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Article — Published Version

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Intereconomics

Suggested Citation: Bosch, Gerhard; Weinkopf, Claudia (2009) : Working for little money: Does Germany really need a minimum wage?, Intereconomics, ISSN 1613-964X, Springer, Heidelberg, Vol. 44, Iss. 6, pp. 353-360,
<https://doi.org/10.1007/s10272-009-0316-9>

This Version is available at:

<https://hdl.handle.net/10419/66193>

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Gerhard Bosch and Claudia Weinkopf*

Working for Little Money: Does Germany Really Need a Minimum Wage?

Germany has long been considered a country with comparably little wage dispersion and few low paid employees. Only several years ago, an intense debate arose as to whether a low wage sector should be introduced in order to promote employment as a whole and in particular for low-skilled workers. However, a low wage sector has always existed in Germany, although it remained stable for a long time at approximately 13% to 14%. In the mid-1990s, the low wage sector began growing – at first rather inconspicuously, though forcefully just the same – without bringing improvements for overall employment or for the low-skilled workforce. The Hartz reforms were furthermore a deliberate political move to spur the growth of low wage employment, a growth with seemingly no end in sight.

In France and Denmark, the percentage of low wage workers – measured as the proportion of employed who earn less than two thirds of the median hourly wage – has remained relatively low for years, in international comparison. In Germany, however, the share of low wage workers has reached the level of the UK, while the country's gap to the United States has decreased (Figure 1).

In the following we first outline the development of the low wage sector and its structure, followed by an examination of its causes. In conclusion, we summarise the current debate on low wages.

Development and Structure of Low Wage Employment in Germany

In Germany, the gap between high and low incomes has steadily widened since 1995.¹ A simple comparison of the inflation-adjusted income distribution of the years 1995, 2000 and 2006 shows a significant flattening of the income distribution curve, with strong losses in the middle and an increase at the lower and upper ends. Striking is also the strong increase of employment in the lowest wage sector (gross hourly wages below €6 at 1995 prices and below €7 at 2006 prices).

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¹ G. Bosch, T. Kalina, C. Weinkopf: Niedriglohnbeschäftigte auf der Verliererseite, in: WSI-Mitteilungen, No. 60, 2008, pp. 423-430.

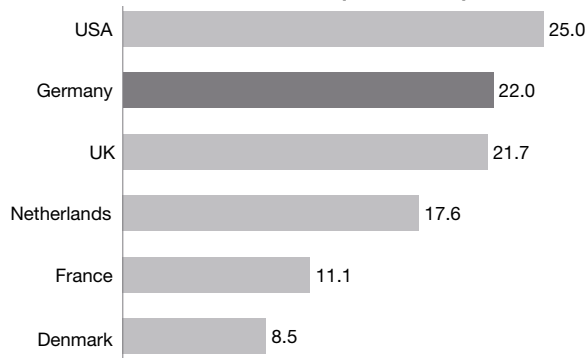
Due to this downward and upward shift of incomes, the middle income groups have been hollowed out. While these still constituted a good 63% of all employees in 1995, they had lost over 11 percentage points by 2006, a share that then went to the upper and especially the lower end of the income distribution (Table 1).

Between 1995 and 2006, average real incomes in Germany hardly increased, due to insignificant growth of income as a whole. When the pie to be shared barely grows, accompanied by increasingly uneven distribution, one segment of the workforce can be expected to lose real and maybe even nominal income – a phenomenon that could in fact be observed since 1995. In the lowest quartile, real wages have shrunk by almost 14% since 1995. They also decreased in the second quartile, albeit less significantly, while they rose in both upper quartiles (Table 2). Between 2000 and 2006, the lower quartile even saw a drop in nominal wages, i.e. absolute wages shrunk beneath the level of 2000. The income redistribution thus hit the lowest wage groups the hardest, although real wage losses did reach into the middle income groups. In 2006, the lowest quartile earned, with €6.88, on average 35 cents per hour less than only six years previously. The nominal wage loss was 4.8% and the real wage loss even 13.7%. At the same time in France, the minimum wage rose from €6.41 to €8.27, thus by nearly 30%. It is thus not surprising that articles with titles such as “Frankreich: Ein Vorbild für Deutschland?” (France: A Model for Germany?)² are being published even though Germany had served as a model for France in previous years.

The number of low wage workers in Germany grew from about 4.5 million (1995) to approximately 6.5 million (2006), i.e. by 2 million or a good 43%. This growth persisted even between 2004 and 2006, namely by some 700 000 workers, thus during an economic upswing when wages normally increase even in the lower sectors. This increasing prevalence of low wages

² G. Horn, H. Joebges, C. Logeay, S. Sturn: Frankreich: Ein Vorbild für Deutschland? Ein Vergleich wirtschaftspolitischer Strategien mit und ohne Mindestlohn, in: IMK Report No. 63, Düsseldorf 2008.

Figure 1
Cross-country Comparison of the Proportion which Low Wage Work Comprises within the Overall Workforce (2005, in %)



Source: G. Mason, W. Salverda: *Low Pay, Living Standards and Employment*, Ms., The Russell Sage Foundation Case Studies of Job Quality in Advanced Economies, New York 2008.

can be reasonably attributed to the Hartz reforms of the year 2003.

Furthermore, since Germany has no general minimum wage, the downward spread of wages is particularly pronounced. In 2006, some 1.9 million workers in Germany were working for hourly wages below €5, i.e. for significantly less (in absolute terms and relative to the respective median) than in France or the Netherlands, where the statutory minimum wages lie above €8.³

In 1995, full-time employees comprised the clear majority of the low wage workforce with a proportion of roughly 58%; by 2006, however, that proportion had sunk to 46%. Accordingly, the share of part-time workers or those who hold so-called “mini jobs” within the low wage workforce rose to some 54% (Table 3), although their share within the overall workforce constitutes only 29.5%. Mini jobs are jobs that are restricted to an earning limit of €400 per month and for which workers receive no social insurance benefits. The employer still has to pay a flat rate of 30% into the social security fund, which roughly equals the social insurance contributions he/she would normally make for employees. Moreover, holders of mini jobs are officially entitled to the same labour protection and the same hourly wages as comparable employees who are subject to social insurance contributions. The in-

³ E. Caroli, J. Gautié (eds.): *Low-Wage Work in France*, The Russell Sage Foundation Case Studies of Job Quality in Advanced Economies, New York 2008; W. Salverda, M. van Klaveren, M. van der Meer (eds.): *Low Wage Work in the Netherlands*, Case Studies of Job Quality in Advanced Economies, New York 2008, Russell Sage Foundation.

Table 1
Proportion of Low, Middle and High Hourly Wages (Germany; all employees; separate median calculation for East and West Germany; in %)

Hourly wage	1995	2000	2006
Low (less than 2/3 of the median)	15.0	17.5	22.2
Median (2/3 to 4/3 of the median)	63.2	59.0	51.6
High (more than 4/3 of the median)	21.8	23.6	26.3

Source: SOEP 2006, IAQ calculations (Thorsten Kalina).

attention of such restrictions is to keep mini jobs from becoming the preferred form of employing labour from the employers' point of view. In practice, however, the mini job sector has come to constitute an employment form in which these rights are often denied. It is customary, for example, that holders of mini jobs do not get paid for vacations, public holidays or sick days. The proportion of mini jobs increased particularly in the low wage sector, nearly doubling between 1995 and 2006. That increase is attributable above all to the increasing proportion of mini jobs in employment as a whole, which nearly tripled from 2.6% in 1995 to 7.1% in 2006.

However, the decline in the share of full-time employees in the low wage sector does not mean that these were less affected by low wages in 2006 than in 1995. On the contrary: whereas in 1995 every ninth full-time employee worked for a low wage, it was every seventh in 2006 (Table 4).

Many consider the expansion of the low wage sector necessary in order to give low-skilled workers, otherwise excluded from the job market, employment

Table 2
Nominal and Real Development of Hourly Wages 1995-2006 based on Quartiles

Quartile	Average hourly wage in € (nominal)			Change of the hourly wages in % (nominal)		Real wages in € (1995 prices)	
	1995	2000	2006	1995-2000	2000-2006	Real wage 2006	Change 1995-2006 in %
1st quartile	6.84	7.23	6.88	5.8	-4.8	5.90	-13.7
2nd quartile	10.39	11.15	11.73	7.3	5.2	10.06	-3.2
3rd quartile	13.11	14.49	16.02	10.5	10.6	13.74	4.8
4th quartile	21.20	22.79	25.58	7.5	12.3	21.94	3.5
Total	12.88	13.91	15.05	8.0	8.2	12.90	0.2

Source: SOEP 2006, IAQ calculations (Thorsten Kalina).

opportunities at all. Our evaluations confirmed that low-skilled workers are in fact affected by low wages to an over-proportional and increasing degree: the low wage portion of this group of the workforce rose by some 49% between 1995 and 2006. At the same time, however, the growth rate, at nearly 70%, was significantly higher in the distinctly larger group of employees who have vocational or professional qualifications (Table 5).

A look at the structure of low wage work based on employment profiles (Table 6) shows that in 2006 only one quarter of all low wage workers in Germany were low-skilled. The percentage of employees with a vocational training qualification or academic degree among low wage workers rose significantly from 1995 to 2006, namely from 66.5% to 73.6%. Thus, almost three out of four low wage workers in Germany qualify as skilled workers – a value considered extremely high even in international comparison. By contrast, in the United States some 70% of the low wage workforce has no vocational qualification or only a high school degree, i.e. an educational level below that of a completed apprenticeship in Germany.⁴ This marked difference in the qualification profile of the low wage workforce can be attributed, in part, to the prolonged period of high unemployment in Germany, under which even highly qualified workers are pressured to take on low paid labour. On the other hand, the low-skilled workforce in Germany is relatively small in international comparison due to the country's well-developed vocational education and training system.

Causes of the Increase in Social Inequality in Germany

How could such a rapid increase of low and even “rock bottom” wages have happened in a social market economy such as Germany? We see the main culprit in the vulnerability of Germany's collective wage system to outside competition. Given that there is no binding minimum wage – either through a statutory minimum wage or through collective wage agreements that apply pan-nationally for a specific sector – it is possible that wages drop below the standard industry wages. Up until German unification, however, this played only a subordinate role. Some 80% of companies were bound to wage agreements and the unions were strong. The non-wage-bound businesses used the wage agreements as a guideline in order to

⁴ Congressional Budget Office: Changes in Low-Wage Labor Markets Between 1979 and 2005, CBO Paper, December 2006, p. 18; E. Appelbaum, A. Bernhardt, R. J. Murnane (eds.): Low-wage America: How employers are reshaping opportunity in the workplace, New York 2003, Russell Sage Foundation.

Table 3
Share of Different Types of Employment in the Low Wage Sector and Overall Employment, Germany 1995 and 2006 (in %)

	Share in low wage sector		Share in overall employment	
	1995	2006	1995	2006
Full-time	57.9	46.2	79.0	70.6
Part-time	27.2	24.0	18.4	22.4
Mini jobs	14.9	29.7	2.6	7.1
Total	100.0	100.0	100.0	100.0

Source: SOEP 2006, IAQ calculations (Thorsten Kalina).

prevent their human resources from going elsewhere or their company from becoming the target of union actions. However, these fears vanished with the high unemployment after reunification. First in Eastern Germany and then also West Germany, many businesses left the employers' associations or chose not to join them in the first place in order to be able to pay lower wages.

The low wage sector that began growing in the mid-1990s had a domino effect even on businesses that were well unionised. The growing wage differential within the economy increasingly offered incentives to shift formerly well-paid activities into sectors and businesses that pay lower wages. This development was strongly promoted through political interventions. Outside competition received a strong impetus from the change in European competition regulations. With the EU freedom-of-services provisions, people can be sent to work in Germany under the wage conditions of their home country. The construction industry is the only sector in which generally binding minimum wages were agreed upon as early as the mid-1990s,

Table 4
Low Wage Employment According to Type of Employment, Germany 1995 and 2006 (in %)

	Low wage portion for category		Change in absolute employment 1995-2006	
	1995	2006	Low wage employment	Overall employment
Full-time	11.0	14.3	+12.6	-13.5
Part-time	22.2	23.4	+24.5	+18.0
Mini jobs	86.0	91.7	+181.2	+163.8
Total	15.0	22.2	+43.3	-3.1

Source: SOEP 2006, IAQ calculations (Thorsten Kalina).

Table 5
Share of Low Wage Workers per Employee Category (Germany, all employees, in %)

	Category	1995	2000	2006
Qualification	No vocational qualification	31.0	35.2	45.6
	With vocational training qualification	13.6	17.8	23.1
	University/college/institute of higher learning	6.3	6.1	6.1
Sex	Men	7.4	9.9	14.2
	Women	25.0	26.6	30.5
Age	Under 25	28.8	42.3	56.3
	25 – 34	13.9	17.8	25.1
	35 – 44	12.3	14.7	19.6
	45 – 54	13.5	14.9	16.5
	55+	17.7	16.5	22.0
Nationality	German	14.5	16.6	20.8
	Foreign	20.1	27.4	38.9
Total (Germany)		15.0	17.5	22.2

Source: SOEP, own calculations (Thorsten Kalina).

pursuant to Germany's 1996 Posted Workers Act (Arbeitnehmerentsendegesetz). In other sectors, however, such as the meat industry, domestic workers who were already very low paid have been replaced by even lower paid contractors.⁵ Even more far-reaching impacts resulted from the EU directives on the opening of markets for products and services formerly provided by the state (e.g. postal, telecommunications, or commuter transit sector). In most other European countries, new suppliers of such services have to comply to generally binding collective agreements; in Germany, however, they can pay any wage that clears the market. This invites companies to adopt business models that are no longer based on innovation but on wage dumping, as has been observed in the postal services sector for example.

A further political impetus was given by the Hartz reforms, implemented by the red-green government in 2003. In particular three statutory changes increased the downward pressure on wages. First, as of 2004, long-term unemployed persons receive only a standard minimum amount of €345 per month, with single-person households receiving an additional rent subsidy. Before, this segment of the unemployed received income-dependent unemployment assistance. The change increased the pressure on skilled long-term unemployed persons, who had earned well before, to take on poorly paid jobs. Second, the removal

⁵ L. Czommer: Wild West Conditions in Germany?! Low-Skill Jobs in Food Processing, in: G. Bosch, C. Weinkopf (eds.): Low-wage work in Germany, New York 2008, Russell Sage Foundation, pp. 147-176.

Table 6
Share of Different Employment Categories in the Low Wage Sector (Germany; all employees; separate low wage thresholds for East and West Germany; in %)

	Category	1995	2000	2006
Qualification	No vocational qualification	33.5	26.1	26.4
	With vocational training qualification	58.6	66.4	67.5
	University/college/institute of higher learning	7.9	7.5	6.1
Sex	Men	27.5	30.6	31.9
	Women	72.5	69.4	68.1
Age	Under 25	13.8	15.2	12.3
	25 – 34	26.2	24.3	23.4
	35 – 44	22.3	25.8	29.9
	45 – 54	20.8	21.0	19.8
	55+	16.9	13.7	14.7
Nationality	German	88.5	87.8	87.9
	Foreign	11.5	12.2	12.1
Total (Germany)		100.0	100.0	100.0

Source: SOEP 2006, IAQ calculations (Thorsten Kalina).

of time-limits for assignments of temporary agency workers gave companies the possibility to replace long-standing staff with lower paid temporary agency workers on a permanent basis. The legal obligation to provide temporary agency workers with equal pay, intended to curb such practices, proved ineffective in Germany, unlike in France, because temporary employment agencies in Germany veered from this principle by concluding collective wage agreements that undercut the rate of that equal pay. Numerous collective wage agreements for temporary agency work are now in effect with hourly wages significantly below the low wage threshold as well as significantly lower than standard negotiated wages in typical sectors, in particular for workers taking on temporary work for the first time.⁶ Third, we must mention the significant raising of the upper earning limit for mini-jobs from €325 to €400 per month and the lifting of the former maximum of 15 hours per week.

Especially in the service sectors, such as retail or hospitality, many full-time or part-time jobs, which are subject to social insurance contributions, were restructured into mini-jobs to the benefit of the employer. This has affected women in particular. Concerning temporary agency labour, the number of temporary agency workers, mostly men, rose from some 330

⁶ C. Weinkopf: Mindestbedingungen für die Zeitarbeitsbranche? Expertise im Auftrag des Interessenverbandes Deutscher Zeitarbeitsunternehmen (IGZ), Gelsenkirchen 2006, Institut Arbeit und Technik.

000 in 2003 to more than 820 000 in August 2008.⁷ A good part of this additional temporary agency labour was hired by high wage sectors, such as the metal industry, where sometimes entire production lines were run by temporary agency workers at lower hourly wages. Admittedly, many temporary agency workers have been dismissed in the current crisis. The sector is, however, very optimistic. Ludger Hinsen, CEO of a federal employers' association for temporary work (Bundesverband Zeitarbeit Personal-Dienstleistungen), said, "As paradoxical as it sounds, the crisis is opening many opportunities for the temporary work sector [...] This is because many potential client businesses now realise how important it is to be flexible and to work with temporary staff – now in the crisis but especially afterwards".⁸

The changes in Germany can best be understood when looking at the overall structure of the wage forming institutions and comparing it with that of other countries. Figure 2 shows the structure of these institutions in six different countries, and how in three of these countries (FR, DK, NL) a high degree of collective wage coverage and stability was achieved. In France and the Netherlands, considerable wage coverage was achieved less through a high density of unions than through a high organisation rate of companies and the generally binding nature of collective agreements. These two countries have de facto two types of minimum wages: the statutory minimum wage as the lowest threshold, and the generally binding collective agreements, the wages of which mostly lie above the minimum wage. In Denmark, the high wage coverage is a result of, especially, the high degree of unionisation. Employers' associations and unions have also agreed on a minimum wage of €13.80, and have been able to comply with this agreement without government assistance.⁹ In all three countries, wage competition is successfully limited through effective minimum wage thresholds.

In Germany, the coverage through collective wage agreements dropped to 65% of all employees in West Germany and even to 54% in East Germany in 2006, especially due to companies resigning from employ-

ers' associations or to newly founded companies not joining the associations in the first place. This led to the formation of a large unregulated labour market segment with low wages alongside the classical German collective wage model. To save expenses, many companies bound to collective wage agreements began outsourcing activities to smaller and medium-sized companies that are not bound to those agreements. Most of these smaller and medium-sized companies have no workers' councils, which, given their co-determination rights, generally function as watchdogs for wage dumping. In specific service sectors with a lower rate of organisation on the employer side as well as the union side, such as retail, coverage through collective wage standards had been ensured in many small and medium-sized companies primarily through a declaration of general applicability. For many years now, however, employers' associations are refusing to give their consent to the general applicability and binding nature of collective wage agreements. The German collective wage institutions have thus become highly unstable due to this nearly unrestricted wage dumping.

In the United States and United Kingdom, the unregulated zones without collective wage agreements are even bigger as wage agreements are concluded almost exclusively at the company level. The few industry-wide collective wage agreements in effect in the private sector in United Kingdom in the 1980s (e.g. engineering industry), as well as in the United States (e.g. for truck drivers), did not survive the wage competition. It must be mentioned that those countries nevertheless have minimum wages to fall back on, although those are very low in the United States.

The Debate over Minimum Wages in Germany

Up until only a few years ago, minimum wages were a topic of discussion only in the German construction industry. This sector had increasingly employed workers from southern, central, and eastern Europe at the wages of their home countries. The low wages not only undercut the collective wage agreements but also distorted competition between companies. Unions and employers in construction then agreed on industry-wide minimum wages and, in 1996, pushed these through against harsh resistance from the employers' umbrella associations. According to the above-mentioned Posted Workers Law (Arbeitnehmer-Entsendegesetz), these minimum wages then also apply to workers from other EU countries who are sent to work on construction sites in Germany by their companies.

⁷ Bundesagentur für Arbeit: Statistik. Leiharbeiter und Verleihbetriebe im 2. Halbjahr 2008, August 2009.

⁸ VBG: Zeitarbeit in der Krise? 2. Branchentreff Zeitarbeit der gesetzlichen Unfallversicherung VBG lockt etwa 180 Teilnehmer aus der gesamten Republik in den Landschaftspark Nord in Duisburg, Verwaltungsberufsgenossenschaft 2009, URL: http://www.presseportal.de/pm/16868/1368845/verwaltungs_berufsgenossenschaft_vbg (accessed 06 July 2009).

⁹ N. Westergaard-Nielsen (ed.): *Low-Wage Work in Denmark*, The Russell Sage Foundation Studies of Job Quality in Advanced Economies, New York 2008.

Figure 2
Collective Wage Coverage; Membership in Employers' Associations; Union Membership

	1-10	11-20	21-30	31-40	41-50	51-60	61-70	71-80	81-90	91-100
France	U							E		C (A)
Netherlands			U					E	C (A)	
Denmark						E		U	C	
Germany			U				E, C			
UK			U	E, C						
U.S.	E	U, C								

C = Collective wage coverage.

E = Membership in employers' associations measured as the percentage of companies that belong to an employers' association.

U = Union density measured as the percentage of employees who are members of a union.

A = Most collective wages are declared generally applicable.

Sources: J. Visser: 'Institutional Characteristics of Trade Unions, Wage Setting, State Intervention and Social Pacts (ICTWSS), an international database, Amsterdam Institute for Advanced Labour Studies (AIAS), Amsterdam 2008; European Commission: Industrial Relations 2006, Luxembourg.

Up until recently, the construction sector was considered an exception to the rule. Unions, employers' associations, and political parties agreed that wages for other industries should be negotiated exclusively by the respective partners and that the state should not intervene. This consensus fell apart when it became clear that the collective wage system was no longer in the position to set effective minimum standards for the various industries. First, the unions representing the low wage sectors advocated a minimum wage. This was initially resisted by the strong industry unions, who feared that this would push wages below their negotiated collective wages. However, they finally consented to the demand for a minimum wage in May 2006. The SPD and the Greens then did an about-face: still promoting the expansion of the low wage sector by means of the Hartz reforms in 2003, they, in 2005, at the end of their shared term and prior to the Bundestag elections, began demanding a general minimum wage. The employers and conservative parties (CDU/CSU and FDP), for their part, oppose minimum wages to this day with the argument that this causes the loss of jobs. In the meantime, however, more than two thirds of Germans support the introduction of a minimum wage, among them significant majorities of voters of the conservative parties.

The grand coalition (2005 – 2009) failed, due to the different positions of the two ruling parties, to agree on a general minimum wage on the basis of the British or French model. Instead, minimum wages were

to be determined for separate industries. To achieve this, the grand coalition agreed upon a choice of two mechanisms:

One, employers and unions can conclude collective wage agreements for their respective minimum wages. If these agreements cover 50% of employees and are concluded at the national level, the state can declare them generally applicable and binding on the basis of the Posted Workers Law. However, these conditions were met only by some sectors (e.g. construction industry and cleaning industry). At the same time, other sectors with a high proportion of low wages, such as the meat industry, have no country-wide collective wage negotiation mechanism in place, with the result that such agreements cannot be concluded. Moreover, further sectors such as temporary work are characterised by competing collective wage agreements with different minimum wage levels. Moreover, the Christian unions, i.e. employer-friendly "yellow unions" with few members, are ready to undercut collective agreements of the other unions belonging to the German confederation of trade unions (DGB). Through such actions by organisations that should not qualify as true unions (they violate conflict-of-interest laws and have no negotiating power) collective wage autonomy is being hollowed out in the lower wage sector.

The second mechanism was to result from a reform of the 1952 Minimum Working Conditions Act (Mindestarbeitsbedingungengesetz). With such a reform, minimum standards could be determined, on demand, for industry sectors that do not fulfil the above-mentioned conditions. The procedure foresees that a steering committee (Hauptausschuss), composed of two representatives each from unions, employers' associations, and science as well as one independent chairperson investigate whether a sector is characterised by social rifts to the extent that minimum wages seem necessary. If the steering committee determines such a need, an expert committee of representatives of the employers and unions of the respective sector is created that can agree on a minimum wage that can then be declared generally applicable. In both committees, an independent chairperson would have the authority to break stalemates and tie votes.

By early September 2009, minimum wages had been negotiated for a total of 9 sectors comprising some 1,849 million employees based on the first mechanism. Usually, different wages were determined for East and West Germany. Several further sectors (continuing education, security services, care services) have since applied for minimum wages. The

number of employees actually benefiting from a minimum wage in these fields is not known. No minimum wages have yet been set via the second mechanism, as the reform of the Minimum Working Conditions Act was always procrastinated by the CDU/CSU, with the effect that the steering committee did not meet for the first time until September 2009, shortly before the federal elections.

This complex system of regulations provides numerous possibilities for politics, employers and competing unions to block its practical application. Minimum wages are thus very slow to come about and we can expect, rather, a patchwork of different minimum wages and large unregulated zones without a binding minimum wage. Unlike in the UK or France, there is no self-enforcing effect by means of a simple structure. For this reason, employees in Germany cannot be expected to even know the respective minimum wage to which they are entitled or how to get that minimum wage enforced. The inspection authorities would be unable to cope, as poorly paid jobs would be shifted to non-regulated areas. The social project to stop sweatshop wages (“Vermeidung von Ausbeuterlöhnen”), which is enjoying great popularity, would possibly become delegitimised because minimum wages cannot be implemented in all sectors and, even if they were, compliance to those wages cannot be ensured.

To stop this development and to prevent further growth of the low wage sector, politics must take a different direction. What is needed is a uniform minimum wage that is applicable to all sectors. This minimum wage could then be amended with a second set of collectively agreed sector wages, as in France or the Netherlands. However, a broader reform package would also demand obligatory social insurance contributions for mini jobs as well as equal pay for temporary agency workers.

The new German government does not wish to embark on this path. The coalition agreement of the new government states the following with regard to the keyword “wage autonomy / statutory minimum wage”: “The CDU, CSU, and FDP profess their commitment to wage bargaining autonomy. It is a valuable good, is an indispensable part of the social market economy, and is to have precedence over state-regulated wage-setting. We are opposed to a standard statutory minimum wage. For this reason, we wish to strengthen the collective bargaining committee to emphasise the obligation of employers and employees to negotiate wage agreements. The cabinet will mutually decide on the declaration of collective wage agreements as gen-

Intereconomics, November/December 2009

Table 7
Minimum Wages based on the Posted Workers Act
(as of November 2009)

Sector	Activity	Minimum wage
Main construction industry (388 900 employees)		
West and Berlin	Workman	€10.80
	Skilled labourer	€12.90 (€12.75 in Berlin)
East	Workman and skilled labourer	€9.75
Mining, special activities (2 500 employees)		
	Wage group I	€11.17
	Wage group II	€12.41
Postal services (140 000 employees)		
West and Berlin	Mailmen	€9.80
	Other activities	€8.40
East	Mailmen	€9.00
	Other activities	€8.00
Roofing (59 000 employees)		
	Federal standard	€10.40
Electronics – Assembly (282 600 employees)		
West		€9.55
East and Berlin		€8.05
Commercial cleaning (700 000 employees, of those 335 300 subject to social insurance contributions) – expired on 1 October 2009 ^a		
West and Berlin		€8.15
East		€6.58
Painting and varnishing (111 400 employees)		
Federal standard	Unskilled labourer	€9.50
West	Skilled labourer	€11.25
Laundry services (35 000 employees)		
West		€7.51
East		€6.36
Total employees: 1 719 400		

^a In the meantime the social partners have agreed on a new higher minimum wage (€8.55 for West Germany and €7.00 for East Germany). However, that wage has yet to be declared generally binding.

Source: Own compilation based on <http://www.mindestlohn.de>.

erally binding. A basic condition for this is a majority in the collective bargaining committee. An evaluation of the existing legal regulations concerning minimum wages will be completed by October 2011. The focus will be on the question as to whether these regulations threaten jobs or hinder the creation of new jobs. We shall also examine whether they ensure both the required protection of employees and the competitiveness of the different industry sectors. The results of this evaluation will serve as the basis for the decision on whether the existing minimum wage laws should be maintained or abolished. The evaluation will wait until the pending proceedings of the German federal court concerning the minimum wage for postal workers have ended.” (p. 21; our translation).