

## **CHAPTER 2. SOCIAL PROTECTION SCHEMES**

# CONTENTS

<b>2.1. Social Insurance</b>	<b>16</b>
<b>2.2. Unemployment Insurance, Public Employment Service</b>	<b>17</b>
<b>2.3. Schemes for all inhabitants (universal schemes)</b>	<b>17</b>
<b>2.4. Means-tested benefits</b>	<b>18</b>
<b>2.5. Provisions for civil servants</b>	<b>19</b>
<b>2.6. Victims' compensation</b>	<b>19</b>
<b>2.7. Protection under labour law</b>	<b>19</b>
<b>2.8. Supplementary occupational pension systems</b>	<b>20</b>
<b>2.9. Social services</b>	<b>20</b>

Social protection systems in Austria can be divided into the following sectors:

**Social insurance:** in particular health, work-accident and pension insurance, and, in the broader sense, unemployment insurance;

**Universal schemes:** family allowance, tax credit for children, child care allowance, long-term care allowance and (owing to its de facto effects) health care;

**Means-tested benefits:** (only available if the income is below a certain limit): in particular, minimum income under the pension insurance scheme (equalisation supplements), unemployment assistance under the unemployment insurance scheme and social assistance;

## Civil servants' schemes

**Victims' compensation:** e.g. for war and political victims, army victims and crime victims;

**Protection under labour law:** e.g. continued payment of wages during sickness

## Supplementary occupational schemes

## Social Services

## 2.1. Social Insurance

Austrian social insurance is based on the principles of compulsory insurance, solidarity (equitable burden sharing) and autonomy. According to the pay-as-you-go procedure, it is mainly financed by employers' and employees' contributions. (see Chapter 3).

Social insurance in a stricter sense consists of three main sectors:

- Pension insurance
- Work-accident insurance
- Health insurance

Overall, there exist 24 social insurance institutions for health, pension and work-accident insurance. Together they form the Federation of Austrian Social Insurance (an umbrella organisation). Important tasks of the Federation of Austrian Social Insurance include:

- Long-term planning
- Elaboration of guidelines and uniform implementation
- Central data administration
- Concluding contracts with doctors, dentists etc.
- Publishing a register of medicines
- Comparison of key indicators between different social insurance institutions

## Social insurance institutions, 2005

	HI*	PI*	WAI*
9 District health insurance funds	X		
8 Company health insurance funds	X		
Insurance institution for public employees	X		X
Social insurance for work accidents			X
Pension insurance institution for employees		X	
Social insurance for self-employed persons	X	X	
Insurance for farmers	X	X	X
Insurance of the Austrian Railways and mining industry	X	X	X
Insurance for Austrian Notaries		X	

\*HI = health insurance, PI = pension insurance, WAI = work-accident insurance

# SOCIAL PROTECTION SCHEMES

- Representation of the social insurance system in public life.

The social insurance institutions are structured according to their areas of responsibility, occupational groups and/or regions. The most important social insurance institutions are the pension insurance of employees, the nine district health insurance funds of the Laender, the social insurance for work-accidents, the social insurance institutions for the self-employed and the farmers and the insurance institution for public employees.

The individual social insurance institutions are managed by autonomous bodies composed mostly of representatives of the social partners. Within the legal framework these bodies maintain an autonomous scope for action. However this autonomy is mostly restricted to the administration of the institutions' own facilities, as most claims are regulated by law.

With the exception of some smaller groups, almost all gainfully employed individuals are covered by the social insurance schemes. In the second half of the 1990s, a large portion of people with atypical employment situations (insignificant employment, persons working on free service contracts, the new self-employed) were included in the social insurance system, either on a compulsory or an optional level.

As coverage by health insurance also includes family members of the insured persons, social insurance secures almost complete health care provision for the whole population.

## 2.2. Unemployment Insurance, Public Employment Service

Unemployment insurance is not included in the Federation of Austrian Social Insurance. It is managed by the Public Employment Service, which is also responsible for measures in the sphere of active labour market policy.

The Public Employment Service is composed of the federal headquarter, 9 provincial organisations and 99 regional organisation units. Each organisation unit has a directorate and a supervisory board, which includes representatives of the social partners. Only at the federal level are representatives of the government – besides representatives of employees and employers – also members of the supervisory board. The tasks of the boards include the monitoring of the management as well as principal decision making on labour market policy and financial matters. Their specific composition should guarantee that all social groups, which are important for the labour market, are also included in its shaping.

Unemployment insurance is mostly financed by income related employers' and employees' contributions. (See Chapter 7)

## 2.3. Schemes for all inhabitants (universal schemes)

The three most important cash benefits available regardless of employment and income status are:

- Family allowance and tax credit for children
- Child care allowance
- Long-term care allowance

Health insurance can be, to a large extent, considered as a universal scheme due to free co-insurance of family members

## Family allowance and tax credit for children

Family allowance is a general cash benefit for children. It is neither income-related nor means-tested. The level of family allowance depends on the age and the number of children within a family. It is financed via the Family Burden Equalisation Fund and paid out by the tax offices. The Family Burden Equalisation Fund is financed by income-related contributions and general taxes.

Family allowances are supplemented by a uniform tax credit, which is also paid out in the form of a "negative tax". Every child is entitled to this tax credit, regardless of the parents' income. (See Chapter 9)

## Child Care allowance

Unlike the former parental allowance, which was linked to previous employment, since 2002, the child care allowance has been available to all fathers and mothers until their child reaches the age of two-and-a-half or three years, respectively. The health insurance institutions are responsible for the payment. The child care allowance is financed via the Family Burden Equalisation Fund. (See Chapter 9)

## Long-Term Care allowance

All persons requiring long-term care are entitled to long-term care allowance, either from the Federal Government or from the Laender. The level of this cash benefit depends exclusively on the degree of the required care. This system is mainly administered by institutions, which are also responsible for payment of pensions.

Persons, who are not entitled to a pension, receive a long-term care allowance from the Laender. Long-term care allowance is financed via the federal budget. (See Chapter 10)

## Health insurance

Coverage under the health insurance scheme includes all gainfully employed persons, their family members and most social benefit claimants. As a matter of fact more than 98% of the population is covered by health insurance. If required, social assistance covers the costs for the remaining 2%. Health insurance is financed mostly via income-related employers' – and employees' contributions.

Other important actors, apart from the health insurance scheme, are the public authorities (Federal Government, Laender, and local authorities), above all as financing and co-financing institutions of inpatient treatment. With regard to hospitals a large part of the expenditures is financed via general tax revenues. (See Chapter 8)

## 2.4. Means-tested benefits

The pension insurance provides means-tested minimum benefits. The provision of an equalisation supplement in the pension insurance serves to scale up pension incomes towards a threshold value (equalisation supplement reference rate).

Within unemployment insurance, long-term unemployed persons are entitled to unemployment assistance in the case of financial hardship, (however without a minimum income).

Housing and student grants are to be mentioned in this context.

Individual family benefits contain ele-

# SOCIAL PROTECTION SCHEMES

ments of a means-tested minimum income provision to a small extent.

Social assistance is a subsidiary or last-resort benefit. The legal provisions are different in each of the nine Laender.

With the exception of the unemployment assistance the means-tested benefits are financed via tax revenues. (See Chapter 11)

## 2.5. Provisions for civil servants

About one third of the public sector employees (employees under special contracts) are covered by the same social insurance legislation as private sector employees.

For the majority of public sector employees (civil servants) there are, however, separate regulations in certain spheres of social protection. Depending on the employer (Federal Government, Laender, local authorities, Austrian Railways, and others) individual regulations vary. The common feature for all these tenured employees (civil servants) is that they have no unemployment or pension insurance. Instead, they have a direct claim on their employers. The pertinent regulations are settled in individual pension laws.

As part of the pension reform of the past years, which was aiming at a harmonisation of the legal provisions for pensions for all occupational groups, it was decided that from 2005 onwards the existing pension legislation should be applicable exclusively to civil servants over 50 years of age. For civil servants under 50 transitional provisions or the legislation for employees insured under the General Social Insurance Act would be applicable.

Most civil servants are covered by health insurance within the Insurance Institution

for Public Employees. Certain groups are treated in special health care institutions.

Civil servants' pensions and health care are financed from their contributions; however, the majority is financed through state budgets (above all, pensions).

## 2.6. Victims' compensation

For certain high-risk situations where the state is assumed particular responsibility, special social protection schemes are available. They provide special benefits (mainly pensions) for victims of war, political persecution, crime, army service and for vaccination-induced disabilities.

The administration of these schemes is incumbent on the Federal Ministry of Social Security, Generations and Consumer Protection or, at the regional level, on the Federal Social Office (Bundessozialamt, a subordinate agency of the BMSG). They are exclusively financed by the state budget (see Chapters 4 and 6).

## 2.7. Protection under labour law

Claims against employer constitute an important element of Austrian social policy. They include among others financial coverage in the event of sickness and pregnancy, schemes of employer-based supplementary retirement income provision, specific regulations for employed parents (e.g. care leave), a special protection against (unlawful) dismissal for individual groups, periods of notice for termination of work contracts, regulations concerning working hours and rest periods etc.

Collective agreements are backed up by law, guaranteeing minimum pay at sector level. There is no legally fixed minimum pay. (See Chapter 13)

## 2.8. Supplementary occupational pension systems

Compared with other states, only a relatively small part of employees is covered by supplementary occupational pension schemes. Until now about 10% of all employees could expect such additional benefits. At present about 2% of all pensioners draw a company pension in addition to their regular state pension.

The recently-introduced compulsory employer-based retirement income provision will provide the opportunity to either consume these claims under labour law in

the form of a severance payment, or in the form of a benefit similar to a pension for those taking up their first employment and for persons who choose to change from the current severance scheme into the new system.

## 2.9. Social Services

About EUR 5 billion (8% of all social protection expenditures) are spent for social services (excluding health services). The majority of the social services (with the exception of measures in the field of labour market policy) are incumbent on the Laender and local authorities. (See Chapter 12)