

Recent Developments in the Work Programme of WIFO

Over the last six years public basic funding of WIFO research work has dramatically lagged behind wage cost developments. In fact, research support by the federal budget has remained constant in nominal values at the level of 1996. In order to balance its budget, the institute expanded the share of contract revenue, which is now at somewhere between 35 and 40 percent of total revenue, compared to around 10 to 15 percent only 10 years earlier. Research contracts have been signed mainly with national economic policy institutions both at the federal as well as the regional levels. This means that federal government ministries contracts more or less compensated for the diminishing preparedness to unconditional funding of WIFO's tasks. In addition, the share of international contracts - most of them with EU bodies - has risen sharply.

These developments have strongly influenced priorities, the way of delivering services and the methods used by WIFO. WIFO work has definitely become more „market-oriented“. However, research suggestions and calls for tender on the national level typically gave priority to questions of immediate short-term oriented policy concerns. This tendency has led to a gradual shift of capacities and attention away from thorough analysis of more complex long-term developments and strategies as well as methodological innovations.

The institute has requested Austrian policy makers to additionally support a number of longer-term strategic policy research programmes over the next several years. A certain relief from the budgetary developments and strains was achieved this year when the parliament voted for a substantial increase of funding for WIFO in the federal budgets for 2003 and 2004. A major research contract with the EU Commission in addition to national funding enabled us to pursue already well established experience with European competitiveness.

For the current and at least for the coming year a number of main research fields can be widened and deepened:

1. Long-term perspectives of public finances

Sustainability, risks, tax system, fiscal federalism, costs of administration. In a very short while we will dispose of with an international comparison of costs of administration in the fields of „General Public Administration“ and „Education“ between Germany (Verwaltungshochschule Speyer), the Netherlands (Ecorys), Switzerland (Idheap Lausanne) and Austria. The main focus of the work for the rest of 2003 and for 2004 will be on the interaction of growth strategies and public finances.

2. Population ageing

The perspectives and options of the public old-age pension system will be analysed simultaneously with perspectives of the health, education, labour market, taxes and capital market systems. Starting point, of course, is to contribute research improving the insight into the prospects of the pension system itself (major topics being conditions for an increased labour participation of women and of older workers). Beyond the proper pension system problems, we will attempt to stress that population ageing has to be seen in a comprehensive way as a macro-economic issue with specific socio-political mechanisms, i.e. the interaction of a number of strategic variables: fertility, participation decisions, incentives for women with children, life-long learning, immigration, tax incentives. The construction of a specific macro-model to simulate long-term assumptions began last year.

3. National innovation policy

Innovation efforts in Austria have been traditionally below expectations for a high-income and high-productivity country. Our focus is on institutional interfaces, innovation incentives, cooperative initiatives and the specific strategic considerations of international corporations as distinct from SMEs and start-ups.

4. European Competitiveness Report.

This research contract with the EU Commission is a cooperation of a group of institutes (i.a. ZEW Mannheim, CEPII Paris, Ecorys Rotterdam, CEMR Florence,

CE Cambridge, Logotech Athens) in which WIFO serves as lead partner. The programme of the 2003 report concentrates on ICT-linked firm reorganisation and productivity gains, on regional aspects of competitiveness and on the issue of enlargement and European competitiveness.

5. Consequences of EU enlargement

Our main areas of interest are

- on the macro-economic dynamics that could develop after extension of the internal market rules to accession countries (on the basis of given institutions for monetary and fiscal policy and the observations of the stance of EU Broad Economic Policy Guidelines),
- location decisions of multi-national corporations in the increased internal market with a specific focus on FDI for which we have assembled a unique data-base,
- problems of regional development in the near-frontier regions. The results are not only intended to serve as a background for Austrian policy considerations but also for other countries and regions with similar characteristics both in the incumbent and the new EU member countries. This programme can be seen as a continuation of research along the lines of the former „Preparity“ project, cofinanced by national authorities in Austria, Germany and Italy along with the EU Commission.

6. Micro-data analysis.

An infrastructural and methodological priority initiated last year with the establishment of a big micro-data base of labour force and enterprise data. The goal is to bring together micro-data from several resources (f.e. social security institutions, micro-census carried by Statistics Austria, enterprise panels) under a common and easy-access software. We are confident that this new tool will enable in-depth analysis of individual curricula grouped according to hypotheses, which could not be empirically analysed on the basis of macro-data and net flow data up to now.