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Towards an Economic Agency Index: Income Composition in a Post-Neoliberal Era

Introduction

In the evolving landscape of post-neoliberal economics, traditional indicators often fail to capture **how households derive their income**. This report proposes an **Economic Agency Index** for OECD countries (with a focus on the U.S.) that breaks down household income into three sources: **wage earnings, property income, and government transfers**. These three components – labor, capital, and public support – collectively form the basis of aggregate demand in an economy. By monitoring the triadic composition of income, policymakers and analysts can gain insight into structural shifts in economic power and well-being that are obscured by one-dimensional metrics like GDP or the unemployment rate [1]. In essence, the index illuminates who has economic agency (through wages or assets) and who relies on collective support, offering a diagnostic tool for an era in which wage labor's dominance is waning.

The sections that follow review existing related indicators, justify the need for this new composite measure in the context of automation and capital concentration, outline a methodology for its implementation, discuss what the index reveals about economic dependency and autonomy, and explore policy levers to change a country's income composition. The goal is a comprehensive understanding of how an Economic Agency Index could fill a critical information gap in post-labor economies.

Existing Indicators and Precedents

While no current indicator directly measures the **three-way composition** of household income, several existing metrics capture pieces of this concept or share a similar intent:

- **Functional Income Distribution (Labor vs. Capital Shares):** Macroeconomic statistics often track the share of national income going to labor (wages) versus capital (profits, interest, and rents). For example, many OECD countries have seen a modest but significant decline in the labor share of GDP over recent decades [2]. This reflects the broad shift of income from wages toward capital. However, such measures typically operate at the national accounts level and **omit government transfers**. They tell us how output is split between labor and capital but not how much households depend on state support or non-market income.

- **Household Main Income Source Classification:** Statistical agencies sometimes categorize households by their predominant income source. An OECD expert group, for instance, classified households into those mainly living on wages, self-employment, property income, or government transfers [3]. This approach (used in distributional national accounts) recognizes the same triad of income sources. It provides valuable snapshots (e.g. identifying the share of households primarily reliant on transfers versus wages), but it is a **categorical grouping** rather than a continuous index. It

doesn't quantify the overall composition of income at the national level, nor track changes over time in a single measure.

- **Gini Coefficient Decomposition by Income Source:** In inequality research, analysts decompose the Gini index to see how different income sources contribute to overall inequality [4]. Such studies treat wages, capital income, and transfers as components and evaluate, for example, whether transfers reduce inequality or property income exacerbates it. This technique reveals that **capital income tends to be far more unequally distributed** than labor income – for instance, global data show the Gini coefficient for capital income (~85 Gini points) is much higher than that for labor income (~73 points) [5]. While informative, this is focused on inequality impact rather than the raw shares of income sources. It tells us the effect on income distribution, but not the simple breakdown of aggregate income into wages, assets, and transfers.

- **Luxembourg Income Study (LIS) Data Structures:** Cross-national microdata projects like LIS provide standardized income components for households (e.g. wages, self-employment earnings, investment income, pensions, social transfers). Researchers can use these to calculate the average composition of disposable income in each country. Indeed, LIS defines "labor income" in a broad sense (often including wages, self-employment, and sometimes even private transfers) and "capital income" (interest, dividends, rental income) [6]. However, **no single LIS indicator** routinely published distills this into an easy-to-read index for policymakers. One must extract and compute it from microdata, meaning the concept has not yet been popularized as a headline metric.

In summary, current tools either **simplify income into two categories (labor vs capital)** or **focus on inequality and household types**. None provides a straightforward, regularly reported **triadic breakdown of income sources with diagnostic interpretation**. The proposed Economic Agency Index fills this gap by directly measuring the proportion of income that households derive from wages, property, and transfers, and framing the result as an indicator of structural economic conditions. It builds on the above precedents but goes further in scope and purpose: not just to dissect inequality or classify households, but to serve as a **barometer of the economic model** (wage-led, capital-led, or transfer-sustained) for each country.

Rationale in a Post-Labor Economic Context

Why is this new measurement needed? The justification lies in profound changes underway in advanced economies. In a **"post-labor" context**, characterized by accelerating automation and concentration of capital ownership, wage labor is losing its once-central role in distributing income [7] [8]. Yet our metrics have not caught up – we lack a clear view of how households are sustaining their purchasing power as these shifts occur. Several trends underscore the importance of tracking income composition now:

- **Declining Dominance of Wages:** In the mid-20th century, most households earned their livelihood primarily through work (the classic industrial era norm). Today, that norm is eroding. Across many OECD countries, the labor share of national income has trended downward since the 1980s [2]. Technology-driven productivity allows output to grow even as total wages stagnate, and corporate profits (a proxy for property income) claim a larger slice of the pie. Automation, AI, and robotics are anticipated to further reduce the demand for human labor in many sectors [9] [8]. As wage income growth slows or even reverses for the working class, **alternative income streams must fill the gap** to maintain aggregate demand.

- **Rising Capital Concentration and Unearned Income:** Wealth has become more concentrated in recent decades, which means property income (dividends, interest, rents) accrues to a relatively small segment of the population. For example, in the United States the *bottom 50% of households own only about 2% of the nation's wealth* [10], implying that half the population receives negligible capital income. The top 10% owns the vast majority of financial assets, and thus captures most dividend and interest income [11]. As capital ownership concentrates, a larger share of national income is paid out as property income (profits, interest, etc.), but **those payments go to fewer people**. This raises concerns about under-consumption: high-income rentiers tend to save a larger fraction of income, whereas wage earners and transfer recipients generally spend more of it. Indeed, economic studies confirm that less wealthy households have a much higher marginal propensity to consume than the rich [12]. A society that funnels more income to capital owners thus risks weaker consumer demand – unless redistribution or other channels re-inject purchasing power to the broader population. The Economic Agency Index would make such shifts visible by tracking the share of total income coming from property returns versus work and public support.

- **Growth of Government Transfers:** In many advanced economies, the welfare state has expanded (or at least remained substantial), especially as populations age. Pensions, unemployment benefits, healthcare reimbursements, and other transfers now account for a significant portion of household incomes. Notably, in the U.S., **government transfers' share of personal income more than doubled from 8.2% in 1970 to 17.6% in 2022** [13]. This reflects programs like Social Security, Medicare, and income support becoming increasingly important to sustain households – trends seen even before the pandemic, and sharply amplified during crises (e.g., COVID-19 relief in 2020 temporarily pushed transfers to over 20% of U.S. income) [14]. Similar patterns are observed in many OECD countries with robust social safety nets or aging demographics. As **wage growth underperforms and capital income is unevenly distributed**, public transfers have often stepped in to support aggregate demand. However, heavy reliance on transfers can signal structural issues: an economy where private market incomes are not sufficient for large groups (whether due to unemployment, low wages, or retirement). Without an index, it's hard to quantify this reliance or identify when a country's demand is propped up by fiscal redistribution as opposed to labor or capital earnings.

- **Post-Neoliberal Priorities – Equity and Agency:** In the post-neoliberal discourse, there is a renewed focus on economic **agency**, power, and equity rather than just growth-at-all-costs. The neoliberal era tended to assume wages from a job would be the default source of livelihood, with minimal state interference. Post-neoliberal economics, by contrast, is open to larger roles for the state and alternative ownership structures [15]. It questions the "naturalness" of market distributions and emphasizes outcomes like security and autonomy. Within this paradigm, measuring *what portion of income people get from labor vs. capital vs. social support* is intrinsically valuable. It shines light on **power imbalances**: e.g. how many people have independent asset income (and thus a form of economic autonomy) versus how many depend entirely on an employer or government programs. It also exposes **structural dependencies**: a country where most income comes through wages might signal strong labor inclusion – or conversely, it might mask exploitation if wages are very low. A country where transfers are high might indicate either a well-functioning social safety net or an economy unable to generate enough jobs. These nuances are crucial in post-neoliberal analysis. In short, as one scholar put it, a "post-labor economy requires rethinking conventional economic indicators" and developing new ones that capture well-being and autonomy beyond the old metrics

[1]. The Economic Agency Index is precisely such an indicator, reflecting the balance between market earnings, public support, and capital income in people's lives.

In sum, the changing realities of automation, inequality, and welfare provision create a **diagnostic gap** in our current toolkit. The Economic Agency Index addresses that gap by providing a clear, trackable measure of how the foundation of aggregate demand is composed. It helps answer: Are we moving toward a rentier society? A welfare-dependent society? Or a high-wage, broad prosperity society? These questions are central to post-neoliberal economic strategy, and cannot be answered by existing aggregates alone. The new index thus aligns with and reinforces modern economic thinking that looks beyond GDP to the quality and structure of income.

Proposed Index Structure and Methodology

Constructing the Economic Agency Index involves defining its components rigorously and choosing data sources that ensure **comparability across countries and over time**. The index is essentially a triplet (or a set of three sub-indices) representing the share of household income derived from: **(1) Labor (wages and related earnings), (2) Capital (property income), and (3) Government Transfers**. Key considerations for implementation include data definitions, frequency, and granularity:

- **Data Definitions (Income Components):** For consistency, the following definitions are recommended:
- *Wage/Labor Income:* All earnings from work including wages, salaries, and cash employment benefits. Ideally, this also **includes self-employment and small business income**, which are labor-driven even if classified as mixed income in national accounts. (In practice, self-employment income can be split into labor vs. capital components if data permit, but for simplicity it may be grouped with labor income, since it is the person's own work generating the income.) This corresponds to the sum of "compensation of employees" and labor portion of mixed income in national accounts [16]. It **excludes** pension benefits or any passive income.
- *Property/Capital Income:* Income from ownership of assets – this covers dividends from stocks, interest from bonds and savings, rental income from real estate, and any other investment returns. In national accounts terms, it is "net property income received by households" (net of property income paid, like interest on loans) [16] [17]. Notably, **capital gains** are typically excluded (since they are not part of income flows), and *imputed rent* (the value homeowners "pay" to themselves) may be excluded or handled separately to focus on cash flows. The aim is to capture **cash or in-kind inflows that come by virtue of owning assets** rather than working.

- *Government Transfers:* All current transfers from the government that augment household income, for which the household provides no direct service in return. This includes social safety net payments (unemployment benefits, food assistance, welfare), public pensions, and other cash benefits, as well as near-cash benefits. It can also include free or subsidized services ("social transfers in kind") if one wants a broader measure of state support, though the core index would likely stick to **monetary transfers** to remain comparable to income [18]. We would **exclude private transfers** (like remittances or family support) and only count government or social insurance schemes. Taxes paid are not an "income source" but rather deductions; thus the composition is best calculated using **disposable income** (after direct taxes and social contributions, and including cash transfers) as the denominator. Each component then is measured **net of taxes** where applicable (e.g., a pension counted is the net benefit received).

- **Calculation:** For each country and year (or quarter), compute:

- **Wage share** = (Household labor earnings) / (Household disposable income) × 100%
- **Property income share** = (Household capital income received) / (Household disposable income) × 100%

- **Transfer share** = (Household government transfers received) / (Household disposable income) × 100%
  These three shares ideally sum to 100% of household disposable income (minor discrepancies can arise if there are other small income items or if using net measures). In the U.S. for example, using 2022 data: wages and proprietors' earnings made up roughly ~62% of total personal income, property income ~20%, and government transfers ~18% [13]. In a different system like France or Sweden, one might find a lower property share and higher transfer share due to stronger welfare states, or vice versa. The index would report all three percentages, giving a snapshot of the economy's income structure. For ease of communication, one could also combine the wage and transfer shares that go predominantly to the non-rich, versus the property share that is concentrated – but it is most illuminating to keep the triad separate.

- **Data Sources:** To implement this index robustly:

- **OECD and National Accounts:** The OECD already compiles national accounts data including household sector income and its components. Key sources include the OECD *Income Distribution Database* (for survey-based measures of disposable income) and national accounts (for aggregate compensation of employees, property income flows, and transfers). National statistical agencies (like the U.S. Bureau of Economic Analysis) publish **personal income breakdowns** that can be utilized. For example, the U.S. BEA provides monthly and annual data on personal income by source – wages and salaries, business owners' income, dividends, interest, rent, and government social benefits [13]. These can be mapped to the index categories. Similarly, European countries report income components in their national accounts (often quarterly) that could feed into a quarterly or annual index update.
- **Luxembourg Income Study (LIS) and Microdata:** For deeper analysis and cross-checking, LIS or similar micro-surveys can be used to validate the composition, especially to ensure consistency in definitions (e.g. what counts as transfer). Microdata also allow calculation of the index *within subpopulations* (by income quintile, age group, etc., if needed for diagnostic purposes). While the headline index would rely on aggregate totals, having the microdata backing helps address questions like distribution within the property income share (since a high property share might mostly accrue to the top 5%).

- **Administrative Data:** In some cases, administrative records (tax data on dividends/interest, social security data on benefits, etc.) can improve accuracy. For instance, governments know precisely how much they paid in transfers each year, and central banks often know interest and dividend flows. These can supplement or refine the household survey and national accounts figures.

- **Frequency and Updates:** The index should be updated **annually** at minimum, since many of its inputs (like detailed household income composition) are annual. Ideally, a high-level version could be updated quarterly using national accounts (which have quarterly data for wages, aggregate transfers, etc.). For example, the wage and property components of personal income are available quarterly for many countries, and government transfer outlays are known quarterly as well. A

quarterly index could give a timely read, with an annual more precise revision. However, to keep things simple and comparable across all OECD members, an **annual index** (released perhaps with a one-year lag due to data processing) would be most straightforward. Over time, this produces a time series per country of the three shares, showing trends.

- **Geographic and Demographic Granularity:** Initially, the index is designed at the **national level**, as a macro indicator. However, methodology could allow further breakdown:

- By subnational region (if data on income by source is available regionally; e.g., one might compare states or provinces, though this is more feasible in large countries with rich data like the U.S. or Canada).
- By population subgroup (for diagnostic purposes, not as the headline number): e.g., one could compute the triad for the bottom income quintile vs. the top quintile to see stark differences in composition. Often, lower-income households get a larger share of income from transfers, whereas high-income households get more from property. This isn't part of the single index, but an extension for analysis.
- By age cohort: a young population might rely more on wages, whereas an older one on pensions (transfers) and investments. Again, this provides context to interpret the national figure.

- **Normalization and Units:** To compare across countries, all values should be in local currency and then converted to shares of total household **disposable income**. Using shares (% of total) inherently normalizes for country size, currency, and inflation differences. It focuses on composition, not absolute levels. For longitudinal analysis, one may also look at per capita amounts (e.g. dollars per person from wages vs. transfers) indexed over time, but the primary index is ratio-based. If needed, one could scale the shares into an **index number** (for example, assign 100 points divided among the three components or create a composite score), but that may obscure information. It's more transparent to present the three percentages together. A visual format could be a stacked bar or triangle graph each year. For instance, a table might show:

Country (Year)	Wage Income %	Property Income %	Government Transfers %
United States (2022) [13]	~62%	~20%	~18%
Germany (2022)*	55%	15%	30%
Sweden (2022)*	Fifty-some %	<15%	>30%

(*Hypothetical figures for illustration.)

Such a presentation makes clear at a glance how different economies are structured – e.g. the U.S. relying relatively more on market earnings and capital, while a country like Sweden has a larger role for transfers (due to its extensive welfare state).

- **Historical and Future Expansion:** We should compute the index historically (where data allows) to establish baseline trends. Many components can be traced back decades. For example, U.S. national accounts can provide the shares since mid-20th century, aligning with known trends (the transfer share rising over time, etc. [13]). For other OECD members, at least post-1990 data is usually

available. Going forward, the index could also be extended beyond OECD if harmonized data are obtainable (the LIS database or World Bank could help include some emerging economies for comparison).

By following this methodology, the Economic Agency Index would be **robust, repeatable, and comparable**. It leverages existing high-quality data (national accounts, LIS, OECD stats) and repackages them in a new, policy-relevant format. The index's integrity will depend on careful handling of definitions (ensuring "transfers" mean the same in each country, etc.) and transparency in what's included. For instance, one should document whether public old-age pensions are counted as transfers (typically yes, as they are government-paid benefits), and whether employer-paid benefits are counted in wages (yes, as part of compensation). As long as such choices are consistent, the index will meaningfully reflect each country's economic structure.

Interpreting the Economic Agency Index: Diagnostic Insights

The true value of the Economic Agency Index lies in **what it can tell us about a country's economic organization and potential vulnerabilities**. Each component of the triad – high or low – carries interpretation about dependency, autonomy, and structural features. Below, we discuss what different index profiles might indicate and how to read the index diagnostically:

- **High Wage Share Polity:** If a country's index shows an exceptionally high proportion of income from wages (and self-employment) – say 75% or more – it means that household demand is overwhelmingly driven by labor markets. On face value, this could indicate a strong employment situation with broad participation. It suggests *economic agency via labor*: people's livelihood is tied to jobs. For example, a younger developing OECD country might have this profile if welfare systems are small and capital markets underdeveloped. However, a **very high reliance on wages can also signify vulnerability**. It may mean inadequate social safety nets (so even those not working have to rely on family wages) or a lack of asset ownership among the middle class. In such a scenario, if automation or recession hits jobs, households have little cushion from either investments or government support. A wage-heavy index also raises questions of **labor precarity**: are these secure, well-paying jobs or unstable gigs? The index won't answer that directly, but it flags the need to consider how resilient an economy is when work is the main source of income for most people.

- **High Property Income Share Polity:** A country with a large property income share (relative to OECD peers) suggests that a significant slice of purchasing power comes from owning capital. This is typical in economies where wealth inequality is high and financial markets are prominent. For instance, if the top 10% or retirees receive substantial dividends, interest, and rental income, the national property share will be elevated. **Such a profile indicates a potential structural asymmetry in economic agency:** those with capital have independent income streams (and thus more autonomy from both work and state), while those without assets might be entirely dependent on wages or transfers. A high property share can signal that **economic power is concentrated** – the wealthy not only hold assets but also command a larger portion of consumer demand through their income, which can translate to political influence. It could also mean the economy is skewed towards **rentier activity**, deriving income from past accumulations rather than productive new labor. From a demand perspective, as noted, high property income societies risk under-consumption if wealth is held by a few: affluent asset-owners tend to save more, so if too much income goes to them, total consumption might falter [12]. On the positive side, if property income is widely distributed (e.g. via

broad stock ownership or pension funds), a high property share might indicate a form of collective wealth – but in practice broad distribution is rare. So, diagnostically, one should ask: *Is the high property share coming from a broad middle-class investor base or from a narrow elite?* Usually, it's the latter, which may call for policies to broaden capital ownership or mitigate the inequality that such an index reading implies.

- **High Transfer Share Polity:** When government transfers constitute a large fraction of household income, it points to a **strong role of the state in sustaining living standards**. Northern European social democracies and countries with expansive welfare programs often have higher transfer shares, especially for the lower-income tiers. This can reflect positive attributes: low poverty, because the state is redistributing income; an element of **decommodification**, meaning people are less forced to rely on the market for survival (the welfare state provides a social wage). For example, if a country has universal basic income or generous pensions, the index's transfer component will be higher. However, a high transfer share also has cautionary interpretations. It could indicate an aging population (large pension outlays relative to wages), or weak labor market absorption (many working-age individuals needing unemployment or disability benefits). It might also signal regional imbalances – e.g., some areas where government support is the primary income source due to industrial decline. Politically, a high transfer dependency could lead to tension: taxpayers vs. beneficiaries, or questions of program sustainability [19] [20]. EIG's analysis of the U.S. noted that rising transfer shares, especially in rural and older areas, can shift political preferences and budgetary pressures [21] [20]. In diagnostic terms, one should consider *what types of transfers dominate*: Is it mostly pensions (implying demographic effects)? Or income maintenance for the poor (implying inequality and job shortfall)? The index by itself won't specify that breakdown, but it directs us to investigate the causes behind government support. Generally, if transfers are keeping a large part of society afloat, it underscores **structural dependence on policy choices** – essentially, the state is a major agent in purchasing power distribution. This can be a deliberate social choice (e.g. social democratic model) or a sign of distress (e.g. post-crisis emergency measures).

- **Mixed or Balanced Profiles:** Many countries will have a balanced mix – e.g. around 60% wages, 20% capital, 20% transfers. It is useful to compare peers: if one country has a notably higher transfer share than another at similar income levels, it hints at different welfare models. If one has a higher capital share, perhaps its wealth inequality or pension fund structure differs. *Changes over time* in one country are especially telling. For instance, if we observe the U.S. index over decades: the wage share has declined, transfer share risen [13], and capital share fluctuated with markets. A steady fall in wage share coupled with a rise in either transfers or property share can mean that labor is being supplanted by automation or offshoring (if property share rises) or that public intervention is compensating for labor's decline (if transfers rise). Either way, it's a signal of a **post-labor transition** in progress. Similarly, if a country undertakes pension reforms or experiences asset booms, those will appear as shifts in the composition.

In all, the Economic Agency Index serves as a **diagnostic dashboard**. A high wage share might highlight vulnerability to technological unemployment; a high transfer share might highlight vulnerability to political budget cuts (since if the government retrenches, incomes fall); a high property share might highlight vulnerability to financial market downturns (since asset income can swing with stock prices or interest rates). It also surfaces questions of **autonomy and precarity**: people living off investments may have more economic independence (though possibly fewer people enjoy that), people living off transfers may feel precariously dependent on political decisions, and people living off wages are exposed to labor market

forces and employer power. None of these income sources is inherently "bad" or "good" – but their proportions tell a story about *where the center of gravity lies in an economy*. Is it in private labor markets, public social contracts, or private capital? That structural character has far-reaching implications for everything from consumption patterns to power relations.

Finally, an important diagnostic use of the index is in **identifying structural asymmetries**. For example, a country could have a relatively high overall wage share, but if property income is, say, 20% of total and almost all of that goes to a tiny elite, the index alerts us to the presence of a kind of dual economy. Or consider a scenario: two countries both have 15% property income share; if in one country half of households receive some property income, while in another only the top 5% do, the social implications differ. The index would prompt analysts to dig deeper into such questions. Complementary data (like "share of population with any capital income", which globally was about 32% by 2016 up from 20% in 2000 [22]) can be used alongside to gauge distribution. In sum, the index by reflecting **dependency vs. autonomy** broadly can illuminate whether an economy is moving towards a structure where, for instance, *a few have full agency through capital and the rest rely on public support*, or one where *broadly people have agency through work with a safety net underneath*, etc. This is the kind of high-level diagnostic insight needed for formulating post-neoliberal economic strategies.

Policy Implications and Prescriptive Use

Beyond analysis, the Economic Agency Index has a prescriptive dimension: it can guide policymakers who have normative goals about how income should be distributed by source. If a society decides, for example, that it is undesirable to have most of the population entirely dependent on wages (as jobs become precarious), or that expanding capital income for the non-rich is a priority, the index helps track progress toward those goals. Below are some policy tools and structural levers to **shift the balance of income sources**, along with how they would register on the index:

- **1. Taxation and Redistribution:** The classic lever is the tax-and-transfer system. If the aim is to *increase the transfer share* (e.g. to support those left behind by the labor market), policies can expand government benefits funded by progressive taxes. Higher taxes on high earners or wealth can finance social transfers (UBI, child allowances, expanded unemployment benefits). This would raise the transfers portion of income while reducing disposable income from property or even wages (via taxes). Conversely, cutting taxes on labor income relative to capital income could modestly boost the net wage share. For instance, some economists argue the decline in U.S. labor share was exacerbated by shifts in taxation favoring capital [23]. Restoring balance might involve taxing capital gains, dividends, and large inheritances more, using revenue to bolster social insurance and wage subsidies. The index provides a way to measure whether such fiscal policies are having the intended effect (e.g. over a decade, did the transfer percentage rise? Did the after-tax capital share fall?).

- **2. Social Wealth Funds and Universal Capital Income:** One way to **increase property income for the bottom quintiles** is not by forcing them individually to invest, but by collectively investing on their behalf. A **Social Wealth Fund** is a public fund that owns a diversified portfolio of assets and pays dividends to the population. For example, Norway has famously accumulated public wealth equivalent to ~59% of the country's private wealth, via its sovereign wealth funds [24]. The returns from these funds effectively provide a societal property income – in Norway's case used to fund public services and keep transfer payments generous [25]. In the U.S., policy thinkers have proposed a similar model: the federal government could create a fund, gradually socialize a portion of national

wealth into it, and then pay out a **universal basic dividend (UBD)** to every citizen [26]. This would appear in our index as an increase in the "property income" component **but for everyone** (since the dividend is technically investment income from the fund). Unlike traditional capital income which only some households receive, a social dividend would be broadly distributed, thus democratizing that slice of the pie. Alaska's Permanent Fund Dividend (an annual payout to all residents from oil investment revenues) is a real-world example: it has, in effect, given every Alaskan a small property income. Policies in this vein would increase the property income share of national income *and* spread it widely, ideally improving economic agency for those without personal wealth. Over time, a successful social wealth fund could noticeably lift the property share in the index while also reducing inequality (something a pure rise in capital share usually fails to do).

- **3. Encouraging Broader Asset Ownership:** Another strategy to boost non-elite capital income is through *"pre-distribution"* – ensuring the ownership of assets is wider in the first place. This includes policies like:

- **Employee Stock Ownership Plans (ESOPs) and Profit-Sharing:** Encouraging or mandating that workers own shares in the companies they work for, or share in profits. If significant, this means a portion of what would have been wage income is paid as dividends (property income) to the same people, thus raising the property share but not concentrating it at the top. Countries could give tax breaks or legal incentives for ESOP formation. Over time, more workers would have a second source of income from capital.
- **Public or Community Ownership**: e.g. municipal ownership of utilities or cooperative businesses where members get dividends. These too distribute profits as income. While usually smaller scale, they contribute to the property income of ordinary people.
- **Individual Asset-building Programs:** like matched savings accounts, baby bonds (each newborn gets a publicly funded savings account to use in adulthood), or policies to increase home ownership among low-income families. Home ownership can generate imputed rent (a form of property benefit) and real rental income if, for example, people rent out a room. Stock ownership increases dividends received. Many countries have subsidized retirement savings which effectively turn part of labor earnings into future capital income (private pensions invested in markets). Strengthening these schemes for the lower and middle class will gradually reflect in the index as a higher share of income coming from investments for those groups.

All these measures have a common aim: *shift a portion of national income from wages to capital, but in an egalitarian way*. If successful, one would expect the index's capital income share to rise in tandem with an increase in the percentage of households receiving some capital income (which could be separately monitored). This could improve resilience (since households have multiple income streams) and autonomy (some income not tied to a boss or government program). It addresses what some call **"property-owning democracy"** – giving people a stake in capital. However, it's a long-term strategy; the index gives a way to track progress.

- **4. Strengthening Wages and Labor's Share:** On the other side, perhaps the policy goal is to maintain a healthy wage share despite automation – i.e., ensure work pays and is available. To *raise or preserve the wage portion* of income:
- **Labor Market Institutions:** Strengthening labor unions, raising minimum wages, or extending collective bargaining can push a larger slice of enterprise income to wages rather than profits. If labor captures more value, the wage share in national income can stabilize or rise. Some OECD research suggests declining union density and bargaining power contributed to labor's falling share

[27] . Reversing those trends (through legal reforms, sectoral bargaining systems, etc.) could be reflected in a higher wage component of the index over time, as wages grow faster than capital income.

- **Wage Subsidies and Job Guarantees:** The government can directly or indirectly bolster labor income by subsidizing employment. For example, an Earned Income Tax Credit (EITC) or direct wage subsidy raises take-home pay for low-wage workers (increasing their labor income without relying on market forces alone). A public **Job Guarantee** program would offer work at a base wage to anyone who wants it, thus virtually eliminating involuntary unemployment. This injects additional wage income (funded by the state) into households rather than transfer income. It's essentially a transfer, but delivered as wages for work, which might conceptually still count under "labor income" in our index (depending on definition). The effect is that fewer people have zero wage income. If implemented broadly, such policies would increase the aggregate wage share (and likely also increase total income by activating idle labor). The index would show a rise in the wage portion and possibly a decline in pure transfers (if people move from unemployment benefits to public jobs, for instance).
- **Technological and Educational Initiatives:** Ensuring that workers can fill new roles complementing automation (through training, etc.) can sustain labor's role. If technology is used in a labor-friendly way (augmenting worker productivity and wages) rather than purely replacing workers, the labor share might not fall as much. While harder to quantify, the index will eventually reflect whether wages keep up or not. Policies ranging from education, R&D targeting labor-intensive sectors, or migration (bringing in more labor) might be considered to influence the labor share indirectly.

A society might deliberately aim for a balanced scenario: not letting wage share drop too low even in a high-tech era, thus keeping work as a central means of livelihood but under better conditions (shorter hours, higher pay – sometimes called **"labor decommodification"** in the sense of making labor less of a harsh necessity). The index will register if wage income remains, say, above 50% over time rather than collapsing to 30%. If despite efforts the wage share keeps falling, that's a signal to double-down on other measures or accept that transfers must rise to compensate.

- **5. Expanding and Innovating the Social Safety Net:** If the goal is to *increase the transfer share* as a way to guarantee basic income floor (or to deliberately reduce reliance on labor), policies include:
- **Universal Basic Income (UBI):** Providing a flat payment to all citizens regularly. This would directly increase the transfer portion of income for everyone. It essentially socializes a part of consumption – everyone gets a minimum income from the state, irrespective of work. UBI trials and proposals often emerge in discussions of a post-work future. If funded sufficiently, a UBI might make the transfer share a very large component (while possibly shrinking wage share if people choose to work less or if wages adjust downward due to the income floor – complex general equilibrium effects). The index would obviously capture a UBI introduction as a step change in transfer share. Its diagnostic value would then be to monitor any unintended effects (like if labor incomes drop or wealth incomes concentrate further when UBI is financed by broad taxes).
- **Targeted Transfer Enhancements:** Increasing pension replacement rates, unemployment benefits, child allowances, healthcare subsidies (which free up income) – all of these raise the effective transfer share. Europe's higher transfer shares compared to the U.S. reflect such choices [28] . For example, if policymakers want to reduce poverty among the elderly, they might raise public pension payouts; the index's transfer component for retirees would go up, and at aggregate level might inch up as well (especially in aging societies).

- **Public Services as Transfers:** Providing free or subsidized essential services (education, healthcare, housing) doesn't show up as cash transfers in income, but it **increases disposable income equivalently** (by reducing out-of-pocket costs). In an expanded sense, one could incorporate the value of such services into the "transfer" component (as Social Transfers in Kind). Countries pursuing Universal Basic Services (UBS) instead of cash UBI would see improved living standards without as big a change in cash transfer share. But if we account for it, their "extended transfer share" would be higher. This approach decommodifies certain expenditures and could be considered part of economic agency (freeing people from needing as much cash income). For the index's core (cash basis), UBS won't reflect directly, but an analyst might note that a moderate transfer share underestimates support if public services are large.

- **6. Regulatory and Structural Reforms:** Some deeper structural shifts can also influence income composition:

- **Corporate Governance Reforms:** e.g., requiring companies to share profits with workers or communities (which effectively turns some would-be profits into wage or transfer-like distributions).
- **Limiting Rent-Seeking**: If an economy has a high property share due to things like expensive housing rents or monopolistic pricing (generating excess profits), anti-trust and pro-competition policies might reduce those unearned incomes, indirectly raising the labor share (if wages then form a higher portion of a slightly smaller total income) or reducing inequality. The index might not immediately show "where it went" (the lost rent might just reduce GDP), but if successful could create conditions for higher labor compensation.
- **Conditionalities and Incentives**: For example, tying executive pay (which is labor income for a few) to broad employee bonuses (labor income for many) can spread income; or mandating profit-sharing above a certain profit level. These nuanced tools also target the composition indirectly by altering how income is channeled within firms.

To illustrate a policy scenario: suppose a government wants to **raise the property income share of the bottom 20% from virtually 0 to, say, 5%** of their total income in a decade. They could establish a social wealth fund that pays a small dividend (which for the bottom 20% would constitute a notable income addition), encourage pension auto-enrollment so more low-income workers build assets, and promote employee ownership especially in industries with many low-wage workers. The index at the quintile level would show property income rising for that group, and nationally maybe a slight uptick in the capital share that is more broad-based. Complementarily, if the same government is concerned that wage share is falling too fast due to automation, it might implement a job guarantee for displaced workers, thereby converting what would have been transfer payments (welfare or unemployment benefits) into wages paid for public work – keeping those individuals in the wage column of the index rather than transfer column.

The Economic Agency Index is thus not only descriptive but can serve as a **target** for policy. A country could set goals, such as: *"By 2030, we aim to have at least X% of household income coming from assets broadly held by the public"* or *"We want to reduce reliance on transfers by getting people into good jobs, lowering transfer share by Y points and raising wage share by Y points."* Of course, not all goals are about maximizing one component – there might be an optimal balance. In a stable, inclusive economy, one might envision an index where each source contributes significantly (a diversified livelihood portfolio for society). Excess in any one dimension can be risky: too much wage reliance (vulnerable to tech shocks), too much capital reliance (inequality, volatility), or too much transfer reliance (fiscal strain, political risk). The index helps identify excesses and shortfalls, and track whether policies are moving the economy toward a desired equilibrium.

Conclusion

The proposed Economic Agency Index offers a new lens to understand and shape our economies in the 21st century. By breaking down household income into wages, property, and transfers, it provides a **comprehensive view of the engines of aggregate demand and the pillars of people's livelihoods**. In a post-neoliberal era – marked by questioning of laissez-faire orthodoxies and the rise of automation – this index fills a vital informational gap. It draws attention to the distribution of economic agency: who derives income from their own labor, who benefits from capital ownership, and who depends on societal support.

Our review of existing measures showed pieces of this puzzle scattered in academic and statistical work (labor shares, Gini decompositions, etc.), but no unified metric to bring it all together. The justification for the index is evident in current trends: wage labor's share is under pressure [2], wealth and capital income are concentrated [10], and government redistribution is carrying a larger load [13]. Without an index, policymakers risk missing these tectonic shifts or misunderstanding their implications. With the Economic Agency Index, they can diagnose the health of the social contract in a way GDP or employment rates alone cannot.

The methodology outlined ensures the index is **grounded in reliable data** and standardized definitions, making it feasible for institutions like the OECD or national governments to implement. As demonstrated, interpreting the index yields rich insights: a high transfer share might warn of unsustainable dependencies or highlight a strong social safety net; a high property share could ring alarm bells about inequality and consumption gaps; a high wage share might call attention to labor market fragility in the face of automation. These interpretations connect directly to policy levers – from taxes and transfers to innovative schemes like social wealth funds or employee ownership – giving the index practical relevance as a guide for action.

Ultimately, the Economic Agency Index is both a mirror and a map. It holds up a mirror to an economy's structure, reflecting fundamental characteristics of its distribution system. And it serves as a map for navigating toward a more equitable, resilient future: policymakers can identify where they are (perhaps a transfer-dependent or capital-dominant regime) and chart a course to where they want to be (perhaps a more balanced composition that fosters widespread prosperity and security). In a world where the relationships between work, wealth, and welfare are rapidly evolving, such a compass is not just helpful – it may prove essential for steering economies in a human-centered direction beyond neoliberalism.

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