

## **CHAPTER 6. INVALIDITY PENSIONS**

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## 6.1. Survey

In the case of a permanent reduction in earning capacity or of complete incapacity for work, social protection schemes provide entitlements to cash benefits, benefits in kind and support for the re-integration into working life, and for certain groups special protection under labour law is also available.

Cash benefits are provided by the statutory pension scheme, the civil servants'-pension scheme, the workplace accident insurance scheme and the victims'-compensation schemes.

If there are no claims to cash benefits from these social protection schemes and if no corresponding maintenance can be provided by the family in the case of invalidity, the social assistance system is responsible for the minimum provisions for living.

As well as these cash benefits, medical, social and professional rehabilitation measures and support are offered under the social insurance schemes, from the Public Employment Service, the Federal Ministry of Social Security, Generations and Consumer Protection (in particular by the

Federal Social Office), the Laender and the local authorities.

ESSPROS methodology defines that invalidity-related benefits are only available for persons under the statutory pension age of 60/65 years.<sup>1</sup> According to this definition expenditure for invalidity pensions amounted to 4.3 billion EUR in 2003. This is 5% of all social expenditures and is slightly below 2% of the GDP.

## 6.2. Invalidity pensions<sup>2</sup> under the statutory pension insurance scheme

### 6.2.1. Eligibility

For eligibility to an invalidity pension, a certain insurance period must be documented; this lies – and is age dependant – between 6 months and 15 years. Invalidity is – besides the impairment to health – also determined according to the occupation predominantly undertaken (during the previous 15 years).

### Invalidity of blue-collar workers

For blue-collar workers differences are made according to their skills.

## Expenditure on invalidity pensions and disability pensions for persons under the age of 60/65 in billion EUR, 2003

Invalidity pensions under the pension insurance scheme <sup>1</sup>	2.00
Early retirement pension due to the reduction in earning capacity under the pension insurance scheme <sup>2</sup>	1.05
Invalidity pension for civil servants <sup>3</sup>	0.97
Disability pension under the work accident insurance scheme <sup>4</sup>	0.23
<b>Total</b>	<b>4.25</b>

1) For persons under 60/65; 2.26 billion EUR are attributable to persons over the age of 60/65

2) This type of pension will expire shortly and is therefore not included in this chapter.

3) There is no explicit invalidity pension for civil servants. All entitlements to direct pensions before the age of 60 are seen as invalidity pensions in this table.

4) For persons under 60/65; 0.20 billion EUR are attributable to persons over 60/65

Source: Statistics Austria, Federal Ministry of Social Security, Generations and Consumer Protection: ESSPROS databank social expenditures

<sup>1</sup> In Austria invalidity pensions and similar benefits are not transformed into an old-age pension when the retirement age is reached, but continue to appear in the statistics as invalidity pensions and disability pensions.

<sup>2</sup> In the following pages all pensions related to invalidity are called invalidity pensions: the invalidity pension for workers, for employees, for the self-employed and for farmers.

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If insured blue collar workers were active in their trade (either by completing an apprenticeship or by gaining experience on the job), they enjoy similar trade protection to that of a salaried employee. If they can not carry out their trade or the trade-learned on the job due to their physical or mental condition, they may only be referred to other employment opportunities within their occupational group. They are considered to be invalids, if (due to their physical or mental condition) the capacity for work in those trades, they can be referred to, has declined below 50% of the capacity of a physically and mentally healthy person with similar training and skills.

If unskilled workers can not continue working in their trade due to their physical or mental condition, they can be referred to any other job opportunities in the general labour market, which is considered as reasonable with respect to the work they have undertaken until now. Thus, on the contrary to trained workers, there is no trade protection for unskilled workers. Unskilled workers are considered as invalid, if – due to their physical or mental condition – they cease to be capable of earning at least half of the income from employment considered to be reasonable, which a physically and mentally healthy insured person regularly earns from this kind of work. The person can be referred to other jobs in the entire labour market.

However, persons over 57 years are considered to be invalid if – due to illness or disability – they are not capable of undertaking the work they did for at least 10 years of the last 15 years.

## **Invalidity of white-collar workers**

Invalidity exists if – due to their physical or mental condition – the insured's capacity for work has deteriorated to less than half the

capacity of a healthy person with a comparable professional training, knowledge and skills. This is based on a medical experts' opinion and, a comparison is made between the performance required by a healthy insured person in the same profession and the performance possible for the claimant, with regard to the fact, that a claimant could also be referred to other occupations within the same occupational group.

For persons above the age of 57 the same protection for professional employment applies as for blue-collar worker.

## **Invalidity of self-employed persons**

Persons under the age of 50, are considered to be invalids, when due to their physical condition they are incapable of undertaking any regular employment. Their actual chances of finding suitable employment is not relevant. The person can be referred to the entire labour market.

Persons above the age of 50 are considered to be invalids when their personal performance was necessary for the operation of the company and who, due to their state of health, are incapable of undertaking self-employed activities requiring similar pre-conditions and skills as the employment undertaken during the last 60 calendar months.

From the age of 57 the same protection as for workers and employees is applicable.

## **Invalidity of farmers**

An invalid is someone can not undertake regular work anymore. This includes, not only the capacity for self-employed work, but also capacity for employed work. The insured person is referable to the entire labour market.

From the age of 57 the same protection as stated in the General Social Insurance Act is applicable.

## 6.2.2. Calculation of invalidity pensions

Invalidity pensions are calculated in a similar way to old-age pensions (see Chapter 4). The number of acquired insurance months, the level of assessment and the actual retirement age are relevant. As early retirement would result in a very low pension, there are additional regulations which cushion this decline in income. In the calculation of the invalidity pension not only the actual insurance years are considered in the calculation of the increment, but also all months before the age of 60. Further, losses from pension deductions due to the early pension claim have a ceiling. The pension deductions of 4.2% points per year of retirement prior to the regular retirement age must not exceed the total of 15 percent-points.

## 6.2.3. Priority for rehabilitation

An unlimited pension is only granted, if the invalidity excludes further employment on a long-term basis. If re-integration into the work life is possible, a temporary benefit combined with rehabilitation measures is granted. These rehabilitation measures can be medical, professional (e.g. retraining) and/or social (e.g. loans). For the duration of the rehabilitation measures a “transitional benefit” at the same level as the invalidity pension is paid out instead of the pension.

About three quarters of all first-time pensions are paid out in this form. The transitional benefit is initially granted up to a maximum of 24 months and can be extended.

An invalidity pension already granted can also be withdrawn if the pensioner's physical condition significantly improves. An invalidity pension can not be withdrawn for women over 60 and men over 65.

## 6.2.4. Statistical data

### Number of pensions

In 2004 406,000 invalidity pensions and 43,000 early retirement pensions due to a reduction in earning capacity were paid out under the statutory pension insurance scheme. This corresponds to one fifth of all pensions under the statutory pension insurance scheme. More than half of the pensions (55%) are drawn by persons under the regular retirement age.

From newly granted direct pensions (excluding survivors dependants' pensions), 41% were attributable to invalidity pensions in 2004. Men are represented to a significantly larger extent than women: Two thirds (68%) of all newly granted invalidity pensions were granted to men. 82% of male farmers and 52% of male workers and employees have retired due to invalidity.

In 2004, 65,000 applications for invalidity pensions were filed. Entitlement, however is subject to strict criteria. In 2004, about half of all applications were declined. An appeal was made at the Social Court on behalf of those declined applications and about one third of the appeals decided in favour of the plaintiff (acknowledgement of the existence of the plaintiff's claim or a settlement of compromise).

### Causes of invalidity

The three main reasons which play a role in obtaining an invalidity pension are musculo-skeletal conditions (incl. connective tissue) with 37%, psychiatric diseases with 22% and cardiovascular diseases with 13%.

### Age for granted invalidity pensions

In 2004 the average age of those who

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## Average level of the monthly invalidity pension<sup>1</sup> in EUR, December 2004

<b>Men</b>	<b>EUR</b>
Blue-collar workers	896
White-collar workers	1,317
Self-employed	1,018
Farmers	813
<b>Total</b>	<b>983</b>
<b>Women</b>	<b>EUR</b>
Blue-collar workers	491
White-collar workers	724
Self-employed	556
Farmers	371
<b>Total</b>	<b>530</b>

1) Including all supplements, 14 times per year

Source: Federation of Austrian Social Insurance Institutions, Federal Ministry of Social Security, Generations and Consumer Protection

were granted an invalidity pension was 53.4 years (51.0 years for women and 54.5 years for men) which was 7 years under the retirement age (60.7 years).

A summary of the direct pensions (sum of old-age and invalidity pension) for the year 2004 shows an average retirement age of 56.9 years for women and of 58.5 years for men.

### Level of the invalidity pension

On average, invalidity pensions are significantly lower than retirement pensions because less insurance years are available. In 2004 the average of all invalidity pensions from the pension insurance scheme was EUR 796 (EUR 983 for men and EUR 530 for women, 14 times per year). The average invalidity pension for men was 21% below the average old-age pension for men. For women the difference was 27%.

### 6.3. Civil servants

#### Retirement because of permanent disability

In the case of permanent disability, civil

servants retire either ex officio or on application. Disability is granted if the civil servant is incapable of properly fulfilling their duties due to physical or mental invalidity. Only the incapacity to duly fulfil the concrete duties related to the assigned employment is necessary, not the incapacity for any service at all. Incapacity for service in this sense includes anything, which would damage the civil servant's suitability for the fulfilment of service, thus not only health problems but also general behavioural or mental deficiencies. A medical opinion must include a profile of all tasks necessary for the service, including all tasks a civil servant can still do or not do anymore.

On retirement the following must also be provided:

- A forecast supported by a medical opinion concerning the permanence of the disability for service, meaning that the ability for service will with near certainty not be re-established within the foreseeable future.
- Evidence that it is impossible to re-deploy them to an (at least) equivalent position, which could reasonably be assigned to him/her with respect to their personal, family and social circumstances.

For the assessment of the physical or mental condition a medical opinion of the Federal Retirement Pension Office (Bundespensionsamt) must be obtained. The responsibility for the assessment of the ability/inability for service is exclusively incumbent on the administrative authority and not on the medical expert.

If retirement due to permanent inability for service is granted, 10 further years will be added to the actually insured years with regard to the calculation of the pension level.

In the years 2002 and 2003, about 17% of all newly granted pensions of federal civil servants were granted due to permanent inability for service. This percentage has been rising significantly ever since – among other reasons due to the increase in the retirement age.

## 6.4. Work accident pensions

After occupational accidents, accidents on the way to work (commuter traffic) and for occupational illnesses entitlement to a disability pension under the work accident insurance scheme exists, if the determined reduction in earning capacity amounts to at least 20% and lasts for longer than three months. Pupils and students are also entitled to such a pension in the case of a corresponding reduction in earning capacity, after an accident in connection with their journey to or from school or university.

This pension can also be drawn in addition to another pension (e.g. invalidity pension) or gainful employment.

If the reduction in earning capacity is 100%, the pension amounts to two thirds of the income in the year before the

accident occurred (full pension). If the reduction in earning capacity lies between 20% and 99% the benefit is calculated at a pro rata basis. Severely disabled persons (from 50% and above) receive a further supplement amounting to 20% respectively 50% (from a 70% reduction of earning capacity and above) of the pension.

Every year, about 6% of employees have an accident in the workplace or an accident on their way to work, resulting in sick leave of at least 3 days. In 2004 there were 194,000 occupational accidents (incl. commuter accidents), 330 of them resulting in death. The number of accidents in the workplace has decreased during recent years.

In 2004 the work-accident insurance scheme acknowledged 1,400 cases of occupational illness, with deafness due to noise and skin irritation being the main reasons.

About 3% of the annual accidents in the workplace, commuter accidents and occupational diseases lead to a claim for a permanent pension under the workplace accident insurance scheme.

In 2004 a total of just under 90,000 persons obtained a disability pension and 19,000 obtained a surviving dependants pension from the accident insurance scheme.

In 2004, the disability pensions amounted to an average of EUR 280 per month. This figure is relatively low due to the high number of partial pensions, which were paid out due to a reduction in earning capacity of less than 49 out of 100. In 2004, the average of these pensions amounted to EUR 210. 1.4 percent of the pensions are complete pensions (due to a reduction in

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earning capacity of 100 percent). The average level is EUR 1,400 for this group.

In 2005 contributions towards work accident insurance is 1.4% of the contributory income. This is exclusively paid by the employer and provides a kind of liability insurance for employers. For self-employed persons, except the field of agriculture an annual lump sum payment is applicable.

The additional employers' contribution for employees working on heavy manual night shifts (approx. 16.000 persons) has a preventative and compensatory character. In these cases an additional 2% of the gross wages are payable to the pension insurance as a special contribution. These revenues are used for the financing of a special early retirement pension from the age of 57 years, approx. 1,300 recipients). In 2004 the average pension amounted to EUR 1,600 per month.

## 6.5. Victims' compensation acts

All victims' compensation acts include provisions for the case of invalidity. While the provisions for war victims and political victims is principally considered to be retirement income provision, due to the age-structure of the beneficiaries: The compensation systems according to the Act on Army Victims' Compensation, the Crime Victims Act and the Act on Compensation for Vaccination-Induced Disabilities concern to a large extent persons of a working age. Moreover, civilians who are injured by arms, vehicles or by the military actions of the Austrian Federal Army are entitled to this type of support.

Besides cash benefits, these systems offer vocational and social rehabilitation.

The level of the disability pension provided under the Act for Army Victims' Compensation amounts to between EUR 116 and EUR 1,930 per month which is similar to war victims' compensation – further recurring pensions (means tested supplements, special supplements for care, blind persons and diets). In the beginning of 2005, the number of persons entitled to this amounted to approx. 1,700. In 2004 the total expenditure amounted to EUR 9.1 million.

Crime victims receive assistance if they have sustained bodily injury or an impairment to health caused by pre-meditated crime (which will result in a punishment of at least 6 months imprisonment) or as an innocent bystander of a criminal act and whose capacity for self-support was reduced thereby. The Crime Victims' Act provides compensation for loss of income- and maintenance up to EUR 3,087 per month as well as supplements for special care and for blind persons. At the beginning of 2005, 120 persons were entitled to recurring pensions. The budgetary expenditure amounted to EUR 1.8 million.

The Act for Compensation for Vaccination-Induced Disabilities grants compensation to persons whose health was impaired due to a statutory vaccination (until 1980 this applied to the smallpox vaccination) or other recommended vaccinations. At the beginning of 2005 there were 79 persons entitled to this. The total expenditure amounted to EUR 2.5 million.