

# Austrian grand coalition government intensifies austerity

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Almost three months after the general election, the grand coalition—headed by the Austrian Social Democratic Party (SPÖ) of Chancellor Werner Faymann and the conservative Austrian Peoples Party (ÖVP) of Vice-Chancellor and Finance Minister Michael Spindelegger—has agreed to intensify spending cuts and austerity measures. The coalition agreement’s primary goal is the achievement of a “zero structural deficit” by 2016. Faymann (SPÖ), who is continuing as chancellor, stressed the importance of this debt ceiling by pointing to “investors from around the world” who would “demand” a balance between the country’s economic power and the level of its debts.

“Thriftiness, restructuring and sometimes also the cutting of cherished habits were necessary in order to stay part of the leading group in Europe, seen financially,” Faymann declared.

Vice-Chancellor Spindelegger (ÖVP) demanded “hard measures that could be painful” to achieve a “zero deficit”.

Massive pension cuts are planned; the pension age will be raised from its current 58 to 60 by 2018, and early retirement will in future lead to a reduction in pensions. The cuts in pensions have long been planned by the SPÖ and its allied trade unions. In an internal party document summarising the new government agreement, information about the raising of the pension age is found under the headline, “The SPÖ has pushed this through”.

Following the motto, “a slim administration”, the government programme calls for attacks on public sector workers. The intention is to introduce a new pay structure, which in the end will mean lower wages. The government has taken a tough stance in the current contract negotiations, which saw 40,000 public sector workers demonstrating in Vienna before Christmas.

The government is offering a “pay rise” of just 1.6 percent, well below the inflation rate of 2.3 percent. Following two pay freezes, this is a provocation to the workforce.

To implement the planned attacks, the government has established a division of labour with the trade unions. The public sector union GÖD called for protests, which merely serve to let off steam, only then to agree to the new pay structure. GÖD leader Fritz Neugebauer criticised the government’s pay offer while simultaneously stressing that the union stood “for meaningful [pay] reforms”.

Neugebauer personifies the integration of the unions into the grand coalition’s austerity policies. He is a leading member of the ÖVP and was deputy parliamentary president in the last legislative period.

Further cuts are planned in science and research spending. The ministry of science will be dissolved and replaced by a new ministry for families. Science policy is in future to be more closely aligned with business interests.

The privatisations indicated in the coalition negotiations are not explicitly mentioned in the government programme but remain on the agenda. “When the time is right, we will talk about privatisation”, Spindelegger told the media.

The SPÖ and ÖVP are seeking to hide their right-wing programme behind a few social promises. For example, they refer in the government programme to a modest increase in support for families. However, this is subject to availability of funds. “The points merely indicate a direction”, Faymann said, while stressing that the measures depend on the financial situation.

Spindelegger leaves no doubt that it is the interests of the banks that enjoy top priority. He announced that he would soon meet with experts to agree on a plan to save

the Hypo Alpe Aria Bank (HAA).

There is a direct connection between austerity measures and the crisis of the HAA Bank. The bank, which was nationalised as an emergency in 2009, has received €3 billion in taxpayer funds. In September, the European Union (EU) Commission authorised the transfer of further billions to save the bank, which is sitting on a mountain of bad loans, primarily to eastern Europe.

The government recently hired consultants Oliver Wymann, who discovered that the cheapest option would be to declare bankruptcy, which is regarded as unlikely since the government and the central bank had already decided against it. The rating agency Moody's has also warned against bankruptcy, saying it could affect Austria's credit rating. Once again, the government is preparing to restructure the bank at the cost of the general population in order to satisfy the demands of the financial markets and speculators.

Five years ago, the Kärntner Landesbank was supported with state funds; the institute was sitting on liabilities of €18 billion. In contrast to other European countries where banks were also restructured, Austria converted a small portion of the bad debts into state loans. The €18 billion threatened to tip the level of state debt over the limit of 80 percent of GDP.

The collaboration of the SPÖ and ÖVP against the Austrian population has a long history. Both parties suffered a massive loss of votes in September's general election. The reason for this was the massive budget cuts, especially in social spending, pushed through under Chancellor Faymann, as well as tax hikes affecting mainly those on lower and medium incomes. Despite this, the coalition still has a 7 percent majority in parliament.

Behind the grand coalition's intensification of the austerity measures stands the EU and all the other parties of the ruling elite in Austria.

The formation of a new grand coalition government has been criticised in Austria and in Europe. Politicians and the media accused both parties of lacking a "desire for reforms" and warned of "political stalemate", meaning that the ÖVP and SPÖ might not implement the austerity measures being demanded aggressively enough. Immediately following the election, criticisms intensified when it became known the budget faced a massive deficit of up to €40 billion by 2018.

The far-right Austrian Freedom Party (FPÖ) criticises the government for lacking "all impulse for reforms" and that the announcements of the SPÖ and ÖVP are merely paying "lip service". The Greens are talking of a "stalemate agreement" and of government parties "lacking the courage for reforms". During and after the election campaign, the Greens have tried to offer themselves as coalition partners for the SPÖ and ÖVP, seeing their role as cracking the whip from the right for harsh social attacks.

Numerous media outlets, employers' associations and business institutions are now stepping up the pressure on the grand coalition. Speaking to the *Vienna Standard*, labour and social affairs expert Wolfgang Mazal said that according to the OECD, Austrians retire too early. He pleaded for an even higher retirement age, and above all that the "age of retirement for women be rapidly raised."

The policies of the SPÖ and ÖVP are playing into the hands of the far right. In new elections, the FPÖ would currently emerge in first place, with 25 percent of the vote. That was the finding in a poll conducted this week by the *Standard*. This would mean the grand coalition would no longer have a majority. The poll saw the SPÖ falling from 26.8 to 23 percent, and the conservatives from 24 to 21 percent.



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