

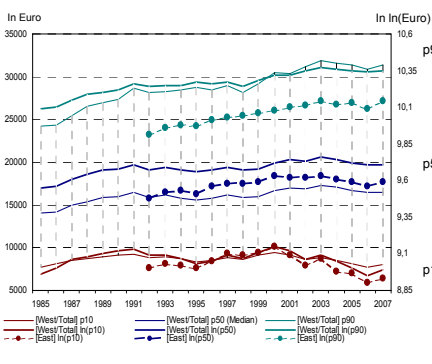
# Redistributive Impacts of Government and Private Household Activities

## Trends in Equivalized Household Incomes and Earnings, Germany 1985 – 2007\*

### Real Incomes –

- Moderate increases at the top
- Modest changes in the middle
- Shrinking welfare levels at the bottom

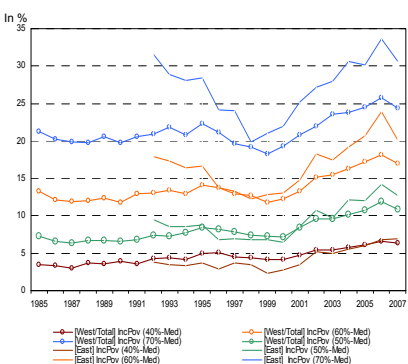
Figure 1  
Income Development at Different Welfare Levels, Germany 1985-2007



### Low Incomes & Risk of Poverty –

- Rising poverty rates at all levels
- Overproportional increases in East-G.
- Breakpoint? Decreasing poverty rates after 2006?

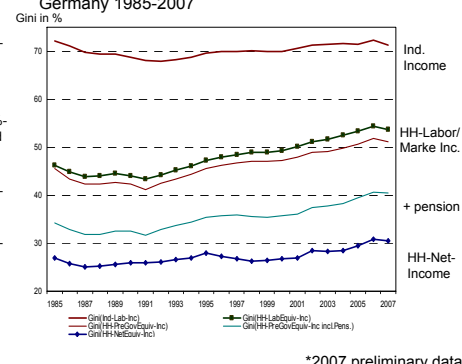
Figure 2  
Low-Income and Risk-of-poverty Rates at Different Thresholds, Germany 1985-2007



### Income Inequality –

- Increases in Household Net Income Ineq.
- Driven by sharp increases in inequality of household market incomes since 1990s
- Modest increases in ineq. of individual incomes

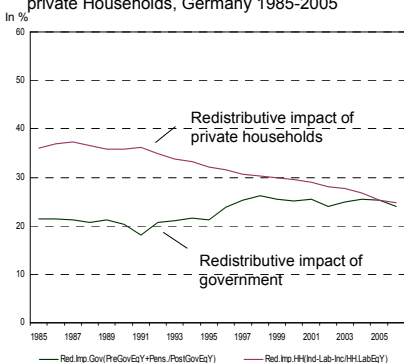
Figure 3  
Inequality of individual earnings and pre- and postgovernmental household-incomes, Germany 1985-2007



\*2007 preliminary data

## Income Redistribution by Private Households Activities

Figure 4  
Redistributive Impact of Government and private Households, Germany 1985-2005



### Trends in income relations for couples –

- Redistributive impact of private households decreased
- Female/male-earnings ratio has increased ...
- but earnings inequality of couples remain high
- Increasing share of couples with high and low earnings from both partners
- Female main breadwinner model has appeared as an additional type of earnings arrangement

Figure 5  
Intra-Household Inequality and Earnings-Relations between male and female Heads, Germany 1985-2005

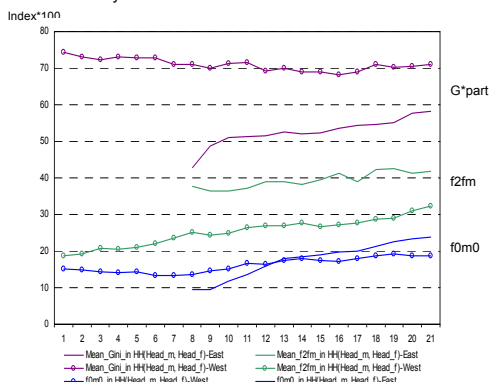
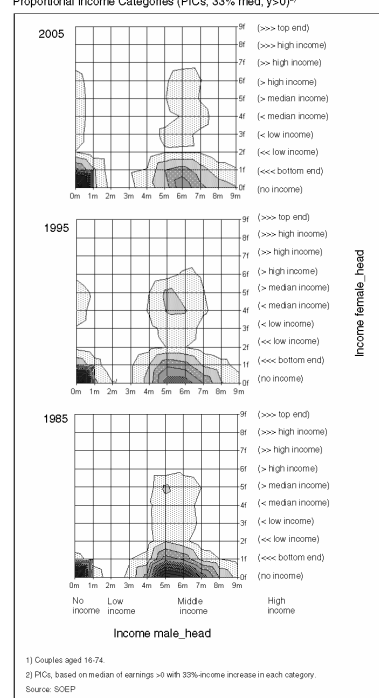


Figure 6  
Earnings Ratios between Male and Female Household Heads,<sup>1)</sup> 1985 – 1995 – 2005



### Intra-Household Gender Ratio:

$$f2fm = \frac{y_{Head\_f}}{y_{Head\_m} + y_{Head\_f}}$$

### Intra-Household Gini Coefficient:

$$G = \left[ \frac{1}{2n^2 \mu} \sum_{i=1}^n \sum_{j=1}^n |y_i - y_j| \right]$$

$$G^* = \left[ \frac{n}{n-1} \right] G$$

$$G^*_{Part} = \frac{|y_{Head\_m} - y_{Head\_f}|}{y_{Head\_m} + y_{Head\_f}}$$

## Proportional Income Categories (PICs)

### PICs – a simple tool to create continuous income categories

Thresholds for Proportional Income Categories (PICs):

$$pic_{z,p} = y_z * p^e \quad \text{with } z = \text{parameter for starting value (Median); } p = \text{percentage increase; } e \in Z[-3; n]$$

PIC Thresholds for Individual Earnings:

$$pic_{med,33} = y_{med} * 1.33^e \quad \text{with } e \in Z[-3; 4]$$

Source: Krause, Peter (2008): Redistributive Impacts of Government and Private Household Activities. Trends in Equivalized Household Net Incomes and Intra-household Earnings in Germany, 1985 – 2005. *Intervention*, 5(1) 129-153.