

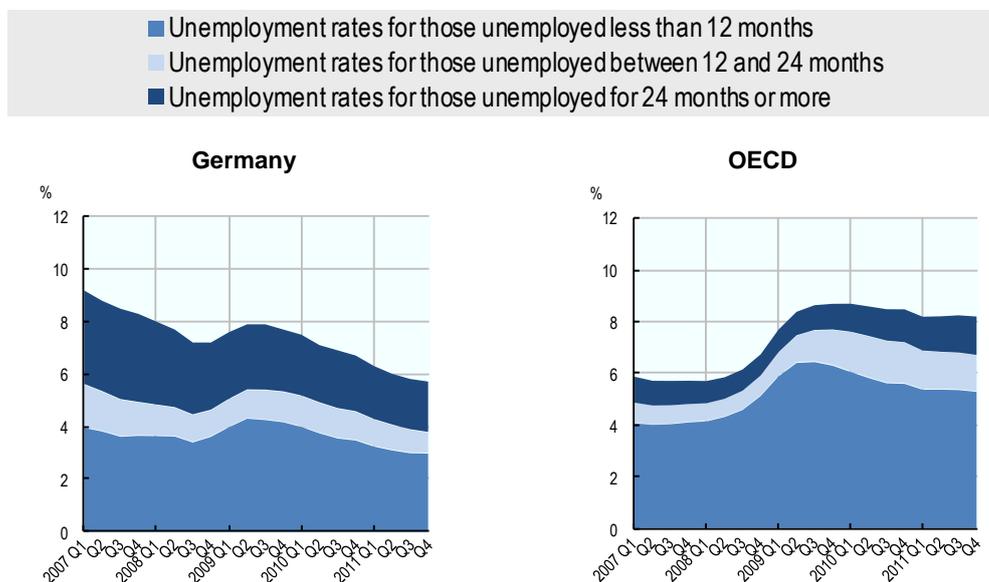


# OECD Employment Outlook 2012

## How does Germany compare?

The German labour market recovered very quickly from the 2008-09 economic crisis and unemployment continued its long-run structural decline in 2010 and 2011. The 5.6% unemployment rate recorded in Germany in May 2012 (ILO definition) is now significantly below both its pre-crisis level and the OECD average of 7.9%. Long-term unemployment has also fallen, in contrast to other countries, but is still a serious problem. Almost half of all unemployed people have been out of work for over a year and most of them for over two years. Long-term unemployment is highest among older workers and the low-skilled.

Evolution of unemployment as percentage of the labour force by duration, 2007-11: Germany vs. OECD



The German labour market “miracle” in the past few years demonstrates that structural policies matter for labour market resilience. Factors explaining the uniquely positive trend in unemployment in Germany include: (i) major structural labour market reforms *before* the crisis, which strengthened work incentives and improved matching of unemployed workers to jobs; (ii) pension reform making consensual job-separations for older workers more expensive for firms; (iii) increased firm-level working-time flexibility in collective bargaining agreements and the increased use of working-time accounts; and (iv) the short-time work scheme (Kurzarbeit) – and the temporary increase in generosity during the crisis – which helped to prevent layoffs.

The greening of Germany’s economy will require good policies to foster training and reallocation of workers across sectors. Germany is a leader in green technologies and also has one of the largest shares of the workforce employed in green jobs (defined as jobs involved in environment related activities or environmental goods and services production). At the same time, it is one of a minority of countries that have not adopted green-specific labour market or training programmes – instead relying on the regular public employment services to match job seekers which jobs in growing green sectors.



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**The share of wages, salaries and benefits in total national income (“labour share”) has fallen, contributing to rising inequality.** In Germany, the labour share fell from 67% in the early 1990s to around 62% lately. This has contributed to increasing income inequality during the past decade which, as in other OECD countries, mostly affected the low skilled. Much of the drop in the labour share is the result of shifts towards more capital-intensive production processes and productivity growth; factors that raise overall economic growth. The rise in domestic and international competition has also played a role, partly by way of a significant fall in bargaining coverage (from 72% to 62% of employees with bargaining rights). The latter is the combined result of an increasing share of employees under non-standard contracts such as mini-jobs, a reduction in coverage of employers by employers’ associations, and a continuous decline in the automatic extension of sectoral collective agreements.

*OECD Employment Outlook 2012* is available to journalists on the **password-protected** website or on request from the **Media Relations Division**. For questions on Germany, journalists are invited to contact Mark Keese (tel: +331 4524 8794 or e-mail: [mark.keese@oecd.org](mailto:mark.keese@oecd.org)) or Paul Swaim (tel: +331 4524 1977 or e-mail: [paul.swaim@oecd.org](mailto:paul.swaim@oecd.org)) from the OECD Employment Analysis and Policy Division. For further information: <http://www.oecd.org/employment/outlook>.