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Class and the Social Embeddedness of the Economy

Outline of a Normative-functionalist Model of Social Class

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ABSTRACT: The paper undertakes the task of elaborating the outline of a normative-functionalist model of social class. Traditional Marxist and Weberian theories of social class both assume that with the emergence of capitalism the social embeddedness of economy dissolves and thereafter it is the capitalist economy that shapes society upon its own image. Hence, these theories imply the necessity of a description and understanding of social structure on the basis of relations of exploitation or of different market chances offered by the capitalist economy. In opposition to these theories, this paper attempts to grasp the structure of modern societies as if the capitalist economy were still embedded in society. The paper is based on the Parsonian thought that all societies institutionalise some balance between equality and inequality and that social stratification contributes to the normative integration of society. According to this view, the institutionalised norms and value standards of equality and inequality prescribe in what respects the members of society should be treated as equal and inequal. If economy is conceptualised as if it were embedded in society, i.e. as if its functioning were subject to the institutionalised norms of equality and inequality, an alternative viewpoint should be chosen to describe the class structure of society. In the course of classification it should be asked which norms of equality and inequality are institutionalised in modern societies and what kind of social groups could be differentiated in accordance. The paper tries to draw up a comprehensive class schema on the basis of this starting point. The theoretical framework applied in the paper places special questions in the centre of class analysis. By analysing the institutionalised norms of equality and inequality and their enforcement in society empirical investigations should find out whether social stratification could fulfil its integrative function or, contrarily, it leads to different social-political conflicts among different groups of society.

KEYWORDS: social structure, social stratification, social inequalities, class theory, class analysis

If we take a quick look at the main peculiarities of the recent neo-Marxist and neo-Weberian occupational class models (see Breen 2005; Wright 2005), it can be noted, as Esping-Andersen (1993) does, that they represent the class structure of modern societies in a very similar way.[1] These models rely on almost the same classification criteria and they thereby differentiate quite similar social groups. According to

1 This paper is based on the author's previous work that was published in the Hungarian Statistical Review under the title "Foglalkozási osztályszerkezet (III.) – Egy normativ-funkcionalista osztálymodell vázlata" [91(7): 718–744]. The research activity on which the paper is based was supported by the Bolyai János Research Fellowship.

these models, at the top of the social structure there are classes that excel with respect to their property, power or education, while at the bottom different working class positions are located. In the middle various groups are distinguished but the category of petty-bourgeoisie is always included. Thus, the empirical content of these models is, if not exactly the same, very similar. It might be said that class analysis functions in mainstream sociology as a largely fixed paradigm, in which the appropriate questions and their answers are well defined and consequently the measuring devices which are applied are also very similar.

In spite of their salient similarities, these models are far from being the same. A well elaborated class model has to meet several requirements. First of all, a class schema that is designed to map the class structure of society always has to be anchored in a comprehensive theory about the structural constraints of society. On the one hand, this theory is needed to determine which criteria need to be used in the classification, and on the other hand, it is also the theory that must formulate questions and hypothesises for use in empirical research (cf. Breen – Rottman 1995; Huszár 2011a). Regarding the theories on which the different class models are based and with respect to the special questions and hypothesises that are attached to them the different approaches that are taken to class analysis are quite distinct and their explanatory power may be really diverse in different fields of social research as well.

In this paper I undertake the task of elaborating at least the outline of a new class model.[2] This task, as we have seen, requires giving an answer to at least three different questions. In what follows I deal first with the problem of theory: how does one grasp the structural constraints of society that determine the structuring of the class system? The starting point of this work is to assume that with the help of the functionalist stratification theory an alternative class model could be elaborated.[3] More precisely, it is Parsonsian thought, according to which "all societies institutionalize some balance between equality and inequality" (Parsons 1970: 19) on which this study has its foundation (1).[4] After a delineation of the main features of the theoretical framework, the next task is to formulate the appropriate criteria which will enable us to classify members of society according to the theory's claims (2–3.). Finally, I then try to highlight those special questions that may be answered with the help of this model of the class system (4).

Theory of Social Structure – Theory of What?

All models of class structure are anchored in a theory about the structural constraints

2 In the recent debates many have pointed out that the stratification of society could be described adequately through using many different theoretical and methodological approaches (see Berger 2013; Harcsa 2013; Tardos 2013; Vastagh 2013). I completely agree with these remarks. I would like to emphasise, however, that this paper (as with my previous ones: Huszár 2012, 2013a, 2013b) concentrates exclusively on the approach of (occupational) class analysis.

3 According to Péter Róbert (2013) functionalist stratification theory can hardly be used progressively in the field of class analysis. I hope that, in what follows, I manage to prove that we should pay attention to this tradition.

4 On Parsonsian functionalist stratification theory, see e.g. Hess 2001, Huszár 2013a: 50–52.

of society that is designed to clarify and elucidate the distinctions that are applied in the class model. It is, however, a relevant question what kind of starting point should be chosen to understand the structural constraints of society.[5]

Different class models of recent times have given quite differing answers to this question.[6] Erik Olin Wright (1985, 1989, 2005) relies on the Marxian tradition to understand the structural constraints of society with the help of the notion of exploitation. For Wright the task of representing social structure means nothing more than to explore the relations of exploitation in society.[7] In contrast, John Goldthorpe's ideas and the class schemas that were constructed on the basis of his theory rather follow the Weberian way (Erikkson – Goldthorpe 1992; Goldthorpe 2007).[8] For them, the structural constraints of society are incorporated in different life chances that are created by the various market and particularly labour market positions. Goldthorpe tries to grasp these differing positions by identifying the different types of employment contracts (Goldthorpe 2007). The class schema of Esping-Andersen (1993) may be related first of all to the Weberian tradition. It is important to note, however, that his class model is anchored in a theory about the post-industrial development of western societies. Hence, the structural constraints of society are interpreted by Esping-Andersen in the framework of a broad modernisation theory.

Thus, the different approaches to class analysis offer different theories about the structural constraints of society, but all of them focus the attention on the inequalities and conflicts of interests that can be observed in the economy or on the labour market. Exploring these conflicts and inequalities is key to how they represent social structure and differentiate social classes. However, the problem could be approached differently if we raise (as Parsons does) the following question: what forms of equality and inequality are institutionalised in society? Nevertheless, this question becomes clear only if we assume that all societies – and the functioning of their economies as well – are subject to certain value standards and norms that ensure their normative integration (Parsons 1970, 1991).[9] Or, to put it alternatively, if it is assumed that the functioning of the economy is *embedded* in society (Polányi

5 Tamás Kolosi (1987: 27–47) also pointed out that there is no unequivocal and widely accepted definition of social structure. Different approaches can be identified that understand the problem in alternative ways.

6 Traditional and current theories of social class are reviewed by Péter Róbert (1997, 2009).

7 In Hungary, Erzsébet Szalai (2001, 2006) tries to utilize the concept of exploitation, and the works of Iván Szelényi are tied explicitly to the Marxian tradition (although he turned to Bourdieu in his latest works) (see Konrád-Szelényi 1989; Szelényi 1992; Eyal-Szelényi Townsley 1998).

8 In Hungary, Erzsébet Bukodi and her colleagues explicitly follow a Goldthorpean approach (see e.g. Bukodi 2006; Bukodi-Altorjai-Tallér 2005), but Zsuzsa Ferge (1969, 2002, 2006, 2010) and the circle of Tamás Kolosi are both tied first of all to the Weberian tradition (see e.g. Kolosi 2000; Kolosi-Róbert 2004; Kolosi-Dencső 2006; Kolosi-Keller 2010).

9 Parsons emphasizes the normative aspects of social stratification in several places (see e.g. Parsons 1939, 1940a, 1940b, 1949, 1963, 1970). For the issue of the social embeddeness of the economy see especially Parsons' (1991) Marshall lectures. Of course Parsons is not alone in these findings; his works are part of a long social theoretical tradition whose representatives equally emphasize the role of social norms in the sphere of economy, albeit differently. There is no space here to review this tradition in detail, I would simply like to draw attention to the works of Axel Honneth who discusses with profundity the main figures in the tradition, from Hegel, Durkheim, Parsons and Karl Polanyi to the recent theoreticians (see Honneth 2011: 320–360.) In addition, Honneth could be regarded as being the most important recent representative of the tradition, and as someone who reinterpreted the problem with the help of the concept of recognition and undertook the task of understanding the economy as an order of recognition that is integrated by social norms (see Honneth 1994, 2003, 2011).

1944a, 1944b). These value standards and norms are incorporated in different forms. They appear in the legal documents of society and they are expressed in the attitudes, judgements and acts of individuals as well. If we take the social embeddedness of the economy as a basis, a new conception could be elaborated on the structural constraints that determine the structuring of the class system.

Traditional versions of class theory all assume that with the emergence of capitalism the social embeddedness of the economy breaks up and thereafter it is the capitalist economy that shapes society after its own image. This is why it is suggested in these theories that one should describe social structure according to different conflicts of interests, or according to market chances. However, if we contrarily conceptualise the capitalist economy as still being subject to institutionalised social norms, class structure should be represented in a different way. We should then ask which forms of inequality are underpinned by institutionalised norms and which ones violate these norms. The constraining force of these norms – to which the capitalist economy is subject as well – lies in the fact that that they prescribe to what extent members of society must be treated as equals (or unequals). They determine which forms of equality could be justified and which ones are illegitimate. It is a basic assumption of this paper that we can only describe the structural constraints of society adequately if we suppose the social embeddedness of the capitalist economy and consider the institutionalised norms of equality and inequality.

The emergence of western capitalism is inseparable from the development of modern societies that have changed fundamentally the equality and inequality relations among members of society. Especially important elements of this process were the introduction of the institution of citizenship and universal law, because they lay down the principle that, regarding their rights, all members of society are equal (see Marshall 1992). However, in terms of individual rights, this can change historically and through societies. According to T. H. Marshall's comprehensive study, three major epochs can be distinguished regarding the content of citizenship. Accordingly, civil rights were recognized in the 18th century, political rights were formulated in the 19th century and the most important achievement of the 20th century was the emergence of social rights.

In traditional societies the most important forms of social inequality were determined by a kind of substantive law that was underpinned by tradition. In these societies the place of the individual in social structure was ascribed such a way that they had no, or very limited opportunity to change it. In modern societies, in contrast, universal law does not inform us about the social standing of individuals. Universal law rules out certain types of former inequalities but at the same time opens up the space for new forms. In the light of this development feudal privileges and feudal forms of exploitation turn out to be illegitimate and new principles emerge and become accepted to justify social inequality. At this time, in parallel with the emergence of a capitalist economy, the principle of achievement becomes

the most important reference point for justifying inequalities (see Honneth 1994: 173–211, 2003: 162–277; Huszár 2011b).

According to the most general formulation, the achievement principle claims that equal achievements should be rewarded equally, and unequal ones unequally. Thus, according to the principle, those who are able to achieve more deserve higher remuneration as well, and vice versa. This general formulation of the achievement principle is quite ambiguous because it does not specify what is to be meant by achievement. There are, however, two things that are intrinsically tied to the meaning of achievement: on the one hand, achievement always supposes a kind of individual effort or work, and on the other hand some kind of result as well, which comes into being due to individual effort (see Offe 1970: 42–49; Neckel – Dröge – Somm 2004: 144; Voswinkel–Kocyba 1970: 23–24). What is reckoned as "work" or "result" (i.e. as achievement), however, can change historically; the achievement principle claims only that that everyone must be evaluated equally on the grounds of his or her achievements.

Therefore, roughly speaking, the equality and inequality relations of modern societies are determined on the one hand by the types of individual rights that have been recognised, and on the other hand by what is seen as achievement in society. It is this normative background that ascertains the framework of the functioning of the capitalist economy. Thus, if we assume that the capitalist economy is embedded in social norms, in the course of the representation of social structure it needs to be taken into account what forms of equality and inequality are institutionalised in society. It is not therefore conflicts of interests or different market chances that should be examined, as was suggested by traditional Marxian and Weberian theories. In opposition to these theories one should ask what sort of "normative statuses" have been created by society. Hence, in the course of classification those people should be put into the same category who are in the same position according to the institutionalised norms of equality and inequality; that is to say, those who are integrated into the normative order of society in a similar way.

In what follows I attempt to elaborate a comprehensive class schema on the basis of this starting point. This approach may be called – by using the terminology of Axel Honneth (2011: 332–334) – a normative-functionalist one. Such an approach goes back to the tradition of functionalist stratification theory and follows the Parsonsian line that puts the emphasis on the problem of the normative integration of society. Accordingly, in what follows I attempt to first describe the horizontal division of class structure by examining the institutionalised norms of equality. After this I address the hierarchical nature of social structure and try to represent it according to recognised norms of inequality.

The Horizontal Division of Social Structure

The most important disagreements in the recent models of class structure have crystallised around the classification criterion of status in employment. It is debated, first of all, whether employers and employees should be distinguished from each other when describing social structure, and if so, how.[10] It can be noted, however, that if the criterion is included in a class model it plays a central role in it that indicates the main dividing lines of class structure. Thus, in connection with the first distinction regarding class structure I suggest that it is worth having a look at the debates about the criterion of status in employment.

The first question is whether the criterion should be taken into account at all when attempts are made to represent social structure. Among the recent theoreticians of occupational class structure it was Gosta Esping-Andresen (1993) who outlined a class model in which this variable plays no role. There are a lot of arguments to underpin this approach. It can be stated, first of all, that the criterion of status in employment is far from being an exact distinction. It may be enough to mention that the distinction that is made between employers and employees is in many cases very problematic. Consider, for example, the manager who works as an employee at the firm that he partly owns, or think about those self-employed people who repeatedly make contracts solely with the same client. Another argument against the application of the criterion is that if we would like to better understand the vertical structure of society, there is simply no need to include these distinctions in the class model. As Esping-Andersen's model shows, it is possible to consistently elaborate a class schema that aggregates the different occupations according to the power or knowledge that are attached to them. Moreover, because of its timelessness such a class schema would make it possible to perform long-term comparative studies which could examine the effects of the position one occupies in the occupational system.

Timelessness, however, is not only an advantage, but a disadvantage as well. A class schema that is designed merely on the basis of the peculiarities of occupations may help us to examine such societies as feudal, capitalist or state socialist ones but at the same time it is the class schema that tells the least about the characteristics of any of them. It should be added, however, that Esping-Andersen's approach can not be said to be timeless. By differentiating between industrial, post-industrial and agrarian sectors his model is anchored in a modernisation theory that is designed to highlight the distinctions between societies that are at different levels of development. The differences between capitalist and state socialist societies, however, get lost in this theoretical framework as well because these societies appear

10 There are other categories that are distinguished by the employment status variable. See, for example, the categories that were used in the 2011 Hungarian Census: employee (1); sole proprietor, self-employed (2); working member of a company (3); casual worker (working by special commission contract, causal worker, day worker) (4); employed in public works (doing work for public benefit, public purposes, etc., employed in public employment) (5); helping family members (6).

here to be basically similar, industrial societies, although they follow different paths of industrialisation.

Esping-Andersen does not rely on the criterion of status in employment, but most of the recent class schemas do. This criterion is usually introduced to help identify the peculiarities of capitalist societies that differentiate them from other kind of societies. Actually, the different traditions in the field of class analysis could be distinguished from each other on the basis of how they theorize the relationship between employers and employees. The next question that must follow: if we choose to take employment status criterion into account in a class schema, how should it be done?

Among the current approaches to occupational class structure the theory of Erik Olin Wright introduces the criterion as an indicator of capital-labour relationships and, in accordance with the Marxian tradition, he understands it as if it were fundamentally hierarchical (see e.g. Wright 1985, 1989). As was already discussed, Wright concentrates on exploring the relations of exploitation in society, and in capitalist societies he holds the capital-labour relationship to be the dominant form of exploitation. The fruitfulness of the approach is of course justified by the results that were produced by Wright and other Marxian scholars. It can be noted, however, that those who would like to do class analysis on the grounds of the concept of exploitation make very strong claims. They have to prove that "the welfare of the rich causally depends on the deprivations of the poor – the rich are rich because the poor are poor; and [that] the welfare of the rich depends upon the effort of the poor – the rich, through one mechanism or another, appropriate part of the fruits of labour of the poor" (Wright 1989: 8) – as outlined in the definition of exploitation by Wright.[11] It is not enough, moreover, to state this claim theoretically but for the Marxian versions of class analysis it is the task of empirical research to find evidence that supports this preliminary theoretical assumption.

The status of employment criterion appears in the EGP schema as well and also plays a significant role in the theory of Goldthorpe, on which the EGP is based (see e.g. Erikson – Goldthorpe 1992, Goldthorpe 2007).[12] As a starting point, Goldthorpe differentiates between employers, the self-employed and employees. These distinctions he treats as self-evident and he does not find it important to explain them in detail.[13] It may be emphasized, however, that Goldthorpe regards the relationship between employers and employees as being neither fundamentally hierarchical nor horizontal.[14] This fact differentiates Goldthorpean theory from Marxian ones very

11 C.f. János Kis's (1993: 274–279) work, where he elaborates an alternative Rawlsian conception of exploitation.

12 The next comments on the EGP pertain completely to the European Social-economic Classification (ESeC) (see e.g. Rose-Harrison 2010) and also to Erzsébet Bukodi's class schema that was developed for the 2001 Hungarian Census (see Záhonyi-Bukodi 2004; Bukodi-Altorjai-Tallér 2005; Bukodi 2006). These models completely follow the EGP in the respects that are discussed here.

13 See: "Why these three categories should exist is not itself especially problematic, or at least not in the context of any form of society that sustains the institutions of private property and a labour market" (Goldthorpe 2007: 103).

14 For a discussion of the problem of hierarchy by Goldthorpe, see Huszár 2013b: 122–124.

clearly. It is also worth noting in connection with Goldthorpe's approach that while his theory is based on primary distinctions between employers, self-employed and employees, at the end these distinctions play a subordinate role in the class schema itself. The EGP's first level includes only one single class category for employers and the self-employed and, moreover, from this category larger employers are removed.[15] Similarly, the subdivision of the category is also not completely consistent with the preliminary theoretical foundations, insofar as a single farmer class is included in the same level, in which employers and the self-employed are differentiated from each other (see Breen 2005: 40–42, Huszár 2013b: 122–124)

Thus Wright, by referring to the concept of exploitation, regards the relationship between employers and employees to be hierarchical, while Goldthorpe does not take a definite position about this question. In conclusion, we can find in the middle of the EGP schema a category of self-employed whose relationship to employee classes is not clarified at all.[16] However, the problem could be approached alternatively if we assume – in opposition to the views of Wright and Goldthorpe – that the categories that are distinguished with the help of the employment status criterion stand in a horizontal relationship with each other. It is my claim that this suggestion could be well founded on the basis of the normative-functionalist approach that is followed in this paper by referring to the institutionalised norms of equality and inequality.

What must be emphasised first is that capitalism can function only when the freedom of enterprise and the right to work is recognised,[17] and insofar as the emergence of capitalism presupposes a certain degree of the development of rights. As Marshall put it, the relationship between the emergence of capitalism and the development of rights is manifold and complicated. In certain epochs the two processes have supported each other, while in others their relationship has been rather conflictual. Marshall emphasises that it is significant that the right to property and the right to work appeared among the first generational civic rights; namely in parallel with freedom of speech, the freedom of assembly or the freedom of religion. At that time the two processes fundamentally supported each other because the recognition of civic rights made it possible for members of society to act freely and to make contracts as equals in the sphere of the economy as well. Thus, this stage of development of rights foreshadows the emergence of capitalism, and – among other things – makes its development possible (see Marshall 1992: 8–27).

On the grounds of this starting point a new conception can be elaborated using the criterion of status in employment. Accordingly, the categories that are distinguished

15 They are classified as being in the service class. See the explanation of Erikson and Goldthorpe (1992: 40–41) and the critique of Breen (2005: 36–47).

16 Interestingly, this problem came up in the Ferge-Andorka schema that was used for compiling official statistics in Hungary. In Ferge Zsuzsa's original model – which did not include a distinct category for self-employed craftsmen and tradesmen – the class categories could be ranked vertically and the schema was clearly hierarchical (see Ferge 1969: 151–158). The self-employed category was introduced later on by Rudolf Andorka and it disrupted the clear hierarchical character of the previous schema (see Andorka 1970: 24). Ferge avoids this problem in her newer works as well (see e.g. Ferge 2010; Huszár 2012: 8–9).

17 This idea is emphasized both by Marx (2007: 784–849) and Weber (2007). See, furthermore, the important study of Robert Castel ([2003].

with the help of the criterion denote those forms of employment that are created by modern capitalist societies and that are recognised as legitimate ways of acquiring the goods that are indispensable for the satisfaction of basic needs. These societies differ from other kinds of societies in that that they develop exactly these forms and not others. In modern capitalist societies slavery, for example, is prohibited and nobody is obliged to perform socage. In these societies, on the other hand, everyone has an equal right to start an enterprise and to acquire profit. Similarly, every member of society is equally allowed to dispose freely of their workforce and to draw up contracts. In modern capitalist societies the practitioners of different forms of employment are in this important respect equals, and their relationship to each other should be regarded as horizontal.[18]

According to the work of Marshall, the recognition of social rights has opened a new and conflicting epoch in the history of the relationship between capitalism and the development of rights (see Marshall 1992: 27–44). This has great significance for class analysis as well (Esping-Andersen 1990; Huszár 2011c: 119–121, 2013b: 124–127). From our point of view the most important effect of this is that, by recognising social rights, new ways of acquiring income have been created that are outside the occupational system. Social rights lay down the principle that everyone has the right to a certain degree of social safety.[19] The state facilitates the enforcement of these rights with different tools. These tools include (among other mechanisms) redistributing income which creates different entitlements that make it possible for the eligible persons to obtain earnings without working. These entitlements are based on different principles: disabled people, for example, are entitled to a social income because their health status does not allow them to work, while old people get a pension because of their previous achievements. The unemployed are supported to help them reintegrate into the word of work, etc.[20] These entitlements, accordingly, create social statuses that are not grounded on participation in the occupational system but with respect to their normative base these statuses are equal with occupational ones.

In this chapter I argued that employment status is taken into account as a classification criterion in those class schemas that stress the peculiarities of capitalist societies compared to other types. The relationship between employers

18 It is worth having a look from this viewpoint at the historical changes in the constitutional regulation of the right to work and at the history of the freedom of enterprise in Hungary. Although the Stalinist constitution of 1949 laid down that "the means of production could be owned privately", it also added that "the working people gradually displace the capitalist elements". The constitution which followed the regime change in 1989 and the new basic law that was adopted by the Fidesz-KDNP recently unequivocally established the freedom of enterprise. The right to work was ensured by all of the three constitutions (see *Appendix*).

19 Although in different ways, all of the three Hungarian Constitutions refer to social rights (see appendix).

20 In the related question about economic status the following groupings are distinguished in the 2011 Hungarian Census: working (employee, entrepreneur, helping family member, casual worker, primary producer, member of co-operative) (1); jobless, job-seeker (2); old-age pension, recipient of private pension (3); disability pensioner, accident annuity private beneficiary (4); survivors' (widows'/widowers', parents') pension, retirement provision recipient (5); recipient of nursing allowance (6); child attending infant nursery or kindergarten, student, student receiving tertiary-education (7); 0–15 year-old child not attending infant nursery, kindergarten or school (8); living on own assets or through leasing real estate (9); housewife (10); recipient of social support (11); other (12).

and employees could be interpreted in various ways, but according to the normative-functionalist approach that is followed here they are in a horizontal relationship with each other. This variable, together with that of economic status, informs us about the legitimate ways of acquiring income in modern capitalist societies. In this respect all forms of economic or employment statuses are equally legitimate and none of them could be ranked above or below the other. Consequently, if we use these classification criteria we can arrive at the horizontal structure of modern capitalist societies. According to the variables of economic status and those of employment status, various groups may be distinguished, but if we take into account their significance, groups of employers, employees, unemployed and pensioners should certainly be differentiated from each other.

The Vertical Division of Social Structure

After this examination of the horizontal aspect of social structure the next task is to explore its vertical nature. It is this question that was predominantly raised by traditional versions of class theory, and it was at the centre of the functionalist stratification theory as well. In their famous work Kingsley Davis and Wilbert E. Moore (1945) offered an universal explanation for the existence of social inequalities with the help of the functionalist stratification theory, and, in his early writings, Parsons, by emphasising the normative respects of social stratification, also concentrated almost exclusively on the vertical aspect of social stratification (Parsons 1940a, 1949).

If we would like to examine the hierarchical division of class structure by relying on the normative-functionalist approach that is followed in this paper, we should ask which forms of social inequalities are institutionalised in society. As was discussed earlier, in modern societies the principle of achievement becomes the most important ground for justifying social inequalities. According to this moral evaluation of modern societies, those who achieve more must occupy higher positions in the inequality system of society.[21] Thus, to explore the hierarchical structure of society it should be determined what is considered to be an achievement. Additionally, besides the achievement principle, it should be understood what kind of other, secondary principles are recognised in the justification of social inequalities. It is through these investigations that we could define the classification criteria that are to be applied in the class schema.

The categories that were distinguished horizontally in the previous chapter are far from being homogenous; each of them could embrace upper and lower social positions as well. Therefore each could be analysed independently regarding their internal hierarchy. The existence of these categories is underpinned by different

21 The achievement principle also has its constitutional basis in Hungary. Both of the constitutions of 1949 and 1989 include reference to the principle but, interestingly, from the new constitution reference was omitted (see appendix).

normative principles, so their internal hierarchy rests on different bases. In what follows I analyse only groups of employers and employees in detail and I do not deal with those who are outside the occupational system.

It is first of all the right to property and the freedom of enterprise that constitutes the normative grounds of entrepreneurial activity in modern societies. These rights mean that within the given legal framework everyone has the right to start their own business and to profit thereby. These rights belong to the category of fundamental civil rights, but the regulating role of the state can restrict their practice. These regulations can be embodied in tax or environmental laws, the state may keep business activity away from certain spheres and finally, the state also determines the relationship between entrepreneurs and two important groups – employees and customers (c.f. Honneth 2011: 317–469). If this normative framework is respected then entrepreneurial achievement has no other measure but that of success (c.f. Parsons 1940: 199). No matter in which sectors the enterprise functions and no mater how much the entrepreneur works, his achievement will be judged only by the profit he is able to generate.[22] However, if success itself becomes the benchmark of achievement, all forms of inequalities that emerge within the group of entrepreneurs due to their business activity must be regarded as legitimate. Therefore, those entrepreneurs that are more successful and hence occupy inferior positions in the inequality system of society are justified in their positions: according to the institutionalised norms of inequality in modern societies their place is their due.

Consequently, if we follow the normative-functionalist approach that is applied here, the vertical division of the entrepreneurs' group should be carried out on the basis of the success of their business activity. In the course of the operationalization many different indicators could be taken into account. Success may be measured by the amount of profit generated, by the revenues of the firm or by the number of employees; the same indicators that are applied traditionally in the current models of class structure. How many classes is it worth differentiating within the group of entrepreneurs? This can depend on practical and technical factors (e.g. on the sample size). The key point in this respect is, however, how deep a division is required by a concrete piece of research. It may be concluded that a tripartite division that distinguishes between large, medium and small entrepreneurs makes possible manifold forms of analysis.

The next and the largest social category that is to be examined here is the category of employee. The normative status of employees is fundamentally different to that of entrepreneurs. Their economic activity depends less on their own initiatives but it is rather determined by their relationship to employers. This relationship is arranged

22 C.f. the dual characteristics of the concept of achievement that was discussed earlier, according to which achievement is always a kind of result that comes into being through individual effort. It is inconsistent to some extent with this definition, if entrepreneurial achievement is exclusively tied to the outcomes of market activities.

by employment contracts that fix the rights and duties of the contracting parties towards each other. [23]

In differentiating between employee classes, Goldthorpe (2007) places employment contracts in the centre of the inquiry as well. According to his theory different types of employment contracts can be differentiated from each other by taking on the viewpoint of the rational employer. This presupposes that making different types of contracts with different groups of employees will be done according to the employer's own interests. This is how he differentiates between labour contracts and service relationships and this is how he identifies some mixed forms of employment contracts as well. However, if we would like to follow the normative-functionalist approach, employment contracts should be conceptualised alternatively. Accordingly, when defining different types of employment contracts it is not satisfactory to take on the viewpoint of employers and to refer solely to their self-interests. If the class position of employees rests merely on the interest calculations of employers as suggested by Goldthorpe, this would be completely incompatible with the fundamental civil rights of individuals.[24] If, however, these rights are respected it must be assumed that employment contracts are agreements that are concluded freely by equals and that their contents can not be derived unilaterally but must be determined by both actors. These contracts are being made with reference to the background of the institutionalised norms of equality and inequality and their content can not violate these norms seriously and permanently. Consequently, identifying different types of employment contracts and, respectively, different class positions, requires an examination of the following question: what agreement would be freely reached by employers and employees regarding the content of the contract? To put it another way, it should be clarified what both actors consider an achievement to be, and what other principles would they consider when entering into an agreement about the contents of an employment contract.

This question, of course, can be answered only hypothetically – similarly to Goldthorpe's question about the self-interests of employers. However, we may come closer to a solution if we first have a look at a special group for whom the normative principles that determine their employment relations are obvious, and then we try to eliminate the distortions arising from the special characteristics of the group. It is my claim that those who work in the public sector could be regarded as being

23 Contracts are of fundamental significance regarding the normative grounds of modern capitalist societies and also play a central role in the work of representatives of the social theoretical tradition that is followed in this paper (see especially Parsons 1991: 38–58; Honneth 2011: 320–360).

24 Goldthorpe himself is aware of this problem, but he does not think that it has to be taken into account when differentiating class positions: "I also recognize that although employers have the initiative in the design and implementation of employment contracts, the constraints under which they act are likely to include those created by employee responses to their initiatives, whether individually or collectively expressed, and also those that follow from the legislative and regulatory framework that is imposed on employment relations by the state. The nature of such constraints can, however, be expected to show great variation by time and place; and thus, a focus on the actions of employers in dealing with highly generalized contractual problems would seem appropriate, given that my concern is with explaining broad probabilistic regularities in the association between forms of contract and types of work rather than with the deviations from these regularities that will certainly be found" (Goldhorpe 2007: 10. footnote).

such a special group (c.f. Huszár 2011c: 116–118). Although the members of this group most often do technically the same job as their peers in the private sector, their employment relations are fundamentally determined by the fact that their employer is the state itself, or one of its organisations. Employees in the public sector are far from being equals with their employers; their employment contracts and employment relations are usually regulated by special laws that overwrite in many cases general laws that regulate the labour market.[25] These laws could be regarded as being ones that express the conviction of the legislator about justice and those that regulate normatively the inequality relations that exist in the public sector. Thus, if we would like to find out what kind of normative principles the inequalities in the public rest on, these special laws must be examined.

Laws which regulate the legal status of those working in the public sector furnish special rights and prescribe special obligations for this category of employees.[26] Of particular interest here is the fact that these laws, by introducing special pay scales, regulate the income relations and career opportunities of employees of the sector in detail (although there is some variation for different areas of the public sector). These pay scales determine the income conditions of employees through the combination of two dominant principles: one the one hand they rely on the educational level of employees, and on the other they take into account the number of years spent in the civil service. Accordingly, those whose educational level is higher and who have worked for a longer time in the sector can almost automatically count on receiving a higher income. Besides these factors it is also taken into account if someone performs managerial duties. Regulations prescribe higher salaries and better working conditions for employees at higher levels in the hierarchy. Earnings in the public sector finally also depend on a centre-periphery principle as well. Higher salaries are given to those who work at central institutions and lower ones to those who work at county or local-level organisations.

To sum up, the special laws for the civil service determine the earnings of employees in the public sector by relying on several principles. Their emphasis could be different, but I suppose that each of them plays a significant role in the private sector as well when employers and employees agree on the conditions of employment contracts. An estimation and ranking of the importance of the different principles could be attempted. According to legislation, the greatest differences can be found between managers and subordinates and, thereafter, between higher and lower skilled occupational positions. The role of the other principles is, if not insignificant, small compared to these factors. If the different normative principles of inequalities are institutionalized in the public sector according to this order, they must apply to the private sector even more, because among the principles examined here it is the

25 In what follows I concentrate only on Hungarian regulations. See first of all Act XXXIII of 1992 and Act CXCIX of 2011 on the legal status of civil servants and government servants.

26 This condition would explain by itself the treatment of employees of the public sector as a distinct class, if analysis required this.

factors of management and education that can be associated most directly with the efficiency or productivity of a company.

These assumptions are confirmed if we briefly recall what classification criteria are applied by the different occupational class models to the hierarchical division of employees. Although Wright uses the language of exploitation and refers to organizational and skill assets, his model relies similarly on the classification criteria of management and education and, actually, it is these variables that play a prominent role in the EGP schema as well. Zsuzsa Ferge (1969: 86–122), whose early class model still has a central role in Hungarian official statistics, considers several factors for the hierarchical division of groups of employees, among which these two factors have special importance. Ferge, however, identifies other classification criteria that may be especially relevant from the viewpoint of the normative-functionalist approach applied in this paper. For instance, she takes into account the difference on the one hand between blue collar and white collar occupations, and on the other hand between jobs that involve either creative or routine work. These distinctions could serve as a basis for the justification of different forms of inequalities and the class structure could be represented in more detail if these criteria were also considered.

Thus, it can be concluded that there may be several different principles that regulate normatively the inequality relations which exist between employees. Moreover, according to the above reasoning we may also assume that when employers and employees draw up their contracts they would agree that those employees who perform management tasks and who occupy white collar jobs that require high level skills and creativity should get favourable positions. With the help of these four classification criteria employees could be categorized into different classes. Accordingly, at the top of the hierarchy those managers who perform management tasks and supervise the work of several employees can be found. This group of mangers is then followed in the hierarchy by the class of professionals, whose higher position is underpinned by their outstanding knowledge and skills. Below these two upper classes an independent category could be distinguished for those white collar employees whose occupations require some skill but who undertake rather repetitive and routine work. By differentiating the lower, blue collar class positions we could also rely first of all on the variables of education and skills. According to this, it seems appropriate to distinguish two or three working class positions. On the one hand a distinct class category could be maintained for skilled workers whose favourable position is underpinned first of all by their special skills and experiences. A further category should exist for unskilled workers, whose place in the inequality system of society is determined by their lack of special skills and knowledge. Finally a third, intermediate semi-skilled worker category may also be included in the class schema.

Conclusions

The distinctions that were made in the previous chapters can be summarised graphically (see *Table 1*). As was described above, this paper was designed to follow a normative-functionalist approach whose starting point is that all societies institutionalise certain norms of equality and inequality. It further assumes that these norms need to be taken into account when any representation of social structure is attempted. In this model as a first step the group of entrepreneurs, employees, the unemployed, pensioners and the other inactive was differentiated horizontally. In the second step I started identifying the internal hierarchy of the group of entrepreneurs and employees.

Table 1. *A normative-functionalist model of social structure*

Entrepreneurs	Employees	Unemployed	Pensioners	Other inactive
Large entrepreneurs	Managers			
Medium entrepreneurs	Professionals			
Small entrepreneurs	Routine non-manual employees			
	Skilled manual workers			
	Semi-skilled manual workers			
	Unskilled manual workers			

If we compare this class schema with other currently-utilised models of occupational class structure, we will not find large differences between them on the sociological level. This schema relies on almost the same classification criteria that are being used by the other models, and the class categories that are differentiated here are also very similar to those that are traditionally identified.[27] What is conspicuous, however, is that the relationship of the traditional class categories to each other is differently determined.

Thus, the largest differences can be found at the theoretical level. All theories of class structure formulate special questions for empirical research. Wright tries to explore the relations of exploitation in modern capitalist societies, Goldthorpe investigates

27 As the model relies largely on the classification criteria that were used in the early work of Ferge (1969) it resembles the most this latter schemata; it actually can be regarded as a slightly modified version of Ferge's proposition.

the relationship of labour market positions to different social phenomena and Esping-Andersen would like to test hypothesises about the post-industrial development of modern societies. As with these theories, the normative-functionalist approach that is followed here raises specific questions for class analysis.

Unlike other theories of occupational class structure this approach assumes that the capitalist economy is embedded in society. Accordingly, the empirical question that is raised by the theory is whether this is really the case. Is it true that social stratification really fulfils the integrative function that was attributed to it by Parsons and his followers, or, conversely, is it a source of different social-political conflicts (cf. Parsons 1949; Honneth 1994, 2003)? Thus, the class model refers to the institutionalised norms of equality and inequality, because it would like to serve as a yardstick: a yardstick that helps us to find out whether the inequalities that are produced by the capitalist economy are in accordance with the norms that are laid down in the normative documents of modern societies.

The starting point of this paper was an assumption that the constraints of the institutionalised norms of equality and inequality regulate in which respects the members of society must be treated as equals and unequals. This has consequences for the class structure of society: these norms also prescribe which place must be occupied by different groups of individuals in the inequality system of society. Thus, the task for class analysis is to find out whether the different social categories do, in fact, occupy the place that was ascribed for them by institutionalised norms. To put it another way, class analysis should explore whether inequalities can be traced back to differences in achievements, and whether horizontal relationships themselves function as sources of different kinds of inequalities. If empirical studies reveal that institutionalised norms and inequalities are in accordance with each other, then it suggests that the integrative function of stratification is not violated. However, if it is found, conversely, that they contradict each other, then this could be identified as a source of different forms of social-political conflict. It is the task of empirical social research to elaborate appropriate indicators for investigating this relationship.

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Appendix

The constitutional regulation of the right to work, the right to enterprise, social rights and the achievement principle in Hungary

	Act XX of 1949	Act XXXI of 1989	The Fundamental Law of Hungary (2011)
The right to enterprise	"**Article 4.** (1) In the People's Republic of Hungary the majority of the means of production is owned by the state, the public bodies or the cooperatives. The means of production could be owned privately as well. (2) In the People's Republic of Hungary the driving force of national economy is the state power of people. The working people gradually displace the capitalist elements and consistently build a socialist economic order." "**Article 8.** The Constitution recognises and protects the property that is acquired through work. Private property and private initiatives should not violate the public interests."	"**Article 9**. (1) The economy of Hungary is a market economy, in which public and private property shall receive equal consideration and protection under the law. (2) The Republic of Hungary recognizes and supports the right to enterprise and the freedom of competition in the economy."	"**Article M.** (1) The economy of Hungary shall be based on work which creates value and freedom of enterprise. (2) Hungary shall ensure the conditions for fair economic competition, act against any abuse of a dominant position, and shall defend the rights of consumers." "**Article XII.** (1) Every person shall have the right to freely choose his or her work, occupation and entrepreneurial activities. Every person shall be obliged to contribute to the community's enrichment with his or her work to the best of his or her abilities and potential. (2) Hungary shall strive to create conditions ensuring that every person who is able and willing to work has the opportunity to do so."
The right to work	"**Article 45.** (1) The People's Republic of Hungary ensures for its citizens the right to work and emolument that corresponds to the amount and quality of the work performed."	"**Article 70/B.** (1) In the Republic of Hungary everyone has the right to work and to freely choose his job and profession."	"**Article M.** (1) The economy of Hungary shall be based on work which creates value and freedom of enterprise. (2) Hungary shall ensure the conditions for fair economic competition, act against any abuse of a dominant position, and shall defend the rights of consumers." "**Article XII.** (1) Every person shall have the right to freely choose his or her work, occupation and entrepreneurial activities. Every person shall be obliged to contribute to the community's enrichment with his or her work to the best of his or her abilities and potential. (2) Hungary shall strive to create conditions ensuring that every person who is able and willing to work has the opportunity to do so."

Social rights	"**Article 47.** (1) The People's Republic of Hungary protects the health of workers and helps them in the case of disablement. (2) The People's Republic of Hungary shall implement this protection and help through extensive social security system and through the organisation of medical care."	"**Article 70/E**. (1) Citizens of the Republic of Hungary have the right to social security; they are entitled to the support required to live in old age, and in the case of sickness, disability, being widowed or orphaned and in the case of unemployment through no fault of their own. (2) The Republic of Hungary shall implement the right to social support through the social security system and the system of social institutions."	"**Article XIX.** (1) Hungary shall strive to provide social security to all of its citizens. Every Hungarian citizen shall be entitled to statutory subsidies for maternity, illness, disability, widowhood, orphanage and unemployment not caused by his or her own actions.(2) Hungary shall implement social security for the persons listed in Paragraph (1) and other people in need through a system of social institutions and measures. (3)The nature and extent of social measures may bedetermined by law in accordance with theusefulness to the community of the beneficiary's activity. (4) Hungary shall promote the livelihood of the elderly by maintaining a general state pension system based on social solidarity and by allowing for the operation of voluntarily established social institutions. Eligibility for a state pension may include statutory criteria in consideration of the requirement for special protection to women."
Achievement principle	"**Article 45.** (1) The People's Republic of Hungary ensures for its citizens the right to work and emolument that corresponds to the amount and quality of the work performed."	"**Article 70/B.** (2) Everyone has the right to equal compensation for equal work, without any discrimination whatsoever. (3) All persons who work have the right to an income that corresponds to the amount and quality of work they carry out.	There is no reference to the principle.