Study shows sharp growth of low-wage sector in Germany

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At the beginning of July the Institute for Labour and Qualification (IAQ) at the University of Duisburg-Essen published a study that shows there has been a drastic expansion of the low-wage sector in Germany. There are currently 6.5 million such low-paid workers—more than a fifth of the total workforce—who are employed for less than 9.62 euro in western Germany and less than 7.18 euro in the east of the country.

This figure is based on criteria set by the OECD (Organisation for Economic Collaboration and Development).

The number of low-paid workers in Germany has increased by 2.1 million since 1995. One third of all low-wage workers are employed for less than six euro per hour, while 1.2 million earn less than five euro per hour. Part time workers are not the only ones being paid low wages. Nearly a third of the low-paid work full-time and are forced to live on less than 800 euro per month.

The political basis for the massive expansion of the low-paying jobs was laid by the former Social Democratic Party-Green Party coalition (1998-2005) headed by Gerhard Schröder (SPD) and Joschka Fischer (the Greens), which introduced the Hartz IV laws and the Agenda 2010 anti-welfare policy. These measures have been continued and intensified by the current grand coalition of conservative parties and the SPD.

Originally the expansion of the low-wage sector in Germany was justified by leading SPD and Green politicians with claims it would provide opportunities for less qualified unemployed workers who could be reintegrated into the national labour market. This line of argument, however, was quickly discredited. Many firms and public employers have simply slashed full-time contract posts and filled them with temporary agency staff who are not only paid less, but also receive less social and health insurance security. The measures introduced by the SPD and the Greens have been used exclusively to undermine full-time contractual jobs and undermine wages and social standards.

The latest IAQ study demonstrates that the percentage of low-paid workers who have completed professional training has increased from 58.5 percent of the total in 1995 to 70.8 percent in 2007. When one includes those with an academic background the total rises to 80 percent.

Those forced to accept low-wage jobs have very little chance of escaping their fate. The IAQ study says the average pay for such jobs has actually declined over the past 12 years. When one takes into account that the last year dealt with by the study is 2007, i.e., prior to the current crisis on the finance and economic markets, then it is reasonable to assume in the intervening two years there has been another huge increase in the number of low-paid workers.

Another study recently released by the German Federation of Trade unions (DGB) shows that young workers between the ages of 15 and 24 and workers older than 55 years are being particularly hard hit by unemployment. In both groups joblessness has increased around three times more rapidly than average.

In May the unemployment rate was 5.3 percent higher compared to the previous year, but joblessness among younger workers and older workers was 16.1 percent and 17.3 percent higher respectively. June’s figures indicated a worsening in every respect compared to the previous month.

Young workers are often the first victims when it comes to redundancies, because they are less likely to have a full-time contract. Many others are not hired after the completion of their apprenticeship or are employed by a temporary job agency in the first place. Older workers, who are likely to have more job protection after working for many years in a company, are often forced to take early retirement because, according to the DGB study, “in the eyes of the employer they are less productive”. In the first five months of this year 380,000 workers over the age of 50 lost their jobs.

These forced retirements are driving up poverty rates amongst the elderly. Up until 2007 those over the age of 58 could claim benefits but were not officially registered as unemployed if they pledged to take an early retirement as soon as possible. The situation changed dramatically when the current government agreed to the proposal by SPD leader Franz Müntefering to increase the official retirement age to 67. At a stroke, this has made it impossible for millions of older workers to plan and finance their retirement.

While the DGB study clearly shows the drastic consequences of these job market trends for younger and older workers, it has nothing to say on the role played by the trade unions themselves. It is a fact that the pro-company policies of the unions and works councils have led to this dire situation for workers. Reading between the lines, the DGB study amounts to a declaration of bankruptcy for the trade union movement, which has always enjoyed close political ties to the SPD.

At a time when major banks and finance houses have been able to obtain billions from the government and bank and company managers award themselves huge bonuses, the unemployed are told there is no money to pay reasonable wages and welfare support. Instead, behind the scenes, the government is planning further massive cuts to the country’s welfare infrastructure in order to cover the cost of its bailout of the banks.

At the same time representatives of employer federations are stepping up their own campaign to pressure the government to go ahead with further social cuts—irrespective of the composition of the new government, which takes power after the federal election scheduled at the end of September.

The steel industry employers’ federation has voted Hubertus Pellengahr, former speaker of the HDE trade federation, to be managing director of the Initiative for a New Social Market Economy (INSM). This organisation plans to set up its headquarters in the vicinity of the German parliament in January 2010 in order to optimise its lobbying work.

The declared aim of the INSM is more market and less state interference. According to the steel employers federation, “above all the Initiative has helped support the Agenda 2010. Now in the crisis there is growing pressure for the intervention of the state. And this is precisely what the Initiative intends to oppose”, reported the *Frankfurter Rundschau*. Pellengahr stated, “All state interventions apart from in the finance sector goes too far”.

While politicians are eager to prevent details emerging of the full extent of the attacks planned, there are nevertheless a number of indications of what the government is planning after the election.

According to a poll by the Ifo Institute in Munich, a quarter of all German companies plan to reduce their workforces in the next six months. In manufacturing, the figure rises to 34 percent. Nearly two-thirds of all factories with more than 1,000 workers intend to cut jobs.

On July 21 the weekly business magazine, *Wirtschaftswoche*, warned about the growth of mass unemployment. According to one leading government representative, Wolfgang Franz, over one million workers will lose their jobs in the next year and a half, adding, “The worst is yet to come.” The widespread introduction of short-time working in German industry has not prevented the wave of mass layoffs.

The magazine also cited the leading regional representative of the IG-Metall trade union, Oliver Burkhard, who declared, “a third of the 5,000 employers in the contract region of North Rhine Westfalen are planning redundancies.”

The Heidelberg Printing Company, which produces printing machines for the global market, is currently planning to shed a quarter of its 20,000 strong workforce. Experts also estimate that massive job cuts will take place in the steel industry in the second half of this year. Major job losses are also expected at Siemens where 19,000 of the company's 131,000 workforce have been working short time over the past few months.