

# INEQUALITIES IN GERMANY

INEQUALITIES ARE RISING, THE GENDER GAP IS HIGHER THAN THE EU AVERAGE, SOCIAL SYSTEMS ARE BEING DISMANTLED AND GERMANY IS DRIVING INTERNATIONAL INEQUALITIES

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## Income and wealth

Despite its wealth, Germany is facing entrenched poverty and increasing inequalities. The top 1% of earners receive nearly as much as the bottom 50% and over 20% of employees earn less than two thirds of the median income.<sup>1</sup> One half of the population share 1% of the country's assets between them while the wealthiest 10% of German households own approximately 65% of assets,<sup>2</sup> one of the highest concentrations of wealth among OECD countries.

Although Income inequality is reduced by taxation and transfers,<sup>3</sup> most of the gains from economic growth go to higher income earners. Childless working couples and singles earn the most, followed by couples staggered by the number of children. The earning potential of single parents is lowest of all, again graduated according to the number of children.

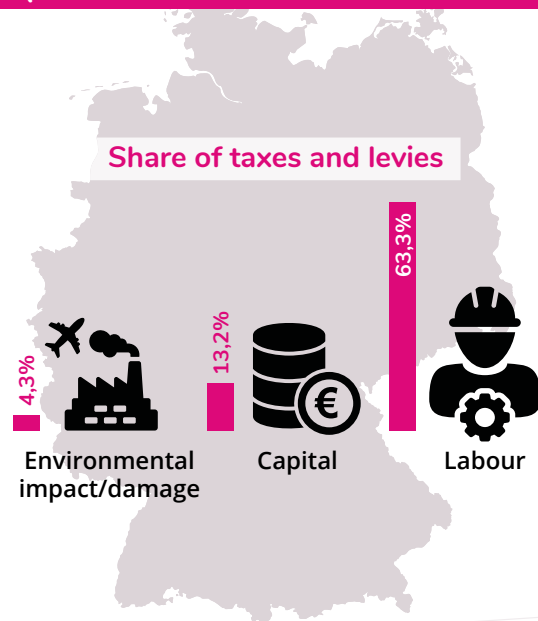
Employment in Germany is at a record high (45 million)<sup>4</sup> and unemployment (2.2 million) at a record low.<sup>5</sup> However, nearly half of all employed people have 'atypical' employment (21.7 million, of whom two thirds are women),<sup>6</sup> because they work part-time, are subcontracted, are freelancers, have fixed term contracts or are marginally remunerated.<sup>7</sup> Today employment is not an escape from poverty:<sup>8</sup> one third of all people in poverty in Germany are employed, 40% of them working full-time. Regressive tax reforms over the last 20 years have reduced the redistributive impact of government policy while basic social security benefits, received by about 7.6 million people, are barely sufficient to keep households above the poverty line.<sup>9</sup> Currently 15.8% of the population (approximately 13m people) live at or below the poverty line,<sup>10</sup> compared to 14.4% in 2008.<sup>11</sup>

## Gender

Recent legislation is narrowing the gender gap in pay and political participation. However, women earn approximately 20% less than men<sup>12</sup> and almost 50% of women in employment work part-time owing to the lack of support schemes and care infrastructure. Only 12% of men work part-time.<sup>13</sup> 90% of single parents are single mothers, earning 71.5% less than male single parents.<sup>14</sup> One consequence of women's inferior earning power is that the pensions of retired women are 46% less than those of their male counterparts.<sup>15</sup>

Recent legislation is beginning to bridge the gender gap in terms of representation. The state of Brandenburg now requires that there should be equal numbers of female and male election

## INEQUALITIES IN TAX REVENUE IN GERMANY



candidates; federal law stipulates that 30% of the boards of large companies should be women;<sup>16</sup> and in large companies<sup>17</sup> women and men must be paid equally and women have the right to see how much their male counterparts are paid. However, pay structures can only be revealed in organisations with more than 200 employees as well as for positions that can be compared to the average salary of at least six colleagues of the opposite sex holding a similar position - a comparatively large group, in particular for higher positions. Despite some progress there is still a long way to go until gender equality is enforced and realised.

### International inequalities

Globalisation has opened up opportunities for German companies in developing countries, allowing them to benefit from low wages and lax regulations. Their activities, including large-scale land investment, which can have damaging impacts on local communities and the environment, have been of questionable benefit to countries of the Global South. Germany is the fourth largest arms exporter,<sup>18</sup> with over half of the arms exports going to countries outside the EU and NATO – including to countries in crisis regions, such as the Middle East and North Africa<sup>19</sup> – helping to fuel conflicts, displacement and migration. At the same time in 2015 and 2016 Germany accepted over one million migrants<sup>20</sup> and was the second-largest donor country, spending US\$25 billion on net ODA 2017 - 0.67% of GNI.<sup>21</sup>

Despite some progress in fighting tax evasion and money laundering both internationally and nationally, there are loopholes in national legislation. Lax enforcement of tax and anti-money laundering regulations undermines their effectiveness.

### Structural issues

Taxation on capital accounts is 13.2% of the total tax take, while taxation on labour contributes two thirds,<sup>22</sup> with social security contributions, in turn constituting two thirds of individual taxes. Contribution rates

and thresholds favour higher income earners. Most employees are not guaranteed a fixed pension because the value of their accumulated contributions depends on capital markets.<sup>23</sup> Future retirees can now expect pensions worth about half of average earnings.<sup>24</sup> Public revenues from taxes on environmental pollution have declined. In 2017 they were 4.3% of all tax revenue.<sup>25</sup>

### Recommendations

Implementation of the 2030 agenda requires a holistic approach across government. It should give less emphasis to economic growth; greater priority to affordable education, health, care, and sustainable (public) infrastructures; and compliance with international human rights obligations and the Aarhus Convention.

#### Transparency and taxation

- Ensure greater data transparency and determined action by the EU on money laundering.
- Implement a more progressive tax structure, including taxation of socially and environmentally harmful products/activities.
- Enact fair corporation taxation in Germany and the EU.
- Assist low-income countries on issues of taxation and repatriation of illegal assets.
- Put in place a financial transaction tax.

#### Pay and benefits

- Ensure that pay for any employment, social benefits and pensions are sufficient to provide a living above the poverty line.
- Enhance parental leave and allowances.
- Enable partnership-based work-sharing in the care of relatives.

#### Environment

- Integrate environment, conservation, health and social considerations in all decisions.
- Promote decentralised (energy) structures and expand renewable energies.
- Increase sustainable and affordable public infrastructure.

To read the full national report and the comprehensive Europe-wide report with all references, please visit: [www.sdgwatcheurope.org/SDG10](http://www.sdgwatcheurope.org/SDG10)



International



This publication has been produced with the financial assistance of the European Union. The contents of this factsheet are the sole responsibility of "Make Europe Sustainable For All" project and can under no circumstances be taken as reflecting the position of the European Union.

- <sup>1</sup> [http://www.bmas.de/SharedDocs/Downloads/DE/PDF-Pressemitteilungen/2017/5-arb-kurzfassung.pdf?\\_\\_blob=publication-File&v=2](http://www.bmas.de/SharedDocs/Downloads/DE/PDF-Pressemitteilungen/2017/5-arb-kurzfassung.pdf?__blob=publication-File&v=2)
- <sup>2</sup> The net asset Gini coefficient is 0.79. [https://www.iwkoeln.de/fileadmin/user\\_upload/Studien/Kurzberichte/PDF/2018/lw-Kurzbericht\\_2018\\_29\\_Einkommens\\_und\\_Vermoegensungleichheit.pdf](https://www.iwkoeln.de/fileadmin/user_upload/Studien/Kurzberichte/PDF/2018/lw-Kurzbericht_2018_29_Einkommens_und_Vermoegensungleichheit.pdf)
- <sup>3</sup> In 2015 the Gini coefficient for income before government redistribution through taxes, social security contributions, transfers and statutory pensions was 0.50 in comparison to the *net income* Gini coefficient of 0.29. See [https://www.iwkoeln.de/fileadmin/user\\_upload/Studien/Kurzberichte/PDF/2018/lw-Kurzbericht\\_2018\\_29\\_Einkommens\\_und\\_Vermoegensungleichheit.pdf](https://www.iwkoeln.de/fileadmin/user_upload/Studien/Kurzberichte/PDF/2018/lw-Kurzbericht_2018_29_Einkommens_und_Vermoegensungleichheit.pdf)
- <sup>4</sup> [https://www.iwkoeln.de/fileadmin/user\\_upload/Studien/Kurzberichte/PDF/2018/lw-Kurzbericht\\_2018\\_29\\_Einkommens\\_und\\_Vermoegensungleichheit.pdf](https://www.iwkoeln.de/fileadmin/user_upload/Studien/Kurzberichte/PDF/2018/lw-Kurzbericht_2018_29_Einkommens_und_Vermoegensungleichheit.pdf)
- <sup>5</sup> <https://www.destatis.de/DE/Themen/Wirtschaft/Konjunkturindikatoren/Arbeitsmarkt/arb110.html>
- <sup>6</sup> [https://www.boeckler.de/pdf/atlas\\_der\\_arbeit\\_2018.pdf](https://www.boeckler.de/pdf/atlas_der_arbeit_2018.pdf)
- <sup>7</sup> Marginally remunerated means working in 'mini jobs' paying up to €450 a month. See Jon C Messenger and Paul Wallot (2015) The Diversity of "Marginal" Part-Time Employment. ILO – INWORK Policy Brief No. 7. Geneva 2015. Available at: [https://www.ilo.org/wcmsp5/groups/public/---ed\\_protect/---protrav/---travail/documents/publication/wcms\\_375630.pdf](https://www.ilo.org/wcmsp5/groups/public/---ed_protect/---protrav/---travail/documents/publication/wcms_375630.pdf)
- <sup>8</sup> People affected by poverty are considered to receive 60% or less of the national median income which for an individual is currently 1000 Euros per month
- <sup>9</sup> [https://con.arbeitsagentur.de/prod/apok/ct/dam/download/documents/Arbeitsmarktbericht-03-19\\_ba043161.pdf](https://con.arbeitsagentur.de/prod/apok/ct/dam/download/documents/Arbeitsmarktbericht-03-19_ba043161.pdf)
- <sup>10</sup> Living below the poverty line means receiving less than 60% of the national median income.
- <sup>11</sup> [https://con.arbeitsagentur.de/prod/apok/ct/dam/download/documents/Arbeitsmarktbericht-03-19\\_ba043161.pdf](https://con.arbeitsagentur.de/prod/apok/ct/dam/download/documents/Arbeitsmarktbericht-03-19_ba043161.pdf)
- <sup>12</sup> <https://de.statista.com/statistik/daten/studie/3261/umfrage/gender-pay-gap-in-deutschland/>
- <sup>13</sup> <https://www.deutschland.de/en/topic/business/women-and-work-in-germany-five-facts>
- <sup>14</sup> [https://www.nationale-armutskonferenz.de/wp-content/uploads/2017/10/NAK\\_Armutrisiko-Geschlecht.pdf](https://www.nationale-armutskonferenz.de/wp-content/uploads/2017/10/NAK_Armutrisiko-Geschlecht.pdf)
- <sup>15</sup> [https://bibliothek.wzb.eu/fulltext/journal-vt/wzb-mitteilungen/wm2018\\_161.pdf](https://bibliothek.wzb.eu/fulltext/journal-vt/wzb-mitteilungen/wm2018_161.pdf)
- <sup>16</sup> <https://www.bmfsfj.de/bmfsfj/themen/gleichstellung/frauen-und-arbeitswelt/quote-privatwirtschaft/quote-fuer-mehr-frauen-in-fuehrungspositionen--privatwirtschaft/78562?view=DEFAULT>
- <sup>17</sup> The Act on Promoting Transparency of Charges Structures came into force on 6<sup>th</sup> July 2017. See <https://www.bmfsfj.de/bmfsfj/themen/gleichstellung/frauen-und-arbeitswelt/lohngerechtigkeit>
- <sup>18</sup> <https://data.worldbank.org/indicator/MS.MIL.XPRT.KD?end=2017&start=2017&view=map>
- <sup>19</sup> <https://www.welt.de/wirtschaft/article165552297/Deutsche-Waffen-fuer-die-Scheichs.html>
- <sup>20</sup> [https://www.unhcr.org/dach/wp-content/uploads/sites/27/2018/03/Factsheet\\_Germany\\_O1\\_2018.pdf](https://www.unhcr.org/dach/wp-content/uploads/sites/27/2018/03/Factsheet_Germany_O1_2018.pdf)
- <sup>21</sup> <https://donortracker.org/country/germany>
- <sup>22</sup> <http://www.foes.de/pdf/2017-06-Hintergrundpapier-Steuerstruktur.pdf>
- <sup>23</sup> [https://www.boeckler.de/51553\\_51569.htm](https://www.boeckler.de/51553_51569.htm)
- <sup>24</sup> Ibid.
- <sup>25</sup> <http://www.foes.de/pdf/2017-06-Hintergrundpapier-Steuerstruktur.pdf>