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FRAME ECONOMIC

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INFO PRIORITY UKDEL OECD UKREP BRUSSELS

INFO SAVING ATHENS EMBASSY BRUSSELS COPENHAGEN DUBLIN PARIS

LUXEMBOURG ROME THE HAGUE VIENNA WASHINGTON TOKYO UKMIS GENEVA

UKDEL NATO MOSCOW EAST BERLIN BMG BERLIN AND CGS IN FRG

MY TELNO 526 OF 25 MAY: THE FRG AND THE 35-HOUR WEEK

SUMMARY

1. THE STRIKE IN THE METALWORKING INDUSTRIES CONTINUES. THE EMPLOYERS HAVE NOW PROPOSED ARBITRATION. IN THE COGNATE PRINT AND PAPERWORKERS DISPUTE REAL PROGRESS HAS BEEN MADE, THOUGH AN EARLY SOLUTION IS STILL NOT EXPECTED. THE TEXTILE TRADES HAVE REACHED A SETTLEMENT. THE STRIKES HAVE SO FAR HAD LITTLE LASTING ECONOMIC EFFECT.

DETAIL

2. THE METALWORKING INDUSTRY NEGOTIATIONS RESUMED LAST WEEK IN STUTTGART AND BROKE DOWN ON WEDNESDAY WITHOUT REAL PROGRESS BEING MADE. THE EMPLOYERS' OFFER OF A SHORTER WORKING WEEK FOR SHIFT WORKERS ESTIMATED TO COVER NEARLY A QUARTER OF THE WORKFORCE (BUT 45 PER CENT OF WORKERS IN THE MOTORCAR INDUSTRY) WAS REJECTED BY THE UNION WHO CONTINUED TO PRESS FOR AN ACROSS THE BOARD REDUCTION. THE AREA IN DISPUTE SEEMS TO HAVE NARROWED SLIGHTLY. IN PRACTICE THE UNION HAS ABANDONED HOPE OF A 35-HOUR WEEK WITH FULL WAGE COMPENSATION AND WOULD ACCEPT A 38-HOUR WEEK FOR ALL WORKERS WITH ONLY PARTIAL WAGE COMPENSATION. THE EMPLOYERS HAVE TACITLY CONCEDED REDUCTIONS IN WEEKLY HOURS BUT RESTRICT THEIR OFFER TO THOSE AREAS WHICH CAN BEST AFFORD AN INCREASE IN COSTS AND WHICH CAN BEST HOPE TO OFFSET IT BY INCREASED EFFICIENCY. PRESS SPECULATION THAT AN EVENTUAL SOLUTION MIGHT INVOLVE AN ACROSS THE BOARD REDUCTION IN HOURS WITH SMALL FIRMS BEING GIVEN THE OPTION OF PAYING HIGHER WAGES INSTEAD OF REDUCING HOURS FINDS NO ECHO IN UNION CIRCLES.

3. ALTHOUGH THE UNION HAS SHOWN NO SIGN OF FLEXIBILITY, IT IS WORRIED ABOUT THE FINANCIAL STRAIN ON ITS RESOURCES. IT IS THOUGHT TO HAVE USED UP ABOUT HALF OF ITS STRIKE FUND AND THE RATE OF DEPLETION WILL INCREASE SHARPLY AS IT BECOMES LIABLE FOR INSURANCE CONTRIBUTIONS AS WELL AS FOR STRIKE PAY. EMPLOYEES OF THE UNION HAVE ALREADY HAD A STRIKE LEVY IMPOSED ON THEIR SALARIES.

4. ON MONDAY THE UNION'S REGIONAL REPRESENTATIVES IN NORTH RHINE WESTPHALIA APPROACHED THE EMPLOYERS THERE WITH A VIEW TO RE-OPENING THEIR OWN NEGOTIATIONS, IN AN ATTEMPT TO BYPASS THE NEGOTIATIONS IN STUTTGART (WHERE THE LEADING FIGURES ON BOTH SIDES ARE SAID TO BE INFLEXIBLE) BUT THESE TALKS TOO BROKE DOWN. THE EMPLOYERS WILL NOW LOCK OUT ANOTHER 35,000 WORKERS, WHICH WILL STRAIN THE UNION'S FUNDS STILL FURTHER.

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5. THE EMPLOYERS HAVE NOW PROPOSED THE ESTABLISHMENT OF AN ARBITRATION COMMISSION: THE UNION'S EXECUTIVE WILL DECIDE TODAY WHETHER TO AGREE TO THIS. IT WAS ORIGINALLY EXPECTED THAT A SETTLEMENT WOULD BE REACHED NO LATER THAN THE THIRD WEEK IN JUNE, BUT THIS IS NOW VERY UNLIKELY.

6. IN THE PRINTING AND PAPER INDUSTRIES THE MEDIATOR ACCEPTED BY BOTH SIDES HAS BEEN MAKING SOLID PROGRESS WITH THE COMPLEX TASK OF GETTING THEM TO WORK OUT A NEW WAGE STRUCTURE INTO WHICH WILL BE INCORPORATED AN ELEMENT OF REDUCTION IN WORKING HOURS, THOUGH WHETHER THIS WILL TAKE THE FORM OF A STRAIGHT REDUCTION IN THE WORKING WEEK IS AS YET UNCERTAIN. THOUGH STRIKE ACTION CONTINUES, THERE IS EVERY REASON TO THINK THAT THE DISPUTE WILL BE RESOLVED SATISFACTORILY TO BOTH SIDES AND POSSIBLY NOW BEFORE THE METALWORKING DISPUTE ITSELF ENDS.

7. MEANWHILE THE THREAT OF A STRIKE IN THE TEXTILE TRADES HAS BEEN AVERTED ON THE BASIS OF AN ANNUAL INCREASE OF 3.3 PER CENT WITH A SCHEME OF PRE-RETIREMENT AT 58 ON 75 PER CENT OF FINAL EARNINGS PLUS AN ELEMENT FOR HOLIDAY AND CHRISTMAS BONUSES, IN RETURN FOR WHICH THE UNION HAS ACCEPTED THAT THE 40-HOUR WEEK WILL REMAIN AT LEAST UNTIL 1988.

8. THE ECONOMIC EFFECTS OF THE STRIKES ARE STILL NOT EVIDENT. CONFIDENCE HAS BEEN AFFECTED, AND THE CDU/CSU HAVE BEEN PLAYING UP THE RISK OF DAMAGE TO ECONOMIC RECOVERY, PARTLY FOR ELECTORAL PURPOSES (MY TELNO 578). IT IS TRUE THAT GERMAN ECONOMIC GROWTH STAGNATED DURING MARCH AND APRIL AND PRODUCTION IN MAY AND JUNE MAY PROVE DISAPPOINTING. NEVERTHELESS GIVEN AN EARLY AND SATISFACTORY OUTCOME TO INDUSTRIAL ACTION, TOGETHER WITH EXPECTED GROWTH IN EXPORTS, CONSTRUCTION AND INVESTMENT, IT STILL SEEMS LIKELY THAT THE GOVERNMENT'S REAL GNP GROWTH TARGET OF BETWEEN 2.5 AND 3 PER CENT IN 1984 CAN BE REACHED.

9. FCO PLEASE ADVANCE TO JOLLY, DEPARTMENT OF EMPLOYMENT AND PLEASE PASS SAVINGS EXCEPT BMG AND EAST BERLIN AND CGS IN THE FRG.

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(ADVANCED AS REQUESTED)

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