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German Unemployment Highest Since Weimar Era

By Tony Paterson in Berlin
The Sunday Telegraph - UK
11-24-2

Accusations of a mismanaged economy piling up against Chancellor Gerhard Schroder were compounded last week by an official admission that the figures for the number of people unemployed in Germany - four million, itself a post-war record - were at least half a million short of their true figure.

The federal labour office in Nuremberg disclosed that an average of 500,000 German unemployed took part in state-subsidised retraining programmes each year, but although they were without a job, they were not counted in the official tally of four million unemployed, 9.4 per cent of the population eligible for work.

"It is not government policy to include those unemployed who are enrolled in retraining programmes in the monthly jobless figures," a spokesman told The Telegraph.

The 500,000-plus unemployed on state-run retraining schemes come on top of about 800,000 jobless Germans on social security who have officially dropped out of the labour market, and tens of thousands of older workers who have been given early retirement.

Because none of these groups features in the monthly unemployment record, the

true number of German jobless has been estimated as nudging 15 per cent or six million people - the "nightmare" figure associated with the country's pre-Nazi Weimar era of the 1920s and early 1930s.

Government massaging of unemployment statistics has become a permanent feature in Germany, but it is the first time that the labour office has admitted the real figure.

The practice was introduced by the former Chancellor, Helmut Kohl, to conceal the true extent of unemployment resulting from reunification. It has continued despite suspicions that the job retraining system is little more than a bureaucratic scam.

Auditors found earlier this year that 70 per cent of the 3.8 million so-called "job placements" made by the Federal Labour Office in 2001 had simply been reshuffled into job creation schemes and had not found real work at all.

Reform of the labour market is one of the main goals of Chancellor Schroder's Red-Green coalition government, which pledged to halve unemployment during its first term, and which was narrowly re-elected on a wafer-thin majority two months ago.

Details concerning the massaging of unemployment statistics came on the heels of revelations of an alarming fall in tax revenues, leading to predictions that Germany's budget deficit is set to rise by £20 billion this year.

The European Commission has already announced plans to impose sanctions on Germany for breaching its budget deficit targets which are part of the monetary union stability pact.

Mr Schroder's beleaguered finance minister, Hans Eichel, said that he expected Germany to be in breach of the EU deficit target again in 2003 and admitted that unemployment was projected to rise by 100,000 to well over four million by early next year.

At the same time he has been forced to reduce Germany's growth target to 0.2 per cent for this year. The government's response has been to break its pre-election promises by imposing a swathe of new taxes that are expected to cost German companies an extra £11 billion next year.

A 15 per cent tax is to be levied on the sale of shares and rented property, and cuts in government subsidies to prospective home owners are expected to bring a serious downturn in the German construction industry.

A parliamentary commission is to investigate whether the government lied about the state of the economy earlier this year to get re-elected. Meanwhile, the leaders of Mr Schroder's Social Democrat party in two German states have announced that they will boycott the government's tax plans.

The Social Democrats have seen their popularity drop by 10 per cent since the country's general election in September while the Chancellor's popularity rating has slumped to an all-time low.

Two months ago he was rated as the country's second most popular politician. He has now dropped to seventh place and become the object of derision in a CD entitled The Tax Song, which mocks his legislation and tops the German charts.

Public fury has spilled into the streets of Berlin with demonstrations by health workers, teachers, builders and lorry drivers. Last week, the mass circulation Bild newspaper covered its front page in photographs of angry readers under the headline: "We've had enough".

"Schroder does not want to make the urgently needed reforms," commented Germany's liberal Der Spiegel magazine last week. "His friends are no longer the bosses but trade union functionaries."

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