

# Casual labour on the rise in Germany

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The announcement recently of June's official jobless rate in Germany, 7 percent, a relatively low figure compared to other European countries, prompted a round of self-congratulation in government circles and elements of the German press. Added to this was the fact that unemployment in the country actually dropped slightly in the months of May and June.

Some media commentaries boasted that this development reflected the underlying strength of the German economy and that the corner "had been turned" in the current crisis. The celebrations, in so far as they are anything more than crude efforts to deceive the public, are misplaced. A new study points out that the country's already massive casual, cheap-labour market has grown considerably. Millions in Germany, in fact, are working for poverty wages.

According to the Institute for Employment Research (IAB) job market study published at the end of June, nearly half the new jobs recently created in Germany are to be found in the casual or temporary sector. The study also points out that, based on past experience, only 5 percent of workers hired on temporary contracts are eventually taken on by their employers on a full-time basis.

The argument that casual employment was the key to finding full-time work was advanced in particular by the Social Democratic Party (SDP)-Green Party coalition government headed by the SDP's Gerhard Schröder and Joschka Fischer of the Greens, which initiated a thorough and socially regressive revamping of the German job market between 1998 and 2005. As part of its so-called Agenda programme, the SPD-Green government introduced the Hartz laws, which slashed unemployment payments and forced millions of workers to find work—no matter how badly paid.

Those who profited from the labour market deregulation and Hartz IV have been bosses who are

able to use casual workers to regulate fluctuations—at a relatively low cost—in their order books. At the same time, the increasing proportion of low-paid, temporary workers in Germany is used as a club to intimidate and drive down the wages of those employees with full-time contracts.

As a result of the Hartz IV laws, real wages are back to the levels of the mid-1980s—i.e., a quarter-century ago. Millions work at jobs that do not pay enough to enable them to support themselves, let alone a family.

Some 9 million people in Germany hold part-time jobs, and 7 million hold so-called mini-jobs, which provide a maximum monthly income of €400 (US\$508). More than 300,000 people are currently forced by the authorities into "one-euro jobs", which pay an hourly rate of €1 in addition to miserly welfare benefits.

One in three low-wage earners works for less than €6 (US\$7.62) gross pay per hour; 1.2 million for less than €5. Even full-time employees are not protected from low hourly wages. Despite working full time, almost one quarter of workers in the low-wage sector earn less than €800 gross per month. Some 1.3 million are dependent on Hartz IV benefits to bring them up to the minimum subsistence level.

The recent IAB study reveals that the number of subcontracted (contracted-out) jobs in Germany has also risen dramatically since 2004 and reached its highest level in July 2008—i.e., 823,000. Then, following the outbreak of the international finance crisis in September 2008, subcontract workers were the first to lose their jobs, and the number sank to 582,000 by April 2009.

Since then, the number of subcontract workers employed in factories and companies has risen to

750,000. While the proportion of subcontract workers differs greatly from factory to factory, some companies make extensive use of this type of labour. The IAB study reports that in one tenth of all companies, subcontracted workers constitute more than 20 percent of all employees. In the engineering and electrical industries, which make heavy use of subcontracted workers, nearly 25 percent such workers have been employed by the company for more than 12 months. In fact, Germany has the highest levels of subcontracted workers in Europe.

According to the IAB study, subcontracted workers earn on average 20 to 25 percent less than workers with a proper contract. Many such jobs last just three months, with workers continually forced to shift workplaces and under pressure to adapt to new surroundings, work practices, travel times to work, etc. More than two thirds of all subcontracted workers receive what is officially designated a low wage.

Peter Bofinger, a German economist and member of the German Council of Economic Experts, acknowledged to *Spiegel* earlier this year that “Since 1995, there have been almost no appreciable wage increases in Germany, partly as a result of pressure brought on from increases in subcontracted labour.”

In an interview with the *Frankfurter Rundschau* last weekend, Martin Kannegiesser, the head of the business association Gesamtmetall, which represents the metal and electrical engineering industries, vehemently defended the employment of subcontracted workers and their reduced salaries. Kannegiesser stated that the number of full-time workers in these branches of production declined by 200,000 last year and forecasts the loss of a further 10,000-20,000 jobs in metal and electrical engineering this year, if production continues at a relatively high level and no breakdown is experienced.

Another sphere of the economy that makes extensive use of subcontract workers is public services. According to the IAB study, 40 percent of all persons employed in the spheres of education, health and social affairs, public and non-profit-making institutions are employed on a subcontract basis.

Employees in these fields are frequently employed on a short-term basis because the projects or services that

hire them only have short-term funding. At the same time, such subcontract workers are used to cover for the lack of permanent personnel in many areas of social provision.

An enquiry by the Institute for Work and Technology (IAT) revealed that hospitals, homes for the elderly and mobile hospital services are also increasingly dependent on temporary labour. The number of such workers has increased fivefold since 2004. Between 1996 and 2006, about 46,000 full-time positions were cut in general hospitals, and this tendency is once again on the rise following the latest financial crisis and increasing pressure on administrative budgets.

Trade union leaders regularly complain about the growth of “precarious” and subcontract labour in Germany, but in practice have not lifted a finger to protect tens of thousands of such workers who have been thrown out of work due to the economic crisis. Instead, the union leaders stress how “responsible” they have been, working alongside management in ensuring employee downsizing during the crisis.



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