

The Austrian Pension System: Its Current Issues, Pension Privileges, and the Latest Developments

Michael Alexa¹, Jindriska Sulistova²

¹KBA Mödling GmbH, Austria

²The Institute of Technology and Business in České Budějovice

Abstract

The subject of this paper is to outline and examine the hot issues in the Austrian Pension System (Although it is not very diverse from the other countries within the EU, the economic background is different. However, the way of dealing with them can prove to be useful for other countries, especially for those with a common history and similar systems). The attention is also drawn to the groups which have so-called pension privileges (which influence the country expenditures) and last, but not the least, the latest developments in this pension system. This contribution also gives suggestions which could be implemented into the new pension system, which is required by the experts to amend the current one.

Keywords: pension, scheme, expenditure, developments

Introduction

This paper briefly analyses the historical, economic and cultural background of the two countries: the Czech Republic and Austria. Since 1520, when Anna of Bohemia married Emperor Ferdinand V from Austria, the Bohemian crown has linked all of the countries together under the Austrian crown (Genersich, 1824). This connection did not really end after WWII. The main trading partners with the Czech Republic in 2012 included Germany, Slovakia, Austria, Poland, the UK, France, Netherlands, China and Russia (factmonster.com, 2015b). The main trading partners with Austria in 2013 were Germany, Italy, Switzerland, Netherlands, the US and France (factmonster.com, 2015a). The agriculture is also comparable. Both countries cultivate wheat, potatoes, sugar beets, fruits, pigs and poultry (factmonster.com, 2015a, factmonster.com, 2015b). The fact that seven of the original 49 members of the Viennese Secession in 1897 (the Association of Austrian Artists) were Czech, shows how strong the cultural link between the two nations has been (Brzyski, 2011). Another fact is that both countries have Celtic roots. The first appearance of the Celts took place in the

Bronze Age (before 800 BC), when their settlements (tumulus – ‘earth mound’) could be found in an area from Bavaria to Bohemia. A Celtic settlement was identified in Hallstatt – Austria during the Iron Age (800 BC to 450 BC)(uni-due.de, 2015).

Pension Austria has a statutory pension system which is based on a PAYG – pay as you go principle. Basically, it means that the people who work pay fees from their salaries. The fees are collected by the state. The people, who have already retired receive those fees. However, Austria has to add a lot of money because the fees collected from the working force do not cover the costs of the pensions. According to the 2012 Pension Adequacy Report, the set retirement age for women is 60 and it is 65 for men. This report also states the conditions for early retirement. As in other many countries, the pension system has drawn a lot of attention, such as in the 1990 Pensionkassen Act or in 2002. The Pensions Funds Act of 1990 is the legal framework which introduces the so-called second pillar for the social security system. The first pillar is the national pension system; the second pillar includes those pension funds which are public limited companies. These companies sign contracts amongst them and the employers. That contract also handles the amount of the contributions paid by the employer and the employees, and, of course, the type of investment allowed (within the legal restrictions). The next Acts focusing on the pension system were the Act on Corporate Staff Provision which dealt with the new severance pay system, in 2004 The Act on Harmonization of Austrian Pension system (came into effect in 2005) and it introduced the following pattern 80/65/45 (IOPSWEB, 2015). It states that if a person has 45 years of insurance, he / she will retire at the age of 65 with 80% of the guaranteed gross rate from those life-time earnings (the EU Commission, 2012). The reform from 2010 gives the exact measures enabling early-retirement (e.g. the long-term contribution period and invalidity periods).

The projections on pension system below show the expenditures of the Austrian Pension System in comparison with other European countries.

As you can see from the chart, the possible working force (aged between 15 and 60) will drop from 62.06% in 2012 to 52.11% of the population in 2050. On the contrary, the possible retirees will rise from 23.44% in 2012 to 34.29% of the population in 2050.

On the other hand, the EU estimates that the public expenditures for the pension system will drop from 13.4% of the GDP in 2004 to 12.2% of the GDP in 2050 as you can see in Tab. 2.

Tab. 1 scenario of the Austrian population until 2050 – including the percentages of the ages

	1960		2000		2012		2050	
	Total	Percentage	Total	Percentage	Total	Percentage	Total	Percentage
Up to 14 years	1.533.923	21.82%	1.371.750	17.14%	1.224.361	14.50%	1.268.372	13.60%
Sum	1.533.923	21.82%	1.371.750	17.14%	1.224.361	14.50%	1.268.372	13.60%
15 to 29 years old	1.461.909	20.79%	1.522.816	19.03%	1.577.255	18.68%	1.474.524	15.81%
30 to 44 years old	1.274.321	18.13%	1.983.428	24.79%	1.790.809	21.21%	1.647.319	17.66%
45 to 59 years old	1.491.906	21.22%	1.497.816	18.72%	1.871.309	22.16%	1.738.887	18.64%
Sum	4.228.136	60.14%	5.004.060	62.53%	5.239.373	62.06%	4.860.730	52.11%
60 to 74 years old	981.714	13.96%	1.066.462	13.33%	1.299.541	15.39%	1.610.839	17.27%
75 plus years old	286.409	4.07%	559.914	7.00%	679.743	8.05%	1.587.051	17.02%
Not classifiable	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Sum	1.268.123	18.04%	1.626.376	20.32%	1.979.284	23.44%	3.197.890	34.29%
Total population (Statistik.at, 2013)	7.030.182	100.00%	8.002.186	100.00%	8.443.018	100.00%	9.326.992	100.00%

Tab. 2. Gross Public Pension Expenditure (% of GDP) – Baseline Scenario

Country	2004	2005	2010	2015	2020	2025	2030	2035	2040	2045	2050	Change 2004-2050
BE	10.4	10.4	10.4	11.0	12.1	13.4	14.7	15.5	15.7	15.7	15.5	5.1
CZ	8.5	8.5	8.2	8.2	8.4	8.9	9.6	10.6	12.2	13.3	14.0	5.6
DK	9.5	9.6	10.1	10.8	11.3	12.0	12.8	13.3	13.5	13.1	12.8	3.3
DE	11.4	11.1	10.5	10.5	11.0	11.6	12.3	12.7	12.8	12.9	13.1	1.7
EE	6.7	7.1	6.8	6.0	5.4	5.1	4.7	4.5	4.4	4.3	4.2	-2.5
GR	:	:	:	:	:	:	:	:	:	:	:	:
ES	8.6	8.7	8.9	8.8	9.3	10.4	11.8	13.4	15.2	16.2	15.7	7.1
FR	12.8	12.8	12.9	13.2	13.7	14.0	14.3	14.8	15.0	14.9	14.8	2.0
IE	4.7	4.6	5.2	5.9	6.5	7.2	7.9	8.5	9.3	10.3	11.1	4.8
IT	14.2	14.3	14.0	13.8	14.0	14.4	15.0	15.6	15.9	15.4	14.7	0.4
CY	6.9	7.0	8.0	8.8	9.9	10.8	12.2	13.5	15.0	16.7	19.8	10.5
LV	6.8	6.4	4.9	4.6	4.9	5.3	5.6	5.9	5.9	5.7	5.6	-1.2
LT	6.7	6.7	6.6	6.6	7.0	7.6	7.9	8.1	8.2	8.3	8.6	1.8
LU	10.0	10.0	9.8	10.9	11.9	13.7	15.0	16.4	17.0	17.7	17.4	7.4
HU	10.4	10.7	11.1	11.6	12.5	13.0	13.5	14.6	16.0	16.9	17.1	6.7
MT	7.4	7.5	8.8	9.8	10.2	10.0	9.1	8.4	7.9	7.5	7.0	-0.4
NL	7.7	7.4	7.6	8.3	9.0	9.7	10.7	11.4	11.7	11.4	11.2	3.5
AT	13.4	13.2	12.8	12.7	12.8	13.5	14.0	14.0	13.4	12.7	12.2	-1.2
PL	13.9	13.7	11.3	9.8	9.7	9.5	9.2	8.9	8.6	8.3	8.0	-5.9
PT	11.1	11.5	11.9	12.6	14.1	15.0	16.0	17.4	18.8	20.0	20.8	9.7
SI	11.0	11.0	11.1	11.6	12.3	13.3	14.4	15.6	16.8	17.8	18.3	7.3
SK	7.2	7.4	6.7	6.6	7.0	7.3	7.7	7.9	8.2	8.5	9.0	1.8
FI	10.7	10.4	11.2	12.0	12.9	13.5	14.0	14.1	13.8	13.7	13.7	3.1
SE	10.6	10.4	10.1	10.3	10.4	10.7	11.1	11.4	11.6	11.4	11.2	0.6
UK	6.6	6.7	6.6	6.7	6.9	7.3	7.9	8.3	8.4	8.4	8.6	2.0
EU15	10.6	10.5	10.4	10.5	10.8	11.4	12.1	12.6	12.9	13.0	12.9	2.3
EU10	10.9	10.9	9.8	9.2	9.5	9.7	9.8	10.1	10.6	10.9	11.1	0.3
EU12	11.5	11.5	11.3	11.4	11.8	12.5	13.2	13.8	14.2	14.3	14.1	2.6
EU25	10.6	10.6	10.3	10.4	10.7	11.3	11.9	12.5	12.8	12.8	12.8	2.2
EU9 (EU10-PL)	8.8	8.9	8.8	8.8	9.3	9.8	10.4	11.1	12.2	13.0	13.6	4.8

(Europa.eu, 2013)

As the authors have mentioned before, the population of the developed world is getting older, but on the other hand, the fertility rate has become lower in those same countries. This situation has been partly solved by the immigrants. However, they bring other problems that are related to their own country of origin, as well as their cultural, historical and economical background.

Materials and Methods

As for the methodology, the analysis of the current and relevant papers has been applied. The reason for this paper is to reflect upon those parts of the Austrian Pension System which have proved to work and to learn from the missteps that have occurred within the country.

The Austrian Pension System deals with a number of difficulties. It would require more space than a size of this article to explain them all. That is why only some of them will be tackled: the retirement age, rising age of the population, fertility rate, cost of pensions, pension privileges.

The Retirement Age

One of the largest problems (which not only Austria is facing) is the fact that the Austrian society is getting older (Statistik.at, 2013). In 1960, only 18.04% of the Austrian population was older than 60. In 2012 the percentage grew to 23.44% and it will be 34.29% in 2050. This rise means that certain steps ought to be taken against this tendency (or tax payers) will be paying more. Joseph Urschitz wrote in an article published in the "Die Presse" newspaper on the 4th October 2012, that the problem of the pension system can only be solved, if the actual retirement age (which is right now below 60 years, around 58 years) will be risen to the statutory retirement age, which is actually 65 years (Urschitz, 2012). As the percentage of the old people is rising, the percentage of the working people is continuously falling (Statistik.at, 2013). In 1960, 60.14% of the Austrian population was aged between 15 and 59. This percentage will continue to fall to 52.11% by 2050.

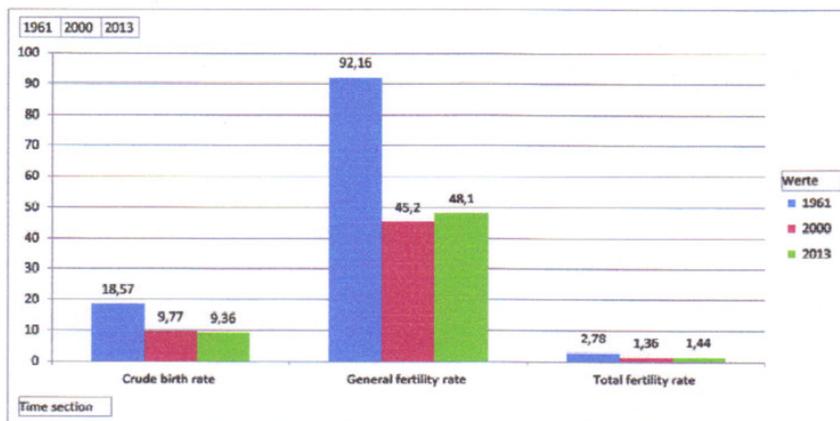
The Rising Age of the Population in Austria

Not only the starting point of the retirement is current, it is also a problem that the population is getting older each year. In 1961 an Austrian man had a life expectancy of 66.47 years. This expectancy grew to 75.11 years in 2000 and in 2011 it was 78.11 years (Statistik.at, 2013). For women the situation looks even worse: they started with 72.84 years in 1961 and it grew to 81.12 years in 2000 and in 2011 it was 83.45 years (Statistik.at, 2013). This also means that men have been catching up with women in the life expectancy.

The Fertility Rate of Austria

One solution to having more working people is to increase the fertility rate in Austria, but unfortunately the opposite thing is happening. The fertility rate of Austria has declined from 2.78 in 1961 to 1.43 in 2011 (Statistik.at, 2013) and to 1.44 in 2013 (Statistik.at, 2015).

Graph 1: Fertility rate in Austria



(Statistik.at, 2015)

This tendency is an unfortunate turn of events in many countries. The political and economic situation in the world, in the country itself, different lifestyle, career life, abroad life opportunities (the broadening the horizons), lowering state support of new families are in charge of it.

The Cost of the Pension System in Austria

The Austrian Government annually spends €9.6 billion for pensions in 2011. Another €4.6 billion is spent on the federal and regional politicians and teachers (Budgetbericht). In addition to that, another €2.1 billion has to be paid for pensions of the ÖBB (Austrian Federal Railway) and €1.2 billion has to be paid for pensions of the Austrian Post (Budgetbericht). Maria Fekter, Austria's Finance Minister, said in an article, published in FORMAT Magazine, that 3.2 million Austrians are receiving money from the state, which includes pension payments, public employees, social help and children-help-receivers. On the other hand, 3.4 million Austrians obtain money from private businesses (Koch and Knoll, 2012). Although Austria has budgetary problems, the budget deficit is still close to the 3% Maastricht margin. The Social security System reduced its debts in 2012 (Schnauder, 2012). The normal pension system is being financed by fees from the employees. These employees pay 10.55% of their monthly salary. The employers pay another 12.55% of the monthly salary (Pensionsversicherung.at, 2012a). However, this percentage is only being paid up to a salary of €4,400 monthly (Pensionsversicherung.at, 2012b). All in all, the fees collected from the employees and the employers cover in total 97.2% of the actual costs of the normal pensions.

Pension Privileges in Austria

There are a lot of groups in Austria which have Pension Privileges. Here are some examples:

- a) The Austrian Federal Railways (ÖBB): a state employee of the Austrian Federal Railways in Austria BEFORE 1996, is an employee of the state of Austria and can use those rights such as receiving 80% of his / her last salary as a pension. Compared with the ordinary workers, their pension has been calculated from the average salary of the last 45 years. In 2006 about 2,000 employees of the Austrian Federal Railways changed from being employees to pension receivers. However, on the other hand, the Austrian Federal Railways hired 13,000 new employees from 2002 (Bauer, 2010). Another impressive detail is the fact that the employees of the Austrian Federal Railways start to receive their pension at an age of 52 years on average (Bauer, 2010). The Austrian Court of Auditors stated that the Austrian Government could save € 920 Million between 2015 and 2050, if the pension system of the "normal federal employees" would also apply to the Austrian Federal Railways. It is also important to mention that the retirement age of the state employees of the Austrian Federal Railways is not rising as quickly as it should. About 90% of the "new"

retirees received their retirement due to diseases which disable them from working. Their retirement age is about 53 years. The remaining 10% have received their retirement because of their age. Their retirement age is about 59 years. Both retirement ages are far away from the 65 years which have been applied to the “common worker” (www.news.at, 2015).

- b) The Austrian National Bank: A person, who joined the Austrian National Bank before 2007, can receive a pension as a “Rentner-Rothschild”. Those individuals will receive 85% of their last salary and only need to work for 35 years, and can then retire at the age of 55 (Bauer, 2010). Although the retirement of the Austrian National Bank employees is paid by the government, the collective agreement of the Austrian National Bank requires that the collective agreement of the banks has employed them instead of the Collective Agreement of the Federal Employees. If this collective agreement is taken into account, the Austrian National Bank could save up to € 80 million from 2015 to 2026. It is also remarkable that – in addition – another €178 million could be saved from 2015 to 2050, if the retirement age of the employees of the Austrian National Bank would be raised. The Austrian National Bank staff could retire at the age of 55 after having worked there for 35 years. The “normal worker” has to work for 45 years – until the age of 65. If the “normal worker” retires earlier, he or she would have to retire earlier; otherwise he or she has to live with a reduction of that pension. Therefore the Austrian Court of Auditors has recommended the introduction of a reduction fee of 3.36% annually, with a maximum reduction of 18% (www.rechnungshof.gv.at, 2014).
- c) The National Insurance System: Austria has 22 different kinds of social insurance. It employs 26,000 employees in total; 16,000 work in the administration and another 10,000 are employed in hospitals, surgeries and rehabilitation-centers. Those employees receive €17,000 annually on average for their retirement. Unfortunately, this amount is only covered from a small amount of fees from these same employees! When the Social Minister Herbert Haupt tried to introduce a fee of 15% of their pensions from already retired persons in 2004, he failed because the employee representatives, unions and the heads of these various types of social insurance were against it (Bauer, 2010).
- d) The Power Industry: The Austrian Power industry has been a very generous employer as for pensions for years, (if not decades). In the middle of the 1990s, many of the Austrian Power industries changed that pension system from generous company pensions to the usual pension system. but the companies paid the newly retired pensioners from €13,000 to €34,000 (Bauer, 2010).
- e) Federal State Employees: Compared to the Government employees who were forced to accept painful reductions in its pension system, a lot of the Federal State Employees did not have this done to them, even though the Federal States agreed to the fact that during the Federal States will

change their pension system in accordance to the Government system during the financial equalization (financial transfer). Some of them can retire with 80% of their last salary; the average retirement age is 53 years (Bauer, 2010). A pension reform has been done in Carinthia where the recalculation period has been raised from 15 years to 34 years; this fact will reduce the pensions dramatically (Ktnv1.orf.at, 2010).

The Latest Developments in the Pension System in Austria

The Austrian Retirement Pension Insurance served about 3.1 million customers on average in 2013. Although the Austrian Retirement Pension Insurance Programme has received €25.4 billion from fees as income, other income has amounted to €2.7 billion, the government of Austria had to subsidize them with an additional €4.6 billion (www.pensionsversicherung.at, 2014). Christopher Prinz, an OECD pensions-expert, demands the Austrians work until the age of 70 so as to enable the pension system to remain financeable. He points out that nowhere else in Europe has the life-expectancy grown so strongly as in in Austria. On the other hand, a lot of reforms have been introduced during the last years, but the political parties need to execute these reforms. It is important for the Working Regulation to end. This will automatically put an end to early retirement. If the reform of the invalidity pension is working as planned, it may cause a lot of unnecessary side effects; it will hardly be possible to rehabilitate handicapped employees, instead of sending them into pension (John, 2012).

On the other hand it could happen that the VfGH (the Austrian Constitutional Court) would abolish a pension reform at the ÖBB which was introduced years ago. This reform, which has been made in 2003/2004, adjusts the ÖBB pensions to those of the pensions of normal workers. Therefore this reform would put an end to the early retirements of the ÖBB. This reform now abolishes (as the VfGH checks on) whether a claim of a former ÖBB worker would be correct if he/she would receive early retirement. If this claim is correct, it would put to an end to all pension reforms, as all the other ordinary workers could also have the same claims. On the other hand, the Constitutional Court has already said that the intervention of those laws which regulate individual contracts between employees and the ÖBB is admissible (Ettinger and Hierländer, 2012). The eligibility age of the Working Regulation was raised by two years in 2014; men will have to work until 62 years old and women will have to work until they are 57 years old. An ÖBB employee, making a claim before the Austrian Constitutional Court, might think that the protection for the reliance on the existing law has been bruised with the rising eligibility age. The social expert Franz Marhold wants explicitly to comment on the chances of that appeal against the ÖBB pension law. He thinks that even in the event of a repeal of the regulation on the grounds that the legitimate expectation of the trust has been violated, it would be considered as "unpleasant", but "not as dramatic". This would depend on the grounds in the Constitutional Court decision in which way the law has to be amended ("Die Presse", 2013). The President Andreas Khol of the ÖVP-elderly (Austrian Peoples Party) said

that if the Austrian Constitutional Court repeals the law which regulates the adjustment of the ÖBB pensions to those of the ordinary workers, no more reform would be made. He is also for the further harmonization of all the pension systems and he is against all of those luxury pensions. The harmonization of all those pension systems has to be done in the future by any new government (Ettinger, 2013).

A monthly pension solidarity fee was introduced by the government for the state employees in 1995: up till 2003 the retired state employees, who earned more than €2,50, had to pay a pension solidarity fee of up to 3.3% monthly of their gross pension, which has been declining from 2003 to 0; that will be reached in 2028. The reason why it is declining is the fact that the State Employees' Pension System is being adjusted to the Ordinary Workers Pension System, which should be reached by 2028. The Social Democratic party demanded a monthly "pension solidarity fee" of 10% of all state employee pensions in 2006, which is higher than €2,505. On the other hand, the State Employees Union demanded the cancellation of the monthly pension solidarity fee below the €2,505 limit ("Die Presse", 2006). The State Employees Union continued to demand the cancellation of the pension solidarity fee for lower incomes in 2011. They said that state employees are worse off than the ordinary workers because they have received dismissal pay; they can go into the corridor pension, etc. When these negotiations take place has not been decided (Oeab.fcg.goed, 2011). Instead of lowering the monthly pension solidarity fee for retired state employees, social minister Rudolf Hundstorfer (of the Social Democratic Party) introduced a rise of the fee by a monthly 6% sum, although the General Accounting Office of Austria claimed a rise from monthly 3.3% sum to monthly 9.9% ("Die Presse", 2012).

On the other hand, the recent government introduced a monthly pension solidarity fee of 3.3% for the Austrian National Bank. This fee has to be paid by all the employees (who retired before 1 January 2013) from 1 January 2013 the monthly pension solidarity fee ONLY amounts to 3% (Ris.bka.gv.at, 2013). This monthly pension solidarity fee of 3% is only half of the monthly future pension solidarity fee of the state employees; it is going to be 6%.

One last item: University Professor Dr. Emmerich Talos gave a speech in 2007 entitled: "Disabled People are at the Edge Meritocracy from the Beautiful Appearance of Integration". One part of his speech took a deeper look at the pensions that disabled people receive. Disabled people (as well as women) are often not pension-insured. The problem is that women and disabled people are often marginally employed. Seeing as marginally employed workers one do not make payments of any fees into the pension systems, therefore they do not collect any months for their pensions, even though they do work. Another difficulty for disabled people is that it is even harder for them to find a job, as employers are not willing to employ disabled people even if there are a lot of governmental subsidies. The consequence will be a huge loss in pension income. The fact can be effectively shown that 400,000 women do not have their own pensions-income by the time they reach the age of 60. What is unfortunately true for women is also true for disabled people as well. Another fact is that the

invalidity pension (which disabled people usually receive) amounted to €730 in 2001, but the average non-invalidity pension amounted to €896.60; that shows a gap of 22.7% (Talos, 2007).

The Latest Developments in the Pension System in Europe

Some of the young people aged between 15 years and 24 years were lucky; they managed to find jobs and, with the help of their parents, they were able to get their own places to live. The way in which this generation is treated those same young people may be find it rather irresponsible of the present older generation that is not prepared to cut back in order to give the younger generation a chance for their pensions in the future. On the other hand, the pensions of the older generations will not be paid anymore money if the younger generation cannot also develop its prosperity, while it is hardly possible to develop prosperity without jobs. The culprits are many: the policy that shirks pension reforms, those workers who are well-off who insist on having everything as a result of the laws that have been introduced, and the economy that has not offered sufficient training places for the training of specialized staff. This is absurd. It is generally known that the demographic time bomb is ticking, and when that clock is even being pushed further ahead with the birth of fewer children. It is a simple economic statement that growth is primarily generated through more people who are gainfully employed. If fewer people are employed, then less money can be spent and therefore the recession will rise. However, on the other hand as of 2014, there are 7.5 million people and “only” 5.1 million young people are without any jobs and 3.41 of those young people are within the Euro zone. This costs the member states in total €153 billion in transfer payments and low productivity (Böhm, 2012).

Another European-wide initiative has been proposed to the European Commission. This initiative demands an unconditional basic income. The aim of this initiative is to ensure a debate about the unconditional basic income debate at the European level and to finally introduce it. It is specifically intended to ensure that the European Commission uses all of its available options in order to clarify the risks associated with the introduction of basic income issues and in regard to this, that the European Commission will coordinate all of the issues with its Member States, which are responsible for social issues (Grundeinkommen.at, 2013). An open letter was written to all of the candidates in April 2014 before the EU parliamentary election and they were asked to take a position on the Unconditional Basic Income in Europe (UBIE) (Grundeinkommen.at, 2015b). In addition to that, a conference was held by the European Economic and Social Forum in April 2014 regarding the UBIE where 180 participants took part from all over Europe. It turned out that the UBIE is very well known in the German speaking countries as well as in the Benelux countries. This particular discussion started there in the 1980s, but a lot of discussion still has to take place in the former Eastern European countries, as to the first book regarding the UBIE was published in the Czech Republic in 2010 (Grundeinkommen.at, 2015a).

What Kind of New Pension System is Need in Austria

The experts demand a completely new pension system for Austria, but it is not completely new, as the one Sweden introduced as a similar system in the 1990s. The budget deficit of Sweden (12% of the GDP in the 1990s) was turned into a budget surplus (4% of the GDP at the beginning of the new century) as a result of this reform (Felderer, 2015). The principle of the Swedish System is easy: First of all, the pension fees which are paid are added to a personal account for each worker. Those fees will then receive interest. The amount of the pension, which each person will receive, will be calculated by a simple division process:

Paid in fees					
-----		=		Pension	
Life expectancy					

This means that if one lives longer, the pension will be lower. On the other hand, the longer one works, the more fees one pays into the system and the higher pension one will be received. The newly suggested system indicates that there is NO fixed date when people are to retire. The people who are now between 40 and 50 years old would have to work up until the age of 70 in order to receive a pension which is similarly high as it is as nowadays for those people who are 65 years old. Of course, it is possible to pay extra money into an additional pension. The state will add some financial contribution also in the new system as well (e.g. for child education, military service and community service). However, those amounts would be immediately visible and therefore individuals would know how long each person still has to work until that person can obtain the pensions they would like to have. If Austria would change the existing system to this new system, it would have to pay for several years, as long as those people live who have paid into BOTH systems. so both systems have to be exist during that period of time.

The representative from the unions and the representative of the president of the Pensioners Association of Austria are not satisfied with this new system. They say that this debate just unsettles the public. On the other hand, the president of the economic chamber is satisfied with this proposal. He thinks that the entry age into the pension system (which is now at the age of 58 years) has to be increased urgently. The age of entry is nowadays three years lower than it was 40 years ago, although life expectancy rose by 12 years during the same period (Krone.at, 2012).

Austria introduced a new Pension system in 2014: the Pensions Account. It was introduced by the 1st January 2014. It is valid for each Austrian, born after the 1st January 1955 (Sozialversicherung.at, 2014a). As a result, the co-author received a letter from the Austrian Retirement Pension Insurance to tell him what he did from the age of 14. The Austrian Retirement Pension Insurance already states how high that pension will be. This amount is only

temporary, as the future deducted fees are not included. The pensions account is valid for all kind of employees, no matter where they are insured. As has already mentioned, all of the working times and all of the paid in fees have to be visible on this account so that the insured person automatically knows how much he has already earned for his or her retirement (Sozialversicherung.at, 2014b). Working people will receive information annually about his pension account. So 1.78% (a percentage, which has been fixed by the Austrian government) from all earned pension fees will be added to the Pensions Account (= partly credit amount). The sum of the paid in fees from previous years will be upgraded and the sum of the actual year will be added to this sum. Then the total amount will be divided by 14 which then results in the amount of the pension (Sozialversicherung.at, 2014c). Due to the fact that the whole system is completely new, each and every person who was born after the 1st January 1955 and had worked at least one month before 1st January 2005, received the first information about their own pension account (Sozialversicherung.at, 2014d). One last point (which is brand new) has to be mentioned: Parents can agree on a so-called voluntarily pensions splitting. This means that the partner who works can give 50% of his annual partly credit amount to the other partner. This can be done for the first for years of the child (Sozialversicherung.at, 2014e).

Conclusion

The Austrian Pension System is based on the so-called generation treaty: the younger generation (the children) pays for the older generation. This system worked as long as there were enough people who were paying into the system and not so many people who were receiving from the system. However nowadays this generation's treaty has a lot of problems: the society is getting older, there are fewer people who work and can pay for the older generation and the fertility rate is decreasing lower and lower.

Social Minister Hundstorfer's statement at the Alpbach Forum (which was published at the *Wirtschaftsblatt* in August 2013) said that if each and every Austrian would only go on to retirement seven days later, his ministry would save €1.3 billion annually. He also said that the Austrians are living five weeks longer each year. Therefore a rise in the age when one is to receive that pension will be inevitable. On the other hand, he said that it will not be a problem to integrate the young people into the workforce, as the number of the young people is steadily declining (*Wirtschaftsblatt.at*, 2013).

Karl Blecha demanded the full inclusion of the retired representatives in the upcoming reform and consolidation debate in 2012. He said that it must be prevented that those who are not responsible for the financial crises must be prevented from carrying the burden to pay these rising debts. Mr. Blecha said that he is concerned about the savings plans from the government. Those would mainly influence elderly people, as the plans would hit the pension system, the health care system, the spending power and the fiscal policy. However, saving is not enough. The economy needs to grow in order to create new jobs. Working

place reform is also required, i.e. to create more jobs for elderly people, where they can work longer (Blecha, 2012).

All in all, the New Pensions' Account which has been introduced in 2014, is a huge step forward into the right direction. For the first time, each and every worker knows what is to be received as a pension when it is time to retire. Individuals will be aware of how long each of them will have to work until it is time to retire for the first time. Of course, there will be a lot of work until the system is working smoothly.

Reference

- BAUER, G., 2012. Österreichs Pensionsparadiese bei Nationalbank, ÖBB & Versicherungsträgern. In *www.profil.at* [online]. 2010 [cit. 26-01-2013]. Available from: <http://www.profil.at/articles/1029/560/273932/oesterreichs-pensions-paradiese-nationalbank-oebb-versicherungstraegern>
- BLECHA, K., 2012. Blecha: Nicht ohne die Pensionisten! In *www.pvoe.at* [online]. 2015 [cit. 15-03-2015]. Available from: <http://pvoe.at/content/blecha-nicht-ohne-die-pensionisten>
- BÖHM, W., 2012. Eine Generation in der Doppelmühle. In *www.diepresse.com* [online]. 2012 [cit. 27-01-2013]. Available from: <http://diepresse.com/home/meinung/kommentare/leitartikel/1319809/Eine-Generation-in-der-Doppelmuehle>
- BRZYSKI, A., 2011. Vienna Secession, Hagenbund, Sztuka, and Manes: Competition and Strategic Collaboration among Central European Art Groups. In *www.artsworld.org* [online]. 2015 [cit. 05-06-2015]. Available from: <http://www.artworlds.org/ab/resources/Publications/Brzyski011.pdf>
- DE.STATISTA.COM, 2015. Jugendarbeitslosigkeit in der EU27 und der eurozone. In *www.de.statista.com* [online]. 2015 [cit. 14-03-2015]. Available from: <http://de.statista.com/statistik/daten/studie/200515/umfrage/jugendarbeitslosenzahl-in-der-eu27-und-der-eurozone/>
- DIE PRESSE, 2006. Beamte in Pension zahlen schon extra. In *www.diepresse.com* [online]. 2006 [cit. 30-01-2013]. Available from: <http://diepresse.com/home/politik/innenpolitik/83515/Beamte-in-Pension-zahlen-schon-extra->
- DIE PRESSE, 2012. Höhere Pensionsbeiträge für Ex-Bedienstete. In *www.diepresse.com* [online]. 2012 [cit. 30-01-2013]. Available from: <http://diepresse.com/home/politik/innenpolitik/1301539/Hoehere-Pensionsbeitraege-fuer-ExBedienstete>
- DIE PRESSE, 2013. Zwei Jahre später in Hacklerfrühpension: "Problematisch". In *www.diepresse.com* [online]. 2013 [cit. 27-01-2013]. Available from: <http://diepresse.com/home/politik/amtshilfe/1329598/Zwei->

Jahre-spaeter-in-Hacklerfruehpension_Problematisch?from=suche.extern.google.at

- ETTINGER, K., 2012. ÖVP-Seniorenchef Khol gegen Luxus pensionen. In *www.diepresse.com* [online]. 2012 [cit. 27-01-2013]. Available from: <http://diepresse.com/home/politik/innenpolitik/1328071/OeVPSeniorenchef-Khol-gegen-Luxuspensionen>
- ETTINGER, K. and J. HIERLÄNDER, 2012. ÖBB-Pensionsreform: "Eine Aufhebung wäre dramatisch". In *www.diepresse.com* [online]. 2012 [cit. 27-01-2013]. Available from: http://diepresse.com/home/wirtschaft/economist/1327805/OeBBPensionsreform_Aufhebung-waere-dramatisch
- FELDERER, B., 2015. Lopatka: Schwedisches Gesundheits- und Pensionssystem Vorbild für Österreich. In *www.ihs.ac.at* [online]. 2015 [cit. 14-03-2015]. Available from: http://www.ihs.ac.at/publications/lib/ots_02202010.pdf
- GENERSICH, J., 1824. Kurzer Abriss der Geschichte Oesterreichs, Boehmen und Ungarn. In *www.archive.org* [online]. 2015 [cit. 05-06-2015]. Available from: <https://archive.org/stream/kurzerabrissderg00gene#page/146/mode/2up>
- GRUNDEINKOMMEN.AT, 2013. Europäische Bürgerinitiative zum Bedingungslosen Grundeinkommen angenommen. In *www.grundeinkommen.at* [online]. 2013 [cit. 30-01-2013]. Available from: <http://www.grundeinkommen.at/index.php/78-netzwerk-grundeinkommen-u-sozialer-zusammenhalt-b-i-e-n-austria/196-ebi-bewilligt>
- GRUNDEINKOMMEN.AT, 2015a. Emancipating EU-Welfare. In *www.grundeinkommen.at* [online]. 2015 [cit. 14-03-2015]. Available from: <http://www.grundeinkommen.at/index.php/themen/286-europ-grundeinkommens-konferenz-2>
- GRUNDEINKOMMEN.AT, 2015b. Offener Brief an die EU KandidatInnen. In *www.grundeinkommen.at* [online]. 2015 [cit. 14-03-2015]. Available from: <http://www.grundeinkommen.at/index.php/themen/283-offener-brief>
- JOHN, G., 2012. OECD-Experte Prinz: Österreicher müssen bis 70 arbeiten. In *www.derstandard.at* [online]. 2012 [cit. 27-01-2013]. Available from: <http://derstandard.at/1356426234102/OECD-Experte-Oesterreicher-muessen-bis-70-arbeiten>
- KOCH, M. and S. KNOLL, 2012. "Ordentlich viel Schotter" – Finanzministerin Maria Fekter über ihre Pläne für die große Steuerreform. In *www.format.at* [online]. 2012 [cit. 23-01-2013]. Available from: <http://www.format.at/politik/ordentlich-schotter-342984>

- KRONE.AT, 2012. Europäische Bürgerinitiative zum Bedingungslosen Grundeinkommen angenommen. In *www.krone.at* [online]. 2012 [cit. 30-01-2013]. Available from: http://www.krone.at/Oesterreich/Experten_fordern_neues_System_ohne_fixes_Antrittsalter-Pensionsreform-Story-335260/index.html
- OEAAB.FCG.GOED, 2011. Beamtenpension: Gewerkschaft erhöht Druck. In *www.oeaabfcggoed.wordpress.com* [online]. 2011 [cit. 30-01-2013]. Available from: <http://oeaabfcggoed.wordpress.com/2011/01/10/beamten-pension-gewerkschaft-erhoht-druck/>
- SCHNAUDER, A., 2012. Österreichischer Staat frisst Lohnzuwächse. In *www.derstandard.at* [online]. 2012 [cited 2013-01-24]. [cit. 23-01-2013]. Available from: <http://derstandard.at/1348284405485/Staat-frisst-in-Oesterreich-Lohnzuwaechse>
- SOZIALVERSICHERUNG.AT, 2014a. Inhalt der Kontomitteilung. In *www.sozialversicherung.at* [online]. 2015 [cit. 14-03-2015]. Available from: <https://www.sozialversicherung.at/portal27/sec/portal/esvportal/content/contentWindow?contentid=10007.684238&action=2&viewmode=content>
- SOZIALVERSICHERUNG.AT, 2014b. Inhalt des Pensionskontos. In *www.sozialversicherung.at* [online]. 2015 [cit. 14-03-2015]. Available from: <https://www.sozialversicherung.at/portal27/sec/portal/esvportal/content/contentWindow?contentid=10007.684237&action=2&viewmode=content>
- SOZIALVERSICHERUNG.AT, 2014c. Kontoerstgutschrift. In *www.sozialversicherung.at* [online]. 2015. [cit. 14-03-2015]. Available from: <https://www.sozialversicherung.at/portal27/sec/portal/esvportal/content/contentWindow?contentid=10007.684239&action=2&viewmode=content>
- SOZIALVERSICHERUNG.AT, 2014d. Pensionshöhe – Geburtsjahrgänge ab 1955. In *www.sozialversicherung.at* [online]. 2015. [cit. 14-03-2015]. Available from: <https://www.sozialversicherung.at/portal27/sec/portal/esvportal/content/contentWindow?contentid=10007.683765&action=2&viewmode=content>
- SOZIALVERSICHERUNG.AT, 2014e. Pensionssplitting. In *www.sozialversicherung.at* [online]. 2015. [cit. 14-03-2015]. Available from: <https://www.sozialversicherung.at/portal27/sec/portal/esvportal/content/contentWindow?contentid=10007.684240&action=2&viewmode=content>
- TALOS, E., 2007. Zur Situation von Menschen mit Behinderungen im aktuellen Wandel der Erwerbsarbeit und sozialstaatlichen Sicherung. In *www.bidok.uibk.ac.at* [online]. 2007 [cit. 30-01-2013]. Available from: <http://bidok.uibk.ac.at/library/talos-sicherung.html>

- URSCHITZ, J., 2012. Rechnung geht an den Steuerzahler! In *www.diepresse.com* [online]. 2012 [cit. 22-01-2013]. Available from: http://diepresse.com/home/wirtschaft/economist/diebilanz/1297176/Pensionen_Rechnung-geht-an-den-Steuerzahler
- WIRTSCHAFTSBLATT.AT, 2013. Hundstorfer: Pensionsantrittsalter erhöhen. In *www.wirtschaftsblatt.at* [online]. 2013 [cit. 14-03-2015]. Available from: http://wirtschaftsblatt.at/home/nachrichten/oesterreich/1446244/Hundstorfer_Pensionsantrittsalter-erhohen
- WWW.AUSTRIA-FORUM.ORG, 2015. Pensionskassen English. In *Austria-Forum-org* [online]. 2015 [cit. 14-03-2015]. Available from: http://austria-forum.org/af/AEIOU/Pensionskassen/Pensionskassen_english
- WWW.BMF.GV.AT, 2013. Budgetbericht 2011. In *BMF.GV.AT / Budget2011* [online]. 2013 [cit. 22-01-2013]. Available from: <http://www.bmf.gv.at/Budget/Budgetsimberblick/Sonstiges/Budgetsimberblick/Budget2011/Budgetbericht.2011.pdf>
- WWW.EUROPA.EU, 2013. Special Report no 1/2006-AnnexEUROPEAN ECONOMY EUROPEAN COMMISSIONDIRECTORATE-GENERAL FOR ECONOMIC AND FINANCIAL AFFAIRS ANNEX The impact of ageing on public expenditure: projections for the EU25 Member States on pensions, health care, long-term care, education and unemployment transfers (2004-2050). In *European Union / Economic Policy Committee* [online]. 2012 [cit. 22-01-2013]. Available from: http://europa.eu/epc/pdf/ageingannex_en.pdf
- WWW.FACTMONSTER.COM, 2015a. Factmonster world > countries – Austria. In *www.factmonster.com* [online]. 2015 [cit. 05-06-2015]. Available from: <http://www.factmonster.com/country/austria.html>
- WWW.FACTMONSTER.COM, 2015b. Factmonster world > countries – Czech Republic. In *www.factmonster.com* [online]. 2015 [cit. 05-06-2015]. Available from: <http://www.factmonster.com/country/czech-republic.html>
- WWW.IOPSWEB.ORG, 2015. *IOPS Country Profile: Austria* [online]. [cit. 14-03-2015]. Available from: <http://www.iopsweb.org/researchandworkingpapers/42368749.pdf>
- WWW.KTNV1.ORF.AT, 2010. Politik – Pensionskürzungen: Widerstand bei den Beamten. In *www.ktnv1.orf.at* [online]. 2010 [cit. 26-01-2013]. Available from: <http://ktnv1.orf.at/stories/471932>
- WWW.NEWS.AT, 2015. Wirbel um ÖBB-Pensionen. In *www.news.at* [online]. 2015 [cit. 05-06-2015]. Available from: <http://www.news.at/a/wirbel-oebb-pensionen>

- WWW.PENSIONSVERSICHERUNG.AT, 2013a. Pensionsversicherungsanstalt / Beitragshöhe. In *www.pensionsversicherung.at* [online]. 2013 [cit. 27-01-2013]. Available from: http://www.pensionsversicherung.at/portal27/portal/pvportal/channel_content/cmsWindow?action=2&p_menuid=6197&p_tabid=4
- WWW.PENSIONSVERSICHERUNG.AT, 2013b. Pensionsversicherungsanstalt / Höchstbemessungsgrundlage. In *www.pensionsversicherung.at* [online]. 2013 [cit. 27-01-2013]. Available from: http://www.pensionsversicherung.at/portal27/portal/pvportal/channel_content/cmsWindow?action=2&p_menuid=5227&p_tabid=5
- WWW.PENSIONSVERSICHERUNG.AT, 2014. Rechnungsabschluss 2013. In *www.pensionsversicherung.at* [online]. 2014 [cit. 05-06-2015]. Available from: <http://www.pensionsversicherung.at/portal27/portal/pvportal/content/contentWindow?contentid=10008.600029&action=b&cacheability=PAGE&version=1403775739>
- WWW.RECHNUNGSHOF.GV.AT, 2015. Bericht des Rechnungshofes – Pensionsrecht der Bediensteten der Oesterreichischen Nationalbank. In *www.rechnungshof.gv.at* [online]. 2014, [cit. 05-06-2015]. Available from: http://www.rechnungshof.gv.at/fileadmin/downloads/_jahre/2014/berichte/teilberichte/bund/Bund_2014_06/Bund_2014_06_1.pdf
- WWW.RIS.BKA.GV.AT, 2013. Bundesrecht konsolidiert: Gesamte Rechtsvorschrift für Pensionsordnungen der Oesterreichischen Nationalbank, Fassung vom 28.01.2013 Druckansicht. In *www.ris.bka.gv.at* [online]. 2013 [cit. 30-01-2013]. Available from: <http://www.ris.bka.gv.at/GeltendeFassung.wxe?Abfrage=Bundesnormen&Gesetzesnummer=20007810>
- WWW.SOZIALMINISTERIUM.AT, 2015. *European Commission Annex Profiles: Pension Adequacy in the European Union 2010-2050* [online]. 2015 [cit. 14-03-2015]. Available from: http://www.sozialministerium.at/cms/site/attachments/0/7/9/CH2267/CMS1343644102547/adequacy_report_country_profiles.pdf
- WWW.STATISTIK.AT, 2013. Beginning of the year population. In *www.statistik.at* [online]. 2012 [cit. 22-01-2013]. Available from: <http://statcube.at/statistik.at/ext/superweb/loadLocale.do?language=en&country=>
- WWW.STATISTIK.AT, 2014. Austria. Data. Figures. Facts. In *www.statistik.at* [online]. 2014 [cit. 14-03-2015]. Available from: <http://www.statistik.at/web.en/searchresults/index.html>
- WWW.STATISTIK.AT, 2015. Demographic indicators. In *www.statistik.at* [online]. 2015 [cit. 14-03-2015]. Available from: <http://statcube.at/superwebguest/login.do?guest=guest&db=def1513>

WWW.STATISTIK.AT, 2011. Population (Stat. yearbook 2010). In *www.statistik.at* [online]. 2011 [cit. 14-03-2015]. Available from: http://www.statistik.at/web_en/searchresults/index.html

WWW.UNI-DUE.DE, 2015. The Celtic background. In *www.uni-due.de* [online]. 2015 [cit. 05-06-2015]. Available from: <https://www.uni-due.de/DI/Background.htm>

Contact address:

Mag. (FH) Michael Alexa, KBA-Mödling GmbH, Koenig und Bauer Strasse 2 – 4, 2344 Maria Enzersdorf, Österreich, *e-mail: michael.alex@kba.com*

Mgr. Jindřiška Šulistová, Department of Foreign Languages, Institute of Technology and Business in České Budějovice, Okružní 10, 370 01 České Budějovice, Czech Republic, *e-mail: sulistova@mail.vstecb.cz*

ALEXA, M. and J. ŠULISTOVÁ. The Austrian Pension System: Its Current Issues, Pension Privileges, and the Latest Developments. *Littera Scripta*. 2015, 8(1), 10–27. ISSN 1805-9112.
