How does GERMANY compare?

**Employment Outlook 2018**

DOI: 10.1787/empl_outlook-2018-en

July 2018

**Labour market developments in Germany**

**Note**: OECD weighted average (based on 29 OECD countries in Panel B, not including Chile, Iceland, Korea, Mexico, New Zealand and Turkey).
**Source**: OECD calculations based on OECD Economic Outlook Database (No. 103), June 2018, and quarterly national accounts.

**RECENT LABOUR MARKET TRENDS AND PROSPECTS**

Across the OECD countries, labour market conditions continue to improve and in the first quarter of 2018, the average employment rate was about 2 percentage points above its pre-crisis peak. OECD employment and unemployment rates are also projected to keep improving in 2018 and 2019. However, at 0.6% in the fourth quarter of 2017, the year-on-year growth rate of real hourly wages remained disappointingly low, almost one percentage point lower than before the crisis for similar levels of unemployment.

- The German employment rate has been developing very favourably despite the global financial crisis. In the last quarter of 2017, 66.6% of 15-74 year-olds were in work – the highest rate since the reunification and over 6 percentage points above the rate in early 2008. The German employment rate is also 5 percentage points above the OECD average. The unemployment rate of 3.6% is substantially below the OECD average of 5.5%.

- The employment rate remains lower in Eastern than in Western Germany, by nearly 2 percentage points in 2017. The East-West gap has however halved since 2008. The best-performing regions in Eastern Germany (Brandenburg and Saxony) moreover fare much better than the weakest regions in Western Germany (Bremen and Saarland).

- The German employment rate is projected to keep rising throughout 2018 and 2019, to gain another percentage point. The unemployment rate is projected to decline further.

**DEVELOPMENTS IN JOB QUALITY AND LABOUR MARKET INCLUSIVENESS**

Job quality and inclusiveness indicators show a mixed picture for the OECD countries. Improvement has occurred over the past decade, with a reduction in the gender gap in labour income, the employment gap for disadvantaged groups, and the incidence of job strain – excessive job demands combined with insufficient resources. However, labour market insecurity is not yet back to pre-crisis levels and poverty has grown amongst the working-age population.

- Job quality in Germany is higher than in the OECD on average. This reflects one of the lowest levels of labour market insecurity across OECD countries, mainly as a result of low unemployment. Also earnings quality – i.e. the combination of the earnings level and inequality – is better than in the OECD on average.

- The incidence of low incomes in Germany is below the OECD average, with 9.5% of working-age persons living on less than 50% of the median income (10.6% in the OECD).

- Employment rates for several disadvantaged groups remain significantly below those of prime-age men, but the average gap is smaller in Germany than in many other countries: this is both a consequence and a cause of the high overall employment rate.

- By contrast, Germany does slightly worse that the OECD average in terms of job strain, and clearly worse regarding the gender gap in labour income (see below).
Job quality and labour market inclusiveness: key indicators for Germany in 2016-2017

Earnings quality (↗)
- Mexico: 4.6 USD
- OECD: 16.8 USD
- Germany: 25 USD
- Denmark: 29.8 USD

Labour market insecurity (↘)
- Greece: 22.7%
- OECD: 4.9%
- Japan: 1.6%
- Norway: 13.8%

Job strain (↘)
- Greece: 47.9%
- OECD: 27.5%
- Czech Rep.: 5.8%
- Germany: 9.5%

Low-income rate (↘)
- Greece: 16%
- OECD: 10.6%
- Norway: 13.8%
- Finland: 21.4%
- Iceland: 9.2%

Gender labour income gap (↘)
- Korea: 61%
- OECD: 38.6%
- Turkey: 47.1%
- Germany: 42.3%
- Iceland: 9.2%

Employment gap for disadvantaged groups (↘)
- Mexico: 4.6 USD
- OECD: 16.8 USD
- Germany: 25 USD
- Denmark: 29.8 USD

Note: An upward↗ (downward↘) pointing arrow for an indicator means that higher (lower) values reflect better performance. Earnings quality: Gross hourly earnings in USD adjusted for inequality by giving more weight to the lower end of the earnings distribution. Labour market insecurity: Expected percentage net income loss upon job loss computed taking into account the probability of becoming unemployed and the expected duration of unemployment. Job strain: Percentage of workers in jobs with a combination of high job demands and few job resources to meet those demands. Low income rate: Share of working-age persons living with less than 50% of median equivalised household disposable income. Gender labour income gap: Difference between per capita annual earnings of men and women (% of per capita earnings of men). Employment gap for disadvantaged groups: Average difference in the prime-age men’s employment rate and the rates for five disadvantaged groups (mothers with children, youth who are not in full-time education or training, workers aged 55-64, non-natives, and persons with disabilities; % of the prime-age men’s rate).

Source and definitions: OECD calculations using data for 2017 or latest year available from various sources. See OECD Employment Outlook 2018, Ch. 1

WAGELESS GROWTH REQUIRES A MORE INCLUSIVE APPROACH TO LABOUR POLICY

The current, unprecedented period of slow wage growth hides significant differences among workers, with a greater impact on vulnerable individuals, who are more prone to experience spells of unemployment or precarious jobs. Greater policy effort is required to ensure that all workers are provided with opportunities to develop, maintain and upgrade their skills, thereby reducing the risk of becoming trapped in low-wage, low-quality jobs and joblessness.

- Wage growth in Germany has been very moderate in spite of a tightening labour market. Recent collective bargaining outcomes point to some acceleration in some sectors, though gains will likely be smaller in real terms as also inflation appears to be picking up. Unions have moreover increasingly focused on negotiating better non-wage benefits, including flexible working-time arrangements for persons caring for children or adult relatives.

- The current weak wage growth reflects a longer-term trend in Germany, by which the continuous decline in unemployment over the last decade has not translated into a corresponding rise in wages. A dynamic low-pay sector and lower relative earnings for part-time workers have contributed to this trend. Low-pay workers have benefited, however, from the introduction of the minimum wage.

THE GENDER GAP IN LABOUR INCOME INCREASES THROUGHOUT THE WORKING LIFE

In the OECD, women’s annual labour income was still 39% lower on average than that of men in 2015. Most of this gap is generated in the first half of the career, due to intermittent employment and difficulties in reconciling work and family responsibilities around childbirth. Part-time work can prevent withdrawal from the labour force at childbirth but may also represent a career trap for women, leading to persistent gender disparities.

- While the gender gap in employment rates is relatively small in Germany, women’s average annual labour income was 42% lower than that of men in 2015, more than in the OECD on average. Disparities in hours worked are one of the key drivers: the share of employed women holding part-time jobs was more than four times that of men in 2017 (47.1% vs. 11.1%). Further extending full-day childcare and primary education and reducing taxes for second earners could help narrow the gender gap in hours worked.