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German union strikes pay deal

By Nina Koeppen

FRANKFURT—German employers and metal-workers' union IG Metall on Thursday agreed a two-year wage deal aimed at job protection for roughly 700,000 workers in the state of North Rhine-Westphalia.

The agreement reached in Germany's most populous region is regarded as a benchmark for the rest of the country, where the IG Metall negotiates pay and working conditions for roughly 3.4 million people in the engineering, automotive, steel and paper industries.

The deal foresees a one-off payment of €320 ($433) to all skilled workers and €120 to trainees. In April 2011, a 2.7% pay increase will come into effect. The wage agreement runs through to March 2012. Negotiations focused on job protection in an industry badly hit by last year's slump in global demand. To avoid laying off skilled workers, many companies have programs under which staff work shorter hours.

It's a "good result ... which helps secure jobs throughout the crisis," said IG Metall chief Berthold Huber.

"Wage negotiations have been relatively tame and the deal shouldn't place too much of a burden on German companies," said Alexander Koch, an economist at UniCredit.

Hannes Hesse, an executive director at VDMA engineering industry association, said the deal takes account of an "extremely difficult economic situation." He added that "the moderate wage increase is an adequate compensation for inflation."

VDMA represents 3,000 mainly small and medium-size companies in the German engineering industry.

Separately, consumer sentiment across the 16 countries that use the euro fell for the first time in 10 months in February, data from the European Commission showed Thursday. The flash estimate of euro-zone consumer confidence fell to minus 17.4 in February from minus 15.8 in January.

The commission said it was able to publish its new flash estimate of consumer confidence due to the "distinct characteristics of consumer surveys, making compilation time shorter."

The decline is likely to reflect consumers' view of the general economy, following official data that confirmed gross domestic product growth was slower in the fourth quarter of 2009 than in the third.

Consumers are also likely to be concerned over expectations that ballooning government deficits must begin to be reined in.

"The recovery in euro-zone consumer confidence is showing signs of faltering," said Martin van Vliet, euro-zone economist for ING Bank.

"Consumers' expectations about the economy and unemployment were probably negatively affected by the triple whammy of the sovereign-risk related selloff in equity markets, the fiscal tightening plans in some peripheral economies, and the disappointing economic growth figures for the fourth quarter of last year," Mr. van Vliet said.


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