Age Reallocation through Public Transfers in Austria

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Outline

Motivation and Overview
Transfers-Categories in Detail
Projections
Conclusions and Outlook

The Role of Public Transfers in Age-Reallocation
Composition of Public Transfer In- and Outflows

Age-Reallocation: Overview

Figure: Age Reallocations 2005

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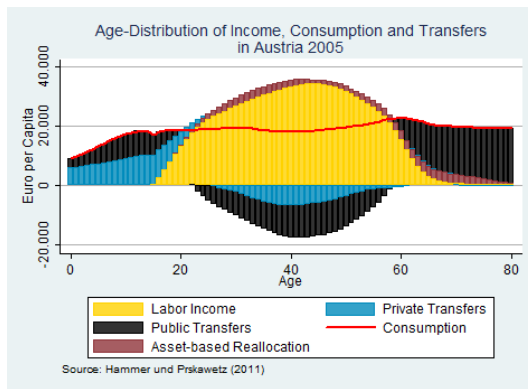The Role of Public Transfers in Age-Reallocation
Composition of Public Transfer In- and Outflows

Public Transfer Inflows 2005

Table: Public Transfer Inflows 2005

Category	Amount in Mill. Euros	Percent of Total	Percent of GDP
Total Public Transfers	**93,943.33**	**100.0**	**38.6**
Transfers In Kind	**45,135.60**	**48.0**	**18.5**
Education	12,389.80	13.2	5.1
Health	12,727.70	13.5	5.2
Other	20,018.10	21.3	8.2
Transfers in Cash	**48,807.73**	**52.0**	**20.0**
Education	212.31	0.2	0.1
Health	662.44	0.7	0.3
Old Age	25,388.94	27.0	10.4
Survivor	5,067.65	5.4	2.1
Disability and Sickness	4,530.68	4.8	1.9
Family and Children	4,654.61	5.0	1.9
Unemployment	3,158.95	3.4	1.3
Social Protection, Other	289.39	0.3	0.1
Other, Other Current Transfers	4,842.77	5.2	2.0

▶ rules to classify transfers into NTA-categories? (ESSPROS)
▶ age-distribution of in-kind transfers in the category "Social Protection"?

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Public Transfer Inflows 1995 - 2005

Table: Comparison 1995 - 2005

Category	2005	2000	1995
Total in % of GDP	**38.6**	**39.0**	**41.7**
Share YA/YL	0.28	0.23	0.20
In-kind	**48.0**	**49.0**	**49.1**
Education	13.2	13.7	13.3
Health	13.5	12.7	13.3
Other	21.3	22.7	22.5
Cash	**52.0**	**51.0**	**50.9**
Education	0.2	0.2	0.2
Health	0.7	0.8	0.8
Old Age	27.0	25.6	23.5
Survivor	5.4	5.9	6.1
Disability and Sickness	4.8	5.5	5.4
Unemployment	3.4	2.6	3.2
Family and Children	5.0	4.2	4.3
Social Protection, Other	0.3	0.3	0.1
Other Current Transfers	3.7	3.1	4.3
Other	1.4	2.8	3.0

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Public Transfer Outflows - Taxes

Table: Public Transfers: Outflows

Outflows	Amount in Mill. Euros	Share of Total
Taxes on Income Profits and Capital Gains	9,642	9.7
Taxes on Payroll and Workforce	21,514	21.6
Taxes on Property	607	0.6
Taxes on Goods and Services	24,220	24.3
Taxes on International Trade and Transactions	327	0.3
Other Taxes	1,593	1.6
Other current Transfers	2,708	2.7
Social Contributions	39,215	39.3
Total Outflows	**99,827**	**100.0**
(Earmarked and EU-Taxes)	6,365	6.4

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Education

Public Education is financed out of general taxes

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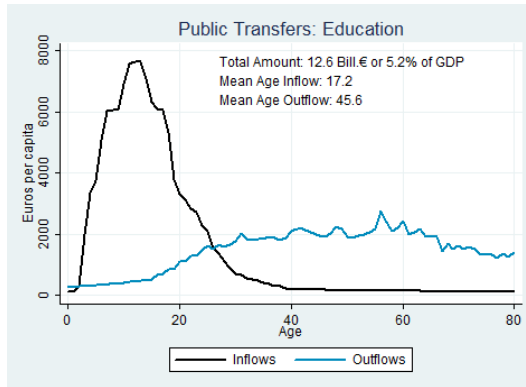
Health – Institutions

Table: Public Health Consumption

Institution	Share	Services	Funding Source
Health Insurance	46.4	Outpatient Services, Medicaments	Contributions
Federal States (Bundesländer)	43.3	Stationary Services	General Taxes
Communities	5.2	Stationary Services	General Taxes
General Government	1.7	Stationary Services	General Taxes
Pension Insurance	3.3	Preventive Care, Rehabilitation	Contributions, General Taxes

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Health – Age-Distribution

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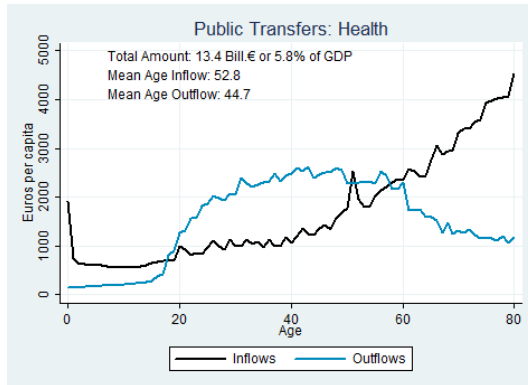
Family and Children – Institutions

Table: Family and Children - Inflows

Institution	Amount	Share of Total	Benefit
Family Burdens Equalization Fund	4,043.05	86.9	Family Allowances, Child Benefits
Health Insurance	347.92	7.5	Maternity Allowance
Family Allowance (Public)	198.58	4.3	Family Allowance, Child Benefits
Federal States	65.05	1.4	Family and Child Allowances, Means Tested

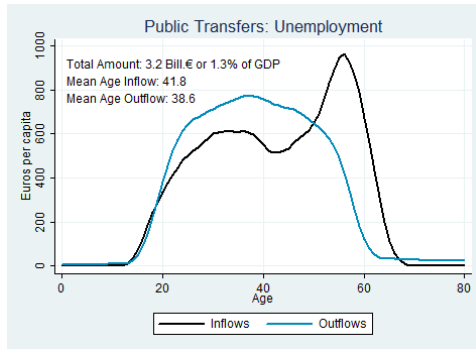### Table: Family and Children - Outflows

Institution	Funding
Family Burdens Equalization Fund	Payroll Tax (85%), General Taxes (15%)
Health Insurance	Contributions (Payroll)
Family Allowance (Public)	Imputed Contributions Employer
Federal States	General Taxes

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Family and Children – Age-Distribution

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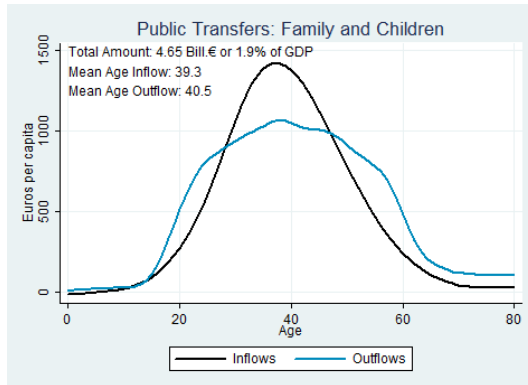
Unemployment

Funding: Contributions (92%), General Budget (8%)

- The peak before retirement includes pensions due to unemployment and a so called "Vorruhestandsgeld" (paid leave before retirement)
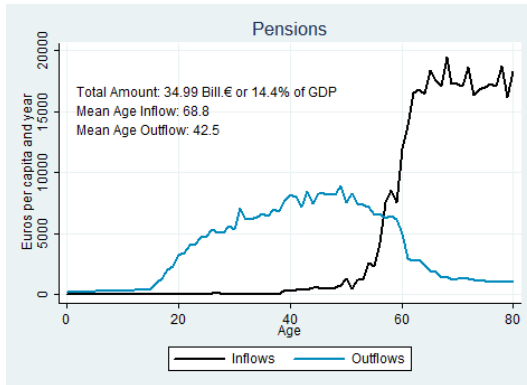
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Pensions

Table: Social Protection: Old Age

Transfer-Type	Amount	Share in %	Institution	Funding
Old Age Pension	12,239	48.2	Pension Insurance	Contributions (73.7%)
Invalidity Pensions ($\geq$ 60/65)	2,202	8.7		General Taxes (26.3%)
Compensation Allowances	353	1.4		
Early Retirement Pensions	2,202	8.7		
Public Pensions ($\geq$ 60)	6,667	26.3	General Government	General Taxes (28%)
				Contributions (25% real, 47% imputed)
Care Benefits	1,453	5.7	General Government	General Taxes
Other	273	1.1	Miscellaneaous	General Taxes
Total	**25,389**	**100.0**		

Table: Social Protection: Disability and Sickness

Transfer-Type	Amount	Share in %	Institution
Invalidity Pensions ($\leq$ 60/65)	2,959.56	65.3	Pension Insurance
Public Pensions ($\leq$ 60)	1,179.79	26.0	General Government
Care Benefits	378.78	8.4	General Government, Federal States
Other	12.55	0.3	General Government
Total	**4,530.68**	**100.0**	

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Pensions: Old Age

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Pensions: Survivor

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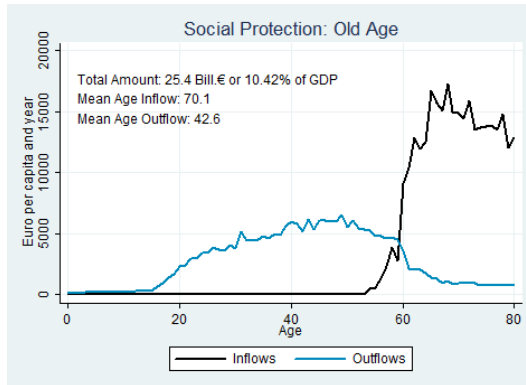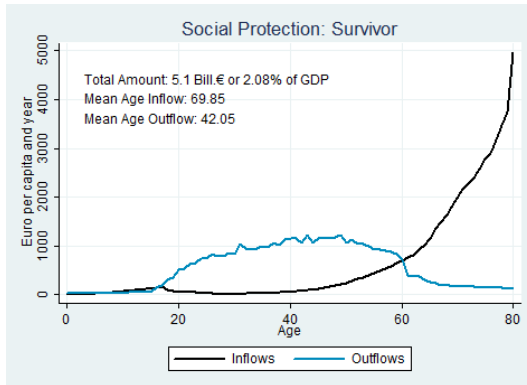
Pensions: Disability and Sickness

Social Protection: Disability and Sickness

Total Amount: 4.5 Bill.€ or 1.86% of GDP
Mean Age Inflow: 55.7
Mean Age Outflow: 42.7

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Evaluating Sustainability
Evaluating Fairness
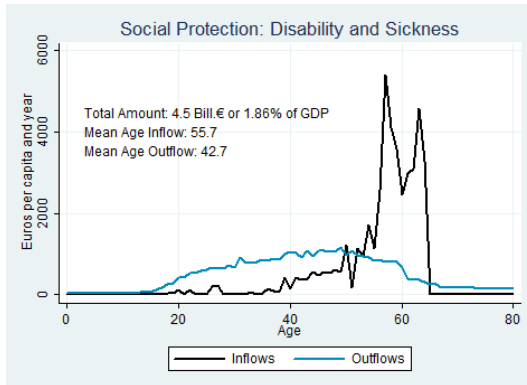
Population

Figure: Age Reallocations 2005

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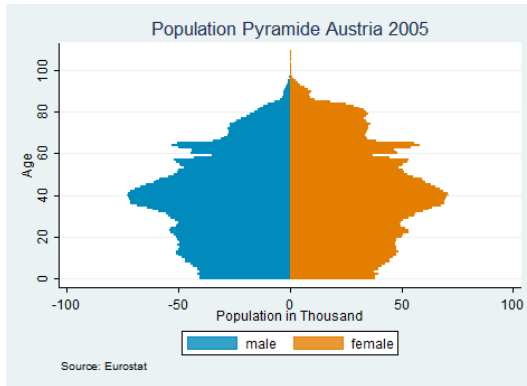
Projections – Dependency-Ratios

Figure: Projections - Dependency-Ratios

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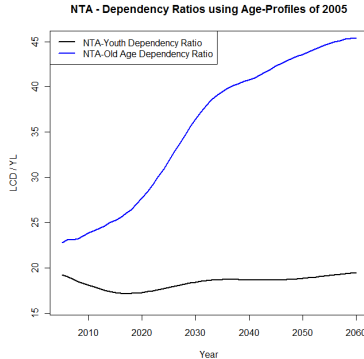
Evaluating Sustainability
Evaluating Fairness

Projections – Pensions
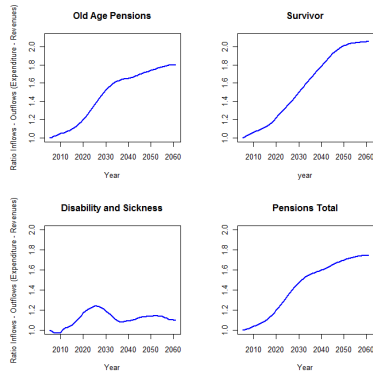
Figure: Projctions Pension In- and Outflow – Ratio

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Projections – Transfers
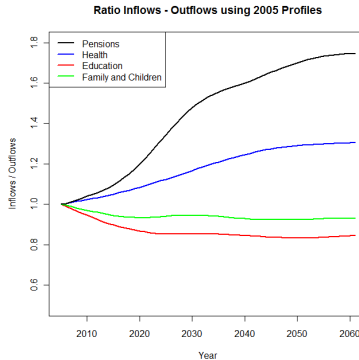
Figure: Projections of the In- Outflow – Ratio

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Evaluating Sustainability
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Evaluating Fairness

▶ Generational Fairness: The contributions of a cohort should equal its benefits

▶ Example: Follow 1945 cohort and estimate contribution and benefits using 2005 age-profiles
  ▶ 106,000 persons (+Migration)
  ▶ labor market entrance from 1960 onwards
  ▶ retirement around 2005
  ▶ 2025 still 63,000 (60%) alive; 2035 still 27,600 (26%)

▶ ratio inflows/outflows = 1.4

▶ thats what happened with the first demographic dividend

▶ long lasting liabilities: curse of the first demographic dividend

Conclusions and Outlook

- ▶ Funding structure of pension system unsustainable (and unfair)
- ▶ Increasing importance of capital income: extending contribution base of the insurance and tax system
- ▶ Careful comparisons of developments over time (data)
- ▶ Comparison with other countries

Reminder

- ▶ assignment of transfers to NTA-categories
- ▶ estimation of the age distribution of in-kind transfers
- ▶ what shall we include into the category "Social Protection, Old Age" (TGSOAI)