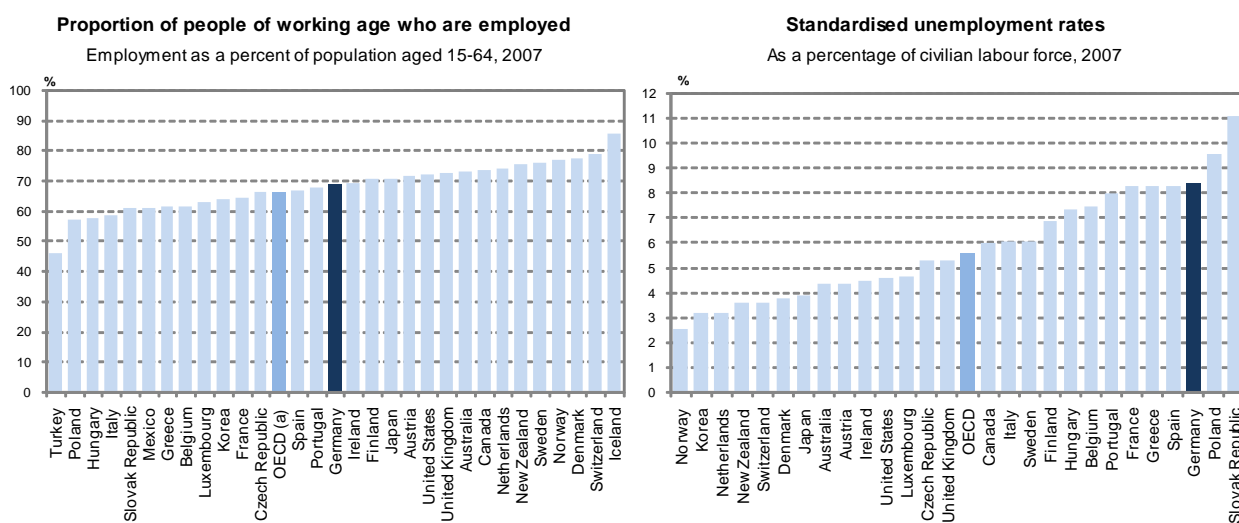


Employment Outlook 2008 – How does GERMANY compare?

Labour market performance in Germany has improved, but problems remain. The employment rate, or the proportion of people of working age who are employed, in Germany stood at 69% in 2007, slightly higher than the OECD average of 67%. This contrasts with earlier in the decade when the ratio was close to the OECD average, and reflects the employment growth over recent years. However, the employment rate remains below the 75% or more reached by the best-performing countries, such as Iceland, Switzerland, Denmark and Norway. In addition, much of the recent employment growth has consisted of part-time jobs, where Germany, at over 22 % of total employment, now has one of the highest shares in the OECD area.

While the standardised survey-based unemployment rate has also improved, decreasing from over 10% in 2005 to 8.4% in 2007, it remains high by OECD standards (it declined further to 7.4% in May 2008, but is still two percentage points higher than the OECD average). Moreover, Germany is one of the worst performers in the OECD both in terms of the long-term unemployment rate (as a share of the labour force) and of the proportion of long-term unemployment among total unemployment: in 2007 more than 56% of the unemployed in Germany had been looking for a job for over one year, compared with less than 30% in the OECD area. Among OECD countries only in Slovakia the share of long-term unemployment was higher. In contrast, in France and Spain where the overall unemployment rate is comparable to Germany, the incidence of long-term unemployment is much lower.



a) Weighted average of OECD countries.

Source: OECD (2008), *OECD Employment Outlook*, Paris.

Employment opportunities in Germany are far from evenly distributed among the various socio-demographic groups. About 15% fewer prime-age (25 to 54 year-old) women than prime-age men have a job, and they earn, on average, about 24% less than men when both work on a full time basis (2005). Among the 20 OECD countries where data are available, only Japan and Korea report higher gender wage gaps. Similarly, employment chances are 15% lower for second generation immigrant youth, compared to their German counterparts without migration background. Differences in educational attainment explain only half of these disparities, while labour market discrimination is likely to be a strong explanatory factor

Discrimination persists, although the German anti-discrimination legislation appears to be among the most advanced in the OECD area. In particular, the German system is now based on the

relatively promising combination of one comprehensive law and one single public body in charge of dealing with all discrimination matters (the Federal anti-discrimination Office – *Antidiskriminierungsstelle*). This legislative simplification, in force since 2006, makes it easier for employers to understand and avoid unlawful behaviour and enables victims to better ascertain their rights.

Yet – the OECD report notes – legislation can be improved to reach best practice. Anti-discrimination laws have more impact if the enforcement is not exclusively dependent on individual action. In a number of OECD countries specialised anti-discrimination agencies are effectively empowered, in the absence of individual complaints, to investigate and take action against employers suspected and found to operate discriminatory practices. Yet this is not the case in Germany, where the system relies almost exclusively on victims' willingness to assert their rights.

Germany should also reflect as to whether its *Antidiskriminierungsstelle* should be empowered to provide investigative support to individual complaints, as is already the case in a large number of OECD countries. This is because proving that differential treatment is based on discrimination can be a prohibitive task for the employee, without free access to company files. Finally, the *Employment Outlook* argues that Germany could benefit from an improved framework for mediation, which is a relatively costless and effective way to reach rapid settlement of conflicts, without resorting to courts.

The role of foreign multinational enterprises (MNEs) in Germany has increased rapidly during recent decades. The stock of inward direct investment (FDI) has increased from 7% of GDP in 1990 to 26% in 2004. Together these foreign multinationals accounted in 2004 for 7% of German employment. This trend has been welcomed by policy makers as FDI is expected to bring significant benefits to the economy through the creation of high-quality jobs and the introduction of new production techniques.

New evidence from the *OECD Employment Outlook* suggests that MNEs offer higher wages than their domestic counterparts. Foreign takeovers of German firms have a small positive impact on the wages of workers employed in those firms: they rise by about 3% during the first three years after the event. However, the role of foreign ownership is particularly important for new hires. Individuals who move from German to foreign-owned firms experience on average an 8% increase in wages within the first three years. In the longer term, one would expect the positive effects to spread across the entire workforce, as large pay disparities between new and old workers within firms are unlikely to be sustainable.

OECD Employment Outlook 2008 is available to journalists on the **password protected** web site or on request from the **Media Relations Division**. For further comment on Germany, journalists are invited to contact Stefano Scarpetta (tel: +33 1 45 24 19 88 or e-mail: stefano.scarpetta@oecd.org) or Peter Tergeist (tel: +33 1 45 24 92 57 e-mail: peter.tergeist@oecd.org) from the OECD Employment Analysis and Policy Division.