

**Occasional Papers:  
International Development  
Cooperation**

Responsible: [erwin.schweisshelm@fes.de](mailto:erwin.schweisshelm@fes.de)



August 2003

***Trade unions and Social Democracy in Germany  
– Difficult Times for a Critical Partnership***

Horst Mund,  
Trade Union Coordinator, Division for International Dialogue  
Friedrich-Ebert-Stiftung, Berlin, Germany

**The traditional partnership between trade unions and the German social democratic party has recently been challenged. Changing economic conditions have reinforced the need for comprehensive reforms in the areas of economic and social policy in Germany. While there is consensus between unions and the SPD-led government, that reforms are inevitable, the adopted policy measures have been harshly criticized by the trade unions. Despite the actual differences, however, SPD and trade unions continue to mutually depend on each other.**

Trade unions and the social democratic parties have traditionally been political allies in Germany. Based on shared values of social cohesion, justice and solidarity trade unions supported the German social democratic party (SPD) in its successful campaign in 1998 to regain political power after 16 years of a conservative government. Chancellor Schröder described the common position of unions and social democrats in an address to the national congress of the Confederation of German Trade Unions (DGB) in 1999: "For us, justice and modernity are no contradictions, but they mutually reinforce each other."

Since then, the economic environment has changed significantly, domestically and internationally. Germany's social market economy is facing difficult challenges. High unemployment rates<sup>1</sup>, sluggish growth, a growing budget deficit and a social security system under distress have made reforms in the areas of economic and social policy inevitable.

There has been consensus between unions and the SPD-led government on the need for reforms. The way the government has addressed the various issues, however, has led to serious political differences between the DGB and its affiliates, on the one hand, and Schröder and his government, on the other hand. Or, as one observer put it: "The relationship between the SPD and the trade unions is heavily burdened – like never before after World War II."<sup>2</sup> Remarkable political differences exist in policy areas like economic, labour market and social policy.

Under the title "Agenda 2010" the government has launched an extensive programme to boost economic growth, safeguard the

---

<sup>1</sup> At the end of June 2003 4.26 million people or 10.2 per cent of the workforce were unemployed in Germany. There exist huge regional differences. While the unemployment rate in one district of the eastern state of Brandenburg was 24.3 per cent, it amounted to a mere 3.9 per cent in one district in Bavaria.

<sup>2</sup> Klaus Lang: „The Agenda 2010 is the result of a lack of courage..“ in: Frankfurter Rundschau, May 21<sup>st</sup>, 2003

social security system for the long term, and strengthen Germany as a business location. It is based on the analysis that there are structural reasons for the presumably weak performance of the German economy.<sup>3</sup>

Following this analysis:

- Incidental wage costs are too high in Germany.
- Domestic demand and investments are too weak.
- Finding work for the unemployed takes too long, the labour market as a whole is too inflexible.
- The welfare state is not adequately prepared for the demographic changes occurring in German society. The health system e.g. is inefficient.

In this state of crisis, the costs of the welfare state create an additional burden on the economy and the federal budget. There is a fear, that those mutually aggravating factors are about to create a downward trend.

Under the title "courage to change" the government is suggesting a series of measures, which, as the government puts it, have the central objective of "greater self-determination for German citizens and mobilization of German's creative and economic potential".<sup>4</sup> Measures include a tax reform, which is to increase disposable income and, thus, demand. Through tax incentives investment is to be boosted. Social welfare and unemployment benefits will be reorganised. Instruments of integration in the world of work and the process of finding work for the unemployed will be speeded up. Moreover, the Agenda 2010 aims at improving the work opportunities for those who can and want to work. It provides for penalties for those who turn down reasonable employment giving the principle of "challenge and promote" ("Fördern und Fordern") more prominence than in the past.

---

<sup>3</sup> This proposition in itself can be challenged. See: Michael Dauderstädt, Deutschland: Schlusslicht im alten Europa? (Germany – tail-light in old Europe?) FES-Analyse, Bonn 2003

<sup>4</sup> See: [http://eng.bundesregierung.de/dokumente/Artikel/ix\\_500463\\_9430.htm?](http://eng.bundesregierung.de/dokumente/Artikel/ix_500463_9430.htm?)

Trade unions reject many proposals of the Agenda 2010 as socially imbalanced, short-sighted and inappropriate to offer a path to more growth and employment. Its implementation would not lead to a sustainable protection of the social security system, either. In a programme entitled "Growth, employment and social justice" unions have outlined alternatives to the government's proposals. This programme focuses, first, on a rather post-Keynesian approach of expanding public expenditure to stimulate demand. Secondly, unions demand reforms that reduce taxes on wages and salaries and increase taxes on capital income and property. On labour market issues, thirdly, unions argue that it is necessary to increase flexibility without undermining the need for security. The concept of "flexicurity" supplements the need for increased flexibility and mobility of the workforce with equally flexible and dynamic concepts of social protection.

Beyond the rather reactive and short-term policy related to the Agenda 2010, it will be crucial for the trade unions to succeed in engendering a debate on the principles of what forms and holds together the German society. Whereas in the past, the concept of justice has, rather, focused on the aspects of distribution and re-distribution, nowadays terms like opportunities, participation, inclusion and sustainability dominate public debate on the future of the social state. In this debate, trade unions have to realize the double meaning of justice and solidarity: It means the responsibility of society vis-à-vis the individual and, simultaneously, the responsibility of the individual vis-à-vis society.

The public image of German trade unions is far from positive. They are regarded as anti-modern as they block the way for necessary reforms without offering alternative policies. Such an image is, partly, the result of the way trade unions are portrayed by German

media. But it is also the result of political and tactical mistakes by trade unions themselves. The metal workers union (IG Metall), for example, recently called for a strike in the Eastern-German metal industry to achieve equal working hours in Eastern and Western Germany. The strike ended with a complete defeat of IG Metall, which is without precedence in post-war German history. Union officials had underestimated the public disagreement with the strike objectives. In times of high unemployment the overwhelming majority of German population deemed it unwise to reduce working hours in the east and, thus, further weaken one of the few comparative advantages of the Eastern German metal industry.

The present conflict on the Agenda 2010 is - only superficially - the reason for the "alienation" between unions and social democrats. The real background lies in the gradually diverging social bases of trade unions and the SPD. The SPD and its membership have, more or less, followed the changes of the German society, whereas the trade unions have not. Unlike the SPD, unions still draw their active members, to a large degree, from (large scale) industry and public services.

In their criticism of the government's reform plan unions find themselves in another dilemma. While they strongly oppose the policy reforms of the Agenda 2010, they are aware that it would be an illusion to expect more social justice, better social security, inclusion and participation without and beyond an SPD-led government. Despite the actual conflicts between unions and the government it would, thus, be an exaggeration to speak of a "historic break" between German trade unions and the social-democratic party.

**Erwin Schweisshelm**, Tel: 0228/883-518; e-mail: [Erwin.Schweisshelm@fes.de](mailto:Erwin.Schweisshelm@fes.de) (verantwortlich)  
Lisette Klöppel, Tel. 0228/883-517, e-mail: [Lisette.Kloeppe@fes.de](mailto:Lisette.Kloeppe@fes.de).

**Friedrich-Ebert-Stiftung**

**Internationale Entwicklungszusammenarbeit, Globale Gewerkschaftspolitik**

**Division for International Cooperation, Global Trade Union Program**

Godesberger Allee 149, 53175 Bonn

Fax: 0228/883-575

Sie finden den Kurzbericht zum Herunterladen auf <http://www.fes.de/gewerkschaften>

To download the paper please use: <http://www.fes.de/gewerkschaften>