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Unemployment Reaches an All-Time High of over Five Million Jobless (March 1, 2005)

Under the Hartz IV reform, employable welfare recipients were counted among the registered unemployed for the first time. This change drove the unemployment level to over five million, leaving the media in uproar and the public in shock. The opposition attacked the government. Chancellor Schröder, however, maintained that his reforms needed time to yield positive results.

Record-Level Unemployment. Union Says: “A Catastrophic Day for Germany”

After unemployment reached an all-time high, the quarrel between the opposition and the government intensified.

The Union spoke of a “catastrophic day for Germany” and accused the red-green coalition of complete failure in economic and labor policy. In turn, the SPD warned the Union against “muddying the waters with its gloom-and-doom scenarios.” Economics minister Wolfgang Clement (SPD) is counting on a pronounced drop in unemployment in March. The present rise, he explained, is primarily attributable to the statistical effects of the Hartz IV reform.

Schröder: “Continue Implementing Reforms with Resolve”

Since December, under the Hartz IV reform, employable welfare recipients have been counted among the registered unemployed for the first time, and this, as Clement said on Tuesday, has caused the number of unemployed to grow by 360,000. “Without Hartz IV, unemployment would be around 4.85 million, or approximately what it was in January-February 1998.”

Chancellor Gerhard Schröder (SPD) talked about the depressing figures during his [recent] trip to Qatar, part of his Persian Gulf tour. “We need to have the backbone to continue implementing these reforms with resolve.” The important thing, he said, is to strengthen economic growth and lower labor costs.

FDP: Black Day in Germany

CDU chief Angela Merkel, on the other hand, accused the government of not doing anything. It is absolutely unacceptable, she said, "to sit around twiddling thumbs." According to CDU labor market expert Karl-Josef Laumann, the Hartz legislation has failed. Instead of 2 million fewer jobless, as promised in 2002, there are now 1.3 million more. The government, he said, is consistently steering Germany off course. "The SPD and the Greens are cutting jobs on a grand scale and thus ultimately dismantling the welfare system."

FDP labor market policy spokesman Dirk Niebel spoke of a black day in Germany. He believes that the country needs to loosen the labor and wage law and lower duties and taxes.

Greens: More Pressure on the Ground

According to Thea Dückert, deputy faction leader of the Greens, the options for placing and helping the unemployed have by no means been exhausted. "Especially in times of record-level unemployment, we need more pressure on the ground for the continued implementation of the Hartz reforms."

Employers' association president Dieter Hundt emphasized that business wants to preserve and create as many viable jobs in Germany as possible. But this can only happen, he said, when basic [business] conditions in Germany are clearly geared toward international competitiveness. "That's the only way to give the labor market a boost and overcome the job crisis."

Weak Economy Contributes to Rise in Joblessness

The number of unemployed in Germany rose to 5.216 million in February, thereby exceeding the postwar high from January. This was 177,000 more than in January, and 575,000 more than a year ago, announced the Federal Employment Agency (BA) on Tuesday. In the monthly comparison, the unemployment rate rose 0.5 points to 12.6 percent.

The increase is largely due to the fact that former welfare recipients are now registered as unemployed, said BA head Frank-Jürgen Weise. Besides that, he added, the start of winter and the persistently weak economy also contributed to the rise.

Clement: "Couldn't Have Had More Warnings"

According to economics minister Wolfgang Clement (SPD), the first-time inclusion of employable welfare recipients among the registered unemployed, which started in December, led to a statistical increase of 360,000 jobless. "Without Hartz IV, unemployment would be around 4.85 million, or approximately what it was in January-February 1998," Clement said on Tuesday in Berlin. Chancellor Gerhard Schröder (SPD) called the number "depressing."

The economics minister is counting on a pronounced drop in unemployment in March. The implementation of the Hartz reforms needs time, he said, and no one should expect miracles in two months. At the same time, Clement conceded that, even after the Hartz IV effect was taken into account, unemployment in February was the highest it has been since 1998. "The country couldn't have had more warnings." The government expects the number of jobless to rise by 50,000 in the 2005 yearly average. But by the end of 2005, the number of unemployed should be 200,000 lower than in 2004. Certainly not every part of that prognosis is tenable, said Clement.

January Figures Adjusted Upwards

The Federal Employment Agency (BA) retroactively increased the January unemployment figures by 2,000 to 5.039 million. In January, the five-million mark was exceeded for the first time since the founding of the Federal Republic.

Even after adjustments for seasonal effects, there was still a 161,000 increase in unemployment from January to February, up to 4.875 million, as the BA reported. The rate increased from 11.4 to 11.7 percent, but, according to the BA, this was primarily due to the Hartz IV effect and the unusually cold February weather. The statistical procedures for seasonal adjustments were not able to reflect either of these things. According to the BA, the state of the economy might have been responsible for a 10,000-20,000 increase in unemployment.

New Statistics

Nonetheless, the number of gainfully employed persons living in Germany rose in January to 38.88 million. Taking seasonal effects into account, that means that there were 14,000 more employed persons than in December, as the Federal Office of Statistics reported on Tuesday. "The developments in gainful employment were favorable – as in previous months – especially through the growth in forms of employment subsidized by Hartz IV legislation (especially "Ich AGs"¹ and so-called supplemental jobs)." In a departure from its previous practice, the Office of Statistics no longer bases employment figures on employment in Germany but rather on residence here.

The reason for the revision, according to reports, is the introduction of new labor market statistics based on International Labor Organization (ILO) criteria. Statistics based on ILO criteria are already used in many countries. In the future, the Federal Statistical Office will use these criteria as the basis for its unemployment statistics, which are published every month alongside the Federal Employment Agency's labor market data for the previous month. Statistics based on ILO criteria were introduced to make it easier to view German labor market developments in a comparative international perspective. According to ILO criteria, someone is employed if he or she works at least one hour a week for pay. Anyone who does not satisfy that

¹ Literally "Me, Inc.": self-employment businesses subsidized through Hartz legislation – trans.

criterion, and who is actively looking for a job, and who is available to start a new job within two weeks, is registered as “not economically active” [*erwerbslos*]. On account of this definition, the number of people listed as “not economically active” in the ILO statistics for January is well under the five million registered as jobless in January by the Federal Employment Agency (BA) as a result of the Hartz IV reform.

Rürup Lowers the Growth Prognosis for 2005

Economic experts put a damper on hopes that unemployment figures could drop quickly again. According to the German Council of Economic Experts, the previous prediction for the average unemployment level in 2005 – 4.38 million – is no longer tenable. “It should probably be adjusted upwards by around 50,000,” said the outgoing head of the council Wolfgang Wiegard.

Wiegard’s successor, Bert Rürup, lowered the growth prognosis for 2005. “I assume that after the drop in the fourth quarter of last year, economic growth for 2005 will only be around one percent,” said Rürup. Economic experts had originally predicted 1.4 percent growth in Germany. According to economic researcher Rürup, weaker growth means that no pronounced drop in unemployment can be expected.

Source: “Rekordarbeitslosigkeit. Union: ‘Katastrophaler Tag für Deutschland’” [“Record-Level Unemployment. Union Says: ‘A Catastrophic Day for Germany’”] *FAZ-Net* (March 1, 2005).

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