

Matthias Knuth

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

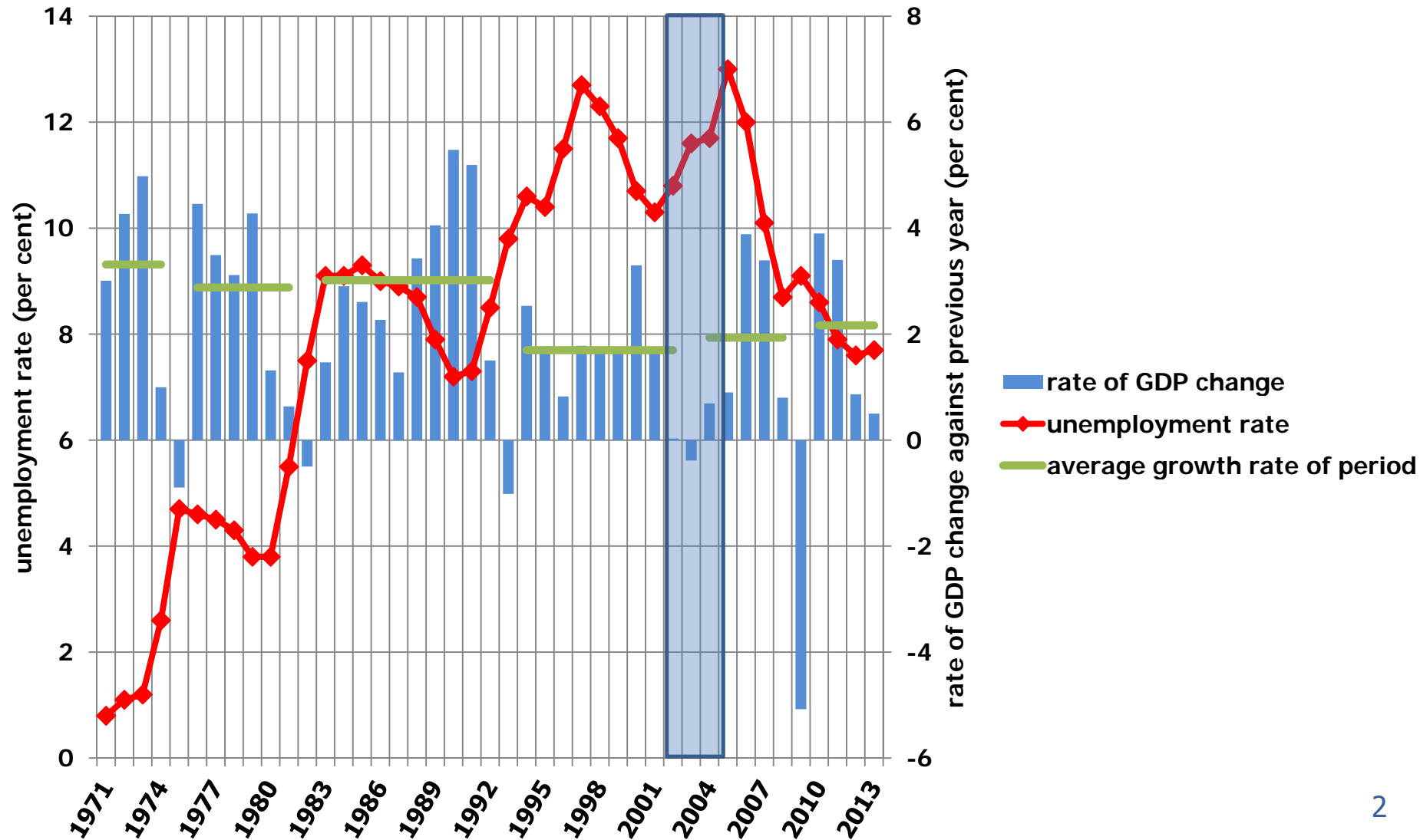


**Activating the unemployed – experiences from the German model
and its Hartz reforms**

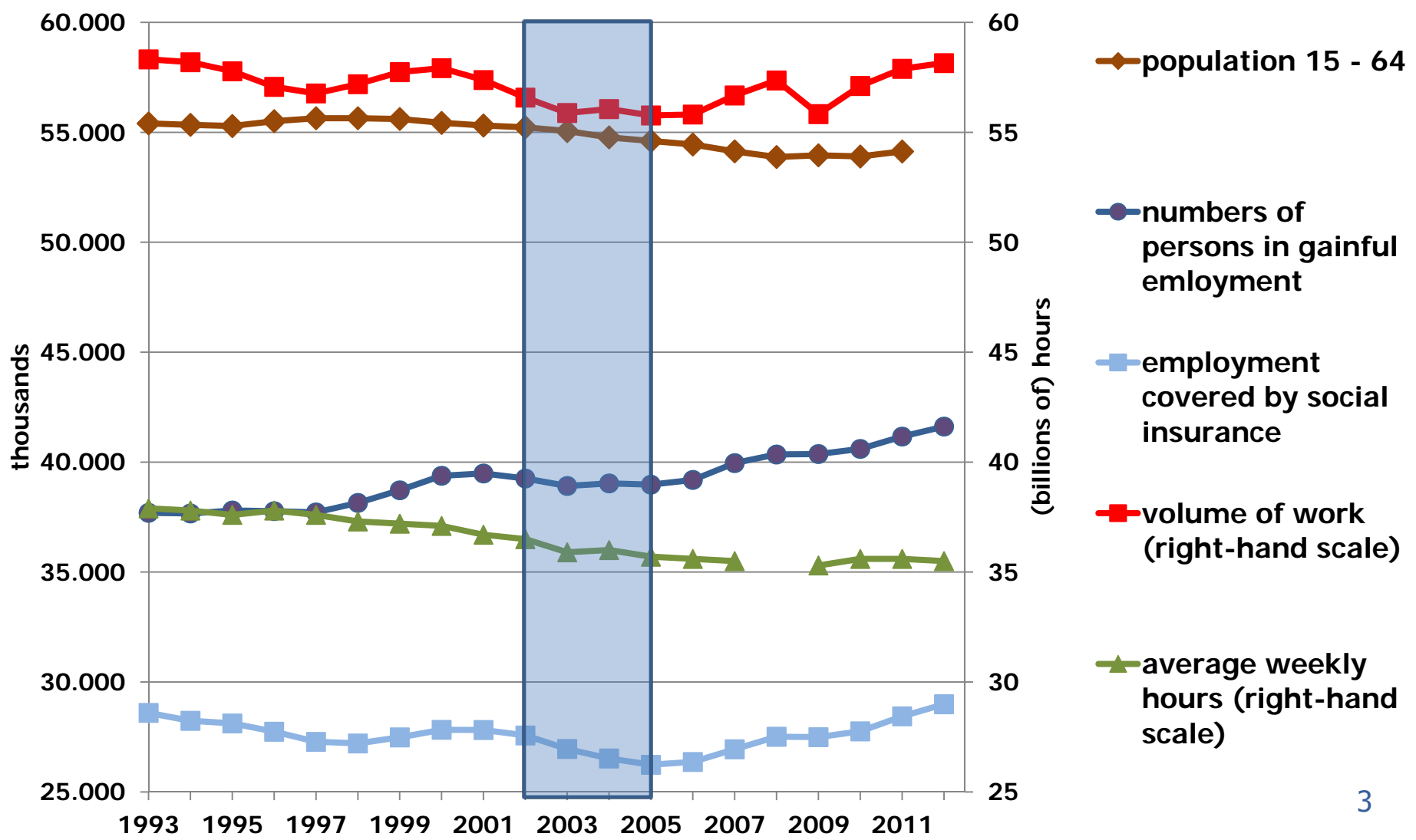
ETUC Economic and Employment Committee Spring School
"A European Employment Strategy for More and Better Jobs"

Vienna, May 27, 2014

Average yearly unemployment rate (left-hand scale) and changes in GDP (right-hand scale, adjusted for price) 1971-2013



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: master craftsmanship no longer required for running an enterprise in some
- 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!

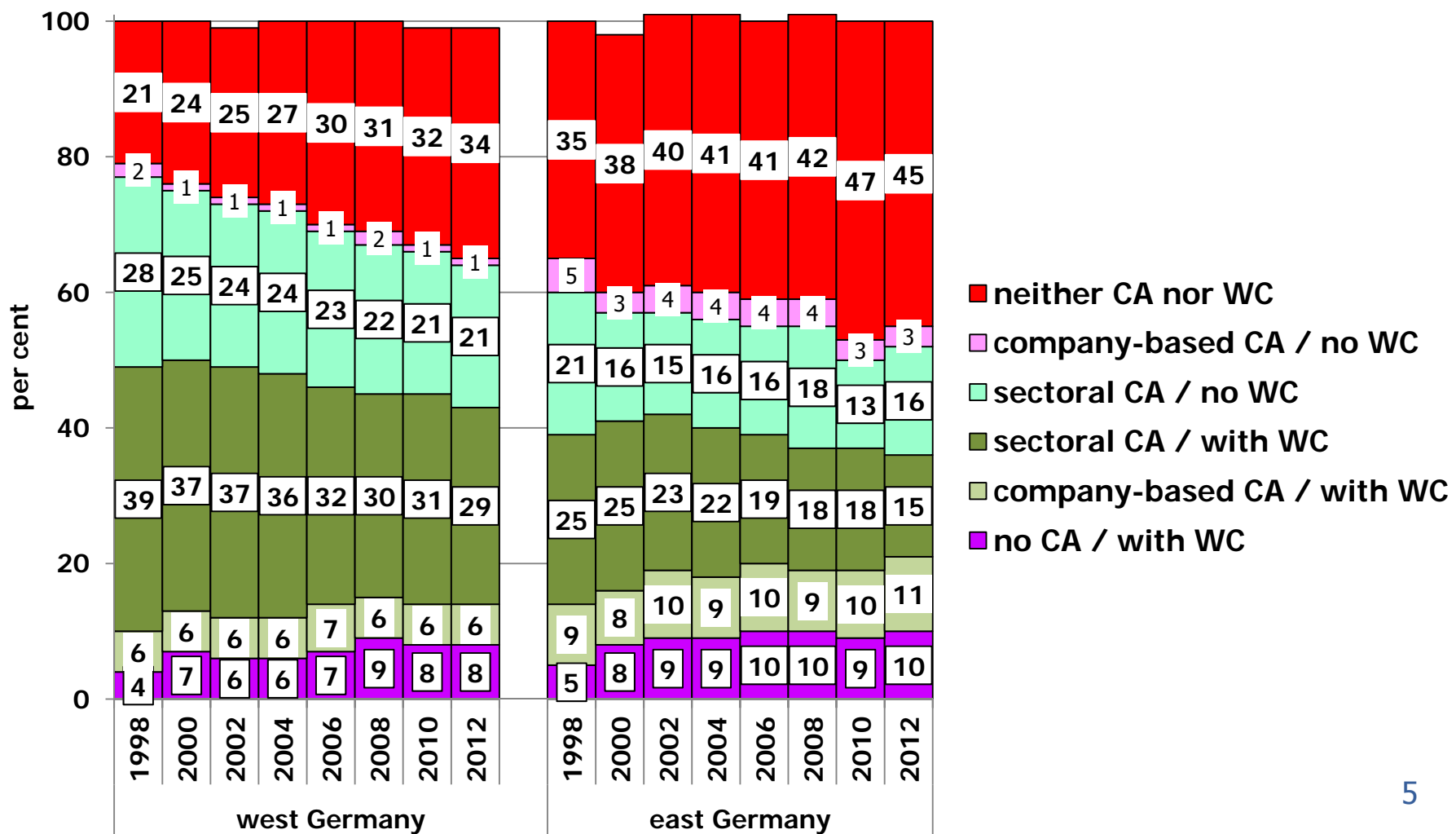


"Agenda 2020" (Hartz reforms and related legislation)

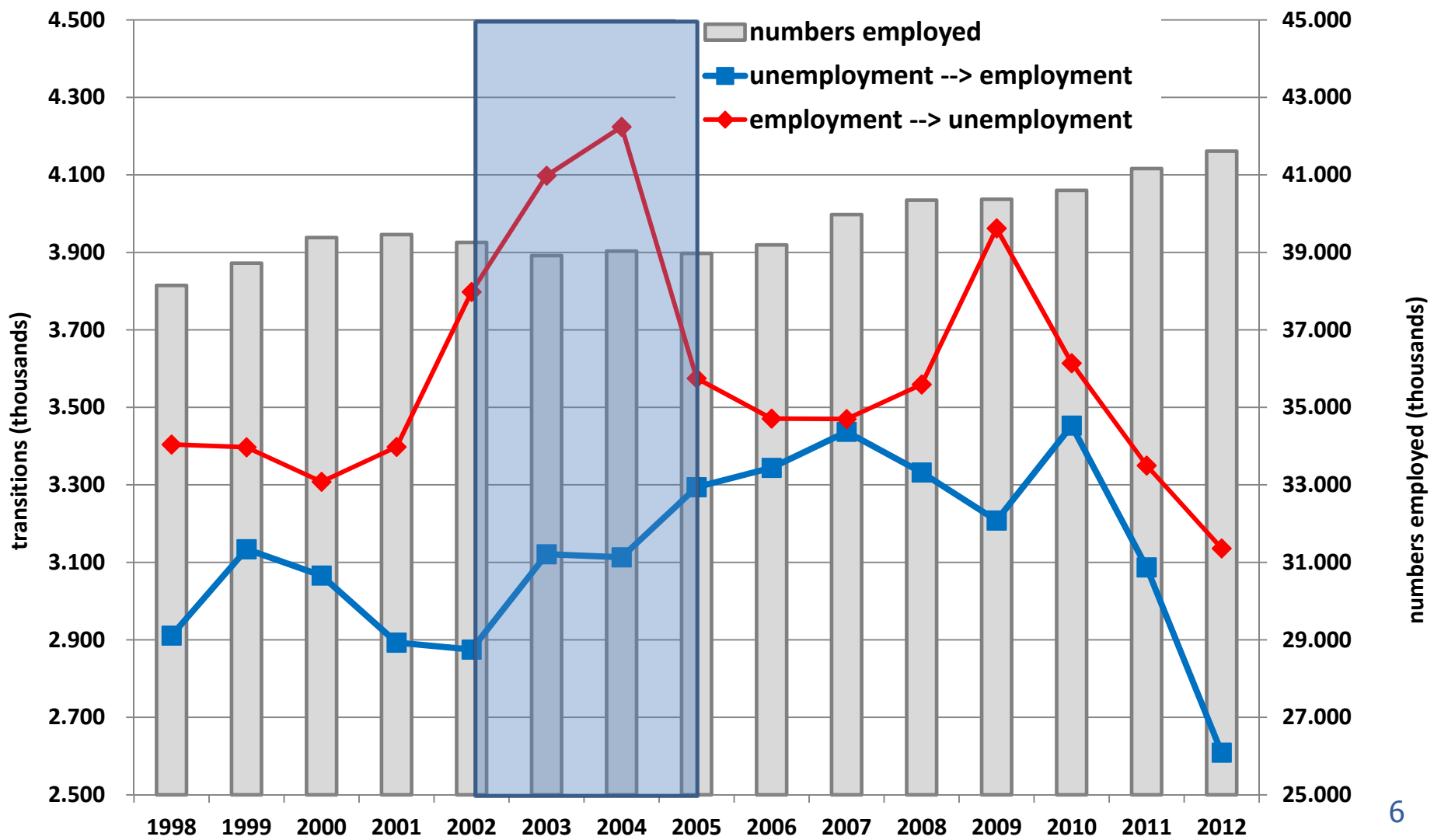
pension reforms

institutional attrition (no reforms)

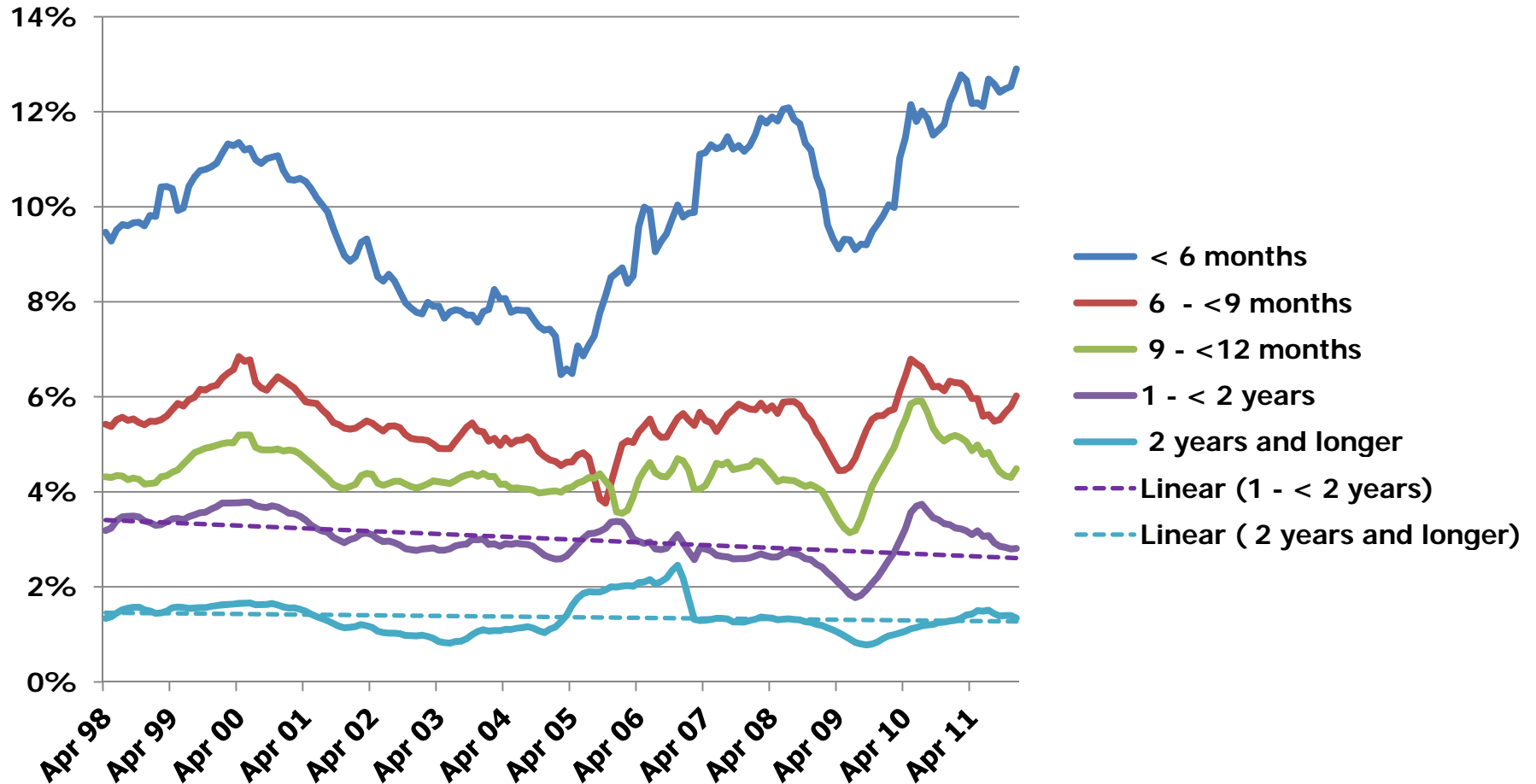
Collective agreements (CA) and existence of works councils (WC) in western and eastern Germany (as a percentage of workers covered in companies with five or more employees)



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

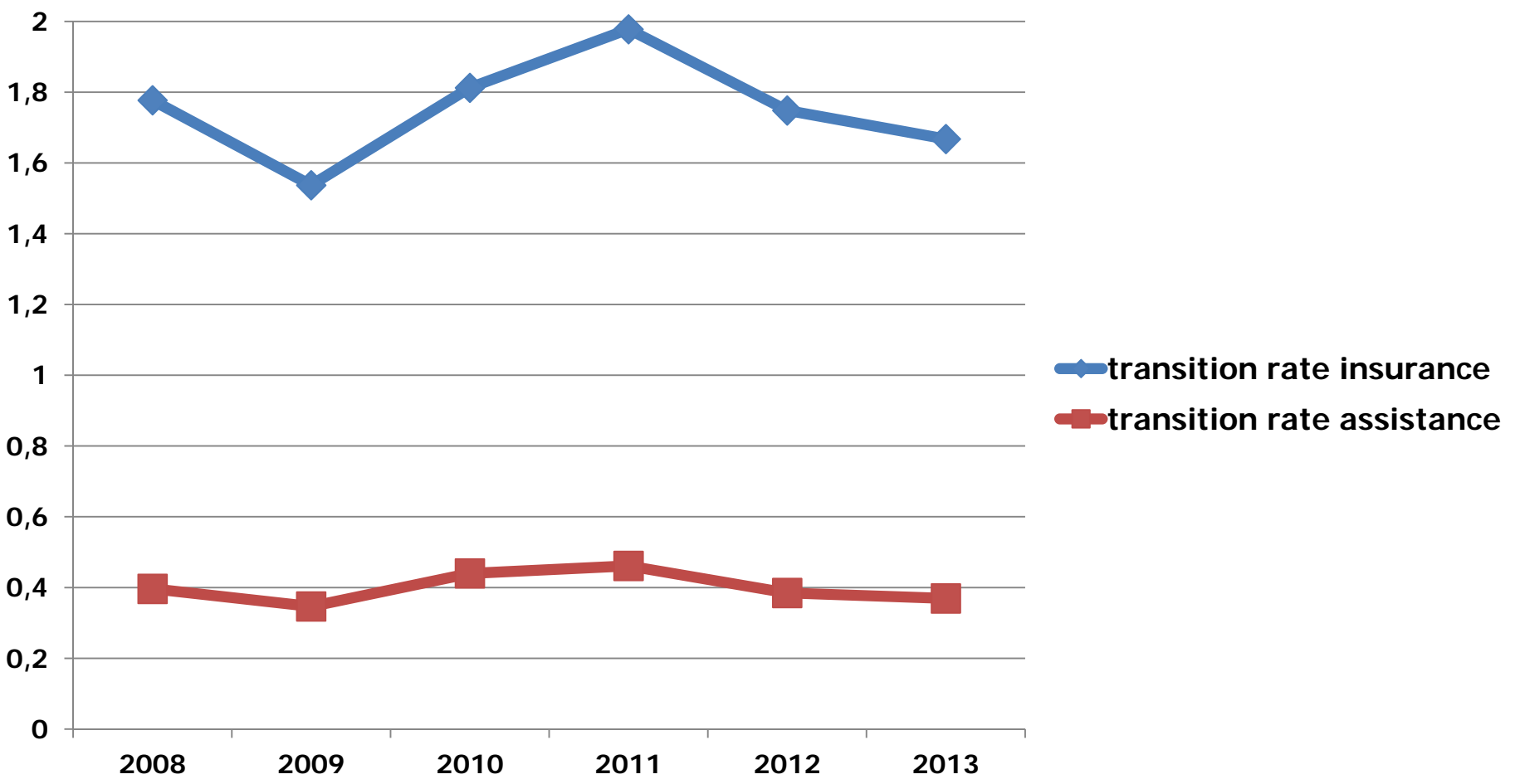


Monthly rates of transitions from unemployment to employment by duration of preceding unemployment – West Germany 1998 – 2011 (direct job creation schemes excluded)

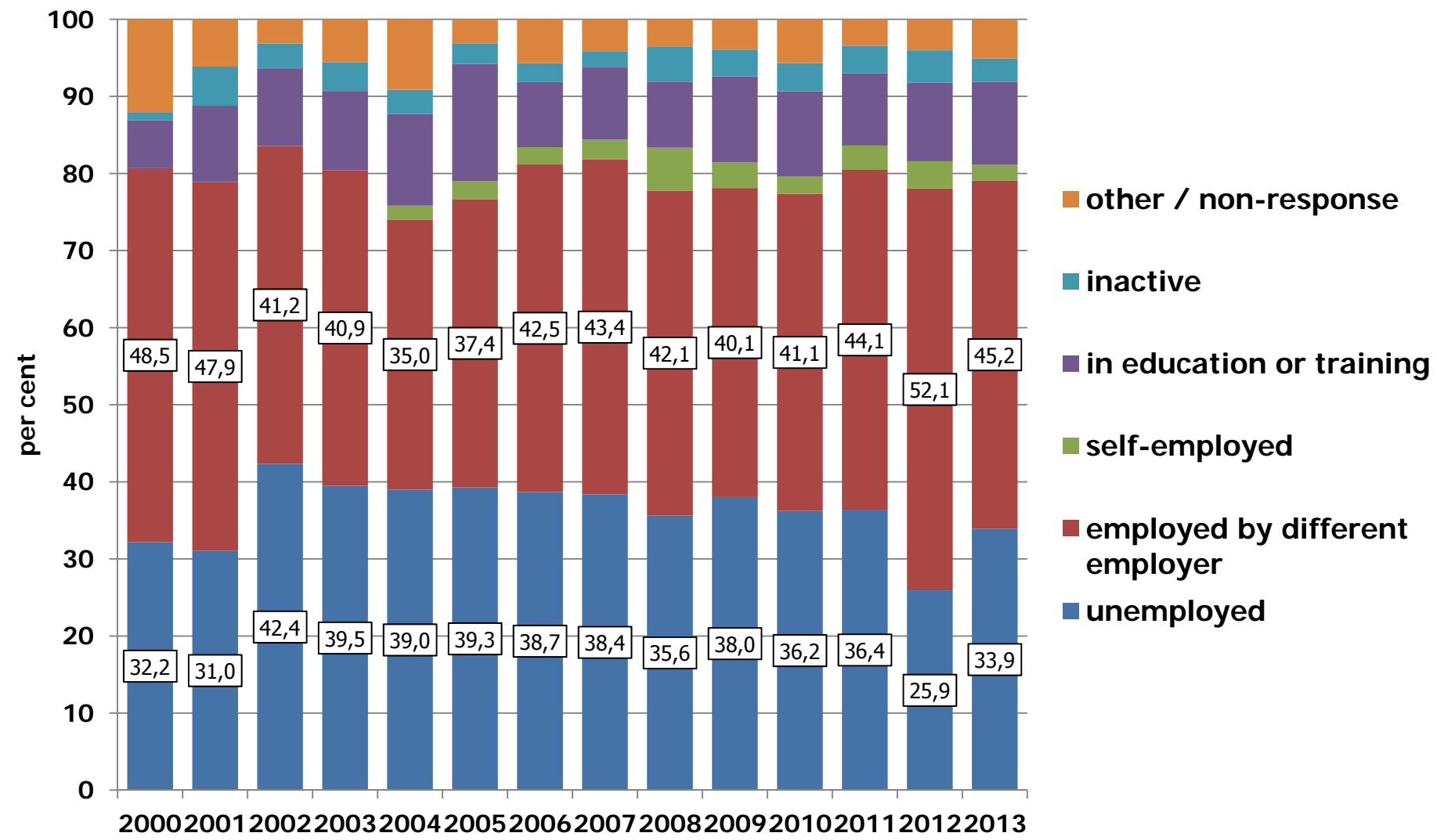


Source: Ursula Jaenichen & Thomas Rothe, Beschäftigungsstabilität und Entlohnung nach Arbeitslosigkeit 1998 bis 2010, WSI-Mitteilungen 3/2014 – unemployed between 25 and 54, gliding 3-month-averages of seasonally adjusted monthly values, excluding data from fully municipalized jobcentres

Annual rates of transition from unemployment into employment, direct job creation schemes excluded, by benefit type, 2008-2013



Annual hirings by previous status, company survey, 2000-2013



Source: IAB job vacancy survey, calculations at author's request, courtesy: Anja Kettner

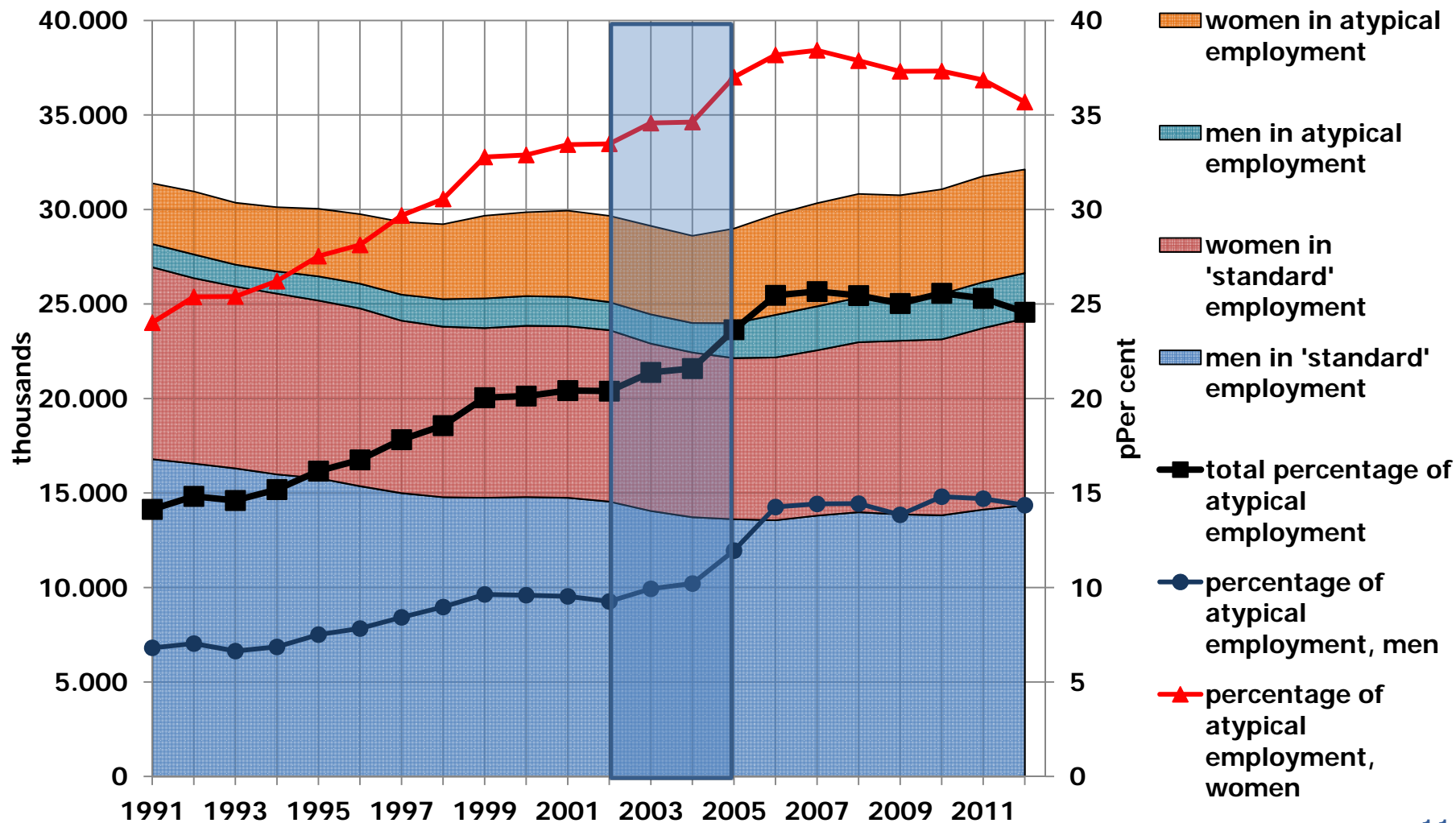
Preliminary conclusions

- remarkable decrease of unemployment
- stabilization of the volume of hours worked
- considerable increase of employment
- moderate increase of employment covered by social insurance
- labour market more inclusive for unemployed job seekers?
 - only short-term effect
 - restricted to short-term unemployed
 - not confirmed by company survey
 - econometric evaluation results contradictory

⇒ **Hartz reforms failed to achieve principal official goal**

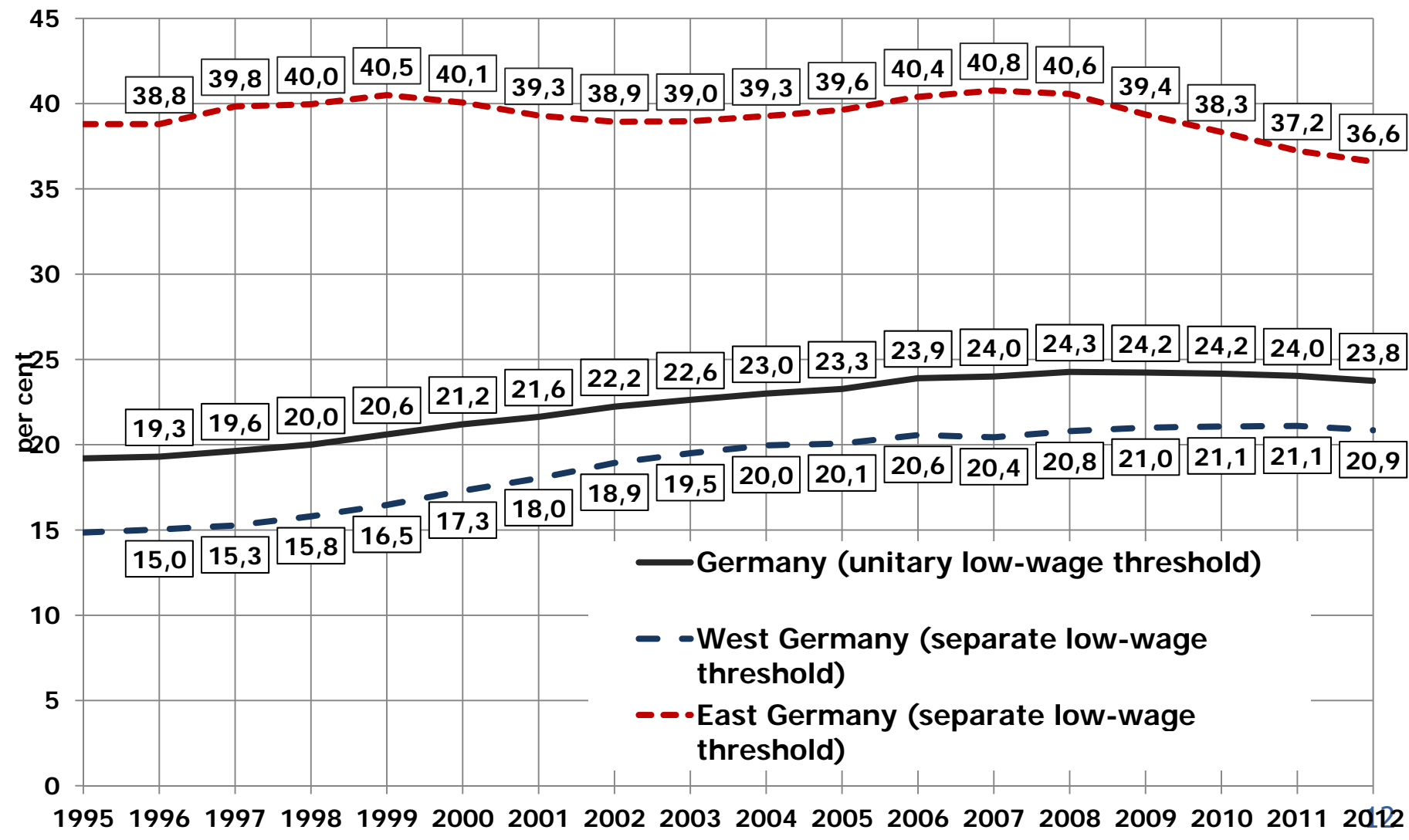
What about side-effects?

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

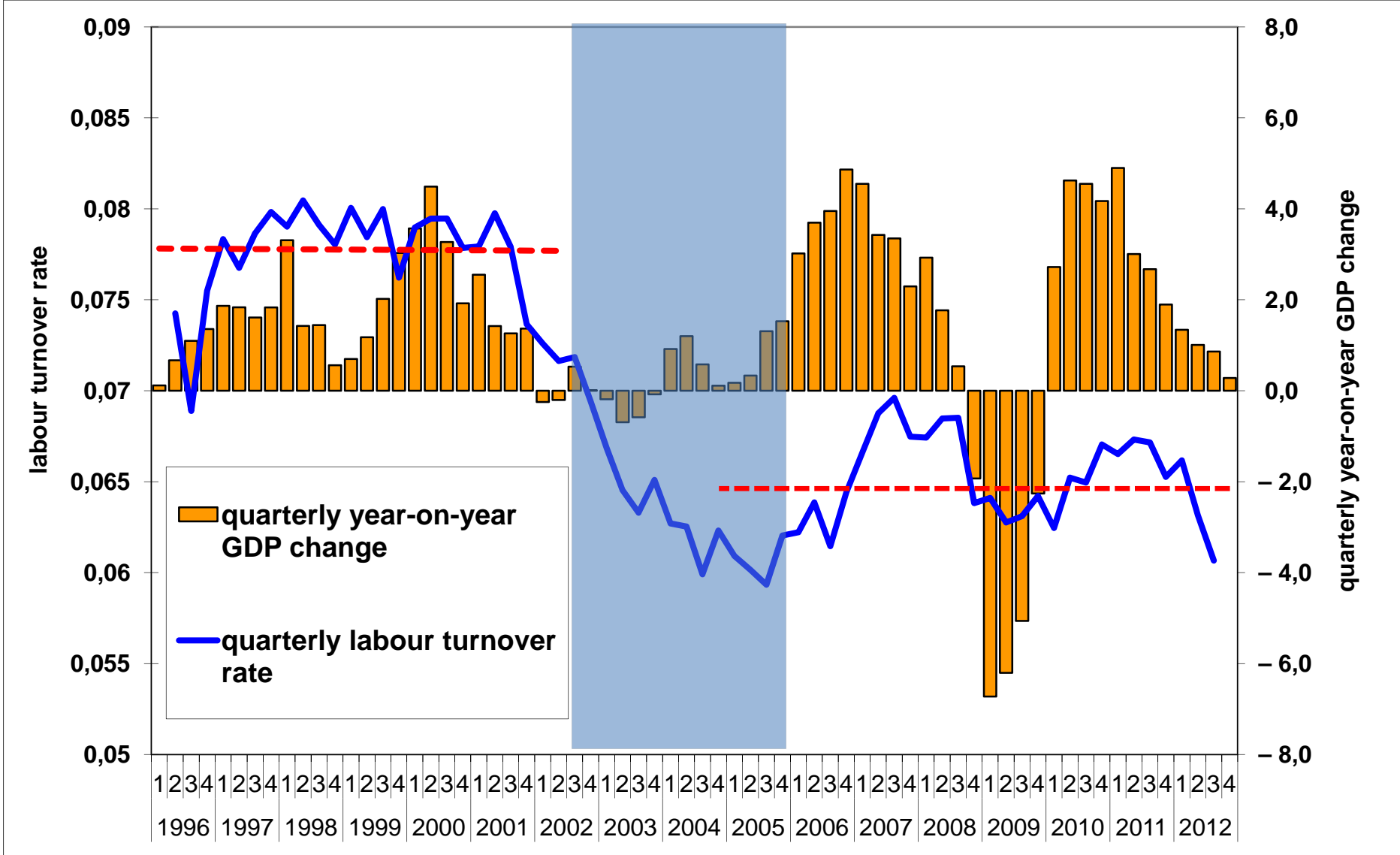


Source: Federal Statistical Bureau; part-time ≥ 20 hrs./week \approx 'standard employment'

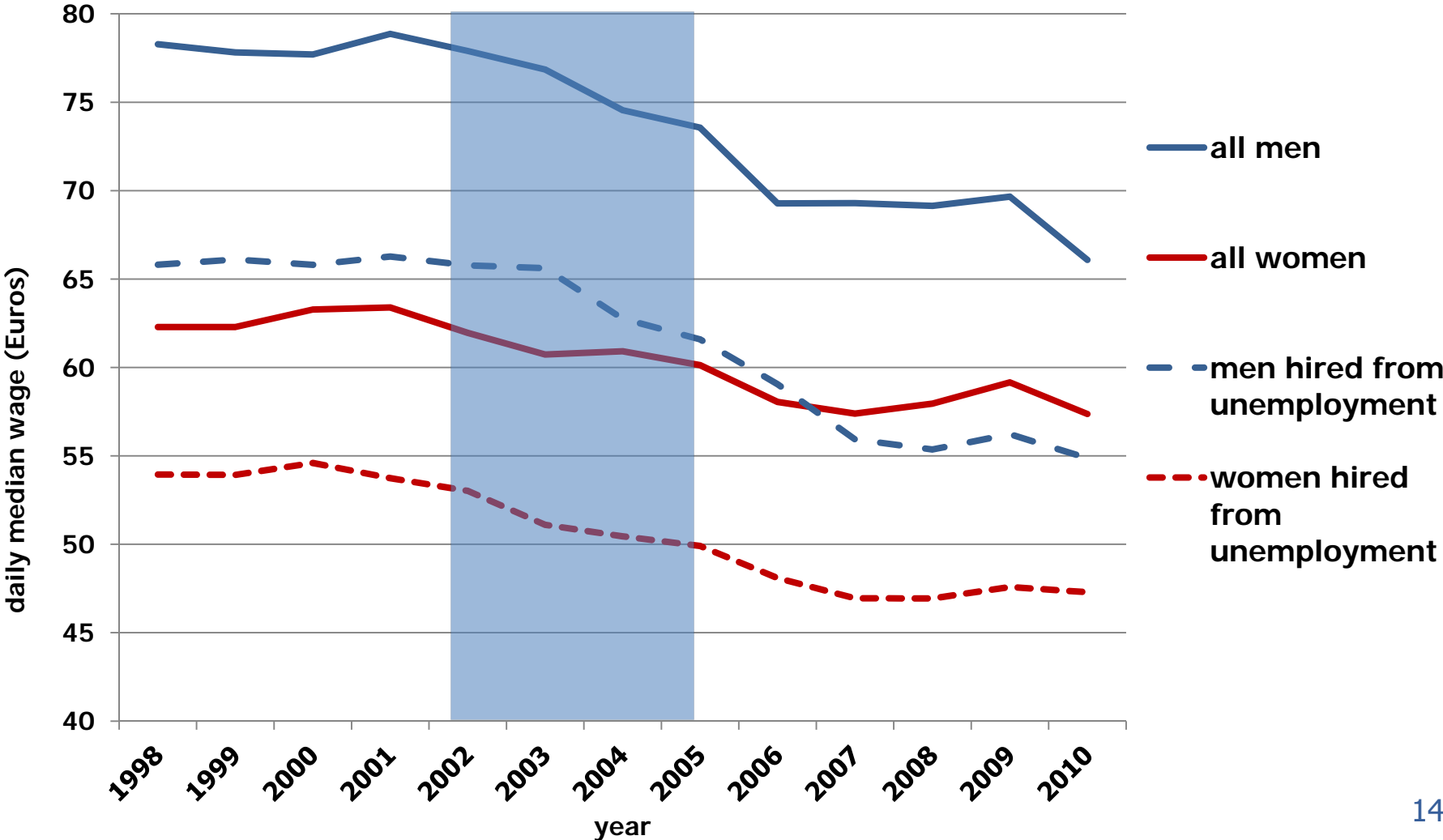
Percentages of workers earning hourly wages below 2/3 of the median (3-year gliding averages)



Labour turnover and the economic cycle



Median daily wages (price-adjusted) in newly entered full-time jobs , annual averages 1998-2010, 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 may have 'activated' 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