Increasing social inequality and poverty in Germany

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Social inequality and poverty have dramatically increased in Germany in recent years compared with other countries. This is the conclusion of a study published by the OECD (Organization for Economic Co-operation and Development) last Tuesday.

According to the conclusion of the report: "Since 2000, income inequality and poverty have grown faster in Germany than in any other OECD country. " The report continues: "They increased by more in five years (2000-2005) than in the previous 15 combined (1985-2000)."

From 1998 to 2005 Germany was governed by a coalition of the Social Democratic Party and the Greens, led by Chancellor Gerhard Schröder of the SPD. The policies of this government, in the form of generous tax handouts to big business and the rich, while at the same time welfare and social benefits were slashed (Hartz IV), are above all responsible for the unprecedented growth of social inequality in Germany.

The study, entitled "Growing Unequal?: Income Distribution and Poverty in OECD Countries," examines the development of relative poverty in each individual country. The incomes of the super-rich were not included.

The figures in the report make possible only a limited comparison of the extent and consequences of poverty in individual countries. There are undoubtedly differences between being poor in Mexico, Turkey or in the US, compared to countries like Sweden, Switzerland, Austria and Germany, where despite the rapid increase in inequality, there still exist the vestiges of a social net.

Nevertheless the OECD study contains important indicators, which permit comparisons to be made regarding the extent of the social crisis and political development in individual countries. The authors of the study point out that the use of alternative criteria to measure inequality would have had little effect on the relative country rankings.

The study deals with the period 1985-2005. People are considered poor if they receive less than 50 percent of median income. This median is based on an average drawn from the top and bottom earning halves of society.

Based on this criterion, income inequality has risen substantially in Germany, Canada, the US, Norway, Italy and Finland since 2000. It has increased in particular because the incomes of rich households have risen out of proportion to the households of middle and lower income earners. Over half of the poor live in households with at least one earner. These households are nevertheless poor because the earning member of a family has either a low-paid, or part-time job.

Germany

Between 2000 and 2005 poverty increased in Germany more rapidly than in any other OECD country. During the entire observation period of 1985-2005, the only other country to outdo Germany in inequality growth was Ireland.

In Germany the poverty level is a yearly income of 9,100 euro ($US11,400) for a single person. Using this measurement, 11 percent of the population live in poverty. The OECD average is 10.6 per cent, while the country with the highest levels of social inequality and poverty (17.1 percent) is the US. At the start of the 1990s the poverty ratio in Germany was approximately 25 percent less than the OECD average.

Alongside the Czech Republic, Canada and New Zealand, Germany is one of the countries with the most explosive growth of child poverty. Sixteen percent of children in Germany live in poor families. With regard to children living in one-parent families, Germany has the fifth-highest poverty ratio after Japan, Ireland, the US, Canada and Poland.

For a long period following the war income differences in Germany remained relatively small compared to other countries. Now Germany has nearly reached the OECD average. In particular income differentiation has soared since

1995. At the same time the number of households without any earned income has increased from 15.2 to 19.4 percent. Currently nearly one fifth of households are dependent on some sort of state benefit--the highest level of all OECD countries. Here once again this figure grew rapidly in Germany, which ranked only behind Hungary and Turkey in this respect.

In Germany the top ten percent of earners receive on average about eight times as much as the lowest ten percent. The top ten percent control a quarter of gross income.

Wealth in Germany is even more unequally distributed. The wealthiest 10 percent possess around half of the country’s total assets. The last wealth and poverty report issued by the German government demonstrated that the bottom fifty percent of households possess just two percent of total assets. In the meantime over three million households in Germany are insolvent. Individuals or families obliged to receive counselling on their debts owed an average of 23,000 euro and had an income of less than 900 euro per month.

The OECD study also makes clear that in Germany, more than in any other advanced capitalist country, occupation and the income of parents determine the educational prospects of children. Pupils with parents in high-status jobs achieve better educational results (PISA) than the offspring of parents with menial or lower-paying jobs.

Experts expect an increase in inequality this year. Markus Grabka from the German Economic Institute (DIW) told the press that measures introduced by the government had radically transformed the labour market in Germany during the last ten years. In particular the number of those employed in temporary and low-paid jobs has soared. “In the context of the current economic downturn, such workers will be relatively rapidly catapulted out of the job market.”

The establishment of a broad low-pay wage sector was the avowed aim of the former coalition (Social Democratic Party–Green Party) government led by Schröder. In a piece for the Frankfurter Rundschau just a month ago, the health expert of the SPD, Karl Lauterbach, vigorously defended that government’s welfare reforms: “It is still better to work for low wages than not to work at all.”

The privatisation of public services and mass dismissals in industry have led to the creation of an enormous army of the unemployed or under-employed during the past 10 to 15 years. Cuts in unemployment benefits implemented by the Schröder government then served to massively increase the pressure on unemployed workers to take any sort of work--irrespective of poor working conditions or low pay. Millions of workers in Germany are now condemned to a life of temporary and cheap-wage labour. Currently many such workers are employed in Germany for as little as 3 to 5 euro per hour--often in the form of official contracts agreed by the trade unions!

At the same time the number of full-time jobs is declining rapidly in Germany--1.5 million less within the last ten years. The volume of temporary employment, agency and so-called “mini-jobs,” i.e., those involving 20 hours or less per week, has soared over the same period--by approximately 2.6 million.

Workers involved in such precarious jobs constitute 26 percent of the total workforce. The majority of such employees are women (71 percent). The number of agency workers has trebled in the past ten years by over 730,000, with such workers often replacing full-time regular jobs. The numerous declarations by representatives of the German government that low-wage jobs are a stepping stone towards regular employment are simply untrue.

Only 15 percent of agency workers obtain a regular full-time job in industry after one year of employment. The situation for full-time, low-wage earners is no better, with only one in twelve able to escape the low-wage trap.

Part-time, cheap-wage, agency and temporary jobs are all flourishing in Germany, and a “normal employee relationship” (full-time work for an unlimited period) is rapidly becoming the exception rather than the rule. Just half of the workforce currently has a full-time job with a reasonable or decent salary.

This is the inheritance of the policies introduced by the Schröder government, which are now being continued by the grand coalition (SPD-Christian Democrats) under Chancellor Angela Merkel (CDU). In its latest report the OECD has once again confirmed this trend.