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Unemployment and Pensions Protection in Europe: the Changing Role of Social Partners

Austria



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Unemployment and Pensions Protection in Europe: the Changing Role of Social Partners

Austria

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Executive Summary

Introduction

The present report describes the structure, the importance, the actors and the evolution of occupational welfare (OW) in Austria, focusing on pensions and unemployment provisions.

Based on an overview of the main characteristics of the Austrian welfare state and its tradition of 'social partnership', comprehensive information is given on occupational pensions and welfare schemes protecting employees from the risk of unemployment. Findings collected in interviews with key social partner representatives from both the employees' and the employers' side complete the information.

Austrian OW is not well developed. Notwithstanding attempts to increase the coverage of occupational schemes, especially in the field of pensions, this coverage is still limited to a minority of workers. The recent economic and financial crisis has further limited the interest of social partners and policymakers in occupational pensions.

The report is mainly based on a review of research on the Austrian welfare state, including statistical and administrative data (where available); an analysis of collective branch agreements; and interviews with key stakeholders.

Context information

Compared to international standards, Austria has a well-established "Conservative Corporatist" welfare state. Nearly all labour market participants are covered by statutory social insurance schemes offering a decent level of social protection, especially for people in standard employment. During the recent crisis, the Austrian welfare state proved to be rather robust and fulfilled its functions of both social protection and 'automatic stabilizer' of the economy.

One of the main characteristics of the Austrian welfare state is close involvement of both employers' and employees' organizations in designing public welfare. Furthermore, legislation stipulates a key role of the social partners in the management of public welfare institutions, such as Statutory Pension Insurance. Both policy making methods and the institutional arrangements significantly contribute to the Austrian social partners' focus on public welfare.

In this context, OW is traditionally only of minor importance. Despite an overall 98% coverage rate, only a few collective branch agreements include OW provisions. Where occupational welfare

schemes exist, they are normally based on company agreements negotiated between the employer and the works council established in the company.

Key findings

Company pensions

In the 1980s only 10% of the Austrian workforce was covered by occupational pension schemes. Since then, the coverage has increased to about 30%. Yet compared to 'old', defined benefit (DB), occupational pensions, most new, defined contribution (DC) schemes are far less generous. In recent years, expanding coverage has been limited to newly established schemes for public sector employees.

In 1990, new legislation opened the way to establish private occupational pension funds. The trade unions supported the new legislation, yet, from the very beginning of the debate on expanding capital-based pensions, they emphasized their reluctance to see a general shift from public pay-as-you-go to private funded schemes. Negative experience with shifting pension entitlements from DB book reserve schemes to DC pension fund schemes, including significant pension cuts in the aftermath of the dot-com bubble burst in 2000-2002 and after the financial crisis in 2008/2009, has contributed to this attitude.

Distribution of company pension schemes is very uneven from sector to sector with, for instance, 96% coverage in the financial sector and only 4% coverage in the accommodation and food service sector.

OW in labour market policy

Occupational welfare in this area is rare. Financial support for those who have lost their job is nearly exclusively provided by the Statutory Unemployment Insurance. Only two programmes, subsidized short-time work (STW) and labour foundations, fulfill the OW criteria; in both cases agreement from the social partners is a pre-condition for support from the Public Employment Service. During the crisis, both instruments proved to be very effective. The case of labour foundations is of particular interest in that these provide both passive and especially active labour market policies and have complex, structured governance arrangements involving the social partners, the State, local authorities and even European structural funds.

Conclusion and Outlook

Despite some retrenchment of public schemes, mainly in the area of pensions, the Austrian welfare system is still widely dominated by public schemes and there are few signs that this will significantly change over the years to come.

Despite some increase in the coverage rate of occupational pensions, about 70% of the Austrian workforce is still not involved with such schemes and, particularly for most people employed in SMEs and in low-pay sectors, there is no prospect of being covered by a company pension scheme in the near future. Furthermore, regarding increasing coverage over the past 20 years it has to be kept in mind that many new schemes are based on minuscule contribution-levels, such as 0.75% for civil servants.

A major obstacle to significant extension of company pensions is that, in contrast to the situation in the 1990s, since the 2008/2009 financial market crisis there has been widespread concern in Austrian society as to the risks involved in capital-based pensions. Furthermore, the prospect of very low interest rates on loans for the foreseeable future implies that rates of return will be modest. This makes capital-based pensions much less attractive than was assumed in the 1990s.

Another aspect inducing scepticism as to a significant increase in the importance of occupational pensions is the increasing number of people working in different types of non-standard employment, who by definition are not covered by a company pension scheme.

Some increase in the coverage of occupational pensions would be achieved if many employees were to take up existing options in certain collective branch agreements to transfer part of the wage increase into contributions to a company pension scheme. Yet, as long as trade unions are reluctant to advise their members to do so, there is little prospect that this will work.

Labour market instruments, such as STW and labour foundations, will probably gain in importance in coming years, in the light of worsening labour market prospects.

Further reading and contact details

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1. Introduction

The report aims at describing the importance, the actors and the evolution of occupational welfare in Austria, focusing on pensions and unemployment provisions.

The first two chapters offer an overview of the main characteristics of the Austrian welfare state. Special attention is given to the tradition of 'social partnership' and the interplay between the very dominant public schemes and supplementary occupational schemes. Chapter 3 offers comprehensive information on occupational pensions and occupational welfare schemes protecting employees from the risk of unemployment. Based both on this and interviews with key stakeholders, chapters 4 and 5 contain analytical insights and a short summing up of the results.

The report is mainly based on:

- a review of research on the Austrian welfare state, including statistical and administrative data (as far as available);
- a review of documents from OECD, the EU Commission and Eurofound;
- an analysis of documents and statements from the Austrian Social Partners;
- an analysis of collective branch agreements;
- interviews with key stakeholders.

2. Country's Welfare State

The Austrian welfare state is usually depicted as a corporatist-conservative or Bismarckian welfare regime with a key role played by social insurance and strong social partner involvement (Esping-Andersen 1990).

2.1 Development

The development and expansion of the welfare state and the corporatist system of interest mediation described as 'social partnership' (Sozialpartnerschaft) is closely connected with the political configuration during the post-war period. Most of the time, the two major parties, Social Democrats (SPÖ) and Christian Democrats (ÖVP), with their close relationship to trade unions (SPÖ) and employers' organisations (ÖVP), formed grand coalition governments ⁽¹⁾. Even in

1. 1945-1966 / 1987-1999 / since 2007.

periods of an absolute parliamentary majority of one of the two parties ⁽²⁾, political decision-making was based on compromises rather than on majority decisions. Cooperation between trade unions, employers' organisations and the federal government resulted in compromise on wages and economic and social policies in general and pre-empted industrial conflicts and strikes ⁽³⁾.

From 1970 onwards, social policy development in Austria can be separated into four major phases, which roughly coincide with different governmental constellations. During the first phase from 1970 until the mid-1980s, Social Democratic dominance marked the development of social policies, with an expansion of the welfare state and a prospering economy during the early 1970s.

In the aftermath of this phase until the mid-1990s, the overall pattern of welfare state development was a mixture of welfare state expansion (i.e. introduction of universal care allowance in 1993) and first cutbacks (esp. in the area of public pensions). A milestone in Austrian history was the country's accession to the European Union in 1995. EU membership provided employer organizations with a better bargaining position and greater exit options and generally limited the influence of the social partners. In comparison to the 'Golden Age' of social partnership in the 1960s and 1970s, tripartite interest mediation became overall less important and restricted to fewer policy areas. Immediately after EU accession, in order to reduce the public deficit, the SPÖ/ÖVP government launched two austerity packages (1995 and 1996) containing mainly expenditure cutbacks. Yet, the government maintained cooperation with the social partners, and labour organizations remained powerful enough to block far-reaching retrenchment.

During the third phase, a conservative-right government (2000-2006) took office and the Austrian system of 'social partnership' was overtly challenged. 'Zero deficit' turned into the most important budgetary objective of the right-wing coalition (Hermann and Flecker 2009: 147). In the beginning of this period, trade union influence on government decisions virtually came to an end. Trade unions were excluded from the pre-parliamentary decision-making process. Irrespective of these developments, the well-established collective bargaining system has continued to work. Following serious conflict on public pension reform in 2003, in which the trade unions and public opinion forced the government to step back, the attitude of the conservative-right government towards the trade unions changed somewhat. In 2004, the next step in public pension reform was discussed intensely beforehand both with employer and employee organizations.

Since 2007, when a 'grand coalition' government of SPÖ and ÖVP took office again, Austrian corporatism has largely recovered. Yet, election results both at national and regional level reveal a

2. ÖVP: 1966-1970 / SPÖ: 1970-1983.

3. For a more detailed account see Obinger *et al.* (2010: 24-79).

steady decline of the two 'grand' parties mainly at the expense of a sharply increasing vote for the populist right Freedom Party.

During the recent crisis, the Austrian social system proved to be rather robust and fulfilled both its function of social protection and stabilization of the economy ('automatic stabilizer').

Austria's labour market performance and most social inclusion indicators generally show a rather favourable picture compared to the EU-average. Nevertheless, austerity, poor economic growth and unemployment entail significant pressure on social expenditure. The number of people registered as unemployed has increased significantly and now is at record highs.

2.2 Main characteristics

In the following we list the essential characteristics of the Austrian welfare state:

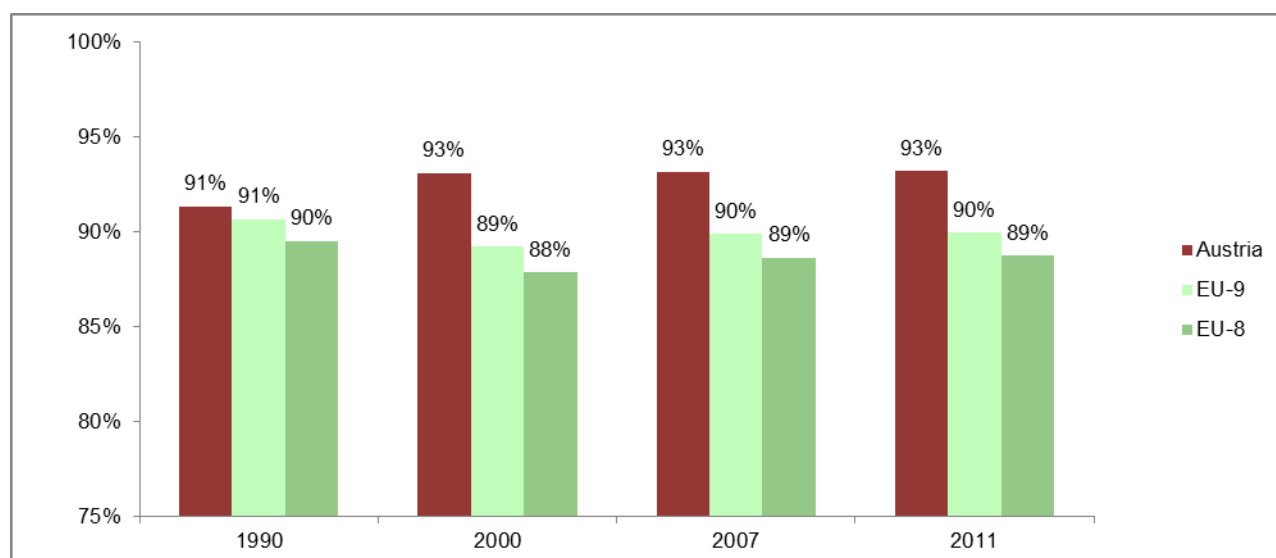
- voluntary cooperation between employer and employee associations and the state;
- high intensity of collective bargaining (about 98% of the workforce covered by collective agreements);
- strong and centralised organisations both on employers' and on employees' side;
- key role of statutory social insurance schemes (pensions, health, work-related accidents, unemployment) with wide coverage rates;
- minor role of universal schemes (family benefits, care allowance);
- minor role of means-tested benefits (student grants, unemployment assistance for long-term unemployed, pension supplement, social minimum income);
- focus on cash benefits (cash benefits account for roughly 70% of social expenditure);
- financing mainly based on contributions to be paid both by employers and employees;
- management of social insurance institutions by self-governing bodies composed mainly of representatives of the social partners.

To a high degree social welfare in Austria is based on public schemes, with social insurance as the most important pillar. During the past decades coverage of statutory social insurance schemes has been expanded step by step. Now, 99% of the population is covered by statutory health

insurance. In statutory pension insurance, compulsory membership applies to almost all types of employment including self-employed (⁴).

Figure 1 shows the role of public expenditure in Austria in comparison to both EU-9 and EU-8. According to OECD SOCX database, in Austria 93% of total social expenditure is public while in EU-9 this is 90% and in EU-8 89%.

Figure 1: Public expenditure as a percentage of total social expenditure (1990-2011)



Source: OECD SOCX database; EU-9: AT, BG, GER, IT, NL, PL, ES, SWE, UK; EU-8 w/t PL.

Table 1 contains a comparison, between Austria, EU-8, EU-9 and OECD, of total public and mandatory private social expenditure per head and as a percentage of GDP.

Table 1: Total public and mandatory private social expenditure (% of GDP / 1990-2011)

	1990	2000	2007	2011
Austria				
per head*	6,149.2	8,483.0	9,466.2	10,195.1
% of GDP	24.5	27.1	26.8	28.6
Average countries 9				
per head	5,277.1	6,624.8	7,640.4	8,285.7
% of GDP	22.3	23.6	23.9	26.2

4. Civil servants have their own systems of public old-age protection. For people earning less than € 406 per month there is no compulsory membership of a statutory pension insurance scheme, yet they can opt in.

Average countries 8 (w/t Poland)				
per head	5,781.3	7,148.3	8,209.9	8,863.1
% of GDP	23.3	24.0	24.5	27.0
oecd average				
per head	4,080.2	5,375.3	6,409.0	7,077.5
% of GDP	17.9	19.2	19.5	22.1

Source: OECD SOCX database; constant prices and PPPs (2005) in USD.

2.3 Old-age and unemployment - the specific risks under scrutiny

2.3.1 Pensions

Taxonomy

The Austrian pension landscape is widely dominated by public pensions. According to the Austrian Institute for Economic Research (Url 2012), in 2010 89% of all pensions paid out were public and only 4% were from occupational schemes.

Table 2: Taxonomy of Austrian pension landscape

	<i>Type of pension</i>	<i>Membership</i>	<i>Financing</i>	<i>Share of total pension payments (2010)</i>
1 st pillar (public)	Statutory Pension Insurance	Compulsory	Pay-as-you-go	89%
	Civil Servants' Schemes	Compulsory	Pay-as-you-go	
2 nd pillar (occupational)	Pension fund schemes	Voluntary (mainly company agreements)	Funded	4%
	Group insurance / collective insurance	Voluntary (mainly company agreements)	Funded	
	Book reserve schemes	Voluntary	Partly funded (50% securities)	

3 rd pillar (private)	Life insurance	Voluntary	Funded	7%
	State-aided pension provision (‘Prämienbegünstigte Zukunftsvorsorge’)	Voluntary	Funded	
	Voluntary supplementary insurance in Statutory Pension Insurance (‘Freiwillige Höherversicherung’)	Voluntary	Pay-as-you-go	

Source: Author’s own elaboration; Data: Url (2012).

The administration of the Statutory Pension Insurance is carried out under the self-government principle by public law entities ⁽⁵⁾. Decision-making bodies are composed of representatives of both employers’ and employees’ organisations.

Statutory Pensions – evolution

For more than two decades now, reform of statutory pension schemes has been the key topic of social policy debate in Austria.

Beginning in the mid-1980s, a wide range of reforms has been voted in Parliament with the main goals to contain public expenditure and to adapt public pension schemes to demographic change and increasing life expectancy.

Generosity of both statutory pension insurance and of special public pension schemes for civil servants has been significantly reduced. Yet compared to international standards replacement rates are still at a high level. In cases of later retirement and a full working career the public schemes offers high replacement rates for the next generation too.

5. Austrian social security has been run on the principle of ‘self-government’ ever since its inception, with the sole exception of the period from 1939 to 1945.

Main reforms of statutory pension insurance (2000-2015):

- extension of the assessment base (best 15 years to lifelong earnings);
- reduction of pension credits granted per year of insurance (2% to 1.78%);
- increase in deduction for early retirement (3% to 5.1% per year);
- restricting access to early retirement (60 to 62 for men; 55 to 62 ⁽⁶⁾ for women);
- launch of defined benefit individual (notional) pension accounts: acquired rights were transferred into these accounts in 2014.

Furthermore, pension rights offered by special public schemes for civil servants were aligned with the pension rights offered by the statutory pension insurance for other employees (full effect for new entrants into civil service from 2005 onwards).

Data show that until the 2008/2009 crisis the cost containment goal was widely achieved: in 1990, total expenditure on public pension insurance amounted to 10.5% of GDP, in 2008 it was 10.3%. As a result of the GDP-decline in 2009 and subsequent low growth rates, this rate has now increased to 11.7% in 2014.

What about long-term cost projections? Calculations in the EU Commission's Ageing Report 2015 clearly show the tremendous impact of the above-mentioned reforms. Despite massive population ageing and further increases in life expectancy, only a slight increase of public pension expenditure is expected. The current level of 13.9% of GDP of total public pension expenditure (statutory pension insurance + civil servants' pensions) is expected to increase to 14.7% in 2035. For 2060, the forecast is 14.4%.

In recent years, public pension reforms have mainly aimed at increasing the effective retirement age ⁽⁷⁾. In 2012, a reform package based on a social partner agreement (Bad Ischler Dialog 2011 - 'Anhebung des faktischen Pensionsalters') has been adopted in Parliament. The main elements are a restricting of access to early retirement schemes and the establishing of rehabilitation and re-training programmes instead of the granting of the former temporary disability pensions.

Another very important recent reform of statutory pension insurance is the transfer of all acquired rights into the individual (notional) pension accounts established in the 2004 reform. In 2012, the

-
6. Early retirement at the age of 62 will only become applicable to women in the 2020s. Until 2023 women can draw old-age pensions (without deduction) at the age of 60. Over the period 2024-2033, women's retirement age of 60 will be aligned to men's retirement age of 65 (based on a parliamentary vote in 1992).
 7. In 2014, for old-age and early-retirement pensions it is 63.2 for men and 59.8 for women (Hauptverband der österreichischen Sozialversicherungsträger 2015a: 73).

transfer rules were voted in Parliament. In 2014, the transfer was accomplished. As a result, from now on benefit calculation and the impact of the actual retirement age are transparent and simple to understand.

Statutory Pension Insurance – current state

In the following (Table 3) we present the main characteristics of the Austrian pensions system.

Table 3: Statutory Pension Insurance - Overview

Coverage	All people in employment (incl self-employed) ⁽⁸⁾
Types of benefits	Old-age pension Early retirement pension Special early retirement pension for those doing arduous work Invalidity pension Survivors' pension
Benefit calculation	Defined benefit: for each year of insurance 1.78% of earnings is credited to the person's individual notional pension account (adjusted in line with wages)
Benefit level	See table 4
Means-tested top up ('Ausgleichszulage')	For those in need, low level pensions are raised to - € 883 (singles) and to - € 1,324 (couples) per month (2016)
Progression of benefits	In line with inflation
Retirement age	Old age pension 65 (men) / 60 (women) ⁽⁹⁾ Early retirement 62 ('Korridorpension') ⁽¹⁰⁾ Arduous work pension ... 60

8. People receiving unemployment benefits, sickness pay, etc., are also covered. People in employment but earning less than € 415.72 per month (2016) are not covered by compulsory insurance. However, they have the right to opt in.

9. Based on legislation from 1992, the retirement age for women will be increased to 65 between 2024 and 2033.

10. As long as the retirement age for women is lower (see footnote 12) they have the possibility to retire earlier

Deduction/Bonus for early/late retirement	Deduction	5.1% for each year before 65/60 ⁽¹¹⁾ (1.8% per year for arduous work pensions)
	Bonus	4.2% for each year after 65/60 ⁽¹²⁾ (maximum 3 years)
Financing	Pay-as-you-go (75% contribution / 25% taxes) ⁽¹³⁾	
Contribution rates	22.8% (12.55% employer / 10.25% employee)	
Contribution ceiling	€ 68,040 per year (2016)	
Administration	Corporations under public law (state supervision) Principle of self-government: Leading role of trade union and employer representatives in the governing bodies Separate corporations ('Versicherungsträger') for employees, the self-employed and farmers	

Source: Author's own elaboration.

For average wage earners with full working careers, Austrian Statutory Pension Insurance allows the retiree, to a great extent, to maintain his standard of living after retirement (see Figure 2).

Yet there is an enormous difference between career patterns. The enormous gender pension gap reflects the fact that benefit calculation is closely linked to working careers. Austrian women on average still earn much less than men and often have long career interruptions or working time reductions because of children. The combination of lower wages, much higher part-time rates, more career breaks and lower retirement age leads to a situation where the pension gap is even higher than the earnings gap.

11. See footnote 4

12. See footnote 4

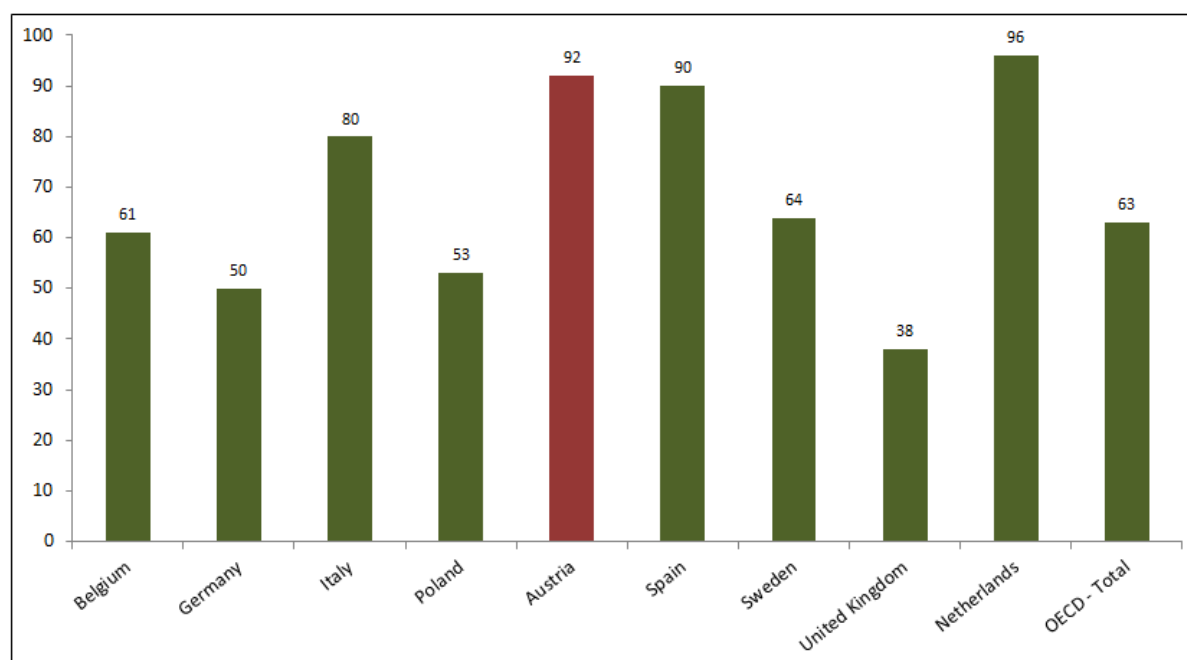
13. Statutory Pension Insurance legislation foresees that it is up to the federal state budget to cover the difference between revenue from contributions and total expenditure ('Ausfallhaftung des Bundes'). Thus, the share of tax financing varies from year to year depending on revenue from contributions and on the trends in pension expenditure. It has to be noted that the share of tax financing differs widely between statutory pension insurance for employees, the self-employed and farmers, the farmers having the highest share and the employees the lowest.

Table 4: Level of public pensions: Statutory Pension Insurance (old-age and early retirement pensions awarded in 2014)

	men			Women		
	25%	50%	75%	25%	50%	75%
	received less than Euro (gross) per month*					
Overall	1,539	2,070	2,716	719	1,074	1,539
Blue-collar workers	1,401	1,762	2,093	573	858	1,131
White-collar workers	2,064	2,667	3,072	887	1,324	1,860
Self-employed	1,363	2,071	2,710	826	1,147	1,868
Farmers	767	1,096	1,620	592	820	1,141

* incl means-tested top up ('Ausgleichszulage'); 14 payments per year.

Source: Hauptverband der österreichischen Sozialversicherungsträger (2015b).

Figure 2: Net replacement rate for people with full career on constant average earnings (2015)

Source: OECD Pensions at a glance (2015a: 145); values are based on the assumption that he/she is single, entry age 20, national retirement age.

Occupational Pensions (see 3.1)

Traditionally, supplementary occupational pensions are of minor importance in Austria. In the 1980s only 10% of the workforce was covered. At that time, almost all company pension arrangements were direct pension commitments by employers (book reserve schemes).

Meanwhile, pension fund schemes have become the most popular type of occupational pensions and coverage has increased to now reach about 30% of the workforce.

Yet, over the past 10 years coverage extension has been widely restricted to the public sector and to companies outsourced from the public sector.

2.3.2 Labour Market and Unemployment protection

Labour market policy in Austria is the result of close interaction between governmental (federal and Länder) and non-governmental organizations. The social partners are involved in drafting and implementing legislation and in decision-making in the Public Employment Service.

Public Employment Service (PES)

The PES is structured into 1 federal, 9 regional and 104 local organisations. Representatives of employers' and labour organisations (Economic Chamber, Chamber of Labour, ÖGB, Federation of Austrian Industry) are involved at all levels and are instrumental in designing labour market policies and in monitoring the organisation's corporate governance.

The PES is responsible both for the administration of UI and for active labour market policy. It works under the mandate of the minister for social affairs.

Financing of PES activities is based on UI contributions (¹⁴). The contribution rate is 6% (3% employer, 3% employee).

Main tasks of PES:

- providing unemployment benefits (based on the legal provisions on UI);
- placement of workers in jobs;
- training and upskilling (in line with labour market needs);

14. Some additional funding for active labour market activities comes from public budgets, from the European Social Fund and the European Globalisation Fund.

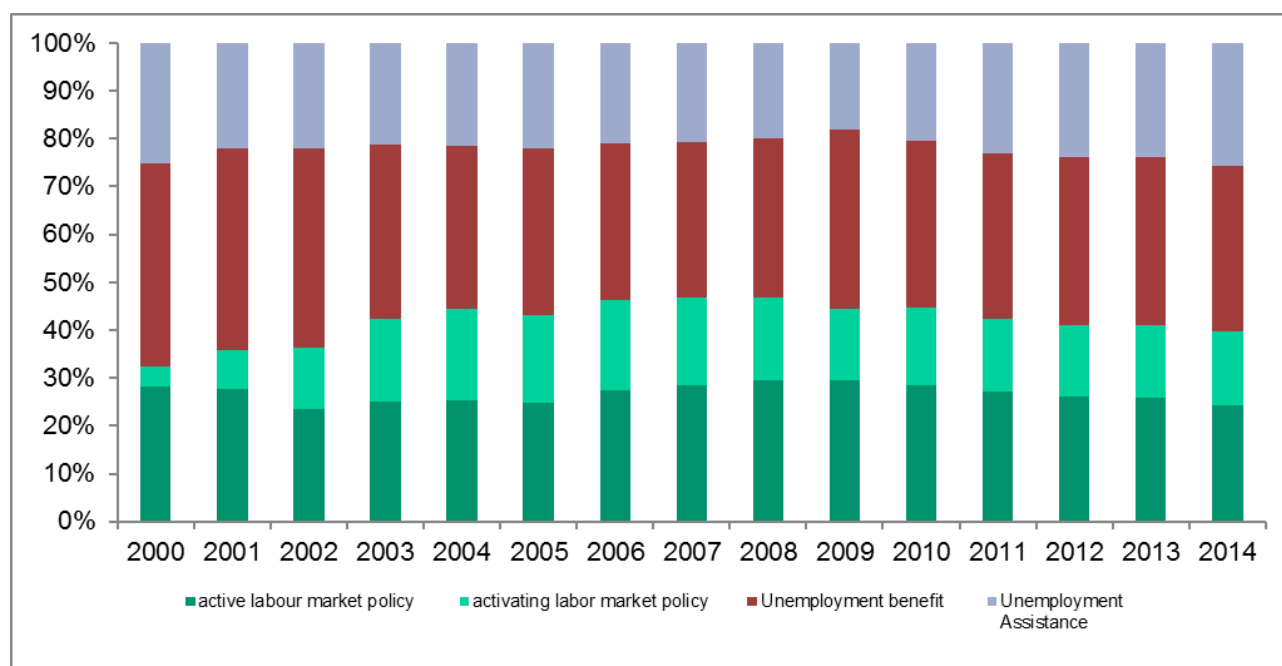
- providing support to eliminate obstacles to the placement of workers;
- saving jobs in companies (if this is in the interest of an active labour market policy);
- other labour market policies, such as the admission of third-country nationals to the labour market.

The organization model of PES is based on the idea that an effective labour market policy requires a joint approach by trade unions, employers and the government and appropriate consideration of regional characteristics. Accordingly, PES is a three-tiered organization comprising federal, Länder and regional levels, with the social partners involved across all three levels.

Passive / active labour market policy

Public spending data show the key importance of passive measures. Only one third of the public labour market budget is spent on active and activating LMP (see Figure 3). This proportion is pretty stable over time, even though rising unemployment rates automatically push up expenditure on financial support for the unemployed.

Figure 3: Structure of public labour market policy spending in Austria (2000-2014)



Source: BMASK (2016).

Statutory Unemployment Insurance (UI)

The core benefits provided for the unemployed are:

- unemployment benefit ('Arbeitslosengeld'); and
- unemployment assistance ('Notstandshilfe').

Both are based on the insurance principle and funded by UI contribution.

Entitlement requires 52 weeks of insurance within the past 24 months. For persons under the age of 25, it is 26 weeks within the last 12 months. Being able and willing to work is another precondition for getting 'Arbeitslosengeld' or 'Notstandshilfe'.

Unemployment benefits amount to 55% of previous net income (60% if the unemployment benefits do not exceed € 883 per month). If the qualifying conditions are fulfilled, additional family supplements are granted.

Once the maximum period for receiving unemployment benefit has run out, it is possible to claim 'Notstandshilfe', which amounts to 92% (in some cases 95%) of unemployment benefit. Yet, 'Notstandshilfe' is reduced if there is partner income within the household.

Unemployed persons not entitled to benefits from UI have the possibility to claim the so-called 'Mindestsicherung'. This benefit is only granted if the applying person (and his partner) has neither income nor realisable wealth.

Taxonomy

Table 5: Statutory Unemployment Insurance / Social Minimum Income

	Name	Coverage	Eligibility Criteria	Duration	Replacement rate	Funding
UI	Unemployment benefit ('Arbeitslosengeld')	All employees except civil servants and employees working only a few hours a week (wage below € 413 per month (2016))	Employment for at least 52 weeks within the past 2 years (less for the young) Being able and willing to work	Between 20 and 52 weeks (according to the claimant's age and the length of employment) Extension possible if claimant takes part in activating programmes	55% of net income 60% if benefit is lower than € 883 per month (2016)	6% contribution shared equally between employer and employee

UI	Unemployment Assistance ('Notstandshilfe')	Long-term unemployed once unemployment benefit has expired	Unemployment benefit has run out Being able and willing to work Means-test (consideration of partner income)	No time limit (but beneficiaries have to reapply every year)	92-95% of the unemployment benefit (reduction if there is partner income etc)	
	Social minimum income ('Mindestsicherung')	All citizens (universal needs-based minimum income)	No means No employment available (for those able to work)	No time limit	€ 883 per month (2016) (reduction if there is income, partner income or wealth)	Taxation

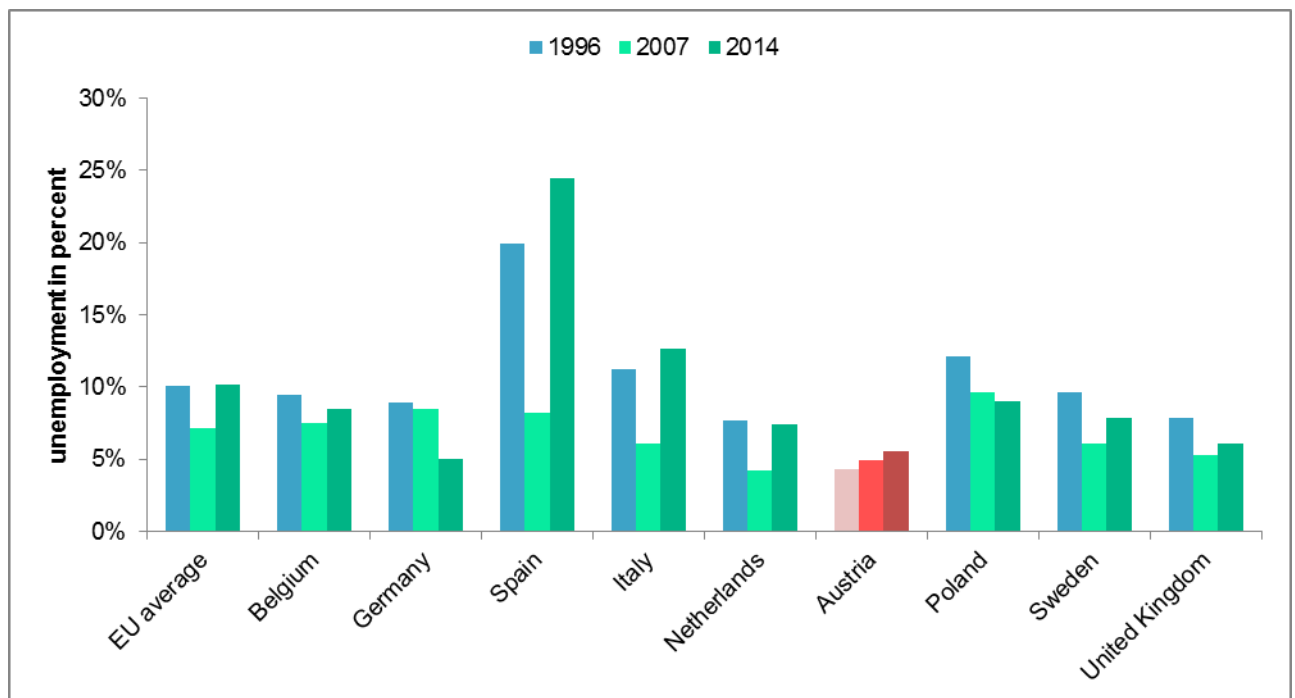
Source: Author's own elaboration.

Since 2008, so-called 'Freie Dienstnehmer', i.e. self-employed persons in a comparable situation to that of employees, are also affiliated to the UI scheme. Self-employed people, since then, have the possibility of opting in.

Impact of the crisis

In its first response to the crisis, the Austrian employment policy turned out to be very effective. In 2009, two labour market stimulus packages ('Arbeitsmarktpaket I+II') were voted in Parliament focusing on stabilizing employment, improving qualifications and strengthening private incomes. One of the key instruments was subsidized short-time work which was made more generous (see 3.2.1). It was widely used to mitigate short-time fluctuations in employment.

Compared to most other countries the Austrian unemployment rate is still relatively low (Figure 4). Furthermore, the number of people in employment is increasing.

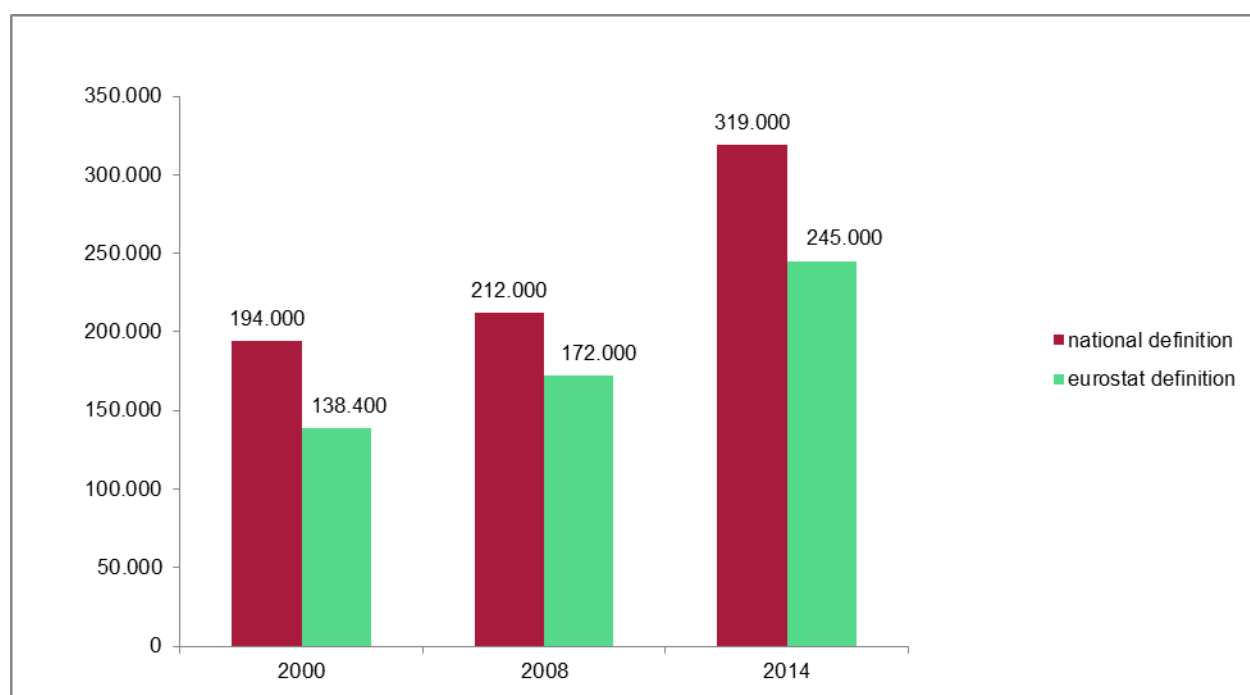
Figure 4: Unemployment rates (1996 – 2007 – 2014)

Source: AMECO database (2016); own graph

Nevertheless, the number of unemployed has reached record highs (see Figure 4). And in the context of persisting low growth rates and increasing labour supply (because of immigration, increasing female participation and increasing effective retirement age), economic forecasts indicate a further rise of unemployment over the years to come.

Figure 5 and Table 6 reveal that national unemployment figures differ substantially from the Eurostat figures. According to the national definition, nearly 320,000 people were unemployed in 2014 (people registered as unemployed at PES). According to Eurostat the corresponding figure was only 245,000.

Figure 5: Number of unemployed people in Austria (both national and Eurostat data/ 2000 – 2008 - 2014)



Source: AMECO database (2016) / Statistik Austria (2016); own graph

Table 6: Unemployment rate in Austria 2000 – 2008 – 2014 (both national and Eurostat data)

	<i>national definition</i>	<i>Eurostat definition</i>
2000	5.8%	3.6%
2008	5.9%	4.1%
2014	8.4%	5.6%

Source: AMECO database (2016) / Statistik Austria (2016)

Opinions on how to handle the problem of high unemployment differ widely. Trade unions call for more flexibility in fiscal rules in order to allow more public investment, as well as more stimulus for economic growth. On the other side, employers' organizations mainly call for more flexibility in the labour market and for the lowering of non-wage labour costs. Such differing opinions also exist within the coalition government, with the SPÖ widely sharing the trade unions' view and the ÖVP the employers' approach.

It has to be noted that the crisis and substantial increase in labour supply are not the only factors that put the labour markets under stress. Furthermore, there are societal and economic developments, 'such as the need for increased flexibility by both employers and workers, [which] have resulted in the emergence of new forms of employment across Europe' (Eurofound, 2015, 1).

Unfortunately, many of these new forms of employment are precarious implying the danger of labour market segmentation, a phenomenon affecting Austria too. So far, the Austrian policy response to this trend mainly consisted in integrating non-standard employment such as atypical self-employment into statutory social insurance.

2.4 Industrial relations

2.4.1 Social partnership

A distinctive feature of the Austrian industrial relations system is the scope and influence of 'social partnership'. This is based on voluntary cooperation between employers' and employees' associations (collective bargaining) and between employers' and employees' associations and the state.

Tripartite consultation/cooperation in policy making and preparing new legislation mainly exists in areas such as labour law, labour market policy and social protection. In other policy areas such as taxation or education there are also well developed structures for consulting the 'social partners' and other relevant stakeholders.

'Social partnership' is neither anchored in the Austrian Constitution nor laid down in a specific act. It was formed on a voluntary and informal basis and still relies upon bipartite and tripartite negotiations and consultations and the 'good will' of the partners involved.

2.4.2 Main actors

The main actors on the employees' side are the Austrian Trade Union Federation (ÖGB) and the Chamber of Labour (AK). On the employers' side it is the Austrian Federal Economic Chamber (WKO).

The **Austrian Trade Union Federation** (Österreichischer Gewerkschaftsbund / ÖGB) was established in 1945 and since then is the only trade union federation in Austria. Party-political differences of trade union members are reflected in political groups organised within the ÖGB.

For about 20 years, there has been an ongoing decline in trade union membership, which has slowed down since the beginning of the crisis. In 2013, according to OECD data, trade union density was 27%. Over the past decade the coverage rate has declined by about ten percentage points (see Table 6).

In contrast to the overall trend, GPA-djp and GÖD have managed to increase their membership in recent years.

The Chamber of Labour (Kammer für Arbeiter und Angestellte / AK) requires compulsory membership for all private sector employees, stipulated in the Chamber of Labour Act. It acts as a close ally of the trade unions.

On the employers' side, the **Economic Chamber** (Wirtschaftskammer / WKO) is the most powerful organisation. The Economic Chamber Act rules that all private business enterprises are members of this chamber or of one of its many sub-organisations.

Alongside the Economic Chamber, there is only one big employers' association: the **Federation of Austrian Industry** ('Industriellenvereinigung'), which has voluntary membership. It is not directly involved in the Austrian social partner structure.

2.4.3 Industrial relations – overview

Table 7: Industrial relations in Austria – overview (2000 – 2007 – 2013)

	2000	2007	2013
*Union density ⁽¹⁾	36.6%	29.9%	27.4%
*Employers' density ⁽²⁾	100.0%	100.0%	100.0%
*Collective bargaining coverage ⁽³⁾	98.0%	98.0%	98.0%
Dominant bargaining level	Bargaining predominantly takes place at the sector or industry level; almost all collective agreements are negotiated at multi-employer sectoral level between the trade union (ÖGB/affiliated union) and the sectoral sub-organisation of the Economic Chamber, with its compulsory membership for all companies.		
Type of representation at the enterprise level	Employees of companies with at least 5 steadily employed persons have the right to elect a works council to represent their interests vis-à-vis the employer. The main rights of the works council consist in information, consultation and intervention rights including the right to negotiate binding company agreements.		
Main trade union organisation	ÖGB comprises seven affiliated unions. The largest and most powerful are the Union of white-collar-workers, graphical workers and journalists (GPA-djp), the union of workers in the production sector (PRO-GE – Produktionsgewerkschaft) and the union of public services (GÖD – Gewerkschaft öffentlicher Dienst).		
Main employers' organisations	Economic Chamber (Wirtschaftskammer / WKO) Federation of Austrian Industries (Industriellenvereinigung / IV)		

1. net union membership as a proportion of wage and salary earners in employment
2. compulsory membership for all companies
3. adjusted coverage rate: employees covered by collective (wage) bargaining as a proportion of all wage and salary earners in employment with the right to bargaining, expressed as a percentage, adjusted for the possibility that some sectors or occupations are excluded from the right to bargain.

Source: Author's own elaboration (data: Visser J., ICTWSS database 5.0, 2015).

2.4.4 Collective Bargaining at branch level

In Austria, collective agreements are essentially confined to the private sector ⁽¹⁵⁾. Almost all collective agreements are negotiated at multi-employer sectoral level between the trade union and the sectoral sub-organisation of the Economic Chamber, with its compulsory membership for all companies. The signing of a collective branch agreement by the Economic Chamber means that every company doing business in this industry is 'automatically' covered by the agreement.

Together with the social partner culture and the legal rule that every person employed in a company subject to a collective branch agreement is covered by this agreement (irrespective of the person's affiliation to the signing trade union) explains the very high coverage rate of about 98% of all employees in the private sector.

Over the past decade, a slight increase in collective bargaining coverage can be observed. Collective agreements have been signed in some previously uncovered sectors and branches, such as health, social services and adult education.

For those few employers not directly covered by a collective branch agreement, Austrian legislation foresees two types of procedures, the extension order ('Satzungserklärung') and the minimum pay setting ('Mindestlohntarif'). Both are dealt with by the Federal Arbitration Board ('Bundeseinigungsamt'). Due to the high direct coverage rate, only a small proportion of employees are covered in such a way.

Collective bargaining mainly focuses on issues such as minimum wages, bonuses, working time and periods of notice (blue-collar workers). Traditionally, OW is not among the key issues of collective bargaining. Collective branch agreements regarding company pensions are rare, and there are no branch agreements comprising financial support for the unemployed. The main reason for this is that in both areas strong statutory social insurance schemes exist, with the social partners involved in designing, financing (via contributions to be paid both by employers and employees) and managing the public schemes.

15. Wage setting in the public sector is negotiated in procedures similar to the private sector, with the trade union for public sector employees on the one side and the public authorities on the other. Yet, formally it is not a collective agreement that is negotiated but legislation. Thus Parliament has the final say in wage setting in this area.

2.4.5 Collective Bargaining at company level

Austrian labour law foresees collective bargaining at company level also. In precisely defined areas, employees' representatives (works councils / 'Betriebsräte') are authorized to negotiate legally binding company agreements ('Betriebsvereinbarung') with the employer.

The regulatory competence for company agreements mainly applies to issues such as fixing the daily working hours, the length and scheduling of breaks, the establishment of flexible working time arrangements ('Gleitzeit') or the fixing of framework rules for the employment of posted workers.

Establishing a company pension scheme is another possible topic for a company agreement. To come to such an agreement, the approval both of the employer and of the works council is needed.

Company pension legislation foresees that in companies where a works council is established pension fund schemes and collective insurance scheme have to be based on a company agreement.

2.4.6 Workplace representation

The legal framework for works councils (election procedure, rights and duties) is laid down in the Labour Constitution Act (Arbeitsverfassungsgesetz / ArbVG). Normally, works councils are set up for white-collar and blue-collar workers separately. The main rights of the works council consist in information, consultation and intervention rights including the right to negotiate company agreements.

2.4.7 Industrial action

Austria has extremely low levels of industrial action. Most years, there are essentially no strikes at all (Table 8). 2003 was an exception, with the unions combating plans for far-reaching retrenchment of public pensions.

Table 8: Working days lost through industrial action in Austria (1999-2008)

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Austria	0	2,947	0	9,306	1,305,466	178	0	0	0	0

Source: ILO (2016), Austria, 9 C.

2.4.8 Impact of the crisis

As a first reaction to the 2008-2009 crisis, an even closer cooperation between the social partners emerged. Very quickly, counter-measures such as subsidized short-time arrangements ('Kurzarbeit') were established. The government, in close cooperation with the social partners, brought forward two labour market stimulus packages (see 1.3.2.5) and some income tax relief in order to stimulate consumption. By all sides, 'social partnership' was seen as a remarkable asset for successfully overcoming the crisis.

Nevertheless, disputes between employees' and employers' organisations soon arose especially on macro-economic issues. What policy to blame for the crisis? Which groups should shoulder the cost? How to respond to the public debt increase? Is the main priority to quickly cut back public debt or to stimulate investment and consumption?

By accepting the Fiscal Compact and its accompanying regulations, Austria followed the European pathway for dealing with the crisis. To reach the goal of rapid deficit reduction, two austerity packages were launched. The first was in the beginning of 2011, with expenditure cuts spread over many areas, combined with some revenue enhancements such as a new bank levy and tax increase on mineral oils. The second package was launched in the beginning of 2012. As in the first one, there were measures concerning both the expenditure and the revenue side. This time, expenditure cuts were focused on specific areas such as pensions, where reduced progression in public pensions was stipulated for 2 consecutive years, and the state premium for private pension saving ('Prämienbegünstigte Zukunftsvorsorge') was halved from 9.25% to 4.25%.

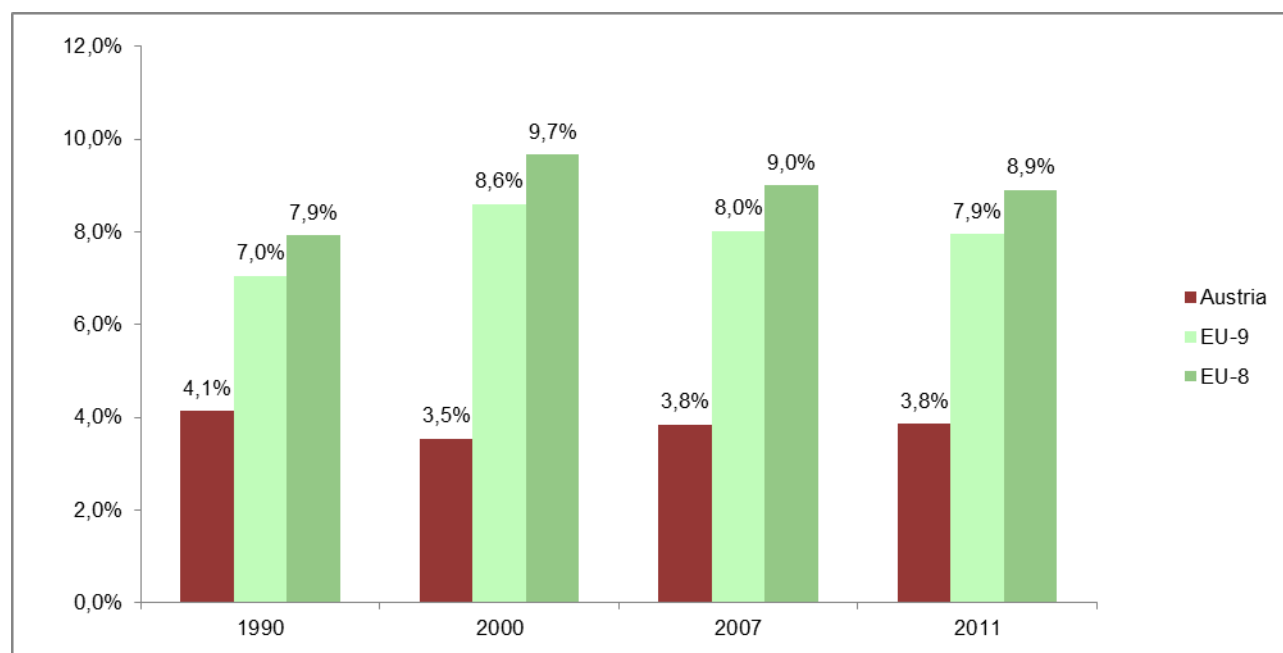
In spring 2015, a tax reform, mainly called for by the trade unions to compensate 'cold' progression and to stimulate consumption, was approved in Parliament. The new tax rules have taken effect from the beginning of 2016.

Regarding the impact of the crisis on unemployment see 1.3.2.5

3. The interplay between public and occupational welfare (OECD data)

Based on the OECD SOCX database Figure 6 shows the very limited role of private social expenditure in Austria. Basically, it has to be seen as a sporadic supplement to extensive public welfare programmes. It is worth noting that since 1990, its share in total social expenditure has even declined, from 4.1% to 3.8%.

Figure 6: Voluntary private social expenditure (% of total social expenditure / 1990-2011)



Source: OECD SOCX database; EU-9: AT, BG, GER, IT, NL, PL, ES, SWE, UK; EU-8 w/t PL.

Table 9 gives an overview of the composition of social expenditure in Austria. Low voluntary private spending is the result of the interplay between public and private protection.

Nevertheless, looking at voluntary private expenditure in more detail, some shortcomings of the OECD SOCX database emerge. For most categories of spending, the data shows unrealistically low (see health) or even non-existent (see family) private expenditure.

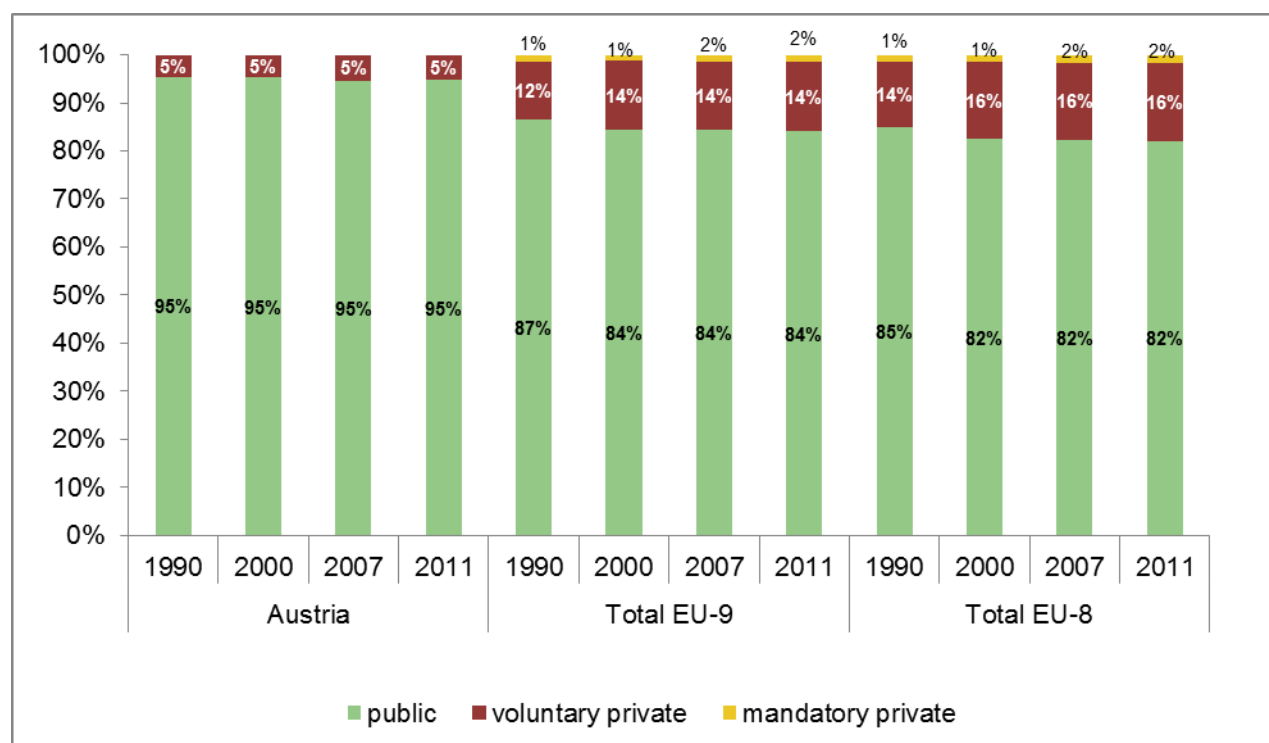
Table 9: Social expenditure as a % of GDP by source and branch (1990-2011)

<i>source</i>	<i>Branch</i>	<i>1990</i>	<i>2000</i>	<i>2007</i>	<i>2011</i>	<i>dif. 2011- 1990</i>
Public	Old age	8.9	10.4	10.7	12.0	3.0
	Survivors	2.6	2.3	1.9	1.9	-0.7
	Incapacity related	2.6	2.8	2.3	2.4	-0.3
	Health	5.0	6.1	6.4	6.7	1.7
	Family	2.6	2.8	2.6	2.7	0.1
	Active labour market programmes	0.3	0.5	0.7	0.8	0.4
	Unemployment	0.9	0.9	0.9	0.9	0.0
	Housing	0.1	0.1	0.1	0.1	0.0
	Other social policy areas	0.3	0.2	0.3	0.3	0.0
	Total	23.4	26.1	25.9	27.7	4.3
	OECD average	17.5	18.6	18.9	21.4	3.9
mandatory private	Old age	..	..	..	..	..
	Survivors	..	..	..	..	..
	Incapacity related	1.2	0.9	0.8	0.9	-0.3
	Health	..	..	..	..	..
	Family	..	..	..	..	..
	Active labour market programmes	..	..	..	..	..
	Unemployment	..	..	..	..	..
	Housing	..	..	..	..	..
	Other social policy areas	..	..	..	..	..
	Total	1.2	0.9	0.8	0.9	-0.3
	OECD average	..	1.0	0.9	1.0	..
voluntary private	Old age	0.4	0.5	0.6	0.7	0.2
	Survivors	..	..	..	..	..
	Incapacity related	..	..	..	..	..
	Health	0.6	0.5	0.5	0.5	-0.2
	Family	..	..	..	..	..
	Active labour market programmes	..	..	..	..	..
	Unemployment	..	..	..	..	..
	Housing	..	..	..	..	..
	Other social policy areas	..	..	..	0.0	..
	Total	1.1	1.0	1.1	1.1	0.1
	OECD average	..	2.0	2.1	2.2	..

Source: OECD SOCX database.

Looking at expenditure on old age protection, OECD SOCX data show that, compared to EU-8/EU-9, private spending in Austria, at only 5%, is much lower and not increasing.

Figure 7: Expenditure on old age by funding source (1990-2011)



Source: OECD SOCX database.

4. OW in the field of pensions and unemployment

4.1 Occupational pensions

4.1.1 Overview/coverage

As shown above (1.3.1.3.) the Austrian public pension system offers high replacement rates, especially for those in standard employment. This, and the strong involvement of social partners in designing, financing and administering Statutory Pension Insurance, to a great extent explains why supplementary occupational pensions are of minor importance.

In the 1980s only 10% of the Austrian workforce was covered by occupational pension schemes. Since then, the coverage has increased to about 30%. Yet compared to 'old' (defined benefit) occupational pensions most new (defined contribution) schemes are far less generous. Url (2012) summarises his research on the development of occupational pensions in Austria with the remark

that there is increasing coverage combined with shrinking benefit levels. In 2010, Austrian companies on average spent 1.1% of their total wage bill on company pensions.

There is no legal obligation for companies to establish an occupational pension scheme. In most cases, existing schemes are based on company agreements, negotiated between the employer and the works council.

Collective branch agreements, negotiated between trade unions and employers' organizations, only exist in a few sectors (banks, paper industry, universities). Some company schemes too, especially in companies outsourced from the public sector, are based on collective agreements negotiated between the trade union and the employer (see Annex 1).

Main types of occupational pension schemes:

- pension fund schemes;
- group insurance / collective insurance and
- book reserve schemes.

Until 1990 book reserve schemes were the dominant form followed by life insurance schemes.

In 1990, in the aftermath of huge problems with the financing of some book-reserve schemes and at a time of growing popularity of the 3-pillar-concept launched by the World Bank, new company pension legislation was voted in Parliament offering the possibility to establish occupational pension funds.

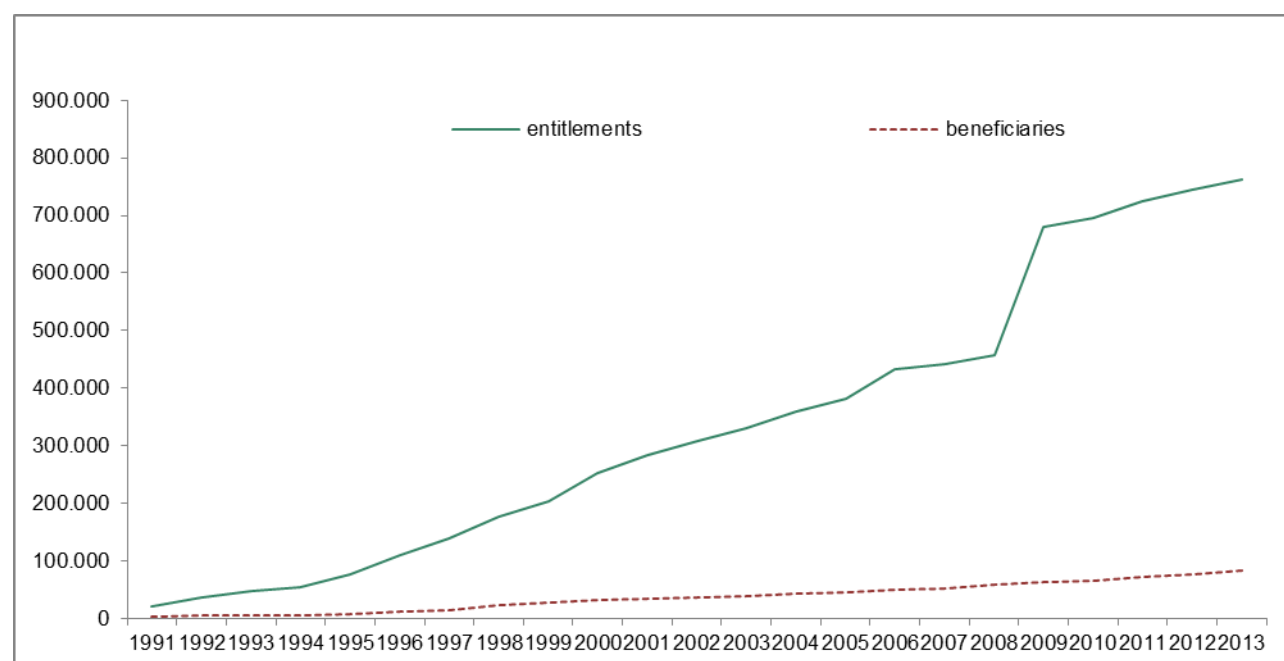
Based on the new legislation, in the beginning of the 1990s, private pension funds ('Pensionskassen') were established. Then, within a few years pension fund schemes became the most widespread type of company pensions.

Apart from minuscule new group insurance schemes and some new book reserve contracts, almost all new company pension schemes signed within the past 20 years are pension fund schemes. Up to now, even collective insurance schemes, for which special legislation has existed since 2005, have not been able to attract significant membership.

Now, there are 7 multi-employer pension funds and 8 single-employer pension funds ⁽¹⁶⁾. All except one of Austria's multi-employer pension funds are under the ownership of private banks and insurance companies. There are no pension funds with the social partners or the unions as shareholders.

Increasing coverage is best reflected by the fast increasing number of employees with occupational pension entitlements in pension funds (Figure 8).

Figure 8: Entitled persons and beneficiaries of a pension fund scheme (1991-2013)



Source: FMA (2015); Anwartschafts- und Leistungsberechtigte; own graph.

It has to be noted, that most of the increase in the number of entitled persons registered within the past 10 years comes from newly established schemes in the public sector, both at national and at regional level ⁽¹⁷⁾.

4.1.2 Distribution

Research from the Austrian Economic Research Institute (Url 2012) indicates a strong industry bias of company pensions. Figure 11 shows that occupational pension schemes are most prevalent in

16. Employers with more than 1,000 employees can establish such a fund.

17. In former times, because of very high replacement rates offered by statutory civil servants' schemes, supplementary pension schemes did not exist in the public sector. In exchange for the trade unions' acceptance of a substantial reduction of replacement rates from the public schemes, public authorities agreed to establish supplementary company pensions (yet based on very low contributions such as 0.75% for employees working for the federal government).

the banking and insurance sector, while in industries such as accommodation and food services or construction companies, such pensions hardly exist.

Figure 9: Percentage of companies with and without a pension plan within an industry (2010)



Source: Url (2012); own graph.

Research further shows that coverage very much depends on the size of the company. While big companies often offer occupational pensions, SMEs in most cases do not. In our interviews too, both employers and trade union representatives pointed out that in SMEs occupational pension schemes hardly ever exist (see 4.1.4).

Regarding the distribution of occupational pensions, other criteria are also of key importance, such as:

- level of earnings (some occupational pension schemes only cover employees earning more than the contribution ceiling for Statutory Pension Insurance, most schemes foresee differing contribution rates for earnings below or above that ceiling);
- length of service (most Austrian occupational pension schemes foresee a vesting period of 3 years, entailing the de facto exclusion of non-members of the permanent staff of the company).

As there is no research providing detailed information on the distribution of occupational pensions, it is difficult to give precise information on coverage in the two sectors under scrutiny in this report.

Nevertheless, based on information from pension funds and on interviews (see 4.1.4.), it can be said that there is higher coverage in the automotive industry. In this sector, big companies such as BMW Austria or General Motors Austria have established occupational pension fund schemes. In the retail and trade sector, and even in some big companies, such schemes do not exist. Vesting periods in combination with less stable employment relationships in the retail and trade sector add to the difference between the two sectors.

4.1.3 Legislation

In 1990, following two years of intense negotiations, special legislation on occupational pensions was voted in Parliament, on the basis of an agreement between the social partners:

- the Occupational Pension Act ('Betriebspensionsgesetz') stipulates labour law related rules for different types of occupational pensions; and
- the Pension Fund Act ('Pensionskassengesetz')¹⁸ comprises provisions regarding the establishment and the running of pension funds, including co-determination rights for employee and retiree representatives

Over the past 25 years, there have been some changes to occupational pension legislation. Most of these amendments have been to provisions regarding pension funds, such as the liberalization of investment rules, abolition of a minimum-rate-of-return guarantee, increasing flexibility for employers' contributions, etc.

As pension fund schemes have become the most popular, the following remarks mainly refer to this type of company pensions.

Pension fund legislation

- Legal form: joint stock company (Aktiengesellschaft);
- Investment and risk sharing groups: in multi-employer funds for groups of at least 1,000 members, separate investment and risk sharing groups can be established;
- Worker representation in the fund: Both employees and retirees have the right to elect representatives to the supervisory board of the fund (legislation stipulates that shareholders' representatives must be in the majority in the body);

18. It has to be noted that what is called 'Pensionskasse' in Austria differs greatly from what is called 'Pensionskasse' in Germany.

- Employee participation at company level: Pension fund schemes have to be based on a company agreement negotiated with the company's works council (individual contracts are only allowed if there is no works council);
- Defined contribution / defined benefit: pension funds may offer both defined benefit and defined contribution schemes (nearly all new contracts are defined contribution);
- Employers' contribution: Legislation foresees that at least 50% of the contribution has to be paid by the employer ⁽¹⁹⁾.

Employees' contribution: employees can pay an additional contribution on a voluntary basis (legislation stipulates that employees have the right to stop paying contributions whenever they want) Legislation furthermore foresees that shifting pay into contributions to an occupational pension scheme ('Entgeltumwandlung') is only accepted if expressly permitted in a collective agreement. If there is no such permission, the deferred pay remains subject both to income tax and to social security contributions

- Vesting period (for employer contributions): since 2012, up to 3 years has been allowed in new schemes; most schemes established before 2012 contain a vesting period of 5 years;
- Investment rules: Pension fund legislation in its original version from 1990 stipulated a 30%-maximum for investment in shares. This legislation then was changed to reach a 50%-maximum by 2000 and a 70% maximum by 2005. If the pension fund guarantees a minimum yield, investment in shares is still limited to a maximum of 50%;
- Minimum rate of return: Pension fund legislation originally stipulated a minimum rate of return (average over the preceding 5 years) to be guaranteed by the pension fund. This guarantee was abolished by amendments to pension fund legislation in 2003/2005, much to the anger of trade unions and works councils, which had signed pension fund schemes in the belief that there would be a guaranteed minimum rate of return;
- Payment of pensions: Throughout the retirement period, pension capital accumulated during employment remains in the pension fund (no switch to annuities). Pension benefits are recalculated each year reflecting:
 - the effective rate of return on pension capital invested;
 - assumed interest rates ('Rechenzins') for calculating the original pension amount; and
 - actuarial developments.

19. For earnings not exceeding the contribution ceiling for public pension insurance (€ 68,040 per year / 2016) employers' contribution rates vary between 0.75% and 3.0%. For earnings above that ceiling, the employers' contribution rates tend to be higher.

To counterbalance volatilities on the financial markets, in years of high investment return pensions funds have to build up a 'volatility reserve'.

- Duration of pension payment: The fund has to pay monthly payments until the death of the retiree (lump sum payments are only allowed if pension capital accumulated in the fund does not exceed € 11,700 at the end of an employment relationship or at retirement)
- Indexation of pensions: In defined contribution schemes the amount of a pension is recalculated each year based on the current value of the pension capital and on further life expectancy
- Volatility reserve: In order to compensate for potential investment losses, pension fund legislation foresees a volatility reserve of between 10 and 20% of pension liabilities financed from contributions paid to the fund (input into the volatility reserve takes place in years with high investment-return)

Role of EU legislation

Most impact came from the Pension Fund Directive (2003) which required more liberal investment rules and from the Directive on the Acquisition and Preservation of Supplementary Pension Rights (2014) which entailed the reduction of the maximum length of vesting periods from 5 to 3 years.

The trade unions took a critical stance towards the liberalisation of investment rules, referring to capital market risks. On the other hand, the reduction of vesting periods was welcomed. From the employers' side there was no objection to the investment rules of the pension fund directive. Regarding the reduction of vesting periods, some employer representatives pointed to the fact that many Austrian companies traditionally regarded occupational pensions as a loyalty bonus. Thus, by reducing the possibility of vesting periods there is a risk that companies could lose their interest in offering such pensions.

4.1.4 Taxation

The present sub-section presents information about the tax treatment of occupational pension funds in Austria.

Contribution paid by the employer

The employer's contribution to a pension fund is tax-deductible (up to a maximum of 10% of the wage sum). Furthermore, no additional wage-costs (social security contributions) have to be paid. On the employee's side, the contribution paid by the employer is not considered as taxable income (no income tax, no contribution to social security). Yet an 'insurance tax' of 2.5% of the contribution has to be paid. Both pension capital in the pension fund and return on investment are tax free. Pension benefits resulting from the employer's contribution are fully taxed as earned income (but there is no contribution to social security). Thus, apart from 2.5% 'insurance tax', the contribution paid by the employer is treated according to the EET principle.

Contribution paid by the employee

Tax treatment of the contribution paid by the employee is less favourable, since it has to be paid from after-tax income⁽²⁰⁾. The only tax incentive is a 4.25% state premium granted for contributions amounting to a maximum of € 1,000 per year. Regarding 'insurance tax' and tax treatment of investment returns in the fund, the same rules apply as for the employer's contribution. Pension benefits resulting from an employee's contributions of up to € 1,000 per year (the state premium granted) are free of income tax. For benefits resulting from exceeding contributions another rule applies: 25% of the benefit is treated as taxable income, 75% not. Thus a somewhat modified TEE principle applies to the employee's contribution.

Political debate

For many years now, occupational pension providers have been calling for a switch to EET rules for employee contributions. However, mainly based on the argument that such a change would significantly affect public budgets, this never has been accepted by the legislator⁽²¹⁾.

Another controversial issue is deferred pay ('Entgeltumwandlung'). Legislation stipulates that wages shifted from direct pay to contributions to an occupational pension scheme are only

20. Until the 2015 tax reform, employees' contributions were treated as a 'special expense' and attracted a 25% tax relief up to a limit of earnings.

21. Furthermore, there is a fear that the principle of equal treatment would entail similar tax rules for contributions to private pension plans, at least for persons not covered by an occupational scheme (which would lead to a further negative impact on public budgets).

ineligible for income tax (and social security contributions) if certain pre-conditions are fulfilled and if it is permitted by a collective branch agreement. In recent years, in some collective branch agreements such permits have been signed (see Annex 1). Unfortunately, so far no data is available on the use of deferred pay options at company level. Probably, usage is low. The ÖGB opposes 'Entgeltumwandlung' arrangements, arguing that in most cases such arrangements turn out to be negative for the employee because of both direct pay loss and loss of public pension entitlement.

4.1.5 Ups and downs of pension fund schemes

In the 1990s, both mainstream economists and many pension experts fiercely promoted occupational and private pensions, referring to the World Bank's 3-pillar-model. Together with growing uncertainty as to the long-term sustainability of 1st pillar pensions, this led both to an increasing coverage rate for occupational pensions and to an increasing volume of premiums paid for private pensions.

Trade unions supported the 1990 occupational pension legislation. However, they fiercely opposed ideas to partly replace defined benefit public schemes by defined contribution occupational schemes based on the accumulation of pension capital, warning against capital market risks.

Over the 1990s, when funded pension schemes became more and more popular due to tremendous rates of return on the stock markets, a significant number of new pension fund schemes were established. Furthermore, many former book reserve schemes were transferred to pension funds. In most cases such transfers were based on high rate of return assumptions and accompanied by a change from defined benefit to defined contribution.

The first disillusionment appeared when the dot-com bubble burst and share prices crashed in the period 2000-2002. Between 2000 and 2002, Austrian pension funds experienced investment-returns far below the assumed rates applied to calculate transfer payments from book reserve to pension funds. *As a consequence, many of the pensions concerned then suffered serious cuts, which resulted in many legal disputes and much criticism of trade unions and worker representatives at plant level ('Betriebsräte') who had signed up to the alteration of the 'old' company pension contracts.*

Anger increased in 2003, when new legislation abolished the former pension fund guarantee of a minimum rate of return, in the face of harsh criticism from members of pension fund schemes and from trade unions.

In the aftermath of the financial market crisis in 2008/2009, many pension fund members experienced an even harder blow. Negative rates of return ⁽²²⁾ again entailed pension cuts, this time of up to 20%.

As a result, tripartite negotiations started on how to better protect retirees receiving a company pension from a pension fund. Trade unions called for the re-introduction of some kind of guarantee to avoid all risks falling on the shoulders of employees and retirees. Pension funds fiercely opposed this opinion, pointing to the high cost of a guarantee.

By 2012, new legislation stipulated that pension funds from now on have to offer each member the possibility to switch to a so-called 'guarantee-pension'. Yet, as the design of the 'guarantee pension' is widely seen as being unattractive, few, so far, have taken up this option.

The 2012 legislation furthermore brought some income tax relief for retirees whose pension entitlements were transferred from book reserve to pension funds and then suffered substantial cuts.

Over the period 2000-2015, the Austrian pension funds on average achieved an annual investment return of 3.06% (inflation was about 2% per anno).

4.1.6. Position of trade unions and employers' organizations

Trade unions

From the beginning of the debate on expanding capital-based occupational pensions in the late 1980s, the Austrian trade unions emphasized their reluctance to see a general shift from public pay-as-you-go to funded schemes as stated in the Commission's White Paper on Pensions ('Complementary retirement savings have to play a greater role in securing the future adequacy of pensions'). In recent years, in the light of the problems mentioned above, this position has become even more pronounced.

Nevertheless, there is trade union support for supplementary company pension schemes where employers are willing to shoulder the main cost of running such a scheme.

Employers' organizations

Employers' organizations have a more positive attitude towards occupational pensions. Yet, they strictly oppose the idea of making such schemes compulsory (see 4.1.1.).

22. On average, Austrian pension funds reported minus 13% in 2008.

Collective bargaining rounds

In recent years, in some collective bargaining rounds the employers proposed to devote a share of the agreed wage increase to the building up of occupational pension schemes. The trade unions almost always refused this idea: they see it as disadvantageous for the employees, because such a move would both reduce direct pay and reduce the assessment base for calculating the public pension. Furthermore trade unionists put forward the argument that the financing of public social security suffers from such arrangements.

Yet some collective branch agreements have taken up the option of fixing such a shift from pay increase to company pension contribution at company level (see Annex 1). Unfortunately, there is no data available on how often such options have been used so far. There is no indication of wide use.

4.2 OW in labour market policy

Austria's labour market policy is characterised by close interaction between governmental and non-governmental institutions. The social partners are involved in a great variety of activities ranging from designing and implementing legislation to decision-making in the Public Employment Service (PES).

Occupational welfare, as defined in our study, is rare. Financial support for those who have lost their job is nearly exclusively provided by the Statutory Unemployment Insurance (UI) with its compulsory membership for all employees working in the private sector ⁽²³⁾. Supplementary schemes based on social partner agreements do not exist.

In the context of our study, two programmes are of specific interest:

- subsidised short-time work and
- labour foundations.

In both cases, social partner agreements are a pre-condition for PES support. Thus, such programmes fulfil occupational welfare criteria and will be described below in detail. Moreover, a few remarks are added on financial support offered by trade unions to members who lose their job.

23. There is an exemption for employees with wages below the threshold of € 415.72 per month (2016).

4.2.1 Subsidised short-time work (STW)

Overview

STW refers to temporary reduction of working hours based on a social partner agreement, in order to mitigate short-term fluctuations in employment caused by temporary economic difficulties of a company and to secure jobs.

To partly compensate for the loss of income caused by the lower number of working hours, the employees involved receive short-time working support ('Kurzarbeitsunterstützung') from their employer. For this, the employer receives an STW subsidy ('Kurzarbeitsbeihilfe') from the PES using UI funds. An additional subsidy is granted if the worker receives training while on STW. Part of the training cost is funded by the European Social Fund.

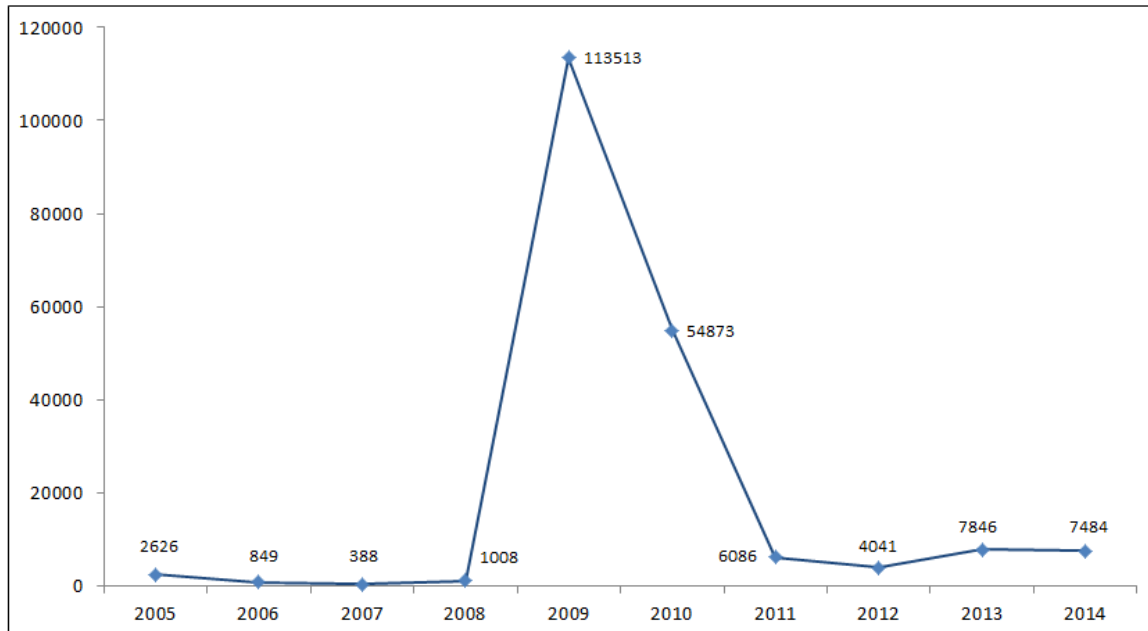
The STW subsidy amounts to a sum at the level of unemployment benefit (plus social security contributions) for the non-worked hours. As a result of bargaining with trade unions and the works council, the 'Kurzarbeitsunterstützung' to be paid by the employer is normally higher. In practice workers receive between 80% and 90% of their former net wage. Support exceeding the level of unemployment benefit is not matched by public subsidy.

There is a long tradition of STW in Austria. Yet, until the crisis it only played a very limited role. In 2008/2009, subsidized short time work became a crucial instrument for securing jobs, as even thriving companies had to reduce their production levels due to the crisis (downturn in the export industry, etc). The existing STW has been adapted to better suit the needs during the recession. On the basis of a draft formulated in close cooperation with the social partners, framework legislation was adopted in Parliament to make such arrangements more attractive. Main changes: the subsidy has been increased, e.g. employers' social insurance contributions are fully refunded by PES from the 5th month of STW and from the 1st month if it is accompanied by upskilling measures. Furthermore, the maximum duration of the subsidy was extended up to 24 months.

Furthermore, since 2009, 60% of the cost of training measures during STW can be publicly subsidised, up to € 10,000 per participant. 30% is financed by PES, 30% by ESF. The employer must cover the remaining 40%.

Figure 10 shows how STW subsidy has developed.

Figure 10: Spending for STW subsidy 2005-2014 (in € 1,000)



Source: BMASK (2013b); BMASK (2015); own graph.

Besides some sectors such as temporary work agencies, in principle all employers are eligible for STW support.

The conditions for granting STW subsidy include:

- the applicant company is in temporary economic difficulties;
- the economic difficulties are caused by external circumstances which are (largely) outside the company's scope of influence;
- the company has used all other alternatives such as reduction of accumulated overtime;
- the company notifies the regional PES office in time;
- the hours not worked must correspond to 10% to 90% of normal working time (the reduction may vary for different groups of employees);
- the company agrees that pay for the hours not worked amounts to at least the level of unemployment benefits;
- the company's application for a subsidy is signed by the trade union and either the works council or, if there is no works council, all short-time workers individually.

A further condition for granting a STW subsidy is the existence of a **social partner agreement** on the STW arrangement, addressing elements such as:

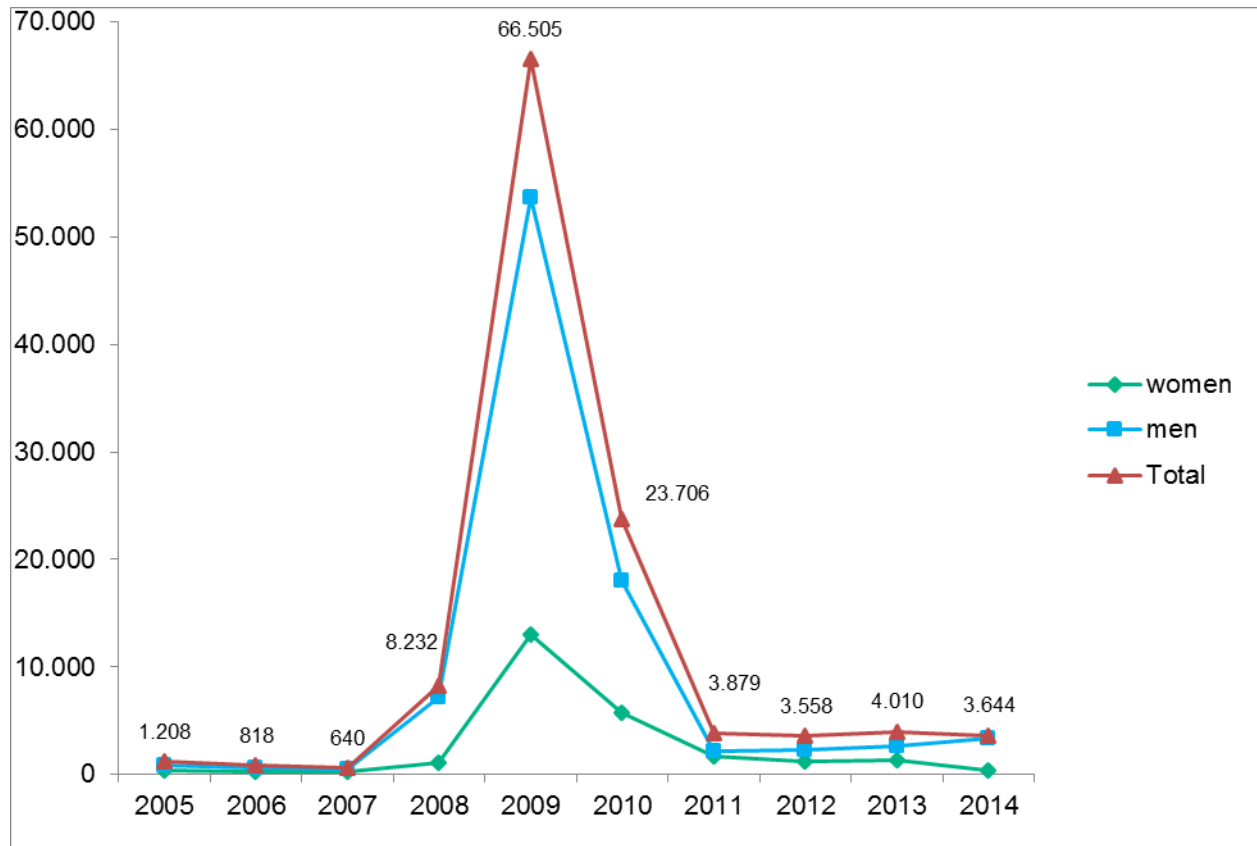
- duration of the programme;
- extent of working time reduction;
- level of compensation to be paid by the employer during STW;
- details of upskilling measures;
- maintenance of the workforce during STW and for a certain agreed period thereafter.

If granted for the first time, the STW subsidy may be drawn for no more than six months. If, after this period, claimants continue to meet the eligibility criteria, it may be extended by a maximum of another six months. The maximum duration in total is 24 months.

Distribution

In October 2008, the first applications for STW subsidies as a result of the crisis were registered. In the following months, a considerable increase was observed. The peak was reached in 2009, when more than 66,500 workers were registered for STW subsidy (Figure 10).

It has to be noted that there was a strong gender bias in favour of the male workforce. In 2009, about 80% of persons on a SWT scheme were male (Bock-Schappelwein *et al.* 2011: 35).

Figure 11: Number of persons in short-time working (2005-2014)

Source: AMS (2016).

STW was highly prevalent in the manufacturing sector. In December 2009, 87% of the persons registered for STW were employed in the manufacturing sector (Table 9).

Sectors under scrutiny: STW usage in the automotive sector is high, whereas in the retail and trade sector it is low (Table 10). Especially during the crisis STW played an important role in the automotive sector to mitigate short-term fluctuations in employment caused by temporary economic difficulties (Table 11).

Table 10: Usage of STW (sectors / Dec 2009)

	<i>employees</i>	<i>companies</i>	<i>no. of persons of each company</i>
AGRICULTURE, FORESTRY AND FISHING	0.0%	0.0%	0
MINING AND QUARRYING	0.3%	0.4%	62
MANUFACTURING	87.1%	61.7%	122
ELECTRICITY, GAS, STEAM AND AIR CONDITIONING SUPPLY	0.0%	0.0%	0
WATER SUPPLY; SEWERAGE, WASTE MANAGEMENT AND REMEDIATION ACTIVITIES	0.0%	0.0%	0
CONSTRUCTION	0.1%	1.7%	7
WHOLESALE AND RETAIL TRADE; REPAIR OF MOTOR VEHICLES AND MOTORCYCLES	3.4%	17.1%	17
TRANSPORTATION AND STORAGE	5.3%	4.6%	100
ACCOMMODATION AND FOOD SERVICE ACTIVITIES	0.0%	0.4%	7
INFORMATION AND COMMUNICATION	0.1%	1.7%	4
FINANCIAL AND INSURANCE ACTIVITIES	0.0%	0.0%	0
REAL ESTATE ACTIVITIES	0.0%	0.4%	0
PROFESSIONAL,, SCIENTIFIC AND TECHNICAL ACTIVITIES	2.8%	4.6%	53
ADMINISTRATIVE AND SUPPORT SERVICE ACTIVITIES	0.7%	6.7%	10
PUBLIC ADMINISTRATION AND DEFENCE; COMPULSORY SOCIAL SECURITY	0.0%	0.0%	0
EDUCATION	0.0%	0.0%	0
HUMAN HEALTH AND SOCIAL WORK ACTIVITIES	0.0%	0.0%	0
ARTS, ENTERTAINMENT AND RECREATION	0.1%	0.0%	5
OTHER SERVICE ACTIVITIES	0.0%	0.4%	5
ACTIVITIES OF EXTRATERRITORIAL ORGANISATIONS AND BODIES	0.0%	0.4%	86

Source: Bock-Schappelwein *et al.* (2011: 39).

Table 11: Usage of STW (automotive and trade sector / 2009-2015)

Persons in STW	2009	2010	2011	2012	2013	2014	2015
Manufacture of motor vehicles, trailers and semi-trailers	11,118	4838	0	14	335	1,762	1,932
Wholesale and retail trade and repair of motor vehicles and motorcycles	363	231	0	0	69	0	0
retail trade, except of motor vehicles and motorcycles	91	17	6	61	0	0	0
Wholesale trade, except of motor vehicles and motorcycles	842	600	85	127	57	67	49

Coverage rates*	2009	2010	2011	2012	2013	2014	2015
Manufacture of motor vehicles, trailers and semi-trailers	36.67%	15.93%	0.00%	0.04%	1.04%	5.42%	0.01%
Wholesale and retail trade and repair of motor vehicles and motorcycles	0.55%	0.35%	0.00%	0.00%	0.10%	0.00%	0.00%
retail trade, except of motor vehicles and motorcycles	0.03%	0.01%	0.00%	0.02%	0.00%	0.00%	0.00%
Wholesale trade, except of motor vehicles and motorcycles	0.48%	0.35%	0.05%	0.07%	0.03%	0.04%	0.03%

Source: AMS (2016) *percentage of participants as a share of employees within sector.

4.2.2 Labour foundations (Arbeitsstiftungen)

Labour foundations were first established in the 1980s as a response to the 'steel crisis' and its effects on VOEST, at that time Austria's largest state owned enterprise, in order to handle the threat of mass unemployment. The main target was to 'soften' the descent into unemployment and to facilitate reintegration into the labour market for laid off persons by offering vocational reorientation, upskilling and reintegration. Since then, the model has been adapted for a variety of industries and regions and has even become a role model for other countries.

A main feature is the involvement of the affected companies and/or regional labour market actors to gear the skills training of unemployed people as much as possible to the requirements of the company and the regional labour market.

One of the strengths of labour foundations is that they usually contain a range of instruments, such as career guidance, various training measures (qualification), active job searches or work experience programmes (Voss *et al.* 2010). Holzer additionally argues that another special feature

of the foundations is their long-term orientation and their consequent sustained employment effects (Holzer 2006).

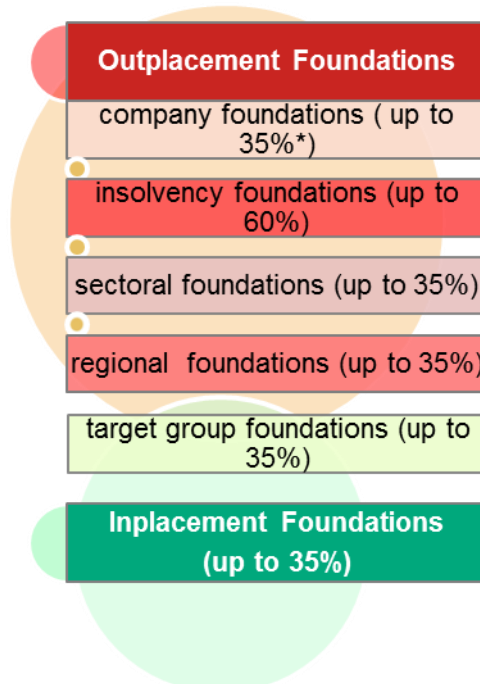
Winter-Ebmer for example has looked at employment and wage gains due to the Steel Foundation in Austria over a five-year period, and has proved the Foundation to be successful in several respects. Trainees could achieve higher wages and also had better employment prospects as compared to the control group (Winter-Ebmer 2003).

One of the key characteristics of a labour foundation is strong social partner involvement. Most of the foundations are designed by the social partners to contribute to the vocational reorientation, upskilling and reintegration of employees who have lost their jobs (or are in danger of losing them). Depending on the type of foundation, it is either launched at the initiative of one or of several enterprises (and thus negotiated at company level) or set up by social partner organizations. After the social partners have reached an agreement, the PES also has to approve the concept.

Types of labour foundations / social partner involvement

There are various forms of labour foundations. The main distinction to be drawn is between outplacement and inplacement foundations; elements of the two categories can, however, be combined (see Figure 12).

Figure 12: Types of labour foundations that are eligible for funding (plus level of funding)



Source: BMASK (2012/2013); authors' own graph; *of the costs eligible for funding from UI.

Outplacement foundations are launched by one or several affiliate undertaking(s), in an early stage of redundancy or pending redundancy for a group of workers. There are various types of outplacement foundations:

- **Company foundation:** launched by a company affected by major staff cuts;
- **Insolvency foundation:** launched by regional or local authorities or another suitable legal entity in the event of insolvency of an enterprise;
- **Sectoral foundation:** established by the statutory employer organisation in order to cushion the effects of economic difficulties within a specific sector;
- **Regional foundations:** launched at the initiative of several companies of a specific region affected by major staff cuts. Such a regional programme also offers access for small and medium enterprises;
- **Target group foundations:** launched by collective bargaining entities of employers and employees to address exceptional economic difficulties of specific target groups such as young job seekers or the elderly workforce by offering tailored training programmes. This type of labour foundation is set up as either an outplacement or as an inplacement foundation.

Inplacement foundations are used to address special manpower shortages to meet employers' special skills bottlenecks. They offer upskilling programmes to unemployed workers followed by job entry once the programme is completed. The aim is to carefully develop and implement tailor-made (re)integration pathways within a comprehensive range of assistance measures.

Depending on the type of foundation, it is either launched at the initiative of one or of several enterprises (and thus negotiated at company level) or set up by social partner organisations. After the social partners have reached an agreement, the PES also has to approve the concept.

Most of the foundations are designed by the social partners.

Funding

All types of labour foundations can be partly funded through the UI budget, with co-financing ranging between 35% and 60% (see Figure 12). For outplacement foundations, funding is available for the cost of career guidance, for education and training, for course-related costs, etc.

Just like STW arrangements (if qualification programmes are included) some labour foundations are provided with co-funding from ESF (e.g. inplacement foundations primarily targeted at workers

aged 45 plus) ⁽²⁴⁾ and, to a minor extent, from the EGF (European Globalisation Adjustment Fund). Unfortunately, published data do not allow a precise assessment of how much funding from these funds was used for STW arrangements or labour foundations. All in all, during the last structural programme period 2007-2013 the ESF provided € 1.2 bn. for active labour market policy in Austria. € 16.9 m. came from the EGF (BMASK 2015: 132).

In the case of regional foundations, local authorities are also involved in funding. In sectoral foundations, the social partner organization involved contributes to funding. A further key element in most labour foundations is co-financing by the companies involved.

The fixing of the concrete financing structure of a foundation is the result of negotiations between the players involved.

During participation, participants receive unemployment benefits. The maximum duration of unemployment benefit receipt may be extended up to 156 weeks (normally the maximum duration is 52 weeks). If training takes longer or if foundation programme participants are 50 plus years old, unemployment benefits may be claimed up to 209 weeks if needed.

Administration

The administrative structure of labour foundations includes the companies involved (plus works council), PES, social partners and local authorities.

Company foundations are often set up as part of a so-called social plan ('Sozialplan'), which is drawn up to prevent or alleviate the consequences of redundancies or restructuring. They can either be agreed on for an entire sector (in the form of a collective branch agreement) or individually drawn up on the basis of an agreement on company level.

Other than labour foundations which are set up on a voluntary basis, social plans may under certain circumstances be implemented against the employer's will by appealing to a conciliation office set up for that purpose.

24. The first ESF co-financing dates back to the time of Austria's entry into the EU in 1995, when a sectoral foundation was launched by the social partners in order to help unemployed people formerly working as customs clearance agents.

Eligibility criteria for participants

Participation in a labour foundation is voluntary. Yet, further on, the participants' attendance is compulsory. They have fixed 'working times' for career orientation, education and training, help for job search, etc.

Basic preconditions for participation in outplacement foundations are that the participants nominated by the company involved cannot be placed in other jobs (subject to applicable suitability criteria), or that their placement is unlikely without upskilling. They must also meet the entitlement conditions for unemployment benefits.

Unemployed people can participate in an inplacement foundation if one of the following LMP eligibility criteria is met:

- there is no current manpower requirement at another recruiting enterprise that can only be met by the unemployed person in question
- the skills enhancement and the job promised by the inplacement foundation are expected to provide a sustainable solution to the participant's employment problems.

Participation is conditional on developing a jointly agreed training plan (involving future employer, foundation provider and programme participant) which describes the intended upskilling measures and the duration of practical training. This training plan must be signed by all the parties involved and approved by PES.

Since participants may enrol in long-term programmes of up to 3 years (or up to 4 for participants aged 50 plus), training courses of several years are possible.

Labour foundations as an instrument to combat the crisis

Labour Foundations have proved to be a very useful tool to combat crisis-related restructuring. Besides providing a way to deal with crisis-related staff cuts, they avoid the stigma of unemployment.

In 2009, in the framework of a first labour market stimulus package (Arbeitsmarktpaket I) the government facilitated the establishment of sector labour foundations. As a part of the 2009 second stimulus package (Arbeitsmarktpaket II), a legal basis for addressing target groups such as young people aged 19-24 was established, especially to combat youth unemployment ('Jugendstiftungen').

Thus, especially in 2009 the number of participants in labour foundations increased significantly (Table 12). In that year nearly 11,000 people entered a foundation, leading to a record high of more than 9,000 participants in 2010.

Table 12: Beneficiaries of labour foundations / public expenditure (2003-2014)

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Current numbers	5,332	5,310	4,811	4,864	4,660	4,912	7,677	9,292	6,869	5,424	4,950	5,578
Inflow	7,256	5,961	4,961	4,739	5,007	5,490	10,743	7,252	3,706	3,889	4,622	5,202
Average duration (days)	272	296	350	350	349	340	295	328	504	544	535	415
Expenditure in 1,000	56,584	58,880	66,581	69,823	69,047	71,647	113,826	158,492	119,938	94,195	82,934	94,505
Expenditure per participant	7,798	9,878	13,421	14,734	13,790	13,050	10,595	21,855	32,363	24,221	17,943	18,167

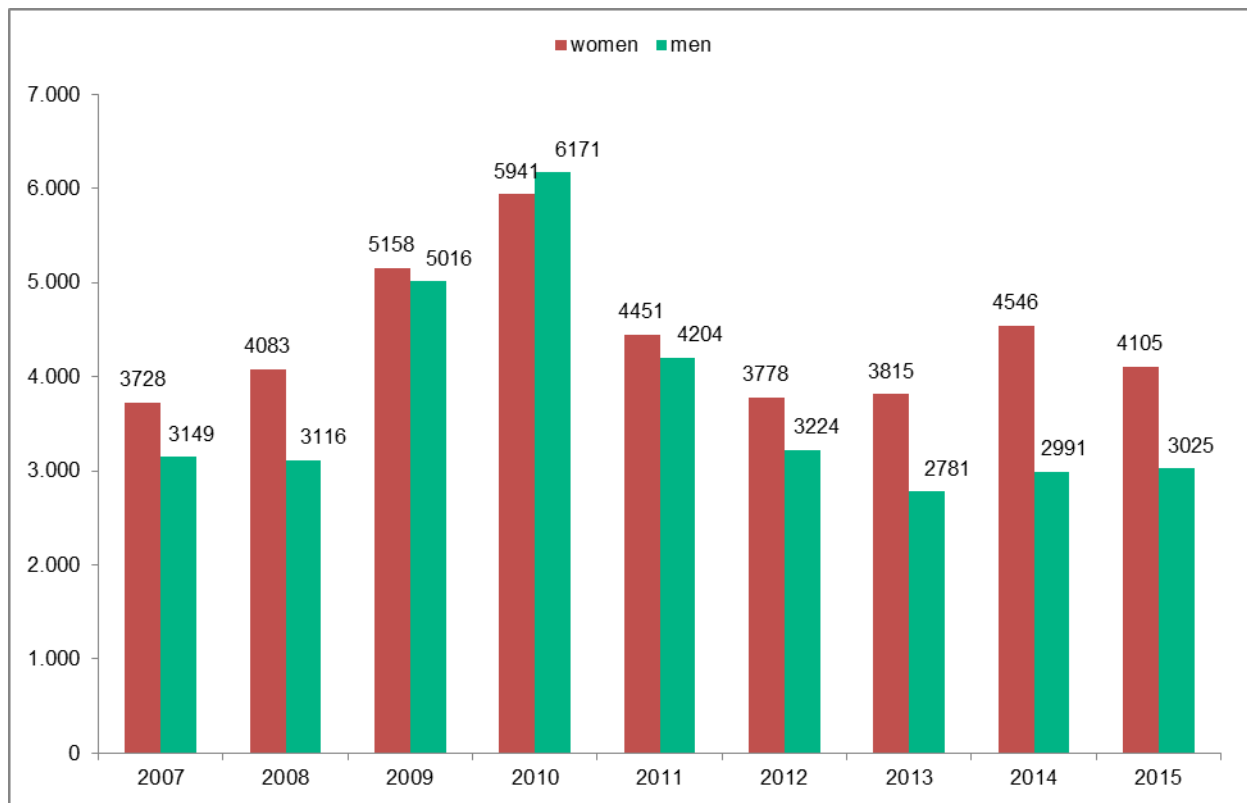
Source: BMASK (2013b and 2015).

Distributional effects

Unlike the participant structure of people in STW, the ratio of male and female persons involved in labour foundations established in response to the crises is more or less balanced (Figure 13).

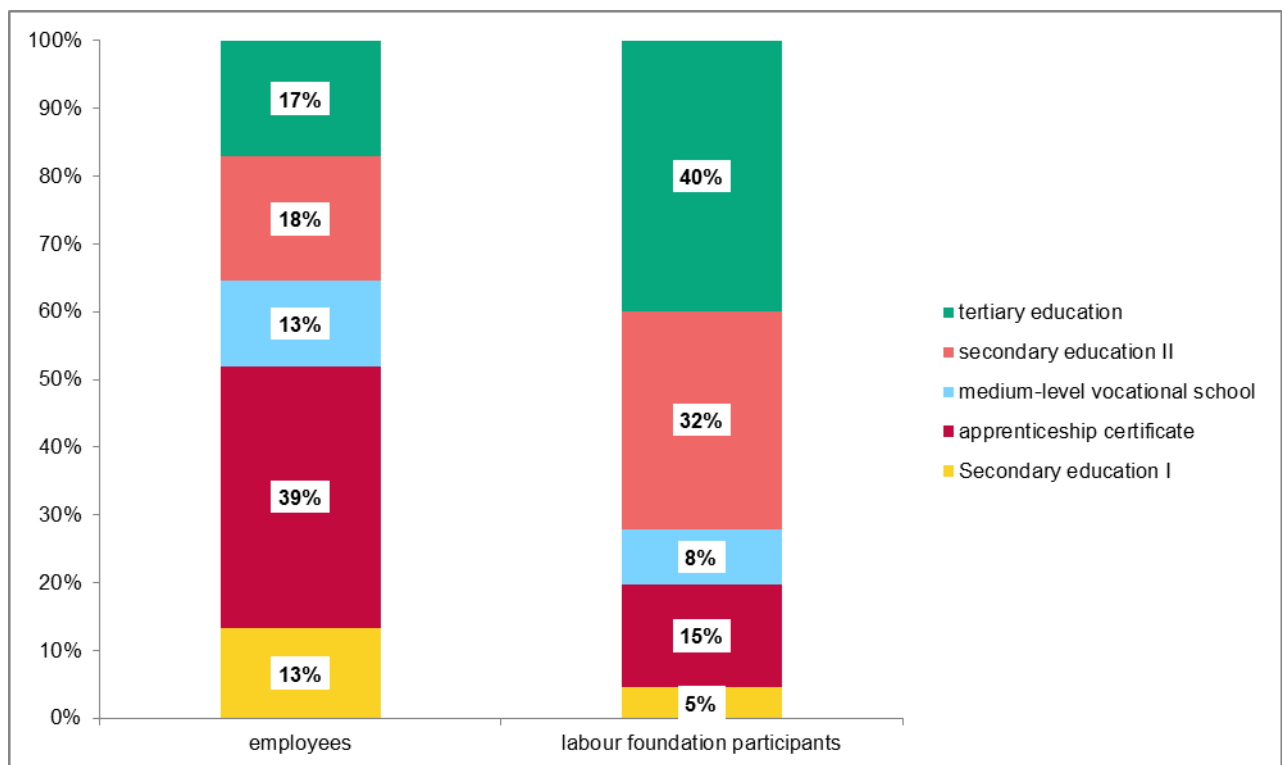
However, a bias along educational lines can be observed. Compared to the whole economy, a very high proportion of participants have tertiary education. While 40% of the labour foundations' participants have graduated from university, among all employees only 17% are graduates (Figure 14).

Figure 13: Labour foundations - number of benefit recipients by sex (2007-2015)

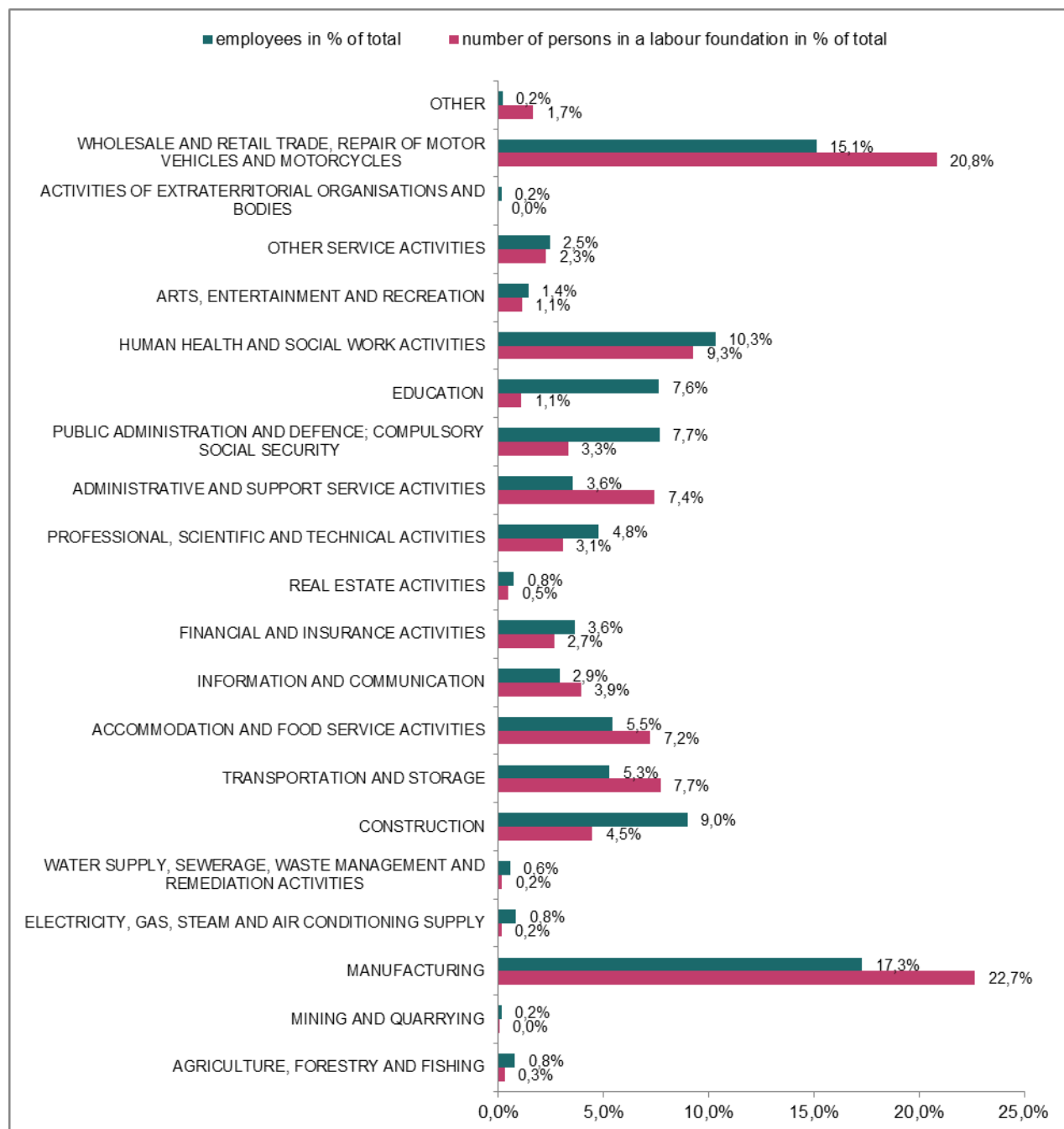


Source: AMS (2016); own graph.

Figure 14: Labour foundations – benefit recipients by education (2014)



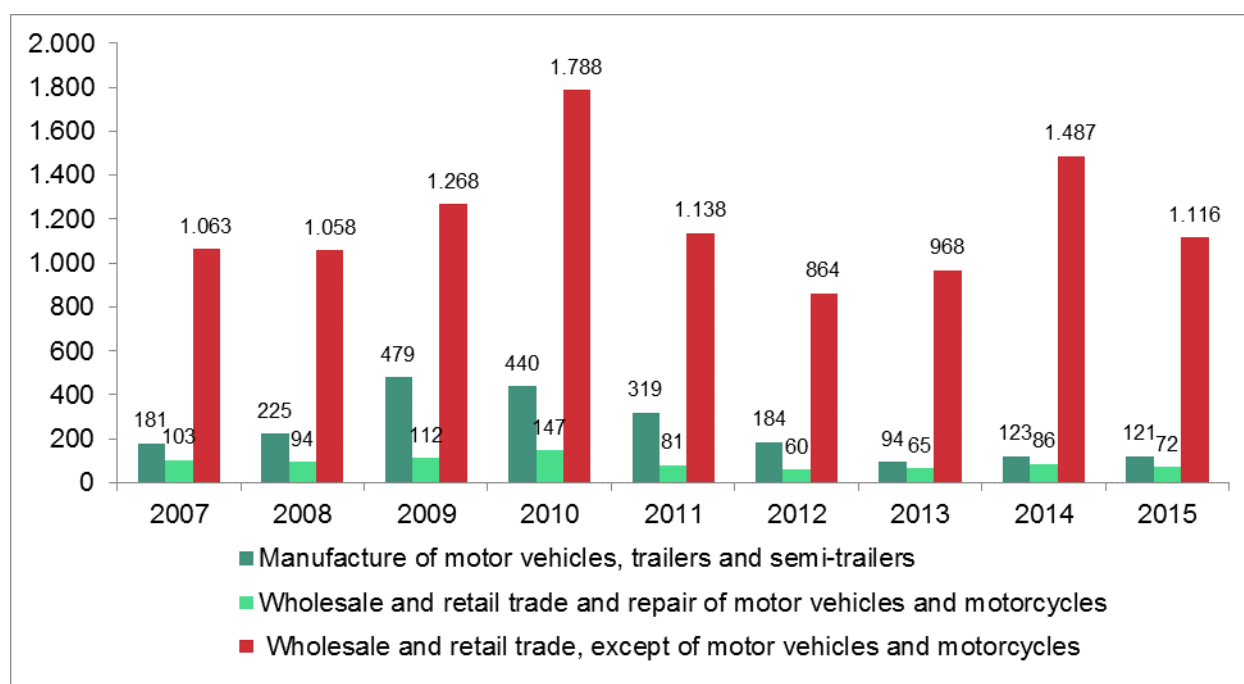
Source: AMS (2016); own calculations; national classification standards.

Figure 15: Labour foundations – benefit recipients by industry (2014)

Source: AMS (2016); own calculations; number of benefit recipients.

Compared to STW, the participants in labour foundations are more evenly spread over industries (Figure 15), which also might have a positive effect on gender equality.

Regarding the industries under scrutiny, data shows a higher number of participants within the retail and trade sector (Figure 16). Yet compared to total employment the rate of participants both in retail and trade and in the automotive sector is very low (Table 12).

Figure 16: Labour foundations - benefit recipients in automotive and trade sector (2007-2015)

Source: AMS (2016).

Table 13: Labour foundations – rate of benefit recipients within the automotive and retail and trade sector (2009-2015)

	2009	2010	2011	2012	2013	2014	2015
Manufacture of motor vehicles, trailers and semi-trailers	1.58%	1.45%	0.98%	0.57%	0.29%	0.38%	0.40%
Wholesale and retail trade and repair of motor vehicles and motorcycles	0.17%	0.22%	0.12%	0.09%	0.10%	0.13%	0.11%
Wholesale trade and retail trade, except of motor vehicles and motorcycles	0.29%	0.40%	0.25%	0.19%	0.21%	0.32%	0.24%

Source: AMS (2016).

Examples

As Austria's accession to the EU in 1995 brought with it the need for adjustments in economic structures, the social partners initiated the creation of two sectoral foundations, AUFLEB and AUSPED. AUFLEB ('Ausbildungs- und Unterstützungsverein für Arbeitslose in der Lebensmittelbranche') was founded to cushion the effects of the workforce reduction in the food sector, providing training and support for unemployed people, whereas AUSPED ('Ausbildungs- und Unterstützungsverein Spedition') was set up to assist the workforce of the road transport sector.

Since then, many other foundations have been established, especially at regional level. In Vienna, in 1995 the WAFF ('Wiener ArbeitnehmerInnen Förderungsfonds') was created, and has been involved in the successful establishment of several foundations, both outplacement and inplacement (Wagner and Lassnig 2005: 30).

Meanwhile other provinces of Austria are also involved in running, financing or establishing labour foundations. Within the automotive sector, for example, the inplacement labour foundations 'Autoplace' (Upper Austria) ⁽²⁵⁾ and 'Automotive Styria' (Styria) ⁽²⁶⁾ are both aiming to offer needs-oriented qualification measures. They provide employers with skilled labour and thus bridge the gap between the qualifications demanded by hiring firms and non-utilisable qualifications held by unemployed people (Holzer 2006: 34).

4.2.3 Trade Union supplement to unemployment benefits

Several trade unions in Austria provide their union members with supplementary unemployment benefits.

The Union of Private Sector Employees, Graphical Workers and Journalists (GPA-djp) grants subsidies for a couple of months to workers with a minimum of two years of membership.

The Industrial Manufacturing Union (PRO-GE) and the Union for Transport and Services (VIDA) also allocate unemployment benefits to their members who become unemployed and are eligible for unemployment benefits or unemployment assistance (see 1.3.2.4).

25. <http://www.autoplace.at/index.php>.

26. http://www.ams.at/docs/600_pu_RegImpstiftungAuto.pdf; companies of industry class C 29 (ÖNACE) are eligible.

5. Analytical insights / Interviews

As we have seen in the previous sections, the interaction between social, fiscal and occupational welfare is subject to various parameters, ranging from the architecture of the public schemes to the legal framework for occupational schemes. All OW programmes are thus characterised by the interplay of different actors and institutions. In the following sections we present the position of the Austrian social partners, expressed in the interviews listed in the annex.

In order to get a broad picture, ten different interview partners have been chosen, five from the employees' and four from the employers' side. Most of them are directly involved in collective bargaining, be it at branch or at company level. Some are from the head offices of the Austrian Economic Chamber (WKO) and the Austrian Trade Union Federation (ÖGB). To gain specific information from the two sectors under scrutiny, we have chosen interview partners both from retail and commerce and from the automotive industry.

5.1 Social, Fiscal and Occupational Welfare

5.1.1 Regulations

Occupational pensions

Neither the employers' organizations nor the trade unions are calling for massive changes in the existing legislative framework for occupational pensions. However, trade unions would like 'more security' in defined contribution pension fund schemes. Employers' representatives mainly insist on the maintenance of free choice for companies as to whether to establish an occupational pension scheme.

Bernhard Achitz (ÖGB / General Secretary) refers to the original pension fund legislation, according to which the pension funds had to guarantee a minimum rate-of-return for defined contribution plans. He criticizes the 2003 pension fund reform, when guarantee legislation was abolished just at the moment when it would have become relevant for the first time. He asks for the re-inclusion of a minimum guarantee in pension fund legislation.

Martin Kircher (WKO / head office) underlines that the establishment of a company pension scheme has to remain voluntary. Martina Großinger (WKO / retail and commerce sector) also insists on the voluntary aspect, especially as her sector 'consists of many companies that simply cannot afford to grant their employees an extra benefit'. Andreas Mörk (WKO / automotive

industry) states that 'there is no great wish of the companies within his industry to change the framework legislation on occupational pensions'.

Subsidized short-time work / Labour foundations

Trade union and works council representatives see both STW and labour foundations as very good instruments to fight unemployment and to overcome economic downturns or special problems faced by individual companies or industries. Regarding STW, Bernhard Achitz (ÖGB) calls for a reduction of barriers to entry, especially for small companies.

Andreas Mörk (WKO / automotive industry) also has a very positive opinion on STW and labour foundations. He blames the trade unions for erecting entry barriers to STW schemes. 'The trade union's terms and conditions for signing a short-time work agreement in many cases are too strict', he criticizes. Even though evaluations (Eurofound 2010) praise Austria's STW ability to react quickly to a crisis situation, Martina Großinger (WKO / retail and commerce) also thinks that the necessity for trade union approval hinders a quick and unbureaucratic solution.

5.1.2 Fiscal treatment and subsidies

Interviews

In the context of taxation, employer representatives mainly put forward their demand for a lowering of non-wage labour costs. Though sympathy is expressed for the demand for more fiscal incentives to encourage employees to contribute to occupational pension schemes, for Gabriele Straßegger (WKO / head office) reducing social security contributions is a clear priority. Martina Großinger (WKO / retail and commerce sector) suggests that a part of the reduction in social security contributions which they are demanding could be invested in an occupational pension fund. Furthermore, in order to reach higher coverage rates she recommends improving fiscal incentives.

Employee representatives strictly oppose reducing contributions to public social security while there is no guarantee of an alternative form of financing. They argue for investment in public social protection instead of tax relief for supplementary pensions.

Andreas Brich (BMW / works council) in this context points to the distributional effects of tax relief: 'How can you ensure fiscal justice and fair taxation if you grant tax relief to employees benefiting from a company pension plan? Obviously, a huge number of employees are not members of such a scheme. Thus, by giving tax relief to employees with entitlement to an occupational pension, you deliberately lock many others out'.

Manfred Wolf, representative of the Union of Private Sector Employees, Graphical Workers and Journalists (GPA-djp), notes that in collective bargaining processes the idea of deferring compensation is becoming increasingly popular on the employers' side. He reports that the employers mainly push for this in industries where the employees normally get higher pay than that fixed as a minimum wage in the collective agreement.

Bernhard Achitz (ÖGB) has a very critical stance towards deferred compensation, pointing not only to the negative impact on net pay but also to the negative impact on public finances and the social security system: 'If you pay a certain amount of the wage sum into an occupational pension plan, you not only deprive the tax system of that sum but also reduce the assessment base for social security contributions. This then leads to reduced entitlements to old age benefits out of the public pension scheme'.

Subsidies paid for STW and labour foundations

The interviews report differing opinions on STW arrangements foreseeing 80% to 90% net income for the participants. Andreas Mörk (WKO) criticises 80% to 90% replacement rates because this is too expensive for the employers (the public subsidy only covers a part of it), especially for those companies that are hard hit by a crisis and, thus, cannot afford high costs for STW. On the other hand, Manfred Wolf (GPA-djp) mentions that some costs must be borne by the employer, to crowd out other resources at company level.

5.1.3 Interplay between social policy and OW

There is a broad consensus that occupational pensions have to be seen as a supplement but not as a substitute to public pensions.

Martin Kircher (WKO / head office) calls for the extension of occupational pension coverage. He argues that company pensions are a good means of maintaining the standard of living after retirement. Many interviewed persons share the view that this is particularly true for people with earnings exceeding the contribution ceiling for the Statutory Pension Insurance.

For Andreas Mörk (WKO, automotive industry), who is personally involved in collective bargaining in his sector, the main priority is to reduce non-wage labour costs. He therefore advocates reduced spending on public pensions. Regarding occupational pensions, he expresses scepticism as to far-reaching extension of coverage. He believes it would be way too expensive to shift from public pay-as-you-go to funded occupational pensions.

Snjezana Brajinovic, from the works council at 'Zielpunkt', an Austrian food retail company, points to the reluctance of companies to increase labour costs. *What really matters for companies is labour cost. Thus, the management won't be willing to pay anything as a general bonus for the staff because it would immediately impact on the budget. If employers promise anything like this in the media, they only do so to improve their corporate image'.*

This is in line with the outcome of a survey carried out by Thomas Url, who brings in an additional argument: 'Companies that can easily handle large staff turnover are not likely to become more interested in payment schemes that strengthen the ties between employer and employee' (Url 2003: 64).

Another interesting issue came up while interviewing Manfred Wolf (GPA-djp). He remembers that some years ago an insurance company tried to establish a market for supplementary unemployment insurance, but failed as there was no demand at all.

The trade union representatives underline that OW is no alternative to public social security schemes. There is a fear that in the end OW could turn out to be a softened form of privatization of the Welfare State.

Peter Schleinbach (Austrian Industrial Manufacturing Union, PRO-GE) points out that if companies had such an option, they would rather cut than expand social expenditure, unless they have their own motives such as strengthening the commitment of expensively trained staff. For him 'it is an illusion to believe that companies will voluntarily pay contributions to an occupational welfare scheme'.

Thus the trade union representatives argue that prioritizing OW would, at best, serve the interests of some select groups of employees. Martin Kircher (WKO / head office) does not share this view, arguing that Austrian legislation guarantees equal treatment for all employees.

5.1.4 Distributional effects

Company Pensions

Research shows a strong industry bias in the provision of company pensions. In the private sector, the highest coverage exists in the banking and insurance industry, the lowest in accommodation and food service activities (see Figure 9).

Furthermore, coverage depends to a large extent on the size of the company. While many big companies have occupational pension schemes, in most SMEs such schemes do not exist. Other

key determinants of whether a worker is covered are the wage level and, because of vesting periods, whether he or she belongs to the permanent staff of a company.

In the interviews most of these aspects are addressed and much scepticism is expressed as to strategies aiming at increasing coverage in industries where, up to now, only a small number of companies offer occupational pensions. Similar scepticism is raised regarding increasing coverage in SMEs.

Manfred Wolf (GPA-djp) as well as Snjezana Brajinovic (Zielpunkt / works council) underline that in their wholesale and retail sector occupational pensions are only offered in a few companies. Manfred Wolf, who is regularly involved in collective bargaining processes within that industry, confirms that in his sector there are no collective branch agreements that deal with company pensions. He further reports that demand from employees for occupational pensions is low.

Martina Großinger (WKO / head office) confirms that companies working in retail and commerce rarely provide their employees with a company pension. In her view, this is mainly due to the industry structure – especially the size of the firms – and increasing competition, which lowers profit margins, and thus the economic potential to offer such plans.

Andreas Brich, from the works council within the automotive industry (BMW), refers to the existing scheme in his company. The employer pays 2.5% of the employee's gross remuneration and 10% for earnings exceeding the contribution ceiling for Statutory Pension Insurance. He reports that employees, especially if they are in low income groups, often prefer pay rises instead of saving for future occupational pensions. He emphasizes his goal of eliminating gaps between different groups of employees by fighting for equality between permanent staff and temporary workers, but also between blue and white collar workers. Snjezana Brajinovic (Zielpunkt / works council) reports that occupational welfare is often only offered to management or administrative staff. Both Brich and Brajinovic point out that they are only willing to agree on company schemes which would benefit all employees. Yet, to achieve this goal they see a need for mandatory regulations.

Andreas Mörk (WKO, automotive industry) says that high contribution rates for income exceeding the contribution ceiling for Statutory Pension Insurance are often a special incentive for high income earners. He furthermore adds that the existence of OW largely depends on the size of the firm. 'It is hard to imagine that a small family run business with a few employees will establish an occupational pension scheme, for the simple reason that the administrative cost would be way too high. Also, in such a case there is no need to strengthen the commitment of the staff, as this works through personal bonding.

Bernhard Achitz (ÖGB) confirms that works councils in small firms very seldom argue for implementation of a company pension plan. Referring to very high coverage rates within the financial sector he points to the economic interest of the companies in this sector in establishing such schemes.

Martin Kircher (WKO, head office) suggests that company pension plans should be encouraged through collective agreements. Andreas Mörk (WKO, automotive industry) as well as Martina Großinger (WKO, retail and commerce) argue that this is very difficult to achieve.

Andreas Mörk (WKO, automotive industry) and Peter Schleinbach (GPA), who regularly meet at collective bargaining negotiations, point to a collective branch agreement reached in the paper industry on establishing occupational pension schemes. Andreas Mörk doubts that this would work for other industries as well. He points to the specific situation of the paper industry: This sector has a very well established social partnership culture and large firms, which is simply not true for the whole Austrian economy.

Short-time work

Administrative data show a strong industry bias. In some interviews this issue is addressed.

Peter Schleinbach (PROGE) reports that, during the crisis, STW was primarily used in large manufacturing companies. Manfred Wolf (GPA-djp) adds that, simultaneously, in the retail sector STW was not used at all. He sees the workforce structure in this sector, with its huge share of women part-time employees, as one of the main reasons: 'As, regarding part-timers, the management reduces working time whenever it wants to, it is up to the women themselves to pay for short-time work.' Snjezana Brajinovic (Zielpunkt / works council) points to the same phenomenon in her company: 'Hardly any women have a full time contract, even though many employees would like to expand their working hours'.

Labour foundations

In section 3.2.2.5 it was shown that, compared to STW, participation in labour foundations is more evenly spread over industries, which also might have a positive effect on gender equality. On the other hand a bias along educational lines could be observed. The findings are confirmed by the interview partners.

According to the trade union representatives, the educational bias has a lot to do with personal educational experience. Someone who is already aware of the educational system and of its benefits is more likely to join an educational programme than someone who does not value

education. Job prospects might also be crucial. There is no reason for upskilling, if people only have the opportunity to be employed in a low skilled job in the future. However, Snjezana Brajinovic (Zielpunkt / works council), who is currently involved in negotiations concerning the establishment of such a foundation within a social plan, points out that a labour foundation is very positive for the whole workforce and, so far, participants always have been highly satisfied with such programmes.

Bernhard Achitz (ÖGB) and Manfred Wolf (GPA) see some potential improvements. Access should be facilitated, especially for low skilled workers. Manfred Wolf proposes the establishment of labour foundations in rural areas too. Female employees, especially, in rural areas are often immobile and thus it is difficult for this group to join a foundation located far from home.

5.2. Occupational Welfare and Industrial Relations

Role of trade unions and employers in public welfare

As an essential part of Austrian 'social partnership', there is close involvement of both employers' and employees' organizations in designing public welfare. Furthermore, the social partners have a key role in the management of public welfare institutions, such as Statutory Pension Insurance ('Selbstverwaltung') and the Public Employment Service. During the interviews, no one expressed the wish to abandon these arrangements or to abandon the dominant role of public welfare.

Collective bargaining

With 98%, Austria has a very high coverage of collective agreements with their focus on setting (minimum) pay, bonuses, working time, periods of notice, etc. Traditionally, OW is not among the key issues for collective bargaining. Yet, the interviews show consensus on the importance of social partner activities such as STW or labour foundations. Regarding company pensions, Peter Schleinbach (GPA) voices trade union scepticism: 'A single firm must not be responsible for welfare issues.' He points to the significant influence of collective bargaining on wages (wage growth) on financing the public social security system.

Bernhard Achitz (ÖGB) points to new areas such as working conditions, especially for older people, where OW could be expanded. Andreas Mörk (WKO) also believes that employers have a responsibility to ensure safe and healthy work conditions. Yet, there are very different views on how to address this issue. Trade unions would like to embed binding rules on working conditions into the collective bargaining process as a supplement to legislation. The employers only signal willingness to act on a voluntary basis.

Impact of the crisis

Trust in financial markets and, as a consequence, in capital based pension schemes suffered a lot in the crises. Both trade unions and employers are affected. For example, Andreas Mörk (WKO, automotive industry) argues: 'The experience of the financial crisis changed many minds. We can be glad about our stable public system. About 10 years ago, the trade unions might have argued that employees should also benefit from financial market gains. Nowadays, even the companies have partly lost confidence in the financial markets'. Manfred Wolf (GPA-djp) summarises: 'the pay-as-you-go system has proved reliable, I would not like to invest wages on the stock market'.

Yet regarding existing occupational pensions, there is no sign that the crisis had a negative impact on the coverage rate (see Figure 8). Peter Schleinbach (PROGE) states: 'There might have been some cuts in contributions, but companies did not abandon pension plans. During the crisis, the main focus was to secure jobs. Occupational pension schemes did not play a significant role in daily crisis management.'

5.3 The Governance of Occupational Welfare

While the Austrian social partners are closely involved in the governance of public welfare, in the area of occupational pensions the situation is quite different. Except for book reserve schemes (which are administered within the company), it is up to private for-profit companies to collect contributions, to invest pension capital and to pay pensions. Nearly all institutes involved are under the ownership of private banks and/or insurance companies. Regarding pension funds, legislation foresees that representatives of workers and retirees covered by the fund have a mandate on the supervisory board of the fund. Yet shareholders' representatives are in the majority. During the interviews, neither trade union nor employers' representatives expressed an interest in significantly modifying this set-up, which dates back to the first pension fund legislation in 1990.

In the interviews some critical remarks came up as to the market driven interests of private pension funds and insurance companies, but no one has called for the social partners to have more influence on administering occupational pension schemes. Trade unionists as well as employers' representatives report that there were discussions about co-management and participation in pension funds back in 1990, when pension fund legislation was established. Everybody seemed to feel comfortable now that the social partners did not insist on being involved in decision-making in the funds.

Andras Mörk (WKO / automotive industry) reports that this issue was re-discussed when a collective branch agreement in the paper industry was established in 2004: 'the last years have proved that the social partners are not specialized enough in investing on financial markets. In the

end we can be glad that we did not increase our responsibility within the collective agreement for the paper industry.' Andreas Brich (BMW / works council) refers to former book reserve schemes and states: 'It was the right decision to outsource the risks involved to the pension funds.'

Regarding the governance of labour foundations, no need for legal change was voiced.

5.4 The role and influence of the EU

Most of the interviewees do not see an important role for the European Union in OW.

In the interviews, specific comments on EU influence were limited to STW and labour foundations. Regarding co-financing qualification programmes from European funds, both trade union and employers' representatives see them as positive. Yet several interviewees mentioned that companies involved often complain about bureaucracy when applying for subsidies from ESF and/or EGF.

In a very general way, Bernhard Achitz (ÖGB) stated that he is not happy about increasing EU influence. 'If the European Union carries on its political approach, I'd prefer them not to be involved in social policy. There is a wrong understanding of social policy: the main focus should be on improving social conditions on a collective and statutory basis. But this approach doesn't seem to have the majority backing. Thus, we are better off without EU intervention.' Andreas Mörk (WKO / automotive industry) has a more neutral stance: 'I see no need for a change. I neither wish for more nor reduced EU involvement'.

6. Summing up

Compared to international standards, Austria has a well-established welfare state. There are statutory social insurance schemes for those in employment, as the key component, and strong social partner involvement both in designing and in the administration of public welfare schemes.

Occupational welfare in this context is only of minor importance, mainly because nearly all labour market participants are covered by public schemes offering rather high levels of social protection, esp. for people in standard employment (and for the increasing number of people not in standard employment, occupational welfare is out of reach).

Old-age protection traditionally is very much focused on the Statutory Pension Insurance. Although over the past 20 years the generosity of the public scheme has been significantly reduced, it still offers high replacement rates compared to international standards.

Another reason for the low importance of occupational pensions is trade union scepticism vis-a-vis funded pensions because of their reliance on financial markets. Negative experiences with shifting pension entitlements from 'old' (defined benefit) book reserve schemes to 'new' (defined contribution) pension fund schemes have contributed to this attitude.

Over the past two decades, the coverage of occupational pensions has increased (from ten percent to thirty percent). Yet, many of the newly established schemes are based on very low contributions, such as 0.75% for new entrants in the public sector.

The existing legal framework for occupational pensions is widely accepted both by trade unions and employer organisations. Nevertheless, there are trade union calls for 'more security' in pension fund schemes.

In the field of unemployment protection, OW also has only a limited role. Only two schemes, subsidised short time work and labour foundations, with their reliance on social partner arrangements, fulfil the OW criteria. During the crisis, both schemes proved to be very effective.

Further development of OW largely depends on how public schemes will develop. For the time being there are hardly signs that the role of OW will significantly increase.

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Annex 1: Overview of Collective Agreements

Collective agreements, negotiated between trade unions and the employers' organizations, are rare in Austria.

The main agreements setting out a legal framework for occupational pension schemes, set through collective bargaining, are:

1. *Collective agreements within the **financial sector***
2. *Collective agreement for the **paper Industry***
3. *Collective agreements in the **public sector***
4. *Collective agreements in **companies or organizations outsourced from the public sector***

There are several collective agreements containing pension fund regulations within the financial sector. This is mainly due to the fact that there is a long standing tradition of company pensions in this sector. During the 1990s most former book reserve schemes of companies in this sector were transferred into pension fund schemes. The most important collective agreement within the financial sector is the agreement with the banking employers' association. This covers around 75,000 employees.

The only collective branch agreement that provides for company pension schemes within the productive sector is the paper industry agreement (8,000 persons covered).

In recent years, for the first time ever supplementary occupational pension schemes have been established in the public sector (following far-reaching retrenchment of civil servants' state pension rights).

Furthermore, from the 1990s onwards, collective agreements on occupational pensions were agreed upon in some companies outsourced from the public sector, such as universities. In contrast to other company pension schemes, which are normally based on works agreements negotiated between the company and its works council, most of the new schemes in outsourced companies are negotiated by the trade union on behalf of the employees (instead of the works council).

Financial and Insurance Activities

Industry	Employee groups	Type of pension plan / contribution
Banks	white-collar workers	Pension fund; defined-contribution Employer contributions: 2.5% of wage, Voluntary employee contributions;
Commercial lending cooperatives ('Gewerbliche Kredit-genossenschaften')	white-collar workers	Commitment to conclude a contract with a pension fund. Further regulations have to be determined in a works agreement Employer contributions: 2.7% of wage
Raiffeisen Bankengruppe (banking group)	white-collar workers	Commitment to conclude a contract with a pension fund. Further regulations have to be determined in a works agreement Employer contributions: 2.7% of wage; Employees who are older than 50: additional contributions: 50. +1%, 51. +1.1%, 52. +1.25%, ... of wage

Public Sector

Industry	Employee groups	Type of pension plan / contribution
Federal state employees	white-collar workers	Pension fund; defined contribution Employer contributions: 0.75% of wage; defined contribution Voluntary employee contributions;
Universities	white-collar workers / blue-collar workers	Pension fund; defined contribution Further regulations have to be determined in a works agreement; eligibility: 24 months continuously employed at university; Employer contributions: University professors: 10% of wage, other employees: 3% (10% for earnings exceeding the contribution ceiling of the statutory pension insurance)

Bedienstete der Sozialversicherung ('social insurance employees')	white-collar workers	Pension fund; defined contribution Employer contributions: 0.85% of wage, 4.5% for earnings exceeding the contribution ceiling for statutory pension insurance;
Bundesforste ('Austrian Federal Forestry Office')	white-collar workers / blue-collar workers	Pension fund eligibility: only employees older than 21, open-ended employment contract required; further regulations to be determined in a works agreement;
Bundesimmobilien-Gesellschaft ('Federal Property Association')	white-collar workers	pension fund Further regulations have to be determined in a works agreement
Bundesrechenzentrum ('Federal Computer Centre')	white-collar workers	Pension fund; defined contribution Employer contributions: Function group 1 and 2: 5.03% Function group 3 and 4: 5.53% Function group e 5-9: 6.04% 'Opting- Out' clause for employees (cash payout of the corresponding sum is possible)
Austrian Financial Market Authority (FMA)	white-collar workers	Commitment to conclude a contract with a pension fund Employees covered: contractual civil servants Employer contributions: 0.75% of wage Voluntary employee contributions;
AGES ('Austrian agency for Health and Food Safety')	white-collar workers / blue-collar workers	Pension fund; defined contribution Further regulations have to be determined in a works agreement; Employer contributions: 1.25% of wage
AMS (PES, Public Employment Service)	white-collar workers	pension fund; defined benefit 10% of final salary; (half of the contributions must be paid by the employer, the other half by the employee)
Buchhaltungsagentur des Bundes ('Federal Accounting Agency')	white-collar workers	Commitment to conclude a contract with a pension fund Contribution has to be fixed in the works agreement

ÖBB ('Austrian Railways')	white-collar workers / blue-collar workers	pension fund; defined contribution Employer contributions: 1.5% of wage
Statistics Austria	white-collar workers	Commitment to conclude a contract with a pension fund Employees covered: contractual civil servants Employer contributions: 0.75% of wage

Other sectors

Industry	Employee groups	Type of pension plan / contribution
Paper industry	white-collar workers / blue-collar workers	Commitment to conclude a contract with a pension fund Further regulations to be determined in a works agreement Employer contributions: 2.2% of wage
Private Sozial- u. Gesundheitsorg. VLB ("private social and healthcare organisations')	white-collar workers	Commitment to conclude a contract with a pension fund or occupational collective insurance. Further regulations have to be determined in a works agreement Employer contributions: 2% of wage
SOS-Kinderdorfmütter/ Väter ("SOS-Children's Village mothers and fathers')	white-collar workers	Commitment to conclude a contract with a pension fund. Further regulations have to be determined in a works agreement Employer contributions: 5% of wage;
Stickereiwirtschaft VLB ("embroidery')	white-collar workers	Commitment to conclude a contract with a pension fund. Employer contributions: 420 Euro per year for full-time employed, 210 Euro for part-time employed (working max. 20 hours per week)

AUA Bordpersonal (Austrian Airlines, flight crew)	white-collar workers	Commitment to conclude a contract with a pension fund or occupational collective insurance. Further regulations have to be determined in a works agreement Employer contributions: 4% of gross annual salary Aviators, more than 15 years of service: 5%; flight attendants (joining after 1.12.2014): contribution (4%) starts after ten years of service
Neustart	white-collar workers	Commitment to conclude a contract with a pension fund. Further regulations have to be determined in a works agreement. Employer contributions: 4.5% of wage
Tyrolean Airways, kaufm. Technisches Personal (commercial/technical employees)	white-collar workers	Commitment to conclude a contract with a pension fund. Further regulations have to be determined in a works agreement Employer contributions: 4% of wage, further regulations have to be determined in a works agreement
Chemische Industrie (chemical industry)	white-collar workers	recommendation for a contract with a pension fund

Collective Agreements offering the option for 'deferred pay':

- *Construction industry (white-collar)*
- *Woodworking industry (white-collar / blue-collar)*
- *Sawing industry (white-collar / blue-collar)*
- *Wood industry (white-collar)*
- *Carrier (white-collar)*
- *IT (white-collar)*
- *Academy of sciences (white-collar)*

Annex 2: Contact list (interviews) by sector

<i>Institution / Company</i>	<i>Branch</i>	<i>Person</i>
ÖGB (General Secretary)	Whole economy	Bernhard Achitz
WKO (Head Office)	Whole economy	Gabriele Strassegger
WKO (Head Office)	Whole economy	Martin Kircher
PROGE	Automotive	Peter Schleinbach
WKO	Automotive	Andreas Mörk
BMW (Works Council)	Automotive	Andreas Brich
GPA-DJP	Retail and commerce	Manfred Wolf
WKO	Retail and commerce	Martina Grossinger
Zielpunkt (Works Council)	Retail and commerce	Brajinovic Snjezana