Summary of the Vienna Wealth Report 2012

City of Vienna
Vienna is special.
Summary of the Vienna Wealth Report 2012
Administrative Group for Public Health and Social Welfare

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Summary of the Vienna Wealth Report 2012
Preface by the Executive City Councillor

Dear readers,

In the government manifesto of the Social Democrat-Green coalition government of the City of Vienna, we agreed to produce a poverty and wealth report for Vienna. The Vienna Social Welfare Report 2012 contains, for the first time, not only a description of the living and income situation of Vienna’s population but also data and analyses on the distribution of wealth in Vienna. While the Vienna Social Welfare Report provides a very detailed analysis of the situation of the Viennese, there is a dearth of data about wealth in Vienna but also in Austria overall. That is quite extraordinary. People who live in poverty have to disclose every aspect of their living conditions and income, while wealthy people can usually avoid such disclosure.

In September 2012, the Austrian National Bank published a study on private households’ wealth based on a survey and other available data. The Austrian National Bank generously provided us with the necessary data to analyse the specific situation of Vienna.

The results are remarkable. The Viennese are less wealthy than the average Austrian. Ownership of real assets, in particular, is less frequent than in the other federal provinces due to the large amount of municipal housing in Vienna. However, the distribution of wealth is even less equal in Vienna than in the rest of Austria. 40% of Viennese households have hardly any wealth. The top 30% hold nearly 92% of the total net wealth. The disparity in wealth distribution is even more drastic than in income distribution.

Social problems are often the result of an unequal distribution of material or immaterial resources in a society and the resulting different opportunities in life. Therefore, it must be the objective of any responsible policy to combat social inequality and provide equal opportunities for all. The Vienna Wealth Report is an important new source of information and basis for decision-making for politicians. In order to make this data accessible to an international audience, we have translated an abridged version into English.

Yours sincerely, Sonja Wehsely
Executive City Councillor for Public Health and Social Affairs
Coordinated by the European Central Bank (ECB), the national central banks of the Eurosystem collect data on private households’ wealth, debt, income and spending in the Household Finance and Consumption Survey (HFCS). These data are important for the ECB and the national central banks to analyse financial policy and stability issues. This survey conducted by the Oesterreichische Nationalbank (OeNB) provides the first comprehensive data on private households’ finances in Austria. Vienna, as the primary financial centre and capital of Austria, differs greatly from the rest of Austria in terms of assets, e.g. a lower home ownership rate. Due to the relatively small sample size for Vienna (approximately 430 households), the analysis has limited applicability. However, the HFCS data are the only source of microdata available to gain an impression of the financial situation of Viennese households. Wealth is distributed less equally in Vienna than in the rest of Austria. This is particularly due to a different household structure (more single-person households) and a considerably lower home ownership rate.
1 Distribution of wealth in Vienna: First results of the 2010 HFCS survey

1.1 Introduction

In autumn 2012, the Oesterreichische Nationalbank (Austrian National Bank) published the first ever data on the distribution of net wealth in Austria. The Household Finance and Consumption Survey (HFCS) of the Eurosystem is conducted by the national central banks of the Euro area since 2010, following an initiative of the ECB. The harmonised data are important for the ECB and the participating national central banks to analyse questions of financial policy and stability. The HFCS is a survey of the finances and consumption of private households and allows the analysis of the wealth of private households based on the highest scientific standards. In Austria, there was previously no single survey at the household level that collected data on real assets, financial assets, and debts. There were only two household-level surveys that evaluated some of these aspects: The 2004 Survey on Financial Wealth and the 2008 Household Survey on Housing Wealth by the Oesterreichische Nationalbank. Now detailed data on real assets, finances and debts of private households are finally available for the first time. With these data, it is possible to draw a comprehensive picture of household wealth and the distribution of wealth in Austria.

1 See http://www.hfcs.at.
1.2 Challenges in household surveys

Internationally, household surveys are the preferred instrument for gathering data on the wealth of private households. Banca d’Italia has been conducting such surveys since approximately the 1960s and the US Federal Reserve System for nearly 30 years. Now the ECB has also adopted this approach together with all the national central banks of the Euro area.

The HFCS is a household survey with voluntary participation. Therefore, it is not possible to gather comprehensive data on the upper margin of the distribution, particularly for financial assets. Estimates concerning wealth distribution that are made based on the HFCS data can therefore only be considered the lower margin of the actual distribution inequality (cf. the Austrian Federal Government’s Social Report 2012).

Voluntary surveys of household wealth have advantages and disadvantages. Both the voluntary participation and the use of interviews to gather data raise some concerns. However, there is no alternative to interviewing people directly when gathering data on wealth, as only very few countries (e.g. in Scandinavia) have official statistics on household wealth.

Household surveys have a middle-class bias: homeless people and residents of nursing and care facilities are not surveyed (because they are not part of a household) and the exceedingly rich rarely participate. While it is relatively inconsequential for determining overall wealth disparity whether people without wealth are surveyed, this is hardly the case with the wealthy part of the population. As wealthy people own a very high share of total wealth, omitting their data from the pool distorts the data on the actual distribution of wealth considerably. Wealthy people participate less frequently in voluntary household surveys than others, and when they do, they are more likely to withhold responses to certain questions. Therefore, voluntary household surveys do not portray the distribution of wealth in society adequately.

Other methods of improving survey results in this respect are currently not realistic, as measures such as abolishing banking confidentiality, requiring detailed information on private foundations (including those abroad), the automatic exchange of information with financial institutes abroad or a regular survey of current market values of all real estate are not currently being seriously discussed in Austria.

It is particularly challenging to gather statistical data on financial assets and investment income. Both the concentration of wealth and the number of nonresponses are particularly high in these areas, resulting in considerable underreporting.
Respondents find it difficult to estimate the current market value of their assets during a survey, especially if the assets were inherited, received as a gift, or purchased a long time ago and the respondents are not sufficiently familiar with the market. For some components of wealth it is particularly difficult to estimate the market value, such as investments in businesses. There is also a fictitious element to some values, e.g. estimating the possible resale value of real estate, even though the respondent is not planning to ever sell it and that property – e.g. the respondent’s owner-occupied home – fulfils another function of wealth. The values of different components of wealth do not change simultaneously, either, making it hard to achieve a uniform view of total wealth.

However, personal interviews allow the interviewer to verify the responses immediately. Joke answers, which are exceedingly rare in these surveys, are easily detected through simple cross-checks. A large number of plausibility checks and research allow researchers to work meticulously. The microdata can also be cross-referenced with the banking statistics (savings by deposit category) and the Company Register (equity in limited liability companies). The microdata on financial assets are compared with the financial accounts for Austria. As the interviewers contribute a large number of observations concerning furnishing, location, environment and size of the respondents’ homes, the results concerning real estate wealth can be verified particularly well. Real estate wealth accounts for the majority of private net wealth.

1.3 Definition of wealth

It is always necessary to choose one of the many possible definitions of wealth.

We can distinguish between productive wealth, real estate, financial wealth (savings, bonds, stocks), intangible assets (licenses, copyright, patents), environmental capital, human capital (qualification of labour) and social wealth (right to a pension).

Simply put, wealth is everything that can be turned into money. Aristotle defined wealth similarly: *Wealth is everything whose value is measured by money*. However, even the value of a home is not measured only in money but also in intangible values (such as memories of parents and childhood).

With pension benefits, delimitation is even more difficult: In pay-as-you-go pension systems, paying contributions into the system entitles contributors to benefits when they retire. Such an entitlement cannot be sold or used as collateral for loans. It can also change due to new legislation or may never be converted into money if the recipient passes away before retiring. To some small extent, however, old-age pensions are also organised in funded pension systems. Here, wealth can take the form of life insurance contracts, private pension insurance contracts or company pensions. These financial assets are included in the assessment of private household wealth.

These differences in the significance of different types of wealth show how multifaceted the concept of wealth is. It is likely that components of wealth will have different functions, time horizons, degrees of liquidity or volumes in a city.
than in a rural area. Such differences must be taken into consideration when comparing Vienna with the rest of Austria. In terms of value, owner-occupied real estate is the most important type of investment and real estate ownership is much more important in rural than in urban areas.

It is important to consider public housing in the assessment of wealth as well. The option of living in affordable municipal housing provides an alternative to owning real estate. In principle, many people would not have to care about wealth. A working welfare state, an effective public health care system, full employment and sufficiently well-paid and safe work are the pillars of social safety and security, and therefore a substitute for material wealth. In a way, wealth is subsidiary and only becomes important for many people when these three pillars no longer hold. If someone loses their job or needs nursing care, they need material reserves. Even the question of how much wealth is necessary as reserve for such crises, however, can only be answered in relation to the way in which the welfare state provides for its citizens.

When looking at private wealth we must, therefore, always consider how it interacts with public services. If public housing is available, there is no need to buy a house and take out a mortgage. If the public health care system works, there is no need to save for medical bills. And if there are free public universities, students do not necessarily need student loans or financial support from their parents.

However, it is not only different compositions and functions of wealth that must be considered when making comparisons: the household composition can differ considerably as well. In Vienna, there is a considerably larger number of smaller households, and particularly the share of single-person households is larger than in the rest of Austria.

**1.4 Functions of wealth**

Wealth fulfils different functions:

1. **Income generation**: Wealth can generate income from dividends, rents, leasing receipts, interest or distributed profits.
2. **Use**: Real assets can be used for production or consumption.
3. **Provision**: Wealth can be spent in emergencies.
4. **Transfer**: Wealth can be transferred (as gift or inheritance).
5. **Power**: Great wealth can grant social status and political and economic power.

Some of these functions are likely important for everyone (income generation and use). Others are primarily important for the wealthy parts of the population (inheritance, power and status) or income-poor people (emergency savings). Wealth increases the choices someone has.

The relative significance of the functions of wealth is likely to differ between urban and rural areas – a car may be less important in Vienna than in rural regions that have no good public transport network.
1.5 Distribution of wealth vs. distribution of income

The distribution of wealth differs from the distribution of income in many respects. Nearly everybody has income, but not everybody necessarily has wealth. It is generally harder to measure the distribution of wealth than of income. As there is no longer a property or inheritance tax in Austria, tax registers cannot serve as sources of data on wealth. A property tax would most likely also have exemption amounts, so that a (considerable) part of private households would not be in the data pool. Macrodta (national accounts, financial accounts) provide information on developments in the individual sectors (households, businesses, state), but not on the distribution of wealth within those sectors. All studies indicate that wealth is far more unequally distributed than income. Wealth is an indicator of power. Therefore, wealth is more important than (high) income when it comes to evaluating who can be considered rich. Assets are a more permanent source of wealth than income. A key factor in the distribution of wealth is that wealth gives a good start in life.

In countries such as the US, where there are far less public services (education, health care, pensions) than on the European continent, the average private wealth is higher. However, this does not mean that these people are richer. Again, we have to look at private and public assets together. So far, there is no convincing conceptual framework for a statistical application of this view.

In order to assess the concentration of wealth, it is important to look closely at the edges of the distribution (top 1 percent, top 0.1 percent, top 0.01 percent). However, this is not possible with data from a sample with optional participation. It is important to note that the very rich (and, e.g., their foundations) are not included in this assessment of the wealth distribution in Vienna, as the HFCS cannot record their data (as explained in section 1.2).
1.6 Comparison of wealth distribution in Vienna and the rest of Austria

Income and wealth distribution is usually measured with the Gini coefficient. The Gini coefficient depicts the complete distribution and allows the comparison of different-sized units. Therefore, Vienna’s Gini coefficient can be compared with that of Austria.

Box: **Gini coefficient**

The Gini coefficient, or Gini index, is a distribution measure of inequality. Complete equality (everybody has exactly the same amount) is expressed as 0, while a coefficient of 1 expresses maximum inequality (one person owns everything).

However, the same Gini coefficient can be the result of very different distributions, which would be evaluated differently in normative terms. It allows the evaluation of relative distribution but does not reflect the absolute wealth of the households. The same Gini coefficient could represent a distribution where the risk of poverty starts at €9 and one where the poverty threshold is €500. When it comes to the distribution of wealth, the absolute level of wealth, i.e. the emergency funds they can use, matters to the poor. In such a case it is important that the emergency funds are sufficient (e.g. for dental surgery, broken household appliances, etc.)

The Gini coefficient is not a very robust measure, which means that individual observations can influence the value very strongly. It also has no upper bound, which can be an issue if a variable can have negative values as well (e.g. net wealth = wealth minus debt). There are also some problems with interpretation if two Gini coefficients refer to populations that differ greatly in other aspects. If, for example, the populations being compared differ greatly in their household composition and size, it is doubtful whether different Gini coefficients can be interpreted in a meaningful way without considering this composition.

**Example:** Let there be two households. One household has €50, the other one has €100. The situation must be evaluated very differently if a) the first household consists of one person and the second household of two or if b) the first household has five members and the second is a single-person household. The differences between the reference populations used in the comparison must always be taken into consideration.

The appropriate value for the Gini coefficient also depends on subjective assessments. There is no generally accepted optimum. This is resolved by observing changes over time: Does the distribution remain stable, does it become more or less equal? We will only be able to do so once we have the results of the second wave of HFCS data in 2014.

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If all values are positive, the Gini coefficient remains strictly between 0 and 1.
The sample size (2,380 in the HFCS Austria) and the lack of oversampling of the wealthy also make it harder to evaluate the distribution. Analyses that are possible for Austria as a whole are problematic for Vienna (sample size 430). Analyses of the upper margin (top 0.1% etc.) are impossible, as interesting as they would be with regard to questions of power and democracy. There is no statistical data on assets in the upper margin.

The higher the quality of wealth distribution data, the higher the inequality that will be measured because the distribution of data deficiencies is unequal as well. This is particularly striking where income from self-employment, investment income, and financial and real wealth – the typical resources of the wealthier – are concerned.

A definition that is analogous to that of poverty (60% of the median net equivalent income) would be misplaced. Were the same method used to define a richness threshold, it would be very low indeed, as the lower half of households has very little wealth. This would define a large number of people as rich. It is also important to note that this would define richness by income and not by wealth, which would be a mistake. There is no uniform measure for the poor and the rich, and this exemplifies the problems of measuring social inequality in a suitable way.

Quantile
A quantile, in statistics, is a measure of location. It defines a certain part of a data set, i.e. it determines how many values of a distribution are above or below a certain limit. Some specific quantiles are the median (half), quartile (quarter), quintile (fifth part), decile (tenth part) and percentile (hundredth part). If an ordered observation is divided into four equal parts, we speak of four quartiles. The first quartile includes all values that are smaller than a quarter of all values (i.e. the lowest 25% of the distribution).

In order to avoid an arbitrary definition of wealth, the share of quantiles in the total net wealth is often used instead. P90/P10 relates the lower boundary of the tenth decile to the upper boundary of the first decile. This indicator is robust against negative wealth in the lowest 10% and value fluctuations in the top 10%. The problem with P99/P1 is that positive and negative net wealth cannot be compared with each other. Whether the share is small or large cannot be evaluated below without a subjective judgment concerning the desirable distribution. Therefore, we refer the reader to studies of variations over time or country comparisons. It is less important to determine a threshold where wealthy becomes rich than to define what exactly wealth is.

Following Amartya Sen’s capability approach, poverty is understood as being deprived of opportunities to live a good life. Analogously, wealth could be defined as having many opportunities to shape one's life. This interpretation, however, focuses solely on the positive functions of wealth and it falls short in terms of analytical capability, as it ignores the excess of opportunities rich people have.

In view of the statistical limitations of household surveys concerning private wealth, caution should be exercised in interpreting the data with regard to economic and social policy (e.g. they should be considered a valid source of information only for wealth up to the lower double-digit million euro range).

1.6.1 Limitations to the interpretation of data

Based on the HFCS data from Viennese households we analyse both the participation rates in the wealth components and the value of the wealth components held. However, these can only be feasibly interpreted as estimates and/or in relation to the figures for the rest of Austria, i.e. to detect a tendency with regard to two questions:

(i) Do private households in Vienna hold a certain wealth component more or less frequently than households in the rest of Austria?

(ii) Do households in Vienna hold more or less wealth in these components than households in the rest of Austria and how is that wealth distributed among Vienna’s households?

1.6.2 Distribution of wealth in Vienna and the rest of Austria

Diagram 1 shows the percentiles of net wealth distribution in Vienna and the rest of Austria. We can see that close to 40% of Viennese households have hardly any wealth at all. Generally speaking, if we compare percentiles, net wealth in Vienna is lower than in the rest of Austria up until the 90th percentile.

This is mainly attributable to the differences in main residence ownership and household size. While in the rest of Austria, some 56% of households own their main residence, only approx. 20% do so in Vienna (cf. tables 4 and 5). The distribution of household sizes in Vienna also differs greatly from that in the rest of Austria. In the rest of Austria, only 35% of households are single-person households – in Vienna it is more than one in two. Households are generally smaller in Vienna. Over 80% are one or two-person households. This has a strong impact on measuring wealth distribution (see example in section 1.6). We can use non-parametric (i.e. independent of distribution) re-weighting methods to explore what the distribution would be like if Vienna had the same household structure as the rest of Austria. The results show that between 25% and 50% of the differences in wealth (depending on the area of distribution) can be explained with the different distribution of household sizes.

Nevertheless, we have indicated the exact estimate values to allow data users to perform their own calculations and compare the values.
The distribution measures show that inequalities are mainly caused by real assets (Gini 0.84). However, the other wealth components are also distributed very unequally (see table 2).

We can also look at the share that the wealthiest households have in the overall wealth. Although it is not unusual to examine the top 1% or top 0.1% of households, this is not admissible for the HFCS data in general and certainly not for the relatively small sample size for Vienna. Therefore, table 3 shows what share of the total volume of a category the top 10%, top 20% and top 30% households own. These are category-specific concentration measures. Relatively speaking, the majority of households in Vienna have almost no wealth because the top 30% hold nearly 92% of the total net assets.
The concentration is highest for real assets. The top 30% of households in the real wealth category own nearly 96% of total real wealth. The concentration of wealth in the top 10% is enormous. The wealthiest 10% in each category own far more than half of the total of each wealth component, in the case of real wealth even more than two thirds.

### Table 3: Shares of the main types of wealth in Vienna

<table>
<thead>
<tr>
<th></th>
<th>Top 30 in %</th>
<th>Top 20 in %</th>
<th>Top 10 in %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Real assets</td>
<td>96.1</td>
<td>87.8</td>
<td>68.3</td>
</tr>
<tr>
<td>Financial assets</td>
<td>87.8</td>
<td>79.1</td>
<td>63.3</td>
</tr>
<tr>
<td>Gross wealth</td>
<td>90.0</td>
<td>80.1</td>
<td>62.2</td>
</tr>
<tr>
<td>Net wealth</td>
<td>91.6</td>
<td>81.7</td>
<td>63.7</td>
</tr>
</tbody>
</table>

Sources: HFCS Austria 2010, ÖNB.

The next analysis compares the composition of wealth of Viennese households with the rest of Austria (table 4). However, the estimates – in particular for less frequent (<10%) wealth components – should be interpreted with caution and – as stressed in 1.6.1 – seen as an indication with regard to the values for the rest of Austria and Austria overall. The estimates for more common wealth components are relatively precise even for Vienna.

Like in the rest of the country, motor vehicles are the most common real asset in Vienna. With a participation rate of approx. 54%, however, their share is considerably lower than in the rest of Austria, where some 81% of households own one. Main residence ownership is the key difference between Vienna and the rest of Austria. While approx. 56% of households in the rest of Austria own their main residence, the figure is less than 20% in Vienna. Viennese households have slightly more direct investments in businesses in which at least one household member is active, but they tend to be farms less frequently than in the rest of Austria. Viennese households own real estate property other than their main residence a bit more frequently and these are more often allotment gardens and secondary residences than in the rest of Austria.

The portfolio of financial assets is very similar in Vienna and the rest of Austria, with the exception of lending money to other households, which appears to be a bit more common than in the rest of Austria. However, this difference should be interpreted with caution as well, as it could be a statistical artefact caused by the small samples. Only the next HFCS wave might provide the answer to this.

The smaller share of households with collateralised debt in Vienna, on the other hand, is in accordance with the lower main residence ownership rate. The higher rate of uncollateralised loans and overdrafts is typical of young single-person households, which are more common in Vienna, and of households at the lower end of wealth distribution in general.
### Table 4: Subcomponents of net wealth
Sources: HFCS Austria 2010, OeNB.

<table>
<thead>
<tr>
<th>Participation in %</th>
<th>Austria</th>
<th>Vienna</th>
<th>Rest of Austria</th>
</tr>
</thead>
<tbody>
<tr>
<td>Real assets</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>vehicles</td>
<td>74.9</td>
<td>54.3</td>
<td>81.2</td>
</tr>
<tr>
<td>main residence</td>
<td>47.7</td>
<td>19.8</td>
<td>56.2</td>
</tr>
<tr>
<td>other valuables</td>
<td>23.6</td>
<td>39.9</td>
<td>18.6</td>
</tr>
<tr>
<td>other real estate property</td>
<td>13.4</td>
<td>16.9</td>
<td>12.4</td>
</tr>
<tr>
<td>investment in self-employed businesses (incl. farms)</td>
<td>9.4</td>
<td>7.2</td>
<td>10.0</td>
</tr>
<tr>
<td>Financial assets</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>sight accounts</td>
<td>99.0</td>
<td>99.3</td>
<td>98.9</td>
</tr>
<tr>
<td>savings accounts</td>
<td>87.1</td>
<td>83.9</td>
<td>88.1</td>
</tr>
<tr>
<td>saving plans with building and loan associations</td>
<td>54.7</td>
<td>47.6</td>
<td>56.8</td>
</tr>
<tr>
<td>life insurance contracts</td>
<td>38.0</td>
<td>39.9</td>
<td>37.4</td>
</tr>
<tr>
<td>money owed to household</td>
<td>10.3</td>
<td>17.2</td>
<td>8.3</td>
</tr>
<tr>
<td>mutual funds</td>
<td>10.0</td>
<td>11.1</td>
<td>9.6</td>
</tr>
<tr>
<td>stocks</td>
<td>5.3</td>
<td>4.5</td>
<td>5.5</td>
</tr>
<tr>
<td>bonds</td>
<td>3.5</td>
<td>5.0</td>
<td>3.1</td>
</tr>
<tr>
<td>other financial assets</td>
<td>2.3</td>
<td>2.3</td>
<td>2.2</td>
</tr>
<tr>
<td>Debt</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>collateralised debt</td>
<td>18.4</td>
<td>7.8</td>
<td>21.6</td>
</tr>
<tr>
<td>main residence</td>
<td>16.6</td>
<td>5.3</td>
<td>20.1</td>
</tr>
<tr>
<td>other real estate property</td>
<td>2.4</td>
<td>2.8</td>
<td>2.2</td>
</tr>
<tr>
<td>uncollateralised debt</td>
<td>21.4</td>
<td>27.4</td>
<td>19.5</td>
</tr>
<tr>
<td>overdraft</td>
<td>13.6</td>
<td>20.1</td>
<td>11.7</td>
</tr>
<tr>
<td>uncollateralised loans</td>
<td>11.1</td>
<td>13.1</td>
<td>10.4</td>
</tr>
<tr>
<td>outstanding balance on credit cards</td>
<td>1.5</td>
<td>2.4</td>
<td>1.2</td>
</tr>
</tbody>
</table>

Because of the differences in ownership structure, the main residences of the households have to be considered carefully. Table 5 shows the different types of use: owner-occupancy, tenancy, and free use. There is a pronounced difference within the group of households renting their home compared to the rest of Austria. While the share of households living in housing cooperatives is quite similar, the households that do not own their flat live far more frequently in provincial or municipal housing (28% in Vienna as compared to 7% in the rest of Austria) or rental flats (33% in Vienna vs. 15% in the rest of Austria).

### Table 5: Renters and home owners in Vienna and the rest of Austria
Sources: HFCS Austria 2010, OeNB.

<table>
<thead>
<tr>
<th></th>
<th>Vienna in %</th>
<th>Rest of Austria in %</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Owned</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>fully owned</td>
<td>18.3</td>
<td>53.1</td>
</tr>
<tr>
<td>partially owned</td>
<td>1.5</td>
<td>3.2</td>
</tr>
<tr>
<td><strong>Rented</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>housing cooperative</td>
<td>15.8</td>
<td>15.7</td>
</tr>
<tr>
<td>provincial or municipal housing</td>
<td>27.9</td>
<td>7.0</td>
</tr>
<tr>
<td><strong>Free use</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>rental flat</td>
<td>32.9</td>
<td>14.5</td>
</tr>
<tr>
<td></td>
<td>3.7</td>
<td>6.5</td>
</tr>
</tbody>
</table>
1.6.3 Socio-economic characteristics and portfolio composition along the wealth distribution

In order to evaluate the differences between households and their portfolios at different points of the wealth distribution, we divided the Viennese households into three groups according to their gross wealth: the 20% of households with the lowest gross wealth, the middle 60%, and the top 20%. We chose gross wealth as the shares of these groups in gross wealth would accumulate to 100% of gross wealth, which would not be the case with net wealth (which can be negative).

Diagram 2 shows the distribution. While the bottom 20% hold only 0.1% of the total wealth and the middle 60% own only a relatively modest 20%, the top 20% of households own approximately 80% of the total gross wealth.

Table 6 shows the average portfolios of these three groups of households. They are very heterogeneous in terms of volume and composition. There is no typical Viennese household. The bottom 20% have nearly no wealth at all. In relative terms, they have more financial than real assets. Their net wealth is negative. In the middle group, real and financial assets are rather balanced, and the net wealth is nearly €50,000. The top 20% own predominantly real assets, of which a large part are owner-occupied main residences. The average net wealth is €650,000. It is important to keep in mind that these are average portfolios: The middle 60% have approximately the same volume of financial and of real assets on average, but this does not mean that this is the case for every household in this group. It is not even necessarily true for a single household in the group. The average portfolios merely provide a general impression of the relevance of a type of wealth in a group. The averages indicate how much of each component each household within that group of households would have if this component were distributed equally among them all.
If we look at these gross wealth groups alongside the distribution in table 5, we can see that public housing is a strong substitute for the low degree of real wealth in Vienna. More than 80% of main residence owner-occupants in Vienna were also in the top 20% of gross household wealth. Conversely, over 45% of households in the bottom 20% and 30% of the middle 60% live in municipal housing. Flat ownership is not accessible to households with low income in Vienna. At the other end of the scale, two thirds of the top 20% own their home. The share of people renting their home decreases considerably with growing wealth.

The majority of households in Vienna have almost no wealth, while the top 30% hold nearly 92% of total net wealth and the top 20% hold nearly 82%. The smaller average household size (more single-person households) in Vienna and a lower home ownership rate than in the rest of Austria create larger inequalities in the distribution of wealth. The Gini coefficient (for net wealth) of 0.80 indicates a comparatively high degree of inequality.

### 1.7 Conclusions

This report provides a first look at the volume and distribution of private household wealth in Vienna. Due to the small sample size, we chose a cautious approach. A large top group was chosen (top 20%), which obscures the actual concentration of wealth in the top percentiles. A number of important questions could not be addressed in this brief report: What is the source of the wealth? Did the owners accumulate it through savings, inherit it, or receive it as a gift? These aspects shall be deferred to in-depth studies. The ECB will make the entire data for the Euro area available for such research purposes in the first quarter of next year.


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