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Mag. Martin Eder

# A Difference between Men and Women – the Income

An analysis of the gender-related effects of the  
Austrian income tax system



# Foreword

Differences in income between the genders are still a reality in the lives of men and women.

Highlighting of this pay gap has been part of the public discourse for some time now, and it is precisely this publicity that offers a chance to sensitize and eventually change public opinion in regard to this issue. The Austrian Federal Ministry of Finance has dealt with the topic several times in the past and published studies contributing to the national and international discourse on gender-related effects of various taxes.

From the perspective of equality-oriented politics, it is important and necessary to continually identify gender-related differences in income and examine their causes. Gender mainstreaming as a means of supporting and informing such politics is based on a gender-related view onto affected political areas in order to respect equality of opportunity for men and women.

The following study reminds its readers of the existing income discrepancies based on current statistics and examines the effects of taxation, which is gender-neutral in its legal formulation, on these differences, especially with regard to the most recent tax reform.

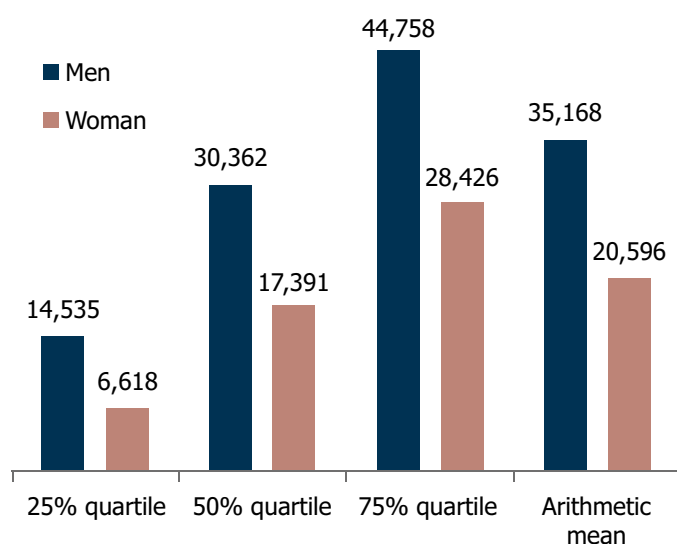
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# A Difference between Men and Women – the Income!

An analysis of the gender-related effects of the Austrian income tax system

This study is an update of Working Paper 3/2010 “Geschlecht und Steuerwirkung – Einkommen und einkommensabhängige Abgaben von Männern und Frauen”. There are significant differences in income between men and women – a fact which is also true in Austria. The General Income Report compiled by Statistics Austria on behalf of the Austrian Court of Audit serves to demonstrate this inequality quite evidently.<sup>1</sup> Diagram 1 provides a short excerpt from the report.

**Diagram 1: Male and female wage earners, gross yearly salaries in Euros**



Source: Statistics Austria, General Income Report (values for 2013)

The data in the General Income Report clearly confirm the nonsense correlation “larger feet – higher income” for Austria.<sup>2</sup> The reduction of this income discrepancy between men and women is an important political topic, as evidenced by the fact that the problem has to be independently examined within the Effect-oriented Impact Assessment. Besides depicting the difference in income between the genders, this essay addresses the question whether income taxation affects men and women equally.

Although the formulation of the Austrian income tax law is gender-neutral and it contains no explicit provisions applicable only to men or women, it can nevertheless be expected to display, whether unintentionally or by design, gender-specific effects. For example, the differences in income between men and women would only have no effect on the tax burden in per cent in the case of a true “flat tax”. Tax reducing regulations may also be disproportionately accessible to the two target groups, as the employment market in Austria is highly segregated and certain sector-typical tax reliefs may therefore not be available to all groups of wage earners.<sup>3</sup>

An important basis for analysis are the Wage Tax Statistics published each year for the previous year. The gross wages published in the Wage Tax Statistics include regular wages and salaries, bonuses, severance payments, vacation time payouts for employed persons, taxable allowances and non-cash benefits by employers, and pension payments. The most recent Wage Tax Statistics show the values for the year 2014 and are based on the pay slip data of approx. 4.3 million wage earners and approx. 2.4 million persons receiving pension payments. A further important data source is provided by the Income Tax Statistics, which show the earnings, income and income tax of assessed income tax payers. They are likewise compiled yearly, but are published with a delay of 3 years due to the assessment delay (most recent publication for the year 2013 in March 2016). These statistics refer to the income as the sum total of earnings in the seven income types exhaustively listed in the income tax law (after balancing against losses) for the year of assessment, after deduction of special expenses, exceptional costs and tax exempt amounts. Finally, supplementary conclusions can be drawn from the Integrated Wage and Income Tax Statistics, last published for the year 2012, which sum up earnings as per the Income Tax Statistics with gross wages according to the Wage Tax Statistics, less social security contributions, under the heading “total income”.

<sup>1</sup> General Income Report:

[http://www.statistik.at/web\\_de/statistiken/menschen\\_und\\_gesellschaft/soziales/personen-einkommen/allgemeiner\\_einkommensbericht/index.html](http://www.statistik.at/web_de/statistiken/menschen_und_gesellschaft/soziales/personen-einkommen/allgemeiner_einkommensbericht/index.html)

<sup>2</sup> Hanne Schaffer: Empirische Sozialforschung für die Soziale Arbeit, Lambertus-Verlag

<sup>3</sup> Geisberger/Glaser: Statistische Nachrichten 3/2014, Geschlechtsspezifische Verdienstunterschiede

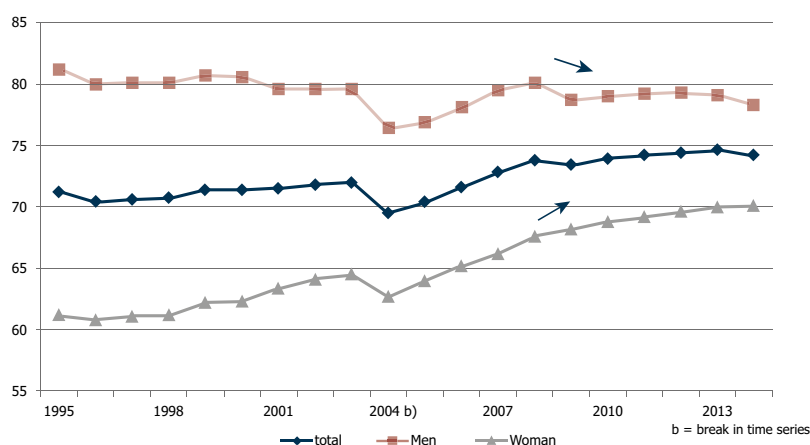
In this statistic, the net income is calculated as the total income, including transfer payments like unemployment benefits, emergency benefits and family assistance payments, less total taxes.<sup>4</sup> It should be noted that the three mentioned statistical sources (Wage Tax, Income Tax and Integrated Wage and Income Tax Statistics) do not cover the entirety of the concept of income, since large sections of income (e.g. income from capital gains) are taxed at source and therefore not included in these statistics at all.

The employment rate<sup>5</sup> of women in Austria has increased continuously since 2004, and at 70.1 % (2014) is above the EU average (for 28 EU countries) of 63.5 % (2014) according to a EUROSTAT statistic.

However, the female employment rate still lags well behind that of men, which lies at 78.3% (EU-28: 75%).

The statistic shows that there is still much catching up to do in terms of the number of female wage earners. It should be noted, however, that Austria has a relatively high rate of part-time employment for women by international comparison: 46.9 % (2014) of women work part-time compared to only 10.9 % (2014) of men. The EU-wide average (EU-28) part-time employment rates in 2014 were 32.8 % for women and 9.9 % for men.<sup>6</sup> It is an interesting fact that, with the onset of the crisis in 2008, only the employment rates of men decreased significantly, while the rise in female employment rates continued unabated during these years (see Diagram 2).

**Diagram 2: Employment rates in Austria<sup>7</sup>**



Source: Eurostat

This trend is confirmed in part by the Wage Tax Statistics as well. When considering all cases, men are now only narrowly ahead of women, with the current difference quite marginal (50.1 % vs. 49.99 %). The trend of recent years also shows that the percentage of women in this statistic will continue to grow slowly but steadily, and that women will pass eventually surpass men in this statistic. This development is caused not only by the increase in the

employment rate of women, but primarily also by the fact that women have a significantly greater life expectancy than men and there are thus far more female than male pension earners. By comparison, the ratio in the Wage Tax Statistic for 2000 was 51.2 % to 48.8 % in favour of men. At any rate, women have been able to increase their share in employment and in the Wage Tax Statistics since 2000. The following Table 1 summarizes this development.

**Table 1: Percentages of men and women in Wage Tax Statistics for 2000 and 2014**

Wage Tax Statistic	Total		Wage earners		Retired persons	
	2014	2000	2014	2000	2014	2000
Percentage of men	50.1 %	51.2 %	53.1 %	55.4 %	44.7 %	43.7 %
Percentage of woman	49.9 %	48.8 %	46.9 %	44.6 %	55.3 %	56.3 %

Source: Statistics Austria, Wage Tax Statistics 2014 and 2000

<sup>4</sup> BMF: Geschlecht & Steuerwirkung – Einkommen und einkommensabhängige Abgaben von Männern und Frauen, Einhaus

<sup>5</sup> Actively working persons (active wage earners + self-employed persons) in relation to total working age population (ages 15-64)

<sup>6</sup> Eurostat: <http://ec.europa.eu/eurostat/tgm/table.do?tab=table&init=1&language=de&pcode=tps00159&plugin=1>

Date of extraction: 03. mar 2016

<sup>7</sup> Eurostat: [http://ec.europa.eu/eurostat/tgm/table.do?tab=table&init=1&plugin=1&language=en&pcode=t2020\\_10](http://ec.europa.eu/eurostat/tgm/table.do?tab=table&init=1&plugin=1&language=en&pcode=t2020_10)

Date of extraction: 15. dec 2016

**Table 2: Gross earnings by gender and social position, 2014**

	All male persons subject to wage tax			All female persons subject to wage tax			W/M
	Cases	Gross earnings	Per capita	Cases	Gross earnings	Per capita	
Apprentices	79,602	740,894,820	9,307,490	42,811	306,791,524	7,166,184	77.0 %
Workers	1,078,803	25,493,377,686	23,631,992	574,992	7,098,944,623	12,346,162	52.2 %
Employees	891,688	44,951,966,523	50,412,214	1,082,269	27,699,836,271	25,594,225	50.8 %
Civil servants	114,215	6,685,160,304	58,531,369	78,844	4,127,767,432	52,353,602	89.4 %
Civil servants under contract	107,384	4,480,510,482	41,724,191	235,543	7,100,958,855	30,147,187	72.3 %
w/ other kinds of active earnings	11,946	224,512,166	18,793,920	5,821	87,197,261	14,979,773	79.7 %
<b>Wage earners</b>	<b>2,283,638</b>	<b>82,576,421,981</b>	<b>36,160,031</b>	<b>2,020,280</b>	<b>46,421,495,966</b>	<b>22,977,754</b>	<b>63.5 %</b>
Retired acc. to Gen. Soc. Sec.	862,920	18,088,051,235	20,961,446	1,147,458	16,941,196,781	14,764,111	70.4 %
Retired civil servants	128,306	5,540,228,697	43,179,810	108,592	3,847,737,711	35,432,976	82.1 %
other retired persons	65,983	2,965,958,859	44,950,349	35,564	1,040,900,429	29,268,373	65.1 %
w/ only nursing care allowance	18,567	-	-	39,333	-	-	
<b>Retired persons</b>	<b>1,075,776</b>	<b>26,594,238,791</b>	<b>109,091,605</b>	<b>1,330,947</b>	<b>21,829,834,921</b>	<b>79,465,460</b>	<b>72.8 %</b>
<b>Total</b>	<b>3,359,414</b>	<b>109,170,660,772</b>	<b>32,496,936</b>	<b>3,351,227</b>	<b>68,251,330,888</b>	<b>20,366,072</b>	<b>62.7 %</b>

Source: Statistics Austria, Wage Tax Statistics 2014

Based on the average gross earnings for men and women across all cases in the Wage Tax Statistic, the average earnings of women are about 62.7 % of the average earnings of men (see Table 2). If one compares this number with the results for the 2010 Wage Tax Statistics (61.8 %), the women have been able to catch up some, but there is still a long way to go towards equality. When examining only the actively working persons subject to wage tax, the relations are marginally higher (male wage earners vs. female wage earners: 63.5 %). In order to make allowance for the factor of part-time employment, which is made use of primarily by women, the following Tables 3 and 4 show only the cases of full-time employment and year-round wages (employed for at least 11 months).

**Table 3: Year-round wages and full-time employment by gender and social position, 2014**

	All male persons subject to wage tax			All female persons subject to wage tax			W/M
	Cases	Gr. earnings x 1,000 €	Per capita	Cases	Gr. earnings x 1,000 €	Per capita	
Apprentices	53,028	643,077	12,127	26,182	251,891	9,621	79.3 %
Workers	579,465	19,565,275	33,764	144,285	3,458,540	23,970	71.0 %
Employees	638,353	40,478,872	63,411	422,653	17,122,505	40,512	63.9 %
Civil servants	111,780	6,592,391	58,976	61,210	3,500,884	57,195	97.0 %
Civil servants under contract	88,070	4,127,380	46,865	116,260	4,808,807	41,363	88.3 %
w/ other kinds of active	3,196	193,902	60,670	1,025	60,730	59,248	97.7 %
<b>Wage earners</b>	<b>1,473,892</b>	<b>71,600,897</b>	<b>48,579</b>	<b>771,615</b>	<b>29,203,356</b>	<b>37,847</b>	<b>77.9 %</b>

Source: Statistics Austria, Wage Tax Statistics 2014

**Table 4: Year-round wages and full-time employment by gender and social position, 2010**

	All male persons subject to wage tax			All female persons subject to wage tax			W/M
	Cases	Gr. earnings x 1,000 €	Per capita	Cases	Gr. earnings x 1,000 €	Per capita	
Apprentices	59,173	632,231	10,684	29,468	247,983	8,415	78.8 %
Workers	552,838	17,086,561	30,907	152,946	3,288,829	21,503	69.6 %
Employees	602,136	35,058,251	58,223	423,581	15,372,026	36,291	62.3 %
Civil servants	127,794	7,040,361	55,091	71,558	3,735,063	52,196	94.7 %
Civil servants under contract	83,169	3,602,305	43,313	105,185	3,967,012	37,715	87.1 %
w/ other kinds of active	2,199	131,331	59,723	691	41,981	60,754	101.7 %
<b>Wage earners</b>	<b>1,427,309</b>	<b>63,551,040</b>	<b>44,525</b>	<b>783,429</b>	<b>26,652,894</b>	<b>34,021</b>	<b>76.4 %</b>

Source: Statistics Austria, Wage Tax Statistics 2010

As before, the differences in income for full-time employees with year-round wages are striking: On average, women receive wages slightly greater than  $\frac{3}{4}$  (77.9 %) those of men. Currently, the motto "The future is female" is only supported by the trend of the last few years. A comparison with the data of the Wage Tax Statistic 2010 clearly shows that women have been able to improve their situation across nearly all groups. It is also noticeable that in the group of civil servants under contract, women are actually ahead of men with an increase of more than 11,000 cases between 2010 and 2014 (men: increase of less than 5,000 cases).

The previous two tables suggest that the public sector favours women when hiring new employees. This theory begs closer evaluation using other statistics, however, and it should be noted that a positive effect is recognisable in other areas of the tax statistics as well. For example, public service employees (civil servants and civil servants under contract) are also faced with the smallest discrepancies in income. A particular antecedent factor disadvantaging women is not visible in this comparison, however: It can be assumed that many more men than women were previously able to reach higher paid civil service jobs (not under contract). When examining all civil service employees together, income relation for 2014 drops to 87.3 %. But there is also a positive development in this regard: The income relation has improved slightly from 85.8 % in 2008.<sup>8</sup> Overall, women were able to increase their incomes by a small margin in comparison with men.

It is common knowledge that a person's pension payments depend on their average contribution base during their active working life. This causes the income disparity to continue in terms of pension earnings. The situation is aggravated by the fact that due to their earlier retirement age, women often have fewer insurance years and thus lower pension earnings in relation to their active working life earnings. On the other hand, the minimum pension and maximum contribution base regulations in the general social security sector serve to decrease these income differences.

That the differences in earned income between men and women in the Austrian private sector are particularly large is likewise documented by international statistics. At the EU level, the wage difference is calculated consistently for all member states using the average gross hourly wages of wage earners in the private sector. A comparison shows that at 23 % wage difference, Austria is the country with the second largest gender pay gap after Estonia. The hourly wage relation corresponds approximately to the comparison between men and women with year-round wages and full-time employment.<sup>9</sup> The striking wage disparity also shows to a certain degree that women are more likely to be employed in lower-paid jobs and professions. What is more, women much more frequently make use of part-time arrangements, which naturally has detrimental effects on their remuneration, their further career and their pension entitlement. Legal regulations like the earlier retirement age for women further increase these effects during retirement.

It is also noteworthy that a significant discrepancy is already apparent among apprentices: Female apprentices earn around 20 % less than their male counterparts. One reason for this is that the apprentice remuneration in typically male professions tends to be higher and apprenticeships commonly last longer than three years in those industries, with remuneration being the highest during the fourth year. In any case, these numbers put into perspective and partially refute the argument that the pay gap between men and women is the result of a better average education of men. From a statistical point of view, this argument is presumably incorrect. In fact, more women than men achieve degrees at universities or comparable institutions in Austria. In 2012, 23 % of women aged between 25 and 64 had achieved no education beyond the compulsory level, while the number for men was 15 %. More men (44 %) had completed an apprenticeship than women (28 %). Women surpassed men on all other educational levels, with 32 % of women and 27 % of men having completed a secondary education and 17 % of women and 15 % of men having completed a tertiary education.<sup>10</sup>

<sup>8</sup> Federal Ministry of Finance: *Geschlecht & Steuerwirkung – Einkommen und einkommensabhängige Abgaben von Männern und Frauen, Einhaus*

<sup>9</sup> Statistik Austria: [http://www.statistik.at/web\\_de/statistiken/soziales/gender-statistik/einkommen/](http://www.statistik.at/web_de/statistiken/soziales/gender-statistik/einkommen/)

Eurostat: <http://ec.europa.eu/eurostat/eurostat/tgm/table.do?tab=table&init=1&plugin=1&language=de&pcode=tsdsc340>; Date of extraction: 06 march 2015

<sup>10</sup> Federal Ministry of Education and Research: *Frauen und Männer in Österreich: Gender Index 2014*



**Table 5: Year-round wage earners by age group, 2014**

Age	Men			Women			Women in % of Men	
	Cases	Gross (x 1,000 €)	Per capita	Cases	Gross (x 1,000 €)	Per capita	Cases	Per capita
Up to 18	42,071	494,582	11,756	24,101	229,730	9,532	57.3 %	81.1 %
19-25	176,795	4,512,471	25,524	162,324	3,281,274	20,214	91.8 %	79.2 %
26-30	185,047	6,308,648	34,092	162,743	4,117,911	25,303	87.9 %	74.2 %
31-40	396,657	17,120,710	43,163	344,533	8,980,027	26,064	86.9 %	60.4 %
41-50	457,538	23,564,838	51,504	456,952	13,935,093	30,496	99.9 %	59.2 %
51-55	215,146	11,739,926	54,567	214,071	7,243,858	33,839	99.5 %	62.0 %
56-60	146,637	8,486,880	57,877	114,359	4,248,281	37,149	78.0 %	64.2 %
61-65	32,954	2,444,854	74,190	10,550	460,057	43,607	32.0 %	58.8 %
66+	2,474	227,368	91,903	2,303	58,375	25,347	93.1 %	27.6 %
<b>Total</b>	<b>1,655,319</b>	<b>74,900,277</b>	<b>45,248</b>	<b>1,491,936</b>	<b>42,554,605</b>	<b>28,523</b>	<b>90.1 %</b>	<b>63.0 %</b>

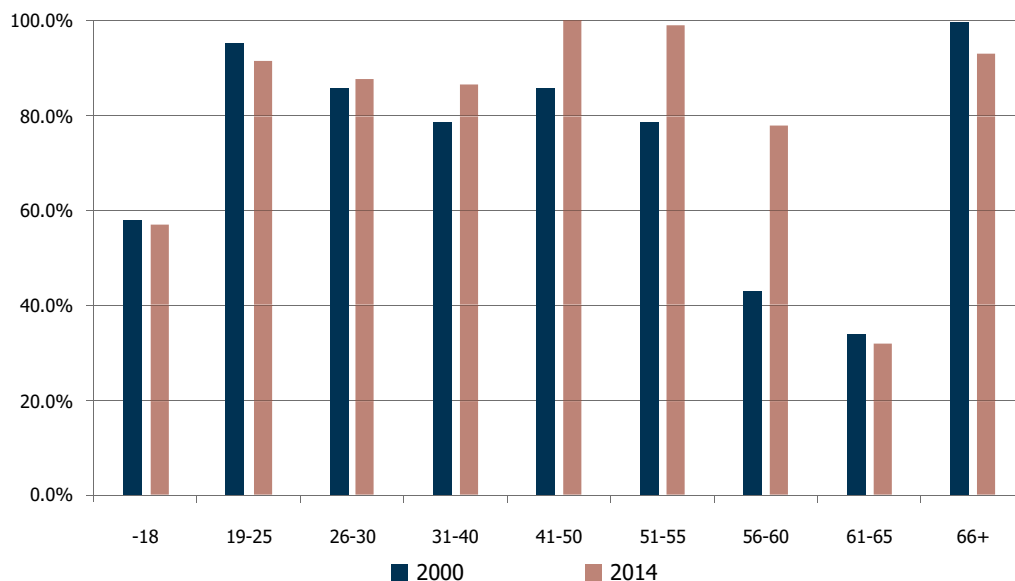
Source: Statistics Austria, Wage Tax Statistics 2014

The Wage Tax Statistics also provide an excellent perspective onto the pay gap by age group. While comparatively small among younger wage earners, the discrepancy increases with age: In the segment up to 25 years of age, the relative average income of women is more than 80 % of that of men, then drops to around three quarters for the next ten years, and finally decreases to around 59.2 % in the age bracket from 41 to 50. In this group, the absolute numbers of men and women are very similar, while the income differences between men and women are the largest among active wage earners.

The following Diagram 3 shows a comparison with the year 2000. It clearly demonstrates that in the segment up to the age of 60 years, women retired at a higher age in 2014 than they did in 2000. In 2014, women represented 75 % of this group. The age bracket up to 25 years is also interesting: Compared to the year 2000, the percentage of women in this group had decreased in 2014.

Should the reason for this development be that women completed a longer education on average in 2014 than in 2000, then that would also constitute a positive signal. Statistics Austria provides an excellent data set for this analysis with the publication "Bildung in Zahlen".<sup>11</sup>

**Diagram 3: Ratio of women in % of men by age group (number of year-round wage earners)**



Source: Statistics Austria, Wage Tax Statistics 2000 and 2014

As mentioned before, women have been able to significantly increase their share in the employment market as well as in the Wage Tax Statistics since 2000. It is to be expected that the trends apparent in the comparison between 2000 and 2014 will continue thanks to legislative measures and political goals (harmonization of retirement ages, increasing of female employment quotas). This development is however countermanded to a degree by the circumstance that the increase in female employment is primarily owed to part-time positions, which in turn are frequently offered in low-wage professions.

Owing in part to the lower social security contributions for retired persons, the result is a slightly better ratio in terms of net income. Nevertheless, female incomes are relatively the furthest behind male incomes in this segment (see Table 6). As shown in Table 5, the ratio likewise drops off at higher ages for wage earners. This is likely primarily due to the fact that persons in higher-paid positions, which are mostly filled by men, generally retire at a later age.

Examination of the Integrated Wage and Income Tax Statistics shows a massive decline in total income between the 51-60 and 61-65 age groups as well as the lowest number of women vs. men. This is due to the fact, however, that at this age the percentage of retirees among women is significantly higher.

<sup>11</sup> Statistik Austria: Bildung in Zahlen 2014/15 - Schlüsselindikatoren und Analysen [http://www.statistik.at/web\\_de/services/publikationen/5/index.html?id=5&listid=5&detail=461](http://www.statistik.at/web_de/services/publikationen/5/index.html?id=5&listid=5&detail=461)

**Table 6: Income by age group, 2012**

Age	Total income (average)		Net income (average)		Average for women in % of men	
	Men	Women	Men	Women	Total income	Net income
Up to 18	5,116	3,561	5,084	3,563	69.9 %	70.1 %
19-25	14,704	11,639	13,376	10,987	79.2 %	82.1 %
26-30	22,805	18,619	19,712	16,880	81.6 %	85.6 %
31-40	30,935	21,444	25,352	19,321	69.3 %	76.2 %
41-45	37,152	23,605	29,302	20,808	63.5 %	71.0 %
46-50	39,067	24,663	30,463	21,163	63.1 %	69.5 %
51-53	40,205	25,115	30,986	21,180	62.5 %	68.4 %
54-55	40,683	26,114	31,184	22,028	64.2 %	70.6 %
56-57	40,116	25,676	30,624	21,719	64.0 %	70.9 %
58-59	38,543	23,633	29,917	20,119	61.3 %	67.2 %
60-61	39,369	20,457	31,170	17,566	52.0 %	56.4 %
62-63	33,107	17,863	26,327	15,467	54.0 %	58.7 %
64-65	30,486	17,088	24,101	14,890	56.1 %	61.8 %
66-70	27,538	16,451	21,960	14,395	59.7 %	65.6 %
above 70	24,815	17,174	20,552	15,439	69.2 %	75.1 %
<b>Total</b>	<b>29,643</b>	<b>19,363</b>	<b>23,901</b>	<b>17,091</b>	<b>65.3 %</b>	<b>71.5 %</b>

Source: Statistics Austria, Integrated Wage and Income Statistics 2012

The Income Tax Statistics, which represent a particular segment of income earners, display a similar pattern.

**Table 7: Income Tax Statistics from 2005 to 2013**

	<b>2005</b>	<b>2007</b>	<b>2009</b>	<b>2011</b>	<b>2013</b>
<b>Total assessment cases</b>	798,933	841,187	872,422	886,743	933,480
<b>of which men</b>	492,920	513,146	525,817	527,693	548,610
<b>of which women</b>	306,013	328,041	346,605	359,050	384,870
<b>Percentage of men</b>	61.7 %	61.0 %	60.3 %	59.5 %	58.8 %
<b>Percentage of women</b>	38.3 %	39.0 %	39.7 %	40.5 %	41.2 %

Source: Statistics Austria, Income Tax Statistics 2005 to 2013

The 2013 Income Tax Statistic accounts for 933,480 assessment cases, of which 548,610 (58.8 %) are men and 384,870 (41.2 %) are women. Analysis of the values over time shows that here, too, a positive trend for women has been in effect since 2005 (see Table 7). In absolute terms, the number of income tax cases has been rising briskly since 2005, increasing by around 135,000 cases (of which c. 79,000 are women).

Particularly noteworthy in the Income Tax Statistic is that the average incomes of women from self-employment and commercial operations are relatively low. Female incomes from agriculture and forestry as well as from rent and lease are likewise low, but show a significantly better relation to those of men. This circumstance was already noted in Working Paper 2/2006<sup>12</sup> and can be confirmed for the year 2013 (see Table 8).

<sup>12</sup> Federal Ministry of Finance: Ist die Einkommensbesteuerung geschlechtsneutral, Einhaus, Kitzmantel, Rainer

**Table 8: Income differences by income types, 2013**

Income from	Men			Women			W/M
	Cases	Income (x 1,000 €)	Per capita	Cases	Income (x 1,000 €)	Per capita	
Agriculture and forestry	32,663	182,653	5,592	17,219	82,657	4,800	86 %
Self-employment	151,892	4,675,970	30,785	96,800	1,258,921	13,005	42 %
Commercial operations	237,897	3,363,220	14,137	135,390	1,108,906	8,190	58 %
Earned income	331,059	11,596,825	35,029	255,790	5,137,106	20,083	57 %
Capital assets	6,605	63,110	9,555	5,598	25,746	4,599	48 %
Rent and lease	140,566	994,452	7,075	121,826	783,517	6,431	91 %
Others	16,343	142,134	8,697	6,899	59,654	8,647	99 %
<b>Total</b>	<b>917,025</b>	<b>21,018,364</b>	<b>22,920</b>	<b>639,522</b>	<b>8,456,507</b>	<b>13,223</b>	<b>58 %</b>
<b>Total of incomes</b>	<b>542,824</b>	<b>20,994,659</b>	<b>38,677</b>	<b>380,269</b>	<b>8,438,017</b>	<b>22,190</b>	<b>57 %</b>

Source: Statistics Austria, Income Tax Statistic 2013

On to the question of the redistribution effects of income-based taxation. The following table shows the average duties of wage earners (social security contributions and wage tax) of workers and employees with year-round wages as well as their wage tax assessment bases and net incomes in relation to their gross wages. As is to be expected, the total duties paid by men are much higher in absolute numbers (more than twice the amount paid by women). Analysis shows that the statutory deductions for wage tax and social security contributions together have an income-balancing effect. Female wage earners are left with 71.2 % of their gross wages as net income on average, around 4.7 percentage points more than men (see Table 9).

**Table 9: relation to gross wages (wage earners with year-round wages)**

	Men			Women			Ratio of women			Relation to Gross earnings		Per capita	
	Cases	x 1,000 €	Per capita	Cases	x 1,000 €	Per capita	Cases	Amounts	Men	Women	Men	Women	W/M
Gross wages	1,655,319	74,900,277	45,248	1,491,936	42,554,605	28,523	47.4 %	36.2 %	100.0 %	100.0 %	100.0 %	100.0 %	63.0 %
Soc. sec. contrib.	1,621,391	11,351,316	7,001	1,425,809	6,880,693	4,826	46.8 %	37.7 %	15.2 %	16.2 %	16.2 %	16.2 %	68.9 %
Wage tax	1,556,442	13,735,590	8,825	1,231,367	5,356,399	4,350	44.2 %	28.1 %	18.3 %	12.6 %	12.6 %	12.6 %	49.3 %
Net income	1,655,319	49,813,371	29,422	1,491,936	30,317,513	19,347	47.4 %	37.8 %	66.5 %	71.2 %	71.2 %	71.2 %	65.8 %
Ass. base tariff	1,647,202	51,867,047	31,488	1,485,644	29,210,800	19,662	47.4 %	36.0 %	69.2 %	68.6 %	68.6 %	68.6 %	62.4 %

Source: Statistics Austria, Wage Tax Statistics 2014

Compared to the analysis in Working Paper 2/2006, in which the Wage Tax Statistic 2003 was analysed, the relative net income in relation to the gross wages has decreased slightly for both groups (men and women). In the previous analysis, women achieved a ratio of 72,3 % and men a ratio of 67,9 % (net income in relation to gross wages). The income-balancing effect is greater in 2014 at 4.7 percentage points, compared to 4.4 percentage points in 2003.

That the distribution effect of these statutory deductions is not more pronounced can be explained primarily by the fact that wage tax and social security contributions counteract each other. The tax rate structure of the wage tax is progressive, i.e. the relative tax burden increases as the income rises. The social security contributions, on the other hand, after being briefly progressive in the lowest income bracket, are proportional for lower incomes and regressive for higher incomes, i.e. the relative burden decreases as the income rises. The design of social security laws can be interpreted as a form of compromise between the notions insurance and redistribution. Up to the maximum contribution basis, the contributions are a fixed percentage of the income.<sup>13</sup> Income above the maximum contribution base is no longer considered for duties. One in every 14 persons wage tax payers (men and women) had a gross income greater than the maximum contribution base in 2003, with the majority of those persons being men.<sup>14</sup> In 2014, only about one in 16 wage tax payers were above the maximum contribution base, and the share of men can be assumed to have decreased somewhat since women have been able to catch up slightly in terms of gross wages.<sup>15</sup> It should be mentioned in this context that the gender-specific redistribution effect of the compulsory social security in its totality is underestimated, as non-wage-earning family members who are co-insured are not accounted for in the Wage Tax Statistics since they have no pay slips. Retired persons, on the other hand, no longer contribute to the pension and unemployment insurance funds, and the redistribution effect of the wage tax is therefore greater for them.

<sup>13</sup> Exception: unemployment insurance – contributions lowered for lower incomes; from assessment year 2016 onwards also soc. sec. reimbursement for low incomes

<sup>14</sup> Federal Ministry of Finance: Ist die Einkommensbesteuerung geschlechtsneutral, Einhaus, Kitzmantel, Rainer

<sup>15</sup> Own estimation based on Wage Tax Statistics 2014

**Table 10: Relation to gross earnings (retired persons with year-round earnings)**

	Men		Women			Ratio of women		Relation to Gross earnings		Per capita	
	Cases	x 1,000 €	Per capita	Cases	x 1,000 €	Per capita	Cases	Amounts	Men	Women	W/M
Gross wages	1,023,250	26,099,400	25,506	1,265,571	21,413,444	16,920	55.3 %	45.1 %	100.0 %	100.0 %	66.3 %
Soc. sec. contrib.	878,842	1,427,531	1,624	1,089,965	1,113,360	1,021	55.4 %	43.8 %	5.5 %	5.2 %	62.9 %
Wage tax	736,641	4,216,644	5,724	589,591	2,288,413	3,881	44.5 %	35.2 %	16.2 %	10.7 %	67.8 %
Net income	1,023,250	20,455,225	18,158	1,265,571	18,011,671	12,017	55.3 %	46.8 %	78.4 %	84.1 %	66.2 %
Ass. base tariff	1,006,212	20,731,781	20,604	1,231,615	16,813,177	13,651	55.0 %	44.8 %	79.4 %	78.5 %	66.3 %

Source: Statistics Austria, Wage Tax Statistics 2014

Among retired persons, the tax and social security regulations lead to a difference of 5.7 percentage points in relation to gross earnings between men and women. For female retirees, both duties are lower on average than they are for male retirees. In regard to the social security contributions, this circumstance is owed to the higher social security deductions for retired civil servants, where the ratio of women is comparatively low (see Table 10).

## Tax Reliefs

As noted in the previous Working Paper<sup>16</sup>, the average taxation assessment bases of female wage earners are only marginally lower in relation to their gross wages than those of their male counterparts, despite the fact that social security deductions are relatively higher for women and several other deductions, like the lump sum for professional expenses and the lump sum for special expenses, are defined as fixed amounts and therefore have a greater relative effect on lower female incomes. This already indicates clearly that men benefit significantly more from tax reliefs.

In combination with tax reliefs, this brings up further topics affected by gender-specific effects of individual beneficial wage tax provisions. Reduction of the total tax burden can occur through tax rate reductions, decrease of the assessment base (tax-exempt amounts) or deduction from the tax amount (deductibles). Austrian income tax law contains several exceptional provisions that are more beneficial to men. For some of these provisions, the per-capita relations to gross incomes are comparable, but the case numbers among female wage earners are far lower. For tax-exempt and tax-reduced portions of wages, the tax benefits increase with rising incomes. This means that male wage tax payers profit from them much more than their female counterparts. Significantly more men than women receive tax-exempt bonuses for dirty, hard or dangerous work and/or extra pay for overtime as well as for working on Sundays, holidays or during nights; this may be owed to the fact that such bonuses are primarily found in collective agreements in male-dominated sectors and less frequently in typically female sectors (with the exception of hospital personnel). Thus the majority of women is excluded from these tax reliefs from the outset. Furthermore, the per-capita amounts among men are considerably higher. Women therefore benefit significantly less from this relief (§ 68 EStG), especially when taking into consideration that, due to progression, the same tax-free limit translates to a greater tax benefit for higher incomes. Due to the additional burden of unpaid work (child rearing, nursing care), women are also often unable to work as much overtime as men. The tax relief for overtime pay is therefore not only counterproductive in terms of employment politics, but simultaneously increases the discrepancy between men and women. As a result of progression, male wage tax payers also benefit relatively more from the tax relief on the 13th and 14th monthly salaries (§ 67 EStG). In this regard, the average per-capita amount for women is only 67 % of the male average (see Table 11).

<sup>16</sup> Federal Ministry of Finance: Geschlecht & Steuerwirkung – Einkommen und einkommensabhängige Abgaben von Männern und Frauen, Einhaus

**Table 11: Beneficiary wage tax provisions 2014**

	Male persons subject to wage tax			Female persons subject to wage tax			W/M	
	LStSt	% gross total	Per capita	LStSt	% gross total	Per capita	Per capita	Per capita
Total gross wages	Cases 1,655,319 1,000 € or € 74,900,277			1,491,936 42,554,605		28,523		63 %
Allowance and bonuses acc. to § 68	Cases 1,047,095 1,000 € or € 1,498,739	63.3 % 2.0 %	1,431	645,718 660,705	43.3 % 1.6 %	1,023		71 %
13 <sup>th</sup> /14 <sup>th</sup> monthly salary § 67 (1) and (2)	Cases 1,634,185 1,000 € or € 9,394,566	98.7 % 12.5 %	5,749	1,473,048 5,645,411	98.7 % 13.3 %	3,832		67 %
Lump sum for commuters § 16 (1) 6	Cases 414,245 1,000 € or € 453,398	25.0 % 0.6 %	1,095	308,215 292,155	20.7 % 0.7 %	948		87 %
Voluntary contributions § 16 (1) 3b	Cases 419,575 1,000 € or € 134,053	25.3 % 0.2 %	319	271,063 76,476	18.2 % 0.2 %	282		88 %
Severance payments etc. acc. to § 67 (3) to (8)	Cases 244,248 1,000 € or € 1,216,621	14.8 % 1.6 %	4,981	120,623 510,444	8.1 % 1.2 %	4,232		85 %
Other tax-exempt earnings	Cases 353,014 1,000 € or € 255,726	21.3 % 0.3 %	724	257,822 115,836	17.3 % 0.3 %	449		62 %
Tax exempt amount	Cases 18,153 1,000 € or € 40,124	1.1 % 0.1 %	2,210	10,873 14,272	0.7 % 0.0 %	1,313		59 %
Missions abroad § 3 (1) 10 and 11	Cases 5,872 1,000 € or € 109,558	0.4 % 0.1 %	18,658	324 6,580	0.0 % 0.0 %	20,309		109 %

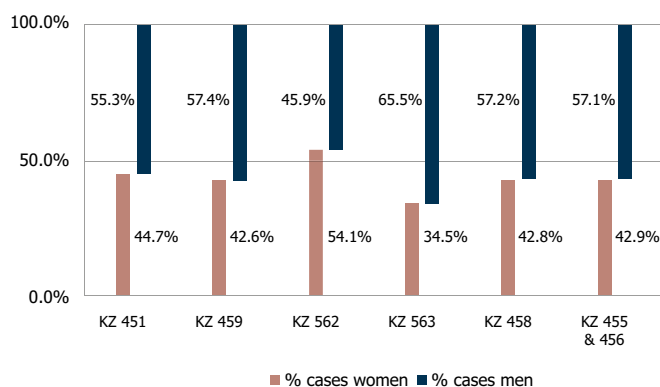
Source: Statistics Austria, Wage Tax Statistics 2014



The lump sum for commuters is paid out more often to men, and their average per-capita payout is higher as well. This is likely because men more frequently claim the "large" lump sum. It should be taken into consideration, however, that a certain share of taxpayers only claims the lump sum for commuters during their (wage) tax declaration. As a consequence, the Wage Tax Statistics slightly underestimate this item. Men are also clearly ahead in tax-reduced severance payments etc. [§ 67 (3) to (8) EStG]. Twice as many men as women make use of these regulations. Furthermore, few women benefit from the tax exemption for foreign missions. Due to a change in associated regulations, the number of male cases under this item as well as their payout amounts have also dropped to around one third of the 2010 numbers.

The item "special expenses" makes costs deductible that have no fundamental connection to the taxpayer's occupation; the deductibility of these costs therefore likewise represents a tax relief. For all such special expenses, the number of claimants as well as the average claimed amounts are higher among men than among women. Only the average charitable donation by women is slightly larger than that of men. The following Diagram 4 shows the number of claim cases for selected field codes (Kennzahlen, KZ) by men and women in their 2013 tax declarations.<sup>17</sup>

**Diagram 4: Selected special expenses in comparison**



Source: Federal Ministry of Finance, own analyses and estimates

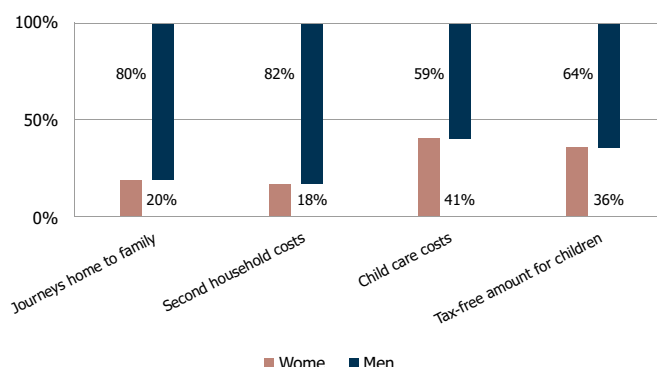
- KZ 451 Charitable organisations
- KZ 459 Research/teaching institutions, museums etc.
- KZ 562 Environmental organisations, animal shelters
- KZ 563 Volunteer fire departments, provincial fire department associations
- KZ 458 Church membership contributions
- KZ 455 and KZ 456 Combined special expenses

<sup>17</sup> Federal Ministry of Finance: own analyses and estimates

<sup>18</sup> Statistics Austria: Wage Tax Statistic 2014 and own estimate

In this context, it is interesting to examine taxation measures that primarily consider "family-relevant" circumstances.

**Diagram 5: „Family-relevant“ regulations 2013**



Source: Federal Ministry of Finance, own analyses and estimates (cases 2013)

It is apparent that the long-established deduction possibilities like journeys home to family and second household costs are made use of practically exclusively by men, while the provisions regarding the tax-free amount for children and the deductibility of child care costs, which were introduced later, present a somewhat more balanced ratio. This serves to improve employment incentives for women slightly. As shown by Diagram 5, the tax benefit from child care costs is claimed more often by men than by women. It is interesting to note, however, that the average claimed amounts under this item are higher among women than among men. Child care costs represent typically female costs of employment, but due to the income discrepancy between men and women, they are more likely to be met and deducted by men in the majority of families. As the deductibility reduces the opportunity costs of employment, it promotes female occupational activity. This is true even if the child care costs are met and thus deducted by a male partner. As the deductibility reduces the opportunity costs of employment, it promotes female occupational activity. This is true even if the child care costs are met and thus deducted by a male partner.

The tax-free amount for children is claimed by significantly more men than women; this reflects the high part-time employment quota among women that leads to incomes below the taxable threshold. Around 70 % of all women earning incomes below the taxable threshold work part-time.<sup>18</sup> For this reason, the tax-free amount for children contains a "splitting advantage", which results in greater tax deductibility in cases of joint claiming among partners. The intent is to create an incentive especially for women to earn an income above the taxable threshold in order to improve social security coverage and reduce the gender pay gap.

In summary, we see the following:

The income differences between men and women in Austria continue to be quite significant. The income discrepancy is greater than in most other European countries. Female wage-earners receive average gross salaries amounting to only slightly more than 63 % of the average wages of their male counterparts. The situation in regard to pension incomes and self-employed incomes is similar. The income-related duties in the shape of social security contributions and income tax/wage tax are able to reduce these differences only marginally, since their redistribution effects vary greatly. Due to the maximum contribution base, the social security contributions have a primarily regressive effect and increase the income discrepancy. The income tax rates are progressive and reduce the income disparity more noticeably; the overall distribution effect is therefore slightly positive. On the other hand, various tax reliefs like the regulations concerning the 13th and 14th monthly salaries or the tax-free profit amount for self-employed incomes diminish this redistribution effect. The result are lower effective marginal tax rates, from which the higher average male incomes benefit more. Tax laws can only countervail part of the difference in primary income, and therefore only lend accompanying support to the goal of improving female incomes. Full-on equality would require changes in the distribution of primary incomes. In addition to existing legal regulations and their effective implementation, this will likely depend on the further raising of awareness regarding the topic within society at large. Further influencing factors exist as well, like the expeditious raising of the retirement age for women or the improvement of child day care availability. The final question to be addressed is how to evaluate the most recent tax reform from a gender-related perspective. In absolute terms, around 64 %<sup>19</sup> of the effect of the financially most substantial measure, the tax rate reduction (amounting to 3.75 billion Euros in 2016 and 4.4 billion Euros in 2017), will be felt by men. In regard to gross wages, the burden reduction due to decreased tax rates was also slightly higher for men (2.38 % compared to 2.14 % for women), but this difference is essentially compensated by the increase of the deduction for travel expenses and the greater social security reimbursement (negative tax). However, the reduction of the tax rate for the lowest bracket to 25 % and the overall lower tax rates for lower incomes, as well as the increases of the tax-free amount for children and the "splitting advantage" can be expected to provide greater employment incentives for women.

## The Gender Mainstreaming Working Group

The Gender Mainstreaming Working Group within the Federal Ministry of Finance deals with gender mainstreaming issues and supports the implementation of gender mainstreaming and gender budgeting at the Ministry.

## The Author

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<sup>19</sup> Very coarse breakdown using an estimate based exclusively on data from the Wage Tax Statistic 2014, with no deductible amounts and no social security reimbursement (negative tax) taken into consideration.



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