

German public sector pay dispute: Workers need a new political perspective

Partei für Soziale Gleichheit (Socialist Equality Party, Germany)
5 April 2008

On Monday, March 31, the new contract for over two million German public sector workers employed by federal and local government was announced. Its main purpose is to prevent the pay struggle in the public and private sectors from developing into a broader movement against the government, which could challenge the policy of redistributing wealth from those at the bottom of society to those at the top.

Set against the loss in real wages that public sector workers have had to accept in recent years, the new contract is little more than a drop in the ocean. The trade union Verdi has promoted it as a great success, but that is a sham.

The contract includes a rise in basic rates of around €50 plus a 3.1 percent increase this year. According to Verdi, this equates to a 5.1 percent average rise. Verdi has dropped the original demand for an increase of €200 in basic rates, which would have improved wages considerably for low-income earners. In the coming year, there will be a one-off payment of €225 and a further 2.8 percent rise. To a large extent, however, this will be balanced out by extending working hours in the West German municipalities from 38.5 to 39 hours a week.

In the course of two years, average incomes will thus rise by just over 5 percent. At best, this would barely keep pace with a rapidly rising inflation rate, but it in no way compensates for the pay freeze of the last three-and-a-half years, let alone the cutbacks of the past one-and-a-half decades, which have eradicated a third of the jobs in the public sector.

The public sector employers have been clear for a long time that they would not make any concessions to their workforce this year as far as wages were concerned. In view of rising growth rates, growing potential tax sources, high company profits and the exorbitant salaries of top managers, the pent-up anger of public sector workers—who have had to accept a pay freeze or pay cuts for many years—was simply too great. Verdi, the union that had negotiated this pay freeze, has been losing members hand over fist.

Even some conservative economists have warned that the widening gulf between economic growth and purchasing power would lead to problems of domestic demand in Germany's strongly export-dependent economy. And the extremely low public sector salaries mean that municipalities with high living costs, like the city of Munich, now have trouble finding teachers, police officers or postal workers.

The public sector employers thus saw as their main task not the enforcing of a further pay freeze, but making sure that workers' combativeness was dissipated and that the settlement remained relatively modest; something which they have largely achieved. The new contract will cost the municipalities €9.5 billion annually. This is less than the €10 billion that the federal government has thrown into the maw of the corporations through lowering corporation tax from 25 to 15 percent last year.

The *Süddeutsche Zeitung* commented on what the employers have described as a "painful compromise" with the remark, it is a "pain for which they will be thankful one day." The state should almost be grateful

that "the unions have finally forced it to improve the pay of its employees," and for Verdi, it means that "the solution represents an urgently needed success. It can now claim to have achieved more than eight percent."

What the *Süddeutsche Zeitung* does not mention is what probably constitutes the most important result as far as the federal government is concerned: for the grand coalition, weakened by internal conflicts, it has prevented a large-scale social confrontation that would have been substantially more expensive than the wage settlement and which it might not have survived. Now the government can safely continue its course of strict budget consolidation and the privatisation of public enterprises.

The federal government owes this primarily to Verdi, which did everything in its power to avoid an open confrontation with the government. Its members' expectations meant that Verdi felt compelled to call for strikes in several areas. But the union deliberately ensured that each of the individual strikes remained isolated from the others and that a common movement of the millions employed in the public sector never came to fruition. Such a movement could easily have slipped out of the control of the union leadership and—as in the 1974 public service strike—cause serious trouble for the government. That is what Verdi wanted to prevent at any price.

Above all, Verdi leader Frank Bsirske used every means to ensure that one strike ended or was interrupted before the next one began. He rushed from negotiation commission to negotiation commission and remained on duty for numerous nights in order to suppress the outbreak of a wider conflagration.

Verdi launched the public sector industrial dispute with unusually large, nationwide protest strikes. Several airports were closed by strikes, which directly affected air traffic. But this noisy prelude served only to let off steam. It was clear from the beginning that by entering into the conciliation process, the union would call off all action. Verdi then used the time it had won, and in addition launching new manoeuvres, to head off a strike ballot and the calling of all-out action.

The conciliation process with the federal and local government employers had hardly begun, when Verdi then called a strike of Berlin's urban transit workers (BVG). Although this paralyzed Berlin's urban transit system for 12 days, it remained completely isolated. Verdi organized a completely passive strike, instructed the strikers to remain at home and did not call a single demonstration or solidarity action worthy of the name. Finally, it called off the strike and dropped the original demands—just before the conflict in the public sector reemerged when the results of the conciliation were announced.

Also contributing considerably to the isolation of the Berlin urban transit workers was the collective wage agreement struck by the train drivers' union GDL, which took place on the initiative of the federal transport minister punctually on the eve of the BVG strike. This meant Berlin's S-Bahn (commuter railway system) continued to run, clearly limiting the effectiveness of the BVG strike. Last year, Verdi had repeatedly attacked

the striking engine drivers and supported the Transnet strike-breaker union.

Hardly had the new contract for federal and municipal workers been agreed in Potsdam, than Verdi called on postal workers to take protest strike action. One day later, a strike ballot in retail trade was announced, where for some nine months Verdi has been conducting “almost forgotten” wage negotiations. And on April 10, Verdi wants to call a strike ballot of public sector workers in Berlin, which had withdrawn from the local government employers’ association—all this after the struggle with the federal and local government employers and the BVG management is over!

There is a method to Verdi’s actions. The union is closely intertwined at all levels—federal, regional and local—with government and the government parties, and shares their politics. Like them, it is convinced that public expenditure must be reorganized at the expense of the workforce, and regards itself as a component of a “contract cartel” that ensures that workers’ demands do not get out of proportion.

Verdi functionaries frequently change sides—moving from the trade union into government and vice versa. Verdi leader Frank Bsirske was a personnel chief for the Hanover city legislature, where he presided over the dismantling of 1,000 of some 16,000 jobs, before moving to become the leader of the trade union. Numerous union functionaries can be found in public administration and in the employers’ associations, who made their careers in the unions and still retain their union membership.

Verdi’s proximity to government became particularly clear during the period of the Social Democratic Party (SPD)-Green Party federal coalition (1998-2005). Without the energetic support of Verdi and the other unions, the government of Gerhard Schröder would not have been able to push through its “Agenda 2010” welfare reforms. Now, the grand coalition, which is continuing Schröder’s scorched earth policies, enjoys the full support of Verdi. With the aid of Verdi, both governments transformed the public service into a cheap wage sector with intolerable working conditions.

Two-thirds of all those employed by the municipalities today earn less than €2,500 gross a month. The dismantling of some 2.2 million jobs has led to an intensification of labour and constant demands for higher productivity. Many local government operations have been privatised. The low wages of these private or semi-private operators now serve to lever in worse conditions in the public sector.

Three years ago, Verdi signed an umbrella contract for the public sector that contained drastic cuts in wages and social provisions, as well as introducing cheap wage rates. Many had to forgo up to 12 percent of their earnings. At the same time, Christmas bonuses were cut and holiday pay eradicated. New starters now receive less than two-thirds the previous rate.

The billions saved were directly handed over to big business and the wealthy through reductions in taxes.

In 2000, the SPD-Green Party government adopted the most extensive tax cuts in Germany since 1949. Thereafter, many corporations and millionaires paid no more taxes. The levels of wealth accumulation among top executives took on grotesque forms. Porsche boss Wiedeking took home €54 million last year, Deutsche Bank boss Ackermann pocketed €14 million, Deutsche Bahn CEO Mehdorn received €3.2 million. The incomes of the CEOs of the companies on Germany’s DAX stock exchange have risen by 62 percent since 2002. Taking account for inflation, the incomes of the lower social layers have sunk since 1992 by 13 percent.

This did not prevent the grand coalition pushing through further reforms in business taxes in 2007. It lowered corporation tax on operating profits from 25 to 15 percent and the tax on profits from interest and dividends from 44 to 26 percent.

This social devastation is also to be continued in the future. The effects

of the international financial crisis will accelerate the attacks on working people. This crisis has made clear how rotten the entire capitalist system already is. The billions lost through speculative transactions are being shifted onto the backs of the general population. A corrupt finance oligarchy is plundering society, refusing to pay taxes and living in the lap of luxury while preaching sacrifice for everyone else. And all the establishment parties, and the trade unions, prostrate themselves at their feet.

This not only applies to the Christian Democrats and the SPD, who comprise the federal government, and the Greens, who are ever more openly becoming a neo-liberal party, but also to the Left Party of Oscar Lafontaine. Nowhere is the integration of Verdi with government as close as in the city-state of Berlin, where the SPD and the Left Party form the government. Nowhere else has the scorched earth policy in the public sector gone as far as in Berlin, where wages have been substantially lowered in consultation with Verdi.

Today, it is impossible to defend incomes, jobs and democratic rights without breaking from these organizations.

The leadership of the present strike movement and contract negotiations must be taken out of Verdi’s hands. The contract agreed at Potsdam must be rejected. There can be no secret negotiations and deals made behind the backs of the strikers. To this end, committees of action must be developed, organising co-operation with workers from the private sector, with students and other sections of the population. Such committees of action should revive the traditions of the Arbeiterräte (Workers Councils), which existed at the beginning of the last century and played an important role at that time. The committees of action must organise and further develop the solidarity that exists in large sections of the population.

This requires a new political perspective. The concrete actions of the SPD-Left Party coalition in the Berlin city legislature expose the lie of the Left Party that capitalism can be controlled without overturning the power which the large corporations and the banks wield over the means of production. The decline in the public sector can only be stopped if social interests of workers take priority over the profit interests of the corporations. This requires a socialist transformation of society. The large corporations and banks must be transferred to public ownership and be placed under the democratic control of working people.

A socialist perspective must proceed from the international character of modern production and the common interests of all workers worldwide. The Partei für Soziale Gleichheit (PSG) is building a new party, which fights for an international socialist perspective. As the German section of the Fourth International, the PSG works in close collaboration with its fraternal parties in other countries, where workers and their families face the same problems and are engaged in similar struggles.

We urge you to contact the *World Socialist Web Site* and discuss these questions with your colleagues.



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