

Germany

Labour-Market Perspectives 2005

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- After several years of economic stagnation, there is increasingly more evidence of a continual recovery in Germany. The economy is supposed to grow by 1 $\frac{3}{4}$ per cent in 2004. For 2005, its further growing is commonly expected. Forecasts of the *speed* of growth, however, differ a lot. In its central projection scenario for 2005, the IAB assumes a real-GDP-growth rate of again 1 $\frac{3}{4}$ per cent (see table).
- The average yearly effective working hours will decline in 2005 (-0.3 per cent), which is a consequence of a strongly negative working-day effect (-0.9 per cent) on the one hand and longer daily working hours (+0.6 per cent) on the other. The developments of production and working hours together imply an employment increase by 0.3 per cent or 120,000 persons on the yearly average. After the employment figures having risen only gradually in 2004, this means a considerable increase in the *course* of 2005.
- Important structural changes will be going along with this overall development. While the number of self-employed and unpaid family workers, “marginal” part-time employed as well as “conventional” part-time employed will still increase, the number of full-time employed will further decrease, even though not as strongly any more as in the year before. Because of the shorter average yearly working hours, the volume of work will increase only marginally (+0.1 per cent).
- Given a further increasing labour supply and putting everything into a nutshell, but ignoring the labour-market reforms of Social Code II (see below), the situation in the German labour market would not substantially change. The resulting number of registered unemployed is estimated to amount to 4.37 million persons on the average of 2005. This would be a decline by 15,000 persons compared with 2004.
- However, unemployment assistance and social assistance having been merged by Social Code II at the beginning of 2005, considerably more people than before are expected to sign on, substantially raising the stock of unemployed. In the course of the year, however, quits and placing in “social supplementary jobs” as well as “activating” unemployed people should melt down that larger stock step by step. Looking at the whole year, the average number of unemployed is supposed to increase by 50,000 persons therefore.