

# The 'recovery' in West Germany: living below the poverty level

by Rainer Apel

What was once known as the "German economic miracle," the speedy reconstruction of German industrial society after 1945, was buried by the successive economic recessions of 1965-67 and 1973-75. What was left of German living standards has been eroding continuously since the imposition of the U.S. high-interest rate, credit-crunching policy in 1979. Since then, the collapse of basic industries has destroyed industrial employment, and rising unemployment has undermined the living standards of millions. A growing segment of the population is now on the verge of falling from long-term unemployment into real poverty.

According to official statistics, 1.4 million German households are forced to live under conditions far below average living standards. The National Federation of Labor (DGB), which estimated 1.6 million such poor households in 1983, now calculates that the real total must be around 2.5 million. The DGB speaks of between 5 and 7 million Germans whose main source of income is social welfare or relief. That is about 10 to 12% of the population of the Federal Republic.

The total number of poor families is on the increase, and more and more Germans of working age have been without work for more than two or even more than three years. According to official statistics, 17% of the 2.62 million unemployed have been without a job for more than two years, and the trend is accelerating. The total number of these long-term unemployed doubled between March 1984 and March 1985. But there is more to be said about the official statistics: In the "crisis regions," the centers with the highest unemployment rates, 35% or even 40% of all officially registered unemployed have not worked for more than two years.

These crisis regions are, apart from the traditionally underdeveloped areas with little infrastructure, more or less identical with the traditional centers of heavy industrial production: the Saarland, the Ruhr region, and the big port cities like Bremen and Hamburg.

Here are the unemployment rates of these regions (the

first figure lists unemployment in February, the second for March):

- Saarbrücken (steel, metal, mining)—17.2%, 16.6%
- Völklingen (steel, mining)—19.5%, 19.0%
- Neunkirchen (steel, metal, mining)—15.7%, 15.3%
- Aachen (lignite exploration)—12.2%, 11.9%
- Bochum (mining, steel, metal)—15.4%, 15.3%
- Dortmund (steel)—17.1%, 16.9%
- Duisburg (steel)—16.4%, 16.1%
- Gelsenkirchen (processing of iron ore)—15.6%, 15.6%
- Bremen (shipbuilding)—14.7%, 14.5%
- Hamburg (shipbuilding)—12.6%, 12.6%

Official unemployment rates in these cities are considerably above the national average of 10.5% for February and 10.0% for March. Not surprisingly, these regions are also the ones with the highest proportion of welfare recipients. The city of Dortmund, previously one of the main centers of German steel production, has 42,000 unemployed citizens and another 25,000 on welfare. These are official figures—and even the statistical offices themselves admit that adding half again of these numbers would get you closer to the real unemployment rate. This means for Dortmund—a city of about 600,000 inhabitants—that approximately 100,000 citizens are forced to live from unemployment or social welfare checks, and every sixth citizen lives on an income which is between 30 and 40% of an average salary of an employed citizen.

## Collapsing tax base

What is true for Dortmund, is true for most of the other crisis regions—and as things are going now, it will get worse, because welfare is a burden on the municipal budgets, and the cities with the highest rates of unemployment are also the ones with the highest debt per capita. If industry and commerce collapse, the tax-income base of the municipalities shrinks. The national association of cities (Deutscher Städtetag) has been complaining for some time about this deadly

squeeze between decreasing tax-income on the one hand, and increasing financial burdens on the other.

To understand the effect of these developments, one has to know the system of German unemployment administration in somewhat more detail.

Under German labor law, an unemployed worker gets a maximum of 68% (married) or 63% (unmarried) of his last monthly salary, when he loses his job. In most cases, he does not get the money immediately, but may have to wait for several weeks or months, while the bureaucracy processes his application.

First, the bureaucracy has to find out how many months the laid-off worker had worked, how often he changed his job. Here comes the first surprise for the unemployed worker, who expected to receive 63 or 68% of the last salary the law promises him. The measuring-rod for the unemployment administration is not what the worker calls "income," but what his last basic salary was, which is usually only about 70-80% of his total income; the rest is overtime and bonuses.

An average skilled worker earns, with about 10 hours of overtime per week, about 3,100 deutschemarks monthly (before taxes); yet his basic salary is 2,300 DM, and his net income after taxes are deducted will be a bit more than his basic salary, that is 2,500-2,600 DM. Thus if this worker loses his job, he will receive only 1,100 DM in unemployment benefits—barely more than 40% of his previous monthly net income!

Officials in the unemployment administration, asked about this strange regulation, shrug their shoulders: "That is the law!"

According to independent studies carried out by the National Labor Federation, only 10% of all unemployed workers actually receive their 68%. Most receive far less than 50%, and the average is 47%.

The worker's full unemployment benefits run out in 12 months, after which he will receive (officially) 58%. If his wife does not have a job, the unemployment administration will decide which of the two will receive unemployment aid: According to the law, only one partner of a married, unemployed couple receives aid. If his wife works, he will certainly get less than his 58%, because the bureaucrats think he should get more money from his wife and less from the state. That is the law.

After another six to eight months pass without work, the unemployed worker would start receiving welfare checks, which are calculated on the basis of a poverty-level bread-basket and give him only 356 DM per month. But he will only get this sum if his wife is without work too, and if none of his children is older than 15 years—which means none of them could support him.

German welfare laws are based on the corporatist-solidarist notion of self-reliance. This means that our long-term unemployed worker is urged to ask his relatives to help him

out, and a growing part of the working labor force has to pay the bills for the growing ranks of the unemployed.

### **Rations below the poverty line**

Let us assume that our worker is better off, with children below the age of 15, a wife who is not working, and all his closest relatives either unemployed or poor, too. This means he will receive his full 356 DM welfare check per month, plus bonuses for his family, which should amount to something like 800-900 DM in the end. Let us assume the family occupies an apartment in state-subsidized housing, contributes only 200 DM to the monthly rent, and gets the rest through housing bonuses. Then a family of four would have to live on 5 DM per day per person. According to the welfare bureaucrats, this means:

- The daily minimum food ration per person is: one-half egg, 36.5 grams of meat, 30 grams of sausage, five thin slices of bread, one glass of milk. The husband is further allotted one bottle of beer per week. The family gets 1.5 kilograms of potatoes per week, and a couple of oranges and bananas.

- The monthly ration for non-food expenses is: 60 grams of soap, 16 kilowatts of electricity for the husband, but only 3 each for the wife and children, 4 stamps for letters for the husband (only one for the wife!), six bus tickets for the husband (four for the wife), 300 grams of coffee for the husband (100 for the wife).

- One electric-light bulb per year for the husband (one-half a bulb for the wife).

But the situation of the average family will be worse than these dismal statistics imply. In most West German cities, construction of state-subsidized housing has collapsed since the mid-'70s, and cheap homes are rare. About 1.4 million households, according to the official statistics, live under the threat of eviction for late rent payment, or cutoff of electric power or water supplies. The real figure is probably 2.5 million households.

The government's response to this growing crisis has been to grant an additional 20 to 40 DM to each welfare recipient, starting in July 1985, and to provide part-time make-work jobs for the very poorest. Whoever refuses to take the job he is offered is faced with losing his or her welfare check.

More than 50,000 people were forced to work in unskilled public-works jobs for 1.50 DM per hour in 1983, and the figure is said to have doubled or tripled in 1984. This means that welfare recipients are told one day that in order to receive any further money, they will have to work off some of the welfare payments they have received so far. Many, if not all, of the West German regions have started such programs, like those launched in Germany in the late 1920s, which ended in the labor corps (*Arbeitsdienst*) of the 1930s. These programs did not end the depression then, and they certainly won't end it now.