Germany: Public service union agrees to sellout contract

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The German public service trade union Verdi has agreed to a contract for public service workers, aimed at giving political backing to the German government for the next two years.

Two million workers employed at the federal and local level will receive a 1.2 percent increase in wages dated back to January of this year. In January 2011 wages will rise by an additional 0.6 percent and in August 2011 by 0.5 percent. In January 2011 there will also be a one-off payment of €240, which Verdi terms a “social component.” Apprentices will receive just €50. The employers’ side refused to take up Verdi’s demands for a job guarantee for apprentices and a reduction in the retirement age.

Verdi had begun the contract negotiations with a demand for a 5 percent pay increase—figure, which after years of zero or minimal increases, was much less than public service workers expected. Verdi had stressed that this 5 percent included a “package of further measures,” i.e., it was not purely a salary claim. Following opposition from the employers Verdi retreated and declared it was prepared to negotiate on the basis of 3.5 percent in the “full package.”

The employers refused to give way. The negotiations underwent a conciliation process, in which Verdi was represented by the former mayor of Hanover, Herbert Schmalstieg, and the employers by the former state prime minister Georg Milbradt (Christian Democratic Union, CDU). These two men then worked out a compromise, which was largely adopted by both sides last Saturday.

Verdi obtained the paltry wage increases by agreeing to an unusually long running time of 26 months for the contract. This means that wages will rise by about 2.3 percent during this period. Converted to an annual basis, the increase amounts to less than 1 percent. Nevertheless, Verdi has sought to portray the deal as a “breakthrough” and stated: “3.5 percent of the total claim could be implemented.”

The new contract is valid to the end of February 2012. The positive assessment of Interior Minister Thomas de Maizière (CDU) is that this gives public employers “security of planning,” which means that the employees covered by the contract are, according to German labour law, obliged to keep industrial peace in the public service for the next two years.

The latest deal by Verdi was preceded by the speedy conclusion of a contract by Germany’s biggest union—the engineering union IG Metall—which involved no pay increases for its members. This means that Germany’s two biggest unions have done everything in their power to avoid a confrontation between their membership and the government over wages and working conditions.

So far the full effects of the international economic crisis have been somewhat ameliorated in Germany through a series of measures such as reflationary programs and short-time working. Now, however, there is a political consensus on the part of all parties that “the full force of the crisis” will be felt this year. This was the phrase used by Chancellor Angela Merkel last year in a government statement. The authorities are currently waiting until a crucial election takes place in May of this year in Germany’s biggest state, North Rhine-Westphalia. Afterwards, long delayed austerity measures will be introduced with full force. At the same time companies will go onto an offensive to cut wages and jobs.

The government is determined to implement this agenda in the face of all opposition. This is demonstrated by the vehemence with which leading members of the government have insisted that drastic cuts in social security benefits and wages be carried out in Greece. Greece is to serve as a precedent aimed at transferring the entire burden of the financial and economic crisis onto the backs of the working class in Germany and throughout Europe.

The past weeks have seen a growing wave of opposition to such attacks with protests and strikes taking place in a series of European countries. Under these conditions the trade unions are determined to prevent any cross-border movement of solidarity. This is why IG Metall signed its latest contract even before the expiry of the existing one. In fact, contract bargaining for the engineering branch should only have begun next month.

The IG Metall has justified its stance by referring to the unstable economic situation, claiming that its main concern was the “protection of jobs” rather than wage increases. Verdi uses the same line of argument. Commenting on the contract on Saturday in Potsdam, Verdi Chairman Frank Bsirske (Greens) declared the result was not one which “led to cries of jubilation” but “in view of the economic and financial conditions it has been possible to secure real wages in the public service.” In fact, nothing could be further from the truth.

Apart from some dissenting voices from Verdi members expressing their views on the Internet, there has been a chorus of praise for the settlement. The argument is always the same: The public kitty is empty, and therefore extra pay was not possible.

Gerhard Bosch, professor of labour and economic sociology at the University of Duisburg-Essen, declared that any genuine increase was ruled out because “the municipalities will be heavily squeezed by the reduction of taxes.” The chief negotiator for municipal councils, Thomas Böhle (Social Democratic Party, Verdi member and head of personnel in the city of Munich), explained, “Our basic problem remains the under-funding of the municipalities torn between continually increasing expenditures and declining revenues.”

These arguments seek to explain away the plight of municipalities as a sort of natural catastrophe. In fact, the under-funding is a direct consequence of the tax reductions introduced for big business and the wealthy by the SPD-Green government led by Gerhard Schröder (SPD) and by the two subsequent coalitions headed by Angela Merkel (CDU).

In particular, the tax revenues of the municipalities have been bled dry. Many cities in East Germany or in the Ruhr region are no longer able to fulfil their legal obligations, and even deeper cuts are due in the coming months, entailing the closure of schools, libraries, swimming pools, youth centres, theatres and cinemas. Due to the shortfall of funds, renovation and repair work at many public institutions, museums, etc., will come to a virtual standstill.

The municipalities have complained that even the paltry wage agreement reached by Verdi entails extra costs of €1.1 billion this year. At a federal level the total extra cost of the settlement is calculated to €105 million. These two figures together amount to €1.2 billion, rising to approximately €1.37 billion next year.

This sum is virtually equivalent to the tax cut awarded by the Merkel government earlier this year to hoteliers and those inheriting fortunes. Altogether the so-called “growth acceleration law” introduced by the government is costing the public purse €8.5 billion annually.

Now the working class is to pay the price for such concessions to the rich. In this process Verdi, the IG Metall and the other German trade unions are providing the government vital flanking support.

Although many members are against the contract deal, Verdi concludes that there will be enough support to push through the settlement. And should a majority vote down the deal, the forerunner organisation of Verdi had already shown it was prepared to defy its membership. In 1992 a majority of members voted down a settlement negotiated by the union leadership after an 11-day strike. In response the leadership simply cut the threshold for agreement to a deal from 50 percent of the membership to 25 percent.