

**Republic of Austria**

**Report on the  
Austrian Pension Strategy  
2002**

## **Preface:**

At its summit meeting in Göteborg in June 2001, the European Council called for joint work between the Social Protection Committee and the Economic Policy Committee to prepare a report on the objectives and working methods of the pension system. This report was drafted by the two committees and adopted by the Laeken European Council on 14 and 15 December 2001. The purpose of the report was to prepare the Spring 2002 European Council of Barcelona. There the heads of state and government decided that all 15 EU Member States should submit a report on national strategies to ensure safe and sustainable pensions and an adequate quality of benefits in the future. The European Commission and the Council will jointly prepare a summary report to be submitted to the Spring 2003 European Council.

This procedure forms part of the so-called “open method of coordination”, in which all Member States maintain their national sovereignty but contribute at the same time to a further integration of political processes at the European level by an intensive exchange of experience, the search for best practices and assessing the achievements made by the individual Member States.

The Austrian federal government is firmly committed to the process of the open method of coordination on pensions. It prepared its national strategy report by involving all relevant social policy players to describe the Austrian strategy for reforming the pension system as comprehensively and accurately as possible. On 13 March 2002 a seminar on pensions was held together with representatives of the European Commission, in which the project of the open method of coordination was presented. Subsequently, the players were invited to submit written statements on the questions raised. A number of institutions, among them also the major legal interest representations of workers, employers as well as of the elderly, took advantage of this opportunity to present their point of view. Contributions of relevance for the strategy pursued by the Austrian federal government and/or suited to illustrate it were taken into account in drawing up the first draft of the report. This draft report was then submitted to all relevant political forces, which were invited to provide their feedback. It was revised on the basis of the comments received.

First of all, a specificity of the Austrian system has to be highlighted that is of crucial importance for understanding the Austrian pension strategy: Austria is the Member State, in which the first pillar pension scheme has the greatest significance. Many insured receive benefits exclusively under the first pillar. Occupational and private pension schemes are still of minor importance. In view of this situation, it is therefore hardly surprising that in Austria the pension expenditure (before taxes and social security contributions) - as a share of GDP - is currently among the highest in the EU.

**Trend of expenditure for public pensions systems**  
**as a percentage of the gross domestic product (before taxes and social security contributions)**

	2000	2010	2020	2030	2040	2050	Change 2000 – 2050
B	10.0	9.9	11.4	13.3	13.7	13.3	3.3
DK	10.5	12.5	13.8	14.5	14.0	13.3	2.8
D	11.8	11.2	12.6	15.5	16.6	16.9	5.1
EL	12.6	12.6	15.4	19.6	23.8	24.8	12.2
E	9.4	8.9	9.9	12.6	16.0	17.3	7.9
F	12.1	13.1	15.0	16.0	15.8		3.7 <sup>1)</sup>
IRL	4.6	5.0	6.7	7.6	8.3	9.0	4.4
I	13.8	13.9	14.8	15.7	15.7	14.1	0.3
L	7.4	7.5	8.2	9.2	9.5	9.3	1.9
NL	7.9	9.1	11.1	13.1	14.1	13.6	5.7
A	14.5	14.9	16.0	18.1	18.3	17.0	2.5
P	9.8	11.8	13.1	13.6	13.8	13.2	3.4
FIN	11.3	11.6	12.9	14.9	16.0	15.9	4.6
S	9.0	9.6	10.7	11.4	11.4	10.7	1.7
UK	5.5	5.1	4.9	5.2	5.0	4.4	-1.1
EU	10.4	10.4	11.5	13.0	13.6	13.3	2.9

<sup>1)</sup> Change: 2000 - 2040

Source: European Union, baseline scenario

Due regard has to be given to this specificity in assessing the long-term strategies of the Member States. To examine sustainability, the trend of the Austrian ratio can be analysed in comparison to the other Member States but the assessment of pension systems should not be based exclusively on one ratio.

The Austrian federal government is aware of the fact that the reforms effected so far have only been a step in the right direction and that at this stage it is important to examine the future impact of these recent measures. Based on the analysis of this experience and by learning from European exchange processes, further reform measures will have to be developed. This process is supported by two committees:

- In 2000 a special committee was set up by act of law to monitor and evaluate the long-term development of pensions at regular intervals in Austria. In May 2002 the first long-term scenarios (projection period 2050) on the development of the statutory pension insurance (excluding the pensions schemes of civil servants) were developed and presented in an opinion.
- Furthermore, the government established a committee of independent experts, whose sub-committees focus on individual aspects of a comprehensive pension reform.

The following strategy report furnishes more details on these committees.

In this report Austria developed a comprehensive strategy to meet the challenges facing pension systems. In those areas in which there is need for improvement, the discussion getting under way at the European level will certainly make a valuable contribution towards identifying the best practices and solutions.

More detailed information and explanations regarding the situation in Austria are provided in the following annexes to the strategy report:

- Annex 1: concise and clear presentation of the key data on social expenditure in Austria;
- Annex 2: overview of the Austrian pension insurance system;
- Annex 3: information on the key labour market data;

- Annex 4: selected data regarding Austrian pension indicators,
- Annex 5: brief summary of the findings of recent studies on the long-term development of statutory pension insurance in Austria,
- Annex 6: report on the activities of the pension reform committee in Austria;
- Annex 7: list of the institutions involved in preparing the strategy report.

The following strategy report will pinpoint the most important areas of concern of the Austrian pension policy as well as solutions identified or discussed. By way of introduction, the key elements of the Austrian strategy are outlined in the following:

### **Summary of the Austrian pension strategy**

The Austrian pension strategy has been characterised by a change of paradigms as compared to previous decades:

- The period between 1970 and 1985 was a phase in which a high number of new pensions was registered as a result of improved benefits, the maturing of the system as well as an increased labour force participation. This expansionary phase was funded primarily by raising contributions and higher subsidies of the federal government.
- In the following 16 years, from 1985 to the beginning of 2000, the first reform steps towards stabilising the level of benefits and qualified eligibility criteria were taken. In this context, the reforms between 1997 and 1999 should be highlighted. The new pension reform launched on 4 February 2000 raised the statutory age for early retirement by 1 ½ years and strengthened the actuarial principle in calculating deductions for early retirement. Thanks to implementing these measures, it became for the first time possible to reduce the number of new pensions. At the same time, numerous provisions were laid down to guarantee social compatibility in cases of hardship. The social objective of improving the eligibility of unskilled workers to invalidity benefits was met as well.

The strategies listed were important basic steps to discourage early retirement. The Austrian old-age pension system will however face major challenges due to an ageing population in the medium run. Before the full impact of the demographic development is felt, the next 15 years offer a window of opportunity for socially compatible reforms. Therefore the Austrian federal government sets the following priorities to ensure an adequate development in this area:

#### **Increasing the employment rate:**

- The key determinant factor in ensuring the financial sustainability of pensions is to increase labour force participation, especially of older workers. Therefore coordinated policy measures in the area of pensions, labour market and health care are necessary, in particular with a view to achieving the Stockholm and Barcelona objectives. In this context, the Austrian NAP (Employment) and the strategy “rehabilitation before early retirement” are as important as a change of attitude of the economic sector vis-à-vis older workers.

#### **Further development of the pension system:**

- Another significant basic step towards a targeted strategy is the reform of invalidity benefits. The system adopted in early 2000 has not guaranteed social justice in all cases. Moreover, this could lead to substantial increases in labour force participation.
- Another important priority of the Austrian pension strategy is to give more weight to actuarial principles in calculating pension entitlements. The aim is to ensure a fairer contribution system and strengthening contribution equivalence.
- The harmonisation of various independent pension and retirement systems for different occupational groups will be achieved by a strict equal treatment of the insured regarding individual pension rights.
- Sustainable policies have to be pursued to strengthen the autonomy and individuality of old-age pension rights, to promote equal access to them irrespective of social class and to ensure the principle of equal treatment of women and men, taking into account the need to adjust derived rights (benefits for widows and widowers). It is the declared aim of the federal government to provide independent pension arrangements for women, in a particular to avoid cases of hardship.
- Due regard has to be given to absolute “cost truth” in allocating and financing fictitious qualifying periods.
- While the significance of the 1<sup>st</sup> pillar pension scheme is not questioned, recent efforts to fortify the 2<sup>nd</sup> and 3<sup>rd</sup> pillars by introducing a new severance pay system (“Abfertigung-neu”) are continued and intensified. The federal government expects the new severance pay system and the tax advantages offered by it to strengthen the 2<sup>nd</sup> and 3<sup>rd</sup> pillar.

- The high level of minimum incomes in old age has to be maintained. In this context, reference is made to the Austrian NAP (Inclusion). Another step that should be taken into consideration is to incorporate the principle of safeguarding pensions into the Austrian Constitution based on European models.

The federal governments will receive the proposals of the expert committees no later than in autumn 2003.

**Increasing the room for manoeuvre in public budgets to secure the financial sustainability of pension systems**

- The room for manoeuvre in public budgets to cope with the burden of demographic ageing will increase as the government is committed to achieve a balanced overall budget during a business cycle, to carry out a reform of the federal state as well as to reduce the overall tax ratio to less than 40% by 2010.

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## I.) Introduction and main features of the strategy

The conclusions of the Lisbon European Council introduced a new era of social protection in old age. According to the Lisbon mandate, the response to the demographic challenge – a phenomenon experts and governments consider of vital importance – is a comprehensive task going far beyond the scope of a pension policy in a literal sense.

The Göteborg European Council underlined the significance of this approach and defined the following objectives to secure the long-term financial sustainability of pension schemes:

- to guarantee safe and adequate pensions,
- to ensure the financial sustainability of pensions systems,
- to enhance the ability of pension systems to respond to the changing needs of society and individuals.

These EU objectives are shared by the Austrian federal government. In this context, the open method of coordination at the EU level offers a useful framework for a beneficial further development of national pension schemes.

Sustainability of pension schemes means to respond to new challenges. Solutions have to be found that are considered fair within and among generations. The main challenge is to ensure adequate pensions enabling the elderly to maintain the living standard achieved during their active life by taking into account their effective working life and life-time earnings. It is counterproductive to make rising costs caused by an ageing population a taboo

subject: they cannot be simply eliminated by reforms but have to be shared in a fair way.

Also in Austria the main challenges to the pension system's ability to meet the common objectives arise from the needs to cope with the demographic development and to maintain its operability. In Austria a comprehensive strategy to reform pension systems has to be based on adequate measures to raise the effective retirement age on the one hand. On the other hand the focus has to be on adjusting the national legislation to make the insurance and coverage principle more transparent as well as more pension fairness. A long-term strategy to ensure the sustainability of the pension system cannot consist in a single measure. In fact, continuous "system development" is necessary and the key measures have to show effects by 2015.

With the 2000 pension reform, first comprehensive measures were taken to support the financing of pension systems in the long run. Future steps will be based on this foundation. In this context, attention should be drawn to the fact that the active and the retired form a community of inter-generation solidarity that has to share the burden in an equitable way. A sustainable and continuous economic growth has to be ensured by measures enhancing the production and employment potentials.

The following paragraphs of this Chapter I present the key challenges and specific features of the Austrian pension system. Austria's solutions and strategies will be detailed in the following chapters in the context of the 11 common objectives.

## I.1. Demographic development and the impact on financing pension systems

The key facts and figures in the development of the Austrian pension insurance between 1970 and 1999 are as follows: From 1970 to 1985 the ratio of pensioners (i.e. the share of pensioners in 1000 contributors) in the statutory pension insurance system (without old-age pension schemes of the civil servants) increased from 487 to 585. During the same period the pension insurance expenditure rose - expressed as a percentage of the GDP - from 8.0% to 10.8%. These additional financial requirements were covered primarily by measures relating to the revenue (higher insurance contributions, higher subsidies by the federal government). From 1985 to 2000 the ratio of pensioners increased comparatively moderately, i.e. from 585 to 619. In contrast to the previous period, consolidation measures affected mainly benefits but to some extent additional income sources were also mobilised.

Although the demographic old-age dependency ratio (elderly persons to persons of working age; the assumed age limit is 65) remained at a relatively stable level of about 230 during the period from 1970 to 2000, the ratio of pensioners has been increasing by more than one fourth since 1970.

Hence, the high ratio of pensioners was due only to some extent to the demographic development; the increasing numbers of pensioners can be attributed to other factors. Between 1970 and 2000 the number of pensioners increased by more than 50%, while the older population increased by only about 20%. This development may be explained by enhanced benefits and the "maturing" of the system (longer careers, increased labour force participation of women). Furthermore, the average actual retirement age declined significantly, while the number of the early retired rose. Both trends were mainly due to the economic structural change and the reduced job opportunities for older workers.

The latter illustrates how closely pension insurance trends are linked to economic growth and the labour market situation. The rising life expectancy and the high birth rates in the years 1950 to 1970 were compensated almost completely by a parallel growth of the working-age population (15 to 64) so that the

total economic dependency ratio remained highly stable.

The demographic changes ahead, which are expected to intensify from about 2015 onwards, will confront the pension insurance system with serious problems unless countermeasures are taken. The share of those aged 64+ in the total population will climb from presently 15.5% to 28.5% in 2050 (the percentages of women and men from 18.7% to 31.0% and from 12.1% to 25.8%, respectively). According to the latest forecast by Statistik Austria, the demographic old-age dependency ratio will rise from 229 in 2000 to 489 in 2050. This corresponds to an increase of roughly 114% in Austria over the next 50 years!

In the next 50 years the number of persons of standard working age (15 to 64) will decrease by approximately 13% and the number of persons of pensionable age (65+) will rise by 86%. The share of "the elderly" (aged 65 and over) in the population of currently 15% will practically double by 2050 (28%). If the legal situation and entitlement patterns remain unchanged, the growing number of pensioners would necessarily entail a significant increase in the pension expenditure.

However, in a pay-as-you-go pension insurance system the financing of pensions does not depend on the demographic old-age dependency ratio but the ratio of pensioners (ratio of pensioners to contributors). Besides productivity trends, this ratio is – from a long-term perspective – the most significant determinant of financial development. It reflects both the demographic development (an increase in the level of pensions due to the baby-boom age groups and higher life expectancy) and the labour market development (reduction of the labour force potential by a decrease in the population of working age).

From a mathematical perspective, the ratio of pensioners remains constant if the increase in pension claims is paralleled by an adequate increase in employment and thus the number of contributors. The problems of financing the pension insurance system would become less severe if the growing "pension burden" was offset by increasing numbers of contributors. Moreover, a financial stabilisation resulting

from a higher employment rate of older workers would have a highly favourable double effect; it should step up the number of contributors on the one hand and decrease the number of pensioners on the other hand.

The ratio of pensioners is the indicator for the quantitative component of pension insurance; it does not cover financial flows. The long-term financial sustainability of the pension insurance also depends on the development of the contributing payroll (the product of the number of contributors and the average basis of contribution calculation) and the growth of pension insurance expenditure (the product of the number of pensioners and the average benefit). Projections of income development and productivity on the one hand and the valorisation of the pensions on the other hand are indispensable for a comprehensive assessment of the future financial viability of the system.

Therefore also in Austria the question arises which ratio of pensioners due to which socio-economic conditions can be expected in the next years and decades?

With a view to permanent monitoring of the statutory pension insurance system, a "Committee on Long-Term Pension Sustainability" ("Kommission zur langfristigen Pensionssicherung") was set up. This committee has the task of preparing long-term scenarios on the development of the statutory pension insurance system at three year intervals (for the first time in 2002). It presented its opinion in May 2002. A summary of the most important findings is included in *Annex 5* of this strategy report. This study underlines once more the significance of increasing employment rate in general and in particular in older age groups:

- In the first baseline scenario, i.e. a scenario with a medium increase in labour force participation, the expenditure of the statutory pension insurance (without provision systems for civil servants) - as a percentage of the GDP - rises from currently 10.5% to 13.4% in 2050. The maximum value of 14.2% of the GDP will be recorded in 2035. The implicit contribution rate of this variant is 38.0% in 2050 (the maximum value is 40.7%). As this computation is based on the latest demographic forecasts of Statistik Austria, there is a slight improvement of the results as compared to the calculations Austria presented within the EU's Economic Policy Committee (EPC) (see *Annex 5*). According to this variant, the ratio of pensioners for the year 2050 is 821.

- The lower range was covered by another baseline scenario characterised by significantly lower employment rates. According to this second baseline scenario with a significantly lower increase in labour force participation, the pension expenditure (as a percentage of GDP) climbs to maximum values of 15.6% (2040) and remains at this level during the following 10 years. In this variant the implicit contribution rate increases to 44.4%, while the pension dependency ratio would climb to 942 in 2050.
- If Austria succeeds in meeting the employment rate targets of the European Council of Stockholm/Barcelona, the growth of pension expenditure will be even smaller in 2050, i.e. only 11.5% (as a percentage of the GDP). In this variant the maximum value is 12.8%, as a percentage of the GDP. The implicit contribution rate of this variant is 32.6% in 2050, peaking at 36.7% in 2035. Based on this scenario, the ratio of pensioners drops to 666 in 2050 due to the extremely favourable assumptions about labour force participation. Even the maximum value would not exceed 729 (in 2035).

The old-age pension scheme for civil servants registers a pension expenditure of about 4.2% (as a percentage of the GDP). By 2050 this share is expected to decrease to 3.1%. This is due to the fact that the number of civil servants will decline significantly as a result of a decrease in public employment. The pension expenditure will therefore be transferred from the civil servants' pension scheme to the statutory pension insurance system. Furthermore, the reforms of the last years - in particular the introduction of the principle of calculating the pension benefit based on the best 18 years of a person's career - will help to reduce the pension expenditure for civil servants.

All the projections described anticipate a significant increase in the labour force participation in the next decades: In general, an increase in the labour force participation of persons (particularly of women) of standard working age was assumed. In addition, a considerably higher labour force participation of older workers in the 50 to 64 age group was assumed. In this age group Austria traditionally records a rather low labour force participation. The favourable assumptions can be explained in the first place by the fact that in the past measures have been taken which are expected to increase the employment rate (raising the actual retirement age for early retirement, future harmonisation of the

retirement age of men and women, measures concerning invalidity pensions).

The high employment rates assumed in the above-mentioned projections are attainable. They correspond to the current employment rates in Scandinavia or Switzerland, which should become possible also in Austria in the long run provided the necessary framework is in place. All labour market forecasts indicate that the pressure on the labour market will ease due to the demographic development. On the contrary, in the next few years there could be a noticeable labour shortage, which could tighten considerably during in the second decade of this century. The decrease in the potential of working-age persons in the population leads to a considerable supply gap on the labour market, which can be bridged only by a higher labour force participation. Pertinent information is provided in the NAP (Employment) (*Annex 3*).

Certainly it does not suffice to consider the increase in labour force participation a given fact and to rely on it to occur. Probably, high employment rates can only be attained if employment policy is made a top priority also in the future and if all efforts are made at the political level to integrate older workers into the

labour market. Furthermore, more incentives to raise the actual retirement age have to be developed.

Unlike in the past, “pension policy” in Austria is more than “pension insurance policy” and requires an integrated political approach. This pension policy will have to focus on preserving the health and professional qualifications of the insured, i.e. their “employability”.

Traditionally, reform measures in the social sector were developed in direct negotiations between the government and the social partners. To prepare the long-term pension strategy, the federal government decided however to appoint expert committees (headed by renowned scientists), in which the social partners participate. In addition to developing measures for a comprehensive reform of the pension system, these committees are responsible for long-term monitoring and forecasts. The government will adopt its position based on these expert opinions.

The assessment of the financial sustainability of pension systems based on the above-mentioned forecasts of the Committee on Long-Term Pension Sustainability and the EPC, can be summarised as follows:

### Demographic development and impact on financing pension systems

	2000	2005	2010	2015	2020	2025	2030	2035	2040	2045	2050
Pension expenditure – statutory pension insurance system	10.5	10.6	11.0	11.5	12.1	13.0	13.7	14.2	14.1	13.7	13.4
Pension expenditure – civil servants’ schemes	4.2	4.1	3.9	3.8	3.7	3.6	3.5	3.3	3.2	3.1	3.1
<b>Total pension expenditure</b>	<b>14.7</b>	<b>14.7</b>	<b>14.9</b>	<b>15.3</b>	<b>15.8</b>	<b>16.6</b>	<b>17.2</b>	<b>17.5</b>	<b>17.3</b>	<b>16.8</b>	<b>16.5</b>
<b>Assumptions</b>											
Productivity growth (labour)	2.0	2.0	1.9	1.9	1.8	1.8	1¼	1¼	1¼	1¼	1¼
Real GDP growth (average of 5 years)	2.5	2.3	2.1	1.8	1.5	1.3	1.2	1.4	1.6	1.6	1.3
Employment rate (men 15-64)	76.0	76.7	76.5	76.8	77.0	77.2	78.7	80.3	81.2	81.3	81.2
Employment rate (women 15-64)	58.7	60.8	61.7	61.5	61.7	62.4	64.7	67.4	69.0	69.7	70.1
Employment rate (total 15-64)	67.4	68.8	69.2	69.2	69.4	69.9	71.8	74.0	75.2	75.6	75.8
Unemployment rate	5.9	5.3	4.7	4.1	4.0	4.0	4.0	4.0	4.0	4.0	4.0

**Remarks:** budget data as a percentage of the GDP

The calculations comply with the rules adopted by the Economic Policy Committee of the EU and are based on the demographic projections of Statistik Austria. This is not a forecast but a model calculation.

The demographic development does not only have an impact on pension systems but affects the social protection system as a whole (in particular health insurance and long-term care benefits). Therefore an overall strategy is required to ensure that the high standards of

the Austrian social protection system are not jeopardised, that benefits can be financed also in the future and that solidarity between generations, which is indispensable to achieve these aims, is not put at risk.

## I.2. Development of the occupation/employment rate

It is an undisputed fact that every increase of these rates has a favourable effect on the development of the pension insurance system. It is a main concern of the government to increase the occupation rate of older workers. If increasing pensions are paralleled by an adequate employment growth (and thus a rising number of contributors), the growing "pension burden" will be counterbalanced by the increase in contributors. Hence, the financial problems of the pension insurance system would be reduced. It is a known fact that financial stabilisation based on a higher labour force participation of older workers has a highly favourable double effect: the number of contributors increases and the number of pensioners decreases.

It is therefore one of the most important objectives of the government to improve the job opportunities of the older workforce. A situation has to be prevented in which older workers not yet eligible to claim pensions become unemployed as unemployment benefits paid to them would burden public budgets. Attention has to be drawn to the fact that the risk of unemployment should not be assumed by the pension insurance and that therefore the financial burden arising from this risk should be allocated appropriately.

In the context of increased employment rates, it should be taken into consideration that

gainful activities are not limited to the traditional job offer. An increasing number of persons entering the labour market is engaging in new types of activities (e.g. several part-time employments, home and telework, the "new self-employed"). To ensure that the increase of the employment rate has an effect as beneficial as possible, the social security systems, in particular the pension systems, have to respond in a flexible way to these new forms of work. If they are not subject to compulsory insurance, the system will be deprived of the necessary contributions to cover the continuously rising expenditure.

As a result of a recent reform of the social system, compulsory insurance became mandatory for all forms of work for which an income is obtained (about 60,000 new insured persons). Moreover, specific groups of the economically active, whose income is below the so-called "marginal earnings threshold" and who are therefore not insured, were given the option of voluntary health and pension insurance (about 40,000 additional insured persons). Austria presented these measures as best-practice examples from the perspective of social policy in its NAP (Inclusion). The legislation on benefits has to be adjusted to reflect the insurance coverage of these additional groups of economically active persons.

### **I.3. Evolution of family structures and survivors' pensions**

The pension insurance system is challenged by changing family structures (increasing numbers of divorces and lone parent households) and due to the need of strengthening the autonomy of women. Since the Austrian pension insurance system is still based to a very large extent on assumed traditional family structures (sole breadwinner and derived rights for economically inactive family members), this is an important target of future reforms.

Another aspect closely linked to the – previously observed – increase in female employment rates is the changed function of survivors' pensions. In the past, the widow's pension used to be the only source of income

of a widow after the death of the breadwinner. This has led to a situation in which women draw two pensions if they earned pension rights themselves. In recent reforms it was therefore necessary to lay down more stringent provisions on eligibility to survivors' pensions in order to avoid overprotection. Also this measure helps to ease the pressure on pension systems.

It is a vital objective of further reforms to promote the autonomy and individuality of pension rights and to ensure equal access to them regardless of social status by gradually adjusting derived rights (survivors' benefits).

### **I.4. Contributions for periods not covered by pension insurance**

The Austrian pension insurance tries to fill coverage gaps by fictitious qualifying periods (in particular periods of unemployment and child rearing). However, as long as it is not possible to allocate the total costs arising from crediting these periods to where they originated, the pension insurance will not be able to make the relationship between

contributions and pensions transparent. It is therefore an important objective of further reforms to ensure "cost truth", correct allocation and financing of the costs of periods treated as contribution periods, especially since this will also lead to a clear delimitation of responsibilities between insurance schemes.

## **II.) Meeting the common objectives**

The following chapters provide detailed information on the three objectives and eleven sub-objectives laid down in the framework of the open method of coordination. Where possible, this presentation is supported by the pertinent figures. Moreover, *Annex 4* provides details on a number of pension indicators at the national level and in individual international comparisons.

- On the one hand, these indicators are the result of a national working group tasked with developing suitable pension

indicators; the relevant data were mainly calculated by the Federal Ministry of Social Security and Generations.

- On the other hand, the work of the Indicator Sub-Group (ISG) of the Social Protection Committee (SPC) and Economic Policy Committee (EPC) of the EU were taken into account in defining and evaluating indicators.

### **A) Adequacy of pensions**

# 1. Combating the risk of poverty and ensuring a decent living standard

**First objective: Ensure that older people are not placed at risk of poverty and can enjoy a decent standard of living; that they share in the economic well-being of their country and can accordingly participate actively in public, social and cultural life.**

In Austria the policy for persons drawing a pension is not limited to ensuring that this pension is an adequate means of subsistence. A set of measures takes account of the specific situation of pensioners. A monetary assessment of these measure would throw an even more favourable light on the situation in Austria (also by international comparison).

## 1.1. Minimum benefits

Austria's policy on minimum benefits has been an effective tool to combat social exclusion for many years. Every pensioner is entitled to a minimum pension (=compensation supplement) if the total of the pension and other income does not exceed the basic rates for compensation supplement, which are fixed annually. This minimum pension is currently 630.92 € per month for unmarried pensioners and 900.13 € for married couples. In the past the minimum pension has often been increased more significantly than normal pensions to safeguard a decent living standard for the elderly.

In its NAP (Inclusion) Austria proposed a means-tested minimum pension as a best-practice example. An evaluation of risks of acute poverty and poverty hazards by household category shows that the share of pensioners' households placed at such risks is higher than those of the active but that the distance to the threshold of poverty risk is significantly greater. Also the risk distribution by different households categories demonstrates that households of pensioners are not placed at higher risks of poverty than larger households with two or more children. The relevant data are provided in the presentation of the pension indicators in *Annex 4*. Moreover, this proves that the poverty risks of Austrian pensioners are within the European average.

The number of persons depending on this minimum protection is however declining. While in 1989 a compensation supplement was paid in respect of 14.4% of all pensions, this percentage dropped to 11.6% in mid-2002.

There are great differences between the individual groups of insured persons: 2.7% of all pensions of employees vs. 28.7% of all farmers' pensions. Moreover, compensation supplements are paid towards a significantly higher percentage of survivors' benefits than of direct pensions.

## 1.2. Adjustment of pensions

Since 1993 a new pension adjustment formula has been applied, referred to as "net adjustment". It is based on the growth rate of the contributing average wages (minus social insurance contributions). As a consequence pensions develop more or less analogously to the income of the active. Structural changes in the composition of the total volume of pensions are however taken into account. The favourable structural effect and thus the reduction of the annual pension adjustment result from the fact that the new pensions added in a year are considerably higher than the pension payments discontinued. As a consequence, the average pension amount would increase annually even without pension adjustment. The annual increase in pensions is not a totally accurate reflection of the wage trend. The development of the past 30 years has shown that if the structural effect or other dampening measures are taken into account, which were in effect before 1993, pension adjustment is annually about 0.8 percentage points lower than wage increases. These cushion factors integrated into pension adjustment have a stronger impact the longer the period during which pensions are drawn. Therefore the initially high net replacement rate continuously decreases over the total period during which a pension is drawn by comparison with the development of the wages of the active. This phenomenon has been observed since the pension adjustment system was introduced in 1965.

If the pension adjustment calculated on this basis is lower than the inflation rate (computed on the basis of the average increase of the consumer price index during twelve months until June of the year preceding the adjustment

year), this disadvantage is offset (partly and depending on the amount of pension) by a one-time special payment. This special payment is taken into account only in the year of valorisation, i.e. it is not increasing the general level. This non-recurrent benefit was paid in the years 2001 and 2002. The standard rates for compensation supplements are adjusted to the inflation rate trend if pension adjustment is lower.

Before the last pension reform in 2000, legislation stipulated only methods for calculating margins, within which pension adjustment could be effected. The actual pension increases were a political decision determined by distributional aspects. Thanks to the currently applicable method, pension adjustment became foreseeable and thus more transparent.

### 1.3. Replacement rate of the pension

The pension amount and thus the replacement rate of the pension depends on a number of different factors.

Due to the pension calculation formula used by the social insurance systems no relation is established to the last salary. There has been an increasing tendency to include remoter contribution periods in the calculation basis; this trend may also be observed in the special systems for civil servants. In the past (before the recent reforms) the applicable calculation rules guaranteed people with a consistent job history a gross replacement rate (as a percentage of the last salary) of 80%.

In practice the Austrian system ensures an adequate replacement rate under the first pillar:

- The calculation period is based on the best 15 contribution years, which are revalued until the retirement date. Within the next 20 years, the calculation period will be adjusted gradually to 18 years.
- The annual increments (percentages of the calculation basis per year of coverage) ensure that a percentage of 80% of the calculation basis can be reached with a total of 40 years of coverage at the statutory retirement of 65 (men) and 60 (women).
- The deductions for early retirement are lower than deductions calculated on an actuarial basis.

The pension formula is currently examined with a view to strengthening actuarial aspects.

### 1.4. Health insurance at favourable rates

In accordance with the Austrian legislation, every pensioner is covered by compulsory

health insurance, irrespective of other sources of income and his/her state of health. The contribution to be paid by the pensioner for this health insurance is 3.75% of the pension. Retired civil servants pay a slightly higher contribution.

This comprehensive health insurance coverage has made a valuable contribution to protecting pensioners financially and giving them the feeling of "psychological" safety. It has helped to prevent social exclusion of this group of persons. For a deeper understanding of the situation of pensioners in a country it is indispensable to take these additional aspects into account in the overall assessment.

### 1.5. Comprehensive long-term care

The long-term care system established in Austria responds to another important concern of the elderly, and thus also pensioners. Depending on the intensity of care required, a care allowance (fixed in accordance with the 7-level care allowance system) is granted as a contribution to covering care-related additional expenses of the person in need of care. The minimum amount is 145.40 €, the maximum amount is 1,531.50 € monthly. By guaranteeing a legal claim to cash benefits, the autonomy of the persons requiring care is to be preserved to the extent possible. The persons affected are enabled to decide themselves how to meet their individual long-term care needs. In addition, the Länder and the federal government undertook in an agreement in accordance with Article 15a of the Federal Constitutional Law (B-VG) to establish and promote social services.

### 1.6. Other support measures for pensioners

In addition, there are other support measures for pensioners, e.g. fare reductions and other preferential treatment in different areas. Additional benefits are provided to the recipients of compensation supplement (minimum pension) due to their financial need assumed in the respective legislation. Special benefits are granted in the event of sickness, e.g. exemption from co-payments for medicines and for outpatient treatment in hospitals. Furthermore, the Länder offer different measures geared to the needs of the elderly within their social aid systems, which benefit in particular pensioners (e.g. care providers to the elderly, home helps, family helps, meals-on-wheels services, contributions to the heating cost, etc.). This set of measures has to respond to the same challenges posed by the demographic development as the pension systems.

### 1.7. Taxation of the pensions

It should be pointed out that pensions are in general subject to tax. Due to the high entry level of the taxable base, many pensioners do not have to pay taxes since their pensions are below the taxable threshold. At present taxes

corresponding to about 9% of the pension expenditure are paid on pensions under the statutory pensions system.

## 2. Comprehensive systems and maintenance of living standard

**Second objective: Provide access for all individuals to appropriate pension arrangements, public and/or private, which allow them to earn pension entitlements enabling them to maintain, to a reasonable degree, their living standard after retirement.**

### 2.1. First pillar

Traditionally the 1<sup>st</sup> pillar (statutory pensions insurance and pension scheme for civil servants) is of fundamental significance in Austria. For many people it is the only source of income after retirement. While the government does not wish to question this key function performed by the 1<sup>st</sup> pillar, it also aims at strengthening the 2<sup>nd</sup> and 3<sup>rd</sup> pillar. It is not a question of two alternatives, i.e. social insurance on a pay-as-you-go basis or a funded insurance scheme, as both have advantages and disadvantages and respond in a completely different way to changing demographic and economic conditions. Even if the pay-as-you-go pension system is maintained, it is recommendable to supplement it by some elements of the funded 2<sup>nd</sup> and 3<sup>rd</sup> pillar systems to spread the risks.

In strengthening the 2<sup>nd</sup> pillar it has to be taken into account that thanks to one of the recent reforms all types of economic activity (above all atypical occupations, the “new self-employed”) were successfully integrated into the 1<sup>st</sup> pillar in Austria. Since the 2<sup>nd</sup> pillar schemes are usually voluntary and mainly limited to traditional employee schemes, innovative concepts are required to ensure that new forms of economic activity are offered the same standard of old-age protection as traditional forms of employment. This is the only way to prevent the non-self-employed, i.e.

the dependent employees, from developing into two different classes.

### 2.2. Second pillar

In Austria the 2<sup>nd</sup> pillar has played a minor role in the past and has consisted mainly in employer’s reserves. With a view to establishing occupational pensions schemes, in the early 90s legislation was adopted defining the necessary framework. Currently, there are 12 occupational and 7 supra-plant pension funds of the 2<sup>nd</sup> pillar in Austria.

In individual cases persons terminating their economic activity and starting to draw a pension suffer a noticeable loss of income, even in Austria (this is particularly the case if their income exceeded the maximum basis of contribution calculation – see *Annex 2* including a presentation of the Austrian system). In this event an occupational pension can have a compensatory effect. Another advantage of reinforcing the 2<sup>nd</sup> pillar is that the pension funds will re-invest the assets administered into the economic sector and capital markets. Thus this would considerably strengthen and deepen the domestic capital market.

The following table shows the development of the funded pension schemes (2<sup>nd</sup> pillar) between 1996 and 2001 (Source: Fachverband der Rentenkassen [Trade Association of Pension Funds]).

Pension funds (2 <sup>nd</sup> pillar)			
Year (31 Dec)	Number of persons entitled to future pension payments	Number of persons entitled to current benefits	Total assets
1996	126,000	12,000	2.3 billion €
1998	176,500	24,500	5 billion €
1999	203,000	28,000	7.3 billion €
2000	252,700	31,300	8 billion €

2001	283,000	35,000	8.28 billion €
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These figures clearly reflect the dynamic development of the capital funded 2<sup>nd</sup> pillar in Austria over the last years. It can be assumed that currently no less than about 300,000 persons are entitled to future pension payments or current pension benefits under occupational schemes. Nevertheless, capital funded systems are of minor importance compared to public schemes: only approximately 35,000 benefits are paid from occupational funded pension systems while about 2 million persons draw pensions from the public pension scheme. However, these statistical data tend to underrate the importance of occupational pension systems since in addition to pension fund solutions companies may provide benefits by forming reserves. However, this arrangement previously dominating employer's systems has increasingly been replaced by funded occupational pension schemes.

The fact that the 2<sup>nd</sup> pillar is presently only of minor importance is also illustrated by a comparison of the number of persons insured under the 1<sup>st</sup> pillar and the number of persons entitled to future pension payments under occupational schemes. Only every tenth economically active person is estimated to be covered by such a supplementary pension system at this stage.

### 2.3. Third pillar

The 3<sup>rd</sup> pillar comprises voluntary private old-age pension schemes individuals may join of their own accord. Austria has always promoted specific private old-age pension schemes by granting tax incentives. In the framework of the tax reform of the year 2000, a special incentive for private old-age schemes was created referred to as the "premium model". This model grants tax privileges for supplementary pension insurances with private insurance companies, employee's contributions to a pension fund (i.e. the 2<sup>nd</sup> pillar) and contributions to a pension investment fund provided that these arrangements guarantee continuous benefits at a later date.

Private pension plans, that are widely advertised particularly by private insurance companies, can be a solution to fill gaps in coverage under the 1<sup>st</sup> and 2<sup>nd</sup> pillar. They are geared to the individual needs and benefits are based on the premiums paid by the insured. Traditionally, life insurance is playing a major role. Life insurance is the branch, in which the insurance sector records the highest growth rates (see below table).

## Life insurance – premiums

Year	Total of premiums	Non-recurring income	Pensions	Equity-linked life insurance	Supplementary pension insurance
1999	4.839 billion €	1.600 billion €	0.878 billion €	0.355 billion €	-
2000	5.417 billion €	1.962 billion €	0.976 billion €	0.650 billion €	0.005 billion €
2001	5.875 billion €	2.245 billion €	1.305 billion €	0.724 billion €	0.007 billion €

## Life insurance – benefits

Year	Total benefits	Capital payments	Pension payments
1999	2.935 billion €		
2000	3.141 billion €	2.223 billion €	0.119 billion €
2001	3.872 billion €	2.820 billion €	0.173 billion €

The above table shows a very significant premium growth of about 8.5% in 2001 and roughly 12% in 2000. This indicates that also an exponential number of recipients of average incomes (up to 36,000 € annually) joined private old-age provision schemes. Under the 2000 Act on Tax Reform, people were encouraged to make optional premium-aided contributions to their pension insurance (up to 1,000 € per year) subsidised by the government. However, only a very small number of people took advantage of this arrangement. Therefore this product was made more attractive on 1 January 2001: Income and wage taxes are refunded as a lump sum based on a percentage of the premium paid in the respective calendar year. The percentage is 5.5% plus a variable percentage of (currently) 4.5%. The total premium of this subsidised old-age pension scheme is therefore 10%.

Not all of these insurance contracts were concluded for the purpose of obtaining a life-long pension at a later date. Owing to the tax incentives offered, the private life insurance has become a pure savings product; the capital invested is paid out as a one-time amount and not as a pension. This is reflected in the payments made to the beneficiaries: in 2001 out of a total of approximately 3.87 billion €, 2.82 billion € were payments of capital, while only 173 million € corresponded to pension benefits. In this context, it should be pointed out that investment funds and “capital savings schemes” (Kapitalsparpläne) offered by the banks are currently recording an upward trend. These savings can partly be subsumed under old-age provision. As far as benefits paid on a continuous basis are concerned, premiums also reflect a growing importance of the 3<sup>rd</sup> pillar.

An analysis of the total benefits paid by the 1<sup>st</sup>, 2<sup>nd</sup> and 3<sup>rd</sup> pillar of the Austrian system shows that with an expenditure for pension benefits of 23.3 billion € the social pension insurance (1<sup>st</sup> pillar) is clearly leading, followed by pension fund payments of 203 million € (in 2000) under the 2<sup>nd</sup> pillar and benefits paid by the private insurance sector totalling 173 million € (in 2001). The dominant position of the 1<sup>st</sup> pillar in Austria is underlined by the fact that a volume of benefits of approximately 8.5 billion € of the civil servants' old-age pension scheme has to be added. In other words, the main share of continuous old-age benefits can be allocated to the 1<sup>st</sup> pillar.

### 2.4. The new severance pay system (strengthening of supplementary provision)

The government is committed to the objective of strengthening supplementary old-age schemes. Since 1 July 2002 it has become possible to invest the severance pay guaranteed under labour law into a life insurance. As far as classification is concerned, this “new severance pay” is a scheme between the 2<sup>nd</sup> and 3<sup>rd</sup> pillar.

The present severance pay is an employer's benefit paid when an employee's employment contract is terminated; exempted are cases in which the employee gives notice to quit or in cases of justified dismissal. Currently persons are eligible to severance pay after having worked with a company for 3 years. They are entitled to a specific number of monthly salaries. The maximum amount corresponding to 12 monthly salaries is due after 25 years of employment.

The new law is based on the concept of transferring the employer's statutory obligation

of severance pay to legally independent staff provision funds (“Mitarbeitervorsorgekassen”); the employee claims severance pay from the staff provision fund. The previous severance pay system defined as a benefit system is to be replaced by a contribution system: severance pay is financed by continuous employer’s contributions on a funded basis. The monthly contribution rate is laid down in the law and corresponds to 1.53% of the monthly salary. The employee’s right to due payment of the amount by the employer is guaranteed in the labour law. The contributions are levied by the responsible health insurance institutions.

If an employment is terminated by notice to quit by the employee or by justified dismissal, the contributions credited towards future severance pay are not lost. However, the employee is not entitled to receive severance pay immediately. If the employment contract is terminated by the employer and after a minimum contribution period of three years, the employee is entitled to choose between various options: immediate receipt of the severance pay, continued investment in the previous staff provision fund until retirement, transfer of the amount of severance pay to the staff provision fund of the new employer, transfer the amount

as a one-time premium as a contribution to a pension insurance or acquisition of shares in a pension investment fund, transfer to a pension fund provided that the employee is already entitled to future pension payments under this pension fund. At retirement the employee can choose between receipt of the severance pay, a pension insurance and acquiring shares in a pension investment fund. Employees aged 40 and over can “opt in”: The staff provision fund concludes a cooperation agreement with a private insurance company, which will submit an offer of a private pension insurance contract to the employee upon request.

Investment of the severance pay into supplementary old-age pension schemes is not only promoted by facilitating the conclusion of insurance contracts but also by exempting this special form of life insurance completely from taxes (both the transfer of the capital of the severance pay and the life insurance benefits are tax-free). The payment of the capital of the severance pay by the staff provision fund is however taxed at 6%. This can be considered a powerful incentive to invest into a supplementary pension scheme. In Austria incentives are increased to join supplementary pension schemes and the labour cost of older workers is decreased.

### **3. Promoting solidarity**

#### **Third objective: promote solidarity within and between generations.**

##### 3.1. Harmonisation of pension systems

From a historical perspective, there are fundamental differences between the “normal” pension insurance systems and the special systems for civil servants and other groups of persons of a similar status. These differences were partly due to the different status granted under labour legislation. A salient feature was that under the schemes for civil servants the retired were eligible to 80% of the last salary provided they had an uninterrupted employment history, while under normal pension insurance schemes the maximum entitlement was 80% of a specific average of the revalued insured income calculated on the basis of a period of computation that had been gradually extended. Moreover, standard pension systems take account of insured incomes only up to a specific ceiling so that the share of income above this level does not have any impact. The two systems were converged in the past, in particular by harmonising calculation periods. Harmonisation efforts

should be speeded up to ensure that persons starting a new employment with a public employer will join a uniform pension system (thus the special schemes for civil servants should be abolished).

An expert committee appointed in 2000 is currently working out the details for different models of this system. After completion of its work, the committee will submit a set of measures to the federal government. As soon as a uniform pension insurance system is introduced, all persons starting employment will have to join it. Special systems as well as the different pension insurance systems currently existing will then be phased out. The question whether pension rights and claims acquired under these systems will be portable to the new system is also subject of discussion; it will have to be decided by taking into consideration financial sustainability and social adequacy of the changeover. The question of system changeover is not only of

relevance at the national level but also the supra-national and international levels. Moreover, it should be examined in the light of adequacy.

### 3.2. Harmonisation of different invalidity benefits

In accordance with the currently valid pension laws, there are different eligibility criteria for invalidity benefits for different occupational groups (e.g. in the case of skilled workers, older workers or the self-employed, the situation is examined on the basis of their concrete professional qualifications, whereas in the case of other persons the situation on the whole labour market is taken into consideration). The expert committee set up in 2000 also explores this question with a view to establishing a fair and uniform structure for invalidity benefits. The current special invalidity

provisions for civil servants could also be subject to harmonisation (see also 5.3.).

Apart from the question of establishing uniform access criteria, the introduction of so-called "partial pensions" or part-time work for pensioners is an important subject of discussion. This issue is of vital importance for Austria since the extremely low actual retirement age recorded in Austria is to a large extent due to an above-average number of claims to invalidity benefits. Therefore an important part of the discussion focuses on measures in the field of pension, labour and health policies to reduce the rate of retirements on grounds of invalidity.

### 3.3. Pension adjustment

A vital element of the contribution of the retired is the so-called "net adjustment". See 1.2.

## ***B) Financial sustainability of pension systems***

### **4. High level of employment**

**Fourth objective: achieve a high level of employment through, where necessary, comprehensive labour market reforms, as provided by the European Employment Strategy and in a way consistent with the Broad Economic Policy Guidelines.**

By way of introduction mention should be made of the fact that the overall Austrian employment policy was presented in detail in the National Action Plan on Employment. Therefore only some details were selected that seem of particular relevance in this context. More in-depth and comprehensive information on the labour market situation in Austria, above all the labour market participation of older workers, is included in *Annex 3*.

It is of crucial importance to achieve the employment policy objectives as defined in the strategy of the Lisbon European Council.

In the context of increasing labour force participation in general, it is necessary to balance different life phases. This means that education and professional training, active work and retirement should not grow disproportionately to the detriment of other life phases. In the age groups 55-59 and 60-64 Austria records employment rates of 44.6%

and 12.3%, respectively. These employment rates are considerably lower than the EU-15 average. Therefore all employment policies have to focus particularly on these two age groups. In view of this situation, the Stockholm and Barcelona targets are very ambitious goals for Austria, which will require significant efforts in the next years.

#### 4.1. Increasing the employment rate of older persons

Labour market policy must be committed to increasing the employment rate of older persons. This problem has been addressed in the area of the pension insurance system as the pension reforms of the last years aimed at increasing the actual retirement age. Special mention has to be made of the fact that the statutory age for early retirement was gradually raised by 18 months and that the principle of actuarial additions and deductions was strengthened. Furthermore early retirement

due to incapacity has been abolished completely.

At the present stage, the impact of the reform measures taken has to be evaluated. It is of great importance to observe if the labour market responds to these reforms and which additional measures are required in the sphere of labour market policy. The “choice” of the retirement date depends on several factors. Apart from the general conditions influencing pension systems, which usually may be anticipated from a long-term perspective, circumstances may have an impact that are predictable only to a limited extent (e.g. the respective labour market situation and the person’s state of health). Moreover, companies currently show a strong tendency to lay off older workers in the wake of plant modernisation or to provide them with pre-retirement benefits in social plans.

Two trends will be observed in the near future: ageing of the labour supply on the one hand and stagnation – or after 2010 reduction – of the working-age population. If the long-term trend of labour demand continues, this will lead to a tendency of general labour force shortage and improved job opportunities for older workers. From the perspective of labour market policy, the challenge will be to ensure that the growing potential of older workers continues or takes up employment.

To mitigate the effects of the 2000 pension reform in cases of hardship, which inter alia raised the statutory retirement age (see 7.1.), a comprehensive set of labour policy support measures for older workers was developed, which took effect on 1 October 2000. Among them:

- Increased incentives for companies based on new legislation on social insurance contributions. If older workers are recruited, no employer’s contribution to the unemployment insurance has to be paid.
- Duty of notification within an early warning system if older workers are dismissed.
- Improved legal remedies against dismissals of older workers.
- Extension of the maximum period of entitlement to unemployment benefits for unemployed persons who had an employment subject to compulsory unemployment insurance for 780 weeks (15 years) during the last 25 years.
- More favourable rules for calculating the maximum period for “Notstandshilfe” (“unemployment assistance” paid to

persons no longer eligible to unemployment benefits).

- Measures to promote part-time work for older workers: The “Altersteilzeitgeld” (“allowance for older part-time workers”) compensates employers for additional expenses (pay compensation) caused by older workers reducing their work time.

In this context, the economic impact of pre-retirement models of the individual countries on growth and employment should be evaluated in a comparative analysis and examined in detail within the open method of coordination.

#### 4.3. Increasing the employment rate of younger persons

As far as entries on the labour market are concerned, it can be observed that education and training periods increase and that therefore the effective working life is reduced (at the beginning and end of careers). In connection with discussions on the sustainability of pension systems, Austria therefore also explores possible measures to reduce education and training periods. In this context reference has to be made to implementing the Lisbon strategy.

#### 4.4. Increasing the employment rate of women

Registering a female employment rate of 59.7%, Austria has almost reached the Lisbon target of 60%. However, significant increases are still possible and, from the perspective of the pension insurance, necessary.

If parents decide to reduce work to ensure the best possible care of their children (instead of two full-time employments), this should be supported and not obstructed. The introduction of the childcare allowance was a major innovation in the sphere of family policy in Austria (see also 10.1.). It is based on the principle of granting parents a freedom of choice.

Due to the declining trend of birth rates (from a long-term perspective) a labour shortage has to be expected. Thus it will become a must to mobilise the full potential in the working-age population. As far as the employment of women is concerned, the supply of adequate childcare facilities has to be ensured. Furthermore, jobs and working-time models enabling them to reconcile family and working life are essential prerequisites for access to the labour market, which implies independent social protection (in particular pension insurance).

Economic activities of women and the elimination of gender-specific income gaps are two important factors to ensure the long-term

sustainability of social protection systems. As women tend to have more interrupted job histories than men, pension claims by women in Austria often do not have the desired effect, i.e. safe old-age pensions; coverage gaps and lower bases for contribution calculation put women at a disadvantage vis-à-vis men. It is therefore crucial to address the aims of a higher labour force participation of women combined with better education/further training and equal pay for men and women in discussions on pension reforms in Austria. Besides the demographic development, these two factors have to be considered a prerequisite or at least an important aspect for ensuring the long-term sustainability of pension systems. The female employment rate, especially with the women aged 55 plus, is still significantly lower than that of men. This is particularly due to a different statutory retirement age for men and women, which has been suspended by a constitutional amendment until 2019.

Important initiatives to eliminate gender inequality in the area of social security caused by wage differences and wage discrimination are measures to reduce the segmentation in education and training, in industries and professional positions as well as legal, in-plant and supra-plant measures to ensure a better distribution of paid and unpaid work, equal pay for equal/equivalent work and better enforcement of equal treatment legislation. Austria therefore intensifies its efforts to reduce the segregation on the labour market and to increase the number of women with completed education/training. This is done for example by specific measures promoting women and girls in all educational areas and by supporting in-plant equal treatment programmes. The

Federal Ministry of Social Security and Generations is actively promoting the labour force participation of women. Examples of its endeavours are a competition at the federal and Länder levels to identify the most family-friendly enterprise and the establishment of the so-called "Audit Family & Work" programme, which is made available as a consultation tool to companies to test and improve their "family-friendliness".

#### 4.5. Supporting measures

The Austrian government designed a set of measures ensuring that strategies are targeted on the people who need them most. This tool was used to examine the entire Austrian social system to identify areas in which the services and benefits of social protection could prevent people from taking up or continuing gainful employment (in particular by abolishing non-contributory health insurance entitlements for childless partners as well as extending the four-week waiting period in the unemployment insurance in the event of termination of employment by mutual consent and by lapse of time). This measure has the effect that employees remain employed for a longer period and the contribution revenue is increased.

The tax burden is a key factor determining the number of people taking up employment, their willingness to achieve and their preparedness to take risks. The tax reform 2000 has already eased the pressure significantly, particularly on low and average incomes. The federal government is currently examining strategies to reduce the overall tax ratio to 40% of the GDP by 2010.

## **5. Disincentives to early retirement**

**Fifth objective: ensure that, alongside labour market and economic policies, all relevant branches of social protection, in particular pension systems, offer effective incentives for the participation of older workers; that workers are not encouraged to take up early retirement and are not penalised for staying in the labour market beyond the standard retirement age; and that pension systems facilitate the option of gradual retirement.**

### 5.1. Pension reform 2000

Measures to increase the actual retirement age have already been taken by changing the computation of pensions (i.e. raising the statutory early retirement age, abolishing early retirement due to partial incapacity, increasing actuarial deductions for retirement before the

standard retirement age of 60 for women and 65 for men; increasing actuarial additions for retirement after the standard retirement age). Furthermore, the provision regarding the prohibition to work for persons drawing pension benefits was abolished. This will make it possible to draw a pension and to work at the

same time. Thus gradual retirement will be facilitated. Since Austria considers these measures fundamental steps towards maintaining a balance between the active and the retired, more details will be provided under 7.1.

### 5.2. Gradual retirement

The Austrian pension insurance offers one option of early retirement referred to as “gradual retirement”. A person reaching the early retirement age (56.5/61.5) is basically eligible to gradual retirement if part-time work of a maximum of 28 hours or – in case of part-time employment in the previous year before the effective date – of a maximum of 70% of the working hours last worked was agreed or accepted without any obligation to extra work while drawing gradual retirement benefits. A person is eligible to gradual retirement benefits until reaching standard retirement age. This type of a partial pension calculated on the basis of the fictitious total income (full retirement benefit plus the income from gainful employment). It has to correspond to at least half the amount of the full pension. The insured hardly make use of the gradual retirement option (April 2002: 483 recipients of gradual retirement benefits).

The so-called “Altersteilzeit“ (old-age part-time work) was introduced as an alternative option laid down in the labour law, which meets with a significantly higher degree of acceptance (April 2002: approx. 15,000 persons; regarding labour-law-related aspects see 4.2.). Under this scheme employees reduce their standard working hours by 40 to 60%, and receive a pay compensation of 50% of the difference between the old and the new wage; furthermore, the social insurance contributions assessed on the basis of contribution calculation before reduction of the standard working hours are continued to be paid. The employer is compensated for the expenditure caused. The maximum duration of old-age part-time work is six and a half years. Women aged 50 and over and men aged 55 and over are eligible to old-age part time work provided that they had an employment subject to

compulsory unemployment insurance of 780 weeks (15 years) during the last 25 years. There is however a second “condensed” version of this “old-age part-time” scheme: full employment during the first half of the eligibility period and no work during the second half. As this version is usually given preference, this measure has the effect that workers de facto stop their economic activities before reaching the statutory retirement age. In the framework of further reform efforts it has to be examined very critically if this instrument provides real incentives to increase the labour force participation of older workers or encourages early retirement.

### 5.3. Reform of invalidity benefits

In Austria the scheme of invalidity benefits offers only two options, i.e. complete withdrawal from economic activities or continuation of employment without invalidity benefits. In reality this often leads to a situation in which especially older persons retire although they could engage in a – reduced – economic activity. The expert committee set up in 2000 explores how this situation would change if partial invalidity benefits were introduced. In a large-scale model test with 2,500 de-personalised genuine data the conditions for a partial invalidity pension based on a working hours model (similar to the Swedish system) and on an income model (similar to the Dutch system) were analysed.

Moreover, the expert committee also considers to make more efficient use of rehabilitation measures to avoid invalidity and the need for long-term care as well as to strengthen preventive health care by intensifying employee protection and health measures. To avoid granting younger employees a pension benefit under the insurance on grounds of partial incapacity, the principle of “rehabilitation comes before pension” as well as the option of granting temporary invalidity benefits was incorporated into the law already in 1996. For the same reasons the early retirement pension due to partial incapacity was completely abolished in the wake of the 2000 pension reform.

## **6. Pension reform from the perspective of public budgets**

**Sixth objective: reform pension systems in appropriate ways taking into account the overall objective of maintaining the sustainability of public finances. At the same time sustainability of pension systems needs to be accompanied by sound fiscal policies, including, where necessary, a reduction**

## **of debt. Strategies adopted to meet this objective may also include setting up dedicated pension reserve funds.**

It is the aim of the economic policy pursued by Austria to make a positive contribution to a stable and balanced economic development in Austria, the euro zone and the European Union. Austria is therefore firmly committed to strict compliance with the Stability and Growth Pact. After a wide discussion, the federal government agreed with the Länder and communities to endeavour to reach the target of a balanced budget. The respective measures were explained in detail in the Stability Programme of December 2000 and in the updated version for the years 2001 to 2005. The objective of a balanced budget was met already in 2001. The goal of achieving a balanced budget over a complete economic cycle will in the long run increase room for manoeuvre in the budget for financing pension systems.

In the framework of the 2000 pension reform the "Committee on Long-Term Pension Sustainability" was set up as a permanent monitoring tool; in 2002 it prepared a comprehensive opinion on long-term tendencies of the public pension system. The findings of this opinion are included in Chapter I.1 and a more comprehensive presentation is provided in *Annex 5*.

The federal government also set up the Pension Reform Committee dedicated to various aspects of future reform projects. This working group addresses many reform steps that are targeted at ensuring sustainability. The Committee will present the results of its work in autumn 2003.

Some examples of such measures are described below.

### 6.1. Measures relating to contributions

Currently no changes of the legislation concerning contributions are discussed. Furthermore, the federal government set itself the goal to reduce the overall tax ratio to 40% by 2010. However an open question is the increase of the self-financing ratio in the pension insurance of the self-employed by taking into consideration losses due to changing insurance institutions by the insured. These losses result from the fact that persons starting economic activity usually take up dependent employment and become self-employed only at a later stage in their job histories. As the last insurance institution, the

Sozialversicherungsanstalt der gewerblichen Wirtschaft (Social Insurance Institution for Trade), is responsible for paying the pensions, which take account of all insured periods. It has however no right to claim contributions made by the insured to other pension insurance institutions.

### 6.2. Changing the calculation formula

Changes of the formula used for calculating pensions are discussed by the expert committee set up in 2000 both from the financial point of view and the perspective of fairness within and among generations. In this context, the proposed strengthening of the principle of actuarial additions and deductions for working longer or retiring earlier has to be highlighted (see particularly 7.1.).

### 6.3. Organisational reform of the social insurance system

Another objective of the government is to analyse the organisation of pension insurance and to identify strategies to simultaneously increase efficiency and reduce administrative costs. Cost cutting is an important measure to ensure the financial sustainability of pension insurance. A typical feature of the Austrian pension insurance system is that there are different pension insurance institutions for specific occupational groups (e.g. workers, employees, non-farm self-employed, farmers, railway workers, etc.). In the past, this organisational structure was justified as the systems for the various occupational groups differed. As these systems become increasingly uniform, some thought should be given to finding the optimum organisational form of pension insurance. These reform efforts should not have adverse effects on the current high quality of social insurance in general and pension insurance in particular. In this context, it is worthwhile to consider a merger of institutions. The pension insurance institutions of workers and employees will be merged on 1 January 2003. This is a major step towards rationalisation since the two institutions have applied almost uniform standards and procedures. As the entire administration will be streamlined, significant cost savings will be made in the long run. This measure aims at cutting the administrative expenses of these institutions by about 10% in the medium run.

## 7. Fair balance between the active and the retired

**Seventh objective: ensure that pension provisions and reforms maintain a fair balance between the active and the retired by not overburdening the former and by maintaining adequate pensions for the latter.**

### 7.1. Pensions for early retirement

Considering the very low average effective retirement age in Austria, a reversal of the trend towards early retirement is a sine qua non for maintaining a fair balance between the active and the retired. The measures taken aim at providing an incentive to older workers to continue their economic activities.

From 1 October 2000 onwards, the statutory age for early retirement was gradually raised from 55 to 56.5 for women and from 60 to 61.5 for men (end of transition period: 1 October 2002). Possible adverse effects of this step were mitigated by flanking measures on the labour market to avoid undue hardship for persons becoming unemployed at an advanced age and to increase the employment opportunities for older workers (see objective 4).

A measure of the 2000 pension reform previously mentioned has to be underlined once more in this context: The statutory age for early retirement was raised and at the same time actuarial deductions for early retirement were increased. Before the 2000 pension reform took effect, these deductions were 2 percentage points for each year of retiring earlier. New legislation entering into force on 1 October 2002 introduced a deduction rate of 3 percentage points annually.

The federal government is committed to the Stockholm and Barcelona targets. Currently evaluations are made if the respective steps of the 2000 pension reform have had any impact so far. It is a question of particular interest whether the currently valid actuarial deductions are an adequate incentive for people to prolong their careers. Several experts have pointed out that the actuarial additions and deductions should be more significant so as to be fair from the actuarial perspective on the one hand and to provide effective stimulus to work longer on the other hand. In this context another solution is conceivable which would increase transparency: The current calculation practice of linear deductions from the increment (percentage of the calculation basis) could be replaced by a procedure of deducting a specific percentage from the pension

amount. Any changes should however avoid unexpected, noticeable negative consequences for the insured.

As recent experience with the latest pension reform shows, the approach adopted by Austria is successful. As early as in 2001 the 2000 pension reform led to a reduction of new pensions by 23.8% (or 21,800 persons) as compared to 2000; 35% can be allocated to standard old-age pension and 33.4% to early retirement. At the same time the volume of invalidity benefits climbed by 19.3%. This phenomenon was however not triggered by raising the retirement age but can be attributed to the abolishment of the pension for early retirement due to incapacity.

With the reform measures – abolition of the pension for early retirement due to incapacity and raising the statutory age for early retirement by 18 months – a crucial step towards a fair balance between the active and the retired based on sustainability and the solidarity among generations was taken.

The latest developments in this area are included in the presentation of pension indicators concerning the actual retirement age.

### 7.2. Survivors' benefits

Another valuable contribution to establishing a fairer balance between the retired and the active was made by laying down more stringent rules concerning the parallel receipt of direct pensions and survivors' benefits, as excessive social protection is avoided. In the past, survivors' benefits amounted to between 40 and 60% of the pension of the deceased. This amount can now be reduced below the level of 40% or no survivors' benefits may be granted at all if the surviving spouse has an adequate income or pension of her/his own.

### 7.3. Pension formula and pension adjustment

The formula applied to calculating pensions and pension adjustment are an inseparable tool to maintain a fair balance between the active and the retired. The Austrian strategy focuses inter alia on strengthening actuarial principles in pension calculation. The current

system of net adjustment aims at ensuring equal increases in the income of the active and the retired. This adjustment system should be

reviewed in the framework of further reform measures.

## 8. Efficiency of the pension systems

**Eighth objective: ensure, through appropriate regulatory frameworks and through sound management, that private and public funded pension schemes can provide pensions with the required efficiency, affordability, portability and security.**

With an administrative expenditure of 1.8% of the total expenditure, the social pension insurance records the lowest administrative costs in the insurance sector, not only by comparison with the social insurance but also with private insurance companies in Austria (average: 6.1% without advertising expense). Administrative costs will be subject to further dramatic cuts with a view to reducing them to the level of 1999 by 2003.

Another example for belt-tightening measures are the planned EDP-related cost reductions. After establishing a joint limited liability company ("EDV-GmbH") for all social insurance institutions, the EDP costs are expected to drop by up to 25%. In the past, the individual institutions also had independent EDP concepts that were hardly coordinated. Rationalisation measures will also help to bring

down the administrative expense relating to personnel and other functional areas. Finally, the merger of Austria's two biggest pension insurance institutions by 2003 is expected to result in cost savings of roughly 10% (see 6.3.).

The staff provision funds established in the framework of the new severance pay system must not run up administrative costs beyond a maximum level laid down in the respective legislation.

Moreover, the public pension systems as well as the 2<sup>nd</sup> and 3<sup>rd</sup> pillar schemes are subject to comprehensive public supervision. To strengthen supervision in the private sector, the Austrian Financial Market Authority has recently been reorganised to increase efficiency and effectiveness.

### ***C) Modernisation of pension systems in response to changing needs of the economy, society and individuals***

## 9. Flexibility of pension systems

**Ninth objective: ensure that pension systems are compatible with the requirements of flexibility and security on the labour market; that, without prejudice to the coherence of Member States' tax systems, labour market mobility within Member States and across borders and non-standard employment forms do not penalise people's pension entitlements and that self-employment is not discouraged by pension systems.**

The Austrian social insurance system – and thus social pension insurance – is based on the principle of providing insurance cover to all people engaged in any form of economic activity. The system is not limited to the traditional insurance of workers and self-employed but has integrated the so-called

"new self-employed" (particularly persons with contracts for work) since 1998, who now have access to the same comprehensive social insurance protection as non-farm self-employed ("Gewerbetreibende"). The concept of portability of insurance guarantees that changes from dependent employment to self-

employed activity and vice versa do not lead to a loss of pension rights (insured periods). Problems may however arise from different evaluation criteria with regard to "occupational protection" (a principle according to which a person should not be forced to engage in a different occupation) under the current invalidity insurance system. In addition to the above-mentioned "new self-employed" also the "free-lance service providers" (freie Dienstnehmer) were integrated into the pension system. Furthermore, "marginal part-time workers" (geringfügig beschäftigte ArbeitnehmerInnen), i.e. persons whose income is below the insurance limit, were offered optional low-cost self-insurance under the health and pension insurance scheme. All these measures had the effect that the generally rather high ratio of insured persons has been further increased. In addition, the introduction of the new severance pay has considerably stepped up the number of workers benefiting from private social protection schemes. This new severance pay model decreases the labour cost for older workers in the long run. Since workers changing job are now able to maintain previously acquired rights to future payments labour mobility and flexibility are boosted (see also 2.4.).

While in 1999 206,757 persons had been covered by pension insurance of the Social

Insurance Institution for Trade, 281,935 compulsory insured were registered in 2001 (non-farm self-employed, new self-employed and free-lancers). This increase is not only due to the above-mentioned measures but can also be attributed to an improved economic policy framework, e.g. reduced contributions for young entrepreneurs (introduction of a lower minimum basis of contribution calculation for starters during the first three years of compulsory insurance on 1 January 1999). The sector of agriculture and forestry is still subject to structural changes. Nevertheless, the number of persons covered by pension insurance was increased from 170,667 in 1991 to 189,907 in 2001 by incorporating new groups of persons into the compulsory insurance system (women farmers as co-owners; reduction of the minimum assessed value of property for which owners have to be compulsorily insured; option of pension insurance for persons turning over their farm to a successor).

Moreover, the introduction of the new severance pay has not only increased the flexibility and mobility on the labour market but is an additional attractive supplementary provision scheme integrating features of the 2<sup>nd</sup> and 3<sup>rd</sup> pillar.

## 10. Equal treatment of women and men

**Tenth objective: review pension provisions with a view to ensuring the principle of equal treatment between women and men, taking into account obligations under EU law.**

### 10.1. Increasing pension credits for child rearing

A fundamental objective of the government was to introduce a childcare allowance – analogously to the family allowance (allowance for children) – for the entire resident population (previously parental leave benefit was paid to employees, while the self-employed received a temporary help allowance; as these benefits were genuine insurance benefits, the parent claiming them had to have an employment history). This new childcare allowance also offers advantages in acquiring pension rights to persons dedicated to child rearing. Up to 18 months of the period in which childcare allowance is received are classified to qualify

as genuine contributory periods (a share of the childcare allowance goes to the pension insurance). As child-raising periods are taken into account, independent pension rights are guaranteed also to women who cannot meet the minimum requirement of 15 contribution years. Child-raising periods beyond 18 months up to a maximum of the fourth birthday of child are considered fictitious contributory periods and have therefore the effect of increasing pensions.

### 10.2. Splitting of pension rights

An important subject which still needs to be subject to in-depth analysis are changed family structures, in particular the new role of women.

The Austrian pension system is in general still based on the traditional family pattern, which has been obsolete for some time (women were able to earn pension rights only if they had their own long job histories, survivors' benefits were paid to the surviving spouse or the divorced spouse if the deceased or former spouse had a support obligation under civil law or made support payments). It is now discussed if the spouse who has not earned the main family income should be guaranteed a share in this family income in old age. Pension sharing can for example take the form of paying the pension separately to the two spouses. This is currently done in Austria in the agricultural pension insurance system, which provides for an independent pension for women farmers ("women farmers' pension") if the two spouses ran an agricultural undertaking together. Another option discussed is the splitting of pension rights of the spouses, e.g. in the case of divorce. In this context, a system could be introduced allowing the spouses entering into marriage to make a formal arrangement on pension sharing, similar to a marriage settlement. The legislator would have to lay down provisions governing the cases in which no arrangement of this type was worked out. This discussion should not be limited to social law aspects but cover also questions such as taxation or provisions under family law. The political decision on the concrete approach to be adopted has not yet been taken. The expert committee appointed in 2000 is in charge of preparing this decision. This committee also explores options to improve the system of crediting child-raising periods to further increase the share of women earning their own full pension rights. In this context, mention has to be made of the fact that it would become necessary to finance the additional cost involved by other measures, e.g. reduction of survivors' benefits.

#### 10.3. Gender mainstreaming

Gender mainstreaming is a large-scale undertaking that should be taken into account also in the ongoing pension reform. Equal treatment between women and men is a fundamental principle of the Austrian legal system. However, in some minor aspects gender-related differences may still be observed.

In summer 2000 an interministerial working group was set up by resolution of the federal government, in which all ministries as well as the supreme executive bodies are represented. It is the objective of the working group to support and monitor the process of gender mainstreaming in all ministries and at all political levels. On the working group's task list

are inter alia: exchange of information, of exemplary initiatives among the ministries as well as domestic and foreign best-practice examples; development of criteria for implementing the gender mainstreaming strategy; monitoring and evaluating ongoing projects, measures and laws regarding the application of gender mainstreaming.

#### 10.4. Currently existing differences

As far as the pension insurance is concerned, it has to be pointed out that the average pension of men is still considerably higher than that of women. The relevant data are included in the presentation of the pension indicators in *Annex 4*.

While one third of the differences recorded are due to the reduced economic activity of women due to child-raising periods, two thirds can be attributed to income gaps. By taking into account Council Directive 79/7/EEC on the progressive implementation of the principle of equal treatment for men and women in matters of social security and the necessity to address inequalities by measures targeted to the pension insurance system (particularly increasing pension credits for child-raising periods), it is still necessary to get to the roots of these differences, i.e. the income gap between women and men.

In the past decades there was a remarkable difference in the number of men and women drawing pensions based on their own full pension rights. While almost all men received independent benefits under the statutory pension system or the pension scheme for civil servants, a considerably smaller number of women obtained such benefits. However over the last years these differences have decreased sharply so that one can assume that in the long run the degree of social protection in old age of women will be only insignificantly lower than that of men. The respective detailed data are included in the presentation of pension indicators. As mentioned above, there are still gaps in the amounts of old-age pensions received by men and women.

Another important aspect of unequal treatment between women and men in the Austrian pension insurance is retirement age – although in this case inequality favours women. There is a difference of five years between the retirement age of women and men. A uniform retirement age was in place only in the special system for civil servants (thus women had to work longer than under the general pension insurance system). This difference of five years

in the pensionable age applies both to early retirement and standard retirement.

In the early 90s the Austrian Constitutional Court ruled that this gender-specific difference in statutory retirement age contravened the equality principle. Nevertheless, it granted the government some scope for a smooth transition as the actual gender situation in the family and working life was to be taken into account in harmonising the pensionable age. Due to the great significance society attaches to the legal retirement age, a specific constitutional law for equalising the retirement age was adopted: early retirement age will be harmonised between 2019 and 2029, standard retirement age between 2024 and 2033.

In Austria there are numerous legal provisions in other spheres for which the retirement age is

of relevance and which therefore incorporate these different age limits. Some of these provisions are currently subject to review by the Austrian courts. For this reason and also bearing in mind the Stockholm and Barcelona targets, it is not unlikely that a new discussion on equalising the retirement age of men and women earlier will be kindled.

There are no differences based directly on gender in calculating pensions save one: The additions and deductions for early or later retirement depend on the gender-specific retirement age. There is no difference in calculating survivors' benefits. In this context it should be mentioned that due to the higher life expectancy and the different labour force participation a considerably higher number of women than men receive survivors' benefits.

## 11. Transparency and information

**Eleventh objective: make pension systems more transparent and adaptable to changing circumstances, so that citizens can continue to have confidence in them. Develop reliable and easy-to-understand information on the long-term perspectives of pension systems, notably with regard to the likely evolution of benefit levels and contribution rates. Promote the broadest possible consensus regarding pension policies and reforms. Improve the methodological basis for efficient monitoring of pension reforms and policies.**

An expert committee is monitoring the long-term financial development of the statutory pension system (1<sup>st</sup> pillar) on an ongoing basis; as mentioned above, its findings are presented in *Annex 5*; the demographic development and labour force participation were analysed under different scenarios. At the same time another reform committee is dedicated to important reform aspects of statutory pension insurance.

### 11.1. Equivalent periods (fictitious qualifying periods)

A clear method of financing pension claims which may be considered a genuine benefit for contributions made and of pension credits for which the insured did not make any contributions could facilitate further reform steps. Efforts should be made to allocate the respective costs to the actual source where they originated. This will make it possible to ensure that reforms that may become necessary in the future will meet with wider acceptance, as procedures will become more transparent for the insured.

Assuming a cost-adequate coverage in 2000, costs of 1.80 billion € for fictitious qualifying

periods, for which pension credits were granted, were calculated on the basis of the revenue (1.84 billion € in 1999). This method corresponding to the statutory pay-as-you-go concept of the pension insurance postulates that contributions analogously to the contribution periods have to be made in respect of all fictitious qualifying periods of the actively insured recorded within one year. The individual basis of contribution calculation of the insured acquiring such fictitious qualifying periods is used to assess contributions. The only invariable factor are periods of child rearing. The rate of contribution is the same as for contribution periods. An analysis of the individual components of these fictitious qualifying periods has an interesting result: Fictitious qualifying periods relating to unemployment decreased significantly in 2000 as compared to 1999 (901 million € vs. 981 million € respectively), whereas those relating to child raising (and maternity benefits) rose sharply in the year 2000.

The lower expenditure on fictitious qualifying periods in 2000 are due to declining unemployment rates. In 2000 the annual

average number of unemployed persons was 194,300 and thus by 12.4% below the level of 1999. This means that the business cycle has an impact on the fictitious qualifying periods relating to spells of unemployment covered by unemployment insurance (and subsequent periods during which the affected receives unemployment assistance). A cyclical downturn will therefore lead to an increase in fictitious qualifying periods and vice versa. This is evidenced by the data of 2000, a year with a favourable labour market situation.

The funds spent on child-raising periods and maternity benefits rose dramatically in 2000, exceeding the level of 1999 by more than 72.7 million €. The financial requirements of fictitious qualifying periods relating to health insurance increased as well.

If the total costs of fictitious qualifying periods were assumed by the "originators", the subsidy of the federal government for the statutory pension insurance would be reduced significantly.

#### 11.2. Pension accounts

The introduction of individual "pension accounts" informing the individual on pension rights credited could be a useful instrument to enhance transparency and to strengthen the confidence of the population in the system. An important prerequisite for this measure is to identify and (accurately) quantify fictitious qualifying periods. This would make it easier to decide between financing from contributions or taxes. The expert committee set up by the federal government has the task of developing model proposals. As an alternative, the committee is also examining parametric reform approaches to strengthen actuarial principles.

#### 11.3. Social policy against the background of manifold interests

Austria has a long-standing tradition of identifying solutions for reforms by reaching an agreement of all the parties involved. The social partnership between the formalised representation of interests groups of employees and employers, which dates back to the after-war period, has made a crucial contribution to maintaining and strengthening social peace in Austria. Thanks to this social partnership, many socio-political conflicts were avoided from the onset. This is for example reflected in the fact that Austria has one of the lowest average strike rates in the world.

As experience has shown it is however difficult in pension reforms to strike a balance between

achieving the goals set and the interest of the people affected. Even though the traditional wide political consensus was not reached due to far-reaching reform objectives and a relatively high speed of implementation, the population did not fundamentally oppose the measures of the 2000 pension reform.

The changes to be effected within a short period of time brought another field conflict to the fore. In accordance with the Austrian Constitution, the population's confidence in the existing legislation has to be protected. Therefore the question of transition periods is of crucial importance to ensure that pension reforms are implemented in conformity with the Constitution.

#### 11.4. Information of the persons affected

The Austrian social insurance institutions are taking measures on an ongoing basis to provide more information to the insured about pension credits and pension claims, e.g. the project "electronic social insurance" (eSV), distributing brochures, developing EDP programs for calculating pensions and setting up one-stop shops.

The eSV project is a joint initiative of all Austrian social insurance institutions to provide a service on the Internet that is close to the citizen. This project takes advantage of the Internet to establish new future-oriented communication and service channels, to offer all services on a one-stop-shop basis and to actively involve customers in processing their requests. The core of eSV is the Internet portal of the Austrian social insurance: [www.sozialversicherung.at](http://www.sozialversicherung.at). Since May 2002 this portal has been offering access to information sources and important customer services concerning social insurance. Uniform standards concerning the content, technology and design ensure simple and safe access to the Austrian social insurance.

Other important tools to disseminate general and technical information on the Austrian social insurance are Internet databases providing access to the legislation currently in force and to official announcements ([www.sozdok.at](http://www.sozdok.at), [www.avsv.at](http://www.avsv.at)), the presentation of recent developments in the specialised journal "Soziale Sicherheit" as well as intensive media presence. Adequate information and transparency will certainly lead to more understanding for reforms by the insured.



# Annex 1

## ***Key data on social expenditure in Austria***

Tables 1 to 6 of this Annex present the most important benchmark figures on social expenditure, the social expenditure ratio as well as the expenditure of public pension systems in 2000 based on the ESSOSS-Social Database:

- In 2000 the social expenditure amounted to 59.59 billion €, which corresponds to 29.1% of the GDP (Table 1).
- Out of this total 21.5 billion € went to the statutory pension insurance. The pension benefits of public entities, i.e. the pension schemes for civil servants, accounted for 7.9 billion €. Thus the public pension expenditure corresponded to almost exactly half of the total social expenditure and thus a share of approximately 14.4% of the GDP (Table 2).
- Old-age pension benefits amounted to 22.2 billion €, i.e. about 38% of the total social expenditure, invalidity benefits accounted for 4.8 billion €, i.e.. 8.2% of the total social expenditure, and survivors' benefits added up to 5.7 billion €, i.e. 9.9% of the total social expenditure (Table 3).
- Out of the above-stated social expenditure of 22.2 billion € spent on old-age benefits, about 17.1 billion € went to standard old-age pension and 2.4 billion € to early retirement pension. The remaining difference of 2.7 billion € was made up by disability benefits, long-term care benefit, occupational pensions, etc. (Table 4).
- The social expenditure on invalidity was composed analogously: From the above total of 4.8 billion € about 3.4 billion € were spent on invalidity benefits, the remainder was used for miscellaneous benefits mentioned above such as disability benefits and long-term care benefits (Table 5).
- Out of the total amount of 5.7 billion € spent on social expenditure for survivors' benefits approximately 5.4 billion € were benefits under public pension schemes (Table 6).

## Annex 2

### ***The fundamentals of the Austrian pension system***

#### First pillar (including special systems for civil servants)

The Austrian system of old-age pension insurance is based on the principle of covering all persons engaged in economic activities. It consists in a general system protecting all employed persons (with special provisions for specific occupational groups, e.g. miners), two special systems for farmers and other self-employed persons corresponding to the general system as well as various special systems for civil servants of the different public-sector employers (e.g. federal government, Länder, communities). There are also schemes for specific free-lancers (e.g. lawyers, doctors). Notaries public have their own special system. These systems (with the exception of specific schemes of the liberal professions, which is outside the common special system for self-employed persons) are traditional first pillar schemes.

The Austrian statutory old-age pension system covers almost the total working population. An analysis of the group of persons born in 1936 - which is likely to receive a pension now provided that the respective pension rights were acquired – shows that about 78.5% of men and more than 69% of women draw a pension from a statutory pension insurance system (state December 2001). This ratio is even higher if the pensions from special systems for civil servants are added as they are not included in the above figures.

#### Financing

In Austria the general old-age provision system is exclusively based on the pay-as-you-go principle. It is financed from contributions of the insured (and employers in case of dependent employees) as well as government subsidies. The volume of these financial resources varies between the individual systems.

In 2001 76.7% of the income of the pension system for dependent employees as well as the special systems for the self-employed corresponded to contributions by the insured, while the remainder was largely financed by a government subsidy (as a percentage of the pension expenditure: 21.5%; there is a considerable difference between the pension

insurance of the dependent employees [15% of the pension expenditure] and the pension insurance of the employed [40.8% in the pension insurance of the Social Insurance Institution of Trade and 74% in the pension insurance for farmers]).

The government subsidy is of particular relevance for the long-term aspects of pension insurance, which is best illustrated by stating it as a percentage of the GDP. Ten years ago, the government subsidy was 2.85% of the GDP (1991). Currently the government subsidy is 2.4% of the GDP.

The contribution rates have remained constant over the last few years. In the pension insurance of the dependent employees it was 22.8% of the basis of contribution calculation, of which the employer and the employed pay 12.55% and 10.25%, respectively.

In most special systems for civil servants the pension contribution is 12.55% of the salary of active civil servants and 2.3% of the pension of the retired.

#### Eligibility criteria, insured periods

As a prerequisite for entitlement to old-age pension the insured must have been affiliated to an insurance system during a minimum period (varying according to the kind of benefit). Since the Austrian old-age pension system is a scheme focused on economic activity, contribution periods but also fictitious qualifying non-contributory periods (e.g. child rearing, military service, periods in which specific social security benefits were received; school and university education provided the contributions were paid retrospectively) are credited in calculating the minimum period of affiliation.

The following types of old-age pensions are distinguished:

- standard retirement pension
- early retirement pension due to unemployment,
- early retirement due to long insurance affiliation,
- gradual old-age pension.

The standard retirement age is 65 for men and 60 for women; early retirement age is 61.5 for men and 56.5 for women (effective as of 1 October 2002 due to a transition provision under the 2000 pension reform).

A special Constitutional Law gradually raises the statutory retirement age of women to that of men. Equalisation of early retirement age will start on 1 January 2019 and will be completed by 1 January 2028. The transition period for equalising the standard retirement age will be 1 January 2024 to 1 January 2033 (hence, as of this date there will be a uniform retirement age for women and men)

#### Calculation of benefits

Calculation of the pensions in Austria depends on two decisive factors. Firstly, the duration of affiliation to the system is relevant, i.e. the longer a person has been affiliated to a system, the higher the pension. Credits are given to both contribution periods and fictitious qualifying periods.

The second most important factor determining the pension amount is the income insured. In this context it has to be pointed out that contributions have to be paid only up to a specific maximum basis of contribution calculation (2002: 3,270 € monthly + 6,540 € for the 13<sup>th</sup> and 14<sup>th</sup> monthly salary). Currently, pension credits are not calculated on the basis of the entire job history of a person but the best 15 years of all insured periods are taken into account; periods in the remote past are subject to valorisation. The average of the best 15 years is the basis of pension calculation. The maximum basis of pension calculation is 2,886.14 € in 2002. A separate "basis for pension calculation" of currently 630.92 € is added to the basis of contribution calculation for child-raising periods. The maximum pension in 2002 is 2,308.91 € monthly, in addition a 13<sup>th</sup> and 14<sup>th</sup> monthly pension are granted in May and October of every year.

As regards early retirement pensions, the number of insured years taken into account in determining the basis of pension calculation will be gradually raised to 18 years between 1 January 2003 and 2019. Moreover, efforts were made to bring the special systems for civil servants more in line with the general system. An important step is the adjustment of the basis of calculation of the pension of civil servants, which is currently based merely on the amount of the last salary received. A new system based on calculating the average of the best 18 years of a career will be implemented within a transition period from 1 January 2003 to 2020.

Since 1 January 2000 2% of the basis of calculation are credited for every insured year. One aim of the 2002 pension reform was to make actuarial deductions more transparent to raise the actual retirement age in a more effective way. Now 3% of the basis of pension calculation are deducted from the pension for every year before the early retired reaches the age of 60/65 (limit: 10.5% of the basis of calculation or 15% of the pension). The previously applicable actuarial additions for delaying retirement were raised to a uniform level of 4% of the basis of calculation per year. The maximum pension for persons retiring after standard retirement age is 90% of the basis of calculation. Otherwise the amount of pension is limited to 80% of the basis of calculation.

#### Second and third pillar

The second pillar (supplementary pension systems) has traditionally played a minor role in Austria. There is no general compulsory second pillar. According to surveys, currently 300,000 persons acquired pension rights or draw benefits under a supplementary pension schemes.

In Austria the third pillar (private pension schemes) is a completely voluntary form of provision. In the framework of the 2000 pension reform a special incentive was created by introducing a "premium model" for private old-age pension schemes. Eligible are supplementary pension insurances with private insurance companies, employee's contributions to a pension fund (i.e. the second pillar) and pension investment funds. Since 1 January 2001 this product has become even more attractive: The income tax (wage tax) is refunded as a lump sum calculated on the basis of a percentage of the premium paid in the respective calendar year. The percentage is 5.5% plus a variable percentage of (currently) 4.5%. Thus the total premium for this aided old-age scheme is 10%. Benefits from premium model schemes are tax-free. As an alternative, the amounts payable under other specific private schemes may be deducted from the taxable income as special expenses. This is however limited to one fourth of the contributions up to specific maximum amounts (depending on the composition of the household) can be claimed as expenses. In this context, the new legislation on severance pay taking effect on 1 January 2003 should be mentioned. This severance pay can be classified as a scheme between the second and third pillar. Given the political significance of this measure, detailed information was provided under 2.4. of the strategy report.



## Annex 3

### *Key labour market data*

#### 1. Universal objectives of the Austrian labour market policy

In the framework of the full employment policy of the federal government, the labour market policy has in general the task of reconciling the labour supply and labour demand to the extent possible and in an economically beneficial and sustainable way by taking into account social and economic principles. The ultimate aim of this task is to prevent and eliminate unemployment. This objective is supported by the labour market policy guidelines of the Federal Minister of Economic Affairs and Labour, which ensure a weighted use of tools of active labour market policy benefiting defined groups of persons on the labour market. The placing of labour force (and thus the filling of vacancies) is inseparably linked to protecting a decent living standard of the individual by granting unemployment benefits and unemployment assistance, both from the functional and institutional perspective. This principle is a cornerstone of the Austrian labour market policy.

The Federal Minister of Economic Affairs and Labour defined the universal goals in his guidelines of February 2001 on the implementation of the labour market policy by the Labour Market Service as follows:

- Achieving and maintaining full employment. The aim is permanent integration into jobs of the first labour market with an income protecting a decent living standard.
- Active measures regarding qualification in the broadest sense with the aim of reducing unemployment, safeguarding jobs, supporting people in taking up employment and supplying the economic sector with adequate labour force.
- Establishing equality of opportunities to the extent possible and contributing to eliminating the gender-specific division of the labour market with a view to making family and working life compatible.
- Making the labour market more transparent to ensure that the labour supply and labour

demand meet effectively and optimising “matching” (placement by the Labour Market Service).

- Human resources development by early counselling and support of enterprises regarding issues (possibly) having effects on the labour market, questions of staff recruiting, personnel qualification, re-structuring of working hours as well as development of alternatives to cutting down labour force in the wake of re-structuring measures.
- In general measures should focus on activation rather than on passive subsistence protection of the unemployed.
- Social exclusion due to long-term unemployment, in particular of older workers, has to be counteracted on a broad basis. The persons affected have to be supported, their personal qualifications have to be activated and they have to be integrated into a fulfilling work process.

#### 2. Development of the labour market for older workers

In Austria an above-average annual increase in dependent employment of persons aged 50+ was recorded in 2001. The annual average number of employed persons increased by 15,154 persons, i.e. 3.4% (totalling 460,577). The number of older male workers grew by 4,704 (1.7%) to 285,985, while the number of women surged by 10,450 (+6.4%) to 174,593. This above-average increase in the employment of older persons is inter alia due to the flanking measures of the pension reform 2000 targeted at the labour market (optimisation of the bonus-malus scheme in the unemployment insurance: employers who recruit workers aged 50 and over are with immediate effect fully exempted from paying the employer's contribution to the unemployment insurance; improvement of the early warning system, more rights to contest dismissals) and raising early retirement age.

In this context the fact has to be stressed that the rise of the occupation rate was paralleled

by a significant decrease in new cases of early retirement. The occupation rate of older dependent workers increased by 0.5 percentage points in 2001. In the 55 to 59 age group the rise was no less than 1.9 percentage points.

Despite the increase in the supply of dependent labour force by 14,400 persons or 2.9%, the annual average unemployment of older workers decreased slightly, i.e. by 753 persons or 1.7%. Although the cyclical downturn made labour market conditions for this age group more difficult in 2001, 6,748 persons belonging to this age group were able to take up employment. The number of people 50 years of age or older, who had been registered unemployed for more than 6 months, dropped by 4,072 (21.2%) to a level of 15,180. The number of persons who were unemployed for more than 12 months even shrank by 36.8% (-4,037) as compared to the previous year (total: 6,922).

In spite of the above-mentioned improved job opportunities and the relatively favourable development of the annual average unemployment rate, attention has to be drawn to the fact that the unemployment rate of this age group continues to be excessively high. Based on the unemployment register data, the rate was 8.5% in 2001. In general a higher "job risk" has to be assumed for older workers. The most important problem are however the excessively low chances of re-employment.

Although in 2001 only 14.9% of the persons affected by unemployment were older than 50, the unemployment volume of this group was 21.1% due to the significantly longer duration of unemployment. While in 2001 the annual average length of unemployment of the total of unemployed was 106 days, significantly longer spells were recorded for older workers: 50 to 54 age group 152 days; 55 to 59 age group 234 days and those aged 60+ 480 days. The average registration duration of the older unemployed was 402 days (almost 14 months), which corresponds to more than the double duration of all persons registered (partly varying strongly according to industry). In this context it should also be pointed out that this development is also due to factors such as changed eligibility criteria for early retirement pension and the relevant support measures laid down in the unemployment insurance law (longer entitlement periods for unemployed persons directly affected by the reform, who take early retirement due to unemployment).

In brief, it is still highly difficult for older workers to re-integrate into the employment system.

The situation on the labour market for older persons relaxed considerably in the wake of the newly introduced regulation on old-age part-time benefits, that became effective on 1 January 2001. Until April 2002, the number of recipients rose to approximately 15,000. The expenses for this labour market measure amounted to about 69.4 million euro in 2001. As the equivalent of about 2,600 full-time jobs became vacant on the labour market, a notable contribution to reducing unemployment rates of older workers was made in 2001.

### 3. The development until 2010 and its effects

According to forecasts, the share of the age group 15 to 24 will hardly change until 2010, while the number of persons of standard working age (25 to 49 years) will drop by 98,000. At the same time, the population aged 50 to 64 will grow by slightly more than 100,000 until 2010. Since the employment rate of the older workers of 51.2% in 2001 (50.5% in 2000) was significantly lower than that of persons of standard working age (82.2% in 2001; 80.6% in 2000), the labour supply is expected to shrink by 2010 in view of the demographic conditions. If the demand for labour continues, it could be met by increasing the employment rates of women and older persons provided that the different instruments of labour market policy address the target groups (e.g. training of women, vocational courses for women and older workers).

## Annex 4

### *Pension indicators from the Austrian perspective*

The below pension indicators were developed by two working groups:

- First of all, this subject is treated in the Indicator Subgroup of the Social (ISG) Protection Committee (SPC). In the below tables the attempt was made to take account – at least partly – of the currently available findings of this working group.
- In addition, a working group was set up also at the national level with a view to finding meaningful pension indicators for the public old-age pension systems in Austria.

#### 1. Demographic indicators

In the years 1955 to 2000 Austria's resident population increased by 1.2 million. This upward trend will not continue. The resident population is expected to remain at a constant level of 8.2 million between 2000 and 2050.

Based on age groups, the resident population may be grouped into persons economically active and persons not engaged in economic activity. Three age groups can be distinguished: persons not yet working (0 – 14 years), working-age population (15 – 64 years) and people no longer working (65 years and older). The proportion of these age groups are changing over time.

While in 1955 22% and 11 % belonged to the youngest and oldest age group, respectively, their shares reached almost equal levels (17% and 16%) in 2000. By 2050 the shares will have been more than reversed: the youngest age group will make up 13% and the oldest age group for 28%.

The group of the active is not changing so dramatically. In 1955 the share of this group was 66%. It dropped to 61% by 1970 but recovered until 1985 (68%). This level will remain stable until 2010. It is then expected to decrease continuously and decline to 58% in 2050. After that date, further decreases are likely. The available quantitative data are presented in Tables 1.1 and 1.2.

The fact that the share of the active in the population remains constant during a

prolonged period is reflected in the overall dependency ratio, which is conventionally defined as the ratio of the dependent age groups to the population in the working age group.

In the years 1985 to 2010 this ratio was approximately 480. It will climb beyond the threshold of 500 after 2015. This means that after the year 2015 there will be two workers for slightly more than one person not active. The overall dependency ratio will increase but will reach about 630 – corresponding to the value of 1970 – only in 2030. In 2050 the overall dependency ratio will stand at 716 and continue to deteriorate due to the population structure. It can be assumed that shortly after 2050 four workers will have to support three people not economically active.

A sub-quota of the overall dependency ratio is the old-age dependency ratio reflecting the relationship between people no longer working and the working population. In 1995 this ratio was 173. It climbed to 230 by 1970 and remained constant until 2000. It is expected to reach 247 by 2005. This means that there will be four gainfully employed persons for every retired person. Until 2050 the ratio will increase to 489 so that there will be two workers for every retired person.

This trend is similar in all EU Member States, although there are specificities in the individual countries. At present Austria is still below the EU average. Its old-age dependency ratio is however expected to exceed the EU average from the year 2030 onwards. Within the EU Austria has the 10<sup>th</sup> highest old-age dependency ratio. In 2030 Austria will rank 5<sup>th</sup> and in 2050 4<sup>th</sup>. In 2035 the old-age dependency ratio will start to stabilise in individual EU Member States. However 7 of the EU-15, among them Austria, will reach their maximum old-age dependency ratio towards the end of the monitoring period in 2050. The dispersion of the rate ranges from 405 in Denmark to 620 in Italy. However the increase will level off until 2050 in most countries (exceptions: Greece and Ireland) so that saturation for the EU-15 is expected at a ratio of 500. This means that the average old-

age dependency ratio will double from the level of the year 2000.

Table 1.3 provides comparisons of old-age dependency ratios within the EU Member States. The old-age dependency ratio of Austria stated in Table 1.3. deviates from that in Table 1.2 is due to the fact that for Table 1.3 the statistical data were taken from the Eurostat, while Table 1.2 is based on data provided by Statistik Austria (Statistik Austria takes account of more state-of-the-art findings than Eurostat).

The development of the life expectancy of the Austrians shows a continuous trend towards an ageing population. While life expectancy was 68 at birth in 1955 and 78 for the then 65 year-old, life expectancy increased in 2000 at birth by 10 years and for the then 65 year-old by 5 years. Until 2050 life expectancy will increase by 17 years at birth and 9 years for the 65 year-old as compared to 1955.

The old-age dependency ratio of the very elderly (share of those aged 80 and older in total population aged 65 and over) is developing analogously to life expectancy. While it was still 130 in 1955, it is doubling until 2005 and will triple until 2050.

The net immigration to Austria is estimated at about 20,000 persons annually between 2000 and 2050. In the past considerably higher increases were however recorded in individual years, e.g. in 1980 the migration balance was 109,356 and in 1990 it was 71,913.

Since 1965 the number of live births per women is declining. While in 1996 the total fertility rate was still 2.70, it decreased to 1.34 in 2000. The fertility rate is expected to increase to 1.50 in the future.

The figures used for this analysis are shown in Tables 1.1 and 1.3.

## 2. Labour force participation

The below employment rates are based on data by Eurostat, that were developed in accordance with the Labour Force concept.

The overall employment rate of older workers has recorded a fairly stable trend in Austria between 1995 and 2001: In the age group 50 to 54 there was a slight increase by 3.2 percentage points. For older persons the employment rate slightly diminished from 1995 to 2001. An analysis by gender shows the following noticeable trends: female employment in the 50 to 54 age group

increased by 5.5 percentage points; male employment in the age groups 60 to 64 and 65 to 69 declined by 3.3. and 3.8 percentage points, respectively. However these age groups recorded significant changes in employment in 2000 and 2001 that are described in Annex 3.

The effective retirement age went down by 0.4 years in the period under review. This decline affects both women and men. The measure of raising the retirement age for early retirement in 2000 has not resulted in a significant change of the average age at early retirement. It did however have an impact on the number of new early pensioners as will be shown in the following. In this context, mention has to be made of the fact that this effective retirement age does not reflect actual figures but is estimate in accordance with a formula based on employment rates. More detailed data on the effective retirement age within the statutory pension system are presented in below.

Table 2.1. provides further details on the development of activity rates and the estimated effective retirement age between 1995 and 2001 in Austria.

Austria ranks 6<sup>th</sup> in the 45 to 49 age group and 8<sup>th</sup> in the 50 to 54 age group in a comparison of employment rates of the EU-15 in 2001. The Austrian employment rate is above the EU-15 average in these age groups but is below it in all older age groups. In the age group 55 to 59 Austria ranks 12<sup>th</sup> and in the age group 60 to 64 it ranks 13<sup>th</sup>. EU-wide employment is below 7% in the age group of 65 and over. A ranking of this group is not very meaningful.

Austria has a very low employment rate particularly in the age groups 55 to 59 and 60 to 64. As regards these age groups that are problematic for Austria it can be observed that the Scandinavian countries are successful in the age group 55 to 59 while Sweden and Portugal achieve the best results with regard to the 60 to 64 age group.

A direct comparison with Sweden shows that Austria records an employment rates corresponding to half the Swedish rate in the 55 to 59 age group and to a fourth of Swedish rate in the 60 to 64 age group.

The below-average employment rate results in an estimated effective retirement age of only 59 years: Austria – together with Belgium, France and Luxembourg – ranks last by EU comparison.

A comparison of the 2001 occupation rates of the EU-15 shows similar results as that of employment rates. Analogously to the trend of the employment rate, Austria registers occupation rates below the EU-15 average in the age group 55 to 59 and older. The Scandinavian countries are very successful. Besides them, only Great Britain (age group 55 to 59) and Portugal (people in their 60s) record favourable rates.

Further details regarding the employment rates and retirement age are presented in 2.2. Table 2.3 provides an overview of occupation rates.

### 3. Share of the insured in the active population (ratio of insured persons)

In 2001 the active population (i.e. the age group 15 to 64) was about 5.53 million persons, of whom approximately 3.85 million were engaged in economic activities. The number of the active is determined on the basis of the Labour Force concept used by Eurostat.

- About 3.64 million persons or 94.5% of all active persons were insured in public pension systems. The ratio of insured men was 95.7 %, while the ratio of insured women was 93.1%.
- Among the groups of persons not insured in the public pension system were some groups of free-lancers (e.g. lawyers, consulting engineers, architects), assisting family members in the groups of self-employed and contingent part-time workers (“geringfügig Beschäftigte”), who did not conclude a self-insurance in accordance with Article 19a of General Social Insurance Act (Allgemeinen Sozialversicherungsgesetzes (ASVG)). Moreover also those unemployed, who do not receive cash benefits under the unemployment insurance, do not acquire fictitious qualifying periods in public pension systems. The majority of persons in the two last groups are women. Therefore the ratio of active people not covered is higher among women than among men.
- Those persons not active in the employable population have the option of acquiring pension credits by self-insurance or continued insurance. On the other hand recipients of sickness benefits, persons doing military service or alternative civilian service as well as women with children of a maximum age of four are covered also under the pension scheme as they acquire pension credits due to fictitious qualifying periods.

- If the number of persons covered in 2001 is calculated as a percentage of the entire working-age population, this results in ratios of about 75% for men and 66% for women. Therefore a larger percentage of women is covered than that would correspond to the active.

The relevant data are presented in Table 3.

### 4. Contributing income – pension benefits – fictitious qualifying periods

The Tables 4.1 to 4.3 provide information on the amount of the contributing income in the statutory pension insurance, data on benefits as well as fictitious qualifying periods:

- The median of the insured income was about 24,900 ATS (1,810 €) in 2000. For men this value was 29,150 ATS (2,118 €) and for women it stood at 19,540 ATS (1,420 €). Thus the median income of women was only about 73% of that of men. These differences become more pronounced in old-age benefits: the average amount of benefits women receive from statutory pension systems is 10,100 ATS (734 €), while men draw average pensions amounting to 18,350 ATS (1,334 €). The median for both genders is 13,010 ATS (945 €).
- The above-mentioned pension amounts take account of the fact that one person may obtain several benefits under the statutory pension system, i.e. direct benefits and survivors' benefits. If these benefits are related to the income insured, the overall percentage and the percentage for women is about 50%, while the percentage for men is approximately 63%.
- These ratios are the lowest in the lowest deciles and the highest in the highest deciles. This means that the income distribution of the active shows fewer disparities than that of persons obtaining benefits. The ratios presented here are in strict terms no replacement rates since as far as the data of the beneficiaries concerned the fact has to be considered that benefit amounts reflect changing legal provisions over a period of 15 years.
- A first approximation to the replacement rates is provided in Table 4.2. There the income of the active shortly before retirement, i.e. women and men aged 55 to 59 in 2000, is compared with new direct pensions (old-age pensions and invalidity benefits) and related to one another. The median of the gross replacement rate determined in this way is approximately 53% (62.3% men and 49.3% women). The

difference between the lowest decile (44.3% gross replacement rate) and the highest decile (64.3% replacement rate) amounts to almost 20 percentage points. This corresponds to the ratio recorded for men. With women the opposite can be observed. The lowest decile has the highest replacement rate, while there are hardly any differences in the other nine deciles. Strictly speaking, this replacement rate is not an ideal tool of assessing to which extent the statutory pension insurance protects the income of the individual as this ratio is calculated based on the income / pension data of two different groups of persons.

- True replacement rates are however shown in Table 4.3. On the basis of the data of new old-age pensions drawn in 2001, the pension data of these persons are related directly to the income data of the same persons before receipt of the pension benefits. For men the average gross replacement rate is 760%, i.e. 76.0% of the active income received directly before retirement is replaced by the first pension. For the 20% receiving the lowest benefits the replacement rate is even 78.1 %, for the 20% receiving the highest benefits it is 73.1%. This means that the lower the pension benefit, the higher the replacement rate. This applies also to the net and gross data for men (the net replacement rate is on average slightly above 90%).
- As regards men, it is a remarkable phenomenon that the differences in the replacement rates are caused almost exclusively by different incomes; the number of the insurance months does however not fluctuate very much between the individual quintiles.
- The reverse is the case with women: the lowest quintile shows the fewest months insured and the highest quintile records the maximum number of months insured. The average gross replacement rate of women is 66.3%, the net replacement rate is 80.6%.
- The pension amounts would be still lower for the 20% receiving the lowest pension benefits if no pension credits were given for child-raising periods. The low level of benefits obtained by women underlines the great importance of crediting periods of child rearing.
- In total, the gross replacement rate amounts to approximately 71% and the net replacement rate – for the two genders – is approximately 85%.

- These data present a more accurate picture of the situation than this would be the case by assessing the performance of a pension system on the basis of standardised individual cases that usually depict maximum trends and therefore do not reflect statistical reality.

#### 5. Poverty risks in old age

An analysis of the data of the European Household Panel of 1999 shows that poverty risks of older people are higher than of younger generations in Austria. This is due to the fact that Austria has a means-tested minimum guarantee for pension benefits but that these minimum resources are below the poverty threshold for households consisting of several persons (60% of the standardised median income). In contrast, the standard rate for compensation supplement in single households is much higher than the poverty threshold. The percentages relating to poverty risks are presented in Table 5.2.

An international comparison shows that poverty risks in Austria correspond more or less to the European average. Poverty risks of men above 65 are however below the European average, while those of women above 65 are higher. If the older generation would not receive social transfers and pension benefits, about 83% of all persons in the age group 65 and over would be exposed to poverty risks. By taking into account pension benefits the share of poverty risks decreases from 83% to 29%, i.e. pension benefits reduce them by more than 50 percentage points. Other social transfers lead to a decline by 8 percentage points to 21%. These data are included in Table 5.1.

#### 6. Effective retirement age and impact of the 2000 pension reform on new pensions

The data on actual retirement age presented under item 2 are estimated based on the employment rates. As far as the statutory pension insurance is concerned, Austria does not have to rely on estimates as accurate annual figures on the average retirement age are available.

- Table 6.1 shows that in 1970 the average actual retirement age was about 62 years for men and 60 years for women. There was a continuous downward trend during the following 15 years. Since approximately the year 1985 retirement age has remained at stable levels of about 58 years for men and about 57 years for women.

- The reform of the year 2000 which raised retirement age is showing early effects: Between 2000 and 2001 the average retirement age of men rose from 58.5 to 58.7 years, that of women from 56.8 to 57.3 years. Due to the transition provisions that were still in effect in 2001 and as statutory retirement age is raised progressively, the effects on the actual retirement age are not yet very significant.
- Table 6.2 provides insight into another effect of the pension reform, i.e. the decline in new retirements as a result of raising the retirement age and of changes concerning invalidity benefits: While in 2000 an increase of 71,553 direct pensions was registered, this value dropped to 49,759 in 2001. This trend is depicted in Graph 6.1.

### 7. Pension ratios

In 2001 there were 1,265,000 persons aged 65 and over. 76% of them drew benefits from a statutory pension insurance. About 64% obtained direct pensions, i.e. an old-age pension or invalidity benefit.

- An overall analysis of all pensions shows that this share is constant in all age cohorts, i.e. it fluctuates basically in the range from 75 to 78%. While younger generations of pensioners, i.e. those now 65, have a relatively high share of direct

pensions of 70%, this level of independent benefits drops to almost 50% for older age groups. In these age groups a majority of women is represented. In these cases the lacking direct benefits are replaced by survivors' benefits. This is illustrated in the Graphs 7.1 and 7.2.

- In this context it is interesting to note that with younger women of pensionable age, i.e. who are now 60 to 65, the level of benefits for which they earned pension credits themselves has increased considerably. This level climbed to a remarkable 67% for women now aged 61 while women currently aged 71 only record 58%. These data signal very clearly that women are catching up in earning their own pension rights.
- The fact that contribution years are added to the insurance records of women who raised children has considerably promoted this process. The respective data are provided in Table 7.2 and Graphs 7.3 and 7.4.
- On a long-term basis, the gap between women and men drawing direct pensions is expected to decrease gradually. The increased labour force participation of women has made a valuable contribution to this development.

# Annex 5

## ***Studies on the long-term development of the statutory pension system in Austria***

### **1. Historical projections in the area of pension insurance**

With a view to preparing the 1997 pension reform, in the mid-90s several “future scenarios” of pension insurance were presented in a then very spectacular expert opinion of Prof. Bert Rürup of Darmstadt University (“*Perspektiven der Pensionsversicherung in Österreich*“, 1996 – “Prospects for the pension insurance system in Austria”). According to this study, the “implicit” contribution rate (average contribution rate including the subsidy of the federal government expressed in contribution percentage points) of then 28.9% (1995) had to be increased to 46.7% in 2030 (unless there was a reform) to cover the growing pension insurance expenditure (for comparison: the actual contribution rate without government subsidy for the pension insurance of the dependent workers is currently 22.8%). This study had already demonstrated that the main reason for this dramatic increase was the changing age structure of the population. On the basis of the employment rates used in the study, an old-age dependency ratio of 980 was assumed for the year 2030. The Rürup study also contained several reform scenarios with proposals to adjust the pension system, which were at least partly integrated in the pension reform of the year 1997. Another pension reform was carried out in 2000.

Subsequently, the Federal Chamber of Labour commissioned the Institute of Economic Research in 2001 to prepare a study on “labour force participation and social protection in old age”. Based on several scenarios of employment trends, the effects of the labour market on the old-age dependency ratio was examined. This study was followed by an opinion on Labour Market Prospects and Pension Financing up to 2030 („*Arbeitsmarktperspektiven und Pensionsfinanzierung bis 2030*“ (WIFO – monthly reports 9/2001), which also contains a rudimentary assessment of the revenue and

expenditure. Moreover, the latest population forecasts of Statistik Austria were taken into account, which assume that the population will grow slightly until 2030 and that the number of persons of employable age (15 to 64) will decrease within the next 30 years to 316,000 so that the labour supply will shrink dramatically.

According to this study, which projects a steady annual growth of employment (“growth scenario”) by 0.4%, increases in employment leads to significantly lower ratios of pensioners (2015: 669; 2030: 716) than in Rürup’s analysis (2015: 764; 2030: 980). Even if constant employment rates are assumed (“status-quo scenarios”), they rise to 712 and 864 and thus lower levels. The assumed annual employment growth corresponded to the growth rates of the past 25 years and pushed the total employment rate from currently 67.6% to 79.9% in 2030. Thus the Austrian employment rate would reach a level corresponding to the present level in Norway, Denmark, Sweden and Switzerland within a period of 30 years. The fact that better results are achieved in this report than in the Rürup study is due to more favourable assumptions relating to the population development and the labour force participation trend. Moreover, the reforms carried out in 1997 and 2000 were taken into account.

Considerably more detailed information on the future developments of old-age schemes in Austria was provided in the Report of the Economic Policy Committee (EPC) of the EU to ECOFIN (“Progress Report on the impact of ageing population on the public pension systems”), in which the Member States projected several scenarios:

- The so-called baseline scenario shows an increase in pension expenditure (including pension schemes for civil servants) from currently 14.5% of the GDP to 17.0% in 2050. The peak of approximately 18.7%

will be reached in 2035. Thus this corresponds to an increase over the entire forecast period up to 2050 of 2.5 percentage points, which is lower than in most other EU Member States. This fact has been underlined in the preface.

- Under the so-called Lisbon scenario, which – similarly to the above-mentioned

WIFO study – is based on significantly higher increases in the labour force participation, the pension expenditure will rise to only 15.8% of GDP in 2030.

## 2. Summary of an opinion of the Committee on Long-Term Pension Sustainability on the long-term development of the statutory pension insurance from 2000 to 2050

One of the manifold tasks of the Committee on Long-Term Pension Sustainability is to prepare an annual opinion on computing the adjustment factor and on the projected financial situation of the pension insurance in the following five years. In addition, the Committee has the mandate to submit an opinion on the long-term development of statutory pension insurance system at three year intervals, beginning in 2002.

This opinion does not contain forecasts but different scenarios resulting from different assumptions on the demographic development as well as the development of labour participation and productivity. These external factors were agreed by a sub-group of the Committee on Long-Term Pension Sustainability and combined into a number of variants.

Subsequently a variant was included into the opinion, referred to as the “Stockholm/Barcelona variant”. This variant reflects the targets of the European Councils of Stockholm and Barcelona (raising the actual retirement age by five years until 2010).

All scenarios were developed on the basis of the legislation currently in force. Possible reform steps were not examined in the opinion.

The results of the individual scenarios are determined by different assumptions and show the range within which the statutory pension insurance will develop within the next five years if the legislation in place remains unchanged. The results vary exclusively due to the different assumptions on the demographic development and labour force participation.

The results of these long-term scenarios are not a suitable basis for conclusions on the development of the near future.

### 1. Assumptions on the demographic development:

For the opinion three variants of Statistik Austria were included, which were defined as “central”, “low” and “high”.

The baseline variant corresponds to the main variant of Statistik Austria and was the focus of analysis (baseline scenarios 1 and 2).

The low variant distinguishes itself from the central variant by more pessimistic assumptions regarding fertility. It serves to test the sensitivity of the results to different demographic assumptions on the population of employable age.

The high population variant assumes a higher increase in life expectancy than the central one. This variant makes it possible to test the sensitivity of the results to different demographic assumptions on the population of pensionable age.

The total population was 8.12 million persons in 2000. The central variant assumes an increase to 8.21 million people by 2050. In the lower variant decreasing birth rates result in a population of 7.59 million. In the high population variant the population will grow to 8.51 million persons due to a more significantly rising life expectancy.

Table 1: Demographic ratios 2000 – 2050

The development of the demographic dependency ratio, herein defined as the share of people above the age of 64 in the population

of working age (15 to 64), is of particular relevance for old-age provision.

the employable population (aged 15 to 64) decreases in all variants, but most strongly in the low variant. The population of pensionable age (65 and above) increases also in all variants, with the strongest growth in the high variant.

All 3 variants assume an increase of the old-age dependency ratio, which is rather moderate until 2015. Growth of the old-age dependency ratio accelerates between 2015 and 2035 and then slows down until 2050.

In 2000 the old-age dependency ratio is 229. In 2050 this figure increases to 489 in the central variant, to 526 in the lower variant (fewer births) and to 543 in the high variant (longer life expectancy).

Graph 1: Development of old-age dependency ratios 2000 - 2050

The period until 2015 is characterised by a comparatively slow increase of the demographic old-age dependency ratio. It is therefore imperative to use this window of opportunity for reforms.

## 2. Assumptions on labour force participation

For this opinion employment rates based on WIFO's living cost concept were used. The employment rate is defined as the share of the active (i.e. dependent workers, the self-employed and unemployed) of a specific age group in the population of this age group. Besides the total labour force participation (persons aged 15 to 64), the labour force participation of the 55 to 64 age group (which is very low in Austria by international comparison) is a crucial variable.

The initial reference value is a total employment rate of 67% and an employment rate of the age group 55 to 64 of 26% in 2000.

All 3 variants assume an increase of labour force participation on the basis of the central population variant, above all of women and people above the age of 55. This is the only possibility to maintain – at least to a large extent – the level of employment.

Up to 2050 the labour force participation increases to 72% and 76% in the lower and central population variants, respectively. In the high variant (Stockholm/Barcelona scenario) the total employment rate climbs to no less than 84%.

Table 2: Ratios on economically active persons 2000 – 2050

Graph 2-1: Development of employment rates in % - central population variant 2000 - 2050

The employment rates of the age group 55 to 64 increases in the lower population variant to 43% and in the central variant to 53% in 2050.

The high population variant is modelled on the objective of raising the actual retirement age by 5 years by 2010, as agreed at the Barcelona European Council, and therefore projects a strong growth in labour force participation of those aged 50 and over (increase to 74% in 2050) which to a large extent will occur before 2010.

Graph 2-2: Development of employment rates of the 55 to 64 age group in % - central population variant 2000 - 2050

## 3. Assumptions on productivity

Three scenarios were also prepared for the development of productivity, wages and pension amounts.

Due to system of net adjustment, the results do not have any appreciable sensitivity to different productivity assumptions. Therefore they are not described.

## 4. Results

The results are presented based on same key data to allow a comparison between the variants.

As far as the expenditure is concerned, one of these key data is the pension expenditure as a percentage of the gross domestic product (total expenditure of pension insurance without compensation supplement). From this percentage the share of the annual gross domestic product used for financing old-age provision can be deduced (via contributions of the insured and their employers on the one hand and tax revenues on the other hand).

In all variants the pension expenditure as a % of the GDP rises steadily but slowly until 2015. In the period 2015 to 2035/2040 an accelerated increase is recorded. The share of pension expenditure (% of GDP) then declines due to the relative improvement of the demographic development up to 2050.

In 2000 the total expenditure of the pension insurance expressed as a share of GDP was about 10.5 %. Depending on the variant, this

share records different increases, peaking between 2025 and 2040.

Assuming central demographic/central labour force participation, the share increases to 14.2% in 2040 and then decreases to 13.4% in 2050.

In the central demographic/low labour force variant the share of pension insurance expenditure as a % of GDP peaks at 15.6% in 2040 and then remains at this high level.

Under the so-called “Stockholm/Barcelona scenario” – central demographic/high labour force participation – the peak is reached at 12.8% in 2035. The percentage then decreases to 11.5% by 2050.

Table 4: Pension expenditure in % of GDP central population variant 2000 to 2050

Graph 4: Development of the pension expenditure in % of the GDP - central population variant 2000 to 2050

Besides the demographic development, the increase in pension expenditure is decisively influenced by the development of labour force participation. The labour force participation of the 55 to 64 age group is of crucial importance. For the pension insurance a greater labour force participation of this age groups means

- on the revenue side, more contribution revenue due to more contributors, and
- on the expenditure side, reduction of the financial burden due to later retirement.

## 5. Implicit contribution rate

Another important ratio is the implicit contribution rate. The implicit contribution rate is the contribution rate that would be necessary to finance the pension insurance expenditure completely from contributions. Therefore the fictitious case is assumed that there is no federal government subsidy. At present the implicit contribution rate is approximately 31.3%.

Depending on the variant, the amount and speed of increases of the implicit contribution rate varies. The maximum values are reached again between 2035 and 2040.

In central demographic/central labour force participation variant the implicit contribution rate peaks at 40.7% in 2035 and then decreases to 38.0% in 2050.

In the central demographic/low labour force participation variant the implicit contribution rate increases to a maximum of 44.4% in 2040, in the so-called “Stockholm/Barcelona scenario“ it increases “only” to 36.7% in 2035 and then drops to 32.6% in 2050.

Table 5: Implicit contribution rate - central population variant 2000 to 2050

Graph 5: Development of implicit contribution rate – central population variant 2000 to 2050

## 6. Conclusions

All scenarios show that the demographic changes are the main problem for pension insurance systems in the future.

Policy measures regarding demography can only have a very limited impact on the ageing of the population. All persons drawing an old-age pension until 2050 were already born. This applies also to a major part of the (future) labour force.

Under all scenarios both the number of pensions and the pension expenditure increases significantly. But the increase is smaller than the demographic development suggests (later retirement, less intergovernmental pensions, less survivors' benefits).

For financing the pension insurance a decline of the working-age population is more problematic than an increasing life expectancy. A smaller number of active persons leads to a lower GDP growth and thus a higher share of the pension expenditure in the GDP if productivity remains constant.

Without changing the system, these problems can be mitigated only by a considerably higher and longer labour force participation. Fundamental changes of the labour market policy conditions and behavioural changes of the employees and employers are however a sine qua non for this massive increase in labour force participation.

# Annex 6

## ***The Pension Reform Committee – activity report***

### 1. Background

The coalition agreement concluded in the beginning of 2000 by the two governing parties contains a chapter titled "Reform of the statutory pension system":

"The sustainability of the statutory pension system is one of our key tasks which is of fundamental importance to the younger generations as confidence in statutory old-age schemes has to be maintained. Socially compatible changes within the existing system should increase acceptance and facilitate financing in the future.

The individual measures of the pension reform 1997 are examined for their efficacy and further developed on an ongoing basis; this includes the new severance pay and pension funds of the second pillar.

To safeguard the confidence of young people and pensioners in the stability and financial viability of the public pension system on a long-term basis, an expert committee for framework planning will be set up. This expert committee will be headed by the Federal Minister of Labour, Health and Social Affairs and develop further reform steps to adjust our pension system to the societal change. In developing these reform measures it has to be taken into account that they should be ready to enter into force in 1 January 2001. The expert committee has to focus on the following subjects and targets:

- no interference in existing pensions,
- after the regulation on raising the statutory age for early retirement entered into force, the increasing life expectancy has to be taken into account annually in fixing pensions,
- uniform pension system for new employees in the private sector and the civil service by taking into account different contribution regimes,
- strengthening the principle of means-tested survivors' benefits if persons are eligible to high income from economic activities or high old-age pensions on the one hand and survivors' benefits on the other hand,

- old-age provision for women with inadequate pension credits due to long periods of family work in the case of separation from the spouse,
- further development of legislation on occupational pension schemes,
- introduction of a personal pension account so that every insured can examine his/her pension credits anytime,
- reviewing contribution periods and calculation periods,
- reviewing increments."

The members of the committee are active only in their capacity as experts, regardless of the body by whom they are delegated. It is not the task of the expert committee to take political decisions but to submit proposals to the political decision-makers within the framework of the coalition agreement. The development of alternative solutions is possible. The proposals should support adjustment to societal changes and promote the sustainability of statutory pension insurance. Proposed changes should be socially compatible, increase the acceptance of pension insurance and facilitate financing in the future. Any interventions into existing pensions are not desired. The impact on the civil service and the pensions of politicians have to be taken into account. Necessary supporting measures should be considered.

The tasks listed are only examples and can be extended by the committee. The concrete measures to be developed under the coalition agreement are binding with regard to the basic content and orientation but can be supplemented by alternatives within this framework. The advantages and disadvantages of the respective proposals and - to the extent possible - their financial effects should be outlined. The aim is a savings potential for the year 2003 of 15 billion ATS (1.090 billion €), out of this total amount 5 billion ATS (363.4 billion €) should be economised in the civil service sector.

The mandates of the committee were divided into short-term and medium-term tasks.

## 2. Short-term tasks

To address short-term issues four working groups were set up that submitted interim reports to the committee. The final reports were then incorporated into the general report and adopted by the committee on 28 March 2000. The working groups had the following tasks:

### *Pension adjustment*

The subjects to be discussed were the intended future adjustment of pensions by taking into account indexation and the life expectancy factor, granting of one-time payments, fixed amounts and extra payments to the socially disadvantaged as well as the future tasks of the advisory board for pension adjustment.

### *Social protection of survivors*

Discussions had to be held on the envisaged stronger focus on means-tested benefits for survivors receiving both survivors' benefits and a high income from economic activities or a high pension for which they acquired pension rights themselves.

### *Access to pension*

The following items were on the agenda of discussions: implementation of the planned gradual raising of the statutory retirement age for early retirement (in particular of pensions due to partial incapacity) as well as necessary flanking measures.

### *Pension calculation*

Discussions had to focus on details regarding contribution periods, overall calculation of qualifying periods, increments and the bonus-malus system; in this context the planned raising of the statutory pensionable age for early retirement and increasing life expectancy had to be taken into account. Another factor to be considered was the planned abolition of the rule prohibiting pensioners receiving standard old-age pension or insured with 45 insured years to work.

The proposals of the committee were implemented to a large extent in the 2000 pension reform as explained in more detail in the strategy report.

## 3. Medium-term tasks

Five working groups were set up to address medium-term issues. The general report is to be adopted by the committee in autumn 2003. The tasks of the working groups are as follows:

### *Prevention and rehabilitation*

This issue is discussed in detail, including questions of health insurance, accident insurance, unemployment insurance and pertinent questions of labour legislation.

### *Definition of invalidity*

This working group develops models regarding the possible introduction of partial invalidity pensions.

### *Independent old-age provision for women*

This issue is subject to in-depth reviews, including child-raising periods and survivors' benefits.

### *Fictitious qualifying periods*

The question is what fictitious qualifying periods to maintain and how to finance them since in the future there should be no benefits without contributions.

### *Actuarial problems*

This working group explores the pros and cons of pension accounts as well as the calculation of actuarial additions and deductions for different standard retirement ages. Furthermore, it discusses the question how the growing life expectancy can be taken into account in the future old-age pension system and focuses on various aspects of a value-added tax.

## **Annex 7**

### ***Institutions involved in the preparation of the Austrian strategy report***

Federal Ministry of Social Security and Generations

Federal Ministry of Finance

Federal Ministry for Economic Affairs and Labour

Federal Ministry for Public Services and Sports

Federal Ministry of Foreign Affairs

Hauptverband der österreichischen Sozialversicherungsträger (Main Association of Austrian Insurance Institutions)

Wirtschaftskammer Österreich (Economic Chamber Austria)

Bundeskammer für Arbeiter und Angestellte (Federal Chamber for Workers and Employees)

Österreichischer Gewerkschaftsbund (Austrian Federation of Trade Unions)

Österreichischer Seniorenrat (Austrian Council of the Elderly)

Verbindungsstelle der Bundesländer beim Amt der NÖ Landesregierung (Liaison Office of the Länder with the Office of the Government of the Land of Lower Austria)

Freiheitlicher Familienverband Österreichs (Family Association of the Freedom Party of Austria)

Verband der Versicherungsunternehmen Österreichs (Association of the Insurance Companies of Austria)

Fachverband der Pensionskassen der Wirtschaftskammer Österreich (Trade Association of the Pension Funds of the Economic Chamber Austria)

Institut für Sozialforschung (Institute for Social Research)

Volksanwaltschaft (Public Ombudsman)

Österreichische Arbeitsgemeinschaft für Rehabilitation (Austrian Working Group on Rehabilitation)

Österreichische Bischofskonferenz (Austrian Bishops' Conference)

Sozialversicherungsanstalt der Gewerblichen Wirtschaft (Social Insurance Institution of Trade)

Allgemeine Unfallversicherungsanstalt (AUVA) (General Accident Insurance Institution)

