



## MOONLIGHTING IN GERMANY

**I**magine taking on a grueling second job in order to make ends meet—and then finding out that new tax laws will slash almost in half the income you earn from that position. Moonlighters in Germany are facing just this scenario. Since the 1970s, Germans working a second job paying less than \$350 a month have not had to pay social security or income taxes on that extra income. This opportunity to earn additional wages had attracted 1.4 million people—mostly women, students, and retirees—to jobs in hotels, restaurants, cleaning companies, and other industries offering low-paying positions. This long-standing arrangement provided much-needed income to the very people who often find it hardest to get work.

But beginning this past April, the German government has started taxing moonlighting income to the tune of 44 percent in an effort to boost tax and other revenues. The irony is that the extra taxes are being collected to pay for Germany's social safety net—even as the new law threatens to impoverish the people who need that net the most.

The picture is complicated by another motive behind the new tax law: pressure from labor unions on employers to hire more full-time workers to occupy jobs now held by more cheaply paid part-timers. As the union members argue, why should moonlighters be free from taxes when full-time employees are taxed on any overtime work they perform? Further, the unions believe that efforts to turn part-time jobs into full-time positions will help reduce Germany's 10.6-percent unemployment rate.

### A Controversial Move

The recent measures are sparking intense controversy. Klaus Achenbach,

state secretary for Germany's labor minister, agrees with the labor unions, insisting that "it isn't fair that someone with a second job doesn't have to pay taxes." Adrian Ottnad, an economist at the Bonn Institute for Social and Economic Research, laments, "This is the totally wrong approach. It's just piecemeal engineering." Instead, Ottnad argues, the government should develop more sweeping reforms to build flexible labor markets.

Moonlighters themselves have cried foul because their extra jobs don't pay that much in the first place. And some economists accuse the government of inadvertently destroying jobs at a time when Germany most needs to create new jobs and strengthen its service sector. Their concern may have merit: Already, many moonlighters have quit their second jobs. Hotels, restaurants, and cleaning services are expected to lose as many as 800,000 employees as part-time workers decide that a second job just isn't worth the pay.

### Complex Consequences

The word "fair" keeps cropping up in the debates over the new tax. But fairness is perhaps not the point. What really matters is the impact that the new measures will have on the German economy—and whether that impact will be what the government intended. As one example of possible unanticipated consequences, imagine what life might be like if the majority of low-paid service workers quit their jobs. Offices would go uncleaned; fast food would no longer be fast; check-out lines at the grocery store would lengthen. Some German forecasters claim that the moonlighting tax will actually raise unemployment rather than lower it. And the potential consequences of encouraging an already booming underground job market make this troubling picture even more disturbing. ■

Source: Karen Lowry Miller and Katharine A. Schmidt, "Revolt of the Moonlighters," *Business Week*, May 31, 1999.

—Lauren Keller Johnson

### YOUR WORKOUT CHALLENGE

*Systems Thinking Workout* is designed to help you flex your systems thinking muscles. In this column, we introduce scenarios that contain interesting systemic structures. We then encourage you to read the story; identify what you see as the most relevant structures and themes; capture them graphically in causal loop diagrams, behavior over time graphs, or stock and flow diagrams; and, if you choose, send the diagrams to us with comments about why the dynamics you identified are important and where you think leverage might be for making lasting change. We'll publish selected dia-

grams and comments in a subsequent issue of the newsletter. Fax your diagrams and analysis to (781) 894-7175, or email them to lauriej@pegasuscom.com. Remember, most situations can be examined at several levels of complexity—there's something here for beginners as well as for advanced practitioners.

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