

# Germany's middle class shrinks

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In spite of higher employment numbers, the German middle class is shrinking rapidly. It sank from 56 to 48 percent of the population between 1992 and 2013. This information comes from a study by the Institute for Work and Qualification (IAQ) at Duisburg-Essen University. It confirms earlier investigations into increasing social polarization in Germany.

The authors of the study have a broad conception of the middle class. It begins at a gross monthly income of €2,100 for a four-person family (slightly higher than the level at which Hartz IV benefits begin) and ends at €7,000, a relatively comfortable income. The median household income served as a measuring standard for separating the higher and lower income earners. The researchers counted as middle class those whose income was between 60 and 200 percent of the median.

The median itself rose from €15,000 to barely €17,000 in the first half of the period under investigation. After 2003, it sank once again, most recently to slightly more than €16,000. One can gather from this that poverty is on the increase and affects broad layers of the population.

An investigation carried out by the German Institute for Economic Research (DIW), which takes net income as its standard and uses its own definitions, reached similar results to the IAQ study. According to the DIW, the middle class sank between 1997 and 2013 from 64 to 58 percent.

Both the growth of the “lower class” and the “upper class” go along with the shrinking of the middle class. The lower class, which the IAQ defines as those “in danger of poverty”, increased from 30 to 35 percent. Over a third of the population has become poor, as measured by gross income. The rich or well-off upper class grew from 14 to 17 percent.

The households of the lower class, as defined by IAQ, and the lower middle class (who earn up to 80 percent of the median) are less and less able to live off their

earnings. The reasons include falling wages and the lack of full-time employment.

The risk of low wages in the lower class grew between 1995 and 2013 from about 44 percent to 69 percent. Two out of every three employees in the lower class work in the low-wage sector. In the lower middle class, the risk of low wages rose from 35 percent to 46 percent.

In the mid-1990s, the proportion of full-time workers among dependent employees was still 78 percent in the entire economy and 62 percent in the lower class. Fifteen years later, full-time employees still amounted to only 42 percent. In the lower middle class, the proportion of full-time employees sank from 77 to 60 percent in the same time period.

“An explanation for the fact that fewer and fewer households in the lower class and lower middle class can live from their earnings may be the expansion of mini-jobs and part-time work in these layers,” the IAQ study noted.

The much praised “German employment miracle”—sinking unemployment and a historic peak of 43 million employed this year—has proven to be an illusion. Especially among low earners, the work is distributed among a larger number of workers who, as a result, earn less and less total income.

In the upper class, the volume of work has not increased, but decreased by 3 percent. With increasing income, the number of paid working hours of all household members increases as well. The growing stress on the job and the increase in independent workers or seemingly independent workers—whose extremely long working time does not find its way into any statistics—are not taken into account. “The differences in the paid work time between the layers have increased over the past 20 years and have increased inequality,” the researchers stated.

The results of the IAQ study and many earlier

investigations into growing inequality reflect social dynamite in the making. The dwindling of the middle class will be followed by intense class struggles.

“In the years after the war, Germany developed a large middle class in international comparison,” the IAQ study states in its conclusion, adding: “The economic basis of this development was good wages and a relatively small difference between incomes, secured by a comprehensive tariff system. In addition there was a well built social security system that protected the population from risks.”

This “middle class” constituted the foundation for the stability of capitalist power in Germany after the war. The so-called people’s parties—the Christian Democratic Union (CDU), the Christian Social Union (CSU) and the Social Democratic Party (SPD)—based themselves on this. It served as a justification of the illusion that capitalism had been dissolved into a “social market economy,” while class society had been dissolved into a “leveled-out middle class society.” It made it possible for the unions to bring the militant class struggles of the 1960s and 1970s under control.

But these times are long gone, as the numbers in the new study show. The SPD of all parties, which has long been identified with the “social market economy,” has contributed to this substantially. The Hartz IV reforms of the Schröder government created a huge low-wage sector, which is now undermining the living standards of broad layers of the population.

“What is remarkable in the new Duisburg study,” the *Süddeutsche Zeitung* wrote, is “that the significance of the middle class is not growing again, although the conditions in the German economy have completely turned around since 10 years ago,” and the number of unemployed has halved. A commentary in the same newspaper says: “Almost nothing else stands for the German economic model like this concept (the middle class).” Now the “core of the German model” is threatened.



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