

# German parliamentary deputies award themselves hefty pay rise

**Dietmar Henning****21 May 2008**

Germany's ruling grand coalition of the Social Democratic Party, Christian Democratic Union and Christian Social Union (SPD and CDU-CSU) are in the process of awarding themselves an unprecedented increase in salary. From January 1, 2010, the parliamentary allowance for the 612 Members of the Bundestag is to be raised from the current level of €7,339 to €8,159 (US\$12,660) per month.

If one also includes the increase in deputies' income passed by the Bundestag last November, then salaries for German parliamentarians are set to rise by around €1,150 within the space of three years. This increase of nearly 16 percent is three times higher than the basic rate of social welfare (Hartz IV) paid out to millions of Germans living in poverty, which stands at €347 per month.

Following a public outcry after the government awarded deputies a 9 percent increase last November, the coalition parties argued that such a rise was justified because deputies' pay had not increased for some time. To protect themselves in future against accusations of "greed," "self-enrichment" and "a look after yourself mentality," the ruling coalition decided to link their salaries automatically to those of public service as a whole. This has the advantage of moving the issue of the deputies' income away from the public spotlight.

The average public service worker, of course, has a much smaller salary than parliamentary deputies, and correspondingly a much smaller salary increase. At the same time, deputies will not be expected to work the increased working times recently agreed by the public service union, Verdi. Bundestag deputies are not required to adhere to any definite working times.

The governing parties have argued that deputies are entitled to such salaries, which approximate those paid to a federal judge or the mayor of a small town. However, even if one accepts this argument the fact is that the approximately €8,000 per month salary is only the tip of the iceberg for a German MP.

All deputies receive an additional tax-free lump sum of €3,782, which is meant to cover the costs of maintaining an office in his or her constituency as well as financing office materials, telephone and journeys. No control, however, is made of these expenditures. At the same time, all deputies receive a further €13,660 per month for the maintenance of their own Bundestag personnel.

Deputies also qualify for an office in Berlin (54 square metres), the free use of official vehicles and a first-class ticket for German railways (worth €5,900 per year). They can also reclaim the costs of all internal flights they make.

Deputies can choose between a private and the official health insurance system. If they choose to go private (60 percent of all parliamentarians do so), they pay their own contributions but can also apply for additional assistance, which is made available to all German state officials.

MPs are not required to make contributions to their generous pensions. Starting this year, a deputy receives a "remuneration for old age" amounting to 2.5 percent of his monthly salary following his first year in

parliament. A full legislative period of four years is sufficient for a monthly pension of more than €800, two legislative periods, or eight years, up to €1,600, up to the maximum rate of approximately €5,500, or 67.5 percent, after 27 years. Although the official age for retirement in Germany is now 67 years, a Bundestag deputy with eight years in parliament can retire on a full pension at 57 years.

The very same politicians who voted themselves such generous provisions also recently agreed to a miserly 1.1 percent increase for ordinary pensioners. Politicians have cynically justified the increase in the basic pension after years in which pensioners received no extra money—despite growing inflation—by declaring that senior citizens also had a right to a share in Germany's economic growth. In fact, the 1.1 percent (an average of €13 per month) will do nothing to halt the growing problem of poverty for a large percentage of citizens.

In 2005, more than 20 percent of all German workers were employed in cheap-labour work and one can safely assume that this percentage is now higher. These 6.5 million low-wage earners received an hourly rate of on average €7.12 gross (west Germany) and €5.43 (east Germany).

At the same time, price increases within the space of the last year for food (plus 8.2 percent), electricity (plus 7 percent), petrol (plus 10 to 20 percent) and heating oil (plus 40 percent) hit the poorest hardest and, despite claims by the trade unions, recent wage rises for some workers by no means compensate for inflation.

More than 7 million citizens are dependent on so-called Unemployment Pay II. Two million of this total are children who receive welfare benefits between €208 and €278 per month. This figure accounts for one in six children under the age of 15.

The latest federal report on wealth and poverty reveals that 18 percent of the German population or nearly 15 million persons are estimated to be poor. This percentage is far higher amongst families, with a quarter of all families being poor. Unlike the German Bundestag deputies, millions of impoverished people in Germany have failed to benefit from the government slogan, "Economic revival for all."

Speakers for the Christian and Social Democrats sharply rebuffed criticism of their planned increase in salaries. Their income was entirely justified, they argued, and they could not understand all the fuss over the issue. After all, everything had been clarified and conducted in a "completely transparent manner" last November.

Several media commentators, opposition politicians and members of the governing parties have described the announced increased pay as "lacking in instinct," "immoral," "excessive," "unfair," etc. While all of these descriptions are entirely apt, what is perhaps more remarkable is the broad chorus from political, business and media circles vehemently defending the increase.

Many commentators have justified the increase by arguing that "for the right personnel in a democracy the citizen must be prepared to pay the right sort of money."

The managing director of the German Employers' Association (BDA),

Reinhard Göhner, declares that “in principle, deputies are priceless.” It is increasingly the case, he argued, “that those who are vocationally successful are no longer prepared to enter parliament because the financial sacrifice is too great.”

The *Frankfurter Allgemeine Zeitung* (FAZ) also deplores the “critical development” that in the Bundestag “the proportion of self-employed and entrepreneurs has dropped from its former level of one fifth to less than 8 percent.” A teacher can treble his or her income by entering parliament, but for a manager or businessman, income could be cut in half. “For financial reasons, the Bundestag is no longer a mirror of society, but rather a centre for professional politicians,” the paper writes.

It is significant that none of the well-paid media commentators or figures like Göhner devote any attention to how few ordinary workers, unemployed persons or those dependent on social welfare are represented in parliament. The fact is that the German parliament was never “a mirror of society.”

But there is more behind this stubborn defence of inflated parliamentary allowances. Politics is overwhelmingly regarded solely as a job and profession. Although a newspaper editor occasionally expresses his frustration with a particular “professional politician” (FAZ), a seat in the Bundestag clearly has less to do with representing the interests of the electorate and much more with making money, acquiring contacts and furthering one’s personal career.

The politicians of the ruling parties together with the free-market Free Democratic Party (FDP) have increasingly used their electoral mandate as a springboard for advancing their careers and obtain posts later as an “advisor” to a company board or other posts that provide remuneration above and beyond the “humble” salary of a simple member of parliament.

An exemplary case is that of Friedrich Merz (CDU). Two years ago, Merz attended a meeting of the CDU regional committee for the state of North Rhine-Westphalia in the Bundestag. He was accompanied by Werner Müller, the chairman of the board of the Ruhr Coal Company (RAG) and former economics minister from 1998 to 2002 in the SPD-Green Party government led by Gerhard Schröder, SPD. Müller explained to the meeting the benefits arising from the forthcoming launch of his enterprise on the stock exchange. The details of the launch were later outlined by the legal representative of the RAG, no less than Merz himself.

As the magazine *Der Spiegel* reported, on behalf of RAG, Merz “wants to explain to his esteemed party friends how he as a lawyer regards the stock market launch of the mining industry giant.”

Merz was also one of a number of German deputies who refused for a long period of time to declare earnings made by his activities outside parliament. He even went so far as to appeal to the German Constitutional Court (FCC) to avoid revealing his wealth. Since then, the FCC has ruled that all deputies are required to reveal the extent of the extra-curricular earnings in three stages: “stage 1” applies to an income between €1,000 and €3,500, “stage 2,” €3,500-7,000, and “stage 3” more than €7,000 (all annual figures).

In line with the FCC judgement, Merz then revealed his supplementary income. The only deputy to stubbornly refuse to declare his income is Otto Schily, the former SPD federal minister of the interior. Merz has named a total of 16 employers, in addition to his work as a lawyer for the firm Mayer, Brown, Rowe & Maw LLP, Berlin-Frankfurt. The list of 16 includes major German business players such as AXA, BASF, Commerzbank, DBV Winterthur, and the German Stock Exchange. Merz sits in the administrative or supervisory board of all of these companies. Most of these posts are registered as “stage 3”—i.e., Merz receives from each more than €7,000 per year.

The system of estimation puts no top limit on incomes, and how much Merz earns in excess of €7,000 remains a mystery. All that one can assume is that he earns *at least* €63,000.

*Manager Magazin* estimates that Merz’s “additional income” totals a quarter of a million euros per year—this on top of his parliamentary salary and additional privileges.

Based on the “stages” assessment, German Bundestag deputies earn at total of *at least* €7 million, but this sum is in reality substantially higher. Eighty-five percent of this supplementary income is divided between the three ruling coalition parties, the SPD and CDU/CSU.

Some further examples of the extra sums earned by deputies: Social Democrat Walter Riester, former deputy chair of the industrial trade union IG Metall and former federal labour and social minister, is notorious for introducing the privatisation of the German pension system that bears his name—the “Riesterrente.” Riester regularly tours the country giving lectures for which he usually receives “more than €7,000.” For the year 2007, he lists 46 employers—more than any other deputy—and an estimated supplementary income of €169,000. Places two through five on the list are all filled by SPD deputies: Dr. Barbara Hendricks (at least €161,000), Klaus Brandner (at least €129,500), Klaas Hübner (at least €120,000) and Anette Kramme (at least €112,500).

Then come the CSU politicians Michael Glos (the current economic minister) and Horst Seehofer, with just under €100,000, respectively. The highest declared earner in the FDP is its head, Guido Westerwelle, who lists 29 employers and additional income of at least €84,000.

Such part-time jobs for German parliamentarians are of course small feed compared to the jobs and earnings they can acquire after their term in office. Having lost the federal elections in 2005, ex-chancellor Schröder landed on his feet to acquire a host of boardroom positions—including chairmanship of the Russian energy giant Gazprom. His earnings rank in the millions. Wolfgang Clement (SPD), former economics minister under Schröder, sits on the supervisory boards of the RWE Power group (Essen), the Dussmann group and DuMont Schauberg.

Clement also sits on the supervisory board of the fifth-biggest German job agency, DIS. As a minister, it was Clement who created the legal framework for the proliferation of cheap-labour job agencies. DIS was recently swallowed by its Swiss competitor Adecco, and Clement took over as president of the new Adecco Institute for Labour Studies.

Green Party deputies list little in the way of supplementary income, but they have been effective in utilising their political contacts following their departure from the Bundestag. Rezzo Schlauch, former Green undersecretary of state, is an advisor to the nuclear power company EnBW, chairman of the textile company Spredshirt AG and advisor to a waste disposal company.

Matthias Berninger, former undersecretary in the ministry for consumer protection, nutrition and agriculture, has taken over as departmental manager in the European headquarters of the US food and sweets company Mars.

In October 2000, former Green Party executive spokeswoman Gunda Röstel took over as manager for project development and enterprise at the Gelsenwasser AG, at the time a subsidiary of the nuclear company E.ON. Since July 2004, she has served as manager of Town Drainage Dresden GmbH. Simone Probst, former state secretary in the Department of the Environment, is today supervisory board member for the energy company Techem.

The list could continue at length.



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