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Dostal, Jörg Michael

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The German Political Economy Between Deregulation and Re-regulation: Party Discourses on Minimum Wage Policies*

Jörg Michael Dostal**

Abstract: In the German political economy of the early 21st century, labor market policymaking has shifted toward deregulation and liberalization. In particular, the so-called Hartz labor market reforms of the Social Democratic Party and Green Party government, introduced in 2002 and 2003, pushed for employment growth in low-wage and deregulated employment sectors. This article focuses on one of the key debates triggered by Germany's labor market deregulation after 2002, namely whether the introduction of a statutory minimum wage is required to re-regulate the country's labor market. Based on interviews with members of the five political parties in the German federal parliament and analysis of each party's policy-making discourses over time (2002-2012), the article suggests that the deregulation of the last decade has triggered demand for new policies of re-regulation. This would include the introduction of a statutory minimum wage in Germany at some future point in time. However, such re-regulation does not question earlier labor market liberalization but serves as a political side-payment to ingrain the shift of the German political economy toward a more liberal regime.

Keywords: coordinated market economy, Germany, Hartz labor market reform, labor market liberalization, low-wage employment, minimum wage policy, party discourse

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** Jörg Michael Dostal is assistant professor in the Graduate School of Public Administration, Seoul National University. His research interests include comparative politics, global social policy, and the role of knowledge and expertise in the policy process. E-mail: jmdostal@snu.ac.kr.

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INTRODUCTION

This article analyzes German public policy on low-wage employment since the Hartz labor market reforms in 2002. These reforms, named after Peter Hartz, a then Volkswagen manager appointed by Chancellor Gerhard Schröder of the Social Democratic Party (SPD) before the German federal elections in 2002 to chair a taskforce on labor market policy, amounted to a program of labor market deregulation and welfare state retrenchment. The Hartz reforms (later referred to in German public discourse as Agenda 2010) were introduced by the center-left coalition government of SPD and the Green Party during their second and final term in office (2002-2005). However, large-scale public protests against the reforms and splits in his own party forced Chancellor Schröder to call early federal elections in 2005, which resulted in his electoral defeat and departure from office. Subsequently, the center-right Christian Democrats (CDU/CSU) and the SPD formed a new grand coalition government (2005-2009), with Angela Merkel (CDU) as chancellor and the SPD as a junior partner. This government was in turn replaced in the 2009 federal elections by the current center-right government of CDU/CSU and FDP.

Crucially, since 2002 all German governments have been committed to labor market deregulation, which has triggered a large-scale expansion in German low-wage employment—defined here in line with the OECD (Organisation for Economic Cooperation and Development) classification as an hourly wage that is less than two-thirds of the median wage.[1] Although Germany used to be classified as a coordinated market economy with a higher degree of wage compression in comparison with the liberal market economies (Hall & Soskice, 2001, pp. 24-25), more recent observers have pointed out that the country's share of low-wage employment is now nearly as high as in the United States and higher than in the United Kingdom (Bosch, 2009, p. 339). Yet in contrast to most other OECD and European Union (EU) countries, Germany currently does not have a general minimum wage law.

The argument advanced in this article is as follows: (1) the post-2002 Hartz labor market reforms amounted to the most drastic deregulation of Germany's labor market governance and parallel retrenchment of the country's Bismarckian welfare state in the history of the Federal Republic of Germany (Seeleib-Kaiser, Saunders, & Naczyk, 2012, pp. 164, 170-171).[2] (2) The reforms triggered large-scale public protests that

1. The hourly median wage is the wage in the middle of the income distribution. Thus, the median wage differs from the average wage.
2. Historically, the Bismarckian welfare state is based on the principle of protecting core workers' achieved labor market status and standard of living. In particular, social insurance contributions are supposed to be directly linked with social insurance benefits, and higher

resulted in the dramatic electoral decline of the principal actor of labor market deregulation, the SPD, which lost nearly half of its voters between 2002 and 2009. (3) As a result, all German political actors and parties recognized the salience of the issue of labor market deregulation for political and electoral mobilization. (4) In this larger context, the expansion of low-wage employment—triggered by labor market deregulation—became the core mobilizing issue of opponents of the Hartz reforms such as the Left Party and the trade unions. (5) Subsequently, high levels of support for minimum wage legislation in the German electorate, as documented in opinion polls (Initiative-Mindestlohn, 2011), produced mutual readjustment in the programmatic discourse of German political parties on the issue. Notably, the center-left Greens in 2006 and the SPD after their departure from government in 2009 began to support minimum wage policies. In 2011, the majority of the center-right CDU/CSU also decided to tacitly embrace minimum wages. This process of mutual readjustment of German party discourses left only the market-oriented liberal party (FDP) in strict opposition to re-regulation of the German low-wage employment sector.

One hypothesis to explain party realignment in favor of minimum wage legislation is that a majority of German voters continue to oppose deregulation in the labor market in general and the Hartz reforms/Agenda 2010 in particular. Since growing sections of the working public in Germany face low-wage and deregulated forms of employment, at least partially as a result of the Hartz reforms, the traditional Bismarckian welfare state based on the idea of status protection for core workers, i.e. full-time workers on permanent employment contracts, and the principle of the protection of the achieved standard of living (*Lebensstandardsicherung*) in the social insurance system no longer applies to them. In fact, the old system now fails to retain social integration, and new minimum wage policies appear necessary to provide a minimum degree of protection for the growing number of workers outside of core employment. Without such policies, the ongoing hollowing out of the coordinated market economy and Bismarckian welfare state might offer workers outside of core employment (that is, those in low-wage, agency, fixed-term, and part-time employment)[3] a degree of social protection

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contributions are expected to guarantee higher benefits. This principle was largely ignored in the Hartz labor market reforms after 2002, which shifted Germany towards a more liberal model of means-tested and flat-rate benefits. The extent of the shift away from the Bismarckian model remains contested in the scholarly literature.

3. There exists a difference in German industrial relations between fixed-term contracts (*Befristung*) and agency work (*Leiharbeit* or *Zeitarbeit*). The former mostly concerns regular jobs that only last for a fixed period of time while the latter concerns employment agencies that organize temporary employment of workers with different employers, which might include frequent changes between workplaces.

that is below the level of liberal welfare states. Indeed, one might point out a paradox of German low-wage employment: it currently offers the worst of both worlds—low degrees of employment protection in line with liberal employment regimes, and even lower levels of income guarantees in comparison with the Anglo-Saxon model.

This argument is put forward in three substantive sections followed by a conclusion. First, the German employment model is outlined and some of the academic literature on the German coordinated market economy is briefly discussed. The second section analyzes the increasing significance of low-wage employment in Germany and demonstrates how this shift correlates with the country's labor market deregulation and liberalization. The third section presents interview- and document-based research on the positions of German policy-makers regarding the regulation of low-wage employment. Finally, the conclusion explains the interaction between institutions, actors, and policy-making discourses in the context of a dual transformation of Germany's coordinated market economy and Bismarckian welfare state, and evaluates some implications for the future of the German employment model.

INSTITUTIONS AND ACTORS IN THE GERMAN EMPLOYMENT MODEL

Analysts working within the framework of the "varieties of capitalism" approach tend to consider the German employment model as the paradigm case of a coordinated market economy (Hall & Soskice, 2001, pp. 16, 21-27). Such economies are characterized by strategic coordination between the state, employers, and unions at the level of economic sectors (stakeholder capitalism). Thus, they differ significantly from liberal market economies in which corporate control is exercised through market coordination (shareholder capitalism). Since liberal market economies are generally characterized by a more flexible labor market and a less generous welfare state, some analysts have suggested that coordinated market economies might improve economic efficiency and social equity at the same time (Dore, 2000, ch. 9).

However, other analysts have stressed potential shortcomings of coordinated market economies. They question, in particular, the degree of commitment from employers to large-scale institutional coordination beyond individual employers' profit motives. For example, large-company employers frequently focus their strategies on high-price and high-quality production, which makes it advantageous for them to accept and engage with some institutions of the coordinated market economy. In the German case, large company employers have an incentive to allow the unions to provide certain co-management functions in the work councils (*Betriebsräte*) in large

enterprises to facilitate sectoral training policies (Hall & Thelen, 2009, p. 258). On the other hand, small and medium employers are generally less committed to such coordinative institutions since they derive little tangible benefit from them. Thus, employers' long-term interest in coordination to sustain a competitive advantage, and subsequent path-dependent reproduction, are open empirical questions. According to one observer, the progressive erosion of the ability of state actors to facilitate coordination points to the gradual dissolution of post-war organized capitalism in Germany (Streeck, 2009, pp. 9, 15, 24-25).

Overall, it might be most useful to analyze coordination in German capitalism as a matter of economic sector and degree rather than as a unified system.[4] Institutional complementarities might exist in some sectors of the German economy but not in others, and full-scale neo-corporatism or tripartism—as defined by political coordination between the state, employers, and unions—has declined ever since the 1970s. Nevertheless, some elements of coordination between employers and unions, such as in the field of education and training policies, have remained remarkably resilient.

To briefly sum up the German employment model, labor market policies are supposed to offer core workers a high degree of employment security (*Kündigungsschutz*). This security of employment tenure is in turn backed up by the union's legal right to engage in the co-management of large enterprises (*Betriebsverfassung, Mitbestimmung*). In addition, unions and employers jointly coordinate a system of vocational skill formation (*Berufliche Bildung*) with some additional input from the state in order to increase core workers' productivity (Thelen, 2004, pp. 264-277; Carlin & Soskice, 2009, pp. 71-73). In exchange for worker's willingness to acquire industry-specific skills rather than generic (transferable) skills, employers agree to offer higher degrees of job security to core workers to reward them for their high productivity. Furthermore, employers and unions are expected to coordinate wage setting at the sectoral level, and workers are asked to accept wages that do not fully reward their productivity to allow companies to recover some of their investment in training and skill formation. In sum, education and training policies contribute to a high-skill equilibrium in the economy, while industry-wide wage coordination serves to make the "poaching" of workers by outside employers (a key feature of the liberal employment model based on flexible labor

4. Lehndorff, Bosch, Haipeter, & Latniak (2009, p. 116) suggest analysis based on three German labor market segments—(1) production, (2) consumption and distribution, and (3) social, health, and educational services—with the coordinated market economy dominating only the first segment. This analytical perspective has the advantage of highlighting the leading role of the state in the process of dissolving coordination through privatization and/or marketization in social, health, and educational services.

markets) less attractive.

The overall effect of German education and training policies is to produce a skill and qualification profile in the workforce that differs systematically from liberal market economies. In particular, the coordinated German system generates a higher number of people with vocational training/mid-level qualifications and a lower number of people with academic/higher-level qualifications or lack of qualifications in comparison to liberal countries such as the United Kingdom (Hippach-Schneider, Krause, & Woll, 2007, p. 13; Schneider & Paunescu, 2012, table S1). Thus, there exists a high degree of continuity in the qualification structure of the German workforce over time. In 2010, 61 percent of German social-insurance-covered employees (full-time and part-time) had passed through certified vocational training, while 11 percent held academic qualifications and only 10 percent were unskilled (IAB, 2010, all figures rounded). These figures do not differ much from the 1999 data pointing to 67 percent vocational training, 9 percent academic qualifications, and 14 percent unskilled workers (ibid.).

However, continuity in the vocational training and qualification profile of the workforce is not matched in other features of the German employment model. In particular, one can detect a slow but steady decline in so-called standard employment relationships (*Normalarbeitsverhältnis*) as defined in the German context as "nonsubsidized, social insurance covered, full-time employment on permanent contracts outside of agency work" (IAB 2011). On the one hand, the average tenure of workers in standard employment relationships (the core workforce) has remained similar over time and has even increased further, from 10.3 years in 1992 to 10.8 years in 2009 (ibid.). On the other hand, the share of standard employment relationships in total employment has declined by around 6 percent over the last 15 years to 60 percent, while practically all other forms of nonstandard employment (part-time, agency work, fixed-term contract, part-time job, and self-employment) have grown significantly (ibid.).

Therefore, high degrees of continuity at the core of the German employment model, such as legal regulations that sustain the job security of core workers and the system of vocational training based on collaboration between unions and employers, coexist with significant degrees of change outside of the field of core employment, such as a rising share of insecure low-wage employment. It might be conceivable that some of these changes are not directly due to modifications in the behavior of employers, unions, and policymakers and may be explained by changing preferences in the workforce (for example, the voluntary choice of part-time work). Yet most changes are due to liberalization, deregulation, shifts in the behavior of employers, and the declining influence of unions. Table 1 summarizes the main changes in the German employment model that facilitated growth of the low-wage employment sector.

Table 1. Impact of Labor Market Liberalization on Levels of Low-Wage Employment in the German Employment Model

Policy issue	Policy change	Impact on levels of low-wage employment	Impact on the German coordinated market economy
Decline of collective wage bargaining	Significant decline of coverage of collective agreements	High	Significant, especially outside of core employment
Decline of union power	Decline in union membership and influence, occasional success for unions in the legal system (e.g., equal pay for agency workers supported by courts in 2010 and 2011)	High	Significant, especially outside of core employment
Decline of tripartist coordination	Decline in the political field, continued importance in the field of vocational training (especially direct coordination between employers and unions, less significant in terms of state involvement)	Unclear	Mixed; coordination of employers and unions at the company level remains significant
Privatization of formerly public federal, state, and communal enterprises	Large-scale privatization of formerly public services such as electricity, water, post, telecommunication, and national and local public transport systems	High in affected sectors due to rise of nonstandard employment relationships such as agency or fixed-term work	The public sector used to be a stronghold of the coordinated market economy; following privatization, labor relations became more decentralized and nonstandard employment rose significantly
Political support for flexible labor markets and nonstandard forms of employment	Significant policy shift in favor of flexible employment relationships such as agency, fixed-term, and part-time employment	Very high, average wage disadvantage of agency workers in comparison to workers on permanent contracts about 20 percent; nonstandard employment often pays low wages and is outside of collective wage agreements	46 percent of new employment relationships based on fixed-term contracts; tendency to replace permanent employment in some sectors such as retail with agency work, part-time work, or self-employment
Paradigm change in the German welfare state	Bismarckian welfare state paradigm based on protection of achieved labor market status removed due to substantial benefit cuts: amalgamation of benefits for long-term unemployment at the lowest benefit level based on means-testing, cut in the length of unemployment insurance payments	Very high: drives job seekers into low-wage jobs outside of collective wage agreements	Increases labor market risk for employees in the case of unemployment
Changes in public sector governance	Outsourcing of services from the public sector to private providers focusing on cost cutting	Very high: creates openings for service providers who compete primarily on wage costs; employment growth in human services (education, health) frequently based on low-wage strategies	Weakens coordination in significant employment sectors such as education and health

Sources: Hall and Thelen, 2009; IAB, 2011; Lehndorff et al., 2009; Menz, 2010.

In summary, the most significant factors for the growth of low-wage employment have been the impact of German unification in 1990 on industrial relations; the German state's commitment to privatize some public sectors; and the increased opening up of what remains of the public sector to competitive tendering, in which private providers might compete on the wage bill in order to receive public sector contracts. These factors allowed low-wage employment to grow slowly; yet the process was dramatically speeded up on the political plane because the Hartz reforms of the SPD and Green Party government after 2002 facilitated high growth of nonstandard employment in general and of low-wage jobs in particular. The next section first sketches the impact of the Hartz reforms on the German employment model and then briefly discusses efforts, in the final days of the grand coalition government in 2008, to re-regulate low-wage employment through sector-specific agreements rather than economy-wide minimum wage legislation.

THE GERMAN EMPLOYMENT MODEL, WAGE BARGAINING STRUCTURES, AND LOW-WAGE EMPLOYMENT

The German employment model is based on the principle of autonomous bargaining between unions and employers in the wage-setting process without state interference (*Tarifautonomie*). This principle of autonomous wage bargaining is guaranteed in Article 9 of the German Constitution (*Grundgesetz*) and has essentially been accepted by all political actors in Germany. At present, there are around 8,000 wage agreements (*Tarifverträge*) in Germany that cover the majority of employment sectors and regions; yet the degree of coverage has declined ever since the unification of Germany in 1990. Before 1990, the West German system's stability derived from the willingness of most employers to voluntarily join the employer federation (*Arbeitgeberverband*). German employers used to be in favor of binding collective wage agreements (*Flächentarifverträge*) with the unions because the resulting level playing field helped to avoid industrial conflict at the level of single companies. Due to this shared attitude among employers (large employers in particular), German unions used to be in a position to engage in wage bargaining on behalf of most workers in spite of the relatively low degree of union membership of around a third of wage earners (Bosch, 2008).[5]

5. Thus, the German system of wage bargaining belongs to an intermediate type located between the Scandinavian system, in which high union membership guarantees the enforcement of wage agreements, and the Austrian system, in which obligatory membership of employers in the chamber of commerce has the same effect.

However, cooperation on wage bargaining between employers and unions has been in slow but steady decline. Between 1998 and 2011, the share of workers covered by collective wage agreements declined from 76 percent to 61 percent in West Germany and from 63 percent to 49 percent in East Germany (WSI, 2012a). The economic restructuring of East Germany after German unification in 1990 acted as the major catalyst in this context. Specifically, the West German system of labor relations was not successfully transferred to East Germany. Most East German large enterprises from the socialist era quickly closed down, and the East German post-socialist economic structure became dominated by small employers who did not share common interests with large employers and therefore refused to join employer federations (Lehndorff et al., 2009, pp. 112-113). Thus, neither employer federations nor unions gained the same degree of influence in East Germany that they had enjoyed in West Germany before 1990, and the proliferation of employment outside of collective wage agreements in East Germany soon started to undermine achieved employment standards in West Germany as well. As a result, nonstandard employment, not covered by social insurance and mostly involving female workers, such as part-time and low-wage employment below the social insurance threshold in total employment, expanded from 17.5 to 25.5 percent between 1997 and 2007 (Streeck, 2008, p. 7).

Another parallel shift in employment relations, often in male-dominated industry jobs, involved the massive expansion of agency work (*Leiharbeit/Zeitarbeit*). The number of agency workers in Germany more than tripled, from 232,000 to 824,000, between 1998 and 2010 (Arbeitsagentur, 2012). Many of the new agency workers had to accept terms and conditions that were less advantageous than those of permanent employees in the same company and line of work, thereby creating a two-tier workforce. The employment conditions of agency workers were theoretically supposed to follow the principle of equal pay for equal work. Yet this principle could be ignored as long as one of the collective wage agreements between unions and employers in the agency work sector was applied. Subsequently, many employers signed wage agreements with very minor so-called “Christian” unions not affiliated with the mainstream of German unionism. In practice, these “unions” only provided services for employers; they enabled them to pay agency workers at levels substantially below those applicable to permanent employees. Moreover, such agreements were quickly utilized across the sector, that is, agency workers were treated as second-class employees. Two other significant factors in the restructuring of wage bargaining in Germany were changes in the labor law that made it increasingly difficult to declare a collective agreement between employers and unions valid for all employers in a sector of employment (Lehndorff et al., 2009), and the tendency of newly founded enterprises not to join employer federations (Kohaut & Ellguth, 2008).

The next significant political step to expand the low-wage sector was taken by the SPD and Green Party government in the Hartz labor market reforms after 2002. These reforms retrenched the German unemployment insurance and social assistance systems by (1) cutting duration and replacement rates of benefits in unemployment insurance; (2) limiting eligibility to secondary social assistance benefits; and (3) demanding that the unemployed accept any available employment without consideration of wages and conditions.[6] There is strong evidence that the Hartz reforms shifted the structure of German employment away from full-time regular work covered by social insurance and toward various nonstandard forms of work such as part-time work with reduced or nonexisting social insurance (the so-called mini- and midi-jobs), agency work, and work on fixed-term contracts. In terms of the relative proportion of low-wage employment in total employment, the most recent evidence shows that 86 percent of all mini- and midi-jobs are in the low-wage sector. Part-time work is also significantly more likely to take place in the low-wage sector (27 percent of all employment) than full-time work (15 percent of all employment) (Kalina & Weinkopf, 2012, p. 8).[7] Last but not least, the share of low-wage employment increased in all employment categories, including full-time work in standard employment relationships (ibid., 9).

In summary, structural change in the German employment model and the Hartz labor market reforms affected different categories of employees in a highly unequal manner. On the one hand, the Hartz reforms did leave most of the protective framework for current core workers, such as protection from dismissal and the system of co-determination of employers and unions in the management of large companies, in place. On the other hand, the reforms allowed for the large-scale expansion of nonstandard forms of employment in the public and private sectors, thereby indirectly affecting the core sectors of employment and the employment model since many newly hired workers were effectively excluded from existing protective labor legislation. In particular, fixed-term and agency work in large enterprises and in other core sectors of employment was rapidly expanded, and business and public services that used to be provided by core workers were outsourced and turned over to private employment agencies supplying agency workers at a lower rate of pay (Kalina & Weinkopf, 2008, pp. 452-453).

These changes in German employment practices soon triggered political legitimacy

6. The rule about what kind of employment is considered acceptable explicitly states that "any employment must be accepted by the able-bodied unemployed person. A wage below the agreed tariff or regionally common wage is possible" (Sozialpolitik-aktuell, 2003, p. 2).
7. These figures exclude employees attending schools and pensioners and measure the share of low-wage employees who are paid below two-thirds of the median level wage (9.15 Euros/hour for 2010) (Kalina & Weinkopf, 2012, p. 10).

problems. For example, full-time employees in service sectors such as retail lost their jobs and were replaced with part-time employees who enjoyed little or no social insurance coverage. At the same time, core workers in large enterprises were confronted with new agency workers on the shop floor doing the same or similar work at lower rates of pay. Issues such as these were the reason for the rise of a post-Hartz critical debate about low-wage employment that took place over the entire period of the grand coalition government (2005-2009) and is continuing under the current center-right government (2009-2013).

Policy-makers of the center-left SPD were particularly vulnerable to pressure from unions and other core constituencies to re-regulate the growing sectors of low-wage employment. As a result of these pressures, two initiatives were taken in 2009 to legislate for employment-sector-specific minimum wages by way of redrafting two existing labor laws (*Arbeitnehmer-Entsendegesetz* and *Mindestarbeitsbedingungengesetz*). This policy-making compromise between center-right CDU/CSU and SPD allowed in the case of the first law to introduce minimum wages in employment sectors in which more than 50 percent of employees were covered by collective wage agreements between employers and unions. Crucially, employers and unions in a sector of employment had to act jointly and had to find agreement on the level of minimum wages—a condition that excluded most sectors of low-wage employment from effective regulation (WSI, 2012b).[8] The second law would have allowed the introduction of minimum wages in sectors with very low or no coverage by wage agreements. However, it has never been applied and therefore has not proved relevant.[9]

In conclusion, these efforts to re-regulate the growing low-wage sector were bound to have a rather modest impact. They only allowed for minimum wage agreements in

8. In June 2012, about 2.59 million employees were covered by the first law (*Arbeitnehmer-Entsendegesetz*), which currently regulates sectoral minimum wages in 12 employment sectors (WSI, 2012b). This figure compares with about 28.76 million German employees in social-insurance-covered employment (Bundesagentur, 2012, p. 1), which points to a coverage rate of minimum wage legislation below 10 percent of all employees.
9. The first law emerged from efforts to make German collective wage agreements fit into the framework of the EU's open labor markets. The original purpose was to protect wage levels in the construction industry by applying existing German collective wage agreements on minimum hourly pay to non-German companies doing business in Germany. The second law was originally agreed upon between the CDU/CSU and the SPD on the latter's request in 1952 but was never applied. It was "rediscovered" by SPD policy-makers during the grand coalition period and agreed upon with the CDU/CSU in 2008. Due to the electoral defeat of the grand coalition in the 2009 federal elections, the law was once again not applied (Kleber, 2010).

sectors of employment in which collective wage agreements were comparatively well established, thereby ignoring the fact that this system had already lost its relevance for low-wage employees outside of the system. Moreover, the rapid growth of pockets of low-wage employment in certain German regions and employment sectors was not directly addressed. Finally, the issue of agency workers being paid significantly less than existing workers in the same firm was not dealt with at all. Thus, the first effort to re-regulate low-wage employment in 2009 failed to check the ongoing growth of the low-wage sector. The next section therefore further scrutinizes the current German debate on minimum wage policies, placing the focus of analysis on the policy-making discourse of Germany's political parties.

THE STATUTORY MINIMUM WAGE DEBATE IN GERMAN PARTY POLITICS (2002-2012)

This section analyzes the policy-making discourses of Germany's five major political parties in the country's minimum wage debate and briefly sketches the positions of some other important actors such as employers and unions. The order of presentation derives from the strength of each party in the current federal parliament, with the CDU/CSU being the largest party, followed by SPD, FDP, Die Linke, and Bündnis 90/Die Grünen, respectively. In the context of shifts in policy-making discourses after the Hartz labor market reforms, the SPD is given most consideration here due to the party's key role in initiating the deregulation of the German labor market.

CDU/CSU

Inside of Germany's main center-right party, CDU/CSU, various interests have traditionally formed pressure groups to advance their policy demands. The most prominent groups represent employers from large (*Wirtschaftsrat*) and small and medium enterprises. There also exists a group of employee representatives with links to the unions (*Sozialausschuss/Christlich-Demokratische Arbeitnehmerschaft* (CDA)). Due to the large number of interest groups within the party, the position of the CDU/CSU on minimum wages is based on compromise between the different sections. The party's traditional position on minimum wages has been that the state should not interfere in wage bargaining between unions and employers (*Tarifautonomie*). Until November 2011, the majority of the Christian Democrats supported policies in favor of a "minimum income instead of a minimum wage" (CDU, 2008, p. 6). This included support for tax-financed wage subsidies to top up low wages.

After the 2009 elections, the Christian Democrats were able to form a new center-right coalition government with the market-liberal FDP. The parties of the new coalition agreed to oppose a general statutory minimum wage. Thus, employment sectors with low degrees of collective wage bargaining would, under normal conditions, not become subject to minimum wage legislation (Koalitionsvertrag, 2009, p. 21). At this point in time, the CDU/CSU majority accepted that low wages in certain employment sectors and a parallel decline of collective wage bargaining between unions and employers were acceptable as long as numerical employment was maximized.

Nevertheless, CDU/CSU politicians have since 2005 frequently engaged in debates on minimum wage policies. First, during the party's grand coalition government with the SPD (2005-2009), the CDU/CSU agreed to introduce joint legislation with the SPD (*Arbeitnehmer-Entsendegesetz* and *Mindestarbeitsbedingungengesetz*) that, in the case of the former law, offered an opportunity for agreement on minimum wages between employers and unions in employment sectors with a degree of coverage of collective wage agreements of 50 percent or more. Second, the party was frequently experiencing internal conflict between those who wanted to shift CDU/CSU policy-making closer to the market-liberal positions of the FDP and others who favored a shift toward endorsement of minimum wage policies. Especially the representatives of employees in the CDU/CSU pushed for general statutory minimum wages, sometimes joined in their lobbying by CDU prime ministers and regional CDU leaders from the industrial heartland of North Rhine Westphalia. For example, some representatives of the employee wing lobbied Chancellor Merkel before the federal election of 2009 to make the party endorse demands for a minimum wage of 6.50 Euros on the grounds that this minimum wage would put people in full-time work after consideration of taxes above the level of welfare payments (interviewee 1).

The issue of minimum wages in the agency employment sector subsequently tested the relative strength of supporters and opponents of minimum wages in the CDU/CSU. In this particular case, employers and unions jointly lobbied for the introduction of a sectoral minimum wage in order to avoid "wage dumping" by non-German agency employers due to the opening of the German labor market for eastern European workers on May 1, 2011. Although this minimum wage demand was initially opposed by the FDP, the CDU/CSU endorsed it and subsequently legislated for minimum wages in the agency sector to be introduced on January 1, 2012 (Astheimer, 2012).

During 2011, the employee wing pushed further, demanding that the minimum wage for agency workers be turned into a general statutory minimum wage applicable to all employment sectors (CDA, 2011, para. 3.2, 3.4). Initially, the employee wing failed to gain endorsement from the CDU leadership, which remained convinced that statutory minimum wages served exclusively as a mobilizing issue for left-wing parties.

This position changed, however, after extensive lobbying of the employee wing at the grassroots level of the CDU/CSU. In November 2011, the employee wing finally gained the support of a CDU party conference in Leipzig for a watered-down version of its demand to support statutory minimum wages. On the initiative of the chancellor, the CDU accepted a policy compromise that had previously been agreed upon by the party's employee and employer wings. The compromise suggested that employers and unions should be tasked to agree on minimum wages that would be differentiated according to employment sectors and regions. Wage levels outside of the reach of existing wage agreements were supposed to be discussed and agreed upon by another joint commission of employers and unions. However, the resolution was rather hazy on this crucial point, stating that a generally applicable minimum wage threshold (*Lohnuntergrenze*) rather than a politically agreed minimum wage should be fixed (CDU, 2011, 2). The chancellor was quoted saying that "we have allowed some space for ambiguity" (Merkel, quoted in Schütz, 2011).

Thus, the party resolution fell short of endorsing a fixed statutory minimum wage as had originally been demanded by the employee wing. According to leading CDU politicians, the compromise on minimum wages was primarily motivated by efforts to make sure that "the topic would not be left to the [political] left" (Haseloff, quoted in Schütz, 2011). Moreover, it was suggested that "the bourgeois parties [CDU/CSU and FDP] would be strategically well advised to agree upon a general minimum wage before the federal elections in 2013" to "deny the [left-wing] opponents a mobilizing issue" (Kramp-Karrenbauer, 2012).

In conclusion, the CDU/CSU is certainly concerned about the salience of the minimum wage debate and has made efforts to accommodate the topic; these efforts still fall short of full-scale endorsement.

SPD

The center-left SPD is historically linked with Germany's unions and the public sector. In order to analyze the party's position on minimum wage legislation, the SPD's recent track record regarding labor and social policy-making must first be outlined to put the most recent debates into context. Following the 1998 federal elections, the SPD entered a coalition government with the Green Party after 16 years in opposition. High hopes for "red-green" reforms were soon dashed when the German economy deteriorated in 1999, resulting in a significant rise in unemployment. This structural economic crisis triggered infighting within the SPD leadership about how to react to the crisis. The party's left wing argued for EU-wide neo-Keynesian efforts to intervene in the economy in what was considered as globalization's challenge to the German

model (Dostal, 2000). However, the majority of the SPD leadership believed that domestic structural problems of the German welfare state, rather than external factors such as globalization, explained the deteriorating situation. After the resignation of the leader of the SPD's left wing in 1999, the debate in the SPD focused increasingly on how to improve conditions for job creation on the supply-side of the labor market (Roder, 2003, pp. 77-99).

In this context, two issues started to dominate the SPD agenda. First, it was claimed that high social insurance contributions (*Lohnnebenkosten*) placed an additional burden on employers that made hiring too costly. Second, the perceived generosity of the German welfare state was blamed for encouraging passivity on the part of job seekers, and a turn toward activation of the unemployed was considered appropriate. However, this major paradigm shift in the policy-making discourse of the SPD remained at this point limited to some sections of the party leadership and was not supported by most of the rank and file. In the federal election campaign of 2002, the SPD promptly shifted back toward the position of maintaining existing welfare provisions and gained re-election on a pro-welfare platform.

As soon as the 2002 elections were over, however, SPD Chancellor Schröder enforced a dramatic change of course. He endorsed the report of the Hartz Commission, which had been published shortly before the 2002 election, and announced that the two main German unemployment benefits for the long-term unemployed and inactive (*Arbeitslosenhilfe* and *Sozialhilfe*) would be amalgamated into a single, flat-rate, and strictly means-tested benefit (the Hartz 4 Law). In addition, the payment of short-term unemployment benefits (*Arbeitslosengeld*) would be cut to 12 months from the former term of up to 32 months (18 months for people over the age of 55 years). These drastic cuts ignored pre-election promises and amounted to paradigm change in the context of the German welfare state. Going back to Bismarck's founding principles of social insurance, German welfare policies had always been based on the normative idea of protecting workers' achieved status in the labor market. According to this logic, contributions to the insurance systems of the welfare state established the right to receive benefits in the event of unemployment that were linked to workers' previous earnings. Schröder's policy was criticized for treating people with long-term contribution records in the social insurance system just like those with short-term or no records, thereby ignoring the difference between earned insurance and means-tested welfare.

Schröder's decision to impose the Hartz reforms on German society came as a surprise even to his close collaborators. Some observers suggested that the decision to make the SPD force through the unpopular reforms, subsequently referred to as Agenda 2010, was a strategic mistake as it allowed the opposition parties, and especially the center-right CDU/CSU, to make the SPD shoulder the blame for welfare state retrench-

ment (Sturm, 2009, pp. 75-76, 130-133). Consequently, the SPD suffered dramatic regional election defeats, punishing the party for acting against the interests of traditional party supporters in the unions and among workers and the unemployed. A large protest movement against the Hartz reforms emerged, and the unions openly broke with the SPD and mobilized in the "biggest ever trade union action against an SPD government" in German history (Bornost & Buchholz, quoted in Lavelle, 2008, p. 128). Subsequently, Chancellor Schröder decided to resign from the position of SPD chairman in 2004. He then called an early federal election in 2005 to gain a new mandate for his policies but was narrowly defeated. After the 2005 elections, the SPD had to assume the role of a junior partner in a grand coalition government with the CDU/CSU.

In spite of the lack of popularity of the Hartz reforms, the Schröder reform years (2002-2005) and the years of the grand coalition (2005-2009) were characterized by the dominance of the so-called Agenda wing in the SPD leadership. The Agenda wing consisted of SPD politicians who had entered leadership positions during Schröder's tenure as SPD chairman between 1999 and 2004 and had supported the Hartz reforms. They subsequently gained considerable mainstream media support for their "realism" and "courage" to engage in what most of the German media referred to as painful but necessary reforms. However, the perception gap between published opinion and the mood inside of formerly SPD-dominated social milieus failed to disappear. This was brought home to the party leadership after another crushing defeat in the federal election of 2009. In the period between 2002 and 2009, the SPD lost nearly every second voter, and in comparison to its electoral peak in 1998 more than every second voter (see table 2).

As far as the SPD's position on statutory minimum wages is concerned, the party used to be internally divided. Before the Hartz reforms, the party held that minimum

Table 2. Electoral Support for the SPD in German Federal Elections (1998-2009)

Year	SPD election result (percentage share and number of votes cast for party list)	Change in share of votes	Number of votes in comparison to the federal election of 1998 (1998 = 100 percent)
1998	40.9% 20,181,269	+4.5%	100%
2002	38.5% 18,488,668	-2.4%	91.6%
2005	34.2% 16,194,665	-4.3%	80.2%
2009	23.0% 9,990,488	-11.2%	49.5%

Source: Author's calculations.

wage legislation was not necessary since collective bargaining between unions and employers would in practice establish an acceptable wage floor. However, the debate in the SPD started to change under the impact of the Hartz reforms, due to the reform-triggered proliferation of low-wage and low-quality jobs outside of the system of collective wage bargaining.[10] Critics within the SPD suggested that the German labor market now displayed an internationally unique wage spread at the low end of the wage distribution. They also argued that the public sector was contributing to this development by outsourcing tasks to private service companies that were not covered by collective wage agreements between unions and employers (Schreiner, 2008, pp. 100-104). In addition, SPD politicians expressed concern about employers' use of temporary work contracts to put pressure on wages and conditions of core workers in large companies. They demanded the introduction of minimum wage guarantees as a first step to restore the principle of equal wage levels for the same work (SPD, 2009).

After entering the grand coalition with the CDU/CSU in 2005, the SPD pushed for two legislative initiatives to introduce minimum wages at the sectoral employment level. These two laws (*Arbeitnehmer-Entsendegesetz* and *Mindestarbeitsbedingungengesetz*), discussed above, were, according to SPD labor market politicians, jointly intended to strengthen the case for minimum wages in general while at the same time offering the best available compromise with the CDU/CSU at that point in time (interviewee 2).[11] However, the then SPD leader Franz Müntefering, who had replaced Schröder as party chairman in 2004, was still reluctant to endorse the statutory minimum wage agenda. As a leading representative of the Agenda wing, he rejected efforts within the party to broker a common agreement with the unions on the issue (interviewee 3). During the grand coalition years, the party therefore remained divided. Some suggested that autonomous wage bargaining between unions and employers was still sufficient. They stressed that state-imposed minimum wages were only the second-best-option (Scholz, 2008a). Others believed, however, that the SPD should commit to a general statutory

10. The most important new policy instruments of the Hartz reforms were as follows: (1) deregulation of temporary and agency work contracts; (2) introduction of so-called 1 Euro jobs, workfare schemes for the long-term unemployed that paid benefits rather than wages; (3) various forms of part-time employment not or only partially covered by social insurance (the so-called mini- and midi-jobs); and (4) more pressure on the unemployed to accept available jobs without any further consideration of pay and conditions.
11. This policy shift in the SPD leadership was at least partially due to the emergence of the WASG (Electoral Alternative Labor and Social Justice), a group formed by former SPD members in 2004 in protest against the Hartz reforms. In 2007, this group merged with the post-communist PDS (Party of Democratic Socialism) to form the new Left Party (Die Linke).

minimum wage (interviewee 3). Both sides agreed that it was the decline of unions and employer federations in the workplace that had given rise to the debate about statutory minimum wages in the first place: "If collective wage agreements would still have the same influence as in the past, there would be no debate about minimum wages today" (Scholz, 2008b).

Following the SPD's crushing defeat in the 2009 federal election and the subsequent departure of most leading representatives of the Agenda wing, such as Müntefering, from positions of influence in the party, the SPD finally came around to express full-scale support for a statutory minimum wage. The party now accepted that the earlier Hartz reforms and Agenda 2010 were "focusing in a single-minded manner on the goal of activation [of the unemployed] but were not in agreement with the justice and moral expectations of our working culture" (SPD Präsidium, 2010, p. 1). The party now argued in favor of the "reintroduction of orderly structures in the German labor market" and suggested that the union's demand for a statutory minimum wage of 8.50 Euros should be considered in agreeing on future minimum wage levels (ibid., pp. 2-3, 6).

Thus, the SPD's departure from government in 2009 made the party keen to restore lost credibility with the electorate, resulting in delayed realignment of the party's discourse on the minimum wage agenda with that of the unions. It is certainly noticeable that the SPD leadership only changed course when the party had already paid the full political penalty for the earlier Hartz and Agenda policies of deregulation, such as the loss of half of its electoral support.

FDP

The right-wing and market-liberal Free Democratic Party (FDP) traditionally receives electoral support from high-income professionals and from employers running small and medium-sized enterprises. The latter group frequently relies on low-wage employees and flexible work patterns in order to stay competitive. The party has virtually no links to unions, is opposed to most state-provided social welfare, and has always rejected statutory minimum wages. Instead, the FDP supports in-work benefits to top up the income of low-wage employees through state-provided social assistance (FDP Bundestagsfraktion, 2010). In addition, the party endorses the idea of a minimum income based on the so-called liberal citizenship money (*Liberales Bürgergeld*) (FDP Bundestagsfraktion 2007, pp. 2-3). It is suggested that existing social welfare systems should be unified to provide for a single universal benefit that is linked with the tax system and managed by the tax authorities, replacing the complexities of Germany's welfare state with a single income-support payment based

on a negative income tax.

In terms of broader policy-making, the FDP is in favor of collective wage bargaining between unions and employers without state interference. However, the party demands that collective agreements must always be flexible at the regional and enterprise level, allowing employers to withdraw from collective wage agreements if they so choose. Thus, the FDP has been consistently opposed to minimum wage legislation as the first step toward state-imposed fixing of wage levels (interviewee 4). In 2009, the FDP joined a center-right coalition government with the CDU/CSU based on a written agreement that no further expansion of the two main legislative initiatives of the grand coalition period to regulate the low-wage sector (*Arbeitnehmer-Entsendegesetz* and *Mindestarbeitsbedingungengesetz*) should be undertaken. Since 2009, the FDP has acted as the market-liberal pressure group of the center-right government, opposing any attempt to expand minimum wage agreements under the former law toward new sectors. The party also succeeded in blocking any application of the latter law.[12]

However, there has been disagreement between the CDU/CSU and FDP on minimum-wage issues in the agency employment sector. Here, the FDP backed the principle of equal pay for equal work, demanding that agency workers should be paid at the same level as permanent workers in the same enterprise. On the other hand, the party remained opposed to statutory minimum wages for agency workers, arguing that this step, going beyond the level of a single employment sector, would set a precedent for general minimum wage legislation in Germany. Here, the FDP disagreed with the CDU/CSU, since the latter supported the introduction of a minimum wage in the agency sector in order to avoid wage dumping after the opening of the German labor market for agency workers from Eastern Europe on May 1, 2011. (The conflict between the two parties was solved by agreeing on a very low statutory minimum wage that was fixed well below existing wage agreements.)

In conclusion, the market-liberal FDP has maintained uncompromising opposition to any statutory minimum wage at the national level. On this account, the party differs from the other parties in the German federal parliament, including its center-right coalition partner, CDU/CSU, in which at least some sections have expressed support for statutory minimum wages.

12. The latter law was originally intended to set up a management body to inquire about hardship in employment sectors without collective wage agreements and with very low wage levels. However, this body did not meet once in the year after the enactment of the legislation, demonstrating that the law failed to have any impact (Kleber, 2010).

Die Linke

The Left Party (Die Linke) is a new political force in the German federal parliament. It emerged from the unification, in 2007, of the post-Communist and primarily East German Party of Democratic Socialism (PDS) and the primarily West German Electoral Alternative Labor and Social Justice (WASG), founded by critics of the Hartz reforms in the unions and by former SPD members in 2004. The party's political support base derives from East German voters, union members, the unemployed, and employees in the public sector including some higher status officials. Thus, the Left Party unifies sections of the management of the welfare state with some of their unemployed and poor clients. In addition, the party gained support from sections of the German union leadership, thereby putting pressure on the SPD, which is no longer able to take the unions' support for granted. Inside the Left Party, one can identify two political currents as far as the minimum wage debate is concerned. On the one hand, the majority of self-described welfare state realists demand that the generosity of social insurance should be restored to levels that were in place before the Hartz labor market reforms of 2002 (interviewee 5). A minority current of libertarian socialists goes further, suggesting the introduction of an unconditional minimum income for everyone—either in the form of a universal grant to all citizens or at least payable to those without access to income from employment (interviewee 6).

Most importantly, the topic of minimum wages has been a major mobilizing issue of the Left Party in competing with the SPD for electoral support. The Left Party demands a dual minimum wage, with one minimum reached by sectoral collective wage bargaining between unions and employers and the other set by law to apply to all sectors not covered by collective agreements (Fraktion DIE LINKE, 2006, p. 1). It is assumed that employment sectors covered by collective agreements will set minimum wages above the level of the national minimum wage. In addition, the party opposes all forms of employment outside of the social insurance system, such as part-time work in the so-called mini-jobs, since these jobs do not offer social insurance coverage. The Left Party demands that "every hour of labor in a waged job must be fully covered by social insurance" and that "offers of employment outside of social insurance are principally unacceptable" (Fraktion DIE LINKE, 2007, p. 2; Linksfraktion, 2008, p. 16).

In terms of broader labor market policy-making, the party argues that "the basic idea of the Hartz laws, the 'activating' labor market policy, is fundamentally wrong" (Linksfraktion, 2008, pp. 11-12). Overall, the party's discourse stresses universal social insurance and favors the expansion of welfare state policies toward a "basic social minimum based on need" (Fraktion DIE LINKE, 2009, p. 1). However, these ideas fall short of demands by the minority libertarian socialists in the party, who

advocate unconditional access to a basic income. Instead, the party majority stresses that "the task of avoiding poverty and promoting social inclusion cannot be 'delegated' toward a system of basic social security" (ibid., p. 2). Moreover, the party favors individual rights of entitlement to a basic social minimum and opposes means-testing that uses the household or family as unit of assessment (ibid., p. 3).

In summary, the Left Party's policy-making discourse demands universal entitlement to employment covered by social insurance as the first mechanism of social inclusion and advocates a secondary system for those who are not yet covered by the former mechanism.

Bündnis 90/Die Grünen

The German Green Party represents a multifaceted electorate consisting of high-earning professionals primarily in the public and less frequently in the private sector, some union-linked workers, and some self-employed people. The high-earning supporters of the Greens have often been described as a green FDP—which, in the German context, stands for sections of the electorate that combine ecological awareness with hedonistic consumerism. On the other hand, the Green Party members belonging to unions (*Gewerkschaftsgrün*) also exercise influence on party policy, and some groups of the self-employed in the green electorate face difficulties in accessing social insurance due to their nonstandard employment patterns, which the German welfare state frequently fails to accommodate. It is therefore not surprising that the debate in the Green Party about labor market policies has been characterized by a large variety of opposing views.

In 2002, the Greens first supported the Hartz reforms, and some party representatives formed a pressure group in favor of Agenda 2010 similar to the one that dominated the SPD until 2009. However, this group remained small, and the party disassociated itself from the Hartz and Agenda policies earlier than the SPD did (interviewee 7). While still in government, some Greens began supporting a statutory minimum wage and, in an effort to appeal to the unions, the party did suggest that "all employees, including those in nonstandard forms of employment such as part-time jobs, should in future be covered by social insurance" (Evaluierungs-AG Hartz IV, 2007, p. 6). According to the Greens, work creation in the low-wage sector should be made more attractive for employers and employees alike by reducing levels of social insurance contributions for all employees earning less than 2,000 Euros per month. On the other hand, social insurance contributions for higher earners and/or general taxation should be raised in order to finance a "Green progression model" of social insurance (Bündnis 90/Die Grünen Bundestagsfraktion, 2006).

The Greens subsequently put forward a new agenda for labor market governance that demanded readjustment of the rights and duties of welfare state clients. Focusing on gender issues, for example, the party suggested that men and women should be treated in an equal manner in all social insurance systems based on assessment of individual entitlements (Evaluierungs-AG Hartz IV, 2007, p. 4). This demand clashed with basic positions of the CDU/CSU and SPD, which agree on treating the household, based on marriage or cohabitation, as the unit of assessment in the context of benefit payments and wage subsidies. The Greens defined themselves as a modernizing left in favor of a supportive social state that would offer both a guaranteed basic income for those in need and a statutory minimum wage (Bundesdelegiertenkonferenz, 2006, pp. 2-3). However, the Greens rejected proposals to simplify the welfare state, as suggested by the FDP; they also stressed that demand for a basic income "is not the first step in shifting the system toward an unconditional basic income for everybody" (ibid., 6).

In addition, the party suggested the introduction of a Low Pay Commission in line with the British example, in order to re-regulate wage levels in sectors of employment without or with low levels of collective wage agreements (Bündnis 90/Die Grünen Bundestagsfraktion, 2007). According to the Greens, "partners in collective agreements should once again take comprehensive responsibility in their employment sectors," and rules on collective agreements should be changed to make it easier to declare them generally applicable (Bündnis 90/Die Grünen Bundestagsfraktion, 2008, p. 3).

In conclusion, the party has adapted its discourse, shifting support from supply-side labor market reform during the Red-Green government years toward efforts to bring union-based views and those of advocates of welfare state modernization into dialogue with each other.

Employers, Unions, and German Public Opinion

Sketching the position of other significant actors very briefly, the German Employers' Federation (BDA) opposes statutory minimum wages as an attack on autonomous collective wage bargaining. Some unions representing workers in higher-paying sectors used to share this concern, suggesting that minimum wage legislation could be used as a tool to cut wages to levels below those of existing collective agreements. However, the minimum-wage critical metal workers' and chemical workers' unions (IGM and IG BCE, respectively) changed their positions after the Hartz reforms of 2002 in line with their declining ability to enforce collective agreements. In particular, the creation of a dual workforce in many enterprises due to the Hartz reforms' liberalization of agency and part-time work—which allowed employers to cut wages and/or social insurance contributions—convinced the unions to endorse minimum wage legislation.

As regards German expert and popular opinion, the director of the Institute for Labor Market and Vocational Research (IAB), a state-run research body, expressed support for minimum wages, stating that some of the employment practices in the low-wage sector "could not be justified by employment-oriented policy objectives" (Möller, quoted in Roth, 2011).

Last but not least, German public opinion consistently favors minimum wage legislation, which suggests that shifts in party discourses on the issue, as previously outlined, are part of a broader change in public attitudes.

CONCLUSION

German labor market policies were characterized by significant policy change after the 2002 Hartz labor market reforms. In particular, deregulation and liberalization weakened the wage-setting role of employer federations and trade unions in Germany's coordinated market economy and facilitated the growth of low-wage employment. The political repercussions of deregulation have also been significant. The lead actor of labor market liberalization, the center-left SPD, suffered unprecedented election defeats and, between 2002 and 2009, lost nearly half of its electoral support in federal elections. The center-right CDU/CSU, as the other key proponent of labor market liberalization in Germany's multi-level system of governance, which required CDU/CSU support in the second legislative chamber (*Bundesrat*) to pass the Hartz reform legislation in 2002, was more successful in avoiding blame and achieved better election results. Nevertheless, the German case underlines that earlier assumptions about the high political cost of retrenching mature welfare states continue to apply.

This concluding section briefly summarizes the previous argument in addressing two questions. First, how can one explain the recent labor market changes in Germany in terms of the political economy? Is Germany still mostly characterized by features of a coordinated market economy? Second, is deregulation in the labor market after 2002 going to cause a political turnaround based on efforts to reverse liberalization? In other words, does the shift in party discourses toward increasing endorsement of the statutory minimum wage, as highlighted in the third section of this article, point toward the rise of a broader agenda of re-regulation?

As for the first question, German labor-market policies after the 2002 Hartz reforms were based on a full-scale effort to increase numerical employment levels at the cost of employment quality. In fact, the Hartz labor market reforms constituted the most significant political decision of the first decade of the 21st century in Germany. As a result of the reforms, Germany experienced a rapid expansion of the low-wage

sector and of nonstandard forms of employment such as fixed-term, part-time, and agency work. Thus, Germany's expansion of employment was based on a rapid increase in marginal employment while core employment stagnated and wage growth was checked by increased pressure on core workers to accept concessions to close the labor cost gap between standard and nonstandard employment (Deutsche Welle, 2011; Eichhorst & Marx, 2011, p. 83). Thus, deregulation and liberalization not only affected workers at the margins of the labor market, but also had significant repercussions for core workers and the governance of the core labor market.

These rapid shifts in the German coordinated market economy have produced disagreement among labor market scholars. One observer suggested, for example, that the coordinated market economy is now in full-scale dissolution as part of the decline of post-war organized capitalism (cf. Streeck, 2009). This way of interpreting change in the German model has the advantage of explaining radical shifts at the margin and the center of the system, such as the loss of normative influence of the Bismarckian welfare state model with its focus on labor market status protection. The other way of perceiving these changes is in many ways the opposite extreme. Here, labor market deregulation in the German employment model is still interpreted as focusing only on the periphery of the labor market. Such strategies of flexibilization are explained as serving the purpose of avoiding the "hire-and-fire" flexibility of the Anglo-Saxon liberal model, thereby allowing for the continuing legislative protection of core workers' job security. Moreover, the continuing relevance of coordination between employer associations and unions in the German education and training system is highlighted (cf. Carlin & Soskice, 2009). However, even supporters of this hypothesis of relative continuity must concede that there has been a shift of coordination efforts from organizations of sectoral interest representation toward local work councils and bargaining at the level of individual firms, thereby pointing to the decline of overall coordination (Eichhorst & Marx, 2011, pp. 82-83; Schneider & Paunescu, 2012, p. 4).

The German model has certainly experienced significant change, and the literature on coordinated market economies fails to capture the reality of employment as experienced by marginal workers in Germany. These changes amount to a hybridization of the German employment model that is now characterized by the "embrace of more aggressively liberal positions amongst the employers" (Menz, 2010, pp. 448, 455). However, decline of a long-standing model is never a one-way road. In fact, ongoing resistance to change and occasional gains for supporters of labor market re-regulation, such as the 2010 and 2011 German labor court decisions in favor of mainstream trade unions and against "Christian" unions with respect to the governance and social insurance coverage of agency work, underline that change is not unidirectional.

Moving on to the second question, the likelihood or not of political re-regulation,

the German experience does not support recent claims (Giger & Nelson, 2011, pp. 2-9) regarding the ability of political actors (1) to gain credit for welfare state retrenchment, (2) to successfully avoid blame, or (3) to follow a "Nixon goes to China" tactic of having the center-left conduct welfare retrenchment, hurting the interests of their electorate in the short term in order to "save" the welfare state in the long term. On the contrary, the SPD suffered a dramatic loss of electoral support after the Hartz reforms without enjoying any long-term compensating gains. This points to the continuing relevance of the "old politics" hypothesis with regard to welfare state retrenchment (Kitschelt, 2001, pp. 268, 276), which stresses high political costs for political parties to significantly retrench mature welfare states.

In summary, this study of the position of the five parties in the German federal parliament on minimum wage policies demonstrates that a German "neo-liberalized cross-party consensus" (Menz, 2010, p. 446) should not be taken for granted. Instead, the expansion of the low-wage sector over the last decade has triggered a change of mind among actors in the German party system. In 2012, all parties either shifted in favor of re-regulation or at least moderated their degree of opposition to regulatory intervention in the low-wage employment sector. In the CDU/CSU, opposition to statutory minimum wages declined significantly and the party's association of employees (*Sozialausschuss/CDA*), which is close to the unions, recently gained endorsement for minimum wage policies at the 2011 CDU party conference. The market-liberal FDP has also downscaled opposition to minimum wage legislation and has in practice agreed to keep the minimum wage policies of the previous government in place. The SPD witnessed the departure of most of its former senior politicians from the Hartz/Schröder period, and a new generation of party leaders has shifted the party discourse firmly in favor of statutory minimum wages. Meanwhile, the Green Party disassociated itself from the results of the Hartz reforms before the SPD did. Finally, the Left Party always opposed the Hartz reforms and has consistently advocated statutory minimum wages and high degrees of labor market regulation.

Looking at the issue of statutory minimum wages in terms of party competition suggests, therefore, that their introduction might defuse some of the dissatisfaction that labor market deregulation triggered in German society. While the supporters of labor market deregulation like to claim credit for a recent "job miracle" in Germany, pointing to the decline in officially acknowledged unemployment levels, this success is mostly based on a more restrictive statistical definition of unemployment and the parallel expansion of low-wage and low-quality employment. Moreover, demand for labor market re-regulation continues to capture the public imagination, and opinion polls regularly demonstrate high levels of support for statutory minimum wages (Initiative-Mindestlohn, 2011). Indeed, three of Germany's parties (SPD, Greens, and Left Party)

put forward resolutions in favor of minimum wage legislation in the German federal parliament in April 2011, although these were rejected by the center-right government. The topic has also become one of the most effective mobilizing issues in trade union discourse, while labor market deregulation has certainly ceased to be a mobilizing issue for center-right parties.

In conclusion, German labor market policy-making currently faces a "contradictory sequence of de- and re-regulation" (Eichhorst & Marx, 2011, p. 75). The evidence discussed in this article suggests that the opportunities for re-regulation are still rather limited, current levels of political support notwithstanding. The deregulatory wave has advanced too far, and the traditional pillars of labor market governance—unions and employers with effective wage-setting powers—have become too weak, for the tide to turn fully in favor of re-regulation. Crucially, the issue of how to regulate the low-wage sector in the future concerns the norms and values of the German employment model. Introducing a statutory minimum wage would recognize that the old system of collective wage bargaining between employers and unions has become too weak to govern the labor market. This would constitute a significant departure from the German model of the coordinated market economy, acknowledging that Germany has moved to a mixed model with a coordinated and uncoordinated employment sector. Thus, from the perspective of German policy-makers, the statutory minimum wage offers all the advantages of a political side-payment without questioning the underlying shift toward deregulatory labor market governance. It is exactly for this reason that the introduction of a statutory minimum wage can be expected in the near future—to calm down the opposition and to lock in the results of the past liberalizing decade in German labor market policy-making.

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Interviewee 1: CDU, full member
Interviewee 2: SPD, full member
Interviewee 3: SPD, full member
Interviewee 4: FDP, full member
Interviewee 5: Die Linke, full member
Interviewee 6: Die Linke, deputy member
Interviewee 7: Bündnis 90/Die Grünen, full member