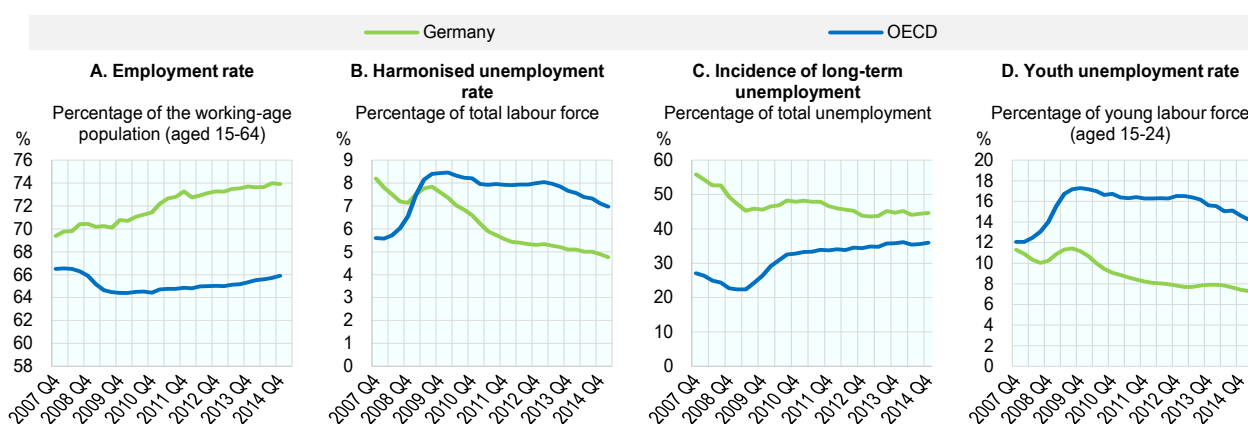


The 2015 edition of the OECD Employment Outlook provides an international assessment of recent labour market trends and short-term prospects with a special focus on statutory minimum wages. It also contains chapters on: skills and wage inequality; the role of activation policies to connect people with jobs; earnings mobility, labour market risk and long-term inequality; and job quality in major emerging economies.

[DOI: 10.1787/19991266](https://doi.org/10.1787/19991266)

Labour market developments in Germany



Source: OECD Short-Term Labour Market Statistics database, <http://dx.doi.org/10.1787/data-00046-en>.

RECENT LABOUR MARKET TRENDS AND PROSPECTS

Labour market conditions are improving in many OECD countries but the recovery from the recent economic crisis remains slow and very uneven. Unemployment for the OECD as a whole is projected to continue its slow decline, reaching 6.6% by the end of 2016.

- The favourable development of the German labour market since 2009 has continued during 2014. Employment rates have reached 74%, a historical peak level, and unemployment as well as youth unemployment continued to fall.
- Unemployment rates now stand at 4.7%, the lowest level in 25 years and among the lowest levels in the OECD. Youth unemployment is the third-lowest in the OECD.
- The incidence of long-term unemployment, however, remains stubbornly high: almost every second unemployed person in Germany has been without a job for at least one year, a share

that is above the OECD average and twice as high as, for example, in the United States.

MINIMUM WAGES

A growing majority of countries use minimum wages as a tool to raise wages at the bottom of the wage distribution and to prevent workers' families from falling into poverty. The effectiveness of these policies depends upon the level of the minimum wage and on how much minimum-wage workers receive after taxes and benefits.

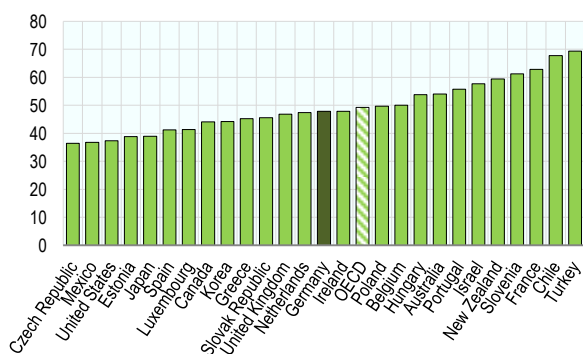
- In January 2015, Germany became the 26th OECD country to establish a statutory minimum wage.
- At around 50% of median average earnings, the EUR 8.50 per hour minimum in Germany is close to the OECD average value.
- This reform was a response to the increase in in-work poverty and the declining ability of the German collective bargaining system to create an effective wage floor. However, its effective

anti-poverty impact is reduced by the relatively high taxes on labour in Germany.

- Attention will have to be paid to any negative effects of the new country-wide minimum wage on labour demand in economically depressed areas and for young adults. In East Germany, in 2014 one in five workers were paid less than the new minimum and even up to two-thirds in the hotels and restaurants sector. The new law therefore implies an increase in the total wage bill of over 10% in some sectors/regions.

Minimum wages

Minimum wages as a percent of full-time median earnings, 2013



Note: For Germany, the data refer to 2015 (projections for median earnings).

Source: OECD Employment Outlook 2015, Chapter 1.

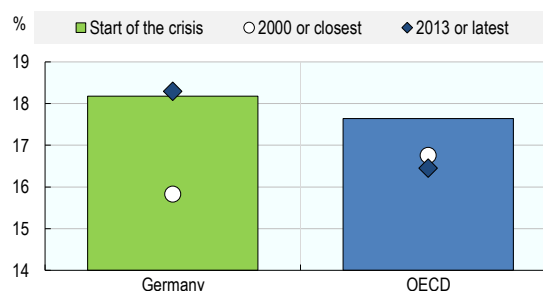
THE QUALITY OF WORKING LIVES

How earnings inequality at any point in time translates into long-term inequality in labour incomes depends on the degree of earnings mobility – defined as moving up or down the earnings ladder and in and out of work. Key drivers of persistently low earnings include chronic unemployment, weak cognitive skills, atypical work arrangements and poor productivity firms.

- The risk of being in low-wage jobs is relatively high in Germany, especially for women, and also relatively persistent over time.
- Time spent in unemployment is concentrated on persons with low cumulative earnings.
- Fostering labour mobility especially for women will be critical to tackle earnings inequality.

Incidence of low paid work

Percentage of full-time wage and salary workers, 2000, 2007 and 2013



Note: The incidence of low pay refers to the share of workers earning less than two-thirds of median earnings.

Source: OECD Earnings Distribution Database.

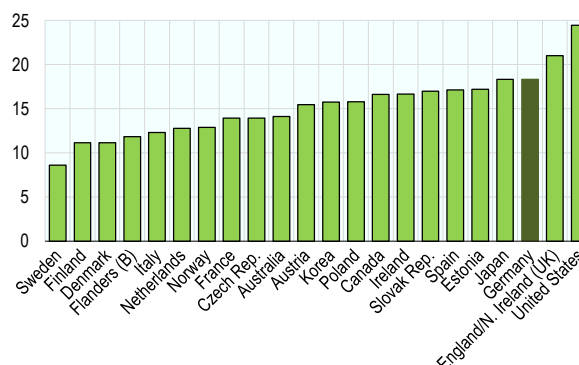
SKILLS AND WAGE INEQUALITY

Differences in skills inequality and the returns to skills in terms of higher pay explain a substantial part of cross-country differences in wage inequality. Differences in how extensively workers use their skills on the job also play an important role.

- Wage inequality is relatively high in Germany. This is in part explained by skills inequality and the high returns to skills: a 10% reduction in skills inequality could reduce wage inequality in Germany by 2.4%.
- For foreign workers in particular, wage gaps are entirely explained by low skills. The same is true for workers with a poor-skill family background. Enhancing those workers' skills is critical.

Return to skills

Percent increase in hourly wages for an increase of one standard deviation in numeracy skills



Source: OECD Employment Outlook 2015, Chapter 2.

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