

# Poverty in Germany persists despite economic growth

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30 December 2011

Some twelve million Germans, or 14.5 percent of the population, are poor, the charity organisation Welfare Association reports.

The situation is especially bad in Germany's former industrial heartland, the Ruhr region. Here the head of the Paritätischen Wohlfahrtsverband, Ulrich Schneider, warns of the threat of social unrest.

In a new report, the Welfare Association found that poverty has remained at "a record level of over 14 percent for the past six years". Despite severe economic fluctuations, including periods of significant economic growth, poverty rates during this period have not shifted by even a single percentage point.

The report uses the concept of the "danger of poverty". This applies when someone has less than 60 percent of average monthly income at their disposal. In 2010, the poverty threshold for a single household was €826, for a family of four €1735.

The report points out that this 60 percent limit for the single household is significantly over the average monthly welfare payment (Hartz-IV) threshold of €701. For families dependent on welfare assistance, the report notes, there is "no longer a danger of poverty, but real poverty."

The report detects a significant negative trend in particular in two German states—Berlin and North Rhine-Westphalia. Both states have been long governed by social democratic-led coalitions. In Berlin, the poverty rate rose from 17 percent in 2006 to 19.2 percent last year; in North Rhine-Westphalia poverty rose from 13.9 to 15.4 percent.

While the proportion of poor people in Berlin and

North Rhine-Westphalia has increased, the proportion of welfare recipients across the country has declined slightly. In Berlin, the number of those on Hartz-IV payments in 2011 topped 21.1 percent, or slightly lower than in 2010.

The report concludes that the fact that relative poverty in these two states has increased demonstrates the trend towards a growing percentage of so-called "working poor", i.e., those with jobs at minimal wages which condemn them to poverty. According to Ulrich Schneider, who officially presented the report, responsibility for this tendency lies with the growth of the low-wage sector in Germany.

The Welfare Association expresses its concern at the fact that poverty did not decline, even during periods of the rapid growth of the German economy, such as in 2006, 2007 and 2010. A boost to the general economy had no positive impact on the income of the poorest layers of the population.

The phenomenon of "ingrained poverty" is also reflected in the nationwide rate of those dependent on Hartz IV. This percentage has also remained constant around 10 percent during the past six years. This was despite all the claims by the government of "labour market success stories".

Poverty remains higher in the east of the country. The report qualifies this fact, however, by considering the significant social and historical differences between individual states and regions in Germany. "Rather than a clean-cut division between East and West, Germany increasingly resembles a poverty patchwork," it notes.

Thus, the poverty rate varies from 10.8 percent in the states of Bavaria and 22.4 percent in Mecklenburg-Vorpommern. Even within the large West German city-states there is a huge poverty gap. In the Lower Saxony capital of Hanover (21.3 percent), the state of Bremen (21.1 percent) or the city of Dortmund (19.7 percent), the poverty rate is significantly higher than the average for East Germany. Conversely, regions such as southern Thuringia in eastern Germany (14.4 percent), or Havelland-Fläming in Brandenburg (12.2 percent) are below the German average.

In particular, the study identifies the Ruhr area, Germany's largest metropolitan region with nearly 5 million people, as a "new problem region with an alarming dynamic". In cities like Dortmund and Duisburg, relative poverty has risen by a quarter since 2005 and is now well above 20 percent.

"This dramatic development of the Ruhr is underscored by the Hartz IV figures," the report notes. In July 2011 in Dortmund and Duisburg, 17.8 percent of the population under 65 were reliant on Hartz IV payments; in Essen this figure was 18.2 percent, and 21.6 percent in Gelsenkirchen. "Of particular concern is the fact that in individual cities and states these rates remain either very high or even show a trend upward, as is the case in Mülheim an der Ruhr, in Hamm, in Essen or in Gelsenkirchen."

"There is no light at the end of the tunnel," association head Schneider stated. He warned of social unrest similar to that which has taken place recently in London and other British cities if the people of the Ruhr are deprived of any perspective and "lose social control due to hopelessness." He added: "If this pot with five million people, begins to boil it will be difficult to cool it down again". He explicitly warned against "saving this region to death".

This, however, is precisely what the state administration of the SPD and Greens led by Hannelore Kraft (SPD) is doing. This is the purpose of its recent "Pact for the strengthening of the city's finances". In exchange for modest cash assistance from the state budget it obliges local authorities to carry out drastic cost-cutting and restructuring measures.

Of the 396 cities and municipalities in North Rhine-Westphalia, only eight have a balanced budget. 138 municipalities are currently in a state of emergency regarding their budgets. Six municipalities, four of which are in the Ruhr, are in debt, i.e., their debts exceed total assets. Twenty-eight other communities are threatened with indebtedness during the next two years.

These 34 heavily indebted municipalities are obliged to accept aid from the state government, and in return implement austerity measures.

In this respect the regional "strengthening pact" resembles the "support" for Greece from the IMF, the ECB and the European Union. The monies that end up in the coffers of the banks are recompensed by drastic cuts in social spending and the impoverishment of broad layers of the population.

Duisburg has been ordered to produce annual savings of €75 million up to 2017. To meet this demand, the president of the District Government of Düsseldorf, Anne Lüttkes (Greens), has rejected any sort of concession to the city's socially deprived, and is calling for rigorous new cuts in Duisburg city council.

In Oberhausen, the city with the highest per capita debt in Germany, the official attitude is "grin and bear it". The city mayor Klaus Wehling (SPD), originally calculated that the required savings could only be made by sacking all of the city's public employees. The municipal website ominously warns that the city's savings target cannot be achieved with conventional methods.



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