

Actual Implications of the Current Economic Crisis for Austrian Enterprises – Results of a Company Survey

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This article is based on the results of a survey conducted among 731 Austrian companies and supplements the known macroeconomic facts about the current economic crisis with micro data. While a decline in demand was the main challenge companies faced, they also had to cope with financing problems and customers' payment difficulties. 16% of Austrian companies reported major or even severe financing difficulties owing to the crisis, with small enterprises feeling a greater impact than large firms. Furthermore, the survey showed that the crisis caused enterprises to increasingly save on wage costs. Here, companies hit hard by the crisis cut costs primarily through layoffs, followed by a reduction in working hours. Although base wages were cut more frequently than in economically calm times, this measure continued to be the exception rather than the rule even during the crisis, which indicates the existence of nominal wage rigidities in Austria.

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News of high losses of IKB Deutsche Industriebank AG in July 2007 marked the beginning of the financial crisis' spreading to Europe. While initially it seemed that the turmoil would essentially be limited to the financial markets, Austria's broader economic sentiment indicators started to decline visibly from mid-2007. In the third quarter of 2008, Austria's GDP growth turned negative, marking the beginning of a four-quarter recession.

The financial crisis became a global economic crisis and affected Austria first of all through a slump in exports, which – just like industrial production – contracted by a total of 18%. Real sales in retail trade (which responded with a lag) dropped by some 6%, and GDP contracted by a total of some 5%. Such sharp declines in an economy's value added have substantial repercussions for the labor market. From mid-2008 to mid-2009, Austria's unemployment rate climbed from 3.5% to 4.8%, with 60,000 persons losing their jobs in this period. Furthermore, the number of hours worked decreased

by roughly 5.5%, also due to the introduction of short-time working schemes.

In this article, the macro data on the current economic crisis summarized here will be supplemented with micro data from a company survey carried out in Austria. The information provided by the companies surveyed makes it possible to describe in detail the way the crisis has affected different industries as well as how companies have perceived and responded to the crisis. A similar survey, featuring partly identical questions, had been conducted among Austrian companies in 2007, before the crisis broke out in Europe. To the extent that these two surveys allow a comparison, the responses of 2007 will be contrasted with those of 2009.

This article is structured as follows: Section 1 describes the technical details of the survey. Section 2 analyzes the actual impact the crisis had on companies. Businesses' responses to the crisis are discussed in section 3, and section 4 concludes.

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1 Survey Details

The Austrian Institute of Economic Research (WIFO) conducted a survey commissioned by the Oesterreichische Nationalbank (OeNB) among 1,538 Austrian companies in summer 2009. 731 companies provided responses to the survey, which equals a response rate of 48%. The enterprises surveyed cover classes C to N in the Austrian Statistical Classification of Economic Activities (ÖNACE) and are therefore representative of the entire private sector of the Austrian economy.² Only agriculture and forestry (ÖNACE class A) as well as mining (B) are not included in the sample.³

Chart 1 lists all sectors covered in the survey and shows the number of companies that were asked to participate (gross sample) and the number of companies that provided valid responses (net sample). The response rate differed across sectors, ranging from

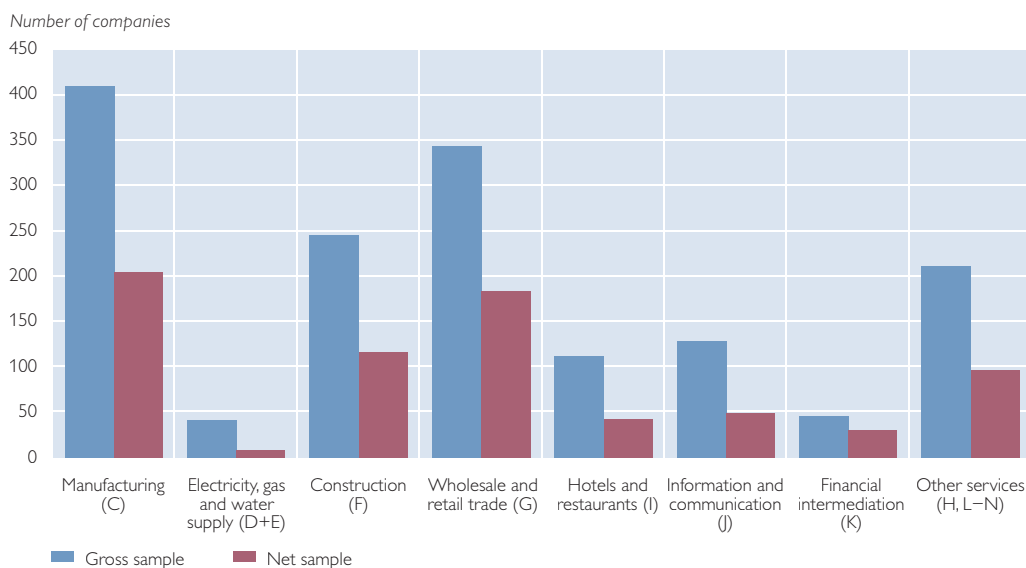
around 20% in electricity, gas and water supply to 65% in financial intermediation.

We use ex-post weights to correct for sampling deficiencies, i.e. differences in the probability of a respondent receiving a questionnaire and completing it. These weights are applied in a way that the distribution of persons employed in the net sample as closely as possible mirrors the distribution of employment in the entire Austrian economy.

At the time the survey was conducted (i.e. at the beginning of the third quarter of 2009), the recession had already reached its peak, and the economy was starting to bottom out. Confidence indicators started to rise in the second quarter of 2009, and the ATX advanced by some 20% in the first half of 2009. However, uncertainty about future economic developments was still high. The forecasts for 2010

Chart 1

Survey Response Rate by Economic Sectors



Source: OeNB, author's calculations.

² This classification is based on the definition of 2008.

³ The sectors covered in the survey contribute more than 99% of the Austrian private sector's gross value added.

predicted a stagnation or further contraction of Austrian GDP; inflation was expected to be around 1% in 2010 and 2011.

2 Implications of the Crisis for Austrian Enterprises

The macro data described above show that the crisis has had a varied impact on the individual areas of the Austrian economy. Manufacturers were hit much harder than retail trade, for instance. Section 2.1 will look into these results in more detail, analyzing the actual repercussions of the crisis for Austrian companies.

2.1 Manufacturing Hit Particularly Hard

The first question of the survey concerned the impact of the current economic crisis on the responding company's sales, providing six possible answer categories: Sales have (1) increased, (2) remained unchanged, (3) declined slightly, (4) declined moderately, (5) declined sharply, and (6) declined very sharply.

Table 1 provides a summary of the replies, showing that around three quarters of Austrian companies re-

ported falling sales in the wake of the economic crisis. Some 20% reported that sales had dropped sharply, some 6% even said that sales had dropped very sharply. Broken down by economic sector, the survey results confirm the trends implied by the macro data. Manufacturing, e.g., saw sales falling significantly more strongly than other industries. Sharp or very sharp declines in sales were reported by some 43% of companies in manufacturing, but only by between 15% and 20% of companies in the other sectors. In construction, by contrast, only some 6% of responding companies indicated that they had been faced with sharply or very sharply falling sales.

The slump in sales in manufacturing can be traced first and foremost to the fact that the sector is highly export oriented. The last line in table 1 shows that more than half of manufacturing sales are generated by exports, which plummeted dramatically during the crisis. This also explains why construction has been fairly mildly affected by the crisis: First, construction does not depend on exports; second, construction projects require very long lead times, which delays this sector's re-

Table 1

Change in Sales during the Current Economic Crisis

	Total	Manufacturing	Electricity, gas and water supply	Construction	Wholesale and retail trade	Financial intermediation	Other services
	%						
Increased	5.48	3.70	0.00	1.42	9.92	4.97	5.51
Remained unchanged	21.08	16.78	0.00	32.98	23.18	13.44	22.01
Declined slightly	20.45	14.62	32.22	27.49	22.26	16.24	22.53
Declined moderately	27.51	21.50	50.83	31.81	26.24	51.42	27.67
Declined sharply	19.22	30.72	16.94	3.52	13.99	13.92	18.24
Declined very sharply	6.26	12.68	0.00	2.78	4.41	0.00	4.04
Export-orientedness	31.18	53.84	17.64	1.95	18.55	26.05	22.13

Source: OeNB, author's calculations.

Note: Export-orientedness is defined as the average proportion of a sector's sales generated by exports.

Table 2

Change in Sales by Company Size

	Small	Medium	Large	Very large
	%			
Increased	8.27	7.17	4.43	3.15
Remained unchanged	28.32	25.46	17.71	17.7
Declined slightly	22.98	18.29	24.98	17.68
Declined moderately	27.00	27.72	30.7	24.92
Declined sharply	10.34	17.22	17.91	25.72
Declined very sharply	3.09	4.14	4.28	10.83

Source: OeNB, author's calculations.

sponse to economic developments; and third, construction has benefited from the fiscal and economic stimulus measures, which provided for investment in infrastructure worth roughly EUR 1.5 billion for 2009 (Breuss et al., 2009).

The available data can be analyzed also by company size. We differentiate between small companies (with sales of up to EUR 2 million), medium-sized companies (sales between EUR 2 million and EUR 10 million), large companies (sales between EUR 10 million and EUR 40 million) and very large companies (sales over EUR 40 million). Table 2 shows that large enterprises have felt a much stronger impact of the crisis than small ones. While the share of companies reporting that sales dropped sharply or very sharply is only around 13% among small companies, it increases with company size, coming to some 37% for very large companies.

To some extent these figures mirror the size structure of the relevant sectors, however. Manufacturing, for instance, which has suffered severely from the crisis, has a particularly high share of very large enterprises.

2.2 Falling Demand Was the Biggest Problem

Since an economic crisis can impact individual enterprises in different ways, this section sheds some light on the various implications a recession may have.

It may, e.g., cause demand to plummet (1), and it can also mean that the availability of corporate finance is reduced (2). Furthermore, customers may become insolvent, putting at risk companies' cash flow (3), and suppliers may be faced with difficulties in fulfilling their contracts (4). The survey respondents were asked to indicate whether and to what extent ("very strongly," "strongly," "to some extent," "not at all") they have been affected by these implications.

The responses summarized in table 3 show that falling demand has been companies' biggest problem. Some 30% of Austrian companies said they had been very strongly or strongly affected by a decline in demand. Of all sectors covered, manufacturing felt the largest impact also in this category, with some 45% reporting to have been very strongly or strongly affected by the slump in demand. Construction, by contrast, reported only a moderate decline in demand: No more than some 10% of the companies surveyed said they had been very strongly or strongly affected. All in all, this ties in closely with the decline in sale in these sectors as described above.

While some 60% of Austrian companies said that they had not encountered financing problems caused by the crisis, 16% of respondents claimed that they had faced serious or very serious

Table 3

Implications of the Economic Crisis

	Companies have been affected			
	very strongly	strongly	somewhat	not at all
	%			
Decline in demand	8.49	20.46	45.03	26.02
Financing problems	4.32	12.17	25.30	58.21
Customers' payment difficulties	3.50	15.70	54.34	26.46
Suppliers' difficulties fulfilling contracts	0.40	1.59	23.36	74.65

Source: OeNB, author's calculations.

financing problems. At first glance it seems that this applies to the same degree to companies of all sizes and in all sectors. Chi-square tests of independence between company size and the degree of financing problems do not reject this hypothesis. It must be borne in mind, however, that large enterprises, especially in manufacturing, have been hit by the crisis particularly hard. An analysis not accounting for the degree to which companies have been affected by the crisis therefore yields distorted results.

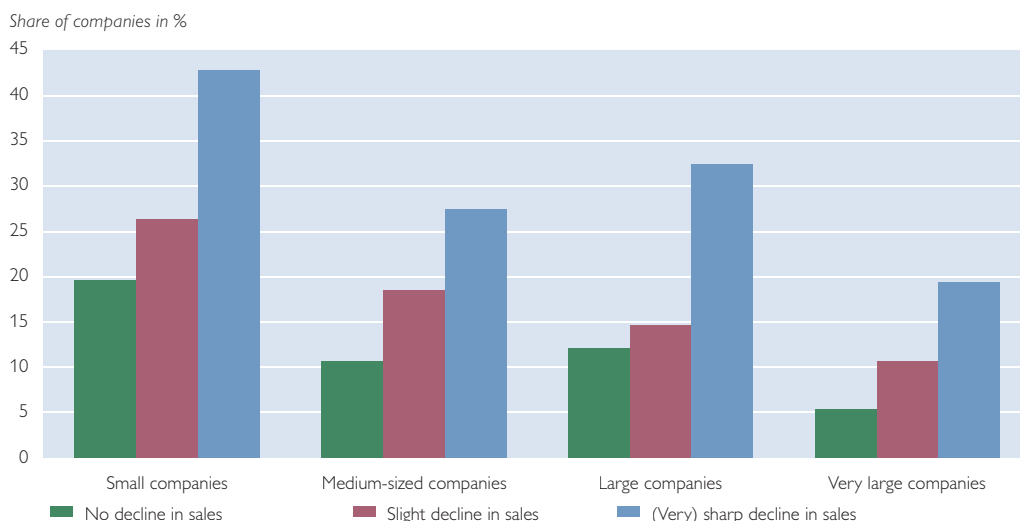
To address this potential problem, chart 2 displays the extent of financing difficulties separately by company size and the decline in sales. The variable “size” defines small companies (with sales of up to EUR 2 million), medium-sized companies (sales between EUR 2 million and EUR 10 million), large companies (sales between EUR 10 million and EUR 40 million) and very large companies (sales over EUR 40 million). We use the variable “crisis impact” to assign companies’ responses about sales developments to three groups: companies whose sales have not fallen, companies that registered a minor decline in sales as well as companies reporting that sales had dropped sharply or very sharply. The vertical axis in chart 2 shows the proportion of companies in each group that has faced serious or very serious financing problems.

Chart 2 illustrates two phenomena: First, it highlights the fact that within each size group, those companies which have suffered sharp sales losses also have a higher probability to face financing problems. Second, the chart reveals some divergence between small and large(r) companies: Small companies, regardless of how strongly they have been affected by the crisis, have been much more likely to face financing problems than large companies. More than 40% of all small enterprises that recorded a significant decline in sales report major financing problems, whereas this share is only half as high among large firms.

In the following the statistical significance of these differences is being analyzed. A logit model is defined that divides the companies into two groups by the degree of financing problems. 1 is assigned to companies that reported serious or very serious financing problems, and 0 to those that have encountered minor financing problems or none at all. In the model, company size, the degree to which companies have been affected by the crisis as well as the sector companies belong to are used to explain these two possible situations. The variables are defined like those for chart 2; the additional variable “sector” differentiates between manufacturing on the one hand and wholesale and retail trade, financial intermediation and

Chart 2

Financing Problems by Company Size and Decline in Sales



Source: OeNB, author's calculations.

Note: The vertical axis shows the proportion of those companies in the stratum that have faced serious or very serious financing problems.

other services on the other hand. This variable has been added to capture all unobserved effects that are correlated with the sector a company belongs to, e.g. a company's capital intensity. Chart 3 summarizes the results of the logit estimate and does not display coefficients but odds ratios, as the latter can be interpreted more easily. An odds ratio of 1 means that the probability of encountering financing difficulties are equally high in both groups, while an odds ratio higher than 1 indicates that the probability is higher.

The results shown in chart 3 confirm the picture described above. Both company size and the degree of the decline in sales play a statistically significant role in determining the extent to which companies encountered financing problems. Chart 3 shows that companies that have been affected more strongly by the crisis are more likely to face financing difficulties. For instance, this probability is more than three times higher for companies reporting a (very) sharp decline in sales than for companies whose sales have not de-

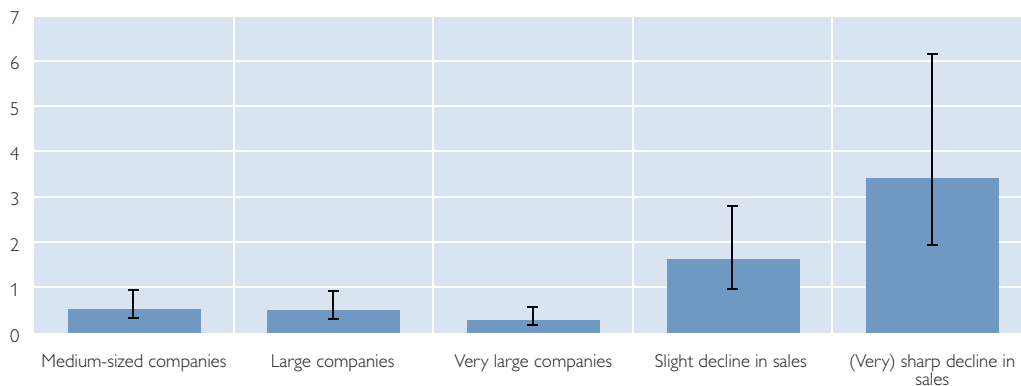
clined. Likewise, company size is critical: Medium-sized, large and very large enterprises have a significantly lower probability of encountering financing difficulties than small firms; for instance, given an equal decline in sales, for very large companies this probability is only about a quarter of that of small companies.

This result can be interpreted to be indicative of the existence of a credit channel in Austria, which implies that in times of crisis, there is not only a decline in loan demand, but loan supply also becomes more restrictive. The credit channel literature (Bernanke and Gertler, 1989, 1995) suggests that there is a connection between company size and financing problems, which is attributed to large companies' higher level of self-financing and collateralization. Both factors reduce creditors' monitoring costs and, consequently, the external finance premium of large enterprises. Hence, this premium should fluctuate less strongly over the economic cycle. If there is a transmission channel that works through enter-

Chart 3

Logit Estimate of Factors Explaining Financing Problems

Odds ratios plus 95% confidence interval



Source: OeNB, author's calculations.

Note: Reference group for company size dummy variables: small companies; reference group for the variables "crisis impact:" companies that have not recorded a decline in sales.

prises' credit standing, cyclical fluctuations will be reinforced through the accelerator effect, which operates primarily through small companies.

Customers' payment difficulties affected companies in a similar way like financing problems. Some 20% of Austrian enterprises reported a decline in cash flow because customers failed to pay. Again, the share of companies that encountered this problem varied across sectors, from 30% in wholesale trade to a minor percentage in financial intermediation, where only some 10% reported to have been strongly or very strongly affected by customers' failure to pay.

Supply problems do not seem to be a critical factor in the current economic crisis, with only 2% of the companies surveyed reporting failures of suppliers to fulfill contracts.

3 Companies Responded to Crisis by Cutting Costs

Since most companies reported that demand had fallen due to the economic crisis, they were also asked how they had responded to this demand shock. In line with the structure of the other sur-

vey questions, five different response options were provided and the companies were asked to indicate whether these measures had been "very relevant," "relevant," "hardly relevant" or "not relevant at all." "Very relevant" or "relevant" answers were counted as approval to a specific measure, which in table 4 is given as a percentage of all valid responses.

Table 4 shows that some 83% of companies considered cost cutting a "very relevant" or "relevant" measure in their specific situation, which makes it the most widespread response of enterprises to the crisis. Significantly fewer companies – about 40% – reported that for them, leaving prices un-

Table 4

Companies' Reactions to Falling Demand

Possible strategy	Approval rate in %
Cut costs	82.95
Leave prices unchanged	43.43
Reduce profit margins	41.34
Reduce output	39.47
Cut prices	22.66

Source: OeNB, author's calculations.

changed, reducing profit margins and cutting output were key measures to cope with the crisis. Cutting prices is a measure only roughly 23% of companies considered to be relevant.

In autumn 2007, before companies started to feel the impact of the crisis, a comparable company survey was carried out, which comprised a question almost identical to this one. The only difference between the two questions was that in the 2007 survey, the decline in demand was hypothetical, whereas the 2009 survey referred to the repercussions of the current economic crisis. 322 enterprises took part in both surveys, enabling a comparison of response measures. The aggregate shows very similar patterns: Cutting costs is considered the most important measure by far, while only a minority regards cutting prices a relevant response to the crisis. Support for the other measures among the companies surveyed ranges between 40% and 50%.

3.1 Cost Cutting Focused on Wages

Those roughly 80% of firms that regard cost cuts as “highly relevant” or “relevant” in response to a demand shock were also asked in what way they would reduce costs.

Firms could choose from six responses, five of which focused on labor costs and one covered other costs (collectively termed nonlabor costs). Labor cost-related cost-cutting strategies included reducing flexible wage components (1), cutting base wages (2), reducing working hours (3), discontinuing temporary employment contracts (4) as well as laying off part of the permanent staff (5). Respondents were asked to indicate only their main cost-cutting strategy.

Table 5 comprises not only the summary of responses provided in the 2009 survey but also those of the 2007 sur-

Table 5

Cost-Cutting Strategies and their Relevance

Possible strategy	Responses	
	2007	2009
	Approval rate in %	
Reduce nonlabor costs	49.81	29.71
Shorten working hours	21.51	32.22
Reduce flexible wage components	10.94	17.15
Lay off permanent staff	12.08	11.72
Lay off temporary staff	5.66	8.37
Reduce base wages	0.00	0.84

Source: OeNB, author's calculations.

vey. The results do not refer to the entire sample of companies surveyed, but only to those that answered this question in both surveys.

Apparently, in the current situation, some 70% of companies have cut costs primarily by reducing labor costs, while 30% have driven down nonlabor costs. Those companies that have focused on cutting labor costs reported to reduce working hours (32% of companies) or flexible wage components (some 17%). The options of discontinuing temporary or permanent work contracts each accounted for 10% of replies to this question. Less than 1% of companies said they cut wage costs mainly by reducing base wages.

A comparison of the responses to this question in the two surveys reveals a visible shift toward cutting labor costs. When asked how they would respond to a hypothetical decline in demand two years ago, some 50% of companies said they would mainly reduce labor costs; in 2009, 70% replied that this was an important measure to cut costs. Likewise, shortening working hours and reducing flexible wage components are instruments that have now been used more widely than in 2007. The results of the 2007 and the

2009 surveys do not show similarly big differences as regards layoffs and cutting base wages.

The next question was whether companies affected by the crisis to a different extent respond to the crisis differently. Chart 4 shows that in fact a certain pattern has emerged. The 2009 replies of enterprises reporting a slight/moderate decline in sales tend to match more closely the answers provided in the 2007 survey. This suggests that when asked about a hypothetical demand shock, the surveyed companies assumed a modest decline, which helps explain the differences in the two survey results.

Furthermore, chart 4 shows that reducing nonlabor costs and flexible wage components are measures taken primarily by companies that have been affected by the crisis only mildly or not at all, whereas firms that have been hit severely tend to cut costs by laying off permanent staff and reducing base wages.

The extent to which layoffs of permanent staff are used as a measure to cut costs depends most strongly on the

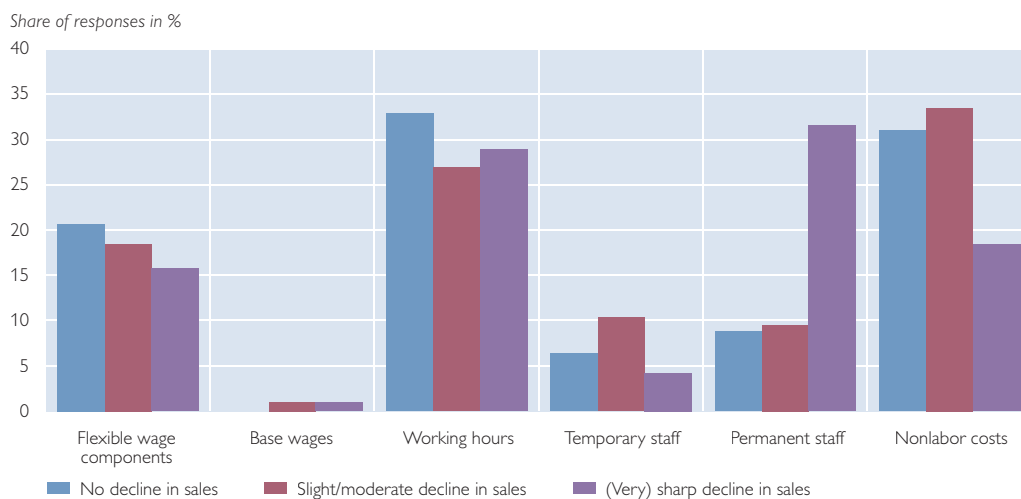
degree to which a company has suffered sales losses. While less than 10% of firms that reported no or only a slight drop in sales reported to cut costs by dismissing permanent staff, more than 30% of the companies affected severely by the crisis have taken this measure. In other words, layoffs – followed by shortening working hours – are the most important cost-cutting instruments applied by companies that recorded a sharp or very sharp decline in sales. When faced with substantial sales losses, enterprises give priority to reducing labor input and, as a result, dismiss employees or cut working hours.

The pattern that emerged already from the results of the 2007 survey, i.e. that wage costs are cut in various ways, including layoffs, but almost never by reducing base wages, has been confirmed by the 2009 survey, albeit not in such absolute terms. Five of the 514 enterprises providing replies to this question in the current survey have cut costs primarily by reducing base wages.

As analyzed in Kwapil (2009), enterprises' reluctance to reduce base

Chart 4

Cost-Cutting Strategies by Decline in Sales



Source: OeNB, author's calculations.

wages seems to be attributable to two main reasons: employers' fear that such a move would harm staff motivation and, consequently, productivity (efficiency wage theories) on the one hand, and a labor market policy framework that makes it difficult to cut wages (e.g. collective bargaining agreements, the requirement to obtain the staff council's approval) on the other hand. Fabiani et al. (2010) confirm that these reasons are critical in all euro area countries. They also show, however, that there are marked differences between the euro area countries and those Member States that joined the EU in 2004 and 2007. Both Fabiani et al. (2010) and Babecký et al. (2009) find that the labor market policy framework contributes much less to wage rigidities in Hungary, Estonia, Latvia, the Czech Republic and Poland than in the euro area countries. Messina and Rööm (2009) argue that in times of crisis, framework conditions like collective bargaining agreements or the role of staff councils have a larger impact on wage rigidities whereas efficiency wage considerations seem to be given less weight.

3.2 Wage Freezes and Wage Cuts More Widespread at Crisis-Ridden Companies

Chart 4 also shows that only companies reporting a drop in sales cut costs pri-

marily by reducing base wages. This behavior confirms the thesis of Blinder and Choi (1990) that fairness is given due consideration in the decision to cut wages. Whether wage cuts have a negative impact on staff motivation hinges on the degree to which they are justified. Blinder and Choi (1990) maintain that wage cuts that contribute to safeguarding a company's existence are more likely to be regarded as justified, whereas wage cuts to increase profits are considered unfair. It is therefore conceivable that fairness has in fact played a role in employers' decisions on how to cope with the current crisis.

Since the responses summarized in chart 4 only reflect companies' most important cost-cutting measure and for this reason do not cover possible wage cuts or wage freezes that represent the second most important cost-saving measure, the survey included another, more detailed question on this issue. Each responding company was asked whether it planned or had already been forced to cut or freeze wages due to the crisis. The replies to this question as well as those provided on this issue in the 2007 survey (though of a more general nature) are summarized in table 6.

Some 87% of companies said they were not planning or had not implemented wage freezes due to the current crisis. About 4% reported to have ne-

Table 6

Wage Freezes and Wage Cuts

	2007 survey		2009 survey	
	Wage freezes over the previous 5 years	Wage cuts over the previous 5 years	Wage freeze in the past year	Wage cuts in the past year
<i>Approval rate in %</i>				
Implemented	9.52	1.83	4.46	2.15
Planned	x	x	9.02	2.13
Not planned	x	x	86.53	95.72

Source: OeNB, author's calculations.

Table 7

Wage Freezes and Wage Cuts Correlate Strongly with Decline in Sales

	Wage freezes planned and/or implemented	Wage cuts planned and/or implemented
Approval rate in %		
Sales increased	0.00	0.00
Sales remained unchanged	2.50	0.62
Sales declined slightly	11.06	1.91
Sales declined moderately	17.88	6.73
Sales declined sharply	21.97	8.11
Sales declined very sharply	27.14	6.35

Source: OeNB, author's calculations.

gotiated wage freezes, 9% were planning to do so. Wage cuts were even more rare. About 96% of the companies surveyed replied that they were not planning to cut wages, and only 2% said they had already reduced wages or were planning to do so.

The data available also contain information on the share of employees affected by such a reduction in real wages. While wage freezes tend to affect the entire staff, wage cuts are often limited to certain groups of employees. About half of the 2.15% of enterprises that had cut wages had done so for the majority of their staff (more than 80%), while the remaining half had reduced the wages of a smaller group of employees (between 5% and 60%).

Again it is possible to compare these results with those of the 2007 survey. In both surveys, about 2% of companies surveyed reported to have negotiated wage cuts (only those companies that responded to the relevant questions in both surveys are included in this comparison). In the 2007 survey, however, companies were asked about wage cuts they had implemented over the previous five years, while the 2009 survey referred to the past year only. This means that some 2% of the surveyed companies reduced wages between 2002 and 2006, and an equal amount did so in 2008–09. Interest-

ingly, not a single company that reported wage cuts between 2002 and 2006 said it had reduced wages in 2009, and vice versa.

A breakdown by the extent of crisis impact shows that real wages have been cut only if the company recorded a decline in sales. Table 7 shows that only few firms think about cutting or freezing wages when sales increase or remain unchanged, whereas some 27% and 6% of the companies affected strongly by the crisis consider wage freezes and wage cuts, respectively. As manufacturing has been affected most severely by the crisis, it is primarily enterprises belonging to this sector that report wage freezes and wage cuts.

Responding to an additional survey question, 10% of the companies surveyed said that they did not reduce base wages because they were at the collectively agreed minimum level. This shows that the labor market policy framework also contributes to preventing wage cuts (as discussed in section 3.1).

4 Conclusions

Companies are reluctant to cut base wages not only under normal circumstances but also – albeit to a lesser extent – in times of crisis. Although this analysis reveals that during the current economic crisis, more companies have

reduced base wages than in non-crisis times, this measure is an exception rather than the rule also under the present circumstances. While in the 2007 survey, some 2% of companies reported to have cut base wages over the previous five years, an equal proportion of companies said they had done so – within one year – during the current crisis. This confirms that the frequency of wage cuts increases during a crisis and at the same time indicates the existence of nominal wage rigidities in Austria.

Furthermore, the survey data show that only companies that have in fact recorded a decline in sales reduce wages. This is in line with Blinder and Choi (1990), who maintain that fairness plays a crucial role in a company's decision to cut wages; employees are more inclined to accept wage cuts if the existence of the company is at stake. Next to fairness and efficiency wage considerations as discussed in Bewley (1995, 1998, 1999) or Campbell and Kamlani (1997), labor market policy frameworks also appear to contribute to wage rigidities. According to Messina and Rõõm (2009), the relative importance of these rigidities increases in times of crisis. In the survey dis-

cussed in this article, some 10% of Austrian enterprises claim that they cannot reduce wages because they are at the collectively agreed minimum level. In these cases, collective bargaining agreements effectively prevent wage cuts.

In times of crisis, nominal wage rigidities are responsible for companies responding by changing labor input rather than prices. Accordingly, the results of the 2009 survey show that most firms reduce their costs by shortening working hours. A comparison with the results of a similar survey carried out in 2007 reveals a visible shift from cutting nonlabor costs to cutting labor costs. Here, enterprises pursue different approaches, depending on the degree to which they have been affected by the crisis. Enterprises that have been hit hard by the crisis tend to focus on reducing permanent staff, shortening working hours and cutting flexible wage components.

Moreover, the results of this study are in line with the credit channel theory. 16% of Austrian companies were faced with serious or very serious financing problems, with smaller firms feeling a larger impact than large companies.

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