Labour Market and Employment in Germany
The spread of "Non-Regular" Employment and Its Causes

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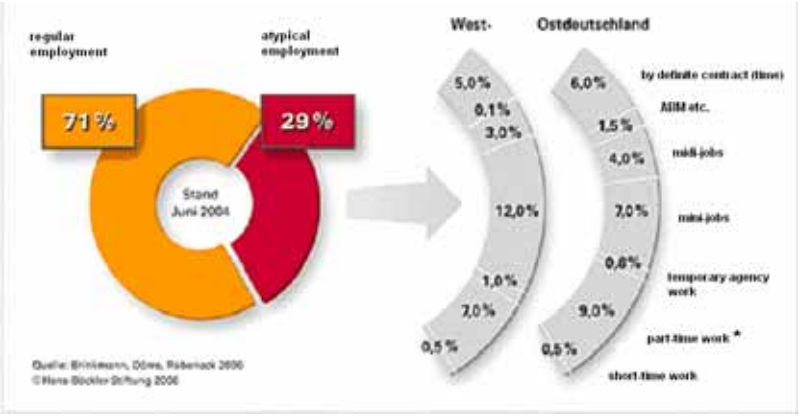
In Germany non-regular work, usually called "atypical employment", has increased notably over the past 15 to 20 years. Non-regular and atypical employment are generic terms, which do not go into the specifics of rather diverse labour market and employment conditions. Both terms are antonyms to regular employment, that is to employment under indefinite contracts which obey all relevant laws, including the full payment of social security contributions.

Definitions of non-regular employment vary. The OECD classifies such employment into temporary and part-time workers and subclassifies temporary workers into fixed-term contract, temporary agency workers, seasonal workers and on-call workers.

Korean official statistics too distinguish between fixed-term employment workers (한시적 근로자/기간제 근로자) and part-time worker (시간제 근로자), yet there is a third basic category, that of non-standard employment (비전형 근로자), which includes temporary agency workers, daily workers and employment by households among others. The KLSI differentiates further and reports much higher levels of non-regular work than the government.

Clearly, there are many ways to statistically look at the phenomenon of irregular work. Much depends on definitions and on the adjudication of cases to these definitions. Besides, there are grey areas that can remain hidden from the eyes of the statistician. Hence, the estimates of the volume of non-regular work can vary considerably. According to the Korean Statistical Office, 23 percent of the wage-earning population were in part-time and temporary employment, while the share of all non-regular workers amounted to 35 percent in 2007. The KLSI estimate is as high as 55 percent of the workforce.[1]

In Germany too, statistical definitions and empirical estimates of „atypical employment " vary. According to the Hans-Böckler-Stiftung its share amounts to approximately 30 percent of wage earners. The following diagram presents an estimate of different types of irregular employment in East and West Germany.



* ohne mini- und mini-jobs

[1] Kim Yoo-soon, Working Korea 2007, Korea Labour and Society Institute, p. 32.

The surge of atypical employment is closely linked to the conditions of the labour market, in particular the fast rising levels of unemployment. It is also linked to the shrinkage of "Fordist" large-scale mass production, the outsourcing strategies of firms and, of course, the deregulation and flexibilisation of labour markets. Furthermore, labour offices have been putting more and more pressure on the unemployed to accept just about any job, often well below their qualifications and experience and meagre pay.

One important consequence of all these changes was the increase in the number of the working poor and of the poor in general, of the "Prekariat", as it has come to be called in Germany. Women and young people are particularly affected by it. There is a rising number of working poor among people with regular work too. Thus, disparities of income and in regional development have increased considerably over the years.

We will first present different types of atypical employment prevalent in Germany. In section II., some comments will be added on the effects of these changes on incomes and society. Finally, some reflections will be offered on the underlying causes of these phenomena and on the workings of the economic system, that generates them.

I. Forms of Atypical Employment

The evolution of atypical employment has to seen in the context of 30 years of rising unemployment in Germany. In recent years, the number of wage earners amounted to approximately 35 million. The year in which unemployed peaked was 2005 with 4.9 million.[2] The research institute IAB of the Labour Office calculated an employment gap of 7 million for the same year.[3]

The job gap can be estimated too by using the work volume in the German economy. Incidentally, the total volume of hours worked was the same in 1960 and in 2007, about 56 billion hours. In 1960, the potential total work force was 27 million. It grew to 44 million in 2007. That means that there are 44 million people available nowadays to do the same amount working hours as formerly 27 million people. Luckily, Germans nowadays do not work on weekends and take 30 holidays a year (God bless the labour unions). Yet, taking into account a work load of less than 1400 hours a year, there remains a huge gap of 25 percent: "According to the perspective one prefers to adopt, either 25 percent of the potential workforce is superfluous, or the work volume available falls short by 25 percent."[4] This is precisely the gap, in which the atypical workers, the under- and the unemployed try to meek out a living.

1. Part-time work

Whereas in Korea part-time work is seen quite negatively, in Germany many people find part-time work quite acceptable and even desirable, particularly young families and people aiming for academic degrees. In the Netherlands, it is quite normal that both husband and wife work part-time and share the household chores between them. Part-time work are not considered second-class workers. What matters is that payment is fair and that social security contributions are paid. That said, it is quite clear too that part-time jobs often are not paid well, even when social security contributions are covered. Just as in Korea, part-time work in Germany is female, working conditions tend to be rough and job satisfaction low. Often people work

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2 Since then it has fallen to 3.8 million (average 2007).

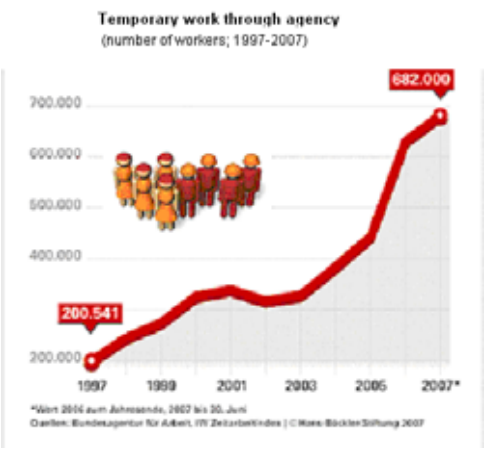
3 Bundesagentur für Arbeit, Arbeitsmarkt 2005, in: Amtliche Nachrichten, Sondernummer 2006, S. 68.

4 J. Melz, L. Niggemeyer, Sieben Millionen ohne Arbeit, Blätter für deutsche und internationale Politik 11/2007, 1289-92.

part-time because there are no opportunities to work full-time, in particular in East Germany. More than 1,7 million part-timers in 2005 would have preferred to work full-time.[5]

Part-time work increased rapidly in recent years. In 1969, 16.2 percent of the economically active population were in this category; by 2006, it had risen to 25,2 percent (Eurostat). These figures include mini- and midi-jobs (see below). The increase was particularly severe in East Germany (from 6 to 23 percent). Surprisingly, part-time work is more common among people on public payrolls than in the private sector (21 vs. 27 percent).[6]

2. Temporary work through work agency (*Leiharbeit* or *Zeitarbeit*)



Intended to make labour markets more flexible, labour contracts by means of a third party (agency) relieve the contracting firm from many legal obligations and give it maximum flexibility in the use of labour. The agency "rents out" labour for a definite period, pays the worker and keeps for itself part of what it receives from the contracting firms (often in the order of 50 percent).

The number of agency workers has notably increased in recent years (see graph). In 2006, 60 percent of firms with more than 5000 and 45 percent of firms with more than 250 employees reported to employ such personnel.[7]

Politically, it was argued that *Leiharbeit* would be a springboard into regular work. This however is not borne out by reality: Less than 8 percent of the Leiharbeiter found non-agency work after such a job.[8]

3. Definite-time contract

Regular employment is characterised by *indefinite contracts*, which do not stipulate a time limit of employment. After 6 months, workers enjoy rather stringent protection against dismissal (certain levels of such protection exist right after taking up employment). After having been with the same employer for five years, workers enjoy a level of job security similar to public employees. This sort of labour market inflexibility affords security to workers, yet is not much appreciated by private firms and the government (!) in their role as an employer. They prefer *definite-time contracts* of short duration, which allow high levels of flexibility. As unemployment is high, this is what labour market conditions increasingly permit.

8 percent of employees in the private sector had a temporary contract in 2004. The public sector did even "better" with 10 percent.[9] In 1991, 80 percent of all new contracts were indefinite contracts. In 2003, roughly 56 percent of all new contracts stipulated a time limit. In particular, young people are in a dire situation. Thus, job security has decreased significantly.

4. "Marginal" employment (*geringfügige Beschäftigung*)

* **mini-jobs** with payment up to 400-Euro per month

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5 Statistisches Bundesamt, Mikrozensus 2005, Bevölkerung und Erwerbstätigkeit, Bd. 2, 2006.Mikrozensus 2005; according to Melz et al., p. 1291.

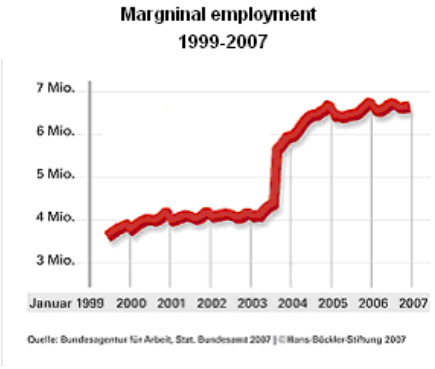
6 Ahlers, Elke (2004), Beschäftigungskrise im öffentlichen Dienst, WSI-Mitteilungen 2/2004.

7 Stefanie Hürtgen, Prekariat als Normalität, Blätter …, 4/2008, p. 114 (acc. to IAT-Report, 3/2006)

8 IAB, 2006, according to Hans-Böckler-Stiftung, 2006.

9 Ahlers, Elke (2004), Beschäftigungskrise im öffentlichen Dienst, WSI-Mitteilungen 2/2004.

Incomes up to this level are paid out in full; no income tax and no social security contributions are withheld. Instead, the employer has to pay 30.1 percent of the wage sum as social security contributions (in case of household services 13.7 percent). The worker cannot claim benefits out of these contributions (most likely he or she has health insurance through other channels). However, if the worker makes co-payments to the public old-age insurance, both the employer's and the workers contribution will be credited to his or her pension account.
In 2004, there were 4,5 million people relying only on one or several mini-jobs. There were another 1,4 million with a mini-job as a side-job.



* **midi-jobs** (income between 400 and 800 Euro per month)
  There are similar arrangements for social security contributions as with mini-jobs.
  In 2004, there were about 670000 persons in this category.

* **short-term employment** (kurzfristige Beschäftigung)
  The difference to mini- and midi-jobs is that is limited to two months or 50 days per year. No payments for social insurance are required.

The growth of marginal employment is quite remarkable (see graph). It has been shown repeatedly that many full-time jobs were replaced by such „marginal" jobs. In the Internet there are plenty of sites emphasizing the reduced costs and the flexibility in the use of such labour. Even semi-official chambers of commerce promote such arrangements.

5. One-Euro jobs

The term "One-Euro Job" has caught the attention of the German media. It is one of the best-known neologisms in recent year. This is so because it appears to run counter to all notions of just pay and social justice. In fact, it is a program for persons on the new public assistance program (Type-Two Unemployment Benefit; Arbeitslosengeld II). Its intention is to give an incentive to the long-term unemployed to look for work. Without a reduction of benefits they can earn between one to two Euros per hour.

There is much coming and going in these jobs. In November 2007, around 323000 persons were on a one-Euro job. Statistically, they are not counted as unemployed (which was one reason why this program was introduced). In theory, only works in the public interest are allowed. In fact, there are numerous complaints that regular workers were dismissed and replaced by one-Euro jobs (for instance, in old-age care).

6. **Short-time work** (Kurzarbeit)

In case a firm gets into unexpected difficulties, it can, in agreement with the worker's council, apply for short-time work at the employment office. The latter will pay the difference to the former monthly income. This program has been in place for construction workers for many years. In the process of German unification, it was widely used in all branches of industry. At that time up to 2 million persons were on Kurzarbeit. In recent years, their number ascended to 70-150 thousand workers only.

7. **ABM Program** (Arbeitsbeschaffungsmaßnahmen)

This is one of the oldest programs intended to prepare the way for the unemployed into the

labour market by offering them work in the public interest and by providing them with a decent income. Highly qualified people too benefitted from this program. For example, a friend with a doctorate in German literature, ordered the archive and the literary inheritance of Heinrich Böll after the latter's death with the support of the ABM program. Before, several hundred thousand people benefitted from the ABM program. Nowadays, mostly for the rise of One-Euro jobs, less than 50000 persons are on it.

8. Internships

Because of the difficulties of finding employment after graduation, students and university graduates frequently undergo internships to improve their chances to get a job. Internships are meant for training, yet they often involve regular working tasks. Payment is normally below living costs and often enough nil. Most of them depend on their parents' support and their own savings during internships. It has been shown that 36 percent of university graduates do more than 5, 59 percent more than 3 internships.[10]

9. Pseudo self-employment

In this category, we find people who in their appearance are independent entrepreneurs, but in reality do typical wage earners' work, predominantly for just one firm. They are normally subject to the orders of this firm. Furthermore, many do not have any capital of their own. Pseudo self-employment is often associated to outsourcing strategies of firms. The basic advantage for these firms is that they do not have to shoulder social security contributions, which in Germany amount to roughly 40 percent of gross wages. The IAB (the research institute of the Federal Labour Office) estimated that there were 180-430 thousand dependent and more than 200 thousand semi-dependent pseudo self-employed in Germany in 1995.[11] In spite of better legal provisions and surveillance, their number is bound to have increased since then.

10. Grey Labour Market (*underground economy*)

Estimates on the size and importance of the grey labour market vary greatly (pseudo self-employment one way or the other is part of the grey labour market). By its very nature, it is hidden from the public eye. Remunerations tend to be considerably lower than for regular work and social security contributions and income taxes are normally not paid. Estimates differ greatly and run from 1,6 to more than 10 percent of GDP. Accordingly, it could add up to something like 1-3 million full-time job equivalents.

II. Income Inequality and Social Differentiation

Overall, real wages have not risen much over the past 15 to 20 years, in particular when the tax burden and social security contributions are taken into account. In contrast, incomes from capital and wealth increased notably over the same period. At the same time, the distribution of income among workers has deteriorated. Low incomes are not only common in atypical employment, but increasingly in regular employment too. The incomes of 440000 full-time workers in 2004 were so low, that they had to apply for public assistance. The share of the working poor in total employment was 18,4 percent in 2004.[12] People on part-time work and

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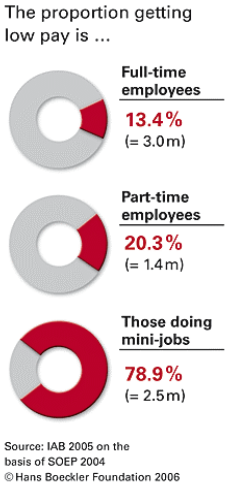
10 Björn Böhning et al., Praktika von Hochschulabsolventen. Eine Studie der DGB-Jugend, Februar 2006.

11 Hans Dietrich, Empirische Befunde zur selbständigen Erwerbstätigkeit unter besonderer Berücksichtigung scheinselbständiger Erwerbsverhältnisse, in: IAB, Mitteilungen aus der Arbeitsmarkt- und Berufsforschung, 1/1999, S. 85-101.

12 Less than 2/3 of median wage. IAB, 2006.



mini-jobs are particularly bad off (see graph).

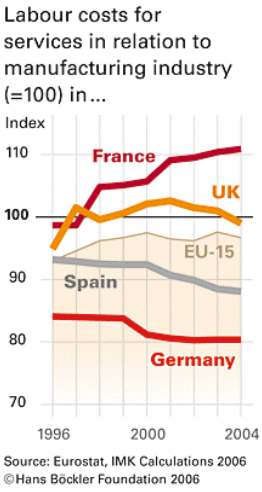
Comparing their share in the labour force with their share in low-pay workers, it becomes quite clear, which social groups suffer most in the labour market. The working poor are women, East Germans, young and with low levels of qualification (see graph).

Especially disadvantaged groups are foreigners and people of foreign descent, in particular from some Mediterranean countries. Their economic-activity rate is considerably lower, while their unemployment rate is twice as high and their rate of part-time workers slightly higher than the national average. They are bound to represent an important section of the working poor in the table above (except among East German workers, where few foreigner live).

WORKING POOR BY SOCIAL GROUPS

	Share in full-time workers	Share in low-pay workers*
Women	34,9 %	57,0 %
Young workers to age 24	7,2 %	16,1 %
Workers with low-level qualifications	11,5 %	15,2 %
East German workers	17,6 %	37,8 %

* groups overlap Source: IAB, Hans-Böckler-Stiftung, 2006



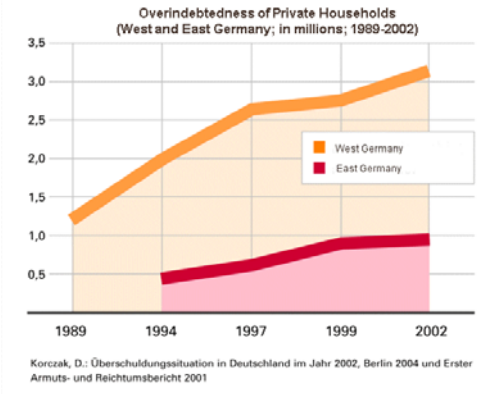
One other thing is striking in the German labour market: It is how badly people are paid in **service industry**. One might expect that wages in manufacturing industry, in particular in the case of Germany with its high export orientation, were under pressure from world market competition. To the contrary, German wages in manufacturing are among the highest in the world, while the country produces ever higher trade surpluses.

Why should services then be paid so badly? Surely, not for reasons of international competition, as most services are geographically bound and therefore not subject to international wage competition. The answer is of course that wages are low 1. because of a massive oversupply of labour (itself a result of the high levels of unemployment), 2. because of the weakness of labour unions in service industry and 3. because of the absence of a minimum wage legislation in Germany.

One implication of the low wages in service industry is that people with high incomes (from work or capital) have the benefit of cheap services. You could say that the well-off citizens exploit the less well-off citizens, as the latter are forced to sell their labour force at unfavourable rates. This is one aspect of new emerging forms of social differentiation.

The share of the top 10 percent of German households in national disposable income was 24 percent in 2002, while the share of the bottom decile was a mere 3 percent. If the inequality in incomes is bad, the distribution of wealth is worse. The top ten percent owned 51 percent of real and financial assets, while the net worth of the bottom ten percent of German households was negative in 2002.[13] Another aspect familiar to Korean readers is the rising indebtedness

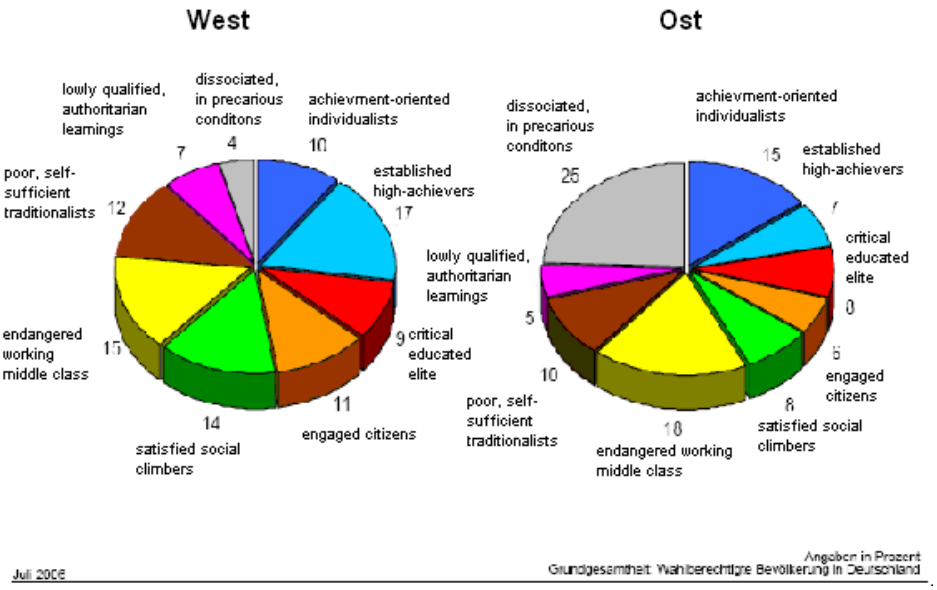
13 Peter Krause, Andrea Schäfer, Verteilung von Vermögen und Einkommen in Deutschland: Große Unter-



of private households. A growing number of them is unable to service their accumulated debt out of current incomes.

All this shows that the rise of irregular/atypical employment is embedded in larger economic, social and political changes, which have lead to an ever more differentiated society far removed from the highly homogenous German social formation of the 1950s and 1960s. Social polarisation has increased notably; the so-called middle classes have shrunk and society and politics have become much more heterogeneous. The following diagram depicts present day German society in terms of individual dispositions and social and political inclinations. As a result, it has become practically impossible for political parties in Germany to organize a political consensus among the electorate and to gain clear majorities for government policies.

West and East Germany



Even on the most pressing problems of the labour market, government policies are not comprehensive, coherent and effective. The rigidities involved in political and institutional interdependencies and the multiplicity of political interests and of well-organised and institutionalised private actors (employers' associations and lobbyists) have become major obstacles to "rational" effective policy-making in Germany.[14]

In contrast, the preferences of German citizens are absolutely clear[15]:

* 78 percent say that working contracts on principle ought to be indefinite. Definite-time contracts should be allowed under exceptional circumstances only.
* 72 percent say that contract work through agencies (*Zeitarbeit*) should be restricted.
* 70 percent say that there should be limit to the differences in incomes.

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schiede nach Geschlecht und Alter, in: DIW, Wochenbericht, 11/2005, S. 199-207.

14 A problem analysed a long time ago by Fritz Scharpf as "Politikverflechtungsfalle".

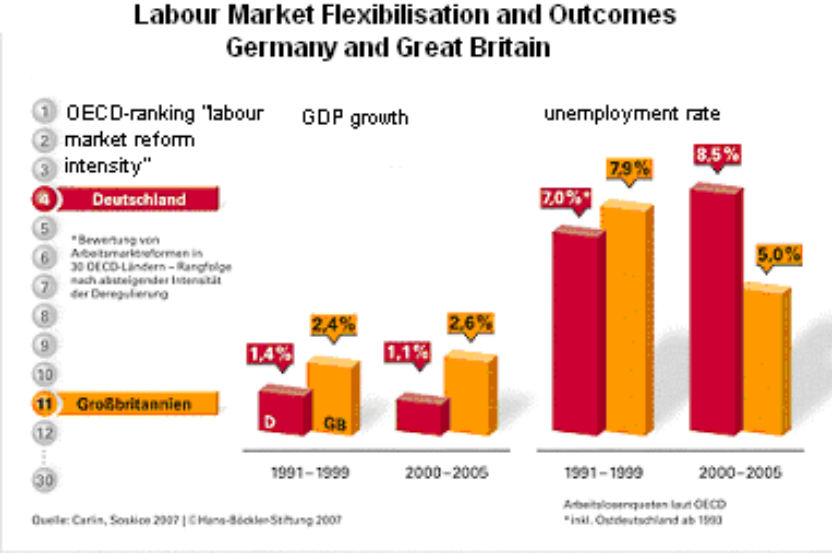
15 Initiative "Neue Qualität der Arbeit", INQA-Bericht Nr. 19, 2006.

What people want is work, good, modern, respected work. Work is the basis of human dignity: Work is one's contribution to society and it is the proof that one is needed.

The grain of German policymaking clearly has gone against the revealed preferences of the citizens for many years. The outcomes are quite worrisome in terms of the evolution of society and politics. In a number of other countries outcomes are similar. In some countries, like Sweden and Denmark, where different sets of policies were followed, many of the negative outcomes were avoided. In the Scandinavian economies, participation rates are high, unemployment low, the private and public service sector large, the welfare state intact and with wide popular support, while government budgets are in surplus, growth rates are high and innovation strong. What went wrong in the German case?

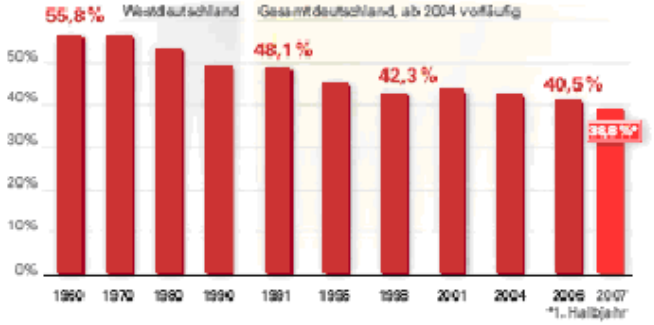
III. Analysis

Many labour market economists believe that there exists a trade-off between the levels of employment on the one hand, and the level of wages and welfare. Roughly speaking, German labour and employment policies followed this paradigm, making labour more "employable" by reducing labour costs and "flexibilising" the labour market. This sort of policies is advocated by the OECD. Surprisingly, this organization gave much higher marks to Germany for its efforts to flexibilise its labour markets than "market-liberal" Great Britain. Yet, in spite of hard-won German efforts, outcomes in terms of growth rates and the reduction of unemployment were definitely better in Britain than in Germany.

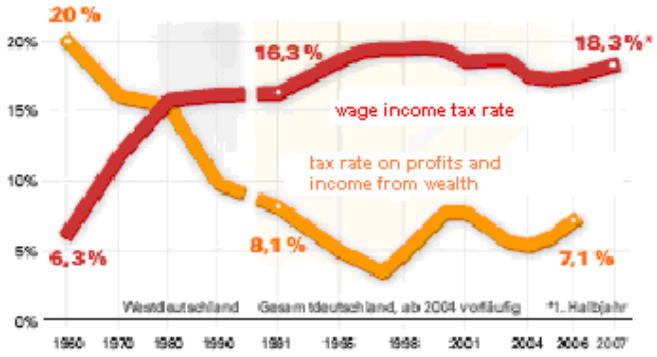


As a result of such policies and in combination with other policy mistakes, the situation in the labour market became ever worse: structural unemployment became endemic, wages did not grow, while the tax burden for labour and the inequality in incomes wealth increased, and ever more private households were unable to pay their fast rising debts. Furthermore, social security systems and state finances got on slippery slopes, while public and private investment trailed far behind most other OECD countries – in spite of fast rising profits.

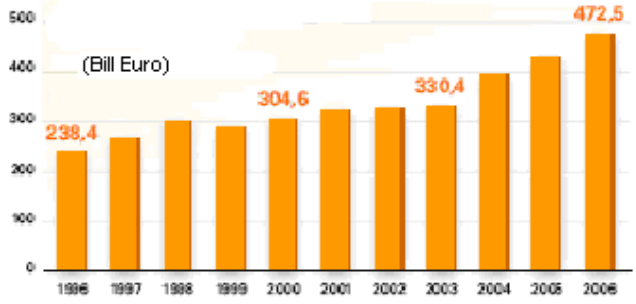
Share of Labour in National Income
(after tax, social security contributions, 1960-2007)



Tax Burden on Labour and Capital

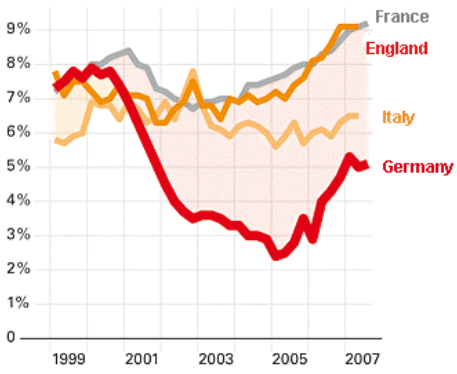


Gross Profits



*Kapitalgesellschaften im engeren (AG, GmbH u.ä.) und weiteren Sinn (oHG, KG u.ä.)
Quelle: Statistisches Bundesamt, Schäfer/WSI 2007 | ©Hans-Böckler-Stiftung 2007

Net Investment in Plant and Equipment
(in percent of net national income, 1999-2007)



Quelle: Eurostat 2007 | ©Hans-Böckler-Stiftung 2007

The outcomes of these policies were quite unpalatable. If the labour market policies had been implemented on a trial-and-error basis, surely this horror could have been stopped in time. Instead, economists and politicians opined that not enough of that medicine had been given. Thus, the German economy got onto a vicious circle of self-fulfilling diagnoses of a lack of flexibility of labour, unions and labour markets, labour laws and so on.

What went wrong in Germany?

Since the early 1980s German governments pursued policies to increase the "employability" labour. On the one hand, the indirect costs of labour (social security contributions, fringe benefits) were lowered, in particular for employers; on the other, labour market flexibility was increased, while real labour incomes were actually lowered. Because of the relaxation of legal restrictions, atypical employment expanded. The government even allowed firms to opt out of the famous *dual system* of technical education. For example, in 2004 only 43 percent of the applying youths could obtain an apprenticeship position, while 39.5 percent entered so-called transitional programs of the Federal Agency of Labour – and, as a result, will not be able to obtain a "skilled crafts certificate"!

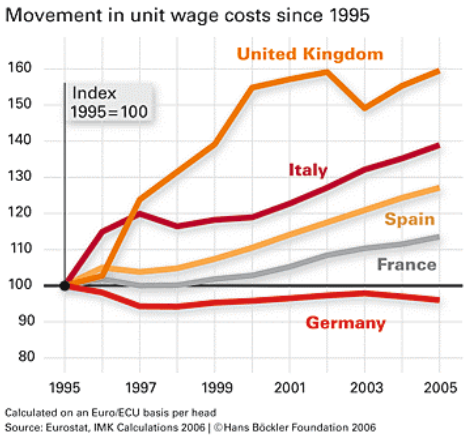
Another pseudo labour market policy was early retirement. Millions were sent into early retirement long before their 65th birthday – at a huge cost to the social security systems and the taxpayer. However, for the private and public employers early retirement was an enormous gain, as they could get rid of the more costly elderly workers, while they were under no obligation to give employment to the young. Naturally, at the macroeconomic level, it was a self-defeating policy because household incomes and demand were lowered by these and most of the other labour policies as well. On top of all that, the social security systems were abused for financing German unification.

Because of these policies and because the growth of wages stayed behind productivity growth and even below inflation rates, internal demand was weak. This stands in stark contrast to the 1950s and 1960s. Then, the mechanism was the engine of growth and innovation of the German economy: Fast rising labour costs forced enterprises to invest in order to increase productivity – and thus profits and wages could increase. At that time, net investment of the manufacturing sector alone was in the order of 9-15 percent of GDP. Since the early 1980s this net investment rate fell 0.7-1,5 percent of GDP, and was even negative in some years.

Politically speaking, the investment-productivity-wage mechanism formed the core of the productivity pact of *trilateral corporatism* – State, employers and unions – in Germany. Unsurprisingly, under the new policy priorities, the low investment levels and the weakened labour union movement, it could not survive (more on this later).

Macro-economic policies were just as dogmatic as labour market policies. The Bundesbank's main concern was inflation, even at statistically overestimated rates of nominally 2 percent. Against all evidence, it continued to try to control monetary aggregates. Interest rates were too high and money supply to small to support economic expansion. In addition, the Bundesbank killed the post-unification boom of 1990/92. Fiscal policies were equally restrictive, not least for the *EU Growth and Stability Pact*, which was signed at German insistence in tandem with the introduction of the Euro.

The effects of repressed wages and incomes of private households, of low levels of investment and of restrictive fiscal and monetary policies were so severe that the German economy even trailed behind the other EU economies, not to speak of the US economy, which followed expansionary fiscal and monetary policies all along since 1982. In Germany, only export demand showed some dynamism: this was the result of falling unit labour costs, which in-



creased German competitiveness within the Euro area and beyond (see graph).

As a result, the German economy generated in most of the past 25 years current account surpluses of up to 7 percent of GDP (except for some years after German unification). This will sound very familiar to South Korean readers, because this country has been following the same policy set since the IMF crisis. Against the weakness of internal demand, the low levels of investment and restrictive fiscal and monetary policies, the economy can only gain some dynamism through an ever-increasing export orientation. On the other hand, because internal savings are higher than internal investment, capital is exported to deficit countries, basically the US. In other words, countries like Korea and Germany (plus Japan, Taiwan, China etc.) lend their excess savings to countries with a savings deficit. They compensate their own under-consumption by lending their excess savings to countries, which over-consume and do not save sufficiently. Saving surplus countries like Germany and Korea hand out money to the deficit countries, with which they by the formers' goods.

As we cannot be sure at all that we will get our money back (by default or devaluation), this is a very shortsighted way to stimulate an economy. Quite obviously, it would make much more sense to stimulate our own economies instead of giving others the money to buy our goods. There is the rub: Such a strategy would involve the stimulation of internal demand through increases in real wages, as well as fiscal and monetary policies. Even wage increases above productivity growth would be useful – as they set into action the above mentioned investment-productivity-wage mechanism.

The world macro-economic analysis presented here is not in dispute. It is part of the regular diet of the readers the Financial Times and the Economist among others. To get out of the present turmoil of the US economy, it is clear that policies as delineated above will have to be implemented in surplus countries like Korea and Germany. Yet, why is it that such and other reasonable strategies are only discussed in times of a crisis? Why did they not become part of public discourse much earlier?

Answers will vary, while it surely is not easy to puzzle together all the pieces of the picture. Some pieces come to mind easily. Media-society and medio-democracy require that issues reflect fundamental beliefs and attitudes, that they are staged and packed into emotional, if not anxiety-arousing language and slogans. The media work through filters that distort and exclude reality. Democracy and neo-liberal ideology function as civil religions. Media Tsars have their own political agendas. The common weal has disappeared practically from public discourse. The hegemonic neo-liberal discourse put the consumer into the place of the autonomous citizen of political liberalism. Profits are perceived as a reward for consumer satisfaction. Yet, in reality, as we have seen, it is the consumer in the form of its alter ego as a worker, who has had to bear an unproportionate economic burden, while the owners of capital have experienced fast rising incomes, even at historically very low investment levels.

For example, in German public discourse one constantly repeated theme is the endangered competitiveness of the German enterprises on the world market. At the same time, just like in Korea, huge export surpluses are celebrated. Yet, the glaring contradiction between the two themes is entirely ignored by the German employers' federations, the media, politicians and bureaucrats. The fears and anxieties associated with globalisation have overpowered the

strengths of the German economy and eliminated them from public consciousness. At the same time, globalisation fears are an essential moment in neo-liberal discourse and serve as a justification for repressive wage and labour market flexibilisation policies. For politicians and bureaucrats, globalisation is a wonderful cover for unsavoury policies and for policy failures. Finally, fears and blaming other countries (and foreigners for that) for whatever problem, is one of the easiest ways to survive in medio-democracy.

There is another reason for the emergence of neo-liberal discourse over the past 20 or 30 years. The end of the Cold War. The logic of the Cold War implied that West Germany had to be at least as successful as East Germany in terms of social justice and social achievements. Therefore, all German parties were essentially social democratic in their policy aspirations (Ralf Dahrendorf). Yet, the Cold War framework began to weaken with the Cuban missile crisis in 1962. From then on, the East-West confrontation was transformed into status-quo and later "engagement" politics and eventually ended in the disintegration of the Soviet Union and the Eastern Block. As a result, the idea of social justice and social inclusion lost much of its sway. In addition, the labour union movement was weakened by the oil crises and rising unemployment. In parallel, employers' and capital owners were strengthened, not least by the emerging neo-liberal discourse, which rapidly occupied a hegemonic position in most advanced economies (and beyond under the heavy-weight umbrella of the Washington Consensus).

In Germany, the loosening of the Cold-War framework eroded the *tripartite corporatist* consensus building among State, employers and unions. With the demise of tripartism, *bipartite corporatism* – State and capital owners/employers against the weakened labour movement – emerged. It is an integral part of the new hegemonic discourse. Bipartite corporatism is flexing its muscles against the century-old tradition of the Social Welfare State. For instance, "Gesamtmetall", the Federation of Metal and Electrical Industry, has been pushing the so-called "Initiative New Social Market Economy", which is nothing less than an all out and deceptive PR-campaign against the Social Welfare State.

IV. Conclusion

- Full employment stopped to be even a rhetoric aim in the course of the 1980s.
- The unemployed and unqualified had to blame themselves for their mishap. They became brandished as bad consumers, a financial burden and simply superfluous.
- Globalisation became an all out justification for policymaking and policy failure in public discourse.
- The primary aim of education has become "human" resource development. Efficiency and *Leistungsträger* (high achievers able to bear the competitive challenges) are the catchwords. Only the best and the brightest count. Never mind that between 7 and 13,7 percent of German children do not finish 9 years of compulsory education successfully.
- Social disintegration and polarisation are the results. The lower the incomes in the marginalised sector, the lower unemployment and public assistance rates are set – in order not to give incentives for idleness. Nowadays, the unemployed are forced to accept almost any job (there have been cases of women being sent to work in brothels; prostitution was legalized as a normal business in 2002).
- Mismatches in the labour market are, if at all, a matter of passive labour market policies. What appears as active labour market policy, is little more than a cosmetic attempt to re-

duce the number of unemployed for the monthly statistics and a way to provide enterprises with a selected few, who have gone through multiple training.

This is very different from what is happening in Sweden: There, the general proposition is that

> *"it is essential to develop the productive capacities of the wage earners because they are central to productivity and adaptation processes. Labour market schemes had to be implemented that would support the individual worker and reallocate labour and investment from less to more productive parts of the economy."*[16]

It goes without saying that this is a tripartite task in Sweden and that both social partners and the State defend it. As a result, Sweden spends much more money on active labour market policies than Germany. The results are palpable.

German bipartite corporatism's care for social justice and cohesion is little more than deceptive rhetoric. Instead, it fosters the growth of an underclass in precarious economic conditions in Germany. Whatever aspect of the German "atypical" employment one looks at, in a comparative perspective, it is quite clear where our failures lie: In the lack of a comprehensive, human and humane view of the unemployment and under-qualification problems and in the lack of a proper conceptualisation of these problems and of labour market schemes. As the world enters a deep economic and financial crisis, it is urgent to deconstruct the hegemonic neo-liberal discourses, reconstruct our micro- and macro-economic policymaking and put them on a firm footing in historical and conceptual terms.

16 Lars Magnusson, The Swedish Labour Market Model in a Globalised World, Friedrich Ebert Stiftung, Stockholm, 2007, p. 3.

Summary

Just as in Korea, non-regular employment is on the increase in Germany. Part-time workers make up an important part of “atypical” (the German term) employment in both countries. Yet, in Germany part-timers are not considered as second-class workers. Many people find it desirable to work part-time. There are other forms of atypical employment too, among them some that only exist in Germany for institutional and legal reasons.

Atypical employment in Germany has contributed significantly to income inequality and social differentiation. People in atypical employment form a large part of the layer of the working poor. Yet, an increasing number of full-time workers also belong to this group. The economic and social differentiation is part of larger processes, which began in the1970s with the oil crises and the weakening of the constraints imposed by the Cold War. The relations of power in the economy and in society were profoundly affected by these changes. At the same time neo-liberal ideology gained prominence in public discourse and academic debate. Against this background, the rise of media-democracy altered the perception of reality, the nature of political discourse and political decision taking. By giving prominence to anxieties about globalisation, the interests of the working population and society were largely ignored, while shortsighted and unsustainable economic policies were pursued. As a result, we are entering a period of a deep crisis of the world economy – at a time when social coherence is weaker and partisan politics more notorious then ever after the end of World War II.