

German Social Democrats and trade unions demand cheap labour

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In the run-up to the recent national elections in Germany, Chancellor Gerhard Schröder based his election campaign on the Hartz Commission's recommendations for reform of the labour market. In doing so, he was pursuing a cherished goal of the business community: the establishment of a broad cheap labour sector that would undercut established standards for working conditions.

The chancellor launched the 14-member commission last spring, after Germany's unemployment figure once again topped the four million mark. It had the task of preparing recommendations for a reorganisation of the labour market. Besides the chairman, Peter Hartz—head of personnel at Volkswagen and long-time confidant of Chancellor Schröder—the commission includes business managers, management consultants, representatives of various associations, trade union officials and economics professors.

On August 16, the commission presented its 343-page final report entitled "Modern Services in the Labour Market". The pompous presentation ceremony in the French Cathedral at Berlin's Gendarmenmarkt proceeded in stark contrast to the reality of most people's lives. Outside the ceremony, self-help groups for the unemployed demonstrated against the plans, while parts of eastern Germany were sinking under the recent floods.

The federal cabinet hastily accepted the report and resolved to implement it. Chancellor Schröder promised that, once re-elected, he would give the report top priority and would personally see to the speedy implementation its recommendations. There was also broad agreement with the Hartz proposals from liberal and conservative quarters—from Guido Westerwelle (FDP—Free Democratic Party), Lothar Späth (CDU—Christian Democratic Union), Michael Rogowski (BDI—Organisation of German Industry), the Frankfurt newspaper *FAZ*, the *Zeit* newspaper and *Der Spiegel* magazine.

The recommendations boil down to suggestions for the introduction of much reviled "American conditions". In relation to its demand for the implementation of flexibility and deregulation of the labour market and social welfare system, the commission's report contains practically everything that the German business community has long demanded, including items which, until recently, the trade unions, the SPD (German Social Democratic Party) and the Greens had vehemently rejected.

In a television debate with his CDU challenger Edmund Stoiber, Schröder openly confessed that it had taken a scandal surrounding the issuing of fake statistics by the department of employment to push through the implementation of such drastic measures. He claimed that major calamities are sometimes necessary before public opinion is ready to accept steps of this kind.

The commission's report is divided into 13 so-called "innovation

modules". Some of these simply label well-known institutions with new and colourful names from the world of advertising. Thus, employment offices will in the future be called "job centres" and a person who is apparently self-employed will be referred to as an "I Ltd".

The report aims to reduce the number of unemployed by two million and achieve budget savings of 20 billion euros. This is to be accomplished by adopting already well-known methods: on the one hand forcing the unemployed into low paid and casual jobs or a new kind of ostensible self-employment; on the other, by systematically reducing and, in some cases, withdrawing unemployment benefits.

At the heart of the concept are so-called "Personal Service Agencies" (PSA). These will be casual labour firms, directly attached to the employment office. They will be subject to far less legal regulation than commercial firms promoting temporary jobs. An employer who contracts jobless people will not be obliged to observe workers' rights in cases of dismissal, and will therefore be able to return "borrowed" workers and demand others on a daily basis. Without a trace of shame, Hartz refers to this as "a free trial system". Contract labour will only be paid at the rate of existing unemployment benefits for the first six months. After that, the employer will provide a wage at a favourable (for him) PSA rate, amounting to two thirds of the standard wage. Finally, almost all legal regulations relating to casual labour (e.g., its prohibition in the building industry) will be dispensed with.

Another means of promoting low-paying jobs are the so-called "I Ltd" or "Family Ltd" concepts. Workers in these categories will be allowed to earn up to 25,000 euros a year and will have to pay an estimated tax of 10 percent. In this way, up to a half a million unemployed people will be transformed into ostensibly self-employed workers. Possessing hardly any form of social insurance, these people will then be able to offer their services to firms or well-off households—performing such work as filling shelves in supermarkets, doing housework, cleaning cars and windows, etc.

Those designated as "I Ltd" will compete on the open market with so-called "mini jobbers". These will be unemployed people, permitted to work as domestic help in order to earn up to 500 euros per month in addition to their unemployment benefits. Those employed in domestic service will be able to claim the amount they earn as a tax deduction. The conservative government of Helmut Kohl (CDU) failed in its attempt to introduce this kind of "incentive" for servants. Now it is being lauded by the SPD and the Greens as the answer to the problem of unemployment.

Unemployed people will be placed under enormous pressure to accept this kind of job. The onus of proving whether or not it is

“reasonable” to take a particular job—the regulations stipulating what is “reasonable” have been tightened up a total of eight times since 1975—will no longer be the responsibility of the employment office. Rather, the jobless person must be able to prove why the position offered him is unreasonable. The tightening of criteria for obligatory job-seeking mobility will compel the unemployed to accept practically any position anywhere in Germany—even when they are contracted for a mere six months. After six months of unemployment, all jobless people will be required to offer themselves as casual labour to the PSA. The opportunity to choose or refuse jobs will not be part of the scheme. Those unwilling to comply will have their benefits reduced or completely withdrawn.

It is not hard to foresee the consequences of this massive state promotion of cheap labour. Firms will discard regular jobs and take on “I Ltd” job-seekers or cheap casual labour. In particular, people employed as skilled craftsmen will be threatened with replacement by “I Ltd” workers, because up to half of those employed in craft industries and small enterprises will be entitled to become these apparently self-employed job-seekers.

The Hartz Commission also renounced any intention of offering training to every young person. It distanced itself from the concept of the three-year apprenticeship that has been practised up to now. Instead, young people will be offered “qualification modules”, designed to make them “capable of competing on the labour market”. In the future, apprenticeship placements are to be financed by means of “training period security bonds”.

Despite claims to the contrary by trade unions, support for the unemployed will also be reduced in line with the recommendations of the Hartz Commission. Unemployment benefits and welfare aid will be combined and granted only in cases of hardship. The extent of financial assistance will no longer be regulated in relation to previous salary. It will be based on the lowest rate of social support. This will lead to tough financial cuts for 80 percent of people currently drawing unemployment benefits.

In contrast, businesses will benefit from a generous reduction of their financial burdens. For example, if they can prove from their own employment statistics that they have recently employed someone—or merely not dismissed anyone—they will be exempted from having to pay social insurance contributions. By practising “job floating”—a kind of official contracting of labour—for potential workers from eastern Germany, medium-sized firms employing a jobless person will be able to receive injections of capital up to 100,000 euros at a favourable rate of interest.

One of the most notable features of the Hartz Commission is its close association with the German trade unions. The unions are supporting its recommendations; leading trade unionists held seats in the commission; and many of the recommendations originated directly from trade union executive boards.

Harald Schartau—a member of the commission and a former IG-Metall (engineering union) area manager for North Rhine-Westphalia—has long advocated pressuring the unemployed by means of tighter regulations and cuts to benefits. In the early 1990s, the IG-Metall initiated employment agencies, which organised low-paid work under the direction of former bosses of trade union works committees. The trade unions have also helped establish a low-wage sector throughout almost all of eastern Germany. In so doing they have commenced reversing all the gains made by the trade unions over past decades.

However, the recommendations of the Hartz Commission constitute

not only an attack on trade union gains. They also jeopardise fundamental democratic rights.

The right to freely choose a particular job and the principle of freedom to enter into contracts—every person having the right to freely decide whether and with whom the contracts are made, as well as to determine the content of contracts ascribed to—will in practice be abolished with the introduction of the Personal Service Agencies. Unemployed people will be forced to work for any employer who contracts them via the PSA, and to work under conditions and for wages dictated by the state.

The spirit of corporatism—whose origins are to be found in Italian fascism—pervades the commission and its recommendations. Mussolini’s corporate state was based on associations or corporations, drawn up in exclusive chambers, and not on democratically elected representatives of the people.

The Hartz Commission was also founded on this principle. It consists of 14 representatives of various organisations, nominated by the chancellor and unelected and accountable to no one. Urged by the chancellor, its recommendations were incorporated into the government’s programme, without any proper public debate. The SPD was forced to adopt them in its election platform, without its members even being able to express their opinion on the matter. All the work involved in putting together the party’s programme—work on which the local committees and lower-level SPD functionaries spend a great deal of their free time—and the many tons of paper printed in the process proved to be irrelevant.

In the spirit of the Hartz Commission, corporations become “the nation’s professionals”. Parliamentarians, workers in the employment offices, businessmen and businesswomen, functionaries from the labour associations and trade unions, scientists, educators, the clergy, journalists, artists and representatives of community organisations and clubs are urged to back and implement the project.

Or in other words: the whole weight of public opinion is to be mobilised by various lobbies in order to force the unemployed into low-paying jobs. Since his re-election, Chancellor Schröder has once again emphasised that the implementation of the Hartz Commission proposals is a main priority of his government. In the process, there will be little scope for the exercise of freedom, civil rights and self-determination.



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