Germany

National report on the labour market position of vulnerable groups

The research leading to these results has received funding from the European Community’s Seventh Framework Programme under grant agreement No. 320121 (Project INSPIRES)
National report on the labour market position of vulnerable groups in Germany


This report is part of work package number 2 of the INSPIRES project. The INSPIRES project is a collaborative research project of thirteen universities in eleven countries, funded by the European Union. The goal of the INSPIRES project is to contribute to the resilience and active inclusion of labour markets in European countries by identifying innovative policies that contribute to resilience and inclusiveness and by analysing strategies of policy learning that facilitate the development and transfer of these innovations within and across European countries.

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“Taxes keep rising, the pension and health insurance systems are ailing. More and more companies are going bankrupt or are leaving the country. Unemployment has reached alarming levels. Germany is outperformed by its neighbours. Its growth rates are in the cellar, and it can’t keep up with Austria, the Netherlands, Britain or France. Germany has become the sick man of Europe.” (Abstract for the 8th edition of the book “Ist Deutschland noch zu retten” written by Hans-Werner Sinn and published in 2004)

“Germany’s labour market showed continued resilience in the face of an uneasy environment […]” (Federal Minister for Labour and Social Affairs Ursula von der Leyen on November 2012)

“Consider, for a moment, a tale of two countries. Both have suffered a severe recession and lost jobs as a result – but not on the same scale. In Country A, employment has fallen more than 5 percent, and the unemployment rate has more than doubled. In Country B, employment has fallen only half a percent, and unemployment is only slightly higher than it was before the crisis. Don’t you think Country A might have something to learn from Country B? This story isn’t hypothetical. Country A is the United States, where stocks are up, G.D.P. is rising, but the terrible employment situation just keeps getting worse. Country B is Germany, which took a hit to its G.D.P. when world trade collapsed, but has been remarkably successful at avoiding mass job losses. Germany’s jobs miracle hasn’t received much attention in this country – but it’s real, it’s striking, and it raises serious questions about whether the U.S. government is doing the right things to fight unemployment” (Paul Krugmann in the NYT on November 13, 2009)

Introduction
From reading the three quotes above, one could easily get the impression that they tell the story of two completely different countries and not of one and the same Germany. The changes and developments in the German labour market reflected in these quotes become even more impressive by considering that the time period between the first and the last quote is less than ten years. Apparently, Germany has not only transformed from “the sick man of Europe” (Sinn 2003) to a country with a resilient labour market (von der Leyen 2012), but has also managed this transformation within a comparably short time period. Even in the harsh economic crisis of the years 2008 to 2010 the German labour market remained comparably stable. Germany experienced a decline in employment that was much smaller than in other countries of the European Union. Furthermore there were no mass dismissals despite the con-
sizable decrease in demand – especially in the export oriented industries. However, the presented figures as well as the vast majority of the respective academic literature about the labour market developments during the crisis focus primarily on the overall effects of the economic crisis on employment, unemployment or inactivity in Germany (Hüfner and Klein 2012; Knuth 2013; Möller 2010; Rinne and Zimmermann 2012). In contrast little is known about the labour market trends for specific vulnerable groups with regard to both, the quantity and the quality of employment. Accordingly this report will try to shed some light on the labour market development of vulnerable groups since 2000 and to give some explanations for both, the overall development of the German labour market as well as the particular labour market performance of the vulnerable groups.

In addition, the regional perspective will be taken into account whenever possible/useful because there is clear evidence that exporting firms in manufacturing and regions with a high share of those firms were the main victims in the economic crisis (Möller 2010: 330; section 2). For the regional analysis, we have disaggregated Germany into five larger regions in order to spare the reader dealing with 16 federal states (for details see Annex 1).

The report is structured as follows. Section 2 starts with a brief overview of the overall employment trends in Germany between 2000 and 2012. In addition to a bulk of statistical figures some reasons for the specific German development are also mentioned. Section 3 describes the essential reasons of Germany’s labour market transformation since 2000 in more detail. All in all there are four structural changes in the German labour market that we consider fundamental: Though section 3.1 covers the two institutional reasons, namely the labour market reforms with a particular focus on the so called Hartz-Reforms as well as the pension reforms with a particular focus on the phasing out of early retirement options. In Section 3.2 we discuss reasons mainly located on the firm or sectoral level. Of central importance in this context is the changed behaviour of firms during the last recession mainly due to demographic reasons and the declining force of collective agreements. Section 4 contains a brief presentation and definition of the vulnerable groups focused on in the subsequent section. Afterwards some overall statistical figures about the labour market development of the vulnerable groups are shown and discussed (Section 5.1). Subsequent to this, each group is discussed separately in section 5.2.

**Overall employment trends in Germany between 2000 and 2012**

The development of the German labour market looks particularly positive in view of the unemployment rate in a longer period. From the early 1980s until 2005, the unemployment rate climbed from one economic cycle to the next: when growth was weak or even negative, unemployment surged, but when the economy picked up again unemployment did not return to its previous level. This pattern seems to have been broken now. After 2005 the unemployment rate declined more or less steadily and reached in 2012 almost the pre-unification level of 1990 (Figure 1).
Figure 1: Average yearly unemployment rate and changes in GDP 1983-2012; in percent


The term “jobs miracle” (Krugmann 2009) was first applied to Germany when the most severe recession since 1929 caused a decline in GDP of around 5% in 2009 with no substantial rise in unemployment rates (neither a rise of inactivity rates (Figure 28 in Annex 2: Additional figures regarding inactivity) The increase in unemployment in Germany during the recession was in fact one of the lowest among the countries of the EU, amounting to just 0.3 percentage points between 2008 and 2009 (compared with an EU 28 average of 1.9 percentage points). The exceptional position of Germany during the European crisis becomes even more apparent when taking a wider observation period into account. While unemployment rose within the EU 28 about 3.5 percentage points (from 7.1 % to 10.6 %) between 2008 and 2012, it declined in Germany from 7.6 % to 5.6% (-2.0 percentage points). This occurred while economic growth rates were at levels that had been compatible with rising unemployment rates in earlier periods. Thus, any "miracle" on the German labour market is due not to stronger growth but to a heightened responsiveness of the employment as well as the unemployment level to actually only modest growth triggers. Just in passing it may be noted that Germany needs extreme export surpluses in order to maintain only moderate growth rates which raises some doubts with regard to the sustainability of this trajectory.

Whereas the general cyclical pattern of developments in the five regions is strictly parallel, there are clear regional differences both with regard to unemployment levels in general and the impact of the economic crisis since 2008. We find higher unemployment in the east, which is identical with the former German Democratic Republic except for former West Berlin which was economically not very viable either. However, beginning from 2005, 15 years after the unification, the gap between the east and the west is clearly narrowing, and the east’s weakness in global exports turned out to be a strength in the financial crisis which hardly affected the

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1 The five larger regions used in this report instead of the 16 federal states are defined and described in Annex 1.
east at all. Accordingly those regions with a comparably high share of exporting manufacturing firms were the main victims of the world recession.

“The economic crisis has had a differing degree of impact on the branches of industry. There was a big decline in employment in the manufacturing industries, employee leasing (temporary employment) […], transport and logistics and the fields of information and communications. In contrast, the areas of education as well as child, health and social care have registered continuing sharp rises in employment […]. The hospitality industry (hotels and catering) has also been unaffected by the crisis.” (Federal Employment Agency (Bundesagentur für Arbeit 2009: 6)

Figure 2: Unemployment rates at regional levels 2000 - 2012; Germany; in percent

This becomes particularly obvious in Table 4 (Annex 1: Defining regions). Federal states with a particular low share of exporting firms in manufacturing, transport or logistics like Mecklenburg - West Pommerania (-0.4%; East), Berlin (-2.4%, East) and Schleswig-Holstein (-2.7%, North) experienced a comparably modest decline in GDP in 2009 (compared to 2008). The opposite pattern appears in the federal states with large industrial locations, like Baden-Württemberg (-8.8%, South), the Saarland (-10.0%, Southwest), Bremen (-6.7%, North) or Thuringia (-5.0, East), which show an above average decline in GDP between 2008 and 2009. The decline of the GDP in Hesse (-7.7%, Southwest) was mainly caused by the financial crisis of the banking sector with Frankfurt as one of the financial capitals in Europe.

The different regional affectedness by the crisis is also reflected in the different regional responses to short-time allowances. In the vast majority of the respective scientific literature, the extension of short-time allowances during the crisis is mentioned as one (if not the most essential) explanatory factor for the respective labour market development in Germany.
(Hüfner and Klein 2012: 13; Möller 2010: 334). The basic scheme provides income support for workers whose working-time has to be reduced temporarily for economic reasons. Short-time working allowances are designed to finance 60% (if the employee has no children) to 66% (with children) of the emerging earnings gap (Möller 2010: 334). The employers, however, are obligated to pay the full social security contributions including the hours not worked plus bank holidays and paid leave (days which would have been paid without work anyway) which raises the fixed costs of employment, “thereby providing some incentive to exit the scheme when it is not needed anymore” (Hüfner and Klein 2012: 13).

Fehler! Verweisquelle konnte nicht gefunden werden. shows the proportion of short-time workers as a percentage of total employment between 2000 and 2012 with its clear peak in 2009. It becomes also quite obvious, that the highest share of short-time work is located in the southern and (south) western part of Germany. This gain is a reflection of the fact that the share of exporting firms is considerably higher in these regions.

**Figure 3:** Regional proportion of Short-time workers as a percentage of total employment 2000-2012

“The regional dispersion of short-time work is closely linked to the share of manufacturing. The highest shares are found in the state of Baden-Württemberg. Looking at industries, the share of short-time work usage is extremely high in the automotive, metals, plastics, and textile sectors. For example, from April 2008 to March 2009 the cumulated share of short-time work notices in relation to the total number of workers was as high as about 50% in the automotive and in the metals sector.” (Möller 2010: 335)
Figure 4: Employment and unemployment rate in the EU 28 and Germany 2000 to 2012; in percent

Source: EUROSTAT 2014

While the numbers presented so far already have illustrated the fundamental change in Germany’s labour market over the past seven years, Figure 4 in addition highlights the significant difference to the overall employment trend in the EU 28. While the trend over time for the latter shows the combination of a rise in the unemployment rate on the one hand and a corresponding decline in the employment rate between 2008 and 2012 on the other hand, the increase of the unemployment rate in Germany was comparably small and limited only to 2009, and it went along with a rising number of people in work (Figure 4). Between 2005 and 2012 the employment rate increased by 7.3 percentage points and hit a historic high of nearly 73% (in 2012).

Figure 5 shows some developments underlying this new trend: The population of working-age has been shrinking since as far back as 2000, but the number of people in work has been rising since 2005 (and also during the previous cycle from 1997 to 2000) in a counter-movement, resulting in a historic high of the employment rate in 2012. Until about 2006, the number of total hours worked (the volume of work) was decreasing, a trend that seems to have been reversed since with 2009, however, being an exception. An important intervening factor is the reduction of average annual working time of those in work\(^2\), as shown in Figure 6 in regional disaggregation. In sum, more people are sharing a ‘pie’ of work that has, for the time being, ceased to

\(^2\) The distribution of working time in Germany is very uneven, especially with respect to gender. Within Europe, the gender working-time gap is greater only in Austria, Ireland, the United Kingdom
shrink. At the same time, the population of working age is decreasing, which makes for higher employment rates and lower rates of both unemployment and inactivity even though economic growth rates are only moderate.

Figure 5: Working-age population, number of people in work, workers paying social-security contributions (left-hand scale) and total hours worked, 2000-2012


Looking at average individual working hours per year in regional disaggregation, there are again only slight differences in the cyclical patterns but some difference in levels (Figure 6). Average hours are somewhat higher in the east which reflects different regulations in regional collective agreements, lower coverage by collective agreements (Figure 31 in Annex 5: Collective agreements and existence of works councils in western and eastern Germany) and lower shares of part-time work, the latter tracing back to more gender-equal employment patterns in the erstwhile German Democratic Republic and better childcare provision even today. In other words, much of the higher unemployment rate of the east (Figure 2) would disappear if part-time work were to become as common in the east as it is in the west.

and the Netherlands. Comparing the working-hours profiles of men and women in the United Kingdom, Germany, Sweden and Slovenia, only in the United Kingdom was the proportion of women in “very short” part-time work (under 20 hours) higher than in Germany (Kümmerling 2013, p. 5).
Figure 6: Average annual working hours 2000-2012 per worker in the five German regions

Source: Federal Statistical Office 2014

Whereas the crisis of 2008/2009 hardly affected unemployment (Figure 2) or employment (Figure 4), it clearly left its mark on average working time. The shock of the crisis was absorbed primarily by internal adjustment of working hours. The reduction of working hours was in part compensated by short-time allowances (see Fehler! Verweisquelle konnte nicht gefunden werden); another part was managed by decreasing balances in working time accounts. In the former case, workers received wage replacements for hours lost from the unemployment insurance fund, possibly supplemented by employers’ payments; in the latter case, workers would receive their full pay for overtime hours they had already worked and ‘put in the bank’. This flexibility was possible since in the course of the economic upswing between 2005 and the first half of 2008 a noteworthy surplus of working hours had been accumulated on these accounts (Möller 2010: 331). Thus there was a sizeable buffer stock of working hours available at the onset of the crisis and “firms could react to the crisis by pushing their workers to reduce their surpluses or even to accumulate deficits” (Möller 2010: 332).

In the period under consideration, the long-standing decline in average working hours does not result from reductions of the full-time standard. Rather, it reflects an increase of ‘atypical’ forms of employment (Figure 7). In particular the increase in marginal employment\(^3\) (so called

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\(^3\) Marginal employment is better known as “mini-jobs”. At present workers in marginal employment are allowed to earn up to 450 € without the obligation to pay taxes or social security contributions. Thus, in this employment category, gross income equates income. Employers on the contrary have to pay contributions to the statutory health insurance (13%) as well as to the statutory pension insurance (15%) plus a flat-rate income tax of 10%.
“mini-jobs” earning no more than 450 Euros per month now, 400 Euros during the period under consideration; see Figure 7) and “solo-entrepreneurs” explains how the total number of persons in gainful employment and the number of employees paying social security contributions drifted apart until 2005; the latter have only been rising again since 2007. This trend is reinforced by the fact that total hours worked apparently stopped falling in 2006 (Figure 5).

**Figure 7:** Workers in atypical employment and in standard employment relationships 2000-2012; in millions

<table>
<thead>
<tr>
<th>Year</th>
<th>Part Time workers subject to social security contributions</th>
<th>Full Time workers subject to social security contributions</th>
<th>Workers in marginal employment</th>
<th>Workers with a fixed-term work contract</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td>3.9</td>
<td>23.9</td>
<td>4.2</td>
<td>2.1</td>
</tr>
<tr>
<td>2001</td>
<td>4.1</td>
<td>23.7</td>
<td>4.2</td>
<td>2.1</td>
</tr>
<tr>
<td>2002</td>
<td>4.3</td>
<td>23.3</td>
<td>4.2</td>
<td>2.0</td>
</tr>
<tr>
<td>2003</td>
<td>4.3</td>
<td>22.7</td>
<td>4.2</td>
<td>2.0</td>
</tr>
<tr>
<td>2004</td>
<td>4.4</td>
<td>22.2</td>
<td>4.2</td>
<td>2.4</td>
</tr>
<tr>
<td>2005</td>
<td>4.4</td>
<td>21.8</td>
<td>4.9</td>
<td>2.6</td>
</tr>
<tr>
<td>2006</td>
<td>4.5</td>
<td>21.8</td>
<td>4.9</td>
<td>2.7</td>
</tr>
<tr>
<td>2007</td>
<td>4.8</td>
<td>21.8</td>
<td>4.9</td>
<td>2.7</td>
</tr>
<tr>
<td>2008</td>
<td>5.0</td>
<td>22.1</td>
<td>4.9</td>
<td>2.6</td>
</tr>
<tr>
<td>2009</td>
<td>5.2</td>
<td>22.4</td>
<td>4.9</td>
<td>2.8</td>
</tr>
<tr>
<td>2010</td>
<td>5.4</td>
<td>22.2</td>
<td>4.9</td>
<td>2.7</td>
</tr>
<tr>
<td>2011</td>
<td>5.7</td>
<td>22.3</td>
<td>4.9</td>
<td>2.8</td>
</tr>
<tr>
<td>2012</td>
<td>7.4</td>
<td>21.8</td>
<td>4.9</td>
<td>2.7</td>
</tr>
</tbody>
</table>


Taking full time workers subject to social insurance contributions as the reference for the ‘standard employment relationship’, Figure 7 shows how their numbers declined by 2.1 million (-8.8%) until 2006, while the number of workers in atypical employment considerably rose by the same amount (+20.0% compared to 2000). The strongest increases in absolute numbers can be observed in the group of part time workers subject to social insurance contributions (+600,000 persons) as well as in the group of workers in marginal employment (+700,000 persons). The largest relative rise took place in the group of the temporary agency workers which doubled between 2000 and 2006. This overall trend in the German labour market continued after 2006. Subsequent to a temporary increase between 2007 and 2011 (including a comparatively small decline between 2008 and 2009) the number of full time workers subject to social security contributions in 2012 was on the same level as in 2006. The same is true for people in marginal employment. In contrast, the number of workers with a fixed-term contract

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4 Break in time series between 2011 and 2012 for the groups of the full- and part-time workers subject to social security contributions.

5 For workers in marginal employment displayed in Figure 7, the “mini-job” is their only job – mini-jobs as second jobs exist in considerable numbers but are excluded in this account of persons’ employment status.
(+100,000) as well as the number of temporary agency workers (+300,000) is substantially higher than 2006. The strongest increase however, can be observed in the group of part time workers who are subject to social security contributions. Their total amount rose from 2007 to 2011 by 1.2 million people (+26.7%). Hence, the positive labour market trends in Germany since 2005 are primarily based on the strong increase of atypical forms of employment.

Problems associated with atypical employment are not confined to lower job security (which, by the way, does not apply to part-time covered by social insurance) or to proportionally lower earnings (and accordingly lower pension claims in the German system of earnings-equivalent social insurance) for part-time workers. Rather, atypical forms of employment are strongly related to low hourly wages in Germany and thus to the substantial growth of the low wage sector.

Table 1 indicates that the share of low pay workers is highest among the workers in marginal employment and that it increased markedly over time from 67.2% in 2001 to 71.2% in 2011 (+6,0%). An above average share of low pay workers can also be seen in the group of persons employed under a fixed-term contract. In 2011 more than 40% of this group received an hourly income below the respective low wage threshold. Furthermore, the considerable increase of low pay workers within this group since 2001 is conspicuous (+9 percentage points or 28.2%).

Summing up the brief overview about general employment trends over time, the picture is ambiguous. From a purely quantitative perspective, the German labour market seems to be highly resilient. Even in the worst economic crisis since 1929 employment participation rose, the inactivity rate declined and employment moved up only marginally.

“Hence, the German economic miracle can be described as one of a stable labour market in 2009 and beyond, where employment stayed high and unemployment moved up only marginally with lower working hours per person – in spite of a substantial output decline.” (Rinne and Zimmermann 2012: 4)

The concept of resilience, however, focuses not solely on the quantity of jobs as well as the level and duration of employment and inactivity but also takes the quality of jobs created or secured over time into account. If the development of atypical employment and low wage work is also considered, the conclusion becomes less clear because the decline in unemployment and the increase in employment didn’t go along with a rise in well-paid and secure jobs but rather with a substantial increase of atypical employment and low wage work – especially in the margins of the labour market. Hence it can be concluded that a rising employment rate/a shrinking unemployment rate is not synonymous with an increase in decent employment in terms of sufficient wages and/or a fair length of the weekly working time to realise a sufficient monthly income.
Table 1: Share of low pay workers within particular groups of employed persons 2001 and 2011; in % of the respective group

<table>
<thead>
<tr>
<th>Group of employed persons</th>
<th>2001</th>
<th>2011</th>
<th>Change in %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sex</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Male</td>
<td>14.5</td>
<td>18.6</td>
<td>28.3</td>
</tr>
<tr>
<td>Female</td>
<td>29.9</td>
<td>29.6</td>
<td>-1.0</td>
</tr>
<tr>
<td>&lt; 25 years</td>
<td>48.7</td>
<td>60.6</td>
<td>24.4</td>
</tr>
<tr>
<td>25 to 34 years</td>
<td>20.3</td>
<td>24.5</td>
<td>20.7</td>
</tr>
<tr>
<td>35 to 44 years</td>
<td>17.2</td>
<td>18.6</td>
<td>8.1</td>
</tr>
<tr>
<td>45 to 54 years</td>
<td>16.4</td>
<td>16.4</td>
<td>0</td>
</tr>
<tr>
<td>55 years and older</td>
<td>26.4</td>
<td>28.1</td>
<td>6.4</td>
</tr>
<tr>
<td>Age</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>&lt; 25 years</td>
<td>48.7</td>
<td>60.6</td>
<td>24.4</td>
</tr>
<tr>
<td>25 to 34 years</td>
<td>20.3</td>
<td>24.5</td>
<td>20.7</td>
</tr>
<tr>
<td>35 to 44 years</td>
<td>17.2</td>
<td>18.6</td>
<td>8.1</td>
</tr>
<tr>
<td>45 to 54 years</td>
<td>16.4</td>
<td>16.4</td>
<td>0</td>
</tr>
<tr>
<td>55 years and older</td>
<td>26.4</td>
<td>28.1</td>
<td>6.4</td>
</tr>
<tr>
<td>Citizenship</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Nationals</td>
<td>21.3</td>
<td>23.3</td>
<td>9.4</td>
</tr>
<tr>
<td>Non nationals</td>
<td>23.5</td>
<td>31.1</td>
<td>32.3</td>
</tr>
<tr>
<td>Kind of work contract</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fixed-Term</td>
<td>31.9</td>
<td>40.9</td>
<td>28.2</td>
</tr>
<tr>
<td>Not limited</td>
<td>16.4</td>
<td>18.3</td>
<td>11.6</td>
</tr>
<tr>
<td>Marginal employment</td>
<td>67.2</td>
<td>71.2</td>
<td>6.0</td>
</tr>
<tr>
<td>Working Time arrangement</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Part-Time</td>
<td>25.5</td>
<td>23.1</td>
<td>-9.4</td>
</tr>
<tr>
<td>Full-Time</td>
<td>13.7</td>
<td>15.6</td>
<td>13.9</td>
</tr>
<tr>
<td>Total</td>
<td>21.4</td>
<td>23.9</td>
<td>11.7</td>
</tr>
</tbody>
</table>

Source Kalina and Weinkopf 2013: 6

Furthermore these overall labour market figures don’t say much about the labour market developments of the vulnerable groups mentioned in section 0. Table 1 gives some indications that vulnerable groups have a higher risk of being part of the low pay sector than other groups on the labour market and that their risk considerably increased over time. This is particularly true for young employees (<25) and non-nationals. The latter group experienced the sharpest rise in the share of low paid workers. The respective share of non-nationals, working for a wage below the respective low-wage threshold rose from 23.5% in 2001 to 31.1% in 2011, a plus of 32.3%. Therefore it must be examined, if vulnerable groups on the labour market were hit more strongly by unemployment or were forced more strongly in inactivity or costly early retirement than other groups of employed people in the course of the crisis (section 0).

However, before focussing on the vulnerable groups, some institutional background will be given in the following section 3.

**Employment trends for vulnerable groups on the German labour market between 2000 and 2012**

In the following section we take a closer look of some particular groups on the labour market who are often characterised as “vulnerable”, meaning that they have a higher risk to become unemployed and/or to stay in unemployment for a longer time period than other groups. In addition, some of the examined vulnerable groups, like the disabled and the lone parents, have already problems to enter the labour market at all - the former group because of physical or mental limitations, the latter one primarily due to limitations with regard to the working time and the corresponding limitations in finding adequate child care facilities. In the following sections 0 and 0 the five vulnerable groups are defined in more detail and some technical statistical information is provided. After this brief introduction, some overall statistical figures
about the labour market development of the respective groups are shown and discussed (Sec-

Vulnerable groups on the German labour market – a brief characteristic

Overall we are taking a closer look at five vulnerable groups:

1. Young people on the labour market aged between 15 and 24 years.
2. Older people aged between 55 and 64 years. Since the end of the labour market problems of
   this group were avoided because of the extensive use of early retirement schemes. However
   since nearly all former pathways to early retirement were phased out gradually, it is of
   interest, how the group of older people master the institutionally forced prolongation of
   their working lives.
3. Migrant workers are a rather large group on the German labour market if we consider both
   non-nationals and nationals with migrant backgrounds who were either born abroad or
   whose parents were born abroad. German citizenship of the latter group derives from de-
   scent (German repatriates from Eastern Europe and the former Soviet Union), from natural-
   ization, or (only recently, after citizenship reforms) from being born inland. However, the
   internationally comparable data of EUROSTAT doesn’t allow to make such far-reaching dif-
   ferentiations. Thus, the bulk of statistical evidence presented and discussed here distin-
   guishes only nationals and non-nationals.
4. A second sizeable group is the disabled. Besides the rather rough differentiation between
   disabled and severely disabled people, it would be quite useful to differentiate between
   physically or mentally disabled people on the labour market as well as between people who
   are born disabled and people who had become disabled in the course of the life-cycle or
   rather the employment history. For the latter group, it is also of importance, at what age
   they had become disabled. However, the existing statistical data don’t allow such fine dis-
   tinctions.
5. The vulnerability of the last labour market group focused on in this report is mainly based
   on the fact that the German welfare state still follows the tradition of a (modified) bread-
   winner model – irrespective if the woman or the man is the breadwinner. This is a conse-
   quence of the still high importance of Christian-democratic parties and the still existing be-
   lief within these parties that the family has to be the prior entity to fulfill care obligations.
   The corresponding lack in child care facilities and the resulting working time restrictions
   make it particularly difficult for single parents to reconcile family responsibilities with work-
   ing life.

Some technical statistical information

Employment

Employment is reported according to the labour force survey standard: a person is employed if
reporting to have worked at least one hour during the preceding week. In addition, in the Ger-
man institutional context, there is the narrower category of employment covered by social in-
surance. This excludes civil servants, self-employed and employees earning no more than 400
Euros per month (450 since 2013). Part-time jobs are covered by social insurance if earnings
exceed this threshold.
Unemployment

Unemployment is reported according to the labour force survey standard: a person is unemploy-
ed if reporting to have not been gainfully employed at all, actively searching a job and available at short term. However, some disaggregated data for unemployment are only available from the national unemployment register. The national administrative definition is wider: As person is unemployed if not gainfully employed for 15 hours or more, actively searching for a job of 15 hours or more, and available for job placement by the Federal Employment Agency. The empirical overlap between the two concepts is described for 2010 by the Federal Statistical Office like this:

<table>
<thead>
<tr>
<th></th>
<th>unemployed only by international standard</th>
<th>unemployed by both standards</th>
<th>unemployed only by national standard</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>0.8 million</td>
<td>2.1 million</td>
<td>1.5 million</td>
</tr>
<tr>
<td></td>
<td>2.9 million</td>
<td></td>
<td>3.6 million</td>
</tr>
</tbody>
</table>

Numerically, there was a difference between the two concepts of 700,000 persons; however, incongruence between the two definitions added up to 2.3 million which is more than the two concepts’ intersection of 2.1 million. Data collection through a survey versus administrative register makes also a difference when identifying long-term unemployment: In the national count, unemployment is interrupted by periods of illness, taking part in labour market programmes, or failing to report to the office. In the survey, respondents may ‘bridge’ such episodes when stating how long they have been searching for a job.

Employment trends for vulnerable groups

In the following section the labour market development of the respective groups is in the main focus. The analysis starts with the groups that are characterised as vulnerable because of their age, namely the young and the older people and proceeds in numerical order.

The position of young people on the labour market

When comparing the European countries at the beginning of 2000, Germany can be characterised as a country that combines a comparatively high employment participation of young people aged 15 to 24 years with a low unemployment as well as a comparatively low long-term unemployment rate of the respective age group. This becomes particularly evident in Figures 7 to 9 in which the data for Germany is compared to the respective numbers in the EU 28. Firstly it shows that in 2000, the employment rate of young people in Germany exceeded the respective EU 28-rate by 9.1 percentage points (46.1% in Germany compared to 37.0% in the EU 28). Secondly, the unemployment rate was nearly 10 percentage points lower than the respective EU 28 rate (8.5% in Germany and 18.3% in the EU 28). Thirdly, the proportion of long-term unemployed as a percentage of all unemployed persons of this age group was also considerably lower in Germany (23.5% compared to 34.0% in the EU 28 – a difference of 10.5 percentage points; Figure 9).

6 There are two main reasons for the lower employment participation of this age group compared to all ages (see for all ages Figure 4). On the one hand, a significant part is still active in the general education system. On the other hand lots of the people in this age group study at universities or undertake their vocational training at special schools and are not counted as employed.
All these gaps, however, narrowed considerably between 2000 and 2005. In the latter year, the difference in the employment rates between the EU 28 and Germany was merely 6 percentage points; the difference in the unemployment rate only 3.2 percentage points and the difference between the respective proportions of long-term unemployed even only 0.8 percentage points (compared to 10.5 percentage points five years earlier). The reason for this successive approximation, however, was not a boost in the employment participation of young people or a significant decline in youth unemployment or long-term unemployment in the EU 28 – all three rates remained more or less stable over time - but a sharp increase in youth unemployment (from 8.5% in 2000 to 15.5% in 2005) and long-term unemployment (from 23.5% to 31.8%) in Germany during the recession years between 2002 and 2005 (including years with comparatively low growth rates in GDP; Figure 1). The boost in (long-term) unemployment and long-term unemployment was accompanied by a significant decline in the employment rate (from 46.1% to 41.9%). The rather positive labour market development in Germany after 2005 had then led to a more or less steady decline in the unemployment rate of young people from 15.5% in 2005 to 8.1% in 2012. Between 2008 and 2009, however, it increased by 0.6 percentage points, while the respective increase for the people aged between 25 and 64 was 0.2 percentage points. Hence young people had suffered a bit more from unemployment during the worst period of the crisis than the working population between 25 and 64 years. The increase, however, was relatively small compared to the increase on the overall EU 28-level (+ 4.3 percentage points).

The long-term unemployment rate also declined steadily since 2007. In 2012, it was nearly on the same level than in 2000 (23.5%) – again a significant difference to the development for all ages. For those wider group, the long-term unemployment rate in 2012 lay considerably below the respect rate in 2000 (-6.1 percentage points). The same is true for 2008/2009, the harshest
years of crisis. The long-term unemployment rate declined for both groups under consideration between the two years, but the decline was much faster for all ages (-7.0 percentage points compared to -2.0 percentage points for the young people; Figure 9).

**Figure 9:** Long-term unemployment rates of different age groups; persons aged 15 to 24 years and 15 to 64 years; Germany and the EU 28; 2000-2012; in percent

The development of the employment rate points in the same direction. Since 2006 it increased more or less steadily up to a millennium high of 47.9%. Between 2008 and 2009, however, it declined by 0.6 percentage points (from 46.6% to 46.0%) while the respective employment rate for all ages had further increased (Figure 4). In addition the employment rate of young people decreased between 2011 and 2012 (from 47.9% to 46.6%). This actual decline is quite surprising because the overall figures for Germany show a slight increase in the overall employment rate within the respective time period.

Taken all reported differences into account and bearing in mind that the growth in GDP was also comparatively low between 2011 and 2012 one can conclude that both, the employment and the unemployment/long-term unemployment rate of young people reacts a bit more sensitive to an economic downswing than the respective rates for older age groups. In other words: Despite the fact that all three rates taken into account here, show a rather positive trend since 2000 and despite the fact that the labour market position of young people aged 15 to 24 can be described as rather good compared to the respective position of young people on the overall EU 28-level, the comparison between the young people on the one hand and the

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7 In contrast to this comparatively positive development in Germany, youth unemployment had been rising sharply in the EU 28 since 2008. Between 2007 and 2012 the unemployment rate of young people aged 15 to 24 had increased by more than 7 percentage points, reaching a new millennium high (22.9%) in 2012. This sharp
people of all ages on the other hand leads to the conclusion, that young people suffered a bit more during the crisis. This becomes even more evident, if a longer observation period, a second comparison group and the development in relative terms (the unemployment gap) is taken into account. Figure 10 shows the development of the unemployment gap between the young people on the one hand and the people aged 25 to 64 years on the other hand. The gap had increased continuously over time and reached a millennium high of 1.6 in 2012.

Figure 10: Unemployment Rates and unemployment gaps of young people (15-24 years) and people aged between 25 and 64 years; EU 28 and Germany in comparison

This means, that the unemployment rate of young people was 1.6 times higher in 2012, than the respective rate of the people aged 25 to 64 years. Thus, while the absolute difference between both the employment and unemployment rate in the EU 28 and Germany has grown since 2000 (Figure 8), the relative difference between the unemployment gaps have declined over time (a difference of 1.2 in 2000 compared to a difference of 0.9 in 2012).

Figure 11 shows one particular reason for the nonetheless positive labour market development of young people since 2005 (rising employment rate; declining unemployment- and long-term unemployment rate) by indicating, that the increase in employment went along with a considerable rise in the share of young people working part time.

Increase in unemployment was accompanied by a decline in the employment rate of young people in the EU 28 (from 37.3% in 2008 to less than one third in 2012). These opposing trends in Germany and the EU 28 led to the fact, that the gap between the respective rates in Germany and the EU 28 is actually considerably wider than in 2000 (Figure 8).

In order to measure the gap we take the ratio of the two unemployment rates, not their absolute difference since that would be misleading. Here, the ratio between the unemployment rate of the young people aged 15 to 24 years on the hand, and of people aged 25 to 64 years on the other hand is taken into account.
Between 2000 and 2012 the proportion of part-time workers among the young people in employment had increased by nearly 10 percentage points (from 12.0% to 21.7%). However, the increase is smaller than the respective increase in the part-time rate for all ages. Hence there are no hints that the significant increase in part-time work mentioned in section 0 is at the expense of young people only.

The position of older people on the labour market

When comparing the labour market position of older people aged 55 to 64 years in Germany and the EU 28 at the beginning of the observation period in 2000, one essential difference stands out: Whereas employment rates were nearly on the same low level (37.4% in Germany compared to 36.8% in the EU 28), the unemployment rate was considerably higher in Germany (12.7% compared to 7.3% in the EU 28). This is a difference of 5.4 percentage points.
Overall there are four reasons for this significant difference between Germany and the EU 28. A first reason is that the successive phasing out of early retirement options had already started in 2000, although only for a comparatively small group of older people. However, the importance of this factor gradually rose until 2006, when more and more options for early retirement had phased out.
As a second reason, “anticipated dismissals” have to be mentioned. Older workers who were approaching the age of 60 were dismissed in order to become eligible for the early old-age pension before the beginning of the gradual phasing out of this early retirement option. The third reason was the still problematic labour market situation in the Eastern part of Germany at this point in time, of which older people suffered in particular (Jansen und Schmitz 2012). A fourth reason can be seen in the difficulties older people faced at this point in time (or rather still face until today), to become reemployed. This becomes particularly evident in Figure 14 that indicates that nearly 70% of the older people in unemployment were long-term unemployed. The institutional pressure to remain in employment or rather on the labour market for a longer time, was not reflected in the employment practices of the companies (Brussig 2011). The difference in the unemployment rates between Germany and the EU 28 remained more or less stable or rather worsened until 2005. Despite an increasing employment participation of older people in Germany (the employment rate increased from 37.4% in 2000 to 45.5% in 2005), the unemployment rate further increased up to 12.7%. This development is a clear reaction to the reforms of the successive phasing out of early retirement options since the beginning of the millennium. Older workers were more and more institutionally forced to stay longer at work (reflected in the rising employment rate) or better to participate on the labour market (reflected in the rising employment- and unemployment rate), but at the same time they were progressively not able to stay in employment or to find a new job (reflected in the rising unemployment- and long-term unemployment rate). In the same period the respective rate on the overall EU 28-level declined by 0.9 percentage points, from 7.3% to 6.4%. Accordingly the gap between Germany on the one hand, and the EU 28 on the other hand widened (6.3 percentage points).
FROM THE “SICK MAN OF EUROPE” TO A COUNTRY WITH A RESILIENT LABOUR MARKET FOR ALL?

Figure 14: Long-term unemployment rates and unemployment gaps of different age groups; 15 to 64 years and 55 to 64 years; Germany and the EU 28; 2000-2012; in percent

As already suggested in the introductory passage of this section, the picture fundamentally changed afterwards. In Germany the employment rate continued to increase considerably and had reached a millennium high of 61.5%. In addition it had even significantly risen between 2008 and 2009 (+ 2.4 percentage points), when most of the other (not only vulnerable) groups on the labour market exhibited a decline in the respective rate. Overall, the employment rate had risen by 24.1 percentage points since 2000. This remarkably trend was accompanied by a steady decrease in unemployment. Between 2006 and 2012, the unemployment rate declined by 6.5 percentage points, from 12.4% to 5.9%. Even the long-term unemployment rate declined from 72.5% in 2006 to 63.0% in 2012. However, compared to the EU 28, the level of long-term unemployment is still high in Germany (Figure 14). Furthermore the relative concern of long-term unemployment of this age group in Germany had slightly risen over time, from 1.3 in 2000 to 1.4 in 2012. In contrast to the comparatively good labour market performance of older people in Germany, the correspondent development in the EU 28 is ambiguous. Due to the fact that most of the European countries had also been taken reform measures to extend the working live, the employment rate of older people aged 55 to 64 years had also increased since 2006. The unemployment rate, however, had increased significantly since the beginning of the economic crisis at the end of 2008 (+ 2.2 percentage points between 2008 and 2012). The same is true for the long-term unemployment rate that had increased by more than 10 percentage points since 2009.

The position of the severely disabled on the labour market

Despite the statutory employment obligation for severely disabled people of working age (15-64 years) (see section 0) only a low share of the respective group is gainfully employed. In 2011 the employment rate of severely disabled people has reached a millennium high of 34.3% -
compared to an overall employment rate of 72.5%. As a consequence the employment gap between all people of working age on the one hand and the group of the severely disabled on the other hand is considerably large and exceeds the value of 2 in every year under review (Figure 15). This means, that the employment rate of the whole working age population is more than twice that of the severely disabled people.

**Figure 15:** Employment and unemployment rate of severely disabled people compared to the overall rates; 2003-2011; in percent

<table>
<thead>
<tr>
<th>Year</th>
<th>Unemployment Gap</th>
<th>Employment Gap</th>
<th>Employment rate severely disabled</th>
<th>Overall employment rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>2003</td>
<td>1,42</td>
<td>2,17</td>
<td>29,9</td>
<td>64,9</td>
</tr>
<tr>
<td>2005</td>
<td>1,75</td>
<td>2,09</td>
<td>31,3</td>
<td>65,5</td>
</tr>
<tr>
<td>2007</td>
<td>1,73</td>
<td>2,15</td>
<td>32,1</td>
<td>69,0</td>
</tr>
<tr>
<td>2009</td>
<td>2,08</td>
<td>2,08</td>
<td>33,9</td>
<td>70,3</td>
</tr>
<tr>
<td>2011</td>
<td>2,32</td>
<td>2,12</td>
<td>34,3</td>
<td>72,5</td>
</tr>
</tbody>
</table>

Source: Federal Employment Agency Statistics; Own calculations of the employment and the unemployment rate.

A first reason for the considerable differences is that a noteworthy share of the severely disabled people of working age doesn’t work in regular companies and businesses but in sheltered workshops for the disabled (so called “Behindertenwerkstätten”). This special type of companies fabricate certain goods and products on behalf of private or public companies but offer special working conditions as well as special social protection for the disabled people employed. At present about 300,000 people are working in a sheltered workshop.

The second reason is that severely disabled people have a much higher risk to be unemployed. As Figure 15 indicates, the unemployment rate of severely disabled people is well over the respective unemployment rate for all people of working age - again in each year under review. Moreover, this discrepancy has worsened over time. While the unemployment rate of severely disabled people exceeded the respective overall rate by “merely” 40 % in 2005 (unemployment gap of 1.42), the respective difference was 132 % in 2011 (an unemployment gap of 2.32). The relative worsening of the labour market position of severely disabled people of working age is a further example for the fact, that the comparably good labour market performance in Germany as it is shown in absolute measures (i.e. in Figure 4) conceals some problematic relative developments at the margins as well as for specific vulnerable groups:

“Severely disabled people had extremely poor employment opportunities before the onset of the crisis and they have extremely poor employment opportunities.

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after the crisis. Taken into account that both the absolute increase in the employment- and the absolute decrease in the unemployment rate is considerable lower for the severely disabled [compared to all people of working age, AJ] one could also conclude that the labour market position of the severely disabled have further worsened” (Interview with Norbert Killewald; Commissioner for the disabled in Northrhine-Westphalia).

“The SoVD always points out that the general jubilation [about the comparably good labour market performance since 2006; AJ] conceals the particular labour market performance of some vulnerable groups. This is particularly true for the severely disabled on the labour market, who are absolutely not in the focus of the political and public debates, but only a marginal note in political papers and the legislative procedures” (Interview with Claudia Tietz; Advisor for disability policy (Sozialverband Deutschland SoVD)).

In addition severely disabled people have a higher risk to remain in unemployment. While in 2012 the mean duration of unemployment for all people of working age was 64 weeks, the respective average for the severely disabled was 77 weeks (Interview with Claudia Tietz; Advisor for disability policy (Sozialverband Deutschland SoVD)).

**Figure 16:** The severely disabled compared to the whole working age population; age structure, employment and unemployment; 2013

One possible explanation for this difference is shown in Figure 16 that indicates that nearly half of the severely disabled are aged between 55 and 64 years (48%), while “only” 19% of the overall working age population belongs to this respective age-group. Thus, the group of the severely disabled is largely dominated by older people between 55 and 64 years – a group that have a comparably high risk of long-term unemployment itself (Figure 14) Correspondingly, 38% of the unemployed with a severe disability are aged between 55 and 64
years – compared to 19% in the overall working age population. This means that a noteworthy part of the group of the severely disabled combines at least two particular risks of becoming long-term unemployed, namely age and disability. The mentioned particularities in the age-structure of the severely disabled also explain to some extend the worsening of the unemployment gap mentioned above. The only slight decline of the unemployment rate of the severely disabled from 15.4% in 2005 to 13.9% in 2011 (compared to the much stronger decline in the overall unemployment rate; Figure 15) is primarily the result of a significant increase in unemployment for the older severely disabled aged between 55 and 64 years (Figure 17). While the number of severely disabled unemployed who are aged between 15 and 24 years as well as between 25 and 54 years declined between October 2008 and October 2013 by 5% or rather 12%, the number of older severely disabled unemployed increased by 56%. The high increase in unemployment for the latter group combined with the already known fact, that a comparably high share of the severely disabled of working age belongs to this group has finally led to the result, that the number of unemployed within the group of the severely disabled increased by 6% between 2008 and 2013.

Figure 17: Changes in unemployment over time; severely disabled and overall; October 2008 to October 2013

The adverse labour market position of the severely disabled becomes even clearer by looking at the respective numbers and developments for all people of working age. For the two younger cohorts unemployment declined by 20% (15-24 years) or rather 18% (25-54 years), while it rose for the people aged between 55 and 64 years by 35%. This figures and developments illustrate in a very good manner that both age and disability have a negative impact on the employment opportunities. However, the negative effect is highest, if both characteristics occur in combination. Because of the minor importance of this age group in
the overall working age population, however, the number of unemployed persons declined by 23% between 2008 and 2013 (Federal Employment Agency 2013).

The main reason for the sharp increases in the unemployment figures of older people aged 55 to 64 years is an institutional one. At the end of 2007, a legal rule that had enabled unemployed people aged 58 years or older to gain a legal status similar to early retirement, but with much less generous benefits for most of the relevant people, had expired with the consequence, that long-term unemployed aged between 55 and 64 years who were formerly not counted in unemployment statistics, became visible (the so called 58er-Regel (rule 58); Figure 18).

**Figure 18:** The expiration of the "rule 58" and the subsequent development of unemployment

A third reason for the comparably low employment- as well as the high unemployment rate is that most of the German companies with 20 and more employees (or rather with 20 and more countable “jobs”; see section 0) don’t fill 5% of the respective jobs with severely disabled employees, but prefer to pay the compensatory levy. About 40% of the German companies are significantly below the employment objective of the statutory obligation. On annual average they’ve filled less than 2% of the existing jobs with severely disabled employees. In addition, around 10% of the German companies have to pay the highest rate of the payable compensatory levy (260 €), while only less than 40% have to pay no compensatory levy. One reason for the high share of German companies that don’t fulfil the employment objectives of the statutory quota is the comparably low compensatory levy:

“The incentive function of the compensatory levy is extremely small. We know more than enough companies that prefer to pay 260 € per month instead of employing a severely disabled person. For most of this companies, 260 € per month
are peanuts. They pay that out of petty cash. Hence: There is no incentive func-
tion at the moment” (Interview with Claudia Tietz; Advisor for disability policy
(Sozialverband Deutschland SoVD)).

Figure 19: Share of German companies that miss the target of the statu-
tory employment obligation for severely disabled people; 2003-
2011

Although there are slight changes in the numbers over time that might indicate a slight change in the behaviour of German companies, the figures remain more or less stable over time (Figure 19).

The position of migrants on the labour market

In Germany, employment rates of nationals and of non-nationals have both increased since about 2005, with nationals experiencing the trend reversal one year before non-nationals. However, non-nationals still achieve only about 80% of the employment rates of nationals. This employment gap of non-nationals has widened between 2001 and 2005 when the economy was going bad, but it has only started to slightly narrow as late as 2010. At the European level, the employment gap of non-nationals was similar to Germany in 2000, has narrowed until 2008 and only slightly increased again in the wake of the crisis (Figure 20). In other words, there is a growing polarisation of the German labour market along the lines of nationality (possibly also ethnicity, which is not reflected in Eurostat data).
A closer look at this development with focus on older workers is revealing: Non-nationals have under-proportionally participated in the paradigm shift of working longer as described above in section 0. Consequently, the employment gap for non-nationals has more drastically widened in the oldest age group, with perhaps a trend reversal as late as 2012. At the European level, there is no parallel trend.

The inferior position of older non-nationals on the German labour market is most likely related to the history of labour migration to Germany. Between 1955 and 1973, young workers were
recruited from Southern Europe and Turkey, mostly for unskilled industrial jobs. Meanwhile, most of these kinds of jobs have disappeared from Germany due to automation and offshoring. However, many of the people who came are still there, and those who arrived around 1970 at an age of around 20 were around 60 in 2010. Most of them have no chance to be employed because of their lack of skills and because they lost their health working the most menial jobs. If the employment gap figure for 2012 indicates a trend reversal, it is simply because the group in question is passing the age threshold of 65 and thus moving out of the range of the calculation.

In 2000, unemployment rates of nationals and non-nationals in Germany were very close to EU-28 average, which implies that also the gap for non-nationals was of the same magnitude. The rise of unemployment in Germany until 2005 affected non-nationals over-proportionally so that their unemployment rate was then twice that of nationals, a development unparalleled at EU-28 level. Since then, unemployment in Germany fell for both nationals and non-nationals but the gap did not close. Since 2005, the unemployment rate among non-nationals in Germany is twice the rate among Germans. At EU-28 level, unemployment rose for both groups since 2008 but the gap did not widen much.

**Figure 22:** Unemployment in Germany and the EU 28 by nationality; 2000-2012; in percent

With regard to fixed-term contracts, the same pattern emerges. In 2000, fixed-term contracts were less important in Germany than in EU-28, and the relative disadvantage of non-nationals was slightly smaller than at the EU-28 level. The slight decline in the share of fixed-term contracts until 2002 for nationals and until 2004 for non-nationals seems to reflect the depressed labour market situation of those years: When there are few new hires, the share of fixed-term contracts tends to decline. The reforms taking effect in 2005 triggered a temporary increase in
hirings from unemployment and thus in the use of fixed-term contracts. Likewise, the decline of fixed-term contracts in 2012 reflects a downturn in hirings. A potential effect of the crisis of 2008/2009 on the share of fixed-term contracts is very small. Between 2006 and 2011, however, the share of fixed-term contracts for nationals hardly changed whereas it grew considerably for non-nationals, thus increasing the relative disadvantage of the latter group. This fits the assumption that stratification on the German labour market is increasing.

**Figure 23:** Proportion of people with fixed-term work contracts by nationality; Germany and the EU 28; 2000-2012; in percent

At the EU-28 level, by contrast, there is considerable widening of the gap in contract status between national and non-nationals between 2000 and 2006. The crisis of 2008/2009 has shown a clear effect, and the gap between non-nationals and nationals with regard to fixed-term contracts has subsequently been narrowing again as the share of fixed-term contracts for non-nationals declined. Since unemployment of non-nationals in EU-28 has not increased over-proportionally (see Figure 22), it seems unlikely that this relative improvement for non-nationals actually reflects growing disadvantage in hirings; rather it seems that inequality of non-nationals with regard to contract status has lessened and reached the German level in 2012. However, one should be cautious when interpreting aggregate developments from so many countries.

As pointed out before, growing shares of part-time work – in other words, a wider distribution of available work among the population of working age – account for a good part of the German ‘jobs miracle’. Figure 24 shows that this push towards part-time has ceased in 2007 for

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10 There was also some easing of fixed-term contracts for older workers but there is no evidence that this had any considerable effect on hirings.
German nationals whereas it has continued until 2010, with a clear dip in 2008, for non-nationals in Germany. As a result, there is now a clear difference in part-time shares for nationals and non-nationals which did not exist in 2000. The dip in 2008 indicates that there are non-national part-timers in export-oriented industries who had to bear the burden of quantitative adjustment during the crisis.

**Figure 24:** Proportion of part-time employees as a percentage of total employment; differentiated by nationality; EU 28 and Germany; 2000-2012, in percent

Remarkably, we find a similar pattern at the EU28 level, except that there is not much increase in part-time shares for nationals.

Included in part-time statistics is the German peculiarity of ‘mini-jobs’ not earning more than 450 Euros per month (400 per month until 2012). Therefore, it seems relevant to take a look at the position of non-nationals also in this respect. We measure the degree to which each group is affected by mini-jobs as the ratio between the numbers of persons employed exclusively in a mini-job to the number of persons employed in jobs covered by social insurance. Around 2000, there is hardly any difference between nationals and non-nationals in this respect. Almost simultaneously with the reform of the mini-jobs in 2003, a gap opens up and peaks first in 2006 and then, in the wake of the financial crisis, in 2009 when the relative frequency of mini-jobs becomes almost 40% higher among non-nationals than among nationals.
With regard to pay, there are marked differences between non-nationals and nationals. Whereas the percentage of low-wage earners (less than two thirds of median hourly gross wages) was 23.3% among nationals in 2012, it was 34.5% among non-nationals (Kalina and Weinkopf 2014).

**Single parents**

Going beyond the list of ‘vulnerable groups’ that governs data collection for WP2, we add a paragraph on single parents who must be considered as vulnerable in the context of the German employment and family system. In the absence of Eurostat data on this subject, we base this paragraph solely on national data, mainly taken from the Federal Employment Agency’s latest report on single parents (Bundesagentur für Arbeit – Statistik 2013).

Almost 20% of families in Germany with children under 18 years old are single-parent families, with a 2.8% increase within only seven years, from 2005 to 2012. Almost 2.5 million children are living in these families, 2.2 million of these under 18 years old. Almost 70% of single parents have only 1 child.

Employment rates of single parents with children under 18 rose from 67.1% in 2000 to 70.5% in 2012 (including those temporarily on parental leave). During this period, the part-time share of employed single parents rose from 39% to 50.3%. Their unemployment rate fell from 14.3% to 11.6%, but it is still considerably higher than the overall unemployment rate of 7.6% in 2012. Inactivity rates of single parents have remained stable around 20%. In 2012, 92.2% of unemployed single parents were female.

---

**Figure 25:** Persons working a mini-job as only job per 100 persons in jobs covered by social insurance, nationals and non-nationals, and non-national/national ratio, 1999 to 2013

Source: Federal Employment Agency Statistics

Note: These are not percentages because minijobs are not part of employment covered by social insurance.
Only 11% of unemployed single parents drew earnings-related, contribution-based unemployment benefits, whereas the remaining 89% received flat-rate minimum income benefits. 42.8% of unemployed single parents are long-term unemployed. Single parents counted as unemployed according to the national administrative definition made up for only 41% of single parents receiving minimum income benefits in 2012; the remaining benefits recipients were taking part in active measures (10%), were actually working but receiving supplementary benefits because their earnings were insufficient for supporting themselves and their children (17.5%), were exempt from working obligations because their youngest child was less than 3 years old (16%), were currently unavailable for work because of sickness (4%), or their status was unknown (10%).

In 2012, 10.3% of all households in Germany received minimum income benefits. Whereas only 3.7% of couples without children in their households were receiving such benefits, percentages were 7.2 for couples with children and 8.4 for couples with two and more children. For single households, the percentage was 12.9%; for single parent households as a whole: 39.4%; for single parents with two and more children: 49.3%. With almost every second single-parent household with two or more children receiving minimum income benefits, it appears more than justified to consider single parents as a ‘vulnerable group’ on the German labour market.

Over time, the percentage of employed single parents receiving minimum income benefits has considerably increased, which reflects the effects of activation strategies on one side and of growing low-wage employment on the other. Of those single parents who were in employment, only 18% were working full-time, 25% were working part-time covered by social insurance, and 40% were working ‘mini-jobs’ (small jobs exempt from social insurance), with the remainder being self-employed or of unknown employment status. The high proportion of part-time points to one important reason for high benefit recipiency among single parents: With childcare provisions still insufficient, particularly for children under 3, and with reduced family networks, single parents find it difficult to reconcile care responsibilities with full-time work. With part-time work, however, they find it hard to even support themselves, let alone their child or children. Statistics of earned income of single parents receiving minimum income benefits clearly indicate that earnings decrease as the number of their children increases, which points to reduced availability for work because of the number of children. Two thirds of single parents working part-time say they would like to work more (more than mothers living in couples and working part-time), but 45% say that it is not currently possible for them because of caring responsibilities (Achatz et al. 2013)

Among single-parent families receiving minimum income benefits, the percentage of those with only one child is slightly lower (60.8%) than among single parents at large (70%), which points to the number of children as an important poverty risk factor (incidentally not only for single parents). General financial support for children (child allowance, 184 Euros for the first and the second child) is too low in Germany to cover a child’s needs. Consequently, if a single parents’ earnings plus child allowance (plus possible other sources of income like alimony from a former partner) is below the family’s legally defined minimum needs, all family members may receive minimum income benefits, regardless of the parent’s employment status. The same mechanism applies for couples, but with two potential earners poverty risks are lower.

**Factors affecting the position of vulnerable groups**

In the follow section we are going to discuss some factors that have an impact on the labour market position of vulnerable groups in Germany.
Young people

The most important reason for the comparably high employment- and low unemployment rate of young people aged 15 to 24 years is the still high importance of the vocational training system in Germany. In 2011, 66.6% of the employed workforce had gone through some kind of vocational training (21.9% academic education, 11.5% no formal qualification – Bosch 2014). Shifts in these proportions over time, compared to 1995, are rather small (66.4% / 18.6% / 15% in 1996). Note, however, that these data reflect the distribution of highest degrees completed within the workforce. In terms of current entries into educational careers, academic studies and apprenticeships are almost at equal level, but when vocational training in schools (mostly for non-academic vocations in the health and care sector) is included, non-academic vocational training still outnumbers academic training (Wolter 2014). Apprenticeships still account for around 70% of non-academic training (Bundesinstitut für Berufsbildung 2012: 229).

Because of the high esteem for vocational training, the inability of some school-leavers to find an employer who will hire them as an apprentice is always a political issue. Therefore, there are numerous programmes in place aiming at preparing these young people for an ordinary apprenticeship or replacing the private employer with a publicly financed apprenticeship. Consequently, youth unemployment is low and large proportions of young people who are not well prepared for the labour market are somehow kept out of unemployment. Since 2006, the proportion of young cohorts in these compensatory systems has declined to around 15% in 2010/2011, reflecting increasing demand for young people on the labour market.

Legally, an apprenticeship is a specific type of labour contract, and therefore it is treated like employment in labour market statistics. However, by its very nature, the apprenticeship contract is of limited duration (2 to 3½ years, depending on the trade). This implies four peculiarities of German statistics for young people: high employment rates, low inactivity rates, low unemployment rates and a high proportion of fixed-term contracts. Many apprentices stay with their employers after completing their apprenticeship. Some collective agreements foresee that apprenticeship graduates will be hired part-time and for a fixed term if their employer does not want to employ them permanently. This gives them a basis for searching jobs with other employers. This again produces low unemployment but high proportions of fixed-term jobs.

Demography is a second important reason. According to Möller (2010: 333), German companies were already in lack of qualified staff during the two worst recession years 2008 and 2009 and respectively keen to keep their already existing labour force even during an economic crisis (labour hoarding strategy).12

“Export manufacturers are known for their specialized and highly trained workforce. For a typical firm this is an enormous asset. This firm-specific human capital would be lost in case of dismissals. In a recovery search, hiring and training costs for professional workers are by no means trivial. This will be aggravated in the future because the recruitment of skilled workers of this category will probably become more and more difficult given Germany’s demographic prospects. Therefore, firms are interested in keeping their core workforce stable. If faced with a temporary demand shock they will likely choose a strategy of labour hoarding.\“ (Möller 2010: 333)

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12 It is obvious, that this demographic reason is not limited to young people only.
Furthermore there is growing need to get a sufficient piece of the shrinking pie of young, qualified people (Federal Ministry of Education and Research 2009: 52; see Table 6 in the Annex for the demographic details).

“The skills shortage is going to increase the usability of vocational training and job related skills and qualifications in the short-term until 2015. According to national experts this means better employment opportunities for qualified young employees.” (Own translation of Federal Ministry of Education and Research 2009: 52)

**Older people aged 55 to 64 years**

Older people aged between 55 and 64 years were one of the main targets of the institutional reforms and innovations since 2000. Given that the statutory pension in Germany still covers some 80% of the working-age population and is an important part of people’s pension portfolios, even among the better off (Allensbach Institute 2013), it is important to highlight the following aspects of the reforms to the pension insurance system that influence the labour market behaviour of workers:

- The long-term fall in the pension level has a negative effect on the ratio of relative lifetime earnings, expressed in "earnings points", to future anticipated pension payments. Workers can only partially compensate for this by increasing the number of contribution years (i.e. working longer) or by increasing their working hours (i.e. earning more). From 2001, the reform of disability or invalidity pensions added to a system that was already restrictive in international terms (cf. Erlinghagen and Knuth 2010; Brussig and Knuth 2013) a safeguard clause preventing the long-term unemployed from "dodging" the "activation system" that was introduced shortly afterwards by taking a disability pension (Brussig 2010b). Disability pensions therefore do not function in any significant way as a labour market buffer in Germany (Brussig 2012).

- From 1996, categories of pension that could be drawn before the statutory retirement age, including following a period of long-term unemployment, were first reduced in order to discourage people from claiming them; from 2006 the minimum age at which such types of pension could be claimed was raised stepwise up to the statutory pension age, so that each special regime disappeared. This produced a gradually increasing incentive and ultimately an obligation to remain in work longer, since either a pension was no longer available as an alternative source of income or such a pension could only be acquired by accepting reductions (cf. Brussig 2010a).

- Gradual retirement for older workers: this was introduced back in 1996 with the original intention of "smoothing" the transition to retirement, but it was only accepted by employees, companies and the social partners on a "block" model: workers are initially in part-time employment officially but continue to work full-time and are later credited with the extra hours worked while formally still in part-time employment and statistically counted as employees paying social security contributions. This helps companies and workers to bridge the gap with rising pension age ceilings (Brussig et al. 2009).

- The stepwise raising of the statutory retirement age to 67 began in 2012 with an annual increase of one month, to rise to two months annually from 2024, so that by 2029 the statutory retirement age will be 67 for people born in or after 1964. The current

impact is still limited, but the signal sent to workers and companies is already influencing expectations and behaviour.

Table 2: Timeframe of labour market and pension reforms in Germany since 2000

<table>
<thead>
<tr>
<th>Reform</th>
<th>Implementation date</th>
<th>Main measures</th>
<th>Likely effect</th>
</tr>
</thead>
<tbody>
<tr>
<td>Phasing out of early retirement options</td>
<td>1996; relevant from 2000 on</td>
<td>Gradual increase of the respective retirement age for particular groups on the labour market (unemployed people/people in part-time employment prior to retirement, women, long-term insured (35 years), disabled) from 60 (63) to 65. Since then each early pension had two age threshold. A lower threshold of 60/63 years at which early retirement was still possible while accepting a reduction in the statutory pension benefit (actuarial adjustments; 0.3% for each month of early retirement (max. 18%)). An upper threshold at which (early) retirement was possible without any pension reductions.</td>
<td>Gradual closing of most pathways to early retirement. Increased individual costs of early retirement. Increased work incentives for older workers.</td>
</tr>
<tr>
<td>Reform of disability pensions</td>
<td>2001</td>
<td>Abolition of occupational invalidity as an insured event. The ability to work in any job on the labour market for at least 6 hours became the only factor for receiving a disability pension. A distinction was introduced between a full and a partial disability pension. Disabled persons are eligible for a full disability pension if they are not able to work in any job on the labour market for at least three hours a day. They are eligible for a partial disability pension if they are able to work more than three, but less than six hours.</td>
<td>Closing a further potential pathway to early retirement. Especially: Preventing the long-term unemployed from &quot;dodging&quot; the &quot;activation system&quot; that was introduced shortly afterwards by taking a disability pension.</td>
</tr>
<tr>
<td>Further phasing out of early retirement and prolongation of working life</td>
<td>2006-2010</td>
<td>Gradual raising the age threshold for standard retirement age up to 67 from 2012 to 2029. Increasing the lower age threshold for the early pension for unemployed (Altersrente wegen Arbeitslosigkeit) from 60 to 63 from 2006 to 2008. Phasing out of the regulation that unemployed persons aged at least 58 years can receive unemployment benefits (after 18 months unemployment benefit II) without actively searching for jobs (58er Regelung; January 2008). Subsidised part-time employment scheme for older employees (Altersteilzeit) closed for new entrants (2010)</td>
<td>Closing of further pathways to early retirement or rather an early withdrawal from the labour market. Increase work incentives for older workers.</td>
</tr>
</tbody>
</table>

Source: Authors illustration

Within the rather large bulk of labour market and pension reforms and innovations, however, reforms of the statutory pension system, which significantly changed the transition-to-retirement-process, can surely be seen as the main reason for the trends and changes on the labour
market mentioned in section 0. A short overview of the most essential reforms of the institutional frame with regard to the transition to retirement including the likely (and also intended) effects of the respective reform can be seen from Table 2.

Demography or rather the demographic change is a second important factor to explain the labour market trends for older people since 2000. Demography influences the labour market participation in two ways. Firstly, a declining working age population leads to an increasing competition for qualified workers and, in the following, to an increasing need to keep even the older employees in the company. Hence, the significant increases of the employment rate and along with this trend, the considerable decline of the unemployment rate over time can partly be explained by the labour hoarding strategy already mentioned above (Figure 12). Secondly, comparatively large birth cohorts have entered the age group 55 to 64 years over the last years. This demographic aspect has a rather positive influence on the employment rate of the whole group because the labour market participation of younger birth cohorts within this age group is considerably higher. Thus, another part of the explanation for the rising employment rate of older people as it is shown for Germany in Figure 12 is the higher quantitative amount of people aged 55 to 59 years compared to the respective amount of people aged 60 to 64 years (Jansen 2013; Mümken and Brussig 2012). The third explanation is the rising proportion of older people working part-time in Germany. In 2012, more than one third of the workforce aged 55 to 64 years worked part-time. In 2000, the respective rate was 24.9%. Thus the proportion of part-time employees had increased by 8.5 percentage points between 2000 and 2012.

The severely disabled

Disabled people hold a special legal status on the German labour market. Referring to this the most important institutional feature is the statutory employment obligation for disabled people. Companies with an annual average of 20 and more employees are obliged to fill at least 5% of their respective jobs with disabled people.14

Table 3: Amount of the compensatory levy 2011

<table>
<thead>
<tr>
<th>Companies that employ 20 and more employees in 2011, of whom … % were disabled.</th>
<th>No obligation to pay a compensatory levy.</th>
</tr>
</thead>
<tbody>
<tr>
<td>5% and more</td>
<td>No obligation to pay a compensatory levy.</td>
</tr>
<tr>
<td>3% to less than 5%</td>
<td>105 €/month for each unfilled mandatory job (since 2013: 115 €).</td>
</tr>
<tr>
<td>2% to less than 3%</td>
<td>180 €/month for each unfilled mandatory job (since 2013: 200 €).</td>
</tr>
<tr>
<td>0% to less than 2%</td>
<td>260 €/month for each unfilled mandatory job (since 2013: 290 €)</td>
</tr>
</tbody>
</table>

Source: § 77 (2) Social Code Book IX; Federal Ministry of Labour and Social Affairs. Example: A company that employed exactly 1.000 employees per month in 2011 is statutory obliged to fill 5 of these 1.000 jobs with (severely)

14 A job in the sense of this regulation is defined as an employment relationship of 18 hours or more per week. In addition, the job has to last more than eight weeks per year to be counted. Hence, jobs with a lower working time than 18 hours/week and/or of a maximum duration of 8 weeks/year don’t apply to this regulation. Furthermore there are some exceptions for smaller companies between 20 and 60 countable jobs. Companies with 40 jobs or less have to employ one disabled person to fulfil the employment obligation · companies between 41 and 60 jobs have to employ two disabled persons. This is equal to a statutory employment quota of 2.5% for companies with exactly 40 jobs and of 3.3% for companies with exactly 60 jobs.
disabled employees. The company, however, managed to employ only 1 disabled person (a quota of 1%) – again in each month of 2011. Hence, the company had to pay an overall compensatory levy of 12.480 € (4 of 5 mandatory jobs were missing (4 * 260 € = 1.040 €) for 12 months (12 * 1.040 € = 12.480 €)).

If this condition is not met they have the obligation to pay a compensatory levy. The annual amount of the levy depends on the number of unfilled mandatory jobs on the one hand and the number of months within one calendar year for which the condition is not met on the other hand (Table 3).

The second important institutional feature is a special protection against dismissal. Companies need the permission of a public authority (Integrationsamt) to dismiss a disabled person. However, both institutional features don’t apply to all disabled people of working age but only for those who have the legal status “severely disabled”. The severity of a disability is specified as a percentage rate that varies between 20% and 100%. A special medical enactment defines different percentage quotations for a wide range of illnesses (mental and physical) or rather handicaps. For some illnesses/handicaps (for example heart diseases) the respective value depends additionally on the severity of the illness/the handicap. If a person has more than one illness/handicap, the individual values are summed up. A person gets the legal status “severely disabled” if the percentage quotation is 50% or more. Due to this institutional particularity, all statistical data used to describe the labour market position of disabled people in the respective chapter below refer to “severely disabled” people.

Migrant Workers

Statistical analyses have shown that a large part of the difference in labour market achievement of nationals and non-nationals can be attributed to differences in human capital, including language skills, plus non-recognition of vocational or academic qualifications obtained abroad. Even though educational attainment of succeeding cohorts of second or third generation immigrants is improving, educational gaps are growing since educational outcomes of the native-born population are advancing faster.


The German labour market is very strongly structured and stratified along certified vocational qualifications, and it seems to have become even more skills-selective over time. On the other hand, there is also clear evidence of discrimination by employers along racial and ethnic lines. Despite growing public awareness, anti-discrimination legislation and procedural improvements in recognizing vocational or academic skills obtained abroad, the relative position of non-nationals on the labour market has not improved as the alleged ‘employment miracle’ unfolded.

Lone parents

As already mentioned in section 3.3.5 the financial crisis of 2008/2009 shows hardly any effect on the time series of single parents’ employment or unemployment rates. The reason for this is that the crisis mostly affected export-oriented industrial firms where part-time jobs are rare. Therefore, single parents’ employment is even more than women’s employment in general concentrated in service jobs that were not affected by the crisis.

15 All employees had a weekly working time of 18 hours or more and all worked for 52 weeks in this company. Thus all 1.000 employment relations have to be considered as “jobs” for the calculation of the statutory employment obligation.
The German Association of Single Mothers and Fathers’ scientific consultant points out, in the interview conducted with her, that 80% of single parents enter this situation after separation or divorce. The very career patterns single mothers become trapped in, yielding insufficient earnings after separation, actually originate while living in couples. Insufficient childcare, better career and earnings perspectives for men, tax privileges for couples with only one earner or with uneven earnings, derived social insurance entitlements for family members – all these factors still both pressure and lure family mothers away from the labour market. After separation, by contrast, the benefit systems and alimony legislation both require single mothers to engage more in the labour market, but at this stage career prospects are often already for-gone.

“Since the problems of single parents originate from the German family model, it is useless to address single parents as such as a ‘target group’ whose problems could be solved as specific to single parents.” (Interview with German Association of Single Mothers and Fathers, January 15, 2014)
FROM THE “SICK MAN OF EUROPE” TO A COUNTRY WITH A RESILIENT LABOUR MARKET FOR ALL?

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Annex

Annex 1: Defining regions

Germany is made up of 16 federal states, three of which are merely large cities (Figure 26). Disaggregating our data by 16 regions could be confusing for the foreign reader. It appears to be more convenient to aggregate these 16 states into larger regions made up of adjacent states with similar labour market characteristics.

Figure 26: German Federal States
Ordering these 16 states by their unemployment rate in 2012 (annual averages) yields the following list (Table 4):

**Table 4:** German Federal States by unemployment rate, percentage of the German population 2012 and the decline in GDP in 2009 (compared to 2008)

<table>
<thead>
<tr>
<th>no.</th>
<th>State</th>
<th>Unemployment rate</th>
<th>Percentage of German population</th>
<th>Decline/Rise in GDP in % 2008 (compared to 2007)</th>
<th>Decline/Rise in GDP in % 2009 (compared to 2008)</th>
<th>Aggr. region</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Berlin</td>
<td>12.3</td>
<td>4.2</td>
<td>2.4</td>
<td>-2.4</td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>Mecklenburg-Vorpommern</td>
<td>12.0</td>
<td>2.0</td>
<td>0.5</td>
<td>-0.4</td>
<td>EAST</td>
</tr>
<tr>
<td>3</td>
<td>Sachsen-Anhalt</td>
<td>11.5</td>
<td>2.8</td>
<td>-0.9</td>
<td>-4.9</td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>Bremen</td>
<td>11.2</td>
<td>0.8</td>
<td>0.3</td>
<td>-6.7</td>
<td>NORTH</td>
</tr>
<tr>
<td>5</td>
<td>Brandenburg</td>
<td>10.2</td>
<td>3.0</td>
<td>0.3</td>
<td>-4.1</td>
<td></td>
</tr>
<tr>
<td>6</td>
<td>Sachsen</td>
<td>9.8</td>
<td>5.0</td>
<td>-0.5</td>
<td>-3.9</td>
<td>EAST</td>
</tr>
<tr>
<td>7</td>
<td>Thüringen</td>
<td>8.5</td>
<td>2.7</td>
<td>-0.9</td>
<td>-5.0</td>
<td></td>
</tr>
<tr>
<td>8</td>
<td>Nordrhein-Westfalen</td>
<td>8.1</td>
<td>21.8</td>
<td>0.2</td>
<td>-4.7</td>
<td>NORTH-WEST</td>
</tr>
<tr>
<td>9</td>
<td>Hamburg</td>
<td>7.5</td>
<td>2.2</td>
<td>1.8</td>
<td>-3.4</td>
<td>NORTH</td>
</tr>
<tr>
<td>10</td>
<td>Schleswig-Holstein</td>
<td>6.9</td>
<td>3.5</td>
<td>1.7</td>
<td>-2.7</td>
<td>SOUTH-WEST</td>
</tr>
<tr>
<td>11</td>
<td>Saarland</td>
<td>6.7</td>
<td>1.2</td>
<td>-0.1</td>
<td>-10.0</td>
<td></td>
</tr>
<tr>
<td>12</td>
<td>Niedersachsen</td>
<td>6.6</td>
<td>9.7</td>
<td>0.5</td>
<td>-4.7</td>
<td>NORTH</td>
</tr>
<tr>
<td>13</td>
<td>Hessen</td>
<td>5.7</td>
<td>7.5</td>
<td>-0.1</td>
<td>-7.7</td>
<td>SOUTH-WEST</td>
</tr>
<tr>
<td>14</td>
<td>Rheinland-Pfalz</td>
<td>5.3</td>
<td>5.0</td>
<td>-1.1</td>
<td>-3.9</td>
<td>SOUTH-WEST</td>
</tr>
<tr>
<td>15</td>
<td>Baden-Württemberg</td>
<td>3.9</td>
<td>13.1</td>
<td>-1.1</td>
<td>-8.8</td>
<td>SOUTH</td>
</tr>
<tr>
<td>16</td>
<td>Bayern</td>
<td>3.7</td>
<td>15.5</td>
<td>-1.1</td>
<td>-4.2</td>
<td></td>
</tr>
</tbody>
</table>

Grouping the 16 states into five adjacent regions, the ranking order by unemployment rate is only disturbed by two states with very small shares in the population: Bremen and Saarland. We thus arrive at the following five aggregated regions:
## Table 5: German Federal States grouped into five larger regions

<table>
<thead>
<tr>
<th>Region</th>
<th>Description</th>
<th>Population Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>EAST</td>
<td>East Germany and Berlin</td>
<td>19.8</td>
</tr>
<tr>
<td>NORTH</td>
<td>the coastal states of West Germany</td>
<td>16.1</td>
</tr>
<tr>
<td>NORTHWEST</td>
<td>= Northrhine-Westfalia, the most populous state</td>
<td>21.8</td>
</tr>
<tr>
<td>SOUTHWEST</td>
<td>Hesse, Rhineland-Palatine, and the Saar</td>
<td>13.7</td>
</tr>
<tr>
<td>SOUTH</td>
<td>Bavaria and Baden-Württemberg</td>
<td>28.7</td>
</tr>
</tbody>
</table>
Figure 27: Five larger labour market regions
Annex 2: Additional figures regarding inactivity

Figure 28: Inactivity rates of different age groups in Germany; 2000-2012; in percent

Source: EUROSTAT 2014
Figure 29: Inactivity rates of different age groups in Germany and the EU 28; 2000-2012; in percent

Source: EUROSTAT 2014
Annex 3: Proportion of people with fixed term contracts in the age group 15 to 24 years

Figure 30: Proportion of people with fixed-term work contracts by age group; Germany and the EU 28; 2000-2012; in percent

Source: EUROSTAT 2014; 2000 + 2001 = EU 27
Annex 4: Additional demographic figures

### Table 6: Overall demographic figures of Germany

<table>
<thead>
<tr>
<th>Year</th>
<th>Population (Index: 2000=100)</th>
<th>Working age population (% of overall population)</th>
<th>Population aged 15 to 24 (% of working age population)</th>
<th>Population aged 55 to 64 (% of Working age population)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td>82,259,540 (67,8)</td>
<td>55,788,284 (67,8)</td>
<td>9,256,689 (16,6%)</td>
<td>10,594,017 (19,0%)</td>
</tr>
<tr>
<td>2001</td>
<td>82,440,309 (67,6)</td>
<td>55,755,743 (67,6)</td>
<td>9,394,744 (16,9)</td>
<td>10,301,764 (18,5)</td>
</tr>
<tr>
<td>2002</td>
<td>82,536,680 (67,5)</td>
<td>55,682,281 (67,5)</td>
<td>9,514,59 (17,1)</td>
<td>10,102,894 (18,1)</td>
</tr>
<tr>
<td>2003</td>
<td>82,531,671 (67,3)</td>
<td>55,509,566 (67,3)</td>
<td>9,621,676 (17,3)</td>
<td>9,893,589 (17,8)</td>
</tr>
<tr>
<td>2004</td>
<td>82,500,849 (66,9)</td>
<td>55,208,740 (66,9)</td>
<td>9,678,080 (17,5)</td>
<td>9,696,206 (17,6)</td>
</tr>
<tr>
<td>2005</td>
<td>82,437,996 (66,6)</td>
<td>54,918,049 (66,6)</td>
<td>9,689,597 (17,6)</td>
<td>9,523,481 (17,3)</td>
</tr>
<tr>
<td>2006</td>
<td>82,314,906 (66,3)</td>
<td>54,574,251 (66,3)</td>
<td>9,610,634 (17,6)</td>
<td>9,411,395 (17,2)</td>
</tr>
<tr>
<td>2007</td>
<td>82,217,837 (66,2)</td>
<td>54,417,397 (66,2)</td>
<td>9,498,464 (17,5)</td>
<td>9,521,961 (17,5)</td>
</tr>
<tr>
<td>2008</td>
<td>82,002,356 (66,0)</td>
<td>54,134,237 (66,0)</td>
<td>9,379,469 (17,3)</td>
<td>9,600,947 (17,7)</td>
</tr>
<tr>
<td>2009</td>
<td>81,802,257 (65,9)</td>
<td>53,877,881 (65,9)</td>
<td>9,251,529 (17,2)</td>
<td>9,731,506 (18,1)</td>
</tr>
<tr>
<td>2010</td>
<td>81,751,602 (66,0)</td>
<td>53,966,108 (66,0)</td>
<td>9,136,385 (16,9)</td>
<td>10,113,452 (18,7)</td>
</tr>
<tr>
<td>2011</td>
<td>81,843,743 (66,1)</td>
<td>54,131,105 (66,1)</td>
<td>9,040,382 (16,7)</td>
<td>10,448,295 (19,3)</td>
</tr>
<tr>
<td>2012</td>
<td>82,020,578 (66,2)</td>
<td>54,280,665 (66,2)</td>
<td>8,957,349 (16,5)</td>
<td>10,708,897 (19,7)</td>
</tr>
</tbody>
</table>

*Source: Federal Statistical Office 2014*
Annex 5: Collective agreements and existence of works councils in western and eastern Germany

Figure 31: Collective agreements and existence of works councils in western and eastern Germany (as a percentage of workers covered in companies with five or more employees)

Source: Elfguth and Kohaut 2013, data from IAB Establishment Panel
Annex 6: Map of relevant stakeholders, policy makers and experts