

## Changes in the Working World



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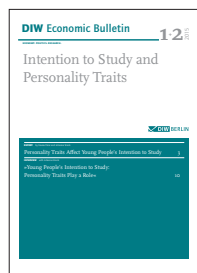
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## NEXT ISSUE OF DIW ECONOMIC BULLETIN

# Municipal Energy Suppliers

# Typical Employment Subject to Mandatory Social Security Contributions Remains the Norm

By Michael Arnold, Anselm Mattes and Gert G. Wagner

Since the 1980s, in West Germany has been a substantial decline in the number of people of working age who are not in paid employment. Accordingly, the share of 18- to 67-year-olds without a job has also fallen. This increase in employment figures primarily benefited those in marginal employment or solo entrepreneurs and had less of an impact on those in typical employment. In fact, the present analysis, based on data from the German Socio-Economic Panel Study (SOEP), shows that there has been no decline in the share of those of working age who are in typical employment. However, individuals in atypical employment are exposed to some very specific risks. There are various possible measures that may help counteract this type of employment, including abolishing the special legislation on "mini-jobs" (salary of up to 450 euros per month), expanding childcare options, and introducing mandatory retirement and accident insurance for the uninsured self-employed.

According to today's political press (*Feuilleton*), Germany's "middle class" is dying out<sup>1</sup> and precarious employment is increasingly becoming the norm.<sup>2</sup> This statement is based on the risk society theory developed by sociologist Ulrich Beck in the mid-1980s.<sup>3</sup> He argued that, in a post-industrial society, economic conditions shaped and structured by the welfare state and social partnership would continue to become less and less relevant over time. According to Beck, this, in turn, would result in the emergence of a risk society. The process appeared to be pre-ordained according to the laws of nature. From then on, several political parties, labor unions, and also churches increasingly directed their strategies toward the lower margin of society.

The German Federal Government's Report on Poverty and Wealth,<sup>4</sup> which was first published in 2001, does not exclusively focus on the lower margin of society, however, but also explicitly refers to the upper class. Consequent-

<sup>1</sup> On this concept, see Markus M. Grabka, Jan Goebel, Carsten Schröder, and Jürgen Schupp, "Shrinking Share of Middle-Income Earners in Germany and the US," *DIW Economic Bulletin*, no. 18 (2016): box, pp. 200–201. See also Theodor Geiger, *Die soziale Schichtung des deutschen Volkes: soziographischer Versuch auf statistischer Grundlage*, facsimile of the first edition published in 1932 (Stuttgart: 1987). On this, see also Gert G. Wagner, "Die Inflation der Mittelschicht-Begriffe führt in die Irre," *DIW Wochenbericht*, no. 51–52 (2012): 20.

<sup>2</sup> The empirical findings outlined in the present issue of *DIW Economic Bulletin* are based on an expert report compiled by DIW Econ for IG BCE (German labor union covering the mining, chemical, and energy industries) (Michael Arnold, Anselm Mattes, and Gert G. Wagner, *Zur anhaltend prägenden Rolle des Normalarbeitsverhältnisses auf dem deutschen Arbeitsmarkt* (Berlin: 2015), <https://www.igbce.de/vanity/renderDownloadLink/23242/118822>). For a discussion of these findings, see Dierk Hirschel and Ralf Krämer, "Ab durch die Mitte? Normalbeschäftigte, Prekäre und die Rolle der Gewerkschaften," *Sozialismus*, vol. 43, issue 2 (2016): 20–23. See also Hilmar Höhn, "Ab durch die Mitte: eine Replik," in: *Sozialismus*, vol. 43, issue 4 (2016): 20–25.

<sup>3</sup> Ulrich Beck, *Risikogesellschaft – Auf dem Weg in eine andere Moderne* (Frankfurt am Main: 1986); *Risk Society – Towards a New Modernity* (London 1992).

<sup>4</sup> See most recently Federal Ministry of Labour and Social Affairs (BMAS), *Lebenslagen in Deutschland: Der vierte Armuts- und Reichtumsbericht der Bundesregierung* (Berlin: 2013). See also Gert G. Wagner, "Anmerkungen zur Geschichte und Methodik des Armuts- und Reichtumsberichts," in eds. D. Hirschel, P. Paic, and M. Zwick, *Daten in der wirtschaftswissenschaftlichen Forschung – Festschrift zum 65. Geburtstag von Prof. Dr. Joachim Merz* (Wiesbaden: 2013), 51–70.

ly, the middle class is fading even further from the public and political eye. The middle class is repeatedly perceived as being “under pressure”—not least because of its fluctuating or declining income shares.<sup>5</sup>

### Who belongs to the “employee middle class”?

The present report examines one specific aspect of the development of the Federal Republic of Germany’s social structure since 1984.<sup>6</sup> It focuses on the typical or standard forms of employment of dependent employees. Earnings and income developments are not taken into account.<sup>7</sup> The focus of the analysis is the labor force, i.e., all persons aged from 18 to 67.<sup>8</sup> The data basis used is a long-term survey, the German Socio-Economic Panel Study (SOEP).<sup>9</sup> Because the SOEP was conducted for the first time in West Germany in 1984, this denotes the beginning of the present analysis. The mid-1980s are also a good starting point in terms of content since, at the time, there was very little discussion about the increase in precarious work in the West German labor market. Typical employment was still assumed to be the prevalent form. However, the fact that a large number of married women were not gainfully employed was seen more and more as far from ideal and was increasingly the subject of debate, also with regard to retirement payments to women.<sup>10</sup> There was presumably plenty of precarious employment, but this was not captured in the statistics

since activities of this type were in the informal sector (domestic services, for instance).<sup>11</sup>

Individuals in typical employment are defined as those who

- are employed (including civil servants [*Beamte*]) in a full- or part-time position (18 hours per week or more),
- are attending vocational training,
- are in continuing vocational education and training,
- or are on maternity or parental leave.

Individuals in continuing education and training or on maternity or parental leave are counted as employed because they are close to the labor market. By definition, maternity or parental leave is based on an employment contract.

Solo entrepreneurs are not dependent employees but frequently only work for one client and are sometimes even part of that company’s day-to-day operations. Solo entrepreneurs are therefore shown as a separate category here.<sup>12</sup>

The present report examines the “employee middle class” and its quantitative development. The focal question is whether, from a macroeconomic perspective, typical employment is being superseded by precarious employment.<sup>13</sup>

<sup>5</sup> See recently, for example, Gerhard Bosch and Thorsten Kalina, “Die Mittelschicht in Deutschland unter Druck,” *IAQ-Report*, no. 4 (2015).

<sup>6</sup> This covers only West Germany up until 1989, in 1990 it includes the Federal Republic of Germany and the German Democratic Republic, and from 1991 the study looks at reunified Germany. The analysis is based on the place of residence concept. Accordingly, the study includes members of the population and the labor force who are resident in Germany and excludes cross-border commuters who commute to Germany to work.

<sup>7</sup> The description and analysis of income distribution is an important issue that has been addressed separately, see most recently Grabka et al., “Shrinking Share of Middle-Income Earners.”

<sup>8</sup> This age range was selected because labor force participation under the age of 18 is low and the age of 67 will be the standard retirement age in future.

<sup>9</sup> The SOEP is the longest-running multidisciplinary longitudinal study in Germany and is funded by the German Federal and *Länder* governments as part of Germany’s research infrastructure under the auspices of the Leibniz Association at DIW Berlin ([www.leibniz-soep.de](http://www.leibniz-soep.de)). The survey is conducted by fieldwork organization TNS Infratest Sozialforschung (Munich). See Gert G. Wagner, “Das Sozio-oekonomische Panel (SOEP): Multidisziplinäres Haushaltspanel und Kohortenstudie für Deutschland – Eine Einführung (für neue Datennutzer) mit einem Ausblick (für erfahrene Anwender),” *ASTA Wirtschafts- und Sozialstatistisches Archiv* 2, no. 4 (2008): 301–328.

<sup>10</sup> See, for example, Hans-Jürgen Krupp and Gert Wagner, “Zur Notwendigkeit einer Strukturreform der gesetzlichen Rentenversicherung: Das Beispiel des Voll Eigenständigen Systems,” *Die Angestelltenversicherung* 5 (1982): 169–176; Stefan Jäkel and Ellen Kirner, “Immer mehr Frauen im Beruf: zur längerfristigen Entwicklung des Erwerbsverhaltens von Frauen,” *DIW Wochenbericht*, no. 29 (1987): 393–402. See also Ellen Kirner, Erika Schulz, and Juliane Roloff, “Vereintes Deutschland – geteilte Frauengesellschaft?: Erwerbsbeteiligung und Kinderzahl in beiden Teilen Deutschlands,” *DIW Wochenbericht*, no. 41 (1990): 575–582.

<sup>11</sup> See, for example, Johannes Schwarze, *Nebenerwerbstätigkeit in der Bundesrepublik Deutschland: Umfang und Ursachen von Mehrfachbeschäftigung und Schattenwirtschaft* (Frankfurt am Main: 1990).

<sup>12</sup> The middle class as defined here does not include individuals who are only intermittently employed, exclusively in marginal employment (mini-jobs (under 450 euros per month) or mid-jobs (between 450.01 and 805 euros per month)), in part-time employment working less than 18 hours per week, self-employed, working as an entrepreneur with employees, working as farmer, or unemployed (including registered unemployed). Persons under the age of 18 and over the age of 67 are also not considered as members of the employee middle class in the present report.

<sup>13</sup> All analyses are based on the 30th wave (v30) of the SOEP (SOEPlong format) and are subject to cross-sectional weighting using the standard extrapolation factors in the SOEP dataset. Isolated missing data for individual variables are treated as quality neutral losses, i.e., for these cases, the median value of the group analyzed is implicitly assumed. The data analyzed are for the years from 1984 to 2013. As a basis for our analysis for 1984 (only for the Federal Republic of Germany), we have available data from 12,178 respondents (16 years of age and over) in 5,863 households. For 1990, we have responses from 13,889 individuals in 6,750 households (in both the Federal Republic of Germany and the German Democratic Republic). For 1991, we have access to information on 13,587 individuals in 6,629 households (in post-reunification Germany or the Federal Republic of Germany) and for 2013, we have data on 24,228 respondents in 14,055 households. What are known as “institutional households,” including residents in care and nursing homes, are underrepresented in the SOEP. The data do not include prison inmates and contract or seasonal workers in Germany. As is the case in all other statistical surveys, care workers commuting from eastern Europe to Germany are not included (provided they do not live in Germany permanently).

The number of people working for temporary employment agencies has skyrocketed according to data from the Federal Employment Agency, from 30,000 per year in 1984 to around 800,000 per year in 2016.<sup>14</sup> However, the share of the entire labor force that this group accounts for is still only around two percent. This has no impact on the overall picture illustrating the development of typical employment which is the subject of the present study but it does mean that the scale of precarious employment is underestimated.

All analyses in the present report is descriptive, i.e., no attempt is made to disaggregate developments statistically into individual components and, based on this, to draw conclusions on causality or to make forecasts. The objective of the study is to provide a comprehensive and, to a certain extent, innovative insight into trends over the last few years or decades which will be examined in detail.

## Empirical findings

In 2013, around 40 percent of the total population was in typical employment. Of this number, just under 75 percent were in full-time employment, a good ten percent were in regular part-time employment, and almost five percent were apprentices. Just under ten percent were in the process of completing a continuing education and training course or were on parental leave (see [Figure 1](#)). A good three percent of the total population were solo entrepreneurs who are shown in a separate category.

Employment on a fixed-term contract is frequently considered to be precarious employment. According to SOEP data, in 2013, temporary jobs made up 12 percent of all typical full-time positions and 18 percent of typical part-time positions. These shares have remained the same since 2000.<sup>15</sup>

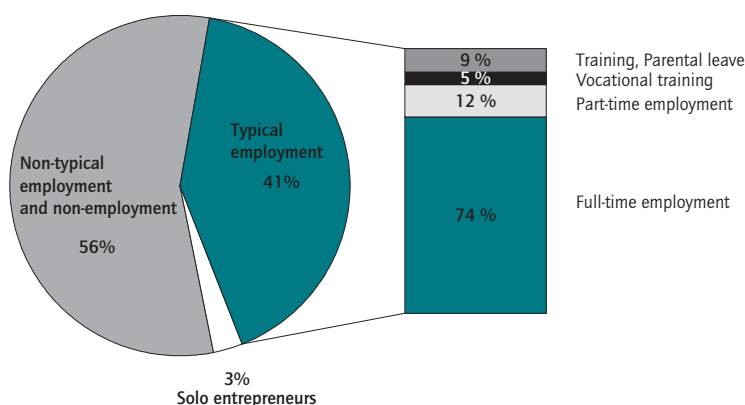
Based on the employment structure of the population aged 18 to 67, there are only minor differences between eastern and western Germany (see [Figure 2](#)) although there are still more people in full-time employment and slightly more unemployed in eastern Germany.

If we analyze the data by gender, it becomes apparent that there are still more unemployed women than men and that women are more likely to be in “other employment” which primarily comprises dependent employment with shorter working hours (see [Figure 3](#)). The gender difference is correspondingly large for full-time employment.

Figure 1

### Typical employment<sup>1</sup> in Germany (2013)

In percent



<sup>1</sup> Weighted values.

Source: Socio-Economic Panel (v30); calculations by DIW Econ.

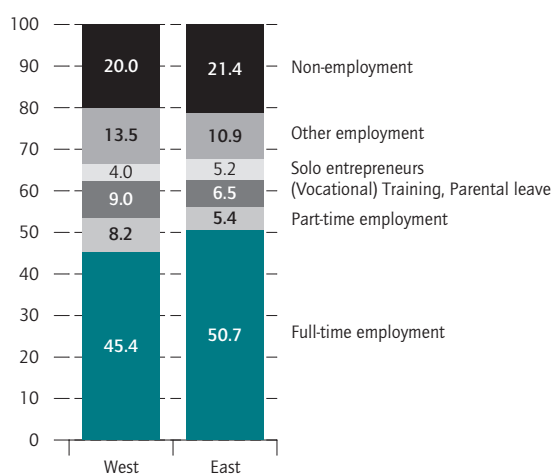
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In 2013, more than 40 percent of the total population was in typical employment.

Figure 2

### Employment structure of people in working age<sup>1</sup> in West and East Germany (2013)

In percent



<sup>1</sup> Weighted values; operationalized as the group of 18- to 67-year-olds

Source: Socio-Economic Panel (v30); calculations by DIW Econ.

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Based on the employment structure of the population in working age, there are only minor differences between East and West Germany.

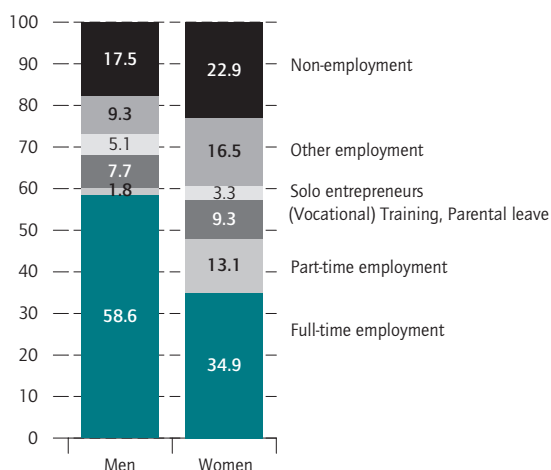
<sup>14</sup> The German microcensus shows fewer temporary workers and, according to this data, since 2010, the number has also been on a downward trend.

<sup>15</sup> Prior to the survey year 2000, temporary employees were not captured by SOEP in such a way as to allow calculating time series.

Figure 3

### Employment structure of people in working age<sup>1</sup> by gender (2013)

In percent

<sup>1</sup> Weighted values; operationalized as the group of 18- to 67-year-olds.

Source: Socio-Economic Panel (v30); calculations by DIW Econ.

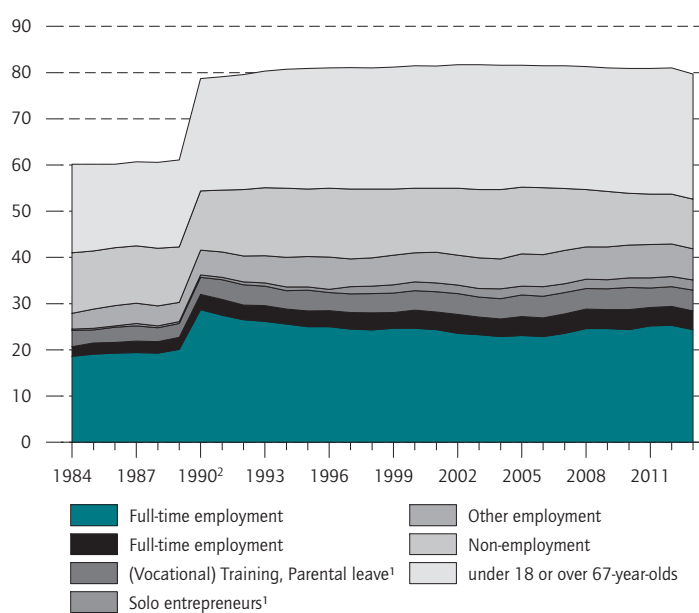
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There are still more men in full-time employment than women.

Figure 4

### Employment structure of the total population<sup>1</sup>

In million persons

<sup>1</sup> Weighted values; Minor measurement errors for solo entrepreneurs before 1997 and maternity or parental leave before 1990.<sup>2</sup> 1990 only West Germany.

Source: Socio-Economic Panel (v30); calculations by DIW Econ.

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As a result of the reunification, the population of the Federal Republic of Germany rose from around 60 million to over 80 million.

### Share of working age population in typical employment unchanged over time

A comparison of the situation in 1984 (West Germany) and in 2013 shows a decline in the prevalence of typical employment. In an analysis of the data over time, it is important to take German reunification into account (see Figure 4). As a result of the accession of the German Democratic Republic (GDR) to the Federal Republic of Germany (FRG), the population of the Federal Republic of Germany rose from around 60 million to over 80 million. Further, typical employment in full-time was virtually the only type of employment in the GDR.

However, reunification only had a relatively minor effect on the structural division of the population in the Federal Republic into employed and non-employed, for instance (see Figure 5). This was principally because former East Germans only accounted for around 20 percent of the total population of post-reunification Germany. It is also apparent that the much-debated demographic aging of the population has had barely any impact to date. Further, there has only been a very slight increase in the share of predominantly unemployed males under the age of 18 and the proportion of older persons over the age of 67. What is clearly visible is the decline in the share of unemployed in Germany since 1984 (up until 1990, this only applies to West Germany). Even compared to 1990, when labor market participation in East Germany was substantially higher than in West Germany, the share of people of working age who are not employed has subsequently fallen.

A look at the number of people of working age, operationalized here as the group of 18- to 67-year-olds, shows that the share of those not gainfully employed dropped from 32 percent in 1984 (West Germany) to 20 percent in 2013 (post-unification Germany) (see Figure 6). The decline in full-time employment after 1990, which went hand in hand with an increase in unemployment in eastern Germany, has been offset once again since 2006. Groups not belonging to the “employee middle class” (including solo entrepreneurs<sup>16</sup>) grew moderately in relation to the total number of people of working age.

These findings are in line with the trend toward an increase in atypical employment seen in recent years; this is often regarded as being commensurate with a rise in precarious employment. Normally, the shares of the different forms of employment are not given in relation to

<sup>16</sup> Until 1997, freelancers were the only group to be identified separately in the SOEP study. Other self-employed persons with no employees were included in the category “Self-employed with less than nine employees.” Since 1997, this group has also been listed separately and, together with freelancers, now forms the category of solo entrepreneurs.



the total number of people of working age, meaning the structural changes taking place among those who are actively employed are reflected. While the fact that, in relation to the number of people of working age, the share of people in typical employment today has remained virtually unchanged compared to 1984, is not reflected.

If typical employment includes those in full- and part-time employment only, as a share of the total number of people in employment, this group in fact declined from 85 to 76 percent in the period from 1984 to 2013 (see [Figure 7](#)). In relation to the total number of people of working age, the share of those in typical employment saw a slight increase from 51 to 54 percent over the same period (see [Figure 6](#)).

### Share of those in intermittent and marginal employment still low in relation to total number of employed

Marginal employment (in Germany known as “mini-jobs” as of 2003) includes individuals whose monthly salary does not exceed a given level (450 euros at present; by comparison, the 1984 level was 390 deutschmarks (approximately 199 euros)) or those who are in employment for brief sporadic periods only.<sup>17</sup> Most of these employees earn themselves no social security entitlements, when tax and social security contributions are paid by the employer only. In reality, there is a rather thin line between this form of employment and undeclared illegal work.

In the present analyses, the group containing those in other employment includes only those with a mini-job who are not regarded as being part of the employee middle class.<sup>18</sup> If, however, those with mini-jobs are placed in

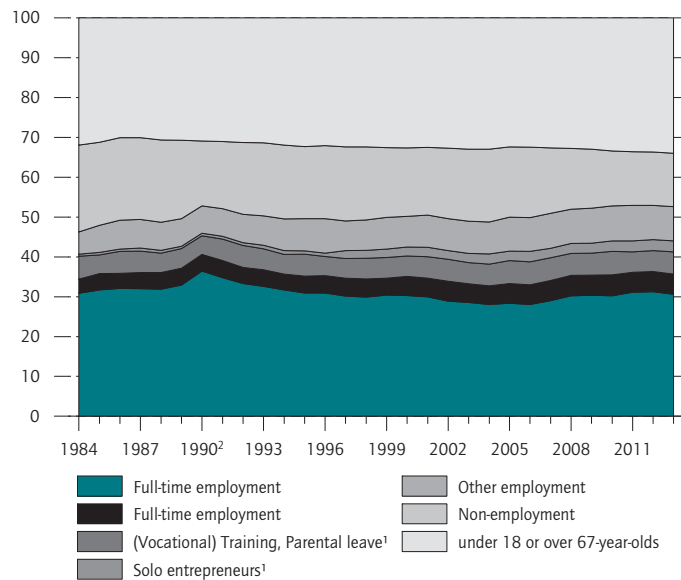
<sup>17</sup> See Wagner, “Inflation.”

<sup>18</sup> Gathering statistical data on those in marginal employment is difficult because some people with mini-jobs do not consider themselves as being in regular employment (for more information on this, see Johannes Schwarze, “Probleme und Möglichkeiten bei der Erfassung geringfügiger Beschäftigung,” *Allgemeines Statistisches Archiv* 74 (1990): 345–360; Johannes Schwarze, “Geringfügige Beschäftigung in der Erwerbsstatistik – Anmerkungen zur Änderung des Leitfragenkonzeptes im Mikrozensus und Ergebnisse des Sozio-ökonomischen Panels für 1990,” *Mitteilungen aus der Arbeitsmarkt- und Berufsforschung* 25 (1992): 534–543. For this reason, it has to be assumed that the official German microcensus does not accurately record the number of mini-jobs (see Joachim Joachim, Lutz Kaiser, Jürgen Schupp, and Gert G. Wagner, “Zur Erhebungsproblematik geringfügiger Beschäftigung: Ein Strukturvergleich des Mikrozensus mit dem sozio-ökonomischen Panel und dem Europäischen Haushaltspane,” in *Sozialstrukturanalysen mit dem Mikrozensus*, ed. P. Lüttlinger, ZUMA Nachrichten Spezial, vol. 6 (Mannheim: 1999): 93–118). The SOEP—which asks about mini-jobs in two sections (as main employment or part-time employment)—shows the number of mini-jobs to be higher. Nevertheless, the number recorded in the SOEP is still far lower than that registered with the central office for marginal employment, *Minijob-Zentrale*, where mini-jobs have to be registered. Many of those registered in the *Minijob-Zentrale* can be assumed to be nominal only, i.e., inactive records (and some mini-job holders will have more than one mini-job under different names).

Figure 5

### Employment structure of the total population<sup>1</sup>

In percent



<sup>1</sup> Weighted values; Minor measurement errors for solo entrepreneurs before 1997 and maternity or parental leave before 1990.

<sup>2</sup> 1990 only West Germany.

Source: Socio-Economic Panel (v30); calculations by DIW Econ.

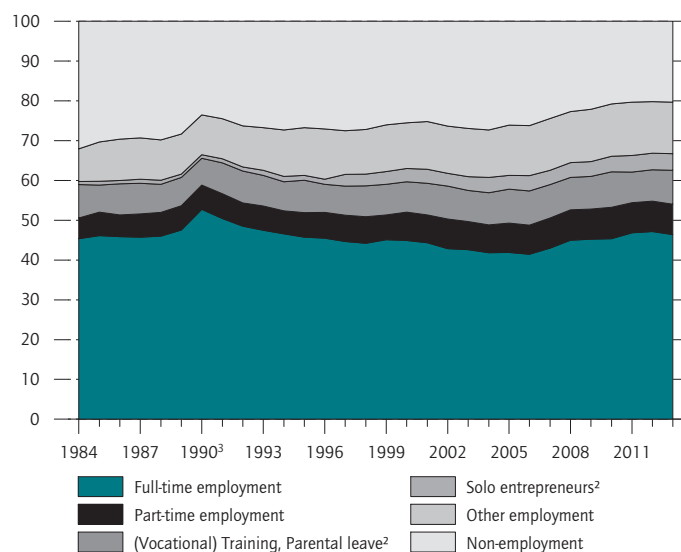
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The reunification had only minor effects on the employment structure of the total population.

Figure 6

### Employment structure of people in working age<sup>1</sup>

In percent



<sup>1</sup> Weighted values; operationalized as the group of 18- to 67-year-olds.

<sup>2</sup> Minor measurement errors for solo entrepreneurs before 1997 and maternity or parental leave before 1990.

<sup>3</sup> Until 1990 only West Germany.

Source: Socio-Economic Panel (v30); calculations by DIW Econ.

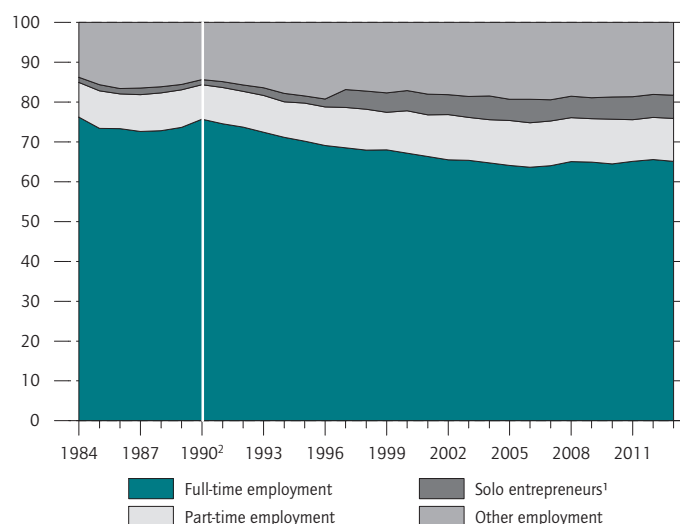
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The share of those not gainfully employed has dropped substantially since 1984.

Figure 7

**Employment structure of gainfully employed people<sup>1</sup>**

In percent

<sup>1</sup> Weighted values; Minor measurement errors for solo entrepreneurs before 1997.<sup>2</sup> Until 1990 only West Germany.

Source: Socio-Economic Panel (v30); calculations by DIW Econ.

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The share of the population in typical employment in relation to total employment has slightly decreased.

Figure 8

**Intermittent and marginal employment<sup>1</sup>**Shares in relation to the population in working age<sup>2</sup> in percent<sup>1</sup> Weighted values; Minor measurement errors for solo entrepreneurs before 1997 and maternity or parental leave before 1990.<sup>2</sup> Operationalized as the group of 18- to 67-year-olds.<sup>3</sup> Until 1990 only West Germany.

Source: Socio-Economic Panel (v30); calculations by DIW Econ.

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Those who just have a mini-job account for only a small proportion of the total population in working age.

a category of their own, the number of people in marginal employment was seen to increase considerably since the 1990s, in particular after 2002, when the German mini-job reform came into force (Figure 8). Even so, today, those who only have a mini-job continue to account for only a small proportion of the total number of people in working age.

What is beyond doubt is that those earning a living solely from a mini-job will find themselves in a rather precarious predicament if they have no investment income to fall back on. And, in fact, the number of people with a mini-job who receive means-tested unemployment benefit ("Arbeitslosengeld II") to supplement their income is not insignificant.<sup>19</sup> On the other hand, not everyone with a mini-job should be seen as being in precarious living conditions. After all, many of them will live in a household with at least one person who is in typical or other employment. Students with a mini-job will often find themselves in a difficult financial situation. Nonetheless, with the exception of students, the only mini-job holders who are in a genuinely precarious situation are those where no other person in their household is gainfully employed. This group, which has also grown in number since 1991, is relevant, although in 2013 its share of the total number of people in working age was still low at around three percent (see Figure 9).

### Solo entrepreneurs still relatively low in number

The group of solo entrepreneurs includes freelancers and the self-employed (with no employees) (see Figure 10). Around half the solo entrepreneurs are freelancers whose form of employment is not precarious *per se*; in fact, some of them have adequate or even high earnings.<sup>20</sup> Solo entrepreneurs may have gained ground over time. This is not, however, indicative of a substantial shift in the structure of employment as a result of digitalization, for example. Indeed, the number of solo entrepreneurs has even slightly decreased since 2012.<sup>21</sup>

<sup>19</sup> In June 2013, this figure was around 620,000 people: see Federal Employment Agency, *Hintergrundinformation: Neue Ergebnisse zu sozialversicherungspflichtig beschäftigten Arbeitslosengeld II-Beziehern in Vollzeit und Teilzeit* (Nuremberg: 2014): 3.

<sup>20</sup> What must be borne in mind is that the increase from 1997 to 1998 also depends on how the data is measured, i.e., before 1997, it was not possible to identify solo entrepreneurs in the SOEP because they were included in the category "Self-employed with less than nine employees."

<sup>21</sup> For more on this, see also Karl Brenke, "Selbständige Beschäftigung geht zurück," *DIW Wochenbericht*, no. 36 (2015): 790-796.



## Share of households with people in typical employment remains at a quasi-stable level

To be able to properly evaluate the social situation of people in gainful employment, the household context has to be taken into account; in other words, how many households there are with at least one person in typical employment.

The share of households with at least one person in typical employment in the total number of households has been over 50 percent since 1984 (see [Figure 11](#)). The drop from 61 to 52 percent from 1984 to 2013 is linked to the aging population. If households with older persons only (aged 67 years and above) are excluded from the analysis, one person working in typical employment can be found in two-thirds of households since 1984. Nevertheless, this share has gone down from around 76 percent (West Germany) to 69 percent (post-unification Germany) (see [Figure 12](#)). These are still more than two thirds of all households.

## Conclusion

In relation to the working age population, the share of people in typical employment, according to our definition, has not fallen since the mid-1980s (at this point in time, only West Germany was examined). On the contrary, this figure is rather stable at around 60 percent.<sup>22</sup> The share of people of working age (18 to 67 years) who are not gainfully employed, on the other hand, has fallen significantly (from almost one-third to around 20 percent). Even if certain crowding-out effects can be seen among the gainfully employed with respect to typical employment, this development has not caused a decline in typical full- or part-time employment. But a structural shift among the employed has taken place.

Solo entrepreneurs and mini-job holders (or those in marginal employment), who only played a minor role in West Germany in the 1980s, have become increasingly important in the world of employment today. Temporary work has also become more prevalent, although this can be both regular and permanent.

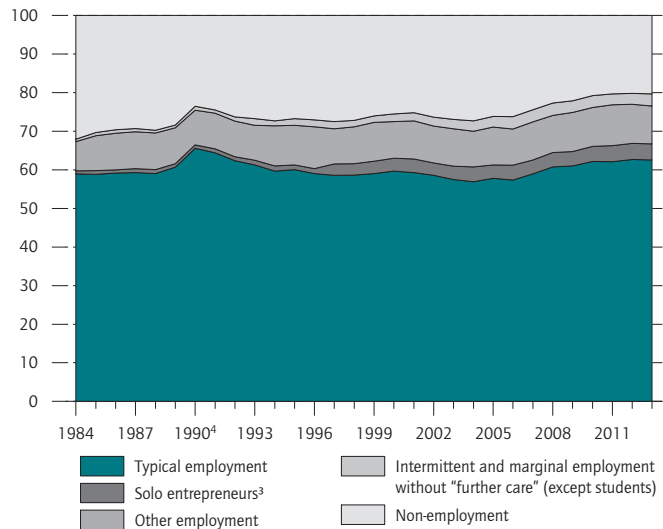
When looking at the world of employment, it must also be taken into account that there are now far more employed people who commute to Germany to work. In fact, contract workers, seasonal workers, and care workers in the informal sector are changing the picture of today's world of employment—without directly affecting the employment situation of domestic workers, however.

<sup>22</sup> Since 2013, the number of employees subject to statutory social security contributions has continued to grow and the number of people in other employment has decreased. See Johann Fuchs et al., "Beschäftigung und Arbeitskräfteangebot so hoch wie nie," *IAB Brief Report* 6 (2016).

Figure 9

### People in intermittent and marginal employment without "further care"<sup>1</sup>

Shares in relation to the population in working age<sup>2</sup> in percent



<sup>1</sup> Weighted values; People in intermittent or marginal employment (with the exception of students) living in households where no other person is in typical or other employment.

<sup>2</sup> Operationalized as the group of 18- to 67-year-olds.

<sup>3</sup> Minor measurement errors for solo entrepreneurs before 1997 and maternity or parental leave before 1990.

<sup>4</sup> Until 1990 only West Germany.

Source: Socio-Economic Panel (v30); calculations by DIW Econ.

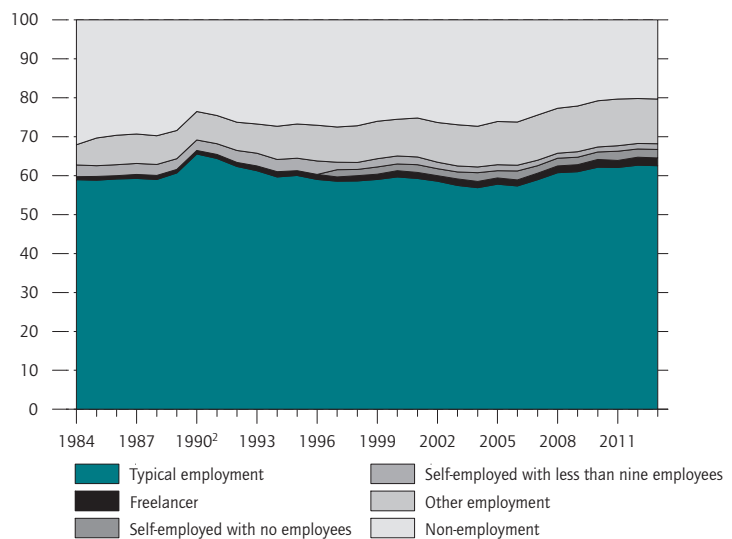
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The share of marginally employed in relation to the population in working age has increased, yet only slightly.

Figure 10

### Solo entrepreneurs

Shares in relation to the population in working age<sup>1</sup> in percent



<sup>1</sup> Weighted values; operationalized as the group of 18- to 67-year-olds.

<sup>2</sup> Until 1990 only West Germany.

Source: Socio-Economic Panel (v30); calculations by DIW Econ.

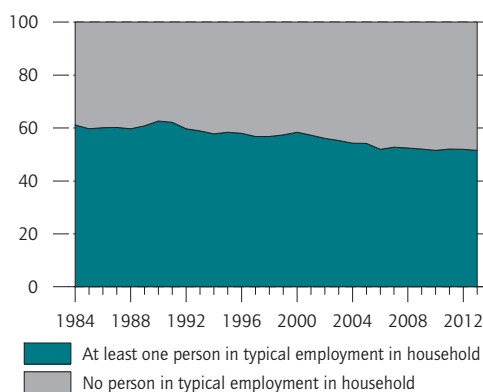
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The group of solo entrepreneurs has slightly increased.

Figure 11

### Households with at least one member in typical employment<sup>1</sup>

In percent



<sup>1</sup> Weighted values; Until 1990 only West Germany.

Source: Socio-Economic Panel (v30); calculations by DIW Econ.

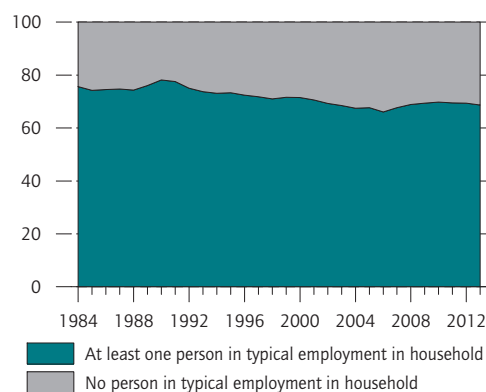
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The majority of households has one member in typical employment.

Figure 12

### Households with members in working age and at least one member in typical employment<sup>1</sup>

In percent



<sup>1</sup> Weighted values; Without households with members who are all of age 68 and above; Until 1990 only West Germany.

Source: Socio-Economic Panel (v30); calculations by DIW Econ.

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In two thirds of all households with members in working age at least one member is in typical employment.

Also noteworthy is that, despite the unchanged key role played by typical full- and part-time work, the earnings of the employee middle class are now suffering. The number of people in typical employment has not decreased, but their earnings situation has deteriorated considerably.<sup>23</sup>

Under no circumstances is the increase in atypical employment the result of a natural shift to a risk society,<sup>24</sup> but it can be accounted for by developments associated with political decisions in Germany. This includes, in particular, the reforms that were implemented as part of the so called "Agenda 2010 program": a more liberal approach to employee leasing and more relaxed regulations for mini-jobs, which both led to a clear increase in this form of employment,<sup>25</sup> or the at times heavy subsidizing of start-ups set up by the unemployed. All of this occurred at a time in the years 2000 to 2005 when unemployment was high and stimulated growth in atypical employment. Subsidies for start-ups set up by the unemployed have since been cut back, and there is still the possibility that mini-job privileging could be abolished.<sup>26</sup>

<sup>23</sup> See Grabka et al., "Shrinking Share."

<sup>24</sup> See also Gert G. Wagner, "Wir sind der Risikogesellschaft nicht ausgeliefert," *DIW Wochenbericht*, no. 25 (2011): 32.

<sup>25</sup> See Grabka et al., "Shrinking Share."

<sup>26</sup> See Grabka et al., "Shrinking Share."

A number of other aspects also have a less than favorable effect on typical employment:

First, there continues to be a lack of childcare availability,<sup>27</sup> meaning that often both parents—and single parents in particular—are unable to pursue typical employment. Second, if we take a look at the means-tested student financing scheme BAFöG, it can be seen that, in real terms, BAFöG assistance has been cut to such an extent that nowadays, students from low-income families are no longer able to count on receiving financial support and often have to take on a mini-job to finance their studies. Third, to date, self-employed individuals have not been paying into the statutory pension fund, nor are they obligated to take out accident insurance, unlike those in employment. This ultimately means people are entering into and remaining in a form of employment where their earnings do not allow them to make provision for old age. The first two developments may still be turned around, while for self-employed people who have not made sufficient provision, one option might be to introduce mandatory pension and accident insurance. This would be an incentive to make precarious employment less attractive and give a boost to typical employment instead.

<sup>27</sup> See, for example Kai-Uwe Müller, C. Katharina Spieß, and Katharina Wrohlich, "Rechtsanspruch auf Kitaplatz ab zweitem Lebensjahr: Erwerbsbeteiligung von Müttern wird steigen und Kinder können in ihrer Entwicklung profitieren," *DIW Wochenbericht*, no. 32 (2013): 3–12.

## TYPICAL EMPLOYMENT

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Precarious employment is particularly pronounced among foreigners. However, the relevant figures are not represented in the usual statistics: contract workers from abroad, many of whom live and work in appalling conditions in Germany, seasonal workers in the asparagus and

fruit picking sectors, and, last but not least, thousands of women who do “freelance” care jobs in private household. Unfortunately, these groups are lacking strong representation in Germany.

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#### EIGHT QUESTIONS TO GERT G. WAGNER

## »Employment subject to mandatory social security contributions is anything but outdated«

1. Professor Wagner, in the 1980s, sociologist Ulrich Beck posited in his book *Risikogesellschaft* (published in English as "Risk Society" in 1992) that working conditions would become increasingly complex. Employment subject to mandatory social security contributions would decline and precarious employment would increase. Has this happened? No, it hasn't. Although precarious jobs have become more common, particularly since the turn of the millennium, employment subject to mandatory social security contributions has not declined. And in recent years, it has actually risen considerably.
2. How does that work? It's quite simple: more people are in paid work. And many of those who had not previously been in work are now in what is known as precarious employment. However, the expansion of jobs in this area did not occur at the expense of employment subject to mandatory social insurance contributions.
3. Does that apply equally to men and women? If we differentiate by gender, there is a big difference in the drop of economic "inactivity". This is essentially a decline in the number of women who previously ran households. Incidentally, this was also a quite a risky way of life. For example due to increasing divorce rates.
4. How large is the share of workers in employment subject to mandatory social security contributions? Those in employment subject to mandatory social security contributions and civil servants make up about half of all people of working age. In terms of individuals actually in gainful employment, the share is even higher. Temporary employment has been widely discussed but this only accounts for around two percent of total employment. And temporary employment also existed in the 1980s: since 2000, the share of all employees has remained constant at around 13 percent. I think a particularly important fact is that the share of households in which at least one person is of working age and at least one person is in employment subject to mandatory social security contributions or is a civil servant is around two-thirds.
5. What is the trend among solo entrepreneurs and those in marginal employment? After the turn of the millennium, an increase particularly in solo entrepreneurs and those in marginal and/or intermittent employment was observed. Meanwhile we know that this share has remained constant for years. Solo entrepreneurship has even declined in most recent years.
6. How can this be explained? Solo entrepreneurship was, to a certain degree, invented and promoted when we had high unemployment. This is no longer the case and solo entrepreneurs are now using the opportunity to re-enter regular employment subject to mandatory social security contributions.
7. Since the turn of the millennium, labor policies have led to a proliferation of mini-jobs. What do you think of this measure? It was never necessary, in my opinion, to seek to promote this type of employment. In my view, the privileging of mini-jobs in terms of taxes and social security contributions should simply be abolished. Mini-jobs represent a trap for many workers. Experience shows that once you have a mini-job, it is not so easy to move into another type of employment. In addition, a large proportion of mini-jobs are performed by students. Under the given conditions, they are reasonable and necessary for this group. Here, I would propose more educational grants so that students do not have to work on the side and can quickly achieve their study goals.
8. Do you think typical employment will continue to be the norm in the future, or do you see trends that show other developments? Personally, I am convinced that typical employment will continue to be the norm and represent the large majority. Much of what is currently being discussed in relation to "crowd workers" or the "gig economy" is, as I see it, simply a phenomenon of the features section of newspapers (*Feuilleton*). But this does not mean we shouldn't try to improve insurance conditions for the self-employed. I personally think that self-employed who are not already covered by special insurance schemes, like lawyers, could be included in statutory accident and pension insurance schemes.

Interview by Erich Wittenberg