

Low wages – employment miracle or social division of society?

Germany is regarded as a model country for good economic development in Europe. However, this does not mean that all citizens are well off: approximately one in five employees works for less than EUR 10 per hour. This means that 20 per cent of employees have a salary that is only just above the poverty line. The proportion of low-wage workers in Germany is in fact very high by European standards.

In Eastern Germany, more than one third of the employees work for low wages, and here as in Western Germany, the proportion of low-wage earners continues to increase. A large proportion of the newly created jobs are not full-time positions, but EUR 450 jobs.

It is now being disputed as to how this development should be assessed.

Is it better to have low-wage jobs than no earning opportunities at all? Or do the EUR 450 jobs destroy existing full-time jobs and lead to an ever-increasing insecurity of the workforce and an immense discrepancy between low-wage earners and high-wage earners?

Should the state therefore enable and promote low-wage jobs – or should it prohibit them?

It is undisputed that Germany currently has more jobs than ever before. It is also undisputed that only a maximum of a quarter of the low-wage earners make it into full-time jobs. Furthermore, it is undeniable that the polarisation of income and wealth in the Federal Republic of Germany is greater than ever before – although it is not known whether this is due to other causes (removal or reduction of income and property taxes, easier tax avoidance for companies and wealthy individuals, rising property prices, gains on shares).

A minimum hourly wage was introduced in Germany in 2015 to reduce the social divide in society and to prevent many employees from slipping into reliance on social welfare. Since 2017, it has been EUR 8.84 gross per hour and is regularly adjusted by the legislator.

The introduction of this minimum wage was also fiercely disputed. Many critics feared the loss of jobs, but apparently this has not yet happened. Others criticised the minimum wage amount as far too low. In fact, the number of so-called “top-ups” has hardly decreased despite the minimum wage. The “top-ups” are employees who also receive Hartz IV (unemployment benefits) and housing benefits because their income is too low.

You are a team of young, critical scientists. Today, you are expected to form an opinion on a central social issue for our society: the promotion of new jobs and their remuneration.

Watch the video clip “Labour markets (2014)” and answer the following questions in working groups. The results of the working groups will then be presented orally and discussed in turn. Make an effort to visualise the statements and arguments you will present!

Video clip: <http://www.mediatheque.lindau-nobel.org/videos/33622/labour-markets>

Exercises:

1. The remarks made by Nobel laureate Robert Solow on the impact of minimum wages on the number of jobs are not easy to understand – but just try it... What are Robert Solow’s key statements on low wages?
2. Nobel laureate James Mirrlees emphasises that agriculture also has a crucial role to play in reducing poverty in the world. Clearly present his argument.
3. Justify why the expansion of the low-wage sector in an economy promotes the social division of society into rich and poor.
4. Now justify the exact opposite!