'German model' under attack?

On his recent visit to South Africa German Chancellor Gerhard Schröder became probably the first head of state to request a one-on-one meeting with Cosatu. ***Dinga Sikwebu*** *examines what is happening on the Chancellor's home ground where his government has introduced measures aimed at restructuring Germany's economic and social policies.*

Architects of South Africa's democratic dispensation spent hours and hours in the early 1990s studying Germany's post-World War II development path. This was not an accident. For many years, Germany stood as a model of capitalism with a human face. The country's generous welfare system combined with a growing and vibrant economy represented a more palatable path compared to North America's 'dog-eat-dog' social and economic system. But recently, the 'German model' has come under severe stress.

For a decade now, Europe's largest economy jerks like an old Beetle car as it spatters jobs. The 2003 official statistics recorded 3.7m people as having no employment. This is 8.7% of the economically active population. Recently the country's federal statistical office announced that Germany's economy shrank in 2003. A first decrease since 1993, gross domestic product (GDP) fell by 0.1% last year. This would not have been serious if previous years' performances were good. Recent annual growth rates have not surpassed 2%. Together with these low growth levels, the government is saddled with huge budget deficits. Provisional calculations reveal that in 2003, general government net borrowing stood at E86bn. This amounts to 4% of GDP at current prices; well above the 3% cap that the European Union (EU) has set in its Stability and Growth Pact. Blamed for the country's woes is the bountiful social security net and system of labour laws.

According to Institut der Deutschen Wirtsacht, the share of non-wage labour cost stood averagely in 2001 at 81.2% of total annual labour costs. The Cologne-based business think-tank includes in its calculations holiday pay, sickness, pension and other allowance payments. It is these challenges that Gerhard Schröder was attempting to respond to when he unveiled his Agenda 2010 in March last year. 'Small- and medium-sized businesses complain about high ancillary costs and bureaucratic regulations,' says the 59-year old German leader and former lawyer.

The raft of measures is aimed at creating jobs, reforming the welfare system and promoting small- and medium-sized enterprises. 'Small businesses and craft trades that employ up to ten workers will be able to take short-term employees without triggering unfair dismissal protection provisions,' boldly states the programme. In the first four years of operation, new firms do not have to grant permanent employment status to their employees. The option of limited duration contracts is what Agenda 2010 proposed. The programme also deals with retrenchments. When launched the document called for expansion of retrenchment criteria so that 'a balance between company and employee interest is struck'. Previously, criteria for retrenchment were confined to age, service and statutory support for workers about to be retrenched.

The government has also decided to pursue its tax reform programme adopted in 2001. This year and in 2005, personal income tax is to be reduced. By reducing its payment to the welfare system and by reducing civil servants' benefits, the government hopes to finance the revenue shortfall. Other sources to compensate for the gap are the abolishment of some subsidies, the chopping of the first-time home ownership grant and commuter allowances. The 2004 budget also ups expected privatisation proceeds from E2bn to E5.3bn.

On the welfare front, Agenda 2010 makes a number of proposals. Starting from 2006, unemployed will be able to claim benefits for 12 months and those above 55 years have a 18 month maximum. Presently those without jobs can claim for 32 months. A large-scale initiative to reform the health care system is underway. This includes rationalisation of medical aid schemes and a review of the list of benefits in the statutory health insurance scheme.

The hottest issue in Germany is that of the state pension system or what in the country is called the 'demographic challenge'. Since the late 1970s birth rates in Germany have been on the decline while life expectancy is increasing. Projections are that in future the number of pensioners will outstrip the number of working people. With an arrangement where retired workers are paid from contributions of the current working population, these demographic changes complicate things. Last year the government tabled a 377-page commission report that gives options on how to restructure the pension system. The commission recommends a gradual increase in pensionable age from 65 to 67. It also proposes a freeze of pension payouts at current levels until 2005. 'Our country needs growth and jobs now. Agenda 2010 is the way to achieve these,' says German embassy's labour attaché, Thomas Poese.

Not everyone agrees with Poese. Ardnt Hopfmann of the left-aligned Rosa Luxemburg Foundation argues that Agenda 2010 is the 'wrong way of dealing with Germany's real problems'. Speaking from his Southern African office in Johannesburg, Hopfmann says: 'Germany does not need to destroy the social security net. We need to reconstruct the system.' Hopfmann feels that earlier reforms of the pension system that allowed high income earners to exit into private funds, exacerbated problems. For him the solution is bringing these layers back into the system.

Union reaction

Agenda 2010 precipitated a crisis in relations between the SPD and trade unions. Having supported Schröder in his 1998 electoral campaign and his re-election in 2002, labour refused to accept what was tantamount to a kick in the teeth. 'We will do all we can to keep these measures from becoming a political reality,' said the Klaus Zwickel, former president of the metal union – IG Metall.

Organised under the federation of German trade unions (DGB) and in alliance with other social movements, labour launched a campaign to block Agenda 2010. To squash accusations of being opposed to change, the labour federation also produced a document where it outlined measures 'to socially reconstruct the welfare system instead of deconstruction'. Kicking-off its campaign with May Day marches, unions built a momentum of opposition that culminated in a 1 November demonstration in Berlin attended by more than 100 000 people. Since then university students have taken up the cudgels and are resisting education budget cuts.

Even within his own party, Schröder met opposition. When the health reforms were tabled in parliament, six party SPD backbenchers opposed the legislation. They called the measures a betrayal of the party's tradition. After a decision to press ahead and implement the programme of reforms from the beginning of this year, the big question is whether Schröder's Agenda 2010 will cure Germany's maladies or not. Schröder and his Green Party coalition partners remain convinced that the programme will. Unions and other social movements are not. While all this is happening employers and conservative parties who are the majority in parliament's upper house have their scalpels ready for more cuts.

The unions remain in a bind. While labour realises that Agenda 2010 is an attack on its constituency, memories of the 1982 collapse of the liberal and social-democratic coalition government are still fresh in union leadership's minds. They feel that an all-out push against Schröder's programme may cause problems for their social-democratic allies and pave a way for conservatives in the 2006 elections. The present stalemate sets the stage for what may be a battle to determine Germany's future development. For us South Africans, maybe the next round of lessons that we can draw from Germany is what social-democracy does to workers when it ascends to office.

LB

Sikwebu is a national education co-ordinator with Cosatu's National Union of Metalworkers (Numsa). The article is written in his personal capacity and appears in the latest edition of the Numsa Bulletin.