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FOCUS ON GERMANY

Did the trade unions cause the downfall of Chancellor Gerhard Schröder?

Hans-Joachim Schabedoth

If the German national football team gives a poor performance and loses the game, is it the spectators' fault? In German politics the trade unions' role is a bit more than that of a spectator. As the voice of the labour force and an advocate of social justice the trade union movement is even allowed to talk to the "trainer" and to make tactical suggestions. The actual performance of the government team, however, can hardly be influenced by trade unions in democratic societies. Ultimately, it is the Chancellor who makes the decisions. Just as football trainers sometimes make incorrect decisions, the chancellor has to face the charge that he has not always appointed his team members in the right positions. And the unions are not some sort of government coalition partner nor their mouthpiece in companies. Conversely, governments are not there to do the unions' bidding. Obviously, the German Social Democratic party (SPD) makes its decisions independently of what is decided at trade union conventions. It is only fair to take this into account from the outset.

The question as to why Gerhard Schröder as head of government and former SPD chairman did not ultimately achieve the success which the unions wished him on his re-election in September 2002 is another matter entirely.

A retrospective view

Sixteen years of a conservative government under Helmut Kohl up to 1998 had left the country looking as if it were covered in mildew. The unions were actively engaged as far as they were able in bringing about a political change of course by pointing out the government's shortcomings and encouraging people to vote in the election. However, their commitment back then was more a matter of sober pragmatism than being accompanied by a euphoric feeling of awaiting a monumental change. The voters and supporters of the red-green government did believe that the coalition would be able to find the right course towards more employment and social justice.

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"A change in course and renewal" was the motto of the government's programme of reform. By announcing that he would not change everything but at least try to do things better, Gerhard Schröder had made it clear that this was no earth-shatteringly radical new policy.

What happened next is well documented. The new federal government had to learn the ropes through a process of trial and error. Negative developments set in motion during the Kohl era were rectified, but the finance minister Oskar Lafontaine resigned in 1999 because the chancellor was unwilling to bow to his minister and party chairman when it came to setting down policy guidelines. The crisis in the Balkans then resulted in the first case of conflict on European territory since World War II, bringing about a decisive shift in German foreign policy.

There had indeed been a "change in course and renewal". But unrest and fatigue had set in too. Just a few days before the elections on September 22, 2002, it was not clear whether Schröder's four-year term would remain a political blip on the screen or form the nucleus of a new political era.

Play it again, Gerhard!

That was the mood in election year 2002 amongst supporters of the red-green government. There was a similar fundamental feeling amongst trade unionists too. The factor which -literally - swept the country along towards a further term in office for the coalition was the dreadful flooding in eastern Germany caused by torrential rains; this was the chancellor's chance to portray himself as a virtuoso crisis manager. In addition, the principled and consistent stand by both the chancellor and his foreign minister (Joschka Fischer of the Greens) against the military jingoism demonstrated by the US government helped to regain more ground with prospective voters.

Economic and labour market data on the other hand were hardly inspiring. Expectations were running high, but so were the promises made. The German conservative parties (CDU and CSU) missed their opportunity to offer a credible alternative programme for encouraging more growth and higher employment. Instead, they simply proposed policies which clashed head-on with basic union principles.

In contrast to the right-wing parties, the coalition partners made genuine efforts to take trade unions' concerns into account when drafting their election and policy programmes.

The unions expected the Social Democrats to give precedence to work and social justice. In their own publications and at many of their events, trade union representatives declared themselves as the government's partners "in favour of a socially fair modernisation of our society" and offered to co-operate with the government in the next legislative period in order to

1. achieve a better level of education for everyone,
2. push for family-friendly labour policies and equality,
3. encourage employment and positive labour-market policies,
4. improve the negotiating ability of the welfare state,
5. further develop the social safety net,
6. defend wage agreement autonomy, safeguard and expand workers' rights.

Despite being dissatisfied with too-modest steps towards reform and continuing high unemployment, most of the union decision-makers preferred to come to some agreement with Gerhard Schröder's government even if it meant some conflict, rather than enter into permanent confrontation with a conservative government. The SPD had a lead of just under 7,000 votes over the CDU/CSU and despite a loss of 2.4% came out of the election as the strongest party with a share of 38.5%. In a head-to-head race the conservative parties gained a 3.4% share of the vote, but still only came second. With its coalition partner the government took 47.1% of the vote while the CDU/CSU and FDP together achieved 45.9%. And so the red-green coalition began

the new legislative period of 2002 to 2006 with 306 of 603 seats and a majority of eleven MPs, four more than the "chancellor's majority" of seven seats (considered the minimum necessary to govern).

Anyone who believed that the SPD and the Greens had learned a lesson from their inauspicious start in 1998 received a rude awakening after September 22, 2002. Coalition negotiations, which were played out in no small measure in and via the media, were accompanied by a host of opinions voiced on questions of economic and financial policy matters, a fact that drew a great deal of criticism and ridicule upon the coalition. The SPD and the Greens had both insisted in their policy programmes and election debates that they would continue to pursue a consistent course of socially fair modernisation in the country. The German trade union confederation and its member unions were only too happy to play a constructively critical role in the government's unfolding policies and to make their contribution to these declared aims as far as they were able.

A government in reverse gear

The German government quickly lost the courage to stick to its reform plans in important domestic policy areas and was not willing to engage in a conflict with anyone opposed to those interests.

On March 14, 2003 the German federal chancellor presented a host of partly qualified, partly more detailed policy aims - almost like a belated government manifesto. This paper however did not address the causes of economic weakness; instead it announced a new plan called "Agenda 2010" which was aimed at reversing the consequences and symptoms of that weakness. This was akin to re-arranging the deck-chairs on the Titanic instead of an urgent call to change course. As a glance at more successful European neighbours confirms, a clear macro-economic change of direction would have been far more effective. What was missing was a clear outline of priorities aimed at encouraging innovation and investment with a decisive emphasis placed upon changes in the fields of education, research and technology. The new Agenda made only a very timid attempt to change policy in these areas.

What emerged as clearly more important was the intention of burdening all employees with extra costs for sickness benefits in order to relieve the employers of some of their obligations in this area. The declared advantage of such a step was to lend positive stimulation to companies to invest, but this was to be achieved by putting employees at considerable disadvantage by depriving them of the financial means to be able to consume more in the private sector. Such a policy is not only socially questionable, but economically counterproductive.

The chancellor then really put the cat among the pigeons by advancing the proposal that the period for receiving unemployment benefit for people under 55 should be limited to 12 months and for over-55s to 18 months, "because this is necessary in order to keep a tighter grip on ancillary wage costs". If this is indeed a sound policy, then it would be more consistent to reduce unemployment benefits even further, the panacea constantly advocated, mantra-like, by the united choir of opposition parties, employers' associations and neo-liberal opinion-formers. In many a debate of recent years it was often easy to separate the sheep from the goats over this issue. One group - hitherto the Social Democrats - wanted to reduce unemployment, while their opponents wanted the unemployed to have ever less to live on. Until now, the Social Democrats' priority was to combat unemployment, not to over-burden the unemployed. Since March 2003 German social democracy has gone into reverse gear and many of its members and voters have heard no satisfactory explanation for the fact.

What Agenda 2010 means for politics

To the delight of the business federations and employer associations and their parliamentary helpers and to wholehearted approval from opinion formers of a certain creed, the federal chancellor, his government and the government parties found themselves embroiled in an escalating conflict with their own voters. Month after month, opinion polls and regional election results were proof of how the governing coalition had got things very wrong, as their approval rates slumped and the support that gave them their slim majority in 2002 was eroded more and more.

Initially, the chancellor's refusal to start a counter-offensive to the neoliberal mainstream and his decision to simply offer a social-democratic alternative caught the opposition parties off-guard. Had the chancellor suddenly turned into a convert to neoliberal? Undoubtedly not, but there was a clear renunciation of the traditional concept of social-democratic reform. True to the motto "if you can't beat them, join them," the chancellor proceeded to embellish his future government policies with concepts straight from the neoliberal repertory, something which had long since been considered unacceptable by the majority in the SPD. The first attempt at such an import came in a policy document which Gerhard Schröder and the British prime minister Tony Blair had presented in June 1999; this came up against opposition from members of the SPD who were not willing to accept a change of course within the party without in-depth discussion. Agenda 2010 also precipitated considerable opposition within the party. Only when some members threatened to leave the party and Gerhard Schröder himself relinquished the position of party chairman did the chancellor succeed in bringing his faction in the Bundestag (German lower house of government) and the party committees back into line. The collateral damage is now catching up with him.

The chancellor did not even go to the trouble of answering criticisms of highly sensitive individual aspects of his Agenda 2010. He simply sold the entire package as a "new reform policy". This approach enabled him to simply reject justified doubts about some of the unreasonable details in the overall Agenda 2010 package out of hand and to brand even well-meaning critics as anti-reformers. Something which was in essence an internal social-democracy controversy fuelling an argument between the government and significant parts of the electorate sometimes seemed, in the eyes of the public, to have become a conflict between the federal government and the trade unions. Knowing the public's predilection for simple, black-and-white arguments, the unions found it difficult to put across their position on this issue. A large minority within the unions really does wish that their organisation would have the function of an elevated approval board for government policy and see the unions as a sort of extra-parliamentary opposition party. The unions have always had considerable problems rejecting such excessive demands, explaining their realistic negotiating powers and consistently using them. The elected officers of the unions and the great majority of their members share a realistic view of the limitations of their ability to mobilise the population. They know only too well that poor governmental work by the governing political parties has to be justified to those parties' voters and that it can hardly be corrected by the trade unions.

The many glaring conceptual defects and plausibility problems and the social difficulties of some government plans are what have caused such acceptance problems for a policy which is supposed merely to be cut back to the bare bones of Agenda 2010. The government would have fared better had it been more sceptical towards both new and old wish-lists held by employers, especially since proven practical experience has shown that reducing the barriers for protection against wrongful dismissal will not bring the desired effect on the labour market. Transferring social financial burdens onto the employed has always precipitated a shift from below to above, instead of a booming economy. And after all is said and done, adding to the burden of the unemployed is no replacement for an intelligent labour market policy. The chancellor ought to

have known all that. The controversial government plans were met with parliamentary opposition in the Bundestag and a majority in the Bundesrat (upper house) that sought not to balance out the socially flawed defects of Agenda 2010, but to aggravate the situation.

The unions have endeavoured to generate a public debate about the short-termism of politics and the reawakened predilection for mock solutions or compromises to the detriment of the weaker social class and have sought to promote constructive criticism with the aim of bringing about some form of redress as far as possible. The unions have already submitted reform suggestions for growth and employment, education and innovation for the time when the debate moves forward. The mass protests and smaller-scale demonstrations of 2004 and a series of regional election results in recent months all show that the unions' criticism of both the government and the problem aggravators in the opposition parties does not mean they are swimming against the general current. Overall a consensus has emerged that there is not one sole right or wrong policy for more growth and employment. Whoever wants to continue to or start to head a government in Germany will have to take the unions' suggestions about promoting growth and employment far more seriously than the commonly accepted stereotypes would seem to indicate.

A government on the ropes

The SPD has refused from one election to the next to take notice of the message being sent by voters and non-voters. They consider it progress not to have fallen flat on their back while walking backwards. Nationwide approval of the SPD since 2003 has swung between 23% and 35% and stands at present at about 28%.

You don't need to be a prophet to predict that continuing unemployment and the damage to many people's sense of justice are going to remain on the political agenda. It is furthermore hardly surprising that the two opposing political sides barely do more than criticise each other for being unable to find a solution to the problem. For the government the dilemma remains: if they make any more concessions to their political adversaries, they will diminish their chances of being re-elected. This is no way to achieve real modernisation. If they forge forward with bold policies which tangibly improve people's lives and working conditions, they will occasionally be defeated by the opposition's right of veto in the regional chamber (Bundesrat). Yet that would give them the option at least in the medium and long term to overcome parliamentary barriers through a reform coalition with the public and the unions. The unions see it as their obligation to keep a critical eye on government policy and opposition plans, though not with the short-sighted intention of forming a sort of new extra-parliamentary opposition, but with the much more ambitious aim of being the voice of the working populace and of social justice.

Chancellor Gerhard Schröder was prompted to call for new elections in September after the most recent defeat in a crucial regional election in the SPD's traditional homeland of North Rhine-Westphalia. The unions were pretty quick to react and agreed that they did not really want a new government, but would far prefer a new policy. And they gave a detailed account of what that new policy should be. Experience shows that political parties which want to appeal to a majority or maintain a majority position should surely be more than a little interested in what seven million union members, their families and work colleagues think and want, whether at home, at work, over the garden fence or on holiday.

It is refreshing and gratifying to see how quickly the Social Democrats have learned this lesson. Their present election manifesto includes much that would have been viewed as a sin in the past two years of government. This could have been an honourable policy for the remainder of the legislative period. We are now allowed to ask after the conceptual defects and the social difficulties in the labour market laws. A legally set minimum wage is also no longer a taboo subject. Social democrats now want to go back to the situation where politics is not business's

servant; it wants the right to a social framework. Another welcome proposal is somewhat higher taxes for high income-earners. And an across-the-board health insurance scheme would mean more justice for everyone. The experience of recent years has shown clearly that election programmes are only viable to a limited extent. Having said all of that, most union members would undoubtedly prefer to spar for another four years with a Social Democrat federal chancellor than to have to explain on a daily basis to a conservative government how destructive their neoliberal solutions are.