

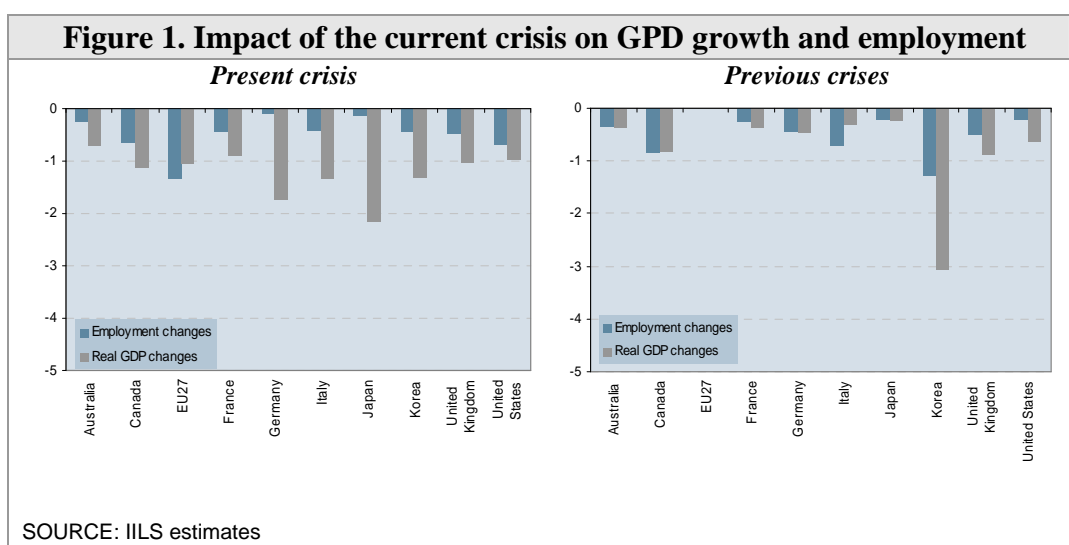


# World of Work 2009

## Snapshot of Germany

*Germany's economy has been hit hard by the global economic crisis, but employment has proved resilient*

- With the onset of the global crisis GDP growth slowed rapidly in Germany, contracting 5 quarters in a row from 2008Q2, as the country suffered disproportionately from falling world trade. Due to its large export sector and its regional and sectoral specialization, German exports declined by over 14 per cent with respect to a year earlier.
- Despite this unprecedented drop in GDP, employment declined far less than in previous crises when growth was less severe and also less than in some other European countries (see figure 1)
- In particular, the unemployment rate – at 7.7% in October 2009 – showed so far only little signs of deterioration despite the fact that employment has declined from its peak in 2008Q3 by around 2.5%.
- Employment proved to be resilient thanks to rapid intervention of authorities who expanded measures to keep workers in employment at reduced hours while compensating for the income loss through federal funds (“Kurzarbeiter”). These measures have been extended to cover a period of up to 24 months per employee.

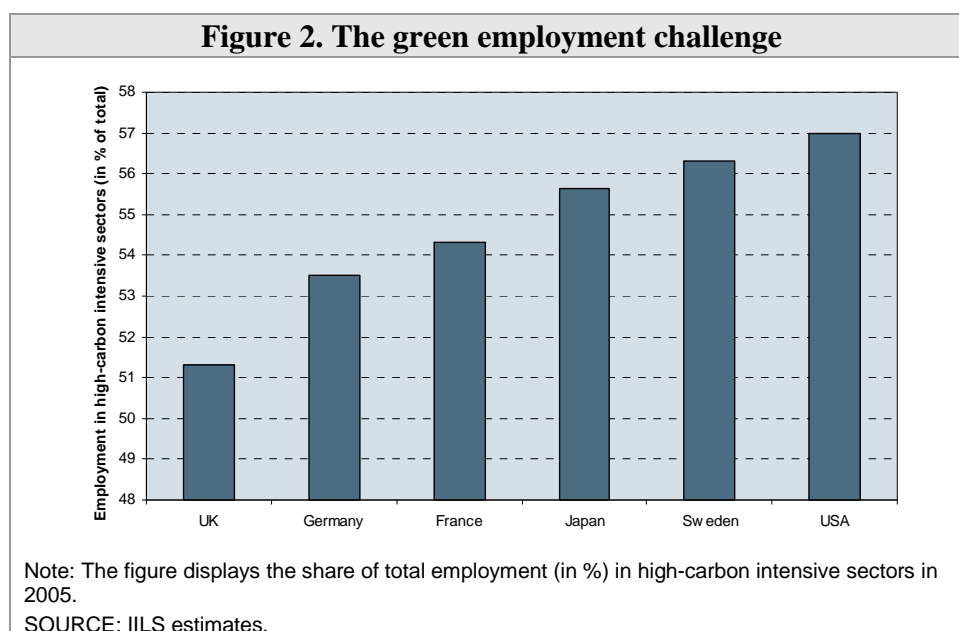


### *What are the near-term prospects for employment?*

- Despite the still limited increase in unemployment, further job losses are expected for 2010-11 as the maximum duration of current measures to keep workers in employment is being reached and firms are less certain about their future growth prospects.
- Unemployment – in line with other advanced G20 countries – is expected to bottom out during the second half of 2010 and job creation should resume more forcefully afterwards. Nevertheless, ILS projections indicate that employment will only recover to its 2008-peak towards the end of 2013, a full five years after the outbreak of the crisis.

*More can be done to strengthen demand in employment-intensive sectors and public investment in green policies.*

- Automatic stabilizers will be at their full throttle over the next two years, which still may not be sufficient to compensate for losses in aggregate demand. Additional, discretionary spending packages might, therefore, be necessary even at the cost of a further deteriorating fiscal stance:
  - Measures should particularly focus on increased spending among low-income households to guarantee a quick increase in aggregate demand.
  - In order to limit potential adverse consequences for public finances, authorities should announce an exit strategy simultaneously with additional discretionary spending that credibly brings in line spending and tax revenues over the medium-term.
- Measures should be targeted to provide job opportunities in employment-intensive, dynamic sectors, in particular among services and the green economy.
  - The service sector remains underdeveloped compared to other countries at similar level of development, partly due to unfavorable regulation. Authorities might also consider measures to strengthen job creation in those sectors through regulatory reforms.
  - Greening the economy has been high on the political agenda of policy makers. Further measures are needed for employment-intensive investment to restructure the economy towards more green jobs, although the challenge may be less in Germany than in other OECD countries.



*World of Work 2009: The Global Jobs Crisis and Beyond is available at ([www.ilo.org/INST](http://www.ilo.org/INST)). For further comment, journalists are invited to contact Ekkehard Ernst (tel +41 22 799 7791; email [ernste@ilo.org](mailto:ernste@ilo.org)) or Raymond Torres (tel: +41 22 799 7908; email: [torresr@ilo.org](mailto:torresr@ilo.org)), Director of the ILO's International Institute for Labour Studies.*