

The New York Times

Published: December 24, 2010

Bavaria Booms, but Germans Feel Economic Malaise By [MICHAEL SLACKMAN](#)

ERLANGEN-HÖCHSTADT, Germany

By nearly every measure this industrial region in Bavaria, home to exporting giants like Siemens Healthcare, [Adidas](#) and Puma, is at the center of [Germany](#)'s resilient economic success, driving the nation's growth even as much of Europe struggles to stay solvent.

With an unemployment rate of 3.5 percent and Christmas markets full of shoppers and revelers, "Bavaria is the planet of the happy," said Katrin Schmidt, a labor analyst with the Federal Employment Agency based in Nuremberg.

Except that many people in this region, and around the nation, seem subdued and uncertain about their own financial health. Germany's good fortune, however conspicuous to other Europeans, is widely viewed here as having come at the expense of its workers, who for the past decade have sacrificed wages and benefits to make their employers more competitive. "I don't believe that the economic situation really improved," said Karl-Hans Diem, a 60-year-old metal worker.

This disconnect — bullish economic indicators combined with simmering discontent even among the employed — is at the core of the conflict between Germany and some of its euro zone allies over how to handle the continuing [European financial crisis](#). German leaders have been confronted with the opposing forces of a strong economy and a work force that has seen its real wages, adjusted for inflation, decline over the past decade.

When Greece was in crisis, Chancellor [Angela Merkel](#) was criticized from abroad for moving too slowly to help reassure markets that it stood behind [the euro](#), and at home for agreeing to dole out too much aid. With the more recent Irish crisis, she came under attack around Europe for demanding that private investors share the burden of future bailouts, while at home for not insisting on that kind of accountability sooner.

"They should better spend the money here; we have problems of our own," said Sabine Striegel, 45, who is living with her parents in nearby Baiersdorf, having recently lost a temporary job with Siemens.

Anti-euro sentiments have run so hot that the finance minister, Wolfgang Schäuble, told the daily newspaper Bild this month the "danger of an anti-euro party needs to be taken seriously."

Germany's political leaders and business executives argue that the economy has benefited from the common currency. For a nation that derives nearly half of its gross domestic product from exports, a stable currency has greatly eased crossborder commerce in the unified euro zone.

And yet there is broad sentiment across Germany that the euro has not been good for individuals. A recent survey by one of Germany's premier research companies, Infratest dimap, of 1,004 people found this month that 57 percent feel Germany should have kept the mark, while 60 percent said the euro was a disadvantage to them personally.



A thriving stall at the Nuremberg Christmas Market.



"Struggling" families are seen in Erlangen-Höchstadt.

"I do think that a lot became more expensive" with the euro, said Jonas Molzberger, 21, an apprentice at the hotel Grauer Wolf on the main street of Erlangen. "We feel that too in the hotel industry, especially in the restaurant. There are less people, less is being ordered."

Low salaries — and higher prices — are a core complaint of German workers who are increasingly demanding wage increases after a decade in which their real earnings dropped by 4.5 percent when adjusted for inflation, according to a recent report by the [International Labor Organization](#). Exports have grown robustly in part because workers agreed years ago to reduced wages and reduced hours to make Germany more competitive.

Like workers in other industrialized nations, including the United States, Germans also have had to accept that the jobs available are not as secure as they once were. The number of people in nonstandard or atypical employment in Germany increased to 7.72 million in 2008 from 5.29 million in 1998, according to the Federal Statistical Office.

"I see how families are struggling," said Eberhard Irlinger, administrator for Erlangen-Höchstadt, a district of about 130,000 people around the city of Erlangen. "In fact, part of the economic prosperity comes from people not getting the social security they should have. Germans are very reluctant to help other people when they have had to step back from their own demands."

Yet these feelings of insecurity do not fit neatly into the picture of a nation that has strikingly outperformed its neighbors. In fact, many Bavarian businesses say their biggest problem these days is a shortage of skilled workers to fill positions that would help meet a growing demand for German quality goods.

Across the nation, Germany has experienced a severe shortage of skilled workers, in part because of its low unemployment rate, but also because of a low birth rate and a relatively unwelcoming environment for immigrants, said officials, business leaders and experts.

"We have lost contracts because we just don't have the people," said Karl-Heinz John, chief executive officer of the small software developer called Infoteam in the nearby village of Bubenreuth. "I know that all my industry partners are having trouble finding adequately educated people."

Mr. John said he had to walk away from \$1 million in contracts last year. But Infoteam still grew. Germany's economy is on track to expand at nearly 4 percent this year, while many of its southern neighbors struggle through recession. The national unemployment rate is at an 18-year low of 7 percent. The country's industrial output rose faster than expected and although exports fell unexpectedly in October by 1.1 percent, imports rose to a new post-war high.

That rise in imports spurred some optimism that the consumer sector may play a larger role in fueling Germany's future economic growth as demand for its products stalls in the financially troubled euro zone nations.

Growth is expected to continue in 2011, and last week a key monitoring institute reported that business confidence was up compared with a year ago.

German policy makers have struggled, at times awkwardly, to keep from inflaming public sentiment at home while at the same time recognizing that German support for some weaker neighbors is vital to preserving the euro and keeping exports strong. Mr. Schäuble, the finance minister, said that the public needed to better understand that the euro was not the enemy of prosperity, but that it drove prosperity. "Without the euro, every German would be poorer," he told Bild. "Without the euro, the labor market would look a lot worse."

Many people do say that the euro is in Germany's broader interest, but that has not been accompanied by enthusiasm for the currency or support for spending German money to help other nations.

"I also feel that with the euro all — or let's say much — has become more expensive," said Peter Kern, a hairdresser in Erlangen. "And if one also takes into account that people often do not earn more, then of course problems become visible."

Stefan Pauly contributed reporting.