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## Germany

# Martin Schulz takes aim at 'sacred cow' German economic reforms

Challenger to Angela Merkel questions Agenda 2010, pushed through by a fellow Social Democrat —Gerhard Schröder



Face off: German chancellor Angela Merkel and centre-left challenger Martin Schulz © AFP

YESTERDAY by: **Guy Chazan** in Berlin

In his attempt to win this year's German election, centre-left leader Martin Schulz has taken aim at one of the country's sacred cows: the decade-old reforms that helped to make its economy the strongest in the eurozone.

Mr Schulz, who is trying to oust Angela Merkel after her three consecutive election victories, has lifted his Social Democrat party's spirits and poll ratings since being named as their candidate for chancellor last month. Now he is targeting Agenda 2010, the overhaul of the German labour market and welfare system pushed through by one of his party's former leaders, Gerhard Schröder, as chancellor in the 2000s.

Criticising legislation that is credited with making Germany, once the sick man of Europe, into an export powerhouse is a risky strategy. Many experts say it is thanks to Mr Schröder's gambit that [German unemployment \(http://next.ft.com/content/b0621a2a-a115-11e6-891e-abe238dee8e2\)](http://next.ft.com/content/b0621a2a-a115-11e6-891e-abe238dee8e2) is now at a record low, that it has the highest number of people in work since reunification in 1990 and [the fastest economic growth](#)

(<http://next.ft.com/content/8b90a6f6-d8b2-11e6-944b-e7eb37a6aa8e>) in five years.

But in a [speech \(https://www.spd.de/aktuelles/detail/news/arbeit-in-deutschland/20/02/2017/\)](https://www.spd.de/aktuelles/detail/news/arbeit-in-deutschland/20/02/2017/) in the north-western city of Bielefeld on Monday, Mr Schulz, the [former president \(http://next.ft.com/content/3ecf840e-b21a-11e6-9c37-5787335499a0\)](http://next.ft.com/content/3ecf840e-b21a-11e6-9c37-5787335499a0) of the European Parliament, said the reforms needed to be corrected.

Germany had seen an increase in insecure and badly paid jobs, “even in parts of the labour market that used to be well protected”, he said. There was less social mobility and growing inequality — the fault of a “neoliberal mainstream” that had declared workers’ rights and social welfare to be “obstacles to growth”.

Attacking the Schröder-era reforms allows Mr Schulz to move the political debate in Germany leftward, away from centre ground that for years has been monopolised by Ms Merkel’s Christian Democratic Union.

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It is also driven by a hard-headed electoral calculation. One of the main reasons the SPD has languished in the polls in recent years is the sense of betrayal that many working-class Germans felt towards it in the wake of Agenda 2010.

Mr Schulz’s speech was short on detail. But he was particularly critical of fixed-term work contracts, as well as restrictions on unemployment benefit. Before Agenda 2010, a worker could receive such handouts for up to 32 months after losing his or her job: afterwards, that was reduced to a maximum of two years.

“People who have worked hard for many years, often for decades, and paid their dues have a right to the appropriate protection and support when — often through no fault of their own — they get into difficulties,” he said.

He is not alone in criticising aspects of the legislation. Anke Hassel, director of the Institute of Economic and Social Research in Düsseldorf, says it did much to encourage people back into work, especially in parts of eastern Germany where long-term unemployment was rife, “but it also created a large low-wage sector”.

“Politicians, even when they are in campaign mode, should stop and ask which cornerstones have borne the stability of the German labour market in recent years

**Christoph Schmidt, head of the five-member council of economic experts that advises Angela Merkel on economic policy**

As a result, she says, of all EU member states Germany has one of the highest proportions of low-wage earners, easily surpassing other big European economies such as Italy and France. About 18 per cent of people aged between 25 and 34 are on a fixed-term contract, in a country where jobs for life were once the norm.

So Mr Schulz’s message of social justice, which he has pledged to put at the heart of his election campaign, has fallen on fertile ground. Since he was named [candidate for chancellor \(http://next.ft.com/content/1f2de04e-e629-11e6-893c-082c54a7f539\)](http://next.ft.com/content/1f2de04e-e629-11e6-893c-082c54a7f539) less than a month ago, the SPD’s ratings have soared. A poll at the weekend by Emnid put the party ahead of Ms Merkel’s conservatives for the first time in 10 years.

But the reaction to his Bielefeld speech from economists was withering. The proposals “were formulated without precise knowledge of the numbers and the legal situation in Germany”, said the BDA, the German Employers’ Association. Extending the dole “would make it harder for people to start work again”.

“Politicians, even when they are in campaign mode, should stop and ask which cornerstones have borne the stability of the German labour market in recent years,” said Christoph Schmidt, head of the five-member council of economic experts that advises Ms Merkel on economic policy.

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Others were similarly circumspect. Gregor Schöllgen, a historian and biographer of Mr Schröder, said the SPD “should really think twice” before rejecting a set of reforms that “a lot of socialists and social democrats in Europe see as a big success”.

There was nothing wrong, he added, in revising some aspects of the legislation. “But the key question is: is this just the start, and will he end up renouncing Agenda 2010 completely?” he added. “If so, that would be a huge mistake.”

Konstantin Vössing, a political scientist from Humboldt University, says that encapsulates the



problem for Mr Schulz — that it is well nigh impossible to have a dispassionate debate on the Schröder-era labour reforms.

“Even suggesting a few minor improvements like extending benefits for the older, long-term unemployed is seen as controversial,” he says. “It’s like you’re either for Agenda 2010 or you’re against it.”

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