

Germany: Unemployment set to climb in 2010

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11 January 2010

The unemployment rate in Germany is expected to rise steeply in 2010, even as the business elite and the government prepare large-scale cuts in social spending and other attacks on the working class.

As the Federal Employment Agency (BA) reported in Nuremberg last Tuesday, the number of unemployed in Germany rose slightly to 3.3 million people in December of 2009. But the federal government and labour market experts foresee a climb to 4.1 million this year as the government's extension of its short-time work allowance scheme, which has enabled firms to avoid sacking workers, expires.

Short-time work—through which companies compel employees to take holidays while the firms receive subsidies from the federal labour office—together with the jettisoning of overtime and the imposition of flexible work schemes prevented unemployment from rising dramatically last year. In May 2009, the BA calculated there were 1.5 million short-time workers. At the end of the year, it estimated there were still about a million. The BA expects the number to be halved to 530,000 short-time workers in 2010.

The expansion of the service sector also slowed the decline in employment in 2009. While over 270,000 jobs in manufacturing industries were destroyed last year, 131,000 new employment positions were opened in the health sector and other social services—mostly low-wage jobs. The loss of full-time positions was also partly offset by the creation of 250,000 new part-time jobs.

A large section of the unemployed was not reflected in the official jobless statistics, because people were placed in various job training schemes or did not draw unemployment benefits.

According to the BA's calculations, Unemployment Benefit I (the support given to the newly unemployed) was at some time unavailable to 843,000 jobless workers last year—i.e., 102,000, or almost 14 percent, more than in the previous year.

The reason given is an increase in late registration for unemployment support, resulting in a delay in benefits. Sacked workers have to register for benefits at least three months before the termination of their employment. Those who are dismissed on short notice have to inform the

authorities within three days. In most cases (about 585,000 instances), the labour agencies blocked unemployment benefit payments for one week. However, more than 193,000 jobless people had to do without unemployment support for twelve weeks.

The situation on the labour market is bound to deteriorate, and the chicanery dealt out to the unemployed will intensify.

The Institute for Economic Research in Halle (IWH) expects that the number of employed to decline by a million by 2011. Oliver Holtemöller, the IWH head of business cycle analysis, told the *Berliner Zeitung* that his institute expected a drop in employment by significantly more than 700,000 this year and a further 250,000 the following year. Holtemöller said, "Firms will have to increase their productivity," and therefore many concerns will be sacking their workers.

Despite rising unemployment, the federal coalition government, consisting of the Christian Democratic Union (CDU), the Christian Social Union (CSU) and the Free Democratic Party (FDP), intends to cut billions of euros in the social services in the coming years, after it awards tax gifts to the business community and the rich.

The so-called "debt-brake," incorporated into the German constitution by the previous "grand coalition" government of the CDU-CSU and Social Democratic Party (SPD), obliges the current government to reduce new debt from almost €100 billion this year to €10 billion by 2016.

Finance Minister Wolfgang Schäuble (CDU) is soon to launch a rigorous austerity program. In an interview with the APD news agency, he said that Germany needs to adopt a "fundamental change of course towards a robust and sustainable financial policy that takes into account the requirements of future generations." He stressed, "That won't happen without spending cuts."

Although the CDU-CSU is reluctant to speak about the planned attacks openly—at least until the state elections in North Rhine Westphalia in May this year—other parties and interest groups are already going on the offensive.

The FDP is insisting on further tax reductions, especially for top earners. It calls for compliance with the governing coalition's accord, which settled on annual tax relief of

about €24 billion. As the “liberals” (FDP) cater openly to big business and top earners and were elected by wealthier layers, they do not feel obliged to conceal their agenda from the unemployed and the poor.

In an interview with Hamburg’s *Abendblatt* newspaper at the beginning of this month, FDP parliamentary fraction head Birgit Homburger demanded adherence to the planned tax reduction, stressing at the same time, “We will maintain the debt-brake.” To achieve this, she said, permanent cost-cutting measures would have to be incorporated into the federal budget.

She suggested that cuts be made “for example, in the budget of the Federal Employment Agency or the Ministry for Families.” The FDP is proposing a “per capita premium” for health insurance, i.e., the same fee for every contributor. A manager will pay exactly the same amount as his servant or chauffeur, and members of a contributor’s family will no longer be included in his or her insurance free of charge.

Wolfgang Franz, chairman of the federal government’s council of experts for the assessment of overall economic development (the so-called “five wise men”), was already demanding at the end of last year a reduction of the basic Unemployment Benefit II payment (the combined unemployment and general social support entitlement) from the current €359 to €251 per month.

Franz reiterated this demand in an interview with *World Online*. He justified it on the grounds of the economic crisis persisting into next year: “It won’t be until the end of 2012 or even 2013 at the earliest that we’ll return to the economic performance we had at the beginning of 2008,” he said. The Federation of German Industry calculates that this will happen only in 2014.

Franz was appointed to the council of experts in 1994, having been recommended for the position by the trade unions. In 2003, business managers pressed for his retention on the council, which he has headed since last year.

An interview in the *Süddeutsche Zeitung* with Ingrid Schmidt, president of the Federal Labour Court, in which Schmidt defends sackings for trivial offences, should also be seen as preparation for new attacks on social welfare. Schmidt signalled to the business community that the highest court of industrial law was on its side.

The heads of business personnel departments will be pleased to hear such clear words from the mouth of the president of Federal Labour Court. When they sack a worker in the coming months, they will be able to do so without having to pay compensation. According to Schmidt’s remarks, reason for dismissal will be easy to find: a screw or biro taken home; a photocopy, telephone call or fax made for private purposes; the “stealing” of electricity used to listen to a radio or charge a mobile phone battery.

The judiciary has long done its best to maintain the appearance of non-partisanship. But the more the social and political crisis sharpens, the more openly it reveals its class character—as it did during the Weimar Republic.

When it comes to its own offences, the corporate elite are not so severe. *Spiegel Online* reported a judgment handed down by the Higher Regional Court of Celle that “quashed the dismissal without notice of a business executive suspected of having used a company credit card to pay for private purchases amounting to about €83. The reason for this: Such an insignificant amount cannot justify an irregular dismissal.”

Meanwhile, compensation for outgoing managers in 2009 reached record heights despite the economic crisis. Wendelin Wiedeking, the retiring head of the Porsche auto concern, whose business and stock market speculation almost ruined the sports car producer, received a record compensation of €50 million.

Karl-Gerhard Eick, boss of the insolvent Arcandor concern, was paid off with €15 million after only six months employment.

The head of Continental tyre company collected €7.4 million on his retirement, and three months later accepted a highly paid position at Volkswagen.

The railway executive Helmet Mehdorn was given compensation amounting to €4.9 million when he was compelled to resign for abusing his employees’ right to data protection.

Millions of workers are being made to feel the painful effects of the economic downturn first hand. At the same time, the political parties and big business lecture workers on the need to economise and tighten their belts—a classic example of the German proverb: “Preaching water, while drinking wine.” As the crisis mounts, society is showing its true class character.



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