German Union, Employers Agree On 4.3 Percent Raise

Juergen Baetz, Associated Press

BERLIN (AP) — Germany's biggest industrial union and employers have reached a deal that includes a 4.3 percent wage raise for the sector's 3.6 million workers, both sides said Saturday.

IG Metall manufacturing union initially sought a 6.5 percent raise, but union chief Berthold Huber lauded the agreement, which is valid until May 2013, as a good result for workers that avoids further strikes in the sector.

German unions have pointed to strong economic growth and workers' relative wage restraint in recent years as they call for big increases this year.

In March, the public workers ver.di union — which went into negotiations with the same initial demand — secured a pay rise totaling 6.3 percent over two years for some 2 million employees it represents.

The deal struck now by IG Metall is of great importance for Germany's economy because it often serves as a template for other industrial sectors.

The strong raises in Europe's biggest economy will further strengthen domestic demand there and thus also have a broader significance for the continent as a whole — Europe is currently only avoiding a recession amid its prolonged debt crisis thanks to robust growth in Germany.

Chancellor Angela Merkel's conservative government champions cutting deficits across Europe and rejects calls to spur growth through significant new stimulus measures. Germany's economy traditionally has been powered by exports but is being helped lately by increasingly strong domestic demand, ensuring that it remains what German officials have called "Europe's growth engine."

The collective bargaining agreement struck overnight in Sindelfingen town between IG Metall union and employers in southern Baden-Wuerttemberg state — home to carmakers Daimler and Porsche — includes the raise, secures the position of apprentices and somewhat limits the use of temporary workers.

Tens of thousands of workers followed IG Metall's call and walked off their jobs for short periods this and last month to pressure employers to accept the union's demands.

German metal industry association president Martin Kannengiesser said the deal, initially reached for the state's 800,000 metal workers, will be applied to all of Germany.

"The contract means a strong real wage increase for our employees," he said, adding that it ensures companies the necessary flexibility while providing better job security for apprentices.

Inflation in Germany currently hovers around 2 percent.

The German economy suffered a deep recession after the 2008 financial crisis but has seen strong growth over the past two years. This year, though, growth is expected to slow.

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