

Amid German Wealth, a Forgotten Labor Pool Struggles

By JUDY DEMPSEY

BERLIN — Low unemployment and steady growth despite the global downturn have made Germany the envy of its less robust European partners.

But hidden behind the so-called German economic miracle is an underclass of low-paid employees whose incomes have benefited little from the country's stability and in fact have shrunk in real terms over the last decade.

And because of government policies intended to keep wages low to discourage outsourcing and encourage skills training, the incomes of these workers are not likely to rise anytime soon.

That, in turn, means they are likely to continue to depend on government aid programs to make ends meet, costing taxpayers 11 billion euros a year.

This stems in part from the fact that Germany has no federally set minimum wage. But it also has its roots in recent German politics, which have favored measures to keep unemployment low and win support from employers.

While the top net income for middle- to higher-income Germans, generally defined as those earning 3,400 euros a month, or \$4,870, rose slightly in real terms from 2000 to 2010, net incomes for low-wage

Low-wage workers require aid that costs \$11 billion a year.

earners, or those earning 960 euros a month or less, have fallen 10 percent, according to a new study by Markus Grabka, an economist at the DIW German Institute for Economic Research.

And despite Germany's renowned inflation-fighting efforts, which kept consumer price increases at an average of 1.7 percent a year from 2000 to 2010, more low-income Germans report that they cannot make ends meet despite having a job and that they must rely upon state aid.

Nowhere is this deepening chasm more visible than in Berlin-Mitte, the prosperous center of the capital, where hundreds of men and women lined up recently at the district employment office.

Maria Müller, 63, works in a clinic in Berlin that cares for elderly handicapped people. "Before tax, I earn 900 euros a month," she said. "I haven't had a pay rise since 2002. I can barely survive even though the government here talks about how

good the economy is doing."

According to the Institute for Employment Research, 1.37 million people who are working full time, part time or are self-employed are dependent on state aid to supplement their income.

Germany's history of strong trade unions has allowed the state to stay out of wage negotiations. The system still works for sectors like the construction industry, where even an unqualified worker earns 11 euros an hour.

But in the services sector, shop assistants are often paid 6 euros an hour, hairdressers 4 euros and bakers 5.50 euros, amounting to workers making as little as 640 euros a month. Germany's average monthly wage was 2,366 euros in 2010, according to provisional government statistics.

The Confederation of German Employers' Associations says the introduction of a minimum wage would push up labor costs and lead to more unemployment. Jobs would move to other countries.

But other economists say that if the wages for unskilled work remain so low, then the state will have to continue to subsidize these employees.

"I would jump at the idea of a minimum wage," said Thorsten Schulz, a 60-year-old mechanic, as he locked



BENJAMIN KILB FOR THE NEW YORK TIMES

Employees in Germany's service sector earn as little as 640 euros a month.

his old bicycle outside of the labor office.

He has temporary work paying about 7 euros an hour. "If I had a job with a decent wage," he said. "I could even take the bus."