

Wage deal in Germany: IG Metall agrees to end industry-wide contracts

Dietmar Henning
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The IG Metall union agreed to a pilot contract for 3.8 million employees of the metal and electronics industry in Cologne on Friday night. This includes a meagre wage increase equivalent to 2.45 percent per year and the effective elimination of industry-level wage agreements.

The corporations are enthusiastic about the deal's so-called "differentiating competition components" that allow individual corporations to be released from wage contracts when profits are lower than desired. Unlike previous "opening clauses," the new contract allows IG Metall to bypass works councils in negotiating the release of the companies from wage contract obligations.

In this way, the union is developing itself ever more completely into a tool of the corporations. It divides the employees, plays them against one another, and reduces the wages of different sections of workers step by step. Federal Minister of Labour Andrea Nahles' new Law Regulating Casual Labour and Work Contracts assigns a larger role to the unions in organizing low-pay work.

The wage contract, which came out of a 14-hour marathon meeting in the fifth round of negotiations, provides for a wage increase far below the original demand of 5 percent per year. It includes a one-time payment of €150 for the months extending April to June 2016, an increase of 2.8 percent starting in July, and an additional increase of 2 percent starting in April 2017. The contract will last 21 months and end on December 31, 2017.

As to be expected, IG Metall praised the agreement. Ignoring the laws of mathematics, the union estimated the wage increase at 4.8 percent. "The contract has the character of a pilot. The employees are getting a clear increase in real income and a fair share of economic success," said IG Metall President Jörg Hofmann

yesterday in Cologne.

As was also to be expected, the corporations, including the large auto manufacturers—with the exception of Volkswagen—complained about the agreement. The contract will burden them with additional expenses in the form billions of euros. At the end of the contract, wages, which currently cost the company €230 billion per year, will cost an additional €10 billion, said steel industry president Rainer Dulger. "Once again," he said, "we were forced to go to the limit of the capacity of the corporation."

These responses are all part of the routine of staged reactions to contract negotiations. Indeed, Arndt Kirschhoff, a representative of the auto industry who led negotiations on the side of the employers, admitted that, with regard to the length of the contract, the increase of 2.45 percent is much lower than previous increases. He said that the trend of past years, in which wage agreements had been too high, had come to an end.

Both sides want to extend the contract achieved in North Rhine-Westphalia to other areas of the country. "It is a good compromise and means a clear increase in real income for the employees," said Regional Director Minhard Geiken. IG Metall Regional Director Hartmut Meine in Lower Saxony also called for the adoption of the contract for the 85,000 employees in that state.

While the unions praise their embellished wage increase, employers view the "differentiating competition components" as "pioneering." Metal industry spokesperson Daniel Kölle announced that the contract will be adopted in all regions of Germany. The managing director of the employers' associations in Lower Saxony Metal, Volker Schmidt, said the contract was "fair and highly innovative."

Since 2010, the corporations and companies have

been demanding differentiation clauses to produce even higher profits for corporations. Now they have succeeded. Companies will be able to delay or cancel one-time payments and postpone the second round of the wage increases (by 2 percent) for up to three months.

IG Metall chief negotiator Knut Giesler claims that the union was successful in fending off a permanent differentiation of payments in the factories because the deal is only valid for the duration of the contract and only corporations bound by the contract can make use of the opening clauses.

However, the negotiation partners in North Rhine-Westphalia agreed to negotiations over an additional carving up of the industry-wide contract in the coming round of bargaining. The planned contract is supposed to then make wages “automatically” dependent on the profit earnings of each individual corporation. In view of the tendency of the world economy to recession, this is a formula for lowering wages.

Second—and this is the central point—IG Metall has ensured that the elected representatives of the employees in the factories will not have any more influence on wages. According to previous opening clauses, which have existed since 2004, the works councils at each location can—with the agreement of IG Metall—adopt regulations that deviate from the contract.

The new regulations, on the other hand, allow the employers’ association to bypass the works councils and request differentiation negotiations with local IG Metall representatives. These have to be concluded swiftly, after one month at the most. If IG Metall and the employers’ association agree on a national level, the differentiation will proceed. The employees and their works councils are excluded from the process.

At the moment, this makes little difference. The great majority of the works councils are elected from lists of candidates from IG Metall and, like the union, see it as their task to defend the competitiveness of “their” corporations by lowering wages, worsening working conditions, and cutting social services and jobs.

However, resentment against IG Metall and the works councils is growing in the factories. Lists of candidates who are opposed to collaboration with the management have already won influence in most of the larger factories. The increasing rivalry and trade war that has begun, above all in the auto, steel and metal industries,

will impart momentum to the coming conflicts.

According to the new regulations, the employees in a factory can elect whomever they want. On the other hand, they will be denied the right to have a say in wages and working conditions. Currently, this applies “only” to wages. However, anyone who is acquainted with IG Metall knows that this is only the beginning.



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