

# German parliament agrees to minimum wage

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5 July 2014

On Thursday, the Bundestag (federal parliament) agreed on a legally-binding minimum wage of 8.50 euro per hour. Labour minister Andrea Nahles (SPD) spoke of a “milestone” in Germany’s labour and welfare policies while the *Süddeutsche Zeitung* wrote of an “historic reform”.

The minimum wage is nothing of the sort. Its main purpose is to silence critics of Germany’s low-wage sector. The government gave not the least consideration to the current 5.2 million working for less than €8.50 an hour, with 1.4 million receiving even less than €5.

In a speech in parliament at the beginning of June, Nahles presented the minimum wage legislation in relation to a 2003 law that consolidated unemployment benefits and welfare. Most people in Germany know this as “Hartz IV”, named after the then SPD Labour Minister, Peter Hartz. These “reforms”, implemented under Gerhard Schröder (SPD), initiated the creation of a growing low-wage sector by forcing the unemployed to accept the worst-paid jobs. In the current situation of mounting poverty, the fact that parliament has now passed a Minimum Wage Law with only 5 votes against will not change conditions for most of the low paid.

This is because of the numerous exceptions in the legislation. Young people under 18 are not covered by the new law. It is claimed that a minimum wage would prevent them from commencing an apprenticeship. This is a completely false argument. Young people know very well how important an apprenticeship is in Germany for future job prospects. Even today, young people can work as assistants and usually earn more than an apprentice. Nevertheless, nearly 100 percent of young people—if they have a choice—will opt for an apprenticeship or further education.

The long-term unemployed are not covered by the minimum wage regulations for the first six months. The president of the German Association of Employers Organisations (BDA), Ingo Kramer, told the *Süddeutsche Zeitung* weeks ago: If the long-term unemployed have to be paid €8.50 from the start, it will be even harder for

them to find access to the job market. No one wants that.”

Most of the long-term unemployed who manage to find work end up in the low-wage sector, as contract workers. The current system, under which the long-term unemployed can claim top-up welfare benefits if they find a job, will be continued. In future, employers will continue to be given every incentive to boost their profits through means of those entitled to such top-up benefits—in reality a form of wage subsidy for the employer. For those unemployed affected, the consequences are clear: businesses will step up their use of the long-term unemployed for six-month contracts at miserable rates of pay.

Other exceptions to the minimum wage regulations are for seasonal workers and harvest hands. The employers—agricultural concerns and farmers—are allowed to include the costs of accommodation and food in the minimum wage. Moreover, the employment period is being extended from the planned 50 to 70 days a year.

Compulsory work placement, which above all affects students, also remains outside the minimum wage regulation. Those undertaking “voluntary placements”—following their studies—are not covered by the minimum wage regulations for three months. Originally, the period was going to be six weeks. Newspaper publishers will not be covered by the regulations for two years, but will only have to pay it from 2017. The worsening of the conditions for those on placements, seasonal workers and newspaper sellers compared to the original draft legislation was agreed to between the government coalition parties just a few days before the vote.

The Federal Association of German Newspaper Publishers (BDZV) is talking of 160,000 paper sellers who will be affected, mainly those in so-called “mini-jobs” that pay less than €400 a month. The total of those not covered by the minimum wage is probably more than 3 million.

This is also because the transitional arrangements mean most branches of industry are not covered by the

minimum wage to start with. The law stipulates that any sectoral agreements made with the unions, even if they are for wage levels below the minimum wage, will continue to run until January 2017.

When the introduction of minimum wage legislation was clearly on the table, the unions and employers associations used the opportunity to agree to even lower minimum wages for butchers, hairdressers, cleaners, security guards and those on temporary contracts, and especially in east Germany, including Berlin. For example, the union representing workers in the meat industry agreed to a minimum wage of €7.75 in January this year. This will be raised in three steps to €8.75 by December 2016. The contract will run until the end of 2017.

Someone receiving the minimum wage of €8.50 only earns €1,400 per month gross. The legal minimum wage will not be raised until 2018. The unions and employers association have ensured that the minimum wage remains acceptable to big business. Representatives from both sides have formed a Minimum Wage Commission, which will decide upon any raise after 2018. Thereafter, the level would be set yearly. However, unions and employers have already said that a rise would only make sense every two years. The basis for such a raise would be the level of sector pay agreed between the unions and employers over the previous two years.

Despite all the regulations surrounding the minimum wage, employers will continue to be able to utilise contract working or sub-contracting/self-employment to legally avoid paying it. For contract working involving foreign employers other rules apply. The supposed “self-employed” nature of many in hairdressing shows how the minimum wage can be avoided. The trend towards “renting a chair” means many hairdressers work on a self-employed basis in a salon and pay a fee for the use of a chair.

Teaching staff in apprentice training and further education have had similar experiences. The current minimum rates of €12.60 in the west and €11.25 in the east of Germany for lecturers, social education workers and similar employment groups are undermined by the mass use of workers paid on a fee basis.

The employers and the last three federal governments opposed a minimum wage for years. A legal minimum wage applies in 21 of the EU’s 28 member states. The highest rate is in Luxembourg, with €11.10, followed by France at €9.35.

The EU states hardest hit by the financial crisis have

considerably lower levels (all in euros): Spain 3.91, Greece 3.46, Portugal 2.92, with Romania (1.14) and Bulgaria (1.04), the lowest. Britain is currently ranked sixth with 7.43. But here too there are exceptions to the regulations, as in most countries, for example covering the long-term unemployed or young people.

According to one recent report from a German welfare organization, in 2012 there were 7.1 million people in Germany in part-time work, and a further 4.8 million were underemployed. These were mainly people in so-called “mini jobs”, or contract workers or those on short-time working. Many people also have two jobs. The minimum wage of €8.50 will do little to improve the lot of such workers. Its role is as a soporific, or a placebo that is meant to silence the growing opposition to poverty and exploitation.

The introduction of a legal minimum wage was the initiative of the trade unions. They raised the first demands ten years ago, after they had refused to support the protests against the Hartz reforms being introduced by the SPD-Green Party government.

Their praise now for the federal government is correspondingly great. The chair of the German Trade Union Federation (GDB), Reiner Hoffmann, told the *Augsburger Allgemeine* on Thursday, “Taken in the round politically, it is clear that the minimum wage is a success for the trade unions.” The SPD has “pushed through many of our concepts” in the grand coalition.

The chair of the IGBE, the union representing workers in the mines, energy and chemical sectors, Michael Vassiliadis, said before the parliamentary vote that the introduction of a federal minimum wage was a “massive success.” It takes “our country a step forward.”



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