Germany: Berlin public services face drastic cuts

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Berlin city hall is governed by a coalition of the Social Democratic Party (SPD) and the Party of Democratic Socialism (PDS), the successor to the Stalinist party of state in former East Germany. This so-called "red-red" coalition in the Berlin Senate is leading the national field when it comes to public service cuts.

The aggressiveness and arrogance with which the SPD/PDS are approaching this task far surpasses the preceding Christian Democratic Union (CDU)/SPD regime under Eberhard Diepgen. The Berlin Senate is signalling a national assault on public sector wages and working conditions with its withdrawal from the public sector employers' association and an initiative in the *Bundesrat* (second federal parliamentary chamber) aimed at worsening city workers' pay.

During the recent national public sector wage bargaining round, the Berlin city government announced its withdrawal from the local government employers' association effective January 31. As soon as a new contract had been agreed at the national talks, Berlin brought forward the date of its withdrawal by three weeks, in order not to have to pay the minimum wage increase that had been negotiated.

Interior Senator Koerting (SPD), who represents Berlin as an employer, justified this by stating that there should be a wage freeze. If this results in a strike, his spokeswoman cynically noted, that is still better than raising wages. Koerting said he would not be "extorted" by the trade unions. But who is extorting whom is obvious: the Senate is using all its means of exerting pressure to break the contract that the SPD had previously praised, and pay below contract wages.

In the first instance, withdrawal from the employers' association only affects blue- and white-collar city workers and employees. But other public sector undertakings in Berlin, which are operated partly as non-profit-making foundations or public enterprises, are also being pressurized to withdraw or—as in the case of the bodies running public transport and garbage disposal—to implement substantial savings.

Last week, the four Berlin universities and three of the four advanced technical colleges also withdrew from the local government employers' association. A spokesperson for the colleges said that the Senate had exerted massive pressure and threatened to remove subsidies paid from city hall. According to reports, the same threat was made in relation to the non-profit-making foundation running the city's museums and the Lette-Verein responsible for apprentice training.

In the negotiations, the trade union Ver.di is calling for Berlin to adopt the federally agreed contract, while Interior Senator Koerting is proposing a so-called "solidarity pact": a wage freeze, cuts in Christmas bonus and holiday pay for those on higher wage scales, as well as shorter hours for less pay. A Ver.di spokesperson said this "hardly gives any grounds for negotiations".

Negotiations over a solidarity pact failed last November, after Ver.di rejected a wage freeze and compulsory shorter hours combined with lower wages. In response, the union proposed additional incentives to encourage more voluntary part-time working. These concessions to the Senate failed because of substantial resistance from the rank and file, which was also reflected in union delegate meetings.

The Senate is justifying its approach by saying the "coffers are empty". It points to an annual "structural deficit" of €2.3 billion, and overall debts of €40 billion, which are rising daily by approximately €10 million. On November 5, Berlin city hall declared a budget emergency in order to draw down some €50 billion in federal assistance. Like the "aid" packets provided by the International Monetary Fund for highly indebted countries, this comes on condition that Berlin must "make cuts right up to the pain threshold".

An extensive austerity package already exists: €300 million are to be cut from the personnel budget by the end of 2003, including €30 million in child day-care, where staff shortages already mean chaotic and dangerous conditions. Tens of thousands of jobs face the axe; apprentices will no longer find a place in the public service.

The budget cuts will hit the poor hardest, with additional welfare payments for rent, clothing, heating, etc., for those on social security largely disappearing. The Senate has imposed such massive cuts in central funding to the city boroughs—which are responsible for disbursing welfare payments—that the Neukoelln district, with over 300,000 inhabitants and approximately 40,000 welfare benefits recipients, had to temporarily close welfare offices at the beginning of November and halt provision of some services.

The role of the PDS, which governs some districts in East Berlin, is worth noting. It is not seeking to dissuade the SPD from carrying out its cuts in social programs, as promised in its election campaign, but provides a shining example in implementing austerity measures. Last October, the PDS-governed district of Marzahn/Hellersdorf was the first to present a proposal to consolidate the budget, which it referred to as "private facility management".

PDS District Mayor Uwe Klett declared proudly that the goal was to "lower expenses drastically by employing new methods". The "new methods" consist of the worn-out prescription of privatisation, which was extensively employed in the former East Germany following reunification and led to a drastic decline in jobs. Klett would like to cut 300 public sector jobs by transferring all the state-run child day-care facilities to a private owner, as well as bringing private management into schools. Klett's plans have even led to discontent inside the PDS.

Another Senate decision has stoked up further indignation in the general public: The planned increase in pay for city councillors of around 1.65 percent will go ahead, despite the austerity packet. Instead a clothing allowance for senators will be cut, saving merely €200,000.

Berlin faces a critical economic and social crisis. The German capital is characterized by increasing poverty and unemployment. In December, unemployment rose from 17.1 to 17.9 percent, and 290,000 people are without work—the highest level since the fall of Berlin Wall. Only a quarter of an original 400,000 industrial jobs remain. As central government has cut back on subsidies it previously paid to firms to locate in West Berlin, enterprises have moved into the surrounding countryside. New closures have already been announced, such as Nestle, which will be shutting what was the world's largest chocolate factory. East German factories collapsed when the deutschmark became the official currency in the East, or they were sold off by the *Treuhand*.

But this is not the only reason for the financial crisis. In addition, there has been a collapse in tax receipts, which affects all the municipalities and can be traced back to years of tax handouts to big business and the wealthy, as well as the proverbial Berlin sleaze, by which top SPD and CDU officials enriched themselves for decades.