

STUDY

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Social and Employment Policies in Austria



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LIST OF ABBREVIATIONS

ALMP	Active Labour Market Policy
EAFRD	European Agricultural Fund for Rural Development
EMFF	European Maritime and Fisheries Fund
ERDF	European Regional Development Fund
ESF	European Social Fund
ESFI	European Structural and Investment Funds
ESSPROS	European system of integrated social protection statistics
GDP	Gross Domestic Product
GPS	General Practitioners
NEET	Neither in Employment nor in Education and Training
PDS	Portable Documents
PES	Public Employment Service
PWDS	Persons With Disabilities
SME	Small and Medium-sized Enterprise
STEM	Science, technology, engineering and mathematics
YEI	Youth Employment Initiative
YG	Youth Guarantee

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EXECUTIVE SUMMARY

Background

This paper on Social and employment policies in Austria was compiled in response to the request by the Committee on Employment and Social Affairs of the European Parliament in view of its delegation visit in early May 2018.

Aim

The paper describes and analyses recent developments in employment and related policies, recent developments in social affairs and related policies as well as priorities of the upcoming Austrian Presidency of the EU in the field of employment and social affairs.

Findings

Recent and current employment policies include the reduction of non-wage labour costs, measures reducing gender inequality in the labour market, measures for the employment of both younger and older employees as well as persons with disabilities, and measures for the labour market integration of refugees. Most notable among education and training-related policies for young people is the government's 'Compulsory Education or Training' initiative and the related 'Education Training till 18' programme.

Under the Agenda for New Skills for New Jobs, Austria is implementing a broad set of policy measures that revolves around the following key priorities: modernising school education, continuous upgrading of vocational education and training, promoting adult education and life-long learning, and tackling inequalities. The emergence of new forms of employment such as crowd-working and online platforms raises several questions in terms of job security, earnings and working conditions. This topic is specifically addressed in the upcoming presidency of the EU in Austria.

Recent measures targeting a better work-life balance focused on the further flexibilization of the childcare benefit, the introduction of an additional care leave and the extension of institutional childcare.

Austria features a comparably high level of social security. Ongoing challenges relate to the provision of pensions between social security and financial sustainability as well as in the financing and provision of long-term care and minimum income benefit.

According to the Ministry for Social Affairs the revision of the posting directive represents an improvement but did not solve the problems related to competitive inequalities and withholding of social insurance contributions.

The Austrian Presidency is designed as 'working presidency' with a view on the European elections in May 2019. Apart from the completion of ongoing legal acts and the negotiation of announced proposals major challenges are represented by negotiations related to the perennial financial framework after 2020 and the Brexit. Important future employment and social policy measures listed in the programme 2017-2022 by the new government include:

- Relief of factor labour, securing demand for skilled labour;
- Less restrictive legal framework for working time regulations;
- Evaluation of the law on the employment of foreign nationals;
- Introduction of a family tax credit (Familienbonus) in 2019;
- Rearrangement of unemployment benefit, -assistance and minimum income benefit;
- "Stop of in-migration" into the welfare state.

1. RECENT DEVELOPMENTS IN EMPLOYMENT AND RELATED POLICIES

KEY FINDINGS

- In 2017, the share of employed persons in the population aged 15-64 was 72.2%.
- The unemployment rate amounted to 5.5%.
- The long-term unemployment rate stood at 1.8%.
- According to age groups, the highest risk of unemployment is still faced by persons younger than 25 years (9.8% in 2017), while the corresponding rate for elderly persons (55-64 years) was 4.2%.
- The share of young people aged 15-24 years neither in employment nor in education and training (NEET) substantially dropped in 2017 (from 7.7% in 2016 to 6.5%).

1.1. Key facts about the economy and analysis of indicators

1.1.1. Key economic Indicators

In 2017, GDP per capita amounted to EUR 41,970 with a GDP growth of 2.9%. The general government deficit was 0.7% of GDP, a balanced budget is forecasted for 2019. The HICP reached 2.2% in 2017. Labour costs per hour worked amounted to EUR 34.06 EUR (Statistik Austria, 2018; see Table 1 incl. additional indicators).

Table 1: Key economic indicators, 2017

Key economic indicators	2017
GDP per capita (EUR)	41,970
GDP growth (%)	2.9
General government deficit (% of GDP)	0.7
General government debt (% of GDP)	78.6
Government revenue (% of GDP)	48.4
Government expenditure (% of GDP)	49.1
Tax-to-GDP ratio (%)	42.5
HICP (%)	2.2
Labour costs per hour worked (EUR)	34.06

Source: Statistik Austria, 2018.

1.1.2. Employment and Unemployment Rates

In 2017, the share of employed persons in the population aged 15-64 was 72.2% (76.2% for men and 68.2% for women). With 50.6% the employment rate of young people aged 15-24 years was already lower than those of elderly persons aged 55-64 (51.3%). While the former has steadily decreased since 2011 (53.9%), the latter gradually increased (from 39.9% in 2011) (Statistik Austria, 2018). The rise in employment for persons 55 years or older is due to demographic reasons as well as to their prolonged participation in the labour market (AMS, 2017; BMASK, 2017d).

The part-time employment rate amounted to 28.7%, with a clear distinction between men (11.9%) and women (47.7%). Average normal working time in 2017 reached 36.5 hours per week (men: 40.6; women: 31.9). The unemployment rate stood at 5.5%, which was slightly higher for men (Statistik Austria, 2018). The economic boom succeeded in reducing the unemployment rate after the peak in 2016 and led to increased take-up of employment (Expert Interview; see Table 2). The vacancy rate¹ amounted to 2.4% in 2017 (Statistik Austria, 2018).

Table 2: Key labour market indicators, 2017

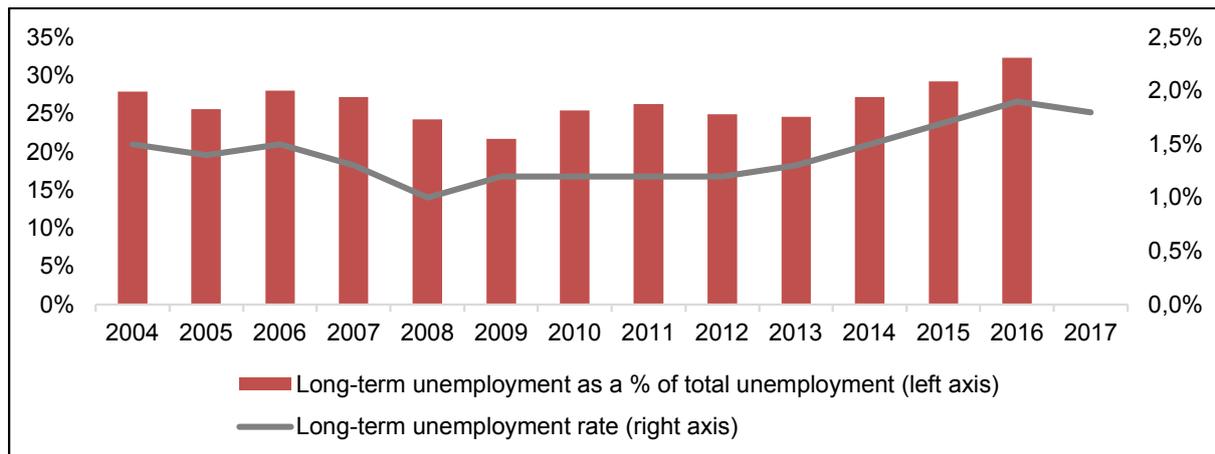
	Total	Women	Men
Employment rate, 15-64 (%)	72.2	68.2	76.2
Part-time employment rate (%)	28.7	47.7	11.9
Average normal working time (weekly hours)	36.5	31.9	40.6
Unemployment rate (%)	5.5	5.0	5.9

Source: Statistik Austria, 2018.

The long-term unemployment rate (i.e. those with an unemployment spell of 12 months or longer) stood at 1.8% in 2017 (Statistik Austria, 2018). Long-term unemployment increased between 2008 and 2016 partly because of the economic crisis, but also due to the reduction in the number of training courses provided by the public employment service (PES) (AMS, 2017). There was a small decrease of 0.1 percentage points in 2017 (Figure 1).

¹ Number of vacancies *100/(number of vacancies + employees).

Figure 1: Long-term unemployment (%), 2004-2017

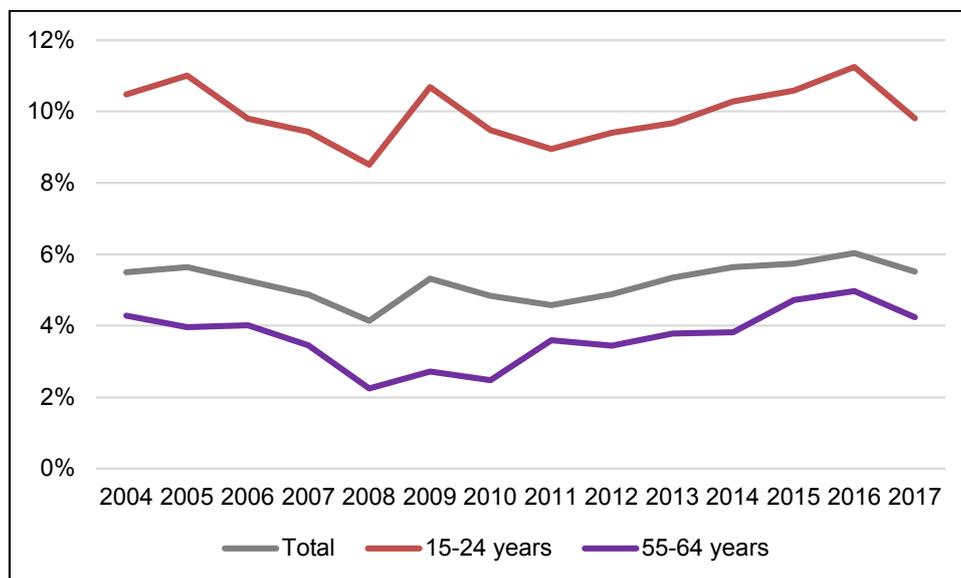


Source: Statistik Austria, 2018; Eurostat Database, 2018.

1.1.3. Youth Unemployment

According to age groups, the highest risk of unemployment is still faced by persons younger than 25 years (9.8% in 2017), while the corresponding rate for elderly persons (55-64 years) stood at 4.2%. However, once unemployed it is difficult to find a job in the latter age group. As shown in Figure 2, both for the young and the elderly the economic boom led to a decrease in unemployment rates following the peak in 2016 (Statistik Austria, 2018).

Figure 2: Unemployment rate of younger and older age groups (%), 2004-2017

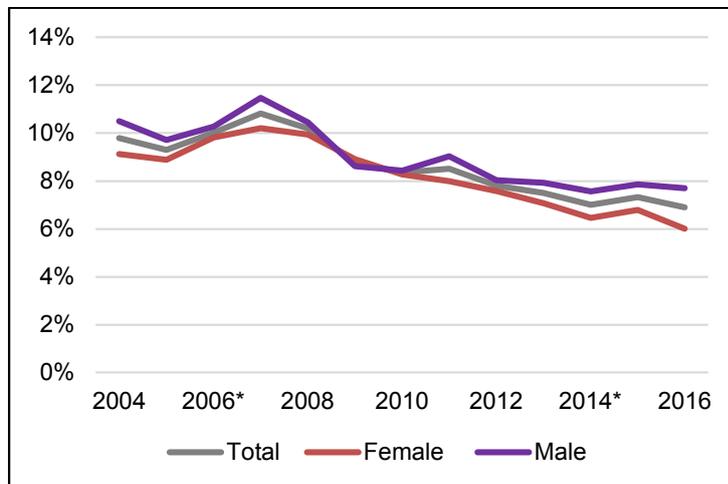


Source: Statistik Austria, 2018.

The share of young people aged 15-24 years neither in employment nor education or training (NEET) substantially dropped in 2017 (from 7.7% in 2016 to 6.5%). The rate of early leavers from education and training has been on the decline since 2007 and amounted to 6.9% in 2016 (Figure 3).

The indicator stayed well-below the 10% benchmark defined for 2020 under the Strategic Framework for EU cooperation in Education and Training (ET2020).²

Figure 3: Early leavers from education and training by sex - % of population aged 18 to 24, 2004 2016

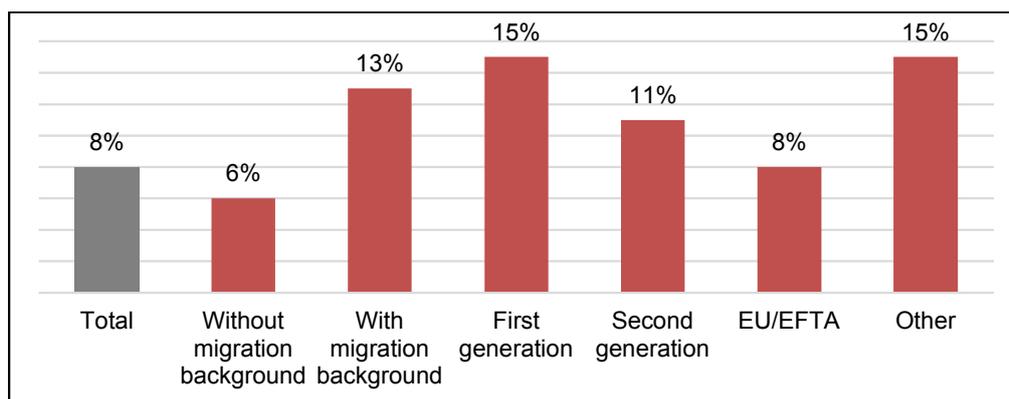


Source: Statistik Austria, 2018; Eurostat Database, 2018.

Note: *) Break in time series.

In both groups, the share of males is somewhat higher (Statistik Austria, 2018). Data by migrant status reveals that young people with a migrant background have a significantly higher risk to be NEET or drop out of school early compared to their non-migrant peers. According to Statistik Austria’s Migration and Integration report (2017a), youth with a migrant background were more than twice as likely to be NEET as those without a migrant background. The share of NEETs was highest among first generation immigrants and those from outside the EU/EFTA (15%) (Figure 4).

Figure 4: Young people aged 15-24 neither in employment nor in education and training (NEET) by immigrant status (%), 2016



Source: Statistik Austria, Eurostat Database, 2018.

² Council conclusions of 12 May 2009 on a strategic framework for European cooperation in education and training (ET 2020). Retrieved from: <https://eur-lex.europa.eu/legal-content/EN/ALL/?uri=celex%3A52009XG0528%2801%29>

1.2. Overview of current policies in the field

Recent and current employment policies include the reduction of non-wage labour costs, measures for the employment of both younger and older employees (for older employees partly suspended by the new government for 2018 due to the current favourable economic development) as well as persons with disabilities, and measures for the labour market integration of refugees (BMASK 2017a).

Recent reduction of non-wage labour costs focused on employer contributions, but also employees participated. Employer contributions to family benefits fund were decreased in two stages by in total 0.6% to 3.9% in 2018. Both employer contributions to accident insurance (July 2014 from 1.4% to 1.3%) and to insolvency fund (from 2015 on from 0.45% to 0.35%) were decreased by 0.1 percentage points each. In 2017, for workers and self-employed who defer retirement, both employee (regular 10.25%) and employer contributions (regular 12.55%) were reduced by 50% for up to 3 years (until 68 years for men and 63 years for women) (Fuchs & Hollan, 2017). From mid-2018 onwards, the reduction of unemployment contributions for employees with low incomes (2% instead of 3%) will be further extended up to a monthly gross wage of EUR 1,948 (previously EUR 1,696). The last measure is intended to benefit employees with low incomes who benefit from a much lesser degree from income tax reliefs. Further non-wage labour costs reductions are announced in the government programme 2017-2022 (see section 3.2).

A number of active labour market policies were introduced in recent years with the purpose of increasing employment opportunities for women and reducing gender inequality in the labour market. These include measures that provide assistance to women in returning to the labour market following family-related career breaks through comprehensive counselling and guidance (e.g. *Wie-dereinstieg unterstützen*), and special PES courses (e.g. *Wiedereinstieg mit Zukunft*) (BMASK, 2017h). Two recently implemented programmes aimed at skills enhancement are the systematic development of competences (*Kompetenz mit System*), an apprenticeship training scheme directed at unemployed women, and the vocational centres for women (*Frauenberufszentren*) (BMASK, 2017h).

Improving the labour market integration of older workers has remained a key priority of Austrian labour market policy with new initiatives being implemented in the past years. The Federal Government's 'Employment initiative 50+' has been promoting the employment of older people in the form of integration subsidies and wage subsidies for employers since 2014 (AMS, 2017). This measure is targeted at those who reached the age of 50 and have been registered with the PES for at least six months. In 2016, 23,000 older people took part in the initiative (AMS, 2017). The PES also promotes age-appropriate work by granting partial retirement allowance (*Altersteilzeitgeld*) and advising companies on Active Aging. Within the framework of the partial retirement, older workers have the possibility to reduce their working hours without having to worry about negative consequences for later retirement. In 2016, there were an average of 27,712 people in partial retirement (*Altersteilzeit*) and 157 in the newly created partial pension (*Teilpension*) (AMS, 2017).

A counselling and secondary prevention service for employed and unemployed persons with disabilities, chronic diseases or other health impairments was introduced in 2011. The programme, called *fit2work*, is aimed to preserve or restore ability to work and to enable a rapid occupational (re)entry by early intervention. Thus, sickness-related absences from work, future inability to work and a premature withdrawal from the labour market should be avoided. *fit2work* is coordinated by the service offices of the Federal Ministry for Social Affairs (SMS) in cooperation with partner organisations. Individual counselling provides preventive support and case management for individual employees on sick leave and unemployed, whereas company counselling is offered to enterprises on health and work capability management (BMASK, 2017g).

Overall, individual counselling within fit2work seems to match the needs of employees and unemployed with health impairments and there are promising results. On the other hand, participation in preliminary counselling occurs relatively late when sick leave or unemployment have already intensified. Furthermore, only a small part of persons invited participated in the programme. However, fit2work is also significantly accessed through GPs, the PES, or self-referrals. Many clients are not on sick leave at the time of service use, but unemployed. Company counselling is now reaching enterprises to a significant degree (OECD, 2015; Statistik Austria, 2015).

The law on employment of PWDs obligates all employers to employ one PWD entitled to special support per 25 employees. For each quota-place not filled a compensatory levy has to be paid. The levy is collected in a fund, which finances support measures for people with disabilities and their employers for occupational and social rehabilitation and integration. An amendment of the law increased the levy for larger companies with more than 100 employees starting from 2011. In addition, in case of new employment contracts with PWDs the special dismissal protection comes into effect only after a qualifying period of four years (before already after six months) (BMASK, 2017g). Many employers argued that the special dismissal protection represents a barrier to new hiring (see for example BMASK, 2012). So far, the expected positive employment effects of both measures have failed to appear (BMASK, 2017g).

As in the case of people with disabilities, migrants and persons with recognised refugee status can benefit from labour market policies specifically geared to their needs, in addition to participating in mainstream measures. A wide range of such targeted policies have been implemented and expanded in recent years in response to the increased number of migrants and refugees arriving in Austria in 2015 and 2016. Among the interventions aimed at improving access to the labour market, the Mentoring for migrants programme can be highlighted, which is a joint initiative between the PES, the Austrian Economic Chamber (WKO) and the Austrian Integration Fund (ÖIF) (BMASK, 2017h). Language support in the form of German language courses, such as the Return-to-learn programme, are also crucial for improving labour market prospects for migrants and refugees. Apart from language barriers, a major hindrance has been the issue of unrecognised qualifications. To address this problem, special service centres have been established in the major cities, namely Vienna, Linz, Graz and Innsbruck, where information and assistance is provided regarding recognition and assessment of formal qualifications obtained abroad. In 2015, more than 6,800 persons used this service (BMASK, 2017h). Moreover, since 2015 special competence checks are offered by the PES for registered clients with recognised refugee status assessing their skills and professional experience. Under the diversity management policy of the PES staff members and case workers receive training in diversity management and intercultural competences.

In 2016, altogether 346,000 people participated in ALMP offered by the PES with a total expenditure of EUR 1.24 billion (AMS, 2017). The budget is expected to increase from EUR 1.33 billion in 2017 to EUR 1.4 billion in 2018. Due to decreasing unemployment this is expected to result in an increased amount of EUR 400 for the individual unemployed person. More funding will be available for young unemployed (see section 1.2.1), the long-term unemployed (plus 13%) and for the vocational training of skilled workers (plus 3%). There is corresponding need for action as 50% of vacancies require a completed apprenticeship, but only one third of persons registered at the PES fulfil those criteria. In general, regional PES-offices should receive more leeway for subsidies and support (Standard 2018b).

The employment bonus (reduction of non-wage labour costs for new employees by 50%; time span 1.7.2017-31.1.2018) and the Action 20.000 (employment of long-term unemployed 50+ in the municipality or non-profit sector, wage costs provided by the PES) (BMASK, 2017d) were abolished by the new government resulting in savings of EUR 350-400 million in expenditure. The Action 20,000

programme was frozen at the end of 2017 with about 4,000 persons already in supported employment, which will continue, but new entrants are prevented. Officially an evaluation of the programme is announced but it is not likely to be continued (Expert Interview). Criticisms on the abolishment of the Action 20,000 were raised, for example by the Chamber of Labour, that despite the favourable economic conditions the situation of long-term unemployed hardly improved (Brait et al., 2018). The Ministry for Social Affairs confirmed the difficult situation of older unemployed in finding new employment. On the other hand, the Action 20,000 programme would in most cases not provide a perspective for employment in the primary labour market and would require a permanent subsidy. The abolishment of the employment bonus seems to be justified as during the economic upturn there would be significant windfall gains (Expert Interview).

There will be also less financial resources available for the integration of refugees. The new government cut the budget for the integration-year from EUR 100 million to EUR 50 million and for German language courses and vocational qualification for persons granted asylum by EUR 80 million (Brait et al., 2018). The government justified these cuts with a decrease in the number of asylum seekers even though the number of persons who were granted asylum and registered at the PES increased from 20,000 to 30,000 (Expert Interview).

1.2.1. Labour market policies for young people and implementation of the Youth Guarantee (YG) and the Youth Employment Initiative (YEI)

Young people have been the focus of labour market and education policy for several years in Austria. In line with the EU Youth Guarantee (YG) and YEI, measures have been put in place to facilitate transition from school to work, expand access to education and training and reduce early school drop-out and ultimately youth unemployment. The strong focus on improving the employment prospects of young people is also illustrated by public spending on youth programmes within the Austrian labour market policy which amounted to a total of €841 million in 2016 (BMASK, 2017b). Austria also performs well in the indicators that were developed under the Indicator Framework to monitor the impact of YG programmes in Member States. According to the latest data collection results, 88% of all NEETs aged 15-24 in Austria were covered by YG schemes (i.e. those registered by a YG provider at any point during the year) (European Commission, 2016). As for implementation of YEI, data from the ESIF Open Data Platform shows that 2,718 NEETs participated by the end of 2016. Of these, 93.9% was participating in educational or vocational training-related projects while the remaining 6% were in programmes under the theme of social inclusion. In addition, efforts towards more effective outreach and assistance for socially disadvantaged youth have been made, although challenges for specific groups, such as young migrants and refugees, remain.

As part of the Implementation Plan several education and training-related policies and programmes have been implemented in recent years to enhance young people's skills and their sustainable labour market integration. Most notable among them is the government's Compulsory Education or Training initiative and the related EducationTraining till 18 programme (both adopted in 2016 and ongoing) which support young people's participation in continued education and training beyond the compulsory period of education (BMASK 2017b). The main goal is to prevent young people becoming unemployed, the risk of which is especially high in the first two years after compulsory school in the absence of continued schooling/training. The programme relies on a combination of new and already existing support measures. These include (but not limited to) the Youth Coaching programme (available nationwide as of 2013) and Production schools (available since 2015). The latter is specifically targeted at disadvantaged young people or young people with disabilities who require extra support to complete basic schooling and to upgrade skills before entering further education or training. In 2016, 42 such schools had already been established with around 3,000 students attending (BMASK 2017b).

The above measures are supplemented by a variety of career guidance and counselling services and tools (e.g. Job compass, Application portal, Workroom) offered at the public employment service (PES) as well as by other entities such as the Chamber of Labour. The EducationTraining till 18 programme is envisaged to be fully operational by 2020.

'Older' young people are also able to benefit from training and intensified job placement offered under recent PES initiatives. One example is the Future for Youth Action Programme (Aktion Zukunft Jugend) which was introduced in 2014 as a rapid intervention scheme. In 2016 alone, 56,437 young adults aged between 19 and 24 years received upskilling support (BMASK 2017b). In January 2017, this was replaced by a new labour market programme called the Training Guarantee till 25 (Ausbildungsgarantie bis 25) this time targeting unemployed young adults aged 19-25 with only compulsory education. The primary focus is on the provision of vocational education and training credentials. In 2017, approximately 5,000 young adults participated in this programme. Other current nationwide measures include the Training Guarantee for young people in supra-company training (ÜBA) as well as company-run apprenticeship schemes (BMASK 2017b).

Furthermore, a new training programme called Job Aktiv was recently announced by the new government. It will support young people who are without a job or are long-term unemployed with a budget of EUR 12 million allocated to young people under the age of 18 and EUR 37 million for young people up to age 25 (ORF, 2018).

Measures in the framework of the initiative EducationTraining till 18 (Youth Coaching, Production Schools, Education Guarantee/corporate Apprenticeships) were supplemented recently by programmes and measures related to the interface between education, training and labour market that are aimed at youth with disabilities and health impairments. The main targets are vocational education and job placement. With the career management, youth with functional disorders are accompanied during sequential integration steps – Youth Coaching, Integrated Vocational Education, Youth Work Assistance, Job Coaching and qualifying projects – and continuously transferred into employment (BMASK, 2017).

The integration of young migrants and refugees into education and the labour market remains an issue of concern. Faced with multiple barriers, some institutional, others related to insufficient German language skills and unrecognised or low qualifications, these young people are at a particularly high risk of social exclusion. Young migrants have a higher probability compared to their Austrian peers to become NEET, drop out of school and experience job placement difficulties (BMASK 2017b). Of the recently launched measures, Production Schools and Youth Coaching appear to be better geared to the need of this target group as indicated by their above average participation in these programmes. Other labour market integration policies for this group include mentoring programmes, German language courses, a special programme that provides skills training in non-traditional occupations for young women and girls, and counselling days with specialised external providers organised by the PES. For young refugees over 18 years of age, a basic framework of comprehensive integration support, a so-called integration year, is provided under the new Labour Market Integration Law (adopted in 2017).

1.2.2. Agenda for New Skills for New Jobs

Under the Agenda for New Skills for New Jobs, Austria is implementing a broad set of policy measures that revolves around the following key priorities: modernising school education, continuous upgrading of vocational education and training, promoting adult education and life-long learning, and tackling inequalities. A special policy focus in this regard has been the prevention and reduction of early-school drop-out with specific measures targeted at groups most at risk, such as students with a migrant background (BMASK 2017b).

For the modernisation of the education system, a comprehensive education reform programme was initiated in 2015 comprising of several work packages on school autonomy, comprehensive schools, and new administrative systems (BMASK 2017b). In recognition of the fact that adapting and continuously updating skills will become increasingly important in the future, some steps have also been taken to reorganise the content of educational programmes. In 2015, new curricula in technical and vocational education and in the new secondary schools (Neue Mittelschulen–NMSs) were introduced that encourage learning and emphasise competences and skills as opposed to traditional knowledge-based education. Such policies seem especially relevant given that there is still a sizeable minority of adults in Austria that lacks sufficient basic skills. According to results from the OECD Survey of Adult Skills, about 14-15% of the working age population in Austria has low proficiency (i.e. Level 1 or below) in numeracy and literacy skills and the share with poor skills in terms of problem-solving in technology-rich environments reaches 40.8%, which is around the OECD average (OECD, 2013).

Investing in digital skills and STEM studies is part of the new government programme for 2017/18 under Austria's new Digital Roadmap (see section 1.2.4) and the 2017 Digital Education Strategy 'School 4.0'. Accordingly, basic digital skills will be introduced into the curriculum of primary and lower secondary schools, while the number of places available for STEM studies in higher education will be expanded from the 2018/19 semester onwards (European Commission, 2017a).

The main policy objectives for life-long learning are laid down in the Strategy for Lifelong Learning (LLL:2020) which was adopted in 2011. Building on five core principles (life phase orientation, lifelong guidance, placing focus on learners and promotion of participation in life-long learning), the strategy serves as a guideline on which basis specific targets or so-called 'action lines' and a range of policy measures have subsequently been developed (BMUKK et al., 2011). A particular feature of the strategy is the focus on enhancing learning opportunities for older citizens and the recognition of non-formal and informal knowledge and competences. An important legal measure in this regard is the Act on Austrian National Qualifications Framework (NQF), which came into force in 2016 and provides a legal basis for the procedure of referencing and recognising not only formal, but also non-formal qualifications (NKS, 2018). Other recent measures related to adult education and training include the possibility to combine part-time work with education or training and the expansion of educational counselling by the PES. The Skilled Worker's Grant, introduced in 2013 under the Skilled Worker's Package, offers full-time trainings for unemployed people without higher education qualifications through skills enhancement and career guidance (BMASK, 2017h).

Statistical information from Eurostat indicates that participation in life-long learning is relatively high in Austria and has increased since 2011. The proportion of persons aged 25 to 64 who took part in education or training in 2016 was 14.9% (compared to 13.5% in 2011) which was well-above the EU-28 average of 10.8%, albeit with considerable differences across age and education groups. Participation is substantially lower among older workers (aged 55-64), while people with tertiary education are almost three times as likely to participate in education or training as those with an education level of lower secondary or less.

1.2.3. Uptake of European Structural and Investment Funds (ESIF)

For the period 2014-2020, Austria has been allocated EUR 4.92 billion from the European Structural and Investment Funds (ESIF) (ESIF Open Data Platform, 2018). With a national contribution of EUR 5.73 billion, the budget amounts to a total of EUR 10.65 billion. Funding is delivered through the following financing instruments: the European Regional Development Fund (ERDF)- 19.4% of total, the European Social Fund (ESF)- 8.2%, the European Agricultural Fund for Rural Development (EAFRD)- 72.3% and the European Maritime and Fisheries Fund (EMFF).

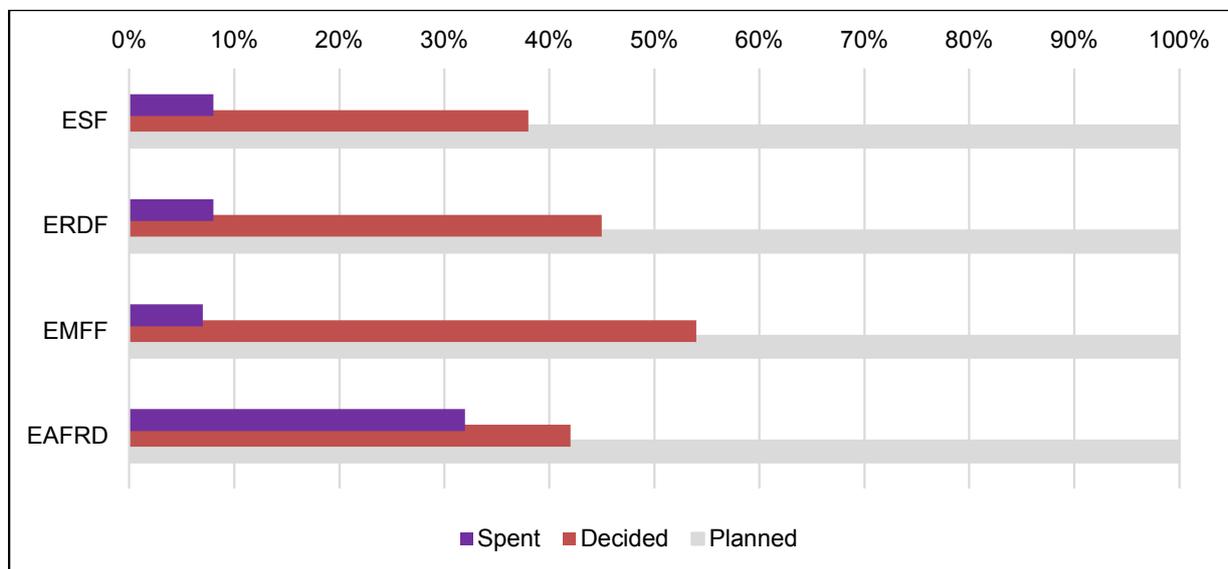
The Operational Programme ‘Employment Austria 2014-2020’ is cofounded by the European Social Fund (ESF) with an ESF budget of around EUR 442 million allocated for the period 2014-2020. The priority areas for which the fund is being used include gender equality in the labour market; active and healthy ageing; active inclusion and employability; prevention and reduction of early school leaving; life-long learning and adapting to change (BMASK, 2017c). A separate priority area is concerned with further improving the labour market in the province of Burgenland.

The ‘Investments in Growth and Employment Austria 2014-2020’ is the Operational Programme for the use of ERDF. The three focus areas are research, development and innovation; competitiveness of SME; and transition towards a low carbon economy (ÖROK, 2018). Again, a special budget is allocated to Burgenland, the only region in Austria that qualifies as a ‘transition’ region.

In addition, Austria is active in seven cross-border, three transnational (ALPINE SPACE, CENTRAL EUROPE, DANUBE) and four interregional (INTERREG EUROPE, URBACT III, ESPON III, INTERACT III) operational programmes under the European Territorial Cooperation 2014-2020 (ÖROK, 2018). These cross-border and interregional approaches are of particular relevance in Austria given the country’s long borders and the high number of border regions. The EU funding allocated for the European Territorial Cooperation objective is around EUR 257 million, of which approximately 86% is allocated to the seven cross-border programmes and 14% to the three transnational programmes (ÖROK, 2018). This objective is to be co-financed exclusively through the ERDF.

In terms of overall implementation progress, financial data submitted to the Commission by Austria shows that 42% of the planned total budget of EUR 10.65 billion has been decided (i.e. resources have already been allocated to selected projects) and 26% has been spent (i.e. reported expenditure for selected projects) up to the end of 2017. Figure 5 shows the corresponding percentages for the specific Funds.

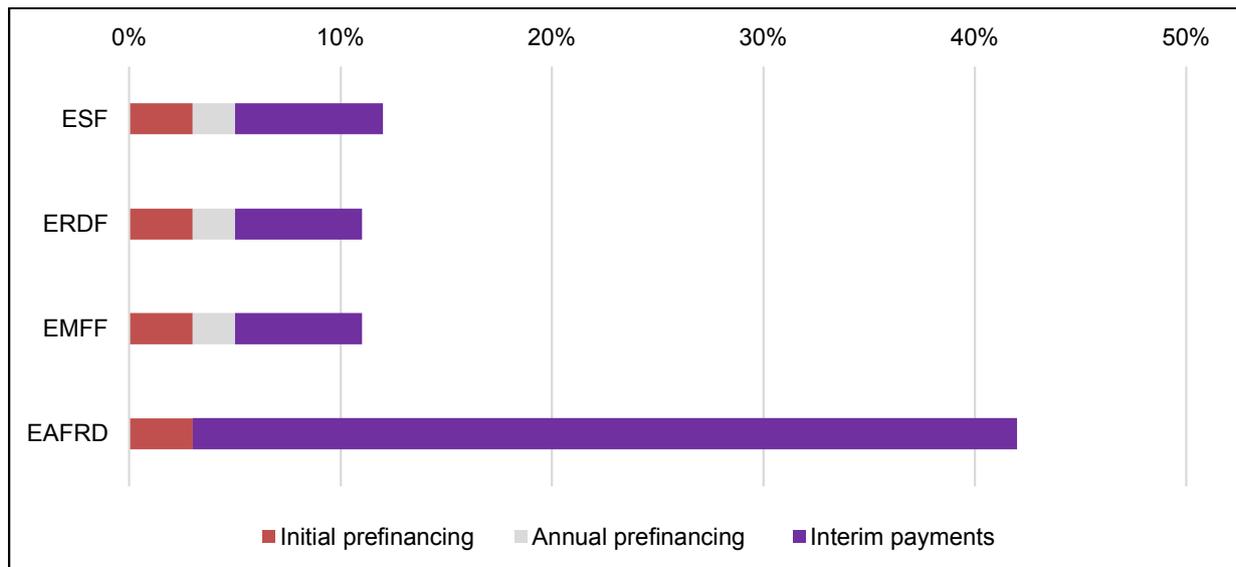
Figure 5: Implementation by Fund in Austria until the end of 2017



Source: European Structural and Investment Funds Data, 2018.

As of April 2018, the EU provided payment in the amount of EUR 56,472,861 to Austria through the ESF and EUR 61,796,525 through ERDF (ESIF Open Data Platform, 2018). They represent an uptake of 13% and 12% respectively of the allocated EU payments from these funds (Figure 6).

Figure 6: Total cumulative EU payments by fund and type of payment to Austria



Source: European Structural and Investment Funds Data, 2018.

1.2.4 Measures to address new challenges such as new forms of labour, digitalisation and the platform economy, and the quest for a better work-life balance

Automation and digitalisation is likely to have significant impact on the labour market affecting almost every job, although estimates tend to vary as to the actual impact of these changes (Arntz et al., 2016). The jobs that are most likely to be affected, or even disappear, are those which comprise of tasks that can easily be automated and where it is relatively cost effective to do so. According to Arntz et al (2016), tasks with an increased risk of automation include those related to exchanging of information, selling and manual tasks. On the other hand, tasks that require non-repetitive, complex analytical and problem-solving skills are expected to be affected to a lesser extent.

Increased automation and digitalisation may also result in different types of work arrangements (European Commission, 2017b). Such shifts can already be observed with remote work or flexi-time becoming more wide-spread. There is also an increasing number of workers working in irregular working patterns and alternative work arrangements; a trend that is expected to continue in the future. Recent trends in atypical forms of employment show that temporary and, in particular, part-time employment has been increasing steadily in Austria, and in 2016, stood at 9% and 27.8% respectively (Eurostat Database, 2018). Self-employment in the last decade has remained relatively stable. The self-employed accounted for about 12.7% of total employment in 2016.

As for the level of participation in the platform economy, little reliable information is available. Studies on the scale of platform economy work tend to use different definitions and methods resulting in very different estimates (Forde et al, 2017). According to a recent study prepared for the European Parliament on the topic, it estimated that between 1% and 5% of the adult population in the EU has engaged at some point in paid platform economy work (Forde et al, 2017). One recent study using online survey methods estimated that between 13 and 16% of the sampled population in Austria carried out paid platform work at least once each month and approximately 2.9% of the working age population had at least half of their income generated from platform work (Huws et al, 2017). The emergence of new forms of employment such as crowd-working and online platforms raises several questions in terms of job security, earnings and working conditions (European Commission, 2017b). This topic is specifically addressed in the upcoming presidency of the EU in Austria (see section 3.1).

Digitalisation has also considerable implications for education and life-long learning. According to the EU's Digital Skills Indicator, in 2017, 37% of the adult population aged 25 to 64 did not possess the sufficient digital skills to meet current needs (Eurostat Database, 2018). The indicator, which measures competences in relation to information, communication, content creation and problem solving, showed that around 2% had no digital skills at all and 35% possessed only basic skills. The corresponding shares for those in the labour force were 1% and 36% respectively. Although the above values are higher than those of the EU-28 average, further progress is needed in digital skills.

The comprehensive Digital Road Map forms a key part of Austria's policy response to the challenges posed by new forms of work, enabled by digitalisation. The Roadmap identifies several fields of action pertaining, among others, to digital education, broadband infrastructure, business start-ups, creative industry, eGovernment, cybersecurity, integration and inclusion, research and innovation etc. (Digital Roadmap Austria, 2018).

Recent measures targeting a better work-life balance focused on the further flexibilization of the childcare benefit (for children up to three years), the introduction of an additional care leave and the extension of institutional childcare.

For births from 1 March 2017 on the flat-rate models (30+6, 20+4, 15+3, 12+2 months) within the childcare benefit were harmonised by introduction of an even more flexible childcare benefit account: For one parent a total amount of EUR 12,366 is reserved, in case both parents receive EUR 15,449. The total amount is divided by the number of receiving months/days: in case only one parent receives between 12 months/365 days and 28 months/851 days, in case both parents receive between 15 months/456 days and 35 months/1,063 days). Depending on the number of receiving months/days, the minimum amount is EUR 14.53 and the maximum amount is EUR 33.88 daily. In addition, a partnership bonus of EUR 500 is granted per parent (in total EUR 1,000) in case the receiving period is distributed at least in the relation 60:40 among the partners.

Furthermore, for births from 1 March 2017 on in addition both to the child care account alternative and the already existing income dependent child care benefit alternative a family time bonus (Familienzeitbonus) between 28 and 31 days within a time frame of 91 days after birth can be granted. The family time bonus amounts to EUR 22.60 daily and is later subtracted from the father's share of childcare receipt (Fuchs & Hollan, 2017).

In total the changes led to more flexibility for parents. However, the risk of choosing a "too short" time period which might result in lack of income and social insurance coverage after termination of the childcare benefit increased. The potential lack of social insurance coverage will be addressed in combination with the extension of the dismissal protection (currently up to the 2nd birthday of the child) announced in the government programme 2017-2022 (see section 3.2).

In 2014, a new care leave incl. the option for part-time work (Pflegekarenz/-teilzeit) was introduced in case of an urgent care need or organisational need in a care situation (as a rule from care degree 3 and above). It has to be agreed upon with the employer and covers a period from one to three months per caring person. In case of a significant deterioration of the health status an additional leave can be agreed. Also, unemployed persons are entitled. There is entitlement to care leave allowance (Pflegekarenzgeld) which provides 55% of the net wage and can be received for three months (in case of at least two caring persons for in total six months). It is financed via general taxes.

The introduction of a care leave incl. an allowance to partly compensate for the loss of income is an important step towards the reconciliation of work and family life. Compared to the already existing family hospice leave, the new regulations cover a variety of care situations.

A drawback might be the required approval by the employer which was ruled in view of SMEs. Freelancers and new self-employed are not entitled to the care leave, although these atypical employments gain in importance (Schmidt et al., 2016).

The share of children below six years in institutional childcare increased significantly during the last five years: For children aged 0-2 years it increased from 19.7% (2011) to 25.4% (2016), for children aged 3-5 years from 90.3% to 93.1% (Statistik Austria, 2017b). However, Austria still fails to achieve the Barcelona-target of 33% for children below three years (Statistik Austria, 2017b). In 2018, the central government will provide the Federal States with EUR 52.5 million for the further extension of childcare facilities, EUR 70 million for the free of charge year in the Kindergarten (for children in the last year before school attendance) and EUR 20 million for early linguistic advancement. For 2019, the budget on the further extension of childcare facilities has still to be negotiated.

Since January 2017 a working parent may transfer up to 50% of his or her pension contributions to a partner for the first seven years of the child's life; previously such transfers were allowed only for the first four years (OECD, 2017). However, given that the default regulation is non-splitting (only a small minority applies for splitting), the measure will not be of major impact.

2. RECENT DEVELOPMENTS IN SOCIAL AFFAIRS AND RELATED POLICIES

KEY FINDINGS

- In 2016 the share of social expenditure in GDP amounted to 30.3%.
- In 2016 18.0% of the Austrian population were at risk of poverty or social exclusion, 14.1% at risk of poverty.
- Foreign citizens show an at risk of poverty or social exclusion rate of 42% in 2016.
- The employment rate (15-64) of persons without Austrian citizenship amounted to 62.6% in 2016, of Austrians to 73.3%.
- However, since 2010 almost 90% of the overall cumulated increase in the number of actively employed persons is attributable to non-Austrian citizens.

2.1. Overview of the social situation

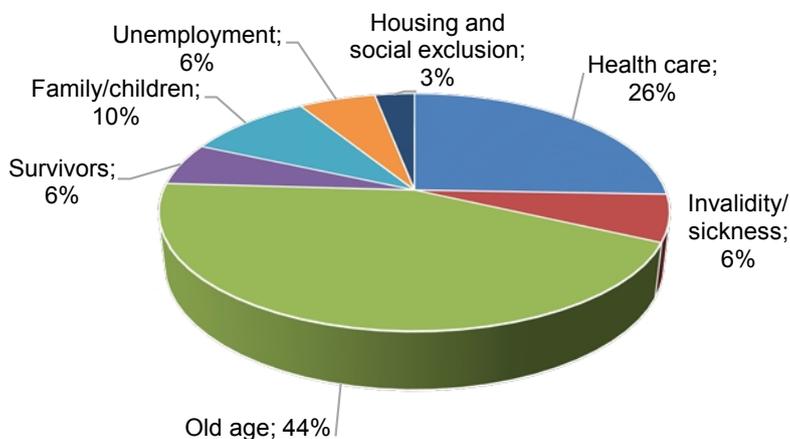
The overview includes facts and statistics covering fundamental areas of the social dimension by in parallel providing insights on specific target groups.

2.1.1. Overview on social expenditure

In 2016 the share of social expenditure in GDP amounted to 30.3%. When considering all social systems, they are financed by more than one third each by general taxes and employer contributions and by more than one quarter by contributions of insured persons (employees, self-employed, pensioners) (Statistik Austria, 2018).

According to functions as defined by ESSPROS 25.6% fell upon health, 6.4% upon disability, 44.0% upon old age, 5.8% upon survivors, 9.5% upon family/children, 5.8% upon unemployment, 3.0% upon housing and social exclusion (Statistik Austria, 2018; see Figure 7).

Figure 7: Structure of social protection expenditure (% of total expenditure), 2016



Source: Statistik Austria,

2018

With a share of 68% monetary benefits represented the lion's share of social expenditure in 2014. Of all monetary benefits, 57% were related to social insurance benefits (with statutory pensions as the dominant part), 17% to "pensions" for public servants, 12% to universal benefits (family benefits, care allowance), 5% to means-tested benefits (minimum pension top-up, unemployment assistance, minimum income benefit), 4% to labour-law related entitlements (mainly continuation of payments to sick workers) and 3% to company pensions (BMASK, 2016).

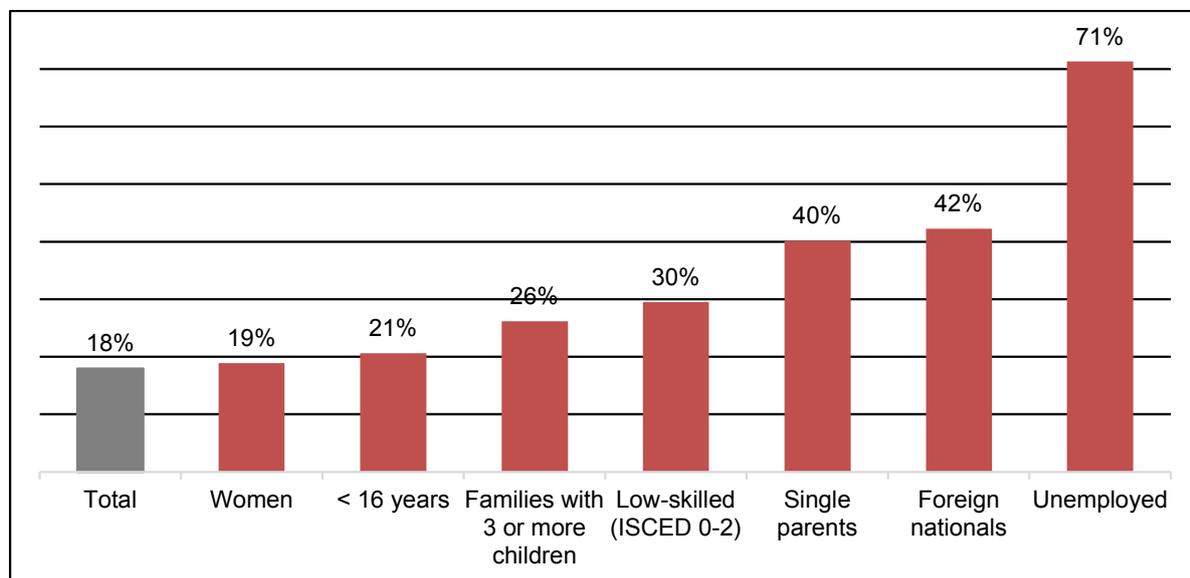
The Austrian social protection system is characterised by a mix of central and decentral elements. Social insurance and universal benefits which relate to the federal level predominate. Parts of the health sector, housing, the lion's share of social services, childcare facilities and minimum income benefit relate to the regional level (Federal States and municipalities). Reasons for the relatively small share of means-tested benefits are the high level of social insurance and universal benefits and the low unemployment rate compared to international standards (BMASK, 2016).

2.1.2. People at risk of poverty or social exclusion

In 2016, 18.0% of the Austrian population were at risk of poverty or social exclusion, 14.1% at risk of poverty. The poverty gap amounted to 20%. Social benefits show a strong poverty-reducing effect. Without pensions and social benefits the at risk of poverty rate would amount to 45 %, including pensions to 26 % (Statistik Austria, 2018).

Although the number of persons affected by at risk of poverty or social exclusion tends to result in a reduction since 2008, certain groups still face a high risk, among them single parent households, families with many children, (long-term) unemployed and low-skilled persons (Eurostat Database, 2018; see Figure 8).

Figure 8: Risk of poverty or social exclusion in selected population groups (%), 2016



Source: Eurostat Database, 2018.

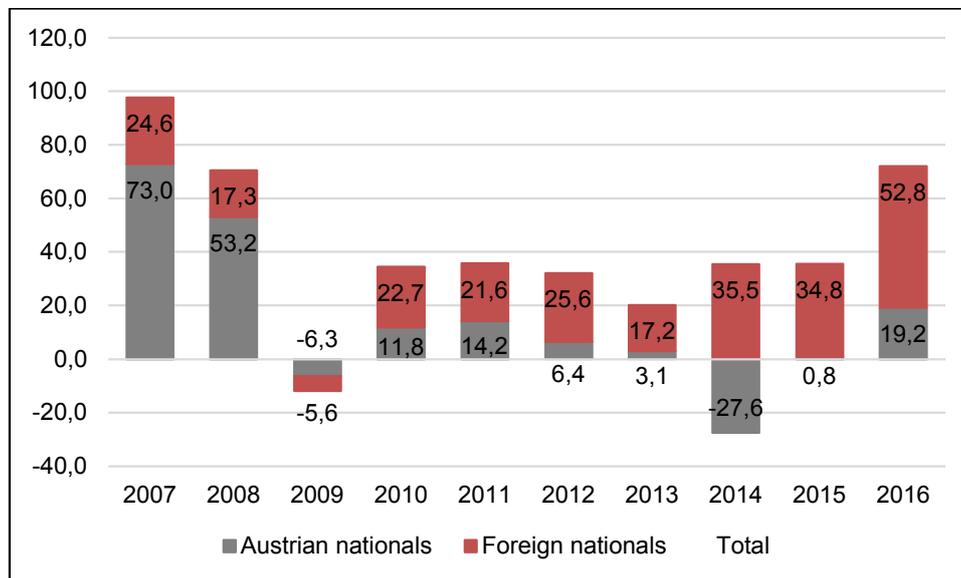
2.1.3. Situation of migrant workers

Foreign citizens show an at risk of poverty or social exclusion rate of 42% in 2016 (Eurostat Database, 2018; see Figure 8).

The employment rate (15-64) of persons without Austrian citizenship amounted to 62.6% in 2016, of Austrians to 73.3%. However, since 2010 almost 90% of the overall cumulated increase in the number

of actively employed persons is attributable to non-Austrian citizens (Statistik Austria, 2018; see Figure 9).

Figure 9: Change in the total number of employed persons by nationality (in thousands), 2007-2016



Source: Statistik Austria, 2018.

Foreign citizens have markedly more unstable employment and significantly higher risk of unemployment compared with Austrian citizens. Terminated employments involving non-Austrian citizens were on average shorter (2016: 281 days) than those of Austrian citizens (721 days). The unemployment rate of non-Austrian citizens in 2016 amounted to 12.1% (Austrians: 4.9%) (AMS, 2017; Statistik Austria, 2018).

Data from the ad-hoc-module of the Labour Force Survey on the labour market situation of migrant workers conducted in 2014 indicate that 16.2% of the working-age population (16-64) have been born abroad: 45.3% of the migrants were born in another EU country, out of which 25.3% from a country that has joined the EU since 2004. Among the non-EU migrants, the largest number (25.0%) came from the former Yugoslav republics, and 11.4% from Turkey.

The employment rate is higher for persons born in Austria (72.6%) than for foreign-born citizens (64.9%). EU15 migrants have a slightly higher employment rate than the average for Austrian-born workers at 73.7%, while non-EU-migrants, with the exception of migrant workers from former Yugoslav republics, show the lowest employment rates. Among them, female migrant workers from non-EU countries score the lowest rates with female migrants from Turkey at 36.2% and from other non-EU countries at 52.5%. The average employment rate of all women in Austria is 66.9%.

In terms of employment structure, 44.2% of the migrants work in blue-collar jobs, twice as many as the Austrian-born. 20.0% of the foreign-born and only 5.5% of the Austrian-born population work in low-skilled jobs. Self-employment is also higher among non-EU workers at 13.9%. 23.5% of the foreign-born perceive themselves to be overqualified for the job compared to the overall 11.4%. Overqualification is particularly high among migrant workers who have been in Austria for less than 5 years (35.5%) and decreases after.

In 2014 the unemployment rate of foreign born citizens was twice as high (10.1%) as that of persons born in Austria (4.6%) (Statistik Austria, 2015b).

2.1.4. Demographic change

According to the population forecast 2016-2100 the share of persons 65+ in the total population amounted to 18.5% in 2016. It will increase to 19.1% in 2020 and to 20.7% in 2025 (Statistik Austria, 2018). In the light of demographic change, in particular the situation related to pensions and long-term care is of importance.

According to OECD-projections the public expenditure on pensions will remain constant till 2020 (13.9% of GDP) and will reach 14.4% in 2030 and 14.6% in 2050 (OECD, 2017). The system dependency ratio (pension receivers per 1,000 insured persons) within the pension insurance (excl. civil servants) amounted to 589 in 2017. The national expertise for the pension insurance predicts an increase of the number of pensions till 2021 by 1.24% per year, which is lesser than the increase of insured persons (1.53% per year). However, due to a predicted weaker development of the assessment bases for pension contributions, the expenditure will grow faster than the revenues. Thus, incl. expenditure for minimum pension top-up the share of expenditure by the pension insurance not covered by contributions and thus, to be covered from general taxes will increase from 25.2% in 2015 to 27.0% in 2021 (BMAASK, 2017e).

The public expenditure for the care benefit (universal transfer graduated according to care degree 1-7) amounted to 0.73% of GDP in 2015. The total costs of care services for Federal States and municipalities amounted to 0.57% of GDP. While the public expenditure for the care benefit will increase only by 12% in real terms till 2025, the total public costs for care services 2025 will increase by 50% (Famira-Mühlberger et al., 2018).

2.2. Summary of relevant policies

As indicated above, Austria features a comparably high level of social security. Ongoing challenges relate to the provision of pensions between social security and financial sustainability as well as in the financing and provision of long-term care and minimum income benefit.

2.2.1. Tax reform 2015/16

With its completion from 2017 on the tax reform 2015/16 reduces tax revenues in the amount of 1.4% of GDP. The focus is a reduction of income tax rates incl. an extension of negative tax for low-wage earners and an introduction of a negative tax for pensioners. Furthermore, the general tax credit for employees and the child tax allowance as well as the support of commuters with low incomes were increased. For taxable incomes up to EUR 4,000 per year the absolute tax reduction amounts to EUR 290 per year due to the increase of negative tax. Because of the income-related gradual reduction of the negative tax the absolute tax reduction decreases to EUR 170 for a taxable income of EUR 12,000 ab. Above this limit it increases up to EUR 2,410 for a taxable income of EUR 90,000 (WIFO, 2015).

2.2.2. Pension system

During the last decades an increasing challenge in Austria was represented by the inflow into the disability pension system. This is mainly a problem related to persons in their 40s and 50s with an increasing share of persons with mental disorders. To combat this development, in 2014 temporary pensions were abolished for persons born after 1963 and the principle of rehabilitation before pension was enforced. In case the medical assessment shows that incapacity for work will last temporarily for at least six months and rehabilitation measures are appropriate, a rehabilitation benefit by the sickness fund or a retraining benefit by the PES is granted instead of a temporary pension. All rehabilitation measures should improve the health status and should secure the reintegration into the labour market (BMAASK, 2018).

In fact, the disability reform introduced a major barrier to the (re)granting of disability pensions. The reduced inflow is based both on less applications (possibly also due to a deterrence effect) and an increased refusal rate of applications.

However, several data suggest that so far, the majority of persons concerned by the reform receive rehabilitation benefits instead of disability pension, but do not work (Fuchs, 2016). The Austrian Court of Audit calculated that originally the measure was supposed to reduce public expenditure by a cumulative EUR 649 million in 2014 to 2018. However, in fact the somewhat higher rehabilitation benefits and the additional support will cause additional expenditure of EUR 100 till 200 million without counter-steering (Rechnungshof, 2017).

In addition, access to early retirement was further hampered by increasing the minimum age, the required qualifying period and the deductions within corresponding pension schemes since 2014. However, the difficult situation for elderly on the labour market and the attitudes of employers towards their employment still seems to slow down the increase of the effective retirement age (BMASK, 2017d). Under consideration of recipients of the new rehabilitation allowances the average age of new pension recipients in the pension insurance (without civil servants) increased by 0.7 years for men and 1.0 years for women in the period 2013-2017 (Hauptverband, 2018; see Table 3).

Table 3: Pension insurance: Average age of new pension recipients, 2013-2017

Year	Men	Women
2013	59.6	57.5
2014	60.0	57.9
2015	60.2	58.2
2016	60.1	58.3
2017	60.3	58.5

Source: Hauptverband, 2018.

The legal pension age of women will be increased stepwise from 60 to 65 years in the period 2024 till 2033. Political discussions on an earlier increase did not change the original time plan. The discussions were connected with expectations that an earlier increase could lead to an improvement in terms of equal opportunities and equal incomes for women on the labour market as well as budget savings for the pension insurance. A related simulation study concluded that these expectations could only be fulfilled in case a later retirement can be connected with an extension of working life and an increase in total employment. This would have been a challenge as the period 2019 till 2029 is characterised by an increase of labour supply due to demographic reasons (Mayrhuber et al., 2016).

2.2.3. Long-term care

Till the end of 2017 users of residential care whose total income (pension, care benefit, other incomes) was insufficient to cover the costs of residential care had to contribute to these costs by spending down their assets before becoming eligible for social assistance.

Since January 2018, this asset contribution (Pflegeregress) was abolished nationwide, increasing the scope for higher use of social assistance provided by the Federal States and

potentially higher demand for residential care. As compensation for the abolishment of the regress EUR 100 million were budgeted for the Federal States.

However, calculations by the Association of Towns and Municipalities assume a funding gap of EUR 530 till 650 million due to potentially increased demand for residential care (Brait et al., 2018).

In addition to this potential funding gap political voices were raised for an increased public support for outpatient care in order to treat residential and outpatient care equally, to implement the political principle "ambulant before stationary", to ease the pressure on the residential sector and because outpatient care is simply cheaper. For example, Vorarlberg intends to pass a package for outpatient care still in 2018 which will be financed by the Federal State itself (Standard, 2018a).

Apart from these current political developments there is a long-standing discussion how to handle expected increases in public expenditure related to long-term care given demographic developments, the decline in informal care and increases of labour costs in the care sector. In view of the expected cost increases and the political principle „ambulant before stationary“ in the Austrian long-term care policy a timely and significant extension of mobile services and alternative support settings (assisted living, shared apartments, semi-residential services, stationary short-time care) as well as of 24-hours-assistance at home is urgent in order to soften and/or postpone the increasing demand for expensive stationary services. Anyway, a later extension of residential care seems to be indispensable in the light of demographic development and the limited replaceability between mobile and stationary services. In addition, both the financial and social insurance-related compensation for informal care within the family could postpone the entry into the stationary sector.

In sum, the current funding system could be reviewed in order that the need for care does no longer represent an individual risk for persons in need of care and their relatives. A turn away from the principle of social assistance towards the funding of long-term care services out of general taxes could adapt funding more to the effective financing capacity of different population groups. However, in view of non-wage labour costs a further increase of labour-related taxes should be avoided (Famira-Mühlberger et al., 2018).

2.2.4. Minimum Income Benefit

In 2010 the central government and the Federal States agreed on a constitutional agreement, stipulating common and somewhat higher standards for the minimum income schemes (the nine Federal States are in charge of legislation on and implementation of minimum income) which replaced monetary social assistance as from 2010. However, the political debate has considerably intensified over the last years backed up by arguments that the financial burden for the Federal States was on the rise and that an overly generous minimum income benefit would undermine employment incentives. One other argument repeatedly put forward is that only people who have in the past been contributing financially via taxes and social insurance should be eligible for full minimum income benefit. The nationwide agreement expired at the end of 2016. For a renewed agreement no compromise could be found.

In fact, reforms implemented in different Federal States (Burgenland, Lower Austria, Upper Austria, Tyrol, Vorarlberg; comparatively moderate in Vienna) since late 2015 point towards retrenchment: For example, in June 2016, Lower Austria cut minimum income benefit for refugees and persons granted subsidiary protection status as well as the general housing allowance. As from January 2017, benefit levels were substantially reduced (by approx. 30%) for all persons who have been living in Austria for less than five years during the last six years, and an upper ceiling was introduced, amounting to EUR

1,500 per month per family/ household (Fink, 2017). However, very recently the reform in Lower Austria was repealed by the constitutional court for reasons of equal treatment.

The new government programme 2017-2022 contains a plan for a potential new nationwide coordination of minimum income benefit, which could, however, follow one of the Federal States with more pronounced cuts (see section 3.2).

2.3. Good practices and difficulties encountered related to free movement of workers, social security coordination and posting of workers

2.3.1. Free movement of workers

Austria has been one of the EU member states that opted for restricted free movement of workers from the new member states of Central and Eastern Europe for a transitional period of time. Austria lifted the restrictions for the EU8 (that joined the EU in 2004) in May 2011, and for the EU2 (which joined in 2007) in January 2014. During the restriction period, workers from these member states needed a work permit in order to be able to work in Austria. The restrictions are still in place for workers from Croatia until July 2020. Croatian nationals require a work permit, which the Austrian employer must apply for. Once the worker has been legally employed for one year, a 'confirmation of freedom of movement' will be issued, giving access to the entire labour market. The self-employed (*arbeitnehmerähnliche Betriebsverhältnisse*) also need permits, if they are to stay for longer than short visits for the purpose of fairs and exchange (EURES, 2018).

However, in order for EEA and Swiss citizens to remain in Austria for more than three months they need to be employed or self-employed in Austria, have adequate means of subsistence to support themselves and their dependants and have sufficient health insurance coverage for themselves and their family members, or attend an Austrian school or recognised educational institution as a main purpose of their stay and have sufficient means of subsistence and have a sufficient health insurance coverage (migrantion.gv.at, 2018). This has been considered as a restrictive interpretation of the free movement (Heindlmaier & Blauburger, 2017).

Despite the restrictions, the number of workers from Central and Eastern Europe has more than doubled since 2011, if we take into consideration free movers working long-term or permanently in Austria, cross-border commuters, and posted workers, making Austria one of the countries with the highest level of immigration in the EU in relative terms. As a result, Austria has been asking the European Commission to prioritize employment protection and in particular revise the Posting of Workers Directive, which is currently underway (European Commission, 2018b). A common consolidated corporate tax has also been proposed as a way to avoid unfair competition and a race to the bottom. National policies to encourage companies to generate jobs at the same time favouring the hiring of workers already living in Austria were introduced in 2017. In the framework of the employment bonus (abolished by end of January 2018; see section 1.2) companies were reimbursed for 50% of auxiliary wage costs for every additional job created. Experts (see for example Schmidt, 2017) argued that the measure seems feasible and proportional when targeted at residents without employment, but it might be difficult to reconcile with EU-law against discrimination of other EU-citizens.

Despite the concerns on the pressure migration puts on the Austrian labour market, different researchers have argued that Austria is able to absorb the increase as the Austrian labour market needs immigration (Schmidt, 2017). A recent study estimates that Austria's continuous participation in the European integration process has led to the creation of 18,500 jobs annually – i.e. it has accumulated around 480,000 jobs since 1989 (Breuss, 2016). They also contribute considerably in the social system,

with data from 2015 indicating they have paid around EUR 4.5 billion into the social system, while only half of that amount was returned via social benefits (Schmidt, 2017).

2.3.2. Social Security Coordination

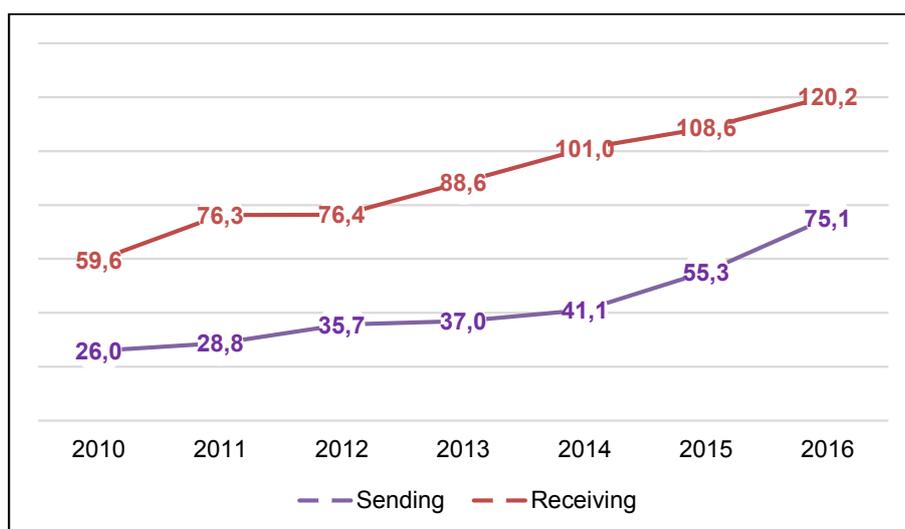
A recent comparative study on the portability of social security in the EU (TRANSWEL Project) found that although the process is clear in theory, in practice it is quite complex and uncertain for both public-authorities and migrants. The EU social security coordination manifests itself in different forms at the national and local level, often resulting in barriers to migrants' making contributions, establishing entitlement, accessing benefits and then porting those benefits. The barriers are created by the complex regulatory frameworks and institutional settings, administrative discretion, and formal procedural requirements for accessing benefits. Portability is also affected by the fact that institutional settings are different in the EU countries, therefore communication with the right authority across the border might be a challenge (Carmel et al., 2016).

In the case of Austria, migrants' access to social protection is shaped by the strict residence requirements. While paying contributions is necessary, it is not sufficient to generate entitlement, and additional barriers exist for migrant workers with temporary employment or employment that requires mobility across borders. There is a considerable level of uncertainty derived from both the complexities of the legal and bureaucratic system, and the high degree of discretion in decision-making. Often there is confusion of whether EU or national law is applicable especially for health insurance and some family benefits, which can be resolved through professional support for affluent migrants with enough language skills but might generate inequalities in access for those with lesser means, poor language skills, and in mobile employment situations (Scheibelhofer et al., 2016).

2.3.3. Posting of workers

The data on posting are predominantly based on the number of portable documents (PDs A1) issued by sending and receiving countries. The number of PDs A1 has been growing since 2010 and by 2015 reached 1.5 million in the whole European Union (Pacolet & de Wispelaere, 2016). The number of PDs A1 forms has been increasing in Austria too since 2010 (see figure 10).

Figure 10: Posting to and from Austria (in thousands), 2010-2016



Source: European Commission, 2016, 2018

The most recent country factsheet indicates that there have been 120,150 workers posted to Austria in 2016 and 75,132 workers posted from Austria in the same year. These data are the highest ever and

indicate that the number of postings to Austria has increased by 101.5% since 2010, while the number of postings from Austria has increased by 189.4%. As a result, Austria is currently the fourth EU country per number of received posted workers and it is tenth per number of posted workers to other Member States. The main countries of origin for workers posted to Austria are neighbouring countries such as: Slovenia (37.6%), Germany (25.1%), Slovakia (10.2%), Hungary (9.9%), Italy (4.3%), and Poland (4.9%). Workers posted from Austria go also mainly towards neighbouring countries, predominantly Germany (56.2%), but also Switzerland (9.5%), Italy (5.5%), and France (5.2%).

The main sector in which posted workers to and from Austria are employed is construction, while other sectors include industry other than construction, education, and other services. There is also some posting from Austria in the commerce industry (European Commission, 2018a).

The main challenges faced in the area of posting are wage dumping, followed by incorrect (or missing) working time documentation, both of which are interrelated. Previous studies and media reports suggest posted workers are not being paid correctly for the hours worked in Austria. Irregular and fraudulent practices vary from missing or insufficient working time documentation, reporting minor or part-time employment, double-books, subtracted expenses such as for travel and accommodation, letterbox companies, and bogus self-employment. Irregular reporting of working time has also often meant the circumvention of Austrian regulations on overtime pay and other supplements. Furthermore, despite Austrian legislation in favour of applying collective agreement rates and/or minimum wage, there have also been cases of wages based on home-country rates (Schmatz & Wetzel, 2014; Szigetvari, 2017).

In response to these challenges, Austria has introduced a new law, the “Austrian Act to Fight Wage and Social Dumping” (LSD-BG) which came into force by 1st of January 2017. It replaced the former “Austrian Act to Fight Wage and Social Dumping” (LSDB-G), which was part of the Act on labour contracts (Arbeitsvertragsrechts-Anpassungsgesetz, AVRAG), enacted on May 1st 2011 (WGKK, 2017). The new stand-alone Act is meant to facilitate the enforcement of anti-wage-dumping and specifies penalty fees in the range of EUR 500-20,000 for omitting a notification to the Austrian authorities of the posting, for thwarting wage controls, for not keeping wage documents available and for underpaying workers. Additionally, the Act introduces chain liability in the construction sector (Austrian Act to Fight Wage and Social Dumping, 2016). The two main stakeholders involved in the combating of these problematic issues are the competence centre on fight against wage and social dumping (Lohn- und Sozialdumping Bekämpfung, LSDB) at the Vienna Regional Health Insurance Fund (Wiener Gebietskrankenkasse, WGKK) and the Financial Police (Finanzpolizei, FinPol).

Another important point of concern for posted workers at the EU level has been access to information, which was also addressed in the Enforcement Directive of the Directive 96/71/EC (2014/67/EU). In Austria, the national website on posting (<http://www.postingofworkers.at>) is an example of good practice as it provides information in German and six other European languages, i.e. EN, HU, PL, CS, SK, SL, which are also the languages of the countries most workers posted to Austria come from.

The revision of the posting directive requires that the usual local wage level has to apply for posted workers and reduces the maximum duration for posting assignments. According to the Ministry for Social Affairs the revision represents an improvement but did not solve the problems related to competitive inequalities and withholding of social insurance contributions. The average posting duration in Austria only amounts to three months anyway (Expert Interview). And indeed, it has already been identified in the literature that even when workers are paid the same, there are cost differentials between posted and locally-hired workers due to the fact that posted workers' social protection contributions are paid in their country of origin (Berntsen & Lillie, 2015; Cremers, 2011).

3. PRIORITIES OF THE UPCOMING AUSTRIAN PRESIDENCY OF THE EU IN THE FIELD OF EMPLOYMENT AND SOCIAL AFFAIRS

3.1. Further details on the Austrian Presidency's programme

Austria is part of a trio presidency together with Estonia (Presidency of the Council in the second half of 2017) and Bulgaria (Presidency in the first half of 2018). The trio programme comprises, among others, the following thematic areas:

- A Union for jobs, growth and competitiveness
- A Union that empowers and protects all its citizens

The most important points of the trio programme are, among others: implementation of the European Agenda on Security and the European Agenda on Migration; continuation and finalisation of Digital Single Market proposals; efficient taxation, fight against tax fraud; support for young people (education and training); investment in growth and jobs, including research and innovation; fight against poverty and social exclusion.

Austria's national programme will be available before the start of the Council Presidency (BMEIA, 2018). The Austrian Presidency is designed as „working presidency“ with a view on the European elections in May 2019. Apart from the completion of ongoing legal acts and the negotiation of announced proposals major challenges are represented by negotiations related to the perennial financial framework after 2020 and the Brexit. The main target is to conclude several dossiers or to pass them on with far-reaching progress to the successive presidency of Romania.

In more detail, the following undertakings are to be expected or planned:

- Conclusion of the trilogue negotiations with the European Parliament related to an amendment of the Social Security Regulations (883/2004 and 987/2009) and related to the directive on the accessibility for products and services,
- Conclusion of the negotiations related to the directive on reconciliation of work and family life for parents and care persons, the directive on carcinogenic and mutagenic substances and the continuation of negotiations related to the directive on transparent and predictable working conditions in the European Union.
- Intended are continued negotiations on the European Labour Authority and on the proposal for a Council recommendation on the access to social security for self-employed. The topic is also of importance related to digitalisation and emerging forms of labour (see below).
- Projected is also addressing the directive on article 19 and – in case a majority applies on EU level – the directive on women in supervisory boards.

In the informal area, the focus is on digitalisation. The Austrian Presidency will deal with the issue under the aspect of „security of prosperity and competitiveness“ in combination with the motto of the Presidency „a protecting Europe“. It is essential to create fair basic conditions for employees as well as growth promoting competition conditions for enterprises and to secure legal and social protection for persons in new forms of labour (like Casual Working, Jobsharing, Portfolio Work, Crowdwork). Based on the work of the Trio-partners and a study conducted by Eurofound, Austria also intends to put the focus on the platform economy.

In order to secure competitiveness and sustainability of the European economy also in the future, and to safeguard that the economy can unfold its full potential and benefits the community by means of

digitalisation, a modern and balanced regulation framework is required. Thus, in the area of employment and social affairs the following aspects of digitalisation should be in the focus:

- Potential of digitalisation – also related to ease of work;
- Social and legal regulation for new forms of labour;
- Employment effects by digitalisation and quality of work (Expert Interview).

3.2. Other relevant initiatives in the pipeline

Important future employment and social policy measures listed in the programme 2017-2022 by the new government include:

Tax relief of enterprises and relief of factor labour: Corporation tax should be reduced to a level, which relieves SMEs and provides incentives to invest in Austria. Also, a further decrease of (employer) contributions to accident insurance (from 1.3% to 0.8 %) and family fund (FLAF) is planned (Österreichische Bundesregierung, 2017). The reduction of contributions to accident insurance is related to a political discussion on the reduction of its benefits to core benefits (i.e., work accidents; leisure accidents would then have to be covered by the sickness funds, etc.) and even on a potential liquidation of its carrier General Accident Insurance Association (AUVA). The reduction of contributions to the family fund is also related to a political discussion on the reduction of its benefits to core benefits. For example, current FLAF transfers for pension insurance during family-related leaves should be covered by the pension insurance itself in the future (Expert Interview).

Securing demand for skilled labour; strengthening of apprenticeships (Österreichische Bundesregierung, 2017). Related to skilled labour, initiatives like in Germany focusing on vocational training and in-migration could act as example (Expert Interview). Related to the strengthening of apprenticeships also its funding mode could be changed. So far only employers provide for the funding: all employers pay contributions to the insolvency fund and those who employ apprentices receive subsidies and support. This could be changed to a funding by the PES, which is financed both by employers and employees (Expert Interview).

Less restrictive legal framework for working time regulations and strengthening of scope for design on the company level: Increase of the daily limit for working time to twelve hours, of the weekly limit to 60 hours, as before the average weekly working time must not exceed 48 hours; more flexible working hours (Österreichische Bundesregierung, 2017). Critics argue that the measures could lead to a loss of income for employees due to less overtime supplements. Already now, there would be long working hours in case of full-time work and possibilities of flexible work were already substantially extended during the last decades (BMASK, 2017f).

Evaluation of the law on the employment of foreign nationals, of a sectoral close-down of the labour market in case of increased unemployment (e.g., in the construction sector) and of the posting-directive related to the (regional) demand on the labour market; focus on qualified skilled workers (Österreichische Bundesregierung, 2017).

Extension of dismissal protection as well as social-insurance related coverage for parents of small children towards the longest possible receiving period of childcare benefit (Österreichische Bundesregierung, 2017) which represents an extension up to the 3rd birthday of the child.

Examination of an automatic adaptation of income tax brackets related to CPI to avoid bracket creep (Österreichische Bundesregierung, 2017). The tax reform 2015/16 over-compensated the effect of bracket creep in almost all income brackets up to a yearly taxable income of EUR 1 million. However,

due to the increase of the progression decree of the income tax system by the reform the effect of bracket creep was further accentuated for following years (WIFO, 2015).

Introduction of a family tax credit (Familienbonus) in 2019 (Österreichische Bundesregierung, 2017). It reduces the tax burden for parents per child below 18 for whom family allowance is received up to EUR 1,500 EUR per year, per child above 17 for whom family allowance is received up to EUR 500, for single parents and single earners there is a negative tax of EUR 250 EUR per child for whom family allowance is received. In return the child tax allowance and the deduction of childcare costs will be abolished. In a simulation for the Chamber of Labour assuming 100% take-up and tax-optimum share between parents estimates for reduced tax revenues amount to EUR 1,500 million (official estimates amount to EUR 1,200 million). According to equivalised per capita income, persons in the 3rd, 4th and 5th income decile would profit most. The at-risk-of-poverty rate would be reduced by 0.6 percentage points (Fuchs & Hollan, 2018). The abolishment of the deduction of childcare costs could represent a disincentive for female employment (Expert Interview).

Social security in old-age and financial sustainability of the pension system: Increased minimum pension top-up of EUR 1,200 per month for persons with 40 contribution years, EUR 1,500 in case of couples where at least one partner features 40 contribution years; measures to increase the effective retirement age; abolishment of special pension entitlements ("luxury" pensions); reform of partial retirement (Altersteilzeit) (Österreichische Bundesregierung, 2017). Not many persons will profit from the changes in minimum pension top-up as it is only relevant in case of longstanding part-time careers. The reform of the partial retirement might relate to its significantly increased take-up (due to demographic reasons, i.e. baby-boomers, and measures put in place to combat early retirement). However, recent reform measures related to partial retirement were already targeted at the increase of age limits and on lesser subsidies for the block-alternative which basically provides for another variant of early retirement.

Introduction of unemployment benefit new (harmonisation and rearrangement of unemployment benefit, unemployment assistance and minimum income benefit): Further degressive design of the benefit amount in chronological sequence and integration of unemployment assistance; intensified consideration of contribution history (longer contributions periods result in longer receiving periods); no prolongation of the receiving period of unemployment benefit in case of sick leaves apart from inpatient treatment; reform of regulations related to reasonability of taking-up jobs; tight networking and coordination of processes between PES and social welfare offices (Österreichische Bundesregierung, 2017). The plan could end up in a Hartz-IV type system like in Germany with asset test and lower benefit levels. Simulations suggest that a replacement of unemployment assistance by minimum income benefit would lead to considerably reduced budgetary expenditure of EUR 700-800 million per year. On the other hand, the reform would entail an increase in the at-risk-of-poverty rate by around two percentage points (Fuchs et al. 2017). Given the relationship between health and unemployment, the planned measure related to the sick leave might lead to higher follow-up unemployment risk (Expert Interview).

"Stop of in-migration into the welfare state": nationwide restriction of minimum income benefit for non-Austrian citizens following retrenchments in several Federal States (see section 2.2.4); evaluation of pensions with minimum pension top-up of persons who migrated to Austria; promotion of job applications of unemployed EU-citizens and third country nationals in other EU-countries and their countries of origin after receiving unemployment benefit for twelve months, after termination of unemployment benefit "transfer" of non-Austrian citizens to subsidiary welfare systems of their country of origin; adaptation of family allowance to costs of living in countries, where the favoured children reside (Österreichische Bundesregierung, 2017). In the current unemployment insurance system with

unemployment assistance as follow-up benefit of unemployment benefit, the “transfer” of non-Austrian citizens to subsidiary welfare systems of their country of origin after termination of unemployment benefit contradicts EU-law. In case, unemployment assistance should be replaced by minimum income benefit (see above) it has to be legally confirmed whether e.g., for all persons who have been living in Austria for less than five years during the last six years minimum income benefit can be rejected (Expert Interview).

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ANNEX

Personal Interviews carried out on 6 April 2018 with Representatives from the following Departments/Sections of BMASGK:

- Department EU, International Affairs, Seniors, Volunteers;
- Department Basic Principles and Research Matters;
- Section Labour Market.

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