



# Austrian federal provinces have started altering minimum income schemes

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*The coordination of minimum standards for the minimum income schemes of the nine federal provinces came to an end in January 2017. Since then, reforms have been decided on by some federal provinces. Overall, they all point towards smaller or larger cuts, whereas easing access or increasing generosity is nowhere on the agenda. In June 2017 the capital province of Vienna presented reform plans for its minimum income scheme, which envisage much smaller cuts than in some other federal provinces. This is important, as it impedes a “race to the bottom” regarding the generosity of regional minimum income schemes.*

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## Description

In 2010 the central government and the federal provinces (*Bundesländer*) agreed on a joint so-called “Agreement according to §15a of the Austrian Constitution” (hereafter: “15a-Agreement”), stipulating common minimum standards for the minimum income schemes of the nine federal provinces (the latter are in charge of legislation on and implementation of minimum income in Austria). This coordinated minimum income was called the “means-tested minimum income scheme” (*Bedarfsorientierte Mindestsicherung* – BMS) and replaced so-called “Social Assistance” as from 2010. The 15a-Agreement on BMS expired at the end of 2016. Originally, the plan was to reach a renewed 15a-Agreement on BMS before the end of 2016, but no compromise could be found between the central government and the federal provinces. This was due to the fact that several federal provinces intended, or had even started, to cut benefits (the latter violating the 15a-Agreement), whereas the Ministry for Social Affairs and some of the federal provinces (with Vienna to the fore) opposed such plans.

This means that the competency for minimum income is once again de jure completely located at the level of the federal provinces and that the short period of formal coordination has come to an end.

Some federal provinces already started to cut BMS for specific groups in 2016, thus de facto violating the 15a-Agreement, then still in force. In February 2016, the Federal Province of Lower Austria cut BMS for persons granted subsidiary protection status and the general housing allowance. The Federal Province of Upper Austria decided to cut benefits for refugees and persons granted subsidiary protection status from €914 to €520 a month in mid-June 2016.

In 2017, i.e. after the 15a-Agreement had expired, additional reforms followed. As from January 2017, benefit levels in Lower Austria were substantially reduced (by approx. 30%) for all people, including Austrian citizens, who have been living in Austria for less than five years during the last six years, and an upper ceiling on BMS was introduced, amounting to €1,500 per month per family/ household. In the Federal Province of Burgenland, a reform largely resembling the one in Lower Austria has come into force in July 2017. In May 2017, some cuts to BMS were decided upon in Tyrol Federal Province, including lower housing allowances, lower benefit rates for people living in flat-sharing communities (which, inter alia, often applies to refugees) and reduced benefits for families with more than three children. A reform similar to the

one in Tyrol was agreed upon in Vorarlberg Federal Province in April 2017.

In June 2017 the capital province of Vienna presented a reform plan for its minimum income scheme, to be implemented from 1 January 2018. As 55% of all recipients of minimum income benefits live in Vienna, the number of BMS-recipients there is substantially higher than in each of the other federal provinces. Nevertheless, the Vienna reform plans, contrary to those in some other federal provinces, do not encompass general benefit cuts for people with subsidiary protection, refugees or multi-member households. However, somewhat lower benefits will in future apply to young people in the age bracket 18-25, which may be even further reduced if these persons do not participate in education, training or employment (in the latter case BMS acts as a top-up to a low earned income). On the other hand, Vienna has announced that it intends to further expand active labour market policy measures for this

and other target groups, and extra bonus payments will be available for BMS-recipients who are in employment or taking up employment.

## Outlook & commentary

The political debate on minimum income benefits has considerably intensified in Austria over the last two years. Reforms implemented or considered since late 2015 in the main point towards retrenchment, backed up by arguments to the effect that the financial burden for the federal provinces undertaking BMS arrangements was on the rise and that an overly generous BMS 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 BMS. Overall, the debate gradually moved away from social inclusion issues, and increasingly addressed other issues in a populist manner.

The decision of the regional government of Vienna to reform its minimum income scheme without large scale cuts is important because it impedes a further "race to the bottom" regarding the generosity of regional minimum income schemes. Still, the end of the nationwide coordination of BMS implies far-reaching challenges, as it will likely lead to a further differentiation (a development that has already started) regarding basic rules on benefit access and levels etc. between different federal provinces.

### Further reading

Key points of the reform of the minimum income scheme of Vienna:

<https://www.wien.gv.at/gesundheits-soziales/mindestsicherung-neu.html>

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