German companies plan layoffs, attacks on wages and benefits amid coronavirus pandemic

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The premature lifting of measures designed to prevent the spread of the coronavirus is forcing countless workers back to work, where they are exposed to the risk of being infected with the deadly virus. In parallel with this, companies and public authorities are preparing job cuts, the lowering of wages, and the slashing of social spending programs. There is a close connection between these two developments.

The German government's response to the pandemic was conditioned from the outset by the interests of the major corporations and banks. The government established at lightning speed a bailout program for big business that has now risen to €1.2 trillion, four times more than the total annual federal budget. It is being financed by state debt, loans from state-owned banks, and reserves in the social insurance funds. By contrast, the government has firmly rejected increased taxes for the rich, a tax on wealth, or similar measures.

Thanks to the flood of cash, the stock markets have rapidly recovered. The Dax, which fell to a low of 8,442 points on 18 March, is drawing close to the 11,000 mark, an increase of 30 percent in just eight weeks. But this orgy of wealth accumulation can only be sustained if workers are forced back to their workplaces and exploitation ratcheted up, regardless of how many lives are lost.

The return to work is being combined with sweeping attacks on jobs, wages and social rights. The major companies and the state are exploiting the coronavirus crisis to restructure businesses and public administration, and launch attacks on the working class that in many cases have been long prepared. While production is restarting and services are reopening almost everywhere, several companies have announced the destruction of jobs.

This was shown by a new poll from the Ifo Institute. Although around 750,000 businesses have registered for their employees to receive short-time work, meaning that the income and social insurance contributions are paid for by the Federal Labour Agency, 18 percent of businesses announced job cuts in April.

The figure was especially high in the auto sector, where 39 percent of businesses eliminated jobs. Among companies providing temporary contract workers, 57 percent carried out job cuts, 48 percent among producers of leather, leather goods and shoes, 30 percent among printers, and 29 percent among producers of metal products. Large numbers of businesses also slashed jobs in the restaurant sector (58 percent), hotels (50 percent) and travel agencies (43 percent).

The numbers were weighted according to a company's size, meaning that small businesses do not have a major impact on the statistics. States dominated by the auto industry, including Baden-Württemberg and Bavaria, saw job cuts carried out by 22 percent and 20 percent of firms respectively.

The Ifo Institute predicts that these numbers will grow in May and the coming months, as German industry expects the largest downturn of production in history. All sectors, apart from pharmaceuticals, have been badly affected.

Calls are also growing for the huge financial handouts provided to the super-rich to be paid for through radical austerity measures that will inevitably hit the most vulnerable sections of society.

One example was a study conducted by economists from the Ifo Institute on behalf of the employer-aligned organization New Social Market Economy, which argued against abandoning the debt brake in Germany's Basic Law due to the pandemic. To keep state finances sustainable over the long-term and cope with demographic change, the federal government must achieve a budget surplus of between 1.5 and 4 percent annually, stated the study.

In the face of dramatically declining tax revenues—experts estimate a €100 billion drop this year and €300 billion by 2024—this can only mean a social counter-revolution that will go further than anything else before, including the Hartz laws.

In addition, big business is demanding even more cash from the state. An economic stimulus program worth €450 billion is reportedly being discussed, a demand supported by the trade union-aligned Hans Böckler Foundation and the business-aligned German Economic Institute (IW).

A further mechanism to offload the cost of the crisis onto the backs of working people is the municipal budgets. These are responsible for financing of theaters, museums, sports facilities, swimming pools, kindergartens, school buildings, fire services, health authorities and several other areas of social and cultural infrastructure, as well as a portion of welfare budgets.

Municipalities are not permitted to take on debt, even though their most important source of income, business tax revenues, will collapse. The head of operations for the German Conference of Cities, Helmut Dedy, calculates that German municipalities will experience a shortfall of €18 billion in business taxes in 2020, while they will have between €4 billion and €6 billion in additional spending due to the coronavirus. He told public broadcaster SWR that this would bring the cities to the verge of dysfunction.

The trade unions are in the process of offloading the costs of these developments onto the backs of their members. After the IG Metall union concluded a wage freeze in March until the end of the year for 4 million workers in the metal and electronics industries, the services trade union Verdi has now initiated talks on postponing the next round of wage bargaining until next year. For most public sector workers, who are already poorly paid, this would mean deep pay cuts.

The consequences of the coronavirus pandemic are making ever clearer the irreconcilability of the basic necessities of life for the working class and the capitalist profit system, which subordinates all aspects of economic life to the enrichment of a tiny super-rich elite. The defense of the health, incomes and social interests of the vast majority of the population requires a socialist program.