

# Germany: Government seals the fate of the welfare state

Ludwig Niethammer  
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December 19, 2003, will be go down as the date in post-war German history when the government sealed the fate of the welfare state.

At least 10 of the 15 laws passed on that date by the Social Democratic Party (SPD)-Green Party coalition government, with the support of the opposition, are aimed at curtailing the social entitlements of working people, either directly or indirectly.

Even during the period of the Weimar Republic (1919-1933), no German government was prepared to make such drastic alterations to the laws governing the welfare state in so irresponsible a manner. The prostration of numerous SPD and Green politicians, including the so-called left wing, to business organisations and pressure from conservative circles has assumed obscene proportions. Millions of people, in particular the unemployed, youth and pensioners, have been condemned to a life of misery by the “reforms” that have been agreed upon.

Claims by the government and opposition that the tax reforms were a first important step to combat unemployment—and would benefit low-income earners above all—have proved to be a sham.

Tax rates for lower- and middle-income earners have been lowered, with the entry rate of taxation reduced from 19.9 percent to 16 percent. But any additional income will be quickly eaten up by the rising costs bound up with changes to health and pension provisions as well as other forms of cuts.

Just a few of the new burdens for working people include the following: tax allowances for savers are to be reduced, as is the employee savings allowance; employee travel costs reimbursement and subsidies for those buying their own homes have also been reduced; and the tax on tobacco is to be drastically increased.

Corporations and the wealthy will profit by changes to the top rate of taxation, which has been reduced from 48.5 percent to 45 percent, and will benefit from a whole range of other privileges. Insurance companies, for example, can reap tax bonuses by offsetting their losses from share trading and stock companies at lower rates of tax.

Millionaires who in the past shifted their money abroad to avoid the taxman will be granted an amnesty. They will remain unpunished if they allow their fortunes to be taxed at the

reduced rate of 25 percent. What more could any business crook ask for?

The government has not even dared to introduce moderate wealth or inheritance taxes. In the course of the debate over the reforms, which were first introduced in March 2003 as part of the so-called “Agenda 2010,” Chancellor Gerhard Schröder repeatedly made clear that his government was responding solely to the needs of big business. Any hint of opposition inside the government’s own camp was nipped in the bud—although it did not take much effort. The small number of dissenters in the government camp and the trade unions were quickly brought into line when the chancellor threatened to resign.

Under the headline “Germany no longer recognises parties—and gets on the move,” the weekly paper *Die Zeit*, which is close to the government, cheerfully commented, “The negotiations drama in the Upper House was indeed a turning point.” The paper went on to surmise that a “collective change in consciousness” had taken place in Germany, which recognised that such “decisive measures were unavoidable.”

Moreover, *Die Zeit* acknowledged the irreplaceable role played by social democracy in pushing through such a ruthless programme of social destruction, which is deceitfully described as a “reform project.” The paper made the following apposite comment: “The agreed package corresponds to the ideas of the conservative opposition, not in every detail but in its direction.... As was the case with the Greens over the issue of military intervention, now it is the turn of the SPD, which in the course of its public conflicts has contributed to the change in mentality.”

## The measures in detail

The most dramatic changes have been made in the sphere of the labour market.

In the first place, radical changes have been made to the rules governing the type of work an unemployed person can be “reasonably” expected to take. From 2005, the long-term

unemployed must accept any legal job they are offered, even if wages lie way under union rates—even jobs for 1 or 2 euros per hour are permitted. This regulation is deliberately aimed at creating an army of cheap wage workers. It gives employers the legal means of transforming existing jobs with union wage rates into underpaid cheap labour. In order to accelerate this process, legal protection against unfair dismissal is to be relaxed. The regulations will only apply to companies with at least 10 employees.

In response to demands from the conservative opposition, the government even refused to introduce a minimum wage along the lines of many other countries. As a result, in the near future, highly skilled personnel will be competing with unemployed academics for the privilege of obtaining a poorly paid “McJob.”

Just a few months ago, leading SPD and Green Party politicians had given assurances that they were firmly opposed to the introduction of American-type social relations in Germany, but this is exactly what has been approved by parliament. The way has been prepared for wide-scale wage dumping and the driving down of wages. There is no longer any place for the existing broad tariff agreements, which for decades had assured a reasonable degree of wage stability.

In addition to the new rules governing “reasonable” forms of work that an unemployed person must take, the conditions for the receipt of unemployment benefits are also to be sharpened.

From 2005, unemployment benefits will generally only be paid for a period of 12 months. Then the unemployed will receive so-called unemployment benefit II. This is nothing other than a combination of the lower-rate unemployment support with welfare benefits. The normal amount paid will be equivalent to the rate of welfare benefit—i.e., 345 euros a month in West Germany and 331 euros in East Germany. Those jobless for more than a year are regarded as long-term unemployed and must accept any form of work offered, including “mini-jobs” or part-time work. Those turning down such work will either face reduced payments or have their benefit curtailed altogether—and this will generally be applicable to all young people.

For the first time since the foundation of the German Federal Republic in 1949, pensioners are to receive no increase this year to their pensions. Those going into retirement will receive their first payment at the end of the month instead of at the beginning. Those who have followed the advice of the government, and taken out their own private pension plans, will be additionally penalised by deductions made on their lump-sum savings upon retirement.

As soon as this package of cuts in social rights and entitlements had been agreed on by 96 percent of parliamentarians, leading politicians enthused it had been a “good day for Germany.” Finally, the mould had been broken and the employers could be offered further relief, or in the words of the German health minister Ulla Schmidt, notorious for her disastrous health policies: The reform is dead. Long live the reform!

The trade unions have played an especially cowardly and despicable role in the implementation of “Agenda 2010.” In the spring of 2003, a few individual trade union leaders declared their opposition, in the hope they could pressure “their Gerhard” to refrain from doing away with everything all at once. When they learned that the government was not prepared to make the slightest concession, they turned over on their bellies and stopped all forms of protest.

Trade union bureaucrat Frank Bsirske—chairman of the service-sector trade union Verdi, a member of the Green Party and widely regarded as a “left,” who had occasionally criticised “Agenda 2010” as “socially imbalanced”—took it upon himself to enter into a “constructive dialogue” with the government. A national demonstration against attacks on the welfare state held on November 1 in Berlin was boycotted by all the trade unions. The fact that 100,000 nevertheless took part in the protest indicates a growing social movement against government policies.

The SPD-Green Party government allows itself to be driven forward by the conservative opposition, the business elite and the media. Such a phenomenon is not limited to Germany, but is characteristic of social democratic governments all over the world. It has its roots in the crisis of the capitalist system, which no longer sanctions any policy based on relative social equilibrium.

An effective policy for the defence of all social and democratic rights requires a fundamental re-division of society’s wealth. The interests of the broad majority of the working population in every country can only be met on the basis of a reorganisation of economic life. This in turn requires a broad popular movement and the construction of a new workers’ party.



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## **Further dismantling of the welfare state**