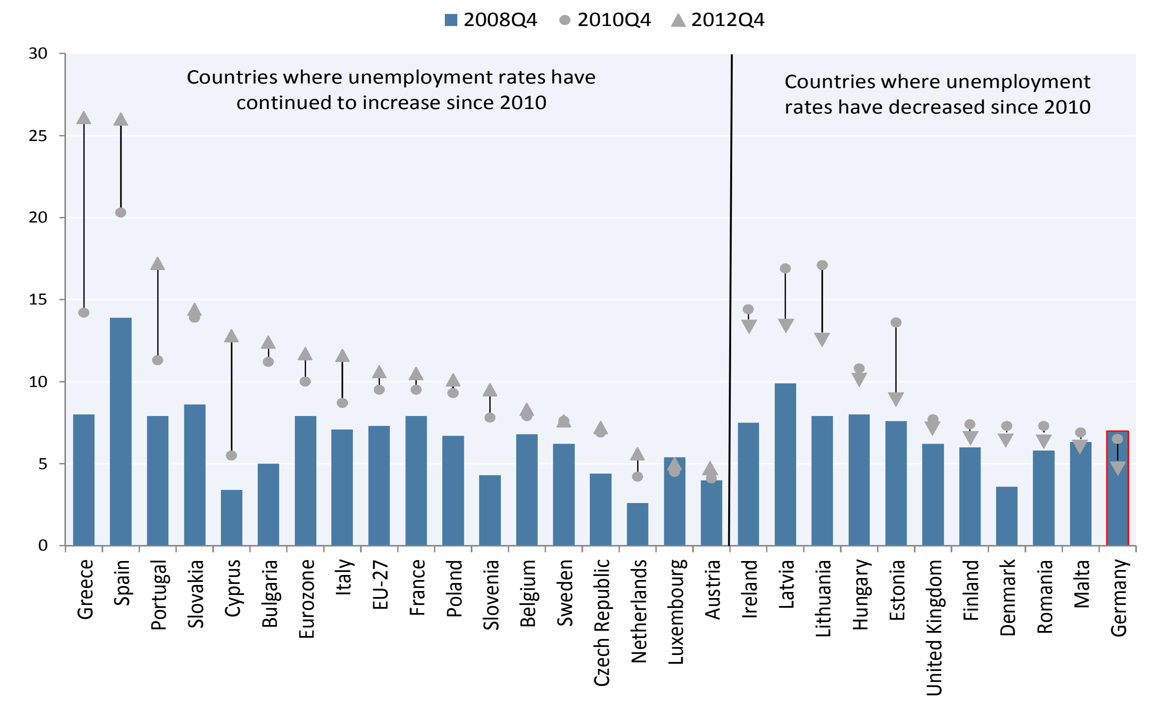
# World of Work Report 2013
# Snapshot of Germany

International Institute for Labour Studies

## The German labour market remains resilient…

- The employment rate in Germany increased from 54.7% (in the fourth quarter of 2007) to 57.1% (in the fourth quarter of 2012). Germany is therefore one of the few EU countries for which the employment rate has already exceeded pre-crisis levels. Between 2007 and 2012, over 2 million net new jobs were created in Germany compared with 2.7 million jobs lost during the same period in the EU as a whole.
- The German unemployment rate is one of the lowest in the EU. The youth unemployment rate is 7.7% compared with 23.5% in the EU.
- While unemployment has remained stable over the past 12 month, there are downward risks as the economic weakening in the Euro area has started to affect Germany. German GDP declined by 0.7% in the fourth quarter 2012, partly due to a drop in exports by 2% and the associated fall in investment. In the first quarter 2013 the economy resumed growth, albeit only at an anaemic rate of 0.1%, as weak exports and investments were counterbalanced by stronger domestic demand.

**Figure 1. Unemployment rates in the EU, 2008 -2012**



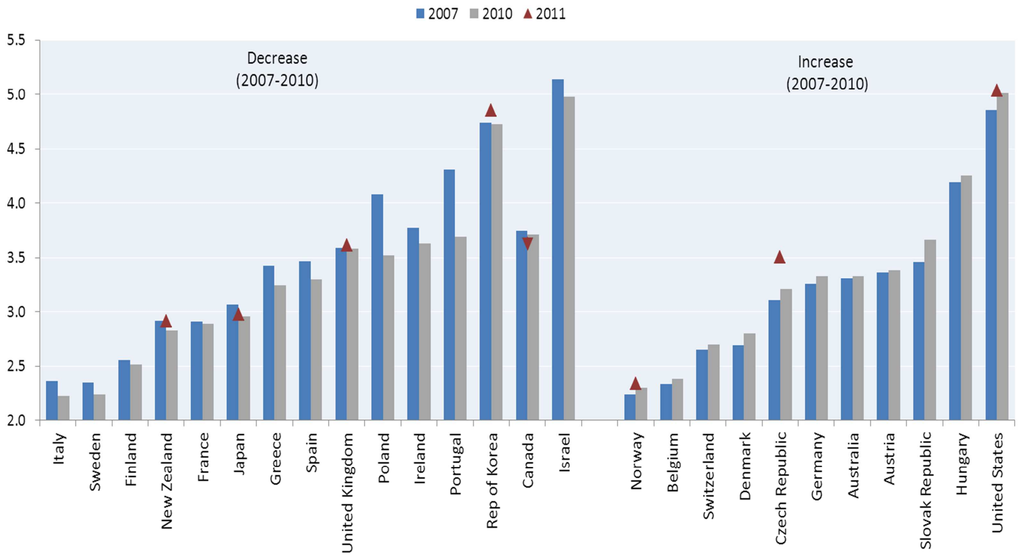

Source: IILS estimates based on Eurostat.

## …but inequality is rising in several forms.

- Progress on job creation has not been sufficiently accompanied by improvements in job quality. Indeed, the incidence of involuntary part-time and temporary work has increased in recent years. Despite falling unemployment, the incidence of low-paid employment has not declined. And despite some progress such as an increased transfer rate from temporary to permanent employment (up from 39% to 56% between 2005 and 2011), the challenge in Germany is now to further improve the quality of employment, including better social security of atypical workers.

- Although, the Gini coefficient of overall incomes after taxes in Germany fell slightly between 2007 and 2010, the size of the middle income group shrunk somewhat.[1] Likewise, the ratio of the earnings of the best paid workers to the earnings of the lowest paid workers (D9 to D1 ratio) increased by about 10% between 2000 and 2010 (Figure 2). The ratio of executive pay to average earnings also rose between 2007 and 2011.

**Figure 2. Change in the D9 to D1 ratio for labour earnings, 2007 -2011**




Source: IILS estimates based on OECD data.

## *The employment outlook depends on EU prospects and the ability to achieve balance income development and strong investment in Germany.*

- Although recent indicators showed increasing domestic demand, Germany's growth continues to depend heavily on export demand, so the move to a growth and employment strategy in the EU is crucial (see EU Snapshot).
- Ensuring balanced income growth would help as well. Recent collective agreements tend to support this development and may further fuel demand needed to boost investment. Improving the quality of jobs and further facilitating the move away from low-pay traps could also be instrumental.
- Business investment in Germany has still not recovered from the global crisis, despite the fact that large businesses have adequate profitability levels. The above measures, along with improved tax allowances for productive investment would contribute to improve investment prospects.

*World of Work Report 2013: Repairing the economic and social fabric (www.ilo.org/INST). For further comment, journalists are invited to contact Raymond Torres tel: +41 22 799 7908, email: torresr@ilo.org, Director of the ILO's International Institute for Labour Studies.*

[1] The Gini coefficient is the most commonly used measure of income inequality. The coefficient ranges between 0 to 1, with 0 being perfect equality and 1 being perfect inequality. In this brief, in conformity with the literature, the coefficients are referred to as entire numbers between 0 and 100. Coefficients are calculated based on equivalised household disposable income.