Germany: 5 million unemployed—worst since World War II

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For the first time since the Second World War the number of unemployed in Germany rose to over 5 million in January—12.1 percent of the total workforce. The figure was confirmed by the German Economics and Labour Minister, Wolfgang Clement (SPD-Social Democratic Party), prior to the official announcement by the National Labour Agency.

Part of the increase, around 200,000, is a direct result of the implementation of the government's so-called Hartz IV measures, which means that previous recipients of social welfare benefits considered capable of working now appear in the German unemployment statistic for the first time. Clement attempted to justify the record level of unemployment by claiming that the newly introduced Hartz IV laws had reduced the level of hidden unemployment.

In fact, the actual increase over the previous month of December (officially 4,464,230) amounts to half a million more unemployed, and this figure is still not representative of the real extent of unemployment in Germany. Last year the SPD-Green Party coalition government implemented changes to the statistic that excluded unemployed persons taking part in re-training schemes.

Also excluded from the latest statistic are all those who are unemployed but still have savings, and those living in a partnership where one partner (or children) is working and receiving an income. The Hartz IV laws exclude such persons from registering as unemployed. Also not appearing in the statistics are those looking for work but who have failed to register with the labour agency bureaucracies because, with so few jobs being offered, they see no point.

The figure of nearly 4.5 million unemployed in December 2004 itself represented the highest level of unemployment since the reunification of Germany in 1990. An additional 206,900 persons lost their jobs in the month of November—an increase of 149,200 compared to the same period one year ago. During the course of 2004, 4.38 million people were officially without work—10.5 percent of the workforce.

New mass redundancies

The new record figures have been accompanied by a further wave of redundancies announced by a number of major German companies—including many that recorded huge profits over the past year and in recent months. Official economic growth in all branches of German industry (excluding the building industry) averaged just 1.7 percent. Manufacturing production accounted for the highest percentage of this figure (4.6 percent), while the German building industry continues to decline below the level of 1995.

In total, company profits rose more than 10 percent last year to 493 billion euros ($639 billion) while the income of manual and clerical workers either stagnated or fell as a result of cuts and savings made throughout industry. Nevertheless a series of major employers announced new plans in January for further cost-cutting at the expense of their workers.

Deutsche Bank: Germany's biggest bank has begun an extensive wave of sackings in its investment banking subsidiaries. Hundreds of Deutsche Bank employees in London und New York have already been given notice and the bank plans to shed a total of 6,400 jobs worldwide, of which 2,000 will be lost in Germany.

The background to such extensive job shedding is a rigorous programme of savings through which executive chairman Josef Ackermann is seeking to increase the equity capital of the bank by 25 percent. According to analysts the current wave of cuts will not accomplish this, meaning that further job losses can be expected.

T-Mobile: The biggest German mobile telecommunications group plans to shed 2,200 jobs in Europe (1,200 in Germany) over the next two years. T-Mobile plans to cut annual costs by one billion euros ($1.3 billion) by the end of 2006. Deutsche Telekom, which belongs to T-Mobile, has reduced its own workforce by 55,000 since 2002. Just a few weeks ago the chairman of Telekom, Hans Klinkhammer, announced plans for further job losses. A further 10,000 jobs are at risk for the years 2006 and 2007.

Volkswagen: Despite a series of far-reaching measures imposed on the workforce last year, including flexible working times and wage reductions, VW chief executive Bernd Pischetsrieder has announced another savings plan entitled "ForMotion." Plans for further production cost reduction mean that 3,000 to 4,000 jobs are threatened at the company’s main German production facility—Wolfsburg. The new round of cuts results from lower than expected profits last year. Hardest hit by the savings plan will be the distribution, information technology and administration sectors.

Walter Bau: Following sustained losses Germany’s third largest building company, Walter Bau, has just applied for bankruptcy. Walter Bau employs 10,000 people all over the world, and an equal number of jobs in subsidiary industries are bound up with the fortunes of the company. The immediate reason for the bankruptcy proceedings is the rejection of a recent rescue plan by a number of German banks. Leading the consortium of 27 banks involved in discussion is Deutsche Bank.

The fate of Walter Bau is bound up with a crisis dating back to the mid-1990s that extends throughout the German building industry. As a result of government policy, state and local governments have been confronted with huge reductions in revenues and taxes from Germany’s big companies. As a result they have undertaken their own programmes of cuts and savings, effectively strangling new building projects and precipitating the current crisis for the industry. The total number of jobs in the building industry has been halved since 1995 and now stands at 767,000. Additional job losses on the order of 32,000 to 40,000 are predicted for the coming year.

Infineon: The chip producer Infineon has also announced plans to intensify its savings and rationalisation programme. Glass fibre production facilities in Munich, Berlin and Longmont, Colorado, are to be shut down. The immediate job loss amounts to 350, most of them in Germany. This latest announcement comes after three years of factory closures and redundancies on the part of the company, which still confronts losses in the extremely competitive sphere of chip production. While workers have suffered through the loss of their jobs or deteriorating conditions, the company was generous enough to reward its outgoing chief executive, Ulrich Schumacher, a redundancy payment of 5.25 million euros ($6.8 million). Schumacher, a controversial figure, was eased out of his post following pressure from the company’s executive committee.

Siemens: On his first day of work,January 28, the new executive chairman of Siemens, Klaus Kleinfeld, announced the shedding of 1,350 jobs in the company’s communications subsidiary (COM). Four hundred jobs are to go in Munich, 200 in Berlin and 650 in distribution plants outside Germany. Another 100 jobs are to be axed in the company’s core telecommunications business. Last year Siemens had earnings of 18 billion euros ($23.3 billion) in its communications subsidiaries—a quarter of the company’s total earnings. Nevertheless, while that figure represented an increase of 3.2 percent compared to 2003, the company complains that projected targets have failed to be reached.

Since October 1, Siemens’ communications division has included the two factories producing mobile telephones at Bocholt and Kamp-Lintfort, which faced closure last spring. The workers at the two plants, threatened with a shift of production to Hungary, were forced to accept considerable cuts in conditions and benefits, including an additional unpaid five hours to the working week. In return, management guaranteed that jobs would be retained for two years.

However, in the last three months of 2004 the Siemens mobile communications group recorded losses of 143 million ($185 million) and now a question mark hangs over the entire sector. Financial newspapers have been speculating in recent weeks about the possibility of the group being sold off, or absorbed into another company.

Last year saw the lengthening of the workweek and cuts in wages and conditions for many Siemens employees, with the executive chairman, Heinrich von Pierer, pointing to the advantages for the company of switching production to cheap wage countries in eastern Europe and Asia. Other companies such as VW and DaimlerChrysler followed suit, setting in motion a downward spiral. Despite the concessions made and agreed to by the unions there is no indication that jobs have become any more secure.

The latest announcement of redundancies and cuts by Siemens comes in the wake of enormous profit increases for the company as a whole. After taxes, Siemens recorded profits of 3.4 billion euros ($4.4 billion) last year. The company expects to exceed this figure in 2005.

The new company chairman, Klaus Kleinfeld, has announced plans to carry out a programme of radical rationalisation of all those sectors that are not sufficiently profitable. Prior to taking over as head of Siemens, Kleinfeld had won a reputation for his ruthless management of the concern’s US interests in the years 2001-2004. During his period as head of the American subsidiary he turned company losses into profits. At the same time, 10,000 workers lost their jobs.