

Austria: Substantially reduced benefit levels due to a reform of nationwide coordination of minimum income schemes

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Just before the premature breakdown of the Austrian centre-right coalition government, the Parliament passed a "Framework Act on Social Assistance" in May 2019. Unlike earlier attempts to coordinate the minimum income schemes of the federal provinces, this Act stipulates maximum benefit levels (instead of minimum benefit levels) and a substantial differentiation of benefit levels between different groups of recipients. Among other things, the reform will de facto have a negative impact on various groups of recipients - especially people with a migration background.

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Description

In Austria, the legislative responsibility for minimum income lies in principle with the federal provinces (*Bundesländer*). However, nationwide coordination may be enacted via different instruments. Between 2010 and 2016, minimum standards were set in an "Agreement according to Article 15a of the Austrian Constitution" between the Federal Republic and the nine federal provinces. This agreement expired at the end of 2016, after which the Federal Republic and the federal provinces were unable to reach a new agreement due to their different positions on the issue. The centre-right People's Party (ÖVP) and Freedom Party (FPÖ) government – in office between December 2017 and May 2019 – announced in its government programme plans to reform minimum income via a "Framework Act on Social Assistance". This Act, whereby the former "Means-tested Minimum Income" (MMI) was re-named "Social Assistance" (i.e. the term used for minimum income before the earlier coordination from 2010), was adopted by Parliament in May 2019. The new rules are to be included by the federal provinces in their regional legislation by the beginning of 2020 at the latest.

The Framework Act stipulates coordination in the form of maximum benefit levels, whereas the earlier 15a-Agreement established minimum benefit levels. For a single-person household, the minimum benefit applicable under the MMI scheme is equal to the new

maximum benefit under the Act on social assistance (SA). It is equivalent to the so-called "Equalisation Supplement Reference Rate" (ESRR; *Ausgleichszulagenrichtsatz*) of the statutory pension scheme. For a single person this currently amounts to €885 net per month. Benefits for multi-person households are calculated by using the ESRR and a multiplier, derived from a weighting formula for additional household members. This formula was changed substantially in the reform, with the result that the maximum SA benefits are now lower than the former minimum MMI benefits for all household types, with the exception of single-person households and single-parent households (see table).

First, new maximum benefits are especially lower than the former minimum benefits in cases where more than two adults live in a same household, as minimum income benefits granted to adult household members may generally not exceed 175% of the ESRR, i.e. currently €1549 per month. Second, the SA Act also stipulates substantially lower benefits than the former MMI scheme in situations with more than one adult and more than two children. Third, for single-parent households, several federal provinces hitherto had granted benefits substantially surpassing the minimum levels of MMI, so that the new maximum levels of SA will also often result in a benefit reduction for this group.

Furthermore, an even lower maximum cash benefit will apply in the future for

Monthly benefit levels under the former MMI (minimum) and new SA (maximum) schemes, by household type

Household type	MMI (minimum) in €	SA (maximum) in €	Change in €	Change in %
Single adult	885	885	0	0.0%
Two adults, no child	1,327.5	1,239	-88.5	-6.7%
Three adults, no child	1,770	1,548.75	-221.25	-12.5%
Two adults, one child	1,486.8	1,460.25	-26.55	-1.8%
Two adults, two children	1,646.1	1,593	-53.1	-3.2%
Two adults, four children	1,938.15	1,681.5	-256.65	-13.2%
Single parent, one child	1,044.3	1,212.45	168.15	16.1%
Single parent, two children	1,203.6	1,424.85	221.25	18.4%
Single parent, four children	1,495.65	1,593	97.35	6.5%

adults who have not completed compulsory schooling with German language education, or cannot provide evidence of level B1 German language skills (intermediate independent user) or level C1 English language skills (advanced proficient user). These groups may only be granted up to 65% of the usual maximum benefit as a cash benefit, while it is argued that they should also receive 35% as a benefit in kind in the form of training programmes. One other important point is that SA will not be available to people with subsidiary protection status, who until now have been eligible for MMI in five out of the nine federal provinces. This means that in the future, people with subsidiary protection status will generally, similarly to asylum seekers, only have access to the so-called "basic supply" (*Grundversorgung*), which offers much lower benefit levels than SA.

 **Outlook and commentary**

Unlike the earlier "15a agreement" on the MMI, the Framework Act on SA is not based on a consensus or compromise between the various federal provinces and the Federal Republic. Although some federal provinces welcomed the reform, others (including Vienna, where the

bulk of all minimum income recipients live) were strongly opposed to it, but will be obliged to substantially reduce their benefit levels from January 2020 at the latest. The latter applies irrespective of a limited scope for discretionary higher benefits in cases of high housing costs, which was added to the Framework Law towards the end of the related reform debate. According to this ruling, total maximum SA benefit levels may be increased by up to 30% to cover housing costs, if the extra is provided as "benefits in kind" (e.g. by transferring rents directly to landlords etc.). However, in this case the SA cash benefits available to the household may only amount to a maximum of 60% of the general maximum benefit, thus again setting the maximum resources available for other needs at a very low level.

The idea of coordinating social policy across federal provinces by setting maximum benefit levels (instead of minimum standards) is new to the Austrian federal political system. These maximum benefit levels are clearly based on a "nativist" approach, affecting de facto especially (but not only) people with a migration background. More generally, the maximum benefit levels are not based on any specific assessment

of the resources necessary to cover actual living costs. No account has been taken of the fact that even with the higher benefit levels of the former MMI, recipients' households showed substantially increased risks of material and social deprivation (Heuberger 2018).

In July, the Social Democratic Party lodged a constitutional complaint, arguing that the Act on SA violates the Austrian Federal Constitution on nine points. A decision by the Constitutional Court is not expected before the end of 2019. Also in July, EU Commissioner Dimitris Avramopoulos, in a written answer to a parliamentary question from Austrian Member of the European Parliament Monika Vana (Greens), announced that the Act is under assessment by the European Commission and that, regarding EU citizens, the language requirements for accessing SA appear to be indirectly discriminatory and, if applied to workers, contrary to EU law.

Further reading

Framework Act on Social Assistance:
https://www.parlament.gv.at/PAKT/VHG/XXVI/I/I_00514/index.shtm

Parliamentary question put by MEP Vana; answer given by Commissioner Avramopoulos on behalf of the European Commission:
http://www.europarl.europa.eu/doceo/document/P-8-2019-002030-ASW_EN.html

Heuberger, R. (2018). *Living Conditions of Recipients of MMI*, Statistik Austria: Vienna.

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