

Schulze Buschoff, Karin; Hassel, Anke

**Research Report**

## Rising employment, rising inequality: Examining labour market development and policy in the third Merkel Government (2013 to 2017)

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# STUDY

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# RISING EMPLOYMENT, RISING INEQUALITY

Examining labour market development and policy in the  
third Merkel Government (2013 to 2017)

Karin Schulze Buschoff, Anke Hassel

## ABSTRACT

The German labour market has developed positively in the third term of the Merkel Government. The stable upward trend of the labour market is largely attributable to an increase in part-time employment, often in the service industry and in the low-wage sector. The increased magnitude of employment in the low-wage sector contributed to the solidifying of inequalities in income levels, despite the steady upward trend of employment in general.

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## Introduction

Labour market policy is one of the most important political topics for the governments of the developed industrial countries. Such things as individual prosperity, the quality of life, and economic success are all closely entwined with what is happening on the labour market. A government's legitimisation and its chances of re-election are directly dependent on its track record in this political field. Because employment plays such a key role, unemployment and labour market policy are central to the political debate (Blancke and Schmid 2003: 215; Schmid 2017).

Since the introduction of the Employment Promotion Act (AFG) in Germany in 1969, this fundamental instrument for labour market policy has been supplemented and modified through numerous amendments. Labour market development up to the 1990s was often described by social science researchers as a kind of incremental transformation characterised by continuity and path dependency. In later years, however, the increasing speed and increasing depths of the reforms have been diagnosed as significant path breaks (Mohr 2012, Knuth 2012).<sup>1</sup> The so-called Hartz reforms in particular (which were tied to the Job-AQTIV Act introduced in 2001 by the first red-green coalition) are construed as paradigm shifts by labour market policy specialists (Oschmiansky, Mauer and Schulze Buschoff 2007; Bothfeld/Sesselmeier/Bogedan 2012; Mohr 2012; Hassel and Schiller 2010). One of their central propositions is that, since the 1990s, a large number of smaller and larger legislative changes, and the developments in the job-placement practices and incentive programmes attendant to or running parallel with them, have cumulatively led to a paradigm shift from an active to an activating labour market policy (Oschmiansky, Mauer and Schulze Buschoff 2007). The phrase 'activating policy' describes an interventionist kind of labour market policy aimed at providing unemployed individuals with larger incentives for taking on jobs (Spannagel, Seikel, Schulze Buschoff, and Baumann 2017).<sup>2</sup>

The Hartz reforms were a response to the large problem of persistently high unemployment rates in Germany. By the year 2017 the problem and the pressures associated with it no longer existed. In the third term of the Merkel Government the trend in the German labour market was more positive. The reason for this upward trend in employment was—despite the European economic crisis—the stable German economy and a strong increase in employment participation, especially of women and older people. Against this background, a certain 'weariness' regarding labour market policy was

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<sup>1</sup> Path dependency describes the stability of institutionalised structures (or their resistance to change) as a precondition of political action resulting from solidified social expectations and interests (Pierson 2000).

<sup>2</sup> On the basis of the literature on this subject, three central dimensions of an activating labour market policy can be identified: (1) an actively investing labour market policy, which means investing in measures for (re-)establishing or maintaining labour market suitability (employability), (2) the conditionality of transfer payments, which means paying benefits in exchange for an expected action in order to increase the willingness of unemployed individuals to take on a job, and (3) the re-commodification of manpower, which means emphasising the need to take on a job in order to make one's own living. All of these measures are aimed at increasing employability, availability, and personal responsibility (Spannagel, Seikel, Schulze Buschoff, and Baumann 2017).

identifiable in the 2017 election programmes of the political parties (Sell 2017), despite the fact that labour market policy had traditionally been a central topic in their election campaigns.

But with this upward trend in employment came an increase in wage dispersion and a growing low-wage sector. The special challenge for labour market policy in the third term of the Merkel Government (2013 to 2017) was therefore the growing inequality on the labour market despite all-time highs in employment rates, which shaped labour market policy in this period. In contrast to earlier times, the biggest challenge was not coping with mass unemployment, but with the problems resulting from increasing inequality in the labour market despite high employment rates. The focus of labour market policy was therefore more on improving the quality of labour and labour rights than on reducing high unemployment rates. This implies first steps to a shift from 'more jobs' to 'better jobs'.

Other challenges included the problem of the firmly entrenched, long-standing unemployment, the growing numbers of the working poor, the integration of refugees, and the consequences of the digitalisation of labour.

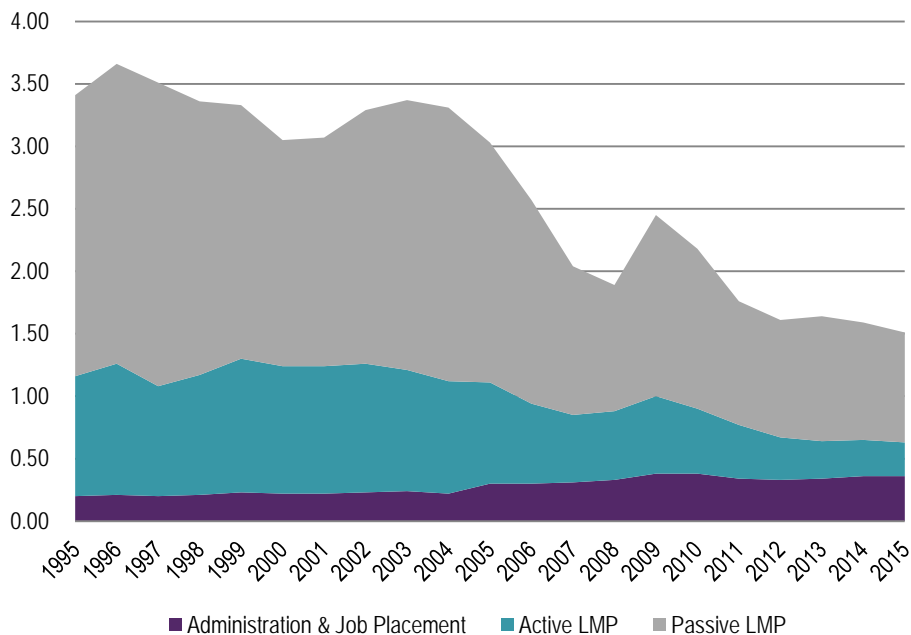
## **1 Development of the labour market during the 18th legislative period**

At the end of the 18th legislative term in 2017, the European economy had risen more than it had done since 2007, with economic development also reflected in the labour market. Employment has tended to increase across Europe since 2013. Germany is in line with the European trend and is a leader in the development of employment rates. In comparison to other European countries, Germany had one of the highest employment rates in 2017, at 75.4 per cent after Sweden (76.9 per cent) and the Netherlands (76.2 per cent) (Bundesagentur für Arbeit 2018).

During the third term of the Merkel Government (2013 to 2017) the German labour market continued its positive development. This upward trend began eleven years previously and continued with only one short interruption during the 2009 crisis (IAB Brief Report 9/2017). Employment increased after 2005 by around five million, reaching its highest level ever in December 2017 with over 44 million (Federal Statistical Office 2018). The employment rate—measured by the percentage of paid workers in relation to the employable population between the ages of 15 and 64—rose from 65.4 per cent in 2005 to 75.4 per cent in 2017 (OECD 2018). This is a remarkable increase not only when compared to international figures but also in relation to long-term changes (Eichhorst et al. 2017). In recent times there are even signs of growth in jobs for which payment of social security contributions is obligatory, after a longer period of stagnation or longer periods of decline in this sector. The number of such jobs in November 2017 stood at 32.8 million compared to 26.7 million in the autumn of 2005 (statistics of the Federal Employment Agency 2018). Commensurate with the positive developments in employment, the expenditure for labour market policy—as a percentage of gross domestic product—had dropped considerably (see

Figure 1, this refers to expenses for 1. administration and employment services, 2. further qualifications, retraining and other measures of active labour market policy and finally 3. (passive) wage replacement benefits, i.e. unemployment benefits).

Figure 1: Development of expenditure for labour market policy per area in percentage of GDP, 1995–2015

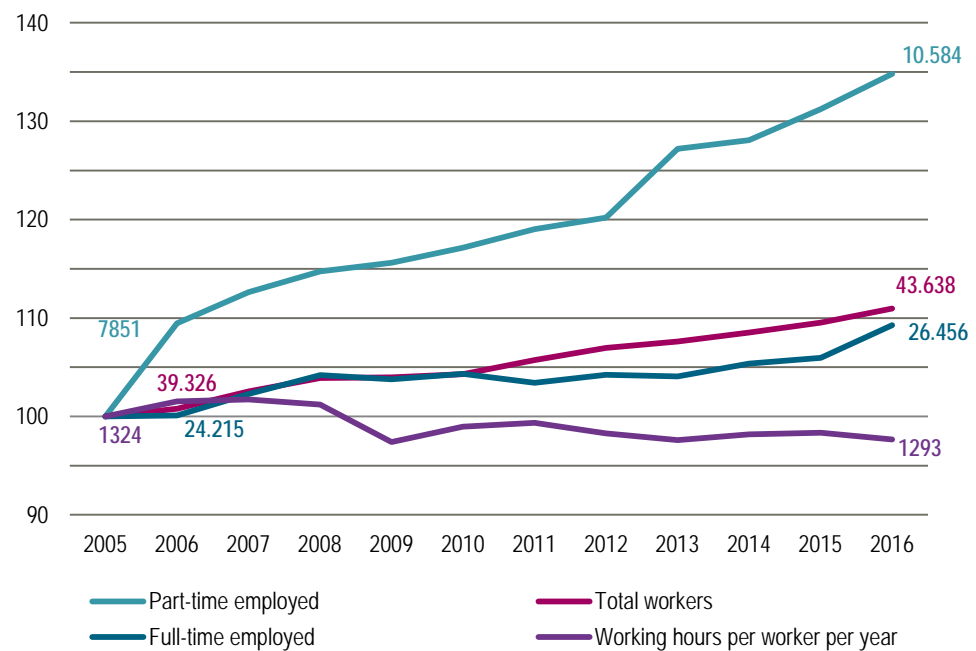


Source: OECD data, data extracted on 7 February 2018 09:17 UTC (GMT) from OECD.Stat, <http://stats.oecd.org/>



What must be observed, however, is that in the latter years of the period employment developed far more positively than the average number of hours worked per employed person per year. In the eleven-year period from 2005 to 2016, this number even dropped by 3.3 per cent. The main reason for this being the increase in part-time employment, which includes the so-called *geringfügige Beschäftigung*, i.e. employment relationships of short-term duration or where income is capped at a statutorily defined amount. The employment figures in this sector alone increased by more than 2.7 million between 2005 and 2016; an increase of 35 per cent, (Destatis 2018, see Figure 2). By comparison, the number of employees in full-time employment relationships rose in the same period of time by around 2.2 million; only 6.8 per cent.

Figure 2: Development of employment and hours worked over a period of time (beginning in 2005)



Source: Destatis 2018, author's calculations.

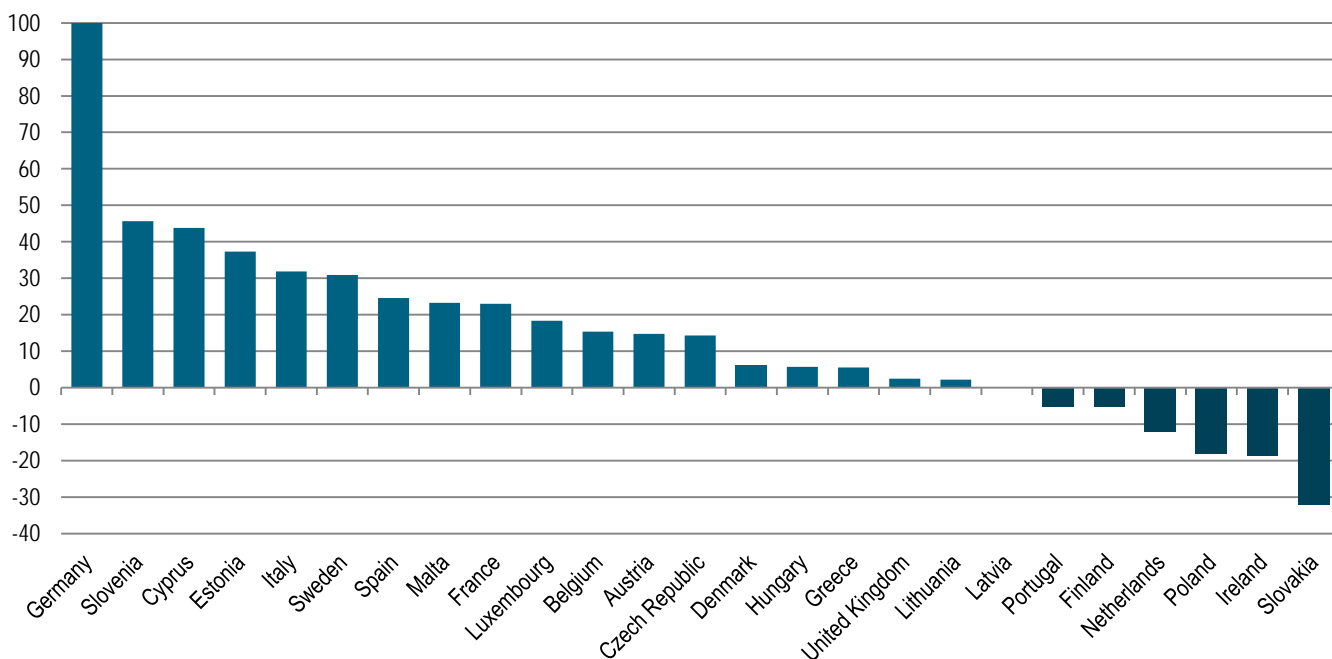


The positive labour market development is therefore largely attributable to an increase in part-time employment, often in the service industry and in the low-wage sector. The increased magnitude of employment in the low-wage sector contributed to the solidifying of inequalities in income levels, despite the steady upward trend of employment in general (Spannagel 2015; Spannagel, Seikel, Schulze Buschoff, and Baumann 2017). Worth noting are the findings that Germany, in the period 2004 to 2014, exhibited the highest increase in working poverty in comparison to other countries (Spannagel, Seikel, Schulze Buschoff, and Baumann 2017, see Figure 2).<sup>3</sup> This weak development in income levels leads to the further polarisation of rich and poor households. The growth of the low-wage sector accelerated after the year 2000 in the wake of the so-called 'workfare' elements:<sup>4</sup> increased deregulation of the labour market, cuts in transfer payments, and more stringent job-acceptance regulations, i.e. increased pressure on unemployed persons to accept jobs, including low-qualified and low-wage jobs (Adamy and Kolf 2016).

<sup>3</sup> Working poverty is deemed to exist if a working person lives in a household in which the disposable income is below the poverty line (60% of the average income level).

<sup>4</sup> Workfare is a concept of labour market policy created in the USA in the 1990s. It couples the receipt of state transfer payments with the obligation to accept a job. The word was created as a combination of work and welfare.

Figure 3: Changes in the working poverty rates 2004–2014 - in percentages (2004=100) of workers between the ages of 18 and 64



Source: Spannagel et al. 2017, p. 7.



The job placements made by the Employment Agencies and Jobcentres in atypical types of employment appear problematic in connection with the stricter job-acceptance regulations and the reforms, which caused a reduction of the period for which unemployment benefits can be collected. Lo, Stephan, and Wilke (2013) show that although these reforms led to speedier transitions from unemployment to employment, the quality of such employment in terms of wage levels deteriorated in the process. Another problem is the reduction of the funding available to the Federal Employment Agency (BA) for vocational and continuing education programmes for job seekers.<sup>5</sup> Studies conducted by the Institute for Employment Research (IAB) confirm that individuals who take part in occupational re-training programmes have a significantly higher likelihood of being employed in jobs for which the payment of social security contributions is obligatory than those who have not taken part in such programmes (Kruppe/Lang 2015).

The steady upward trend in employment in recent years has therefore been accompanied by increasing wage dispersion and a growing low-wage sector. But at the same time, the labour market is becoming a market characterised by jobs requiring higher qualifications and increasingly specific

<sup>5</sup> The spending on continuing vocational education programmes has been cut perceptibly in the last years. Between 2000 and 2005, funds were cut significantly for the continuing vocational education programmes for both groups; job promotion (SGB III) and basic social security benefits for job seekers (SGB II). There have been fewer than 200,000 enrolments per year in these programmes in recent years. The number of enrolments rose to 500,000 between 2006 and 2009 but have stagnated since 2011 at around 300,000 per year (enrolments in SGB II and SGB III vocational continuing education programmes between 2001 and 2015; <https://www.bibb.de/datenreport/de/2017/63785.php>).



knowledge bases, whereas jobs in the mid- and lower qualification segments are suffering either through a lack of need for certain types of work or through a deterioration of working conditions (Eichhorst et al. 2017).

The steady upward employment trend is accompanied by a perceptible decline in unemployment. The annual average of unemployment was expected to sink by 100,000 persons in 2017, and thereby reach the lowest unemployment level since 1990 (IAB Brief Report 9/2017). These additional jobs were being filled, however, by the so-called 'hidden manpower reserves' rather than by those who were already unemployed. The problem of the solidification of long-term unemployment remains largely unresolved. More than a third of all unemployed individuals have been unemployed for more than one year and are therefore deemed to be long-term unemployed. The number of these is still around one million. The overall tendency is therefore a segmentation of the labour market. On the one side there is a large demand for skilled labour, and on the other a solidification of long-term unemployment and increasing wage inequalities.

## **2 Labour market policy of the black-red coalition 2013 to 2017**

The majority of the labour market reforms enacted between 2013 and 2017 can be classified as re-regulatory measures, i.e. as measures for strengthening employee rights. The most important of these was the Act to Strengthen the Autonomy of Collective Bargaining Agreements (*Tarifautonomie-stärkungsgesetz*) with the introduction of the generally applicable statutory minimum wage and the laws against abusive practices in relation to agency workers and in relation to contracts for work and services (*Werkverträge*)).

### **Act to Strengthen the Autonomy of Collective Bargaining Agreements**

The introduction of the generally applicable statutory minimum wage on the basis of the Minimum Wage Act (MiLoG) of 11 August 2014 was the main project of the 2013 to 2017 coalition government in the area of labour market and collective bargaining policy. The minimum wage was introduced through the Minimum Wage Act (MiLoG), which was anchored in Article 1 of the Act to Strengthen the Autonomy of Collective Bargaining Agreements. Through the latter act, amendments were also made to other laws such as the Collective Agreements Act (TVG) and the Posted Workers Act (AEntG).

The statutory minimum wage of €8.50 per hour had applied since 1 January 2005 and was increased to €8.84 on 1 January 2017. There are exceptions to the minimum wage, certain groups are not covered; adolescents, trainees, the long-term unemployed and newspaper deliverers. Exceptions are also allowed for a maximum of two years in sectors in which generally binding [on parties external to the] collective bargaining agreements of represented bargaining parties exist. The statutory minimum wage is supplemented by any minimum wages already in effect for a longer time

in a sector and by the minimum wage requirements applicable to public contract awards. The amount of the minimum wage is determined by an ordinance issued by the Federal Government on the basis of a recommendation made by the standing commission of the bargaining partners (Minimum Wage Commission). The Commission is newly appointed every five years by the Federal Government. It is made up of a chairperson, three standing members with voting rights from the employee side and three from the employer side, and two members without voting rights from the scientific community.

Through the Act to Strengthen the Autonomy of Collective Bargaining Agreements, the universal applicability of collective agreements on parties external to the agreements was also amended. The former 50% quorum required in order for collective bargaining agreements to be binding on parties external to them was replaced by a requirement of 'public interest' (on joint application of the bargaining parties). In addition, the scope of application of the Posted Workers Act (AEntG) was extended to include all sectors.

### **Act on the Uniform Application of Collective Bargaining Agreements**

Following intensive public debate and two ministerial drafts, the Act on the Uniform Application of Collective Bargaining Agreements was passed by the Bundestag in May 2015. The background to it was a decision made by the Federal Labour Court (BAG) in 2010 (4 AZR 549/08) in which the court did away with the principle that only one collective bargaining agreement could apply uniformly to a group of employees, the result being that different collective bargaining agreements of two competing trade unions could then apply simultaneously to the same group of employees. This typically concerns cases in which the trade unions of the DGB (German Trade Union Confederation) and other trade unions are both active in the same collective bargaining area. According to the new legislation, such 'colliding collective agreements' are to be resolved through a majority principle: The collective bargaining agreement that was concluded by the trade union with the majority of members in the business operations is to apply. The minority trade union is to be afforded the right to subsequently conclude a collective agreement with the employer side under conditions identical to the collective agreement of the majority (Bispinck 2014).

The majority of legal academics were critical of this. Some expressed doubts about the constitutionality of the intended provisions (Däubler 2015, Dieterich 2014), while others (additionally) questioned the practicability of a statutory regulation on the uniform application of collective bargaining agreements and the appropriateness of such a regulation to deal with such a problem. Discussions were also reopened regarding recommendations on the direct statutory regulating of strikes and lockouts in the case of companies providing public (utilities) services (Franzen, Thüsing, Waldhoff 2012).

In 2017 the Federal Constitutional Court in Karlsruhe dismissed most of the actions brought by several trade unions. And although the court declared that the act was fundamentally compatible with the Basic Law (the constitution), it laid down precise requirements on how it was to be applied (Federal

Constitutional Court, ruling of the First Senate of 11 July 2017, BvR 1571/15–para. (1–24)).

### **Laws against abusive practices in relation to agency workers and contracts for work and services**

Another project that was anchored in the coalition contract was tackled after lengthy deliberations and criticism, especially on the side of the business sector. Legislation was passed at the end of 2016 that was aimed at preventing abusive practices in relation to agency workers (*Leiharbeiter*) and contracts for work and services (*Werkverträge*).

The main thrust of the legislation is the introduction of a ceiling of 18 months for temporarily outsourcing workers to other business operations. After this time, agency workers must be taken on permanently by the business operation if they are to continue working there. The parties to a collective bargaining agreement applicable to a specific employment sector may agree on a longer outsourcing period. The basic rule is now the ‘equal pay’ principle, i.e. equal pay for equal work in a business operation. Only in the first nine months in which the employee is temporarily working can this rule be digressed from. Collective agreements that provide for bonus wages for agency workers in certain sectors and for a graduated equalisation of wages [between permanent workers and those temporarily contracted] can exempt employers from the ‘equal pay’ rule for up to 15 months. Agency workers may not be used during a strike to perform the work of those permanent staff members who are on strike.

The act is also meant to prohibit the disguised temporary hiring out of employees (so-called ‘pseudo contracts for work and services’). The temporary hiring out of employees must be expressly referred to as such in the contract. This is meant to prevent the use of pseudo contracts for work and services and the disguised temporary hiring out of employees. Without a license to hire out temporary workers, employment contracts between temporary employment agencies and agency workers are invalid and the relationship between the agency and the agency worker is deemed to be a regular employment relationship (Bäcker 2017).

### **Integration Act**

The new Integration Act came into force on 31 July 2016. It was the legislator’s response to the large number of refugees that entered Germany in 2015. It contains, among other things, amendments to the residence restriction, employment possibilities for refugees, and cuts in benefits. The Integration Act makes provision for those refugees with a perspective of being allowed to stay in Germany to receive offers from the state at an early point in time. They are put under the obligation in return to make clear efforts to integrate themselves into society. Asylum seekers who refuse to take part in integration programmes or refuse to fulfil their cooperation duties will have their benefits reduced. In addition, the so-called ‘tolerated persons’ (*Geduldete*), i.e. persons whose deportation has been temporarily suspended, have a right to stay in Germany for the entire duration of their vocational training programme and during the employment period following

on from it. This is meant to provide them and the businesses training them with legal certainty. To prevent too many refugees from moving to the densely populated urban conurbations, the German federal states have the right to dictate their place of residence in the first three years. In order to make it easier for refugees to find work, the Federal Employment Agency (BAG) is waiving the so-called priority review<sup>6</sup> for three years in certain regions.

### **Digitalisation debate**

The 2013 to 2017 term of the Merkel Government is also characterised by the debate surrounding the impact of digitalisation on the labour market. The trade unions were critical of digitalisation from the 'humanisation' point of view. Employers on the other hand demanded more flexibility when it came to the use of workers in order to meet the requirements of the digital working world. The publication of the 'White Paper on Work 4.0' in November 2016 was the result of a public dialogue process begun by the Federal Ministry of Labour and Social Affairs (BMAS) in April 2015 in the form of a Green Paper and fervently promoted since (BMAS 2016). 'Arbeiten 4.0' (Work 4.0) is the much-needed supplement to the discussion on the digitalisation of the economy, which was conducted in Germany primarily under the heading 'Industrie 4.0'. Business associations, trade unions, and business enterprises were consulted by the BMAS and asked for their opinions. The overriding question was: How can we sustain or even strengthen the guiding model 'good work' in the face of digital and societal transformations? The White Paper provides the first answers to this and other questions. One suggestion is to invest early in strengthening vocational qualifications and in improving advancement perspectives. The idea is to provide support early and not wait until there is an immediate danger of an individual becoming unemployed. The approach was originally developed by Günther Schmid (2011) and was further taken up, i.e. to extend *unemployment* insurance step by step to an *employment* insurance in order to provide working people with more preventative support. The perspective being aimed at is that of a right to continuing education. The White Paper also discusses a proposal for a law on working hours, which would provide workers with more options in terms of working hours and work location. Another suggestion is to include self-employed persons in the statutory old-age pension scheme in the same way as dependent employees.

## **3 Conclusion/Outlook**

The labour market situation in Germany has improved considerably in recent years; measured by the percentage of paid workers in relation to the employable population. The unemployment rate has also dropped considerably. This remarkable drop in unemployment, over a relatively short peri-

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<sup>6</sup> Formerly the issuing of a work permit always required that the Federal Employment Agency first make a review as to whether national employees, who have priority rights, are available for the job (priority review).

od of time, is perceived as being predominantly attributable to the success of the so-called Hartz reforms. But as to the actual contribution of these reforms to economic stability and to the upswing in the labour market is something that remains a matter of debate among academics. The more positive interpretations on the one side (Walwei 2017) are set against more critical interpretations on the other, i.e. that the only thing the reforms did was accelerate the move into employment for the short-term unemployed and simultaneously increase atypical kinds of employment. Although it is true that the number of unemployed individuals has dropped significantly since the Hartz reforms, the problem is that only a fraction of them have found regular forms of employment (Rothe and Wälde 2017).<sup>7</sup> It continues to be emphasised that the reduction in the workforce caused by demographic reasons represents one of the main reasons for the reduction in unemployment figures (Knuth 2014).

Despite the positive developments in employment, long-term unemployment in particular has more or less stagnated since around 2011. A variety of 'legal instrument reforms' have done nothing to change this solidification of long-term unemployment and the polarisation of the labour market. The healthy state of the labour market has also done nothing to alleviate or to solve the problem of working poverty (Spannagel, Seikel, Schulze Buschoff, and Baumann 2017). 'Activation', the core paradigm of the Hartz reforms, does not appear to be the cure-all for this problem. Although on the one side employment rates have risen, the quality of some job conditions has declined.

The period of time from the mid-1980s to the end of the first decade of this century was characterised by a continuous deregulation of employee rights. Both the 3<sup>rd</sup> Merkel Government and the previous Federal Government initiated re-regulation measures aimed at strengthening employee rights (Eichhorst and Hassel 2018). These were carried out against the backdrop of a significantly improving labour market in the past decade (Walwei 2015).

Consequently, the main thrust of the core reform projects of the recent legislative period – the introduction of the statutory minimum wage, the strengthening of the autonomy of collective bargaining, and the prevention of abusive practices with respect to agency workers and contracts for work and services – has once again been to improve the quality of employment. These reforms therefore focus more on labour market conditions and less on the supposed behavioural deficits of the unemployed, which was what the 'activation' paradigm was aimed at.

The introduction of the statutory minimum wage is regarded as one of the most significant labour market and socio-political reforms to strengthen

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<sup>7</sup> The calculation of the number of net departures from unemployment between January 2007 and December 2009 shows that only a very few of those involved a move to a regular job. Of the former unemployed, only 9 per cent took full-time jobs and only 4 per cent took part-time jobs for which the payment of social security contributions is obligatory. Much more important were the so-called minijobs at 15 per cent, job-creation programmes at 19 per cent, and continuing education programmes at 12 per cent. Retirement was chosen by 28 per cent (Rothe and Wälde 2017).

employee rights in Germany in recent decades. It was a hotly disputed reform, dominated by the fear of job losses and the fear that Germany would lose its attractiveness as a business location. But none of the negative effects that the minimum wage was feared to bring to the labour market have materialised. Rather than causing any notable job losses, it has provided workers in the low-wage sector with above-average wage increases. And employment in Germany has continuously risen, contrary to what was feared. What the minimum wage has done is cause the development of the low-wage sector to slow down (Amlinger, Bispinck, and Schulten 2016).

The introduction of the statutory minimum wage was part of the Act to Strengthen the Autonomy of Collective Bargaining Agreements. What was also facilitated by this act was the process for declaring collective bargaining agreements to be generally binding for external parties. But in light of the fact that the percentage of sector-related, generally binding collective agreements is still only 1.5 per cent, the procedures anchored in the act that are meant to make this easier have not brought about any change. It is primarily the employer associations that are in strict opposition to such declarations of generally binding agreements (Schulten 2017).

Among the reform projects that are aimed at strengthening employee rights is also the act on agency work and contracts for work and services. The clear objectives of this reform package, namely the prevention of abusive practices in relation to agency work and contracts for work and services, were watered down during the course of the legislative process. While improvements were introduced for agency workers, the regulations on the contracts for work and services were watered down in response to the unrelenting criticism from the employer side. The act does little to improve the creation of an effective demarcation between abusive and proper contracts for work and services. This is because the originally planned list of criteria is missing. This list was intended to help clarify whether individuals are really working as self-employed persons or whether they are 'pseudo' self-employed persons who are actually working in a dependent employment relationship. The latter case would be deemed to be a regular employment relationship for which the employer would have to pay social security contributions for the employees. The omission of this list of criteria significantly weakened the draft bill. And although the act confirms the rights of works councils to be informed, their rights of codetermination are not (Absenger et al. 2016).

The primary aim of the Integration Act, which came into force in 2016, is not the strengthening of employee rights but the integration of refugees. It sets out the rights and obligations needed to foster integration, especially in relation to the labour market. That refugees can be ordered to live in specific locations could, however, prove counterproductive. Ordering refugees to live for example in economically weak areas prevents them from successfully integrating themselves into the labour market. The tightening of the rules regarding the issuing of unrestricted residence permits (*Niederlassungserlaubnis*), which means that refugees would run the risk of obtaining only limited residence permits (*befristeter Arbeitstitel*), could make integration more difficult rather than easier.

The core reforms in the area of labour market policy (and collective bargaining policy) in recent years—including the introduction of the statutory minimum wage, the strengthening of the autonomy of collective bargaining, and the prevention of abusive practices in relation to contracts for work and services and agency work, were therefore aimed at strengthening employee rights, even if such aims were partially watered down during the legislative process or at the implementation stage. The first steps towards re-regulating or newly regulating the labour market have therefore been made. The next logical step would be to introduce further measures to constrain the low-wage sector and to reduce the risk of poverty for working people.

It is for the reasons set out above that the DGB trade unions and such charitable organisations as the Sozialverband Deutschland (SoVD) and the Paritätische Wohlfahrtsverband demand ‘labour market reforms’: In order to counteract the increasing polarisation of the labour market, employment relationships that pay adequate wages and that secure basic needs should be fostered. What also should be fostered is upward mobility, especially for workers in atypical forms of employment. More opportunities should be created in the areas of vocational qualification and continuing education, and certified continuing education programmes should be made available, to include workers in atypical forms of employment and in the low-wage sectors (Schneider 2017). The position taken here underscores an urgent need for action in reducing long-term unemployment and creating new perspectives for the long-term unemployed (Adamy/Helbig/Jakob/Klaus-Schellletter/Kolf/Zavlaris 2014). In the spirit of an ‘inclusive labour market policy’, what is needed is a substantial reduction of the current stigmatisation of the long-term unemployed in order to facilitate their inclusion in the workforce and in society (SoVD 2014). Job placement practices need to shift from short-term to long-term kinds of economic calculations, i.e. rather than trying to simply place people in jobs, including in low-wage and short-term kinds of employment, a more sustainable and qualification-conform type of job placement should be the priority. What is being advocated is a complete paradigm shift, a shift away from activation and the favouring of direct and speedy job placements to the promotion and qualification of individual job seekers (Reis/Siebenhaar 2015).

With the aim of promoting and qualifying individual job seekers, Günther Schmid (2011) has suggested an extension of *un*employment insurance to a form of *employment* insurance. The current unemployment insurance only covers the income risk in the event of unemployment, whereas an employment insurance would also consider the often risky transitional periods in a person’s employment history. The goal of employment insurance would be to limit the risk of being excluded from the labour market, a risk that atypically employed persons are especially exposed to. The former Minister of Labour, Andrea Nahles picked up on the proposal and speaks in similar terms of an employment account that comes with a credit for a state-financed timeout period. In combination with other measures for curtailing low wages, high employment rates and ‘good work’ are hoped to be achieved in this way (Schmid 2017).

Despite the fact that issues regarding labour market policy are central to the political debate, these issues played no particularly important role in the

election programmes of the parties in 2017. In light of the overall positive development of the labour market, the promise made by Chancellor Angela Merkel and the CSU party head Horst Seehofer, i.e. 'full employment by 2025', almost seemed like a truism (FAZ 6 July 2017). But full employment certainly does not just happen on its own. It describes a theoretically ideal state of supply and demand on the labour market, which in reality is only achievable with a great deal of effort. The most fundamental of such efforts is the combatting of underemployment and unemployment. But such investments for reducing underemployment, particularly for the long-term unemployed (which would have to be paid from federal and municipal funds) have been few in recent years. Despite the favourable state of the labour market, there is still a considerable amount of untapped manpower potential, i.e. a large number of people would like to work more hours or are looking for work. More than a third of all unemployed individuals have been unemployed for more than one year and are therefore deemed to be long-term unemployed. According to official statistics, the long-term unemployed still number around one million. One would think that at the core of a promise of full employment would be the reduction of the large number of long-term unemployed individuals, a number that has hardly changed in years.

Another challenge is the integration of refugees into the German labour market. But since only a small percentage of them can be regarded as being suitably qualified for the labour market, major efforts continue to be necessary here. With time and money, especially financial resources for requalification and first-time vocational training programmes, the opportunities for refugees on the labour market will improve considerably in the coming years.



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Authors:  
PD Dr. Karin Schulze Buschoff  
Hans-Böckler-Straße 39  
40476 Düsseldorf  
[Karin-schulze-buschoff@boeckler.de](mailto:Karin-schulze-buschoff@boeckler.de)

Prof. Dr. Anke Hassel  
Hans-Böckler-Straße 39  
40476 Düsseldorf  
[Anke-Hassel@boeckler.de](mailto:Anke-Hassel@boeckler.de)

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