



FDI Qualities Review of Austria

CLOSING GENDER GAPS AND EMPOWERING WOMEN



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WOMEN**

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Foreword

This FDI Qualities Review of Austria provides an assessment of the contribution of foreign direct investment (FDI) to gender equality and women's empowerment. Chapter 1 sets the scene by describing recent trends of FDI in Austria and its contribution to economic growth, the integration in the global economy, as well as to productivity, innovation, and the low-carbon transition. Chapter 2 examines key indicators of gender equality in the labour market in Austria, highlighting the remaining challenges and the benefits that can be derived from closing gender gaps. The chapter also provides an in-depth analysis of the impact of FDI on several dimensions of gender equality, including employment, wages, skills development, career progression, and entrepreneurship.

The review was prepared by the OECD in co-ordination with the Austrian Federal Ministry of Labour and Economy. Leveraging the recommendations of the OECD Economic Survey of Austria 2015 and the OECD FDI Qualities Policy Toolkit, it aims to help Austria understand how FDI contributes to gender equality in its labour market and identify areas where policy action may be needed. This review supports the implementation of the OECD Council Recommendation on FDI Qualities, adopted by OECD Ministers in 2022.

This review was prepared by Letizia Montinari and Katharina Laengle of the Investment Division in the OECD Directorate for Financial and Enterprise Affairs, under the overall guidance of Ana Novik, Head of the Investment Division and Martin Wermelinger, Head of Investment Qualities and Incentives Unit. Manfred Schekulin and Jan-Michael van Linthoudt, from the Federal Ministry of Labour and Economy, were instrumental to this project and provided guidance to the OECD team. The report benefited from discussions with and comments from Alexandre De Crombrugghe, Stephen Thomsen, Valentina Patrini, and experts from the Austrian Federal Ministry of Labour and Economy.

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Abbreviations and acronyms

ABA	Austria Business Agency
EU	European Union
FDI	Foreign direct investment
GDP	Gross domestic product
GVC	Global value chains
ILO	International Labour Organization
M&A	Merger and acquisition
MNE	Multinational enterprise
OECD	Organisation for Economic Co-operation and Development
R&D	Research and development
SDG	Sustainable Development Goal
USD	US Dollar
WBES	World Bank Enterprise Survey

Executive summary

Foreign direct investment (FDI) inflows in Austria have increased with the rise of global value chains (GVCs) in the 2000s. Investment has thus importantly contributed to Austria's economic growth and rising per capita incomes. Since 2009, however, Austria has experienced a decline in FDI inflows, which has led to a stagnation of the FDI stock at around 40% of GDP. FDI is mainly directed towards service activities, in particular head office and management consultancy activities, reflecting Austria's role as a regional hub for multinational enterprises (MNEs). New establishments of foreign MNEs or 'greenfield investments' are an important component of total FDI and can directly bring new knowledge and technologies to the host economy. In Austria, greenfield FDI is primarily concentrated in manufacturing (55%), particularly in the production of motor vehicles, electronics, and pharmaceuticals.

FDI contributes to making Austria a more resilient and sustainable economy. Foreign companies contribute significantly to value added and exports (30% of total value added and 40% of total exports). FDI also supports the expansion of the most productive sectors, i.e. those sectors where an hour of work creates the most added value. Moreover, foreign companies are on average more productive and more likely to invest in R&D, to use foreign technologies and to innovate than domestic companies in Austria. Austria has a remaining gap in renewable energy production relative to its comparators. Foreign investments in renewable energy have increased in Austria, accounting for 100% of energy FDI and 3% of total greenfield FDI inflows over 2017-21. Nonetheless, Austria lags considerably behind peers such as Germany, Denmark and the Netherlands that receive 2 to 3 times the amount of FDI in renewables per USD of GDP.

Besides supporting the economy and sustainable development, FDI can also advance gender equality in Austria by creating new and better jobs for women, and by supporting their career progression and participation in entrepreneurship. However, FDI is not always directed where it is most needed and its impact on gender equality is not automatically positive. This report offers an assessment of gender equality in Austria's labour market, and provides a detailed analysis on how FDI is influencing these outcomes:

- **Gender stereotypes are more prevalent in Austria than in other OECD countries.** Gender stereotypes reinforce the idea that childcare, care of the elderly and domestic work fall under the responsibility of women, and men should be main income earners in the family.
- **Austria's traditional family model underlines deep gender asymmetries in paid and unpaid work.** Women's labour force participation is lower than men's (73%, compared to 82% for men). Women also work more part-time (36% compared to 9% of men). These gender gaps are more pronounced than in several OECD countries with similar traditional family models. Gender imbalances also exist in unpaid work, as women spend considerably more time than men on domestic work and caring for children and the elderly. A sub-optimal participation of women in paid work puts a strain on economic growth and rising living standards.
- **Women also face worse working conditions.** They are paid less for work of equal value (the hourly gender pay gap of 20% is among the highest in the OECD area) and, they more often have non-standard contracts and less qualified positions. They are over-represented in services (especially in health and social care, trade, hospitality and education – fields that pay relatively lower wages) and under-represented in manufacturing and construction.

- **Women and men do not have the same opportunities for career advancement.** Few women become managers (only 35% of managers are women) or choose to start a business (only 2.4% of women are entrepreneurs with employees, compared to 6.4% of men). Gender asymmetries in the labour market also stem from the different choices of fields of study and career paths of women and men. Men are more likely to prefer science and technology fields of study, while women tend to choose the fields of social sciences and humanities, education and health. Men prefer occupations with higher and more secure incomes, while women prefer those compatible with career breaks and part-time work.
- **FDI supports the development of sectors with a good gender balance in terms of labour force participation,** as it mainly benefits service sectors, namely professional services, finance, trade and real estate. However, sectors with significant shares of FDI are characterised by high gender wage gaps.
- **Greenfield FDI is concentrated and has a greater employment impact in male-dominated sectors** like construction, manufacturing (especially motor vehicles, electronics, machinery and equipment), transport and information and communication. As these sectors have low levels of female labour force participation, the job opportunities created by greenfield FDI are likely to benefit men more than women.
- **Gender practices of foreign compared to domestic firms are mixed.** Foreign firms in Austria employ on average a lower proportion of women than domestic firms, particularly in plastics and rubber, food, computer activities and construction. Yet, foreign firms pay higher wages on average and have a higher share of trained workers than domestic firms in almost all sectors. On the other hand, foreign firms do not seem to have a positive impact on career progression and entrepreneurship of women, as evidenced by the lower proportion of foreign firms with female top managers and with women in ownership compared to domestic firms.

Given its contribution to economic growth, innovation and job creation, FDI holds potential to address some of the gender gaps in the Austrian labour market. Strengthening the positive impact of FDI on gender equality requires targeted policy actions, but also the continuation of a broader reform agenda to eliminate gender gaps and strengthen the empowerment of women in the Austrian society and the economy. Increasing the participation of women in sectors receiving significant shares of FDI is crucial for women to have equal access to job opportunities generated by FDI. Supporting the development of talent, including female talent, can enable Austria to attract increasing shares of FDI in sectors deemed strategic from an investment promotion perspective (e.g. green tech, artificial intelligence), while generating skilled and well-paid jobs for women. Strengthening the link of existing policy schemes with gender equality objectives is also a way to support more gender-inclusive business practices in companies, including foreign ones. It is important to mainstream gender in all programmes and policies of investment institutions and to promote their co-ordination with organisations responsible for gender issues.

1

Trends and qualities of foreign direct investment

This chapter provides an overview of trends and qualities of foreign direct investment (FDI) in Austria. It first shows how investment and trade integration has contributed to economic growth and development in Austria. The chapter then examines FDI trends in more details, including in terms of sectoral distribution. The second part of the chapter provides an overview on how existing FDI and activities of foreign affiliates of multinational enterprises (MNEs) have contributed to competitiveness and the low-carbon transition of the Austrian economy.

Key findings

FDI has importantly contributed to Austria's economic growth and increasing per capita incomes over the past decades. It has risen with the emergence of global value chains (GVCs), supported productivity growth and innovation, and contributed to Austria's transition to a low carbon economy. This chapter offers an assessment of FDI trends and qualities and provides some insights on the contribution of investment to competitiveness and decarbonisation. Key findings in this chapter include:

- **FDI contributed to Austria's growth performance.** FDI peaked in the mid-2000s, but Austria experienced comparatively low or repeatedly negative FDI inflows since 2009, translating into a stagnant stock of FDI (40% of GDP) which is significantly lower than FDI stocks relative to GDP in average OECD economies (80% of GDP).
- **FDI inflows have grown with the rise of GVCs in the 2000s.** Importing intermediate goods and services from abroad and integrating them in domestic value creation for export has become more important over time, corresponding to 20% of gross exports in the 1990s and 30% today. By 2010, foreign MNEs contributed to almost 30% of total value added (or total GDP) and 40% of total exports in Austria. Yet, the GDP contribution of these affiliates has not increased since then while other European economies such as Ireland, the Slovak Republic and Slovenia continued to benefit from rising FDI inflows and thus the contribution of foreign firms continued to increase over recent years.
- **FDI is concentrated in professional services and manufacturing.** Professional activities were responsible for almost 50% of total FDI stocks in 2021. These activities include primarily activities of head offices and management consulting. Manufacturing has also received considerable FDI (about 10% of the total stock), particularly in the production of higher technology goods such as pharmaceuticals, motor vehicles, and electronics. New establishments of foreign MNEs (greenfield investments) are an important component of total FDI and can directly bring new knowledge and technologies to the host economy. Austria's greenfield FDI is concentrated in manufacturing (55%). In services, advanced information, communication, and transportation activities have received most greenfield FDI.
- **FDI contributes to higher productivity in Austria.** Labour productivity, i.e. GDP per hour worked, is lower than productivity in comparators such as Ireland, Sweden, Denmark and Belgium, and productivity growth has considerably slowed in recent years compared to a stronger growth period in the 1990s and 2000s. Greenfield investment is concentrated in relatively more productive sectors in Austria. Moreover, productivity premia of foreign compared to domestic firms in Austria are higher than in most comparator economies, and foreign firms are more likely to invest in R&D, to use foreign technologies and to innovate than domestic firms in Austria.
- **Foreign investment is an important source of finance for Austria's decarbonisation process.** Austria has a remaining gap in renewable energy production relative to its comparators. While countries like Denmark, Germany, the Netherlands, and Switzerland produce on average about 27% of their electricity from renewable energy sources, the share of renewable energy in Austria is 16%. Investments in renewable energy have increased in Austria in recent years, accounting for 100% of energy FDI and 2% of total greenfield FDI inflows over 2017-20. Nonetheless, Austria lags considerably behind peers such as Denmark, Germany and the Netherlands that receive almost two to four times the amount of FDI in renewables per USD of GDP.

Trends of FDI and integration in GVCs

Investment contributed to economic growth and rising incomes

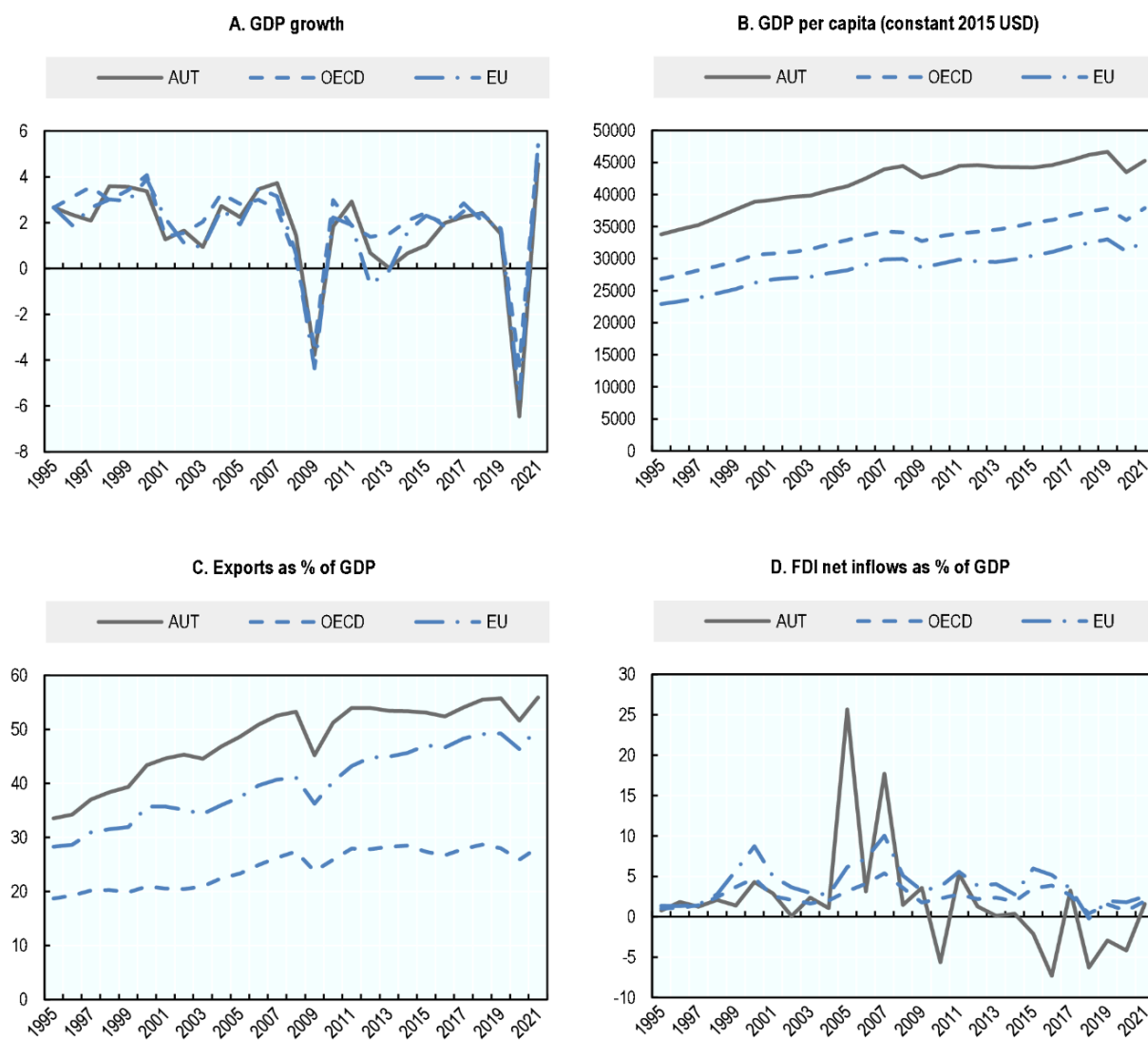
Austria has experienced considerable economic growth in recent decades (Figure 1.1, Panel A). Over the past two decades, economic growth has followed a trend similar to the average growth of European Union (EU) and OECD countries. The global economic crisis of 2008, the euro crisis and the recent COVID-19 pandemic led to a sharp slowdown of the Austrian economy. Together with its peers¹, Austria emerged from the pandemic with a strong economic recovery in 2021 (OECD, 2021^[1]), but now faces new economic frictions related to Russia's war in Ukraine, a deepening energy crisis and rising inflation. Economic growth has contributed to the increase in per capita income in Austria (Figure 1.1, Panel B). Real incomes have risen by more than 30% since 1995 and have consistently been higher than the average for EU and OECD economies.

Austria's integration in the global economy through trade and investment contributed to economic growth and rising incomes. Like in many European and OECD economies, Austrian trade contracted significantly at the height of the global financial crisis and again during the euro and COVID-19 crises. Yet, the role of exports in Austria's gross domestic product (GDP) has steadily increased over recent decades. In the mid-1990s, exports accounted for just over 30% of GDP (Figure 1.1, Panel C). Today, Austrian exports correspond to close to 60% of GDP. Foreign firms play a significant role in driving exports: they are responsible for about 40% of exports (OECD, 2017^[2]). Other EU countries have experienced a similar trend of export integration growth, albeit at slightly lower levels than their GDP. The pace of trade integration in the OECD has been slower and remains at a lower level on average, with exports accounting for less than 30% of GDP in 2021.

FDI inflows also contributed to Austria's expanding economic integration and growth in recent years. While FDI inflows as a share of GDP in many European and OECD economies increased in the late 1990s, Austria only experienced an increase in FDI in the mid-2000s, before the global economic crisis (Figure 1.1, Panel D). Annual FDI inflows as a percentage of GDP peaked in 2005 at over 25% of GDP, and in 2007 at 18%, compared to average inflows of less than 2% of GDP over the 1995-2021 period. In the 2000s, Austria attracted significantly more FDI than an average EU or OECD economy.

Austria has the potential to attract more FDI. Since 2009, it has experienced relatively low or repeatedly negative FDI inflows, not observed to the same extent in many other EU and OECD countries. The low and negative FDI inflows have resulted in a stagnant FDI stock of around 40% of GDP in Austria, compared to the continuously growing investment integration in the rest of the EU and OECD since the 2008 crisis. In the pre-crisis years, the average share of FDI in GDP reached 80% in the EU and 60% in the OECD. Furthermore, over the past 15 years, Austrian multinationals have increasingly sought investment opportunities abroad. Outward FDI stocks correspond to 50% of GDP, which is clearly higher than the level of inward FDI of about 40% in 2021.

Figure 1.1. Trade and FDI have contributed to economic growth and rising incomes



Source: OECD elaboration based on the World Bank (2023^[3]), World Bank - All Indicators, <https://data.worldbank.org/indicator/?tab=all>.

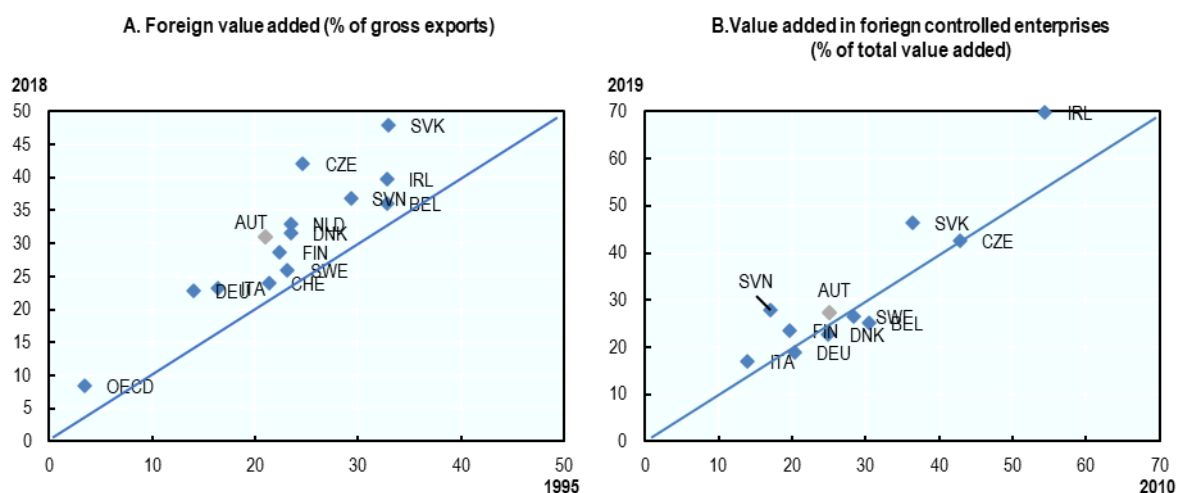
FDI increased with the rise of global value chains

The growth in investment and trade is the result of the emergence of global value chains (GVCs) in recent decades, i.e. the fragmentation of production processes of goods and services across multiple countries. The OECD's Trade in Value Added indicators reveal that Austria's integration into GVCs is somewhat in line with that of other EU and OECD countries. For example, the share of foreign value added (or imported value added) in gross exports in Austria has increased from around 20% to 30% since the mid-1990s, a trend like that observed in countries such as Germany, Sweden, and Switzerland (Figure 1.2, Panel A). Thus, the import of intermediate goods and services from abroad and their integration into domestic export value creation has become more important over time.

The growth of GVCs was particularly important in the 2000s, when FDI inflows into Austria also increased considerably. In 2010, the value added generated by foreign affiliates of GVCs contributed almost 30% of the total value added (or total GDP) in Austria (Figure 1.2, Panel B). Since then, however, the GDP contribution of these foreign affiliates in Austria has not increased. This can be explained by the stagnation of FDI after the 2008 crisis. Although a downward trend in FDI inflows was observed in other OECD and

non-OECD economies, mainly explained by a slowdown in the expansion of GVCs, other small open economies such as Ireland, the Slovak Republic and Slovenia continued to benefit from increased FDI inflows.

Figure 1.2. Integration in GVCs through trade and investment has increased since the mid-1990s



Source: OECD elaboration based on OECD (2023^[4]), Trade in Value Added (TiVA) ed. 2021, https://stats.oecd.org/Index.aspx?DataSetCode=TIVA_2021_C1; Eurostat (2023^[5]), Foreign-controlled enterprises in EU: value added, <https://ec.europa.eu/eurostat/web/products-eurostat-news/-/ddn-20200414-1>.

FDI is concentrated in professional services, but manufacturing attracts significant greenfield investment

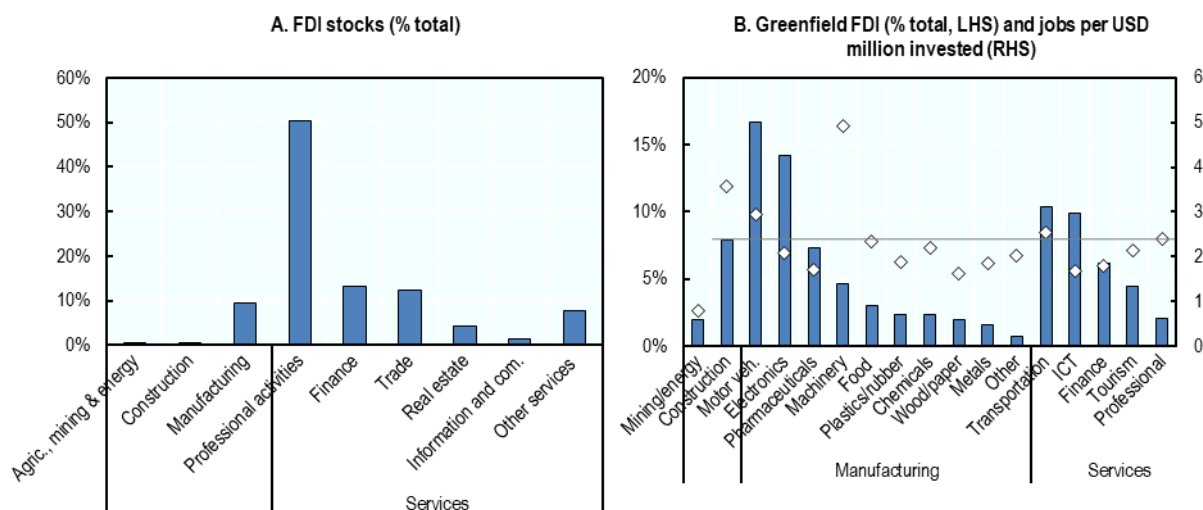
Austria has attracted primarily FDI in services. Professional activities accounted for almost 50% of total FDI stocks in 2021 (Figure 1.3, Panel A). The bulk of these professional activities include activities of head offices and management consulting,² which may concern any sector of the economy and partly reflect Austria's role as a regional business hub for MNEs. Finance and trade each receive about 10% of total FDI stocks and real estate activities about 5%. Manufacturing also receives considerable FDI (about 10% of the total stock), particularly in the production of higher technology goods such as pharmaceuticals, motor vehicles, and electronics but also in basic metals. A strong FDI position in the motor vehicles industry plays an important role in GVC integration, with foreign firms accounting for 80% of total value added, and almost 80% of the industry value added meeting foreign final demand (OECD, 2017^[2]).

New establishments of foreign MNEs in host economies or 'greenfield investments' are an important component of total FDI, along with cross-border mergers and acquisitions (M&As). Greenfield FDI brings new knowledge and technologies to the host economy directly through the establishment of affiliates, while in the case of M&As, the transfer of knowledge may take longer and is likely to occur in both directions between affiliates in the home and host economies (OECD, 2019^[6]).

Most new establishments (or expansions) of foreign MNEs in Austria are concentrated in the manufacturing sector (55%) (Figure 1.3, Panel B). In the period 2003-20, high-tech manufacturing was particularly attractive for greenfield FDI projects: motor vehicles received 17% of total greenfield FDI, electronics and pharmaceuticals received 14% and 7%, respectively. Services – advanced information, communication and transport activities – also received the most greenfield FDI over the same period. Greenfield FDI in high-tech manufacturing and advanced services can open up new opportunities for growth and productivity (see section on productivity).

In addition, greenfield FDI in higher productivity sectors also generates high-paid jobs for qualified professionals (see Figure 2.16 and Figure 2.17), increasing the total number and quality of jobs available in Austria. Machinery, construction and motor vehicles are the best performing sectors in terms of job creation per USD million of greenfield FDI. They create between three and five jobs per USD million invested, compared to a lower sector average of just over two jobs per USD million.

Figure 1.3. Greenfield FDI is concentrated in sectors with high job creation potential



Note: Panel A follows the sector classification provided in the OECD FDI Statistics, while Panel B uses sector classifications from the Financial Times' fDi Markets database. In Panel B: horizontal reference line = average jobs per USD million invested across sectors; greenfield FDI shares based on cumulated capital expenditure on open and announced greenfield FDI projects over 2003-20.

Source: OECD elaboration based on OECD (2022^[7]), OECD's FDI Statistics, <https://stats.oecd.org/>; Financial Times' fDi Markets (2023^[8]), Database of crossborder greenfield investments, <https://www.fdimarkets.com/>.

Contribution of FDI to competitiveness and the low-carbon transition

In addition to its role for GVC integration, growth, incomes and job creation, FDI can play a crucial role in making progress toward the sustainable development goals (SDGs) more generally. From the perspective of host countries, it has the potential to increase productivity and innovation, improve environmental performance, create better quality jobs and develop human capital, also with a view to promoting gender equality in the labour market (OECD, 2019^[6]; 2021^[9]). However, positive contributions of FDI to sustainable development do not always materialise and it is therefore important to carefully examine how FDI relates to sustainable development. Using the tools developed by the OECD FDI Qualities Initiative (Box 1.1), the rest of this chapter will provide initial insights into how FDI contributes to productivity, innovation, and the low carbon transition. Fostering gender equality – and consequently job quality – is a particular concern for the Austrian Government. Chapter 2 will therefore provide an analysis on how FDI contributes to gender equality in Austria and what opportunities and challenges may exist to close remaining gender gaps.

Box 1.1. OECD FDI Qualities Initiative

Foreign direct investment (FDI) is a key source of funding to achieve the sustainable development goals (SDGs) and commitments made in the Paris Agreement on climate change. However, the benefits of FDI do not always materialise, and the impact of investment can vary across countries and sustainability

areas. Moreover, policies and institutional arrangements play a critical role in maximising the positive impact of FDI. The FDI Qualities Initiative shows how governments can improve the contribution of FDI to achieving the SDGs. It provides governments with the tools and data to develop and implement evidence-based policies that encourage investments leading to the key objective of sustainable development. It comprises three main pillars:

- **FDI Qualities Indicators** help governments assess the impact of investment across four areas of the SDGs: decarbonisation; job quality and skills; gender equality; and productivity and innovation.
- **FDI Qualities Policy Toolkit** helps governments improve the impact of investment on sustainable development through decarbonisation, quality of work and skills, gender equality, productivity and innovation. The Toolkit complements the OECD's Policy Framework for Investment (PFI) by providing governments with detailed, tailored policy guidance and best practices for attracting and retaining sustainable investment. The Policy Toolkit also includes guidance on strengthening the role of development co-operation in mobilising FDI and enhancing its positive impact in developing countries.
- **OECD Council Recommendation on FDI Qualities** complements the Policy Toolkit by incorporating a concise set of key policy principles from the Policy Toolkit into a legal instrument. Adopted at the 2022 OECD MCM, it is the first government-backed standard on how to improve the positive contribution of international investment to the SDGs.

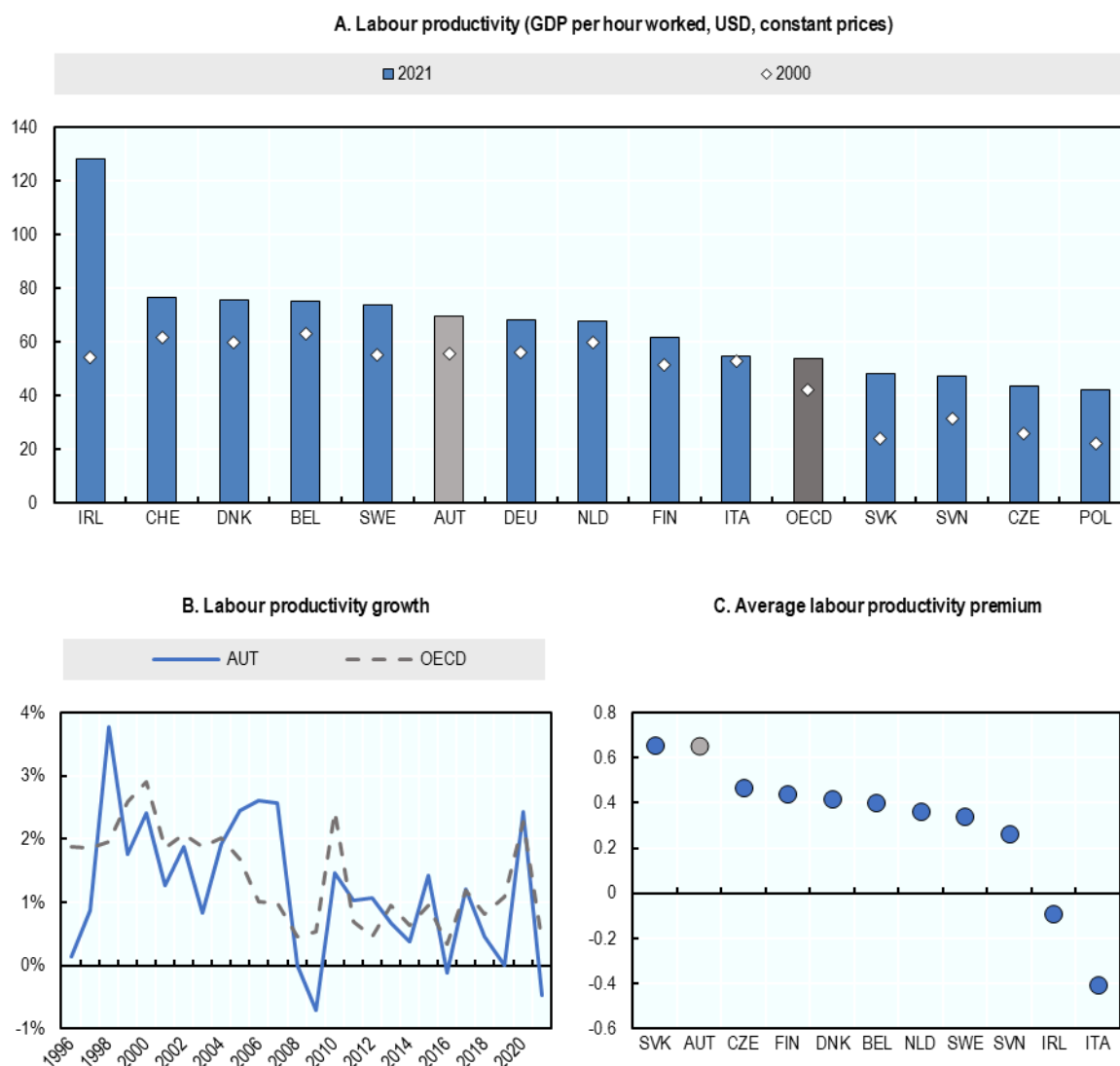
Source: OECD (2021^[9]), *FDI Qualities Policy Toolkit*, <https://www.oecd.org/daf/inv/investment-policy/FDI-Qualities-Policy-Toolkit-Consultation-Paper-2021.pdf>; OECD (2019^[6]), *FDI Qualities Indicators: Measuring the sustainable development impacts of investment*, <https://www.oecd.org/fr/investissement/fdi-qualities-indicators.htm>.

FDI contributes to higher productivity in Austria

Labour productivity in Austria is relatively high, but productivity growth slowed since the global financial crisis. Although labour productivity levels in Austria were about 30% above the OECD average in 2021, average productivity growth has been slightly lower than in other OECD members in recent years (Figure 1.4, Panel A and B). Low productivity growth in the services sector, together with limited business dynamics (i.e. entry and exit of firms) and reduced diffusion of innovation weigh on productivity growth (OECD, 2021^[1])

Greenfield FDI is concentrated in those sectors that have on average higher productivity levels than in other sectors in Austria. The expansion of these higher productivity sectors through FDI has probably contributed to an increase in aggregate productivity. With almost half of greenfield FDI concentrated in technology-intensive sectors such as motor vehicles, electronics, pharmaceuticals manufacturing, and ICT services, the concentration patterns reflect both the ability of highly productive sectors to attract FDI and the contribution of FDI to higher productivity and growth (Figure 1.3, Panel B). Beyond sectoral differences, foreign firms contribute to higher productivity given their generally higher labour productivity levels compared to domestic firms. While in other European economies foreign firms are on average about 28% more productive than domestic competitors, the average productivity of foreign firms in Austria exceeds that of domestic competitors by 65% (Figure 1.4, Panel C).

Figure 1.4. Low productivity growth since the global economic crisis



Note: Panel A shows labour productivity as GDP per hours worked (USD, constant prices, 2015 PPPs in 2000 and 2021) while Panel B shows labour productivity growth over time. Panel C presents the foreign ownership premium of labour productivity across different countries computed as $((\text{median labour productivity of foreign firms} / \text{median labour productivity of domestic firms}) - 1)$. A foreign ownership premium above 0 indicates that foreign firms are more productive than domestic peers.

Source: OECD elaboration based on OECD (2023^[10]) "GDP per hour worked" (indicator), <https://doi.org/10.1787/1439e590-en>; World Bank Enterprise Surveys (2021^[11]), World Bank Enterprise Survey: Austria (2021), <https://www.enterprisesurveys.org/en/data/exploreeconomies/2021/austria>.

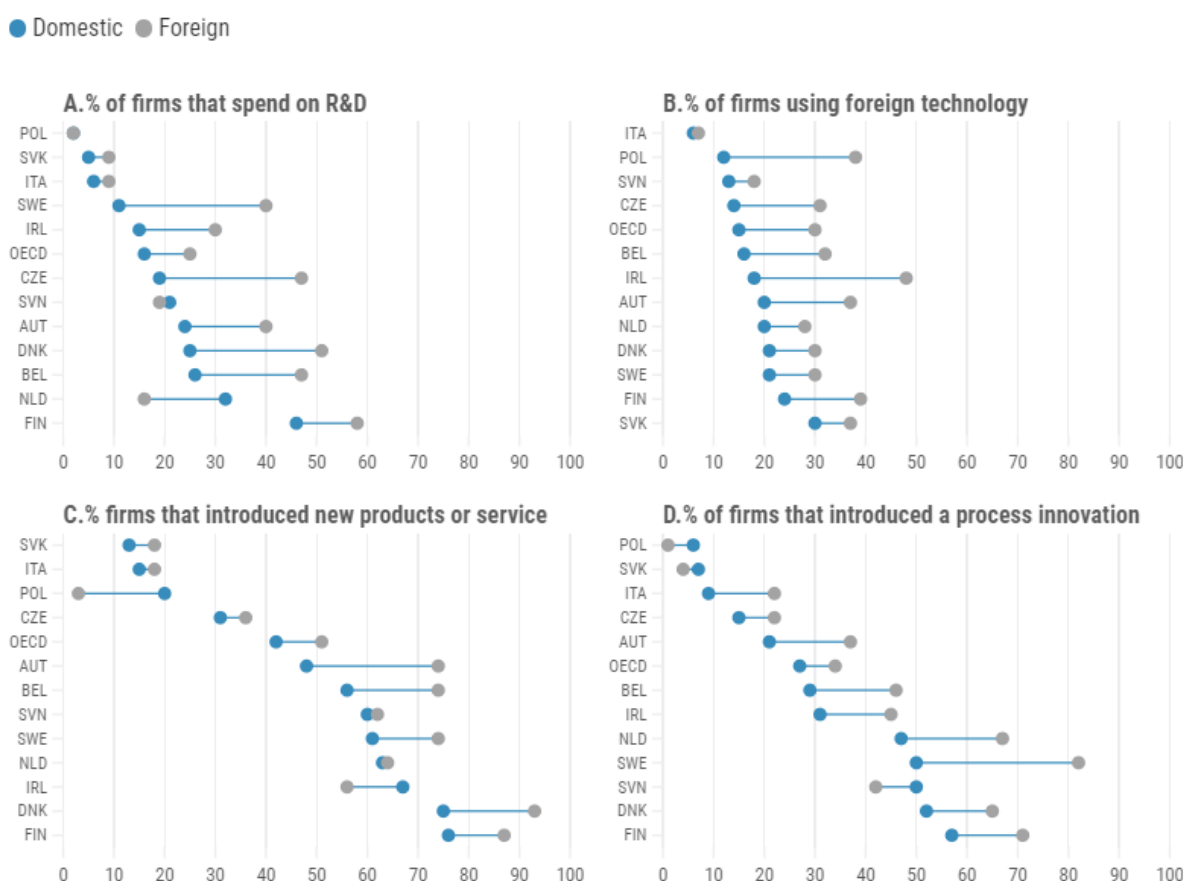
Foreign firms increase Austria's innovation capacity

Austria invests a competitive share of its GDP in research and development (R&D), and FDI has helped unlock its innovation potential. The share of GDP spent on R&D amounts to about 3.2%, exceeding the OECD average of 2.2% and almost aligning with other OECD champions like Sweden and Belgium that spend around 3.5% of GDP on R&D (World Bank, 2023^[3]). Foreign firms are important investors in R&D in Austria. While about a quarter of domestic firms in Austria invest in R&D, the share of foreign firms investing in R&D exceeds that of domestic firms by 15 percentage points (Figure 1.5, Panel A). FDI can

thus help to close the R&D gap in sectors where innovation in Austria is currently lagging behind, such as higher tech sectors (OECD, 2021^[11])

In Austria the share of foreign firms investing in R&D is higher than that of domestic firms (Figure 1.5, Panel A). Moreover, foreign firms are more likely to use technology from abroad than domestic firms (Figure 1.5, Panel B). The relatively high use of foreign technology among foreign firms can further boost and diversify innovation in Austria thereby contributing to knowledge and technology spillovers to local entities. The great innovation potential of foreign firms is also reflected in the proportion of foreign firms that have launched a product, service, or process innovation (Panel C and D). With more than 70% of foreign firms introducing a new product or service and almost 40% of foreign firms carrying out a process innovation, foreign firms in Austria are not only above the OECD average, but also significantly exceed the share of domestic firms reporting such innovations.

Figure 1.5. Foreign firms drive innovation in Austria



Note: This figure shows the share of domestic and foreign firms that (A) invest in R&D, (B) use foreign technology, (C) introduced a new product, service or (D) process. Foreign firms are defined as firms with a minimum of 10% foreign ownership. Due to data availability, these charts do not include Australia, Canada, Switzerland, Germany, the United Kingdom, Iceland, Japan, Korea, Norway, New Zealand, and the US in the OECD average.

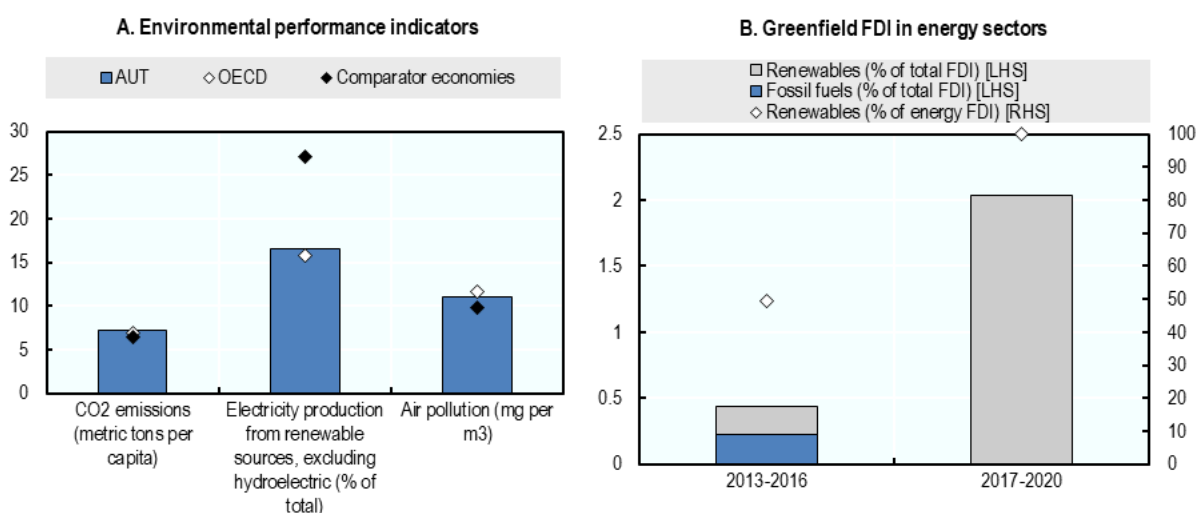
Source: OECD elaboration based on data from the World Bank (2021^[11]), *World Bank Enterprise Survey: Austria (2021)*, <https://www.enterprisesurveys.org/en/data/exploreeconomies/2021/austria>.

Foreign investment is an important source of finance for the low carbon transition

The transition of the Austrian economy into a carbon-free and environmentally sustainable economy is underway, but there is room for more investment into green technologies and renewable energy. Austria's level of air pollution and carbon emission are similar to those of an average OECD country and comparator countries such as Denmark, Germany, the Netherlands, and Switzerland (Figure 1.6, Panel A). Yet, Austria needs to accelerate its low-carbon transition. There remains a gap in electricity generation from renewable energy sources relative to its comparators. While countries like Denmark, Germany, the Netherlands, and Switzerland produce on average about 27% of their electricity from renewable energy, the share of renewables in Austria is 16%.

FDI in renewables contributes to Austria's decarbonisation process. Over the past ten years, investments in renewable energy have increased significantly in Austria. Over 2013-16, the share of renewable energy in all greenfield FDI was around 0.2% and accounted for 49% of FDI in the energy sector (Figure 1.6, Panel B). Compared to this period, investments in renewable energies have increased by a factor of almost 17, so that the share of renewable energies in total greenfield FDI has grown to 2% between 2017 and 2020. With 100% of greenfield energy FDI in renewables in the same time period, Austria clearly exceeds the OECD average of about 60% (OECD, 2022^[12]).

Figure 1.6. Austria lags behind in renewable electricity production, but greenfield FDI in renewables has picked up between 2017 and 2020



Note: Panel A shows Austria's performance with respect to carbon emissions, renewable energy production and air pollution compared to the OECD average and reference countries. Categories of the y-axis differ according to the different indicators in panel A, as indicated in brackets. Comparator economies include Denmark, Germany, the Netherlands, and Switzerland. Panel B shows the share of renewables and fossil fuels in all opened and announced greenfield FDI projects from 2013 until 2020.

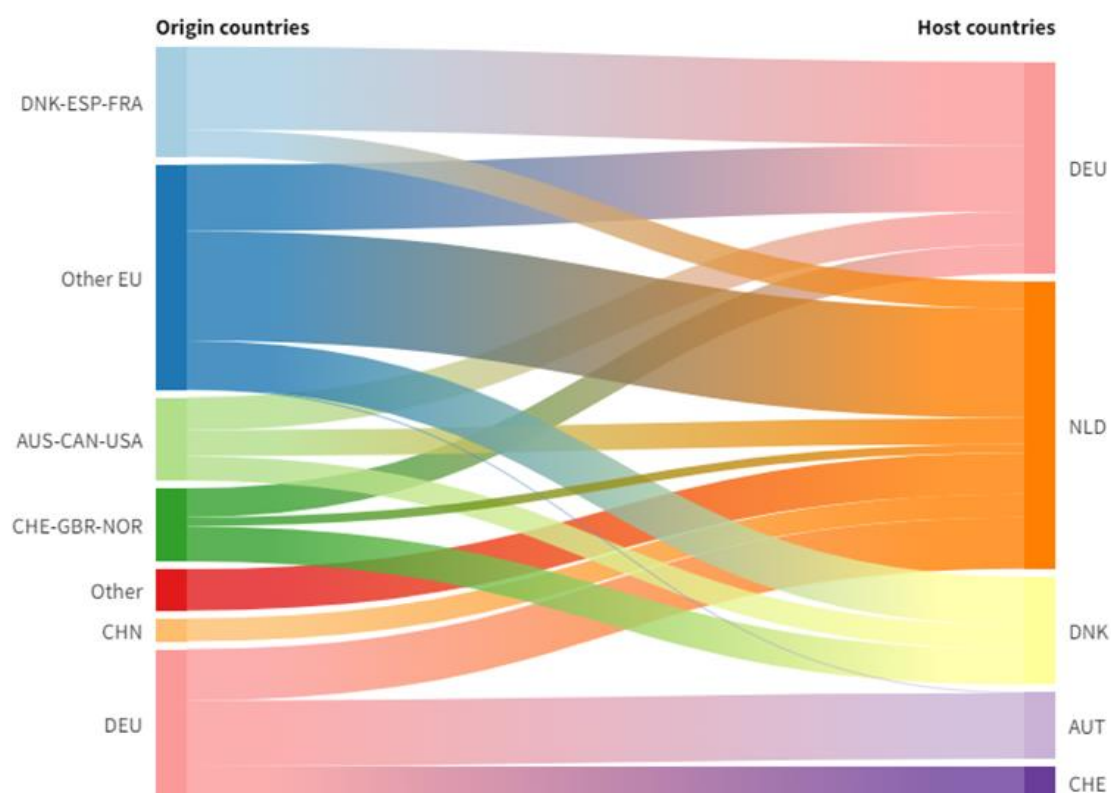
Source: OECD elaboration based on the World Bank (2023^[3]), World Bank - All Indicators, <https://data.worldbank.org/indicator/?tab=all>; OECD (2023^[13]), Green Growth Indicators, https://stats.oecd.org/Index.aspx?DataSetCode=GREEN_GROWTH; Financial Times' fDI Markets (2023^[8]), Database of crossborder greenfield investments, <https://www.fdimarkets.com/>.

Although Austria succeeded in attracting more greenfield FDI in renewables over the past few years, it is not fully exploiting the potential of its renewable industry. Even taking into account its economic size, Austria lags far behind in greenfield FDI in renewable energy. Denmark, Germany, and the Netherlands receive almost two to four times the amount of greenfield FDI in renewables per USD of GDP. This is not the case when comparing Austria to Switzerland: Switzerland receives only half as much investment per USD of GDP as Austria (Figure 1.7). Ninety-nine percent of Austria's greenfield FDI in the renewable

energy sector in the period from 2017 to 2020 came from Germany whereas the remaining 1% came from the Netherlands. While Germany is the largest investor in renewable energy in Austria, other economies like Denmark, Germany, and the Netherlands have received large investments from other economies, namely Denmark, Spain and France, but also from Norway and Switzerland.

Figure 1.7. Germany is the largest investor in renewable energy in Austria

Greenfield FDI in renewables, weighted total 2017-20



Note: This chart shows the value of all opened and announced greenfield FDI projects in renewables in Austria and comparator economies. To control for differences regarding the economic size of host countries, the chart is based on total capital expenditure values weighted by average GDP.

Source: OECD elaboration based on Financial Times' fDi Markets (2023^[8]), Database of crossborder greenfield investments, <https://www.fdimarkets.com/>.

2 The contribution of FDI to gender equality

This chapter examines the opportunities and challenges for achieving gender equality in Austria and discusses the socio-economic benefits of a more gender balanced labour market. It also provides an assessment of how foreign direct investment (FDI) contributes to gender equality, with a focus on employment, wages, skills development, career progression and entrepreneurship.

Key findings

Foreign direct investment (FDI) provides the technological and financial resources needed to stimulate productivity and innovation, support global value chains (GVCs) integration, create employment and encourage the low-carbon transition, as illustrated in Chapter 1. FDI can also advance gender equality in the marketplace of host countries by creating new and better jobs for women, and by supporting their career progression and participation in entrepreneurship. However, FDI is not always directed where it is most needed and its impact on gender equality is not automatically positive. Shedding light on these impacts is important to identify areas where the positive contribution of FDI on gender equality can be strengthened through targeted policy action. This chapter offers an assessment of gender equality in the labour market of Austria, focusing on opportunities and remaining challenges. Using data and indicators developed within the FDI Qualities Initiative (see Chapter 1, Box 1.1), it also provides a detailed analysis of the role that FDI and foreign firms play in promoting Sustainable Development Goal (SDG) 5 on gender equality and the empowerment of women and girls. Key findings include that in Austria:

- **Women participate less in the labour market, work fewer hours and take on most of the unpaid work.** The percentage of women participating in the labour force is lower than that of men (in 2021, 72.6% for women compared to 81.9% for men), although higher than the OECD average (64.8%). The difference between the percentages of women and men working part-time is also considerable: in 2021, 35.6% of women had part-time jobs compared with 8.5% of men. The percentage of women with part-time jobs is among the highest in the OECD area (lower only than the Netherlands, Switzerland, Japan and Germany). Gender imbalances also persist in unpaid work, with women bearing a disproportionate share of domestic work and the care of children and the elderly.
- **Women who participate in the labour market do so under worse conditions than men.** Women are paid less than men in all sectors (in 2020, the hourly wage gap was 20%, one of the highest in the OECD area) and, they are more likely to have non-standard employment contracts and to occupy unskilled positions. Like in other OECD countries, they are over-represented in services and under-represented in manufacturing and construction. Furthermore, the career prospects of men and women are uneven, as evidenced by the low percentage of women in management positions (35.5% of managers were women in 2021, a slightly higher share than the OECD average of 33.7%). Few women also choose to become entrepreneurs (in 2020, only 2.4% of women were entrepreneurs with employees, compared to 6.4% of men).
- **Patterns of gender inequality in the labour market originate in the education system.** Although participation levels in education are similar or even in favour of women, there are marked differences between women and men in academic achievement and choice of fields of study. According to the latest OECD PISA results for 2018, girls' reading skills exceed those of boys, but boys perform better in mathematics. Men tend to prefer scientific and technology fields, while women choose business, law, education, and health.
- **FDI contributes to the development of sectors with a good gender balance in terms of labour force participation, but with high gender wage gaps.** FDI is concentrated in services, particularly professional services, finance, trade and real estate, and manufacturing. Apart from manufacturing, these sectors employ an equal share of women and men or slightly higher share of women. Sectors that attract a significant amount of FDI, including those with a good gender balance in employment, are characterised by high gender wage gaps.
- **Greenfield FDI is concentrated and has a larger employment impact in sectors that employ relatively more men than women.** Greenfield FDI is prevalent and has a larger employment impact in sectors with a higher share of men, namely construction, motor vehicles, electronics, machinery and equipment, transport, and information and communication. These sectors are also

characterised by particularly low levels of female labour force participation, indicating that the job opportunities created by greenfield foreign investors are likely to benefit men more than women.

- **Foreign firms employ on average a lower proportion of women than domestic firms.** Especially in plastics and rubber, food, computer activities and construction, foreign firms have on average a lower percentage of women in their workforce than domestic firms. These sectors are characterised by particularly low levels of female labour force participation (below 30%), which can make it difficult for foreign firms to recruit and retain female talent. Both foreign and domestic companies have significantly higher shares of women in the hospitality, paper and chemical sectors.
- **Foreign firms pay on average higher wages than domestic firms.** Foreign firms have a wage premium in almost all sectors. While it is not known how such wage premia are distributed between men and women within the company, existing evidence indicates that women tend to be paid less in all companies, regardless of whether they are domestic or large foreign multinationals.
- **Foreign firms are not more skill-intensive than domestic firms, but on average they have a higher share of workers who have received training.** Foreign firms and domestic firms have similar shares of skilled workers, but foreign firms have higher shares of workers who received training. The results suggest that foreign firms can make a crucial contribution for skill development of local workers, including women.
- **The proportion of foreign firms with female top managers and women in ownership is lower than that of domestic firms.** The results vary widely across industries and other OECD countries, suggesting that several factors are at play. This is in line with recent evidence showing that the nationality of the parent company, i.e. whether they come from more gender-equal countries, plays an important role in explaining gender patterns in firms, including career progression (Kodama, Javorcik and Abe, 2018^[14]; Tang, 2017^[15]).

Policy messages

- **Continue policy reforms to eliminate gender inequality and promote women's empowerment in society and economy.** Over the past decade, Austria has undertaken important policy reforms to eliminate gender inequalities in society and the economy, following the 2013 OECD Recommendation of the Council on Gender Equality in Education, Employment and Entrepreneurship (OECD, 2017^[14]) and the recommendations provided in the OECD Economic Survey of Austria 2015 (OECD, 2015^[15]). These policies include measures to increase the availability of childcare facilities, reforms of child benefits and parental leave schemes to make them less gender discriminatory, and efforts to streamline family policies across regions and levels of government. The continuation of this reform agenda will be key to creating the conditions necessary for women to fully participate in the labour market and take advantage of the benefits brought by FDI.
- **Improve the participation of women in sectors receiving substantial amounts of FDI or where Austria wants to attract more FDI.** A significant share of FDI, particularly new establishments, is directed toward male-dominated activities, namely manufacturing and construction. These sectors are also those where FDI has the greatest impact on employment. Furthermore, Austria's FDI attraction strategy focuses on sectors that employ low shares of women (e.g. green tech, artificial intelligence). Increasing female labour force participation in these sectors is a prerequisite for ensuring that the job opportunities created by FDI are equally accessible to men and women. This requires action in several policy areas, including the expansion of female talent, particularly in technical and scientific fields.

- **Promote gender inclusive business practices by leveraging on existing investment incentive programmes.** Austria offers various economic and tax incentives to businesses (e.g. tax relief, state loans, provision of guarantees). Some of these programmes contribute to achieving the SDGs (e.g. use of renewable energy, R&D/innovation). Linking some of these incentive schemes to gender equality objectives could help support the spread of more gender inclusive business practices. It is important that such schemes are designed in a transparent way and that their costs and benefits are regularly evaluated.
- **Integrate the gender dimension into the policies and programmes of investment institutions and promote their co-ordination with institutions in charge of gender issues.** The Federal Ministry for Labour and the Economy and the Austria Business Agency (ABA) can play an important role in strengthening the positive contribution of FDI on gender. They can incorporate gender considerations and objectives into Austria's strategy for attracting and facilitating FDI, in line with national gender equality objectives; promote policies to make workplaces more gender inclusive; and collect gender-disaggregated data at the firm level that can be used to monitor the impact of FDI on gender equality. Co-ordination between institutions responsible for investment and gender policies is crucial for aligning policy objectives and improving policy design and implementation.

Gender equality in Austria: opportunities and challenges

Wide gender imbalances persist in paid and unpaid work

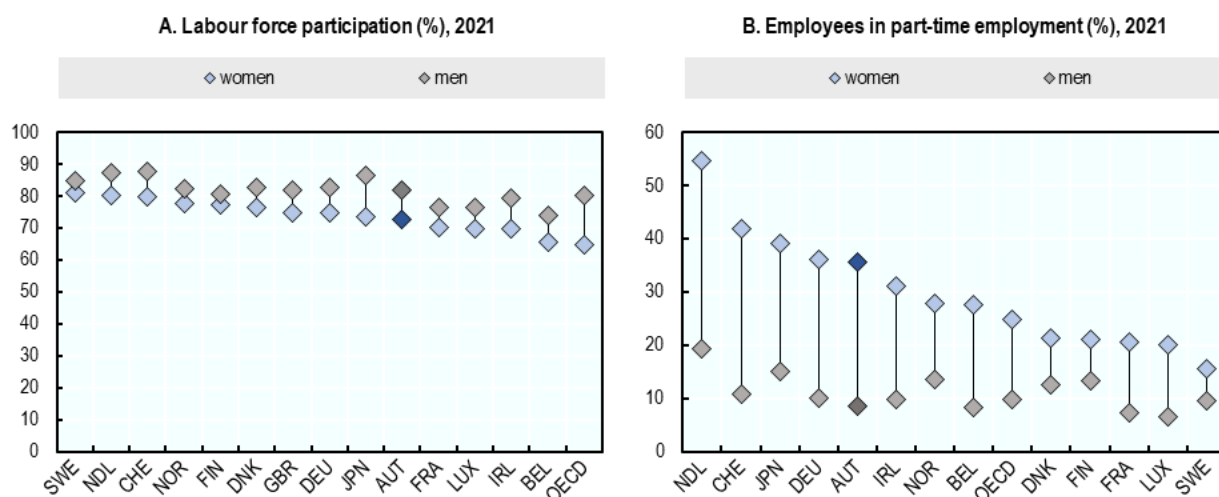
The family model prevailing in Austria is based on distinct and asymmetrical gender roles, in which men mainly perform breadwinner activities and women provide extensive 'in-house' services, in particular domestic work, childcare and care of the elderly. This model is reinforced by persistent gender stereotypes and social norms about the role of women in society and the economy, which are more pronounced than in several comparator countries. The 2017 Eurobarometer on gender equality, for example, shows that respondents in Austria have higher tendencies to hold gender stereotypes, both generally and about women in politics, compared to France, Sweden, Denmark, the Netherlands and Luxembourg. They are also less likely to be supportive of men's contribution to gender equality and to say that there is a problem in the way women are portrayed in the media and advertisements (European Commission, 2017^[16]).

This family model underlies deep gender imbalances in unpaid and paid work, careers and incomes (Gönenç, 2015^[17]). In Austria, as in all OECD countries, the participation of women in the labour force is lower than that of men. In 2021, women's labour force participation was 72.6% in Austria, compared to 81.9% for men (Figure 2.1, Panel A). The labour force participation is even lower among immigrant women from non-EU countries (around 60% in 2019), while it is similar among immigrant men (81%) (Heilemann, 2021^[18]). Women's labour force participation is higher than in the OECD (64.8%), but lower than in several comparator countries, including those with similar traditional family models, such as Germany (74.6%) and Switzerland (79.7%). The gender gap in labour force participation in Austria is among the highest in the group of comparator countries.

The type of work performed by women and men differs widely, starting with the number of hours worked. In Austria, women tend to dedicate fewer hours to paid work compared to men: around 35.6% of women have part-time jobs compared to 8.5% of men (Figure 2.1, Panel B). The percentage of women with part-time jobs is among the highest in the OECD area (lower only than the Netherlands, Switzerland, Japan and Germany). At the same time, the proportion of men with part-time jobs is lower than the OECD average and that of other comparator countries. In Austria, as in most OECD countries, the segregation of gender roles in the labour market emerges after the birth of the first child. Labour force participation decreases

dramatically for mothers of young children, but not for fathers. Mothers often take long periods of parental leave followed by a long period of part-time work, usually until their youngest child completes compulsory schooling.

Figure 2.1. In Austria women participate less in the labour force and dedicate fewer hours to paid work than in several comparator countries



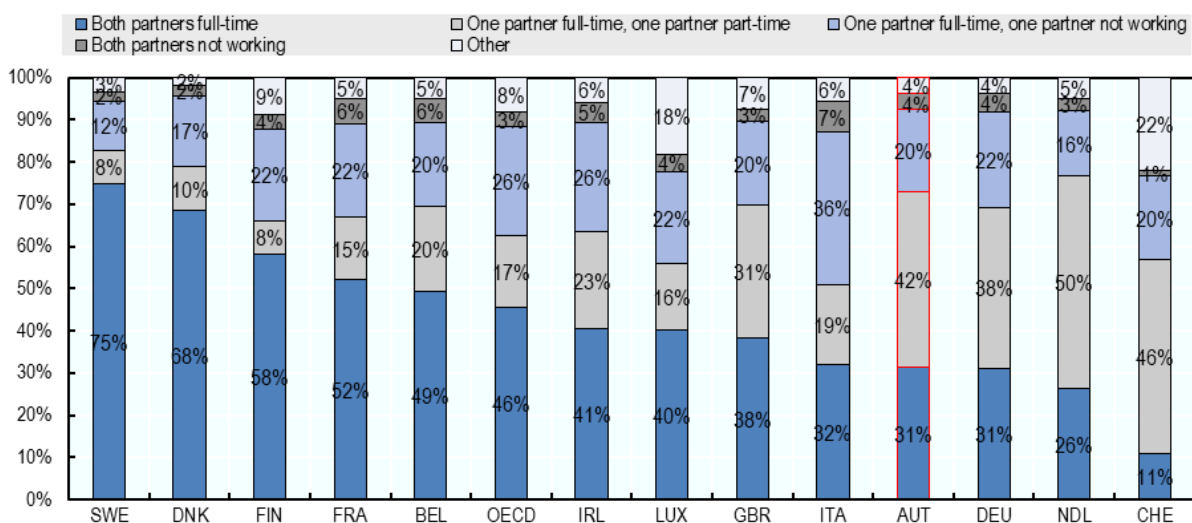
Note: The labour force participation rates is calculated as the labour force divided by the total working-age population. Part-time employment refers to persons who usually work less than 30 hours per week in their main job.

Source: OECD (2022^[19]), Gender Portal, <https://www.oecd.org/gender/data/>.

The separation of roles determines different employment patterns in couples with children. The male breadwinner model and the 1½ model (where the man works full-time and the woman part-time) dominate the employment structure of Austrian couples with children under 15 (62% of couples) (Figure 2.2). In Austria, the share of households following the breadwinner and 1½ models is higher than the OECD average (43%) and lower only than in the Netherlands and Switzerland (in both countries around 66%).

Figure 2.2. Male breadwinner and one-and-a-half models dominate the occupational structure of Austrian families with children

Distribution (%) of employment patterns in couples with at least one child aged 0-14, 2019



Source: OECD (2019_[20]), OECD Family Database, <https://www.oecd.org/els/family/database.htm>.

The birth of the first child also leads to a separation of roles in unpaid work. Surveys show that in up to 70% of Austrian families with children, housework (cleaning, cooking, childcare, and care of the elderly) is predominantly performed by mothers (Gönenç, 2015_[17]). This separation of roles between mothers and fathers is independent of socio-economic conditions and educational background and tends to continue until the youngest child completes secondary school. Although this pattern is observed in other OECD countries, it seems to be particularly pronounced in Austria. In Austria, women spend an average of 269 minutes per day on unpaid work, 134 minutes more than men. This gap is higher than the OECD average (126 minutes) and several comparator countries (92 minutes in Germany, 79 minutes in the Netherlands and 56 minutes in Denmark) (OECD, 2022_[21]). Data based on the OECD Risks That Matter 2020 survey reveal that women in Austria sacrificed more time in unpaid work than men during COVID-19. The results show that mothers were almost three times as likely as fathers to report taking on most or all of the additional unpaid care work caused by the closure of schools and childcare facilities. This is the third highest value among the OECD countries surveyed, after Turkey and Germany (OECD, 2021_[22]).

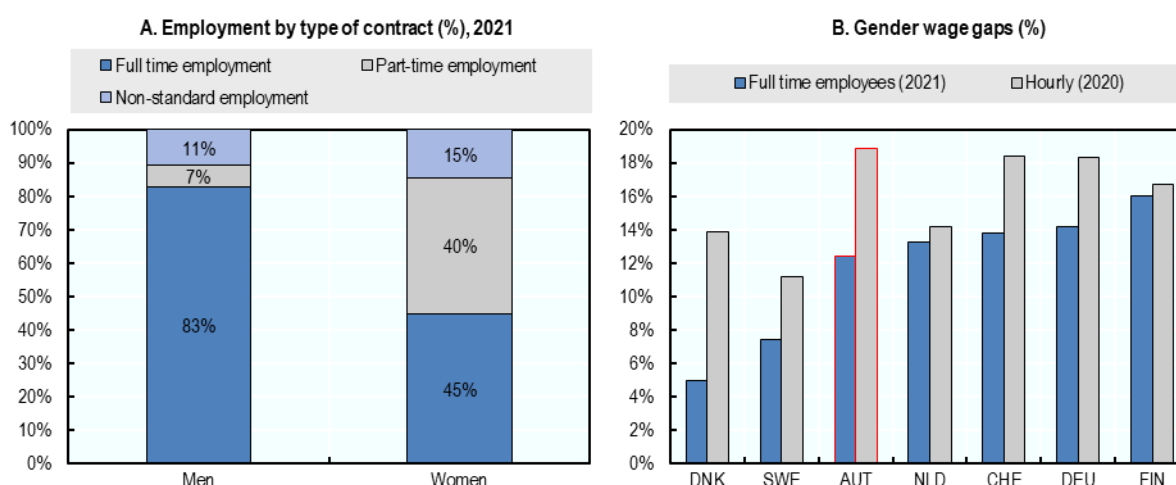
Women tend to have non-standard contracts, work mainly in services, and are paid less

The types of employment between women and men differ considerably. Disparities can be observed in contract types, sector of activity, and pay. These inequalities accumulate over time and are likely to result in a gender pension gap and a higher incidence of old age poverty among women (OECD, 2017_[23]). Most women have part-time or non-standard employment contracts, while most men have standard full-time employment contracts (Figure 2.3, Panel A). Women are also over-represented in services activities, particularly in health and social care, trade, hospitality, and education, while men dominate traditional manufacturing and construction activities. Moreover, a higher proportion of women is employed in unskilled activities than men (11% women compared to 8% of men) (Statistik Austria, 2021_[24]).

In all OECD countries, women are on average paid less than men for the same or similar job, even when taking into account the education level. The gender wage gap has two main sources: differences in number

of hours worked and gaps in hourly wages. In Austria, the gender wage gap amounted to 12.4% for full time employees and to 20% for hourly wages in 2021 (Figure 2.3, Panel B). The gender wage gap for full-time employees was lower than in several comparator countries, such as the Netherlands, Switzerland, Germany and Finland. On the other hand, Austria's gender wage gap for hourly wages is the highest in the group of comparator countries. The incidence of part-time work for women contributes significantly to the wage gap between women and men in Austria, not only because women work fewer hours, but also because hourly wages tend to be lower in part-time jobs than in full-time jobs. In addition, recent evidence shows that the bulk of the gender gap in Austria is concentrated within firms: about three-quarters of the gender wage gap between men and women who have similar skills reflect differences in tasks and responsibilities rather than differences in pay for work of equal value. The remaining one-quarter of the gender wage gap results from differences between firms, namely the concentration of women in low-wage firms and industries (OECD, 2021^[25]).

Figure 2.3. Women tend to have part-time and non-standard contracts and are paid less than men



Note: The gender wage gap for full time employees is calculated as the difference between median earnings of men and women relative to median earnings of men; the hourly gender wage gap is calculated as the difference between average gross hourly earnings of male and female employees, as percentage of male gross earnings.

Source: Panel A: Statistik Austria (2021^[26]), Share of employees by employment status and sex, <https://www.statistik.at/en>; Panel B: OECD (2022^[19]), OECD Gender Portal, <https://www.oecd.org/gender/data/>; Eurostat (2020^[27]), Gender pay gap statistics, https://ec.europa.eu/eurostat/databrowser/view/sdg_05_20/default/table?lang=en.

Few women have management positions or become entrepreneurs

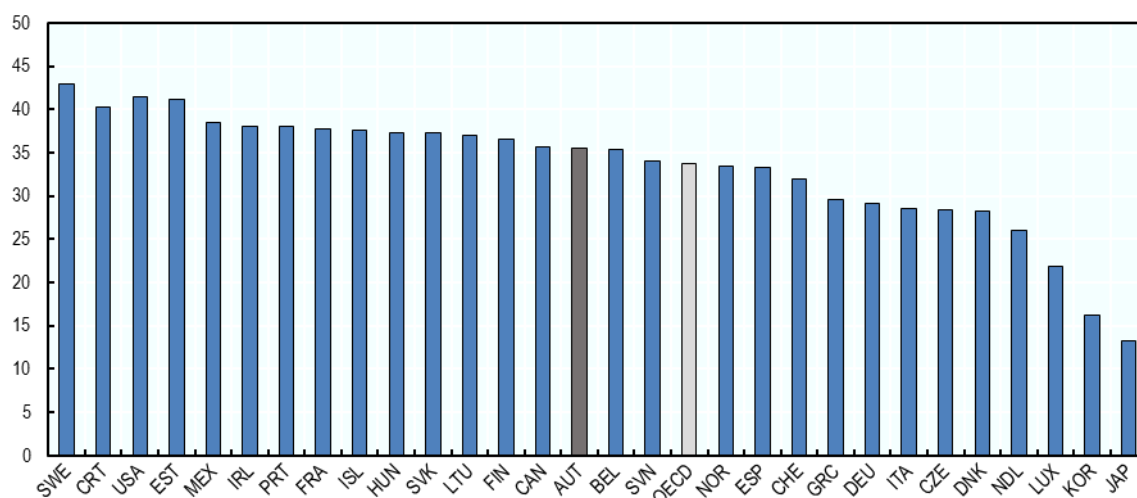
In Austria, as well as globally, women's and men's prospects in terms of career development are uneven. These gaps are not explained by differences in educational attainments and performance. Women tend to be underrepresented in intermediary management levels: only 35.5% of managers were women in 2021 in Austria (Figure 2.4). This share is higher than the OECD average and like that of comparator countries. At senior management levels, the representation of women is even lower. According to a report published by the Austrian Chamber of Labour (2022^[28]), among the largest 200 firms in Austria, the proportion of women on management boards is less than 9%, and less than 25% of supervisory board members are women.

Women are also underrepresented among entrepreneurs in Austria. In 2020, only 2.4% of women were entrepreneurs with employees, compared to 6.4% of men (Figure 2.5, Panel A). The share of women entrepreneurs without employees (own-account workers) was at 5.5%, but still lower than that of men at

6.3% (Panel B). Both shares were similar or higher than those of comparator countries. The profile of women entrepreneurs differs from that of men. Women entrepreneurs in Austria work more part-time than men – 33% of women compared to 9% of men, according to a report of the European Commission (2014^[29]). This suggests a preference for more flexible jobs and non-standard working hours, explained by their need to reconcile work and family responsibilities. They are also disproportionately concentrated in service activities and largely absent from the manufacturing sector (OECD, 2022^[19]).

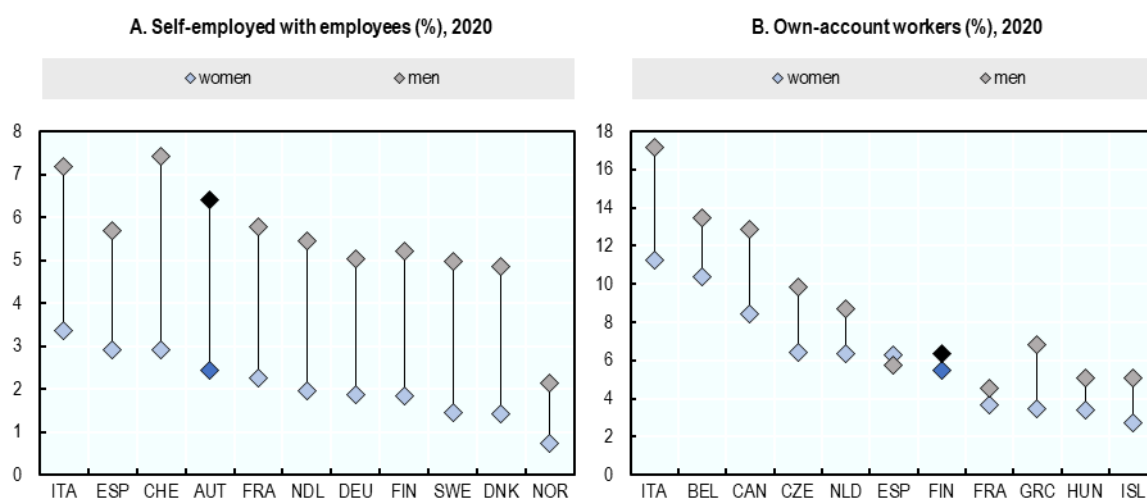
Figure 2.4. In Austria only 35.5% of managers are women

Female intermediary-level managers (%), 2021



Source: OECD (2022^[19]), OECD Gender Portal, <https://www.oecd.org/gender/data/>.

Figure 2.5. Women are underrepresented among entrepreneurs, particularly among those with employees

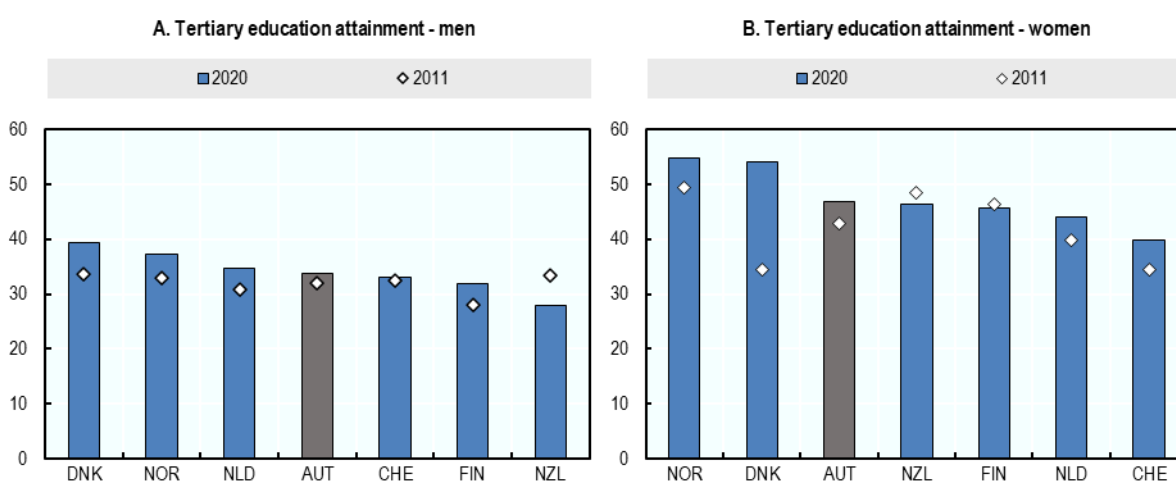


Source: OECD (2022^[19]), OECD Gender Portal, <https://www.oecd.org/gender/data/>.

Despite improvements in educational attainments, gender imbalances remain in terms of skills and areas of study

For a long time, Austrian men had higher educational attainments than women. This advantage, however, has slowly disappeared in recent decades. In 2020, an equal share of men and women completed secondary education and more women than men completed tertiary education (approximately 47% of women had tertiary education, compared to 34% of men) (Figure 2.6). The reduction of gender gaps in education has not yet translated into more equal outcomes in the labour market. Furthermore, Austria still has a large gender gap in social mobility in educational achievements. An OECD study shows that 33% and 25% of men and women, respectively, achieved higher levels of education than their parents, compared to an OECD average of 40% and 38% (Gönenç, 2015^[17]).

Figure 2.6. More women than men complete tertiary education



Note: Tertiary education attainment is the share of population with tertiary education by sex. Tertiary education includes both theoretical programmes leading to advanced research or high skill professions such as medicine and more vocational programmes leading to the labour market.

Source: OECD (2022^[19]), OECD Gender Portal, <https://www.oecd.org/gender/data/>.

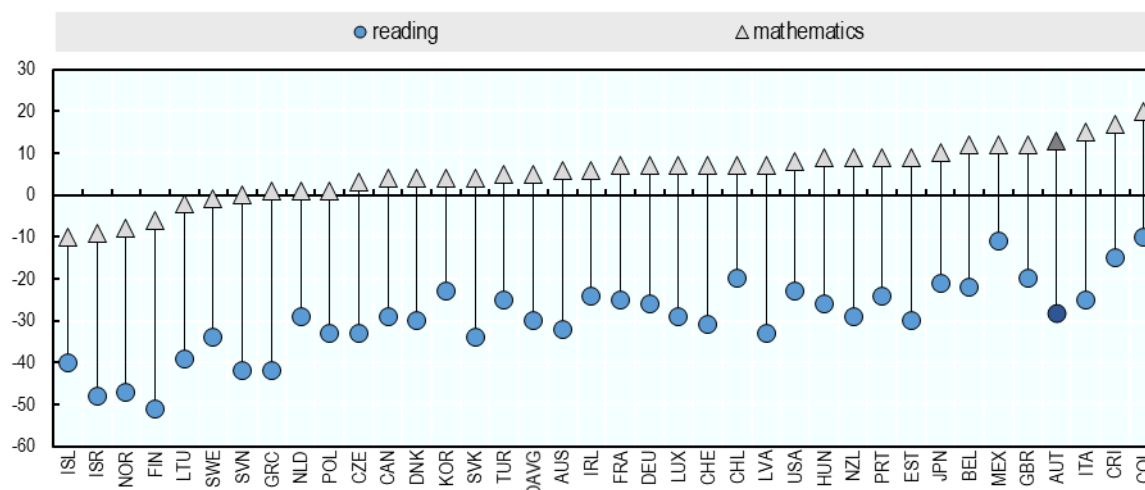
Despite convergence in enrolment, significant gender differences persist in terms of academic results. The OECD PISA tests show that girls' reading skills now exceed those of boys in Austria, as well as in all OECD countries (Figure 2.7). However, boys perform better in mathematics and the gap with girls is among the highest in the OECD (the difference in reading is, however, much greater than the one in math). Studies show that girls and boys in Austria have different interests and inclinations already in primary school, which indicates a strong emphasis on gender roles from early childhood imposed by the society and family (Eder, 2014^[30]; Lassnigg, Kulhanek and Wejwar, 2014^[31]). Moreover, these differences seem to persist in secondary and tertiary education (Freisinger, Palienko and Straner, 2014^[32]).

Girls and boys also differ in their preferences towards areas of study at all levels of education. In apprenticeships, which are one of the main educational paths in Austria, women tend to choose professions such as office clerk, retailer and cook, while most men go into technical fields like construction, installation and repair of buildings, and motor vehicles (Statistiks Austria, 2020^[33]). Regarding tertiary education, young women tend to choose the fields of business, law, education, and health, while young men choose scientific and technology fields, such as engineering, natural sciences, mathematics, statistics, and information and communication technology (ICT) (Figure 2.8). These divergences seem to

reflect expected gender roles: men prefer sectors with higher and more secure incomes, while women choose occupations compatible with career breaks and part-time work.

Figure 2.7. In Austria girls' reading skills exceed those of boys, but boys perform better in mathematics

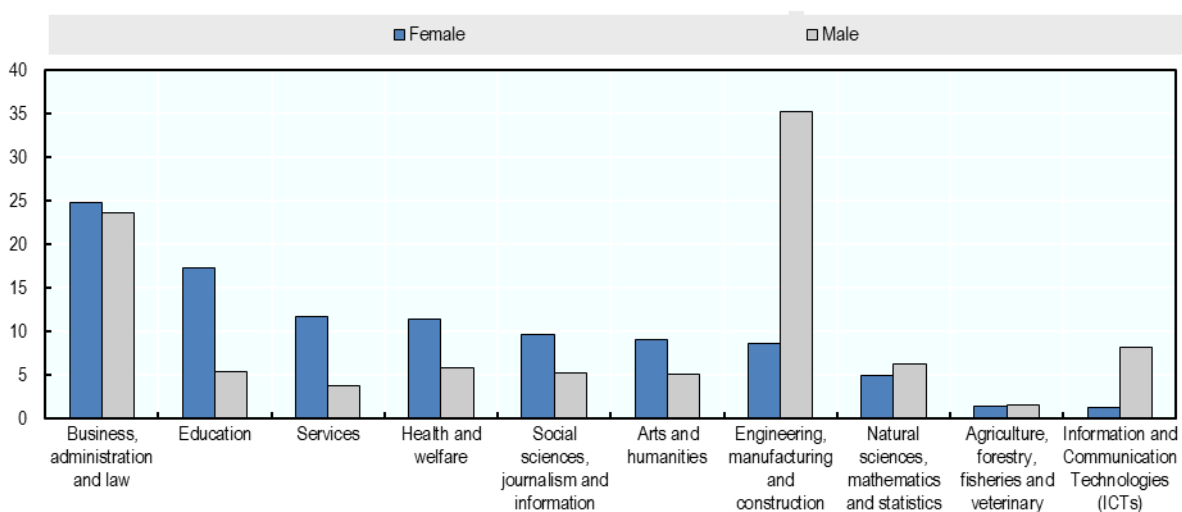
Difference in PISA score points (boys' scores minus girls' scores), 2018



Source: OECD (2018^[34]), PISA Database, <https://www.oecd.org/pisa/data/2018database/>.

Figure 2.8. Fewer women choose scientific and technological fields of study

Share of graduates by field (%), 2020



Source: OECD (2022^[35]), *OECD Education at a Glance*, <https://doi.org/10.1787/3197152b-en>.

Achieving gender equality can lead to significant socio-economic benefits

Achieving gender equality is an important goal in itself, but it can also bring benefits in several economic and welfare dimensions. It can improve the health of both women and men by relieving women of caring

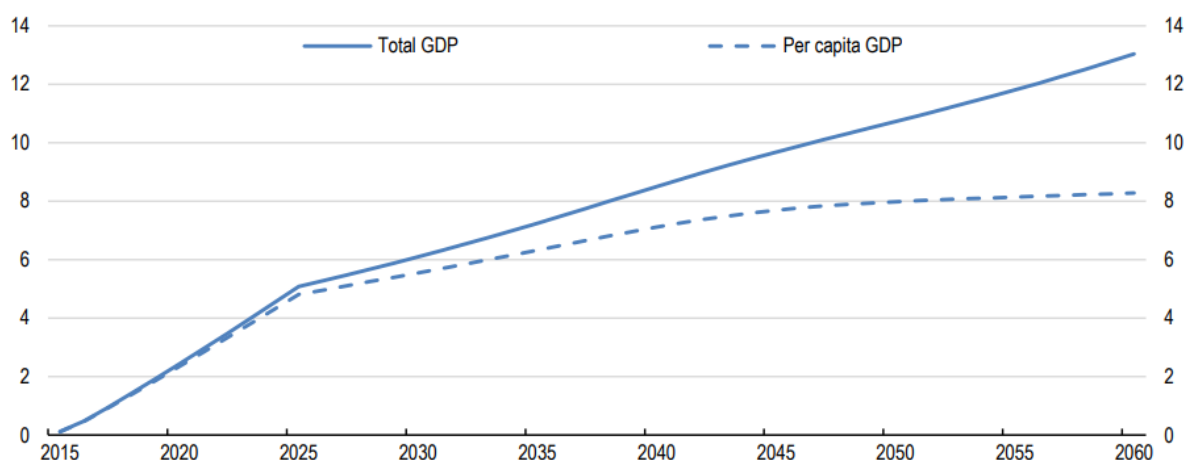
duties and reducing their risk of mental stress and illness, as well as by decreasing the number of hours men spend at work and increasing the time they spend with their families. A better work-life balance for both parents can also have a positive impact on the well-being of children. Improving gender equality in education and skills is key to unlocking female talent and improving the diversity and availability of skills in all sectors. Gender equality in education is also a precondition for intergenerational social mobility, i.e. the possibility for children to achieve a better socio-economic status as adults than their parents.

Creating conditions that allow women to work full-time, without interruptions due to extended periods of parental leave and part-time work, and eliminate the gender pay gap can bring important economic benefits. Employers can benefit from a larger pool of female and male talent, both equally committed to remaining in the workforce. This also increases employers' incentives to invest equally in the skills and career advancement of male and female workers, not only resulting in more and better quality human capital, but also contributing to creating a more inclusive and diverse work environment and reduce tensions at work.

A macroeconomic simulation of an OECD growth model shows that greater equality between men and women in the organisation of work and private life in Austria could lead to significant gains in productivity and GDP growth (OECD, 2021^[1]; Ziemann, 2015^[36]). The model assumes a convergence of part-time employment and labour force participation patterns between men and women in Austria by 2025. Specifically, it assumes an increase in the female labour force participation rate from 71% to 75%, a reduction in the incidence of female part-time employment from 33% to 21%, and a reduction in the hours worked per week for men working full-time from 43.5 to 41.8. Based on these parameters, the model predicts that trend productivity will increase by almost 10% until 2060, of which 3.5% will come from labour efficiency gains and over 6% from human capital gains. Under this scenario of greater gender equality, potential GDP is projected to increase by 13% and GDP per capita by 8% by 2060 (Figure 2.9).

Figure 2.9. A more gender equal labour market can boost GDP and GDP per capita in Austria

Percentage point increase from the baseline scenario to the more gender-equal scenario



Source: OECD elaboration based on OECD's long-term growth model Ziemann (2015^[36]), "Towards more gender equality in Austria", <https://doi.org/10.1787/5jrp2s4pfbnp-en>.

Role of FDI for gender equality in Austria

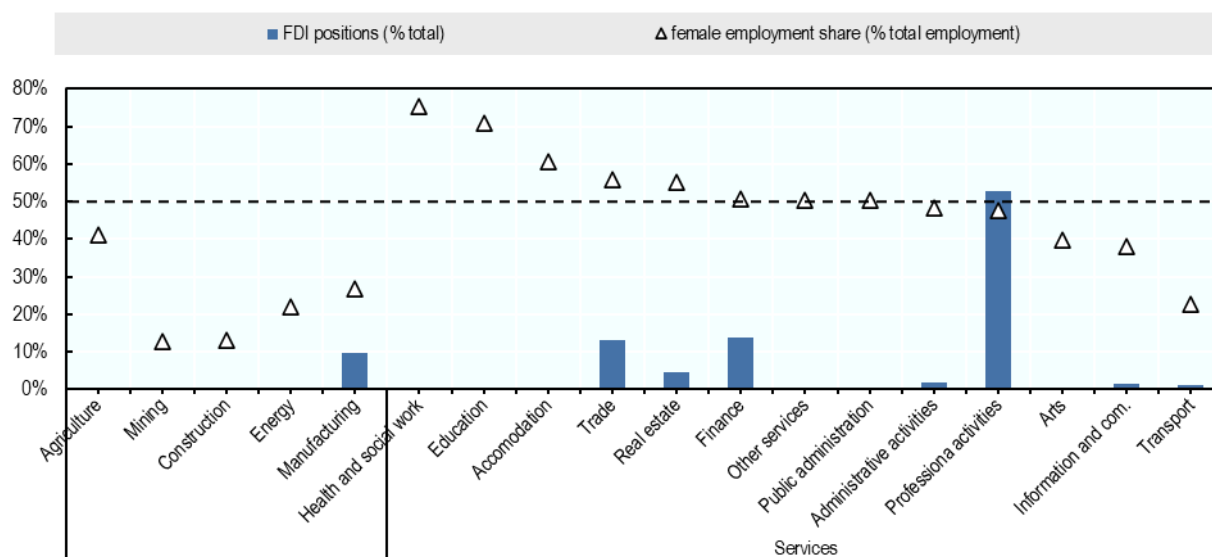
FDI is prevalent in sectors with a good gender balance in employment, but with higher gender wage gaps

FDI can influence gender equality in the labour market of host countries, as it affects the development of sectors in which many women work or are more likely to work. In Austria, FDI is concentrated in services, particularly in professional services, finance, trade and real estate activities (Figure 2.10). These sectors employ an equal share of men and women. A significant share of FDI is also found in manufacturing, in particular pharmaceuticals, motor vehicles, basic metals and electronics. These industries have higher proportions of men than women (around 70% of employees are men), with the exception of pharmaceuticals, which has a more gender-balanced workforce. Hence, apart from manufacturing, FDI in Austria has contributed to the development of sectors with a good gender balance in terms of workforce participation.

The gender pay gap is another important indicator of gender equality in the labour market. As shown in the first part of this chapter, women are on average paid less than men for the same job in Austria and globally, even after controlling for education levels. Gender pay gaps characterise the Austrian labour market in all sectors. They tend to be higher in services, including those with a good gender employment balance, which receive a significant amount of FDI, i.e. finance, professional services and trade. At the same time, the average wage levels of men and women are higher in these sectors. A relatively high gender wage gap is also found in the manufacturing sector, which receives a significant amount of FDI and has relatively lower shares of women.

Figure 2.10. Most FDI positions are in services where many women work

FDI inward positions by sector (2020) and female employment share by sector (2020)

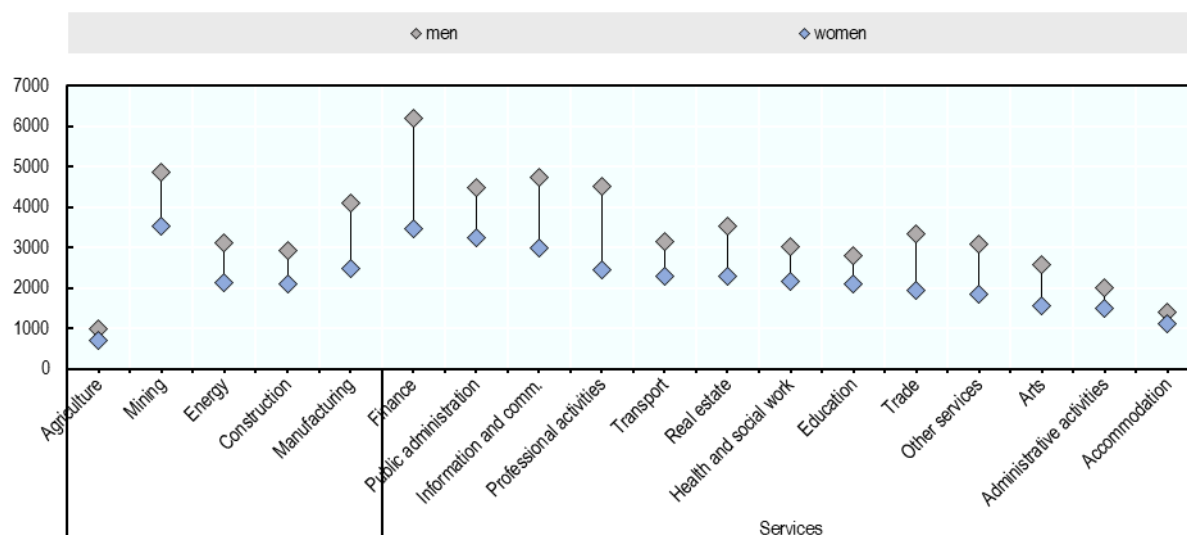


Note: The dashed line at 50% indicates gender balance in employment.

Source: OECD elaboration based on OECD (2022^[7]), OECD FDI Statistics, <https://stats.oecd.org/>; ILOSTAT (2021^[37]), Employment by sex and economic activity, <https://ilostat ilo.org/data/>.

Figure 2.11. Gender wage gaps are larger in sectors that attract significant shares of FDI

Average monthly earnings of full-time employees by sex and economic activity (local currency, 2019)



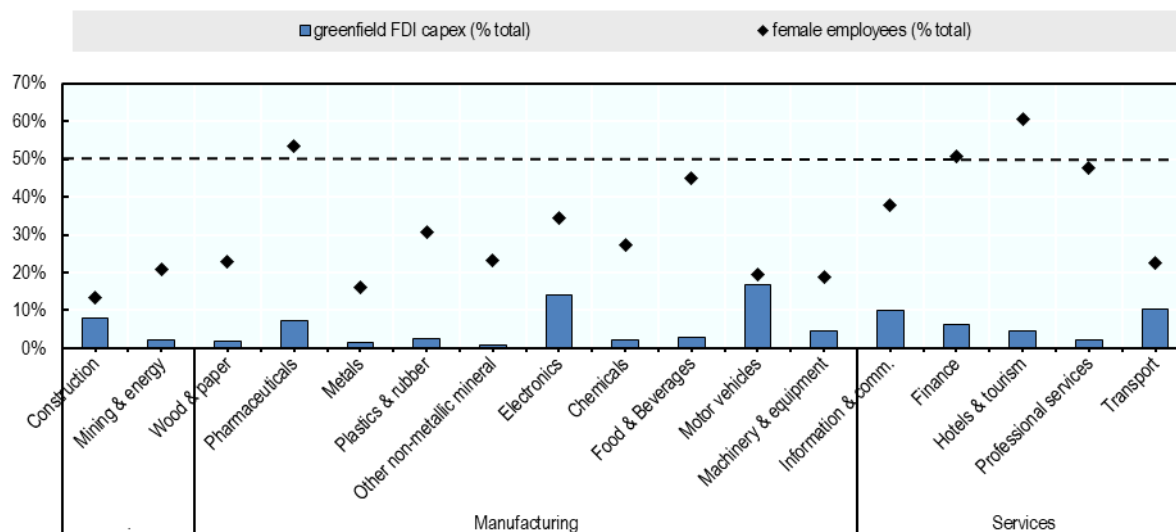
Source: OECD elaboration based on ILOSTAT (2019^[38]), Average monthly earnings of employees by sex and economic activity, <https://ilostat.ilo.org/data/>.

Greenfield FDI favours male-dominated sectors and is likely to create more jobs for men

Data on greenfield FDI provide further insights into the link between the foreign activities of MNEs and gender equality in Austria. Greenfield FDI is a type of investment in which a company opens a subsidiary in another country, building its operations from scratch. This type of investment can have a significant employment impact in the host country. Greenfield FDI in Austria is prevalent in sectors that employ more men than women (Figure 2.12). These are construction, motor vehicles, electronics, machinery and equipment, transport and information and communication. There are, however, several exceptions, such as the pharmaceutical, financial, hotel and tourism sectors, which receive significant amounts of greenfield investment and employ relatively more women than men. Overall, it appears that greenfield FDI in Austria has supported the development of sectors with relatively higher shares of men than women.

Figure 2.12. Greenfield FDI is concentrated and creates more jobs in male-dominated sectors

Greenfield FDI by sector (cumulated between 2003 and 2020) and female employment by sector (2020)



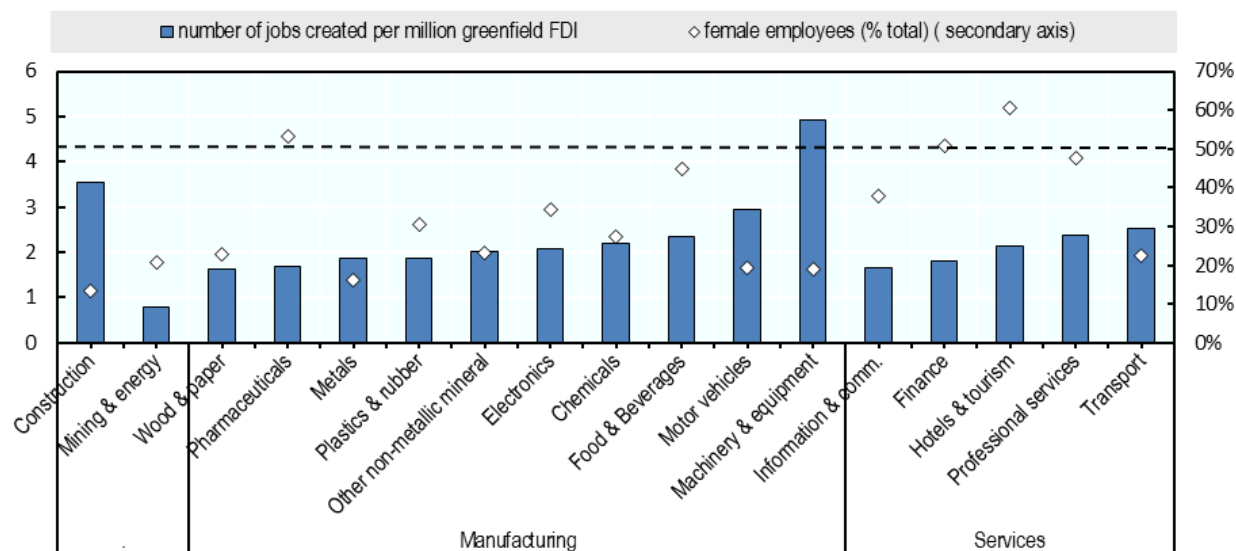
Note: The dashed line at 50% indicates gender balance in employment.

Source: OECD elaboration based on fDi markets (2022^[39]), Database of crossborder greenfield investments, <https://www.fdimarkets.com/>; ILOSTAT (2021^[37]), Employment by sex and economic activity, <https://ilostat.ilo.org/data/>.

The employment impact of greenfield FDI varies significantly across sectors. The largest number of jobs is created in machinery and equipment, where five jobs are created for every USD million invested (Figure 2.13). Greenfield FDI also has a considerable employment impact in construction (where about 3.5 jobs are created for every million greenfield FDI invested), motor vehicles (about three jobs) and transport (about two jobs). The sectors where greenfield investments create the most jobs are also those with particularly low levels of female participation in employment. For example, women account for less than 20% of employment in the machinery and equipment sector, while in construction they represent about 13%. These results suggest that women are less likely than men to benefit from the job opportunities generated by greenfield investments.

Figure 2.13. Greenfield FDI has a greater employment impact in sectors with low female participation

Greenfield FDI (cumulated between 2003 and 2020) and female employment (2020)



Note: The dashed line at 50% indicates gender balance in employment.

Source: OECD elaboration based on fDi markets (2022^[39]), Database of crossborder greenfield investments, <https://www.fdimarkets.com/>; ILOSTAT (2021^[37]), Employment by sex and economic activity, <https://ilostat ilo.org/data/>.

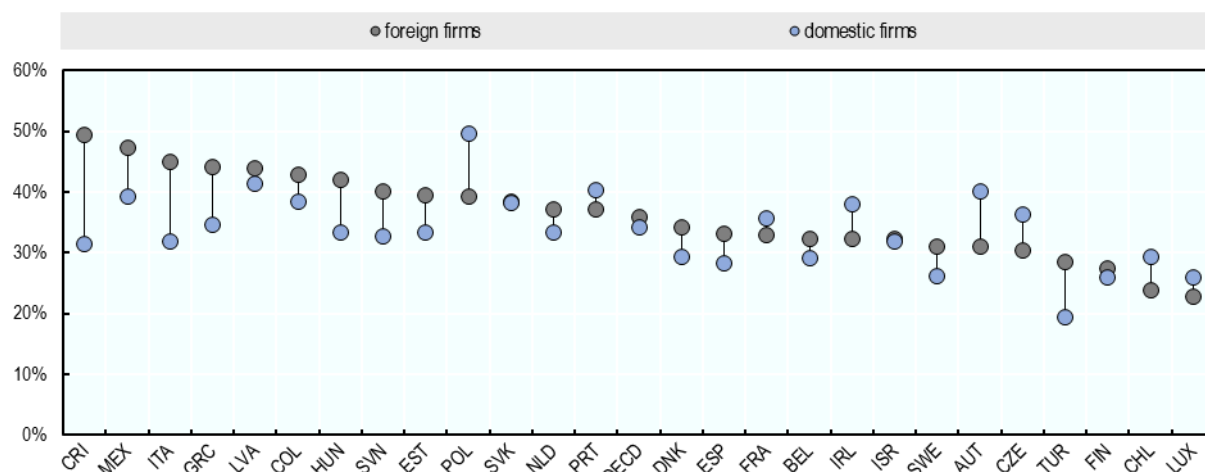
Foreign firms employ lower shares of women than domestic firms...

Multinational enterprises (MNEs) can promote gender equality in host countries through the employment activities and practices of their foreign affiliates (hereafter referred to as foreign firms). Their impact, however, can vary considerably depending on factors such as the sector, the nationality of the parent company and the policy and regulatory environment of the host country (OECD, 2019^[6]; OECD, 2021^[9]). Data from the World Bank Enterprise Survey (WBES) show that foreign firms in Austria employ on average a lower share of women than domestic firms. Conversely, in most OECD countries covered by the WBES, foreign companies have higher or similar shares of women than domestic companies. Moreover, the share of women employed by foreign firms in Austria is among the lowest in the group of OECD countries (30% in Austria compared to 36% in the OECD on average).

The gap between the share of women employed in foreign and domestic firms is largest in plastics and rubber, food, computer activities and construction. Plastics and rubber and construction are sectors characterised by a very low female participation (less than 30%), which can make it more difficult to recruit and retain female talent. The greater propensity of women to leave the labour market, especially when they become mothers, may also discourage the hiring of women in jobs that require an initial investment in training (e.g. computer activities). In other sectors, however, the share of women hired by foreign and domestic firms is very similar, including those with a strong presence of foreign firms (hospitality, trade and fabricated metals). The data also indicate significant differences in the proportion of women employed between sectors. For example, both domestic and foreign firms operating in the hospitality, paper and chemical sectors tend to employ a higher share of women than firms in other sectors.

Figure 2.14. In Austria, foreign firms have lower shares of women in their workforce compared to domestic firms

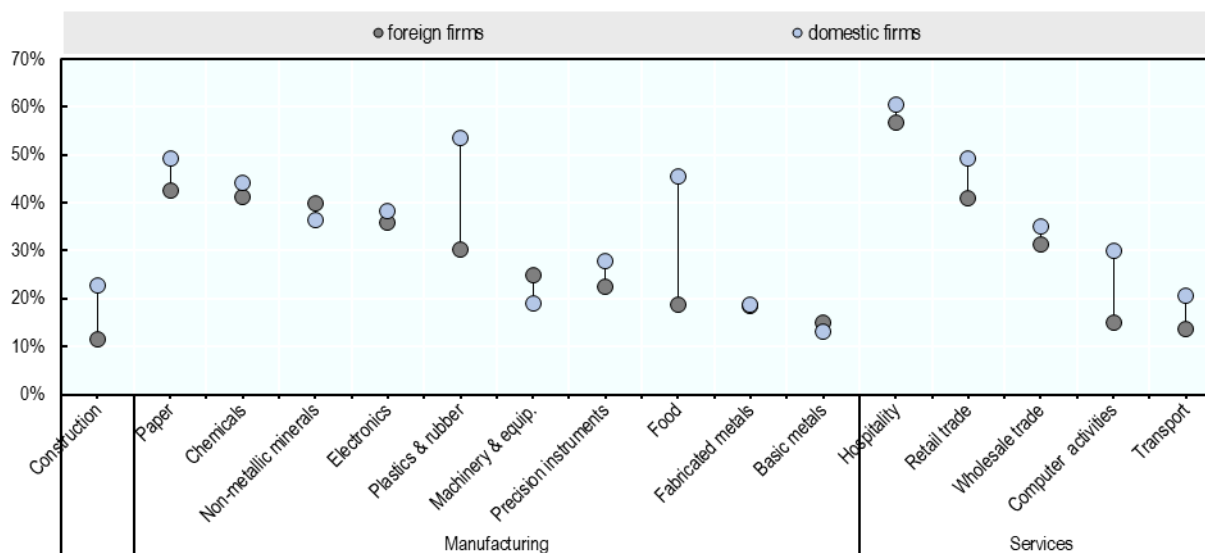
Share of female workers by firm ownership and country, 2021



Source: OECD elaboration based on World Bank (2021^[11]), World Bank Enterprise Survey: Austria (2021), <https://www.enterprisesurveys.org/en/data/exploreeconomies/2021/austria>.

Figure 2.15. Shares of women employed by domestic and foreign firms vary widely across sectors

Share of female workers by firm ownership and sector in Austria, 2021



Source: OECD elaboration based on World Bank (2021^[11]), World Bank Enterprise Survey: Austria (2021), <https://www.enterprisesurveys.org/en/data/exploreeconomies/2021/austria>.

...but pay higher salaries on average in most sectors

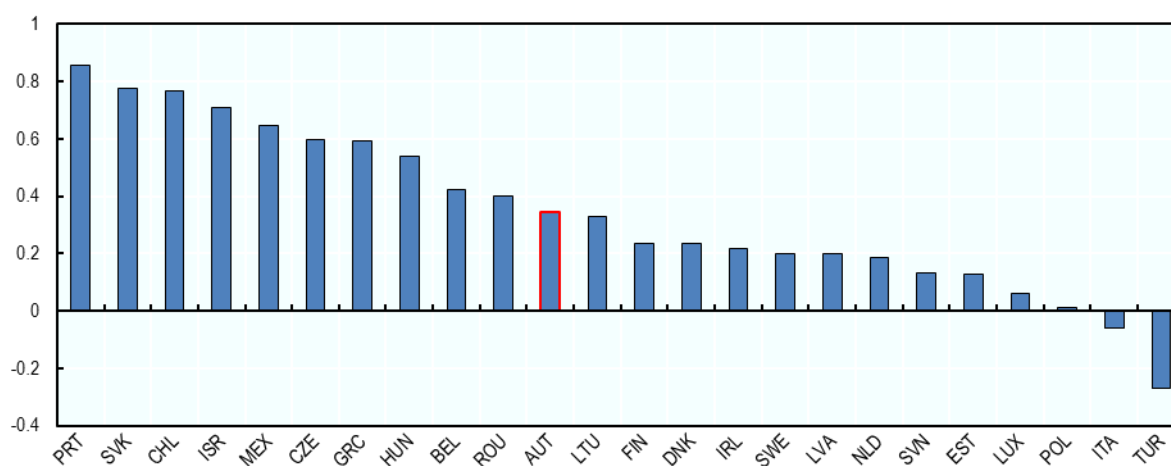
The quality of job opportunities created by foreign firms is determined, among other factors, by the wages associated with these jobs. The WBES provides data on wages by company ownership, but not by gender. Although the data cannot be directly linked to gender practices, they can still be used to shed light on wage

differences between foreign and domestic firms. The results show that foreign firms in Austria and almost all OECD countries covered by the WBES pay on average higher wages than domestic firms. This foreign wage premium can partly be explained by the fact that foreign firms are on average more productive (see Chapter 1), which in turn is due to their access to better technology and knowledge than the parent company.

A foreign wage premium is found in all sectors except construction, basic metals, fabricated metals and hospitality, where wages of foreign and domestic firms are similar, and in precision instruments where wages of domestic firms are higher. Wage gaps between foreign and domestic firms are particularly high in computer activities, transport, retail trade and the food and transport machines industries. For example, in computer activities, the salary paid by an average foreign company is more than twice that paid by an average domestic firm. Although it is not possible to determine how these foreign wage premia are distributed between men and women, some studies seem to indicate that women in Austria tend to receive lower wages than men for the same job, regardless of whether they are employed by domestic or large foreign multinationals (Boheim and Gust, 2021^[40]).

Figure 2.16. In Austria and most OECD countries foreign firms pay higher wages

Relative wage difference between foreign and domestic firms, 2018-21

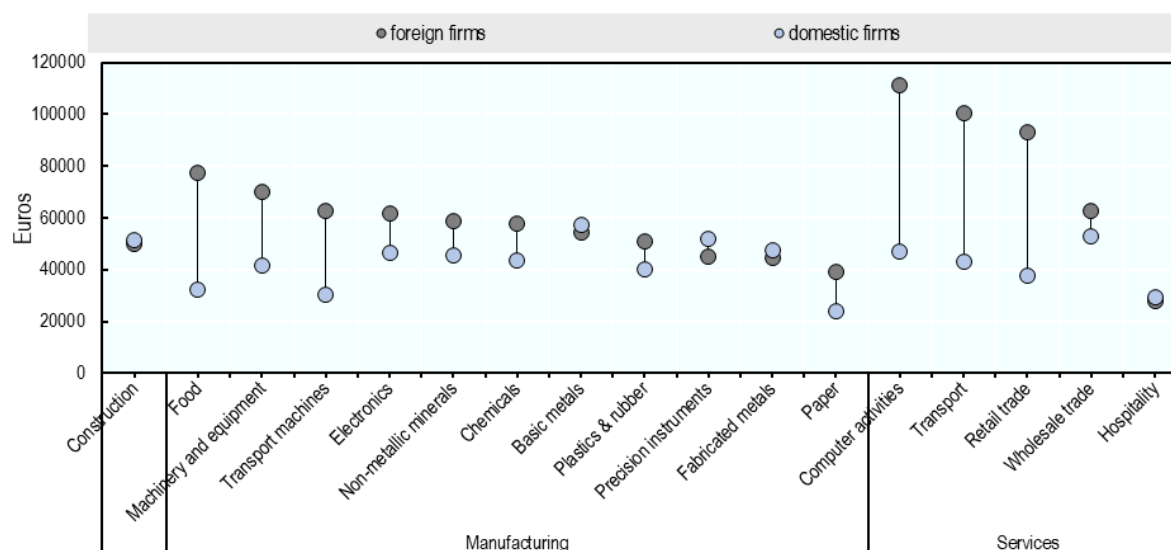


Note: The indicator measures the difference between average wages of foreign and domestic firms, relative to wages of domestic firms. Positive values indicate that foreign firms pay on average higher wages than domestic firms. Note: The reference year varies from country to country and ranges from 2018 to 2021. Data for Austria refer to 2020-21. Wages are calculated as total annual labour cost (includes wages, salaries, bonus, etc.) divided by the sum of full-time permanent and temporary employees.

Source: OECD elaboration based on World Bank (2021^[11]), *World Bank Enterprise Survey: Austria* (2021), <https://www.enterprisesurveys.org/en/data/exploreeconomies/2021/austria>.

Figure 2.17. Foreign wage premia are larger in services

Average annual wage per employee by firm ownership and sector, 2020-21



Note: Wages are calculated as total annual labour cost (includes wages, salaries, bonus, etc.) divided by the sum of full-time permanent and temporary employees.

Source: OECD elaboration based on World Bank (2021^[11]), *World Bank Enterprise Survey: Austria (2021)*, <https://www.enterprisesurveys.org/en/data/exploreconomies/2021/austria>.

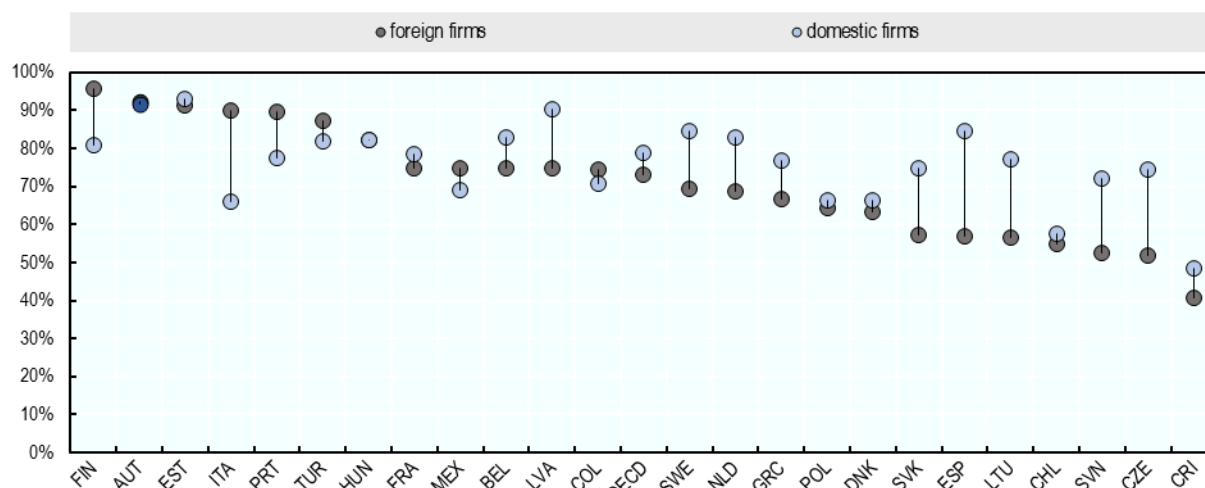
Foreign firms contribute significantly to skills development

Foreign firms tend to have access to more advanced technologies and therefore may be in greater need of skilled workers capable of using these technologies. At the same time, the technological and skill intensity of firms varies greatly across sectors. Jobs requiring higher skill levels are generally better paid and may offer better career prospects. Ensuring women equal access to skilled jobs is therefore an important way to improve gender equality. The WBES data allow to assess differences in the share of skilled workers between foreign and domestic firms, but without distinguishing between female and male employees. In Austria, both domestic and foreign firms have similar shares of skilled workers (Figure 2.18). These shares are among the highest observed in the group of OECD countries for which data are available. The results vary widely from country to country, although the share of skilled workers is higher in domestic than in foreign firms in the OECD on average (79% in domestic compared to 73% in foreign firms). These averages, however, conceal important differences between sectors. Foreign firms have higher shares of skilled workers than Austrian firms in chemicals, plastics and rubber, basic metals, food and machinery and equipment, while Austrian firms have higher shares of skills in the sectors of electronics, transport machines and non-metallic minerals.

Foreign firms can play an important role in the creation of human capital. They can invest in the training and skills development of their employees, for instance to enable them to use new technologies. They can thus help women acquire new skills and competences, which are crucial for career progression. In Austria, foreign firms have a higher share of employees who have received training than domestic firms (60% in foreign firms compared to 41% in domestic firms) (Figure 2.19). This may be due to the greater resources available to foreign firms (which are on average more productive than domestic ones, see Chapter 1). The data do not say how many of workers receiving training are women, however. Similar results are also observed in most OECD countries, suggesting that training is a widespread practice of foreign firms abroad.

Figure 2.18. In Austria, domestic and foreign firms have similar shares of skilled workers

Share of skilled workers by firm ownership and country, 2018-21

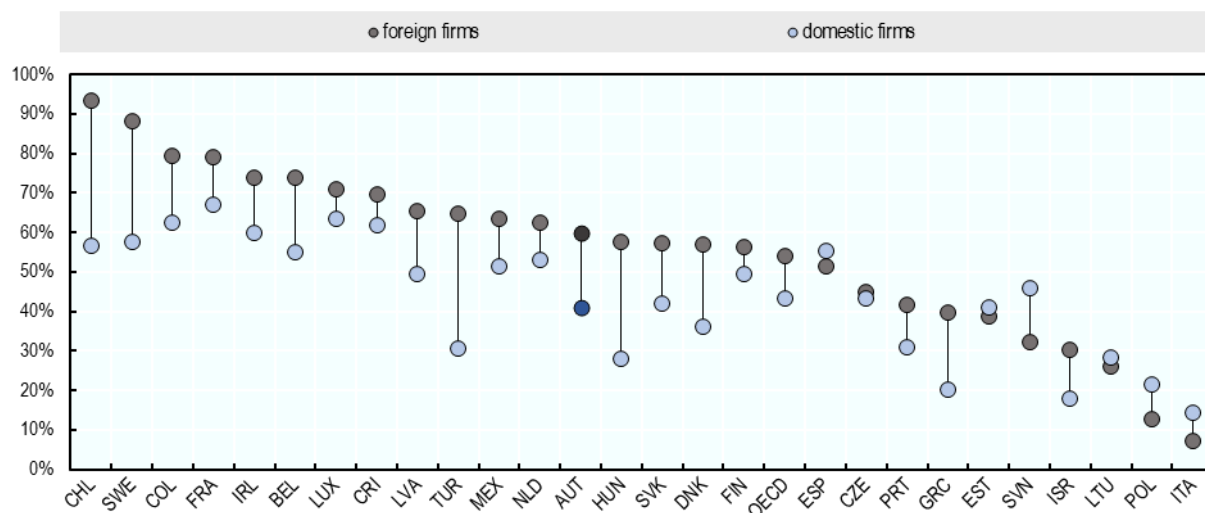


Note: The reference year varies from country to country and ranges from 2018 to 2021.

Source: OECD elaboration based on World Bank (2021^[11]), *World Bank Enterprise Survey: Austria (2021)*, <https://www.enterprisesurveys.org/en/data/exploreeconomies/2021/austria>.

Figure 2.19. In Austria and most OECD countries foreign firms have larger shares of trained workers

Share of trained workers by firm ownership and country, 2018-21



Note: The reference year varies from country to country and ranges from 2018 to 2021.

Source: OECD elaboration based on World Bank (2021^[11]), *World Bank Enterprise Survey: Austria (2021)*, <https://www.enterprisesurveys.org/en/data/exploreeconomies/2021/austria>.

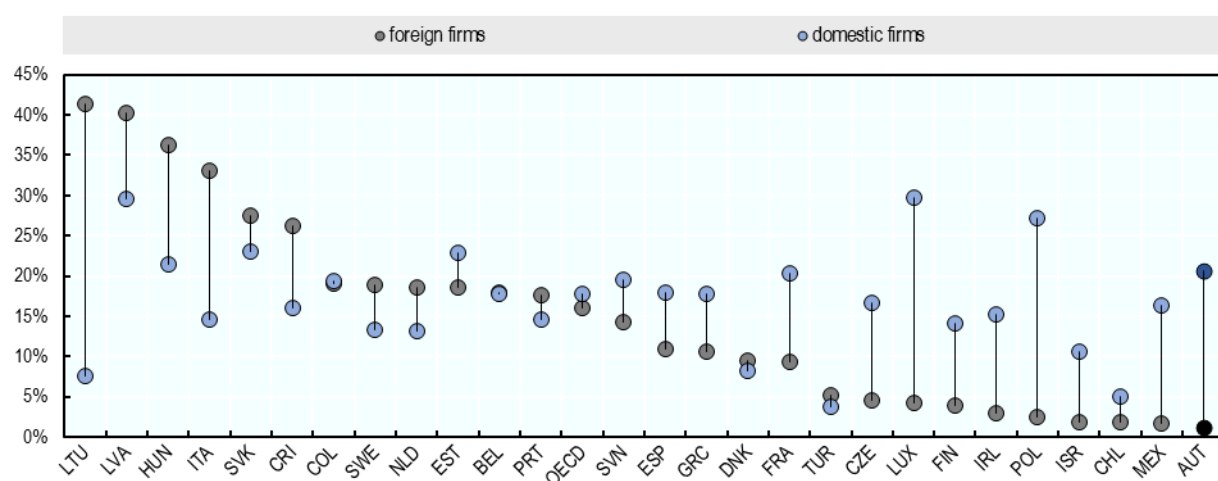
A lower share of foreign firms has female top managers and owners

The analysis presented in the first part of the chapter shows that in Austria, as globally, few women reach top management positions in companies due to the so-called ‘glass ceiling’, an invisible barrier explained by demographic characteristics (e.g. gender, race) rather than by skills or performance. According to the WBES, the share of foreign firms with a women top manager is lower than the share of domestic firms (1% of foreign firms compared to 20% of domestic firms) (Figure 2.20). Higher gaps between foreign and domestic firms are observed in plastics and rubber, hospitality, retail trade, paper and construction. This indicator, however, does not say how many women within each group of firms reach top managerial positions. The results vary widely between countries although on average in the OECD the share of domestic firms with women top managers is slightly higher. These large variations between countries suggest that several factors are at play. Recent studies show that corporate culture and the nationality of the investing company are important in explaining corporate performance in relation to gender equality, including career progression. In particular, foreign companies from more gender-equal countries tend to have a higher proportion of women, including in the high levels of management, and to offer more family-friendly working arrangements (Kodama, Javorcik and Abe, 2018^[41]; Tang, 2017^[42]).

Women also tend to be under-represented among business owners. In Austria, the share of foreign firms with female representation in ownership is on average lower than the share of domestic firms (22% of foreign firms compared to 39% of domestic firms) (Figure 2.21). Results vary across sectors, however. The share of foreign firms with female owners is lower in services (except for hospitality, where the share is the same) and construction, while it is similar to or higher than that of domestic firms in manufacturing. Moreover, the share of foreign firms with women in ownership in Austria is considerably lower than the OECD average, equal to 40%. The lower share of foreign women-owned businesses can be explained by the barriers women entrepreneurs face when trying to scale-up and enter international markets, compared to men business owners. For example, evidence shows that women-led businesses face a number of obstacles, including lower access to finance and high barriers to trade, particularly in services (Korinek, Moisé and Tange, 2021^[43]).

Figure 2.20. In Austria, a larger share of domestic firms has female top managers

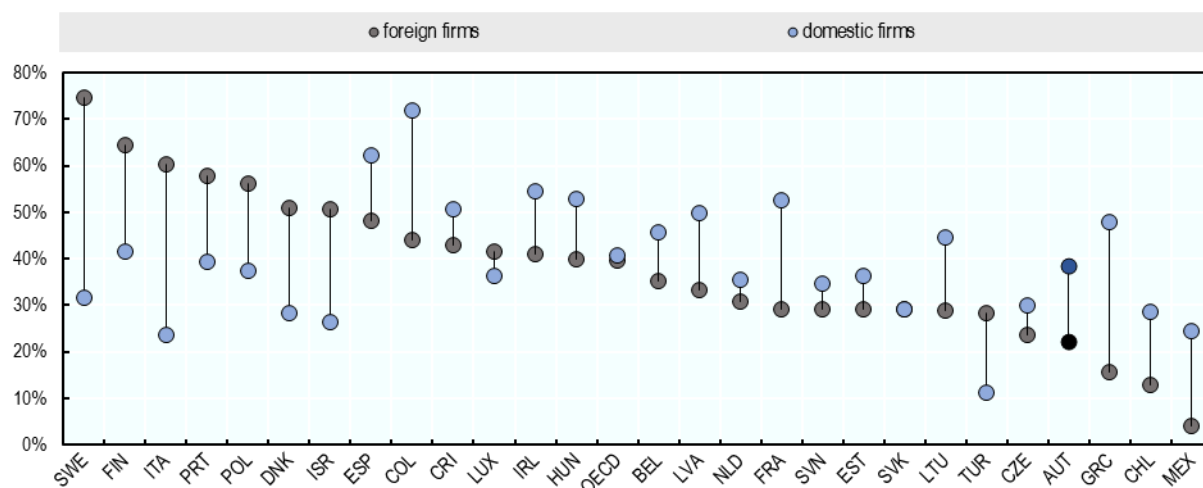
Share of firms with female top managers by firm ownership and country, 2018-21



Source: OECD elaboration based on World Bank (2021^[11]), World Bank Enterprise Survey: Austria (2021), <https://www.enterprisesurveys.org/en/data/exploreeconomies/2021/austria>.

Figure 2.21. In Austria, a larger share of domestic firms has a female owner

Share of firms with female participation in ownership by firm ownership and country, 2021



Source: OECD elaboration based on World Bank (2021^[11]), World Bank Enterprise Survey: Austria (2021), <https://www.enterprisesurveys.org/en/data/exploreeconomies/2021/austria>.

Policy considerations and steps forward

Despite important steps forward, Austria's economy and society remain characterised by deep gender imbalances. Further efforts are needed to achieve the SDG 5 on gender equality and women empowerment by 2030. FDI can play an important role to help Austria achieve its gender equality targets. The assessment shows that FDI in Austria supports the expansion of sectors with a better gender balance in labour force participation (e.g. professional services), although greenfield FDI is prevalent in male-dominated sectors. It also shows that foreign affiliates of MNEs create jobs that are better paid and offer better prospects for skills development than those created by domestic firms. Persisting gender asymmetries in the labour market, however, indicate that job opportunities created by FDI are more likely to benefit men than women.

The promotion of gender equality must remain a key policy priority for the Austrian Government.

Over the past decade, Austria has undertaken major policy reforms to eliminate gender inequalities, following the OECD Recommendation on Gender Equality in Education, Employment, and Entrepreneurship (OECD, 2017^[14]) and the recommendations provided in the OECD Economic Survey of Austria 2015 (OECD, 2015^[15]). These reforms include policies to strengthen the supply and quality of childcare facilities, to increase the economic and social participation of women among immigrants, and to reform the public sector, particularly the education sector. Several initiatives were also adopted to strengthen the representation of women in leadership positions and among entrepreneurs (for example, the introduction of gender quotas in the supervisory boards of companies in which the state holds over 50% of the shares, or "Female Innovators", "Female Founders" or "Women in Business" which promote female entrepreneurship, startups, and innovators (Government of Austria, Federal Ministry of Finance, 2023^[44]; Government of Austria, Federal Ministry of Labour and Economy, 2023^[45]; Female Founders, 2023^[46]). Nonetheless, there is room to further review existing policies and make them less gender discriminatory, for example in taxation (e.g. by removing disincentives to work in the tax system). The continuation of this reform agenda will be important to improve gender equality in all aspects of economic and social life and enable women to take full advantage of the benefits of FDI.

Targeted policies at the intersection of investment and gender policies can strengthen the positive impact of FDI on gender outcomes. Although a detailed analysis of the policy and institutional framework is beyond the scope of this study, some areas for policy action and potential follow-up work are discussed. These are identified using the framework and key questions developed in the gender chapter of the OECD FDI Qualities Policy Toolkit (OECD, 2021^[9]) and include:

- **Increasing the participation of women in the labour market, especially in sectors where Austria attracts or aims to attract more FDI.** In Austria, a significant share of FDI is directed towards male-dominated activities (i.e. manufacturing). Furthermore, Austria's investment promotion strategy focuses on high-tech and knowledge-intensive sectors, which are characterised by low female participation in the workforce (e.g. green tech, artificial intelligence, robotics). Although attracting FDI in these sectors is in line with Austria's goal of becoming an even more sustainable and knowledge-intensive economy, it will be important to improve the participation of women to ensure a more balanced distribution of the benefits of FDI between women and men. Increasing the participation of women in the labour force requires policy action in several areas, including a gender-neutral tax and parental scheme systems and the availability of affordable and good-quality childcare. Expanding female talent particularly in technical and scientific fields will also be important. This will not only lead to greater gender equality but can also help Austria attract further investments. Austria's large pool of highly qualified people is a key attraction factor for FDI. Expanding this talent pool can make Austria an even more attractive destination for foreign investors. The Austrian Government has taken important steps to achieve this goal. For example, the 'MINT-Girls Challenge' initiative aims to inspire more girls and young women to pursue careers in science, technology, engineering, or mathematics (STEM) (Government of Austria, Federal Ministry of Labour and Economy, 2023^[47]). However, it will be important to give continuity to these programmes and ensure that they meet the skills needs of domestic companies and foreign multinationals in Austria.
- **Encouraging the use of family-friendly business practices by leveraging on existing investment incentive programmes.** Making workplaces more family-friendly is key to achieving a more gender-equal workforce. The use of family-friendly work practices can be encouraged through existing incentive programmes (e.g. tax reliefs, state loans, provision of guarantees). Austria has several incentives schemes to support SDGs (e.g. use of renewable energy). Linking some of these programmes to gender equality targets could encourage the spread of more gender inclusive business practices in both domestic and foreign companies. It is important, however, that such schemes are designed in a transparent manner and that their costs and benefits are regularly evaluated, also in relation to the possibility of using alternative policies to support the same gender equality objectives. Certification or award programmes can also be used to incentivise companies to adopt gender inclusive practices. For example, the initiative 'equalitA' of the Austrian Federal Ministry of Labour and Economy provides with a 'seal of gender equality' companies that meet several gender equality criteria (e.g. representation of women in all areas of the companies and management levels; use of measure against gender discrimination) and an award to companies that provide innovative solutions for promoting gender equality (Government of Austria, Federal Ministry of Labour and Economy, 2023^[48]).
- **Integrating the gender dimension into the policies and programmes of institutions responsible for investment policies.** Institutions in charge of investment issues can play an important role in enhancing the positive contribution of FDI. They should incorporate gender considerations and objectives into their investment attraction and facilitation strategy, in line with national priorities in terms of gender equality. According to the OECD survey on IPA monitoring and evaluation and priority setting (OECD, 2021^[49]), the Austria Business Agency (ABA), the agency responsible for investment attraction and facilitation in Austria, currently does not incorporate key gender performance indicators to select priority investors. According to the same survey, ABA also believes it is not its role to contribute to SDG 5 (unlike 27% of OECD IPAs).

Incorporating gender equality indicators into the ABA's FDI prioritisation strategy (like 16% of OECD IPAs) would be a concrete way for authorities to set targets for FDI to work towards gender equality goals. Both the ABA and the Federal Ministry of Labour and Economy can also play a proactive role by promoting family-friendly corporate policies, raising awareness among foreign investors about the importance of gender equality for Austria, and contributing to the collection of gender-disaggregated data at firm level, which can be used to monitor the impact of FDI on gender equality.

- **Ensuring co-ordination between institutions responsible for investment and gender policies to align policy objectives and improve policy design and implementation.** Co-ordination mechanisms can take different forms, from gender focal points to inter-ministerial bodies. It is important that these mechanisms involve all relevant actors, including those responsible for investment. Furthermore, co-ordination and rationalisation between the different levels of government (i.e. the federal government and the Länder) are crucial to ensure better allocation of responsibilities and management of public resources for the implementation of these policies.

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Notes

¹ The comparator countries selected for Austria include those with similar traditional family models. These are Germany and Switzerland, as well as several Nordic countries, Sweden, Finland, Denmark, and Norway, which have some of the most equal labour markets in the world, and several high-income OECD economies, such as France, Belgium, the United Kingdom, Ireland, the Netherlands, and Italy. Depending on the availability of data and topics, other comparison countries are used.

² Activities of head offices and management consultancy activities involve: overseeing and managing of other units of the company; undertaking the strategic or organisational planning and decision-making role of the enterprise. These units exercise operational control and manage the day-to-day operations of their related units. More precisely, they include: head offices; centralised administered offices; corporate offices; district regional offices; subsidiary management offices.

FDI Qualities Review of Austria

CLOSING GENDER GAPS AND EMPOWERING WOMEN

Foreign direct investment (FDI) in Austria provides the knowledge and financial resources needed to stimulate the economy and sustainable development. In addition, the activities and employment practices of foreign affiliates of multinational enterprises influence the creation and quality of jobs, including for women. This report assesses gender equality and women's empowerment in the Austrian labour market. It then examines the impact of FDI on several dimensions of gender equality, including employment, wages, skills development, career progression and entrepreneurship. It also briefly explores areas for policy consideration.



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