

German ‘labour reform’: all-out attack on the unemployed

Dietmar Henning
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On July 9, the Upper House of Parliament voted through the so-called labour market reforms. With the agreement of the Upper House, a law that represents the greatest and most comprehensive change in German welfare legislation since the introduction of labour and social insurance by Bismarck in the nineteenth century passed its last parliamentary hurdle.

A week previously, the vast majority of factions in the *Bundestag* (Lower House) had already agreed to the bill. Not a single serious voice was raised against it. The vote resembled above all a conspiracy against the population. Although the two deputies from the Party of Democratic Socialism voted against it, their representatives in several state legislatures are already participating in preparations to implement the law.

When the law comes into force on January 1 next year, most of the more than 2 million long-term unemployed—those jobless for longer than a year—will receive far less money. Their entitlement will be reduced to an average of 345 euros a month, or 331 euros in East Germany. According to official calculations, half a million people will no longer qualify for any support on the basis of the new rules. The new law will drive millions of jobless and their families into bitter poverty.

Federal Economics and Employment Minister Wolfgang Clement (Social Democratic Party), whose post in the government was dependent on the passage of the law, even spoke of a “timely turn in the labour market.”

Even the name given to the new law—“unemployment benefit II”—is a fraud. In reality it is not a revised form of unemployment benefit but rather its abolition and transformation into social security, which is nothing other than a degrading pittance. In the future, those who have worked for many decades and lose their job through no fault of their own will be subject to the same humiliating conditions that apply to those drawing social security benefits.

The Labour Office will in the future demand the most detailed personal information from the unemployed. An example of the 16-page claim form that will have to be completed by those claiming benefits after July 19 can be found on the web site of the Federal Labour Agency. A claimant must not only provide detailed information about his own income, but also regarding the financial and personal situation of anyone living in the same household.

Under the previous regulations, unemployment benefits were calculated according to the last net wage. The long-term unemployed, those out of work for more than one year, received 53 percent of their last wage. The income and property of a partner or others living in the same household was not taken into consideration. By paying contributions into the unemployment insurance scheme during his working life, an unemployed person had a legal claim to unemployment benefit. This legal claim is now void. Like social security, “unemployment benefit II” is means-tested, and entitlement is checked down to the last detail. The income and property of any partner living in the joint household will now be taken into account.

For this reason, the claim form asks for the “income and property of those living in the unemployed person’s household.” Current bank account statements—both of the claimant and any partner—are required, as are statements showing the level of any savings.

“Property” includes money held in all bank and deposit accounts, but also includes cash, a car (the claimant is asked for information about the make, model, age and estimated value), life insurances, building society accounts as well as “other property (e.g., precious metals, antiques, paintings)”.

Since the law does not contain any definitions of the term “property,” it will be at the discretion of the individual advisers at the local labour exchange whether the inherited coin collection, granny’s old sofa or the painting in the living room represents “property.” Also, what represents an “appropriate” vehicle, furniture, household goods or dwelling is left to the labour exchange. What size dwelling, what furniture, what car is appropriate for an unemployed person?

Depending upon the decision of the local labour exchange, the claimant must part with his “property.” Under the new regulations, a claimant can only receive benefits after using up any property valued over the basic allowance. In this way, it is estimated that some half a million people will be pushed off benefits.

An unemployed person and his or her partner can only receive benefits if their savings are below 2,000 euros for each year of their life (up to a maximum of 13,000 euros per partner). Additionally, a claimant may retain up to 750 euros

for necessary acquisitions for each member of their household.

If an unemployed person has previously taken out capital-based life insurance for their old age they would have to cash this in prematurely and use up any proceeds—receiving far less than originally deposited. This fate will await quite a few, in view of the fact that some 70 percent of German citizens have taken out life insurance (one in two euros saved in Germany goes to the life insurers, who administer more than 600 billion euros).

The deputy chief at the Federal Labour Office, Heinrich Alt, announced that local agency workers will compare applicants' data with pension insurers, health insurance companies and tax offices. If irregularities should emerge, "we may make house calls," according to Alt.

In such circumstances, they may also take the physical and mental condition of any partner into account. The following questions about a partner must be answered by every claimant: "In your opinion, is he/she capable of gainful employment on the general jobs market for at least three hours daily?" If this is answered with "no," then this must be justified. A partner who is likewise unemployed for over one year, and who has no other income and also possesses no "property," can receive social security, which can also be paid for any children living in the same household.

While the monthly rate of "unemployment benefit II" for a single person is 345 euros in the west and 331 euro in the east, social security payments for children aged 14 is 207/198.60 euros and from age 15 276/264.80 euros. If two unemployed people live together and claim the new "unemployment benefit II," both receive 90 percent of the monthly rate (310.50/297.90 euros).

Additional payments can be claimed by single parents, the disabled and pregnant women, as well as allowances for actual housing and heating costs—"insofar as they are appropriate".

As with social security, the need to answer hundreds of detailed questions will deter many thousands from making a claim, especially considering the shame of involving others who may live in the household. For example, is it likely that an unemployed father would ask a son living at home to reveal his income to the labour exchange?

While many of those working in local labour exchanges are employed to control and observe the unemployed, the promise that the unemployed are not only in demand, but receive support, proves to be propaganda aimed at implementing the cuts. Each employment adviser will only have to look after 75 unemployed, rather than a hundred or more, promised economics minister Clement. This meant providing real assistance to the unemployed, not just administering unemployment, he claimed. In the meantime, the jobs agency is satisfied if it reaches a ratio of 1 advisor to 150 unemployed.

Furthermore, into which jobs are the unemployed to be placed? Given the lack of jobs, the new rule governing what constitutes a "reasonable" offer of employment represents the

biggest change. Starting from January 1, 2005, any offer of work is considered "reasonable." The unemployed can thus be forced to accept jobs that pay up to 30 percent below the union rate or the "usual local rate." The unemployed person's previous qualifications, the distance to a new workplace or less favourable working conditions are of no significance. For example, under the new rules a jobless computer science engineer from Hanover would have to accept a warehouse job in Stuttgart after being unemployed for one year.

If he were to reject this "reasonable offer of gainful employment," the "unemployment benefit II" would be cut by 30 percent initially (approximately 100 euros) for three months.

Any further refusal of a job offer can bring a further reduction in benefits. At this stage, additional payments for single parents, the disabled, pregnant woman—as well as for accommodation and heating—can also be cut. If benefits are cut by more than 30 percent, the local labour exchange "can provide supplemental contributions," for example, food coupons.

Young people aged 15 to 24 who reject a "reasonable offer of gainful employment" can lose all benefits for up to three months. They would merely receive their accommodation and heating costs, whereby the money is paid directly to the landlord. They can also request food coupons.

Asylum-seekers have long faced such degrading treatment. Now it is being expanded to cover millions of unemployed.

The passage of the law not only means a "timely turn in the labour market," but also marks a new stage in the class struggle. Since the 1930s, the class character of society has rarely become so visible. In view of the refusal of the trade unions to seriously oppose such attacks, the ruling elite feels freed from all inhibitions. The employers' associations are already demanding further cuts and a restriction on holiday entitlements.

In order to oppose this offensive, the working class needs a new party, which, on the basis of a socialist programme, places the interests of the population above the profits of the employers' organisations.



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