

OECD THEMATIC FOLLOW-UP REVIEW OF POLICIES TO IMPROVE LABOUR MARKET PROSPECTS FOR OLDER WORKERS

AUSTRIA (situation mid-2012)

*In 2011, the employment rate for the population aged 50-64 in Austria was 9.9 percentage points **higher than in 2005** and 4.2 percentage points **below the OECD average**. Further statistical information about the labour market situation for older workers in Austria is presented in the scoreboard in Table 1.*

A major multi-country OECD review of employment policies to address ageing took place during 2003-05 and was summarised in the OECD synthesis report *Live Longer, Work Longer*, published in 2006. That report put forward an agenda for reform, consisting of three broad areas where policy action was seen as necessary to encourage work at an older age:

- strengthening financial incentives to carry on working
- tackling employment barriers on the side of employers
- improving the employability of older workers

One of the main purposes of this follow-up review is to take stock of the progress OECD countries have made in implementing this reform agenda. In the third quarter of 2011, a questionnaire was sent to all member countries, seeking information on the measures and reforms carried out since 2006. For each of the 21 countries¹ that had participated in the original review, the questionnaire was adapted to refer to the OECD's specific policy recommendations in each corresponding country report.

The main actions taken in Austria since 2005 are described in this Note. A summary assessment of the extent to which Austria has followed the OECD's recommendations in the report *Ageing and Employment Policies: Austria* is given in Table 2.

¹ Australia, Austria, Belgium, Canada, Czech Republic, Denmark, Finland, France, Germany, Ireland, Italy, Japan, Korea, Luxembourg, Netherlands, Norway, Spain, Sweden, Switzerland, United Kingdom, United States. For further information, see www.oecd.org/els/employment/olderworkers.

A. STRENGTHENING FINANCIAL INCENTIVES TO CARRY ON WORKING

A.1. OECD recommendations to Austria in 2005 – action taken

Monitor early retirement incentives

In 2012, the entitlement of the “corridor pension” (early retirement pension scheme, retirement age: 62) was restricted to persons with at least 37.5 years of pensionable service; it will be increased stepwise up to 40 years, starting in: 2013 with 38 years; 2014 with 38.5 years; 2015 with 39 years ; 2016 with 39.5 years; and 2017 with 40 years.

Adjust the retirement age in line with demographic developments

Long-term projections of the pension expenditures are produced every third year from 2007. There are no automatic rules to safeguard long-term sustainability of the public pension system; however, a process is now established to deal with the demographic challenges, based on an analytical evaluation and negotiations.

Monitor the impact of the old-age part-time employment scheme

The part-time allowance for older workers can be paid for men aged 58 and over and women aged 53 and over, as a measure to safeguard and maintain employment of older workers until retirement. The part-time scheme gives older employees the opportunity to reduce their working hours with partial wage compensation, while preserving the basis for entitlements to pensions, unemployment and health insurance.

From 2011, the compensation for additional costs incurred by the employer becomes 90% if working hours are reduced as part of a fixed ongoing schedule, and 50% (compared to the former 55%) if the working hours are organised as a block of full-time work followed by a period of leave. Following revision of the scheme, from 2013 granting of the block work model will be made conditional upon recruitment of a formerly unemployed person or a new apprenticeship in the same enterprise. Allowance may be granted until the legal retirement age but only in the fixed continuing schedule model of reduced working hours, and for a maximum of five years.

Improve access of older workers to medical as well as vocational rehabilitation

In line with the Rehabilitation-Preceding-Pension programme, medical and vocational rehabilitation measures to help older workers who have suffered health impairment were intensified in 2009. The first step consists of medical rehabilitation measures, before vocational qualification begins as a second step. The content and duration of the vocational qualification measure are tailored to each participant’s prior background. Psychological and socio-pedagogical support is also offered. The Service Work and Health programme provides specific care and counselling services for older employees and employees in frail health.

The “Health Road” is a new central occupational health assessment unit, assigned to ascertain the work ability of people afflicted with diverse health impairments. Guidance, counselling and coaching are only some of the measures focusing on sustainable vocational reintegration. The programme started as a pilot in the regions of Lower Austria and Vienna in 2009, and was rolled out nationwide in the course of 2011. The aim is to ensure reciprocal recognition of medical assessments made by the authorities concerned (*i.e.* the Public Employment Service [PES] and pension insurance); this would accelerate procedures by avoiding

having people sent back and forth between offices, and ensure continuous support when a person in poor health remains active in the labour market.

From 2012, specific measures are in place to keep older workers employed longer, as part of the Rehabilitation-Preceding-Pension programme. A broad package of measures is dedicated to maintaining workers' health, with a special focus on hiring former disability pensioners. A larger number of older people and people with health impairments will be covered by measures from the PES, and a broader set of rehabilitation measures will be offered. Disability pensioners under the age of 50 will be served by the PES in order to facilitate their labour market reintegration.

A.2. OECD recommendations to Austria in 2005 – no action taken

Reconsider the introduction of special rules for strenuous work

Since 2007, in addition to 45 insurance years, at least 10 of the 20 years immediately preceding retirement must be spent working in jobs defined as “heavy labour” to allow eligibility for early retirement. The pension reduction rate is 1.8% per year of early claims. Austrian authorities have not reviewed this legislation indicating that this form of early pension has only been of minor significance until now and only used by men, as the general statutory retirement age for women is 60 years.

Consider raising the minimum and the statutory retirement age of women earlier

The statutory retirement age is 65 for men and 60 for women; there are plans to raise the latter gradually from 2024, with women's retirement age reaching 65 years in 2033. At the current stage accelerating the process is not an issue in the Austrian political debate.

Facilitate non-subsidised gradual retirement

No measures have been introduced in that direction.

Review the possibility of introducing partial in-work disability benefits

No particular actions are taken. Measures are taken, however, to reduce inflow to invalidity and unemployment for health-related reasons, and to improve vocational reintegration, *i.e.* Health Road discussed above and the Fit2Work initiative mentioned below.

Eliminate “own-occupation” assessment in determining a person’s disability status

Currently, for workers over the age of 57, eligibility for a disability pension only requires that they are incapable of working in their former job. Instead, and mirroring recent reform in Austria's unemployment insurance system, work requirements should instead be linked to a minimum earnings level. No action has been taken in that direction.

B. TACKLING EMPLOYMENT BARRIERS ON THE SIDE OF EMPLOYERS

B.1. OECD recommendations to Austria in 2005 – action taken

Improve the targeting of payroll tax cuts

Previously, employers' and employees' contributions to unemployment insurance were abolished from the age of 56 for women and 58 for men. In 2006 this gender differentiation became an issue, following a decision by the Higher Administrative Court. In 2008 the minimum age was set to 57 years for both

genders, and in 2009 to 58 years until 2013. In 2011 the legislation was changed again: from 2016 the minimum age should again be 58 years, and 57 years from 2018. As part of the stability package, this age-related reduction will be abolished completely from 2013, while existing cases will be left untouched.

Evaluate the bonus-malus scheme for hiring and firing older workers

The incentive-disincentive scheme called the “Bonus-Malus System” was a measure that offered cost advantages for employers recruiting people over the age of 50 (the *bonus*) and disadvantages for dismissing older workers with a longer-term enterprise tenure (the *malus*). The incentive-disincentive system was abolished in 2009 as a part of the most recent labour market policy package: the evidence showed that it involved substantial administrative workloads but had no job impact compared with other labour market policies.

Monitor closely the effects of anti-discrimination legislation

Every second year, the Federal Chancellery and the Federal Ministry of Labour, Social Affairs and Consumer Protection are obliged to submit a report on the implementation of the Equal Treatment Act. This report contains in particular information on the activities and observations of the Ombudsperson for Equal Treatment, on the proceedings before the Equal Treatment Commission, and on other activities of the Commission.

Findings from this permanent evaluation process have been incorporated into the Amendments to the Equal Treatment Act, which were enacted after 2004. In order to optimise protection against discrimination, improvements have been made to the amendments, both in material law (*e.g.* increasing the minimum levels of compensation for damages) and in procedural law before the Equal Treatment Commission.

Promote and monitor age diversity programmes

Austria’s social partners have launched a number of measures and initiatives in recent years to attain age-compliant and ageing-friendly workplace design and organisation. The NESTOR Competition has been introduced to raise employers’ awareness regarding the special value and importance of older workers, and to ensure a timely response to the demographic challenges of the next decades. The competition awards prizes to employers who show particular commitment to older employees aged 45 and over, and who design their working environment to meet the needs of ageing.

The prevention targets of the Austrian Health and Safety at Work Strategy 2007-12 and subsequent Strategy to 2020 are to be achieved by taking gender and age aspects into consideration through an age-friendly work design and preventive measures. Since 2007, the labour inspectorates have prioritised advising and monitoring actions in small and medium-sized enterprises. The aim is to motivate the companies to analyse the workforce’s age structures; to identify work processes and interferences that could be specifically linked to age; and to establish age-friendly working conditions.

B.2. OECD recommendations to Austria in 2005 – no action taken

Take a balanced approach to employment protection

Austrian authorities have not reviewed employment protection, indicating that the general protection against dismissal covers both the interests of the employee in keeping the job and the interests of the employer in terminating the employment relationship. The burden of proof is split between the employer and the employee.

According to Austrian authorities, the OECD recommendation would result in decisions on a case-by-case basis and remove protection against dismissal from labour constitution law, which in turn would mean a major structural change in the field of labour relations.

Reconsider the rule that unemployed workers who fulfil the criteria for early retirement have to apply for a pension

In general, this rule still applies. Entitlement to unemployment benefits ends when the eligibility criteria for an old-age pension are fulfilled, with some exceptions in the case of the old-age part-time scheme.

Accelerate reform of seniority-based wage regimes

In Austria, wage policy is fully the responsibility of the social partners. As a rule, collective agreements are concluded on a sector basis. In recent years, the parties of collective agreements in some sectors have been striving to abolish or attenuate automatic increases in wages, biennial wage increases, or similar differentiations on the basis of age or seniority, and instead promoting criteria such as education or professional skills. Therefore, in many fields there have been and still are attempts to flatten out the wage curve. Though as yet unsuccessful, these attempts are expected to continue over the next years.

C. IMPROVING THE EMPLOYABILITY OF OLDER WORKERS

C.1. OECD recommendations to Austria in 2005 – action taken

Explore the potential of make-work-pay policies

The in-work benefit scheme (*Kombilohn*) is intended to give unemployed people an incentive to take up work. In response to the crisis, the scheme was revised and revitalised in 2009 to encourage people with poor job prospects. The amount of in-work benefit provided will depend on the contribution base for social insurance in the first fully paid month of employment. Workers in full-time jobs of at least 35 hours per week may be granted a monthly wage top-up of EUR 300 if their contribution base is less than EUR 1500, and a wage top-up of EUR 150 if their contribution base is larger than EUR 1500. Part-timers may claim a monthly in-work benefit of EUR 150.

Jobseekers aged 50 and over who have been unemployed for more than 182 days are in the target group. Eligibility depends on an agreement with the PES that a job to earn a living is unlikely in the near future. To qualify for wage top-ups, claimants must enter into a job that is fully covered by social insurance and earns them between EUR 650 and EUR 1 700 per month. The subsidy is granted for no more than one year. In 2011, more than 8 300 persons benefited from *Kombilohn*; 57% of these were over the age of 45.

Spread new activation approaches to older workers

The National Action Programme was elaborated as part of the EU Lisbon Strategy to raise employment and work ability among older people. The Training and Employment Initiative related to the programme allocated training and employment measures to 60 000 persons in 2006-07 – in particular additional training courses, integration subsidies and the *Kombilohn* scheme.

The “productive ageing approach” was implemented in 2007 as part of the operational programme of the PES; its focus was set on additional provision of qualification measures for older employees. The PES also provides a counselling programme to employers, with special emphasis on the elaboration of life cycle-oriented educational programmes and the introduction of “diversity management” and “productive ageing” concepts.

Labour Market Package II was introduced in 2009 as a response to the crisis. In addition to the measures to simplify older employees' access to part-time work and the new in-work benefit, a special "Solidarity Bonus Model" was introduced promoting the employment of new workers under the premise of reduction of working hours for the rest of the employees. This model especially favoured the long-term unemployed and older persons.

The Fit2Work programme was introduced in 2011, providing a nationwide low-threshold counselling service to prevent early retirement for health reasons. The PES, the Labour Inspectorate, social insurance institutions, the Federal Social Office (co-ordination), the social partners, and the federal Ministries of Health, Finance, Economy, Family and Youth, and of Labour, Social Affairs and Consumer Protection are all involved. Fit2Work is being implemented gradually in all regions of Austria over the period 2011-13.

Promote lifelong learning

In order to facilitate take-up of training leave, eligibility requirements were eased and flexible use of training leave was permitted. Since 2009, only six months of work relationship are necessary to receive the financial support accompanying training leave (further training allowance). Since 2008, modular use is possible. The maximum duration of training leave is one year within four, and the required minimum duration of one episode is two months.

Participation has increased significantly, to 10 000 persons per year. The composition changed during the crisis, as more men from the manufacturing sector and the regions hardest hit by the crisis are participating. Nevertheless, the participation of women from social services and the health sector continued increasing.

Develop instruments to validate on-the-job competences

There is a broad range of measures and initiatives to identify and formally recognise competences acquired through non-formal and informal learning. A pilot project begun in 2008, *Du kannst was!* provides documentation and validation of competences acquired through informal learning along with guidance and counselling services. The objective is to provide up-skilling in preparation for a final apprentice examination for nine occupations. Persons with low formal qualifications over the age of 22, including migrants without formally validated qualifications, are in the target group. The project is a common initiative of the social partners and the regional government in Upper Austria.

C.2. OECD recommendations to Austria in 2005 – no action taken

Improve the coherence of the multifaceted continuing education and training system

Coherence of the various training areas could be improved through better co-operation among the different layers of training provision.

C.3. Other implemented measures unrelated to specific OECD recommendations"

Package of measures for older workers

To promote employment for older people, non-profit enterprises and non-profit employment projects have been made accessible to persons close to retirement who have no chances of reintegration into the labour market in 2008. Moreover, occupational healthcare is promoted.

Counselling service for older persons

The purpose of this special counselling service, established in 2010 especially to advise women over 55 and men over 58, is to promote reintegration into the labour market and to increase the employment rate of older workers. The counselling service can be combined with the participation of integration foundations that address specific manpower shortages. (These offer up-skilling programmes to unemployed workers followed by job entry once the programme is completed; they also provide appropriately trained workers to employers faced with special skills bottlenecks.) The counselling service aims to carefully develop and implement tailor-made (re-)integration pathways within a comprehensive range of assistance and training measures, as well as non-profit temporary employment.

Subsidies to one-person companies

The purpose is to support one-person companies when they hire their first employee. The PES will pay a lump sum of 25% of the gross wage for up to one year. This amount corresponds to the employer's social insurance contributions. The aim is to reduce unemployment and foster the creation of new jobs. The previous age barrier was abolished in 2011, and is now equally accessible to older workers. In 2011, 26% of all beneficiaries were over the age of 45.

Qualification for employees

The measure was launched in 2007 as part of the National Action Programme. The purpose is to provide qualification measures for employed persons in collaboration with their employers, in order to facilitate age-appropriate jobs and careers and further future-oriented lifelong learning. Approximately 48 000 persons benefitted from the programme in 2011; 46% of them were aged 45 and over.

Table 1. Older workers scoreboard, 2001, 2005 and 2011

	Austria			OECD ^h		
	2001	2005	2011	2001	2005	2011
Employment						
-- Employment rate, 50-64 (% of the age group)	44.8	47.2	57.1	55.6	58.4	61.2
<i>of which</i> 50-54	74.5	76.1	81.9	71.8	73.7	76.1
55-59	43.5	50.0	60.9	55.9	59.9	64.8
60-64	12.7	13.6	20.9	32.5	35.6	40.0
-- Employment rate, 55-64 (% of the age group)	28.2	31.8	41.5	44.9	49.0	52.9
-- Employment rate, 65-69 (% of the age group)	6.1	6.1	9.5	15.2	16.5	18.5
Job quality						
-- Incidence of part-time work, 55-64 (% of total employment)	12.9	20.4	22.0	17.2	17.2	18.7
-- Incidence of temporary work, 55-64 (% employees)	2.8	3.4	2.7	9.0	9.1	9.1
-- Full-time ^a earnings, 55-59 relative to 25-29 (ratio)	1.72	1.73	1.59	1.32	1.33	1.34
Dynamics						
-- Retention rate ^b , after 60 (% of employees <i>t</i> -5)	-	26.7	29.5	37.8	40.4	42.2
-- Hiring rate ^c , 55-64 (% of employees <i>t</i> -1)	4.4	5.4	6.0	7.8	9.2	8.5
-- Effective labour force exit age ^d (years) Men	59.5	58.9	60.4	63.1	63.3	63.9
Women	58.3	58.1	58.4	61.1	62.0	62.8
Unemployment						
-- Unemployment rate, 55-64 (% of the labour force)	4.9	3.6	3.2	4.6	4.8	5.8
-- Incidence of long-term ^e unemployment, 55+ (% of total unemployment)	50.9	57.1	55.7	46.8	47.7	45.9
Employability						
-- Share of 55-64 with tertiary education ^f (% of the age group)	10.1	14.0	16.5	15.9	19.9	22.9
-- Participation in training ^g , 55-64						
Absolute (% of all employed in the age group)	5.0	8.5	9.5	6.6	8.2	9.4
Relative to employed persons aged 25-54 (ratio)	0.56	0.57	0.64	0.44	0.52	0.57

-- unavailable.

a) Mean gross hourly earnings in 2000, 2004 and 2009.

b) All employees currently aged 60-64 with tenure of five years or more as a percentage of all employees aged 55-59 5-years previously, 2008 and 2010.

c) Percentage of employees aged 55-64 with a job tenure of less than one year, 2004, 2005 and 2010.

d) 2001, 2005 and 2011. Effective exit age over the five-year periods 1996-2001, 2000-2005 and 2006-2011. The effective exit age (also called the effective age of retirement) is calculated as a weighted average of the exit ages of each five-year age cohort, starting with the cohort aged 40-44 at the first date, using absolute changes in the labour force participation rate of each cohort as weights.

e) Unemployed for more than one year.

f) 2000, 2005, 2010.

g) Job-related training during the last month.

h) Unweighted averages for 34 OECD countries.

Source: OECD estimations from national labour force surveys and OECD Education database.

www.oecd.org/els/employment/olderworkers

Table 2. Ageing and employment policies: Austria (situation mid-2012)

OECD's recommendations to Austria in 2005	Action taken
A. Strengthening financial incentives to carry on working	
<i>Monitor early retirement incentives</i>	+
<i>Adjust the retirement age in line with demographic developments</i>	+
<i>Reconsider the introduction of special rules for strenuous work.</i>	/
<i>Consider raising the minimum and the statutory retirement age of women earlier</i>	/
<i>Monitor the impact of the old-age part-time employment scheme</i>	+
<i>Facilitate non-subsidised gradual retirement</i>	/
<i>Review the possibility of introducing partial in-work disability benefits</i>	/
<i>Eliminate "own-occupation" assessment in determining a person's disability status</i>	/
<i>Improve access of older workers to medical as well as vocational rehabilitation</i>	+
B. Tackling employment barriers on the side of employers	
<i>Improve the targeting of payroll tax cuts</i>	+
<i>Evaluate the bonus-malus scheme for hiring and firing older workers</i>	+
<i>Take a balanced approach to employment protection</i>	/
<i>Reconsider the rule that unemployed workers who fulfil the criteria for early retirement have to apply for a pension</i>	/
<i>Accelerate reform of seniority-based wage regimes</i>	/
<i>Monitor closely the effects of anti-discrimination legislation</i>	+
<i>Promote and monitor age diversity programmes</i>	+
C. Improving the employability of older workers	
<i>Explore the potential of make-work-pay policies</i>	+
<i>Spread new activation approaches to older workers</i>	+
<i>Improve the coherence of the multifaceted continuing education and training system</i>	/
<i>Promote lifelong learning</i>	+
<i>Develop instruments to validate on-the-job competences</i>	+

Notes

/ = no (relevant) action taken; + = some action taken, but more could be done; ? = some action taken, but could have negative impact and requires further assessment; ++ = substantial action has been taken.

Source: OECD (2005), *Ageing and Employment Policies: Austria* and answers to the follow-up questionnaire from Austria.