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AUSTRIA – A CLASSLESS SOCIETY?

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1. INTRODUCTION

When Talking about classes the natural starting point, at least for left leaning social scientists is Karl Marx's "Das Kapital". In his analysis of the materialistic determinants of social development the conflict of classes plays the central role.

Classes in the sense of Marx are groups of people defined by their specific relation to the means of production. To put it simple the working class is defined by the fact that their only "asset" is their ability to work, they lack the necessary additional means of production to use this ability in a way that might allow them to earn a living.

Capitalists on the other hand own or control the means of production to an extend which allows them not only to use their own labour in a productive manner, but to employ or buy the labour of workers to work for them and according to the capitalists directives.

Even so capitalists and workers are the two big and competing classes in Marxist theory, there are of course other additional or sub classes which either own their own business but use only their own labour, or work their own land mainly for their own and their family's needs.

Therefore Marx states in Chapter 9¹ of "das Kapital", 'that advanced capitalism requires the capitalist to be in able to use the time, while he is acting as the human manifestation of Capital, to appropriate and thereby control the labour of others or to sell the products of the labour of others.

We operationalize this concept of being a capitalist by either owning an enterprise, or being an employer. While workers are those which do not own enterprises but sell their own labour.

Obviously this leaves out people which are out of labour force for being housekeepers, pure privateers and the large group of old age pensioners which have to be considered separately.

¹ „Ein gewisser Höhengrad der kapitalistischen Produktion beding, dass der Kapitalist die ganze Zeit , während er als personifiziertes Kapital funktioniert, zur Aneignung und daher Kontrolle fremder Arbeit und zum Verkauf der Produkte dieser Arbeit verwenden könne.“ (Marx, 1867, S325ff) Das Kapital Band 1 Dietz Verlag 1988

2. CLASSES IN AUSTRIA

2.1 Household Finance and Consumption Survey

2.1.1 Data description

The HFCS is a household survey which is geared towards providing information on the distribution of wealth. The first wave of the HFCS, modelled after the U.S. Survey of Consumer Finances, was conducted by 15 central banks of the Eurosystem in 2010/2011². Of particular interest for the purposes of this paper are its detailed data on business ownership, capital and labour income, and employment status.

2.1.1.1 Income

The data provides information on personal gross labour income and personal gross self-employment income from businesses non-publicly traded businesses. These are aggregated to household labour and self-employment income.

We furthermore calculate household gross capital income from the combination of income from real estate property, financial investments (including dividends) and investments in non-publicly traded private businesses with other income, which includes capital gains, severance payments and withdrawals from private pension schemes, prize winnings and insurance settlements among others.

To account for differences in household sizes, we use total household income per person. More precisely, we distribute the calculated household income across household members with factor income (i.e., labour or self-employment income). In households in which no member earns labour or self-employment income, the household income is distributed across all persons over 16 years old. We exclude persons under 16 years of age from our analysis.

Table 1 gives an overview of summary statistics for the relevant income variables. The average labour income of households amounts to roughly 23,000 Euro, self-employment income to 4,400 Euro and capital income to 2,500 Euro.

Table 1: Summary statistics of household income variables

	Mean	Std. error
Wages	23.119	1.926
Profits	4.397	470
Interest	2.494	665
Wages per person	14.772	1.015
Profits per person	2.771	298
Interest per person	1.727	435

Source: HFCS 2010

² For detailed information on the methodology of the HFCS see ECB (2013a), for first results see ECB (2013b).

2.1.1.2 Class Membership

As discussed in the Introduction , capitalists are differentiated from workers through their ownership of means of production which enables them to appropriate surplus value from workers, while the latter sell their labour power. The data captures this distinction in two different ways.

First, we use the labour market status of household members to distinguish between labour, capitalist, and state insurance (mostly pensioner) households, as well as mixed forms between those three households.

More precisely, the HFCS data contains nine options for the labour market status, which we condense to four groups of personal labour market status, which are further reduced to household-level groups, as the crosswalk in Table 2 shows.

Table 2: Crosswalk labour market status and household groups

HFCS				Data categorization			
Labour status		Status in employment		Labour market status		HH group	
1	working	1	employee	1	employee	1	labour
1	working	2	self-empl. with employees	2	self-employed	2	capital
1	working	3	self-empl. w/o employees	2	self-employed	2	capital
1	working	4	family worker	2	self-employed	2	capital
2	on leave	1	employee	1	employee	1	labour
2	on leave	2	self-empl. with employees	2	self-employed	2	capital
2	on leave	3	self-empl. w/o employees	2	self-employed	2	capital
2	on leave	4	family worker	2	self-employed	2	capital
3	unemployed	.	-	1	employee	1	labour
4	student	.	-	5	student	4	other
5	retired	.	-	3	state insurance	3	state ins.
6	disabled	.	-	3	state insurance	3	state ins.
7	social/milit. service	.	-	1	employee	1	labour
8	housekeeper	.	-	6	housekeeper	4	other
9	other not working	.	-	7	other not working	4	other

Source: HFCS 2010

Employees (including those on leave), persons in social or military service and the unemployed are subsumed under workers, all self-employed and family workers (which are by definition working in a family-owned business) are included in self-employment, also including those on leave. Retired and disabled persons are categorized under government insurance, i.e. receiving transfers for which they contributed to a redistributive fund. Students, housekeepers and “other not working” persons are transposed first into corresponding labour market statuses and then grouped into a catch-all “other” household group category.

The possible combinations of these household groups are further reduced by qualifying “other” household groups as subsidiary to household class generation, while employment, self-employment, and state insurance are considered class-generating statuses. This results in the possible combinations of household groups shown in Table 3.

Table 3: Combinations of labour market statuses into household groups

LM Status	1	2	3	4
1	1	12	13	1
2	12	2	23	2
3	13	23	3	3
4	1	2	3	4

Source: HFCS 2010

This labour market status approach to classification bridges the divide between our household level data and the individual state as worker or capitalist. However, it comes with the caveat of somewhat imprecise measurement of capitalists, since business owners may well be employed as managers and thus earning labour income.

In a second step, we thus check our results for robustness by using households that own a business with employees to classify them as capitalist or non-capitalist. This has the advantage of being based directly on the identifying characteristic of capitalists as extracting surplus value. However, since the ownership of businesses is only captured on the household, not on the person, level in our data, it comes at the cost of lumping non-business owning members of the household in with the business owner as capitalists.

2.1.2 Results

2.1.2.1 Income by household groups

Table 4 shows the shares of households categorized as employees, self-employed or government insured and their combinations in the total population and in the different income categories, roughly sorted by class dominance from workers to capitalists. The groups in which these categories are represented exclusively, i.e. where no other ‘class-defining’ labour market status is present in the household, show a distinctive pattern with regard to their functional income sources.

That is, households which are employee-only households make up 44% of the population, but receive 70% of labour income. On the other hand, this group only receives 15% of total capital income, and 6% of the total income from self-employment.

In contrast, self-employed households constitute only 4% of the population, but receive 28% of capital income and 27% of profits. The share of this group in the total wage bill is small at 2%.

The government insured, mostly pensioners, are 32% of the households. They receive a very small share of income from work, 1% both of labour and of self-employment income, but a larger share of capital income at 12%.

Even though mixed employee and self-employed households amount to 7% of households, 27% of self-employment income and 48% of capital income accrues to this group. Furthermore, their share in wages exceeds their population share at 10%. The over-representation of this group in all income forms suggests that the perception that Austria has become a classless society might be grounded in the experience of this relatively small share of the population.

The mixed household groups combining employees on the one hand, and self-employed on the other hand, with government insured persons broadly conform to the trends for uniform employee and self-employed households. The share of employee with government-insured households in labour income is about 1.7 times their population share of 9%, while their share in interest payments and especially profits is lower. Households with self-employed and government-insured persons, on the other hand, punch above their weight in profit but especially in income from interest payments.

Table 4: Share in population and in incomes* of household groups

%	Population	Wages	Profits	Interest
1 Employees	44	71	15	6
13 Employees / Government insured	9	15	5	2
23 Self-employed / Governmt. insured	2	1	6	15
2 Self-employed	4	2	36	28
12 Employees / Self-employed	7	10	27	48
3 Government insured	32	1	12	2
4 Other	2	0	0	0
Total	100	100	100	100

* adjusted by household size

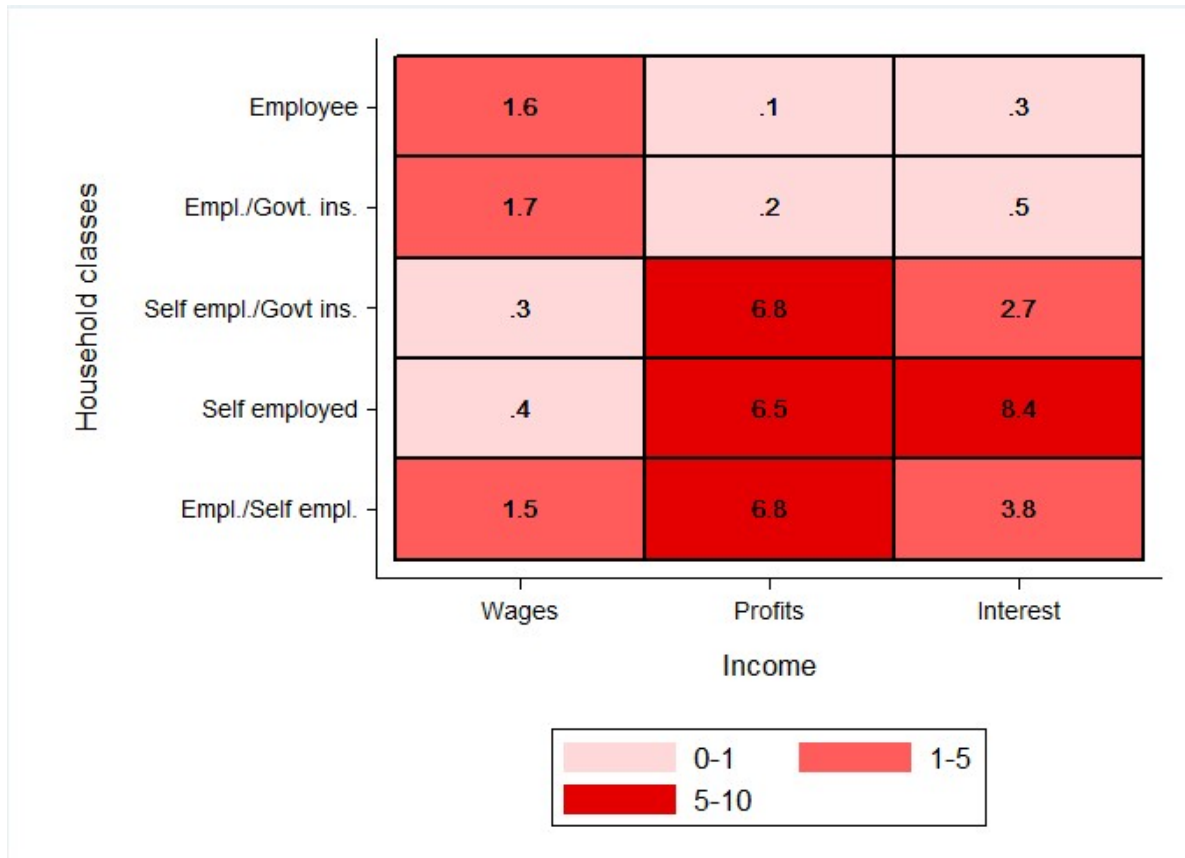
Source: HFCS 2010

This structure is visualized in the heatmap in Figure 1, which shows the ratio of each group's share in each form of income divided by its share in population³. That is, employees make up 44% of the population and receive 71% of labour income, so the value of the top left box in Figure 1 is about 1.6. The first four rows show the 'class hot spots': employees earn mainly labour income, and the self-employed receive profits and capital income. The households that are composed of those classes mixed with government insured persons exhibit the same pattern.

³ We exclude for readability the groups that are not of prime interest in the class analysis here, the government insured and the 'other' category.

The fifth row, however, illustrates why a more selective perception might lead one to conclude that Austria has become a classless society: Households that include both employed and self-employed persons have a disproportionate share in all income forms. That is, these households earn a disproportionate share of labour, self-employment and capital income, in ascending order.

Figure 1: Income shares by household classes



Values = Share in income form / share in population, or equivalently

= Average income form of the household group / average income form of all households

Source: HFCS 2010

2.1.2.2 Robustness check: Capitalists and household groups

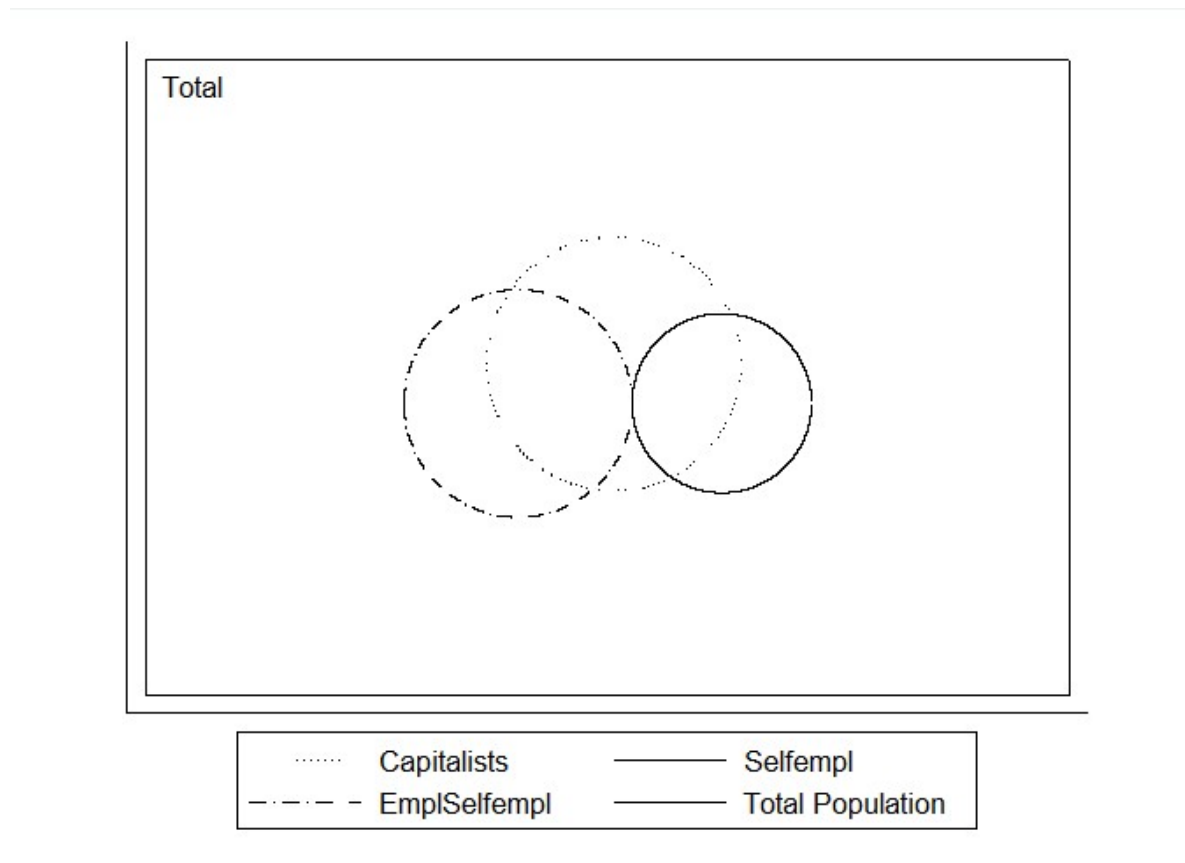
As mentioned above, the self-employed do not exactly fulfil the definition of capitalists, since the ownership of a business with employees is independent of the labour market status of the household members. This section thus investigates how well the self-employed cover capitalists in the data.

A Venn diagram (Figure 2) illustrates this overlap between capitalists and the two household groups that seem to represent capitalists best according to our findings above, households composed of self-employed, and simultaneously self-employed and employed, persons. The diagram gives a rough indication that about two thirds of capitalists are covered by these two household groups.

This is confirmed by the calculations shown in

Table 5. Exclusively self-employed households, together with mixed employee and self-employed households make up about 70% of capitalists. Mixed self-employed and government insured households are another 14% of capitalists. The three groups that include self-employed persons in their households thus cover around 84% of capitalists, while households with just employees, just government insured and their combination are 16% of capitalists. It therefore seems that our data-driven definition of capitalists in the previous section fares reasonably well in capturing capitalists.

Figure 2: Approximate overlap between capitalists and household groups



Source: HFCS 2010

Table 5: Share of household groups in capitalists

	%	Capitalists
1 Employees		10
13 Employees / Government insured		3
23 Self-employed / Govt. insured		14
2 Self-employed		26
12 Employees / Self-employed		44

3 Government insured	3
4 Other	0
Total	100

Source: HFCS 2010

2.2 EU-SILC

2.2.1 Data description

The Data of the European Union Statistics on Income and living conditions (EU-SILC) are best known for their use in research on poverty across Europe. In this Paper we use the Austrian SILC data for the year 2010 (and partially compare them to 2009) which are available from Statistik Austria. The 2010 Survey covers 6188 Households comprising a total of 11.493 Persons.

2.2.1.1 Income

Each Household is asked for income from a number of sources. Our analysis focuses mainly on income from employment, self-employment and capital ownership.

Income from Dividends, Interest and Rents, as well as income from Transfers to support families or from residential subsidies is only recorded at the household level. Therefore and for reasons of comparability with the second part of this paper we base our analysis on household income, even so we are aware that ignoring the intra household distribution is a major shortcoming.

The data contain gross and net incomes; again for comparability we use gross Incomes.

We aggregate income into three major categories which are analysed, plus two residual categories which are only reported in the overview table describing the data.

1. Gross labour income:
wages, wages in kind, sickness payment, unemployment benefits,
2. Gross income from self-employment,
3. Capital income (interest payments, dividends, income from rents and leases)
4. Social security and pensions, old age-, survivor- invalidity and private pensions, family transfers, residential subsidies and scholarships,
5. Private transfers between households paid and received.

Table 6 Descriptive statistics of main income variables (weighted)

Income from	Mean	Standard error	Median	Obs. without income source
Gross Labour income:	30.447 (30.673)	468	22.400 (22.400)	1.986
Self employed income	4.810 (4.790)	253	0 (0)	5.034
Interest, Dividend, Rent	1.398 (1.279)	111	118 (110)	1.430
Pension Insurance, Other transfers	13.945 (13.514)	222	7.010 (6.747)	1.821
Private Transfers received	401 (337)		0 (0)	5.493
Total	50.599 (50.256)	518	41.596 (40.756)	4 of 6.188

Q: SILC 2010

We took transfers, which are paid to compensate for loss of labour income during periods of unemployment or sickness as part of Labour income. SILC income date always refer to the year before the survey is conducted. Payments for unemployment and sickness in most cases are only received for periods shorter than a year. We consider them part of income from wage labour even so they are paid form a collective insurance against loss of labour income.

As we do not have the sampling plan, analysis are performed on un-weighted data, or to put it into nicer words conditional on our sample.

2.2.1.2 Class membership

In addition a number of variables on job Position, professional status etc. are available.

As discussed in the Introduction capitalists are differentiated from workers through their ownership of means of production which enables them to appropriate surplus value from workers, while the latter sell their labour.

We identify capitalist households in two steps. First, we use the labour market status of household members to distinguish between labour, capitalist, and state insurance (mostly pensioner) households, as well as mixed forms between those three households.

Silk data contain information on the labour market status for each month of the preceding year; we use only the state reported in the interview, first to reduce complexity and second to stay comparable to HFCS Data.

SILC data contain eleven classes for the labour market status, which we condense to four groups of personal class membership as shown in Table 7.

Table 7: Crosswalk labour market status and household groups

SILC(P001000)		Peronal Class membership
1	Non self employed	Labourer
2	Self employed	Self-employed
3	Family worker	Self-employed
4	unemployed	Labourer
5	On parental leave	Labourer
6	In Education	Other
7	Pensioner/in	Government insured
8	None employed for long term health reasons	Government insured
9	Military or social service	Labourer
10	Housekeeper	Other
11	Other non employed	Other

EU-SIIC Datebeschreibung 2010

As pure capital income, like interest payment, rents and dividends are only recorded at the household level we have to assign class membership to each household.

This is done by the following algorithm,

- If all household members hold the same state this is also the state of the household
- If household members hold two different states, the Household is assigned to the mixed state
- If household members belong to labourer, capitalist and State insurance, the mixed state laborer capitalist is assigned.
- Other is only assigned if all household members are in this state

In this assignment process we have two obvious sources of imprecision first we classify people according to their current labour marker state while they might have been in a different state by the time they earned their income, and second we classify all members in a Household into one state while it might be inadequate to lump a labouring partner together with a capitalist just because they live together.

2.2.2 Results

Table 8 shows the composition of our sample of households and their share in each of the different income sources. In a true classless Society one would expect incomes from different sources to be distributed like households. In a property owning society every household would get income from each of the income sources according to its population share. Quite obviously this is not the case, still households of employees get most of the labour income pensioners get most of pensions and self-employed get a disproportionate share of self-employment income.

Table 8: Share in population and incomes of household groups (adjusted for household size)

	Households	Labour income	Self-empl. income	Capital income	Pension and Transfers
1 Employees	48%	84%	12%	33%	10%
2 Self-employed	3%	1%	37%	9%	1%
3 Government insured	30%	2%	6%	32%	76%
12 Employees - Self-employed	6%	6%	35%	16%	1%
13 Employees - Government insured	9%	7%	3%	7%	9%
23 Self-employed – Govt. insured	1%	0%	5%	2%	1%
4 Other	3%	1%	0%	1%	2%
Total	100%	100%	100%	100%	100%
Share in total Income of Housholds		60%	10%	3%	28%

Statistik Austria, EU-SIHK 2010

Figure 3 shows a heat map, comparing shares in households to shares in specific income sources. (or the relation of average income from this source within the relevant Group over average income from this source across all households).

Figure 3: Shares in income relative to share in population

Employee	1,7	0,3	0,7
Employee/Govt. Ins.	0,8	0,4	0,8
Self emp./govt Ins	0,1	4,9	2,2
Self employed	0,3	11,6	2,8
Empl. / Self Empl.	0,9	6,0	2,6
	Labour	Self employment income	Capital income

Statistik Austria, EU-SILK 2010, *Values in this case show average labour income across Employee households in relation to average labour income across all households. Darker shades show relative higher intensity of this income source for the relevant household category.

It becomes obvious that self-employment income is most concentrated among the self-employed, capital income is also very specifically concentrated among the self-employed. Mixed self-employed, employee households constitute a special group. Their share in capital income as well as their share in self-employment income is rather high, but also their labour income is almost as high as one would expect on their share in the population.

They also are the biggest group among the self-employed therefore it seems appropriate to check the reliability of our operationalizing classes by checking against the employer non employer criterion.

Table 9 shows the number of Employers in our sample by household-group.

Table 9: Employers

	Employer		Employers only:			
	No	Yes	Labour income (mean)	Capital income (mean)	Self-empl. Income (mean)	More than 10 Employees
1 Employees	2962	6				1
2 Self-employed	135	73	7.633	3.324	53.930	8
3 Government insured	1940					
12 Employees - Self-employed	213	142	36.844	9.323	54.048	24
13 Employees - Government insured	482	1				1
23 Self-employed – Govt. insured	45	22	8.983	7.881	36.146	1
4 Other	167					
Insgesamt	5944	244	25.658	7.258	54.534	34

Statistik Austria, EU-SILK 2010,

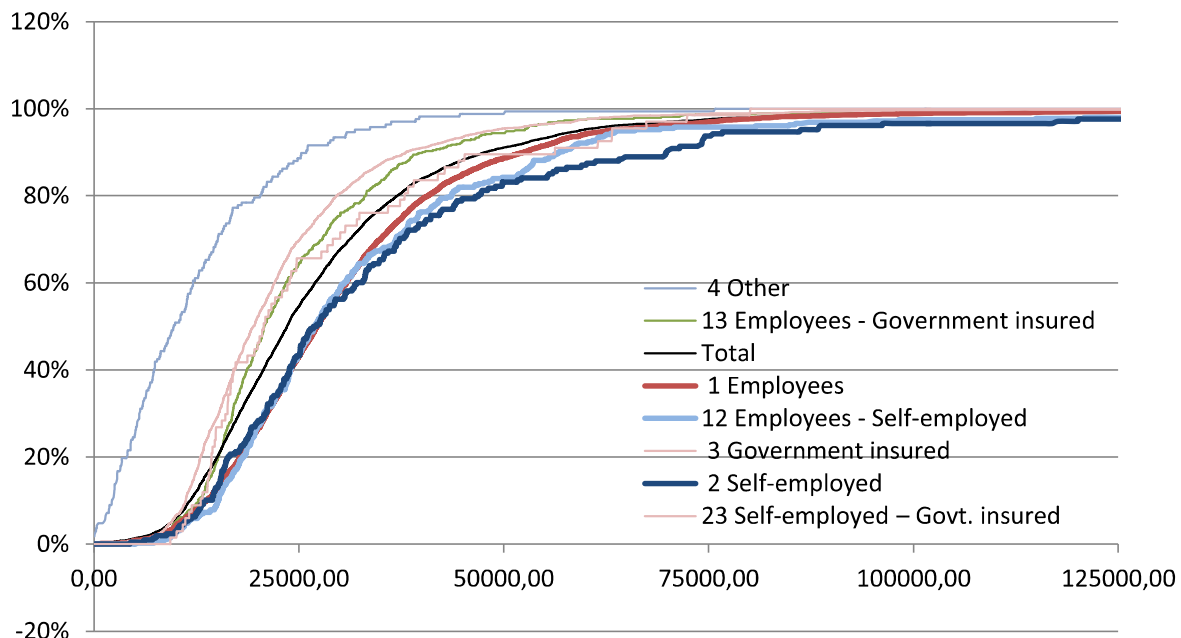
Four aspects become obvious:

1. The Groups of employers and self-employed are largely overlapping.
2. at least half of employee- self employed households are Employers which makes them more like capitalists than labourers.
3. 6188 observations on households are not enough to give even a reliable picture of class divisions in Austria for true capitalists are too small a group to be easily found in representative population samples.
4. If we take the last criterion from Marx, cited in the introduction seriously "...requires the capitalist to be in able to use the time, while he is acting as the human manifestation of Capital, to appropriate and thereby control the labour of others or to sell the products of the labour of others." We see that the number of "true" capitalists those employing at least 10 people is even smaller in our sample.

2.2.3 Distribution of income among household groups.

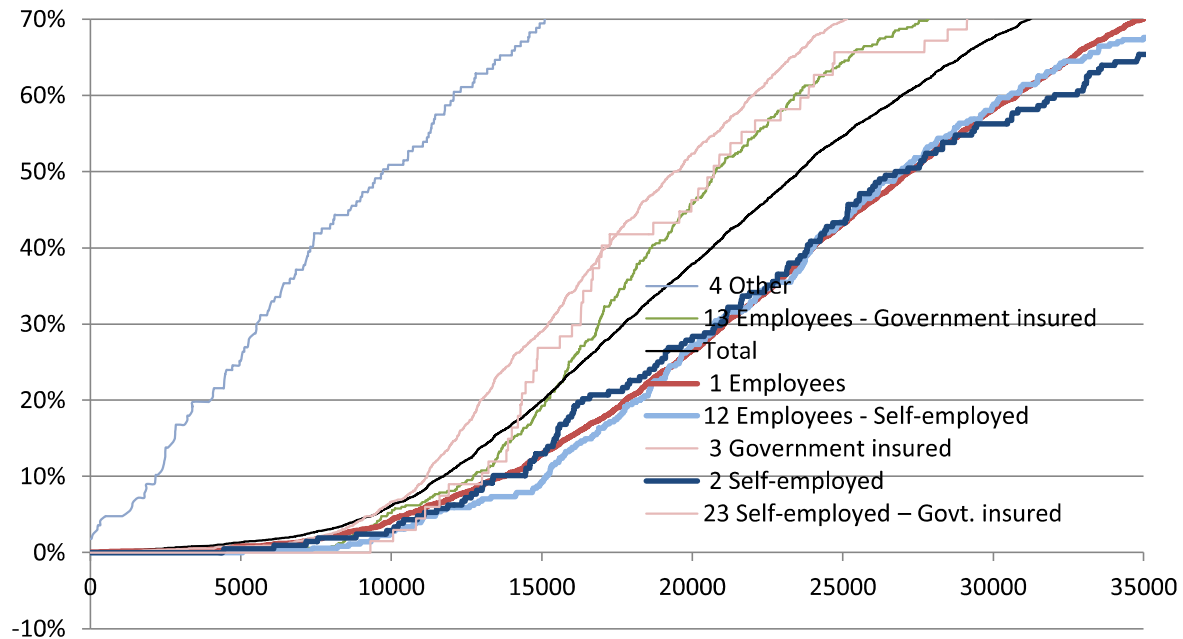
To see the relative economic situation of various classes we plotted CDFs of total income by household groups. While there is no clear relation between Employee and self-employed households, in the lower part of the income hierarchy up to about 35,000 Euros per year). Above this level mixed self-employment/employee households and self employment households clearly right hand side dominate employee households income CDF clearly right hand side dominates the other two.

Figure 4: Cumulative distribution function of total household income by household groups



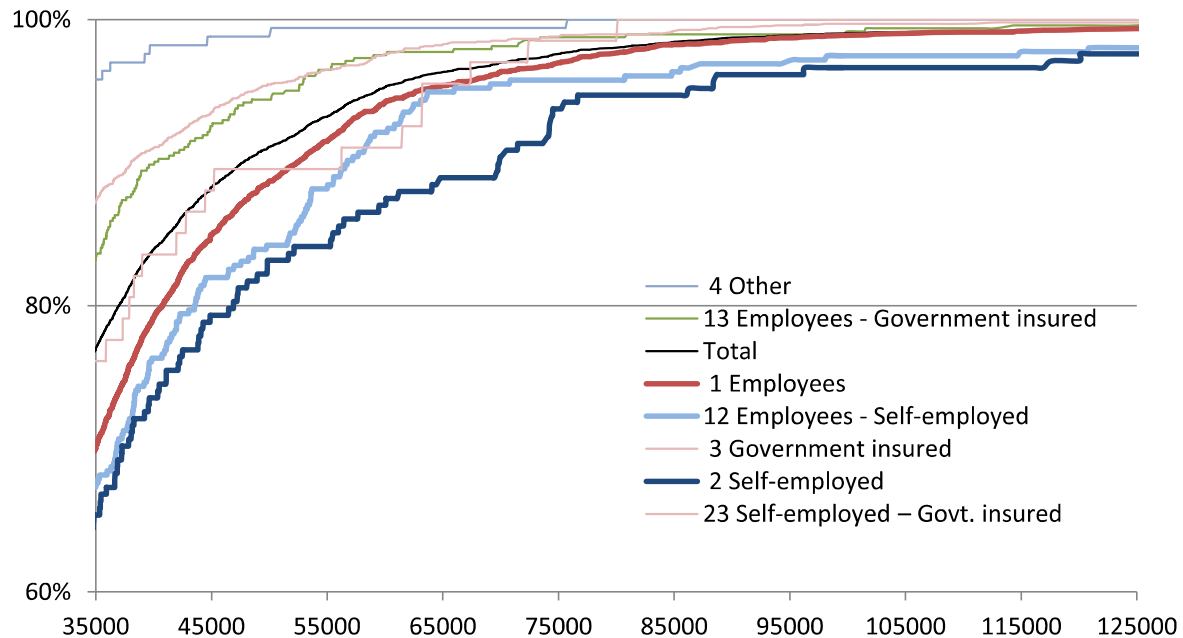
Statistik Austria, EU-SIHK 2010,

Figure 5: CDFs up to 70% of earner adjusted household income



Statistik Austria, EU-SIHK 2010,

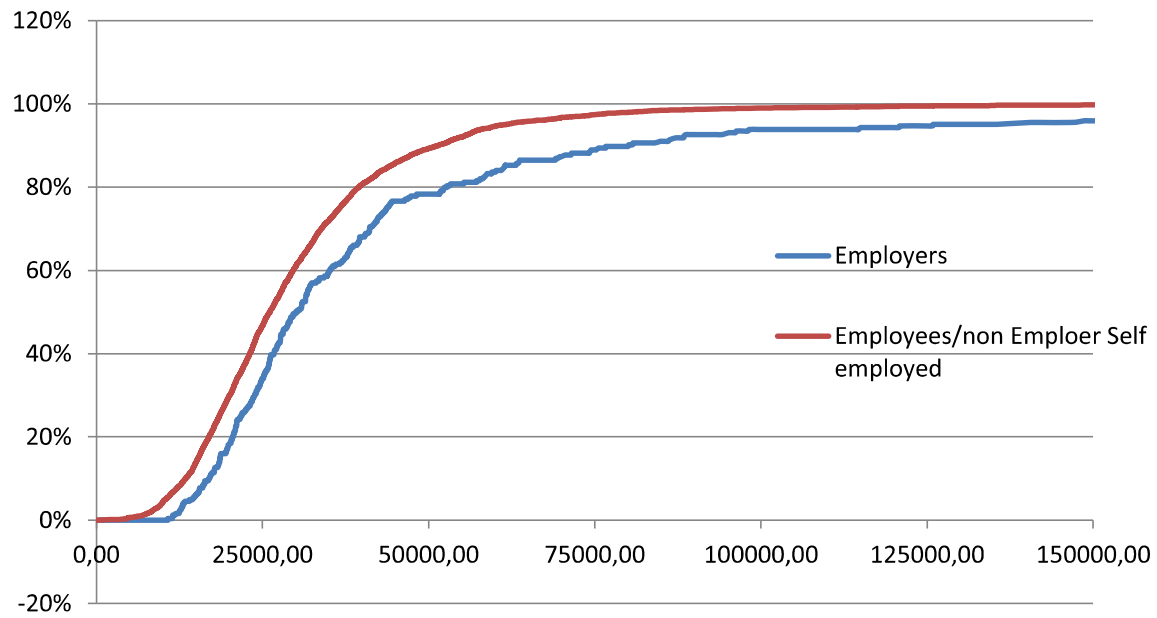
Figure 6: Figure 5 CDFs up to 70% of earner adjusted household Income



Statistik Austria, EU-SIHK 2010,

Taking again the employer non employer distinction we see a much clearer picture. The cumulative distribution function of total (person adjusted) income of employers clearly right hand side dominates the income distribution of non-employers. Which confirms the old saying :”its not working that makes you rich but workers”.

Figure 7: Cumulative distribution function of employer non-employer households



Statistik Austria, EU-SIHK 2010,

3. CONCLUSIONS

This paper investigates the hypothesis that Austria has become a class-less society. This question is important for policy analysis, because it has a bearing on the evaluation of policy proposals along functional and personal lines. That is, if labour and capital are irrelevant categories, then policy proposals impacting wages, profits and interest payments differently cannot be automatically assumed to impact low- and high-income groups differently. Given the paucity of data on the distribution of total personal income, this would severely limit the analysis of their distributional effects.

We used two data sources, the Household Finance and Consumption Survey (HFCS) and the EU Survey of Income and Living Standards (EU-SILC). The former was designed to capture the distribution of wealth, and as a result has high-quality data on capital income, while the latter captures income data on transfers very well and is available since 2004.

We classified persons according to their labour market status into the ‘class-defining’ statuses employee and self-employed, along with government insured (mostly pensioners) and other. Constrained by capital income being available only on the household level, we then aggregated these persons and their income into household combinations of class statuses. In calculating income shares, we controlled for household size.

Both data sets, unfortunately, suffer from the drawback of having a rather small sample size, especially with regard to subpopulations. Any findings in this paper, in particular with regard to capitalists, should therefore be treated with caution. Nonetheless, we are encouraged by very similar findings across the two separate data sets.

First, both the HFCS data and EU-SILC show that market income in Austria is fairly polarized between the categories for income and labour market status. Our main conclusion is therefore that workers earn the majority of labour income, and the self-employed receive mostly capital income (profits and interest). Austria in 2010 thus conformed to the basic idea of a class society.

A caveat to our findings is that the classification by main labour market status introduces an element of endogeneity between the class and the income category. We thus performed a rough robustness check on our results by comparing our classification with one that is more in line with a traditional Marxist interpretation of capitalism based on the exploitation of surplus value.

Our second results is thus that the self-employed, self-employed / government insured, and self-employed / employees categories of households cover capitalists, i.e. households that own a business which has employees, fairly well. In the HFCS these categories make up about 85% of households that have employees, while they comprise almost 100% of capitalist households in EU-SILC.

Finally, we find that there is a less clear distinction between capitalist and labour households if one focuses on a small subpopulation: Households that comprise both self-employed and employed persons make up between 6 and 7% of the population in both data sets, yet they receive a disproportionate share of all three forms of income, wages, profits and interest. As the analysis based on the EU-SILC data showed, this group has a higher income than both employees-only and self-employed-only households across the entire income spectrum. It might be this – comparatively small – group that proclaimers of a class-less society in Austria have in mind. Our analysis in this paper demonstrated that it is not representative of the population as a whole, and that, simply put, workers earn wages and capitalists receive interest and profits.

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