

High Wage Differentials in a Corporatist Economy.

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Divergent unemployment performance across the OECD countries during the last two decades and the need to prepare for the single currency in the European Union have again focused attention on the wage bargaining system. Several authors have claimed that superior labour market and inflation performance is correlated with a high degree of centralisation/co-ordination in bargaining. But empirical studies using such concepts as centralised bargaining or corporatism are plagued by measurement difficulties. While the position of some countries, such as Japan and Switzerland, is rather uncertain in such rankings, a few others such as Austria, Norway, and until recently, Sweden, have been universally classified as highly corporatist.

Indeed, Austria has been considered a paragon of centralised wage setting by many observers. In four rankings on labour market centralisation compiled by Calmfors and Driffill (1988), Austria is number one three times, number three (after Sweden and Norway) once. More recent rankings (OECD 1997; Booth et al. 2000) also show Austria as a country with the highest degree of centralisation or co-ordination. Austria has also been regarded as the paradigm case of corporatism. A measure of corporatism, which combines the evaluation of twelve neo-corporatist scholars, shows Austria as the most corporatist country among eighteen industrialised Western democracies, slightly ahead of Norway and Sweden (Lijphart and Crepaz 1991).

This paper takes issue with the classification of Austria's bargaining system as highly centralised or co-ordinated. It sets out by reviewing the organisational structure of the trade union confederation and of the unions, covers the structure of wage bargaining between the unions and the employers' associations and presents evidence on large contractual wage differentials between various bargaining groups. Wage drift and the unions' response to wage drift are also dealt with in section 2. Section 3 juxtaposes myth and reality in Austria's bargaining system and traces the misclassification of Austria's bargaining system as a highly centralised/co-ordinated system to the overemphasis on the formal structures of wage bargaining, the reliance on accounts from the sixties and seventies, and confusion between features of corporatism and of centralised bargaining. Section 4 reconstructs the widely used Bruno-Sachs and Calmfors-Driffill rankings and assigns Austria a place in the intermediate group rather than the top group of countries along the centralisation/co-ordination scale. Section 5 traces Austria's high earnings inequality, a phenomenon that has puzzled many observers, to the practice of rent sharing in several important sectors.