In the past few years and decades wage inequality has increased alarmingly in the majority of OECD and EU countries. With policy-relevant action knowledge, we want to contribute to taking countermeasures in the interests of greater equality of opportunities for all and greater growth potential.

Many OECD and EU countries are witnessing alarming developments in terms of an individual’s income and social mobility prospects. In most countries - including Germany - wage inequality has increased in recent years and decades. As one of the downsides of making the labour market more flexible, one of the largest low-wage sectors in the EU has developed in Germany. One in five Germans earns less than 10 euros per hour and in 2015 a total of 1.24 million employees were receiving top-up benefits.

OECD studies show that polarisation of income often entails the danger of a negative social spiral for the poorer people affected. Poorer education opportunities due to poverty often result in poorer opportunities to gain a foothold in the labor market. This can then be reinforced from generation to
generation. Strong polarization of income can have a considerable negative impact on social mobility.

This development not only contradicts the guiding principle of equal participation and opportunity within the social market economy – but also represents one of the greatest obstacles to growth.

**Counteracting further polarisation**

Accordingly, government and society must take targeted countermeasures in the interests of greater equality of opportunities and greater growth potential. The ideal of the social market economy has to counter a further decoupling and broadening of lower income groups. As part of our project activities, we would like to provide orientation and action knowledge in order to contribute reducing the “working poor” and establishing a more inclusive labour market in Germany.

In in-depth studies and workshops, we will look at how lifetime earnings in Germany have developed in recent years and what opportunities this presents for social participation. There is also a need for evidence-based analyses on the concrete impacts of wage inequality on productivity and employment, the efficiency of the redistribution system to relieve low and middle incomes, and the effects of the low-wage sector on growth and productivity.

We assume that “decent” work and good prospects for social mobility from atypical employment promote economic growth. We intend to examine this further with empirical studies.

**Main questions**

- How will lifetime earnings develop in Germany and what opportunities will this create for social inclusiveness?
- How do wage inequality and a large low-wage sector affect productivity, growth, and employment?

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