

# Austria: Series of expansive reforms decided by free-floating majorities in the parliament

ESPN Flash Report 2019/45

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JULY 2019

*After the premature breakdown of the Austrian centre-right coalition government at the end of May, early national elections will be held in Austria by the end of September. In the meantime, a series of expansive measures have been decided by free-floating majorities in parliament, in different areas of social policy. Some observers and stakeholders have criticised these measures, labelling them as “election goodies”. However, most of them in fact address actual problems, where good arguments for action exist.*

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## Description

At the end of May 2019, the Austrian centre-right government came to an early end and was, after a vote of no-confidence by the parliament, replaced by an expert government of senior civil servants. Early elections will be held by the end of September 2019.

This situation offered the opportunity for reforms to be decided on by free-floating majorities in parliament, with different combinations of political parties voting for specific reforms. Practically all reform proposals made and negotiated were of an expansive nature, and several measures were passed during the last parliamentary sessions just before the summer break.

First, it was decided that **long-term care cash benefits** (*Pflegegeld*) will in future be **indexed** annually according to the indexation rules for old-age pensions. Long-term care (LTC) cash benefits, introduced in 1993, constitute an important pillar of the Austrian LTC system. In 2018 around 460,000 persons (i.e. around 5.2% of the total population) received LTC cash benefits, with total costs amounting to about €2.62 billion (0.7% of GDP). In the past, LTC cash benefits were only increased on an irregular basis; they have therefore lost around 35% of their value since 1993 compared to a scenario applying annual indexation for inflation (Greifeneder 2018). The yearly indexation now adopted, starting with 1 January 2020, will not offset the previous devaluation of LTC cash benefits, but will prevent this occurring

in the future. The yearly additional costs of this measure are estimated at €55 million in 2020, then increasing further due to the cumulative effects of yearly indexation, estimated at, for example, €230 million in 2023. The initiative for this reform initially came from one of the previous opposition parties, named JETZT (“Now”).

A second measure adopted provides for **higher minimum old-age pensions** in cases of (very) long records of contribution-years to social insurance. This measure was already included in the government programme of the departed centre-right coalition, but it had not been put to the parliamentary vote until now. The Austrian statutory pension system does not provide an unconditional minimum pension. However, the so-called “equalisation supplement reference rate” (*Ausgleichszulagenrichtsatz*), which is partially means-tested, defines a minimum benefit level for persons who are, in principle, eligible for a pension. It currently amounts to an approximate monthly amount of €933 gross for single persons and €1,340 gross for couples, granted 14 times per year. Due to a so-called “pension bonus”, these amounts will, as from 2020, be increased to €1,080 gross for singles with an insurance record of min. 30 years, to €1,315 for singles with an insurance record of at least 40 years, and to €1,782 for couples where one person has an insurance record of at least 40 years. Apart from gainful employment, one year of military service or alternative service and five years raising children may be taken into account when calculating the insurance record for the

“pension bonus”. According to estimates, around 45,000 persons (about 2.7% of the Austrian population aged 65 years or over) will currently benefit from the reform, and the yearly costs are estimated to amount to about €60 million.

Other reforms decided upon concern various issues related to **parental leave**. One of the measures adopted in this area is that fathers of newborn babies will, as from January 2020, have a statutory right to four weeks of **paternity leave** during the first two months following the birth of the child. During this time, no wage will be granted, but special work-dismissal protection applies and it will be possible for fathers to obtain a social benefit called “family-time-bonus”, amounting to about €700 per month. The latter had already been introduced in 2017, but in the private sector no statutory right existed for fathers to take paternity leave (beneficiary status depended on specific employers’ policies). Another family-related measure adopted is that up to two years of **maternity leave** will in future automatically have to be taken into account when calculating salary increase, as well as for calculating entitlement to a sixth week of vacation, for notice periods and regarding the duration of continued pay in case of illness. Some collective agreements already included similar rules in the past, but this reform establishes a general clause laid down in labour law. However, it will only be applicable to future cases, as retroactive implementation would have generated very high immediate costs for employers.

## Outlook and commentary

All of the above-mentioned reforms result from political party strategies aimed at gaining popularity in the run-up to the elections. However, it

would be inappropriate to label them as “election goodies” targeted at specific political clienteles, as all of them in fact address policy areas with clear structural problems.

Regarding LTC, no comprehensive plan for future upgrading and financing of services exists, and the lack of indexing of LTC cash benefits led to a relative and absolute increase in the costs to be covered from private resources. Indexation, as now decided, does not offset the need for a future structural reform of the system, but will at least prevent a future reduction of the resources made available for private households via LTC cash benefits.

The “pension bonus” addresses the problem that the statutory pension system comes with rather low benefit levels for specific groups, especially for those who have worked for a comparatively low earned income. However, the size of the group positively affected by the reform is rather small, as the reform focuses on persons with (very) long insurance records from gainful employment. Other periods of insurance are only taken into account to a very limited degree (if at all); for example, periods of unemployment and of illness are excluded. For this reason, the pension bonus will only reduce the incidence of relative income poverty of elderly people to a minor extent. A more far-reaching reform of the statutory pension system is necessary, but is – however – currently not on the political agenda in Austria.

The measures adopted regarding paternity and maternity leave indirectly address another area where structural problems and challenges are evident in Austria: a labour market strongly structured according to gender, and a very wide gender pay gap. Introducing a right to parental leave for fathers within the first two months after

the birth of a child, and the taking account of maternity leave for seniority rights, may only have a gradual positive impact, but these measures appear to be a step in the right direction.

Overall, it seems fair to say that the opportunity for free-floating majorities in parliament, resulting from the premature breakdown of the earlier government, has, in a number of cases, ended earlier reform deadlock and led to a series of measures which are useful from a social inclusion perspective. The scope of these measures is evidently limited, but the limited time resources available to the current parliament only allow for reforms that do not come with complicated legislative changes.

### Further reading

Overview of measures decided in the area of social policy in early July 2017:

<https://www.parlament.gv.at/PAKT/AKT/SCHLTHEM/SCHLAG/J2019/146Mindestpension.shtml>

and [https://www.parlament.gv.at/PAKT/PR/JAHR\\_2019/PK0769/index.shtml](https://www.parlament.gv.at/PAKT/PR/JAHR_2019/PK0769/index.shtml)

Greifeneder, M. (2018). 25 Jahre Pflegegeld in Österreich, in: Österreichische Zeitschrift für Pfleregerecht, Vol. 2018/3, 80-83.

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Quoting this report: Marcel Fink (2019). Austria: Series of expansive reforms decided by free-floating majorities in the parliament, ESPN Flash Report 2019/45, European Social Policy Network (ESPN), Brussels: European Commission.