

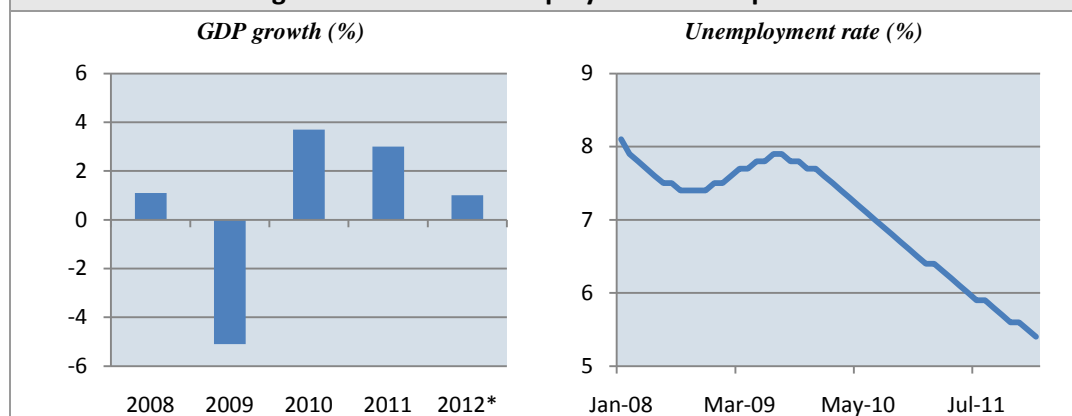
World of Work 2012

Snapshot of Germany

Employment growth remains strong owing to strong export demand from non-Euro countries ...

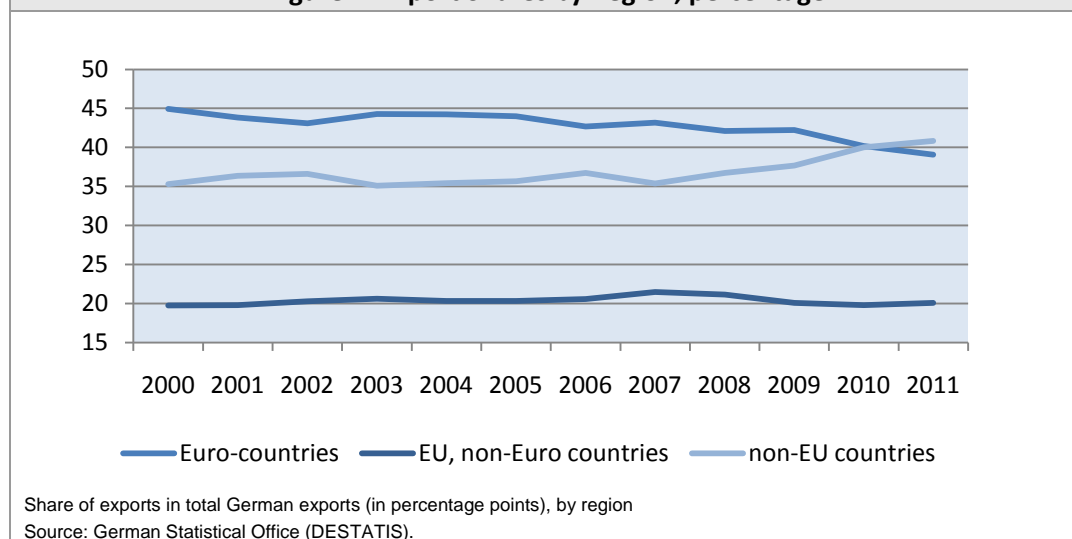
- Economic growth was 3 per cent in 2011. As of February 2012, the unemployment rate (ILO definition) was 5.4 per cent –even less than half the rate of 2005 (figure 1). The ratio of vacancies to registered unemployed in March 2012 reached 0.16, higher than in March 2011 (0.14).
- These positive trends reflect strong manufacturing exports to high-growth countries, notably China. Non-Euro countries have gained in importance for exports (figure 2) since exports to Euro area countries are hampered by low growth.

Figure 1. GDP and unemployment developments



SOURCE: German Statistical Office (DESTATIS). GDP growth 2012 is a forecast by DIW. Unemployment ILO definition

Figure 2. Export Shares by Region, percentage



... but a slowdown is likely in the near future ...

- It is expected that the growth slowdown in high-growth non-Euro countries, the continuing Euro crisis and the diminished rebounding effect after the financial crisis will reduce growth in 2012. GDP already contracted in the fourth quarter of 2011 and is starting to affect job prospects.

- The business sentiment index (IFO Geschäftsklimaindex) predicts a positive-stable environment (+12.1 in April 2012), despite the once again uncertain future of the Euro. In contrast, the manufacturing purchasing managers' index (PMI) already predicts a contraction (46.3 in April).
- The uncertain environment could restrain investment (and thereby employment growth) which despite strong investment growth in 2010 and 2011 is still below its pre-crisis (2001-2007) average (as a ratio of GDP).

... necessitating further reinforcing domestic demand as a driver of growth.

- Further strengthening domestic demand would not only allow employment growth to be less reliant on export performance, but could lead to stronger investment, rebalanced external trade and positively impacted intra-EU balances.
- The key challenge is to improve the quality of atypical employment and ensure that wages catch up with productivity gains. Some improvement in this respect has been achieved as the share of part-time employment in total employment decreased, but more can be done:
 - Real wage growth was positive in 2010 and 2011. However, not all employees experienced real wage growth. In the low-wage sector in Germany the incidence of low pay increased by 4 per cent between 1995-2000 and 2007-2009.
 - The incidence of atypical employment in total employment, at 25 per cent, is relatively high. Atypical employment includes limited-term contracts, part-time employment, "mini-jobs" and temporary employment. Hourly wages in this type of employment are one third lower than is the case for standard employment.
- Most recently adopted collective agreements seem to indicate further real wage increases in 2012 and 2013. Such outcomes are a major positive step. And real wage increases should also apply to groups of workers in the low paid sector and those that are not covered by collective agreements or a minimum wage.

World of Work 2012: Better jobs for a better economy is available at (www.ilo.org/INST). For further comment, journalists are invited to contact Stefan Kühn (tel: +41 22 799 6867), Daniel Samaan (tel: +41 22 799 7539) or Raymond Torres (tel: +41 22 799 7908; email: torresr@ilo.org), Director of the ILO's International Institute for Labour Studies.