-the-board mistrust against the unemployed.

P2 also refers to measures for older workers such as partial retirement and bonus/malus<sup>3</sup> in the context of growing problems for older workers on the labour market in the aftermath of recent pension reforms. Referring to high rates of early retirement in Austria, he states that there is often a kind of coalition between the employer and the employees to send people into early retirement or to retire as early as possible and to avoid unemployment. “It will be a question whether companies will be able to employ older workers for a longer time and whether they will want to do so.”

Interestingly, P2 points out that Austria does not spend a lot of money on ALMP compared with other countries. If expenditure is linked to the rate of unemployment then the picture changes somewhat, as Austria then moves to an average position. As unemployed people have no right to enter into measures, ALMP is defined by supply (available resources) and not by demand. Notwithstanding his reflections about activation, he states: “Austria does not spend a lot of money [on ALMP, R.A.] but has a rather low rate of unemployment and high rate of employment. Thus, there is no direct link between the two.”

As mentioned above, the officials interviewed from the unions and the Workers Chamber criticise inadequate resources for ALMP and also “passive” expenditure. A1 and A2 stress that the unemployed have experienced a reduction in income since 2000 in real terms. “Average unemployment benefits are not sufficient for subsistence” A1 states bluntly. Thus people fall below the level of subsistence, they have to use their reserves or borrow money. A2 points out that there is an increasingly tough approach towards the unemployed. There are more controls and benefits might be blocked for failing to follow the regulations of the AES. More pressure is put on people but there is not enough money to offer help and advice.

As resources for ALMP are lacking, worrying developments on the Austrian labour market such as the increase of long-term unemployment (in particular of older workers in metropolitan areas) cannot be tackled. At the moment, the situation for older workers is deteriorating. Older workers apply for invalidity pensions, often on the advice of the AES, but 50% of these applications are rejected. A1 points out that €200m - €250m a year for LMP are missing. Though he stresses that the EU’s one-sided orientation on stability is responsible for this, he also points to the fact that companies are simply not willing to employ workers above a certain age (35 years). This is not a problem of a lack of knowledge about subsidies. Wage subsidies and other forms of subsidised employment will not solve labour market problems and are very costly, as A1 points out.

To tackle labour-market problems of certain groups on the labour market – in particular older workers – A1 proposes the implementation of a “second labour market”. This could be a measure to support people who are losing the option of early retirement after the recent pension reforms and therefore will experience long spells of unemployment and dramatic income losses

<sup>3</sup> See Roland Atzmüller (2004): Scenario analysis: Active Labour Market Policies and Subsidised Employment in Austria. Austrian Contribution for WP6.

as the strategy to increase employment rates for this group is a failure. A second labour market for older workers offering useful employment and creating “social surplus” should not focus on transitional employment for a certain period of time. Rather it should offer employment opportunities for employees who have worked “in regular highly productive jobs for decades but lose out under the current situations”. These groups differ considerably from the classical groups employed on the second labour market.

3.3.2.1. *Recent ALMP measures – agreement on “Zumutbarkeitsbestimmungen” [regulations on acceptable employment] and the “Dienstleistungsscheck” [household services cheque]*

Two measures figured prominently in the interviews. On the one hand two officials (A1 and A3) from the unions and the Workers Chamber but also P2 mentioned the social partners’ agreement on “Zumutbarkeitsbestimmungen”. These are regulations about “reasonable”/ “acceptable” jobs unemployed people are expected to take up. In 2003 the social partners agreed to change the existing regulations: As a result the “Berufsschutz” of the unemployed (protection against having to work in another profession/trade) ends after 100 days (before this it ended when people moved from unemployment benefit to unemployment assistance, i.e. only after at least 20 weeks of unemployment). The “Entgeltsschutz” (protection of former wage levels) was reduced to 80% for the first 120 days of unemployment and 75% afterwards. The protection of acceptable travel to work distances has been fixed at 25% of working time (i.e. not more than 2hrs/day for a 40-hour week, 1.5hrs/day for part-time work of 20hrs).

For A1, the agreement on “Zumutbarkeitsbestimmungen” is a positive development. Notwithstanding the belligerent noise that “they [presumably the social partners, R.A.] wanted to cut benefit levels” A1 thinks that qualitatively new aspects could be included in the new regulations on acceptability. He mentions the protection of wage levels and the protection against involuntary part-time employment if certain wage levels are not reached. Generally, for him there is a better protection against poverty now. Furthermore, a stronger orientation towards the development of potentials could be implemented (though he has to admit that the Workers Chamber wanted more). Now, the AES is obliged to set up plans for unemployed people to secure and improve their skills according to labour market requirements. In former years protection was oriented on “Berufe” (formal accreditation of skills, i.e. vocation) hence, theoretically, a good level of protection was provided. A1 stresses that this was ambivalent. If a job does not exist any more it is useless to stick to it. Thus, in reality this protection did not exist. For A1, another positive development of the social partners’ agreement on acceptability can be found in the extension of entitlements to unemployment benefits for the duration of training courses. In previous years the unemployed did not receive unemployment benefits while in training.

A3 is less positive about this agreement. For him, the possible effects of this measure are not completely clear. Thus, he states that “attention has to be paid to prevent a toughening of placement strategies. It does not make sense to place people into any job available. They have contributed and they have the right to benefits.” Interestingly, also P2 raises doubts about this agreement. On the one hand, he thinks it is good that regulations which are rather clear have been fixed, thus reducing discretionary powers of advisors at the AES. On the other hand, he points out that the regulations are rather demanding (e.g. concerning travel to work distance).

Another measure that is mentioned several times by the interview partners is “Dienstleistungsscheck” (service cheque). In May 2005 the government agreed to introduce a service cheque for work in the household. Employers buy the service cheque at post offices or a tobacconist to pay a household employee. Through the service cheque, social contributions to public accident insurance (1.4%) are paid. The service cheque is intended to help to legalise informal employment. However, the service cheque can only be used to pay people who have a legal permission to stay and work in Austria. The employee can earn €323.46 per employer. The employee has to cash the cheque the following month. If an employee earns more than

€323.46 (the lower earnings limit for social security) he or she has to pay social security contributions (14.2%).

For A1, the service cheque will contribute to precariousness because the employees bear the risk. For A2, the cheque corresponds to the general tendency towards deregulation and flexibility. She stresses that the people who are intended to leave informal work in households as a result of this scheme work in this way because they need the money. Thus, it cannot be done like this. For her, this measure was developed to woo the middle classes for the next general election, to make paid work in the household tax deductible. She explains that this is her private opinion and similar statements cannot be found in official papers of the ÖGB. But the government needs attractive programmes for the next election. Immigrants who have no permit to work in Austria are not affected by this measure. It is not a possibility for them to be “legalised”.

## CONCLUSIONS

The Austrian system of social rights rested on a far-reaching system of **social partnership** (Karlhofer/Tálos 1999) for many decades – “labour dominated corporatism” (Crouch) – based on the willingness of the elites of labour and capital and their organisations to cooperate. The “social partners” negotiated wages at sectoral level and participated in a huge number of subcommittees and advisory bodies on social and economic questions on the state level. High ranking officials of the social partner organisations used to be members of parliament and even ministers. The social partners controlled the social insurance bodies (“Sozialversicherung”, i.e. the pension system, health-insurance, unemployment insurance etc), which is known as self administration. The steering boards were filled according to the elections to the Workers Chamber and Chamber of Commerce.

Most laws on employment and social issues were passed after the social partners had found a consensus/compromise. This system has been in crisis since the 1990s, as the power of the government has increased. Since 2000 in particular, the employees’ organisations have been excluded from the decision-making process by the new government (Karlhofer 2001).

**Collective bargaining** (Guger et al. 2001, Blaschke/Kirschner/Traxler 2002) takes place at the sectoral level with the engineering and metal-workers’ union having a kind of flagship position (representing an export-oriented, highly productive sector). For a long time, wage-developments were linked to productivity. The unions refrained from excessive demands in exchange for guaranteed income growth and cooperation at the macro-level. Though the unions intended to follow a strategy of solidarity on wages, wage differentials between sectors and different groups of employees (men/women, immigrants etc) are now among the widest in Europe (this is one of the reasons why Esping-Andersen (1990) called Austria conservative corporatist). Non-wage labour costs (“Lohnnebenkosten”) are said to be very high in Austria, but this depends on the way they are calculated. Most collective agreements provide for a 13<sup>th</sup> and 14<sup>th</sup> monthly payment, employees who leave the company get severance pay – in some calculations payments like these are counted as non-wage costs.

The right to severance pay traditionally depended on the length of service (hence short-term employment relationships lost out). A recent reform based on a compromise between the social partners has changed this. Now everyone has the right to severance pay (“Abfertigung Neu”) from the start of an employment contract. However, this payment is now paid into funds and is obviously intended to contribute to the transformation of the Austrian pension system.

Since the feminist critique of the welfare system is now more or less common sense among critical analyses, the **employment-centred, marital-status-oriented character** (Rosenberger/Tálos 2003, Tálos 2003) is identified as source of a number of shortcomings concerning women in particular and “atypical” forms of employment. Though the Austrian system of social rights covers about 99% of the population, young people (youth, children) and housewives are only “co-insured”, hence they do not acquire social rights for themselves. “Standard employment” (8hs/day, 40hs/week, 40 years of work) traditionally represented a male-dominated employment trajectory, which is eroding in Austria as well. Traditional forms of family life are also eroding, though a new division of labour concerning domestic responsibilities (childcare, there are not enough public child care facilities) is not emerging. Hence, women cannot acquire an uninterrupted employment trajectory to build up adequate social rights. Social security reforms since the 1980s have strengthened the insurance principle (Versicherungsprinzip), which has even increased the problems for women and atypical/precarious employees.

The Austrian state, however, spends a lot of money on families but does not provide adequate services for childcare etc. Hence, the institutional forms of these transfers rather serve to strengthen **conservative forms of family**. Some tax-exemptions only apply for single-earner

households (“Alleinverdienerabsetzbetrag”). Some benefits that would be employment related – such as “Notstandshilfe” (unemployment assistance) which is paid after unemployment benefits cease – are based on the principle of subsidiarity. Hence, if the partner earns too much the benefit is lost.

The newly introduced “Kinderbetreuungsgeld” (childcare allowance) of €436 paid for 36 months (30 if only one parent receives the allowance) is a universal benefit that has replaced the traditional form of parental leave benefit (“Karenzgeld”), which was an employment-related, insurance-based benefit (Rosenberger 2001). Hence the new benefit and its funding are separated from employment status. Protection against dismissal is only offered for 24 months under the regulations covering childcare allowance. The new government projected this benefit as a possibility to combine work and family life and to increase birth rates (to secure the pensions and to prevent immigration). Those receiving this benefit can take up employment up to a certain amount of income.

However, the rules concerning this new family benefit (e.g. protection against dismissal is only offered for 24 months; abolition of part-time parental leave, which was taken up by men comparably often; abolition of training possibilities by the Austrian Employment Service for women/men who return to the labour market) make parental leave less attractive for men and thus serve to strengthen traditional forms of the division of labour between men and women. Considering these rules together with the wage levels and employment situation of many women – in particular those who work part-time – this benefit can clearly be seen as an incentive to stay at home and to create a flexible reserve army of labour/foster low-wage employment.

In recent years, **poverty** and the development of a group of **working poor** has become another important topic (Tálos 2003, Dimmel 2000, Stelzer-Orthofer 2001). Though poverty levels are still low in Austria from a comparative perspective, the restructuring of labour markets and the growth of atypical employment, which leads to inadequate access to social rights, has stirred up worries and debates about these problems. As many people do not acquire adequate social rights in the insurance based, employment related system, the “second net” of social security in Austria is now under scrutiny as well. Social assistance is provided and controlled by the provinces (thus there are different levels of payment); it is intended to protect people from absolute poverty and is based on the principle of subsidiarity and on a rather disciplinary regime of controls concerning behaviour and the willingness to work.

ALMP in Austria began in the 1970s. The first bill on “labour-market support” was passed in 1970. In the 1970s, ALMP formed only one element of a wider employment-policy mix to secure full employment in the unfolding world economic crises. Employment policies in a wider sense consisted of demand-oriented strategies to counter the economic downturn (Austro-Keynesianism, public investment, stable employment in the nationalised industries, expansion of the welfare system, deficit spending), control of the labour supply (expansion of early retirement, expansion of female employment, reduction of immigrant workers in times of crises – export of unemployment, working-hours reduction), support of structural changes through measures to support regional mobility or re-/training of unemployed people/young workers.

Wage subsidies already formed a part of the Austrian social insurance system (bad-weather compensation, bankruptcy funds, short-term work etc.). These subsidies were intended to protect against economic risks to employment. Generally, the debate on ALM-policies emerged in the late 1970s and, particularly, in the early 1980s when unemployment began to grow in Austria. No later than the first half of the 1980s, Austro-Keynesianism was abandoned, full employment was given up and a new policy consensus on budget consolidation was emerging. Employment policies as described above were replaced by ALMP, or at least a growing rhetoric and debate about the role and significance of ALMP. The emergence of ALMP was accompanied by debates on voluntary unemployment and welfare scroungers and the first steps

to tighten the benefit system. ALMP was conceptualised as the possibility to support employees in coping with structural change. Normally, critical studies in Austria bemoaned a lack of adequate measures and resources to achieve this target. ALM policies in Scandinavia were taken as positive examples for many years. It is evident that early ALM programmes (such as Aktion 8000) served to support re-entry to standard employment. The programmes were also used to support an alternative subculture, NPOs – i.e. the emergence of what could be the Third sector or civil society in Austria. Job placement and training in vocational establishments was intended not to only support integration of unemployed people into standard employment but to provide non-monetary goods and services (thus these programmes continued reformist policy options).

ALMP in Austria is mainly financed through the unemployment insurance fund paid through employer/employee contributions. As there is no right to participate in ALMP (in contrast to rights to unemployment benefits/assistance), and as the contributory base of the unemployment insurance fund depends on the economic cycle, an economic crisis reduces the money available for ALMP.

However, activation policies have been increasingly important since the 1990s, though there has been a qualitative change. They are closely linked to cuts in unemployment benefits and an emerging sanctions regime aimed at forcing the unemployed into employment. Thus, the growth of ALMP interacts with the restructuring of “passive” LMP (unemployment insurance). The system of rights over resources concerning unemployment is becoming increasingly restrictive. Benefit entitlements have been cut, unemployed people are confronted with an ever tightening, disciplinary regime. Their status as unemployed people becomes de-legitimated.

There is a plethora of new and constantly changing programmes and devices to finance and implement programmes for (on-the-job) training, job-experience or re-entry into employment (usually the state/employment service pays at least parts of the wage and social contributions). Change seems to be a constant feature concerning ALMP, thus the rights and resources concerning unemployment and the transition to employment seem to move constantly. (It is only a hypothesis, but a sense of insecurity concerning rights over resources is developing. The unemployed cannot be sure whether they will be confronted with disciplinary and restrictive measures or whether there will be resources available for adequate re-/training, job placements etc.). There is a strong tendency to force the unemployed into short-term, one-off training programmes to make prepare them for employment. Activation has become the key goal of ALMP. Job preparedness is more and more understood as conformity to the values of the market. Thus, the unemployed have no right to ALMP as a tool for integration into the regular labour market (via transfer LM or the creation of a second LM through public support of NPOs – i.e. innovative LMP) but they are obliged to be available for work and to be actively seeking employment (Dimmel 2000), hence (hidden) compulsion in the unemployment insurance system is strengthened. Strategies to move people off the unemployment register and into employment are becoming more important at the expense of strategies to re-/train people or of programmes and devices (in NPOs) that could help groups with special needs and problems (disabled, drugs, alcohol, homelessness, etc.) to integrate into gainful (but if necessary sheltered) employment.

There have also been attempts to introduce a (mandatory) labour service for the long-term unemployed. These have to carry out communal work, receiving their benefit and a top-up payment. Hence, there is a debate on the mandatory or voluntary character of activating measures. Thus, the workfare debate has been introduced to Austria. Apart from the usual arguments, it is interesting that in the public debates there is always some critical reference to the “Arbeitsdienst” of the Nazi-period (labour service) due to Austria’s history. A number of measures concern the employment of older people (over the age of 50). Some measures are also linked to debates about non-wage labour costs (see below).

The European Union, in particular its employment strategy, is rather important for the emergence of a number of activating measures. Thus, ALMP is high on the policy agenda (at

least concerning rhetoric). Additional funds for ALMP are offered by the state and by the ESF. However, the core of the funding regime has so far remained intact. In the 1990s the Public Employment Office became a quango (quasi non-governmental organisation, jointly run by the government and the social partners). Allegedly, this reform led to a decentralisation and fragmentation of the system, which increased the diversity of the unfolding ALMP-regime. Evidently, the Federal Employment Service and the ministry of the interior design the main ALMP strategies and programmes, but these have to be concretised and implemented by the PES, local/regional councils and municipalities at the local and regional level. Hence, ALMP are increasingly interacting with the “second net” of social security in Austria (means-tested public assistance for those outside social insurance). The system of public assistance is under jurisdiction of the regions (Länderkompetenz), hence provisions, benefit levels and regulations are rather diverse. However, most laws on public assistance have also labour-market policy implications. Benefit recipients have the duty to undertake measures to find employment (“Bemühungspflicht”).

Concerning the interviews with the three “passeurs” and the three officials from the trade unions and the Workers Chamber, three interesting points emerged. First there seems to be an explicit and implicit consensus that the EU has some influence on labour-market developments and employment policies in Austria, as the officials from the unions and the Workers Chamber, in particular, think the trends towards flexibility and deregulation and the predominance of stability-oriented policies is closely linked to European influence. However, concerning the relevance of the EES and the NAP, the interview partners referred to a loss of importance. Even more so, the NAP hardly figures prominently in the interviews with the officials from the trade unions and the Workers Chamber, which is certainly due to the fact that they are not asked to participate. However, the unions and the Workers Chamber use the goals of the EES or the Lisbon Strategy to raise demands and criticise the government. Some of the interview partners reveal some disappointment and disillusion about recent developments in the EES and the European Union in general.

In the interviews, the “passeurs” were also asked about their position between the EMCO and the Austrian government. Thus, P1 stresses that vis a vis EMCO she feels clearly loyal to Austrian interests and the office of the minister. However, P1 points out that she has developed some sensibilities concerning the European dimension – e.g. changes to guidelines – and tries to communicate this.

P2, on the other hand, describes his role as a transmission belt in both directions (from the EU level to the national level and the other way round). Of course, he is obliged to be loyal to the ministry, as he is a civil servant. But because he is close to the EU level and therefore knows about the processes, goals and strategies, he thinks, he has to mediate between the two levels. He is constantly aware of the European level and believes the EU is a reasonable development. He is interested that something reasonable, effective and common is created. His participation in the committee changed his views on the EU. On the one hand, he had to learn that many negotiations are guided by national interests, which is rather negative for him. On the other hand, he began to see the meaning and rationality of the process of co-ordinating employment policies in Europe.

Second, the interview partners identify and define similar problems and developments on the Austrian labour market. However, this does not mean at all that their respective discourse and related construction of policy problems lead to similar conclusions. Notwithstanding a few explicit and implicit references to grassroots organisations and social movements and some awareness of the necessity to find new answers to recent labour-market changes and to organise, support and represent atypical and precarious employees, the officials from the unions and the Workers Chamber, but also two “passeurs”, reveal a strong orientation towards demand-side policies and strategies to stimulate economic growth. These proposals show an orientation towards the political level of the state of an Austro-Keynesian tradition, which still seems to be



very strong ideologically. Furthermore, this is certainly linked to an – albeit weakening – factual and ideological importance of social partnership in Austria, which figures prominently in most interviews. The “passeurs”, however, try to present their views about labour-market developments, employment policies and ALMP in a rather “neutral” and “objectivist” way, which seems to claim a place outside everyday politics and the conflicts this entails. However, whether the statement “that conflicts are in the nature of things” reveals a shift in the political culture of Austria from consensus towards conflict orientation must remain open.

Third, the question of resources proved to be the most important issue concerning LMP, as all interview partners referred to this in one way or the other. Not surprisingly the officials from the unions and the Workers Chamber criticise the lack of resources and highlight the fact that reserve funds of the AES have been used by the government for budgetary reasons. Thus, not enough money is available for ALMP and the government remains inactive even though the employment situation in Austria is worsening. Apart from the lack of resources, P2 explicitly stresses that the unemployed do not have a right to measures, because ALMP is not demand- but supply-driven. Thus, the question of discretionary powers of the AES, growing insecurity for the unemployed, who are faced with structural changes in the economy, and the link between these developments and the growing importance from activation and a toughening benefit regime emerge. The officials interviewed of the unions and the Workers Chamber stress that for a growing number of people benefits are not enough to guarantee subsistence. However, because most interview partners point out the importance of demand-side policies they make clear that supply-side measures would not create jobs.

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