

Germany's low-wage sector is expanding

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In 2014, more than one in five Germans worked for a wage of less than €10 per hour, and the tendency is rising. This is clear from the government's new poverty and wealth report, as covered by several newspapers last week. Publication of the full report is planned for spring 2017.

In east Germany, the low-wage rate is even higher, at over 33 percent, with Mecklenburg Pomerania standing in first place with 35.5 percent of wages less than €10 per hour.

According to Labour Ministry data collected every four years, the proportion of low-wage earners is increasing in west Germany. In companies with more than 10 employees, the low wage rate rose between 2006 and 2014 from 16.4 to 18.4 percent. It varies between 15.5 percent in Hamburg and 20.4 percent in North Rhine-Westphalia. In east Germany, the proportion of low-wage earners fell slightly over the same period, from 36.8 to 34.6 percent.

According to the official OECD definition, a low-wage is one at two-thirds of the average wage. In Germany in 2014, this corresponded to a gross wage of €10 per hour.

The expansion of the low-wage sector in Germany is shocking. Given the global intensification of the capitalist crisis, it can be assumed that the real extent of the low-wage sector will continue to grow. Tens of thousands of jobs have been destroyed in the last few years alone in many companies, in close collaboration between management and unions. New posts are overwhelmingly temporary with worse conditions.

For many young people, there is no chance of a job with a permanent contract and decent wages. Older workers who lose their job have no chance of finding a comparable position, and often end up in a low-wage job or claiming welfare benefits. Part-time, contract and temporary staff often receive low wages and face insecure working conditions.

Twenty-six years after the reunification of Germany in 1990, millions of people in the country live in severe poverty, while a rich upper layer squanders millions and determines the course of politics.

It is primarily the Social Democrat-Green Party government of Gerhard Schröder (SPD) and Joschka Fischer (Green Party) that is responsible for these conditions. It lowered the top tax rate from 53 to 42 percent and, with the Hartz welfare and labour "reforms," created the conditions for a huge low-wage sector. More and more people are forced to work for low wages and, despite having a job, are unable to make ends meet and have to claim welfare benefits—a time-consuming and nerve-wracking experience.

The trade unions also share a major responsibility for this system, which it helped to design and implement. The larger than average low-wage sector in eastern Germany is also a damning indictment of the Left Party and its predecessors. Following the fall of the Berlin Wall, they organised the sale of state enterprises, destroying millions of jobs and workers' social achievements.

Accompanying the low-wage sector, the number of highly indebted individuals has also grown. In 2015, there were 2 million German households blighted by high levels of debt; some 4.2 million people were no longer able to meet their obligations, such as regular rental payments and debts. Men living alone and single mothers are especially affected. Approximately 650,000 people in 2015 underwent debt counselling.

Among the factors contributing to high indebtedness are unemployment, separation, illness and failed self-employment. It is increasingly common that those on low incomes accumulate debt and are then not able to pay it off.

Matthias Bruckdorfer from a charity debt-counselling working group told the *Westdeutsche Allgemeine Zeitung*: "We have a very broad low-wage

sector. The lower the income, the higher the risk of landing in debt.”

In the same newspaper, Ulrich Schneider, from the Federation of Welfare Associations, said, “The number of over-indebted people is increasing, because the proportion of those without savings is increasing. More and more people are living from hand to mouth.”



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