

The “German model” and the attack on European workers

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Last Thursday, French President Nicolas Sarkozy pledged to implement a severe austerity program should he win another term in next month’s election. He announced his intention of saving €53 billion primarily through mass layoffs in the public sector and cuts in health care. His opponent, Socialist Party candidate François Hollande, said in a radio interview that if elected he would undertake an immediate review of all government spending and freeze a number of programs.

Sarkozy earlier announced plans for cutting labour costs by €13 billion and compared his proposals to the Agenda 2010 program introduced years before in Germany. Sarkozy noted that Agenda 2010 has resulted in a significant decrease in labour costs in Germany, improving that country’s competitiveness against France. If France wants to reduce its unemployment rate to the German level, it will have to follow the “German model” and take similar measures, Sarkozy said.

Earlier this year, the nonelected “technocratic” prime minister of Italy, Mario Monti, paid similar homage to Agenda 2010 and declared that Germany had won the economic debate in Europe.

Agenda 2010 refers to a series of measures introduced by the Social Democratic (SPD)-Green government led by Gerhard Schröder between 1998 and 2005. This government introduced the most comprehensive attacks on the welfare state in post-World War II German history. While slashing social spending through the partial privatisation of the pension system and labour market “reforms” leading to substantial reductions in corporate wage costs, the SPD and Greens lowered the top tax rate and abolished the wealth surtax.

The result was the creation of a huge low-wage

sector. Currently, over 23 percent of the work force in Germany is employed in low-wage jobs, earning on average less than €7 an hour. Some 4.9 million workers are employed in so-called mini-jobs, which almost entirely free the employer from additional labour costs. Hundreds of thousands have been forced by the federal labour agencies to take jobs for which they receive just €1 per hour, plus room and board.

In addition, German companies have been able to circumvent minimum wage requirements and contract agreements through so-called service contracts, under which employees are no longer protected by labour laws and can be paid a pittance. In some companies, workers employed on the basis of such contracts already outnumber those working under a regular contract.

The aim of the fiscal pact agreed by EU finance ministers in early March is to extend this model across Europe. In January, German Chancellor Angela Merkel made clear that the priority in Europe was not only slashing government spending, but also destroying workers’ rights. “Europe can hold its own in international competition with rising powers such as China and Brazil only if it is as competitive as Germany,” she declared.

The first laboratory for this onslaught against the working class is Greece. The country has been selected by the ruling elites of Europe to test out those measures to be imposed on the working class across the continent.

In addition to mass layoffs and wage cuts, the dismantling of welfare systems and increases in consumption taxes, the country is being transformed into a tax haven for businesses. The country’s monthly minimum wage has been cut by more than €160 to €590, business taxes have been reduced, and most wage

subsidies abolished.

The social distress and poverty unleashed by these measures is being used to depress wages and working conditions across the board. The German government has proposed the setting up of “free trade zones” in northern Greece. In these special zones, the minimum wage of €590 is to be reduced to €300 and the corporate tax cut from 20 percent to 2 percent.

Similar measures have been introduced in other European countries. In Spain, companies can cut wages and alter working hours without the consent of the unions. Laws protecting employees against dismissal and enforcing their right to severance pay have been severely curtailed.

In Italy, employer social security contributions have been reduced and companies can now subvert existing contracts and reduce wages. There are also plans to cut labour costs and facilitate redundancies by conducting all contract negotiations at a company level.

To further increase competitiveness, leading politicians in Germany are demanding a new, even more draconian package of “reforms,” under the rubric of “Agenda 2020.” Ex-Chancellor Schröder, who maintains close relations with leading German corporations, went so far as to call last week for an Agenda 2030. He insisted that ailing countries had to surrender their national sovereignty and accept the appointment of a European finance minister to impose new, wide-ranging social cuts.

When Sarkozy, Monti and other political representatives of European big business praise the “German model,” they are referring not only to the massive attacks on the rights and living standards of German workers. They are also alluding to the manner in which these attacks were imposed, i.e., with the full collaboration of the trade unions.

Agenda 2010 was initiated jointly by the German government and the unions. The key labour market reform was developed by a commission headed by IG Metall union bureaucrats and the personnel director at Volkswagen, Peter Hartz. The government essentially rubber-stamped the program.

When mass demonstrations erupted in 2004 in opposition to the welfare cuts, the unions worked tirelessly to stifle and suppress them.

Since then, every successive German government has been able to rely completely on the unions. In the

recent layoff of more than 11,000 employees at the Schlecker drugstore chain, the Verdi union not only rejected any sort of industrial action in defence of jobs, it exerted pressure on workers not to take any legal action against the company. Subsidised by the state and big corporations, the unions regard their main role as the suppression of any dissent in the workplace.

Such is the much-vaunted German model, praised as a means of slashing wages and labour costs across Europe to levels comparable to those in China and Brazil. Workers can defend their jobs and living standards only by uniting across national borders in a rebellion against the trade union bureaucracy and based on a socialist perspective.

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