

Germany: IG Metall union calls for 8 percent wage increase—and prepares sellout

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On October 2, negotiations for a new contract covering the engineering and electrical industries began. The IG Metall union is calling for a wage increase of 8 percent for around 3.6 million workers employed in the sector. The employers have rejected this demand, pointing to the current international financial and economic crisis.

The wage demand is the union's highest for 16 years. The IG Metall is reacting to the increasing anger found on the shop floor at the widening gap between workers' incomes and company profits.

In a guest contribution to the *Frankfurter Rundschau*, IG Metall spokeswoman Helga Schwitzer presented some statistics. "In 2003, for every €100 of their own capital invested employers received on average an already sumptuous €8.90 net yield, which rose to €21 by 2007," she wrote. From 2003 to 2007, net profits rose by 220 percent, while real wages increased by only 8.7 percent. Last year, the engineering and electrical industries made profits of €47.7 billion, €11.5 billion more than the year before and three times as much as in 2003. Remuneration, however, only increased by €3.1 billion in 2007. This year the gap will become even wider.

Schwitzer closes her article writing, "It is these facts that shape employee expectations and sense of justice for the coming pay round. This is why we intend to take up the topic of justice in the pay round this year."

These are empty words. The IG Metall's negotiating stance is responsible for the fact that wages and profits have increasingly drifted further apart. Nobody should have any illusion that this will change this time and that employees will receive an appreciable wage increase in the current pay round. Every contract negotiation witnesses a certain ritual, which always ends with the union abandoning the workers' demands.

First of all, the IG Metall issues a wage demand that meets workers' expectations halfway. It points to company profits, increased productivity, high inflation and, not least, workers' willingness to fight. The employers then reject the demand, referring to the gloomy economic outlook.

Then follow a few toothless protests. The works councils at some large companies call lunchtime protest meetings that are attended by a few thousand workers outside the factory gates, while behind closed doors the union negotiating team cooks up a deal with the employers' representatives that is acceptable to the corporations and which they can sell to the workforce as a "success."

A comment in the *Süddeutsche Zeitung* on the latest contract negotiations characterizes this game of barter: "If you give me a few cents more, I'll give you a longer-running contract. The calculations are done, and one morning around half five, both step before the cameras to explain what they have achieved in the heroic struggle."

Financial Times Deutschland assumes nothing will change in the proceedings this time: "The experiences of past contracts look quite hopeful. In almost every contract, agreements were found, like flexible single payments or other alternate mechanisms, enabling a high settlement to be made bearable even for weaker businesses."

Thus in the last contract, the IG Metall had demanded 6.5 percent more money; in the end it settled for a single payment covering the first three months, an increase of 4.1 percent for the next twelve months and a further 1.7 percent for the last four months. The total duration of the contract amounted to 19 months.

The IG Metall calculated this produced an average wage increase of 3.9 percent. However, actual gross

wages only rose by 1.8 percent, because many employers abolished long-standing bonus payments paid outside the scope of the contract. Given price increases of 2.3 percent last year and over 3 percent this year, this means a cut in real wages.

Other unions follow the same pattern. For example, when negotiating the last contract for public sector workers, the trade union Verdi had initially demanded an 8 percent rise, or at least €200. At the beginning of the year, the union then settled for 3.1 percent, or at least €50. Next year, there is to be a one-off payment of €225 and a further rise of 2.8 percent. The total duration of the contract amounts to 24 months and the agreed wage rise is to a large extent compensated by the extension of the working week from 38.5 to 39 hours in West German municipalities.

In the steel industry, IG Metall agreed a 14-month contract. For the first month, there was a single payment of €200, starting from the second month (March 2008) there was a 5.2 percent wage rise. Here too, the original demand was for 8 percent.

IG Metall Chairman Berthold Huber is clear about the implications of such contracts. Using one-off payments, the employers wanted to "depress long-term wage increases," he told *Frankfurter Rundschau*. "At first, high one-off payments look quite good, but they are soon squandered." Nevertheless, the IG Metall agrees them time and again.

According to the calculations of contract expert Thorsten Schulten, average union rates throughout the economy in the first half of 2008 rose by only 3.3 percent, despite nominally higher settlements. This does not even match the increase in prices.

Furthermore, it does not take into consideration how much of this 3.3 percent actually finds its way into pay packets. For example, union rates rose in 2007 on average by 2.2 percent; real wages, however, rose by only 1.4 percent. The reason is that ever fewer workers are now covered by collective agreements--in West Germany it is about two thirds of all employees, in the East only half. In addition, the unions frequently agree to break clauses in collective agreements, making it possible for the employers to refuse to pay their workforce the contract rates.

The IG Metall and its chairman Berthold Huber have no intention of changing this state of affairs. They spout radical clichés and call isolated token strikes in

order to blow off steam, because they are afraid that otherwise the anger on the shop floor would get out of control. Huber openly expressed this sentiment in the *Frankfurter Rundschau*: "The drifting apart of society--high profits, moderate wage rises, differences between industries--is social dynamite. We must defuse this. The IG Metall contributes to this."

The employers are very conscious of the role of the trade unions. In an interview on the current contract, the president of the Federal Union of German Employers' Associations, Dieter Hundt, said that the partnership with the trade unions had improved despite the increasing number of strikes and protests. "Twenty years ago, the mood was far more aggressive and militant." Discussions had become far more businesslike, he said. The cooperation between management and the local works councils had also developed "towards an understanding partnership."



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