OECD study shows growing gulf between rich and poor

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12 September 2002

Differences in income in the developed industrial countries increased greatly between the mid-1970s and the mid-1990s. This is the result of a study undertaken by the Organisation for Economic Cooperation and Development in Europe (OECD). Those faring worst in the re-division of wealth were single parents and young people.

The authors of the study, Michael Förster and Mark Pearson, analysed and compared data from a total of 20 member states of the OECD.

At the end of the period under study, the poorest 30 percent of the population in the countries examined received only 5 to 13 percent of the national total income—in Australia and Ireland, 5 percent; Great Britain and Belgium, 6 percent; the Netherlands and the US, 8 percent; Germany, 11 percent; and Japan, 13 percent. On the other hand, the richest 30 percent of the population received 55 to 65 percent of total income. The biggest growths in social inequality were measured in the United States, Great Britain and the Netherlands.

These figures took into account income from work, social and welfare payments and income from capital investments and self-employment.

In the opinion of the authors of the study, responsibility for the growing gulf between rich and poor is due less to the impoverishment of what are already very disadvantaged layers of society and more to the rapid increase in income of the rich. While wages and incomes have fallen “relatively” slightly or remained the same, the net incomes of the top layers of society have risen enormously.

A significant development revealed by the study is the concentration of employment in single households: “There are more households where all adults are working, more households where no adults are working, and fewer households where there is at least one adult working and one adult not working.”

Some government statements—for example, those made by the German social democratic-Green Party coalition—emphasise that a majority of people regarded as poor (earning below 50 percent of average income) are poor for only a short period time. The authors of the current study present figures confirming this thesis, but at the same time make clear that a large proportion of the population lives in permanent financial insecurity.

In a number of the researched countries, the study presents figures dealing with the development of poverty over a period of six years. In Germany, 10.2 percent are destined to be poor on an annual basis. The corresponding figure in the US is 14.2 percent and in Great Britain, 20 percent. Over the period of six years just 1.8 percent of the population experienced poverty in any one year; in the US, 4.6 percent; and in Great Britain, 6.1 percent.

But every fifth inhabitant of Germany (19.9 percent), every fourth US citizen and more than a third of all British citizens (38.4 percent) experienced poverty at one time or another in the control period of six years. It is apparent that in the richest countries in the world poverty is not merely a phenomenon affecting the fringes of society, but it is a permanent threat for large sections of the population.

The authors also make clear that those who have suffered most from the re-division of wealth are single parents and young people. The study identifies the long periods of study for students, together with the growth of youth unemployment, as the main determining factors for youth poverty. In the case of single parents, poverty is bound up with the widespread dependence on state assistance.

The average income of single mothers and fathers lies between half (US) and two-thirds (Scandinavian countries and Greece) of the average income of all persons of working age. With the exception of Sweden, where nine-tenths of all single parents are employed, it is principally unemployment which is the cause of this form of poverty. In particular in Germany, it is the lack of proper child care and the corresponding difficulties for parents to take up work which have intensified poverty.

In all countries, those between the ages of 41 and 50 years have the highest levels of income. Nevertheless, this group is also affected by poverty. For two countries in the study group, Great Britain and the Netherlands, poverty has grown within this age-group.

The OECD study also investigated the social assistance expenditures in individual countries. Such payments are primarily aimed at somewhat alleviating poverty, for example, to compensate for periods of unemployment or child rearing. However the authors have been able to establish that such social assistance payments do not primarily benefit the poor.

In some countries—including Greece, France, Hungary, Italy, Mexico and Germany—the bottom 30 percent of the population received less than 30 percent of state assistance payments. In these countries such payments are not transferred from the young to the old, the employed to the unemployed, from families without children to families with children, i.e., from better-off layers of the population to those in need. Instead the payments are distributed "equally" throughout the population.

In the year 1994, the bottom 30 percent of the population (in terms of income) in Germany received just 28.5 percent of all social payments, a decrease of 4.9 percent compared with the year 1984. For the bottom 30 percent of pensioners, the corresponding payments amounted to less than 20 percent of the total. The middle ranging 40 percent of the population fared substantially better, with 42.2 percent of payments—an increase of 4.1 percent. But even the most privileged 30 percent of the population received more state payments than the bottom 30 percent, or 29.2 percent, an increase of 1 percent compared to the previous decade.

When big business and the political elites complain about the "high level of state assistance payments", their aim is to cut unemployment benefits and social assistance—those payments traditionally received by the poorest and least privileged in society.

The figures of the OECD study are no longer current and only suitable for international comparison. As a result, the authors explain, on the basis of the statistical methods used, the figures in particular from the US are insufficient to determine whether poverty is less prevalent, for example, than in Great Britain. Symptomatically, the report on rich and poor by the German government ignores the elevation of a few thousand super-rich in the country, with a total wealth of around 3 trillion euros. A further subdivision of the bottom and top social layers would undoubtedly reveal much more dramatic income inequalities, particularly in the US.

Nevertheless, the study carried out at the behest of the OECD confirms an international tendency which millions experience as part of their everyday life: the gulf between rich and poor is growing, and the primary victims are single parents, the young and the elderly.