



Six opportunities for Austria



With a new chancellor in office, the government now has a chance to finally put a few things straight. Agenda Austria has picked out six opportunities that any modernisation programme must take advantage of.

After the summer break the government will present proposals aimed at getting Austria in shape to meet the challenges of the future. Chancellor Kern and Vice-Chancellor Mitterlehner have already announced certain economic measures, but there was little substance to them.

True to its role as a think tank, Agenda Austria has outlined six proposals that any modernisation programme must include. We present details of these proposals and the measures behind them to the Austrian public and the government – free of charge, but hopefully not for nothing. What needs to be done to safeguard and enhance prosperity in Austria?

1. Cut labour costs: family allowance and housing subsidies should no longer be financed through payroll taxes. This would reduce labour costs by EUR 7 billion a year. Taxes to fund housing subsidies ought to be collected by the federal provinces, while family allowance should be paid for out of the budget, as is the case in most other countries. This

could be funded through savings in interest payments and slower increases in expenditure. After all, a substantial cut in labour costs leads to more employment and in turn to higher tax revenues.

2. Strengthen problem schools: schools with larger numbers of high-risk pupils should receive more money. The funds should be distributed as required. At the same time, enhancing schools' autonomy allows teachers working there to decide how the money should be spent. A rise in the number of pupils losing out owing to shortcomings in the education system cannot be tolerated. Performance-based employment legislation for teachers including an annual working time model and compulsory training and development is also essential.

3. Root-and-branch reform of the Business and Trade Code: the number of regulated trades would be limited to between ten and fifteen – there are no others that represent a danger to people, animals or the environment. All other trades would be unregulated. However, the tradespeople in question would be required to take out business liability insurance that would protect consumers against financial losses.

4. Increase incentives to work: unemployment benefit could be significantly higher to begin with, but would be reduced gradually after a few months. People would be able to claim unemployment benefit for a maximum of one year. As in Germany, the means-based minimum income benefit would be merged with unemployment relief and administered centrally. In terms of collective agreements, a centralised framework – based on the German model – would be worth considering, although this should also allow for flexible alteration of contracts in consultation with works councils.

5. Help refugees to learn German: Austria should follow Denmark's lead by determining within four weeks whether refugees are likely to be given asylum. Those with a good chance would then receive a weekly timetable of intensive language courses and work placements at companies. Refugees would receive an allowance equivalent to the federal aid grant paid to students (SelbsterhalterInnen-Stipendium). Refugees' performance would be assessed after six months – depending on the results, they would either be given equal status with Austrian residents or their allowance would be cut.

6. Shore up the pension system: the statutory pensionable age needs to be increased in line with rising life expectancy. And the social security system needs to be adapted to bring the pensions of federal and provincial civil servants into line with those of “ordinary” people far more quickly. Pensions are the main driver of costs in the Austrian budget. Solid state finances help to boost confidence in the country’s standing as a business location, as companies and citizens who invest need not constantly live in fear of the next tax hike. What’s more, investment is essential for the creation of new jobs.

It is also important to address big questions, such as whether the welfare state ought to be financed by means of a machinery tax in the digital age. But at Agenda Austria, we believe that the government also has an obligation to deal with current issues. Measures such as the six opportunities outlined above are already far too long overdue. There has been enough talking – now it is high time to start delivering.