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Enlightenment and the first Industrial Revolution, based on steam power, started the end of European feudalism, especially represented by Germany and the Austro-Hungarian double monarchy. Their defeat in World War I was a logical consequence of political backwardness.

At the same time the industrial revolution produced a new kind of labour force, not any longer connected to farming or trading. Liberal capitalism used the industrial labour force, in many cases without any social restrictions.

According to the different cultural and religious traditions the higher developed part of the European continent had to take notice of an upcoming movement of labour force in trade unions and political parties, mainly the dominating social democratic movement, which tried to unite under the auspices of the Socialist International, which declared the 1st of May labour day, used for the fight for the limitation of working hours to eight hours a day and the right to vote for a parliament composed as a real democratic legislature. Workers cooperatives step by step established a social insurance system in order to finance a minimum of accidentally or structurally caused health care. It was the birthday of compulsory health insurance funds, which were legalized after World War I as official institutions working within the social political framework of the respective nation.

Public pension funds, e.g. in Germany, had already been founded before World War I under the Chancellor of Emperor Wilhelm II, Otto Fürst Bismarck, in cooperation with the social democratic faction in the German Reichstag. Step by step public pension systems were developed in nearly all western and central European countries and especially in Scandinavia: there with the highest degree of effectiveness.

With the increasing wealth in Western Europe after World War II public compulsory health insurance- and pension funds became part of the welfare system which accompanies every individual in these countries from birth to death. Although there is a permanent discussion about this public, state controlled welfare system and whether its administration works cheap and profitable enough to justify the comparatively high contributions of all kinds of employees but also of employers, nowhere else in the world has a cheaper and more effective system been developed.

What does this system consist of in our days?

By the example of Austria, one of the



smaller states of the European Union,



the standard and value of social protection schemes can be exemplified completely.

It consists of an overall social insurance, in particular of health, work accident and injury as well as unemployment insurance. All these divisions are connected with the working life of the labour force. The wages of full time working people are the main source of financing all these insurances mentioned before. Approximately half of these social contributions are paid by the employers; in the end, the employee only gets approximately half of the costs he is causing to the employer in cash. In addition, the federal budget subsidises the pension funds by approximately 20% of the expenditure for all kinds of pensions, except those based on an individual contract with a private pension fund. In order to reduce the state's subsidies for the public pension funds, individual private pension contracts with private pension funds were supported by tax reductions for the customer. Nevertheless, they did not become very popular, because many private pension funds could not keep their promises to increase the pensions of their customers but even had to reduce them sometimes in the last few years.

This system is very similar to your "old age, survivors and disability insurance" (OASDI). The higher subsidies from the federal budget in Austria are practically covering the gap between social insurance taxes paid by farmers and employers and the much higher demands for pensioners from these professions whose public pension insurance was established in the 1960's, when small business people and farmers were kicked out of their markets, and the basis of refinancing their pensions shrank.

Since World War II universal schemes have been developed: family allowance, tax credit for children, child care allowance, long term care allowance and, owing to its de facto effects, health care for those not being part of the social insurance system mentioned before. These allowances are either supporting families with children or those who are caring for handicapped or elderly people not able to look after themselves.

The Austrian Federation as well as the federal countries is supporting people with low income. They provide an equalization supplement payment for those with a very low insurance pension to raise their living standard to the minimum standard decided by parliament; now €745,-/USD1.043, - per month. The same minimum standard must be achieved in case of unemployment assistance and those who are not involved in the social insurance system because of too short employment in Austria, or because they could for some reason not work in their lives. They are financed by the social assistance of the nine federal countries of Austria with 300,000 up to 1.7 million inhabitants each. The total population of Austria amounts to 8.2 million inhabitants.

Since the times of constitutional monarchy before World War I, there are existing



separate civil servant schemes, but they are step by step harmonized with those of the other employees.

Labour law guarantees not only limited working hours per day and week, but also social contributions financed by the employers like continued payment of wages during sickness of the employee.

The individual social insurance institutions are managed by autonomous bodies consisting of delegates from the side of the trade unions and the employers associations. As most claims are regulated by law, they more or less have a control function in order to guarantee the cheapest administration possible. Another question is, if they always reach that goal, but in general the administration of the insurance systems takes up between 1% and 2% of the financial volume they have to administer; that is far below private insurance companies, since they have to spend a lot of money for advertisement and their much better paid management.

A new phenomenon is so called “atypical employment” concerning people working on free service contracts. They now are included in the social insurance system, if they are willing to contribute as employer as well as employees.

What is completely different from other social systems – partly also in other EU countries – is that the compulsory health insurance and pension fund include farmers and employers. Therefore social protection schemes are covering practically the whole population. 98% of the population is covered by health insurance including all family members. Social allowance covers the rest of 2%.

As far as hospitals are concerned, a large part of their expenditures are financed by general tax revenues and administered by the federal countries or even associations of local authorities. Compulsory health insurance pays hospitals a negotiated lump sum for treatment of their members, which does not cover the costs.

The total public welfare expenditure ratio of the gross domestic product is nearly 30%. According to a publication of Prof. Feldstein it was 7% in 2005 in the USA. Fast growing sectors are health care and pensions due to the increasing average age of people in Austria. More than 70% of the total social expenditure has to be paid in cash, 28% as benefits in kind, mostly health care in hospitals.

Employers pay 32%, employees approximately 22% and budgets of federal and regional authorities 35% of the total social expenditure.

What does all this mean for each individual citizen of Austria?

A blue collar worker has an average pension of approximately €1,000.-, 14



times a year, a white collar worker approximately €1,700.- Former self-employed pensioners are receiving about €1,400.-, former farmers more than €900.- 14 times a year. However, these are the figures for men.

Women are far behind. The average female blue collar worker has only a €600. - pension and must be subsidised by equalisation supplements. Even women retiring from white collar work only receive an average pension of €1000.-, former self employed women close to €900.-, farmers wives close to €500. - Add approximately 40% and you have it in US Dollars.

More than a quarter of all pensions are so called survivors pensions for widows, widowers and orphans. Approximately 90% of the recipients of these pensions are women, because of their low participation in gainful employment in the past, one third of women older than 60 have no personal claim to an old age pension at present. Survivor's pensions are therefore a substantial form of old age maintenance. Nearly half of the recipients of survivor's pensions draw an additional personal pension.

Not everything can be measured by general or individual figures.

The public health care system provides treatment in hospitals as well as by physicians under contract with the local health insurance fund. The customer is free to choose a physician. Treatment is free of charge. The free choice of a hospital is limited by the respective available capacity, but in general also free of charge. However, you have to pay for example a part of your third teeth. Every participant in the health insurance system has an electronic chip card. Hospitals as well as physicians under contract can so identify the patient and allocate costs. Prescribed pharmaceutical products are generally free of charge with the exception of a fix prescription fee of €4.85. - People in permanent need of pharmaceuticals and low income are limited to pay not more than 2% of their income for their pharmaceutical products.

Some decades ago the so called family burden equalisation fund was established. Three quarters are financed by employees based on their wages, the rest by general tax revenues. More than half of the money is spent on family allowances but nearly one fifth of it is spent on benefits in kind like free school books, free transport for school children, allowances for disabled children. With the exception of disabled children the entitlement for family allowance expires with at the age of 18. According to the principle of the employing country, Austria also has to pay family benefits to foreign nationals, if they are legally working on Austrian territory. Austria and 13 other EU member states have signed agreements with the social security administration of the USA, eliminating dual taxation and filling the gaps in benefit protections because of divided careers in the USA and the respective other country.

Independent from their own income, family allowance is paid to the parents according to the age and the number of their children. They start with €105.40.-



beginning with the date of the child's birth during the first three years; from three to ten years of age the monthly allowance is going up to €212.70.-; from ten to 19 €130.90.-and above 19 €152.70.- as long as children are studying and do not have their own income. These payments will be increased from January 2009 for families with two or more children by at least 12%. For every disabled child there is an extra payment of €108.30. - per month.

Apart from these allowances, sole earners and single parent tax credits are granted to mainly single mothers by reduction of their income tax. Mothers with a very low income and therefore not paying taxes receive out of what we call 'negative tax' €50.9. - per child and month.

Child care subsidy is granted to either the mother or the father in order to enable one parent to leave their job for 15 to 30 months to stay at home and care for the child. The allowance for the child amounts to €436. - a month up to €800.- a month in case of the 15 months parental leave. The idea behind it is to enable the parents to establish the physical and mental contact to their children, very much needed by babies, without the loss of income and career.

Every pregnant woman is obliged to undergo health examinations and treatment during pregnancy. After the child is born further examinations of the child are obligatory until it reaches the age of five. Every mother gets a mother-child-passport, regardless of whether or not they are Austrian citizens. It is the child's entry to the health care system.

In Austria, more than 350,000 people are above the age of 80. Urgently needed financial support for their care exploded, the gap between the amount of needed and available personnel for long term care increased dramatically. This gap was illegally filled up with people hired mainly from Slovakia, but was not covered by the Austrian tax and social security system. After long discussions, attendants for people in need of long term care, whether they are employed or working on their own, can officially be employed by the people in need of their care by direct payment of an allowance to them. The allowance is paid irrespective of income and property and financed by the general budget of the Austrian Federation. It is graduated to seven levels according to the time spent for care (from 50 hours a month to 180 hours a month and finally day and night).

The present level of long-term care allowances starts with €138.30.- a month up to €1,562.10.-for those who need 24 hours care, carried out by qualified health care personnel. An additional and in its size dramatic increase has been discussed recently by the outgoing parliament. Also poorer families should be enabled to officially employ professional healthcare personnel and no longer via the black market.

Labour law provides additional social security like annual leave of every employee of 30 working days, 36 working days in case of being employed with the same



employer for more than 25 years or heavy manual labour. Financial compensation is not permitted.

Pregnant women respectively nursing mothers cannot be permitted to work eight weeks before and eight weeks after giving birth. Parental leave is given to either mother or father providing them with child care allowance during this period of self selected three of two years. Other regulations under labour law ease the care for children up to the age of 12 if needed.

Another chapter regulates dismissal protection and payment of severance. Very important is the regulation in case of incapacity for work due to accident at work. The employer must pay for a minimum period of eight weeks. Special regulations exist for employment of disabled according to the disability employment act of the EU, which binds every company with more than 24 workers to recruit at least 4% of their staff from among preferred people with disabilities. This category concerns nearly 100,000 people in Austria, of which 62% are actually employed.

Regulations under labour law have been further developed in accordance with the respective law in the European Union. In general the Austrian social standards are higher developed than the average national regulations in the Union. Its equal opportunity act reflects the more liberal economic approach to social welfare policy.

As social welfare is mainly regulated and totally financed by the 27 member states of the EU, the degree of development of each country's social welfare system differs considerably. Sweden, Denmark, France, Belgium, Austria and Germany spend up to 30%, Sweden even up to 32% of their Gross Domestic Product on their welfare systems; Estonia, Latvia, Lithuania, Slovakia, Malta and Cyprus are spending about 15% of their GDP on welfare. No actual figures are available from Bulgaria and Romania, but it can be estimated that they are to be put into the same category. Former communist countries used to have a social system based on and financed by the state industry. The crash of that industry destroyed the financial basis of the social system. These structurally poor countries were not able to replace the old system by a sufficient state financed one.

Trade unions, social democrats, greens and leftist factions insist on increasing left behind social welfare expenses in the new member states and stepping into the harmonization of taxes for all these reasons. As the EU is mainly ruled by the European Council consisting of leaders of the national governments who want to keep as many national competencies as possible, there is not much hope for accomplishments of this kind in the near future.

As the EU labour market will be completely open for all EU-citizens by 2013, differences in income will diminish. Rich EU-countries should be able to



keep their present standard for wages, while wages in east and south-eastern Europe will rise, enabling them to raise their social standards as well. But it is not only a question of living standards for all European citizens; it is a vital contribution to keeping the peace on our continent, where two world wars were started.

Fortunately, with the exception of your soldiers, no US-citizen has experienced war and what it means to live in war. Keep this privilege by considering what your best possible social system in the USA should consist of and how you can influence your national policy in order to leave the old-fashioned path of conflict resolution by warfare and to increase national and international welfare expenditure, reducing conflicts, ease their peaceful solution.