

Offen im Denken

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The making of the German minimum wage: a case study of institutional change

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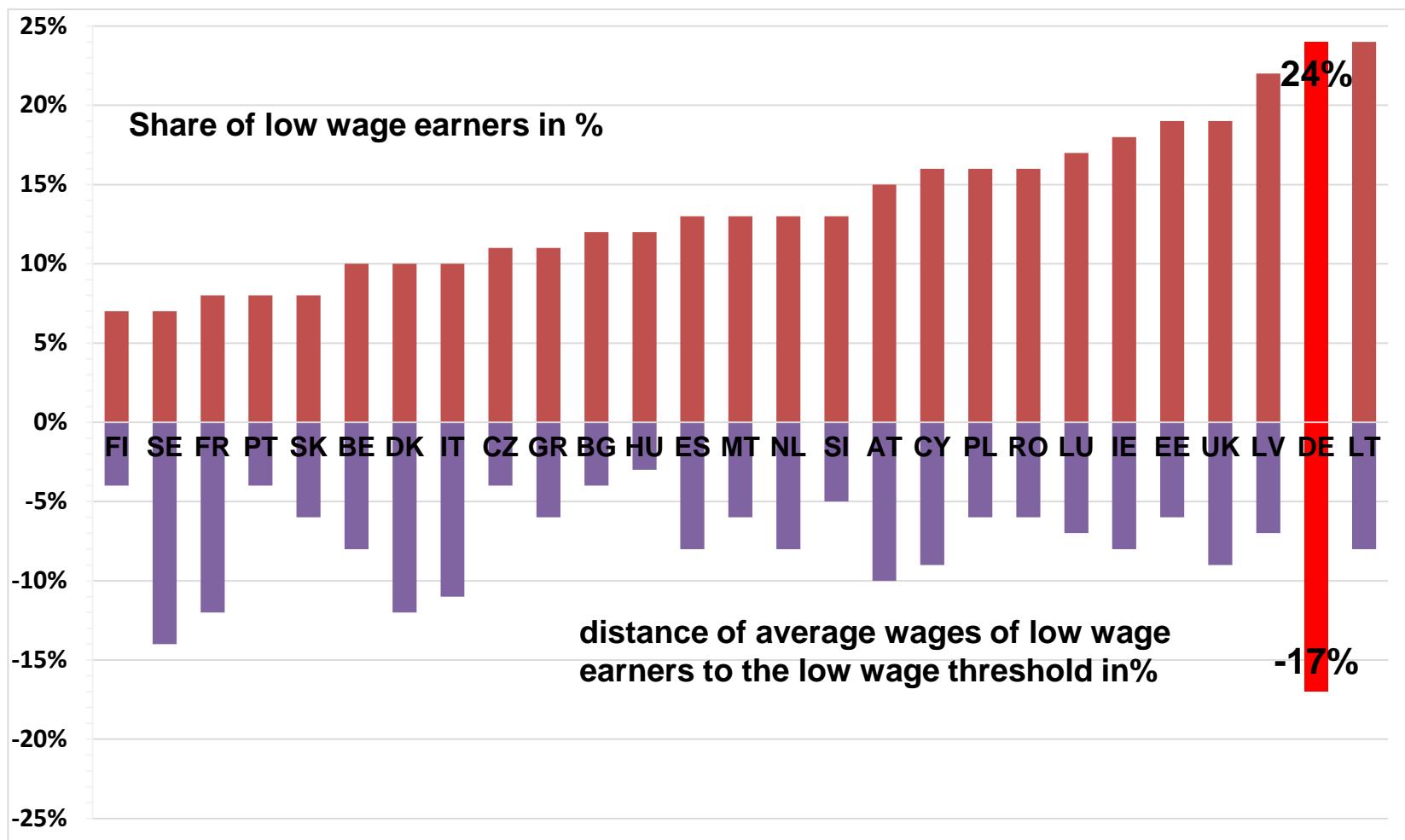
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Share of low-wage workers and distance between their average earnings and the low-wage threshold (less than 60% of the monthly equivalized* median wage) in the EU in 2009



*corrected by the country specific part-time ratio (for methodological details see Fernández-Macías & Vacas-Soriano 2013: 20)
Source: Fernández-Macías & Vacas-Soriano (2013), own presentation

Structure of the presentation

1. „Why there will be no MW in Germany“
2. Post-deterministic theories of institutional changes
3. Has there been a stable dualistic equilibrium?
4. The campaign for a MW
5. The new MW

1.1 „Why there will be no MW in Germany“

- “the age of dualisation’ in Europa (Emmenegger et al. 2012) – split between segment of protected core workers and segment of precarious workers
- Difference to other concepts, such as polarisation or marginalisation – encompasses not only the outcomes of dualisation but also the politics of change
- Basic argument: dualisation of labour markets has been made possible only by the breakup of earlier solidaristic political alliances whose aim was to include all categories of employee.
- Palier/Thelen 2010: Dualism = “a new (less egalitarian but possibly quite robust) equilibrium”

1.2 „Why there will be no MW in Germany!“

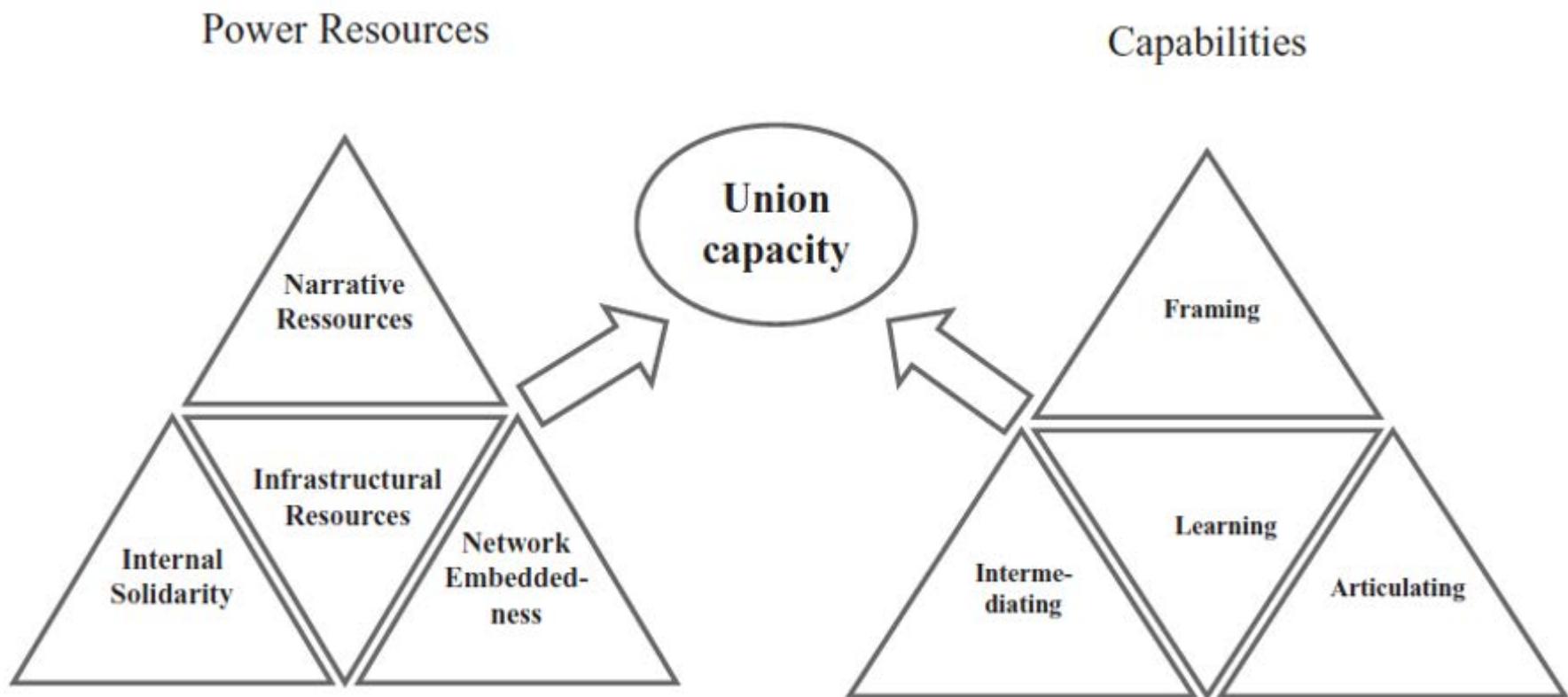
Dualistic papers on Germany:

- *Palier/Thelen (2010)*: “The stronger unions are joined in their opposition to a statutory minimum wage by the main employers’ federations”
- *Carlin/Soskice (2009)*: ‘Works councils representing skilled workers had every interest in flexible low-level service labour demands”
- Hassel 2014: “The capacity of service unions for a NMW ... is severely limited by the opposition of manufacturing unions”

2.1 Post-deterministic theories of institutional change

- Crouch/Farell (2002): institutional stability is, at best, a temporary phenomenon - pressure for change primarily in shifts in the power relations between central actors
- Baccaro/Howell (2011): existing industrial relations institutions - less important than the 'force field' in which they operate, which shifts in the direction of deregulation
- Well equipped to analyse the various forms of deregulation and incremental erosion of institutions.
- Much less well equipped to analyse proactive or strengthening of inclusive labour market institutions
- therefore neglect of proactive politics of change, probably because of few encouraging examples

2.2 Post-deterministic theories of institutional changes: *Theoretical framework for renewing union capacity helpful*



Source: Lévesque / Murray (2010): Understanding union power: resources and capabilities for renewing union capacity. In: Transfer: European Review of Labour and Research 16 (3), p. 346

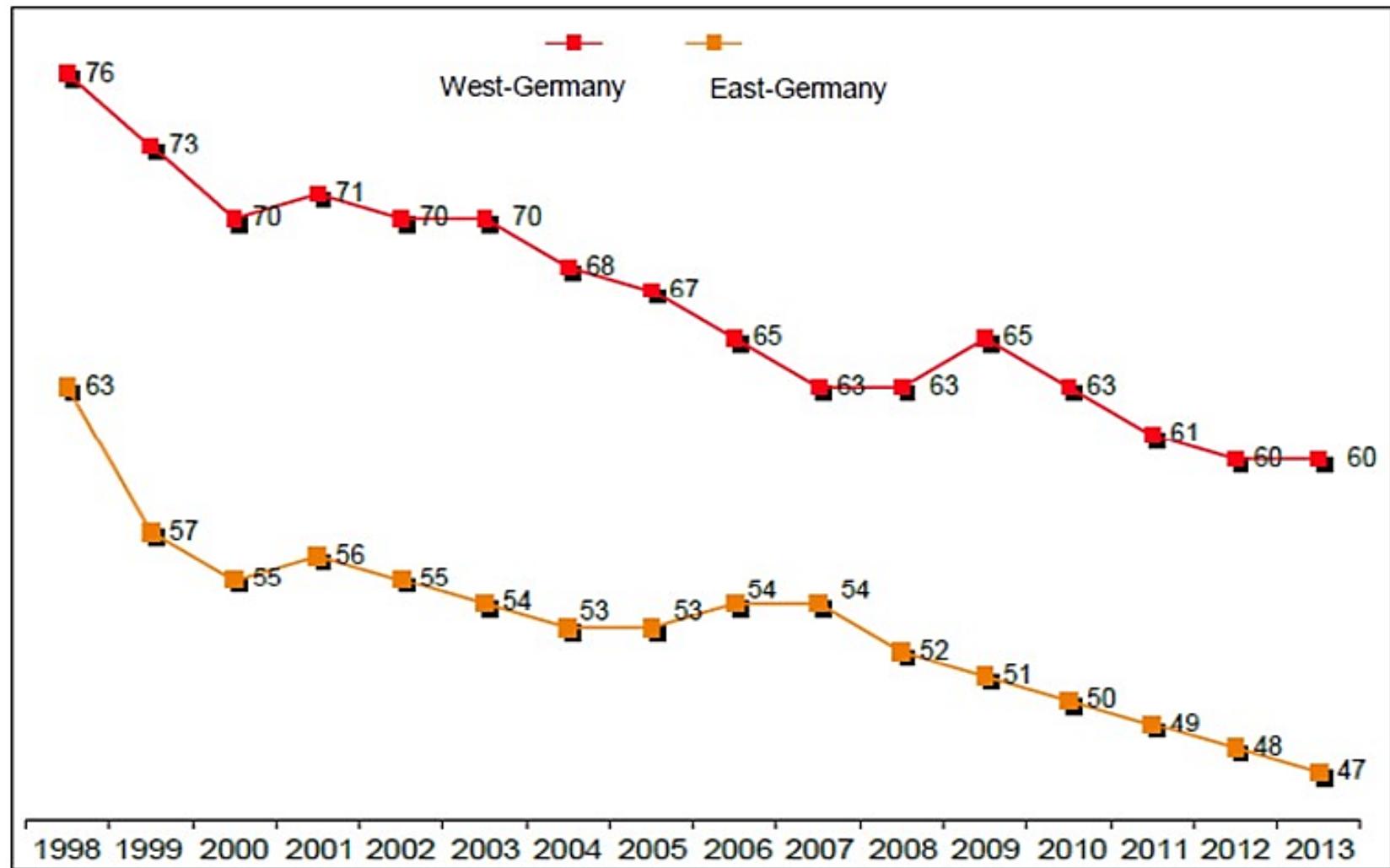
3.1 Has there been a stable dualistic equilibrium in DE?

Outcomes: segments not stable – low wage sector has strong pull effects: creates incentives for employers to outsource jobs and renegotiate standards of core workers: *decreasing coverage by CA , increase of low wage sector, shrinking middle class*

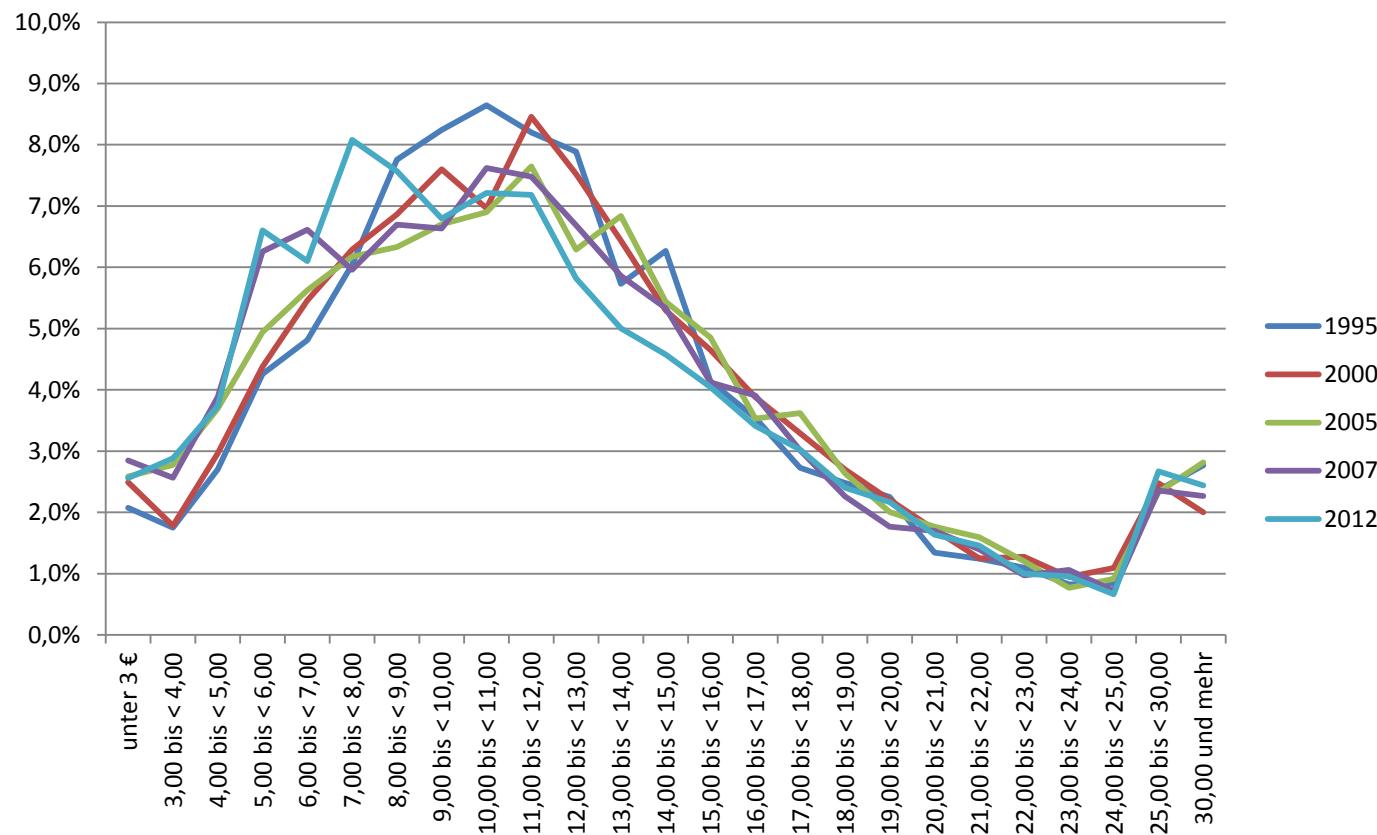
Politics of change: direct politic attacks also on core workers: *product market deregulation, privatization, deregulation of temp agency work to allow for substitution of core workers, political pressure on manufacturing unions to accept opening clauses*)

Palier/Thelen, Hassel, Carlin/Soskice ignore these pull effects and political pressures on core workers /sources of instability

3.2 Coverage by collective agreements in % of employees



3.3. Increase of low wages: Distribution of hourly pay, Germany, adjusted for inflation (base = 1995)



Source: SOEP 2012, own calculations

4.1 The campaign for the MW

MW not a „planned child“ – borne out of necessity

- „Learning“ proved to be most difficult
- Unions had to accept and admit that they lost the power to negotiate CA in important segments of the LM
- NGG (food processing, hotels, restaurants) and ver.di (services) most affected / had to learn first – at beginning strong resistance of manufacturing unions
- New “narrative resources” on increasing inequality developed
- Successful “framing” of the proposal of a MW as an important part of a wider social project to fight inequality and poverty
- Embedded in political networks: political parties, charity organizations, churches ...

4.2 The campaign for the MW

- **Internal solidarity**: because of experience with outsourcing and the help of left wing social democrats („intermediation“) manufacturing unions agreed to support the demand for a MW in 2006
- **Experimenting and learning**: Support of path-dependent negotiated Industry Specific MW - materialised only 'in dribs and drabs' without reducing the share of low-wage workers in the economy – therefore active campaigning of all unions for a MW in 2014
- Demand for path-dependent MW linked with CB (“articulation”)

5.1 The new NMW

- Strong union impact on coalition negotiations between SPD and CDU/CSU in 2014
- Goal: MW as path dependent as possible –links with CB and re-regulation of temp agency work
- MW part of a „*Law to strengthen autonomous collective bargaining*“ which includes
 - the „Minimum wage law“
 - facilitation of the extension of CA („public interest“)
 - negotiations of I-MW's in all industries possible
- Separate law for re-regulation of temp agency work now prepared (controversial)

5.2 The new NMW

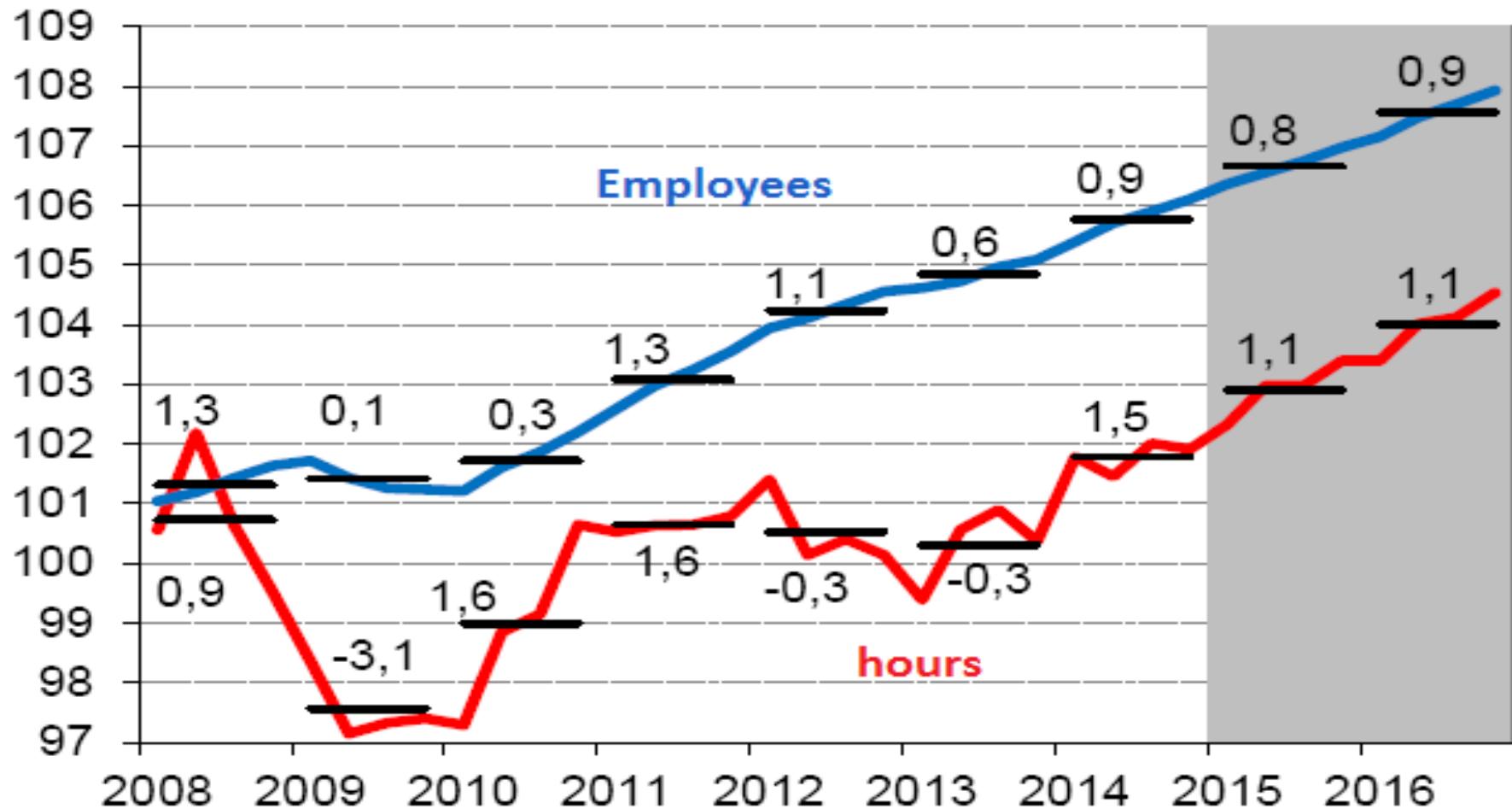
Strong influence of social partners on MW:

- „*Minimum Wage Commission*“ (MWC) formed according the proposals of the social partners

- 9 members (3 from employers/ 3 from unions, social partners proposed each one academic and jointly a chairperson)
- the two academics in the commission have no right to vote
- evaluation and binding recommendations for increases
- increases should follow average increases of collectively agreed wages
- Statistical Office developed an indicator for these increases
- MWC agreed unanimously on an internal regulation that deviation from the index only possible with 2/3 of the vote

Social partners agree that CB sets the pace for increases in the minimum wage

Employment and working hours 2008 - 2016



Conclusions

- Increase of low wage work - the breeding ground for active resistance
- Dynamics of the low wage sector blurred dividing lines between the interests of insiders and outsiders
- New narrative on inequality created link between demand for a NM and manufacturing unions' drive for a re-regulation of temp agency work and the prevention of outsourcing
- The power resources of the manufacturing unions crucial in campaign

Conclusions

Conditions for a social reform project, as defined by Lévesque and Murray (2010), were developed in a learning process in networks

McAdam et al. (2001): caution against focusing only on individual groups of actors with their specific constellations of interests when analysing social movements pressing for social reform

***“It is easy to be wise after the event”* - but analysis of the flaws in dualistic theories important for understanding the making of the German MW and other successful campaigns**