IG Metall union in Germany agrees to third consecutive cut in real wages

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On Friday night, the IG Metall union and the Südmetall employers' association agreed a cut in real wages for the metal and electrical industries for the third time in a row. When the new contract expires on September 30, 2024, the purchasing power of the nearly four million employees covered will be 25 percent less than their wages in April 2018, the last time IG Metall negotiated a change in basic pay scales.

IG Metall head Jörg Hofmann praised the agreement in Baden-Württemberg and recommended its adoption in all other collective bargaining areas. Those affected are not being asked, although 900,000 of them have expressed their willingness to fight by carrying out warning strikes over the past two-and-a-half weeks. According to IG Metall's rules, the union executive only has to let the members vote on the collective agreement if they have previously decided in favour of strike action in a strike ballot—something IG Metall deliberately avoided organising.

The new contract will run for 24 months. During this period, wages will rise by a total of 8.5 percent. In addition, a tax-free "inflation premium" of €3,000 will be paid out in two installments. However, both are being paid so late that inflation will have long since eaten up the increases by the time they come into force.

For example, the first pay increase, for 5.2 percent, will not take effect until June 1, 2023, even though the old contract expired at the end of September 2022. IG Metall has therefore agreed to a pay freeze for eight months. The second pay increase, for 3.3 percent, will take effect in May 2024, five months before the contract expires.

The two inflation premiums of €1,500 each will also not be paid out until February next year and the year after. For "economic reasons," these payments can also be postponed for up to six months.

The new contract gives companies whose net profit margin is below 2.3 percent even more options to cut wages elsewhere. For example, they can defer, cut, or eliminate the collectively bargained supplemental allowance (T-ZUG), which had been agreed in 2018 in lieu of an increase in basic pay rates. This amounts to around one-third of a worker's monthly salary and can be optionally converted into time off.

It is obvious that the current wage settlement does not begin to compensate for price increases. The official inflation rate in October was 10.4 percent, with above-average increases in heating and energy costs as well as in the price of food and gasoline, which place a particularly heavy burden on working class households. According to the Federal Statistical Office, food prices in September were 20 percent higher and agricultural producer prices 40 percent higher than a year ago.

Just to compensate for the loss of purchasing power over the past four-and-a-half years, during which basic wages have not been raised, a 15 percent increase in pay rates would have been necessary. If inflation develops at a similar pace over the next two years, another 20 percent will need to be added—meaning a total increase of around 35 percent will be required to compensate. Deducting the agreed 8.5 percent rise leaves a shortfall of more than 25 percent.

IG Metall agreed to this cut in real wages even though the industry's major corporations are flush with cash. "The big German companies have done brilliant business so far this year despite inflation, war, the energy crisis and general supply problems," reports the *Frankfurter Allgemeine Zeitung.*

According to calculations by the auditors at EY, the 40 corporations listed on Germany's Dax share index increased their sales by 23 percent in the third quarter of 2022 compared with the same quarter last year, and their profits rose by as much as 28 percent. Companies in the metalworking sector stood out. Mercedes-Benz reported a quarterly profit of €5.2 billion, Siemens reported €3.9 billion. For the full fiscal year, which ended in September, Siemens earned more than €10 billion in its core industrial business for the first time.

The increase in profits goes hand in hand with the global restructuring of entire industries, especially auto, which is being carried out on the backs of the workers. A veritable jobs massacre is currently taking place at suppliers in the auto industry. Hardly a day goes by without new layoffs or plant closures being announced, which are often only reported in local media.

But even the major manufacturers are not exempt. Already two years ago, Hildegard Wortmann, a member of Audi's management board, declared that there was only a 50 percent chance Audi would still exist in 10 years. Now she has repeated this warning in a podcast for the business weekly *Wirtschaftswoche*.

At VW, new CEO Oliver Blume wants to halt construction of the new mega-factory in Wolfsburg and postpone the launch of the Trinity e-model for years. "No stone will be left unturned here," *Manager Magazin* quotes a colleague of the VW CEO as saying.

In the attack on wages and jobs, IG Metall is the mainstay of the corporations. It does not represent the interests of the workers, but those of the companies and their shareholders. The Sozialistische Gleichheitspartei (Socialist Equality Party—SGP) advocates building independent rank-and-file action committees that take the task of fighting for the interests of the workers in hand and network with workers across companies and internationally.

Among workers, opposition to IG-Metall's sell-out is strong. When WSWS reporters spoke to metalworkers in Stuttgart and Berlin on Friday, not a single one agreed with the outcome. They all reacted with anger.

We call on workers in the metal and electrical industries: Do not accept the new contract! Demand a ballot in which the workers themselves can decide! Withdraw the negotiating mandate from the union bureaucrats and prepare real fighting measures!

The International Committee of the Fourth International has created the International Workers Alliance of Rank-and-File Committees (IWA-RFC) to provide guidance to the action committees and to coordinate them internationally.

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