



# MINIMUM WAGES IN GERMANY: IMPACT ON EMPLOYMENT AND INEQUALITY

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Kiew, 30<sup>th</sup> – 31<sup>st</sup> March 2017

# Content

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- 1. Framework and introduction of minimum wage in Germany**
- 2. Impact on wages, employment, prices, growth**
- 3. Minimum wages and collectively agreed wages**
- 4. Conclusion**

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# FRAMEWOIRK AND INTRODUCTION OF MINIMUM WAGE IN GERMANY

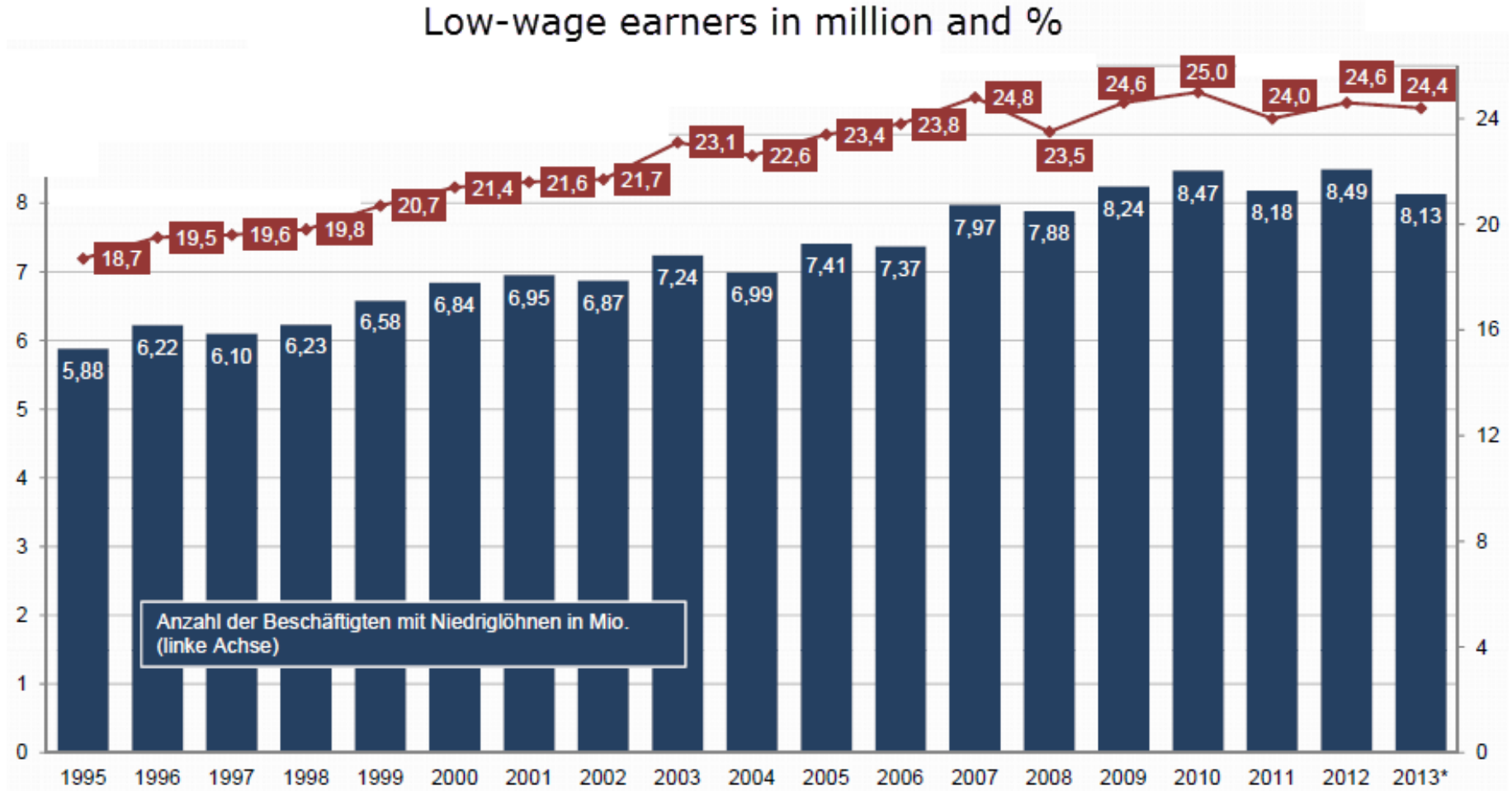
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# Germany – facts and figures

- 81 m inhabitants
- **39 m employees**
  - 23.1 m full-time
  - 8.7 m part-time
  - 7.1 m marginal part-time
- **6.3 % unemployment rate**
- 2,770 € average monthly gross earnings
- **9.50 € low-wage threshold**
- Strong increase of low-wage earners since mid 1990s
- **24 % employees in low-wage sector**



# Increasing share of low-wage earners



# German wage setting and minimum wage



1. Pay and conditions set by collective agreements
2. Trade unions and employers associations
3. Sectoral collective agreements prevailing – also company collective agreements
4. Decreasing bargaining coverage:  
58 % of employees
5. Since 2000: debate on introducing a statutory minimum wage

# The German Minimum Wage Act

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## From 1. January 2015:

- Statutory minimum wage of **€ 8,50 per hour**

## Exceptions:

- apprentices
- workers below the age of 18
- long-term unemployed (first six months)
- Interns, if internship is obligatory during vocational training or studies

## Temporary exceptions for a period of two years

- Very few professions (agriculture, newspaper deliverer etc)

## From 1. January 2017

- Increase of SMW to **€ 8,84 per hour**

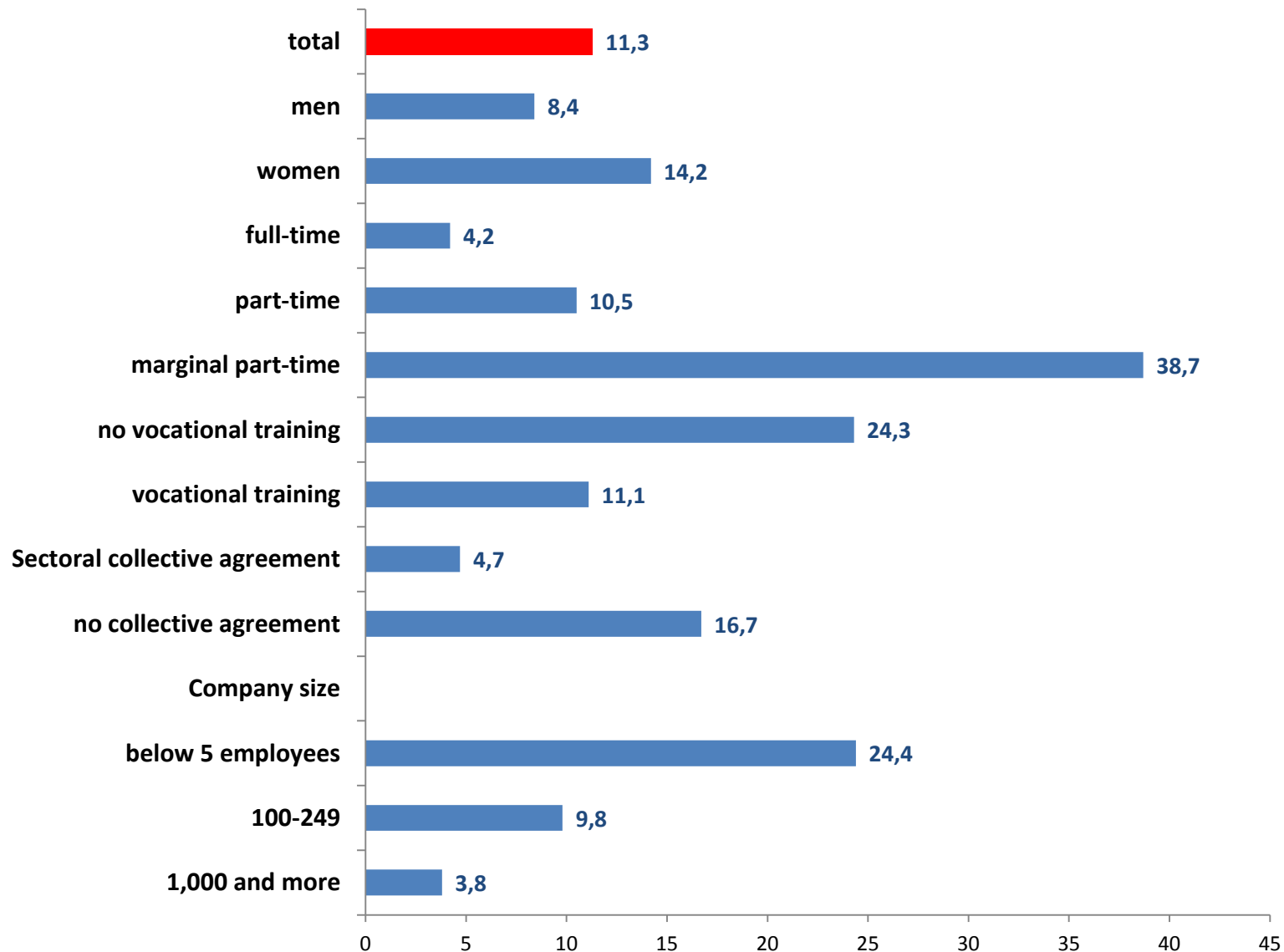
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# IMPACT ON WAGES, EMPLOYMENT, PRICES, GROWTH

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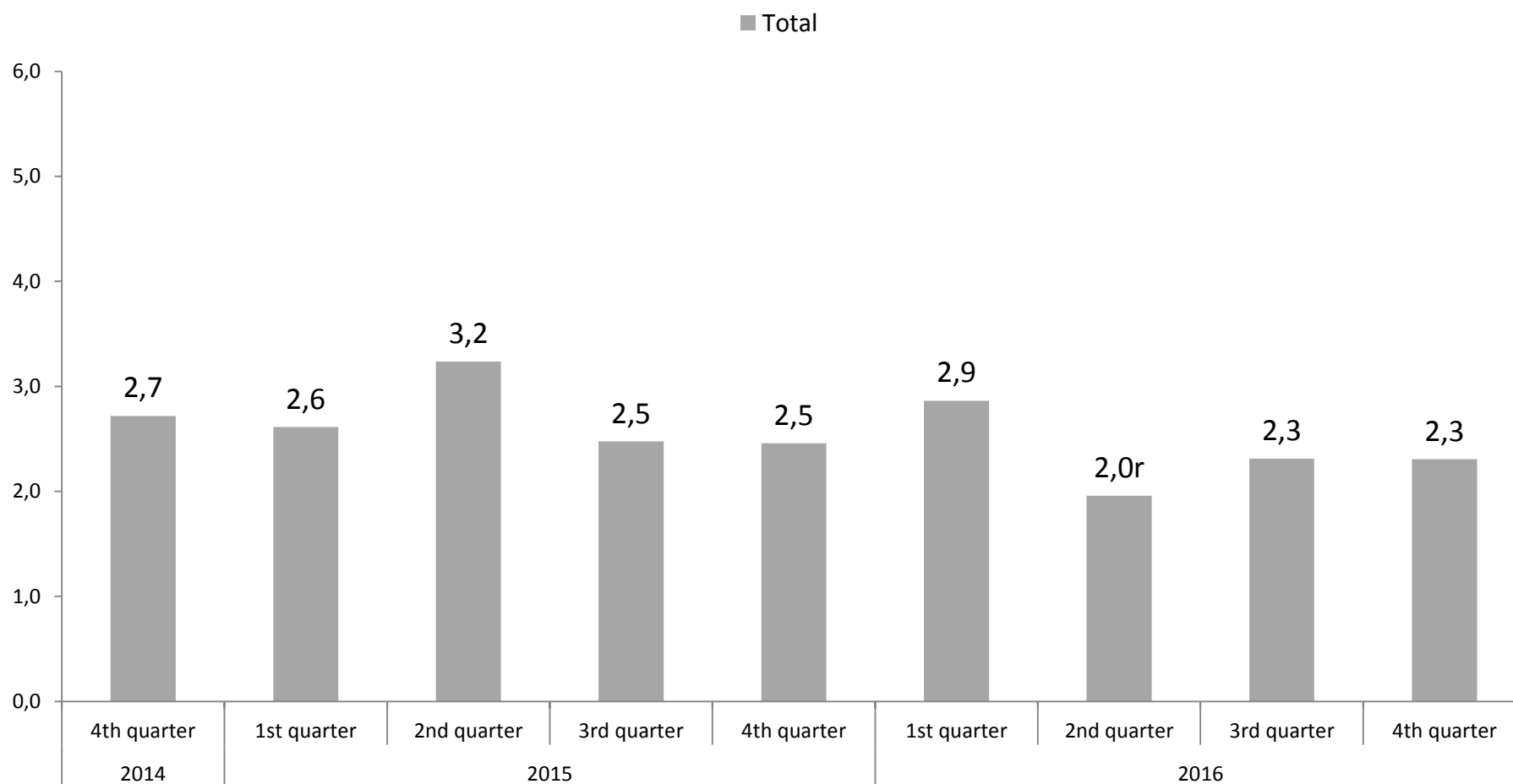


# Employees with earning below € 8.50 per hour in 2014 and 2015



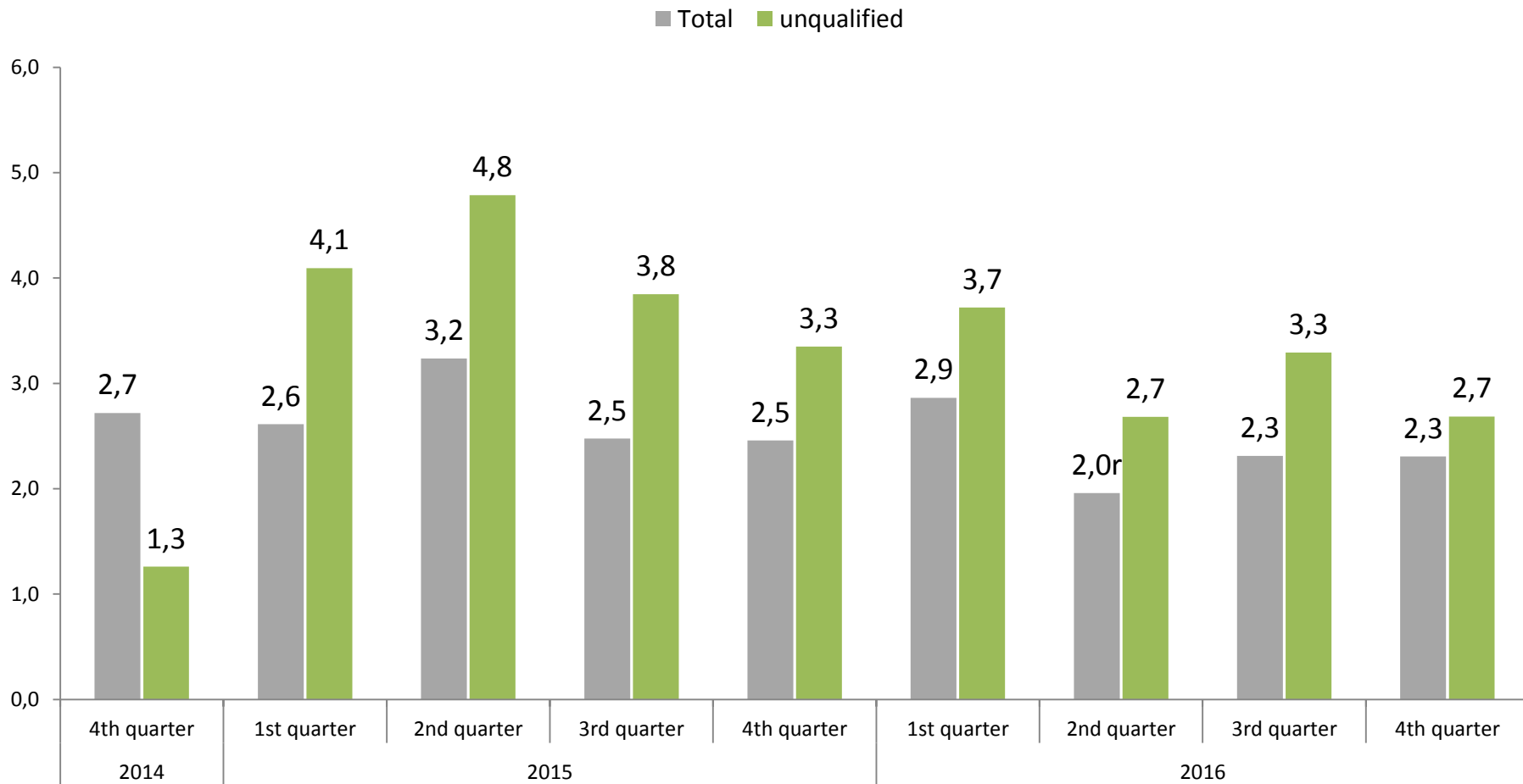
# Average increase of nominal wages 2014 - 2016

Nominal wages, changes against the same quarter of the previous year –  
in %



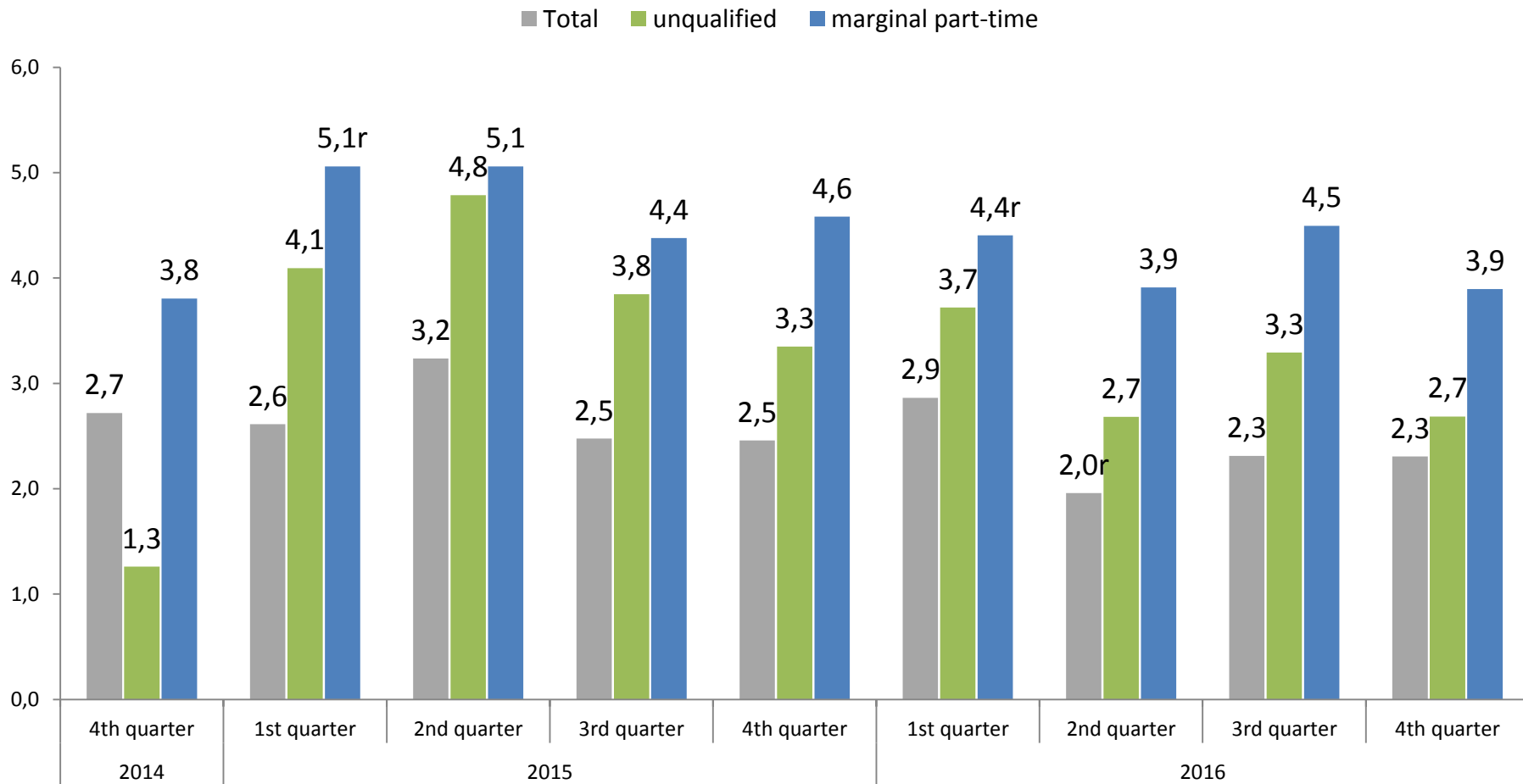
# Above average increase for unqualified workers

Nominal wages, changes against the same quarter of the previous year –  
in %

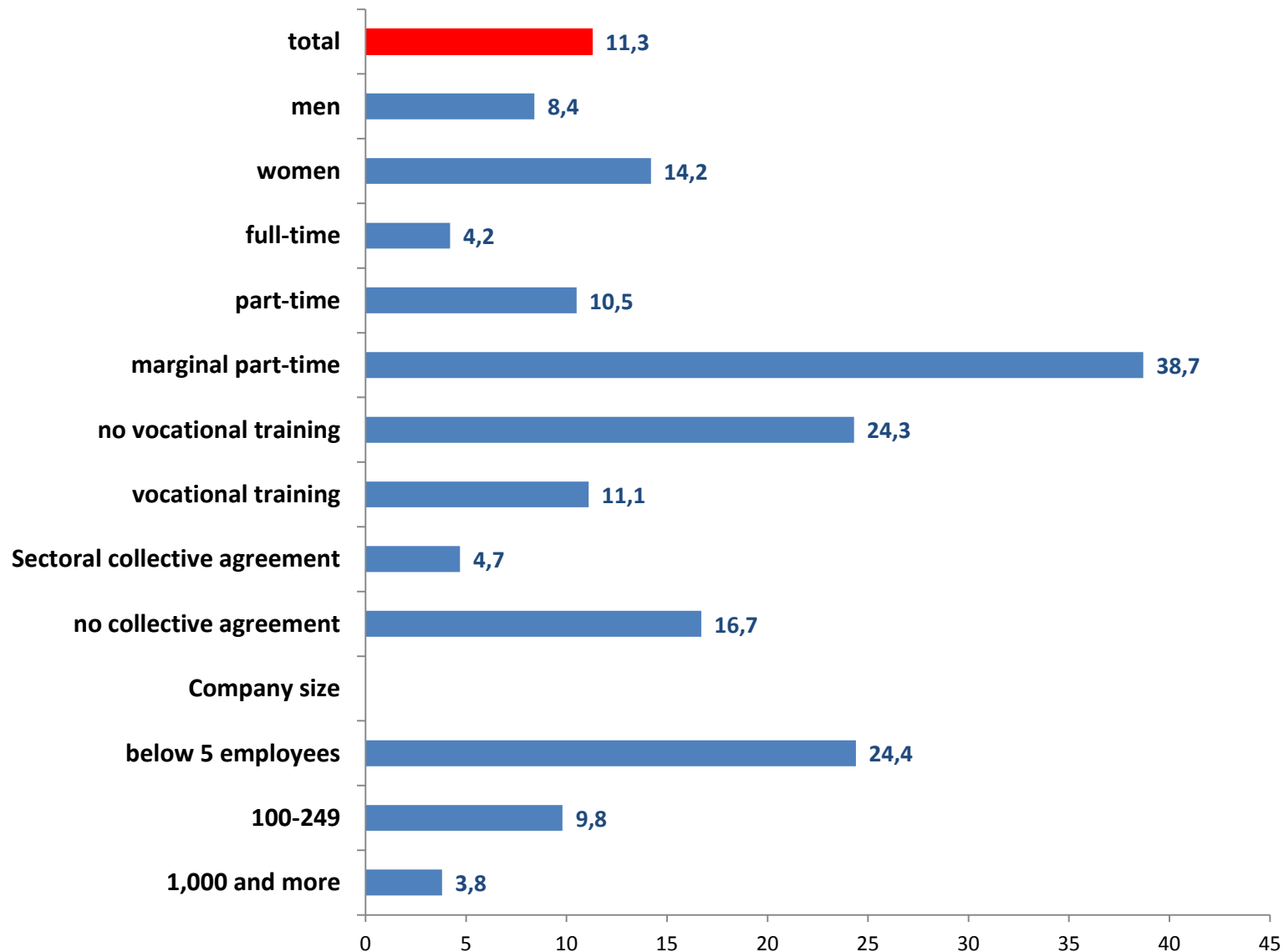


# Above average increases for unqualified workers and marginal part-timers

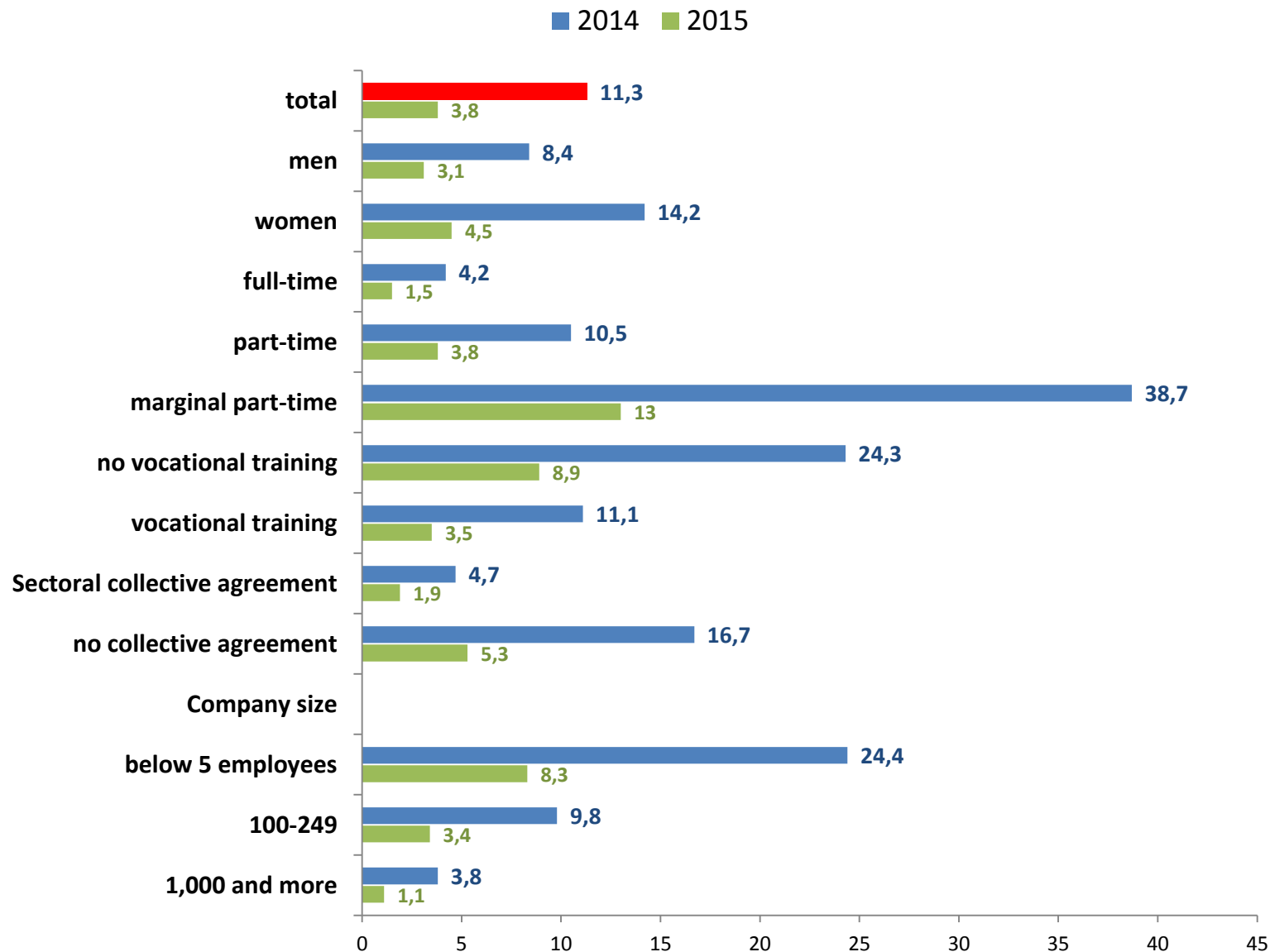
Nominal wages, changes against the same quarter of the previous year – in %



# Employees with earning below € 8.50 per hour in 2014 and 2015



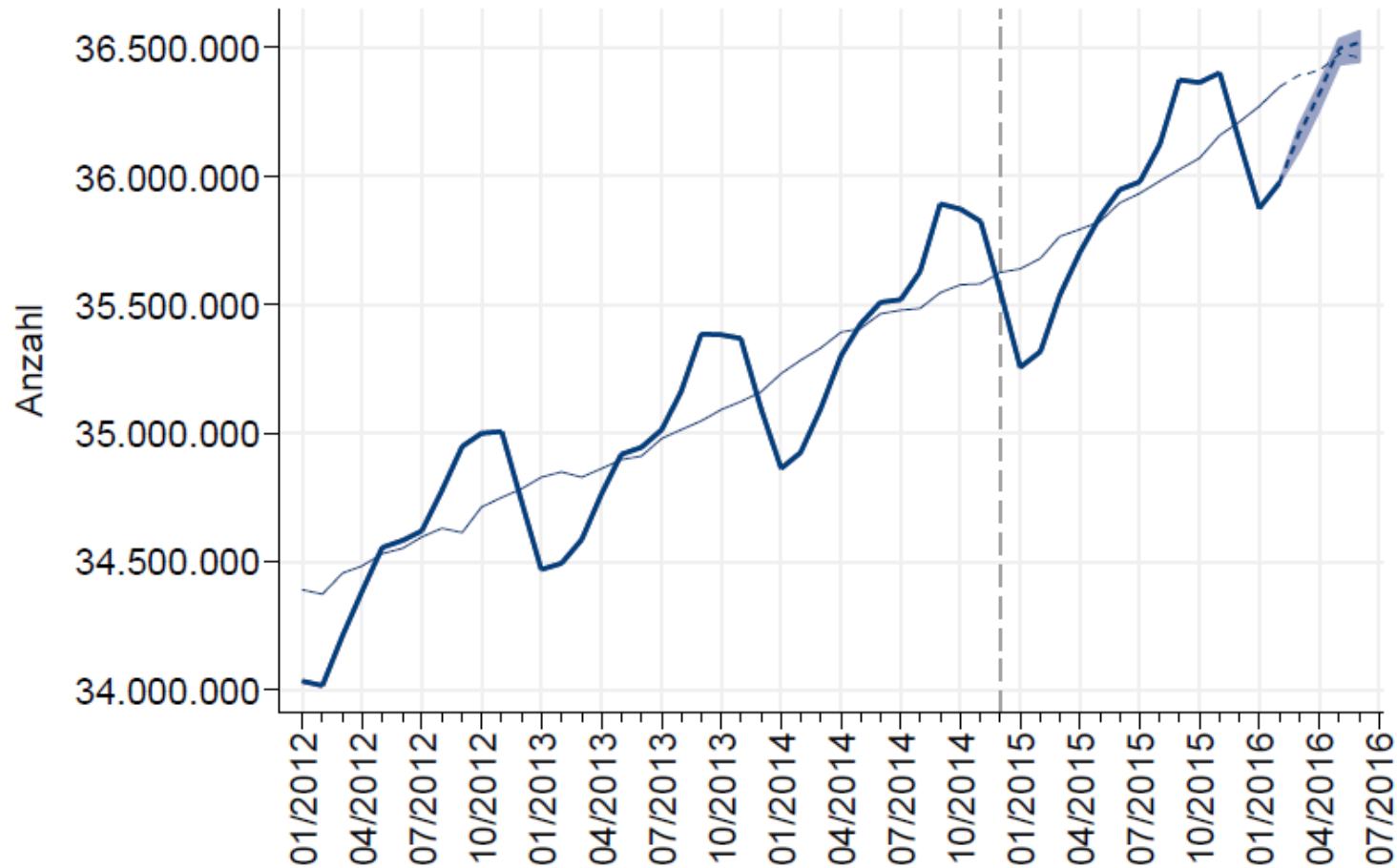
# Employees with earning below € 8.50 per hour in 2014 and 2015



# Employees since 2012:

## No negative impact of minimum wage

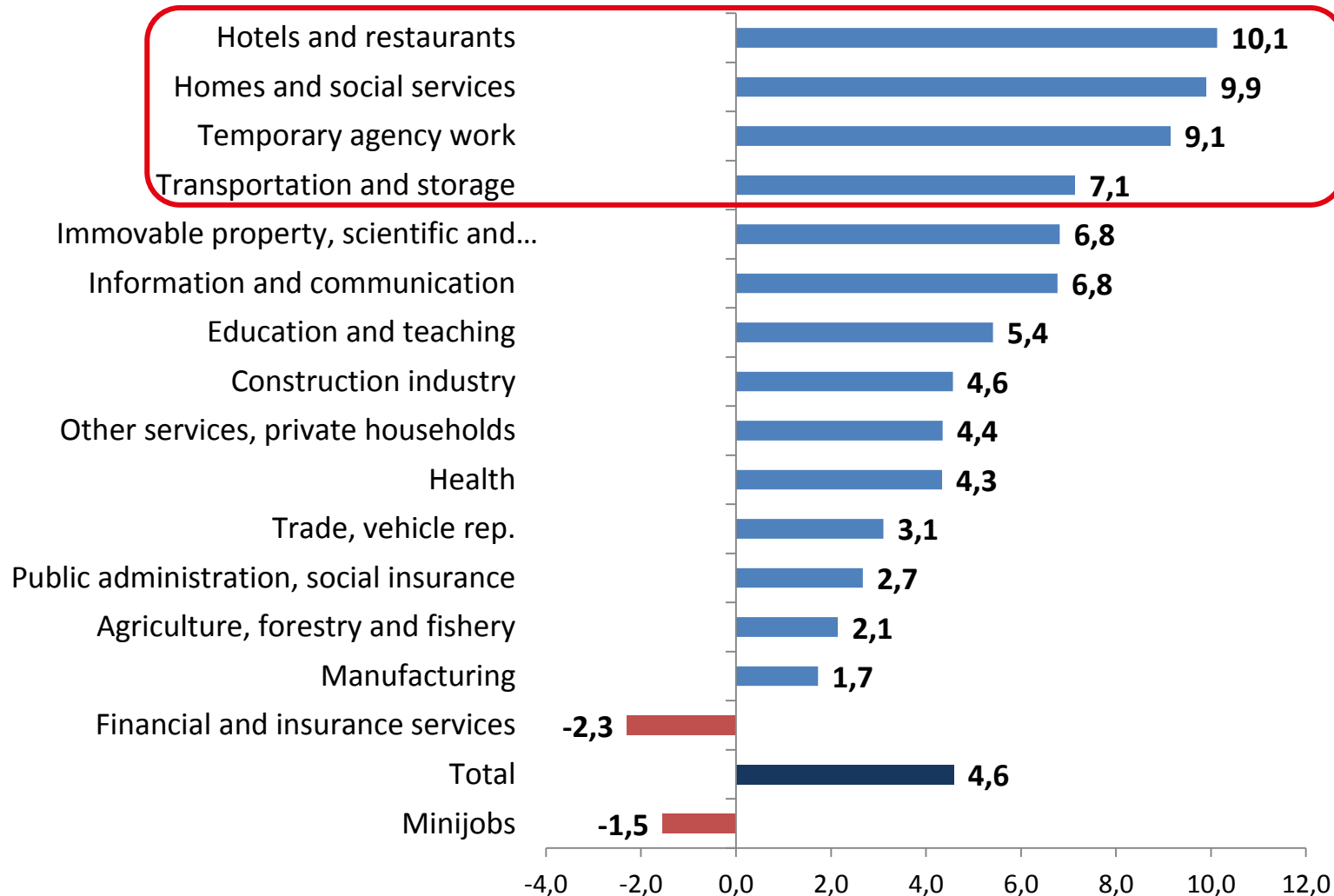
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# Impact of the minimum wage on employment

## October 2016, in % to October 2014

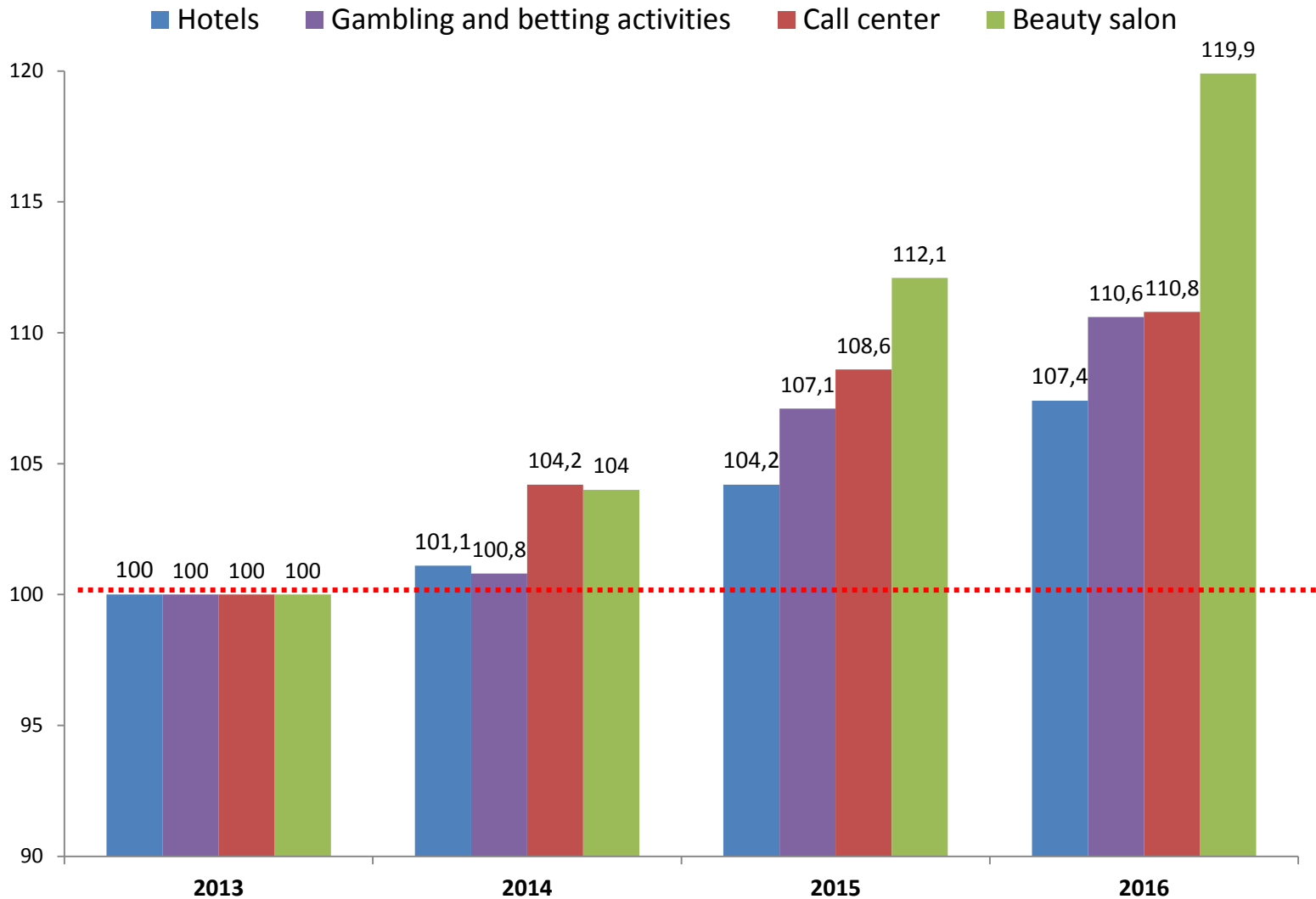
**Employees subject to social insurance,**  
October 2016, in % to October 2014, seasonally adjusted figures





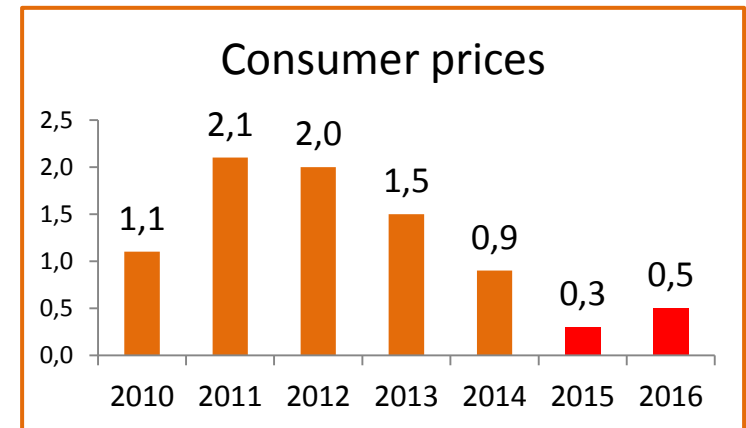
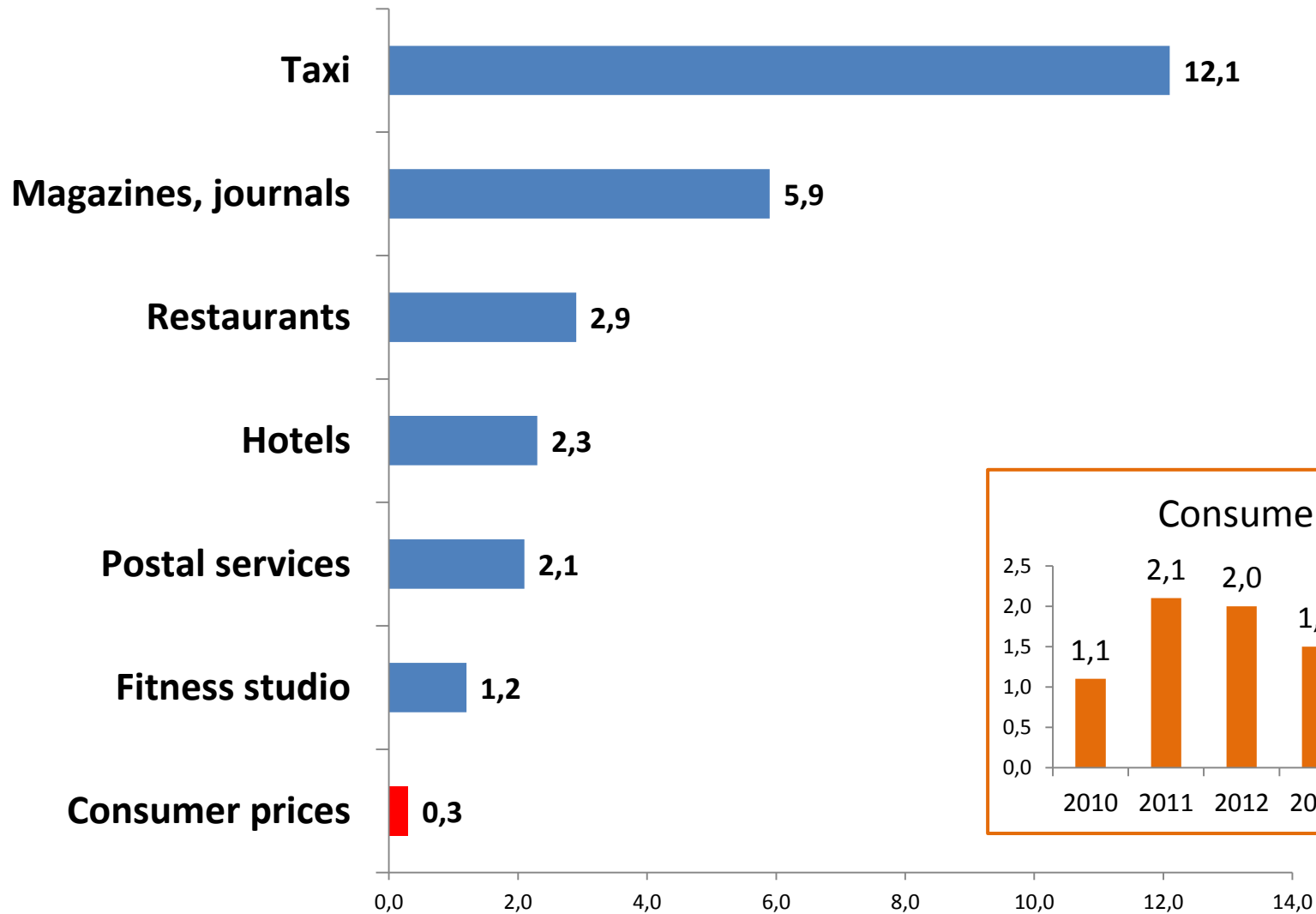
# Employees in low-wage-sectors 2013 – 2016

## Subject to social security



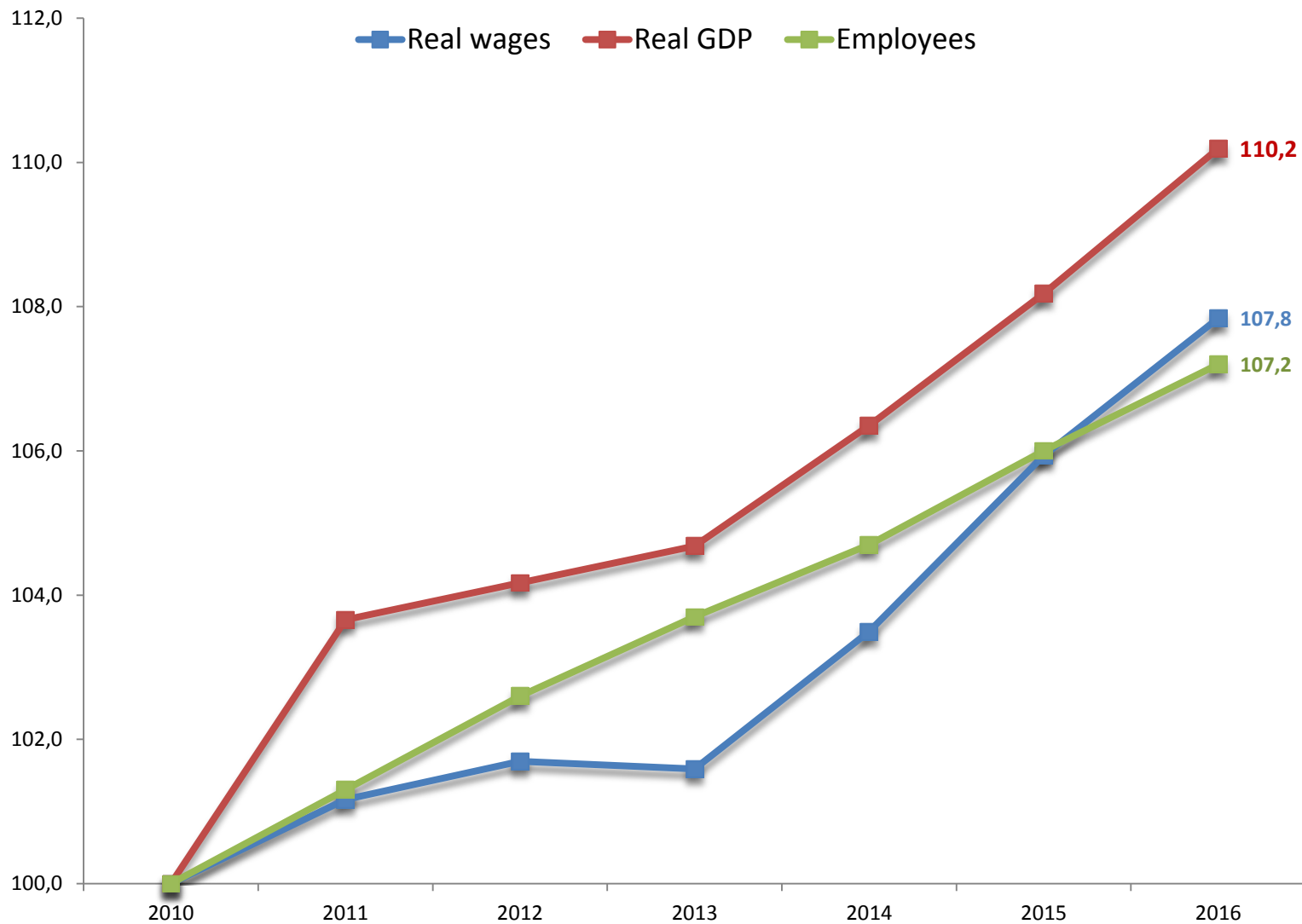
# Minimum wages and prices

Increase 2015 to 2014 in %



# Key economic indicators

## 2012 - 2016



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# MINIMUM WAGES AND COLLECTIVE AGREED WAGES

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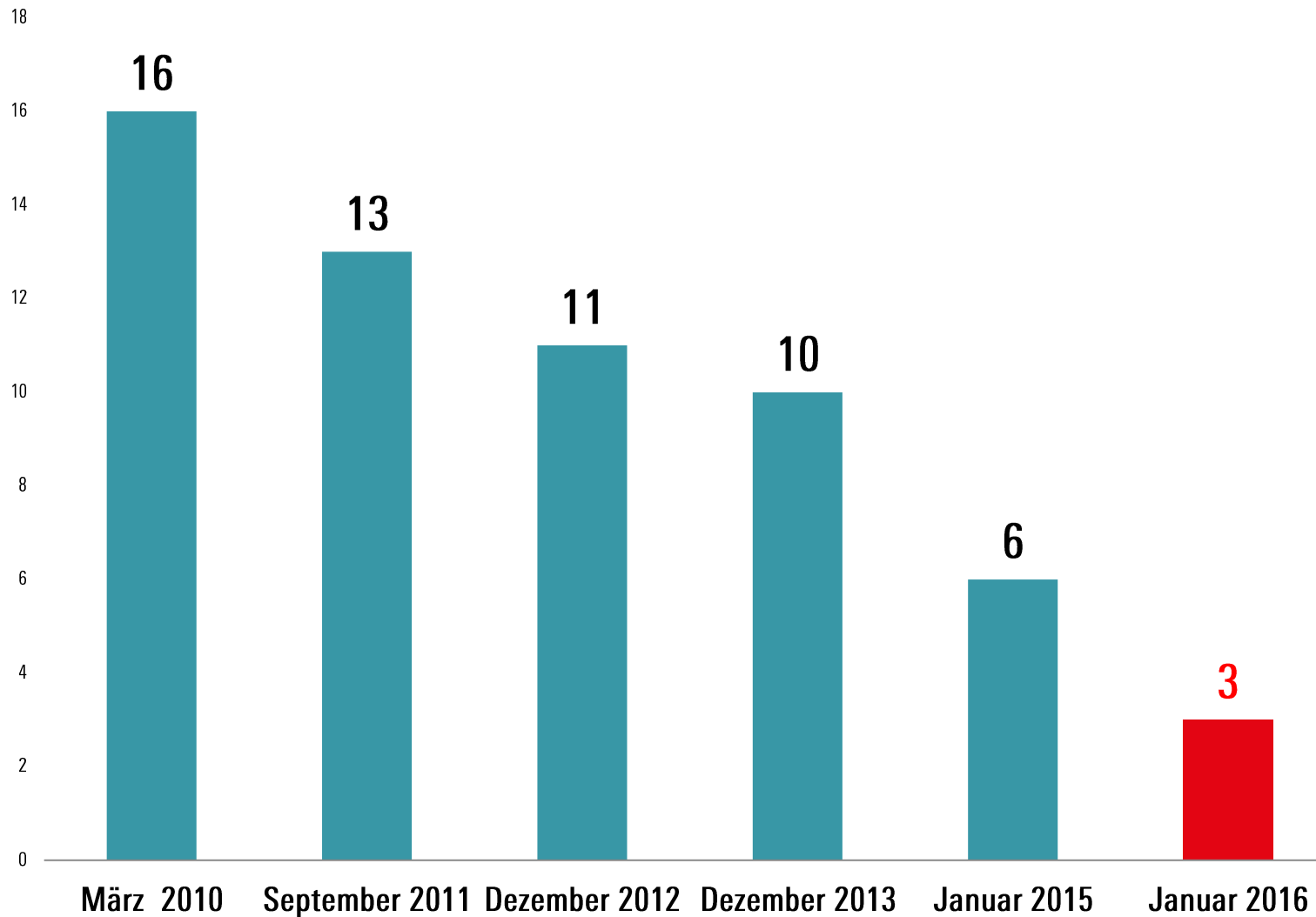
# Interplay of wage-setting regimes

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# Less wage groups below 8,50 €/hour in % of all wage groups, 2010 - 2016

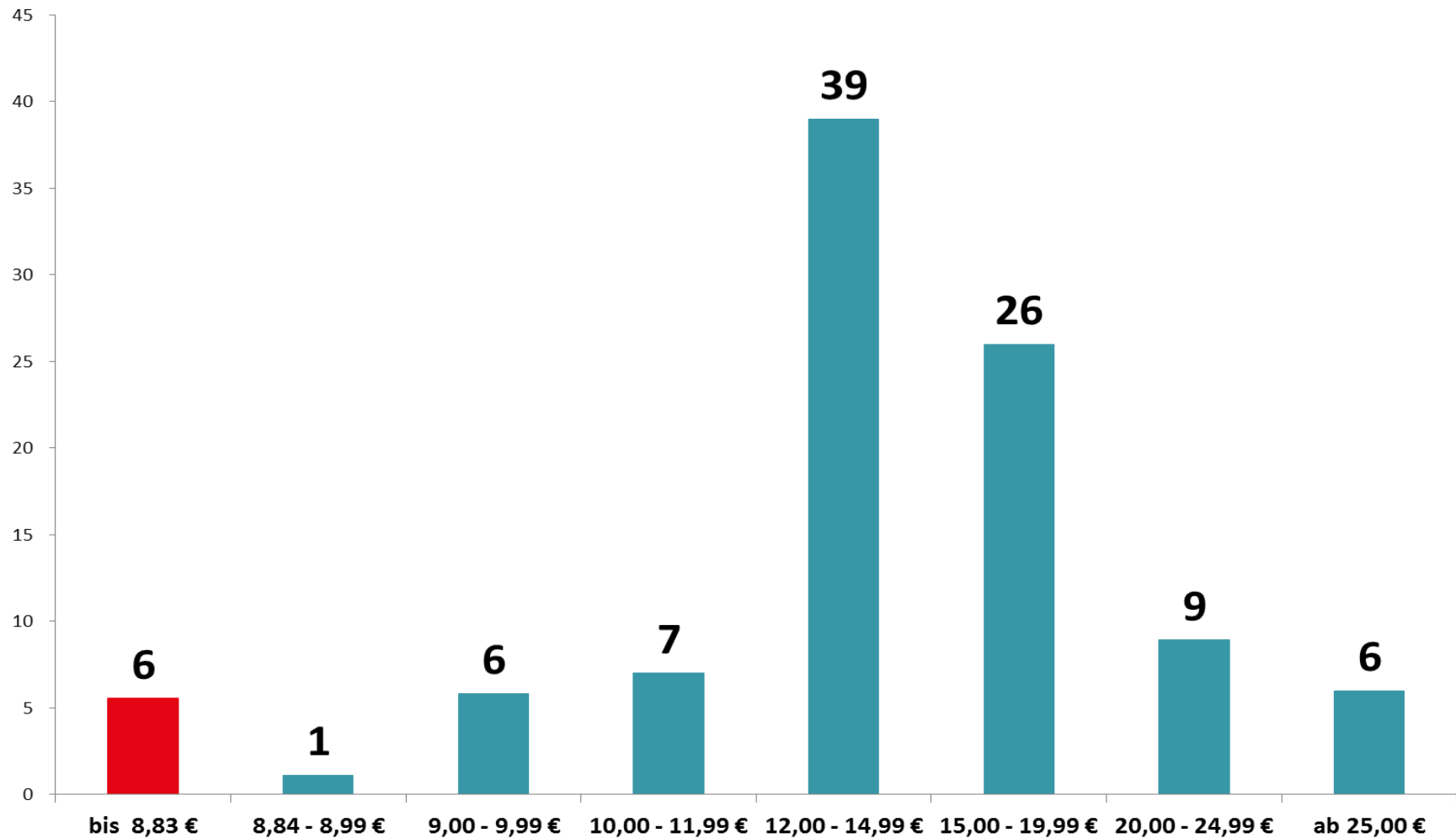
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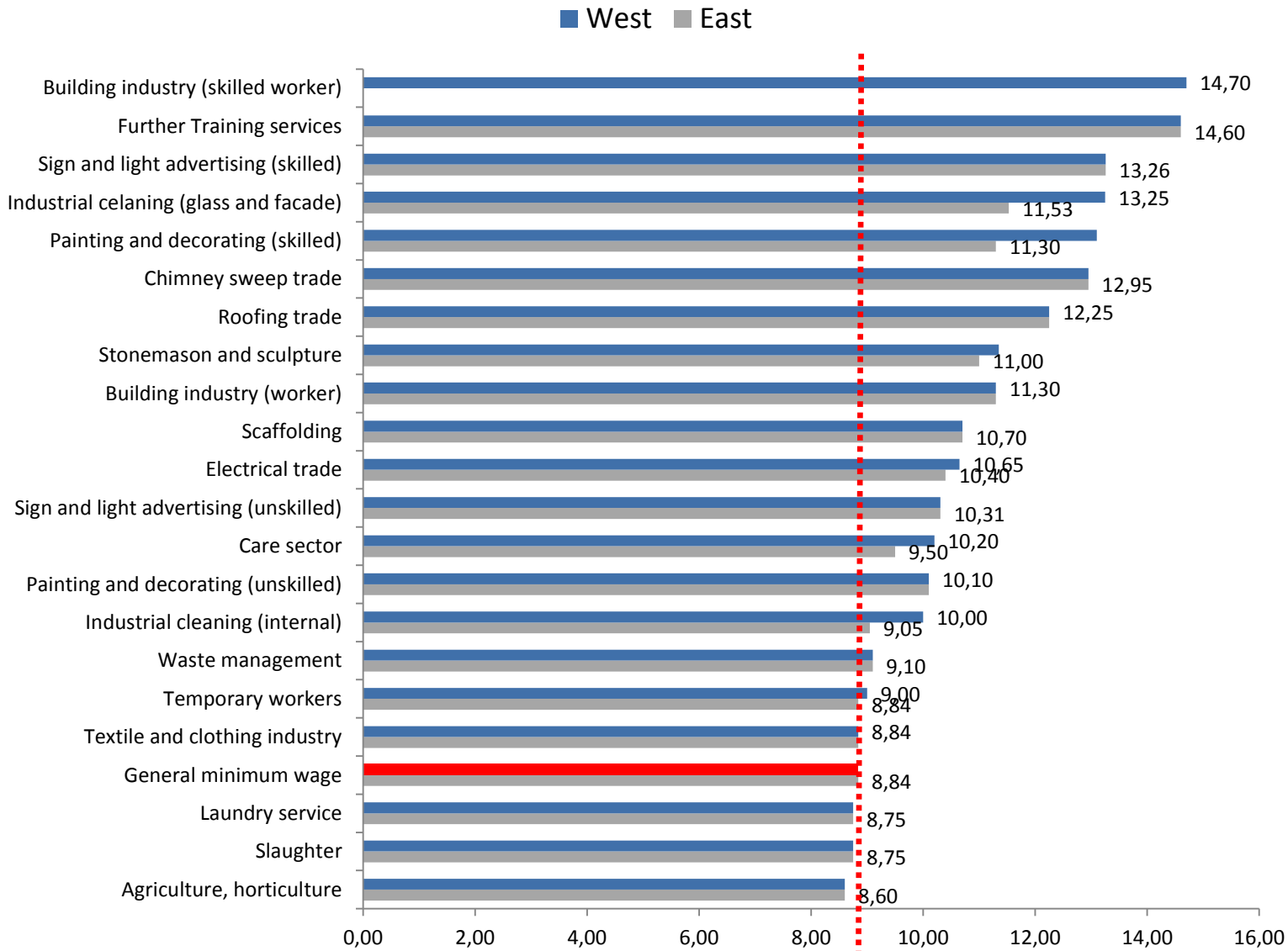
# Wage groups by income groups

in % of all wage groups, 2017

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# Sectoral minimum wages and SMW





# Conclusions

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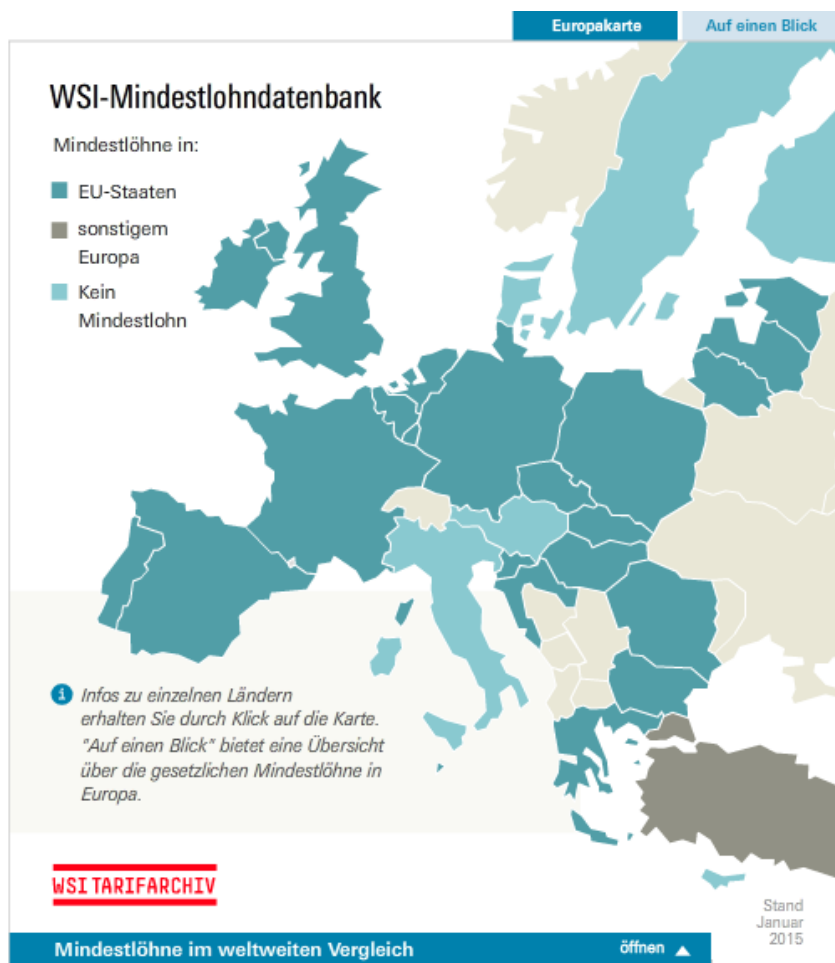
- **Negative forecasts** of huge job losses and price increases as result of the minimum wage turned out to be **wrong**.
- In October 2016 there **were more than 1,300,000 new regular jobs** (in comparison to October 2014)
- Above the average increase of **employment in some typical low wage sectors**
- **Consumer prices** remained **stable**, some exceptions for price-sensitive goods/services
- Above average **increase of low-wages**, but SMW at a rather low level.

**8,84 Euro  
Minimum wage**

**8,50 Euro  
Minimum wage**

# Thank you for your attention!

## WSI-Minimum Wage Database



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