

21 January 2005

With the start of the new year, the series of wide-ranging “reforms” to the German labour welfare system, packaged in what is known as the Hartz IV Law, came into effect. The tsunami catastrophe in South Asia has—to the delight of the German Social Democratic (SPD)-Green Party coalition government—pushed the issue of Hartz IV into the background. However, it does not alter the fact that the greatest attack on social conditions in the history of the German Republic is now in place. Bit by bit, the unemployed and poor are starting to feel the full force of drastic cuts in social welfare.

What has also become clear is that the Hartz “reforms” will serve to create a massive pool of cheap labour through wage cutting. A mechanism has now been put in place to eliminate all the traditional regulations that hitherto governed wages in Germany. The impact of the employment market reforms on the unemployed and on society as a whole will accelerate as the year progresses.

At the centre of the fourth and last of the social measures named after Volkswagen human resources manager Peter Hartz, who headed a now-disbanded government commission, is the merging of unemployment benefits and social welfare payments into Unemployment Benefit II. The previous unemployment benefit will be paid for only 12 months more, after which Unemployment Benefit II will come into full effect.

In contrast to the former unemployment pay scheme, Unemployment Benefit II is not based on the last take-home pay of the worker. An across-the-board payment of €345 per month for the “needy” is to be paid; for those in eastern Germany, the sum will be €331.

The reduced level of benefits is lower than the sum previously paid out in social welfare assistance. The head of the German Parity Welfare Association (DPWV), Ulrich Schneider, stated shortly before Christmas that living costs were being deliberately underestimated in order to reduce claims paid to the unemployed.

According to consumer statistics on which the basic rate is reckoned, low-income earners spend an average of €300 per year on clothing. According to the DPWV, the government reduced this already small amount by 10 percent. The stated reason: the €300 could have been used for a tailor-made suit or fur coat, which social welfare recipients are not entitled to. Using this same argument (“no fancy shoes for welfare recipients!”) the monthly payment for shoes has also been reduced from €7.61 to €6.09 for adults, and from €4.57 to €3.66 for children.

Payments for telephone costs have also been cut, to €17.85, under conditions where the cheapest rate just for a telephone line with Deutsche Telekom is €15.66 per month. School children are to receive €1.33 for writing materials. Their sports and recreation costs—which include excursions, theatre, swimming and the cinema—will be subsidised to the grand total of €2.78 per month.

The new eligibility conditions for unemployment benefits will result in many jobless people receiving nothing. Although the number no longer eligible for benefits at the beginning of the year was not as high as anticipated, the federal government still hopes to have reduced the number of long-term jobless receiving benefits by the end of the year by 23 percent. Two paragraphs in the Hartz IV Law are squarely aimed at this: first, through the consideration of income and financial assets, including those of other household members; second, through the enforcement of

penalties.

If an unemployed person refuses to accept a “reasonable work or training offer, penalties will result,” according to the Federal Employment Agency. For the long-term unemployed, all work paid below the minimum wage is to be considered “reasonable.” In the words of the Federal Employment Agency, “In the first stage, penalties will mean the standard benefit will be reduced by 30 percent. By a repeated violation, Unemployment Benefit II will be reduced by a further 30 percent. In these cases, reductions can also apply to additional payments, such as those for rent and heating.” (Bundesagentur für Arbeit, Grundsicherung für Arbeitsuchende [Arbeitslosengeld II/Sozialgeld], p.46. http://arbeitslosengeld2.arbeitsagentur.de/pdf/mb_alg2_grundsicherung.pdf).

If the forecasts of the federal government prove correct, 23 percent of the long-term unemployed will be cut off from benefits, which, based on the current number, would amount to almost 400,000 people.

According to the Federal Employment Agency, an average of 4.5 million people, or 10.8 percent of the work force, were unemployed last year. If one adds those enrolled in various training programs who are not included in this figure, the unemployment rate is at its highest level since German reunification in 1990.

The number of long-term unemployed rose significantly in 2004. Almost 1.7 million, or 38.4 percent of all those unemployed, have been jobless for more than one year, an increase from 34.8 percent in 2003.

Health insurance will also be a problem for those whose benefits are cut off. According to the employment department’s guidelines, “During the period for which you do not receive any benefits, you will not be insured for health care.”

Early retirees, who left work under the so-called ‘58 Regulation, are also hard hit by the cuts. These workers retired early through a program overseen by the employment department, with the understanding that they would receive unemployment benefits until the official retirement age. The Hartz IV Law has made this agreement null and void, drastically reducing the income of these workers.

Other losers include low-income families. Various charities and child welfare agencies have continually pointed to the difficulties facing families with children as a result of Hartz IV. The standard reply to these criticisms from the minister for health and social services, Ulla Schmidt (SPD), is that parents will receive from the start of the year a new child allowance, up to a maximum of €140 per month per child. Parents who are unable to secure a minimum standard of living for their children can claim this allowance and thereby avoid being dependent on Unemployment Benefit II.

It has since become clear that families who receive this allowance will be even worse off than those receiving Unemployment Benefit II. Families in which one parent was previously receiving unemployment benefits will be financially disadvantaged. Those eligible for the child allowance will automatically be ineligible for unemployment benefits. Parents stand to lose up to €320 per month.

Families will not even have the option of forfeiting the child allowance for unemployment benefits, as eligibility for the former will take priority.

Provisions in Hartz IV declaring that rent assistance for the long-term

unemployed will only be for “appropriate accommodation” will force many unemployed people out of their homes. What is meant by “appropriate” is not clearly stated, and will ultimately be determined by local departments and government officers.

A furore was caused two weeks ago by the unemployment office in the east German district of Uckermark in Brandenburg. It placed demands on some 3,000 long-term unemployed persons to move out of their homes because the apartments were deemed too expensive or too large.

This district, one of the poorest in the country, is thereby demanding that every third person receiving unemployment benefits look for a new residence. One family with two children wrote to the office in Eberswalde that “a 68.75-square-metre apartment costing €412.81 per month plus €47.56 for heating” was judged as inappropriate. Apparently, “for a four-person household, it was disproportionately large and expensive.” A three-member family in Potsdam-Mittelmark was told that a tiny 55-square-metre apartment was too big and inappropriate.

Presented with these demands to relocate, those affected in Uckermark initially had no avenue to complain, as the employment office was closed until January 10.

Unemployed persons searching for a new apartment also have it tough—in particular, in cities like Frankfurt-Main, where rented accommodation is expensive. As Petra Schulte, head of the Tenants Association in Frankfurt, explained, “The number of landlords in Frankfurt who publicly advertise their apartments at the end of a lease is roughly zero.”

Even if unemployed persons manage to find an “appropriate” apartment, significant obstacles remain. They first require the written approval of the landlord. This has to be then taken to the employment office. An administrator will then check to see if the apartment is not too big or expensive—in other words, “appropriate.” Only after obtaining this permission can the lease finally be signed.

The unemployed will be forced to accept “additional work”—what have been termed “one-euro jobs.” In addition to their unemployment benefit, the unemployed will receive €1 to €2 per worked hour. Refusal to take on such jobs will result in penalties. It is envisaged that 600,000 unemployed will be forced into such cheap labour jobs. The jobs themselves cover “non-commercial and ancillary” positions, such as child care, old-age nursing and maintenance of public parks.

However, there are increasing calls from politicians and business leaders alike for this cheap labour to be used in the private sector as well. At least one German state, Saxony Anhalt, has already introduced one-euro jobs in private firms.

The Christian Democratic Union (CDU) and Free Democrat (FDP) coalition government is presently searching for companies willing to hire unemployed workers. According to Jürgen Ehnert, chairman of the state’s Employers and Business Association (LVSA), several branches have expressed interest, including building, agriculture, landscape and gardening, as well as the chemical industry. The creation of an “employment pool” of gardeners is being considered, from which companies can request labour at will. Similar plans are also being discussed in the CDU-led government in Hamburg.

The president of the Chamber of Commerce and Industry (DIHK), Martin Wansleben, is demanding that one-euro jobs be introduced nationwide for private industry. According to Wansleben, the employment offices would benefit as well from such a scheme. Companies would pay “market rates” to them for the services of the long-term unemployed, around €3 or €4 per hour. However, the unemployed would continue to receive their regular €1 per hour.

On the day of Wansleben’s announcement, the press reported that politicians from the CDU, its sister party the CSU (Christian Social Union), and the FDP had suggested that unemployed Germans should fill short-term positions in the Asian regions affected by the tsunami.

There is literally no limit to the inventiveness of corporations and their stooges in parliament. The publisher Hans J. Heinrich came up with the idea that long-term unemployed academics could be employed to digitally copy valuable cultural records. He suggested that in this way the loss of such documents could be prevented, as happened last year when the Anna Amalia library in Weimar caught fire.

Benefit cuts and forced labour will particularly affect those under 25 years of age. School leavers, as was the case previously, will not receive one cent in unemployment benefits. Those who did, however, have a job, or otherwise are currently entitled to claim unemployment benefits will in future be placed under enormous pressure. Refusing a “reasonable” job offer will, in many cases, result in being cut off benefits altogether, or assistance for rent and heat being paid directly to the landlord.

At the beginning of 2005, more than half a million young people under the age of 25 stood unemployed. This figure does not include hundreds of thousands of youth who, due to the catastrophic state of the job market and the decreasing opportunities for a college or university education, have decided to remain at school, or who have temporarily enrolled in trade or other training courses.

Hartz IV contains another new measure that will hit the poorest and most vulnerable of the youth the hardest. Young people in need, those living alone, or young adults who are still at school or enrolled in a training course will from now on receive their benefits in the form of a loan and not as an allowance, as was previously the case.

According to the acting head of the social security office in Frankfurt, Inge Köhler, various kinds of young people previously received education and integration allowances: those studying and living far away from their parents, those who had to travel long distances to study, and those from disadvantaged backgrounds who could not live with their parents, as well as those living alone, young couples and immigrant youth without a graduation certificate. Köhler stated in the *Frankfurter Rundschau* newspaper that 400 young people in Frankfurt alone will face a mountain of debt upon completion of their education. She said that Hartz IV will force young people in other cities, like Munich and Kassel, to cut short their studies and find work in order to keep their heads above water.

The cuts in benefits for the most disadvantaged and, above all, the youngest members of society are aimed at the establishment of a vast pool of cheap labour. Politicians and business leaders have been demanding such a development for years.

Coming on the heels of the introduction of temporary work through private personnel agencies (Hartz I) and the creation of the self-employment “I Ltd.” scheme (Hartz II), the creation of one-euro jobs is intended to force millions of people into cheap labour. The initial 600,000 that are envisioned to be the first one-euro workers will be used as a battering ram against the millions of others in poorly paid or part-time work.

The number of “marginally paid employees,” as defined by Hartz II, increased by 428,000 between June 2003 and June 2004 to 4.8 million workers. In the same period, the number of self-employed workers also rose, due to the introduction of “I Ltd.” Nearly 200,000 people are presently working in such one-man companies.

The Hartz reforms aim to slash social benefits in the interests of German business. Their consequences are for all to see: growing poverty, homelessness, social neglect, the creation of ghettos—in short, American conditions.

The social climate in Germany is becoming visibly more agitated and aggressive. In many cities, government offices have taken preparations against violent attacks and have engaged police and private security services to patrol employment offices. At the same time, municipal employees are being trained in hand-to-hand combat and self-defence.



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