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Article

"The gap between the rich and the poor keeps growing": Seven questions for Markus M. Grabka

DIW Economic Bulletin

Provided in Cooperation with:

German Institute for Economic Research (DIW Berlin)

Suggested Citation: Grabka, Markus M.; Wittenberg, Erich (2017) : "The gap between the rich and the poor keeps growing": Seven questions for Markus M. Grabka, DIW Economic Bulletin, ISSN 2192-7219, Deutsches Institut für Wirtschaftsforschung (DIW), Berlin, Vol. 7, Iss. 5, pp. 58-

This Version is available at:

<https://hdl.handle.net/10419/149811>

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Dr. Markus M. Grabka, Research Associate at the Research Infrastructure Socio-Economic Panel (SOEP) study at DIW Berlin

SEVEN QUESTIONS FOR MARKUS M. GRABKA

»The gap between the rich and the poor keeps growing«

1. Mr. Grabka, the German economy has flourished in recent years. To what extent is its economic growth reflected in the growth of income? *On average across the total population disposable household income after inflation has risen, but depending on their income level, various segments of the population have contributed to this increase differently.*
2. Which income groups had the highest growth and which ones had the lowest? *The income of the wealthiest ten percent of the population rose by about 27 percent between 1991 and 2014. In the middle income range, the growth over this period was nine percent. On the other hand, the poorest ten percent of the population suffered losses in real income of around minus eight percent.*
3. How do you explain the losses in the lowest income groups? *Change in the job market is the dominant factor. This includes: the expansion of the low wage sector, the rise of "atypical employment" during the past 20 years or so, sinking demand for people with low qualifications, and structural changes such as the increasing importance of the service sector.*
4. Income inequality in Germany hit a plateau in the recent past. Do you think it is likely to rise again? *That's correct – between 2005 and 2013 income inequality stayed constant at a historically high level. However, the latest data indicate that inequality in disposable household income seem to rise again. There are different means of measuring this. For example, you can look at the at-risk-of-poverty rate. Analyses based on the German Federal Statistical Office's microcensus and our data show that it is currently at a record high level.*
5. This means that the number of people who live below the poverty line in Germany has increased? *Maybe we should look at the meaning of the phrase, "at risk of poverty." It refers to people who have less than 60 percent of the median disposable household income. For a single-person household, the value is currently 1,050 euros per month. We saw that between the end of the 1990s and 2005, the proportion at risk of poverty rose to 14 percent in Germany. The latest data for 2014 show an increase to almost 16 percent.*
6. Is the risk of poverty the same in the old and new federal states? *The risk of poverty in eastern Germany is still significantly higher than in western Germany. This has basically held true since German reunification. I've been tracking one group in particular in recent years: the elderly in eastern Germany between 65 and 75. At the turn of the millennium, they had a lower risk of poverty than their counterparts in western Germany. However, in the past ten years the risk of poverty of eastern German pensioners has increased by seven percentage points. This means it has doubled, which re-introduces the subject of old age poverty in Germany.*
7. How can society effectively fight income inequality and the rising proportion of people at risk of poverty? *In my opinion, the key factor is the job market situation. Although unemployment has significantly decreased, we have a high level of inequality in the job market. For example, as I see it the relatively high number of mini-jobs should be curtailed. We could also think about slightly raising the minimum wage bit by bit – something the federal government actually committed to on January 1, 2017. And the system of fiscal disadvantages to single parents in comparison to coupled childless households should be reformed, which could also reduce the number of children at risk of poverty.*

Interview by Erich Wittenberg



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Layout and Composition

eScriptum GmbH & Co KG, Berlin

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DIW Berlin
ISSN 2192-7219

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