

GERMANY

- The GDP per capita gap has continued to narrow relative to the upper half of the OECD. Notwithstanding some recent decline, Germany ranks among the best performing countries in terms of hourly productivity. Labour utilisation has increased but remains significantly below OECD highs.
- Some progress has been achieved in improving education outcomes and increasing work incentives but these areas remain core priorities. Less was done on employment protection or regulation in the services sectors.
- Reducing the labour tax wedge, job protection for regular workers and impediments to female labour market participation would lift labour utilisation from its relatively low level. Productivity growth in services sectors could be supported by removing barriers to competition. Improving tertiary education outcomes would stimulate both the productivity and the employability of workers.
- Shifting the taxation system away from labour and towards environmental tax bases would contribute to better pricing of negative externalities. Beyond their impact on labour utilisation, reforms supporting female participation and easing protection of regular workers would reduce inequalities.

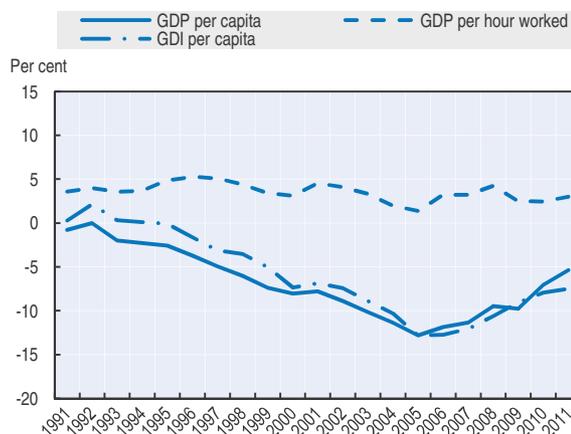
Growth performance indicators

A. Average annual trend growth rates

Per cent

	2001-06	2006-11
Potential GDP per capita	0.9	1.3
Potential labour utilisation	0.0	0.3
of which:		
Labour force participation rate	0.1	0.2
Employment rate ¹	-0.1	0.2
Potential labour productivity	0.9	1.0
of which:		
Capital intensity	0.2	0.2
Labour efficiency	0.7	0.8
Human capital	0.0	0.0

B. The GDP per capita gap has continued to narrow
Gap to the upper half of OECD countries²



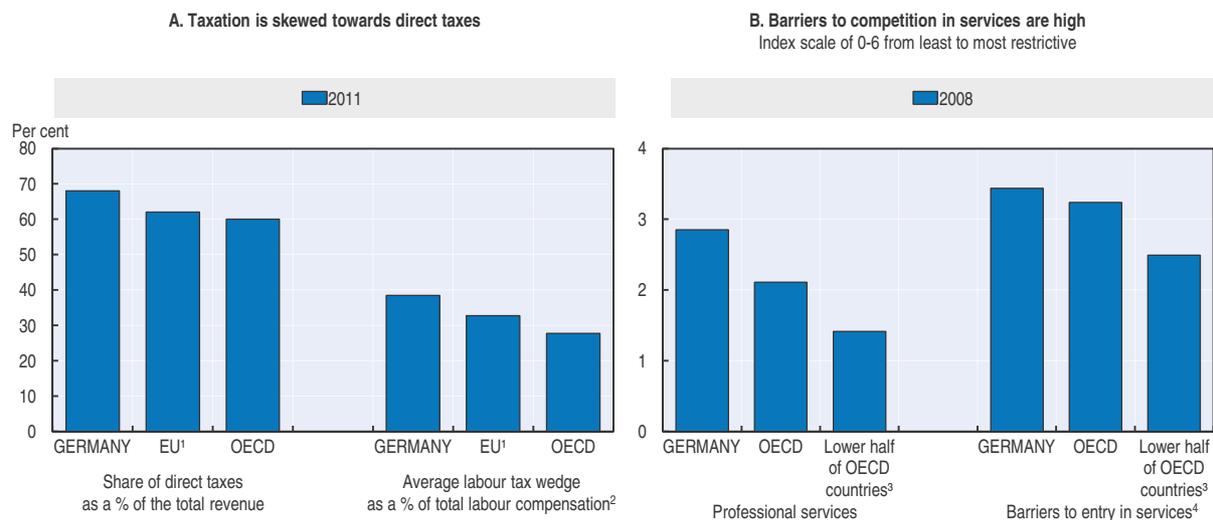
1. The employment rate is defined with respect to the economically active population and therefore captures the (inverse) changes in the structural unemployment rate.
2. Percentage gap with respect to the simple average of the highest 17 OECD countries in terms of GDP per capita, GDP per hour worked and GDI per capita (in constant 2005 PPPs).

Source: OECD, National Accounts and OECD Economic Outlook 92 Databases.

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Policy indicators



1. Average of 21 EU countries members of the OECD.
 2. Labour taxes include personal income tax and employee plus employer social security contributions and any payroll tax less cash transfers. Couple with two children, at 100% of the average worker earnings for the first earner. Average of three situations regarding the wage of the second earner (0%, 33% and 67% of average earnings).
 3. Average over the half of OECD countries with the lowest regulatory barriers to competition in professional services.
 4. Barriers to entry in services cover barriers to entry in professional services and retail trade.
- Source: OECD, Revenue Statistics, Taxing Wages and Product Market Regulation Databases.

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Identifying Going for Growth 2013 priorities

Priorities supported by indicators

Reduce tax wedges on labour income and shift taxation towards less distortive sources. The labour tax wedges remain high and taxation is skewed towards direct taxes on mobile bases.

Actions taken: The pension contribution rate has been reduced in 2012 and income taxes will be lowered in 2013 and 2014.

Recommendations: Reduce social security contributions further, in particular for low incomes. Shift the tax burden more towards less distortive taxes, for example by raising real estate and/or environmental taxes, by eliminating exemptions or reduced energy tax rates or by phasing out some of the reduced VAT rates.

Improve tertiary education outcomes. Tertiary attainment rates increased among vocational and educational training graduates but remain low overall, hampering both productivity growth and labour utilisation.

Actions taken: Since 2011, additional financial support for students has been introduced (the Germany Scholarship programme).

Recommendations: Reduce remaining stratification in the school system by delaying the tracking decision further and monitor the measures taken to reduce entry barriers in tertiary education. Develop tuition fees in combination with student loans with income contingent repayments.

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Reduce regulatory barriers to competition, especially in the services sector. Barriers to competition in services limit productivity growth.

Actions taken: No action taken.

Recommendations: Deregulate professional services, including by rethinking compulsory membership in professional chambers. Apply the “silence is consent” rule for issuing licences and establish an advisory body in charge of identifying other regulatory hurdles to entrepreneurship.

Other key priorities

Ease job protection for regular workers. Strict protection of regular workers combined with a low level of protection for non-regular workers increases the risk of labour market duality.

Actions taken: No action taken.

Recommendations: Ease provisions of regular work contracts by simplifying layoff procedures. Consider moving towards a unified job contract with the degree of protection rising with tenure.

Remove obstacles to full-time female labour participation. While female labour participation is high, the average working hours of mothers and married women are significantly below the OECD average.

Actions taken: Measures to increase significantly the number of childcare places and the provision of full-day schooling by 2013 are being implemented. However, the government has proposed to subsidise parents who choose not to use childcare facilities (*Betreuungsgeld*), which would incentivize them to stay home.

Recommendations: Reduce fiscal disincentives to work by introducing mandatory healthcare contributions for non-working spouses and by reforming the joint taxation. Refrain from introducing cash-for-care subsidies.

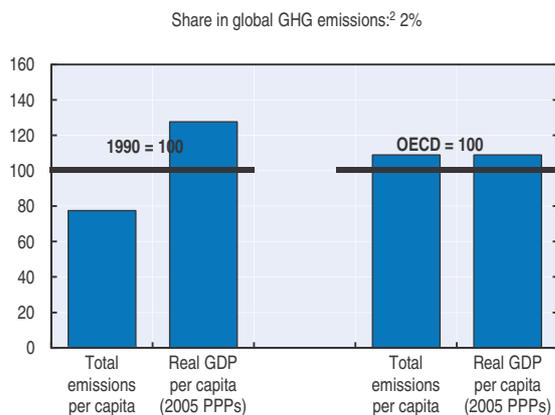
Previous Going for Growth recommendations no longer considered a priority

For this country, all 2011 *Going for Growth* recommendations remain as priorities.

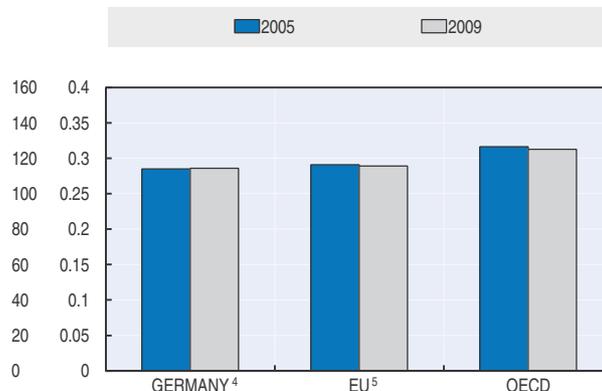
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Other dimensions of well-being: Performance indicators

A. Emissions per capita are below the 1990 level
Average 2006-10¹



B. Income inequality³ is below the OECD average
Gini coefficient



1. Total GHG emissions including LULUCF in CO₂ equivalents (UNFCCC). The OECD average (excluding Chile, Israel, Korea and Mexico) is calculated according to the same definition.
2. Share in world GHG emissions is calculated using International Energy Agency (IEA) data and is an average of years 2005, 2008 and 2010.
3. Income inequality is measured by the Gini coefficient based on equalised household disposable income for total population.
4. Data refer to 2004 and 2010.
5. Average of 21 EU countries members of the OECD.

Source: United Nations Framework Convention on Climate Change (UNFCCC) Database; OECD, Energy (IEA) Database and OECD Income Distribution Database, provisional data (www.oecd.org/els/social/inequality).

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