

## **Equality as a Growth Factor**

### **The Economic Benefits of Gender Budgeting in Vienna**

#### **Executive Summary**

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#### Abstract

Gender mainstreaming and gender budgeting aim to increase equality and equal opportunities between women and men. In contrast to the majority of evaluations of gender equality, which analyse legal, socio-political and distribution-relevant aspects, the aim of this research project is to estimate the economic benefits of increasing gender equality on the basis of selected gender budgeting measures in Vienna. The first step is to assess the gender equality potential in Vienna in the Austrian context and to assess the growth potential by increasing gender equality based on the study of the European Institute for Gender Equality (2017). In a second step, the objectives of the Vienna gender budgeting measures are analysed. Against the background of the relevant literature, mechanisms through which individual measures can affect GDP and employment are identified. According to these mechanisms, e.g., the increase of the labour force participation of women, the gender budgeting measures can be grouped into measure groups. These form the basis for the selection of example initiatives, for which, in the course of a feasibility study, approaches to estimate the potential impacts on Vienna's GDP and employment are discussed. Finally, the macroeconomic impact analysis is carried out for the reform of the non-contributory kindergarten in Vienna.

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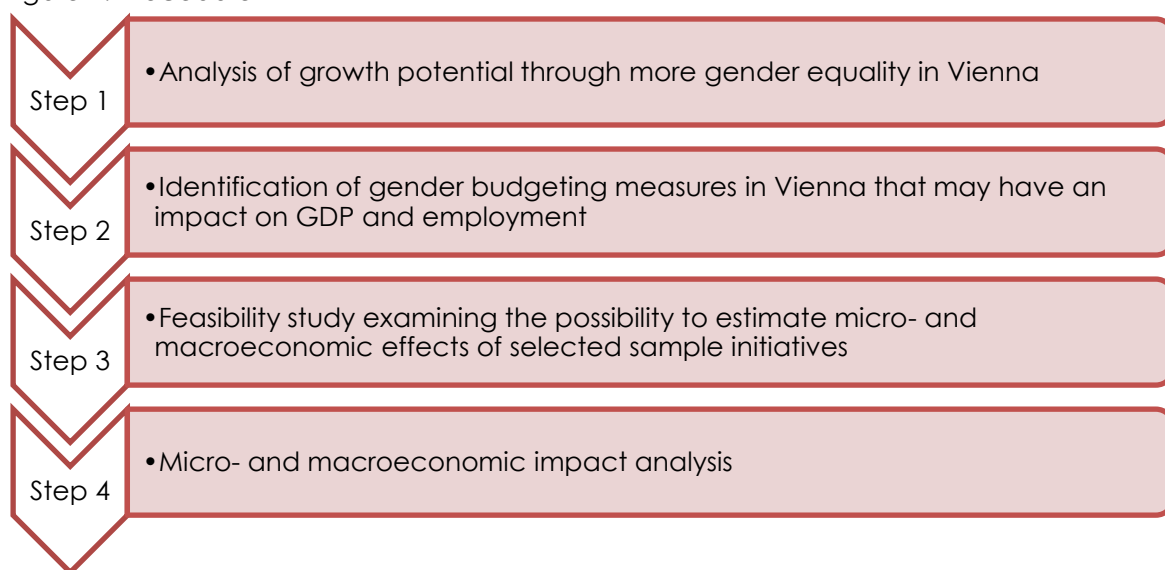
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## Executive Summary

The study "Growth Factor Equality. The Economic Benefits of Gender Budgeting in Vienna" includes a feasibility study and, based on that, micro- and macroeconomic impact analyses to estimate the effects of specific gender budgeting measures on value creation (gross domestic product, GDP) and employment in Vienna. Due to the large variety of relevant measures, their multidimensional objectives and impact mechanisms, a multi-stage procedure is necessary.

Figure 1: Procedure



In order to be able to assess the economic growth potential through improved gender equality in Vienna, firstly, we examine the level of gender equality in Vienna in a national comparison, and that of Austria compared to other EU member states. For this purpose, both international and national research and its findings are explored. Based on indicators used in the EIGE Gender Equality Index (2015), Austria is certified to have a relatively high level of gender equality compared with the rest of the EU, even though within the group of countries with the greatest progress in this respect, Austria still has a comparatively high potential to increase gender equality. At the national level, according to the "Equality Index Labour Market", which reflects the equal opportunities potential in the core areas of labour market integration at the level of Austrian federal states, gender equality in Vienna has progressed relatively far. Nevertheless, there is a need for action too. This concerns in particular reconciling family and work as well as the distribution of unpaid work between men and women.

Furthermore, the literature review suggests that especially measures aimed at increasing employment integration, e.g. by facilitating the reconciliation of family and working life or access to the labour market, as well as measures that promote the STEM qualifications of women, are likely to have a positive macroeconomic impact.

Secondly, we identify gender budgeting measures implemented in Vienna that potentially affect GDP and employment, and may thus contribute to realising the growth potential through increased greater equality. As an illustrative example, the gender budgeting measures listed in the Vienna Financial Statement 2017 are structured according to their content and intended targets. This allows to draw conclusions about impact mechanisms based on which these exemplary gender equality policy measures may influence value creation and employment in Vienna. The analysis shows that around 38% of the measures are linked to the area of "paid and unpaid work" and around 14% to the area of "training and further training" (multiple answers possible).

Building on this, four groups of measures are formed to systematize the diversity of measures:

- 1) Gender budgeting measures aiming to relieve women of unpaid work and thereby increasingly bring them into paid employment,
- 2) Gender budgeting measures aiming to provide incentives for increased equality (e.g. for gender equality initiatives by employers or the breaking up of traditional occupations),
- 3) Gender budgeting measures aiming to make public infrastructure gender-sensitive, e.g. through investments in public transport or urban planning activities,
- 4) Gender budgeting measures aimed at raising awareness of gender equality policy issues and contributing to a longer-term change in social values.

Thirdly, based on a literature screening of studies examining the (micro-)economic effects of gender equality policy measures, and in cooperation with the City of Vienna, we select sample initiatives from the groups of measures which (directly or indirectly) contribute to gender equality and are expected to potentially affect GDP and employment in Vienna. The sample initiatives include i) the introduction of the non-contributory kindergarten in Vienna in September 2009, ii) the waff (Vienna Employment Promotion Fund) measures "Parental leave and re-entry", "Jobs with training" as well as the initiative "Frech - Women seize chances", iii) the reform of the allocation system of support for universities of applied sciences to a competition procedure with gender mainstreaming as a funding condition in 2005, and iv) the extension of the underground line U1 to Leopoldau in 2006. The literature review shows that national as well as international literature finds a positive influence of the promotion of childcare facilities on the labour force participation of women. Furthermore, according to most studies, active labour market policy measures turn out more effective for women than for men.

A feasibility study is conducted for selected sample initiatives and investigates the possibility to estimate their macro- and microeconomic effects. Therefore, it is explored whether it is possible to define a target and a control group, whether the impact period is defined and whether the datasets required for the analysis are available. A general result is that a comprehensive analysis of the impact of specific gender budgeting measures on GDP and employment needs to be carried out in two stages, since a microeconomic impact analysis of the specific measure on the target group (e.g. on the labour market participation) is required first. The result of the microeconomic impact analysis is then incorporated into a macroeconomic model.

The feasibility study shows that the prerequisites are fulfilled for the extension of the underground line U1 and the introduction of non-contributory kindergarten attendance, which is why an actual impact analysis can be carried out for these measures in a final step.

#### *Results of the impact analyses*

##### **Microeconomic effects of the extension of underground line U1 to Leopoldau**

According to results of the mobility survey, women use public transport more frequently than men. Based on this, the microeconomic impact analysis of the U1 extension from Kagran to Leopoldau in 2006 deals with its potential effect on the development of the labour force participation, employment rate and unemployment rate of women living in 250m grid cells, whose nearest underground station has changed due to the opening of the new U1 stations, as compared to all other women in Vienna.

The main result of the microeconomic impact analysis is that, due to the U1 extension, the unemployment rate of women living in the immediate vicinity of the newly built stations fell more sharply between 2001 and 2011 than that of women in the rest of Vienna. However, the empirical results do not indicate a robust impact of the U1 extension on labour force participation and the employment rate of directly affected women. A frequently used explanatory approach in the international literature is that better access to public transport makes it easier for women to find work in a wider area and job search may thus be more efficient.

- In the 250m grid cells that directly profit from the U1 extension in terms of accessibility, the unemployment rate of the female resident population is about 0.7 percentage points lower (unemployment is falling more sharply there) than among the other women living in Vienna. The estimated results also indicate that the closer women live to the newly built (nearest) underground stations, the more they will benefit from the U1 expansion.

##### **Micro- and macroeconomic effects of the non-contributory kindergarten**

The micro- and macroeconomic effects of the introduction of the non-contributory kindergarten as of 1 September 2009 on the employment of women affected by this measure as well as on total employment and value added in Vienna are examined in a two-step approach. Both the impact of potentially increasing labour supply due to the relief of unpaid work and the impact triggered by public expenses for non-contributory kindergartens via the economic cycle are considered.

A central result of the micro- and macroeconomic impact analysis is that the introduction of non-contributory kindergarten attendance has led to an increase in the labour force participation of women in Vienna, which - like the resulting expenditure - is associated with an increase in employment and value added in Vienna.

- The City of Vienna's expenditure on the non-contributory kindergarten is associated with value added of EUR 400 million, of which EUR 295 million is attributable to Vienna. This is approximately 0.3% of the nominal Viennese value added in 2017.

- A total of 7,600 jobs relate to this, 5,900 of them in Vienna.
- Both the value added and the employment effect of public expenditure for the non-contributory kindergarten in Vienna are higher than those connected on average with other public consumption.
- For 20- to 39-year-old women with children up to the age of 6 living in Vienna, the employment rate rose by 1.5 percentage points with the introduction of the non-contributory kindergarten.
- The improved compatibility of family and career made it possible for around 1,000 Viennese women to offer their labour force on the labour market.
- The proportion of overqualified women in employment declined significantly (women have more time resources and may look for jobs corresponding to their education).

Empirical results point to an impact of gender budgeting measures on GDP and employment in Vienna. Empirical evidence is needed to increase the effectiveness and political acceptance of gender budgeting in Vienna and to further promote its (more comprehensive) implementation. However, the evidence available to date - especially regarding macroeconomic effects of individual measures - is sparse. In addition to the complexity of measuring effectiveness, this is probably due to the fact that such analyses place high demands on data and often approach the limits of data availability. Accordingly, an expansion of data collection and its provision could also contribute to a more comprehensive evaluation of measures and evidence-based policy recommendations. Against this background, this study tries for the first time to show different approaches to estimate micro- and macroeconomic effects of specific gender budgeting measures, to outline them by means of example initiatives and to point out possible limitations (such as required data) in the analysis of micro- and macroeconomic effects of specific gender budgeting measures.