German public sector union Verdi agrees new concessions

Dietmar Henning
10 April 2012

The Verdi public sector union and the employers at federal and local level have agreed a new contract, ending the threat of further strikes. The contract bargaining concluded a week ago and resulted in only minimal increases in real wages, with the union agreeing to a loss of holiday entitlements.

Over recent weeks, more than 300,000 public sector workers had taken part in warning strikes to support their demand for a wage increase of 6.5 percent. After decades of real wage losses, the 2 million workers were willing to fight for their demands through an indefinite strike. A wage increase of €200 per month was supposed to improve the situation for the low paid.

What Verdi has agreed, without organising any serious struggle, does not even come close to these demands. A 3.5 percent pay increase will be back dated to March 1. In January and August 2013, salaries and wages will rise by an additional 1.4 percent. The new contract will run for two years. The actual annual rise is some 3 percent. With a current inflation rate of about 2 percent, the increases are so small that they barely compensate for the real wage losses in recent years.

The lower income groups, who are often dependent on supplementary welfare payments, are even harder hit due to above-average price increases for energy, food and rents. Since the minimum wage level is not increasing, they will see very little growth in their incomes.

In addition to the low rise in real wages, the employers and Verdi have agreed to a further deterioration in conditions. Firstly, this concerns the new vacation policy. In the past, employees aged 40 were entitled to 30 vacation days. Now, younger workers born after 1973 will remain on 29 days per year. Apprentices were granted an extra vacation day, but only to a total of 27 days. Only a few weeks ago, the Federal Labour Court ruled that younger employees were entitled to 30 days' leave; the present contract now puts a stop to that.

The supposedly permanent employment of apprentices will prove to be a charade. Former apprentices will only be given a permanent contract if they have "proven" themselves after a year. What this means will be decided by the employers. Especially in the indebted municipalities, the state of finances will determine the assessment.

Despite the obligatory rhetoric about "reaching the pain threshold", the public sector employers declared they were satisfied with the final contract agreed with the union. "The advantages of the contract for the employers are the relatively long period covered, the staggered increases and that they were able to fend off demands for new minimum amount," said Munich's personnel chief, Thomas Boehle, a member of the Social Democratic Party (SPD) and Verdi.

Federal Interior Minister Hans-Peter Friedrich (Christian Social Union, CSU) said he would push for the contract to also include civil servants. He said, the deal would cost the federal budget €550 million. The local municipalities will pay an additional €2.2 billion this year and about €4.3 billion in 2013.

The city and town administrations have responded immediately to the settlement by announcing that they will pass on their costs to public sector workers and the general population. "For many local authorities, the [new] contract increases the pressure to cut staff and privatize public services," chief executive of the German Association of Cities and Municipalities, Gerd Landsberg, told the *Rheinische Post*. Many municipalities are now looking for ways to improve their income through higher contributions, fees or taxes.

In plain language, the announcement by the representatives of the SPD, Greens and Christian Democrats in the cities and towns means they will use the minimal wage increases as a pretext to impose layoffs, cutbacks and tax increases.

Representatives from the private sector have announced that they will react to similar settlements in the metal industry or the banking sector with layoffs and hiring freezes. The IG Metall union is presently demanding wage increases of 6.5 percent, and the IGBCE 6.0 percent for the chemicals industry.

After years of organising real wage cuts, the unions are now demanding small wage rises, and in some cases negotiating them, because they are afraid of losing control over the anger of the workers.

The redistribution of social wealth from working people to the banks and employers has created an enormous growth in social polarization. Along with poverty and low-wage labour, social anger is also growing among the population.

In this situation, a strike in the public sector would quickly spread to other industries. The new contract is now bringing some industrial peace once again; Federal Finance Minister Wolfgang Schäuble (CDU) and the local government spokesperson of the Free Democratic Party (FDP) Birgit Reinemund stressed above all that it was important a labour dispute had been avoided.

The two-year contract is also aimed at ensuring peace for next year, when the general election is due. Moreover, the employees of the federal states, whose smaller numbers and organisational structure means they always do worse than their colleagues at federal and local level, will be on their own when their contract runs out in 2013. Verdi will once again place them at the mercy of the employers.

Verdi has sought to strengthen its own position in the long term in order to be able to push through job losses and cutbacks in the future. In recent years, the German unions have seen a mass exodus of their members. At the same time, smaller sector unions have begun to compete for members. The German Union Federation (DGB), the IG Metall, Verdi and Co. openly decrying the "excessive" wage demands of these sector unions, and have not shrunk from organising strike breaking, as the recent dispute involving the air traffic controllers union at the Frankfurt airport showed.

The "proper" contract agreed for the public sector will strengthen confidence in the larger trade unions, said Gert Wagner, head of the pro-union German Institute for Economic Research (DIW) in the *Frankfurter Rundschau*. "Only this can prevent the individual occupational groups asserting their particular interests at the expense of social cohesion."