



ESPN – Flash report

2014/5

**Implementation of the reform of
invalidity pensions has started**

Marcel Fink
September 2014



EUROPEAN COMMISSION

Directorate-General for Employment, Social Affairs and Inclusion
Directorate D — Europe 2020: Social Policies
Unit D.3 — Social Protection and Activation Systems

Contact: Valdis ZAGORSKIS

E-mail: Valdis.ZAGORSKIS@ec.europa.eu

*European Commission
B-1049 Brussels*

EUROPEAN SOCIAL POLICY NETWORK (ESPN)

CEPS-INSTEAD (LU) AND APPLICA (BE)
IN COOPERATION WITH OSE - EUROPEAN SOCIAL OBSERVATORY (BE)

ESPN – Flash report

2014/5

Implementation of the reform of invalidity pensions has started

Marcel Fink

***Europe Direct is a service to help you find answers
to your questions about the European Union.***

Freephone number (*):

00 800 6 7 8 9 10 11

(*) The information given is free, as are most calls (though some operators, phone boxes or hotels may charge you).

LEGAL NOTICE

This document has been prepared for the European Commission however it reflects the views only of the authors, and the Commission cannot be held responsible for any use which may be made of the information contained therein.

More information on the European Union is available on the Internet (<http://www.europa.eu>).

© European Union, 2014

Theme(s):	<i>Pensions</i>
Title:	Implementation of the reform of invalidity pensions has started
Category:	<i>Implementation of measures</i>
Abstract:	In order to increase the labour market participation of elderly people and to raise their actual retirement age, the so-called "temporary" Invalidity Pensions have been replaced by a "Rehabilitation Benefit" (<i>Rehabilitationsgeld</i>) and a "Retraining Benefit" (<i>Umschulungsgeld</i>) as of 1 January 2014 (in a first step for people aged below 50 years). This reform pursues the following goals: a) to reduce the flow into "permanent" Invalidity Retirement, b) to increase the actual retirement age, and c) to raise active labour market participation. The first results are mixed, with challenges especially evident regarding retraining.
Description:	<p>Before the reform, (former) job-holders with health problems could claim a "temporary" Invalidity Pension (with a later re-evaluation of their health status), if it was expected that he or she would be incapable of working for at least half a year. Very often this "temporary" Invalidity Pension led to a permanent Invalidity Pension.</p> <p>With the reform (that came into effect on 1st January 2014), "temporary" Invalidity Pensions were abolished for all persons born after 31 December 1963. Instead, two new benefits were introduced.</p> <p>The first is called the "Rehabilitation Benefit" (<i>Rehabilitationsgeld</i>). This is of the same level as sick pay (normally 60% of the earlier earned income) and is granted by the health insurance providers after an assessment of the health status by the newly established "evaluation competence centres". Recipients are obliged to participate in the health rehabilitation measures offered, and a re-evaluation of their health status has to be undertaken by the competence centre after a maximum of one year. This benefit is planned to be granted to persons where re-training does not appear to be appropriate or reasonable, but rather where their overall health status has to be improved.</p> <p>The second new benefit is called "Re-training Benefit" (<i>Umschulungsgeld</i>). It is of the same level as the unemployment benefit, which amounts to 55% of earlier earned income (so-called "basic amount"), plus family supplements. In addition, a supplement of 22% of the basic amount is granted during retraining measures. This benefit is planned to be granted to people who cannot carry on with their former profession due to health reasons, but where re-qualification for a different job can increase their chances for active labour market participation. The</p>

	measures for re-qualification are organised by the Public Employment Service (PES/AMS).
Outlook & Commentary:	<p>It is expected that this reform will lead to higher public spending during the first year of its implementation, but that it will implicate positive financial effects from a mid-term perspective (amounting to approx. EUR 700 million within the period 2014-2018). However, this plan will only work if the new regime is successful in terms of re-integrating people into employment.</p> <p>Between January and the end of May 2014, overall 4,143 persons were granted a Rehabilitation Benefit. Of these, 975 were "new cases" and the rest had previously been granted a temporary Invalidity Pension. On the other hand, between January and June 2014, only nine people were granted a "Re-training Benefit" benefit, which evidently indicates start-up problems within this scheme.</p> <p>The total average retirement age (of all direct pensions) was 58.1 years between January and May 2013, which rose to 58.8 years between January and May 2014. The positive effect is, to a large extent, caused by a higher average retirement age in the scheme of invalidity pensions. What is visible here is the instant statistical effect of the reform on the "actual retirement age" figures, as both the "Rehabilitation Benefit" and the "Re-training Benefit" are not counted as a "pension benefit" (contrary to the Invalidity Pension).</p>
Further reading:	<p>In 2013, approx. 26% of all newly granted direct pensions (i.e. without the surviving dependants' pension) were invalidity pensions. At the same time, invalidity pensions are an important factor contributing to a rather low actual retirement age in Austria. The average age for retirement in all direct pensions (i.e. old-age pensions and invalidity pensions) was 59.6 years for men and 57.5 years for women in 2013, whereas, only taking into account old-age pensions, the respective numbers would have been 62.8 years for men (statutory retirement age: 65 years) and 59.3 years for women (statutory retirement age: 60 years).</p> <p>An analysis of the most important types of diseases shows that the relative majority of all new invalidity pensions granted in 2013 were due to psychiatric disorders (overall 35.3%; men: 28.3%; women: 47.4%). In 1995, this reason applied for only 9.4% of all newly granted invalidity pensions to men, and to 14% of all such pensions newly granted to women.</p> <p>The question of a structural and encompassing reform of the invalidity pensions has been a long-standing issue in Austria. As of 2010, the government decided on several measures to tighten access to invalidity pensions, and the steps described above are part of a larger reform package.</p> <p>Marcel Fink (2013). Country Document 2013. Pensions, health and long-term care. Austria. November 2013. ASiSP Network,</p>

	<p>http://socialprotection.eu/files_db/1330/AT_asisp_CD13.pdf</p> <p>More data and information on the implementation of the reform:</p> <p>BMASK (2014). Vorläufiges Beschäftigungs- und Pensionsmonitoring auf Basis der Daten Jänner - Mai 2014, http://www.sozialministerium.at/cms/site/attachments/2/5/6/CH3129/CMS1406032649589/monitoring_jaenner_bis_mai_2014_langfassung.pdf</p> <p>Detailed, most recent data on exit pathways from the labour market via different pension schemes:</p> <p>BMASK (2014). Quartalsbericht 2/2014, http://www.sozialministerium.at/cms/site/attachments/3/8/7/CH2325/CMS1383225519683/quartalsbericht_2_2014.pdf</p> <p>The act on the reform described (incl. explanatory comments on financial effects etc.):</p> <p>Sozialrechts-Änderungsgesetz 2012, http://www.parlament.gv.at/PAKT/VHG/XXIV/I/I_02000/fname_275684.pdf and http://www.parlament.gv.at/PAKT/VHG/XXIV/I/I_02000/fname_275682.pdf</p>
Author:	Marcel Fink (fink@ihs.ac.at)

