DUALIZATION AS DESTINY? THE POLITICAL ECONOMY OF THE GERMAN MINIMUM WAGE REFORM

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Abstract:
Germany is widely seen as a ‘dualized’ economy driven by a powerful and stable ‘insider’ coalition in the manufacturing sectors. In this paper, we challenge this picture. By examining the political economy of the outsider-friendly 2014 Minimum Wage Act, we show with public opinion data, document analysis and qualitative interviews how earlier dualizing reforms led to unintended negative feedback effects: First, public opinion reacted negatively to increasing inequality in the years preceding the minimum-wage introduction. Second, we find a remarkable shift among trade unions towards a support of a minimum wage, even in manufacturing. While the threat of low-wage competition and flexibilization did play a role, trade union solidarity was at least as important. These endogenous dynamics came together in a self-undermining process unfolding over a relatively short period of time. We discuss potential alternative explanations, including classical partisan politics, party competition and employer preferences.

Keywords:
dualization, minimum wage, Germany, policy feedback, inequality

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Introduction: Dualization and the puzzle of the German minimum wage

In the Varieties of Capitalism literature, Germany is the prime example of a coordinated market economy. Recently, it has also become the epitome of a ‘dualized’ political economy that is characterized by processes of institutional differentiation between ‘insiders’ and ‘outsiders’. The political reason for this pattern of institutional change is seen in a powerful and stable coalition of industrial workers and employers as well as mainstream parties. This coalition systematically favors institutional change that preserves the comparative advantages of German industry by targeting deregulation and retrenchment at politically less powerful outsiders.\(^1\) Organizations representing outsiders (or sectors where outsiders are widespread) do exist, but are too weak to make a significant difference. Policy changes interpreted along these lines include asymmetric deregulation of non-standard employment and increased workfare-type conditionalities for targeted transfer schemes. This is to a large extent what we find, when looking back at 20 years of welfare state and labor market reforms.\(^2\)

And yet, in 2014, something remarkable happened. The German Bundestag passed a statutory minimum wage of EUR 8.50 per hour. A statutory minimum wage is nothing extraordinary \textit{per se}. In fact, over 90 per cent of ILO members have minimum wages.\(^3\) However, traditionally minimum wages were anathema in the German political discourse. In the past, strong resistance came not only from market-liberals and employers, but also from trade unions and social democrats who vigorously defended the principle of autonomous wage-setting by social partners or \textit{Tarifautonomie}.\(^4\)

A comparatively generous statutory minimum wage\(^5\) thus means a striking departure from the German industrial relations tradition. This is a relevant puzzle in its own right. What makes the minimum wage
introduction particularly puzzling for the dualization literature is that, on the face of it, the reform benefits outsiders and goes against the alleged preferences of ‘insider organizations’. While a minimum wage certainly cannot reverse dualization entirely (which is also about differences in job security), it indeed goes against a political logic that has been ascribed to Germany by several prominent contributions in comparative political economy: to base its comparative advantage on a protected segment of skilled workers in the export industry who more or less directly benefit from lower wages in services.  

The existing literature has problems to explain policy changes away from dualization. Dualization is frequently portrayed as an equilibrium resulting from a cross-class compromise. While dualization unfolds incrementally, the underlying political preferences are seen as rather stable. In the absence of external shocks (such as sectoral economic shifts, global crises or perhaps significant electoral change) one would expect dualization, if anything, to progress further. 

We argue, by contrast, that the 2014 reform did not result from exogenous events, but from endogenous dynamics. More specifically, we show that policy reforms and organizational strategies in the German political economy unleashed negative feedback mechanisms that eventually led to political backlash against dualization. Negative feedback took place on at least two levels: first, on the level of public opinion, we observe that policies increasing inequality and dualism led to voter backlash in the form of more support for redistribution across party lines. Second, on the level of organized groups, policies fostering dualism ‘backfired’ for insider’s trade unions, who were increasingly confronted with downward pressure on their own working conditions as well as growing inter-industry divisions that go against their ideology of working-class solidarity. These pressures contributed to a shift in
organizational preferences and the emergence of a pro-minimum wage coalition in the trade union camp within a relatively short period of time.

While we mainly address the dualization literature, our paper also contributes to the emerging literature on the politics of minimum wages in which Germany has figured prominently. Our interpretation builds on, but goes beyond Meyer’s recent argument that growing low-wage competition makes unions more outsider-friendly. By examining union preferences empirically, we can show that Meyer tends to exaggerate the importance of industrial union exposure to low-wage competition while he ignores the important role of ideology and solidarity. Equally important, his argument neglects the independent role of public opinion. In our view, public opinion was one crucial feedback mechanism linking dualizing reforms and the minimum-wage introduction that should complement explanations based on organizational feedback within the trade union camp. Our argument thus diverges from existing political economy accounts in that it shows trade unions to be driven by organizational self-interest as well as ideology. We argue that the confluence of these negative feedback streams explains the 2014 minimum wage reform.

We demonstrate negative feedback mechanisms empirically, by tracing the political process that led up to the 2014 reform. The analysis is based on qualitative interviews with trade unionists and social democratic politicians as well as on secondary literature and public opinion data. We briefly discuss a number of alternative and complementary explanations, including shifting employer positions, partisan effects and party competition.

The article is structured as follows: After a brief summary of how contemporary German capitalism is predominantly portrayed in the political economy literature, we present our own theoretical account,
based on negative feedback theory. In the empirical part, we then present evidence for two key mechanisms of negative feedback: On the one hand the public opinion backlash against inequality and, on the other hand, organizational dynamics at the level of trade unions. We consider a number of alternative explanations of the German policy change in a separate section before concluding.

**Dualization as destiny? Stasis and change in comparative political economy**

The dualization literature regards institutional patterns and changes primarily as functionally driven and/or reflections of current actor constellations and coalitions. We take as a starting point Kathleen Thelen’s\(^\text{14}\) influential and insightful comparative account of the German case.\(^\text{15}\) Thelen understands dualization (prevalent in Continental Europe) as one of three ideal-typical trajectories of economic liberalization in advanced OECD countries (as opposed to deregulation *tout court* and socially embedded flexibilization). Dualization describes a pattern of high coordination and institutionalized protection within core manufacturing sectors and deregulation at the margins, especially in private services.\(^\text{16}\)

Somewhat ironically, dualization results not from the weakness of established protective institutions, but from their resilience. The problem is that social rights are not extended to all parts of the growing service economy, which creates a dualism between core and peripheral sectors. This failure (or unwillingness) to adapt is not only based on institutional path dependence in the core but involves agency.\(^\text{17}\) According to Thelen:
“Manufacturing unions have been successful in defending, for themselves, many of the core arrangements characteristic of the traditional model, not least because […] manufacturing employers continue to support such arrangements as crucial to their continued success in world export markets.”

Concretely, the argument is that manufacturing employers and trade unions agree on ‘a less regulated periphery’ in the service sector. Employers benefit via lower service costs and taxes while insiders’ trade unions do not have to sacrifice institutionalized privileges. It is important to acknowledge here that, at least in Germany, dualization is just as much about lowering wages than it is about numerical flexibility. Fixed-term contracts have never grown to the same extent as in many other dual labor markets (from 5.9 per cent in 1991 to 8.4 per cent in 2015). A form of non-standard employment that soared in the 2000s is marginal part-time work. As we explain below, this type of non-standard employment has been important in creating a low-wage segment in the German service sector. It is often emphasized that this low-wage segment led to cheaper services and higher real income for industrial insiders, which in turn facilitates their wage constraint. As Hassel puts it:

“[T]he lack of a minimum wage and wage decline in the service sector have served as a cost containing environment, allowing export-oriented firms to contain their wages and unit labour costs. The increasingly dualist nature of the German economy has created an export-oriented high skill industry which depends on a domestic environment of low cost services.”

This argument has recently been incorporated into the debate on growth models. Accordingly, the link between low service costs and manufacturing wage restraint is critical for German export strength. Also Baccaro and Pontusson speculate that cross-class coalitions might underlie growth models. “In the case of Germany”, they claim, “it seems clear that export-oriented manufacturing firms and what is left of the worker aristocracy of skilled workers constitute a cohesive and dominant social bloc in this sense”.

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While Thelen and others\textsuperscript{25} stress the need to constantly build and nurture support coalitions for existing policies, dualization also benefits from lack of opposition from notoriously weak service sector trade unions and a weak state constrained by the strong norm of \textit{Tarifautonomie}. Governments have little to gain from protecting outsiders and hence do not correct the weakness of social partnership outside of manufacturing. The government’s policy stance has thus been one of ‘neglect’.\textsuperscript{26} Generous pro-insider labor market policies, limited active labor market spending, and a strong rise in non-standard employment add up to a picture of a thoroughly dualized political economy.

What could reverse this situation? Thelen is largely silent on the conditions for change. If anything, stability is emphasized. She writes that “the strong and resilient cross-class coalition that presides over German manufacturing […] is no longer willing (employers) or able (unions) to exercise leadership for the economy as a whole”.\textsuperscript{27} The continuing decline of manufacturing may eventually weaken the insider coalition.\textsuperscript{28} Yet, as long as outsiders remain so weakly organized, no end to dualism is in sight. Because of the strong role of \textit{Tarifautonomie} in Germany, Thelen also thinks it unlikely that government actions will improve outsider’s position (as has happened in the Netherlands). In this perspective, a reversal of the German path is difficult to imagine. The argument therefore has problems to explain a reregulation in favor of outsiders such as the 2014 Minimum Wage Law. More outsider-prone organizations such as the United Services Union ver.di have not suddenly become more powerful – quite the contrary\textsuperscript{29} – and the legal instruments for state intervention have on the whole not changed, either. Other authors describe tendencies of self-reinforcement and path dependence in dualized political economies much more explicitly. Most prominently, Emmenegger et al. expect this when they write that
“the translation of structural pressures into policies and outcomes must be understood as a political process, in which politically and economically stronger groups are using their power resources to insulate themselves from the negative effects of these structural pressures, and in which governments make deliberate choices in favor or against outsiders. […] Feedback effects and vicious circles are likely to strengthen this effect because weak labor attachment and social exclusion are associated with weaker political representation”. 30

In other words, the existing literature on labor market dualization gives little theoretical reason for expecting policy reversals in cases like Germany. On the contrary, there is a strong emphasis on stasis or even positive feedback dynamics.

**Dualization and negative feedback**

To theorize the dynamic of dualization, we build upon negative feedback mechanisms. Positive feedback arguments are widespread in historical institutionalist scholarship and usually couched in the language of institutional path dependence.31 In recent years, the literature on policy feedback effects via public opinion has, again, mainly focused on positive, self-reinforcing feedback loops.32 Self-undermining, negative feedback dynamics of policy development have, so far, been marginal in the debate. The most comprehensive theoretical treatment is Jacobs and Weaver’s recent article.33 Jacobs and Weaver posit two distinct negative feedback mechanism which we argue are helpful to explain the German puzzle.34

What they call losses in mass cognition can stem from various cognitive mechanisms, like negativity bias in judgment and framing effects. When negative consequences of current policies are salient, in the sense that ‘losses are cross-sectionally or temporally concentrated’35, the status quo may become
self-undermining. Given widespread aversion to unjustified inequality\textsuperscript{36} and the unpopularity of dualism even among insiders\textsuperscript{37}, we find it generally plausible that public opinion turns against dualization if its social consequences become salient in public debates (as was the case in Germany).

The other mechanism operates on the level of interest groups. Emergent losses for organized groups can occur even for those groups that initially supported and benefitted from certain policies. Losses may not have been anticipated (because of short-sightedness or policy complexity) or actors simply may not care about the long run.\textsuperscript{38} Indeed, this is exactly what has been found by a historical analysis of policy change in Germany.\textsuperscript{39} Both parties and unions tend to act upon short-term reform pressure (in the form of high unemployment) by (consenting to) dualizing labor market policies. The long-term societal and organizational losses for insiders in the form of rising inequality, increasing cost competition or legitimacy losses are underestimated or downplayed at first. But when these losses become tangible, representatives of insiders might try repeal or correct the policies that led to them.\textsuperscript{40} Indeed, Industrial Relations scholars have recently observed a more inclusive approach of many European and German unions towards non-standard workers.\textsuperscript{41} Keune argues along the lines of our feedback argument that unions

“observe that with the growth of precarious employment, the positions of so-called insiders or standard workers gets put under pressure. (...) The fate of the two groups is interrelated and employers use precarious workers to put pressure on the wages and conditions of standard employees.”\textsuperscript{42}

As we discuss below, repercussions of dualization for insiders’ working conditions in Germany are well established by now.\textsuperscript{43} What has to be emphasized in addition is that union members are at least partly motivated by an ideology of working-class solidarity and social justice.\textsuperscript{44} We would expect that the cynicism underlying a dualization strategy strongly goes against the self-concept of union leaders.
and activists. Even for industrial workers not directly threatened by low-wage competition, the growing salience of the phenomenon should lead to an ideologically motivated preference to limit dualization. This effect should be stronger if its repercussions are not only felt among socially more distant service sector workers, but also for at least some of their peers in industrial occupations.

The implications of our argument for dualization theory are twofold. First, the preferences of insiders and outsiders are neither fixed nor purely economically instrumental. Dualization may trigger inequality aversion and thereby undermine its support in the general public. Second, insider coalitions are not necessarily stable because insider unions are vulnerable to negative feedback effects in the form of labor cost competition and ideological tensions. This makes dualization a highly ambiguous policy approach for insiders which is only supported as a last resort if some liberalization is perceived as inevitable. As a result, we expect the process of dualization to be much more contradictory, contentious, and ultimately unstable than accounted for in the existing literature. While we do not necessarily disagree with Thelen and others that the ‘net effect’ of the past decades’ trajectory has been more dualism, we simply want to point out that, in a dynamic perspective, steps towards dualism increase pressure for inequality-reducing reforms. Because of negative feedback, dualism widens cracks in the insider coalition. The goal of the following analysis is to demonstrate empirically that such processes led to the introduction of a minimum wage in Germany. How substantial this countermovement is, as opposed to merely symbolical corrections, is something we will return to in the conclusions.
Public opinion: Labor market reform and inequality aversion

In this section, we discuss the negative feedback effects of social inequality (and inequality-enhancing policies) can produce on public opinion. In the theoretical section, we have argued that dualization is unlikely to produce the positive feedback effects other social policies have. The prime reason is that dualization violates deep-seated norms for reciprocity and fairness. In addition, dualization might be unpopular with insiders because of stronger labor cost competition (see next section).

In this context, it is important to emphasize that German labor market inequality has increased rapidly since the 1990s. This is expressed in a growing share of low-wage workers, more dispersed earnings, and the expansion of various types of non-standard employment. Figure 1 shows that the low-wage share in Germany almost caught-up with the traditionally more inegalitarian cases of the US and UK. While growing inequality has multiple reasons, government reforms have contributed to it. Beginning in the 1990s under Chancellor Kohl, efforts to stimulate a low-wage segment cumulated in the so-called ‘Hartz reforms’ under the second Schröder government from 2002 to 2005. Hence, inequality, deregulation and retrenchment have been important issues in German public debates over the past two decades.
Figure 1: Share of full-time workers earning less than two-thirds of gross median earnings of all full-time workers in Germany, UK, US (1995-2015)

![Graph showing share of full-time workers earning less than two-thirds of gross median earnings](image)


There is clear evidence that public opinion has reacted negatively to growing inequality. Figure 2 presents results from a survey question about the perceived fairness of economic conditions, which has been asked repeatedly since the 1960s. It plots proportions of respondents answering with “fair” and “unfair”. The figure shows a striking trend towards the assessment of German economic conditions as unfair. Whereas only 30 to 40 per cent of respondents perceived economic conditions as unfair in the 1970s, the share increased to close to 70 per cent in 2013. Although there is a cyclical pattern in the data, it is impossible to overlook the strong trend in fairness perceptions.
How can we explain this long-term trend that seems to be unrelated to government composition and the fluctuating popularity of different political camps? The timing of the decline in fairness perceptions points to a possible link to welfare state reforms. The data shows a strong initial drop in the mid- to late-1990s. This was precisely the time when the last Kohl government tried (with partial success) to retrench unemployment benefits and to liberalize the labor market. Resistance towards these measures (which arguably is reflected in the strong drop in fairness perceptions) contributed to the change in government in the 1998 election. In its first term, the Schröder government reversed retrenchment and deregulation and, indeed, perceptions of fairness initially bounce back. However, the mounting problem pressure in the form of mass unemployment soon led the Schröder government to endorse welfare retrenchment as well – in the form of the infamous Agenda 2010 and the ‘Hartz reforms’. And
indeed, 2001 – the year before the Hartz reforms were announced – marks the next turning point in the data. Between 2001 and 2007, the share of respondents considering economic conditions fair drops from close to 40 per cent to only 15 per cent.52

Although it is difficult to establish causality, we interpret this striking pattern as a feedback effect of the Hartz reforms (and the ensuing dualization of the German labor market). The Hartz reforms included at least two concrete measures to foster the expansion of a low-wage segment: the deregulation of so-called Minijobs53 and of temporary agency work. Both types of ‘non-standard’ employment a) can go along with low hourly wages, b) grew rapidly after the Hartz reforms, and c) became salient topics in public discourses about the demise of the Normalarbeitsverhältnis (standard employment relationship) and the growth of the working poor. One indication for this are frequent media reports in German newspapers about the alleged exploitation of these types of workers.54

What is striking about the growing inequality aversion is that is shared by all segments of the population. Using data from the European Social Survey, we have split up respondents in several groups based on party preferences, skill level, labor market status, region, union membership, and subjective income assessment. We then calculated for 2002 the share of respondents in each group strongly agreeing that the government should reduce income difference. (The original scale ranges from one to five and the shares would be much higher if we would add those just agreeing). In a next step, we calculated the change in this share until 2012. The results in Figure 3 confirm the strong growth in inequality aversion throughout this period. They also show that, while levels show expected variation, the growth in strong pre- or re-distribution supporters is substantial and similar across virtually all groups. Not only outsiders, but also labor market insiders, the rich and the highly educated respond to growing inequality with demands for government intervention in the distribution of
incomes. Despite different starting points (probably reflecting socio-economic composition and socialization), the increase is similar in East and West Germany. Finally, it is interesting that the increase is relatively strong among unionized workers (unfortunately, low case numbers do not allow a breakdown by sector). In fact, unionized workers show the strongest increase of all groups together with supporters of the Left. This is in line with our basic argument that union members are not cynical, but strongly bothered by growing inequality. The bottom line is: *dualization does not lead to polarization of preferences. It fosters inequality aversion across society.*

Figure 3: Percentage of Germans *strongly* agreeing that the government should reduce income differences in 2012 (broken down into 2002 level and growth until 2012).

| Source: Own calculations based on European Social Survey. |
| Note: Overall size of the bars indicates level of agreement in 2012. Dark grey region indicates level in 2002; light grey region indicates change 2002-2012. |
The change in public opinion did not occur in a vacuum, however. The joint impact of post-Hartz inequality aversion and a massive trade union campaign arguably helps explain why a vast majority of Germans supported minimum wages despite the country’s strong tradition of \textit{Tarifautonomie}. Support rose steadily throughout the 2000s and by 2015, 86 per cent of Germans supported a minimum wage.\textsuperscript{56} Again, there is a striking lack of partisan conflict. Even among supporters of the moderately business-friendly CDU, 79 per cent were in favor of a minimum wage.

Public opinion was explicitly acknowledged by our interview partners in the trade union camp as an important factor facilitating lobbying for a minimum wage. Two aspects are noteworthy. First, several interview partners perceived a direct and lasting influence of the Hartz reforms and their labor market effects on public opinion. A representative of the German Trade Union Federation (DGB) told us, based on experiences on the local level:

“In the run-up, when the [Hartz] reform was not yet implemented, we tried to mobilize our own colleagues to modify the bill. We did not succeed in mobilizing then. It was really difficult to make people take to the streets. In the moment when the bill became law and produced effects, from 2005 onwards – before that I think people just did not think it possible how immediately it affects them - from then on we realized that a lot more people turned to us: ‘This cannot be true!’ And also members, who suddenly had people among their friends and families who were hit directly. Only this created real awareness, when people were hit directly. Unfortunately, only when the law was in effect. And this is when I realized that the media pounced on the issue.”

An interview partner from the service sector union ver.di specifically pointed to the contribution of public opinion to IG Metall’s position change (see below). Accordingly, the “expanding low-wage sector”, the “Hartz-IV debate”, the “fear of social decline” and “polls indicating that there is a demand for a wage floor in society” strongly influenced discussion in the DGB. “Because of this social change IG Metall was also ultimately willing to join the initiative [for a minimum wage]”. An IG BCE
representative directly acknowledged that while their members were not really affected by low wages, the change in public opinion and discourse did play in the decision to finally endorse minimum wages.

Yasmin Fahimi, a leading SPD politician (former general secretary, now state secretary in the Ministry of Labor), aptly described feedback effects of inequality on public opinion that made minimum wages, in her words, “socio-politically overdue”:

“If one looks at the debate about the minimum wage in Germany, there are a lot more indications that the position of the SPD was guided by the debates and changes within the unions, but also in the public, rather than being guided by competition with other parties. You know, there was a situation in which the labor market hit rock bottom, when we obviously had a public opinion […] saying: maybe there is something to it that we will improve things if […] people can get a foothold in the labor market through the low-wage sector. And this has turned around. That the low-wage sector has become persistent in a way that people perceive as deeply unfair. That we have on the one side enormous corporate profits and dividends paid out and on the other side people who should live on 3.50 EUR per hour”.

The second aspect that emerged from our interviews is that unions very actively tried to use public resentment of growing inequality to influence attitudes towards a minimum wage. In 2006, ver.di and the German Food and Restaurant Workers’ Union (NGG) started with a massive poster campaign portraying typical low-wage workers under the slogan “Arm trotz Arbeit” (working yet poor). According to our interview partner, the campaign was exceptionally well funded and, in fact, ver.di had never before spent more on a PR initiative. From 2007 onwards, the DGB took over the campaign and tried to spur support for the minimum wage with various activities. For instance, the DGB toured with an exhibition about in-work poverty through Germany. The explicit goal of the campaign was not mobilizing low-wage workers themselves, but to target better-off citizens and demand their solidarity.

“Every child in Germany should know that you do not have to work for less than 7.50 euros – now
8.50”, as one of the architects of the campaign put it. The DGB even commissioned their own surveys to track minimum wage support and used the results in the campaign. Overall, the campaign was seen as a major success and as highly effective in influencing policy-makers through public opinion.

The German case shows that public opinion can react strongly to growing inequality. We obviously cannot isolate causal effects, but it seems plausible that inequality aversion and a widespread sense of unfairness made policy-makers conducive to demands for a minimum wage. Arguably, the critical discourse about poverty and inequality partly resulted from real-world changes in the labor market. The strong long-term growth of unfairness perceptions and the close link with media coverage suggests that the negative feedback effects of inequality operate at least partly independently of parties and politicians. Yet it is also clear that unions actively (and successfully) influenced the discourse by bringing a minimum wage on the agenda as a specific solution to in-work poverty. We therefore concur with one of our interview partners who described the process as a “ping pong game” of unions and the public in which causality ran both ways.

**Emergent losses and the trade union turnaround**

As elaborated above, dualization theory would predict a negative stance of industrial unions towards a statutory minimum wage, particularly in Germany where export strength is supposed to rest on cheap services allowing wage restraint in manufacturing. Indeed, a recent survey shows that a frequent response of employers to the minimum wage was to raise selling prices.\(^5^8\) In addition, it is important to recall how strongly entrenched the principle of *Tarifautonomie* is. Industrial unions traditionally reject state intervention in wage setting out of fear it might undermine their organizational strength. However,
a key proximate cause of the 2014 minimum wage legislation was the turnaround of trade unions in the 2000s on the issue of statutory wage floors. How did this surprising change come about?

Before 2000, only the small service sector union NGG had called for a minimum wage. NGG faced the problem that even many of the collective agreements in areas like hotels, restaurants and bakeries failed to secure wages above the poverty line. In other words, shrinking bargaining coverage was one problem, but not the only one. However, supporting a minimum wage was still a marginal position within the German trade union movement. At the 2002 DGB Congress the sectoral unions could only agree on a relatively vague ‘Campaign for a living wage’ (‘Kampagne für ein existenzsicherndes Einkommen’), but neither on ways to get there nor on the definition of a living wage. A ‘reference wage’ of EUR 1,500 per month was mentioned in the initiative, but was dropped from the final resolution. The opposition to a statutory minimum wage among the vast majority of trade unionists, politicians, economic experts and journalists at that time is remarkable. Employers and mainstream economists tended to stress the purported negative consequences for employment while trade unionists feared negative consequences for Tarifautonomie (see below).

Mabbett describes how the DGB was split into three factions. NGG and ver.di supported a national statutory minimum wage. The construction sector union IG BAU favored the more widespread application of the Posted Workers Act, allowing for sectoral minimum wages. IG Metall opposed the minimum wage entirely and argued in favor of using the 1952 Minimum Working Conditions Act, a law that had been virtually irrelevant in recent decades. It is fair to say, that the industrial unions (IG Metall and IG BCE, representing mining, chemicals and energy) feared at least two things in particular: First, a weakening of the central Tarifautonomie principle:
“We as IG BCE have always had a more cautious position regarding a statutory minimum wage. […] I know that it has played a role in the debate for a long time already, but we have never pushed this forwards, because we have always said: Collective bargaining autonomy is the highest good [hohes Gut] and we hold on to it, and of course the minimum wage represents state intervention which is not really in line with the capacity [of social partners] and collective bargaining autonomy” (IG BCE respondent).

The same goes for the IG Metall where skepticism is widespread “until the present day”, according to an insider (interview with IG Metall respondent). Second, industrial unions feared a downward effect on the relatively high bargaining wages in manufacturing (interview with DGB respondent). As a consequence, the response of the IG Metall to the rise of low wages was to emphasize not state intervention, but “organizing, mobilization, recruitment […] in these areas” (interview with IG Metall respondent). As late as 2004, the head of IG Metall Jürgen Peters called a statutory minimum wage ‘a law that only creates new problems’ and Hubertus Schmoldt of IG BCE predicted in 2005 that ‘[t]here won’t be a single statutory minimum wage across all branches’. At that time, the rift within the trade union movement was significant and noticeable to the wider public.

Once the ver.di/NGG campaign for a minimum wage had started in 2006, however, things began to change very quickly and more trade unions switched sides. At the 2006 DGB Federal Congress, already 7 out of 8 sectoral trade unions, including the mighty IG Metall, voted in favor of a statutory minimum wage of EUR 7.50 per hour. Only IG BCE voted against. It took another four years, until the 2010 Federal Congress, to win over all sectoral unions for a statutory minimum wage position of now EUR 8.50.

What explains the position shift of trade unions (and political parties) between about 2005 and 2010? We argue that what Jacobs and Weaver call ‘emergent losses’ describes the empirical pattern quite
well. Exogenous shocks such as the financial crisis contribute little to the change of heart (see below); nor do changing coalitions of otherwise unchanged actors explain the policy. Surely, the pro-minimum wage camp grew. Yet, it was the endogenous effect of previous policy decisions and strategic trade union moves which changed the policy preferences of central actors, namely core manufacturing trade unions. Two separate motivations underlie this change. First, increasing low-wage competition even at the margins of the core sectors demonstrates that the ‘insiders’ may have underestimated the extent to which they could isolate their members from the effects of liberalization.

The extent of this competition, however, is insufficient to explain such a quick and radical shift in preferences. While it became clear in our interviews that low-wage competition in some industrial occupations certainly raised awareness for the general problem, the minimum wage was - with some notable exceptions - too low to substantively affect wage patterns in the realm of IG Metall. Wage competition was even less relevant for IG BCE’s decision to join the ranks, because it was hardly affected by wages below 8.50 EUR. In our view, inter-organizational solidarity and questions of trade union ideology have to be considered as a second mechanism. As we will show, portraying the IG Metall or the IG BCE as cynical, self-interested players lacking any solidaristic impulses is unconvincing.

The first part of the argument is one of short-sightedness and unintended consequences. The dualization literature describes how, under pressure from employers and foreign competition, core trade unions traded off their own wage and job security against increasing insecurity at the margins.65 At the time of reform, trade unions arguably overestimated the ability to contain that circle of insecurity and low wage in the course of the following years. In other words, organizational stress led to short-sighted
decision-making based on narrow membership interest. Unanticipated losses came later in the form of rising labor-cost competition.

This process can be illustrated by unions’ position towards temporary agency work. In the 1990s, unions began to lower their hostility towards deregulating agency work as a flexible form of employment, arguably because this can avert problem pressure without sacrificing institutional protection of insiders.66 As part of the Hartz reforms, the DGB even consented to a major deregulation of temporary agency work under the condition that agency workers’ pay could only deviate from wages in user companies based on collective agreements.67 This would have given unions control over the wage gap between insiders and agency workers. However, an unanticipated effect was that employer-friendly ‘Christian’ unions began to negotiate very low wages for agency workers. This made agency work rather attractive for employers, who could not only benefit from more flexibility but also from lower labor costs. The subsequent boom of agency work came as a shock to unions. Although agency work still is a small phenomenon in the overall labor market, it grew considerably in some manufacturing occupations. In 2015, it amounted for instance to 10 percent of the workforce in metalworking.68

In this situation, there were clear emergent losses for trade unions, even in the core industries (Meyer 2016). As Eichhorst and Marx argue69, the threat of being crowded out by cheaper non-standard workers has contributed to insiders’ willingness to accept wage moderation and measures of internal flexibility. Moreover, agency workers are perceived as a ‘disciplining tool’ that leads to the intensification of the work process.70 In line with this, Baccaro and Benassi71 show that in the post-Hartz period, real wages not only in services but also in high-end manufacturing have trailed productivity growth. These unanticipated repercussions of deregulating agency work have arguably
affected unions’ position on the matter (and the problem of low wage work in general). Benassi and Dorigatti cite an IG Metall representative explicitly referring to this motive: “Our core workers feel threatened by agency work (…). The more agency workers you have (…) the more likely employers are to think about challenging the collective agreements for the core workforce.” One of our interviewees illustrates how agency work can be used by employers by pitting production sites against each other:

“The issue of agency work has put core workforces under pressure […]. At the moment when BMW in Leipzig produces at a certain cost, will [employees] in Dingolfing be confronted with that [benchmark]. They will say: ‘Look at those costs, why can’t you do that?’ Immediately, it will mean that in Dingolfing, […] where there is an agency work percentage of 6 per cent compared to 28 per cent or whatever in Leipzig, we are risking that production will be massively moved to Leipzig. This is evident” (DGB respondent).

The example of agency work hence illustrates how unions’ consent to dualization triggered emergent losses (in the form of tougher labor cost competition) and thereby a reversal of preference for minimum wage legislation. In fact, after controversial debates a sectoral minimum wage for agency workers was introduced in 2012 through a legal decree declaring the collective agreement concluded by the DGB generally binding. This illustrates how low-wage competition can lead to a stronger acceptance of state involvement in wage setting.

Going beyond the concrete case of agency work, one might say that the growing low-wage segment in general (see above) produced feedback effects for trade unions. This trend was facilitated by declining trade union density and collective bargaining coverage, which means that unions’ overall influence on the wage structure is shrinking. At the same time, it means that firms covered by collective agreements increasingly compete with uncovered firms that have more flexibility in wage setting. While the
dualization literature sometimes paints a picture in which ‘core’ firms (and their workers) are unaffected by the trend or even benefit from it, one can again identify emergent losses for insiders. Several respondents pointed out ‘dirty corners’ (‘Schmuddelecken’) even within the realm of IG Metall, where low wages are to be found. An IG Metall representative clearly stated that there were “areas which were increasingly affected by low wages.” Examples are the electrical trade (where a sectoral minimum wage had been in place already) as well as textile and wood manufacturing. “At the same time”, our respondent argued “one was faced with the fact that the ability to regulate at the margins was not as strong anymore, and that the statutory instruments that went beyond autonomous self-regulation had to be brought in”. Hence, low-wage exposure forced IG Metall to selectively seek state involvement. This arguably made it more difficult for IG Metall to reject minimum wages out of principle.

For the negative feedback argument to make sense, it is important to stress that the amount of low-wage competition was not fully anticipated in the core sectors. In other words, that those are ‘emergent losses’. A service sector unionist describes the learning process of industrial unions as follows, taking outsourcing as an example:

“Without doubt is it a problem that for years outsourcing had also found the consent of works councils - against the background of trying to secure the wages and working conditions of their own core workforce. Now we have the situation that the industrial unions are trying to get outsourced areas back […], because they can now feel the pressure on the core workforce coming from those areas”.

In sum, we find evidence that industrial unions are affected by growing labor cost competition and that this situation made them less hostile to state intervention. Wage pressure is central in Meyer’s argument. In our view, it is insufficient to explain unions’ changed position for two reasons. First,
industrial unions still feel capable of regulating wages in the bulk of their sectors and this is also what wage patterns suggest. Second, even service union representatives acknowledge that industrial unions were driven by trade union solidarity and that “at the end of the day, it was a socio-political compromise that was found” (ver.di respondent).

Figure 4: Share of employees with hourly wages below € 8.50 in different sectors (2014), in %, lower and upper limit

Note: Upper limit: calculation of the gross hourly wage on the basis of actual hours worked. Lower limit: on the basis of the agreed weekly working hours if overtime is compensated through free time.

Regarding the first aspect, it is important to note that the discussed minimum-wage levels of 7.50 EUR and later 8.50 EUR would not have affected low-wage segments in manufacturing in a meaningful way. The (sectoral) minimum wage in the electrical trade, for example, is 10.35 EUR in West Germany and 9.85 EUR in the Eastern part and Berlin. Of course, not all workers are covered by collective agreements, but Amlinger et al. show that right before the introduction of the minimum wage, just about six percent of manufacturing workers earned less than 8.50 EUR per hour (see Figure 4). (Note that agency workers used in manufacturing might be classified as working in company-related services, where the share of wages below the threshold is 16 percent). This contrasts with above 50 percent in hotels and restaurants. As our interviews showed, the chemical industry in particular still has strong confidence in collective bargaining. According to an IG BCE respondent:

“Usually, we get this through in our sector. […] We also have very, very few instances of generally binding extensions of collective agreements. This also shows that we can actually say: We are so strong in the sector that we can ultimately achieve commitment of employers’ associations across the whole sector […]. Even those companies that are not members of an employer association […] do not have a wage structure where 8.50 Euro would make much sense, but they are generally at a higher level.”

In explaining, while they nonetheless supported the minimum wage campaign and the 2014 Minimum Wage Act, our respondent emphatically states:

“For us, this was also about […] expressing solidarity within the DGB and to say: We support this now! We may not be that affected by it and it may not play a big role for us in practice, but we nail our colors to the mast and declare our solidarity with you”.

In other words, there are strong indications that the industrial trade unions partly acted on motivations beyond the cynical membership-based rationale central in most dualization accounts. Low-wage
competition in some IG Metall occupations is very real. But given that the minimum wage in most cases is too low to reduce it, its effect on union preferences arguably was in creating stronger awareness of and normative concern with the issue. The case of IG BCE, which represents sectors in which even low wages are far above the discussed statutory minimum, clearly shows that solidarity with weaker unions have to complement the material explanation based on low-wage competition.

Alternative explanations

At least six alternative or complementary explanations of the puzzle of the German Minimum Wage Act should be mentioned. First, an exogenous shock such as the financial crisis after 2008 may have triggered the reform. The chronology of events speaks against this explanation. The increase of low-wage work predates the crisis and was never discussed with particular reference to the crisis, either. Nor was the German crisis response in 2008/09 linked to the minimum-wage question. More importantly, the crucial turning point with regard to the politics of the minimum wage was the DGB Congress in 2006. Without the broad trade union consensus, political parties would almost certainly not have taken action against the strong normative power of ‘Tarifautonomie’.

If not the crisis, did Germany’s comparatively strong recovery play a role? A cyclical upswing alone can hardly serve as an independent explanation for a fundamental reform and we would still regard the earlier trade union consensus as a necessary condition. A favorable labor market situation certainly made it easier to experiment with a statutory minimum wage, but this can explain, if anything, only the timing of the introduction.
Third, employers were overall less vocal in their opposition to the minimum wage. The impression of weak employer resistance to the minimum wage is confirmed by an analysis by Buss and Bender showing that employer associations, while opposing the minimum wage during the five years preceding the reform, generally paid little attention to this issue compared to, for example, the regulation of non-standard contracts. As Mabbett shows, this had to do with internal divisions. She traces how employers in sectors affected by cost undercutting (often by foreign firms) supported minimum standards as self-protection, but were regularly vetoed by the national peak association BDA. Employer divisions – combined with weak trade unions in the affected sectors – thus rendered existing sectoral solutions like the Posted Workers Act much less effective. The same divisions, however, may also have weakened employer associations at the national level and made them unable to stop the statutory minimum wage train once it had gathered steam in the mid to late 2000s. This is a plausible explanation that should be investigated in much more detail. Based on our interviews, it is likely to be a secondary explanatory mechanism however, as employer strength or weakness is not something that seems to have motivated the trade union shift in the first place.

Fourth, traditional party politics are another plausible explanation. After all, the SPD made the minimum wage a central part of their electoral platform and the subsequent coalition agreement with the CDU and Andrea Nahles, a social democratic Minister of Labor and Social Affairs, hammered out the legislative details. The problem of these approaches (be it the traditional power resource or the recent insider-outsider theory) is that they assume fixed preferences of political actors. Parties are tied to specific social groups (the working class or insiders) and champion their interests. The remarkable pattern in Germany is, however, how volatile parties’ position on labor market policies is. The SPD reacted with lukewarm support at best when a minimum wage was first put on the agenda around the
year 2000. At the time, it was the major partner in the Red-Green coalition so that conditions for the implementation would have been favorable. Instead, the SPD followed the neoliberal course embodied in the Hartz reforms, which already was a major break with the more re-regulatory policies of the first term of the Red-Green coalition. It was only after the Hartz reforms had produced major negative feedback effects on the level of public opinion, in the trade union camp and also within the SPD (by weakening neoliberal leadership\textsuperscript{82}) that the party endorsed minimum wages as part of a larger shift to the left. For minimum-wage legislation, this meant that the SPD did not act when it had the possibility to, but fought what initially appeared as an uphill battle against the reluctant Christian Democrats (CDU) in the Grand Coalitions of 2005-2009 and again since 2013. What is more, there is little evidence that the SPD was the first mover in what in the end turned out to be an alliance with the DGB in favor of making the statutory minimum wage a central element of the 2013 coalition agreement.

According to one respondent from the IG Metall

“the SPD guys – and essentially also the Greens – always told us: You have to agree among yourselves; we will not meddle in your affairs. It is therefore an interesting phenomenon [...] that it was the unions who have significantly contributed to the fact that the minimum wage has emerged so late in Germany”.

Discussions took place throughout the 2000s in the SPD trade union liaison committee, but did not lead to a clear position at first.\textsuperscript{83} The SPD did not make this a major campaign issue in the 2005 election and a clear party position emerged only in 2006, when the trade union congress was able to get almost all unions behind a minimum wage proposal.

Fifth, party competition could explain the SPD’s shift between the Red-Green coalition and the mid/late 2000s. One of the most tangible negative feedback effects for the SPD was the emergence of a new left-wing competitor, the Linkspartei, later renamed into Die Linke (The Left). This was a direct
consequence of the Hartz reforms. Only the discontent caused by the package helped a radical left party with strongholds in the former GDR to mobilize in the entire country and to form a viable alternative on the left. The SPD now had to engage in much fiercer competition for relatively poor and left-leaning voters than with the Green party. It also remains difficult to integrate *Die Linke* into a coalition. The emergence of *Die Linke* means that criticism of inequality and radical policy alternatives are much more visible in political debates. But we would argue that it is also a consequence of the negative feedback effects we have described, particularly because it thrived on public inequality aversion. Party competition therefore is a facet of negative feedback mechanisms rather than an independent explanation.

Sixth, it might be that the fear of increasing low wage pressure from immigration prompted the minimum wage in Germany. It is certainly true that immigration and ‘wage dumping’ played a role in the German debate. However, not in the form of the recent refugee crisis (which only occurred after the reform), but through the 2004 EU enlargement and the extension of the EU’s ‘four freedoms’ to Central and Eastern Europe. The segmented structure of German industrial relations combined with posted workers from this region intensified low-wage pressure in specific sectors whose unions supported the minimum wage anyway (such as the meat processing industry). However, competition with posted workers cannot directly explain the changing position of industrial unions (other than via solidarity effects). As we have shown above, low-wage competition simply did not push wages in manufacturing below or even close to 8.50 EUR per hour. Against this background, it is not surprising that our interview partners did not mention immigration as a motivation to support the minimum wage.
Conclusion

The goal of this paper was to challenge the view that dualization is an inherently stable equilibrium. Applying the conceptual toolkit of negative feedback effects provided by Jacobs and Weaver, we have studied how inequality-enhancing (or more specifically: dualizing) policies have produced emergent losses for German policy actors and repercussions on public opinion. Both explain the puzzling introduction of a statutory minimum wage in 2014 which is not only a decidedly outsider-friendly policy, but also goes against a strong tradition of autonomous wage-setting in German industrial relations.

Was the 2014 Minimum Wage Act a marginal, perhaps merely symbolic reform? It certainly was limited to just one aspect of dualization, the institutionalized low-wage segment in the service sector. Note, however, that the level was non-negligible, even by international standards. Consequently, about four million employees benefitted directly from its introduction. It also caused a marked reduction in marginal part-time work. Moreover, we believe that the reform might represent a more significant turn towards egalitarian policies. Current pension policy reform negotiations in Germany, for example, are concerned with limiting future old age poverty (largely a result of wage inequality, non-standard employment biographies, and past cutbacks in a strongly earnings-related pension system). The DGB is currently campaigning for ‘more solidarity’ through such a pension after minimum contribution record (‘Rente nach Mindestentgeltspunkten’) for people on low wages. More directly related to our topic, there have been recent attempts to re-regulate agency work, for instance by limiting the allowed duration of assignments to 18 months. In addition, the SPD’s lead candidate for the 2017 election Martin Schulz has recently gained popularity with his plans to reverse the Hartz reforms. This includes banning fixed-term contracts without a valid reason. Of course, it remains to be seen whether these
plans will be realized. But current political developments in Germany strongly suggest that the mechanisms underlying the minimum wage introduction could contribute to a more full-blown reversal of the dualizing consensus. In this perspective, the minimum wage with all its limitations can be seen as the beginning of a dynamic towards more egalitarian policies.

Our study contributes to several debates in comparative political economy and policy research. A key insight for the dualization literature is that policy outcomes are not simply a function of structural conditions and stable insider coalitions. We contrast this structuralism with a dynamic approach that reveals how the process of dualization unfolds in a partly contradictory sequence of smaller changes. We do not deny that the ‘net effect’ of these changes so far has been greater inequality (or dualism). What we do suggest, however, is that dualization as a policy strategy is more difficult to sustain than would be expected based on accounts of the political influence of core firms and their workers. In a nutshell, the reasons are that inequality and dualization are a) inherently unpopular, b) lead to growing competition between labor market segments core workers cannot be insulated from and, c) create organizational tensions by violating deep-seated norms of trade union solidarity. This dovetails not only with recent work in industrial relations, but also with work on social policy, such as Naczyk and Seeleib-Kaiser’s analysis on occupational pensions in Germany, France, Belgium and the UK, which finds ‘that, in a position of greater political weakness, trade unions representing distinct segments of labor may also be led to close ranks and foster solidarity among each other’.

Our study also speaks to the literature on policy feedback. While this literature often focuses on single aspects, such as public opinion, we show that it is fruitful to combine several dimensions and analytical levels. Moreover, positive feedback is the dominant type of effect examined (for example, in the form of ‘Winner-Take-All Politics’), whereas we could show how powerful negative feedback can emerge
alongside existing path dependencies. In Germany, feedback effects on public opinion were arguably mediated to some extent through political actors (trade unions, parties) that changed their positions and articulated concerns about inequality and non-standard employment, including through orchestrated campaigns. On the other hand, independent changes in public opinion (spurred by mass media) created new incentives political actors had to respond to. In this perspective, the emergence of *Die Linke* can, for instance, be seen as *facilitating* and *being facilitated* by growing public concerns about inequality. We are agnostic about whether any simple causal path can be identified here, but disentangling the different causal arrows between feedback effects is a fascinating task for future research.

Finally, we contribute to a broader literature on the politics of inequality. This literature is often based on a simplified model of the policy process. It assumes that inequality is (or should be) automatically translated into preferences and policy. In our temporal perspective, we can show that actors’ preferences can be highly unstable and resist simple classification. Moreover, our analysis suggests that negative feedback effects of inequality can lead to policy change, but only if public preference and organizational interests of major actors interplay. Such connections might be important scope conditions that are overlooked if aggregate measures are correlated.

Do we describe an idiosyncratic German trajectory? We do not think so. Dualization has taken the form of incoherent policy sequences in many more countries. And, as we have noted above, the Industrial Relations literature has observed a similar union re-orientation towards fighting dualism in several other countries in Europe, but also in the Global South. Also in the fields of public opinion and party systems one might identify feedback effects of growing dualization. Many of the European countries with stark insider-outsider divides have recently experienced the emergence of new parties that mobilize on economic frustrations (e.g. *Podemos* in Spain). Likewise some countries outside Europe
have seen the emergence of outsider – often informal worker – movements and even pro-outsider policy reversals in recent years, by expanding universal welfare benefits. While these observations are suggestive at best, they show that negative feedback effects of inequality are a promising field for future research.

Notes


8 Emmenegger et al., *The age of dualization*.


10 Mabbett, "The minimum wage in Germany"; Meyer, "Learning to Love the Government".
See also Chiara Benassi and Lisa Dorigatti, "Straight to the core—explaining union responses to the
casualization of work: the IG Metall campaign for agency workers," *British Journal of Industrial
Relations* 53, no. 3 (2015): 533-555; Werner Eichhorst and Paul Marx, "Reforming German labour
market institutions: A dual path to flexibility," *Journal of European Social Policy* 21, no. 1 (2011): 73-
87.

Which is also marginal in Mabbett, "The minimum wage in Germany".

Eight semi-structured interviews were conducted by the authors between April 12th and April 27th,
2016, with respondents from the following organizations: DGB, ver.di, IG Metall, IG BCE, SPD. All
respondents were promised anonymity and are therefore not personally identified in the text.

Thelen, *Varieties of liberalization*.

See also Palier and Thelen, "Institutionalizing Dualism"; Kathleen Thelen, "Varieties of Capitalism:
Trajectories of Liberalization and the New Politics of Social Solidarity," *Annual Review of Political

See also Hassel, "The Paradox of Liberalization".

Thelen, *Varieties of liberalization*, 206.

Ibid., 58.

Ibid., 30.

Karen Jaehrling, Ines Wagner and Claudia Weinkopf, "Reducing precarious work in Europe through

Wendy Carlin and David Soskice, "German economic performance: disentangling the role of supply-
side reforms, macroeconomic policy and coordinated economy institutions," *Socio-Economic Review* 7,

Hassel, "The Paradox of Liberalization," 75.

Baccaro and Pontusson, "Rethinking comparative political economy".

Ibid., 200.

Hassel, "The Paradox of Liberalization"; Torben Iversen and David Soskice, "Democratic limits to
redistribution: Inclusionary versus Exclusionary Coalitions in the Knowledge Economy," *World

Thelen, *Varieties of liberalization*, 55.

Ibid., 58, emphasis added.
28 Iversen and Soskice, "Democratic limits to redistribution".


30 Emmenegger et al., *The age of dualization*, 16, emphasis added.


33 Jacobs and Weaver, "When Policies Undo Themselves"; see also R. Kent Weaver, "Paths and forks or chutes and ladders?: Negative feedbacks and policy regime change," *Journal of Public Policy* 30, no. 2 (2010): 137-162.

34 A third mechanism (called *menu expansion* and focusing on policy experimentation and diffusion) will not be used in our account.

35 Jacobs and Weaver, "When Policies Undo Themselves," 448.


38 Jacobs and Weaver, "When Policies Undo Themselves," 7.

39 Eichhorst and Marx, "Reforming German labour market institutions".

40 See also Baccaro and Benassi, "Throwing out the ballast".


Richard Hyman, Understanding European trade unionism: Between market, class & society (London: Sage, 2001); Keune, "Trade unions, precarious work and dualisation in Europe".

As implied e.g. by David Rueda, "Insider–outsider politics in industrialized democracies: the challenge to social democratic parties," American Political Science Review 99, no. 1(2005): 61-74.

See also Eichhorst and Marx, "Reforming German labour market institutions".

Marx, The political behaviour of temporary workers.

Marc Amlinger, Reinhard Bispinck and Thorsten Schulten, "The German minimum wage: Experiences and perspectives after one year," WSI-Report no. 28e, 1/2016, 2016; Baccaro and Benassi, "Throwing out the ballast"; Carlin and David Soskice, "German economic performance"; Hassel, "The Paradox of Liberalization".

In 2015, the minimum wage amounted to 48 per cent of the median wage of a full-time worker. Hence, as elsewhere in Europe, the German minimum wage still lies below the low-wage threshold of two-thirds of the median. See OECD, "OECD.stat".

For an overview see Eichhorst and Marx, "Reforming German labour market institutions".

One important reason for these remarkable patterns in German public opinion is the way German media portray the labour market. A detailed study of German newspapers discourses on social justice and inequality over the post-war history has shown that journalists are highly sensitive to real-world changes in economic outcomes. Accordingly, the frequency of terms such as Armut (poverty), soziale Ungleichheit (social inequality) and soziale Gerechtigkeit (social justice) correlates strongly with the actual growth of inequality and poverty. Very similar to our public-opinion data, patterns of newspaper reporting show a strong increase in preoccupation with (the unfairness of) inequality from the mid-1990s onwards. Martin Schröder and Florian Vietze, "Mediendebatten über soziale Ungleichheit, Armut und soziale Gerechtigkeit seit 1946 und wie sie mit Einkommensungleichheit zusammenhängen," Zeitschrift für Soziologie 44, no. 1 (2015): 42-62.

A remarkable aspect of the Hartz reforms, and a clear example of dualization, was the deregulation of these marginal part-time job. They are partly excluded from social insurance (and exempted from contributions). In the Hartz reforms, a previously existing cap on the number of working hours was abolished allowing for very low hourly wages. A statutory minimum wage amounts to a direct reversal of this reform. And a recent evaluation shows that its introduction indeed triggered a trend towards a
reduction of marginal part-time. Within just one year, the number of such jobs drops dropped by
200,000, see Philipp vom Berge, Steffen Kaimer, Silvina Copestake, Johanna Croxton, Johanna Eberle
and Wolfram Klosterhuber, "Arbeitsmarktsiegel: Entwicklungen nach Einführung des Mindestlohns
(Ausgabe 3)," IAB-Forschungsbericht no. 2/2017 (2017), 17. Whether this trend will continue remains
to be seen.

54 See also Markus Breitscheid, Arm durch Arbeit: Ein Undercover-Bericht (Berlin: Econ, 2008).

55 See also Marx, The political behaviour of temporary workers.

56 Infratest dimap, "86 Prozent der Deutschen hält Einführung des gesetzlichen Mindestlohn für
richtig," https://www.infratest-dimap.de/umfragen-analysen/bundesweit/umfragen/aktuell/86-prozent-
6/26/2017).

57 For an overview, see DGB, Rückblick auf die Mindestlohnkampagne des DGB (Berlin: Deutscher
Gewerkschaftsbund, 2014).

58 Lutz Bellmann, Mario Bossler, Matthias Dütsch, Hans-Dieter Gerner and Clemens Ohlert, "Folgen
des Mindestlohns in Deutschland: Betriebe reagieren nur selten mit Entlassungen," IAB Kurzbericht no.
18/2016 (2016).


60 Reinhard Bispinck and Claus Schäfer, "Niedriglöhne? Mindestlöhne! Verbreitung von Niedriglöhnen

61 Mabbett, "The minimum wage in Germany," 1250.

62 Handelsblatt, "Jürgen Peters: 'Die IG Metall wird das Linksbündnis nicht unterstützen'' (August
23rd, 2004).

63 Welt am Sonntag, "Einen Dritten Weg gibt es nicht. Wir haben lange genug gesucht" (May 1st,
2005).

64 Also in 2010, the German Lawyer’s Conference (Deutscher Juristentag) issued a recommendation in
favor of a statutory minimum wage.

65 Eichhorst and Marx, "Reforming German labour market institutions"; Hassel, "The Paradox of
Liberalization"; Palier and Thelen, "Institutionalizing Dualism".

66 Eichhorst and Marx, "Reforming German labour market institutions".
67 Benassi and Dorigatti, "Straight to the core".


69 Eichhorst and Marx, "Reforming German labour market institutions".

70 Holst, "Commodifying institutions".

71 Baccaro and Benassi, "Throwing out the ballast".


73 Jaehrling et al., "Reducing precarious work".

74 Meyer, "Learning to Love the Government".

75 Amlinger et al. "The German minimum wage".


80 Mabbett, "The minimum wage in Germany".

81 Eichhorst and Marx, "Reforming German labour market institutions".

83 Frankfurter Allgemeine Zeitung, "SPD dämpft Mindestlohn-Hoffnungen der Gewerkschaften" (October 4th, 2004), 11.
85 See Anke Hassel, Jette Steen Knudsen and Bettina Wagner, "Winning the battle or losing the war: the impact of European integration on labour market institutions in Germany and Denmark," Journal of European Public Policy 23, no 8 (2016): 1218-1239.
86 Jacobs and Weaver, "When Policies Undo Themselves".
87 Vom Berge et al., "Arbeitsmarktspiegel".
89 Jaehrling et al., "Reducing precarious work".
91 Benassi and Dorigatti, "Straight to the core"; Dorigatti, "Trade Unions in Segmented Labor Markets".