

# Study shows steep rise of poverty in Germany

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Poverty and the risk of falling into poverty have risen considerably in Germany in the last few years. This was the conclusion of a report issued February 17 by the German Institute for Economic Research (DIW). According to the criteria laid down by the DIW, 14 percent, or one seventh of the total population, either lived in poverty or were threatened by poverty in 2008.

In 1999 the comparable level of poverty stood at 10.3 percent. This means that poverty has increased by approximately one third in the past 10 years. At the same time, the statistics only cover up to the year 2008. As a result of the international financial and economic crisis last year there can be no doubt that the 2008 rate would have risen significantly.

The DIW study has adopted its criteria for poverty from the European Commission, which regards as poor all those with an income less than 60 percent of so-called median income in the respective country. On this basis the DIW collects data annually from private households in the context of the German Socio-Economic Panel (SOEP), a household-based study started in 1984 and that re-interviews adult household members annually.

Children and young people are particularly hard hit by poverty. A quarter of all young persons between the ages of 19 to 25 live below the poverty threshold. This group has also experienced the biggest increase in poverty risk in the past 10 years—more than 6 percent.

The DIW study points to three main reasons for this increase in poverty: the longer duration of training and an increase in the proportion of college graduates, which delays the entry into working life; badly paid apprenticeships or other forms of precarious employment (temporary and/or low paid); and the trend to leave the parents' home earlier to set up an independent household.

The study notes that bound up with this latter trend is a growing tendency towards “single and single parent

households. There has been a 7 percent plus increase in this latter category since 1998. The poverty ratio amongst young adults living alone totaled over 65 percent in 2008.”

Other categories affected by above average poverty are single parents with children (40 percent) as well as families with more than two children. For families with three children the poverty risk is 22 percent; with four and more children it is around 36 percent. The level of poverty prevailing in single parent households with children under three years has risen to 50 percent.

In an interview included in the study, its co-author Joachim R. Frick cites high unemployment as the principal reason for the pronounced rise in poverty and adds: “At the same time in the last few years we have seen an increasing poverty risk for persons with gainful employment. This is bound up with the expansion of the low-wage sector and the increase in precarious forms of employment.”

The relatively higher poverty ratio in East Germany (19 percent) compared to West Germany (13 percent) is due particularly to longstanding high levels of unemployment in the east. Equally, according to the DIW study, there is also much less access to alternative sources of income (for example investment income) in the east. Migrants from non-European Union countries are also increasingly subject to higher levels of poverty risk.

While the authors of the DIW study make no open criticism of the Hartz anti-welfare laws, they acknowledge that the expansion of the low-wage sector—an intended consequence of the Hartz IV reforms—has led to an increase in poverty. In addition the study states: “Households with small working intensity (i.e., with less than half the hours of a full-time job) are increasingly approaching the poverty risk levels of households without any gainful employment.”

In fact it was the Hartz laws introduced by the Social

Democratic (SPD)–Green coalition government led by Gerhard Schröder that were primarily responsible for the explosion of the low-wage sector and the corresponding ballooning of poverty. By last year the low-wage sector totaled 6.5 million and this trend continues to rise. The conservative coalition led by Angela Merkel (Christian Democratic Union, CDU) has continued this course and has also made a major contribution to the growth of poverty amongst pensioners in the coming years by increasing the retirement age from 65 to 67.

At the same time, the German government has made hundreds of billions euros available to the banks in order to save them from the crisis they initiated. It has also introduced a so-called “debt brake” into the constitution compelling future governments to fund the country’s huge debts by savage attacks on the majority of the population.

The recent campaign launched by Vice-Chancellor Guido Westerwelle defaming the unemployed and those dependent on Hartz IV payments is aimed at preparing the way for much more far-reaching attacks on the working class. The savings program now being developed by the government in Berlin will inevitably lead to a dramatic increase in unemployment and further devastating cuts in the country’s welfare network, which in turn will send poverty levels soaring.



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