

GERMANY

The Copenhagen goals are still far-off



The fact that Germany is one of the most industrialized countries in the world has not stopped it from experiencing uninterrupted growth in the number of people living at risk of poverty, a reduction in the purchasing power of its workers and greater inequalities in income distribution. Women continue to receive salaries 20% below those of men for equal work and development aid was stalled at 0.28% of gross national income in 2004.

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The growing risk of poverty

"Profits rise sharply, wages stagnate" was the headline in a leading German daily newspaper in early 2005. The article went on to say that in 2004 alone, national income had risen by 3% to EUR 1.6 trillion (USD 2 trillion). However, there was a wide gap in the distribution of this income. While government hand-outs, wages and salaries have stagnated at EUR 1.13 trillion (USD 1.41 trillion), "there has been a substantial rise - 10.4% - in income generated from business activity and capital assets, now amounting to EUR 484 billion (USD 603 billion)".¹

This news came as no surprise since a month earlier the federal Government had published a draft of its Second Poverty and Wealth Report, entitled *Living Situations in Germany*. The report revealed that the steady rise in the at-risk-of-poverty rate² between 1983 and 1998 continued during the 5-year period which followed. In 2003, 13.5% of German residents were at high risk of poverty, while the figure in 1998 was 12.1%.³

The report also highlights many of the weaknesses in social policy: the highest at-risk-of-poverty rates⁴ affect children under the age of 15 (now 15%, compared with 13.8% in 1998), teenagers and young adults (19.1%, compared with 14.9% in 1998) and the unemployed (40.9%, compared with 33.1% in 1998). Single parents, mostly women, are also especially at risk; their at-risk-of-poverty rate has remained unchanged at 35.4% since 1998.

In light of the high rate of child poverty Jürgen Gohde, President of *Diakonisches Werk* the German Protestant Church's organization for welfare and

social work, called on the federal Government to adopt special measures in family policy while speaking at a press conference organized by Social Watch Germany on 11 March 2005. "The highest rate of dependence on social assistance is found among the under-threes", said Gohde,⁵ which is why a "basic income for children" is urgently needed. Commitment 2 of the Copenhagen Declaration committed signatory states to "substantially reduce poverty in the shortest possible time". "In many areas", said Gohde, "we still have a long way to go to achieve the Copenhagen targets."

The main cause of the rising risk of poverty in Germany is the fact that more and more people are permanently dependent on government hand-outs.⁶ Yet apart from the fact that fewer and fewer people have adequate employment, the increase of wage incomes also indicates a lack of financial balance. This is apparent when looking back at wage trends over recent years: in 2001, the German Trade Union Confederation calculated⁷ that the purchasing power of workers had decreased "by an annual average of 0.7%" between 1991 and 2000. "In total, there has been a drop of 5.9% in purchasing power since 1991".⁸

Indebted households

In light of this development it is hardly surprising that there is a widening gap in the distribution of the estimated EUR 5 trillion (USD 6.44 trillion) of private wealth in Germany. While households at the lower half of the scale "own less than 4% of total net wealth (...), the richest 10% of households own around 47%. The proportion owned by the top 10% rose by a good 2% by 2003 compared with 1998", the Second Poverty and Wealth Report notes.⁹

The growing inequality is apparent in the rising debt of many private households. The Second Poverty and Wealth Report commented that "the total number of over indebted private households rose by 13% between 1999 and 2002, from 2.77 million to 3.13 million."¹⁰ Whereas 1,634 consumers declared themselves bankrupt in 1999, this figure had soared to 9,070 by 2001. In 2003, applications for formal certification of insolvency were received from 32,131 people.

The gender gap

The at-risk-of-poverty rate for women rose from 13.3% to 14.4% between 1998 and 2002. It is no comfort to learn that the figures for men are now moving closer to those of women, since the percentage of men at-risk-of-poverty has also risen. While 13.3% of women and 10.7% of men were highly at risk of poverty in 1998, these figures had risen to 14.4% and 12.6% for women and men respectively four years later.¹¹

Germany still has considerable ground to make up regarding the gender distribution of income. The metal industry union IG Metall refers to "progress at snail's pace". "If women's wages in West Germany continue to move into line with men's at the same rate as over the last 40 years, it will take another 40 years, at least, for women white-collar workers and far more than 70 years for women in manual jobs, to catch up with their male co-workers."¹² Averaged across all occupational groups, women are still paid 20% less than their male co-workers for doing the same work. For female engineers the difference amounts to 30.7%.

1 Süddeutsche Zeitung, 14 January 2005, p. 19.

2 "[Living Situations in Germany. The Federal Government's Second Poverty and Wealth Report], draft of 14. December 2004. Unfortunately, the report does not measure relative poverty; instead, using complex stochastic methods, it calculates the number of people at risk of becoming relatively poor. This shows that the risk of poverty is especially high for people who have less than 60% of the average household disposable income.

3 Ibid, p.15.

4 Ibid, p. 17.

5 The press conference marked the tenth anniversary of the Copenhagen Declaration adopted at the 1995 World Summit for Social Development.

6 "Lebenslagen in Deutschland", op cit, p. 54. In 1980, the figure was less than 1 million people; in 1990, it was just under 2 million, and has stood at around 3 million since 2000, including 2 million German citizens.

7 "Zur Einkommensentwicklung in Deutschland: Arbeitnehmerkaufkraft seit 1991 stetig gesunken" "[Income trends in Germany: workers' purchasing power steadily falling since 1991]; DGB National Executive, 06/01, 18 September 2001, p. 5; www.igmetall.de/download/

8 Nor has it been possible to break this trend recently, as is apparent from the first paragraph of this report.

9 "Lebenslagen in Deutschland", op cit, p. 24.

10 Ibid, p. 26.

11 Ibid, p. 17.

12 IG Metall. www.igmetall.de/daten_fakten_grafiken/direkt/einkommen/index.html. On 3 March 2004, the Federal Statistical Office (Statistisches Bundesamt, Destatis) published the results of its 2003 comparison of the incomes of men and women. It states that the average income of women in 2003 was even 30% below the average income of men. www.eurofound.eu.int/2004/04/feature/de0404205f.html



Unequal access to education

In recent years, major flaws have been identified in Germany's education system. In particular, according to the Organization for Economic Co-operation and Development (OECD) Programme for International Student Assessment (PISA), the quality of mathematics instruction only ranks in the middle of the OECD countries. Germany ranks below Republic of Korea, Hong Kong and Macao, and its mediocre performance has unleashed a public debate in the country.¹³

However a far greater scandal, in social policy terms, has largely been ignored: in virtually no other OECD country are educational results and the level of schooling (and university education) so dependent on parents' socio-economic status as in Germany.¹⁴ The educational prospects of children from immigrant or socially disadvantaged families are far worse than those of children from better off families. According to the federal Government's Second Poverty and Wealth Report, 81% of children from families with higher socio-economic status achieved a level of education entitling them to attend college or university. The figure for children from population groups classified as having lower social status was just 11%.¹⁵ University fees are now being introduced in a number of federal states, a move which is likely to further widen these inequalities.

Homelessness

One glimmer of light in an otherwise gloomy socio-political overview of trends in recent years is the sharp decrease in homelessness. In 1998, around 530,000 people were registered as homeless including those directly at risk from homelessness (housing emergencies). By 2002, the figure had fallen by 38% to around 330,000 - including some 75,000 women (23% of the total) and 72,000 children and teenagers (22% of the total).¹⁶

Development aid stalled

"Today, development policy is global structural policy whose aim is to improve the economic, social, environmental and political conditions in the developing countries. It is guided, among other things, by the vision of sustainable global development", says the coalition agreement between the Social Democrats and Alliance 90/The Greens, who have been in power since October 1998.¹⁷

Sadly, this new policy orientation has not been matched by appropriate financial commitments. On the contrary, whereas Official Development Assistance (ODA) amounted to 0.42% of gross national income

(GNI) in 1990, the figure has fallen to 0.26% in 1998. Since that time development funding has stagnated at a low level. In 2000, ODA accounted for 0.27% of GNI, with a slight increase to 0.28% in 2003.¹⁸

Also in 2004, German development policy was at a financial standstill, with ODA still accounting for just 0.28% of GNI.¹⁹ In 2002, the Government pledged to raise ODA spending to 0.33% of GNI by 2006. Development Minister Heidemarie Wieczorek-Zeul comments self-critically that the Government "still has to make considerable efforts" to achieve this self-imposed target.²⁰

The Federal Government had to swallow equally strong criticism from the NGOs working in the development field. In March 2005, Peter Mucke Executive Director of Terre des Hommes, summarized many development NGOs' key demands to the Federal Government.²¹ He urged the Federal Government to:

- Adopt a binding step-by-step programme to achieve the target of 0.7% of GNI for development spending by 2010.
- Support the launch of an International Finance Facility (IFF) as a temporary framework, with the introduction of international taxes on international aviation and currency speculation as a means of refinancing the IFF.
- Commit itself to working pro-actively for substantial additional debt relief measures and a fair and transparent mediation process for indebted countries. This should be based on a broader concept of debt sustainability which would also take account of social development indicators.
- Commit itself to a concerted initiative to phase out European agricultural export subsidies.
- Use its influence in order to achieve the democratization of decision-making processes in the IMF and World Bank and the establishment of a high-level body with responsibility for international economic and financial issues within the UN framework.

Some movement has been seen in the German Government's position leading up to the Millennium+5 Summit in September 2005. Although the Government had for years rejected the idea of a binding step-by-step programme to achieve the 0.7% target, the Ministers of Foreign Affairs and Development have now come out in favour of it.²² International taxes were a taboo subject for the Chancellor and his finance minister until recently - but at

the World Economic Forum in Davos in January 2005 and at the spring meeting of the International Monetary Fund (IMF) and the World Bank in April 2005, they publicly voiced their support for the introduction of these taxes. A multiple annual commitment to development funding had been rejected by the finance minister on the grounds of German budgetary law - but this is apparently no longer a problem when it comes to financing the IFF. A public sign of the policy shift was Germany's entry into the "Lula Group", comprised of Brazil, France, Chile and Spain, following a meeting between Chancellor Gerhard Schröder and President Luiz Inácio "Lula" da Silva at the World Economic Forum in Davos. This group actively works to identify innovative sources of financing for development, especially internationally coordinated taxation.²³

A show of solidarity

The tsunami disaster in South and South-East Asia unleashed an unprecedented response in Germany, which may have been partially due to the fact that German holiday-makers in Southern Thailand and Sri Lanka were directly affected. In the first weeks after the tsunami, there was comprehensive coverage of the disaster and its aftermath especially in the electronic media. During the first two months after the tsunami, more than EUR 500 million (USD 621 million) in private donations was collected. The federal government has pledged a further EUR 500 million in assistance to be spread over five years in addition to funding already planned in the budget.²⁴

However compliance with these pledges must be stringently monitored since in recent years "it has generally been the case that no more than 40% of the funds pledged have actually been approved - and even then, only in the forms of loans".²⁵ The appropriateness of some aid consignments, such as the donation of decommissioned fishing boats from the European Union to tsunami struck countries, is also questionable.²⁶

What is noteworthy, however, is the extent to which the Germans were willing to show international solidarity in the wake of the disaster. The German people have sent out a signal which their government would do well to follow in its development policy. ■

13 OECD - Programme for International Student Assessment, "First Results from PISA 2003, Executive Summary"; Paris, 2003; www.pisa.oecd.org

14 pp. 20-23.

15 "Lebenslagen in Deutschland", op cit, pp. 84, 88.

16 Ibid, p. 46.

17 See, for example, www.bmz.de/de/service/infothek/fach/spezial/spezial42/spezial042_1.html

18 Social Watch Reports 2001, 2002, 2003 and 2004.

19 BMZ press release no. 35/2005, 11 April 2005, www.bmz.de/de/presse/pm/presse200504111.html.

20 Ibid.

21 Social Watch Germany press conference, 11 March, 2005.

22 UN-Reform: Statement by Ambassador Dr. Gunter Pleuger in the GA debate on the report of the Secretary General "In Larger Freedom", 7 April 2005.

23 Joint statement adopted in Brasilia on 11 February 2005 by Brazil, Chile, France, Germany and Spain. UN Doc. A/59/719 of 1 March 2005, Annex.

24 In total, the Federal Government has provided EUR 84.6 million (USD 105 million) in emergency relief. www.bmz.de/de/presse/aktuelleMeldungen/20050322_Tsunami/index.html.

25 Reese, Niklas. "Breakwater? Tsunami-inspired reflections on the politics of development", Asia House Germany, January 2005, www.asienhaus.de/public/archiv/breakwater.pdf. After the earthquake in the Iranian city of Bam, out of a total of USD 1 billion pledged in aid, only USD 17 million were actually approved.

26 Reese, Niklas. "Business as usual", Asia House Germany, March 2005, www.asienhaus.org/flut/nachdemtsunami.pdf