

# Germany: Temporary workers are first victims of recession

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First dismiss temporary workers, then implement short-time work, finally push through mass redundancies. This is the plan adopted by many German companies, above all in the auto industry, as their response to the developing recession.

In November 2008, the number of workers on short-time work totalled 135,000. This figure is expected to rise to 200,000 in January. One year ago, the total number of workers on short-time was listed at just 11,700. All of the major German auto companies, but also many chemical and steel concerns, have already introduced or announced short-time work.

In order to avoid an immediate wave of mass redundancies, the federal government has extended state subsidises for short-time-work pay from 6 to 18 months. Labour Minister Olaf Scholz (Social Democratic Party—SPD) praised this measure as a "protective blanket for workplaces" and pleaded with companies to "hold onto your workers," adding, "You will need them when the economic situation improves."

While major firms such as Daimler and BMW, which until recently were piling up massive profits, are now to be subsidised by the state for introducing short-time work, the reality for the workers is a considerable loss in income. And a number of enterprises have already announced large-scale redundancies.

The first workers to go as the financial crisis bites are poorly paid temporary workers. In management jargon, this is described as "giving workers back to their temporary work agencies." However, under conditions of a continually shrinking job market in Germany, most of these workers will remain unemployed.

In November, the BMW factory in Leipzig dismissed 500 temporary workers. Volkswagen, Daimler and other companies had already ended the contracts of several thousand temporary workers. In the autumn of 2008, the auto supplier Continental dismissed 5,000 such workers, BMW fired 5,000 and MAN cut 3,400. Volkswagen has also begun to reduce its global total of 25,000 temporary workers.

Due to policies introduced by the previous SPD-Green Party coalition government, the number of temporary workers has grown rapidly in Germany in recent years. In the middle of 2008, 794,400 persons were employed in these precarious positions. There are no exact figures on how many temporary workers have been dismissed in the past few months, but estimates range from 100,000 to 150,000.

According to research conducted by Hajo Holst at the University of Jena, although companies pay an additional sum to temporary work agencies to employ their workers, this sum is used by the agencies to cover their expenses and boost their profit margins, leaving no funds available for training the workers or providing a cushion when no work is available.

For their part, the trade unions and factory councils have accepted a situation where temporary workers are employed by companies for rates of pay well under existing contract rates, which leads to divisions within the workforce. Having tamely accepted the massive introduction of temporary workers into the factories, the unions have not lifted a finger to protect these workers now that they are being shed in large numbers—even though it is clear that such dismissals are

only the beginning. Mass redundancies of full-time workers are the next step.

Just before Christmas, the steel giant Arcelor Mittal made it known that it will shed 600 jobs in Germany. Qimonda, a Dresden subsidiary of the microchip manufacturer Infineon, with a workforce of 3,000, faces bankruptcy. Some 500 temporary workers have already been dismissed.

The American telecommunications firm Avaya has announced it will cut 600 jobs from its total German workforce of 3,600. The management consultancy firm Bain expects that German finance companies will shed up to 180,000 jobs by the year 2012.

The president of the Institute for Economic Research, Hans Werner Sinn, predicts a recession that will last two years and involve a contraction in the German economy in 2009 of at least 2 percent. He told the *Bild* newspaper: "The German economy confronts its severest recession in post-war history." He estimates that in 2009, unemployment will rise by half a million.

The chief economist of Deutsche Bank, Norbert Walter, has an even grimmer assessment. He does not rule out a complete crash of the German economy. "The situation has worsened in the last six weeks," Walter wrote recently. According to Walter, German gross domestic product could shrink in the coming year by 4 percent, because important trading partners such as the European countries, Japan and states that export raw materials are suffering at the moment more severely than Germany.

DZ Bank analyst Philipp Jäger recently said, "At present we have a largely unchanged situation on the job market, with only seasonal variations. The real dismantling of jobs will begin in January."

The real employment trend was indicated by the latest employment figures, announced on January 7. The official figure of newly unemployed—114,000—is much higher than in December of last year. It means that total unemployment in Germany, according to official figures, stands at 3.1 million.

The official statistic vastly underestimates the severity of the employment situation in Germany. It excludes 1 million workers who are being "sponsored" by the federal labour agency in €1-per-hour jobs. The figure also does not include workers on short-time, as well as many temporary workers who have been dismissed and are not registered.

The statistic also excludes those who have been denied benefits for failing to measure up to the stringent standards laid down by the federal labour agency, as well as the 3.8 million workers employed in so-called "mini-jobs" that pay €400 per month.

In the course of December, 770,000 people applied to the labour agency looking for work. This figure is 15 percent higher than one year ago. In the course of 2008, 8.44 million citizens were unemployed at one time or another. On average, they remained without a job for 38.7 weeks.



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