Germany: Unemployment rises sharply in January

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Unemployment rose in Germany by an additional 387,000 in January compared to the previous month, for a total of 3.49 million without work. This pushed up the jobless rate by 0.9 percent, to 8.3 percent. Unemployment in the former East Germany, with a rate of 13.9 percent, is still twice as high as in the West, which stands at 6.9 percent.

Announcing the figures, the head of the Federal Labour Agency, Frank-Jürgen Weise, told the press, "There is no good news. Unemployment has risen, employment has fallen, and the demand for labour has been sharply reduced."

In January, as in December, at least 400,000 workers have been put on short-time working, with the accompanying loss of wages. The announcements of further sackings and the introduction of short-time work in various industries are rising each day.

These are only the initial effects of the international financial crisis and the deepest worldwide recession since the 1930s. All contemporary economic forecasts predict a sharp decline in economic performance and trade in practically every country. Germany is particularly hard-hit due to its dependency on exports.

In mid-January, the European Union Commission forecast that economic performance in Europe as a whole could decrease this year by around 1.8 percent, with a 1.9 percent drop in the Eurozone. The situation is described as a "deep and lengthy recession," and unemployment in the 16 countries of the Eurozone is expected to exceed 10 percent by 2010. This optimistically presupposes that the economy will grow slightly in 2010.

The EU Commission expect decreases of gross domestic product the year of 2.8 percent for Britain, 2.3 percent for Germany, 2 percent for Italy and 1.8 percent for France. The IMF estimates a 2.5 percent decrease in GDP for Germany.

In its annual economic report, the German government is assuming that GDP will shrink this year by 2.25 percent, with a rise in unemployment of around 500,000 to 3.5 million by the end of the year. This relatively optimistic outlook has already been rendered obsolete by January's rise in unemployment.

Here just a few of the announcements made in the last two weeks:

The commercial giant **Metro** wants to reduce its workforce of some 300,000 by 15,000 jobs. Metro owns the Kaufhof department store chain as well as the electronics outlets Saturn and Media Market. The company makes more than 60 percent of its turnover abroad, and has been strongly hit by the slump in consumption, in particular in eastern Europe, where the company has developed its operations more recently.

Metro is controlled by the Haniel Company. Since November 2007, the chairman of Haniel, Eckhard Cordes, has also been chairman of Metro AG. Cordes has set himself the goal of making savings at Metro to boost its profits. This includes slashing 4,000 jobs at the supermarket chain Real and at the Metro Cash & Carry wholesaler. In future, there will no longer be one central department for purchasing and logistics across all the companies. Instead, each will have to balance its own books.

Corporate headquarters will be laying down clear targets for the profits it expects from each company. Everything that does not meet these requirements "will be restructured or shut down." In this way, costs are to be lowered over the next three years by around €1.5 billion. Companies such as Siemens and Bertelsmann, which have introduced massive restructuring, eliminating tens of thousands of jobs, are seen as the model to be followed.

The already insolvent **Hertie** chain of department stores has announced it is closing 19 of its 73 remaining branches in Germany, sacking 650 of 3,400 workers. Twelve of the department stores affected are in North Rhine-Westphalia, often in cities or districts that have already been hit by above-average unemployment.

Hertie was taken over in 1993 by Karstadt, which in a previous round of downsizing sold off 74 of its smaller department stores in 2005 to a British financial investor. At the end of July 2008, due to the financial problems of the principle owners, Dawnay Day, Hertie declared bankruptcy. Hertie's problems were aggravated by a condition imposed by the financial investors that branches hand over 20 percent of their income in the form of rent.

Also at the end of January, software company **SAP** announced it was shedding 3,000 jobs out of a workforce of 51,500. In Germany, staffing is to be reduced by 4 percent, or about 650 jobs. This is the first time that SAP, which produces and develops specialised business software, has announced such large-scale job cuts. Until recently, the company complained that it could not find enough qualified specialists.

In business circles, the cuts are seen as a precautionary measure; if the worldwide economic crisis worsens, the company could lose some larger orders. This is particularly the case in the US, where SAP earns approximately one third of its turnover in its core business—about €8.5 billion. Moreover, the company wants to send a signal to the capital markets that it is pushing down costs in an attempt to preserve shareholder profits.

In additional to the widespread introduction of short-time working in auto manufacturing, auto parts supplies and the steel industry, Germany's large chemical sector has also announced short-time working and job cuts.

Chemicals concern **BASF** has either halted or drastically curtailed production at a whole set of plants. **Dupont** has cut 2,500 jobs worldwide, with 500 going in Germany. **Dow Chemical** is shedding 5,000 jobs and short-time working is in place at **Bayer**, **Merck** and **Lanxess**.

It is widely acknowledged that short-time working will rapidly be followed by more redundancies and dismissals. In an interview at the beginning of January, BASF Chairman Jürgen Hambrecht warned that the country faced a deep recession. "The force of the downturn is massive," he said. "Even if many people do not yet want to admit it, we must prepare for hard times," he added. "There will be sweat and tears." The BASF chairman went on to say that Germany is in the midst of a deep recession, the extent of which could hardly be conceived.

The role of the trade unions

In implementing austerity measures and jobs cuts, corporations and their senior management can rely on the close collaboration and assistance of the trade unions. For example, the IG Metall union has already formed so-called "jobs alliances" in several regions, comprising representatives of the union and management in engineering, in order to keep jobs linked "with the companies." According to Hesse IG Metall leader Armin Schild, this is a "voluntary undertaking" by the two sides.

In Hesse alone, IG Metall is expecting that "well over half" of all engineering companies in the state will request short-time working. In order to avoid dismissals, all the options in the "recession management toolbox" should be used, according to the union, meaning the cuts in working time and wages permitted under the present collective agreement. In the last pay round, IG Metall had already accepted that companies that incur economic problems could postpone or even cancel the second stage of the agreed wages increase of 2.1 percent starting from May 1.

Furthermore, companies will be able to lower working time by around five hours a week, with corresponding wages cuts. This would enable a company employing 100 people with a total wages bill of €5.5 million to save nearly €800,000 a year, explained Volker Fasbender, the general secretary of the engineering employers' association in Hesse. This equates to a worker receiving €650 less a month in his or her pay packet.

Similar measures are proposed throughout the country. IG Metall has already established a crisis committee to help works councils locally to implement the austerity measures.

Such actions are not restricted to IG Metall alone, and should sound a warning to all workers. Over the five years during which the economy has grown and many companies made enormous profits, real wages have plunged. Despite this fact, and without consulting their members, the unions are proving their subservience to big business by offering further concessions in wages and working conditions. They know that as the crisis deepens short-time working, wage losses, dismissals and factory closures will be next on the employers' agenda.

Despite losing members and the massive distrust amongst workers towards the works councils and union representatives, they are trying to offer their services to big business as the indispensable managers of the crisis and, wherever possible, suffocate all resistance on the part of the workers against the attacks now taking place.

A recent study by the German Institute for Economic Research (DIW) provides a graphic illustration of present development. It shows that in the past few years, the gap between rich and poor in Germany continues to grow. The upper 10 percent of the population now own 61.1 percent of all wealth in Germany.

The poorest 70 percent of the population, however, possess only 9 percent of this social wealth. Some 27 percent of all adults have no savings at all or are in debt, with indebtedness rising sharply for the poorest 10 percent.