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**Gender and the Labour Market:  
Comparing Austria and Japan**

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# Gender and the Labour Market: Comparing Austria and Japan

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# **Gender and the Labour Market: Comparing Austria and Japan**

**Gudrun Biffl**

## **Abstract**

Profound changes on the labour market have resulted from globalisation and technical change. Hand in hand with structural change socio-economic norms are modified. Changes in values as well as rising educational attainment levels of men and women have transformed labour supply and contributed to changes in labour demand and production opportunities. In consequence, the proportion of women in the labour force has risen in the face of declining agricultural and manufacturing production, increasing tertiarisation of work and an augmenting share of knowledge work.

Japan and Austria are among the OECD countries with an average labour force participation rate but an above average gender gap as far as employment opportunities and earnings are concerned. This fact has captured national and international interest in more recent years, not least because a more efficient use of labour resources of women may alleviate the downward pressure on economic growth emanating from an ageing society. In Japan, women in the main working age have a fairly large margin of labour resources not employed in the market economy. In Austria in contrast, the proportion of unused labour resources of mature workers is high, and the gender gap is less pronounced than in Japan, which suggests that a different combination of policies is called for to promote economic and employment growth in the face of an ageing society.

However, it is not only the ageing of societies that raises questions about the employment and earnings opportunities of women; but also concerns about gender equity, poverty and child-welfare. Increased marital separations also provide good reasons for promoting employment and earnings opportunities of women. The provision of formal day care to promote greater equality of opportunity for children would decouple them from the socio-economic status of their parents.

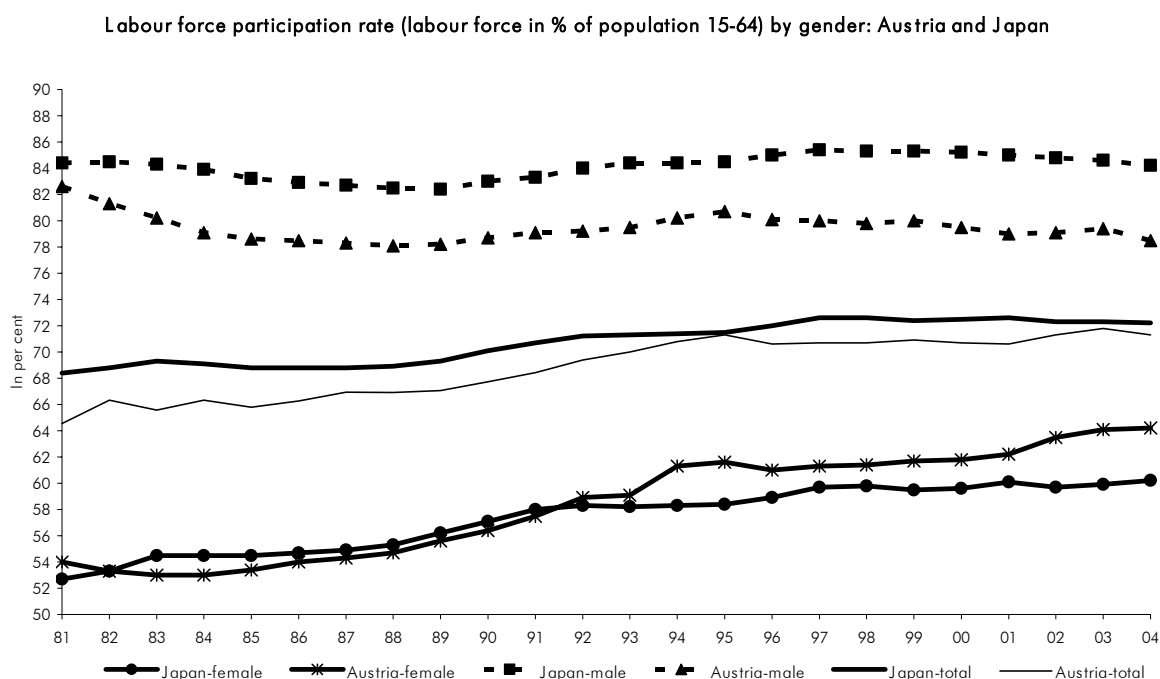
## Introduction

Some major labour market indicators do not differ much between Austria and Japan, e.g., the total activity rate and the total unemployment rate. In 2004, some 72 percent of all 15-64 year olds were in the labour force in both countries, and the unemployment rate was between 4 percent and 5 percent. While unemployment rates do not differ much by gender (2004 Japan: male 4.9 percent and female 4.4 percent; Austria: male 4.3 percent, female 4.1 percent), the gender gap of labour force participation rates, in effect employment rates, is quite pronounced. The participation rate of men is significantly higher in Japan (84.2 percent) than in Austria (78.5 percent), with a difference of almost 5 percentage points. In contrast, the participation rate of Austrian women exceeds the Japanese rate by 4 percentage points. This has not always been like that (Graph 1).

In the 1970s until about 1980, the participation rate of men was similar in Austria and Japan. However, from the early 1980s until the mid 1980s the male activity rate declined rapidly in Austria, while it remained fairly constant in Japan. This development has to be seen in the light of substantial downsizing of manufacturing industry, a major well paying employer of men in Austria, in the wake of a severe economic recession and the recognition of the need of industrial restructuring as a result of globalisation. Particularly hard hit was the iron and steel industry, a strongly unionised technically advanced nationalised industry. The preferred strategy to cope with employment reductions was early retirement and the disability pension system to reduce the labour supply mostly of older workers. Japan, in contrast was in its heyday of economic and employment growth and thus under no pressure to change strategy (OECD, 2005A:61, OECD, 2004:54).

In the case of women, the participation rate has been fairly high by international comparison in the 1960s, both in Austria and Japan – a consequence of the large number of small scale farmers and an important consumer goods industry. Farming and production of consumer goods, often family enterprises, are highly labour intensive, offering work to an above average share of women for little, if any, pay. As economic restructuring gained momentum in the 1970s, agricultural production and consumer goods production declined. As the services industry was slow in picking up, the activity rate of women stagnated both in Austria and Japan (Martin – Kats, 2003:16). In the 1980s, the activity rate of Austrian women was somewhat below that of Japanese women. In the course of the 1990s, however, female labour force participation increased faster in Austria than in Japan.

Graph 1:



S: OECD Labour Force Statistics, WIFO-calculations.

## Reasons for the diverging trends of activity rates by gender

Labour force participation rates reflect the social organisation of labour, notably the division of labour between (paid) market work and (unpaid) household work, and between the formal and the informal sectors of the economy. As a rule, female labour force participation rates are low in countries where only a small share of home production has been transferred to market production and/or where the informal sector accounts for a high share of value added (Biffi, 1996B, 2002). This relationship goes a long way in explaining the differences in activity rates between countries.

In the EU, Denmark has the highest female activity rates at 76.2 percent while Italy has the lowest at 50.6 percent. In the former, household production – mainly childcare and long-term care – has been transferred to a larger extent than in most other developed countries onto the labour market, particularly to the public sector (Table 1). In contrast, in Italy household production remains largely unaffected by socio-economic change, i.e. it has hardly been transferred onto the formal labour market; thus, it remains either in the household or in the large and rising informal sector. In consequence, the informal sector accounts for 27 percent of GDP, which is one of the highest shares among OECD countries (Enste, 2003, Graph 2).

With a female labour force participation rate of 60 percent, Japan is below the average of the EU (EU(15): 62.5 percent, EU(25): 62 percent). As Japan has a similarly low proportion of GDP produced by the informal sector as Austria (some 11 percent), it can be assumed that Japanese women are engaged to a larger extent than Austrian women in unpaid household work.

Table 1: Activity Rates of Men and Women in the EU-25 and Japan (2004)

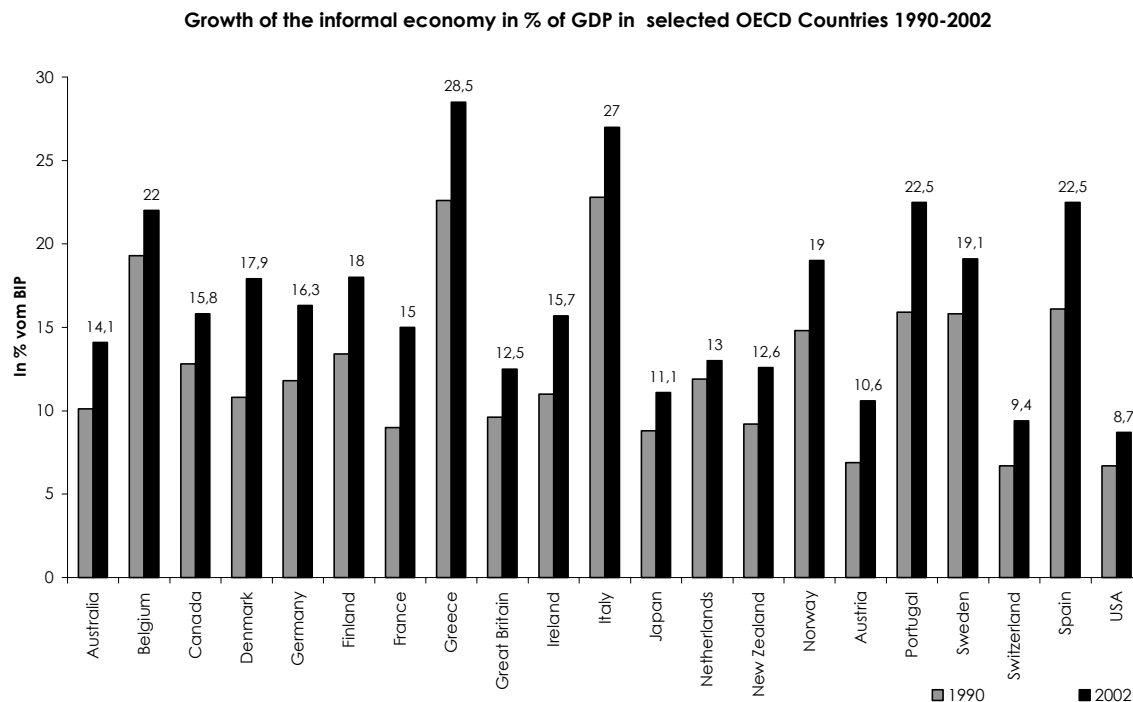
	Men	Women	Total
Belgium	73.4	58.2	65.9
Denmark	84.0	76.2	80.1
Germany	79.2	65.8	72.6
Estonia	74.4	66.0	70.0
Finland	76.4	72.0	74.2
France	75.2	63.9	69.5
Greece	79.0	54.1	66.5
Ireland	79.9	59.0	69.5
Italy	74.9	50.6	62.7
Latvia	74.3	65.3	69.7
Lithuania	72.8	65.6	69.1
Luxembourg	74.8	54.3	64.7
Malta	80.4	36.0	58.3
Netherlands	83.9	69.2	76.6
Austria	78.5	64.2	71.3
Poland	70.1	57.9	64.0
Portugal	79.1	67.0	72.9
Sweden	79.1	75.2	77.2
Slovak Republic	76.5	63.0	69.7
Slovenia	74.5	65.0	69.8
Spain	80.4	56.8	68.7
Czech Republic	77.9	62.2	70.0
Hungary	67.2	54.0	60.5
United Kingdom	82.0	68.6	75.2
Cyprus	83.0	62.9	72.6
EU-25	77.5	62.0	69.7
Japan	84.2	60.2	72.2

Source: Eurostat for EU-25, OECD for Japan.

While Japan has below average participation rates of women, the activity rates of men correspond to the ones in Denmark and are thus amongst the highest in the developed world. Austria, however, has one of the lowest activity rates of men in the EU(15); only France, Italy and Belgium have lower rates (see Table 1). While all of these countries have equally low activity rates of men due to an early retirement culture, France, Italy and Belgium have also low youth activity rates. This is the result of full-time schooling, which does not really allow the combination of education and part-time work. In contrast, in Austria a large proportion of young men pursue apprenticeship education, which is counted as employment. The whole concept of this type of education is the combination of learning on the job with classroom

learning in vocational schools (dual education system). Thus, the activity rate of Austrian youth (15–24) is comparatively high by international standards, also compared to Japan.

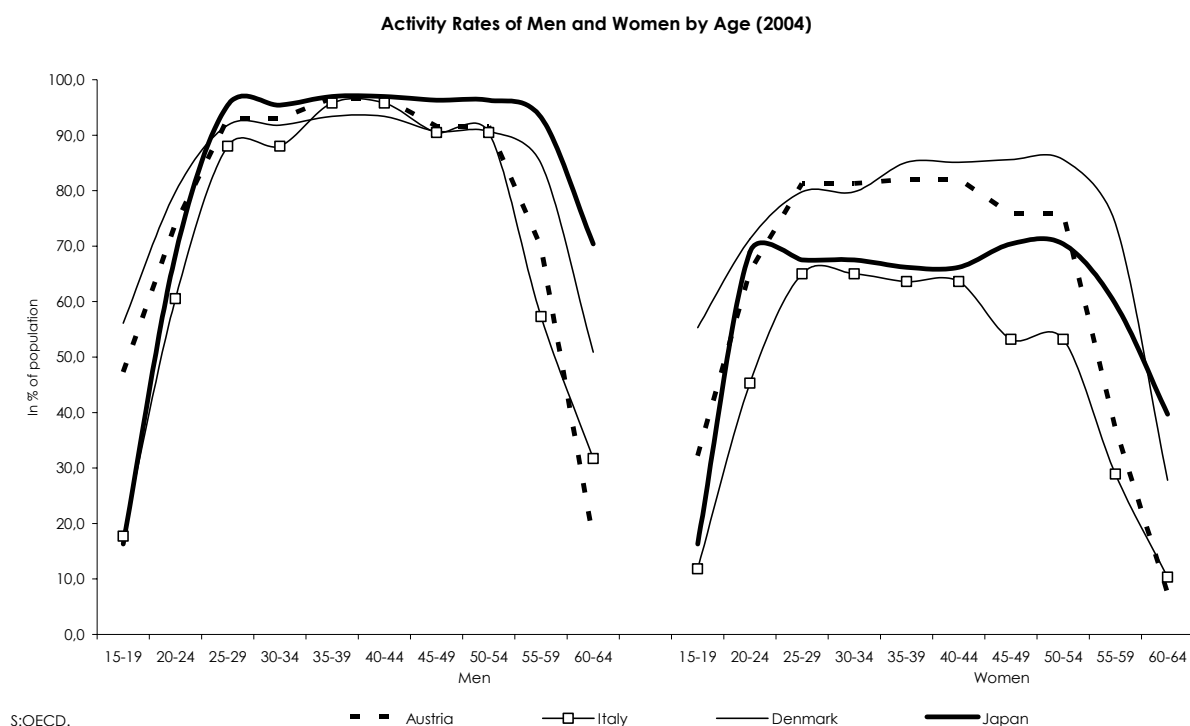
Graph 2:



S: Schneider/Enste, 2000; Schneider, 2003; Institut der deutschen Wirtschaft Köln.

While transition from school to work is promoted by the strong vocational orientation of the Austrian school system, it contributes to the comparatively short working life cycle of Austrian men and women. As employment opportunities are good upon completion of an apprenticeship or vocational college, comparatively few young people undertake long-cycle university studies (*Biffi – Isaac, 2002*), (Graph 3). This is an important difference to Japan, which is investing heavily in university education of its population to promote the employability of its workforce in an increasingly technologically advanced society. In Japan, 34.2 percent of the 25-34year olds had tertiary education in 2003 compared to only 19 percent of Austrians (*OECD, 2005B*). The Austrian initial education outcome, which is strongly vocationally oriented, is not sufficiently augmented by investment in higher education later in the working life as the system of continued further education and training (lifelong learning) is underdeveloped. Thus the adjustment speed of skills of the workforce does not keep pace with the speed of technical change thereby jeopardising the employability of mature workers. A generous retirement systems has been put in place to provide an incentive to withdraw from the labour market at an early age, thereby reducing unemployment of mature workers, rather than invest in further education to keep abreast of demand (*Biffi, 2006*).

Graph 3:



The differences of female labour force participation rates in international comparison tend to be most pronounced in the prime working and reproductive age. This can be taken as an indicator that the differences across countries reflect different approaches to organizing social reproduction, in the main the division of paid and unpaid work among men and women and the extent to which household production, in particular care work, has been transferred to the formal labour market.

As can be seen from Graph 3, Japanese women tend to withdraw from the labour market at the average age of first marriage and first birth (25-29) to a larger extent than Austrian women, and indeed women in most OECD countries (Jaumotte, 2003, Shirahase, 2002, OECD, 2003:36). In Austria women tend to reduce their working hours in their main childbearing and child-rearing age rather than exit temporarily. This means that the male breadwinner model is more prominent in Japan than Austria. In 2001, 50 percent of all couple families with children adhered to this model, compared to 30 percent in Austria. It was above all in the 1990s that Austrian married women with children entered the labour market, preferably as part-timers. This is the major reason for the opening up of a gap in the activity rates of women between Austria and Japan in the 1990s (OECD, 2003:53).

It is above all long (traditional) working hours in combination with a high degree of commuting which make it difficult for full-time employees to combine an occupation with family life. This holds for Austria, a country with a relatively small degree of urbanisation and in consequence large numbers of commuters from rural to urban areas, but even more so for



Japan. As a result, men have typically specialised in paid work and long hours, both in Austria and Japan, while women have concentrated on household production and topping up the family income with a part-time job. Low income earners are more likely to have both partners working than high income earners.

Thus, market work and household work are two mutually dependent dimensions of the same phenomenon: given their household responsibilities, women are available for jobs only up to a limited degree, and given their limited job opportunities (especially relative to their partners), they have a stronger incentive to keep work in the household and thereby save money on child care etc. The specialisation of women in household production and of men in market work does not only affect activity rates but also educational choices and employment and career opportunities (Biffl, 2005, OECD, 2005B).

### Slow rise of services sector in Austria and Japan

The fairly low labour force participation rate of middle aged Japanese women is linked with the comparatively low degree of tertiarisation of the economy. This is also true of Austria, thus offering fewer employment opportunities for women than for example in the Nordic and Anglo-Saxon countries (Biffl, 1996A, Table 2). This situation appears to be a case of two-way causality, i.e. resulting from both supply-side and demand-side reasons.

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

	Men	Women	Total
Finland	55.0	84.8	69.4
Ireland	51.7	86.0	66.1
United Kingdom	72.0	91.6	81.3
Netherlands	–	–	78.2
Belgium	67.6	89.4	77.2
Germany	60.2	84.3	71.3
Luxembourg	68.9	91.4	77.5
France	64.9	87.2	75.3
Portugal	–	–	–
Spain	51.7	83.9	64.4
Italy	58.0	79.6	66.6
Austria <sup>1)</sup>	53	81	66
Greece	56.3	73.6	62.9
Sweden	61.8	89.2	75.1
Denmark	64.0	87.3	74.8
EU-15	61.2	85.1	71.9
Japan	57.9	80.2	66.0

Source: Eurostat (Employment in Europe), OECD for Japan. – <sup>1)</sup> 2003.

Table 2 shows that while the service sector is the single largest employer of women in Austria as well as Japan, the share of services in overall employment (66 percent in both countries) was significantly below the corresponding share in Anglo-Saxon and Nordic countries (over 70 percent). In Austria as well as Japan, manufacturing industries as well as agriculture and fisheries offer a larger proportion of jobs to men and women than in the majority of the EU-economies.

### **Pronounced gender differences in employment patterns in Austria and Japan**

Female employment patterns differ significantly from male patterns in terms of industry and occupation mix, working hours, firm size, regular versus non-regular employment and earnings. In Austria part-time work is more heavily concentrated upon women than in Japan (86 percent compared to 68 percent). While there is hardly a difference in the proportion of part-time work in the main working age and at a mature age in Austria – in the main a consequence of the early exit from working life – Japanese workers with their long working life tend to continue to work beyond the legal retirement age. In those circumstances a large number continues to work part-time while at the same time consuming a pension or welfare benefits (Table 3).

In both countries, however, there is a significant difference in the proportion of part-time work in total employment by gender. In the main working age, almost 40 percent of all employed women in Austria and Japan work part-time, compared to 3.5 percent of Austrian men and 8.5 percent of Japanese men.

While part-time work is the most important discriminating labour market characteristic between men and women in Austria, Japan exhibits in addition a strong gender segmentation between regular and irregular employment contracts. While Austria has a comparatively low proportion of men and women in irregular employment, i.e., as contract workers, freelancers or casual employees, namely some 6 percent of total employment, atypical forms of employment are more prominent in Japan. About a quarter of all workers are non-regular or atypical employees, the majority female. Between 1986 and 2001 45 percent of women and 13 percent of men were non-regular workers (*Fujiki et al., 2001*). Not only are wages significantly lower for irregular workers but access to training and promotion cannot be accessed by these workers. This has a detrimental effect on female career opportunities.

Table 3:

**Part-time work by age and gender in selected OECD countries, 2003<sup>a</sup>**  
Percentage of total employment

	Both		Men		Women	
	25-49	50-64	25-49	50-64	25-49	50-64
Netherlands	26,6	31,6	4,5	11,7	53,7	63,7
Australia	23,5	27,5	7,7	12,8	42,8	47,9
Germany	21,6	23,5	4,4	6,3	42,4	46,6
<b>Japan</b>	<b>21,1</b>	<b>27,3</b>	<b>8,5</b>	<b>14,8</b>	<b>39,8</b>	<b>45,8</b>
United Kingdom	20,6	28,6	4,0	11,6	41,2	49,8
Belgium	19,9	23,4	4,1	10,1	39,5	45,7
<b>Austria</b>	<b>19,6</b>	<b>17,6</b>	<b>3,5</b>	<b>4,0</b>	<b>39,7</b>	<b>38,6</b>
Sweden	18,3	21,5	7,0	10,5	30,6	33,1
France	15,3	16,4	3,7	5,4	29,1	29,8
Denmark	15,3	16,8	5,8	6,5	26,4	28,9
Ireland	13,7	20,3	2,9	6,6	27,8	44,7
Italy	8,8	6,8	2,7	3,2	18,3	13,8
United States	7,9	9,4	2,8	4,7	13,5	14,1
Korea	5,4	9,6	3,1	7,9	9,1	12,0

a) 2002 data for Austria, France, Korea and United States.

Source: OECD database on part-time work

Even though women in Japan have a similar educational attainment level as their male counterparts (particularly 25-34 year old women), women are hardly found in top managerial positions. In 2002 only 9 percent of female workers were senior officials and managers (ILO, 2003). The situation in Austria is not much different, albeit the gender gap in educational attainment is somewhat larger than in Japan. According to the EU labour force survey and the ECHP (European Community Household Panel)<sup>1</sup>, the share of top management positions held by women was 8.1 percent of all jobs in 2002. It was thus lower than in the EU-15 where it was at 12.9 percent. The low rate of Austrian women in top managerial positions can only to a limited extent be explained by the lower educational attainment level of women. The main reason, as in Japan, is part-time work which is not integrated in career paths. This is true for the private and public sector in Japan, in Austria it holds largely for the private sector.

As to the occupation and industry mix: Austrian and Japanese men tend to be concentrated upon the wellpaying manufacturing sector with an above average firm size. Men are to a larger extent than the EU average educated in engineering sciences, natural sciences and information technology, which ensures well paying jobs due to a great potential for productivity increases. In contrast, women are crowded into care jobs as well as clerical and sales jobs, teaching and other personal services. Given their family obligations, women tend to be less mobile and more dependent on the local job market. Consequently, more women

<sup>1</sup> See *European Commission* (2003).

than men work in small and medium-sized enterprises (SMEs) in rural areas. Since bigger companies can typically pay higher wages, this is an additional factor which impacts on the relatively large gender pay gap<sup>2</sup>.

The share of female employment has risen mainly in the education sector (primary and secondary schools), in health and long-term care and in the field of social services. Female employment has not been able to make great inroads into the high-growth and wage sector of legal and business services, neither in Austria nor Japan. While wages in business oriented services can keep pace with wages in the high-technology goods production sector, because the information and computer technologies on which they rely secure rapid productivity growth, this is not the case for personal services. In the case of personal and consumer oriented services it is hard to increase productivity; as a result, these services tend to become more expensive in relation to business services and/or wages paid for such activities fall behind (low-wage industries).

As far back as 1967, Baumol identified the "cost disease of labour intensive services which are resistant to rationalisation" implying that such services are becoming more expensive relative to other goods and services if wages are to keep pace with industrial wages (*Baumol, 1967*). This is one reason for a limited transfer of these services onto the private sector as these services become unaffordable without substantial subsidisation in one way or another. Consequently, they tend to be provided by welfare institutions, the state, illegal workers, the informal sector and households.

In view of the occupational segregation of jobs and the perpetuation of pronounced gender differences in post compulsory education, women are particularly affected by increasing wage pressures. Amid the rising internationalisation of the economy, Austria and Japan have outsourced/offshored manufacturing production in the labour intensive medium technology segment (consumer goods, electronics industry) in which the share of women has typically been high, thereby increasing competition for the remaining often small scale enterprises. In addition, the competitive pressure in service industries has increased, in particular in retail trade and in Austria also in the sizable tourist industry. Furthermore, tight public sector funds are in view of limited rationalisation of personal services no good omen for women, as the public sector is one of the most important providers of good and well paying jobs in the higher skills segments, particularly in Austria.

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<sup>2</sup> Research into the highly industrialised province of Upper Austria shows that the most peripheral districts tend to have a low share of female commuters and at the same time the highest gender pay gap (*Biffi – Leoni, 2006*).

## Gender pay gap most pronounced in Japan

While information on labour force participation rates and employment patterns by gender is readily available, it is rather difficult to narrow the gender pay gap down to a single figure. This is particularly the case in Japan. The Human Development Report (2004) suggests that the ratio of female to male earnings is 46 percent, while *Blau – Kahn* (2001) suggest that the gap is significantly higher and amongst the highest in the OECD. The *OECD* (2003:54) provides data on the distribution of income of dual earner couples in Austria, Japan and Ireland. Accordingly, the average female to male earnings ratio is 60 percent in Austria, 52 percent in Ireland and 44 percent in Japan. The Japanese ratio increases to 52 percent if self-employed are included. While all available data suggests that the gender wage gap is highest in Japan, no conclusive evidence is given about the hourly wage differences between men and women in Japan on average. According to the labour force survey (MHLW 2001) full-time regular female employees earn on average 35 percent less than their male counterparts. Average hourly wages of irregular workers do not differ as much by gender: women have on average 86 percent of male hourly wages. The majority of irregularly employed are female part-timers; men in these circumstances tend to be older employees in their post career jobs (*OECD*, 2003:39, *Biffi*, 2006).

In Austria, various data sources imply that the median income of women comes to between 75 percent and 82 percent of the male median (based on the same number of hours worked). However, according to income and expenditure patterns derived from the consumer survey of 1999/2000, the gender gap of average wages is likely to be much wider, as women are scarcely able to enter the highest income/wage segment (*Biffi – Leoni*, 2006).

Table 4 provides information about the development of gender-related pay discrepancies in Austria compared to the EU between 1995 and 2004, based on the difference between average gross hourly wages of men and women in percent of men's average gross hourly wages<sup>3</sup>. The choice of gross hourly wages allows taking into consideration quantitative differences, but it does not reflect gender-specific differences such as skill levels and occupational patterns.

Accordingly, the Austrian gender pay gap exceeds the EU average but is lower than the Japanese. Eurostat estimated the gender wage gap at 15 percent on average in the EU-25 in 2003 (EU-15: 16 percent), which means that it has narrowed slightly since 1995 (EU-15: 17 percent). In the period 1995–2001, the gender pay gap declined from 22 percent to 20 percent in Austria. The data for 2003 – the first year in which data were compiled on the basis of the EU's statistics on income and living conditions (EU-SILC) for Austria – indicate a

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<sup>3</sup> The international comparison is based on a range of data sources, including the European Community Household Panel (ECHP), the EU statistics on income and living conditions (SILC) and national sources, all for people aged between 16 and 64 working at least 15 hours a week. While the EU requires Member States to compile and publish data on the gender pay gap, the choice of data sources as a basis of calculation is up to the individual countries.

narrower gender pay gap; but given the statistical break with the previous years, the 2003 figure should be interpreted with caution<sup>4</sup>.

Table 4: Gender Wage Gap in the EU-15 (1995 to 2003) and Japan (2002)

Difference in average gross hourly wages of men and women in percent of men's gross hourly wages

	1995	1996	1997	1998	1999	2000	2001	2002	2003
EU-15 <sup>1</sup>	17	16	16	16	15	16	16	16	16
Belgium	12	10	10	9	11	13	12	-	-
Denmark	15	15	13	12	14	15	15	18	18
Germany	21	21	21	22	19	21	21	22	23
Greece	17	15	13	12	13	15	18	17	11 <sup>2</sup>
Spain	13	14	14	16	14	15	17	21	18
France	13	13	12	12	12	13	14	13	12 <sup>2</sup>
Ireland	20	21	19	20	22	19	17	-	14 <sup>2</sup>
Italy	8	8	7	7	8	6	6	-	-
Luxembourg	19	19	19	18	17	15	16	17	15
Netherlands	23	23	22	21	21	21	19	19	18
Austria	22	20	22	21	21	20	20	-	17 <sup>2</sup>
Portugal	5	6	7	6	5	8	10	8	9
Finland	-	17	18	19	19	17	17	20	-
Sweden	15	17	17	18	17	18	18	17	16
United Kingdom	26	24	21	24	22	21	21	23	22
Japan						35			

Source: Eurostat. Japan MHLW 2001, fulltime regular male and female workers – <sup>1</sup> Estimated figures. – <sup>2</sup> Break in time series.

According to *Blau – Kahn* (2001) countries with relatively large sectoral male wage differences tend to have larger gender pay gaps, *ceteris paribus*. Accordingly, countries with a compressed male wage distribution, Nordic countries are the usual benchmark countries, tend to have low gender pay gaps, as it is those at the bottom of the wage scale who tend to profit most from a solidarious wage policy and centralised wage bargaining. However, the positive impact of a low level of male wage inequality is somewhat offset by the relatively large net labour supply of women. Abundant female labour supply tends to raise wage inequality. Thus the relatively scarce female labour supply in Southern European countries is the major explanatory factor for the small gender wage gap in those countries (Table 4).

In order to explain international differences in the gender pay gap, *Blau – Kahn* (2001) identify gender differences in educational attainment level (human capital), sectoral male wage inequality and the net labour supply of women as the major explanatory variables for gender

<sup>4</sup> Note that Statistics Austria cautions that the first-year results of this new EU survey are preliminary and may be subject to further quality adjustments. SILC data for Austria are significantly lower than the corresponding ECHP data: 17 percent as opposed to 20 percent for the period from 2001 to 2003; no data are available for 2002. For attempts to explain the development of the gender gap in Austria between the mid 1980s and mid 1990s see *Böheim et al.* (2005).

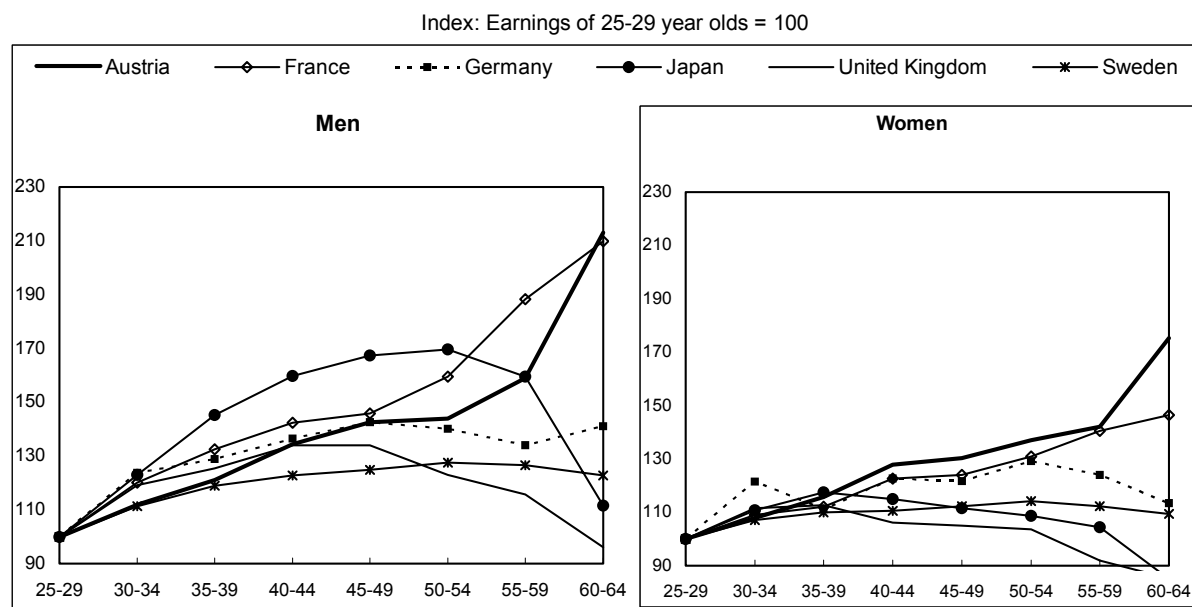
wage inequalities. These variables are good predictors of gender wage differences except in the case of Japan. This suggests that the important gender wage gap in Japan is largely due to institutional factors which cannot be captured by the above indicators.

A closer look at institutional factors is warranted in order to get a better insight into the mechanisms which result in the large Japanese gender wage gap. As neither educational attainment nor occupational and sectoral gender segmentation of employment suffice to explain the above average gender pay gap, the major culprit may be found in the seniority wage system and the strongly gendered career paths, in particular the almost exclusively male tenure track of employment in the public sector as well as in large private sector enterprises. Employees who are included in the tenure or "fast career" track ("sougou-shoku"), receive training and promotions while persons in the slow "routine work" track ("ippan-shoku") cannot expect to be trained and to move up the career ladder. Women tend to be relegated to the slow track and men to the fast track, in spite of the Japanese 1986 Equal Opportunity Law which tends to discourage these employment practices (OECD, 2003:41).

The relegation of women to the slow career track appears to be a result of the withdrawal of women from work after marriage and childbirth and the re-entry into employment as part-time workers. The main reproductive age of women coincides with the main working age, where men tend to pursue a fulltime career and where the decisions about career tracks are made. The pursuit of a career puts high pressure on employees in terms of their availability for work. Long working hours and work commitment are a prerequisite for entering the tenure track, requirements which cannot be met by persons involved in the often unpredictable needs of children and elderly persons needing care.

While the Japanese case is somewhat unique, the situation in Austria is similar for women in the private sector in relation to a reduction of working hours or a withdrawal from the labour market. The long working hours of full-time workers, the need for commuting and the comparatively limited supply of affordable day-care centres for children and of full-day schooling, particularly in rural areas, make it difficult for women to pursue a career and look after children and/or elderly. As a consequence, women tend to work part-time which by the very nature of its concentration upon SMEs does not offer good career prospects. In Austria it is mainly employment in the public sector with its pronounced seniority wage scales, which offers career opportunities for highly skilled women, also in part-time work (Graph 4).

Graph 4: Age-earnings profiles of full-time workers in Austria and selected OECD countries, 2000<sup>a</sup>



<sup>a</sup> 2001 for Austria, 2002 for Japan.

Source: Austria: Microcensus and "Wage Tax Statistics"; France DADS; Germany: German socio-economic panel; Japanese Basic Survey on Wage Structure; Sweden: Statistics Sweden; United Kingdom: Labour Force Survey.

Graph 4 indicates that male earnings rise much faster from a relatively young age onwards in Japan than in most other OECD countries, while Japanese women tend not to be able to enter this seniority wage track. In contrast, the age earnings profile of full-time workers in Austria exhibits a relatively slow rise until the age of 40, after which wage increases tend to pick up. From then onwards, Austria has one of the steepest age earnings profiles of men and women in the OECD. Prima facie, Graph 4 suggests that the early years of employment are important for the future career in Japan, while it is in the mid 1930s that Austrians tend to establish their careers.

The age-earnings profiles suggest that Austrian men and women have low starting wages which may be lower than productivity, while the contrary holds for wages at a mature age. Thus the steep earnings increase past the age of 40 may be a contributory factor for the significant decline in the employment rate of mature workers in Austria. Table 5 documents the sharp drop in the labour force participation of workers in the low to medium skill segment beyond the age of 50. In 2002, the activity rate of 50+ year olds with low skills halved relative to 25-49 year olds (to 37 percent), for medium skilled workers by 30 percentage points to 50 percent. In contrast, in Japan the labour force participation rate of workers of mature age with a low or medium skill level declined only by some 10 percentage points.

The sharp drop of labour force participation of mature workers in Austria may be the combined effect of relatively high wages, limited employability due to insufficient up- and re-



skilling and a sharp decline of the number of formal sector jobs in the low wage/low productivity occupations/ industries/ enterprises in the wake of industrial restructuring (OECD, 2005A).

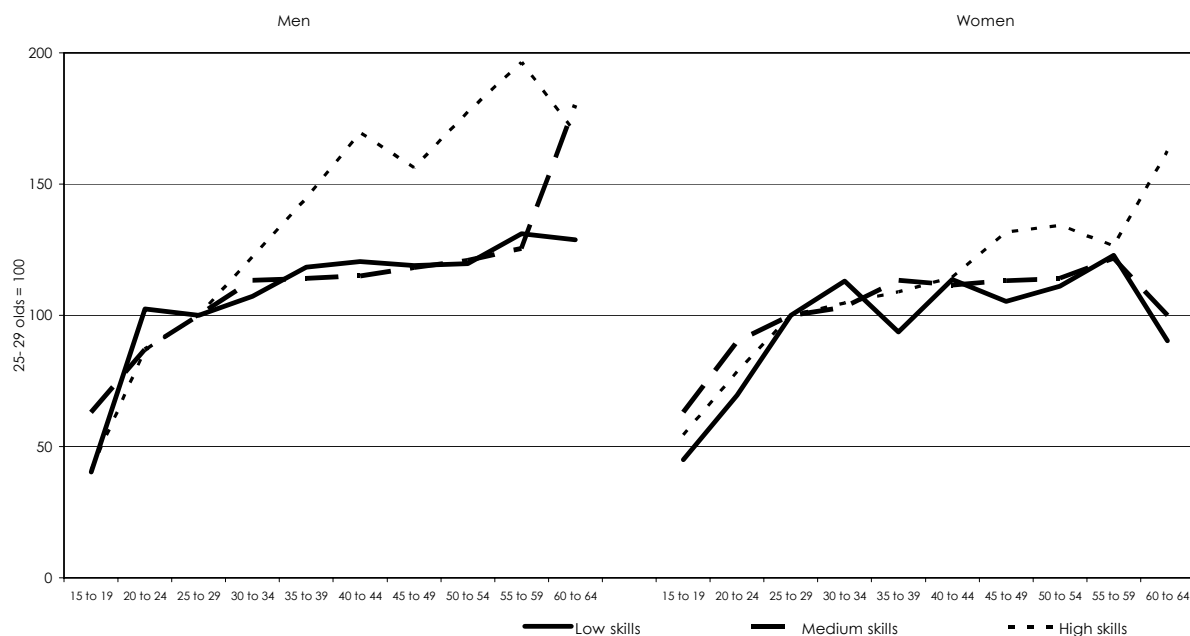
Table 5: Labour Force participation rates by age group, gender and skill level in selected OECD countries (2002)

		Men		Women		Total	
		25-49 olds	50-64 olds	25-49 olds	50-64 olds	25-49 olds	50-64 olds
Employees in percent of the population							
Austria	Low	88.4	49.2	68.8	30.4	76.2	37.2
	Medium	94.9	58.9	82.4	40.0	89.0	49.9
	High	97.0	74.0	90.1	61.7	93.9	70.1
Germany	Low	88.8	55.4	62.8	35.9	74.0	42.2
	Medium	93.5	63.9	80.9	50.5	87.2	57.2
	High	97.4	77.8	88.5	67.7	93.6	74.5
France	Low	91.0	55.7	67.7	44.3	78.9	49.3
	Medium	96.6	67.5	82.5	57.5	89.9	63.0
	High	95.4	81.6	88.5	68.9	91.6	75.5
United Kingdom	Low	74.0	57.4	51.6	49.6	61.4	53.5
	Medium	93.3	76.0	77.5	72.6	85.7	74.7
	High	96.9	79.6	89.0	80.8	93.0	80.1
Netherlands	Low	88.0	60.5	60.5	32.0	74.1	43.5
	Medium	95.5	71.1	81.2	51.9	88.4	62.8
	High	97.9	81.4	89.5	65.9	94.0	75.6
Denmark	Low	84.6	60.7	64.6	45.5	74.6	52.0
	Medium	93.5	75.9	87.4	67.2	90.7	72.0
	High	96.3	86.5	92.0	78.8	93.8	82.9
Japan	Low	93.5	83.7	65.0	52.5	81.5	67.3
	Medium	97.8	91.0	66.5	57.2	81.5	72.6
	High	98.9	92.7	68.7	59.3	84.2	79.2

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

Those who remain in employment are the highly skilled who may continue along a career path up to the peak, either in private or public sector employment. Mature workers with low to medium skills who remain in employment tend to be the select few with above average energy, who work particularly long hours in order to ensure continued employment, while the less successful avail themselves of the opportunity to take early retirement or get disability pensions with a comparatively low income setback. This is corroborated by graph 5 which shows that low skilled workers have no seniority pay, a result of collective bargaining agreements which have traditionally not offered seniority pay to blue collar workers in order not to jeopardise their employment opportunities as their productivity declines upon a certain mature age. Those who remain in employment tend to be highly skilled white-collar workers and civil servants, working full time and receiving substantial seniority increments (OECD, 2005, Chapter 4).

Graph 5: Development of average net Income of full-time employees by age, gender and skill level in Austria (1999/2000)



S:St.At, Consumer Expenditure Survey, WIFO calculations

Empirical evidence suggests that institutions are the major factors for the large gender pay gap in Austria, and even more so in Japan. Blau and Kahn can only attribute 11-12 percent of the earnings differential to market forces. In Austria, in contrast, about 20 percent of the earnings differential are attributable to educational and occupational choices, and additional 30 percent are due to long duration maternity leave, which can be taken until the child is three years old (OECD, 2003:37). The remaining 50 percent are attributable to limited career progression; why women in Austria have worse career opportunities than women in other EU countries is a matter of debate. Maybe it is, as in Japan, the result of the choice of occupations, which offer limited vertical career paths (teaching, care work, sales, tourism) in combination with the pervasiveness of a 20 hour work week rather than 30 to 35 hours. While half-day work tends not to be integrated into career ladders, a temporary reduction of working hours by up to 30 percent of a full-time job appears to be compatible with the pursuit of a career by men and women. This is suggested by the experience in Denmark (Datta Gupta – Smith, 2002) as well as The Netherlands.

## Concluding remarks

The above analysis and review of empirical research suggests that the labour market outcomes for women in both Austria and Japan are not satisfactory. Labour force participation of women is low in Japan as well as Austria even though fertility rates are also low – 1.34 for Austria and Japan in 2002<sup>5</sup>. This is in stark contrast to developed countries which have high fertility rates and at the same time high labour force participation rates of women, e.g., the Nordic countries and France. These countries have transferred child care to the formal labour market and introduced comprehensive school systems, which offer full-day schooling, thereby creating professional jobs for women.

Why is it that women in Austria and Japan remain to a larger extent at home to care for their children? One reason may be that the state does not provide enough facilities. Yet the fact that more women opt for staying at home or reducing their working hours may also reflect

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

Whatever the main reason may be, the simple economic rationale is that the opportunity cost of household work is lower in Austria and Japan than in many other EU countries. Put differently, net hourly wages are low compared with the marginal return of household production (childcare costs saved, high social value of home care). Furthermore, tax credits for one-income families (Austria) and employer allowances for spouses (Japan) cause the equivalent income of single-income households to be fairly high. In Austria in addition generous transfer payments for child care raise the opportunity cost of working in the labour market. It follows that simply because of the income effect, women have a lower incentive to take on a job<sup>6</sup>.

The logic of the income effect also explains why the labour supply (volume of working hours) of women with small children declined after the reform of the child care benefit system in Austria in 2000: Fewer women resumed their full-time jobs after maternity leave, more women switched from full-time to part-time and women postponed re-entry into the labour market as the new benefit system raised the equivalent income of households with small children – due

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<sup>5</sup> For a survey on the underlying reasons of the low fertility rate in Austria and Japan in relation to other OECD countries, see *OECD* (2003).

<sup>6</sup> On the theory of individual job supply and household-related supply as well as calculations for Austria, see *Biffi* (1994B, pp. 82-100).

to higher transfers resulting from a longer entitlement period and a higher earnings allowance (Lutz, 2004).

In order to resolve the problem of poor labour market outcomes of women, it is necessary to focus on the interdependence between the market, the household and the public sector and redesign the incentive system at their interface. This may not be a significant social or economic issue for married women who, given their opportunity cost, prefer to remain in the household sector. However, it is particularly important as single mothers are an increasingly common phenomenon, both in Austria and Japan, with serious consequences for children as their mothers fall into a poverty trap. In 2001, the divorce rate was 2.3 cases of divorce per 1000 persons, both in Austria and Japan<sup>7</sup>. The countries with the highest divorce rates in Europe are Belgium (2.8), followed by Denmark (2.7) and the United Kingdom (2.6). The lowest rates are found in Italy with less than 1 divorce per 1000 persons.

Poverty rates of single parents are particularly high in Japan. According to the OECD (2003:56) 44.4 percent of lone parent families lived in poverty, more than double the rate of the total population. In Austria the proportion was also more than double the poverty rate of the total population, albeit at a much lower level (17.1 percent) than in Japan. The poverty rate is particularly high in Japan as women tend not to be able to access regular employment contracts which relegates them and their children into a stratum of society with limited upper social mobility. This is not only from an equity and equal opportunities point of view a misfortune but also from an economic point of view, an unfortunate waste of human resources, which retards economic and welfare growth.

Thus, one might say that the post-industrial society with its demographic, social and economic changes calls for a redefinition of women's participation in the labour market and, implicitly, a redefinition of the social division of labour. The moral proposition of gender equity (Biffi, 1993) receives broad attention in EU policymaking. Equal opportunities on the labour market are a precondition for social equality of men and women; equal opportunities are crucially linked to the right to earn one's own living<sup>8</sup>. Council Directive 2000/78/EC puts this as follows: "Employment and occupation are key elements in guaranteeing equal opportunities for all and contribute strongly to the full participation of citizens in economic, cultural and social life and to realising their potential"<sup>9</sup>. While the reorientation of policy towards increased socio-economic opportunities of women independent of their social and marital status will

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<sup>7</sup> The ratio of annual divorces to marriages is only slightly higher in Austria than in Japan, with 40 compared to 33 divorces per 100 marriages in 2001. In the Nordic countries and the UK the ratio is somewhat higher with about one divorce for two marriages (Martin – Kats, 2003).

<sup>8</sup> See "Resolution of the Council of the representatives of the Governments of the Member States meeting within the Council of 6 December 1994 on equal participation by women in an employment-intensive economic growth strategy within the European Union," Official Journal C 368 , 23/12/1994 P. 0003-0006.

<sup>9</sup> Council Directive 2000/78/EC of 27 November 2000 establishing a general framework for equal treatment in employment and occupation.

raise gender equity in the society it will also increase the efficiency of the allocation of labour resources in the production process thereby promoting economic growth and welfare.

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