DISCRIMINATION AGAINST WOMEN IN THE LABOR MARKET: AN AUSTRIAN SCHOOL PERSPECTIVE

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Introduction. Typically, most ideas from the Austrian School of Economics are associated with market mechanisms, economic liberalism, business cycle theories, and capital. But if we look more closely, some of these ideas can help us understand discrimination in general and discrimination against women in the labor market, even if representatives of the Austrian School of Economics never wrote about it directly.

The aim is to study discrimination against women in the labor market through the prism of Austrian economics theory.

Research results and discussion. Let's start with the classification of discrimination. Unequal treatment of women can happen before and after entering the labor market. So before entering, some entrepreneurs might refuse to hire women, often because of their prejudice. And after entering, we see things like glassing, which keeps women from rising into top position or the sticky uh floor, which keeps them stuck in lower level roles with little chance to move up. We can also distinguish direct discrimination. This occurs when an employer openly treats women in wars because of bias. There is also indirect discrimination, which happens when laws or regulations that unintentionally make women less attractive to hire — for example, extended maternity leave.

The key question I want us to focus on: who exactly is doing discrimination? In other words: who is responsible for discrimination? Inspired by Maria Rödberg's classification of intervention, I propose three types of discrimination — autistic, binary and triangular.

The first one — **autistic discrimination** this mindset is so strange, but it is self-discrimination. A woman underestimates her own abilities, assumes men are better, and holds herself back. Think about it: how many young women avoid fields like engineering or math not because they lack talent, but because they have already decided that they will fail? The choice leads them to lower page jobs, fewer opportunities, or sometimes stepping out of full-time work altogether. In other words, the barrier is internal.

Second, **binary discrimination**. This is the most obvious one: the direct relationship between employer and employee. Here, it is the employer's prejudice — "I don't want to hire women", "I don't trust women in leadership" and so on. And finally, **triangular discrimination**. Here is the third party enters the stage — usually the state. Laws designed to protect women, like maternity leave or shorter hours for mothers, often come with costs for employers, and make employers hesitate to hire or promote women.

How do Austrian actually view these types of discrimination? Let's start with autistic discrimination. From the Austrian perspective, the explanation is quite strict. People always make choices among scarce resources to satisfy their needs in the best possible way. So, if a woman decides not to apply for a managerial position because she doubts her own abilities — what does it mean in praxological terms? It means that she prefers something else more, like peace of mind, over the uncertainty of professional advancement. Now, the Austrian would say: the reason for her choice — whether it's cultural pressure, upbringing, or lack of confidence — doesn't belong to the field of economicsWhat economics can tell us is simply that she made a choice. In this sense, the word "discrimination" here is not about injustice, but about choosing one option over another. It's seen as a natural phenomenon of human action.

The other two forms — binary and triangular discrimination — can be more clearly understood through the idea of the price mechanism, both within the consumer and producer markets, under conditions of a free market and subsequently in the context of state intervention.

On a consumer market, it is clear that consumers are the decision makers. Their choices shapes everything. For example, if you decide to buy Coca-Cola instead of Pepsi, you are — in a sense — discriminating in favor of Coca-Cola. Here, "discrimination" simply means making a choice, and that is a natural part of the market process.

On the other hand, sellers are focused on maximizing profit. That means that they usually don't discriminate against consumers for reasons like religion, skin color or sex — because doing so would only reduce the profit. Take the example: if someone is selling a balloon for the three monetary units, they will sell it to anyone willing to pay that price, regardless of who the buyer is. In other words, it makes no difference whether the consumer is a man or a woman — the only thing that matters is the price.

Now let's move to the producer market, where labor is one of the factors of production and its price depends on workers' productivity. Suppose an employer wants to hire an employee who can increase revenue but 1,000 monetary units. If men ask for a salary of 1,000 units per month, while a woman with the same qualification asks for only 900 units, the employer will minimize cost by hiring the woman. The employer would not reject her, because it simply would not be profitable to do so. Of course, next entrepreneurs who recognize this opportunity for additional profit would start competing by offering women higher salaries — for example, 901, 902 and so on — until the difference disappears in a free market.

Moreover, if women truly earned 10% less, any profit derivative entrepreneur would immediately replace male employees with women and pocket the 10% difference. This suggests that only price plays a role in this case and according to the Austrians this is an explanation for a binary discrimination. However, just as in a consumer market, extreme causes can occur in a producer market. For example, some employers may choose not to maximize profit and instead discriminate based on personal biases or stereotypes. An employer might simply prefer not to hire women, and this is his or her choice.

But this is a marginal case because such employers will quickly and effectively be driven out of the market. Nondiscriminatory employers who hire women will achieve higher profit than competitors who ignore the productive contribution of female workers.

So, we can say that according to the Austrians, the solution to binary discrimination lies in entrepreneurial activity under free market conditions. In this perspective, discrimination is a shorter phenomenon and unprofitable for entrepreneurs.

The situation changes fundamentally when we move to the third type of discrimination — triangular discrimination. Starting again with a consumer market, a typical example of this form — where the "external" entity, i.e. the third party, is the state — can be found in cases of taxation or when a minimum or maximum price is imposed on a good. This figure 1 illustrates the situation when the state introduces a tax on a good, with the tax paid by the seller. Initially, the equilibrium point is at J. The balance is disturbed once the tax is introduced. Demand remains unchanged, since the tax does not affect consumer' preferences, income, or the prices of substitute and complimentary goods. Even if the price of the tax goods increases, buyers simply adjust by moving along the demand curve (D). What actually changes is the supply curve (S), which shifts upward and to the left. As a result, the equilibrium points move from J to E. The price of goods rises from B to A, and the quantity of good falls from Q1 one to Q2. This represents a case of price-based discrimination, where the cause is the state intervention. Because of the tax, sellers raise prices to maintain profits, thereby excluding some consumers from market. The so-called deadweight loss (triangle EGJ) reflect the reduction in goods purchased after the tax is imposed.

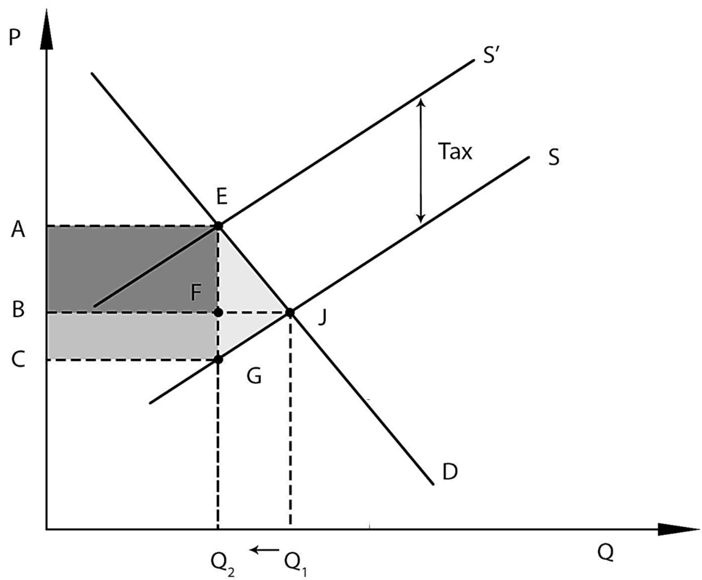

Figure 1. Tax and volume of supply

Source: own elaboration based on Czarny et al. 2002, p. 304

A similar situation arises when the state imposes a maximum price on a good — that is, the highest price legally permitted. If the state sets the maximum price below the market equilibrium price, production decreases while demand increases. This regulation creates excess demand relative to available supply. As a result, only some consumers are able to purchase the good, while others are excluded. Here again induce discrimination. occurs not because of seller' preferences, but as a direct consequence of government intervention.

In the producer market, we can also observe the role of government intervention, just as in the consumer market. Induced discrimination in this context arises when certain groups are excluded from employment due to additional regulation imposed on employers. A classic example is the minimum wage — the lowest wage an employer is legally allowed to pay. When the state sets a minimum wage higher than the wage that would emerge under free-market conditions, the cost of employing a worker exceeds that worker's productivity. This reduces the demand for labor while simultaneously increasing its supply. The result is involuntary unemployment caused directly by state interference.

In this sense, just as the maximum price for a good in a consumer market creates a shortage, introducing a minimal wage in the labor market creates a surplus of labor. This is a typical case of induced discrimination. Sex plays no role here: employers are compelled to hire fewer workers, and their decisions are shaped not by economics valuation or personal preference but by a regulation itself. In this way, intervention generates a new form of discrimination... A similar mechanism occurs when the state imposes additional cost on employers in the form of taxes — a phenomenon known as the tax wage, a term popularized by the OECD (figure 2).

Economists explain that taxes and related measures directly affect supply and demand in the labor market, leading to higher unemployment. In equilibrium, where the demand for labor equals the supply of labor, the employee's wage (W) equals the employer's cost (C), with total employment at E_1. Without taxes, this balance holds naturally. Once a tax is introduced, employer costs (C) rise along the vertical axis, while wages (W) fall, shifting equilibrium along the horizontal axis. As a result, employment decreases from E_1 to E_2. The gray area in the figure represents the size of the tax wedge – the workers who lose jobs due to higher costs or who are pushed into the informal ("gray") economy.

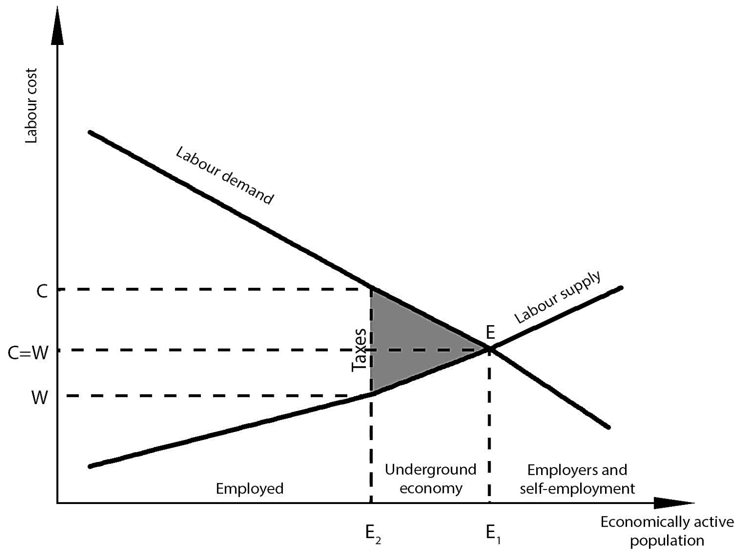

Figure 2. Tax wedge

Source: own elaboration based on Polarczyk 2007

Although the tax wedge does not specifically target women, it remains a classic case of induced discrimination: by raising labor costs, it reduces demand for workers and increases unemployment.

Moreover, state regulations that specifically target certain groups can produce similar effects. In these cases, employers act according to profit-driven logic, not bias. Regulations concerning women in the labor market — such as protections during pregnancy, maternity leave — may create additional costs for employers. These include recruitment expenses, forgone profits, the cost of keeping a position open during leave, and uncertainty about whether the employee will return. Ironically, such well-intentioned protections can disadvantage women: by increasing the costs of female employment, they reduce demand for women's labor and can lead to higher female unemployment.

Thus, both taxes and regulatory measures imposed on employers share similar economic consequences. This highlights the importance of designing labor laws that achieve their intended objectives without generating unintended forms of discrimination.

Conclusion. To conclude, from Austrian perspective, discrimination in the labor market can be understood as a matter of individual choices and state intervention. Autistic discrimination remains us that sometimes the barrier is internal, rooted in self-perception rather than external prejudice. Binary discrimination shows that, under competitive market conditions, prejudice is unprofitable and tends to fade — because entrepreneurs who ignore productive workers lose out. Triangular discrimination highlights the consequence of well-meaning law and regulation where state intervention raises cost, it can push women out of the labor market. In other words, market tends to punish discrimination, when the state can reinforce it.