German chemical workers union agrees 15 percent real wage cut for 580,000 workers

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Almost 7 million workers in Germany are currently involved in contractual disputes: 3.8 million in the metal and electrical industry, 2.3 million in the public sector at federal and local levels and 580,000 in the chemical industry. Now the chemical workers union, IG BCE, has gone ahead and agreed real wage cuts the likes of which have not been seen since the Great Depression of the early 1930s.

While the official annual inflation rate stands at 10 percent, the wages of chemical workers will increase by just 3.25 percent in early 2023 and early 2024, respectively. The contract runs until June 2024. Since the old contract had already expired in March, the new contract covers a period of 27 months.

A chemical worker who received the industry average monthly salary of €3,100 gross in April 2022 will receive a contractually agreed salary of €3,302 in the summer of 2024. However, to be able to buy the same amount with an average inflation rate of 10 percent, that worker would have to earn €3,880. This amounts to a loss of €578 a month, i.e., a real wage reduction of 15 percent!

In order to cushion this shock and dampen opposition to it, the IG BCE and the employers' association BAVC agreed on one-off payments that will be paid out without any deductions. Since April, €1,400 for tariff-free months have already been transferred, which companies "in difficulties" could, however, choose to reduce. At the beginning of 2023 and the beginning of 2024, two further one-off payments of €1,500 will be made. Part-time workers will receive a corresponding share of the lump sums, amounting to at least twice €500. Trainees will receive €500 each.

These one-off payments reduce the immediate effects of inflation, especially for those on low incomes, but they do nothing to relieve the long-term reduction in wages. Even if the inflation rate were to fall in 2024—which is anything but certain—prices will not fall back to the old level. Instead, they will only rise a little more slowly. Contractually agreed wages, on the other hand, will fall back to the level of April 2022, plus a measly 6.5 percent.

At the same time, the official inflation rate only incompletely reflects the actual burden on working families. According to a survey by the International University in Erfurt, "perceived" inflation in September in Germany was 34 percent.

The discrepancy between official and perceived inflation is due to the fact that the former is measured using a broad basket of goods that also includes expenses that do not occur regularly or that many can no longer afford—the purchase of a car, TV or computer, the purchase of a ticket to the opera, etc. In contrast, the prices for food, energy and rent, which are regular and directly felt by all, have increased much more.

The chemical workers settlement is the result of close cooperation between the trade unions, corporations and the federal government. Workers who want to defend their wages, jobs and social gains face a united hostile front in which the unions play the leading role.

Chemical union president Michael Vassiliadis is a key figure in the "Concerted Action" initiative, which meets regularly in the Chancellery under the leadership of Chancellor Olaf Scholz (Social Democrats, SPD). Together with chemical industry president Siegfried Russwurm, Vassiliadis heads the gas price commission, which agreed lavish cash handouts for the wealthy and big corporations along with pittances for the poor, ordinary earners and small businesses.

Vassiliadis also sits on the supervisory board of five large German chemical and energy companies—BASF, Steag, RAG, Henkel and Vivawest. In addition, he has a direct personal connection to the German Federation of Trade Unions (DGB), whose members include IG Metall and the services union Verdi. DGB chairwoman Yasmin Fahimi, a former top SPD official, is his partner.

Two months ago, Vassiliadis was awarded the Federal Cross of Merit First Class by the premier of the state of Lower Saxony, Stephan Weil (SPD). Vassiliadis regarded the medal as recognition "of the entire commitment of the IGBCE—and that goes far beyond the classic tasks of a trade union. Our basic understanding is based on social partnership, both with companies and society," he stressed.

The contract deal in the chemical industry was agreed directly with the Chancellor's Office. The government's decision to exempt collectively agreed one-off payments from taxes and social security contributions in order to make it easier for the trade unions to reach low tariff agreements stems from a proposal made by Vassiliadis. Businesses are enthusiastic about such one-off payments. "In order for the workers to receive €1,000 euros, we would have otherwise had to hand over €1,600," negotiator Hans Oberschulte told the WAZ newspaper.

The deal in the chemical industry was agreed in record time to set a benchmark for the contract deals pending in the country's electrical and metal industries and the public sector, where the unions expect significant resistance to any similar wage diktat.

"We have delivered, now the others must step up to the plate," said Vassiliadis, commenting with satisfaction on the deal. "In this historically exceptional situation with unprecedented inflation rates and the threat of recession, the bargaining parties have taken responsibility for workers, industrial locations and domestic demand all at the same time." The agreement has a "signal effect beyond the (chemical) industry."

The employers' association also expressed its satisfaction. "Employers and trade union are pulling together in the crisis," commented BAVC President Kai Beckmann. "The consequences of the war hit our industry particularly hard. It is all the more important we bridge existing differences with constructive collective bargaining. This is what characterises the social partnership in our industry."

The massive reduction in real wages is just one result of this "social partnership" between the trade unions, companies and government. The industry giant BASF, on whose supervisory board Vassiliadis sits, has announced a drastic programme of cuts for 2023 and 2024, including job cuts. It wants to slash annual non-production costs by €500 million, more than half of them in Ludwigshafen, where 39,000 of the company's 111,000 employees work worldwide.

The OECD and IMF predict a deep recession for Germany in the coming year. Against this background many companies are reacting with shutdowns and mass layoffs. A Deutsche Bank study sees the current energy crisis as the "starting point for an accelerated deindustrialisation of Germany."

Workers can only counter these attacks by breaking with the mafia-like structures of social partnership and the trade unions, organising independently and allying with their colleagues in other countries. The Socialist Equality Party (SGP) and the Fourth International, of which it is a member, have launched the International Workers Alliance of Rank-and-File Committees to mount a global counteroffensive against social cuts, war and the unchecked spread of the coronavirus pandemic.

In France, hundreds of thousands are taking to the streets to protest the consequences of inflation and defend striking refinery workers who are being conscripted to work by the Macron government. A general strike is brewing in Britain. The fear that workers in Germany will join this movement haunts the union bureaucrats like a nightmare. That is the only reason why they are now trying to conceal what are historic wage cuts with one-off payments.