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the case of the Eastern
and Western Länder

Gazdaságelemző Intézet
Institute of Economic Analysis
Budapest, 2018

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DOI: 10.5281/zenodo.10453352

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Printed in Hungary, Budapest

German Wages: the Case of the Eastern and Western Länder

The reunification of Germany in 1990 was a watershed moment in European history, symbolising the end of the Cold War and the dismantling of the Iron Curtain. While the political reunification was achieved swiftly, the economic integration, particularly concerning wages, posed a complex challenge that echoed the deep-rooted disparities between the Eastern and Western Länder.

The division between East and West Germany during the post-World War II era led to the development of two divergent economic and social systems. The Western Länder experienced rapid economic growth, benefiting from the Marshall Plan and aligning with capitalist principles. Meanwhile, the Eastern Länder, under Soviet influence, adopted a socialist system characterised by state ownership and central planning. These ideological and economic differences manifested in starkly contrasting living standards, productivity levels, and wage structures between the two regions.

The reunification process was a matter of political amalgamation and necessitated addressing the profound economic disparities. The settlement of wage differences became a focal point in achieving social cohesion and economic balance. Both public policy measures and economic strategies were employed to facilitate this transition. Legal frameworks were implemented to harmonise wages, while economic incentives aimed at boosting productivity in the East were introduced. However, these efforts encountered challenges rooted in decades of economic divergence, hindering swift and seamless integration.

More than a quarter-century post-reunification, the German wage landscape reflects a transformed but not fully homogenised economic scenario. The wage differentials between the Eastern and Western Länder have significantly diminished, yet vestiges of the historical divide persist. While progress has been made, the journey towards complete wage convergence remains ongoing. The disparities that once marked the two Germanys have become less pronounced, and efforts to bridge the gap have yielded notable success, especially when compared to other nations undergoing similar processes of economic reunification.

1. The two Germanys

The evolution of wages largely depends on economic performance. This was essentially the same in Germany in the eastern and western areas until the end of the Second World War, and even after that for a good half a decade, because the more vital industrial development of the western area (the Ruhr area, around Hamburg, Stuttgart, Munich, etc.) in 1944-45 bombings destroyed it, so it was practically necessary to start from scratch in almost both areas. Accordingly, there was no difference in wages either, so there were no significant differences until the end of the 1940s.

After the disintegration of Germany, not only the political direction but also the economic trend pointed in a different direction. Wages in the eastern occupation zone fell since – similarly to other Soviet vassal states – there was no real possibility of a recovery in planned management, even with the fulfilment of the plans, even though the GDR was considered a leader within the socialist camp. On the other hand, the western part, thanks to Marshall's aid, Adenauer's policy and Erhard's economic management, quickly recovered from the wounds of the war and even came to the forefront of Europe. The West German economic miracle (constantly above 5 % growth) also caused wages to stagnate, so even the previous winners could not compete everywhere.

Consumer goods in East and West Germany

| Ausstattung mit langlebigen Konsumgütern | | | | |
|---|------|------|------|------|
| Von 100 Haushalten | DDR | | | BRD |
| | 1960 | 1965 | 1969 | 1969 |
| Waschmaschinen | 6 | 28 | 48 | 61 |
| Kühlschränke | 6 | 26 | 48 | 84 |
| Fernsehempfänger | 17 | 49 | 66 | 73 |
| Pkw und Kombis | 5 | 8 | 14 | 47 |

By the end of the 1960s, based on production and earnings, the difference between the two states had already become very noticeable: while in the GDR, there were 48 washing machines, 26 refrigerators, 66 TVs and 14 cars per 100 households, the same in East Germany there were 61 washing machines,

represented 84 refrigerators, 73 TVs and 47 cars, by the quality difference and selection between the products.¹

¹ Die DDR in den sechziger Jahren. Bundeszentrale für politische Bildung. 2002.

Consumer goods in East and West Germany

| | West | | | Ost | | |
|----------------------------------|------|------|-------------------|------|------|-------------------|
| | 1962 | 1988 | 2013 ¹ | 1960 | 1988 | 2013 ¹ |
| PKW | 27 | 68 | 79 | 3 | 52 | 70 |
| Farbfernsehgerät | | 87 | 95 | | 53 | 95 |
| Waschmaschine² | 34 | 86 | 94 | 6 | 66 | 96 |
| Gefrierschrank | 3 | 70 | 53 | | 43 | 41 |
| Mikrowellengerät | | | 71 | | | 71 |
| Geschirrspülmaschine | | 29 | 70 | | | 59 |
| Netztelefon | 14 | 93 | 92 | | 16 | 86 |
| Mobiltelefon (Handy) | | | 93 | | | 93 |
| PC | | | 86 | | | 83 |
| Internetzugang | | | 81 | | | 77 |
| DVD-Player/DVD-Rekorder | | | 71 | | | 72 |
| Digitaler Fotoapparat | | | 74 | | | 71 |

¹ West ohne Berlin, Ost mit Berlin

² West: Waschvollautomat

Source: Datenreport 1987 (West 1962); Wirtschaft und Statistik 1988 (West 1988); Statistisches Jahrbuch der DDR (Ost 1960 und 1988); Statistisches Bundesamt (West und Ost 2013)

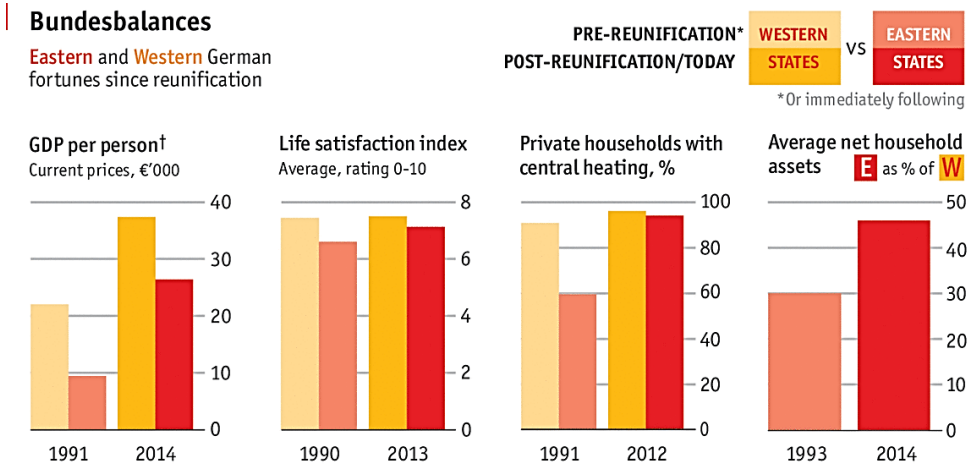
The difference decreased by 1988/89, but there was still a significant difference, especially in the line infrastructure: in the eastern part, 16 % of households only had a telephone, while in the West it was 93 %.² The quality differences are visible in the case of colour televisions, washing machines and dishwashers. However, by 2013, the welfare gap had almost wholly disappeared.

² Statistics Jahrbuch der DDR 1990, Statistisches Jahrbuch der BRD 1990, Statistisches Jahrbuch drill das vereingte Deutschland 1991, Sozialreport '90

2. The years of reunification

According to Hans-Werner Sinn, a German economist, German reunification succeeded politically but not economically.³ Under German conditions, the GDP per capita of East Germany was the apparent benchmark: measured by this standard, the former GDR was around one-third of the West German level at the very beginning of the 1990s, then in two decades, it reached two-thirds, and is currently slightly above it. At the time of reunification, the difference in GDP per capita was more than two and a half times, and in terms of wages, it was almost three times, with different shopping and saving options, of course.⁴

GDP, life satisfaction index, central heating and household assets in the Eastern and Western Länder



Source: Germany's reunification 25 years on. The Economist. 2015. October

Although it did not show a significant difference between satisfaction with the **standard of living**, the difference was still considerable. The assets of households reached only 30 % of the Western level, and household comfort, for example, also lagged (less than 60 % of households only had central heating).

³ Sinn, Hans-Werner: Germany's Economic Unification. An Assessment After Ten Years. Review of International Economics 10, 2002

⁴ Franz, W., & Steiner, V. (2000). Wages in the East German transition process: Facts and explanations. *German Economic Review*, 1(3), 241-269.

Even before the unification of the country, the prosperous states of East Germany (Bavaria, Hesse, Baden-Württemberg and North Rhine-Westphalia) provided adequate assistance to the poorer and the so-called city-states (Bremen, Hamburg, Berlin) from their tax revenues. With the social union introduced in the summer of 1990 and confirmed in the merger agreement, mass unemployment was covered by the institution of social transfers. The main task of the unified German government was to **catch up with the eastern part**, which was aimed at introducing a special tax on income in the Western Länder, tax concessions and exemptions for investments in the eastern areas, and social and other benefits. The first financial aid is the so-called Between 1990 and 1994, the German Unity Fund earmarked 82.2 billion euros for the purpose,⁵ which was replaced by the first solidarity pact between 1995 and 2004. Between 1991 and 2005 alone, Germany spent 1.3 trillion euros on the catch-up of the Eastern Länder, and according to other data, it spent 1.6 trillion euros.⁶ 67 % of these were spent on social support (primarily to reduce wage differences), and only 10 % were invested in some growth-stimulating measure.⁷ The five eastern states and Berlin receive nearly 156 billion euros in support between 2005 and 2019 through the second solidarity pact.⁸

The specific public burden of covering the financing of mergers and catch-up and solidarity processes is the so-called **solidarity allowance** (Solidaritätszuschlag, in everyday use Soli) or solidarity tax contribution, which was introduced in 1991. Chancellor Helmut Kohl originally started it to cover the 17 billion Mark costs of the 2nd Gulf War, but the money was primarily used to help the countries of Central, Eastern and Southern Europe, but the new Eastern Länder. In the mid-1990s, the unification of Germany was financed from the allowance. Initially, the rate was 7.5 %, ⁹and in the case of business associations, it was 3.75 %. Between 1992 and 1994, it was applied at 0 %, then brought back in 1995 at 7.5 %. From 1998 to the present, it is 5.5 %.¹⁰ The duration of the supplement introduced to provide a budgetary basis for German reunification in 1990 was initially set to last until 2005

⁵ Nagy Katalin: *A német újraegyesülés első öt éve – Mit jelent a német egység a keletnémet tartományok számára?*. in *Külgazdaság* 96/10. szám, 42-66.

⁶ The German Development Bank, Kreditanstalt für Wiederaufbau. Based on Wiederaufbau calculations

⁷ Aufbau Ost cost 1.3 billion Euros. *Der Spiegel* 07.11.2009

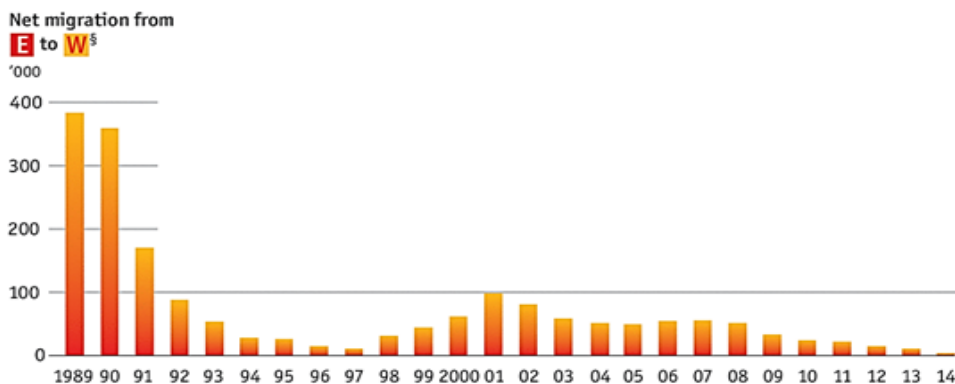
⁸ In the eastern half of Germany: the eternal catch-up länders. in *Kitekinto.hu* August 1, 2012

⁹ Solidaritätszuschlaggesetz vom 24 June 1991 (BGBl. I S. 1318)

¹⁰ Solidaritätszuschlaggesetz 1995 (SolzG 1995)

because a decade and a half seemed like an acceptable horizon given the billions disbursed for catch-up purposes.¹¹ However, the legacy of the GDR is a more significant negative than expected, so according to current rules, the planned termination of the supplement will only take place in 2019.

Population migration in East and West Germany



Source: Germany's reunification 25 years on. The Economist. 2015. October

The measures to speed up the catch-up were necessary because significant internal migration started from the eastern part of the country. Between 1989 and 1991, around 800,000 people changed their place of residence to the West. A significant factor behind this was that an average East German earned an income of 2,990 marks in the West, 83 % more than the average wage in the East and still 15 % lower than the Western average.¹² This emigration process came to a halt in the mid-nineties. At the same time, since reunification – until 2017 – the population in the former GDR territory has decreased by 15 %.

¹¹ Stefan Lázár: *További márkamilliárdok a keleti tartományoknak.* in Magyar Nemzet 2001. június 27 és Nagy Katalin: *Politikai lépéskényszerben – Német gazdaság – megoldhatatlan régi gondok.* in Cégvezetés 2000/1-2. szám, 132-137.

¹² Alan B. Krueger - Jorn-Steffen Pischke: *A Comparative Analysis of East and West German Labor Markets: Before and After Unification.* National Bureau of Economic Research, 1992, 1995

Population in East and West Germany



Source: Germany's reunification 25 years on. The Economist. 2015. October

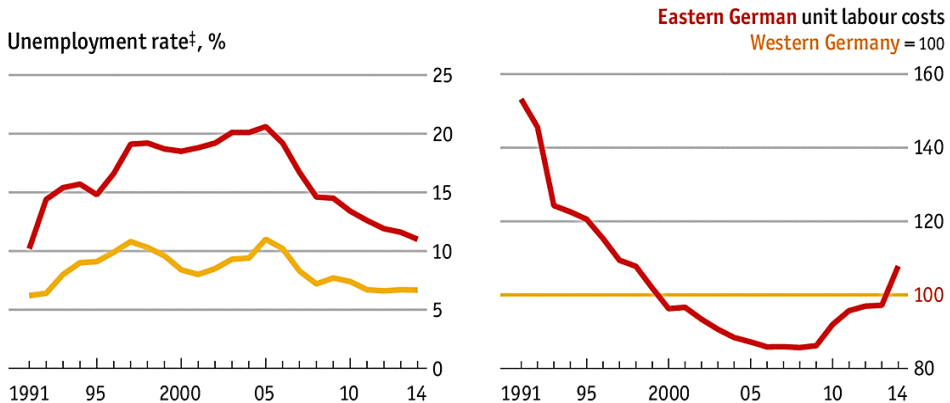
At the time of unification, the **employment relationship and wage payment** itself became problematic; on the one hand, due to significant wage differences in the public sector and also in the eastern area, the large-scale socialist industrial plants and the production cooperatives disappeared one after another, and since there was no private economy, the previously unknown **unemployment**.¹³ Soon after German reunification, three-quarters of East German industrial jobs disappeared without a trace. While 4.08 million people were employed in the manufacturing industry in the GDR at the time of the revolution, today, this number – including West Berlin – is no more than 990 thousand. Right after the reunification, in 1991, 42.4 % of the jobs in agriculture were lost, and 23.9 % in the manufacturing industries. Although there were 31.4 % more jobs in the service sector than a year earlier, this was certainly not enough to absorb the workforce that had become redundant.¹⁴ In the first five years of German reunification, 37.8 % of East

¹³ This is illustrated by a contemporary joke as follows: Two policemen are walking down the street in Berlin, which one is East German? The one with less salary.

¹⁴ Rohling Szilvia: *A német újraegyesítés gazdasági és társadalmi hatásai*. Budapesti Gazdasági Főiskola, 2003. 42.

German jobs became redundant; every tenth job was lost in 1990, followed 1991 by the loss of every fifth of the remaining job opportunities.¹⁵

Unemployment and unit labour costs in Germany



Source: Germany's reunification 25 years on. The Economist. 2015. October

At the beginning of the 1990s, unemployment in the East was still manageable, although it was still almost double that of the West. However, it jumped from 1995 and was already at 20 % in the early 2000s. Another problem with wages was the low **labour productivity in the East, which provides the economic base, and the fact that the workers in the Eastern part were not** interested in quality work for decades. Thus, unit labour costs were 1.5 times higher than in the West, although this declined in the 2000s. This is a two-way process because the decrease in labour productivity and the increase in the wage share increased unemployment, and unemployment also depressed wages, thus increasing productivity.¹⁶

Social consensus also helped a lot in determining wages. Bringing living conditions to Western standards was interpreted by the vast majority of East German workers as meaning that they were/are entitled to the same compensation for their work as their compatriots living in the West. The eastern workers were supported to a great extent by the western union leaders in their endeavours. The so-called *Mitbestimmungsrecht*, the basis of wages, is determined at the consensus forum of employers and employees, in which the trade unions have a decisive say. The presence of workers' representatives in

¹⁵ *A német újraegyesítés gazdasági ára*. in Kihívások 11. szám, 1992. szeptember

¹⁶ Fitzenberger, B. (2012). *Wages and employment across skill groups: an analysis for West Germany* (Vol. 6). Springer Science & Business Media.

supervisory committees and the effective presence of interest representatives are the keys to democracy and have been working well for decades.

The aim of **artificially raising wages in the East** was to stop the flow of workers from the East to the West. Migrations to the West have weakened the wage negotiation positions of Western workers, as the labour supply has increased significantly. However, with the wage increase, labour productivity in the East fell because the previous harmony between performance and remuneration was upset, which was exacerbated by the incomplete knowledge of the market economy and the outdated production park. Thus, the competition from the East that threatened the West soon ceased, and Eastern companies could not manage the increased wage costs with outdated production equipment. (If East German wages had developed at the same rate as labour productivity, then the vast majority of East German companies would have remained competitive and would have been able to retain their respective market segments.¹⁷) The privatisation also raised wages, as the Treuhandanstalt did not prefer making East Germans wealthy by issuing small-denomination shares. As a result of their limited financial means, East German residents could not participate in the privatisation, and the wage subsidy only alleviated the differences.¹⁸ There was no other option left to increase the standard of living other than raising wages and salaries, as a result of which the residents of East Germany lived better than would follow from the national income and GDP they produced.

Average **wages** started to increase throughout the country. In 1991, the gross average wage was €1,832; in 1995, it was already €2,281; in 2000, it was €2,551.¹⁹ The level of €3,000 was crossed in 2007.²⁰ Several other circumstances arose in connection with the calculation and arrangement of the payroll. Thus, the issue of paid days off, the number of public holidays, overtime pay, etc. The political, one-to-one determination of the exchange rate between the Eastern mark and the Western mark (as a result of which the hourly wages in East Germany jumped from 7 % to 30 % of the Western

¹⁷ Rohling Szilvia: *A német újraegyesítés gazdasági és társadalmi hatásai*. Budapesti Gazdasági Főiskola, 2003. 44.

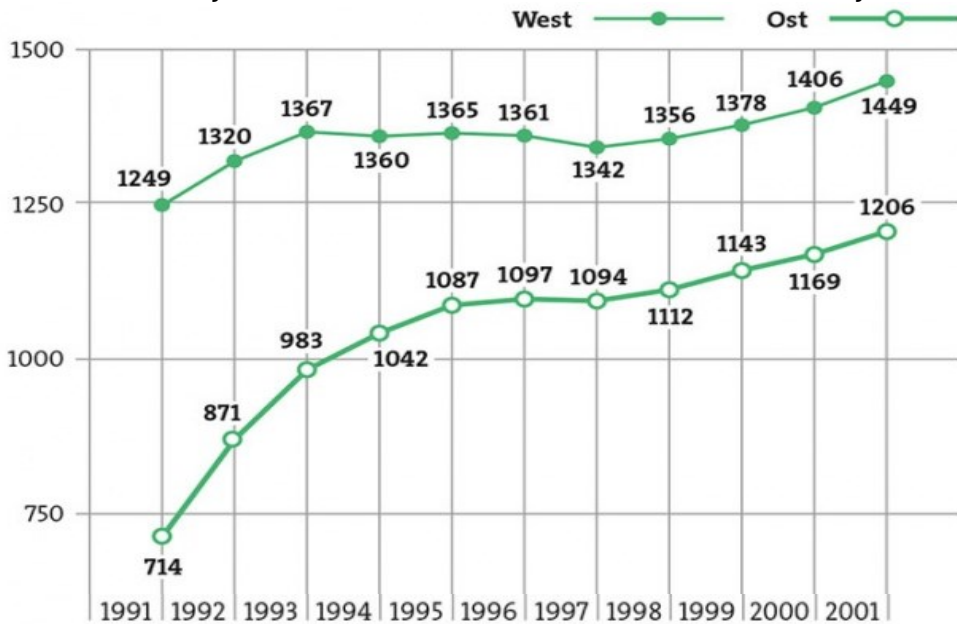
¹⁸ Takács József: *Gazdasági átalakulás Kelet-Németországban – eredmények és további feladatok*. Budapesti Közgazdaságtudományi Egyetem, 2001. 32.

¹⁹ *A bérrendszerek és a javadalmazás átalakulása Németországban*. Humánpolitikai Szemle 2001/1. szám

²⁰ Development of gross earnings. Destatis - Statistische Bundesamt, 2017 (www.destatis.de)

standard),²¹ as well as the increase of the Eastern wage standard to 78 % of the Western ones, are all factors, which made it impossible to keep the convergence process within a realistic framework.²² Another "secondary" circumstance is the pension. At the same time, in the East, almost everyone worked (at least on paper), there was typically no loss of work, and savings - especially for the older generation - were not present, whereas in the West, individual savings, pre-care and, of course, unemployment have been known for decades., i.e. time that is partially excluded from the pension calculation. The exact difference between the high stock of rental housing in the western part and ownership in the eastern part was also observed.

Monthly net income in East and West Germany

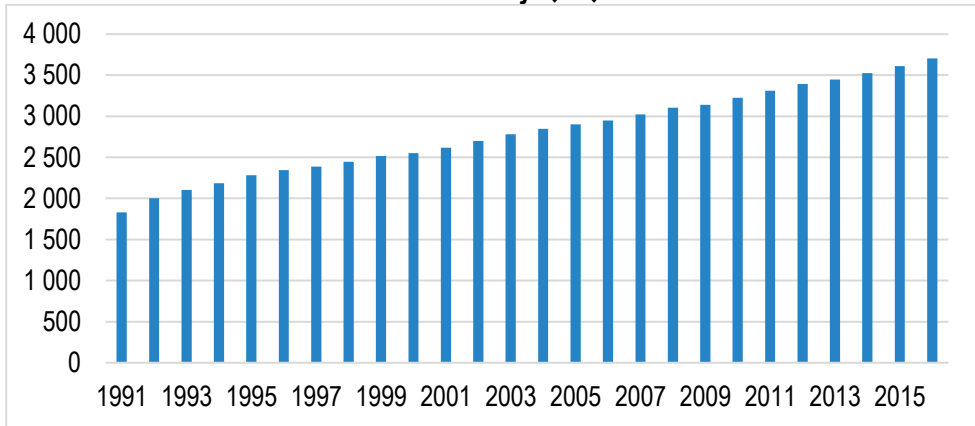


Source: Annäherung der Arbeitnehmerverdienste . Institut der deutschen Wirtschaft Köln, 2014

²¹ Schulten, T., & Bispinck, R. (2014). Wages, collective bargaining and economic development in Germany. *Towards a more expansive and solidaristic development*.

²² *Keleti tartományok tartós lemaradásban*. Gyártástrend.hu az Ifo Institut - Leibniz-Institut für Wirtschaftsforschung an der Universität München e. V.

Evolution of gross average earnings between 1991-2016 in Germany (€)



Source: Development of gross earnings. Destatis - Statistische Bundesamt, 2017 (www.destatis.de)

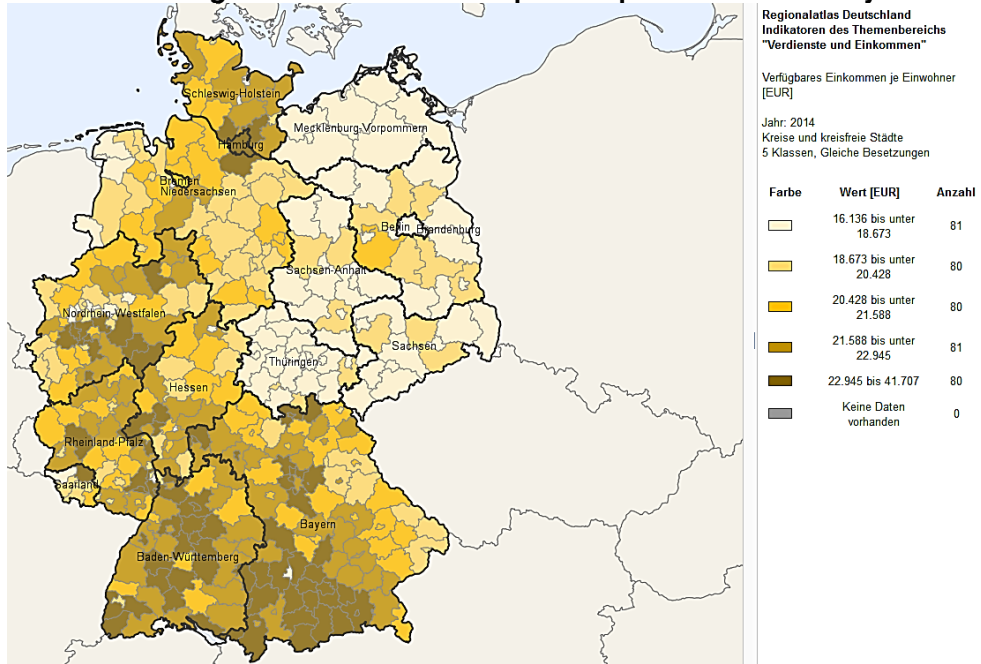
In the former GDR, the average monthly **gross wage** has already reached €2,600 (2015), but in the West, it is still €1,000 higher, at €3,600. Wages also include the fact that in most workplaces, this is supplemented by a one-month summer (holiday) and Christmas (New Year) allowance, so you can actually count on 14 months of income per year. In addition, there are various social packages due to poverty, but this is not common. The lessening of the difference is also shown by the fact that the large emigration at the beginning of the nineties slowed down after the turn of the millennium and is now minimal. The catch-up of the Eastern Länder is significant compared to the Western part and the current wage level of the former socialist countries, although the latter had hardly any differences 25 years ago.²³

Nevertheless, the average hourly wage difference between the most developed (Hamburg) and backward (Mecklenburg-Vorpommern) regions still exceeds 50 %. The average gross annual salary in the Eastern Länder was €27,784 last year; in the Western Länder, it was €34,176, and the federal average was €33,284.²⁴ These correlations are confirmed by the more detailed map of the German Statistical Office.

²³ Ahlfeldt, G. M., Roth, D., & Seidel, T. (2018). The regional effects of Germany's national minimum wage. *Economics Letters*, 172, 127-130.

²⁴ Ostdeutsche arbeiten länger, verdienen nevertheless less _ in Cologne Stadt-Anzeiger , 06.08.2017 and There is a large wage gap between the East and West German states. in Profitline 06.08.2017

Average annual income per capita in Germany



Source: Available Einkommen je Einwohner . Destatis - Statistische Bundesamt, 2017 (www.destatis.de)

There is no significant difference in gender pay between East and West. In both areas, the gap between women is 20-25 %, and the mentioned difference between regions is slightly larger than that. All this results in men working in the Western Länder earning about 50 % more than women working in the eastern regions.²⁵

The **solidarity** allowance is currently still applied, the rate of which is 5.5 %. Individuals pay the supplement in addition to their annual personal income tax, so in addition to the €100 tax, an additional €5.5 solidarity supplement must be paid. The solidarity allowance is deducted monthly from everyone's salary who takes up work in Germany. However, it is necessary to pay not only from labour income but also from capital gains – interest and dividends, i.e. pension fund returns. The German federal budget receives more than 15 billion euros annually from the solidarity allowance, which is more than 5 % of the revenue side. Today, the solidarity allowance has few opponents in Germany, although the states would like money to flow into

²⁵ Kühn, Wolfgang: 23 Jahre nach der Wende ist die Gap zwischen den Altersbezügen Ost und West unüberschbar. in www.alternative-wirtschaftspolitik.de, 21.09.2013

their budgets, not just the federal budget. According to the financial court of Lower Saxony (Niedersachsen), the solidarity allowance is unconstitutional, as it violates the principle of equality before the law and equal treatment contained in Article 3 of the Grundgesetz, and therefore submitted a request to the Constitutional Court to review the case.²⁶ The Constitutional Court has not yet decided on the issue. Although the supplement lasts until 2019, most news confirms that it will remain even after that, until 2030, and only a gradual reduction can be expected. In 2015, it was also suggested that the German government would use the solidarity allowance for the large number of refugees.²⁷

The introduction of the **minimum wage** began in 2014, which was the number one election promise of the Social Democratic Party (SPD), and thus was included in the coalition agreement. One of the reasons for this was that roughly 17 % of German workers earned less than 8.5 euros gross per hour, and the hourly wages of every fourth worker in the territory of the former GDR fell short of this figure.²⁸ According to the law, the minimum wage is €8.50 gross per hour from January 1, 2015. The minimum wage level can be changed by a statutory decree of the Federal Government on the recommendation of the committee of social partners (minimum wage committee).²⁹ The level of the minimum wage is therefore determined every two years by profession (!) by the Minimum Wage Commission (Mindestlohnkommission), which is independent of political parties, for example, construction industry, machine operator, mining, vocational training, electrician, cleaning, painter, untrained work, nurse, carer. In 2017, the minimum wage in Germany increased; the hourly wage went from €8.50 to €8.84, so the previous monthly €1,440 is now €1,498.³⁰

²⁶ Grundgesetz für die Bundesrepublik Deutschland Art 3 (1) Alle Menschen sind vor dem Gesetz gleich. (2) Männer und Frauen sind gleichberechtigt. (3) Niemand darf wegen seines Geschlechtes, seiner Abstammung, seiner Rasse, seiner Sprache, seiner Heimat und Herkunft, seines Glaubens, seiner religiösen oder politischen Anschauungen benachteiligt oder bevorzugt werden. Niemand darf wegen seiner Behinderung benachteiligt werden.

²⁷ Robin Alexander: Merkel steht VOR one historic paradoxically Situation. Die Welt, 25.12.2015.

²⁸ *A minimálbér körül alakult ki a német nagykoalíciós pártok első vitája.* in Világgazdaság, 2013. 12. 25. és *Development of gross earnings.* Destatis - Statistische Bundesamt, 2017 (www.destatis.de)

²⁹ Mindestlohngesetz vom 11. August 2014 (BGBl. I S. 1348)

³⁰ Minimum wage statistics. Eurostat, 2017.

Caliendo, M., Fedorets, A., Preuss, M., Schröder, C., & Wittbrodt, L. (2018). The short-run employment effects of the German minimum wage reform. *Labour Economics*, 53, 46-62.

Sector-specific minimum wages in Germany

| Minimum wage | Validity | West | East |
|--|---------------------|-----------------------|-------|
| | | EUR | |
| Temporary employment | 01.06.17 - 31.03.18 | 9.23 (Berlin: 8.91) | 8.91 |
| | 01.04.18 - 31.03.19 | 9.49 (Berlin: 9.27) | 9.27 |
| | 01.04.19 - 30.09.19 | 9.79 (Berlin: 9.49) | 9.49 |
| | 01.10.19 - 31.12.19 | 9.96 (Berlin: 9.66) | 9.66 |
| Vocational training and continuing education services (education) | 01.01.17 - 31.12.17 | 14.60 | 14.60 |
| Building industry | | | |
| Skilled workers | 01.01.17 - 31.12.17 | 11.30 | 11.30 |
| Skilled workers, machine operators, drivers | 01.01.17 - 31.12.17 | 14.70 (Berlin: 14.55) | 11.30 |
| Roofing | 01.01.17 - 31.12.17 | 12.25 | 12.25 |
| Electronic service | 01.01.17 - 31.12.17 | 10.65 (Berlin: 10.40) | 10.40 |
| | 01.01.18 - 31.12.18 | 10.95 | 10.95 |
| | 01.01.19 - 31.12.19 | 11.40 | 11.40 |
| Meat industry | 01.12.16 - 31.12.17 | 8.75 | 8.75 |
| Industrial cleaning | | | |
| Indoor and maintenance activities | 01.01.17 - 31.12.17 | 10.00 | 9.05 |
| Glass and facade cleaning | 01.01.17 - 31.12.17 | 13.25 | 11.53 |
| Scaffolding | 01.05.17 - 30.04.18 | 11.00 | 11.00 |
| Agriculture, forestry and horticulture | 01.01.17 - 31.10.17 | 8.60 | 8.60 |
| | 01.11.17 - 31.12.17 | 9.10 | 9.10 |
| Painting, glazing | | | |
| Unskilled worker | 01.05.17 - 30.04.18 | 10.35 | 10.35 |
| | 01.05.18 - 30.04.19 | 10.60 | 10.60 |
| | 01.05.19 - 04.20.30 | 10.85 | 10.85 |
| | 20.05.01 - 21.04.30 | 11.10 | 11.10 |
| Skilled worker | 01.05.17 - 30.04.18 | 13.10 | 11.85 |
| | 01.05.18 - 30.04.19 | 13.30 | 12.40 |
| | 01.05.19 - 04.20.30 | 13.30 | 12.95 |
| | 20.05.01 - 21.04.30 | 13.50 | 13.50 |
| Long-term care | 01.01.17 - 31.10.17 | 10.20 | 9.50 |
| Chimney sweep | 01.01.16 - 31.12.17 | 12.95 | 12.95 |
| Masonry and stone carving | 01.05.17 - 30.04.18 | 11.40 | 11.20 |
| | 01.05.18 - 30.04.19 | 11.40 | 11.40 |
| Laundry service | 01.07.16 - 30.09.17 | 8.75 | 8.75 |

Source: Statutory agreed branch-specific minimum wages in Germany in June 2017 (www.destatis.de)

Summary

Building upon the presented data, the assessment of the economic effects of German reunification, as articulated by economists Hans-Werner Sinn and Ákos Péter Bod, underscores a nuanced perspective of both success and challenges. The overarching narrative paints a positive picture: the German Democratic Republic (GDR), once lagging in various aspects, has transformed into Europe's 14th most developed region by the end of the 1980s. However, the journey toward economic parity between the Eastern and Western Länder reveals a narrative of partial success, with lingering disparities that prompt critical evaluation.

The leap in quality achieved by the Eastern Länder, transitioning from one-third to two-thirds of the German average wage level, is a commendable advancement. However, it is a testament to the complexity of reunification that, even after nearly three decades, the Eastern Länder have not entirely closed the gap to reach the national average. While progress has been made, productivity and economic development disparities persist, necessitating continued Western transfers to sustain economic equilibrium, particularly concerning pensions and wages.

Examining the roots of wage-competitiveness issues in the Eastern Länder, a notable phenomenon emerges: incomes have outpaced productivity growth but still fall short of the Western Länder levels.³¹ The average income in the former GDR countries hovers around €2,500-2,700, a significant distance from the Western average of €3,500-3,700. Although there has been substantial wage catch-up in the Eastern Länder concerning the western part and even surpassing the former socialist countries, discrepancies persist, marking a lingering impact of the historical divide.

Unemployment remains a persistent challenge in the Eastern Länder, consistently 3-4 percentage points higher than in the Western counterparts. The prevalence of long-term unemployment further accentuates the economic complexities faced by the region. The developmental disparity between the old and Eastern Länder, which surfaced in the mid-1990s, has proven to be a lasting phenomenon. While the economic performance of the

³¹ Bod Péter Ákos: *Volt egyszer egy NDK*. in Magyar Szemle XXIV. 1-2. szám 2015.

Western Länder surged by 30% in the two decades since 1995, the corresponding indicator for the Eastern Länder only saw a 23% increase over the same period. Nevertheless, in terms of productivity, the new states now reach 80% of the western level, a significant improvement from the initial 35% recorded in 1991.³² The export quota of East German industry, which was a mere 53% of that of the western states in 1991, has shown a moderate increase, reaching 71% by 2012.³³ This illustrates a notable but gradual progress in aligning the economic capacities of the Eastern Länder with their Western counterparts.

The economic trajectory of the Eastern and Western Länder post-reunification is marked by achievements and persistent challenges. The narrative unfolds as one of gradual convergence, with significant strides made in certain aspects, tempered by enduring gaps that continue to shape the economic landscape of unified Germany.

³² *Németország keleti felén: az örök felzárkozó tartományok.* in Kitekinto.hu 2012. augusztus 1.

³³ *Keleti tartományok tartós lemaradásban.* Gyártástrend.hu az Ifo Institut - Leibniz-Institut für Wirtschaftsforschung an der Universität München e. V