

# Household Income Development during the Transition to the Next Family Phase – Results from the Austrian GGS

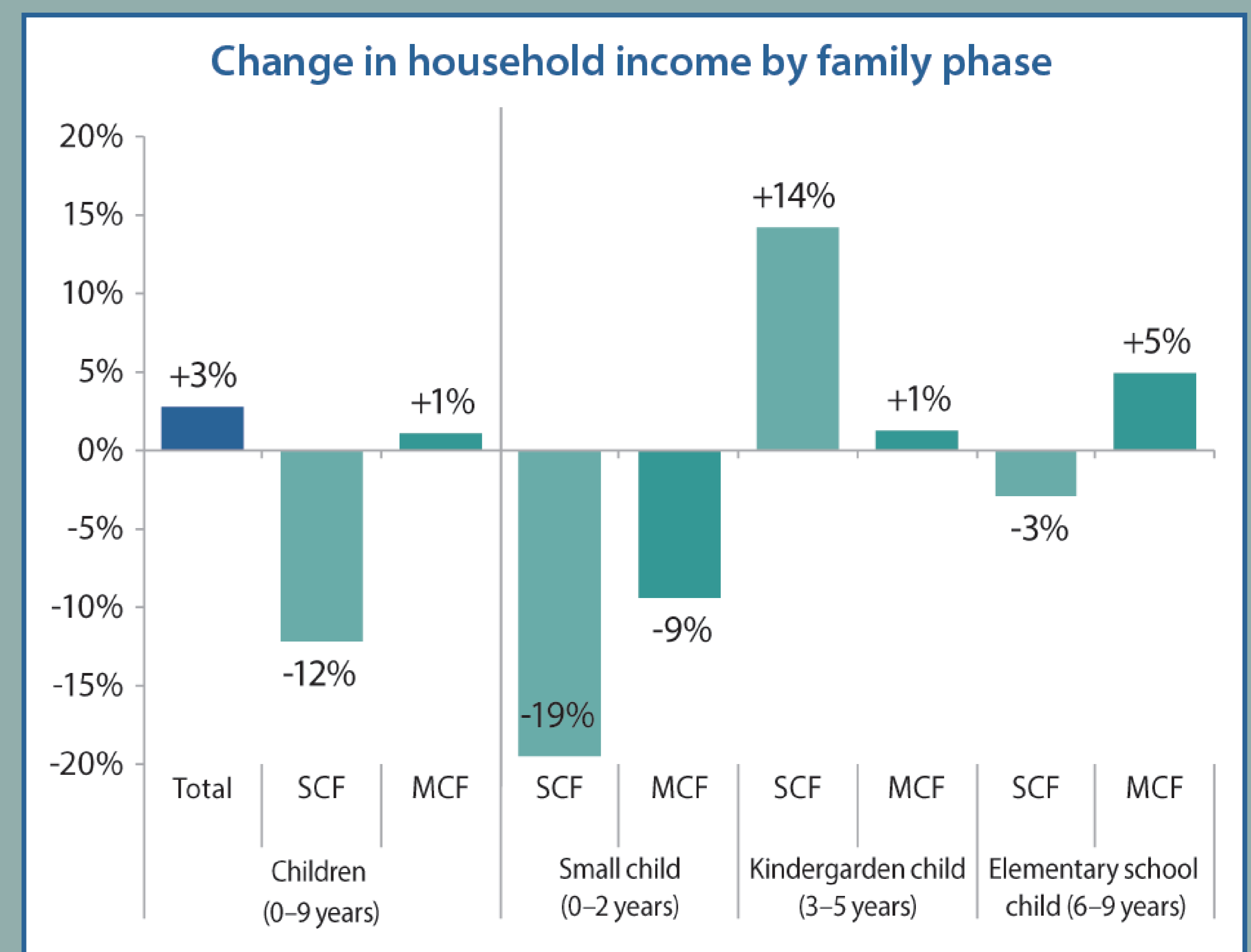
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## Research Goal & Background

Between 2009 and 2013 the household income of the GGS respondents rose on average around 3% (adjusted for inflation). But what trends can be seen for households that transitioned from one family phase to the next during the same period?

### 3 Family phases were defined

- **Birth of child**
- **Kindergarden phase** (The traditional Kindergarden phase in Austria starts when the child is 3 years old and ends around its 6<sup>th</sup> birthday)
- **Elementary school phase** (starts after 6<sup>th</sup> birthday and ends around the 10<sup>th</sup> birthday of a child)



Single-child families (SCF), Multi-child families (MCF)

## Results

### Phase 1:

#### Sharp decline in household income after birth of first child (-20% on average)

- Caused by a change in the household workforce composition from dominant “double earner household without children” to a “single earner household with child”.
- Additional family benefits/allowances cannot compensate this workforce reduction.

#### Additional decline in household income after additional birth (-9% on average)

- Starting from an already decreased household income caused by a single earner or additional part time earner household composition, the additional income reduction is on average less severe.

### Phase 2:

#### Strong increase in household income for single-child families during the kindergarden phase (+14% on average)

Two different effects contribute to this result.

- In two-parent families, it is very likely that additional household income is generated by labor market participation of the second parent (at least part time), because the only child attends kindergarden.
- Single-parent families tend to participate earlier and in greater extend in the labor market. (the share of single parents is significant larger in single-child families as in multi-child families)

#### Soft increase in household income for multi-child families during the kindergarden phase (+1% on average)

- Multi-child families are mostly two-parent families. There is a high chance in Austria that the second parent is not or only in a small capacity participating in the labor market when there is more than one child.

### Phase 3:

#### Soft decline in household income for single-child families during the elementary school phase (-3% on average)

- Participation increase happened already in phase 2. An additional increase in working hours is hardly possible, especially for single-parent families.
- Inflation over time leads to an income decrease in real terms.

#### Medium increase in household income for multi-child families during the elementary school phase (+5% on average)

- Now that the children reached school age, the second partner is also (fully) participating in the labor market.
- The participation increase that started in phase 2 is now in full effect.

## Data

First and second wave of the Austrian Generation and Gender Surveys conducted in the years 2009 and 2013. 3.907 respondents participated in both waves. 1.547 of them were living with at least one child under the age of 10 in the year 2013 (517 respondents were living with exactly one child). Household income was adjusted for inflation and weighted by household size.

## Conclusion

In the big picture, the household income increases steadily, but remarkable fluctuation can be observed when specific family phases are examined. Especially the experienced sharp income decline after the birth of the first child (or the knowledge thereof) and in a lesser degree after an additional child causes concerns regarding the delay or even cancelation of a child intend.

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