

# Germany: not all in it together

Maeve McGrath

Unglücklich das Land, das keine Helden hat... Nein. Unglücklich das Land, das Helden nötig hat. (Unhappy the country that has no heroes... No, unhappy the country that needs heroes). Bertolt Brecht (1898 - 1956)

The English *Economist* magazine recently ran an advertising campaign which was to be seen in tube stations in London's underground. It featured two halves; one proclaiming: 'Germany is saving Europe,' the other that: 'Germany is sinking Europe.' Not a bastion of journalistic objectivity, the *Economist* did however make clear a frequent motif in depicting the point of origin of both the bailouts and the now infamous Troika. Angela Merkel has become synonymous with Germany. The media casts an entire nation into one looming unity. But in reality Germany, like every other capitalist country, is a class divided society and the ordinary citizens of Germany are in no way to blame for the misery inflicted on the working classes in Ireland and elsewhere by the German ruling class. In fact, German workers have been suffering at the hands of similar ruthless policy-making which specifically targets low and middle earners. Neither 'Germany' nor 'Ireland' is *doing* anything to Europe. They are, unfortunately, both languishing under neo-liberal regimes.

In the 1950s and 1960s Germany was a byword for strong and consistent economic growth, combined with more or less full employment and rising living standards - the so-called German economic miracle'.

To this day it has maintained a powerful reputation in manufacturing industry, scooping up more patents than any other country. Yet life for German workers is far from idyllic. Changes in government policy, the labour market, and the growth of corporations have undermined workers' rights. Werner Eichhorst explained:

Most continental European labour markets and welfare states underwent a substantial transformation over the last two decades moving from a situation of low employment and limited labour market inequality to higher employment, but also more inequality. Germany is a case in point as it exhibits growing employment figures and growing shares of low pay and non-standard work.<sup>1</sup>

## The Post War Boom

At the end of World War 2 the German economy lay in ruins, devastated by Allied bombing and invasion and internal collapse. But its recovery was rapid, spectacular and, most importantly, sustained. In 1946, per capita GDP in Germany stood at \$2,217, compared to \$6,746 in the UK. By 1956 it had reached \$6,177 compared to \$7,929 in the UK and by 1970 it stood at \$10,839 compared to the UK's \$10,767.<sup>2</sup> This involved a five-fold increase in industrial output and by 1960 unemployment in Germany was down to 1 percent, which signified both effective full employment and a significant shortage of labour.

<sup>1</sup> Eichhorst, Werner, 'The Unexpected Appearance of a New German Model,' *IZA*, no. 6625, June 2012.

<sup>2</sup> Figures taken from A.Maddison, *The World Economy: Historical Statistics*, OECD 2003, pp 50-52.

Various factors were involved in this spectacular success. No doubt, for example, the Marshall Plan of 1948-52 (massive US aid to Western Europe designed to counter the appeal of communism') played its part, but conventional explanations in terms of supposed German national characteristics - German hard work' and efficiency' etc - can be discounted as can attributing it to the brilliance of German economic policy-making. A Marxist analysis needs to go deeper locating the German miracle' in the context of the international post-war economic boom and Germany's specific position within this.

The period from the end of the war to the early 1970s was the longest and biggest boom in capitalism's history; in stark contrast to the deep depression of the 1930s and the ongoing instability that has dogged the system since. The basis of this boom was the unprecedented level of arms spending undertaken by the major powers during the Cold War which had the effect of offsetting the tendency of the rate of profit to fall, identified by Marx. The German economy shared in this boom and benefited from it, particularly in terms of exports, but, forbidden to develop nuclear weapons, it did not have to pay the cost of sustaining it. The massive US and UK arm expenditure had the effect of keeping the boom going internationally and postponing the return of crisis but it also slowed down their rate of growth relative to that in Germany (and Japan) where such expenditure was minimal.

But since the stabilising effects of the permanent arms economy' wore off in the mid-1970s the German economy has not been markedly more successful than its European counterparts as the following table shows.

Per Capita GDP <sup>3</sup>	1970	2001
Germany	\$10,839	\$18,677
France	\$11,664	\$21,092
UK	\$10,767	\$20,127
Ireland	\$6,199	\$23,201

Thus Germany's dominance in Europe (like that of the US in the world economy) derives more from its absolute **size** than from its recent outstanding performance. German total GDP in 2012 stood at \$3,194 billion, compared to \$2316 billion for UK, \$2,255 billion for France and \$1,834 billion for Italy. Average German wages, however, were not substantially higher than those in the UK and France and, until very recently, probably lower than average wages in Ireland (though here it has to be born in mind that the cost of living in Germany is much lower).

## Reunification

The *Wiedervereinigung*, or reunification of East and West Germany brought together two very different economies. The DIW, or German Institute for Economic Research, has shown that social inequality has grown since reunification. Racial violence reached a horrifying level with particularly grotesque attacks in Mölln in 1992 and in Solingen the following year. Right-wing sentiments were also common in the government. Helmut Kohl of the CDU (Christian Democratic Union) ruled as chancellor from 1982 to 1998 and abolished Germany's wealth tax. Not only the OECD, but even the IMF calls for the rich to share some of the tax burden. 2002 saw the introduction of Riester pensions. These state schemes were widely promoted and seen as good, secure investments. However they come with many terms, for example if you opt for a 'Wohnriester' but later in life do not end up owning property, your pension will not pay out.

These packages are calculated with unrealistic life expectations. As a result the full amount due to the customer is rarely paid out.<sup>4</sup>

## Recession

Germany is an apparent model of resilience in face of the recession - companies such as Audi are making record profits. However, GDP remains at an unimpressive level when compared to some Scandinavian states. The sheer size of Germany keeps it at the fore of the European economy. So too does the fact that savings are made at the expense of workers. Many employees are kept in limbo on pay freezes. As prices rise this is in effect a pay cut. More workers are forced into casual labour. Casual workers are often excluded from the benefit of collective bargaining agreements.

Low and middle income workers are effectively funding the social welfare system. Taking the example of health insurance; premiums are only paid on up to €45,900 of gross annual income. All income above this amount is not subject to a premium payment. Therefore someone earning €150,000 has to pay only 6.6 percent of total wages in social welfare contributions, whereas someone on €15,000 is forced to part with 20.7 percent of their salary.<sup>5</sup>

Unjust policies which lead to a widening poverty gap sow the seeds of future catastrophe. 'In no other European country has social inequality grown as strongly as in Germany,' stated Gerhard Bosche, the specialist in industrial sociology who heads the Institute for Work,

Skills and Training (IAQ) at the University of Duisburg-Essen.<sup>6</sup>

## Unjust Norm

German children are having their future prospects narrowed down before they even enter secondary school. There are various types of second level education, and these decide if students can proceed to university or technical college. Those students who are assigned to the *Hauptschule* are effectively being shuttled into industrial work. Many students do switch into the university stream but this requires much academic effort and carries a financial cost for the family.

In Germany there is no minimum wage. A statutory minimum wage is not universal and only exists in certain sectors. So, even for those expected to feel 'lucky enough' to have a work contract, life is not necessarily better. As many as 8 million people are on only €9.15 an hour while 1.4 million workers get less than €5 for an hour's work. The situation is worsening. Since 1998, the number of low wage workers increased by 2.3 million. VAT is also unfairly targeting lower earners. Toys and car seats for children come with 19 percent VAT, whilst some luxury items such as tickets for ski lifts come with just 7 percent tax. In 2006 the richest 10 percent of the population had 24.9 percent of the total income, while the poorest 10 percent had only 2.9 percent of the total between them.<sup>7</sup> This is less than the poorest 10 percent had in 1998. In 2008 11.5 million Germans were

<sup>4</sup>'Die Lüge mit der Riester Rente.' *The Intelligence*, 14th August 2013.

<sup>5</sup>Example taken from: 'Millions Left Behind in Boom', *Spiegel Magazine* May 04, 2012. <http://www.spiegel.de/international/business/german-labor-reforms-create-greater-gap-between-rich-and-poor-a-830972.html>

<sup>6</sup>ibid.

<sup>7</sup>Schäfer, Claus, 'Empirical Figures of Social Inequality in Germany,' *WSI*, Garching, 2011. <http://www.studymode.com/essays/Empirical-Figures-Of-Social-Inequality-In-886051.html>

living in poverty.<sup>8</sup>

Those with jobs are increasingly being asked to accept stagnant wages, heavier workloads or longer hours in return for job security. Indeed German workers are among the most productive in the world.<sup>9</sup> Recently the age of retirement was brought up from 65 to 67. These exploitation measures are met with quiet acceptance as opposed to outraged protests because there is a growing atmosphere where one is expected to be grateful for any contractual employment. Those on temporary contracts are shed by companies effortlessly and at low cost. Workers in more permanent positions are acutely aware of this and out of a desire to protect their relatively secure appointment, attempt to remain inconspicuous.

Discount stores like Aldi treat their staff with suspicion and can be highly manipulative. One former manager divulged Aldi Süd's tactics in a report by the country's leading television station ARD.<sup>10</sup> Managers are instructed to be suspicious of employees, who are supposedly all lazy and opportunistic thieves. Older or less productive workers are intentionally given more difficult tasks in order to have grounds to later fire them. One former cashier was let go after receiving a warning for refusing to close an emergency exit whilst customers were still in the shop.

Older workers are targeted purely because their wages are higher and bullying methods such as constant criticism are practised. The longer one is employed by the company, the more expensive one becomes for them. One manager described how 'systematic pressure' was put on staff once they had worked for longer than 25

years for Aldi Süd. Staff rarely reach retirement. One manager admitted that on the few occasions where this did happen, he had no idea what the procedure was. The company publicly boasts their figures for youth employment and hopes the ever decreasing number of older faces goes unnoticed. Furthermore, the company has openly blocked all moves by the workers to unionise.

## Unionisation

Since the mid 1990's the union leadership has behaved cautiously and defensively. This is a far cry from the tradition of fighting unions going back to the 1950s - which brought victories such as sick pay and the 35 hour week. Up until twenty years ago, unions were winning pay increases for skilled workers. However, restructuring of production and the labour market made it considerably more difficult to organise workers. The close ties between the trade union leaders and SPD (Social Democratic Party of Germany) politicians are partially to blame. With the 2013 elections in mind, the head of the SPD, Sigmar Gabriel, indicated that he desired a closer alliance with the Deutschen Gewerkschaftsbundes (DGB) or Confederation of German Trade Unions. Gabriel wanted the head of the DGB, Michael Sommer, on the executive committee of the SPD. Much like Social Partnership in Ireland, such a move only cripples workers' fighting power. Only in the face of intense criticism did Sommer pull back from accepting this position. Sommer remains a member of the SPD, but has stated that he will accept no post within the party.

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<sup>8</sup>Henning, Dietmar, 'Study reveals growing social inequality in OECD countries' *World Socialist Web Site*, 8th Jan. 2011. <http://www.wsws.org/en/articles/2011/01/oecd-j08.html>

<sup>9</sup>'Class conflict: Germany's economic crisis weighs heaviest on the poor,' *The Los Angeles Times*, August 4th, 2010.

<sup>10</sup>'Der Aldi-Check,' broadcast 8th July 2013, ARD.



Trade union demonstration in Dortmund for May Day 2009

Unions even engaged in actions which diffused militancy such as in 2010; when a 'heißen Herbst' or 'hot Autumn' of protest was announced and then abruptly cancelled. This took a lot of the momentum out of a movement of anger amongst workers, which had been gradually building throughout the preceding summer months. The emergence of niche trade unions for skilled workers - for instance train drivers - could be seen as successful as they have achieved many of their demands for their own small membership. Unfortunately this was at the cost of undermining the principles of union solidarity and made it difficult for representatives to secure deals on a larger scale or to defend the interests of the working class as a whole. Union membership has now sunk to only 19 percent.<sup>11</sup> Such a low figure indicates some of the obstacles to strong representation of the workforce.

## Privatisation

The privatisation in the 1990s of major sectors such as Lufthansa and the railway, post and telecommunications services eroded established collective bargaining power. This, of course, was part of a broader trend. The 1980s saw privatisation become part of government policy in many countries, thanks particularly to the

ruthless efforts of Thatcher and Reagan. Britain and New Zealand sold off their rail services in the early 1990s. A report from 2012 promised a saving of €19 billion if the German health service were privatised. For instance, a fee was introduced for a visit to a GP (€10 per quarter, which is largely refunded through one's insurer) in an effort to discourage unnecessary visits. The desired effect did not occur, so in 2012 the charge was abolished. Privatisation almost always results in a diminished standard of service for the customer or in this case the patient. Standards are lowered and cost cutting becomes the focus.

## Exceptions

There are some exceptions to this merciless targeting of ordinary people, islands in the swamp of neo-liberalism. For example, Sedus Stoll allows its 950 employees a share in its profits, mostly in the form of pension payments. Such arrangements are present in 9 percent of German companies. But capitalism, by its very nature, will pressure employers into exploiting their workers to remain competitive. That is why these are exceptions and can never be otherwise within this system.

## The 'precarariat'

2003 saw the statutory deregulation of temporary work. Prior to this, it was illegal for an employer to have large numbers of temporary workers. This was said to be an effort to make the labour market more flexible and bring the unemployed into long term employment. But this has not happened. Today there are about 8 million workers in part-time work, temporary, or agency jobs. This measure has helped the unemployment rates; indeed the un-

<sup>11</sup>Brinkmann, Ulrich and Nachtwey, Oliver, 'Industrial Relations, Trade Unions and Social Conflict in German Capitalism', *La Nouvelle Revue du Travail*, 2013.

employment levels in 2012 were the lowest since reunification, but at the same time it has driven down the standard of living. In Germany, as elsewhere, corporations are increasingly relying on temporary workers as a long-term strategy to reduce costs. Just one way this saves employers money is that the company is under no obligation to make redundancy payments. The number of workers in atypical employment rose from 16.2 percent in 1998 to 22.2 percent a decade later. Often new employees are offered only temporary contracts. Research has shown that the risk of poverty increases with such insecure employment.<sup>12</sup> Only about 8 percent of temporary workers are permanently hired within a year by the companies that they are in.

Ulrich Walwei of the Institute for Employment Research (IAB) in Nuremberg has noted that the gap 'between the wages of people with good and bad qualifications has grown in recent years'. This division is acting as a filter to block workers with disadvantaged backgrounds from secure employment. Indeed while unemployment is low for 'skilled' labourers, immigrants are twice as likely to be unemployed compared with native Germans. Skilled workers have unions which will mount some resistance for their members, but other workers are not in such a strong position. It is these irregular or so-called 'precarious' workers who need the help of unions the most. There are around one million temporary workers; who do the same jobs as those on contracts, but for less money - on average half the wage of their counterparts. Furthermore, in the public sector there is restricted career advancement. This is another means of redirecting workers away from secure job prospects. If they move to the private sector out of frustration, they

will have to pay into a personal pension scheme.

## Seasonal Slaves

In the lead up to Christmas, Amazon advertises in countries neighbouring Germany, especially in Spain, for temporary positions. Amazon admitted to requiring 10,000 extra seasonal workers last November. Upon arrival, the workers are told that their contract is with another company and the wages are lower than was promised to them. Companies such as Trenkwalder, and CoCo Job Touristik then step in and subject the workers to appalling conditions. ARD, Germany's RTE, exposed this in a recent documentary. It showed how migrants were packed into holiday resorts which were deserted in the winter season. Mixed gender workers were assigned shared accommodation with strangers. Treated like cattle, they were not kept informed about their own work schedules and subjected to searches and ID checks at any time. They worked fifteen-day stretches without a day off. No social contributions were paid on the wages they received. There was a constant presence from private security guards from Hess Security who threatened and intimidated the foreign nationals. Some of the guards wore *Thor Steiner* hoodies; which Amazon themselves have discontinued due to overt links to Neo Nazi groups and convicted fascists. Those migrant workers who complained were expelled from the compound without pay or assistance to return home. The workplaces themselves can be up to 30km away from the accommodation. Buses would collect the staff at irregular times, which meant that the workers were often left standing in the snow for hours, often in the dark. There was only

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<sup>12</sup>Dietmar Henning, 'Study reveals growing social inequality in OECD countries' *World Socialist Web Site*, 8th Jan. 2011. <http://www.wsws.org/en/articles/2011/01/oecd-j08.html>

one bus per shift arranged. Missing it, or if it did not arrive; left employees with no option but to sleep in a canteen. Often the Spanish workers would beg for coffee from their German colleagues. Unfortunately, some trade unions blame the language barrier and the general nature of temporary work for their inaction to end this modern slave trade.

## Burden

For every mention of a ‘bailout’ country, the German media feels obliged to refer to the German taxpayers as being those who did the bailing out. Eurostat however has shown that the Irish taxpayers have paid 42 percent of the entire European banking crisis. This is a fact which the German papers do not feel the need to reiterate ad nauseam. What is clear is that the austerity policy - which Thomas Herndon has shown to be supported by data which is incorrect - is homing in on those with low incomes across the board as a way of attempting to restore capital’s profit rates. Germany may have once been something of a haven for workers’ benefits and rights; but the neoliberal agenda has consigned that to the pages of history. It is now a haven for the business class. As has been stated elsewhere countless times; savaging workers’ pay cheques destroys their spending power and can only have an adverse effect on the wider economy.

## Conclusion

The praise heaped on Germany’s economy as a result of its relative resistance to

the international recession rarely expresses gratitude to those who are paying the price for the recovery - namely the working class. Politicians are in a position to choose to ease this situation. Social research bodies, such as the Bertelsmann Foundation, specifically point to policy-making in education and the labour market as significant factors in the polarisation of society. If a minimum wage of only €8.50 were introduced, 25 percent of all female employees would immediately earn more money, and 15 percent of male workers would see their pay go up. The *Bundesrat* or upper house is pushing for a nationwide minimum wage.

In March, the social-affairs minister Ursula von der Leyen, presented a report on poverty and wealth. This prompted Philipp Rösler of the neoliberal FDP party to pre-empt and decry any attempt to introduce a wealth tax. This is exactly what the left is calling for, along with increased income and inheritance taxes. A Swiss referendum calling for cuts in corporate pay has caught the attention of their German neighbours. Election promises of ‘social justice’ could find favour with voters in September. Austerity policies, much the same as those pursued by the current government in Ireland, expand the gulf between the rich and the poor. The distribution of wealth in Germany, as in Ireland, is growing more unequal. *The Spirit Level* by Wilkinson and Pickett demonstrates why this has an overall negative impact on society. It also sets a dangerous trend for the future. Germany may be sailing through the recession, but it is doing so on the backs of the poor.