

Foreword

Thriving middle classes are the backbone of democratic societies and strong economies, but in many OECD countries they face mounting pressures as a result of stagnating incomes, rising expenditures, and greater labour market uncertainty. As evidenced in the OECD report *Under Pressure: The Squeezed Middle Class*, published in 2019, middle incomes have been growing much more slowly than high incomes for more than three decades. Over the past 30 years median incomes increased by a third less than the incomes of the richest 10% across the OECD, while the incomes at the very top have surged in many countries. Sluggish income growth coincided with an increase in the costs of a middle-class lifestyle. Across the OECD, prices for housing, health, and education have risen faster than inflation. Meanwhile, labour market trajectories have become more uncertain. Rapid integration of global supply chains, fast and transformative technological change, and population ageing have resulted in labour market polarisation, and one-in-six middle-income workers are employed in jobs that face high risk of automation across the OECD on average.

Meanwhile, social mobility is low in many OECD countries, both from an intergenerational perspective – i.e. when looking at the relation between people’s life outcomes and those of their parents – and when considering people’s opportunities and risks over their lifetimes. As summarised in the OECD report *A Broken Social Elevator? How to Promote Social Mobility* (2018), social mobility is lacking particularly at the bottom and at the top of the social ladder: “sticky floors” prevent upward mobility into the middle, while “sticky ceilings” point to opportunity hoarding at the top.

The COVID-19 crisis has accentuated and deepened many socio-economic divides across OECD countries, and may end up accelerating some of the above trends.

This country review builds up on *A Broken Social Elevator* and *Under Pressure*, and provides a comprehensive assessment of the economic and social situation of the middle class in Germany. It provides evidence on changes in the size and composition of the German middle class, presents trends in labour market outcomes for middle-class workers, and assesses changes in the risks and opportunities of downward and upward mobility for middle-class people. Based on the results from this analysis, the review identifies the main policy challenges facing middle-class households in Germany, and discusses potential solutions based on international good practice.

The work for this report was carried out within the Jobs and Income Division of the Directorate for Employment, Labour and Social Affairs (ELS). The report was authored by Valentina Sara Consiglio, Christian Geppert, Sebastian Königs (project lead), Horacio Levy, and Anna Vindics under the supervision of Stéphane Carcillo (Head of the Jobs and Income Division). Maxime Ladaique provided statistical assistance, Liv Gudmundson provided editorial assistance, and Jo Dempsey and Niamh Kinane provided administrative support.

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