

AT A GLANCE

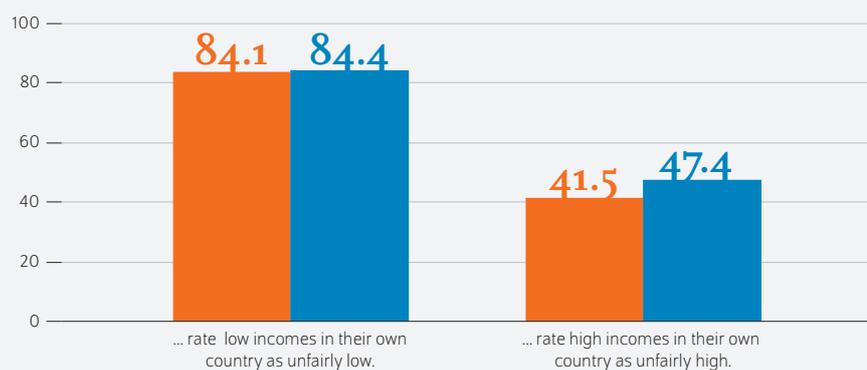
A comparison of earnings justice throughout Europe: Widespread approval in Germany for income distribution according to need and equity

By Jule Adriaans, Philipp Eisnecker, and Stefan Liebig

- Study examines sense of fairness in Germany and the rest of Europe based on the European Social Survey (ESS)
- Majority of European citizens consider low gross earned incomes to be unfairly low
- In Germany, high incomes are less frequently considered unfairly high than in other European countries
- Own gross income is more often considered fair in Germany
- Larger majority in Germany than in the rest of Europe agree with the distributive norms of equity and need

Respondents in Germany rate high incomes less often as unfairly high compared to the rest of Europe; they agree on low incomes

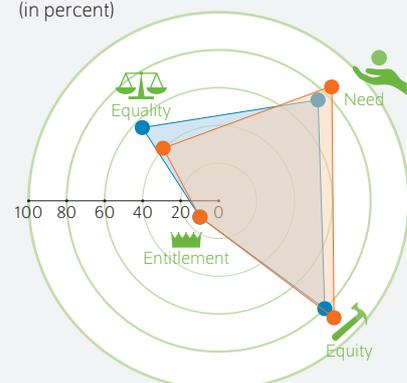
Share of respondents who ...



Source: European Social Survey, wave 9 (2018), weighted.

Germany Rest of Europe

Agreement with distributive justice principles (in percent)



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FROM THE AUTHORS

“In the opinion of Europeans and even more so of the respondents in Germany, the distribution of goods and burdens in a just society should be based on the principles of need and equity. It is therefore not only important to pay wages that meet individual needs, but also wages that value and recognize individual performance.”

— Jule Adriaans —

MEDIA



Audio Interview with Jule Adriaans (in German)
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A comparison of earnings justice throughout Europe: Widespread approval in Germany for income distribution according to need and equity

By Jule Adriaans, Philipp Eisnecker, and Stefan Liebig

ABSTRACT

The present study compares the perceptions of fairness of national earned incomes between the populations of Germany and the rest of Europe based on recent data from the European Social Survey (ESS). The vast majority of European respondents consider very low gross earned incomes to be unjustly low. By contrast, very high incomes are less frequently considered too high in Germany than they are in the rest of Europe. Nearly half of Europeans believe their own gross earned income is fair, whereby the higher their own income, the more likely they are to consider it fair. It is striking that this correlation is particularly strong in Germany. Respondents in Europe, and especially in Germany, generally consider it fair that goods and burdens are distributed according to need and equity. In contrast, the distributive principles of equality is more frequently rejected in Germany than in other European countries.

Since the shock of the financial and economic crisis in 2008, the economic situation in most EU countries has eased again. In recent years, Germany in particular has enjoyed strong economic activity and a considerable increase in the employment rate. However, this does not mean that all social groups have experienced the economic recovery equally. In fact, only certain groups may have benefited. There are, for example, major differences in income inequality between EU countries (Figure 1). The existing income inequality in southern European countries widened again between the start of the crisis in 2008 and 2015, for instance. In Germany too, increasing income inequality has been observed since 2012.¹

However, inequality is not necessarily perceived as unfair. Differences in income can, for example, be seen as the legitimate consequence of input differences and thus reflect 'just inequalities.' Nevertheless, empirical justice research shows that when inequalities are considered unfair, individuals respond by reducing their performance in the workplace, participating less politically, having less trust in others, and also more frequently suffer from the symptoms of mental or physical illness.²

The present study examines how objective income inequalities in Europe are subjectively assessed, based on current European-wide data from the European Social Survey (ESS; Box 1). It is particularly interesting to see how assessments in Germany differ from the European average. In a European comparison, are Germans more negative or more positive

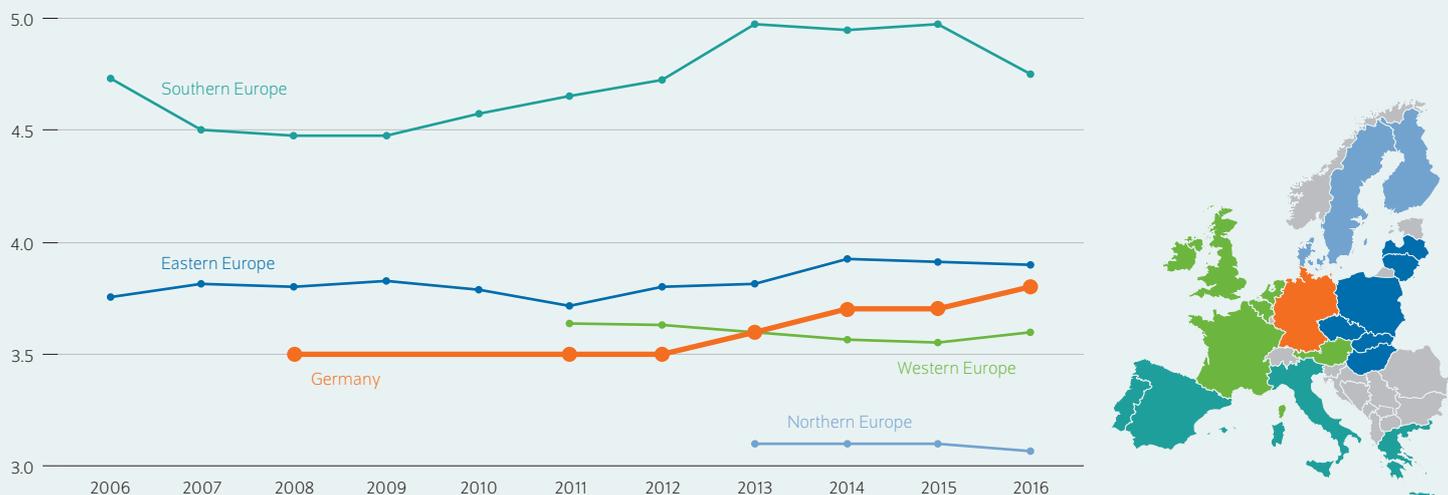
¹ On the growing inequality of household income, see also Markus M. Grabka, Jan Goebel, and Stefan Liebig, "Wideranstieg der Einkommensungleichheit – aber auch deutlich steigende Real-einkommen," *DIW Wochenbericht*, no. 19 (2019): 343–353 (in German; available online, accessed on October 21, 2019). This applies to all other online sources in this report unless stated otherwise). Wealth inequality in Germany has also increased when comparing the period 2008–2011 to the period 2011–2015. Cf. Stefan Bach, Andreas Thiemann, and Aline Zucco, "Looking for the Missing Rich: Tracing the Top Tail of the Wealth Distribution," *DIW Discussion Paper 1717* (2018) (available online).

² See also Jule Adriaans and Stefan Liebig, "Inequality of Earnings in Germany Generally Accepted but Low Incomes Considered Unfair," *DIW Weekly Report*, no. 37 (2018) (available online); Reinhard Schunck, Carsten Sauer, and Peter Valet, "Unfair Pay and Health: The Effects of Perceived Injustice of Earnings on Physical Health," *European Sociological Review* 31(6) (2015): 655–666; Carsten Sauer and Peter Valet, "Less is Sometimes More: Consequences of overpayment on job satisfaction and absenteeism," *Social Justice Research* 26(2) (2013): 132–150; Jason A. Colquitt and Jessica B. Rodell, "Justice, Trust, and Trustworthiness: A Longitudinal Analysis Integrating Three Theoretical Perspectives," *Academy of Management Journal* 54(6) (2011): 1183–1206.

Figure 1

Inequality of disposable household incomes in Europe

Ratio of the ten percent of highest disposable household incomes to the ten percent of lowest household incomes by country groups and survey year



Interpretation example: A value of four means that persons in the highest tenth of the income distribution have at least four times as much income as persons in the lowest tenth of the income distribution.

Notes: Country groups: Southern Europe (Greece, Italy, Portugal, Spain); Eastern Europe (Czech Republic, Hungary, Latvia, Lithuania, Poland, Slovakia, Slovenia); Western Europe (Austria, Belgium, France, Ireland, Netherlands, United Kingdom); Northern Europe (Denmark, Finland, Sweden). Southern Europe: average 2006 does not include Spain. Western Europe: average 2011 does not include France.

Source: OECD (2019), Income inequality (indicator) (available online; accessed October 15, 2019); authors' own compilation.

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In Germany, income inequality has increased since 2012.

in their perception of the situation in their home country? The focus here is on a specific form of social inequality: the inequality of earned income. 33,972 European citizens—employed and non-employed—were surveyed as to how they assessed the gross earned income of full-time employees at the upper and lower ends of the income distribution scale in their respective countries and, where applicable, their own earned income.

The study also examines which basic distributive norms of goods and burdens in society respondents support: Should goods and burdens be shared equally among everyone or should individual input, need, or acquired entitlements be decisive?

Respondents in Germany less likely to consider very high incomes to be too high

In particular, incomes at the upper and lower ends of the income distribution scale, i.e., very high and very low incomes, are often the subject of justice debates. In order to find out how the respondents perceived these incomes, they were given information on the lowest and highest gross incomes of full-time employees in their respective countries and asked to rate them (Box 2). Questioning respondents using objective information on income distribution allows us to gauge how fair a population perceives the actual income range in its country to be.

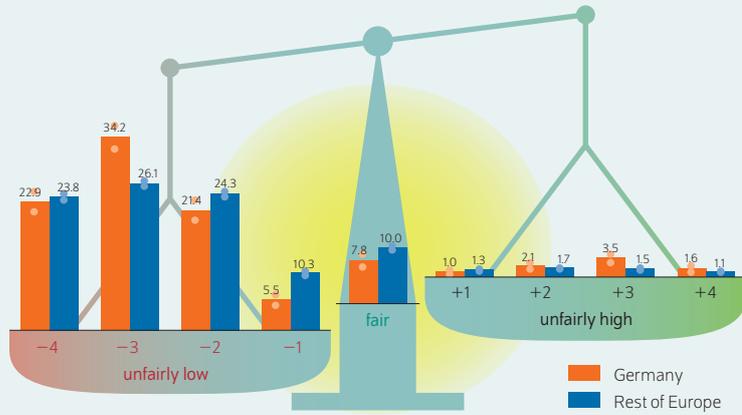
The findings of a German survey of employed persons from 2017 have already shown that gross earned income at the lower end of the income distribution scale is unanimously perceived as unfair.³ The current ESS survey also reveals that a large share of respondents in Germany perceive the low incomes earned by the lowest ten percent of full-time workers (a gross monthly income of less than 1,700 euros in Germany) as unfairly low. This corresponds to the European average (Figure 2): 84 percent of respondents in Germany and also 84 percent in the rest of Europe consider this income to be too low. Only a small minority of eight percent of respondents in Germany (six percent in the rest of Europe) considered it to be fair. The response categories provided also allowed respondents to state how grave they considered the injustice to be. The intensity of the perception of unfair underpayment tends to be somewhat greater in Germany than the European average.

Considerable differences between Germany and the European average can be seen in the assessment of high incomes earned by the top ten percent of full-time workers. This corresponds to a gross monthly income of more than 5,800 euros in Germany (Figure 3). A total of 41 percent of respondents in Germany and 39 percent of those in the rest of Europe considered such high incomes to be fair—whereas 42 percent in Germany and 47 percent

³ See Adriaans and Liebig, "Inequality of Earnings in Germany Generally Accepted."

Figure 2

Justice assessment of low gross incomes from employment
In percent



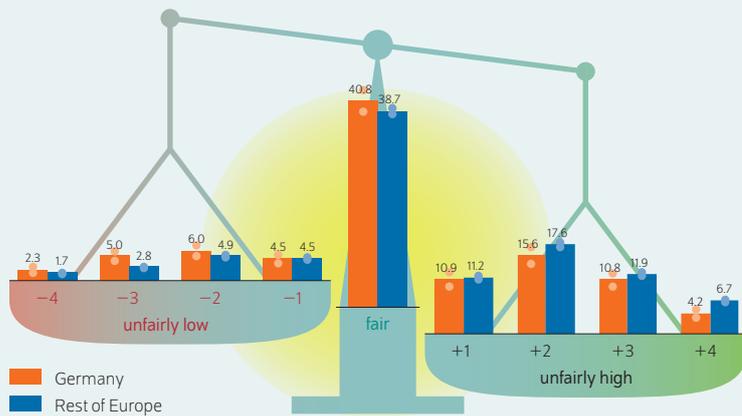
Note: The points along with the bars indicate the upper and lower limits of the 95-percent confidence band.
Source: European Social Survey, wave 9 (2018): n = 30,807 (Germany: n = 2,107, other Europe: n = 28,700), weighted.

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In Germany and the rest of Europe, low incomes are unanimously judged to be unfairly low.

Figure 3

Justice assessment of high gross incomes from employment
In percent



Note: The points along with the bars indicate the upper and lower limits of the 95-percent confidence band.
Source: European Social Survey, wave 9 (2018): n = 30,807 (Germany: n = 2,107, other Europe: n = 28,700), weighted.

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Compared to the rest of Europe, Germans rate high incomes less often as too high.

in other European countries consider them unfairly high. Compared to German respondents, ESS participants from other European countries were, on average, more likely to perceive high incomes as unfairly high. In fact, 18 percent of respondents in Germany rated high incomes in their country as too low, whereas only 14 percent of respondents in the rest of Europe had the same view about high incomes in their respective countries.

While respondents in Germany clearly view earned income at the lower end of the distribution scale as too low and agree with respondents in other European countries, where they differ is that they less often consider incomes at the upper end of the income bracket to be unfairly high—and see them as “just inequalities.”

The higher an individual's own income, the fairer they perceive it to be

But how do respondents in Germany and in the rest of Europe rate their own income situation? Initially, the survey seems to paint a rosy picture (Figure 4).

About 49 percent of respondents in Germany believe their own gross earned income is fair. In other European countries the share of those who say their own gross income is fair is somewhat lower at 45 percent. While only a very small share feels unfairly overpaid, 45 percent of respondents in Germany (50 percent in other European countries) consider their gross salary to be unfairly low.

How respondents rate their own income depends—as expected—on how much they earn. The share of those respondents in the rest of Europe, who rated their own gross income as fair, increases as their gross income rises. The share of those in the lowest quintile of the income distribution scale who believe they are fairly paid is around 35 percent. However, this share rises to around 64 percent among those in the highest quintile of the distribution scale (Figure 5).

In Germany, too, the share of those who feel they are fairly paid increases steadily as their own income rises. Nevertheless, at the lower end of the income distribution scale, there is a notable deviation from the European findings. Surprisingly, 51 percent of respondents whose gross monthly income is among the lowest 20 percent in Germany consider their own gross income to be fair. However, if we look at full-time employees only, this share falls to 36 percent. The fact that low-income earners in Germany are, unexpectedly, so positive about their income is possibly due to the large share of part-time workers in this group who consider their low monthly income to be fair given that they work fewer hours.⁴

⁴ The share of part-time workers in Germany is considerably higher than in other European countries. See Dietmar Hobler, Svenja Pfahl, and Sandra Horvath, “Teilzeitquoten im Europavergleich 2002–2016,” WSI Gender Data Portal (2017), Hans Böckler Foundation (available online).

Box 1

Data Basis

The European Social Survey (ESS) is a cross-country survey conducted biennially since 2002. Representative population samples are drawn for all participating countries in each ESS wave. Some of the questions remain the same in each wave and are supplemented by questions on changing thematic priorities. The ESS maintains very high methodological standards, both in the preparation of the questionnaire and in sampling and data collection. The data are available to all interested researchers on request.¹ In the latest survey round for 2018 (conducted in Germany between September 2018 and March 2019) participants were asked about their attitudes to social justice and fairness for the first time.² A total of 2,358 individuals were surveyed in Germany; together with participants from the other European countries, this report is based on information provided by 33,972 respondents.³ The ninth wave of the ESS thus provides representative data allowing a unique and comparative insight into the perceptions of income justice in Europe.

¹ See, for example, Christian Schnaudt et al., "The European Social Survey: Contents, Design, and Research Potential," *Schmollers Jahrbuch* 134 (2014): 487–506. The data can be found here (registration required).
² European Social Survey (2018): ESS Round 9 Module on Justice and Fairness – Question Design Final Module in Template, London: ESS ERIC Headquarters, City, University of London.
³ The category „other Europe“ consists of data from Austria, Belgium, Bulgaria, Cyprus, Czech, Estonia, Finland, France, Hungary, United Kingdom, Ireland, Italy, Netherlands, Norway, Poland, Slovenia, and Switzerland. This analysis uses data from the first data release ESS9 v1.0.

Looking more closely at the relationship between respondents' income positions and their assessment of the fairness of their own gross income, it is noticeable that, on a line chart, the gradient of the line for Germany is significantly steeper than the European average from the third quintile onwards (Figure 5). This means that, in Germany, the share of those who feel they are fairly remunerated increases more strongly as their own income position rises. In the rest of Europe, on the other hand, respondents' assessments of their own income are less dependent on their position on the income distribution scale. These differences may suggest that income comparisons with others in Germany are particularly relevant to individuals when assessing their own income.

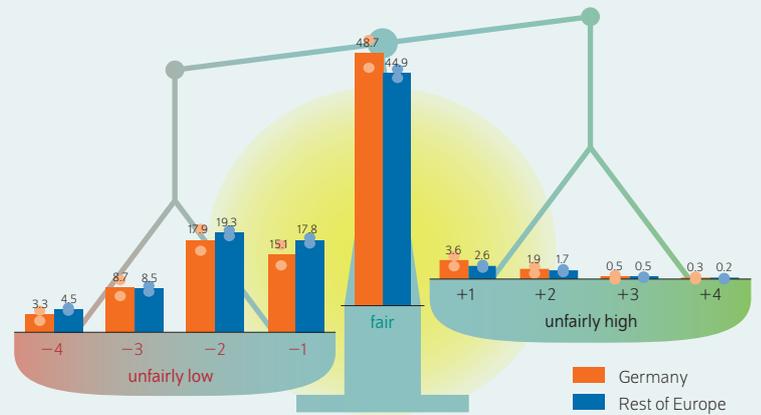
Compared to other European countries, Germans are more in favor of ensuring basic needs are met

What determines whether inequalities—such as those in income from gainful employment—are considered fair or unfair? One factor is whether these distributional results run counter to or coincide with the normative ideas of how goods and burdens should be distributed in a society.

In empirical justice research, there are four basic distributive principles. Equality: everyone should be given an equal

Figure 4

Justice assessment of own gross income from employment In percent



Note: The points along with the bars indicate the upper and lower limits of the 95-percent confidence band.
 Source: European Social Survey, wave 9 (2018): n = 17,432 (Germany: n = 1,322, other Europe: n = 16,110), weighted.

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Almost half of European respondents consider their own gross income to be fair, but a large proportion also consider it to be too low.

share of goods and burdens. Need: goods and burdens should be allocated in a way that ensures basic needs are covered. Equity: the distribution of goods and burdens should be based upon individual inputs. The more a member puts in, the more they should receive. Finally, goods and burdens are distributed according to the principle of entitlement based on status—past achievements or origin play a role here.⁵ In addition to assessing their own income and the income range, respondents also indicated to what extent they agree with these four justice principles (Box 2).

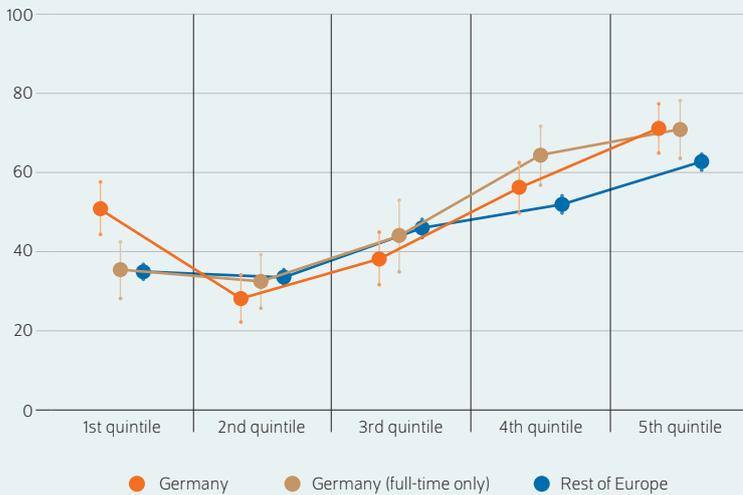
Essentially, assessment patterns in Germany are fairly similar to those in the rest of Europe (Figure 6). The equity and need principles find the widest support, whereas respondents were less committal on equality and the principle of entitlement was generally rejected. Nevertheless, on closer examination, there are noticeable differences. Respondents in Germany more frequently agreed with the principles of need and equity compared to their European counterparts. In contrast, there was less support for the principle of equality in Germany than in the rest of Europe.

Looking at approval of the four principles, broken down by income group, a fairly stable picture emerges for need, equity, and entitlement (Figure 7). High-income individuals, who are financially secure, support the principle of need as much as those at the lower end of the distribution scale. However,

⁵ Sebastian Hülle, Stefan Liebig, and Maike Janina May, "Measuring attitudes toward distributive justice: the basic social justice orientations scale," *Social Indicators Research*, Vol. 136(2) (2018): 663–692; Philipp Eisnecker, Jule Adriaans, and Stefan Liebig, "Was macht Gerechtigkeit aus? Deutsche WählerInnen befürworten über Parteigrenzen hinweg das Leistungs- und das Bedarfssprinzip," *DIW Aktuell*, no. 17 (2018) (in German; available online).

Figure 5

Share of just gross incomes from employment by gross income quintiles
In percent



Notes: Income quintiles for employed respondents in Germany: under 1,400 euros (1st quintile), 1,400 – under 2,500 euros (2nd quintile), 2,500 – under 3,300 euros (3rd quintile), 3,300 – under 4,900 euros (4th quintile), over 4,900 euros (5th Quintile). Income quintiles for full-time employed respondents in Germany: under 2,200 euros (1st quintile), 2,200 – under 3,100 euros (2nd quintile), 3,100 – under 3,800 euros (3rd quintile), 3,800 – under 5,000 euros (4th quintile), over 5,000 euros (5th Quintile). The bars indicate the upper and lower limits of the 95-percent confidence band.

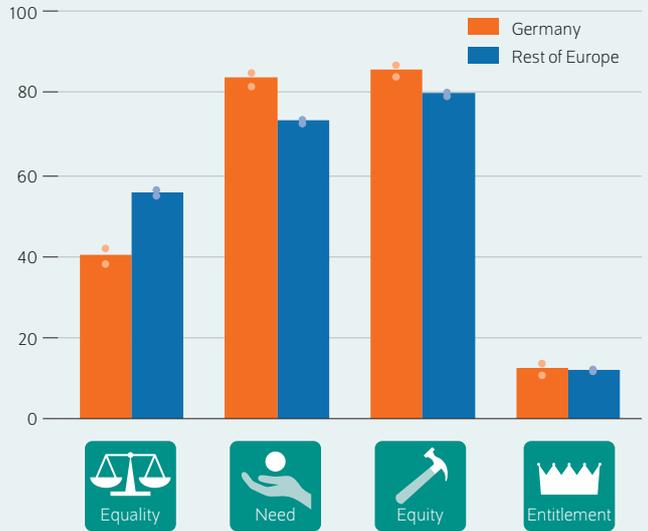
Source: European Social Survey, wave 9 (2018): n = 12,012 (Germany: n = 1,104, other Europe: n = 10,908), weighted.

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The relationship between income position and justice assessment of one's own gross income is particularly pronounced in Germany.

Figure 6

Agreement with distributive justice principles
In percent



Note: Respondents were able to grade their approval or disapproval of each distributive justice principle using five response categories: (1) "Agree strongly", (2) "Agree", (3) "Neither agree nor disagree", (4) "Disagree", (5) "Disagree strongly". The figure shows the relative share of respondents who agree with a principle, i.e. who chose either the scale values 1 or 2. The bars indicate the upper and lower limits of the 95-percent confidence band.

Source: European Social Survey, wave 9 (2018): n = 32,277 (Germany: n = 2,291, other Europe: n = 29,986), weighted.

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In a European comparison, Germans more often agree with the equity and the need principles and less often with the equality principle.

the entitlement principle, which benefits those already at the upper end, is firmly rejected by high-income individuals as well as those elsewhere on the distribution scale. This suggests that attitudes toward the distributive principles of need and entitlement are not driven primarily by self-interest. Only the equality principle, which would mean a high degree of redistribution for those with higher incomes, is considerably less popular among the upper income groups. Distribution according to the equity principle is considered fair across all income groups.

Conclusion: Salaries should be more oriented toward need and equity

The findings of the surveys reveal very strong similarities between Germany and the European average. For example, low incomes are considered unfairly low everywhere in Europe. Many respondents agreed that goods and burdens in a society should be distributed according to the criteria of need and equity.

Despite many similarities, there were also differences in how respondents rated their own income. Although it is the case across Europe that the share of respondents who felt they were fairly paid increases as their own income rises,

in Germany, this correlation is particularly strong, indicating that individuals' own income position is highly relevant.

Furthermore, in Germany, the top ten percent of incomes are less frequently considered unfairly high than in the rest of Europe. Particularly respondents from Germany do not seem to perceive inequalities in income distribution as unjust per se. This is also reflected in their assessment of the distributive justice principles. Respondents in Germany more frequently supported the equity principle than the European average. Unequal incomes are considered legitimate if they are based on accepted distributive principles.⁶ Correspondingly, the principle of equality found less acceptance in Germany than in the rest of Europe.

Incomes that are too low violate the principle of need, which is particularly widely endorsed in Germany, and, as a result, are almost unanimously considered unfairly low. A situation in which full-time employees are unable to meet their basic needs is also considered to contradict the idea of equitable remuneration. The low-wage sector is very large, especially in Germany. Although Germany introduced the minimum

⁶ It should be noted, however, that the study does not allow for an assessment of extremely high incomes, such as the top one percent of the income distribution scale.

Figure 7

Agreement with distributive justice principles by household net income
In percent



Note: Respondents were able to grade their approval or disapproval of each distributive justice principle using five response categories: (1) "Agree strongly", (2) "Agree", (3) "Neither agree nor disagree", (4) "Disagree", (5) "Disagree strongly". The figures show the relative share of respondents who agree with a principle, i.e. who chose either the scale values 1 or 2. Income quintiles for households in Germany: under 1,600 euros (1st quintile), 1,600 – under 2,350 euros (2nd quintile), 2,350 – under 3,200 euros (3rd quintile), 3,200 – under 4,500 euros (4th quintile), over 4,500 euros (5th Quintile). The bars indicate the upper and lower limits of the 95-percent confidence band.

Source: European Social Survey, wave 9 (2018): n = 27,116 (Germany: n = 2,049, other Europe: n = 25,067), weighted.

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The higher the income position, the fewer respondents agree with the equality principle. By contrast, there is no relationships between the need, equity and entitlement principles and the income position.

wage as an instrument to raise wages at the lower end of the income distribution scale, it is not enforced in all employment relationships.⁷ Consequently, despite the good state of the economy and the introduction of the minimum wage,

the number of people who have to top-up their income from work with *Hartz IV* (German unemployment benefit) has hardly fallen at all. Needs-based and equity-based wages, and more stringent monitoring of compliance with the minimum wage are necessary to ensure that inequality of earned incomes is not perceived as too unfair.

⁷ Alexandra Fedorets, Markus M. Grabke, and Carsten Schröder, "Mindestlohn: Nach wie vor erhalten ihn viele anspruchsberechtigte Beschäftigte nicht," *DIW Wochenbericht*, no. 28 (2019) (in German; available online).

Box 2

Justice assessment

Income distribution and own income

The assessment of the income distribution was implemented in two steps. Respondents were first asked to think about the ten percent of highest earning full-time employees in their survey country and to assess the fairness of those incomes. In order to make comparisons between individuals (and countries), respondents were given contextual information on the actual gross earnings of the top ten percent in their survey country. In Germany, for example, this came to more than 5,800 euros per month. The fairness rating was based on a nine-point scale from -4 (extremely unfairly low) to +4 (extremely unfairly high). The center of the scale (0) represented fair payment. For instance, one of the question went: "Please think about the top ten percent of employees working full-time in Germany, earning more than 5,800 euros per month. In your opinion, are these incomes unfairly low, fair, or unfairly high? Please think generally about people earning this level of incomes" (Table).

Using the same response scale, participants were asked to give their assessment of the lowest ten percent of incomes for full-time employees in their country. Respondents were also given contextual information on actual income for this question (less than 1,700 euro for Germany).

Employed respondents also assessed the fairness of their own gross earned income. Based on the nine-point scale, respondents were able to give a rating from -4 (extremely unfairly low) to +4 (extremely unfairly high). The center of the scale (0) represented fair payment.

Principles of fair distribution

Approval of the four distributive principles¹ was measured using one statement for each principle.

- *Equality*: "A society is fair when income and wealth are equally distributed among all people."
- *Equity*: "A society is fair when hard-working people earn more than others."
- *Need*: "A society is fair when it takes care of those who are poor and in need regardless of what they give back to society."
- *Entitlement*: "A society is fair when people from families with high social status enjoy privileges in their lives."

Respondents were able to grade their approval or disapproval using five response categories: (1) "Agree strongly", (2) "Agree", (3) "Neither agree nor disagree", (4) "Disagree", (5) "Disagree strongly". In the present report, answers (1) and (2) were taken together to register approval.

¹ The questions are derived from Sebastian Hülle, Stefan Liebig, and Meike J. May, "Measuring Attitudes Toward Distributive Justice: The Basic Social Justice Orientations Scale," *Social Indicators Research* 136(2) (2018): 663–692.

Table

Nine-point scale for fairness assessment

Unfairly low income(s)				Fair income(s)	Unfairly high income(s)			
Extremely unfair	Very unfair	Somewhat unfair	Slightly unfair		Extremely unfair	Very unfair	Somewhat unfair	Slightly unfair
-4	-3	-2	-1	0	+1	+2	+3	+4

Source: Authors' own depiction.

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