

Income distribution in Austria

Redistribution by the State and
First evidence on the impact of COVID-19 on household incomes

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Distinguishing features of WIFO redistribution studies

- Conducted **since 1980s, since 2000 at 5-year intervals**
- **Comprehensive** depiction of redistributive process
 - Inclusion of benefits in kind (health, education, unemployment, housing ..)
 - Inclusion of indirect taxes
 - **More realistic measure** of household economic welfare
- **Comparability** of results with previous studies, **evolution** over time
- Based on **realised** data
 - redistributive effects of **changes in the structure of population, households, employment and consumption** implicitly included

Relevance

- Austria has a relatively **high tax-to-GDP ratio** (2015: 43,9%; 2019: 43,1%)
→ high redistribution potential
- **Market incomes** distributed very **unevenly** → traditionally important role of the state
- Not only **reforms**, but also **systematic** and **structural changes** (socio-demographic changes, labour force composition, bracket creeping ...) have an impact on the income (re-)distribution
- Regular (5-year interval) **monitoring** required to understand where the “ship is steering” → compass function

Redistribution by the State in Austria 2015

■ Aim

- Examine **income situation** of private households **before and after redistribution** in the year 2015 (latest available Household Budget Survey)
- Changes between 2010 and 2015 (years after financial and economic crisis in 2008/09)

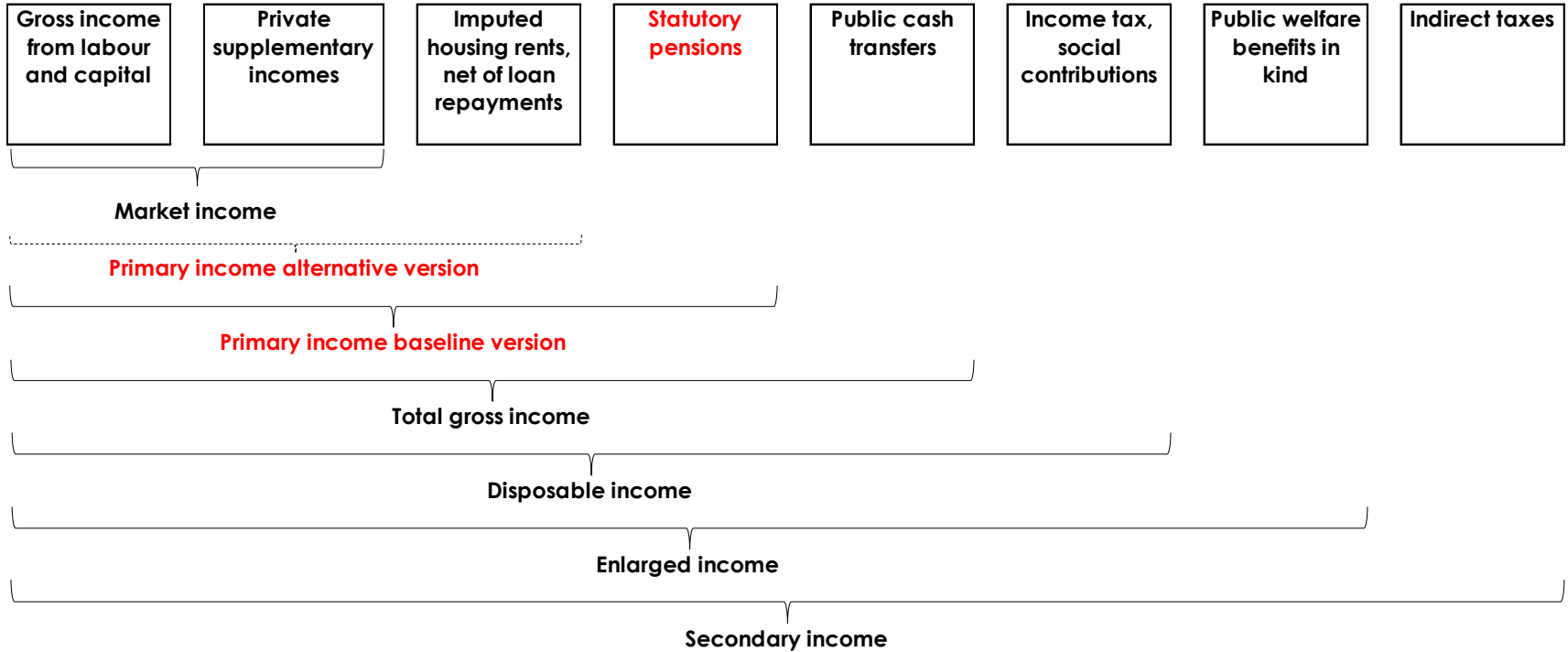
■ Project team

- Jürgen Bierbaumer-Polly, Julia Bock-Schappelwein, Martina Einsiedl, Michael Klien, Thomas Leoni, Simon Loretz, Hedwig Lutz, Christine Mayrhuber, Silvia Rocha-Akis

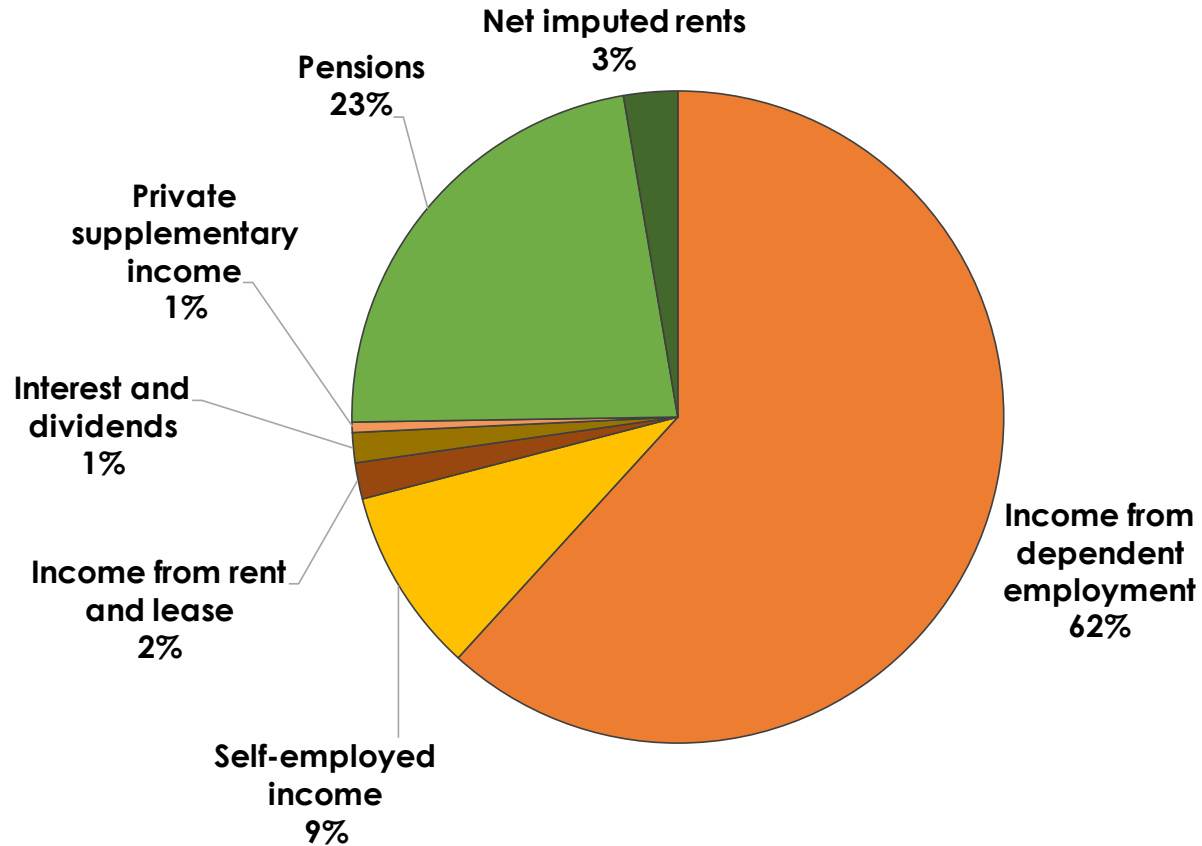
■ Funding

- Austrian Ministry of Social Affairs, Federal Chancellery of Austria, Anniversary Fund of the Oesterreichische Nationalbank

Redistribution: Schematic representation



Composition of primary incomes, 2015



Distribution of market income components, 2015

Quantiles in terms of total gross income

	Income from dependent employment	Income from self-employment	Income from rent and lease	Interest, dividends
	Shares in %			
1 st decile	0.9	0.9	.	0.6
5 th decile	7.3	4.5	4.8	2.5
10 th decile	27.3	51.5	60.1	62.6
1 st tercile	8.8	9.0	5.2	3.4
2 nd tercile	27.1	18.1	12.4	10.5
3 rd tercile	64.1	72.9	82.5	86.1
Total	100.0	100.0	100.0	100.0

→ Earned and capital income very unevenly distributed

S: Statistik Austria, EU-SILC 2016; OeNB, HFCS 2014; WIFO calculations. – "." ... Result is based on low case numbers in the sample.

Distribution of primary income and its components, 2015

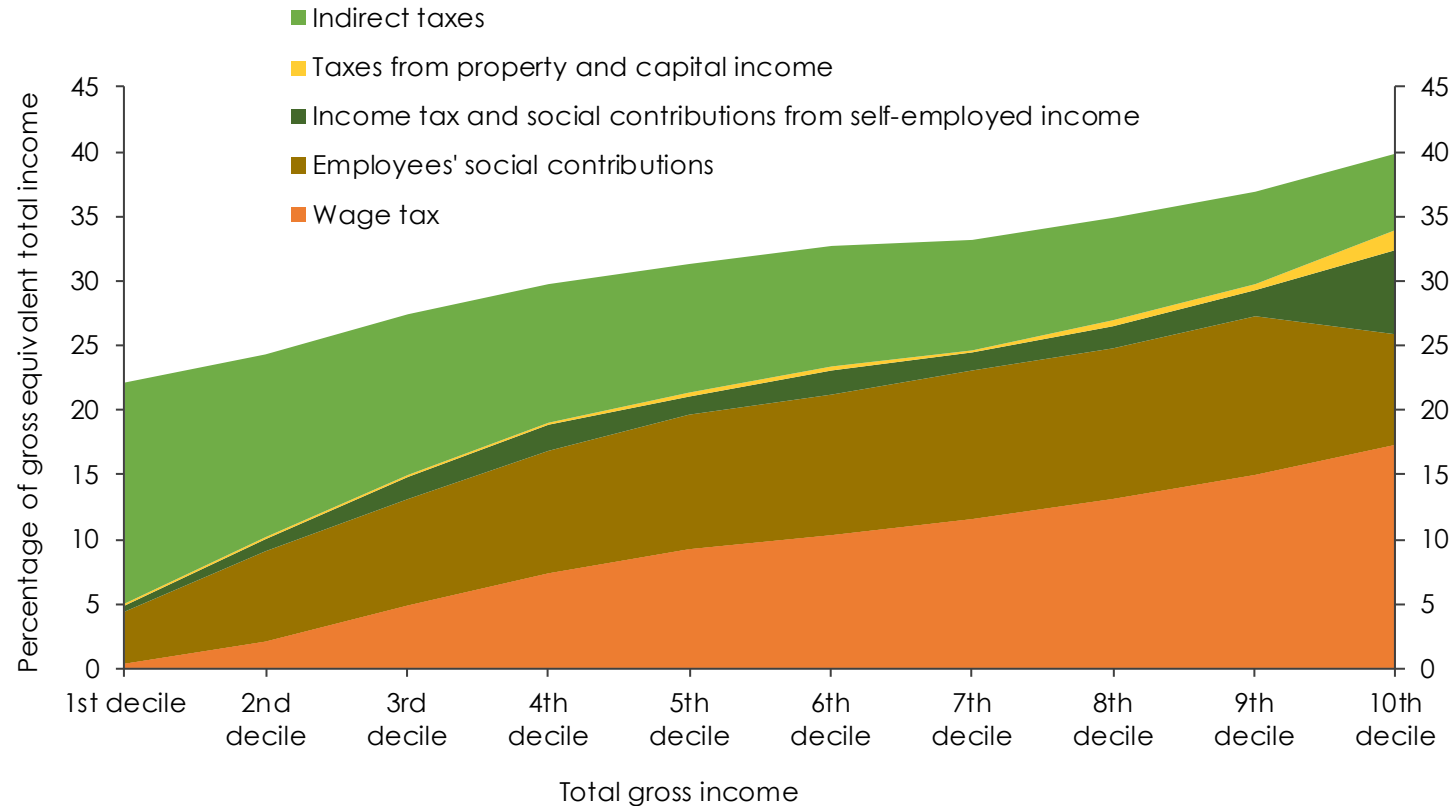
Quantiles in terms of total gross income

	Market income	Pensions	Net-imputed rents	Primary income
	Shares in %			
1 st decile	1.1	2.9	2.6	1.6
5 th decile	6.8	10.4	8.4	7.8
10 th decile	31.5	17.2	17.3	27.4
1 st tercile	9.1	20.6	16.4	12.3
2 nd tercile	25.3	35.9	34.3	28.3
3 rd tercile	65.6	43.5	49.3	59.3
Total	100.0	100.0	100.0	100.0
	Billion € per year			
Total ¹⁾	160.5	48.5	5.7	214.6

→ Primary income remains relatively concentrated

S: Statistik Austria, EU-SILC 2016; OeNB, HFCS 2014; WIFO calculations. – ¹⁾ Non-equivalent values.

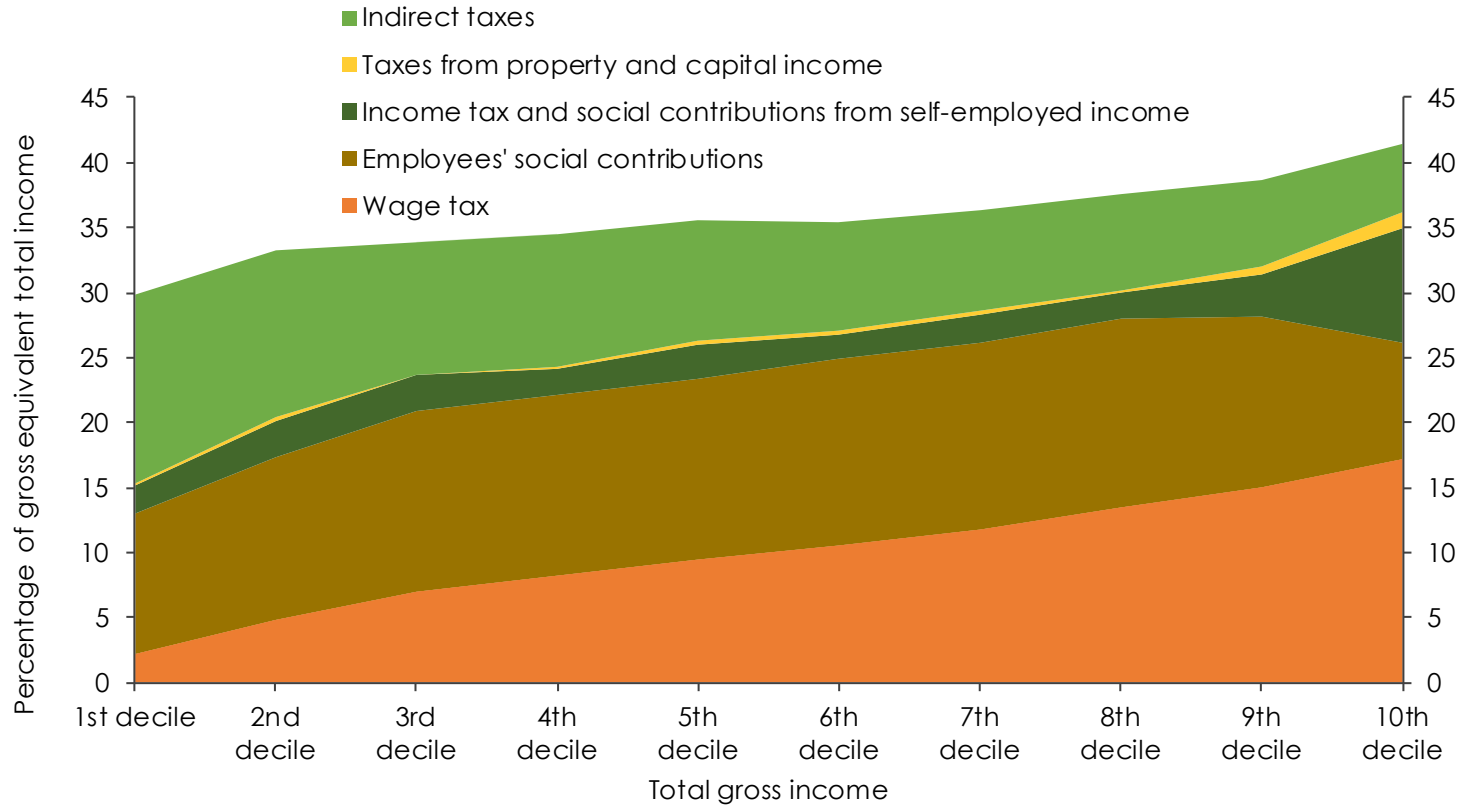
Revenue side of redistribution: Tax and social contribution burden, all households



→ (progressive) income taxes play a secondary role

S: Statistik Austria, EU-SILC 2016, Consumer Survey 2014/15; OeNB, HFCS 2014; WIFO calculations.

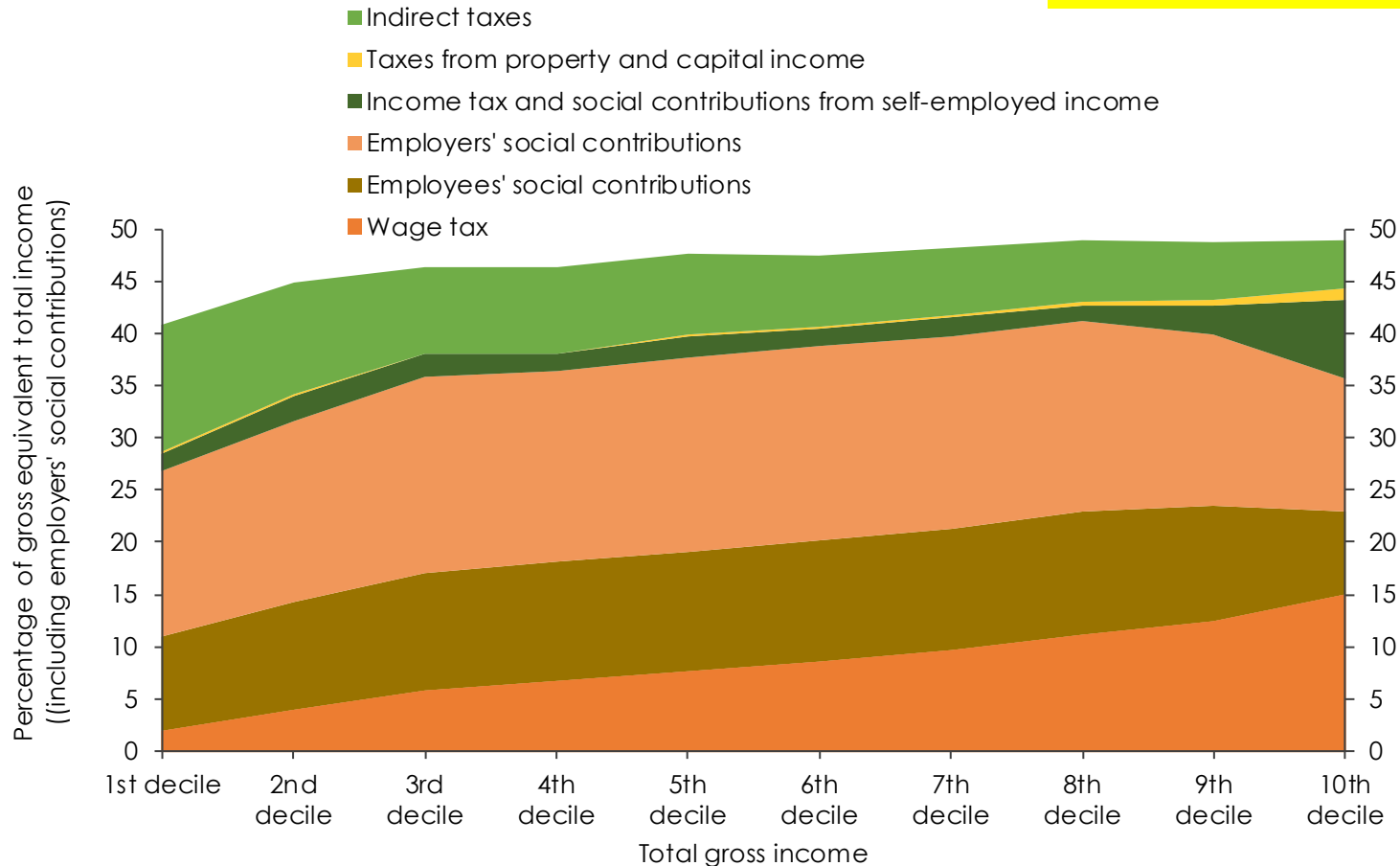
Tax and social contribution burden, households with employed main earner



S: Statistik Austria, EU-SILC 2016, Consumer Survey 2014/15; OeNB, HFCS 2014; WIFO calculations.

Tax and social contribution burden, households with employed main earner

Incl. Employer's social contributions



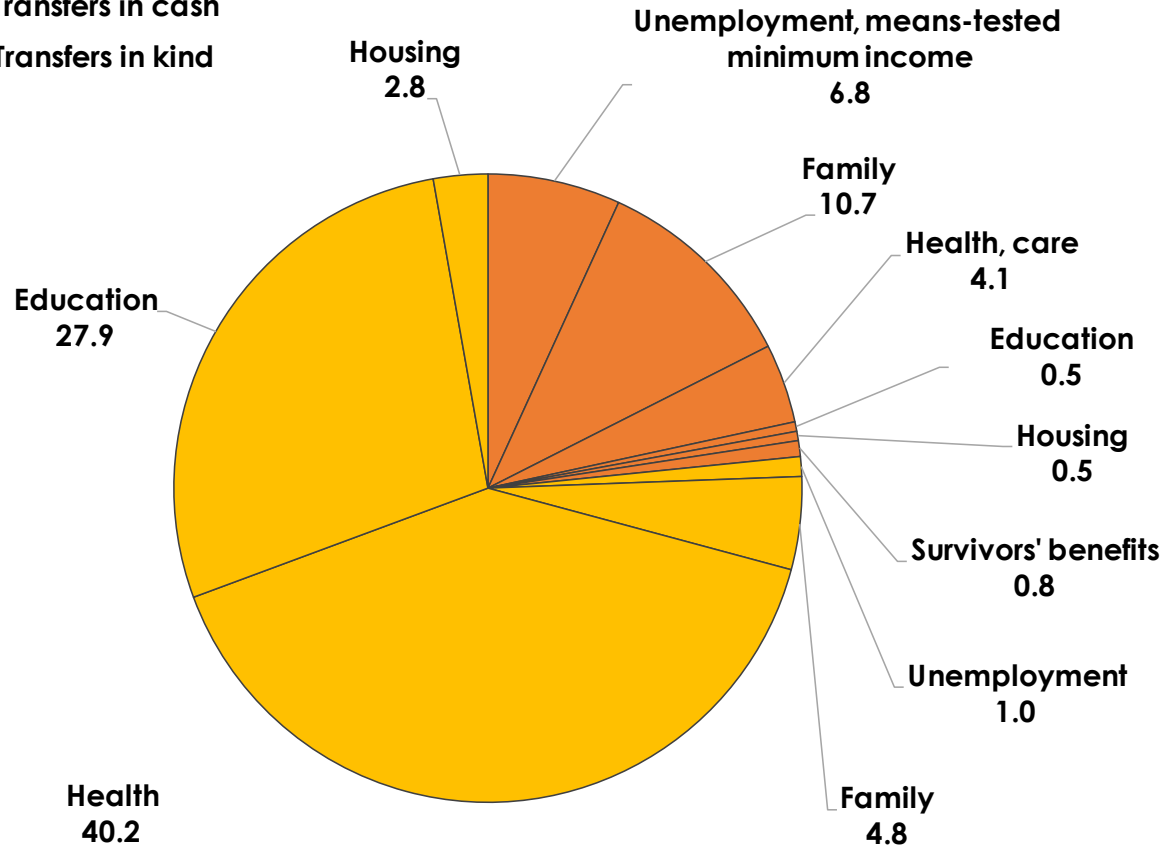
S: Statistik Austria, EU-SILC 2016, Consumer Survey 2014/15; OeNB, HFCS 2014; WIFO calculations.

Expenditure side of redistribution: Cash and non-cash benefits, 2015

Shares in %

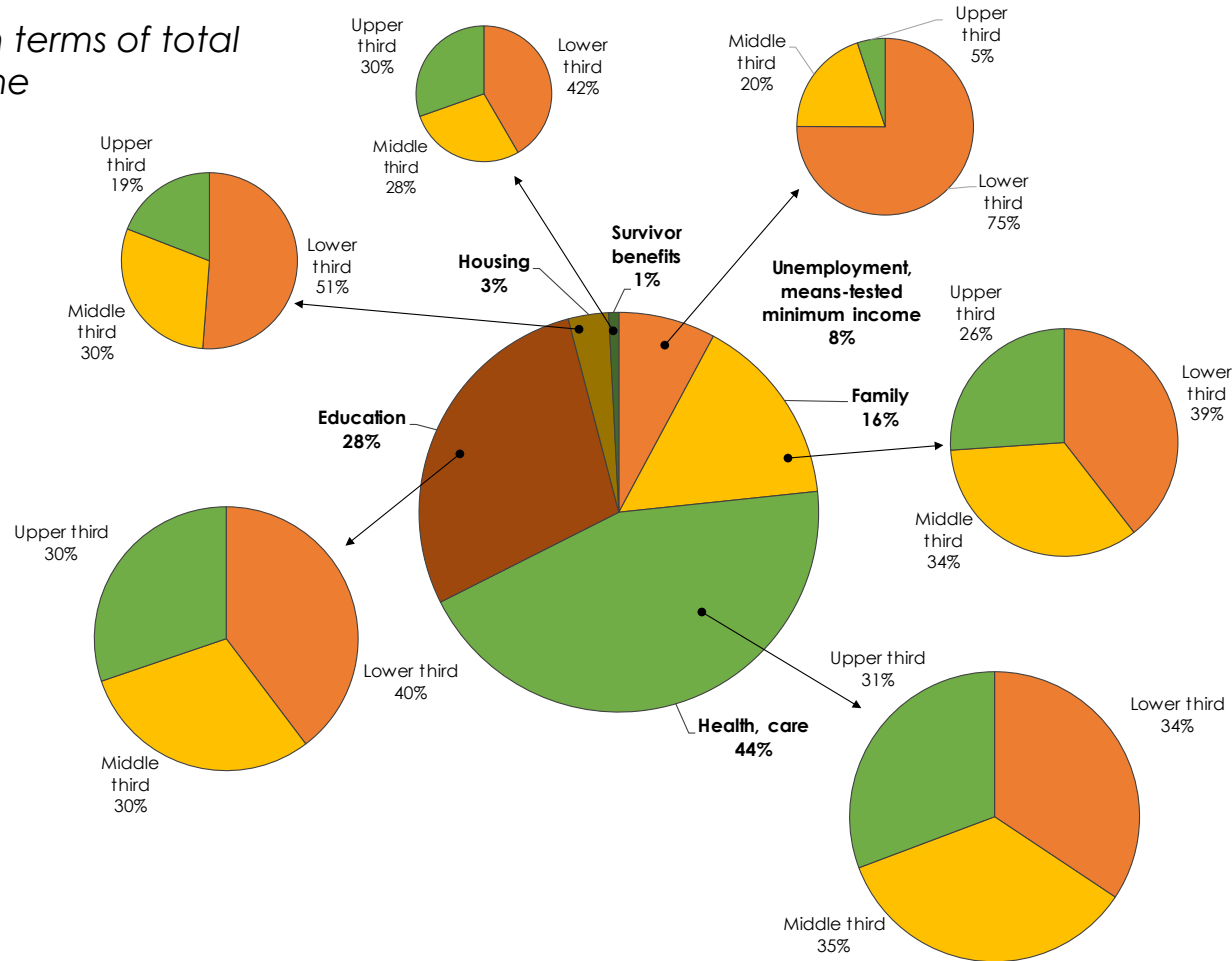
- Transfers in cash
- Transfers in kind

Benefits in kind received by households accounted for **more than 3/4** of total benefits considered



Distribution of cash and non-cash benefits, 2015

Quantiles in terms of total gross income



Universal health, education and family benefits distributed rel. evenly across the income groups

Importance of cash and non-cash benefits for the households concerned, 2015

Gross total income	Passive, active labour market policy	Means-tested minimum income	Family benefits	Health	Care allowance	Education		Housing subsidy	Rent and interest advantage from subsidised housing/loans
						Pupils	Students		
In % of total gross income									
1 st decile	86.4	38.9	48.6	37.8	24.4	77.8	162.2	9.3	14.7
5 th decile	22.5	.	12.5	14.5	10.2	20.7	37.8	.	3.7
10 th decile	.	.	3.0	4.0	3.3	5.7	11.0	.	0.9
1 st tercile	61.5	31.4	26.3	25.1	16.9	40.9	83.7	8.4	8.1
2 nd tercile	23.1	17.9	11.4	13.5	9.5	19.2	31.6	.	3.4
3 rd tercile	13.4	.	4.7	6.0	6.3	9.7	15.9	.	1.6
Total	41.7	24.9	10.0	10.9	10.1	18.2	28.9	8.0	3.4
Shares of affected households in % of all households									
Total	7.6	3.6	29.3	100.0	8.1	19.0	8.8	4.5	27.7

S: Statistics Austria, EU-SILC 2016; OeNB, HFCS 2014; WIFO calculations. – "." ... Result is based on low case numbers in the sample.

Redistribution: Net payers and receivers, 2015

Quantiles in terms of primary income

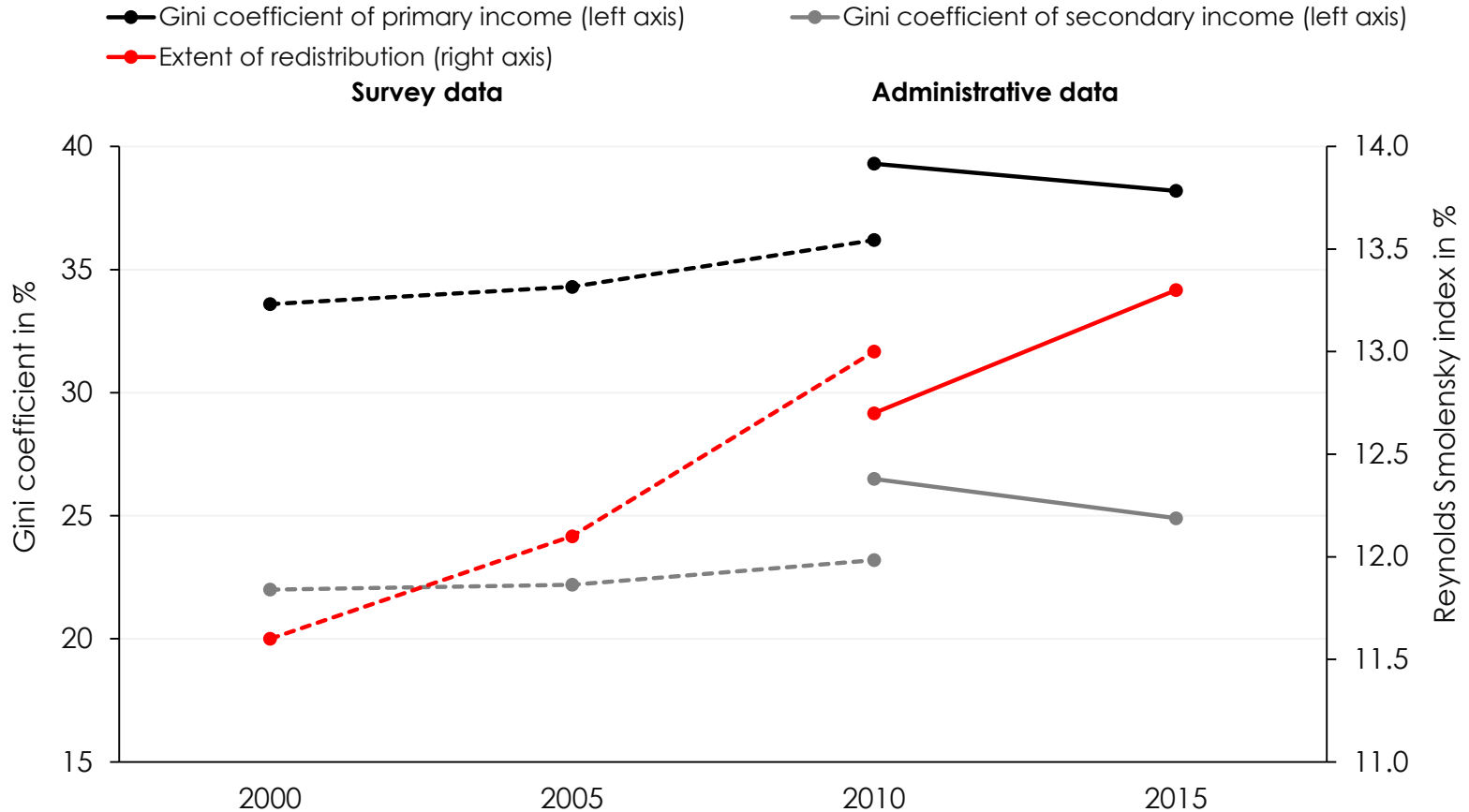
	Baseline version			Alternative version		
	Primary income incl. statutory pensions	Disposable income	Secondary income	Primary income excl. statutory pensions	Disposable income	Secondary income
	In € per month					
1 st decile	272	900	1,378	0	1,483	1,818
2 nd decile	1,109	1,214	1,735	80	1,725	2,082
3 rd decile	1,571	1,469	1,898	277	2,081	2,440
4 th decile	1,973	1,710	2,095	762	1,940	2,384
5 th decile	2,341	1,929	2,291	1,681	1,671	2,142
6 th decile	2,733	2,190	2,518	2,479	1,928	2,234
7 th decile	3,189	2,468	2,729	3,214	2,175	2,467
8 th decile	3,759	2,784	3,032	4,048	2,562	2,781
9 th decile	4,662	3,311	3,476	5,158	3,057	3,213
10 th decile	8,165	5,423	5,412	8,826	5,007	5,002
1 st tercile	1,070	1,240	1,709	156	1,808	2,160
2 nd tercile	2,552	2,068	2,404	2,047	1,865	2,258
3 rd tercile	5,310	3,711	3,856	5,756	3,416	3,551

→ Poorest 40 (50) percent of households are net receivers and the richest 60 (50) percent are net payers

Overall redistribution 2015: main results

- Income spread massively reduced by redistribution
 - Before redistribution, income in the top decile of the income distribution was **30 times** that of households in the bottom decile; after redistribution, it was only **5.5 times** higher
- Redistribution mostly **through expenditure side**
 - 41% of total redistribution attributable public benefits in kind, 31% to cash benefits
 - Taxes and social contributions only accounted for 28% of redistribution
 - The regressive effect of indirect taxes lowered the extent of redistribution
- Monetary redistribution: Only for **20% poorest households** monetary transfers outweigh the burden from income taxes and employees' social contributions
- Total redistribution: The **poorest 40%** of households were **net receivers** and the richest 60 percent net payers (baseline version)

The longer term: 2000, 2005, 2010, 2015



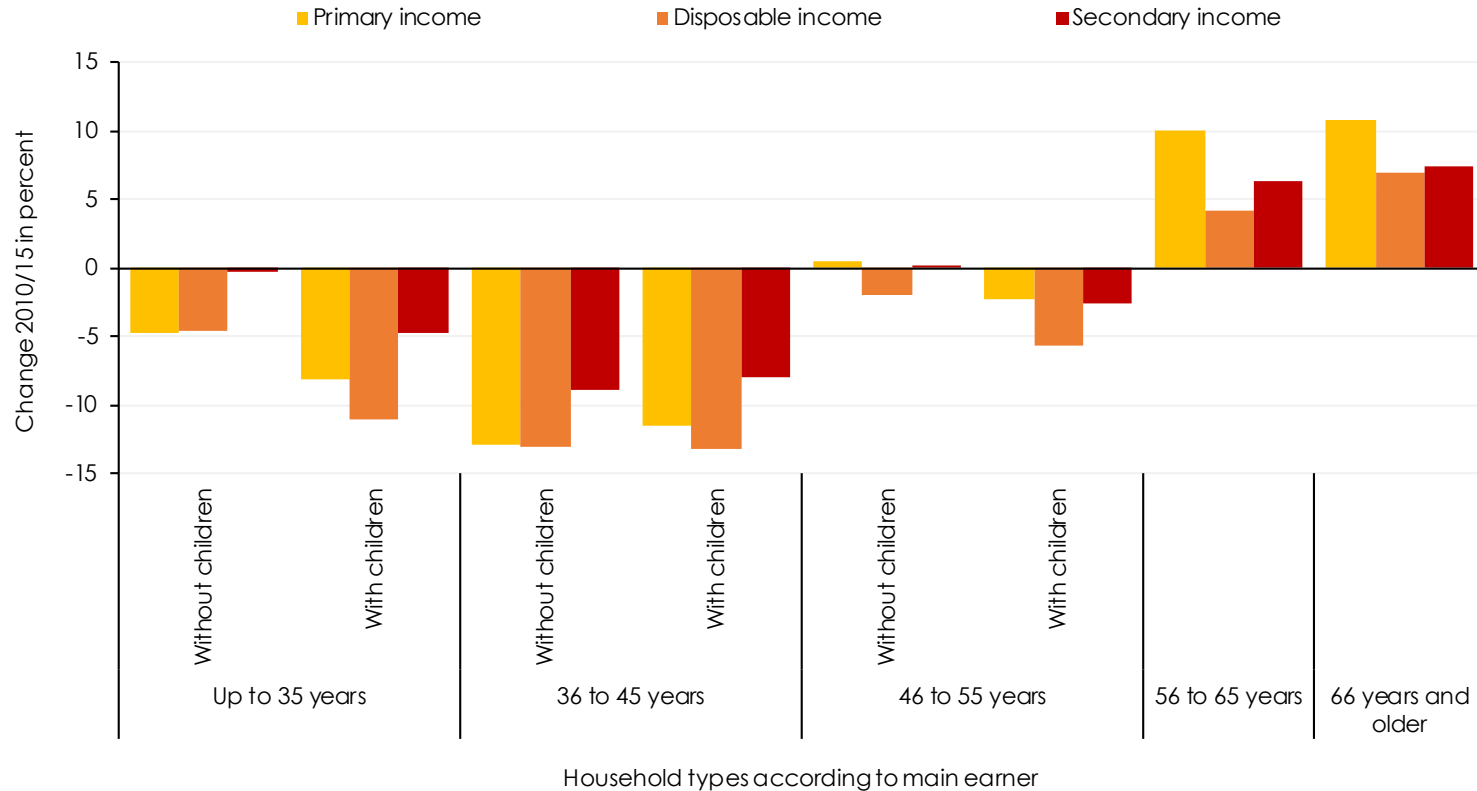
S: Statistik Austria, consumption survey 1999/2000, EU-SILC 2006 (survey data), EU-SILC 2011 (survey and administrative data), EU-SILC 2016, consumption survey 2009/10, consumption survey 2014/15; HFCS 2009, HFCS 2014.

Change in poverty rates by household type, 2010 – 2015

	Income from labour and capital	Primary income	Total gross income	Disposable income
	Relative poverty ratio 2015, percent			
All households	34.8	23.2	19.2	15.5
	Change 2010-2015, percentage points			
All households	+1.2	+0.1	-0.1	+0.0
Main income earner				
Up to 45 years with child	+0.5	+4.3	+3.1	+3.1
Up to 45 years without child	+0.1	-2.9	-1.8	-1.2
46 to 65 years with child	+3.2	+1.2	+1.7	+2.3
46 to 65 years without child	+0.1	+0.1	+0.1	-1.0
66 years and older	+2.2	-4.9	-5.8	-4.7

S: Statistik Austria, EU-SILC 2011 (administrative data), EU-SILC 2016; HFCS 2009, HFCS 2014; WIFO calculations. – Relative poverty ratio: share of persons with income no higher than 60 percent of the median for the respective household income.

Real income growth or loss by household type between 2010 and 2015



S: Austrian Family Report 2021.

Changes in overall redistribution: main results

- Primary income slightly **less unevenly distributed** in 2015 than in 2010 – after one decade of rising inequality
- Nevertheless extent of **redistribution** slightly **increased**
 - Automatic stabilisers (unemployment, income tax)
 - Demography
- **Stability on average masks** household **mobility** across the income distribution:
 - In contrast to other groups, households with **younger adults** experienced **real income losses** both before and after redistribution
 - **downward** shift in the income distribution
- Relative **at-risk-of-poverty rate** increased in households with children and decreased in households with pensioners

Impact of the Covid-19 crisis on the income distribution 2020

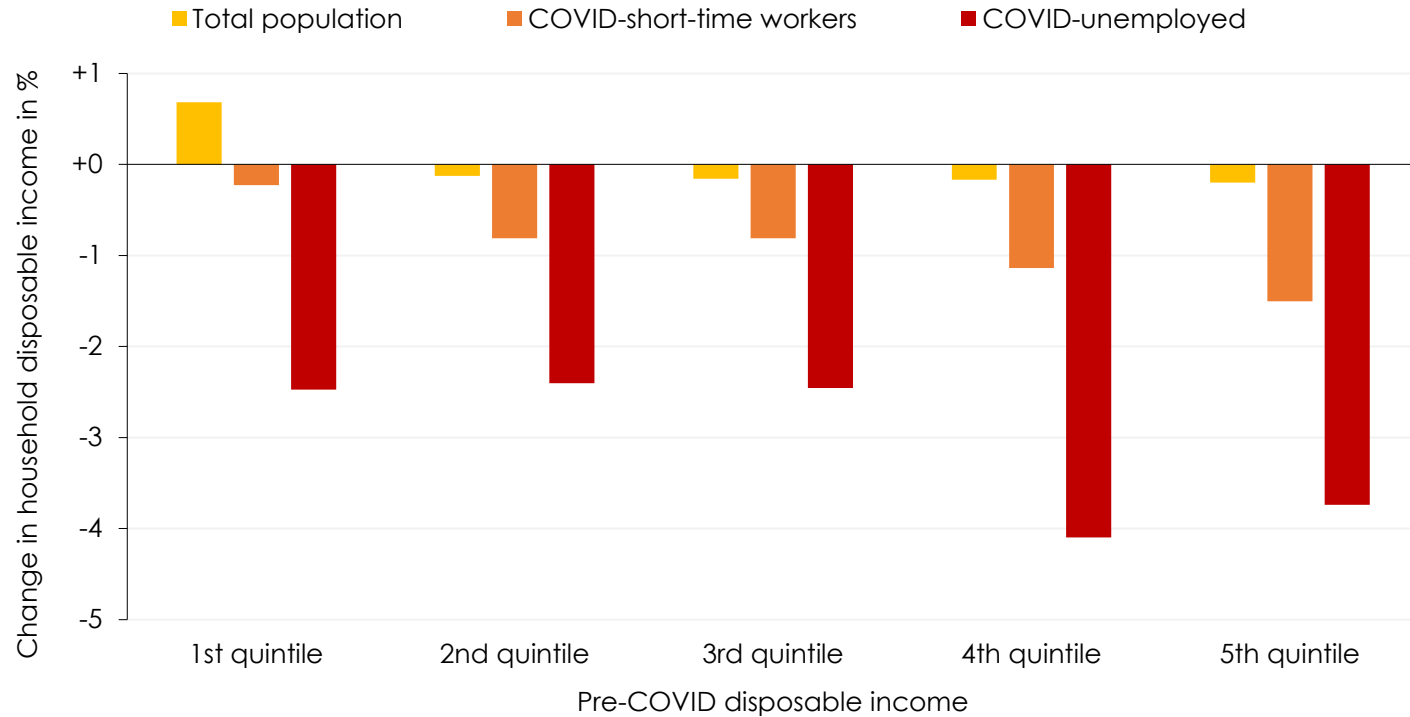
Fink, M., Moreau, C., Rocha-Akis, S. (2020)

- **Nowcasting and microsimulation** based on Labour Force Survey and other microdata up to **June 2020**
- Excludes self-employed
- Completion: August 2020
- Funded by the Ministry of Social Affairs

Main results

- **Heterogeneous effects** by socio-demographic characteristics
- **Poorest 20%** of population experienced **slightly positive effects** on disposable income due to implemented crisis measures and low attachment to labour force
- **Income losses** of affected workers **increase** both in absolute and relative terms **with rising pre-COVID income** (decreasing effective net replacement rates of unemployment benefits and short-time work)

Distribution of COVID-shock, 2020



S: WIFO Micromod. Data: Statistik Austria, EU-SILC 2018; Statistik Austria, Microcensus 2020; BMAFJ, Short-time work data; DVSV. Based on data up to **June 2020**.

COVID-19 revenue and distributional effects of fiscal measures

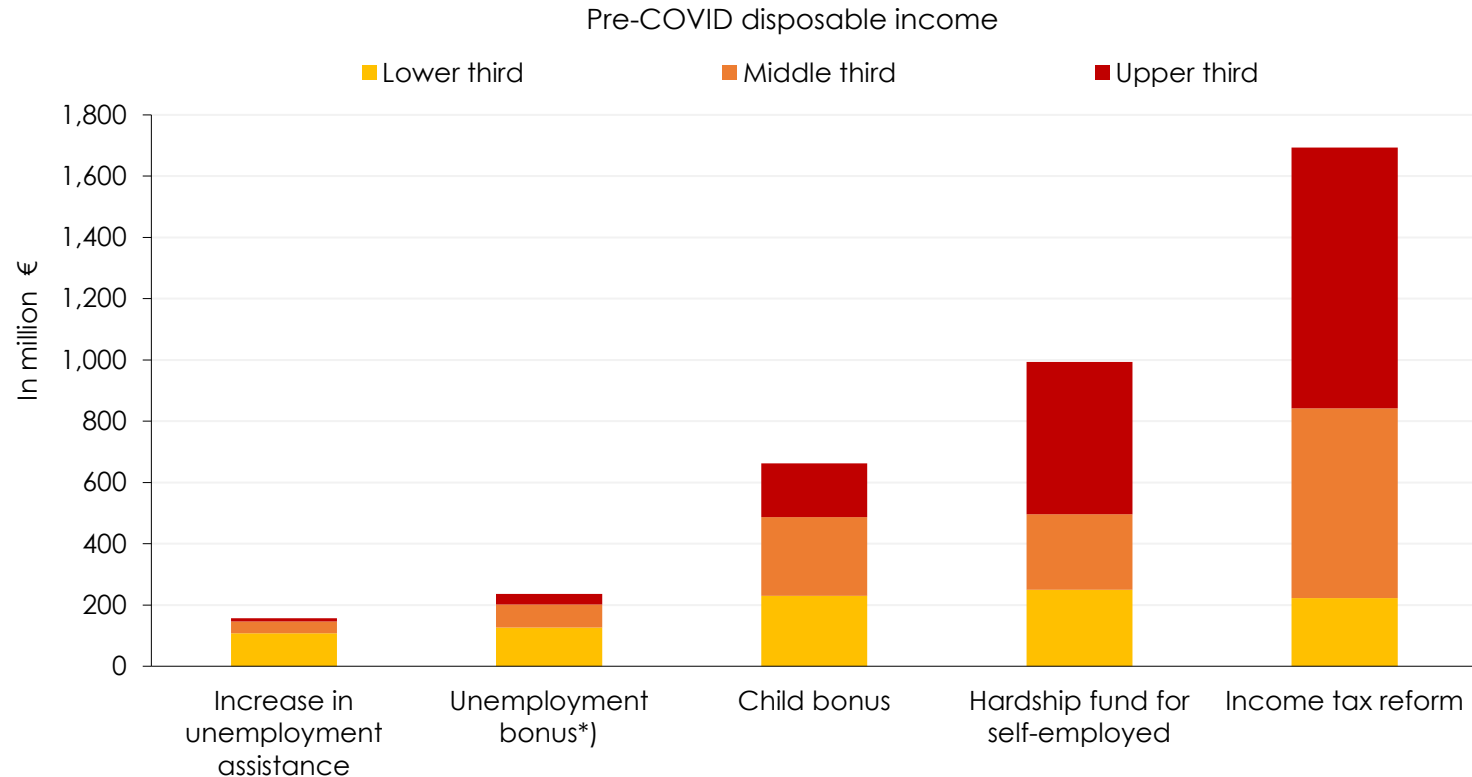
Baumgartner, J. Fink, M., Moreau, C., Rocha-Akis, S., (WIFO), Lappöhn, S., Plank, K., Schnabl, A., Weyerstraß, K. (IHS) (2020)

- Cyclical, fiscal and distributional effects of selected measures at three successive levels: micro, macro and sectoral-regional levels
- Microsimulation based on Labour Force Survey and other microdata up to **September 2020**
- Completion: December 2020
- Funded by the Ministry of Finance

Main results disregarding short-time work:

- Distributional impact mainly determined by **income tax reform and** subsidies to self-employed (**Hardship Fund**): **half of the volume goes to the upper third** of the population
- **Relative increase** in disposable income **strongest** in the **lower income third** (+3.1%)

Effect of fiscal measures on disposable household income, 2020



S: WIFO Micromod. Data: Statistik Austria, EU-SILC 2018; Statistik Austria, Microcensus 2020; BMAFJ, Short-time work data; DVSJ, WKO. Based on data up to **September 2020**. – *) The unemployment bonus takes into account the first payment in September. The second payment in December could no longer be taken into account in this study due to the timing of the announcement.

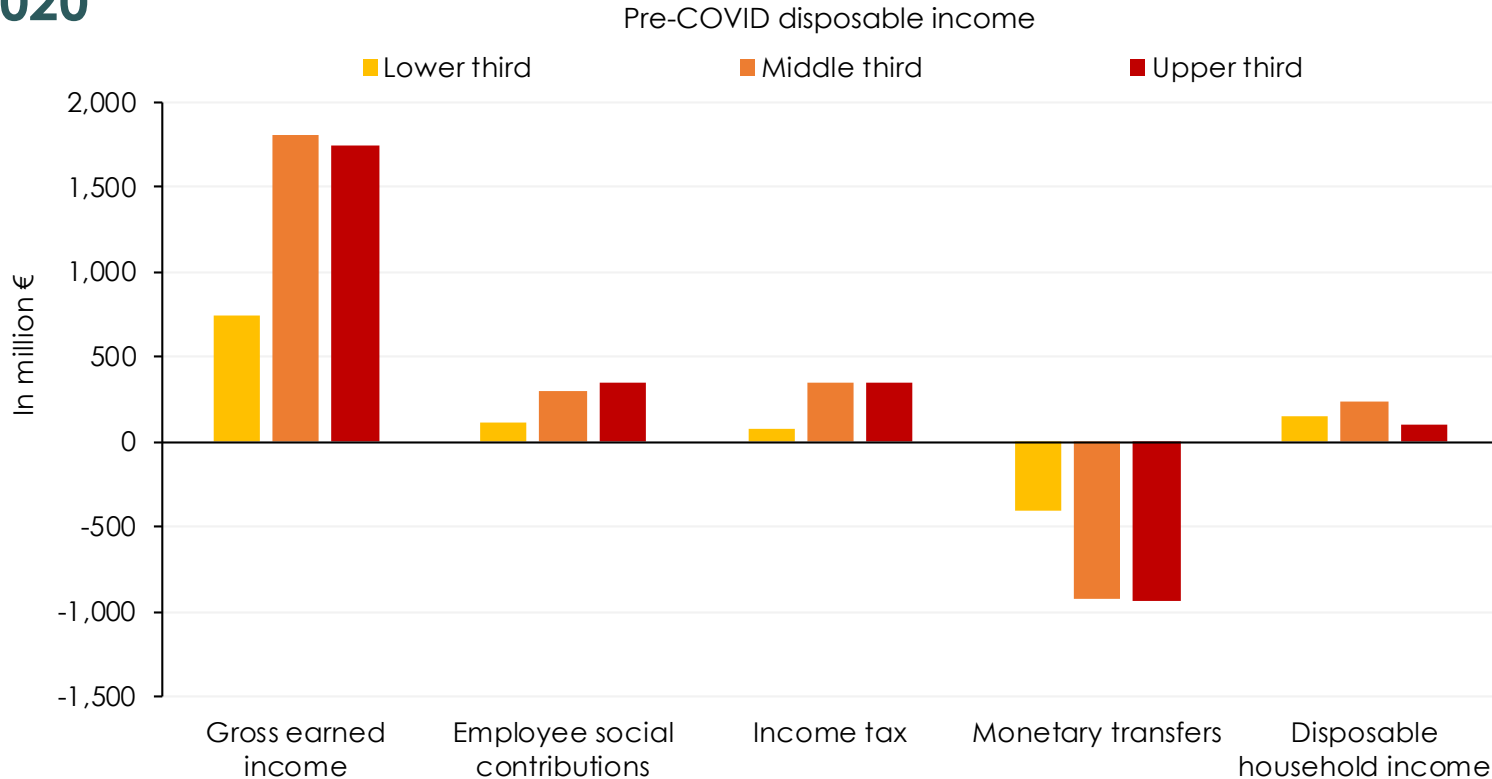
Impact of short-time work

- Requires **counterfactual scenario**: developments in the labor market due to COVID-19 crisis **in the absence of the short-time work instrument**

Main results

- Increase in employment → increase in aggregate gross earned income (benefitting mostly middle and upper third)
- **Offsetting income effects**:
 - Increase in social security contributions and income taxes
 - Decrease in unemployment → decrease in unemployment insurance benefits
- **Modest net increase in aggregate disposable household income** due to short-time work instrument
- Yet, significant contribution to **stabilising employment** and preventing a stronger rise in unemployment and related consequences

Aggregate disposable household income effect of short-time work, 2020



S: WIFO Micromod. Data: Statistik Austria, EU-SILC 2018; Statistik Austria, Microcensus 2020; BMAFJ, Short-time work data; DVSV, WKO. Based on data up to **September 2020**.

Literature

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