



THE AUSTRIAN WAGE NEGOTIATION SYSTEM DURING INFLATION CRISES

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AUSTRIAN SOCIAL PARTNERSHIP

- **Tripartite** economic and social policy coordination between labor, capital and the government
- Influence of social partners on three levels (Tálos/Hinterseer 2019):
 - **Advice**, expert opinion, studies, legal recommendations
 - Participation in **decision-making processes**, feedback on legal initiatives, oversight in public administration
 - Implementation of **political norms** in their domains



WAGE POLICY AS (LAST) CENTRAL ELEMENT OF SOCIAL PARTNERSHIP

- 450 collective bargaining agreements at industry level negotiated between the Chamber of Commerce and trade unions every year, Benya formula as a guideline for unions
 - “**Benya formula**”: medium-term overall economic productivity increase + inflation rate \emptyset of the last 12 months (“rolling inflation”)
- Cover minimum wages, salary schemes, working hours, benefits
- **Universal validity** (also for non-union members), collective bargaining coverage of 98 %
- Institutional requirements: **Compulsory membership** in Chamber of Commerce and Chamber of Labor

COORDINATED WAGE AND PRICE POLICIES IN THE 1970s

- **Austrokeynesianism:**
 - Hard currency policy
 - Productivity-oriented wage policy
 - Countercyclical public investments, massive role of state industries
 - Stabilization of expectations
 - Full employment using migrant worker buffer stock
- 1973 oil crisis: coordination of wage and price policy through the **Parity Commission for Wages and Prices**, commitment from capital and labor to moderate both price and wage increases

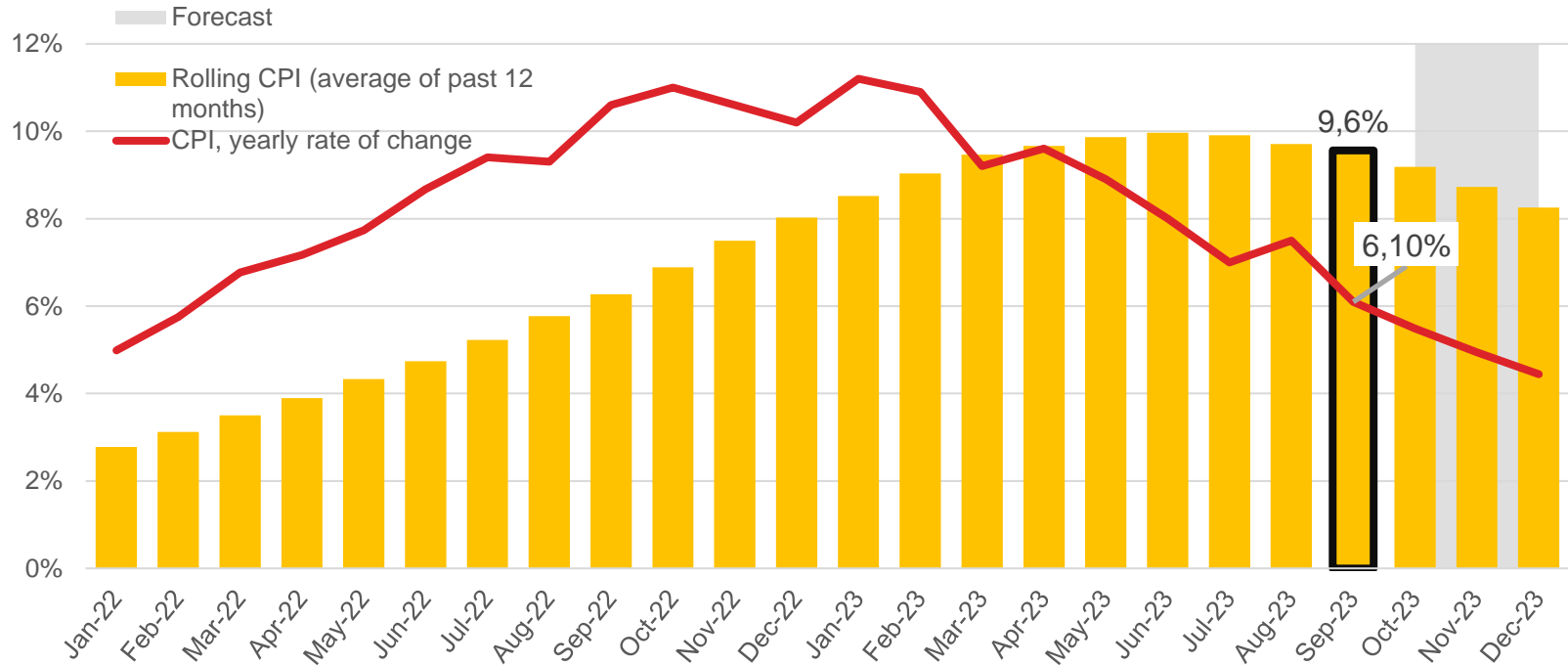
SUB-COMMITTEE ON PRICES IN THE 70s

- 19 employees, weekly meetings, **voluntary self-control** of firms
- Primary focus on industrial prices, 1/5 of CPI prices, supplementary: legal price setting
- Goal: **cost transmission control**, moderation and time extension of price and wage hikes
- Energy price hikes were administered as **fuel cost surcharges**, reducing overall profit margins and avoiding windfall profits
- No direct sanction power, use of **allied sanction partners** and norm setting

LACK OF COORDINATED PRICE POLICIES TODAY

- **Few price interventions** in the 2022/23 inflation crisis (except for electricity prices), profit-driven inflation after energy shock
- High inflation rates lead to higher wage demands
 - Unmet policy demands: price controls for gas, rent,...
 - **Second round effects** threaten competitiveness of Austrian export sectors
- Fall & spring collective bargaining agreements 2022/23 above rolling inflation rates
 - Metal industry Ø +7.44% (rolling CPI +6.3%)
 - Tourism Ø +9.3% (rolling CPI +8%)
 - Construction Ø +9.5% (CPI +9.5%)

ROLLING INFLATION RATES IN AUSTRIA



CHALLENGES FOR WAGE POLICY IN CURRENT INFLATION CRISIS

- **Goals:** securing purchasing power, increasing minimum wages, securing competitiveness in export sectors
- **Challenges:** industrial recession, terms of trade losses, low collective bargaining agreements in Germany, inflationary effect of wage increases
- Lack of price controls creates considerable difficulties for collective bargaining negotiations
- Weakness of the two major parties weakens social partnership
- **Labor shortages** strengthen the bargaining power of employees and could also strengthen social partnership