

Brenke, Karl; Wittenberg, Erich

Article

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Karl Brenke is a Scientific Advisor to the Executive Board of DIW Berlin

SEVEN QUESTIONS TO KARL BRENKE

» We have hidden underemployment«

1. Mr. Brenke, how has the number of people employed in the low-pay sector developed over the past few years?

The low-pay sector in Germany expanded rapidly up until 2006. Since then, employment in the low-pay sector has only been growing at the same rate as total employment.

2. Why has the number of people in low-paying jobs stagnated? The main contributing factor is that there is no longer a boom in mini-jobs. Furthermore, we are experiencing a generally very positive labor market development in Germany. Consequently, it has been increasingly possible for employees to find jobs outside the low-pay sector. I think growth of the low-pay sector up until 2006 can also be explained by the difficult situation on the labor market.
3. How high is the proportion of part-time workers or those with mini-jobs in the low-pay sector then? Part-time workers, including those with mini-jobs, make up approximately half of this sector. That is well above average. In the economy as a whole, they make up less than a third of all those in employment. However, it is precisely among those in marginal or part-time employment in the low-wage sector that we find many people who actually want to work longer hours, even if it doesn't involve a lot more money. This applies to over half of them. We have hidden underemployment here. People want to do more but can't, and are then forced to accept a part-time job or marginal employment.
4. What types of occupation are particularly common in the low-pay sector? These are mainly jobs in the hospitality and transportation industries, or as shop assistants, hairdressers, and cab drivers. But it also applies to

medical assistants as well as some office jobs which are relatively low paid.

5. How high is the average wage in the low-pay sector? With regard to net wages, it is clear that those in marginal employment are doing relatively well compared to people with a regular part-time job or a full-time position because they don't have to pay tax or social security contributions. As for those in full-time employment, it should be noted that many of them work very long hours. A quarter of them clock up 50 hours a week or more. Because of the long hours they work, many earn 1,700, 1,800 euros a month, or more, while the average pay for those in full-time employment is approximately 1,350 euros per month.
6. How many people in low-paid employment are also receiving government transfer payments? The vast majority of those employed in the low-pay sector are not, as is often suggested in the public arena, dependent on Hartz IV social welfare benefits. This only applies to about an eighth of them. Particularly for those in full-time employment, this is seldom the case. Those in full-time employment only receive Hartz IV benefits if they have to provide for a larger family. Normally, it is low paid part-time workers who are Hartz IV recipients and only if the household has no other source of earnings.
7. Would the introduction of a minimum wage improve the situation? It is difficult to say. I think, basically, we don't really know what effects a minimum wage would have. But it could well be that some jobs disappear if the minimum wage is set too high. The current trend in Germany is that there are fewer and fewer low-skilled jobs. This of course pushes wages down, particularly for people who are not very well educated. If, however, we introduce minimum wages which are not too high, it could also be a way of putting some upward pressure on wages in low-paying jobs.

Interview by Erich Wittenberg.



DIW Berlin—Deutsches Institut
für Wirtschaftsforschung e.V.
Mohrenstraße 58, 10117 Berlin
T +49 30 897 89 -0
F +49 30 897 89 -200

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