

# Wage inequality in Germany: The role of non-standard employment

Alexander Herzog-Stein, Ulrike Stein

Contact details corresponding author: Alexander Herzog-Stein, Macroeconomic Policy Institute (IMK), Hans-Boeckler-Foundation, Hans-Boeckler-Str. 39, 40476 Düsseldorf, Phone: +492117778235, E-mail: alexander-herzog-stein@boeckler.de.

## Abstract

Wage inequality increased in Germany after reunification until 2010 and stagnated thereafter. Given that Germany experienced an enormous increase in part-time employment it is important to take the whole work force into account in contrast to the majority of studies that are restricted on full-time employees (paying social security contributions) only. Using data from the Socio-economic panel (SOEP) for the years 1995 till 2014 we find above average changes of hourly wages in the groups of full-time employees and below average changes for the groups of employees working part-time. The same holds true for group-specific wage inequality. All these observations suggest that there are other factors as well that contributed to the increase in wage inequality.

In addition to the increase in part-time employment and female participation rates the German labour market experienced a significant change in employment arrangements away from standard employment. In the time period between 1995 and 2006 not only the overall share of non-standard employment increased but also the concentration of non-standard employment characteristics among jobs (part-time, non-permanent employment contracts, marginal employment). To our knowledge, the impact of non-standard employment on wage inequality has not yet been analysed.

With a decomposition analysis we show how much of the increase in wage inequality is driven by the increasing spread of average wages between the groups of full-time working males and females in permanent employment and those groups of workers in jobs with non-standard employment characteristics (non-permanent employment, part-time employment, and in particular the combination of both characteristics). In addition we work out the impact of non-standard employment on wage inequality with a semiparametric procedure using kernel density methods proposed by DiNardo, Fortin and Lemieux (1996).