

# German government and SPD united against long-term unemployed

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After nearly nine weeks of negotiations, the German government and the Social Democratic Party (SPD) have agreed on a reform of the Hartz IV welfare laws, which includes a two-stage increase in the monthly benefit rates by a total of €8.

However, looking more closely at the agreement, and taking into account the previously adopted cuts in benefits for the long-term unemployed, the so-called compromise represents a cut for those affected.

One welfare organization called the haggling “the most pathetic farce that has ever been seen in German social policy”. This anger is understandable, but the compromise is far more than a farce. The SPD and the government have made it abundantly clear that they are willing to pass on the costs of the financial and economic crisis, running into billions, to the working class and its weakest layers—some 5 million recipients of the Hartz IV welfare benefits and their 2 million children.

The government and SPD have agreed that the monthly welfare benefit rate for adults will rise by €5 to €364, backdated to January 1. Early next year it should then increase by a further €3. Additional benefits paid to those with children remain unchanged at €215 (paid for children under 6 years), €251 (for children aged 6 to 13 years) and €287 (14 to 18 years). The benefit reduction from €359 to €287 for severely disabled people living together with other family members will merely be “examined”.

In its ruling a year ago, the Supreme Court required that benefit rates be reviewed by the end of 2010. The arbitrary setting of the standard rates for adults and especially children, which were previously calculated as a percentage of the standard rate for adults, was unconstitutional and had to be replaced by a transparent and comprehensible calculation, the court declared. The SPD and government have now agreed on the opposite.

The “compromise” now reached is not the result of a sound and realistic evaluation of the poverty level, but expresses the desire of all parties to cut social benefits for the poorest. The basis for calculating the current benefit

rates is no less arbitrary than the previous one.

Among many other sleights of the hand, the government is no longer measuring the poverty line based on the consumption of the poorest 20 percent of households, as previously, but the bottom 15 percent. This alone results in a lowering of the standard benefit rates by more than €17 compared to the previous method. The government’s rationale was that calculating it on the basis of 20 percent was too expensive.

In the negotiations, the SPD insisted on the introduction of a minimum wage. Starting in May, a new, legally prescribed minimum wage will be introduced for agency and temporary workers; minimum wages will also be introduced in the private security sector and in further education or training. But this will not mean any noticeable improvement for the 900,000 temporary workers and 300,000 employees in the other two sectors. Equal pay for agency and permanent staff was, in fact, expressly not agreed.

The *Wirtschaftswoche* business weekly commented that on this part of the compromise, “Temporary work agencies can breathe again.” In future, their employees in West Germany will receive at least €7.60 per hour, and €6.65 in the east. This is even lower than what had been agreed previously between the employers and the unions—who in May 2010 agreed a minimum wage of €7.79 and €6.89 in West and East Germany, respectively.

The legally established minimum wage now meets the requirements of the employers’ organizations. Last year, the president of the Confederation of German Employers’ Associations (BDA), Dieter Hundt, had called on the government to set a legally binding minimum wage in the temporary employment sector, based on what had been agreed with the unions. At the time, Hundt said: “We [need] the legislators to extend the minimum wage to foreign suppliers of temporary workers.” In May 2011, the German labour market will be opened up for Eastern European EU states, and the sector fears it will be struck hard by its own weapon—low wages.

Werner Stolze, chief executive of the Association for

Temporary Agency Staff Employers, welcomed the deal: “The agreement of a minimum wage policy has set a very important signal regarding fair competition in the temporary employment sector.”

Another aspect of the agreement relates to the municipalities. In future, they will receive €1.6 billion per year from central government for additional costs as a result of the training package. This also includes €400 million for schools, nursery and daycare lunch subsidies or to employ more school social workers. From 2014, the subsidies will be cut to €1.5 billion a year.

By 2014, the government will take over expenditure from the municipalities for basic provisions in old age, currently costing €3.5 billion annually. However, the government will get back these billions from the unemployed, since they will be taken from the budget of the Federal Employment Agency, which is anticipating a deficit of €9 billion by 2014, and expects that this shortfall will be met by further reductions. The government has already agreed to cut the 2011 budget by well over €2 billion through the removal of pension contributions, parental benefits and payments for the long-term unemployed.

The agreement between the SPD and government was preceded by a weeklong charade. The government negotiators and the SPD, Labour Minister von der Leyen (CDU) and the Mecklenburg Pomerania Social Affairs Minister and SPD vice-chair Manuela Schwesdig did not reach an agreement. In opinion polls, interviews and letters to the media, many expressed their growing discontent with the protracted negotiations over the Hartz IV benefit rates.

Shortly before the state elections in Hamburg, negotiations were taken over by state premiers Kurt Beck (SPD, Rhineland-Palatinate), Wolfgang Böhmer (CDU, Saxony-Anhalt) and Horst Seehofer (CSU, Bavaria), urged on by their parties to reach a rapid agreement. Böhmer told the *Süddeutsche Zeitung* that if no solution were found, “it damages the whole of politics”. Moreover, municipal representatives urged the state premiers to accept the federal government’s offer to take over responsibility for basic old-age provisions.

The three state prime ministers then agreed the so-called step solution, which set the increase at eight rather than five euros, in two stages. This had previously been fiercely rejected by the CDU/CSU and FDP.

The massive defeat the CDU suffered consequently in Hamburg, where the ruling party lost almost half its votes in its worst result in history, contributed to the agreement being reached on election night regarding the level of welfare benefits. Chancellor Angela Merkel (CDU) was satisfied with the result, as was SPD leader Sigmar Gabriel.

The Greens abandoned the negotiations at the last minute,

on the grounds that the new benefit rates might be unconstitutional. The Greens had called for them to be set at €370.

The criticisms of the Left Party are completely hollow. Like the Greens, who played a key role in the introduction of the Hartz IV laws, the Left Party warns that the current benefit rates will not survive scrutiny by the Supreme Court.

The Left Party had criticized the weeks of wrangling over increasing the standard benefit rate by a total of €8, while the same parties had needed only a week to find €480 billion to rescue the banks.

This hides the fact that the Left Party played an important role in ensuring the billions given to rescue the banks and speculators were rapidly whipped through parliament in expedited proceedings. If just one parliamentary group had voted against the emergency procedures, the bank rescue package would have failed. But former Left Party parliamentary faction co-chairs Gregor Gysi and Oskar Lafontaine had personally assured the chancellor of their support for the fast-track proceedings.

Just as then, when all parliamentary parties were agreed that the billion-euro bank rescue package would be pushed through parliament, so now all are agreed that the working class should pay for it. The Left Party sees it as their task to provide a left cover for this policy and thereby attempt to prevent “social unrest”.

The cuts introduced through the Hartz IV “reforms” are not the last, as was clearly shown by a comment in the *Süddeutsche Zeitung*. In this column, author Marc Beise shed a few crocodile tears over the “hard lives of Hartz IV recipients”, but then quickly came to his core theme: “There’s no more money for improvements”. The welfare state has long since reached its limits. “Of course, those looking for social improvements will be disappointed. Unfortunately, there will be much disappointment in the coming years.”



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