Article

Everyone happy: Living standards in Germany 25 years after reunification

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“The process of divided Germany growing together will begin [...] with the people and their standards of living.” These were the words of Lothar de Maizière, the last Prime Minister of the German Democratic Republic (GDR), that accompanied the signing of the State Treaty between the Federal Republic of Germany and the German Democratic Republic establishing a monetary, economic and social union of 18 May 1990. His statement clearly reflects the fact that the reunification of the two German states, initiated through the peaceful revolution in November 1989, was intended primarily to achieve the socio-political alignment of living standards, with aspects relating to market economy playing a secondary role.

In order to fully assess the progress made in the unification process, both objective living conditions and subjective well-being in Germany have to be taken into account according to the concept of quality of life. For this reason, this report presents selected areas of subjective well-being as well as their time sequence in eastern and western Germany: how has general life satisfaction developed in eastern and western Germany since 1990? In what areas of life are levels of satisfaction among eastern and western German citizens now converging and where do differences still exist? What concerns are

1 1989.dra.de/themendossiers/wirtschaft/waehrungs-wirtschafts-und-sozialunion.html.


Historical events have an impact on life satisfaction.

Germans most frequently preoccupied with? Are people in the former Federal Republic of Germany happier than those in the former German Democratic Republic (GDR)? In order to present evidence-based answers to these questions, the development of both life satisfaction and concerns is examined using the longitudinal study SOEP.\(^1\) This is done descriptively and, in the case of general life satisfaction, by means of multivariate analyses. The SOEP is a particularly suitable data source for providing answers to these questions since it is one of the few studies that collected data in East Germany before reunification on October 3, 1990 and thus covers the entire period of transformation.

Figure 1

Average Life Satisfaction\(^1\) in Germany

Scale from 0 to 10 with 95-percent confidence interval

![Graph showing average life satisfaction in Germany from 1990 to 2012](image)

1. Estimate corrected for repeat-survey effects. The basis of the estimated value for 2013 was a provisional weighting procedure (not including adults surveyed in the SOEP for the first time in 2013).

Source: SOEP v30; calculations by DIW Berlin.

\(^1\) The SOEP is a repeated representative survey of households which has been conducted annually in West Germany since 1984 and both western and eastern Germany since 1990; see G. G. Wagner, J. Göbel, P. Krause, R. Pischner, and I. Sieber, "Das Sozio-ökonomische Panel (SOEP): Multidiziplinäres Haushaltspanel und Kohortenstudie für Deutschland - Eine Einführung (für neue Datennutzer) mit einem Ausblick (für erfahrene Anwender)," ASOS Wirtschafts- und Sozialstatistisches Archiv 2, no. 4 (2008): 301-328.

**Equal Levels of Satisfaction with Work, Housing, and Leisure Time in East and West**

A look at the satisfaction patterns in individual areas of life also shows that the process of harmonization of living standards does not follow a similar pattern in all spheres of life, and the convergence process between east and west is not yet complete (see Figure 2). Satisfaction with household income and standard of living\(^8\) in eastern Germany has not yet been able to attain the western German level over the past 25 years, although, as with general life satisfaction, the gaps have been continuously closing in recent years.

\(^5\) See box for further information on data collection on general life satisfaction and revised data in the SOEP.

\(^6\) Here, it should be noted that at the time of the first survey in June 1990, there was virtually no unemployment in the GDR. Although job loss could be anticipated, it was only in the follow-up surveys that the real experience of unemployment was also reflected in the levels of life satisfaction included in the questionnaires.

\(^7\) This becomes clear in 2004, for example. One possible explanation for this all-time low in the west and the second-lowest level of life satisfaction in the east since the “post-reunification shock” may lie in a combination of two things: first, the changed global security situation in the wake of September 11, 2001 and the ensuing wars and, second, the Agenda 2010 reforms announced by the then German Chancellor Gerhard Schröder as a reaction to the high unemployment in Germany.


\(^9\) The question about satisfaction with the standard of living was not included in the SOEP questionnaires from 2007 to 2012.
Trends can change, however, as can be seen in the example of job satisfaction. Up until six years ago, eastern Germans were less satisfied with their work. The mean values have since converged to such an extent that, since 2009, statistical differences between them no longer exist. Here, of course, it should be taken into account that only those in gainful employment are able to respond to the question about job satisfaction.

Satisfaction with the living situation, housework, and leisure time have now fully converged. Initially, their development was similar to that of general life satisfaction but from 2005 at the latest, the “east-west divide” disappeared completely owing to the alignment of housing standards and leisure opportunities in both parts of the country.

Satisfaction with childcare facilities for pre-school children was higher in East Germany than in West Germany. This finding is all the more remarkable given the increased life expectancy in eastern Germany. Of course it also means that although elderly people with care needs now live longer than was the case in the former GDR, they are not satisfied with their health due to their advanced age.

Concerns about Crime, Xenophobia, and the Environment Allayed despite East-West Divide

Since it began in 1984, the SOEP has collected data on almost a dozen specific concerns individuals may have about private and public spheres of life. The SOEP data concerned attitudes toward general economic develop-
EVERY ONE HAPPY—LIVING STANDARDS IN GERMANY 25 YEARS AFTER REUNIFICATION

Figure 2

Average Satisfaction with Various Areas of Life¹
Scale from 0 to 10

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</tbody>
</table>

¹ Estimate corrected for repeat-survey effects. The basis of the estimated value for 2013 was a provisional weighting procedure (not including adults surveyed in the SOEP for the first time in 2013).

Source: SOEP v30; calculations by DIW Berlin.

Patterns of satisfaction with various areas of life differ in east and west.

ment, an individual’s own financial situation, keeping a job, crime, xenophobia, and world peace, given as a three-category variable (very concerned, somewhat concerned, or not concerned at all).

The pattern observed for concerns is similarly heterogeneous to that for satisfaction with the individual spheres of life (see Figure 3). In the mid-’90s, for instance concerns about crime were much more pronounced in eastern Germany than in western Germany; they then began to ease—more sharply in the east than in the west—and now show a similarly low level. There has also been
Developments of concerns in east and west are largely convergent.

a decrease in concerns about xenophobia and the environment, both of which still caused great concern to over half the population in the ’90s, but to only just under 20 percent in 2013. The long-term fluctuations in these three areas of concern do not point to any clear east-west divide.12

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1 The basis of the estimated value for 2013 was a provisional weighting procedure (not including adults surveyed in the SOEP for the first time in 2013). Source: SOEP v30; calculations by DIW Berlin.

Concerns about the general economic situation also followed a similar trend. Shortly after reunification, these were more pronounced in the east than in the west but with every economic downturn, there was a sharp increase in levels of concern in both parts of the country. An interesting observation here is that, although concerns among eastern Germans rose to approximately the same extent as for western Germans, eastern Germans still “carry over” these concerns to periods of economic upswings.

**Still Not Completely Unified**

The descriptive analyses indicate that in the '90s life satisfaction in east and west converged rather quickly to begin with, slowing down over the last 15 years. Nevertheless, individual indicators now no longer reveal an east-west divide. A common level has still not been achieved, however, particularly from the viewpoint of the central indicator of general life satisfaction. Multivariate regression analyses are used to examine whether this is due to structural differences, which lead to higher levels of dissatisfaction in certain regions of western Germany also (particularly as a result of unemployment), or whether this difference can be attributed to socio-demographic characteristics such as age, marital status, or household type, or whether there is an “east effect” that cannot be identified more specifically. Here, the relevant level of general life satisfaction is calculated as a dependent variable for socio-demographic covariates as well as for several different periods. The place of residence in eastern or western Germany was also taken into account, meaning the corresponding “east-west indicator” can be interpreted as the resultant gauge for a less specifically identifiable east-west divergence.

Gender, age, nationality, income, employment status, education, household size, household type, and the district population size were all included in the calculation as control variables.

For the years 1992, 2002, and 2012, the OLS regressions\(^1\) show significant less specifically identifiable life satisfaction values for eastern Germany which cannot be attributed to socio-demographic differences (see Table). However, a trend towards convergence can also be seen in the multivariate analysis. In 1992, shortly after reunification, this had an average negative effect of almost one point on the 11-point life satisfaction scale for respondents living in the former GDR. Ten years later,

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\(^1\) OLS regressions with robust standard errors.

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Over the past 25 years, eastern Germans have been increasingly more concerned about their own financial situation and job security than their western German counterparts. Concerns in eastern and western Germany follow a very similar pattern overall. This can be clearly seen from the pattern that emerges for concerns about world peace; a lower level of concern about this was recorded after the fall of the Wall. This trend was abruptly interrupted by the terrorist attacks in 2001; concerns about world peace across Germany rose in the two subsequent years. Levels of concern about world peace then began to fall once again.

\begin{table}[h]
\centering
\begin{tabular}{lrrr}
\hline
\textbf{Region: east} & 1992 & 2002 & 2012 \\
\textbf{Gender: female} & -0.94*** & -0.436*** & -0.266*** \\
\textbf{Age} & 0.167 & 0.067** & 0.0513 \\
\textbf{Age squared} & -0.0336*** & -0.0343*** & -0.0439*** \\
\textbf{Nationality: non-German} & 0.00031*** & 0.00031*** & 0.00039*** \\
\textbf{Household income (ln)} & -0.163*** & -0.0309 & 0.0915 \\
\hline
\textbf{Employment status} & & & \\
1. Full-time employment & -0.0118 & 0.0582 & 0.0428 \\
2. Part-time employment & 0.144 & 0.0195 & 0.0425 \\
3. Marginal employment & -0.783*** & -0.862*** & -0.809*** \\
4. Unemployed & 0.0742 & -0.0094 & 0.0177 \\
5. In education or training & -0.0144 & -0.0902** & -0.0451 \\
6. Not in gainful employment & 0.0059 & 0.0359*** & 0.0436*** \\
\hline
\textbf{Education (in years)} & & & \\
1. Single-person household & -0.0036 & 0.0901*** & 0.113*** \\
2. Household with a (married) couple & 0.33*** & 0.161*** & 0.288*** \\
3. Family household (children up to 16 years of age) & 0.384*** & 0.101 & 0.233** \\
4. Single-parent household & -0.156 & -0.344*** & -0.182* \\
5. Family household (children over 16 years of age) & 0.239** & 0.0625 & 0.0761 \\
6. Other & 0.151 & -0.183 & -0.305* \\
\hline
\textbf{District population size} & & & \\
1. Fewer than 2,000 inhabitants & 0.0271 & -0.0044 & -0.103* \\
2. 2,000 to 20,000 inhabitants & 0.0415 & -0.021 & -0.112* \\
3. 20,000 to 100,000 inhabitants & -0.0898 & -0.0141 & 0.1 \\
4. 100,000 to 500,000 inhabitants & -0.0692 & -0.0216 & -0.0343 \\
5. 500,000 inhabitants or more & 3.42*** & 2.93*** & 3.42*** \\
\hline
\textbf{R}^2 & 0.1301 & 0.1056 & 0.0988 \\
\textbf{N} & 12,803 & 21,870 & 18,446 \\
\hline
\end{tabular}
\caption{East-West Divide in General Life Satisfaction\(^1\)}
\end{table}

\(^1\) Estimate corrected for repeat-survey effects (see box).
\footnotesize{Sources: SOEP v30; calculations by DIW Berlin.}

Despite there still being a significant difference in life satisfaction, the effect of the east-west divide has halved in the past 20 years.
in 2002, this effect had halved. In 2012, this negative effect was only 0.27 points.

Despite this convergence trend, the significant “east effect” would seem to indicate that the convergence process is still ongoing as far as general life satisfaction is concerned. If we look at the effect of other explanatory socio-demographic characteristics included in the model, these findings confirm the research into life satisfaction: life satisfaction follows a U-shaped trajectory over the course of people’s lives, i.e., it is lowest in middle age. Unemployment has a strong negative effect and income and education a positive effect on general life satisfaction.

Initially, up until the mid-’90s, general life satisfaction in eastern Germany quickly approached the western level. In the following ten years, virtually no progress was made with regard to convergence. It is only since 2008 that a further reduction in the east-west divide, albeit slight, has been evident (see Figure 4).

**Conclusion**

The descriptive analysis of the SOEP data shows that satisfaction with various areas of life has developed heterogeneously in Germany over the past 25 years; while satisfaction levels with regard to living situation, housework, leisure time, and job satisfaction have largely converged in eastern and western Germany, people in the former East are still less satisfied on average with their household income, their health, and their life as a whole than those in the former West Germany.

Eastern Germans are more concerned than their fellow citizens in the west of the country about their own financial situation, crime, and world peace. Moreover, even in periods of economic upturn, they are more concerned about the general economic situation than western Germans. People in both parts of the country are equally concerned about work and xenophobia.

The most important indicator for evaluating subjective living standards is general life satisfaction. Descriptive and multivariate analyses have shown that, as a result of the changed circumstances after the fall of the Wall, life satisfaction in the east fell sharply, picking up again significantly in the ’90s. At the turn of the new millennium, the convergence process slowed down and stagnated. It is only since 2008 that a slight narrowing of the east-west gap can be observed again. Given the developments to date, however, it still remains to be seen whether this will even out over the next few years.

This east-west divide in subjective well-being, albeit less pronounced, continues to prevail, and—alongside material convergence—must continue to be taken into account in the future, for example when the German government and the Länder are consulting on a new strategy for structural policy once the Solidarity Pact II expires in 2019.

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