

# Germany: The SPD's bogus minimum wage campaign

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After forming a “grand coalition” with the Christian Democrats at the end of 2005, the Social Democratic Party (SPD) has placed the demand for a legal minimum wage at the forefront of its programme. For their part, both former SPD Chancellor Gerhard Schröder and his economics minister Wolfgang Clement strictly rejected the introduction of a minimum wage.

Under conditions where the SPD is plummeting in opinion polls, the demand for a minimum wage allows the SPD to distinguish itself from its coalition partners, the Christian Democratic Union and Christian Social Union (CDU/CSU). The minimum wage demand is set to play an important role in the 2009 Bundestag (federal parliament) elections. “A legal minimum wage should be our central election campaign issue,” stated Rainer Wend, economic policy spokesman of the SPD's parliamentary group, in the *Financial Times Deutschland*.

The SPD employment minister, Olaf Scholz, also stated, “The legal minimum wage is gaining force.” But the introduction of a general minimum wage would only be possible under an SPD chancellor, he added.

It is easy to see through the intentions behind the SPD's demand for a minimum wage. It is to serve as ammunition in the party's election campaign in an attempt to help win back voters who abandoned the party in indignation over Schröder's “Agenda 2010” welfare reforms.

The demand is very popular. According to an inquiry for the Infratest Institute, the introduction of a minimum wage is supported by 80 percent of the population, with support cutting across party loyalties. The minimum wage demand has the backing of 91 percent of voters supporting the Left Party, 86 percent supporting the SPD and 85 percent of Green voters. And even 75 percent of CDU/CSU supporters and 68 percent of those voting for the Free Democratic Party (FDP) agree with the call for a lower limit to wages, although both parties officially reject setting a legal minimum wage.

However, the SPD does not have the slightest intention of actually introducing a minimum wage worthy of the name. The demand merely serves to deflect mounting social opposition while at the same time further lowering wages.

The first point that needs to be made is that it is the SPD that has created the conditions whereby a legal minimum wage even appears necessary. For many decades, it was never a topic of political conversation in Germany. All-embracing union-negotiated wages, relatively favourable labour legislation and an extensive social security system prevented the development of a larger low-wage sector. As a result of globalisation, German reunification, the eradication of heavy industry in the former East Germany and the onset of mass unemployment, big business increased the pressure to eliminate these social achievements.

Starting in 1998, the SPD-Green Party federal government under Gerhard Schröder created the conditions for a comprehensive low-wage sector. The “Hartz laws” introducing various labour and welfare reforms not only reduced social expenditure but forced the unemployed to accept the worst-paying jobs. Since then, cheap-wage work has spread rapidly in Germany.

According to a study by the Institute for Work and Qualification (IAQ) of the University of Duisburg-Essen, in 2006 the low-wage sector employed almost 6.6 million workers or 22.6 percent of all employees, if one takes as the basis the OECD (Organisation of Economic Cooperation and Development) threshold of two thirds of the median wage.

In the same year, 2 million people—nearly 1 in 10 of all those in full-time employment—earned less than €7.50 gross per hour, a rise of 10 percent compared with 2004. If those working part-time are included, then the number rises to 5.5 million. Of these, nearly 2 million earned less than €5 an hour, an increase of more than 20 percent from 2004.

About 7 million people work in a so-called “mini job,” in which they do not earn more than €400 a month. In the meantime, more than 2 million carry out this mini job alongside their actual occupation—one job alone is not enough to get by. The number of part-time jobs has risen to 11.2 million, while according to figures from the IG Metall trade union, those in temporary employment now number more than 1 million. Ninety percent of such temporary workers receive wages of less than €7 an hour.

The SPD, which is responsible for these conditions, does not have the least intention of reversing them. Like the trade unions, the SPD resisted any kind of legal minimum wage for a long time. At the beginning of 2006, former SPD party leader Franz Müntefering, federal labour minister until 2007, suggested the introduction of a minimum wage of less than €5 an hour for some industries. Finally, last year, the SPD's Hamburg party congress called for a general minimum wage of €7.50 per hour. Such a minimum wage is barely enough to survive, and is utterly inadequate for any sort of normal family or social life.

Above all, the SPD finally adopted such a policy because it fears that the social budget will again face a serious drain, while social tensions could run out of control. More and more workers now receive an income that is below the subsistence level and are forced to claim additional state benefits. In some companies—e.g., the new postal company established by Florian Gerster (SPD)—subsistence level wages are part of the business model.

Faced with opposition from the CDU/CSU and the employers' associations, the SPD is not even seriously seeking a general minimum wage of €7.50. Instead, in June 2007, it agreed in the joint

coalition committee for minimum wages only to be introduced in some individual industries by revising the 1952 minimum working conditions law.

However, the CDU's vehement rejection of the revised version of the minimum working conditions law, submitted by Employment Minister Olaf Scholz (SPD) as a kind placebo, means it is already a dead letter. The chancellery and the CSU-led economic affairs ministry immediately blocked the labour ministry from seeking support from other government departments, with the economic affairs ministry alone submitting 35 objections.

The introduction of a minimum wage has already failed at Deutsche Post, however. At the end of 2007, the Bundestag decided to declare that the agreement struck between Deutsche Post and the trade union Verdi starting from January 1 constituted an obligatory minimum wage. Postal delivery workers were to receive €9 in east Germany and €9.80 in west Germany, with letter sorters receiving €8 in the east and €8.40 in the west. But this decision encountered vehement opposition from big business.

The private delivery companies competing with the state-controlled Deutsche Post had negotiated wage rates with the house union they had created—the “New Letter and Delivery Services Union”—which were more than €2 below the level agreed by Verdi and Deutsche Post. Pin (the postal business belonging to the Springer publishing house), the Dutch postal company TNT and the federal association of courier and express postal services (BdKEP) filed a law suit against the introduction of the Deutsche Post minimum wage, which was successful before the Berlin Administrative Court.

The court ruled that the government cannot use regulations to supersede existing contract agreements—thus recognising as a valid agreement the contract between the private postal operators and the union they financed themselves! The federal labour ministry has lodged an appeal against this judgement, meaning that a minimum wage for postal workers will remain uncertain until next year.

The major employers' associations are vehemently opposed to a minimum wage, with the four largest associations citing the Deutsche Post minimum wage as proof that the “fatal error of state-imposed wage levels” massively destroys jobs. They refer to the fact that several regional subsidiaries of the Pin group declared bankruptcy after the Springer publishing house had withdrawn its capital from the enterprise in reaction to the minimum wage.

The call for a minimum wage for temporary work agencies, which Employment Minister Scholz celebrated as a great success and which gained considerable media coverage, will not end the super-exploitation in this industry. The two largest employers' associations in this branch had already negotiated with the unions to establish a contract covering minimum wages in mid-2006. This includes a lower wages boundary of €6.36 in east and €7.31 in west Germany.

Since 2004, when the SPD-Green Party coalition largely abolished the legal obstacles for the exploitation of temporary workers, employment in this branch has exploded, along with company profits. Approximately 1,500 temporary work agencies employ 1 million workers, exploiting their precarious economic situation and thereby earning massive profits.

In 2006, 75 percent of all new jobs were filled by temporary workers. This has helped the 15 industry leaders—above all, the Swiss company Adecco, the US firm Manpower and the Dutch company Randstadt—to take about 40 percent of the annual turnover of the branch of €12 billion euros. The profits of these three industry leaders are measured in the tens of millions of euros, and they have registered

annual growth of up to 60 percent.

The turnover of Adecco alone rose by 24 percent in the second quarter of 2007 to €251 million, with profits amounting to €28 million. Since 2006, Wolfgang Clement (SPD) has been on the company payroll as chairman of the “Adecco institute for the study of work.” Between 2002 and 2005, Clement was minister of economics and labour in the SPD-Green Party coalition, and was mainly responsible for the deregulation of the temporary employment market.

The unions belonging to the German Union Federation (DGB) have resisted the introduction of a legally binding minimum wage, regarding it as an attack on the autonomy of the contract bargaining system. They have demanded that the state keep out of calculating and fixing wages and that this be left to the trade unions.

In the meantime, the DGB is now advocating a minimum wage, although IG Metal still has reservations. Its chairman Berthold Huber has demanded that legislators only introduce a generally binding minimum wage of €7.50 in industries without existing contract agreements. In those industries with contract agreements, the agreed lower wages boundary should become the minimum wage, in this way preserving the autonomy of the contract bargaining process.

For the unions, the main issue is to preserve the interests of the apparatus. If initially they saw their role as mediators between capital and labour threatened by the minimum wage, so many workers are now employed in occupations without a valid contract agreement that the role of the unions themselves is endangered. In 2006, only 65 percent of those employed in the west of Germany were covered by contract agreements, and in the east it was just 54 percent.

Thus the DGB unions do not have anything with which to counter low wages, as long as their own role remains that of “co-managers.” They have agreed on wages far below €5 an hour. For example, the union wage for a security guard in Thuringia in east Germany last year was €4.38 an hour, and in neighbouring Saxony, a newly qualified hairdresser earns just €3.82 an hour.

The SPD and the trade unions are incapable of achieving a minimum income that guarantees every person a dignified existence. This requires the fundamental reorganisation of society, which places human needs above the profit interests of big business—something they both reject.

Hans-Werner Sinn, the boss of the Institute for Economic Research, a government advisor and staunch neo-liberal, was honest enough to openly express his belief that the free-market economy cannot be reconciled with social equality. In his view, the price of labour should also be calculated according to the laws of supply and demand. Asked what this had to do with social justice, he answered: “Market determined remuneration does not recognise the principle of justice.”



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