

# Germany: Real wages plunge

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For the majority of the population, real wages in Germany have been sinking over the recent past. In 2006, they fell to a level last seen 20 years ago.

According to figures from the Labour Ministry, adjusted for inflation, a German worker received on average €15,785 euros last year after taxes and social insurance contributions. This equates to net earnings of only €1,320 a month, only five euros more than 1986.

While the tabloid *Bild* newspaper sought to use the latest figures for its own populist purposes, all the other newspapers also cited these statistics and, like *Bild*, presented them as being a “scandal”. But it took just a single press release from the Labour Ministry for most of the media to do an about-face. Without enquiring further, the papers quoted a spokesperson from the Labour Ministry, who accused *Bild* of having only “partially” presented the facts, which had then been “interpreted one-sidedly and tendentiously”.

*Spiegel online* ran with the headline: “Statistics: Panic-mongering with dubious figures”. Pointing to the Labour Ministry, *Spiegel online* claimed the contrast between 2006 and 1986 was inadmissible because it compared earlier figures from West Germany with all-Germany post-unification statistics.

“Absolutely inadmissible”, *Spiegel online* berated the statisticians of the Labour Ministry. “The low wages in east Germany are depressing the average in a reunited Germany. With the best will in the world it is impossible to reach any conclusions over developments since 1986.”

The first sentence is as true as the second sentence is false. Wages in East Germany some 17 years after the unification of the two German states have indeed still not reached the level of West Germany. But that does not prevent a comparison — or closer examination — of average wages from 1986 and 2006.

According to the latest statistics, last year a worker paid on average €9,291 in payroll taxes and social insurance contributions, the highest level ever. Compared with 1986, the increase amounted to 66 percent. Gross wages rose in the same period by 48 percent from €22,333 to €33,105 a year. But inflation means that real wages are worth far less, to

some extent even less than 20 years ago.

Above all, workers earning less lost out, while high earners could increase their real incomes.

A study by the Institute for the Future of Work (IZA) into wage developments in the west of Germany found that in the 1980s all categories of wage earners registered increases, but the incomes of better-off groups rose more significantly. Between 1991 and 2001, real wages for the lowest 5 percent sank by up to 12 percent. At the same time, the incomes of the top 15 percent of the West German population increased by more than 10 percent.

Inequality within the lower wage categories in the 1990s increased significantly after German unification. In other words, the reunification of Germany and the low wages in the east were used to also lever down wages in the west, and in particular in the lower income levels.

This is confirmed by the figures from the Federal Statistical Office cited by *Spiegel online*. Between 1991 and 2006, blue-collar and white-collar workers in the east have seen increases in their real wages of between 60 percent (blue-collar worker, unmarried without children) and 112 percent (white-collar, married with children). But in the same period, real wage increases in West Germany were only between 0.8 percent and 16.2 percent for similar groups.

The fact that real wages today are broadly the same as in 1986 is purely because wages in East Germany, despite the increases, are still far below West German levels. Some 17 years after reunification, the unions still agree to contracts that pay lower rates in East Germany than in the west of the country. At the same time, the general price level and cost of living in the east and west have equalised much faster.

Since 1998, the “reforms” introduced by the Social Democratic Party-Green Party federal government under Chancellor Gerhard Schröder (SPD) — like the health reforms — were a major factor in the decline in real wages in the lower income brackets.

Since the introduction of the “Agenda 2010” reforms, the range of low-wage jobs has enormously expanded. Increasing numbers work part-time, receiving a smaller hourly wage, even if they perform the same work as full-

time employees.

This can clearly be seen in the official statistics. Since 2002, coinciding with the implementation of the “Hartz” welfare reforms, the ratio of part-time employees to the overall workforce has risen from approximately 11 to 17 percent. Moreover, another consequence of the Hartz reforms was the massive increase in so-called marginal occupations and 1-euro jobs, from three to now nearly six million people.

In a recent television programme, Hilmer Schneider of the IZA referred to a further aspect of the Hartz reforms. A clear worsening in the support offered to the unemployed has made those affected far more “willing” to take low-paid jobs. In other words, the Hartz reforms have been used to circumvent paying proper wages.

Throughout this period, not only have the trade unions done nothing against these developments, they have energetically supported the SPD-Green government by agreeing to contracts that have meant a lowering of real wages. While wages increased by only 4.1 percent in the past five years, prices rose by 7.1 percent.

The director of the Institute for Work and Business (IAW), Rudolf Hickel, has also explained the twenty-year low in real wages by pointing in particular to the dismantling of bonus payments, such as Christmas or holiday pay, in recent years.

Germany, in common with Malta and the Netherlands, saw average wage increases of just 1.1 percent in the last year, putting it at the bottom of the table in Europe (the European Union average was 2.6 percent). Taking inflation into account, that means a decrease in real wages. Talk of Germany as a “high-wage country” has only served for some years to justify further wage cuts.

In twenty EU member states there is a legal minimum wage, which was or will be increased in 2007. In six EU states — the direct western neighbours of Germany, including Britain and Ireland — it will be illegal to pay less than eight euros an hour. Austria also plans to introduce a legal minimum wage this year. In many German industries the unions have accepted contracts paying hourly wages of below seven, six, five and even four euros.

As a result, unlike some years ago, highly qualified Polish workers no longer seek work in Germany. They can enjoy better conditions in Norway, the Netherlands, Spain and particularly in Britain and Ireland than in Germany, whose only advantage remains its geographical proximity.

While wages have sunk in the recent past, business profits have risen. Work and Social Affairs Minister Franz Müntefering (SPD) called this “a clear imbalance”. According to his ministry, the share of wages in the national income fell in the last ten years by 4 percent, while the share

of business incomes and private wealth rose by 4 percent! However, between 2000 and 2006, business incomes and private fortunes rose by 42 percent, while employees’ incomes increased by only 4.5 percent, behind the rate of inflation.

This “imbalance” is the result of the enormous redistribution of wealth organized by the SPD-Green Party coalition, which is now being continued under the Christian Democratic-SPD grand coalition of Chancellor Angela Merkel (CDU).

The unions share responsibility for this situation, since they put their signatures to the contracts accepting low wages and the even lower wages still paid in East Germany. It is a brazen effrontery now for the unions to try and push responsibility for this onto working people themselves, as done recently by Hilmar Höhn in a contribution for the *Süddeutsche Zeitung*. (Höhn heads the Berlin office of the IGBCE, the union representing workers in the mining, chemistry and energy sectors.)

Höhn writes: “If today, the earnings of those in full-time jobs are no longer enough to get by on, then it affects human dignity. But this dignity includes the fact that people do not meekly submit but get involved. This involvement is also a source of human dignity. That means that someone who does not today resist an hourly wage of €3.50 is responsible for their own misfortune. In the final analysis, the responsibility to change this rests in their own hands. Certainly, the road to guarantee protection from exploitation by means of union organization is a difficult one.”

What gall! There has been no lack of involvement by working people. Rather, one industrial dispute after another has been sold out by the trade unions. This is why workers are turning their backs on the unions and their insolent bureaucrats.

What is needed is a new political perspective; the building of a new political movement that is independent of the unions and the establishment parties and which is based on a fundamentally different social principle: economic life should not be organized in the interests of business profits and private wealth but according to the needs of working people and society as a whole. It must rest on the principles of social equality and genuine democracy — i.e., on socialist principles.



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