

Redistributive Impacts of Government and Private Household Activities

Trends in equivalized household net incomes and intra-household earnings in Germany,
1985 - 2006

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Abstract

The paper examines the development of rising income inequality in Germany, together with corresponding trends in poverty. The analyses are based on data from the German Socio-Economic Panel study (SOEP), which provides detailed annual information on incomes starting in the mid-1980s. Results show that increased inequality is mainly in pre-governmental income and thus not primarily the result of diminishing redistribution measures by the government. The results also indicate that the increasing labour market inequality is further intensified by decreasing redistributive activities of private households.

The differentiation between the individual and household level reveals a missing link that has not yet been adequately considered in the social policy discussion on inequality: the redistributive impact of shared living and care activities by members of a household.

The usual measure of intra-household relations is the female-to-male earnings ratio, which also reflects the female labour market participation rate. However, this rate is not identical with intra-household inequality, so we have introduced it into the analyses along with a new indicator that links back to the discussion on rising inequality.

Intra-household earnings analyses reveal that despite rising female labour market participation, intra-household inequality has remained remarkably stable. Earnings profiles between male and female household heads are now much more multifaceted than before, which might be regarded as a dynamic intra-household strategy of protection against growing market risks.

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Keywords: Income distribution, inequality, poverty, redistribution by government and households, intra-household earnings ratios.

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