

German government declares war on the working class with radical austerity reforms

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The package of “reforms” the German government passed on July 2 is a general assault on the working class: working conditions, pensions, health and care insurance funds, and democratic fundamental rights are all at stake. In order to raise hundreds of billions of euros to make the super-rich even more wealthy and to wage war against Russia, the government coalition of the Christian Democrats (CDU/CSU) and Social Democrats (SPD) is condemning working people to toil longer for less money. The welfare state, as Chancellor Friedrich Merz puts it, is something Germany can “no longer afford.”

The reform package harks back to “Agenda 2010,” introduced by the SPD/Green Schröder government in 2003. That policy “relieved the burden on the economy” by weakening workplace protections, cutting unemployment benefits and social assistance, thereby forcing millions into poorly paid jobs. Since then, top incomes and large fortunes have risen rapidly, while poverty has increased correspondingly.

The Merz-Klingbeil government’s reform package takes up where Agenda 2010 left off but goes considerably further. While 10,000 to 15,000 jobs are being destroyed every month in industry alone—with tens of thousands more depending on them—it is removing all the protective barriers that stand between job loss and dire poverty. The individual measures in the package have been carefully coordinated to this end.

This is intended not only to satisfy the enormous hunger for profits by the stock markets and speculators, but also to provide the hundreds of billions of euros the government needs for rearming the Bundeswehr (Armed Forces). This was demonstratively paraded before the public last week.

On July 1, meeting at the Defense Ministry and in the presence of NATO Secretary General Mark Rutte, the government passed a whole bundle of new war laws. Chancellor Merz (CDU) then went to the Chancellery and, together with the leaders of the CSU and SPD, put together the package that is supposed to secure the financing of rearmament and, as Merz put it, “get the German economy moving again.” Four days later, Finance Minister Lars Klingbeil (SPD) presented a war budget that more than doubles annual defense spending within four years—to €184 billion.

Working longer

The coalition’s reform package confirms the already primed attacks on pensions and on health and care insurance funds, with the commitment to push them through the Bundestag (parliament) by the end of 2026.

With regard to old-age provisions, the government wants to raise the retirement age, which has been gradually increased from 65 to 67 since 2012, still further. It is to be linked to life expectancy, making a retirement age of 69 or 70 possible—with no end in sight. The option of retiring

without deductions at 63 after paying 45 years of contributions is to be abolished altogether. For older workers who can no longer find a job, this amounts to a reduced pension. For very many others, it means toiling until you drop dead after a lifetime of strenuous, exhausting work.

The pay-as-you-go pension, which is financed from the contributions of current earners, is being shifted toward a capital-funded pension and private provision. To this end, pension contributions are being increased, and the money channeled into the stock exchange. Merz expects this to generate “at least €30 billion per year in addition for the economy.”

Alongside the working lifetime, actual working hours are also to increase significantly. To achieve this, pressure on workers is being massively intensified. The reform package undermines both protections against dismissal and the possibility of getting paid sick leave.

Previously legally limited fixed-term employment contracts can in the future be extended to four years. So-called “at-will fixed-term contracts” are to be permitted for up to 48 months—twice as long as before—and they can be renewed up to six times. This amounts in practice to the abolition of protection against dismissal. Following the American principle of “hire and fire,” precarious, insecure employment is becoming the norm.

The ability to “ring in sick” for milder and short-term illnesses is being abolished. The new law requires sick notes issued by a doctor from the first day of illness. Previously, they were only legally required after three days. The three-day rule had been in place since 1994 and was intended not least to relieve the burden on doctors’ offices—a measure which is now being reversed.

People are being forced to drag themselves into work while ill or to sit for hours in overcrowded doctors’ offices. General practitioners are to be “punished more severely for the incorrect issuing of a certificate of incapacity for work.” The government is shamelessly stirring up propaganda about “excessive sick leave” and workers’ supposed idleness, which it blames for the crisis in the German economy.

“The sickness rate is too high,” Merz repeated at a federal press conference on Friday. “We do not accept the high sickness rates in companies. We can no longer afford this competitive disadvantage caused by long periods of absence in companies.”

The government had originally planned to introduce “waiting days,” i.e., forgoing wages for the first days of illness. It has temporarily postponed this measure for fear of the expected resistance. The continued payment of wages from the first day of illness in Germany goes back to the legendary strike of 1956-57 in Schleswig-Holstein, which 45,000 metalworkers sustained for 16 weeks.

The situation is similar with the attack on the eight-hour day, which was also under discussion but is not currently included among the measures. However, the government has not abandoned these attacks—merely postponed them to a later, more opportune moment.

The obligation to work

Workplace protections are being eliminated to force the unemployed to take up any job, however bad, or to “voluntarily” join the Bundeswehr. On July 1, the replacement of *Bürgergeld* (welfare payments) by so-called basic security took effect, which is tied to much stricter conditions. Benefits are reduced to zero after the third missed appointment at the Employment Office.

In view of the jobs massacre currently underway, this will affect countless people. In the metalworking and electrical industries, the elimination of 300,000 jobs is imminent—up to 100,000 of them at VW alone—and the situation in the service sector is no better as a result of new technology and AI.

Jobs in the public sector are also massively threatened. Under the heading of “reducing bureaucracy,” the reform package launches a massive attack on jobs in the federal administration. Measure 31 states, for example, that “all federal agencies and the indirect federal administration shall pursue the goal of a consistent 8 percent staff saving.” This means the loss of over 20,000 jobs is preordained. The only exceptions are employees “in critical infrastructure and the security authorities,” i.e., in offices affiliated with the Bundeswehr, the police or the intelligence services.

In addition, the government wants to “reduce bureaucracy” by radically eliminating “statutory reporting obligations to state bodies,” cutting data protections to a minimum and, for example, weakening regulations such as the Supply Chain Act, which requires companies to identify, prevent and address human rights and environmental abuses across their entire global supply chains. The latter is to be closely aligned with the EU’s minimum legislation, which means that it will in practice be abolished. Only companies with at least 5,000 employees and a worldwide annual net turnover of more than €1.5 billion are to be inspected at all under the Supply Chain Act.

The coalition partners add the cynical sentence as a pious wish: “We will not lower relevant standards in the areas of human rights, civil rights, consumer rights, workers’ rights or the prevention of tax fraud.” Yet that is precisely what is planned.

Tax reform and housing construction as placebos

Government politicians, business leaders and trade union officials are aware that these attacks will meet with resistance. A survey by state broadcaster ZDF already found that 81 percent of respondents considered the new regulations on sick notes to be “unfair.” Anger is simmering in factories and offices. The government is nervous and has therefore built a few placebos into the package to give the whole thing a “balanced” appearance.

These include a minimal tax reform that supposedly relieves the burden on low and middle incomes. The government calculates that a working family with two children and an annual income of €60,000 will be €600 better off. That is €50 a month or €12.50 per family member—less than a drop in the ocean, given that social security contributions are being raised at the same time.

One can assume that this is the optimal example. Low earners, those who pay less tax, single earners or young people who do not yet have children will benefit even less.

The measure is intended to cost at most €10 billion and is to be financed by a small increase in the top rate of income tax, which at present is a maximum of 45 percent on incomes above €280,000 per year. In future,

the 45 percent upper limit is to apply from €250,000 upwards. The rich and super-rich will feel little of this, and the rampant polarization between rich and poor will not be halted.

The (very low) inheritance tax and wealth tax, which has been suspended since 1997, will continue to be left untouched. Corporate tax paid by companies is even being gradually reduced from 15 to 10 percent, as promised in Klingbeil’s “Economic Booster.” Generous depreciation allowances for the purchase of new machinery—mainly for arms production—already took effect on July 1. In other words, the government is granting the corporations a multibillion-euro tax relief.

Another placebo is the promise of a state housing construction company to build “affordable housing.” This exists only on paper. What it is really about becomes clear in the last paragraph. There it says: “In order not to jeopardize private housing construction, it shall be regulated by federal law that the nationalization of private rental housing stock through socialization laws at state level is no longer possible.” In other words, this is about a ban on expropriations. Several coalition leaders also pointed this out at the press conference.

Chancellor Merz mentioned the Berlin state referendum of 2021, which voted by a majority for the expropriation of large housing corporations in the capital but was never implemented. Merz claimed that this had “led to uncertainty that hindered housing construction throughout Germany.” For this reason, it had now been decided: “We will prevent the nationalization of private housing companies and rental apartments through socialization laws. This will be regulated by federal law.”

CSU leader Markus Söder praised the reform package at the press conference on July 2 and said it was “a clear rejection of everything that is socialism and nationalization.” And Finance Minister Lars Klingbeil emphasized, “We want to build but not expropriate.”

At the same time, the government is not sparing in its use of barroom rhetoric and demagogic agitation against “illegal immigrants.” This is taken up in several points in the chapter on “Growth and Justice,” which are aimed at dividing the working class and making the most vulnerable into scapegoats. The language differs little from that of the far-right Alternative for Germany (AfD).

The government wants to introduce an “Action Plan to Combat Social Benefit Fraud,” to be implemented by the end of 2026. The measures include “the most comprehensive possible exchange of data between all responsible authorities (in particular social welfare, immigration, resident registration, finance, security and building authorities, as well as health and care insurance funds, push notifications from the Central Register of Foreigners to the benefit authorities in the event of benefit-restricting circumstances ...)” etc.

Merz stated at the press conference: “On the subject of justice: we are now acting very consistently against social benefit fraud.” And Labor Minister Bärbel Bas (SPD) added: “Anyone who abuses the system must also reckon with consequences. ... We want the economy to grow again. Everyone must make an effort.”

Trade union leaders as government advisers

For the time being, in order to push through its plans, the government is relying heavily on cooperation with the trade unions. Point 19 states: “We will ask the collective bargaining parties in the industries particularly affected by the current crisis to propose concrete measures to the federal government by mid-October 2026 in a sector-specific dialogue that will increase the competitiveness and resilience of the respective sector. This applies in particular to the automotive and chemical industries, as well as steel and mechanical engineering.”

This passage is extraordinarily telling: the government is confidently appealing not only to the business bosses but also to the trade union bureaucrats, who are to act as advisers. They had already met with the government and the managers of German business on June 10 at the Chancellery, among them Yasmin Fahimi, leader of the German Trade Union Confederation (DGB), IG Metall chairwoman Christiane Benner, mining, chemicals and energy union IG BCE leader Michael Vassiliadis and Verdi service sector union leader Frank Werneke. So, they have known for at least a month exactly what the government is planning and pushing through, and what it means for working people.

In a spirit of preemptive compliance, IG Metall is already trying to prepare its members for wage restraint in the upcoming metal and electrical industries contract round. “Please don’t be angry if any increase turns out to be rather modest,” wrote Torsten Heuer, works council chairman at Siemens Energy in Hamburg, “because at the moment there are more important issues than a few percent on top. What is decisive is that we secure industrial jobs—for that, we all have to make a sacrifice.” In reality, wage restraint has never saved a single job.

As throughout the world, the situation in Germany is stretched to breaking point. One-fifth of the population lives in poverty, while billionaires increase their fortunes astronomically. In order to wage wars and ensure the rich get richer, the government is making daily life hell for working people and leaving the needy to their fate.

A social explosion is brewing, and the trade unions are proving to be the henchmen of the capitalists and are increasingly losing control. At the same time, the fascist AfD is being brought into position. The urgent response to this can only be the independent mobilization of the working class, based on a socialist and internationalist program, as advocated only by the Fourth International, the Sozialistische Gleichheitspartei (Socialist Equality Party) and the WSWS.



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