

# Social Quality and the Policy Domain of Employment

## German National Report

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## 1. Introduction

This report delivers a comprehensive description of the employment situation in Germany with a special focus on flexicurity. It has been written as part of a comparative study on flexibility and social security and their changes in various European countries, which has been commissioned by the European Foundation on Social Quality in Amsterdam. The case study on Germany is based on data from the Eurostat Labour Force Survey, the German Federal Statistical Office, the European Foundation for the Improvement of Living and Working Conditions, a study of the research institute of the German unions (WSI) and on further literature.

What does flexicurity mean? It is a combination of flexibility and social security, two political goals which have been often considered as antagonistic. The idea of flexicurity is to undo the Gordon knot by creating a new balance between policies which flexibilise employment relations and policies which enhance the social security of employees and unemployed persons. Point of departure is the hypothesis that new interests in flexibility have developed during the last decades. On the one hand side there is a perceived strong interest of employers in flexible employment relations as an reaction on globalisation processes. On the other hand side also employees are considered as interested in flexible employment since more flexible work regulations could help to create a new balance of work, care and leisure, thereby facilitating the inclusion of employees in all spheres of life. Especially for women this could open up new the possibilities to combine employment with care responsibilities.

But the flexibilisation of work relations is still seen as blocked by the old systems of social security. The German systems of social security are mainly wage labour centred which means that only employees in standard employment relationships do have an acceptable level of income in case of unemployment or retirement. Hence flexicurity policies should reform the systems of social security in a way that enables people to work in flexible employment *and* to experience a high level of social security. But it is not only income security which should be fostered by a flexicurity strategy. Another important goal is the support of succesful transitions from unemployment in employment, from one job to another or from one qualification level to another by occupying activation policies. These involve, for example, education, training and life long learning.

The following parts are concerned with the concrete developement of flexibility and social security in Germany. In the first two parts the emphasis is on dimensions of flexibility. In part 2 the occurrence of the different characters of flexible employment relations (part-time, temporary, marginal) and the reasons for flexible employment are considered. In part 3 questions of flexible working time and it's consequences are dealt with. The following two parts discuss instead the social security side of flexicurity. In part 4 the emphasis is on income security which regards especially the income situation

in case of unemployment and disability and the amount of poverty. Forms of care leave are described in part 5. This is followed by a discussion of the results of the parts 2 to 5 in the last section of this report.

To begin with, a general picture of the development of employment and unemployment in Germany in the last years is needed. Table 1 contains the relevant information. The first impression is rather one of stability in many indicators (labour force, participation rates) which seems to be surprising when taking into account that the years 1997 to 2000 have been a period of economic prosperity.

*Table 1: Working population by sex*

	1997	1998	1999	2000
Population aged 15-64 (x1000)	55 993	55 990	55 913	...
Labour force (x1000)	40 280	40 262	40 508	40 326
Men	22 930	22 864	22 879	22 677
Women	17 350	17 399	17 630	17 649
Employed labour force (x1000)	...	35 860	36 402	36 604
Men	...	20 509	20 658	20 680
Women	...	15 351	15 744	15 924
Unemployed labour force (x1000)		4 402	4 106	3 722
Men	...	2 354	2 220	1 996
Women	...	2 048	1 886	1 726
Participation rate of the whole population (in %)	49,1	49,1	49,4	49,1
Men	57,4	57,2	57,2	56,6
Women	41,3	41,4	42,0	41,9
Participation rate of the population aged 15-64 (in %)	71,9	71,9	72,4	...
Men	...	80,2	80,3	79,9
Women	...	63,0	63,8	64,0

Source: Statistisches Bundesamt (2002); Bundesministerium für Arbeit und Sozialordnung (2001a); own calculations

But a closer look, especially if one considers the differentiation between men and women, reveals a slightly different picture. Remarkable is the increase in employment by more than 700 000 jobs which have been overwhelmingly occupied by women (some 600 000). This led to an increase of the participation rate of the working age women from 63 to 64 percent, whilst the rate for men remained almost stable around 80 percent. As unemployment for both sexes was shrinking the male labour force must have been decreased and the female one increased. But what kind of jobs have been

created? Are they full-time or part-time, permanent or temporary, contributory or marginal? This questions will be answered in the following section.

## 2. Employment relations

The discussion about the erosion of the standard employment relationship has quite a long tradition in Germany and goes back to the mideighties (Mückenberger 1985). In the meantime several studies have been concerned with the amount of this erosion and came to the conclusion that the absolute number of standard employment relationships is rather stable whilst there is an additional increase in flexible employment.<sup>1</sup> Three forms of flexible employment are of special importance for the German case. These are part-time employment, fixed-term employment and marginal employment. In the tables 2 to 4 the development of these employment forms from 1995 to 2000 is described.

### 2.1. Part-time employment

The increase of part-time employment<sup>2</sup> in Germany is remarkable. Over 1,2 million new part-time jobs did arise in the five years from 1995 to 2000. The part-time rate increased from 16,3 to 19,5 percent. Nevertheless there is a sharp gender specific bias. The largest part of this increase is up to the rising part-time employment of women (900 000). This leads to the assumption that the increased employment integration of women in Germany, which was described in the introductory part, was managed mainly through part-time employment. Interesting is furthermore that the part-time rate in East Germany is still much lower than in the West, though it is rising as well. Again, gender differences are important also in the East where some 80 percent of the part-timers are women.

Table 2: Part-time employment by sex and region

	1995		2000	
	part-time employees (x1000)	part-time rate (in %)	part-time employees (x1000)	part-time rate (in %)
<b>Germany</b>	<b>5 864</b>	<b>16,3</b>	<b>7 115</b>	<b>19,5</b>
<i>Men</i>	<i>751</i>	<i>3,6</i>	<i>1 084</i>	<i>5,3</i>
<i>Women</i>	<i>5 113</i>	<i>33,8</i>	<i>6 031</i>	<i>37,9</i>

<sup>1</sup> For example Hoffmann and Walwei (1998) calculated, based on the *Mikrozensus*, a decrease of standard employment from 59,5 to 56,2 percent between 1985 and 1995.

<sup>2</sup> Part-time employed are all employees who work less than 30 hours per week.

Table 2: Part-time employment by sex and region (Continued)

	1995		2000	
	part-time employees (x1000)	part-time rate (in %)	part-time employees (x1000)	part-time rate (in %)
<b>West</b>	<b>5 114</b>	<b>17,6</b>	<b>6 302</b>	<b>21,0</b>
Men	637	3,7	936	5,5
Women	4 504	37,2	5 366	41,4
<b>East</b>	<b>722</b>	<b>10,6</b>	<b>813</b>	<b>12,3</b>
Men	114	3,0	148	4,1
Women	609	20,3	665	22,4

Source: Klammer/Tillmann (2001) based on *Mikrozensus*; own calculations

The rise in part-time employment could be explained to a certain extent with reference to the positive economic situation during the years 1998 and 2000 when additional jobs have been created. Furthermore some minor political reforms concerning part-time regulations, which have eased the transition to part-time employment through a better social protection in case of unemployment, did occur in this period. But a major reform took not part before 2001, when a right to work part-time (and to go back to full-time) was introduced for everybody who works in a firm with more than 15 employees. The time period of the data does unfortunately not cover the consequences of this new Part-time and Fixed-term Act (*Teilzeit- und Befristungsgesetz*). But it is not sure that it will lead to a sharp increase in the part-time rate as a consideration of the individual motivations of part-time employees show.

What are the reasons of employees to start part-time employment? There are supply side explanations as well as demand side explanations. Around two thirds of the West German women said in 2000 that they work part-time because of personal or family reasons. (Klammer/Tillmann 2001: 52)<sup>3</sup> Only 6,2 percent of the women in the West work part-time, because they could not find a full-time job. This illustrates the traditional gender relation which still persists in the *old Länder*. In the Eastern part of Germany more than half of the part-time employed women would like to work full-time whilst only 20 percent have personal reasons. Men work often part-time because of education/training or illness/disability. This happens quite equally in both parts of the country (32 percent in the West, 27,7 in the East). But at least around one third of the Eastern part-timers would like to get a full-time employment compared to only 13,9 percent in the West.

<sup>3</sup> The following data is also from Klammer/Tillmann (2001: 52).

## 2.2. Fixed-term employment

From 1995 to 2000 is also an increase in fixed-term employment<sup>4</sup> observable, but it is much more moderate than the one in part-time employment. In the long run it is even less impressive, as the West German rate for fixed-term employment was 10,4 percent in 1985 and 10,6 in 2000.

(Klammer/Tillmann 2001: 52) The table shows no significant difference between men and women but a larger amount of jobs with limited duration in the East.

Table 3: Fixed-term employment by sex and region

	1995		2000	
	fixed-term employees (x1000)	Fixed-term rate (in %)	fixed-term employees (x1000)	Fixed-term rate (in %)
<b>Germany</b>	<b>3 641</b>	<b>10,1</b>	<b>4368</b>	<b>11,9</b>
Men	2 092	10,0	2 457	11,9
Women	1 549	10,3	1 911	12,0
<b>West</b>	<b>2 548</b>	<b>8,7</b>	<b>3 204</b>	<b>10,7</b>
Men	1 512	8,8	1 809	10,6
Women	1 035	8,6	1 395	10,8
<b>East</b>	<b>1 093</b>	<b>16,1</b>	<b>1 164</b>	<b>17,7</b>
Men	580	15,3	648	17,9
Women	514	17,1	516	17,4

Source: Klammer/Tillmann (2001) based on *Mikrozensus*; own calculations

Labour Jurisdiction defines employment, in principle, as permanent. The definition aims mainly at preventing employers from side-stepping protective dismissal rules. Only small or newly founded firms have been allowed to deviate from the rule.

The 1985 Employment Promotion Act had eased fixed-term contracting. It allowed to hire employees for a fixed-term period of 18 months without forcing employers, as hitherto had been the case, to give good reasons. In the late eighties the Act had enhanced a reversal of employers' hiring strategies in the private sector which had especially affected women. By now women and men are almost equally share fixed-term employment. The 2001 Part-time and Fixed-term Act did not content major changes to the regulation of fixed-term employment. Especially the unions are strictly opposed to a further softening of the

<sup>4</sup> Fixed-term employment involves all employees with a contract of limited duration.

regulations. Instead the time of probation has been extended to a maximum period of 24 month which means that permanent employment becomes more similar to fixed-term employment.

### 2.3. Marginal employment

The data reveals the sharp rise in marginal employment<sup>5</sup> which has been a major issue on the political agenda in Germany. But three limitations of the data have to be admitted. Firstly, the number of marginal employment relationships is in fact much higher, because the table shows exclusively employees who have no other employment but a marginal one. Secondly, *Mikrozensus* changed its research instruments after 1995 which could lead to an overestimation of the increase of marginal employment. And thirdly, for conceptual reasons of the *Mikrozensus* the number of only marginally employed people is probably still underestimated.

Table 4: Marginal employment by sex and region

	1995		2000	
	only marginally employed people (x1000)	marginality rate (in %)	only marginally employed people (x1000)	marginality rate (in %)
<b>Germany</b>	<b>1 163</b>	<b>3,2</b>	<b>2 417</b>	<b>6,6</b>
Men	296	1,4	560	2,7
Women	867	5,7	1 857	11,7
<b>West</b>	<b>1 098</b>	<b>3,8</b>	<b>2 200</b>	<b>7,3</b>
Men	268	1,6	483	2,8
Women	830	6,9	1 717	13,3
<b>East</b>	<b>66</b>	<b>1,0</b>	<b>217</b>	<b>3,3</b>
Men	28	0,7	77	2,1
Women	37	1,2	140	4,7

Source: Klammer/Tillmann (2001) based on Mikrozensus; own calculations

Nevertheless the rise in marginal employment is remarkable, and it is obviously a domain of West German women. For that reason it is not risky to assume that marginal employment is mainly not an

<sup>5</sup> Marginal employment is a special German form of part-time employment where employees are not included in the systems of social insurance. After a reform in 1999, marginal employees have at least the chance to contribute to the pension insurance, but this is still voluntarily. A person is considered as marginally employed if he or she works less than 15 hours per week and earns less than 325 per month. Furthermore, employees with a fixed-term contract with a duration of not more than two months can be marginally employed irrespective of their income.



indicator for a precarious income situation as many marginally working women are probably homemakers and do have generous derived entitlements to social security benefits.

If one looks at the subjective reasons to work only in marginal employment this assumption is confirmed. Two thirds of the West German women want marginal employment because of personal or family reasons and only one in 20 did not find a full-time job. (Klammer/Tillmann 2001: 62)<sup>6</sup> In East Germany one can see a different picture. Nearly half of the exclusively marginally employed women would like to work full-time whilst only one in ten claimed to have personal or family reasons. Around 50 percent of the men in both parts of Germany are marginally employed because they could not find a full-time job or they are in education or training. Almost no East German men has personal reasons (8,4 percent in the West). As well as in part-time employment the gender relation model of West Germany is mirrored in the structure of marginal employment.

The sharp increase in marginal employment was seen as very problematic by the socialdemocratic and green government coalition because it went together with a decrease of full-time jobs, especially in the service sector. As marginal employees did not pay contributions to the systems of social security an erosion of the contribution base of these systems was feared. A new Marginal Employment Act in 1999 was meant to stop a further transformation of full-time into marginal jobs. Employers have now the obligation to contribute to the pension and the health system whilst employees can voluntarily pay contributions to the pension insurance to enhance their entitlements. But this new regulation is controversially discussed<sup>7</sup> and its success not confirmed. A recent study found out that marginal employment decreased since the act by 500 000 jobs. But this fall was completely up to additional marginal employment whilst the number of exclusively marginal employed persons even increased by 300 000. (DIW 2001: 324)

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<sup>6</sup> The following data relates as well to Klammer/Tillmann (2001: 62)

<sup>7</sup> Employers have continuously argued that obligatory social insurance for marginal employment (1) jeopardizes existing jobs, and (2) is ineffective, since 99,7 per cent of the marginally employed compared to similar 99,8 per cent of standard employment are "somehow" included in health or old age insurance, namely as students, family members or pensioners. Opponents of inclusion further maintain that marginal employment, since taxfree and based on marginal earnings, does not increase public revenue and will provide pin-money pensions, only.

### 3. Working time

#### 3.1. Average working hours

The normal length of the workweek, regulated through collective bargaining, is in Germany between 35 and 40 hours. Apart from differences in employment sectors one can find higher numbers of worked hours per week in the Eastern part of Germany than in the West. The average German workweek was in 1998 37,4 hours and has been very slightly shrinking to 37,2 hours in 2000 as table 5 shows. This is little less than the European average. The same holds for the average working hours of men and women which are 41,6 respectively 31,5.

Table 5: Number of usual hours worked per week in the main job by occupation and sex

		1998	1999	2000
<b>Total</b>	<b>EU 15</b>	<b>38,5</b>	<b>38,3</b>	<b>38,2</b>
<b>employment</b>				
	<i>Men</i>	42,2	42,0	41,9
	<i>Women</i>	33,4	33,2	33,2
	<b>Germany</b>	<b>37,4</b>	<b>37,3</b>	<b>37,2</b>
	<i>Men</i>	41,5	41,6	41,6
	<i>Women</i>	31,9	31,6	31,5
<b>Full-time</b>	<b>EU 15</b>	<b>42,1</b>	<b>42,1</b>	<b>41,9</b>
<b>employment</b>				
	<i>Men</i>	43,3	43,1	43,0
	<i>Women</i>	40,1	40,0	39,8
	<b>Germany</b>	<b>42,0</b>	<b>42,1</b>	<b>42,1</b>
	<i>Men</i>	42,7	42,8	42,8
	<i>Women</i>	40,5	40,6	40,5
<b>Part-time</b>	<b>EU 15</b>	<b>20,1</b>	<b>20,1</b>	<b>20,3</b>
<b>employment</b>				
	<i>Men</i>	20,6	20,6	20,9
	<i>Women</i>	20,0	20,1	20,2
	<b>Germany</b>	<b>18,3</b>	<b>18,1</b>	<b>18,2</b>
	<i>Men</i>	16,4	16,3	16,6
	<i>Women</i>	18,6	18,3	18,4

Source: Eurostat Labour Force Survey

The difference between men and women is to a certain degree caused by the higher part-time rate of women. But even if only full-time employment is considered men work longer than women (42,8 versus 40,5) Germany is here almost at level with the European average. Again, this is true for men and women. Whereas German part-timers work considerably less than their average European colleagues. This concerns especially men, who work only 2 full-time days per week compared with 2 and a half in the EU average.

### 3.2. Non-standard working time

The results of the former sections could lead to the conclusion that the standard employment relationship is still in good shape. But this is only true if one uses a tight definition of standard employment which includes only the length of a contract and the number of worked hours. Whereas by considering also the atypical distribution of working time a very different picture arises as table 6 reveals. Research of the ISO institute shows the rather surprising fact that in 1999 only 15 percent of the German employees worked in full-time employment with a contract of unlimited duration and a weekly working time between 35 and 40 hours which was distributed equally on the five working days Monday to Friday. (Bundesmann-Jansen/Groß/Munz 2000) Instead shift and night work as well as work on Saturdays and Sundays have been of growing importance.

*Table 6: People working usually irregular working times as percent of the total employment*

	<b>1999</b>
Shift and night work	18
Saturday work	35
Sunday work	16
Overtime	56

Source: Bundesmann-Jansen/Groß/Munz (2000)

Another data set relating to the Eurostat Labour Force Survey (table 7) shows slightly different results, but enables a view on the development of irregular working times between 1993 and 1997. While working at night was decreasing and shift work remained almost stable, evening and weekend work increased considerably.

*Table 7: Employees involved in irregular work as percent of total employment and development in percentages of growth and decrease*

	<b>1997</b>	<b>1993-1997</b>
Shift work	12	0,4
Evening work	32	4,0
Night work	13	-1,0
Saturday work	41	3,6
Sunday work	23	2,0

Source: Social and Cultural Planning Office (2001) based on LFS

### **3.3. Actual working time in relation to preferred working hours**

Do employees want to reduce their actual working time? The answer to this question is included in table 8 where actual and preferred working hours are compared. The overall trend is in the direction of a preferation of less working hours. In 1991 as well as in 1995 the number of actually worked hours is higher than the number of preferred hours. As higher the actual working time as higher is also the wish to work shorter hours.

There seems to be a higher work motivation in the East where the preferred working hours are higher than in the West, especially if women are considered. But in the time perspective from 1991 to 1995 a trend to convergence of preferences is obvious between the to parts.

But if one takes a deeper look at the data it becomes clear that there is no overall desire to work less hours as the averages of the preferred hours seem to reveal. In 1995 only 27 percent of West German men worked more than 40 hours but 48 would like to do so. This is even more than in 1991 when 46 percent wanted to work more than 40 hours per week. But there is also a wish for reduced hours as only 7 percent work less than 35 hours but 16 percent would wish to. A growing demand of part-time work is also visible if considering East German men. But also full-time employed East Germans would like to work less. In 1995 76 percent worked more than 40 hours, but only 56 preferred to do so.

Table 8: Actual and preferred working time as percent of total employment<sup>8</sup>

	1991				1995			
	West		East		West		East	
	Men	Women	Men	Women	Men	Women	Men	Women
<b>Actual weekly working time</b>								
1-19h	2	17	1	2	3	21	3	4
20-34h	2	25	2	17	4	25	3	25
35-39h	64	44	4	7	67	42	19	12
40-42h	23	11	72	63	19	10	67	56
43+ h	9	3	22	12	8	2	9	3
<b>Average working time in hours</b>	<b>39,0</b>	<b>30,9</b>	<b>41,3</b>	<b>37,7</b>	<b>38,1</b>	<b>30,0</b>	<b>39,7</b>	<b>35,9</b>
<b>Preferred weekly working time</b>								
1-19h	2	14	2	3	5	17	7	12
20-34h	9	41	3	26	11	41	4	27
35-39h	43	30	15	18	37	26	23	22
40-42h	35	12	57	46	35	13	47	35
43+ h	11	3	22	7	13	3	19	6
<b>Average preferred working time in hours</b>	<b>38,1</b>	<b>28,9</b>	<b>40,6</b>	<b>35,7</b>	<b>37,4</b>	<b>29,1</b>	<b>38,4</b>	<b>32,8</b>

Source: Statistisches Bundesamt (1998) based on SOEP 1991 and 1995

Some West German women would like to work longer hours. In 1995 only 12 percent had a workweek of more than 40 hours, but 16 percent desired one. An interest in longer hours is also observable at the bottom of the working time structure. Whilst 21 Percent had jobs with less than 20 hours only 17 claimed to have the wish for such a job. Nevertheless a larger number of Western women preferred a shorter working time as 46 percent of them worked actually less than the regular 35 hours a week while 58 percent wished to be part-timers. This preference structure did hardly change during the time period 1991-1995.

East German women seem to prefer generally to work less. A surprising 56 percent of them worked in 1995 still more than 40 hours, but only 41 like to do so. Both numbers decreased sharply from 1991 to 1995. The actual amount and wish to work part-time increased instead during this time period. In 1995 already 29 percent of East German women worked less than 35 hours while 39 percent would like to. There is especially a demand for jobs with less than 20 hours in the East (4 percent had one, 12 wished one).

<sup>8</sup> Without people in training/professional education and marginal employees

## **4. Income security**

### **4.1. Average wage**

The average gross wage went up from 3 235 DM per month in 1991 to 4 141 DM in 2000.<sup>9</sup> This is an increase by 28 percent. The average net wage has been 2 247 DM per month in 1991 and 2 658 DM in 2000 which means that it has increased only by 18,3 percent. This difference is caused by rising insurance contributions. But since 1997 the trend has changed and the net rate<sup>10</sup> has been growing from 63,8 percent (1997) to 64,2 percent (2000). The data illustrates the more or less successful efforts of the socialdemocratic and green government to reduce direct taxes and stabilise contributions. Nevertheless, the real wages declined from 1991 to 2000 by 3,5 percent. And even the economically prosperous period of socialdemocratic/green governance (1998 to 2000) has just seen an increase by 0,8 percent.

### **4.2. Poverty rates**

The income inequality in Germany increased between 1993 and 1998 as the poverty rates, which table 9 contains, clearly show. While in 1993 only 9,6 percent of the population had a net equivalence income of less than 50 percent of the average, in 1998 10,2 percent have been in a position of relative poverty. Especially women are concerned by the growth of negative income situations as poverty rates of women in all categories increased. This might have been caused by a larger number of lone parents but also by the negative labour market situation in the recession years from 1993 to 1997 in which low-skilled women have been the first victims of job reduction.

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<sup>9</sup> As well as the following data according to Bundesministerium für Arbeit und Sozialordnung (2001)

<sup>10</sup> Gross wage reduced by taxes and social insurance contributions of the employees

Table 9: Poverty rates (50 percent of the average income) by age, sex and region

	1993			1998		
	Germany	West	East	Germany	West	East
	<i>Up to 24</i>					
Men	38,4	(35,2) <sup>11</sup>	* <sup>12</sup>	26,0	(26,6)	(23,5)
Women	34,3	35,1	*	40,2	42,2	-
	<i>25-54</i>					
Men	6,9	7,2	(1,3)	6,7	6,8	(3,0)
Women	16,5	17,3	(4,9)	16,6	19,0	5,8
	<i>55-64</i>					
Men	6,2	6,5	*	6,7	6,6	*
Women	12,2	13,0	*	14,1	14,5	*
	<i>65 and over</i>					
Men	7,2	7,7	*	9,4	11,3	(6,2)
Women	19,3	20,8	*	22,1	23,5	-
	<i>all</i>					
both	9,6	9,7	2,9	10,2	10,6	4,8

Source: Bundesministerium für Arbeit und Sozialordnung (2001b)

Poverty rates of men have been exclusively rising in the age categories of 55 years and over. The explanatory factors include the rising unemployment of older people and relatively lower pensions. The poor data on East Germany reveals at least that the still lower income inequality is growing as well.

#### 4.3. Unemployment compensation system

The German unemployment protection is a three-layer system comprising unemployment insurance (*Arbeitslosengeld*), unemployment assistance (*Arbeitslosenhilfe*) and social assistance (*Sozialhilfe*). Whereas the first two systems are exclusively related to unemployed people, social assistance is a scheme of minimum income which is available to all persons in need irrespective of whether they are registered as unemployed.

Unemployed persons qualify for unemployment insurance benefits if they have worked in insured employment for at least 12 months during the previous three years. The rate of unemployed people covered by these benefits decreased from 49,8 percent in 1993 to 37,7 percent in 2000. (Reisert 2001: 41) This is caused by rising long-term unemployment as insurance benefits are paid for a maximum period of one year (up to 32 months for older unemployed persons) of unemployment. The level of benefit is 60 percent (67 for recipients with at least one child) of the previous net wage (12 month average). The last time unemployment benefit levels have been reduced was in 1994. A reform

<sup>11</sup> If the number of cases is between 30 and 100 the result is written in brackets.

debate which would bring benefit levels on the agenda was politically inappropriate for a long time. This special German phenomenon could be explained by different factors of which the most important is surely the special character of unemployment in East Germany as a consequence of the economic transition. (Reissert 2001: 11, 12)

Unemployment assistance is paid to persons who have exhausted their entitlement to unemployment benefit and remain still unemployed. An additional possibility to receive entitlement to unemployment assistance, a five month period of insured employment, was abolished in 1999. Hence the coverage decreased from 1999 to 2000 by 180 000 persons. (Reissert 2001: 20) Nevertheless, the percentage of unemployment assistance recipients of all unemployed has been constantly rising between 1993 and 1999 (from 22,2 to 31,0 percent). (Reissert 2001: 41) Again, increasing long term unemployment is responsible for that development as the duration of unemployment assistance receipt is not limited. The level of assistance amounts to 53 respectively 57 (with children) percent of the previous net wage. But unlike to unemployment insurance benefits unemployment assistance has an income test component. As a consequence, a married person with an employed spouse does often not qualify for assistance benefits.

Altogether 68,2 percent of all unemployed persons have been entitled for one of the two kinds of benefit in 2000. This rate had been 72,0 percent in 1993. Unemployed people who fall through the two upper nets of security can claim social assistance if their household has no sufficient other means of income. It is estimated that around 400 000 persons (or 10 percent of all unemployed) belonged in 1999 to this categorie. Furthermore, as a consequence of the equivalence principle in German unemployment protection, some 220 000 persons received additional social assistance because their unemployment benefit level was beneath the minimum income defined by social assistance. Probably even twice as much have been entitled to social assistance but did not claim. (Reissert 2001: 26) Social assistance benefits are flat rate benefits. In the early nineties their uprating has been connected with the income development in the lower wage categories. In spite of that, the ten year period 1989-1999 showed a 26 percent rise of benefit levels while the average net wages increased only by 20 percent. Though, when taking inflation into account the net increase of social assistance benefits was just 1,4 percent. (Bäcker et al 2000: 213) As social assistance payments are related to the size of the household, different net replacement rates exist. An average rate of three different types of households had been 56 percent in 1997. (OECD 2000)

The 1998 reform of the old Labour Promotion Act, which is now called Volume III of the Social Policy Act, did not involve a major reorganisation of unemployment compensation though the underlying philosophy changed considerably. The emphasis of the new act is now rather on active labour market

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<sup>12</sup> If the number of cases is less than 30 no result has been calculated.



policy and enhanced obligations for unemployed people with respect to their availability for work. For example, the definition of suitable job offers was reformulated in a way which abolished the *Berufsschutz* (protection of previous qualification). After a certain time period of unemployment, unemployed persons are now required to accept job offers which include significant losses of income compared to the previous job.

But some unemployment policy reforms in the 1990ies enhanced the protection and promotion of flexible forms of employment. Especially part-time employment regulations have been changed. In 1998 contributions and entitlements to unemployment insurance have been extended to part-timers who work between 15 and 18 hours per week. Since 1994 employees who reduced their working time of more than 20 percent can receive, in case of unemployment within the following three years, unemployment benefit as if they had worked full-time. Furthermore people who are employed in two part-time jobs for the minimum period of one year and lose one of those jobs are since 1998 entitled to partial unemployment benefit (*Teilarbeitslosengeld*) for six month. It is estimated that these reforms have covered additional 500 000 part-time workers with unemployment protection. (Reissert 2001: 20) And with a look at the part-time statistics one can conclude that they have certainly motivated a significant number of employees to start part-time employment.

## 5. Forms of care leave

In 2000, the German government passed a major reform of the Parental Leave Legislation. While the old law strictly ruled that the three-years-leave had to be taken immediately after the child's birth and the parent on leave was only allowed to work a maximum of 19 hours per week, parents are now given various options: Parents can share the up-to-three years of leave; they can care for their child at home together for some time or concentrate their leave on one year only and thereby be entitled to a thirty per cent higher (income-tested) parental leave benefit; and, parents can decide to split the leave, for instance, to take two years after the child's birth and the remaining year when the child enters school which is still part-time in Germany. The leave has to be taken, however, before the child will be eight years old. Thresholds for income-testing of the benefit and for being employed while on leave have been significantly raised. The mother or father on leave is now allowed to work up to thirty hours per week which, in fact, equals reduced full-time in Germany.

The proposal primarily aims at adapting the existing rules to the needs of *employed* parents, of both, mothers and fathers, who growingly work flexible jobs, by giving them more options; it also reacts to employers' needs by providing incentives for parents to stay in (reduced full-time) employment while being eligible for parental leave; and, as is explicitly stated, the reform wants to increase fathers' take-up rate by flexibilising eligibility rules and providing incentives better tailored for men. Taken together these changes constitute major shifts in the hitherto logic of parental leave. Working men are recast as caring fathers, mothers as workers, households as two-earner units which continuously share their resources be they time or income - everything in the best interest of the child - who needs two earner parents.

This logic may become more evident, if we relate the parental leave reform to another law which since 2001 onwards grants everybody a right to be part-time employed. Employers have to put forward good reasons, if they deny full-timers to reduce their hours. In addition, those who opted for part-time have the corresponding right to go back to full-time. The family minister who drafted the law argued that employers often hindered willing men to take part-time, that the new rule therefore also wants to help fathers to reduce working hours and share child care at home. She also assumes that equal sharing of child care will increase mothers' employability and employment - other politicians also expect more babies.

## 6. Conclusion

Contrary to the widely shared and prominently held notion of *Reformstau* (blocked reform), the flexibilisation of employment relations and working time did make significant progress in the last decade. Part-time employment and marginal employment increased sharply, thereby enlarging the much discussed, feared and desired, low wage sector in Germany. Fixed-term employment rose rather smoothly, but was supplemented by an extended probationary time. Other forms of flexible employment, like agency work and work on call, which in Germany have still not achieved the same importance as in other European countries are, nevertheless, growing.

Even more than these forms of external flexibilisation, various kinds of internal flexibilisation have been developed swiftly. Evening and weekend work as well as overtime are now quite normal phenomena. If this is in the interest of the employees and contributes to the quality of their lives is rather doubtful. The example of Volkswagen in Wolfsburg, where the collective reduction of working time went together with a new flexible distribution of working time during day and week, should be enough warning to radical flexibilisation advocates. After the nearly collapse of the social life of the town, because a shared leisure time of the employees, for example in sporting clubs, became impossible, VW reinvented a conventional distribution of the reduced working hours.

Nevertheless, flexible forms of employment can operate as a bridge into the labour market and contribute to inclusion, especially of women. And employment forms with integration potential are urgently needed as the unemployment count is still above four million. But there is also the risk that flexible work becomes a trap where income remains low and exclusion is always a threat. The increasing poverty rates for women of all age groups seem to confirm such an interpretation.

The social security systems could contribute to the reduction of poverty and the reintegration into the labour market. On the one hand side did some reforms indeed improve the availability to sufficient unemployment benefits for part-timers and more emphasis is laid on active labour market policy. But on the other hand side, obligations for unemployed people have been intensified thereby bearing the risk of new forms exclusion.

The idea of social quality is probably best realised in the new Part-time and Fixed-term Act. There, the right to work part-time is not only related to the demand of the economy or other societal goals, but to the sovereignty of time for the employee to enable his or her inclusion into different spheres of life.

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