

Inflation in Germany rises as wages fall

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In August, the annual inflation rate in Germany officially rose to 3.9 percent compared to 2.3 percent in June. Prices of goods and services are rising at the fastest rate in 28 years, i.e., since December 1993 when the inflation rate in the country peaked at 4.3 percent.

Across Europe, inflation has risen to 3 percent, and in the US it already exceeds 5 percent. The price increases mainly hit the working class and in particular low-wage earners, single parents and poor pensioners.

Energy and food prices have risen especially sharply. Energy prices in August were 12.6 percent higher than one year earlier. The price of heating oil increased by 57.3 percent, fuel/petrol by 26.7 percent, natural gas by 4.9 percent and electricity by 1.7 percent. Energy prices were also affected by the CO2 tax of €25 per tonne, introduced at the beginning of this year. This tax is due to rise regularly to €55 by 2025.

Food prices have risen by 4.6 percent, vegetables by 9 percent, and dairy products and eggs by 5 percent. Prices for consumer durables, such as autos, have also risen by 5.5 percent and by 4 percent for furniture and lighting. Clothing, personal care products, flowers, newspapers and magazines have also become more expensive, while prices in restaurants have risen by 10 to 20 percent.

Savings are particularly difficult for average and low-income households when it comes to heating, energy, food and other daily necessities, the prices of which have all increased. Inflation hits workers and the poor disproportionately hard because they spend most of their income on such commodities.

Many households do not have enough left to live on due to rising energy and food prices. At the same time, the huge increase in rents in recent years is not fully included in the official statistics.

Especially in metropolitan regions, rents have risen sharply in the period from 2016 to 2020. In Munich, the price per square metre rose by 12.4 percent to €18.48 in

the first quarter of 2021, in Frankfurt/Main by 14.5 percent to €15.75, in Stuttgart by 14.7 percent to €14.74, in Berlin by 8.6 percent to €13.68, and in Hamburg by 10.8 percent to €13.50. The prices refer to apartments built in the last 10 years (*Handelsblatt*, April 28, 2021).

In Berlin, rents already rose by more than 100 percent between 2009 and 2019. "This development," says *Handelsblatt*, "is not limited to urban areas. The phenomenon of steadily rising rents can be observed throughout Germany and across settlements."

The explosive nature of the rent price development is also made clear by a publication by the German Trade Union Federation (DGB) outlining the situation in the state of Lower Saxony.

"The rent screw is now being turned everywhere," it says in *#schlaglicht* (no. 30/2021). "Even in rural regions and smaller communities, prices are soaring. But the situation is particularly precarious in big cities—also in Lower Saxony: More than half of all tenant households in Hanover, Oldenburg and Osnabrück have to pay more than 30 percent of their income for rent. The situation is hardly better in Göttingen, Braunschweig and Wolfsburg. In total, there is a shortage of 86,000 affordable flats in these six cities."

Low-income earners, according to the publication, i.e., those with less than 60 percent of median income at their disposal, have to spend on average of about 50 percent on rent. Nationwide, about 2.1 million people are left with less than the subsistence level after deducting rent and utilities. Single parents and couples with children are particularly affected.

The DGB's own demands for a rent freeze and a minimum wage of €12 are utterly hypocritical. The trade unions themselves sit on the official committee that sets the minimum wage. It is set at an extremely low level and rises only a few cents a year. Since July 1

it has stood at €9.60 per hour, and on July 1, 2022 will rise to just €10.45.

At the same time, the unions have ensured that workers have remained in the factories to generate profits, despite the deadly consequences of the coronavirus pandemic. They also support the opening of schools, even though this puts millions of children at risk of contagion with dramatic long-term consequences and deaths, all to ensure that parents are forced to work in line with the government's profit-before-lives policy.

During the pandemic, the trade unions in many sectors agreed on zero or very low-wage settlements over many years, which now has the effect of massively reducing real wages.

IG Metall, for example, has suspended its scheduled wage contract negotiations for the 3.8 million workers in Germany's engineering and electrical industries until the end of the year and has agreed a deal for this year that does not include any increase, merely a one-off payment of €500.

The union has concluded a similar contract for steelworkers. They are to receive one-off payments of €250 in late 2021 and early 2022 and €600 in 2023. At the same time as the government has handed over hundreds of billions of euros in support packages to corporations and banks, workers have been left empty-handed.

Also, IG Metall has agreed to real wage cuts at VW, which has its own in-house contract. A wage increase of 2.3 percent is not due to take effect until January 1, 2022 and will run until November 30, 2022. The percentage wage increase is thus only 1.15 percent per year, far less than the rate of inflation.

At Deutsche Bahn the DGB union, the EVG, has agreed to no increase for the current year, while the rival union, the GDL, has just agreed to a real wage cut for train drivers and other rail staff.

Some of the unions' settlements are so low that there have been nominal wage reductions for the first time since surveys began in 2007. Gross monthly earnings, including special payments, fell by 0.7 percent in 2020 compared to the previous year. Consumer prices rose by just under 0.5 percent. This has left workers with 1.1 percent less pay in real terms. The current increase in inflation will serve to significantly drive down real wages even further.

Pensioners are particularly hard hit by both inflation and the negative wage development. Since German pension levels are linked to the wage development of the previous year, there was no pension increase this year in the West of the country and only a very small one in the East.

In many sectors, resistance is developing against falling wages, growing work stress and imminent mass dismissals. Care workers, train drivers, airport workers and delivery drivers, to name but a few, are protesting and striking against intolerable working conditions and attacks on wages and jobs.

This struggle requires an international, socialist perspective and the building of the Socialist Equality Party as part of the Fourth International. This is the program for which the SGP is fighting in the federal election on September 26.



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