

# **CHAPTER 7. UNEMPLOYMENT BENEFITS**

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## 7.1. Survey

The most important cash benefits with regard to unemployment are the unemployment benefit and unemployment assistance from the unemployment insurance, as well as wage compensation from bankruptcy contingency funds and, to a lesser degree, social assistance for those without entitlement to cash benefits from the unemployment insurance scheme.

Until recently, the early retirement pension available under the pension insurance scheme, played an important role in unemployment benefits. This has been abolished within the framework of the pension reforms and is currently expiring.

The part-time benefit for older workers is directed to older salaried employees and will have a preventive effect on unemployment amongst older workers.

The entitlements available under labour law in connection with unemployment and the termination of the employment contract (severance pay, employer based retirement schemes and income provision, dismissal indemnity etc.) are given in chapter 13.

The main player for labour market policy is the Public Employment Service. The Federal Ministry of Social Security, Generations and Consumer Protection (BMSG) share the responsibility in the field of labour market support schemes for disabled persons. The Laender are participating in regional labour market programmes.

According to ESSPROS methodology, in 2003 EUR 3.9 billion has been spent on cash benefits in the case of unemployment and active labour market measures. This corresponds to 1.7% of the GDP or to 6% of the social expenditures. EUR 2.3 billion was attributable to cash benefits.

In 2004 the Austrian unemployment rate was at 4.8% (EU calculation method) which is much below the EU average of 9%. The number of persons in employment rose by approx. 1% (29,000 persons) in 2004. However, due to higher influxes in the labour market, the number of unemployed persons increased by 3,800 thus taking the average for the year 2004 to 3.2 million in employment and 244,000 unemployed persons. In total about 780,000 persons were unemployed for at least a period in the year 2004. The average duration of the period of unemployment was 108 days. Taking the average for the year 2004, 126,000 persons received unemployment benefit and 95,00 unemployment assistance.

## 7.2. Conditions of eligibility for unemployment benefit and unemployment assistance

In Austria, the majority of all employees are compulsorily insured in the unemployment insurance. Employees who are employed on a limited basis (this means a monthly income of less than EUR 323 for the year 2005), persons employed on the basis of a non-standard contract, civil servants and most self-employed persons are however, exempt from unemployment insurance.

The most important cash benefits available under the unemployment insurance scheme are unemployment benefits and unemployment assistance. The unemployment benefit is available only for a limited duration and is followed by the unemployment assistance which is – under certain conditions (in consideration of the family income etc) – available for an indefinite period of time. Under the unemployment insurance there is no guaranteed minimum income, while at the same time, an upper limit for the level of cash benefits exists.

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## Minimum insurance period

Entitlement to benefits is only possible when a certain minimum insurance period has been reached:

- For an initial claim to unemployment benefits, at least 52 insurance weeks are required within a period of 24 months before the application.
- For young persons (under 25 years), employment of at least 26 weeks within a period of 12 months before application is sufficient.
- Persons, who at some time have already received benefits from the unemployment insurance, must have been insured under unemployment insurance (i.e. as a rule, have been employed) for a minimum of 28 weeks within the past 12 months or for 52 weeks within the past 24 months in order to obtain a new claim for unemployment benefit.

## Capacity to work

A claim is based on the assumption that the unemployed person is basically capable and willing to work. The unemployment insurance is no longer responsible when an unemployed person suffers from disability. In these cases, benefits from the pension or health insurance are available or, if this is not the case, the social assistance schemes are responsible.

During pension proceedings (in most cases they assess, if conditions for invalidity have been met), the unemployed person has a claim to an advance pension from the unemployment insurance. This advance is granted either in the form of unemployment benefit or in form of unemployment assistance. If a pension is eventually granted, benefits from the unemployment insurance is transformed into a pension. In 2004, an average of

26,000 persons received advances on pensions.

## Terms of reasonability

The unemployed person must be prepared to accept a reasonable job offer, to engage in further education or to undergo occupational retraining. A job offer is considered to be reasonable, if it is suitable and complies with the legal regulations and the conditions provided by the collective agreement. The place of work must be reachable within reasonable time or a corresponding accommodation must be available. The place of work and the working hours must not collide with statutory custody duties (above all for children).

In the case of a newly granted claim to unemployment benefits the claimant has the right to accept only jobs that correspond to his/her vocational skills for the first 100 days. The Public Employment Service must make sure, that a job offer must not have a significant negative effect on future employability in the original occupation.

Further protection regarding previous wage levels also exists. During the first 120 days of drawing an unemployment benefit, the wage level of a reasonable job offer must not fall below 80% of the previous income from gainful employment and during the remaining period must not fall below 75%. If the claimant mostly worked part-time the wage level of the job offer must not fall below the previous earnings.

For long-term unemployed persons entitled to unemployment assistance (after the period for unemployment benefit has expired) employment with a lower pay is considered as reasonable as long as the employment is covered by unemployment insurance and the pay corresponds to at

least the minimum remuneration settled by the collective agreement.

## Maximal period of entitlement

The period of entitlement to unemployment benefit depends on the insurance periods and on the age of the unemployed person at the time they become unemployed. It lies between 20 weeks and 1 year:

- 20 weeks, if insured for 52 weeks in the last two years
- 30 weeks, if insured for 3 years during the last 5 years;
- 39 weeks, if insured for 6 years during the last 10 years and older than 40 years;
- 52 weeks, if insured for 9 years during the last 15 years, and older than 50 years;

If the beneficiary participates in labour market measures supplied by the Public Employment Service (courses, measures towards re-integration into the job market), the period of entitlement is extended. If the beneficiary participates in a labour foundation, the payment of unemployment benefit can be extended up to a period of 3 years.

Unemployment assistance is a benefit for long-term unemployed persons. It is granted subsequently to an unemployment benefit and has no time limit (at it's longest until they are entitled to a pension). Entitlement to unemployment assistance is only possible where it is really necessary.

## Sanctions

If an unemployed person does not accept a reasonable job, the payment of unemployment benefit cease for the refusal period but, in any case, for a minimum period of six weeks and in the case of repeated refusal, for a period of up to eight weeks.

## Possible income besides unemployment benefit or unemployment assistance

As well as an income from unemployment benefit or unemployment assistance, an additional income up to the marginal earnings threshold (EUR 323 in 2005) is admissible. If the additional income rises over this threshold, 90% of the net-income exceeding the marginal earnings threshold are credited against the unemployment benefit or the unemployment assistance.

## Protection under social insurance law

Each beneficiary of a benefit from the unemployment insurance is also covered by health insurance. Periods during which these benefits are drawn, are credited as insurance periods in the pension insurance scheme.

For long-term unemployed persons who have no claim to unemployment assistance because their husband's/wife's income is too high, periods of unemployment are acknowledged as insurance periods under the pension insurance scheme.

## 7.3. Levels of benefits

As the unemployment benefit is an insurance benefit, its level depends on the former income from gainful employment. The unemployment benefit is composed of a basic amount, possible family supplements and a supplement in the case of a very low unemployment benefit.

The basis is 55% of the average net income of the last calendar year before the occurrence of unemployment. If the unemployment benefit calculated in this way is below EUR 22 per day (2005 – this amount corresponds to the equalisation supplement reference rate in the pension

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insurance for single pensioners) a supplement up to the net replacement rate of 60% is due. If family supplements are received, a ceiling of 80% is applicable. However, the unemployment benefit, increased by the supplement must not exceed the equalisation supplement reference rate.

If the unemployed person is caring for family members he/she receives an additional amount of EUR 0.97 per day and per dependant person.

The level of unemployment assistance for the first 6 months amounts to between 92% and 95% of the unemployment benefit. After this period, fixed ceilings for benefits below this percentage are provided for persons with short insurance periods. The varying ceiling depends on the duration of the receipt of previous unemployment assistance:

- Unemployment assistance for a period of 20 weeks: max. EUR 22/day;
- Unemployment assistance for a period of 30 weeks: max. EUR 26/day; (levels applicable for 2005).

As unemployment assistance is only granted in the case of need, the income of the partner/spouse is also considered. However, parts of the partner's/spouses income up to a level of EUR 447 (2005) are not taken into consideration. This free quota increases by EUR 224 per month (2005) for each dependent of the partner. For long-term unemployed persons over the age of 50, the free quota for a creditable income for family members living in the same household, exceeds the quota applicable for younger unemployed persons by 100% and in the case of long term unemployed persons over 55 years by 200%. In 2004 the average unemployment assistance amounted to EUR 566,

## The average level of unemployment benefits and unemployment assistance, 2004 (in EUR):

	Unemployment benefit	Unemployment assistance
Men	782	621
Women	627	487
Total	718	566

Source: BMWA (Federal Ministry of Economics and Labour), Public Employment Service – Data Warehouse; arithmetic mean

which is over one fifth lower than the average unemployment benefit.

In 2004 the average unemployment benefit per month amounted to EUR 718 (men EUR 782, women EUR 627) and the unemployment assistance to EUR 566 (men 621, women EUR 487). The different size of the benefits reflects sex-related differences in income from gainful work.

## 7.4. Cash benefits under the unemployment insurance scheme for persons with an existing employment contract

### Part-time benefit for older workers

The objective of this benefit is to strive for a prolonged periods of employment for older employees. Under certain pre-conditions, older employees can reduce their working hours with a partial compensation for the loss of income from the employer. This compensation must correspond to 50% of the difference between the income before and during the part-time work for older workers. The employer is obliged to pay the social insurance contribution on the basis of the working hours before the part-time work and is entitled to a reimbursement of the costs from the Public Employment Service.

The part-time benefit for workers can be claimed from an age of 51 years (women) and 56 years (men) onwards, until the

eligibility requirements for an (early) retirement pension are met. The pre-condition is that the applicant has been engaged in an occupation subject to unemployment insurance during 15 years within the past 25 years. In connection with the raising of the retirement age according to the pension reforms, the present age for eligibility for a pension is increased annually by half a year (until 2013).

A corresponding agreement with the employer must be made. The working hours must be reduced by 40% to 60%. The concrete reduction in working hours is left to the two contract partners. In the case of an agreement involving "bloc-time", in which the employee is shifting between full-time work and free-time, a previously unemployed person or an apprentice must be employed at the start of the free-time phase, at the latest. The full amount of the part-time benefit for older workers is only granted if a replacement is hired (otherwise 50%).

In 2004, around 40,000 employees (18,700 women, 21,000 men) were working part-time according to this conception. In 2004 the expenditures for the part-time benefit for older workers amounted to EUR 564 million.

## **Benefit for further training during an educational leave**

Since 1998 the opportunity to take educational leave for a maximum of one year exists, if employment has lasted for at least 3 years. (See also Chapter 13: Entitlements under labour law).

If the same minimum insurance period as is required for the entitlement to

unemployment benefit has been reached, further education benefit of EUR 14.53 per day can be claimed. For persons over the age of 45, further education benefit at the level of the unemployment benefit is only available if the unemployment benefit is higher than EUR 14.53 per day.

In the annual average for 2004, approx. 1,300 persons made use of educational leave. The correspondent expenditures amounted to approx. EUR 8 million.

## **7.5. Social protection in case of the employer's bankruptcy**

The objective of the bankruptcy contingency money is to protect (former) employees from loss of income and delays in legitimate pay claims in the case of their employer's inability to pay. Employers pay 0.7% of the gross wages into a fund, which is designated to cover the claims of afflicted employees. This cash benefit is financed, as well as with employers' contributions, with reflexes from insolvency proceedings into the insolvency contingency fund. The claims protected by the insolvency contingency fund include amongst others actual wages, severance pay, holiday- and dismissal indemnities, damage claims and supplementary pension systems. As a rule, open claims include only those which were accrued up until a maximum of six months before and three months after the start of bankruptcy proceedings. In 2004 38,000 employees were affected by insolvencies. In 2004 the total amount of insolvency contingency money and contribution payments, this fund made to other social systems amounted to EUR 337 million.