

The Failed National Reform of the Austrian Minimum Income Scheme: Austerity, Work, Welfare Chauvinism, Interests, Federalism and Elections

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Content of presentation

- Puzzle, research question and methodology
- Theoretical considerations: the politics of Minimum Income Scheme-reforms (MIS)
- The Austrian MIS-reform: development & explaining factors
 - Agenda Setting (1995-2006)
 - Formation and Decision (2006-2010)
 - Implementation (2010-2015)
 - Re-negotiation (2015-2016)
- Preliminary Conclusions

Puzzle, research question and methodology

- Needs-oriented Minimum Security: Austria a 'deviant case'?!
 - Initial agenda: emphasis on poverty reduction, not workfare.
 - Long-reform trajectory with janus-faced agreement between Federal Republic and provinces in 2010
 - deterioration when compared to original plans,
 - but still with substantial expansion of client's rights.
 - Failed negotiations on extension/renewal of the agreement in 2016 and subsequent cuts at the provincial level.

Puzzle, research question and methodology

- What factors explain
 - the initial ‘poverty reduction’ proposal (contradicting international reform trends),
 - the mitigated – but still expansive – agreement on co-ordination of MIS schemes in 2010 (irrespective of rising demand and comparatively tight public budgets),
 - the turn towards explicit cutbacks and retrenchment as from 2015 (irrespective of austerity not dominating debates and reform proposals in other policy areas).
- ⇒ Process tracing: 10 years of reform debates and four years of negotiations, and six years of implementation and re-negotiations.
- ⇒ Contribution to the general understanding of ‘politics of MIS-reforms’

Theoretical considerations for minimum income reforms

- **Functionalism:** need and financial costs; the role of austerity
- **Ideas:** between 'poverty' and 'perversity'
- **Partisan Politics and Power Resources:** (note: MIS-recipients make up for a low share of electorate)
 - **Social democrats:** national regulation
(insider/outsider representation and credit claiming/blame avoidance)
 - **Conservatives:** male breadwinner and subsidiarity (charity)
 - **Liberal:** market and residual safety net
 - **Radical right:** only deserving (citizenship, age, ...)
 - **Party competition and opposition/government role**
 - **Neo-corporatism/organized interest groups:** trade unions: insider/outsider representation

Theoretical considerations for minimum income reforms

■ **Institutions:**

- federal system with veto points and veto players,
- path dependency versus innovation

■ **Individual agency:** policy entrepreneur (coalition magnet)

■ **Interaction** between factors

Major features of the Austrian setting

- **Rising need and *comparatively* mild** direct impact of the so-called **financial and economic crisis (2008-2010)**
- **Interests:**
 - **Strong right wing party (FPÖ, BZÖ)**
 - **Social democrats tied to trade unions**
 - **Strong conservative party (on federal and provincial level)**
- **Institutions:**
 - **Unemployment insurance:** Federal Republic; unemployment benefit; unemployment assistance (income test, no minimum).
 - **Social assistance:** nine provincial regulations, *de facto* local discretion in implementation, strict means-test, conditionality ('self-help').
 - **Financing:** 'Financial equalisation pact' between provinces and Federal Republic ⇒ cost and problem shifting.
 - **Treaty** between provinces and the Federal Republic, Art. 15a (2010)

Needs-Oriented Minimum Security: agenda setting

Phase	First initiatives	Contested political terrain
Period	1995-2000	2000-2006
Idea	Poverty	Poverty, perversity
Needs/Costs	Rising, cost containment	Rising, cost containment
Government	SPÖ/ÖVP: committee	ÖVP/FPÖ: shift to provinces, workfare
Opposition	Liberal Forum, Green Party	Liberal Forum & Green Party SPÖ: needs-oriented basic security
Provinces	cost containment/activation	Reform oriented; in opposition to governmental plan
Social partner	-	Without strong position
Civil Society	Strong alliance, proposal of basic income	Strong alliance
Entrepreneur	-	Erwin Buchinger (SPÖ)

green: pro progressive reform, red: against

Needs-Oriented Minimum Security: formation and decision making

Phase	Window of opportunity	Concessions and limited reform
Period	2006-2008	2008-2010
Idea	Poverty	Poverty, Perversity, activation
Needs/Costs	Rising	Rising, 'financial & economic crisis'
Government	SPÖ: core project ÖVP: acceptance	SPÖ: important, workfare/cost containm. ÖVP: workfare/cost-containment
Opposition	Green Party: support	Green Party: weaker support; no core project anymore. FPÖ: benefit fraud
Provinces	Cost-shift, against one-stop-shop (veto player)	Cost-shift, lowest common denominator
Social partner	Trade union: in favour	Trade union: little support, Employer's organization: 'work must pay off' ('wmpo')/adverse incentives
Civil Society	Strong support	Topic loses ground
Entrepreneur	Erwin Buchinger; Minister for Social Affairs	None (Rudolf Hundstorfer as Minister after snap elections)

Needs-Oriented Minimum Security: formation and decision making

Phase	Implementation	Re-negotiaton
Period	2010-2015	2015-2016
Idea	Poverty, Perversity, activation	(Poverty), Perversity, activation, welfare chauvinism
Needs/Costs	Rising	Rising, cost-containment
Government	SPÖ: in favour of 2010 agreement ÖVP: 'wmpo'	SPÖ: in favour of 2010 agreement ÖVP: 'wmpo' & welfare chauvinism
Opposition	FPÖ: 'benefit fraud' & welfare chauvinism Green Party: Criticizing weaknesses of 2010 agreement	FPÖ: welfare chauvinism Green Party: Defending 2010 agreement; no core project
Provinces	Implementing 2010 agreement; mixed signals	First reforms violating the 2010 agreement; 'wmpo', welfare chauvinism, no consensus on renewed agreement, "Red" Vienna opposed to cuts
Social partner	Trade unions: non-issue Employer organizations: wmpo	Trade unions: non-issue Employer organizations: non-issue (?)
Civil Society	Criticizing weaknesses of 2010 agreement	Defending 2010 agreement
Entrepreneur	None	None

Discussion

- Politics of MIS reform are complex, driven by a multitude of different factors.
- Functionalist approaches (i.e. focussing on demand, economic conditions, budgetary constraints, austerity etc.) fall short in explaining related developments.
- MIS-reform is an immanent political issue.
- Progressive MIS-reform is rather unlikely/difficult, because ‘structurally’ limited responsiveness of politics to needs/demands of MIS-recipients: rather small share of electorate; Social Democrats & trade unions: insider/outsider issues.
- Positions on favour of cuts/retrenchment get momentum when ‘arguments’ of ‘work must pay off’, cost containment etc. get combined with welfare chauvinism (‘reverse credit claiming’).

Discussion

But to be not too pessimistic... :

- Progressive MIS-reform is premised on/possible in case of:
 - Favourable framing = 'poverty' (in Austria: driven by civil society & some opposition parties)
 - Favourable institutional setting (in the Austrian case: credit-claiming of Social Democrats in opposition/changing to government, opportunity for cost-shifting for provinces).
 - Individual agency: policy entrepreneurs acting as coalition magnet.