

Fifth Evaluation Report (2025) – Management Summary¹ –

- 1** A general statutory minimum wage has been in force in Germany since January 1, 2015. The Minimum Wage Commission² is responsible by law for deciding on adjustments to the minimum wage. The Minimum Wage Commission has also the legal mandate to prepare a biennial evaluation report on the effects of the minimum wage on the protection of employees, competitive conditions, and employment in relation to specific sectors and regions as well as productivity. The report at hand documents the current state of knowledge. It covers the period from 2022 to 2024.
- 2** The current level of the statutory minimum wage is €12.82 gross per hour. In deviation from the regular adjustment procedure, the German Bundestag decided to raise the minimum wage to €12 per hour in October 2022 by amending the Minimum Wage Act (MiLoG). With the adjustment decision of the Minimum Wage Commission in June 2023, which was passed by a majority vote against the votes of the employee representatives, the statutory minimum wage was increased to €12.41 per hour on January 1, 2024, and to €12.82 per hour on January 1, 2025. A dissenting opinion in the explanatory statement set out the reasons for the rejection by the employee representatives.
- 3** In April 2024, there were around 2.3 million jobs in the economy with earnings at or below the statutory minimum wage of €12.41. This corresponded to around 5.9 percent of total employment. Of these, around 1.4 million jobs, or 3.7 percent of total employment, were within a range of 10 cents around the minimum wage. In April 2023, eight months before the minimum wage increase in January 2024, there were still 4.1 million jobs with earnings below the future minimum wage of €12.41. These are referred as jobs affected by the minimum wage. In April 2024, the proportion of employees in the minimum wage sector was slightly higher in eastern Germany (6.5 percent) than in western Germany (5.7 percent). Women were more frequently employed in the minimum wage sector than men. The proportion of employees in the minimum wage sector was higher among people with non-German citizenship than among those with German citizenship. Marginal part-time workers in so-called mini-jobs and employees in companies with fewer than five employees

¹ Translation of the German management summary of the German Minimum Wage Commission's Fifth Evaluation Report to the Federal Government on the effects of the statutory minimum wage. For the full report (in German) see Mindestlohnkommission (2025), Fünfter Bericht zu den Auswirkungen des gesetzlichen Mindestlohns. Bericht der Mindestlohnkommission an die Bundesregierung nach § 9 Abs. 4 Mindestlohngesetz, Berlin, https://www.mindestlohn-kommission.de/en/Publications/Evaluation-reports-of-the-Minimum-Wage-Commission/evaluation-reports-of-the-minimum-wage-commission_node.

² For more details on the Minimum Wage Commission (in English), see https://www.mindestlohn-kommission.de/en/Minimum-Wage-Commission/Information-on-the-work-of-the-Minimum-Wage-Commission/information-on-the-work-of-the-minimum-wage-commission_node

were particularly likely to earn the minimum wage, at around 24 percent and 17 percent, respectively. Around 41 percent of companies in Germany were affected by the minimum wage increase on January 1, 2024. East German companies were more frequently affected than West German companies. The average proportion of employees affected in all companies was around 20 percent and around 49 percent in companies affected by the minimum wage.

- 4 In 2022 and 2023, consumer prices rose to historic highs, partly due to strong increases in energy and electricity prices caused by Russia's war of aggression against Ukraine. Inflation fell significantly in 2024. Prices for food and services rose permanently, resulting in a comparatively strong increase in the cost of living. Taking into account the consumer price index of the Federal Statistical Office (Statistisches Bundesamt), the 14.8 percent increase in the nominal minimum wage to €12 per hour in October 2022, as decided by the German Bundestag, corresponded to an increase in the real value of the minimum wage of around 13 percent. Following losses in the real value of the minimum wage in 2023, the increase in the nominal minimum wage to €12.41 per hour at the beginning of 2024 restored the real purchasing power of the minimum wage to its October 2022 level, partly due to significantly lower inflation in 2024.

Minimum wage and protection of workers

- 5 The average hourly wage of workers in the minimum wage sector was around 30 percent higher in 2024 than at the beginning of 2022. Average monthly earnings in this sector were around 16 percent higher. Earnings growth in the economy as a whole was also comparatively high at around 10 percent over the same period. Price increases were around 7 percent in 2022, around 6 percent in 2023, and around 2 percent in 2024. Available impact analyses show that raising the minimum wage to €10.45 had a positive causal effect of around 5 percent on the hourly wages of affected employees, and raising it to €12 had a positive effect of around 6 percent. The increase in the minimum wage to €10.45 had no effect on monthly earnings, while the increase to €12 had a positive effect of around 5 percent. The reason behind the lower increases in monthly wages than in hourly wages may be a reduction in weekly working hours.
- 6 Women benefited more from the increase in the minimum wage to €12, with an hourly wage increase of 4 percent, than men, with an hourly wage increase of around 3 percent. The increase in the minimum wage to €12 has thus tended to reduce the gender pay gap. The minimum wage-related increases in hourly wages were stronger in eastern Germany at around 4 percent than in western Germany at around 3 percent. Depending on the study, effects on hourly wages can be observed both for employees subject to social insurance contributions and, in some cases, for marginal part-time workers.
- 7 The minimum wage has changed the structure of the wage distribution. In addition to the compression at the lower end of the wage distribution following the statutory increase in the minimum wage to €12, causal studies mostly suggest that there were also positive effects on hourly wages in wage groups above the minimum wage. According to these studies, spillover effects in the form of an hourly wage increase of 3 to 4 percent were observed in wage groups up to €16. The size of the low-wage sector declined significantly in 2022 as a result of the minimum wage increases and remained without changes in 2023 and 2024. A number of studies found that

inequality in hourly and monthly wages declined as a result of the statutory minimum wage. According to the Federal Statistical Office, collective wage agreements led to a stronger increase in collectively agreed earnings at the end of 2022 and in 2023 than in previous years. According to the Federal Statistical Office, this is also due to the increase in the statutory minimum wage to €12 in October 2022. This shows that raising the minimum wage to €12 has influenced the development of collective bargaining structures.

- 8** There are still shortcomings in the implementation of the statutory minimum wage. This is illustrated, among other things, by the inspections carried out by the customs authorities, whose Financial Control Unit for Undeclared Work (Finanzkontrolle Schwarzarbeit (FKS)) is responsible for monitoring compliance with the minimum wage. Of the 6,159 administrative offense proceedings initiated by the FKS in 2024 under the Minimum Wage Act, around 45 percent related to non-payment or late payment of the minimum wage and around 50 percent related to violations of the documentation requirements and the obligation to keep documents available. From the perspective of the Minimum Wage Commission, minimum wage violations are unacceptable. The Minimum Wage Commission considers the measures taken by customs to ensure more effective deployment of personnel to be fundamentally sensible. Nevertheless, the Minimum Wage Commission believes that random checks must continue to be carried out in the future in order to prevent minimum wage violations through the visible presence of customs authorities. To this end, the legislature must provide the customs authorities with sufficient personnel. In the view of the Minimum Wage Commission, it is also important that customs focus its checks on those sectors, company sizes, forms of employment, and regions in which the statutory minimum wage is particularly relevant. Frequent checks and random inspections in these areas particularly affected by the minimum wage play an important role in ensuring that violations of the Minimum Wage Act are quickly detected and punished.
- 9** Various methods of circumventing the minimum wage have been identified in customs inspections and qualitative studies. Incorrect recording of working hours is particularly relevant in this context. This includes, among other things, failure to document hours worked, including unpaid breaks in working hours, non-remuneration of set-up or follow-up work, non-remuneration of empty runs in the passenger transport industry, and incorrectly kept working time accounts. Undeclared work also constitutes circumvention of the minimum wage. Based on the available data, no correlation can be established between minimum wage increases and changes in the extent of undeclared work demanded or offered.
- 10** According to the customs authorities and the available qualitative studies, explicitly agreed hourly wages below the minimum wage are rare. Accordingly, existing figures from the earnings survey (VE) conducted by the Federal Statistical Office and the Socio-Economic Panel (SOEP) at the German Institute for Economic Research (DIW) based on paid or agreed hours are of limited relevance to the question of how many employees are presumed to earn wages below the minimum wage. Neither survey is designed to measure non-compliance with the minimum wage. This also explains the wide range of results available. Nevertheless, they do provide indications of problems with compliance with the minimum wage. The non-compliance evident in the data is highest immediately after adjustments to the statutory minimum wage and decreases in the following months. Some of the non-compliance with the minimum wage is therefore due to delays in implementing minimum wage adjustments in companies. Regardless of their significance for

measuring non-compliance with the statutory minimum wage, both surveys are important data sets for analyzing developments in wages and working hours.

- 11** An important prerequisite for the implementation of the minimum wage is knowledge of the current level of the statutory minimum wage. Representative employee surveys commissioned by the Minimum Wage Commission found that 97 percent of respondents were aware that a minimum wage existed, but only just under half of respondents knew the approximate level of the minimum wage within a range of 50 cents of the actual value. Employee groups that are disproportionately affected by the minimum wage showed a particularly low level of awareness. Just under three-quarters of those surveyed were not aware of any publicly available sources of information on the minimum wage. The vast majority of those surveyed obtained their information on the minimum wage from their social environment or company sources. From the perspective of the Minimum Wage Commission, an important prerequisite for compliance with the minimum wage is that companies and employees are aware of its current level. It is therefore desirable to expand the information available on the statutory minimum wage and to better target minimum wage earners. The Minimum Wage Commission has contributed to improving the information available by updating and expanding its website.

Minimum wage and employment

- 12** The labor market experienced a downward trend during the reporting period, mainly due to economic and structural challenges, which was reflected in rising unemployment and a decline in job vacancies. In both western and eastern Germany, employment growth in the sectors heavily affected by the minimum wage declined in the fourth quarter of 2022, following the increase in the minimum wage to €12 in October 2022. In particular, the development of employment subject to social insurance contributions in the sectors of the economy strongly affected by the minimum wage was significantly below average, while marginal employment in these sectors grew more strongly than average. Following the increase in the minimum wage to €12.41 in January 2024, no significant change in the development of employment can be observed.
- 13** The vast majority of causal analyses available on the introduction of the minimum wage in 2015 and on the adjustments to the minimum wage up to 2021 find no significant effect on employment subject to social insurance contributions, but a significant decline in exclusively marginal employment. With regard to total employment, which comprises employment subject to social insurance contributions and exclusively marginal employment, the empirical studies find at most a moderately negative effect. Current causal analyses of the short-term effects of raising the minimum wage to €12 do not show uniform findings. A study based on company surveys shows a decline in total employment, which is mainly due to a decline in employment subject to social insurance contributions. One study finds a negative effect on employment subject to social insurance contributions, but this is not entirely robust when alternative estimation methods are used. Two studies find no significant effect on employment subject to social insurance contributions. In addition, the majority of studies find no minimum wage-related effect on marginal employment, which the authors attribute to the simultaneous introduction of a dynamic adjustment of the threshold for marginal employment in line with minimum wage developments. The mixed findings indicate that the effects of the minimum wage on employment must continue

to be monitored and investigated. With regard to unemployment, causal analyses have not yet shown any increase attributable to the minimum wage.

- 14** Negative employment effects of the statutory minimum wage were mainly observed in regions with low gross domestic product growth prior to its introduction and prior to the increases in the minimum wage in 2019 and 2022. Causal analyses also suggest that the strongest decline in employment occurred in regions that were heavily affected by the minimum wage both when it was introduced and when it was increased in 2019 and 2022. Consequently, the negative effect on employment is more pronounced when regions are affected repeatedly by minimum wage increases and to a comparatively large extent. In terms of individual economic sectors, minimum wage-related declines in employment subject to social insurance contributions were recorded in manufacturing and in the “mining”, “energy”, “water supply”, and “waste management” sectors, among others. Growth was seen in the arts, entertainment, and recreation sector. In marginal employment, minimum wage-related declines were particularly evident in the four sectors of “transportation and storage”, “agriculture, forestry, and fishing”, “education” and “other economic services”.
- 15** The literature on the working time effect of the introduction and adjustments of the minimum wage shows mixed results. Some causal analyses find a minimum wage-related decline in the weekly working hours of the employees affected, while other studies cannot identify any significant effect. A reduction in working hours has been observed in the majority of studies as a result of the introduction of the minimum wage, but not as a result of the adjustments to the minimum wage to €9.82. With regard to the increase in the minimum wage to €12, the available evidence points predominantly to negative effects on working hours. Two causal analyses find a negative effect on weekly working hours, while one study finds no significant effect on the working hours of full-time employees. The decline was more pronounced for men than for women and was slightly more pronounced in western Germany than in eastern Germany. The mixed findings indicate that the effects of the minimum wage on the weekly working hours of employees should continue to be monitored and investigated.
- 16** Labor demand in the form of job vacancies declined more strongly in the two-year period between 2022 and 2024 in the economic sectors heavily affected by the minimum wage than in the economy as a whole. The decline in the economic sectors heavily affected by the minimum wage was more pronounced in eastern Germany than in western Germany. According to the results of the causal analysis available, the probability of a company offering job vacancies declined in 2022 and 2023 due to the minimum wage. In addition, there was a negative minimum wage effect on the propensity of companies to hire additional workers during this period.

Minimum wage and competition

- 17** In particular, the introduction of the minimum wage in 2015 and its increase to €12 in October 2022 affected a high proportion of companies in Germany, with figures ranging from 12 to 37 percent for the introduction and from 23 to 57.5 percent for the increase to €12. The exact extent to which companies are affected by the statutory minimum wage varies depending on the data set and definition. Despite different levels, the data sets show similar patterns. Companies in eastern

Germany and in the service sector are affected more than average. Small companies in particular have a high proportion of minimum wage earners. The proportion of affected companies decreases with increasing company size. In addition, companies that are not bound by a collective agreement are comparatively more frequently affected by the minimum wage.

- 18** The statutory minimum wage has only a limited impact on the total wage bill for the economy as a whole. Assuming that all eligible employees receive the minimum wage and that there are no changes in working hours, the Federal Statistical Office estimates that the monthly wage bill increased by around 0.34 percent as a result of the increase in the minimum wage to €12, and by around 0.07 percent and 0.05 percent for the minimum wage increases to €12.41 in 2024 and €12.82 in 2025, respectively. The significance of the minimum wage for the economy as a whole differs from that for the subgroup of companies affected by the minimum wage. For these companies, causal analyses show an increase in the wage bill per employee of around 3 percent as a result of the increase in the minimum wage to €12.
- 19** Companies have responded to the increase in the statutory minimum wage to €12 with various adjustment measures. According to largely consistent results from several company surveys, the most common adjustment measure in response to the minimum wage increase to €12 is to raise the prices of products and services. This was more common in eastern German companies than in western German companies. Companies also reported reluctance to invest, reduced willingness to hire, reductions in working hours and, to a lesser extent, layoffs.
- 20** Consumer prices rose strongly between 2022 and 2024. This was mainly due to price increases for energy and food as a result of Russia's war of aggression against Ukraine and the economic consequences of the coronavirus pandemic. According to a causal study on the effects of the introduction of the statutory minimum wage and the subsequent nine increases up to 2024 on consumer prices, the minimum wage has led to the consumer price index in the twelve months following the introduction of the minimum wage in January 2015 and in the twelve months following the minimum wage increase in October 2022 to be higher than in the hypothetical case of no introduction or no increase of the minimum wage. The largest price increases in this study were found in the product groups "food and non-alcoholic beverages" and "restaurant and accommodation services". The other minimum wage increases, which were smaller in magnitude, had no impact on consumer prices. Further causal analyses, which only examined the effects of the introduction of the minimum wage in 2015, confirm a minimum wage-induced increase in consumer prices.
- 21** The increase in the minimum wage to €12 in October 2022 led to an increase in total investment per employee in businesses affected by the minimum wage, but not to an increase in their expansion investment per employee. The introduction of the minimum wage in 2015, on the other hand, led to a decline in investment activity in companies affected by the minimum wage. This applied to both total investment and expansion investment by companies. This suggests that businesses affected by the minimum wage responded to its introduction with short-term savings in investment, while they responded to the increase to €12 with an expansion of capital investment. The smaller minimum wage increases between 2017 and 2021 had no impact on investment activity. The level of investment in companies affected by the minimum wage is generally significantly lower than in other companies, regardless of the minimum wage.

- 22** The increase in the minimum wage to €12 in October 2022 had no negative effect on companies' profits in either 2022 or 2023. The introduction of the minimum wage in 2015, on the other hand, led to a decline in profits for affected companies. Between 2015 and 2019, profits at companies affected by the minimum wage were up to 9 percent lower per year than at companies not affected. This effect was particularly noticeable in companies in eastern Germany and in companies facing high competitive pressure. No effects were observed for the other, smaller minimum wage increases between 2017 and 2021.
- 23** Between 2022 and 2023, business deregistrations and insolvencies increased both in the economy as a whole and in the sectors of the economy most affected by the statutory minimum wage. During the same period, business registrations also increased in the economy as a whole and in the sectors of the economy heavily affected by the statutory minimum wage. These opposing developments do not allow any conclusions to be drawn about the effects of the minimum wage increases during this period. Causal analyses of the effects of the minimum wage increase to €12 are not yet available. With regard to the effects of the introduction of the minimum wage in 2015, causal analyses show a slight reduction in the number of companies due to the minimum wage, which is attributable to an increase in the number of micro-enterprises with up to four employees leaving the market. Corresponding study results show that employees have moved to larger and more productive companies as a result of the introduction of the minimum wage.
- 24** Qualitative research findings indicate that price competition has decreased in some areas since the introduction of the statutory minimum wage and that competitive conditions for companies have become more transparent, as they can no longer gain competitive advantages through wage differences. Company managers report that competition based on very low wages is no longer possible due to the introduction of the minimum wage and that companies with a corresponding competitive model have left the market. At the same time, there are companies that perceive increased competitive pressure due to the minimum wage, which is attributed, among other things, to declining profit margins and higher personnel costs. Small and medium-sized companies in particular complain of a distortion of competition in favor of large companies and retail chains.
- 25** The Minimum Wage Commission will continue to examine the effects of the minimum wage as part of its statutory mandate for ongoing evaluation. To this end, in fall 2025, it will adopt a research program for the period up to 2027 that will cover the key topics of evaluation specified in the Minimum Wage Act and address existing gaps in research. In doing so, it will be able to build on a broad range of research conducted on its behalf since 2015.