

The development of the German labour market in 2009

Annual Meeting

of the International Labour Market Forecasting Network

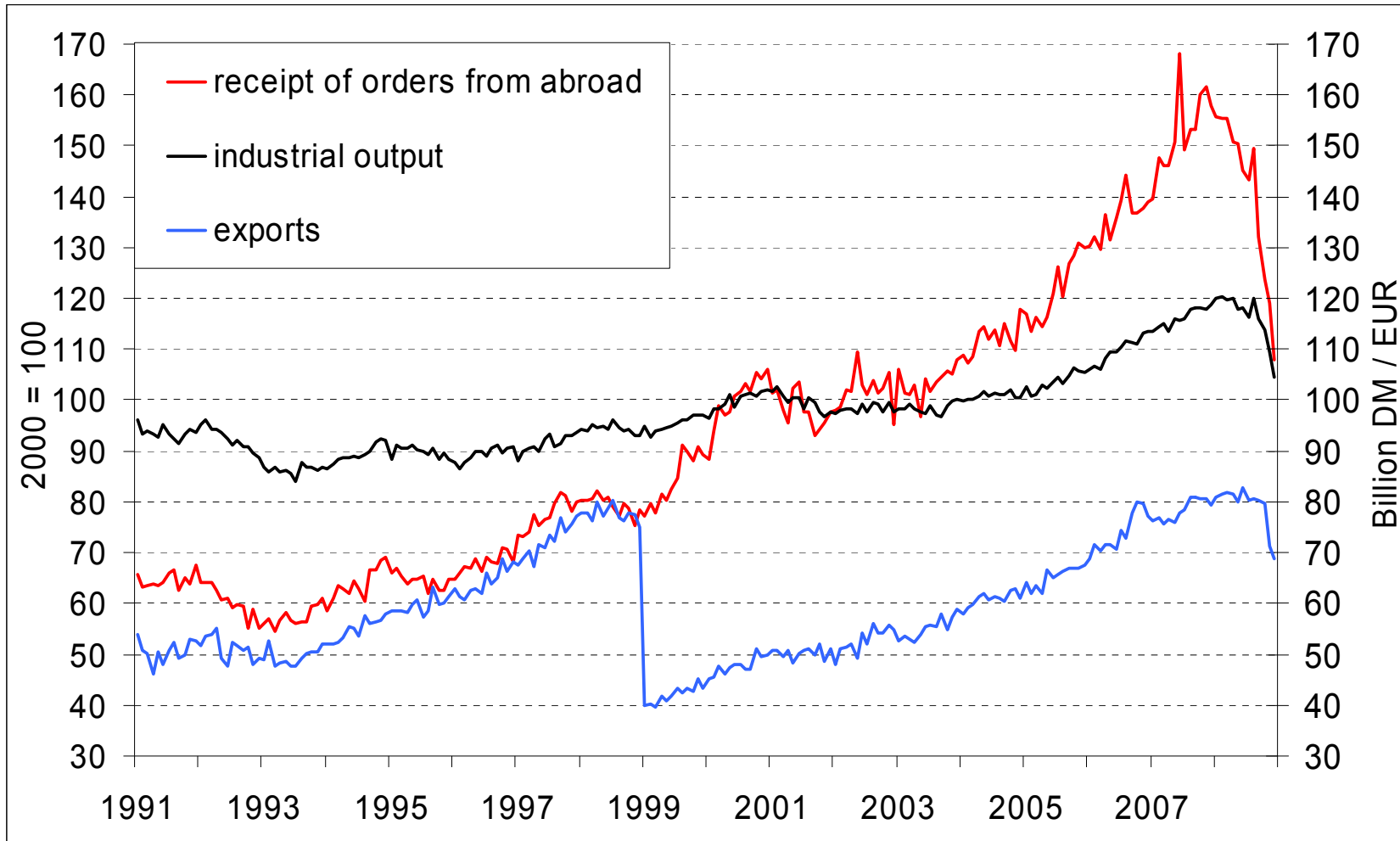
Nuremberg, April 20-21, 2009

Dr. Sabine Klinger (RD Forecasting and Structural Analyses)

Implications of the world economic crisis on the German economy in 2009

Implications of the economic crisis on German economic indicators

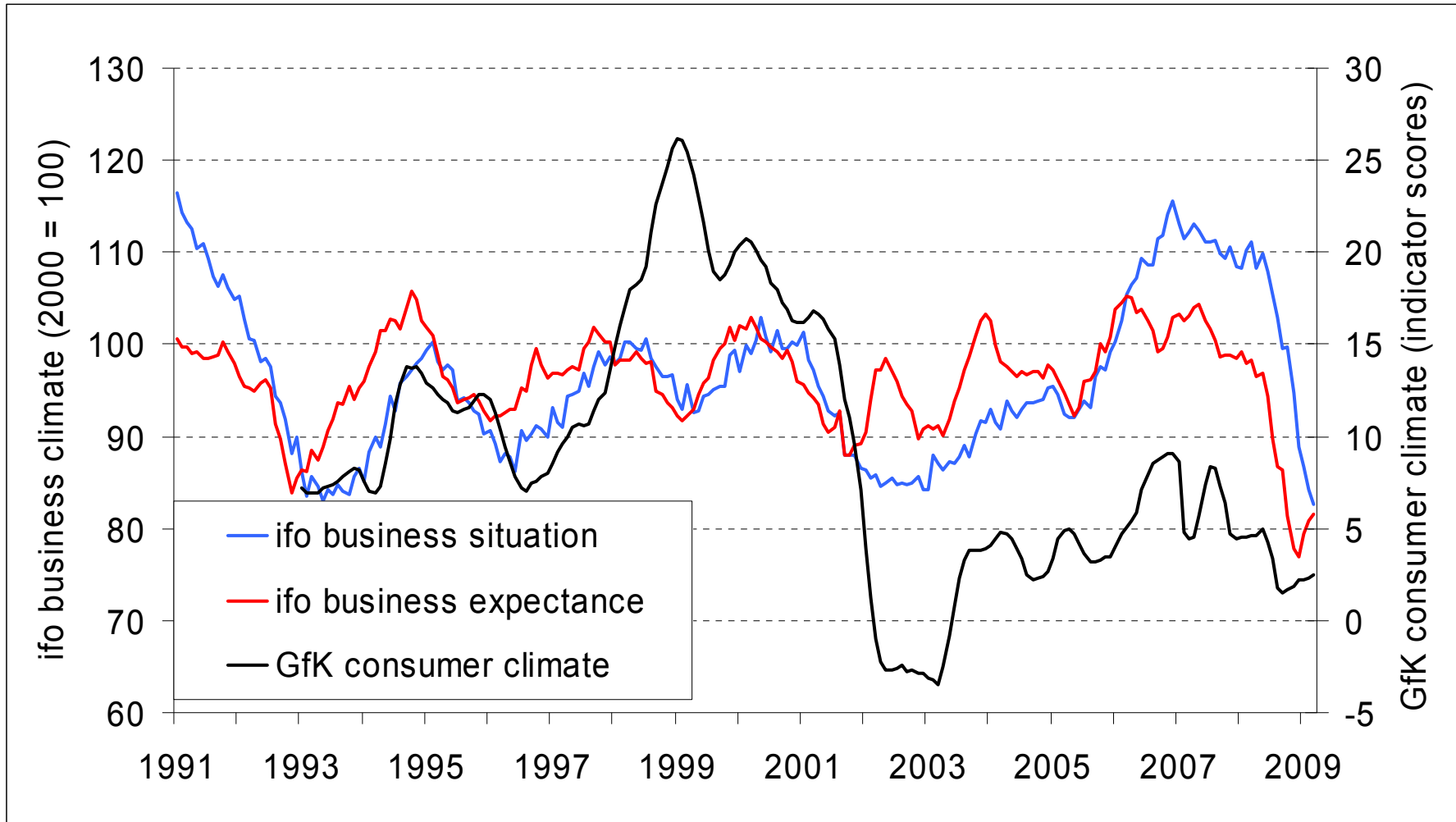
- indices for January 1991 to December 2008, seasonally adjusted -



source: Destatis, Deutsche Bundesbank.

Implications of the economic crisis on German economic indicators

- January 1991 (GfK: 1993) to February 2009, seasonally adjusted -

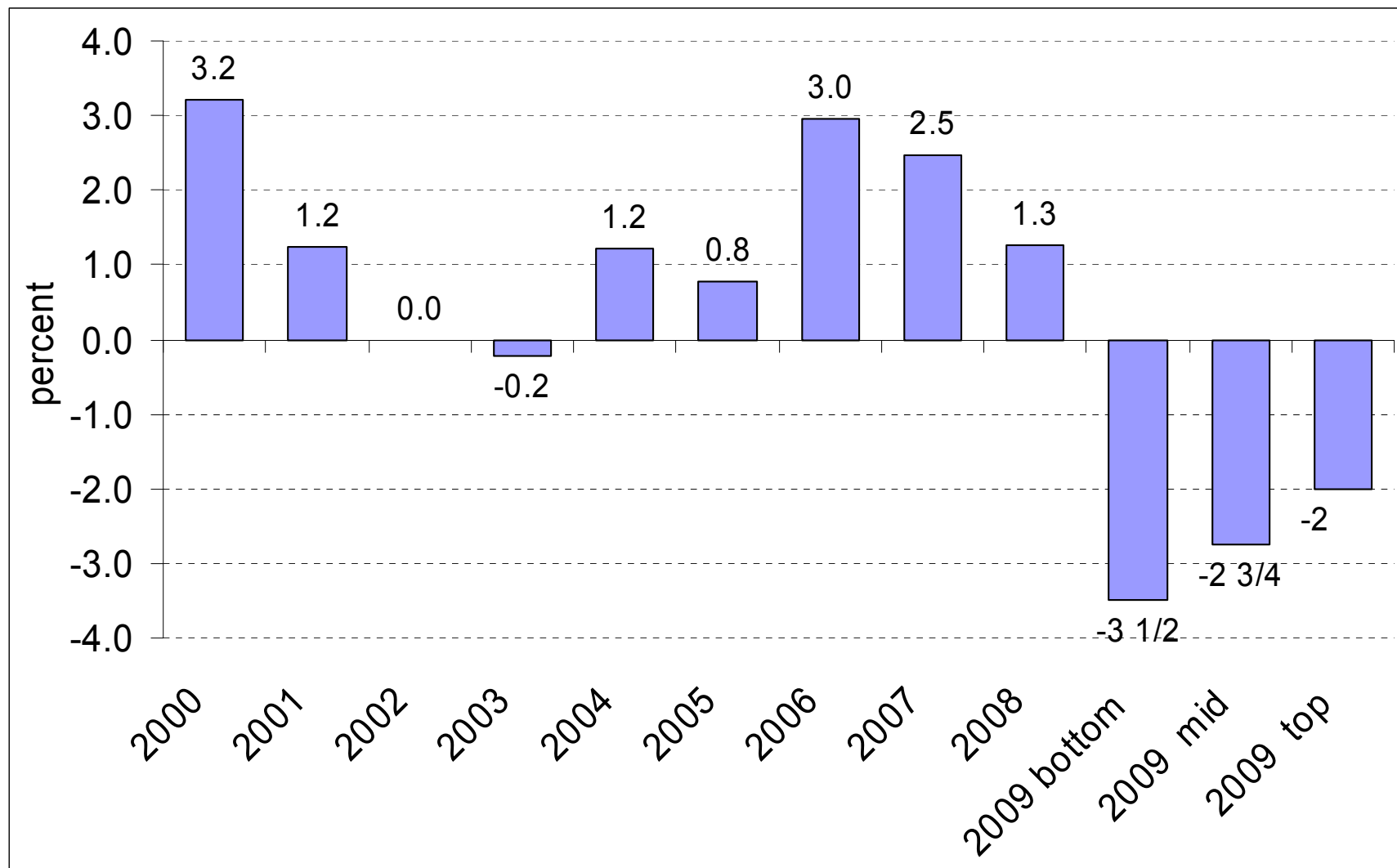


source: ifo München, GfK Nürnberg.

GDP forecasts for Germany

institution	actual 2008	IW	joint analysis	SVR	ifo	Federal Govern- ment	IfW	IMK	RWI	OECD
status (month / year)		Oct 08	Oct 08	Jan 09	Dec 08	Jan 09	Mar 09	Mar 09	Mar 09	Mar 09
private consumer spending	-0,1	0,7	0,4	0,4	0,6	0,8	-1,3	-0,2	-0,6	0,0
consumer spending of the state	2,0	2,0	2,0	2,2	2,0	2,4	1,9	2,3	2,4	0,6
gross fixed investment	4,4	0,3	-1,4	-2,7	-4,9	-5,0	-5,0	-6,5	-9,9	-6,6
export	2,7	1,5	0,3	0,4	-5,7	-8,9	-14,8	-15,6	-12,3	-16,5
import	4,0	1,8	0,4	0,5	-1,3	-5,0	-11,1	-9,4	-8,3	-10,0
real GDP	1,3	0,6	0,2	0,0	-2,2	- 2 1/4	-3,7	-5,0	-4,3	-5,3
employed persons	1,5	-0,1	-0,2	-0,2	-0,8	-0,7	-1,2	-1,3	-1,4	
registered unemployed	3,268	3,30	3,263	3,303	3,471	3,520	3,642	3,66	3,727	

GDP forecasts for Germany – IAB assumption

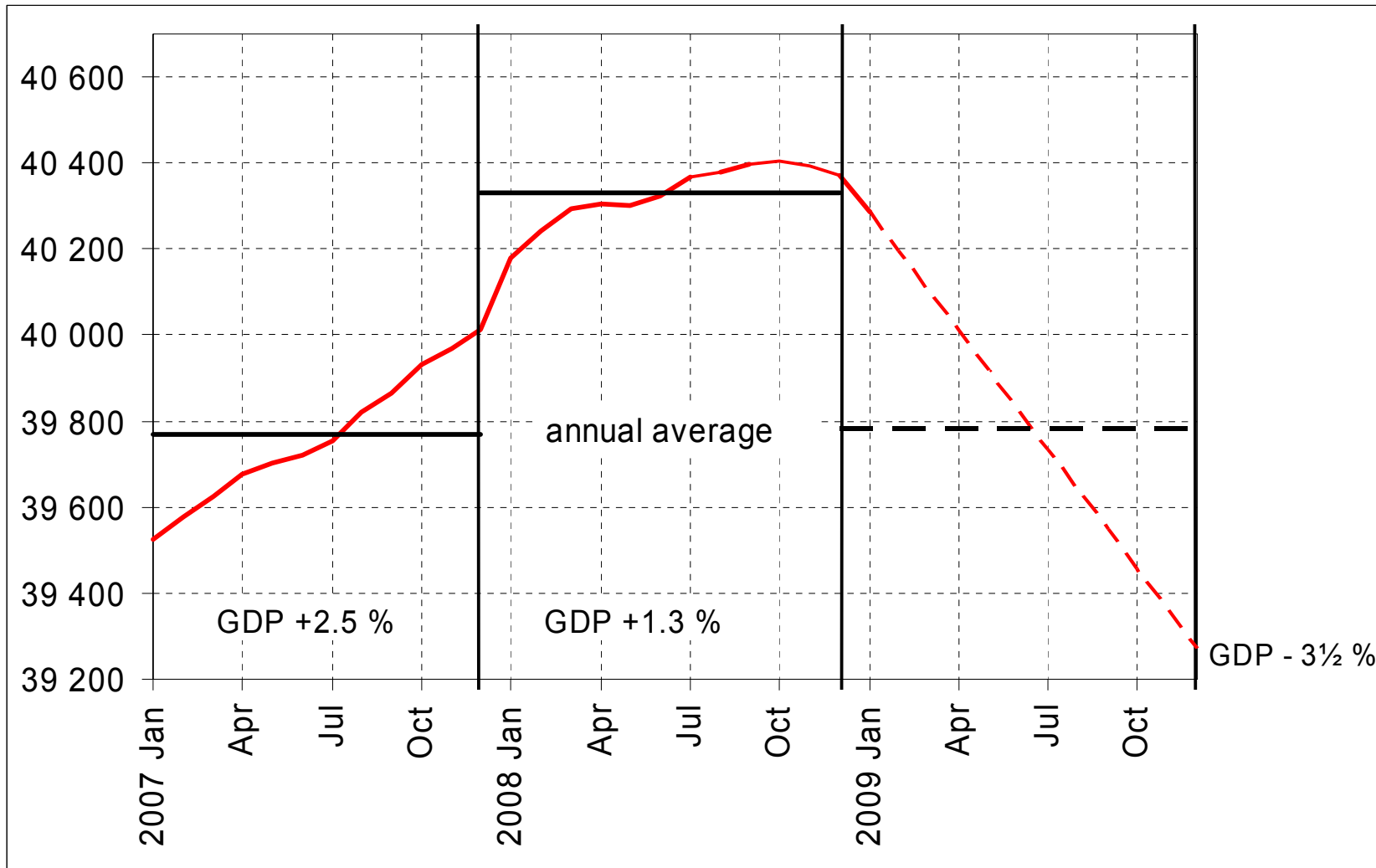


source: Destatis, 2009: assumptions of IAB.

Labour demand in 2009

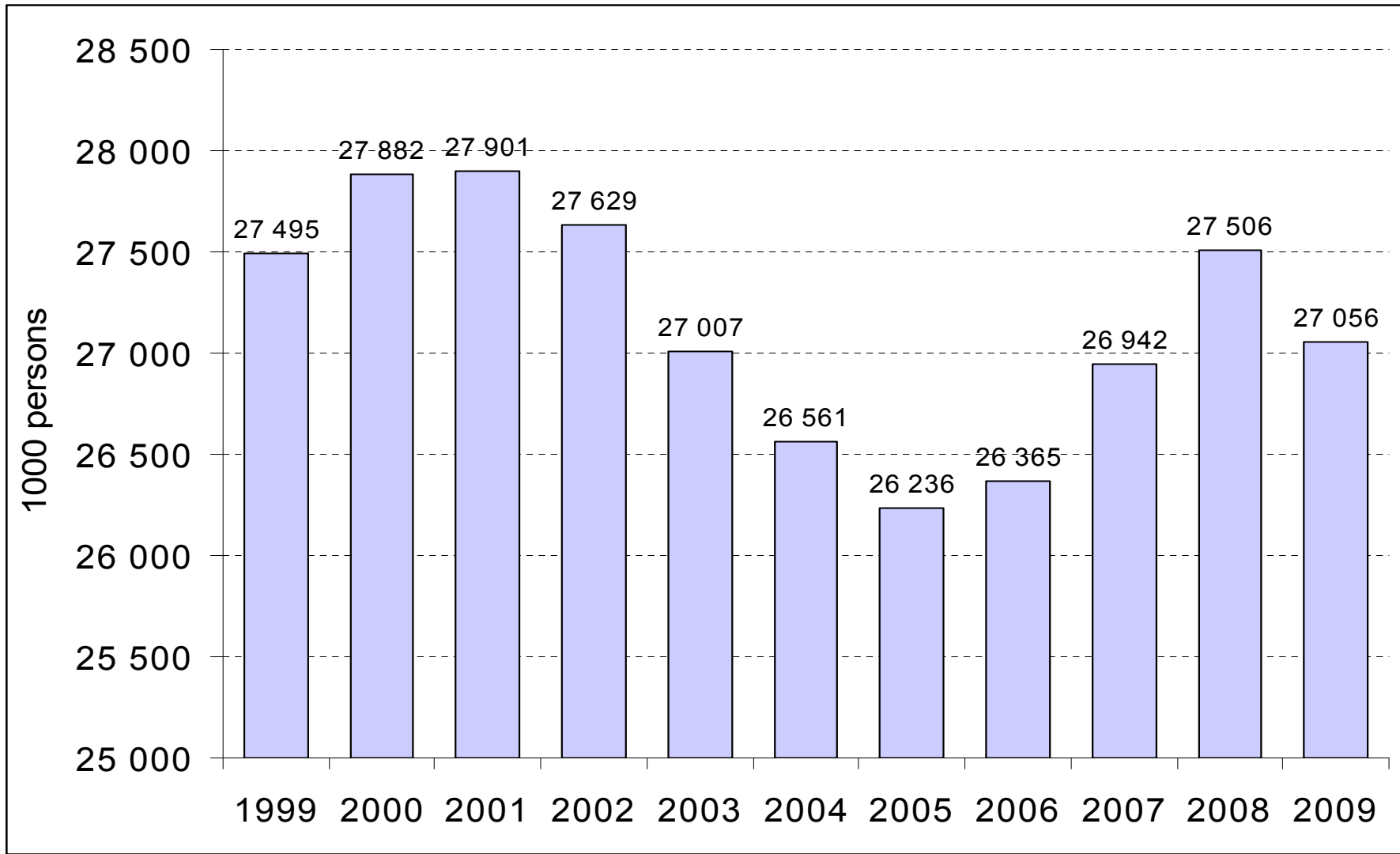
Development of total employment

- persons in 1000, seasonally adjusted data -



source: Destatis, 2009: IAB-calculations.

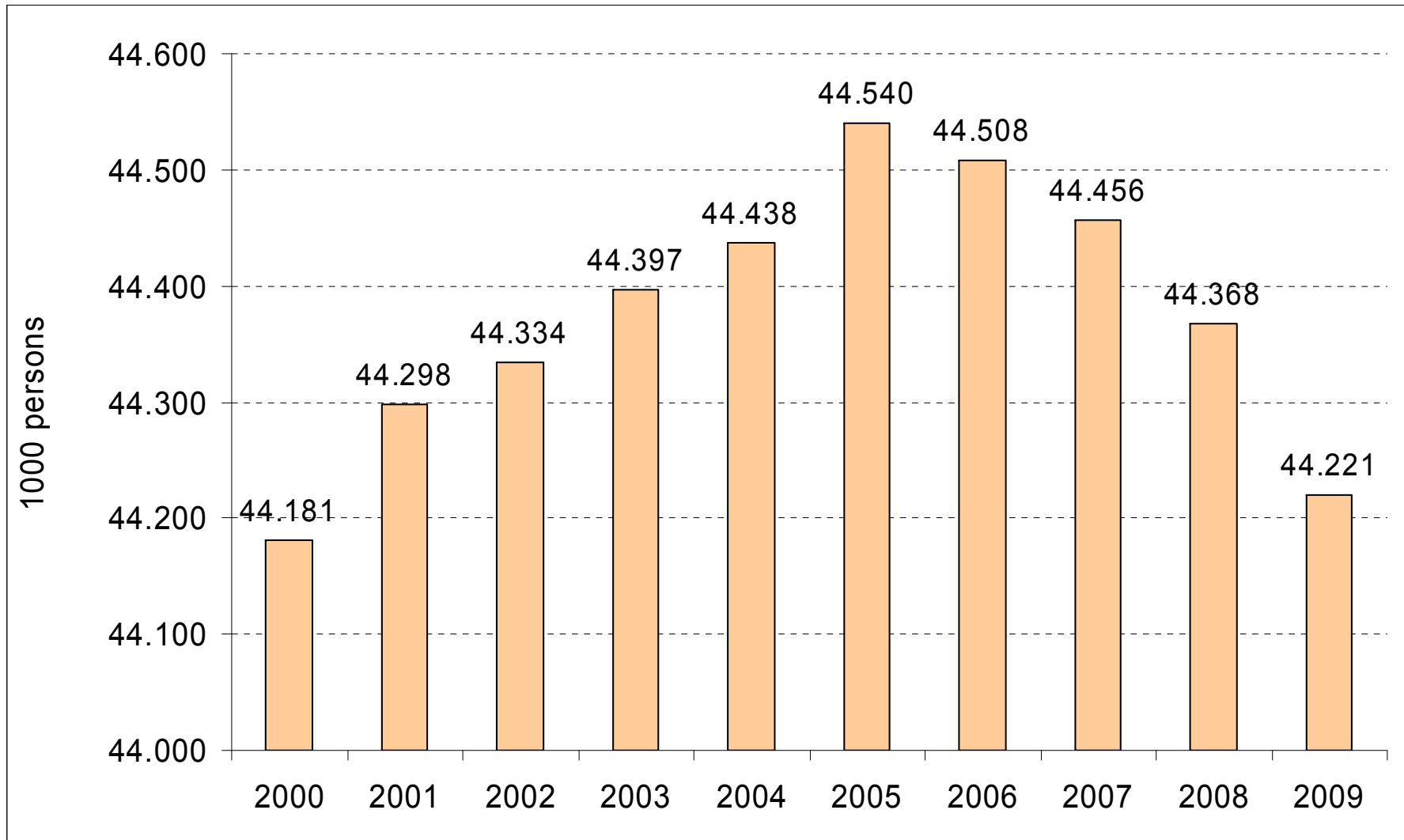
Development of employment covered by social security



source: BA, 2009: IAB-calculations.

Labour supply in 2009

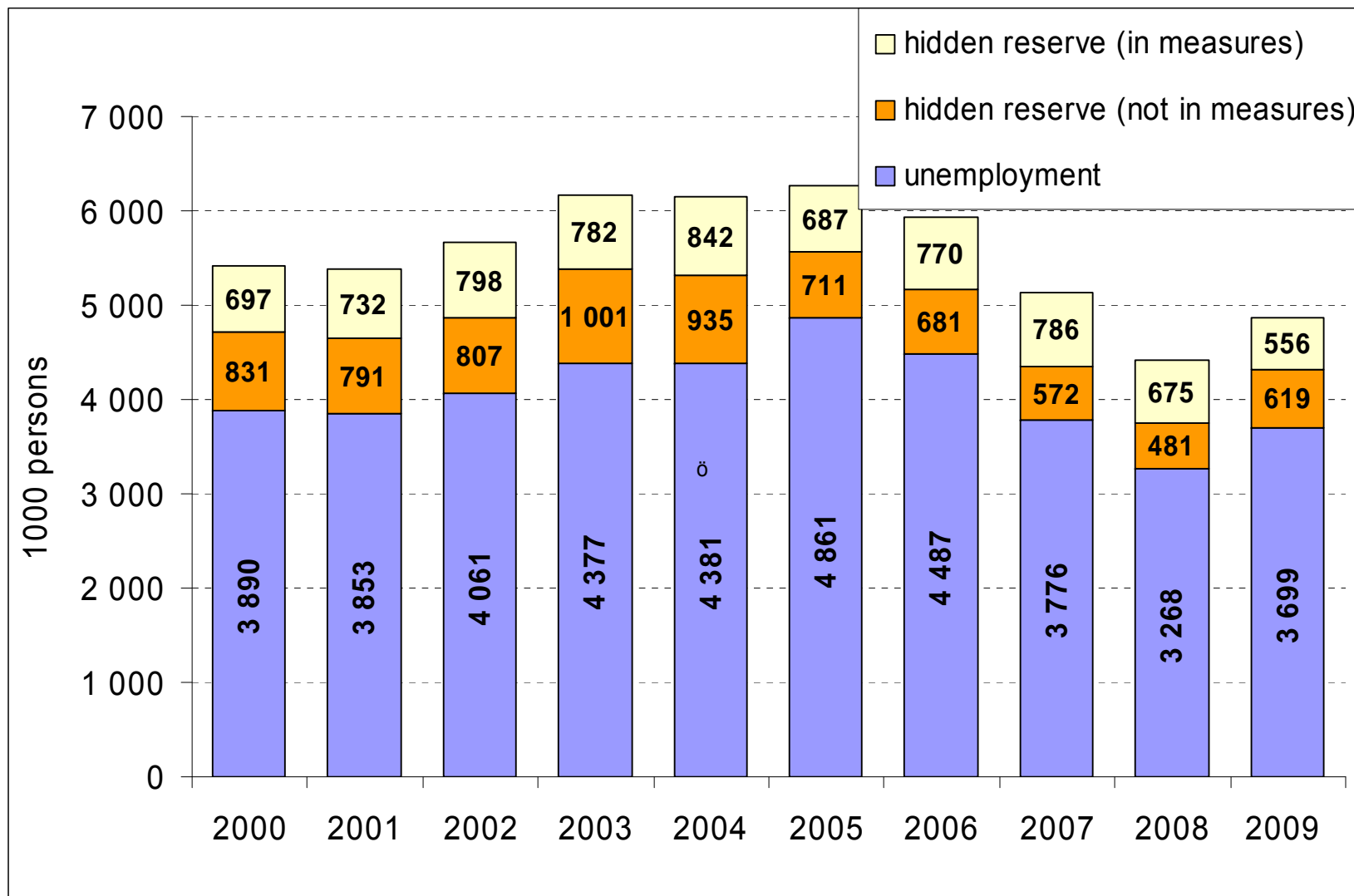
Development of the potential labour force



source: Destatis, BA, IAB-calculations.

Unemployment in 2009

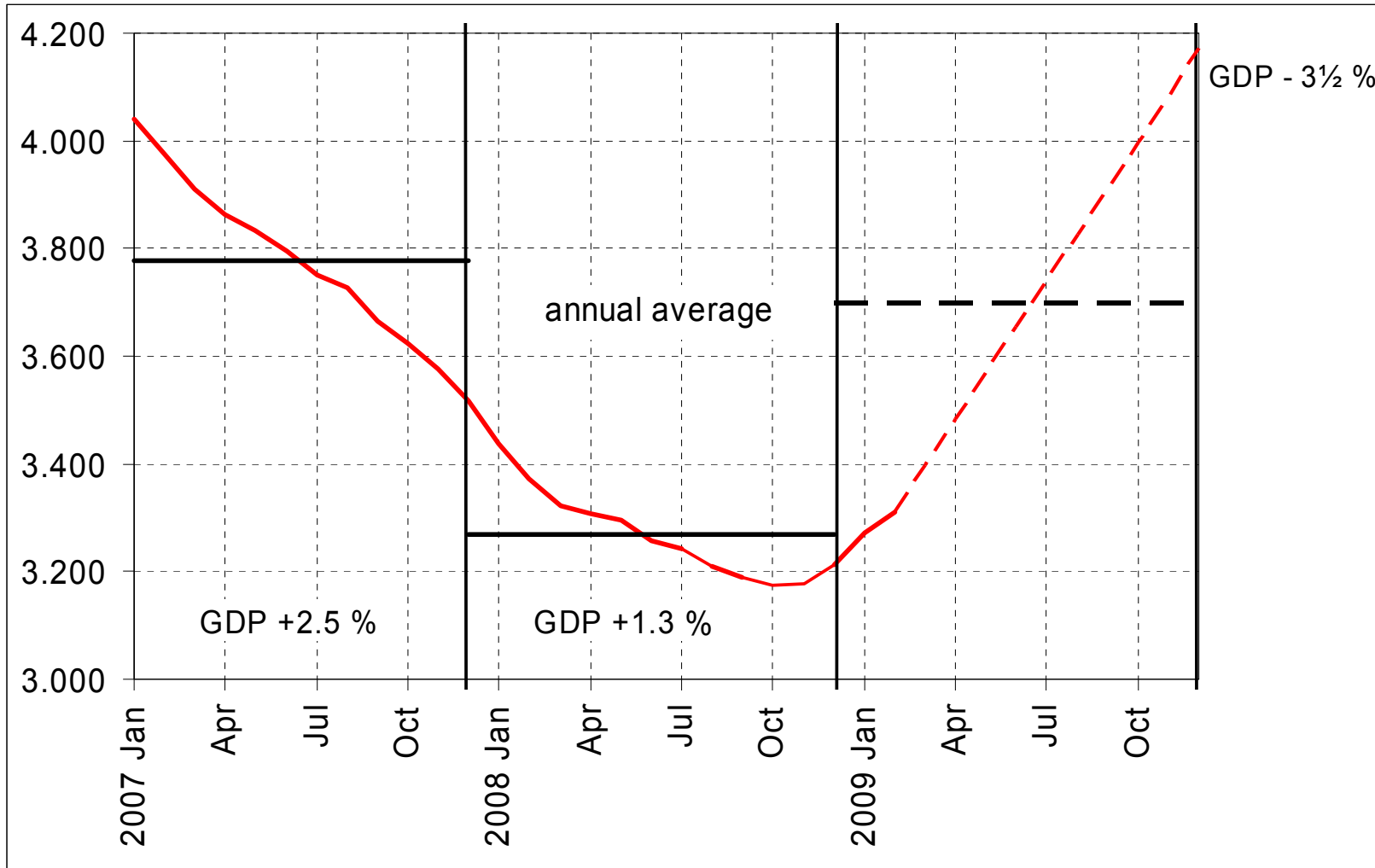
Development of underemployment



source: Destatis, BA, IAB-calculations.

Development of unemployment

- persons in 1000, seasonally adjusted data -



source: Destatis, BA, IAB-calculations.

Political Measures

Labour market outcome not too bad

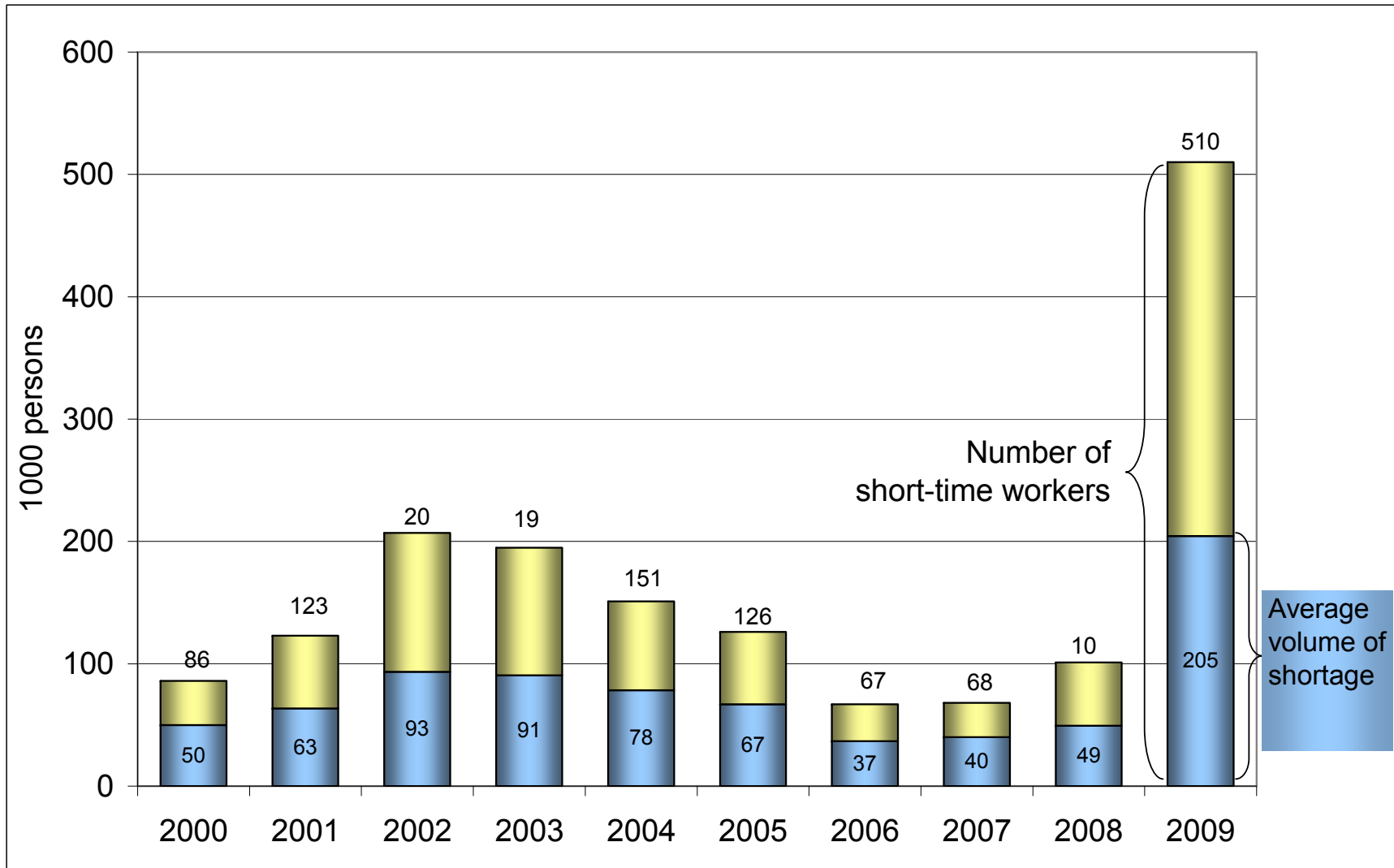
- delay of labour market reaction to the cycle
- decrease of labour force potential
- statistical reasons
- labour hoarding (labour shortages experienced or expected – company level pacts for employment, short-time work)
- political measures with respect to the labour market
 - guaranteed contribution rate to unemployment insurance at 2.8 percent
 - more public staff in public employment services
 - more effort on training measures
 - short-time work

Political support of short-time work

- eased prerequisites
- more users: temporary agency workers
- prolongation to 18 months (24 months are in discussion)
- financial incentives (half payment of employers' social contributions by Federal Employment Agency)
- incentives for qualification (total payment of employers' social contributions if short-time worker is trained during that phase)

→720.000 indications of short-time work in March

Development of short-time work



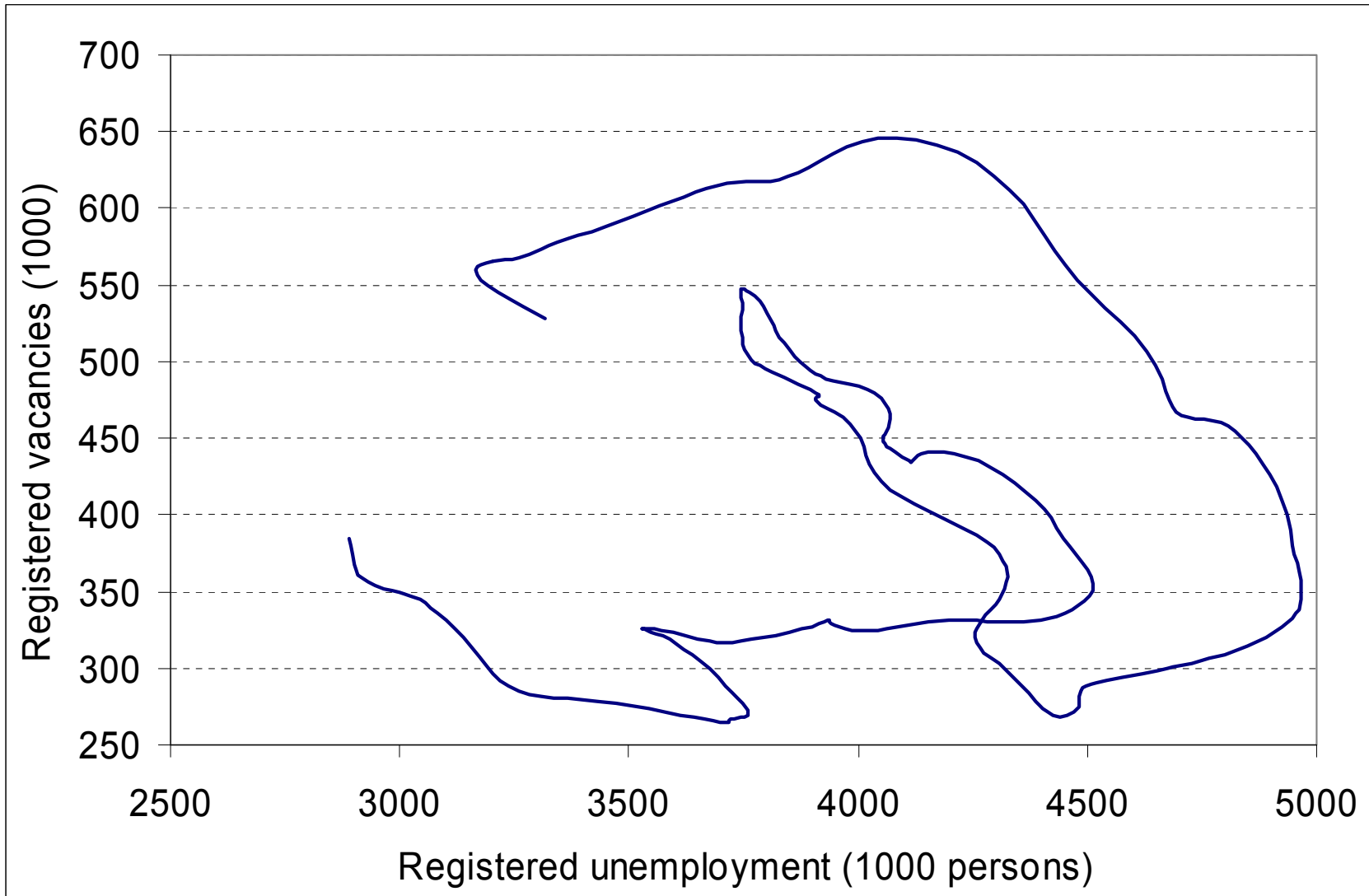
source: BA, 2009: IAB-calculations.

Labour market performance had improved due to

- more flexible wage formation
- more flexible kinds of employment (temporary agency work)
- improved efficiency of matching after reforms of labour market institutions and labour market policy
- less structural unemployment (NAIRU)

→ Don't change!

Beveridge curve, Jan1992 to Feb2009



Seasonally adjusted, without irregular component.

source: BA, IAB.

Future prospects

- 2010 further depreciation of the labour market (statistical influence from end of 2009)
- duration of crisis?
- most indications of short-time work: 6 – 8 months
 - maybe mass dismissals in late autumn

Recommendations for political measures?

- fiscal policy
 - reduction of income tax, social contributions (expensive!)
 - government investment in construction (structural issues) or education (long-run effects)

- social policy?