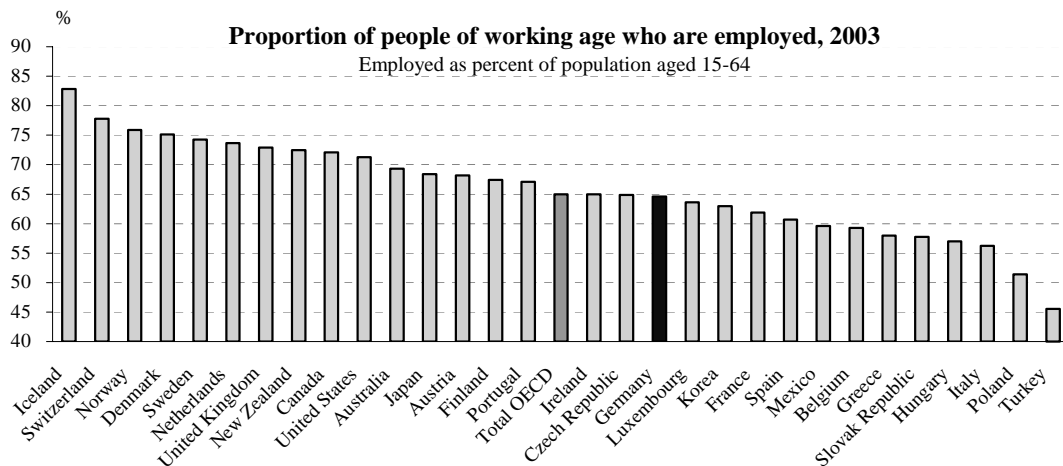


OECD Employment Outlook 2004

How does Germany compare?

During 2002 and 2003, Germany lost practically all the employment gains it had made during the two preceding years. With an employment loss of 1.1%, it was actually the third-worst performer of all OECD countries during 2003, after Turkey and Poland – in comparison, employment in the European Union (EU-15) grew by 0.2%.

The OECD's latest review of labour market trends and issues, OECD Employment Outlook 2004, shows that in 2003 the standardised unemployment rate, at 9.3%, remained well above the OECD average of 7.1%, and was for the third time in a row above the EU-15 average as well. By contrast, with almost 65% the employment rate is close to the OECD average, although way behind the 70% or above reached in the best-performing countries like Switzerland, Sweden, the Netherlands, the UK or the US. More women, but fewer men have a job in Germany compared with the OECD average. Employment is particularly low among older workers (39%, compared with 50.8 for total OECD)



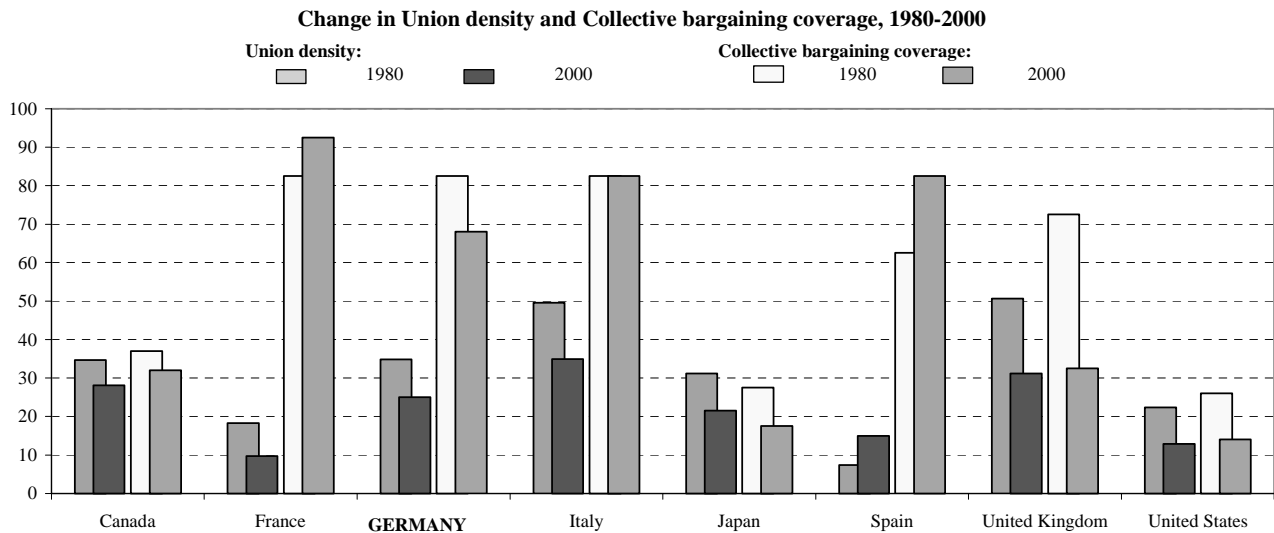
Source: OECD Employment Outlook 2004.

According to the OECD report, reforming employment regulations and strengthening policies for lifelong learning are part of the answer to creating more and better jobs. The ongoing restructuring of the German employment services is a necessary ingredient in helping workers (back) into employment. In this process, Germany should focus on a “mutual obligations” approach whereby benefit recipients are offered counselling, job-search support and other re-employment services but, as a counterpart, commit themselves to actively looking for a job and taking steps to improve their employability.

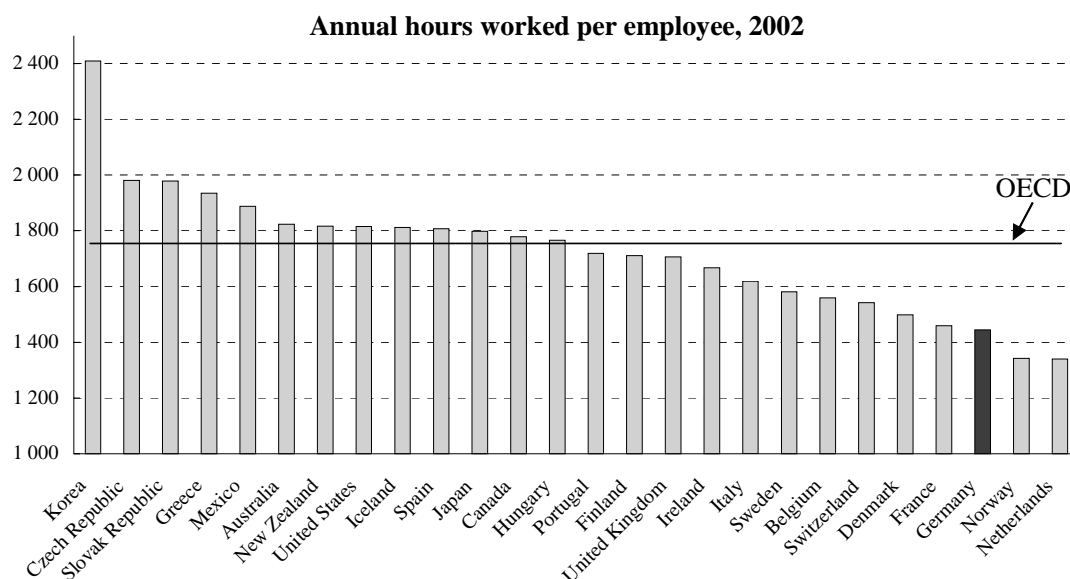
Enhancing the responsiveness of wages to economic shocks can also be of help – in the face of adverse shocks, the greater the adjustment of wages, the less the risk that employment is affected. Wage bargaining systems and institutions are therefore of importance, among them union density and the extent to which workers are covered by collective bargains.

Germany is no exception to the trend decline in unionisation across OECD countries. The share of union members among all employees fell by over one-quarter between 1980 and 2000, to a current level of about 25% (way below the OECD country average of 34%). By contrast, the coverage of workers by collective contracts is almost three times as high as union density, since most employers belong to sectoral associations engaged in bargaining and/or voluntarily apply agreed wage rates to their unionised and non-unionised workforce alike. Nevertheless, this coverage rate (currently 68%) is decreasing, and there are

increasing elements of decentralisation and flexibility in the German bargaining landscape, in the sense of employers i) exiting branch agreements by leaving or not joining employer associations; ii) switching to company-level agreements; or iii) making use of "opt-out" clauses that adjust, when necessary, sectoral wage rates to local conditions. There are good reasons for keeping the German model of wage bargaining, with its emphasis on the sectoral level and inter-industry co-ordination. However, the system should continue to evolve in a way where effective attention is put on local conditions.



The OECD report also points to significant differences in hours worked across OECD countries. The average German employee worked 1444 hours in 2003, ranking in third-lowest place, above the Netherlands and Norway (this figure combines both full-time and part-time workers). Over the last decade, the decline in annual working hours of employees (-6%) is mainly explained by an expanding share of part-time workers (-3.8%), combined with a fall in hours worked by full-time (-1.3%) and part-time workers (-1.1%). Female employees recorded an above-average drop in annual hours worked over the period (-10%), explained by a growing share of part-timers (-3.9%) and a reduction in annual hours worked by full-time (-4.7%) and part-time workers (-2.3%).



Source : OECD Employment Outlook, 2004.

OECD Employment Outlook 2004 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 Peter Tergeist (tel: +33 1 45 24 92 57 or e-mail: peter.tergeist@oecd.org) or Raymond Torres (tel: +33 1 45 24 91 53 or e-mail: raymond.torres@oecd.org) from the OECD Employment Analysis and Policy Division.