

Editorial



Prof. Dr. Lutz Hoffmann,
President of the German Institute
for Economic Research, asks:

"An Alliance for Jobs?"

It seems recently almost as if European employers and workers have changed roles. In Great Britain the president of the employers' federation, the CBI, cautioned its members not to be too hesitant in granting wage and salary increases to its employees, as otherwise economic growth would suffer due to the weakness of consumer demand, whereas in Germany the trade unions have signalled to employers their willingness to accept wage restraint, also in an attempt to boost economic growth and thus improve the employment situation. The offer by German unions has been celebrated by conservative sections of the German media as a departure from precisely the theory that evidently formed the basis for the statement by the CBI president, namely that wages are not merely a cost factor, but as income, also influence the level of effective demand and thus economic growth.

Yet this is far from the only possible interpretation. After all, German unions have not only offered wage restraint, they have also called for the creation of additional jobs as a quid pro quo. Thus not only would firms experience an easing of their cost burden, effective demand would at the same time be stabilised to the extent that labour moved from unemployment to employment relations at higher incomes. The central problem is how to operationalise such a deal: while the trade unions can determine their wage claim, employers' federations cannot prescribe the recruitment policy to be pursued by their member firms. It will also be difficult to convince firms to recruit additional labour when the economy is depressed, even if wage costs are cut. In the light of this the trade unions have sought concrete points of reference for additional employment – and have found them in the form of overtime.

The surprising fact is that, despite the depressed state of the German economy, the number of overtime hours worked represents around one and a half million full-time jobs. The employment potential here is thus significant. Yet it is unclear whether employers will be able to countenance a commitment to reduce overtime and expand employment. The weakness of the Alliance for Jobs proposed by the leader of Germany's largest trade union, the IG Metall, is that it ignores the central macroeconomic policy areas. This was recently recognised by one of the German employers' federations, the Bundesverband der Deutschen Industrie (BDI). For the first time ever the president of the BDI warned against the dangers of an excessively restrictive monetary and fiscal policy stance in the context of the struggle to meet the Maastricht convergence criteria. With all the attention focused on European Monetary Union, the BDI president argued, we should not forget Europe's number one problem: mass unemployment. Consequently, if an alliance for jobs is to be really effective, monetary and fiscal policy must be incorporated. The problem of unemployment cannot be solved by the two sides of industry alone.