Old wine in new wineskins?
Labour market reforms in Germany and its impact on women

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Abstract
In the mid 2000s, a fundamental labour market reform was carried out in Germany. The so-called Hartz-reforms were supposed to implement the paradigms of “activation” and “individual responsibility”. It was also discussed, whether in this context the “adult worker model” and more gender equality in the labour market should and could be achieved. This article clarifies ambivalent impact of the reforms on women: there is a stronger but only partial labour market inclusion predominantly into the low-wage sector. Women’s responsibility in private care remains unchanged. Besides, in both fields, gender equality is not only a matter of quantity but also of quality. In other words, it is not about work inclusion at any cost, but rather the circumstances for female employment must be critically analyzed. The labour market reforms have so far done little to oppose the gender specific structures of the labour market.
Keywords: gender equality, labour market reforms, gender models, low wage sector.

1. Introduction

At the beginning of the 21st century, the British and German Heads of Government Tony Blair and Gerhard Schröder predicted something terrible: if fundamental reforms were not undertaken in the labour market and welfare policies, this would lead to a collapse of the social systems. Rather than trusting the state to create social equality without any effort by the citizens, it would now be a question of increased individual responsibility for the situation and solutions to the existing social problems (see Blair and Schröder 1999). The government could only provide the framework conditions according to an “ensuring state” (Schmid 2004), everything else would lie in the responsibility of private actors or the affected. The terminology which has gained currency in Germany with reference to this new concept is “activating welfare state” or “activating labour market policy”. This political path, which started in the late 1990s, includes not only a new division of tasks and responsibilities among citizens and the government, but also a number of steps to reshape the welfare state (see Lessenich 2008).

From the viewpoint of gender equality, these reforms have always been contentious. While some female politicians sought progress in these reforms since they actively promote the integration of women into the labour market, critics on the other hand feared an increasing exclusion of women from the fields of labour market policy. It is for this reason, that I will first highlight both the existing guiding principles of current German labour market policy and the actual gender-related effects of the labour market reforms. Before sketching out the key features of the labour market reforms, I will give a brief overview of the current employment situation in Germany.

The labour market is traditionally differentiated on the grounds of gender: in 2011, the labour force participation rate of women is 71.6% as compared to 82.2% for men (BA

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1 I want to thank Sonia Negrau for the translation of the article.
2 An ensuring state is responsible for a number of basic public affairs but not in all aspects of implementation. The fulfilling of public affairs is to be delegated to private actors or persons.
What is worth mentioning in this context is that this distribution only refers to the former Federal Republic of Germany (West Germany). In Eastern Germany, instead, the employment rate of women and men is the same: 55.1%, in Western Germany, there is a difference of 9 percentage points (women 49.5% vs. men 58.5% in September 2012; Ivi, 7). Furthermore, the German labour market is strongly characterized by matters of full- versus part-time work. In 2010, almost 46% of women were engaged in part-time work, compared to only 8% among men in the corresponding period (DeStatist). Linked to this, is a distinctive horizontal and vertical segregation of the labour market - the job market is divided by gender into so-called typically male and female occupations with significantly different remuneration and career prospects. For example, the proportion of females in leadership positions is low: in 2010, women’s share was 30%; in the 200 largest companies only 3% of chairmen are female (Holst et al. 2012). Furthermore, wage differentials between men and women have remained: currently this difference amounts to 23% (Statistisches Bundesamt 2012, 14). However, both men (8%) and women (7.2%) are equally affected by unemployment (BA 2013, 25).

2. What happened? The labour market reforms

Labour market and social policy are strongly linked in the Federal Republic of Germany, which can be observed in the social transformation processes of the last decades. Traditionally, Germany can be regarded as a typical conservative welfare state according to Esping-Anderson’s typology (1990). Wage labour is hereby the major feature in the social security system of the German welfare state, constituted in the standard employment relationship. The well-developed social security provision is highly determined by wage income or the resulting income, which influence men in a de commodified way and which are not only supposed to secure wage-based work but also their families. This means that even in cases of illness or unemployment, the benefits from the security system preserve the economic status. As an act of “reciprocity”, families (strictly speaking women) took up important functions, such as child rearing and caring for the sick and elderly family members in accordance with the German principle of
subsidiarity. As a consequence, female work participation has been comparatively low. Therefore, we see the social system based on hierarchical gender conditions with gender-specific division of labour, which keeps reproducing this principle. As long as male citizens and their families fulfilled their function in the conservative capitalist welfare state, the state played a key role in the coverage of social risks. The labour market policy has therefore been targeted to avoid or reduce unemployment as well as to generate employment opportunities as regards previous employment relationships, income situation and qualifications. Both unemployment benefits in terms of short-term transfer payments and unemployment aid in cases of long-term unemployment are aligned according to previous income and are paid out individually. The social welfare benefits, the former benefits of the state, did not belong to the public insurance system. They were paid to secure the socio-cultural minimum subsistence level. In this welfare system, women, particularly single parents, used to be over-represented, while men and indirectly their families profited by the system of welfare insurance system.

2.1. The implementation of the Hartz-Reforms – Workfare in Germany

The job market reforms introduced at the beginning of the 21st century entailed a complete shifting away from the insurance system on the labour market. Nowadays the unemployed get income-related unemployment payments for only one year. Afterwards, long-term unemployed and employed people who cannot secure their livelihoods are entitled to receive transfer payments to guarantee their socio-economic subsistence. For this category of employable persons, the Second Book of the Social Code entitled The basic provision for jobseekers (SGB II) has been introduced. The current transfer payment is a monthly flat-rate benefit, which comprises 382 euros plus accommodation costs for a single person. The entitlement to this benefit is neither based on previous contributions to the social insurance system nor individualized. The entitlement and its amount of benefit are rather calculated according to the needs of the household. This

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3 The principle of subsidiarity states that public affairs should be done by the next lower entity, e.g. the child care should be seen as a function of the state or of the family.
4 Someone is considered employable if one can work more than three hours per day.
5 In the public debate the transfer payment is commonly referred to as “Hartz IV”, named after the chairman of an expert commission, which advised the German federal government on the reorganization of the labour market.
unit is referred to as “community of dependence”, it’s a kind of *communitarisation*: if one partner earns enough to support the other financially, in order to maintain the household completely or partially, the unemployed partner is either not entitled or minimally entitled to welfare benefits. This idea is based on the premise that all members of the community of dependents are expected to make every effort to end the dependency, irrespective of the previous division of work. The *adult-worker-model* is formally established in the labour policy. Beyond that, the concept of *workfare* has been implemented in Germany⁶ and this includes individual responsibility as a fundamental principle (see Rudolph 2012): unemployment, accordingly, is based on omission and obstacles by the one concerned and can therefore only be changed individually. The unemployed can receive these benefits only if they remain at the disposal of the labour market and actively work towards ending the status of dependency.

“Activating labour market policy” means, furthermore, that transfer payments are linked to conditions: for the purpose of active job search and promoting employability a number of job market policy tools and measures are made available, such as job application training, enhancement of qualification or work opportunities in the publicly funded sector. In case unemployed persons refuse any of these measures or tools, their transfer payments are curtailed. However, there are exceptions when the recipients care for children under the age of three or sick family members.

The labour market reforms are discussed in scientific and political areas for the following reasons:

- In order to contribute towards reducing the neediness of the people receiving unemployment benefit, the recipients have to accept almost any form of work, even if the occupation is lower skilled and worse paid than the original occupation. Furthermore, a greater special mobility is expected. The extension of “willingness” contributes to the expansion of the low-wage sector. With this, the precariousness of work is intensified (see Scherschel and Booth 2012).

- Labour market policies target most notably short-term solutions whereas actual training and actual qualifications are fostered less. That produces the risk of increasing

⁶ Mohr (2012) shows, that the paradigm shift towards a workfare state was incremental but got a big impetus through the *Hartz-Reforms*. 
low-skilled jobs on the one hand, and renewing unemployment on the other hand (see Brussig and Knuth 2011).

- The labour market reforms intensify gender segregation of work and of the job market. Gender equality goals are subordinated to the short-term labour market policies (see below and Stolz-Willig 2010).

- The amount of transfer payments cannot guarantee socio-economic subsistence (see Butterwegge 2009).

We will see that the *Hartz-Reforms* actually changed the labour market in different ways but there have been other activities in labour policy with significant effects.

### 2.2. The expansion of new working patterns: Minor employment – the “Mini-Jobs”

Even before the implementation of the Hartz IV reforms one employment form was supported: minor employment, also referred to as *mini jobs*. This employment category had a sustainable effect on the labour market and particularly on the integration and desintegration of women into labour. It regulates working relations which involve only small scale work and which is particularly performed by a group of persons, pensioners or students, whose labour activity is considered an additional earning to other income. The basis for this implementation was the assumption that this income does not secure independent livelihoods (see Becker and Jörges-Süß 2002). In order to keep the bureaucracy for this employment on a low level and in order to make low income more attractive, mini-jobs are exempt from social insurance payment obligations. No contributions to pension, unemployment and health insurances have to be paid, with the consequence that mini-jobbers are not entitled to social security benefits. Despite previous contrary announcements, the first elected Red-Green government in Germany did not abolish this type of employment but reformed it so that employers have to pay a low lump sum to the pension and health insurance. In conjunction with the renewed reform as part of the Hartz laws, the upper limit of 15 hours working time per week was repealed, which mounted overall wage pressure. The increase of the low-paid sector in Germany is attributed to a significant share to the mini-jobs (Kalina and Weinkopf 2012, 8). Further-

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7 There is the possibility of small pension insurance for them, but Mini-jobbers, however, can be exempted from payments.
more, mini-jobs have become more and more important as an extra earning for women. As a result, two thirds of the minor employed are female. This is equally due to the tax legislation, which promotes such additional income in marriages (matrimonial splitting, see below), and to the segregated labour market: particularly in working areas which are traditionally attributed to women, such as hospitality, retailing or in the health and social services, a large share of employment subject to social insurance contributions was replaced by mini-jobs (see Rosenthal and Kunkel 2012).

For more than a decade, the labour market reforms have been in force. Hence, an initial assessment with respect to its impact on gender equality can be drawn.

3. Gender political guidelines before and after the job market reforms

Hardly any European country represents the prototype of the traditional breadwinner on a social and socio-political basis as much as Germany. The man as the provider of the family and the woman as mother and housewife are not mere gender roles but also gender political constructs which have shaped both policy and the labour market, and also the education policy, for a long time. Even in Germany, a modernization towards a “substitute breadwinner model” took place, in which the responsibility for the children’s upbringing continued to be in women’s hands with an additional engagement in employment, of course to a lesser extent (see Lewis and Knijn 2008). These guiding models were not only secured by family policies and social policies but also by labour market policies and through tax legislation (see Scheiwe 2008). In the course of realigning the social and labour market policy, developments have been revealed that are ambivalent toward current guiding models. A number of new developments aim to compel the integration of women into gainful employment. For example, the new alimony and spousal support law expect divorced women to provide for their own living whereas the maintenance payments of the divorced partner are predominantly directed to the children. This is significantly different from the earlier legislation which – depending on the duration of the marriage – included long-term or permanent alimonies for the children’s caretaker (often the wife). Many divorced women who relied on this legislation

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8 The only exception is if children are under the age of three years and in need of care.
and looked after the children stand now in a precarious financial situation after divorce. Their long-term absence from the labour market reduces their chances for a new employment and autonomous, secure existence. Realignments without an interim arrangement transitioning from the previous agreement could be very problematic for women, even if the aim of the new legislation is to increase gender equality.

Even the job market reforms go in the same direction: in case both partners are registered as unemployed, then both are required to contribute towards reducing the dependence benefits. The law does not expect any particular responsibility from men when it comes to securing the household income. It also does not provide for any exemptions when the beneficiary, for example, must care for children under three years or sick family members and is not available to re-enter the job market, irrespective of the sex of the beneficiary. De facto, our evaluation of the SGB II (The Second Book of the Code of Social) has proven that from a gender equality policy perspective (IAQ et al. 2009), the gender specific division of labour is manifested firmly within society and that both the recipient of benefits as well as the staff in the job centres abide by it. In the event of simultaneous unemployment, there is a strong tendency to rather place men in gainful employment, whereas women’s sphere remains familial care work (see Rudolph 2007). Consequently, the suspension of the rule of availability to the labour market for reasons of childcare is predominantly covered by women. However, not only is the traditional solidification of this guideline the reason for such a development, but rather a number of social political concepts and measures reinforce the concept of a (modernized) breadwinner model. The construct of the “community of dependence” precludes independent integration in gainful employment in the same way as the derived calculation of the partner income, since there is neither individual claim to the integration (of women) in employment nor to welfare benefits (see Rust et al. 2010). The matrimonial splitting which is firmly anchored in the German taxation law, favours those marital relationships in which one partner earns a lot whereas the other earns either very little or nothing at all. This taxation model benefits female marginal employment, which is often realized through the mini-jobs. Furthermore, the continuing deficit of childcare facilities, especially for children under the age of three and over six years requires family care, which again is predominantly performed by women (see BMFSFJ 2011, 189 ss.).
The ambivalences in the guiding models become obvious not only in the difficult integration of women in the labour market but also in the poor integration of men in private care. Due to the parental subsidies reform in 2007, around a quarter of men avail themselves of parental leave. However, the overwhelming majority of them do so for only two months. Three quarters of men don’t even take advantage of parental leave. Even programmes offered by the industries to reconcile work and family primarily target women. Therefore, a sustainable social change regarding the distribution of family care and housework through the involvement of men is not taking place.

On the whole, it can be said, there is a certain parallelism in Germany with respect to its guiding gender models which lead to individual and social tensions. Nevertheless, it must be stated that the pursuit of equal treatment of men and women as well as gender justice is not considered a priority in German politics. Such a political approach has been rather discredited as part of outdated feminism and marginalized. Instead, the objective is a “modern family policy” (German Minister for Family and Women’s Affairs, Kristina Schröder) which enables women the freedom of choice between family and profession. For this purpose, a highly controversial childcare allowance for childcare up to three years has been introduced from August 2013 in order to promote childcare at home. The experience of other federal states shows that such a policy has the effect that particularly children from migrant and/or low-income families do not attend public childcare facilities and that it is the mothers who are in charge of the childcare and who are not gainfully employed (see Gathmann and Sass 2012; Ellingsæter 2012). However, there are no legal provisions regarding unequal income opportunities for women and men or regarding worse promotion prospects in leadership positions. The current governing parties CDU, CSU and FPD are internally split between those who favor the introduction of a female quota and those who don’t. The Minister of Women’s Affairs is in favor of a flexible quota which means a quota on a voluntary basis. The principle of gender mainstreaming, which included the examination of new legislation and measures regarding its impact on gender and gender relations, has been suspended. The corresponding department in the Federal Ministry for Women was closed (see Lepperhoff 2010).
Until 2010, with respect to basic security benefit, in job centres there were no ombudsmen even though such persons have undertaken gender related issues in organizations and administrations in Germany since the 1990s (Rudolph 2009).

In summary, the labour market reforms do not pursue any social or socio-political approach, but are directed only towards economic policies. This stems from the goals of the Lisbon Treaty, whose aim is to make Europe the most powerful economic region. For this reason, gender equality has to take a step back or be partially exploited for purposes of employability (see Wöhl 2007). This can be observed in two aspects: first, in the fact that the necessity for better conditions of compatibility for women has only been increasingly discussed in the context of the demographic change in Germany, and second, in the introduction of measures such as reformed parental benefit or expanded childcare. Also, when it comes to skill shortages women are considered human resources, whose way into the labour market should be paved (see Lepper et al. 2012). The inequalities and disadvantages for women on the labour market, which were revealed decades ago, could not initiate such activities.

4. The effects of the labour market reforms on the job market and the integration of women in the workforce

The next section will discuss the results of the direct effects of the labour market reforms on the integration of women into gainful employment. I will then have a closer look at the transition of the job market and the related gender political implications.

4.1. The effects of the labour market reforms from the perspective of gender equality policies

In the “Assessment of the Second Book of the Social Code - Implementation from the Perspective of Gender Equality Policy” (IAQ et al. 2009), we have analyzed the results and effects of the labour market reforms on the one hand, and from the perspective of implementation on the other. Based on quantitative and qualitative methods of survey and assessment, the main results can be summarized as follows (see Ibidem; Jaehrling and Rudolph 2010):
Owing to the consideration of their partners’ income women are less likely to receive benefits compared to men. The construct of the “community of dependence” leads to the exclusion of women not only in terms of material benefits but also in training and supportive measures.

Men are more often penalized than women (see Wolff and Moczall 2012). A man’s willingness to work is more frequently verified by employment centre personnel, whereas women in charge of the household and family enjoy a certain amount of “lenience”.

At the implementation level of gender equality, it has become clear that gender mainstreaming does not enjoy a high priority and that only a few active policies to improve gender equality have been put into place. The proportion of women as determined by law to be affected by promotional measures of labour market policy has not been adhered to. Gender equality has its effect only on ad-hoc basis and unsystematically, and has remained a secondary target when it comes to job market objectives. It cannot be fully assessed whether the ombudsmen for gender equality introduced in 2010 have enhanced their effectiveness, because there are no current studies analysing this question.

Due to the supposed responsibility of women regarding childcare, the support foreseen for public childcare would help to further integrate females into gainful employment. Even though there is empirical evidence that job centres with a high priority put on childcare facilities promote the access of women to the labour market, the overall support assistance is relatively poor (see also Hieming 2010). This is partly due to the fact that the responsibility for childcare facilities in Germany relies on local municipalities, whose facilities are often insufficient. The situation in eastern Germany is significantly better than in the western area. The biggest gap exists in major cities.

Women on the whole, but particularly those with young children, are less likely to participate in promotional measures of the labour market policy. Furthermore, there is a lack of programmes which enable the compatibility between family and training. Overall, experts in the job centres dedicate more time for those who appear to - or actually do - have better chances of job placement and whose integration does not involve high costs (IAQ et al. 2009, XXIV). And these are mostly men.
When women and men stop receiving benefits, men do this because they have taken up gainful employment: in most cases secure jobs with compulsory contributions to social security benefits. Women, however, stop receiving payments when their partner starts working (due to partner income rules) and they themselves remain unemployed.

When women take up employment, their occupation in secure employment is less frequent than that of men. Only with regular employment can potential future claims of unemployment insurance and pension insurance be secured. Nonetheless, many women take on minor employment. This is often poorly paid and, in terms of social security and labour market perspectives, categorized as precarious (see above and Voss and Weinkopf 2012). Placement staff at the job centres consider these occupations as appropriate for women, keeping in mind their living conditions (compatibility of family and employment) and do not take into account gender-specific inequalities in the job market and in their families.

In conclusion, our analysis shows that the goals of the labour market and gender equality policy in Germany are viewed as separate entities and implemented independently from one another. The priorities are clear: the reduction of dependence on welfare benefits as well as unemployment benefits are of much greater relevance than the implementation of gender justice, due to the current labour market policy. The consequences of such a policy are reflected in an increasingly precarious job market, especially for women.

4.2. The transition of the labour market

In the current European crisis, the Federal Republic of Germany has an unemployment rate of 6.6 % (June 2013) among adults and 5.6% among youth (15 to under 25 year-old). In comparison to most other European countries, Germany appears to be a success and one can assume that success is partly due to its labour market policies. With reference to benefits, according to the Second Book of the Social Code and benefits to the existence minimum, 8.2% of all gainfully employed people are registered as recipients (all data: www.arbeitsagentur.de). The fact that the rate of those receiving the existence minimum is higher than the unemployment figure, illustrates that there is an alarming
problem regarding the evolution of the social basic benefits. It is not only the long-term unemployed who draw benefits but also an increasing number of those who are gainfully employed but who, however, do not earn enough to support themselves and their family. The low unemployment rate has a price, which is paid by the employees, both male and female.

Full-time jobs which are taxed and liable for social security contributions still represent the greatest part in employment. Nonetheless, the labour market has also undergone a shift. A continuous increase in minor employment (mini-jobs) and contract labour can be noted (see Scherschel and Booth 2012). At the same time, the low wage sector has risen significantly: in 2010, one quarter of the labour force was engaged in low wage jobs with an income of 9.15 euros per hour (Kalina and Weinkopf 2012). However, gender-specific differences are obvious: 28% of females and 14% of men were employed in the low wage sector. This high concentration of women can be explained by a high proportion of female mini-jobbers. Overall, two thirds of those engaged in the low wage sector are represented by women (Ibidem, 8 ss.). At the same time, it is those female claimants of subsistent minimum benefits who are preferred for mini-jobs.

The expansion of the low wage sector leads to the fact that more people engaged in gainful employment draw subsistence minimum benefits. From 2005 until 2011 we can observe an increase of 760,000 persons, who work and get benefits at the same time (see Graf 2012). Furthermore, there is an increasing number of jobs with short-term contracts. Of course the precarious nature of work cannot exclusively be attributed to the labour market reforms, but must be seen in the context of formerly started deregulation policy, market opening and globalization. Hartz IV, however, has contributed to this trend through the changed criteria of what working conditions are acceptable for the unemployed and by the predominant policy focus on reducing dependency on welfare benefits. «Due to the realignment of the labour market reforms, the Hartz IV legislation compels the unemployed to demonstrate an increased willingness to make concessions in favour of precarious employment. [...] As a result, the Hartz IV labour market reforms achieve forced acceptance with respect to flexibility and low-wage employment» (Scherschel and Booth 2012, 39; own translation). When employed women draw welfare benefits, they mostly have children, work part-time or have a mini-job. These rep-
resent “typically female” conditions. Men, on the other hand, mostly become recipients of welfare benefits if they work on a contract basis. Therefore, structures of inequality in the labour market reforms and their impact on gender reproduce themselves in society and in the labour market.

5. Conclusion: Are the labour market reforms in Germany old wine in new wineskins?

Does all this mean that nothing has changed regarding gender mainstreaming in the labour market and the integration of women in the workforce? We can see a lot of ambivalent processes and changes.

Within the last decades the access of women to the labour market has certainly improved considerably in the process of modernizing the gender relations on the one hand and due to the need for female employment on the other hand. Employment is by now part and parcel of normal female biography. This is a reality which is not only reflected in the better school qualifications of girls over boys. This directs our attention to the conditions or the quality of female labour and working conditions: Why are females – in spite of superior educational qualifications - underrepresented in leading positions? Why do they earn a quarter less compared to their male counterparts and frequently discontinue their career in order to care for children and sick family members? The answers derive from well-known and established disparities on the labour market, to the still existing gender-related division of work and to the different recognition of labour and care work. Besides the quality of work, we must consider the redistribution between different working areas and autonomous secure subsistence.

The labour market reforms have not been able to ameliorate or eliminate these unequal conditions. Rather, the gender specific structures serve as instruments to legitimize and perpetuate the promotion of male employment to the detriment of women, who are faced with lower wages, fewer opportunities and the precarious working conditions of what little they can get – the “mini-job”. There is an absence of realization that labour market interest and gender policy must be tightly woven and support each other, not
only for reasons of increased productivity and competitiveness, but simply because it is more just.

References


