

**Modernising and Improving  
Social Protection  
Report on Austria**

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## TABLE OF CONTENTS

INTRODUCTION .....	1
1. "TO MAKE WORK PAY AND TO PROVIDE SECURE INCOME" .....	2
1.1. Changes in the unemployment insurance scheme .....	2
1.1.1. Increase of incentive/disincentive premiums for employers within the unemployment insurance scheme .....	2
1.1.2. Introduction of an early warning system for the dismissal of older workers .....	2
1.1.3. Reduction of benefits and tightening of control mechanisms .....	2
1.2. Changes in disability benefits and invalidity pensions .....	5
1.2.1. Reductions in invalidity pensions .....	5
1.2.2. Taxation of disability benefits .....	5
1.3. Changes in early retirement pensions .....	6
1.3.1. Abolishment of early retirement pension due to reduced working capacity .....	6
1.3.2. Raise of statutory retirement age for early retirement .....	6
1.3.3. Higher deductions for retirement before the age of 60/65 .....	7
1.4. Changes in old age pensions .....	8
1.4.1. Abolishment of regulations for suspending statutory old age pensions .....	8
1.5. Changes in Family Benefits .....	8
2. "TO PROMOTE SOCIAL INCLUSION" .....	9
2.1. Changes in unemployment and social assistance .....	9
2.1.1. Abolishment of index adjustment of unemployment assistance .....	9
2.1.2. Changes in lump-sum regulations for advertising costs .....	9
2.1.3. Introduction of an obligatory work scheme for the long-term unemployed (planned) .....	9
3. "TO MAKE PENSIONS SAFE AND PENSION SYSTEM SUSTAINABLE" .....	10
3.1. Abolishment of early retirement due to reduced working capacity and the "Pension Reform 2000" .....	10

3.2.	<i>Higher pension insurance contributions for the self-employed</i> .....	10
3.3.	<i>New regulations for annual pension adjustment, equalisation and the “Commission for a Sustainable Pension System”</i> .....	11
3.4.	<i>Employee tax credit and private pension insurance schemes</i> .....	11
3.5.	<i>Reduction of pensioner tax credit</i> .....	11
3.6.	<i>Company pension fund system (planned)</i> .....	11
4.	<i>“TO ENSURE HIGH QUALITY AND SUSTAINABLE HEALTH CARE”</i> .....	12
4.1.	<i>Changes in the health insurance scheme</i> .....	12
4.1.1.	<i>Legislation with regard to benefit payments</i> .....	12
4.1.2.	<i>Structural reform of the social insurance scheme</i> .....	13
4.1.3.	<i>Changes in contribution regulations</i> .....	13
4.1.4.	<i>Dissolution of the Continued Pay Fund for blue-collar workers</i> .....	14
5.	<i>“TO PROMOTE EQUAL OPPORTUNITIES”</i> .....	14
5.1.	<i>Changes in the treatment of women relative to men</i> .....	14
5.1.1.	<i>Higher assessment basis for periods of child raising</i> .....	14
5.1.2.	<i>Reductions of survivors’ pensions and plans for a “pension splitting” system</i> .....	15
5.1.3.	<i>Restrictions of co-insurance without paying contributions</i> .....	15
5.2.	<i>Changes in the provision for child care and care for family members</i> .....	16
5.2.1.	<i>Raise of children’s supplement within the pension insurance scheme</i> .....	16
5.2.2.	<i>Extension of favourable voluntary pension insurance for care-givers</i> .....	17
5.3.	<i>Changes in social protection regarding atypical work</i> .....	17
5.4.	<i>Changes in parental leave schemes</i> .....	17
5.4.1.	<i>Flexibilisation of parental leave</i> .....	17
5.4.2.	<i>Replacement of parental leave benefit by “childcare benefit”(planned)</i> .....	17
	<b>REFERENCES</b> .....	19

## ***INTRODUCTION***

For Austria, the current reporting period has been largely influenced by the change of government in February 2000. This change in political powers has brought about extensive and, in particular, rapid changes in all areas of social protection. Overall, it can be said that measures were primarily introduced with a view to cutting social expenditure and not as much in order to modernise and improve social protection. Improvements have taken place only as far as family benefits are concerned; in this area, increased spending is planned from 2002 onwards.

By “increasing the effectiveness of the social welfare system”, the ÖVP/FPÖ government plans to cut expenditure for the period of 2000/2001 by ATS 5bn. This has mainly led to cutbacks in the amounts of benefits and more stringent entitlement criteria for benefits within the unemployment insurance scheme, for disability and invalidity benefits, early retirement and survivor pensions as well as health insurance benefits.

Plans for a gradual reduction of non-wage labour costs by ATS 15bn until 2003 primarily affect the unemployment and work accident insurance schemes, leading to reductions in the already low amounts of benefits in these areas. Despite the government’s “family-friendly” rhetoric, family-related supplements within the unemployment insurance scheme have suffered considerable cuts.

Although NAP (National Action Plan for Employment) 2000 puts special emphasis on measures to improve the reconciliation of work and family and supports the increase of female labour force participation, the measures taken or planned so far do not point into this direction: there are no plans to increase women’s entitlement to welfare benefits in their own right; existing measures to reconcile work and family are to be replaced by measures which make it easier for women to abandon the labour market while at the same time impeding re-entry. While NAP 2000 still mentions the necessary “extension of childcare facilities”, the minister in charge no longer seems to regard them as essential.

## **1. "TO MAKE WORK PAY AND TO PROVIDE SECURE INCOME"**

### **1.1. Changes in the unemployment insurance scheme**

#### **1.1.1. Increase of incentive/disincentive premiums for employers within the unemployment insurance scheme**

As a labour market policy measure flanking the "Pension Reform 2000",<sup>1</sup> the incentive/disincentive system for employers hiring older workers was further developed. As of October 1, 2000, employers have been exempt from paying unemployment insurance contributions for employees aged 50 and over (previously 55 and over).

Simultaneously, disincentive payments were raised for employers who terminate employment contracts of persons who have been with the company for at least 10 years. The basic amount of these disincentive payments was raised from 0.1% to 0.2% of the assessment basis. The gradual increase of this basic amount depending on the age of the dismissed person has remained unchanged, as has the maximum amount to be paid (3% of the assessment basis).

#### **1.1.2. Introduction of an early warning system for the dismissal of older workers**

Another labour market policy measure flanking the "Pension Reform 2000", a special early warning system was introduced for the dismissal of older workers. Under this scheme, employers are obliged to inform the Public Employment Service of dismissals of employees over the age of 50 who have been with the company for at least 6 months. In turn, the Public Employment Service is to take immediate steps to secure employment for this person in the same or a different company.

#### **1.1.3. Reduction of benefits and tightening of control mechanisms**

Legislation accompanying the Budget Law 2001 has brought about a series of changes, primarily with a view to cutting expenditure. These measures do not aim at making work pay or providing secure income. Quite on the contrary, they represent a change for the worse with regard to claimants' financial situation without improving the framework conditions for jobseekers and the unemployed.

##### **1.1.3.1. Introduction of a waiting period for those who hand in notice**

As of January 1, 2001, all employees who initiate termination of their employment contracts themselves are subject to a 4-week waiting period. Cases of "just cause",

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<sup>1</sup> See below.

which provided the opportunity for exceptions under the previous scheme, have been abolished.

This measure is expected to affect more than 150,000 employees a year. Women in particular are often forced to quit their jobs if they cannot reconcile them with their childcare and nursing responsibilities. Women involved in legal action under the Equal Opportunities Act (especially in cases of sexual harassment at work) also frequently give notice themselves. These rather obvious instances of “just cause“ no longer apply.

At around ATS 30m and ATS 50m, reductions in expenditure are minor.

#### *1.1.3.2. Reduction of family supplement*

As of January 1, 2001, family supplements for those who claim welfare benefits have been cut to ATS 400 per dependent family member. This is equivalent of a reduction of 40%. Partners' or spouses' incomes are no longer taken into account (previously, family supplements depended on the partner's or spouse's income if it exceeded ATS 14,000/month).

For the unemployed, long-term unemployed and recipients of parental leave benefits, family supplements are essential to secure their livelihood. In 1997, 27% of recipients of unemployment benefits, 40% of recipients of unemployment assistance, 47% of recipients of parental leave benefits and 100% of recipients of special unemployment assistance claimed family supplement. Under the previous scheme, family supplements added to the—even by international standards—low amounts of benefits provided by the unemployment insurance scheme<sup>2</sup> and thus considerably reduced poverty risk. Despite the fact that the expert team on the “effectiveness of the social welfare system”<sup>3</sup> also came to this conclusion, family supplements were cut, predominantly affecting low-income households with several children as well as lone parents.

Cutbacks in family supplements are expected to lower spending by ca. ATS 340m.

#### *1.1.3.3. Changes in the calculation of unemployment benefits*

As of January 1, 2001, the previous system for calculating unemployment benefit has been replaced by a general net replacement rate of 55% of the previous net income. For unemployment benefits below the amount of the equalisation supplement under the public pension scheme (2001: ATS 8,437), a net replacement rate of 60% was

<sup>2</sup> In 1999, 203 000 persons claimed unemployment benefits or unemployment assistance. In total, 63% of all benefits (50% of male recipients, 80% of female recipients) were below the guaranteed minimum income by equalisation supplement under the public pension scheme (ATS 8,122 in 1999). This affected ca. 50% of recipients of unemployment benefits (one in 3 men, 3 in 4 women) and ca. 75% of recipients of unemployment assistance (two thirds of the men, 9 in 10 women). One in 5 recipients of benefits (10% of men, 1 in 3 women) received less than ATS 6,000 per month (Cf. Wörister 2000).

<sup>3</sup> In summer 2000, the Austrian government appointed a team of experts to examine cases of overprovision and inadequate provision within Austria's social security system and to work out concrete recommendations. The findings of the expert team, who diagnosed inadequate provision in several areas and made recommendations for improvement, were largely disregarded.

introduced. Unemployed persons eligible for family supplement are to receive unemployment benefit of a maximum of 80% of previous net income.

This change in calculating unemployment benefits has particularly negative consequences for unemployed parents. The introduction of a maximum amount (a maximum net replacement rate of 80%) *de facto* amounts to a further reduction of family supplements. New regulations can lead to a reduction in these supplements to almost a third of the present amounts.

#### *1.1.3.4. Regular check-ups and sanctions*

As of January 1, 2001, the obligatory monthly interview with a Public Employment Service adviser has been replaced by an appointment per week.

Fines for unjustified claims of unemployment benefits and similar offences have been raised from presently ATS 500-15,000 to ATS 2,750-55,000.

Weekly check-ups put additional pressure on the unemployed without providing the framework conditions for fast placement or other Public Employment Service activities. According to Austria's Public Employment Office, an increase in check-ups would require 800 additional advisory staff, an increase that is, however not planned for.

#### *1.1.3.5. Abolishment of educational leave following parental leave*

As of January 1, 2001, educational leave cannot be claimed for the period immediately following parental leave and thus no educational leave benefits can be claimed.

The abolishment of educational leave almost exclusively affects women. In June 2000, more than 3,000 of the 3,400 claimants of educational leave benefits were women.

The measure was implemented despite the fact that the NAP 2000 still talks about the creation of "special education and training programmes for women on educational leave (especially when this follows on maternity leave)" (Bundesministerium für Wirtschaft und Arbeit 2000).

Rather than reacting to the justified criticism of previous measures – the labour market relevance of many training and further education programmes following parental leave is doubtful – this basically meaningful measure has been scrapped completely. In view of the fact that many women lose their qualifications during career breaks, programmes assisting women to receive the qualifications for a successful re-entry into the labour market are badly needed.

#### *1.1.3.6. Extension of qualifying period*

As of January 1, 2001, the minimum insurance period to requalify people who have already received unemployment benefits or parental leave benefits has been extended from 26 to 28 weeks.

This measure predominantly affects those employed in the construction and tourism industries as well as persons with temporary employment contracts.

Women frequently do not qualify for unemployment assistance as their partner's or spouse's income is taken into account. For them the extension of the qualifying period to reclaim unemployment benefits has particularly negative consequences. In addition, women more frequently have short-term employment contracts, making it harder for them to qualify.

## **1.2. *Changes in disability benefits and invalidity pensions***

### **1.2.1. *Reductions in invalidity pensions***

The "Pension Reform 2000" did away with the favourable calculation method previously applied to invalidity pensions. From 2001 onwards, increase points will be reduced to 1.78% in 2001, 1.78% in 2002 and 1.74% in 2003 (previously 1.8%). As of 2005, invalidity pensions are to be subject to the same calculation method as all other pensions and thus will suffer reductions.

In 1999, median first-time invalidity pension including supplements amounted to ATS 13,042 for men and ATS 7,837 for women. For blue-collar workers it was ATS 11,940 for men and a mere ATS 6,999 for women (Wörister 2000). Consequently, invalidity pensions for women were clearly below minimum income (equalisation supplement 1999: ATS 8,112).

### **1.2.2. *Taxation of disability benefits***

As of January 1, 2001, disability benefits are subject to taxation (legislation flanking the Budget Law 2001). Only a fraction of those affected by these changes qualify for equalisation measures to make up for financial losses caused by these changes. For claimants whose ability to work is reduced by at least 70%, pre-tax pensions are increased by 30%.

This measure for severely disabled persons was only introduced after fierce criticism on the part of employees' representatives and affects around 1000 persons.

On average, taxation equals a reduction of disability pensions by about a third. The measure affects around 110,000 claimants, among them numerous low-income blue-collar workers who qualify for disability pension due to accidents at work. In addition, more than 60% of those claiming disability pensions are already retired, with an average monthly pre-tax income of no more than ATS 14,000. In April 2000, disability benefits payable to claimants in their own right averaged at ATS 3,334 (Hauptverband der Österreichischen Sozialversicherungsträger, April 2000)

In view of the income situation of the majority of claimants of disability benefits, the government's claim that taxation of disability benefits serves the reduction of overprovision is untenable.

Expected tax revenues, however, amount to ATS 2bn, as opposed to total expenditure on disability pensions of ATS 6bn.

Additionally, the ÖVP/FPÖ government is planning to reduce employers' contributions to Austria's work accident insurance scheme by 0.2%, equalling a cutback in revenue of ATS 1,7bn.

### **1.3. *Changes in early retirement pensions***

#### **1.3.1. *Abolishment of early retirement pension due to reduced working capacity***

Following a ruling of the European Court,<sup>4</sup> early retirement pension due to reduced working capacity was retroactively abolished from May 23, 2000. A measure introduced at the same time to some degree protects those claiming invalidity benefit from having to change careers: employees aged 57 and over who due to ill health cannot continue to work in their present jobs but have worked in this field for more than 10 years within the past 15 years, are considered invalid. A reasonable change of occupation, however, can be expected.

Early retirement due to reduced working capacity was particularly important for unskilled workers<sup>5</sup> as for them access to invalidity pension is very difficult. The abolishment of this form of early retirement affects ca. 14,000 persons a year, most of them men. Whether the slight relaxation of the access to invalidity pension will suffice to fill the resulting gap of protection is highly questionable. In Austria, it is far from easy to qualify for invalidity pension. In 1999, 6 in 10 applications for invalidity pension were rejected (Wörister 2000). Even according to optimistic government estimates, only about half of those 14,000 affected are expected to be able to switch over to invalidity pension. It is to be reckoned that between 5,000 and 9,000 persons a year will be forced into unemployment. Thus, reductions in expenditure in the area of pension insurance will lead to additional spending within the unemployment insurance scheme (Bundeskammer für Arbeiter und Angestellte, June 2000).

#### **1.3.2. *Raise of statutory retirement age for early retirement***

In the course of the „Pension Reform 2000“, statutory retirement age for early retirement due to long contributory service or unemployment as well as for partial pension was raised by 18 months to 56,5 years for women and 61,5 years for men. The gradual implementation of this measure began on October 1, 2000, raising retirement

<sup>4</sup> According to the ruling, different retirement ages for men and women are not in accordance with European Law.

<sup>5</sup> In 1999, 56% of first-time pensioners were blue-collar workers (Cf. Wörister 2000).

age by two months each quarter. Thus, the new statutory retirement ages will be fully in force by October 2002.<sup>6</sup>

### 1.3.3. *Higher deductions for retirement before the age of 60/65*

In addition to the raise of statutory retirement age, deductions for retirement before statutory retirement age are gradually being raised from 2% to 3% for each year the pensioner falls short of the statutory retirement age (women 60, men 65).<sup>7</sup> However, only a maximum of 15% of the pension, or 10 increase points, can be deducted.

In future, persons who opt for retirement after the age of 60 (women) or 65 (men) are to be granted a bonus of 4% per year they start retirement later. Up to now, this bonus was between 2% and 5%, depending on the age of the claimant. This bonus system allows for a maximum pension of 90% of the assessment basis.

Both the raise of statutory retirement age and the considerable increase of deductions for early retirement further aggravate the position of older workers, who suffer from unemployment and ill health more often than the average. In 1999, almost 50% of older workers starting retirement were either unemployed (34%) or on sick leave (12%) (Cf. Wörister 2000). What is more, both measures were introduced without transition periods. On the one hand, this means that those affected were not given the chance to adapt their employment patterns to the new situation. On the other hand, employees' representatives regard the measure as "a severe breach of trust" and an "attack on acquired rights" (Bundeskammer für Arbeiter und Angestellte, July 2000).

In future, older workers will be forced to claim unemployment and health insurance benefits for longer. The financial problem has thus been merely shifted to the unemployment insurance and health insurance schemes. The Chamber of Labour expects an additional 52,000 unemployed and 8,000 additional recipients of sickness benefits for the years from 2001-2003 (Bundeskammer für Arbeiter und Angestellte, July 2000).

For women, the raise of statutory retirement age means increased financial dependence. As the partner's or spouse's income is taken into account for the calculation of unemployment assistance, unemployed women receive little or no unemployment

<sup>6</sup> Exceptions only apply to persons born before October 1, 1950 (women) and October 1, 1945 (men). These persons are still entitled to retire at the ages of 55 and 60 if they have accumulated 40 (women) or 45 (men) years of contributions.

<sup>7</sup> As already reported last year with the „Pension Reform 1997“ a new calculation method for old age pensions relating to the increase points was introduced: two increase points are earned per year of insurance; two increase points are deducted for each year the pensioner is short of the statutory retirement age. This new calculation method came into effect only on January 1, 2000.

assistance at all. That means that in future unemployed older women will be even more dependent on their husbands or partners.<sup>8</sup>

The introduction of a deduction system has particularly negative effects on women, who receive rather low old-age pensions to start with. In 1999, median first-time old age pension for women was ATS 10,081, amounting to just under 48% of that for men (ATS 21,138). Even before the reform, early retirement pensions due to unemployment frequently were below guaranteed minimum income.<sup>9</sup>

Granting bonuses for later retirement does not seem a realistic scheme. Only very few employees are in the position to continue working beyond statutory retirement age. In 1999, this affected 8% of men and 13% of women. Women frequently work beyond retirement age in order to accumulate the periods of insurance necessary to claim old-age pension.

## **1.4. *Changes in old age pensions***

### **1.4.1. *Abolishment of regulations for suspending statutory old age pensions***

As of October 1, 2000, regulations for suspending statutory old age pensions (women from the age of 60, men from age 65) have been abolished. Up to that point, under certain conditions regular old age pensions were cut to 85%.

According to the government, the measure is to create an incentive for people to continue employed work. Whether this is realistic in view of the problematic labour market situation for older workers<sup>10</sup> remains to be seen.

## **1.5. *Changes in Family Benefits***

The changes in the area of family benefits have already been dealt with in detail in last year's report: family allowance was raised in two stages (1999 and 2000) and graduated on the basis of the number of children; a means-tested multiple-child bonus was introduced in 2000; tax credits for children were raised in 1999 and standardised at ATS 700 per child and month in 2000.

<sup>8</sup> Temporary measures (July 2000 until the end of 2002) were introduced for certain age groups (women born in 1945, 1946, 1947) both extending the period of entitlement to unemployment benefit (to 78 weeks) and taking periods of unemployment without receiving unemployment assistance into account for pension insurance. These measures do not, however, solve the basic problem.

<sup>9</sup> As no gender-specific data on the amounts of early retirement pensions are available after 1994, the data used here are from 1994: In December 1994, average early retirement pension due to unemployment for women (including supplements) amounted to ATS 7,367 (Cf. Bundeskammer für Arbeiter und angestellte, 1995: 367).

<sup>10</sup> See above.

Although, Austria spent already about 11% of total social expenditure on family-related benefits (3,3% of GDP) and the level of family benefits was already among EU's top contenders, family-related benefits have been enhanced additionally by these measures.

## **2. "TO PROMOTE SOCIAL INCLUSION"**

### **2.1. Changes in unemployment and social assistance**

#### **2.1.1. Abolishment of index adjustment of unemployment assistance**

As of January 1, 2001, unemployment assistance for the long-term unemployed is no longer automatically index-linked.

This measure results in a reduction of benefits for the long-term unemployed, despite the fact that in 1999 average benefits for long-term unemployed did not exceed ATS 6,360 for women and ATS 8,190 for men.

#### **2.1.2. Changes in lump-sum regulations for advertising costs**

As of January 1, 2001, the lump sum for advertising costs previously taken into account for the calculation of unemployment assistance has been reduced from ATS 533 to ATS 150.

As a consequence, unemployment assistance for claimants whose partner or spouse is engaged in paid work is subject to a cut of ATS 383 a month. This is due to the fact the amount set aside for advertising costs directly reduces the amount of the partner's or spouse's income which is taken into account for the calculation of unemployment assistance. Around 40,000 to 50,000 claimants of unemployment assistance are affected, predominantly women. If a claimant now fails to qualify for unemployment assistance altogether, he/she is neither covered by health insurance nor are these periods credited for pension insurance.

#### **2.1.3. Introduction of an obligatory work scheme for the long-term unemployed (planned)**

According to the ÖVP/FPÖ government programme, Austria's long-term unemployed (claimants of unemployment assistance and social assistance) are to accept jobs in "community service". In return, they are to receive a premium (the so-called "citizen money") in addition to the cash benefit to the amount of 20%. This supplement is to be

paid for by those public bodies and institutions that benefit from the “community work”.<sup>11</sup>

These work obligations and the so-called “citizens money“ would increase wage pressures in the social and public health sectors. The planned scheme not only undermines the necessary creation of paid jobs in these areas<sup>12</sup> but also raises questions regarding qualification/training and quality control (e.g. in the healthcare and nursing sector). In addition, the calculation of the supplement in percent discriminates against women, who in general receive lower cash benefits and would thus receive less “citizen’s money” for the same kind of work.

### **3. “TO MAKE PENSIONS SAFE AND PENSION SYSTEM SUSTAINABLE”**

#### **3.1. *Abolishment of early retirement due to reduced working capacity and the “Pension Reform 2000”***

The changes in Austria’s pension insurance scheme brought about by the “Pension Reform 2000” (abolishment of early retirement due to reduced working capacity, reductions of invalidity benefits, raise of statutory retirement age for early retirement, increase of deductions for retirement before the age of 60/65, reductions of survivor pensions) are primarily aimed at cutting social expenditure and were introduced with a view to “making the pension system sustainable”. The negative effects of these measures on the social protection of those affected as well as on the individual right of women to welfare benefits have already been dealt with in detail above.

#### **3.2. *Higher pension insurance contributions for the self-employed***

For those running a business, contributions to the pension insurance scheme were raised from 14.5% to 15%, starting from January 1, 2000. In addition, the minimum contribution basis was lowered by ATS 500 to ATS 13,789 a month.

Contributions to the pension insurance scheme for farmers were raised from 14% to 14.5% while the minimum contribution basis was raised from ATS 50,000 to ATS 55,000.

<sup>11</sup> The NAP 2000 also includes plans for the development and implementation of the “Integra” Programme, focussing on “community work as a means to facilitate labour-market re-entry of the long-term unemployed” (Bundesministerium für Wirtschaft und Arbeit 2000).

<sup>12</sup> The NAP 1999 (GL 12) still advocates the creation of full-time jobs, which are fully secured under labour and social laws, in the cultural, healthcare and social care sectors (Bundesministerium für Wirtschaft und Arbeit 2000).

### ***3.3. New regulations for annual pension adjustment, equalisation and the "Commission for a Sustainable Pension System"***

Annual pension adjustment will continue to use the net adjustment model, however without any leeway. Should the calculated adjustment factor fall below inflation rate, equalisation in the form of a one-time payment can be granted.

In future, the adjustment factor will no longer be calculated by the Pension Adjustment Supervisory Board but by a "Commission for a Sustainable Pension System". The commission will be comprised of members of the parliamentary parties, representatives of the social partners and pensioners' representatives. In 2002, the commission is to submit a report on the long-term development of Austria's public pension insurance scheme.

The adjustment factor for the year 2000 was 1.006. For "equalisation" reasons, gross pensions were raised in real terms by 0.6% and 2.5% or by between ATS 15 and ATS 200.

### ***3.4. Employee tax credit and private pension insurance schemes***

As of January 1, 2001, employee tax credit, or negative income tax, has been reduced from ATS 1,500 to ATS 750. A tax credit of ATS 1,500 is now only granted to those who contribute at least ATS 1,000/month to a private pension insurance scheme.

This measure also affects those 500,000 people (among them 300,000 women) whose gross income does not exceed ATS 12,700 a month. For them, the reform is equivalent of a 50% cut in tax credit as incomes of that size do not allow for private pension insurance.

### ***3.5. Reduction of pensioner tax credit***

As of January 1, 2001, pensioner tax credit of presently ATS 5,500 for gross pensions of ATS 20,000 and above has been subject to linear reductions depending on income. No tax credit at all is granted for pensions above ATS 27,000.

### ***3.6. Company pension fund system (planned)***

According to the ÖVP/FPÖ government programme, the present severance pay system is to be replaced by a "company pension fund system". Under this scheme, employers are so start paying contributions for employees after the first year of employment. Contributions are to be paid for a maximum of 25 years or until the employee has reached the age of 45. This measure is to reduce non-wage labour costs, in particular for older workers.

What makes the planned company pension fund system problematic is the fact that employment contracts of less than a year are not taken into account. Flexible employees and employees with temporary contracts are thus put at a disadvantage. The planned scheme also discriminates against women: women who only work part-time or opt for career breaks while they are young in order to look after their children can only accumulate marginal entitlements. Losses thus accumulated can only be made up for (by earning a higher income) until the age of 45.

## **4. "TO ENSURE HIGH QUALITY AND SUSTAINABLE HEALTH CARE"**

### **4.1. *Changes in the health insurance scheme***

#### **4.1.1. *Legislation with regard to benefit payments***

##### **4.1.1.1. *Increase of prescription charges and co-payment rates***

On October 1, 2000, prescription charges were raised from ATS 45 to ATS 55, only to be raised again to ATS 56 from January 1, 2001. At the same time, the daily co-payment rate for hospital stays was raised from ATS 70 to ATS 100.

##### **4.1.1.2. *Introduction of out-patient charges***

As of January 1, 2001, patients who use the out-patient service of hospitals are to pay out-patient charges of between ATS 150 and ATS 250, up to a maximum of ATS 1000 per year. There is no out-patient charge in cases of medical emergencies (danger of life), if a patient is exempt from prescription charges or if the out-patient service is used by pregnant women.

The introduction of an out-patient charge is to encourage patients to use doctors' services instead of the more costly out-patient service offered by hospitals. In addition, it is expected to generate additional revenue of ATS 1bn.

Children in particular frequently require medical service. For low-income families (and especially lone parents), higher medical costs represent an additional financial burden. According to the micro-census of June 1999, the net income of 25% of lone parents did not exceed ATS 14,300.

##### **4.1.1.3. *Reduction of supplementary benefits***

The Federation of Austrian Social Security Institutions is to introduce general obligatory standards for supplementary benefits exceeding minimum provision (e.g. sick leave

benefits, benefits for therapeutic appliances). In this respect, the financial capacity of the health insurance scheme is to be given particular consideration. Individual health insurance funds are obliged to adhere to these standards when allocating benefits. Insurees' requirements can only be taken into account within this framework.

#### **4.1.2. Structural reform of the social insurance scheme**

##### *4.1.2.1. Target agreement, controlling, monitoring and reporting*

As of October 1, 2000, the Federation of Austrian Social Security Institutions is obliged to work out target agreements for the "coordination of administrative actions of social security institutions", which have to be endorsed by the Minister for Social Affairs. A "controlling group" established by the Federation and comprised of 9 members (including 5 government representatives) is to monitor the implementation of these agreements (monitoring). An additional "special management" team of two qualified senior Federation managers will be directly responsible to the controlling group. The Federation is to submit quarterly financial reports and cost/performance reports every six months to the Minister of Social Affairs (reporting).

These measures allow for far-reaching political intervention in the autonomy of social security institutions.

##### *4.1.2.2. Equalisation fund of health insurance institutions*

As of 2001, the social security scheme for farmers has been integrated into the equalisation fund of health insurance institutions. Contributions have been raised to 2% of revenue. Proceeds from out-patient charges also go to the fund.

#### **4.1.3. Changes in contribution regulations**

##### *4.1.3.1. Reduction of employers' contributions to the health insurance scheme*

The "Labour Law Amendment Act 2000" reduced employers' contributions to the health insurance scheme for blue-collar workers by 0.3%. Reductions were introduced despite the precarious financial situation of the health insurance scheme and are expected to lead to a loss in revenue of ca. ATS 900m a year.

##### *4.1.3.2. Changes for the self-employed*

For those running a business, health insurance contributions were reduced from 8.6% to 8.4% from January 1, 2001.

In the agricultural sector, health insurance contributions were raised from 3.75% to 4.25% while charges for health fund vouchers ("Krankenscheine") went up from ATS 50 to ATS 90. In addition, health insurance contributions for pensioners were raised by

an additional 0.5%. The assessment basis for contributions payable for sons and daughters working full-time on their parents' farms was lowered to the marginal earnings threshold set by the Social Security Act for Wage and Salary Earners.

#### **4.1.4. *Dissolution of the Continued Pay Fund for blue-collar workers***

As of September 30, 2000, the Continued Pay Fund for blue-collar workers has been abolished. The measure was implemented despite the fact that the adaptation of continued wage payment for blue-collar workers to the regulations for white-collar workers would have required a raise in contributions.<sup>13</sup> Under the previous scheme, employers paid monthly contributions into the fund, which, in turn, covered a major part of sickness benefits payable to blue-collar workers. The financial risk was thus evenly distributed among all employers, minimising the risk for SMEs.

It has to be feared that in future employers will increasingly resort to dismissing persons who are frequently on sick leave. Job security, in particular for older, less-qualified workers, is at risk.

Similarly, paid nursing leave (2 weeks for blue-collar workers) will be harder to obtain in future as these benefits too were covered by the Continued Pay Fund for blue-collar workers.

## **5. *"TO PROMOTE EQUAL OPPORTUNITIES"***

### **5.1. *Changes in the treatment of women relative to men***

#### **5.1.1. *Higher assessment basis for periods of child raising***

As already reported last year, the "Pension Reform 1997" not only introduced a new calculation method and deduction system for early retirement but at the same time significantly raised the assessment basis for periods of child raising from ATS 6,685 to ATS 8,312, considerably increasing the "supplement" to pensions for periods of raising children.

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<sup>13</sup> As of January 1, 2001, regulations for continued wage payment for blue-collar workers has been partly adapted to the regulations for white-collar workers, i.e. abolishment of 14-day waiting period for blue-collar workers on sick leave, extension of the maximum duration of continued pay to 6 weeks (at 100%) and an additional 4 weeks (at 50%). To finance these provisions, considerable cutbacks were decided on: (1) employees are entitled to paid leave only in relation to the period of employment in any given active year (loss of benefits for employees: ATS 4,3bn). (2) If employees terminate employment contracts voluntarily, they are no longer entitled to a day off for seeking a new job. This measure primarily affects people employed in temporary or frequently changing jobs.

In view of government plans, however, to replace parental leave benefits by a “childcare benefit” of ATS 6000, a future reduction of the assessment basis for periods of raising children to ATS 6000 is to be feared.

### *5.1.2. Reductions of survivors' pensions and plans for a “pension splitting” system*

As of October, 2000, newly granted survivors' pensions amount to between 0% and 60% of the deceased spouse's pension<sup>14</sup> (between 40% and 60% under the previous scheme). At the same time, the ceiling for non-reduction of survivors' pensions – i.e. amounts to up to 60% - was raised from ATS 17,000 to ATS 20.000 a month.

In addition, a ceiling was introduced for persons claiming both pension in their own right and survivors pension. The threshold here is ATS 86.400.

The ÖVP/FPÖ government programme also includes plans for a “pension splitting” system, which grants part of the spouse's pension to divorced women who due to extended periods of childcare and family work have only accumulated marginal pension entitlements in their own right.

Cutbacks in survivors' pensions were implemented with a view to reducing expenditure. Apart from widowers, the measures predominantly affect women entitled to a relatively high pension in their own right as well as women who are still working. The further development of an old-age pension system for women in their own right (independently of marriage) is not an issue. Plans to split the spouse's pension in case of divorce does not constitute entitlement to pension independently of marriage and does not help to alleviate the situation of lone parents.

### *5.1.3. Restrictions of co-insurance without paying contributions*

In past years, changes regarding contribution-free co-insurance have been a frequent topic of discussion on all parts of the political spectrum. Measures flanking the Budget Law 2001 have now restricted access to co-insurance, without, however, further developing individual right to welfare benefits.

As of January 1, 2001, insurance contributions have to be paid for spouses and partners. Exemptions only applies if:

- a child lives in the same household or has lived there for a minimum of 4 years
- if the spouse/partner claims long-term care benefit (category 4 upwards)
- the spouse/partner provides long-term care to the insuree, who claims long-term care benefit (category 4 upwards)
- the insuree's monthly net income does not exceed the equalisation supplement reference rate for couples (2001: ATS 12,037).

<sup>14</sup> Survivor pension amounts to 60% in cases where the survivor receives no other benefit. In all other cases, the percentage depends on the income gap between spouses during their active working lives.

Contributions amount to 3.4% of the insuree's contribution basis and are payable to the respective health insurance institutions. Marginally employed spouses or partners may opt for voluntary self-insurance within the health and pension insurance system. For 2001, contributions for the marginally employed amount to ATS 575 a month.

The measure affects about 100,000 persons, almost exclusively women, half of whom are either older than 50 or have a partner who is retired. These women have no claim to insurance in their own right but are still considered "co-insured".

Importantly, the new regulations differentiate between childless women without health insurance and women with children, who are considered worthy of protection. Women who have born children but have not been able to care for them for at least four years (e.g. death of the child) lose their claim to contribution-free health insurance.

Neither are there transition periods for older people, who due to their advanced age cannot qualify for health insurance in their own right by seeking employed work. Obligatory contributions are also to be paid for immigrant women who are excluded from the labour market.

Obligatory insurance contributions constitute a particular problem for unemployed men and women who are not entitled to unemployment assistance – and thus health insurance – because their spouses' or partner's income is taken into account. In 1999, this affected more than 11,000 persons, 88% of which were women. Rather than solving the problems surrounding unemployment assistance,<sup>15</sup> the introduction of obligatory contributions increases these persons' dependence on their partners.

Exemption from obligatory contribution for caregivers is only granted if the person attended to is the insured spouse or partner. If other relatives are in need of care, contributions will now have to be paid.

## **5.2. *Changes in the provision for child care and care for family members***

### **5.2.1. *Raise of children's supplement within the pension insurance scheme***

In order to standardise children's supplement for pensioners and family supplements within the unemployment insurance scheme, the children's supplement provided by the pension insurance scheme has been raised by ATS 100 to ATS 400.

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<sup>15</sup> Women are not only financially dependent on their partners or spouses during these periods but also lose valuable insurance periods for pension insurance. This aspect has long been criticised by women.

### **5.2.2. *Extension of favourable voluntary pension insurance for care-givers***

As of January 1, 2001, favourable voluntary pension insurance to care-givers is extended to family members attending to relatives entitled to claim long-time care benefit from category 4 upwards.

### **5.3. *Changes in social protection regarding atypical work***

Despite continuing demands for more flexible employment contracts, many of the social protection measures recently introduced put those at a disadvantage who are engaged in atypical work. The negative effects these measures (introduction of a waiting period for giving notice; extension of qualifying period to reclaim unemployment benefits, abolishment of a day off to seek a new job) and the introduction of a company pension fund system have for persons engaged in temporary or frequently changing employment have already dealt with in more detail above.

### **5.4. *Changes in parental leave schemes***

#### **5.4.1. *Flexibilisation of parental leave***

As already reported last year, the Austrian government decided to change parental leave law according to the Council Directive on parental leave (96/34/EEC of 3 June 1996). For parents of children born after 31.12.1999, the 24 months of paid parental leave can be claimed until the child's 7th birthday, fathers have an individual right to parental leave, altogether regulations are more flexible (e.g. more flexible deadlines for applying parental leave).

#### **5.4.2. *Replacement of parental leave benefit by "childcare benefit"(planned)***

According to government plans,<sup>16</sup> the present parental leave benefit is to be replaced by a so-called "childcare benefit" from January 2002. This childcare benefit is to be paid regardless of previous paid employment and will be paid to all mothers (and fathers) who devote themselves entirely to the care of young children (in correspondence with entitlement criteria for family benefits). The plans explicitly state that this childcare benefit is no social insurance benefit but a universal family benefit, to be paid entirely through the family fund. Childcare benefit is to be claimed for a total of 36 month (first parent 24 months, second parent 12 months)

Until its abolishment in 2002, parental leave benefits have been frozen (at ATS 5.598). From 2002, childcare benefits will amount to ATS 6,000 a month, plus a pension insurance contribution of ATS 250 for the first 1.5 years.

<sup>16</sup> Cf. ÖVP/FPÖ Government Programme.

The abolishment of parental leave benefit as a social insurance benefit and its replacement by a childcare benefit as a family benefit means that parents in gainful employment will no longer receive compensation for lost income.

Government plans do not address the issue of health insurance coverage of claimants of childcare benefits and their children. As the benefit is to be a family benefit, it seems probable that the problem will be solved by means of “co-insurance“. Again, the discrimination of lone parents is a forgone conclusion.

Qualification requirements analogous to family benefits<sup>17</sup> considerably discriminate against immigrant workers. If for instance the woman is on parental leave and the husband loses his job, the family not only does not qualify for family benefit but also loses its right to childcare benefit.

Childcare benefit does not contribute to improved conditions for the reconciliation of work and family but encourages women to abandon the labour market for extended periods. The measures towards better reconciliation of work and family mentioned in the ÖVP/FPÖ government programme are rather non-committal. Neither does the programme include budgetary measures to facilitate women’s re-entry into the labour market or concrete proposals to develop childcare facilities. Without accompanying labour law provisions and labour market policy measures, the introduction of a childcare benefit enhances the risk for women with children to be permanently pushed out of the labour market.

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<sup>17</sup> According to family supplement regulations, claimants have to be Austrian residents with the child living in the claimant’s household. Persons who are not Austrian citizens only qualify for the benefit if they have been living in Austria continuously for at least 5 years or for periods in which they receive a wage and salaries income.

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