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

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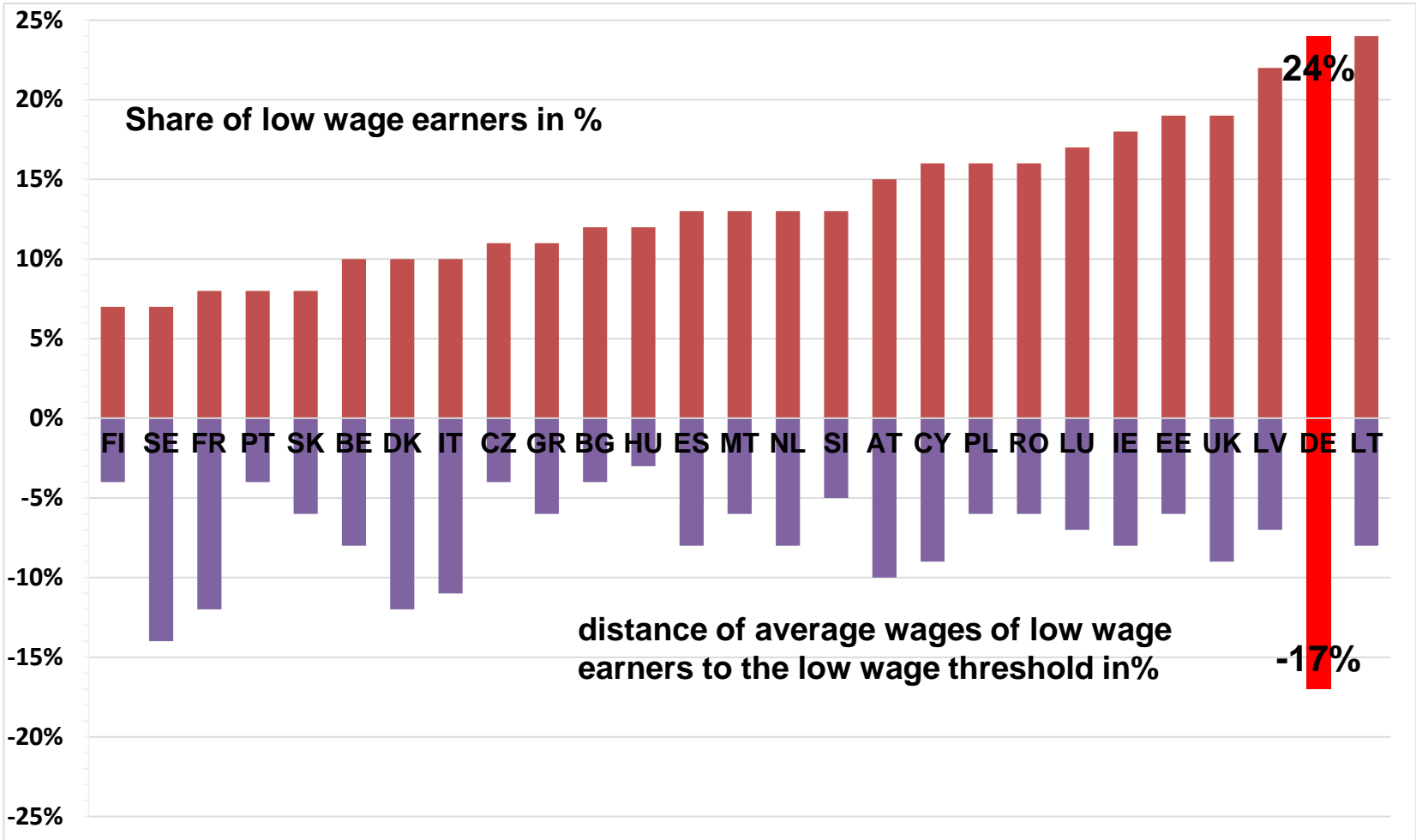
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Offen im Denken

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!“

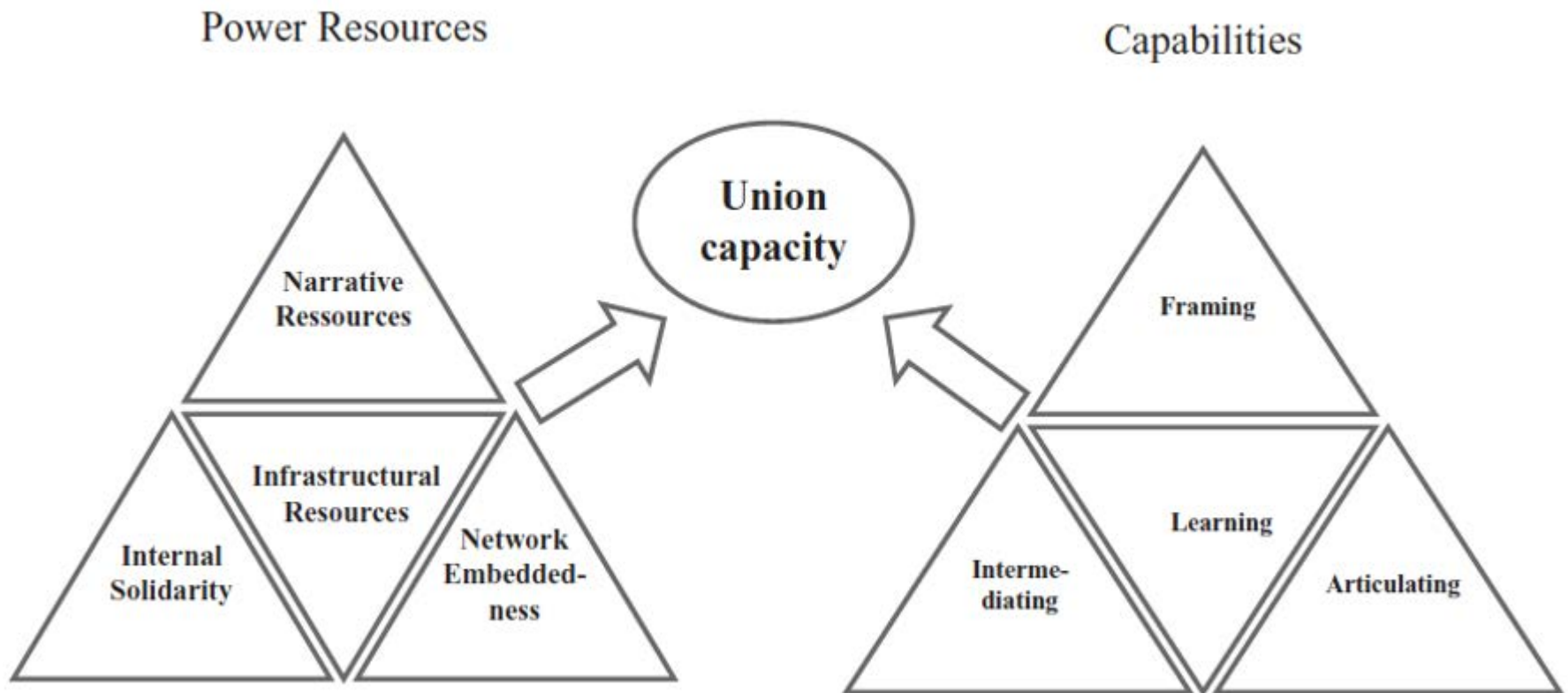
Dualistic papers on Germany:

- *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 reconstruction 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*



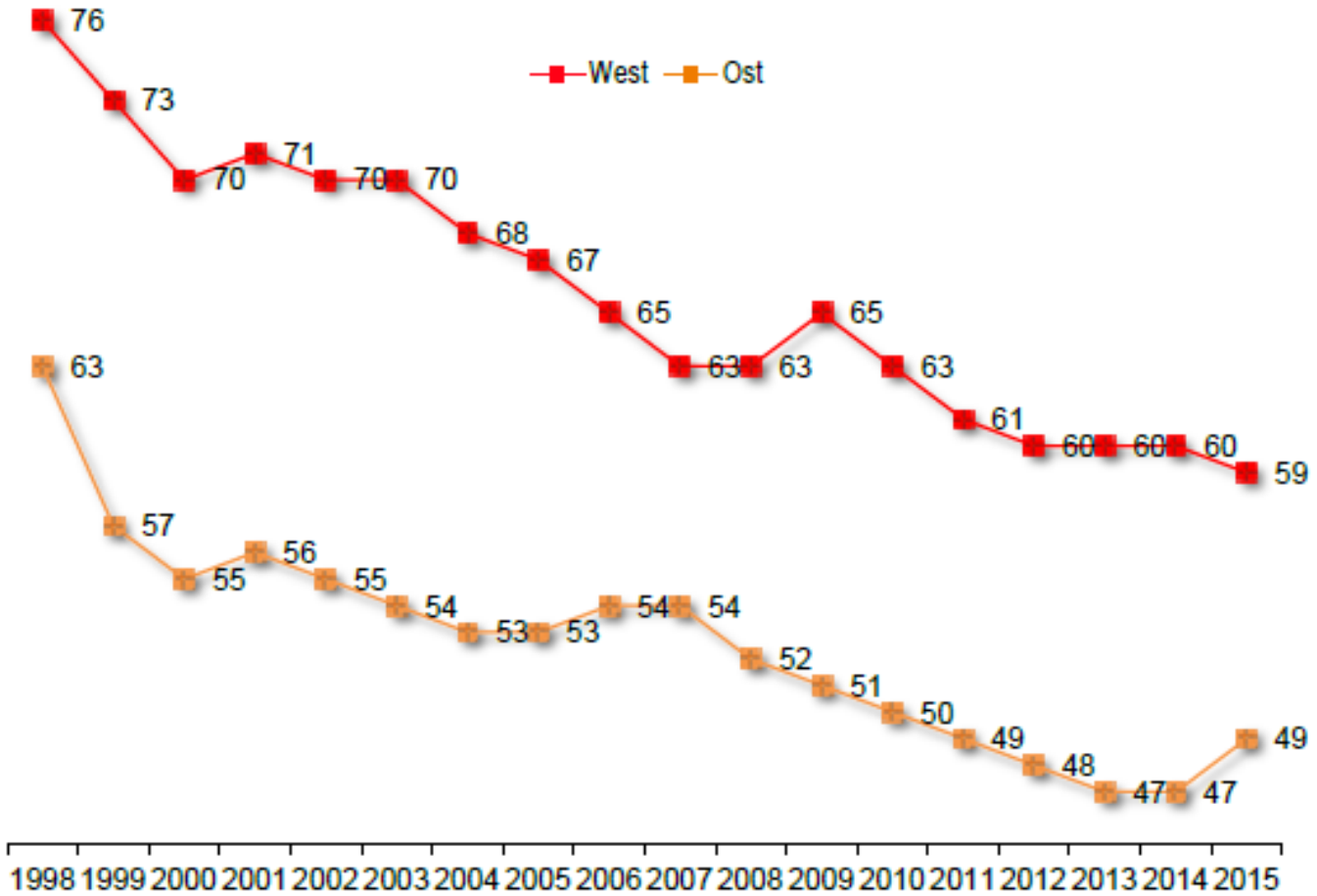
3.1 Has there been a stable dualistic equilibrium in DE?

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)*

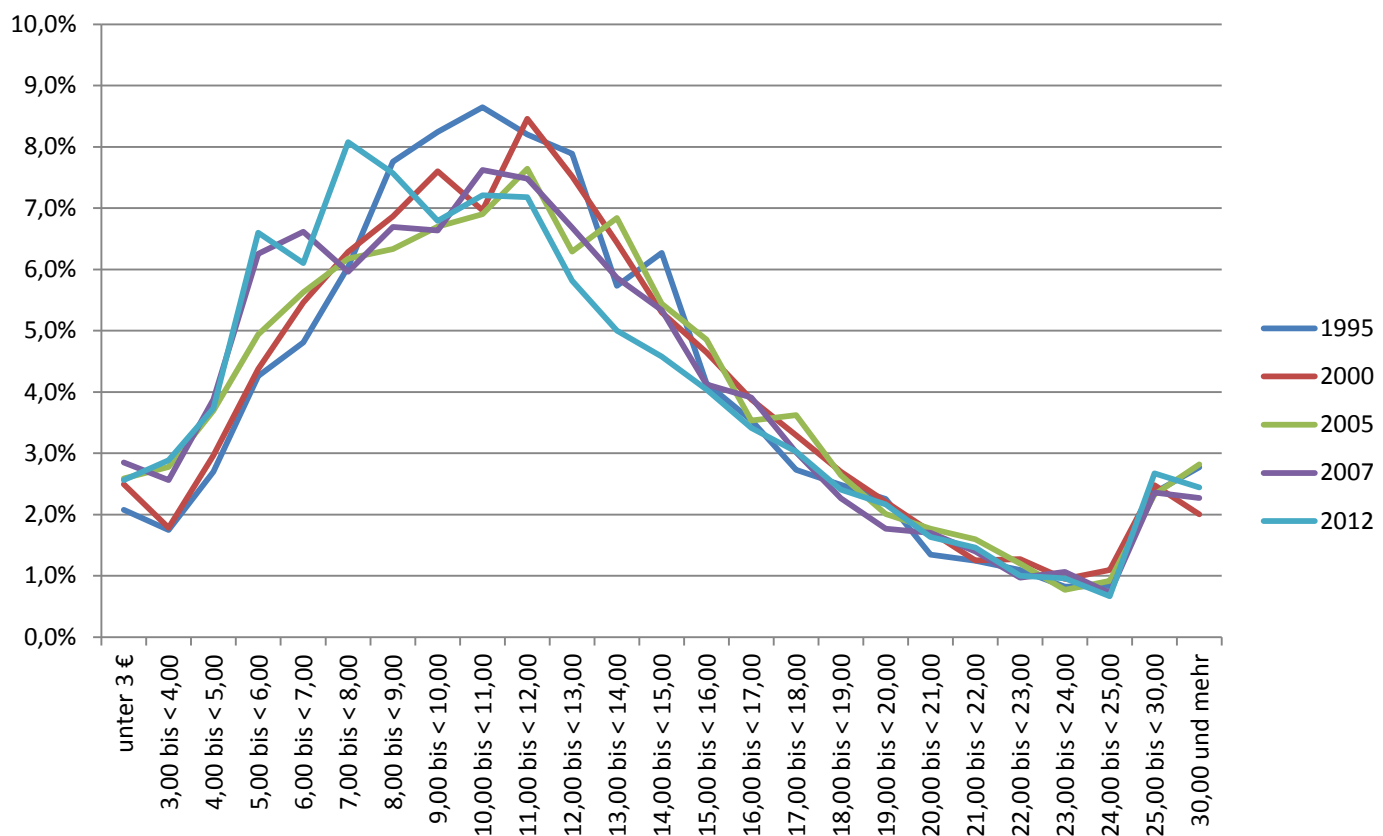
Palier/Thelen, Hassel, Carlin/Soskice ignore these pull effects and political pressures on core workers
/sources of instability

3.2 Coverage by collective agreements 1998 – 2015 - Employees in % -



Quelle: 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 finally 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

- Learning from British, French, Dutch, Belgian MW’s

- 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
- Reregulation of temps agency work in a separate law 2016 (*equal pay after 9 months, maximum duration of a lease to one company 18 months*)

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

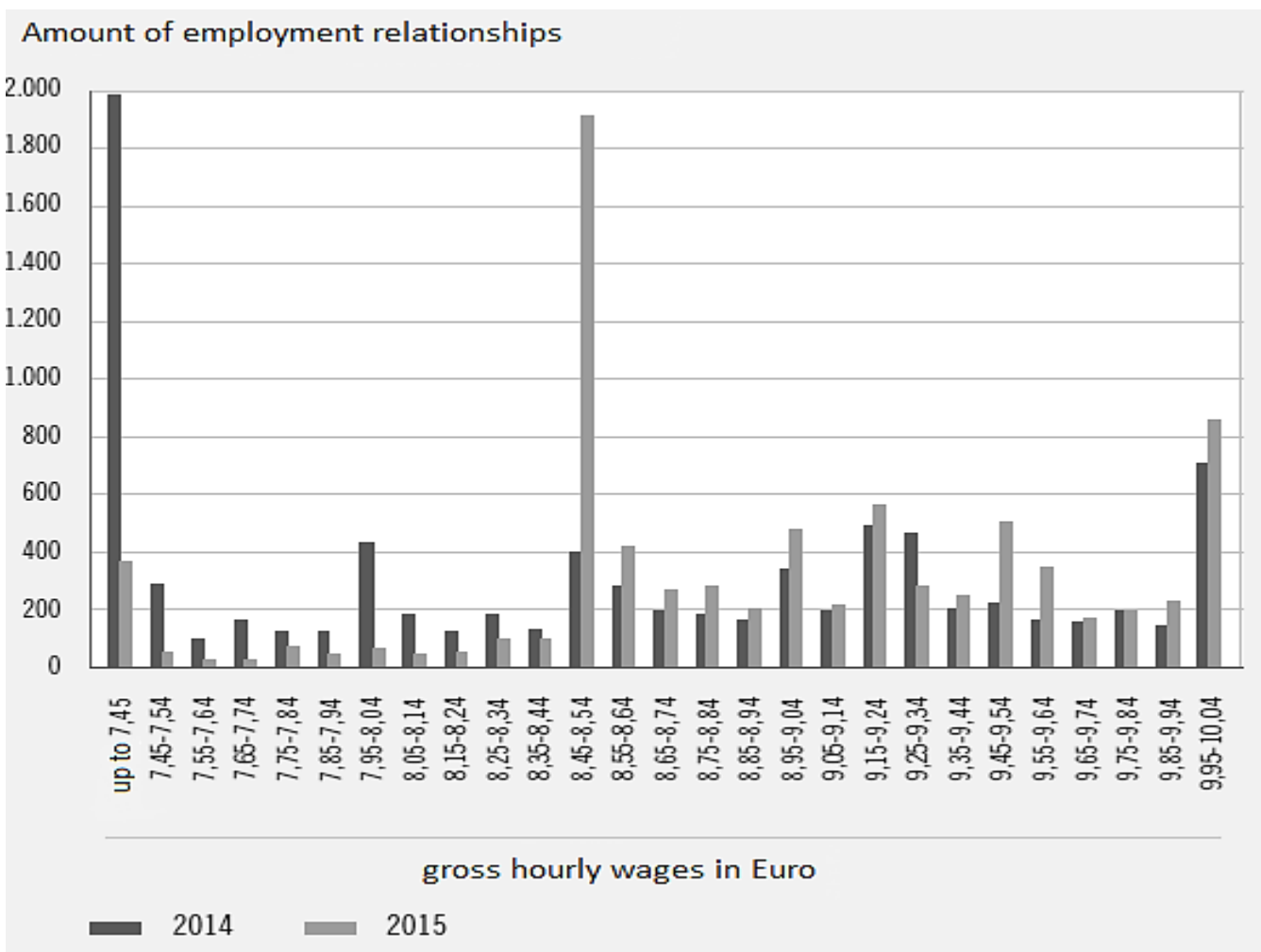
- increases should follow average increases of collectively agreed wages

- 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

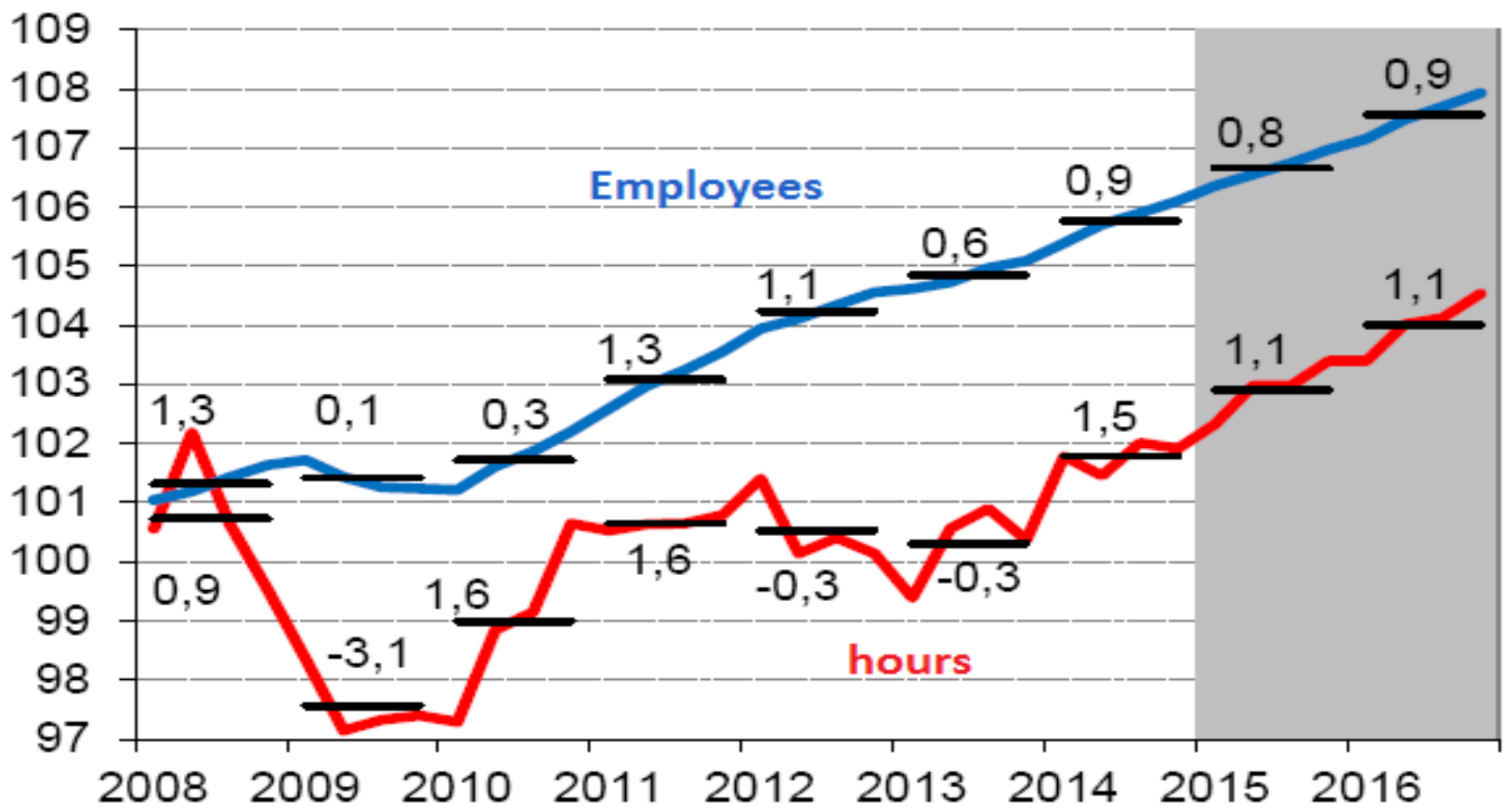
Social partners agreed that CB sets the pace for increases in the minimum wage

Distribution of hourly wages in April 2014 and 2015



Source: Minimum wage commission (2016): 51

Employment and working hours 2008 - 2016



Source: IMK-Report 04/2015

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
- 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