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Poverty in welfare state Germany: myth or reality?

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Bonn, 12 November 2012. With the publication of the German government's new report on poverty, the public are once again faced with the question whether, given the obvious misery in large parts of the world, it is appropriate to talk of poverty in Germany. Is that not bordering on cynicism? For a long time this selfsame doubt seemed to dominate Germany's official attitude. When the countries represented at the World Social Summit in Copenhagen in 1995 undertook to compile regular poverty reports, the German government, too, signed the "Copenhagen Declaration". But subsequently it refused to honour this supposedly pointless commitment. Poverty in welfare state Germany? Inconceivable, a myth!

One in six Germans at risk of poverty?

In the late 1990s the resistance seemed to be weakening. The government's decision in 1998 was followed by the publication of Germany's first report on poverty and wealth in 2001. The government was venturing into uncharted territory – and did not seem entirely comfortable about it. That at least was what the title of the official measure of poverty suggested: the "at-risk-of-poverty rate", as if the aim was, after all, to avoid any reference to poverty in the welfare state. Yet this restraint is not borne out by the figures. According to the recently published fourth edition of the report, one in six Germans is at risk of poverty. This extremely controversial statement reignited the public debate on poverty in Germany, and this not only in the media: even in the ruling coalition consensus is still a long way off. The protests are indicative of one thing in particular: the serious uncertainty that the issue of poverty in Germany generates in the minds of both the government and the public.

The at-risk-of-poverty rate as the "non-statistic of the month"

To blame for this is the very concept of the at-risk-

of-poverty rate, a view shared by Dortmund statistics professor Water Krämer, who, without further ado, declared it to be the "non-statistic of the month". His withering assessment is currently widely quoted throughout the press: "What is being measured is inequality, not poverty." And he is right. Classified as at risk of poverty is anyone living in a household that has less than 60 percent of the weighted average net income. In other words, if the incomes of the upper strata of society rise, poverty rises, too. Any such concept of poverty is bound to be disputed for the nasty taste of envy that it leaves in the mouth: the individual needs more when others around him also have more.

Poverty as inequality of opportunity

Even in the late 1980s Nobel economics prize winner Amartya Sen was highly critical of a concept of poverty based entirely on relative income levels. As an example, he cited the following fact: men in New York's Harlem district were less likely to reach the age of 40 than men in Bangladesh. This was obviously due not to Harlem's inhabitants having lower incomes, but rather to a fatal combination of a high crime rate and inadequate health care.

Sen therefore proposed that poverty should be measured on the basis not of relative incomes, but of opportunities for achieving one's goals in life. Poverty afflicts those who are denied the opportunity to better themselves by circumstances for which they are not individually responsible. In other words, access to such important institutions as the education system, the labour market and health care should not be restricted on grounds of gender, origin or anything else of a discriminatory nature, irrespective of whether the individual concerned lives in a rich or a poor country. The fact that the children of uneducated families are far less likely to make it into grammar or equivalent

schools than the children of the educated middle class shows that these barriers also exist in Germany.

Individual responsibility rather than disempowerment

Sen's concept of poverty is particularly attractive in more affluent countries because it is based on respect for the freedom and responsibility of the individual. Income disparities are bad only if they are caused by inequality of opportunity. If, on the other hand, they are due to decisions taken by the individual on his own responsibility, they are even desirable in most cases. A country in which investment is rewarded with higher income provides incentives which are, in the final analysis, to everyone's benefit. Why should anyone to whom every opportunity in life is open, but who shows no interest in seizing them, be described as at risk of poverty? Seen in that light, such gauges as the at-risk-of-poverty rate smack of paternalism.

An alternative measurement of poverty

An alternative index based on Sen's concept of poverty produces a completely different picture. The *German Correlation Sensitive Poverty Index*, or GCSPI for short, measures poverty as inequality of opportunity in various dimensions, including

health, education and employment, and arrives at an entirely different assessment of the poverty trend in Germany, especially during the economic crises in 2003 and 2009. The first of these crises was accompanied by rising unemployment and a decline in the percentage rise in social benefits. The GCSPI is consistent in that it identifies a slight rise from 2002 to 2004. The at-risk-of-poverty rate, on the other hand, fell slightly during this period. Surprising? Not if the trend in inequality is taken into account. The cause of the decline was not an improvement in the circumstances of those concerned, but rather the fact that their circumstances had deteriorated less than those of the better-off. The very opposite is true of the second crisis in 2009, when a falling unemployment rate and rising social benefits led to a decline in the GCSPI from 2008 to 2010, while the at-risk-of-poverty rate again reflects the trend in inequality and rises slightly in the same period.

Given the obvious impracticality of the at-risk-of-poverty rate and the current public debate, a change in the measurement of poverty is overdue. The reality of poverty in Germany would then be explained far better, and the foundations would be laid for combating it at the right places.



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