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Unemployment, Inflation and « Guest Workers »: Comparative Study of Three European Countries Le chômage, l'inflation et les travailleurs étrangers : étude comparative de trois pays européens.

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Résumé de l'article

Trois pays occidentaux ont trouvé une solution partielle et possiblement temporaire au problème de parvenir à un degré élevé d'emploi tout en gardant leur taux d'inflation à un niveau relativement bas. Si l'on traduit cette conjoncture dans les termes du vocabulaire de l'économie politique, cela signifie qu'ils ont évité le piège de la courbe de Phillips laquelle veut qu'un taux de chômage bas exige une inflation marquée ou que vice versa, une inflation faible ne peut se maintenir qu'au prix d'un chômage élevé. Ces pays sont la Suède, l'Allemagne de l'Ouest et l'Autriche.

Comme l'article le démontre, l'indice du coût de la vie en Suède, en Allemagne de l'Ouest et en Autriche s'est élevé en moyenne pendant la période de 1961 à 1980 d'environ 4.7 à 5.0 pour cent comparé à 6.0 pour cent dans l'ensemble des pays de l'O.C.D.E., à 5.5 pour cent aux États-Unis. Ces résultats doivent être examinés en relation avec le taux moyen de chômage. Ces derniers sont 2.5 pour cent en Allemagne de l'Ouest, de 2.0 pour cent en Suède et en Autriche alors qu'ils ont atteint une moyenne de plus de 6.0 pour cent aux États-Unis pendant la période de 1968 à 1980. C'est ainsi que l'Autriche s'est fort bien classée dans les deux domaines. L'Allemagne de l'Ouest et la Suède ont particulièrement bien réussi en autant qu'il s'est agi du chômage. Pourquoi ces pays ont-ils fait mieux que les autres pays d'économie de marché en Occident?

Une étude du taux de croissance du produit national brut constitue un élément de réponse. En général, le taux de l'expansion économique y était aussi élevé que celui des pays européens de l'O.C.D.E., à l'exception de la récession de 1975. Cependant, il est possible que la cause de l'existence simultanée d'une croissance forte, d'une inflation peu élevée et d'un chômage faible soit ailleurs.

Le deuxième élément de réponse peut se rattacher à l'existence dans ces trois pays de ce qu'on est convenu d'appeler « un contrat social ». Celui-ci prévoit la tenue de nombreuses réunions conjointes des syndicats, des associations d'employeurs et, quelquefois, des représentants des gouvernements aux fins d'établir pour l'année suivante des augmentations maximales des salaires et des prix propres à assurer une stabilité raisonnable des prix.

À quelles conditions un « contrat social » est-il efficace et combien de temps est-il susceptible de durer? La principale condition réside dans un mouvement syndical unifié ou qui, à tout le moins, n'est pas aux prises avec la concurrence qui se présente dans un mouvement en voie d'éclatement. On retrouve cette situation avantageuse dans les trois pays, même s'il ne faut pas exclure toute friction occasionnelle.

De plus, les parties aux négociations tant d'un côté que de l'autre doivent posséder des dirigeants énergiques qui ont l'autorité de prendre des engagements au nom de leurs affiliés et de les mettre en vigueur. Plus ces dirigeants sont protégés contre les pressions de la base, plus il leur est facile de s'engager dans les politiques qui ne sont pas populaires auprès des travailleurs ou des employeurs. L'existence d'un gouvernement sympathique au syndicalisme est un facteur sinon indispensable du moins favorable dans les circonstances. Un taux relativement élevé de croissance économique est également favorable, bien qu'il ne soit pas essentiel. Dans ces conditions, les grèves ne sont pas généralement fréquentes.

Bien que, sauf en Autriche, aucun « contrat social » n'ait dépassé deux décennies, il est difficile, dans l'état actuel de nos connaissances, de prédire la durée limite d'un contrat de ce genre ou de déterminer les conditions qui favorisent sa durée. Comme une étude plus approfondie des systèmes de relations professionnelles le démontre, des facteurs accidentels, étrangers aux systèmes eux-mêmes peuvent y être responsables de l'écroulement de l'expérience.

La deuxième partie de l'article traite d'une manière plus détaillée de l'évolution qui s'est produite en Allemagne de l'Ouest, en Autriche et en Suède. C'est dans un certain sens une façon de tester la validité des hypothèses présentées dans la première partie de l'étude. Dans l'ensemble, les hypothèses ressortent fort bien de cette vérification, même si l'on ne peut répondre d'une manière concluante à la question de savoir s'il s'agit de la cause ou de l'effet. (La croissance économique résulte-t-elle de la paix sociale que le contrat peut créer ou en est-elle une conséquence?)

La dernière partie de l'article traite de la question de savoir si la situation relativement favorable de ces pays résulte de leurs politiques à l'endroit des « travailleurs invités » (guest-workers) comme certains auteurs l'ont prétendu. Le grand nombre de travailleurs étrangers attirés dans ces pays, notamment en Allemagne de l'Ouest, a sans doute beaucoup contribué à leur prospérité. Ont-ils aussi servi à réduire l'impact du chômage? On admet que, à l'exception de la France, aucun des pays de l'Europe occidentale ne considère comme pays d'immigration. L'immigration massive en Allemagne occidentale à la fin de la deuxième guerre mondiale était dictée par la nécessité politique et non pas des considérations économiques. L'entrée massive de travailleurs étrangers pour des raisons économiques se produisit durant les années d'abondance des décennies 1950 à 1960.

Il faut garder en mémoire que ce ne sont pas tous les travailleurs immigrants qui désirent demeurer en permanence dans le pays d'immigration. D'autre part, les citoyens des États membres de la Communauté économique européenne (CEE) sont maintenant libres d'aller d'un pays à l'autre pour y occuper un emploi. Ainsi, toutes les mesures restrictives de l'Allemagne de l'Ouest doivent s'exercer contre les nationaux des pays non-membres. (Pour ces motifs et également pour d'autres raisons, la Suisse ne peut servir de modèle, puisqu'elle ne fait pas partie de la C.E.E.) Les statistiques indiquent que, depuis 1973, le nombre de travailleurs étrangers a diminué en Allemagne de l'Ouest, apparemment plutôt par la cessation du recrutement que par un rapatriement en masse. En Autriche, on ne trouve qu'une réduction insignifiante du nombre de travailleurs étrangers. Il en est de même en Suède. Ainsi, même s'il y a eu un accroissement marqué de sentiments xénophobes en particulier de la part de la population allemande contre le grand nombre de Turcs qui travaillent ou viennent se fixer en Allemagne fédérale, aucune mesure rigoureuse n'a été prise pour améliorer le sort des sans-travail aux dépens des travailleurs étrangers.

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Unemployment, Inflation, and "Guest Workers"

Comparative Study of Three European Countries

Adolf Sturmthal

An attempt is made here to show the conditions under which Austria, West Germany and Sweden have come closer than other countries in attaining the double objective of full employment and price stability. Answers appear to lie in the direction of Gross Domestic Product and the idea of a "Social Contract".

In the area of industrial relations in the Western market economies, the problem of combining low unemployment with a maximum of price stability ranks high on the research agenda. Indeed, judging by the events of the last few years, it may be the most urgent of the political problems confronting both democratic governments and their opponents. Three of the member countries of OECD seem to have performed conspicuously better than the average, either in combining low unemployment and at most average (i.e., OECD-average) rates of inflation. They are Austria, West Germany, and Sweden.

"Incomes policy can be described as fixing the price of labor instead of fixing the price of gold."¹ The purpose is, of course, to fix also prices of commodities and services; sometimes directly, sometimes by way of wage-fixing. The main task of the policy-makers is to devise ways by which institutional difficulties, also labelled rigidities, can be overcome. In what follows we do not seek to answer the question of how desirable incomes policy is nor whether it is sufficient to achieve the desired results without interfering with the optimum allocation of resources, except in so far as the policy or the means by which it is pursued may detract from the objective of maintaining or achieving what is somewhat erroneously called full employ-

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¹ R.C.O. MATTHEWS, Comment... *Economic Journal*, March 1981, p. 44.

ment. We shall attempt to show the conditions under which the three countries mentioned above, have come closer than others in attaining the double objective of full employment and price stability or at least one of the two without getting too far in violating the other objective. Moreover the "success" appears to be limited to a period — years or at the most two decades. For obvious reasons, the conclusions which we obtain are merely suggestive, but even this modest result seems worthwhile to establish.

We shall set out the data which permit us to speak of *relative* successes, and then state the hypotheses intuitively obtained, partly by interviews with policy-makers, partly by our previous experience in the operation of the industrial relation systems. Finally, we examine one alternative suggestion which uses the flexibility in the employment of "guest-workers" as the main explanatory variable.

1. To begin with we quote rates of inflation as measured by the respective cost of living indices of the three countries as well as the OECD average, U.S. and Canada². For the period since 1968 we obtain the following rates of increase³.

TABLE 1
Cost of Living Indices

| | <i>West Germany</i> | <i>Sweden</i> | <i>Austria</i> | <i>OECD</i> | <i>U.S.</i> | <i>Can.</i> |
|------|---------------------|---------------|----------------|-------------|-------------|-------------|
| 1968 | 2.9 | 1.9 | 2.8 | 4.0 | 4.2 | 4.0 |
| 1969 | 1.9 | 2.9 | 3.1 | 4.8 | 5.4 | 4.6 |
| 1970 | 3.4 | 7.0 | 4.4 | 5.6 | 5.9 | 3.3 |
| 1971 | 5.3 | 7.4 | 4.7 | 5.3 | 4.3 | 2.9 |
| 1972 | 5.5 | 6.0 | 6.4 | 4.7 | 3.3 | 4.8 |
| 1973 | 7.0 | 6.7 | 7.5 | 7.8 | 6.2 | 7.5 |
| 1974 | 7.0 | 9.9 | 9.5 | 13.5 | 11.0 | 10.9 |
| 1975 | 5.9 | 9.8 | 8.4 | 11.3 | 9.1 | 10.8 |
| 1976 | 4.5 | 10.3 | 7.3 | 8.6 | 5.8 | 7.5 |
| 1977 | 3.7 | 11.4 | 5.5 | 8.9 | 6.5 | 8.0 |
| 1978 | 2.7 | 10.0 | 3.6 | 7.9 | 7.7 | 9.0 |
| 1979 | 4.1 | 7.2 | 3.7 | 9.8 | 11.3 | 9.1 |
| 1980 | 5.5 | 13.8 | 6.3 | | 12.4 | 10.1 |

² There are, of course, not inconsiderable differences in the methods of measuring changes of the cost of living. For our purposes, I believe them to be of little significance.

³ Source: I.L.O., *Yearbook of Labour Statistics*, 1980 and OECD, *Main Economic Indicators*, 1980, Vol. 3; Economic Outlook 28, table p. 135. For U.S. 1980 — Economic Indicators, August 1981, p. 24 — Changes in Consumer Prices. Statistics-Canada, *The Consumer Price Index*, Catalogue No. 62-001.

Apart from Switzerland, Austria and West Germany have the best record among the Western market economies in controlling inflation while Sweden follows roughly the average OECD pattern. Only Switzerland had lower inflation rates than Austria and Germany, but in view of its relatively weak and divided unions this is a less significant fact.

These figures take on their full significance in the light of the corresponding unemployment data. Once again we must warn against a strict attempt at international comparisons; the definitions of who is unemployed vary from country to country. Yet some meaning may be attached to the different rates if their variation is considerable. Accordingly, for the period from 1968 to 1980, we obtain the following unemployment rates (seasonally adjusted monthly averages for the years indicated):

TABLE 2
Unemployment Rates

| <i>Year</i> | <i>BRD</i> | <i>Austria</i> | <i>Sweden</i> | <i>7 Major countries (a, b) (averages)</i> | <i>U.S.</i> | <i>U.K.</i> | <i>Can. (c)</i> |
|-------------|------------|----------------|---------------|------------------------------------------------|-------------|-------------|-----------------|
| 1968 | 1.5 | 2.1 | 2.9 | 2.9 | 3.4 | 3.4 | 4.5 |
| 1969 | 0.8 | 1.8 | 2.8 | 2.7 | 3.4 | 3.1 | 4.4 |
| 1970 | 0.7 | 1.5 | 2.4 | 3.2 | 4.8 | 3.1 | 5.7 |
| 1971 | 0.9 | 2.5 | 2.1 | 3.7 | 5.7 | 3.7 | 6.2 |
| 1972 | 1.1 | 2.7 | 1.9 | 3.8 | 5.4 | 4.1 | 6.2 |
| 1973 | 1.3 | 2.5 | 1.6 | 3.4 | 4.7 | 3.0 | 5.5 |
| 1974 | 2.6 | 2.0 | 1.5 | 3.7 | 5.4 | 2.9 | 5.3 |
| 1975 | 4.7 | 1.6 | 2.0 | 5.4 | 8.3 | 3.9 | 6.9 |
| 1976 | 4.6 | 1.6 | 2.0 | 5.4 | 7.5 | 5.5 | 7.1 |
| 1977 | 4.5 | 1.8 | 1.8 | 5.4 | 6.9 | 6.1 | 8.1 |
| 1978 | 4.3 | 2.2 | 2.1 | 5.1 | 6.9 | 6.1 | 8.1 |
| 1979 | 3.8 | 2.1 | 2.0 | 5.0 | 5.7 | 5.8 | 7.5 |
| 1980 | 3.9 | 1.9 | 1.9 | | 7.2 | 7.4 | 7.5 |

a. Preliminary figures. See OECD: *Economic Outlook*, December 1980.

b. U.S., Japan, Germany, France, U.K., Italy, Canada.

EEC as a whole 8.4 percent in 1981. U.K. 11.5 percent (the NY Times, Oct. 26, 1981).

c. Statistics-Canada, *Historical-Labour Force Statistics*. Catalogue No. 71-201.

While the Federal Republic shows at times relatively high unemployment rates — though high only compared to the two other countries — both Austria and Sweden maintain consistently an exceedingly low rate of unemployment. It is true that, in the case of Sweden, employment is maintained by way of public works and other labor market measures, but this is precisely the policy adopted by the government with the support of public opinion. Moreover, there is no obvious reason why such employment should not be

considered equivalent to any other employment, private or public. Indeed, in any Western country a good deal of employment is the result of public works and only the most orthodox laissez-faire economist would claim that schools, highways, hospitals, police, fire brigades, training, and other similar institutions do not contribute to general welfare, simply because they are not financed directly by private means⁴.

The facts are thus as follows: Austria and the BRD show both low unemployment and low inflation rates, low relative to the OECD average and in particular to the U.S. and the U.K., Sweden has maintained similarly low unemployment rates, when compared with the U.S. or U.K., but its rate of inflation is close to the OECD average both for OECD-Europe and OECD world-wide, and — at least for the second half of the 70's — higher than the U.S. rate. Its achievement is mainly in the area of reducing unemployment. In the light of international data and the Phillips curves based on them, such low unemployment would commonly be expected to go hand in hand with far higher rates of increase of consumers' prices, or vice versa: these inflation rates would correspond to far higher unemployment⁵.

In other words, all three countries have succeeded in avoiding to a considerable extent the Phillips curve dilemma or, put again differently, have moved their respective curves to the Left.

2. Data concerning the rate of growth of the gross domestic product in the three countries as compared to more general data are presented in table 3.

TABLE 3
Growth Rates of the Gross Domestic Product⁶

| <i>Year</i> | <i>Austria</i> | <i>BRD</i> | <i>Sweden</i> | <i>OECD- Europe</i> | <i>United Kingdom</i> |
|-------------|----------------|------------|---------------|-------------------------|---------------------------|
| 1973 | + 5.3 | + 5.1 | + 3.5 | + 5.6 | + 5.5 |
| 1974 | + 4.3 | + 0.7 | + 4.0 | + 2.2 | + 0.3 |
| 1975 | —1.5 | —1.8 | + 0.9 | + 1.2 | —1.6 |
| 1976 | + 6.2 | + 5.3 | + 1.5 | + 4.3 | + 3.0 |
| 1977 | + 3.7 | + 2.8 | —2.1 | + 2.3 | + 1.9 |
| 1978 | + 1.0 | + 3.6 | + 2.4 | + 3.0 | + 3.5 |
| 1979 | + 5.1 | + 4.5 | + 3.8 | + 3.3 | + 1.5 |

⁴ Obviously, the reverse is also true. Not every public or private activity can be justified merely because it was undertaken. Facile generalizations are not necessarily true on either side of the debate.

⁵ In the case of the U.S., for instance, an inflation rate similar to that of Sweden would correspond to an unemployment rate almost four times as high as the Swedish.

⁶ Source: OECD. Data for 1980 are estimates and have not been included in this table. The estimates indicate a slow-down of economic growth in most OECD countries.

Briefly summarized, these data indicate that the rate of economic expansion in the three countries was in general superior or equal, or only slightly inferior to that of the European OECD countries. But the 1975-76 crisis — slightly delayed in Sweden — hit them more severely than OECD-Europe, or for that matter OECD world-wide. While it would seem reasonable to assume that a social consensus can be most readily obtained and maintained when economic growth provides benefits to distribute, it would seem that temporary set-backs are tolerable and that insofar as growth is conducive to consensus, this factor operated in most of the OECD countries in the 70's — without being accompanied everywhere by successful attempts at forming social contracts. At the same time, economic growth in the U.K., roughly equal to that of Sweden, did not prevent sharp social conflicts. It is conceivable also that the chain of causation runs the opposite direction, i.e., that a successful price stabilization policy made full employment possible. However, the Swedish data would not fit this reasoning.

Still, the rate of economic growth following the postwar reconstruction period was high, at least until the middle 70's, and in West Germany and Austria even beyond that date. Undoubtedly, the rate was high compared to the period between the two wars, and for most of the contemporary citizens it must have appeared almost miraculous. Absence of prolonged mass unemployment, almost constantly rising real incomes, an abundant system of social insurance, plentiful possibilities of social advancement, free access than even before to higher education — all these made the acceptance of the existing social and political order almost a matter of course, even if some radical sects on the right and on the left could still point to many instances of social injustice. An imperfect world, but far more perfect than ever before.

3. The investigation started with a small number of hypotheses that need some attention.

A. In order to be successful in a democratic system and a predominantly market-oriented economy, a policy designed to achieve a combination of relatively low rates of inflation and relatively low unemployment (relative meaning in this context, in relation to the average of the OECD countries), some form of continued cooperation among unions, employers, and the relevant public authorities is required. One frequently used expression of such cooperation is a "Social Contract" providing for formal or informal and fairly frequent meetings of the three groups mentioned above or of employers' and union representatives. The participation of experts may add some spice to such gatherings and relieve the principals of much spade work, but is not an essential requirement, especially since most interest groups associate their own experts with the negotiations involved in these gatherings.

B. On the union side, the existence of a highly unified movement appears to be essential. This does not necessarily exclude such divisions as the existence of a small, not to say insignificant, competitive movement as the Christian unions in West Germany. Nor does it appear incompatible with the kind of formal recognition of internal political divisions as for example the Austrian acceptance of political factions within the Trade Union Confederation (Oe.G.B.) or the frictions existing among the different trade union centers in Sweden since in the main these are not or at least not basically of a jurisdictional nature, or the sometimes sharp conflicts between the West German white collar confederation (DAG) and the DGB or any of its affiliated unions. What is excluded is the existence of fiercely competitive union confederations with different ideologies but overlapping or identical jurisdictions.

C. Almost equally important — perhaps even more important — is a high degree of centralization in the two main organized interest groups, employers and unions. A decentralized bargaining system may more closely correspond to the democratic ideals of an observer, but it prevents almost certainly the conclusion of effective wage-price agreements. There must be authorities that can speak in behalf of employers and unions and commit them. The main difficulties in this respect occur more often on the union rather than the employers' side. This does not imply that there should be no decentralization whatsoever on either side. What was expected in our investigation was merely that a numerically small group of individuals could make (some fundamental) commitments with a high degree of effectiveness in behalf of large proportions of those responsible for management and employee interests. Variations in this respect among the countries examined in this study are not inconsiderable, but still permit to classify those union among the more highly centralized. The case of Switzerland which is not discussed here, may suggest that union weakness may also help in maintaining price stability.

D. A further, if not essential though highly favorable, condition is the existence of a government friendly toward union interests. This, in almost all European countries, means a Social democratic or Socialist government since in most, though by no means all, Western European countries the Socialist parties are closely associated with the main union confederations. (The main exceptions are France and Italy, where so far the predominant labor confederations have been led by Communists or their associates.) This tends to ensure that in any serious conflict, the unions will enjoy the backing or at least not the opposition of the authorities.

E. Some, though indirect and merely suggestive evidence for the degree of authority of the contracting partners can be found in the strike frequencies of the countries concerned. In other words, low strike frequencies appear to be, if not a condition, then a consequence of a cooperative system that produces high employment and avoids high rates of inflation.

F. Finally, but not last in the order of importance, an expanding economy would appear to be favorable to the success of this system. It is probably easier to maintain social harmony and a "Social Contract" when the issue is the distribution of increments to personal income rather than that of losses or sacrifices. Short-term losses, however, may be acceptable and not endanger the survival of a system that has functioned satisfactorily for some time — the duration of which cannot easily be defined. For the longer run — say more than one or two years — significant losses can hardly be made acceptable except when the cause of the decline can clearly be related to factors external to the system and not subject to the control of any of the partners to the contract including the government. Such may have been the case when the oil price sky-rocketed.

The priority to be assigned to the two main objectives of the system is an important issue that may be solved in different ways in different countries and at different times: low inflation and low unemployment. According to the Phillips curve these are contrasting objectives. In practice — assuming the validity of the Phillips curve — the choice presents itself most frequently only at the margin: how much more unemployment are we willing to accept in order to obtain a lower rate of inflation or vice versa, what measure of increase in the rate of inflation do we regard as acceptable in exchange for lower unemployment. As we shall see, no consistent decision in this respect has been made in the three countries considered (with the possible exception of Austria where the choice was so far never very difficult and always in favor of lower unemployment). No ex-ante statement can be made about the choices made in the two other countries, except that the Swedish L.O. has consistently been pleading for top priority to be given to full employment.

4. We shall now examine to what extent the institutions and policies of the three countries corresponded to the hypotheses set out above.

AUSTRIA

The most elaborate institutional arrangements are those of Austria. They go back in part to institutions of the old Austro-Hungarian monarchy

and were more fully developed during the period following the end of World War II. One contract are met⁷.

Beyond the formal structure, that gives life to the contract, is a personal understanding of the then leaders on both sides concluded in 1957.

Between 1947 and 1951 while the physical reconstruction of the country was under way five price- and wage agreements were concluded between employers' associations and unions. They provided for a "relatively quiet climate to overcome the war-damage and secure the basis for the existence of the Austrian people"⁸. The unions were willing to accept the standard of living achieved in 1951-52 with minor adjustments through the balance of payments difficulties of 1953 and beyond until the evacuation of Austria by foreign occupation forces in 1955 opened the doors for full self-government. In March 1957, the union confederation (ÖGB), convinced that otherwise serious social conflicts were unavoidable, submitted proposals for measures to prevent inflationary development. They were in the main accepted by the government and the various Chambers (trade, agriculture). The "paritary" commission for wages and prices was the result of this agreement. It was concluded between Julius Raab, then president of the Chamber of Trade (Industry), and the ÖGB president Johann Böhm, and was supposed to be of a provisional nature, but has in fact lasted to this day. Its top level consists of a committee (Wage- and Price Commission) chaired by the Chancellor or his representative, and consisting of delegates of employers and workers (the "social partners")⁹. Two sub-committees exist, one to deal with wages, the other with prices. None of these bodies has legal powers to enforce its decisions. Yet so great is the authority of the government and of the central bodies of the "social partners" that refusal to follow recommendations of the committees is exceedingly rare and full of dangers to the "deviant" group. The relatively large proportion of state-owned or indirectly state-controlled enterprises guarantees the enforcement

7 The most elaborate discussion of "The Authority of National Trade Union Confederations" is presented by John P. WINDMULLER in an article carrying the above title, with the addition of "A Comparative Analysis" in Ch. V of *Union Power and Public Policy*, ed. by David B. Lipsky, Ithaca, 1975. He lists three criteria: the proportion of union dues going to the Confederation, the latter's degree of control over its affiliates internal affairs, and its role in collective bargaining. Austria and Israel rank as the most centralized movements.

8 Fritz KLENNER, Zwanzig Jahr Paritätische Kommission, *Arbeit und Wirtschaft*, Vol. 31, April 1977.

9 Unpublished manuscript by Franz PAPP on the Austrian trade unions. Also, Franz TRAXLER, "Organisationsform des OGB und 'Wirtschaftspartnerschaft'", (undated manuscript, 1979?); Günther CHALOUPEK/Hannes SWOBODA, "Sozialpartnerschaft und Wirtschaftsentwicklung in der Fünfziger und Sechziger Jahren", *Österreichische Zeitschrift für Politikwissenschaft*, Vol. 4, 75/3. The most important source in English is D. ROBINSON, *Prices and Incomes Policies, The Austrian Experience*, Paris, OECD, 1972.

of what are euphemistically called the recommendations of the committees. The two largest banks in Austria are state-owned and, since under Austrian law they hold large percentages of the shares of many enterprises, the government can indirectly influence the decisions of most of these establishments. Most of the privately owned firms are rather small¹⁰ and thus ill-equipped to resist pressures from their own employers' organization, the trade unions and, last, but not least, the federal government.

The most surprising aspects of the "social climate" of the country are twofold: (1) the willingness of the "social partners" to cooperate, and (2) the absence of any substantial rebellion on the part, especially, of the union members.

The first of these is manifest in a large number of ways, from almost total social peace to continuous assertions of the readiness on all sides to seek compromises. This includes even the government which, in spite of a clear Socialist majority in parliament, makes valiant and usually successful efforts to obtain widespread consensus for most of the important measures it enacts. This mood of cooperation on all sides stands in sharp contrast to the rude and highly partisan methods of public criticism and the often intellectually low level of the arguments used on all sides.

Even greater is the contrast between the actual degree of cooperation and the violent political and social clashes that were characteristic of the first republic (1918-1934). It is sufficient to recall the bloody events of 1927 and even more, those of February 1934, to measure the long way that Austrian politics has travelled since. Its style has become, more civilized — perhaps less intelligent and polished — but far less exciting and consequently less violent¹¹.

Most surprising is, at least at first sight, the absence of any significant working class rebellion against the official union and party leadership. The total collapse of the Austrian Communist Party is but one expression of this fact. It has no share in the occasional outbursts of student and youth rebellion. And the object of the latter is found mainly in the area of foreign policy — armament exports to countries of dictatorial structures — or in opposition to the development of nuclear power.

True, the high degree of centralization in wage and price bargaining makes effective opposition to decisions taken at the highest levels well-nigh

¹⁰ An establishment with 2,000 employees would be regarded as large in Austria. Interview with Dr. KLOSE of the Federal Chamber of Trade.

¹¹ The only political murder of the Second Republic occurred in 1981 and appears to have been caused by foreign agents and foreign issues.

impossible, but there are also few signs that opposition is even attempted. It may well be, as some observers point out that the Austrians — after their brief and rather unhappy excursion into all-too lively democratic politics between 1918 and 1933-34 — are used to oligarchic regimes; but it cannot be denied that the objective possibilities for a change of the system exist and that indeed the leadership of the Republic has passed from the Conservatives to the Socialists without any questioning of the basic values of the democratic constitution, a fact widely at variance with the refusal of the upper classes after 1918 to accept the radical change that had occurred¹².

While a Socialist government has been in office for more than a decade and the unions could thus count on favorable actions on the legislative and administrative fronts, this does not seem to have been an essential precondition for the success of the scheme. The fact that it pre-dates the rise of the Socialists to predominance on the political scene and that the preceding governments were careful in respecting union rights and status, suggests a political climate in which the labor movement could expect a friendly hearing for its main demands.

B.R.D.

The German System of collective bargaining is less centralized than that of Austria. Still, "... it is common for consultation to take place between the central organizations (of employers and unions; A.S.) and their affiliates as well as among individual member associations."¹³ While agreements are concluded by the individual unions or their sub-sections on a regional basis, on one hand, and the corresponding employers' associations on the other hand, a "provision is contained in the statutes of the DGB empowering it to issue guidelines on direct action that are binding on its affiliates, and it has done so."¹⁴ In a variety of other ways — contributions to strike funds, publicity on the union side, risk-sharing, transfer of orders on

¹² Clear evidence of the radically different relationship between employers and unions in the Second Republic can be seen in Alfred KLOSE's contribution, "Sozialpartnerschaft in Stagnationsphasen", in Bernd Marin, ed., *Wachstumskrisen in Österreich*, Vol. II, pp. 220-42, Vienna, 1980.

¹³ I.L.O., *Collective Bargaining in Industrialized Market Economies*. Hans REICHEL, *The Federal Republic of Germany*, Geneva, 1974, p. 255.

¹⁴ *Ibid.* John WINDMULLER, *op. cit.*, ranks the DGB among the less centralized organizations. It is true, of course, that in dealing with such powerful affiliates as the Metalworkers Union the "DGB" will go easy and come to terms with that giant union. Still, when this is achieved the DGB can go pretty far in giving direction to the bargaining policy of the other individual unions. This centralizing tendency is re-enforced by the authority of the employers'

the employers' side — and by political pressures the central organizations maintain a high degree of discipline among their affiliates.

The almost total absence of inter-union competition contributes to this state of affairs. There is some friction between the DAG (a white-collar union) and the industrial unions over the organization of white collar workers, and a minor ideological irritant in the shape of a small group of Christian unions. The massive inter-union division and competition of the era prior to 1933 is, however, a thing of the past. In sum, unions speak on most fundamental issues with one voice and their commitment holds firm.

This is especially true for the more or less formal gatherings of the central organizations at top levels which, for a while and in somewhat elaborate ways, were held under the label of "Concerted Action". In principle, collective bargaining is regarded as the autonomous activity of employers' associations and unions, and both sides insist upon the maintenance of their autonomy. This has never been interpreted to exclude the right of the government "to give the organizations and authorities concerned its views on the present economic situation and probable developments, provided this is not felt to be a form of pressure."¹⁵

However, legalism plays a decisive role in the industrial relations system of West Germany. Legal enactment of reforms which may originally have been obtained by bargaining and enshrined in agreements, is commonly regarded as advantageous. The law appears as a more stable and permanent guarantee of social reforms than a mere contract. During a long period prior to 1933 compulsory mediation by governmental authority added to the influence that public institutions exerted in the industrial relations system. Most fringe benefits have long been provided by the state based on legislation. This tradition can be traced back to the social insurance legislation enacted under Bismarck in an attempt to weaken Socialist influence on the industrial workers of Imperial Germany.

association, BDI. However, as WINDMULLER points out, the degree of central authority is not constant. Clearly, as he states, under Hans Böckler's leadership the DGB played a decisive role in determining the policies of the German trade unions. "Concerted action." I believe, once again strengthened the authority of the DGB. Obviously, given the relative strength of the Metalworkers Union which comprises about one third of the DGB membership, the DGB policies will normally be in concert with the policies of their most powerful and combative affiliate. Indeed, the metalworkers most often set the pattern for the other unions. As to the German employers, Gerard Braunthal seems to rate the authority of the "Federation of German Employers' Associations" rather high. Cf., his "The Federation of German Industry in Politics", Cornell University Press, Ithaca, 1965, especially pp. 27/8.

¹⁵ *Ibid.*, p. 259. It is not easy to see how such governmental opinions can avoid being regarded by one side or the other as a form of pressure.

After the sharp break of the Nazi dictatorship the basic institutions of the system in the Weimar Republic were resuscitated, the main exception being the absence of compulsory mediation but arbitration is used¹⁶. Co-determination, at first limited to coal and steel, represented a new departure, to be followed by others.

Government influence on industrial relations is further enhanced by the institution of the "extension of agreements" which exists also in various forms in other countries. "Whenever a contract between an employer's association and a union applies to employers with more than 50 percent of the employees in the industry and area, then it may be extended by government decree to all employers and workers. Extension is not automatic however. It must be requested by one or both of the contracting parties and must be found to be in the 'public interest' by officials of the Ministry of Labor. An opportunity is given for noncovered employers or workers to protest, but in most cases the request is granted."¹⁷

Further measures ensuring some degree of institutionalized cooperation among unions, employers and the government were taken later on. Thus in 1966 when there were signs of a recession, legislation required the government to formulate guidelines for maintaining or re-establishing economic stability through cooperation among authorities, trade unions, and the employers' associations. While not binding on any of the organizations the impact of these guidelines cannot be ignored. They were established in informal meetings of the social partners. The circle of the participants at the meetings preparing such guidelines was gradually enlarged to include representatives of government, federal banks, employers, unions, and the council of experts. The latter consists of university professors who since 1963, acting independently from the government but appointed by it, produce annual and, if regarded necessary, additional reports — without recommendations — on the economic situation and prospects.

Since 1971, however, recommendations have emerged from the gatherings of the larger informal group — called "concerted action" that had undoubtedly considerable impact on actual events. The "communiqués" resulting from the meetings of the "Concerted Action", frequently the object of extensive bargaining, were important documents. In some sense

¹⁶ "Reliance on arbitration to determine wage increases springs partly from reluctance to strike, but reflects also the general German tendency to rely on the government to solve problems." Clark KERR, "Collective Bargaining in Post-War Germany." In *Contemporary Collective Bargaining in Seven Countries*, A. STURMTHAL, ed., Cornell University, 1957, p. 193.

¹⁷ KERR, *ibid.*, p. 198.

these pronouncements have re-enforced the control which the central organizations of the "social partners" exert over the actions of their affiliates.

Later events — especially conflicts over the issue of extended co-determination, attempts to use the re-organization of corporate structures to "escape" from co-determination, and the use of the "lock-out" by employers — have set an end to the official meetings of the "Concerted Action". Yet, informal gatherings continue and the employers' organizations appear eager to re-establish the earlier official machinery.

A high degree of centralized authority thus exists in fact in collective bargaining and the absence of effective inter-union competition adds to the control which the central organizations exert over their affiliates. A warning not to abuse this authority may be seen in a number of wild-cat strikes in 1969, but no lasting effect on the system emerged from the events, disturbing as they were at the time. In general, however, strikes are infrequent and short. Many of them do not involve economic issues, but disputes over the forms and degree of union participation in management.

Political events have favored the development of this institutionalized system of an incomes policy. For many years, the Socialdemocratic Party has been represented in the federal government, at first as a strong but junior partner of the Christian Democratic Union (C.D.U.) whose majority is employer-oriented, later and until the present (1981) as the leading factor in a coalition with the Free Democratic Party (F.D.P.) under the Chancellors Willy Brandt and later Helmut Schmidt. The unions could thus count upon a favorable reception for many of their ideas at the seat of political power, even though only one of the top trade union leaders is a member of the federal legislature. Many, if not most of the Socialdemocratic members of parliament are of course unionists.

High economic growth rates added a great deal to the favorable climate for social cooperation. Thus during the period 1950 to 1962 West Germany with an average annual growth rate of 7.2 percent of real gross national product was the leader in economic advance in Western Europe and North America. In OECD only Japan had a higher growth rate: while the later 60's were not quite so favorable, they still produced average annual increments of around 5 percent of GNP and it was only in the 70's that the growth rate showed clear signs of weakening. During most of the post World War II period, the economic situation permitted the distribution of substantial annual increments.

However, the year 1980 set off a less favorable growth period. The real growth rate predicted by the German federal government as a low 2 1/2 per-

cent turned out to be 2 or 1.8 percent (the first figure relates to the domestic product)¹⁸. Moreover, inflation attained a rate of 6 percent, exceeding the projected increase of 5 percent.

With further worsening of the situation in 1981, it would appear that the West German relative success can only be so described by increasing the emphasis on the word "relative". Compared with Britain, France, Italy, West Germany still appears more successful, but for the West German citizens being successful by comparison with highly "unsuccessful" economies is scant comfort. Unemployment in August 1981 was at 5.8 percent, far below the U.K. (11.1%), the U.S. (7.2%), and France (7.7%) according to the "Economist" of October 3-8, 1981, and inflation with 6.5% below that of most other OECD members.

SWEDEN

Main characteristics of the Swedish collective bargaining system are the strong employers' and workers' organizations — around 95 percent of the workers and 70 percent of the white collar people are organized in manufacturing — and well established patterns of bargaining¹⁹. In the 60's the then existing system was extended to bargaining in the public sector. While there are several trade union centers — L.O. for manual workers, T.C.O. for salaried employees, and S.A.C.O. for professional employees — only occasional friction exists among the three. Within the three organizations the degree of solidarism is very high, permitting the leaders to speak rather authoritatively for their affiliates.

The centralization of the LO is not complete. The power to make binding collective agreements rests with the member unions and the LO has no formal power to make the central agreement binding on its member unions or otherwise force them to accept it, i.e., to assume the obligation to implement the central agreement by making collective agreements in accordance with the rules laid down there. On a few occasions, member unions have refused to participate in centralized collective bargaining. Thus in 1966 the Transport Workers' Union preferred to negotiate on its own, and in 1971 and 1973 this union stayed in but refused to accept the central agreement unless certain conditions were met. In 1966 the Transport Workers' Union was forced by the SAF (Employees Association; A.S.), under the threat of a

¹⁸ Annual economic report 1981 of the federal government, p. 25.

¹⁹ Hagberg GUNNAL, "Recent Trends in Collective Bargaining in Sweden", *Collective Bargaining in Industrialized Market Economies*, Geneva, I.L.O., 1974.

general nation-wide lockout, to accept the central agreement, but in 1971 and in 1973 it was successful in obtaining extra benefits for some of its member groups.

“In some respects the SAF is more tightly knit than the L.O.”²⁰ On the employers’ side, one federation exerts predominant influence, S.A.F. comprises 41 individual branch associations. Separate organizations represent the state as employer. However, a trend toward centralization has reduced the number of organizations on both sides.

While earlier, right after World War II, the individual organizations affiliated with L.O. and S.A.F. bargained on their own “without any appreciable interference from the central employers’ and workers’ organizations”²¹ evolution since 1956 has led to central agreements between the respective confederations “which set limits to the cost increases resulting from new contracts”²². Although these were only recommendations, they have had in practice a binding effect. This has helped avoid the earlier tendency for each individual agreement to be regarded as minimum for any subsequent accord. In the past, this gave a strong push to inflation. L.O. argued successfully for “wage solidarity” rather than competition. Its effort was supported by the fact that Socialdemocratic governments with which the unions were closely associated were in office for several decades without interruption. Details were, of course, left to further negotiations at the industry and company level. In general there has thus been a trend toward centralization in bargaining, supplemented of course by agreements on special conditions and details at the industry and company level. While

20 Anders VICTORIN, “The Implementation of a Wage Policy: Centralized Collective Bargaining in Sweden”, V. 19, *Scandinavian Studies in Law*, 1975, p. 299. The mere fact that the author can refer to this single exception indicates how great the centralized discipline is. However, the use of piece rates and job evaluation in combination with the “solidaristic” wage policy has created certain difficulties to which Victorin refers. (pp. 308/9).

21 *Ibid.*, p. 342. “Sweden’s Industrial Relations System is Marked by a High Degree of Centralization and, Despite an Uncharacteristic and Disruptive Pay Dispute in 1980, A Continuing Tradition Between Unions and Employers of Solving Problems Through Collective Bargaining”, *European Industrial Relations Review*, No. 91, August 1981, p. 10. A very informative history of how centralization came about is detailed in Peter JACKSON and Keith SISSON, “Employers’ Confederations in Sweden and the U.K. and the Significance of Industrial Infrastructure”, *British Journal of Industrial Relations*, Vol. XIV, No. 3.

22 HOGBERG, *ibid.* It is not widely known that “LO requires the executive board of each national union to retain the power of final decision in questions concerning the termination of collective contracts, the acceptance or rejection of proposals for agreement, or for resorting to direct action. This rule eliminates binding contract ratification votes and enhances the authority of union officers.”

WINDMULLER, *op. cit.* V. 97. According to Elvander quoted by Windmuller this rule goes back in fact to the beginning of this century.

welcomed in principle, centralization has also created some problems: prolonged and complex negotiations, friction between manual and the white collar unions and re-enforcement of the well-known phenomenon of wages-drift. Moreover, the agreements tend increasingly to deal also with the distribution of the available margin of funds among direct and indirect labor costs, various groups of the working population, pensions, etc. Special emphasis is being placed on improving low wages so as to reduce income differentials, a tendency which is not infrequently counter-acted by wage-drift, i.e., supplements to contract rates paid according to the situation on the labor market for a particular skill or in a particular area, in contradiction to the union leaders' tendency to reduce wage differentials.

The 1976 Codetermination at Work Act provided that collective contracts are legally binding and are automatically extended to cover new members of the signatory organizations. The employer must negotiate with any union "to which he is bound by a collective agreement" before he decides "on any important change in his operations" — e.g., closures, transfers, etc. Such negotiations must also take place on any other issue which in the view of the union will affect the interests of its members.

The Act further authorizes "unions with established bargaining rights to negotiate 'joint regulation' provisions on questions relating to the conclusion or termination of contracts of employment, the supervision of work and the operation of the company in general."²³ So far no such agreements have been concluded with the employers' organization SAF which is the central body for 36 national employers' federations.

The typical negotiation proceeds in three stages:

1. Central arrangements with a validity of one to three years. These set the framework for recommendations to the affiliated bodies. "Such 'recommendations' are invariably adopted."²⁴
2. Negotiations of the national organizations at the industry level about the distribution of industry-wide "wage kitties"²⁵ and conclusion of contracts.
3. Bargaining at the local level involving the union and the shop stewards on the implementation of the national agreement of the second stage.

Although labor conflicts are not exceptional²⁶, industrial relations are relatively smooth, partly as a result of favorable economic growth.

²³ *European Industrial Relations Review* (EIRR), *op. cit.*

²⁴ EIRR, *op. cit.*, p. 11.

²⁵ *Ibid.*

²⁶ E.g., 1975 was a heavy strike year as was 1979, though the strike duration was shorter. In 1980, "an uncharacteristic and disruptive pay dispute" occurred. EIRR, *op. cit.*, p. 10.

TABLE 4
Growth of Gross Domestic Product
 (% changes from year to year)

| | | | | | |
|------|------|------|------|------|------|
| 1955 | 3.0% | 1965 | 4.1% | 1975 | 2.5% |
| 1956 | 3.3 | 1966 | 2.2 | 1976 | 1.6 |
| 1957 | 2.4 | 1967 | 3.6 | 1977 | -2.4 |
| 1958 | 2.4 | 1968 | 3.7 | 1978 | 1.4 |
| 1959 | 5.2 | 1969 | 4.8 | 1979 | 4.0 |
| 1960 | 3.8 | 1970 | 5.5 | 1980 | 2.2 |
| 1961 | 5.7 | 1971 | 1.0 | | |
| 1962 | 4.3 | 1972 | 2.1 | | |
| 1963 | 5.2 | 1973 | 3.8 | | |
| 1964 | 6.9 | 1974 | 4.1 | | |

Source:²⁷

It seems probable that the favorable growth rates — until about 1975 — have contributed to the moderate (average) price increases while the unemployment rates were kept at exceeding low levels.

THE “GUEST-WORKERS”

To what extent is the relatively favorable record of the three countries in keeping unemployment rates below those of most OECD countries the result of their “guest-worker” policy? Have they solved their native unemployment simply by throwing its burden on the countries from which the guest-workers came? The view that this is indeed the case, is rather widespread. A good example is Lester Thurow who refers directly to Switzerland but makes it pretty clear that his conclusion also applies to West Germany. Austria is not specifically mentioned by him. He writes:

When tight monetary policies lead to falling employment, the unemployed can be exported to the countries from which they came. And this is exactly what was done in West Germany and Switzerland. In 1978 industrial employment was 12 percent below 1973 levels in West Germany and 10 percent lower in Switzerland. This did not lead to massive unemployment since each country sent foreign workers home. Scaled up to an economy the size of ours, the Swiss rounded up 10 million workers and sent them home. Which 10 million American workers do we round up and send home?...

At some point, even West Germany runs out of foreign workers to send home...²⁸

²⁷ Source: OECD, *National Account Statistics*. In 1975 prices.

²⁸ Lester C. THUROW, *The Zero-Sum Society. Distribution and the Possibilities for Economic Change*, Basic Books, N.Y., 1980, pp. 62-3. I am not sure where Thurow obtained the 12 percent figure for the reduction of industrial employment between 1973 and 1978. My own calculation based on OECD and ILO figures would show a lower rate of decline.

To begin with, it should be understood that with the exception of France none of the Western European countries regarded itself as a country of immigration. West Germany absorbed large numbers — estimated at 9 to 10 million — of ethnic Germans at the end of the hostilities in 1945 but this was a political necessity, not dictated by economic considerations. France, whose birth rate has long been declining and whose manpower resources had been depleted by the frightful losses of its youth during two world wars, has long been worried about its “demographic insufficiency”²⁹. It was receptive for what was called “selective immigration”, i.e., the permanent absorption of “assimilable” immigrants.

In addition, it should be kept in mind that not all guest-workers wish to stay permanently in the countries to which they had migrated. A large, though unknown, proportion merely intends to stay for as long as needed to accumulate a certain amount of capital with which to establish a small business or acquire some farmland upon their return home. Frequently, the governments of their country of origin maintain contacts with their nationals abroad and encourage them to return home, in the hope that their recently acquired skills will contribute to the welfare of their home country.

Thus in most Western European countries a large proportion of foreign migrants who came to work in the developed industrial countries such as West Germany, Austria and Sweden were brought in, in response to economic needs³⁰. The reduction of the number of guest-workers, however, was not always dictated by the same kind of considerations. Thus, in the case of Switzerland which Lester Thurow seems — erroneously — to regard as typical, the main motivation to reduce the number of foreign workers in the early sixties, long before the manpower requirements shrank, was the “fear of loss of national identity”³¹. In a small, four-language country, surrounded by great powers using three of the same languages, this fear — whatever one’s moral judgment — does not appear totally unjustified. In any case the Swiss experience does not justify Professor Thurow’s inferences.

In what follows it should be kept in mind that according to articles 48 and 49 of the Treaty of Rome — the act constituting the European Economic Community (EEC) — nationals of the member states have the same rights in employment in all of the member states. In West Germany (and France) some groups demanded that these articles, either fully or partly, be made

²⁹ Philip L. MARTIN and Mark J. MILLER, “Guest-workers: Lessons from Western Europe”, *Industrial and Labor Relations Review*, April 1980, Vol. 33, No. 3, p. 317.

³⁰ “With the limited exception of the French case, guest-worker policies were a response to the exigencies of the economy”, MARTIN and MILLER, *op. cit.*, p. 317.

³¹ *Ibid.*

applicable to all foreign workers. This failed. Deliberate measures to reduce the number of guest-workers were thus limited to the nationals of non-EEC member states, as far as West Germany and Sweden are concerned. Since Austria is not a signatory of the Treaty of Rome, it is not subject to this restriction.

Beginning in 1970, West Germany — then employing 1.8 million foreign workers, a number that was to grow until 1973 — applied new principles in dealing with immigrant workers. “Foreign workers were no longer regarded as temporary help, usable especially in jobs that German workers were unwilling to accept. Under union pressure the government halted additional recruitment of foreign workers while improving the lot of those already in Germany.”³² Under existing regulations many foreign workers had acquired the right of permanent residency and work permits. In due course, the children of these guest-workers as well can be expected to enter the labor market of their host country, even though they are unlikely to have acquired its citizenship, especially in West Germany.

In general, guest-workers from non-EEC countries start off in West Germany with a one-year work and residence permit, followed by a two-year permit. For the first year they are limited to a given employer. After this initial period they are free to change employment. In accordance with OECD recommendations, they receive five-year permits after five years of permit renewals, and then are eligible for permanent work and residency authorization³³.

At issue is the extent to which the domestic unemployment problem of the immigrant countries was solved or mitigated at the expense of foreign non-EEC workers. For West Germany the official OECD statistics indicate that the employment of foreigners amounted in 1965 to 1.119 thousand out of a total dependent employment of 21.758 thousand³⁴; then it reached its peak in 1973 when out of a total dependent employment of 22.564 thousand no fewer than 2.425 thousand were foreigners³⁵. At that time foreigners represented thus more than 10.7 percent of dependent employment and not quite 9 percent of the total labor force including self-employed and helping family members. By 1977 the number of foreign workers had declined to 1.872 thousand out of a total dependent employment of 21.347 thousand

³² *Ibid.*, p. 318. Indeed, late in the 70's, some restrictions on the immigration of wives and children of guest-workers were ameliorated. This caused considerable increases in social services and difficult problems in the area of schools, kindergartens, etc. In 1976, the children of foreigners represented 16 percent of all live birth in West Germany.

³³ *Ibid.*, p. 323, note 26.

³⁴ Foreign workers play an insignificant role among the self-employed.

³⁵ OECD, *Economic Surveys*, June 1979.

and a total labor force of 26.074 thousand (8.8 and close to 7.2 percent, respectively). There was thus a reduction of the share of foreign workers, in both methods of calculation, but it did not quite represent the wholesale discharge and repatriation of foreign workers that Professor Thurow and so many other foreign observers thought had happened. It is probably not too far fetched to assume that the reduction resulted primarily if not exclusively from the blockage of the immigration of foreign workers in 1973. It is interesting to observe that between 1974 and 1977 the total number of foreigners living in West Germany dropped by less than 200,000 while that of foreign employed diminished by almost 500,000; the difference is mainly explained by the arrival of family members of foreign workers under the now relaxed restrictions.

However, to do Professor Thurow's argument full justice, the net figures used above do not reveal the whole trend. A careful analysis shows a very complex picture³⁶.

According to Böhning, 2.6 million foreign workers were in the Federal Republic in September 1973. This includes both employed and unemployed. Four years later, the author indicates, that figure had declined to 1,950,000. Thus the stock of foreign workers had been reduced by 665,000, the number of employed foreign workers by 725,000.

However, some 20,000 foreign workers had been naturalized during the period in question, 25,000 had died, 175,000 were unregistered and unemployed, etc. This results in an "internal reduction" of 221,000. On the other hand, 470,000 foreign workers were added of whom 370,000 were new immigrants and 100,000 youngsters who had joined their parents earlier. Thus more than 900,000 foreign workers must have left West Germany, considerably more than the reduction in bottom-line numbers would indicate. This, however, includes an unknown number of migrants who would have returned home even if conditions in West Germany had not deteriorated. We can, therefore, only guess at the number of those "migrants with

³⁶ W.R. BÖHNING, "International Migration in Western Europe: Reflections on the Past Five Years", *International Labour Review*, Vol. 118, No. 4, July-August 1979. F. BOURGIGNON and G. GALLAIS — HAMMONO with Bernard FERNET, *International Labour Migrations and Economic Choices: The European Case*, Development Center of O.E.C.D., Paris, 1977.

a weak legal status (who) were simply shown the door.”³⁷ Still, by no stretch of the imagination do these figures justify the number of ten million workers at which Professor Thurow — by scaling up to the population of the U.S. — arrives.

For Austria, where unemployment rates are consistently among the lowest in the West, varying between 1.6 and 2.1 percent during the 4 years from 1977 to 1980, total foreign employment³⁸ dropped from 189,000 in 1977 to 175,000 in 1980, thus by some 14,000 i.e., $\frac{1}{3}$ percentage points of the total labor force. Almost 3,700 were registered unemployed of whom close to 2,500 received unemployment benefits³⁹.

Unemployment in Sweden dropped from 98,000 in 1973 to 94,000 in 1978. No significant change in the employment of foreign workers occurred during that period.

All in all, in the three countries considered, only West Germany reduced foreign employment to a significant degree but hardly by a number that would explain, to a substantial extent, the relative maintenance — until quite recently — of high employment figures in the Federal Republic.

CONCLUSIONS

Given the small sample, no more than suggestive inferences can be drawn from the result. There is, moreover, a warning signal against premature affirmations in the example of the Dutch wages policy in the first post-war years⁴⁰. Then, as is the case now, it appeared to some observers that a

37 BÖHNING, *op. cit.*, p. 403. It should be noted that the bulk of foreign labor is employed in the secondary sector, thus most affected by a recession. See, Martin SLATER, “Migrant Employment, Recessions, and Return Migration: Some Consequences for Migration Policy and Development”, *Studies in Comparative International Development*, Vol. XIV, No. 3, 4. Most of the reduction in foreign employment occurred between 1973 and 1978 when, according to the O.E.C.D. Economic Survey for Germany, June 1979 (p. 13, note 11): “The Cumulative Net Withdrawal of Foreigners from the Labor Force Was 671 Thousand Persons, Equivalent to 3 Percent of the Dependent Labour Force in 1978. In 1978 the Net Outflow of Foreign Workers Was Down to 45,000 Persons.” A high level of hatred for the guest-workers was noted in “Der Spiegel” of September 15, 1980.

38 This, as was pointed out above, includes nationals of EEC countries as Austria is not a member of EEC.

39 Source: *Österreichischer Arbeiterkammertag: Wirtschafts-und-Sozial-Statistisches Taschenbuch 1981*, various tables. Also: OECD, *Economic Survey: Austria*, Jan. 1980.

40 Cf. Jan PEN, “Trade Union Attitudes Toward Central Wage Policy: Remarks on the Dutch Experience”, In Sturmthal and Scoville, *The International Labor Movement in Transition*, University of Illinois Press, Urbana, 1973. Also, John P. WINDMULLER, “Labor Relations in the Netherlands”, Ithaca, N.Y., 1969.

permanent or at least long-term solution to the problem of price stability under conditions of full employment had been found — only to discover that there was a time limit beyond which the experiment could not be extended.

Still, in the face of what seems in many countries an untractable problem even a temporary success deserves examination with the secret hope that perhaps some aspects of the “solution” might be transferable or adaptable to the conditions of a different country and a different period. Unfortunately, it will be our sad conclusion that, at least as far as the U.S. and perhaps Canada are concerned, a transfer or adaptation seems impossible, for at least the foreseeable future.

One of the most important conditions for the results obtained in the three countries examined is the existence of a unified trade union movement with a high degree of central authority in the area of collective bargaining. Whether the government is actually present at the negotiations as was the case in West Germany and is — directly or indirectly — still the case in Austria, or absent as in Sweden, seems less important than at first expected. The mere fact that global negotiations about the distribution of the national income or of its increment involves reasoning in macro-economic terms forces a high degree of realism upon the participants at the negotiations, regardless of whether there are representatives of the so-called national interest present or not.

Thinking in terms of collective class interests, though less influential than a century ago, is probably still more accepted on the Continent than in the U.K. or in the U.S.A. The solidaristic wage policy in Sweden may be a symptom of this way of thinking as is the fact noted by Yves Delamotte, that the British productivity agreement model has not spread to the Continent because there is no equivalent to the work rules of Great Britain which tend to protect the group at the expense of general economic progress⁴¹.

Undoubtedly, the existence of a government friendly to labor makes it easier for the labor leaders to appeal to their members not to create conditions that may endanger the survival of such a government. Moreover, alternatives to immediate increases in labor costs can be found in measures of social policy that are under the control of the political authorities. A trade-off between immediate and deferred advantages then may occur. While

41 Yves DELAMOTTE, “British Productivity Agreements, German Rationalization Agreements and French Employment Security Agreements”, *International Institute for Labour Studies*, Bulletin No. 9, 1972, especially, pp. 34/5.

favorable political conditions have existed at times in the U.S.⁴² and may occur again, a system of centralized bargaining seems most unlikely to emerge in the foreseeable future. Never in its history have American unions granted to a central all-union body authority to determine or even openly influence their bargaining policies, strategies, and ultimate outcome. That there may be informal exchanges of views, advice, promises of support is extremely likely; but formal constitutional authority rests with the individual union and sometimes even with its component parts.

Economic growth appears to be favorable to the maintenance of a social contract. While there are disputes and often sharp disagreements about the distribution of whatever increment in GNP the economy produces, it is clearly easier to settle those conflicts than disagreements about the distribution of losses. There are probably not insignificant differences in national union behavior in this respect. European unions may also, in their majority and for obvious reasons, understand more readily the impact of international developments on their economy, its greater dependence on international trade and, therefore, the need for international competitiveness. But I hesitate to go too far in this generalization: the differences in this matter within national labor movements may outweigh the international distinctions.

A supply of temporary foreign workers that can fairly easily be discharged may be of some help in keeping down both inflationary wage pressures and unemployment rates, but the importance of this factor varies a good deal from country to country. For the three countries studied in this project, this factor while not negligible, had surely no decisive impact on the outcome.

There is, perhaps principally, a fundamental choice of priorities to be made. Sweden and Austria have most clearly opted for full employment as the supreme objective of economic policy while West Germany, especially in the course of 1980-81, appears to have become more hesitant in deciding the issue and has accepted a fairly large rate of unemployment. Obviously, in practice, the problem presents itself as an issue at the margin (which, in this case, may be too substantial to be called "marginal"); as a trade-off between a certain amount of unemployment versus a change in the rate of inflation or vice versa.

It would be improper and tend to distort the picture were I not to refer to the "costs" of some of the factors outlined above that are favorable to

⁴² See Clark KERR, *Governmental Wage Restraints: Their Limits and Uses in a Mobilized Economy. Papers and Proceedings, American Economic Reviews*, Vol. XLII, No. 2, May 1952.

the adoption and maintenance of a "social contract". Somewhat overstated, they amount to the establishment of an oligarchic system of industrial relations. On both sides of the bargaining table there are spokesmen with authority to make commitments in behalf of their constituents. Representing unified movements, they are not exposed to the danger of being overwhelmed by competitive organizations — except in the extreme and temporary case of a major rebellion against the system as in 1968-69. In the normal course of events, these spokesmen are insulated from pressures from below by a whole series of layers of hierarchy. At the same time their decisions have such an obvious impact on the national economy that sectional interests are of lesser concern for them than if they were to speak only in behalf of relatively smaller groups. While the latter can indeed improve their lot by group action at the expense of other — not necessarily working-class — groups without major macro-economic consequences, a redistribution of national income in favor of an entire class, especially as sizeable a class as that represented by the trade union movement as a whole, cannot but have an impact on the entire economy. Thus both insight into wider perspectives and a high degree of insulation from rank and file pressure combine to permit the leaders a wider range of freedom of choice but also a better insight into its consequences than have those closer to the base. Technocracy and democracy and the defense of group interests in economic policy-making have not gone too well together so far.

Le chômage, l'inflation et les travailleurs étrangers Étude comparative de trois pays européens

Trois pays occidentaux ont trouvé une solution partielle et possiblement temporaire au problème de parvenir à un degré élevé d'emploi tout en gardant leur taux d'inflation à un niveau relativement bas. Si l'on traduit cette conjoncture dans les termes du vocabulaire de l'économie politique, cela signifie qu'ils ont évité le piège de la courbe de Phillips laquelle veut qu'un taux de chômage bas exige une inflation marquée ou que vice versa, une inflation faible ne peut se maintenir qu'au prix d'un chômage élevé. Ces pays sont la Suède, l'Allemagne de l'Ouest et l'Autriche.

Comme l'article le démontre, l'indice du coût de la vie en Suède, en Allemagne de l'Ouest et en Autriche s'est élevé en moyenne pendant la période de 1961 à 1980 d'environ 4.7 à 5.0 pour cent comparé à 6.0 pour cent dans l'ensemble des pays de l'O.C.D.E., à 5.5 pour cent aux États-Unis. Ces résultats doivent être examinés en relation avec le taux moyen de chômage. Ces derniers sont 2.5 pour cent en Allema-

gne de l'Ouest, de 2.0 pour cent en Suède et en Autriche alors qu'ils ont atteint une moyenne de plus de 6.0 pour cent aux États-Unis pendant la période de 1968 à 1980. C'est ainsi que l'Autriche s'est fort bien classée dans les deux domaines. L'Allemagne de l'Ouest et la Suède ont particulièrement bien réussi en autant qu'il s'est agi du chômage. Pourquoi ces pays ont-ils fait mieux que les autres pays d'économie de marché en Occident?

Une étude du taux de croissance du produit national brut constitue un élément de réponse. En général, le taux de l'expansion économique y était aussi élevé que celui des pays européens de l'O.C.D.E., à l'exception de la récession de 1975. Cependant, il est possible que la cause de l'existence simultanée d'une croissance forte, d'une inflation peu élevée et d'un chômage faible soit ailleurs.

Le deuxième élément de réponse peut se rattacher à l'existence dans ces trois pays de ce qu'on est convenu d'appeler «un contrat social». Celui-ci prévoit la tenue de nombreuses réunions conjointes des syndicats, des associations d'employeurs et, quelquefois, des représentants des gouvernements aux fins d'établir pour l'année suivante des augmentations maximales des salaires et des prix propres à assurer une stabilité raisonnable des prix.

À quelles conditions un «contrat social» est-il efficace et combien de temps est-il susceptible de durer? La principale condition réside dans un mouvement syndical unifié ou qui, à tout le moins, n'est pas aux prises avec la concurrence qui se présente dans un mouvement en voie d'éclatement. On retrouve cette situation avantageuse dans les trois pays, même s'il ne faut pas exclure toute friction occasionnelle.

De plus, les parties aux négociations tant d'un côté que de l'autre doivent posséder des dirigeants énergiques qui ont l'autorité de prendre des engagements au nom de leurs affiliés et de les mettre en vigueur. Plus ces dirigeants sont protégés contre les pressions de la base, plus il leur est facile de s'engager dans les politiques qui ne sont pas populaires auprès des travailleurs ou des employeurs. L'existence d'un gouvernement sympathique au syndicalisme est un facteur sinon indispensable du moins favorable dans les circonstances. Un taux relativement élevé de croissance économique est également favorable, bien qu'il ne soit pas essentiel. Dans ces conditions, les grèves ne sont pas généralement fréquentes.

Bien que, sauf en Autriche, aucun «contrat social» n'ait dépassé deux décennies, il est difficile, dans l'état actuel de nos connaissances, de prédire la durée limite d'un contrat de ce genre ou de déterminer les conditions qui favorisent sa durée. Comme une étude plus approfondie des systèmes de relations professionnelles le démontre, des facteurs accidentels, étrangers aux systèmes eux-mêmes peuvent y être responsables de l'écroulement de l'expérience.

La deuxième partie de l'article traite d'une manière plus détaillée de l'évolution qui s'est produite en Allemagne de l'Ouest, en Autriche et en Suède. C'est dans un certain sens une façon de tester la validité des hypothèses présentées dans la première partie de l'étude. Dans l'ensemble, les hypothèses ressortent fort bien de cette vérification, même si l'on ne peut répondre d'une manière concluante à la question de savoir s'il s'agit de la cause ou de l'effet. (La croissance économique résulte-t-elle de la paix sociale que le contrat peut créer ou en est-elle une conséquence?)

La dernière partie de l'article traite de la question de savoir si la situation relativement favorable de ces pays résulte de leurs politiques à l'endroit des «travailleurs

invités» (guest-workers) comme certains auteurs l'ont prétendu. Le grand nombre de travailleurs étrangers attirés dans ces pays, notamment en Allemagne de l'Ouest, a sans doute beaucoup contribué à leur prospérité. Ont-ils aussi servi à réduire l'impact du chômage? On admet que, à l'exception de la France, aucun des pays de l'Europe occidentale se considère comme pays d'immigration. L'immigration massive en Allemagne occidentale à la fin de la deuxième guerre mondiale était dictée par la nécessité politique et non pas des considérations économiques. L'entrée massive de travailleurs étrangers pour des raisons économiques se produisit durant les années d'abondance des décennies 1950 à 1960.

Il faut garder en mémoire que ce ne sont pas tous les travailleurs immigrants qui désirent demeurer en permanence dans le pays d'immigration. D'autre part, les citoyens des États membres de la Communauté économique européenne (CEE) sont maintenant libres d'aller d'un pays à l'autre pour y occuper un emploi. Ainsi, toutes les mesures restrictives de l'Allemagne de l'Ouest doivent s'exercer contre les nationaux des pays non-membres. (Pour ces motifs et également pour d'autres raisons, la Suisse ne peut servir de modèle, puisqu'elle ne fait pas partie de la C.E.E.) Les statistiques indiquent que, depuis 1973, le nombre des travailleurs étrangers a diminué en Allemagne de l'Ouest, apparemment plutôt par la cessation du recrutement que par un rapatriement en masse. En Autriche, on ne trouve qu'une réduction insignifiante du nombre de travailleurs étrangers. Il en est de même en Suède. Ainsi, même s'il y a eu un accroissement marqué de sentiments xénophobes en particulier de la part de la population allemande contre le grand nombre de Turcs qui travaillent ou viennent se fixer en Allemagne fédérale, aucune mesure rigoureuse n'a été prise pour améliorer le sort des sans-travail aux dépens des travailleurs étrangers.

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