



# **Germany after the Crisis: Employment Miracle or Discriminating Precarity?**

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## **I. Introduction**

Following the international media, we get the impression that Germany has emerged from the global financial and economic crisis as a winner. Already, the expressions used in the media are "a German employment miracle" or even "a German decade". The German economy is booming in the second consecutive year, and unemployment figures may well fall below the threshold of three million for the first time in many years. In some labour market segments, there is a lack of qualified staff. So does this mean that Germany – especially due to its recent labour market reforms – has once more become a model for Europe?

In the following, I intend to establish a contrasting thesis: what appears to be the German "employment miracle" also has its ugly side, because integration into the labour market is accompanied by the growth of precarious work and employment. I will present an outline of this development highlighting selected trends, in order to then provide you with a scientific assessment. But first of all,

the notion of precarity should be defined. An employment relationship is precarious if the individuals employed – due to their job – fall below certain levels of income, protection and social integration which at present in society are defined and recognised by the majority as standards. Employment is also precarious when, subjectively, it is accompanied by loss of meaning, lack of recognition and insecurity in life planning to an extent where the situation of the employees affected clearly does not meet social standards. According to this definition, precarity does not mean complete exclusion from the labour market, absolute poverty, total social isolation and forced political apathy – although phenomena such as these may be included. Rather, it is a relational category, whose informative value depends significantly on how standards of normality are defined in a society. Where insecure work becomes a permanent situation and the performance of such jobs constitutes a social situation for entire groups in society, we can observe the development of a "*Zone der Verwundbarkeit*", as Robert Castel put it in this context, that is, a "zone of vulnerability". The term *precarization* is intended to stand for a social process which, by means of eroding standards of normality, also has a reverse effect on those who are (still) integrated. In this, precarity can refer to the *contractual dimension* and the security standards in connection with it for one (precarity of employment), but also refer to the job itself (precarity of work). And finally, precarity is a category with reference to reproduction relations, to family structures, old age or the phase of youth. Under this perspective, we are concerned with a precarization of living conditions.

## **II. Trends**

To start out, the degree of precarization of work and employment can be determined for Germany in relation to the "normal employment relationship" which

in quantitative terms is still dominant. At least five trends are of relevance in this:

(1) Already before the crisis, the segment of non-standard employment relationships (such as part-time, temping, fixed-term employment, marginal employment) has been growing continuously. In 2008, of a total workforce of 34.7 million people, 7.7 million were in atypical jobs, with a further 2.1 million in self-employment. Within ten years, the number of atypical employment relationships has increased by 46.2% (with an increase of marginal employment by 71.5%) and of those in self-employment by 27.8%. This is in contrast to the number of normal employment relationships, which has gone down by 3%. It should be considered that not every case of atypical employment is necessarily precarious; yet on average, non-standard jobs also mean a noticeably lower income and higher risks of unemployment and poverty.

(2) And accordingly, about 20.7% of the workforce is employed in the low-wage sector. This means that they earn less than two thirds of the median wage. A total of 42,6 % of low-wage earners work in a normal employment relationship, subject to social insurance and over 20 hours per week. Among these, the largest groups are women and persons with low qualifications. Yet about three quarters of all low-wage earners have completed professional training, and 7% even have an academic degree. Despite the fact that qualifications exist, the German low-wage sector, when comparing it internationally, is characterised by a low degree of upward mobility and enormously high wage disparity. In extreme cases, wages are down to as low as 1.50 to 2 euros per hour for jobs such as motorway toilet attendants or self-employed hairdressers renting a chair at a salon.

(3) The number of underemployed persons is going down only very slowly. If the "silent reserve" is added to this, including people in "one-euro jobs" and job-creating measures, we have to assume that there are five million unemployed, rather than three million. Despite the fact that unemployment figures are going down, the number of households eligible for unemployment benefits (what is known in Germany as "Hartz IV"<sup>1</sup>) is decreasing only slowly. Between 2005 and 2009, the number of persons fit for employment in need of support (in accordance with the SGB II, that is, Vol. II of the German Social Code) went down only slightly from 4.981 million to 4.907 million. Also, more and more people in employment are dependent on additional funding. In March, 2010, the *Bundesanstalt für Arbeit* (Federal Employment Office) recorded 1.359 million employed persons claiming additional benefits because their income from employment was below the level of social benefits. Among these were 339,000 in full-time employment. On average in 2005, there had been about 880,000 persons in that situation. Since then, their number has grown constantly. Since 2009 alone, an increase by 5% (71,000) has been noted. In addition, not all of these people who work and are entitled to receive additional benefits claim those benefits. According to estimations, there are two million persons whose income is below the level and social benefits but do not claim these benefits

(4) Since the crisis, the trend towards an expansion of insecure employment has become stronger. This applies especially to the export-oriented industries. According to a survey done by the *IG Metall*, the German metalworkers' union, only 5% of the new hirings after the crisis were based on permanent contracts. 45% were fixed-term hirings, and 40% were temporary agency workers. Temporary agency work has once again been booming. While before the crisis, it

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<sup>1</sup> „Hartz IV“ is the colloquial term for one of the core elements of the labour market reform initiated by the red-green government under chancellor Schröder. „Hartz IV“ stands for the replacement of the income-related benefits for long-term unemployed (more than 12 months) by a basic assistance designated to only cover elementary needs. In addition, the regime of welfare to work is – supported by individual assistance – intended to bring long-term unemployed back into labour market by increasing the incentives to accept almost any job offer.

peaked at 870,000 temp workers, about 300,000 of these jobs got lost within a very short time during the crisis. At present, the number of temporary agency workers is likely to have passed the threshold of one million.

(5) No less a serious matter is the way in which the functions of temporary agency work are changing. Temp work is no longer just used ad hoc or in order to cope with short-term peaks, but increasingly also strategically. Strategic use means that the temp workers occupy the respective jobs permanently. They do the same work as those in permanent employment, yet on average for 30 to 50 percent less pay. There are temp workers to be found in all employment segments, from consulting engineers via the typing pool to production. In some cases – such as at the BMW plant in Leipzig – their numbers amount to more than 30% of the entire staff, at some companies even up to 60%. There is no differentiation according to occupations, the distinction is according to status. As the crisis has shown, it must be considered a fact that dismissal protection is no longer existent for temporary work. The hiring companies save on severance costs, and the big temp companies register profits which in part are exorbitant, at the expense of "second-class employees" in precarious jobs.

### **III. Subjective Forms of Coping**

The social consequences of precarization only become clearly visible to their full extent if the subjective dimension is taken into account. On the basis of Robert Castel's 'zone model', we have developed a typology of forms of subjective coping with precarious work and employment. It is not my intention to describe this typology in detail here, I shall limit my presentation to one important finding.

Our research permits us to demonstrate that the precarization of work and employment relationships has the effect of a disciplinary regime which also affects those who are formally still in secure and permanent employment. This effect is completely overlooked by quantifying labour market research. The conventional boundaries between protected internal and open external labour markets are becoming indistinct without disappearing. This is happening especially because in addition to complete exclusion from regular employment and precarity as a permanent form of living, a third variety of experiencing precarization has emerged: the fear of status deprivation can now be identified among groups that are formally still protected. Regular, permanent employees also constantly need to prove their continuing usability. Especially in times of crisis, they keep having to display high levels of flexibility in order to maintain their jobs. They accept, for example, short-time work and pay cuts, or they are prepared to be loaned to other plants within the company group to balance out production peaks there. In this sense, even permanent employment is made conditional. This makes it easy to comprehend why 77% of more than 1,442 blue-collar and white-collar employees of a car plant agree with the statement that due to global competition between locations, employees are under increasing pressure, while only 2% reject this statement. These staff members are not necessarily worried about losing their jobs; yet they are aware of their situation, which is that in exchange for job security, they are forced to make more and more concessions concerning working conditions, working hours and the pay for their work.

This explains how in a kind of "boomerang effect", precarization has a disciplining effect also on those in regular employment. We identified this effect already in the early 2000s at a car plant with over 90% union membership among the staff. The temporary agency workers there, although they were prepared for association and collective action, made an effort to fulfill their work assign-

ments as good as possible with a high quality and to the satisfaction of superiors and colleagues. These were employees who wished to conform, who privately had the wish to take a step up the ladder and become regular employees. The regular staff were convinced that the temp workers were making their jobs safer, although frequently, a qualifying 'but' was added to views of that kind. Nearly every production team had made experiences with temporary agency workers. After six weeks at most, the temps relationship were carrying out the same jobs as the permanent employees. Yet among other reasons due to different grouping criteria, for lower pay and under acceptance of living conditions regular employees were by no means prepared to agree to. This way, the temp workers served as a constant reminder to the permanent staff. Every day they demonstrated their preparedness to do the same jobs as those in permanent employment, under distinctly worse conditions. And the reminder had its effect: "We are concerned that in the next crisis, temps will be the future, and we're the outdated model". Such were the statements coming from permanently employed staff with over 90% union membership.

Our senses heightened by this example, we pursued the "boomerang effect" through different industries and corporate constellations. From the IT department of a large bank via the retail business to the construction industry, we kept finding similar mechanisms at the boundary between the regular workforce and flexibly employed staff. At the bank, the presence of – well-paid and by no means precarious – freelancers keeping overly long working hours motivated the regular staff to also stay longer in the evening. In retail, employees working part-time with fixed-term contracts and in false self-employment had assumed the function of the warning example. And in construction, the competition from – partly illegally employed – contingent workers from eastern and southern Eu-

rope induced regular employees to accept informal wage dumping and working hours off the clock.

All of this shows that precarization has the effect that blue-collar and white-collar employees to an increasing degree consider their permanent employment a privilege to be defended – in extreme cases with teeth and claws. Simultaneously, a tendency towards exclusive solidarity is reinforced which is limited primarily to the in-group of regular employees. People who find themselves under permanent scrutiny tend to become intolerant towards those who appear not to be prepared to be put to the test all the time. Accordingly, the attitude of regular employees towards temporary agency workers is ambivalent. Although a majority of those interviewed is convinced that the use of temporary workers permits plant management to "react flexibly to market requirements" (61,6 % agreement), the statement "temporary work is also used to introduce competition to the shop floor" is agreed to by 41,8 % (with 31 % rejection). An even larger section (42,9 %) rejects the assertion that temps "are just as much members of the family at work as regular employees". The dimension of marginalization in such exclusive solidarity is even more clearly visible when regular employees are interviewed about their relationship towards groups who are put to the test at the interface between employment and unemployment. Even though a majority has a critical view of the "Hartz IV" unemployment benefit system, more than half the persons interviewed (54%) is of the opinion that the unemployed should be put under greater pressure. And nearly 50 % concur with the statement that "A society that picks up everybody in its safety net cannot survive", only a small minority explicitly rejects it. Such attitudes quite obviously make it extremely difficult to effectively implement any policy aiming at inclusive solidarity across the boundaries of shop floors and industries.

#### **IV. Conclusions**



So what does all of this imply for the scientific assessment of what has been called the "German employment miracle") Let me draw five central conclusions

*First*, the data presented indicates deep cleavages in the labour market which in Germany are new in this form. Officially registered unemployment is on the way down, although at the cost of an extension of the "zone of vulnerability" with unprotected, precarious employment. As pay levels show, this development brings about a startling "secondary power divide" (Claus Offe) in the labour market. While the bottom quarter of wage-earners recorded a loss of real income of 14% within 10 years (1997-2007), wage earners in at least still half-way secured employment have been able to keep their living standard or keep the loss within acceptable limits.

*Secondly*, such data illustrates that the model of diversified quality production<sup>2</sup> – which surely has been an idealised model from the very beginning – which guaranteed comparatively high wages and safe jobs to qualified employees, must be considered a phenomenon of history. For those in precarious work and employment, the price of labour is systematically pushed below its value, so that the state is forced to generously subsidize employment whose pay level is under the minimum of existence. In this manner, tax money to the amount of 50 billion euros has been poured into the low-wage sector. Which happens to be approximately the same amount to which cuts have been announced in the public budgets at the expense of those at the bottom end of the social food chain.

*Thirdly*, the *activating labour market policy* has not only speeded up these processes, but has also forced them in a certain direction. And not because

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<sup>2</sup> „Diversified quality production“ refers to the production of high-quality products in premium market segments, manufactured by highly skilled and well-paid workers.

"Hartz IV" unemployment benefit might have altered the job orientations of the long-term unemployed. As our long-term survey among long-term unemployed (more than 12 months) reveals, the figure of the passive and "lazy" benefit recipient who – with the habit of daily toiling lost – has distanced him- or herself from the work ethic and upward mobility of the middle classes, is a distorted image which results in even further discrimination against the unemployed. Rather, "Hartz IV" has generated a social status below the level of respectability. In our interviews we kept hearing phrases like: "If you're on Hartz IV, you're worth nothing in society" The new labour market regime symbolized by the notion "Hartz IV" means state control of one's entire daily life. Property, exempt assets, housing size, forms of cohabitation, child care, even the cost limit for a birthday present – everything can become subjected to supervision and regulation by the authorities. Such a status repels primarily those who are still in regular employment. Anyone in a situation enabling them to avoid Hartz IV tries to do so. Therefore, it is not so much about 'encouraging' the unemployed in their preparedness to work; what is rather the effect is that even and especially among those still in employment, the willingness to accept badly paid, insecure, more strenuous jobs has increased considerably. This way, the German labour market reforms boost the disciplining force of insecure working and living conditions pushing wage-earners into conformity. And, as if by accident along the way, an important goal of the reform has been made unattainable. If qualified persons begin to flood the sector of precarious jobs, and then, in the interest of acceptable placement quotas, job placement officers and case managers concentrate on those still relatively 'agile' clients, the ones left out in the cold are exactly those whose opportunities were supposed to be improved by these labour market reforms – namely persons with low qualifications, persons with disabilities, with illnesses, single mothers, and so on.

*Fourthly*, this shows that in Germany, one of the major effects of the crisis is that a historically new form of precarization is being implemented: Precarization at a high level of prosperity and formal security. This kind of precarization affects women, especially. Persons with low qualifications and migrants are concerned to an above-average degree. But increasingly, also well-qualified persons and men are affected, as well as members of groups who used to be considered socially protected. Yet the crucial characteristic of this type of discriminating and at the same time disciplining precarity is yet to be named. This precarization takes effect due to a quasi-institutionalised system of internal company and shop floor performance tests regulating the relations between regular staff and those in flexible employment. Depending on labour market section and qualification level, this gateway is arranged in various ways. Yet in all sections of the labour market, the justification regime of such selection processes derives its effectiveness from the promise of promotion. Official labour market policies assume that flexible employment has an integrative function, constituting a bridge into regular employment. Someone working well and providing proof of that is supposed to get the opportunity to take a step up to better working conditions. The authority to take such decisions lies primarily among the management hierarchy. What often is the case, though, is that regular staff members or their representatives are involved in defining the test situations. Yet to a great extent, the criteria for those tests remain somewhat unspecific, diffuse and incalculable. Whether and on what conditions a temporary agency worker clears the hurdle and joins the regular workforce of a firm is not formally defined and by no means clear to those affected. Even the resources to be possessed for joining are by no means exactly specified. In such filtering tests, professional qualifications are merely a minimum requirement. What is expected in addition are exceptional preparedness for flexibility, outstanding dedication and the ability to adapt quickly to changing tasks, new co-workers

and new superiors. In return, the conditions offered are often less favourable than those offered regular employees already on the payroll.

So, *fifthly*, in the perception of the actors involved, precarization thus produces a social hierarchy in which those living in the most difficult conditions and who at the same time have the weakest power resources experience themselves as members of minority groups whose everyday lives differ from the standards of the "majority society". This particular status is also constructed by means of gender, nationality and ethnicity, yet it represents something beyond these. In the dimension of power, to live precariously means to be weak. In the system of employment, the precarized parts of the population have hardly any associational and institutional power at their disposal. And as far as it is based on a particular position in the labour market or in the labour process, structural power is hardly present at all, either. In the sphere of reproduction, such relative powerlessness is worsened even more, due to reduced time sovereignty and restricted access to social networks. Although the relative powerlessness of the precarized in each individual case is the result of specific causes, its consequence is rather general: There is always the hope that by working hard, being flexible and conforming to expectations the next step on the stairs of social hierarchy can be climbed, promising just a little more 'normality' in life. Thus, the number of docile human resources is increasing rapidly, making the implementation of any form of inclusive solidarity across shop floors and industries rather more difficult.

Faced with such details, what becomes clear is that the German "employment miracle" is by no means to be considered a model for Europe. On the contrary, the success of the current labour market policy is to a relevant extent based on an "exportism" which keeps aggravating the economic and social imbalances in

Europe by means of social dumping and restraint in collective bargaining. One of its basic elements is a reproduction model whose answer to changing forms of living and the increasing average participation of (West German) women in employment is the lack of service staff in the social field and an increase in the number of, often informal, menial domestic jobs. The example of a Polish woman with academic qualifications, working on call 24 hours a day as an illegal housemaid in charge of household and children of a well-to-do middle class family is definitely not an exception. At an estimated 1.2 to 2.4 million, the number of informal – mostly female – domestic servants is significantly higher than that of temporary agency workers. In view of this development, we can hardly be surprised that feelings of injustice are becoming more acute also among groups of the formally protected workforce. Thus, over 70 % of the blue-collar and white-collar employees interviewed by us are of the opinion that the current economic system is not sustainable in the long run. It is uncertain in what way this latent discontent will be articulated politically in the future. From the perspective of European unity, though, it should be noted clearly that the case of Germany does not represent a progressive model for sustainable employment policies.