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# Labour Education and Training Research Network



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## The Austrian Labour Foundations

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This paper represents work in progress. When completed it will present a comparative study of labour foundations in Austria, Italy, and Germany. So, before I get into my presentation, let me briefly give you the main points of this paper. I briefly describe the reasons for working on a comparative study of a particular training strategy in three countries – labour foundations – in Austria, Germany, and Italy. (Here I limit my comments to Austria as I have fairly complete information).

My research is guided by the following four considerations:

- i. The nature of labour relations – drawing on Slomp's (1992) model.
- ii. The level of corporatism in Austria, Germany, and Italy (Lehmbruch 1984: 66).
- iii. The impact of the European Union on labour relations towards convergence (pressures toward decentralization in Austria and depolitization in Italy).
- iv. The training industry.

After sketching the theoretical background

1. I begin with a brief introduction to the Austrian system of concertation.
2. This is followed by some observations about labour foundations in Austria.

My final report will include the material on labour foundations in Germany and Italy and explore the potential for labour foundations in the Canadian context.

### **1. The theoretical background**

One of the questions I had set myself before I started to get my hands dirty in research was to ascertain how the state and organized labour in three countries, Austria, Germany, and Italy were involved in the training enterprise. One issue that immediately interposed itself was the realization that labour's ability to get involved in training would be affected by what we broadly call labour relations. Clearly, these relations are, in turn, shaped by a dominant ideology as expressed in the existing legal framework and state structures. I proposed to draw on Slomp's (1992) work on labour relations and Lehmbruch's (1984) insights about concertation.

Slomp (1992) distinguishes three systems of labour relations in Europe: the British model (United Kingdom, Ireland) – characterized by decentralization and non-formalized labour relations. The South European model (France and the Mediterranean countries) with its traditional tendency towards the politization of industrial conflicts; and third, the North European model (Germany, Scandinavian countries, the Benelux countries, Austria, and with some reservations, Switzerland). The North European model has a long tradition of tripartism. Within this group the centralization of Austria's trade unions, however, is exceptional even by European standards.

Lehmbruch's four level, cumulative scale of corporatism, while limited to OECD countries, places Italy into the weak, Germany into the medium, and Austria into the strong corporatism categories respectively. Thus, the three jurisdictions I am interested in are neatly strung out on a continuum: Austria's organized labour is perfectly centralized having just one peak organization (ÖGB); Germany's comes next with the DGB representing the majority of workers; and Italy's with its three major peak organizations (CGIL (communist), CISL (catholic), UIL (socialist)) resembles the fragmentation of

Canada's labour. Canada, in Lehbruch's classificatory scheme is placed into the pluralism category.

According to Lehbruch (:65-66)

*Pluralism* is characterized by the predominance of 'pressure-group' politics and the lobbying of government agencies and parliament by fragmented and competing interest groups, and by a low participation of unions in policy making. The second class of the scale, *weak corporatism*, is distinguished by the institutionalized participation of organized labour in the formation and implementation of policies only within certain limited sectors of policy or by its participation only in specific stages of the policy process – for example, consultation or implementation. [...] *Medium corporatism*, the third class of the scale, is characterized by sectoral union participation similar to that of 'weak corporatism' .... The fourth class, *strong corporatism*, is then characterized by the effective participation of labour unions (and organized business) in policy formation and implementation across those interdependent policy areas that are of central importance for the management of the economy.

The Austrian case is fascinating for the North American student as labour has two institutional representations. First, there is the ÖGB, the Federation of Austrian Trade Unions to which the 14 currently existing unions belong. Union membership is voluntary and, as in most industrialized countries, is declining.<sup>1</sup> Membership in the Chamber of Labour (AK), the second institution is, however, mandatory<sup>2</sup> for all employees. One consequence of this arrangement is that the Chamber takes care of many tasks that would elsewhere fall on the unions. Thus, the Chamber carries out most of the research functions for advocacy and protection that would elsewhere be the domain of a union federation or union. One example is occupational health and safety another is training. One lesson we could draw from this is that it is perfectly possible to divide and redistribute the jobs of interest representation and servicing. In Austria the ÖGB is being mainly charged with the former and the AK with the latter.<sup>3</sup>

Another institutional characteristic of labour/management relations on the shop floor in Austria (as well as Germany) is the presence of works counselors (*Betriebsräte*) who are somewhat akin to our shop stewards. Under the legislation, employees in every workplace with five or more workers must elect a works counselor to represent them viz. a viz. Management.<sup>4</sup> Works counselors are not required to be members of a union although in practice most of them are.

Add to these two peculiarities of the Austrian labour relations system the fact that only the ÖGB rather than its member unions is a legally recognized entity and as such is the only authorized signatory of collective agreements from the employee side. This feature is rooted in the reality that the ÖGB, together with employer representatives and the federal government is one of the three pillars of the *Sozialpartnerschaft* or social partnership. How this social partnership came about arises from Austria's history.

## 2. Austrian Concertation

It was the inter-war experience of open conflict and the suppression of free trade unions, coupled with the extreme weakness of capital after the war, led to the post-war

creation of the *Sozialpartnerschaft* – social partnership – in which labour became a partner with government and employers in the reconstruction of the nation. The vehicles to bring these actors together were the reconstituted old federal pre-war “chambers” and the Austrian Trade Union Federation (ÖGB). Although there are numerous chambers the most important ones are the Chamber of Commerce, the Conference of Chambers of Agriculture, and the Chamber of Labour. These chambers, together with the ÖGB are powerfully represented at all levels of government. No piece of legislation can be submitted to the federal legislature before it has been presented to and has been evaluated by the social partners.

While the ÖGB has consistently followed a policy of wage restraint, it has done so in exchange for the federal government’s commitment to a full employment policy. In brief, the post-war decades of cooperative wage policies rested on the philosophy of “Austro-Keynesianism” that reached its zenith in the 1970s. In 1971, the OECD (1971:23) noted that “the system of social partnership has been the most important basic factor enabling Austria to achieve a postwar economic and social development that compares favourably with that of any other country.” That development rested on a tightly woven pattern of demand management policies which required the active participation and cooperation of all social partners.

Austria’s huge proportion of state-owned enterprises – 49 in all– that manufactured virtually all of the nation’s raw materials and a large part of its industrial output (OECD 1971:74) was due to the Allies’ takeover of these industries after the war. In response to the Allies insistence to treat these enterprises as German property, the Austrian government nationalized them, fearing that these properties would eventually fall into U.S., Soviet, British, and French hands. Heavy government investment in these enterprises assisted the post-war reconstruction. Of particular interest for us was the fact that VOeSt-Alpine A.G. (VOeST), Austria’s largest steel producer, received fully one third of all Marshall Plan aid between 1948 and 1951. The nationalized sector became thus extremely important in the post-war years: it accounted for more than 20 percent of the GNP in the period between 1948 and 1965; productivity doubled and product value trebled. By 1960 the nationalized sector accounted for one third of all exports (OECD 1971:74).

Of all the industries, the steel sector was, without question, the most important. In 1969 it contributed almost half of Austria’s industrial turnover and employed 55,681 men and women out of 105,301 employees for all nationalized enterprises (ibid: 76). When, a decade later, the world market for steel slumped and Austria’s technological advantage had evaporated the first major test for the social partnership had arrived. The second test, currently being played out, was Austria’s accession to the European Union in 1995. How would the social partnership fare under these conditions? What labour market policies would be found to deal with the crisis?

The immediate problem in the mid-1980s was the spectre of mass layoffs in regions that had been dominated by iron and steel production for as long as anyone could remember.<sup>5</sup> Of the six locations (Linz, Eisenerz, Donawitz, Zeltweg, Vienna, and St. Aegydy) where VOeST operated Linz and the metal and steel-producing region of upper Styria were the most affected. The proportion of those employed in the iron and steel industry dropped by 35 percent between 1980 and 1988 although with 26,000 employees in 1988 it was still one of the largest industries. In 1981, fully one quarter of the 91,000 employed in upper Styria worked either for VOeST or one of its subsidiaries. Between

the first half of 1981 and the first half of 1986 approximately 3,700, or 16 percent, lost their jobs. As the crisis deepened, another 1,600 were laid off in 1987, reducing the number of those employed in the Styrian iron and steel industry to about 15,400. Although the outlook for the industry had by then brightened, the reorganization of the company then already underway was certain to contract the number of employees even further.

While steel was very important to the economy of Linz, the Styrian iron region was almost entirely built on the fortunes of the industry. In 1988 the unemployment among those in the iron, metal, or electrical occupations in Leoben, the largest urban centre of the region, reached 16 percent – four percent above the provincial average. The depth of the problem could be seen by the proportion of the long-term unemployed (50 percent as compared to 40 percent for the province). To this picture must be added the above average unemployment among women and youth. The economy of Linz, the provincial capital of Upper Austria, and the surrounding region while severely affected by the job losses at VOeST was rather more diversified. But even in then, between 1986 and 1987 in Upper Austria the number of unemployed in the ferrous industries reached 2,305, a jump of 70 percent.

By then it had become clear that the traditional re-employment strategies as they were being applied in Great Britain, the Federal Republic of Germany, the U.S.A., Sweden, and elsewhere, were insufficient instruments to fully reintegrate those into the labour market who had become the victims of industrial restructuring. A new way out had to be found.

### **3. Labour Foundations in Austria**

#### *Beginnings*

We have already noted how the peak of the global steel crisis of the 1980s posed a serious problem for VOeST, Austria's largest and then still state-owned integrated enterprise. A disastrous investment in a minimill in the U.S.A. (Bayou Steel Corporation)<sup>6</sup> deepened the crisis for the company. The company's first response was to call for consultant's report on how to deal with the crisis. The consultant, McKinsey, made it clear that, compared to its competitors, VOeST had up to 30 percent more employees than necessary. The next step was to offer an early retirement package (the cut-off for women was to be 50 years of age and over, for men 55 years). This was made possible by the passage of special legislation. The media, however, whipped up popular sentiment against "the special treatment" these workers were to receive and politicians were forced to abrogate the legislation at the end of 1987. Much of the vitriol expended by the media fell on receptive ears: the role of nationalized industries in Austria had by then become a popular target of conservatives of all stripes. The immediate result was paralysis. There seemed to be little that could be done to soften the blow for the thousands of workers who were about to lose their jobs. The situation was also aggravated by VOeST's inability to "spend its way out" because of popular hostility toward state-owned enterprises. Without further investment to modernize and rationalize its operations the number of jobs that were going to be lost would rise even further.

It was against this background that the company, unions, and government struggled to find ways to "soften" the descent into unemployment and to develop strategies that would further reintegration into the labour market. As for the employees who would lose their jobs, there were, of course, early retirement for some and

unemployment benefits for others. It was plain, however, that these programmes would only serve as partial solutions to the deeper problems following in the wake of rationalization.

Borrowing the idea of the “*Stahlstiftung*” from a programme developed in the German Saar region, VOeST management and labour had jointly developed their own version of the “Steel Foundation” by 1987. Despite its appellation, the foundation in Canadian terminology resembles charitable, non-profit organizations, rather than a foundation. The Steel Foundation model, however, despite early criticism has proved so successful<sup>7</sup> that it has since been broadened to include industries from all sectors and led to amendments to the Austrian Unemployment Legislation.<sup>8</sup> It is distinguished from most other programs by its dual reactive – proactive orientation, and most importantly by the active involvement of all three social partners.

Like most passive strategies aiming to reintegrate the unemployed into the labour market, the foundation model also seeks to direct job seekers toward existing vacancies. The emphasis here is on vocational reorientation. In this respect, the work of the foundation, as in all passive programmes, is primarily in the interest of the former employer: after all, it is the employer who in the process of rationalization wants to shed “surplus” employees. The employee is an involuntary job leaver. In Austria, as in Canada, the separation from the job is in part “softened” by the temporary provision of income assistance. Under these programmes the employer bears no responsibility for the former employee. Given the rapid transformation of the labour market, these purely passive strategies have become recognized as being of limited value and are now often supplemented by more activist re-training programmes. But, as with the purely passive approach, the employer’s responsibility for the former employee is considered to be extinguished at the moment of lay-off.

The labour foundation model, while in many respects superficially similar to the traditional approaches, differs fundamentally in that the employer continues to shoulder some responsibility for former employees. VOeSt as the erstwhile employer became an active actor in the steel foundation. In its “Foundation Declaration” (VOEST-ALPINE 1988: 111-112) VOeST committed itself to the “VOeSt-Alpine Stahlstiftung.” The company contributed ATS 10,000,000 toward the establishment of the “Steel Foundation for the furtherance of vocational re-integration.” Any others that might be raised would not affect these moneys. In addition, VOeST would provide, free of charge, personnel, facilities, workshops, machinery, and tools that might become necessary for retraining.

The government’s interest was exercised from the outset through the Labour Market Service (AMS) whose functions resemble those of our HRDC (Human Resources Development Canada). Reflecting the still widespread satisfaction with the social partnership, a senior AMS administrator explained that “the AMS writes the legislation” while the ÖGB and the other social partners have the right to propose new legislation or seek changes to the intended one.<sup>9</sup>

#### *The Foundation Model*

As indicated above, one distinguishing hallmark of the labour foundation model is the ongoing involvement and financial participation of the former employer. In the preface to its 1988 publication (VOEST-ALPINE) Dr. Strahammer, the company’s CEO wrote that:

VOEST-ALPINE has found an exemplary way in the shape of the steel foundation. On one hand it is able to implement its market-oriented

savings program according to plan, and on the other hand it is able to give real support to those personally affected by that crisis situation in their lives (:5; my translation).

While this statement indicates the company's commitment to its former employees it also send a clear message that this plan is linked to a "market-oriented savings program."

Whatever one may think of the participating parties' motivations, there is no doubt that the foundation model has been a resounding success story. At last count, in March 1998, there were 73 foundations active in Austria. Typically more than 85 percent of participants and often more than 90 percent are reintegrated into the labour market. The European Union has cited the foundation model as one of the eleven most successful labour market strategies.

### *Organizational Structure*

Foundations usually have a very small management structure of no more than three people. As a sort of bridge project from old to new workplace, a foundation offers participants (the laid off) a package of collective and individually tailored support measures to cope with the personal crisis of sudden unemployment and to stimulate self-activity for reorientation, requalification and search for new employment – without cutting all ties with the social network of the original enterprise (ÖSB n.d.).

Although a bipartite (employer – labour) board has responsibility to guide the foundation, the day-to-day responsibility for the running of the foundation falls on the director. Given the breadth of its goals and the various types, foundation structure can rapidly become quite complex.

Participation in the foundation is voluntary. Employees may choose to use other Labour Market Services (AMS) and draw unemployment benefits. For those who do opt for participation in the foundation the first phase after admission is a six-week orientation. The goal is to gain acceptance of job-loss and to develop a clearer perspective on future occupational goals. In the initial form of the model, there was a clear objective to harmonize the vocational goals desired by foundation participants with promising chances in the labour market. In some of the more recent models, foundation participants' vocational or entrepreneurial preferences are given more weight than labour market forecasts. Only after that initial phase begins the actual vocational reorientation that can take the form of

- Short, middle, or long-time retraining
- Intensive job search
- Participation in a project and / or the launching of a new enterprise.

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Labour Foundation Model about here

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*Financing the Foundation*

Since the moneys for the entire period of training flow through the foundation, the question of financing is significant. The steel foundation was first implemented in Eisenerz<sup>10</sup> in October 1987 and finally registered as a non-profit organization in 1988. In that first model a solidarity contribution of 0.75 percent from the wages and salaries of the still employed augmented the VOeST startup contribution of ATS 1,000.000.<sup>11</sup> The company then added 50 percent of the solidarity contribution. The “third pillar” enabling this project was a change in the unemployment legislation (§ 18 of the Arbeitslosenversicherungsgesetz 1987). This legislative amendment extended the right to unemployment benefits for foundation participants to 104 and, in special circumstances, to 156 weeks.

On entry into the foundation, participants contribute 50 percent of the interest on their legal separation pay (up to a limit of ATS100.000); they receive the actual separation pay when they leave the foundation. The financing of the foundation model, therefore, rests on the concertation between employer, labour, remaining workers and those who have been laid off, and the state (see Figure 2).

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Figure 2 about here

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Foundation participants receive a monthly stipend of ATS 5,000<sup>12</sup> in addition to their unemployment assistance up to a limit of 80 percent of their net pay in the last year of employment. Sole income earners receive an additional ATS 1,000, and ATS 500 for each dependent child. The total received (unemployment assistance plus stipends cannot exceed 100 percent of the net income of the last year of full employment. Longer-term foundation participants are, as every other Austrian worker, entitled to five weeks of paid vacations per year.

### *Recent Developments*

From its beginnings as the steel foundation, the foundation model spread to other ailing enterprises, industries,<sup>13</sup> and regions. As the model dispersed it changed. Thus, a scant ten years later there are now four labour foundation types: the “original” enterprise, and the more recent sectoral, regional,<sup>14</sup> and insolvency foundations<sup>15</sup>.

In the case of the enterprise foundation the erstwhile employer, together with labour plans, finances and carries the foundation. If an industry sector is affected, employers and unions can set up a foundation. That foundation’s ambit may encompass the entire country or be regional. The agreements guiding the sectoral foundations are often in the form of collective agreements in which a number of employers and unions share in the work of the foundation. Regional foundations, as their name implies, are focused on a region. When a number of employers in a region plan lay-offs regional political considerations tend to grow in importance. These foundations tend to be the most complex as they depend for their success on regional political support in addition to the active collaboration of employer and labour representatives. The insolvency foundation is characterized by the absence of employer participation in the foundation. Since the necessary organization and financing of the foundation have to be found from external sources, insolvency foundations represent a special case and should probably be described as “foundation-like.” The common denominator in all these foundations is still the joint involvement of former employers, the AMS, and former workers.



In practice where lay-offs are likely works counselors or employers approach the AMS separately or jointly. In the case of larger enterprises, there is a legal obligation to give advance notice of planned lay-offs. The AMS, in concert with unions and employers then plans a new foundation or, in some instances, directs workers who wish to participate to an ongoing one.

It should be understood that labour foundations are only one of numerous programmes supported by the AMS. The AMS does, however, have considerable influence on their establishment and continuance since much of the funding for the foundations flows through the AMS. Typically, the AMS will work through the WIFI (the Institute for the Furtherance of Commerce, a conservative People's Party (ÖVP) organization), the BFI (Institute for Vocational Furtherance, a Social Democratic Party (SPÖ) organization), the ÖSB (Austrian Study and Consultancy, a private organization), or a number of similar organizations. Although these organizations do have training and consultancy capacities, the bulk of their work lies in contracting out for training services. Not surprisingly the past decade, Austria, as in Canada, has seen the rapid growth of a private sector "training industry." The ÖSB, for example, is a private firm that has gained broad experience in support and consultancy services for foundation participants who wish to launch their own business and has in recent years been involved in setting up labour foundations in Germany and former East-bloc countries.

#### *Austria and the European Union*

Austria's 1995 entry into the European Union (EU) has lent new urgency to labour market policies. It was understood in advance that some industries would suffer large-scale job losses as a result of EU membership.<sup>16</sup> The two largest industry branches most affected by these changes were food distribution and cartage although there were many other industries as well that would be forced to become leaner.

At the time it was estimated that between 1994 and 1995 about 20 percent of the 90.000 employees in the food distribution industry would lose their jobs. The labour foundation AUFLEB, now the largest in Austria, was planned in advance for this major restructuring. It would probably have to serve about 6.000 or one third of the future 18.000 unemployed. Not counting the cost of unemployment assistance that would have to come from the public purse, ATS 450 million was made available from other sources. 159 million ATS came from the European Social Fund, an equal amount from the AMS, the provinces contributed 59.5 million, and the Chamber of Commerce 72.5 million ATS.

Cartage was the other major industry expected to suffer major employment losses. AUSPED, the foundation for this industry was slated to serve 1050 former employees, beginning January 1, 1995 the moment of Austria's entry into the EU. Estimating an average of 14 months in the foundation for each former worker and for some participation over three or even four years, 109 million ATS would be needed. The major contributors were the European Social Fund (38.8 million ATS) and the AMS (23.3 million ATS) while the remainder was to be raised from solidarity contributions.

#### *Some thoughts in lieu of a conclusion*

Given the fairly large investments into the foundations, each of the social partners has certain expectations: To the unions, foundations are always "a second-best solution" – a job being number one. The Federal Chamber of Commerce stresses swift and efficient reintegration into the labour market with an emphasis on cost efficient (new) models and

structures. The AMS, representing the government, wants to keep the cost of unemployment down.<sup>17</sup> While these sentiments are well known to North Americans those of Austrian industry representatives may sound decidedly odd in the era of neo-liberalism. Saurug et al. (1998) report that employers felt that “without the foundation, the reputation of the industry would have suffered” (:11) and that the foundation was a good medium to bridge the transition from former employer to future employer. In fact, some of the former employers paid an “extra” stipend to their former employees while they were in the foundation. How long such sentiments will prevail against the dictates of New World neo-liberalism is anybody’s guess.

I have argued elsewhere (Suschnigg 1998) that labour’s participation in concertation is fraught with considerable risk. When at a certain juncture of concertation capital no longer considers the collaboration of labour essential it may cut its ties without serious loss. This decoupling of the social partnership has long been a major plank in the platform of the far-right Freedom Party (FPÖ). The 1999 provincial elections in Salzburg, Tyrol, and Carinthia further strengthened the FPÖ, giving Austria the dubious distinction of having proportionally the strongest far-right party of all European nations. Although last year’s FPÖ attempt to launch a yellow labour peak organization in competition with the ÖGB has so far made virtually no progress, the post-war grip of the social democrats on all 14 member unions is no longer absolute. The need to work towards a European model of labour relations further limits the Austrian government’s and the ÖGB’s ability to act. In short, the social partnership is being eroded by internal as well as external processes.

The question is whether labour foundations are flexible enough to function in the absence of Austrian-style concertation. Although there are now a few in Germany, their development in Italy appears stalled. But, as I said at the outset, Italy’s labour relations more resemble Canada’s than either Germany’s or Austria’s.

### Endnotes:

<sup>1</sup> In 1990 union density stood at 45 percent; down from 60 percent in 1970 (Karlhofer 1995: 72).

<sup>2</sup> Although there are also Chambers in other European jurisdictions, Karlhofer (1994: 115) states that only those in five jurisdictions (in the German states of Hamburg, the Saar, and Bremen, as well as Luxembourg and Austria) have compulsory membership. My inquiries suggest that there is no chamber of labour in Hamburg.

<sup>3</sup> This split is also mirrored in the differential emphasis North American unions give to interest representation or servicing.

<sup>4</sup> The actual calculations for the number of works counselors beyond the first five employees become rather complex. For those interested in the details see Meißl et al. (1997).

<sup>5</sup> Although there is evidence in the Eisenerz region that iron was already being mined and smelted during Roman times (Sperl 1984a: 85), there is clear documentary evidence from the 13<sup>th</sup> century onwards (Weiß 1984:46).

<sup>6</sup> The term “minimill” refers to a relatively low-cost steel production facility that uses steel scrap, rather than iron ore, as its basic raw material. In general, minimills recycle scrap using electric arc furnaces, continuous casters, and rolling mills. The minimill, in LaPlace, Louisiana, which was owned and operated by VOeSt-Alpine A.G. until it was sold in September 1986, includes a Krupp computer-controlled, electric arc furnace utilizing water-cooled sidewalls and roof, two VOeSt-Alpine four-strand continuous casters, a computer supervised Italimpianti reheat furnace, and a 15-stand Danieli rolling mill.

<sup>7</sup> Nigsch points out that even the foundation model is only a “second best solution.” He writes that “the best solution certainly is the one that prevents the problem in the first place” (1991: 7).

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<sup>8</sup> In the earlier phases of my research I tended to underestimate the importance of this legislative initiative. We will see in the completed paper that the absence of similar legislation in Italy and Germany has made it extremely difficult to implement the foundation model in toto. One consequence is that the rates of reintegration into the labour market are much lower than in Austria.

<sup>9</sup> The same respondent repeated the sentiment at the heart of the social partnership: "It's better to sort out conflicts at the 'baize table' than in the streets."

<sup>10</sup> Eisenerz, because of its location and history was no doubt the most difficult site for the foundation model. Eisenerz is situated in a valley enclosed by mountains and has depended on its iron deposits since the Middle Ages (Rainer 1984; Roth 1984; Sperl 1984). It has been an archetypal single-industry town.

<sup>11</sup> This was reduced to 0.25 percent or an average ATS 55.00 per month by November 1989.

<sup>12</sup> Initially, this was ATS 2,500 and was raised too the current amount in May 1993. It is paid, as all wages in Austria 14 times per annum. ATS 1000  $\cong$  CAD 112.

<sup>13</sup> Among the very first applications was the terminally ill Austrian coal industry (Nigsch 1990).

<sup>14</sup> Regional foundations have developed in a number of regions whose economies are severely affected by the current structural changes. They are often characterized by the presence of small employers who are not in a position to adequately fund a foundation.

<sup>15</sup> In the case of insolvency foundations, the former employer is bankrupt and therefore in no position to contribute. In such cases it falls on the AMS to make available the required funds.

<sup>16</sup> I have drawn on Saurug et al. (1998) for the information in the next three paragraphs.

<sup>17</sup> This is, of course, in conflict with the foundations' interest in controlling costs. One of the foundation strategies to keep costs down is the funneling of foundation participants into formal education and thereby to shift the cost of training to the state.

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# Labour Foundation Model

