Report from Bonn by Rainer Apel

Entering a turbulent New Year

Will the German government learn a lesson from the disastrous economic developments of 1996?

The year 1996 ended in quite a different way than the German government and its political backers in the world of banking and industry had believed it would, when they broke off roundtable talks with the labor unions in March. A national mobilization by labor was able to turn back at least one of the government's austerity demands.

On March 20, Chancellor Helmut Kohl had abruptly ended the "dialogue" with the labor unions, presenting a list of budget cuts that struck deep into the social welfare, pension, and labor market programs.

Since the labor unions had been acting conciliatory during the six months of talks between October 1995, when the government's plans for such budget cuts first became known, and March 1996, Chancellor Kohl and his supporters were sure they would not run into any big trouble with the labor movement. There would be some protests, perhaps, but no big strikes—nothing like the general strike that paralyzed France, in protest against similar budget-cutting plans, at the end of 1995. The German labor movement had not gone on strike, during all these months, when there were strike waves in several European countries. Bonn thought there would be no problems.

And, indeed, for several weeks after the roundtable talks had broken down, things seemed to develop quite the way Bonn had hoped they would. The labor movement made loud verbal protests, and mobilized for a national day of action in Bonn on June 15, rallying more than 300,000 union members for an impressive march of protest against the planned budget cuts. It was the biggest such labor rally in Germany in the entire postwar period. But for 10 weeks after that day of action, Germany and its labor movement went on summer vacation.

When Germany returned from the holidays, the labor unions staged another round of protests on Sept. 7. Demonstrations were held in six major cities. But, still, the government did not take that seriously, as a sign of bigger problems to come. On Sept. 16, the government majority in the Bundestag (parliament) passed the budget for FY 1997, with budget cuts adding up to 26.5 billion deutschemarks ($17.1 billion).

A particularly controversial section of these new laws was the decree to reduce sick pay, from the present 100% for the first six weeks of prolonged absence from a job, to 80%. This law was formulated and passed, in close consultation with the top echelons of Germany's banks, insurance companies, and industry. The idea was to lower costs for the employers, who have to shoulder an annual sum of DM 60 billion for sick pay—employers that in their vast majority are not investing in their own companies, but are looking for ways they can cut expenditures there, and are preoccupied with how to extract even greater dividends for their shareholders.

On Sept. 24, the German labor movement held protests in numerous big cities, against this new law. This was a special day: Exactly 40 years earlier, a 16-week strike of metal workers in northern Germany had won a fight to establish the first national sick-pay regulation. "A mere symbolic event," many in Bonn said, trying to play down the political importance of the new labor protests. And some of the pioneers of cost-cutting among the employers in industry, especially in the automotive sector, decided to go ahead and implement the new law for sick-pay reductions, right away.

The first days of October taught them a bitter lesson: In all big firms of the automotive sector, spontaneous (but well-organized) wildcat warning strikes occurred, lasting for a few hours and involving up to 150,000 workers on every single day of the mobilization. Four days of such strikes caused losses for the automotive sector in the range of DM 250 million—more than what it would have "saved" in sick pay, had the new law been carried out.

But the new law was not implemented: After a series of emergency discussions, the employers of the automotive sector decided to put the new law on hold, for the time being at least.

From mid-October on, this pattern was repeated, in other leading sectors of German industry, such as steelmaking and chemical production. By Christmas, the labor movement could proudly announce that it had practically undone the government's sick-pay law.

Agreements had been signed, by the third week of December, with all important branches of industry, which secured the 100% sick pay for no fewer than 10 million workers—almost a third of the nation's employed workforce of 34 million.

This is an important tactical victory in a longer war. But the fact that German labor has defeated the government austerity measures, has significance beyond Germany: In all industrialized nations, where labor is in a similar war against fiscal austerity, the German labor mobilization and the success it had, is being studied carefully.