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Andreas Treichl and Hartwig Löger call for a broad, open discussion on the restructuring of Austria's state pension system

Following the results of a recent international study by EcoAustria Institute for Economic Research, Löger and Treichl want to reopen the debate about fundamentally reforming the pension system and tackle it from a more objective perspective. The study will form the basis of further activities of ERSTE Foundation and Vienna Insurance Group (VIG). The aim is to initiate a transformation process—through broad public discussion and without ready-made solutions—that will make Austria's pension system more efficient and strengthens Austria's competitiveness.

Austria has a good pension system that is generous compared to those in other countries, one of its strengths is its redistributive effect. In the future, however, it will be much more difficult and expensive to maintain it. While Austria's spending on pensions is well above the EU average and continuing to rise, benefits are set to fall — circumstances that have been discussed repeatedly but not addressed effectively thus far. Andreas Treichl, Chairman of the Supervisory Board of ERSTE Foundation, and Hartwig Löger, CEO of Vienna Insurance Group (VIG), have taken up the subject. The EcoAustria study they commissioned compares eleven European pension systems with a view to providing the first concrete starting points for bringing about effective pension reform in Austria.

"The aim of the study was to understand what sustainable solutions for secure pension systems other European countries have in place. By doing this, we hope to make the ongoing discussion around our urgently needed pension reforms more objective and take it to the next level. We believe it is possible to fundamentally improve the Austrian pension system and consequently find a fair long-term solution for future generations. Other European countries such as Denmark and Sweden are showing us the way", says Hartwig Löger.

It is well known that Austria's spending on pensions needs to be funded by the state budget. Currently, Austria's public spending on pensions is the fourth highest in the OECD and well above the EU average. Without reform, this spending will continue to rise. Monika Köppl-Turyna, Director of EcoAustria, comments on the country comparison: *"It is often argued that spending increases will only be moderate. But even small rises will not be without consequences: The average pension will fall relative to the average salary and the risk of poverty in old age will therefore increase. Our comparison with other countries and their pension systems shows that including funded components can safeguard pensions in a sustainable manner. Funded pension schemes are intended to supplement or further develop the existing contribution-based pension system. Under the funded principle, assets are accumulated and invested on the free capital market in order to draw a pension or lump-sum benefit at a later date."*

For example, the ratio of average pension to average wage (benefit ratio), is 61 percent in Denmark and 67 percent in the Netherlands, but only 56 percent in Austria. Both the Netherlands and Denmark make use of partially funded pension schemes, thereby easing the burden on their state budgets.

Andreas Treichl remarks on the call for reform: *“We want to find the best pension system for Austria. The study provides a good basis for assessing alternatives more accurately and more transparently, and for discussing in an unbiased manner whether and in what form they might be suitable for Austria. As the countries studied show, having funded components in a pension system can secure a high standard of living. They also have a very positive side effect in that needing to set aside less money for pensions in the budget frees up more money for other issues such as the transition to a green economy. It is vital that we stop wasting time and start seeking out new solutions in close consultation with all relevant social groups. Why go round in circles discussing the retirement age when we could seize upon the opportunity to significantly improve the current system?”*

A first and important step in this direction was taken at this year’s European Forum Alpbach, where experts from a wide range of institutions offered extensive reflections on pension reform. Together with the findings of the study, these discussions will form the basis of a series of round table discussions among experts. The aim is to draw up concrete proposals for reforming the Austrian pension system by mid-2025. ERSTE Foundation and VIG will provide the framework and infrastructure for this dialogue.

The complete study is available for download here on the VIG website:
<https://group.vig/en/sustainability/downloads/>

Vienna Insurance Group (VIG) is the leading insurance group in the entire Central and Eastern European (CEE) region. More than 50 insurance companies and pension funds in 30 countries form a Group with a long-standing tradition, strong brands and close customer relations. Around 29,000 employees in VIG take care of the day-to-day needs of around 32 million customers. VIG shares have been listed on the Vienna Stock Exchange since 1994, on the Prague Stock Exchange since 2008 and on the Budapest Stock Exchange since 2022. VIG Group has an A+ rating with stable outlook by the internationally recognised rating agency Standard & Poor’s. VIG cooperates closely with Erste Group, the largest retail bank in Central and Eastern Europe.

ERSTE Foundation creates infrastructure and innovation for a Europe in which society, economy and culture are currently undergoing change. As the main shareholder of Erste Group, ERSTE Foundation is securing the independent future of one of the largest financial services providers in Central, Eastern and South-Eastern Europe. As a private Austrian savings banks foundation, ERSTE Foundation is committed to serving the common good.

If you have any questions, please contact:

VIENNA INSURANCE GROUP AG Wiener Versicherung Gruppe

Karin Kafesie

Head of Communication, Internal Cooperation & Collaboration I CO³

Schottenring 30, 1010 Vienna, Austria

Phone: +43 664 601 39 21211

mailto: karin.kafesie@vig.com

All press releases are available for download: <http://www.group.vig>

ERSTE Foundation

DIE ERSTE österreichische Spar-Casse Privatstiftung, Am Belvedere 1, 1100 Vienna, Austria

Managing Board: Boris Marte, Wolfgang Schopf, Gudrun Egger, Martin Wohlmuth

Registered office in Vienna, FN 72984 f, Commercial Court of Vienna

Martina Bachler-Huber

Press Officer, Supervisory Board and Managing Board

T +43 50 100-15458 M +43 66 488-132418

martina.bachler-huber@erstestiftung.org

www.erstestiftung.org