

Marginal Employment: No Jobs Miracle

Towards a permanent decline of secondary employment?

For the most part, the 6.4 million mini-jobs identified by the Federal Insurance Fund for Miners (*'Bundesknaappschaft'*) for the first time in June 2003 were presumably previously marginal jobs situated at the periphery of the labour market. To a large extent, the increase registered since then can therefore be attributed to substitution of previous employment. While the noticeable increase in marginal employment between 2000 and 2003 is linked with the growing integration of women into work, this is, however, frequently limited to less stable and lower paid jobs. To date, the unemployed have not been able to benefit directly from mini-jobs; although opportunities to access such jobs have grown for those out of work, given the low economic growth, their chances of moving into full- or part-time work have diminished at the same time.

On balance: employment through the new mini-jobs

The rising number of mini-job registrations has been hailed a 'success' of the new labour market regulations by both the government and the opposition.¹ DIW Berlin, meanwhile, holds that the simultaneous drop in jobs subject to social security contributions points to massive substitution effects between marginal and other forms of employment.²

Since April 2003, marginal employment (the so-called 'mini-jobs') has been divided into marginally paid (low-paid) employment, marginal employment in private households, and short-term employment. The upper monthly income limit is set at 400 euros (previously 325 euros); restrictions on the maximum 15-hour weekly working time, in force until April 2003, have been removed (see box).

The *Bundesknaappschaft* was appointed as the central organisation to receive mini-job registrations and to

¹ Cf. Ulla Schmidt: 'Minijobs schaffen Arbeit.' Federal Ministry of Health and Social Security press release of 18 July, 2003. www.bgms.bund.de/deu/gra/sicherheit/index_3578.cfm; cf. also: 'Union und SPD sehen Minijobs als Erfolg'. In: *Berliner Morgenpost*, 15 April 2003, www.morgenpost.berlin.de/archiv2004/040415/politik/story672112.html

² Cf. 'Economic Trends 2004/2005'. In: *DIW Economic Bulletin*, vol. 41, no. 1, January 2004.

collect both social insurance contributions and the standard flat-rate tax. In addition, the *Bundesknaappschaft's* mini-job centre (*'Minijobzentrale'*) publishes an inventory of registered marginally employed persons at the end of every quarter.³

The assessment of these quarterly updates on the number of mini-jobs varies within the labour market and economic policy debate. In the first quarter of 2004, the number of registrations exceeded the 7-million mark for the first time, although, according to the official statistics, the number of unemployed had not decreased and the total number of those in employment had fallen (cf. table 1). Against this backdrop, it is questionable to what extent new jobs have in fact been created, especially for the unemployed, since the simplified opportunities to take up mini-jobs were introduced. This has not been the case, in so far as the growing number of mini-jobs has been directly compensated by the loss of previously full-time or regular part-time jobs. Against this background, the development of secondary employment, also frequently performed in the form of mini-jobs, and for which, since April 2003, the incentives have become considerably more favourable, is particularly significant.⁴

A study of the number of those in marginal employment compiled by the German Federal Employment Services⁵ shows that, in a comparison with the *Bundesknaappschaft's* registrations, there has also been considerably more modest growth among low-paid employees since the new regulations were introduced in April 2003 (cf. figure 1).

Structural specificities of the new mini-job statistics

In the meantime, mini-job data for September 2003 has now become available, in a differentiation harmonised

³ Cf. publications available on: www.minijob-zentrale.de. 'Midi-jobs', also subsidised since April 2003, and situated on a 'sliding scale' of between 400 euros and 800 euros, by contrast, as employment subject to social security contributions, are not registered with the *Bundesknaappschaft*.

⁴ Thus, for example, the possibility of performing a secondary activity free of social security contributions in addition to a principal employment subject to social insurance contributions was introduced. Since April 2003, this additional activity has no longer been added to the main employment and charged with accordingly higher taxes (see box.) Thus, the German Council of Economic Experts (SVR) also assumes an expansion of secondary employment or, rather, a contribution towards the legalisation of employment in the shadow economy. Cf. German Council of Economic Experts, Annual Report, 2003/04, 2003, Ziffer 249.

⁵ Since mid-1999, the German Federal Employment Services has compiled separate statistics on marginal employees.

Changes in the legal framework

The 'Second Law on Modern Services in the Labour Market', of 23 December 2002, which came into effect on 1 April 2003,¹ provided new regulations concerning tax and registration procedures for marginal employment (so-called 'mini-jobs'). This new mini-jobs regulation represents a compromise of the German Bundestag's Mediation Committee and deviates from the Hartz Commission's original plans.² With regard to starting such employment, a simplified regulation has been in effect since April 2003. Mini-jobs are completely free of tax and social security contributions for employees, while employers pay a 25% flat-rate tax on earnings (12% of which goes towards pension insurance, 11% towards health insurance, and 2% towards taxes). The new regulation not only implies lower deductions from gross pay for employees, but it is also attractive because of the flat-rate tax (of 2%), particularly for

¹ This law replaces the reorganisation of marginal employment of 24 March 1999 (Bundesgesetzblatt I, p. 388 ff). For an evaluation of the previous regulation as well as for the aims of the reorganisation, cf. Bundestagsdrucksache 15/758 of 31 March 2003.

² On the far-reaching changes in the mini-job regulations, cf. Frank Oschmiansky's interim evaluation of the Hartz labour market reforms: 'Bekämpfung von Schwarzarbeit'. In: Werner Jahn and Günther Schmid (eds.): 'Eins zu eins?' Berlin 2004, p. 52 and p. 56 ff.

employees with a high marginal tax burden in Tax Groups V or VI.

For mini-jobs in private households, a lower tax ratio of 12% applies (of which 5% goes towards mandatory pension insurance and mandatory health insurance, respectively, and 2% towards taxes).

The definition of what constitutes a mini-job has also been simplified. Thus, since April 2003, the only limitation has been maximum monthly income of 400 euros; previous provisions governing the so-called '325-euro jobs' had also stipulated a maximum of 15 working hours per week.

Moreover, if marginally paid work is being carried out in addition to a principal activity that is subject to social security contributions (i.e. secondary employment), since April 2003, income from the secondary employment has no longer been added to the principal job; the secondary activity remains tax-free.

For incomes between 400 and 800 euros (so-called 'mini-jobs') a sliding scale has been introduced, in which the employee contribution of 4% at the low end of the scale increases linearly up to the full employer share, i.e. up to half of the individual total social security contribution, but with full rights to social security benefits.

with the employment statistics by the Federal German Employment Service. This shows figures both for employees who have only a low-paid job and for those who receive marginal pay in secondary employment.⁶ The German Federal Employment Services estimate that with the increase in the marginal limit from 325 euros to 400 euros, some 240 000 persons have transformed jobs requiring them to make social security contributions into mini-jobs.⁷ Calculations by the German Federal Employment Services on this form of substituting previously low-paid jobs subject to social security contributions are available; however, until now, there have not been any rigorous empirical statistics to show the extent of the transformation of previous full-time

⁶ Cf. 'Arbeitsmarkt in Zahlen. Gerinfügig entlohnte Beschäftigte am 30. September 2003'. Nuremberg, 2004. www.arbeitsamt.de/hst/services/statistic/aktuell/iiia6/sozbe/g_quartalsheft.pdf. The German Federal Employment Services explains that the considerable differences compared with the figures of the mini-job centre – for example, 125 000 fewer mini-jobs in September 2003 – are due to different waiting times between reporting date and evaluation run. Taking into account late registrations, cancellations and corrections, according to the German Federal Employment Services, improves data quality.

⁷ Cf. 'Arbeitsmarkt in Zahlen', op.cit. If one takes into account this scale of the transformation of previous jobs as part of the total increase of 300 000 exclusively marginal employees in a comparison of September 2003 with the previous year, according to calculations by the German Federal Employment Services, this leaves only about 60 000 additional mini-jobs for a net increase in the number of low wage earners.

jobs subject to social security contributions into several marginal jobs within the same business.

According to the first available statistics on marginal principal and secondary employment, some 4.4 million people are exclusively employed in marginal jobs,⁸ while 1.35 million persons are considered to be marginally employed in a secondary job while simultaneously performing work that is subject to social insurance contributions (cf. table 2). In relation to the approximately 27 million employees subject to social insurance contributions, the marginally paid forms of employment constitute about 17% of all jobs.

While more than two-thirds of all sole marginal jobs are held by women, the 56% share of women in marginally paid secondary jobs is decidedly lower. Almost 24% of all employed women receive low pay; for men, this share stands at merely 11%.

The proportion of low-paid employees as a share of all employees is below average in east Germany. This is true particularly for those whose remuneration is marginal in secondary employment. While 10% of all mini-jobs are performed by foreign nationals, their share in employment which requires payment of social security contributions stands at just below 7%. More than one in

⁸ This does not, of course, rule out that, the exclusively low-wage earners do not also include individuals who are self-employed in their principal activity.

every five jobs performed by foreign nationals is considered marginal.

Differentiation by economic sector clarifies that the share of workers with mini-jobs, in relation to other employees paying social security insurance, is below average in manufacturing. Employment in mini-jobs is over-proportional in five economic sectors. One of these is retail trade, where 23% of all jobs are low-paid; another is hospitality, a sector in which 40% of registered jobs are mini-jobs. And in 'real estate, lettings and business services,' more than one in four jobs are low-paid. It is important to note that building cleaning services, for the most part mini-jobs, are grouped in this sector.⁹ Of the roughly 83 000 registered activities in private households, almost 60% are performed as mini-jobs.

It must be noted that in this type of analysis, civil servants, the self-employed and those in liberal professions are not included in the statistics of employees subject to social security contributions. Consequently, the actual weighting of mini-jobs in individual sectors can be oversubscribed.

How many marginal jobs existed prior to the reform?

To be able to answer the question as to whether the new regulation on marginal employment has created new jobs, it is useful to look more closely at the development of all those types of employment

- that demonstrate features of low-paid jobs;
- in which employment is at most 15 hours per week;

⁹ The economic sector 'cleaning of buildings, inventory, and means of transport' accounts for about one-third of all mini-jobs in the category of 'real estate, lettings and business services'.

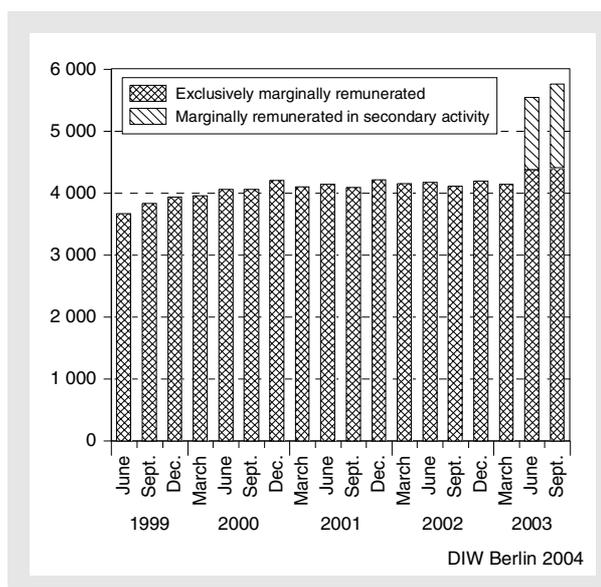
Table 1
Current Development of Mini-jobs

In thousands

	June 2003	September 2003	December 2003	March 2004	June 2004
Employees ¹	38 363	38 589	38 517	37 892	.
Registered unemployed ²	4 259	4 208	4 315	4 547	4233
Total mini-jobs ³	6 465	6 728	6 982	7 206	7617
Of which (%):					
Marginally paid employees	89.2	87.3	88.0	88.2	88.0
Short-term employees	10.3	12.1	11.4	11.2	11.1
Marginally employed persons in private households (Haushaltsscheckverfahren)	0.4	0.5	0.6	0.7	0.9

¹ Employees working in Germany; Source: Federal Statistical Office. — ² Excluding benefits recipients according to § 125, 126, 428 SGB III and § 2 BErzGG; Source: German Federal Employment Services. — ³ Source: Minijobzentrale der Bundesknappschaft (Mini-Job Centre).

Figure 1
Marginally Remunerated Employees
In thousands



Source: German Federal Employment Services.

- that, according to the self-classification of those surveyed, constitute marginal employment.

This approach is made possible on the basis of the Socio-Economic Panel's (SOEP) household data collected jointly by DIW Berlin and TNS Infratest Sozialforschung.¹⁰

At first glance, the finding that the total number of jobs described as 'marginal' rose by more than half a million between 2000 and 2003, standing at approximately 9 million in February 2003, is surprising (cf. table 3). Excluding marginal secondary employment, this number rose from approximately 6 million to close

Table 2

Structural Features of Marginal Wage Earners Compared with Employees Subject to Social Security Contributions, September 2003

(%)

		Total number of marginally paid employees ¹	Exclusively marginally paid employees ²	Employees marginally paid in secondary jobs ³	Employees subject to social security contributions	Proportion of marginally paid employees as share of all employment ⁴ (%)
Total employees (number)		5 875 049	4 401 050	1 348 777	27 204 383	17.4
West Germany		86.1	85.9	89.1	80.5	18.5
East Germany		13.9	14.1	10.9	19.5	12.7
Men		34.7	31.3	43.6	55.0	11.6
Women		65.3	68.7	56.4	45.0	23.6
German nationals		90.0	92.0	89.1	93.2	17.2
Foreign nationals		10.0	8.0	10.9	6.8	21.0
Industrial sector ⁵						
Agriculture, forestry, fisheries, mining, quarrying and mineral extraction	0 to 14	1.7	1.8	1.4	1.6	18.2
Manufacturing industry	15 to 37	12.6	12.6	10.6	25.6	9.1
Energy and water supply	40 to 41	0.1	0.1	0.1	0.9	2.5
Building construction	45	4.0	4.0	4.1	6.6	11.5
Retail trade; motor vehicle and consumer goods maintenance and repairs	50 to 52	21.5	22.6	16.8	14.9	23.1
Hotel and restaurant industry	55	9.7	8.9	10.8	2.8	41.1
Communications and information transmission	60 to 64	6.2	5.9	7.0	5.5	19.2
Credit and insurance industry	65 to 67	1.1	1.2	1.1	3.9	6.0
Real estate, lettings, data processing, provision of economic services	70 to 74	21.9	20.4	25.1	11.7	28.0
Public administration, defence, social insurance, extra-territorial organisations and corporations	75, 99	1.8	1.8	1.6	6.4	5.6
Education and teaching	80	2.1	2.3	2.3	3.8	11.3
Health, veterinary and social services	85	9.5	9.7	9.9	11.4	15.3
Provision of other public and personal services	90 to 93	7.5	7.7	8.2	4.6	26.6
Private households	95	0.2	0.9	0.8	0.1	59.5
No information		0.1	0.1	0.1	.	.

1 Information provided by the Minijobzentrale. — 2 End of September (preliminary findings), ANBA, Issue 6/2004, p. 744, and marginally paid employees on 30 September 2003, Nuremberg. — 3 Simultaneously in employment subject to social security contributions. — 4 Employees subject to social security contributions as well as total number of marginally paid employees. — 5 According to the classification of economic sectors ('Klassifikation der Wirtschaftszweige', WZ 2003).
Sources: Mini-Job Centre, German Federal Employment Services; DIW Berlin calculations.

to 7 million during this period.¹¹ This includes all types of employment not subject to social security contribu-

¹⁰ The SOEP is a representative repetitive survey of private households conducted annually across Germany. The fieldwork is carried out by Munich-based TNS Infratest *Sozialforschung*. For further information: www.diw.de/soep. In the questionnaire for all adults (16 years and up) in a household, different indicators on marginal employment are recorded. In addition to a subjective assessment by employees of marginal/irregular work, the number of weekly working hours, and the gross wage level are also used to define 'marginal employment'. Such a delimitation concept includes also almost the entire group of family workers. The data is based on information provided by more than 22 000 individuals (2003); the weighting of the results took place without adjustment to the number of employees in the micro-census. Of all identified mini-jobs in survey year 2003, the survey was conducted between January and March 2003 among 70% of respondents, i.e. before the legal changes came into effect.

tions (the self-employed and family workers), but also jobs in the shadow economy, in as far as these were declared in the survey. By contrast, the number of secondary jobs fell from 2.4 million in 2000 to about 2.2 million in 2003. While the figure of 2.2 million secondary jobs is noticeably higher than the figure first provided by the mini-job statistics since June 2003, the official figures merely show secondary activities of persons who, in their principal job, perform work that is subject to

¹¹ A study commissioned by the Federal Ministry of Economics and Labour to identify marginal employment in accordance with the regulation of 1 April 1999, identified about 6.3 million jobs at a maximum 15 hours per week and under 325 euros. Among the employees concerned, 4.7 million fulfilled the requirements of marginal employment according to the legal requirements in force at that time.

Table 3
Development of Marginal Employment

	2000	2003
	In thousands	
Total marginal jobs and secondary jobs ¹	8 524	9 140
Total number of employees in marginal jobs (excluding secondary employment)	6 055	6 938
Of which:		
Total number of marginal jobs, applying ILO Labour Force Concept ²	4 327	5 016
Total number of marginal jobs, without ILO Labour Force Concept ³	1 728	1 922
Mini-jobs as principal activity, applying ILO Labour Force Concept and income threshold ⁴	3 141	3 642
Memo item:		
Total number of jobs (applying narrow ILO employment concept)	36 925	37 396
Number of secondary jobs	2 469	2 202
	(%)	
Proportion of mini-jobs (applying narrow ILO Labour Force Concept) as share of all marginal employment	36.9	39.8
Proportion of marginal employment (applying narrow ILO Labour Force Concept) as share of all employees	11.7	13.4
Proportion of mini-jobs as secondary activity as share of all employment	3.7	3.8
Proportion of all employees with secondary employment	6.7	5.9

1 Either 15 hours or less weekly working time, less than 400 euros gross monthly income (i.e. less than 630 German marks in 2000), or self-classified as marginally employed.
 — 2 Primarily classified as employed during the week of the survey. — 3 Not classified as employed during the week of the survey, but provision of information on occasional/regular paid activities. — 4 In 2000, the income threshold stood at 630 German marks.
 Sources: SOEP 2000 and 2003, weighted; DIW Berlin calculations.

social security insurance. By contrast, the SOEP survey also includes civil servants and those in liberal professions, who frequently have secondary work.

It could be argued that a survey-supported delimitation that defines employment more widely than the ILO Labour Force Concept¹² leads to a higher number of total employees than shown in the micro-census.¹³ Nevertheless, for May 2003 the micro-census also records 2 million fewer employed persons than the annual average based on estimates of the number of employed persons in the National Accounts statistics.¹⁴ It is assumed that these are largely jobs situated at the periphery of the labour market that cannot be easily and precisely identified.¹⁵ Moreover, such jobs are often also attributed to the shadow economy, although they should still be considered a relevant employment buffer in labour market policy terms, since they frequently fulfil increased flexi-

bility requirements, particularly in the services sector, and yield real incomes than can lead to increased consumption.

If one applies a more narrow delimitation to the SOEP data, using of the ILO Labour Force Concept, the number of marginal jobs rises from 4.3 million in 2000 to 5 million in 2003; this corresponds to approximately 13% of all employment.¹⁶ If one were to apply an even

¹⁴ This 'gap' of by now almost two million employees has been evident since the revision of employment calculations due to new findings on the extent of marginal employment. Cf. Sigrid Fritsch and Stephan Lükens: 'Erwerbstätigkeit in Deutschland'. In: *Wirtschaft und Statistik*, Issue 2/2004, p. 141. As early as the 1990s, DIW Berlin highlighted such an underestimate in the employment statistics. Cf. Jürgen Schupp, Johannes Schwarze and Gert G. Wagner: 'Erwerbsstatistik unterschätzt Beschäftigung um 2 Millionen'. In: *Wochenbericht des DIW Berlin*, no. 38/1997, pp. 689-694.

¹⁵ A debate on the 'right' figure in the development of employment can currently also be observed in the United States. There, an official monthly household survey records decidedly higher figures for employment trends than an official company survey. Cf.: 'A Job Picture Painted with Different Brushes'. In: *New York Times*, 7 August 2004, www.nytimes.co/2004/08/07/business/07data.html

¹⁶ It must, of course, be noted that, in addition to problems of delimitation, there is also a sampling error in the sample of the 22 000 individuals surveyed by the SOEP. In the case of 5 million jobs, this error causes the real number of jobs to fluctuate between 4.7 million and 5.2 million, with a confidence interval of 95%. For 2000, the sampling error for 4.3 million employees stood at between 4.0 million and 4.5 million employees.

¹² In 1982, the Geneva-based International Labour Organization (ILO) agreed on the so-called Labour Force Concept as a standardised instrument to record employment status. According to this, persons are considered employed if they work in a job at least one hour per week, or are freelance, self-employed or employed as family workers.

¹³ Cf. Jürgen Schupp et al.: 'Zur Erhebungsproblematik geringfügiger Beschäftigung. Ein Strukturvergleich des Mikrozensus mit dem SOEP und dem Europäischen Haushaltspanel'. In: Paul Lüttinger (ed.): *Sozialstrukturanalysen mit dem Mikrozensus. ZUMA-Nachrichten Spezial*, Volume 6, Mannheim, 1999, pp.93-118.

Table 4

Socio-demographic Features of Marginal Employment, Applying Labour Force Concept

	2000	2003
Total mini-jobs ¹ (in 1000 persons)	3 141	3 642
Total marginal employment (in 1000 persons)	4 327	5 016
	% Share of all marginal employment	
Working time above and income below threshold ²	19	19
Working time and income below threshold	37	41
Self-classification as mini-job	17	13
All mini-jobs	73	73
15 hours or less weekly working time, income above threshold	27	27
East Germany	14	12
School/university students	16	15
65+ years of age	7	6
Registered unemployed	6	8
Foreign nationals	9	10
Women	72	75
Married women	47	49
Employee is mother of at least one child less than 16 years old	33	35
In household, at least one child is under 16 years old	41	44
Youngest child in household is under 3 years old	7	5
Youngest child is between 3 and under 6 years old	8	9
Youngest child is between 6 and under 12 years old	15	16
Educational/parental leave	5	6
Occupational status		
Unskilled and low-skilled workers	31	31
Skilled workers	4	2
Family workers	2	2
Self-employed	4	5
Clerical/office staff, no qualifications	15	14
Clerical/office staff, with qualifications	9	10
Skilled office staff	12	13
Highly skilled staff, managers	4	3
Civil service	18	14
In simultaneous receipt of...		
Pension	13	12
Employment benefits	4	5
Child benefit	2	2
Student subsidy (BAföG)	3	2
Welfare benefits	3	3
Receiving transfer benefits	24	24

1 Less than 400 euros gross income from employment (i.e. less than 630 German marks in 2000). — 2 The threshold was 630 German marks in 2000 and 400 euros in 2003. Sources: SOEP 2000 and 2003, weighted; DIW Berlin calculations.

narrower delimitation, namely an upper earnings threshold, the number of mini-jobs according to the ILO concept already stood at 3.1 million in spring 2000 and had risen to 3.6 million by 2003. Additional employees therefore recruited themselves primarily from mini-jobs – and the mini-jobs increasingly became principal jobs for these employees.

The structure of marginal employment based on the SOEP

In spring 2003, about 12% of marginal employment, applying the Labour Force Concept, was performed by east Germans (cf. table 4). School pupils and university

Table 5

Socio-demographic Features of Marginal Employment, Not Applying ILO Labour Force Concept

	2000	2003
Mini-jobs, ¹ not applying ILO Labour Force Concept (in 1000 persons)	1 728	1 922
Total marginal employment (in 1000 persons)	1 251	1 395
	% Share of all marginal employment	
Working time below threshold ²	28	27
Income below threshold	8	9
Working time and income below threshold	64	64
Family worker in own business	19	14
Regular secondary employment	30	35
Occasional paid work	51	51
East Germany	20	19
School/university students	33	34
65+ years of age	15	17
Registered unemployed	15	19
Foreign nationals	8	6
Women	53	58
Married women	24	26
Employee is mother of at least one child less than 16 years old	14	14
In household, at least one child is under 16 years old	29	28
Youngest child in household is under 3 years old	4	4
Youngest child is between 3 and under 6 years old	3	5
Youngest child is between 6 and under 12 years old	10	7
Educational/parental leave	4	6
In simultaneous receipt of...		
Pension	27	26
Employment benefits	12	16
Child benefit	3	2
Student subsidy (BAföG)	4	6
Welfare benefits	3	2
Receiving transfer benefits	46	50

¹ Less than 400 euros gross income from employment (less than 630 German marks in 2000). — ² The threshold was 630 German marks in 2000 and 400 euros in 2003. Sources: SOEP 2000 and 2003, weighted; DIW Berlin calculations.

students accounted for about 15% of this employment, while persons aged 65 and over made up 6%. Three-quarters of marginal employment was performed by women, and one-third of these jobs were held by women with children under 16 years of age; such jobs are most prevalent when children are of school age.

Marginal employment accounts for a third of the jobs for unskilled and semi-skilled workers and a quarter of clerical/office employees. Self-employed persons account for about 5% of marginal jobs, family workers for 2%. Since 2000, simultaneous payments of transfer income (pensions, employment benefits, welfare benefits) have not changed substantially. About one-quarter of employees with marginal activities according to the ILO Labour Force Concept receive benefit payments in addition to their low earnings from employment.

The simultaneous receipt of benefits is even more pronounced among the almost 2 million marginal jobholders when the ILO Labour Force Concept is not applied (cf. table 5).¹⁷ Given that school pupils and university students constitute about one-third of cases in this group, that almost every fifth person is registered unemployed and every sixth person is at least 65 years old, the 50% share of simultaneous payments of transfer income is not surprising. Married women make up about one-quarter of this group, making this share only about half as great as in marginal employment accord-

¹⁷ This means persons who indicated that they were not employed at the time of the survey, but who answered 'yes' to the general additional question as to whether they occasionally or regularly performed paid secondary employment.

Table 6

**Employment Status Three Years on:
Comparing Figures for 2000 and 1997, and for 2003 and 2000**
(%)

	Marginal Employment ¹		Other employed ²		Registered unemployed		Other nonemployed persons	
	2000 compared with 1997	2003 compared with 2000	2000 compared with 1997	2003 compared with 2000	2000 compared with 1997	2003 compared with 2000	2000 compared with 1997	2003 compared with 2000
Men and women								
Marginal employment	38	40	3	3	5	9	5	6
Other employed	39	30	83	81	36	23	9	11
Registered unemployed	3	7	5	7	32	38	2	3
Other nonemployed persons	20	24	9	8	27	31	83	80
Men								
Marginal employment	29	22	2	2	4	4	4	3
Other employed	56	46	86	84	42	25	12	13
Registered unemployed	3	5	6	8	28	41	2	2
Other nonemployed persons	12	28	7	7	26	30	82	82
Women								
Marginal employment	41	47	5	6	5	13	6	7
Other employed	32	24	80	78	30	21	8	10
Registered unemployed	4	7	4	7	36	35	3	3
Other nonemployed persons	24	22	11	10	29	32	84	79

Example: column 2, line 2: 30% of men and women who had been marginally employed in 2000 belonged to the group of 'Other employed' in 2003.

¹ Either 15 hours or less weekly working time, less than 400 euros gross income from employment (i.e. less than 630 German marks in 2000), or self-classified as marginally employed. — ² Employees or self-employed, who do not demonstrate any mini-job features.

Sources: SOEP 1997, 2000, and 2003, weighted; DIW Berlin calculations.

ing to the ILO Labour Force Concept. In the case of this peripheral labour market group, however, it is important to note that just under half of these activities are only performed occasionally and that about 14% are family workers in their own business.

Stability analyses of marginal employment

Marginal employment is marked by a noticeably greater volatility than full-time or regular part-time employment. Using the SOEP longitudinal data, it is possible to examine employment-related biographical changes in the working behaviour of the population. Table 6 presents the results of a stability analysis of marginal employment for a period of three years. According to this, of all persons who were already in a mini-job in 2000, the initial year, 40% still – or again – found themselves in marginal employment three years later. At this point, about 30% are now in other jobs that bear none of the characteristics of marginal employment. Therefore, marginal jobs have often been seen as a bridge to regular or government-supported (structural adjustment measures, integration allowances, etc.) employment.¹⁸

This bridge function played a more prominent part between 1997 and 2000 (39%). In addition, there are typical gender-specific features in the employment dynamics of marginal employment. While only 22% of men who were in a marginal job in the spring of 2000 still found themselves in the same position three years later, the stability of continuous mini-job employment was substantially higher among women, standing at 47%.

The share of those previously registered unemployed who had taken up marginal employment rose during the periods studied, from 5% (in 2000, compared with 1997) to 9% (in 2003, compared with 2000); at the same time, however, the chances for previously unemployed persons to take up other full- or regular part-time employment fell from 36% to 23%, and the risk of remaining unemployed or becoming unemployed again rose from 32% to 38%.

These analyses, differentiated for men and women, show that the willingness to move to a mini-job is higher among women and that, in contrast to men, the share with mini-jobs has also risen.

¹⁸ Cf. Angelika Koch and Gerhard Bäcker: 'Mini- und Midi-Jobs als Niedriglohnstrategie in der Arbeitsmarktpolitik'. *WSI Discussion Paper*, no. 117, Düsseldorf 2003.

Fall in secondary employment

The proportion of employees with secondary employment has fallen continuously since 1997, from 9% to just below 6% in spring 2003; this corresponds to the 1 million employees, who since then, no longer work in two jobs (cf. figure 2). A similar – and statistically significant – drop is also shown for the secondary activities performed as mini-jobs in the period examined.¹⁹ In 1997, 5% percent of all employees had a second job, while, in 2003, this figure stood at only 4%, corresponding to a fall of about half a million mini-jobs as secondary activity. With the change in the regulations on secondary employment, this drop was to be expected.

The socio-demographic characteristics of secondary employment documented in table 7 show that these jobs are mostly performed by men and are more likely to be found among (highly) skilled staff (approximately 20%). Almost one-third of all employees with a secondary job are principally employed in the public sector. These are regular paid activities in only 44% of cases, with family workers constituting a further 15%.

It remains to be seen whether the reduction of secondary employment observed in the SOEP up to now will continue or whether the more favourable tax regulations in force since April 2003 will mean that the number of secondary jobs will once again rise, concentrating employment on fewer persons. In particular, since April 2003 the effective preferential treatment of marginal secondary work through lower taxes could, particularly among those with higher qualifications, provide incentives for taking up a new job. This could lead to a reversal of the trend in the development of secondary employment.

Conclusion

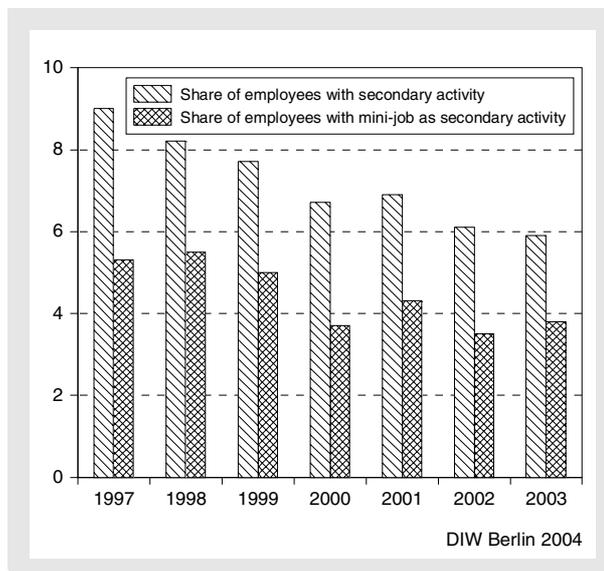
Calculations on the basis of the new official statistics on the marginally employed and the SOEP show that, in the labour market, it is possible to apply various criteria of delimitation to identify also those individuals who – frequently only occasionally – perform marginal employment.²⁰

The analyses prove that the quarterly statistics on falling numbers, published by the *Bundesknappschaft*,

¹⁹ Cf. also the analyses of Johannes Schwarze and Guido Heineck: 'Auswirkungen der Einführung der Sozialversicherungspflicht für die geringfügige Beschäftigung'. *DIW Discussion Paper*, no. 257, Berlin 2001.

²⁰ It remains to be seen to what extent the announced revision of results of the Federal Statistical Office's employment calculations for April 2005 will lead to the changed conditions in force since April 2003 being taken into account in future calculations.

Figure 2
Employees with Secondary Employment
% share



Source: SOEP 1997 to 2003; DIW Berlin calculations.

overestimates the labour market success of mini-jobs. Survey-based statistics, on the other hand, do not record the frequently desired selectivity with regard to threshold values that are relevant with regard to social legislation. It is to be assumed that quite a number of the jobs captured in the surveys should be classified as illicit employment.

For the most part, the 6.4 million mini-jobs identified by *Bundesknappschaft* for the first time in June 2003 were, presumably, previously marginal jobs at the periphery of the labour market. The increase registered since then can be attributed partly to substitution effects from previous employment. While this expansion is also largely coupled with the employment integration of women, this tends to concern less stable, and generally also low-paid, jobs. To date, the unemployed have not directly benefited from the mini-jobs: although opportunities to access such jobs have grown for those without employment, the share of persons with a regular part- or full-time position has fallen at the same time.

In January 2005, changed legal provisions on reasonableness²¹ for recipients of Unemployment Benefit II will come into force, as will changes in the tax-free allowance for work within the context of Unemployment

²¹ Sanctions reducing the receipt of benefits, including the discontinuation of Unemployment Benefit II, come into effect, for example, if individuals requiring assistance and able to work refuse to take up reasonable employment opportunities or to do voluntary work without providing good reasons.

Table 7

Socio-demographic Features of Secondary Employment

	2000	2003
Mini-job ¹ as secondary employment (in 1 000 persons)	1 373	1 439
Total secondary employment (in 1 000 persons)	2 469	2 202
	All secondary employment, as %	
15 hours or less weekly working time	39	30
Income below threshold, ² more than 15 hours weekly working time	4	5
Working time and income below threshold	57	65
Family workers in own business	12	15
Regularly paid secondary employment	49	44
Occasional paid work	39	41
Proportion of east German jobs in all marginal employment	14	13
Foreign nationals	4	5
Women	44	42
Married women	18	18
Employee is mother of at least one child less than 16 years old	12	9
In household, at least one child is under 16 years old	35	35
Youngest child in household is under 3 years old	6	6
Youngest child is between 3 and under 6 years old	6	8
Youngest child is between 6 and under 12 years old	13	10
Memo item: Features of the principal job:		
Workers	18	13
Self-employed	3	3
Clerical/office staff, no qualifications	7	3
Clerical/office staff, with qualifications	7	7
Skilled office staff	26	25
Highly skilled office staff	17	17
Managers	1	3
Civil servants, administrative	3	4
Civil service	33	31

1 Either 15 hours or less weekly working time, less than 400 euros gross income from employment (i.e. less than 630 German marks in 2000), or self-classification as marginally employed. — 2 The threshold was 630 German marks in 2000 and 400 euro in 2003.
Sources: SOEP 2000 and 2003, weighted; DIW Berlin calculations.

Benefit II.²² As part of these changes, turning down the offer of a mini-job may lead to cuts in benefits and, as announced by different social associations,²³ 'new' jobs, at hourly rates of just a few euros, as will be offered. As a result, it is anticipated that the previous socio-demographic structure of marginal employment with low earnings will change substantially. Moreover, it is likely that a trend observed for a number of years, namely for incomes from mini-jobs to complement payments of

transfer income, will accelerate.²⁴ The representative longitudinal micro-data basis provided by the SOEP will presumably have an important role in the scientific evaluation of the employment effects of mini-job regulation.²⁵

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²² From 1 January 2005, for gross income up to 400 euros, 15% of the additional net income and additionally 30% of gross income above 400 euros and up to 900 euros, and 15% for the portion of gross income above 900 euros and up to 1 500 euros will not be withdrawn from benefits.

²³ Cf. 'Wohlfahrtsverbände: Hartz schafft Arbeit'. In: *Der Tagesspiegel*, 6 August 2004, www.archiv.tagesspiegel.de/archiv/06.08.2004/1286160.asp

²⁴ The gradation of amounts not to affect Unemployment Benefit II of course provides monetary incentives to perform low-wage jobs above the 400 euro-limit.

²⁵ Cf. Tobias Hagen and Alexander Spermann: 'Hartz-Gesetze – Methodische Ansätze zu einer Evaluierung'. Baden-Baden 2004, p. 186 ff., as well as initial micro-simulations-based calculations by Viktor Steiner and Katharina Wrohlich, in: 'Work Incentives and Labour Supply Effects on the 'Mini-Jobs Reform' in Germany'. *DIW Discussion Paper*, no. 438, Berlin 2004.