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The German labour market over the recent business cycle – miracle or riddle?

International Labour Process Conference 2011,
Leeds, 5-7 April

Interviewer: "Are you sometimes worried about losing your job?"

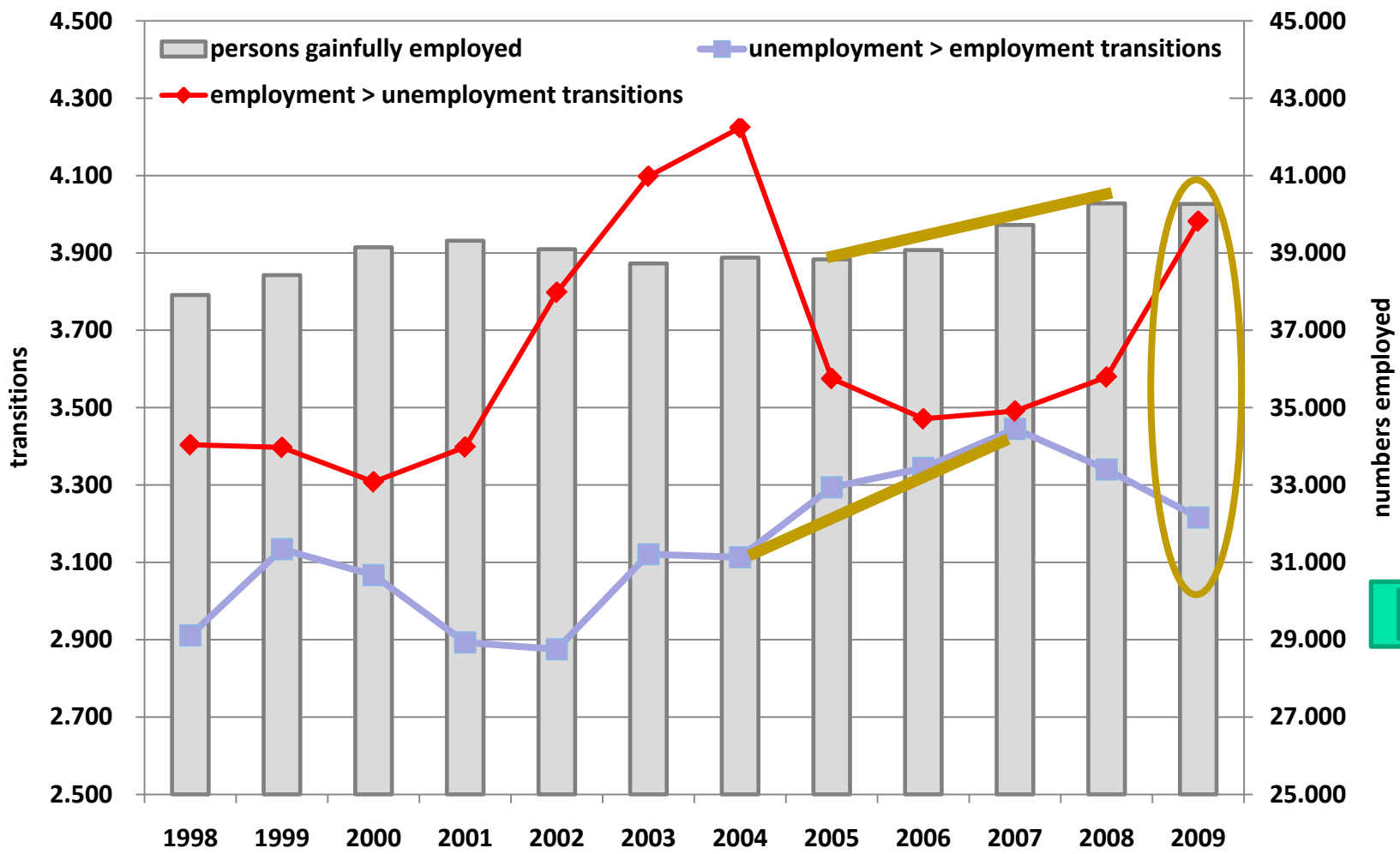
Respondent: "Yes, sometimes – but equally often I am worried about never getting away from it."

'Employment Miracle Awards' easily passed on....

- UK
- Denmark
- Netherlands

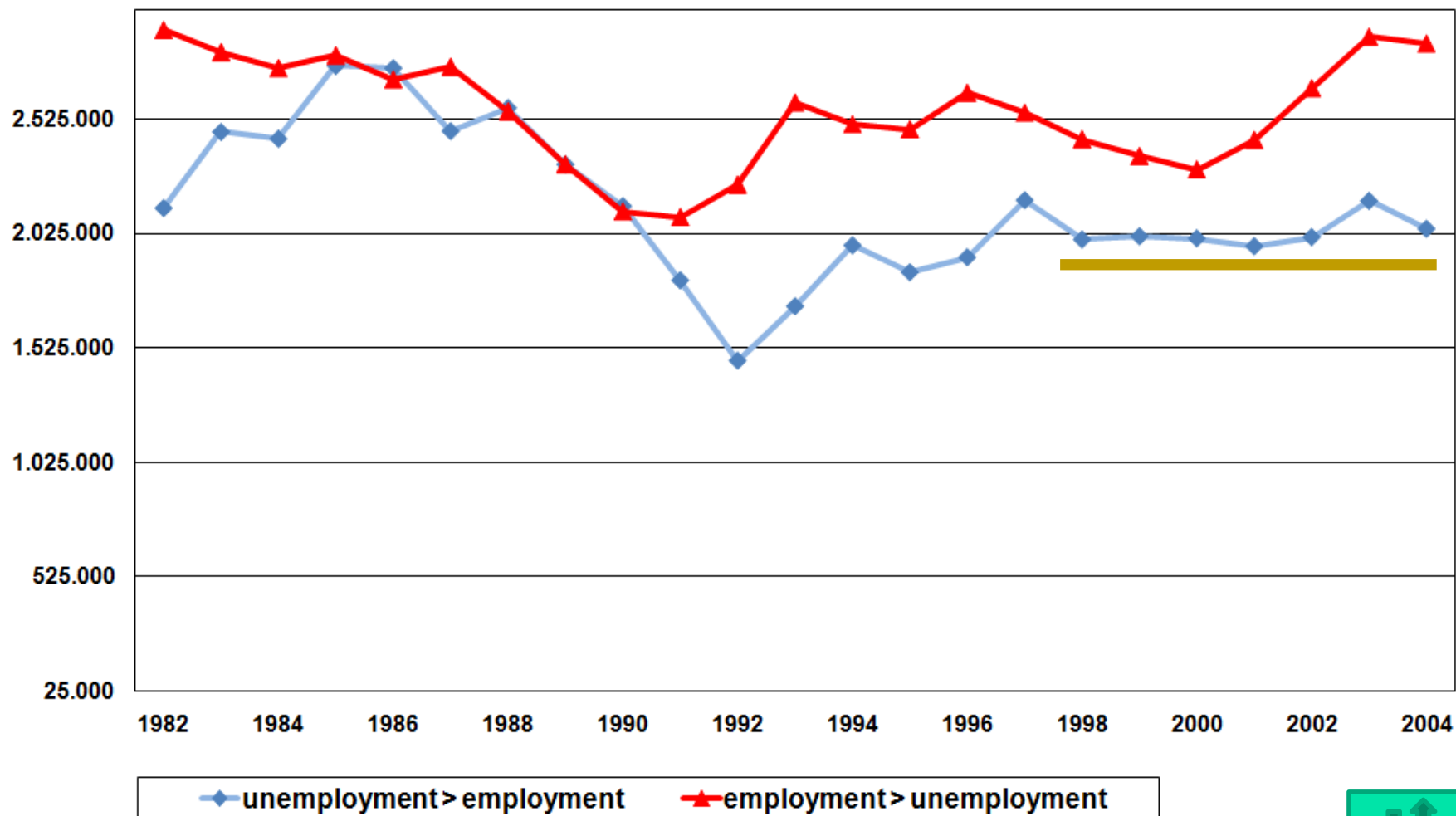
- Germany:
 - 2003: 'Sick Man of Europe'
 - 2009: 'Jobs Miracle'?

Annual transitions from employment to unemployment status and vice versa, apprenticeships excluded (thousands)

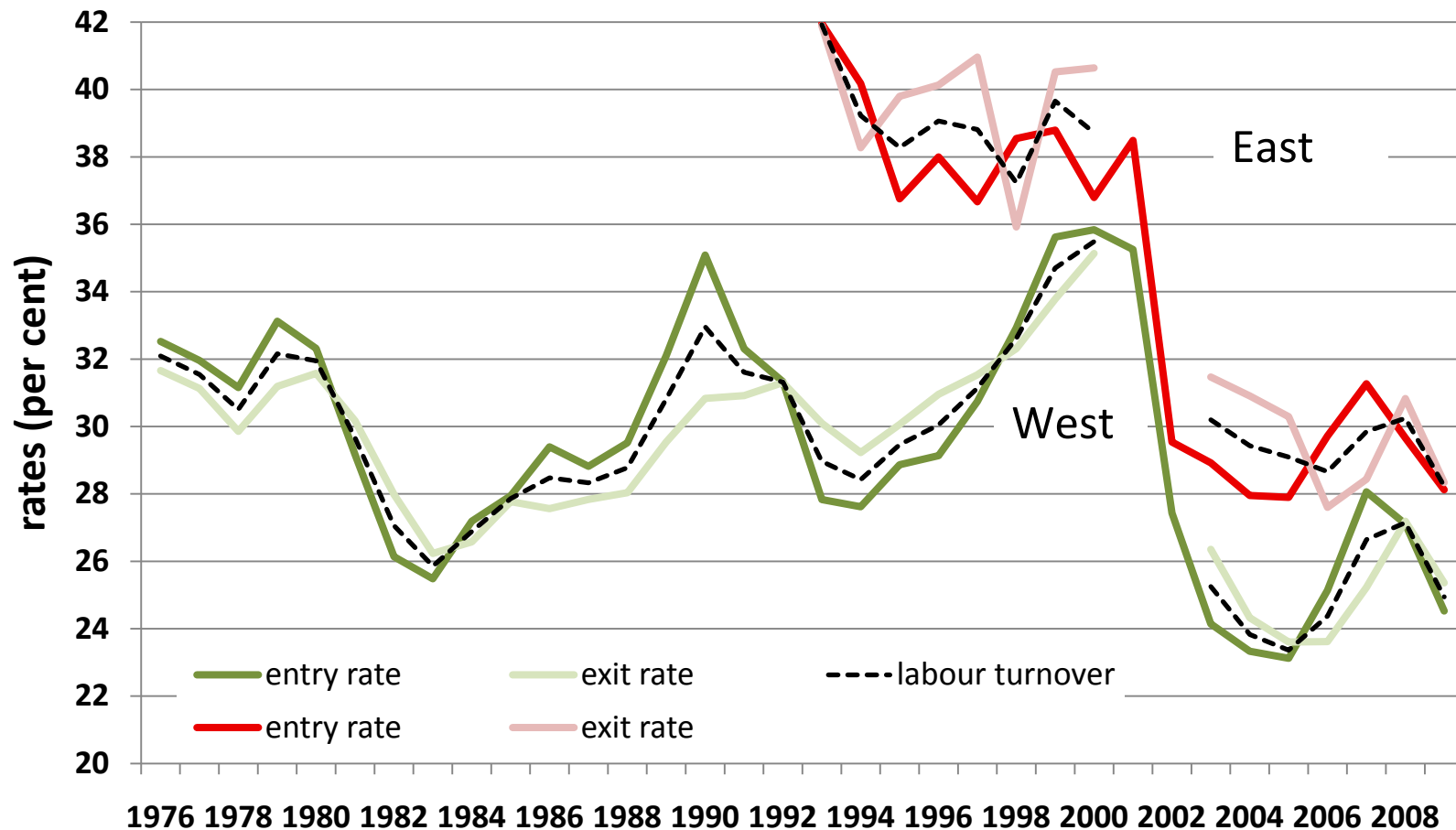


Bundesagentur für Arbeit (2010): Arbeitsmarkt 2009. Bundesagentur für Arbeit. Nürnberg. (Amtliche Nachrichten der Bundesagentur für Arbeit, 58. Jahrgang, Sondernummer 2)

Annual transitions from employment to unemployment, West Germany



Annual rates of job entries and exits (only employment fully included in social insurance)

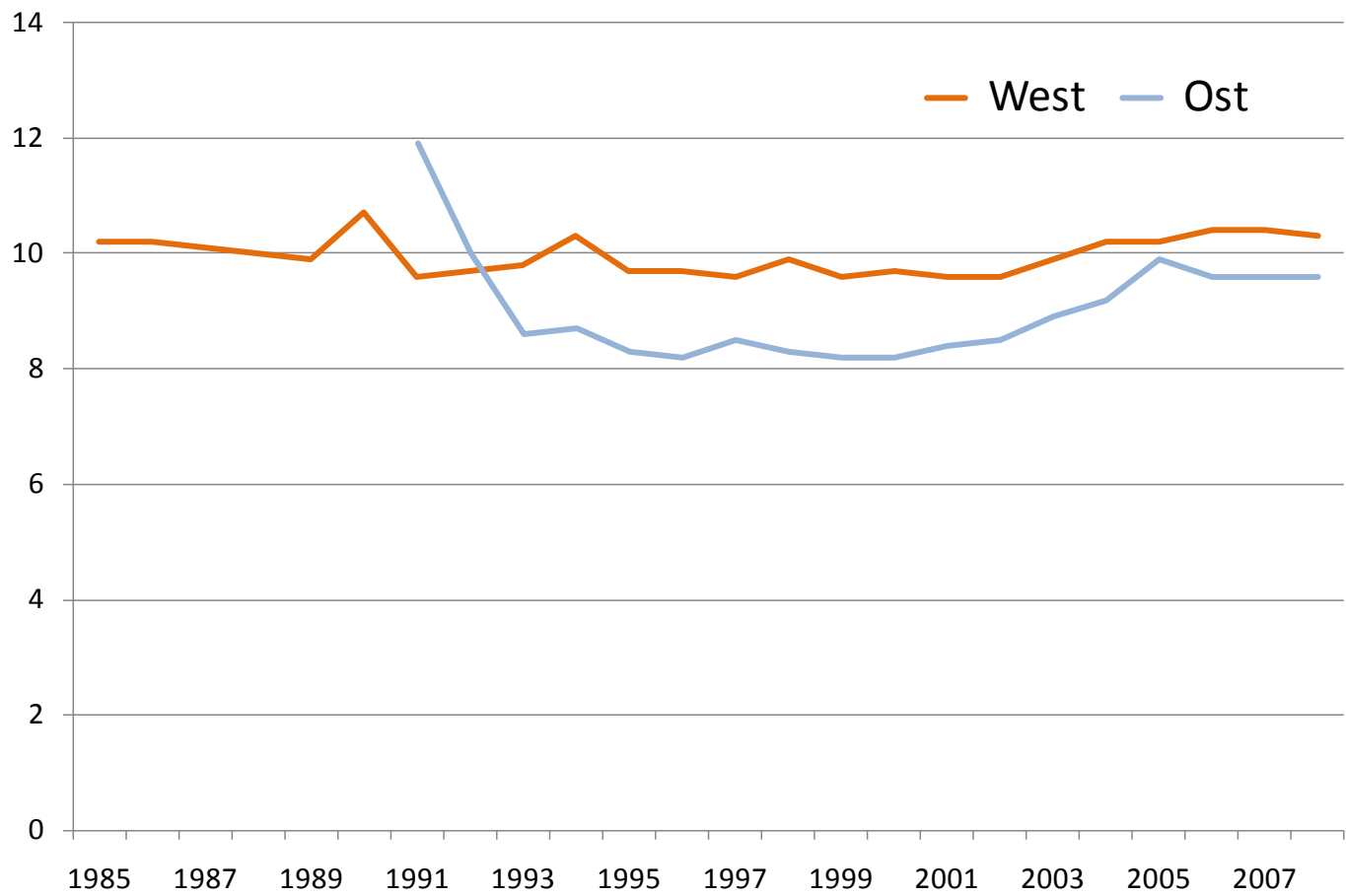


Erlinghagen, Marcel (2010): Mehr Angst vor Arbeitsplatzverlust seit Hartz? Langfristige Entwicklung der Beschäftigungsunsicherheit in Deutschland. (IAQ-Report, 2010-02).

Riddles of the upturn 2006 - 2008

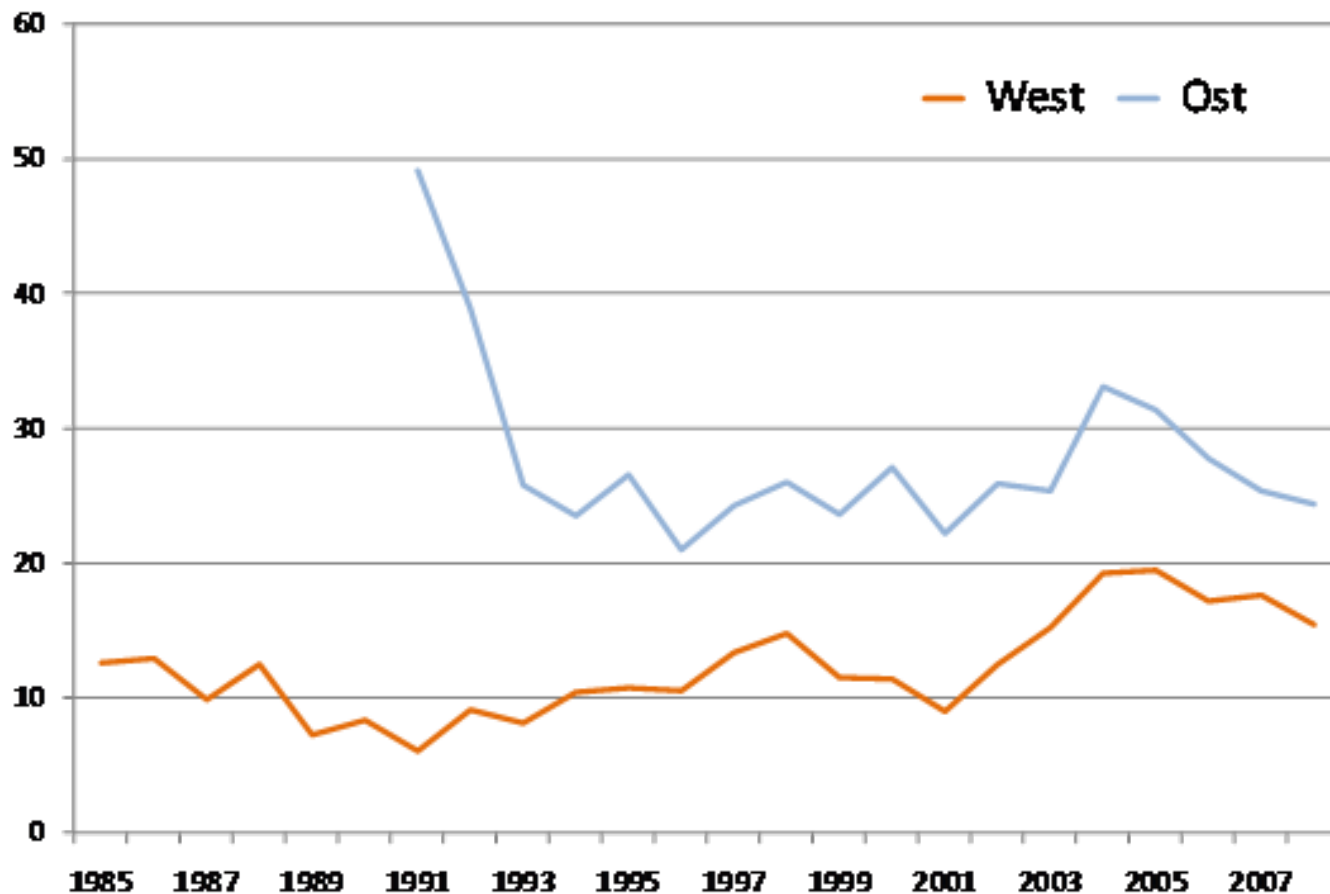
- **slightly smaller** job growth than previous upturn produced
 - **much less** increase in overall labour turnover
 - **much more** increase in unemployment > employment transitions
 - **much more** reduction in unemployment
- labour market appears to have become
 - **more fluid** for unemployed people
 - **less fluid** overall (vacancy chain mechanism reduced)
- job vacancies seem to have become
 - **more attractive** for unemployed people (and unemployed jobseekers more attractive for employers)
 - **less attractive** for incumbent workers (less poaching from the employed)

Average tenure of incumbent employees (years)



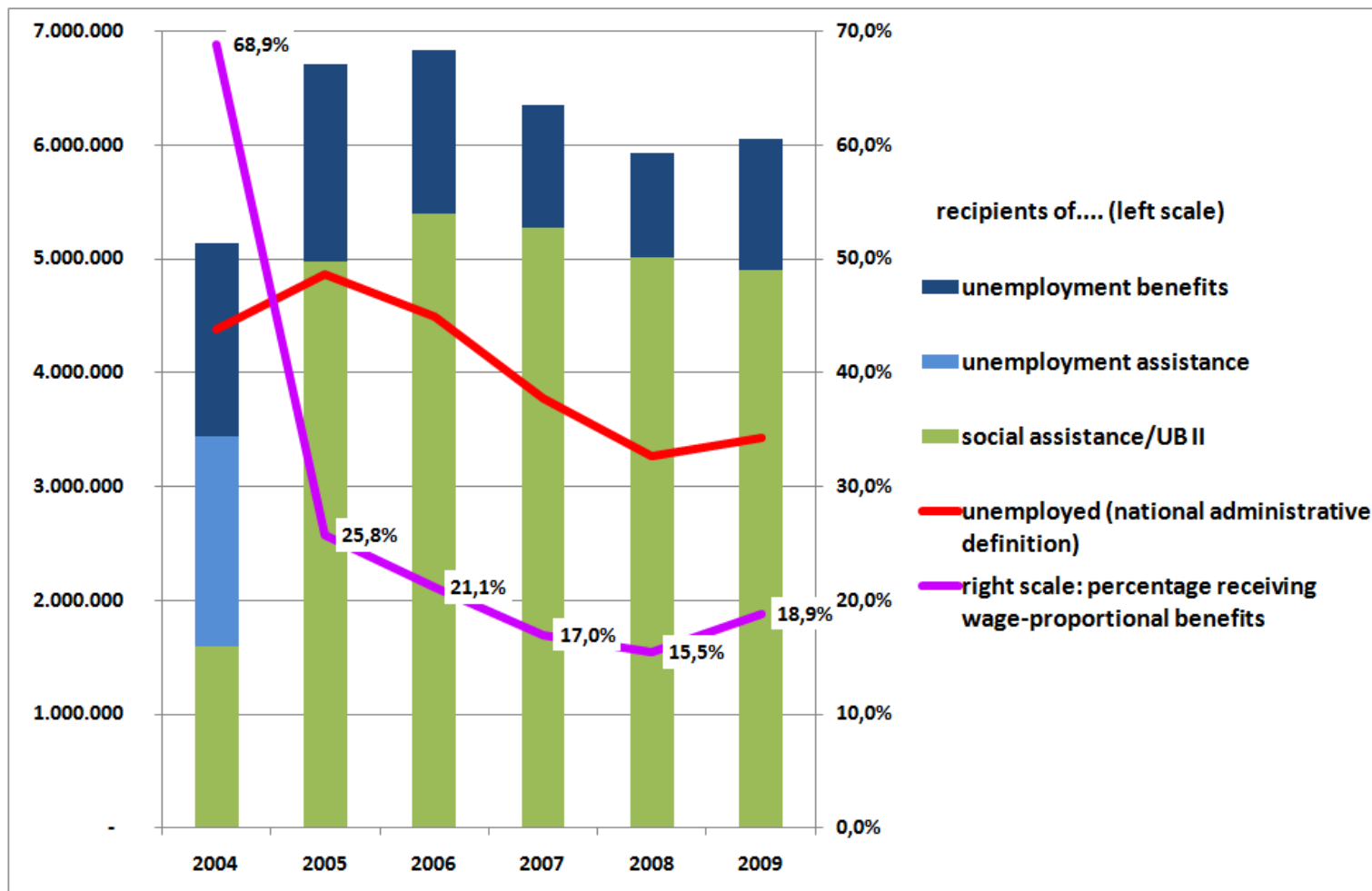
Erlinghagen, Marcel (2010): Mehr Angst vor Arbeitsplatzverlust seit Hartz?
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Report, 2010-02).

Percentages of employees 'very worried' about the security of their job, 1985 to 2008



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Retrenchment of wage-replacing, insurance type benefits for workless people



Labour market opportunity structures changing

- increased "re-commodification" of unemployment status:
 - limited duration of benefits proportional to previous earnings
 - higher pressure to take any job
 - intimidating public discourse
 - lowering of reservation wage (empirical evidence mixed)
- ⇒ deterioration of job entry conditions (wages, employment status)
 - more losses / fewer gains in job quality reported by 'movers'
 - increasing wage penalties for new hires with recent unemployment experience
 - stagnation of average wages, increasing wage dispersion at low end
 - increased proportion of temporary jobs among new hirings
- decreased mobility among incumbent workers:
 - fewer opportunities for improving by changing jobs
 - higher risk adversity because of less status protection 'on the market'
 - workforce ageing may play a role

Paradoxical changes 'inside' the employment relationship

- empirical evidence for
 - decrease in perceived job security
 - increase in work related stress
 - decrease in job satisfaction
 - increase in job attachment (intention to stay)
 - increased readiness for concessions
 - employment relationships becoming simultaneously
 - more **durable** (ex post, on average)
 - more **preconditional** (ex ante, almost universally)
 - inclusive/exclusive labour market dualism too simple:
 - as LM became **less inclusive** in terms of standards, it became **more inclusive** in terms of participation
 - contrary to neo-classical thinking, breaking down of standards has **not** reversed secular declining trend of total work volume
 - however: more hiring from among the unemployed, less poaching (probably also less hiring from 'inactive' population – to be tested)
- ↔ causal nexus or historical coincidence?
- ↔ trade-off – or possibility for inclusiveness in both dimensions?

The German 'jobs miracle' during the Great Recession revisited

- increased scope for firms' internal flexibility ↔ increased readiness for concessions in exchange for being allowed to stay
⇒ 'labour hoarding' more easily affordable for employers
- theories of 'dualisation' under-complex:
 - 'peripheral' labour force provides **potential** for external flexibility – which is not necessarily fully used
 - serves also to persuade 'core' labour force to more internal flexibility
- increased reciprocal dependence within increasingly contingent employment relationships:
 - workers desperate to stay
 - employers more dependent on availability of skilled and experienced workforce
- new labour market regime supports **stronger ties with less subjective security**