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Promoting Social Mobility in Austria

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Abstract

While income inequality in Austria is relatively low compared to many other OECD countries, social mobility lags behind. Socio-economic outcomes carry over strongly from one generation to the next: more than elsewhere, fathers' earnings are a strong predictor of the earnings of their prime-age children. This reflects strong persistence across generations in occupational and educational outcomes, particularly for women and migrants. Relative income positions also tend to strongly persist over people's lives, in particular at the top and bottom. Meanwhile, the middle-income group is polarising, with downward risks rising for the lower middle. Longer-term earnings trajectories (over 15 years) display marked gender differences, with women facing weaker chances of moving up and greater risks of sliding down.

This paper identifies policies that promote or hamper social mobility in four domains. First, good-quality early childhood education and care can be a catalyst for upward mobility. Participation rates have significantly risen over the last decade, but still lag those in many OECD countries. Further investment is needed to improve quality and status of formal childcare. Second, tackling low educational mobility in Austria requires ensuring a successful school-to-work transition. Austria provides targeted support for those who struggle, but it could improve funding for disadvantaged schools and consider the appropriateness of "tracking" students at such a young age. Third, reducing gender inequality in the labour market would greatly improve social mobility. This requires raising incentives for a more equal sharing of family and work responsibilities in the areas of tax policy, parental leave and family and care benefits. Fourth, the Austrian tax and benefit system provides comparatively adequate protection against income shocks. The high concentration of household wealth, combined with the absence of inheritance taxation, however implies that inequalities of opportunity remain large.

Résumé

Si les inégalités de revenus en Autriche sont relativement faibles par rapport à de nombreux autres pays de l'OCDE, la mobilité sociale est à la traîne. Les résultats socio-économiques se répercutent fortement d'une génération à l'autre: plus qu'ailleurs, les salaires des pères sont un bon prédicteur des salaires de leurs enfants à l'âge actif. Cela reflète une forte persistance à travers les générations des résultats professionnels et scolaires, en particulier pour les femmes et les migrants. Les revenus relatifs ont également tendance à persister fortement au cours de la vie des personnes, en particulier au sommet et au bas de l'échelle. Pendant ce temps, le groupe des personnes aux revenus intermédiaires se polarise, les risques à la baisse augmentant pour la moyenne inférieure. Les trajectoires de salaires à plus long terme (sur 15 ans) affichent des différences marquées entre les sexes, les femmes étant confrontées à de plus faibles chances de progresser et à de plus grands risques de reculer.

Ce document identifie les politiques qui favorisent ou entravent la mobilité sociale dans quatre domaines. Premièrement, une éducation et des soins de la petite enfance de bonne qualité peuvent être un catalyseur de la mobilité ascendante. Les taux de participation ont considérablement augmenté au cours de la dernière décennie, mais restent inférieurs à ceux de nombreux pays de l'OCDE. Des investissements supplémentaires sont nécessaires pour améliorer la qualité et le statut des services de garde formels. Deuxièmement, pour lutter contre la faible mobilité éducative en Autriche, il faut assurer une transition réussie entre l'école et le travail. L'Autriche fournit un soutien ciblé à ceux qui luttent, mais elle pourrait

améliorer le financement des écoles défavorisées et reconsidérer la pratique de l'orientation des élèves en cursus général ou professionnel à un âge précoce. Troisièmement, réduire les inégalités entre les sexes sur le marché du travail améliorerait considérablement la mobilité sociale. Cela nécessite de renforcer les incitations à un partage plus équitable des responsabilités familiales et professionnelles dans les domaines de la politique fiscale, du congé parental et des prestations familiales et de soins. Quatrièmement, le système fiscal et de prestations autrichien offre une protection comparativement adéquate contre les chocs de revenu. La forte concentration du patrimoine des ménages, combinée à l'absence de droits de succession, implique cependant que les inégalités de chances restent importantes.

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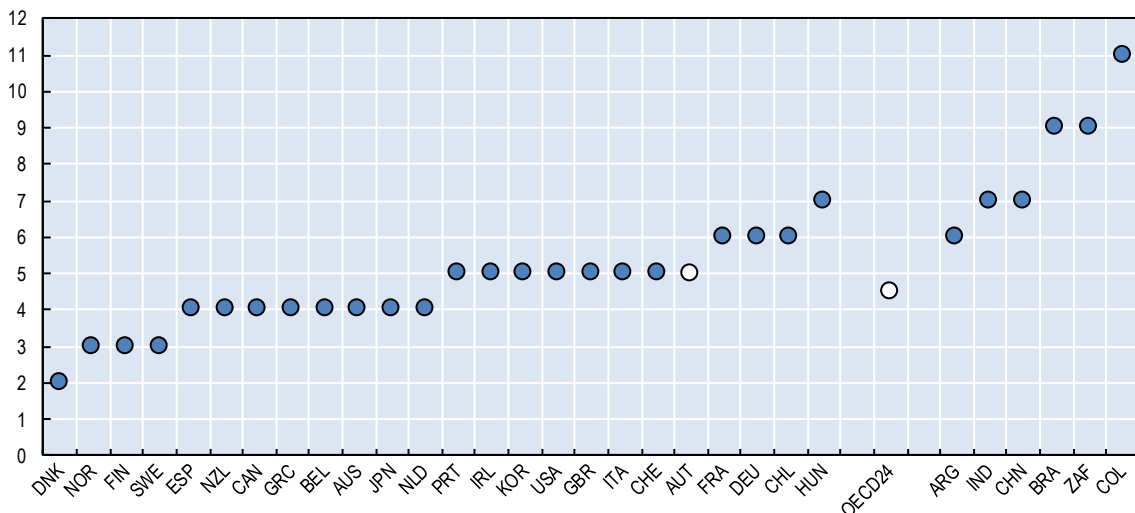
Promoting Social Mobility in Austria

1.1. Introduction

While there is no consensus on the acceptable – or desirable – level of inequality in economic or social *outcomes*, most people agree that democratic societies should promote equality of *opportunity*, i.e. they should try to ensure that all people have equal chances to succeed in life regardless of their socio-economic background. As the OECD’s recent report *A Broken Social Elevator? How to Promote Social Mobility* (OECD, 2018_[1]) demonstrates, parents’ income and socio-economic status are often key determinants of access to good-quality education, adequate healthcare and professional networks, and hence of children’s career options. For instance, in an OECD average country, it could take four to five generations to move from the bottom decile to the middle of the income distribution, and the rate is even slightly longer than that in Austria (Figure 1).¹

Figure 1. It could take on average four to five generations to move from the bottom decile to the middle of the income distribution

Number of generations it would take for descendants of families in the bottom 10% to reach the average income in society



Note: These estimates intended to be illustrative and are based on earnings persistence (elasticities) between fathers and sons and the current level of household incomes of the bottom decile and the mean, assuming constant elasticities. Low-income families are defined as those in the first income decile, i.e. the bottom 10% of the population.

Source: (OECD, 2018_[1]), Figure 1.5.

Privilege and disadvantage are also highly persistent over people's lives. Almost 70% of people in the top quintile remain at the top over a four-year period, and nearly 60% of those in the bottom quintile remain at the bottom. Moreover, persistence in income positions has increased in most OECD countries since the late 1990s – both floors and ceilings have become “stickier”. And while Austria fares comparatively well in terms of a relatively equal distribution of incomes (OECD, 2018^[2]), its record in terms of social mobility lags behind that of other countries in several dimensions.

Low social mobility has harmful economic, social and political consequences: if people from disadvantaged backgrounds do not get the same chances to develop their talents as those from privileged families, this is not only unfair but undermines economic growth. Mobility prospects also affect individual life satisfaction and well-being, and matters for social cohesion and democratic participation. Fortunately, the right policy choices can help make societies more mobile, as indicated by large differences in outcomes across countries. Social mobility tends to be higher, for instance, in countries that have previously devoted greater public resources to their education and health systems.

This review discusses how to promote social mobility in Austria. It is structured into two main parts: Section 1.2 provides a comprehensive statistical analysis of social mobility in Austria, focusing on the persistence in incomes and earnings, occupational and educational outcomes, both across generations and over people's lives. Section 1.3 then identifies policies that promote or hamper social mobility in the four main policy domains identified as the most pertinent in the specific context of Austria: *i*) early childhood education and care; *ii*) the school-to-work transition; *iii*) family support and gender equality; and *iv*) taxes and benefits.

1.2. Social mobility in Austria – a multidimensional analysis

In Austria, as in many other OECD countries, concerns are widespread about a lack of social mobility. Many people feel that life outcomes are strongly influenced by parental background, i.e. that social mobility *across generations* is low: in Austria, 36% agree that having well-educated parents is important to get ahead in life, a figure broadly in line with the OECD average (37%). People are also comparatively pessimistic about the prospects of improving their own economic and social situation, i.e. about the level of social mobility *over people's lives*: for example, only 16% of people in Austria expected their financial situation to improve in 2015, compared to 22% in the OECD.

This section presents an analysis of various dimensions of social mobility in Austria, showing that social mobility is overall limited in Austria in international comparison. Section 1.2.1 provides evidence on the extent to which people's economic situation indeed depends on how privileged or disadvantaged their parents were, i.e. at *intergenerational* social mobility. It shows that earnings are slightly more persistent *across generations* in Austria than in the OECD on average, particularly for children with fathers who were in the top or the bottom of the earnings distribution. This reflects strong persistence across generations in occupational and educational outcomes, particularly for women and migrants. Section 1.2.2 tracks opportunities for upward mobility and downward risk over people's lives, i.e. at *intra-generational* social mobility. It shows that incomes are highly persistent in the short term, again in particular at the top and at the bottom. The middle-income group is much more mobile, which however is associated with a growing risk of downward mobility for lower middle-income households. Both sections focus primarily on how people's *relative position* in society changes over time compared to that of their parents or their peers (i.e. at *relative* social mobility) while giving lesser attention to a discussion of changes in absolute levels of income, education or health (i.e. at *absolute* social mobility, see Box 1).²

Box 1. A primer on the notion of “social mobility”

Absolute vs. relative social mobility

Social mobility across generations and over the life course can be assessed in absolute or in relative terms. *Absolute* social mobility considers by how much the *level* of a socio-economic outcome improves or deteriorates. *Relative* social mobility considers people’s *position* on the social ladder, either by comparing their rank with that of their parents, or at different points during their lives.

Absolute mobility across generations has been positive for most groups in advanced economies over longer time horizons, as incomes, educational attainment and health have improved. The *level* of absolute mobility – i.e. the speed of progress – has declined along some key dimensions, however, as countries have reached higher levels of development, for instance in education or health. In some cases, concerns are even growing about *negative* absolute mobility across generations, i.e. about whether today’s young generation will still reach the same living standards that their parents enjoy.¹ Each person may moreover experience negative absolute mobility over their life course, for instance because they get sick or lose their job.

Relative mobility can be high or low irrespective of the level of absolute mobility: even as living standards improve overall (i.e. when absolute mobility is positive), some people will gain ground relative to their peers and improve their position on the social ladder compared to their parents, while others fail to keep pace.

Both absolute and relative mobility matter, yet the latter concept is often more interesting from a policy perspective. This chapter therefore primarily focuses on relative social mobility. It will use the term “social mobility” to refer to relative changes in economic and social outcomes, unless specified otherwise.

How much social mobility is desirable?

Identifying a “desirable”, or even “optimal”, level of social mobility is not straightforward. In public debates, social mobility is often primarily associated with *upward* mobility and hence understood as a positive concept. Conceptually, however, high chances of relative upward mobility for some group always imply also high risks of relative downward mobility for some other group. And while policy makers may well strive to do both, promote upward mobility for one group (say, children from disadvantaged families) and reduce the risk of downward mobility of another (e.g. of lower middle-class households), relative mobility is a by construction a zero-sum game society-wide.

Nonetheless, there is a strong case in favour of making societies more mobile. Greater social mobility is associated with a range of positive economic and social outcomes, including higher growth, increased social participation and greater social cohesion. A more mobile society is arguably also a fairer one, if people’s position in society is determined by their capabilities and effort rather than to result from past privilege. This speaks in favour not only of policies that promote upward mobility, e.g. by fighting social exclusion of the least well-off, but also of making efforts to prevent undue privileges for those fortunate enough to be at the top of the distribution. Certain types of social mobility may be socially undesirable, however: in particular, societies may want to limit high risks of short-term downward mobility over the life course by cushioning the negative income shocks that can arise from sickness, family dissolution or job loss, even if this comes at the cost of somewhat curtailing upward mobility.

¹ According to the 2018 OECD Risks that Matter survey, two-thirds of Austrian parents thought that they had done better in life than their parents, but less than one-third were expecting that their own children will achieve a level of status and comfort similar to the one they enjoy.

1.2.1. Inter-generational social mobility: inherited privilege and disadvantage

Earnings mobility across generations is low in Austria

Intergenerational earnings mobility is comparatively low in Austria in the sense that fathers' earnings are a strong predictor of the earnings of their prime-age children:

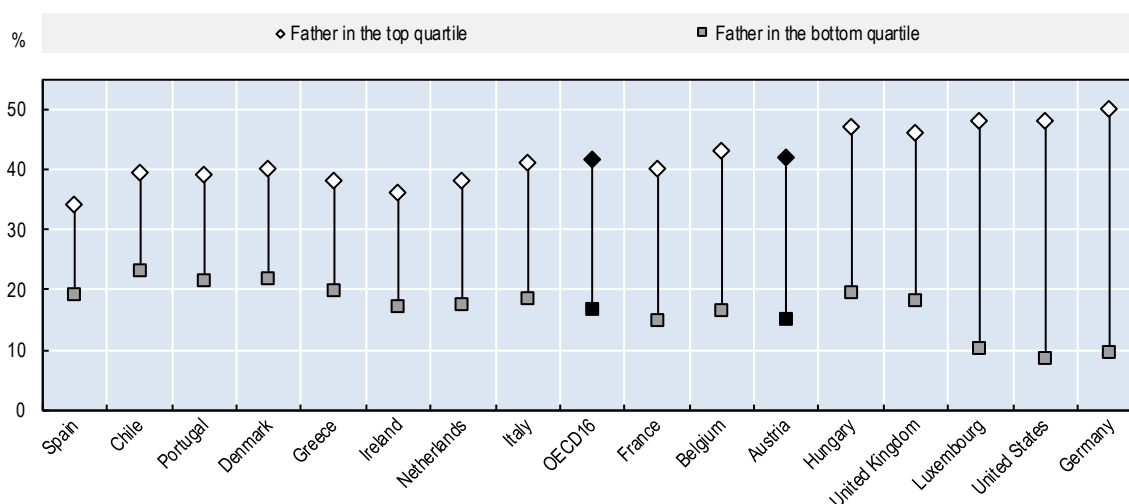
- Low upward earnings mobility at the bottom: sons of low-earnings fathers – defined here as those in the bottom earnings quartile – only have a 15% chance of making it to the top of the earnings distribution, less than in the OECD on average (17%, Figure 2.).
- Strong earnings stability in the middle: the sons of fathers in the two middle earnings quartiles face a lower risk of finding themselves in the bottom quartile than across OECD countries on average. However, they also have slightly lower chance of moving up into the top quartile than in the OECD on average.
- High earnings persistence for those at the top: the sons of high-earning fathers very likely have high earnings themselves – 42% of them reach the top quartile, about the same as in the OECD on average (Figure 2.). Still, this group's risk of dropping into the bottom quartile is higher than in the OECD on average (at 20 vs 16 %), against the broader pattern of low overall mobility in Austria.

This low earnings mobility explains why it takes so long for children from low-income households to converge towards the average income, as illustrated in Figure 1 in the Introduction.³

These above results specifically relate the earnings of fathers and *sons*, because results for daughters are generally more difficult to reliably estimate. Fewer women than men participate in the labour market – those who do, and for whom earnings can be observed, are often a more select subgroup and less representative of the overall population. Simply relating the earnings of fathers and their daughters, or mothers and their daughters, will therefore not yield results that readily compare. Much of the existing empirical literature on intergenerational earnings persistence has therefore focused on sons.

Figure 2. Upward earnings mobility across generations is comparatively low in Austria

Percentage of sons in the top and bottom earnings quartile who make it into the top earnings quartile



Note: Countries are sorted by the percentage-point gap in ascending order.

Source: OECD calculations based on the GSOEP for Germany, the PSID for the United States, the ECHP and EU-SILC 2011 module for Austria, Belgium, Denmark, France, Greece, Ireland, Italy, Luxembourg, the Netherlands, Portugal, Spain and the United Kingdom, the MHP and the EU-SILC 2011 module for Hungary, CASEN 2009 for Chile.

Earlier OECD analysis however indicates that these findings also extend to fathers and *daughters*. Indeed, econometric estimations, which account for the lower labour force participation rates of women, suggest that daughters tend to be somewhat *less* mobile than sons in Austria (OECD, 2018, p. 210_[1]). Fathers transmit an estimated 60% of the variation in their earnings to their daughters and about 48% to their sons.

Italy and Spain display a similar pattern, while earnings persistence is lower for daughters than for sons for instance in Germany and Hungary. Across all 14 OECD countries studied, there are on average no systematic differences in earnings persistence between daughters and sons.

This reflects strong persistence of occupational outcomes across generations

Low earnings mobility reflects comparatively strong persistence in occupational status between parents and their children. People in Austria whose parents were managerial or professional workers are 3.3 times more likely to work themselves in a managerial or professional position compared to those whose parents were manual workers (Figure 3.). By contrast, they are only one-third as likely to be themselves manual workers.⁴ The transmission of occupational outcomes from parents to children is stronger in Austria than in most OECD countries with comparable data, except for Portugal.

Figure 3. Occupational outcomes in Austria are highly persistent across generations

Probabilities of becoming managers or manual workers: managers’ relative to manual workers’ children, mid-2010s



Reading note: In Austria, a manager’s child is 3.3 times more likely to also be a manager than a manual worker’s child. The managers’ child is only one-third as likely as the workers’ child to become manual worker.

Note: Results are for the working-age population (25 to 59 years). Managers” refers to lower or higher managerial or professional workers, while “manual workers” refers to skilled, semi-skilled or unskilled manual workers. Parents’ occupation is measured when a child was 14.

Source: OECD calculations based on the European Social Survey, Rounds 6 to 8 (2012-16).

Strong persistence in educational outcomes across generations is one likely driver

Strong persistence in educational outcomes across generations is one likely reason for why mobility in earnings and incomes is low.⁵ In all OECD countries, children from low-educated backgrounds do on average less well at school and obtain lesser qualifications than their peers from higher-educated households. However, this gap is much larger in Austria than in the best-performing countries: Adults in Austria who grew up in a household where the parents did not complete upper secondary education have

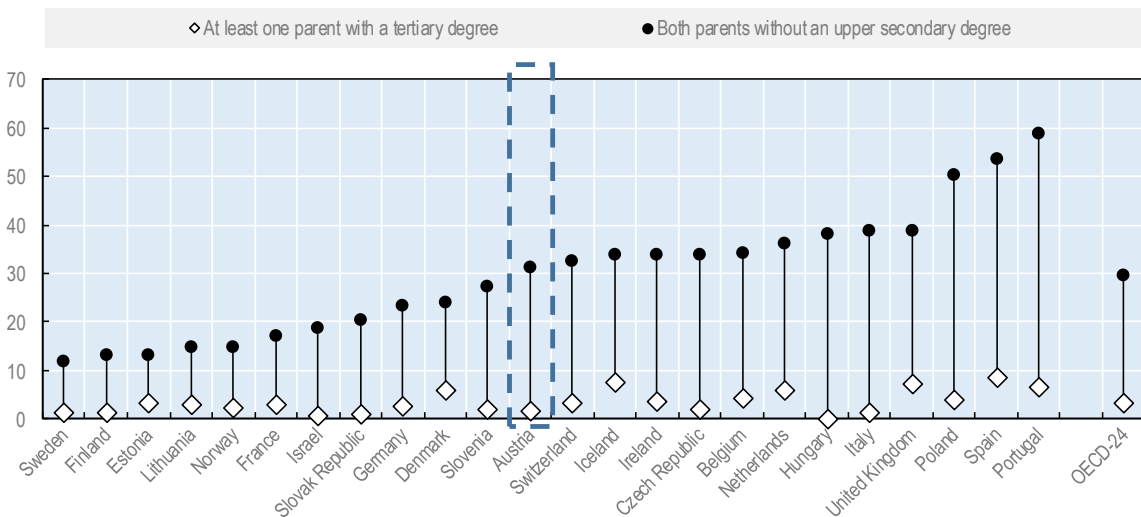
a one-in-three (31%) chance of not completing high school themselves. This compares to only 2% of adults with tertiary-educated parents (Figure 4.). For comparison, in the best-performing countries such as Estonia, Finland and Sweden, only about one-in-eight adults with parents without an upper secondary degree do themselves not have an upper secondary degree.

Similarly, the chances of obtaining a tertiary degree depend strongly on the educational background of the households: adults in Austria who grew up with tertiary-educated parents are ten times more likely to have obtained tertiary education themselves than those with parents who have not completed upper-secondary education. This is one of the highest ratios across OECD countries (OECD average of three).⁶

The finding of low educational mobility across generations in Austria compared to other countries is in line with results from earlier studies that present cross-country results (OECD, 2008^[3]; 2010^[4]; Fessler, Mooslechner and Schürz, 2011^[5]).

Figure 4. Many adults who have low-educated parents left school without an upper secondary degree themselves

Percentage of adults who have left school without upper secondary education, by parental level of education



Note: Results are for the working-age population (25 to 59 years).
 Source: OECD calculations based on the European Social Survey, Rounds 6 to 8 (2012-16).

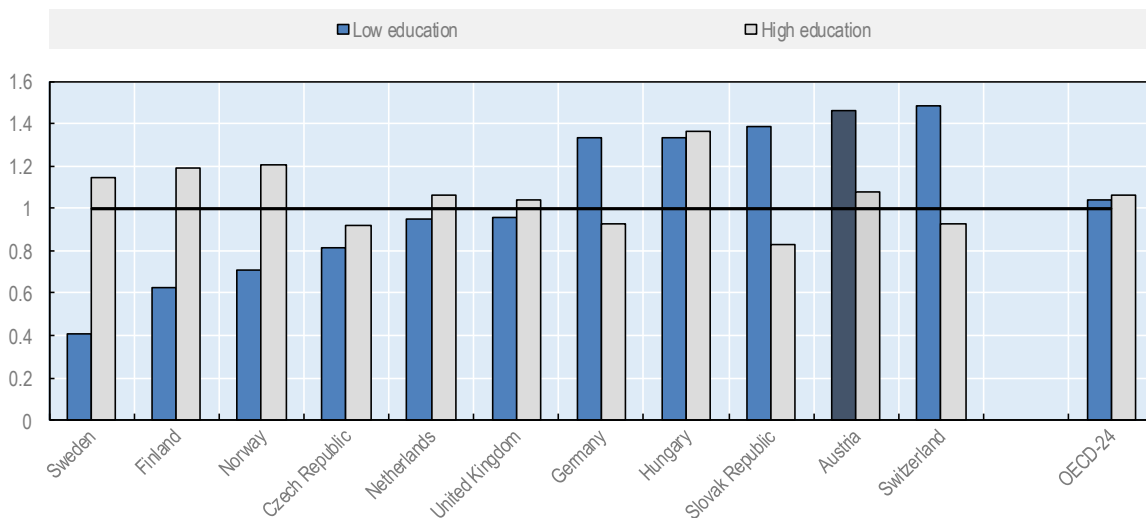
Again, the persistence in educational outcomes across generations is somewhat higher for daughters than for sons (Figure 5.). The risk of not completing upper secondary education for children of parents without an upper secondary degree is 1.5 times higher for daughters than for sons. At the same time, daughters whose parents have a tertiary degree are slightly more likely to obtain a tertiary degree themselves than sons of tertiary-educated parents.⁷

A caveat worth mentioning is that these results unfortunately have relatively little to say about the extent to which *today's educational system* in Austria succeeds or does not succeed at compensating the cognitive and non-cognitive deficits of children who grow up in disadvantaged families. The reason is that, by construction, they relate to the educational outcomes of persons who are old enough to already have completed their education, i.e. of today's *adults* and *their parents*. And evidence suggests that intergenerational educational mobility in Austria is higher for the generation born in the late 1970s or 1980s than for the post-war generations (Fessler, Mooslechner and Schürz, 2011^[5]).

The link between parental background and academic performance remains strong in Austria, however. The share of the variation in students' performance in science, maths or reading in the OECD's most recent PISA study that can be explained by students' socio-economic background is greater in Austria than in the OECD on average. The share of "resilient" students, i.e. those from disadvantaged backgrounds who score in the top quarter of science performance in their country, is relatively low (OECD, 2016^[6]; 2018^[7]).

Figure 5. Educational outcomes in Austria transmit more strongly across generations for daughters than for sons, and in particular for those with low-educated parents

Ratio of the shares of daughters vs. sons who attain the same level of education as their parents



Reading note: In Austria, the share of daughters with low-educated parents who are also low-educated is 1.5 times higher than the share of sons with low-educated parents who are also low-educated. The share of those with high-educated parents who are also high-educated is 1.1 times higher for daughters than for sons.

Note: Results are for the working-age population (25 to 59 years). Parents are low-educated if neither of them has completed more than lower secondary education; they are high-educated if at least one of them has completed tertiary education.

Source: OECD calculations based on the European Social Survey, Rounds 6 to 8 (2012-16).

1.2.2. Intra-generational social mobility: persisting privilege and disadvantage

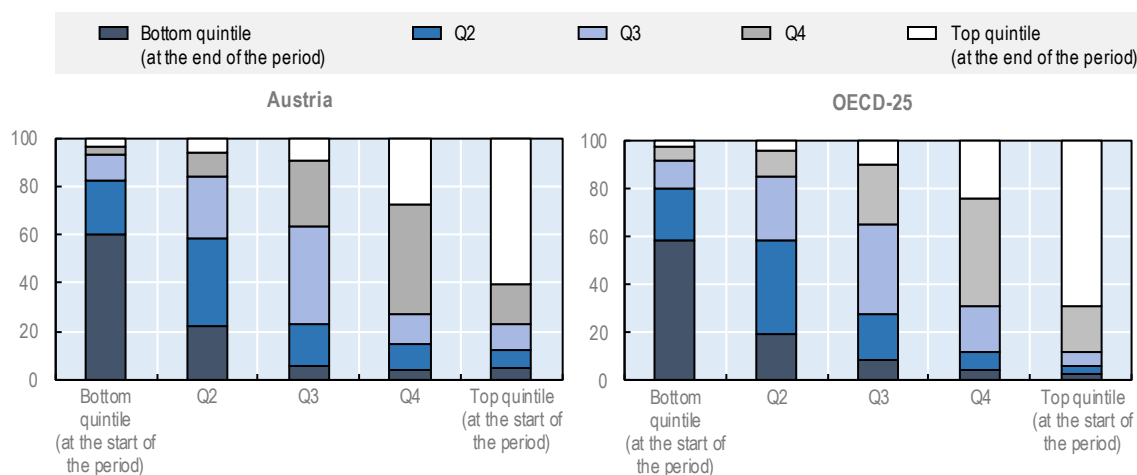
Top and bottom incomes are highly persistent over the short term, and persistence has risen since the 1990s

Across OECD countries, people's relative income positions tend to be very stable over short time horizons, in particular at the top and bottom of the income distribution. Half of all working-age adults remained in their income quintile over the four-year time span leading up to 2017 (49% in Austria, 50% across the OECD). Among those living in households with the highest incomes, i.e. people in the top quintile at the start of the four-year period, around two-thirds were still at the top at the end of the period (60% in Austria, 69% across the OECD; Figure 6., Panel A). Similarly, a majority of low-income persons, i.e. those in the bottom quintile, still found themselves at the bottom.

Figure 6. Top and bottom incomes are highly persistent over the short term, and income persistence has risen since the 1990s

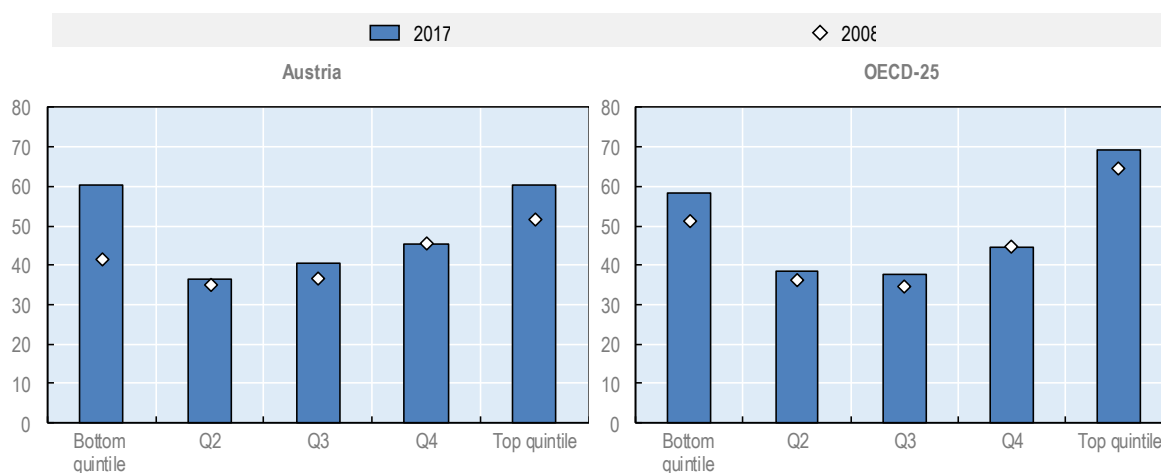
Panel A. Income mobility patterns by income group

Income transitions over a four-year period by income quintile, 2014-17



Panel B. Trends in income persistence by income group

Percentage of persons who are in the same income quintile at the start and end of the four-year observation period, 2017 and 2008



Note: Results are for 18-65 year-olds, whose income position reflects equivalised disposable household income.
Source: OECD Secretariat calculations based on the EU-SILC and national longitudinal household surveys.

Furthermore, income persistence has grown stronger over the last decade, both in Austria and across the OECD on average. Notably, chances of upward mobility have weakened for those at the bottom, while those at the top face a lower risk of losing their privileged position. In Austria, the likelihood for both low- and high-income persons to remain in their respective income quintiles has risen by 19 and 9 percentage points, respectively (Figure 6., Panel B).

The middle-income group is polarising, and downward risks are rising for the lower middle

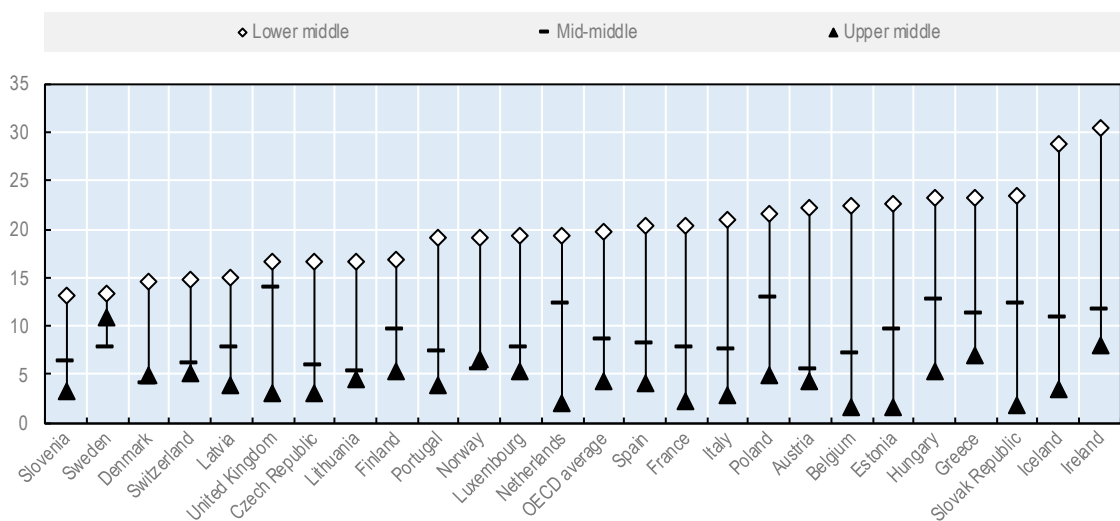
Middle-income households are generally more likely to move up in the distribution than to slide down in the short-term, but particularly the lower middle also faces substantial downward risks. One-in-five working-age persons in lower-middle income households in Austria find themselves in the bottom of the income distribution at the end of the four-year period, a little more than in the OECD on average (22% vs. 20%, Figure 7., Panel A). This is substantially more than for mid- and higher-middle income households, the third and the fourth quintiles (both around 5%, respectively).

These numbers reflect more broadly a growing divide of the middle-income group into an increasingly vulnerable lower middle and a stable mid- and upper-middle. While working-age persons from the lower middle (second quintile) have a somewhat higher chance of moving up since the 1990s, they also have a substantially higher risk of moving into the bottom quintile (Figure 7., Panel B). By contrast, for persons in the mid- and upper middle (third and fourth quintiles), downward mobility has declined and upward mobility stayed level or risen.

Figure 7. Lower middle-income households face a substantial downward risk

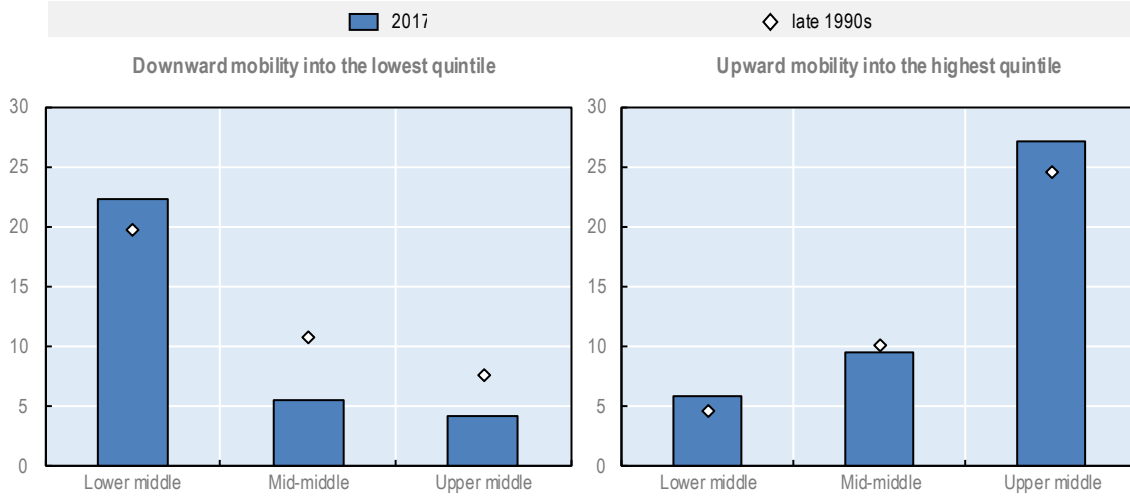
Panel A. Risk of downward mobility for middle-income households

Percentage of middle-income individuals who find themselves in the bottom income quintile four years later, 2014-17



Panel B. Trends in upward and downward mobility for middle-income households

Percentage probability of moving down into the lowest income quintile (left panel) / up into the highest income quintile (right panel) for people in Austria with incomes in the three middle quintiles, late 1990s and 2017



Source: OECD calculations based on the EU-SILC and national household surveys.

Taking up work or changing jobs are followed by rising incomes

Transitions into work or between jobs translate into rising disposable household income. A person taking up work experiences on average a 21% income boost compared to the previous year in Austria, and even around 34% in the OECD on average (Figure 8.). The effect associated alone with the rise in earnings is even greater, but it is partly compensated for through higher tax payments and an average reduction in the earnings of other household members. Also people who switch between jobs experience on average a small rise in their disposable household income, by around 7% both in Austria and in the OECD on average. This again primarily reflects the rise in earnings.

... while social transfers initially cushion the negative income effects of job loss

By contrast, losing one’s job is on average not associated with a large drop in disposable household income in the short run. Indeed, the large earnings loss suffered by people who stop working, around 30% of disposable household income, is fully compensated for by increased transfers and lower taxes as well as an increase in earnings of other household members. In Austria, the positive impact of the tax-benefit system is somewhat stronger than in other OECD countries, partly reflecting the relatively generous unemployment benefit system (see Section 1.3.4).

Figure 8. Changes in the employment status are usually associated with income increases

Percentage change in the year-on-year income following a change in the employment status, early 2010s



Note: Results are for 18-to-65 year-olds. Social transfers measure the difference between disposable incomes and the sum of all other income components and may therefore include income misreported in other categories, in particular inter-household transfers.

Source: OECD calculations based on EU-SILC and national household surveys

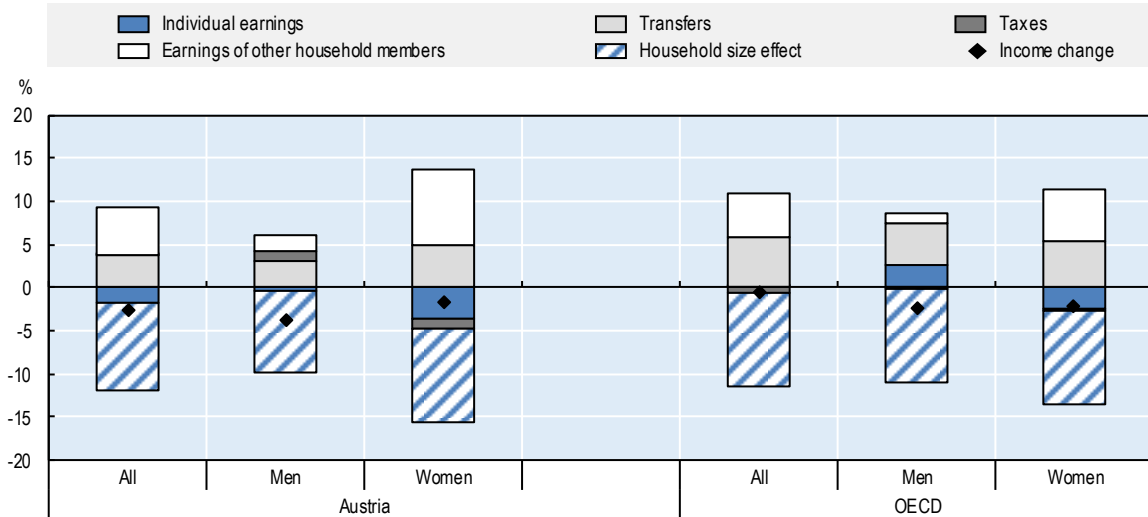
Childbirth is associated with more modest income losses but often has lasting effects on mothers' careers

Childbirth is initially, perhaps surprisingly, associated with only a relatively modest negative income effect (Figure 9., Panel A). On average, disposable household incomes drop by 3% in the year after childbirth. For mothers, earnings losses and the negative household-size effect (i.e. the effect of equalising incomes by a now-larger household size) are nearly fully compensated for by greater social transfers and higher earnings of the spouse. Furthermore, the modest size of the income effect on mothers probably also reflects the fact that not all women worked (full-time) prior to giving birth. Disposable income effects are slightly larger for men, for whom the household-size effect is not meaningfully compensated by higher earnings of the spouse.

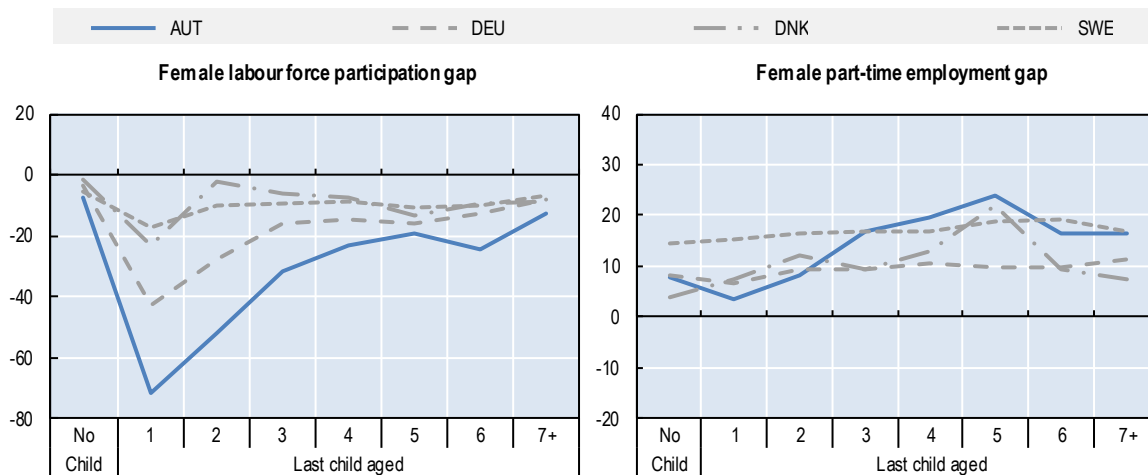
Having a child however has a substantial and long-lasting impact on women's labour market trajectories (Figure 9., Panel B). In the year after childbirth, the labour force participation rate of women in Austria drops by over 70 percentage points relative to that of men and comparable women without children.⁸ This is substantially more than in Germany (-43 percentage points) and three to four times as much as in Denmark or Sweden. And mothers are slow to return into the labour market in the subsequent years: mothers of three-year-olds still have a 32% lower probability of participating in the labour market than comparable women without children.

Figure 9. Childbirth is followed by only small income changes, but has lasting effect on mothers' labour market trajectories

Panel A. Percentage change in the year-on-year income following childbirth, early 2010s



Panel B. Percentage point marginal effect of childbirth on labour force participation and part-time work, women without and with children (by age of their youngest child) compared to men, mid-2000s to mid-2010s



Note: Panel A. Results are for 18-to-65 year-olds. Social transfers measure the difference between disposable incomes and the sum of all other income components and may therefore include income misreported in other categories, in particular inter-household transfers. Panel. B. The panels show marginal effects from country-specific probit regression models that including female cross-effects and control for age groups, educational attainment, partnership status, health status and a time trend. Results are for 20-64 year-olds. For further details, see OECD (2018^[9]).

Source: Panel A: OECD calculations based on EU-SILC and national household surveys. Panel B: OECD (2018^[9]) using data from EU-SILC and national household surveys

Many of those mothers who work do so at reduced intensity. The incidence of part-time work is more than twice as high among working women with a three-year-old child compared to a childless woman. And nearly one-out-of-four mothers of five-year-olds who work do so at reduced hours. This reflects shortages in formal childcare and the short working hours of early childhood education and care (ECEC) facilities in

Austria. More broadly, rates of part-time work amongst employed mothers are among the highest across the OECD (OECD, 2016^[9]).

Divorce is followed by large income losses on average, particularly for women

Divorce is often associated with substantial income losses. A person getting divorced in Austria is seven times more likely to experience a large income loss than someone who remains in a stable relationship. Indeed, in the year following a divorce, the household disposable income drops on average by around 18% in Austria, more than in the OECD on average (14%). This reflects the loss of the partner's earnings and some social transfers, notably family benefits; these effects are only partially compensated for through higher individual earnings, lower net taxes and a household-size effect.⁹

Women tend to suffer on average much heavier income losses following a divorce than men (23 vs 10% in Austria). As they are often the lower-earning partner in a relationship, the loss in the partner's earnings weighs more heavily. They also lose a greater amount of social transfers, presumably because some of these transfers are coupled to employment. This is partly compensated for by greater personal earnings gains after divorce for women, presumably because many increase their hours worked.

Women's long-term earnings trajectories are characterised by weaker upward mobility and greater downward risks than those of men

The survey-based income data presented thus far gave an idea of the degree of short-term income persistence and of people's vulnerability to shocks. With their short observation periods, they are not able, however, to shed any light on longer-term dynamics. Administrative data – for example from tax or social security records – can sometimes fill this gap, permitting to trace people's income or labour market situation over longer time horizons. In Austria, such data are available through the Labour Market Database (*Arbeitsmarktdatenbank*, AMDB), which is jointly administered by the Ministry of Social Affairs and the public employment service (*Arbeitsmarktservice*, AMS), and which permits constructing people's earnings trajectories over several decades.¹⁰

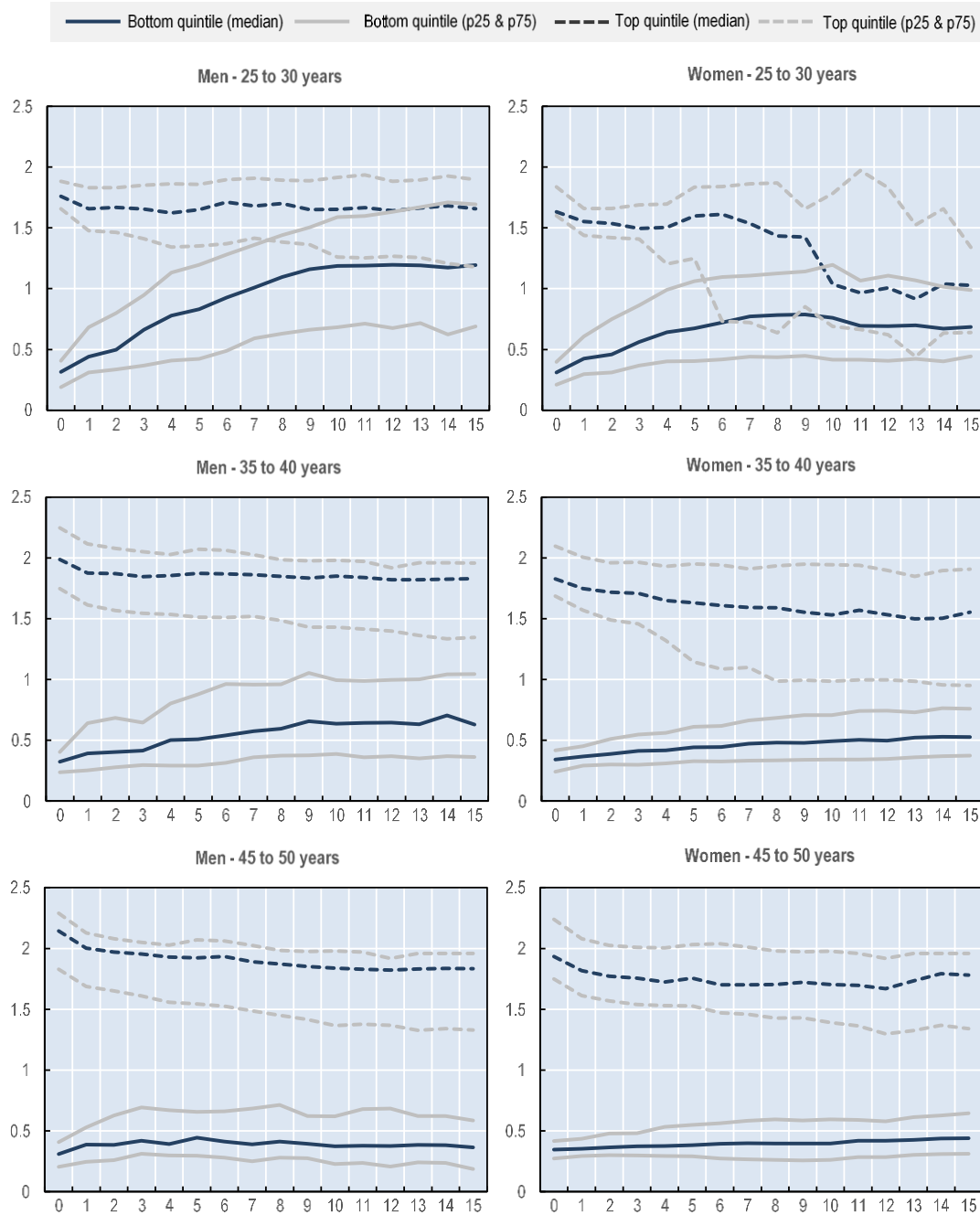
Most people's earnings remain relatively stable over longer time horizons. Earnings persistence is much lower for younger people than for prime-aged and older labour market participants, and patterns diverge between women and men.

- For young men, earnings persistence is relatively weak at the bottom but high at the top (Figure 11., top-left panel). Those who start off their careers in their late 20s with earnings in the bottom of the distribution often see their earnings strongly rise over the next decade (solid blue line). More than half of them earn more than the median once they are in their late 30s / early 40s. By contrast, those with already very high earnings in their late 20s usually stay at the top of the earnings distribution (dashed blue line).
- For young women, the pattern is the opposite, with earnings persistence being high at the bottom and much weaker at the top (Figure 11., top-right panel). Those starting off their careers in their late 20s with earnings at the bottom of the distribution usually stay there (solid blue line), as they experience much lower earnings growth than their male peers. Many of those who start their careers with very high earnings suffer a sharp earnings drop at some point over the next five to ten years (dashed blue line). This likely reflects reductions in working hours or a complete labour market withdrawal following childbirth.
- Earnings persistence is much higher for prime-age and older workers (Figure 11., middle and bottom panels). Among those in the bottom of the earnings distribution in their late 40s and late 50s, the large majority remains at the bottom over the next 15 years (solid blue line). Also those with high earnings are usually able to maintain their earnings level. Women tend to have lower

chances of upward earnings mobility from the bottom than men while facing a greater risk of downward mobility from the top – as observed for the younger cohorts.

Figure 10. Earnings trajectories of women are characterised by weaker chances of upward mobility and greater risks of downward mobility

Earnings trajectories (expressed relative to median earnings) for persons starting off in the bottom and top earnings quintiles, 15-year time period from 2000 to 2015, by age group and gender



Note: Earnings levels correspond to gross average monthly earnings of those with social insurance coverage, expressed relative to median earnings across the population in that year. The grey lines give the 25th and 75th earnings percentiles for people in that earnings group. People's allocation to the bottom or top earnings quintile is based on earnings in period 0, i.e. at the beginning of the observation period. Also age is measured in period 0.

Source: OECD calculations based on data from the Labour Market Database (*Arbeitsmarktdatenbank*, AMDB).

1.3. Policies to promote social mobility in Austria

The statistical analysis presented in the previous section indicates that there is significant scope for Austria to strengthen policies that promote social mobility, both across generations and over people's lives. Drawing on its main findings, this section discusses policies in four specific thematic areas that have been identified as crucial to social mobility in Austria. Section 1.3.1 looks at ways of helping children get off to a good start by providing quality early childhood education and care. Section 1.3.2 discusses Austria's policies for ensuring a smooth school-to-work transition for young people. Section 1.3.3 focuses on policies to achieve greater gender equality in the labour market. Section 1.3.4 looks at tax-benefit policies to protect against income shocks and reduce inequality of opportunity.

1.3.1. Providing good-quality early childhood education and care

Good-quality ECEC can be a catalyst for upward mobility. Early investment in human capital matters greatly for opportunities and outcomes later in life. There is ample evidence also that formal childcare can have large positive effects on educational performance and social outcomes in young adulthood for children from more disadvantaged backgrounds, by helping close gaps in cognitive and social skills. And indeed, preschool attendance in Austria is indeed associated with greater educational mobility (Schneebaum, Rimplmaier and Altzinger, 2015_[10]). In many countries, there is a concern however that parents from lower socio-economic backgrounds underinvest in early childhood education because they lack information or face financial constraints.

Austria's ECEC system remains highly fragmented

Austria's ECEC system is highly fragmented across the country: administration and funding fall under the responsibility of the nine Austrian provinces (the "*Bundesländer*"), which devolve much of the responsibility to the municipalities. As a result, ECEC systems vary significantly even within provinces in the naming, availability and costs of services, opening hours and class sizes. The provinces and the federal government can jointly agree on common basic standards or policies, as in case of the compulsory kindergarten year for five-year-olds and federal funding provided for expanding ECEC and for children's language training.¹¹

Austria has substantially invested in ECEC, but enrolment remains low for below-three year-olds

Austria has taken important steps over the last decade to raise the traditionally low ECEC participation rates. In 2010, Austria made kindergarten compulsory and free for all five-year-olds for at least 20 hours per week.¹² Public spending on ECEC nearly doubled over the last decade, from 0.28 to 0.51% of GDP between 2005 and 2015 (OECD, 2018_[11]).

While those measures appear to have had the desired effect of significantly raising ECEC participation, Austria continues to lag many OECD countries in terms of ECEC participation in particular for the very youngest:

- Participation rates are relatively high for three-to-five year-olds: about 90% of children in that age group participated in pre-primary education in 2016, an increase of nearly 15 percentage points since 2005.¹³ This figure now puts Austria above the OECD average of 86%; a number of European

countries however attain rates above 95%, including Belgium, Denmark, France, Spain and the United Kingdom. Participation is indeed nearly universal for the five-year-olds who fall under the compulsory kindergarten year, at 97% in 2016.¹⁴

- Participation rates remain low for below-three year-olds: 23% attended formal childcare in 2016, 10 percentage points more than in 2010.¹⁵ The figure however remains substantially below the OECD average of 34% or rates of above 50% in France, Luxembourg, the Netherlands, Norway or Sweden and even above 70% in Denmark (see Table 1).

Furthermore, ECEC participation rates vary significantly across regions, reflecting economic and social disparities as well as differences in the ECEC provision. The share of below-three year-olds participating in formal childcare is three times higher in Vienna (at 44%) than in the provinces of Styria and Upper Austria (at 15% and 16%, respectively; Statistik Austria (2018_[12])).

By contrast, children's likelihood to participate in formal childcare does not appear to depend very strongly on parental background. While small sample sizes imply that available data on ECEC participation by socio-economic background have to be read with care, available evidence suggests that ECEC participation of below-three year-olds in Austria does not strongly relate to either parental income or the mother's level of education (Table 1). Also, the expansion of ECEC over the last decade appears to have benefited children from households at-risk of social exclusion as those from better-off families to similar extents (Till, Klotz and Siegert, 2018_[13]). Socio-economic differences in ECEC participation are more pronounced in some countries where participation rates are higher, such as in the Netherlands. This suggests that a challenge for further expanding ECEC in Austria will be to reach out to more disadvantaged families, including those with a migrant background, to ensure that their children participate.

Table 1. Participation in formal childcare is low in Austria but does not depend strongly on socio-economic background

Participation rates for 0-to-2 year-olds in formal childcare and pre-school services in percent, selected OECD countries, 2015/16

	Overall	By equivalised household disposable income			By mother's level of educational attainment	
		1st tertile (lowest)	2nd tertile	3rd tertile (highest)	No tertiary education	With tertiary education
Austria	23	21	24	25	21	27
Denmark	74	69	77	76	76	74
Netherlands	57	39	60	71	44	68
Norway	53	49	51	58	49	56
Sweden	57	54	59	58	59	57
OECD-24 average	34	27	35	43	31	42

Note: Results give an average for the years 2015 and 2016. Data for pre-school services include children using centre-based services (e.g. nurseries or day care centres and pre-schools, both public and private), organised family day care, and care services provided by (paid) professional childminders, and exclude those using unpaid informal services provided by relatives, friends or neighbours. Equivalised disposable income tertiles are calculated using the disposable (post-tax-and-transfer) income of the household in which the child lives.

Source: OECD calculations based on the EU-SILC.

Parents struggle with an insufficient supply of childcare places and inflexible opening hours

Parents who would like to send their child into formal childcare struggle with insufficient places and inflexible opening hours. In spite of the recent public investments, demand for formal childcare for below-three year-olds generally exceeds supply, also because cohort sizes have risen in recent years. Across

Austria, parents usually have to prove that they work – in many cases work full-time – to obtain a place in childcare for their young children. Yet, the restrictive opening hours of many ECEC facilities make it difficult for parents to take up full-time work. Below-three year-olds in Austria who visit a formal childcare institution stay for fewer hours than in nearly all other OECD countries with available data, on average 20 hours in a usual week, compared to 30 across the OECD (OECD, 2016^[14]). And while cities like Vienna provide childcare all year around, many smaller municipalities have to close their centres during school holidays. Meanwhile, long parental leave durations reduce the incentives for both parents to work (see Section 1.3.3).

The costs of ECEC appear to play a lesser role, though the situation can vary greatly across provinces. Many provinces offer public *kindergarten* places for only a small fee (e.g. around EUR 20 per month for the half-day care of three-to-five year-olds in Vorarlberg) or free of charge (as in Lower and Upper Austria for half-day care from the age of 2.5 and in Tyrol from the age of four). The costs of public childcare for the youngest can be more substantial, however: in Vorarlberg, full-day early childcare for one-year-olds can cost up to EUR 345 per month, though lower-income families pay lower fees and childcare is essentially free for the poorest 20%. At the opposite end, the Burgenland and Vienna offer both public childcare and *kindergarten* for free, though parents have to cover the cost of meals and places are limited.¹⁶

Until the end of 2018, families could deduct childcare costs up to a level of EUR 2 300 per child below the age of 10 per year from the income tax base. Austria abolished this provision with the introduction of the new *Familienbonus Plus* tax credit in 2019 (see below).

Teacher numbers have risen, but the shortage of qualified staff is a challenge

The significant investments into ECEC have permitted Austria to increase staff numbers and hence improve children-to-teacher ratios, particularly at pre-primary level. The number of teachers in pre-primary education rose by 48% between 2005 and 2016, implying a 21% reduction in the number of children per teacher. Both in early childhood education and pre-primary education, the ratio of children to teaching staff in Austria was broadly in line with the average across OECD countries with available data (OECD, 2018^[15]).

The shortage of qualified childcare staff has however become a challenge for securing good-quality services, and even more so for further extending the provision of formal childcare. The average entry pay in the profession tends to be low: while no internationally comparable figures are available, the AMS reports gross starting salaries for elementary pedagogues of on average around EUR 2 200 plus bonuses in its career compass (Arbeitsmarktservice, 2018^[16]). Pay levels vary across provinces, however, depending on the applicable collective agreements. Most elementary pedagogues complete a five-year training at colleges for higher vocational education (*Berufsbildende Höhere Schulen*, BHS). These programmes start after year 8 and provide students with both a general and vocation education. In addition to the higher vocational degree, they provide a high-school leaving certificate (*Matura*) that permits admission to higher education. *Kollegs* offer two-year post-secondary programmes for those who already have obtained a *Matura*. Many ECEC institutions also employ pedagogic assistants, for whom nationally standardised training programmes were only recently introduced in form of the three-year pedagogical assistance training (*Fachschule für pädagogische Assistenzberufe*) established in 2019.

In a context of low unemployment and an unmet demand for skilled employment in the Austrian economy, childcare facilities therefore have substantial problems finding and retaining qualified staff. The municipalities often compete for staff by offering additional in-kind benefits. Still, many staff move to provinces where salaries are higher, go abroad, or move into sectors that offer better perspectives. Young people who complete their training often move on to pursue tertiary studies: in Vorarlberg, for instance, only half of the graduates actually start working.

Further investments will be needed to improve the quality and status of childcare institutions

Further raising low childcare participation rates and addressing shortages in qualified staff will require improving the status of formal childcare and of the teaching profession (OECD, 2019^[17]). In the public eye, ECEC institutions for the youngest are too often still perceived as primarily providing “care” rather than “education”. This reflects a lack of uniform quality standards across provinces, who are responsible for the contents and implementation of ECEC, and the low education requirements for childcare pedagogues.

Addressing those issues may ultimately require a debate about whether a part of the responsibility for ECEC should be shifted from the provincial to the federal level. This would permit setting common quality standards across provinces and increasing the required education level, and consequently pay, of childcare pedagogues to boost the attractiveness of the profession. In return, federal authorities would have to contribute to the costs for hiring and training additional pedagogues, providing more flexible opening hours and improving childcare coverage in rural areas.

Indeed, even after the recent rise in public expenditures for ECEC, Austria has substantial scope to increase spending further: the Nordic countries, France and Korea currently spend two to three times as much as Austria on ECEC relative to their GDP (OECD, 2018^[11]).

1.3.2. Promoting a successful school-to-work transition

Young people in Austria generally fare well at school and in the labour market, though early school leaving rates remain too high

Young people in Austria generally fare relatively well at school and in the labour market. In the most recent PISA assessment carried out in 2015, 15-year-olds hold a mid-table position, performing a little above the OECD average in mathematics and science and somewhat below the average in reading (OECD, 2017^[18]).

Similarly, young adults (16-24 years) in Austria show average proficiency in literacy and problem-solving and above-average proficiency in numeracy in the OECD Survey of Adult Skills (OECD, 2013^[19]). Upper-secondary graduation rates have been rising, and the share of young people who are not in employment, education or training (NEET) is lower than across the OECD on average, at 10.4% among 15-29 year-olds in 2018 (OECD average of 12.8%; OECD (OECD, 2019^[20])).

Yet, Austria could do more to ensure that all young people obtain an upper secondary degree and make a successful school-to-work transition. Still more than one-in-ten young people between the ages of 25 and 34 years do not have an upper secondary qualification (11% in 2017, 15% in the OECD on average). These early school leavers face a five times greater risk of being not in employment, education or training (NEET) than their better-educated peers.¹⁷ They will also likely have much greater troubles finding and retaining quality employment throughout their career in Austria’s knowledge-based economy. Young people with an immigrant background face a particular risk of not having an upper secondary degree: the early school leaving rate in Austria was 3.5 times higher for migrants than for natives in 2017, compared to a ratio of only two to one across the EU on average (Eurostat, 2019^[21]).¹⁸

Equity in education is low in Austria

One factor is that educational outcomes of young people in Austria depend more strongly on the socio-economic background than across the OECD on average. In the 2015 PISA study, 16% of the variation in student test scores was explained by socio-economic status, compared to 13% in the OECD on average (OECD, 2017^[18]). The share of “resilient students”, i.e. those from disadvantaged backgrounds who perform very well at school¹⁹, is lower in Austria than in the OECD on average (19% vs 26%, OECD (2016^[6])). Furthermore, Austria’s gender gap in science performance is the largest across OECD countries,

and it has substantially increased over the last decade. And while the migrant-native gap in test scores is similar to the OECD average, Austria has a relatively large migrant-native gap in grade repetition.

The early tracking of students in secondary schools makes it harder for children from disadvantaged backgrounds to catch up with their better-off peers

One likely reason for the low equity in Austria's education system – and hence for the low educational mobility documented in Section 1.2.1 – is that Austria “tracks” pupils with the start of secondary education at the young age of 10 years (compared to an OECD average of 14). Empirical studies from countries such as Finland, Germany, Sweden and Switzerland suggest that the early sorting of students into different tracks or schools based on their ability is associated with a stronger transmission of advantage or disadvantage across generations (see D’Addio (2007^[22]) and Causa and Johansson (2010^[23])). Early tracking reduces opportunities for day-to-day interaction of children from different social backgrounds and hence creates obstacles for children from disadvantaged backgrounds to catch up with their peers from better-off families. Evidence from PISA also suggests that students’ motivation to learn mathematics is lower in education systems that sort and group students into different schools or programmes (OECD, 2014^[24]). And while students’ selection into different tracks is formally based on academic achievement and teachers’ recommendation, socio-economic background plays an important role in families’ choice of the track the students should attend after finishing primary education (OECD, 2017^[18]).

The recent “training obligation” and “training guarantee” should further reduce early school leaving

To reduce early school leaving, Austria recently introduced a “training obligation” for all young people up to the age of 18 years (*Ausbildung bis 18*). Since July 2017, all teenagers are required to continue education or training after having completed the nine years of compulsory schooling by attending a general or vocational upper secondary school, through an apprenticeship or through some other type of training.²⁰ A reporting system is in place to ensure that all young people who fall under the training obligation but who have been out of education or training for a period of four months are contacted by provincial co-ordinators who help them return to education or training. The training obligation can be an important step to boost completion rates, not least by sending a clear signal to educational authorities, parents and students alike that reducing early school leaving is a policy priority. Parents who fail to help ensure that their children fulfil their training obligation can be subject to sanctions.

Beyond the “training obligation”, Austria also introduced a “training guarantee” in 2017, aimed at young adults up to the age of 25 who are unemployed or do not have secondary education attainment (*Ausbildungsgarantie bis 25*). This programme of the public employment service consists of a package of training measures and reached about 18 000 young adults in 2018. There is scope to intensify this programme.

Austria should improve funding for disadvantaged schools

Austria could improve educational outcomes for weaker students by more systematically channelling funding to schools with a greater share of students with low socio-economic status. While educational spending at secondary level in Austria is among the highest across OECD countries, at about USD 15 500 per student per year (OECD, 2018^[25]), the Austrian educational funding system only permits to a very limited extent that greater resources be allocated to schools with a larger share of students with low socio-economic status. Additional funds could help improve educational outcomes of students in disadvantaged schools if they were used to reduce class sizes, improve the infrastructure or hire specialised support staff, such as social workers or school psychologists.

One suitable solution, which had been on the Austrian policy agenda already in the past, is the so-called “index-based financing”, which links school funding to a social index of the degree of disadvantage among students (Bacher, 2014^[26]; Bruneforth et al., 2016^[27]). Such index would be calculated on the basis of the educational and occupational profile of the students’ parents as well as indicators for migration background and language. A challenge for implementing such an approach would be that in the absence of meaningful additional funding, allocating greater resources to disadvantaged schools would require cuts in funding for schools with on average better-off students, i.e. typically the upper-tier general education schools (*Allgemeinbildende Höhere Schulen*, AHS). Evidence from the United States suggests that equalisation of revenues and expenditures across school districts within each US state has a large positive effect on intergenerational income mobility, especially for low-income students (Biasi, 2019^[28]).

Detailed information on school-level performance is available to the educational authorities through the so-called Educational Standards (*Bildungsstandards*), tests carried out by all students in 4th and 8th grade. These data are used to identify under-performing schools and they are shared with the school leadership, though not with the public.²¹

Austria’s vocational education and training system is an engine of social mobility

Austria’s vocational education and training (VET) system is an important factor for the good labour market performance of young people in Austria. It offers an attractive pathway into employment, helping students develop the skills required in the labour market and providing them early with relevant work experience. The relevance and attractiveness of VET in Austria is reflected in one of the highest vocational education enrolment rates across OECD countries, with over two-thirds (69%) of upper secondary students in Austria following vocational programmes in 2016.

In particular, Austria’s strong apprenticeship system permits many vocational students to directly develop their practical skills on the job: nearly half of all upper secondary students in VET, or 32% of all upper secondary students, combined school and work-based training in 2016. Close to three-quarters (73%) of young people who completed an apprenticeship in 2015 were employed 18 months later, with a median duration until finding a job of less than two months. The median salary was EUR 2 100, compared to EUR 2 900 for tertiary graduates (Statistik Austria, 2019^[29]).

A major challenge to maintain the attractiveness of VET in Austria and its role for upward mobility will be to adapt the system to the changing world of work. Changing labour market demands can lead to a mismatch of skills. The content of modernised or new VET programmes need to reflect this, in the line of but going beyond the VET reform 2017 (*Lehrberufspaket*) which adapted eight of the around 200 VET programmes to the digitisation of skills. There is also the issue of regional mismatch to tackle, with larger VET programme supply in Western than in Eastern Austria.

Tailored solutions exist for young people who are not ready to participate in VET

As in most countries, a significant minority of young people in Austria leave school without having acquired basic numeracy or literacy. Among 16-24 year-olds, 12% score at level 1 or below in the OECD Survey of Adults Skills, meaning that they are typically able to deal with only short texts and have difficulties with paraphrasing or low-level inference (OECD average of 14%). The same share, 12%, attain no more than level 1 in numeracy, implying that they have at-best a very basic understanding of mathematical processes (19% in the OECD on average, OECD (2016^[30])). These young people will have great difficulties finding an apprenticeship place as the skill demands of employers have been rising.

Austria offers tailored solutions to help these young people build up skills and find their way back into education or the labour market. For students who do not find an apprenticeship place with a company or fail to complete their apprenticeship, AMS offers what is essentially a “VET guarantee” through supra-company training centres (*überbetriebliche Lehrausbildung*). These centres sign an apprenticeship

agreement with the young person and provide vocational training until the student can be placed for an apprenticeship with a company. Students who cannot be successfully placed obtain a standard vocational degree directly through the training centre, typically after three years.

So-called production schools (*Produktionsschulen*), introduced in 2014, have proven an effective follow-up option for highly disadvantaged young people who cannot be directly connected with an employer for an apprenticeship. They provide tailored support to young people up to the age of 21 years who have learning difficulties or social and emotional disadvantages, helping them to develop their basic and social skills with the aim of helping them find their way back into education and eventually participate in the labour market.

The Youth Coaching is an innovative solution for bringing social support to disadvantaged students and NEETs

Austria provides career orientation and social support to disadvantaged young people (14-24 years) through the Youth Coaching programme with the aim of preventing school drop-out and re-connecting out-of-school youth with the educational system or the labour market.²² The support that a young person receives can differ in intensity and depends on the individual circumstances. It can range from simple one-on-one counselling for up to eight hours (“stage 1”) to more intensive counselling (“stage 2”) and eventually intensive case management for up to one year (“stage 3”). With the introduction of the “training obligation”, all young people are now required to follow an education until they turn 18; youth coaches therefore often focus on helping their young users switch a training programme that they are not happy with.

The Youth Coaching closely collaborates with secondary schools all across Austria to inform young people about the programme and reach out to those who may require support. Depending on the school type and size, youth coaches may be present at a school for just a few hours per week or for several hours every day. During this time, they advertise the programme in classrooms, co-ordinate with teachers and offer drop-by consultations for students. Youth coaches also try to inform parents about the programme. Increasingly, the Youth Coaching moreover focuses on reaching out to out-of-school young people, e.g. by being present in youth centres. NEETs account for about 17% of the total caseload, and often require support that is more intensive than for the majority of users.

The Youth Coaching is partially ESF-funded (hence until 2020) and delivered through private not-for-profit providers, who have to participate in a public call to be selected for the programme. There are currently about 450 full-time equivalent Youth Coaches in Austria with diverse professional backgrounds (social workers, psychologists, but also other qualifications). This should be an asset for providing comprehensive services to the young users. Many youth coaches moreover have special foreign language skills including in Turkish, Bosnian, Serbian, Croatian or Farsi, which helps them work with users that have a migrant background. There are around 51 000 programme participations per year – the number of participants is slightly lower.

1.3.3. Achieving greater gender equality in the labour market

The Austrian labour market is characterised by substantial gender inequalities. The gender gap in labour income (GGLI), which summarises in one number the combined effect of gender gaps in employment rates, hours worked, and hourly earnings. In Austria, it lies above the OECD average, at 43% vs. 41%, compared, for example, to only 19% in Slovenia (OECD, 2018^[8]). In Austria, it results primarily from gender disparities in hours worked and hourly pay, as opposed to employment rate differentials. While the employment rate of women is higher in Austria than in the OECD on average, this is related to the higher share of part-time employment. As nearly all OECD countries, Austria made some progress over the last decade in reducing the GGLI, yet this decline was relatively modest in international comparison (-3%, compared to -5% in the OECD average).

These disparities primarily reflect gender patterns in the labour supply of couples with children (OECD, 2015^[31]). Women in Austria still tend to withdraw from the labour market upon childbirth, with many remaining inactive for years or returning only for part-time work (Figure 9., Panel B). For couples with children, the traditional one- or one-and-a-half-earner model remains the norm: among children below the age of 14 living in couple households, only about one-in-four children live in households where both parents work full-time (OECD, 2016^[32]). This pattern immediately translates into earnings: the GGLI in Austria is still among the lowest across OECD countries for young people in their 20s, but jumps up for those in their 30s and early 40s.

While these large gender disparities partly reflect traditional views about gender roles in society²³, and particular the role of mothers, they also result from policy factors. This includes an insufficient availability of childcare solutions (Section 1.3.1) and relatively weak incentives for a more equal sharing of family and work responsibilities through the tax and benefit system.

The Austrian parental-leave system encourages part-time work and provides relatively weak incentives for parents to share caring responsibilities

Austria provides relatively generous parental-leave benefits in form of the so-called childcare allowance (*Kinderbetreuungsgeld*), which unlike in many other OECD, can be received irrespective of a previous employment history. Following a recent reform, parents with children born after March 2017 can choose between two payment options:²⁴

- a flat-rate allowance up to until 12 to 28 months after childbirth (if one parent takes childcare leave) or 15 to 35 months (if both parents take leave), with 20% being reserved for the second partner. For the shortest variant, the flat-rate payment corresponds to about EUR 1 030 per month, exempt of taxes and social-security contributions. This option is typically more attractive for low-income parents, those who continue working part-time and those without a previous employment history;
- an income-related benefit (if parents were previously employed), payable for the first 12 months if one parent takes leave or up to 14 months if the two parents share the paid leave. This benefit replaces 80% of previous earning up to a level of EUR 2 000 per month and is again non-taxable. This option is more advantageous for middle- and high-income parents.

These payments are available irrespective of whether or not the young child participates in formal childcare.

The impact of the recent childcare allowance reform has not been evaluated yet. However, the features of the Austrian parental-leave system likely contribute to the high rates of inactivity or part-time employment of mothers and to low participation rates in formal childcare (see Section 1.3.1). Besides long payment durations and relatively generous payment levels, recipients of the childcare allowance benefit from significant earnings disregards. Recipients of the flat-rate allowance are entitled to earn up to 60% of previous earnings (if they had any), but a minimum of EUR 16 200 per year; those receiving the typically more generous income-dependent childcare allowance benefit from an earnings disregard of EUR 6 800. Given the limited availability of formal childcare in cases where not both parents work full-time, this makes arrangements attractive in which one of the two partners – typically the mother – works part-time or not at all and provides informal day care at home.

The system also provides only weak incentives for an equal sharing of caring responsibilities. Both the flat-rate and the earning-related option dedicate a certain share of the payment period to the second partner on a use-it-or-lose-it basis. There are a few explicit incentives, however, for the second partner – typically the father – to extend their parental-leave period beyond these two or three months. Independently of the option chosen, Austria pays a partner bonus to parents of children born from March 2017 who claim the childcare allowance in almost equal parts, i.e. at-most in proportion 60-40. The bonus amounts to EUR 500 per partner, i.e. about 1% of the average gross annual wage in Austria.

Also the tax system creates disincentives for second earners to work full-time

Gender inequalities in the labour market also reflect that the Austrian tax and benefit system is quite advantageous for one-and-a-half-earner couples, even after the recent tax reforms.²⁵

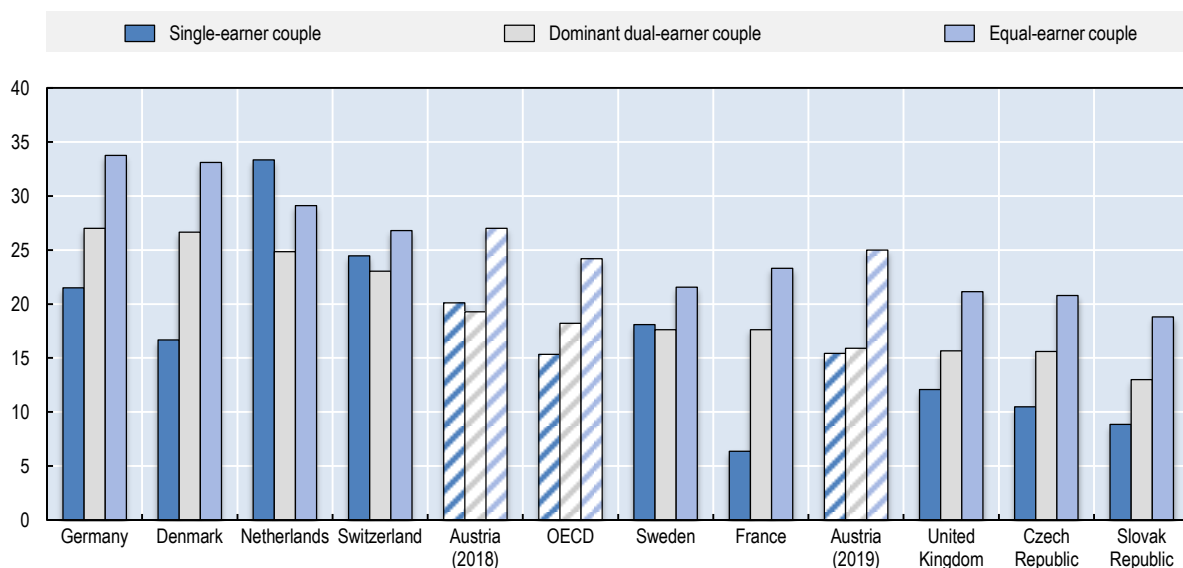
Generally speaking, Austria's individual-based system of income taxation, with its personal and child tax allowances, favours the work incentives of second earners compared to family-based systems of taxation. The 2019 tax reform moreover significantly lowered the tax burden for families. It replaced the previous child tax allowance (*Kinderfreibetrag*) by the *Familienbonus Plus*, a tax credit of EUR 1 500 per child.

Still, second earners in Austria have comparatively weak financial incentives to work full-time. Simulations using the OECD tax-ben model demonstrate that a family's net tax burden relative to gross household earnings increases only slightly when a non-working spouse takes up part-time work, e.g. from 15 to 16% if the spouse starts working at 33% of average earnings for a full-time worker (Figure 11.; scenario: couple with two kids, the main earner works at 100% of average earnings). However, it rapidly grows if the second earner further increases earnings, reaching 25% at 100% of average earnings for a full-time worker. The tax system was even more beneficial for dominant dual-earner couples before the 2019 reform, when a family's relative net tax burden would even slightly *decline* when a non-working spouse took up part-time work.

The 2019 tax reform brought about significant reductions in the tax burden for all three types of working families – the single-earner couple, the “dominant” dual-earner couple, and the equal-earner couple. However, the tax burden drops more strongly for single-earner couples (-5 percentage points) than for couples where the spouse works part-time (-3) or full-time (-2). Following the reform, a couple's average payments to government are now in line with the OECD average for single-earner couples (at 15%), lower than in the OECD on average for “dominant” dual-earner couples (16 vs 18%) and slightly higher than in the OECD on average for equal-earner couples (25 vs 24%).

Figure 11. The Austrian tax-benefit system is beneficial for one-and-a-half-earner couples even after the recent tax reform

Average payments to government of couples as a percentage of gross household earnings, by earnings level, 2019 (2018 and 2019 for Austria)



Note: Single-earner couples have an income of 100% of the average wage. Dominant dual-earner couples have an income of 100% + 33% of the average wage. Equal dual-earner couples have an income of 100% + 100% of the average wage. The couples are assumed to have two children age 11 and 6. Countries are ranked in descending order of average payments of “dominant” dual-earner couples. “OECD” gives the unweighted average across countries for 2019.

Source: OECD Tax-Benefit models, www.oecd.org/social/benefits-and-wages.

The attractiveness of part-time work for second earners in Austria –illustrated by the “jump” in the net tax burden when the second-earner moves from part-time to full-time work in in Figure 11.– reflects a combination of generous tax allowances and relatively high marginal tax rates in the lowest income brackets. The first EUR 11 000 of people’s individual earnings are tax-free, a limit that corresponds to about one-quarter of average earnings (OECD, 2018^[33]). Couples where the second earner’s income does not exceed EUR 6 000 qualify for an additional sole earners tax credit (*Alleinverdienerabsetzbetrag*) for each of their children.²⁶ Those features make it attractive for a second earner to work few hours.²⁷ After the first EUR 11 000, every additional Euro earned is then taxed at a rate of 25% (down from 36% in 2016), and the marginal rate rises to 35% from EUR 18 000. While second earners working part-time at 33% of average earnings (the second scenario modelled in Figure 11., about EUR 15 700 in 2018) hence still pay taxes on only a small share of their earnings, they quickly have to give up a significant part of every additional Euro earned once they increase hours worked and earnings.

The most immediate way for Austria to increase the incentives for second earners to raise hours worked would be a further lowering of the marginal tax rates or social security contributions in the lower brackets. The governing coalition is currently discussing reductions in the marginal rates of the lower three income tax brackets for 2020. A way of strengthening incentives for the second earner for families with children would be to split the *Familienbonus Plus* tax credit and reserve half of it for each earner.

Unequal working hours and lack of access to family friendly work places hinder mobility and reconciliation between work and life

Austria has a long-standing culture of long working hours among full-time employed men: they are more likely than women to work overtime (i.e. more than 50 hours a week). Long working hours can have negative consequences on health, well-being. They also reinforce the gap between men and women, for instance with respect to unpaid work and care activities.

Workplace measures encouraging a more balanced work-life balance could help men and women to reach better shared care arrangements and better welfare outcomes in general, inter alia by reducing the long working hours of men on the one hand, and by reducing the barriers to full-time employment of women on the other. Several special voluntary audit schemes in Austria aim to compare, analyse and evaluate which measures firms have in place in terms of work-life balance. However, those schemes remain voluntary. Some non-profit foundations gather information and advice proactively enterprises to improve in this direction. For instance, the NGO ABZ Austria provides information and counselling to firms on the conditions for fathers’ involvement in child care, on the basis of case studies in sectors with large male employment (Bergmann et al., 2017^[34]). The NGO Familie & Beruf Management GmbH produces a work-family index (*berufundfamilie-Index*) for Austrian enterprises (Schneider and Quednau, 2019^[35]), and the network “*Unternehmen für Familien*” documents good practices that can be shared among firms.²⁸

Care for frail elderly family members constitute an increasing challenge for reconciliation with work

A similar challenge to combine work and family life emerges in the area of elderly care. Four out of five dependant elderly are taken care of by their families in Austria – a higher proportion than in comparable countries (OECD, 2017^[36]). The general increase in life expectancy and more demanding care needs in the presence of chronic diseases create new demands on the relatives of dependant elderly. These

growing care needs require across-the-board adaptations in the publicly available care systems to support family members to better reconcile work with family life.

Indeed, about one third of family care givers are employed, and half of them hold a full-time job (Bundesministerium für Arbeit, Soziales, 2018^[37]). Since 2014, these employed care givers can claim a full- or part-time care allowance which is calculated on the basis of unemployment insurance benefit rates, for up to 6 months. Many family carers (13%) report that they have given up their job to be able to care for their elderly family members. Over half of surveyed family carers consider the amount of the care allowance insufficient to cover the care needs.

The self-assessed health status among family carers is considerably worse than among non-carers. It will need reinforced support measures to help reconcile elderly care with work, for instance by creating more awareness among employers and by allowing access to support measures to groups of workers currently excluded, such as the self-employed.

1.3.4. Designing tax-benefit policies that protect against income shocks and reduce inequality of opportunity

The tax and benefit system plays an important role in promoting upward mobility and reducing downward mobility, both over the life course and across generations. Social transfers protect against income shocks because of job loss, sickness or childbirth and hence help prevent downward mobility. They may also help promote upward mobility by helping people preserve and develop their earnings potential and by allowing them to invest in their children. Taxes not only raise the resources necessary to equalise opportunities between the disadvantaged and the better-off by financing social transfers or investments in education or health care. They also directly affect the incentives to take up work, increase hours or to accumulate wealth. If poorly designed, the tax and benefit system can stifle upward mobility by reducing work incentives and possibly reinforcing existing inequalities in opportunities.

Austria provides effective insurance against earnings losses from unemployment

Austria provides adequate income protection to persons and households affected by worklessness through its three-tier income support system. Jobseekers with the necessary employment and contribution history initially qualify for unemployment insurance benefits (*Arbeitslosengeld*, ALG), which generally replace 55% of previous net earnings. This corresponds to the OECD average in the initial phase of unemployment for a single person with previous earnings around the average wage (Figure 12., Panel A). While ALG benefits are paid for a relatively short maximum duration of 20 weeks²⁹, jobseekers who exhaust their entitlements then qualify for unemployment assistance benefits (*Notstandshilfe*, NH). NH benefits are means-tested against the recipient's and their spouse's income, typically amount to 92% of the previous ALG benefit and can be received in principle for an unlimited duration. This is relatively generous compared to most other OECD countries, where the long-term unemployed typically receive less generous social assistance benefits, possibly topped up through housing benefits.³⁰

Employable persons in low-income households who are not entitled to insurance-based ALG or NH benefits, or those with low income from such benefits or from work, may qualify for means-tested, non-contributory minimum-income benefits (*Bedarfsorientierte Mindestsicherung*, BMS³¹). Until 2019, benefit levels and eligibility criteria differed across the country: the payment level amounted to about EUR 885 for a single person in Vienna in 2019, including a 25% component earmarked for housing. Relative to the national median income, this is above the OECD average, between the level of France and Germany (Figure 12., Panel B). The recent BMS reform in 2019 (*Sozialhilfe-Grundsatzgesetz*) harmonised eligibility criteria across the country and specified a basic maximum benefit rate of EUR 885 for a single person. Many BMS recipient households have at least some earnings from work – young people and migrants without contribution history are other important recipient groups. The BMS reform has tightened eligibility criteria for persons with insufficient knowledge of German language. While the benefit rates for single

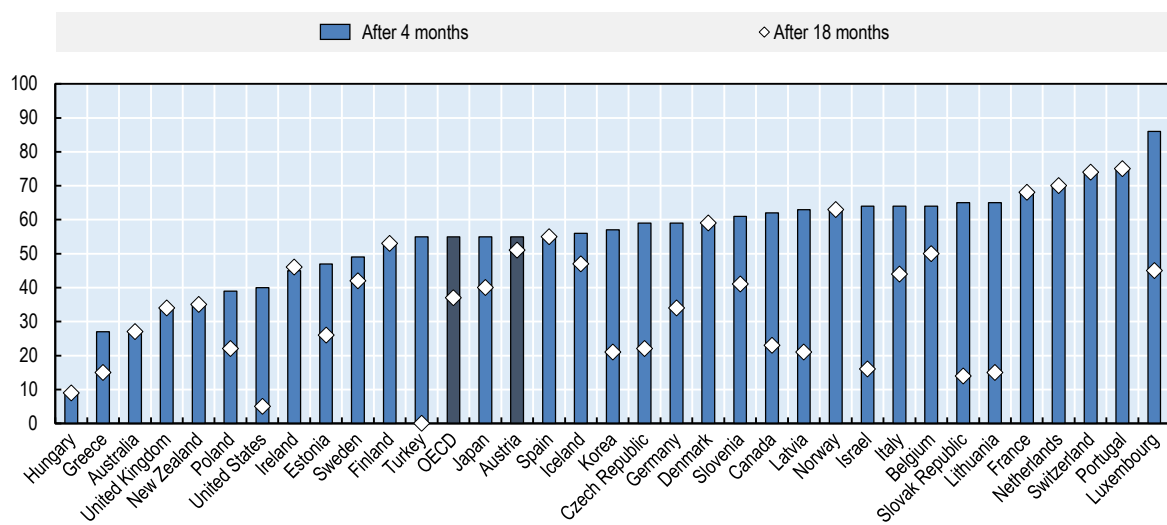
parents and people with disabilities have been increased, the maximum rates for child supplements have been designed strongly degressive, thus significantly reducing the BMS for families with several children.³² The implementation of the reform at the provincial level is scheduled for early 2020. (Parlament der Republik Österreich, 2019^[38])

The Austrian benefit system is overall comparatively effective at bolstering lower incomes – Austria’s working-age poverty rate is among the ten lowest across the OECD, at 8.7% in 2015 (the poverty rate before taxes and transfers is 20.9%).

Figure 12. Austria provides adequate income protection for the unemployed

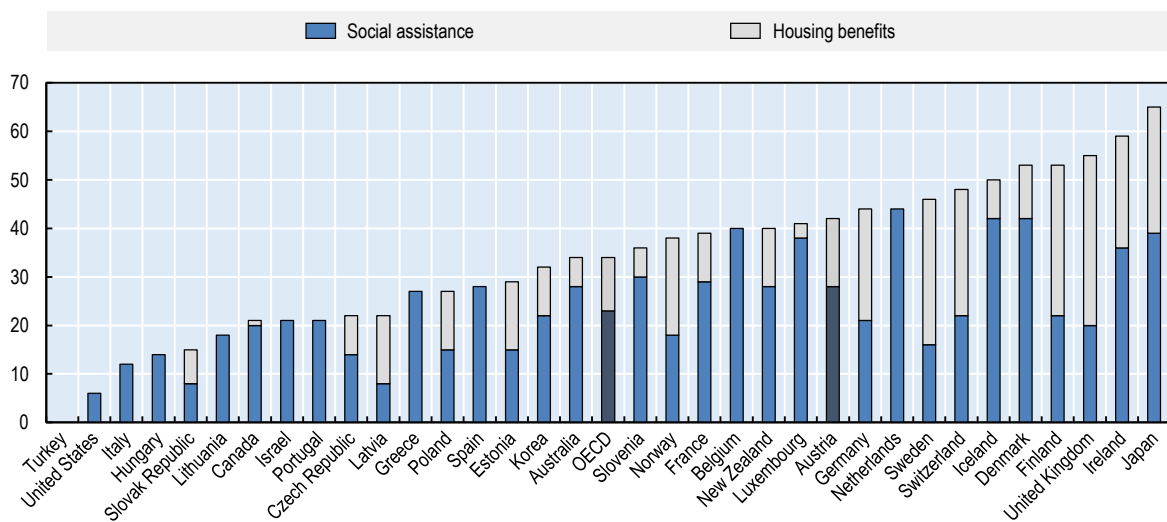
Panel A. Out-of-work benefits for jobseekers with a previous employment and contribution history

Percentage of previous net earnings replaced through out-of-work benefits in the case of worklessness, 2019



Panel B. Out-of-work benefits for jobseekers without previous employment and contribution history

Social assistance and housing benefits for a single person as a percentage of the median disposable household income, 2019



Note: Panel A: Calculations are for a single person without children with a previous earnings at the average wage. Where applicable, housing and social assistance benefits are assumed to be in payment. Panel B: For Austria, social assistance refers to the *Bedarfsorientierte Mindestsicherung*, housing benefits cover the housing component of the *Bedarfsorientierte Mindestsicherung* as well as a housing supplement for people with high housing costs, the *Mietbeihilfe*. In both cases, the simulations use the reference values for Vienna.

Source: OECD TaxBEN model, www.oecd.org/social/benefits-and-wages.htm

Austria could further strengthen employment support for jobseekers, and in particular for BMS recipients, to improve upward mobility

Activity requirements for jobseekers combined with quality employment support can be an effective means of shortening unemployment spells, thereby reducing low-income persistence and ensuring upward mobility at the bottom of the income distribution.

The activation and support of registered jobseekers appears to be a policy priority in Austria. Employable recipients of all three types of benefits (ALG, NH and the BMS) have to register with the AMS and actively seek work to obtain benefits, and they can be sanctioned for rejecting an adequate job offer. The resources available for active labour market programmes (ALMP) are broadly in line with those in comparator countries: ALMP expenditures amounted to 0.58% of GDP in 2016, one of the higher shares in the EU and more than twice that of Germany (0.26%). Part of that difference is explained by higher jobseekers numbers, however: Austria occupied a mid-table position both in terms of the number of active programme participation and expenditures for labour market interventions *per jobseeker* in 2016, in both cases only a little ahead of Germany (Eurostat, 2018^[39]; 2018^[40]).

While the Austrian provinces have long not put a lot of focus on work incentives and the systematic activation of minimum-income benefit recipients, this is slowly changing since the introduction of the BMS. Today, employable BMS recipients in principle receive the same activation and support by the AMS as recipients of insurance-based benefits (i.e. ALG and NH). The social welfare offices transmit data on employable BMS recipients to the AMS on a monthly basis; the AMS in turn uploads information on recipients' programme participation and on any potential failures to comply with activity requirements to a centralised database, where they can be accessed by the social services. In the past years and prior to the BMS reform, some of the provinces have adjusted benefit levels and introduced financial incentives to take up work. For instance, Vienna has been moving more explicitly to a "mutual obligations" approach for its BMS recipients, introduced differential benefit levels e.g. for young people and inactive recipients, and offered lump sum payments for recipients who take up work. As mentioned above, with the recent BMS reform, the federal states will have less scope to adapt benefit-related regulations at the local level. It remains to be seen to which extent the implementation of the BMS reform on the level of provinces will allow to maintain province-specific regulations. The basic benefit rate is specified furthermore as the "maximum" rate applicable, implying that provinces may offer lower but not higher rates if deemed appropriate.

There remains scope for improving employment support and for ensuring the systematic activation of BMS recipients. Caseload numbers of AMS caseworkers are too high: caseworkers in Vienna are on average responsible for around 250 jobseekers at a time, which implies that monthly interviews last around five to seven minutes each. This leaves too little time to provide good-quality job search assistance and to match jobseekers to the programmes they are likely to benefit from the most. Furthermore, there is large variation in the support and activation provided to BMS recipients. Uniform minimum standards across provinces are still lacking, be it for payment rates or in terms of recipients' rights and responsibilities. This allows the provinces to tailor the support they provide to local circumstances, but it also leads to unjustified differences in payment rates, the strictness of the means and asset test or the interest shown in monitoring and enforcing the recipients' compliance with activation requirements.

Recent reductions in the marginal tax for low income-earners should encourage (full-time) work, but those at the very bottom of the income distribution may not benefit

Austria has taken steps to reduce the tax burden of low-income earners, hence boosting work incentives and improving disposable incomes in the bottom of the distribution. In a major 2016 tax reform, Austria introduced two new tax brackets and significantly reduced the traditionally high marginal rates in the lower brackets. The reform also extended the reimbursement of social-security contributions for low-income earners. This measure essentially acts as a negative income tax, granting a credit to employees who have paid social-security contributions but whose earnings are not taxable because of their low income. Both measures increase incentives to take up work or increase hours, including for second earners. The 2019 replacement of the child tax allowance by the *Familienbonus Plus* lowered the tax burden for families with children, as illustrated in Figure 11.. While these tax reductions can be an effective means of raising incentives for (full-time) work and boosting disposable incomes at the bottom of the income distribution, they only benefit households that effectively pay personal income tax or social security contributions, hence not benefiting persons on very low earnings, including many part-timers.

Austria could consider raising property or inheritance taxes to counter high wealth concentration and help to improve social mobility

While incomes in Austria are comparatively evenly distributed (Gini Index of 0.28 in 2016, compared to 0.32 in the OECD on average), household wealth is highly concentrated. The top 10% of households in the Austrian wealth distribution held 56% of the household wealth in 2014, the 8th highest share across the 27 OECD countries for which data are available (Balestra and Tonkin, 2018^[41]). This partly reflects Austria's low rate of homeownership of around 30% - only Canada, the United States, Denmark, Norway and the Netherlands have lower shares. Across countries, more widespread homeownership is associated with a more even wealth distribution (Balestra and Tonkin, 2018^[41]; Causa, Woloszko and Leite, 2019^[42]). Conversely, financial assets, which are generally distributed more unequally, constitute a much larger share of overall gross household assets in Austrian than in other countries.

High wealth concentration is a challenge to social mobility because wealth is passed on from generation to generation through inheritances or gifts. Since more privileged households are much more likely to receive such transfers, inheritances and gifts reinforce existing privileges and advantages, such as access to better education and social networks, and compound existing economic inequalities (Reeves, 2017^[43]). Among the wealthiest 20% of households in Austria, nearly two-thirds (61%) report having received an inheritance, while only about one-in-seven (14%) of the 20% least wealthy households did so (Figure 13.). The corresponding relationship on average across 18 OECD countries are one-half (51%) to one-in-eight (12%).

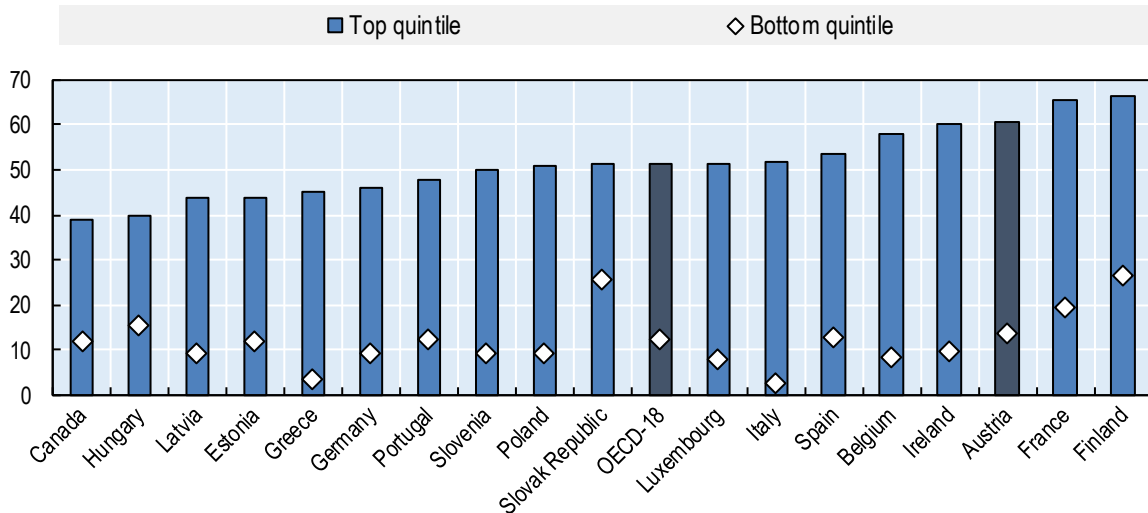
However, Austria de facto abolished its inheritance taxes in 2008 and is currently one of the few OECD countries without inheritance taxation (OECD, 2019^[44]). Therefore, bequests play a larger role in wealth accumulation in Austria than in most other Euro countries (Leitner, 2015^[45]).

Tax policy can play an important role in reducing high wealth concentration and its effects on social mobility, and a better alignment of property and in particular inheritance taxation in Austria with similar high-income OECD countries could help reduce wealth inequalities and strengthen social mobility. Recent OECD work argues that well-designed capital income taxes, including taxes on capital gains, and inheritance taxes are ideal from an equity and efficiency perspective, while taxes on net wealth are only an imperfect substitute (OECD, 2018^[46]). Austria increased capital income and capital gains tax rates and the income tax rate for the sale of real-estate property as part of the 2015-16 tax reform. However, property taxes altogether make up only the 6th-lowest share of tax revenues across all OECD countries in 2017 (OECD, 2018^[47]). Taxes on the intergenerational transmission of wealth can support social mobility by reducing the persistence of high wealth concentration over time. At the same time, they can help raise

resources that could be used, for example, to further lower the tax burden on labour income (Hagemann, 2018^[48]; OECD, 2019^[44]).

Figure 13. Wealthier households are much more likely to receive an inheritance

Percentage of households receiving inheritance, top and bottom wealth quintiles, 2015 or latest available year



Source: Balestra and Tonkin (2018^[49]) based on the OECD Wealth Distribution Database.

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Notes

¹ These findings are consistent with those from earlier cross-country studies of intergenerational transmission of income states, which show a relatively high income persistence across generations in Austria and Southern European countries and low persistence in the Nordics (Schnitzer and Altzinger, 2013^[57]; OECD, 2010^[4])

² In the previous paragraph, the first example refers to perceptions about *relative* intergenerational mobility while the second example considers perceptions about *absolute* intra-generational mobility.

³ The simulations presented in Figure 1 rely on estimates of the share of sons' earnings that can be explained by the variation in the earnings of their fathers (the so-called "intergenerational earnings elasticity"). Earnings mobility is low in Austria also by this different, more technical measure: the intergenerational earnings elasticity for Austria is 48%, compared to an average of 38% across 26 OECD countries. In other words, almost half of the earnings differential that exists among fathers carries over to their sons. The second key parameter in these calculations is the Gini Index, as a measure of income dispersion. Income inequality in Austria was lower than in the OECD on average in 2016 (Gini of 28.4 vs. 31.6 (OECD, 2018^[2])).

⁴ The likelihood of being a managerial or professional worker is 56% for managers' children, compared to a 17% chance for the children of manual workers. The chances of becoming a manual worker are 13%, respectively 45%.

⁵ Also the reverse is true in the sense that children from economically disadvantaged households have poorer schooling outcomes (Altzinger et al., 2013^[53]).

⁶ Overall, Austria's share of tertiary-educated adults is low in OECD comparison (32.4% in 2017 compared to an OECD average of 36.5 (OECD, 2019^[54])). 62% of adults with at least one tertiary-educated parents hold a tertiary degree themselves, compared to only 6% among those with parents without an upper secondary diploma.

⁷ Earlier research suggests that the father's educational outcomes tend to play a more important role than those of the mother; moreover, the persistence tends to be stronger between fathers and sons and between mothers and daughters than across genders (Fessler and Schneebaum, 2012^[52]).

⁸ The EU-SILC, which the analysis for Austria is based on, defines "Fulfilling domestic tasks and care responsibilities" as an own activity status, i.e. separate from full- or part-time employment. Mothers on maternity or parental leave will likely choose this status even if according to the ILO definition they may formally still be employed. The ILO treats people on parental leave as employed if they continue to receive at least 50% of their wage or salary from their employment or if the absence from work does not exceed three months.

⁹ To make disposable incomes comparable across households of different sizes, the income level of each household is divided by the square root of the household size. The size of a household following a divorce is usually smaller than before, which means that the numerator used to adjust the disposable household income becomes smaller.

¹⁰ For further information on the structure and contents of the AMDB, see Buzek (2017^[56]) and <https://arbeitsmarktdatenbank.at/>.

¹¹ Federal involvement in policy areas that fall under provincial responsibility was governed since 2008 by so-called "15a Agreements" (named after the corresponding article in the Austrian constitution), which the federal and provincial governments could agree on by consensus.

¹² From 2016, parents whose four-year-olds do not attend kindergarten had to participate in counselling lessons, where they learned about the positive effects of formal ECEC on the social, linguistic and cognitive skills of pre-school children. However, Austria discontinued this measure after the 2017/18 school year, because it did not have the intended effects.

¹³ National statistics even give an enrolment rate of 94% (kindergarten and school) or 95% (including professional childminders) for 2017/18.

¹⁴ National statistics again give an even higher rate of 98% to 99% in 2017/18. No data exist on the characteristics of the remaining few who do not participate. However, an exemption from the compulsory kindergarten year applies in cases where parents can demonstrate that they provide equivalent education and care at home or through nurses and under the condition that the child does not require any language support. There were about 440 such cases in 2017/18.

¹⁵ National statistics again give a somewhat higher enrolment rate of 26% to 29% in 2017/18.

¹⁶ Fees for non-public day care are jointly determined by providers and the municipalities, can vary substantially, and depend on the family's disposable income, the number of carers and the number of siblings.

¹⁷ For those in their late twenties, the NEET rate was 48% for young people without an upper-secondary qualification, compared to 11% for those with an upper secondary or post-secondary non-tertiary degree and 7% for those with a tertiary degree (OECD calculations based on the EU-LFS).

18 This number refers to the younger age group of 18-24 year-olds.

19 “Resilient” students are those in the bottom quarter of the PISA index of economic, social and cultural status in the country/economy of assessment who perform in the top quarter of students among all countries/economies, after accounting for socio-economic status.

20 There is no obligation for young people to continue education and complete a degree once they have turned 18. Also, the training obligation does not apply to young asylum seekers.

21 The Educational Standards are soon to be replaced by the Individual Competence and Performance Management (IKPMs), a similar set of tests then administered in 3rd and 7th grade, however. The idea of moving those tests forward by one year is to permit schools and teachers to still work with weaker children in primary school for one year before they are being tracked at the end of 4th year.

22 The programme builds up on an earlier initiative with the same name, which focused on young people with mental disabilities. A second similar programme, called “Clearing” ran for ten years from 2001.

23 In 2012, the last year for which data are available, nearly half of all people in Austria felt that mothers with under-school-age children should stay at home. Only 2% felt that they should work full-time, the lowest rate across the 26 countries studied (OECD, 2017^[55]).

24 The described system, including the partner bonus, applies to all children born from March 2017. A different system, with four different flat-rate options, remains in place for all children born between January 2010 and February 2017. For further information, see OECD (2018^[33]) and Rille-Pfeiffer, Dearing and Schmidt (2018^[51]).

25 For an extensive analysis of the gender implications of the Austrian tax and transfer system, see Schratzenstaller and Dellinger (2017^[50]).

26 This tax credit is non-wastable, i.e. it is paid out as a negative income tax to families with a tax burden below the value of the tax credit. It amounts to EUR 494 for the first child, EUR 175 for the second and EUR 220 for the third and any additional children.

27 Meanwhile, the design of the child tax allowance (*Kinderfreibetrag*), in which the allowance rises when it is split between partners, rewards couples with a taxable second earner. The allowance is relatively low, however, at EUR 440 if claimed by one partner and two times EUR 300 if claimed by both partners.

28 See <https://www.unternehmen-fuer-familien.at/best-practices>.

29 This is duration for persons with the standard minimum contribution record of 52 weeks in the past 24 months. Older jobseekers with longer contribution records benefit from an extended maximum payment duration, which reaches up to 52 weeks for above-50 year-olds with at least nine years of insured employment.

30 After 18 months of unemployment, a single person with previous earnings at the national average wage receives 51% of the previous earnings in Austria, compared to 38% in the OECD on average or 34% in Germany. Long-term unemployment in Austria has been on the rise in recent years, growing from 27.2 to 33.4% of total unemployment between 2007 and 2017 (31.0% in 2017 across the OECD on average; OECD (2018^[8])).

³¹ BMS replaced the nine provincial social aid regulations in 2010. While providing general minimum guidelines, benefit rates and some eligibility rules could still be defined at the level of provinces. A recent reform in mid-2019 (*Sozialhilfe-Grundsatzgesetz*) modified and harmonised benefit and eligibility rules. It will take effect in early 2020.

³² The child supplement amounts to 25% of an adult's benefit rate for the first child, 15% for the second child, and 5% for the third and further children.