



Austria

Minimum Income Schemes

A Study of National Policies

Marcel Fink (in co-operation with Peter Grand)
Department of Government / University of Vienna

Disclaimer: This report reflects the views of its author(s) and these are not necessarily those of either the European Commission or the Member States. The original language of the report is English.

April 2009



On behalf of the
European Commission
DG Employment, Social Affairs and Equal Opportunities



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1. Executive Summary

For people of working age the Austrian minimum income scheme consists, broadly speaking, of two social security instruments, i.e. unemployment assistance (*Notstandshilfe*) and social assistance (*Sozialhilfe*).

Hereby, unemployment assistance is the follow-up wage compensation scheme (to some degree means-tested) after a given entitlement to unemployment benefit has ended. It is, like unemployment benefits, part of the insurance-based passive labour market policies provided at the national state level. Yet, unlike the situation in many other countries, unemployment assistance in the Austrian case also serves as a kind of *de facto* minimum income scheme as it is not subject to any special time limit.

Responsibility for delivering social assistance lies within the competence of the Laender / federal provinces, resulting in nine different social assistance acts, which vary in terms of eligibility criteria, benefits and structures of organisation and financing. Social assistance provides means-tested cash benefits and a wide variety of benefits in kind.

Austrian minimum-income schemes exhibit several problems and shortfalls, as described in this paper in more detail. Some of the most important are:

Unemployment assistance:

- Unemployment assistance provides rather low level of benefits, especially for people with preceding low-wage or low-income employment (largely linear wage replacement rate; rather low maximum benefits, rather tight criteria for means-testing regarding family income).
- If earned income of the benefit recipient exceeds the so-called marginal earning threshold, this leads to a complete annulment of the benefit (no taper adjustment \Rightarrow marginal tax rate of 100%).

Social Assistance:

- Respective regulation varies considerably between the different federal provinces, leading to a rather confusing overall situation (or – at least – low transparency).
- Respective provinces' rules introduce a rather wide scope for possible actual implementation and the predictability of decisions appears to be rather low.
- The rate of non-take-up appears to be substantial and the level of benefits appears to be rather low when compared to the at-risk-of-poverty threshold (however to varying degrees among provinces).
- Social assistance in recent years faces a kind of "overload" with a rising number of people claiming for additional benefits because of low levels of benefit in unemployment insurance.
- Social assistance, until recently, provided only rather limited offers regarding (personalised) employment and training schemes (the Austrian Employment Service, responsible for most training schemes, customarily deals only with recipients of unemployment benefit or unemployment assistance at first instance).

- The absence of taper adjustment regarding additional earned income, and regulations on eventual refund of benefits, which a former beneficiary may be obliged to pay, are likely to reduce work incentives considerably.

Given this rather exhaustive list of problems, discussion of a reform of respective instruments has intensified during the last years. This discussion led to a compromise between the federal government in Vienna and (almost all) federal states, with the adoption of a plan to develop extramural social assistance into a system called the "means tested minimum income scheme". This new scheme would address many of the problems listed above in a favourable way, but implementation (originally planned for 1.1.2010 at the latest) has been postponed. Reasons are the refusal of one federal province (Carinthia) to take part in a respective agreement with the national state and "technical problems" (regarding the setting-up of joint data networks of the federal provinces and the Employment Service).

2. Description of the institutional design of minimal income schemes in Austria

2.1 Introduction

Regarding people at working age, the Austrian minimum income scheme consists, broadly speaking, of two social security instruments, i.e. unemployment assistance (*Notstandshilfe*) and social assistance (*Sozialhilfe*) (see e.g. Dimmel/Pfeil 2009 for a detailed analysis; and BMSK 2007).

These instruments stem from two functionally different parts of the Austrian welfare system. Social assistance belongs to the tax-financed and means-tested part, whereas unemployment assistance belongs to the social insurance-part financed through compulsory contributions by employers and employees.

This way, unemployment assistance is the follow-up wage compensation scheme after a given entitlement to unemployment benefit has ended and it is, like unemployment benefits, part of insurance based passive labour market policies. However, in the Austrian case unemployment assistance does also serve as a kind of de facto minimum income scheme as it is, unlike the situation in many other countries, not subject to any special time limit. Furthermore, benefits from unemployment assistance may – under specific circumstances - be extended through benefits from social assistance and during recent years a significant growth of such combined benefit entitlement has become evident.

The following two subsections cover these two instruments in more detail.

2.2 Unemployment assistance

2.2.1 Eligibility conditions

Unemployment assistance is the follow-up wage compensation scheme after a given entitlement to unemployment benefit has ended¹. Therefore, the most basic eligibility condition is a previous eligibility for unemployment insurance.

Unemployment assistance will only be granted in case of indigence or need, which means that the total income of the unemployed person and the respective partner or spouse must not exceed a certain threshold. In other words: it is means-tested vis-à-vis other income. Furthermore, to be eligible for unemployment assistance individuals have to be fit for work. In case that an individual is not available for the labour market because of mental or physical illness, she or he has to refer to other social security schemes such as health insurance, invalidity pensions or social assistance.

¹ Potential recipients have to claim for unemployment assistance within 5 years (since 1.1.2009, previously within 3 years) after unemployment insurance entitlements expired.

Apart from that, benefit claimants have to show that they are willing to accept a job they can “reasonably be expected” to work in. Regarding unemployment assistance, the definition of “reasonable employment” is tighter than for recipients of unemployment benefits. Recipients of unemployment assistance, unlike recipients of unemployment benefits (under specific circumstances and during the first 100 days receiving unemployment benefit), may not reject a job offered while giving the reason that this job is not in accordance with their formal qualification or the job previous to unemployment, or that remuneration would be (even considerably) lower than in the job previous to unemployment.

With unemployment assistance, “reasonable work” in terms of income level means that an individual has to accept any job with an income above the so-called “marginal earnings threshold” (*Geringfügigkeitsgrenze*, for 2009 EUR 357.74 gross per month).² Apart from that, job requirements must be in line with the physical capability of the respective person and they must comply with general statutory and moral provisions. Furthermore, the location of the place of work must be within reasonable reach, i.e. for part-time work the amount of time needed to get to the place of work and back home must generally be less than 1 ½ hours, and for full-time work the maximum limit amounts to 2 hours. However, job location and working hours must not collide with statutory duties of care, e.g. for children (see BMSK 2007, 49).

Unemployment assistance is initially payable for 52 weeks but is extended by application for as long as the entitlement conditions are met. In other words: Unlike in many other countries, unemployment assistance in Austria is – in principle – not subject to any special time limit.

2.2.2 Benefit level

As mentioned above, unemployment assistance is a social-insurance based cash benefit. Hereby, the calculation of benefits is quite strictly according to the logic of the equivalence principle (i.e. benefit levels depend on previous income levels). This, in turn, implies that, strictly speaking, neither unemployment benefits nor unemployment assistance provide minimum levels of wage compensation. Roughly three quarters of granted unemployment assistance are lower than the so-called “equalisation supplement reference rate”³ (*Ausgleichszulagenrichtsatz*) or EUR 772.4 per month (see below chapter 3 and BMSK 2007, 73).

In general, the benefit level of unemployment assistance is 92% of the previous “basic amount” of unemployment benefit. In case that this benefit level lies below the threshold of the equalisation supplement reference rate (*Ausgleichszulagenrichtsatz*), the level of unemployment assistance amounts to 95% of the previous “basic amount” unemployment benefit.

Against this background, the formula for the calculation of unemployment benefits is constitutive for subsequent levels of unemployment assistance. Unemployment benefit, preceding unemployment assistance, amounts to 55% of the net average wages during the last year or the year before last. This is the so-called “basic amount” (*Grundbetrag*) of unemployment benefit. Low benefits may then, however, be extended to the level of the equalisation supplement reference rate (EUR 772.40 per month) but may not exceed a net replacement rate of 60% for individual benefit claimants or 80% for people responsible for child maintenance who are at the

² At the same time, wages below this “marginal earnings threshold” are only partly assessable regarding social insurance contributions.

³ The equalisation supplement reference rate constitutes a means tested minimum benefit level within the Austrian pension system. Concurrently it also serves as a reference limit for benefits from other social security schemes, e.g. unemployment assistance and social assistance.

same time eligible for family supplements of EUR 0.97 per day for every dependent family member. Yet, this supplement, which may increase low unemployment benefits up to the level of the equalisation supplement reference rate, is not taken into account when calculating unemployment assistance according to the 92%- or 95% formula! In other words: only the "basic amount" of unemployment benefit is taken into account.

Apart from that, making things even more complicated, there exist several rules regarding the maximum level of unemployment assistance. This maximum level depends on how long unemployment benefits have been received before social assistance, and the maximum duration of unemployment benefit again varies according to the amount of months with contributions to unemployment insurance (in other words: the respective insurance record) and the age of the benefit claimant. Generally, unemployment benefits are granted for a maximum of 20 weeks. If the benefit claimant has an insurance record of 156 weeks during the past five years, he/she may receive unemployment benefits for a maximum of 30 weeks. At the age of 40 and over and with an insurance record of 312 weeks during the past 10 years unemployment benefit may be granted up to a maximum of 39 weeks, at the age of 50 and over and with an insurance record of 468 weeks during the past 15 years there may be a maximum of 52 weeks.⁴

After 20 weeks of previous unemployment benefit the maximum unemployment assistance amounts to the equalisation reference rate (currently EUR 772.40 per month) and after 30 weeks the maximum is EUR 901 per month. After 39 weeks of previous unemployment benefit the level of unemployment assistance amounts to the above mentioned 92% of the "basic amount" of previous unemployment benefit. This rule evidently favours unemployed at a higher age and with rather continuous preceding insurance records.

At the same time, unemployment assistance is to some degree means-tested, in the context of which other income of the recipient and his/her partner or spouse is taken into account. This other income to be taken into account for means-testing will be reduced by various exemption limits⁵:

- Exemption for partner/spouse (in 2009 EUR 488 per month; at the age of 50 and over: EUR 976; at the age of 55 and over: EUR 1,464).
- Exemption limit for dependent persons (in 2009 EUR 244 per month; at the age of 50 and over: EUR 488, at the age of 55 and over: EUR 732).
- Further exemption limits, e.g. housing costs, promotional costs (*Werbekosten*), etc.

The entitlement to unemployment assistance expires in case that the resulting sum of other income minus the earning exemptions exceeds the benefit level of unemployment assistance. Otherwise, the level of unemployment assistance will be reduced according to the sum of chargeable income and if other income is lower than the wages, exemption unemployment assistance will not be cut.

On the whole, these regulations imply that the level of unemployment assistance is in most cases considerably lower than that of preceding unemployment benefit (see below chapter 3).

⁴ See: http://www.ams.at/sfa/14080_812.html#Wie.

⁵ These exemption limits may be raised by 50 % due to special circumstances or extraordinary expenditures, e.g. sickness, event of death within the family, etc. (see http://www.ams.at/sfa/14666_14691.html#frage14). There are also increased exemption limits for older long-term unemployed persons (see http://www.ams.at/sfa/14080_3681.html).

2.2.3 Further entitlement conditions

In order to uphold unemployment assistance entitlement, beneficiaries have to fulfil certain duties beside the general eligibility conditions. In case recipients refuse to accept reasonable work offered by the public Employment Service (AMS), unemployment assistance benefits may be suspended. This suspension lasts for 6 weeks in case it is the first sanction imposed and 8 weeks for each following refusal. The same procedure takes place if a recipient refuses to participate in an active labour market scheme as well as if the unemployed person hampers the job placement service.

Although unemployment assistance comprises no time limit, beneficiaries have to re-claim unemployment assistance after 52 weeks, in the context of which a renewed means-testing takes place.

2.2.4 Additional earnings/Income exemption limits

Recipients have the possibility to generate an income additional to unemployment assistance. But social assistance may be reduced or even cancelled according to specific rules. For this, the crucial income level is the marginal wages threshold (currently 357.57 € gross), and different rules apply for temporary and permanent employment.

In case of income from permanent employment the recipient will lose his/her unemployment assistance if the income from gainful employment exceeds the marginal wages threshold. Hereby, the Austrian system does not apply any kind of progressive pro-rata deduction of additional income from gainful employment: If income from employment exceeds the marginal wages threshold, unemployment assistance will be cancelled.

Temporary employment is defined as being limited to a maximum of 4 weeks of continuous employment (this maximum duration has to be fixed in advance), and employment periods must not periodically reiterate. If e. g. the period of temporary employment lasts for one week, the recipient is still eligible for unemployment assistance benefits for the remaining three weeks of the specific month. Furthermore, if this income from employment exceeds the marginal wages threshold, it will be counted against the remaining unemployment assistance benefit entitlement (but at a 100%-level and not according to a progressive formula).

At the same time, employment when being entitled to unemployment assistance must not interfere with the placement service of the public employment service, e.g. the availability for active labour market measures.

2.2.5 Organisation

Unemployed persons may claim unemployment assistance after the expiration of unemployment benefits at the public employment agency (AMS). In contrast to social assistance, the laws covering unemployment insurance policies are laws by the national state.

2.2.6 Linkage between unemployment assistance and social assistance

As already mentioned, benefits from unemployment assistance often appear to be of a rather low level (see chapter 3 below for more details). This is due to the fact that unemployment benefits

and unemployment assistance are calculated according to a formula resulting in largely linear (and not progressive) wage replacement rates, leading to insufficient levels of benefit e. g. in case of unemployment after preceding part-time employment. However, recipients of low benefits from these two strands of social insurance may claim for additional benefits from means tested social assistance, and there has been a considerable increase of such cases (see below).

2.2.7 Major changes in unemployment insurance (including unemployment benefit and unemployment assistance) since 1992

Generally speaking, from the beginning of the 1990s until recently the development of unemployment insurance in Austria has been characterised by measures aiming at cost containment. In other words: reforms led, at first instance, to gradual retrenchment and more tight eligibility criteria (see Tálos 2005, 66ff., Obinger/Tálos 2006, 124ff., Fink 2006, 179ff., Wetzel 2003).

Examples of such reforms are e.g.:

- 1993: reduction of the net-replacement rate of unemployment benefits from 57.9% to 57%; reduction of the standard net replacement rate in unemployment assistance from 95% to 92% of preceding unemployment benefit; more severe sanctions in case of non-compliance of unemployed (i.e. in case of refusing a job offered or refusal to take part in active labour market training etc.).
- 1995: Reduction of the net-replacement rate of unemployment benefits from 57% to 56% for the upper segment of unemployment benefits, tightened eligibility criteria for unemployment benefits (expansion of the minimum insurance record for non first-time benefit claimants from 20 to 26 weeks), reductions regarding family supplements.
- 1996: definition of "suitable work" (which a benefit claimant may not reject) tightened, extended periods of suspension of benefits in case of non-compliance, and, most important, introduction of a maximum level of unemployment assistance according to preceding insurance record and age (see Wetzel 2003, 50).
- 2001: reduction of the net-replacement rate of unemployment benefits from 56% to 55%, tightened eligibility criteria for unemployment benefits (expansion of the minimum insurance record for non first-time benefit claimants from 26 to 28 weeks).
- 2004: tightened regulation regarding the suspension of benefits in case of non-compliance of unemployed. Tightened regulations regarding the definition of "suitable work": now "vocational protection" or "job protection" only applies for the first 100 days of unemployment benefits. New regulation called "income protection" introduced: people receiving unemployment benefits (note: not unemployment assistance) may reject a job offering less than 80% income than their job preceding unemployment (first 120 days of unemployment; after this period a threshold of 75% applies; in case that an unemployed person has been part-time employed before unemployment - with less than 75% of normal working hours - the threshold is 100%).

On the whole, these changes in regulation went ahead with gradually tightened access to unemployment benefits and subsequent unemployment assistance. At the same time, in case of given access, benefits are cut to some degree.

Since 2007 some measures regarding unemployment insurance have been under consideration to ease the evident problem of a rather high risk of poverty regarding the group of long-term unemployed to some degree. These - however not yet decided - reforms are:

- A raise of the wages exemptions for partners/spouses and dependent persons regarding means-testing in unemployment assistance.
- Extension of low benefits from unemployment assistance up to the level of the equalisation supplement reference rate (EUR 772.40 per month), in the context of which the replacement rate may nevertheless not exceed 60% for individual benefit claimants or 80% for people responsible for child maintenance and eligible for family supplements.

These two measures would be part of the reform-package on "means-tested guaranteed minimum income" (*Bedarfsorientierte Mindestsicherung*) which was originally intended to be introduced by 1.1.2010 at the latest, and which would as well include a rather large-scale structural reform of extramural social assistance. Yet, this reform package has recently been postponed for several political and technical reasons (see below chapter 2.3.), although it was part of the government programme of 2007 and although it is again part of the new government programme 2008-2013.

One measure already decided on is the integration of quasi freelancers (*freie DienstnehmerInnen*) into unemployment insurance (as from 2008) and the possibility to opt-in to unemployment insurance for self-employed persons (as from 2009).

2.3 Social assistance

2.3.1 General remarks

The social assistance laws are in the responsibility of the Laender / federal provinces, resulting in nine different social assistance acts which vary in terms of eligibility criteria, benefits and structures of organisation and financing (see BMSK 2007, 73). This comes along with considerable differentiation, making it difficult to provide a sound overall picture (however, for a recent summarising analysis see e.g. Dimmel/Pfeil 2009, 487-505).

However, social assistance follows common principles (see Dimmel 2008, 448). The two most important ones are:

- The "principle of individuality" means that social assistance entitlements are dependent on the claimant's specific individual circumstances, e.g. characteristics of the individual's indigence, individual physical and mental capabilities, etc.
- The "principle of subsidiarity" implies that social assistance, being the so-called second social safety net, only applies if entitlements to other social security schemes are not given or have expired.

Regarding the second principle, it is worth noting that social assistance has originally been designed to exclusively deal with individual and "exceptional cases" of social (in)security and that classical and large-scale risks were perceived to be handled in the context of other strands of

social security (see e.g. Dimmel 2003, 117). However, as discussed in more detail below, during recent years social assistance has de facto increasingly turned out to serve as an instrument to cushion deficits of other parts of the welfare system, especially regarding the risk of unemployment.

Generally, the nine social assistance laws aim at regulating two respectively three spheres of need (dependent on the existence of a separate law concerning disabled people): a) to secure subsistence, b) to counteract exceptional emergencies and c) to provide social services (especially regarding short- and long-term care). Hereby, care services in nursing homes etc. are termed "stationary / intramural social assistance" (*geschlossene Sozialhilfe*), whereas the other parts are termed "extramural" or "domiciliary social assistance" (*offenen Sozialhilfe*). Besides these three spheres of need, the goal to support education and employability has also gained some importance during recent years.

However, the core area of social assistance comprises cash benefits as well as benefits in kind and services to secure subsistence or livelihood of beneficiaries (so-called "*Hilfe zum Lebensunterhalt*"). Claimants are, in principle, legally entitled to most of such benefits. But at the same time the respective social assistance acts comprise a large degree of scope of discretion for the offices of social administration, which comes along with considerable gray areas of interpretation and related variances of factual implementation (see. e.g. Dimmel/Pfeil 2009, 491ff.).

2.3.2 Eligibility conditions

- **Indigence/need**

The most basic eligibility condition is the existence of *indigence* or *need*. A common principle of all nine Federal State acts on social assistance refers to indigence as the *actual* needs of an individual, i.e. circumstances from the past, like debts, are not considered for the calculation of benefits.

Apart from that, the definition of indigence and need in all Laender follows the idea that it is characterised by inability to cover one's subsistence or livelihood either out of a) one's own strength and means (income, property and use of labour) and/or b) out of maintenance from within the family, and/or c) out of entitlements under social insurance law or other priority entitlements (principle of subsidiarity) (see BMSK 2007, 73).

Income is defined comprehensively, i.e. all forms of income are taken into account for means-testing (e.g. income from gainful employment, income from rent and lease, investment income, income from other schemes of social security, maintenance payment etc.). However, some forms of income – especially in the form of universal social benefits - are not taken into account. Such exemptions are e.g. long-term care benefits (*Pflegegeld*), family allowances (*Familienbeihilfe*) or infant allowances (*Kleinkindbeihilfe*).

As with income, the term *property* is also used comprehensively, including e.g. money as well as other moveable and immoveable goods. The main criterion for taking property into account is the possibility of capitalisation, e.g. selling, renting, leasing, pledging, hypothecation and so on.

However, in each federal social assistance act there are exemptions of specific types of property not subject to consideration. With the exception of Carinthia, each federal

province has explicit regulations concerning “protected” property. These regulations refer to employment-related goods, e.g. working garment, tools, but in some cases also personal computers and vehicles. Further exemptions refer to goods necessary for mental or cultural needs like books, musical instruments, cameras, compact disc players, etc. Furthermore, some federal provinces exclude (appropriate) freehold flats, private houses and small savings. Nevertheless, federal welfare offices may seize this property to ensure possible later compensation claims (see below).

Apart from considering income and property, beneficiaries have, as a general principle, to show their willingness to cover their subsistence needs, at least partly, out of their own labour. However, all Laender require a recipient’s use of labour only if the job offered is “suitable”. Suitability depends on age, family situation and the claimant’s physical and mental capabilities. Generally speaking, scope for interpretation regarding “suitability” is larger and rules are less rigid in social assistance acts than regarding unemployment assistance.

Apart from that, claimants do as well have to prove their willingness to take part in training and other active labour market policy schemes if offered to them.

Beneficiaries denying these requirements will face reductions or even the loss of their entitlements concerning cash benefits as well as benefits in kind and services (rules concerning sanctions vary to a great extent between federal provinces, see Pfeil 2001, 206).

Although the regulations differ considerably, all nine social assistance acts, at least implicitly, refer to three groups of persons who do not have to show their willingness to work to uphold their entitlements:

- a) Exceptions related to age: Individuals in training measures or school education up to secondary school diploma (*Matura*) and individuals at the statutory age of retirement (women: 60+ years, men: 65+ years).
- b) Exceptions related to physical capabilities deal with rules concerning the capacity to work. Closely connected is the concept of “vocational protection” or “job protection” (*Berufsschutz*), which means that the declaration of being incapable for work depends on the claimant’s original occupation. Usually a public health officer has to verify a recipient’s capacity to work, whereas a former diagnosis of an incapacity to work, e.g. within the unemployment insurance scheme, is not relevant under social assistance laws. A particularly problematic group of persons in this context are individuals who are not available for the labour market because of their social deficiencies. For this group of persons there are no coherent regulations in place.
- c) Exemptions because of maintenance and care duties: These rules refer, first, to single mothers and / or fathers responsible for a child less than two years of age (in Lower Austria and Burgenland - under special circumstances – less than three years of age). These rules apply if there is no alternative possibility of maintenance, e.g. childcare facility (*Kinderbetreuungseinrichtung*) or childminder (*Tagesmutter/-vater*). Another set of regulations refers to claimants with long-term care duties, although this point is explicitly mentioned only in the social assistance act of Upper Austria. The caregiver has to be closely connected to the person being cared for, and long-

term care duties have to be of a certain extent. Yet, if the person being cared for, applying for social assistance, receives income from long-term-care benefits originally designated to the person in need of care, then this income will have to be considered regarding means-testing.

Resources from third parties comprise any transfers from individuals or institutions which are suited to, at least partly, cover elementary subsistence needs. These regulations refer to benefits from private non-state welfare organisations (*freie Wohlfahrtspflege*) and to most transfers from persons living in a common household with the claimant. Again, regulations vary to considerable degree between the nine Federal Acts on social assistance (see Pfeil 2001, 147ff. for a detailed discussion).

- **Citizenship**

The regulations regarding citizenship as an eligibility condition are more than ambiguous. Generally, only claimants with Austrian citizenship are entitled “without restrictions”. The same applies to EU/EEA citizens and privileged third-country nationals, albeit only in combination with a residence permit (*Aufenthaltsberechtigung*), which is necessary for a (legal) stay in Austria for more than three months. Asylum seekers are generally not legally entitled to social assistance. For other groups of persons there are numerous regulations which vary considerably between federal provinces (see for a detailed analysis Pfeil 2001, 84-143).

However, as a general eligibility criterion concerning third-country nationals the Council Directive (EC) 2003/109/EC applies. According to this directive, third-country nationals are eligible for social assistance if they have been living in Austria for more than 5 years and have had a permanent income (see Council Directive 2003/109/EC).

- **Regular Residence**

Apart from regulations regarding citizenship, claimants have to have their regular residence within a respective federal state. Four Laender (Carinthia, Burgenland, Lower Austria and Vorarlberg) in the first place refer to a required principal residence (*Hauptwohnsitz*) according to registration law, but do as well accept the mere stay as a substitute. Four more Laender (Upper Austria, Salzburg, Styria, and Vienna) only demand the mere stay, and the social assistance act of Tyrol does not include explicit regulations on this point at all.

However, the mere stay has to reach certain duration in order to meet eligibility conditions, especially for permanent entitlement to social assistance. As a rule of thumb, the duration of residence has to exceed three months, although this is not explicitly mentioned in any of the social assistance acts (see Pfeil 2001, 72).

This threshold also applies in the case that a recipient moves from one to another federal province. An absence up to three months from the responsible federal state does not reduce or abolish social assistance entitlement (concerning the numerous regulations applying to an absence for more than three months, e.g. a necessary treatment at a

hospital abroad, see Pfeil 2001, 75ff.). Generally, an absence of more than three months results in the cancellation of entitlement.

2.3.3 Benefits

As already mentioned, social assistance provides cash benefits, benefits in kind and services. Furthermore, social assistance is granted to individuals not living in specific institutions like nursing homes (extramural social assistance or "*offene Sozialhilfe*") and to persons who are looked after at specific institutions (stationary / intramural social assistance or "*geschlossene Sozialhilfe*").

The basic area of social assistance is benefits for securing a claimant's subsistence or livelihood. As already mentioned, subsistence needs comprise housing, nourishment, clothing, personal hygiene, household goods, heating as well as goods necessary for social and cultural participation. This list is not exhaustive, as some social assistance acts mention further specific needs (for an overview of the different regulations see Pfeil 2001, 217).

With extramural social assistance, cash benefits may be granted in the form of continuous payment ("permanent support") or single payment ("one-time assistance").

The most important social assistance benefits - cash transfers - are calculated on the basis of so-called reference rates which differ from one federal province to the other. Each federal government decides on reference rates by a legal act. Practically, these reference rates constitute fixed amounts of cash benefits which may then be reduced according to individual income, resources from third persons etc. Basically, there are three different types of reference rates (with variations in Lower and Upper Austria and Styria) which depend on household size and dependent persons.

Table 1: Social assistance reference rates 2009 in EUR / month (basis 01.01.2009)

	Sole recipients ("single")	Main recipients ("head of household")	Co-recipient (not entitled to family allowance)	Co-recipient (entitled to family allowance)
Burgenland	473.60 534.50 ¹⁾	391.90 452.80 ¹⁾	285.90 335.60 ¹⁾	140.30 190.00 ¹⁾
Carinthia	506.00 ³⁾ 556.60 / 581.90 / 657.80 ⁴⁾	379.50 430.10 / 455.50 / 531.30 ⁴⁾	379.50 430.10 / 455.50 / 531.30 ⁴⁾	151.80 ⁵⁾ 202.40 ⁵⁾
Lower Austria	532.30 362.40 ²⁾	467.50	257.30	144.30
Upper Austria	569.50/424.30 ²⁾ 590.00 ¹⁾ /448.00 ²⁾	514.70 536.00 ¹⁾	333.90 360.00 ¹⁾	160.40
Salzburg	464.50	418.50	268.00	155.50
Styria	540.00	492.- ²⁾	329.00	166.00
Tyrol	459.90	393.50	273.70	152.90
Vorarlberg	514.50	432.00	275.50	159.80
Vienna	454.00 ³⁾ 733.00 ¹⁾	352.00 549.50 ¹⁾	352.00 549.50 ¹⁾	135.00

Source: Ministry of Work, Social Affairs and Consumer Protection (*Bundesministerium für Arbeit, Soziales und Konsumentenschutz*).

- 1) Higher reference rate for "permanent recipients" (in particular persons incapacitated for work, indigent persons after statutory retirement age).
- 2) Lower rate for persons who per se are sole recipients and live in a common household with family members who are not obliged to pay maintenance (e.g. siblings).
- 3) Main recipients who are single parents.
- 4) Increased reference rate for three groups of persons: +10 % for people incapacitated for work, +15 % for persons older than 60 years if they are not entitled to old-age pension and have raised at least one child, +30 % in case of increased family allowance for one person (which is granted for a child in case of disability).
- 5) Reference rates for children are staged according to age: under 10 years of age: EUR 151.80, over 10: EUR 202.40

These reference rates differ according to the needs covered by a specific reference rate, e.g. some federal provinces include electricity costs, whereas others do not and grant special additional benefits for such needs. Furthermore, these reference rates are not calculated on the basis of a common principle, e.g. on the basis of a goods and services basket. In other words: the different reference rates are specified almost arbitrarily or according to "political intent".

In addition to the benefits based on reference rates, social assistance provides further benefits to secure subsistence, especially extra support regarding housing costs and in case of illness. Both types of special benefits are common in all federal provinces.

Regarding housing costs, transfers are usually granted in the form of cash benefits (according to the actual housing costs of the benefit claimant up to a certain limit, which differs between federal provinces), but welfare offices may as well provide for appropriate (which means basic) accommodation in form of a benefit in kind. It is worth noting that some federal provinces that

show below average standard reference rates do at the same time provide above average housing benefits in form of cash transfers (the latter is especially true for Vienna and Salzburg). Furthermore, nearly all federal provinces grant special benefits covering heating costs (with the exception of Carinthia) and electricity costs (with the exception of Carinthia and Tyrol).

In case of sickness or pregnancy social assistance will cover costs for benefits in kind if individuals are not covered by health insurance and can not afford voluntary self-insurance (for a discussion of the numerous regulations see Pfeil 2001, 263-285).

It is important to note that all Federal Acts on social assistance include regulations on maximum levels of benefits (including supplements for housing, electricity, heating etc.), although often not coherently defined. Basically, this threshold is equal to the equalisation supplement reference rate of the old-age insurance (*Ausgleichszulagenrichtsatz*) currently amounting to EUR 772.40 per month (for a detailed discussion see Pfeil 2001, 245ff.).

Further special benefits refer to:

- Allowances during stays at care homes or hospitals;
- Reduced fees for public transport;
- Remission of the prescription charge (*Rezeptgebühr*);
- Remission of the broadcasting license fee (*Rundfunkgebühr*).

2.3.4 Refund of benefits

Because of their diversity and complexity, it is only possible to give a rough overview of these regulations (for a detailed discussion see Pfeil 2001, 291-356; for a brief overview Dimmel/Pfeil 2009, 488).

Basically, social assistance acts differentiate between two types of repayment, i.e.

- compensation of social assistance benefits, regardless of whether cash benefits or benefits in kind and services, due to changes in assets and income of the former beneficiary himself, or by family members;
- repayment of illegitimate social assistance benefits due to undeclared income or property.

Furthermore, social assistance acts differentiate between different groups of persons obliged to refund benefits. These groups of persons are:

- The former beneficiary himself / herself.
- Heirs in case of the recipient's death.
- Obligated maintenance-paying persons - usually family members.
- Persons against which the former claimant has legal claims, e.g. debts.

Basically, a former beneficiary or another obliged person has to refund social assistance benefits, especially social assistance benefits securing the claimant's subsistence (so-called "*Hilfe zum Lebensunterhalt*"). A former recipient may have to pay back benefits in case of subsequent higher income⁶ or significantly positive development of disposable property. Relatives may be obliged to

⁶ In the federal province of Styria, this rule has recently been abandoned, see: APA0152 II, CI 17.09.2008.

refund social assistance benefits according to their actual income at the time a relative receives social assistance (rising income at a later time must not be taken into account in this case).

The most important respective regulations are:

- Former recipients do not have to refund benefits if this repayment endangers the recipient's ability to cover his/her subsistence out of his/her own strength or if this repayment poses a serious economic risk.
- Definitions of third parties obliged to refund benefits comprise heirs, (former) spouses, parents for children (full-aged or underage) and children for parents. Apart that, different regulations apply for intramural and extramural social assistance. Table 2 gives an overview over respective regulation.

Table 2: Obligations for third parties to refund / pay back social assistance

Third party	Extramural social assistance	Intramural social assistance
Heirs	Obligation to refund in all Länder except of Styria	Obligation to refund in all Länder except of Styria
(Former) spouses	Obligation to refund in all Länder except of Styria and Lower Austria	Obligation to refund in all Länder except of Styria, Lower Austria and Carinthia
Parents for underage children	Obligation to refund in all Länder except of Styria	Obligation to refund in all Länder except of Styria and Carinthia
Parents for full-aged children	Obligation to refund in all Länder except of Salzburg, Styria, Vorarlberg and Vienna.	Obligation to refund only in Burgenland, Lower Austria, Tirol and with limitations in Upper Austria.
Full-aged children for parents	Obligation to refund only in Burgenland and Carinthia; with limitations in Upper Austria and Tirol	Obligation to refund abolished in all Länder as from 01.01.2009.

Source: Ministry of Work, Social Affairs and Consumer Protection (*Bundesministerium für Arbeit, Soziales und Konsumentenschutz*).

There are also regulations defining time limits for repayment. Obligations for former recipients, heirs and maintenance-paying third parties usually expire 3 years after the termination of a social assistance, but in some cases the time-limit is as long as ten years (e.g. in Vorarlberg for former recipients).

In this context some problems are worth mentioning:

- The obligation of third parties who are responsible for maintenance to refund benefits is one reason for the high non-take-up in social assistance (see below chapter 3 and Fuchs 2007; 2009): Potential benefit claimants do often not apply for social assistance, as they do not want to burden their relatives.
- No federal province, with the exception of Styria, has explicit regulations which prevent the obligation of a former recipient to refund his previous social assistance benefits in case his income exceeds, even marginally, the respective reference rate. Furthermore, the obligation to refund may "threaten" the former beneficiary up to 10 years after expiration of the entitlement, which may have a de-motivating effect.

However, it is worth noting that former benefits from social assistance are de facto often not subject to refunding, even in the case that the income situation of the former recipient improves. According to the rule that repayment should not pose a serious economic risk or oppose the general goal of sustainable social integration, offices of social administration often abstain from legal action to enforce their claims, and currently the federal province of Vienna does not pursue any cases of repayment of whatever type at all.

2.3.5 Additional earnings / earnings exemptions

Benefit recipients may have income from gainful employment while receiving social assistance. However, this will, as a general principle, lead to a cutback of social assistance on a pro-rata-basis. In other words: financial incentives e. g. to start part-time employment with low income is as much as non-existent.⁷ However, according to the federal social assistance act of Upper Austria, benefit recipients may earn some extra income in the context of public employment programmes without a reduction of their benefits from social assistance, and now there is a similar practise in a number of other federal provinces like, amongst others, Tyrol and Carinthia.

2.3.6 Organisation/Financing

As already mentioned, social assistance laws are the responsibility of the Laender. Generally, individuals have to claim social assistance at their respective district commission (*Bezirkshauptmannschaft*) or in Vienna at the municipal administration (*Magistrat*). Yet, as a general principle, municipal authorities will be asked to comment on the respective application. Especially in small municipalities this organisation bears the risk of stigmatization which is another factor responsible for non-take-up in social assistance (see below).

Generally, social assistance funding is shared among the respective federal province and the respective municipalities, although the distribution varies from one federal province to the other.

2.3.7 Major reform trends since 1992

Given the limits of this report (and the existence of nine different federal state laws on social assistance), we can only sketch some of the most important reform trends during recent years (see Dimmel/Pfeil 2009, 491ff.).

First, it is important to note that social assistance – contrary to the scheme of unemployment assistance – does not display any development pointing to major or substantial benefit retrenchment. On the contrary, recent reforms⁸ point to the direction that reference rates are now supposed to define standard rates of minimum provision, and now benefits may only fall below these limits in exceptional cases. However, this came along with a reduction of specific optional supplements.

⁷ However, an income exemption not to be taken into account for means testing may be granted in the federal province of Salzburg.

⁸ New laws on social assistance in Upper Austria and Styria in 1998, in Burgenland and Lower Austria in 2000, in Tyrol in 2006 and in Carinthia in 2007.

At the same time, reforms have to some degree accounted for well known problems, as e.g. the unfavourable situation of single parents (recently, benefits for this group have been raised in Vienna and Carinthia).

One major and interesting development consists of enhanced efforts to integrate recipients of social assistance into active labour market policies. This comes along with reforms that imply financial incentives to take part in such programmes, as additional income realised from work in such programmes is not taken into account to some degree in several federal states (the social assistance acts of Upper Austria, Tyrol and Carinthia comprise explicit respective regulation).

Apart from that - all in all - duties to refund benefits have been eased to some degree. This holds for former benefit claimants, but especially for relatives and regarding stationary or intramural social assistance. Furthermore, procedural law in social assistance has been reformed in many federal states to facilitate access and to improve transparency (see Dimmel/Pfeil 2009, 492).

But still social assistance shows considerable problems (see below chapter 3). This, inter alia, is caused by the heavily rising number of social assistance recipients in working age. These persons do not fulfil the eligibility criteria of unemployment insurance (especially the required insurance record) or are only entitled to rather low unemployment benefits or unemployment assistance (e.g. after preceding part-time employment) and then claim for additional means-tested social assistance. This implies a rising financial burden for federal provinces and municipalities. At the same time it has become evident that social assistance in the traditional form is not a feasible and sustainable instrument to deal with "standard" social risks like long-term unemployment, as non-take up appears to be considerable, benefits are regularly below the risk-of-poverty-level and the cross-linking to measures of active labour market policies, typically provided by the Austrian Employment Service (*Österreichisches Arbeitsmarktservice, AMS*) for recipients of unemployment benefit and unemployment assistance, is still comparatively weak.

Against this background, efforts have been made to develop extramural social assistance into a means tested minimum income scheme (*Bedarfsorientierte Mindestsicherung*) (see BMASK 2009, 101 ff.). This new scheme is meant to harmonise and (in most federal provinces) add up the core benefits of extramural social assistance⁹:

- This reform would lead to uniform minimum standards at the level of the equalisation supplement reference rate (currently EUR 772.40 gross which equals EUR 733.00 net for singles and EUR 1099.00 net for couples, payable 14 times a year). For children a supplement of EUR 131.94 per child would be granted. This benefit is supposed to cover all costs of subsistence including housing costs and it would be indexed according to the development of the equalisation supplement reference rate in old-age insurance. Housing costs are supposed to amount to 25% of the benefit granted (in case of higher actual housing costs the federal provinces may grant additional benefits).
- Up to now, some recipients of social assistance were not fully integrated into standard health insurance. According to the reform plan, these people would be covered by standard health insurance as well (whereas up to now welfare offices pay for treatment for people without standard health insurance, which was suspected to result in lower quality of treatment in some cases).¹⁰

⁹ See <http://www.bmsk.gv.at/cms/site/liste.html?channel=CH0606> for more details.

¹⁰ See e.g. Dimmel 2003, 142ff.

- Savings up to a sum of EUR 3.665 (=equalisation supplement reference rate x 5) would not be taken into account regarding the duty to utilise private assets at first instance.
- Recipients of means tested minimum income are intended to have the opportunity to realise additional income from gainful employment without deduction after 6 months of means tested minimum income for a maximum period of 18 months, which way the income from gainful employment may amount to a level between 7% and 17% of the equalisation supplement reference rate for singles.
- Nearly all forms of refunding / repayment of benefits by former benefit recipients would be abolished. The latter especially applies regarding future income from gainful employment. The obligation of parents to refund benefits for their full-aged children (and for children for their parents) would be abolished. However, in case of property in the form of houses or flats owned by the benefit recipient federal states could still enter into the deed to secure later payback.
- Recipients of means tested minimum income would have access to all measures of active labour market policies provided by the Austrian Employment Service (*Österreichisches Arbeitsmarktservice, AMS*), which would mean a considerable improvement if compared to the current situation.
- As an accompanying measure, benefits in case of low unemployment assistance would be increased to the level of equalisation supplement reference rate (but with a ceiling of a net replacement rate of 60% in case of single households and of 80% for persons eligible for family supplements; this is the same regulation as currently applying for unemployment benefits – see above chapter 2.2).

On the whole, this reform would not come along with a national law on means tested minimum income, but it would have to be implemented in the context of the existing laws on social assistance or via new laws on means tested minimum income at the level of federal states. Yet, the basic legal framework for this reform is an agreement between the Federal Republic of Austria and the federal provinces pursuant to Article 15a of the Federal Constitution Act (*Bundesverfassungsgesetz/B-VG*). Originally this reform was intended to be implemented on 1 January 2010 at the latest.

However, one federal province (Carinthia) is up to now refusing the respective agreement, whereas the others have explicitly signalled that they are willing to sign it. Furthermore, major problems occurred regarding the compatibility of the computer systems and IT-solutions of the Austrian Employment Service and welfare offices at the level of federal states (whereas a co-operation between the two would be necessary regarding the integration of recipients of means tested minimum income into measures of active labour market policies).

In March 2009 the Minister for Social Affairs announced that some delay had to be expected regarding the introduction of this reform package but that it was still the plan to have it implemented in the course of the year 2010.¹¹ This postponement caused considerable criticism by the federal provinces that have already signed the respective agreements, by some of the opposition parties and by charity organisations of the so-called "third sector".¹²

¹¹ OTS0256 II, CI 10.03.2009.

¹² APA0343 II, CI 11.03.2009.

3. Assessment of Austrian minimum income schemes

This chapter deals with the outcome and evident problems of the most important Austrian minimum income schemes - unemployment assistance and social assistance. The following topics are addressed in more detail: coverage and take-up, adequacy with regards to at-risk-of poverty thresholds and other indicators such as disposable income and legal minimum wages and the effectiveness of minimum income schemes in terms of poverty reduction and incentives / disincentives to work.

3.1 Coverage and take-up

3.1.1 Unemployment Assistance

As sketched above, unemployment assistance is a (to some degree) means tested benefit which unemployed people may apply for when the right to obtain unemployment benefit has expired (which happens after 20 to 52 weeks, depending on age and insurance record). Against this background, for having access to unemployment assistance it is crucial to meet eligibility criteria of preceding unemployment benefit.

According to data provided by the Austrian Employment Service (*Arbeitsmarktservice AMS*), 90.4% of all unemployed *registered with the Labour Market Service* had access to unemployment benefit or unemployment assistance in 2008 (see table 2). The respective numbers are 93.4% for men and 86.6% for women. At the same time the rates of benefit recipients are considerably lower for people under 25 and higher for persons aged 45 and over. In other words: A considerable problem of coverage appears to be evident for persons of young age and here especially for young women. This problem may, at first instance, be caused by insufficient insurance records of respective persons (see below).

Table 3: Rates of benefit recipients (unemployment benefit and unemployment assistance) in % of all registered unemployed 2008

Age	Rate of Benefit Recipients (Unemployment Benefit and Unemployment Assistance)		
	Women	Men	Total
< 25 years	77.5	84.6	81.4
25-44 years	85.7	92.5	89.3
>= 45 years	93.3	98.6	96.5
Total	86.6	93.4	90.4

Source: AMS Labour Market Database (<http://iambweb.ams.or.at/ambweb/AmbwebServlet?trn=start>) & own calculations

As noted above, these data only deal with unemployed registered at the Employment Service. For that reason, coverage may be overestimated to some degree. An alternative source of data is the Labour Market Survey, undertaken by Statistics Austria (see table 4). According to this survey data, only about 78% of all unemployed (according to EU-Labour Force Concept; LFC) are registered at the Employment Service and the respective numbers are considerably higher for men than for women. Furthermore, only 52.3% of all women and 61.9% of all men who may be

termed unemployed according to LFC receive unemployment benefit or unemployment assistance. These data may underestimate coverage, as respondents in respective surveys may deny receiving respective benefits although they actually do. However, these numbers may still be seen as a reference pointing to the direction that problems of coverage are larger than data on registered unemployed indicate.

Table 4: Status of Unemployed (According to labour Force Concept) in %, 2007

Status of Unemployed (According to Labour Force Concept) in %, 2007			
	Women	Men	Total
Registered with Employment Service	74.9	81.7	78.2
Receiving Benefits	52.3	61.9	56.8
<i>Of Which Unemployment Benefit</i>	<i>33.2</i>	<i>37.6</i>	<i>35.3</i>
<i>Of Which Unemployment Assistance</i>	<i>19.1</i>	<i>24.3</i>	<i>21.6</i>

Source: Statistics Austria 2008a, 210 & own calculations.

Non-access to unemployment benefit may be caused by insufficient insurance records. First-time applicants at the age of 25 and over have to show at least 52 weeks of employment covered by unemployment insurance within the last two years (for applicants at an age up to 25: 26 weeks within the last 12 months). If a person has already been granted unemployment benefit before, an insurance record of 28 weeks within the last 12 months is feasible. As noted above (chapter 2), this eligibility criteria have repeatedly been tightened (especially for non-first time benefit claimants). However, the above presented data point to the direction that problems of access to benefits especially concern younger people.

A second point worth mentioning is means-testing in unemployment assistance. This may especially be unfavourable for women, as men in Austria tend to have significantly higher income from gainful employment than women¹³, resulting in potentially larger deductions according to family income for women than for men.

Other problems up to recently have stemmed from the fact that people in some forms of employment did not have access to unemployment insurance (and for this reason to unemployment benefits and unemployment assistance) at all.

The first group were so-called quasi-freelancers (*Freie DienstnehmerInnen*), a group situated at the border of self-employment and dependent employment (see Fink et al. 2003). Yet, this group, which currently amounts to approximately 26.000 persons, has been integrated into unemployment insurance on a compulsory basis as from 1.1.2008.¹⁴

A second group which traditionally does not have access to unemployment insurance are the self-employed. But after a recent reform self-employed have now (since 1.1.2009) the opportunity of opting-in to unemployment insurance on a voluntary basis.¹⁵

On the whole, information and data on problems regarding access to benefits from unemployment insurance are very limited in Austria. For this reason, more detailed data and information on respective questions, here especially on problems to fulfil respective eligibility

¹³ See e.g. Commission of the European Communities 2009.

¹⁴ See <https://broschuerenservice.bmask.gv.at/PubAttachments/Soziale%20Absicherung.pdf> for more information.

¹⁵ See http://esv-sva.sozvers.at/portal/index.html?ctrl:cmd=render&ctrl>window=svaportal.channel_content.cmsWindow&p_menuid=68271&p_tabid=4 for more information.

criteria (insurance records), would be required to discuss and decide on further reforms in line with factual social problems and needs.

3.1.2 Social Assistance

As already mentioned above, the number of recipients of social assistance in Austria has been rising to considerable degree during the last ten years. Data in Table A1 in the annex of this paper show that the number of beneficiaries of non-stationary or extramural social assistance (*offene Sozialhilfe*) has grown twofold between 1996 and 2006. The strongest growth rates are evident for Vienna (+156%), for Lower Austria (+142%) and Tyrol (+124%). However, no in-depth analysis regarding these differentiations in the development of the number of recipients of extramural social assistance is available at the time of writing (see below).

When calculated as a percentage of total population, huge variances in the numbers of recipients of extramural social assistance become evident (see table 5). In 2006 no less than 5% of the Viennese population received extramural social assistance, whereas the respective number was only 0.24% in Carinthia.

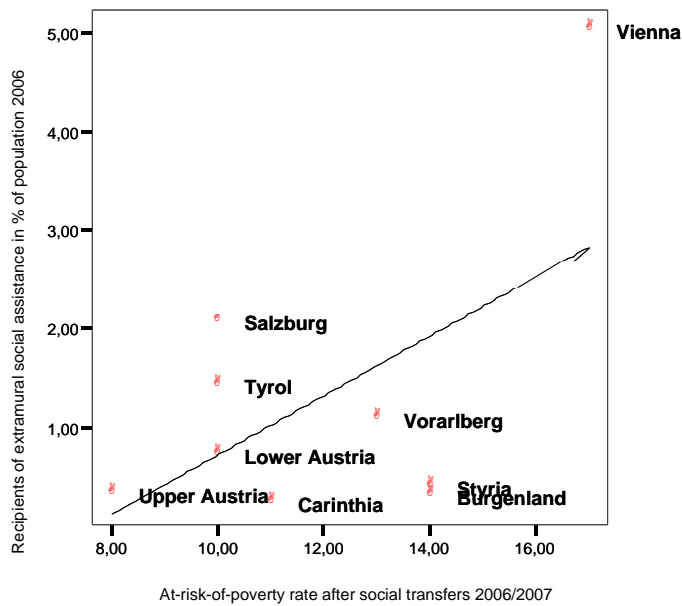
Table 5: Recipients of Extramural Social Assistance in % of Total Population, 2006

Recipients of Extramural Social Assistance in % of Total Population										
Year	Austria	Burgenland	Carinthia	Lower Austria	Upper Austria	Salzburg	Styria	Tyrol	Vorarlberg	Vienna
1996	0.80	0.44	0.19	0.31	0.34	1.56	0.37	0.68	0.86	2.12
1997	0.86	0.34	0.19	0.42	0.18	1.74	0.59	0.69	0.90	2.24
1998	0.93	0.37	0.19	0.40	0.15	1.95	0.47	0.76	1.06	2.57
1999	1.01	0.40	0.18	0.51	0.17	1.91	0.40	0.84	1.11	2.85
2000	1.01	0.32	0.19	0.49	0.17	1.68	0.45	0.90	0.88	2.97
2001	1.12	0.31	0.17	0.48	0.17	1.61	0.42	0.91	0.92	3.60
2002	1.22	0.27	0.20	0.46	0.20	1.73	0.43	0.98	0.84	4.00
2003	1.32	0.27	0.21	0.53	0.22	1.88	0.34	1.08	0.74	4.42
2004	1.46	0.28	0.21	0.66	0.27	2.07	0.38	1.43	0.63	4.70
2005	1.53	0.29	0.23	0.67	0.42	2.10	0.34	1.41	0.63	4.88
2006	1.59	0.30	0.24	0.72	0.32	2.09	0.40	1.43	1.08	5.04

Source: Statistics Austria, Social assistance 1996-2006, http://www.statistik.at/web_de/statistiken/soziales/sozialleistungen_auf_landesebene/sozialhilfe/index.html & own calculations.

Interestingly, these differentiations are not to a large degree correlated with the respective at-risk-of-poverty rate (after social transfers) (see chart 1 below). Especially in Styria, Burgenland, Carinthia and as well in Vorarlberg the share of recipients of extramural social assistance in % of total population is lower than this would be expected according to the respective at-risk-of-poverty rate (after social transfers).

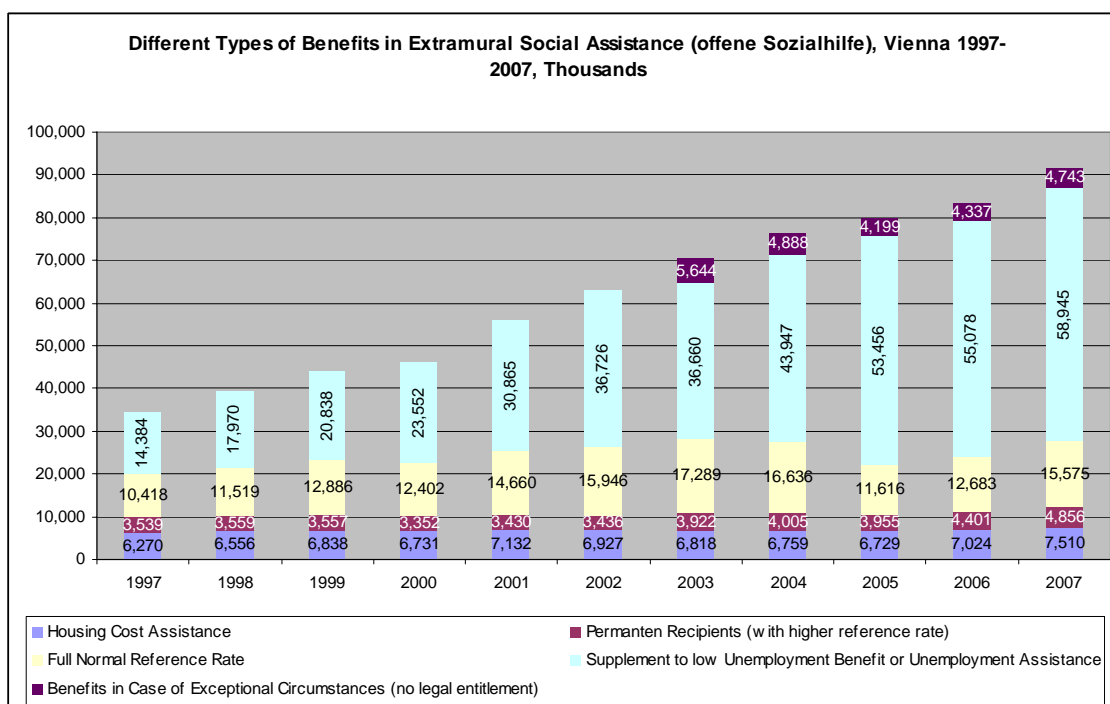
Chart 1: At-risk-of Poverty Rates and Recipients of Extramural Social Assistance in % of Total Population in Austrian Federal Provinces 2006/2007



Source: Statistics Austria (2008a), Statistics Austria (2009) and own calculations.

For some federal provinces, more detailed data are available regarding different types of extramural social assistance granted to recipients – however in many cases only for a very restricted number of years. Thus, data available on social assistance are generally extremely limited (see e.g. Dimmel 2008, 621ff.). One more complete time series is available regarding the federal province of Vienna, showing that the growth in recipients is especially caused by a rising number of people who receive supplements from social assistance due to low benefits from unemployment insurance (unemployment benefits and unemployment assistance). The number of such benefit recipients has nearly grown fourfold since 1996 (see chart 2).

Chart 2: Different Types of Benefits in Extramural Social Assistance (offene Sozialhilfe), Vienna 1997-2007, in Thousands



Source: Internal Statistics on Social Assistance, Municipality of Vienna.

Related information is available regarding the federal provinces of Salzburg and Vorarlberg. Respective statistics regarding Salzburg provide data regarding sources of other income of households (not individual cases) receiving extramural social assistance (see table 6). Here, about one third does not have any other income at all, about 23% receive old-age or invalidity pensions, about 17% receive unemployment benefit or unemployment assistance, about 15% have income from gainful employment and about 12% from other sources.

Table 6. Sources of other Income of Households Receiving Extramural Social Assistance, Salzburg, 2005-2007

Other Income from...	2005		2006		2007	
	absolute	in %	absolute	in %	absolute	in %
Unemployment Benefit/ Unemployment Assistance	1,356	19.3	1,259	18.4	1,098	16.7
Gainful Employment	926	13.5	978	14.3	983	15.0
Child Care Allowance	14	0.2	13	0.2	6	0.1
Pension	1,520	22.1	1,505	22.0	1,502	22.9
Other Income	727	10.6	828	12.1	790	12.0
No other Income	2,320	33.8	2,247	32.9	2,181	33.2
Total	6,863	100.0	6,830	100.0	6,560	100.0

Source: Amt der Salzburger Landesregierung 2008, 36.

This means that the proportion benefit recipients receiving social assistance as a supplement to unemployment benefit or unemployment assistance is much lower in Salzburg than in Vienna. Just as well, the same holds – however to a lower degree - for Vorarlberg, for which also some more detailed data are available. Here, data regarding other income sources are given according to other income sources of the “main recipient” (*HauptunterstützteR*) of the respective household.

Table 7. Sources of other Income “Main Recipients” Receiving Extramural Social Assistance, Vorarlberg, 2007

	2007	
	absolute	in %
Other Income from...		
Unemployment Benefit/ Unemployment Assistance	1,482	35.0
Gainful Employment	548	13.0
Child Care Allowance	205	4.8
Pension	517	12.2
Maintenance	82	1.9
Other Income	107	2.5
No other Income	1,072	25.3
n.a.	217	5.1
Total	4,230	100.0

Source: Amt der Vorarlberger Landesregierung 2008, 11.

On the whole, these data point to a considerable heterogeneity of social problems within the regime of social assistance as well as to large differentiations between the respective federal provinces (especially if the respective data for Vorarlberg are directly compared to those for Salzburg). However, it is unclear if these differentiations appear against the background of de facto different social problems in the respective federal provinces, due to different regulations and standards of implementation on the side of welfare offices or because of regional variances in non-take-up.

Regarding the latter, only some basic information is available for the case of Austria (see especially Fuchs 2007; 2009; as well: Dimmel/Schoibl 2003; Dimmel 2009). Fuchs (2007, 18) defines “non-take-up [...] as the ratio between the number of households which are not receiving the benefit and the total number of those who are potentially eligible” (Fuchs 2007, 18). Employing an econometric model, he estimates the likely non-take-up rate in social assistance in Austria for 2003. The respective rate is likely to be somewhere between of 49% to 61% of all potentially eligible households (the most likely value is 56.3%). Regarding expenditure, non-take-up applies to 39% to 53% of all those potentially owing expenditure, whereas the most likely value is 48% (see Fuchs 2007, 28; 2009, 296).

According to the analysis by Fuchs (2007; 2009), non-take is significantly lower, the higher the individual poverty gap before social assistance is. Households with an inactive or unemployed head of household show a significantly lower non-take-up rate than households with a head of household in employment. Non take-up is significantly lower for people with low formal qualification than for people with medium or high formal qualification, and living in an urban area (living in Vienna was used as a proxy for the respective analysis) reduces non-take-up significantly. Furthermore, non-take-up of families with children is (although not significantly) less frequent than in the case of adults without children.

Unfortunately, no in-depth analyses are available regarding non-take-up dealing with the federal provinces in Austria from a comparative perspective (apart from other reasons because of the fact that data from EU-SILC are not representative for the level of federal provinces). Against this background it is currently impossible to evaluate to which degree the huge variations regarding benefit recipients in extramural social assistance as a share of the total population (see table 4 above) are caused by different rates of non-take-up, and to which degree by other reasons.

On the whole, non-take-up may occur against the background of several barriers, implying potential social assistance recipients to effectively claim benefits (see Fuchs 2007, 5ff; 2009, 290ff.). Such barriers may have to do with too high information- and administrative costs, they may be based on rational cost-benefit calculations (the benefit is too low compared to procedures of application etc.). Apart from that, social and psychological factors, e.g. stigmatization, also appear to be of major importance (see Dimmel 2009 for a more detailed discussion).

Furthermore, private help organisations like Caritas, Diakonie, think-tanks like Armutskonferenz and the Green Party have repeatedly claimed that quite often people applying for social assistance are not properly informed by welfare offices or that they - even worse - are not treated according to the respective legal regulations, implying that people who would in principle have a right to obtain benefits do not receive them, or that they only receive them with a significant delay of sometimes several months after having applied for social assistance.¹⁶ In other words: There appear to be considerable problems when it comes to the implementation of the (currently very complicated) regulations according to the respective social assistance acts of the federal states. But detailed and valid information on such questions is rare (but see e.g. Dimmel 2003, 142ff.).

However, one more recent study provided by Armutskonferenz, designed as a survey among private help organisations, draws the conclusion that the factual implementation of social assistance varies to a large degree within (!) federal provinces and even within single social welfare offices. Furthermore, apart from other things, it states that in some cases considerable delay is evident regarding decisions to grant social assistance, that sometimes other universal welfare provisions (like family allowances) are considered private income regarding means-testing, although this is not in line with the respective regulations, or that some social welfare offices selectively simply refuse to deal with the application of benefit claimants, although this is an illegal practise (see Armutskonferenz 2008).

The above described reform-package of a means tested minimum income scheme would, apart from others, also pursue the goal of reducing the non-take-up of minimum income in Austria, especially by abolishing most forms of refunding by family members and the (former) recipients themselves and by making respective rules more standardized and transparent. However, for the time being it is not clear if the latter goal will be reached in reality, as detailed regulations on procedures etc. will again be subject to nine different laws - currently being worked out - at the level of federal provinces.

In this context it is worth mentioning that the originally also discussed plan to exclusively assign the implementation of means tested minimum income scheme to the Employment Service (AMS) was not pursued. This would have meant that district commissions (*Bezirkshauptmannschaften*), which generally consult municipalities when deciding whether to grant social assistance, or in Vienna the municipal administration (*Magistra*), would not have played any important role with the programme planned to succeed extramural social assistance for people being fit for work. This would possibly have had further positive effects on take-up, imposing a true one-desk principle, which at the same time would have had the potential to reduce problems of stigmatisation by avoiding the involvement of (in Austria very often rather small-scale) municipalities.

¹⁶ See e.g. OTS0294 II 24.04.2007 ; APA0331 II, CI 24.01.2008; OTS0121 CI, II 13.05.2008 ; APA0203 II 30.12.2008 .

3.2 Adequacy

To assess the adequacy of minimum income schemes it would be one option to make detailed calculations on net replacement rates and income levels of people receiving unemployment benefits, unemployment assistance and social assistance, in this context also taking into account taxes, universal social benefits (like family allowances) and different family structures (differentiations would be e.g.: single persons versus couples, in the context of which the spouse may be in gainful employment or not; level of income of the spouse; number of children etc.). However, for the time being such calculations are not available from national sources.¹⁷ Furthermore, respective data modelling would as well presume that social assistance (including housing benefits) is always granted according to respective regulations in place, which may, however, not always be the case (see chapter 3.1.2. above). For this reason, it would be even better to monitor the living conditions of respective persons according to empirical data. However, the respective data are missing to a large degree either, as social assistance statistics are rather cursory (in most cases including some basic indicators only; see e. g. Dimmel 2008, 621ff.). At the same time, also EU-SILC provides only some basic information, at first instance because of the low population of the respective groups (implying problems with representativeness).

However, some respective data modelling is available from the OECD's "Benefits and Wages"-programme.¹⁸ It gives information on wage replacement rates in case of unemployment according to different preceding wage-levels and family structures. Furthermore, it provides information on wage replacement rates at the beginning of unemployment and after an assumed duration of 60 months of unemployment. In principle, the latest year for which data are available is 2007. However, we use calculations for 2006, as, at the time of writing, the online Tax-Benefit-Calculator¹⁹, which allows disaggregating respective benefits according to different types, is only available up to the year 2006. We then combine these data with at-risk-poverty thresholds for Austria according to EU-SILC 2007 (see Statistics Austria 2009). We do this for one year only, as no major changes occurred in the relative income level of unemployed in the years for which OECD data are available (i.e. since 2001). At the same time we are aware of problems that might occur when combining data from two different sources, but this approach allows to formulate some tentative judgement regarding the adequacy of minimum income-schemes in Austria. However, we want to emphasize that the respective results should be interpreted cautiously and that further respective assessments would be necessary before drawing final conclusions.²⁰

The respective results, deriving from data modelling by the OECD and our own calculations are given in table 8 below. In this context it is worth noting that, regarding the initial period of unemployment, the data-modelling by OECD does not take into account means tested top-ups from social assistance etc., but (apart from universal social benefits such as family allowances) unemployment benefits and – where applicable – income by spouses from gainful employment only. The calculation for income and net-replacement rates after 59 months of unemployment includes benefits from unemployment insurance (i.e. from unemployment assistance in the Austrian case), social assistance and housing benefits as well as (where applicable) universal social benefits such as family allowances and employment income by spouses in case of "two earners married couples".

¹⁷ Obviously, given the complexity of such a task, it is beyond the scope of this report to provide new calculations of our own on this topic.

¹⁸ See http://www.oecd.org/document/29/0,3343,en_2649_34637_39618653_1_1_1_1,00.html

¹⁹ http://www.oecd.org/document/18/0,3343,en_2649_34637_39717906_1_1_1_1,00.html

²⁰ Apart from other things, because data modelling by OECD includes several rather broad-brush assumptions; see for more detailed information: <http://www.oecd.org/dataoecd/59/34/41576383.pdf>

On the whole, it is evident that in several cases the respective benefits come along with income below the risk-of-poverty-rate (highlighted in red). In case of rather low wages from preceding gainful employment this applies for all family constellations, with the exception of the case that an income from gainful employment is available for the partner of the unemployed. The same does as well hold for one earner married couples (irrespective of having children or not).

After 59 months of unemployment recipients may receive additional means-tested benefits (from social assistance and housing supplements), but unemployment benefits will then have been substituted by (in many cases lower) unemployment assistance. For this reason, there happens a reduction of income in most cases. This is especially true for people with earlier above average wages and for two earners married couples. On the whole, the income after 59 weeks is in many cases below the at-risk-of poverty threshold and in no case higher than 122% of the risk-of-poverty threshold.

In this context it is worth noting that the income would even have been lower for many groups if they would not have had access to unemployment assistance (which may be the case if they do not meet the eligibility criteria for preceding benefits). According to calculations by the OECD, income from social assistance, housing benefits and (where applicable) family allowances alone amount to a maximum of approximately 82% of the at-risk-of poverty threshold in case of singles, to about 71% in case of couples, to approx. 86% for single parents with 2 children and to about 78% for couples with two children. These maximum benefits from social assistance apply in a number of cases listed in table 8 (marked yellow).

On the whole, three problems appear to be of paramount importance if, according to this analysis of the adequacy of minimum income schemes in Austria:

- a. Wage replacement rates from unemployment benefit are comparatively low in the case of prior below average (in our model 67% of average) wages from gainful employment (this is also true from an international comparative point of view). The probable consequence is insufficient income in case of unemployment (even if eligibility criteria are met), especially if there is no additional household income from employment.
- b. Rather rigid rules regarding the consideration of employment income by other family members and current maximum levels in unemployment assistance imply a rather extensive reduction of family income in case of long-term employment. For this reason income is often below or just above the risk-of-poverty threshold in case of long-term-unemployment.
- c. The current regime of social assistance appears to provide benefits that are considerably lower than the risk-at-poverty threshold (however, as noted above, this assumption is based on rather crude estimations only, given the limited information on supplements²¹ that may be granted as a surplus to standard reference rates).

²¹ Apart from housing supplements, which have already been taken into account in the calculations presented.

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Table 8: Income and Wage Replacement Rates for Six Family Types and Three Levels of Income

	Income Level in Gainful Employment						Income Level in Gainful Employment						Income Level in Gainful Employment					
	67% of Average Wage						100% of Average Wage						150% of Average Wage					
	No Children			2 Children			No Children			2 Children			No Children			2 Children		
	Single person	One-earner married couple	Two-earner married couple	Lone parent	One-earner married couple	Two-earner married couple	Single person	One-earner married couple	Two-earner married couple	Lone parent	One-earner married couple	Two-earner married couple	Single person	One-earner married couple	Two-earner married couple	Lone parent	One-earner married couple	Two-earner married couple
At Risk of Poverty Threshold in EUR / Year (EU-SILC 2007); 60% of Med. Inc.	10,945	16,417	16,417	17,511	22,984	22,984	10,945	16,417	16,417	17,511	22,984	22,984	10,945	16,417	16,417	17,511	22,984	22,984
Net Income from Gainful Employment 2006																		
EUR / Year	17,840	18,204	35,679	22,589	22,589	39,759	24,514	24,878	32,580	29,263	29,263	46,433	34,258	34,622	52,098	39,007	39,007	56,178
in % of At-Risk-of-Poverty Threshold	163	111	217	129	98	173	224	152	198	167	127	202	313	211	317	223	170	244
Initial Phase of Unemployment (1)																		
Income EUR / Year	9,812	10,376	28,900	15,812	16,038	33,795	13,483	13,932	25,087	19,314	19,899	37,611	14,388	14,541	33,343	19,894	20,284	38,201
in % of At-Risk-Of-Poverty Threshold	90	63	176	90	70	147	123	85	153	110	87	164	131	89	203	114	88	166
Wage Replacement Rate	55	57	81	70	71	85	55	56	77	66	68	81	42	42	64	51	52	68
<i>Wage Replacement Rates EU-15</i>	<i>69</i>	<i>71</i>	<i>82</i>	<i>78</i>	<i>78</i>	<i>85</i>	<i>59</i>	<i>61</i>	<i>75</i>	<i>70</i>	<i>69</i>	<i>78</i>	<i>48</i>	<i>49</i>	<i>64</i>	<i>58</i>	<i>57</i>	<i>68</i>
After 59 Months of Unemployment (2)																		
Income EUR / Year	9,098	11,651	18,196	15,135	17,845	23,855	12,502	12,937	14,009	18,436	18,728	27,395	13,361	13,503	18,755	18,723	19,113	28,089
in % of At-Risk-Of-Poverty Threshold	83	71	111	86	78	104	114	79	85	105	81	119	122	82	114	107	83	122
Wage Replacement Rate	51	64	51	67	79	60	51	52	43	63	64	59	39	39	36	48	49	50
<i>Wage Replacement Rates EU 13 (3)</i>	<i>57</i>	<i>70</i>	<i>55</i>	<i>69</i>	<i>82</i>	<i>62</i>	<i>42</i>	<i>51</i>	<i>46</i>	<i>56</i>	<i>64</i>	<i>53</i>	<i>31</i>	<i>37</i>	<i>38</i>	<i>43</i>	<i>48</i>	<i>44</i>

- (1) Initial phase of unemployment but following any waiting period. No social assistance "top-ups" are assumed to be available in either the in-work or out-of-work situation. Any income taxes payable on unemployment benefits are determined in relation to annualised benefit values (i.e. monthly values multiplied by 12) even if the maximum benefit duration is shorter than 12 months. For married couples the percentage of Average Wage (AW) relates to one spouse only; the second spouse is assumed to be "inactive" with no earnings in a one-earner couple and to have full-time earnings equal to 67% of AW in a two-earner couple. Children are aged 4 and 6 and neither childcare benefits nor childcare costs are considered.
- (2) After tax and including unemployment benefits, social assistance, family and housing benefits in the 60th month of benefit receipt. For married couples the percent of AW relates to one spouse only; the second spouse is assumed to be "inactive" with no earnings in a one-earner couple and to have full-time earnings equal to 67% of AW in a two-earner couple. Children are aged 4 and 6 and neither childcare benefits nor childcare costs are considered.
- (3) EU-15 excluding Greece and Italy, which do not grant most of the respective benefits after 50 weeks of unemployment.
- (4) Source: Data from OECD "Benefit-and Wages" Statistics, see: http://www.oecd.org/document/29/0,3343,en_2649_34637_39618653_1_1_1_1,00.html, Data from Austrian EU-SILC Survey (Statistics Austria 2009) & own calculations.

All three points are to some degree subject to actual political debating and in some cases even concrete reform plans:

- Ad a): The Austrian Trade Union Federation (*Österreichischer Gewerkschaftsbund*, ÖGB) – against the background of the economic crisis and rising unemployment – has called for a rising of the wage replacement rate of unemployment benefits (basic amount; *Grundbetrag*) from 55% to 60%.²² Labour Chambers (*Arbeiterkammern*) and the Green Party want the replacement to be increased even to 70%.²³ However, the government has up to now not been able to agree on such a reform²⁴, and it appears that the recently presented draft law on the federal budget for the next two years (to be decided before summer) does not allot funds for such an aim. However, it is worth noting that politicians in Austria have noticed the problem of low replacement rates (especially after below average wages) and that this topic is on the agenda to some degree. In this context it is worth noting that the problem of low replacement rates has steadily increased during the last two decades because part-time employment has faced a steady but at the same time strong rise. This – *ceteris paribus* – comes along with increasing numbers of recipients with only quite low unemployment benefits.²⁵
- Ad b) The reform-package on “means-tested minimum income scheme” (see above chapter 2.3.7.) would come along with somewhat less rigid means-testing in unemployment assistance and higher maximum rates of that same benefit. Both could add to the goal of higher income security in case of long-term unemployment.
- Ad c) The reform-package on “means-tested minimum income” (see above chapter 2.3.7.) would – in principle – standardise the level of social assistance for those fit for work according to the equalisation supplement reference rate in old-age insurance (including housing benefits). This would, in many federal states, come along with a raise of benefits if compared to the current social assistance regime. However, in some federal provinces the respective benefit rates of social assistance are already higher than the level envisaged under the new regime. Yet, as far as announced up to now, these federal states do not intend to cut there overall benefits but to grant supplements as an optional top-up to the benefit according to supplement reference rate in old-age insurance (however, no legal entitlement would apply for the latter). On the whole, means-tested minimum income would improve the income situation of recipients if compared to the data used for calculations in table 6 above. Currently, the benefit under the new regime would e.g. amount for singles to EUR 10,262 net per year and for couples to EUR 15,386 net per year (in both cases the respective income would be equal to about 94% of the at-risk-of poverty threshold according to EU-SILC 2007).

²² See e.g. OTS0154 WI, II 16.03.2009.

²³ See e.g. OTS0145 II 05.03.2009; OTS0280 II, CI 18.02.2009.

²⁴ APA0206 II, WI 15.02.2009.

²⁵ One other reason for low benefits from social insurance (unemployment benefits and unemployment assistance) may be caused by rising wage-dispersion in Austria, going ahead with a growing share of low-wage jobs, especially in the services sector (see Guger/Marterbauer 2005).

3.3 Effectiveness

3.3.1 Poverty Reduction

Table 9 below provides risk-of-poverty rates before and after different types of social transfers and for different groups of the population. Evidently, the impetus of social assistance on risk-of-poverty rates is not very high for most groups. This appears to be rather logical, given the fact that social assistance (even together with housing benefits) is often below the level of the risk-of-poverty threshold (see above chapter 3.2.). Unfortunately, no data on the impacts of social assistance on poverty gaps are available.

Of much more evident importance are benefits from unemployment insurance, unemployment benefit and unemployment assistance. Without the respective benefits no less than 91% of households with short-term unemployment would be endangered by poverty. For this group, respective benefits (together with other social transfers) reduce the risk-of-poverty rate to 9%.

Benefits from unemployment insurance are also crucial for households with long-term-unemployment (12 months and longer). However, in this case very often only unemployment assistance may be granted, which in many cases provides considerably lower income than unemployment benefit (see above chapters 2.2.2. and 3.2.). For this reason, the risk-of-poverty rate for households with long-term-unemployment is very high, with a level of no less than 41%. For this group again, the effect of social assistance on the at-risk-of poverty rate is much lower than that of benefits from unemployment insurance. It would “only” be higher by 4 percentage points in the case that social assistance would not exist.

This, together with the results from the analysis (in chapter 3.2.) above points to the direction that there is some need for reform in Austrian minimum income schemes, especially regarding the group of long-term unemployed and former low-wage earners. In this context it is worth noting that the poverty gap for individuals at employment age with an unemployment record of more than 12 months is very high (25%), which points to a strong intensity of poverty in that group (see Statistics Austria 2009, 130).

As sketched out above (chapters 2.2.4. and 2.3.5), recipients of unemployment benefit and unemployment assistance may realise additional earnings from gainful employment up to the so-called marginal wages threshold (currently 357.57 € gross). In social assistance additional earnings do result in a pro-rata reduction of benefits (apart from some narrowly defined exemptions). This means that specific (or even indirect) in-work-benefits from minimum-income-schemes are close to being non-existent regarding social assistance (but for a more differentiated discussion see Stelzer-Orthofer 2009).

Yet, at the same time a rather large group of people may be termed “working poor” in Austria (see Fink 2009). About 6.4% of all people in gainful employment at working age (20-64 years) have recently gained an equivalent income below the at-risk-of poverty threshold. This corresponds to no less than 228.000 individuals, 175.000 of which have been in employment for the whole year, 75% of which are working full-time (Statistics Austria 2009, 35). On the whole, “working poor” are the largest socio-economic group with an equivalent income below the at risk-of-poverty threshold.

For this reason, there has been some debating about introducing a system according to the model of Working-Tax-Credits as they are in place e.g. in the UK or the USA (together with the

above mentioned reform package of the “means-tested minimum income scheme”. However, the respective plans have been turned down, at first instance due to potential adverse effects regarding the wage structure (wee Stelzer-Orthofer 2009 for a discussion). Instead, a general minimum wage of EUR 1,000 gross per month has already been introduced as part of the package of the means tested minimum income scheme.

Table 9: Risk-of-poverty before and after social transfers and pensions

Risk-of-poverty before and after social transfers and pensions									
	Number of persons in 1.000	At-risk-of-poverty rate							
		after pensions and social transfers	before ...						
			Pensions and social transfers	Pensions	Social transfers	Family-/Education transfers	Unemployment transfers	Health transfers	Social assistance/housing allowances
in %									
Total	8.214	12	43	40	25	22	27	21	13
Households with old-age benefits	1.637	15	96	100	18	16	18	18	16
Single men	125	11	100	100	13	11	11	14	13
Single women	428	27	99	100	29	27	27	27	29
MPH	1.085	11	95	100	14	12	16	16	11
Households without old-age benefits	6.577	11	30	26	27	23	29	21	12
Single men	398	15	26	18	26	16	27	22	17
Single women	289	22	34	30	31	23	31	30	24
MPH	1.920	6	22	34	16	9	27	22	6
Households with children (without old-age benefits)	3.970	12	35	22	31	30	29	20	14
Single parent	338	32	59	35	58	53	47	38	37
MPH + 1 child	1.382	8	24	22	21	19	27	16	9
MPH + 2 children	1.512	9	30	17	27	26	26	16	10
MPH + 3 or more children	737	19	53	27	49	49	34	26	21
Household with the youngest child									
up to 3 years old	1.128	15	46	21	44	40	32	23	16
4-6 years old	624	16	35	23	33	30	33	20	17
more than 6 years old	2.288	11	30	25	25	26	28	19	12
Household with ...									
Disability	1.363	16	67	68	33	23	33	38	17
Unemployment									
Short-term < 6 months	790	9	39	26	33	24	91	24	11
Long-term >= 12 months	445	41	85	57	81	57	94	52	45
Third-country national (not EU/EFTA)	828	26	53	37	50	44	55	36	29
Nationalized (without foreign citizenship)	281	18	49	31	40	35	38	27	19

Family transfers: family allowances, confinement benefits, child-care allowance, advance on maintenance payments

Educational transfers: student grants, scholarships, refunding of tuition fees, other education transfers

Unemployment transfers: unemployment benefits, unemployment assistance, part-time allowance for older workers, other unemployment transfers

Health transfers: sickness benefits, accident benefits (*Unfallrente*), long-term care benefits, invalidity pensions for persons up to retirement age, other accident and sickness transfers

Social assistance: continuous and single payments, housing allowances

S: Statistics Austria (2009), EU-SILC 2007

3.3.2 Work incentives

Generally speaking, work incentives may be considered rather high in Austria, as replacement rates of unemployment benefit and unemployment assistance are rather modest. The latter especially holds for benefits after preceding low-wage employment (which is on a rise due to increasing part-time employment, especially among women) but as well for the overall level of benefits in social assistance.

However, one major point that may contradict work incentives to a large degree is the fact that income from employment exceeding the marginal wages threshold in case of unemployment benefits and unemployment assistance, and almost every kind of additional income in case of social assistance is subject to a marginal tax rate of 100%. In other words: Benefits are reduced on a pro-rata-basis vis à vis income from gainful employment.

The new means tested minimum income scheme, planned to be introduced in 2010, will not solve this problem in a structural way. It will only offer some minor opportunity to realise additional income from gainful employment, which will not be accounted for in means testing (see above chapter 2.3.7.), but not offer any model of stepwise tapering off of benefits.

Still, labour market performance has appeared to be rather good until recently: Unemployment rates were low from an international comparative point of view, as were rates of long-term unemployment. However, employment rates always used to be considerably lower than in the best performing European countries (especially regarding the age-group 55+), and it appears that a rather large group of people exists on the labour market that does not manage to achieve *stable* employment participation (although registered with the Employment Service). This group of people is not well represented in statistics on long-term unemployment, as short episodes of employment often lead to a new cycle of statistical mapping (these people are then counted as “new unemployed”). In 2008, this group amounted to about 50.000 people on yearly average who were registered with the labour market service but had been without stable employment participation for over a year (i.e. showing only short interruptions of unemployment). At the same time the official number of registered long-term unemployed, who have been unemployed for 12 months and more in 2008, was only 5,746 on annual average.

This group of people, of which parts may have structural problems with participating in the labour market on a full-time basis or even within “long” part-time employment, would probably profit from a model according to stepwise tapering off of benefits that would reduce marginal the tax rate in case of co-earnings from gainful employment. At the same time, it would be in favour of the clients of social assistance who are often even more excluded from the labour market (see e.g., Dimmel 2008, 623). However, such a model is not widely discussed in Austria at the moment (at least not in the political sphere). Again, as with Working Tax Credit, one major argument against such a model is that it would probably have potential adverse effects in terms of the wage structure (by sponsoring the low-wage-sector via public resources). However, such tendencies could be restrained by tight implementation and control of minimum wage regulations).

Work incentives may as well be linked to regulations regarding the jobs that a benefit claimant has to accept and the respective regulations on sanctions (cancellation of the benefit etc.) if he does not do so. As described above, the respective regulation has repeatedly been tightened for unemployment benefits during the last two decades (see chapter 2.2.1.), and recipients of unemployment assistance and social assistance are not subject to a special “vocational protection” or “job protection” (*Berufsschutz*). In other words: they may not reject a job offer for

the reason that this job is not in accordance with their formal qualification or the job profile before unemployment (so-called "vocational protection" or "job protection"; *Berufsschutz*). They may also not reject a job offer for the reason that the remuneration offered would be (even considerably) lower than in the job before employment.

Still, the topic is on the political agenda in Austria to some degree, in the context of which the Austrian Peoples Party (*Österreichische Volkspartei; OeVP*), being one of the two partners in the current grand coalition, has repeatedly claimed for a further tightening of respective regulations (including the duty for benefit recipients to fulfil community work) and the expansion of sanctions in case of non-compliance.²⁶ Such plans have been criticised by a wide spectrum of other political players and organisations, including trade unions, labour chambers, *Armutskonferenz* and even the important employer's organisation *Industriellenvereinigung*.²⁷

As mentioned above (chapter 2.3.4.) a former recipient of social assistance may have to pay back benefits in case of subsequent higher income²⁸ or significantly positive development of disposable property. Such a rule is likely to reduce work incentives considerably, although former benefits from social assistance are de facto often not subject to refunding, even in the case that the income situation of the former recipient improves. The reform package on means tested minimum income scheme, pending to be implemented in 2010, would abolish most forms of refund from former benefit recipients.

²⁶ See e.g. APA0120 II, WI 27.10.2008; APA0146 WI, II 05.04.2009.

²⁷ See e.g. APA0276 II, WI 15.04.2009; OTS0111 CI 19.02.2009; APA0308 II, WI 06.04.2009.

²⁸ In the federal province of Styria, this rule has recently been abandoned, see: APA0152 II, CI 17.09.2008.

4. Link between minimum income schemes and the other two pillars of the active inclusion strategy

4.1 (Personalised) employment and training programmes

In Austria, employment and training programmes are, at first instance, performed by the Employment Service. Their traditional clientele are recipients of unemployment benefits and recipients of unemployment assistance. Regarding these two groups, a substantial extension and upgrading has become evident since the mid-1990s (i.e. since Austria's accession to the EU) (see e.g. Grand 2009). But Employment Service traditionally did not offer respective programmes to recipients of social assistance or at least not to sole-recipients of social assistance (i.e. recipients of social assistance without synchronous benefits from unemployment insurance) (see e.g. Sundl/Reiterer 2009).

In other words: for a long time an extensive deficit was evident regarding employment and training programmes for recipients of social assistance. Yet, this situation has - although only gradually - changed during recent years on the background of a growing number of respective projects (partly co-financed via ESF). One example is the programme "Jobchance": established in the federal provinces of Vienna and Upper Austria, Styria, Tyrol and Carinthia it introduced related tools. These programmes combine support by social workers with the opportunity to acquire and stabilise professional and social competencies and qualifications (see e.g. Sundl/Reiterer 2009). However, for the time being such services are still rather small-scale, not comprehensively available, and mid-term outcomes are varying (see e.g. Dimmel 2008, 622).

The envisaged reform-package of the means tested minimum income benefit would also address this problem to some degree, as it is planned to structurally integrate recipients of this benefit into training measures of the Employment Service. However, this would only be the case for people who all in all are "fit for work" by mental, social and physical means. The decision if this is the case or not is planned to be left to a kind of clearing-institution, whereas the organisation of the latter has not been accurately defined up to now (this is still a topic to be sorted out between regional Employment Service and federal states). All in all, this re-organisation is likely come along with new opportunities for those who are largely "job-ready" and at first instance show deficits regarding professional competencies and qualifications only. For the others, more "made to measure" (personalised) employment and training programmes, coming along with support by social workers, are necessary and it will remain to be in the responsibility of the federal provinces to introduce and finance such programmes (although in co-operation with the Employment Service and with other sources of co-financing, e.g. from ESF) (see e.g. Sundl/Reiterer 2009, 566ff. for a discussion).

4.2 Support to minimum income schemes in terms of access to quality services

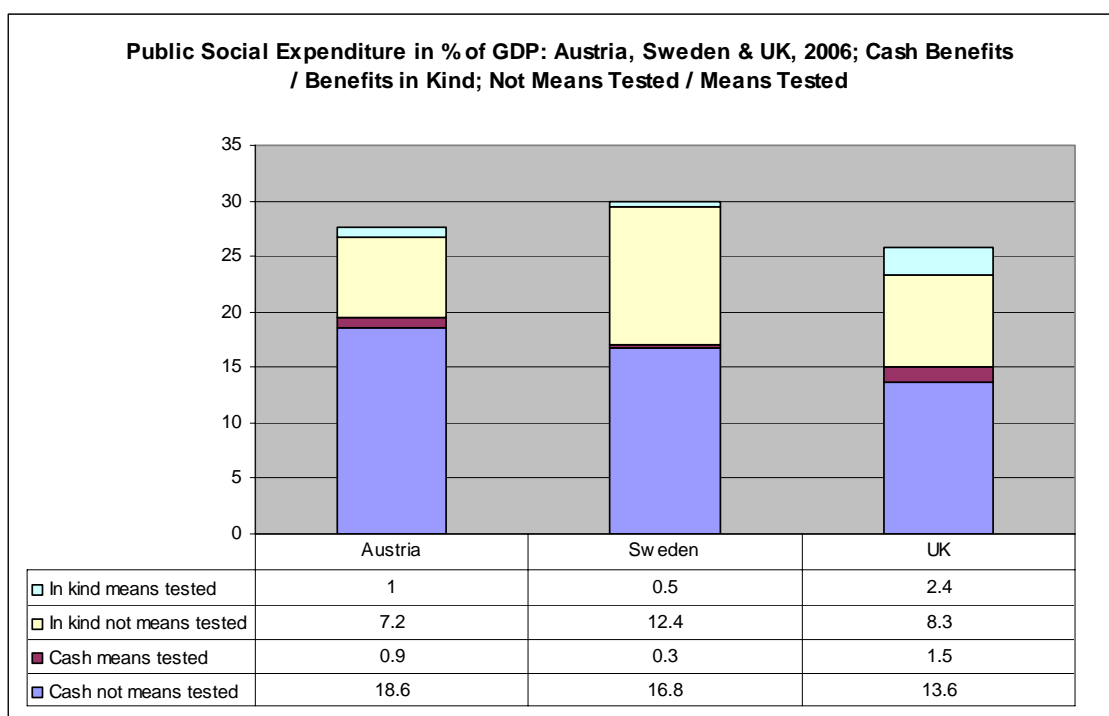
Regarding access to quality services it is hard to assess the degree and extent of in-kind support for minimum income schemes or population at risk in a qualitative way. Analyses dealing with the role of benefits in kind and social services regarding poverty reduction do often not clearly differentiate between benefits or services that are available on a rather universal basis or from social insurance on the one hand, and the ones that are truly means tested on the other hand (see e.g. Dimmel/Schmid 2009).

One other option is to draw on makro-data, dealing with means-tested and not means-tested public social spending for benefits in kind (and cash benefits). In-dept analysis on such questions has, up to our knowledge, not yet been done for Austria (but see BMASK 2009 for some basic information on spending for means-tested and not means-tested cash benefits). Yet, we will provide some basic respective information in the following section, based on data from Eurostat Social Expenditure Database.

As a starting point, it is worth noting that public expenditure for non-cash benefits is generally rather low in Austria from an international comparative point of view. The latter is typical for so-called corporatist-conservative welfare states of continental Europe. Austria recently (2006) spent 8.2% of GDP for benefits in kind, of which 1% of GDP on mean-tested benefits in kind. Respective numbers for overall spending on benefits in kind in other countries are e.g. 12.9% in Sweden (which is by far the highest level within EU) and 10.7% in the UK (with a higher proportion of spending means tested non-cash benefits) (see chart 2).

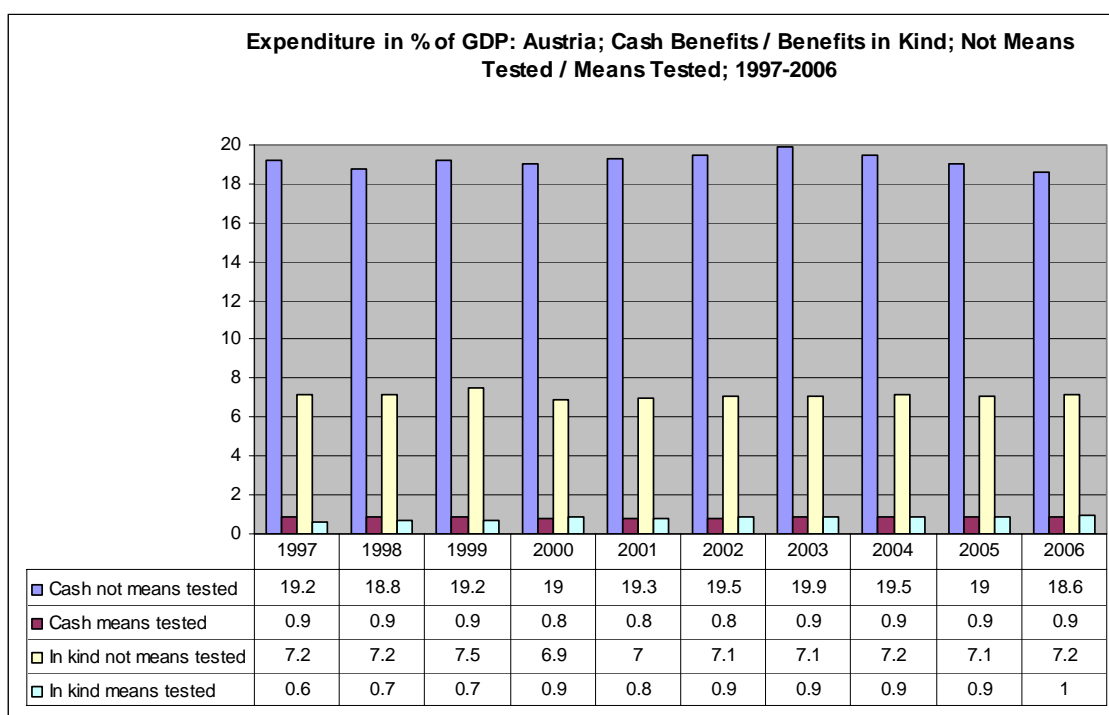
If analysed from a historical perspective it is evident that spending on benefits in kind has been rising to some degree during the last decade in Austria (see chart 3 below). This increase is at first instance caused by an increase in spending for means-tested benefits in kind. Expenditure for such programmes has been rising from 0.6% of GDP in 1997 to 1% of GDP in 2006 and, given the steady growth path, this increase appears to be of rather structural nature (and not caused by a specific one-time effect) (see Chart 4).

Chart 3: Public Social Expenditure in % of GDP: Austria, Sweden & UK, 2006; Cash Benefits / Benefits in Kind; Not Means Tested / Means Tested



Source: Eurostat.

Chart 4: Expenditure in % of GDP: Austria; Cash Benefits / Benefits in Kind; Not Means Tested / Means Tested; 1997-2006



Source: Eurostat.

Data in Table 10 show that nearly three quarter of all spending on benefits in kind go to not means tested measures in health care. Regarding means-tested benefits the most important functions are "old-age" and "invalidity", whereas the function "unemployment" is of very low significance.

Table 10: Public expenditure for benefits in kind according to different functions; means tested / not means tested, Austria 2006

	Mio. EUR	%
Housing not means tested	0.0	0
Survivors means tested	0.9	0.004
Unemployment means tested	3.7	0.018
Survivors not means tested	5.2	0.025
Sickness / health means tested	147.6	0.704
Social exclusion not means tested	187.9	0.897
Old-age not means tested	188.5	0.899
Family/Children means tested	213.2	1.017
Housing means tested	274.3	1.309
Social exclusion means tested	284.4	1.357
Invalidity not means tested	450.6	2.150
Invalidity means tested	670.5	3.199
Old-age means tested	956.1	4.562
Unemployment not means tested	997.3	4.759
Family/Children not means tested	1,137.3	5.427
Sickness / health care not means tested	15,440.4	73.673
Total	20,957.9	100.000

Source: Eurostat & own calculations.

Between 1997 and 2006 expenditure for all benefits in kind (in million EUR; not adjusted to price inflation) have been rising by about 47% (see table 11 below). Hereby, expenditure growth has been much higher for means tested benefits than for not means tested ones. This especially holds for expenditure for the functions of "invalidity", "social exclusion" and "old-age".

Overall, this data point to the direction that benefits in kind for population at risk got extended to some degree. However, when assessing the respective development, one has as well to take into account the rising number of potential and factual recipients of such benefits.

Hereby, the number of recipients of social assistance can be used as a proxy. As shown in table A1 in the statistical annex their number has been increasing by about 78% between 1996 and 2006. During the same time nominal spending for means tested benefits in kind has been rising by about 115% (see table 10). But if adjusted according to consumer price index this growth in expenditure amounts to 84.5%, and when compared to GDP to about 66%. In other words: Expenditure for means tested benefits in kind has been rising in real terms, but this development went ahead with a likewise increase in beneficiaries.

However, taking into account economies of scale, the increase in respective spending has likely been going ahead with an absolute growth of respective benefits in kind and services for people in need.

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Table 11: Expenditure for benefits in kind by function and type 1997-2006, Mio. EUR

Expenditure for benefits in kind by function and type 1997-2006, Mio. EUR											
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	Change 1997- 2006 %
All Functions											
Not means tested	13,082.3	13,662.4	14,774.9	14,307.2	14,892.9	15,504.8	15,912.6	16,710.7	17,381.2	18,407.2	40.7
Means tested	1,184.7	1,264.8	1,368.3	1,799.9	1,802.0	1,915.8	1,954.7	2,181.3	2,285.6	2,550.7	115.3
Total	14,267.0	14,927.2	16,143.2	16,107.1	16,694.9	17,420.6	17,867.3	18,892.0	19,666.8	20,957.9	46.9
Means tested in %	8.3	8.5	8.5	11.2	10.8	11.0	10.9	11.5	11.6	12.2	
Invalidity											
Not means tested	325.0	348.4	354.3	375.1	366.4	365.5	384.1	398.8	424.2	450.6	38.6
Means tested	253.4	277.6	302.9	393.4	414.3	484.7	504.2	556.4	594.7	670.5	164.6
Means tested in %	43.8	44.3	46.1	51.2	53.1	57.0	56.8	58.2	58.4	59.8	
Social Exclusion											
Not means tested	488.2	522.1	689.5	134.1	130.2	139.0	144.2	156.0	177.8	187.9	-61.5
Means tested	86.6	87.4	107.2	121.3	125.5	143.6	174.3	216.7	253.7	284.4	228.4
Means tested in %	15.1	14.3	13.5	47.5	49.1	50.8	54.7	58.1	58.8	60.2	
Family/Children											
Not means tested	735.0	769.6	806.6	879.5	902.1	931.6	993.0	1,027.7	1,085.0	1,137.3	54.7
Means tested	112.4	121.4	132.5	171.1	170.7	184.8	186.4	192.9	201.5	213.2	89.7
Means tested in %	13.3	13.6	14.1	16.3	15.9	16.6	15.8	15.8	15.7	15.8	
Housing											
Not means tested	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Means tested	186.9	201.4	192.6	187.9	200.1	212.2	212.2	250.9	241.8	274.3	59.5
Means tested in %	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	
Old-Age											
Not means tested	132.0	136.1	144.6	175.7	163.4	155.0	161.4	174.9	180.9	188.5	42.8
Means tested	390.1	424.1	477.4	746.4	717.2	727.3	738.5	806.9	837.4	956.1	145.1
Means tested in %	74.7	75.7	76.8	80.9	81.4	82.4	82.1	82.2	82.2	83.5	
Sickness/Health Care											
Not means tested	10,762.7	11,297.4	12,057.6	12,075.8	12,621.5	13,207.0	13,464.4	14,136.0	14,708.9	15,440.4	43.5
Means tested	151.6	149.1	151.9	176.4	170.7	159.8	135.3	152.9	152.2	147.6	-2.6
Means tested in %	1.4	1.3	1.2	1.4	1.3	1.2	1.0	1.1	1.0	0.9	
Survivors											
Not means tested	6.2	6.2	6.5	6.0	6.2	5.7	5.4	5.4	5.1	5.2	-16.1
Means tested	1.2	0.6	0.7	0.7	0.7	0.8	0.8	1.1	0.9	0.9	-25.0
Means tested in %	16.2	8.8	9.7	10.4	10.1	12.3	12.9	16.9	15.0	14.8	
Unemployment											
Not means tested	633.1	582.6	715.8	660.9	703.0	701.1	760.0	812.1	799.3	997.3	57.5
Means tested	2.5	3.2	3.2	2.7	2.7	2.5	3.1	3.3	3.4	3.7	48.0
Means tested in %	0.4	0.5	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	

Source: Eurostat & own calculations.

Statistical Annex

Table A1: Recipients of Social Assistance 1996 to 2006 (data by Statistics Austria)

Beneficiaries of social assistance 1996 to 2006										
Year	Austria	Burgenland	Carinthia	Lower Austria	Upper Austria	Salzburg	Styria	Tyrol	Vorarlberg	Vienna
	Total									
1996	107,934	2,076	2,689	13,996	13,435	10,366	7,680	8,707	4,909	44,076
1997	127,703	1,820	2,835	16,146	11,167	12,300	12,057	8,641	5,160	57,577
1998	132,670	1,916	3,256	16,495	11,102	13,646	10,538	9,369	5,819	60,529
1999	145,485	1,951	3,335	18,017	11,576	13,619	9,897	9,514	5,923	71,653
2000	143,747	1,683	3,522	17,185	12,101	12,459	10,699	10,857	5,163	70,078
2001	148,983	1,667	3,608	16,896	11,212	12,030	10,450	10,767	5,718	76,635
2002	158,904	1,633	3,813	18,183	12,183	12,096	10,768	11,403	5,194	83,631
2003	168,670	1,748	3,993	19,286	12,704	13,050	9,759	12,037	4,642	91,451
2004	177,152	1,806	4,345	21,289	13,203	14,208	10,407	13,816	4,133	93,945
2005	182,839	1,974	4,752	20,896	15,457	14,439	10,255	13,816	4,219	97,031
2006	191,244	2,058	5,086	21,899	15,291	14,494	11,256	14,141	5,917	101,102
Percentage change 1996-2006	77.2	-0.9	89.1	56.5	13.8	39.8	46.6	62.4	20.5	129.4
	Private households									
1996	64,002	1,215	1,067	4,680	4,691	7,932	4,402	4,473	2,936	32,606
1997	68,895	938	1,064	6,335	2,443	8,893	7,007	4,520	3,089	34,606
1998	74,170	1,029	1,079	6,159	2,058	9,970	5,600	5,021	3,650	39,604
1999	80,338	1,110	1,022	7,827	2,307	9,784	4,710	5,619	3,840	44,119
2000	81,054	889	1,065	7,596	2,362	8,630	5,361	6,057	3,057	46,037
2001	90,286	847	972	7,339	2,362	8,310	5,010	6,107	3,252	56,087
2002	98,516	749	1,132	7,083	2,808	8,985	5,120	6,642	2,962	63,035
2003	107,409	751	1,170	8,210	3,101	9,819	3,990	7,413	2,622	70,333
2004	119,383	772	1,185	10,315	3,770	10,872	4,600	9,827	2,260	75,782
2005	125,670	815	1,293	10,500	5,852	11,076	4,090	9,808	2,272	79,964
2006	131,318	846	1,352	11,342	4,472	11,062	4,786	10,009	3,926	83,523
Percentage change 2005-2006	105.2	-30.4	26.7	142.4	-4.7	39.5	8.7	123.8	33.7	156.2
	Homes for elderly and nursing homes									
1996	43,932	861	1,622	9,316	8,744	2,434	3,278	4,234	1,973	11,470
1997	58,808	882	1,771	9,811	8,724	3,407	5,050	4,121	2,071	22,971
1998	58,500	887	2,177	10,336	9,044	3,676	4,938	4,348	2,169	20,925
1999	65,147	841	2,313	10,190	9,269	3,835	5,187	3,895	2,083	27,534
2000	62,693	794	2,457	9,589	9,739	3,829	5,338	4,800	2,106	24,041
2001	58,697	820	2,636	9,557	8,850	3,720	5,440	4,660	2,466	20,548
2002	60,388	884	2,681	11,100	9,375	3,111	5,648	4,761	2,232	20,596
2003	61,261	997	2,823	11,076	9,603	3,231	5,769	4,624	2,020	21,118
2004	57,769	1,034	3,160	10,974	9,433	3,336	5,807	3,989	1,873	18,163
2005	57,169	1,159	3,459	10,396	9,605	3,363	6,165	4,008	1,947	17,067
2006	59,926	1,212	3,734	10,557	10,819	3,432	6,470	4,132	1,991	17,579
Percentage change 2005-2006	36.4	40.8	130.2	13.3	23.7	41.0	97.4	-2.4	0.9	53.3

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