



OESTERREICHISCHE NATIONALBANK

Stability and Security.

# WORKSHOPS

Proceedings of OeNB Workshops

*Strategies  
for Employment and Growth  
in Austria*

March 3, 2006



No. 10

# How to Raise the Employment Rate of Women in Austria

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## 1. Introduction

The employment rate of women reflects the social organization of labor, notably the division of labor between (paid) market work and (unpaid) household work, and between the formal and the informal sectors of the economy. As a rule, female labor market participation rates are low in countries where only a small share of home production has switched to market production and where the informal sector accounts for a high share of value added (Biffel, 1996b, 2002). This relationship explains why the share of female employment differs strongly across the EU. In 2004, the proportion of women in employment averaged 62.5% in the EU-15 and 62% in the EU-25 (for workers aged between 15 and 64). Denmark reported the highest rate at 76.2%, and Italy the lowest rate at 50.6%. Austria ranked in the upper middle range at 64.2%, a few notches below Germany (65.8%). In this respect it is interesting to note that in the Nordic countries, the United Kingdom and the Netherlands, a larger share of household activities, above all childcare and long-term care, has been shifted to market providers than in Central European countries such as Austria. In Southern European countries, finally, the switch from household to market production has been least pronounced, while their informal sectors account for some of the highest shares in value added among OECD countries (Enste, 2003). It is not surprising for the above reasons that the participation rates of women in the labor force differ by as much as 25 percentage points among the EU-15. In contrast, the gap between male employment rates is not even half as big, with Belgium reporting the lowest rate (73.4%) and Denmark the highest rate (84.0%) in the EU-15 (see table 1, chart 1).

Given that the large differences in female labor force participation across the EU reflect different approaches to organizing social reproduction, this phenomenon is most pronounced in the prime working age. Yet the unequal division of paid and unpaid labor

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<sup>1</sup> Contribution to the OeNB Workshop “Strategies for Employment and Growth in Austria”, March 3, 2006; I would like to thank the discussants, above all Alfred Stiglbauer, for valuable comments.

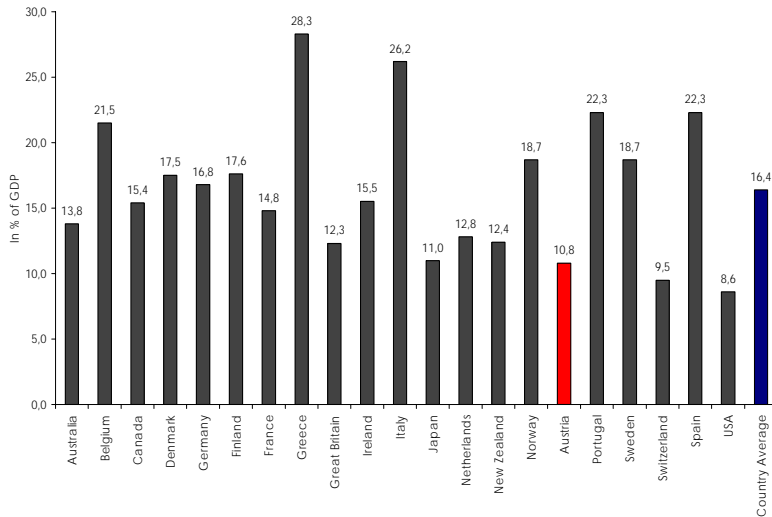
among men and women also affects (1) the gender-specific educational choices they make and (2) whether or not they retain their jobs up to a higher age. Thus, different education systems and the interaction of these systems with the labor market influence the employment rate of young people (Biffel, 2005); the traditional gender division of paid and unpaid work has an impact on employment rates in the middle age groups; and early exit regimes/ pension systems affect the participation rate of older workers (OECD, 2005) (chart 2). In Austria, the share of youth employment (age group 15–24) is actually comparatively high by international standards, above all because many young people serve an apprenticeship (and thus qualify as employees) while only few go to university.<sup>2</sup> At the same time, Austria has one of the lowest employment rates of older men and women.

*Table 1: Employment Rates of Men and Women in the EU-25 (2004), Eurostat*

	Men	Women	Total
Belgium	73.4	58.2	65.9
Denmark	84.0	76.2	80.1
Germany	79.2	65.8	72.6
Estonia	74.4	66.0	70.0
Finland	76.4	72.0	74.2
France	75.2	63.9	69.5
Greece	79.0	54.1	66.5
Ireland	79.9	59.0	69.5
Italy	74.9	50.6	62.7
Latvia	74.3	65.3	69.7
Lithuania	72.8	65.6	69.1
Luxembourg	74.8	54.3	64.7
Malta	80.4	36.0	58.3
Netherlands	83.9	69.2	76.6
Austria	78.5	64.2	71.3
Poland	70.1	57.9	64.0
Portugal	79.1	67.0	72.9
Sweden	79.1	75.2	77.2
Slovak Republic	76.5	63.0	69.7
Slovenia	74.5	65.0	69.8
Spain	80.4	56.8	68.7
Czech Republic	77.9	62.2	70.0
Hungary	67.2	54.0	60.5
United Kingdom	82.0	68.6	75.2
Cyprus	83.0	62.9	72.6
EU-25	77.5	62.0	69.7

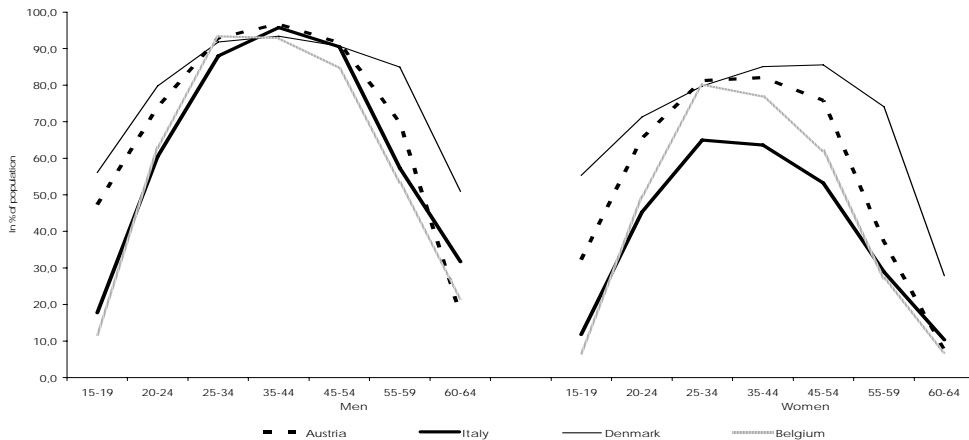
<sup>2</sup> The low share of tertiary education students in a cohort reflects the small number of high school graduates and the high significance of vocational high schools in Austria. With the latter providing education for employment, graduates from such institutions seldom go on to university (Biffel and Isaac, 2002). Moreover, as many students work while studying, Austrian students tend to take rather long to graduate by international standards.

Chart 1: The Informal Economy in % of GDP in Selected OECD Countries (2002/03)



Source: Institut der deutschen Wirtschaft, Cologne.

Chart 2: Activity Rates of Men and Women by Age (2004)



Source: OECD, Labour Force Statistics.

Taking the gender gap of labor force participation (activity rates) in the various age groups as a starting point, it is possible to define strategies for raising female employment in line with the Lisbon Agenda.

## **2. Weak Rise in Female Labor Force Participation in Austria in Recent Decades**

Compared with the majority of the EU-15, female labor force participation in Austria has risen at a rather weak pace in recent decades, starting from a relatively high level in the 1960s.<sup>3</sup> This reflects not only the comparatively small improvements made in terms of raising the educational attainment level of women and widening their occupational deployment but also their particular employment behavior. To care for children and other dependents, Austrian women tend to leave paid employment or opt for part-time work more often and for longer periods than women in other EU-Member States. Especially women in Nordic and Anglo-Saxon countries, or even in France and the Netherlands tend to leave the labor force or switch to part-time work less often when they start a family. This reflects a higher career orientation, as a result of which these women also tend to keep working until higher ages than Austrians (charts 2 and 3).

The fairly low labor force participation rate of Austrian women is linked with the comparatively low degree of tertiarization of the Austrian economy. This situation appears to be a case of two-way causality, i.e. resulting from both supply-side and demand-side reasons: as women are less career oriented, taking the high proportion of part-time work as an indicator, they provide goods and services within the household sector, which in other countries (especially in Northern Europe) tend to be provided by the market sector – very often public services, also there largely provided by women (see table 2).

Table 2 shows that while the service sector is the single largest employer of women also in Austria, the share of services in overall employment (66% in 2003) was significantly below the corresponding share in Anglo-Saxon and Nordic countries (over 70%). In Austria, the manufacturing industry and the agricultural sector employ more men and women than the corresponding sectors in other Western industrialized economies.

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<sup>3</sup> The high female labor force participation rate in the 1960s was largely attributable to the high significance of the consumer goods industry and the agricultural sector, where the majority of employees are women. For more details see Biffl (1996a).

Chart 3: Development of Female Labor Force Participation Rates in an International Comparison (Age Group 15–64)

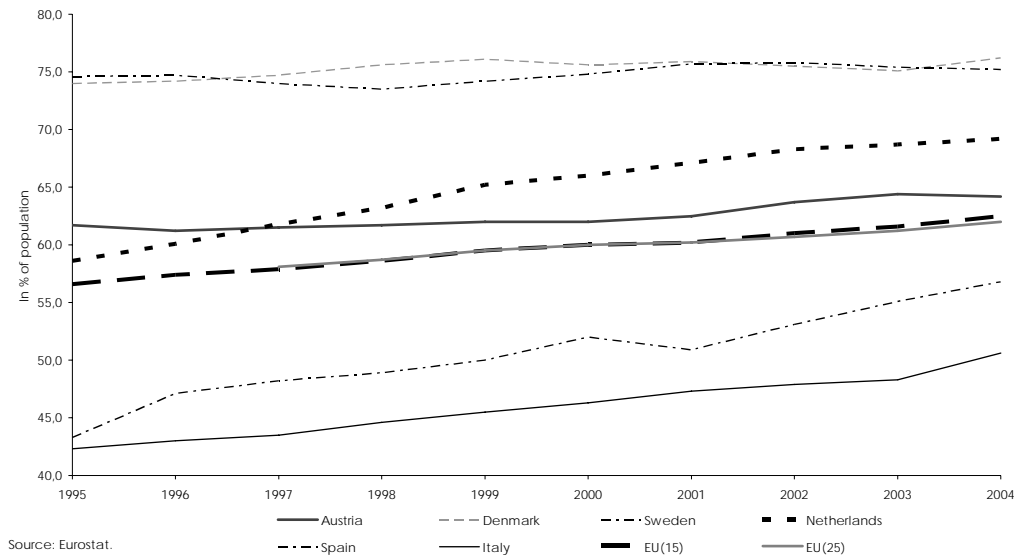


Table 2: Share of Service Sector Employment in the EU-15 (2004)

	Men	Women	Total
Finland	55.0	84.8	69.4
Ireland	51.7	86.0	66.1
United Kingdom	72.0	91.6	81.3
Netherlands	—	—	78.2
Belgium	67.6	89.4	77.2
Germany	60.2	84.3	71.3
Luxembourg	68.9	91.4	77.5
France	64.9	87.2	75.3
Portugal	—	—	—
Spain	51.7	83.9	64.4
Italy	58.0	79.6	66.6
Austria <sup>1)</sup>	53	81	66
Greece	56.3	73.6	62.9
Sweden	61.8	89.2	75.1
Denmark	64.0	87.3	74.8
EU-15	61.2	85.1	71.9

<sup>1)</sup> 2003.

Source: Eurostat (Employment in Europe).

### 3. Structural Problems Underlying Female Employment in Austria

Even though the national employment rate of women slightly exceeds the EU average, certain structural patterns imply that the job and income opportunities of women in Austria are not very favorable from a medium- to long-term perspective. First, the comparatively high employment rate is a result of the above-average youth employment rate. Here, the ongoing rise in (especially female) youth unemployment (chart 4) reflects trouble looming in the business areas that have typically provided jobs for young people.

Second, the rather large gender pay gap in Austria is not only attributable to the above-average share of women in part-time positions – wage and salary gaps are significant even for females working full time. Judging from developments in the pay gap (as a composite indicator of the quality of jobs) since the mid-1990s across the EU, the position of women seems to have slightly improved in the Austrian labor market (table 3), while remaining at the higher end of the gender pay gap in the EU.

Chart 4: Development of Youth Unemployment



Table 3: Gender Wage Gap in the EU-15 (1995 to 2003)

	1995	1996	1997	1998	1999	2000	2001	2002	2003
EU-15 <sup>1)</sup>	17	16	16	16	15	16	16	16	16
Belgium	12	10	10	9	11	13	12	–	–
Denmark	15	15	13	12	14	15	15	18	18
Germany	21	21	21	22	19	21	21	22	23
Greece	17	15	13	12	13	15	18	17	11 <sup>2)</sup>
Spain	13	14	14	16	14	15	17	21	18
France	13	13	12	12	12	13	14	13	12 <sup>2)</sup>
Ireland	20	21	19	20	22	19	17	–	14 <sup>2)</sup>
Italy	8	8	7	7	8	6	6	–	–
Luxembourg	19	19	19	18	17	15	16	17	15
Netherlands	23	23	22	21	21	21	19	19	18
Austria	22	20	22	21	21	20	20	–	17 <sup>2)</sup>
Portugal	5	6	7	6	5	8	10	8	9
Finland	–	17	18	19	19	17	17	20	–
Sweden	15	17	17	18	17	18	18	17	16
UK	26	24	21	24	22	21	21	23	22

<sup>1)</sup> Estimated figures.

<sup>2)</sup> Break in time series.

Note: Difference in average gross hourly wages of men and women in % of men's gross hourly wages.

Source: Eurostat.

Table 3 depicts the development of gender-related pay discrepancies in the EU between 1995 and 2003, based on the difference between average gross hourly wages of men and women in percent of men's average gross hourly wages.<sup>4</sup> The choice of gross hourly wages allows taking into consideration quantitative differences, but it does not reflect gender-specific differences such as skill levels and occupational patterns. According to these data, the Austrian gender pay gap exceeds the EU average. Eurostat estimated the gender wage gap at 15% on average in the EU-25 in 2003 (EU-15: 16%), which means that it has narrowed slightly since 1995 (EU-15: 17%). In the period 1995–2001, the gender pay gap declined from 22% to 20% in Austria. The data for 2003 – the first year in which data were compiled on the basis of the EU's statistics on income and living

<sup>4</sup> The international comparison is based on a range of data sources, including the European Community Household Panel (ECHP), the EU statistics on income and living conditions (SILC) and national sources, all for people aged between 16 and 64 working at least 15 hours a week. While the EU requires Member States to compile and publish data on the gender pay gap, the choice of data sources as a basis of calculation is up to the individual countries.



conditions (EU-SILC) for Austria (as well as for Greece and Ireland) – indicate a narrower gender pay gap; but given the statistical break with the previous years, the 2003 figure should be interpreted with caution.<sup>5</sup>

In the case of Austria, it is actually rather difficult to narrow the gender pay gap down conclusively to a single figure. Various data sources imply that the median income of women comes to between 75% and 82% of the male median (based on the same number of hours worked). However, according to income and expenditure patterns derived from the consumer survey of 1999/2000, the gender gap of average wages is likely to be much wider (Biffel and Leoni, 2006).

#### 4. Occupational Segregation Exacerbates Gender Pay Gap

Men and women tend to work in different occupations, different industries and companies of a different size. This segregation has hardly changed in Austria since the 1960s. The fact that more women are working these days can be largely traced to the rise in public sector jobs. The share of female employment has risen above all in the education sector (primary and secondary schools), in health and long-term care and in the field of social services. Female employment has also increased in the banking and insurance sectors, but not in the high-growth and wage sector of legal and business services. In the goods production sector, women are concentrated in the production of consumer goods; in the services sector in sales occupations (retail trade, tourism, etc.) and in personal services (education, care work, social services, etc.); these occupational and industry clusters imply that job and income opportunities are unfavorable for women and will remain so for a number of reasons.

Charts 5 and 6 show the gender segregation by occupations (ISCO 88 classification)<sup>6</sup> and industries (NACE classification)<sup>7</sup> in Austria compared with the EU-15. For a better understanding of the graphs: the sum of the gender differences of employment shares in the various occupations/ industries are taken as a proportion of total employment. In the

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<sup>5</sup> Note that Statistics Austria cautions that the first-year results of this new EU survey are preliminary and may be subject to further quality adjustments. SILC data for Austria are significantly lower than the corresponding ECHP data: 17% as opposed to 20% for the period from 2001 to 2003; no data are available for 2002. Initial SILC data (2003) on the gender pay gap in Greece and Ireland are also below the corresponding ECHP data. In Greece, the gender pay gap is shown to be 6 percentage points lower in 2003 than in 2002 (11% and 17%, respectively); in Ireland, for which no 2002 data are available, the difference between 2001 and 2003 is 3 percentage points (14% and 17%, respectively). For attempts to explain the gender gap see Böheim et al. (2005).

<sup>6</sup> International Standard Classification of Occupations (88) established by the International Labor Organization (ILO).

<sup>7</sup> Nomenclature générale des activités économiques: EU standard for classifying economic activities.

case of Austria, both the coefficient of occupational concentration (with 27.7% of total employment) and industrial concentration (with 23.3%) exceed the EU-15 average of 25.1% and 17.7% respectively. This is to say that gender segmentation by occupation and industry is more pronounced in Austria than the EU, only surpassed by the Nordic countries, where household production has been transferred to the market more than elsewhere, providing more jobs for women than men.

Additional perspectives of the job situation of Austrian women in an EU comparison are provided by the EU Labor Force Survey and the ECHP (European Community Household Panel).<sup>8</sup> Accordingly, the share of middle and top management positions held by women was lower in Austria with 8.1% of all jobs in 2002 than in the EU-15, where it was at 12.9%. Judging from the qualification pattern, Austria has an above-average share of women who completed secondary education and apprenticeships (59.1% compared with 46.5% for the EU-15). At the same time, the share of women workers with low qualifications (21.0%) is below the EU average (25.9%), but the gender gap for low-skilled workers is higher than in any other EU country.<sup>9</sup>

In the face of the inertia of occupational patterns by gender, employment and income prospects of women are not promising. Amid the rising internationalization of the economy (globalization of markets), Austria has lost competitiveness in those traditional production areas (agriculture, consumer goods, medium-technology companies in the electronics industry) in which the share of women has typically been high. However, it is not only the loss of international competitiveness by many low- and medium-technology companies in the labor-intensive primary and secondary sectors which reduces the job and income opportunities of women, but also the fiercer competitive pressure in those service industries which typically hire women, such as retail trade and tourism. Furthermore, tight public sector funds are in view of limited rationalization of personal services no good omen for women, as the public sector is one of the most important providers of good and well paid jobs in the higher skills segments.

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<sup>8</sup> See European Commission (2003).

<sup>9</sup> At 21.0%, the Austrian share of low-skilled women (those who have not completed secondary education) exceeds the corresponding share of men (12.6%) by almost 10 percentage points. In the EU average, by contrast, men tend to have a lower skills level than women.

Chart 5: Gender Segregation by Occupations (2002)

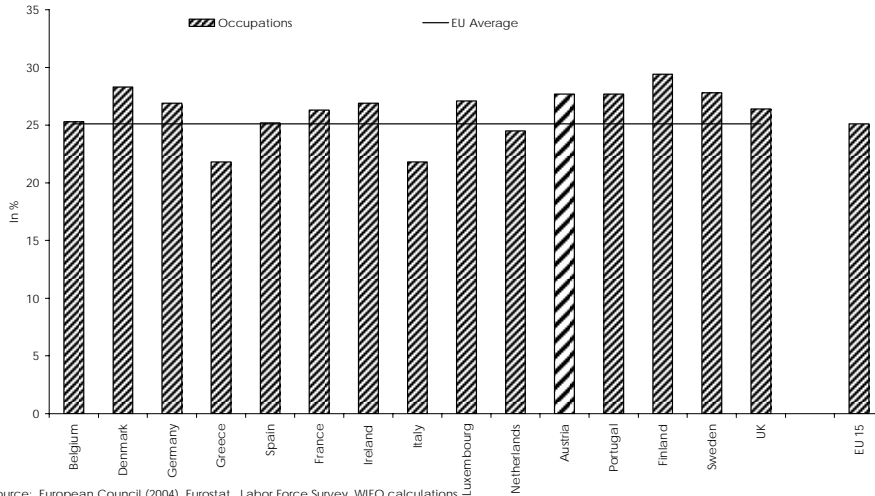
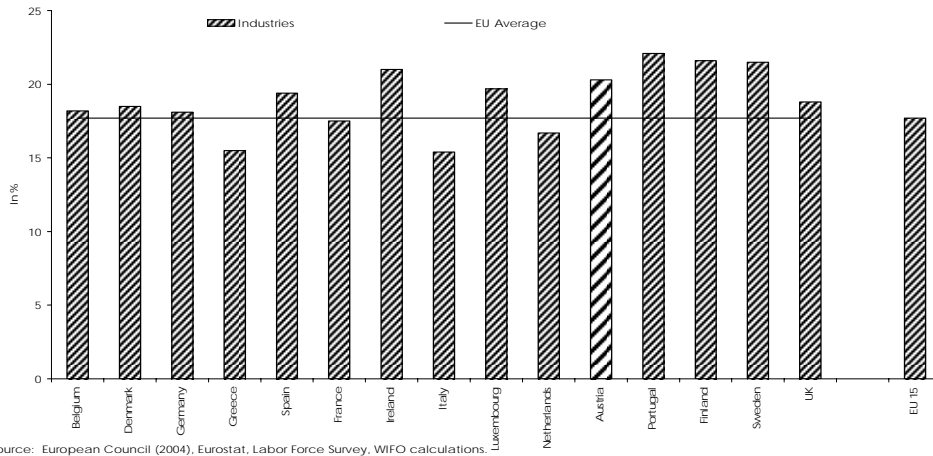


Chart 6: Gender Segregation by Industries (2002)



While wages in business oriented services can keep pace with wages in the high-technology goods production sector, because the information and computer technologies on which they rely secure rapid productivity growth, this is not the case for personal services. In the case of personal and consumer oriented services it is hard to increase productivity; as a result, these services tend to become more expensive in relation to business services and/or wages paid for such activities deteriorate (low-wage industries). In view of the occupational segregation of jobs and the perpetuation of pronounced gender differences in post compulsory education, women are particularly affected by increasing wage pressures.

One mechanism by which business oriented services become cheaper relative to consumer oriented services is that they may be standardized, mechanized and streamlined like goods production in the industrialization phase. This makes it possible to define and achieve productivity gains (lowering of input requirements for the same output) through economies of scale much like in the production of goods. Continued productivity gains allow companies to raise wages and/or reduce prices without damaging profits.<sup>10</sup>

This microeconomic productivity concept can hardly be applied to personal social services, such as childcare and care for the elderly, long-term care and other social services. Caretaking/nursing requires the active involvement of both care receivers and givers; the room for rationalization is limited, and increasing the nursing ratio will adversely affect the quality of care at some point. In other words, there is a “productivity barrier” imposed by non-economic education/caretaking standards. Given the small room for productivity gains in the microeconomic sense, wage increases in the consumer oriented services sector will push up the cost (price) of the services in question. Since price increases may make such services prohibitively expensive for many people, they are provided by the private sector only to a limited extent. Basically, they are provided by welfare institutions, the state, clandestine workers, the informal sector and households.

In a nutshell, the gender pay gap is the result of a number of factors, including divergent education and training tracks by gender, occupational and industrial segregation, gender differences in working hours and limited career opportunities of women. The gender pay gap is always higher on the basis of average income than on the basis of median income, given the limited number of women holding top wage-earning jobs, quite in contrast to men (charts 8 and 9).

Last but not least, the gender pay gap is increased by a larger number of commuting men than women. Austria is not highly urbanized, as a result of which commuting is widespread, especially among men. Given their family obligations, women tend to be

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<sup>10</sup> Already in 1967, Baumol identified the “cost disease of labour intensive services which are resistant to rationalisation,” implying that such services are becoming more expensive relative to other goods and services if wages are to keep pace with industrial wages (Baumol, 1967).

less mobile and more dependent on the local job market. Consequently, more women than men work in small and medium-sized enterprises (SMEs) in rural areas. Since bigger companies can typically pay higher wages, this is one more factor that adds to the gender pay gap.<sup>11</sup>

## **5. Low Employment Rate of Mature Women Due to Low Educational Attainment Level**

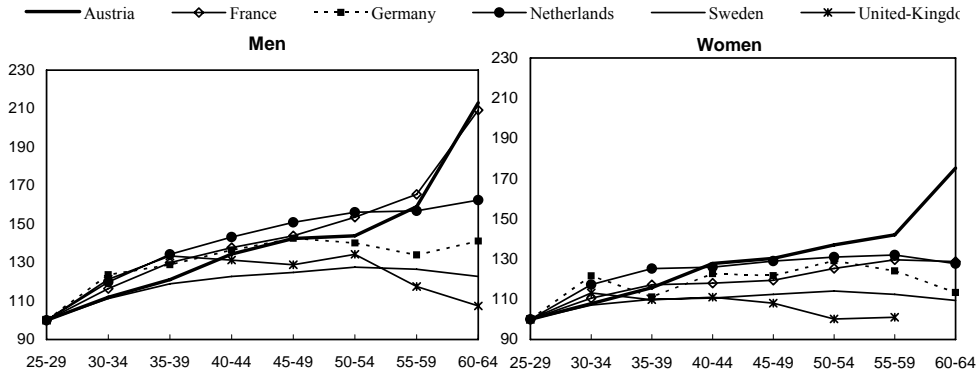
A life-cycle comparison of the income paths of men and women shows that the wages and salaries of female employees aged 50+ are rising more slowly than the wages of their male counterparts. Apart from gender differences, the age differences in wages in Austria are amongst the highest in OECD countries (OECD 2005, p. 129). Wage increases are fairly low for middle aged workers in Austria, especially for women; this is a result of the great importance of seniority rules in wage agreements of white-collar workers and civil servants (chart 7).

The sharp pay increase of employees aged 55+ in Austria reflects, among other things, the early age, by international standards, at which people with low income prospects leave the labor force, mostly as a result of low or increasingly inadequate qualifications and/or weak physical and mental skills, who avail themselves of the opportunity to take early retirement or get disability pensions with a comparatively low income setback. This leads to an above-average reduction of the employment rate of women and men aged 50+ with low qualifications or blue-collar skills, and to a disproportionate rise of average income in the higher age brackets as the high earners tend to retain their jobs (table 4). The latter are typically highly skilled white-collar workers and civil servants, working full time and receiving substantial seniority increments. In other words, the phenomenon described above also reflects a selection effect (for more details see OECD, 2005, chapter 4).

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<sup>11</sup> The example of Upper Austria shows that the most peripheral districts tend to have a low share of female commuters and at the same time the highest gender pay gap figures (Biffl and Leoni, 2006).

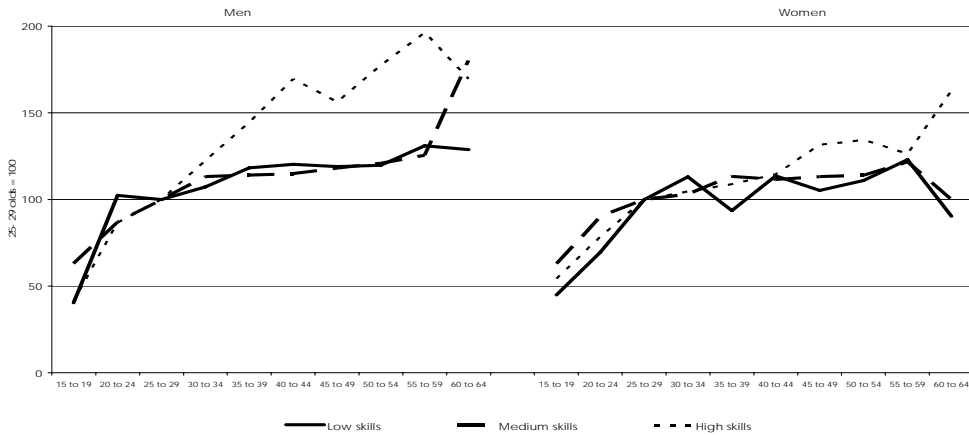
Chart 7: Age-Earnings Profiles in Austria and Selected OECD Countries (2000<sup>a</sup>)



a) 2001 for Austria

Source: Austria: Micro census and Wage Tax Statistics; France: DADS; Germany: German socio-economic panel; Netherlands: Statistics Netherlands; Sweden: Statistics Sweden; United Kingdom: Labour Force Survey.

Chart 8: Development of Average Net Income of Full-Time Employees by Age Groups and Qualification Level (1999/2000)



Source: Statistics Austria, Austrian Institute of Economic Research (WIFO).

*Table 4: Employment Rates by Age Group, Gender and Skill Level in Selected European Countries (2002)*

		Men		Women		Total	
		25–49	50–64	25–49	50–64	25–49	50–64
		Employees in % of the population					
Austria	Low	88.4	49.2	68.8	30.4	76.2	37.2
	Medium	94.9	58.9	82.4	40.0	89.0	49.9
	High	97.0	74.0	90.1	61.7	93.9	70.1
Belgium	Low	87.1	43.5	57.4	21.0	73.1	31.5
	Medium	95.4	63.0	79.0	37.9	87.5	50.7
	High	97.2	71.4	90.4	54.2	93.6	63.8
Switzerland	Low	89.7	81.4	73.2	52.7	80.6	63.4
	Medium	95.3	83.4	81.3	63.7	87.6	72.5
	High	99.4	89.4	87.2	79.0	95.1	86.5
Germany	Low	88.8	55.4	62.8	35.9	74.0	42.2
	Medium	93.5	63.9	80.9	50.5	87.2	57.2
	High	97.4	77.8	88.5	67.7	93.6	74.5
France	Low	91.0	55.7	67.7	44.3	78.9	49.3
	Medium	96.6	67.5	82.5	57.5	89.9	63.0
	High	95.4	81.6	88.5	68.9	91.6	75.5
United Kingdom	Low	74.0	57.4	51.6	49.6	61.4	53.5
	Medium	93.3	76.0	77.5	72.6	85.7	74.7
	High	96.9	79.6	89.0	80.8	93.0	80.1
Netherlands	Low	88.0	60.5	60.5	32.0	74.1	43.5
	Medium	95.5	71.1	81.2	51.9	88.4	62.8
	High	97.9	81.4	89.5	65.9	94.0	75.6
Sweden	Low	84.1	73.2	72.2	60.3	79.1	67.3
	Medium	91.6	80.0	86.7	76.8	89.2	78.4
	High	91.5	88.1	88.6	87.0	89.9	87.5

Source: OECD Education at a Glance – OECD Indicators, OECD (2005).

## 6. Slow Educational Expansion and Pronounced Gender Segregation

Even though Austria has witnessed a significant educational expansion since the 1970s, it is still lagging behind other industrialized nations, particularly as far as higher education is concerned. Furthermore, gender segregation has increased in Austria. The strong and increasing gender divergence of education paths runs counter to international development trends and may hamper integration of women into well-paid jobs in high-growth areas. The PISA surveys (OECD program for international student assessment) show that in Austria the gender performance gap is large in all disciplines – mathematics, reading, writing and natural sciences. The marked differences would imply that old role models continue to influence school choices and teaching methods. The gender segregation in the education system subsequently shows up in the job market. The preference of boys for market oriented work in the technical and engineering type jobs

and the preference of girls for commercial and sales training as well as teaching and caring jobs promote the development of divergent income and career perspectives.

*Table 5: Highest Educational Attainment Level of 25–49 Year Olds and of 50–64 Year Olds in Selected OECD Countries (2002)*

		Men		Women		Total	
		25–49	50–64	25–49	50–64	25–49	50–64
Austria	Low	13.4	23.1	22.4	39.4	17.8	31.4
	Medium	69.6	60.2	63.4	53.1	66.6	56.6
	High	17.0	16.6	14.2	7.5	15.6	12.0
Belgium	Low	33.2	51.8	30.1	58.5	31.7	55.2
	Medium	37.3	25.5	35.4	24.0	36.4	24.7
	High	29.5	22.7	34.4	17.4	31.9	20.1
Switzerland	Low	11.4	15.7	14.4	25.4	12.9	20.6
	Medium	53.8	52.3	66.7	62.7	60.2	57.6
	High	34.7	32.0	18.9	12.0	26.9	21.8
Germany	Low	12.4	13.9	17.0	28.9	14.7	21.4
	Medium	60.1	56.7	61.9	56.9	61.0	56.8
	High	27.5	29.3	21.0	14.1	24.3	21.7
France	Low	27.9	43.1	29.7	53.2	28.9	48.2
	Medium	46.4	39.0	40.9	31.0	43.7	35.0
	High	25.6	17.9	29.3	15.8	27.5	16.8
UK	Low	10.9	22.0	14.3	30.4	12.6	25.6
	Medium	59.8	55.1	57.0	49.6	58.4	52.8
	High	29.3	22.8	28.7	20.1	29.0	21.7
Netherlands	Low	27.7	35.3	29.1	53.5	28.4	44.3
	Medium	44.8	39.4	45.9	30.7	45.3	35.1
	High	27.5	25.3	25.0	15.8	26.3	20.6
Sweden	Low	14.0	31.2	10.6	26.9	12.3	29.1
	Medium	53.0	43.2	50.8	44.6	51.9	43.9
	High	33.1	25.5	38.5	28.5	35.7	27.0
U.S.A.	Low	13.2	14.1	10.8	14.3	12.0	14.2
	Medium	49.5	46.3	48.7	52.4	49.1	49.5
	High	37.3	39.6	40.5	33.3	38.9	36.4

Source: OECD (2005) – Reference year 2002.

## 7. Professional Day Care for Children Not Widespread

In its 2004 recommendations on employment strategy, the European Council praised Austria for its high overall employment rate and its relatively high female labor force participation rate. On the negative side, the European Council noted the low participation rate of older persons and low investment in human capital, singling out in particular deficits in lifelong learning and in the training of low-skilled workers, as well as the big gender pay gap. In particular, the Council recommended Austria to “take action to



remove the causes of the gender pay gap, increase the availability and affordability of childcare facilities and evaluate the impact of the present childcare allowance scheme on the level and quality of female employment.” In the Joint Employment Report 2004/05 endorsed in March 2005, the EU noted some progress in raising the employment rate of older workers but insufficient progress in the provision of childcare facilities and training for low-skilled workers. Likewise, the policies addressing the gender pay gap were found to have been too weak.<sup>12</sup>

Before discussing measures to create well-paid jobs for women, it is advisable to look into the reasons for the large gender pay gap and the low number of day care facilities for children.<sup>13</sup> One reason may be that the state does not provide enough facilities. Yet the fact that more women opt for home care may also reflect:

- low income opportunities for women on the labor market; and/or
- high costs of professional day care (in the wider sense, i.e. including travel costs, limited flexible opening hours, etc.);
- or institutional framework conditions and/or values that make Austrian women less likely to opt for a full-time job when they have children.

Whatever the main reason may be, the simple economic rationale is that the opportunity cost of household work is lower in Austria than in many other EU countries. Put differently, net hourly wages are low compared with the marginal return of household production (childcare costs saved, high social value of home care). Furthermore, tax credits for one-income families cause the equivalent income of single-income households to be fairly high in Austria, and generous transfer payments for child home care raise the opportunity cost of working in the labor market. It follows that simply on account of the income effect, women have a lower incentive to take on a job.<sup>14</sup>

The cross-section data of the consumer survey of 1999/2000 document that married women, who can earn very little in (blue collar) jobs, will take on such jobs mostly when the household income (equivalent income) is low. The higher the equivalent income, the lower is the incentive for low-skilled women with low earnings power to work full-time. This at least partly explains the trend observed in the 1990s, when more and more un- and semi-skilled women took on part-time jobs.

The logic of the income effect also explains why the labor supply of women with children (volume of working hours) declined after the reform of the child care benefit system in 2000: Fewer women resumed their full-time jobs after maternity leave, more women switched from full-time to part-time and women postponed reentry into the labor market as the new benefit system raised the equivalent income of households with small children (due to higher transfers as a result of a longer entitlement period and a higher

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<sup>12</sup> Council of the European Union (2005).

<sup>13</sup> For a survey on the underlying reasons of the low fertility rate in Austria in relation to other OECD countries, see OECD (2003).

<sup>14</sup> On the theory of individual job supply and household-related supply as well as calculations for Austria, see Biffl (1994b, p. 82–100).

on earnings allowance). Lutz (2004) documents for Austria that, following the child care benefit reform, only 28% of the women who had been employed before they had a baby were back in a job after 24 months – compared with some 50% under the old parental leave scheme. After 33 months, as many as 41% of previously employed mothers were still without a job, compared with 35% under the old scheme.

Women who had not been employed before having a baby were not enticed to enter the work force: 33 months after the birth of a child, 69% of previously unemployed women were still without a job – compared with 65% in the old benefit scheme (table 6).

*Table 6: Impact of the New Child Benefit Regime on the Decision to Resume Work after Childbirth (1999 and 2004)*

	<i>Old parental leave regime</i>		<i>New regime</i>	
	<i>Previously employed women</i>	<i>Previously unemployed women</i>	<i>Previously employed women</i>	<i>Previously unemployed women</i>
	<i>Share in %</i>			
<i>No re-entry into work</i>				
after 24 months	50.1	23.0	27.8	12.2
after 33 months	34.9	64.6	41.3	69.1
Previous gross pay				
Up to EUR 850 <sup>1)</sup> )	46.5		49.2	
Above EUR 2,000 <sup>1)</sup> )	17.3		23.3	

<sup>1)</sup>1999.

Source: Lutz (2004). Payroll employment above the marginal earnings threshold.

With regard to explaining a woman's choice to resume work after the birth of a child, one other aspect should be mentioned: the lower the wage income before childbirth, the lower is the probability of rejoining the workforce after maternity leave. The reformed child benefit scheme has strengthened this trend. While under the old regime 46.5% of women with low-paying jobs (less than EUR 850 per month) were out of the labor force 33 months after giving birth, this figure increased to 49.2% after the regime change. Also women with well paying jobs have become less likely to rejoin the labor force after the regime change. Of the women earning EUR 2,000 or more before childbirth, 23.3% had not returned to work after 33 months, compared with 17.3% under the old regime.

## 8. Need for Social Innovation

The goal of the Lisbon Agenda, which was endorsed in 2000, to raise the employment rate of women and older persons and to enhance the competitiveness of Europe is a challenge in many policy areas. In order to substantially raise female labor force participation it will not suffice to combat the discrimination of women in the labor market by removing existing disadvantages. Much rather, it will take strategies that tackle the problem at its root, i.e. address the reasons for the poor labor market prospects of women (Pimminger, 1999; Aufhauser et al., 2003). In order to resolve the issue one

has to focus on the interdependence between the market, the household and the public sector and redesign the incentive system at the interface. It does not imply that women should catch up with men in terms of activity rates, but rather that they should have the right to good jobs and personal career opportunities and self-determination comparable to men.

Society, politics and economic theory alike tend to underestimate the pervasive character of households and their systematic linkage with all other elements of socio-economic systems. It follows that traditional theories and methods fail to satisfactorily explain the current process of economic and social change, which goes hand in hand with a change in the traditional gender- and age-specific division of labor, working hours, population structure (lower fertility, ageing society, immigration and increasing cultural diversity) as well as a change of the institutional frameworks. This process has gained a momentum of its own, and we cannot hope to control it with traditional social and economic policy instruments without jeopardizing social justice and equity. The state is also taking on a new role in this process of change: It must step in where society used to rely on unpaid work by the traditional family, that is to say the housewife.

As the traditional behavior patterns of women change, the question arises as to whether a new segregation of labor will evolve. In other words, can a change in the labor market supply structures contribute to the formation of new labor market segments? The academic discourse on this question has yet to evolve. Conversely, the segregation of labor markets in response to demand-side structural change has already received great attention. The case of the Nordic countries shows that redesigned incentive systems, especially new tax and wage policies (individual taxation, solidarity wage principle), can help raise the employment rate of women in the long term. At the same time, the reallocation of major household activities (child and long-term care, etc.) to market providers – the state, nonprofit institutions and the private sector – has created new occupational fields. Yet, it is not only jobs that have been created: This change has also provided education incentives, which add to economic and productivity growth in the long term.

Austria, too, needs such social innovation, by applying advanced technical innovation to social services, e.g. virtual nursery homes, which in effect establish social networks on a local level (Biffl, 1994). In order to raise the employment rate of women and enhance productivity in a sustained manner, a re-deployment of labor between young and old workers, and between male and female workers is called for, most of all, however, a major transfer of household production to market production (“age diversity management”; see OECD, 2005, p. 124). In this sense the EU Council stressed that “current demographic trends already suggest that the growing number of highly educated women provides a hitherto insufficiently exploited source of skills and innovative capacity which will have to be developed and used more intensively” and confirmed “that if the internal market is to continue to develop dynamically and notably if new jobs are to be created, positive measures in particular will have to be taken to promote equal

opportunities between men and women.”<sup>15</sup> With the definition of the so-called Lisbon objectives, issues of equal opportunities gained momentum in an economic policy context.

Thus one might say that the postindustrial society with its demographic, social and economic changes also requires a redefinition of women's participation in the labor market and, implicitly, a redefinition of the social division of labor. The moral proposition of gender equity (Biffl, 1993) receives broad attention in EU policymaking. Equal opportunities on the labor market are a precondition for social equality of men and women; equal opportunities are crucially linked to the right to earn one's own living.<sup>16</sup> Council Directive 2000/78/EC puts this as follows: “Employment and occupation are key elements in guaranteeing equal opportunities for all and contribute strongly to the full participation of citizens in economic, cultural and social life and to realising their potential.”<sup>17</sup>

## **9. Proposal for a Combination of Social and Economic Policy Measures**

Before endeavoring to change the world, one should identify the major reason for the glass ceiling Austrian women are faced with, namely the unequal division of paid and unpaid work among men and women and the great role of home production for the well being in Austrian society. The big weight of home production is, among others, attributable to the comparatively small number of both day care and after-school care facilities. The tax system (tax credit for single-earner families) and the current child and long-term care benefit systems help postpone the (re)entry of mothers and caretakers into the labor market. The current policies (family policy, social and long-term care policies, childcare policy, tax system) are consistent in that they promote the provision of services in the household. Other EU countries, especially the Nordic countries, but also the Netherlands and the Anglo-Saxon countries, promote the transfer of such activities to market providers (the state and/or nonprofit institutions) through the social and tax regime (earned income tax credit or employment tax credits). The Austrian model is, incidentally, no less expensive for the state (Biffl, 2004), as many of the services provided at home are not actually “unpaid” in the narrower sense of the word, since they

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<sup>15</sup> See “Resolution of the Council of the representatives of the Governments of the Member States meeting within the Council of 6 December 1994 on equal participation by women in an employment-intensive economic growth strategy within the European Union”, Official Journal C 368, 23/12/1994 P. 0003– 0006.

<sup>16</sup> See “Resolution of the Council of the representatives of the Governments of the Member States meeting within the Council of 6 December 1994 on equal participation by women in an employment-intensive economic growth strategy within the European Union,” Official Journal C 368 , 23/12/1994 P. 0003 - 0006.

<sup>17</sup> Council Directive 2000/78/EC of 27 November 2000 establishing a general framework for equal treatment in employment and occupation.

are paid for by the state through transfer payments (such as child and long-term care benefits). In other words, persons assuming particular tasks at home de facto earn a “household wage,” which does not, however, entitle them to social security benefits in their own rights but preserve the traditional family ties and dependence upon the main income earner. These transfer payments are an incentive for women to stay at home, above all for women with comparatively low employment and income opportunities, i.e. women with a low educational attainment level. Their opportunity costs are small, because at certain stages in the life cycle they can earn hardly more in a paid job than they do by assuming household responsibilities (through their husband’s tax credit and child or long-term care benefits). By staying at home, these women moreover keep their household’s travel or nursing costs lower than they would otherwise be. Thus, the threshold for entering the labor market is high or, put differently, the marginal tax rate for taking up a job is prohibitively high for low-skilled women.

These considerations imply that women with small children or other dependent family members have not really gained more room for manoeuvre through the reformed childcare system (2000) and the benefit system introduced for persons in need of long-term care (1993). Raising the supplement earnings limit for persons eligible for childcare benefits did not prompt more women with low incomes to continue to work full time; perhaps unexpectedly, a greater number of female high income earners opted for part-time work than before, not least because the childcare reform did not go hand in hand with an expansion of institutional care. The response pattern shows that childcare was not transferred to market providers to a larger extent; much rather, the reform reinforced the provision of services at home, or perhaps even prompted a revival of child care at home.

Had the reform aimed at helping women balance work and career, policymakers would have had to provide an incentive – higher childcare benefits or benefits in kind – for entrusting children to professional childcare facilities. The same holds for the delivery and funding of long-term care (benefits). By making transfer payments conditional on the use of professional care facilities (benefits in kind), policymakers would help create jobs and free women/ mothers for taking up jobs in the labor market.

Switching from transfer payments to benefits in kind might trigger off a shift from home production to market services, and thus contribute to the professionalization in certain services and at the same time provide efficiency gains which can be passed on to consumers through cost cuts. This would be a key pillar for reorganizing social services. The reallocation of services from the household to the market cannot be the responsibility of individuals alone, as they are ill-placed to judge the extent and variety of regional/ local needs. It takes an institutional solution, embraced by the social partners and regional governments, to create the framework conditions in which nonprofit organizations (associations, social undertakings, NGOs, etc) may establish facilities that create local jobs (with social security coverage) and deliver the kind of services that have so far been mostly provided by women at home. Organizing these tasks is complex and requires not only the use of modern technologies but also the development and expansion

of social networks. This would make it possible to achieve a degree of innovation in the organization of society that uses the technological and social potential of the region and creates stable local jobs, thus strengthening not only the economic power of the regions but also reducing the exit from rural regions and even promoting fertility rates.

A major obstacle for raising female employment in Austria is the difficulty of balancing a career with a family. Long (traditional) working hours geared to industry jobs in combination with a high degree of commuting make it difficult for full-time employees to combine an occupation with family work. As a result, men have typically specialized in paid work and long hours, while women have concentrated on doing the housework and topping up the family income with a part-time job. Thus, market work and house work are two mutually dependent dimensions of the same phenomenon: given their household responsibilities, women are available for jobs only up to a limited degree, and given their limited job opportunities (especially relative to their partners), they have a stronger incentive to keep work in the household. This relationship affects the education paths of men and women, whose length and career orientation are characterized by social habit and even norms.

Given this complex relationship it follows that only a mix of measures will suffice to create more equal opportunities for women. Changes are required in the tax and transfer system, the education system (initial training and career development), working hours policy, competition policy (regional economic structure and transport policy), governance structures and industrial relations (wage policy, gender mainstreaming). A reform policy that extends to all these areas sees gender mainstreaming as a horizontal issue that will require a reorientation on many different levels and portfolios. It is thus advisable to opt for a gradual approach combining short-, medium-, and long-term strategies guided by a long-term vision.

The remainder of this article offers further details in this respect in a number of areas, without attempting to provide an exhaustive overview. It should also be noted that a reform of statutory regulations, framework conditions and strategies needs to go hand in hand with a public discourse, i.e. it should entail transparency and the commitment of the media, society and social partners; after all, we are hoping for social change that may only materialize if it is embraced and supported by the society at large.

- *Tax and transfer system:* as mentioned above, policymakers should consider replacing transfers with benefits in kind in childcare, care for the weak and elderly and health care, and they should consider abolishing the tax credit for single-earner families. The latter should be replaced by an earned income tax credit, which provides an incentive to work as it reduces the tax burden for people earning more than marginal earnings. One way to promote female labor force participation might be to copy the Finnish model<sup>18</sup> of making purchased household services tax deductible. This system, which Finland introduced in 1997, has increased employment in such service

<sup>18</sup> As presented in an article of the Austrian daily newspaper Die Presse on February 6, 2006 (Kombilohn neu: Steuerabzug statt "Almosen" in Finnland).

facilities, reduced informal sector work and alleviated the double burden on women of waged work and household responsibilities. One reason for the rapid take-up of the new system is the low administrative burden.

- To promote the *replacement of transfers with benefits in kind*, ideally, an information platform should be put in place to allow individual households/ women to organize professional local (child and long-term) care facilities, for instance through nonprofit organizations, in which skilled staff could cooperate with persons who learn on the job. In other words, it would not be necessary to establish public day care, senior housing/residential care and nursing homes in every village; what is important is to create a support system that allows parents and caretakers to be employed with social security coverage. Many of the activities will be services originally provided by family members. Such a system would create comparatively stable jobs, which would, among other things, considerably improve the income security of households. A stabilization of employment and income security would improve not only the quality of life for individuals, but contribute to economic growth impact positively on fertility/population growth.
- In this respect, *working hours* also play a crucial role. It is important to break the fatal link of long hours worked by men and short hours worked by women. The strategy to change this dichotomy should aim above all at enabling women to work 30 to 35 hours (as many women do in the Netherlands or in the Nordic countries) rather than half-time. This would make it easier for them to pursue a career and deal with any remaining house work (activities not outsourced to the market). Organizing care and nursing in the rural area through benefits in kind, delivered by nonprofit organizations would create stable local jobs while at the same time enabling women to commute longer distances to take on better-paying jobs. Such a system depends on the availability of qualified part-time jobs and their integration into professional development programs and career paths.
- Apart from the above, additional factors need to be taken into consideration with a view to *facilitating mobility/reconciling career and family*. It is important to create more childcare and elder care/nursing facilities. The unsatisfied demand is especially high for qualified day care facilities for children, but there is also a huge need for long-term care facilities. With regard to the latter, virtual nursing opens up opportunities for health care in private households, i.e. mobile services and expert advice through electronic linkage of households with nursing homes. Companies, too, have a need for advice and coaching when it comes to making staff development more women-friendly and to responding to specific needs of women (e.g. developing tailor-made working hour models). At the same time, it is important to persuade businesses to specifically consider the (potential) input of female workers in strategic planning and work processes so as to promote careers of women, not least through further education and training (to prevent them from being locked into certain job segments). To increase the mobility of women in rural areas, it will be important to experiment

with innovative transportation concepts (e.g. transport exchanges) or to prevent local public transportation from being “thinned out” without any alternatives being created.

- In the *education* sector, too, a lot needs to be done: It is important to ensure (pre-school) training of children, taking adequate account of intercultural backgrounds (migrants) and the special needs of boys and girls to bridge skills gaps. Adequate education concepts pave the way to decreasing later segregation in the job market. Finally, *regional economic and structural policies* need to promote employment of women, e.g. by investing in light industries, art and design (rather than male-biased technical innovation policies), as Finland has done successfully, to enable women to identify themselves with Austria’s development strategy. In this respect, it should also be noted that it is taking less and less bodily strength to handle the modern technologies, which should open up more jobs for women also in the manufacturing sector.

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