German parliament approves billions in welfare cut

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At the end of last month, Germany's ruling conservative coalition passed legislation to impose drastic social cuts on millions of poor families and the unemployed. Handouts, however, are to continue for big business and the rich.

On October 28, the combined votes of the Christian Democratic Union (CDU), the Christian Social Union (CSU) and the Free Democratic Party (FDP) resulted in parliament adopting much of the government's €80 billion package of austerity measures. The so-called Ancillary Budget Law enables the government to save some €20 billion—mainly at the expense of recipients of Hartz IV unemployment benefits—by the end of 2014.

On the last Sunday of the month, the heads of government came together at short notice to discuss the austerity package again. Ignoring discussion of the more than €29 billion worth of cuts in social spending, they concentrated instead on the professed hardships of the business world, which they once again agreed to minimise.

The scrapping of employers' pension contributions for Hartz IV recipients was approved by parliament without amendment last Thursday. The result will be a further increase in poverty for the elderly. The supplementary payments given when an unemployed person moves from unemployment benefit to welfare will also be abolished. Moreover, job creation and support programmes and social integration assistance will be considerably reduced.

In particular, "one-euro jobs", which involved as many as 274,000 long-term unemployed in September, will be cut back severely—in some council areas by more than half. At first sight, putting an end to this modern form of serfdom seems to be a good idea. But these cuts, too, have social implications.

Contrary to official claims, hundreds of thousands of those in one-euro jobs have often not been involved in carrying out "supplementary work in the public interest", as laid down in the Hartz IV legislation. In many cases, they have been performing important social tasks, which municipal councils have neglected for a long time owing to their limited finances. Those in one-euro jobs have provided after-school services for children, performed janitorial duties in schools, helped distribute food to the poor and the sick, made sandwiches for poor school children and helped elderly people with their shopping. When these jobs are taken away, the poor, the sick and the elderly will be hard pressed to find anyone else to help them.

In addition, many thousands of posts will also be eliminated in the job-training institutions that have organised the placement of one-euro jobbers—as well as other measures for the unemployed—and have thereby earned good money. The Frankfurt Job Centre, for example, spent €16.5 million on some 2,800 one-euro job placements in the past year, but only €3.5 million of this went to the unemployed, while €11.2 million was pocketed by the institution. The trainers, social workers, lecturers and others employed there will also fall victim to the cuts.

Welfare recipients will also lose family allowance of €300 a month, which is paid for a year after the birth of a child. The replacement of the previous "parental benefit" by "family allowance" in 2007 had already effectively halved the financial support received by the jobless, and was partly responsible for increasing child poverty. Now, the meagre benefits of those on welfare are to be squeezed even further.

The government saw no reason to address the issue of the proposed welfare cuts, which they say are indisputable. Instead, the government spent its time resolving further fiscal changes in the interests of big business. Energy-intensive industries will no longer lose their “eco-tax” benefits, as was previously planned, and reductions in tax exemption will be applied less vigorously. The government estimates the value of these tax breaks at around €550 million.

Some €200 million of this will be recouped through increasing the tobacco tax; by 2015, the price of cigarettes and other tobacco products will increase by up to 40 cents per pack.

As a consequence of measures envisaged in the Ancillary Budget Law, the government expects to make savings amounting to €20 billion by 2014. The so-called “debt brake” is always invoked to justify the brutal cuts. Introduced by the former Social Democratic Party-Green Party governing coalition through the efforts of then finance minister Peer Steinbrück (SPD), the debt brake requires the federal government to reduce the budget deficit to less than €10 billion by 2016.

The cuts have now been hurried through parliament within a week. In addition to the passing of the Ancillary Budget Law, a number of other issues were debated. These included raising the retirement age to 67, the so-called Restructuring Law regulating how banks in danger of bankruptcy are dealt with, and new standard rates for welfare benefit recipients (which were arbitrarily reduced with the help of a few statistical tricks).

Even members of the governing parties, especially Norbert Lammert, the parliamentary president (Christian Democratic Union, CDU), said that they hardly had time to read the hurriedly amended draft law, let alone examine it closely. Parliamentary committee deliberations were held on Tuesday, October 27, and two days later parliament approved the reductions in the Ancilliary Budget Law, at the same time agreeing to extend the operational life of nuclear power plants for a virtually unlimited period.

Dozens of amendments to the laws were moved just before and, in some cases, during the debate. The *Frankfurter Rundschau* quoted a member of the ruling coalition as saying, “This is all a bit too much all at once.” The newspaper went on to point out, for “the first deliberations of the Hartz IV welfare reforms and the Green Party motion concerning ‘human dignity and social inclusion for all’—parliamentarians had exactly one hour on Friday”.

This frantic pace is sure to be maintained in the coming weeks. The next legislation to be pushed through (almost simultaneously) will be the so-called Reorganised Pharmaceutical Market Law and the health care “reforms”.

The federal government also decided on important changes at short notice in these areas. The planned increase in employees’ health insurance contributions to 15.5 percent and the accompanying freeze on employers’ contributions remains untouched. At the same time, the CDU and FDP gained the backing of the CSU for the pharmaceutical market law by proposing another increase in fees paid to local doctors contracted by the health insurance schemes. Although a fee increase amounting to €1 billion in total for some 150,000 doctors of this type in Germany had already been agreed, the governing coalition raised it again by €120 million.

The new law already contained a whole series of handouts to the pharmaceutical industry, including the de facto suspension of the need to conduct a cost-benefit assessment for new drugs. Regulations that until now had imposed even marginal reductions in the profits of the pharmaceutical industry were lifted.

An amendment to the new law, recently tabled by the governing coalition, indicates that pharmaceutical companies will in future also be given the status of contractual partners in relation to health care supply programmes. Until now, health insurers have only been able to enter into contracts with doctors, dentists, pharmacists, clinics, nursing care insurers, hospital providers and medical centres. Now this will also be possible with pharmaceutical companies, “because the supply of medicines constitutes an important aspect of an integrated supply concept,” according to the proposed amendment. As a result, doctors will have to prescribe the medicine of the contracted manufacturer.

Rarely before has a government organised so openly the transfer of wealth from those at the bottom of society to those at the top.