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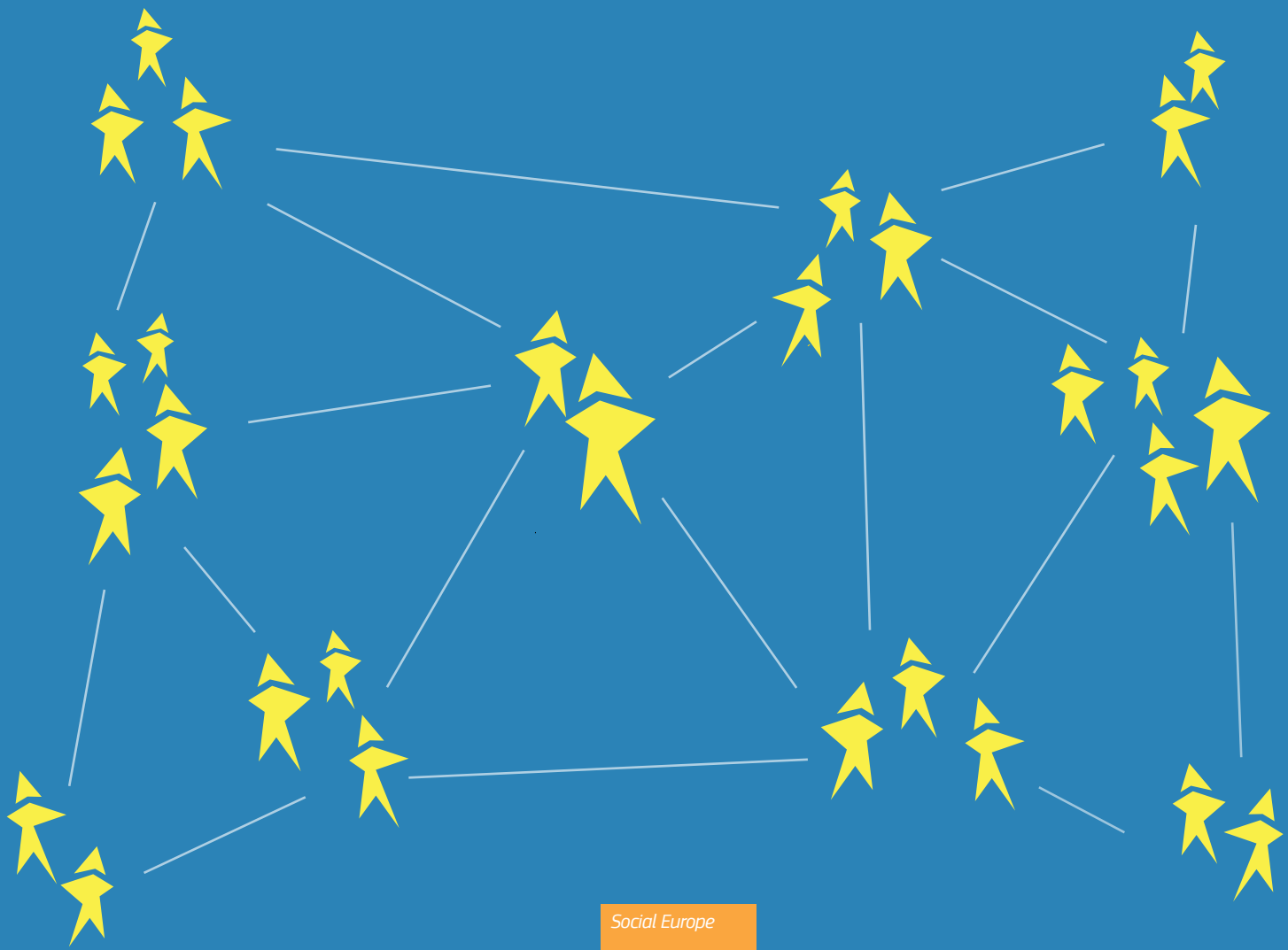
EUROPEAN SOCIAL POLICY NETWORK (ESPN)

In-work poverty in Austria

Marcel Fink



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European Social Policy Network (ESPN)

ESPN Thematic Report on In-work poverty
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Directorate-General for Employment, Social Affairs and Inclusion

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Summary

Although the proportion of individuals who are affected by the risk of in-work poverty1 in Austria is comparatively low in international terms (2017: 7.7%; EU average: 9.6%), the absolute number of people at risk is substantial. Of all those people of working age at risk of poverty in Austria, the largest group was in employment (2017:298,000), followed by people mainly economically inactive (240,000), unemployed people (125,000) and persons already retired, even though of working age (60,000). The data for in-work poverty (IWP) show no clear trend since 2012: the lowest rate since 2012 was seen in 2014 (7.2%) and the highest in 2016 (8.3%).

An assessment of the development and composition of IWP in Austria shows that it is heterogeneous and that there are many different possible causes and explanatory factors for it.

In at least 50% of the cases, comparatively low household work intensity appears to be a major issue, whereas in at least 30% of cases (where household work intensity is above 75%) it does not appear to be an issue. For the latter, low hourly wages are the dominant explanatory factor. At the same time, it is evident that social transfers very substantially reduce the rate of IWP for both men and women. This implies that wage inequalities, inequalities in work intensity and differences in household composition would *per se* "produce" a much higher incidence of IWP.

Specific socio-demographic groups show substantially above-average IWP rates. These include employed singles (men: 11%; women: 13.7%), employed single parents (21.3%), people with foreign citizenship (EU/EFTA: 15.7%; other than EU/EFTA: 23.3%) or with a migration background, individuals with low educational attainment (with compulsory education at most: 13.6%) and employed people living in households with low work intensity (work intensity between 20% and 45%: 31%). However, high IWP rates do not always imply that the related groups are (very) large in absolute numbers, compared to other socio-demographic groups with much lower IWP rates. This has to be taken into account when assessing possible policy measures aimed at a reduction in the total number of people affected by IWP. To concentrate solely on groups with comparatively high IWP rates would not be an adequate option.

An analysis of policies directly and indirectly affecting and/or causing the phenomenon of IWP in Austria shows a substantial number of challenges. For a long time, wage policies and policies that impact on the distribution of gainful employment did not at first instance focus on reducing differentiation of chances and risks on the labour market. As a result, Austria shows considerable labour market segmentation and segregation and a substantial low-wage sector, with the risks concentrated on women, people without Austrian citizenship and individuals with low educational attainment. Furthermore, deficits regarding social services in the fields of childcare and long-term care limit the opportunities of women for stable employment and higher work intensity. Another problem appears to involve the retraining of people with low educational attainment.

In recent years, some progress has been made in some of the relevant policy areas (e.g. minimum wages and institutional childcare facilities), while there is generally no sign of progress in other fields. This might have to do with the fact that many important political actors still show very limited awareness of the problem of IWP, its causes and consequences.

To deal with the initial causes of IWP, which would involve an "ex ante-preventive" rather than an "ex post-remedial" approach, it would be necessary to achieve a more equal distribution of working time and continuity of employment (together determining "work intensity"), as well as of wages/income. This would require a change in the regulation of

[1] For simplicity, in the rest of this report we refer to this notion – and to the indicator that measures it – using the generic term "in-work poverty" (IWP).

the labour market, where higher general minimum wages would probably stand a better chance of securing political agreement than other potential measures (as recent reforms in Austria show).

One other option would be to increase the employability of specific groups via further training/education measures and an expansion of childcare and long-term care services, thus increasing the chances of being employed and earning income. In all three areas, there appears to be considerable room for improvement in Austria. Greater emphasis should especially be laid on more comprehensive measures to encourage (re)training in working age – and especially to financially safeguard relevant households while such steps are being taken. It should be noted that these strategies *per se* do not eradicate structural inequalities in the labour market in a sustainable manner, but they may allow for upward mobility and higher work intensity.

General social benefits granted to (affected) households or in-work benefits for individuals facing IWP focus more on the remedial approach. As this report shows, while there are no explicit in-work benefits in Austria, social transfers do substantially mitigate the scale of IWP and therefore increase financial social inclusion. Still, from a longer-term perspective, the emphasis in Austria should be on the other measures mentioned above: current shortfalls are most evident in those policy areas.

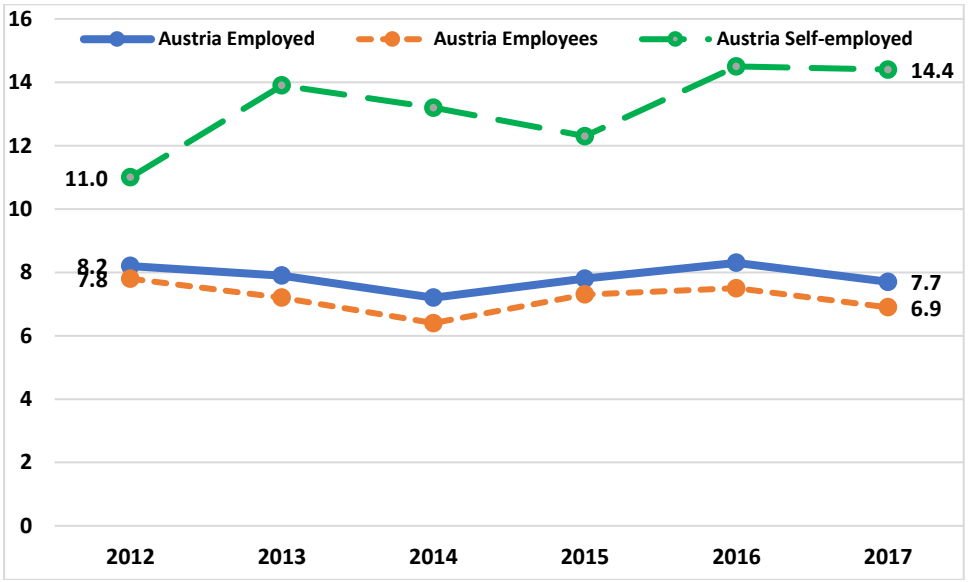
1 Analysis of the country's population at risk of in-work poverty

A person is defined as being at risk of in-work poverty (IWP) if he or she is in employment and lives in a household that is at risk of poverty. Persons are "in employment" when they worked for more than half of the income reference year, and employed individuals can be either waged employees or self-employed. The income reference year is the calendar year prior to the survey,[2] and a household is "at risk of poverty" (or "income poor") if its equivalised disposable income is below 60% of the national equivalised disposable household median income. The population covered is – in most cases[3] – individuals aged 18-64 years.

According to Eurostat, the total "in-work at-risk-of-poverty rate"[4] in Austria was around 7.7% in 2017, which is below the EU-28 average (9.4%) (see Figure 1 and Figure 2). The data for Austria show no clear trend in IWP since 2012: the lowest IWP rate since 2012 was found in 2014 (7.2%) and the highest was in 2016 (8.3%) (see Figure 1). Generally speaking, the IWP rate tends to be substantially higher for the self-employed than for employees. This holds true for Austria (Figure 1), but to a lesser degree than on average in the EU-28 (Figure 2).

When compared to the total population of working age (18-64), on average being employed in Austria reduces the probability of having an income below the at-risk-of-poverty threshold by nearly 50%: the overall at-risk-of-poverty rate for all people of working age was 13.5% in 2017 (13.1% for men and 14% for women).

Figure 1: Austria: In-work at-risk-of-poverty rate, 2012-2017, %



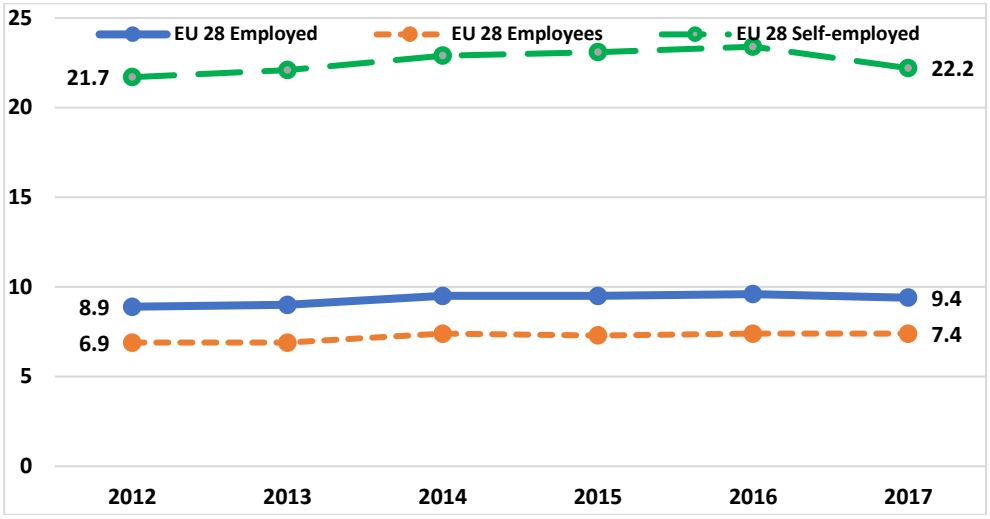
Source: EU-SILC; Eurostat database, indicator [ilc_iw01].

[2] This means that the data refer to the year prior to the indicated year: for example, data labelled "2017" de facto refer to 2016, which is the reference year for both income and economic activity status (which defines if a person is "in employment" or not).

[3] Exceptions to this rule are explicitly highlighted in the following text.

[4] The share of persons of working age (18-64) in employment with equivalised disposable household income below the risk-of-poverty threshold, which is set at 60 % of the national median equivalised disposable income (after social transfers).

Figure 2: EU-28: In-work at-risk-of-poverty rate, 2012-2017, %



Source: EU-SILC; Eurostat database, indicator [ilc_iw01].

The comparatively low rate of individuals affected by IWP should not be misinterpreted: Around 300,000 employed persons were at risk of poverty in 2017. In terms of the most frequent activity status, they make up the largest group (41%) of people of working age who are affected by the risk of poverty (see Annex Figure 2). In that same year, around 125,000 persons with unemployment as their most frequent activity status were at risk of poverty (around 17% of all persons of working age and at risk of poverty). Retired people (around 60,000 at risk of poverty) accounted for of around 8% of people of working age and at risk of poverty. And other mainly economically inactive persons (i.e. people in education, looking after the household, etc.) accounted for around 33% (around 240,000 persons).

Analyses of IWP in Austria repeatedly stress that specific socio-demographic groups are particularly affected (Fink et al. 2017; Statistik Austria 2015: 84 ff). However, what has to be distinguished here are above-average at-risk-of-poverty *rates* for specific groups on the one hand, and their size in *absolute numbers* on the other hand.

Regarding household type and parenthood, the data presented in Table 1 indicate that employed single parents show a very high in-work at-risk-of-poverty rate (amounting to more than 21%). On the other hand, "only" 6.4% of all employed people affected by IWP belong to this household type. By contrast, employed people living in multi-person households without children show a below-average IWP rate of 4.4%, but nearly a quarter of all those affected by IWP live in such households. Substantially above-average IWP rates also apply to single-person households (around 12%) and multi-person households with three or more children (15.8%). But other household types, namely multi-person households with one or two children, even though they have lower IWP rates, still contribute substantially to the total number of employed people affected by IWP. These data clearly show that it is not sufficient to analyse just the in-work risk-of-poverty rates of different groups to understand the composition of IWP: the absolute size of the relevant groups also has to be taken into account.[5]

[5] Unfortunately, the Eurostat database only provides in-work at-risk-of-poverty rates according to different socio-demographic groups, but no absolute numbers. Therefore, this section proceeds with data from national analyses of the EU Statistics on Income and Living Conditions (EU-SILC) 2017. Categories of groups, etc. may be defined slightly differently from the way they appear in the EU-SILC database.

Table 1: People at risk of in-work poverty, by household composition, 2017

	Total		People at risk of in-work poverty		
	N (in 1,000)	Share of Total %	N (in 1,000)	In-work at-risk-of-poverty rate %	Share of those at risk of IWP %
Total	**3,812**	**100.0%**	**298**	**7.8%**	**100.0%**
Household composition & parenthood					
Single men	365	9.6%	40	11.0%	13.4%
Single women	249	6.5%	34	13.7%	11.4%
Multi-person households without children	1,543	40.5%	68	4.4%	22.8%
Households with children					
Single-parent household	89	2.3%	19	21.3%	6.4%
Multi-person household + 1 child	780	20.5%	49	6.3%	16.4%
Multi-person household + 2 children	590	15.5%	58	9.8%	19.5%
Multi-person household + 3 or more children	196	5.1%	31	15.8%	10.4%

Note: Excluding households with pension.
Source: EU-SILC 2017, Statistik Austria, own calculations.

Table 2 presents some further insights concerning the composition of IWP in Austria, providing more data on socio-demographic groups affected by the risk of poverty, irrespective of whether they are employed throughout the year or for most of the year. Some major findings are presented in the following paragraphs.

The recent IWP rate for **men** (8.0%) is slightly higher than for **women** (7.4%), and about 56.5% of all those affected by the risk of in-work poverty are men. Regarding **age**, it appears that the risk of in-work poverty is reduced somewhat towards the end of the working live (IWP rate in the age group 55-64: 5.9%), but there is no clear concentration of IWP in younger cohorts.

Around 80% of all those affected by IWP are **employed throughout the year**, and of these two-thirds are in full-time employment. Around 20% are employed for less than 12 months of the year. Overall, the average individual work intensity of all employed persons affected by IWP is somewhat lower than the figure for all employed persons. Still, it should be stressed that more than 50% of all individuals affected by IWP display maximum **individual work intensity** (i.e. are in full-time employment throughout the year). At the same time, **part-time employment** (with a total IWP rate of 11.9%[6]) and **temporary employment** (IWP rate: 18%) evidently increase the risk of IWP, as does being in employment for less than 12 months per year (IWP rate: 16.9%).

The likelihood of IWP is especially high in the case of **low educational attainment**. Among those people who have completed at most compulsory education (i.e. primary school), the IWP rate increases to 13.6% (against an average IWP rate of 7.6% - see Table 1). However, in Austria, even higher secondary or tertiary education does not guarantee that someone will not be affected by IWP: these groups, together with people with lower secondary/apprenticeship educational attainment, have IWP rates just below the average.

[6] Source: EU-SILC, Eurostat database, indicator [ilc_iw07].

This means that IWP is by no means only an issue of very low educational attainment. Only 16% of all those at risk of poverty have (at most) only primary education, while 19% even have university (tertiary) education.

Table 2: People at risk of in-work poverty, by socio-demographic groups, 2017

	Total		People at risk of in-work poverty		
	N (in 1,000)	Share of Total %	N (in 1,000)	In-work at-risk-of-poverty rate %	Share of those at risk of IWP %
Total	3,887	100.0%	300	7.7%	100.0%
Sex					
Men	2,126	54.7%	170	8.0%	56.5%
Women	1,762	45.3%	131	7.4%	43.5%
Age					
up to 19 years	87	2.2%	(5)	5.7%	1.7%
20 to 39 years	1,511	38.9%	157	10.4%	52.3%
40 to 64 years	2,289	58.9%	139	6.1%	46.3%
Size of municipality					
Vienna	793	20.4%	87	11.0%	29.0%
Other municipalities > 100,000 inhabitants	327	8.4%	36	11.0%	12.0%
Municipalities >10,000 & <=100,000 inh.	652	16.8%	43	6.6%	14.3%
Municipalities <=10,000 inh.	2,116	54.4%	134	6.3%	44.7%
Citizenship					
Austrian	3,279	84.3%	186	5.7%	62.0%
of which naturalised (not EU/EFTA)	193	5.0%	(23)	11.9%	7.7%
Not Austrian	609	15.7%	115	18.9%	38.3%
of which EU/EFTA	351	9.0%	55	15.7%	18.3%
of which other countries	257	6.6%	(60)	23.3%	20.0%
Highest educational attainment					
Max. compulsory education	352	9.1%	48	13.6%	16.0%
Apprenticeship/lower secondary education	2,105	54.2%	155	7.4%	51.7%
Higher secondary education (Matura)	656	16.9%	41	6.3%	13.7%
University	774	19.9%	56	7.2%	18.7%
Work intensity of the household (reference year: 2016)					
No or very low work intensity	12	0.3%	3	25.0%	1.0%
Medium work intensity	1,479	39.2%	178	12.0%	61.2%
High work intensity	2,280	60.5%	110	4.8%	37.8%
Main source of household income					
Dependent employment	3,294	84.7%	175	5.3%	58.3%
Self-employment	335	8.6%	51	15.2%	17.0%
Social benefits	121	3.1%	55	45.5%	18.3%
Pensions	93	2.4%	(2)	2.2%	0.7%
Private income	44	1.1%	(17)	38.6%	5.7%
Status of employment (reference year: 2016)					
Employed throughout the year	3,508	90.2%	237	6.8	79.0%
of which min. 6 months …					
Full-time	2,763	71.1%	160	5.8%	53.3%
Part-time	745	19.2%	76	10.2%	25.3%
Not employed throughout the year	379	9.8%	64	16.9%	21.3%
Occupational status (2017)*					
Unskilled labour	675	18.5%	93	13.8%	34.6%
Skilled labour	828	22.7%	61	7.4%	22.7%
Middle occupation, foreman	676	18.6%	28	4.1%	10.4%
Higher occupation	532	14.6%	(13)	2.4%	4.8%
Highly qualified occupation	515	14.1%	20	3.9%	7.4%
Self-employed	418	11.5%	54	12.9%	20.1%

Source: EU-SILC 2017, Statistik Austria, own calculations.
** See footnote 7.*

A clearer picture emerges when we look at the **occupational status**[7] of the individuals affected. The higher the occupational status, the lower the probability of having an equivalised household income below the at-risk-of-poverty line. Overall, around 55% of all individuals affected by IWP work in jobs in the two lowest occupational groups (which account for around 40% of all employed persons).

Apart of this, **self-employment** also stands out: the in-work at-risk-of-poverty rate is nearly double the average of all people in employment. According to the income data provided by EU-SILC, around 50,000 of the self-employed were affected by IWP in Austria in 2017 – around 17% of all employed people affected by IWP. However, it should be noted that the income data on self-employment come with a number of caveats. If instead we look at the material and social deprivation rate (MSD) by most frequent activity status, it becomes evident that according to this indicator, the self-employed (with a share of 2.9% in 2017) face severe problems of social exclusion less often than do people in dependent employment (3.6%).[8]

One factor that is especially highly correlated with facing financial in-work poverty concerns having other than Austrian **citizenship** or having a **migration background**. In 2017, 5.7% of employed people with Austrian[9] citizenship were affected by IWP. Meanwhile, the corresponding figure for people with foreign citizenship was 18.9% (15.7% in the case of citizenship of EU/EFTA and 23.3% in the case of citizenship other than EU/EFTA).[10] Still, more than 60% of all people facing the risk of IWP were of Austrian citizenship in 2017 (of these, around 12% were naturalised and originally held citizenship of countries outside EU/EFTA). Close to 40% held citizenship other than Austrian: of these, around 50% were from a country outside EU/EFTA and around 50% were from other EU/EFTA countries.

The likelihood of facing IWP also increases when one lives in a municipality with more than 100,000 inhabitants: the IWP rate nearly doubles, compared to smaller municipalities. Around 41% of all those affected by IWP live in **such larger municipalities** (while only around 29% of all employed individuals live there). This may be partly caused by the fact that people with a migration background and/or foreign citizenship tend to live in larger agglomerations.

A last important factor to be taken into consideration is the **work intensity of the household**. According to EU-SILC-based data provided by the Eurostat database, the IWP rate in Austria in 2017 was around 31% in the case of "low work intensity" (defined as between 20% and 45% of the maximum work intensity[11] of the household) and 18.4% in the case of medium work intensity (between 45% and 55% work intensity); it then decreases to 8.4% in the case of "high work intensity" (55% to 85%) and further to 4.8% in the case of "very high work intensity" (85% to 100%).

Earlier research by Fink et al. (2017), using data from EU-SILC 2015, shows a similar picture (Table 3). Here, a rather different (and stricter) approach to defining the "work

[7] This variable is measured according to occupational status at the time of the survey – i.e. in the year *following* the reference year. It only provides a crude proxy, as occupational status may have changed since the reference year.

[8] Source: EU-SILC, Eurostat database, indicator [ilc_mdsd01].

[9] This number also includes people with naturalised Austrian citizenship. For them, the IWP rate is substantially higher (11.9% when original citizenship was not of a country of EU/EFTA).

[10] Data provided by the Eurostat database according to country of birth (indicator [ilc_iw16]) show related trends.

[11] According to the definition used for the data provided by the Eurostat database, the work intensity of a household is the ratio of the total number of months that all working-age household members have worked during the income reference year and the total number of months that the same household members theoretically could have worked in the same period. A working-age person is a person aged 18-59 years, excluding students in the age group 18-24. Households composed only of children, students aged under 25 and/or people aged 60 or more are completely excluded from the indicator calculation.

intensity"[12] of the household was applied, and different brackets of work intensity were used (namely 0-25%; 26-50%; 51-75% and 76-100%).

Table 3: People at risk of in-work poverty, by work intensity of the household, 2014

	Total		People at risk of in-work poverty		
	N (in 1,000)	Share of Total %	N (in 1,000)	In-work at-risk-of-poverty rate %	Share of those at risk of IWP %
Total	3,699	100.0%	266	7.2%	100.0%
Work intensity					
0-25%	74	2.0%	24	32.6%	9.0%
26-50%	707	19.1%	106	15.0%	39.8%
51-75%	1,193	32.3%	55	4.6%	20.8%
76-100%	1,725	46.6%	90	4.7%	30.4%

Source: EU-SILC 2014, Statistik Austria, own calculation from microdata, presented in Fink et al. (2017).
Note: See footnote 12 on the calculation of "work intensity".

The results again show that a higher work intensity of the household reduces the likelihood of IWP. However, although "work intensity" here is calculated according to stricter rules than in the "standard" Eurostat procedure (weighting part-time employment only with a factor of 0.5; see footnotes 11 and 12), more than 30% of all employed individuals affected by IWP live in households with work intensity surpassing 76%, and another around 21% in households with work intensity of between 51% and 75%. However, another 40% show household work intensity of between 26% and 50% of the maximum; and 9% have below 26% of the maximum.

These results indicate that **financial in-work poverty** is of a **heterogeneous nature** in Austria. In at least 50% of cases, comparatively **low household work intensity** appears to be a major issue, while in at least 30% of cases (those with a household work intensity above 75%) it does not seem to be an issue.

To get a clearer picture about the causes of IWP, Fink et al. (2017), using data from EU-SILC 2014, try to **disentangle the phenomenon of financial in-work poverty** using a **stepwise approach**. This analysis shows that the *individual* IWP rate (not taking into account the household context and using the poverty line for single-person households), only addressing *individual earnings from employment* (without pensions), would be 16.4% (men: 10.2%; women 24.1%) for gross earnings; in the case of net earnings, the figure would be even higher – 23% (men: 14.6%; women: 33.0%) (see Annex Figure 3). If we look at *disposable income before pensions and social transfers at the household level*, the overall IWP rate is reduced to 17.7% (among women it declines to 17.2%, whereas among men it increases to 18.2%). If pensions are added to disposable earned income at the household level, the IWP rate is reduced to 14.5% (men: 15.3%; women: 13.4%). The final step also takes into account social transfers, resulting in a total IWP rate of 7.2% (men: 7.9%; women: 6.3%). These last figures are the numbers usually presented as the IWP rates.

Overall, it is evident that the structure of individual earned income from employment (not taking into account pensions), together with income tax and social insurance contributions, would – from a purely individual perspective – imply much higher IWP rates than the data usually suggest, after taking into account the household context, pensions and social transfers. The household context reduces the IWP rate for women, but not for men.

[12] Taking an approach different from that used by Eurostat (see footnote 11), Fink at al. (2014) covered all employed people aged 18-64; when the work intensity of the household was calculated, months of part-time work were only taken into account using a weight of 0.5. This approach – stricter than Eurostat's approach – resulted in lower numbers of households with very high work intensity.

Pensions and social transfers reduce the IWP rate substantially for both men and women. If we consider only individual earnings, IWP is much higher for women than for men.

Summing up, the brief analysis above shows that:

a) IWP is not limited to the "margins" of the labour market, as a considerable number of people in permanent full-time employment and/or with comparatively high occupational status are affected;

b) different types of non-standard employment (self-employment, part-time employment, temporary employment) and specific socio-demographic groups (including people with low educational attainment and people without Austrian citizenship) show substantially above-average rates of affectedness; and

c) social transfers reduce the IWP rates of both men and women to a very substantial degree, whereas wage inequalities, inequalities in work intensity and differences in household composition would *per se* "yield" a much higher incidence of IWP.

2 Analysis of the policies in place

As shown in section 1 above, IWP is a complex phenomenon, potentially driven by many different factors. These include:

- the structure of individual hourly earned income from employment;
- the individual work intensity (hours and months worked during the reference year);
- the household composition (number of other household members);
- the hourly earned income of other household members;
- the work intensity of other household members;
- the impact of pensions;
- the impact of social transfers; and
- the impact of taxes and social insurance contributions.

What follows from this is that a number of policies might have a direct impact on IWP and its social consequences (see section 2.1 below), whereas others might influence the latter more indirectly (see section 2.2 below).

2.1 Policies with direct effects

As shown in section 1, the structure and distribution of individual earned income from employment is likely to have a major impact on IWP, although the related effects are mitigated via the household context and social transfers. At the same time, three major elements go to make up the structure of individual earned income: hourly wages, the distribution of work in terms of weekly hours, and continuity of employment over the year.

Hourly wages are, among other things, a matter of **wage policies**. In terms of the design of the relevant institutions, academic literature often groups Austria within the models of so-called "co-ordinated market capitalism" (Hall and Soskice 2001), "Rheinisch capitalism" (Albert 1993) or "consensual capitalism" (Coates 2000). And indeed, many of the institutional features of these models do apply to Austria – for example, a very high rate of coverage by collective agreements (around96% of the private sector – Krenn et al. 2018b) and high concentration and centralisation of the trade unions.[13] However, the Austrian model of wage policies follows a sectoral approach, with an additional differentiation for negotiated wage increases for minimum wages and actual wages (higher than the minimum wage). Within this approach, minimum wages have for some sectors been set at a comparatively low level, with (according to the dominant interpretation) the goal of protecting jobs with lower productivity (especially in small and medium-sized enterprises and in sectors with lower overall productivity) (Hermann 2009). This implies the development of rather large wage differentials between sectors and socio-demographic groups – especially between men and women, but also according to citizenship – and the development of a substantial low-wage sector.[14] Political reaction to the comparatively strong wage differentiations has long been very limited. Still, some relevant attempts are worth mentioning.

There is **no statutory minimum wage** provision in Austria, and minimum rates of pay are not fixed by law, but are laid down in sectoral/branch-level collective agreements. However, a monthly minimum wage of €1,000 (gross) has been established by collective agreement in virtually all branches of the economy since 2008. Since then, trade unions have repeatedly campaigned for a higher minimum wage to be applicable to all branches. In January 2017, the federal coalition government then in office, consisting of Social

[13] The latter means that only one trade union association exists and that the heads of trade unions and of the trade union association in principle would have the ability to follow a strategy of centralized wage bargaining.

[14] For a brief analysis of low-wage employment, see the Annex to this report.

Democrats (SPÖ) and the People's Party (ÖVP), asked the social partners to negotiate on the implementation of a cross-sectoral minimum wage of €1,500 a month, with solutions to be presented by mid-2017.[15] On 30 June 2017, the heads of the main social partner organisations presented a general agreement on the implementation of a minimum wage of €1,500 gross per month, to be implemented via sectoral collective agreements by 2020 (in all those sectors where the minimum wage is currently lower) (see Krenn et al. 2018a). Already in bargaining rounds in 2017, the new minimum wage was implemented in a variety of sectors; in others, agreements on a gradual implementation by 2020 were made (Krenn et al. 2018a).

Regarding other issues of labour market segmentation and segregation, and especially regarding **inequalities in the labour market according to sex**, there have been attempts at **"soft governance"**.[16] Related measures include various instruments to increase income transparency. In 2011, it became mandatory for companies with more than 1,000 employees to provide income reports on the wages paid in the company, according to different occupational groups, etc. This measure was then gradually extended to companies with more than 150 employees in 2014.[17] Also in 2011, an online wage calculator was made available, where average wages and salaries in a specific profession, sector or region can be calculated.[18]

Other measures could address the challenge to have a more equal **distribution of weekly** and/or **yearly work intensity**. However, possible structural measures – such as a general reduction in statutory working time, or preventing discontinuous employment through more rigid regulation of dismissals or fixed-term contracts – are not on the political agenda. A recent reform on working time regulation, in place since September 2018, even expanded the maximum daily working hours from 10 to 12, and the maximum weekly hours from 50 to 60.[19] This reform also implies that maximum yearly overtime hours should increase from 320 to 416, which runs counter to the goal of a more equal distribution of working time. At the same time, after a substantial increase over recent decades, Austria now has a very high rate of part-time employment, amounting to 27.9% of total employment in 2018 (EU-28: 19.4%). This is largely concentrated among women (part-time rate in 2017: 47.2%; men: 10.6%).[20] Not only does the high level of female part-time employment contribute to an unequal distribution of work intensity, but part-time employment also involves low wages more regularly than does full-time employment (data for 2014: 27.5% vs. 9.1%; see Geisberger 2017: 931).

Yet, some attempts are being made to **increase the chances of being employed and of earning income** for people facing difficulties on the labour market via **active labour market policy** (ALMP) measures and **further education and training**. Overall, there is strong evidence that on the Austrian labour market the chances of being employed and of earning an income are strongly – and increasingly – structured according to personal skills and educational attainment (Eppel et al. 2017; 2018; Geisberger 2017). The Austrian Public Employment Service (PES) offers a wide variety of measures to improve the qualifications both of unemployed persons and of people in employment, and over the past two decades political commitment to finance and expand related services has been strong (for an overview, see BMASGK 2018). Spending on ALMP measures increased from around€1.17 billion in 2012 to about €1.27 billion in 2013 and then €1.35 billion in 2014 and €1.31 billion in 2015, jumping sharply to €1.45 billion in 2016. The path of increased active labour market expenditure was followed in 2017, when the budget increased further

[15] If no social partner agreement was presented by then, the government would implement statutory regulations.

[16] For related information from the Federal Ministry for Women, Families and Youth, see: https://www.frauen-familien-jugend.bka.gv.at/frauen/gleichstellung-arbeitsmarkt/einkommen-gender-pay-gap.html

[17] See, for example, https://www.wko.at/service/arbeitsrecht-sozialrecht/Einkommensberichte.html

[18] See https://www.gehaltsrechner.gv.at/

[19] For details see: https://www.parlament.gv.at/PAKT/VHG/XXVI/A/A_00303/index.shtml

[20] Note: Age group 14-64 years. Source: LFS, Eurostat Database, indicator [lfsa_eppga].

to €1.535 billion.[21] The total budget for ALMP measures is expected to have increased further to €1.641 billion in 2018; but according to plans announced by the new centre-right government that took office in December 2017, the budget will fall to €1.432 billion in 2019 (Republik Österreich 2018a). What appears to be especially worth mentioning in this context is the income situation during comprehensive (re)training, especially for people with previously rather low earned income. Wage replacement during such measures usually only applies up to the level of unemployment benefits, which are granted according to a largely linear replacement rate (with some subsidies available for dependent family members). For individuals with previously rather low income, this implies an obstacle to participation in more long-range and comprehensive (re)training, as they might face difficulties in financing their usual outlays at such times.

The assessment of the causes of IWP presented in section 1 indicates that **social transfers** in Austria substantially mitigate the scale of this phenomenon. On the other hand, **taxes and social insurance contributions** tend to contribute to the incidence of IWP.

Regarding social transfers, it is likely that especially the fairly generous, universal and non-means-tested **family-related cash benefits** reduce the IWP rate substantially. Overall spending on family allowance (*Familienbeihilfe*) amounted to €3.448 billion in 2016, and spending on parental leave benefits was €1.187 billion.[22] Together with the tax credit for children (*Kinderabsetzbetrag*) (with costs amounting to €1.336 billion in 2016), these are the most important types of cash benefits for families.[23] Family-related cash benefits have not been subject to retrenchment in recent years, but nor have they been substantially expanded. However, the new centre-right government has announced a new "family bonus" (*Familienbonus*) from January 2019. Under this, a tax allowance amounting to €1,500 per child per year will be granted for children aged up to 18; and €500 per child per year for children aged 18 and over, if family allowance (*Familienbeihilfe*) is granted for these children. The family bonus will reduce the income tax owed (not the assessment base for taxable earned income), which means that parents not obliged to pay income tax will not benefit from it. With the introduction of the family bonus, the so-called "child tax exemption" (*Kinderfreibetrag*) will be eradicated; so will tax-deductible spending on childcare – until now, childcare costs could be deducted from the income tax assessment base up to an amount of €2,300 per year and per child (up to the age of 10). According to analyses by the Budget Service (*Budgetdienst*) of the Austrian parliament, the total budgetary effect of the family bonus will result in a reduction in total income tax amounting to approximately €1.19 billion per year, when compared to the actual related regulations (Republik Österreich 2018b: 7). At the same time, the bonus will only very marginally increase the equivalised household income of households with children in the lowest income decile (by 1.2%, or €115 per year). After the first decile, the income gain (equivalised household income) then increases to €503 per year for households in the second income decile, and up to €792 per year in the sixth income decile; it is then gradually reduced until the gain is €526 per year for the tenth income decile. Overall, this reform will increase equivalised household incomes of families with children, but it will only marginally reduce income inequalities between households with children according to the GINI coefficient of equivalised household incomes of deciles (being reduced from 0.25 to 0.246) or the S80/S20 measure (being reduced from 3.7 to 3.67). Furthermore, the positive income impact for the lowest income decile is very low and de facto does not improve the income situation of this group significantly.

[21] Source: Federal Ministry of Labour, Social Affairs, Health and Consumer Protection; http://www.dnet.at/elis/Gebarung.aspx

[22] Source: http://www.statistik.at/wcm/idc/idcplg?IdcService=GET_NATIVE_FILE&RevisionSelectionMethod=LatestReleased&dDocName=020122

[23] Source: https://www.sozialministerium.at/cms/site/attachments/0/9/4/CH3434/CMS1480063108482/essoss_2015_homepagetabellen.zip

One other measure worth mentioning in this context is the range of **minimum income benefits**, which up to now have fallen within the responsibility of the federal provinces. Means-tested minimum income benefits may, in principle, also be granted as a top-up benefit to low earned income from employment. However, take-up is limited, due to the fact that means-tested minimum income benefit is means tested not only regarding household income, but also regarding assets. Furthermore, minimum income benefits do not generally prevent risk of poverty, as the related benefit levels (even if additional family allowances are taken into account) are substantially lower than the at-risk-of-poverty threshold. However, minimum income benefits do contribute to a reduction in the poverty gap of recipients. The new centre-right government, in office since late December 2017, recently presented a reform of the minimum income scheme via national framework legislation, which enacts maximum benefit levels to be implemented by the federal provinces (*Länder*). This reform will come with substantial benefit cuts, especially for persons with very poor (or no) knowledge of the German language and also for families with three or more children.[24] Overall, it is likely that this reform will, for specific groups, increase the pressure to accept jobs with low remuneration, which may further increase the prevalence of low-wage employment and IWP.

In Austria, there are **no** "**in-work benefits**" in the narrow sense of welfare schemes designed to provide income supplements to needy families or individuals *on condition* that they are working. However, as mentioned above, minimum income benefits can be granted as a top-up benefit to low earned income from employment. Furthermore, for people granted benefits from unemployment insurance (unemployment benefit and unemployment assistance) it is possible to simultaneously have an earned income from employment, up to the so-called lower earnings limit, which currently (2019) amounts to €446.81 per month.

One last policy area with a direct impact on IWP is the design of **income taxation** and **social insurance contributions**. Earned income below €11,000 per year is exempt from income tax; for earnings above that, progressive taxation applies. Full social insurance contributions normally have to be paid for income in excess of the lower earnings limit, currently €446.81 per month. For income below this level, no statutory insurance applies (except for accident insurance), while social insurance contributions above this level are linear (i.e. not progressive). Yet, as far as **unemployment insurance** is concerned, some **reduction in insurance contributions** does apply to the employee's part of the insurance contributions in the event of low income. The standard rate at which an employee contributes to unemployment insurance is 3% of gross income.[25] Below a gross monthly income of €1,681, the employee makes no contributions to unemployment insurance (2019 figures); for income of between €1,681 and €1,834 the contribution rate is 1%; and for monthly income of between €1,834 and €1,987 the rate is 2%. This measure was introduced in 2008.

In July 2015, the Austrian parliament adopted the **Tax Reform Act 2015/16**. The reform comprised 43 different measures, but central to it were major changes to income tax. Under the earlier system, people with income of up to €11,000 gross per year were exempt from income tax. For incomes of between €11,000 and €25,000, the tax rate was 36.5%; between €25,000 and €60,000 – 43.21%; and above €60,000 – 50%. The new tax brackets and tax rates, implemented as of 2016, are as follows: no income tax is payable on personal gross yearly earnings up to €11,000 (so the lower earnings limit for income tax remained unchanged); the tax rate for income of between €11,000 and €18,000 is 25%; between €18,000 and €31,000 – 35%; between €31,000 and €60,000 – 42%; between €60,000 and €90,000 – 48%; between €90,000 and €1 million – 50%; and above

[24] See https://www.bundeskanzleramt.gv.at/documents/131008/1101773/37_32_mrv.pdf/e0c5cf0a-9fad-4d75-a0f1-384ae78feb98 and e.g. https://diepresse.com/home/innenpolitik/5537388/Mindestsicherung_Die-Reform-im-Detail

[25] The employer pays another 3%.

€1 million – 55%. A reduction (to 50%) in the tax rate for income above €1 million is planned from the year 2021.

To ensure that people with income below the lower earnings limit for taxation also profit from the reform to some degree, the "negative tax", in the form of a refund of social insurance contributions, was increased. Before 2016, this negative tax amounted to 10% of the social insurance contributions paid by jobholders, with a limit of €110 per year. With the tax reform of 2015/2016, the negative tax was increased and expanded. Employees with income below the lower earnings limit for income tax now may have 50% of their social insurance contributions refunded, up to a maximum of €400 per year.

In their assessment of this tax reform, Hofer et al. (2015) came to the conclusion that the yearly disposable household income of persons in the three lowest income deciles would increase by 1.3%, 1.9% and 2.9%, respectively. The lowest decile profits less from the reform because it includes people with income so low that it is neither taxable nor subject to social insurance contributions. Hence neither the reform of income tax nor the "negative tax" affects them. For deciles 4-10, the reform increases their disposable income by between 3.1% and 3.8%. The average reduction across all deciles amounts to 3.2% of the income prior to the reform. At the same time, more than half of the absolute reduction in income tax is allotted to the three highest-earning deciles. Overall, this means that the income tax reform has not reduced monetary inequality, but has had the opposite effect. Furthermore, an important shortcoming of the reform seems to be that tax relief for the income bracket of €10,000 to €20,000 gross appears to be comparatively low. This is the group in low-income employment, where additional work incentives and a reduction in non-wage labour costs could presumably be especially important, both from an employment and from a social inclusion perspective.

Overall, the assessment of policy areas directly affecting IWP shows a mixed picture. The Austrian tradition of wage regulation – which long lacked an explicitly "solidary" approach – together with substantial labour market segregation according to gender and citizenship, results in sizeable wage inequalities and substantial low-wage employment, concentrated in specific socio-demographic groups. The system of levies on earned income largely lacks progressivity regarding social insurance contributions, and recent reforms on income tax (which is progressive) favour earners of low income only to a comparatively small degree. Furthermore, labour market chances are increasingly subject to skills and educational attainment, but it is questionable whether the system of ALMPs really allows for more comprehensive (re)training. At the same time, social transfers substantially mitigate the risk of IWP, including via rather generous (but at the same time costly[26]) cash family benefits. This indicates that the comparatively low Austrian IWP rates are a result of "ex post-remedial" policies, rather than of an " ex ante-preventive" approach.

2.2 Policies with indirect effects

One major policy area which might – indirectly – contribute to increased opportunities for higher work intensity of specific individuals and households is that of **childcare facilities** and **social services** for dependent relatives in need of **long-term care**. Overall, it is fair to say that for a long time Austria followed a largely "familialised" model (Leitner 2003; Blum 2012), leading to a situation where institutional childcare for those aged below four years (and especially for children aged below three years) remained the exception rather than the rule. The situation has changed to some extent over the past two decades, and coverage rates have risen – even for children aged below 3-4 years.[27] However, aside from

[26] In 2014, Austria spent around 2% of GDP on cash benefits for the family/children function. For comparison, in Sweden, Denmark, Finland and Norway related outlays amounted to less than 0.5% of GDP (Source: Eurostat database, indicator [spr_exp_gdp].

[27] See EU-SILC; Eurostat database, indicator [ilc_caindformal].

the issue of coverage rates and affordability,[28] there remain challenges and substantial differences between the different federal provinces (*Länder*) in terms of opening hours and the availability of childcare facilities during public holidays (for details, see Baierl and Kaindl 2011; 2017; Statistik Austria 2017). It is fair to say that the availability and accessibility of institutional childcare has attracted increased public and political attention over the past two decades, and now the vast majority of the relevant political players concede that related services should be further expanded, especially for children below the age of 3-4. The Federal Republic has thus followed the strategy of offering the *Länder* some positive incentives to enhance their systems of institutional childcare – in the first instance by co-financing the start-up costs of new childcare places. Related agreements have been in place since 2011, and it was recently announced that the new centre-right national government, contrary to earlier indications, will continue to co-finance the upgrading of childcare facilities. Until 2022, the Federal Republic will co-finance childcare facilities and their upgrading to the tune of €142.5 million per year. This is the same budget as in recent years.

In the same way as having to look after dependent children, having relatives in need of **long-term care** (LTC) might be an obstacle to the goal of increasing individual and household work intensity. Overall, it is evident that the Austrian long-term care system is characterised by a rather large sector of informal care (Fink 2018). This is in spite of the fact that institutional care services have been substantially expanded over the past two decades. Furthermore, the evident large variation in coverage rates of formal LTC benefits in kind and LTC services across regions suggests that substantial deficits in accessibility are likely in a number of federal provinces, forcing relatives to take over LTC duties (Fink 2018). However, more comprehensive assessments of this issue are largely missing at the time of writing, and there is a lack of data-driven evidence on the problems that relatives face when they try to – or have to – combine gainful employment with the long-term care of relatives. More recent reforms in this policy area have only been gradual in nature and have had the aim of safeguarding the financial resources to maintain the system. What is worth mentioning here, however, is that an ad-hoc decision by the parliament led to a prohibition on the option of utilising the assets of people in inpatient long-term care (*Pflegeregress*) from the beginning of 2018.[29] This might substantially increase the demand for inpatient formal care, which could have an adverse impact from the perspective of cost containment. On the other hand, it could contribute to enhanced opportunities to increase the work intensity of individuals who have relatives in need of long-term care.

Overall, the issue of a necessary expansion of social services (which would allow for higher work intensity and work continuity of individuals) ranks quite high on the political agenda. In terms of childcare facilities, some gradual progress has been made. Concerning long-term care, however, it appears that the situation is somewhat different, with many political actors and other stakeholders being rather reluctant to substantially reduce or overcome the high degree of familialism that traditionally dominates this policy area.

[28] Private co-payments for institutional childcare exist in all federal provinces, except Vienna, where childcare up to the age of six years is generally free of charge. Co-payments by parents are normally applied in a socially adjusted way, or means-tested public subsidies are available. Regulations on this issue show considerable heterogeneity, and in a number of federal provinces no uniform model exists, as different municipalities have different schemes (e.g. in Carinthia and Vorarlberg). Private fees for childcare appear to be rather low by international standards. But in fact, the related financial burden may be substantial, even for families on rather low income.

[29] For details see: https://www.parlament.gv.at/PAKT/PR/JAHR_2017/PK0838/

3 Policy debates, proposals and reforms on in-work poverty and recommendations

IWP, as a distinct topic, does not rank high on the political agenda in Austria. For example, the Austrian National Reform Programme 2018 (Bundeskanzleramt Österreich 2018) does not mention the specific issue of IWP, although it addresses a number of related labour market challenges that are evidently linked to it.

Aside from the political parties, organisations representing the interests of employees (i.e. the trade unions and the chamber(s) of labour) have long been reluctant to proactively address the issue of IWP. The dominant message used to be that employment is the best instrument to prevent the risk-of poverty, with unemployment framed as *the* major cause of people of working age being at risk of poverty. This reluctance on the part of trade unions to proactively and openly address issues of IWP may be explained by problems of legitimacy and by the fact that trade unions – with their strong position in the relevant regulatory processes via neo-corporatist "social partnership" – faced the risk of (at least to some extent) being themselves held accountable for related problematic outcomes. So a strategy of non-recognition of related problems dominated for some time. Yet, in recent years, trade unions and the chamber(s) of labour have got more active in deliberately addressing low wages in specific sectors, the absence of real wage growth for specific groups and issues of non-standard employment, such as freelance contracts, the so-called "new self-employed", etc.

IWP has also gained some increased attention from scientists and social NGOs, flagging up the fact that, for a substantial number of individuals, employment does not forestall the risk of poverty.

Yet IWP is not being tackled with a comprehensive approach that aims at preventing and alleviating it in a broad, co-ordinated and evidence-based manner. This might have to do with the many different possible causes and explanatory factors for IWP. What is lacking in the case of Austria in this context is a detailed and in-depth analysis on the question of why certain groups are affected by IWP and what groups those are. The short assessment in section 1 of this report indicates that, for a section of the individuals facing IWP, low hourly wages are the dominant explanatory factor; for others, low individual work intensity or low work intensity of the household (also) appear to be central.

To deal with the initial causes of IWP (which would mean a preventive, rather than a remedial approach), it is necessary to achieve a more equal distribution both of working time and continuity of employment (and hence work intensity), and of wages/income. This would require a change in the regulation of the labour market, where higher general minimum wages appear to offer the best hope of political agreement (see the recent reform on minimum wages for low-pay sectors); such regulation in other policy areas appears to be extremely controversial, with recent reforms (such as the one on working time) even indicating a preference for more flexibility.

One other option is to increase the employability of specific groups via qualification measures and an expansion of childcare and long-term care services, thus increasing the chances of people in the groups affected becoming employed and earning an income. In these three areas, there appears to be considerable room for improvement in Austria, where greater emphasis could be placed on more comprehensive measures of (re)training in working age and on financially safeguarding the relevant households during such measures. It should be noted that these strategies *per se* do not eradicate structural inequalities in the labour market in a sustainable manner, but they may allow for upward mobility and higher work intensity.

General social benefits granted to (affected) households or in-work benefits for individuals facing IWP are more by way of a remedial approach. As section 1 shows, social transfers substantially mitigate the scale of IWP and therefore increase financial social inclusion. Still, from a longer-term perspective, in Austria emphasis should be placed on the other

groups of measures mentioned above: current shortfalls are most evident in those policy areas.

4 Assessing data and indicators

Data sources and indicators currently available at the national level appear to be quite adequate to capture and monitor the IWP situation.

The main data sources are the EU-SILC survey, the Structure of Earnings Survey (SES) and registry data from social insurance and the Public Employment Service (with the latter two available in a combined way via the so-called Labour Market Database).[30]

Still, all three data sources come with limitations. Regarding EU-SILC, the sample size comes with problems for regional analyses and/or specific socio-demographic groups. Furthermore, year-on-year changes in IWP rates should not be overinterpreted without tests for statistical significance. SES deals with hourly wages only, and provides no information on household income and composition. The same is true of the registry data available via the Labour Market Database, where, furthermore, information on hours worked, occupational status and educational attainment is often missing or unreliable.

Despite these weaknesses, it is fair to say that IWP in Austria is, compared to the data available, under-researched. In other words: the data available would allow for much more in-depth analysis than is currently available.

Regarding IWP indicators available via the Eurostat database, a major weakness is that it (with the exception of the total number of people facing IWP) only provides IWP rates for different socio-demographic groups, but not absolute numbers. The IWP rates alone might be misleading in many cases. One other point is that the Eurostat database does not provide data on IWP before social transfers, which might – as the Austrian example shows – have a substantial impact on the numbers finally indicated.

[30] See https://arbeitsmarktdatenbank.at/

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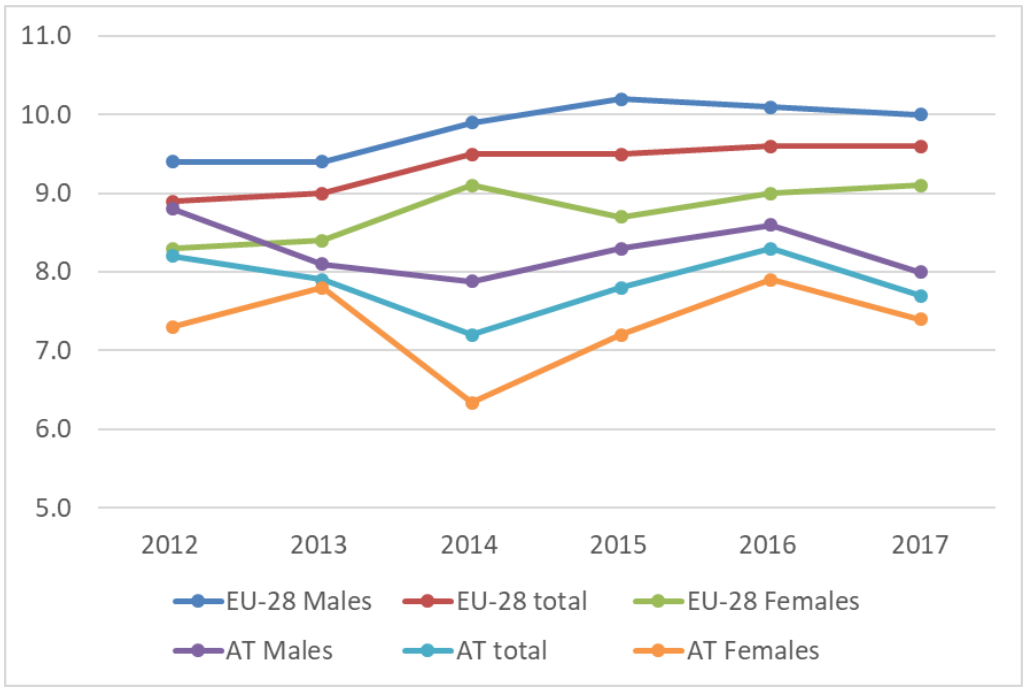
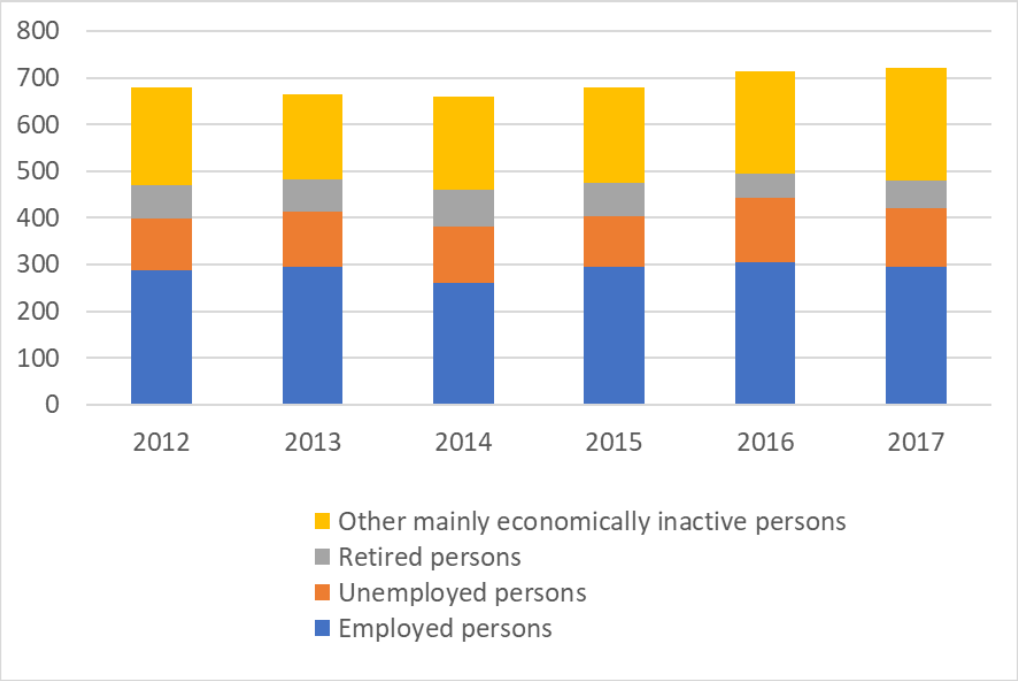
Annex

Figure 1: In-work at-risk-of-poverty rate according to sex, %, Austria and EU-28



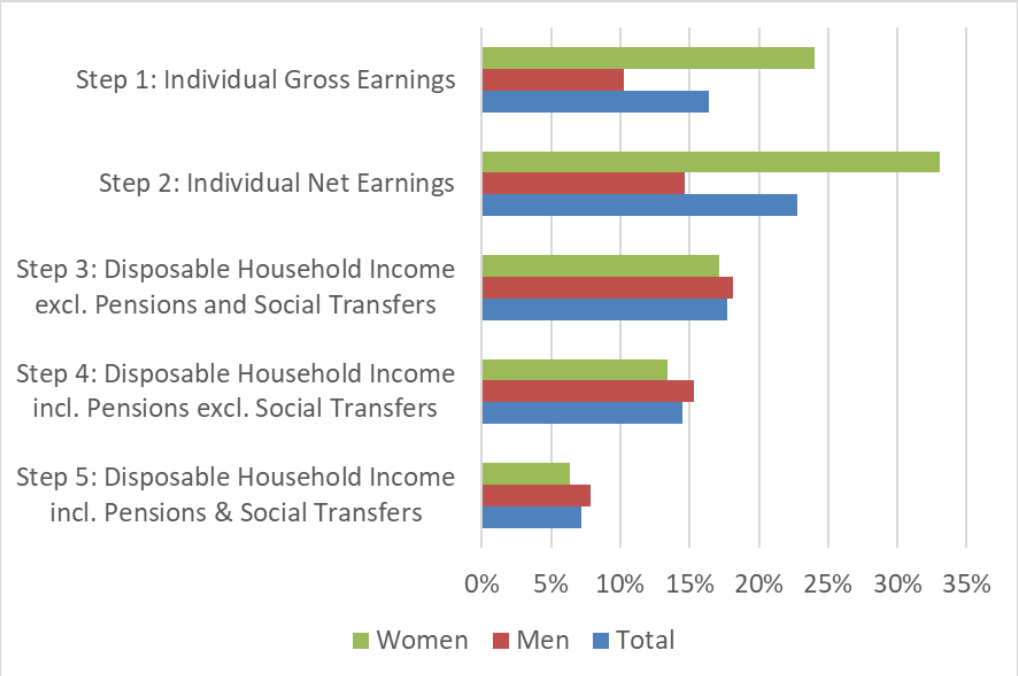
Source: EU-SILC, Eurostat Database, indicator [ilc_iw01].

Figure 2: Persons at risk of poverty by most frequent activity status, thousand persons, age 20-64, Austria



Source: EU-SILC, Statistik Austria, own calculations.

Figure 3: Individual and household IWP rates before/after pensions and social transfers



Source: EU-SILC 2014, Statistik Austria, own calculation from microdata, presented in Fink et al. (2017).

Annex on low-wage employment

According to the Structure of Earnings Survey (SES), 14.8% of employees in the private sector hold a low-wage job,[31] defined as a job with hourly earnings amounting to two-thirds or less of the national median gross hourly earnings. This share has remained largely constant over the past 10 years in Austria (2006: 14.2%; 2010: 15%), and has always been somewhat lower than the average for all the EU Member States (2006: 16.7%; 2010: 17%; 2014: 14.8%) (Geisberger 2017). However, the incidence of low-wage employment is much higher in Austria than in Europe's "best-performing" countries (e.g. Sweden: 2.6%; Belgium: 3.8%; Finland: 5.3%; Denmark: 8.6%; France: 8.8%; data for 2014) and shows an extremely strong differentiation between men (2014: 8.7%) and women (2014: 23.1%). This means that the low-wage rate for women is 14 percentage points higher than it is for men. No other EU Member State, except for Estonia, shows such a big difference between men and women. The fact that the overall low-wage employment rate is below the EU average is a result of the below-average spread of low-wage employment among men in Austria (EU average in 2014: 13.5%); meanwhile the low-wage employment of women in Austria is more widespread than the EU average (2014: 21.1%) (Geisberger 2017: 928). These results are also in line with findings on the so-called "gender pay gap", according to which females in Austria face average hourly gross wages that are 22.2% lower than those of males (data for 2014). This wage differentiation is substantially higher than the average for all EU Member States (16.7% in 2014) and is one of the highest in the EU (see Geisberger/Glaser 2017 for more details).[32] Further analysis by Geisberger (2017) shows that low-wage employment is especially widespread in the services sector (19.5% vs. 4.3% in the production sector) and that employees with foreign citizenship (30.8%) are much more often affected by low-wage employment than are Austrian citizens (11.4%). Regarding employees with other than Austrian citizenship, it is also worth mentioning that their average real wages have decreased since 2007 and – unlike the wages of Austrian citizens – did not start to grow again after 2011 (see Eppel et al. 2017). Eppel et al. (2017) explain this phenomenon with reference to the increased labour supply from "new" EU Member States and to the fact that the employment of people with other than Austrian citizenship increasingly tends to be discontinuous (i.e. lasting for less than a year), which leads to lower seniority and upward wage mobility with the same employer.

[31] The SES covers companies with 10 or more employees. NACE activities A (Agriculture, forestry and fishing), O (Public administration and defence; statutory social security), T (Activities of households as employers) and U (Activities of extraterritorial organisations and bodies) are not covered by the SES. Overall, the SES in Austria addresses ca. 80% of all employees of the covered NACE activities.

[32] Data provided here again derive from the SES. Source: Eurostat database, SES, indicator [earn_gr_gpgr2].