

Discussion paper

**EUROPEAN EMPLOYMENT OBSERVATORY  
GERMANY**

**The new conservative-liberal Federal Government**

**Quarterly review of labour market trend and policies  
3<sup>rd</sup> and 4<sup>th</sup> Quarter 2009**

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## Glossary

Business Foundation Allowance	<i>Gründungszuschuss</i> : New regulation of business foundation support for unemployed UB-I recipients for a period of 15 months at maximum (valid since 1 August 2006). During the first nine months, a lump sum of EUR 300 is paid in addition to UB-I as a contribution to social insurance costs. During the following six months the lump sum is continued to be paid only if the business became the main entrepreneurial activity.
Hartz reform	Reform of unemployment insurance under the Federal Employment Service ( <i>Bundesagentur für Arbeit</i> ) and active labour market policies, named after Peter Hartz, principal staff manager of Volkswagen and the president of the "Hartz Commission" established by the German government in 2002. The reform has four parts: Hartz I (2002): introduction of public temporary work agencies (Personnel Service Agencies – PSA) Hartz II (2002): reorganisation of public employment services; mini-jobs, ICH-AG Hartz III (2004): restructuring of public employment services to the Federal Employment Agency Hartz IV (2005): merger of unemployment aid and social assistance to UB-II
Midi-Jobs	<i>Midi-Jobs</i> : Registered employment with monthly wages between 401 and 800 € and reduced social insurance premiums.
Mini Jobs	<i>Geringfügige Beschäftigung</i> : Jobs with monthly incomes up to EUR 400. These can be regular or occasional jobs and jobs in addition to regular employment. Employers pay 30 % of wages to social insurance.
National Training Pact	<i>Nationaler Ausbildungspakt</i> : Agreement between the Federal Government and the employers associations to offer additional dual training places. The pact started in 2004.
Registered employment	<i>Sozialversicherungspflichtige Beschäftigung</i> : Employment contracts subject to public social insurance, i.e. dependent employment with salaries above 400 EURO per month.
Rehabilitation benefit	<i>Eingliederungszuschuss</i> : a wage subsidy for employers who employ long-term or disabled unemployed. Subsidies are limited to 50 % of wages for 12 months. For disabled or older workers the limits are 70 % of wages for a maximum period of 24 months.
Short-term work	<i>Kurzarbeit</i> : following articles 169 ff. SGB III, companies can apply for short-term work in the case of a considerable but temporary lack of work. At least one third of the work force must be endangered to loose at least 1/10 of the income. According to unemployment benefits workers receive 60 to 67 % of the omitting income. The maximum period is 18 months. Social insurance premiums are continued to be paid at the former levels. Employer contributions are subsidised by unemployment insurance.
Social benefits	<i>Sozialgeld</i> : non-employable persons in a subsistence-based partnership with at least one employable person receive social benefits. Above the age of 16 rates are equivalent to UB-II.
Subsistence-based partnerships	<i>Bedarfsgemeinschaft</i> : These partnerships are defined by the Hartz-IV act as the private income and property units obliged to individual transfers among its members.
UB-I	<i>Arbeitslosengeld I</i> : Regular unemployment benefits for singles provide 60 % of the last net income for 12 months. For parents the rate is 67 %. The regulation is included in Social Code Book III (SGB III).
UB-II "Hartz-IV"	<i>Arbeitslosengeld II</i> : Means-tested basic income for job seekers, paid after expiration of regular unemployment benefit. The basic rate is 351 EURO per month. The regulation is included in Social Code Book II (SGB II). This is also known as basic income benefit.
1 € Jobs Auxiliary public jobs	<i>Ein-Euro-Jobs</i> : Temporary jobs for UB-II recipients in the field of social and public services. They are remunerated by EUR 1 or 2 in addition to UB-II benefits. Jobs need to be for the public benefit and have to be additional to jobs in the premier labour market.

## Executive Summary

The German economy achieved a turnaround of GDP growth in recent months. After the strong decline by 4.7 % compared to the previous year, a slight recovery can be discovered in the 2<sup>nd</sup> and 3<sup>rd</sup> quarter 2009. The labour market situation, however, remains ambiguous. While short-time work succeeded in avoiding a strong job decline, rising hourly wages and labour unit costs create a substantial burden on the economy.

Until recently there has been a strong interest in maintaining the human capital in the companies. However, the economic burdens are expected to lead to a stronger job cut and rising unemployment during the next year. Unemployment is expected to climb to 4 million (+ 25 %).

The major impact of the crisis has been on manufacturing and business services: manufacturing companies reduced working hours by 12.9 % and business services by 4.1 %. Job cuts particularly affected full-time registered employment. The worsening of the labour market situation brought an expansion of marginal jobs.

The rapid expansion of short-time work since 2008 came to an end during the 3<sup>rd</sup> quarter 2009. In total 1.07 million short-time workers were counted in September 2009. This was equivalent to 319,000 full-time workers.

According to IAB/Economix estimates, the number of vacancies in the 3<sup>rd</sup> quarter declined by 17 % compared to the previous year. As in recent quarters, the decrease was even stronger in the non-supported primary labour market (- 22 %).

In September 2009 the former grand coalition was replaced by a conservative-liberal coalition. Due to these political changes labour market policies are presently in a phase of planning and revision rather than implementation. The political programme has recently been fixed by a coalition treaty which is called "Growth. Education. Cohesion". The focus is on stimulating the economy to overcome the current crisis, developing and reforming the education and training system and improving social integration. It is a comprehensive work programme rather than a fundamentally new vision for the next four years.

Two outstanding publications have been selected for this report:

- The Handbook Labour Market 2009 by the Institute for Employment Research of the Federal Labour Agency (IAB). This report gives a comprehensive overview on policies, evaluation results, and recent research evidence for the German labour market. It includes international comparisons.
- The transition of the German labour market during the recent reform period was analysed by the Institute for the Study of Labour (IZA). They conclude that the German labour market has gained flexibility during this period and extended heterogeneity. However, the structural problems have not yet disappeared. Two additional studies are mentioned in this context.

## 1. Introduction

In September 2009 the former grand coalition was replaced by a conservative-liberal coalition. Due to these political changes labour market policies are presently in a phase of planning and revision rather than implementation. This quarterly report therefore mainly addresses the intentions of the new Federal Government and we will come back to the programmes and policy measures in the future.

## 2. Update on economic and labour market trends

### 2.1. Macro developments

The German economy achieved a turnaround of GDP growth in recent months. After the strong decline by 4.7 % compared to the previous year, a slight quarterly increase of 0.4 % and 0.7 % has been measured during the 2<sup>nd</sup> and 3<sup>rd</sup> quarter 2009. The labour market situation, however, remains ambiguous:

- While the volume of hours worked declined by 4.2 % between the 3<sup>rd</sup> quarters 2008 and 2009 employment has only decreased by 0.3 % during that period. This has been the positive effect of the rising number of short-time workers which increased from almost zero to 1 million.
- Hourly earnings moved upwards by 3.7 % while average monthly incomes of employees declined by 0.4 %. This is the effect of both the wage agreements in 2008 and the strong working time adjustments.
- Productivity declined by 1.3 % on an hourly basis. Together with the rise of earnings this resulted in an increase of hourly labour unit costs by 5.3 % versus the previous year.

Taken together, these changes indicate that labour markets have not yet adjusted to the downturn of the economy and it is one of the big questions whether it will be able to sustain employment as it did in the past. There has been a strong interest in maintaining the human capital in the companies. However, the cost pressure is rising and financial reserves are limited. This will lead to a further decline of employment during the next year. All business cycle forecasts therefore expect a reduction of employment between 1.5 and 2.0 % in 2010. Unemployment will climb to 4 million (+ 25 %).

The rise of unemployment will be ameliorated by positive growth expectations. However, the forecasted GDP growth rates for 2010 only range between 0.3 and 1.6 % - by far not enough to avoid the downturn of labour markets. Even worse, the expected 2011 growth rates will not be stronger according to the recent forecast of the *Deutsche Bundesbank* (2009). This indicates a long-lasting impact of the financial and economic crisis with high and rising unemployment.

### 2.2. Labour market trends

The major impact of the crisis has been on manufacturing and business services. 3.4 % of the manufacturing jobs were cut since the 3<sup>rd</sup> quarter 2008, and 1.8 % of business services' jobs. In terms of hours worked, the effects have been dramatic: manufacturing companies reduced working hours by 12.9 % and business services by 4.1 %. In the course of 2009 a stabilisation of the situation can be discerned in both sectors.

Job cuts mainly affected registered employment. In September 2009 a minus of 0.7 % was measured in comparison to the previous year. This reduction was almost twice as high as the overall employment decline. Full-time workers were strongly hit by this reduction

while part-time employment increased. Self-employment experienced only a minor decline (-0.1 %), while publicly supported jobs decreased by 5 %. The worsening of the labour market situation brought an expansion of marginal jobs, both as exclusive and secondary jobs.

The rapid expansion of short-time work since 2008 came to an end during the 3<sup>rd</sup> quarter 2009. Labour offices nevertheless registered new applications for around 100,000 workers per month. In total 1.07 million short-time workers were counted in September 2009. This was equivalent to 319,000 full-time workers (*Bundesagentur für Arbeit* 2009). The increased use of cyclical short-time work and other working time adjustments thus have effectively attenuated the negative effects of the recession on employment so far.

According to IAB/Economix estimates, the number of vacancies in the 3<sup>rd</sup> quarter declined by 17 % compared to the previous year. As in recent quarters, the decrease was even stronger in the non-supported primary labour market (- 22 %).

**Table 1 Economic and labour market indicators**

Indicator	Current value		Change to previous year
	Month	Value	
Employment	October 09	40.70 million	- 145,000
Registered employment	September 09	27.79 million	- 202,000
Unemployment	November 09	3.22 million	+ 227,000
Regular unemployment (among persons eligible for UB-I)	November 09	1.07 million	+ 169,000
Regular unemployment (among persons eligible for UB-II)	November 09	2.14 million	+ 59.000
Unemployment rate (seasonally adj.)	November 09	8.1 %	+ 0.5 pp.
ILO unemployment rate (seasonally adj.)	October 09	7.5 %	+ 0.4 pp.
Short-time workers	September 09	1.07 million	+ 1.02 million
Vacancies	III/09	832,000	- 17.0 %
Quarterly working hours per employee	III/09	329,1	- 4.0 %
Monthly gross salary per employee	III/09	2,298	- 0.4 %
GDP (constant prices)	III/09		- 4.7 %
Inflation	November 09		0.4 %
GfK Consumer climate index	November 09	4.0	Index Nov 08: 1.9
Ifo Business climate (2000 = 100, seasonally adjusted)	November 09	93.9	+9.57 %
Labour Productivity per employee (index 2000=100)	III/09	103,33	- 4.6 %
pp = percentage points			

Source: Bundesagentur für Arbeit (2009), Statistisches Bundesamt (2009), Ifo Institute, GfK, Economix.

### 2.3. Major restructuring cases and their employment implications

Three main cases of (almost) insolvent companies appeared during the second half of 2009:

- Opel AG (automotive industry)
- Acandor Group: Karstadt GmbH (department store) and Quelle GmbH (mail-order firm)
- Karmann (automotive industry)

For a few months Opel was expected to be bought by Magna Steyr, an Austrian/Canadian car parts manufacturer, and the Russian Sherbank. In November 2009 General Motors announced to keep Opel due to its strategical importance. However, there is still a need for reorganisation. Even if all European production sites will be maintained, GM's reorganisation plans are expected to include about 9,000 job cuts in Europe; thereof 5,400 in Germany. General Motors wants to spend 600 million Euros for the reorganisation of Opel and expects 2.7 billion Euros from European Governments. So far, the support of the German Government is unclear.

The bankruptcy of Acandor in June 2009 shows its consequences regarding its subsidiaries:

- The subsidiary company Karstadt GmbH has to close 13 department stores in Germany by spring 2010, which results in 1,200 job losses. A purchaser for the remaining 120 department stores of Karstadt is not known yet.
- At the Primondo Group, a subsidiary home shopping company of Acandor, about 7,000 of 10,500 jobs are at risk. Thereof, already 4,000 employees lost their jobs in November 2009, when the mail-order firm Quelle GmbH – which is part of the Primondo Group – had to stop its activities.

In April the car producer Karmann went bankrupt and about 2,000 employees lost their jobs. In October another 700 job cuts were announced. VW bought parts of Karmann's production site what will create about 1,000 jobs. Former Karmann employees can apply for these jobs.

### 2.4. Policy changes: a new conservative-liberal Federal Government

The September election to the Deutsche Bundestag resulted in a major shift of political power to a conservative-liberal majority. The new Federal Government is constituted by three parties: the Christian Democratic Union (CDU), the Christian Social Union (CSU), and the Liberal Party (FDP). Their political programme has recently been fixed by a coalition treaty which is called "Growth. Education. Cohesion" (CDU/CSU/FDP 2009). The focus is therefore on stimulating the economy to overcome the current crisis, developing and reforming the education and training system and improving social integration. It is a comprehensive work programme rather than a fundamentally new vision for the next four years.

One planned fundamental change is the tax cut of 4 % of tax revenues by which the Federal Government tries to stimulate the economy. Even at the price of rising public deficits this is expected to lead to better economic performance at least in the medium term. However, financing of the programme is still uncertain. The German Federal Court of Auditors (*Bundesrechnungshof*) strongly criticised the tax cut plans in times of a fraught federal budget. Moreover, the Ministers of Schleswig-Holstein, Saxony and Saxony-Anhalt are against tax cuts. If one of these States votes against the law in the German Federal Council, the enacting of the law is endangered.

The new government makes education and training to one of the main headings of its programme. Equal opportunities, permeability and fair career chances are indicated as the guidelines for this policy field. The Federal Government intends to increase expenditures by 3 billion Euros annually, which almost doubles the present expenditure level. It wants to achieve binding commitments with *Länder* governments to expand education and training expenditures, implement the common Skills Initiative, improve mobility, and expand the approval of certificates<sup>1</sup>.

In the field of labour market policies the coalition treaty intends that

- Labour market policies should be decentralised and the number of labour market instruments should be reduced. The Hartz reforms will be continued and the principal of promoting and demanding employees (*Fördern und Fordern*) remains important. Therefore labour incentives should be improved.
- Early retirement schemes should be stopped.
- Recently introduced minimum wage legislations should be evaluated regarding their employment effects. This will be used as the basis for further decisions.
- Against the background of skill shortages, the entrance to the labour market should be facilitated for non-Germans.
- The support of business foundations should be improved.

Regarding social security and the Federal Labour Agency the coalition treaty has a series of plans:

- The activities of the Federal Labour Agency will be assessed critically and organised more efficiently.
- UB-II allowances will be re-organised together with the support of long-term unemployed. The limits for work incomes will be widened for UB-II recipients and private retirement provisions will be better protected. Savings for old-age provision will be allowed up to 750 Euros per year. Accommodation allowances will be paid in lump-sum form by taking regional differences into account.
- In order to facilitate the social security system, the new coalition will check if some social benefits can be combined.
- The introduction of a demand-orientated basic income called *Bürgergeld* which combines several benefits is aspired.

### 3. Labour market policy developments

#### 3.1. Aim and assessment of recent policy developments

##### *Further extension of short-time work*

###### *Policy area:*

As the measure targets employment security it is in line with Employment Guideline No. 21.

###### *Description of measure:*

After a general prolongation of short-time work from 18 to 24 months in spring 2009, the Federal Government decided not to return to the previous 6 months support period by the end of the year. In 2010 support up to 18 months of short-time work will be provided. This is only valid for cyclical short-time work. Seasonal and transfer short-time work are not extended.

Enterprises can apply for short-time work at the Federal Labour Agency if at least one

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<sup>1</sup> This "process of open coordination" has been one of the main recommendations developed in the 2008 Pre-Assessment (Economix 2008, Point A4).

employee has 10 % less work and would earn 10 % less due to a temporarily order decrease. Between 60 and 67 % of the difference between regular gross salary and the reduced salary are paid by the Federal Labour Agency. In addition social security contributions are paid by the Federal Labour Agency from the seventh months onwards.

*Policy aims and objectives:*

Short-time work is appreciated as the key instrument to counteract the effects of the financial crisis on the labour market. It enables enterprises to retain their employees and to ensure their planning reliability until the end of 2010. At the moment about 60,000 enterprises have applied for short-time work and about 1.0 million employees are affected.

*Legislative status:*

The prolongation of a longer short-time work period (18 months) in 2010 was enacted by the Federal Cabinet in November 2009.

*Positions of social partners:*

Social partners in Germany evaluate this measure positively as it prevents dismissals.

*Preliminary assessment of the measure:*

In the short run, short-time work stabilises employment. It seems to be effective to avoid a fast increase of unemployment due to temporary order decrease. The fact that enterprises have retained their employees so far reflects the hope for new orders and the fear to lose important internal human capital. However, in the long run the success of this measure is strongly dependent on the length of the economic crisis.

In principle, this type of workplace support could be continued for the next two years. However, there are limits to this strategy not only from public budgets but also from employers who decide how to use short-time work. Recent calculations by the IAB showed that short-time work burdens companies with a cost share of 24 to 35 % of the omitted wage costs (*Bach et al. 2009*). This means that the advantage of labour hoarding in form of preserving human capital investments and avoiding new recruitment and training costs may soon exhaust. This will be the case if demand is not going to increase. Unemployment can then be expected to rise much stronger and more rapidly than in the past.

Moreover, short-time work can absorb temporal order slumps rather than structural problems. In a long-lasting crisis macroeconomic incentives appear to be more efficient to counteract the crisis (*Crimmann/Wießner 2009*). This avoids giving wrong incentives to companies and reduces deadweight losses (*Eichhorst in tageschau.de*).

### **3.2. Reactions to employment related EU recommendations**

In this period of re-orientation no new programmes were launched yet by the new Federal Government. The following section therefore refers to the coalition treaty and presents the policies intended for the next four years.

*Improvement of flexicurity approach*

The new coalition programme does not refer to flexicurity at all. Demands to reduce job protection rules are not mentioned. In contrast, the social responsibility of companies is underlined, long-term incentives for performance based remuneration of top managers are recommended and equity shares for staffs will be used to strengthen employer-employee relations. This appears to be far away from an approach that promotes external restructuring.

*Improved incentives to work*

The new coalition wants to continue the Hartz reforms including the decentralisation of

labour market policies and the improvement of labour incentives. Thus, activation policies will be strengthened by the new government and plans of early retirement schemes will be stopped (see above).

#### *Enhancing the efficiency and effectiveness of job placement services*

During the election campaign the FDP had the intention to shut-down the Federal Labour Agency in total. Beyond the battle noise of such periods, this indicates the principle caveats of this coalition partner against this institution, even seven years after the start of the Hartz reforms.

According to the coalition treaty the new government wants to make the Agency's services more efficient by reducing the number of labour market policy programmes, balancing the volume of tasks and the number of employees in the Federal Labour Agency, decentralising placement services with a greater leeway for local labour agencies, and improving working incentives for the unemployed. The principles of activation policy are strongly supported (CDU/CSU/FDP 2009, 73).

#### *Promoting the integration of the low skilled and long-term unemployed*

In the coalition treaty the new government states the support of structurally weak regions with a high proportion of long-term unemployed in terms of active labour market policy. It is also planned to reorganise the UB-II allowance of long-term unemployed but no concrete steps have been decided yet.

#### *Better access to qualifications*

The education and training strategy of the new government sets nine priorities which include

- expanding training awards
- lowering the pupils-to-teacher ratio
- raising the share of university students
- improving the "Bologna" process
- modernising the dual system and making it more flexible
- continuing the National Training Pact
- restructuring the transition system for disadvantaged youth
- establishing an alliance for lifelong learning

This appears to be an ambitious programme which addresses the right issues – even if some of them are on the policy agenda since many years. The weakest point on this list is lifelong learning that is planned to be developed in close cooperation with social partners, *Länder* governments and the Federal Labour Agency.

## **4. Recent labour market reports**

*Möller J., Walwei U: Handbuch Arbeitsmarkt 2009 (Handbook Labour Market 2009), IAB-Bibliothek 314, Institut für Arbeitsmarkt- und Berufsforschung, Nürnberg/W. Bertelsmann Verlag GmbH & co KG, Bielefeld.*

The Handbook labour market 2009 provides an overview about central research findings of the IAB – Institute for Employment Research of the Federal Labour Agency:

- Development and perspectives of the German Labour Market
- Chronicle of labour market policy 2005 - 2008
- Activating labour market policy in Germany and its effects
- The situation of UB-II recipients in the context of the basic security reform (*Grundsicherungsreform*)
- International migration: amount, structure of qualification and effects on the labour market

- Integration of migrants in the labour market and the education system
- Qualification in the dual system and preparatory measures
- Enterprises' dynamic and flexibility on the German labour market
- Germany in an international comparison

Two of these chapters are reviewed in more detail:

*Activating labour market policy in Germany and its effects*

The chapter about activating labour market policy in Germany reveals that measures which promote the take up of a job in the regular labour market (e.g. wage subsidy, business foundation allowance or training measures in the beginning of a job) significantly increase the employment chances of these persons. This finding also holds for UB-II recipients. The support of continuing vocational education also showed positive effects regarding the reemployment. However, the effect of employment-creation measures on chances of reemployment was negative. Moreover, the support of external placement services was successful only in very few cases. The chapter concluded that further evaluations are needed, especially the assessment of improvements in the employability of long-term unemployed which do not immediately result in a new job.

*The situation of UB-II recipients in the context of the basic security reform*

In 2005 the new SGB II or the new basic security reform came into force. It follows the principles of solidarity and activation. The programme targets a fast re-entrance into the labour market. In this chapter the situation of UB-II recipients in the context of the basic security reform is assessed and recent research findings are concluded.

An empirical analysis showed that illness is a common accompaniment of long-term unemployment. A low level of education and a higher age reinforce this negative relation. It can be assumed that these effects may also affect other family members of UB-II recipients in the long run. However, in recent studies the principles of cause and effect of unemployment and illness have not been clear.

The study also analysed the clients' perception of the support: activating measures are often interpreted as a loss of autonomy and as pseudo-reintegration. The majority of UB-II recipients expressed that the support did not improve with the new SGB II. It is also criticised that individual needs and career developments are not adequately considered. Moreover, it is interpreted as a social stigma and a loss of social standing.

Due to the authors, this critique points to general changes in the society and changes of the value system. The importance of individual interests is in the foreground. This is reflected in the need of social recognition or in suggestions about means-tested allowances. This individualised perception contradicts the historical idea of basic security systems which should meet the material and cultural basic needs of all persons who can't afford these.

*Eichhorst W., Marx P., Thode E. (2009): Arbeitsmarkt und Beschäftigung in Deutschland 2000-2009 (Labour market and employment in Germany 2000-2009), I Z A Research Report No. 22, Institute for the Study of Labour, November 2009.*

As part of the benchmarking activities of the Bertelsmann Stiftung, the Institute for the Study of Labour (IZA) undertook a review of labour market transitions in Germany between 2000 and 2009. It states that the German labour market created a substantial number of jobs during that period. Due to the Hartz reforms the labour market has become more inclusive. However, this was associated with a rising number of atypical and low-paid jobs and higher uncertainties. Progress was particularly achieved in female employment and jobs for older workers. Young workers in contrast were faced with deteriorating opportunities.

In spite of the improvements, Germany has not fully overcome the structural problems. The crisis will make this even more evident.

- Long-term unemployment is one of these problems as integration is not sustainable without better qualification.
- The labour is segmented between regular and flexible forms of employment.
- Integration of women is still low by international comparisons. This is mainly due to the lack of child care facilities.
- The problems of young persons to start their working career.

*Geber M., Giesecke J. (2009): Labour market flexibility and inequality: the changing risk patterns of temporary employment in West Germany, Journal of Labour Market Research Volume 42, Number 3, Institut für Arbeitsmarkt- und Berufsforschung.*

Previous research showed that temporary employment relationships are related to serious socio-economic disadvantages like lower wages and higher risks of unemployment. Moreover, certain groups on the labour market are more likely to enter temporary employment than others. Therefore, determinants like age, education and occupational class are striking.

The empirical analysis of the German Labour Force survey for the years 1989-2005 revealed that there has only been a modest increase of temporary contracts in West Germany in the last 20 years. This is an interesting finding regarding the significant relaxation of regulations concerning the use of temporary employment.

The results of the empirical analysis reveal that people aged 16-25 – as labour market outsiders – face a higher risk of receiving a temporary work contract. This risk even doubled during the observational period and reached about 25 percent in 2005. Moreover, it became visible, that the probability of holding a temporary contract is higher for employees with a lower level of education – especially employees with elementary and intermediate education. These results reveal that young and low skilled employees – individuals who already belong to groups in a weak labour market position – face an increased risk of holding a temporary employment relation. Moreover, the allocation of these employees to inferior work relations increased. In addition to these enforced social inequalities, the analyses did not show a growing importance of other – mostly unobserved – characteristics like motivation or ability.

These results point out that labour market reforms, which relax the restrictions regarding temporary employment while leaving the protection of standard employment unchanged, clearly bear the risk of a reinforced social inequality and can result in stronger labour market segmentation.

*Schmid G., Protsch P. (2009): Wandel der Erwerbsformen in Deutschland und Europa (Change of employment relationships in Germany and Europe) Wissenschaftszentrum Berlin für Sozialforschung (WZB), Discussion Paper SP I 2009-505, September 2009.*

Atypical or non-standard forms of employment relations were analysed on the basis of the German Micro Census and the European Labour Force Survey. In Europe (EU-23) atypical employment relations – part-time workers, temporary contracts and solo self-employed – increased from 17.5 % in 1998 to 22.2 % in 2008. Thereof, part-time work is the most common form of atypical employment which is mainly performed by women. Atypical employment basically concerns low qualified and young employees. The increase of atypical employment in comparison to typical employment (permanent contract, full-time) is related to a structural change in the economy, where former unpaid household-related activities are supplied on the market.

The authors conclude that the result of this study is neither the complaint about the decline of the "standard employment relationship" nor of its possible "precariousness". However, due to rising employment participation and economic prosperity, the variability of the employment increased. This development is accompanied by spreading social risks over the whole life course, especially the risk of huge income volatility due to long or multiple periods of unemployment, varying working times, obsolete skills or restricted work capacities due to ill health. These changes should be acknowledged by future labour market reforms in order to reduce or to avoid new social inequalities.

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Web links:

Ifo business climate Germany [\[web\]](#)

GfK consume climate indicator [\[web\]](#)

Tagesschau.de – Kurzarbeit [\[web\]](#)