Near-starvation wages for 1.1 million German self-employed

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A quarter of the self-employed workers in Germany receive an hourly wage lower than the minimum wage of €8.50 [US$11.64] planned by the new "grand coalition" of the Christian Democratic Union (CDU)-Christian Social Union (CSU) and Social Democratic Party (SDP). This is the finding reported by the *World on Sunday* (*Welt am Sonntag*), the Sunday edition of the Berlin daily *Die Welt* (*The World*), which commissioned the business-oriented German Institute for Economic Research (DIW) to conduct a special study.

The study is not based on independent research, but rather on information provided by those affected. Since small business men and women do not receive an hourly wage, the DIW uses the average pre-tax profit for the year, divided by the specified work hours, to calculate an income that approximates an hourly wage.

2012 statistics were the basis of the study, which reports there were 4.4 million self-employed in Germany that year. The newspaper avoids reference to any specific information in the study about the income of contractors, which can vary widely, and mentions only one statistic based on data from the Federal Statistical Office: "13 percent of the self-employed [earn] an hourly wage of more than €30."

The *World on Sunday*, a product of the right-wing Axel Springer publishing group, also refers to figures from the Federal Statistical Office that deviate to some extent from the findings of the DIW study. According to the Federal Office's data, an even greater number of the self-employed earn less than €8.50, namely, "29 percent of self-employed in Germany. For entrepreneurs who work alone or with only one employee, it is as many as 34 percent."

The DIW study finds that "approximately 1.1 million self-employed in Germany [make] an hourly wage of less than €8.50," says the *World on Sunday*. The newspaper, which retains the study's results, focuses its attention on this group of 1.1 million people. "The proportion of one-person companies is particularly large," their number being estimated at about 770,000.

The remaining 330,000 of the self-employed engage one or more staff members. After the government's introduction of the minimum wage, the bosses will "go home with less money … than their own employees," asserts the paper. This finding indicates the precarious situation of not only these self-exploiting entrepreneurs, but also and especially of their employees. Apparently business owners at present take home more money than their employees, but they do so while making less than €8.50 an hour. The article does not say how little the staff take home, because that's not of interest to the Springer-owned newspaper.

Among the "solo self-employed" who earn less than €8.50, some 22 percent were said to be members of the "academic professions," including lawyers in particular, most of whom generate "only losses in the first five years" after starting up a business.

In an interview with the *Frankfurter Allgemeine Zeitung* (*FAZ*), conducted after the appearance of the *World on Sunday* article, DIW labour market researcher Karl Brenke said that, among the other "anguish jobs"--as he called the business ventures of the smallest operators--were hairdressers, store owners, small shop proprietors and bar owners, as well as freelance artists and lecturers.

Kiosk owners are among the worst rewarded earners in this group, particularly because they work such long hours. According to research by the EBS Business School in Oestrich-Winkel, they have an average work week of 82 hours.

Brenke told the *FAZ* that many of these self-made livelihoods came about “out of necessity and followed a long period of unemployment.” After deducting the business start-up costs, about 40 percent of the “solo entrepreneurs” have so little money in hand that they are unable to build up any reserves. Money is available for neither “investment nor heath or old age provision.”

The *FAZ* also notes: “The proportion of low-income earners among the self-employed is 25 percent, which is apparently significantly greater than among workers employed by firms or the state.” About 15 percent of the latter [mainly in eastern Germany] earn less than €8.50 per hour.

Intended as “an argument” against the minimum wage, the study, in fact, reveals the true extent of the misery that politicians and their backers have deliberately imposed on a considerable section of the working population in recent years.

The main responsibility for these conditions lies with the Agenda 2010 economic “reforms” of the Social Democratic Party-Green government headed by Gerhard Schröder, which introduced the “Ich-AG” (“Me, Inc.”) programme in January 2003. This pushed hundreds of thousands of unemployed people into self-employment. The “start-up grant” for “Me, Inc.” workers was then abolished in July 2006. Now only recipients of the statutory Unemployment Benefits Level I are entitled to a start-up grant. The long-term unemployed are excluded from this, but are nevertheless encouraged by the job centres to take the step from unemployment to self-employment.

Predictably, the right-wing *World on Sunday* makes use of the new figures to argue against a minimum wage. It warns “the statutory minimum wage will drive hundreds of thousands of self-employed into Germany’s new low-wage sector”: this claim is thoroughly misleading and self-serving. Many of these people are already in it! The paper is exploiting their plight merely to spread cynical “arguments” against the introduction of the minimum wage.

The proposed minimum wage of €8.50 per hour is miserably low. It will not improve the situation of the working population. Employers have found various ways to get around paying workers less than the official minimum wage in countries such as France and Great Britain, where it has already been introduced. Before its scheduled introduction in Germany on January 1, 2015, the major political parties will formulate numerous exceptions to the right to the “nationwide” minimum wage, and these exceptions will be codified by the end of 2016.