How the Austrian Pension System deals with heavy working conditions

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(1) Stylized facts of the Austrian social security system

(2) Stylized facts of the Austrian pension system

(3) Heavy worker pension
Overview

(1) Stylized facts of the Austrian social security system

(2) Stylized facts of the Austrian pension system

(3) Heavy worker pension
Social security in Austria

- Gross expenditure on social protection are about 30% of GDP
- Financial burden is on labour income / high labour costs
- Upper earnings limit for social security contributions (2014) is 4.540€ per month

<table>
<thead>
<tr>
<th>Employees</th>
<th>employee</th>
<th>firm</th>
<th>total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pension insurance</td>
<td>10.25</td>
<td>12.55</td>
<td>22.80</td>
</tr>
<tr>
<td>Health insurance</td>
<td>3.95</td>
<td>3.70</td>
<td>7.65</td>
</tr>
<tr>
<td>Accident insurance</td>
<td>3.00</td>
<td>1.40</td>
<td>4.40</td>
</tr>
<tr>
<td>Unemployment insurance</td>
<td>3.00</td>
<td>3.00</td>
<td>6.00</td>
</tr>
<tr>
<td>Chamber of labour</td>
<td>0.50</td>
<td>0.50</td>
<td>1.00</td>
</tr>
<tr>
<td>Insolvency fund payment</td>
<td>0.50</td>
<td>0.55</td>
<td>0.55</td>
</tr>
<tr>
<td>Housing development fund</td>
<td>0.50</td>
<td>0.50</td>
<td>1.00</td>
</tr>
<tr>
<td>total</td>
<td>18.20</td>
<td>22.20</td>
<td>40.40</td>
</tr>
</tbody>
</table>

Source: WIFO
Unionized Work Force and Collective Bargaining Coverage

Gewerkschaftsdichte vs. Abdeckungsquote

Source: ICTWSS database, WIFO-calculations
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Gross Public Pensions 2010 as % of GDP

Source: Commission services, EPC; AR 2012
Gross Public Pensions 2010 as % of GDP & Elderly (65+) as % of Population

Source: Commission services, EPC; AR 2012
Gross Replacement Rate at Retirement, Public Pensions only, 2010

Source: Commission services, EPC; AR 2012
Pension Contribution in Relation to Pension Expenditures

Source: Eurostat
Austrian pensions schemes in 2014

Target: Pension payment is 80% of average earnings after 45 working years at age 65.

- **Old age pension**: Age 60/65, minimum 15 years of employment
- **Disability pension**: no age limit, minimum 6 months of employment; definition of disability
- **Early retirement schemes**:
  - (Long time insurance: 40/45 years of employment until 2017)
  - Corridor pension: Age 62, 40 years of employment, deduction 4.2% → 5.1% p.a., maximum 15.3% deduction of the pension
  - Heavy worker pension: Age 60, 45 years of employment, deduction 1.8% p.a., maximum deduction 9% of pension

Source: WIFO
## Pension dynamic in 2013

<table>
<thead>
<tr>
<th></th>
<th>Employees</th>
<th>Selfemployed</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Men</td>
<td>Women</td>
</tr>
<tr>
<td><strong>Disability</strong></td>
<td>38</td>
<td>20</td>
</tr>
<tr>
<td><strong>Old age (60/65)</strong></td>
<td>18</td>
<td>41</td>
</tr>
<tr>
<td><strong>Early retirement</strong></td>
<td>44</td>
<td>38</td>
</tr>
<tr>
<td><em>Long time insurance p.</em></td>
<td>29</td>
<td>38</td>
</tr>
<tr>
<td><em>Corridor p.</em></td>
<td>13</td>
<td>-</td>
</tr>
<tr>
<td><em>Heavy work p.</em></td>
<td>2</td>
<td>-</td>
</tr>
</tbody>
</table>

*in % of new entrants 2013*
Employment Rate and Retirement Age
1970 - 2013

Source: WIFO
Employment Rate and Retirement Age
1970 - 2013

Source: WIFO
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| Source: WIFO | Pathways to retirement 2013 |

<table>
<thead>
<tr>
<th></th>
<th>Disability Pensions</th>
<th></th>
<th>Old Age Pensions</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Men</td>
<td>Women</td>
<td>Men</td>
<td>Women</td>
</tr>
<tr>
<td>Acitve Employment</td>
<td>26.1</td>
<td>20.9</td>
<td>53.6</td>
<td>54.5</td>
</tr>
<tr>
<td>Sikness benefit</td>
<td>27.8</td>
<td>35.0</td>
<td>1.3</td>
<td>1.2</td>
</tr>
<tr>
<td>Unemployment benefit</td>
<td>14.8</td>
<td>13.3</td>
<td>14.4</td>
<td>13.6</td>
</tr>
<tr>
<td>Social Assistance</td>
<td>22.2</td>
<td>17.3</td>
<td>4.7</td>
<td>2.2</td>
</tr>
<tr>
<td>else</td>
<td>9.1</td>
<td>13.5</td>
<td>26.0</td>
<td>28.5</td>
</tr>
<tr>
<td>total</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
</tr>
</tbody>
</table>
Gap between employment and retirement

Employees (total)

- Disability
- Normal Retirement (60/65)
- Early Retirement

Employees building & construction sector

- Disability
- Normal Retirement (60/65)
- Early Retirement
Heavy worker Pension

Consideration of working conditions and pension entitlement

- Retirement age 60, 45 working years, within the last 20 years 10 years of heavy working conditions.
- Pension deduction for every year of retiring before statutory retirement age 1.8%.
- Definition of heavy working conditions: shift work, regular work under heat or cold, chemical equipment, hard physical work, etc.
- 2013 there were 1,100 new heavy worker pensions (~1.3% of all new pensions)
Bridging benefit in the building and construction sector in Austria

- Special working conditions within the construction sector
- Low share of older (active) workers in the construction sector
- At age 58 and work experience of 43 years mainly in the construction sector
- Bridging benefit for one year
- Finance by all employers and employees in the building and construction sector [e.g. extra charge of the salary paid by the employer ~80€ per employee per month; lower wage increase; overtime surcharge]
- If bridging benefit is not used, worker and employer are getting a premium

Source: WIFO
Conclusions

- The Austrian data show the increasing importance of labour market and working condition for the pension system.

- Average retirement age, pension adequacy and as a consequence financial sustainability and does not just depend on statutory retirement age.

- Efficient pension reforms (to increase adequacy & sustainability) have to focus on the specific but varying working conditions not only on the statutory pension regulations and financial incentives for employees.

- Employers are having a leading role in the increase of labour market exit and retirement age.

- Pension reforms (in Austria and elsewhere) has to take the incentives for employees as well as employers into account.
Thank you for your attention!
Total dependency ratio, 2011 and 2060 (in percentage)

Source: Eurostat
Dependancy ratios, 2010

- Inactive dependency ratio: persons out of labour force (15-64) to employed workers (15-64)
- Effective old age dependency ratio: pensioners (old age/survivors/disability) to employed (LFS)

Q: WIFO-Berechnungen
Demographic and economic dependency ratios, 2010

Demographic dependency ratio (population 15-64 to 0-14 & 65+)
Total economic dependency ratio (non workers 0-99 to workers 15-64)
Employed, unemployed out-of-labour-force in %, 15-64 as % of population

Source: Eurostat, LFS, WIFO calculations.
Employed, unemployed out-of-labour-force in %, 50-64 as % of population

Source: Eurostat, LFS, WIFO calculations.
Elderly exit rate (clerks, professionals) and youth unemployment rate

Source: Labour Force Survey 2009