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Article

"Unemployed have considerably fewer assets than ten years ago": Eight questions to Markus M. Grabka

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

EIGHT QUESTIONS TO MARKUS M. GRABKA

»Unemployed Have Considerably Fewer Assets Than Ten Years Ago«

1. Dr. Grabka, you have analyzed the distribution of wealth in Germany. How high are individual net assets on average? On average, in 2012, adults in Germany had net assets amounting to around 83,000 euros. These consisted of owner-occupied and other property, financial and business assets, and assets in savings and loan institutions. Mortgages and consumer loans were also considered.
2. What types of assets are the most important? The most important type of asset in Germany in quantitative terms is owner-occupied property. Although only around 38 percent of the adult population has owner-occupied property, the average value of this property is over 150,000 euros.
3. How is this wealth distributed? A standard measure used to describe wealth inequality is the Gini coefficient. The higher this coefficient, the higher the level of inequality. We have calculated a value of 0.78 for Germany.
4. How much do the top ten percent own? The ten percent comprising the wealthiest people in Germany have net assets of at least 217,000 euros. In order to belong to the top one percent of Germany's wealthiest people, you need to have assets of over 800,000 euros. Surprisingly, at the lower end of the scale, there has been an increase in the proportion of people with more debts than gross assets in recent years. They represent around seven percent of the adult population.
5. How has the distribution of wealth developed in recent years? We were not able to observe any significant

changes in wealth inequality during the period from 2002 to 2012. It should be noted that our calculations based on a random sample thus we are underestimating the true extent of wealth inequality, since exceptionally wealthy people, i.e., billionaires or multi-millionaires, are not included in this sample.

6. Has anything changed at all? In the past ten years, we have seen a rise in the proportion of people in debt. Consumer loans now play a greater role. Particularly in eastern Germany more people are taking out consumer loans. The current low interest rates, has become an attractive option for households and consequently this form of financing has become more common.
7. How big are the disparities in wealth between eastern and western Germany? It is still the case that assets in eastern Germany are significantly lower than in western Germany. For instance, western German adults in 2012 had more than about 94,000 euros of assets on average while the corresponding figure for eastern Germany is only 41,000 euros.
8. How big are the differences with respect to social status? As a rule, the higher the occupational status, the higher the personal assets. One particular group which caught our attention is the unemployed. This is the only social group that has experienced a significant loss of wealth over the past ten years. We interpret this finding as evidence of the impact of Hartz IV legislation because it is only possible for individuals to draw this government transfer payment if they have other significant assets exceeding an allowed exemption.

Interview by Erich Wittenberg.

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