

Gerhard Bosch

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

**37th Conference of the International Working Party on  
Labour Market Segmentation**

**AUB/Quit Barcelona July 8, 2016**

**Prof. Dr. Gerhard Bosch**

Universität Duisburg Essen

Institut Arbeit und Qualifikation

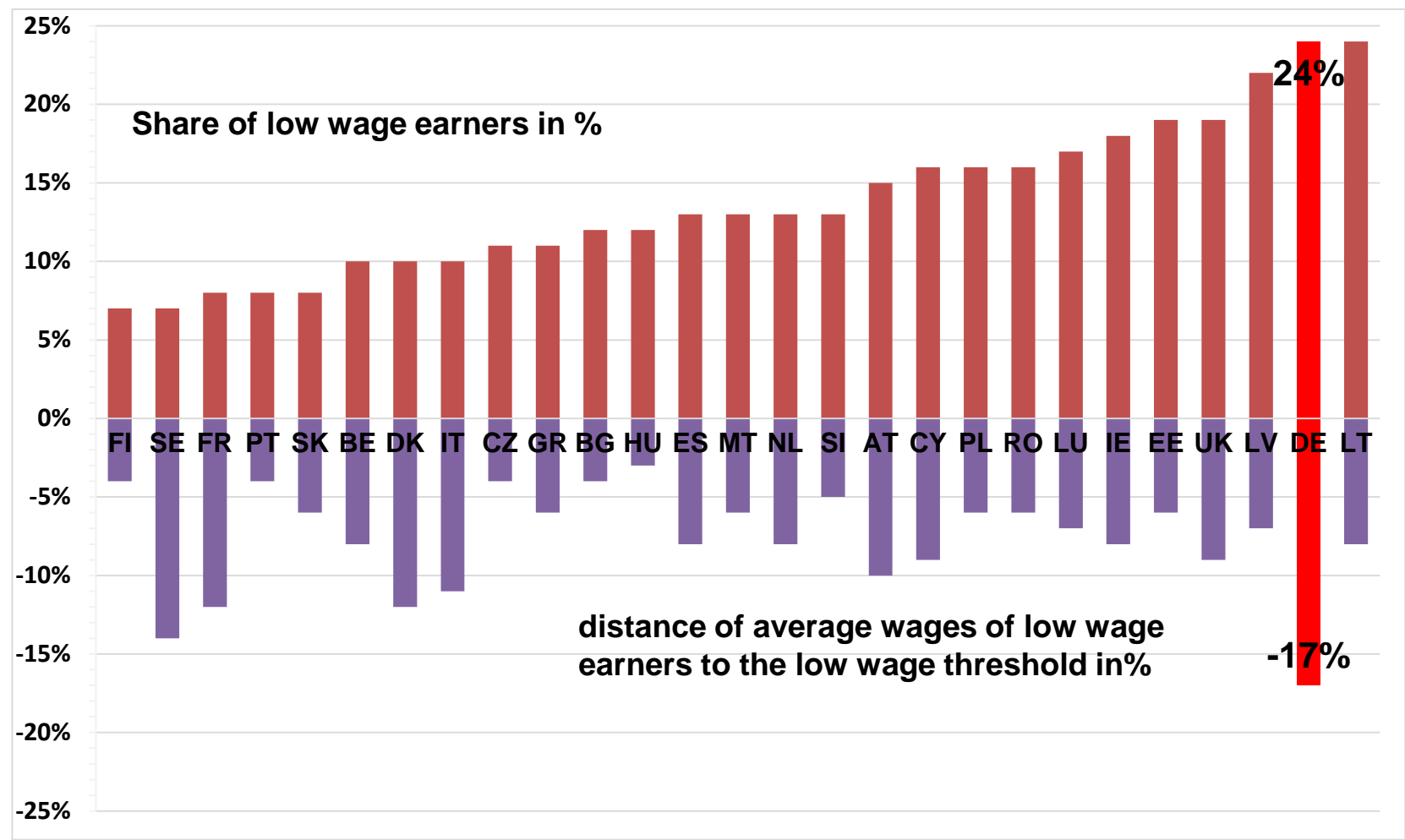
Forsthausweg 2, LE, 47057 Duisburg

**Telefon:** +49 (0)203 / 379-1827; **Fax:** +49 (0)203 / 379-1809

Email: [gerhard.bosch@uni-due.de](mailto:gerhard.bosch@uni-due.de); [www.iaq.uni-due.de](http://www.iaq.uni-due.de)

Offen im Denken

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 German!“

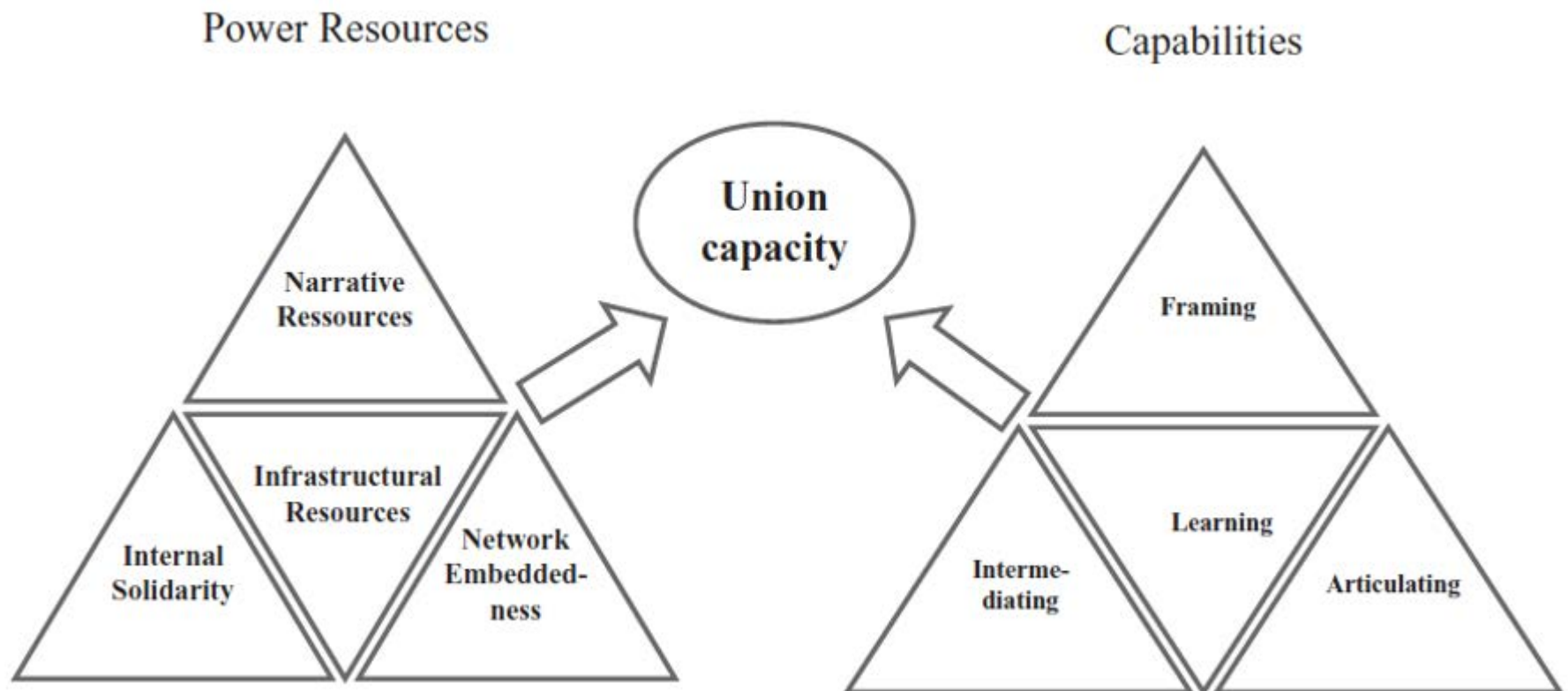
Dualistic papers on Germany:

- *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*



### 3.1 Has there been a stable dualistic equilibrium in DE?

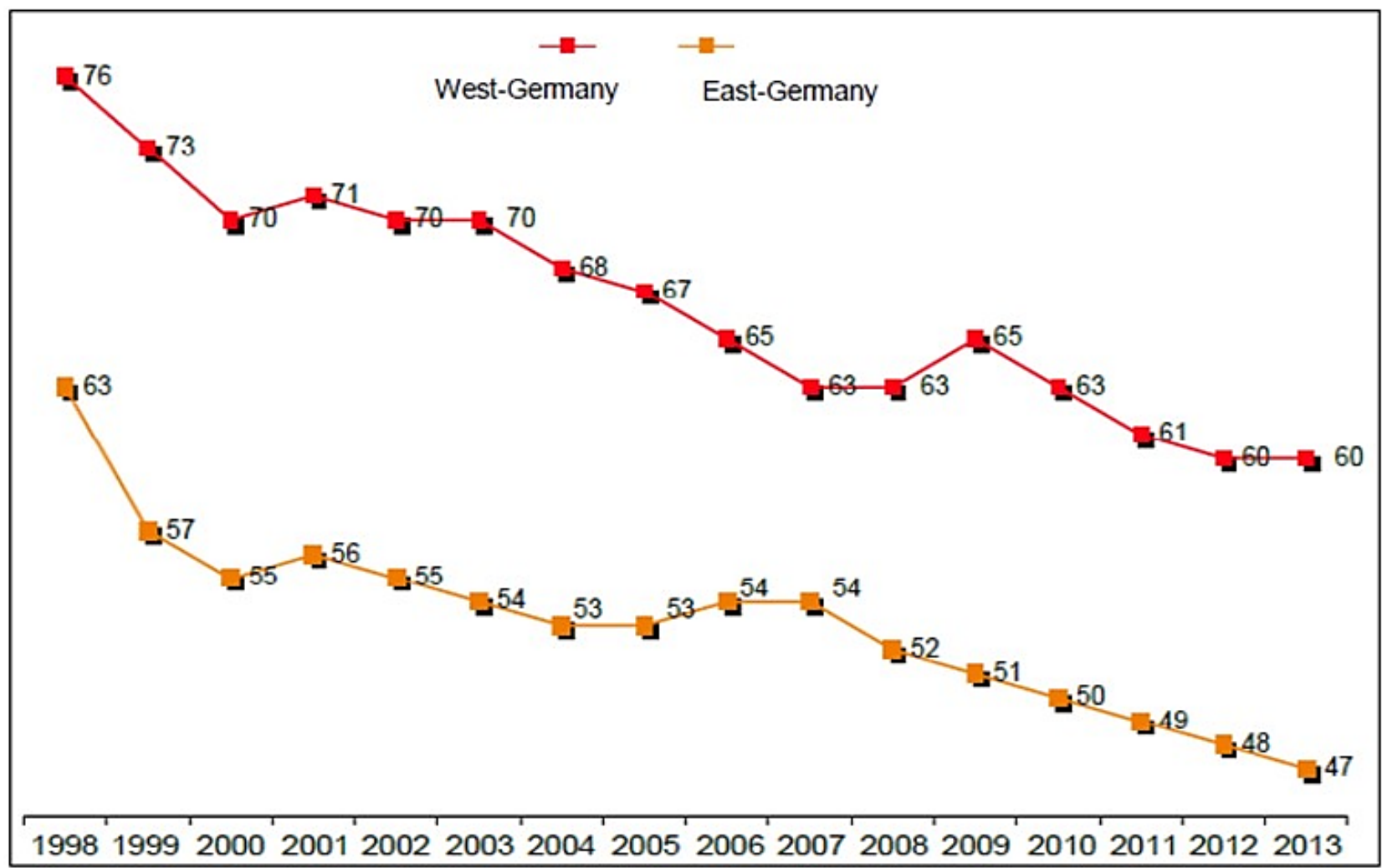
Outcomes: segments not stable – low wage sector has strong pull effects: creates incentives for employers to outsource jobs and renegotiate standards of core workers: *decreasing coverage by CA , increase of low wage sector, shrinking middle class*

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

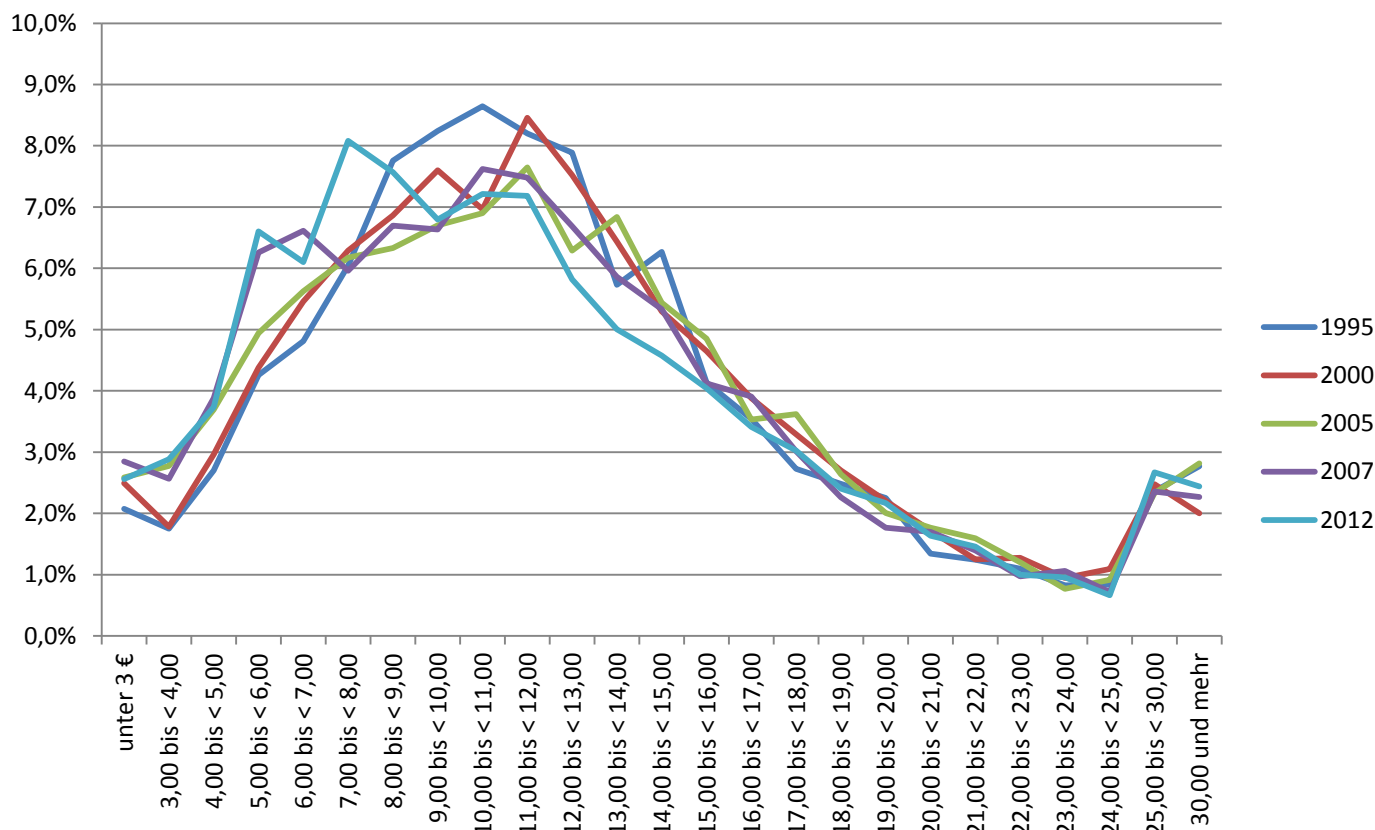


### 3.2 Coverage by collective agreements in % of employees



Source: WSI – Tarifarchiv (IAB Betriebspanel)

### 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

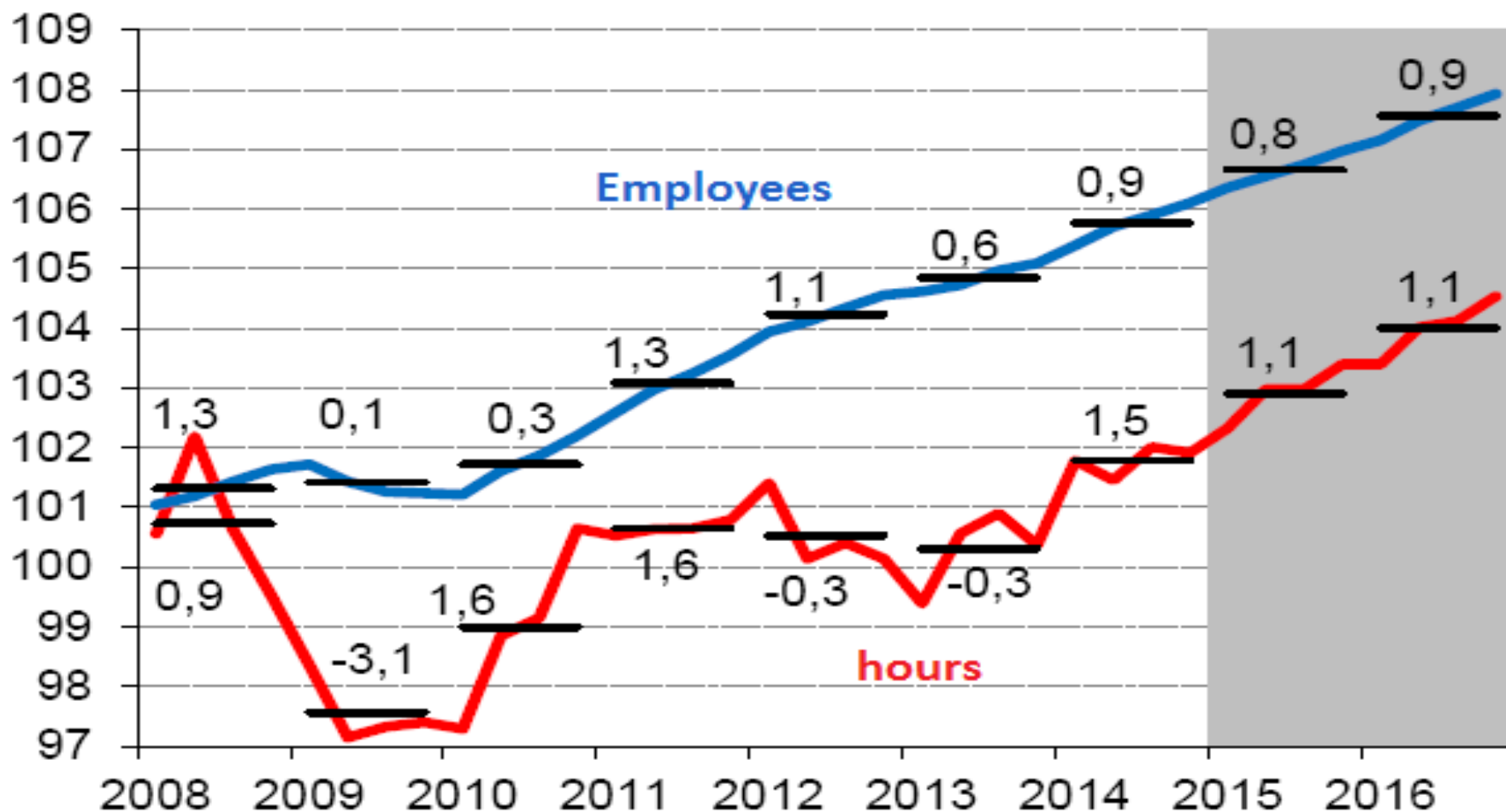
### Strong influence of social partners on MW:

- „*Minimum Wage Commission* “ (MWC) formed according to 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