Germany's low-wage earners remain trapped in poverty

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Poverty and social inequality continue to rise in Germany, with migrants particularly affected. On the other hand, the wealthy continue to maintain even their peak incomes. This is evidenced by a new report of the Federal Statistical Office of Germany last week.

In 2008, some 15.5 percent of Germany's population was poor, amounting to nearly 13 million people. Referred to as “poor”—or “at risk of poverty”, as it is euphemistically called in scientific jargon—these are people whose income, including welfare benefits, comes to less than €929 a month.

Since these figures do not take into account the effects of the financial and economic crisis, it can be assumed that poverty has actually increased further than reported. The trade unions have agreed to cuts in real wages during the crisis, as the researchers mention in an aside.

Poverty is having a major impact on virtually all areas of life. It is not merely affecting holiday travel and major purchases, which are beyond the financial reach of the poor, in any case. Roderich Egeler, president of the Federal Statistical Office, said almost 1 in 3 of the poor (30 percent) was unable to get a full meal at least every second day. Some 16 percent cannot adequately heat their homes.

The researchers write: “Young people aged between 18 and 24 were more often poor compared to the average person interviewed; they were also more often unemployed, living alone, or living in the households of single parents”. The poverty rate among 11 to 30 year-olds was more than 18 percent. Over 1.5 million children and adolescents, as well as 1.8 million young adults are poor.

Poverty rates are even higher in eastern Germany. From 2007 to 2009, it was 18.8 percent, i.e., 6 percentage points above the average. From 2000 to 2002, it was only about 3 percentage points above the average level for the whole of Germany.

In addition to eastern-western differences, there also exist huge differences between immigrants and native residents. There is "twice as high a risk of poverty for people with immigrant backgrounds compared to those without”. In eastern Germany, up to one-third of immigrants are poor.

In 2009, there were for the first time in Germany over 16 million people who had immigrated or whose parents, grandparents or great-grandparents had done so. Their risk of facing poverty is disproportionately high, a predicament “closely connected with low or completely absent educational and professional qualifications”. In 2009, they were about twice as likely to be unemployed or only marginally employed in a so-called "mini-job" (12 percent).

Every fourth household, where the main income earner had an immigrant background, was found to be poor in 2009. The monthly net income of 18 percent of these households was less than €900.

Single parents are among the groups particularly hard hit by poverty. They consist almost exclusively of women. On average, every third single parent is poor; the proportion is as high as 40 percent for women with an immigrant background.

The number of low-wage earners has also increased, though the researchers only present statistics which are 5 years old for this group. The wage defined as “low” in 2006 was €9.85 gross per hour. One in 5 workers, or about 8 million people, earned less than this amount. The researchers found that less than half of “atypical” (e.g. marginally employed or temporary) workers earned this wage. Other studies show that, last year alone, 8 million people had “atypical” jobs.

"The proportions of the low-paid vary significantly according to the type of employment", says the report. About 4 in 5 workers in marginal jobs (81 percent) and 2 in 3 temporary employees (67 percent) worked for a low

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wage in 2006. The rates were lower for fixed-term (36 percent) and part-time (20 percent) workers, but still well above the level of so-called "normal employees" (11 percent). By "normal conditions of employment" are meant permanent jobs of more than 20 hours per week, fully covered by social security insurance.

Over the past 10 years, all the indices of poverty have increased. Social inequality has also increased significantly.

The total monthly income of the poorest 20 percent of the population ("the lowest quintile") decreased considerably. "Following 2000, the income share of the poorest quintile declined steadily, falling to 9.4 percent in 2009". The share of the top quintile rose from 34.3 percent in 1997 to 36.3 percent in 2009.The authors conclude: "The inequality of disposable household income has thus significantly increased, and the gap between rich and poor has continued to widen".

The likelihood of people in the lowest quintile remaining there has significantly increased over the years: from 57 percent in the 1980s to 65 percent in 2009. During the presentation of the report, sociologist Jutta Allmendinger claimed that the saying "once poor, always poor" still applies to the situation today. The probability of the rich maintaining their high incomes has also increased, from 38 percent in the 1980s to 51 percent in 2009.

One chapter reveals how income and "class positions (are inherited) according to social origins". Thus, over 40 percent of the sons of employees from the upper earnings brackets occupy similar positions to those of their fathers. Over the last decade, approximately half the skilled workers in western Germany (50 percent) had fathers who were also skilled workers.

The researchers summarise their findings as follows: "Despite (society's) emphasis on equal opportunities in education and commitment to the performance mindset in working life, the class origin of people still has a strong influence on the later class position of men and women in Germany."

Persistent and increasing poverty have also led to growing indebtedness. A new bankruptcy law—allowing private individuals to file for bankruptcy—was introduced in 1999, and approximately 600,000 individuals had filed for bankruptcy by 2009. In 2009 alone, there were about 101,000 such personal bankruptcies. The researchers found that the main reasons for indebtedness in 2009 were unemployment (28 percent), partner separation or divorce (14 percent), and illness or addiction (11 percent). The average debt load—excluding those with mortgage liabilities and former self-employed people—was €22,000.

The report’s authors also expressly refer to the impact of the Hartz unemployment benefits laws, which came into force in 2005. They write that the evident long-term increase in inequality is primarily related to an "increasing spread of income levels", adding: “From 2005, however, reform processes related to securing the viability of the welfare state are also apparently having an effect.”

The Hartz laws have significantly increased inequality. The Federal Employment Agency's recent report in September records 6.5 million Hartz IV recipients, including 1.7 million children under 15 years of age. This reform, which requires people to run through their savings before receiving assistance, reduces people to legally-prescribed poverty and gives employers leverage to slash wages.

The 448-page report of the Federal Statistical Office in cooperation with the Federal Agency for Civic Education, the Social Science Research Centre Berlin, and the Socio-Economic Panel at the German Institute for Economic Research, is—according to its introduction—"not only a report on social conditions in the German Republic"; it is also an important instrument for political education. The statistical report “enables users to reach their own informed assessment of the situation”.

The statistics conveyed in the report do indeed speak for themselves. They constitute an indictment of the society and thus of those responsible for the policies of wage cutting, expansion of low-wage sectors and the slashing of social spending that condemn many millions of people to a life of poverty—in the midst of increasing wealth, bonuses amounting to millions of euros, and skyrocketing corporate profits.

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