



Germany: the return of the class struggle

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After many years of 'good-bye to the working class', in which, 'new global questions facing humanity' seemed to make all orientation to the working class appear hopelessly out of date, a discussion has recently broken out in Germany over the 'rebirth of the social question'. One prominent German trade union leader, Schmithenner, summed it up;

'The 'social question', which many people thought had been resolved, has announced its return with a vengeance' and this return of the traditional battlegrounds of social conflict within the capitalist market economy comes at a time when the idea that post-materialist culture and lifestyles were now all that mattered had carried the day in scientific and political discussions.¹

This return of the class struggle, however, is not the bolt from the blue that some would like to think. German economic strength and political stability were built on very specific features of the post-war world that were already being undermined by the late 1980s. The collapse of Stalinism and the rapid incorporation of the old German Democratic Republic (GDR) into 'West Germany' (FRG) created a short lived boom that prolonged the apparent 'class peace', but under the surface, capitalism's very success was recreating the social polarisation that will dominate German politics in the last years of the century.

Rising unemployment and declining real pay

Secure, well-paid jobs for all who want them used to be the popular image of German society. Now declining real pay and mass unemployment is the reality of the 1990s.

When the number of registered unemployed almost doubled between 1974 and 1975 and broke the one million barrier for the first time since 1955, this was still a shock. The need to get back to 'full employment' was still an article of faith, whether it was to be achieved through Keynesian policies or by overcoming 'social democratic mismanagement'. Just eight years later, the number of unemployed rose to two million and the quest for full employment quietly disappeared from view.

In 1992, all-German unemployment reached 3 million and the following year it hit four million. A period of economic recovery in the last two years has scarcely dented the core of the unemployed. Now at the start of 1996 the official figure stands once again on the threshold of 4 million.

In fact, every economic advance further increases the number of unemployed. A striking example of this is given by the biggest steel maker in Germany, Thyssen. Despite a return to profitability in 1994, further job losses are planned. By the end of 1995, the workforce was planned to stand at 37,000 according to the company, but, because of rising productivity, output will be the same as 1992 when 58,000 were employed.²

The official jobless total is only one part of the picture. In addition, there are nearly two and a half million people—mainly women and youth—who are not registered and have absolutely no chance of finding paid work. Also the government massages the real figures by not counting people on short time working, those forced into early retirement, not to mention the myriad 'work creation schemes' and retraining scams. In 1993, in the former East Germany alone, there were more than two million on such schemes.³

Finally, there has been a sharp increase in the numbers of part-time workers and those on short-term contracts. The numbers of those working less than twenty hours a week and, therefore, not covered by social insurance, have shot up. Ten years ago there were perhaps half a million in West Germany, today there are two and a half million in the whole of Germany. There are about half a million 'loan workers' (like agency workers, these can be laid off with no cost to the employer if demand slackens), short term contracts and the 'new self-employed' such as the 50,000 Poles and Hungarians who work as 'one man firms' on German building sites.

All in all, then, about 8 million people, some one-fifth of the total 1994 labour force of 41 million, are out of work or underemployed.⁴

When Hitler smashed the German workers' movement in the 1930s he tripled the share of national income going to the bosses in profits. It was only from the late 1960s that workers in the Federal Republic started to reverse the consequences of the Nazi incomes policy.⁵ For most of the 1950s, workers saw little improvement. Given the rapidly rising productivity in this decade, these 'low wage costs' were the source of the much praised 'economic miracle'.

It was only in the second half of the 1960s that generalised labour shortages led to wages strikes (for example the October strike of 1969), which brought a steady improvement in wages as a share of national income. By 1982 German workers had driven them up to 72.5% of national income compared to 60% thirty years earlier.

However, since 1982, a countervailing trend has set in. Since 1990 wages have remained a static proportion of national income whilst there has been a considerable increase in capital and property holdings.

While real wages have effectively stagnated for the last ten years, the money taken as salaries by the bosses rose by 50%. Net employers' profits have risen year on year. As the Munich IFO Institute⁶ pointed out, profits in 1994 were double those for 1993.

The inexorable rise of the numbers without work and the downward pressure on wages is no natural law nor an accident. It is simply a function of the determination of the German employers to make their 'partners' the working class pay for the growing difficulties faced by German capitalism. But in pushing through with this attack the employers face a number of important obstacles.

Balance of class forces

German capitalism suffers from serious problems of capital accumulation compared to its US rival.⁷ By mid-1994 this journal suggested that Germany must launch a Thatcher-style attack on the German workers in the following period to resolve its strategic and structural problems, especially its high labour costs and generous social provisions compared to its capitalist rivals.⁸ Yet little of this has occurred. Indeed, the balance of class forces in Germany has not decisively shifted since the Maastricht Treaty was signed. Why is this?

Whilst the bosses' press keeps up an ideological barrage about high wage rates and threatens workers that production will be shifted to Eastern Europe, or even to the Pacific Rim, no German Thatcher looms on the horizon. Indeed, the serious economic press and the large monopolies are still advocating 'social partnership' as the best way to negotiate a cut in wages and a reduction of welfare costs. Clearly the German bourgeoisie fears class struggle in a period when it is still restructuring the east and preparing for European monetary union.

Nevertheless, while the governing Christian Democratic Union (CDU) is wary of inciting the bosses to an all-out frontal offensive under these conditions, the main industrial federations are proceeding piecemeal in a number of areas. Fiercer local competition for the lowest labour costs and dividing the workforce between core and periphery have begun to undermine an important factor in the social and economic stability of the Federal Republic: the 'partnership' regulation of wages and working conditions by the 'autonomous contracting parties', that is, the employers' organisations and the trade unions.

Under the pressure of competition many firms are not waiting for their government to act for them. The large firms are

trying to push through new management and production methods to improve productivity. This includes 'shedding' all but the most essential core areas of production by the large firms and transferring production from what were previously internal departments to mutually competing suppliers. General Motors in Germany has forced down wages within supplying firms to 65% of their previous levels and production time by 25%.⁹

The importance of this development is the role these firms play in undermining the negotiating position of the workers in the big firms over pay, hours and conditions. What happened in the firm of Freudenberg in Weinheim is a good example of the process. The works council found itself 'forced' to accept Sunday working on car filter production for Opel because, 'should the firm not be in a position to meet the customer's demands, then Opel would be forced to transfer the order to our rival firms, Knecht or Mann and Hummel.'¹⁰

Among other management reforms, the last years have seen a reduction in the size of management resulting in more direct pressure from the top on the shop-floor. Quality circles are now more common as is 'team' work which aims to strengthen mutual control and 'peer group pressure'. Greater divisions within the workforce results and this weakens the ability of the unions to represent the interests of the whole workforce in such big factories.

But it is not just an offensive over working conditions. The change in mood of the employers was clear to see in the 1994 wage round in which the classic economic approach which sought to balance inflation, productivity increases and the maintenance of consumer spending power played virtually no role. The economic and political arguments about the 'common good' were replaced by a straightforward power struggle. The employers' threats to 'take production elsewhere' were aimed at achieving a big change in the politics of wage negotiations. They insisted that only long term sacrifices on the wages front, coupled with a lowering of 'extra costs' such as holiday money could 'keep the jobs here'.

The German working class did concede a series of gains to the bosses in the years 1992-94. During this time of recession and re-construction in the eastern part of the country, two million members left the main trade union federation; real wages fell 7% and the trade union bureaucracy conceded demands for labour flexibility and lower wages for those starting work.

Nonetheless, the powerful wave of warning strikes in 1994, which surprised even the trade unions (who quickly called them off), was enough to lead to another compromise being cobbled together. Even though 1994 effectively resulted in a wages standstill, the way the wage round was fought certainly hinted at a 'return match' for the following year. The continued strength of the unions, which was shown again by the preparedness for action by the public sector unions DPG and OTV, initially provoked a quite unprecedented split amongst the employers.

On the one side, the bosses of the employers' federations like BDI and BDA11 demanded total war on social and wages policy while, on the other, the groups responsible for wage negotiations, such as Gesamtmetall and Chemische Industrie,¹² openly criticised this as unwarranted. The idea that they had to lead a direct and open fight against the unions was a frightening one for this sector of capitalists. They had taken it for granted that they would be able to wring further substantial compromises out of the unions.

However, when the realities facing the employers eventually brought them into battle, Gesamtmetall assumed a vanguard role. Labour costs had to be reduced further in order, at least, to regain some of the ground lost to rival capitalists. On the other side, the right-reformist leaders of IG Metall knew that they could expect serious opposition from their own members (possibly even including an unofficial strike movement) if they opted for another sell-out without a fight. Therefore, despite an undeniable lack of enthusiasm for a fight on the part of both leaderships, the classes came into conflict.

In early 1995, on the back of the recovery, a highly bureaucratised wages and hours struggle directed at a divided employers' federation produced a qualified victory. While it did not recoup all that was given away it did gain an above inflation pay award and a cut in hours.

On the one hand, the outcome of the Bavarian engineers' strikes in March 1995 showed the difficulties the bosses are having in trying to create a viable strategy and leadership against the unions. It also showed that the employers could expect only half-hearted support from the government which wanted to avoid an open conflict with the DGB (German TUC). The bourgeoisie are going to have to solve this crisis of leadership if they are to gain a lasting and thoroughgoing victory over the organised working class.

The crisis of the Liberals/the FDP is still acute and the CDU/CSU is therefore in danger of losing its current junior partner in the next elections (and therefore possibly its parliamentary majority). Unlike the FDP the CDU/CSU appear as a stable part of the German political system. But the strengths of the CDU are mainly the weakness of the SPD, and the CDU's ability to avoid a frontal attack on the working class until now. Kohl is a symbol of this kind of strength, its personification.

But an alternative bourgeois leadership is discernible inside the CDU. For the first time senior leaders of the CDU (Schäuble leader of the parliamentary fraction) have demanded class-wide attacks on social services before the economic leadership of the capitalists have done so. If such attacks were to be launched this would also necessarily lead to a reshaping of the CDU/CSU and the break up of its 'people's party' form of bourgeois party.

On the other hand, the victory of IG Metall in the spring of 1995 did not lead to a political or economic forward march of the trade union movement. On the contrary, IG Metall adopted a 'Pact for Work' at its November 1995 conference. The union, the so-called left wing of the DGB, announced its programme to ensure the industrial base of Germany; this offered the bosses and the government no wage increases for two years, agreement to further flexibility at work, and asked in return for no cuts in social welfare and the creation of 330,000 new jobs. This pact was to be negotiated with the employers and the government. It marked a major shift in the policies of the 3 million strong union which represents about 30% of all DGB members.

This clearly represents a rightward shift in the trade union bureaucracy and an attempt to secure its positions and privileges as the national negotiating partner of the bosses (who hardly negotiated anything on this level for at least two years). There was hardly any opposition to this at the IG Metall conference. Until now no such opposition has appeared as even a weakly organised force within the union, despite the fact that there is widespread discontent, especially amongst the less well-paid members of the union. There are some small DGB affiliates (e.g. IG Medien) who have harshly criticised the proposal. But all the other bigger unions (chemical workers, the public sector union, OTV) support the IG Metall 'Pact for Work' proposal.

However, in January 1996 the employers' organisation, Gesamtmetall, rejected the IG Metall proposal out of hand. Faced with increasing export prices and looming recession they proposed instead a 'collective emergency programme' based on deregulating the labour market, pay restraint, lower entry-level wages and regional pay bargaining. Once again the shape of future conflict is discernible.

Does this signal the early end of negotiating the class conflict through the institutions of social partnership? It is still likely that a Kohl-led CDU will force a solution on both sides within these arrangements over the next two years while the next delicate stage of European Union is negotiated, during which time domestic stability and German leadership is critical. The shift to the right in the IG Metall and the relatively good performance of some parts of German multi-national capital means that there is scope for such a temporary solution.

Such a containment and reactionary reinforcement of social partnership for a period of time is more difficult in the public sector: postal services, telecommunications, rail, education, health and other social services. Cuts in local and regional government will be high on the agenda in the next few years. The danger is that a generalisation of a fight back and its combination with workers' struggles in the big private industries will become even more difficult if IG Metall and other unions as well as the Betriebsräte (works councils) in these industries function as barriers to action.

Nevertheless, there are signs of growing resistance in the public and education sectors with increased activity amongst the youth, university and school students. It is to these sectors in the first instance that we must look for the first round

of serious struggles inside Germany against the end of social partnership.

Decisive battles remain ahead

Unlike the greater part of the German left, we do not believe that the bosses have as good as won the battle already. So far, they have had little success in establishing the new intensive methods of exploitation that they need. In fact, capital accumulation is mired in a stagnation and has not been able to free itself definitively from the regulatory bodies on social and wages policy which were created in the post-war boom period.

Capitalism in Germany could only fundamentally solve its crisis of profitability through a victory that had the same kind of impact on the rate of exploitation as that of the fascists, even if brought about by different (that is, democratic) means. This suggests that the decisive struggle has yet to take place. Despite all the social changes that have taken place, the skilled workers in the productive areas are anything but replaceable and, 'totally controllable'. Their high level of organisation is still a serious obstacle for the bosses.

Even though there has been a significant decline in living standards it has to be remembered that they had reached an historically very high level by the 1980s. These gains that the German workers' movement has made are arrogantly dismissed by the would-be radicals of the German left. Although they have been for a whole period instruments of integration, things like nationally negotiated contracts, the right to have elected works' councils, the right to co-determination, statutory based social insurance and long term relatively high living standards for the majority of the workers, are coming under attack and must be defended. This is the starting-point for an intensification of the class struggle.

The problem is that these gains are bound up with a political factor, namely the SPD and the Social Democrat dominated trade unions. Their institutionalised role within both state and economy remains the decisive problem for the bosses' whole social and wages policy. This is not a question of whether the SPD will or won't move even further from traditional reformist positions. Left Keynesianism was abandoned in favour of a social-democratic variation of supply side economics long ago. The point is rather that, despite its overall bourgeois character, the SPD's politics express, in an ever weaker and more fractured form it is true, the social weight of a class, namely the working class.

When, as happened in the last parliamentary elections in the old West Germany, 70% of trade unionised workers vote SPD, when the industrial centres of the country continue to be the decisive SPD regions and there are no other significant interest groups apart from the unions in the party, it is clear that the party leadership cannot simply get away with all the compromises they would like without putting the existence of the party itself in question.

Unlike the ultra-left and centrists, the bourgeoisie sees this problem of the SPD and union leaders very well indeed. This is shown not only by their rather surly reaction to the election results but also in more open form. A representative of a well known employers' federation put it quite bluntly in a public interview, 'You simply can't get away with destroying IG Metall' although that would make a lot of things much easier.'¹³

German capitalists share two objectives that it will not achieve without an open battle with the likes of IG Metall. The first of these is the attempt to lower costs in the entire 'unproductive sector'—most particularly in the public sector—with the possible destruction of the welfare state and a rationalisation offensive in the public services through the introduction of the new communications and information technologies. Secondly, they want a massive rise in the rate of exploitation through extension of low wage areas of the economy and the destruction of the national wage contract system.

However, neither of these objectives are compatible with the existing powerful positions of the organisations of the reformist working class movement. Substantial concessions in these areas on the part of the reformist leaderships would certainly threaten their organisations. Equally, a more determined insistence on maintaining the 'gains of the past' would put them on a collision course with the bosses.

It is clear that the decisive fight to restore the conditions for profitability has not yet been waged. Although the labour

movement has been seriously weakened by mass unemployment, divisions and structural changes, its skilled core is still in a strong position and trade union organisation remains a powerful countervailing force. An effective defensive strategy, indeed a counter-attack, remains entirely possible. However, the bureaucratised and ponderous union apparatus, with its hopeless and perspectiveless social democratic leadership, will be a major handicap against the bosses' flexible and aggressive strategy.

To overcome this handicap the rank and file of the German working class must renovate its unions. A rank and file movement must be built to transform the unions into democratic fighting organs of class struggle. The control of the bureaucracy must be replaced by the control of the rank and file. And the rank and file itself must be won to a programme that replaces social partnership with class struggle and socialism. To fight for such a programme it is imperative that a German revolutionary socialist party is built, a party committed to the destruction of the rule of capital, not its reform; a party capable of uniting the broadest layers of the class in struggle against all aspects of capitalist oppression and exploitation. Building this party is the goal of the Gruppe Arbeitermacht, German section of the LRCI.

Poverty in Europe's richest state

In the 1990s the famous 'social partnership' between unions, government and employers' federation has been stretched to breaking point over the fate of the welfare state and social security system. For the bosses it is too expensive to maintain and yet for the working class present entitlements have not stopped more and more people falling into poverty.

The question of who is going to pay for the whole state social security system has become as important an area of struggle as wages. Increasing deductions from wages, alongside decreasing state benefits, are now as important as wages policy in the redistribution of wealth from the poor to the rich. Whilst the taxation of employers' profits hit a historic low point of 21.2% in 1991 from 33.6% in 1980, deductions from the pay packets of workers have reached a third.

Recently, the discussion over the financing of health insurance, the proposal to deduct sick pay from holiday entitlement, the call for the ending of holiday and Christmas payments, reductions in unemployment benefit and social security payments, the campaign against the 'abuse' of social security, have all signalled the end of the 'social state principle' that has been in force since Bismarck's day and which even the Nazis didn't risk touching.

Between 1980 and 1990, the number of people receiving welfare support in what was then West Germany rose by 75% to approximately 3.75 million. Research has shown that for every one person registered for welfare there is another one who, out of ignorance, shame or fear of being caught for maintenance payments, does not register. The number of people defined as in poverty, as defined by official criteria,¹ in West Germany was roughly 5.7 million².

The ever higher number of long term unemployed and the reduction in the duration of unemployment pay lead automatically to a corresponding overloading of the social security authorities. In addition there are 300,000 people who have jobs but also receive social security support. In other words, people whose pay is so low that they are still below the official breadline. Because social security is funded almost entirely out of local authority finances, this burdens precisely those communities which already have relatively high spending and the least income. Little wonder, then, that the level of 'income support'³ has been effectively frozen since 1993.

Today, income support, at DM 5144 a week (excluding one-off payments and rent) lies below the accepted poverty line. Average unemployment pay is DM 1409 (West) and DM987 (East). Such a low figure is politically important because, as the Trade Union Handbook makes clear, 'income support' represents the absolute lower limit to the lowering of wages. Therefore the attempt to increase profits at the expense of wages is being assisted by these state measures.

Nor is poverty limited to those on welfare or the dole. More and more people are being forced to work in badly paid

jobs. The European Social Charter defines bad pay as being below 68% of the median income.⁵ By 1986 in West Germany some 20% (3.5 million full time workers) fell into this category.⁶

To resist the impoverishment of those on low pay and income support, socialists should fight for minimum welfare payments that are equal to average industrial pay and an end to all indirect taxation on consumption of essentials; this should be paid for by a massive tax on the wealth of the bosses. There must be a minimum pay rate established by the labour movement that guarantees an average standard of living and, together with all wages, pay must be protected from erosion by being regularly increased in line with inflation as determined by committees of trade unionists and those responsible for managing the household budget.

Eastern Germany

Since re-unification the old regions of East Germany have gone through a deep 'transformation crisis'. By the middle of 1990, industrial production in the East had slumped by 50% over the previous year. In 1993, it had collapsed a further 70%.

In the first three years after re-unification the numbers employed in industry in the East fell from 3.2 million to 700,000. This made former East German regions no more industrialised than an agricultural area such as Ostfriesland in West Germany.¹

Although there has been a 'growth rate' in the new states since 1992, this is largely restricted to branches of the economy which serve local markets such as building materials and foodstuffs. Other branches which have to face up to competition in wider markets are still in recession.

This is particularly true of the investment goods industries such as machine tools and electronics. Alongside the de-industrialisation there is also a restructuring process away from productive and technologically intensive large scale industry towards small scale and labour intensive production.

Economically, the high point of the transformation period was reached in 1993 as the boom in trade (formation of branches of West German businesses in the East, and 'shopping tourism?') and in banking and insurance came to an end.

All this obviously has quite an impact on employment. From an original (1989) 9.7 million employed (46.9% of the population) the number dropped by 1994 to 6.4 million (34.4%) having recovered a little from the low point of 6.1 million in 1993. The number of registered unemployed rose from 241,000 in 1990 to over 1 million in 1994.

However, in that year there were 328,000 'gainfully employed people' on work creation schemes² and approximately 800,000 on short time or retraining schemes. Adding in those who have had to retire early gives a total of some 2.5 million who have to live on the even lower social security payments paid in the East. Officially some 16% of the population of the East were in poverty in 1994.³

One of the promises made when the Berlin Wall came down was that wages between the two parts of the country would be equalised. Although, in some branches, there has been a definite increase in average earnings, equalisation of wage rates between East and West is still not in sight. In 1994, negotiated wage rates in the East ranged between 65% and 85% of the Western rates.

However, there are many branches of industry in which, 'because of difficult economic conditions?' the union-negotiated rates do not apply and, in general, workers in the East do not receive the extra payments that are normally paid on a factory by factory basis in the West. In terms of effective income, therefore, there are many areas in which wages are only half of those in the West.

And who has had to pay for all this?

The so-called 'cost of unity' has mainly been paid by the working class by raising national insurance contribution to

6.8% in 1991, increases in indirect taxes such as fuel tax and VAT and the, 'solidarity tax' which was withdrawn in 1993 but reintroduced again in 1995.n

1. Figures from Arbeitsgruppe Alternative Wirtschaft, p141
2. According to figures in Tagesspiegel, 9.12.94
3. ibid, 22.12.94

Footnotes

1. H.Schmitthener (IG Metall executive member), Zwischen Krise und Solidaritaet, Hamburg 1992.
2. Tagesspiegel, 19.1.95
3. Arbeitsgruppe Alternative Wirtschaft Memorandum 94, Koln 1994.
4. Gewerkschaftshandbuch, p.286
5. At the end of the 1920s, before Hitler came to power, the share of profits in national income was approximately 13%. Five years after Hitler smashed the workers' movement this had risen to 43% in 1938. See Altvater, Hoffman, Semmler, Vom Wirtschaftswunder zur Wirtschaftskrise, Berlin 1980,p.71
6. Quoted in Tagesspiegel, 31.1.95.
7. See M Suchanek, 'German capitalism, stumbling giant?' in Trotskyist International 10, January 1993.
8. By 1996 the problem of unit labour costs has worsened. German costs are 25% above the top EU seven average while five of the others are below. The US has unit labour costs around 25% below the EU average.
9. Zeit, 19.3.93.
10. Quoted in Avanti, 12/94.
11. Confederation of German Industry and Confederation of German Employers, respectively.
12. General Engineering and Chemical Industry, respectively.
13. Quoted by Schabedoth, in Zukunft Ohne Arbeit?, Munich 1994.

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