

Reports of falling unemployment in Germany conceal growing poverty

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The Federal Employment Agency (BA) boasts that more German workers are employed than ever before. The current official unemployment total of fewer than 3 million is supposedly the lowest in many years. These apparently positive figures, which result partly from statistical manipulation, actually conceal a bitter reality: most of the recent rise in employment has been achieved through a massive growth in the low-wage sector and insecure part-time jobs.

According to government statistics, the number of those employed in Germany in November 2011 increased (in comparison to the previous year) by more than half a million, to 41.6 million. However, only about 29 million of these jobs were socially insured positions; 7.3 million were so-called “mini-jobs”, where the workers are paid €400 per month or less, while the rest consist of civil servants, soldiers and self-employed persons.

The BA emphasises that the increase in employment is directly related to the growth in the number of socially insured jobs—an increase of 700,000 last year. However, almost half of these new jobs turn out to be part-time jobs in low-wage sectors. About 5.5 million people currently work in such jobs.

The rise in full-time employment apparently has occurred mainly in the low-wage sector. Between 2009 and 2010, more than half of the new jobs were temporary agency posts; in 2011, every fifth new job was one of these. And the record numbers of advertised new positions in December 2010 also consist mainly of temp agency positions or jobs in low-wage sectors, such as catering.

What the government, employers’ representatives and trade unions are celebrating as success is a massive expansion of the low-wage sector. Proof of this is the rising number of “top-up” welfare payments to full-

time workers. In 2011, nearly 1.5 million workers were eligible for such state benefits because their wages were so low. Of these, 331,000 had full-time jobs but were still being paid wages below the unemployment benefit minimum.

As a result of this massive increase in low-paid and/or part-time work, many such workers try to find second jobs, or even more than one “paid side activity,” to make ends meet. However, there are currently no statistics documenting this inevitable trend. However, the BA’s research office estimated last year that in 2011, nearly 2 million workers had at least one extra job.

The spread of insecure, low-wage jobs brings further disadvantages. Firstly, the turnover in this sector is extremely high: more than half of all temporary assignments end after less than three months. Many temp workers have to sign on again immediately after their contracts end.

According to a BA report, around 2.8 million workers lost their jobs between November 2010 and November 2011. One in four of these workers (737,000) successfully claimed unemployment benefits. This represents an increase of 20 percent compared to 2008. The German newspaper, the *Süddeutsche Zeitung*, quoted from the report: “Either their job contracts were too short to enable them to claim unfair dismissal, or their wages were too low for them to fully come off unemployment benefit, and therefore had to be topped-up by ALG.”

The German unemployment benefit system has two stages: *Arbeitslosengeld* (Unemployment Funds, ALG) I and II. ALG I can only be claimed by those who have paid state employment insurance contributions for at least one year in the two years before they lost their jobs. ALG I benefits are paid for up to 12 months and

are based on previous income. Married claimants with at least one child receive 67 percent of former net income; all others receive 60 percent.

After one year, ALG I entitlement normally expires. ALG II is seen as basic social security benefit, and is paid only to those who have used up all their savings, can no longer support themselves and their family, and have no married partner in the position to do so. ALG II benefit levels are unrelated to previous earnings or to payments of employment insurance contributions. A single person is entitled to €374 per month plus housing and heating costs.

Low-wage sector employment, interrupted by frequent spells of unemployment, brings with it the additional consequence of drastically reduced eligibility for employment pensions, meaning such workers are predestined for poverty in old age. Already, more and more pensioners have to claim welfare payments or find work to make ends meet. Last year, about 660,000 people between 65 and 74 years old were doing part-time jobs, nearly 60 percent more than in 2000.

Poverty in old age is bound to increase further, because a new policy instituting a progressive rise in retirement age from 65 to 67 years will make it even harder for older people to find paid work, due to increases in job seekers in this age group. Despite increasing pressure to continue working, however, every second pensioner has already been forced to take early retirement.

The German Employment Ministry confirmed last week that worsening conditions facing older unemployed people is directly attributable to the recent alteration of employment statistical parameters. In 2007, new regulations determined that unemployed claimants over the age of 58, who have been unable to find a job in the previous 12 months, are no longer to be counted as unemployed. Job centres are therefore encouraged to treat such categories of jobseekers as low-priority, because they will in any case disappear from the statistics after 12 months.

The long-term unemployed over the age of 58 are just one of the categories that are not counted in unemployment statistics. Continuing education students, interns, single parents of children under three years old, and persons who are newly unemployed or cannot work due to illness (and who therefore do not yet meet eligibility criteria for ALG) are also not

included.

The official German unemployment figure for December 2010 was just under 2.8 million. But in that same month, more than 5.2 million employable persons between the ages of 15 and 65 were receiving ALG I or II. If one subtracts from this total the growing number of low-paid workers claiming “top-ups”, this results in a total of 4 million unemployed. And even this figure does not include everyone.

Without various statistical tricks, government unemployment figures would be way over the official figure of 6.6 percent. Among other things, the Employment Ministry has reduced them by including the self-employed in the total of employable persons, which the unemployed percentage is based on. If one uses the earlier calculating methods, the percentage of unemployed increases from 6.6 percent to 7.4 percent of the work force.

The *Süddeutsche Zeitung* commented on the latest employment figures as follows: “This success has been achieved by all participants: the workers, who have helped to bring back economic competitiveness by forgoing wage increases for years. The companies themselves, by modernising their structures [and] politicians, who broke the restrictive mould in the job market by means of Agenda 2010.”

In fact, the Social Democrat-Green party coalition government under Gerhard Schröder implemented devastating social cuts with his Agenda 2010 between 1998 and 2005, which impoverished the unemployed and triggered a massive expansion of the low-wage sector. Companies did indeed “re-structure,” to take advantage of the new possibilities for temporary work contracts afforded by the Schröder government. The trade unions have indeed been partners in this process, and worked hand in hand with Chancellor Schröder, his successor, Angela Merkel, and the employers themselves.

Rising poverty and falling wages are the direct consequences of this “co-operation”.



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