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Assessment of the implementation of
the European Commission
Recommendation on **Active
Inclusion**

A Study of National Policies

Austria

Social Europe

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Assessment of the implementation of the
European Commission Recommendation on
Active Inclusion

[A Study of National Policies](#)

MARCEL FINK
UNIVERSITY OF VIENNA

COUNTRY REPORT – AUSTRIA

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1. Summary

Austria – at least from an international comparative perspective – shows rather encompassing strategies and measures in all three policy strands addressed upon by the EC in its' 2008 recommendation on the "active inclusion of people excluded from the labour market" (i.e. income support, inclusive labour markets and quality services). However, what is missing is an overall and comprehensive strategy which is – based on a critical assessment of existing systems - proactively dealing with the weaknesses and challenges of the major schemes established. At the same time it appears that the problem awareness of Austrian political decision makers regarding the three policy strands of active inclusion and their policy sub-fields is somewhat biased. Furthermore, some possible strategies and measures appear to be rather contested, making pro-active reform less likely, whereas in other policy fields widespread consensus is dominating, leading to a further reinforcement of the respective strategic pathway.

Within the area of "adequate income support" some major reform steps were taken over the last years, at first instance in context of replacing social assistance by the so-called "Guaranteed Minimum Income" scheme (GMI). The declared goal was a substantial harmonisation of the social assistance schemes of the federal provinces – a goal, which however, as now gets visible, has only been reached partially. Although respective evaluations are still under way, available data (limited as they may be) point to the direction that non take-up will to some degree get reduced within GMI. But at the same time the change towards GMI did not address the problem of insufficient benefit levels in a structural way. The same is true for benefits from unemployment insurance, where wage replacement rates appear to be rather low from an international comparative point of view (especially after preceding low-wage employment). On the other hand, benefits from social assistance / GMI and unemployment insurance did at least not get retrenched within the austerity packages of 2010 and 2012, and family allowances, which as well reduce the likelihood of being at-risk-of poverty substantially in Austria, have only been cut to some minor degree.

Regarding the policy area of "inclusive labour markets", the situation appears to be two sided. On the one hand Austria shows a rather elaborated system of ALMP-measures and personalised services aiming at improving the employment chances of people with low qualification or other problems, making it difficult for them to find a (permanent) job. Respective measures got substantially expanded over the last two decades and to a large degree as well during the times when the impact of the financial and economic crisis was most severe in Austria. Furthermore, specifically targeted programmes got expanded to some degree, most recently with a focus on young people and as well regarding recipients of GMI.

On the other hand, questions of low wage employment, in-work poverty, precarious jobs or labour market segmentation did not attract much attention by the most important political actors. Here, strategies concentrate on the aim to increase equality of employment chances of women, however only applying measures of soft-governance at first instance (like information campaigns, awareness raising etc.). More structural questions like wage inequalities (and the possible strategy to stipulate a higher minimum wage) or the re-distribution of working time are very rarely addressed, with the consequence that as much no reforms took place in these policy-areas (apart of introducing – within the reform package of the GMI - a minimum wage of 1,000 EUR gross as from 2009/2010, which however had only marginal direct effects, as most sectorial wage agreements anyhow stipulated higher minimum wages at this time).

Concerning “quality services”, deficits are most evident regarding institutional childcare and long-term care. Here, accessibility varies to a large degree between the federal provinces, which are responsible for providing respective services. A related situation appears concerning housing services and services for the homeless. Overall, the situation has to some degree been improving concerning childcare (apart of other things due to incentives set by the national government in form of co-financing new childcare facilities), whereas in the area of long-term care even a lack of sound empirical evidence exists concerning the actual respective situation in the federal provinces. This topic is on the agenda as well to some degree (with the central government currently installing a long-term care database for collecting and providing respective information), but improvements in uniformity of service accessibility may not be expected in the short run. The question of housing services and services for the homeless are completely missing on the political agenda of the national government, with huge regional differentiations enduring. Regarding health services it is fair to say that the Austrian health systems provides rather equal access to high-quality health services, and that it is subject to comparatively low private co-payments for standard treatments. Reforms decided over the last years follow the aim to maintain this rather favourable situation, but at the same time to make the system more efficient and to solve problems of financial sustainability.

To improve the Austrian strategy for active inclusion it would be necessary that the national government assess all policy subfields of the three strands in an unbiased way to name strengths, weaknesses and challenges according to evidence based findings. Such assessment should as well address “difficult” topics like wage inequalities or the distribution of working time, where strong group interests exist. In a related way, questions of the accessibility of services (in the areas of childcare, long-term care and housing) should be dealt with more pro-actively by the national government, irrespective of resistance in some federal provinces.

2. Integrated comprehensive strategies

The Commission Recommendation of 3.10.2008 on the “active inclusion of people excluded from the labour market” asks the European member states to “design and implement an integrated comprehensive strategy for the active inclusion of people excluded from the labour market combining adequate income support, inclusive labour markets and access to quality services” (European Commission 2008).

It appears that Austria – at least from an international comparative perspective – shows rather encompassing strategies and measures in all three policy strands addressed upon by the EC (i.e. income support, inclusive labour markets and quality services). However, it is fair to say that Austria did not explicitly design one integrated and comprehensive strategy for the active inclusion of people excluded from the labour market. In other words: what is missing is an overall and comprehensive strategy which is – based on a critical assessment of existing systems - proactively dealing with the weaknesses and challenges of the major established schemes. The latter is true despite of some positive attempts made during the last years, especially the replacement of most parts of traditional extramural social assistance by the new Guaranteed Minimum Income Scheme (GMI), which – inter alia – follows the aim to streamline the minimum income schemes operated and administered by the nine federal provinces (Länder).

2.1 Comprehensive policy design

Overall, it appears that the problem awareness of Austrian political decision makers regarding the three policy strands of active inclusion and their policy sub-fields is somewhat biased. At the same time some possible strategies and measures appear to be rather contested, making pro-active reform less likely, whereas in other policy fields widespread consensus is dominating, leading to a further reinforcement of the respective strategic pathway.

The question of adequate income support has been on the agenda during the last four years to some degree, especially in the context of the already mentioned replacement of social assistance by GMI.

One of the aims of the replacement of social assistance by GMI was to “harmonise” the rules applying for minimum income across the nine federal provinces and to guarantee their largely uniform implementation. However, the replacement of social assistance by GMI does not rest on general nation-wide legislation, but only on a so called 15a-agreement¹ between the national state and the federal provinces. This agreement only defines the most important features of the GMI, whereas more detailed regulation has to be stipulated by nine different acts of the federal provinces. A recent evaluation by the Armutskonferenz² (2012a; 2012b) points to the direction that the nine different acts - irrespective of the original goal of harmonisation -, enclose a substantial degree of differentiation. The latter does not only apply for specific technical questions in actual implementation, but as well for maximum benefit levels applicable in the nine federal provinces, whereby the 15a-agreement only defines a minimum level of benefits. At the same time it is worth noting that within the political debates about the GMI no evidence based discussion on the adequacy of benefits took place. And both the minimum benefit level (as stipulated in the 15a-agreement), as well as the actual level of benefits within the GMI-schemes of the federal provinces have remained to be set “arbitrarily”, i.e. not according to any

¹ This is an agreement according to paragraph 15a of the Austrian Federal Constitution.

² Die Armutskonferenz (=EAPN Austria) is a network of more than 30 national organizations and three regional networks (Salzburg, Carinthia and Upper Austria). Most members are social NGOs.

objective threshold like e.g. the at-risk-of-poverty threshold or e.g. a household reference budget (see section 3.1.1 below for more details). Furthermore, the GMI overall did not lead to much changes in benefit levels³ (when compared to earlier social assistance), but only to some minor increase in federal provinces where under the social assistance scheme benefit levels were lower than the minimum level now agreed upon, and in federal provinces which had benefit levels higher than the minimum level now agreed upon they remained at the same level (according to a "rule of no impairment", as well enclosed in the 15a-agreement).

At the same time debates on the level of benefits within unemployment insurance remained to be a rare phenomenon. Here, some political players (from opposition and governing political parties and within trade unions) repeatedly urged an increase in wage replacement rates, but no major respective measures got decided due to resistance of other political actors, who even refused to put the topic on the agenda. The only exemption here is an increase of the maximum wage replacement rate within unemployment assistance, which may – however means tested against other household income – be granted after the right for unemployment benefit has expired due to reaching the respective maximum periods (see below section 3.1 for more details).

What at the same time should be stressed is the fact that the austerity measures decided from 2011 onwards did not enclose cutbacks in monetary transfers from unemployment insurance and minimum income schemes. Retrenchment measures in monetary transfers – apart of some punctual measures concerning family benefits – at first instance focused on limiting access to invalidity pensions and early retirement, and were combined with a proactive approach for increasing the employability of older workers or workers with health problems (see below chapters 3.2 and 3.3).

Regarding "inclusive labour markets", a widespread consensus exists in case of Austria regarding the usefulness and reasonableness of measures of active labour market policy (ALMP). Respective measures got considerably expanded during the crisis and even after later budget cutbacks respective spending remained on a rather high level (at least from an international comparative point of view). Respective measures both enclose more general instruments and instruments targeted at specific groups and they get regularly and pro-actively adapted according to changing labour market conditions. Furthermore, in the course of the replacement of social assistance by GMI, further attempts have been made to integrate beneficiaries of the minimum income scheme to ALMP-measures, but it appears that respective proceedings are not uniform in the nine federal provinces. More recently, it got announced that more funds will be made available to improve the employability of older workers and workers with health problems, where it is planned that rehabilitation measures will get expanded.

At the same time other policy subareas of the inclusive labour markets-strand have been getting much less political attention. This holds for questions of low pay, of in-work-poverty (irrespective of a "general" minimum wage of 1,000 EUR gross to be implemented via collective agreements as from 2010) and labour market segmentation. If related questions got addressed upon at all, it has at first instance been with a focus on the gender-pay-gap, which is very high in Austria from an international comparative perspective. At the same time respective measures – overall – appear to narrow down to a number of attempts of the type of soft governance, like information campaigns and awareness raising etc. What however should be stressed is

³ However, one substantial change worth mentioning is that GMI led to higher benefits for single parents in most federal provinces. Within social assistance, in all federal provinces (except of Vienna) single parents only got the lower rate for "main recipients", not the higher rate dedicated at "sole recipients" (see Fink/Grand 2009, 15 for the respective reference rates in earlier social assistance). Now, they get the same benefit rate as "single recipients".

that – contrary to many other EU Member States – the coverage rate of collective agreements is very high in Austria (reportedly about 99% in the private sector).

Only little progress has been made regarding problems within the tax system and the system of social insurance contributions, where the tax wedge remains to be comparatively high in Austria.

Problems are as well evident regarding “quality services”. Here, one has to differentiate between services which predominantly fall within the competency of the national state, and services where the federal provinces and the municipalities play a larger role (in many cases both in the area of decision making and implementation). Overall, enacting comprehensive policies appears to be easier and more regularly achieved in policy areas where competencies are largely pooled at the level of the national state, like e.g. ALMP. In the area of health, quality and accessibility is (from an international comparative perspective) rather high in virtually all regions in Austria, but shared competencies and complicated financing structures have traditionally lead to reform blockades regarding strategies and measures aiming at cost containment and financial sustainability.

Regarding some other social services, a large differentiation regarding the level of development and accessibility is evident when the different federal provinces are compared to each other. This e.g. holds for social services in the area of housing, for institutional childcare and for services dedicated to people in need for long-term care. Related problems have been on the political agenda to some degree over the last four years (especially regarding childcare and long-term care), but progress in the alignment of respective arrangements is still rather limited and there is an evident lack in pro-active and more enhancing coordinated strategies (but see for recent attempts in the area of long-term care below chapter 3.3).

Policy reform in the area of education to some degree as well suffers from shared responsibilities between the national state and the federal provinces (especially regarding lower secondary education), but as well from large ideological disagreement between different political players. However, some progress has more recently been made in this area, as all former lower secondary schools (Hauptschulen) will be transferred into the model of the New Secondary Schools (Neue Mittelschulen) until 2018/2019. This reform will in all likelihood not solve all structural problems of the Austrian model of primary and lower secondary education, as the principle of tracking pupils at the very early age of 10 remains to be in place (a feature criticized by the vast majority of experts dealing with questions of childhood education in Austria; see – with more literature references – e.g. OECD 2012, 63). However, replacing former lower secondary schools by the New Secondary Schools appears to be a positive step, as it goes ahead with changes in didactical concepts, which allow for more individualised training and support, as well as with some upgrade regarding resources (in terms of the ratio of teachers per pupils).

Overall, all three strands of policies aiming at “active inclusion of people excluded from the labour market” have been on the political agenda in Austria over the last four years to some degree. However, it is fair to say that reforms do not follow a comprehensive strategy, but that they more follow the logics of incremental adaptation, where path-dependency and traditional institutional features of the existing systems define important restraints to more pro-active reforms of the type of rational and evidence based decision making. Hereby, the existing fragmentation (and partly overlapping) of competencies appears to be of major relevance regarding a number of policy areas in the field of social services (especially housing, long-term care and institutionalised childcare), whereas concerning questions of adequacy of benefit levels or low pay and in-work-poverty problem awareness by the relevant decision makers appears to be overall very limited.

What is as well largely missing is, as already mentioned above, an overall strategy, which a) would deliberately try to identify challenges and weaknesses within the three strands of active inclusion and their mutual interaction and b) would follow an evidence based and clear-cut strategy to overcome these problems and challenges.

2.2 Integrated implementation

Regarding “integrated implementation” it appears to be useful to differentiate between

- a) Integrated implementation within one policy area or policy sub-area and
- b) the level of integration between different policy-areas and policy sub-areas.

The first point – inter alia - addresses the question if and to what degree policies rest on /are linked to clear-cut rules and procedural mechanisms, which lead to a largely uniform implementation across different places or regions. The opposite would be a situation where a very large degree of “room for interpretation” exists within the implementation of respective measures, leading to a situation where arbitrariness prevails and where legal certainty is low.

The second question is if and to what degree implementation of policies is co-ordinated across policy-areas. This goal may be acquired by institutional integration (e.g. in form of so-called one-stop-shops) or by increased (more or less institutionalised) co-ordination and co-operation between different institutions.

Regarding the first point (i.e. integrated within policy areas and sub-areas) the level of integration of implementation varies between policy areas and policy sub-areas.

Within the policy strand of adequate income support implementation appears to be largely integrated and harmonised regarding benefits from unemployment insurance. Regarding minimum income schemes, earlier assessments by the Armutskonferenz⁴ (2008) showed the implementation of the former system of social assistance varied to a large degree even within federal provinces, meaning that respective rules were interpreted in a different way when comparing different welfare offices within one federal province (or even within one welfare office, depending on the respective official in charge). The introduction of the GMI is likely to have improved the respective situation to some degree. However, this reform measure did not go ahead with a real harmonisation of the minimum income schemes across the nine federal provinces (important differentiations prevail), and the nine different acts on GMI, now existing at the level of the federal provinces, appear to leave a rather high level of room for interpretation on a number of specific questions (see Armutskonferenz 2012a; 2012b). On this background e.g. the regional government of the federal province of Vienna published a “guidebook on the implementation” of the GMI, which has no less than 106 pages. This, according to the Armutskonferenz (2012b) points to the direction of “deficient legislation”, where much is left to be covered in implementation provisions, which may be more or less encompassing in the different federal provinces and which go ahead with low legal certainty, as they e.g. may be changed without a legislative act.

In course of the replacement of social assistance by the GMI it was as well discussed to integrate the welfare offices and the offices of the public employment service (PES) within one institution as a one-stop-shop. This would have meant a major institutional reform, but in the end the respective political actors of the national state, the federal provinces and the municipalities could not agree on such a model. What finally got

⁴ Die Armutskonferenz (=EAPN Austria) is a network of more than 30 national organizations and three regional networks (Salzburg, Carinthia and Upper Austria). Most members are social NGOs.

agreed upon is that possible beneficiaries applying for GMI may now hand in their application not only at the welfare office, but as well at the PES, which will forward it to the welfare offices. At the same time possible beneficiaries afterwards have to deal with the welfare office (for means testing and other administrative acts), so that the possibility to hand in the initial application at the PES does not go ahead with real integration within implementation.

In the area of “inclusive labour markets”, in a related way, policy implementation got as well only partly integrated with the change from social assistance to GMI. Within the area of active labour market policies (ALMP) the PES (which is the most important provider of ALMP measures) traditionally did often not perceive sole recipients of social assistance (i.e. persons not simultaneously getting transfers from the unemployment insurance) to be part of its core-clientele, leading to de-facto reduced access to training measures etc. Again, no complete integration took place. However, the 15a-agreement between the national state and the federal provinces explicitly states that recipients of GMI should in future have “equal access” to all measures offered by the PES and that the federal provinces and municipalities should – in co-operation with the PES – develop additional specific ALMP-programmes for recipients of GMI. In the meanwhile, such schemes got established in all federal provinces, whereby in some of them they are still of the character of pilot-programmes only, eventually to be adapted and expanded in future (see Bergmann et al. 2012).

One more recent measure taken worth mentioning in the context of “inclusive labour markets” is the one of the introduction of the so-called “street to health” (Gesundheitsstrasse). With this instrument, implemented in all federal provinces as from summer 2010, earlier multiple assessments of working capacity (in terms of health issues) got abandoned. Before, respective assessments were organized both by the PES and the pension insurance providers, often leading to rather long related procedures and in some cases to inconsistent results. Now the sole competency for assessments of working capacity lies within the pension insurance providers.

Regarding other issues of “inclusive labour markets”, not much information is available on the actual implementation of respective rules and regulations. The latter especially holds for the more than 500 sectorial collective agreements, covering around 98 to 99% of the workforce in the private sector (see e.g. Adam 2011). No valid data are available on the question to what degree these agreements are implemented in practice and/or how often they turn out to be dead letter.

In the area of “quality services”, the situation overall appears to be very heterogeneous, given the strong competencies of the federal provinces (and sometimes even the municipalities) in a number of respective policy areas (see as well chapter 2.3 below). For this reason, and as more detailed assessments are largely missing, it is hard to judge if and to what degree implementation of “quality services” is organised in an integrated way at the level of the federal provinces. One recent measure worth mentioning in this area is the one of reforming the institutional responsibility for the grading of care necessities in individual cases concerning long-term care cash benefits (according to the given seven-level model). Here, fragmentation got minimized, reducing the number of respective institutions from 303 (sic!) to eight as from the beginning of 2012. This should lead to higher consistency in the implementation of respective rules and to lower administration costs. However, the “explanatory notes” (“Materialien”) on the respective bill do not announce to what degree administration costs are expected to be reduced.⁵

⁵ See: http://www.parlament.gv.at/PAKT/VHG/XXIV/I/I_01208/index.shtml

Concerning the question of *integration of implementation across different policy areas*, it appears to be fair to say that fragmentation still outweighs integration. Different to some other EU Member States, not much attempts have been made to bundle the competencies of implementation of different policy areas of social inclusion in one institution (like e.g. the joined local welfare and PES-offices in some Nordic welfare states). However, one major exception worth mentioning in this context is the introduction of the programme “fit2work”.⁶ This programme derives from an initiative of the national government (presented in 2011), and it is planned that respective programmes will be in place in all federal provinces as from the beginning of 2013. Fit2work addresses people with health problems and their employers, and follows the aim to offer integrated advice regarding health prevention, in cases when health issues may lead to job loss, and concerning medical and professional rehabilitation. Fit2work offers case management, making use of all services etc. offered by PES offices, social insurance providers, the federal social offices (*Bundessozialämter*) and the Health and Safety Executive (*Arbeitsinspektorat*). Fit 2work got introduced on the background of high access rates to invalidity pensions.

2.3 Vertical policy coordination

As already mentioned above the question of vertical policy co-ordination among local, regional, national (and EU) authorities is evidently an issue in Austria.

Here, some progress has been made in the area of *adequate income support*, where the replacement of most parts of extramural social assistance by GMI (implemented as from September 2010) lead to some alignment of the minimum income schemes run by the federal provinces, but, as already mentioned above, not to complete harmonisation (see as well Armutskonferenz 2012a; 2012b).

Within the policy strand of *inclusive labour markets*, the national government and the federal provinces agreed that the recipients of GMI should have equal access to ALMP-measures offered by the PES in all federal provinces, and that the federal provinces together with the regional PES offices should as well offer specific targeted ALMP-measures for GMI recipients. However, the latter appears to vary to a large degree up to now (see above).

Evidently, substantial challenges regarding vertical co-ordination continue to exist in the area of social services.

As much as no vertical co-ordination exists in the area of housing services and social services for the homeless (see e.g. Fink/Grand 2009b; Perl 2008). Here the national government appears to take the position that this is not a national issue at all, but one solely to be dealt with by the federal provinces and the municipalities.

Regarding institutional child-care, respective offers and their accessibility varies to a substantial degree between the nine federal provinces, whereby Austria - overall - shows rather large deficits concerning children in the age below three and as well regarding all-day care (see below chapter 3.3). During the recent years the federal government made several (however limited) attempts to set incentives for the federal provinces to enhance institutional childcare (at first instance via instruments of co-financing) (see as well below chapter 3.3).

One other policy area showing related problems is the one of *long-term care*. Here, providing inpatient, outpatient and semi-outpatient services and facilities again falls within the competencies of the federal provinces and the municipalities. Only very limited data are currently available on the actual respective situations in the nine federal provinces, but the ones that are available again point to the direction of

⁶ See: <http://www.fit2work.at/cms/home>

substantial differentiation (see below chapter 3.3). The question of stronger vertical policy co-ordination in this area has been on the agenda for quite some time, however with limited progress up to now. A nation-wide long-term care database has been implemented in 2012. It will help to establish a sound starting point for debates about structural reform and intensified vertical policy co-ordination, providing information necessary to examine inequalities regarding access to outpatient, semi-outpatient and inpatient services in the area of long-term care in more detail. One other positive step is that it was agreed that legislation and implementation of long-term care cash benefits will be a sole competency of the national state as from 2012 (whereas before specific groups fell under the competency of the federal provinces implying overlapping competencies and inefficiencies) (see Fink 2012a).

One major challenge of the Austrian *health system* is the complexity of its organisation, coming along with a multitude of relevant decision makers, which include - apart from other players - the federal state, the federal provinces and the health insurance funds, and a very complex and ramified system of financing. For a long time, no real progress could be made regarding these structural questions, irrespective of on-going debates between the respective important stakeholders. Recent decisions taken within the financial "consolidation package" (dating from February 2012), defining the numerical goals of a respective reform concerning cost-containment, have now speeded up respective developments. In June 2012, a steering group, consisting of members representing the national state, the federal provinces and the health insurance funds, presented an agreement, stating that planning and financing of health services should in future be subject to common understanding between these three groups of actors (i.e. the national state, the federal provinces and the health insurance providers).⁷ Furthermore, the agreement as well states that the costs of the health system should in future not rise to a larger degree than the GDP. However, the details how to implement these plans in more detail are still pending, and are subject to a so-called 15a-agreement⁸ between the national state and the federal provinces, which is planned to be formulated over the summer 2012.

2.4 Active participation of relevant actors

Austria shows a long and strong tradition of active participation of the social partners both in terms of decision making and - to some degree - as well concerning policy implementation (see e.g. Tálos 2008). Social partners play an especially important role in formulating labour regulation, both concerning respective national legislation (where they are always consulted in respective processes of decision making or - even more regularly - play a leading role within them) and regarding collective agreements (with a coverage rate of nearly 100% in the private sector; see Adam 2011). Furthermore, they play a major role concerning the planning and design of ALMP-measures, as they are members of the organisational boards of the PES (at national, regional and local level). As well concerning questions of social protection, the social partners get regularly consulted in decision making, and again they as well play a role in implementation, being members of the most important boards of the different insurance providers. Since 2006, the social partners organise a yearly conference (termed the "Bad Ischl Dialogue")⁹, and common proposals made on this occasion got repeatedly enacted within respective legislation by the national government afterwards (most recently concerning the aim to raise the actual retirement age and

⁷ See:
http://www.hauptverband.at/mediaDB/886380_PKU_Gesundheitsreform_AbschlussSteuerungsgruppe_13062012.pdf

⁸ Regarding the instrument of the 15a-agreement, see above on the GMI.

⁹ See <http://www.sozialpartner.at/>

reducing access to invalidity pensions; see Fink 2012a and Die Sozialpartner Österreich 2011).

Evidently, the Austrian neo-corporatist tradition goes ahead with a privileged position of the large social partners' organisations, whereas other civil society organisations etc. are traditionally in a less influential position. This especially holds for their role in decision making, where organisations like the *Armutskonferenz* (which at the same time represents EAPN Austria) or their member organisations repeatedly launch demands or deliver their (critical) opinion, however with limited direct influence. The question of stakeholder participation within the drafting of the Austrian NRPs points to a related direction. In earlier years, social NGOs at least got informed within a respective meeting with the Federal Chancellery. Regarding the 2012 NRP, no consultation took place with social NGOs (according to information provided to the author by representatives of Austrian NGOs). Yet, it should be mentioned that a regular exchange of opinions takes place with different NGOs within the so-called poverty platform, which is organised by the Ministry of Employment, Social Affairs and Consumer Protection, however with questionable direct effects on strategies and measures.

3. Description and assessment of the impact and cost effectiveness of measures introduced or planned under the 3 strands

3.1 Adequate income support

3.1.1 System characteristics and major reforms

As already mentioned above, the most important reform step taken concerning “adequate income support” was the one of replacing most parts of extramural social assistance by the so-called guaranteed minimum income scheme (GMI). This reform has a rather long history – the question of harmonizing the social assistance schemes run by the federal provinces has been on the agenda since the middle of the 1990s (see Otter/Pfeil 2011). Then, in 2006, the question got explicitly addressed upon in the government programme of the incoming new national government, formed as a coalition government of the Social Democrats (SPÖ) and the conservative Peoples’ Party (ÖVP). What followed were lengthy negotiations between the national state and the federal provinces, and it took until 2010 that the national government and the federal provinces managed to agree on a treaty according to §15a of the Austrian constitution. This treaty outlines the most important features of the GMI, which then had to be settled in more detail in legislation decided at the level of the federal provinces. The federal provinces Vienna, Lower Austria and Salzburg introduced their versions of the GMI as from 01.09.2010. The other six federal provinces followed stepwise, with Upper Austria being the last federal province implementing GMI as from 01.10.2011.

What is important to notice is that the replacement of social assistance by GMI did not lead to a true harmonisation of the minimum income schemes of the federal provinces, but more to coordination, defining basic features and minimum standards.

The central cornerstones of the GMI are – when compared to earlier social assistance – the following:

a) Minimum benefit levels applicable in all federal provinces (and actual benefit rates): Within social assistance, cash transfers used to be calculated on the basis of so-called reference rates, which to a large degree differed from one federal province to the other (see Fink/Grand 2009, 15). Hereby, the term “reference rate” is in that sense misleading, as the respective benefit levels were not calculated according to household reference budgets (or any other “objective” absolute measure), but arbitrarily set in the respective legislations of the federal provinces. Within GMI, the national state and the federal provinces agreed to use the so-called equalisation supplement reference rate (ESRR) of the old-age insurance (*Ausgleichszulagenrichtsatz*) as the dominant point of orientation. This equalisation supplement reference rate stipulates the minimum benefit in the Austrian old-age insurance system.¹⁰ However, same as with the earlier reference rates in social assistance, the equalisation supplement reference rate is again not defined by any “objective” absolute (like household reference budgets) or relative (like the “EU-at-risk-of-poverty-threshold” defined as 60% of the equalised median net income) measure, but again set arbitrarily.

¹⁰ Note: The Austrian statutory pension system does not provide for an unconditional minimum pension for persons beyond a certain age. However, the so-called “equalisation supplement” (“*Ausgleichszulage*”) may - on a partly means-tested basis - apply for persons who are, in principle, eligible to a pension entitlement. This means that pensions of low benefit level may be raised to the so-called “equalisation supplement reference rate” in case of financial indigence. Thereby, apart from the pensioner’s income, the income of spouses or partners is taken into account (but not assets).

In 2012, for a single person living alone, the equalisation supplement reference rate amounts to EUR 773.26 net per month. Within old-age insurance, this amount is not only granted twelve times per year, but in fact 14 times per year, summing up to a yearly net benefit of EUR 10,826. The latter (granting GMI 14 times per year) does not apply within GMI, although the original plans pointed to this direction. But in summer 2009 the ÖVP signalled that it would not be willing to agree on such a model, but instead claimed that the GMI should be granted 12 times per year only (but still applying the equalisation supplement reference rate as the dominant point of orientation) (see Otter/Pfeil 2011, 219). The main argument brought forward was that this was necessary to prevent that the GMI could turn out as a “social hammock” and to make sure that incentives to take part in working life would not be undermined. The SPÖ, being the coalition partner of ÖVP in government, gave in, irrespective of inner-party criticism on doing so.

Concerning the calculation the respective minimum benefits for different household compositions, a weighting system is used which is based on the modified OECD-scale of equivalency (as well used at EU-level for calculating the at-risk-of-poverty threshold), but in a somewhat modified way (to take account of family benefits, which are of universal character in Austria). These minimum benefit levels, as agreed upon between the national state and the federal provinces in the 15a treaty, are outlined in table 1 below.

Table 1: GMI minimum benefit levels according to the 15a treaty, incl. and excl. 25% “housing allowance”; granted 12 times per year

Attributes of person	Incl. 25% “housing allowance”		Excl. 25% “housing allowance”	
	Weighting / % of the ESRR*	Net benefit in EUR per month (2012)	Weighting / % of the ESRR*	Net benefit in EUR per month (2012)
Single persons living alone and single parents living with underage children entitled to maintenance.	100%	773.26	75%	579.95
Adult persons, living in a joint household with other adult persons (matrimony, life partnership, shared flat).	Each 75%	579.95	Each 56.25%	434.96
As from the third adult person entitled to benefits if this person is entitled to maintenance vis-à-vis another person in the common household.	Each 50%	386.63	Each 37.5 &	289.97
Underage children entitled to family benefit: for the eldest three children; each 15% (= EUR 116) for additional children entitled to family benefit.	Each 18%	139.19	Each 13.5 %	104.39

* ESRR= Equalisation supplement reference rate within old-age insurance (=EUR 773.26 net per month in 2012).

In the 15a treaty, the national government and the federal provinces agreed that 25% of the minimum benefit rate may be dedicated to housing costs, where the respective amount may not be granted in case that no housing costs apply, or may be cut in case of lower housing costs. In other words: In case that no direct housing costs apply, the

minimum benefit level, intended to cover the “costs of living” (excluding housing costs) only amounts to 75% of the benefit levels given in table 1.

What has to be stressed is that these benefit levels are *minimum* benefit levels, and that the federal provinces in their respective legislation may define higher ones. Furthermore, the 15a treaty as well encloses a clause stipulating that federal provinces where benefit levels used to be higher within social assistance (when compared to the minimum levels of GMI agreed upon in the 15a treaty) may not reduce their benefit levels when replacing social assistance by GMI.

The Armutskonferenz (2012a) has analysed the GMI legislations of the nine federal provinces and the results shows a substantial differentiation concerning benefit levels, and as well other points, e.g. how housing benefits are dealt with within GMI or the conditions of access for specific groups (e.g. underage persons not living in a common household with an adult).

Table 2 gives an overview on benefit levels, as defined in the respective legislations by the federal provinces. Evidently, maximum benefit levels in some cases exceed the minimum levels set within the 15a agreement to some degree. This especially applies for benefits for children (with the exception of the federal province of Carinthia) and – for all groups – in the federal province of Upper Austria, where the clause applies that benefit levels of former social assistance may not be cut when replacing social assistance by GMI (here, benefit levels of social assistance have been higher than the minimum levels agreed for GMI in the 15a treaty). Furthermore, the federal provinces handle the question of the 25% of GMI dedicated at housing costs in very different ways. In the federal provinces of Vienna and Styria the 25% are granted, even if no housing costs apply. Tyrol and Vorarlberg opted for a model where housing costs are not covered by the “housing allowance” within GMI (25%), but a specific other housing benefit, where housing costs may be covered up to the actual costs. This means that the GMI intended to cover “the costs of living” (excluding housing costs) here only amounts to 75% of the above mentioned minimum benefit levels (table 1). A related situation applies for the remaining federal provinces (Lower Austria, Burgenland, Salzburg, Carinthia) where the 25% dedicated at housing costs (according to the 15a treaty) are not granted in case that no housing costs apply (or are cut in case of lower housing costs). However, to make things even more complicated, regulations vary regarding the question if a deduction of the “housing allowance” (in case of no housing costs) only applies for adults or as well for underage children (see Armutskonferenz 2012a for more details). Given the complicated respective regulations, and to avoid misunderstandings, data in table 2 only gives maximum benefit rates for the case that housing costs apply (with one exception – single adult persons).

Table 2: Minimum benefits from GMI according to the 15a treaty and benefits levels according to GMI legislation (and implementing provisions etc.) of the federal provinces; 2012; in % of the “equalisation supplement reference rate” (EUR 773.26 net in 2012).

Attributes of person	15a treaty	Vie.	L.A.	Bgld.	Sb.	Ty.	Vlbg.	Sty.	Car.	U.A.
Single adult persons, no housing costs	75%	100%	75%	75%	75%	75%	75%	100%	75%	91%
Single adult person with housing costs	100%	100%	100%	100%	100%	75% plus specific housing allowance (may sum up to more than 100%)	75% plus specific housing allowance (may sum up to more than 100%)	100%	100%	109%
Adult persons, living in a joint household with other adult persons (matrimony, life partnership, shared flat); with housing costs	Each 75%	Each 75%	Each 75%	Each 75%	Each 75%	Each 56.25% plus specific housing allowance (may sum up to more than 75%)	Each 56.25% plus specific housing allowance (may sum up to more than 75%)	Each 75%	Each 75%	Each 76.8%
Underage children entitled to family benefit: for the eldest three children; with housing costs	Each 18%	Each 27%	Each 23%	Each 19.2%	Each 21%	Each 24.75%	Each 21.85% plus specific housing allowance	Each 19%	Each 18%	Each 25.1%
Underage children entitled to family benefit: forth eldest child and additional children; with housing costs	Each 15%	Each 27%	Each 23%	Each 19.2%	Each 21%	Each 24.75%	Each 21.85% plus specific housing allowance	Forth eldest child: 19%; as from the fifth eldest child: 23%	Each 15%	Each 23.8%

Vie. = Vienna; L.A.=Lower Austria; Bgld.=Burgenland; Sb.=Salzburg; Vlbg.=Vorarlberg; Sty.=Styria; Car. = Carinthia; U.A.=Upper Austria
Source: Armutskonferenz 2012a & own calculations.

When assessing the adequacy of the benefit level of GMI, the at-risk-of poverty threshold, defined as 60% of the equalised median net income may be taken as a reference point. Table three – for three federal provinces - shows the level of maximum benefits from GMI plus from family allowances (*Familienbeihilfe*) and compares it to the respective at-risk-of poverty threshold (according to EU-SILC 2010).

Table 3: Benefit levels (GMI* plus family allowance) compared to the at-risk-of poverty threshold.

Composition of household	Benefit level EUR (GMI plus eventual family allowance - FA), per month, net			At-risk-of poverty threshold; EUR per month**
	Vienna	Carinthia	Upper Austria	
Single adult person	GMI: 773.26	GMI: 774	GMI: 843.70	1031
Two adult persons in joint household	GMI: 1159.89	GMI: 1161	GMI: 1188.8	1546
Single parent with one child in the age of 10	GMI: 982,04 FA: 139.2 SUM: 1121.24	GMI: 913.32 FA: 139.2 SUM: 1052.52	GMI: 1073.4 FA: 139.2 SUM: 1212.6	1340
Couple with two children (in the age of 2 and 7)	GMI: 1577.45 FA: 239.2 SUM: 1816.65	GMI: 1439.64 FA: 239.2 SUM: 1678.84	GMI: 1576,6 FA: 239.2 SUM: 1815.8	2165

* Incl. GMI-benefits dedicated at housing costs.

** Defined as 60% of the equalised median net income (EU-SILC 2010).

Source: EU-SILC 2010 (Statistik Austria/BMASK 2011) & own calculations.

These data shows that benefits are in all cases lower than the at-risk-of poverty threshold, even when family benefits are taken into account as well.¹¹ This fact has to some degree been subject of political and public discussions in Austria, but a possible increase of benefit levels has not really been on the agenda.

What as well should be mentioned is that the GMI in most federal provinces and for most groups did not lead to substantially higher benefits, when compared to earlier social assistance. In most cases the respective benefits got only increased marginally or remained largely at the same level. One exemption is the group of single parents, which tend to get significantly higher benefits now (which is a positive development).¹²

b) No duty to pay back benefits and no obligation for relatives to refund cash benefits

Within earlier social assistance, former beneficiaries or other persons could get obliged to refund social assistance benefits, especially social assistance benefits securing the claimant's subsistence (so-called "*Hilfe zum Lebensunterhalt*"). A former recipient

¹¹ One could argue that other cash benefits, which may apply additionally under specific circumstances, as e.g. long-term care cash benefits or additional housing benefits, should be taken into account as well. On the other hand, such benefits are dedicated to cover special costs, whereas a person where such costs do not apply (and where for this reason no such benefit is granted) would still be counted as being at-risk-of poverty. For this reason, we do not take into account such benefits here.

¹² Within social assistance, in all federal provinces (except of Vienna) single parents only got the lower rate for "main recipients", not the higher rate dedicated at "sole recipients"; see Fink/Grand 2009, 15 for the respective reference rates in earlier social assistance.

could be obliged to pay back benefits in case of subsequent higher income or significantly positive development of disposable property. And as well relatives (here the respective regulations varied to a large degree between the federal provinces; see Fink/Grand 2009a, 17) could be obliged to refund social assistance benefits according to their actual income at the time a relative received social assistance (rising income at a later time had not to be taken into account in this case). In Austria, this obligation to pay back benefits form the minimum income scheme is called "Regress". Regarding duties of relatives to refund benefits respective rules especially applied for parents for underage and as well adult children, and for adult children for their parents. With the introduction of the GMI respective rules got modified and substantially less rigid. Duties to pay back benefits in case of subsequent higher income or significantly positive development of disposable property got abandoned in all federal provinces. And *Regress* duties for parents for adult children and for adult children for their parents got abolished in all federal provinces except of Styria and Carinthia. The abolition of the duty to pay back benefits and the duty of relatives to refund is a positive step. It is likely that the obligation of third parties to refund benefits was one reason for the high non-take-up in social assistance (see Fuchs 2007; 2009). The obligation to refund in most federal provinces could have been applied to former beneficiaries up to 10 years after expiration of their entitlement for benefits, which is likely to have had a de-motivating effect.¹³

c) Full integration to health insurance

Sole recipients of social assistance (i.e. people not in gainful employment or simultaneously getting other benefits from social insurance, like e.g. unemployment insurance) were not covered by regular health insurance. For them, special "substitute insurance vouchers" (*Krankenhilfe-Schein*) existed, coming along with social stigmatization and – in some cases – reportedly with below standard health treatment. All benefit recipients (not covered by health insurance otherwise) are now included to normal health insurance due to GMI.

d) Assets

Within social assistance, it was foreseen that assets get capitalized extensively before social assistance may be granted. The term "assets" was used comprehensively, including e.g. money as well as other moveable and immoveable goods. Within GMI, there now applies the rule that savings up to a sum of currently EUR 3,866.3 (=equalization supplement reference rate x 5) must not be taken into account regarding the duty to utilise private assets at first instance. A closer examination shows that this rule is interpreted in different ways in the different federal provinces. Some apply this amount of exemption to the household and some grant this amount of exemption per person in the respective household. One other improvement is that private property (owner-occupied flats etc.) may not anymore be "capitalized" via a right of lien for the welfare authorities (to be added to the land register) right from the beginning of getting benefits from the minimum income scheme, but only after six months. Both reform steps may as well contribute to lower non-take-up.

¹³ However, it is worth noting that former benefits from social assistance were *de facto* often not subject to refunding, even in the case that the income situation of the former recipient improved. 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 abstained from legal action to enforce their claims, and e.g. the federal province of Vienna during the recent years did not pursue any cases of repayment of whatever type at all.

e) Faster processing of applications and written administrative decisions

Within social assistance, the maximum period for processing of applications (i.e. the time in which a decision has to be taken) normally used to be six months. Within the 15a treaty, the national state and the federal provinces agreed to reduce the maximum period to three months. Furthermore, the federal provinces are obliged to take measures for an "effective immediate help". Furthermore, administrative decisions (concerning the question if GMI is granted and at what level etc.) have now to be issued in written form. The latter should help to improve legal certainty. However, the period of appeal is very short in most federal provinces (generally two weeks). Only Burgenland and Styria (each four weeks) and Carinthia (six weeks) have longer periods of appeal.

f) Integration into ALMP measures and employment oriented personal services

As already mentioned above (see chapter 2.2), the PES (which is the most important provider of ALMP measures) traditionally did often not perceive sole recipients of social assistance (i.e. persons who do not simultaneously get transfers from the unemployment insurance) to be part of its core-clientele, leading to de-facto reduced access to training measures etc. According to the 15a-treaty between the national state and the federal provinces recipients of GMI should now have "equal access" to all measures offered by the PES. Furthermore, it is planned that the federal provinces and municipalities will – in co-operation with the PES – develop additional specific ALMP-programmes for recipients of GMI. Such programmes now exist in all federal provinces, but many of them are still of the type of pilot-schemes only, eventually to be exoanded and modified in the future (see Bergmann et al. 2012). Overall, it appears to be fair to say that the overall political attention given to the question of enhancing the employability of benefit recipients of the MI-schemes has increased over the last years. However, the actual impact of the related efforts made appears to be mixed. A first evaluation by Bergmann et al. (2012) (commissioned by the Federal Ministry Federal Ministry of Labour, Social Affairs and Consumer Protection) shows that respective schemes have positive effects on labour market integration and employment intensity (see as well BMASK 2012e, 152). However, at the same time it is evident that there is still a need to expand the coverage rate of these programmes considerably, and more personalised offers should be available for specific target groups.¹⁴

g) Increased financial incentives to take up or expand employment

¹⁴ Apart of the evaluation of Bergmann et al. (2012) the Minster of Employment, Social Affairs and Consumer Protection presented some related data in a recent press release (see: http://www.ots.at/presseaussendung/OTS_20120901_OTS0016/hundstorfer-bedarfsorientierte-mindestsicherung-ist-eine-arbeitsmarktpolitische-erfolgsgeschichte). According to this information about 92,100 recipients of GMI "got support" by the PES since the introduction of the GMI on 1 September 2010. 60,528 recipients of the GMI took part in training measures (of which 10,926 persons were sole recipients of GMI and 40,602 got GMI as a top-up to benefits from the unemployment insurance). In 29,157 cases people could be moved into employment, of which 8,561 were sole-recipients of GMI and 20,596 got GMI as a top-up. This data is largely in line with respective numbers published by the Federal Ministry Federal Ministry of Labour, Social Affairs and Consumer Protection in its recent "Social Report 2011-2012" (BMASK 2012e, 151), but where no breakdown is given regarding sole recipients vs. people with GMI as a top-up taking part in training measures. It is not possible to calculate success rates of transfers into employment from these data, as at the time of writing no exact data are available on the total number of people receiving GMI since its introduction. We only know that 193.276 persons received GMI in 2011, of which approx. 26% were under-age persons (see: http://www.statistik.at/web_de/statistiken/soziales/sozialeleistungen_auf_landesebene/bedarfsorientierte_mindestsicherung/index.htm for respective data).

Within earlier social assistance, income from gainful employment led to a cutback of social assistance on a pro-rata basis (with some minor exemptions; see Fink/Grand 2009a, 18). This principle largely remains to be in place within GMI. In other words: almost every kind of additional income in case of GMI is subject to a "marginal tax rate" of 100%, as the GMI does not offer any model of stepwise tapering off of benefits. Here, only one minor exception applies. 15% of earned income are not deducted from the GMI benefit in case that a person has been unemployed and receiving GMI for at least 6 months or if he/she takes up a job for the first time. This amount of exemption is granted for a period of 18 months, and it amounts to a minimum of 7% (EUR 54 per month) and a maximum of 17% (EUR 131.5 per month) of the equalisation supplement reference rate for singles. Given this rather low levels of the amount of exemption, the additional incentive of this measure to take up a job appears to be rather limited. Furthermore, it does not address the rather large group of people getting benefits from GMI as a top-up to low income from gainful employment.

When compared to the MI-schemes, reforms within the area of *unemployment insurance* have been rather marginal over the last 4 years. What is worth mentioning here is that benefits in unemployment assistance got increased to some degree in case of low benefit levels. Unemployment assistance is granted to persons who were eligible for unemployment benefit, but where the right for unemployment benefit has expired due to reaching the respective maximum periods. It is means-tested against other earned income within the household (but not against assets). The usual rate of unemployment assistance amounts to 92% of the previous "basic amount" of unemployment benefit. Before the reform, it applied that the level of unemployment assistance got increased to 95% of the previous "basic amount" of unemployment benefit in case that the benefit level in unemployment assistance lied below the threshold of the equalisation supplement reference rate (see as well Fink/Grand 2009a). Now, not only the basic amount of unemployment benefits is taken into account when calculating unemployment assistance, but as well supplements granted within the scheme of unemployment benefits. The "basic amount" of unemployment benefits equals 55% of the net average wages during the last year or the year before last. Low unemployment benefits may then, however, be extended to the level of the equalisation supplement reference rate (currently EUR 814.82 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 same time eligible for family supplements of EUR 0.97 per day for every dependent family member. These "increased" benefit level are now as well applied for the calculation of unemployment assistance, which now amounts to 95% of the previous "increased" level of unemployment benefit (in case that the benefit is lower than level of the equalisation supplement reference rate).

One second measure decided was that within unemployment assistance deductions due to other income of the household (i.e. income of partners) may not lead to an overall household income which is below the above mentioned reference rates for GMI (incl. the 25% for housing costs), as agreed upon within the 15a treaty (see above table 1).

These two measures were decided within the reform package of the GMI, following the aim to reduce the need for co-payments from the MI schemes to some degree. However, the respective effect appears to be rather limited, as still no minimum benefit exists in the Austrian system of unemployment insurance.

3.1.2 The impact of income support and major challenges

Table 4 and table 5 show – for different types of households - the impact of different systems of social transfers on at-risk-of poverty rates. These data address the

situation before the GMI got introduced and therefore do not give any information about the impact of the above mentioned reforms. Yet, what gets evident is that the impact of the earlier minimum income scheme (social assistance) appeared to be rather limited: without social assistance the overall at-risk-of poverty rate would have only increased by one percentage point. Cash benefits from the unemployment insurance appear to be somewhat more important (showing an overall impact of three percentage points). Apart of old-age pensions, family benefits are evidently the most important cash transfers in reducing the at-risk-of poverty rate, with an overall impact of seven percentage points (and a much higher one in the case of families with children). The rather limited overall impact of unemployment benefits can be explained by the fact that the unemployment rate is comparatively low in Austria – in 2011 it amounted to 4.2%.¹⁵ When looking specifically at households where at least one member is unemployed, without unemployment benefits the at-risk-of poverty rate would rise from 12% to 21% in case of “short-term” unemployment (with a duration < six months) and from 29% to 42% in case of long-term unemployment (with a duration ≥ 12 months). At the same time the effect of the MI-schemes again appears to be very limited, with an impact of one to two percentage points only. The latter is unlikely to have changed with the introduction of the GMI due to the fact that benefit levels – as described above – remain to be lower than the at-risk-of poverty threshold.

What should however been taken in mind is the fact that the MI-scheme may on the one hand have a limited effect on poverty rates, but that it on the other hand is likely to reduce the depth of poverty considerably. Unfortunately no published data are available on the effect of different social transfers on the poverty gap, which would display the respective effects.

¹⁵ Source: Eurostat database, [lfsa_urgan].

Table 4: At-risk-of poverty rates before and after social transfers according to household composition (2009/2010)

Type of household	Number of persons in 1,000	At-risk-of poverty rate							
		After pensions and other social transfers	before...						
			Pensions and other social transfers	Old-age pensions and surviving dependants' pensions	Other social transfers (except of pensions)	Family benefits and cash benefits in context of education	Benefits from unemployment insurance	Cash benefits within the health system	Social assistance and housing benefits
in %									
Total	8,283	12	43	36	24	19	15	14	13
Households with pension benefits	1,695	15	96	100	18	15	16	15	16
Single men	136	13	98	100	15	13	14	13	13
Single women	419	26	99	100	29	26	26	27	28
Multi-person household	1,141	11	95	100	14	11	12	11	11
Households without pension benefits	6,588	11	29	19	26	20	14	14	12
Single men	416	19	29	20	29	20	24	23	20
Single women	334	24	33	25	30	25	26	26	25
Multi-person household without children	1,925	6	20	23	14	7	8	10	6
Household with children	3,913	12	33	17	31	26	15	13	13
Single-parents households	292	28	53	29	50	42	33	30	31
Multi-person household with 1 child	1,441	7	20	13	17	12	9	9	8
Multi-person household with 2 children	1,470	11	32	15	30	26	14	11	11
Multi-person household with 3+ children	710	18	53	22	53	49	24	19	21
Households with youngest child in the age...									
up to 3 years	1,164	15	46	19	44	41	19	15	16
4 to 6 years	546	13	38	16	36	30	18	14	15
older than 6 years	2,280	10	28	19	23	18	13	12	11

Source: EU-SILC 2010; Statistik Austria/BMASK (2012, 147).

Table 5: At-risk-of poverty rates before and after social transfers for selected risk groups (2009/2010)

Type of household	Number of persons in 1,000	At-risk-of poverty rate							
		After pensions and other social transfers	before...						
			Pensions and other social transfers	Old-age pensions and surviving dependants' pensions	Other social transfers (except of pensions)	Family benefits and cash benefits in context of education	Benefits from unemployment insurance	Cash benefits within the health system	Social assistance and housing benefits
in %									
Total	8,283	12	43	36	24	19	15	14	13
Households with...									
Disability (in working-age)	744	13	57	41	41	23	19	23	15
Unemployment									
Short-term < 6 months	1,038	12	44	21	39	27	21	13	13
Long-term ≥ 12 months	681	29	66	42	57	45	42	31	31
Member with citizenship other than EU/EFTA	904	30	61	37	59	53	37	32	32
Naturalized citizen	302	24	54	33	46	37	32	26	27

Source: EU-SILC 2010; Statistik Austria/BMASK (2012, 150).

One other point where information is very limited is the question of *non-take-up*. Whereas the coverage of unemployment insurance remains to be rather high (in 2011 93.8% of unemployed men and 86.2% of all unemployed women *registered* with the PES received a benefit from unemployment insurance¹⁶), no up-to-date detailed data are currently available regarding GMI. Concerning earlier social assistance, it has been estimated that non-take up amounted to ca. 50 to 55% (see Fuchs 2007, 28; 2009, 296). Although no detailed data got published until now regarding the development of recipients of GMI (they are expected to be made public in the second half of 2012) preliminary data point to the direction of a considerable increase. According to information provided by the Federal Ministry for Employment, Social Affairs and Consumer protection (BMASK), about 138,000 persons received GMI in December 2011. When compared to the number of recipients of social assistance in December 2008 (i.e. at the beginning of the financial and economic crisis), this equals an increase of 37% (BMASK 2012a, 7). The BMASK – however not providing a more detailed assessment - comes to the conclusion that this increase is likely to be caused by rising indigence, but as well by a reduction of the non-take-up rate which occurred when replacing social assistance by GMI.¹⁷

Regarding the question of attempts to *increase labour market participation* of people relying on social transfers, it appears to be fair to say that transfers from unemployment insurance (i.e. both unemployment benefit and unemployment assistance) and GMI are sufficiently linked to activation. Both recipients of benefits from unemployment insurance and from GMI are obliged to take part in ALMP-measures, and different sanctions apply if they refuse to do so. Concerning the availability of ALMP-measures, it is true that Austria has not been a forerunner in the area of active labour market policies, but the respective situation changed to a large degree over the last two decades (Grand 2009; Atzmüller 2009; BMASK 2011a). Spending for active labour market policies is now well above average of EU-27 and the overall rate of participation in education and training is comparatively high (see Fink 2012b for respective data). Spending for active labour market policies got considerably increased during the crisis: from EUR 1.06 billion in 2008 to EUR 1.310 billion in 2009 and then further to EUR 1.324 billion in 2010.¹⁸ Together with spending, as well the number of people taking part in respective measures increased considerably. Table 6 presents respective data for the months January to February for the years 2008 to 2012 (for yearly data see table 7 below).

Table 6: Number of persons in ALMP-measures by the PES

	Jan. - Feb. 2012	Jan. - Feb. 2011	Jan. - Feb. 2010	Jan. - Feb. 2009	Jan. - Feb. 2008
Employment promotion (excl. short-time work)	22,036	22,606	26,057	17,254	20,409
Qualification	128,890	132,794	157,024	131,500	136,087
Support	40,139	36,555	34,611	28,440	31,264
All measures (excl. Short-time work)	172,044	174,936	200,407	164,461	173,127

Source: AMS-DWH; BMASK (2012b).

¹⁶ Source: AMS (2012, 35)

¹⁷ Furthermore, data cleansing done when replacing social assistance by GMI may have played a role as well.

¹⁸ These data include respective spending by the Ministry of Employment, Social Affairs and Consumer Protection. Respective numbers are therefore higher than the ones presented in table 8 below, which only cover spending by the Public Employment Service (PES).

As from 2011 the number of persons in ALMP-measures decreased again, as did the spending for ALMP-measures (to EUR 1.177 billion in 2011). This development took place on the background of reduced unemployment rates, coming down from 4.9% in 2009 to 4.2% in 2011.¹⁹

Overall, ALMP-measures appear to be rather effective, as the long-term unemployment rate is rather low in Austria from an international comparative perspective (which is, however, as well caused by the rather positive overall performance of the Austrian labour market): in 2011, long-term unemployment (lasting one year or longer) amounted to 25.9% of total unemployment in Austria (EU-27 average: 42.9%).²⁰

Within national data sources, besides of data on "long-term unemployment", there is as well data available on so-called "long-term inoccupation" (*Langzeitbeschäftigungslosigkeit*) (see BMASK 2012c for this concept and respective data). Within this concept, short term breaks of unemployment (by gainful employment or education measures) are not taken into account and respective figures show that there is a considerable stock of registered unemployed where enduring integration into the first labour market is not reached. In 2011, the number of respective people amounted to approx. 75,000 persons, whereas the stock of all registered unemployed was ca. 250,000 at yearly average. This means that ca. 30% of all registered unemployed are affected by "long-term inoccupation" (no stable integration into the first labour market within 365 days). During the last years (i.e. even before the economic and financial crisis) the number of people facing long-term inoccupation never was lower than ca. 50,000, which indicates lasting problems of labour market integration for specific groups of the unemployed even in times of rather favourable macroeconomic performance. This problem does not appear to be caused by too generous social transfers, as respective wage replacement rates are not extraordinarily high from an international comparative point of view (see Annex chart 1). It more appears that these people – apart from qualification deficits – often face multiple personal problems, reducing their competitive capacities on the labour market.

3.2 Inclusive labour markets

Under the heading of "inclusive labour markets" the EC in its' recommendation of 3.10.2008 on the "active inclusion of people excluded from the labour market" at first instance addresses two major points:

- a) Measures in the areas education, ALMP and personalised services, in order to increase capabilities to find a job and to stay in employment.
- b) Measures to promote quality jobs and to prevent labour market segmentation, in particular with a view to preventing in-work poverty.

Furthermore, the question of work incentives gets mentioned (not only regarding to benefits but as well concerning the tax system), and it gets stressed that support should be provided for the social economy and sheltered employment.

Ad a)

As already mentioned above, it is fair to say that Austria – after a respective upgrade during the last two decades – nowadays shows a rather well established and

¹⁹ Source: Eurostat database, [lfsa_urgan].

²⁰ Source: Eurostat database; [lfsa_upgal].

differentiated system of ALMP-measures. Measures by the PES can be grouped according to three main types (see as well table 6 and table 7 below for numbers of ALMP-participants according to the three types).

Table 7: Persons covered by fundings and aid by the PES for ALMP-measures; 2008-2011

Year	Number of persons ¹			
	2008	2009	2010	2011
All funding and aids	357,152	459,623	438,365	377,869
of which "employment"	62,380	125,606	92,769	65,921
of which				
company integration subsidies	31,101	32,499	41,703	29,433
short-term work subsidies	8,232	66,965	23,706	3,822
socio-economic enterprises and non-profit employment projects	21,686	23,858	27,326	26,929
of which „qualification“	290,312	336,355	345,424	310,049
of which				
labour foundations	13,907	19,782	20,245	14,306
qualification measures	144,245	178,732	201,603	179,539
course costs	42,810	53,178	45,826	41,719
apprenticeship subsidies	20,896	31,708	21,442	13,505
qualification for employed persons	41,789	49,134	48,545	48,890
supplementary aid for covering living costs	187,948	231,328	253,835	224,690
of which „support“	76,081	85,885	92,769	91,303
of which				
consulting and support institutions	53,663	63,533	70,660	69,805
start-up aid and business start-up programmes	7,976	8,472	9,269	8,110

¹ Number of persons according to „decisive“ calculation. According to this method, a person is counted in all categories of measures that apply for him/her, but only one time when summing up the different categories of measures. Source: BMASK (2012d) and BMASK (2010b).

Table 8: Spending by the PES for ALMP-measures; 2008-2011

	Spending by the PES for ALMP-measures							
	2008		2009		2010		2011	
	in Mio EUR	in %	in Mio EUR	in %	in Mio EUR	in %	in Mio EUR	in %
"Employment"	195.96	22.21	336.35	30.04	306.48	28.41	221.19	22.69
of which short-time work	1.01	0.11	113.52	10.14	54.87	5.09	6.09	0.62
"Qualification"	611.83	69.35	699.86	62.51	686.98	63.67	666.72	68.40
"Support"	74.45	8.44	83.3	7.44	85.5	7.92	86.79	8.90
Total	882.24	100.00	1119.51	100.00	1078.96	100.00	974.7	100.00

Source: AMS (2011) and AMS (2012).

First, respective measures by the PES include programmes for *qualification* - for unemployed as well as for people in active employment. This is the most important strategy within the measures provided by PES. In 2011 a total of EUR 666.72 were used for qualification schemes, representing 68.4% of all subsidy outlays by the PES. Overall, in 2011 about 310,000 persons took part in qualification measures organised by the PES or got respective subsidies, whereas the respective number was ca. 345,000 in 2010 (see table 7 above).

So called "*employment promotion*" is a second group of measures. This includes amongst others so called company integration subsidies (wage subsidies for employers employing former long-term unemployed), short-term work benefits and employment projects, e.g. within so-called "social economic companies" (*Sozialökonomische Betriebe; SÖBs*). The latter offers opportunities for social stabilization and individualised training for people with special needs, who are supposed to be in need of special offers before they can be re-integrated to the first labour market. Overall, 221.19 million EUR were spent for "employment promotion" in 2011. This corresponds to 22.69% of the subsidies budget of 2011. From a mid-term perspective, the share of employment promotion in all spending of the PES has been rising to some degree, but then got reduced again. The reduction between 2009 and 2010 is caused by the fact that the number of people receiving short-term work benefits decreased considerably (from 66,965 to 23,706) due to the improving economic and labour market situation. Between 2010 and 2011 especially the number of people within the programme of company integration subsidies got reduced.

A third group of measures is termed "*support*". This contains a rather broad range of measures. Examples are consulting for people with particular problem situations, debts advice for example. Further support programmes include the company-founding programme (for unemployed who decide to get self-employed) or ESF qualification consulting and flexibility consulting for businesses. In 2011 a total of EUR 86.79 million were invested into measures of this type, representing around 8.9% of all subsidy expenses. Support subsidies were approved for around 91,000 persons in 2011.

The question is, of course, if and to what degree these measures by the PES reach the most vulnerable. Information on this question is rather limited. One – however older and for that reason not covering the recent years - assessment by Grand (2009) shows that people with very low qualification (this means with primary education only) are – even when compared to their share in the unemployed - overrepresented within qualification measures provided by the PES (by about 30%). When it comes to funds, there is again no evidence pointing to the direction that the very low qualified would have access to cheaper measures only (funds for this group exceed the level that would be expected according to their integration to qualification schemes). However, people having an apprenticeship examination as the highest formal qualification (and not any other higher qualification from the general education system), are to considerable degree underrepresented in measures by the PES (by about 40%) and costs of the measures they are taking part are by 20% lower than would be expected (according to the level that they are integrated into respective schemes). For this, Grand (2009) concludes that – according to these data – on the one hand no systematic approach to focus on people with low or very low qualification exists. On the other hand, one may argue that these people are at least not evidently discriminated within the respective schemes, as they do as well have access to rather costly measures, and are not palmed off with cheap measures only.

Furthermore, it should be stressed that several measures within the portfolio of PES are targeted to specific groups. Apart others, these are especially young unemployed and women. Regarding young people, one very important instrument is the so-called "apprenticeship guarantee", introduced in 2008. Hereby, additional apprenticeships

are provided at special training institutions to those young people who have not been successful with finding an apprenticeship or job at private companies. In December 2011 10,467 persons took part in the scheme and in 2011/2012 about 12,300 places are available. The overall costs of this measure amount to EUR 187 million per year. This scheme evidently has positive impacts regarding social inclusion and labour market segmentation, as it helps to prevent young people from completely losing contact to the labour market and measures of further qualification.

Measures for specific target groups are not only offered by the PES, but as well by Federal Social Office (Bundessozialamt) and its' regional branches, partly implemented in co-operation with the regional offices of the PES and other regional stakeholders (organised in so-called territorial employment pacts, TEPS, and partly co-financed via ESF). Within these schemes, which as well include job retention and advancement, special measures are offered to disabled people. The client groups are at first instance people with mental or psychosocial disorders, the deaf and those with a hearing impairment of over 50 percent, mentally, physically or multiply disabled persons, and the blind and those with visual impairments. Respective measures were initially restricted to adults, but then (as from 2001) expanded to disabled young people. Schemes offered include youth coaching/clearing, so-called "professional training assistance" (*Berufsausbildungsassistenz*), subsidies to improve accessibility for people with impairments in companies, wage subsidies, "personal assistance at the workplace" as well as "work assistance" (*Arbeitsassistenz*). Within work assistance, which is the best known measure offered by the Federal Social Offices, clients are looked after by a by a so-called job support assistant, who helps them to organise their personal life, to find a suitable job and to stay in the job. Work assistance can take several months or even longer, but the main aim here is to enable the client to be independent as soon as possible. Within the schemes of the Federal Social Office about 12,680 persons were covered by work assistance in 2011. The respective number has been rising over the recent years, e.g. in 2007 it amounted to 9,277 and in 2003 to 6,457 (Bundessozialamt 2012).

During the recent years, the Federal Social Office as well especially expanded activities targeted at young people.²¹ Within professional training assistance, young apprentices with special needs get "accompanied" by a support assistant during the whole apprenticeship. If a normal apprenticeship is not possible, then other options of "partial qualification" (*Teilqualifizierung*) may be pursued. In 2011, 5,318 persons were covered by this scheme. Respective numbers have as well increased during recent years – they nearly doubled since 2007 (2,736 cases). One other measure especially targeted at vulnerable young people is a new Youth Coaching Programme (*Jugendcoaching*), which – in a first step – will be implemented in Vienna as from the school year 2012/2013, but which is planned to be then expanded to the other federal provinces. Within this programme, pupils get special support and guidance already during the last school year and may then be "accompanied" by special coaches during further education or when entering the labour market (up to the age of 19, or 25 in case of a disability). The target group is planned to be about 8,200 young persons in Vienna and 6,600 in Styria.

One other measure organised by the Federal Social Offices is a new programme called fit2work. It got introduced in Styria, Vienna and lower Austria in 2011 and is planned to be expanded to the other federal provinces until 2013. This programme offers services for people at risk of losing their jobs due to health problems, or who have already lost their jobs for health reasons. Furthermore, it is planned that it should

²¹ Concerning this target group, see as well chapter 2.1 above concerning the reform in school education, transferring lower secondary schools (*Hauptschulen*) into the model of the New Secondary Schools (*Neue Mittelschulen*).

improve health prevention within working life. It offers advice, support and counselling both for employers and (former) jobholders. This programme got introduced on the background of high inflow into invalidity pensions in Austria (see e.g. Fink 2012b). It is estimated that the programme will, when in place in all federal provinces as from 2013, will address 19,500 individuals per year and that 500 companies will get counselling etc. The total yearly costs are estimated to be EUR 27.5 million (see Opperschall 2012 for more details).

Overall – and especially from an international comparative point of view – Austria shows a rather dense net of measures for active inclusion designated at vulnerable people. Furthermore, respective measures got expanded during recent years. One group that traditionally appeared to fall between the cracks – namely people in social assistance with special need for support, but who are at the same time not “disabled” according to the criteria used within the schemes of the Federal Social Office – are now, according to the 15a treaty on the GMI, as well planned to be integrated into respective measures (both in terms of standard measures offered by the PES and as well specific targeted measures organised by the federal provinces in co-operation with the PES). However, now more detailed information is available regarding the actual impact of the latter, as respective evaluations will only be presented by the end of 2012.

At the same time it should be stressed that there exists a considerable number of people who do not manage to achieve stable employment, irrespective of all the ALMP-measures etc. available. As described above, this applies for ca. 50,000 persons within the group registered with the PES (the ones affected by so-called “long-term inoccupation” – *Langzeitbeschäftigungslosigkeit*). The actual number is likely to be considerably higher, as not all unemployed and/or currently economically “inactive” people trying to get a job are registered with the PES. However, no valid evidence is available concerning the question how large this group is.

Ad b)

Concerning the question of *quality jobs*, it is fair to say that the overall in-work-poverty rate is not high in Austria from an international comparative point of view. In 2010, about 4.9% of all employed persons were affected by being at-risk-of poverty and the respective numbers recently have been decreasing (2008: 6.4%; 2009: 5.9%). At average of EU-27, the in-work-at-risk of poverty rate is much higher, amounting to 8.5% in 2010. However, in-work-poverty as well in the Austrian case implies a challenge, as the absolute number of people affected is rather high when compared to other groups in working age affected by being at-risk-of poverty. The overall number of working poor amounted to 206,000 in 2010, whereas the number of unemployed (6 months or over in the previous year) with an income below the at-risk-of poverty threshold was 155,000. Furthermore, it should be stressed that the reduction of the at-risk-of poverty rate between 2008 and 2009 lies within the statistical fluctuation range. The reduction between 2009 and 2010 is at first instance caused by the fact that people affected by in-work-poverty had a much higher risk of getting unemployed than other jobholders during the peak-year of the economic and financial crisis (i.e. 2009, which is actually the empirical basis for income data in EU-SILC 2010): According to Statistics Austria/BMASK (2011, 47f.), the risk of getting unemployed for working poor was four times higher in 2009 than for other jobholders and the reduction in the number of working poor was caused by the fact that respective persons moved to unemployment.

In this context it has to be mentioned that – unfortunately – no new and up-to-date data is currently available on the development of the structure of earnings. The most recent results available derive from the Structure of Earnings Survey of 2006, showing

a rather high concentration of low-wage employment in specific branches, like tourism and trade, and that low-wage employment is a much more common phenomenon for women (24.2%) than for men (5.1%) (see Geisberger/Knittler 2010). Overall, according to these data, the share of people affected by low-wage employment is only slightly lower in Austria (14.5%) than at average of EU-27 (17.59%) (see Annex Chart 2).

Regarding labour market segmentation and segregation, it is worrying that Austria, together with the Czech Republic, shows the highest gender pay gap of all EU-member states. In 2010, the unadjusted gender pay gap in industry, construction and services (except public administration, defence, compulsory social security), amounted to 25.5% (EU-27: 16.4%) (see Annex Chart 3). This number has not been showing much change over time during recent years. One other point is the very high concentration of part-time employment on women. The part-time rate of women (2011: 43.4%) is 5.6 times higher than the part-time rate of men (2011: 7.8%). In the EU, only in Luxembourg the concentration of part-time employment exceeds the one in Austria (see Annex Chart 4). In Austria, the respective gap between men and women got to some degree reduced between 2004 and 2009, but is largely constant since then.

These data point to the direction, that the question of how to improve the quality of jobs or how to promote more equality of chances and risks on the labour market should be a political topic in Austria. However, respective questions do not tend to get addressed by the most important political players in an encompassing way, but only according to a rather narrow way of problem interpretation and setting respective measures very selectively.

Hereby, it has to be stressed that the formal coverage rate of collective agreements is very high in Austria (reportedly up to 99% in the private sector). So it should be expected that the differentiation of working conditions gets mitigated to a large degree. However, it is fair to say that Austria does not show a strong tradition of "solidaristic" wage policies. Hermann and Flecker (2009, 23) conclude that the Austrian economic system, when looking at wage differentials, rather shows features of an "Anglo-American" type of governance than a continental European one. This is – apart from others – caused by the fact that for a long time the trade unions, irrespectively of their official statements signalling that they avow for "solidaristic" wage policies, in fact implemented a sectorial approach, whereby minimum wages were often set at a very low level. The goal was – according to the then dominant interpretation – to protect jobs with lower productivity from being removed (especially at small and medium sized enterprises and in sectors with lower overall productivity) (see Hermann 2009). Furthermore, the topic of equal opportunities for women was for a long time not on the top of the agenda of public politics. Here, the dominant model was for a long time that of "a male-breadwinner-family", suggesting that male employment is the rule and female employment – at best – a possibility. This led to the situation that segregation was always rather high, with a tendency that (native) men occupied the more favourable positions on the labour market, leaving the less favourable ones for women and immigrants (see e.g. Mairhuber 2009; Leitner 2003). Krenn (2010) writes that "the trade union side [now] seems to be more active in addressing the problems related to low wages and poverty risks – although the term 'working poor' itself does not play an important role in the trade unions' policy. Instead, the problems of 'in work poverty' and insufficient wages are addressed as part of the broader issues of atypical employment and its social risks." Regarding employer's organisations, he comes to the conclusion that it is "difficult to determine [their] attitudes, because it is hard to find comments from their side" (ibid). In fact, for a long time they refused the introduction of a national minimum wage, arguing that this would be "counterproductive", as it would lead to higher unemployment within the group of people with low qualifications. Instead, they repeatedly asked for a

model of public wage subsidies, making it easier to make “an offer of proper jobs” also in the sector of low-qualified employment.

Within the reform package of the GMI (see above chapter 3.1), it was agreed between the national government and the national-level social partner organisations (already in July 2007), that a minimum pay rate of EUR 1,000 gross for full-time employment should be implemented in all sectorial collective agreements by 1 January 2009 at the latest. Hereby, the dominating rationale was not so much about the *sui generis* problem of low wages, but about problems with work incentives that might occur when benefits from the MI-scheme get increased to some degree (which, however, *de facto* only took place to minor degree²² and in some federal provinces only). This minimum wage evidently improved the situation of some employees in those branches paying the lowest wages. However, according to estimations, only for 30.000 to 50.000 wage earners in Austria this new minimum threshold came along with a direct effect, as many collective agreements stipulated minimum wages above or just below this level when it was introduced. In this context it is worth mentioning that the trade unions had started to claim for a minimum wage of EUR 1,000 as early as 2003, but did not adjust this claim to the development of prices or wages over the years. In 2010, they started a new campaign for a minimum wage of EUR 1.300 gross per month, but it is rather unlikely that they will succeed with this in the near future.

The national government has put the question of working conditions and wage differentials on its’ agenda in a rather narrowly defined way. If respective questions get addressed upon at all, then at first instance regarding equal employment opportunities for women. Regarding concrete measures, most of them are of the type of “soft governance” only. Examples are information campaigns, company reports on their wages, the new rule that vacancy notices must now as well contain information about the wage that may be expected or a new online wage calculator²³ (introduced in 2011). The latter tool should provide information and give the users an idea how their wage corresponds to the average real wage in their profession under related circumstances (i.e. earlier work experience etc.). These measures are positive steps, but they are likely to show an impact in the long run only and it is questionable if they are sufficient to deal with the evident structural problems.

Concerning the other points addressed by the EC under the heading of “inclusive labour markets” only gradual changes occurred over the last years.

The *tax wedge on the labour cost*, measuring the relative tax burden for an employed person with low earnings, is – according to Eurostat – 39.6 % in the EU-average (EU-25) and 43.7 % in Austria. Experts refer to this relatively high tax burden on labour since several years and recommend a relief of the labour factor. Over the last years, reform on this point was limited. The only exception is the income-tax reform of 2009. Hereby, from a social inclusion perspective, the most important measure was the raising of the tax exemption limit (“*Steuerfreigrenze*”) from EUR 10,000 per year to EUR 11,000 per year. On the whole, Statistics Austria expects that the tax reform of 2009 implies a mean tax release of EUR 329 per year for each of the 6.1 million employed persons or pensioners. However, about 2.6 million persons, 1.7 million of whom females, do not benefit from the tariff reform because they did not have to pay any wage tax even under the old legislation (where tax exemption limit was EUR 10,000). Here, it is important to notice that the high tax wedge in Austria for low income earners at first instance derives from high contributions to social insurance, and not so much from income taxes. One positive measure worth mentioning in this

²² Especially as it got finally decided to grant GMI only 12 times per year instead of 14 times per year; see above chapter 3.1.

²³ See www.gehaltsrechner.gv.at

context (however with a rather limited impact only) is that - since 2008 - low income earners are partly exempted from paying unemployment insurance contributions.

In Austria *sheltered employment* is inter alia organised via a quota system programme. According to this quota system companies would - in principle - be obliged to offer one job of sheltered employment (for a disabled person) per 25 job-holders in the company. But only about 23% of all employers fulfil this obligation in full (Bundessozialamt 2011, 11), whereas the others (including those who fulfil it only partially) opt for paying a so-called "compensation tax" instead, which (since the respective reform in 2011) amounts to a sum between 226 and 336 EUR per year (depending on the size of the company) and per place of sheltered employment that would have had to be offered. Before, the compensation tax amounted to 223 EUR (irrespective of the size of the company). The gathered levies are used for purposes of vocational integration only. For people in sheltered employment a special dismissal protection applies. Before the reform, this special dismissal protection applied already after 6 months of employment within a company. With the reform of 2011, it got decided that four years of employment are now the precondition of the special dismissal protection. Hereby, it was argued that the earlier regulation restrained many employers from offering sheltered employment. If and to what degree this reform led to an improvement of the respective situation is unclear at the time of writing, as respective data for 2011/2012 has not yet been published.

No structural measures have been taken over the last years to improve employment opportunities in the sector of *social economy*. Respective organisations often face financing problems and what is especially missing is mid- or long-term financial predictability. This - inter alia - contributes to a situation where long-term employment opportunities for people with reduced working capacities are rare in this sector. In other words: No real "third" labour market exists in the case of Austria, offering long-term jobs for people who structurally lack competitiveness under market conditions. Furthermore, the social economy itself is increasingly subject to a process of marketization, leading to a growing incidence of precarious employment within this sector (see e.g. Dimmel 2012).

3.3 Access to quality services

Services essential to supporting active social and economic inclusion policies are social assistance services, employment and training services, housing support and social housing, childcare, long-term care services and health services. Social assistance services and employment services have already been addressed in the chapters 3.1 and 3.2 above, so the following section will concentrate on the remaining areas of social services.

Housing support and social housing

No major structural changes appeared in the area of social housing and housing support over the last years. This means that a situation got prolonged, for which the following features are typical (see as well Fink/Grand 2009b; Perl 2008): a) "Social housing" by the municipalities and dwellings offered by "Limited Profit Housing Associations" (LPHAs) contribute to a rather large share of total housing (in sum about 20%). These housing opportunities are not only available for people and families with very low income, but as well for the middle classes, which comes along with a rather broad compound of people with different social backgrounds living in respective dwellings. However, quite substantive accession costs are in place for such dwellings (especially regarding LPHAs), which may lead to a partial exclusion of people with low income. b) The highest grade facilities and services for the homeless are available in the big cities, whereas in many *Länder* the rural areas are not well covered. The

Länder of Vienna, Upper Austria, Vorarlberg and to some degree also Lower Austria have established a more integrated approach for planning and implementing facilities and services for the homeless (also in rural areas), whereas in most of the other federal provinces selective or isolated measures (especially concentrated on urban areas) are predominant. As much as no vertical co-ordination exists in the area of housing services and social services for the homeless (see Fink/Grand 2009b). Here the national government appears to take the position that this is not a national issue at all, but one solely to be dealt with by the federal provinces and the municipalities.

Childcare

Evidently, deficits regarding childcare facilities for children in pre-school age (and here especially in the age below 4 years and regarding full-time care) are a long-standing problem in Austria (see e.g. Fink 2011b; Annex chart 5 to 7). Hereby, it should be mentioned that the competency for child-care facilities for children at pre-school is one of the federal provinces at first instance. This led to a situation where the accessibility of such services varies to a very large degree when comparing the nine federal provinces to each other. The situation has to some degree improved during the last two decades (see Annex table 1), but irrespective of the rising share of children in institutional childcare deficits are still evident. The latter, inter alia, especially is true regarding full-time care, flexibility of opening hours or childcare during school holidays. The national state has repeatedly tried to improve the respective situation via special grants made available to the federal provinces in case that they expand childcare facilities. However, respective grants, amounting to EUR 15 million per year, got suspended for the year of 2011 (decided in December 2010). In May 2011 a debate started about the question of a re-introduction of these special grants even before the year of 2012. The background was that budgetary costs linked to tax deductions for private spending on childcare (introduced as from January 2009) turned out to be much lower than originally expected, making additional funds available for institutional childcare. At the end of May the government decided for a federal contribution for the further expansion of the number of childcare places. The federal contribution is of the type of a start-up co-financing, and amounts to 10 million EUR in 2011 and 15 million EUR per year in 2012 to 2014. It is planned that this should contribute to the establishment of around 5,000 new places per year, with a special focus on places for children aged up to 3 years. Interestingly, within recent budgetary decisions (of February 2012) the current national co-financing for the set-up of new childcare institutions by federal provinces and municipalities has not been prolonged for the time after 2014.

One other measure, decided in 2011 is the expansion of all-day-school models and other forms of all-day care for children in school age. Here, the number of places is planned to be increased from currently approx. 120,000 to 210,000 over the next view years (i.e. until 2015). Regarding this topic, the federal state, the federal provinces and the municipalities signed a treaty according to §15a of the Austrian constitution. It stipulates that the federal provinces and the municipalities will enhance all-day care in schools falling within their responsibility (i.e. esp. primary schools and lower secondary schools), whereas the federal state will provide start-up financing amounting to a sum of 320 million EUR until 2015. Ca. two thirds of this money will be used to expand all-day care in schools falling within the responsibility of the federal provinces and municipalities, one third for schools within the competency of the national state (i.e. especially within the lower cycle of the secondary academic schools). Overall, this initiative will for sure improve the respective situation to some degree. Yet, it should be mentioned that the overall number of pupils in the relevant age group (approx. 755,000 in the age up to fourteen) is much higher than the maximum places of all-day care currently envisaged (210,000).

Long-term care

The Austrian system of long-term care has a twofold design, consisting of cash benefits on the one hand, and publicly organised long-term care services on the other hand. The respective cash benefit is called long-term care benefit (*Pflegegeld*). As from the beginning of 2012 long-term care benefits fall within the sole competency of the central state, whereas before as well the federal provinces granted this kind of benefit (for specific groups). *Pflegegeld* is granted without means testing (against income or assets) and according to seven different levels, corresponding to a categorisation of seven different levels of individual care requirements / the health status of the person in need of care. The benefit currently amounts to EUR 154.20 per month in level 1 (the lowest level), but may be as high as EUR 1,655.80 in level 7. These cash benefits are intended to be used to buy formal care services from public or private providers or to reimburse informal care giving. However, it is not being controlled for what purposes long-term care benefits are actually used by the benefit recipients.

In addition, pursuant to an agreement according to Article 15a of the Federal Constitution Act (endorsed in 1993) the federal provinces are responsible for establishing and upgrading a decentralised and nationwide delivery of institutional inpatient, ambulatory, semi-outpatient and outpatient (i.e. at-home) care services. These services are de facto implemented in cooperation with municipalities and not-for-profit organisations of the so-called intermediary sector, i.e. social NGOs of different types (for an overview see e.g. Riedel/Kraus 2010, 21ff.; Biwald et al. 2011).

There is a general lack of more in depth analysis and data on the availability and affordability especially regarding formal outpatient services. But findings, limited as they may be, suggest that availability varies to considerable degree within different regions and that, especially in cases of extensive need for care, the long-term care cash benefits only covers a fraction of the costs which would arise if all respective support would be purchased within formal outpatient care (see e.g. Riedel/Kraus 2010).

As a matter of fact, the Austrian long-term care system is characterised by a rather large sector of informal care. According to the most recent data available (covering the year 2009; see BMASK 2010a), 58% of all people in need of long-term care are looked after by their relatives at home, 24% are looked after by their relatives at home and at the same time receive formal outpatient care services, 16% live in nursing homes and related institutions (inpatient care) and about 2% (note: there may be a large number of additional unreported cases of this model) are looked after by privately hired caretakers (at first instance from Eastern Europe; so-called "24 hours care at home"; see Fink 2009, 20ff. regarding regulation on "24 hours care at home").

In 2010/2011, it got evident that federal provinces and municipalities faced increasing problems in financing intra- and extramural benefits in kind. Against this background the national state, the federal provinces and the municipalities agreed in March 2011 on the introduction of a joint "long-term care fund", which was planned to serve as an interim solution for respective financing problems until 2014. In sum, EUR 685 million were made available until 2014, of which 2/3 are to be financed by the federal state and 1/3 by the federal provinces and the municipalities. In February 2012 it got announced that the long-term care fund will be prolonged until 2016 and that hereby additional funds of EUR 650 million will be made available. According to the NRP (2012), these funds are used to a) maintain related existing services, b) improve and expand the existing systems, to c) harmonize respective services across different regions and d) to increase transparency and comparability via a nation-wide long-term care database, which was implemented in 2012. Furthermore, it gets announced that

results of a “structural working group”, dealing with questions of reform in the area of long-term care, are expected for the end of 2012. Here, it appears to be fair to say that the Austrian NRP promises more than the related reforms can deliver. The long-term care fund, introduced in 2011, is the facto an interim solution for respective financing problems, which got evident at the level of the federal provinces and the municipalities during 2010. Overall, the respective additional resources only appear to allow to maintain the existing services, or, more precisely, to expand them according to rising demand, which derives from demographic ageing. But in most cases this does not mean a structural improvement of the accessibility and quality, but at first instance a resumption of the status quo (however in a situation of rising demand). The nation-wide long-term care database, implemented in 2012 is a positive step, as - to provide a sound starting point for debates about structural reform - it is necessary to examine inequalities regarding access to outpatient and semi-outpatient services in more detail. Respective valid information and evidence has been largely missing for the case of Austria up to now.

Health

It is fair to say that the Austrian health systems provides rather equal access to high-quality health services, and that it is subject to comparatively low private co-payments for standard treatments. Reforms decided over the last years follow the aim to maintain this rather favourable situation, but at the same time to make the system more efficient and to solve problems of financial sustainability. It appears that these strategies turned out to be rather successful regarding cost containment (as evident from the consolidation of the budgets of the health insurance providers), whereas more detailed information on the second issue, i.e. safeguarding access and quality (or even improving the latter), is largely missing (see Fink 2012a for more details).

4. Financial Resources

4.1 National Resources

It appears that the Austrian national government was – even during the financial and economic crisis – has been rather successful in ensuring that active inclusion measures are underpinned by the provision of the necessary resources from the national budget. Hereby, national government opted for a strategy where respective funds got pro-actively expanded (especially in late 2008 and 2009), at first instance concerning active labour market policies but as well in terms of public finances dedicated at macro-economic stabilisation.

During the peak of the crisis, in its strategic approach the government concentrated on general problems of the financial markets and the labour market, this way only taking into account to a rather small extent the specific problems of the most vulnerable people. Economic stimulus packages and a tax reform aimed at stimulating the general economic demand but did not aim at the financial resources of poor people or people highly endangered by poverty. With employment and labour market policy, the main focus of additional measures was on maintaining employment – especially via the instrument of short-time work and other forms of work distribution (e.g. enhanced options of leave for further training). Overall, these strategies of labour market policy have been successful from a macro-perspective: the unemployment rate remained to be one of the lowest in Europe. However, these measures were not tailored to help especially people with above average vulnerability or special needs, so that their situation is not likely to have improved in comparison to the overall population.

Later on, some austerity measures got decided. The first austerity package, presented in late 2010, inter alia came with somewhat tightened access to and somewhat lower level of family allowances and a reduction of public budgets for employment policies (ALMP). The latter – however – took place on the background of decreasing unemployment. Within social protection schemes consolidation measures concentrated on pensions of people employed in the private sector (low indexation for 2011; tightened access to early retirement on grounds of very long insurance records; reform of invalidity pensions) and access to long-term-care benefits got tightened to some degree. Furthermore, cuts (adding up to earlier consolidation measures within this sector) as well took place regarding the health system.

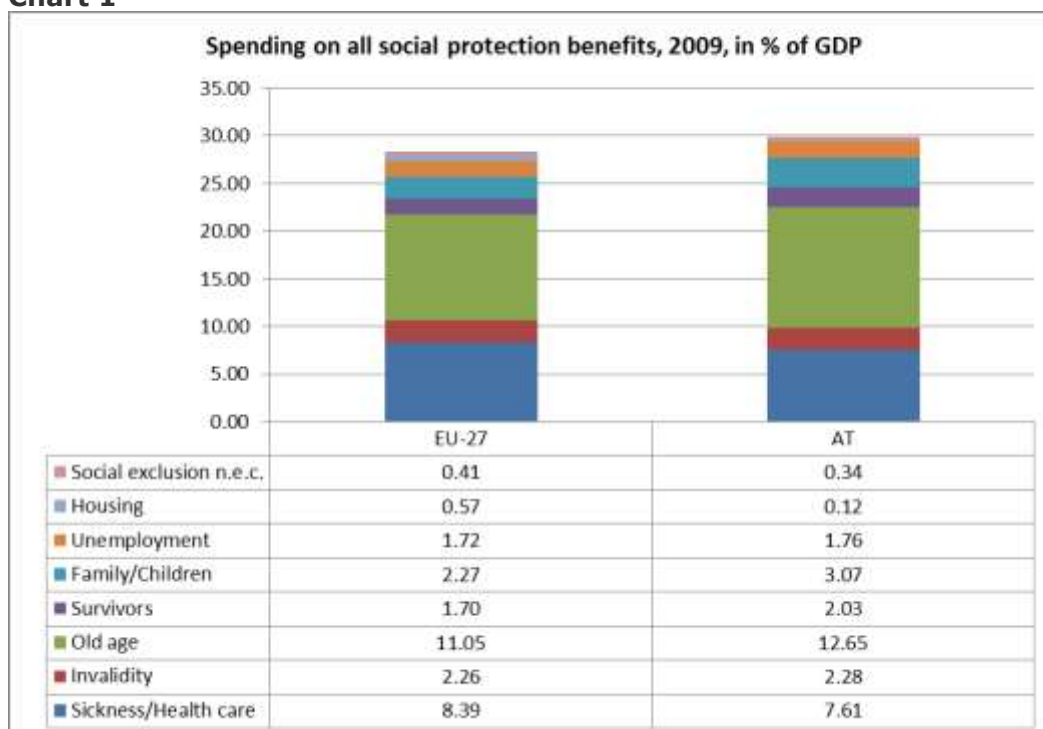
The second austerity package (called consolidation package and presented in February 2012) did not come with large-scale retrenchment in the area of active inclusion. Reforms concerning social benefits within the consolidation package are rather narrowly targeted and at first instance concentrate on invalidity pensions and early retirement, following the aim to increase work incentives and to safeguard the financial sustainability of the pension system.

Overall, this means that initiatives and measures in the area of social inclusion where – to a large degree – safeguarded from retrenchment. However, what is evident is a partial lack of additional funds for policy areas where an upgrading would be necessary, like e.g. concerning childcare, long-term care or for housing services. Here, it appears that especially the financial situation of the municipalities (providing the majorities of respective services) gets increasingly tight.²⁴

To give some evidence on the overall cost of implementing active inclusion strategies in Austria, Chart 1 to Chart 3 below provide some data on social spending in Austria (and at average of EU-27) in 2009 (more recent international comparative data is not available at the time of writing). This data shows that spending for “unemployment” is rather high in Austria (given the rather low unemployment rate), whereas spending for social exclusion (not covered in one of the other policy areas) is below average of EU-27. The rather high costs for “unemployment” are at first instance caused by rather high outlays for benefits in kind, i.e. for ALMP-measures. One other specific of the Austrian case is rather high spending dedicated at families. Hereby, spending for benefits in kind (i.e. at first instance childcare facilities) are below average of EU-27, whereas cash benefits are much higher than at average of EU-27. The latter is caused by rather generous and universal family allowances, which – however – as shown above have a very high impact regarding the number of people affected by being at-risk-of poverty (see above tables 4 and 5). Spending on sickness/health care is at about the level of EU-27, both for cash benefits and benefits in kind. At the same time outlays for old-age pensions are comparatively high in the case of Austria and measures explicitly dedicated towards active inclusion (i.e. on unemployment and social exclusion) appear to be rather negligible when compared to the sums spent on the pension’s scheme.

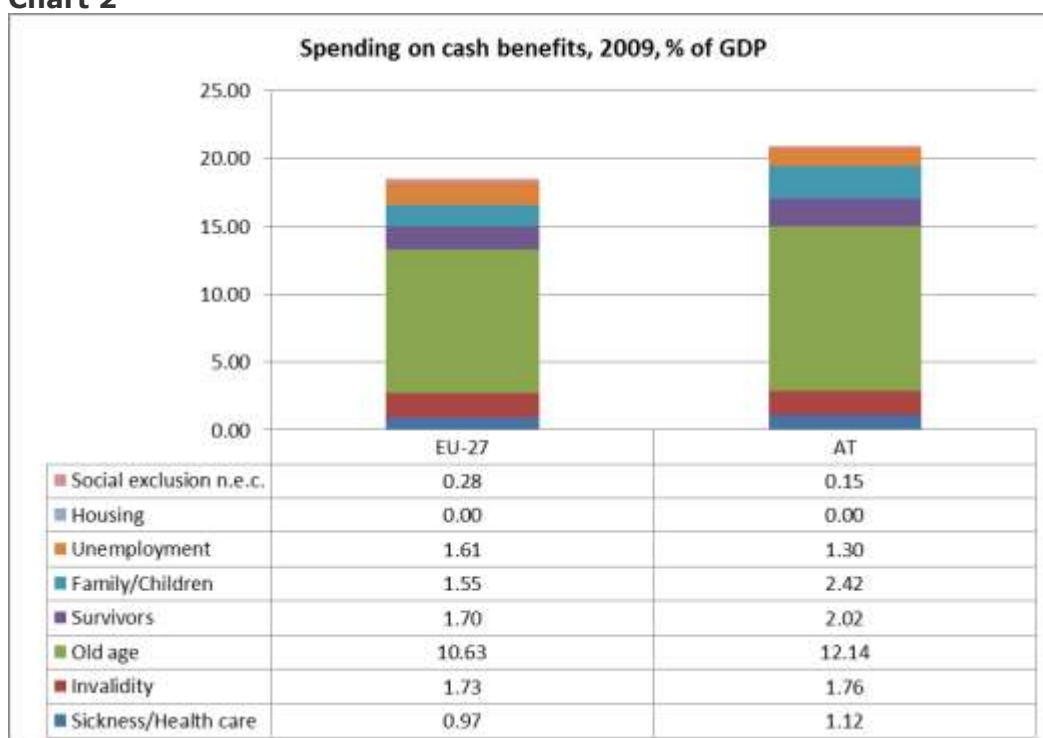
²⁴ See e.g. <http://www.kdz.eu/de/%C3%B6sterreichische-gemeindefinanzen-haben-sich-leicht-erholt>

Chart 1



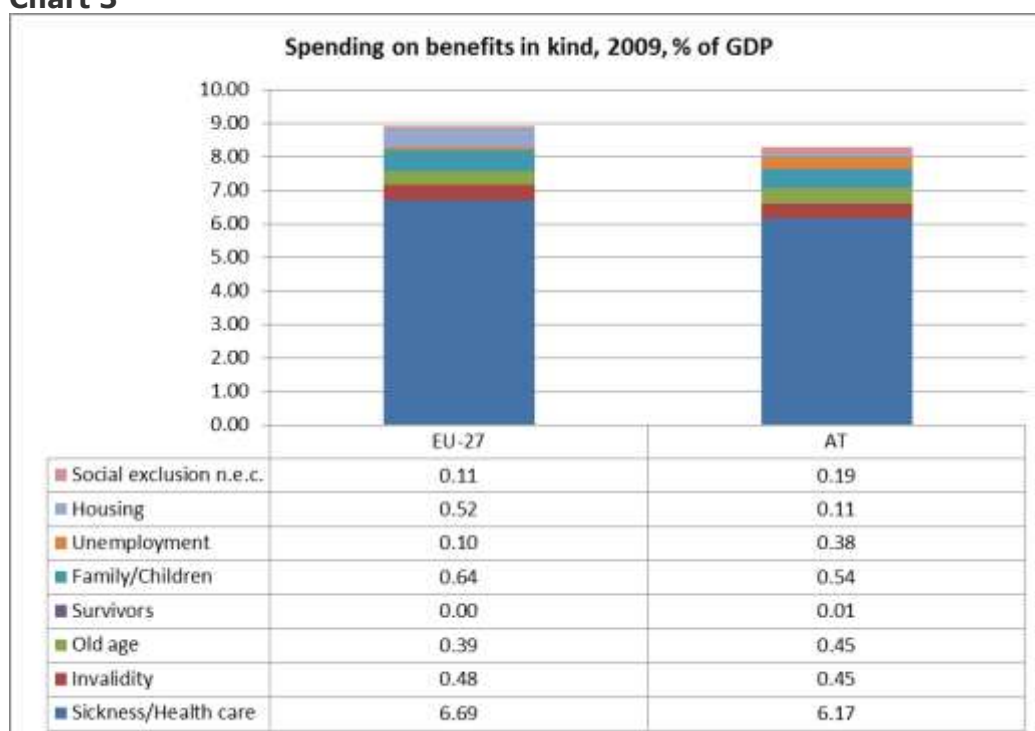
Source: Eurostat Database

Chart 2



Source: Eurostat Database

Chart 3



Source: Eurostat Database

4.2 Use of EU Structural Funds

Persons distant from the labour market are the target group of ESF measures under priority 3b of the Operational Programme for "Employment Austria 2007-2013". The projects are implemented by the Territorial Employment pacts (TEP) and in the two year period 2010-2011 around 60 projects were established. In 2010, about 3 500 persons distant to the labour market entered the projects. The projects are planned as pilot projects which are oriented towards the special needs of the groups on the margins of the labour market. In the long run experiences of the pilot projects should be integrated into mainstream measures. For examples of projects see: <http://www.esf.at/esf/projekte/>

5. Monitoring and evaluation

No instruments have been introduced to specifically monitor the implementation of the active inclusion Recommendation in Austria. At the same time no instruments exists to monitor the impacts of the crisis and of reform measures taken from an overall social inclusion perspective. The same holds for the NRPs presented during the last years, which are more of the type of reports compiling *measures* (not more enhancing *strategies*) already in place or recently decided. At the same time they do not deliver a structured assessment of the most important challenges.

However, one instrument worth mentioning is the so-called "social monitoring of the crisis" by the Federal the Ministry of Employment, Social Affairs and Consumer Protection. Respective reports where produced four times a year during the peak of the crisis and since 2011 twice a year. These reports provide some interesting data and statistics, however not much interpretation of the respective numbers. For this reason the respective reports do not really have the character of a *strategical* monitoring or of a real evaluation.

Regarding specific programmes and projects (especially concerning ALMP) a large number of specific evaluations get conducted. Many of them are available via the so-called PES-Research-Network (AMS Forschungsnetzwerk; see: www.ams-forschungsnetzwerk.at/).

6. Recommendations

6.1 Priority actions to strengthen (develop) the integrated comprehensive active inclusion strategy

- The national government should start an *integrated* process of pro-actively assessing the strengths/weaknesses/challenges of the Austrian model of “active inclusion”, addressing *all* three policy strands and their interaction.
- On the background of this assessment the national government should start a process of integrated planning, again addressing all three policy strands. This would have to be done in co-operation with the federal provinces and municipalities (especially regarding social services) and the social partners (especially regarding the question of quality of work). Alternatively – if the federal provinces and the social partners would signal that they are opposed to such a co-operation – , competencies of general planning would eventually have to be shifted to the central government in a number of policy areas.

6.2 Priority actions to strengthen policies/measures under each of the 3 strands

Adequate income support

- Increase in minimum replacement rates within unemployment insurance (especially after preceding low-wage employment): wage replacement rates within the unemployment insurance are comparatively low in Austria, especially in case of preceding low-wage employment. This – inter alia – has led to the situation that top-ups from minimum income schemes got increasingly widespread in case of unemployment²⁵, but even when the latter are taken into account, benefits in many cases remain below the at-risk-of poverty threshold. The minimum income schemes (at first instance financed by the federal provinces) were originally designed to serve as a safety net of last resort, and under specific circumstances only, whereas standard social risks were planned to be dealt with within social insurance. An increase in minimum replacement rates within unemployment insurance (especially after preceding low-wage employment) would likely not be extremely costly, but could have a large impact on social

²⁵ Data on such top-ups, which may be granted additionally to benefits from unemployment insurance, are only available for the case of the federal province of Vienna, where at the same time most of the respective cases appear to be present. Here, the number of respective cases increased from 18,293 persons in 1999 to 66,982 persons in 2009 (+48,689 persons or +266%) (see Pratscher 2011, 1221). During the same time period the number of all people receiving social assistance in Austria increased from ca. 71,500 in 1999 to ca. 173,800 in 2009, whereby most of this increase took place in the federal province of Vienna, where the number of recipients of social assistance (not living in institutions like nursery homes etc.) amounted to ca. 35,800 in 1999 and to ca. 100,000 in 2009. Outlays for cash benefits towards people receiving social assistance (not living in institutions like nursery homes etc.) within social assistance in Austria accelerated from ca. EUR 353 million in 2000 to ca. EUR 585 million in 2009, and in the federal province of Vienna from ca. EUR 171 million to ca. 319 million.

inclusion.²⁶ At the same time international examples indicate that there is still room to manoeuvre in this respect in the Austrian case, without getting serious problems concerning incentives to take up work.

Inclusive labour markets

- Put the question of wage distribution and distribution of working time on the national political agenda. If the social partners do not succeed in agreeing on higher minimum wages, respective decisions could be taken within national legislation. To reach a more equal distribution of working time, in a first step measures should be taken to reduce overtime work of full-time employed.²⁷

Access to quality services

- Questions of institutional childcare facilities and of services in the area of long-term care are long-standing issues in Austria. In these areas, more enhancing and structural reforms appear to be very hard to be pushed through due to partly mixed competencies (between the federal state and the federal provinces) and mutual blaming between different institutional players. At the same time path-dependency occurs in that sense that reproduction work is by many people still seen as a task to be performed by women in an informal way at first instance. If the goal of equal employment chances of women is taken seriously, then the national government would have to take over the issue of social services in these two areas (in terms of framework decision making), develop a clear infrastructure programme (eventually together with the federal provinces and municipalities) and guarantee the financing of respective services (as the own tax revenues of the lower administrative levels are very limited). If the government fails regarding this point, it is very likely that as well the goals regarding the improvement of women's quality of employment will not be reached.

6.3 Actions that could usefully be taken at EU level to reinforce the implementation of the active inclusion Recommendation by Member States

- Define a more clear-cut strategy of active inclusion.
- Hereby, define the terms "adequate income support", "inclusive labour markets" and "quality services" more thoroughly, giving these buzzwords a concrete meaning.
- Assess member states' policies according to this more concrete definition and make results accessible to the public without any restrictions.

²⁶ According to data by EU-SILC 2010 about 29% of all people in working age (20-64 years) with income below the at-risk-of poverty threshold are unemployed (with an unemployment spell of six months and over). At the same time for this group both the at-risk-of poverty rate (40%) and the poverty gap (20%) are comparatively high. Increasing wage replacement rates within unemployment insurance could therefore have a considerable positive impact on social inclusion.

²⁷ Austria shows a very high incidence of overtime work, which is mainly performed by men in full-time employment. In 2011, about 217.8 million overtime working hours were performed by men, which equals about 5.0% of their overall working hours. In the case of women, the respective number was 85.3 million working hours, which sums up to 3.1% of all hours worked by women. Overall, 4.3% of all working hours performed in 2011 were overtime hours (cf. Statistic Austria 2012).

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Summary Tables

Table 1

To what extent has an integrated comprehensive active inclusion strategy been developed in your Member State?												
	Comprehensive policy design			Integrated implementation			Vertical policy coordination			Active participation of relevant actors		
	Yes	Somewhat	No	Yes	Somewhat	No	Yes	Somewhat	No	Yes	Somewhat	No
For those who can work		X			X			X			X	
For those who cannot work		X			X			X			X	

Table 2

To what extent have active inclusion policies/measures been strengthened, stayed much the same or weakened since 2008 in your Member State?									
	Adequate income support			Inclusive labour markets			Access to quality services		
	Strengthened	The same	Weakened	Strengthened	The same	Weakened	Strengthened	The same	Weakened
For those who can work	X			X			X		
For those who cannot work	X				X			X	

Additional tables and charts

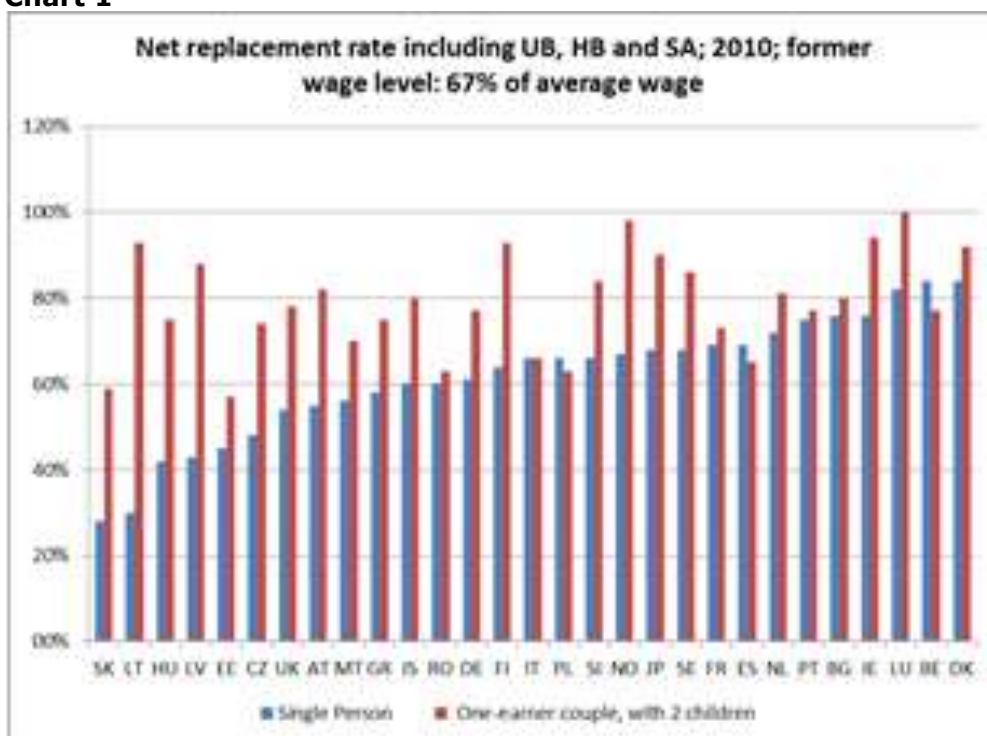
Table 1: Children in institutional childcare in % of the respective age-group

Year	Austria	Burgen-land	Carinthia	Lower Austria	Upper Austria	Salzburg	Styria	Tyrol	Vorarl-berg	Vienna
age 0 to 2 years										
1995	4.6	6.0	1.3	2.8	2.4	2.3	1.3	1.1	0.3	16.9
2000	7.7	8.8	1.7	4.7	4.1	6.8	2.1	2.4	3.0	24.3
2005	10.2	13.4	10.1	6.4	5.3	8.5	4.5	10.4	8.0	22.1
2006	10.8	14.6	10.8	6.8	5.5	9.0	5.2	11.4	9.4	22.3
2007	11.8	15.3	12.7	8.7	6.0	9.9	5.6	12.3	11.6	23.1
2008	14.0	16.6	12.3	13.8	6.7	11.3	6.5	14.2	13.8	25.5
2009	15.8	23.5	14.0	15.5	9.4	12.9	7.7	15.1	15.1	26.8
2010	17.1	26.9	15.3	16.7	10.3	13.7	8.8	16.8	17.0	28.1
2011	19.7	29.0	16.5	21.2	11.2	14.1	10.0	18.0	17.3	33.2
age 3 to 5 years										
1995	70.6	88.3	52.3	81.4	71.4	67.5	61.9	64.4	63.5	75.9
2000	77.6	94.4	63.6	86.6	79.0	76.8	69.7	73.2	70.5	79.9
2005	82.7	96.4	72.8	88.7	83.2	82.7	77.6	83.9	79.7	81.4
2006	83.5	95.8	74.9	90.4	84.2	84.0	78.0	84.9	81.6	80.6
2007	84.9	96.5	78.2	91.5	84.7	84.5	79.8	85.7	81.9	83.1
2008	86.5	97.3	81.0	91.4	85.7	85.4	81.6	88.0	86.4	85.3
2009	88.5	99.5	81.3	93.4	90.6	86.9	83.7	88.8	89.8	86.0
2010	90.7	98.8	83.2	95.2	91.3	89.0	85.3	89.8	91.3	91.3
2011	90.3	99.2	84.1	95.6	92.1	89.3	83.9	90.5	89.7	88.9
age 6 to 9 years										
1995	7.0	1.5	6.1	2.1	6.3	5.5	2.6	2.3	0.6	24.9
2000	8.4	2.2	8.1	5.3	8.2	5.6	3.4	2.2	1.5	25.0
2005	11.9	5.2	14.6	11.6	10.7	8.0	4.8	3.2	4.8	27.2
2006	12.9	5.4	16.4	12.7	11.9	8.6	5.2	3.5	6.6	27.8
2007	13.8	6.5	17.8	13.1	12.9	9.7	5.5	4.0	6.6	29.3
2008	14.5	7.5	18.9	13.4	14.1	10.2	5.6	4.4	7.7	29.9
2009	15.4	10.4	18.8	14.5	15.9	10.2	5.7	5.1	9.5	30.3
2010	16.3	12.0	19.4	15.5	17.5	10.4	5.7	5.9	11.3	30.7
2011	16.0	12.3	19.6	16.0	18.7	10.2	5.6	6.8	13.5	26.7

Source: Statistik Austria;

http://www.statistik.at/web_de/static/kinderbetreuungsquoten_nach_altersgruppen_1995_bis_2011_021659.xlsx

Chart 1



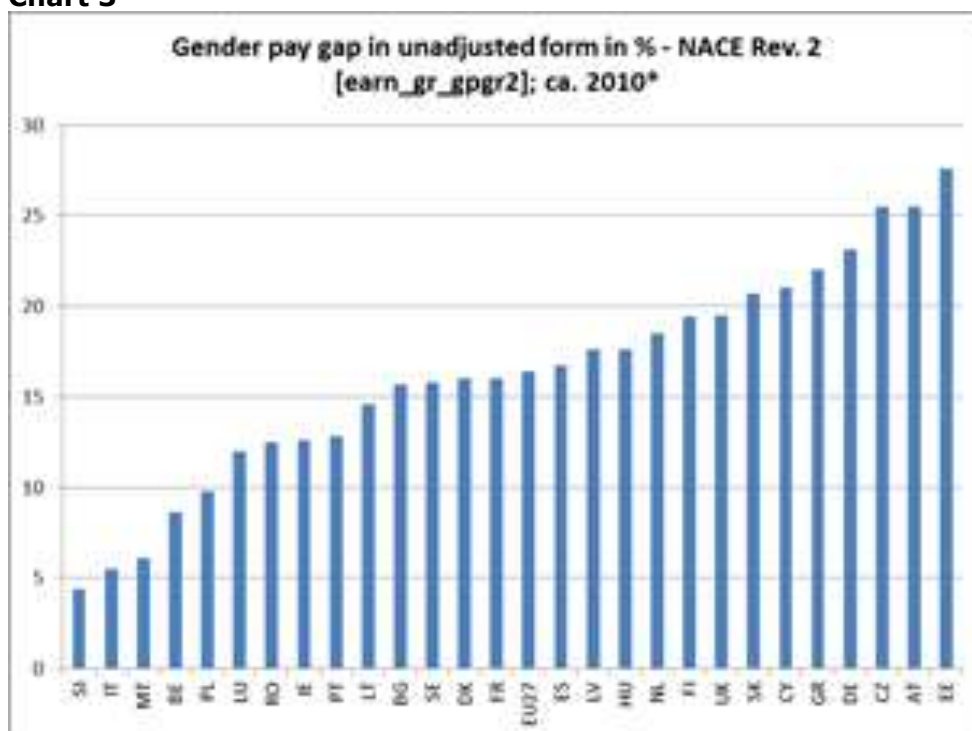
Source: DG ECFIN: Tax & benefits indicators DATABASE

Chart 2



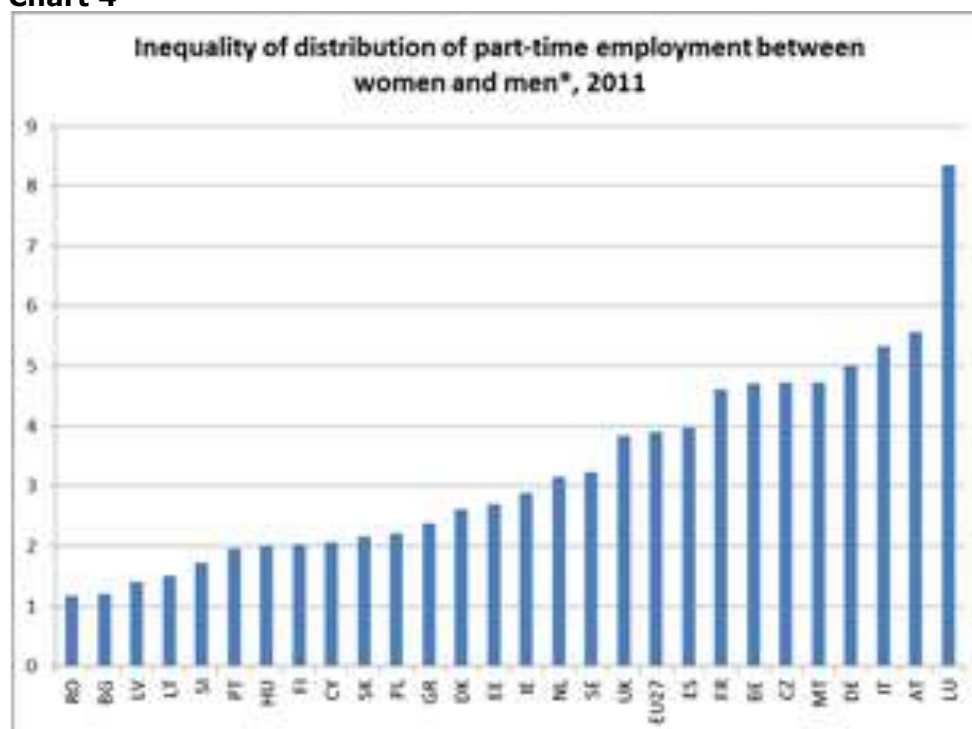
* early basis; full-time employed; companies with more than 10 employees;
2006 Source: Eurostat Database
(Eurostat Structures of earnings survey)

Chart 3



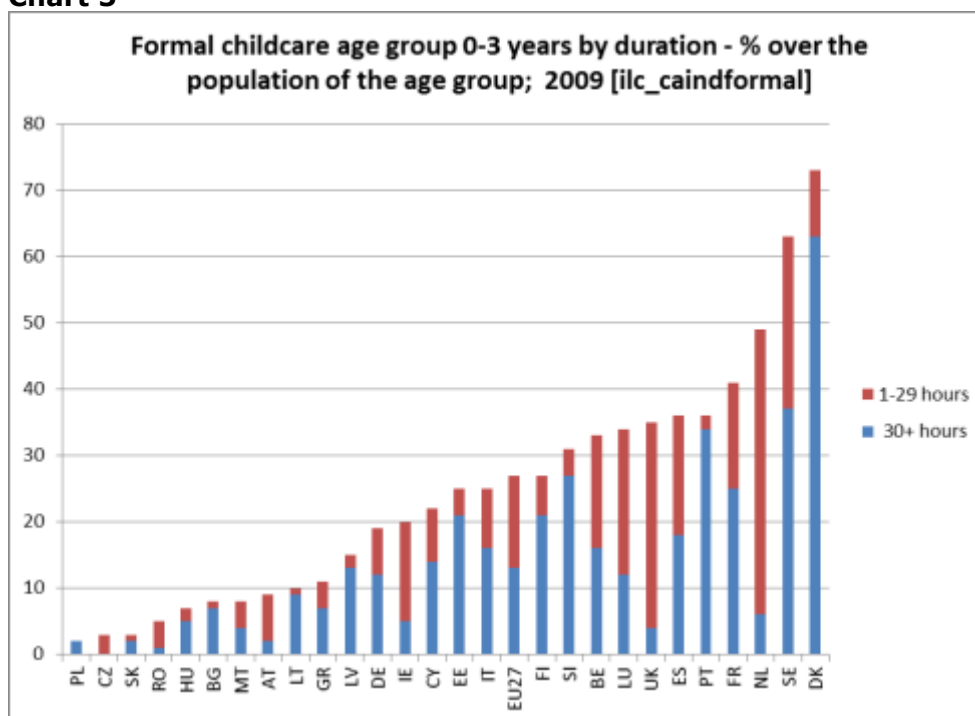
*EE & GR: data for 2008; PL: data for 2009; in industry, construction and services (except public administration, defense, compulsory social security)
Source: Eurostat database

Chart 4



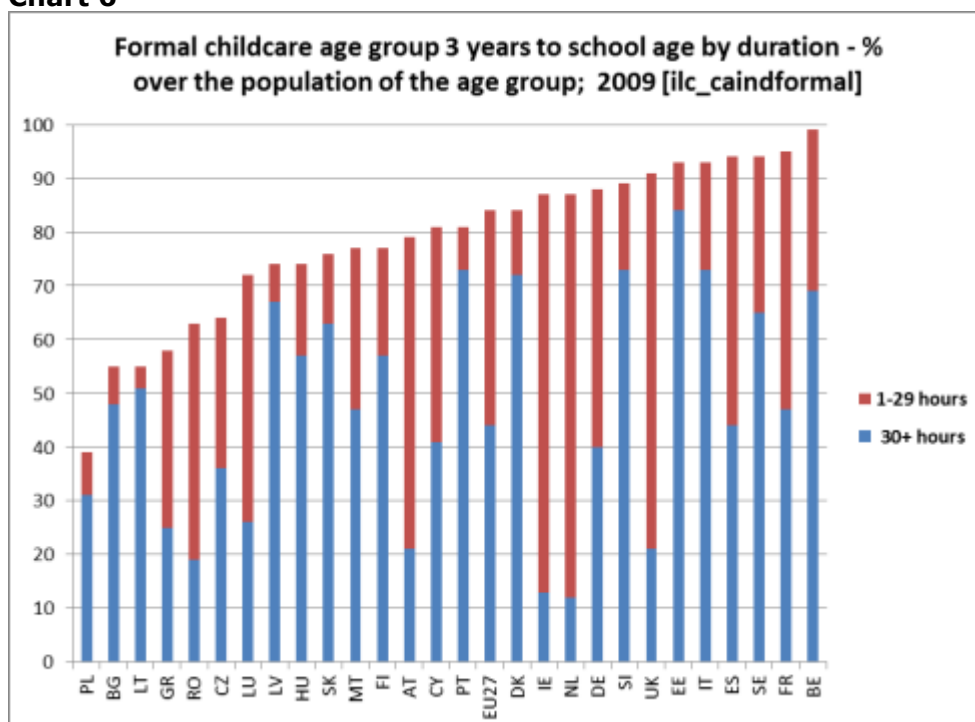
* Part-time rate of women divided by part-time rate of men
Source: Eurostat Database & own calculations.

Chart 5



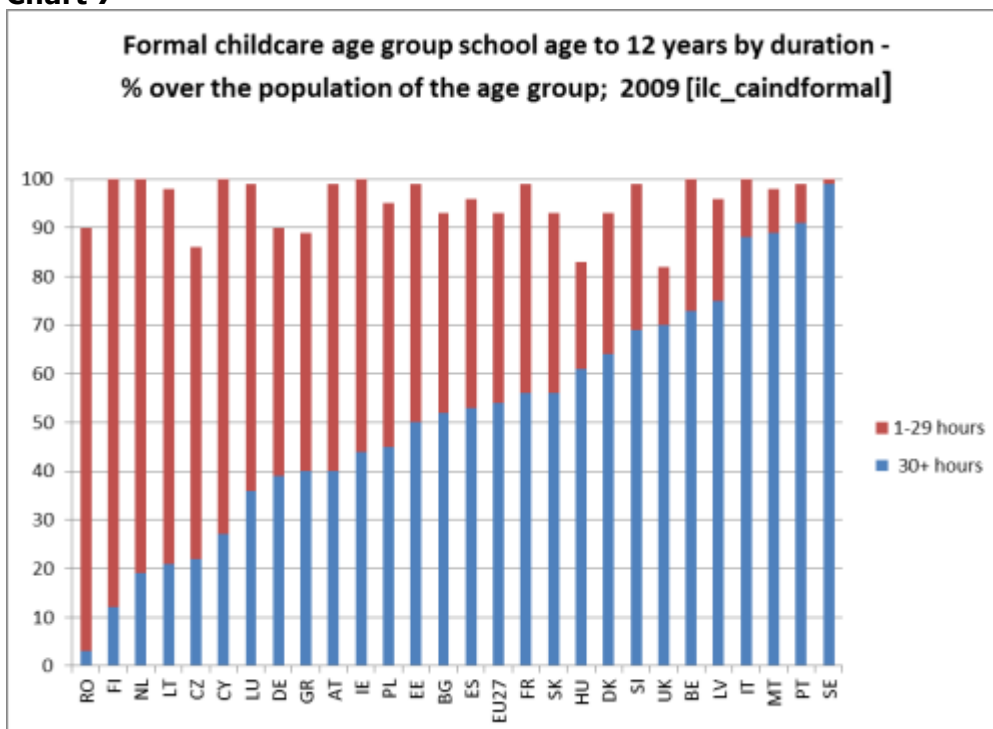
Eurostat Database; EU-SILC

Chart 6



Eurostat Database; EU-SILC

Chart 7



Eurostat Database; EU-SILC

