

Does low-wage work in Germany mainly affect atypical employees?

The incidence of low wages among employees (including insurable part-timers and workers in mini-jobs) in Germany increased substantially between 1995 and 2006 (up from 15 % to 22.2 %). Whereas low-wage employment (with hourly wages below two thirds of the median) was more equally distributed across different industries, company sizes and employment forms in the past, the rates of low pay have recently been rising particularly in small firms and in several service industries. One of the reasons for this is the outsourcing of more and more activities to areas and firms with lower collectively agreed standards (or even without any minimum standards). This has been facilitated by the fact that collectively agreed pay rates are typically not generally binding, that coverage has been declining in recent years and that in Germany unlike many other EU countries there is no statutory minimum wage.

The structural analysis of low-wage workers already indicates that the incidence of low pay is substantially higher among insurable part-timers and particularly among workers in mini-jobs compared to full-time employees. Additional calculations for agency workers and employees with fixed-term contracts emphasise that – apart from insurable part-time work – all forms of atypical employment are now affected by an extremely high incidence of low pay (more than 50 %); in mini-jobs almost 92 % of the respective workers are low-paid. As the number and proportion of all atypical employment forms have grown substantially in recent years, the proportion of atypical employees among low-paid workers (without double count) increased from 49 % in 1995 to 66 % in 2006. Accordingly, atypical workers not only bear higher risks as regards their social security and employment stability but their pay is frequently lower compared to other employees, too. There is some evidence that this is not only related to particularities of the occupations and the workers' characteristics but also to some kind of unequal treatment.

A Blinder-Oaxaca decomposition shows that the increase in low-wage employment can be only partially explained by changes in the structure of employees. Against this background, it is of particular interest to find out what is behind the increasing incidence of low pay at company level. This issue was the main focus of company case studies in several industries that are faced by rather strong cost and competitive pressures. It emerges that wage differentials between sectors, companies and groups of employees not only increase the incentives for subcontracting but also tend to exert a downward pressure on the whole wage range. Even where trade unions and works councils are (still) able to influence wages and employment conditions, they often find themselves, under pressure from employers, in a catch-22 situation: either they succeed in maintaining wages and employment conditions at relatively high levels for their own members and run the risk that companies will look for loopholes and outsource certain services to providers not bound by collective agreements at all or at a lower level, or they have to accept concessions for their own industry or company in order to secure jobs or, in the best case, even win some back. Against this background, in several sectors and companies, new agreements with lower pay grades for new entrants or in some cases even for the existing workforce have been concluded – sometimes along with the introduction of new low-wage groups.

The question raised in the title of this paper requires a differentiated answer. It neither seems appropriate to presume that the increase in low-wage employment has been mainly focused on atypical workers nor can it be assumed that only peripheral groups are affected by low wages. One important argument against this assumption is the fact that still almost half of all low-paid employees in Germany were full-timers in 2006 and that their low-pay incidence did not decline, but increased between 1995 und 2006 (from 11 % to more than 14 %). Similarly, the frequent claim that low pay mainly affects employees who do not really need the money does not hold on closer examination. Although the proportion of part-timers among those with wages below the low-

pay threshold has been increasing in recent years, the conclusion that their earnings are typically “additional” is by no means applicable. Around two thirds of all part-timers emphasise that they need their earnings to make their living. Last but not least, our results show that the rise in low-wage employment increasingly affects even “core groups” of the German labour market – namely qualified employees with certified vocational training and from the middle-aged groups.