

Ten years after German reunification: a balance sheet

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A balance sheet of the social and political impact of German reunification would seem appropriate now that ten years have past since that historic event. Periodically over the coming weeks, the World Socialist Web Site will be publishing a number of articles to this effect. The first deals with the social consequences of reunification.

Ten years ago, when reunification and the introduction of a common currency marked the end of East Germany [the German Democratic Republic (GDR)], hopes loomed large for a brighter future. Today a more sober view shows that quite the opposite has occurred.

Social conditions for most of the population in both eastern and western Germany have declined dramatically. Furthermore, instead of the prophesied assimilation of former GDR regions with the western German federal states, social polarisation has increased. The East German federal states Saxony-Anhalt, Thuringia and Mecklenburg-Vorpommern have become the *mezzogiorno* of the Federal Republic—a region where poverty, mass unemployment and cultural decline predominate. The current situation is reflected most dramatically in the renewed increase in the migration of, above all, young people from the east to the west.

Bischofferode, a town widely known a few years ago for its resistance to the closure of the Kali coal mine, offers a revealing picture of the desolation to be found nowadays in the smaller towns of eastern Germany. Since the end of the miners' hunger strike and the shutdown of their mine in late 1993, the town has lost between 500 and 600 of its inhabitants—more than 20 percent of the total population.

Only 10 percent of the 700 to 1,000 full-time jobs promised to the Kali workers have actually materialised. Of the 700 miners, 106 are still employed in post-closure operations in the pits. When this is finished and they become unemployed, they will only receive interim financial assistance amounting to 40 percent of the miner's pension to which they will eventually be entitled—despite decades of work underground.

Latest unemployment figures highlight the ever widening gap between some of the regions of eastern and western Germany. While unemployment in the west reached 8.2 percent in June, the jobless rate in the eastern part of the country was more than twice as high at 17.8 percent.

Whereas in Saxony-Anhalt almost 20 percent of the population capable of working was unemployed (a level comparable to that on the impoverished Italian island of Sardinia), only 5 percent are unemployed in Bavaria and Baden-Württemberg. Over the past two months, unemployment in the west has fallen owing to increasing exports. In the east it remains unchanged at its previously high level.

However, these statistics alone cannot reveal the whole truth about the current situation. They do not record the full extent of the plight of millions in eastern Germany. The *Social Report 1999*, published last summer by the Centre for Social Science Research (SFZ) in Berlin-Brandenburg, provides more detailed facts and figures, illuminating conditions in eastern Germany more comprehensively.

Thus we see that the total number of working people in the new federal states fell from 9.7 million in 1989 to 6.1 million in 1998. The number of employed workers, grouped alone, decreased from 9.5 to 5.5 million—a drop of four million! A further 350,000 workers have indeed found employment, but at jobs in the west to which they must commute.

A survey by the SFZ showed that 53 percent of eastern Germans (between the ages of 18 and 59 and capable of working) had been unemployed one or more times by 1998. In 1998 a large proportion of those employed (12.6 percent) only had limited work contracts—in most cases, in state sponsored job creation schemes. At the same time, only 7.4 percent of employees in the west found themselves involved in this kind of project.

After reunification such programmes were widely used to cushion the heavy social impact of liquidating GDR businesses and hundreds of thousands of industrial jobs. At the time, so-called employment promotion agencies—formed with the direct compliance of state employment offices and the trade unions—were ostensibly to provide a temporary safety net for sacked workers until new jobs could be created. However, instead of moving into new jobs, most of those affected ended up in the new job creation schemes and other employment projects. The *Social Report* notes, “In most cases, change is taking the form of movement from one short-term job to the next, instead of transition into full-time employment.”

Apart from job creation schemes, vocational training programmes are being used to absorb those who were condemned to unemployment. Within the 25-59 age group, 57 percent participated in retraining as of 1998 of these, 27 percent once and 30 percent twice or several times.

Here, too, we see the same picture: people are changing from one vocational training programme to the next. “As in the case of other political measures relating to the labour market, the population of eastern Germany is seeing further education and retraining courses as periods interrupting permanent unemployment, rather than as schemes providing a real chance for re-entry into the world of work.” (*Social Report 1999*)

In recent years wide-scale demolition of major industries has transformed the former GDR from a traditional industrial region into one mainly oriented towards the service industries. While in 1989

some 45 percent of workers were employed in productive trades, now there are only 33.3 percent (every third one of whom is in agriculture) and 63.2 percent are in the service sector. Consequently, the export boom of recent months—resulting from the US dollar's high exchange rate—has had no effect on this region.

Meanwhile, the building industry has been shrinking and the number of small enterprises starting up is in decline. The *Social Report* comments: “Newly founded enterprises—above all, small and very small businesses (snack stands, used car firms, video shops etc.)—are providing a new, though short-term, basis of livelihood for former employees. But the chances of these enterprises surviving are very small.”

After initial euphoria over the introduction of the free market (which led many workers to set up their own small businesses), the predominant mood can now best be compared to a “hangover”. Early last year, the first demonstrations on the part of tradesmen and small business holders took place. In March 1999, small businessmen demonstrated in Erfurt under the slogan “Germany's burning and no one's putting out the fire”. In their speeches and interviews, participants reported they were increasingly facing bankruptcy because of large orders for which they were not being paid.

The case of Monika Schönemann exemplifies the situation. A large-scale enterprise that had commissioned her husband's heating firm allowed one of its sub-branches to go into bankruptcy, leaving the Schönemanns with a burden of debt amounting to several hundred thousand marks. With tears in her eyes, Monika reported that her husband was now unemployed and without any income. The large enterprise—that had destroyed at a stroke 1,000 jobs in small firms—is now operating under another name and, according to its financial records, has managed to appropriate six million marks in tax benefits.

Sackings are continuing in businesses left over from formerly large concerns, enabling these concerns to transform themselves into medium and small-sized enterprises. The *Social Report* points out that the proportion of businesses employing over 100 workers each declined from 47 percent to 38.5 percent from 1994 to 1998 alone. This has led to a massive loss of income for workers. Wages below the official rates are becoming widespread. From winter 1993/94 to the start of 1998, the proportion of eastern German industrial workers receiving incomes below agreed wage rates rose from 12 percent to 28 percent.

According to another official inquiry in 1997/98, 46 percent of all eastern German businesses employing at least five persons had no works committees (with workers' representation), nor were they subject to nationally agreed wage rates. In the west the figure was 29.5 percent. In the east the same conditions applied to more than half the businesses of up to 20 employees. In the west it was 32.8 percent.

Hourly wages of 15 marks and less for jobs offering yearly holidays of only 20 days and without Christmas bonuses or holiday pay have since become the norm. On average, the working week is two hours longer in the east compared to the west. In 1999 the average net monthly income for households in the east was 3,960 marks—25 percent below incomes in the west (5,250 marks).

Not surprisingly poverty levels increased more than three-fold from 1990 to 1999. At present, every tenth person in eastern Germany is living in poverty (where the poverty line is deemed to be 50 percent of the average income in the eastern states). Furthermore, the number of people receiving social benefits in the east—though far fewer than in the west—has been growing rapidly. In August 1999 the number had risen by 7.5 percent compared to the previous year. In the west it had

fallen by 1.6 percent.

Some inhabitants of eastern Germany have become very wealthy and now number themselves among the country's millionaires. Nevertheless, the 260 people earning more than a million a year constitute an extremely thin layer of the population. In comparison, there are almost 25,000 millionaires in the west.

Social decline is also expressed in other aspects of society. The birth rate, which by 1994 had decreased to 50 percent of its 1989 level, is more or less constant now at a little over 50 percent. Life expectancy in the east has been on the decline. For men it lies at 72 years (74 in the west), for women at 79 (80 in the west). In the meantime, up to a million flats are standing empty in the housing estates. Some towns in eastern Germany complain that up to a third of their council flats are unoccupied. Fewer and fewer people want to live in eastern Germany. By 1999 the population had declined by 1.144 million.

Ten years on the situation is negative not only for the population of eastern Germany. Reunification also initiated a downturn in the west and led to an ever deepening gulf between the rich and the poor. According to Richard Hauser, a researcher into poverty, the proportion of all those in the west living on less than 60 percent of the average income increased from the beginning to the middle of the 1990s from just 19 percent to almost 22 percent (in the east, from almost 11 percent to 14 percent). For families with one child, that meant a monthly income of roughly 2,500 marks in 1997. In the course of this social decline, whole layers of the middle class are being drawn into the downward spiral.

A study by the DIW (German Institute for Economic Research) found that since 1991 the social status of almost half the people with middle-range incomes had deteriorated. According to the findings of the poverty researcher, Irene Becker, the upper ten percent of households in Germany are in possession of “almost half the nation's private wealth—as recorded by the Federal Bank—of twelve billion marks”, while the lower half can lay claim to a mere four percent.

Richard Hauser no longer speaks of the “two-thirds society” (the conventional view of German society as consisting of two-thirds of the population who are well-off), but rather of the “four-fifths society” (the realisation that the nation now consists of four-fifths who are not well-off).

Ten years after reunification it is more evident than ever that Germany is a class society in which the overwhelming majority of the population is becoming poorer and poorer, while a small minority is becoming fantastically rich. The collapse of the GDR has also marked the end of Germany's post-war “social market economy”.

Profound social conflicts—for which none of the traditional parties have answers—are accumulating beneath the surface of everyday life. The widening gulf between the richer federal states and the economically depressed regions is preparing the ground for a massive social explosion. While politicians in the more prosperous states (like Bavaria) vehemently demand an end to the financial support being given to the east and stir up resentment towards the people of eastern Germany, social conditions in the east are spawning ever more virulent right-wing tendencies seeking to capitalise on social misery.



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