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Inequality rising in Germany: 40 percent earn less than 20 years ago

By Marianne Arens

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Forty percent of employees in Germany earn less than they did 20 years ago. This statistic comes from a paper from the Federal Labour Ministry, which was released to the public this week.

According to the paper, the gross wages of the bottom 40 percent in 2015 were up to 7 percent lower than they were in 1995, while the wages of the top 60 percent rose by 10 percent. Wage disparities are thus growing rapidly.

The difference in household net income is even more striking. Households with low incomes suffered real-terms income declines of between 5 and 10 percent from 1991 to 2014. By contrast, households with high incomes saw income growth in real terms of more than 25 percent.

Wage inequality “increased significantly until 2010 and has remained at historically high levels since,” the paper stated. While “high-earners and owners of capital recorded significant income increases,” the incomes of low-wage earners have declined over the past 20 years.

Overall, the purchasing power of hourly wages remained stagnant from 1996 to 2007, even though labour productivity rose during the same period by 20 percent. Only corporations and capital owners benefited.

The growing disparity in wages is bound up with the growth of a massive low-wage sector. While in the mid-1990s, 16 percent of the working population earned less than two-thirds of the median hourly wage, this figure has hovered around 22 percent since 2006. This means that more than one in five workers labours for less than €10 per hour.

The data confirms what the Sozialistische Gleichheitspartei (SGP) is experiencing on a daily basis during its election campaign. Those affected repeatedly detail the terrible working conditions at delivery companies or online retailers like Amazon or Zalando, in call centres, airports, and in the construction sector. Contract workers speak of precarious working relations and low wages. Students complain of the stress to which they are subjected because of constantly having to work low-wage jobs while studying. This does not even take account of the retirees, unemployed, and single parents who have to struggle daily to make ends meet.

The SGP's election statement declares, "For years, wages have been in decline, work speed-up has been on the rise, the low-wage sector has grown, and schools and hospitals have fallen into disrepair, while a tiny elite has enriched itself fabulously." Data from the Ministry for Economic Affairs confirms this.

The paper from the Ministry for Economic Affairs, which is led by the Social Democrat Brigitte Zypries, provides a devastating indictment of her own party. Over the past 19 years, the Social Democratic Party (SPD) has been in government for 14. For seven years, the SPD held the position of chancellor. Throughout the entire 14 years, they led the Labour Ministry. All of the laws that have resulted in the lowering of wages, increase in the retirement age, and the formation of a huge low-wage sector were therefore authored by the SPD.

The Agenda 2010 "reforms" of Chancellor Gerhard Schröder (SPD) ensured that an ever-growing number of workers have to labour under worsening and humiliating conditions to avoid falling into the category of Hartz IV welfare claimants. At the same time, the Schröder government eased the burden on high-income earners with a comprehensive tax reform, contributing to a vast distribution of wealth from the bottom to the top.

Yet the economy ministry's paper underestimates the situation. Even the *Financial Times*, which is hardly considered a friend of the poor, reported on the "disparities between rich and poor" which "loom large for many Germans" in a piece headlined "The hidden divide in Europe's richest country," which noted that inequality would be a key issue in the upcoming federal election.

Inequality in household income in Germany is approximately the European Union average, the FT wrote. "But on wealth, Germany is significantly less equal than its EU peers, with richer households controlling a bigger share of assets than in most other west European states. The bottom 40 percent of Germans have almost no assets at all, not even bank savings."

In education and health care, according to the FT, "there is a deep divide between rich and poor that seems greater in Germany than the EU average."

“A striking role in reducing unemployment—and in raising employment—has been the expansion of ‘mini’ jobs, lightly-regulated part-time posts, from 4.1m in 2002 to over 7.5m this year,” the FT notes. While advocates praise the new job opportunities they have produced, “critics argue that mini jobs have often replaced full-time posts ... and become a dead end for employees.”

SPD chancellor candidate Martin Schulz is aware of the problem, but is seeking to deal with it carefully. The FT continues. “His main inequality-tackling campaign pledge is to raise taxes on the well-paid to finance tax cuts for those on low and middling incomes.”

Zypries’ ministry is now seeking to back up Schulz. Her ministry published “a 10-point plan for inclusive growth,” which at least talks about the problem of growing social inequality. “Economic success is not reflected in the reality of many people’s lives,” it states at the outset.

However, this is followed up with a continuation of Schröder’s Agenda 2010 policies. None of the Hartz laws will be withdrawn. Instead, the paper appeals for economic growth, flexible labour practices, free trade and a “pro-growth” tax system.

After two decades of experience, nobody believes the SPD any longer when the party promises more “social justice” on its election posters and in campaign speeches. This—and the party’s support for law-and-order policies and militarism—is the reason why Schulz cannot lead the party out of its low poll ratings, despite his determined efforts.

The SPD is a right-wing, capitalist party that wants to prove to the ruling elite that it can better uphold its interests at home and abroad than the other parties. Anyone seeking to combat the growth of social inequality, dictatorship, and war must build a new, socialist party.

The Sozialistische Gleichheitspartei is standing in the federal election to achieve this goal. The SGP’s election programme states: “The SGP fights for a society in which the needs of the many stand higher than the profit interests of big business. The super-rich, the banks and the corporations must be expropriated and placed under the democratic control of the population. Only in this way can the social rights of all be secured. These include the right to an adequately paid job, a first-class education, affordable housing, a secure pension, high quality old-age provisions and access to culture.”