

Pensions at a Glance 2023



Austria

Austria: Pension system in 2022

The pension system consists of a defined-benefit public scheme with an income-tested top-up for low-income pensioners.

Key Indicators: Austria

		Austria	OECD
Average worker earnings (AW)	EUR	52 666	39 151
	USD	55 460	41 228
Public pension spending	% of GDP	13.0	7.7
Life expectancy	at birth	82.4	80.7
	at age 65	85.4	84.6
Population over age 65	% of working-age population	32.5	31.3

Qualifying conditions

A person is entitled to a pension, if contributions were paid for at least 180 months. (There are exceptions for disabled persons and persons who had a work accident.) From these 180 months, 84 months must come from employment (or contribution periods of similar quality). The remaining 96 months can come from other contribution periods, such as unemployment, sick-leave, military service, or child-rearing periods. In Austria, the statutory retirement age is 65 years for men and 60 years for women. The retirement age for women will increase incrementally from 60 to 65 between the years 2024 and 2033.

Benefit calculation

Earnings-related

Each year, 1.78% of a person's gross annual earnings are transferred to the individual pension account.

Past earnings are valorised in line with earnings growth except for the year of retirement and the year before retirement. Contributions are payable up to a ceiling of EUR 79 380. There are no credits if the gross earnings are below the threshold for marginal work. There are 14 annual payments and yearly adjustment for pensions in payment is basically in line with CPI.

Minimum

Retirees with low earning-related benefits receive a means-tested top-up (Ausgleichszulage) if the sum of the gross pension benefit and income from other sources (some exceptions apply) remains below EUR 1 030.49 per month for a single person household (EUR 1 625.71 for couples). The retiree receives a compensation transfer so that the retiree's total income equals the threshold value.

In 2020 an additional form of a means-tested top-up was introduced. Pensioners (only single households) with at least 360 contribution months (30 years) received a minimum of EUR 1 141.83. Pensioners in a

single household with at least 480 contribution months (40 years) received a minimum of EUR 1 364.11 (EUR 1 841.29 for couples).

There are 14 annual payments, and the benefit adjustment usually follows the adjustment of earnings-related pensions.

Targeted

The aim of the means-tested minimum income scheme is to provide a decent standard of living for individuals who are not able to meet their daily living costs or those of their dependant family members. The assistance scheme is not specifically designed for older people. However, older people may apply only when there are no other resources (i.e. pension etc.) available. The means-tested minimum income scheme is a general residency based non-contributory system. Several groups are assimilated to Austrian citizens, including EEA citizens, third-country nationals with specific residence permits (notably “permanent resident - EU”) and – in principle – recognised refugees.

With the Basic Act on Social Assistance (Sozialhilfe - Grundsatzgesetz) - a joint framework in force since 1 June 2019, which has to be executed by the federal provinces through implementing laws - the old minimum income schemes have been replaced gradually in Austria`s provinces. However, this process has not been completed yet (no comprehensive implementation).

Aim of the federal government was not only to harmonize the main principles of social assistance throughout Austria, but also to establish a binding framework for the federal provinces. The main issues pursued by the amendment of the (new) social assistance act were – inter alia - the introduction of maximum instead of minimum rates and the priority of benefits in kind (particularly in the field of housing).

Under this scheme, the monthly maximum rates in 2022 were EUR 977.94 for single persons and lone parents (EUR 1 369.12 for couples). There are 12 monthly payments. Before applying for social assistance, all individual resources have to be used up to a threshold of EUR 5 867.64 (rates in 2022). House or flat ownership is possible, but the authorities might include it in the deeds (Grundbuch) after some time.

Additional benefit

Additional needs, which are not covered by the rates defined (for instance higher expenses for appropriate accommodation and heating), can be covered by additional supplementary benefits, if certain conditions are met.

These benefits are very diverse, depend e.g. on the actual housing costs in the respective federal province and vary between a flat-rate allowance including housing costs and the coverage of higher costs for dwelling due to regional housing prices. These additional benefits are provided by the federal provinces under the social assistance scheme. For (other) persons on low incomes housing allowances (Wohnbeihilfen) can be granted as an independent benefit.

Any person, who does not have sickness insurance and receives social assistance/minimum income is registered by the competent institutions with the statutory sickness insurance.

Variant careers

Early retirement

Early retirement is currently possible on the grounds of:

1. Long-term insurance contributions (“Langzeitversichertenpension - Hacklerregelung”), currently a minimum of 45 contributory years are required. The early retirement age is 62 years for men and

4 | PENSIONS AT A GLANCE: COUNTRY PROFILES - AUSTRIA

60 years for women, increasing stepwise to 62 years (4.2% deduction per year before the statutory retirement age).

2. Physically hard work (Schwerarbeitspension), a contribution period of at least 45 insurance years is required. Additionally, within the last 20 years before the application there have to be at least 10 years of physically hard work. The earliest possible retirement age is 60 years. There is a deduction of 1.8% per year before the statutory retirement age. For women this scheme will only be relevant from 2024 onwards.
3. Physically hard work combined with long-term insurance periods of at least 40 (women)/45 (men) contribution years (“Langzeitversicherungspension mit Schwerarbeit”), retirement age is 60 years for men, 55 years for women. (1.8% deduction per year). Only possible for men born after 31 December 1953 and before 1 January 1959 and women born after 31 December 1958 and before 1 December 1964.
4. Corridor-pension (“Korridorpension”), at the age of 62 years, when having at least 40 insurance years (5.1% deduction per year, maximum 15.3% for 3 years before the statutory retirement age). For women this scheme will only be relevant from 2028 onwards.

Late retirement

For retirement between the ages of 65 and 68 for men and between 60 and 63 for women the pension is increased by 4.2% per year. Workers who defer their pension also continue to pay contributions thereby increasing their pension entitlements.

Combining work and pensions is possible but there is an earnings limit. If pensioners in early retirement earn more than EUR 485.85 per month the pension is fully withdrawn because mandatory social insurance starts above this threshold. After age 60 (women)/65 (men), unlimited earnings from work and pension receipt are permitted.

Childcare

Periods for childcare are taken into account in two different ways. Childcare periods of up to four years (48 months) per child are taken into account as insurance months (if no contribution months are existent) and they are credited on the basis of a fictitious pensionable salary of EUR 2 027.75 per month for the individual pension account. These periods are credit to the parent who is mainly responsible for the childcare (changeable).

Unemployment

Periods during which a person receives unemployment benefits are credited to the pension account. These periods are also considered for the qualifying period.

Self-employed

There is a minimum contribution base as well as contribution cap. The minimum base was EUR 485.85 in 2022; the contribution cap was EUR 6 615 in 2022.

The contribution rate for all groups is 22.8% of the gross wage/income. For dependent workers the contribution rate is split between employers (12.55%) and employees (10.25%), self-employed have a rate of 18.5% and a so-called partner-contribution of 4.3% from the federal budget. Farmers have a rate of 17.0% and a partner-contribution of 5.8% from the federal budget.

The contribution base and the reference wage are set at the taxable income plus the contributions paid (gross income).

Early-starter Bonus

In 2022 the Early-starter Bonus has been introduced. This bonus focuses on those insured who started their career before the age of 20 years. For each month of contribution before the age of 20 EUR 1 00 (2022) is added to the pension. The bonus is added if a minimum of 12 months of contribution are given to a maximum of 60 months (5 years of employment before the age of 20). Therefore, in 2022 the Bonus has a range between EUR 12 and EUR 60 per month. Additionally, when claiming a pension at least 25 years of contribution are necessary to be entitled to the Early-starter Bonus.

Personal income tax and social security contributions

Taxation of pensioners

There are no special rules for pensioners. Pensioners are unable to claim work expenses if their only income is a pension.

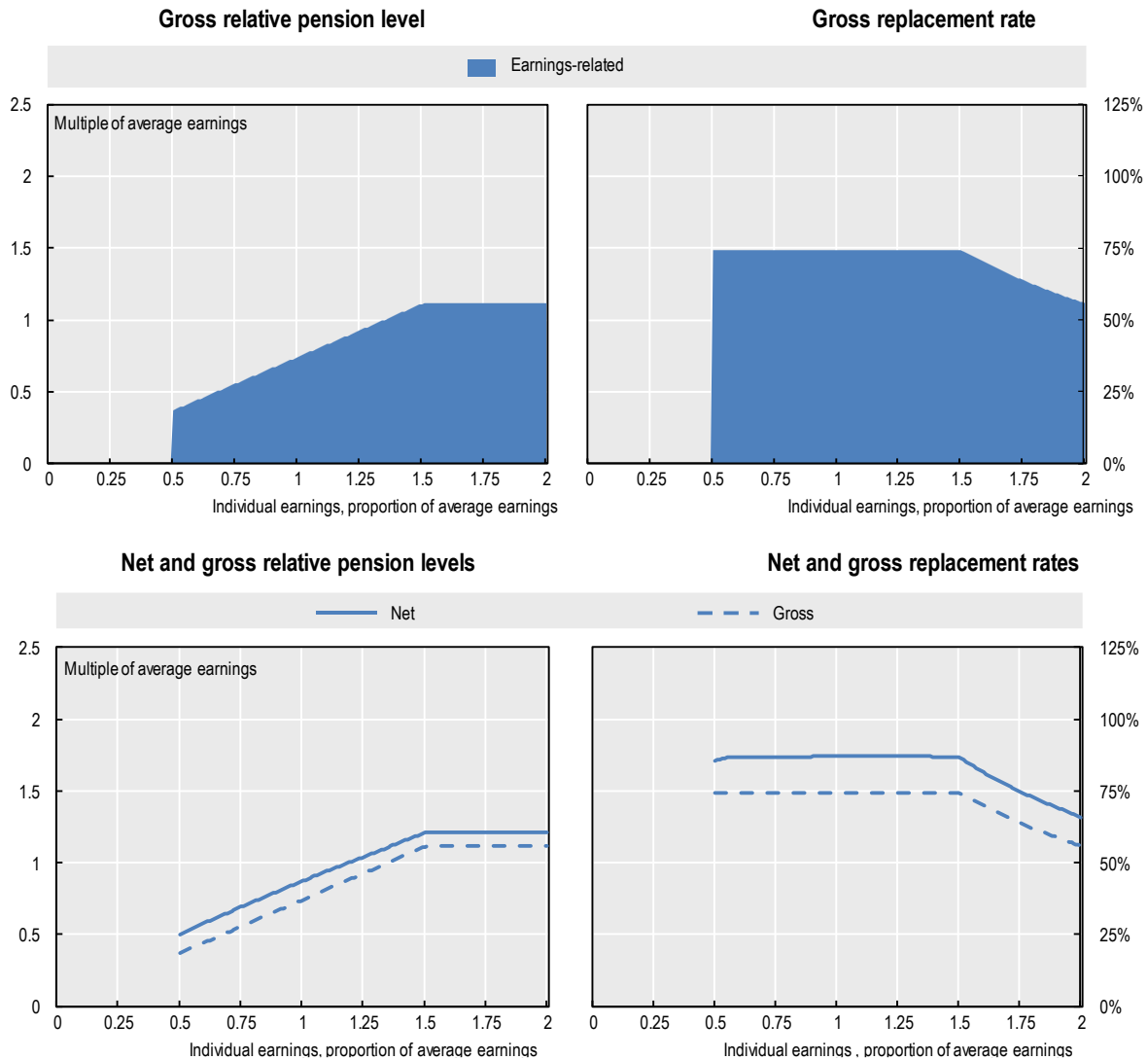
Taxation of pension income

There is no special relief for pension income.

Social security contributions paid by pensioners

Pensioners do not pay most social security contributions but do pay for sickness insurance (5.1%).

Pension modelling results: Austria in 2065 retirement at age 65



Men Women (where different)	Individual earnings, multiple of average					
	0.5	0.75	1	1.5	2	3
Gross relative pension level (% average gross earnings)	37.1	55.6	74.1	111.2	111.7	111.7
Net relative pension level (% net average earnings)	49.9	69.2	87.4	120.9	121.4	121.4
Gross replacement rate (% individual gross earnings)	74.1	74.1	74.1	74.1	55.9	37.2
Net replacement rate (% individual net earnings)	85.5	86.7	87.4	86.6	65.9	45.0
Gross pension wealth (multiple of individual gross earnings)	15.0	15.0	15.0	15.0	11.3	7.6
Net pension wealth (multiple of individual net earnings)	17.4	17.6	17.7	17.6	13.4	9.1

Assumptions: Real rate of return 2.5%, real earnings growth 1.25%, inflation 2%, and real discount rate 1.5%. All systems are modelled and indexed according to what is legislated. Transitional rules apply where relevant. DC conversion rate equals 90%. Labour market entry occurs at age 22 in 2022. Tax system latest available: 2022.