

Matthias Knuth

"The impossible gets done at once; the miraculous takes just a little longer."



Labour market reforms and the German "jobs miracle"

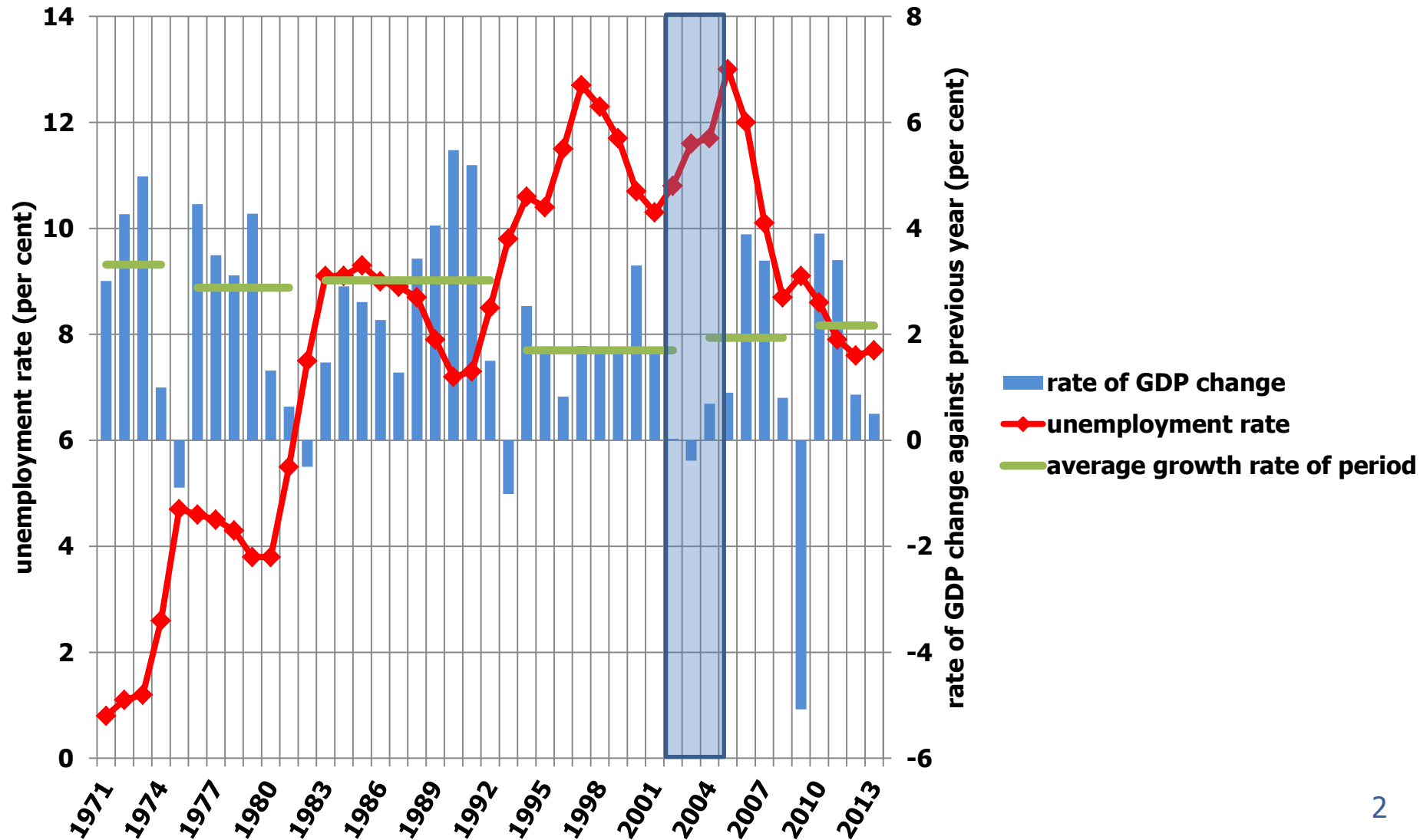
European Economic and Social Committee

Workers' Group

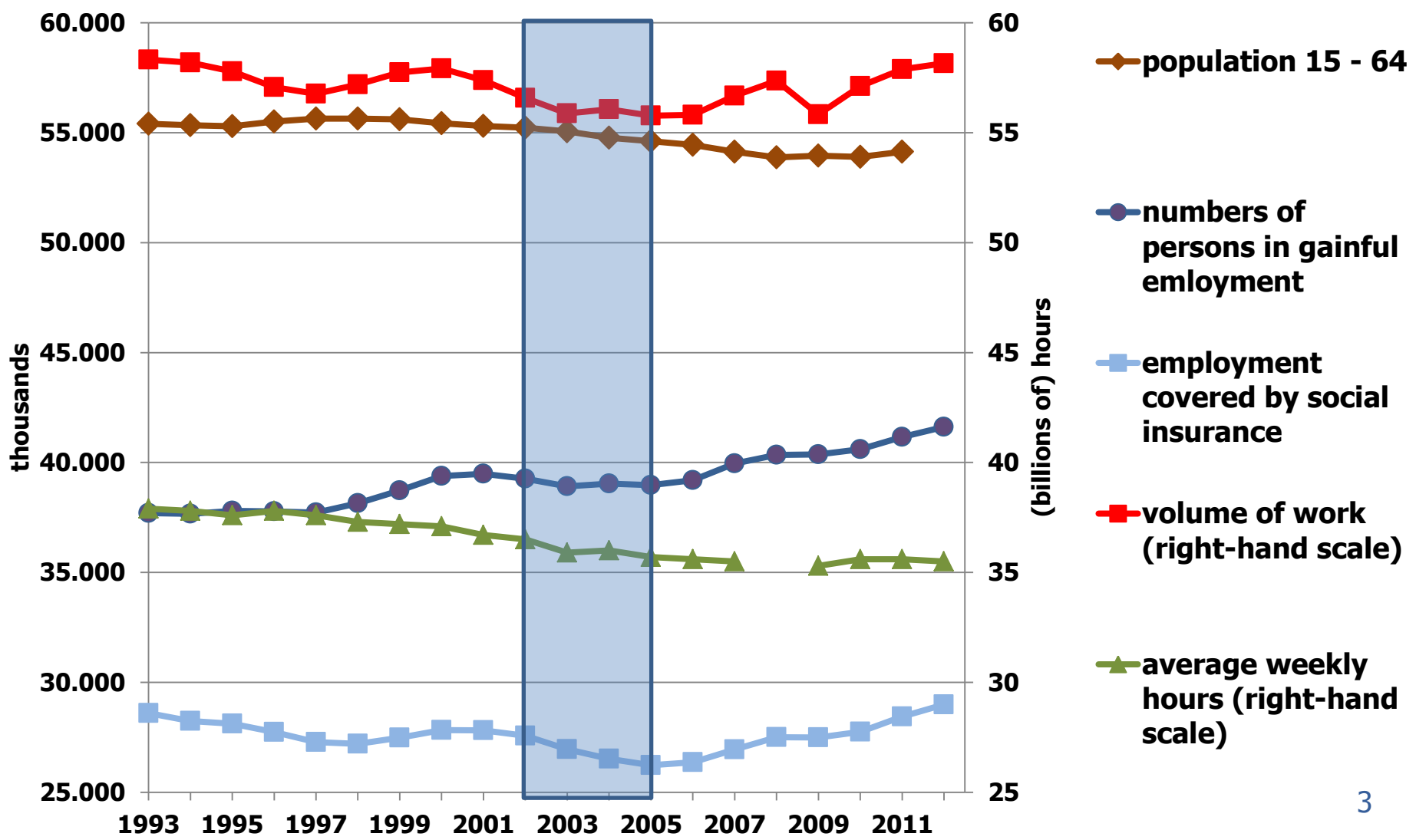
Extraordinary Meeting

6-7 March 2014, Athens

Average yearly unemployment rate (left-hand scale) and changes in GDP (right-hand scale, adjusted for price) 1971-2012



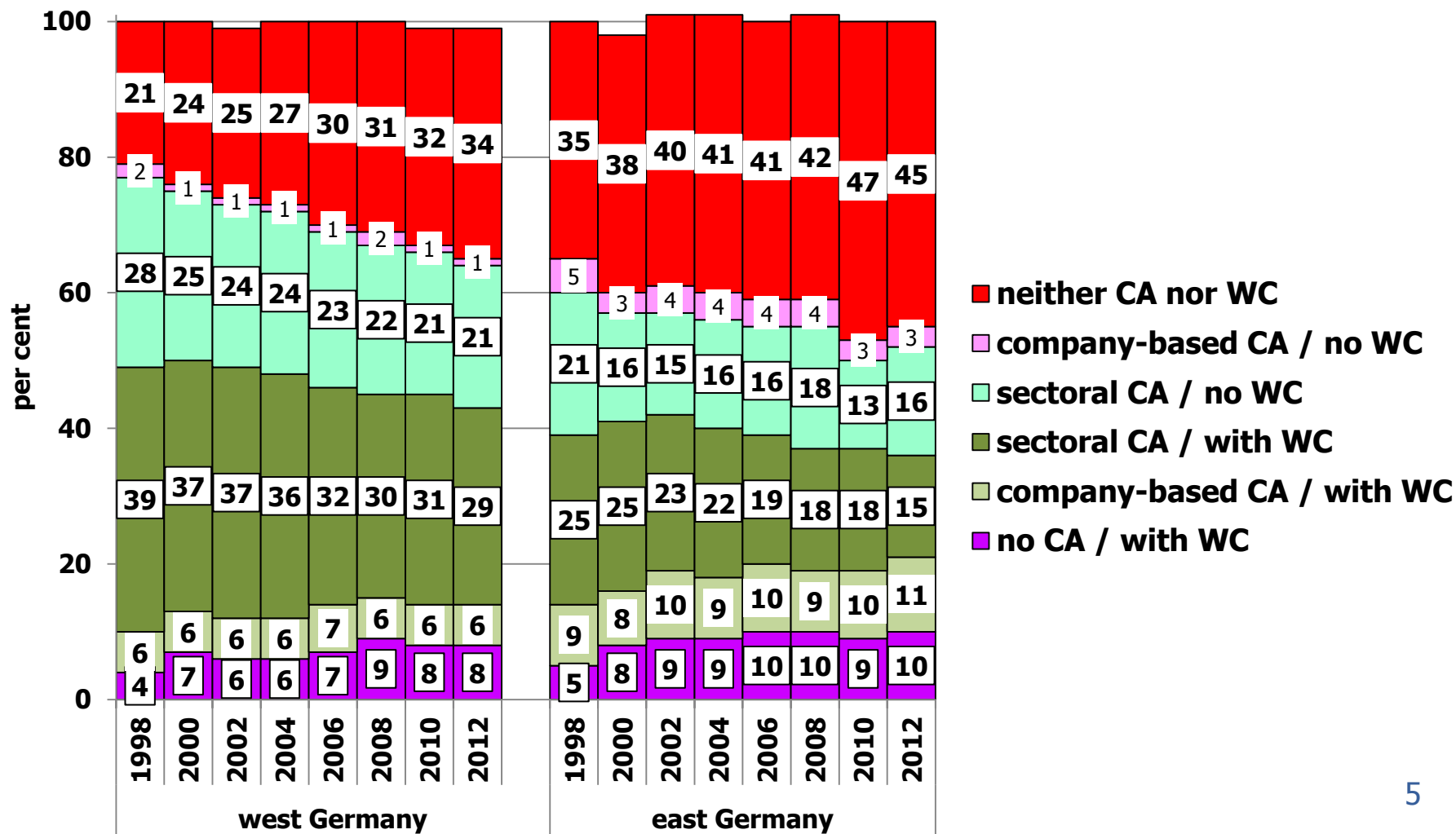
Working-age population, employment (covered by social insurance), volume of work, average weekly hours



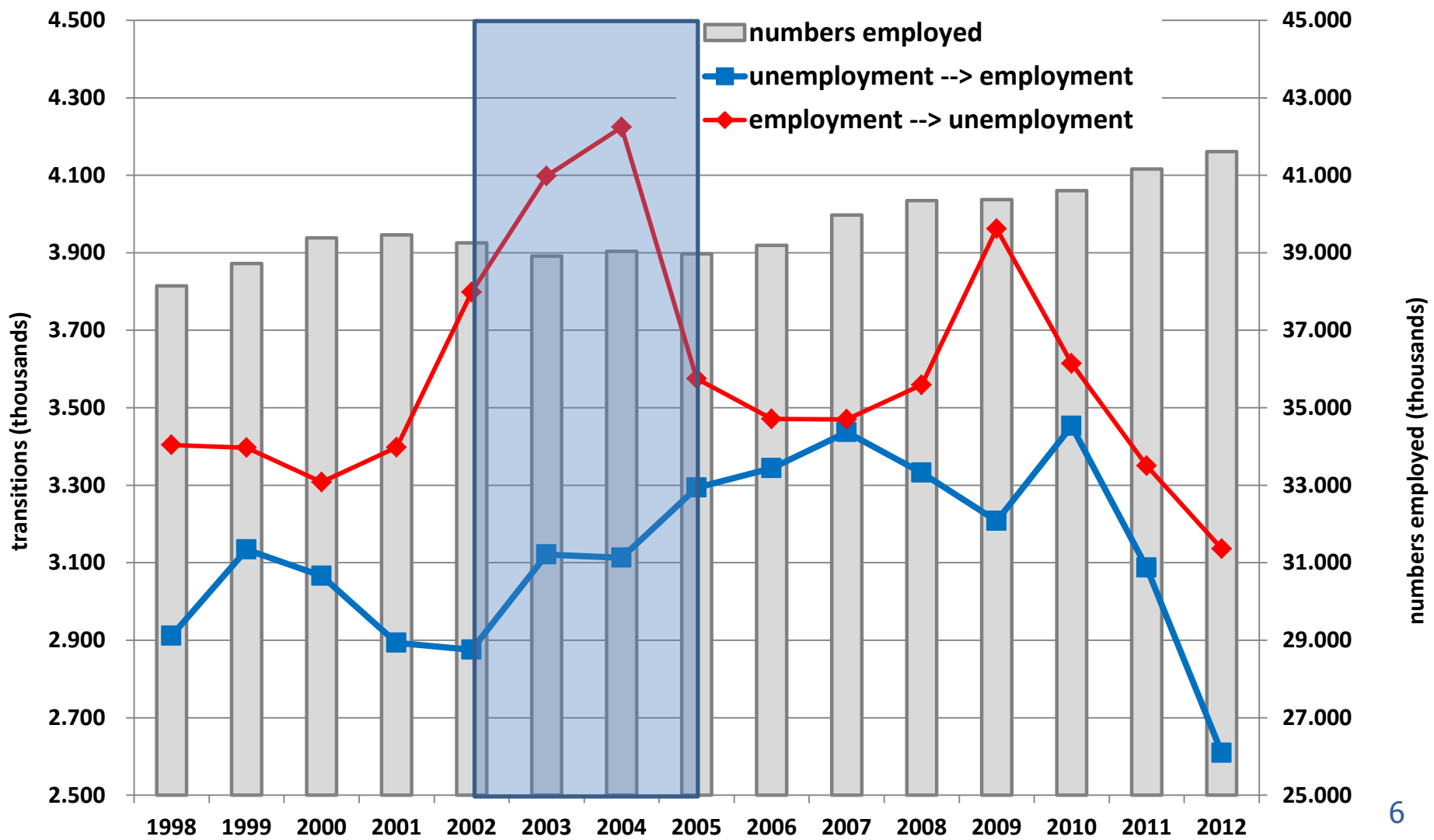
Most relevant institutional changes 2002-2005

- deregulation of temporary agency work
- deregulation of crafts: in some, master craftsmanship no longer required for running an enterprise
- re-regulation and political/institutional endorsement of 'mini-jobs'
- reorganization of the PES in order to offer more effective labour market related services
- invigoration of the 'work first' principle for jobless benefit recipients
- retrenchment of earnings-related benefits for jobless people:
 - replacing unemployment assistance by flat-rate minimum income benefits ('Hartz IV', 'unemployment benefit II')
 - shortening maximum unemployment benefit duration for older workers
- phasing-out early retirement...
 - ... which used to entail unemployment as an entry ticket
- erosion of collective agreement coverage and of works council representation...
 - ...in the absence of a legal minimum wage

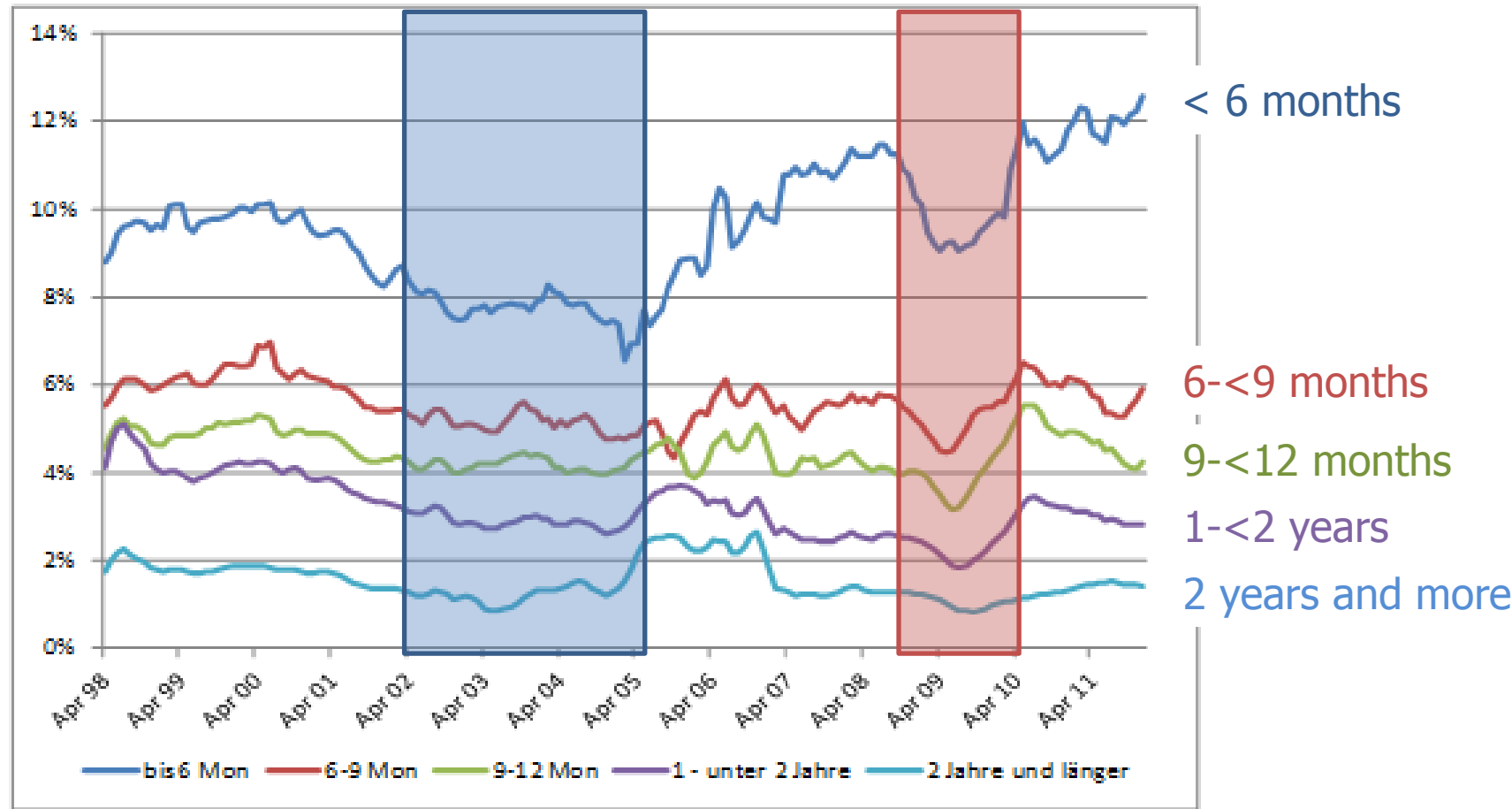
Collective agreements (CA) and existence of works councils (WC) in western and eastern Germany (as a percentage of workers covered in companies with five or more employees)



Annual flows between unemployment and employment (left-hand scale) and average annual level of employment (right-hand scale), 1998-2012

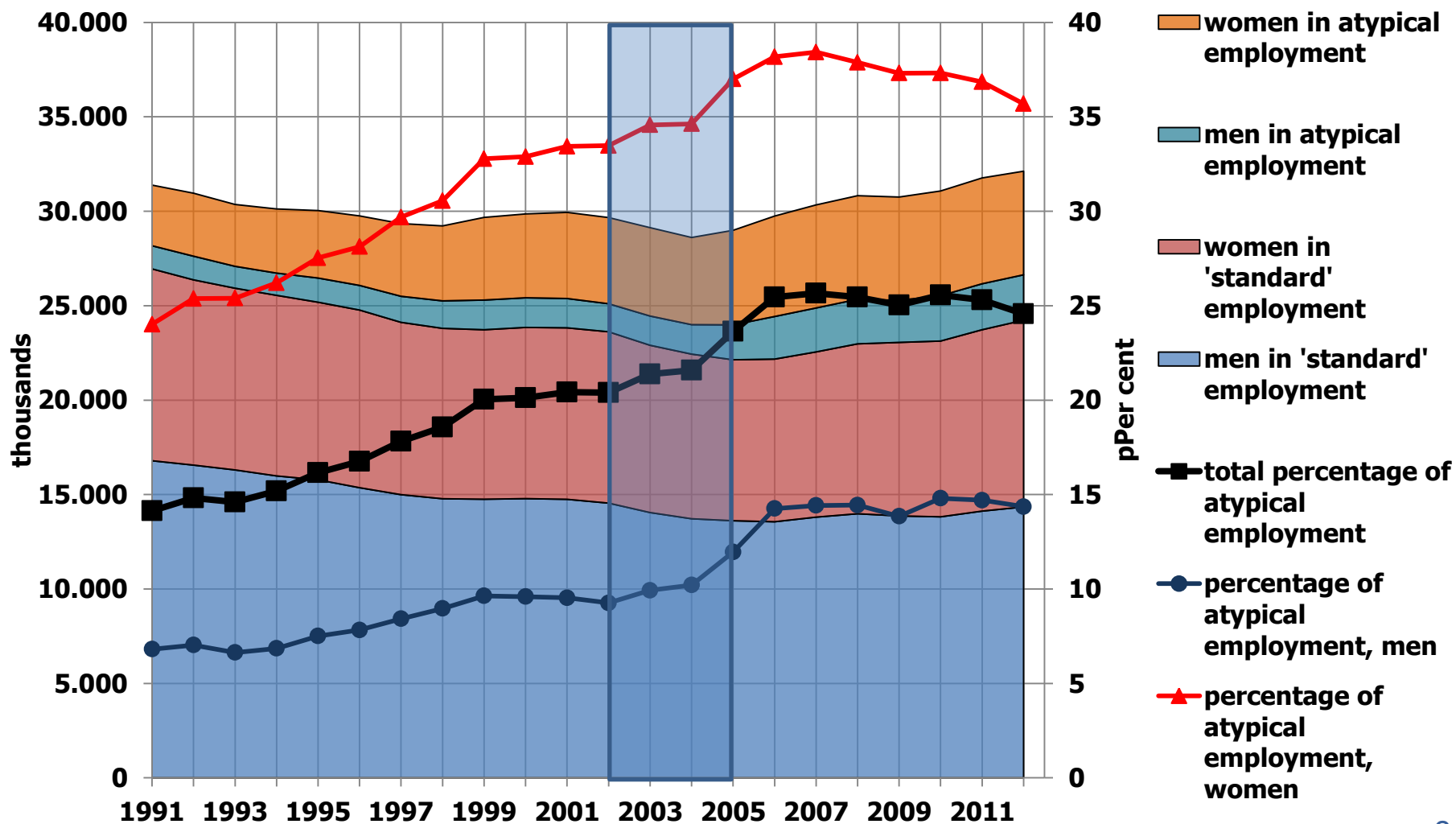


Rates of transition from unemployment to employment by duration of preceding unemployment – West Germany 1998 – 2011 (direct job creation schemes excluded)



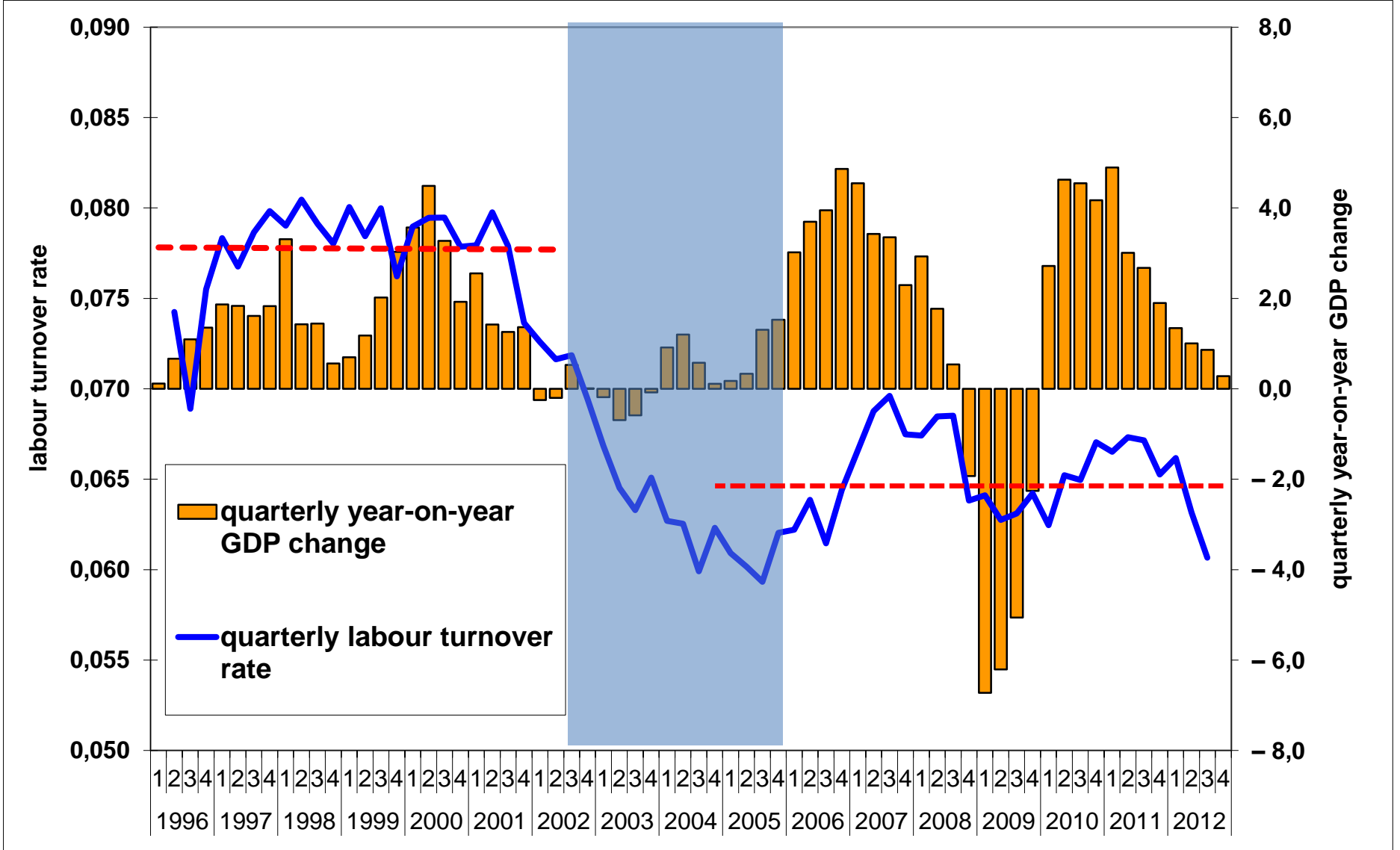
Source: Ursula Jaenichen & Thomas Rothe, Beschäftigungsstabilität und Entlohnung nach Arbeitslosigkeit 1998 bis 2010, WSI-Mitteilungen 3/2014 (forthcoming) – unemployed between 25 and 54, gliding 3-month-averages of seasonally adjusted monthly values, excluding data from fully municipalized jobcentres

Employment of men and women in standard and atypical jobs: absolute numbers and percentages, 1991-2012

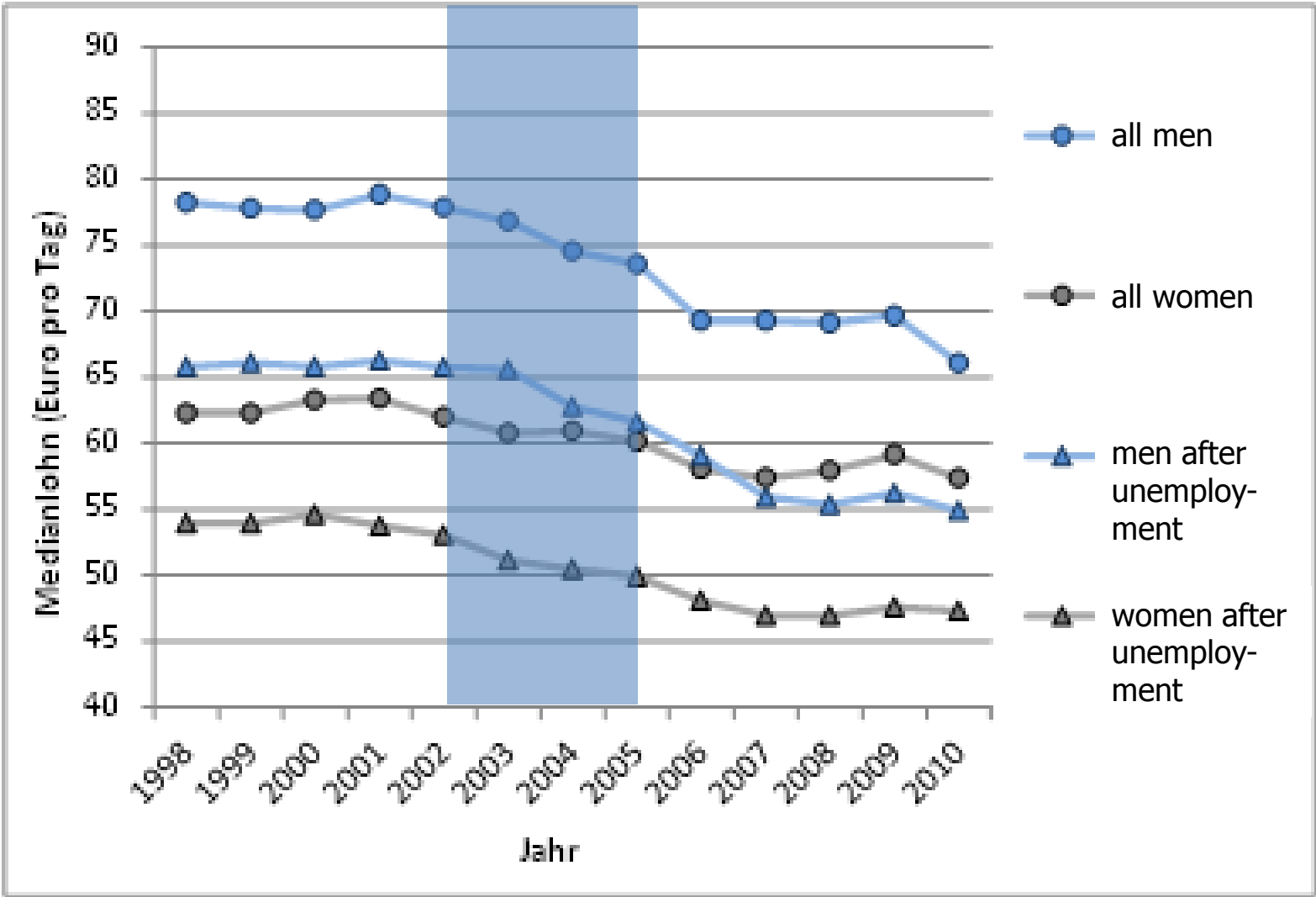


Source: Federal Statistical Bureau; part-time ≥ 20 hrs./week ≈ 'standard employment'

Labour turnover and the economic cycle



Yearly median daily wages (price-adjusted) in newly entered full-time jobs , west Germany



- trend reversal on German labour market primarily attributable to demographic change, slow-down in productivity and expansion of part-time jobs
- resilience during crisis 2008/2009 due to traditional virtues of 'co-ordinated capitalism', not to reforms
- reforms did 'activate' the short-term unemployed but failed to adequately address long-term unemployment
- apparently good labour market performance tends to cover up downsides (most of which developed before the reforms):
 - increasing shares of 'atypical' employment (though recently halted)
 - wage stagnation, increasing wage inequality, growing low-wage sector
- erosion of collective bargaining coverage more important than overt deregulation
- decline in quality of job offers is stalling labour turnover:
 - ⇒ functioning of German labour market as an allocation mechanism has deteriorated as a result of 'flexibilisation'
 - ⇒ skills shortages resulting from demographic ageing cannot be addressed adequately