

Persistent low inequality despite compositional shifts in Austria

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Abstract

Overall, income inequality in Austria is moderate and has been stable in recent years. However, a look at employment statistics reveals important inequality trends in the labour market. This paper highlights five important shifts in the composition of the labour force: (i) a massive increase in female labour force participation; (ii) large shifts in the distribution of education; (iii) trends towards part-time work among women as well as men; (iv) persistent gender gaps in market and non-market work of parents; and (v) an increase in labour migration with a substantial share of cross-border commuters.

KEYWORDS

Austria, inequality, labour force, gender, education, childcare, immigration, cross-border workers

JEL CLASSIFICATION

D31, J13, J16, J21, J31, J61

1 | INTRODUCTION

Austria is a high-income country, with a progressive income tax system and a comprehensive welfare state. Among OECD member countries, Austria ranks tenth in GDP per capita and has the ninth lowest Gini index (of disposable income).¹ Thus, compared with other countries, income inequality in Austria is moderate. Notably, there have been no major changes in inequality over the 15 years from 2004 to 2019. Table 1 shows inequality indices for three different income measures. The Gini index of disposable income increased by 9 per cent, but the other indices suggest that inequality remained

¹ Figures are based on latest data available (OECD, 2024).

TABLE 1 Inequality indices between 2004 and 2019.

Year	Hourly wage	Earnings	Disposable income
Gini			
2004		33.3	25.4
2007	27.2	34.1	26.2
2019	26.1	33.7	27.7
90:10 ratio			
2004		5.45	3.08
2007	3.46	5.81	3.07
2019	3.25	5.49	3.34
90:50 ratio			
2004		2.04	1.70
2007	1.82	2.06	1.74
2019	1.82	2.08	1.76
50:10 ratio			
2004		2.68	1.81
2007	1.90	2.82	1.76
2019	1.79	2.64	1.90

Note: Inequality indices for the sample of individuals aged 25–60 in the EU-SILC: hourly wages of employed individuals, self-employed (available from 2007 onwards); gross annual earnings of all workers; disposable household income per individual, equalised with the modified OECD equivalence scale.

unchanged or even declined.² In our analysis that focuses on the working-age population (age 25–60), we show not only that overall income inequality remained stable, but also that income gaps between population groups have remained fairly constant. Since the early 2000s, we observe a quite stable gradient in individual hourly wages among workers of different genders and educational attainment groups. The same holds true for disposable household income.³

One reason for the absence of changes in inequality is the stability of the institutional environment. While other European countries have implemented major reforms to their tax and welfare systems, Austria's welfare state has remained fairly intact, except for a series of reforms cutting the generosity of the pension system in the early 2000s, which did not directly affect the working-age population.

But has Austria remained insulated from the changes in inequality around Europe and in the wider world? We argue that a narrow focus on stability in income inequality might be deceptive, as it ignores important compositional shifts in the labour force. The most important changes we are going to highlight are: (i) a massive increase in female labour force participation; (ii) major shifts in the educational distribution; (iii) trends towards part-time work among women and also among men;

² The tabulated inequality indices are calculated based on survey data. It has to be noted that survey data typically suffer from an under-representation of top incomes (Lustig, 2019), and tend to have measurement errors in both tails of the distribution (Angel et al., 2019). In an effort to address these and other measurement issues, Piketty, Saez and Zucman (2018) developed so-called Distributional National Accounts (DINA), which combine various data sources to distribute the entirety of a country's net national income. Blanchet, Chancel and Gethin (2022) have compiled survey and tax data to produce DINA series for 38 European countries (including Austria). Based on these data, we derive the same basic conclusions. Figure A.1 in the online Appendix shows how the pre-tax and post-tax income shares of the bottom 50 per cent and the top 1 per cent have evolved between 2003 and 2021. We see flat curves, suggesting stable income inequality.

³ This is shown for gender in Halla and Weber (2023, see figures 8 and 17) and for educational attainment groups in Halla and Weber (2023, see figures 9 and 18).

(iv) persistent gender gaps in market and non-market work of parents; and (v) an increase in labour migration with a substantial share of cross-border commuters.⁴

Previous studies on inequality in Austria mainly focused on (disposable) income. Early studies exploring the evolution of income inequality relied on (tabulated) tax data (see, e.g., Steindl, 1958; Christl, 1980; Guger and Marterbauer, 2005, 2007; Altzinger et al., 2012), later studies also used social security records (see, e.g., Gusenleitner, Winter-Ebmer and Zweimüller, 1998), and more recent studies rely on survey data (see, e.g., Rocha-Akis et al., 2019; Christl et al., 2020). Unfortunately, none of the above data sources is ideal or allows a complete and precise description of income inequality in Austria (Altzinger et al., 2011). Most recently, Jest and List (2023) combined survey data and tax data with detailed national accounts. Some of the studies cited here describe only the evolution of income inequality, while others also analyse the redistributive effects of taxes and transfers in Austria.⁵

The remainder of this paper is organised as follows. In Section 2, we briefly discuss the relevant institutional setting to contextualise our findings. Section 3 introduces our data sources. In Section 4, we report the most important inequality trends in the Austrian labour force. We focus here on differential trends by gender, educational attainment, part-time work, and cross-border workers. Section 5 concludes the paper with a discussion of the overall results. Additional analyses can be found in Halla and Weber (2023).

2 | INSTITUTIONAL SETTING

The Austrian public social security system operates at the federal level and is mandatory for all workers with private-sector contracts, including some public-sector workers.⁶ Social security contributions, covering health insurance, pension insurance, unemployment insurance and workplace accident insurance, amount to 40 per cent of gross earnings up to a specified contribution cap. These contributions are equally shared between employers and employees, with the employee's share being withheld from gross earnings before income tax. While there have been minor adjustments to the contribution rates of individual insurance categories over time, these changes have not significantly affected employers' labour costs or workers' net incomes. The contribution cap is adjusted annually to reflect wage growth and inflation, ensuring that a consistent proportion of the workforce earns above the cap each year.

The total expenditure per employee is the sum of the employee's gross wage, the employee's social security contributions and the employer's social security contributions. The employee and employer contributions amount to about 20 per cent of the gross wage, and social security contributions have changed little over time. Thus, the employer's cost is about 16 per cent (= 20/120) of the employee's gross wage plus the employee's own social security contributions.

Unemployment insurance (UI) benefits are available to workers who meet a minimum contribution period. The benefits provide a replacement rate of 55 per cent of net earnings from the calendar year prior to job loss, subject to a maximum cap. In addition to the basic benefit, a fixed daily amount is added for each dependent family member, and there is a benefit top-up for low-income earners. The duration of UI benefits varies between 20 and 52 weeks, depending on the worker's age and contribution period. After UI benefits are exhausted, workers can apply for unemployment assistance (UA), which has a lower replacement rate and is means-tested. Aside from a 1989 reform that extended

⁴ The share of self-employed in the population declined until the mid-1980s and has since been relatively stable around 10 per cent. The share of self-employment is higher among men than among women, for whom it has been consistently below 8 per cent.

⁵ A comparably small number of studies focus on the distribution of wealth. This is probably due to the comparatively poorer data situation. Recent studies (see, e.g., Lindner, 2011; Eckerstorfer et al., 2014; Fessler, Lindner and Schürz, 2019; Heck, Kapellerand and Wildauer, 2020) use Austrian data from the Eurosystem Household Finance and Consumption Survey (HFCS).

⁶ Civil servants, however, have a separate mandatory social security system.

benefit durations for older age groups and increased the benefit level for low earners, there have been no major changes to the UI system.

Sickness leave is managed within the health insurance system. For shorter sickness absences, up to six weeks per year, the employer covers the costs. For absences exceeding six weeks, health insurance takes over. During the first six weeks, sickness benefits cover 100 per cent of wage earnings, after which the replacement rate is reduced.

Wage setting in Austria is predominantly governed by collective bargaining. Wage negotiations take place at the sectoral level, with employees represented by their respective division of the Austrian Federation of Trade Unions and employers by their corresponding section of the Austrian Federal Economic Chamber. Collective wage contracts are binding for all firms and employees. Although Austria does not have a legal minimum wage, the wages specified in collective agreements cannot be undercut. Within firms, wages above the collectively bargained rates can be negotiated either individually or through discussions between the works council and management. The coverage of collective bargaining agreements is nearly universal for both private- and public-sector workers, maintaining a rate of 98 per cent since the 1960s, according to the OECD. This extensive coverage is independent of union membership.

Austria has a generous system of family benefits. All parents receive a fixed monthly child benefit for each child until they leave public education. Mothers and/or fathers are eligible for parental leave benefits, available for up to three years after the birth of a child. Parents can choose between earnings-dependent and flat-rate benefit options. Generally, public benefits are not taxable, with the exceptions of pension benefits and sick-leave benefits. The take-up of parental leave by fathers remains comparatively low and most fathers take only two months' leave, which is the shortest leave available for the second parent. This is in line with strong gender identity norms documented in survey data (Ahammer et al., 2023).

The education system in Austria is predominantly public and government-financed, with a small private school sector. Catholic private schools receive government subsidies. Most public services are organised at the federal level, except for compulsory public education and social welfare benefits, which are managed at the federal state level (compulsory education) or the municipal level (welfare benefits, childcare, housing benefits). Schools and kindergartens in Austria typically operate from early morning until early afternoon. Some institutions (in particular in urban areas) offer extended care options to accommodate working parents.

In Austria, individuals are taxed on their total income, which includes earnings from employment, self-employment, capital gains and rental income. The Austrian tax system offers various deductions and allowances to reduce taxable income, such as deductions for mortgage interest, child allowances and contributions to private pension plans. Specifically, a single earner in a household with children can claim additional deductions. The income tax system is progressive, with a tax-free threshold of approximately 11,000 euros (in 2023). After that, marginal tax rates increase to as high as 50 per cent.

3 | DATA SOURCES

Unfortunately, there is no single data set in Austria that can capture all aspects of inequality in the labour market. We therefore base our analysis on data from multiple sources to get a comprehensive picture of the developments in Austria since 1970. The most important evidence is based on two survey data sets. First, the Austrian Microcensus (MZ) is a quarterly cross-sectional survey of the population, which started in 1968.⁷ Its focus is on 'employment' and 'housing'. For our purpose, it is useful that the data comprise precise information on employment and a range of socio-economic variables such as age, gender, education, citizenship and children in the household. Data quality is

⁷ Since 1995, the MZ has been part of the European Union Labour Force Survey.

very high, as participation is legally binding. The main drawback is that income is not covered well in the MZ. Consistent information on net individual earnings is only available from 2011 onwards.

Second, the European Union Statistics on Income and Living Conditions (EU-SILC) provides detailed information on income components at the household and individual level. Since 2004, households in Austria have also participated in EU-SILC. These data record living conditions and monitor annual household incomes over the years. The EU-SILC is based on a smaller sample than the MZ.

To complement the survey information, we also draw on register data from the Austrian Social Security Database (ASSD). These administrative data cover the universe of private-sector employment since 1972 (Zweimüller et al., 2009). The downsides are that income is restricted to labour earnings and no information on household composition is available. One advantage of these data for our purpose is that they include all employees in Austria, regardless of their place of residence. Thus, cross-border commuters (who live abroad) are also included.

4 | INEQUALITY TRENDS IN THE AUSTRIAN LABOUR FORCE

We first examine overall employment rates by gender. Then we look at the development of educational attainment, and its relation with gender-specific employment rates. In a next step, we distinguish between part-time and full-time employment. Relatedly, we examine whether differences in working hours between men and women are related to childcare responsibilities. In a final step, we look at immigration and cross-border work.

4.1 | Employment rates by gender

The most important changes in labour force participation since 1970 occurred in the working-age population.⁸ Figure 1 plots employment rates by gender for individuals aged 25–60. While the employment rate of men has slightly declined, from above 90 per cent to about 85 per cent in the

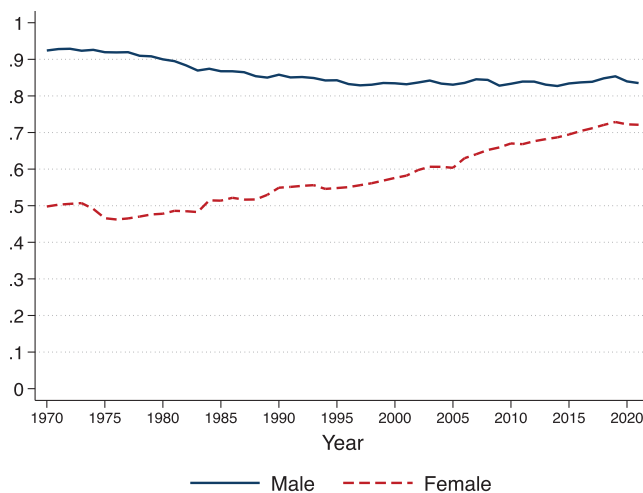


FIGURE 1 Employment by gender from 1970 to 2021. *Note:* Sample consists of individuals aged 25–60. *Source:* Authors' own calculations based on data from the MZ. [Colour figure can be viewed at [wileyonlinelibrary.com](https://onlinelibrary.wiley.com/terms-and-conditions)]

⁸ Employment rates for different age groups are shown in figure 1 in Halla and Weber (2023).

most recent years, the employment rate of women has increased by 25 percentage points from about 50 per cent in 1970 to 75 per cent in 2020.

In an international comparison, the female employment rate in Austria was relatively low in the 1970s. The rate was similar to Germany's and significantly higher than in Southern European countries, but it was low in comparison with Northern European and the Anglo-Saxon countries. Over time, Austria's female employment rate overtook the United States and the United Kingdom and it is now approaching the Nordic level.⁹ Below, we show that the Austrian rise in female labour force participation is special, as it is mostly driven by part-time employment.

4.2 | Trends in educational attainment

Changes in employment rates over the last 40 years were associated with large changes in educational attainment. Figure 2 illustrates the shares of the Austrian resident population aged 25–60 in three educational categories over time. The main development shown in Figure 2(a) concerns shifts from compulsory education (ISCED 0–2) to secondary education (ISCED 3–5). In 1980, nearly half of the working-age population were in one of these two educational groups and only 3 per cent were tertiary educated (ISCED 6–8). Since then, secondary and tertiary education groups have both expanded, while the lowest educational category has dropped to just 12 per cent of the population. If we look at the development of educational attainment by gender, in Figure 2(b), it becomes clear that the educational shifts come along with a convergence in educational attainment of women and men. This development implies that the decline in the lowest level of education and the increase in the middle education group were both dominated by women, who now look much more similar to men in terms of their educational attainment than in 1980. Tertiary education has expanded for both men and women, but again the female trend is steeper than the male one. Since the mid-2000s, a higher share of women than men are university-educated.

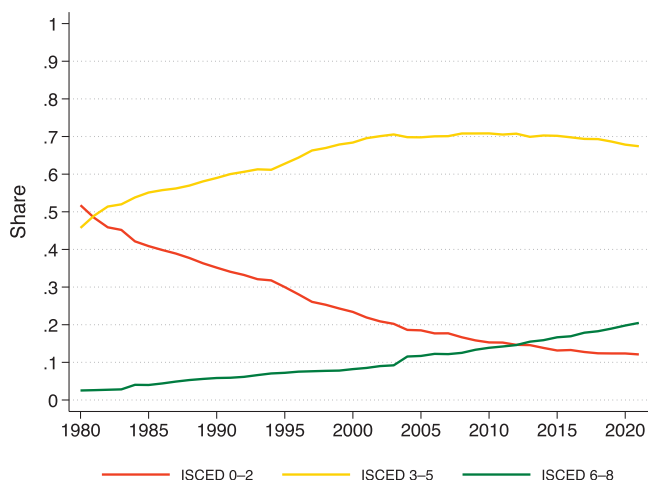
4.3 | Part-time employment

With the introduction of the 40-hour working week in 1975 in Austria, working time has steadily declined.¹⁰ Starting from an average of 48 hours per week in 1970, average weekly working hours have decreased by approximately 12 hours over the last 50 years. This decline can be attributed to increased flexibility in working hour arrangements and the inclusion of women in the labour force. In 1970, working hour requirements were rigid for most occupations, resulting in minimal disparity in average working hours between men and women. Since then, a growing gender gap in working hours has emerged as both men and women have reduced their average weekly working hours. In 2019, the last year before the COVID-19 pandemic, men worked an average of 41 hours per week, while women worked 31 hours. The overall average working hours in 2019 stood at 36 per week, indicating a shift towards the concept of a four-day working week, which is currently a prominent topic in policy debates in Austria.

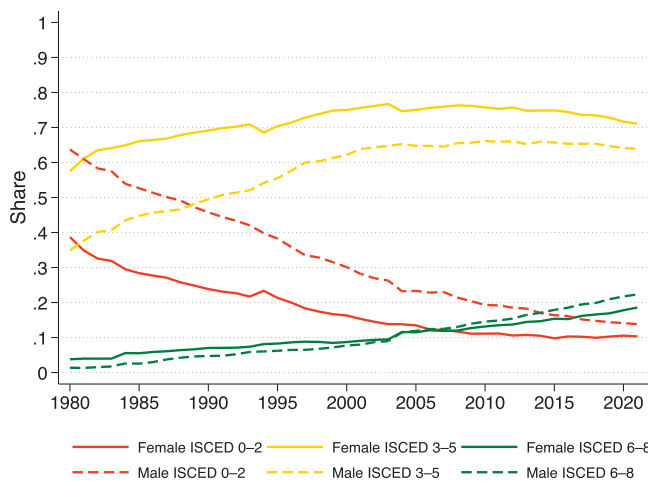
In Figure 3(a), we show the share of part-time workers among all employees defined as working 32 hours or less per week. Since the early 2000s, part-time rates are increasing in lock-step for both genders and the gender gap in part time rates has been roughly constant at about 33 percentage points. The share of women working 32 hours or less is currently almost 60 per cent meaning that the majority of female workers is already adopting a version of the four-day work-week. Also among men the share of part-time work is above 20 per cent.

⁹ This is based on figures calculated with data from International Labour Office (2016).

¹⁰ See figure 14 in Halla and Weber (2023).



(a) Education



(b) Education and gender

FIGURE 2 Educational attainment by gender from 1980 to 2021. *Note:* These figures are based on the population aged 25–60. *Source:* Authors’ own calculations based on data from the MZ. [Colour figure can be viewed at wileyonlinelibrary.com]

Changes in working time have direct implications on earnings inequality. Figure A.2 in the online Appendix shows the cumulative growth in median annual gross earnings by gender since 1976. Due to gender differences in part-time rates, a gap of more than 10 percentage points has opened over time.

Figure 3(b) makes clear that prevalence of part-time work is less differentiated by education than one might think and the main difference is by gender. This observation leads us to the next question: are differences in working hours between men and women connected to childcare responsibilities?

4.4 | Childcare responsibilities

Prior to exploring childcare responsibilities and the evolution of gender-specific employment rates, we first analyse trends in household composition and the level of assortative matching. As depicted in Figure 4, marriage and registered partnership rates were higher among individuals with lower

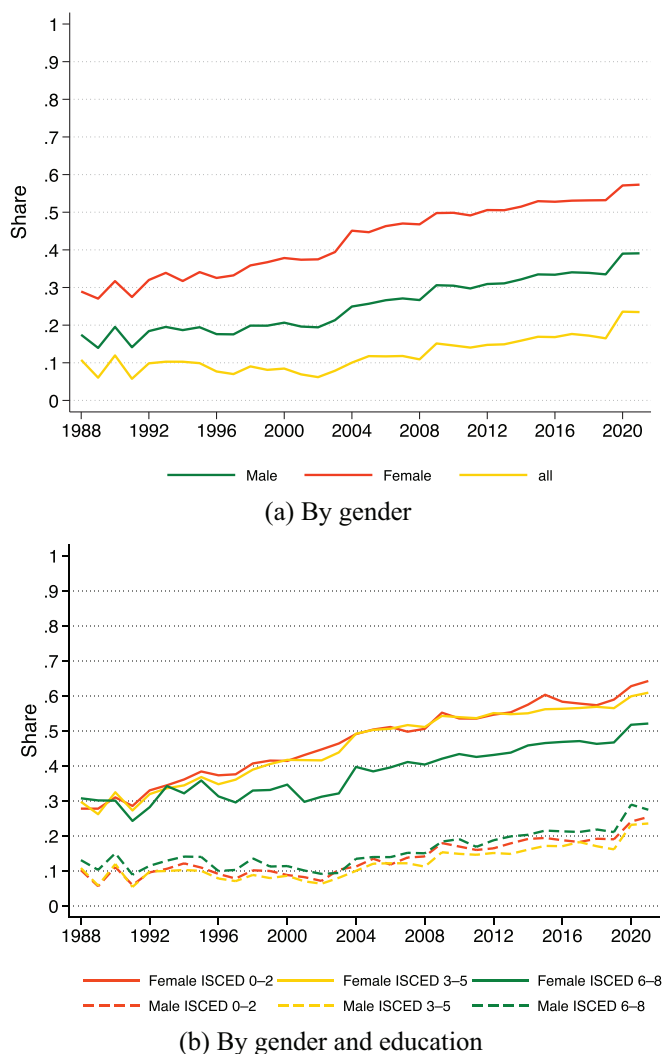


FIGURE 3 Part-time employment, working 32 hours or fewer. *Note:* These figures show part-time work as share of the working population. Part-time is defined as working 32 hours or fewer. *Source:* Authors' own calculations based on data from the MZ. [Colour figure can be viewed at [wileyonlinelibrary.com](https://onlinelibrary.wiley.com/doi/10.1111/1475-5890.12382)]

(ISCED 0–2) and middle (ISCED 3–5) levels of education in 1980 compared with those who had the highest education levels. Since then, these rates have declined across all educational categories, converging to approximately 72 per cent by 2020. Currently, about three-quarters of individuals in partnerships are married.

Figure 5 examines how marriage rates vary across the earnings spectrum for individuals. This analysis reveals a negative gradient for women and a positive gradient for men, suggesting some assortative matching where lower-income women tend to partner with higher-income men. Both women and men who are not employed are less likely to be married or cohabiting compared with those who are employed, and they are also less likely to live with a working partner. These patterns show little change between the period of 2006–08 and a decade later.

We now turn to the development of female and male employment rates and part-time employment by the age of the youngest child in the household. In Figure 6, we categorise individuals into four childcare situations: those with at least one child between 0 and 3 years old, between 3 and 6 years

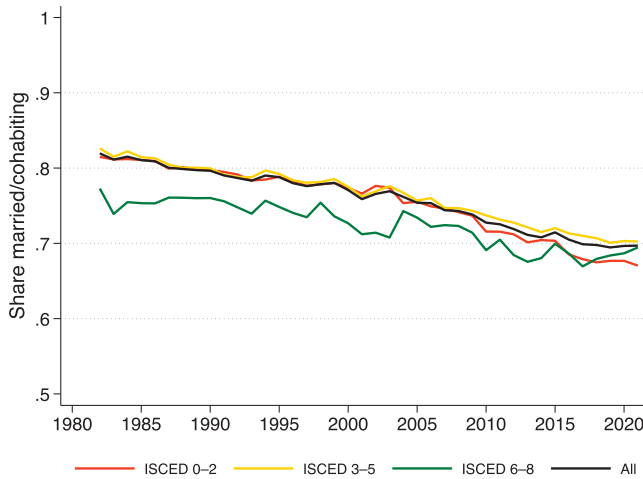


FIGURE 4 Share married or cohabiting, overall and by education, from 1981 to 2021. *Note:* Sample consists of individuals aged 25–60. *Source:* Authors’ own calculations based on data from the MZ. [Colour figure can be viewed at wileyonlinelibrary.com]

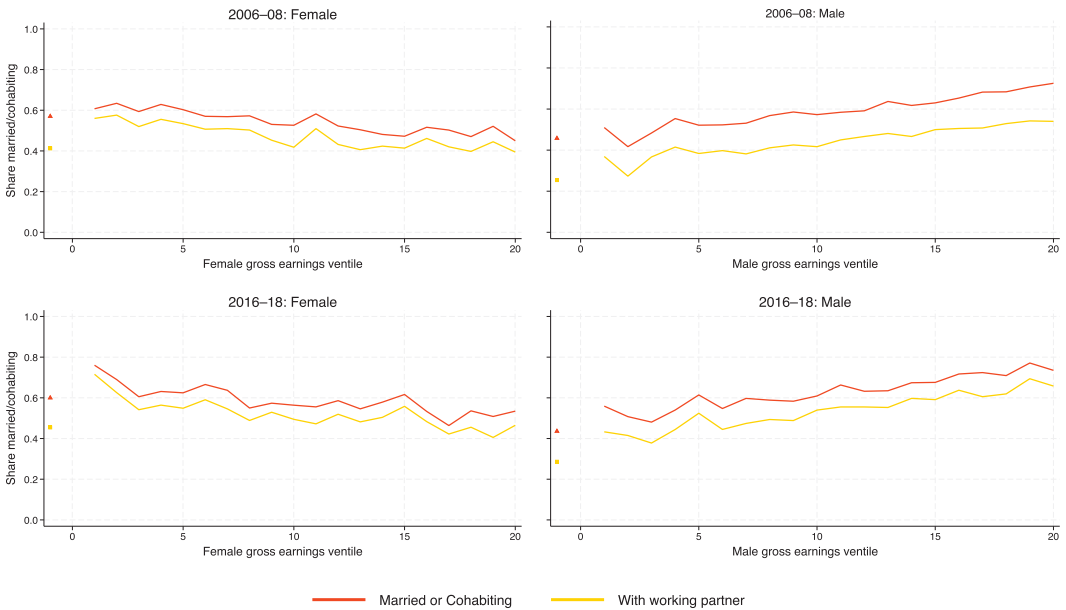


FIGURE 5 Share married or cohabiting and share with working partner, by gender and individual gross earnings ventile, selected years. *Note:* Sample consists of individuals aged 25–60. The symbols show the same for people with zero earnings. *Source:* Authors’ own calculations based on data from the EU-SILC. [Colour figure can be viewed at wileyonlinelibrary.com]

old, between 6 and 15 years old, and over 15 years old. The latter children’s age group also includes individuals without children in their households.

First, we examine employment rates. In Figure 6(a), we observe that employment rates of men remained relatively stable over time, with little variation based on the age of the youngest child in the household. The only exception arises with men who have older children or no children at all. These groups, with limited or no childcare responsibilities, consistently exhibit lower employment

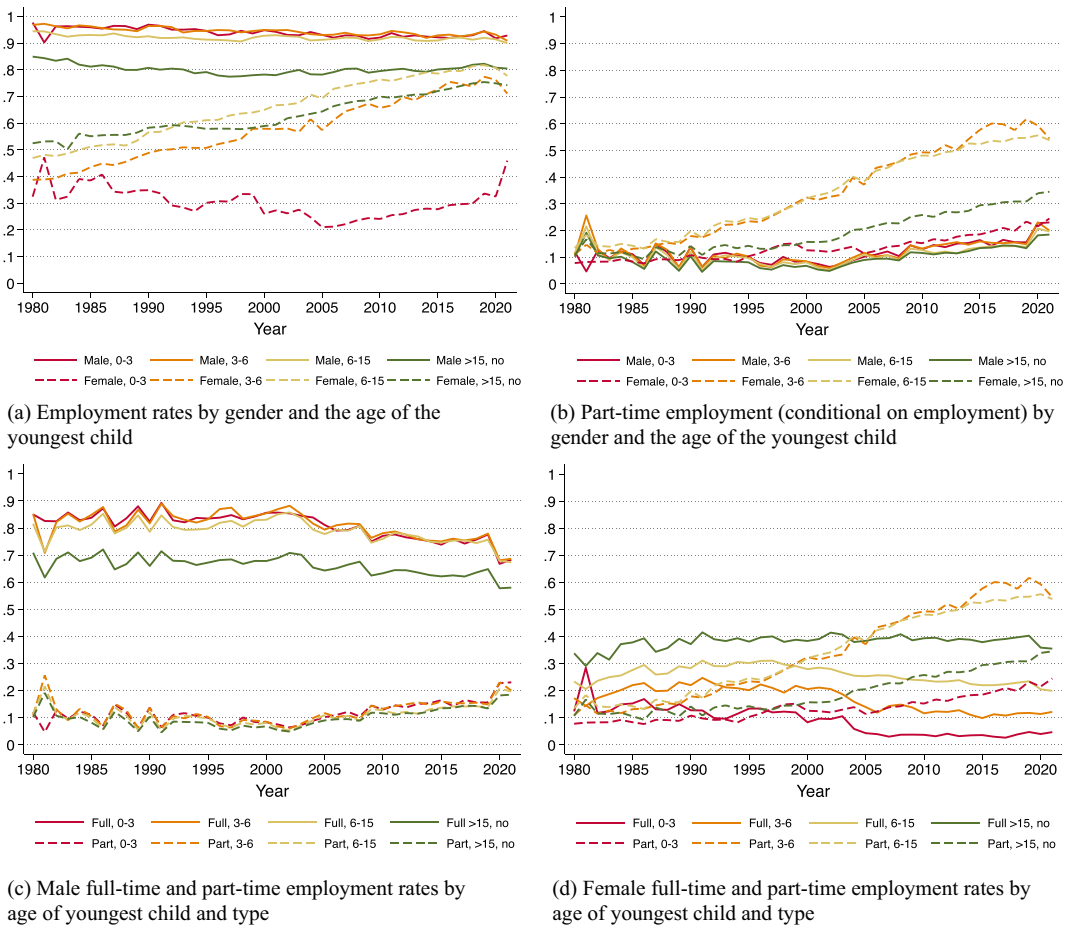


FIGURE 6 Employment rates by gender and age of the youngest child. *Note:* These figures are based on the population aged 20–60. Part-time employment is defined as fewer than 32 hours per week. *Source:* Authors' own calculations based on data from the MZ. [Colour figure can be viewed at wileyonlinelibrary.com]

rates compared with men who have children younger than 15 years of age.¹¹ However, an opposing pattern emerges for women. Over time, women's employment rates have increased, with significant differences depending on the age of the youngest child in the household. Reflecting the demands of childcare, women with at least one child between the ages of 0 and 3 are the least likely to be employed. Their average employment rate has remained relatively stable at a low level, only starting to slightly increase since around 2010. Conversely, for all other children's age groups, we observe higher levels of employment and larger growth rates. Until the 1990s, the employment rates aligned with the age of the youngest child in the household. However, in more recent periods, employment rates for women with children older than 3 years old have steadily converged. As a consequence, the gap between male and female employment rates appears to be closing for all groups except for women with young children below 3 years of age.

Second, we examine the share of employed individuals in part-time work. In Figure 6(b), we examine the proportion of the population in each children's age group who work only part-time, conditional on being employed. Traditionally, among men, the percentage of those working part-time was consistently low across all children's age groups until recent years. However, since the

¹¹ This pattern may potentially be explained by older age and/or a selection of more productive men into (marriage and) parenthood.

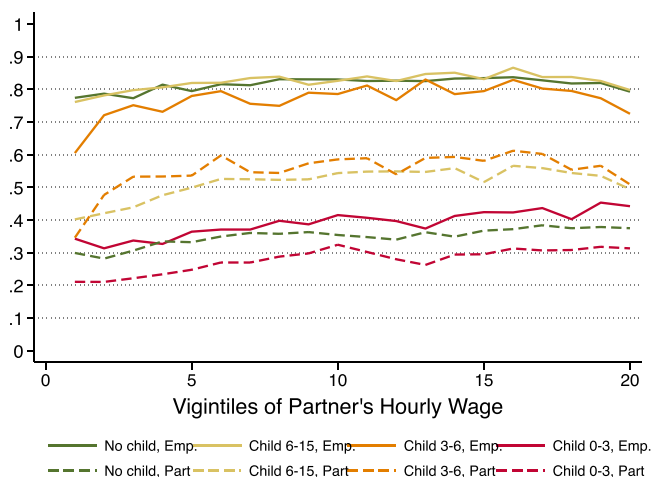


FIGURE 7 Female employment rates by the income of the partner and the age of the youngest child. *Note:* These figures are based on data from the years 2012–2021, and the population aged 20–60. Part-time employment is defined as fewer than 32 hours per week. *Source:* Authors' own calculations based on data from the MZ. [Colour figure can be viewed at [wileyonlinelibrary.com](https://onlinelibrary.wiley.com/doi/10.1111/1475-5890.12382)]

2000s, some increase in part-time work can be observed across all children's age groups for men. In contrast, for women, substantial increases in part-time work have been observed across all children's age groups. Particularly notable is the significant increase in part-time work for women with at least one child between the ages of 3 and 15. Since 2010, more than half of employed women in these two children's age groups have been working only part-time. Among women in the remaining two children's age groups, around one-third of them have opted for part-time employment.

Next, we look at the share of the total population (i.e., unconditional on employment) in each children's age group that work part-time or full-time, respectively. To enhance visibility, we present employment rates separately for men (Figure 6(c)) and women (Figure 6(d)). Among men, the decline in full-time employment rates is not compensated by the increase in part-time work and there is little difference between children's age groups. Examining women's employment rates in Figure 6(d), we observe that the overall increase in employment over the past few decades is exclusively driven by part-time employment across all children's age groups. Notably, for women, full-time employment rates have actually declined since the mid-1990s and most dramatically for those with children between 3 and 15 years of age.

The patterns in full-time and part-time employment indicate that market and non-market work remain very unequally distributed between men and women in Austria. This inequality is corroborated by time use surveys (Statistik Austria, 2023) and aligns with the strong gender identity norms documented in survey data (Ahammer et al., 2023). Interestingly, women's labour market engagement is not influenced by their partner's income at either the extensive or the intensive margin. This can be seen in Figure 7, which shows female employment rates by age of the youngest child in the household and vigintiles of the partner's income. The employment rates are the average for the years 2012–21. While there are important level differences across the groups, the profiles are essentially flat throughout the partner's income distribution. The presence of children holds a high priority in females' labour supply decisions compared to household income. The fact that there are few couples with two full-time earners, even in the upper tail of the income distribution, mitigates income inequality in household income.

4.5 | Immigrants and cross-border workers

The share of immigrants in the Austrian population has increased from 2 per cent in 1970 to 20 per cent in 2020 in several waves.¹² A significant group of immigrants originates from Central and Eastern European countries that became European Union (EU) members in 2004 and 2007, respectively. Austria and Germany implemented labour market access restrictions for workers from these new EU member countries for a duration of seven years. However, once full labour market access was granted, the number of immigrants from these countries began to rise in 2011. Because of the shared borders between Austria and several of the new member countries, the Austrian labour market became particularly appealing to immigrant workers from border regions, commonly referred to as cross-border workers.

Cross-border workers are employed in Austria but reside abroad. Given that survey-based data (such as the MZ and the EU-SILC) draw their samples from the resident population of households, cross-border work is not observed in these data. We therefore use administrative registers from the ASSD to investigate the prevalence of cross-border workers in Austria. In particular, we start with the population of workers holding private-sector employment contracts as regular workers on 30 June of each year. We categorise these workers into Austrian citizens and immigrants defined as workers with non-Austrian citizenship. Among immigrants, we further distinguish between immigrants residing in Austria and immigrants with residence abroad, whom we identify as cross-border workers.

Figure 8 plots the yearly shares of immigrants, including cross-border workers, among the total employed population, as well as the share of cross-border workers among the employed by gender and over time. Immigrants constitute a significant portion of the workforce in the Austrian labour market. In 2020, male immigrant workers account for 25 per cent of workers in the private sector, while female immigrant workers make up 18 per cent. The share of cross-border workers has also witnessed an increase, particularly among male workers. Approximately 5 per cent of male private-sector workers are cross-border workers, representing one-fifth of all immigrant workers.

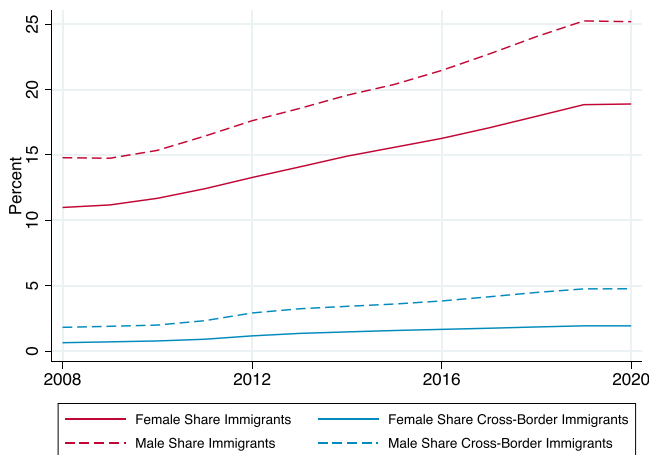


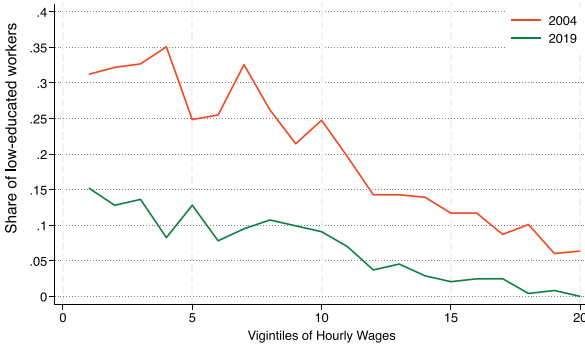
FIGURE 8 Immigrants and cross-border workers. *Note:* Sample consists of individuals aged 25–55, employed in private-sector jobs. *Source:* Authors' own calculations based on data from the ASSD. [Colour figure can be viewed at [wileyonlinelibrary.com](https://onlinelibrary.wiley.com)]

¹² See figure 40 in Halla and Weber (2023).

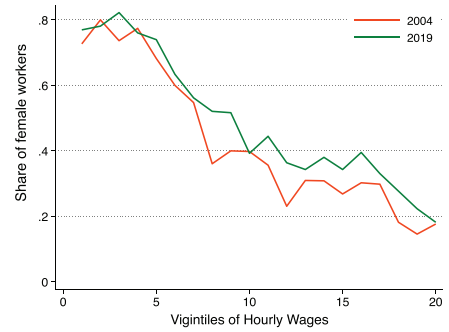
5 | DISCUSSION: COMPOSITIONAL SHIFTS AND INEQUALITY

In the previous sections, we have documented important trends in female employment, educational attainment, working time and immigration that change the composition of the Austrian labour force. What are the consequences of these compositional changes on income inequality? To understand the contribution of changes in the labour force to inequality, it is helpful to investigate where the new labour market entrants are located in the income distribution. We illustrate this by plotting shares of female workers, low-educated workers, part-time workers and immigrants over the distribution of hourly wages for different years. The earliest year with income data in Austria is 2004. By 2004, a significant portion of the compositional shifts that had begun in earlier decades had already concluded. However, trends were still ongoing, particularly among women. We see that, with the exception of the influx of immigrants, all the compositional changes we have discussed have had a moderating effect on inequality.

Figure 9 shows the shares of female workers, low-educated workers, part-time workers and immigrants among the employed across the wage distribution in 2004 and 2019. In Figure 9(b), we see that women entering employment after 2004 are more likely to locate at the upper part of the earnings distribution – except for the very top – while the female share in the lower third of the distribution remained fairly unchanged. Over time, better-educated workers entering the labour market have replaced low-educated workers. The share of individuals with only compulsory education



(a) Share of low-educated workers



(b) Share of female workers



(c) Share of part-time workers



(d) Share of immigrants

FIGURE 9 Shares of low-educated workers, female workers, part-time workers and immigrants across the earnings distribution, 2004–19. *Note:* These figures show the distribution of workers with compulsory education (ISCED 0–2), female workers, part-time workers and immigrants across vigintiles of the respective distribution of real gross earnings in 2004 and 2019. The sample consists of the working population aged 25–60. *Source:* Author’s own calculations based on data from the EU-SILC. [Colour figure can be viewed at wileyonlinelibrary.com]

(ISCED 0–2), shown in Figure 9(a), has declined throughout the distribution. It is worth noting that while a considerable portion of the lowest-educated individuals had earnings in the top quartile of the distribution in 2004, after 15 years, their representation in the top quartile was almost negligible. Not surprisingly, part-time workers are concentrated at the bottom of the distribution; but Figure 9(c) also highlights that additional part-time workers entering the labour market after 2004 increase the share of workers employed in the second quartile of the wage distribution. Immigrants in Austria locate mostly in the lower half of the wage distribution (see Figure 9d). Since 2004, the negative gradient of the immigrant share over the distribution has become steeper, with large numbers of immigrants entering in the bottom quartile.

Together, the compositional shifts in the labour market appear to have a moderating effect on inequality. Except for the immigrant group, new labour market entrants tend to locate around the centre of the distribution rather than at the extremes. In recent years, the bottom of the income distribution is composed of low-educated workers, part-time workers and immigrants. Well-educated women are at the centre of the distribution, below the median if in part-time work, and above if working full-time. The top earners still are men. Due to the scarcity of observations in survey data, we cannot say much about the top income shares. But evidence based on DINA series, which combine different data sources (see footnote 2), shows that the top 1 per cent income share remained unchanged in Austria along with other inequality indicators (Blanchet et al., 2022).¹³

Another factor that contributes to unchanged inequality is the stable institutional environment. Austrian tax and welfare policies have mostly remained unchanged over the past decades, which is in contrast to countries implementing reforms to their welfare systems such as Germany.

Part-time work is a very important phenomenon in the Austrian labour market. First, the increase in female labour force participation is fully driven by part-time work. Over time, full-time employment rates have declined among women, while part-time rates soared. Second, children play an important role in the determining part-time work among women.

Besides discussions about the feasibility of a four-day working week, the current policy debate focuses on skills shortages. The areas with employment potentials are obvious: raising female working hours, keeping older workers in the labour force or attracting more immigrants. The potential impacts of any of these policies for inequality are, again, ambiguous: raising working hours for women might remove some of the mediocre low-paid jobs at the bottom of the distribution; older workers with high earnings are potentially most likely to remain in the labour force; and additional immigrants will be at the lower end of the distribution.

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DATA AVAILABILITY STATEMENT

The data that support the findings of this study are publicly available in the Austrian Social Science Data Archive (AUSSDA) at <https://aussda.at>, with reference number <https://doi.org/10.11587/L3305L>.

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¹³ See also Figure A.1 in the online Appendix.

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SUPPORTING INFORMATION

Additional supporting information can be found online in the Supporting Information section at the end of this article.

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