

Social inequality in Germany reaches record levels

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12 August 2006

Seven years of policies targeting social programs carried out by Germany's former coalition government of the Social Democratic Party (SPD) and the Greens has born fruit. The gap between rich and poor in Germany is wider than ever. The current government—a grand coalition of the conservative Christian Democratic Union (CDU), Christian Social Union (CSU) and the SPD—is intent on accelerating this process.

Commenting on the situation Christoph Butterwegge, a professor at the university of Cologne and an expert on poverty, told the *Berliner Zeitung* recently: “The policy of the grand coalition is deepening social divisions—for example, through pension cuts, the development of a low-wage sector, the increase in value added tax, as well as the lowering of business and inheritance taxes entirely for the benefit of the country's rich. In addition, the Hartz laws (introduced by the SPD-Green coalition) represent a break with the social welfare state and a move towards a soup kitchen and charity state. I regard these measures to be more of a socio-political project rather than measures for the creation of new jobs. Hartz IV is aimed at making poverty acceptable right into the very heart of society. At the same time, wealth is growing every day. We are, therefore, on the way to US-American conditions.”

This is undoubtedly the case! Germany's biggest companies organized on the DAX share index recorded their highest ever profits last year. The majority of these 30 global companies were able to notch up increased profits of between 30 and 60 percent. In 2005 the top 30 paid out a record sum of €21 billion in dividends to shareholders. The profits bonanza rose by 36 percent to €51 billion, on the basis of a turnover of €1 trillion.

At the same time, pre-tax profits actually increased more slowly than profits after taxes. In other words, a large part of the extra billions for big business resulted from declining business tax—a direct result of the SPD-Green government tax reforms.

Those profiting from these massive bonuses are not the ordinary employees of the top companies but the executive committees. Nearly all of the enterprises with record profits have announced plans for dismissals, e.g., Deutsche Bank, Siemens, Telekom, the insurance companies, Allianz, Bayer, BASF, etc. For their part, leading company executive committees and supervisory boards have awarded themselves increases of around 30 percent during the past two years. On average, a member of the board of a DAX-30 company earns €2.5 million per year.

Leading the pack is the chairman of the board of Deutsche Bank, Josef Ackermann. Against a background of a huge increase in profits for 2005, the supervisory board increased the variable and fixed elements of his income by 17.8 percent, to the sum of €11.9 million per year. This figure does not include additional share options amounting to several millions. Barely worth mentioning are additional supplements, such as the €78,000 he receives as a supervisory board member of Bayer (he also sits on the supervisory board at Siemens and Lufthansa).

While the current minister of labour and social affairs, Franz Müntefering (SPD), is intent on cutting pensions for ordinary citizens, the incomes of Germany's managers are protected against financial disaster.

The *Frankfurter Rundschau* recently cited from compensation guidelines worked out for the executive committee of the chemical giant Bayer, which has been in operation since 2001.

While ordinary workers who lose their jobs or are made redundant at Bayer face financial ruin within a few years following the introduction of the Hartz laws, the incomes of executive committee members are secure. The Bayer agreement stipulates that any executive member who ends his service with the company is assured a payment of “80 percent of his last monthly wage for a period of 60 months.” While in future ordinary pensioners face a retirement with drastically reduced pensions, a Bayer manager's income is protected. Even if his contract with the company ends prematurely the executive member will still be entitled to a full pension.

Even so, German managers still have a way to go to reach the level of the super-rich. This elite counts 55 billionaires living in Germany (of the 691 estimated worldwide). The interest alone on their fortunes amounts to a annual sum in the hundreds of millions of dollars.

According to Ernst Ullrich Huster, a researcher on wealth from Bochum, around 1 million German households possess more than a million euro in wealth. Since the “statistics” on wealth are based on voluntary information, Huster estimates the total assets of Germans to be somewhere between 4 and 10 trillion euro. The real extent of private wealth in Germany remains unknown.

The estimated total assets in Germany (based on a value of €4.1 trillion) are often used to calculate average wealth and yields an average sum per German household of €68,500. This represents a 35 percent increase when compared to 1998. But like all average values these figures are only of limited use. In fact, the upper 10 percent of households controls approximately half of the nation's wealth, while the bottom 50 percent possess less than 4 percent of the total.

While the rich and super-rich have been able to record astronomic increases in their fortunes, poverty is extending into wider and wider layers of society. More persons are insolvent than ever before: an estimated 8 percent of all households, or about 3 million people.

The growth of social misery is also expressed in the poverty rate, which indicates how many households earn less than 60 percent of average income and lie below the poverty threshold. In 2005 the poverty rate in Germany was 17.3 percent—the highest rate in Germany's postwar history. Every fifth citizen lives in poverty in East Germany and a half million live in poverty in Germany's capital city, Berlin.

These figures make clear that Butterwegge's reference to a “move towards a soup kitchen and charity state” is not an exaggerated prognosis for the future, but a long-standing reality. In the town of Korbach, Hesse, charity organizations recently opened the 600th welfare centre in the country. An additional 130 are due to open shortly. Non-paid helpers at these centres distribute food packets to 500,000 needy persons throughout Germany.

The biggest single cause of increased poverty are the Hartz IV

regulations implemented by the former SPD-Green government, which reduce unemployment relief to levels lower than social welfare assistance. At a stroke, the Hartz IV measures have led to an over 10 percent increase in the rate of poverty in unemployed households—from approximately 50 percent before the reform to approximately 63 percent in 2005.

One of the hardest hit groups is children. Since 2004, i.e., the start of the Hartz IV measures, the number of children living in poverty has doubled, with 2.5 million living from social welfare relief. One sixth of all children under the age of 15 live in poverty; in some cities this rate is one in three.

At the same time the cuts are continuing. From July unemployed persons up to the age of 25 are fully dependent on the financial support of their parents. CDU General Secretary Ronald Pofalla has also recently announced that this regulation must also apply in reverse. “The 30-year-old son,” he said, “should also support his over 50-year-old father, when he is financially able to do so.” That is real content of the CDU demand for a “strengthening of the family.”

In addition, on August 1 the so-called Hartz IV supplementary law came into force. The law serves to intensify pressure on the unemployed. Labour agencies are empowered to establish investigatory teams in order to uncover and prevent alleged abuse of payments. For years such “sudden search” investigations have been undertaken by immigration authorities. Investigators demand access to the living quarters of foreigners living in Germany, examine refrigerators, scour kitchens, bathrooms and bedrooms, in order to uncover alleged “fictitious marriages,” and falsely obtained residence permits.

Now the “social detectives” of the employment agencies will be able to enter the dwellings of unemployed persons in order to prove the opposite, i.e., that two persons who jointly rented a dwelling are living in a husband-and-wife-type relationship and are therefore obliged to provide financial support for one another.

The long-term unemployed (more than one year jobless) can expect even harsher punitive measures if they “do not cooperate”, i.e., take any work offered—or, for whatever reason, provide “false data.” These measures are aimed at saving several billion euro at the expense of the very poor and will therefore intensify the growth of social misery in Germany.

Additional cuts result from savings made at a state and municipal level. In North Rhine-Westphalia (NRW) recipients of Unemployment Pay II (ALG II) will even be expected to pay towards the schoolbooks needed by their children.

According to the new NRW school regulation passed in June, the provision of learning aids is a voluntary act on the part of city councils and because budgets for a third of all cities in the state have been capped such voluntary payments are forbidden. The town councillors in Essen and Bochum have already decided on the cuts; a similar measure is expected to be passed in Duisburg and is being discussed in the state capital of Düsseldorf.

The victims of this orgy of enrichment on the part of the government and big business are not just the unemployed. Million of workers are eking out an existence in Germany’s low-pay sector. An estimated 4.6 million (or 14.6 percent of all employed) work for less than €7.50 euro per hour.

For years workers have seen a steady decline in their wages. According to European statistics, labour costs in Germany rose this year by around 0.8 percent. That is the lowest rate in Europe. Labour costs in neighbouring European countries rose on average by between 3 and 4 percent; in Greece by 5.9 percent. Labour costs comprise wages plus ancillary payments, which go towards social insurance contributions, etc.

As a result, the gulf between rich and poor in reunited Germany is more pronounced than was ever previously the case. This was recently confirmed in Berlin by the German Institute for Economic Research (DIW). The main cause, according to Markus Grabka of the DIW, was

mass unemployment and the decreasing level of state welfare support. Reforms introduced by the government have intensified income differentiation. “People on social security have less in their pockets because they have to pay towards health costs,” Grabka said. “On the other hand, the wealthy were able to increase their net incomes due to the reduction in the top rates of tax.”

A systematic witch-hunt and campaign of discrimination has been initiated against the poor aimed at pressing forward the process of income redistribution.

It is consistently maintained that the level of social security benefits is too close to that of wages and there is therefore insufficient incentive to work. To this end thoroughly misleading levels of social welfare payments are cited. In fact the real problem is that over the past few years Germany has developed such an extensive low-wage sector that many workers receive incomes that do not even correspond to the official subsistence level.

The most despicable campaign, however, is the so-called “abuse campaign.” The government, backed by sections of the media, claim that unemployed persons illicitly “abuse” the welfare payments scheme. The labour minister in the previous SPD-Green government, Wolfgang Clement (SPD), published a brochure last October during his last days in office in which he described the unemployed as “parasites”—a term favoured by the Nazis in describing their enemies. Clement’s campaign against the unemployed has been taken up in past months by many SPD and CDU politicians as well as business leaders. The SPD chairman, Kurt Beck, went so far as to lecture the unemployed that it was not “decent” behaviour to claim all the benefits to which they were entitled. In an interview he told Hartz IV recipients: “You do not have to claim everything possible.”

In the meantime, information has emerged indicating the real level of alleged payment abuse. According to official figures by the National Employment Office, the sum to be reckoned in terms of alleged false claims amounts to just €27 million, i.e., about 0.2 percent of the total sum of ALG II payments (approx €25 billion) for 2005. Reports by individual municipalities on payments abuse support this result. Payments abuse is a political campaign of discrimination, not an epidemic.

In comparison: the Federal Audit Office estimates that “the treasury is deprived of a sum amounting to tens of billions due to national and international cases of fraud in relation to tax on turnover.”

Increasing numbers of political observers have registered their disquiet with the possible consequences of this social redistribution initiated by the SPD government at the end of the 1990s and continued by the current coalition of the CDU and SPD.

Dierk Hirschel of the German Trade Union federation (DGB) sees a threat to social stability. “If the trend to income differentiation continues to develop then we will end up with French conditions,” he warned in reference to the recent revolts by French youth. To prevent such a development the trade union federation has called upon the government to reorient its policies. “We must move away from budget consolidation in favour of a growth oriented investment policy,” Hirschel declared.

In the *Süddeutsche Zeitung* Heidrun Graupner has deplored the growth in child poverty. On July 28 she wrote: “The degree of poverty amongst children can be measured accurately on the basis of health criteria alone. Of all poor children, 13.8 percent are impaired in their mental development compared to 0.8 percent from wealthy families.” Graupner continues: “These figures alone should serve as a warning.” Should nothing change with regard to increasing child poverty, “Then the danger exists that these children without direction may simply later take that which society deprives them of,” Graupner warns. “Today’s child poverty is the social bomb of tomorrow.”

But both Hirschel’s demand for a “growth oriented investment policy” and Graupner’s plea for the intensified use of social workers or doctors

(“poor families need human support”) fall on deaf ears. The globalization of production, trade and the financial markets has undermined those mechanisms that formerly made it possible to balance out social contrasts within the national framework. A powerful international finance oligarchy, billionaires and their bankers, demand a constant increase in profit rates and determine policy in each individual country. The current German government—like its predecessor and governments worldwide—has aligned itself with the super-rich and is pledged to intensify the process of income redistribution.

Some politicians are already planning the next attacks on the long-term unemployed. In June the finance minister of the state of Saxony-Anhalt, Reiner Hasseloff (CDU), demanded that all Hartz IV recipients underwrite a legal testimony to accompany their registration data, thereby allowing the authorities to prosecute anyone suspected of providing false information.

Already at the start of the year the state undersecretary in the Bavarian Social Department, Jürgen Heike (CSU), had declared: “Whoever wants to claim from the state must prove that he needs such aid.” This would have the intended side effect of ensuring that “obtaining payments by devious means” would be a punishable offence. “Such persons can be called upon to make a repayment or be fined,” Heike stated. Bearing in mind that the long-term unemployed only rarely have enough money to finance such repayments or fines, the result, according to Heike, would be: “Whoever does not have money must reckon on a prison sentence.”



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