

OECD Employment Outlook 2014

The 2014 edition of the OECD Employment Outlook reviews recent labour market trends and short-term prospects in OECD and key emerging economies. It zooms in on how the crisis has affected earnings, provides country comparisons of job quality, examines the causes and consequences of non-regular employment, and estimates the impact of qualifications and skills on labour market outcomes.

For further information: www.oecd.org/employment/outlook

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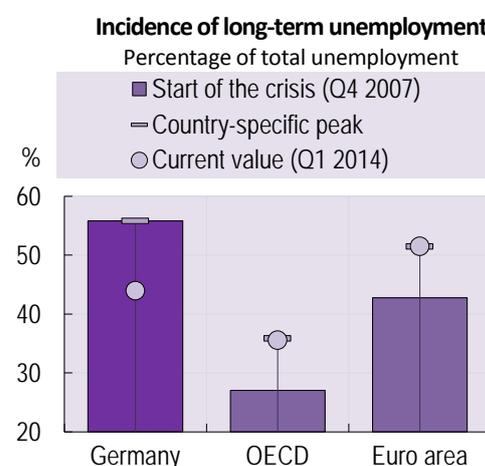
Germany's labour market continues to perform well in comparison with other major developed economies

In Germany, employment continues to grow and the employment rate is now among the highest in the OECD (73.4% in the first quarter of 2014). Consequently, unemployment has fallen to 5.1% (ILO definition) in the second quarter of 2014 - well below the OECD average of 7.4% and less than half of the Euro area's average at 11.6%. According to the 2014 *OECD Employment Outlook*, the unemployment rate will decline further in 2015 and Germany looks set to join the small group of OECD countries with unemployment rates below 5%.

Despite the decline in unemployment, long-term unemployment remains high

Since the start of the crisis Germany recorded the sharpest reduction across the OECD in the share of all unemployed who are long-term unemployed (for 12 months or more) although this share remains almost 10 percentage points above the OECD average. The incidence of long-term unemployment is of particular concern because of the hardship it imposes for the individuals concerned and their families as well as potentially contributing to the consolidation of structural unemployment. However, many of the long-term unemployed are low-skilled and do not match employers' demands and are most likely to drop out of the labour force. Germany should therefore give priority to programmes like "Perspektive in Betrieben", providing targeted wage subsidies, counselling,

training and in-work support measures for the long-term unemployed who experience a range of difficulties in finding jobs.



Note: OECD is the weighted average of 33 OECD countries excluding Chile.

Source: OECD calculations based on quarterly national Labour Force Surveys.

Overall Germany performs well in terms of job quality, but lags behind for the quality of the working environment

A focus on purely quantitative labour market aspects, however, neglects job quality. People spend most of their day and a significant part of their life at work. Therefore, job quality is a key determinant of well-being. The 2014 *OECD Employment Outlook* paints a broad picture of job quality across OECD countries. This is based on three dimensions that are considered as essential aspects of good-quality jobs: earnings quality (the level of earnings and degree of inequality); labour market security (risk of job loss and income support available); and quality of the working environment (work demands

and conditions, and the resources and support available to cope with these demands). Compared to other OECD countries, Germany performs well above average in two of these three dimensions. Germany does well in terms of the index of earnings quality as average earnings are among the highest across the OECD and earnings inequality is comparably low, although not as low as in the Nordic countries or in Belgium, the Netherlands and Switzerland. Germany also does well in terms of labour market security because of a relatively low risk of unemployment by OECD standards and a welfare system that provides unemployed workers and their families with an effective income safety net.



Source: OECD Employment Outlook, 2014.

However, Germany falls below the OECD average in terms of the OECD's index for the quality of the working environment. In 2010, 19% of German workers report difficult and stressful working conditions. This is more than double the proportion reported for Denmark and the Netherlands (9%). Workers in these types of jobs are more likely to suffer from physical and mental health problems. In Europe, the 2014 OECD Employment Outlook shows that 50% of persons who face poor working conditions report that their work impairs their health, compared with only 20% among those with better working conditions. And a poor work environment is also estimated to increase sickness absence by 40%.

The introduction of a national minimum wage will help underpin the wages of low-paid workers

There has been considerable wage moderation in Germany even prior to the crisis and despite falling unemployment. In contrast, in many other OECD countries, it was only after the start of the crisis that real wage growth slowed considerably and in some cases real wages fell. In some of the Euro-area countries this has helped restore external competitiveness. However, further wage cuts could be difficult to achieve and may risk increasing the number of working poor and dampening consumer demand.



a) Total compensation of employees divided by total hours worked by employees in real terms.

b) OECD is the weighted average of 26 OECD countries.

Source: OECD calculations based on quarterly national accounts.

The introduction of a national minimum wage in Germany will help boost the wages of low-paid workers and reduce the number of working poor. At € 8.50, it would amount to about half of the median full-time wage, similar to the ratio for Belgium, the Netherlands and the United Kingdom, but below the ratio for France. It will be important to carefully evaluate the impact of the minimum wage on employment and living standards, particularly for low-skilled and inexperienced workers.

OECD Employment Outlook 2014 is available to journalists on the **password-protected** website or on request from the Media Relations Division. For further comment on Germany, journalists are invited to contact Mark Keese (+33 1 45 24 8794; mark.keese@oecd.org) or Kristine Langenbucher (+33 1 45 24 1837; kristine.langenbucher@oecd.org) from the OECD Employment Analysis and Policy Division.