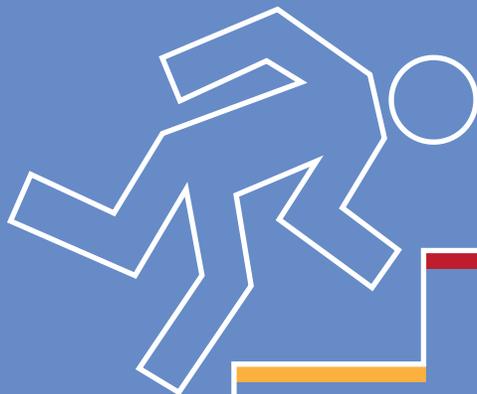


KLAUS DÖRRE
THE ***GERMAN JOB MIRACLE***
A MODEL FOR EUROPE?



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1 INTRODUCTION: THE “GERMAN JOB MIRACLE” AND THE DIVISION OF EUROPE

Since the 2008-2009 global financial and economic crisis, the division within the European Union and the eurozone has deepened. Crisis-hit countries such as Greece and Spain have experienced five years of economic contraction, unemployment rates continue to top the 25% mark, and the majority of their populations are living on the brink. Even with a favourable economic situation, it would take 20 years for the economies of these countries to return to their pre-crisis levels.

This situation stands in stark contrast with those countries which – for now at least – have emerged as winners from the crisis. Germany in particular is seen as a model pupil. In the second decade of the 21st century, it has risen to become the undisputed leading power in a crisis-wracked Europe. At first glance, Germany’s economic data suggest that it is in a better position than it has been for decades. The labour market situation in particular is impressive. Despite a dramatic downturn in economic activity in 2009, Germany has withstood the “great economic contraction” relatively well. Exports are booming, unemployment has fallen below three million for the first time in many years, labour market participation is at an all-time high and skills shortages are appearing in some segments. Even another economic slump would, so it seems, not seriously threaten the robust labour market.

Not so long ago mocked as “the sick man of the Rhine”, Germany has – at least among the elites – become a role model. The international press talk about a “German employment miracle”, or even a “German decade”. The German model is being applauded once again, and not only in Brussels but also in Guangzhou (China), Córdoba (Argentina) and Johannesburg (South Africa)¹. Indeed it is now even attracting admiration from the most unexpected intellectual quarters. For example, Italian political philosopher Angelo Bolaffi remarked in an interview: “Germany is playing a hegemonic role in Europe today [...]. I mean that in the Gramscian sense. Here people know what good governance is. Germany has the better social model.”²

Bolaffi was responding here to the other side of Germany’s hegemonic ambition, namely the fact that many victims of the crisis justifiably regard the German government of Angela Merkel as the main party responsible for the strict European

1 The author writes here on the basis of personal experience.

2 Der italienische Politologe Angelo Bolaffi über ein funktionierendes Gesellschaftsmodell und die Hoffnungen, die er allein in Angela Merkel setzt, in: Frankfurter Rundschau, 23 February 2014, pp. 26–27.

austerity programme and the impoverishment of large swathes of society that has gone with it. However, the German government's part in the harsh policy of cuts occasionally leads them to fall into the trap of only seeking the causes of the crisis externally, i.e. outside their own country. In such a case, anti-German feeling is a factor in them neglecting the responsibility of their elites and the sometimes flagrant contradictions and injustices that have their structural roots in their country's society.

However, neither the uncritical acclaim of some commentators nor the prejudice-laden demonisation of others is capable of providing a serious answer to the important question of the role of the "German model" in Europe. Indeed, upon closer inspection, it transpires that there is absolutely no consensus among admirers of the German job miracle as to what specific characteristics of the German form of capitalism are actually responsible for the country's employment situation.

WHAT MAKES EMPLOYMENT SUCCESSES POSSIBLE?

Angelo Bolaffi regards an efficient "social partnership" between capital and labour as the most important success factor: "This social partnership reflects a social compromise that gives the trade unions key oversight functions and co-determination rights, without this institutionalised dialogue bringing decision-making processes to a standstill. Nor does the social partnership get in the way of production innovations being rolled out in companies – on the contrary: it actually promotes them."³ Bolaffi also regards as exemplary the labour market reforms launched in the early years of the new millennium by Gerhard Schröder's Social Democrat-led government in the form of four "laws for modern services on the labour market". According to him, these reforms enabled the social partnership to be maintained in the context of globalisation and at the same time paved the way for the successful management of the crisis.

Leading pro-market German economists see the situation rather differently. While they too believe that the Schröder government's activating labour market policy made a substantial contribution to the German employment miracle, they quite rightly view the "Hartz reforms", as they are commonly known, as a break with the German social capitalist tradition. In the words of economist Thomas Straubhaar, "Hartz was the biggest labour market and social reform since the Second World War and was a resounding success. This was not due to individual components

3 Angelo Bolaffi (2014): *Deutsches Herz – Das Modell Deutschland und die europäische Krise*, Stuttgart: Klett-Cotta, p. 130 et seq.

of the four laws but rather the fact that Peter Hartz⁴ and the Chancellor of the day, Gerhard Schröder, were the first to openly say that things could not go on as they were with a welfare state bursting at the seams. The Hartz laws signalled the end of the old Federal Republic.”⁵ According to Straubhaar, no other country has “changed as dramatically over the past 10 years as Germany. Until the fall of the Berlin Wall, the country was a sheltered paradise with a standard of living we will not see again in the foreseeable future. We had the 35-hour week, virtually full employment and an amazingly high level of welfare benefits. After the fall of the Wall, other countries quickly caught up and millions of highly skilled but cheap workers hugely increased the competitive pressure facing us. Suddenly Germany hit problems and unemployment rose. However, those now aged between 50 and 70 still have this paradise in their heads but find that things are not as good for them as they expected back then: pensions are lower, they have to work for longer, and welfare benefits have been cut.”⁶ However, he considers that all of this was necessary to cure the “German disease” of over-regulated labour markets and a bloated welfare state, which is why Gerhard Schröder claimed in the German Bundestag, the country’s federal parliament, on 14 March 2003: “We will cut state funding and promote individual responsibility, and we must ask every individual to make an increased effort.” For, Straubhaar goes on approvingly, we Germans were quite simply living beyond our means and we now know that “further welfare benefits and handouts were no longer feasible because at the end of the day somebody always has to pick up the bill”.⁷

A CRITIQUE OF THE IDEA OF AN “INFLATION OF EXPECTATIONS AMONG THE LOWER CLASSES”

Who, though, is this hypothetical individual who consistently lives beyond his or her means? Cool-headed economists, too, realise that not everybody “overdoes it” to the same extent. Who is meant then when there is talk of an “inflation of expectations”? Here again the answer has long been clear for mainstream economists, who consider that the “unproductive” members of the lower strata of society are the main group to have lived beyond their means, and that their laxity has rubbed off on those who *are* actually motivated to achieve. When the then Chairman of the Social Democratic Party of Germany (SPD), Kurt Beck, spoke

4 Peter Hartz was the head of personnel at Volkswagen and chaired the commission that did the groundwork for these laws. Although not all the measures ultimately adopted adhered to the Commission’s proposals, the laws are popularly known by his name.

5 Interview with Thomas Straubhaar, in: Frankfurter Allgemeine Zeitung, 28 August 2012.

6 *ibid.*

7 *ibid.*

in an interview in the autumn of 2006 of an underclass devoid of any aspirations to upward mobility,⁸ he was only bringing to a head an idea that had long been fermenting among intellectuals. Opinion leaders such as contemporary historian Paul Nolte had identified a “new class society”⁹. However, according to Nolte, the tensions within this new society were no longer those of industrial capitalism as they related mainly to cultural distinctions; the failed integration of immigrants, the erosion of the traditional family order and target-group TV had led to an underclass mentality which had long developed its own logic independent of the socioeconomic conditions under which it had arisen, and generous welfare benefits only contributed to the persistence of such attitudes. Therefore, it was now time for the middle classes to develop their own class consciousness: “Society does not gain from just helping the weak while the relatively strong are neglected.”¹⁰

The argument goes that centrist policies should instead focus on keeping taxes and social security contributions down and cutting back financial transfers. According to this view, the Hartz reforms were exactly the right therapy to fight the virus of workshyness that was also affecting the mainstream of society: “The shorter entitlement periods [for type I unemployment benefit (author’s note)] have led to more older people now remaining in work. Meanwhile, other measures have created the flexibility needed to get the unemployed and low-skilled into employment. The result is that in Germany today we have more people in paid work than ever before.”¹¹ Crucial in this regard, so it is claimed, was a “change of mentality” which was “encouraged by the shorter entitlement periods for unemployment benefit”: “For many people this increased the pressure to look for a new job quickly, as otherwise they would soon face Hartz IV measures.”¹²

THE THESIS OF GERMANY AS A HIGHLY SELECTIVE COMPETITIVE SOCIETY

So, what enabled the job miracle to take place? Was it labour market reforms with their strict rules on what constitutes reasonable employment and the political shift they represented away from the old Federal Republic and its social partnership? Is this the medicine the rest of Europe needs to overcome the crisis? In the pages that follow, another view of the situation is presented. As a result in part of a deliberate

8 Interview with Kurt Beck, in: Frankfurter Allgemeine Sonntagszeitung, 8 October 2006.

9 Paul Nolte (2006): Riskante Moderne. Die Deutschen und der Neue Kapitalismus, Munich: C. H. Beck, p. 96.

10 Paul Nolte, Dagmar Hilpert (2007): Wandel und Selbstbehauptung. Die gesellschaftliche Mitte in historischer Perspektive, in: Herbert-Quandt-Stiftung (ed.): Zwischen Erosion und Erneuerung. Die gesellschaftliche Mitte in Deutschland. Ein Lagebericht, Frankfurt am Main: Societäts-Verlag, pp. 11–103 (we cite here from p. 97).

11 Interview with Thomas Straubhaar, in: Frankfurter Allgemeine Zeitung, 28 August 2012.

12 *ibid.*

policy strategy but also partly due to productive failure, Germany's economic and political elites have clearly managed to bring about the creative destruction of the institutions of erstwhile social capitalism – a destruction taken just so far that the remnants of the old model were still robust enough to successfully manage the economic crisis to some degree. However, the result has not been a renewed social market economy that could serve as a model for Europe and the world, but rather the establishment of a highly selective competitive society in which social services are provided to the classes without capital only in so far as is necessary to combine allegiance at home with a “semi-hegemonic”¹³ policy of domination on the European stage.

The price for this is being paid primarily by the victims of the reforms, namely precarious workers, the socially excluded and the jobless. Behind the facade of the supposed “job miracle” lurks the transition to a society of full but precarious employment, where the spread of insecure working and living conditions disciplines even those social groups whose conditions remain relatively stable. To justify this thesis, we first clarify the concept of German social capitalism and the changes it has experienced (2), before moving on to look at the extent of “precarisation” and subjective responses to it (3, 4); this is followed by a discussion of the effects of the so-called Hartz reforms (5), leading to a general evaluation and throwing up questions about possible alternatives (6).

13 Jürgen Habermas (2014): Für ein starkes Europa – aber was heißt das?, in: Blätter für deutsche und internationale Politik 3/2014, pp. 85–94.

2 A CHANGE OF MODEL – THE DISMANTLEMENT OF SOCIAL CAPITALISM

Let us begin by addressing the characteristics of the “German model”. What exactly lies behind this label? How has the form of capitalism it alludes to changed since the early 1990s? And to what extent can we still speak of a “German model” today?

THE OLD SOCIAL CAPITALISM

The term “German model” was originally used to describe a type of capitalist social system which had managed to strike a balance between the pursuit of profit by the private sector and the collective interest of wage earners and their families in having social security and welfare services. Accordingly, in the heyday of Rhenish, cooperative or – as it will be referred to here – social capitalism, social compromises were reached through firmly established networks of institutions, organisations and stakeholders.

In West Germany this involved:

- (a) diversified quality production in market niches, enabling special products to be manufactured while paying relatively high wages;
- (b) a central bank system with credit institutions which were closely connected with large industrial enterprises, as these companies’ house banks and through shareholdings;
- (c) a dual vocational education system, invested in by both the State and businesses; and
- (d) regulation of capital-labour relations combining cross-company collective agreements (industry-level agreements in regions) with flexible adjustment at company level.

Ideally, the class struggle in this system of organised labour relations was fought out at supra-company level, while, within companies, stakeholder representatives (with varying degrees of clout) ensured the consensual and flexible adjustment of collective bargaining agreements to local circumstances. Industrial relations actors could refer to a differentiated labour law that played a crucial role in transforming the pre-existing wage labour contracts into a respected social status for blue- and white-collar workers. It went without saying that trade unions also had a major say in labour market and social policy.

The outstanding achievement of social capitalism was to contain wage labour within a welfare-state framework. This resulted in what are referred to retrospectively as socially protected normal or standard working conditions. For the great majority of mainly male wage earners, this containing of wage labour within a welfare-state

framework meant that their income and employment situation were relatively disconnected from market risks. Social capitalism was still based on class-specific inequalities and, particularly in West Germany, on the asymmetrical integration of the sexes into the labour market. It also discriminated against migrant and lower-skilled workers. The full employment enjoyed by men would have been unthinkable without care work, which was largely unpaid and mainly performed by women. Unattractive, poorly paid, low-status jobs were mainly carried out by migrants (*Gastarbeiter* or “guest workers”), who had come up from the southern fringes of Europe and Turkey to work. However, for the majority of blue- and white-collar workers and their families, the transformation represented a transition towards an integrated status of social citizenship. Wage earners now had “social property”.¹⁴ Poverty and precarity still existed but they were pushed to the edges of the full-employment society with its protected internal labour markets and banished out of sight in the private sphere and in this way marginalised.

During the 1990s, doubts grew about whether this social capitalism, which had, like an “elevator effect”, transported class differences several stories up, could survive. Renowned German sociologist Wolfgang Streeck suggested that, trapped in a stranglehold by economic globalisation on the one hand and the problems following on from German reunification on the other, social capitalism had to fight for its continued existence, since international markets were established through “diplomacy”, not through complex class politics. He argued that the nature of the institutional model of German companies with their co-determination procedures did not lend itself to being exported to other European countries or beyond. Furthermore, in the context of an internationalised economy the nation-state’s ability to take action was on the wane, and even a nascent European state could not compensate for the resulting governance deficit. This was a serious issue because the German associations needed a state to support them, but such a state could no longer exist in an international economy. Finally, according to Streeck, the German traditionalist economic culture with its slow-moving collectivism was scarcely capable of resisting the temptations of the rival American individualistic approach. For these reasons, it was claimed that the “deregulatory bias of globalization” threatened to result in the “perverse outcome of the less well-performing Anglo-American model of capitalism outcompeting the better performing ‘Rhine model’”.¹⁵

14 “Social property could be described as providing equivalent social protection to that previously only offered by private property.” Robert Castel (2005): *Die Stärkung des Sozialen. Leben im neuen Wohlfahrtsstaat*, Hamburg: Hamburger Edition [translation of Robert Castel (2003): *L’insécurité sociale: qu’est-ce qu’être protégé?*, Paris: Éditions du Seuil], p. 41 et seq.

15 Wolfgang Streeck (1997): *German Capitalism: Does it exist? Can it survive?*, in: Colin Crouch, Wolfgang Streeck (eds.): *Political Economy of Modern Capitalism: Mapping Convergence & Diversity*, London: Sage, pp. 33–54 (the parts cited here are from pp. 51–53).

THE NEW FINANCIAL AND COMPETITIVE CAPITALISM

According to this view, it was only logical that there should have been radical reform of German social capitalism after the start of the new millennium. In the years of the German red-green coalition between the SPD and the Greens, a series of reforms introduced competitive elements into the social systems, privatised some of the provision for social risks, liberalised access to the financial markets, increased labour market flexibility and encouraged the spread of atypical forms of employment, many of them precarious. Unlike in for example the USA under Ronald Reagan or the UK under Margaret Thatcher, there was no general assault on the welfare state, the trade unions, the collective bargaining system or co-determination, but rather a creeping erosion of social capitalism. Nevertheless, there can be no doubt that while for the most part changes still took place within the shell of formally intact institutions of the old social capitalism, they ultimately boiled down to a change of model. This will be illustrated by a number of important developments, all of which started before the crisis.

1/ The *internationalisation strategies of export-oriented companies*, and the market for corporate control that arose after 1998 in the wake of the new legislation governing financial markets, irreversibly destroyed the old “Germany plc” network in which credit institutions and market-leading companies supported each other in their industrial strategy. Unlike in the 1990s, when internationalisation was largely synonymous with capital exports, Germany has now become a favourite market for foreign direct investment (FDI). Between 2008 and 2012 alone, the number of ventures involving foreign investors increased from 390 to 624.¹⁶ Meanwhile, German direct investment abroad has – with the exception of a downturn around the year 2000 – steadily risen since 1990, as have annual turnover and foreign employment.¹⁷ In quantitative terms, FDI inflows are still lagging behind, but here too there has been persistent growth after a dip at the turn of the millennium. This capital inflow is reflected in a change in ownership structures. While foreign investors held around 45% of the stock of 24 DAX-listed companies in 2005, this had risen to approximately 57% by 2012.¹⁸ These altered ownership structures have, over time, replaced the old Germany plc network with new, transnational control networks, in which financial market players have a big influence even if their shareholdings are relatively small as this allows investors to elude complex control practices.

16 Ernst & Young (2013): Standort Deutschland: Erfolg und Verantwortung, Berlin: Ernst & Young, Growing Beyond.

17 Deutsche Bundesbank (2012): Bilanz der Direktinvestitionen für Deutschland 1990/1995–2011/2012. www.bundesbank.de (accessed 17 December 2013).

18 *ibid.*

2/ The altered ownership structures and the internationalisation of companies facilitated the transition to *capital-market-oriented forms of governance*, the *internal financialisation* of the corporate organisation and the subordination of all processes to *strict profit-based management*. In export-oriented companies, profit targets are broken down through measurement systems from the top of the organisation into sites and decentralised units. The effect of this is that sites and profit centres for financial controlling even go into the red when they make profits but fail to meet their targets. The means used to implement the strict profit-based management approach vary from one company to another. In some cases return on equity (economic value added) is used, and in others earnings before interest and taxes (EBIT). However, the bottom line is always the same: to ensure that the company achieves at least a minimum level of profitability.¹⁹ Unprofitable divisions are restructured or their functions outsourced. This is a key driver behind the formation of international value creation chains and production networks. The goal of keeping profit margins in volatile markets as stable as possible is pursued using means that have been known about for a long time but which are acquiring new significance in the value-based management mode. For example, staff planning is based on the “median line” of average utilisation, with a flexible workforce being seen as the way to absorb upward and downward sales fluctuations. Financialised corporate governance regards the permanent employment of a worker as a financial investment that ties up capital for decades. The risks of such investments must be minimised on unstable markets. Headcounts (planning requirements for employment equivalents) and the strict budgeting of company activities are the main levers for limiting such investments.

If decentralised management cannot make do with the authorised full-time equivalents, the only choice available to them is to cope with production tasks through outsourcing/subcontracting, temporary work, service contracts or other forms of flexible employment which, like temporary work, can be partially booked in the accounts as material costs. The result is a permanent division of the workforce. Permanent employees work side by side with temporary workers at the same company, as happens at BMW Leipzig for example. Alongside them work the de-facto temporary workers employed on an open-ended basis by subcontractors, whose services are purchased under a service contract. These workers in turn differ from fixed-term temporary staff employed by the same service contract companies. This situation creates a strangely stable form of unstable employment.

19 Axel T. Paul (2012): Crisis? What Crisis? Zur Logik der Spekulation oder Warum die Hypotheken-Krise lehrt, dass die nächste Krise kommt, in: Klaus Kraemer, Sebastian Nessel (eds.): Entfesselte Finanzmärkte: Soziologische Analysen des modernen Kapitalismus, Frankfurt am Main/New York: Campus, pp. 181–200.

Clustered in concentric circles around end producers' permanent staff are various groups of precarious workers, with decreasing wages, safety and work-quality standards the further they are from the core workforce.²⁰

3/ This development mirrors serious *changes in labour relations*. The first point to stress is the dramatic decline in the strength of the trade unions. While the level of trade union membership in the old West Germany stood at around 35% in 1980, in the reunified Germany of 2013 it had dropped to some 18%. This erosion of union membership means that there is less incentive to organise on the capital side. In response to their own membership losses or companies' refusal to join up, many employers' organisations have introduced membership without collective bargaining coverage. As a result, in some sectors there is no longer a collective bargaining partner for the unions to negotiate with. Overall, collective bargaining coverage among companies is in decline. Between 1995-1996 and 2010, the proportion of sites in what used to be West Germany that were covered by collective bargaining agreements dropped from 54% to 34%, while in the East collective bargaining coverage fell in the same period from 28% to just 17%.

This is partly attributable to a type of rationalisation that undermines the collective bargaining system. Service activities in particular are being outsourced to avoid having to comply with collective bargaining/wage agreements. Significantly, the percentage of sites covered by such agreements in the field of business services is around 14% in the old federal states (i.e. the former West Germany) and 18% in the new federal states (the former East Germany).²¹ The erosion of the collective bargaining system is encouraging competition in the form of both undercutting and overbidding/outbidding. In some cases, small specialist trade unions for professional groups with a high status (pilots, doctors, train drivers, air traffic controllers, etc.) push through demands not achievable by the big trade union conglomerates (ver.di, IG Metall, IG BCE). Conversely, splinter trade unions in sectors with a low level of unionisation such as the temporary work sector have over the years signed dumping collective bargaining agreements specifying wages

20 Hajo Holst, Oliver Nachtwey, Klaus Dörre (2009): Funktionswandel von Leiharbeit. Neue Nutzungsstrategien und ihre arbeits- und mitbestimmungspolitischen Folgen. Eine Studie im Auftrag der Otto-Brenner-Stiftung, OBS-Arbeitsheft 61, Frankfurt am Main: Otto-Brenner-Stiftung.

21 Peter Ellguth, Susanne Kohaut (2011): Tarifbindung und betriebliche Interessenvertretung: Aktuelle Ergebnisse aus dem IAB Betriebspanel 2010, WSI-Mitteilungen 5/2011, pp. 242–247; Thomas Haipeter (2011): Tarifabweichungen, Betriebsräte und Gewerkschaften – Modernisierungschancen in lokalen Konflikten, in: Thomas Haipeter, Klaus Dörre (eds.): Gewerkschaftliche Modernisierung, Wiesbaden: VS Verlag für Sozialwissenschaften, pp. 31–60; Markus Helfen (2011): Tarifpolitische Parallelwelten, in: Mitbestimmung 7-8/2011, pp. 20–23 [see http://www.boeckler.de/32214_38629.htm for an English version].

of less than €6 or even sometimes €5 per hour. All this has helped to erode not only the unionisation strength but also the institutional power of wage earners.²²

4/ Such a situation would scarcely have been possible without *market-centred policy reforms*. Among the most important measures were the Hartz reforms mentioned earlier. These reforms were the German government's response to the fact that the number of long-term unemployed in Germany had doubled in every economic cycle since the mid-1970s. To counter this problem, joblessness would no longer be considered a structural phenomenon but brought into the domain of personal responsibility and addressed as an individual problem. The reformers viewed the long-term unemployed as a passive "Lazarus class" devoid of initiative and upward aspiration. To change this "passive mentality", the status of long-term joblessness would be made as uncomfortable as possible.

The corresponding legislation reduced the basic standard rates of type II unemployment benefit retained after one year's joblessness ("Hartz IV") to the level of the earlier social assistance. The labour administrations now have increased powers to check up on benefit recipients' private lives and delve into their housing situation and financial circumstances. In addition, recipients' need for assistance is constantly reviewed. All independent means and savings and income within a "benefit community" (*Bedarfsgemeinschaft*), i.e. all those living together in a household, are offset against any benefit claim. With the move away from an individual claim entitlement, it has become more difficult to have a claim accepted at all. Furthermore, fitness for work has been completely redefined, with anybody who is able to do paid work for more than three hours a day being considered fit for work. These measures, which also included upgrading non-standard forms of employment such as temporary work, are linked to penalties and strict rules on what constitutes reasonable employment. Benefit recipients must be ready to move to a different area to take up work and to work well below their earlier wage and skill/qualification levels. Any job which jobless people are physically, mentally and emotionally capable of doing is regarded as "reasonable". As rejecting offers of employment can lead to penalties, jobseekers sometimes have to lower their requirements in terms of pay and quality of work to an absolute minimum. If jobseekers fail to abide by the agreements made with a labour administration representative (case manager or agent), the authority in question can cut their benefits and replace financial allowances with luncheon vouchers. Naturally, when

22 For the changes in labour relations, see the articles in Stefan Schmalz, Klaus Dörre (eds.) (2013): *Comeback der Gewerkschaften. Machtressourcen, innovative Praktiken, internationale Perspektiven*, Frankfurt am Main/New York: Campus.

it comes to labour policy measures in the regions, trade unions now only have the right to be informed but not to have their say.

As well as strict profit-based management, financialisation of companies and the labour market reforms, market-centred policies in the areas of social services, health, education and care have seen to it that the principle of competition is increasingly being transferred to areas of society beyond the export economy. In stage-managed quasi-markets within organisations, bureaucratic instruments such as budgeting, rankings, ratings and target agreements are applied not only in clinics, universities and public authorities, but also in care for the elderly and youth and social work, thereby universalising competition. However, where there is competition, there must be both winners and losers – or in the words of neoliberal pioneer F. A. Hayek, “through competition ... relatively more rational individuals [can] make it necessary for the rest to emulate them in order to prevail”:²³

This “competification” of society, which we refer to as the capitalist *Landnahme* of social services (i.e. the gaining of ground or expansion of capitalistic structures in this area at the cost of non-capitalistic ones), is based on a selective expropriation of “social property”. It targets institutions, social forms of organisation and social rules that limit the effects of market-based coordination mechanisms. *Landnahme* means in this case that the welfare state, the protective cocoon that once gave wage labour a social status and transformed it into a key means of social integration, is being stripped away layer by layer. In Germany, this process has been given a major boost by labour market reforms. In sum, reforms that initially appeared rather incremental and gradual have brought about a change of model. The old social capitalism is now history – and anybody, like Angelo Bolaffi, swearing to its unbroken vitality and adaptability has been taken in by a myth.

23 Friedrich August von Hayek (1981): *Recht, Gesetzgebung und Freiheit*, Band 3: *Die Verfassung einer Gesellschaft freier Menschen*, Landsberg am Lech: Verlag Moderne Industrie, p. 109 [translation into English: Friedrich August von Hayek (1998): *Law, Legislation and Liberty*, Volume 3: *The Political Order of a Free People*. London: Routledge, p. 75 (<https://docs.google.com/file/d/0B13foB0yMIUAZjE5Zjg5ZGUtNWwNINy000TjILThY2YtYmRiNlNTY0NDQzMzg1/edit?pli=1>)].

3 PRECARIETY – CONCEPT AND SCALE

However, we should add quickly that the old “model” has not simply been replaced by another. The *Landnahme* effected by the dominant capitalist players (large companies and the state) works – and in this way it is similar to the “primitive accumulation” so impressively described by Karl Marx – through the shedding of labour, a “metabolism” between internal capitalist and external non-capitalist markets and by an amalgamation of old and new forms of production and living. With political aid, workers are shed from those segments that are still protected by welfare-state safeguarded wage labour. A “metabolism” operates between still comparatively protected internal segments of the labour market and precarious, external segments characterised by overexploitation. And the selective expropriation of “social property” brings about amalgams between, on the one hand, permanent employees with some social citizenship still intact and, on the other hand, low-paid and undervalued precarious workers. In other words: social capitalism and social citizenship have not completely disappeared; for permanent employees in the export industries and parts of the public sector, this status of wage labour still exists. And in these sectors, standards of normality for gainful employment are still defined, which serve as a yardstick for measuring deviation and precarity.

PRECARIETY – A DEFINITION

At this point, it makes sense to examine briefly the concept of precarity. The word *precarious* derives from the Latin *precarium*, meaning something granted or lent to be returned or redelivered at the will of the grantor. Precarity therefore designates an insecure, unstable, revocable situation which makes the receiver of a good dependent on the giver. The opposite of this is a stable, secure relationship, based on equality before the law. In social science discussions, “precarity” designates insecure, unstable working, employment and living conditions. Employment is therefore deemed to be precarious if it does not permanently provide a living wage above a cultural minimum defined by society and is thus a cause of permanent discrimination in terms of work, social appreciation and recognition, inclusion in social networks, opportunities for participation and the possibility of long-term life planning. In advanced capitalisms, *precarity* means that workers, on account of their work and its contractual constraints, fall well below the level of welfare protection and integration set as standard by society. Employment relationships and/or work activities may also, in such cases, be subjectively associated with loss of self-esteem, lack of participation and recognition and an inability to make secure plans.

There is an important distinction to be made between *precarious employment* and *precarious work*. This distinction implies that very different forms of precarity are to be found in the world of work. Precarious employment may be associated with creative work. Equally, permanent full-time employment can go hand-in-hand with precarious work – in the sense that it is more physically and mentally demanding than average – and low pay. Combinations and mutual reinforcements of the reproductive and meaning/subject-related dimensions of precarity are also conceivable. If one factors in self-perceptions and the perceptions of others, precarity is synonymous neither with complete exclusion from the employment system and absolute poverty nor with total social isolation and enforced political apathy, although the concept may include such phenomena as lower reference points. Precarity is a relational category, whose informative value depends greatly on the definition of social standards of normality.

“Precarisation” refers to social processes which, by eroding standards of normality, can also affect the socially integrated and those with permanent jobs. The term “precariat”, by contrast, is a neologism formed by merging “precarious” with “proletariat”. It emblematises a contemporary version of the “dangerous classes” perceived as tending to engage in targeted violations of the rules and even violent revolts.

The German debate has been greatly influenced by the work of the recently deceased French sociologist Robert Castel. According to Castel, post-Fordist working societies in the Global North are splitting up into zones with different levels of security. The working hypothesis states that, although a majority of workers in advanced capitalisms are still in a zone of integration with protected full-time employment and reasonably intact social networks, a zone of precarity is expanding beneath it, one characterised by insecure employment and eroding social networks. At the lower end of the hierarchy, a zone of disaffiliation is emerging, containing groups that have no real chance of integrating into the primary labour market. Among these so-called “redundant” members of the working society, the exclusion from regular paid employment and the disengagement from institutionalised opportunities for participation go hand-in-hand with relative social isolation.²⁴

The splitting of the working society which Robert Castel predicted is, to put it bluntly, also a reality in Germany. We may currently be celebrating record labour market participation, but that conveniently overlooks the fact that this is far

24 Robert Castel (2000): *Die Metamorphosen der sozialen Frage. Eine Chronik der Lohnarbeit*, Constance: UVK Universitätsverlag Konstanz [translation of Robert Castel (1995): *Les métamorphoses de la question sociale, une chronique du salariat*, translated into English as Robert Castel, Richard Boyd (2002): *From Manual Workers to Wage Laborers: Transformation of the Social Question*], p. 360 et seq.

from a return to the society of wage labour and full employment of the 1960s. The “German employment miracle” conceals the transition to a society of full but precarious employment, which causes unemployment to disappear in the “zone of disaffiliation” by expanding insecure working, employment and living conditions and with them the “zone of vulnerability”. Let us consider the key trends.

INCREASE IN NON-STANDARD AND PRECARIOUS EMPLOYMENT

1/ Declining volume of work: One of the myths surrounding the supposed employment miracle is the assertion that new paid work has been created. This is completely untrue. The data show that the volume of hours worked and paid fell by well over 10% between 1991 and 2012 (see Figure 1 in the Annex). Even after the crisis of 2008-2009, the number of people in paid work initially rose faster than the volume of hours worked. This would not be a problem per se if the reduction in the volume of work was associated with an egalitarian reduction in working time and compensatory wage adjustments. However, that is not the case. Instead, the volume of available work has been spread out not only between more and more workers but above all asymmetrically. The increase in employment is attributable, not solely but largely, to precarious jobs, a disproportionately high number of which are done by women in personal service occupations.²⁵

This trend could weaken somewhat given the favourable economic conditions in 2014. The Institute for Employment Research (IAB) forecasts that the total volume of hours worked will increase to 58.78 billion (the highest since 1991) and the annual volume of hours worked per worker will rise to an average of 1,395, an increase of 0.5 hours on the previous year.²⁶ However, to conclude at this stage that the trend will reverse would be extremely rash. There has been no fundamental change in the asymmetrical distribution of the volume of work. While “mini-jobbers” work an average in real terms of just 12 hours a week, although they would like to work 20 hours, it is not uncommon for skilled workers to put in 50, 60 or more hours per week. Working times and work distribution are highly polarised.²⁷

25 Federal Statistical Office of Germany (DeStatis) et al. (eds.) (2013): Datenreport 2013. Ein Sozialbericht für die Bundesrepublik Deutschland, Bonn: Bundeszentrale für politische Bildung. www.destatis.de/publikationen (accessed 16 June 2014).

26 Institute for Employment Research (ed.) (2014): IAB-Kurzbericht 4/2014. Arbeitsmarkt 2014. Zwischen Bestmarken und Herausforderungen, Nuremberg: Institut für Arbeitsmarkt und Berufsforschung der Bundesagentur für Arbeit, pp. 11, 12.

27 “We are therefore dealing with a clear polarisation, primarily based on gender and skill/qualification levels. Low-skilled women are working ever shorter hours, whereas highly-skilled men are working ever longer hours. In 1984, highly-skilled men in West Germany worked 7% overtime on top of their contractual working hours. This rose to 15% in 1994 and 19.2% in 2007.” Quotation from: Dieter Sauer (2013): Die organisatorische Revolution. Umbrüche in der Arbeitswelt – Ursachen, Auswirkungen und arbeitspolitische Antworten, Hamburg: VSA, p. 41.

The fact that the volume of work, having undergone a long period of contraction, remains below 1991 levels in 2014 and is, moreover, distributed unequally between a record number of workers, points to a labour market integration by means of non-standard and often precarious employment.

2/ Increase in non-standard employment: Since 1991, the proportion of non-standard forms of employment has been steadily rising. Even before the crisis, the proportion of temporary work, fixed-term employment, part-time work and marginal/minor employment (mini- and midi-jobs) rose by 46.2% in 10 years (1998–2008). In 2008, 7.7 million workers were in so-called “atypical” employment (compared with 22.9 million in standard employment). There were a further 2.1 million self-employed sole traders. Following the crisis, the upward trend in non-standard employment²⁸ has continued (see Figure 2 in the Annex). Between 2000 and 2010, the proportion of workers in non-standard jobs rose from 19.8% to 25.4%. There is expected to be an increase in part-time jobs in 2014, only slowed by a downward trend in marginal/minor employment.

Although not every non-standard job is precarious, such jobs are usually associated with a significantly lower income and higher risks of unemployment and poverty. With the exception of temporary work, which has expanded rapidly but still only accounts for a small proportion of non-standard jobs, these forms of employment are mainly the preserve of women. For younger age cohorts in particular, non-standard employment has become the normal form of entry into the labour market. This is borne out by the fact that the average length of an employment relationship among the under-30s has fallen significantly. For those born in 1961-1962, the average length of employment was 834 days, compared with 653 days for those born in 1978-1979 – a fall of 22%.²⁹

Although it is hard to prove, there is some evidence to suggest that non-standard employment has displaced socially protected jobs over a long period of time. As regards the 7.4 million mini-jobs, of which around 4.9 million constitute their holder’s main source of income, there is empirical evidence for this effect particularly in the small business segment (under 50 employees).³⁰ For temporary work too, around half of the growth in jobs generated by this form of employment is lost in other

28 Because atypical employment is the norm in many sectors, it makes more sense to talk about non-standard employment. This also covers self-employment as a sole trader and people with multiple jobs.

29 Thomas Rhein, Heiko Stüber (2014): Bei Jüngeren ist die Stabilität der Beschäftigung gesunken. IAB-Kurzbericht 3/2014, Nuremberg: Institut für Arbeitsmarkt und Berufsforschung der Bundesagentur für Arbeit.

30 Christian Hohendanner, Jens Stegmaier (2012): Geringfügig Beschäftigte in deutschen Betrieben: Umstrittene Minijobs, IAB-Kurzbericht 24/2012, Nuremberg: Institut für Arbeitsmarkt und Berufsforschung der Bundesagentur für Arbeit.

sectors.³¹ However, one thing is certain: the “job miracle” is underpinned primarily by a growth in non-standard and often precarious forms of employment.

3/ Expanding low-wage sector: However, the data presented thus far are likely to have underestimated rather than overestimated the extent of precarisation. The main reason for this is that they do not reflect the magnitude of full-time low-wage employment. A good 23% of employees in Germany work in the low-wage sector,³² meaning that they earn less than two-thirds of the median wage (weighted average wage). Almost half of people in non-standard jobs, as well as 10.6% of people with full-time jobs, are active in the low-wage segment.³³ Germany with its expanding low-wage employment is ranked second in Europe, behind the Baltic republic of Lithuania (see Figure 3 in the Annex). In total, 42.6% of people on low wages are in standard employment (working 20 or more hours a week). The highest proportions are found among women (30.5%) and the low-skilled (45.6%). Despite this, around three-quarters of all low-wage employees have a vocational qualification or an academic degree.

Contrary to the assertion that a low-paid job is a springboard to something better, the German low-wage sector is characterised by low upward mobility and enormous wage dispersion. In extreme cases, hourly wages have fallen below €3. Some 1.15 million people (3.6% of all employees) earn less than €5 gross per hour, and more than 5.8 million earn less than €8.50 an hour,³⁴ the threshold at which the recently approved statutory minimum wage has been set. More than in any other European country, low-wage employment has established itself at the heart of the social collective worker. If one combines all criteria that normally safeguard against precarity (full-time male employees, with German nationality, on permanent contracts, who have completed vocational training or university studies and work in companies with more than 50 employees), one still finds that 6.3% are low-wage employees – the highest proportion of any country in Europe. Positive effects on jobs from the expansion of low-wage employment are not detectable.³⁵

31 Elke Jahn, Enzo Weber (2013): Zeitarbeit: Zusätzliche Jobs, aber auch Verdrängung, IAB-Kurzbericht 2/2013, Nuremberg: Institut für Arbeitsmarkt und Berufsforschung der Bundesagentur für Arbeit.

32 Thorsten Kalina, Claudia Weinkopf (2013): IAQ Report 1/13, Niedriglohnbeschäftigung 2011. Weiterhin arbeitet fast ein Viertel der Beschäftigten in Deutschland für einen Niedriglohn, Duisburg: Universität Duisburg-Essen.

33 Gerhard Bosch, Claudia Weinkopf (eds.) (2007): Arbeiten für wenig Geld. Niedriglohnbeschäftigung in Deutschland, Frankfurt am Main/New York: Campus.

34 Claudia Weinkopf (2010): Warum Deutschland einen gesetzlichen Mindestlohn braucht, in: Vorgänge 3/2010, pp. 38–49.

35 Thomas Rhein (2013): Erwerbseinkommen: Deutsche Geringverdiener im europäischen Vergleich, IAB-Kurzbericht 15/2013, Nuremberg: Institut für Arbeitsmarkt und Berufsforschung der Bundesagentur für Arbeit.

4/ *New uses of temporary work and service contracts:* Highly-aggregated data disguise the fact that even numerically small changes can have major qualitative repercussions. This applies particularly to temporary work, which has seen changes in the way it is used. Whereas initially temporary workers were brought in to cope with spikes in production and staff shortages, another trend is now emerging. In many regions, companies are breaking new ground by using temporary workers to perform core functions. One such pioneer is BMW Leipzig, where temporary workers make up around 30% of the workforce, in all areas of the business from the production line to office jobs. In such instances, temporary work is not only used intensively (criterion for intensive use = temporary workers account for over 20% of the workforce), but also *strategically*. In this set-up, temporary workers are employed in the business on a continuous basis until – as happened in the crisis of 2008-2009 – they are laid off almost overnight. Temporary work contributes to the permanent creation of at least two classes of employee: one in relatively well-protected standard work, the other in unstable employment, in which they do the same work but are still discriminated against in terms of wages and working conditions despite all the measures put in place to combat such discrimination.

It is significant that this strategic use of temporary work renounces the labour market policy promise of part-time work (i.e. as offering the chance of better employment) in favour of alleged economic efficiency. Through temporary work, companies are buying their way out of employment protection legislation. In the majority of cases, they do not intend to take the workers on permanently, except as required to replace departing permanent staff. Little wonder, then, that the labour market policy effects of temporary work are so negative. So-called “sticking effects” (where the temporary worker is taken on as a permanent employee) occur in at most 9% of temporary work situations. “Bridge effects” (i.e. the transition to better employment occurs “sometime” and “somewhere”) of 40%, as trumpeted by business-friendly academics, are based on dubious calculations, as they tacitly incorporate the efforts made by the workers themselves, which have nothing to do with the specific form of employment concerned (i.e. temporary work). However, a crucial factor in determining the qualitative impact of temporary work is that its strategic deployment is used as a “negotiating chip”. Wherever the politics of location is at play, as in the automotive industry for example, the reference to high rates of temporary work at other plants serves as a handy instrument for wringing concessions out of works councils. Recently, the negotiation by trade unions and works councils of better deals, collective agreements for temporary workers and a

minimum wage for the sector have counteracted this trend. In response, companies are now trying to switch to another instrument, that of service contracts.³⁶

Taken together, these selected data prove that there has been a rapid expansion in non-standard and precarious forms of employment. However, in general it is true that structurally insecure paid work does not, by any means, have to be subjectively perceived as precarious. Conversely, structural risks of precarity may exist even when the workers concerned perceive their form of paid work as desirable. The category of precarity therefore reflects a particular relationship between workers and their working lives. A work and employment situation that is precarious on the basis of its structural characteristics constitutes a personal employment predicament that is actively dealt with. Trend (upward or downward) in employment history, individual skills and qualifications, constructions of gender, nationality and ethnicity as well as age influence the way in which precarious working and living conditions are dealt with and assessed. Which raises the question: how do workers respond to insecure working and living conditions?

36 Hajo Holst, Klaus Dörre (2013): The Revival of the German Model? De-standardization of Employment and Work and the New Labour Market Regime, in: Max Koch, Martin Fritz (eds.): Non-Standard Employment in Europe: Paradigms, Prevalence and Policy Responses, Palgrave: MacMillan, pp. 132–149; Hajo Holst, Oliver Nachtwey, Klaus Dörre (2009): Funktionswandel von Leiharbeit. Neue Nutzungsstrategien und ihre arbeits- und mitbestimmungspolitischen Folgen. Eine Studie im Auftrag der Otto-Brenner-Stiftung, OBS-Arbeitsheft 61, Frankfurt am Main: Otto-Brenner-Stiftung.

4 SUBJECTIVE RESPONSES TO INSECURITY

We can answer this question based on a typology that uses Castel's zone model as a heuristic template. By means of a qualitative study, we reconstructed nine typical forms of dealing with social (in)security (see Figure 4 in the Annex).³⁷

In the "zone of integration", three types (1, 3, 4) represent integration into formally secure standard employment. In the case of "self-managers" (type 2), the integration potential of the activity perspective (interest in the content of the work, striving for professionalism) dominates over the insecure employment status. The "zone of precarity" contains unstable employment situations which are nonetheless subjectively assessed in extremely different ways (types 5, 6, 7). In the "zone of disaffiliation" are found unemployed and long-term jobless people who also have divergent subjective orientations (types 8, 9). Feelings of insecurity may be significantly more pronounced among those who, despite being formally integrated into standard employment, are "insecure" and "threatened by social decline" (types 3, 4) than among those surveyed who, due to the structure of their employment situation, fit into the "zone of precarity" (types 5, 7). Even among those who are "willing to change" (type 8) in the "zone of disaffiliation", there is still the hope that they will be able to significantly improve their own situation sooner or later. In the case of those "threatened by social decline" (type 4), breaks in their professional lives are normal and social decline has become virtually a certainty. The trend in individual employment histories within this group is downward, and there are not enough resources available to fundamentally rectify this downward movement.

The typology illustrates that fears of precarity do not increase linearly the further down the hierarchy of types one moves. Rather, fears of social decline are particularly prevalent in those groups who still have something to lose. The anticipation of a loss of status is a key trigger for fears of precarisation within the "zone of integration". This observation is important because experiences of insecurity are not confined to the "zone of precarity". However, neither is precarity

37 The typology is based on an explorative study comprising 36 expert interviews, 2 group interviews with temporary workers and 100 thematic interviews. Based on selected sets of problems in the automotive and electrical industries, retail, construction, finance and IT, mining and the temporary work sector, the interviews focused on subjective responses to social insecurity. Questions were put to permanent employees, precarious workers and unemployed people. The study was originally based on Robert Castel's zone model. Our typology confirms the relevance of the zone model to Germany's working society, while also enabling differentiated findings concerning the subjective handling of precariousness. The typology is constructed by weighting five dimensions of perceived instability and insecurity. These experience dimensions are assigned to either the workforce perspective or the activity/subject perspective.

to be found “everywhere”, or at least not in the same way.³⁸ At this juncture, we must content ourselves with presenting four key findings.

Firstly, it appears that there is a clear difference between permanent employees and precarious workers when it comes to a *sense of the future*. A decisive factor in the interviewees’ subjective assessment of their employment situation was that precarious employment does not offer a basis for long-term life planning (types 5, 6). Starting a family, parenthood and property ownership, which are central to the individual future plans of permanent employees, entail an incalculable risk for precarious workers. Making personal plans, even in the shorter term, becomes much more complicated. Every time a worker is forced to change jobs or companies, this inevitably entails feelings of insecurity. This is all the more true as transitions between assignments are often interrupted by periods of joblessness.

Secondly, the above points to a major *change in the meaning of paid employment*: it appears that paid employment is starting to lose its function as a central “binding agent” in society, not only in the minds of precarious workers but also among the “insecure” (type 3) and those “threatened by social decline” (type 4), who are formally still integrated into permanent standard employment. A consequence of this is that aspirations to a certain level of job quality are, subjectively, being put on the defensive. Admittedly, aspirations as regards work content and social communication among the “hopeful” and those “threatened by social decline” have not by any means disappeared; this is demonstrated, for example, by the fact that precarious workers, as soon as they have made the transition to permanent employment, are already thinking of ways to “move up a rung through training”. Moreover, professional qualifications also bolster aspirations to reasonably fair and dignified treatment. Qualified/skilled “realists” would not accept socially assisted *Scheinarbeit* (literally “fictitious work”; e.g. a job that, combined with type II unemployment benefit, provides additional income of €1 an hour) even if they were threatened with unemployment. However, aspirations to a certain level of job quality are, ultimately, being sidelined, at least temporarily. The temporary worker wants to become a permanent employee. Consequently, the reproductive dimension, the pursuit of income and employment security, determines the attitudes that many precarious workers have towards work.

Thirdly, we are given a clear insight into what *life in the “zone of vulnerability”* is really like. Complete dislocation and pauperisation are *not* the norm. Precarious

³⁸ This was the wording used by Pierre Bourdieu in his famous speech to striking workers. See: Pierre Bourdieu (1998): Prekarität ist überall, in: id.: Gegenfeuer. Wortmeldungen im Dienste des Widerstands gegen die neoliberale Invasion, Constance: UVK Universitätsverlag Konstanz, pp. 96–102.

workers find themselves in a strange sort of limbo. On the one hand, they still feel in some way connected to the “zone of normality” and must mobilise all their energies to potentially get back there. On the other hand, ongoing efforts are also required to prevent themselves falling into a permanent social decline. Any relaxation of these efforts may plunge the person into the “zone of disaffiliation”. The discontinuity of their employment situation means that modern precarious workers have no reserves, nothing to fall back on. They are the first to be laid off in times of crisis. They tend to get lumbered with the unpleasant jobs. And they are the stopgaps, the “maids of all work”, their material and skills resources gradually worn down by prolonged insecurity.

Fourthly – and this is the most important finding – it transpires that the precarisation of labour and employment relationships is also having a boomerang effect on the “zone of integration”. Permanent staff, who initially view temporary workers as a desirable buffer offering increased flexibility, are gradually made aware of their own replaceability as they consider the capability and efficiency of the external workers. “That’s what sometimes gives us sleepless nights, because if it’s already working so well now, what’s it going to be like in ten years’ time? We permanent employees will be a thing of the past,” was how one skilled worker expressed his fears.³⁹ This example shows how merely seeing and experiencing a “zone of precarity” has a disciplining effect on integrated workers – even in a company with 30,000 permanent staff and a unionisation rate of well over 90%, compared with just a few hundred temporary workers at the most. Clearly, the fear of a loss of status and social decline, which is ever-present among the permanent workforce, reinforces the disciplining power of precarisation. It can be concluded that precarity is manifestly a method of exercising control and authority that helps to produce a compliant labour force.⁴⁰

39 On the empirical basis of the study, see footnote 37.

40 For an extensive discussion, see: Ulrich Brinkmann, Klaus Dörre, Silke Röbenack, Klaus Kraemer, Frederic Speidel (2006): *Prekäre Arbeit: Ursachen, Ausmaß, soziale Folgen und subjektive Verarbeitungsformen unsicherer Beschäftigungsverhältnisse*, Bonn: Friedrich-Ebert-Stiftung.

5 IMPACT OF THE HARTZ REFORMS AND STRINGENT RULES ON JOB REASONABLENESS

The disciplining power of precarity had already set in in Germany before the Hartz reforms were adopted. So what exactly did these reforms achieve? For economists like Hans-Werner Sinn, the answer is clear. The Schröder government's Hartz reforms and Agenda 2010 were a success because they reduced the "reservation wage" and so created jobs: "Agenda 2010 served to lower the implicit minimum wage formed by the wage replacement benefits paid by the social security system and so create more jobs [...]. Paying less money to those who opted out of work and more to those who opted in was designed to bring down the reservation wage, i.e. the critical wage beneath which benefits were more attractive than work. Along with the reservation wage, the actual wage for simple work was also to be reduced in order to create more jobs."⁴¹

According to Sinn's logic, unemployment is solely a result of excessive social transfers ("wage replacement benefits") and the wages set by collective agreement being too high. Accordingly, there is one simple remedy – lower the "reservation wage": In practical terms, this means reducing social transfers, increasing wage dispersion, lowering wage levels and expanding inequalities, in order to flatten, to some extent, the "steep north face of the Eiger" (to use Sinn's phrase) which hinders the jobless from getting into work.⁴² If it was the stated objective of this policy to expand a precarious low-wage sector in order to drive down the wages, salaries, working and living conditions even of people not employed in that sector, it can be termed a success. But what was and is the price?

EMPLOYMENT ORIENTATIONS OF BENEFIT RECIPIENTS

This question can be answered thanks to an empirical study carried out between 2006 and 2012 in four German labour market regions. A qualitative study with no claims to being statistically representative,⁴³ it nonetheless has the advantage of providing a very close insight into the daily lives of benefit recipients. In presenting our study, I shall limit myself to a few key findings.

41 Hans-Werner Sinn (2013): *Verspielt nicht eure Zukunft*, Edition Debatte, Munich: Redline Verlag, p. 24 et seq.

42 *ibid.*, p. 22.

43 The empirical basis was provided by regional labour market analyses, a survey of practitioners familiar with implementation of the reforms and a survey of benefit recipients, with whom we carried out a total of 188 interviews. See: Klaus Dörre, Karin Scherschel, Melanie Booth, Tine Haubner, Kai Marquardsen, Karen Schierhorn (2013): *Bewährungsproben für die Unterschicht? Soziale Folgen aktivierender Arbeitsmarktpolitik*, published in the series *International Labour Studies – Internationale Arbeitsstudien*, Volume 3, Frankfurt am Main/New York: Campus.

1/ *Constant testing:* The activating labour market policy requires the jobless and those in precarious employment, who have to top up their low wages with “Hartz IV” payments, to undergo constant tests in order to receive their benefits. The aim of these tests is to ascertain whether the transition from a life on benefits into the society of hard-working citizens is proving successful. Every integration agreement includes requirements to be met by benefit claimants in order to justify the receipt of benefits. In other words, the receipt of benefits is staged as a contest in which the successful individuals set the standard by which those who have not yet succeeded in entering regular employment must be guided.

2/ *Delegation of responsibility:* The harder benefit recipients are to work with, the more case handlers are inclined to shift responsibility onto their “clients”. Working to target, case handlers concentrate first on those job-seekers who are easy to get into work. Once this group has been dealt with, they are left with the harder cases. With these, case handlers have a greater tendency to accuse their “clients” of breaching their contracts. Long-term benefit claimants are viewed by most case handlers as behaving in an almost anti-emancipatory way, in that they have to some extent renounced their independence by remaining on welfare.

3/ *Centrality of gainful employment:* The benefit recipients surveyed saw things very differently. The vast majority had made proactive attempts to get off benefits. We reconstructed the subjective employment orientations of Hartz IV recipients over seven years. We found that the image of a passive underclass devoid of any aspirations to upward mobility does not accord with reality. Rather, the great majority of those questioned aspired to the norm of regular paid work, even when that goal seemed completely unrealistic. We distinguish three types of employment orientations (see Figure 5 in the Annex).

“Workers at any price” do literally everything they can to get into employment that will really improve their situation. They try to adapt their activity to the normative orientation. “As-if workers” aspire to the norm of regular paid work but see no real chance of achieving this. They therefore engage in unpaid volunteer work or socially assisted activity as if it were regular paid work. Only the third type, the “Non-workers”, subjectively make a virtue of the fact that society obviously does not need them. With this category, the normative employment orientation has been eroded. This group is particularly heterogeneous, ranging from young punks to individuals who can make a better living working in the shadow economy than with a regular but precarious job. The experts questioned believe that this group accounts for at most 8–10% of benefit recipients.

Looking at typical employment orientations helps to clarify what the Hartz reforms' focus on "activation" is actually achieving, i.e. essentially nothing! With the first two types, it is to some extent pushing at an open door as these groups are active of their own volition, even if they have little chance of getting a regular job. With the third type, the erosion of the employment norm cannot be corrected by means of either incentives or sanctions. The individuals concerned usually have ways and means of evading sanctions or engage in informal and undeclared work to "keep their heads above water".

4/ *Circular mobility*: Most of those questioned were unable to make the transition into regular employment, instead finding themselves in a situation of circular mobility. In total, just five of the people we interviewed had succeeded in moving to a lifestyle that enabled them to come off benefits for good. The rest moved around, experiencing two, four, ten or more professional situations – from unemployment to a one-euro job, from there to a temporary job, then onto a training scheme and so on, finally ending up back on benefits. They ran round and round on the spot, like hamsters in a wheel.

This phenomenon of circular mobility is also attested by representative data. In the 12 months to August 2012, 1.97 million people managed to get off benefits, but a further 1.76 million people came onto benefits in the same period. Of these, 50% had already received "Hartz IV" in the previous 12 months.⁴⁴ In other words, a structural consolidation of benefit dependency is taking place. The average time spent on "Hartz IV" is significantly longer than was the case with the old unemployment benefit and the earlier social assistance.

5/ *Survival mentality and stigmatisation*: The longer someone remains on benefits, the greater the pressure to adopt a survival mentality that sets them apart from the rest of society. As the length of time they spent on benefits increased, the people interviewed were forced to come to terms with material hardship, low social recognition and close bureaucratic control of their day-to-day lives. If they can do this, it separates them from the rest of society. As they become separated, their lifestyles become the subject of collective disapproval. It is *because* benefit recipients adapt to adverse conditions that they become the target of negative classifications by so-called majority society. For this reason, the benefit claimants questioned saw themselves as belonging to a stigmatised minority who have to work extremely hard to reconnect with social normality. "Hartz IV" is a status that has a similar effect on benefit recipients as skin colour in the case of racial

⁴⁴ *ibid.*, p. 369 et seq., also for further literature.

discrimination or gender in the case of sexual discrimination. The unemployed and precariously employed are discreditable. Once tainted with the stigma of “Hartz IV”, they find it very difficult to escape.

6/ Lowering of aspirations and deterrence: The “Hartz IV” logic requires the abandonment of the very aspirations for a certain quality of work and life which motivate a job search in the first place. The individuals most actively committed to looking for a job are precisely those who do not abandon all work and life aspirations. The Hartz IV logic demands the opposite. If circular mobility starts to wear people down, a lowering of aspirations sets in – and this is what ultimately leads to resignation and passivity. In this way, “Hartz IV” with its strict rules on what constitutes reasonable employment does the very opposite of what the activating labour market policy actually seeks to achieve. Spending more time on benefits means assuming a position beneath the invisible “respectability threshold”. “Hartz IV” thus acts as a deterrent. The willingness, even of those who are still in employment, to accept “inferior”, precarious jobs in order to avoid a status of social disdain, is increasing. A widespread fear of slipping below the threshold of social respectability constrains both the still-employed and permanent employees. They are willing to do (almost) anything to hold on to their permanent employment, which they increasingly see as a privilege.

The fear of slipping down to a status that is not socially respected is driving a trend towards exclusive solidarity among permanent staff. To explain what is meant by exclusive solidarity, we need only refer, by way of example, to staff surveys that we conducted from 2010 to 2012 at an automotive manufacturer in southern Germany with a workforce of 5,000. We surveyed a total of 1,442 blue-collar workers, 618 white-collar workers and 262 managers. 51% of the blue-collar workers questioned believed that a society that provides a safety net for all is not viable in the long term (see Figure 6 in the Annex). 54% shared the view that more pressure should be placed on the long-term unemployed. Only small minorities explicitly rejected these statements (see Figure 7 in the Annex). The level of trade union membership at the plant was over 90%. Agreement with the above statements was significantly lower among white-collar workers and even among managers than among those working on the shop floor. This points to an “exclusive solidarity” among permanent employees, who wish to demarcate themselves not only from those “above” them but also those who are “different” and those “below” them. The unemployed, who – as the permanent staff see it – fail to free themselves from dependency on state welfare, clearly trigger a need to set up distinctions and a

reduction in solidarity. Even unionised workers, themselves plagued by fears of social decline, are tending to engage in resentment-based competition.⁴⁵

To summarise: the Hartz reforms are a class-based project imposed from above. The political logic of the reforms is essentially to get the middle classes and wage earners integrated in the labour market to withdraw their solidarity with precarious and marginalised groups. As we have seen, there are links between this and the mindset of permanent staff. It is beyond dispute that the Hartz reforms have been very successful in expanding a sector based on precarious working and living conditions. They have contributed to lowering wage levels and, as even critics admit, increased the pressure to “accept a job even on the worst terms and conditions – low-wage positions, temporary work, fixed-term employment, part-time work or mini-jobs.”⁴⁶

And yet paid work has not increased because, according to Hans-Werner Sinn and others, the lowering of the “reservation wage” has brought to light previously invisible jobs. In fact, the opposite is true. The enhanced status of precarious employment brought about by the Hartz reforms is incentivising businesses to offer jobs at below-subsistence wages. In fact, the government is subsidising businesses whose wages do not even cover the costs of reproducing the labour force. And this phenomenon too is becoming entrenched. While the number of people receiving basic social security fell between 2007 and 2012 from an average of 5.3 million to an average of 4.4 million, the number of so-called *Aufstocker* – i.e. people who have to top up their wages with type II unemployment benefit – rose from 1.2 million to 1.3 million. Of the 4.46 million recipients of type II unemployment benefit who were fit for work, 30% were actually in paid work. Their average hourly wages were €6.20; two-thirds worked more than 10 hours a week, 40% more than 21 hours.⁴⁷

45 See: Klaus Dörre, Anja Happ, Ingo Matuschek (eds.) (2013): *Das Gesellschaftsbild der LohnarbeiterInnen. Soziologische Untersuchungen in ost- und westdeutschen Industriebetrieben*, Hamburg: VSA.

46 Steffen Lehndorff (2012): *Vom kranken Mann zur schwäbischen Hausfrau. Die neue Karriere des «Modells Deutschland»*, in: id. (ed.): *Ein Triumph gescheiterter Ideen. Warum Europa tief in der Krise steckt. Zehn Länderstudien*, Hamburg: VSA, p. 98 et seq.

47 Kerstin Bruckmeier, Jürgen Wiemers (2014): *Begrenzte Reichweite. Die meisten Aufstocker bleiben trotz Mindestlohn bedürftig*, IAB Kurzbericht 7/2014, Nuremberg: Institut für Arbeitsmarkt und Berufsforschung der Bundesagentur für Arbeit.

Advocates of the Hartz reforms, who are otherwise opposed to subsidies of any kind, hail this as a great success. However, this is erroneous in two respects. *Firstly*, as we have already shown, precarisation does not create new jobs. The volume of work available – which has been shrinking for decades – is merely distributed unequally, and even skilled workers are, in some cases, forced to accept precarious jobs to avoid “Hartz IV”. It hardly needs to be said that this diminishes employment opportunities for the lower skilled.

Secondly, supporters of the reforms employ simplistic “inside or outside” semantics. Any job is better than no job, is their motto. This overlooks the reality of what precarious work does to those forced to perform it. People in insecure jobs are neither fully “outside” nor integrated into society at a social level that would allow them to reconnect with “normality”. With their differing employment situations, they are equally “inside” and “outside”. The precarity diagnosis confirms exactly this. However, spending long periods of time in precarious employment and stigmatisation by “Hartz IV” have consequences. Those affected simply burn out; they get caught in a spiral of powerlessness caused by forced adaptation and stigmatisation, from which there is hardly a way out. For the recipients of basic social security whom we questioned, “Hartz IV” denotes a status below the threshold of social respectability. Both they and other people perceive this as a status of indignity, which the individuals concerned seek to escape as best they can or which, if there is no possibility of exchanging that status for another, they conceal and reinterpret to make it to some extent liveable. In German working society, therefore, “Hartz IV” denotes a politically constructed lower reference point for precarity. Below this designated level of welfare dependency in national society one finds informal casual workers, illegal migrants, homeless people and other socially “invisible” groups who are not claiming benefits.

If we take the assumption that all people are of equal value as the yardstick against which the activating labour market regime must be measured, the outcome of these reforms is shameful. Labour market statistics may be rosy, but the price of that has been a brutalisation of the employment market. The dignity of those requiring assistance and their right to integrity are increasingly being crushed under the wheels of a competition principle that has got out of control. Such a practice is not a model for success. Not for Germany and certainly not for Europe.

6 CONCLUSION – LESSONS FOR EUROPE

This brings us back to our initial questions. What lies behind the “German job miracle”? Can anything be learnt from the “German model”? And what are the alternatives?

WHAT LIES BEHIND THE “GERMAN JOB MIRACLE”?

The answer is: a return to “undignified”, because socially demeaning, work. The feudal societies of the 15th to 18th centuries subjected beggars and vagabonds to the disciplining violence of guilds and the “pauper police”. Liberation from the hierarchical order, which occurred during the transition to industrial-capitalist production systems, often meant enforced impoverishment for those concerned. The violence of the collapsing feudal order targeted potential wage labourers. This gave rise to “undignified wage labour”, whose usefulness was recognised but which carried no social prestige.

The removal of wage earners and their families from welfare-state protection measures has resulted, in Germany as elsewhere, in a return to this phenomenon at an entirely different level of social wealth and security. The groups in precarious employment in the post-welfare state era are the “vagabonds” of the 21st century.⁴⁸ They find themselves facing a never-before-seen type of discriminating precarity, one that increasingly also affects sections of the population previously secure from such contingencies.

In terms of social perception, precarisation constitutes a hierarchy in which those living in the toughest conditions, who are also the least empowered, see themselves as belonging to minority groups whose day-to-day lives differ from the standards of “majority society”. Although this special status is also tied in with gender, nationality and ethnicity, it represents something in and of itself. It always seems as if the next rung up in the social hierarchy, which promises a little more “normality”, can be reached through the individual’s own efforts. Precarity in rich societies such as Germany is therefore not merely a social situation or a temporary pathology. It is a controlling and disciplining regime that is changing working societies in their entirety. The empirical findings presented point to a development whereby precarity, behind the facade of what appears to be record labour market participation, has become a “‘normal’ form of labour organisation with its own

⁴⁸ Robert Castel (2011): *Die Krise der Arbeit. Neue Unsicherheiten und die Zukunft des Individuums*, Hamburg: Hamburger Edition [translation of Robert Castel (2009): *La montée des incertitudes : Travail, protections, statut de l’individu*, Paris: Éd. du Seuil], p. 68.

characteristics and forms of existence.”⁴⁹ This mode of existence causes officially recorded unemployment to disappear by integrating the unemployed into insecure, unstable forms of employment which in their turn squeeze out socially protected forms of employment. In this respect, Hartz IV is having a similar effect to the poorhouses and coercive measures seen during the collapse of the feudal system. Recipients of basic social security in Germany are the “new vagabonds”, stripped of their dignity along with their social citizenship.

CAN ANYTHING BE LEARNT FROM THE “GERMAN MODEL”?

The answer to this is “No, but!”. As has become clear, the old social capitalism no longer exists. The metamorphosis which it has undergone is contributing significantly to Europe’s current predicament. Precarious employment and the low-wage sector are hanging like a lead weight on the wages and salaries of employees. As a consequence of this, the inequality between classes with capital and those without capital is increasing. In 1987, and up to the mid-1990s, managers at companies of DAX-listed companies in Germany earned around 14 times as much as blue- and white-collar workers in the same company; this had risen to 24 times by the early 2000s, and has since climbed to 54 times.⁵⁰ By contrast, net wages decreased between 2000 and 2010, except for the top 10% of earners,⁵¹ with real wages having declined by around 4% on average since the turn of the century alone. Only recently have trade unions managed to once again exploit scope for productivity gains. The already unequal distribution of wealth has also increased further over time. The top 10% of households account for over 50% of asset income, while the bottom 50% of households own a mere 1% of net assets, i.e. virtually nothing.

All in all, a clear redistribution appears to be taking place in Germany in favour of property income and high-income households – exacerbating the very trend that has now emerged as a major cause of the global financial crisis. The new “service class of financial capitalism”, including investment, pension and hedge fund managers as well as investment bankers and analysts, is siphoning off the growing wealth represented by vagabonding liquidity on the financial markets and transferring it into financial products and ownership interests in companies. The

49 *ibid.*, p. 136.

50 Joachim Schwalbach (2011): Vergütungsstudie 2010. Vorstandsvergütung und Personalkosten. DAX30-Unternehmen 1987–2009, n.p.

51 Karl Brenke (2012): Einkommensverteilung, Sparen, Konsum und Wirtschaftsleistung – ein Rückblick auf die letzten zehn Jahre, in: Matthias Machnig (ed.): Welchen Fortschritt wollen wir? Neue Wege zu Wachstum und sozialem Wohlstand, Frankfurt am Main/New York: Campus, p. 84–102.

social structural consolidation of interests linked organically to modern financial capital has contributed significantly to the crisis-prone nature of contemporary capitalism. Financial capital interests, which demand a “lean state”, low taxes and the lowest possible labour and reproduction costs, are a key driving force behind the “creative destruction” of social capitalism, and have contributed substantially to economic inequalities in Europe.

If anything can be termed a success, it is the consolidation of the industrial sector. Accounting for 30.5% of the European Union’s gross value added, Germany is Europe’s most important industrial nation by far. Whereas in all other EU Member States, industry’s share in gross value added has declined since the start of the century, in Germany it has increased slightly (by 0.1%). At the same time, Germany, together with Austria, is the only EU country in which employment in industry rose after 2008, by around 6%.⁵² Mechanical engineering and the automotive industry form the core of Germany’s industrial sector (each accounting for around 16% of industrial gross value added in 2011). Both are characterised by a high export share (62% and 64% respectively in 2012). Many companies in these sectors have a long manufacturing tradition. They cooperate closely with established supply networks, equipment suppliers and research institutions and are well positioned internationally, despite many of them being medium-sized enterprises with family-based ownership structures. The stability of the industrial sector is helped by the fact that the export industries are particularly well placed to meet rising demand from Asia, and in particular China. Products manufactured by German companies are needed for the economic catch-up process or are in demand from the rapidly expanding middle class in these countries. For this reason, it has been possible to “increase Germany’s industrial value added, despite the fact that it remains a high-wage country in the export sector.”⁵³

In other words: the German economy is mainly successful in areas where diversified quality production still functions to some degree. While employees in other sectors have had to accept above-average wage losses, in the industrial

52 Deutsche Bank (2013): Re-Industrialisierung Europas: Anspruch und Wirklichkeit. EU Monitor. Europäische Integration, Frankfurt am Main: DB Research, p. 6.

53 *ibid.*, p. 7: 40% of manufacturing employees work in technology-intensive sectors that are the biggest drivers of growth. It should also be noted that the trend towards offshoring production has weakened significantly, despite comparatively high labour costs (on average just under €37 per hour worked, compared with €10 in the Czech Republic or €6.65 in Poland). In 2006, 15% of firms reported having shifted production abroad in the previous two years, compared with just 11% in 2010–2011 (in the mid-1990s the figure was 25%). In 2003, 87% of companies that had relocated manufacturing operations abroad cited low wage costs as their main reason for doing so; by 2012, this had fallen to 71%. Overall, the share of labour costs as a percentage of total costs is steadily declining within the industrial sector. Including the costs of temporary workers, it lies well under the 20% mark.

export industry real wages have been maintained or in some cases increased.⁵⁴ However, this “industrial model” cannot be transferred to other countries. It works because of the cooperative relationships that have been built up over a long period and not just in spite of, but because of comparatively high wages. The fact that it was possible to preserve this industrial sector during the great crisis of 2008-2009 was the result of a system of crisis management which – under the decisive influence of the industrial trade unions – actually entailed a rejection of the Schröder government’s Agenda policy and a return to the industrial policy and employment policy measures of the 1980s and 1990s. State-funded long-term short-time working arrangements and a vehicle scrappage scheme for older cars ensured that there was no dramatic collapse in employment during the crisis. In many cases, it took combative works councils and trade unions to ensure that measures to safeguard jobs were actually implemented within companies.⁵⁵

However, it should be added that this “crisis corporatism” was not successful everywhere and to the same extent. The industrial unions’ role in managing the crisis may have brought them renewed social recognition and new members, but this crisis management was successful primarily for permanent employees in export industries. It was a different story for less well organised service sectors employing high proportions of women. For all its success, therefore, the crisis management strategy did not succeed in fundamentally correcting the power asymmetries in the labour market in favour of “weak interests” and the precariously employed. In this connection, it is important to refer to a key weakness of the German economic model. In Germany, the promotion of the export-oriented industrial sector has traditionally gone hand-in-hand with a lack of appreciation for and devaluation of human services and reproductive work.

The export-driven sectors with high proportions of skilled employees in high-tech jobs are offset by an expanding sector of low-paid, unstable and often undervalued service activities, whose productivity – measured by conventional standards – falls short of that of the industrial sector. At the same time, the balance between these sectors is shifting when measured in terms of jobs. The rapidly expanding social

54 “If we compare the wage bill per worker for export-oriented and non-export-oriented companies in the manufacturing industry, it transpires that the former pay higher wages. The difference in the average wages observed rose from 40% to around 55% between 1996 and 2008, even briefly approaching 70% in 2004 and 2007.” Even taking into account all the distorting variables, there remains a wage difference of 6 to 13%. See: Andreas Hauptmann, Hans-Jörg Schmerer (2012): Lohnentwicklung im Verarbeitenden Gewerbe: Wer profitiert vom deutschen Exportboom? IAB Kurzbericht 20/2012, Nuremberg: Institut für Arbeitsmarkt und Berufsforschung der Bundesagentur für Arbeit.

55 See contributions in: Stefan Schmalz, Klaus Dörre (eds.) (2013): Comeback der Gewerkschaften. Machtressourcen, innovative Praktiken, internationale Perspektiven, Frankfurt am Main/New York: Campus.

economy alone, whose share in overall employment has risen from 4.5% to 6.2% in the space of a decade, employs around 1.7 million people subject to mandatory social security contributions. This means that just as many people are active in care for the elderly, children, young people and people with disabilities as are employed in the mechanical engineering and automotive industries that constitute the industrial core of the German economy. This demonstrates that in relation to the highly productive export sectors, the importance of the less productive, but labour-intensive, paid care sector (which encompasses all activities that serve to “manufacture the labour force”) is increasing. From an export perspective, this appears – at least in microeconomic terms – to be a cost issue, because professional reproductive work is financed to a large extent by government transfers. Government policies have designed the exchange between the export sector and care work along the lines of a “metabolism” between high-value internal and low-value external markets (because they do not operate according to the exchange-of-equivalents principle). A competition-oriented tax policy intended to safeguard the inflow of liquid capital, which lightens the burden on affluent individuals and on companies, thereby resulting in a shortage of revenue for the government, does not permit generous transfers in favour of human services and paid care work. Government tasks must be financed by privatising public assets and by borrowing. While private wealth grows and becomes increasingly concentrated, public assets are “melted down”. As a result, the government is unlikely to be able to finance an increased demand for care services. The provision of care as a public good is squeezed due to the lack of publicly financed effective demand. The powers-that-be respond to this with a mix of commodification, competition, precarious working conditions and shifting responsibility for care provision back to private households.

Opening the sector up to competition means that (semi-)public and non-profit organisations that provide care services are increasingly run like for-profit companies. According to Werner Sombart, the capitalist economic mindset creates its own organisational structures by subordinating processes to the setting of goals based on quantitative calculations that are as exact as possible. Such a process can be seen in the field of paid care work. Contrary to their inherent logic, which is based around the individual and the body, helping and care activities are standardised, broken down, forced into set time frames, subjected to economic cost calculations and in this way made to generate a return, without having to be directly subsumed into the profit interests of capitalist companies. This kind of “metabolism” turns professional care work into an external market, whose organisational structures are increasingly metamorphosing into economically calculating businesses, while employees in social enterprises are increasingly finding themselves in precarious

employment conditions that fall well below the normal standards prescribed by the welfare state in terms of income, working conditions and social status.

Germany's export-driven economy is based, it can be argued, on a capitalist *Landnahme* (appropriation), including of human services and care work. In the case of Germany, *Landnahme* means boosting the competitiveness of the export sector by devaluing (paid) care work and making it precarious. This is by no means to imply that these sectors are homogeneous units with antagonistic interests. In the export sector too, we find a citizenship based on "social property" being broken up, workers in precarious jobs and the disciplining of permanent staff. In the case of care work, however, social citizenship is barely institutionalised, if at all. In this traditionally female-dominated field, long-standing gender-specific discrimination mechanisms are used to conserve the social devaluation of the sector and so lower reproduction costs.

ARE THERE ALTERNATIVES?

If Europe can learn anything from a "German model", it is first and foremost from the old social capitalism, which still exists as a subdominant reality and which allowed wage earners and their families to participate, at least partially, in productivity gains. As Germany's crisis management strategy proves, a reasonably robust social security system and combative trade unions are a minimum requirement for social sustainability, which might be defined as the ability to withstand crises. However, there is no reason to feel nostalgia for the decline of the old social capitalism. The devaluation of human services and reproductive work is a legacy from the past, which even when this brand of capitalism was in its heyday was based on deeply ingrained sexual and racial discrimination. In day-to-day political debate, it can be said that Germany's political elites are engaged in a sort of dual strategy. At home, they are correcting at least the worst consequences of the Agenda policy by introducing a statutory minimum wage, due in no small part to pressure from the public. In Europe, the Merkel government is adopting a different tack. Here, it is the protagonist of an austerity regime that applies the spirit of "Hartz IV" to the crisis-hit countries.

The effects of this can be seen, for example, in Greece, where the policy of austerity has further exacerbated the economic recession. As a result, unemployment rose from 7.7% in 2008 to 24.3% in 2012, while youth unemployment soared from 22.1% to 55.3% over the same period. Half of all those without work are now classed as long-term unemployed, i.e. they have been jobless for more than a year. Between 2010 and 2011 alone, average incomes fell by 8%; public sector wages have been slashed by 20%, and in extreme cases by as much as 50%. The proportion of jobs

not requiring social security contributions has climbed to 36%. Pensions have been cut by between 14 and 48%; homelessness is up by 45% compared with pre-crisis levels, with more and more well-educated people also now affected. The suicide rate too has reached record levels, rising by 25% between 2009 and 2010 and a further 40% the following year.⁵⁶

What lies behind such statistics is the transition to a new type of society. Within the eurozone, informally structured societies are forming of a type that had long since been confined to the Global South. Economic contraction and an associated *Landnahme* of social services are creating societies in which not only paid employment but more or less all of society's basic institutions and living conditions have become unstable. In such societies, the majority of the population live in precarious conditions; social insecurity has become permanent. In a regime based on permanent instability, governing means maximising uncertainty while at the same time safeguarding the minimum level of social protection and regulation needed to prevent uprisings and revolts, or at least keep them under control. Whether and for how long this can be achieved is at the present time a completely open question. If Germany is to be an example for Europe, what is certain is that the inspiration can come from neither the old nor the new "model". An alternative, inspirational model is needed that sets out ways of reversing the increasing prevalence of competition and precarity in the world of work. To this end, two considerations are here presented by way of conclusion:

1/ Europe clearly needs a new democratic impulse, a new variant of the "democratic class struggle". This idea expresses what Etienne Balibar – and many others besides – formulated roughly like this: democracy must nowadays be defined less by its institutions than by its actors, especially its opposition actors, by social movements, by the willingness to engage in protest and resistance. To this may be added that a civil society committed to hammering out a long-term approach based on solidarity must do at least three things. *Firstly*, it must promote an understanding of the fact that one can only talk about solidarity if those who have benefited most from the process of European unification now also bear the main burden of consolidation. *Secondly*, however – and here I agree with Claus Offe – such an understanding can only be inculcated if at the same time efforts are made to get Europeans to "recognise each other not primarily on the basis of nationality but as individuals and members of social classes"⁵⁷ This would, *thirdly*, be the

⁵⁶ On this data see: Maria Markantonatou (2014): Die Entwicklung der Arbeit, die Automatik der Sparpolitik und die Krise in Griechenland, in: Klaus Dörre, Kerstin Jürgens, Ingo Matuschek (eds.): Arbeit in Europa: Marktfundamentalismus als Zerreißprobe, Frankfurt am Main/New York: Campus.

⁵⁷ Claus Offe (2013): Europa in der Falle, in: Blätter für deutsche und internationale Politik 1/2013, pp. 67–80.



precondition for ensuring that accumulated private wealth, which paradoxically grows bigger with every crisis, can be appropriately taxed and redistributed for the benefit, first and foremost, of the most vulnerable groups. Incidentally, this would also be a major precondition for a change of direction on environmental matters, for only in comparatively egalitarian societies is there any realistic chance of overcoming positional – and hence ever-increasing – consumption. Revitalising the democratic class struggle, i.e. one that adheres to democratic rules, is a fundamental requirement for overcoming the European crisis. It also offers an alternative to the brutalisation of social conflict, which is already manifesting itself in uprisings, revolts, labour unrest and sometimes violent confrontations. This brings me on to my second idea.

2/ What hope remains for Europe lies in the establishment of a new fundamental democratic consensus, which must be formed mainly from below and transmitted by social movements and protests. In this connection, my argument – intended partly to provide a compass for counter-hegemonic movements – is as follows: in response to the crisis, we need a model of environmentally and socially sustainable, democratic work, one that incorporates elements of rupture with reform of and alternatives to the capitalist logic of competition. There are points of reference for this in contemporary societies. Even now, capitalist economies cannot exist in pure form. They remain reliant on the functioning of sectors that do not operate according to growth imperatives and do not adhere to the profit motive. This applies to a large part of the activities discussed above: nourishing, bringing up, educating, nurturing and caring. For the sectors corresponding to these activities, which are often dominated by women, a certain type of growth, involving the rationalisation and elimination of human labour, inevitably has a negative effect on the quality of work and service provision.

However, it is these sectors, if any, that can grow – albeit slowly – within advanced capitalisms. Enhanced status and better pay for some of these activities, funding by means of taxation and redistributive policies, new forms of ownership such as cooperative services, innovative intermeshing of public and private, democratisation of service work through co-determination by producers and clients, gender-sensitive reductions in working time and above all time for work on democracy are a few of the important keywords for a transformation perspective that puts the demand for meaningful work centre-stage. Such a transformation would not come about without public control of key sectors of society (energy, finance). It would have to make big, market-dominating companies into that which they already implicitly are – public institutions whose activities are bound

to a democratic collective will. This perspective would, in a more general sense, mean the strengthening of social as against economic and governmental power and hence the expansion of democracy. Such an alternative is highly unlikely to materialise at the present time. However, working to make it a viable political option in the not-too-distant future would be well worth the effort.

ANNEX

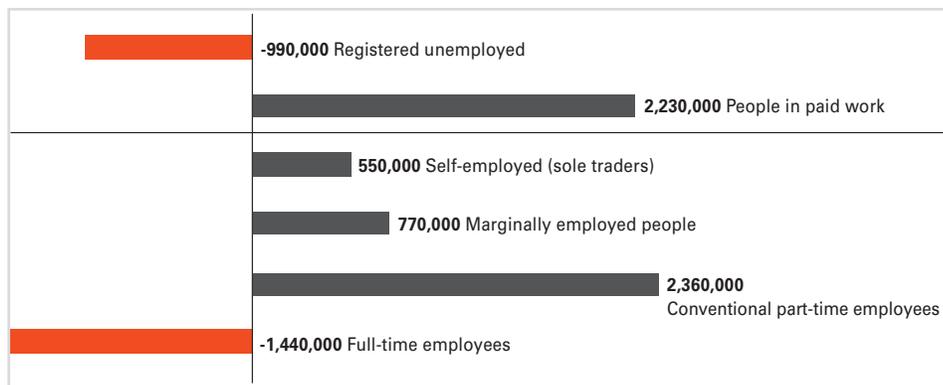
FIGURE 1:
Employment levels and working hours

	1991	2000	2005	2012	2013
People in paid work*	38,712	39,382	38,976	41,608	41,847
Working hours**	60,082	57,922	55,775	57,973	58,052
per person in paid work	1,552	1,471	1,431	1,393	1,387
Employees*	35,148	35,387	34,559	37,060	37,378
Working hours**	51,768	48,650	46,325	48,779	49,059
per employee	1,473	1,375	1,340	1,316	1,313

Source: Federal Statistical Office of Germany/Institute for Employment Research (IAB)

Key: *in thousands / **in millions

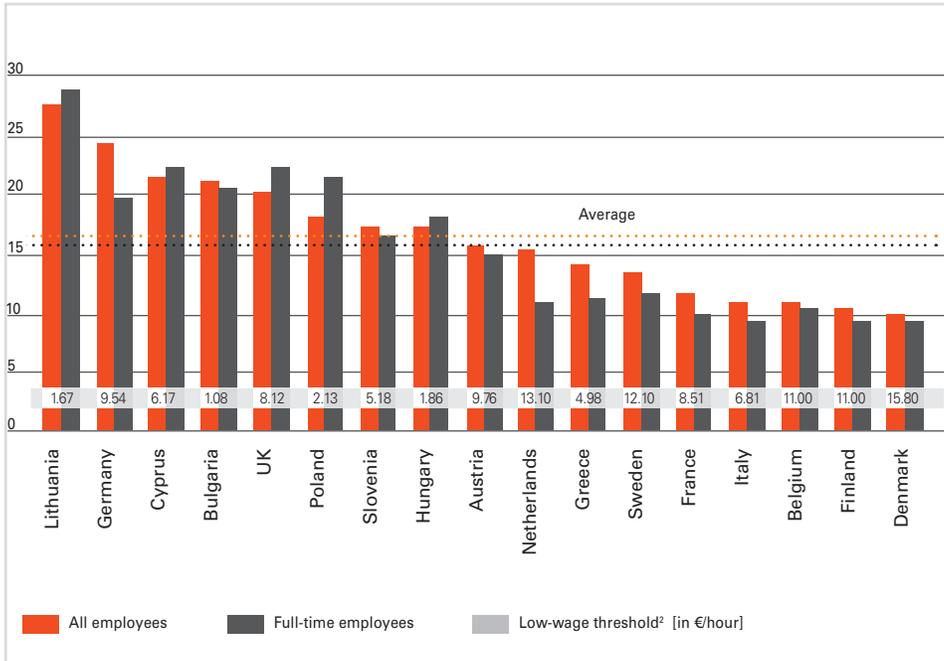
FIGURE 2:
Change in forms of employment from 2000 to 2012



Source: Institute for Employment Research (IAB)

Note: Rounded up or down to the nearest thousand (situation in August 2013)

FIGURE 3:
Low-wage rates¹ in 17 European countries in 2010 (in %)



Source: Thomas Rhein (2013): Erwerbseinkommen. Deutsche Geringverdiener im europäischen Vergleich. IAB-Kurzbericht 15/2013, Nürnberg: Institut für Arbeitsmarkt- und Berufsforschung, p. 3.

Key: 1: Low-wage earners as a proportion of all employees / 2: Two-thirds of the median wage; the values for non-eurozone countries were converted at nominal exchange rates

FIGURE 4:
Typical forms of dealing with social (in)security

ZONE OF INTEGRATION
<ol style="list-style-type: none">1. Secure integration ("The secure")2. Atypical integration ("The unconventional" or "Self-managers")3. Insecure integration ("The insecure")4. Threatened integration ("Those threatened by social decline")
ZONE OF PRECARITY
<ol style="list-style-type: none">5. Precarious employment as a chance/temporary integration ("The hopeful")6. Precarious employment as a permanent arrangement ("The realistic")7. Mitigated precarity ("The satisfied")
ZONE OF DISAFFILIATION
<ol style="list-style-type: none">8. Superable exclusion ("Those willing to change")9. Controlled exclusion/staged integration ("The overtaken")

Source: Robert Castel, Klaus Dörre (eds.) (2009): Prekarität, Abstieg, Ausgrenzung. Die soziale Frage am Beginn des 21. Jahrhunderts. Frankfurt am Main/New York: Campus, p. 48.

Note: Qualitative survey of 100 interviewees (N = 100)

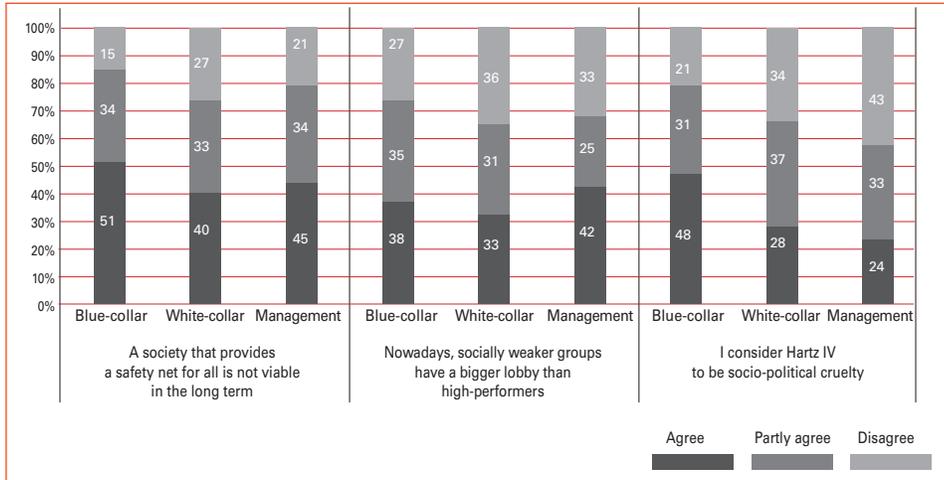
FIGURE 5:

Employment orientations of basic social security recipients - types and subtypes

CORE CRITERIA	WORKERS AT ANY PRICE	AS-IF WORKERS	NON-WORKERS
Form of employment	<p>Centrality of employment norm</p> <p>Paid work (remains) as centre of activity</p> <p>Relayed or lived normality of paid work</p> <p>First experiences of precarity</p> <p>Future expectations characterised by hope and confidence</p> <p>No "coming to terms" with unemployment</p>	<p>Relativisation of employment norm</p> <p>Experience of regular paid work</p> <p>Manifest experience of precarity</p> <p>Sense of the future ranges between hope and pessimism</p> <p>Ambivalent relationship with paid work (means of integration and source of insecurity)</p>	<p>Rejection of employment norm</p> <p>Distanced from labour market</p> <p>Vague idea of regular paid work</p> <p>No experience of paid work and loss of employment-related skills</p> <p>Lack of expectations for the future</p>
Activity concept	Activism, sense of feasibility	Reintegration strategies: secondary labour market and alternative roles	Reintegration strategies: social networks and alternative roles
Method of dealing with situation	Untiring pursuit of paid work	Reinterpretation	Ignoring the employment norm
Socio-demographic characteristics	<p>Medium and higher educational qualifications</p> <p>Labour market integration</p> <p>Age: 30 to 40</p>	<p>Medium and higher (but devalued) educational and vocational qualifications</p> <p>Unemployment and training measures</p> <p>Age: 40 to 60</p>	<p>No or low educational and vocational qualifications</p> <p>Long-term joblessness</p> <p>Age: 40 to 60</p>
Sub-type I	The promising	The socially committed	The goal-less
Experience of paid work	Good jobs and first experience of precarity	Succession of training measures and voluntary work	No experience of paid work
Anticipated chances	Precarity as an opportunity and prospect of succeeding in own project	Little hope of integrating into labour market	Vague sense of the future
Sub-type II	The no-alternatives	The bogus regulars	The resigned
Experience of paid work	Varied experiences of precarious labour market integration	Succession of training measures and precarity	Experience of paid work long ago
Anticipated chances	Precarity as last option	Hope of integrating into secondary labour market	Resigned sense of the future

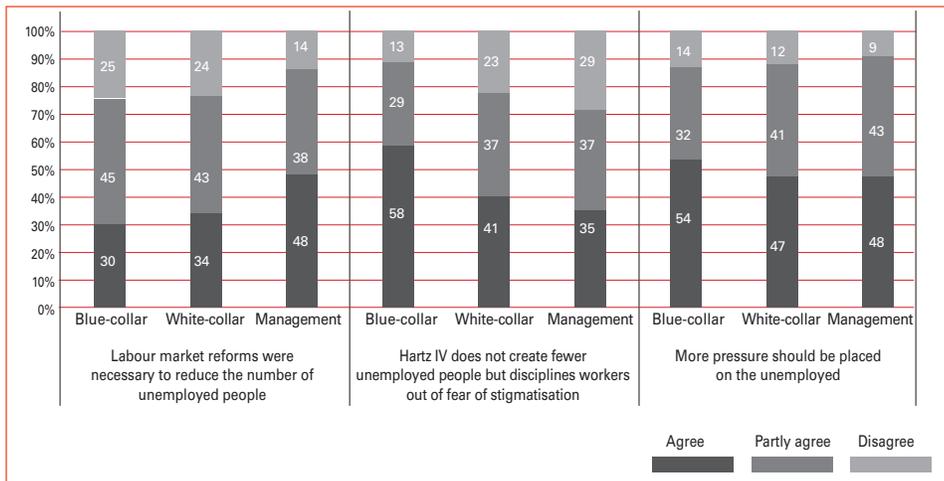
Source: Klaus Dörre, Anja Happ, Ingo Matuschek (eds.) (2013): Das Gesellschaftsbild der LohnarbeiterInnen. Soziologische Untersuchungen in ost- und westdeutschen Industriebetrieben. Hamburg: VSA, p. 158.

FIGURE 6:
Indicators for exclusive solidarity I



Source: Klaus Dörre, Anja Happ, Ingo Matuschek (eds.) (2013): Das Gesellschaftsbild der LohnarbeiterInnen. Soziologische Untersuchungen in ost- und westdeutschen Industriebetrieben. Hamburg: VSA, p. 158.

FIGURE 7:
Indicators for exclusive solidarity II



Source: Klaus Dörre, Anja Happ, Ingo Matuschek (eds.) (2013): Das Gesellschaftsbild der LohnarbeiterInnen. Soziologische Untersuchungen in ost- und westdeutschen Industriebetrieben. Hamburg: VSA, p. 158.

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Since the 2008-2009 global financial and economic crisis, the division within the European Union and the eurozone has deepened. Crisis-hit countries such as Greece and Spain have experienced five years of economic contraction, unemployment rates continue in some cases to top the 25% mark, and the majority of their populations are living on the brink. This situation stands in stark contrast with those countries which – for now at least – have emerged as winners from the crisis. Germany in particular is seen as a model pupil. But is the “German job miracle” really a suitable model for the rest of Europe? Klaus Dörre has his doubts. Based on his own research, he takes a critical look behind the appealing facade of the “German model”. He describes a society of full but precarious employment, in which people in insecure jobs and the socially excluded pay the price for an export model that is exacerbating inequalities in Europe and so destroying the foundations of its own success.