Nearly seven million German adults are heavily indebted

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In Germany, almost one in 10 adults cannot make ends meet with their income. This is shown by the recently published Debtor Atlas 2020 published by the credit agency Creditreform. According to this report, over 6.85 million people over age 18 are heavily indebted.

The Debtor Atlas analyses and documents the level of private indebtedness of individuals unable to pay bills over a longer period of time, unable to pay multiple credit instalments or who had to file for private bankruptcy.

The Debtor Atlas shows a slight decrease compared to last year. However, it does not yet take into account the longer-term effects of the pandemic: The atlas is based in part on data from the Federal Statistical Office from the year to May 2020, as well as on its own extrapolations. The next report will doubtlessly show a massive increase in debt figures.

Compared to last year, almost 70,000 people are now less indebted, a decrease of just under 1 percent. However, this does not apply to all regions: The highest private debt rates by city and district often overlap with the highest poverty regions. For example, in the Ruhr area, the indebtedness of private individuals and households has risen to over 18 percent in the cities of Herne and Gelsenkirchen and to 17.5 percent in Duisburg. The city with the highest private debt is Bremerhaven with 21.8 percent.

Considering the whole of Germany, Creditreform researchers are warning of “the calm before the storm.” In light of the deep economic crisis that is developing as a result of the coronavirus pandemic, they are going on the assumption that near-future private indebtedness and private insolvencies will increase enormously. Patrik-Ludwig Hantzsch, head of Economic Research at Creditreform, predicts the consequences of the pandemic will surpass in seriousness those of the 2008–2009 global economic crisis.

Since the outbreak of the pandemic, around 700,000 people have lost their jobs (as of the end of August 2020). Many hundreds of thousands of further jobs are under threat. More than 7 million people were or are working reduced hours. According to Creditreform estimates, around 2 million freelancers and self-employed are struggling to survive.

Almost 15 million households in Germany have to cope with lower incomes. They must cover rent, day-care and sustenance, regardless. Those whose income had hardly sufficed before the pandemic are increasingly faced with the alternative of paying their bills or putting food on the table.

The pandemic and its economic consequences are exacerbating the growth of social inequality. Creditreform researchers assume that the gap between rich and poor will continue to widen as a result of the pandemic and that debts will accumulate at one end of the spectrum to the same extent as fortunes will grow at the other. They point out that in spring it was mainly jobs in the low-wage sector that vanished, like restaurants and cab companies, to name but a few. Young professionals on limited contracts and casual workers were and remain strongly affected.

One important reason long cited by Creditreform as central to the indebtedness of private individuals and households is the steady increase in the number of long-term low-wage earners. In 2020, 640,000 cases of indebtedness are attributable to long-term low incomes. This number has nearly trebled since 2015 when 230,000 cases of indebtedness triggered the introduction of the low-wage category. These cases account for 9 percent of all private indebtedness.

Responsible for the rapid growth of the low-wage sector are the Agenda 2010 and the Hartz laws introduced in 2005 by the SPD/Green government of Gerhard Schröder and Joschka Fischer with the support of the trade unions. The Debtor Atlas cites the following figures from the

Federal Statistical Office to illustrate the massive social impact this policy has had:

"One in five employees (21 percent) in Germany worked in the low-wage sector in April 2018. This means that around 8 million jobs paid below the low wage barrier (€11.05 per hour). … At 1.5 million, most low-wage jobs were reported in the retail sector, with 1.2 million in the hospitality industry. This means that a good two-thirds (67 percent) of all jobs in the hospitality industry were low wage, more than in any other sector. By comparison, the share of low-wage jobs in the retail sector was 29 percent, with the second highest share of 54 percent in agriculture, forestry and fishing, which employs around 310,000 people."

The coronavirus pandemic is making the situation much worse, and many young people are currently losing their jobs or apprenticeships. In particular, students who have to work in parallel to their studies cannot find replacements for lost part-time work in catering and similar areas. Their precarious situation will be reflected primarily in next year's report. In the current Debt Atlas 2020, the number of indebted young people fell by 303,000 to 1.1 million compared to the previous year.

However, indebtedness among older people has risen sharply. In the age group 50 to 59, it rose by 73,000 to 1.3 million cases; in the 60 to 69 age group by 84,000 to 725,000 cases; and in the age group 70-plus by 89,000 to 425,000 cases. These debt figures provide a further insight into the growth of poverty among seniors and the social dimension of the pandemic: Older people who cannot live from their pensions have to take on additional work, even though, as senior citizens, they count among the particularly vulnerable.

Significantly, the number of marginally employed over-60-year-olds has risen sharply as many in this group cannot get by on their pensions. The growing indebtedness is even more pronounced among those "marginally employed in part-time jobs." Here the increase since 2003 has been 691 percent.

In a separate chapter, the Creditreform study looks at the extremely high level of debt among private consumers in the US and the UK. Both countries are particularly hard hit by the coronavirus. In the US, more than 250,000 people have now died of COVID-19 as a result of the criminal policy of "herd immunity" advocated and enforced by both capitalist parties, Republicans and Democrats. In Britain, the official death toll is over 65,000, although the unofficial number is far higher.

In both countries, as in Germany, the coronavirus crisis is used to carry out extreme attacks on jobs, wages and working conditions. In the US, almost 58 million people can no longer pay their bills; 30-40 million are threatened with eviction. More than 41 million workers have lost their jobs since March this year. The real unemployment rate is at least 20 percent. Even before COVID-19, 37 million Americans suffered from hunger. In the meantime, their number has continued to rise. Tens of millions are dependent on the assistance of Foodbanks.

In Britain, unemployment has risen from 4 to 10 percent just this year. Over 14 million people live in poverty. The situation will become even worse for millions of workers after government support measures expire at the end of October.

In Germany, too, the effects of poverty, unemployment, low-wage work and indebtedness are reflected in an ever-increasing rush on food banks. According to the last survey, in 2019 1.65 million people across Germany used food banks to obtain food. Forty-four percent are adults, 30 percent children and young people, 26 percent senior citizens. The number of older people in particular, as well as children and young people, has risen alarmingly by 20 percent and 10 percent, respectively, within a year.

The enormous scale of social inequality expressed in the private debt of millions of people has been exacerbated by the actions of capitalist governments around the world since the outbreak of the pandemic. Last spring, hundreds of billions of euros, dollars and pounds were tossed into the throats of corporations and banks in the form of so-called aid packages. This served to keep share prices high so that the rich and the richest could enrich themselves yet further.

The pandemic has a definite social component. While millions of workers have to pay with their lives and health to keep the economy and schools running, despite the dangers of COVID-19, the fortunes of the super-rich grow beyond measure.