

Economic Policy Committee - Ageing Working Group

# **2024 Ageing Report**

## **Austria - Country Fiche**

*01-12-2023*

**Federal Ministry of Finance (BMF) in cooperation with the Federal Ministry of Social Affairs, Health, Care and Consumer Protection (BMSGPK) and Statistics Austria (STAT)**

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## Introduction

The present country fiche for Austria is part of the 2024 Ageing Report, which provides long-term projections of the economic and budgetary impact of population ageing at unchanged policy. The 2024 edition is the eighth update and covers the period up to 2070.

This fiche was prepared by the Federal Ministry of Finance (BMF) in cooperation with the Federal Ministry of Social Affairs, Health, Care and Consumer Protection (BMSGPK) and Statistics Austria (STAT). The pension projections presented in this fiche incorporate the macroeconomic assumptions and methodologies agreed within the *Ageing Working Group* of the *Economic Policy Committee*. The projections have been peer reviewed by the other Member States and the European Commission within the *Ageing Working Group*. The projections were finalised in the autumn of 2023 and represent the situation of the pension system on 01/11/2023.

Section 1 provides a general overview of the pension system in Austria. Section 2 describes the demographic and labour market assumptions underlying the pension expenditure projections presented in Section 3, which also discusses the sensitivity scenarios around the baseline. Finally, Section 4 gives an overview of the model used to produce the pension projections, with complementary data provided in the methodological annex.

# 1. Overview of the pension system<sup>1</sup>

## 1.1. Description of the pension system

The Austrian pension system is based on three pillars (public, occupational and private pension provision).

The **public pension system (1<sup>st</sup> pillar)** in Austria is based on a pay-as-you-go (PAYG) system and public pension benefits are by far the primary source of income for retirees. It is fully covered in the pension projections.

In order to harmonise the different schemes for blue and white collar workers, farmers, self-employed and civil servants and to eliminate all special pension schemes, a standardised, more actuarially-oriented **pension account system** (see Chapter 5.11) was introduced in 2005 for all employed born as of 1955, established in the “Act on Harmonisation of Austrian Pension Systems. This new pension system will gradually replace those different pension schemes over the long-run, with quasi all new retirees currently covered under the harmonised public scheme. An important benefit of this pension account system is that entitled persons always have a clear overview of their future pension (more transparency). The reform of 2005 also brought new regulations being less generous than the old ones aiming at strengthening the fiscal sustainability of the pension system. For instance, the assessment base for future pension entitlements was extended from the best 15 years to life-time’s earnings, the accrual rate was reduced from 2% to 1.78% and annual deductions for early retirement were increased.

**TABLE 1 – QUALIFYING CONDITIONS FOR RETIREMENT**

		2022	2030	2040	2050	2060	2070	
Qualifying condition for retiring <i>with</i> a full pension	Statutory retirement age - men	65	65	65	65	65	65	
	Statutory retirement age - women	60	63.5	65	65	65	65	
	Minimum requirements	Contributory period - men	15	15	15	15	15	15
		Retirement age - men	65	65	65	65	65	65
		Contributory period - women	15	15	15	15	15	15
		Retirement age - women	60	63.5	65	65	65	65
Qualifying condition for retirement <i>without</i> a full pension	Early retirement age - men	60	60	60	60	60	60	
	Early retirement age - women	55	60	60	60	60	60	
	Penalty in case of earliest retirement age	see Table 2						
	Bonus in case of late retirement*	see Table 2						
	Minimum contributory period - men	see Table 2						
	Minimum contributory period - women	see Table 2						
	Minimum residence period - men	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	
Minimum residence period - women	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.		

\* bonus in case of late retirement (only when qualifying for full pension): 4.2% p.a.

Source: BMF, BMSGPK

**Entitlements for a regular old-age pension** arise with a minimum of 15 insurance years (including at least 7 contribution years) and when the statutory retirement age is reached (see Table 1).

The **statutory retirement age** is 65 years for men and all (male and female) civil servants and currently 60 years for women, respectively. The retirement age for women will be gradually increased to 65 years between 2024 and 2033 (in ½ years steps). Bonuses are granted for postponing retirement beyond the statutory retirement age (see Table 1).

<sup>1</sup> For an exhaustive description of pension schemes, please consult the [PENSREF database](#).

The public pension system also comprises possibilities for **early retirement** (see Table 2), invalidity and occupational disability pensions (see Chapter 5.7) as well as survivors' pensions (see Chapter 5.8).

**TABLE 2 – EARLY RETIREMENT PENSION SCHEMES**

Pension Scheme	Min. retirement age		Required insurance/contribution years		Penalties for early retirement
	women	men	women	men	
Corridor pension ("Korridorpension")	62 years <sup>1)</sup>	62 years	40 years	40 years	5.1% per year
Early old-age pension for long-term contributors ("Hacklerregelung")	62 years <sup>2)</sup>	62 years <sup>3)</sup>	45 years	45 years	4.2% per year
Heavy worker regulation ("Schwerarbeitspension")	60 years <sup>4)</sup>	60 years	45 years <sup>5)</sup>	45 years <sup>5)</sup>	1.8% per year
Early old-age pension for long-term contributors in combination with heavy worker regulation ("Hackler-Schwerarbeit")	55 years <sup>6)</sup>	60 years <sup>7)</sup>	40 years	45 years	1.8% per year

1) This gets relevant only by 2028

2) Born as of 1966

3) Born as of 1954

4) This gets relevant only by 2024

5) At least 10 years of "hard labour" within 20 years before retirement

6) Born between 1 January 1959 and 31 December 1963

7) Born between 1 January 1954 and 31 December 1958

Source: BMF, BMSGPK

If individual pension claims are lower than legally defined thresholds, the gap is filled by federal budget contributions (**equalising allowance**, so called "Ausgleichszulage") to guarantee pensioners a minimum income (see Chapter 5.5).

The public pension system is mainly financed mainly through compulsory contributions (up to a maximum contribution base). The current contribution rates are set uniformly at 22.8% (see Table 3).

The differences to the standard contribution rate of 22.8% for farmers, self-employed and self-employed in the liberal professions are borne by federal transfers (so called "**Partnerleistung**").

The Austrian social security ("Österreichische Sozialversicherung") also gets federal transfers to cover supplementary periods of insurance years such as parental leave, times in unemployment or military service. The federal budget also covers the deficits in most public pension schemes if they actually occur ("**Ausfallhaftung**"). These deficits are, thus, financed by general taxation. In 2022, this "Ausfallhaftung" amounted to 9.7 bn euro (2.18% of GDP) in the private social security sector.

Contributions to public old-age provisions in Austria are exempt from taxation. However, pensions and special pension payments, are treated like income from employment and are subject to income tax. Taxes payable are deducted from the gross pension reduced by health care contributions (see Chapter 5.4).

The maximum contribution base (see Table 3) as well as the revaluation coefficient of the pension account (see Chapter 5.11) are linked to the average insured wage while pension benefits are adjusted to consumer price inflation (benchmark; can be higher or lower).

**TABLE 3 – CONTRIBUTION RATES/CONTRIBUTION BASE**

	Contribution rates		Maximum contribution base (in 2023 per month)
	Employees	Employers	
<b>Blue and white collar staff</b>	10.25%	12.55%	5,850 Euro**
<b>Public employees with private contracts</b>	10.25%	12.55%	5,850 Euro**
<b>Civil servants</b>	10.25%	12.55%	5,850 Euro**
<b>Self-employed</b>	18.5%*		6,825 Euro***
<b>Self-employed in the liberal professions</b>	20%*		6,825 Euro***
<b>Farmers</b>	17%*		6,825 Euro***

\* The difference to the standard contribution rate of 22.8% is borne by federal transfers

\*\* Contribution base: gross salaries

\*\*\* Contribution base: income tax assessment notice

\*\*\*\* Contribution base: unit values of agricultural enterprises

Sources: BMF, BMSGPK

Generally, **private pensions** in Austria (both occupational and private) are still of much less quantitative importance than public pensions. Nevertheless, the volumes of private pensions have grown rapidly during the past decade.

The Austrian Occupational Pension Act (“Betriebspensionsgesetz”) contains regulations for occupational old-age provisions (**2<sup>nd</sup> pillar**). This Act mainly regulates the following firm-related retirement provisions:

- Pension provision funds (“Pensionskassen”)
- Occupational collective insurances (“Betriebliche Kollektivversicherung”)
- Direct provisions allowed by a company to an employee (“Direkte Leistungszusage”)
- Life insurances

By the end of 2022, the assets in the pension provision funds increased to 24.35 bn euro (5.4% of GDP) and assets in the occupational collective insurances (established in 2005) were at 1.1 bn euro (0.2% of GDP) by the end of 2021.

Since 2002, employers have been obliged to transfer 1.53% of the monthly salary of their employees to a staff provision fund (“Mitarbeitervorsorgekasse”), set up especially for the new severance payment (“Abfertigung neu”). In case of termination of employment by the employer and after a minimum working period of 36 months, the employee is entitled to get a severance payment or to leave the amount in the staff provision fund. In view of old-age provision, retiring employees can choose to receive the pay-out in form of the lump sum (taxed at 6%) or an additional monthly pension (tax free). By the end of 2022, the assets of the new severance payment fund rose to 16.56 bn euro.

For the 2<sup>nd</sup> pillar only data (main aggregates) for the pension provision funds for the base year is available and covered in the pension projections. The **3<sup>rd</sup> pillar** of the Austrian pension system is made of **private pension provisions** paid in by individuals. Like for the occupational schemes, individuals can choose between multiple investment products, fulfilling directly or indirectly the purpose of old-age provision. Hence, in the private individual scheme one can generally distinguish between concrete pension-directed provisions and a general accumulation of savings over the life-cycle. Traditionally, life insurances play a significant role in long-term savings. Private life insurance contracts have continued to show a major upward trend over the past years. While in general a private life insurance leads to a one-off payment, private pension insurance contracts are usually concluded for the purpose of obtaining a life-long pension.



A popular private old-age provision is the premium-aided pension savings scheme (“Prämienbegünstigte Zukunftsvorsorge”). This was introduced in 2003 as a kind of life insurance (incl. a capital guarantee) subsidised by the state with a tax premium. After a minimum investment period of 10 years, the taxpayer may dispose of those entitlements. If the entitlements are, however, paid out, half of the allowed state bonuses must be paid back, together with a retro-active tax of 27,5% on the capital gains, and the capital guarantee will be lost. If the entitlements are transferred or used for pension payments, no tax will be due. This scheme has been recording strong growth since its launch in 2003. In 2013, a two-tier life-cycle model was implemented where the minimum percentage invested in equities differs between people who are over 50 years of age and those who are below (more flexibility and less stringent investment rules). Due to a reduction of the tax premium in 2012 and some problems with fulfilling the capital guarantee given very low capital gains in recent years, there has been a decrease of new contracts and payment of contributions. At the end of 2022, about 903.000 contracts were held by insurance companies and investment businesses. Contributions in 2022 were about 0.70 bn euro and the total of assets amounted to 8.54 bn euro.

The 3<sup>rd</sup> pillar is not covered by the pension projections.

## 1.2. Recent reforms of the pension system included in the projections

Since the AR 2021 the following measures worth mentioning were introduced and are now included in the AR 2024 (for a more detailed description see Chapter 4.3):

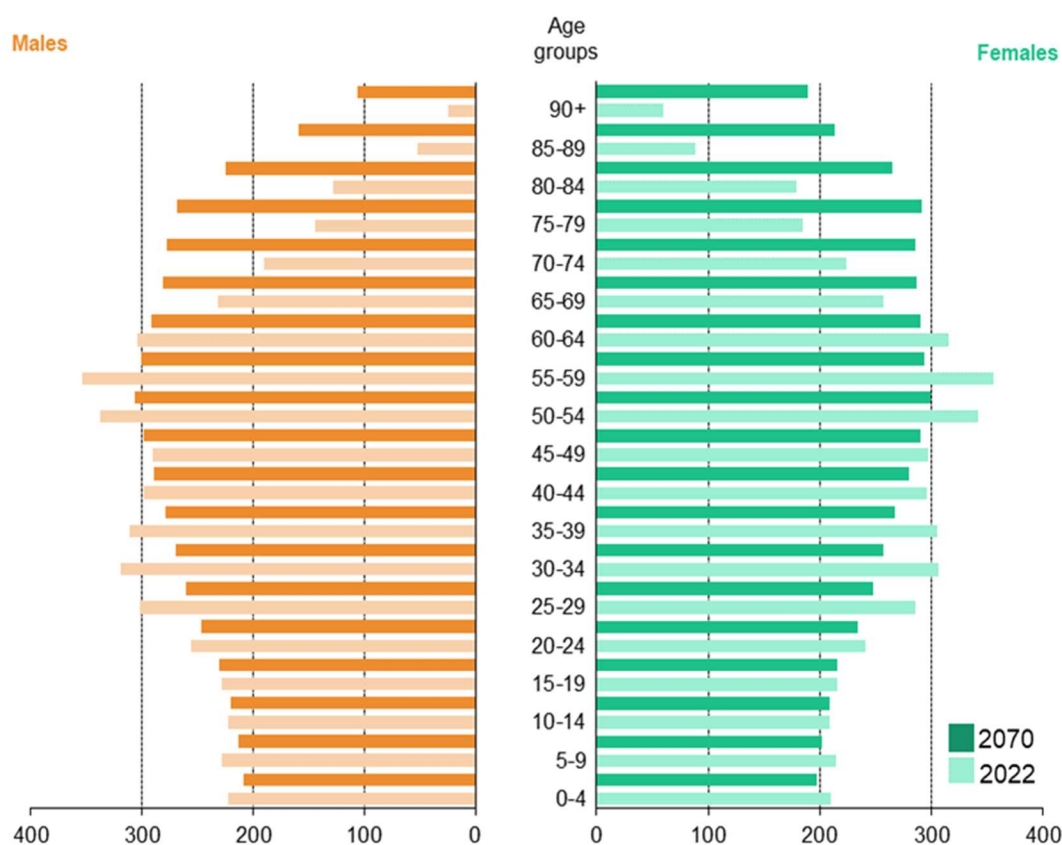
- Abolishment of the early retirement possibilities without deductions in case of 540 contribution months.
- The so-called early starter bonus (“Frühstarterbonus”) has been introduced for cohorts retiring as of 2022.
- The extent of the first pension valorisation now depends on the month of retirement.

## 2. Overview of the demographic and labour force projections<sup>2</sup>

### 2.1. Demographic projections

The 2022-based population projections by Eurostat (released at the end of June 2023) represent the starting point of the common pension projection exercise. According to these projections, the Austrian population is expected to increase from 9.026 million persons in 2022 to the level of 9.545 million by 2070, which also represents the peak year. The Austrian population is projected to be larger by about 519.000 inhabitants in 2070 compared to 2022, but also to be much older than it is now (see Figure 1). According to the projections, the working-age population (aged 20-64 years) will decline from 5.51 million in 2022 (peak of 5.52 in 2023) to 5.00 million in 2070. Simultaneously, the elderly population (aged 65 years and above) will increase markedly throughout the projection period. The number of elderly will go up by about 62%, rising from 1.76 million (in 2022) to 2.85 million in 2070.

FIGURE 1 – AGE STRUCTURE: 2022 VS 2070



Source: Eurostat, European Commission.

<sup>2</sup> For more details, see European Commission and EPC (2023), 'The 2024 Ageing Report: Underlying assumptions and projection methodologies.' European Economy, Institutional Paper 257. [https://economy-finance.ec.europa.eu/publications/2024-ageing-report-underlying-assumptions-and-projection-methodologies\\_en](https://economy-finance.ec.europa.eu/publications/2024-ageing-report-underlying-assumptions-and-projection-methodologies_en)

**TABLE 4 – MAIN DEMOGRAPHIC VARIABLES**

	2022	2030	2040	2050	2060	2070	peak value	peak year	change 2022-2070
Population (thousand)	9,026	9,226	9,421	9,530	9,540	9,545	9,545	2070	519
Population growth rate	0.8%	0.2%	0.2%	0.1%	0.0%	0.0%	0.8%	2022	-0.8%
Old-age dependency ratio (pop 65+ / pop 20-64)	32.0	39.5	47.2	50.6	54.8	57.0	57.0	2070	25.0
Old-age dependency ratio (pop 75+ / pop 20-74)	13.4	14.8	20.1	24.2	25.2	28.0	28.0	2070	14.7
Ageing of the aged (pop 80+ / pop 65+)	30.1	28.0	30.2	39.2	37.7	40.7	40.7	2070	10.6
Men - Life expectancy at birth	79.5	80.8	82.4	83.8	85.1	86.3	86.3	2070	6.8
Women - Life expectancy at birth	84.2	85.3	86.7	88.0	89.1	90.2	90.2	2070	6.0
Men - Life expectancy at 65	18.6	19.5	20.6	21.6	22.6	23.5	23.5	2070	4.9
Women - Life expectancy at 65	21.8	22.6	23.7	24.7	25.6	26.6	26.6	2070	4.8
Men - Survivor rate at 65+	87.5	88.9	90.6	92.0	93.2	94.2	94.2	2070	6.6
Women - Survivor rate at 65+	93.2	93.8	94.7	95.5	96.1	96.7	96.7	2070	3.5
Men - Survivor rate at 80+	58.2	62.7	67.5	71.9	75.7	79.1	79.1	2070	20.9
Women - Survivor rate at 80+	74.1	77.1	80.5	83.5	86.0	88.2	88.2	2070	14.1
Net migration (thousand)	103.7	36.1	37.3	37.0	35.9	34.7	103.7	2022	-69.0
Net migration (% population previous year)	1.2%	0.4%	0.4%	0.4%	0.4%	0.4%	1.2%	2022	-0.8%

Source: Eurostat, European Commission.

As a result, the old-age dependency ratio (the ratio of persons 65+ years in relation to the age cohort 20-64 years) will increase from 32.0% (in 2022) to 57.0% (in 2070) due to the retiring baby-boom generation and increasing life expectancy. This entails that Austria would move from having 3.1 working-age people for every person aged over 65 years to a ratio of 1.8 to one.

The population projections assume the total fertility rate to rise from 1.44 live births per women in 2022 to 1.57 by 2070. In turn, life expectancy at birth for males is projected to increase by 6.8 years over the projection period, from 79.5 years (in 2022) to 86.3 (in 2070). For females, life expectancy at birth is expected to go up by 6 years, from 84.2 years (in 2022) to 90.2 years (in 2070). Annual net migration inflows are projected to fall from extraordinary high 103,673 people in 2022 (Russian aggression on Ukraine) to 34,709 people by 2070.

## 2.2. Labour force projections

**TABLE 5 – PARTICIPATION RATE, EMPLOYMENT RATE AND SHARE OF WORKERS**

	2022	2030	2040	2050	2060	2070	peak value	peak year	change 2022-2070
Labour force participation rate 20-64	80.9	82.4	84.6	84.8	85.0	85.1	85.2	2064	4.1
Employment rate of workers aged 20-64	77.3	78.7	81.0	81.1	81.4	81.4	81.5	2064	4.2
Share of workers aged 20-64 in the labour force 20-64	95.5	95.5	95.7	95.7	95.7	95.7	95.7	2034	0.2
Labour force participation rate 20-74	70.7	69.2	70.5	71.6	70.6	71.1	71.8	2047	0.4
Employment rate of workers aged 20-74	67.5	66.1	67.6	68.6	67.6	68.1	68.8	2047	0.6
Share of workers aged 20-74 in the labour force 20-74	95.5	95.6	95.8	95.8	95.8	95.8	95.8	2063	0.3
Labour force participation rate 55-64	58.6	60.9	67.5	68.9	69.0	69.4	69.4	2070	10.7
Employment rate of workers aged 55-64	56.5	58.8	65.3	66.6	66.7	67.1	67.1	2070	10.7
Share of workers aged 55-64 in the labour force 55-64	96.3	96.6	96.7	96.7	96.7	96.7	96.8	2036	0.4
Labour force participation rate 65-74	8.3	7.7	8.1	9.4	9.4	9.3	9.4	2058	1.0
Employment rate of workers aged 65-74	8.2	7.6	8.0	9.3	9.3	9.2	9.3	2058	1.0
Share of workers aged 65-74 in the labour force 65-74	98.8	98.7	98.8	98.8	98.8	98.8	98.8	2062	0.0
Median age of the labour force	40.0	40.0	41.0	41.0	41.0	41.0	41.0	2034	1.0

Source: European Commission.

The overall participation rate (for the age group 20-64 years) in Austria is projected to increase by 4.1 pp over the period 2022-2070 (from 80.9% in 2022 to 85.1% in 2070), with a peak of 85.2 in 2064. The projected upward shift in the overall participation rate is mainly due to the increase of participation rates for elderly and women. While the participation rate for men within this age group stays fairly

constant over the projection horizon (from 85.3% in 2022 to 86.3% in 2070), the participation rate for women will be boosted by 7.3 pp (from 76.6% in 2022 to 83.9% in 2070). Due to the enacted pension reforms, the biggest rise in participation rates (+20.2 pp) is projected for older workers (60-64 years), primarily driven by the increase in the participation rates of women in the course of the rise in the statutory retirement age.

However, given the demographic developments discussed above, the overall labour supply (aged 20-64 years) in Austria is projected to drop by 4.7 pp from 2022 to 2070, whereby the female labour supply decreases by 1.8 pp and the male labour supply by 7.3 pp over the projection horizon. According to the common methodology, the assumptions imply an initial total unemployment rate (for the age group 20-64 years) of 4.5% in 2022 by Eurostat definition, decreasing to 4.3% until 2034 and staying around that level thereafter. Given the population projection, the unemployment rate assumptions and the labour force projection, the overall employment rate (of people age 20-64 years) in Austria is projected to increase from 77.3% (in 2022) to 81.4% in 2070; with a peak in 2064 (81.5%). The elderly employment rate (55-64 years) is expected to rise from 56.5% (in 2022) to 67.1% in 2070. The female employment rate (20-64 years) is expected to rise by about 7.3 pp from 73.3% in 2022 to 80.6% in 2070 while the male employment rate rises slightly from 81.2% in 2022 to 82.2% in 2070.

**TABLE 6 – LABOUR MARKET EXIT BEHAVIOUR**

<b>TOTAL</b>	2022	2030	2040	2050	2060	2070	peak value	peak year	change 2022-2070
Average effective retirement age*	61.4	62.5	62.8	62.8	62.8	62.8	62.9	2037	1.4
Average labour market exit age (CSM)**	62.2	63.0	63.4	63.5	63.5	63.5	63.5	2070	1.3
Contributory period	38.7	39.3	39.1	39.2	39.4	39.3	39.4	2033	0.7
Duration of retirement***	21.9	22.8	23.9	24.0	25.0	26.0	26.0	2070	4.1
Duration of retirement/contributory period	57%	58%	61%	61%	63%	66%	66%	2070	9%
Percentage of adult life spent in retirement****	35%	35%	35%	36%	36%	37%	37%	2070	2%
Early/late exit*****	1.5	2.3	1.8	1.8	1.6	1.8	2.5	2032	0.3

<b>MEN</b>	2022	2030	2040	2050	2060	2070	peak value	peak year	change 2022-2070
Average effective retirement age*	62.6								
Average labour market exit age (CSM)**	63.0	63.2	63.4	63.6	63.6	63.6	63.6	2047	0.5
Contributory period	40.7	40.9	40.6	40.6	40.8	40.7	40.9	2031	0.0
Duration of retirement***	19.3	21.1	22.2	22.4	23.4	24.4	24.4	2070	5.1
Duration of retirement/contributory period	47%	52%	55%	55%	57%	60%	60%	2070	12%
Percentage of adult life spent in retirement****	32%	33%	34%	34%	35%	36%	36%	2070	4%
Early/late exit*****	2.6	2.4	2.0	2.1	1.9	2.1	3.1	2024	-0.5

<b>WOMEN</b>	2022	2030	2040	2050	2060	2070	peak value	peak year	change 2022-2070
Average effective retirement age*	60.5								
Average labour market exit age (CSM)**	61.4	62.8	63.4	63.5	63.5	63.5	63.5	2055	2.1
Contributory period	36.9	37.5	37.6	37.7	37.9	37.8	37.9	2062	0.9
Duration of retirement***	24.4	24.4	25.5	25.6	26.6	27.5	27.5	2070	3.1
Duration of retirement/contributory period	66%	65%	68%	68%	70%	73%	73%	2070	7%
Percentage of adult life spent in retirement****	38%	36%	37%	37%	38%	39%	39%	2070	1%
Early/late exit*****	0.3	2.2	1.6	1.5	1.3	1.5	2.9	2032	1.2

\* The 'average effective retirement age' is the age at which people start receiving a pension benefit (old-age, early or disability). It is calculated on the basis of the administrative data on new pensioners for 2022, showing projected data for the other years for the total. Administrative data for average effective retirement age in 2022 for Austria only covers the social security sector, hence the civil sector is not included. In projections the civil service sector is included.

\*\* 'Average labour market exit age (Cohort Simulation Model)' refers to 2023 instead of 2022.

\*\*\* 'Duration of retirement' is the remaining life expectancy at the average labour market exit age.

\*\*\*\* The 'percentage of adult life spent in retirement' is calculated as the ratio between the duration of retirement and the life expectancy minus 20 years.

\*\*\*\*\* 'Early/late exit' is the ratio between those who retire before reaching the statutory retirement age and those who retire at or beyond the statutory retirement age. For 2022, the value refers to 2023.

Source: Eurostat, European Commission.

Table 6 shows an increase of the average effective retirement age from 61.4 years in 2022<sup>3</sup> to 62.8 years in 2070, the peak of 62.9 years is reached in 2037. The average labour market exit age according to the cohort simulation model is 62.2 years in 2022 and peaks at 63.5 years in 2070. The increase is more pronounced for women (61.4 to 63.5 years) than for men (63 to 63.6 years). Due to the increasing life expectancy the duration of retirement is increasing from 21.9 years in 2022 to a peak of 26.0 years in 2070. This effect is higher for men than for women (5.1 vs. 3.1 years). The percentage of adult life spent in retirement is increasing slightly from 35% in 2022 to 37% in 2070, it is a little bit higher for women than for men.

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<sup>3</sup> For details see footnote \* in Table 6

## 3. Pension projection results

### 3.1. Coverage of the pension projections

The projection results comprise public gross pension expenditures (1<sup>st</sup> pillar) for:

- the **private social insurance sector** (“Gesetzliche Pensionsversicherung”): Private employees, public employees with private contracts, self-employed and farmers and for
- the **civil servant sector** (“Beamtenpensionen”): from the federal, state and municipal levels as well as other public entities (such as the Austrian Federal Railways and the Austrian Post)

The projections for the first time also include base-year data for the 2<sup>nd</sup> pillar (occupational old-age provisions; restricted to the data of the pension provision funds (“Pensionskassen”)).

The 3<sup>rd</sup> pillar (private pension provisions) is not covered by the projections.

### 3.2. Overview of projection results

**TABLE 7 – PROJECTED GROSS AND NET PENSION SPENDING AND CONTRIBUTIONS (% OF GDP)**

	2022	2030	2040	2050	2060	2070	peak value	peak year	change 2022-2070
<b>Expenditure</b>									
<b>Gross public pension expenditure</b>	<b>13.4</b>	<b>14.6</b>	<b>14.2</b>	<b>13.6</b>	<b>13.6</b>	<b>13.6</b>	<b>14.7</b>	<b>2032</b>	<b>0.3</b>
Equalising Allowance ("Ausgleichszulage")	0.2	0.3	0.3	0.3	0.3	0.3	0.3	2070	0.1
"Rehabilitationsgeld"	0.1	0.1	0.1	0.1	0.1	0.1	0.1	2070	0.0
<b>Gross total pension expenditure</b>	<b>13.7</b>	<b>15.0</b>	<b>14.6</b>	<b>14.0</b>	<b>14.0</b>	<b>14.0</b>	<b>15.1</b>	<b>2032</b>	<b>0.4</b>
Net public pension expenditure*	11.0	12.1	11.9	11.4	11.4	11.4	12.2	2032	0.4
Private occupational pensions**	0.4	:	:	:	:	:	:	:	:
Private individual mandatory pensions	:	:	:	:	:	:	:	:	:
Private individual non-mandatory pensions	:	:	:	:	:	:	:	:	:
<b>Contributions</b>									
Public pension contributions	9.8	9.8	9.7	9.7	9.8	9.8	9.9	2025	0.0
Total pension contributions	9.8	9.8	9.7	9.7	9.8	9.8	9.9	2025	0.0
<b>Balance of the public pension system (% of GDP)***</b>	<b>-3.6%</b>	<b>-4.8%</b>	<b>-4.5%</b>	<b>-3.8%</b>	<b>-3.8%</b>	<b>-3.8%</b>	<b>-4.9%</b>	<b>2032</b>	<b>-0.3%</b>

<b>Other pension related expenditure****</b>	1.3	1.6	1.5	1.5	1.5	1.5	1.6	2028	0.2
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\* Net pension expenditure excludes taxes on pensions and compulsory social security contributions paid by beneficiaries.

\*\* Not included in 'Gross total pension expenditure'

\*\*\* Public pension contributions - gross public pension expenditure

\*\*\*\* Health care and rehabilitation, health insurance, administrative costs and other expenses

Source: European Commission, EPC.

The **gross public pension expenditure** – covering the private social insurance sector as well as the civil service sector – is increasing from 13.4% in 2022 to a peak of 14.7% in 2032 (see Table 7). Thereafter, the public pension expenditure is expected to decline slowly to 13.6% of GDP in 2070, reflecting both the effects of ageing population and the implemented reforms (most of all the introduction of the pension account system gradually replacing generous pension entitlement, especially in the civil service sector and the increase of the statutory retirement age for women). The medium run is especially determined by an increasing number of pensions due to the retirement of the baby-boomer generations. From a starting value of 2.8 million pensions the number goes up by 500,000 pensions until the beginning of 2040. Afterwards a further increase in the number of pensions is expected but with a decelerating speed. In 2070 3.5 million pensions are projected which also marks the peak value.

Closely related to the pension expenditure, but in fact a social benefit, or a health care expenditure, the equalising allowance and the “Rehabilitationsgeld” amount up to 0.3-0.4% of GDP throughout the projection horizon. The three mentioned expenditure categories together (labelled **gross total pension expenditure** in Table 7) are peaking at 15.1% in 2032 after a base year value of 13.7% of GDP in 2022. For the end of the projection horizon 14.0% are expected which means a total increase of the total pension expenditure of 0.4 pp of GDP.

The **net public pension expenditure** (see Table 7) was calculated according to the methodology agreed upon by the Ageing Working Group and does not correspond with the actual legislation (see also Chapter 5.4). However, adhering to the agreed approach the net public pension expenditure amounts to 11.0% of GDP in 2022. The peak value of 12.2% in the year 2032 is in line with the general expenditure projections, in the year 2070 net pension expenditure is expected to be around 11.4% of GDP.

**Public pension contributions** remain stable at around 9.8% over the projection horizon (see Table 7).

The **balance of the public pension system** (gross public pension expenditure minus public pension contributions) is negative throughout the projection horizon. From a starting value of 3.6% the negative balance increases to 4.9% in 2032 and then slowly declines to 3.8% in 2070 (see Table 7).

**Private occupational pensions** (restricted to the expenditure paid out by the so called “Pensionskassen”) amounted to 0.4% of GDP in 2022 (see Table 7).

**Other pension related expenditures** (not directly linked to pension benefits) like the administrative costs of the social security institutions or the health insurance costs for pensioners amount to around 1.3% to 1.6% of GDP throughout the projections.

**TABLE 8 – GROSS PUBLIC PENSION SPENDING BY SCHEME (% OF GDP)**

	2022	2030	2040	2050	2060	2070	peak value	peak year	change 2022-2070
<b>Total public pensions</b>	<b>13.7</b>	<b>15.0</b>	<b>14.6</b>	<b>14.0</b>	<b>14.0</b>	<b>14.0</b>	<b>15.1</b>	<b>2032</b>	<b>0.4</b>
Old-age and early pensions	11.4	12.8	12.5	12.0	12.3	12.5	12.9	2032	1.1
<i>Flat component</i>	:	:	:	:	:	:	:	:	:
<i>Earnings-related</i>	11.4	12.8	12.5	12.0	12.3	12.5	12.9	2032	1.1
<i>Minimum pensions (non-contributory)</i>	:	:	:	:	:	:	:	:	:
Disability pensions	0.4	0.3	0.3	0.3	0.3	0.2	0.4	2022	-0.1
Survivor pensions	1.6	1.6	1.4	1.3	1.0	0.9	1.6	2025	-0.7
Other pensions (Equalising Allowance & Rehabilitationsgeld)	0.3	0.4	0.4	0.4	0.4	0.4	0.4	2070	0.1

Source: European Commission, EPC.

Table 8 describes the pension spending by scheme:

The spending on **old-age and early pensions** accounts for the largest part of the pension expenditure, starting at 11.4% of GDP in 2022 and peaking at 12.9% of GDP in 2032. At the end of the projection old-age and early pensions amount for 12.5% of GDP. The number of old-age and early pensions is increasing steadily throughout the projection horizon from 2.81 million in 2022 to 3.48 million in 2070.

Spending for **disability pensions** are expected to decrease steadily from 0.4% of GDP in 2022 to 0.2% of GDP in 2070 which is mainly due to the reform of the invalidity and occupational disability. Disability pensions are generally transformed into old-age benefits when the statutory retirement age is reached. The number of disability pensions is slowly decreasing from 0.09 million in 2022 to 0.07 million in 2070.

**Survivors' pension expenditure** is projected to decrease from 1.6% of GDP in 2022 to 0.9% of GDP in 2070. The number of survivor pensions increases from 0.55 million in 2022 until it peaks at 0,62 in 2048 and decreases to 0.53 million at the end of the projection.

**Other pensions** in Table 8 includes the expenditure for the equalising allowance and also the “Rehabilitationsgeld” which together amount to 0.3% in 2022 and increases to 0.4% of GDP over the projection horizon.

### 3.3. Description of main driving forces behind the projection results and their implications

The following section provides more details about the development of public pension expenditures (Table 9). It uses a standard arithmetic disaggregation of the pension expenditures-to-GDP ratio into the dependency ratio, coverage ratio, benefit ratio and a labour market effect.

**FIGURE 2 – DISAGGREGATION OF PUBLIC PENSION EXPENDITURE**

$$\frac{\text{pension expenditure}}{\text{GDP}} = \overset{\text{dependency ratio}}{\downarrow} \frac{\text{population } 65+}{\text{population } 20-64} \times \overset{\text{coverage ratio}}{\downarrow} \frac{\text{number of pensioners}}{\text{population } 65+} \times \overset{\text{benefit ratio}}{\downarrow} \frac{\text{average pension income}}{\frac{\text{GDP}}{\text{hours worked } 20-74}} \times \overset{\text{labour market effect}}{\downarrow} \frac{\text{population } 20-64}{\text{hours worked } 20-74} \quad [1]$$

$$\frac{\text{number of pensioners}}{\text{population } 65+} = \overset{\text{coverage ratio old-age}}{\downarrow} \frac{\text{number of pensioners } 65+}{\text{population } 65+} + \left( \overset{\text{coverage ratio early-age}}{\downarrow} \frac{\text{number of pensioners } \leq 65}{\text{population } 50-64} \times \overset{\text{cohort effect}}{\downarrow} \frac{\text{population } 50-64}{\text{population } 65+} \right) \quad [2]$$

$$\frac{\text{population } 20-64}{\text{hours worked } 20-74} = \overset{1/\text{employment rate}}{\downarrow} \frac{\text{population } 20-64}{\text{employed people } 20-64} \times \overset{1/\text{labour intensity}}{\downarrow} \frac{\text{employed people } 20-64}{\text{hours worked by people } 20-64} \times \overset{1/\text{career shift}}{\downarrow} \frac{\text{hours worked by people } 20-64}{\text{hours worked by people } 20-74} \quad [3]$$

Source: European Commission, EPC.



**TABLE 9 – FACTORS BEHIND THE CHANGE IN PUBLIC PENSION EXPENDITURE BETWEEN 2022 AND 2070 (PPS OF GDP) – PENSIONERS<sup>4</sup>**

	2022-30	2030-40	2040-50	2050-60	2060-70	2022-70
<b>Public pensions to GDP</b>	1.3	-0.4	-0.7	0.0	0.1	0.4
<b>Dependency ratio effect</b>	3.2	2.8	1.0	1.2	0.6	8.7
<b>Coverage ratio effect*</b>	-1.2	-1.5	-0.6	-0.6	-0.2	-4.0
<i>Coverage ratio old-age</i>	-0.1	-0.7	-0.6	-0.5	-0.1	-2.0
<i>Coverage ratio early-age</i>	-2.3	-3.8	0.5	0.4	-0.6	-5.9
<i>Cohort effect</i>	-3.4	-2.6	-0.4	-1.5	-0.3	-8.2
<b>Benefit ratio effect</b>	-0.2	-1.1	-1.0	-0.4	-0.3	-3.0
<b>Labour market effect</b>	-0.3	-0.4	0.0	-0.1	0.0	-0.8
<i>Employment ratio effect</i>	-0.3	-0.4	0.0	0.0	0.0	-0.8
<i>Labour intensity effect</i>	0.0	0.0	0.0	0.0	0.0	0.0
<i>Career shift effect</i>	0.0	0.0	0.0	0.0	0.0	-0.1
<b>Residual</b>	-0.2	-0.2	0.0	0.0	0.0	-0.5

\* Subcomponents of the coverage ratio effect do not add up necessarily.

Source: European Commission, EPC.

The **dependency ratio** effect reflects the evolution of the ratio of old-aged people (population 65+) to working-age people (population 20-64). While this ratio amounts to 32.0% in 2022, it is expected to increase to 57.0% by 2070 (see Table 11). If no other effect would offset these adverse dynamics, pure ageing would increase public pension spending by 8.7 pp of GDP in 2070 as compared to 2022 (see Table 9).

The reduction of the **coverage ratio** is mainly due to the enacted legislative changes assuming a marked increase in the female exit age from the labour market. After some reforms stepping in the following years (e.g. phasing out of old law early pension opportunities), the harmonisation of the statutory retirement age of women from 60 to 65 years between 2024 and 2033 is expected to have the largest impact on exit ages. The declining number of pensions in relation to elderly people is also linked to the reduction of the number of survivors' pensions (the relative share of survivor pensions to all pensions declines from 19.4% in 2022 to 15.3% in 2070). This results from emerging changes in family structures and converging life expectancies of women and men.

The **public scheme benefit ratio** (see Table 10) compares the average gross wage with the average pension. As pension benefits are indexed by inflation while the average wage is naturally linked to wage growth (which in general is higher than inflation) the benefit ratio falls over the whole projection period from initially 54% to 45% in 2070. Subsequently there is a dampening effect of the benefit ratio of 3.0 pp of GDP in 2070 compared to 2022 (see Table 9).

**Labour market developments** also help to partly offset demographically induced spending, though they play a smaller role (see Table 9).

<sup>4</sup> For the disaggregation based on the number of *pensions*, see Table A2 in the methodological annex.

**TABLE 10 – BENEFIT RATIO (BR), REPLACEMENT RATE AT RETIREMENT (RR) AND COVERAGE BY PENSION SCHEME (IN %)**

	2022	2030	2040	2050	2060	2070	change 2022-2070 (pps)
Public scheme (BR)	54%	54%	51%	47%	45%	45%	-10%
Coverage	100%	100%	100%	100%	100%	100%	0%
Public scheme: old-age earnings related (BR)	54%	54%	50%	47%	45%	44%	-10%
Public scheme: old-age earnings related (RR)	53%	56%	54%	54%	54%	54%	1%
Coverage	85%	87%	88%	90%	91%	93%	8%
Private occupational scheme (BR)	30%	:	:	:	:	:	:
Private occupational scheme (RR)	:	:	:	:	:	:	:
Coverage	5%	:	:	:	:	:	:
Private individual schemes (BR)	:	:	:	:	:	:	:
Private individual schemes (RR)	:	:	:	:	:	:	:
Coverage	:	:	:	:	:	:	:
Total benefit ratio*	56%	54%	51%	47%	45%	45%	-11%
Total replacement rate (earnings-related benefits)	:	:	:	:	:	:	:

Coverage of each pension scheme is calculated as a ratio of the number of pensioners within the scheme and the total number of pensioners in the country. In case data on pensioners are not available, the calculation is based on the number of pensions.

\*Total benefit ratio contains 2nd pillar in 2022 but not in the following year. Equalising allowance and Rehabilitationsgeld are excluded.

Source: European Commission, EPC.

The **replacement rate** (for old-age earnings-related and disability pensions) is slightly higher at the end of the projection (54%) than in the base year (53%) (see Table 10). As the replacement rate compares the average gross wage at retirement to the average new pension and both variables are in general linked to wages the replacement rate stays fairly constant in the long run.

**TABLE 11 – SYSTEM DEPENDENCY RATIO AND OLD-AGE DEPENDENCY RATIO**

	2022	2030	2040	2050	2060	2070	change 2022-2070
Number of pensioners (thousand) (I)	2550	2797	2962	3028	3060	3101	551
Employment (thousand) (II)	4485	4449	4490	4472	4378	4327	-158
Pension system dependency ratio (SDR) (I)/(II)	0.6	0.6	0.7	0.7	0.7	0.7	0.1
Number of people aged 65+ (thousand) (III)	1762	2112	2471	2630	2772	2850	1087
Working-age population 20-64 (thousand) (IV)	5514	5343	5231	5200	5057	4999	-516
Old-age dependency ratio (OADR) (III)/(IV)	0.3	0.4	0.5	0.5	0.5	0.6	0.3
System efficiency (SDR/OADR)	1.8	1.6	1.4	1.3	1.3	1.3	-0.5

Source: European Commission, EPC.

In 2022, the **number of pensioners** amounted to 2.55 million (see Table 11) of whom around 10% received more than one pension. The overwhelming majority of the mostly female “multi-pensioners” receive in most cases an old-age or, in a lesser number of cases, an invalidity pension in combination with a survivors’ pension. In line with the demographic projections a constant increase in the number of pensioners is expected up to 3.1 million in the year 2070 (+21.6%).

The **pension system dependency ratio (SDR)** (number of pensioners divided by employment, see Table 11) is at 0.57 in 2022 and will constantly increase to 0.72 in 2070, reflecting the assumed ageing population in the demographic assumptions. This general trend of an ageing population is also visible in the rise of people aged 65+ and the shrinking number of people between 20 and 64. As a consequence the **old-age dependency ratio (OADR)** of 0.3 in 2022 increases to 0.6 in 2070. Hence, the **system efficiency** decreases from 1.8 to 1.3 over the projection horizon.

**TABLE 12 – PUBLIC PENSIONERS TO (INACTIVE) POPULATION BY AGE GROUP (%)**

<i>pensioners / inactive population</i>	2022	2030	2040	2050	2060	2070
Age group -54	3.5	3.2	3.1	2.8	2.7	2.6
Age group 55-59	43.6	36.5	37.8	41.2	42.3	40.7
Age group 60-64	108.0	88.7	85.3	89.0	92.8	91.9
Age group 65-69	121.3	115.4	105.9	105.1	105.8	108.2
Age group 70-74	117.4	115.2	104.7	100.6	99.8	101.0
Age group 75+	114.8	117.0	115.2	107.7	101.6	98.8

<i>pensioners / total population</i>	2022	2030	2040	2050	2060	2070
Age group -54	1.2	1.1	1.0	1.0	0.9	0.9
Age group 55-59	8.6	7.2	6.7	6.6	6.6	6.3
Age group 60-64	71.4	50.1	41.7	41.5	42.9	42.2
Age group 65-69	108.5	102.3	91.9	90.2	90.4	92.3
Age group 70-74	110.7	111.6	101.2	96.8	95.9	97.0
Age group 75+	114.8	117.0	115.2	107.7	101.6	98.8

Source: European Commission, EPC.

**TABLE 13 – FEMALE PENSIONERS TO (INACTIVE) POPULATION BY AGE GROUP (%)**

<i>female pensioners / inactive population</i>	2022	2030	2040	2050	2060	2070
Age group -54	3.5	3.2	3.1	2.8	2.6	2.5
Age group 55-59	40.8	33.0	36.0	41.1	42.4	40.1
Age group 60-64	116.1	90.5	84.8	89.4	94.1	93.1
Age group 65-69	117.5	109.1	100.9	99.8	100.0	103.0
Age group 70-74	111.1	111.7	102.0	97.6	96.0	97.2
Age group 75+	111.9	116.5	116.3	109.3	102.3	98.1

<i>female pensioners / total population</i>	2022	2030	2040	2050	2060	2070
Age group -54	1.3	1.2	1.1	1.0	0.9	0.9
Age group 55-59	9.4	7.7	7.1	6.9	6.9	6.5
Age group 60-64	92.5	53.1	40.7	40.2	41.5	40.8
Age group 65-69	107.7	100.9	89.5	87.2	86.9	89.4
Age group 70-74	107.4	110.1	100.0	95.2	93.5	94.6
Age group 75+	111.9	116.5	116.3	109.3	102.3	98.1

Source: European Commission, EPC.

Table 12 and Table 13 show the number of pensioners to the inactive population and to the total population by age group in percent respectively. As a certain amount of pensions are paid to people living abroad the figures in the tables can exceed 100. In both tables the impact of the increase of the statutory retirement age for women (from 2024 to 2033) can be seen in the comparison to the inactive as well as to the total population. While in 2022 92.5% of the total female population in the age group 60-64 were pensioners (see Table 13), this number drops to 53.1% in 2030. In 2040 the value is 40.7%, staying fairly constant for the rest of the projection horizon.

**TABLE 14 – BREAKDOWN OF NEW PUBLIC PENSION EXPENDITURE (OLD-AGE AND EARLY EARNINGS-RELATED AND DISABILITY PENSIONS)**

<b>TOTAL</b>	2022	2030	2040	2050	2060	2070
Projected new pension expenditure (million EUR)*	1660	2262	2509	3897	5420	7212
I. Number of new pensions (1000)	127.0	121.7	103.9	113.9	112.7	108.9
II. Average contributory period (years)	38.7	39.3	39.1	39.2	39.4	39.3
III. Average accrual rate (%)	1.78%	1.78%	1.78%	1.78%	1.78%	1.78%
IV. Monthly average pensionable earnings (1000 EUR)	2.7	3.8	5.0	7.0	9.8	13.5
V. Sustainability/adjustment factors	1.0	1.0	1.0	1.0	1.0	1.0
VI. Average number of months paid the first year	7.0	7.0	7.0	7.0	7.0	7.0
Monthly average pensionable earnings / monthly economy-wide average wage	0.8	0.7	0.7	0.7	0.7	0.7

<b>MEN</b>	2022	2030	2040	2050	2060	2070
Projected new pension expenditure (million EUR)*	950	1460	1551	2443	3411	4525
I. Number of new pensions (1000)	59.6	66.3	52.7	58.7	58.7	56.6
II. Average contributory period (years)	40.7	40.9	40.6	40.6	40.8	40.7
III. Average accrual rate (%)	1.78%	1.78%	1.78%	1.78%	1.78%	1.78%
IV. Monthly average pensionable earnings (1000 EUR)	3.1	4.3	5.8	8.2	11.4	15.8
V. Sustainability/adjustment factors	1.0	1.0	1.0	1.0	1.0	1.0
VI. Average number of months paid the first year	7.0	7.0	7.0	7.0	7.0	7.0
Monthly average pensionable earnings / monthly economy-wide average wage	0.9	0.9	0.8	0.8	0.8	0.8

<b>WOMEN</b>	2022	2030	2040	2050	2060	2070
Projected new pension expenditure (million EUR)*	710	802	958	1454	2009	2687
I. Number of new pensions (1000)	67.4	55.4	51.2	55.1	54.0	52.4
II. Average contributory period (years)	36.9	37.5	37.6	37.7	37.9	37.8
III. Average accrual rate (%)	1.78%	1.78%	1.78%	1.78%	1.78%	1.78%
IV. Monthly average pensionable earnings (1000 EUR)	2.3	3.1	4.0	5.6	7.9	10.9
V. Sustainability/adjustment factors	1.0	1.0	1.0	1.0	1.0	1.0
VI. Average number of months paid the first year	7.0	7.0	7.0	7.0	7.0	7.0
Monthly average pensionable earnings / monthly economy-wide average wage	0.6	0.6	0.6	0.6	0.6	0.6

\*New pension expenditure equals the product of I, II, III, IV, V & VI.

Source: European Commission, EPC.

Table 14 gives an overview of the new public pension expenditure for all old-age and earnings-related pensions as well as disability pensions. The impact of the increase in the female statutory retirement age can be clearly seen in the number of women retiring and also in the total number of new pensioners. Over the projection period the total number of new pensioners' declines from a starting value of 0.13 million to around 0.11 million people in 2070. The increase in the women's retirement age is also partly reflected in the increasing average contributory period for women while the average contributory period for men stays fairly constant.

The average accrual rate is the same for women and men, i.e. 1.78% of the yearly wage (thresholds in place) is accredited as pension entitlement on the pension account. The average number of months paid in the first year is at around seven months in Austria.

### 3.4. Financing of the pension system

**TABLE 15 – FINANCING OF THE PUBLIC PENSION SYSTEM**

	Public employees	Private employees	Self-employed
Contribution base	Gross salaries	Gross salaries	Income tax assessment notice; unit values of agricultural enterprises for farmers
Contribution rate/contribution*			
Employer	12.55%	12.55%	17% for farmers, 18.5% for self-employed and 20% for liberal professions.
Employee	10.25%	10.25%	
State**	For farmers, self employed and liberal professions, the difference to the standard contribution rate of 22.8% is borne by federal transfers (Partnerleistung). Contributions for partially insured people and for times of child raising are borne by federal transfers (Teilversicherte, Kindererziehungszeiten).		
Other revenues**	-	-	-
Maximum contribution***	5,850	5,850	6,825
Minimum contribution****	500.91	500.91	500.91

\* Contribution rates relate to the harmonized scheme of 2005

\*\* Only legislated contributions are reported.

\*\*\* maximum income on which you pay contribution (2023)

\*\*\*\* minimum income to pay contribution (2023)

Source: European Commission, EPC.

The Austrian public pension system is mainly financed through compulsory contributions paid by employers and employees according to their contribution base. The minimum monthly contribution base is 500.91 euro (incomes of public and private employees below that threshold are not subject to pension insurance) for all insured, the maximum monthly contribution base is 5,850 euro for public and private employees and 6,825 euro for self-employed in 2023. The contribution base is wage adjusted. The contribution rate is set at 22.8% of the contribution base (see distribution of the burden for public employees, private employees and self-employed in Table 15). Also part of the contributions are federal transfers to cover for the difference in the contribution rate of 22.8% for farmers, self-employed and liberal professions (“Partnerleistung”) as well as contributions paid for partially insured people (“Teilversicherte”) and for times of child raising (“Kindererziehungszeiten”).

**TABLE 16 – REVENUE FROM CONTRIBUTIONS AND NUMBER OF CONTRIBUTORS IN THE PUBLIC SCHEME**

	2022	2030	2040	2050	2060	2070	change 2022-2070 (pps)
Public pension contributions (% of GDP)	9.8	9.8	9.7	9.7	9.8	9.8	0.0
Employer contributions	5.1	5.1	5.1	5.1	5.1	5.1	0.0
Employee contributions	3.7	3.7	3.6	3.6	3.6	3.6	0.0
State contribution*	0.9	1.0	1.0	1.0	1.0	1.0	0.0
Other revenues*	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Number of contributors (I) (1000)	4453	4396	4444	4442	4364	4328	-125
Employment (II) (1000)	4485	4449	4490	4472	4378	4327	-158
(I) / (II)	1.0	1.0	1.0	1.0	1.0	1.0	0.0

\* Includes only legislated contributions.

Source: European Commission, EPC.

Public pension contributions are projected to stay around 9.8% of GDP throughout the projection horizon with a peak of 9.88% in 2025. The development of the pension contributions is mainly driven by the assumptions concerning the working force and the contribution base upon which contributions

are paid (see Chapter 5.10). The number of contributors is declining from 4.45 million in 2022 to 4.33 million in 2070.

The Austrian State balances the difference between the public pension expenditure and the contributions. The difference is 3.6% of GDP in 2022, increases to a peak of 4.9% in 2032 and slowly declines to 3.8% in 2070 (see Table 7).

### 3.5. Sensitivity analysis

Given the uncertainty surrounding the assumptions of long-run projections, it is necessary to carry out a number of sensitivity tests so as to quantify the responsiveness of projection results to changes in key underlying assumptions.

As already shown above, gross total pension expenditure is projected to increase from 13.7% of GDP in 2022 to 14.0% of GDP in 2070 in the baseline scenario (incl. equalising allowance and “Rehabilitationsgeld”, see Table 7).

**TABLE 17 – EXPENDITURE PROJECTIONS UNDER DIFFERENT SCENARIOS (PPS DEVIATION FROM BASELINE)<sup>5</sup>**

<i>Public pension expenditure</i>	2022	2030	2040	2050	2060	2070	change 2022-2070 (pps)
Baseline (% of GDP)	13.4	14.6	14.2	13.6	13.6	13.6	0.3
Higher life expectancy at birth (+2y)	0.0	0.1	0.2	0.4	0.6	0.7	0.7
Higher migration (+33%)	0.0	-0.1	-0.3	-0.4	-0.4	-0.3	-0.3
Lower migration (-33%)	0.0	0.1	0.3	0.4	0.5	0.4	0.4
Lower fertility (-20%)	0.0	0.0	0.0	0.2	0.4	0.5	0.5
Higher inflation scenario (2% by 2052)	0.0	-0.4	-0.3	-0.2	-0.2	-0.1	-0.1
Higher employment rate of older workers (+10 pps)	0.0	-0.3	-0.4	-0.4	-0.5	-0.4	-0.4
Higher productivity (TFP converges to 1%)	0.0	0.0	0.0	0.0	0.0	-0.1	-0.1
Lower productivity (TFP converges to 0.6%)	0.0	0.0	0.0	0.2	0.2	0.2	0.2
Policy scenario: link retirement age to longevity	0.0	-0.3	-0.6	-1.0	-1.5	-2.0	-2.0
Policy scenario: constant retirement age	0.0	0.6	0.8	1.0	0.9	1.1	1.1
Policy scenario: constant benefit ratio	0.0	0.0	0.0	0.7	1.1	1.4	1.4

<i>Total public pension expenditure</i>	2022	2030	2040	2050	2060	2070	change 2022-2070 (pps)
Baseline (% of GDP)	13.7	15.0	14.6	14.0	14.0	14.0	0.4
Higher life expectancy at birth (+2y)	0.0	0.1	0.2	0.4	0.6	0.7	0.7
Higher migration (+33%)	0.0	-0.1	-0.3	-0.4	-0.5	-0.4	-0.4
Lower migration (-33%)	0.0	0.1	0.3	0.5	0.5	0.4	0.4
Lower fertility (-20%)	0.0	0.0	0.0	0.3	0.4	0.6	0.6
Higher inflation scenario (2% by 2052)	0.0	-0.4	-0.3	-0.2	-0.2	-0.2	-0.2
Higher employment rate of older workers (+10 pps)	0.0	-0.3	-0.5	-0.4	-0.5	-0.5	-0.5
Higher productivity (TFP converges to 1%)	0.0	0.0	0.0	0.0	0.0	-0.1	-0.1
Lower productivity (TFP converges to 0.6%)	0.0	0.0	0.0	0.2	0.2	0.2	0.2
Policy scenario: link retirement age to longevity	0.0	-0.3	-0.6	-1.0	-1.6	-2.0	-2.0
Policy scenario: constant retirement age	0.0	0.6	0.8	1.0	0.9	1.1	1.1
Policy scenario: constant benefit ratio	0.0	0.0	0.0	0.7	1.1	1.4	1.4

Source: European Commission, EPC.

<sup>5</sup> For more information on the design of the sensitivity scenarios, see Chapter 5 of Part 1 in European Commission and EPC (2023), ‘The 2024 Ageing Report: Underlying assumptions and projection methodologies.’ European Economy, Institutional Paper 257. [https://economy-finance.ec.europa.eu/publications/2024-ageing-report-underlying-assumptions-and-projection-methodologies\\_en](https://economy-finance.ec.europa.eu/publications/2024-ageing-report-underlying-assumptions-and-projection-methodologies_en)

Given the underlying common framework the following 11 sensitivity tests additionally to the baseline scenario were carried out. These tests deliver the following concrete results for the total public pension expenditure (see Table 17):

**High life expectancy at birth (1):** A scenario with an increase in life expectancy at birth of two years by 2070 compared with the baseline projection.

Projection results: Compared to the baseline scenario the assumption of higher life expectancy raises expenditure in 2070 by 0.8 pp of GDP. The increase develops gradually in line with the higher longevity. Higher life expectancies leave average pensions unchanged but increases the years spent in retirement and hence the number of pensions.

**Higher migration (2):** A scenario with 33% more net migration compared with the baseline over the entire projection horizon.

Projection results: If migration is 33% higher than in the baseline, pension spending to GDP will decrease by 0.3 pp of GDP.

**Lower migration (3):** A scenario with 33% less net migration compared with the baseline over the entire projection horizon.

Projection results: If migration is 33% lower than in the baseline, pension spending to GDP will increase by 0.5 pp of GDP. This result draws heavily on the migrant population to become, to a large extent, part of the working-age population until 2070, therefore only a small fraction adds to the retirees. Hence, lower migration decreases employment and output, whereas pension spending falls only marginally (i.e. therefore the “denominator effect” dominates the “numerator effect”).

**Lower fertility (4):** A scenario with 20% lower fertility compared with the baseline over the entire projection horizon.

Projection results: The lower fertility assumption raises expenditure by 0.6 pp in 2070. The lower fertility scenario is mostly relevant for the contribution side of the projection (it has a very small effect on disability and survivors’ pensions due to the demographic structure). It causes less income for the pension system due to the lower contributions. However, because of the lower GDP the overall rise in expenditure is mainly caused by a denominator effect.

**Higher inflation (5):** In this scenario inflation rates will decrease to 2.6% for Austria until 2032 (market values, as in the Debt Sustainability Analysis). It will decrease to the inflation target (ECB: 2%) until 2052.

Projection results: In this scenario, the absolute amount of the pension expenditure driven by the inflation will be much higher as in the baseline-scenario, but as the GDP is growing even faster the pension expenditure in GDP is expected to decrease by 0.1 pp in 2070 compared to the baseline scenario.

**Higher employment rate of older workers (6):** A scenario with the employment rate of older workers (55-74) being 10 pp higher compared with the baseline projection. The increase is introduced linearly over the period 2024-2036 and remains 10 pp higher thereafter. The higher employment rate of the 55-74 year age group is assumed to be achieved through a reduction in the inactive population.

Projection results: The scenario yields more contributors and contributions and less pensions but higher average pension benefits. Because of the higher GDP the increase of the employment rate of the elderly in relation to the baseline scenario will result in lower pension expenditures by 0.4 pp in 2070.



**Higher productivity (7):** A scenario where TFP growth is assumed to converge to 1.0% (instead of 0.8%).

Projection results: Productivity changes have two effects in the projection outcome (higher pensions and higher contributions) which interact with each other (with a time lag). Higher Productivity means higher wages and therefore higher contributions (with a ceiling). This leads (with a serious time lag) to higher pensions (even beyond the forecast horizon). Public pension expenditure would be 0.1 pp of GDP lower in 2070 under this scenario than in the baseline.

**Lower productivity (8):** A scenario where TFP growth is assumed to converge to 0.6% (instead of 0.8%).

Projection results: This scenario behaves like the higher TFP growth scenario but only in the opposite direction. Spending increases by 0.2 pp of GDP in 2070.

**Linking retirement age to longevity (9):** In this scenario the retirement age is shifted year-over-year in line with  $\frac{3}{4}$  of the change in life expectancy at current retirement ages.

Projection results: The shift in the retirement age leads to a lower number of pensioners but also higher pension entitlements as the contributory period is extended. Compared to the baseline scenario this scenario results in lower pension expenditure by 2.0 pp in 2070 (greatest cost containment effect).

**Constant retirement age (10):** In this scenario the early and statutory retirement ages as well as career requirements are frozen at the situation in the base year. For Austria that means the statutory retirement age for women remains at the age of 60.

Projection results: Keeping the retirement age unchanged will lead to a higher number of pensioners, thus leading to a rise in expenditure by 1.1 pp in 2070.

**Constant benefit ratio (11):** In this scenario policy measures are taken when the (earnings-related) public pension benefit ratio would decrease by 10% relative to the base year. Therefore, the benefit ratio will be kept constant at this 10% lower point for the remainder of the projection period.

Projection results: In this scenario, pension expenditure would increase by 1.5 pp in 2070 compared to the baseline scenario, as pension entitlements are artificially increased to keep the benefit ratio constant. At this point, however, it is important to mention, that in this scenario it is assumed that there will be no GDP effect due to keeping the benefit ratio constant, e.g. from higher consumer spending.



### 3.6. Changes in comparison with previous Ageing Report projections

**TABLE 18 – DISAGGREGATION OF THE CHANGE IN THE PUBLIC PENSION EXPENDITURE-TO-GDP RATIO IN CONSECUTIVE AGEING REPORTS (PPS OF GDP)**

	Public pension expenditure	Dependency ratio effect	Coverage ratio effect	Benefit ratio effect	Labour market effect	Residual (incl. interaction effect)
2006 Ageing Report (2004-2050)	<b>-1.0</b>	11.3	-5.8	-4.3	-1.3	-0.8
2009 Ageing Report (2007-2060)	<b>0.9</b>	9.9	-2.6	-5.0	-0.5	-1.0
2012 Ageing Report (2010-2060)	<b>2.0</b>	11.0	-2.9	-4.5	-0.5	-1.1
2015 Ageing Report (2013-2060)	<b>0.5</b>	9.4	-3.3	-4.1	-1.0	-0.6
2018 Ageing Report (2016-2070)	<b>0.5</b>	10.1	-3.3	-4.6	-1.1	-0.5
2021 Ageing Report (2019-2070)	<b>1.0</b>	9.3	-2.9	-4.2	-0.7	-0.6
2024 Ageing Report (2022-2070)	<b>0.4</b>	8.7	-4.0	-3.0	-0.8	-0.5

*The disaggregation for 2006/2009/2012 is on the basis of the number of pensions; for the other vintages it is on the basis of pensioners.*

*The projection horizon has been extended over consecutive Ageing Reports, limiting comparability over time.*

*Source: European Commission, EPC.*

Table 18 presents the disaggregation of the change in the public expenditure in GDP for all Ageing Reports beginning in the year 2006. While the overall effect size is the same for the regarded effects a direct comparison is due to the many changes in the modelling, the assumptions, etc. not feasible.

## 4. Description of the pension projection model and the base data

The Austrian pension projections within the given EU framework are based on two autonomous models, covering the private social insurance sector and the civil service schemes, respectively. They include all benefits, penalties and contributions to old-age, early retirement, disability and survivor schemes and contain the effects of all major pension reforms.

### 4.1. Institutional context in which the projections are made

- Traditionally, **medium-term pension projections**, covering at least five future years, are contained in the yearly report submitted by the Austrian Pension Commission (APC) to the federal government. This consultative body represents the main forum for periodic policy discussions. It is composed of experts, academics, government and social partner representatives.
- At the beginning, these **medium-term pension projections**, which were initially limited to the private social insurance schemes ("Gesetzliche Sozialversicherung"), have been the central policy instrument for assessing pension developments. However, the tendency towards a more frequent use of quantitative analyses and external advice was intensified during past reform efforts. As a result, long-term pension projections for the private social insurance schemes based on demographics by Statistics Austria were presented as a complementary tool to clarify the need for adjustment and to assess the impacts of the major past reform efforts initiated by the federal government. This has proven to be a very helpful and transparent instrument. This is why, with the aim to have long-term pension projections constantly available and to ensure long-term financial sustainability of the Austrian pension system, the federal government set up a permanent monitoring mechanism as of 2007.
- The APC reviews **long-term financial developments in the pension system** every three years and in particular with regard to the sustainability factor newly established in 2005. This sustainability factor does not operate automatically. The analysis of the financial sustainability of the Austrian pension system by the APC is based on recent demographic projections of Statistics Austria, in particular projections of life expectancy at the age of 65. If e.g. life expectancy exceeds the reference value as defined in the law by more than 3% the committee is obliged to put forward respective proposals to offset potentially higher pension expenditures (e.g. through changes in the contribution rate, retirement age, benefit adjustment). The APC concluded work on the sustainability factor the first time in April 2011 with a set of recommendations to the federal government. The APC also put strong emphasis on the monitoring of the implementation of measures to increase the effective retirement age during the next decade.
- In 2016 there was a reform of the ACP concerning the composition of members as well as the scope. On the one hand the number of voting members was reduced (with the inclusion of non-voting experts) and on the other hand the **civil service sector was included** with separate medium- and long-term projections (but based on the same assumptions as for the private social insurance sector projections).
- The projections for the private social insurance sector are done by the Federal Ministry for Social Affairs, Health, Care and Consumer Protection, while the projections for the civil service sector are prepared by the Federal Ministry of Finance.

## 4.2. Data used to run the model

In line with the common and agreed methodology for delivering EU-wide comparable results, demographic projections (EUROPOP2019) provided by Eurostat and macroeconomic assumptions delivered by the European Commission were used as data input to run the national pension models. For more detailed information on this, please see the report on “The 2024 Ageing Report: Underlying Assumptions and Projection Methodologies” by the EPC and the European Commission.

The private sector model is based on individual social security data from the corresponding agencies (employed, self-employed, farmers, etc.) compiled by the “Dachverband der Sozialversicherungsträger”. The civil service model is based upon data from the income tax statistics enriched by social security data.

## 4.3. Reforms incorporated in the model

Since the AR 2021 the following measures worth mentioning were introduced and are now included in the AR 2024:

- The early retirement possibilities without deductions in case of 540 contribution months have been abolished again for all pension types retiring as of 2022.
- The so-called early starter bonus (“Frühstarterbonus”) has been introduced for cohorts retiring as of 2022. Under certain conditions for every month worked before the age of 20 a bonus is granted additionally to the monthly pension.
- Instead of receiving the full pension valorisation in the first year following retirement, from 2022 the degree of the first valorisation depends on the month of retirement. It decreases from 100% for those retiring in January to 0% in case of retirement in November and December. Due to the extraordinarily high inflation rates a minimum valorisation was assured in 2023 and the regulation is temporarily abolished for the valorisations 2024 and 2025.

## 4.4. General description of the model(s)

For the Austrian pension projections two autonomous models are used. Both models consist of partial equilibrium models and comprise deterministic elements only. In order to achieve consistency in the results, the two models for the private social insurance and the civil service sectors are consolidated, both as to macroeconomic developments and to expected shifts of contributors from one to the other category of schemes. For instance, the developments in civil service sector employment are captured by the private social insurance sector model. Hence, though the two models are autonomous, they have been made fully consistent with regard to employment and wage developments.

The **private social insurance sector model**, accounting for around three quarters of total public pension expenditure is central to simulate the financial effects of population ageing. It covers all relevant social insurance schemes, for blue and white collar employees (ASVG) incl. public employees with private contracts (“Vertragsbedienstete”), self-employed and farmers, among others.

The **civil service model** covers the pension projections of the civil servants, taking into proper consideration the fact that these pension benefits are fully financed out of the federal government, federal states and the various communal budgets. The federal government sector clearly dominates by size. In this vein, the other segments comprise all pension and survivors’ benefit payments to civil service retirees of the federal states, the municipalities, the postal, telecom and railway services and other

specific groups such as school teachers. In its core it is a cohort simulation model.

#### 4.5. Other features of the projection model

The **private social insurance sector** model is composed of two major blocs that are intimately linked together. The macro part is made up of ten modules, reflecting economic, labour market, public finance and pension insurance developments. In effect, most single parameters are endogenously determined with the exception of participation and inflation rates, which fit in as exogenous inputs. The pension-specific micro part relies on inputs from the macro side on employment and on the payroll, from demographics and from age-related time series describing past pension contributions and benefits. These micro modules are designed so as to incorporate already enacted reforms with their effects in the near and distant future (based on the financial estimates made during the establishment of the reforms) and to simulate reform options. The basis of the micro modules is a large sample of new pensioners (in the base year) including their whole working career which is then modified (according to enacted reforms e.g. raised retirement age) and projected into the future. These pension modules permit to calculate the bulk of already existing pensions, the number of new pensions and of exits, average pension benefits and replacement rates as well as aggregate figures in a given (future) year. On the other hand, pension contribution rates and the level of the social insurance pension deficit covered by the federal budget feed back into the macro modules.

Ongoing structural reforms in the **civil service sector** aim at enhanced application of private-sector-based labour contracts for employees in the public sector (“Vertragsbedienstete”). As a consequence, the number of civil servants is decreasing from about 157,000 in 2022 to around 119,000 by 2039 remaining constant thereafter. This decline, however, will be compensated by public employees with private-sector-based labour contracts (then included in the private social insurance sector model) keeping the number of public employees almost unchanged. As a general trend, civil service developments are assumed to be much more exposed to the present age-structure in the civil service and the future internal reforms rather than to demographics and economic developments, which are nonetheless taken into adequate consideration. The civil service model is in its core a cohort simulation. The underlying anonymised individual data is aggregated to cohorts which are used to simulate the entire life cycle of a civil servant. Beginning with the entry of a cohort into the professional career and ending with dropping out of later retirement contributions and pension expenses are calculated. During the first phase of the life cycle the professional career of a cohort is simulated, the main part being the assigning of an annual salary (based on empirical data) upon which pension contributions are estimated according to the contribution rates determined by law. The actual beginning and end of a civil servant career are also based on empirical data and lead genuinely to an average contributory period. At the transition from working life into retirement the pension entitlement is calculated, taking into account the whole professional career including the (early) pension scheme taken as well as all other fundamental legal specifications. An actual example of the calculation of a pension entitlement can be found in the annex (see Chapter 5.11). In the second phase of the life cycle the cohorts remain in retirement generating an annually valorised pension income up until dropping out of the model. Survivor pensions are generated using the probability of a deceased to leave behind a partner respectively children entitled to survivor pensions. The amount of the pension entitlement is determined by the statutory provisions. Additional to the probability for survivors the model has underlying assumptions of entering the disability pension scheme which are extracted from historical data.

## 5. Methodological annex

### 5.1. Economy-wide average wage at retirement

A consolidated average gross wage at retirement for the private social insurance and the civil servant sector employees is delivered.

The average gross wage at retirement for private sector employees is calculated by taking the average contribution base (incl. special payments) of all employed men at the age of 58 to 61 and all employed women at the age of 56 to 59 in 2022. This starting value for 2022 is subsequently linked to the growth of the average gross wage given by the European Commission.

The data for the civil servant sector is output of the model and linked to labour productivity as well as seniority.

**TABLE A1 – ECONOMY-WIDE AVERAGE WAGE AT RETIREMENT (1000 EURO)**

	2022	2030	2040	2050	2060	2070
Economy-wide average gross wage at retirement	49.1	66.9	89.8	126.0	177.0	243.4
Economy-wide average gross wage	43.3	60.8	83.9	117.9	164.1	226.9

Source: European Commission, EPC.

### 5.2. New pension block

As a further improvement in the data reporting the new pension block has been enhanced with separate data for women and men respectively in the AR 2024. The new pension block always includes the disability pensions.

**Average contributory period:** For the private sector system, a starting value data from the social security agencies is used. The further development is then linked to the average career of a person (which is a model output). For the civil service sector the actual beginning and end of a civil servant career are based on empirical data and lead genuinely to an average contributory period. The two values are then consolidated.

**Average accrual rate and monthly average pensionable earnings:** The average accrual rate is fixed to the value 1.78% throughout the projection horizon (which is the annual statutory value for the accrual rate in the Austrian pension system). With the fixed accrual rate an estimate for the monthly pensionable earning can be calculated:

monthly average pensionable earnings = (“old-age and early pension expenditure new” + “disability pension expenditure new”) / “number of new pensions” / “average contributory period” / “average accrual rate” / “average number of months paid in the first year”

### 5.3. Pensioners vs pensions

The Austrian pension projections are based on two autonomous models, covering the private social insurance and the civil service sector, respectively. Both models are in general based on the number of pensions (pay slips) and not on the number of pensioners. Given the fact that many pensioners receive more than one pension the number of pensioners differs from the number of pensions in Austria.

## 5.4. Pension taxation

Contributions to public old-age provisions are exempt from taxation. Pensions and special pension payments (e.g. 13<sup>th</sup> and 14<sup>th</sup> pensions), however, are treated like earned income and are subject to income tax. The annual income tax for 2022 has been calculated as shown in Figure 3.

**FIGURE 3 – TAX RATE/ANNUAL INCOME TAX**

Annual income	Tax rate	Annual income tax in euro
Up to 11,000 euro	0	0
Over 11,000 up to 18,000 euro	20%	$\frac{(income - 11,000) * 1,400}{7,000}$
Over 18,000 up to 31,000 euro	32.5%	$\frac{(income - 18,000) * 4,225}{13,000} + 1,400$
Over 31,000 up to 60,000 euro	42%	$\frac{(income - 31,000) * 12,180}{29,000} + 5,625$
Over 60,000 up to 90,000 euro	48%	$\frac{(income - 60,000) * 14,400}{30,000} + 17,805$
Over 90,000 up to 1,000,000 euro	50%	$\frac{(income - 90,000) * 455,000}{910,000} + 32,205$
Over 1,000,000 euro	55%	$(income - 1,000,000) * 0.55 + 487,205$

Source: BMF

To avoid cold progression from 2023 onwards, the annual income brackets will be adjusted in line with 2/3 of the inflation, the government will use the other third for adjustments.

In addition, the Austrian tax system provides for several tax allowances and tax credits, which reduce the assessment base and the amount of tax payable respectively. Care allowances are exempt from taxation. Taxes payable are deducted from gross pension reduced by health care contributions.

In the AR 2024 projections for the net pensions were made according to the methodology agreed by the Ageing Working Group which does not correspond to the actual legislation.

## 5.5. Equalising allowance (“Ausgleichszulage”)

The Austrian pension system does not provide for a minimum pension. If individual pension claims are lower than legally defined thresholds the gap will be closed by federal budget contributions (equalising allowance) to guarantee a minimum income for pensioners (in order to avoid old-age poverty).

In 2023, these thresholds amount to 1,110.26 euro per month for single pensioners and 1,751.56 euro per month for couples living together in one household.

In addition, if a certain number of insurance months is reached, an equalising allowance bonus is due. Provided that an equalising allowance is drawn on a direct pension (“Eigenpension”) and if the total income is below a certain limit.

Thus, in 2023 for a single pensioner with 360 (480) insurance months, the maximum bonus is 164.37 euro (419.19 euro) if the total income is below 1,208,06 euro (1,443.23 euro). For a couple in one household with 480 insurance months, the maximum bonus is 418.74 euro if the total income is below 1,948.08 euro.

In 2022, around 205,000 recipients were counted (2/3 female) and total equalising allowance amounted to 1,084.0 million euro - which corresponds to 0.24% of GDP.

Table 7 illustrates that the equalising allowance (as the “Rehabilitationsgeld”, see Chapter 5.6) is not part of the standard public pension expenditure projections but added to the “gross public pension expenditure” to get the “gross total public pension expenditure”. The “Ausgleichszulage” is not considered a pension benefit but a social benefit.

## 5.6. “Rehabilitationsgeld”

The consolidation package of 2012 brought a reform of disability pensions. People being classified as “temporarily disabled” and born after 31 December 1963 do not claim any longer disability pensions but so called “Rehabilitationsgeld”.

“Rehabilitationsgeld” is considered as healthcare expenditure but paid out of the “pension insurance pocket”. Therefore “Rehabilitationsgeld” is not included in the healthcare projections. To cover for the costs of the “Rehabilitationsgeld” in the projections, it is added to the “gross public pension expenditure”, as the equalising allowance, to get the “gross total public pension expenditure” (see Table 7).

## 5.7. Disability pensioners

Entitlement to a disability pension depends on a medical assessment of the person’s health status and on whether the disabled person has paid contributions for a sufficient amount of time (qualifying period). The qualifying period depends on the age of the disabled person. If a disability pension is the result of a work accident, there will be no minimum qualifying period. The disability pension amount depends on a person’s contribution history. In the calculation process for a disability pension it is assumed that the disabled person would have contributed until the age of 60, at which point the person would have retired with a deduction.

For the purpose of the projection exercise, the categories “old-age and early pensions” and “disability pensions” are defined according to an age threshold:  $\geq$  and  $<$  60 years, respectively. While the functional aspect of the pension obviously is not fully respected (“disability pensions” are regarded as “old-age and early pensions” as soon as the pensioner reaches 60 years) mainly due to data issues, this definition comes nevertheless rather close to the current and even more to future actual practice, with (early) pensionable age at 60 years. The actuality that in the presently used model no strict distinction of old-age and disability pensions is feasible the “below-60-years-distinction-factor” leads to the fact that at the beginning of the projection horizon almost all new female old-age pensions are included in the new-disability-pension-expenditure-section.

## 5.8. Survivors’ pensions

In Austria, a survivor pension is paid to surviving spouses and orphans. Entitlement to a survivor pension depends on whether the deceased was a pension recipient, or, if the deceased died before retirement, on the insurance history of the deceased (i.e. whether the qualifying period is fulfilled). The period of entitlement to a survivor's pension depends on whether the spouses had children, the marriage duration, the age of the survivor and the deceased at the time of death, and on whether or not the deceased was a pension recipient at the date of death. The survivors’ pension amount is the product of the pension which the deceased would have received in the absence of death and a percentage amount that ranges between 0% and 60%. The percentage amount depends on the income ratio of the survivor and the deceased.

An orphan’s pension is 24% or 36% from the pension of the deceased (24% for orphans who lost one parent and 36% for orphans who lost both parents). Orphans are usually entitled to an orphans’ pension



until the age of 18, but there are exceptions for orphans who continue their education and for orphans who are disabled.

The main driver behind the survivor pension projections is the population (by age group) on the one hand and sociodemographic trends on the other. Based on historical data (by gender, type (widow/orphan) and insurer (employed, self-employed and farmer)) a path is estimated as percentage of the corresponding age group incorporating (among other factors) an increasing divorce rate, rise of one person households and a rising percentage of women with pension rights.

## 5.9. Non-earnings-related minimum income

The social assistance/means-tested minimum income is the responsibility of the federal states. Therefore, the level of benefits varies from federal state to federal state, whereby the federal government provides a basic framework. An entitlement to the social assistance/means-tested minimum income is given if a person does not have sufficient financial security through other means (e.g. income, benefits from social insurance, maintenance, etc.) or assets. Those who are capable of work, however, must be prepared to take on a job with a few exceptions (e.g. care obligations). If a reasonable job is not accepted, the social assistance/means-tested minimum income can be reduced or even withdrawn. Before the social assistance/means-tested minimum income can be claimed one's own assets and income have to be used up; again with a few exceptions (e.g. objects used for exercising a profession, vehicles which are required for work or due to a disability).

## 5.10. Contributions

Contributions are estimated based on the number of insured people (which is a subgroup of the labour supply) subdivided by insurer. The reason for the lower number of people (in relation to the labour supply) who pay contributions is due to a lower threshold (500.91 euro per month in 2023). Contributions amount to 22.8% of the contribution base. There are also contributions for partial insurance periods (“Teilversicherungszeiten”) which are defined as a fixed amount of money per month (e.g. for child bearing, military service) or as a percentage of the income (e.g. unemployment). The difference in the contribution rate for farmers, self-employed and liberal professions to the value of 22.8% is borne by federal transfers and accounted to the contributions (“Partnerleistung”). See also Chapter 3.4.

## 5.11. Pension account system

In order to harmonise the different schemes of blue and white collar workers, farmers, self-employed and civil servants, a pension account system was introduced in 2005 for all employed born as of 1955. One of the most important benefits of this pension account system is that entitled persons always have a clear overview of their future pension (more transparency).

A simple example of an individual pension account is given below and shown in the following figure.

For the following example of the pension account an individual starting full-time employment at the age of 20 and working 45 years without interruptions (e.g. due to unemployment, raising children etc.) is assumed, thus retiring at the age of 65 without bonuses or penalties.

The assessment basis for the calculation of the monthly pension is the annual contribution base (i.e. the annual income of the individual up to a certain ceiling). The annual contribution base is multiplied by



the accrual rate of 1.78% which results in a partial credit for this year. This procedure is repeated for every consecutive year in employment whilst the partial credits of the preceding years are revaluated on a yearly basis (the revaluation coefficient is linked to the average insured wage). The sum of the partial credit and the revalued credits results in the total credit. At retiring the total credit is divided by 14 and will be paid to the retiree on a monthly basis (14 times a year).

Hence every year of employment automatically increases the future monthly pension.

**FIGURE 4 – EXAMPLE OF AN INDIVIDUAL PENSION ACCOUNT**

Age	Year	Monthly income (14 times)	Annual contribution base	Maximum monthly contribution base	Accrual rate	Partial credit (current year)	Revalued credit (previous year)	Revaluation coefficient	Total credit
20	2017	2.500	35.000	4.980	1,78%	623	0	1,01	623
21	2018	2.525	35.350	5.030	1,78%	629	629	1,01	1.258
22	2019	2.550	35.704	5.080	1,78%	636	1.271	1,01	1.907
23	2020	2.576	36.061	5.131	1,78%	642	1.926	1,01	2.568
24	2021	2.602	36.421	5.182	1,78%	648	2.593	1,01	3.241
25	2022	2.628	36.785	5.234	1,78%	655	3.274	1,01	3.929
26	2023	2.654	37.153	5.286	1,78%	661	3.968	1,01	4.629
27	2024	2.680	37.525	5.339	1,78%	668	4.676	1,01	5.344
28	2025	2.707	37.900	5.393	1,78%	675	5.397	1,01	6.072
29	2026	2.734	38.279	5.447	1,78%	681	6.132	1,01	6.814
30	2027	2.762	38.662	5.501	1,78%	688	6.882	1,01	7.570
31	2028	2.789	39.048	5.556	1,78%	695	7.646	1,01	8.341
32	2029	2.817	39.439	5.612	1,78%	702	8.424	1,01	9.126
33	2030	2.845	39.833	5.668	1,78%	709	9.217	1,01	9.926
34	2031	2.874	40.232	5.724	1,78%	716	10.026	1,01	10.742
35	2032	2.902	40.634	5.782	1,78%	723	10.849	1,01	11.573
36	2033	2.931	41.040	5.839	1,78%	731	11.688	1,01	12.419
37	2034	2.961	41.451	5.898	1,78%	738	12.543	1,01	13.281
38	2035	2.990	41.865	5.957	1,78%	745	13.414	1,01	14.159
39	2036	3.020	42.284	6.016	1,78%	753	14.300	1,01	15.053
40	2037	3.050	42.707	6.077	1,78%	760	15.204	1,01	15.964
41	2038	3.081	43.134	6.137	1,78%	768	16.123	1,01	16.891
42	2039	3.112	43.565	6.199	1,78%	775	17.060	1,01	17.836
43	2040	3.143	44.001	6.261	1,78%	783	18.014	1,01	18.797
44	2041	3.174	44.441	6.323	1,78%	791	18.985	1,01	19.776
45	2042	3.206	44.885	6.387	1,78%	799	19.974	1,01	20.773
46	2043	3.238	45.334	6.450	1,78%	807	20.981	1,01	21.788
47	2044	3.271	45.787	6.515	1,78%	815	22.005	1,01	22.820
48	2045	3.303	46.245	6.580	1,78%	823	23.049	1,01	23.872
49	2046	3.336	46.708	6.646	1,78%	831	24.110	1,01	24.942
50	2047	3.370	47.175	6.712	1,78%	840	25.191	1,01	26.031
51	2048	3.403	47.646	6.779	1,78%	848	26.291	1,01	27.139
52	2049	3.437	48.123	6.847	1,78%	857	27.411	1,01	28.267
53	2050	3.472	48.604	6.916	1,78%	865	28.550	1,01	29.415
54	2051	3.506	49.090	6.985	1,78%	874	29.709	1,01	30.583
55	2052	3.542	49.581	7.055	1,78%	883	30.889	1,01	31.772
56	2053	3.577	50.077	7.125	1,78%	891	32.089	1,01	32.981
57	2054	3.613	50.578	7.196	1,78%	900	33.310	1,01	34.211
58	2055	3.649	51.083	7.268	1,78%	909	34.553	1,01	35.462
59	2056	3.685	51.594	7.341	1,78%	918	35.817	1,01	36.735
60	2057	3.722	52.110	7.415	1,78%	928	37.102	1,01	38.030
61	2058	3.759	52.631	7.489	1,78%	937	38.410	1,01	39.347
62	2059	3.797	53.158	7.564	1,78%	946	39.741	1,01	40.687
63	2060	3.835	53.689	7.639	1,78%	956	41.094	1,01	42.049
64	2061	3.873	54.226	7.716	1,78%	965	42.049	1,00	43.015

Monthly income at retirement: 3.873  
 Monthly pension at retirement: 3.072  
**Replacement rate at retirement: 79,3%**

Annual contribution base = Monthly income x 14  
 Partial credit = Annual contribution base x Accrual rate  
 Revalued credit = Total credit (t-1) x Revaluation coefficient  
 Total credit = Partial credit + Revalued credit

Sources: BMF, BMSGPK

## 5.12. Occupational old-age provisions (2<sup>nd</sup> pillar)

The Austrian Occupational Pension Act (“Betriebspensionsgesetz”) contains regulations for occupational old-age provisions (2<sup>nd</sup> pillar). Since 2002, employers are obliged to transfer 1.53% of the monthly salary of their employees to a staff provision fund (“Mitarbeiter-Vorsorgekasse”), set up especially for the new severance payment (“Abfertigung neu”). In case of termination of employment by the employer and after a minimum working period of 36 months, the employee is entitled to get a severance payment or to leave the amount in the staff provision fund. In view of old-age provision, retiring employees can choose to receive the pay-out in form of the total sum (taxed at 6%) or a monthly paid additional pension (tax exempt).

The data included in the Ageing Report 2024 regards only the pension provision funds (“Pensionskassen”). There is no data available for the occupational collective insurances, direct provisions allowed by a company to an employee or life insurances which are used for pension purposes.

## 5.13. Alternative pension spending disaggregation

**TABLE A2 – FACTORS BEHIND THE CHANGE IN PUBLIC PENSION EXPENDITURE BETWEEN 2022 AND 2070 (PPS OF GDP) – PENSIONS**

	2022-30	2030-40	2040-50	2050-60	2060-70	2022-70
<b>Public pensions to GDP</b>	1.3	-0.4	-0.7	0.0	0.1	0.4
<b>Dependency ratio effect</b>	3.0	2.8	1.0	1.2	0.6	8.5
<b>Coverage ratio effect*</b>	-1.2	-1.3	-0.4	-0.6	-0.2	-3.8
<i>Coverage ratio old-age</i>	-0.1	-0.6	-0.5	-0.5	-0.1	-1.8
<i>Coverage ratio early-age</i>	-2.3	-3.4	0.3	0.3	-0.7	-5.7
<i>Cohort effect</i>	-3.2	-2.6	-0.4	-1.5	-0.3	-8.0
<b>Benefit ratio effect</b>	0.1	-1.2	-1.1	-0.4	-0.3	-3.0
<b>Labour market effect</b>	-0.3	-0.4	0.0	-0.1	0.0	-0.9
<i>Employment ratio effect</i>	-0.3	-0.4	0.0	0.0	0.0	-0.8
<i>Labour intensity effect</i>	0.0	0.0	0.0	0.0	0.0	0.0
<i>Career shift effect</i>	-0.1	0.0	0.0	0.0	0.0	-0.1
<b>Residual</b>	-0.2	-0.2	0.0	0.0	0.0	-0.5

\* Subcomponents of the coverage ratio effect do not add up necessarily.

Source: European Commission, EPC.