

OECD urges Austria to do more to encourage older people to work longer

According to a new OECD report, Austria faces major challenges in relation to population ageing and the employment of older workers. As a result of declining mortality and persistently low fertility, the share of the population over age 65, is projected to double by 2050, and the working-age population could decline from 2018 onwards (Figure 1). The likely decline in labour supply will lower economic growth while public social expenditures continue to grow.

As part of its series of country reports on *Ageing and Employment Policies*, the OECD released its report on Austria on 8 September 2005. The OECD's report contains a survey of the main barriers to employment facing older Austrians, an assessment of the adequacy and effectiveness of existing measures to overcome these barriers and policy recommendations for further action by the Austrian government, employers, trade unions and older workers themselves.

The new OECD report acknowledges that, since the mid-1990s, attitudes of policy makers towards older workers have been changing. Recent pension reform in particular is an unmistakable sign of the change in policy stance. Various measures to complement pension reform have been taken to help improve labour market opportunities for older workers, including incentives for employers to retain and to hire older workers and efforts by the Labour Market Service to promote the employability of older workers.

Despite these reforms, the OECD argues that attitudes of employers and employees appear to be changing very slowly and existing pathways into early retirement are still used extensively. The OECD points out that many older Austrians withdraw from the labour market well before reaching the statutory or even the early retirement age (Figure 2). Consequently, only one in three persons aged between 55 and 64 participate in the labour market in Austria, which is significantly lower than in most other OECD countries. The situation has improved only modestly since 1995 (Figure 3).

Recommendations for reform

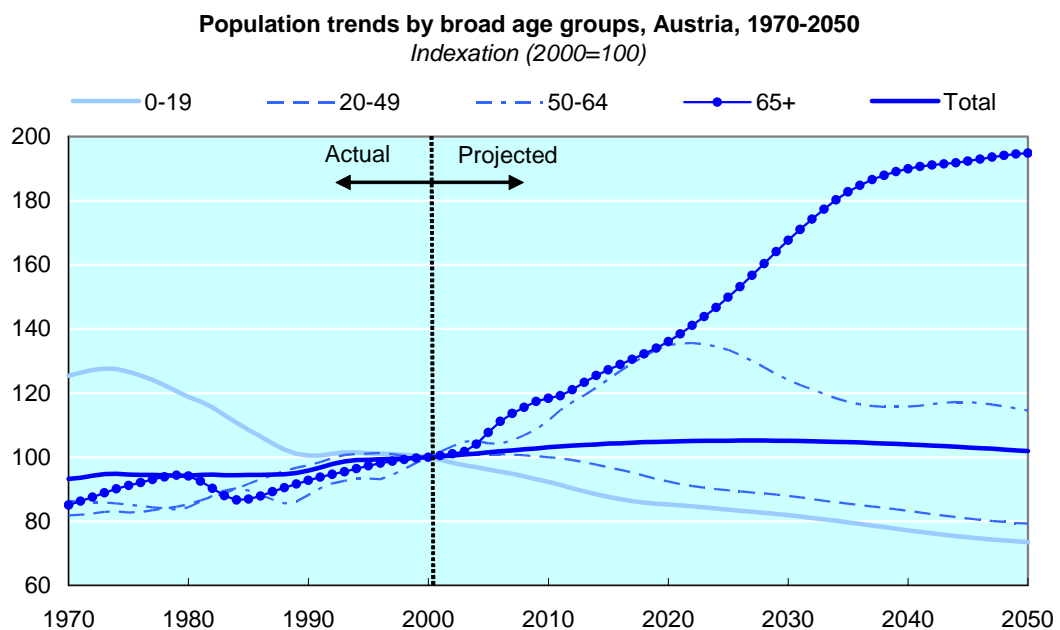
According to the OECD, if Austria is to successfully meet the challenges of population ageing a comprehensive, whole-of-government approach is needed to encourage older workers to continue working longer. On the one hand, the pension system needs to be strengthened further and complemented by reform of the disability pension scheme. The latter is particularly important in a country where one in two older men and one in three older women leave the labour force on the grounds of a disability. On the other hand, a number of changes in active labour market policy and employment regulations are required to enhance the employability of older workers. Among the policy recommendations put forward in the OECD report are the following:

- *Adjust the retirement age in line with demographic developments.* Given that further large increases in life expectancy are likely, the OECD argues that the statutory and minimum age of retirement should be automatically adjusted upwards in line with rising life expectancy. If this adjustment fails to raise labour supply sufficiently, additional measures aimed at reducing the actual choice of retirees may be called for.
- *Eliminate "own-occupation" assessment in determining a person's disability status.* Steps should be taken to ensure that disability pensions are only used for people unable to work, says the OECD. Currently, workers over the age of 57 can receive a disability pension if they are unable to perform their former job – though they may actually be able to perform other jobs. This type of "own-occupation" assessment has been abolished in most OECD countries and Austria may wish to consider a similar approach.
- *Improve the targeting of payroll tax cuts.* Permanently reducing social security contributions for employing older workers would be more cost-efficient if targeted on those groups with low chances of reintegration, *i.e.* older unemployed workers with low or obsolete skills. It could also be more effective if in exchange the level of the targeted tax cut was increased.

- *Improve the coherence of Austria's system of continued education and training.* According to the OECD, a lack of consistency between the various training providers has affected training opportunities for older workers. Coherence could be improved through better co-operation between the different layers of training provision. Joint provision of information and guidance would be a first step. In the longer run, greater possibilities for joint service provision should be explored.
- *Consider financial incentives for employers to invest in injury prevention.* Safe workplaces should pay lower work injury insurance premiums than more dangerous ones, as is already the case in most OECD countries. This, OECD says, would encourage employers to make more efforts to improve occupational health and safety. Similarly, some form of risk-related insurance premiums could be introduced for general disabilities since they are often related to poor working conditions.

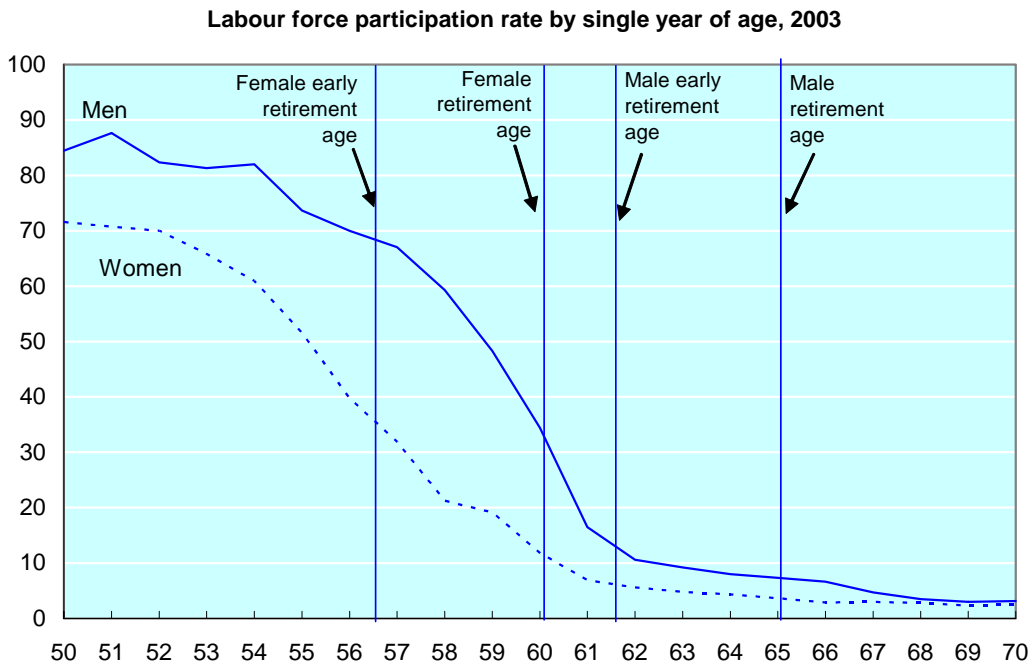
For further comment or information, journalists are invited to contact the report's author [Christopher Prinz](#) ([33] 1 45 24 94 83) or the head of the OECD's Thematic Review of Ageing and Employment Policies, [Mark Keese](#) ([33] 1 45 24 87 94).

Figure 1. **The share of older workers and retirees will increase rapidly in the years to come**



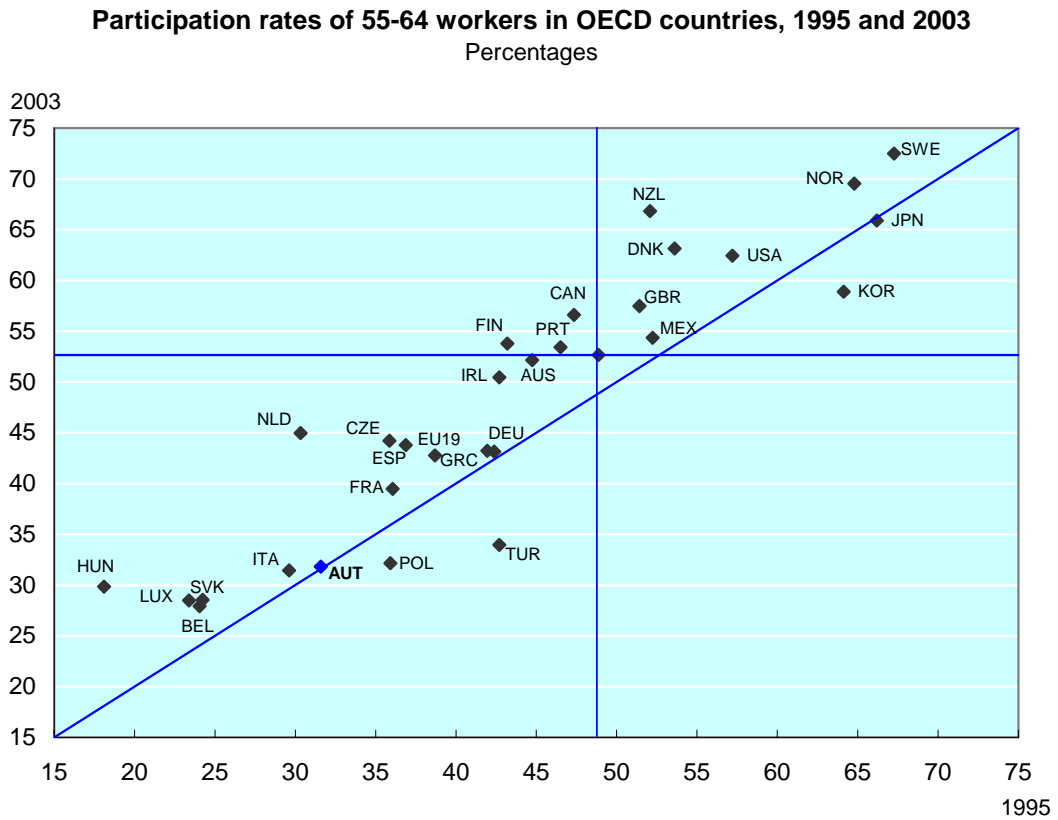
Source: Ageing and Employment Policies - Austria, OECD (2005)

Figure 2. Austrian workers leave the labour market long before the (early) retirement age



Source: Ageing and Employment Policies - Austria, OECD (2005)

Figure 3. The participation rate of Austrian workers aged 55-64 is lagging behind



Source: Ageing and Employment Policies - Austria, OECD (2005)