Demographic trends and current situation in the construction industry

The Republic of Austria has a population of about 8.4 million people in nine Federal States. Austria only joined the European Union in 1994.

In the construction industry as a whole there are currently about 260,000 workers registered in approx. 24,000 firms, while the main construction industry currently employs about 93,000 workers.

The percentage share of the construction industry in GDP is about 9%. The workforce on construction sites is made up of 95% men, while 2% work part-time.

The age pattern of the construction workforce is shown below:

<table>
<thead>
<tr>
<th>Age</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt; 19</td>
<td>6.38</td>
</tr>
<tr>
<td>19-30</td>
<td>24.71</td>
</tr>
<tr>
<td>31-40</td>
<td>23.24</td>
</tr>
<tr>
<td>41-50</td>
<td>28.08</td>
</tr>
<tr>
<td>51-60</td>
<td>16.71</td>
</tr>
<tr>
<td>61-65</td>
<td>0.8</td>
</tr>
<tr>
<td>&gt; 65</td>
<td>0.08</td>
</tr>
</tbody>
</table>

Source: BUAK (Construction Workers Holiday and Redundancy Fund). Table: Average annual age structure of the workforce. Figures for 2009 (1).

The collective agreements for the construction industry are negotiated and concluded on the employers’ side by the Industrial Union for the Construction Industry (Fachverband für die Bauindustrie) and the Federal Guild of Building Trades (Bundesinnung Bau), and on the workers’ side by the Austrian Trade Union Confederation (Österreichischen Gewerkschaftsbund, ÖGB) and the Building and Woodworkers Trade Union (Gewerkschaft Bau-Holz, GBH). In Austria there are special statutory institutions, Chambers of Labour (Arbeiterkammern), which function alongside the trade unions to oversee workers’ rights. They have self-autonomy and work very closely with the ÖGB.

1 http://www.buak.at/servlet/ContentServer?pagename=BUAK/Page/Index&n=BUAK_5.4
Brief description of the situation for pensions

In Austria the current pension system is essentially based on the 1st pillar in the form of a statutory pension insurance into which the employers and employees pay income-related contributions.

1st pillar

The statutory pension insurance is regulated by the General Pensions Act (Allgemeines Pensionsgesetz) of 1.1. 2005. This legislation covers all employees and apprentices, workers without employment contracts who are otherwise carrying out work equivalent to normal employees (freie Dienstnehmer), family members assisting self-employed workers, and those voluntarily contributing to the insurance. The insurance is financed from 10.25% of employees’ gross earnings and 12.55% by the employers. The State meets the shortfall which, for example in 2005, amounted to 27% of total pension benefits. There is an annual contributions assessment ceiling of €50,820 and another ceiling of €7,260 for a 13th or 14th month’s salary.

Retirement age for the ordinary old-age pension is currently 65 for men and 60 for women. The retirement age for women will gradually be brought into line with that for men between 2024 and 2033. A qualifying period must be fulfilled in order to be eligible for pension entitlement. This is either 180 months of contributions (15 years) or 180 months of insurance over the past 30 years.

In the case that the pension does not reach a specific guide level, it is raised to this value. Austria therefore indirectly has a statutory minimum pension, which for single persons is €793 and for married persons €1189, with an additional €122 per child.

The average pension for construction workers in 2010 came to about €1600, corresponding to about 75 to 80% of final earnings.

The statutory old-age pension is adjusted annually on 1.1. In the case of ordinary old-age pensions there are virtually no restrictions concerning additional earnings, but in the case of early retirement pensions these are withdrawn completely in case of monthly earnings of €374.02 or more.

An early-retirement pension is possible from age 62 (men) and 57 (women), while those doing arduous work (see below for more details and definitions) can retire at earliest on reaching 60 provided that certain conditions defined by law are met. For every year that the early-retirement pension is taken 4.2%, or for those doing arduous work a max. of 2.1%, is deducted from the pension, but only up to a ceiling of 15% altogether. The pensions paid out are subject to the normal tax liability and to a sickness insurance contribution of 4.85%.

The earnings-related pension has in recent years been multiplied by a factor of 1.88% of income from work per year of contributions, and with effect from 2009 the factor has been reduced in stages to 1.78%.

The last changes to the law took place on 1.1.2011 (2). Besides a raft of special provisions, these modifications basically regulate more precisely the conditions for taking early-retirement pensions at 60 with a 45-year contributions record. However, this option of taking early retirement is less relevant for workers in construction, in particular because the periods

of unemployment make the requirement of a 45-year contributions record almost impossible or at least difficult to meet.

2nd pillar

Only a few large companies in the construction industry and the construction materials industry have, or have had, occupational pension financing schemes based on company agreements. Where such schemes have been introduced, the basic conditions are governed by the Occupational Pensions Act (Betriebspensionsgesetz, BPG). There is no such thing as a compulsory 2nd pillar for funding pensions in Austria, so that this form of pension is not relevant in practice. In 2005 the trade unions came forward with demands for a supplementary pension for construction workers, but they were not successful. Since 2009 the construction union has proposed a model designed to facilitate the transition at age 60 from the pension for workers doing arduous work into the ordinary old-age pension. However, this union initiative failed as the State could not provide any funding due to the international financial crisis.

3rd pillar

The picture is much the same as for the 2nd pillar as no legal basis exists. Many workers conclude individual private contracts with insurance companies, banks or other institutions for the purpose of saving up for a supplementary pension to top up the ordinary pension. These contracts are often combined with life assurance policies or insurance against occupational incapacity.

Special forms of pensions and/or old-age provision and early-retirement

With the entry in force of the General Pensions Act, from 1.1.2007 a new type of pension was created for workers doing arduous work. This pension applies basically to men and women who have carried out arduous work which was particularly mentally and physically demanding, and is intended to enable these workers to retire before the normal retirement age. For women the pension for arduous work only becomes relevant from 2024 as the phased increase in the retirement age for women will be completed then.

In order to be eligible the following conditions must be met:

– the relevant age has been reached for the purposes of the insurance,

– long insurance record including periods of carrying out work which is particularly mentally and physically demanding,

– employment not subject to compulsory pension insurance.

The arduous work pension can be drawn at earliest on reaching 60, with a minimum of 540 months of insurance (45 years), whereby at least 120 months (10 years) of arduous work must have taken place during the last 240 calendar months (20 years) preceding the retirement date.

Arduous work is understood to cover all activities carried out under particularly demanding mental and physical conditions. The working conditions relevant to construction workers for the purposes of this project are as follows:

1. Various types of shiftwork,

2. Regularly working in heat or cold,
3. Working in the presence of chemicals or physical elements, or
4. Performing heavy physical work.

Work on normal construction sites almost always involves such conditions, particularly shift work, working in the heat and cold exposed to the weather conditions or during casework, when using work tools, machines and vehicles which cause vibrations to the body which are harmful to health, or the performance of work which, over a 8-hour working time by men, consumes at least 8,374 kilojoules of work. The details are set out in many different definitions and other provisions, the references for which are given below.

Source: The pension insurance institution (Pensionsversicherungsanstalt)

The Central Federation of Social Insurance Institutions (Hauptverband the Sozialversicherungsträger)

http://www.hauptverband.at/mediaDB/510710_Berufsliste%20f%C3%BCr%20women%20und%20M%C3%A4nner%20mit%20k%C3%B6rperlicher%20Schwerarbeit%20(20Internet)%20-%20%20112008.pdf

The pension for arduous work must be applied for separately and is subject to special checks.

In practice, unfortunately, construction workers are not able to make use of this scheme as on average they are obliged to retire on health grounds at 57 with an invalidity pension. Roughly 80% of all construction workers are forced to retire on the invalidity pension at an early age due to health problems. Of the 672 pensions for arduous work paid out in 2008, only around one third of the recipients are therefore construction workers.

**Pensions started in 2008 by type of pension, all occupational groups in Austria**

<table>
<thead>
<tr>
<th>Pension Type</th>
<th>Number</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Invalidity pensions &amp; occupational incapacity</td>
<td>67103</td>
<td>43.1%</td>
</tr>
<tr>
<td>Old-age pensions</td>
<td>26909</td>
<td>17.3%</td>
</tr>
<tr>
<td>Corridor pensions</td>
<td>2558</td>
<td>1.6%</td>
</tr>
<tr>
<td>Long-term insured</td>
<td>17717</td>
<td>11.4%</td>
</tr>
<tr>
<td>Arduous work pensions</td>
<td>672</td>
<td>0.4%</td>
</tr>
<tr>
<td>Other</td>
<td>40689</td>
<td>26.1%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>155648</td>
<td>100%</td>
</tr>
</tbody>
</table>

Source: Pensionsversicherungsanstalt. statistical data.
Pensions started in 2008 by type of pension. Construction workers belonging to BUAK

<table>
<thead>
<tr>
<th>Pension Type</th>
<th>Count</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Invalidity pensions &amp; occupational incapacity pensions</td>
<td>3090</td>
<td>78.7%</td>
</tr>
<tr>
<td>Old-age pensions</td>
<td>92</td>
<td>2.3%</td>
</tr>
<tr>
<td>Corridor pensions</td>
<td>176</td>
<td>4.5%</td>
</tr>
<tr>
<td>Long-term insured</td>
<td>272</td>
<td>6.9%</td>
</tr>
<tr>
<td>Arduous work pensions</td>
<td>214</td>
<td>5.5%</td>
</tr>
<tr>
<td>Other</td>
<td>81</td>
<td>2.1%</td>
</tr>
<tr>
<td>Total</td>
<td>3925</td>
<td>100.0%</td>
</tr>
</tbody>
</table>

Source: Data from the building and woodworkers trade union (Gewerkschaft Bau-Holz)

Another possibility for taking early retirement under Austrian law takes the form of a so-called Korridorpension. Only men can currently be eligible for this pension and the conditions are as follows: age 62, having paid contributions for 450 months of insurance (37.5 years) and not in gainful employment.

Advantages and/or bonuses applying to work beyond the normal retirement age

Where the pension is postponed beyond the normal retirement age (men 65 years), the pension paid is increased annually by 4.2% up to max. 15% altogether, although this is only possible up to age 68. For construction workers, however, this is not relevant in practice as only 0.8% of them are still in work beyond their 60th year.

Taking into account periods of unemployment, work incapacity, sickness, etc.

Periods of unemployment are taken into account as contribution years, although only for 70% of the contributions assessment basis used for calculating unemployment benefit. In addition, childcare periods are also taken into account up to a maximum of four years per child.

Industrial relations and paritarian pension funds and/or social funds

There are no such institutions in Austria in the construction industry for pensions, only for holidays and redundancy.

Description of a typical example of a pensioner

As was seen in the tables above, the commonest form of pension for an Austrian construction worker is the invalidity pension. This pension is about €905 per month on average (consequently, giving an average replacement of earnings ratio of approx. 50%). The pension for arduous work averages a gross €1630 (replacement ratio of up to 80%), but does not apply until age 60 and is not relevant for construction workers who would normally retire earlier on invalidity pensions.

Role of the trade unions, the current debate and policy trends
The trade union strategy is to prevent a deterioration in the pension options as far as possible. A regularly recurring topic of debate in Austria as well is the financing of the pay-as-you-go system and the level of the State subsidy. Currently, the GBH is calling for further improvements concerning the pension for arduous work so that construction workers actually are able to access this pension and not have to retire earlier at age 57 on the invalidity pension due to poor health. A first attempt to gain political support has failed.

**Brief summary and evaluation**

Pension insurance in Austria is almost exclusively based on the State pay-as-you-go system (1st pillar) financed by employers and employees from earnings with individual and contributions-related pensions. There are no direct special provisions for construction workers, but the option of early retirement with aid from the pension for arduous work can be taken from age 60. But this is hardly applicable in the case that construction workers as about three-quarters of them leave the industry on an invalidity pension.

**Digression: Study on arduous work with the focus on construction**

On the initiative of the construction and woodworkers union and the Chamber of Labour, a highly-regarded study on arduous work was conducted in 2004, taking the construction industry as an example. The main aspects covered were:

a) observing and describing the problems of older workers in types of work involving considerable mental and physical demands, and

b) documenting the costs to the economy and effects on life expectancy, as well as on the age at which the workers retire and the labour market situation for arduous work, taking the construction industry as an example.

In the light of many interviews with the workers concerned, studies and the evaluation of all the statistical documentation and sickness data, including the Europe-wide studies on this subject, coupled with many observations and current studies on work at construction sites, the researchers came to the clear conclusion that "it is not possible for construction workers to remain in work until the age of 65". Although Austria, in common with virtually all European countries, has seen a definite increase in life expectancy, in particular owing to advances in medicine, and is also continuing to rise today, there has nonetheless been no decline in the level of chronic health effects due to the arduous working conditions in the construction industry.

The particular consequences of work carried out directly on construction sites, such as wear and tear on the musculoskeletal system, the high dependency on weather conditions (cold, damp, heat and wind), the considerable time and deadline pressures as well as the frequent exceeding of normal working hours, mean that this work cannot be carried out up to the normal retirement age. Early retirement creates major social problems as construction workers and their families do not receive a decent income and/or pension. A number of ideas emerged from the study which have been incorporated in the design of the Austrian arduous work pension and a raft of proposals has also been developed for reducing the adverse health effects of construction work. However, a few years on, there are no signs of a change in the trend towards early retirement or in the large numbers of skilled workers leaving the industry.
Nonetheless, many of the findings of the research carried out in the arduous work survey lend themselves to being applied to European practice concerning pensions and early retirement and need to be further developed so that trade union demands can be formulated.

**Key facts summarising the findings: Austria**

**Construction industry:**  Number of workers **260,000**  - Firms **24,000**  
- Workers over 60 years **0.8%**  - Pensioners………..

**How is the general pension system organised?**

**1st pillar:**  General Pensions Act/pay-as-you-go system  
Contributions: Employers **12.55%**  Employees **10.25%**  
State participation about 25 – 30%

**2nd pillar:**  not compulsory/ no collective agreements

**3rd pillar:**  voluntary insurance possible

**Other pensions:**  pensions for arduous work, from age 60

**Statutory retirement age** 65 M/ 60 W

**Number of contribution years required:** 15

**Actual age of retirement ???**

**Planned/future statutory retirement age:** 65 for women

**Minimum pension in €** 793  
**Pension level based on final earnings as %**  about 30%

**Pension level construction workers in €:**  normal average about €1600, or 75- 80%  
- €905 in case of invalidity  
- €1630 for arduous work  

**Early retirement possible?**  From 62 M/57 W  
**Reduction in pension:** max. 15%

**Are there special provisions for the construction industry?**  Only the provisions for arduous work

**Are there collective agreements for supplementary pensions and early retirement?**  No

**Are there paritarian funds?**  Yes, but not for pensions