

The employment and social situation in Germany

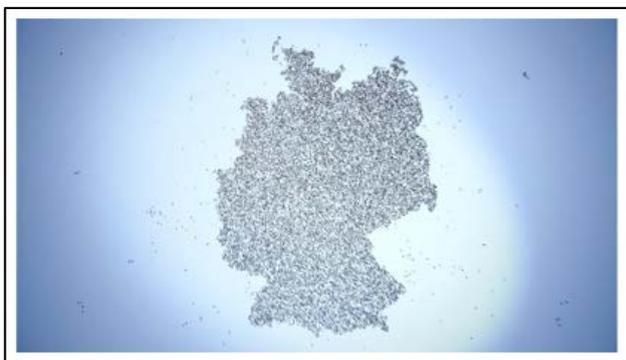
The [original full study](#)¹ of the labour market and social situation in Germany looks into major **employment trends** including atypical employment, unemployment and underemployment. It presents **policy responses** and **major challenges** for the future, such as digitisation and demographic change. Further, it explores policy action to fight poverty, trends in the German social partnership model and in the skills development system. Finally, it describes the contribution of the European Social Fund. The note covers aspects of the COVID-19 pandemic.

Background

The Committee on Employment and Social Affairs of the European Parliament has requested an analysis of the employment and social situation in Germany in the context of Germany's presidency of the Council of the European Union (EU) from July to December 2020.

Key findings

Recent **trends** in Germany include **steady growth in employment** after the global economic crisis of 2008 driven by increased employment rates – in particular among **women, older workers** as well as **migrants**. Part-time employment, especially for women, expanded, and the female employment rate grew by 13.6 percentage points, from 58.5% in 2004 to 72.1% in 2018. The number of employed persons with foreign citizenship doubled between 2009 and 2019.



As a result of the increased demand for labour, the unemployment rate decreased to 3.2% in January 2020 and the long-term unemployment (LTU) rate fell to a low of 34% (2018, LFS data). The unemployment rate of young people is even slightly below that of adults.

The number of mini-jobbers remained at a high level, though decreasing following the introduction of the minimum wage in 2015. In June 2019, there were as many as **7.9 million mini-jobbers**, compared to 33.41 million employees subject to social security contributions. Of these marginal part-time employees, 62.1% had the mini-job as

their only form of employment. The share of employees with fixed-term employment contracts was 8.3% in 2018. The number of temporary agency workers reached a peak in 2017 and decreased to 2% of all employed persons in 2019.

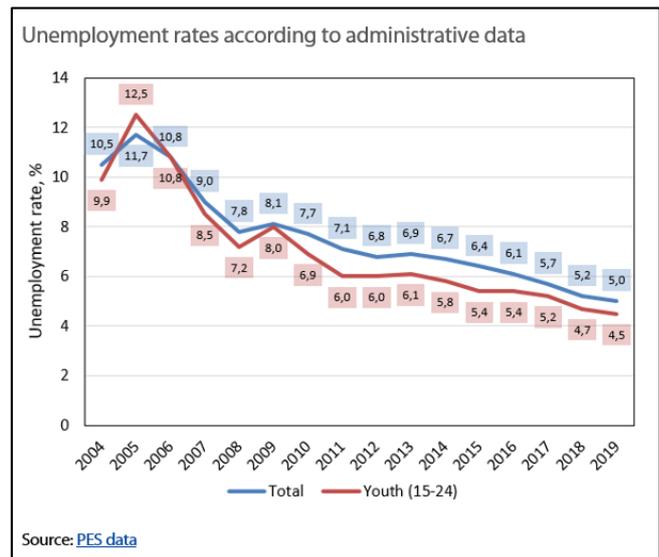
In line with recent **active labour market programmes**, a major proportion of the European Social Fund (EUR 885 million) focused on **reducing long-term unemployment** and bringing **disadvantaged young people** into education (in particular VET). Also, recent policies have successfully targeted refugees and asylum seekers, and the Federal Inclusion Act of 2016 promotes measures for a wider inclusion of people with disabilities in terms of employment.

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Current major **challenges** include the first signs of slowing down of employment growth. Leading economic research institutes predict a severe economic recession at least for 2020 as an effect of the COVID-19 pandemic (German GDP to shrink by 3-6%). Furthermore, in 2017, 7.9 million persons earned wages below the low-wage threshold (i.e. 2/3 of the median gross hourly wage) which remains a challenge due to low mobility. Furthermore, the German society is ageing and facing shortages of nurses and carers for older people in need of care.

Although Germany is well known for its **social partnership model**, trade unions have seen declining memberships over several decades, and an increasing share of workers are not covered by a collective bargaining or Works Council agreement.



In terms of skills, the **dual vocational education and training system** is one of the main success factors **lowering unemployment among young people** and **skill gaps**. However, the number of young people enrolling in this system is falling in favour of university education. To tackle skills shortages faced by the dual vocational education and training (VET) system, various actions were undertaken, including setting up an Alliance for Initial and Continuing Education and Training; measures to integrate disadvantaged youth into dual vocational education and training; and the introduction of new formats of study courses such as dual bachelor courses.

Furthermore, to promote **lifelong learning**, several measures and laws have been introduced over the past few years: the **Qualification Opportunity Act** (2019) includes a **binding right to guidance on further training** by the Federal Employment Agency. In addition, it extends subsidised training to employees affected by structural change. To address skill shortages and the threat of **skill shortages** (mostly in the health sector, construction sector and some manufacturing industries, as well as in ICT roles across all sectors), the federal parliament adopted the Skilled Workers Immigration Law (2020), which eases immigration to Germany of highly skilled workers and of VET workers from third countries. Furthermore, in June 2019, a **new national strategy** was adopted to address the challenges of increasing **digital transformation in the workplace**. Digitisation is expected to have considerable structural effects on the German labour market. Even if the recent labour market prognosis estimates that up to 2035, only 300,000 workers will be replaced by new technologies, the content of many jobs will change, thus implying an increased need for vocational adaptation.

Good economic performance in Germany over the past decade contributed to reducing **poverty**. A **statutory minimum wage** introduced in 2015 had positive effects on wages in the lowest income groups. Nevertheless, a number of **social problems** remain acute: many children living at risk of poverty (17.3% in 2018) or in poverty, and a lack of equity and social mobility of the education system. A relatively low replacement level, together with an increase of the retirement age, have triggered a revision of the basic pension. Affordable housing has become a major problem, not only for low-income but also middle-income households, above all in urban areas.

As a response to the **COVID-19 pandemic**, Germany has facilitated access to existing **short-time work arrangements**. A survey conducted by the Hans-Böckler Foundation, published in April 2020, suggests that in mid-April about **4 million workers** were included in the short-time work scheme.

¹ [https://www.europarl.europa.eu/ReqData/etudes/STUD/2020/648803/IPOL_STU\(2020\)648803_EN.pdf](https://www.europarl.europa.eu/ReqData/etudes/STUD/2020/648803/IPOL_STU(2020)648803_EN.pdf).

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IP/A/EMPL/2020-10; Manuscript completed: August 2020; Date of publication: August 2020
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