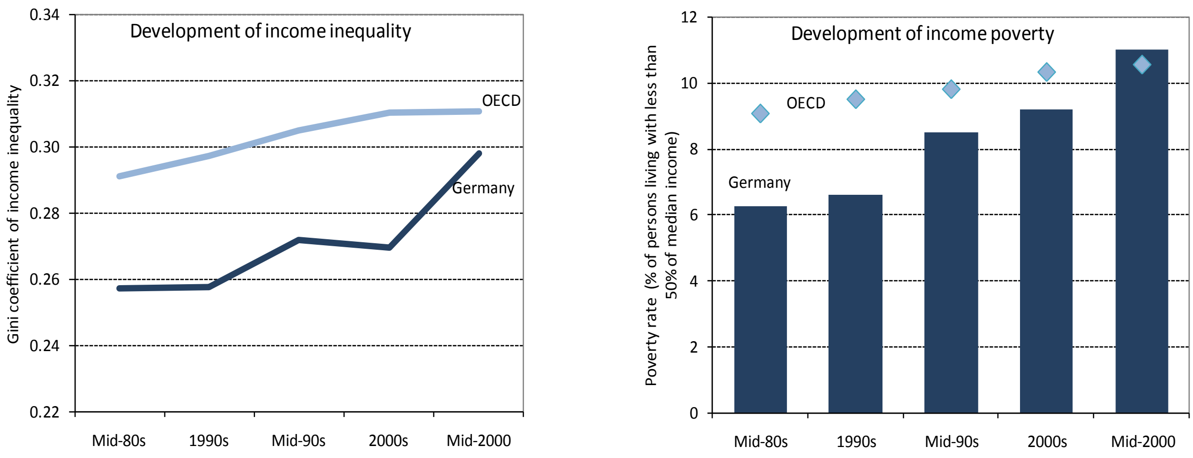
OECD (2008), Growing Unequal? : Income Distribution and Poverty in OECD Countries

COUNTRY NOTE: GERMANY

Since 2000, income inequality and poverty have grown faster in Germany than in any other OECD country. They increased by more in five years (2000-2005) than in the previous 15 combined (1985-2000).

Figure 1. **Income inequality and poverty on the rise since 2000**



Source: Growing Unequal? , OECD 2008.

- Labour market changes have been a main driver of rising inequality. First, the distribution of gross wages widened significantly after 1995, after a long period of stability. Second, the share of jobless households has increased by 4 percentage points since 1995 to 19%, the highest level across the OECD area.

- The increase in inequality is also linked to changes in household structures, such as the increase in the number of people living alone or in single-parent households.

- Government redistribution through household taxes and benefits has reduced income inequality and poverty but not enough to stop the rapidly increasing gap between rich and poor. Transfers are less targeted to lower income groups than in other countries.

- More German adults and children are living in poverty – that is, living in a household with less than half the median income – today than in 1985. For the total population the income poverty rate increased from 6% to 11% while for children it increased from 7% to 16%. There was no increase among older people: their poverty rate remained stable at around 7% (for those aged 66-74) and 11% (those aged 75 and over).

- Although poverty rates are high, people do not stay poor for long. Only 2-3% of the population are poor for 3 or more years in a row, which is only half of the OECD average. Also, fewer households than in most other countries struggle to purchase basic goods and to have decent housing and other living conditions.

- Publicly provided health, education and social housing reduce overall income inequality, but by less than in most other countries.

- Germany ranks in the middle of OECD countries when looking at social mobility. What your parents earned when you were a child has more effect on your own earnings than in more mobile countries, such as Denmark and Australia, but less than in Italy, the United Kingdom and the United States.

- The job status of the parent affects the education performance of the child. Students whose parents have a high occupational status achieve PISA outcomes comparable to Finnish levels while those with parents with a lower status have levels similar to those recorded in Mexico and Turkey.

- Wealth is distributed much more unequally than income: the top 10% hold more than half of total net worth. For comparison, the richest 10% have a quarter of total disposable income.

- The comparative results of the OECD study go up to the year 2005. Very recently, new *national* income estimates for 2006 and 2007, based on the same data source (DIW), became available. These estimates suggest that income disparities and poverty have continued to increase in 2006 but that this trend has come to an end in 2007.