Poverty in Germany hits new high

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A few days before the Christmas holidays, the Joint Welfare Association published a report on the regional development of poverty in Germany in 2013 titled "Between prosperity and poverty—a test to breaking point". The report refutes the official propaganda that Germany has remained largely unaffected by the crisis and is a haven of prosperity in Europe.

According to the report, poverty in Germany has "reached a sad record high". Entire cities and regions have been plunged into ever deeper economic and social crisis. "The social and regional centrifugal forces, as measured by the spread of incomes, have increased dramatically in Germany since 2006," it says. Germany faces "a test to breaking point."

"All the positive trends of recent years have come to a standstill or have reversed. Germany has never been as divided as it is today," said Ulrich Schneider, executive director of the Joint Welfare Association at the launch of the report.

The Association explicitly contradicts the presentation of the German government, which argues that poverty has remained steady since 2005 and is even declining. In its Poverty and Wealth Report in spring 2013, the government used a German Institute for Economic Research (DIW) study from October 2012. However, it concealed the fact that the DIW had only used data ranging up to 2010, which showed a marginal decline in the poverty rate compared to 2009.

In 2011, however, "the poverty rate rose again by leaps and bounds, exceeding the 15 percent mark for the first time". The Joint Welfare Association also indirectly criticises the DIW, saying that up-to-date "figures were certainly available in October 2012". In its study, the pro-business DIW apparently preferred to give the government an easy ride, avoiding negative publicity for its campaign in the 2013 general election.

The Joint Welfare Association poverty report for 2013 finds a "very clear pattern of increasing poverty for the Federal Republic of Germany. From 2006 to 2012, poverty grew successively from 14 percent to a peak of 15.2 percent. This trend only slowed down slightly in 2010, but did not stop, let alone reverse."

The report calculates "relative poverty rates", or the risk of poverty, defined as having income 60 percent below the average. In 2012, this poverty threshold was €869 monthly for a single household, and €1,826 for a family of four with two children under the age of 14.

The study indicates that support payments stipulated by the "Hartz IV" welfare laws were insufficient to meet needs in 2012 and were kept about 30 percent too low for budgetary reasons.

The report debunks the official fiction that a slight economic upturn in recent years and falling unemployment have had a positive impact on the social situation of working people. The opposite is the case, the report finds: "The development of poverty has, according to the data, been decoupled from economic development … [with] a significant medium-term upward trend."

The Association examines the divergence between economic development and poverty. In 2011, when Germany reported economic growth of 3.9 percent in real terms, as well as falling unemployment, the poverty rate jumped from 14.5 to 15.1 percent. In 2012, when economic growth only increased in real terms by 0.9 points and the unemployment rate remained constant, the poverty rate increased by a further 0.1 percent.

In other words, while the profits of the boom ended up in the pockets of a wealthy financial and business elite, the new jobs created are on low wages. Exploitation and poverty are increasing.

The report says that this "undeniably points to low wages and precarious, inadequate employment. … The good statistical success in labour market policy is obviously at the expense of an Americanization of the

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labour market, the phenomenon of ‘working poor’.”

As in previous years, the study uses the data to establish the “national rankings” for Germany’s federal states. The rankings have seen only a minimal change since the 2011 study, with only Hamburg and Rhineland Palatinate changing places.

The “top spots” with the most poverty are Social Democratic Party (SPD)-governed states such as Bremen, with a poverty rate of 23.1 percent, Mecklenburg Western Pomerania (22.9 percent) and Berlin (21.2 percent). This is followed by Saxony-Anhalt (20.9 percent), Saxony (18.9 percent) and Brandenburg (18.3 percent), ruled by an SPD-Left Party coalition. The latter has seen a rise in the poverty rate by 1.4 percent and can “no longer be placed in the midfield” of the rankings.

The south German states of Baden Württemberg (11.1 percent) and Bavaria (11.2 percent) have recorded the lowest poverty rates. Hesse has the third lowest poverty rate (13.2 percent).

Overall, the gap between “rich” and “poor” states is widening, while poverty in most states is increasing, according to the Association. Eleven of the 16 federal states recorded worse figures compared to the previous year. The study concludes that for “the prosperous regions things are always getting better, for the ‘poverty regions’ things get worse and worse”. Not only the social but also regional “centrifugal forces” in Germany had increased.

A “special drama” is developing in the Ruhr, which, in addition to Berlin, was for “the first time identified as a special poverty region in Germany” in the 2011 Poverty Report. In this former industrial area, “an unrestricted development of poverty” was taking place. Since 2006, poverty in the Ruhr, Germany’s most populous metropolitan area with over 5 million inhabitants, has increased on average by 0.6 percent, reaching 19.2 percent in 2012.

Most affected by poverty are the cities of Dortmund and Duisburg, where the poverty rate rose to 26.4 percent (up 2.2 percent) and 25.1 percent (up 1.6 points) respectively. With this, “the poverty rate in Dortmund has increased by 42 percent since 2005 and about 48 percent in Duisburg.”

The study finds that “entire regions are falling into a dramatic downward spiral or are already in the midst of one”. The outcome is run-down public infrastructure and the flight of professionals and families “to more attractive locations.”

The Association predicts a further dramatic worsening of the situation for the coming years. Beginning in 2020, the constitutionally-prescribed “debt ceiling” will apply, prohibiting all federal states from taking on new loans. Massive cuts will particularly aggravate poverty in the already afflicted states.

States like Bremen and Saarland would have “to cut between a quarter and one-fifth of their spending to comply with the debt ceiling under present circumstances”. This would lead “almost inevitably to cuts in so-called ‘voluntary services’ and thus in particular in the social sphere as well as in culture, education and sport.”

In addition, the system of financial equalization transfers between the states expires in 2019. “If the financially weak states receive lower transfers than in the past, their already precarious financial situation would worsen further”, the report warns. “The rift between financially strong and financially weak states, between prosperous and poor regions would deepen further.”

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