# Balance sheet of the German trade unions

## Wages for workers sink, salaries for managers skyrocket

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**19 April 2007**

Over the last few weeks a number of studies, surveys and articles have appeared which make clear that the social divide in Germany is rapidly deepening. While wages for workers have either stagnated or fallen, company profits and managers' salaries have soared.

Various newspapers and media outlets have reported on this development. While some have superficially bemoaned it, more far-sighted commentators have warned of the potential for social explosions. However, not a single journalist has been bold enough to refer to the role the trade unions have played in deepening the social polarisation. In a series of contracts they have agreed to, the unions have played a definite role in helping implement a redistribution of wealth in Germany.

In particular the last few years have witnessed contracts including nominal wage increases of less than one percent, meaning that in reality worker's incomes have fallen. New wage deals are typically set to last two years instead of one, and almost 17 years after the reunification of Germany, unions still conduct separate wage negotiations for workers in the east and those in the west.

While publicly protesting the prevalence of low wages throughout the country, the unions continue reaching agreements with employers that are directly responsible for the growth of cheap labour. For example, while the Confederation of German Trade Unions (DGB) conducts a half-hearted campaign for the introduction of a minimum hourly wage of €7.50 (US$10.18), individual trade unions are agreeing to wage deals that far below this level.

Verdi, the union covering service sector workers, recently signed off on a wage deal for hairdressers in the states of Berlin and Brandenburg of just €2.75 per hour (gross) for a 39 hour week. This amounts to just €107.25 (US$145.60) per week or €465 (US$631) per month for a full-time job!

In neighbouring Saxony, also located in the former East Germany, the IG Bau building worker's trade union agreed to a wage packet for florists of €4.39 per hour for a 41 hour week. In Thuringia, unionised security guards earn €4.15 per hour. The list goes on.

Although wages in western Germany are more, they are not high. The lowest paid hairdressers in Hamburg earn €5.11 per hour, security guards in Bremen earn as little as €6. Even in the so called "better" industries such as printing or steel, an hourly wage of between €7 and €10 is not unusual, both in the west and in the east. Such workers can be thankful though that they are receiving industry-wide negotiated wage rates. Workers employed by many firms, especially smaller ones that have opted out of employer's organisations, receive wages below these standard rates.

It comes as no surprise therefore that net incomes of workers in the last two decades have hardly changed. This was the conclusion of a long-term study by the German Institute for Economic Research (DIW), which was released at the beginning of this month. Over the last 20 years, workers wages have stagnated at 104 percent of the average household income. Incomes for retired public servants, judges and soldiers in contrast rose from 120 to 140 percent of average household income. Incomes for self-employed persons, which 20 years ago were 40 percent above the average, are today almost 50 percent higher.

One has to differentiate within this group of self-employed persons however. It includes childcare workers and teachers, who both just manage to keep their heads above water with contract work. At the other end, it includes the more comfortable self-employed working as lawyers, highly-paid architects, company consultants, and so on.

Although the net incomes of pensioners increased from 83 to 93 percent of average household income, they remain below the average level. The elderly have recently been affected by recent freezes in pensions and will be further hit by government plans to cut them. The research also showed declining incomes for unemployed persons who have recently had benefits slashed.

The Employment Office revealed in its monthly report for April that more and more workers are being forced to work as cheap labour. Almost half a million people working full time are also receiving benefits from the Employment Office in order to raise their incomes to what they would receive if they were receiving unemployment benefits alone.

Poverty wages, that is, wages for full time work that fall under the poverty line, are not just confined to low-wage sectors such as in hairdressing, security, cleaning and call centres. Heinrich Alt, head of the Employment Office, reported that 13,000 public servants also receive poverty-level wages. He even admitted that there are employees in his own department receiving such low pay.

In light of the spread of cheap labour jobs, the constant demand by the government and insurers that individuals take up private pension schemes sounds like a bad joke. According to a survey conducted for Postbank, 43 percent of households with children are not in a position to contribute to private pensions because they have insufficient income.

At the other end of society, incomes for managers [executives] are rising as a result of sackings and lower workforces, lower corporate tax rates and ancillary payments, as well as the wage policy of the trade unions.

Last year, the 30 companies that comprise the German DAX stock market index increased after-tax profits by nearly 25 percent to €60 billion. Volkswagen alone increased profits by 145 percent to €2.75 billion.

Similarly, after-tax profits at Deutsche Bank rose 70 percent to €6 billion. The entire management board at the bank received salaries and benefits totalling €33 million in 2006. CEO Josef Ackermann alone received €13.2 million. In 2005 his salary was €11.9 million. He also received an extra €380,000 contribution toward his pension fund. This fund is designed to finance his retirement years so that he doesn't have to survive on his pension alone, which he will receive in addition—a pension that currently stands at €29,400 per month. Today, he receives more than a €1 million per month.

Wolfgang Reitzle, the CEO of Linde, an industrial gases company, earned €7.37 million in 2006. He was followed by DaimlerChrysler chief Dieter Zetsche (€7.15 million) and manager of the RWE energy company, Harry Roels (€6.9 million).

Some managers received enormous salary increases in 2006, like the senior management at MAN. On average they each received €1.89 million, a 77 percent increase from 2005. For those at retail giant Metro, salaries increased 76 percent from €2.12 to €3.42 million.

The *Frankfurter Rundschau* newspaper took the trouble of calculating how much Deutsche Bank chief Ackermann makes in an hour, based on 365 days per year and 24 hours per day (that is, including when he sleeps): €1,508.20.

Employment and Social Security Minister Franz Müntefering (Social Democratic Party, SPD) proposed a minimum wage of less than €5 per hour (gross), and only for hours actually worked.

The higher cost of living, a result of government policies under both the SPD-Green Party coalition from 1998-2005 and the current coalition government of the Christian Democratic Union (CDU)/Christian Social Union (CSU) and SPD, has also played a part in the decrease in real wages. Although gross incomes in Germany increased by 0.7 percent in 2006, net incomes sank by 0.3 percent due to higher living expenses.

The wage demands of the trade unions have never sought to index wages according to the increased cost of living, let alone organise any form of opposition to it. When unions half-heartedly call out workers to demonstrations, as with the recent protests against the raising of the retirement age from 65 to 67, their intention is merely to funnel the resentment and anger in the factories and workplaces into safe channels. In this respect the unions are the accomplices of the German government.

This complicity is now so obvious that the coming social explosions will inevitably involve a confrontation in which workers come up against the union bureaucracy. Workers, who for years have been systematically lied to and deceived, will hold trade union officials to account. In view of the current situation, one can only say the time is ripe.