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The Procedures of the Parity Commission and of its Sub-Committee on Wages

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 **WORKING PAPERS**

**THE PROCEDURES OF THE PARITY
COMMISSION AND OF ITS
SUB-COMMITTEE ON WAGES**

WOLFGANG POLLAN

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1. Introduction

The role of the Parity Commission as seen in the literature

The Parity Commission (Paritätische Kommission) was founded in 1957 as a temporary expedient to control wage and price inflation. Though it does not signify the beginning of the Austrian social partnership (which began right after the end of WWII) nor the main channel of economic and social management by the social partners, the Parity Commission and two of its Sub-Committees, the Sub-Committee on Prices and Wages, because of their regular meetings, have served as the most visible symbol of Austria's social partnership. As such, they have figured prominently in the analysis of Austria's wage bargaining arrangements and have been interpreted as the crucible of Austria's incomes policy.

The emphasis on the formal structures of the wage setting system permeates much of the literature that deals with corporatism and wage bargaining in Austria.

Heady (1970, p. 424), the first writer to provide a classification of national wage policies, assigns the union confederation a high degree of power in collective bargaining, noting that the Austrian Trade Union Confederation (Österreichischer Gewerkschaftsbund, ÖGB) has the right to refuse to endorse agreements that have already been signed; he does point out, though, that these powers are rarely invoked, because wage claims are effectively co-ordinated within the ÖGB.

Noting that '(I)n Austria the highly-organised and long-standing system of voluntary partnership between unions and employers . . . has produced a highly centralised, national system of pay settlements and price control', *Blyth* (1979, p. 77) claims that wage bargaining takes place closer to the national (economy-wide) level than at the sectoral (or regional level). He assigns Austria the highest rank in the level of bargaining of 17 OECD countries, where the level of bargaining is defined as the level at which bargaining over pay usually takes place and ranges from the national level to the industry/region, enterprise (or firm) workplace¹.

¹ On the other summary measure, the centralisation of structure (defined as the extent of union or employer membership of federations, number of federations and extent of power wielded by central bodies), Austria is also given the highest rank.

Cameron (1984), on the basis of Heady's account, assigns the ÖGB the highest ranking with regard to confederation power in collective bargaining. In a related category, Austria, along with Sweden, Norway, and Finland, is also given the highest score for industry-wide bargaining with economy-wide formally negotiated agreements.

Calmfors – Driffill (1988, p. 16), in a widely cited paper, also assign great importance to the formal institutions of Social Partnership: "In Austria wage agreements are formally made at the industry level, but all wage contracts have to be approved by the central confederation of labour . . ." And: "No negotiations are allowed without the approval of the central Sub-Committee on Wages and Prices which consists of union and employer representatives."

References to the Sub-Committee on Wages can also be found in the most recent literature. *Pontusson* (2000, p. 311), emphasising the legal structure of the ÖGB and the member unions, states that the opening of wage negotiations requires the approval of the Parity Commission for Prices and Wages, with the ÖGB serving as the "gatekeeper" for union wage demands.

Iversen (1999, pp. 151-153) identifies the Parity Commission and its Sub-Committee on Wages as the main institution of centralised wage bargaining and views the ÖGB's control over the member unions and the absence of solidaristic wage policies as the key to wage moderation, which in turn supports low unemployment and low inflation.

And finally, in this brief literature review, reference should be made to a recent survey of the role of unions in the twenty-first century (*Calmfors et al.*, 2001, p. 77) where the Parity Commission is referred to as the carrier of 'institutional Social Dialogue' in Austria in the nineties.

Statements by ÖGB officials

Many of the references in the literature can be traced back to descriptions of Austria's wage bargaining system in the sixties and seventies. It is, therefore, instructive to consider statements by Austrian union officials from this era, which may be regarded as the heyday of peak-level influence by the Austrian Trade Union Confederation over member unions.

Statements by top union officials are more circumspect than statements by outside observers; there is no reference to a "national wage round" which is controlled by the ÖGB. In fact, the leadership of the ÖGB has repeatedly emphasised that each union is completely autonomous and negotiates under its own authority and has denied the existence of any national guidelines for wage increases. In 1981, for example, Anton Benya, president of the ÖGB, declared: "The individual trade unions are autonomous in their wage policies. But certainly they will be guided by the economic opportunities of the sectors they operate in. The ÖGB has never specified wage guidelines, but the trade unions have, on their own accord, in a solidaristic wage policy, reached wage settlements that are quite similar" (author's translation; *Duval*, 1981, p. 34). This statement reflects the provisions of the bylaws of the ÖGB (*Österreichischer Gewerkschaftsbund*, 1999, § 5

Geschäftsordnung), which explicitly assigns the task of concluding wage settlements to the member unions. This statement also acknowledges that wage settlements will differ between sectors, depending on economic conditions.

The acceptance of differences in contractual wage increases is also implicit in the reason given by Heinz Kienzl, the long-time economic advisor to the ÖGB, for the ÖGB's rejection of official guidelines: such standards would be viewed as minimum increases and, with the prestige of a union at stake, would foster an unhealthy competition between unions and thus undermine the efforts of the ÖGB leadership to achieve wage moderation in the interest of low unemployment and low inflation. Internally, however, Kienzl (1973, pp. 230-231) claims, the ÖGB has set wage guidelines before major wage settlements. In the trade-off between a solidaristic wage policy and wage moderation, the ÖGB apparently opted for wage moderation and a rather loose framework for negotiated wage gains.

Composition and scope of the Parity Commission

The Parity Commission was founded in 1957 as an ad-hoc instrument for reducing wage and price inflation but has been in operation ever since. The Commission is made up of the top officials of the four Social Partners and four members of the Federal Government concerned with economic affairs, who do, however, not participate in the vote. The Commission is chaired by the Federal Chancellor. Decisions have to be unanimous.

In 1962, the Sub-Committee on Wages was set up. Its members are two representatives each of the Federal Economic Chamber and of the Austrian Trade Union Confederation, and one member each of the Conference of Presidents of Chambers of Agriculture and of the Austrian Congress of Chambers of Workers (Chaloupek, 1990, *International Labour Office*, 1986, Klenner – Pellar, 1999).

Bargaining requests from bargaining units in the private sector of the economy came within the purview of the Parity Commission and the Sub-Committee, but not the bargaining requests of the four unions operating in the public sector, which up to 1997 included the railroads and the postal service (including the telecommunications sector). At a formal level, pay schedules in the public sector are set by the Parliament, though negotiations do take place in practice. It was only after the railroads and the postal (and telecommunications) service were formally separated from the government sector, that wage bargaining by these groups came within the remit of the Sub-Committee on Wages. Thus, for most of the time the Parity Commission was in existence, an important part of the economy, which accounted for more than 20 percent of total dependent employment in the nineties, was not subject to review by the Parity Commission.

Outline of the paper

This paper is based on a detailed examination of the minutes of the Parity Commission and of the Sub-Committee on Wages from September 1966 to the end of 2000 and on talks with officials from the Trade Union Federation, member trade unions, the Federal Chamber of Labour, the Federal Economic Chamber and the Industrialists' Association.

The next section describes the procedures followed by the Sub-Committee on Wages and outlines the range of decisions open to the Sub-Committee. Bargaining request of some employee groups are referred to the Parity Commission. Section 3 describes the procedure of the Parity Commission and examines which bargaining requests were approved and which were held up by the Parity Commission; special attention is paid to how the bargaining requests of the metal workers were dealt with by Commission. Section 4 returns to the Sub-Committee on Wages and provides a quantitative analysis of the Sub-Committee's decisions from the fall of 1966 to the end of the year 2000. A final section evaluates the impact of the Parity Commission and of the Sub-Committee on the wage bargaining process over the last 30 years.

2. The Sub-Committee on Wages

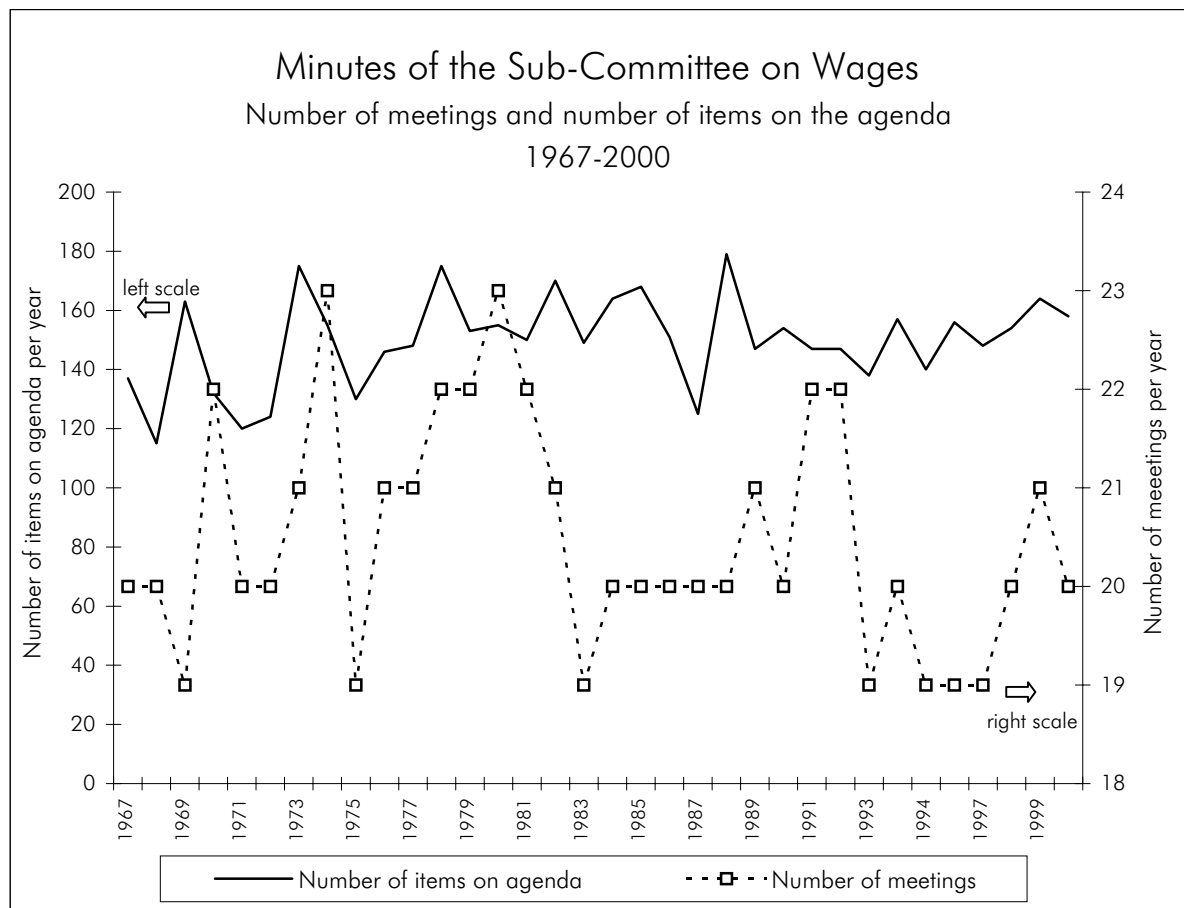
The period covered

The first meeting of the Sub-Committee on Wages included in the empirical investigation is the 86th meeting on September 9, 1966, the last the 787th meeting on December 13, 2000. Thus, during this period, 702 meetings took place; the records on 10 meetings are missing (5 in 1971, 1 in 1974, 2 in 1975, 1 in 1977, and 1 in 1982).

The Sub-Committee meets about 20 times per year. The meetings take place about every two weeks, with longer breaks in the summer and during the Christmas period. Each meeting lasts about 1/2 hour. Per meeting there are about 6-8 items on the agenda on average, plus a somewhat smaller number of items off the agenda. Each items refers to a request by a trade union to begin collective bargaining for an individual bargaining group or for group of bargaining units that bargain together².

² One important case is the bargaining group consisting of the metal workers in manufacturing and in the small-scale industry. The wage bargaining request is presented in the name both of blue-collar metal workers in manufacturing and in the small-scale industry, even though both groups sign separate collective agreements (in the small-scale industry collective agreements are sometimes concluded at the regional level).

Figure 1



The decisions of the Sub-Committee on Wages

Over the years, the following procedure has been followed: The bargaining unit which wants to negotiate terms of an collective agreement sends its request through the union to the Trade Union Federation (ÖGB), which sends it on to the Federal Economic Chamber, which then sends it on to the counterpart of the union bargaining unit on the employers' side for a response. On the basis of this response, the representatives of the Economic Chamber make their decisions in the Parity Commission and the Sub-Committee on Wages. The decisions of the Parity Commission and of the Sub-Committee must be unanimous.

The request on the part of the bargaining unit for permission to start collective bargaining as a rule refers to wage negotiations, but may also refer to changes in framework agreements.

The Sub-Committee decides

- a) to grant permission to the bargaining parties to get in touch with each other ('Fühlungnahme'); a report on the activity of the bargaining partners is requested;
- b) to grant permission to start negotiations, under the condition that the parties report back to the Committee;
- c) to state that no agreement has been reached;
- d) to defer a decision to a later meeting
- e) to refer an item to the Parity Commission.

Ad a and b): After the report, the Committee grants permission to start negotiations, and then eventually registers the wage settlement as an item off the agenda. As *Lachs* (1976, p. 43), then head of the economic policy section of the ÖGB, notes, the Sub-Committee does not influence the outcome of wage bargaining, in particular it does not regulate the size of wage increases. But as *Lachs* (1976, p. 43) points out, the employers did attempt to influence the outcome of wage bargaining in earlier years: permission to enter into negotiations was not granted right away, but in a sort of preliminary stage: the Sub-Committee permitted two or three representatives of the employers and of the employees 'to get in touch with each other' ('establish contact with each other') and requested a report on these contacts. In this way, the Sub-Committee reserved the right to make a final decision on whether or not to grant permission to the collective partners to enter into negotiations.

Granting the permission to 'get in touch with each other' has in practice meant that the parties started actual negotiations; once a wage settlement had been reached, the peak organisations could not, even if would wanted to, refuse to allow the collective partners to enter into negotiations (*Lachs*, 1976, p. 43). In fact, as noted later, as a rule collective agreements went into force before the collective partners obtained permission to negotiate. Occasionally wage settlements even went into effect before the request even reached the Committee.

Nonetheless, for most bargaining requests, the formality of granting permission 'to establish contact with each other' has been kept up until the end of 1992. This decision then in effect meant that the bargaining parties were allowed to enter into negotiations.

As a consequence, the decision to permit the collective parties to start negotiations lost its original meaning, as normally at that point the wage settlement had already been signed, and often the terms of the agreement put into effect; it just signifies that the Sub-Committee takes note of the results of the bargaining process.

Thus, the Committee's decisions are far removed from the actual collective bargaining process. The decision to allow negotiations to start and the act of taking note of the results of the negotiations are collapsed in time: the same paragraph in the minutes which records the Sub-

Committee's decision to allow bargaining to begin also takes cognisance of the results of exactly the same negotiations³!

At the end of 1992 a reform of the Social Partnership provided for the following changes: the Sub-Committee of Wages is to decide on all wage requests; only when no agreement can be reached, will the item referred to the Parity Commission; the wording of the decisions of the Sub-Committee is to be changed: the distinction between the 'permission to get in touch' and the 'permission to start negotiations' is dropped. In future, if the decision is positive, negotiations will be allowed, together with a request for a report; after the negotiations have been concluded, the results will be acknowledged.

In recent years, a further simplification (which had already frequently been practised in the sixties) has come to be employed: permission to start negotiations is granted by just sending the labour unions' request around by mail.

Ad c) and d): The Sub-Committee, which has to decide with unanimity, will state (at the insistence of the employers' side) that it has not reached an agreement on whether or not to allow negotiations to begin⁴.

A milder form of the statement that no agreement has been reached is the decision to postpone the decision on whether or not to allow negotiations to a later (often the next) meeting. The decision to defer the decision to some later meeting, taken at the initiative of the employers' side, often is just intended to signal irritation at the employers' side. In the early seventies and then again in the nineties, there were also several cases where the unions withdrew the request.

In all these cases, the pronouncements of the Wage Sub-Committee do not in general prevent the parties from beginning and concluding negotiations. Even if the collective parties obey the rules and do not 'get in touch with each other' or begin to negotiate, postponement of a decision by the Sub-Committee does not necessarily mean that the timetable for wage bargaining needs to be changed. The metalworkers' union, for example, sends its request to the Sub-Committee about three to four months ahead of the date when negotiations are normally scheduled to begin. Thus, there is ample time to begin and finish negotiations according to the regular schedule even if the Sub-Committee's decision to allow negotiations is delayed a couple of weeks.

Just as the bargaining parties sometimes do begin negotiations before obtaining the permission to get in touch with each other or the permission to start negotiating, permission to start phase one or phase two of wage bargaining does not necessarily mean that negotiations actually

³ The same applies to the procedures of the Parity Commission, as will be detailed later.

⁴ In the year 2000 there are two items where the wording is as follows: 'nicht stattzugeben/nicht zuzustimmen' instead of 'keine Einigung'. These two items are subsumed under the heading 'no agreement'.

begin. In Austrian labour law, there is no rule obliging employers to enter into wage negotiations. In the nineties, in a break with the past, a number of employers' organisations refused to enter into negotiations with the unions.

Ad e): The requests by some labour groups were referred to the Parity Commission, because of 'their fundamental importance'. Others were referred to the Parity Commission because no agreement could be reached in the Sub-Committee. The next section describes the way the Parity Commission deals with wage bargaining requests.

3. The working of the Parity Commission

Fewer and fewer meetings

From October 1966 to the end of 1981 the Parity Commission met regularly about 10 to 11 times a year. Then, starting in 1982 fewer meetings were held, 8 in 1982, and about 5 per year during the period from 1983 to the end of 1985. Then the number of meetings fell to between three and four, with just one meeting in 1991 and in 1992. As the meetings of the Parity Commission became more and more spaced apart, the number of items settled by simply circulating them among the members of the Parity Commission rose.

The procedure

The following procedure has been followed: After the request has been referred by the Sub-Committee on Wages to the Parity Commission, the Parity Commission usually allows the bargaining parties to establish contact ('Fühlungnahme'). In some cases, however, the wage bargaining requests were denied or decisions deferred to a later meeting (but eventually all wage bargaining requests are approved). In a second step, after a report from the Economic Chamber and/or the union on the results of the so-called contacts (Fühlungnahme), the Parity Commission decides to grant permission to start negotiations ('Verhandlungen freigegeben').

The divergence between formal rules and the practice of collective bargaining that was noted at the level of the Sub-Committee can also be found at the level of the Parity Commission. The decision by the Parity Commission to allow the bargaining parties to enter into negotiations comes as a rule after the negotiations have been concluded and the collective agreement signed. Thus, the wording 'permission to start negotiations' is just a formalism; its use until 1992 does, however, indicate the pretension of the Parity Commission (and its Sub-Committee) to influence the outcome of the wage bargaining process. In practice, the status of the Parity Commission (and of its Sub-Committee) is that of a recorder's office.

The decision to allow negotiations to begin as a rule reads as follows: the Parity Commission takes cognisance of the result of the contacts (Fühlungnahme) and decides to allow negotiations.

Sometimes the results of the wage settlement are listed in the minutes, as in the following example: "The Parity Commission for Price and Wage Questions takes note of the verbal report regarding the results of the contacts for the workers in the auxiliary construction sector (wage increases of 4.8 percent, taking effect from May 1, 1984, duration of collective agreement: 12 months) and decides to allow the collective partners to enter into negotiations." Minutes of the 270. Meeting of the Parity Commission for Price and Wage Questions on May 9, 1984⁵.

Sometimes the permission to initiate contacts or to start negotiations is given with the proviso that negotiations not start before a certain date. On some occasions, the Parity Commission appealed to the collective partners to take special note of the current economic situation and to keep in mind the necessity of maintaining full employment⁶.

Wage bargaining requests of some labour groups were referred by the Sub-Committee on Wages to the Parity Commission because of their 'fundamental importance'. The requests of two groups of workers are treated in this way. The first group includes bargaining units in the food and beverage industry. The second group includes employee groups that are numerically significant.

Bargaining groups referred to the Parity Commission

Wage bargaining in the food and beverage industry

Most of the items referred to the Parity Commission concern prices. Of those items related to wages, most deal with wage negotiations in the food and beverage industry (such as bakeries, the dairy industry, meat industry, breweries, sugar manufacturing industry, grain milling industry, etc.). As long as the Parity Commission exercised price control over food prices, collective bargaining in these areas was considered of fundamental importance because of its possible impact on food prices; this was true in particular in the fifties and sixties when expenditures on food and beverages took up a large portion of total consumer spending.

Wage increases may have been an important determinant of food prices, but wage settlements in the food and beverage industry were of minor importance as far as the collective bargaining process with possible spill-over effects for the rest of the economy is concerned. Most of the collective bargaining agreements cover only small groups, many at the regional or enterprise level.

⁵ "Die Paritätische Kommission für Preis- und Lohnfragen nimmt den mündlich vorgetragenen Bericht betreffend das Ergebnis der Fühlungsnahme für die Arbeiter des Bauhilfs- und Baunebengewerbes (4,8% Lohnerhöhung, Wirksamkeitsbeginn 1. Mai 1984, Laufzeit 12 Monate) zur Kenntnis und beschließt, die Verhandlungen freizugeben." Beschlussprotokoll, 270. Sitzung der Paritätischen Kommission für Preis- und Lohnfragen, am Mittwoch, dem 9. Mai 1984.

⁶ See for example the Beschlussprotokoll, 257. Sitzung der Paritätischen Kommission für Preis- und Lohnfragen, 20. Jänner 1982. Similar wording is used in the decision taken on February 1, 1984, in a year when the high current account deficit prompted a steep raise in the value added tax.

The Parity Commission's decision to allow the collective partners to establish contacts in a certain branch of the food and beverage industry, then set in train the following ritualised procedure: representatives of the Economic chamber pointed out that wage increases in this branch will have an impact on prices; representatives from the labour side then countered that the question of price increases must be brought before the Sub-Committee on Prices and will be decided there.

After the agreement between the Social Partners of November 1992, which limited the work of the Sub-Committee on Prices to a few food items (and a few items in the energy sector), the practice of referring requests for collective bargaining to the Parity Commission was discontinued.

Large groups of employees

From a macroeconomic point of view, the Parity Commission's decisions regarding large employee groups have been considerably more important than those dealing with bargaining groups in the food and beverage industry. It is here that the question of wage moderation is decided. Several large groups were referred to the Parity Commission because of their 'fundamental importance':

Typically, the wage requests of the following groups of employees were dealt with by the Parity Commission:

Groups of the blue-collar workers in the iron and metal industry (both manufacturing and small-scale industry); this group often includes blue-collar workers in mining and iron and steel works and accounts for approximately half of the employment of blue-collar workers in manufacturing and in small-scale industry⁷.

Blue-collar workers in the chemical industry

Another large group is formed by blue-collar and white-collar workers in the construction and wood and related industries (including employees in the small-scale sector). Blue-collar workers in the stone, brick and quarrying industry as a rule also follow the bargaining cycle of the construction workers.

White-collar workers in most branches of manufacturing and small-scale industry

Blue-collar and white-collar workers in the distribution sector

White collar-workers in the banking and insurance industry

Smaller groups are blue-collar workers in the pulp and paper industry, the oil extraction and processing industry, paper industry, the textile and leather industry

⁷ In many cases, if there is a division between manufacturing and small-scale industry, a distinction typical of Austria's economy, the small-scale sector is included in the wage negotiations request, even though the collective partners conclude separate collective agreements for this sector.

Other, smaller groups, include branches of the transport sector (such as communal public transportation, the national airline) and also economically weak groups of workers such as cosmeticians, hairdressers and similar groups.

Wage settlements of the Metal Workers from October 1966 to December 1992

Large, powerful bargaining groups may act as wage leaders, by setting a mark for wage increases that other smaller, less powerful groups may want to reach. Therefore, it might be argued, it is the task of institutions concerned with wage moderation to control wage increases of wage leaders. One way of finding out whether this is the case in Austria is to look at the decisions made by the Parity Commission with respect to the wage bargaining requests of the metal workers union. Collective agreements negotiated by this union cover about half of the blue-collar workers in manufacturing and are therefore, even without consideration of any knock-on effects, of great importance for the achievement of macroeconomic goals.

Does the Parity Commission have an impact on the timing and the size of wage increases negotiated between the metal workers union and the corresponding sections of the Economic Chamber? One measure of this influence is the number of times wage bargaining requests were rejected by the Parity Commission.

During the 23 episodes of wage bargaining by the metal workers during the period from the fall of 1966 to the end of 1992 (when the Parity Commission and its Sub-Committees were reformed) the metal workers' request was denied just once (it was deferred from the meeting of the Parity Commission on June 12, 1985, to the meeting on July 3, 1985, and then approved). In this year, the union presented the wage bargaining request four and a half months ahead of the anticipated date of the wage settlement (within the 12-month cycle) instead of the usual lead time of three to four months, so the delay in the Parity Commission's approval had no material impact.

The second step in the Parity Commission's procedure is to grant permission to enter into collective bargaining. If this step is intended to be more than a formality, this decision should be taken before the negotiations have been concluded, or, if this is not within the power of the Parity Commission, at least before the collective agreement comes into force. Here too, the minutes of the meetings of the Parity Commission do not indicate any influence of the Parity Commission on the outcome of wage negotiations.

In the late sixties and early seventies, the Parity Commission's decision to permit negotiations to begin was, as a rule, taken between the date of the conclusion of the wage negotiations (signing of the wage bargain) and the date the wage increases were implemented. That is, this decision followed rather than preceded the conclusion of the wage bargaining (signing of the collective agreement); thus, the Parity Commission's permission to enter into negotiations turned out to be a pure formality, as it came after the collective agreement had already been signed.

In most years of the mid-seventies and late seventies, the Parity Commission's decision to allow the negotiations to go forward was taken after the provisions of the wage settlement had been put into force. A typical sequence looked like this:

- On June 13, 1973, the Parity Commission decides, after a report from the Sub-Committee on Wages, to allow the bargaining partners to establish contacts.
- On September 14, 1973 a settlement is reached, with the provisions of the collective agreement to take effect on September 1, 1973⁸.
- The Parity Commission in its meeting on October 3, 1973, on the basis of a report from the Economic Chamber, dated September 20, 1973, decides to permit the bargaining partners to enter into negotiations ('Verhandlungen freizugeben').

The cleavage between the formalism employed by the Parity Commission with its pretension of controlling wage bargaining and the practice of wage bargaining was even wider in the eighties and the early nineties. Then the Parity Commission held only a few meetings per year and the decisions were taken by just circulating the wage requests of the metal workers among the members of the Parity Commission.

The slippage in the Parity Commission's power to regulate wage bargaining in an important part of the goods producing sector is also reflected in the minutes of the Parity Commission. Minutes from the sixties are considerably more elaborate than those from later years. For example, in the minutes of the meeting on October 12, 1967, which gave the go-ahead (Fühlungnahme) to the collective partners, the subgroups that are covered by this permission are meticulously listed; the representatives of the Economic Chamber pointed out that some sectors covered by a future wage settlement would not be able to bear wage increases and that jobs would be jeopardised by higher wages. In the next meeting (June 4, 1969) of the Parity Commission, which dealt with wage requests by the metal workers, the consequence of wages increases for inflation were pointed out by representatives of the Economic Chamber. By contrast, the minutes of later meetings of the Parity Commission simply state the decision to allow contacts without further ado.

⁸ As a rule, however, the collective agreement comes into force at a date that *follows* the signing of the agreement.

The decisions of the Parity Commission from 1978 to 1992: Other bargaining groups

The minutes of the meetings of the Parity Commission from the beginning of the year 1978 to the end of 1992 were examined in detail. The year 1978 is characterised by an economic downturn and a relatively high number of items rejected in the Sub-Committee. The endpoint of this period is marked by the reform of the Parity Commission and the Sub-Committee on Wages.

As a rule, the Parity Commission allowed the collective partners to get in touch with each other and then, in a second step, acknowledged the results of the wage negotiations. In the eighties, more and more of the decisions were reached by simply circulating the bargaining requests among the members of the Commission. There are few instances when the Parity Commission deferred a decision to a later meeting; they concerned small groups (such as the transportation service in the city of Graz).

On some occasions the Parity Commission called on the bargaining partners (small employee groups in the transportation sector) to continue the bargaining process after negotiations had come to a standstill. In 1978 two bargaining groups (white-collar workers in the insurance sector, employees in private guard services) were admonished for breaking the rules: the bargaining request was put to the Parity Commission only after the wage negotiations had already been concluded. In later years, according to officials familiar with the working of the Parity Commission and its Sub-Committee on Wages such cases were more frequent, but there is no record of any admonitions in the minutes of the meetings of the Parity Commission.

There only two cases when the requests of strong bargaining groups were denied. In both cases the requests reached the Parity Commission 4 or 5 months before a new settlement could be expected, given the 12-month cycle; in both cases the request was deferred to the next meeting and then approved. One group is the blue-collar workers in the pulp and paper production, the other group is the blue-collar workers in the iron and metal industry (already referred to in the previous section).

4. An analysis of the decisions of the Sub-Committee

The wage bargaining requests are first dealt with in the Sub-Committee on Wages. An examination of the minutes of the meetings of the Sub-Committee on Wages for the period from September 1966 to December 2000 allows a quantitative analysis of the Sub-Committee's decisions. With the exception of the year 1967, the majority of the items on the agenda were approved (a and b). The remainder of the items are classified as 'not approved' ('no agreement', 'deferred', 'withdrawn' and 'referred to the Parity Commission').

Counting the number of items on the agenda

Until the year 1989, the items on the agenda were not numbered consecutively, so in the years before 1989 the same item may be put on the agenda in several meetings and be counted several times. Two cases have to be distinguished.

If 'no agreement' is reached then this item will come up again in some subsequent meeting and counted twice, if approved, increasing the total number of items as well as the number of items categorised under the heading 'approved' by one. After 1988, those items that reappear on the agenda and are 'approved' will not be counted again. In figure 1, the number of items categorised under the headings of 'not approved' are depicted as a proportion of the total number of items. Since eventually all items are 'approved', the ratio of 'approved' items to the total number of items will be somewhat overstated for the years 1966 to 1988 (the ratio of the number of items 'not approved' will be understated), in comparison with the years from 1989 onward when only the rejection is registered. But the bias is very small, given the small variation in the number of items put on the agenda in each year.

If, however, during the period from 1966 to 1988, the same item is put on the agenda and not only rejected once but twice (or more times), the number of times the item is counted as rejected will be two (or more) until finally the item is recorded as approved. In these cases, the ratio of the number of rejected items to the number of all items will be overstated. There are, however, not many instances where the same item is rejected several times. Therefore, also in this case, the bias is likely to be small.

Panel 1 in figure 2 depicts the number of items on the agenda which were not approved as a percentage of the total number of items on the agenda (*Anteil der abgelehnten Tagesordnungspunkte an allen TO-Punkten*). This series exhibits some cyclical variation as well as a clear downward trend. Towards the end of the nineties about 90 percent of the requests put before the Sub-Committee were approved.

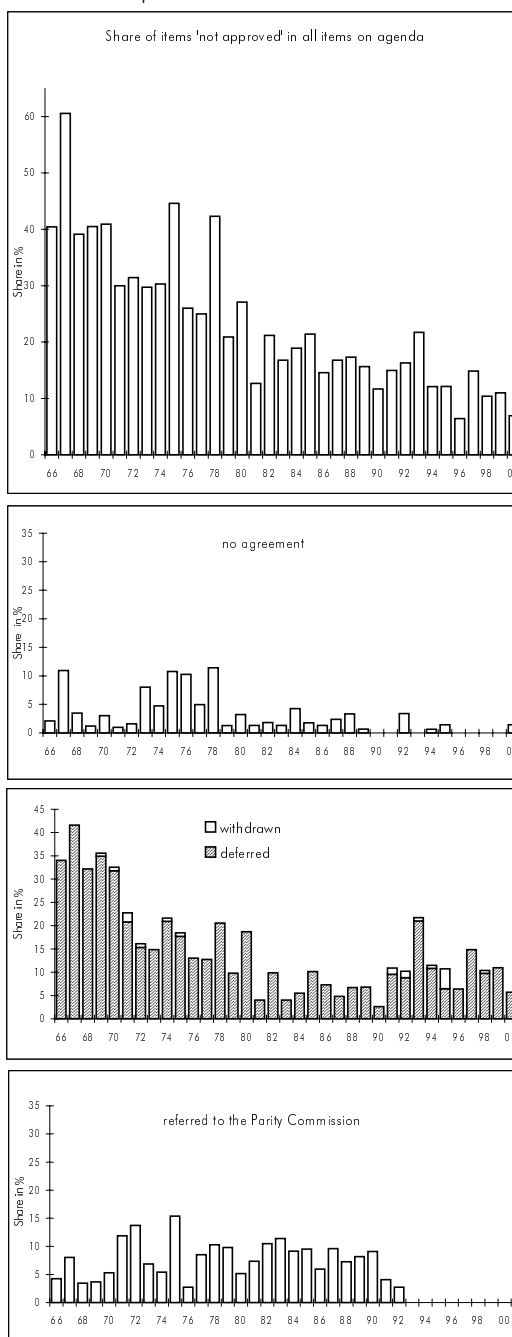
Panels 2 and 3 of figure 2 depicts 3 subgroups. The proportion of the number of items with the decision 'no agreement' (*keine Einigung*) correlates strongly with the business cycle (panel 2 of figure 2). Peak values were reached in the growth recession of 1967, during the year of the oil price shock, in the recessions of 1974-75 and of 1978. This cyclical pattern continues, though at a much lower level, in the eighties, with the last spike in 1992; then, after a pause of four years there is one entry again in 2000.

Panel 3 of figure 2 depicts the ratio of the number of items deferred or withdrawn (*zurückzustellen, zurückzuziehen*) to the total number of items. After a steep drop in the early eighties, this series stabilised in the second half of the eighties and in the nineties. The category 'referred to the Parity

Commission' (panel 4 of figure 2) exhibits no entries after the year 1992, the year of the reform of the Parity Commission.

Figure 2

Decisions by the Sub-Committee on Wages
of the Parity Commission
From September 1966 to December 2000



The decisions of the Sub-Committee after the 1992 reform: Tough on weak, small bargaining groups, easy on large, powerful groups

This section takes a closer look at the years after the 1992 reform of the Parity Commission and its Sub-Committees. This period covers the years from 1993 to 2000. The year 1993 saw an upsurge in the number of items that were deferred to a later meeting, even though during the whole period most of the bargaining requests were approved.

If the heading 'referred to the Parity Commission' is disregarded, the share of the items rejected in the nineties is considerably higher than in the preceding decade. This may suggest that the environment in which bargaining took place became somewhat rougher for some groups of employees. A stronger resolve on the employers' side to insist on wage moderation would be indicated if bargaining requests of large and well organised employee groups were denied more frequently. This is, however, not the case: the list of those groups whose wage bargaining requests were denied (no agreement, deferred, withdrawn) by the Sub-Committee is a list of the small and weak.

This list includes several bargaining groups in the food and beverage industries and a variety of groups from all sectors of the economy, all of which are small in numbers. But there are certain employee groups that come up again and again: white-collar workers in the apparel industry, blue-collar workers in the apparel industry and in cleaning shops, laundries and dyeworks.

There are only a few large bargaining groups whose bargaining requests, when first put on the agenda, were not approved. Probably the most powerful one is the bargaining unit representing most white-collar workers in manufacturing and in small-scale industry: their request (August 3, 2000) was deferred to the next meeting (August 14, 2000) and then granted.

In 1994 the request by the blue-collar workers in the distribution sector was deferred to the next meeting and then granted. After the privatisation and split-up of the Postal and Telecom Service in 1997, the bargaining requests of some groups of employees in this sector were deferred, twice in 1998, once in 2000.

5. The impact of the Parity Commission and its Sub-Committee on the wage bargaining process

As *Lachs* (1975) points out, it is not the job of the committee to influence the terms of the agreements, in particularly not the extent of wage increases. As provided in the statutes of the ÖGB, the member unions are autonomous in the area of collective bargaining.

Lachs' claim that the Wage Sub-Committee has *never* influenced the substantive issues of collective bargaining and that the terms of any agreement is fully within the autonomy of the collective

partners has been confirmed by representatives of the Economic Chamber and the ÖGB in recent interviews.

Indeed, the activity of the Sub-Committee is quite removed from the actual bargaining arena: neither the yearly wage round of the metal workers union and of other important employee groups nor the refusal of some regional sections in the small-scale industry sector and in tourism in the mid- and late nineties to even start wage negotiations commanded any particular attention in the Sub-Committee; the reasons given for this inattention to wage bargaining by so-called 'wage leaders' on the one hand and to the lapse of wage negotiations in sectors at the opposite end of the spectrum are that collective bargaining is entirely within the remit of the collective partners themselves.

Both, union leaders and officials from the Economic Chamber emphasise that each bargaining unit is on its own and must rely on its own strength in securing or moderating wage increases or improvements in the framework agreement. As far as the employers' side is concerned, the employers' associations at the level of the provinces do sometimes delegate the job of negotiating collective agreements to the federal level, but may and sometimes do reject the agreement, preferring to conclude their own agreement.

The other side of the bargaining units' autonomy in collective bargaining is that they cannot expect any help from other bargaining units, the union to which they belong or the federation. Strong bargaining units or unions scoff at the idea of help from the ÖGB and would interpret an offer of help from a higher level as an insult and infringement on their autonomy, as one union official put it.

The Parity Commission as well as the Sub-Committee on Wages approved most of the bargaining requests. Of those not approved immediately, most concerned bargaining requests from the food and beverage industry (with its many small employee groups) and other small (or shrinking) groups of employees whose overall impact on wage inflation is minimal. Only on rare occasions did the Parity Commission and its Sub-Committee on Wages deny an initial bargaining request by a employee group that can be considered large and powerful. Over the period of 33 years that were examined in this paper, the bargaining request of the metal workers, which by some observers are considered wage leaders, was deferred just once (to the next meeting and then promptly approved).

Given the statements from the employers and from union officials, it is doubtful whether the Parity Commission and the Sub-Commission on Wages ever exerted much influence over wage bargaining. Moreover, whatever power the Parity Commission and the Sub-Commission might have had to regulate wage increases in the early years, seems to have eroded over time. This is indicated by an analysis of the minutes of the meetings of the Parity Commission and of the Sub-Committee on Wages indicate. There is a clear downward trend in the number of items on the agenda that are not approved when first put forward. The highest rejection rate is found in the

second half of the sixties and the seventies. But even then most of the items labelled as rejected were deferred to a later meeting, the bulge in the number of items labelled 'no agreement' in the years immediately following the first oil price shock notwithstanding.

A similar picture emerges from the minutes of the Parity Commission, which dealt with bargaining requests of employee groups that were considered of 'fundamental importance' or whose bargaining requests were referred to the Parity Commission. While this Commission met at regular intervals in the sixties and seventies the number of meetings per year fell off sharply in the eighties and nineties, and bargaining requests were often approved by circulating the items per mail.

That the decisions of the Parity Commission and the Sub-Committee have developed into a routine with little if any impact on the wage bargaining process is also suggested by the timing of the decisions. After the bargaining parties have been given permission to establish contacts, in a second stage, the Parity Commission and the Sub-Committee allow the parties to enter into negotiations. As a rule, this decision is taken after the parties have already concluded their negotiations; in later years this decision is taken, more and more often, when the wage increases provided in the agreement had already become effective. Occasionally, in a further step away from effective control of the wage setting process through the peak organisations of the Social Partners, the bargaining request reaches the Sub-Committee only after a wage settlement has been signed.

It is, of course, impossible to pinpoint a year or even a decade during which the power of the Parity Commission and the Sub-Committee to influence the wage bargaining process vanished. This was a gradual process. If there was a function left for the Parity Commission and the Sub-Committee in the nineties, then it was that of a recorder's office, that serves as an information gathering device for the ÖGB and the Economic Chambers and as a forum for the informal exchange of ideas.

The weak role played by the Parity Commission and its Sub-Committee in the wage bargaining process does not imply that the peak organisations of labour and of the employers exerted no influence on the course of wage negotiations in the past. This paper documents the feeble and vanishing influence of the much vaunted Parity Commission and its Sub-Committee on Wages.

The Social Partners may have exerted their influence through other, less formal channels. Of course, such influence is harder to evaluate. Union leaders as well as representatives of the employers' side, when asked about the influence of the ÖGB and of the Federal Economic Chamber, agree that the heydays of this influence was in the mid-seventies when wage increases (and price inflation) were more quickly reduced than in other countries. The influence of the peak organisations was then, it is argued, to a large measure due to the personal authority of the long-serving presidents of the ÖGB and of the Federal Economic Chamber; and if one were to point to a break in the influence of the central organisations it would be in mid-eighties to the late eighties when the rule of the long-time presidents of the ÖGB and of the Federal Economic Chamber drew to a close: In 1987, after years of fighting between the metal workers' union and the Union of Salaried Employees for dominance in the ÖGB, the ÖGB chose a new youngish president in a

compromise, a candidate who did not have the backing of either of the major trade unions but came up through the ranks of the union organisation; in 1990, the Federal Economic Chamber also chose a new president.

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