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Germany

# Reds, greens and 'reform'

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**After 16 years of the liberal-conservative government of Helmut Kohl - which were, particularly at the end, 'years of lead' - the electoral victory of the Social Democratic and Green coalition (SPD, Grünen) in autumn 1998, had engendered a certain climate of optimism, above all in trade union circles. If their words were to be believed, the social democrats wished to 'modernize' Germany while preserving 'social justice': "We wish to reconcile the current level of social protection with a better use of the market. We do not wish to do things differently, but rather better," said the new SPD chancellor, Schröder at his meetings.**

[<https://internationalviewpoint.org/IMG/jpg/09schröderhartz.jpg>]

Schröder with the architect of the pensions 'reform', Peter Hartz, himself a worker director at Volkswagen

Initially, in its honeymoon phase, the new government passed some reforms, abolishing certain counter reforms of the former government. Obviously we are not talking about radical measures in favour of employees, but there were some improvements concerning pensions and social benefits (for example the cost of dentures was again reimbursed). On the environment, the introduction of the ecological tax, intended to reduce the consumption of energy, was welcomed. Rapidly, however, the tensions inside the government - between the neoliberal wing, led by Schröder and Fischer, and the neo-Keynesian wing, led by Lafontaine - exacerbated to the point that Lafontaine had no other choice than to submit or resign from the government (and the party, of which he was president).

From this time on all governmental measures have followed the neoliberal logic of the defence of the 'national position' and the strengthening of 'supply':

– Tax reductions have benefited the richest and big capital: the tax rate on the highest incomes has fallen from 53% to 48.5% and will soon be 42%, while the rate on company profits has been reduced from 40% to 25%;

– Pensions reform - known as 'Riester- Rente' from the name of the former number two of the IG Metall trade union, who was Minister of Labour in the first Schröder government - ended in a partial privatization supported by the state and a partial abandonment of the system of distribution;

– Measures taken in the 'struggle against unemployment' render the unemployed responsible for their situation and introduce de facto a situation where they can be forced to take a job;

– The new immigration laws recognize for the first time that Germany is a country of immigration, but make the interests of the country the only guideline in allowing immigrants the right to stay. At the same time, the measures of dissuasion against 'undesirable' immigrants are being strengthened by the setting up of camps and prisons of expulsion.

– Efforts are being made to transform the federal army into a rapid deployment force, within the framework of the establishment of a European army (for the moment with France, Belgium and Luxemburg). Already, in the 'white book' of the conservative Minister of Defence, the interests of the greater Germany were defined as 'worldwide', above all in the area of the supply of raw materials which the country needs. The current coalition is continuing this approach.

All these measures did not stop the country from sliding into recession from the second quarter of 2001; in 2002, the

year of the elections, there was a modest growth of 0.2%. As recovery was slow in coming, all the polls predicted defeat for the 'red-green coalition'.

The threat of war against Iraq and the horror of war felt by most Germans allowed Schröder to recover in the polls. His firm opposition to Bush's plans won him recovered popularity. Moreover, the serious flooding in the south of the former GDR allowed Schröder to play a commanding role and win the sympathies of the majority of people in the East. All this had been well orchestrated by the mass media, which Schröder is adept at using. The Schröder-Fischer team finally won the elections with some 13,000 votes to spare.

## Agenda 2010

After the elections, the promised recovery still did not materialize. The German economy remained in recession and growth in 2003 was close to zero. In this context, a capitalist attack on wages (direct and indirect, that is social charges), supported by government policy, strengthened pressure on wage earners and the unemployed. The economic situation was also the main reason for the new measures of tax reduction. These should (in theory) lead to the abolition of subsidies, but in reality they have led to an explosion of the public debt (federal State, Provinces, Communes), which was already nearly 1,300 billion euros.

"We must reduce state benefits, favour individual responsibility and demand more effort from everyone" said Schröder to the Bundestag, on March 13, 2003, summing up the policy of 'reforms' adopted by the red-green coalition. In the Chancellor's view, labour is too dear in Germany, the 'second wage' [1] is too high and is the 'structural cause' of the difficult situation of the economy. In reality these costs are the consequence of mass unemployment and German unification. In proceeding to the destruction of the native industry of the East German capitalism threw two to three million people out of work. [2]

Agenda 2010 is the renewed and radicalized version of the 'Hartz proposals' [3] of the past year, which the chancellor claimed would reduce unemployment by two million. The core of the proposals of the Hartz commission was to create in each district a Personal Services Agency (Personal Service Agentur, PSA), if possible on a private basis, though in case of lack of interest on the part of the private sector the 'labour offices' (ANPE) should take responsibility. These PSAs should 'employ' the maximum of unemployed people on a temporary basis and hire them out to enterprises. The talk is of 'creating' 780,000 jobs by 2005. "We have freed temporary work from bureaucratic rules and we have revalorized it, so that companies can meet their needs for qualified personnel in a flexible manner," [4] Schröder told the Bundestag.

The second aspect of the proposals of the Hartz commission is the installation of jobs at discount rate, where the employer is exempted from the essential of the social charges and taxes when the wage is less than 400 euros, whereas for jobs paid between 400 and 800 euros the employer only pays a reduced percentage of social charges. Those who wish to become self-employed workers or create a small company can form a 'Me-plc' ('Ich-AG' - what an expression!) and receive, if their incomes do not exceed 25,000 euros per year, a monthly subsidy of 600 euros the first year, 360 the second and 240 the third year, on condition they do not claim unemployment benefits. By these measures the government hopes to create 500,000 jobs.

The measures will create a sector of badly paid and insecure work (or enlarge massively an already existing sector), what the Americans call the 'working poor', workers who cannot live from their working incomes. The aim is also to reduce the average cost of labour in Germany, while worsening the crisis of social funds, deprived of contributions by the exemption of the employers from charges.

Agenda 2010 is a still more direct attack on the unemployed: until now unemployment benefit (Arbeitslosengeld, 58% of net salary) was paid for a maximum of 32 months. Now the maximum period will be 12 months for those under 55, and 18 months for those above that age. Through these measures the unemployed will lose a sum of 3.8 billion euros; the maximum loss for an individual could be 14,000 euros a year. After one year of unemployment the German ANPE normally pays a benefit (Arbeitslosenhilfe) according to need, but with a ceiling of 53% of the net wage earned before being laid off. Now the long term unemployed will only receive a minimum income (RMI, around 560 euros for a single person and 920 for a couple, but with regional variations). Some 1.8 million people will lose their benefit (a loss of around 3.6 billion euros per year) and between 30% and 40% of the unemployed will no longer be covered.

The reductions of sickness benefits are another aspect of Agenda 2010. The deficit in this area - in the order of 3.5 billion euros per year - was the pretext to open negotiations between the SPD health minister, Ulla Schmidt (a former Maoist) and the specialist of the CDU/CSU and former Minister of Health Horst Seehofer, seeking to reduce health expenditure by 20 billion euros. The proposals are intended to stop the reimbursement of dentures and threaten the maintenance of sick pay beyond six weeks - which could open a market in private insurance.

## Post modern vision

Speaking of Agenda 2010, the former SPD treasurer, now president of the Swiss university of St Gallen, Peter Glotz, formulated the 'post modern' social democratic vision in these terms: "The society of skills appears as a society of the conscious exclusion of many people from modern work... We must in the long term live with a new social underclass, which cannot fill jobs demanding high skills, or accept those which demand an effort."

According to the first report on poverty and wealth published by the federal government and covering the period 1990 to 1998, "the analysis of development in Germany until 1998 shows that social exclusion has grown while the justice of redistribution has decreased". [5] At the time the red-green coalition spoke still of a "struggle against social exclusion and inadequate assistance as an integral part of our global strategy". [6]

Speaking of 'courage for change' Agenda 2010 exposes the distance between discourse and practice. This distance is illustrated by the use of a terminology borrowed directly from Orwellian Newspeak: increased charges on wage earners are called 'individual responsibility', the reduction of social benefits 'incentives for more jobs', gifts to the rich in taxes are 'boosts for investors' and the extension of insecure work is called 'flexibility of the labour market'.

Since 1973 the rate of unemployment has gone from 1.2% to over 10% of the workforce. 1.8 million of the unemployed have been out of work for more than a year. A third of the unemployed are poor according to the criteria of the European Union, that is they earn less than 50% of the average income. Since 1974 the number of people living with a minimum income has quadrupled in the West and at the East it has doubled since 1993, to reach 2.7 million, of which 1.1 million are under 18. All the research shows that exclusion in youth has very serious implications for the future.

## The left in the SPD and the Greens

After Schröder's governmental declaration of March 14, eight social democratic deputies began to collect signatures for the organization of a referendum in the party (this requires the signatures of 10% of members, or 67,000). Speaking of "concern for the future of our party" while supporting "our federal government led by the SPD and our

chancellor Schröder", they formulated demands in opposition to the official party policy: "We are against a privatization of life-risks. The reductions of unemployment benefit, of minimum income and the threat to sick pay are asocial and will bring about a dangerous regression in consumption. Instead of improving the public budget by the sole road of reducing expenditure, we should tax the big fortunes. We support the reintroduction of taxation on big fortunes. We are against the reduction of taxes for the rich and against the lowering of the rate of imposition for the highest band of income tax. We need to boost the demand of low and middle incomes, so that private demand supports the conjuncture and creates jobs. The rights of wage earners are not an obstacle, but a precondition for a productive and qualified job... Strong trade unions are for us an integral part of economic life which cannot be renounced". [7]

The leadership of the party reacted immediately, convoking an extraordinary conference in Berlin. This conference was well prepared and orchestrated; everywhere there were slogans like "Our road in the future: Agenda 2010" or "Agenda 2010 is a social democratic programme for growth and jobs". The conference applauded the interventions of the chancellor, the governmental team and also those of the opposition. Most delegates, even critical, stressed that the chancellor should not be weakened. Finally, despite the critics, some 90% of delegates voted for the proposals of the Schröder team. The little rebellion, which had collected 20,000 signatures, evaporated.

[<https://internationalviewpoint.org/IMG/jpg/11igmetall.jpg>]

IG Metall workers in the forefront of opposition to pension reform

Virtually the same thing happened with the Greens, where the drift towards neoliberalism has met with very little organized opposition, although dissatisfied individuals have left the party.

All the parties in Germany are currently losing members, but the SPD is leading the way.

## In the unions

With German unification and the integration of the official unions of the former GDR in the DGB [8] there was initially a growth of influence of West German unions which were invited to cooperate in the conquest of the East. The union leaderships criticized neither the dismantling of East German industry nor the programmes of privatization drawn up by the Treuhand. [9] And the boom which followed the unification allowed a growth of wages and a 'national euphoria' both in the workers' movement and in society as a whole. The unions won a lot of members through fusion with the Eastern unions; total membership exceeded 11 million (since then they have lost nearly 30%).

Then came ordinary capitalism... the crisis of 1993-1994 and attacks from the employers. The union leaders were not at all prepared for this. The head of IG Metall, Klaus Zwickel, proposed an 'alliance for work' with the employers and the government: that is, the union would not press its demands for increased wages if, in return, the employers employed more workers. But for the bosses, these proposals were an invitation always to ask for more, above all a massive reduction of social benefits to reduce social charges beneath the barrier of 40%. The Kohl government, agreeing with the employers' proposals, began to transform them into legislation. The unions then left the famous 'alliance' and mobilized against the government, which was ultimately one of the reasons for the end of the Kohl era.

Under Schröder, everything started again. At the beginning there were concrete agreements, and even a small real increase in wages - above all in the area of services - but with the new recession the new alliance broke up, and the unions no longer had an interlocutor for their 'social partnership'. The union leaderships, still faithful to social democracy, developed a kind of 'division of labour' with the latter, the attacks of the red-green government finding little resistance. Thus, whereas for 20 years the unions had protested against temporary work, they signed a collective convention which accepted the principle that the employees with the PSA should receive a reduced wage.

The union helped create a low wage sector, and they did very little to defend the collective conventions of the regions (FIÃchentarifvertrag). In the East, this kind of convention is still valid for less than 40% of employees; and this figure is permanently falling, while 25% have firm-by-firm conventions and 30% have no collective convention. (In the West these figures are respectively 60%, 10% and 15%.) The differences between the two parts of Germany are still increasing, and there is not only an enormous difference of political culture, but also an ever-greater atomization of the working class in the East.

## A serious defeat

Officially the metalworkers work 38 hours a week in the East, or three hours more than in the West. The reality is often much worse. To fight against the destruction of the collective convention and the ever greater differences between the two parts of the country, IG Metall called a strike for the 35 hours in the East.

Everybody knew that this was a daring move, given the pressure of the employers and the propaganda of the mass media. The strike was solid for nearly five weeks, despite some incidents where strike-breakers were taken into the factories in lorries or even helicopters.

But the long strike led to an interruption of production in the big car companies in the West - Volkswagen, Opel, Mercedes and BMW - which led to a division inside the leadership of IG Metall. The campaign by the mass media, the pressure of the government and the division in IG Metall (between Zwickel and his second in command, Jürgen Peters, who is soon to replace him) led to the abandonment of the strike, which naturally caused great bitterness in union circles. People spoke of a betrayal of the strike by a part of the union bureaucracy.

In any case, it amounts to a serious defeat, with heavy consequences which will affect future struggles. Thus it is hardly probable that IG Metall could really defend itself and mobilize against the attacks of agenda 2010. The lost strike and the struggles in the leadership have led thousands of members to leave the union. An extraordinary conference has been called for September but it is not at all clear if the union will be in shape to elect a coherent new leadership.

The future of IG Metall, but also of Ver.di, the unified services union, will also have a significant impact for the development of social forums, which are beginning to be set up nearly everywhere in Germany, challenging neoliberalism in general and the policy of the Schröder government in particular.

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[1] By "second wage" he means social charges, which in Germany are on average 42%, of which the employers pay half. The current rate of pension contributions is 19.5%, that of sickness insurance is on average 14.5% and that of unemployment insurance 7.2%.

[2] The costs of German unification since 1990 are estimated at 900 billion euros, which coast at least 1% of growth per year.

[3] Peter Hartz is a worker director at Volkswagen at Wolfsburg who, in the past, had on several occasions, negotiated compromises on working hours with IG Metall. The land of Niedersachsen, where Schröder was minister-president before becoming chancellor, owned a quarter of the shares in Volkswagen, by far the most important enterprise in this province.

[4] Sozialismus, number 5/2003, p. 20.

[5] Lebenslagen in Deutschland ("Living conditions in Germany"), under the direction of the Ministry of Labour and the Social Order, Berlin 2001, p.

XV.

[6] Ibid. p. 215.

[7] See [www.mitgliederbegehren.de](http://www.mitgliederbegehren.de)

[8] Deutscher Gewerkschaftsbund is the confederation of German trade unions.

[9] The Treuhand was the state body responsible for the privatization and the sales of enterprises and lands in the East.