

# Eurozone social inequality most extreme in Germany

Dietmar Henning  
5 March 2014

For more than 10 years, statistics on income and wealth distribution in Germany regularly reveal the same findings: the rich get richer, the poor get poorer, and the social divide is growing.

This is once again confirmed in a study released last week by the German Institute for Economic Research (DIW). The study was carried out by the pro-union Hans Böckler Foundation and was conducted by Dr. Markus M. Grabka and Christian Westermeier. It notes that in the decade 2002-2012, the highest earners could “expand their asset base further”, while the assets of the lower-income groups stagnated or sank.

The work by the two DIW researchers evaluates the latest data from the German Socio-Economic Panel (SOEP) covering the financial situation of the adult population from the age of 17. In 2012, all private households combined had a gross wealth of some €7.4 trillion, not including private vehicles and household goods. The researchers then calculated the average wealth of all adults by discounting all liabilities from this gross estimation. The result (€6.3 trillion) was then divided among all adults, leading to the conclusion that in Germany every person from the age of 17 has accumulated an average of €83,000.

A closer look, however, indicates a huge disparity in wealth. The median figure—i.e., the value that separates the richest 50 percent and the poorest 50 percent—lies at only €16,663. The wealth of half of the population is less than this amount, while the richest 10 percent possess at least €217,000. In 2012, those belonging to the richest 1 percent had net assets of more than €800,000.

In reality, the figures concerning the top layers of the wealthy are an underestimate. The SOEP statistics barely capture the super-rich, the billionaires and owners of fortunes running into triple-digit millions.

“External statistics to validate this underestimate, for example by means of property tax statistics, do not exist in Germany”, the scientists write. The actual average wealth in the top hundredth of the population would therefore lie much higher.

More than a fifth of all adults in Germany, however, had no assets at all in 2012, while a further 7 percent had higher debts than assets.

In calculating the degree of inequality in the distribution of wealth, Grabka and Westermeier also used the Gini coefficient as a measure of social inequality. This value can lie between 0 and 1. If the value were 0, then assets would be distributed equally and everyone would have the same wealth. This value would apply if every adult in Germany actually had assets of €83,000 as noted above. If the value were 1, it would mean a single person possessed the entire €6.3 trillion, and everyone else had nothing. Thus, the higher this value falls within the 0-1 range, the greater the imbalance being measured. In the US, one of the most socially divided countries, the Gini coefficient was 0.87 in 2010.

In 2012, in Germany, the level of social inequality measured by this coefficient was 0.78, greater than in any other country in the eurozone. The values in Slovakia (0.45), Italy (0.61) and France (0.68) were significantly lower. According to the DIW scientists, France’s value lies near the average for the eurozone.

Since the value of the Gini coefficient compared to 2002 and 2007 has hardly changed, the scientists speak carefully of inequality “remaining at a high level” in Germany. The *Süddeutsche Zeitung* concludes, therefore, stating that the rich get richer while the poor get poorer is a “prejudice”. However, the static Gini coefficient in terms of assets seems rather to point to weakness of the statistics, which do not provide

detailed and accurate picture of income distribution.

The study itself indicates that in the last decade, income from business activity and property in comparison to wages and salaries has risen significantly.

While the 10 percent of adults with the lowest incomes in 2012 had just under €20,000 in assets on average, the top 10 percent in terms of income possessed a per capita wealth averaging €285,000. Over the last decade, the top 20 percent recorded an increase in their assets averaging €25,000. In the bottom 30 percent measured by income, however, no change was found, with assets in this group remaining at a low level.

For almost a third of the population in 2012, debts were significantly greater than in 2002. In particular, the proportion of people with consumer credit has grown significantly, from 12 percent to 16 percent.

The unemployed have suffered drastic financial losses since 2002. At that time, their average net assets still amounted to around €30,000, while in 2012 these measured only €18,000. Grabka and Westermeier ascribe an important role in this phenomenon to the Hartz laws, introduced by the SPD-Green Party government under Gerhard Schröder (SPD). Among other regulations, the Hartz laws force the jobless to use up almost all their savings before they can receive unemployment benefits. In 2012, nearly two thirds of the unemployed had no assets or were in debt.

A recent study by the Institute for Labour Market and Employment Research (IAB) of the Federal Employment Agency confirmed that the state is making savings worth billions at the expense of the unemployed. The study noted that the “costs of unemployment in the past 10 years [have] more than halved in real terms.” While in 2012, the total costs of unemployment benefits amounted to €53.8 billion, corresponding to about 2 percent of gross domestic product (GDP), in 2003, before the introduction of the Hartz IV regulations, the total costs of these benefits were €91.5 billion, some 4.3 percent of GDP at the time.

What is remarkable in the current DIW study is the finding that “25 years after reunification, there is still a wide gap between East and West Germany”. In 2012, the average net assets of East Germans (€41,000) were less than half of those of West Germans (€94,000). The

differences between the sexes were also as high as expected.

At the end of their study, Grabka and Wester Meier point out the coming dangers of poverty in old age. Although more and more Germans have private insurance, it is inadequate to offset the cuts in state pensions. Especially in East Germany, the scientists warn, people have few private assets to counter impending old-age poverty.

Taking into account the growing debts that pile up on the poorest, the growing transformation of relatively well-paying jobs into low-wage jobs, and the cuts in labour market policy, Germany is like a colossus with feet of clay. The rich and their entourage in politics and the media are sitting on a social powder keg.



To contact the WSWS and the  
Socialist Equality Party visit:

**[wsws.org/contact](http://wsws.org/contact)**