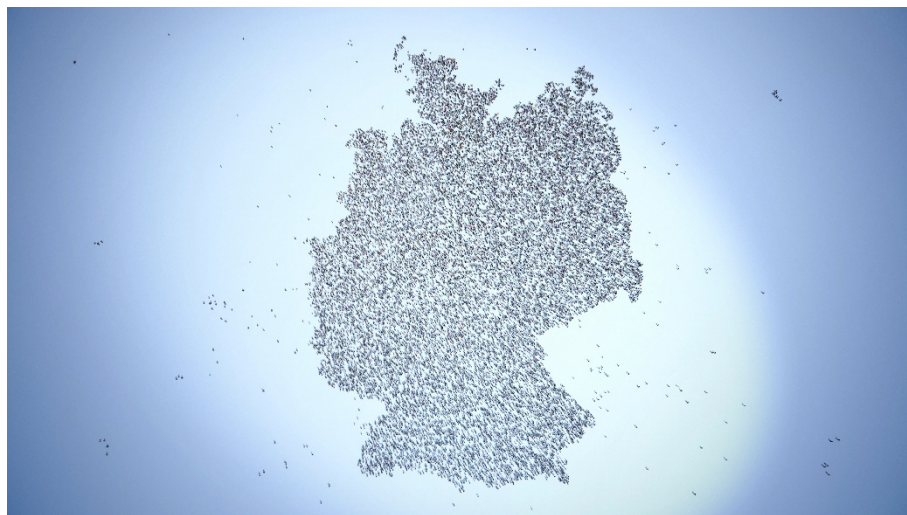


STUDY

Requested by the EMPL committee



# The employment and social situation in Germany



Policy Department for Economic, Scientific and Quality of Life Policies  
Directorate-General for Internal Policies  
Authors: Nicola DUELL, Tim VETTER  
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EN



# The employment and social situation in Germany

## **Abstract**

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

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This document was requested by the European Parliament's committee on Employment and Social Affairs.

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## LIST OF ABBREVIATIONS

<b>AI</b>	Artificial Intelligence
<b>ALMP</b>	Active labour market program
<b>BDA</b>	Bund Deutscher Arbeitgeber (Confederation of German Employers' Associations)
<b>BiBB</b>	Bundesinstitut für Berufsbildung (Federal Institute for Vocational Education and Training)
<b>BAMF</b>	Bundesamt für Migration und Flüchtlinge (Federal Office for Migration and Refugees)
<b>BMAS</b>	Bundesministerium für Arbeit und Soziales (Federal Ministry for Labour and Social Affairs)
<b>BMBF</b>	Bundesministerium für Bildung und Forschung (Federal Ministry of Education and Research)
<b>BMWI</b>	Federal Ministry of Economy and Energy
<b>CEO</b>	Chief executive officer
<b>DESTATIS</b>	Statistisches Bundesamt (Federal Statistical Office)
<b>DIW</b>	German Institute for Economic Research
<b>DGB</b>	Deutscher Gewerkschaftsbund (German Trade Union Confederation)
<b>EC</b>	European Commission
<b>ESF</b>	European Social Fund
<b>EU</b>	European Union
<b>GDP</b>	Gross Domestic Product
<b>IAB</b>	Institut für Arbeitsmarkt- und Berufsforschung (Institute for Employment Research)

<b>IFLAS</b>	Initiative zur Flankierung des Strukturwandels (Initiative to Flank Structural Change)
<b>ILO</b>	International Labour Organization
<b>KMK</b>	Standing Conference of the Ministers of Education and Cultural Affairs of the Länder
<b>IT</b>	Italy
<b>ICT</b>	Information and Communication Technology
<b>LFS</b>	Labour Force Survey
<b>NEET</b>	Not in Education, Employment, or Training
<b>NEPS</b>	National education panel
<b>OECD</b>	Organisation for Economic Co-operation and Development
<b>PES</b>	Public Employment Service
<b>SOEP</b>	German Socio-Economic Panel
<b>SPD</b>	German Social Democrats
<b>SME</b>	Small and Medium Enterprises
<b>UN</b>	United Nations
<b>VET</b>	Vocational Education and Training



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## EXECUTIVE SUMMARY

### Employment trends

Employment in Germany kept growing steadily after the global economic crisis of 2008, rising from 40.9 million in 2009 to 43.7 million in 2016 and to 45.3 million in 2019 according to national statistics. Between 2016 and 2019, the number of employed subject to social security increased by 2 million (5 million between 2010 and 2019). Before the start of the coronavirus crisis, there were first signs of a slowing down of employment growth. Leading economic research institutes predict a severe economic recession at least for 2020 as an effect of the coronavirus pandemic.

The main sources for employment growth were increased employment rates – in particular among women and older workers (for both men and women) – as well as immigration and the increased employment rates of migrants.

Skill shortages or the threat of skill shortages and strategies to overcome these have been at the centre of public and political debate for many years. Skill shortages occur mainly in the health sector, construction sector and some manufacturing industries, as well as in ICT roles across all sectors.

### Digitisation

The government is concerned with accelerating the digitisation process of the economy. The newest labour market projection commissioned by the Federal Ministry of Labour and Social Affairs estimates in its digitisation scenario that up to 2035, only 300,000 workers will be replaced by new technologies; however, the content of jobs will change. The study expects an increased need for vocational adaptation.

Discussions on the impact of digitisation on the labour market spawned the Work 4.0 dialogue process ([Arbeiten 4.0 Dialogprozess](#)) in 2015 and 2016. This process initiated debates on the working conditions and social security of crowd workers and platform workers, the right to work remotely, and the “right to disconnect”.

### Atypical employment and employment conditions

More than half of total employment growth since the economic recovery was due to the expansion of part-time employment, especially for women (+2.8 million female part-time employed subject to social security contributions between 2010 and 2019).

The development of part-time employment aside, there are signs that the share of atypical employment has been declining slightly over the past few years, due to better employment opportunities. In June 2019, there were 7.9 million marginally employed – so-called mini-jobbers, earning up to EUR 450 a month. Mini-jobbers are mainly pupils and students, pensioners (in early retirement and after reaching statutory retirement age) and housewives, as well as second job-holders. The number of mini-jobbers increased less than the number of employed persons subject to social security contribution over the past years. The share of employees with fixed-term employment contracts was 8.3% in 2018. An increased retention rate can be observed over the past three years at

least. In June 2019, about 2% of all employed were temporary agency workers. After reaching a peak in 2017, the number of temporary agency workers decreased in 2018 and 2019.

In 2017, 7.9 million persons earned wages below the low-wage threshold (a gross hourly wage that is 2/3 of the median of all employed). Mobility out of the low-wage sector is low.

## Unemployment and active labour market programmes

As a result of the increased demand for labour, the unemployment rate as well as the inactivity rate decreased. In January 2020, the unemployment rate amounted to 5% according to administrative data, and to 3.2% according to Labour Force Survey data; it had been trending downwards for many years. For the first time since the global economic crisis, a slight increase can be observed in early 2020 (as compared to the previous year). The unemployment rate of young people is slightly below that of adults. The incidence of long-term unemployment has decreased slightly over the past few years.

Reducing long-term unemployment, in particular through promoting social labour markets for the very long-term unemployed, has been the focus of recent active labour market programmes. Bringing disadvantaged young people into education (in particular VET) and employment has been another priority, as evidenced by the continuation of policies in place since the 1970s. Active labour market policies have recently successfully targeted refugees and asylum seekers. The Federal Inclusion Act of 2016 promotes measures for including people with disabilities in the labour market. In order to cope with the labour market impact of the coronavirus pandemic, the government decided to soften the eligibility requirements for short-time work measures.

## Demographic change

German society is ageing, due to low fertility rates and increased longevity, although fertility rates have been rising recently. A major challenge is to further improve reconciliation of work and family life.

As a consequence of the refugee crisis, net migration to Germany peaked at 1.1 million persons in 2015, then declined in the three subsequent years. The migration report for 2018 shows a net migration of nearly 400,000 persons to Germany. Nearly half of net migration that year originated from another European Union (EU) country.

In order to cope with skill shortages, the federal parliament adopted the Skilled Workers Immigration Law ([Fachkräfteeinwanderungsgesetz](#)), which came into force on 1 March 2020. The new law eases immigration to Germany of highly skilled workers and of workers with vocational education and training (VET) from third countries.

## Social protection systems

Pension reforms have increased the retirement age, limited access to early retirement, and set incentives for pensioners to take up employment. The employment rates of older workers have risen tremendously over the past decade (up to 60.3% in 2018 from 25.3% in 2004 for those aged 60-64 and to 83.6% in 2018 from 68.2% in 2004).

The rising number of old people in need of care represents a major challenge. In order to limit expenditures for stationary care, the government decided on measures to improve reconciliation of work and care for older persons. As one of the major challenges is the shortage of nurses and carers, recent initiatives have focused on raising wages for nurses and recruiting from abroad.

## Poverty

Good economic performance in Germany over the past decade contributed to reducing poverty. The poverty rates of children (living in households that received 50% of median income after taxes and social transfers) have been higher than for the rest of the population. In particular, children living in single-parent households, in low work-intensity households or in families with many children are at risk of poverty. Improving social mobility and providing poor children with equal access to quality education are two of the major challenges.

In 2015 a statutory minimum wage was introduced to alleviate in-work poverty. It had positive effects on wages in the lowest income groups, although even now not all companies are complying with the law.

## Housing

Affordable housing has become a major problem not only for low-income but also middle-income households, in particular in economically dynamic urban areas. Recent measures include an increase in housing benefits as well as rent increase regulations.

## Social dialogue

Germany is well known for its social partnership model. However, trade unions have faced declining memberships over several decades, and an increasing share of workers is not covered by a collective bargaining or Works Council agreement. Nevertheless, wages increased, due to good economic performance and low unemployment. Wage growth was highest in the metal and electrical industry; the steel industry; and the public sector of the *Länder* (in particular for single occupational groups such as nurses and carers).

## Skills development

The dual vocational education and training system has been widely acknowledged to be one of the main success factors lowering the unemployment of young people and skill gaps. A major concern has been the decreasing number of young people enrolling in dual vocational education and training. An increasing number of them prefer to pursue university education since the introduction of the bachelor level through the Bologna process. To tackle the challenges faced by the dual VET system, an Alliance for Initial and Continuing Education and Training 2015-2018 (*Allianz für Aus- und Weiterbildung*) was

forged. A new [alliance for 2019-2021](#) was signed between the Government, the social partners and other key stakeholders. Main actions include measures to integrate disadvantaged youth into dual vocational education and training, and to promote placement.

Workplace-related learning in university education has been strengthened. New formats of study courses have been introduced in line with the dual structure in addition to traditional study formats. Also, internship schemes are increasingly used.

Several measures and laws have been introduced over the past few years to promote continuing education and training. The Qualification Opportunity Act, in force since January 2019, includes a binding right to continuing training guidance from the Federal Employment Agency, and extends the subsidised training to employees affected by structural change. In June 2019, a new national continuing training strategy was adopted to address the challenges of increasing digital transformation in the workplace.

### **European Social Fund (ESF)**

During the seven years of the ESF funding period 2014-2020, EUR 2.7 billion has been made available for federal-level projects. In addition, EUR 4.8 billion have been allocated to projects carried out by the 16 *Bundesländer*. A specific focus in the use of ESF funds has been on labour market integration.

# 1. THE EMPLOYMENT SITUATION AND RECENT POLICY REFORMS IN GERMANY

## 1.1. Employment trends

### KEY FINDINGS

Employment in Germany kept growing steadily after the global economic crisis of 2008. The main sources for this growth were increased employment rates of women and older workers.

More than half of total employment growth since the economic recovery starting in 2010 was due to the expansion of part-time employment, especially for women. The shares of other forms of atypical employment have been declining slightly over the past few years, due to better employment opportunities. More than a sixth of employed persons (7.9 million) are low wage earners.

Reducing long-term unemployment, above all through promoting social labour markets for the very long-term unemployed, has been the focus of recent active labour market programmes. Active labour market programs have been successfully targeting refugees and asylum seekers. In order to cope with the labour market impact of the coronavirus pandemic, the government decided on a softening of eligibility requirements for short-time work; take-up has been high over the first weeks.

The main challenges have to do with overcoming skill shortages, accelerating digitisation and adapting skills accordingly, and reviewing labour market regulations and social protection to deal with new forms of work.

### 1.1.1. Employment dynamics and skill shortages

Employment in Germany kept growing steadily after the global economic crisis, rising from 40.9 million in June 2009 to 43.7 million in June 2016 and 45.3 million in June 2019 according to national statistics. The number of employees subject to social security contributions (*Sozialversicherungspflichtig Beschäftigte*) grew from 27.6 million in 2009 to 31.4 million in 2016 and 33.8 million in 2019, an increase of 21% over the 10 year period (see Annex, Figure 10).

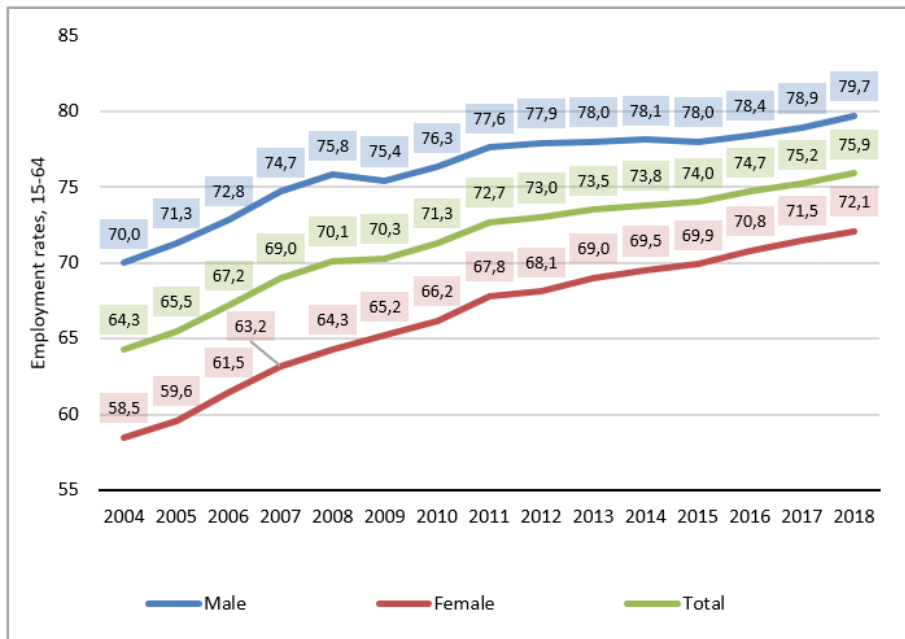
Monthly employment data for 2019 show a slowing down of employment growth in 2019 (Sachverständigenrat, 2019). Leading economic research institutes predict a severe economic recession at least for 2020 as an effect of the coronavirus pandemic. The joint group of forecasting institutions (*Projektgruppe Gemeinschaftsdiagnose*) projects the GDP to shrink by 4.2% in 2020 (Gemeinschaftsdiagnose, 2020). The Ifo institute predicts that a total shutdown of the economy will cost between EUR 255 billion and 495 billion (Ifo institute, 2020). The [Federation of German Industries](#) expects German GDP to shrink by 3-6% in 2020 due to the coronavirus crisis.

[According to Eurostat Labour Force Survey \(LFS\) data](#), there were 3.56 million self-employed persons in Germany in 2018. The share of self-employed in total employment decreased from 10.5% in 2004 to 8.8% in 2018, with shares of employers and own-account workers also decreasing. One explanation for the recent decrease in self-employment is that the labour market has increasingly offered more attractive employment opportunities.

Employment growth was driven by rising labour demand linked to the sustained economic growth of the past decade. The global economic crisis had only a small negative effect on the number of

employed subject to social security thanks to the extensive use of short-time work schemes and working-time accounts, and the German economy recovered quickly.

Figure 1: Employment rates by gender (15-64)



Source: [Eurostat LFS data](#)

The increased employment rates accounting for employment growth were particularly sizeable for women, older workers (Figure 1, and see Section 3.2.2) and foreigners. Both the unemployment rate and the inactivity rate were accordingly reduced. Immigration also generated employment growth.

Skill shortages or the threat of skill shortages, and strategies to overcome them, have been at the centre of public and political debate for many years. Generally, it is difficult to measure the extent of the shortage as companies react by pursuing other strategies, such as outsourcing, offshoring or continuous training of their own staff. In the event of skill shortages, companies may also be constrained to downsize their activities and refrain from exploiting market potentials or seizing opportunities to increase productivity.

Nevertheless, an analysis of skill shortages has been carried out by the German Federal Employment Agency, which is the Germany Public Employment Services (*Bundesagentur für Arbeit*). The main indicators used are how long it takes to fill a vacancy registered at the German Federal Employment Agency, and the job seeker/vacancy ratio. In 2008, during the economic and financial crisis, the ratio of unemployed to registered jobs was around 806 to 100, and 232 to 100 in 2019 (meaning that on average there are two unemployed per vacancy, German Federal Employment Agency 2019a). From a sectoral perspective, skill shortages occur mainly in the health sector, the construction sector and some manufacturing industries, as well as the ICT sector and in ICT roles across all sectors. Assessment of bottleneck occupations is the basis for establishing a white list for immigration.

In 2011, the government announced its strategy to secure skilled labour, based on five pillars: i) access to education for all; ii) skills development (initial and continuous training); iii) activation policies and securing employment; iv) reconciliation of work and family life; v) integration and immigration of skilled labour. Recent policy initiatives, such as the new law on immigration and the new strategy to promote continuous education and training (see Section 5.3) are in line with this strategy. Trade unions especially have argued that low wages and poor working conditions would need to be addressed to overcome skill shortages. For example, in the healthcare and old-age care sectors, bad working

conditions are thought to contribute to high labour turnover and shortages of skilled workers (see e.g. Kraft/Drossel, 2019, and Section 3.2.5).

### 1.1.2. Employment of women

Female employment accounted for an important portion of employment growth. The female employment rate<sup>1</sup> grew by 13.6 percentage points, from 58.5% in 2004 to 72.1% in 2018, as compared to a growth of 7.9 percentage points among men over the same period (Figure 1). Nevertheless, in 2018 the employment rate for women was still 7.6 percentage points below that for men. Policy measures have been in place to promote female employment (e.g. through improving availability of childcare).

More than half of total employment growth was due to the expansion of part-time employment, especially for women (also see Section 1.3.1). There is still a huge potential for extending female working hours. For this to happen, gender stereotypes need to be overcome and extending working hours made more attractive. Over the past years, full-day childcare offers have been increased – including at school age – although coverage is still low. The quality of childcare has been the subject of much recent debate (see also Section 3.3.1).

According to Federal Statistical Office (Statistisches Bundesamt, DESTATIS) data, the gender pay gap averaged 21% in Germany in 2018, despite the fact that – on average, at least – younger women have a higher educational level than men (see DESTATIS [here](#) or [here](#), for example). The gap can largely be explained by occupational segregation, as women tend to choose occupations that are less well paid (Zucco, 2019). Research also shows that there are in general large differences in hourly wages between part-time and full-time employment in a given occupation (Zucco, 2019). Thus part-time employment, which is widespread among women (see below), is penalising in terms of career progression/assigned job roles and wages. Discrimination in career development accounts in part for the gender gap.

Women are largely underrepresented in management positions representing 27% of employed subject to social security contributions in management positions (German Federal Employment Agency 2019b) and supervisory boards. A proposal for improving the gender balance among non-executive directors of companies listed on stock exchanges was already put forward by the [European Parliament](#) in 2012. The law for equal participation of women and men in management positions (*Gesetz für die gleichberechtigte Teilhabe von Frauen und Männern an Führungspositionen*), introduced a binding gender quota of 30% for the supervisory boards of listed and codetermined companies. In effect since 2016, the law affects about 100 companies. It also obliges around 3,500 listed or codetermined companies in Germany to set targets to increase the proportion of women on supervisory boards, executive boards and top management levels. In the event of [non-compliance](#), however, no sanctions are provided, and a zero target is permissible. The law has had positive effects, since the share of women in board positions in the 100 as well as 200 largest companies<sup>2</sup> has increased, although that share is still largely below the 30% target (Kirsch and Wrohlich, 2020). The persistent low representation of women on management boards and among CEO positions remains a major challenge.

## 1.2. Employment of foreigners and migration policies

The number of employed persons with foreign citizenship doubled between 2009 and 2019 ([Statista data](#)). As of 30 June 2019, about 3.85 million workers with foreign citizenship hold an employment

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<sup>1</sup> As measured by the ratio of the women employed to the female working-age population.

<sup>2</sup> In terms of turnover.



contract subject to social security contributions (11.6% of all employed persons subject to social security).

The employment rate of the population aged 15-64 years with foreign citizenship rose continuously (with the exception of 2016), from 52.7% in 2005 to 58.3% in 2010 and to 64.8% in 2018 (13 percentage points below the employment rates of German nationals). Employment rates generally tend to rise with the length of stay (Vogler-Ludwig/Duell 2015). In addition, the number of unemployed fell due to increased labour demand.

Employment conditions tend to be less favourable for foreign nationals compared with those for German nationals (data collected by the German Trade Union Confederation (*Deutscher Gewerkschaftsbund* [DGB](#)). Nearly 15% of foreign workers had a fixed-term contract, nearly three times the share for German nationals. Almost 35% of skilled full-time foreign workers with completed VET qualification or a university degree earned low wages, as compared to nearly 20% of skilled full-time German workers. However, the share of foreign nationals holding a mini-job was not higher than the one of German nationals (see Section 1.3).

The skills profile of foreign nationals shows a polarisation in contrast to previous phases of net migration, new immigrants tend to have a higher educational level than German nationals; however, they are often employed in jobs requiring a lower skills level than they actually possess. About one-third of migrants in Germany are overqualified (OECD/EU, 2018).

### 1.3. Atypical employment

In Germany, debate on atypical employment encompasses part-time employment (20 hours per week or less), fixed-term contracts, temporary agency work, “marginal” employment or so-called mini-jobbers (*geringfügige Beschäftigung* – for details, see Section 1.3.2). Over the past years, there have been divergent trends for the different components of atypical employment.

#### 1.3.1. Part-time employment

The number of part-time working women subject to social security contributions increased by 2.8 million and that of men by 1 million between 2010 and 2018 (Federal Employment Agency, 2019b). Part-time among men is more often involuntary (according to [Eurostat LFS data](#)).

Germany belongs to the group of countries with a strong part-time work culture among women. Four out of five part-time workers in 2018 were female ([Eurostat LFS data](#))<sup>3</sup>. The share of women working part time among all women with an employment contract subject to social security contribution increased from 35.8% in 2008 to 47.7% in 2018, that for men from 5.8% to 10.9% (Federal Employment Agency, 2019b). In [2018](#), women employed part-time in West Germany were working on average 20 hours per week and in East Germany<sup>4</sup> 24.4 hours.

There are two forms of part-time employment employed with a work contract i) part-time employment contracts subject to social security, and ii) mini-job contracts with the mini-job being the main income source (see Section 1.3.2).

<sup>3</sup> The share of male part-time workers did however increase slightly – by around 4.3 percentage points – from 14.8% in 2004 to 19.1% in 2018 (Eurostat LFS data).

<sup>4</sup> East Germany refers to *Länder* on the territory of the former GDR (Brandenburg, Mecklenburg-Vorpommern, Saxony, Saxony-Anhalt, Thuringia), while West Germany refers to the remaining 11 *Länder* including Berlin.

### 1.3.2. Marginally employed (mini-jobbers)

Marginal employment – called mini-jobs in Germany – have become a key feature of the country's labour market, as one-fifth of dependent employed persons hold a mini-job. Mini-jobbers are allowed to earn up to EUR 450 per month. The employer is obliged to pay a flat rate for social security insurance, which is lower than employer and employee contributions for regular employment contracts subject to social security contribution. Employees can opt out of paying their contributions to the pension system. Contributions to the statutory healthcare system are solidarity payments that increase the budget of statutory health insurance without creating eligibility for the employed mini-jobber to access health services. In addition, there are small contributions to insolvency insurance, accident insurance and a sickness/maternity risk levy. No contributions are made to unemployment insurance or statutory old age care insurance schemes. A flat income tax rate of 2% on gross wages is applied. This represents saved taxes for most mini-jobbers, in particular if their income from the main job, the pension or the spouse's income is high. Mini-jobs can be regular or occasional, or jobs taken on in addition to regular employment (Duell, 2017). A gradual scheme of standard contribution rates to the social security system is foreseen for an income between EUR 451 and EUR 1,300, the so-called midi-jobs. Midi-jobbers have to pay contributions to all branches of the social security system, but at reduced rates for the employee contribution and midi-jobbers have the same rights as any other standard employed person. Midi-jobbers have no special tax treatment. Their income threshold (from multiple jobs) was increased from EUR 850 to EUR 1,300 recently.

In June 2019, there were 7.9 million persons mini-jobbers, compared to 33.41 million employees subject to social security contributions (Federal Employment Agency data, see Annex, Figure 10). Of these marginal employees, 62.1% had the mini-job as their only form of employment, and 37.9% had the mini-job as a second occupation. Mini-jobbers on average tend to be less skilled, as they perform tasks that are easier to split. Mini-jobs may fit well into the work organisation, because their tasks require only a few hours' work, or can be easily be broken down into several mini-jobs. These jobs can moreover serve as a flexibility buffer in some sectors (Fischer et al., 2015). In December 2019, 17.3% of mini-jobbers worked in the wholesale and retail trade, the repair of motor vehicles and motorcycles sector, 13.3% in the accommodation and restaurant sector, 12.5% in "other services", 10.9% in human health and social work activities, and 7.2% in the manufacturing sector (Knappschaft Bahn See, 2019).

Incentives to take-up a mini-job are high for persons who are already covered by the health insurance through other means, e.g. as family members such as youth, housewives and homemakers, pensioners and the unemployed. Consequently, mini-jobbers are mainly pupils and students, pensioners (in early retirement and after reaching statutory retirement age), housewives, other people having a mini-job as a main job, second job holder (Duell, 2017).

The number of mini-jobbers increased from 6.6 million in 2004 to 7.9 million by mid-2019 (see Annex, Figure 10), despite a decrease following introduction of the minimum wage in 2015 (at EUR 8.50).

Regulations on mini-jobs have existed for many decades. In the 1960s and 1970s the main objective was to enhance labour supply mainly of those who were participating in the labour market and to expand the number of hours of those in employment, as well as to increase employment rates of married women in order to overcome labour shortages. Mini-job regulations were reformed in 2003 in the context of the major labour market reforms, the so-called "Hartz reforms" with the objective to reduce labour costs, increase flexibility, and offer also small job opportunities, as a response to high unemployment. Since then, reform discussions have been marked by a changed labour market context of labour shortages, as well as societal trends such as increased female employment, improved child-care facilities, more single parents, divorces.

### 1.3.3. Fixed-term employment

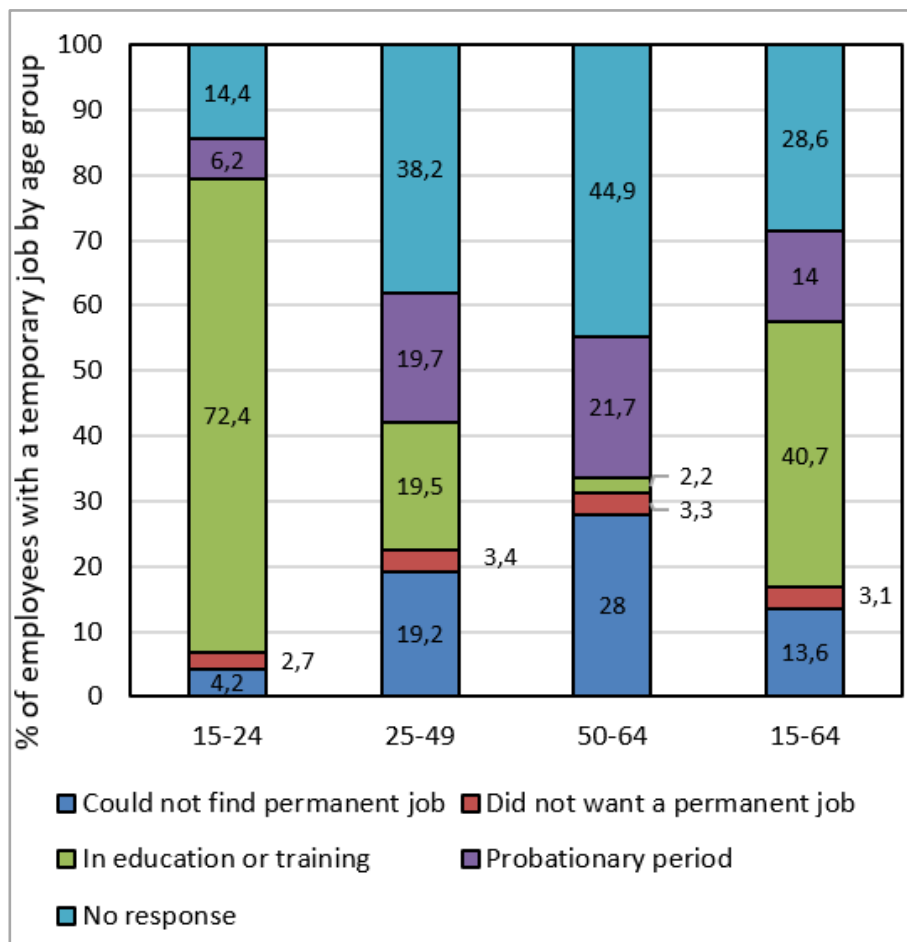
The number of employees with a fixed-term employment contract was 4.7 million in 2018 or 12.6% of all employees age 15-64 ([Eurostat LFS data](#)). Young people will more often have a fixed-term contract, in particular if they simultaneously pursue vocational education and training (VET).

According to the Institute for Employment Research (*Institut für Arbeitsmarkt- und Berufsforschung, IAB* – see Hohendanner, 2019), which uses a different data source, the share of employees in fixed-term employment increased from 3.9% in 1996 to 8.3% in 2018. That same year, 44.1% of all new employment contracts were fixed term (compared to 35.4% in 1996); 44.2% of employees whose fixed-term contract expired were kept on by their employer, which is the highest share since 2009.

### 1.3.4. Temporary agency work (*Arbeitsnehmerüberlassung*)

In June 2019, about 2% of all employed persons were temporary agency workers (Federal Employment Agency, 2020a). As of June 2019, 40% of temporary agency workers are employed in production, 33% in other service occupations, 14% in personal service, 11% in sales and 2% in IT and scientific occupations.

Figure 2: Reason for temporary employment by age



Source: [Eurostat LFS data](#)

Most female temporary agency workers are employed in personal service (28%) or other service occupations (27%), while almost half (48%) of male temporary agency workers are employed in production occupations. In June 2019, the average median income of temporary agency workers was

EUR 1,928 per month, and therefore significantly lower than the average among total employment. When asked about the main reason for carrying out temporary employment most adults indicated it was a probationary period or they could not find a permanent job (Figure 2).

After reaching a peak in 2017, the number of temporary agency workers decreased in 2018 by 30,000 (see Annex, Figure 11) and further to 948,000 in June 2019. The decrease in the number of temporary agency workers can be an indicator of an economic downturn as companies react to decreasing demand. The decrease might also be due to the reform of temporary agency work law that became effective in April 2017; the reform increased the wages of and working conditions for temporary agency workers (Sachverständigenrat, 2019) by amending the previous reform implemented in 2011 in order to put the [EU directive on temporary agency work \(2008\)](#) into practice. The 2017 reform limited the length of hire for temporary agency workers with one employer to 18 months (Federal employment Agency, 2020a). [Exemptions](#) from this rule are made when a collective bargaining agreement fixes a longer period; in 2020 there are 109 collective agreements that allow longer periods. Temporary agency workers must receive wages equal to the permanent staff after nine months of employment. Furthermore, the employment of temporary workers as strike breakers is prohibited. These changes were made in reaction to criticism that temporary agency workers are used not only as a flexibility buffer but also as a means of paying lower wages, guaranteeing fewer workers' rights, and offering poorer working conditions as compared to core workers.

#### 1.4. Low-wage earners

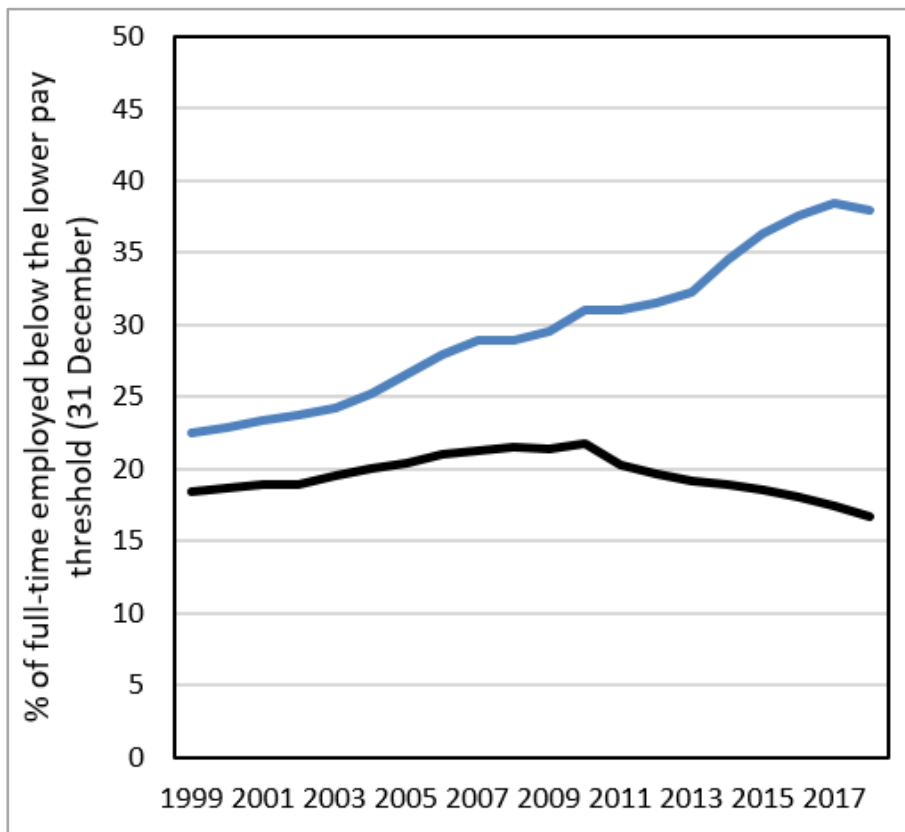
According to the European Union Structure of Earnings Survey (Eurostat, 2016), Germany had the sixth highest incidence of low-wage workers (22.5%) among 26 EU Member States (average of 17.5%) in 2014.

Socio-economic panel data (Grabka/Schröder, 2019) show that in 2017, 7.9 million employed persons were low-wage earners (gross hourly wage 2/3 of the median of all employed), representing an increase of 2.9 million persons (+46%) over 1995. Mobility out of the low-wage sector is low and has not increased. As noted, women more often earn low wages than men. Further, in 2017 a low income level (main occupation) was more common for individuals living in the Eastern *Länder* (33.3%) when compared to the Western *Länder* (20.0%) for persons without a training degree (48.8%), in single parent households (36.5%), and for workers younger than 25 (53.9%). The share of persons with a migration background earning a low wage (own migration background<sup>5</sup> 30.3%) was also considerably higher than the share of low-wage earners among persons without a migration background (20.2% – Grabka/Schröder, 2019).

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<sup>5</sup> In German national statistics, persons with a migration background are divided between those having an own migration background and those whose mother or father have been migrating to Germany.

Figure 3: Full-time employed with income below the lower pay threshold by nationality



Source: Bundestag 2019a

Following a different classification, data published by Bundestag (2019a) show that while the share of German nationals in full-time employment with incomes below the lower pay threshold decreased from 21.4% in 2010 to 16.7% in 2018, the share of persons without German nationality below the lower pay threshold increased from 29.5% to 38% in the same period (Figure 3).

Often, low-wage earners fall under mini-job (EUR 450 monthly income) and midi-job (under EUR 850 monthly income) [regulations](#) (see Section 1.3.2). Due to favourable tax and transfer-system regulations, many low-wage earners are refraining from extending their working hours, as they would no longer be eligible for the above-mentioned schemes (Grabka/Schröder, 2019; Sachverständigenrat, 2019).

## 1.5. Impact of digitisation and artificial intelligence on jobs and skills

### 1.5.1. Trends in digitisation and automation

Digitisation of the economy has had a major impact on the labour market. Two main potential effects can be distinguished: i) the volume of jobs in terms of job destruction (automation) and job creation (new products and services, new production processes, etc); ii) linked to that, structural changes in the labour market, as some jobs will disappear and other job profiles will emerge or change (see for example Arntz/Gregory/Zierahn, 2019; Matthes et al., 2019; Wolter et al., 2019).

Germany has the highest robot intensity in manufacturing<sup>6</sup> in Europe, and in OECD-area comparison, robot intensity is only higher in Korea<sup>7</sup> and Japan (OECD, 2017a). While automation has a strong influence on manufacturing processes directly, artificial intelligence (AI) technologies and other new IT-related technologies are expected to have a strong impact on the tasks and skills content of jobs. A trend towards hybridisation of job roles, for example increasing demand for ICT specialists with interdisciplinary skills (e.g. in the area of mechanics, biology, business administration) or for non-ICT workers with specific ICT skills, can already be observed.

Arntz/Gregory/Zierahn (2018) distinguish between self-controlling 4.0 technologies (automated production facilities, smart factories, cyber-physical systems, Internet of Things) and IT-integrated 4.0 technologies (big data, cloud computing, Internet service platforms). Self-controlling 4.0 technologies that allow automation of manufacturing processes are one of the main drivers of digitisation.

The IAB-ZEW Arbeitswelt 4.0 employer survey (Arntz et al., 2016; Arntz et al., 2018) provides insights into the degree of automation and digitisation of work equipment in German companies from 2011 to 2016. According to the survey, 31.4% of companies have not dealt with the use of Industry 4.0 technologies yet; 15.0% have been starting to inform themselves about Industry 4.0 technologies; 2.1% plan to implement them; 33.9% already use these technologies; and 17.6% of companies stated that the use of these technologies is a central component of their business model. The government is concerned with accelerating the digitisation process of the economy. Specific challenges exist for key industries, e.g. the impact of advancement of automated driving is crucial for the German car industry.

The Federal Ministry of Labour and Social Affairs has recently commissioned two studies assessing the future impact of digitisation on the German labour market. The labour market forecast for 2030 that was carried out in 2016 by Economix (Vogler-Ludwig et al., 2016) considers a baseline scenario as well as an accelerated digitisation scenario. The digitisation scenario assumes that business and policy actors prioritise intensive use of digital technologies. The forecast shows that it will be possible to generate additional employment through accelerated digitisation (263,000 additional jobs in 2030 compared to the baseline scenario); however, structural effects on the labour market will be huge. The newest projection of the Federal Institute for Vocational Education and Training (*Bundesinstitut für Berufsbildung*, BiBB) and the Institute for Employment Research IAB, commissioned by the Federal Ministry of Labour and Social Affairs and published in 2019 (Zika et al. 2019), estimates in its digitisation scenario (economy4.0) that up to 2035, only 300,000 workers will be replaced by new technologies. Overall, 3.3 million new jobs will be created while 4 million will disappear, mainly for demographic reasons. The authors expect an increased need for vocational adaptation, and skills mismatch will aggravate the situation.

### 1.5.2. New forms of work

Discussions on the impact of digitisation on the labour market spawned the Work 4.0 dialogue process (*Arbeiten 4.0 Dialogprozess*). The process was initiated by the Federal Ministry of Labour and Social Affairs (*Bundesministerium für Arbeit und Soziales*, BMAS) in April 2015 and concluded in November 2016. One aim of the initiative was to identify challenges in the future labour market (relating to job gains and losses due to digitisation, changing skills needs, working conditions, company structures and work organisation) by encouraging co-operation among actors from business and industry, unions, civil society and research, and political authorities. Several specific events and measures were part of

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<sup>6</sup> The industrial stock of robots divided by manufacturing value added.

<sup>7</sup> Still, robot intensity in Korea is twice that of Germany.



the process, including the publication of scientific studies and the organisation of summit meetings. The process led to the publication of the White Paper Work 4.0 in 2016 (*Weißbuch Arbeiten 4.0* – see BMAS, 2017), which identifies needs for reform (e.g. improving social security for solo self-employed workers) and includes recommendations for political action.

The process generated debate on the working conditions and social security of those self-employed without employees and, with respect to the Information and Communication Technology (ICT) sector, on the working conditions of crowdworkers<sup>8</sup> in particular. There is however no official data on the number of so-called Clickworkers in Germany. The trade union IG Metall participated in the [Frankfurt Declaration on Platform-Based Work](#), a call for “transnational cooperation between workers, worker organizations, platform clients, platform operators, and regulators to ensure fair working conditions and worker participation in governance in the growing world of digital labour platforms”.

Technological innovations ease labour market access to sectors such as personal transport or the hospitality industry, e.g. by automating booking processes. This has resulted in the increasing popularity of platforms like UBER or Airbnb in Germany. The eased access was met with criticism and calls for regulation from the more traditional actors in the respective sectors that feel threatened by these new business models. In part, those traditional actors were supported by German political parties. For example, in [2019](#) the German Social Democrats (SPD) seemed to have joined taxi drivers in their opposition to UBER.

The right to work remotely, the role of working-time regulations in times of greater availability due to digitisation of the workplace, and the “right to disconnect” have been subjects of intense debate in Germany and on the European level<sup>9</sup>. For example, during the Work 4.0 dialogue process (BMAS, 2017, see above), employers’ associations argued that the law on working hours should be more flexible in the regulation of maximums working hours and that legal rest periods should be changed in order to better meet the needs of companies. The trade unions stressed the importance of the right to disconnect and the right to remote working, and indicated deficits in verifying compliance with the working time law<sup>10</sup>. As an example of company [initiatives](#), Volkswagen set its internal servers not to route email to individual accounts between 6:15 pm and 7 am in Germany, and many other companies have since followed suit.

The effect of remote working has for the most part been seen as positive in public debate, although recently mental health issues arising from not having a fixed workplace in the company have been addressed. A number of companies have remote working schemes that request workers to come regularly to the office. A survey of employees working remotely indicates that while for them working at home has clear benefits, they may also find it difficult to separate work from private life. Advantages for companies are linked to increased productivity (Grunau et al., 2019, based on linked employee and company surveys). Telework has increased tremendously since the beginning of the Coronavirus crisis; the pandemic could act as an accelerator of this form of work.

In Germany, working time is regulated by law, which fixes maximum daily working time (usually 8 hours with exceptions of 10 hours), weekly working time (maximum of 48 hours), and rest time (a minimum of 11 hours) and stipulates compensation time for periods in which workers needed to work for longer hours. Social partners have a lot of flexibility to adjusting different rules regarding the distribution of

<sup>8</sup> These are self-employed without employees who offer (often digital) services on online labour platforms such as Clickworker or Amazon Mechanical Turk.

<sup>9</sup> The European Parliament committee on Employment and Social Affairs is planning a report on this topic.

<sup>10</sup> Companies are obliged to record working time, which workers can indicate themselves (“trust” working time), although infringements occur (Bundestag, 2018a). There is a discussion to give workers more freedom in organising their working time themselves, but there are also approaches to protect them from overwork (e.g. to allow them to read emails only between 8 am and 6 pm).

working time as well as mobile work in collective agreements and works council. However, not all workers in Germany are covered by a collective bargaining agreement (46%; see Section 4) or a works council agreement (in 2018, 59% of workers were not covered) (Ellguth/Kohaut, 2019, on the basis of the IAB Establishment Panel).

### 1.5.3. Impact on skills

In general, technological developments in IT – security, autonomous driving, or smart home technology – drives the increasing interdisciplinary nature of IT and its engineering know-how (IW, 2019b). This however requires digital skills development in the population, in the labour force, and in the education system. The participation of women is still low both in the ICT workforce and in tertiary and vocational ICT education (Federal Employment Agency, 2019c).

National education panel (NEPS) data presented in the German education report of 2018 (Autorengruppe Bildungsberichterstattung 2018) measure the ICT proficiency of pupils visiting the sixth and ninth grade, by asking them to solve tasks that involve digital word processing. They are also asked to use presentation software as well as search engines. On average, 28% of pupils were not able to solve any more than half of the tasks. No major gender differences were observed, but data show that the share of pupils who could not solve more than half of the tasks was considerably higher for pupils from low socio-economic backgrounds (35%) compared to children from more well-off families (14%).

The current coronavirus pandemic has demonstrated the potential of e-learning techniques in skills provision, as many educational institutions switched to distance learning. It also shows the need to improve remote learning concepts and training of teachers in digital skills (OECD, 2020).

## 1.6. Unemployment

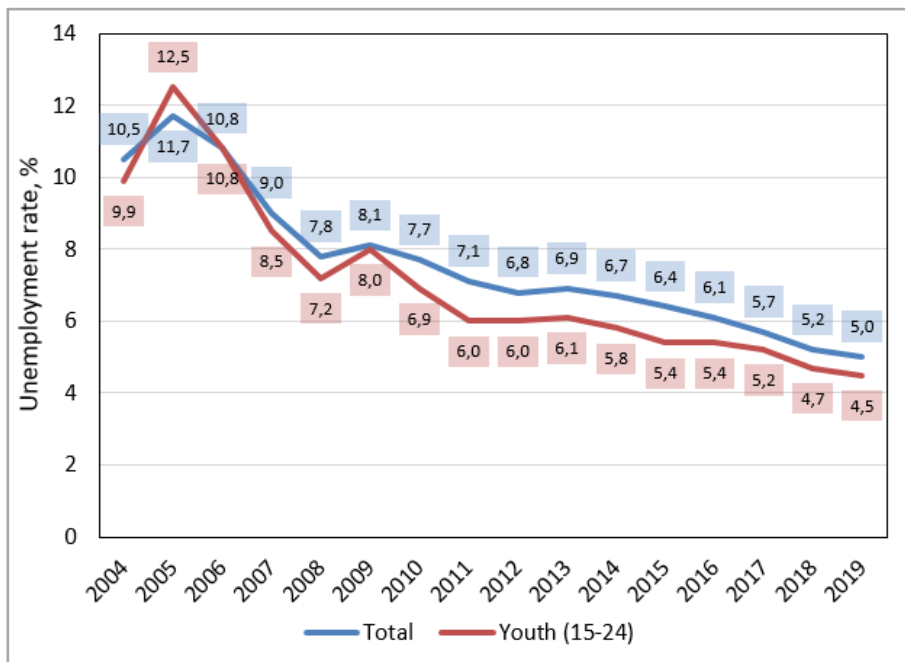
### 1.6.1. Unemployment trends

In February 2020 there were 2,395,604 unemployed persons registered at the Federal Employment Agency, an increase of 1% over February 2019 (Federal Employment Agency, 2020b). This is the first sign of turmoil in the labour market following a long period of decreasing unemployment. The unemployment rate reached 5.3%. Data released by the Federal Employment Agency at the end of March only referred to the situation as of 12 March; therefore, no data on the effects of the coronavirus pandemic on unemployment are available yet. A recent short-term forecast of IAB (Weber et al., 2020) indicated that, based on the assumption that the economy is on standstill for six weeks and will return to normality in the six weeks following, the average unemployment rate could increase by 2 percentage points for the whole year. This estimate presupposes ongoing extensive use of short-time work schemes will effectively help to halt the rise in unemployment. As many self-employed are affected by the coronavirus pandemic, and since these persons are not eligible for unemployment benefits and thus may not register with the PES, the expected number of unemployed might be underestimated.

There are major differences in the number of unemployed as measured by the Labour Force Survey (based on the ILO definition) and the administrative data of the Federal Employment Agency: while in February 2020 there were 1.5 million unemployed according to LFS data, there were 2.4 million registered unemployed at the Federal Employment Agency (Federal Employment Agency, 2020b).



Figure 4: Unemployment rates according to administrative data



Source: [PES data](#)

In January 2020, the seasonally adjusted LFS unemployment rate was 3.2%, and 5% according to PES administrative data (Federal Employment Agency, 2020b). What accounts for the main difference between the two datasets is how being employed is defined: while for LFS a person is employed if he or she worked for at least one hour per week, this threshold is 15 hours for the Federal Employment Agency statistics.

Unemployment rates have been falling since they peaked in 2005, with the exception of the year 2009 when a small increase in the rate was recorded as a consequence of the global economic crisis (Figure 4).

Youth unemployment (ages 15-24) has followed the general downward unemployment trend (15-64), according to both the ILO and the PES unemployment rate (Federal Employment Agency, 2020b). The youth unemployment rate (at 4.5% in 2019, according to administrative data) has remained below the average unemployment rate (5.0% in 2019 – see Figure 4), although the gap has been narrowing during the past four years.

The low rate can be explained by the high transition rates of graduates from the dual vocational training scheme. This trend has been strengthened by the tight labour market conditions of recent years and the shortage of skilled workers, which increasingly led companies to take on apprentices when they have completed the dual vocational training scheme (BiBB, 2019).

The unemployment rate for foreigners issued by the Federal Employment Agency was more than three times that for German nationals (13% and 4.2%, respectively, in February 2020; Federal Employment Agency, 2020b)<sup>11</sup>.

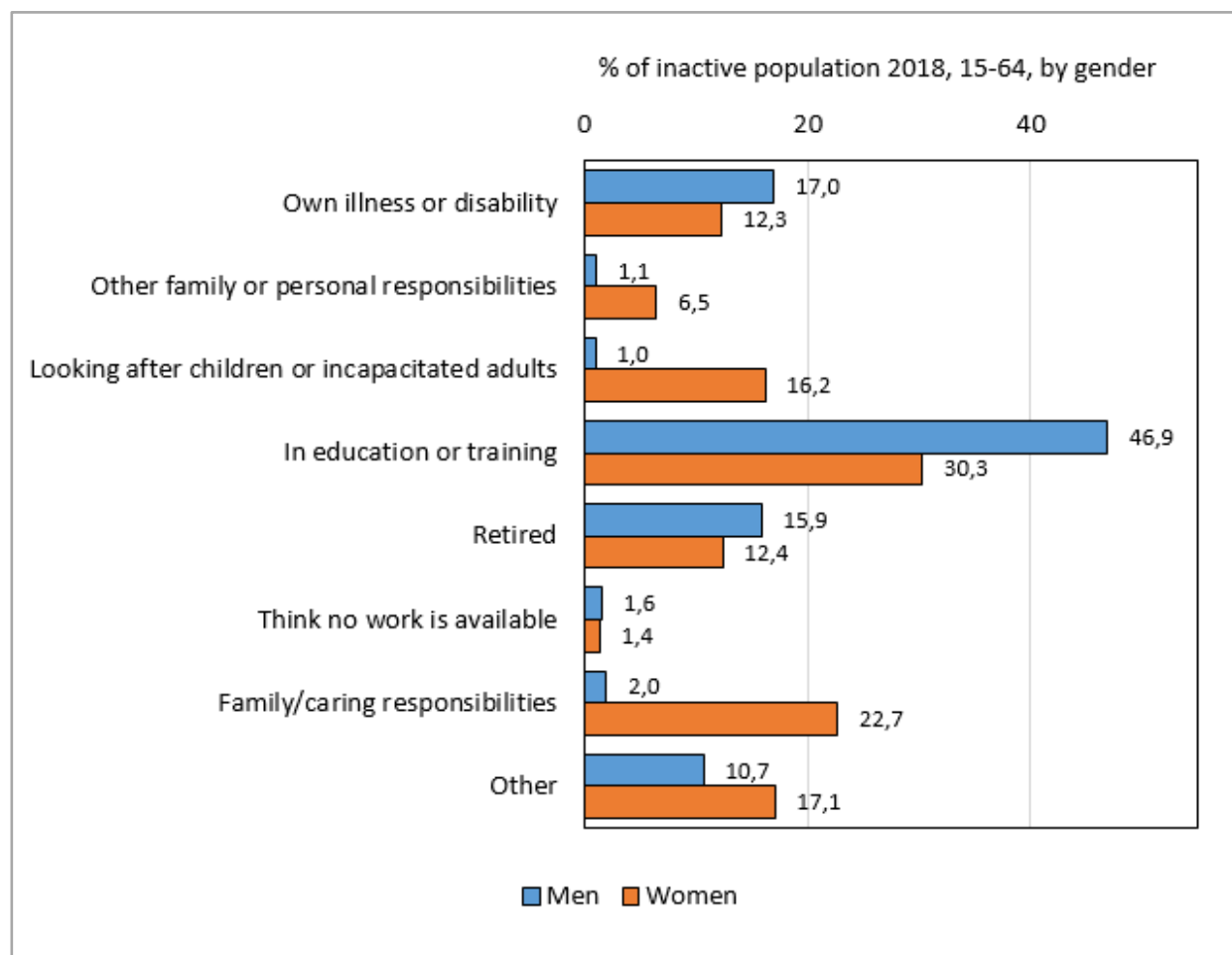
<sup>11</sup> According to LFS data, in 2018 the unemployment rate of foreigners was 6.0% and that of German nationals 2.9%. The gap has narrowed over the past 10 years.

### 1.6.2. Underemployment

The share of underemployed, as well as the number of people who are not actively looking for a job although they wish to work, is considerable.

The Public Employment Service publishes monthly the number of underemployed, which includes those unemployed participating in an active labour market programme (including pre-retirement measures and short-time work). The number of underemployed (excluding participants in short-time work) was 3.34 million (February 2020) and the underemployment rate was at 7.2% (Federal Employment Agency [data](#)).

Figure 5: Reason for inactivity, 2018, ages 15-64



Source: [Eurostat LFS data](#)

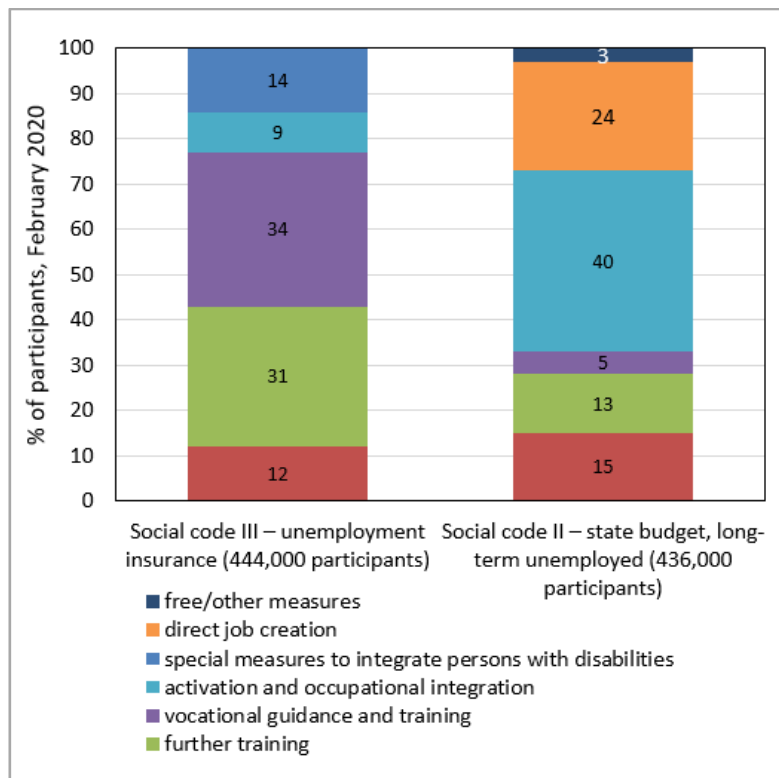
In 2018, about 3% of the working-age population was marginally attached to the labour market, meaning that they were neither employed nor actively seeking a job, but were willing to work and were in principle available to take up employment ([OECD data](#)). They represent an untapped potential labour force and indicate that the underemployment problem might be higher than reflected in official statistics.

The main reasons for people neither being in employment nor looking for employment (the so-called inactives) are participation in education and training, caring responsibilities (mainly women), and own illness or disability (Figure 5).

### 1.7. Active labour market programs for labour market and social integration

Active labour market program (ALMP) expenditures declined strongly, from 0.904% of Gross Domestic Product (GDP) in 2004 to 0.246% of GDP in 2018 (categories 2-7, [Labour Market Policy database of the European Commission](#)). Expenditures decreased as unemployment declined. Moreover, reforms in active labour market policies decided in 2011 drastically reduced budgets for activating means-tested minimum income recipients between 2010 and 2018 (e.g. the in-work benefit scheme, called the One-Euro Job scheme, was considerably scaled down as different studies have indicated important substitution effects, in particular in East Germany)<sup>12</sup>.

Figure 6: Participants in labour market measures by policy field and by relevant legislation, February 2020



Source: PES, 2020b

<sup>12</sup> Expenditures on ALMPs (categories 2-7): 2010, 13.4 billion; 2015, 8.4 billion; 2018, 8.3 billion (source: [EC](#)).

There is a significant difference in the type of ALMPs between those registered at the local employment agencies (regulated by Social Code III, mainly unemployment benefit recipients) and those registered with jobcentres (regulated by Social Code II, means-tested minimum income or so-called UB II recipients). While unemployment benefit recipients participate mainly in training measures and vocational guidance, means-tested minimum income recipients are mainly referred to activation measures and direct job creation measures (Figure 6).

The share of the long-term unemployed, as well as the share of the low-skilled among participants in training measures, decreased between 2012 and 2017 (BiBB, 2019).

Programmes to upskill low-skilled employed leading to certification include a programme in place since 2006, [WeGebAU](#) – results have been positive though take-up has been low; a programme targeting those affected by economic restructuring (IFLAS); and a programme aimed at low-skilled young adults (*Zukunftstarter*) (BIBB, Datenreport 2019).

One attempt to tackle skill shortages has involved supporting training into old age care occupations, financed by the Federal Employment Agency since 2012 (Federal Employment Agency, 2019e).

### 1.7.1. Measures to prevent long-term unemployment

In 2018, the number of registered long-term unemployed amounted to 813,000 – about 34% of all unemployed, down from 37.2% in 2015 (Federal Employment Agency, 2019f). Worryingly, about 20% of all Federal Employment Agency unemployed have been so for more than two years. The incidence of long-term unemployment was 40.9% in 2018, according to LFS data. Older persons who are registered as unemployed at the Federal Employment Agency (aged 55+) had a significantly higher probability of being long-term unemployed as compared to other age groups.

Two programmes were launched in 2015 to tackle the problem: the European Social Fund (ESF) programme to combat long-term unemployment (ESF [Bundesprogramm zum Abbau der Langzeitarbeitslosigkeit](#), BMAS 2014) and the programme Social Participation in the Labour Market ([Soziale Teilhabe am Arbeitsmarkt](#)). The ESF programme (funding: EUR 885 million) focuses on promoting qualifications for long-term unemployed persons (at least two years without an occupation) older than 35 without (relevant) completed vocational training. For persons who are unemployed for longer than five years, more intensive counselling and follow-up measures and more generous wage subsidies are provided. A degressive wage subsidy is in place, at a maximum rate of 75%. In May 2016, 23% of all 5,642 participants benefited from intensive support; 19% of all participants were migrants and 21% older than 54 years (Bundestag 2014).

The programme Social Participation in the Labour Market aims at improving employability and promoting social participation for persons who are unemployed for more than four years and who have health problems; and families that are receiving unemployment benefits (*Familienbedarfsgemeinschaft*). Wages can be subsidised by up to 100%. The programme started in July 2015 and funding until the end of 2018 was EUR 450 million for 10,000 long-term unemployed persons.

In December 2018, the German parliament adopted the Participation Opportunity Law ([Teilhabechancengesetz](#)). In force since January 2019, the law introduced two new employment incentives. The first was for employing adult long-term unemployed persons who had been receiving means-tested minimum income (the so-called Unemployment Benefit UB II) for more than six years over the past seven: employers can receive a degressive wage subsidy (at 100% over the two years) for a period of five years. On-the-job coaching and, if deemed necessary, training measures are financed by the Federal Employment Agency. The second was for employing persons who have been unemployed for more than two years: by offering them at least a two-year employment contract,

employers may receive a wage subsidy of 75% for the first year and 50% for the second year. Again, on-the-job coaching and (if deemed necessary) training measures are financed by the Federal Employment Agency. For both measures the unemployed will have an employment contract subject to social security contributions.

### 1.7.2. European Youth Guarantee

Germany presented a Youth Guarantee Implementation Plan on 8 April 2014, with the main aim of amplifying the downward trend in youth unemployment by improving structures to support young people's integration into vocational education and training and employment (BMAS, 2014). According to the EC assessment published in January 2020 (EC, 2020), implementation of the Youth Guarantee in Germany is very advanced, and the share of NEET (young people not in education, employment or training, aged 15-24) registered in the German Youth Guarantee scheme in 2018 was, on average, 65.6% of all NEETs. It was also noted however that young people with a migration background face less favourable employment conditions. For example, in 2016 the NEET rate among persons without German citizenship was 21.1% compared to 5% for nationals, and the share of early leavers from education and training among foreign-born students was much higher (23.2%) when compared to students born in Germany (8.2%).

### 1.7.3. Labour market integration of refugees

Between December 2013 and December 2018, the number of registered refugees living in Germany increased from 614,000 to 1.78 million, with a peak in 2015 when many refugees came from Syria ([Central Register of Foreign Nationals data](#)). The main destination country of asylum inflows in Europe, Germany has been successful in integrating refugees into employment or education – for example, by enabling asylum seekers with good prospects to stay in order to access integration courses even before obtaining protected status (Konle-Seidl 2018). The BAMF-IAB-SOEP panel survey among nearly 8,000 refugees who arrived in Germany between 2013 and 2016 shows that the labour market integration of refugees has been more successful compared to previous years (Brücker/Kosyakova/Schuß, 2020). Around half of the refugees were in employment five years after arriving in Germany. More than half of the employed refugees work as skilled workers or in activities with higher skill requirements and 44% work as helpers. Since they arrived, around 23% of adult refugees were enrolled school education, VET, or university studies in Germany. In the second half of 2018, about 60% of refugees were in employment, in education, or participating in an ALMP. The vast majority of the remaining 40% were actively looking for a job or on maternity or parental leave. The main reasons for successful labour market integration are the high labour demand; changed laws<sup>13</sup> easing the labour market access as well as access to ALMPs of refugees and asylum seekers; German language courses; the promotion of VET education for young refugees; and the implementation of ALMPs.

The programme Refugee Integration Measures (*Flüchtlingsintegrationsmaßnahmen*) aims at creating up to 100,000 additional job opportunities (*Arbeitsgelegenheiten*) for beneficiaries under the Asylum Seekers Benefits Act until the end of 2020, in order to introduce them to the German labour market (Bundestag, 2017). Refugees older than 18 are eligible for the [programme](#); the tasks can only involve activities “that would not be done otherwise” for 30 hours per week and a maximum duration of six months; and participants will be compensated with EUR 0.80 per hour. The total number of persons who enrolled in this programme between October 2016 and December 2018 was only around 30,500 (Federal Employment Agency, 2019g). The Federal Employment Agency, in charge of administering

<sup>13</sup> E.g. the Law on the Acceleration of the Asylum Process introduced in 2015 ([Asylverfahrenbeschleunigungsgesetz](#)), and the Integration Law ([Integrationsgesetz](#)), in force since 6 August 2016.

the programme, [stated](#) that this was because the inflow of refugees declined strongly since 2016 – although the number of persons that applied for asylum was still around 190,000 in 2018. The Federal Employment Agency does not plan an evaluation of the programme.

Network integration via qualification ([Integration durch Qualifizierung](#)), implemented in 2005, aims at improving and activating persons with a migration background. The programme's approximately 380 regional integration projects are funded by BMAS and ESF, and are carried out in cooperation with the Federal Ministry of Education and Research (*Bundesministerium für Bildung und Forschung*, BMBF) and the Federal Employment Agency. [Services for persons with a migration background](#) (funding period 2019-2022) include qualification recognition consulting and qualification measures in the context of the German Recognition Act (*Annerkennungsgesetz*). From January 2019 to June 2019, initial advice was given to 28,409 persons at more than 170 contact points nationwide; 1071 job training schemes for 2,404 persons with migration background were launched; and 356 intercultural training events were held for 4,645 individuals (IQ, 2019).

#### 1.7.4. Short-time work

There are three short-time work schemes in place in Germany: the business cycle short-time work scheme (*konjunkturelles Kurzarbeitergeld*, §96 social code III); the transfer short-time work scheme (*Transfer-Kurzarbeitergeld*, §111 social code III); and the seasonal short-time work scheme (*Saison-Kurzarbeitergeld*, §101 social code III – Federal Employment Agency, 2019d). The business cycle scheme (Federal Employment Agency, 2019d) is meant to partly compensate wage losses of workers due to a temporary reduction in working hours caused by business cycle reasons or unforeseen circumstances. This scheme is meant to keep workers employed during an economic downturn and allow companies to increase production quickly by augmenting working hours as soon as the economy recovers.

Increased use of the business cycle short-time work scheme in order to compensate for a decline in orders, in particular observed in the automotive sector since August 2018, points to a slowdown in economic development (Sachverständigenrat, 2019). However, short-time work still remained at a low level until the beginning of the coronavirus pandemic (it affected 11,950 workers in August 2019). Use of short-time work for tackling the labour market effects of the pandemic might increase in the near future; the government expected mid-March that [2.3 million workers would receive short-term work allowances](#). A [survey conducted by the Hans-Böckler Foundation](#), published on 21 April 2020, suggests that in mid-April about 4 million workers were included in the short-time work scheme. Since 28 February the Federal Employment Agency has had in place "[coronavirus short-time work](#)", which functions like business cycle short-time work. This applies to companies that need to reduce their working hours because they are affected by the coronavirus – including e.g. cases where production is affected by supply bottlenecks of subcontractors because of the virus in other enterprises or countries, or the virus forces the company (or parts of it) to close down. An Act was passed on 13 March (valid until 2021) that allows regulation of the short-time workscheme as called for by the current situation. One change it contained was that companies can now claim for short-time work allowances if 10% of their workers and 10% of their turnover is affected (previously it was a third). Access to [temporary agency work](#) has been facilitated.

In general, under the business cycle short-time work scheme (applicable also in circumstances linked to the coronavirus pandemic), workers receive 60% of their net wage, and workers with children living in their household receive 67%. Short-time work allowances can be granted for a maximum of 12 months. A few [collective agreements](#) contain rules for companies to top up allowances, so that workers get between 75% and 97% of their net wages (e.g. 80% for those employed by the German Railways Deutsche Bahn). DGB stated that the recent change to the short-time allowance scheme to



cope with the effects of the pandemic favour employers more than employees, as employers [will be reimbursed for 100% of social security contributions](#) for lost working hours. As half of the social benefit payments would usually have to be paid by the employee, [the chairman of the DGB](#) requested that employers top up their employees' wages by half of these reimbursements. The Confederation of German Employers' Associations (*Bund Deutscher Arbeitgeber*, BDA) [rejected the notion](#) that there is additional scope for a redistribution of reimbursements, as social security contributions are a transitory, earnings-neutral item for companies.

#### 1.7.5. Measures to support the self-employed and micro enterprises affected by the coronavirus pandemic

Self-employed persons are not eligible for short-time work. The government is therefore planning a [financial package with a budget of EUR 40 billion](#) to help the self-employed and micro-enterprises with up to 10 employees cope with the effects of the coronavirus pandemic. EUR 10 billion would be provided as direct financial support, and the remaining EUR 30 billion would take the form of loans. *Länder* may set up additional support. The Land of Bavaria announced on 17 March [a package for immediate financial support](#) in the form of a grant for those SMEs and self-employed experiencing a liquidity shortage as a consequence of the coronavirus pandemic. These funds are mainly intended to help self-employed and microenterprises to cover running business costs. To cover the livelihood expenses of the self-employed, on 27 March the government [eased access to the unemployment benefit II scheme](#) (*Grundsicherung*) by suspending verification checks on applicants who declare few assets for six months beginning in April 2020. In essence, this means that self-employed persons do not have to exhaust their private savings before being eligible for the scheme in the short term; eligibility checks may be carried out at a later stage. The government is planning to devote major budgets to support for large companies as well.

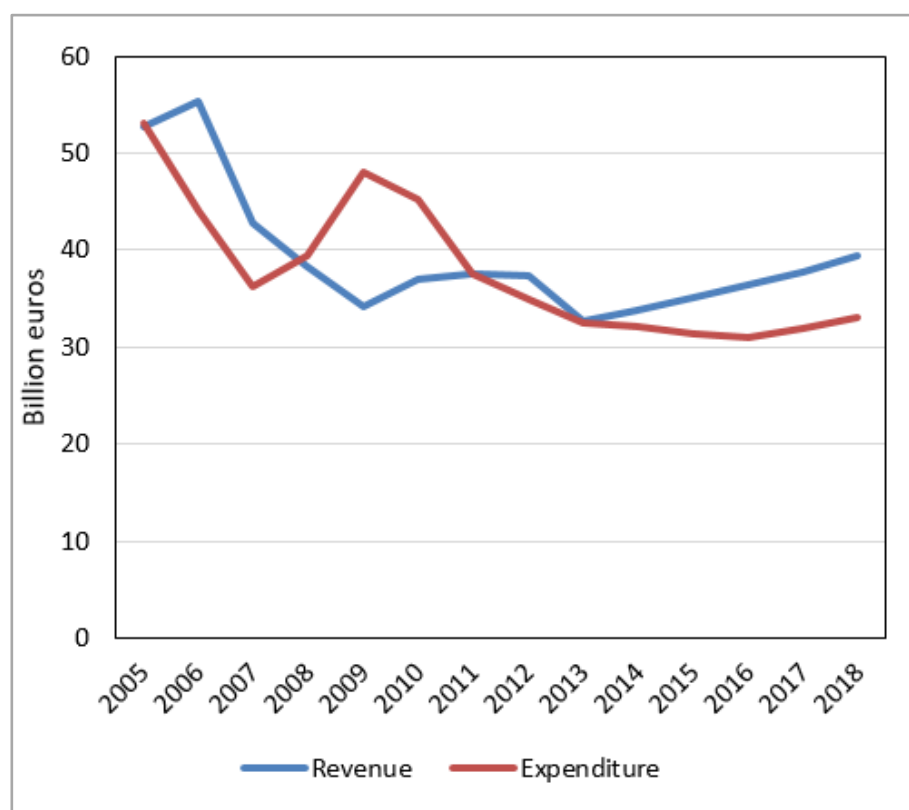
### 1.8. The Federal Employment Agency and jobcentres

The PES has a dual organisational structure: i) the Federal Employment Agency and ii) the Jobcentres. This structure, a key result of the Hartz reforms, deals with the two different types of unemployment benefits: benefits from unemployment insurance (contribution-based), and means-tested minimum income called "unemployment benefits II" (tax-financed). Benefits and services provided to these two different groups of jobseekers are regulated by two different sets of law (Social Code III for jobseekers registered at the Federal Employment Agency, and Social Code II for jobseekers registered at the jobcentres). Local offices of the Federal Employment Agency offer services to unemployment benefit recipients as well as to jobseekers not eligible to benefits. Jobcentres, which are run jointly between the municipalities and the local labour agency (with the latter leading) or more rarely by the municipalities alone, serve means-tested basic minimum income recipients. Long-term unemployed persons will be registered with jobcentres when they have exhausted unemployment benefits and become eligible to means-tested minimum income.

The Federal Employment Agency provides placement services into employment and into dual vocational education and training; provides counselling and guidance to jobseekers and employers; manages the use of ALMPs for the labour market integration of disadvantaged groups; administers the payment of unemployment benefits; monitors and follows up job-search of unemployment benefit recipients; and runs a labour market information system. The Federal Employment Agency employ around 95,000 staff (in 2018; see Federal Employment Agency, 2019h). Headquartered in Nuremberg, the Federal Employment Agency operates 10 regional offices, 156 local offices and 600 branch offices (*Geschäftsstellen*); there are 303 jobcentres.

In February 2020, the number of registered unemployed persons according to Social Code III was 970,994 and the number of registered beneficiaries of means-tested minimum income (unemployed and workers receiving in-work benefits) according to Social Code II was 1,424,610. The number of [vacancies registered at the Federal Employment Agency](#) was 689,594 in February 2020, a decrease of 12% compared to February 2019.

Figure 7: Income and expenditure of the Federal Employment Agency (PES data)



Source: [PES data](#)

Decreasing unemployment rates and increasing employment rates led to decreasing expenditures of the Federal Employment Agency, resulting in a revenue surplus that has been increasing since the beginning of the 2010s (Figure 7). This trend led to a [reduction in unemployment insurance contributions](#), from 6.5% of gross pay subject to social security contributions in 2006 to 2.4% in 2020.

At the same time, with the Qualification Opportunities Act ([Qualifizierungschancengesetz](#)) of January 2019 the BDA's target group was extended beyond the unemployed. Since January 2019, it allows the Federal Employment Agency to extend subsidised training to employees affected by structural change regardless of qualification or size of the company. Subsidies are larger for small enterprises (100% of training costs) and for medium-sized enterprises (50%) than for larger enterprises (25%) or very large enterprises (15%); they are also larger for workers aged 45 and above. [Wage subsidies](#) during the training period are lower, but also linked to the company size and worker age.

Overall, the Federal Employment Agencies has comparatively good capacities and belongs to the group of mature and well-developed PES, as assessed by the PES Network established in 2014. According to an external evaluation, there is good qualitative evidence for positive outcomes of the Network activities, which is mainly based on benchlearning. In September 2019, the Commission issued its proposal to extend the enhanced cooperation between the PES [until 2027](#).



## 1.9. Social economy

There is no formal definition of social economy (*Sozialwirtschaft*) in Germany, which makes it hard to quantify its size (Ehrentraut et al., 2014; Zimmer/Paul, 2018). The term mostly refers to service providers in the social and health sector (Zimmer/Paul, 2018). These sectors have become more important in recent years, in terms of both economic output and job creation (Ehrentraut et al., 2014), mostly due to the ageing and increased mobility of the population (Zimmer/Paul, 2018). Employment in this sector increased from 3.6 million in 2000 to 4.4 million in 2012 (own calculations of Ehrentraut et al., 2014). The majority of German companies that are active in the social economy are non-profit organisations<sup>14</sup> (according to an analysis in 2007, the share was 62%). Nevertheless, the share of private service providers has been increasing, specifically in the health sector. Workers in the social economy sector in Germany are often female and work part-time or are mini-jobbers (Zimmer/Paul, 2018).

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<sup>14</sup> The largest among them are Arbeiterwohlfahrt (AWO), Caritasverband (DCV), Paritätischer Wohlfahrtsverband (DPWW), Deutsches Rotes Kreuz (DRK), Diakonisches Werk (DW) and Zentralwohlfahrtsstelle der Juden in Deutschland (ZWSt) (see Zimmer/Paul, 2018).

## 2. SOCIAL POLICIES

### KEY FINDINGS

Demographic change is challenging the financial sustainability of the social protection system. According to Eurostat data, Germany has the fourth-highest expenditures for social protection (29.7% of GDP) in the EU (Eurostat data). The rising number of old people in need of care represents a major challenge. Sustainability of the social protection system, labour demand, and ageing of the workforce are calling for strategies for active ageing and age management strategies. More generally called for are strategies to expand labour supply. The migration report for 2018 shows a net migration of nearly 400,000 persons to Germany, half of these from the EU.

Good economic performance in Germany over the past decade contributed to reduce poverty. The rate of children at risk of poverty (50% of median income) of children have been higher than for the rest of the population. Improving social mobility and providing poor children with equal access to quality education are two of the major challenges.

Affordable housing has become a major problem not only for low-income but also middle-income households, in particular in economically dynamic urban areas.

### 2.1. Demographic change

#### 2.1.1. Key trends of an ageing society

Germany is an ageing society. Life expectancy has been rising over decades. In 2017, life expectancy for a 65-year-old woman was 86 years and for a 65-year-old man 82.6 years ([BMAS data](#)).

Between 2010 and 2018 the fertility rate increased from 1.39 to 1.58 births per woman for West Germany and from 1.46 to 1.60 in East Germany ([DESTATIS data](#)).

This is an important development, as the fertility rate<sup>15</sup> in West Germany stagnated at an average of 1.4 children per woman for many years. But it is uncertain whether the recent development of a raising fertility rate will continue. The increased age of women when giving birth and a rising number of immigrant women who usually have higher fertility rates are the main reasons for the increase according to [BMAS](#). Increasing the availability of childcare facilities and other improvement measures to [reconcile work and family life](#) have also had a positive effect on increasing the fertility rate. Despite the recent improvements, [enrolment rates](#) in early childhood education and in childcare remain below those in several Northern European countries, France and Belgium. In particular, there is restricted availability of full-day childcare as well as full-day schools.

Net migration has increased over the past couple of years (see Section 3.1.2), decelerating the trend towards an ageing society. Nevertheless, the share of people aged 60-64 increased between 2009 and 2019. The strongest increase over that period was recorded for people aged 75 and over, from 8.7% to 11.3% (Eurostat, Labour Force Survey data).

According to the [population forecast of the Federal Statistical Office](#), the share of people aged 67 and over will increase from 19% in 2018 to 23% in 2030 and to 27% in 2060. The population forecast with a moderate scenario assumes a fertility rate of 1.55 births per woman; an increase in age expectancy at birth by 5.7 years for men and 4.7 years for women until 2060; and a net migration of 221,000 per year.

<sup>15</sup> Average number of children of women aged 15-49.

The age-dependency ratio – that is, the ratio of older people aged 65 to the working-age population aged 20-64 – rose from 60.7 in 2000 to 66.7 in 2020, and is predicted to rise to 80.7 by 2030, to 86.2 by 2040 and to 93 by 2050 (meaning that there will be 93 people older than 65 per 100 people of working age), according to the [Federal Statistical Office](#).

Challenges arise mainly for the long-term financial sustainability of the social protection system and the labour market as the workforce is ageing and decreasing in the long term. The labour force is predicted to increase from 44.9 million in 2015 to 46.8 million in 2025, but will then decrease to 46.3 million in 2030 and 45.5 million in 2035 (Maier et al., 2018). Regional disparities in population trends and age composition will increase, as the strongest economic cities and regions will probably still grow while the population in other parts of the country will be shrinking (Bundestag, 2017).

### 2.1.2. Migration

As a consequence of the refugee crisis, net migration peaked at 1.1 million persons in 2015, with an inflow of 2.1 million people in that year. Since then net migration to Germany declined in the three subsequent years. The migration report 2018 shows a net migration of nearly 400,000 migrants to Germany in 2018 (BAMF/BMI, 2019). The net emigration of highly skilled German nationals is at a low level. The event of a possible brain drain gained some attention a decade ago (European Commission, 2018), but has not been a focus recently.

The share of persons without German citizenship in the country has increased from 8.9% (of these, 77% with own migration experience) to 12.1% (of these, 84.5% with own migration experience, [German LFS data](#)). In Germany, the share of persons with a migration background is usually monitored (German citizenship and non-German citizenship, migrating on their own or with migration experience of at least either mother or father). Their share increased from 19.0% of the total population in 2008 to 24.1% in 2018 ([German LFS data](#)).

According to [DESTATIS data](#), most (13.5%) of the 10.9 million residents without German nationality had Turkish citizenship, followed by persons with Polish (7.9%), Syrian (6.8%) and Romanian (6.4%) citizenship. 70.0% of all foreigners were from Europe, and 43.9% from EU-28 member countries. Nearly half of net migration in 2018 originated from another EU country. The countries of origin for the largest net volume of migration Germany in 2018 (in descending order) were Romania, Syria, Italy, Croatia, Bulgaria, Poland, Turkey and India. Migration flows were high: in 2018, about 1.59 million people immigrated to Germany and 1.85 million people emigrated. As in past years, immigration and emigration flows were highest for Romania, Poland and Bulgaria, pointing to a high seasonality of labour migration from these countries (BAMF/BMI, 2019). In total, there were nearly 27,241 [EU Blue Card holders](#) in 2018. Between 2016 and 2017, the demand for visas to Germany in India had increased by 20%, and the German diplomatic missions in New Delhi, Mumbai and Bangalore could not offer enough visa appointments in time (Bundestag, 2018b). The federal government plans to install more service points and to employ external services more extensively to meet the growing demand. Immigrants from India are often IT professionals.

The federal parliament adopted the Skilled Workers Immigration Law ([Fachkräfteeinwanderungsgesetz](#)), which came into force on 1 March 2020, eases immigration for skilled workers with vocational education and training (VET) from third countries (outside the EU) to Germany. [It stipulates](#) that skilled workers with either tertiary or recognised VET (*qualifizierte Berufsausbildung*) can take up employment in Germany without necessarily being trained in a bottleneck occupation, and that labour market tests made by the Federal Employment Agency (*Vorrangsprüfung*) will not be applied for skilled workers with a recognised VET degree and a work contract. The new law will enable new migrants to [enter the VET](#)

[system](#) if they have a school-leaving certificate that entitles them to pursue relevant studies or VET in their home country<sup>16</sup>.

While the new law has been welcomed by social partners, and in particular by employers, doubts have been expressed regarding its effective implementation: recognition of foreign professional qualifications, a prerequisite for the issue of a residence permit, can be a major problem (Plünnecke, 2020). The German trade union confederation [DGB](#) stresses that fair working conditions will be essential to attract skilled labour.

The IQ Network ([Netzwerk IQ](#)) was established in 2005 in order to improve the labour market opportunities of migrants. Each of the 16 regional networks (one for each *Bundesland*) is responsible for developing, disseminating and implementing regional projects on migrant integration; offering counselling for the recognition of qualification and skills advancement; and raising awareness for migrant-specific topics. The programme is funded by the Federal Ministry for Labour and Social Affairs (BMAS) and the European Social Fund (ESF). Since 2015, IQ Network also assumes responsibilities linked to the [recognition of foreign qualifications](#). Speeding up the recognition process for both EU nationals and migrants coming from third countries remains a major challenge.

There are challenges integrating migrants in Germany in terms of their ability to make the best use of their skill to meet labour demand needs (see also Section 1.2). Although according to the OECD the country's efforts to integrate refugees are efficient (OECD 2017b), there are clear inequalities between German nationals without a migration background and non-German citizens or German nationals with a migration background, including for second generation immigrants. New immigrants tend to work under their qualification level – the overqualification rate of highly educated persons was 31.4% for foreign-born persons and 16.2% for German nationals in 2017 (OECD/EU, 2018). A particular challenge consists in providing equal access to education for the children of immigrants, in particular if they come from less-educated family backgrounds. There are also the challenges of combating xenophobia and discrimination, especially in German regions that face issues of social cohesion generally (Sachverständigenrat, 2018). These regions may have low shares of foreign-national citizens, as is the case in large parts of East Germany.

Brain drain in countries of origin – in particular in Bulgaria, Romania and non-EU South East European countries, emerging economies and developing countries – is an issue addressed in public debates and academic research. However, Germany is actively engaged in recruiting skilled labour from abroad and has passed laws to ease migration of skilled labour.

The German Government has begun to implement [programmes](#) to address root causes of migration and flight. For example, with the initiative “Fighting Causes of Flight – Reintegrate Refugees” ([Fluchtursachen bekämpfen – Flüchtlinge reintegrieren](#)), between 2014 and 2018 the government provided EUR 1.9 billion to improve infrastructure and give potential refugees a perspective in their home countries in the Middle East and in Africa.

Recent developments following the onset of the pandemic put labour migration on hold. The European Commission issued [guidelines](#) on free movement of labour in the context of the coronavirus pandemic. Single measures were implemented to support sectors that depend on foreign labour. For example, initially harvest workers from neighbouring countries were prohibited from entering Germany. An [online platform](#) was set up by the Federal Ministry of Agriculture in order to help agricultural companies find local harvest workers (e.g. students, refugees and workers in companies

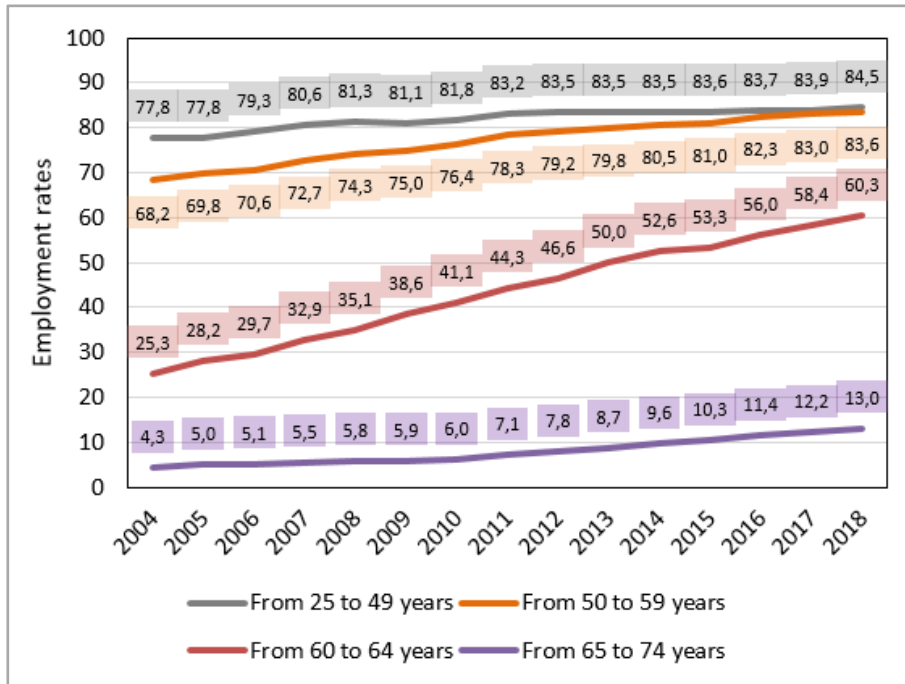
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<sup>16</sup> Previously, they needed a school-leaving certificate issued by a German school abroad or a school-leaving certificate which would have entitled them to attend a university in Germany.

closed down in quarantine). In the beginning of April, the Federal Minister of the Interior and the Federal Minister of Agriculture [agreed](#) to allow 40,000 foreign harvest workers to enter Germany in April and May.

### 2.1.3. Active ageing

Figure 8: Employment rates of older age groups



Source: [Eurostat LFS data](#)

Employment rates of older workers have risen as a consequence of pension reforms, which increased retirement age, restricted early retirement and set incentives for pensioners to be employed, changed unemployment benefit regulations and restricted the use of unemployment benefits for a smooth transition into early retirement (for details see OECD, 2018 and Figure 8).

Older workers tend to remain in employment longer and with the same employer. A number of initiatives have been set up to encourage companies to develop and implement age management strategies. However, once they lose their employment, the older unemployed have poor prospects of getting a job (see the [OECD scoreboard older workers](#)).

## 2.2. Recent policy trends in the area of social protection

### 2.2.1. Reforms of the Public Pension Scheme

As a result of the 2004 pension reform, net pension levels are comparatively low compared to many other European and OECD countries (OECD, 2019): the net replacement rate for full-career average-wage workers is 51.9%, compared to 91.8% in Italy, 89.9% in Austria, 73.6% in France, and the OECD average of 58.6%. The pension reform was intended to strengthen capital-based private company pension schemes as well as private pension schemes and savings. Challenges that have emerged for the capital-based pension schemes are related to persistently low interest rates and the low effectiveness of some of the private schemes for which the government introduced specific incentives. According to the German Institute for Economic Research (DIW), contributions of low-wage earners to private pension schemes could mitigate the increase in the old-age poverty rate (Buslei et al., 2019).

Reform of the pay-as-you-go statutory pension scheme introduced in 2008 implemented a gradual increase in the statutory retirement age to 67 years, beginning in 2012 with the 1947 age cohort and ending in 2029 with the 1964 age cohort. It also mandated a corresponding increase in pension age for pension schemes, including those for civil servants. While the statutory pension age will be 67 years from 2030, it has been argued that it should be increased to the age of 69 years over the coming decades (e.g. as proposed by the [Bundesbank](#)). The Economic Expert Commission advocates a flexible pension age (Sachverständigenrat, 2019).

The government agreed on the Flexi-pension reform ([Flexi-Rente Law](#)) on 14 September 2016; the law came into effect in 2017. The package legislated contains a number of reforms of different aspects of the pension system. Among others, it [increases the ceiling on income from work](#) for those who retired before the statutory pension age and claim a full pension, to EUR 6,300 a year. Also, for those who have already reached statutory retirement age, it introduces the possibility of making voluntary contributions to the public pension scheme when combining work and pensions; prior to the reform, this possibility existed only for those combining early retirement and work. Moreover, the reform has increased the income ceiling for disability pensioners to combine pensions and work (OECD, 2018).

Despite the demographic change, the Law on Performance Improvements and Stabilisation of the Statutory Pension Insurance ([Gesetz über Leistungsverbesserungen und Stabilisierung in der gesetzlichen Rentenversicherung](#)) that is in force since 2019 fixes the pension contribution rate for 2019 at 18.6%. It regulates that the pension level should not fall below 48% (income before taxes) by 2025 while at the same time keeping the contribution rate below 20%. To ensure this, additional federal funds for pension insurance will be provided, and from 2022 to 2025 the federal government will commit to special payments of EUR 500 million per year.

In order to reduce old age poverty, in 2020 the government presented the draft bill for implementation of a basic pension. The federal cabinet agreed on the [current version of the draft bill](#) on 19 February 2020. According to the [draft law](#), persons who contributed for at least 33 years who have a low pension level (around 1.3 million persons) will receive additional gross pension payments averaging EUR 75 (gross). If this law proposal is adopted, it will be in force in January 2021.

Pensions for civil servants are paid from the state budget, there are no contributions paid. The [pension of civil servants](#) are at 72% of gross salary for those with 40 years of service. Although, payment of pensions for civil servants is major challenge for [state budget in the future](#), there have been no reforms.

### 2.2.2. Coverage of the public pension scheme

BMAS (2016) estimates that around three-quarters of self-employed persons are not obliged to contribute to a pension scheme or make old-age pension plans; that less than half of solo self-employed persons are not contributing to a social protection scheme; and that only a few self-employed persons contribute to the statutory pension scheme.

Reforms have been on the political agenda and have been fixed in the coalition agreement of the current government. The government is currently preparing a draft law that foresees mandatory contributions to the statutory pension insurance for all self-employed. The draft law would include an opt-out rule for self-employed who can prove that they have made adequate private pension plans (Bundestag, 2020).

### 2.2.3. Implementation of the EU Mobility Directive

Following the regulations of the [EU directive](#) on minimum requirements for enhancing worker mobility between Member States, in December 2015 the government agreed on a law offering the possibility



to draw from a company-based pension scheme after having contributed to it for three years (previously it was necessary to contribute for at least five years). Thus, workers do not lose their claims on company pension benefits (*Betriebsrente*) if they change their employer after at least three years of employment. The [law](#) came into force on 1 January 2018. This should reduce barriers to the intra-EU mobility of workers.

#### 2.2.4. Old age care

Ageing of the population drives both sickness and healthcare expenditures as well as old age expenditures. Between 2009 and 2017, real expenditures (2010 prices) per inhabitant for old age care increased by 11.9% and for sickness and healthcare by 23.5% ([Eurostat data](#)). The [contribution to the statutory old age care insurance](#) increased from 2.35 to 3.05% of gross wages.

About 2.8 million people are in need of old age care, and their number is expected to increase; two-thirds of them are cared for by family members (Bundestag, 2017). In order to increase the incentives for home-based care, the government decided on reforms to promote the reconciliation of work and old age care. The Law on Better Combining Care, Family and Work ([Gesetz zur besseren Vereinbarkeit von Familie, Pflege und Beruf](#)) came into effect on 1 January 2015. It introduces the right to take care leave for a period of up to 24 months. Further, it is possible to put in a claim for a caring benefit from old age care insurance (*Pflegeunterstützungsgeld*) for up to ten days a year when the carer needs to take extra leave (OECD, 2018).

Another challenge is overcoming the shortage of nurses and carers for the elderly, who provide mobile professional care at home as well as institution-based old age care. Training measures of the Federal Employment Agency have been geared towards producing these nurses and carers. At the end of 2018, an Act was drafted that came into force on 1 January 2019 to tackle shortages of nurses in old age care ([Pflegepersonal-Stärkungsgesetz/PpSG](#)). The act regulates the increase in posts for carers in institution-based care for the elderly. The law foresees also i) an additional payment to be financed by the Statutory Health Care Insurance in order to create incentives for workers to take up these jobs; ii) measures to promote digitisation in care; and iii) better working conditions as well as better health prevention for nurses and carers (*Pflegepersonal*). In addition, an Act on Better Wages in Old Age Care ([Pflegelöhneverbesserungsgesetz](#)) came into force as of 23 November 2019. This law, together with the Posted Workers Act ([Arbeitnehmer-Entsende Gesetz](#)), allows BMAS to extend coverage of collective agreements concluded in the old age care sector. In contrast to this, [EU directive 2018/957](#), adopted in June 2018, obliges Member States to guarantee that the employment conditions of posted workers are in line with collective agreements. The new act assigns the Old Age Care Commission the role of formulating minimum standards for wages and holidays. From July 2020 on, the [minimum wage for qualified carers](#) will be EUR 11.60 per hour in Western *Länder* and EUR 11.20 per hour in Eastern *Länder*; it will increase stepwise to EUR 12.55 per hour all over the country until April 2022.

To overcome shortages of nurses and carers for the elderly, [agreements](#)<sup>17</sup> have been signed to actively recruit from abroad, as had already been done in previous decades. Bilateral agreements and individual placement activities enabled Germany to recruit around 2,500 skilled workers from Bosnia-Herzegovina, Serbia, Tunisia, the Philippines, China and Mexico for its care sector during the past six years. Via the programme [MobiPro-EU](#), 600 youths from the EU started training in the care sector in Germany. 94 of these 600 have already finished training, and of these 94 only 63 currently work in the care sector in Germany. In total, the 2015 training cohort of MobiPro-EU amounted to 2,862 persons who began training in 2015, and 3,363 persons who began training in 2016 – more than half of them

<sup>17</sup> Numbers according to DGB citing a recent minor interpellation in the Bundestag.

from Spain (Bundestag, 2019c). On average, 73.2% of persons who completed training via MobiPro-EU stayed in Germany. [At the moment](#), it is not clear if the programme will be continued after the cohort that began training in 2019/20.

### 2.3. Implementation of the UN Convention for the Rights of People with Disabilities

Germany signed the UN Convention for the Rights of People with Disabilities in 2007. In 2011 an initiative on inclusion was decided as part of the National Action Plan for implementation of the UN Convention. The focus is on [measures to promote inclusion](#) in both education and the labour market.

Promoting inclusive labour markets with a focus on people with disabilities, as well as promoting social labour markets for the very long-term unemployed facing multiple employment barriers (see Section 1) has recently been on the labour market policy agenda. One challenge is that boundaries between health and social problems are blurred. Recognition of the need for vocational rehabilitation is key to gaining better access to the active labour market programmes of the Federal Employment Agency. Weaknesses in early recognition of this need were [identified](#) at the level of the jobcentres.

In principle, people with disabilities or jobseekers in need of vocational rehabilitation have access to general ALMPs. In case these instruments and programmes are not sufficient, additional measures are in place (*besondere Maßnahmen zur Teilhabe von Menschen mit Behinderungen*). Those with a severe disability also have access to specific measures, such as long-term training measures or more generous wage subsidies of longer duration (*Eingliederungszuschüsse*). Places in sheltered employment are also available (depending on the disability). Young people with disabilities generally have good access to vocational rehabilitation measures, in particular if they are just leaving school, VET or tertiary education. For employed workers, subsidies, financial assistance and counselling are available through the *Integrationsämter*; *inter alia*, these “integration offices” offer specific support in the workplace. Continuous training as well as technical equipment can be supported by the responsible agency or the *Integrationsämter*. Finally, support provided by the *Integrationsämter* is available for preventive measures as well as for the stabilisation of employment conditions for people with severe disabilities (*Betriebliche Eingliederungsmanagement*).

In 2016, the government agreed on the Federal Inclusion Act ([Bundesteilhabegesetz](#)). It foresees a range of measures to promote inclusive labour markets in four steps: the first step came into effect in July 2017, the second in 2018, the third in 2020, and the fourth will be in force in 2023. In general, the law entitles integration assistance (*Eingliederungshilfe*) beneficiaries with disabilities to keep a higher share of their work income and capital, and foresees more counselling offered to people with disabilities and employers. The act also strengthens the cooperation between jobcentres and other agencies responsible for vocational rehabilitation. It aims to provide people with disabilities more possibilities in choosing their preferred way of housing and living, as of 2020.

The objective of the federal project [Rehapro](#) (“Innovative Ways to Participate in Working Life”) is to gain insights by testing innovative services and organisational measures on how the employability of people with health impairments can be maintained or made better. Cooperation among the key players in the field of medical and vocational rehabilitation is also to be further improved, and access to the disability pension, social assistance and integration allowance is to be reduced on a sustainable basis. Around EUR 1 billion will be available to implement the federal Rehapro programme by 2026.

Recently the employment rates of people with severe disabilities have increased. Nevertheless, it remains difficult for them to find employment in the regular labour market (Federal Employment Agency, 2019i).



## 2.4. Poverty and measures to fight poverty

Good economic performance in Germany over the past decade helped reduce poverty. Nevertheless, the risk of poverty remains critical for specific groups.

There are a variety of measures to assess poverty. Some key indicators include:

- The poverty report of NGOs (*Paritätischer Armutsbericht*) puts the poverty rate (income below 60% of median net household income, including housing allowance, child benefit and other transfer payments) at 15.5% for 2018 (Pieper et al., 2019). Major groups at risk include the low skilled, single parents, families with many children, the unemployed, and people with a migration background. The poverty rate among persons without German citizenship increased between 2012 and 2017 and decreased between 2017 and 2018;
- According to [Eurostat data](#), the share of people at risk of poverty or social exclusion (income below 60% of the national median equivalised disposable income after social transfers) reached 18.7% in 2018, only a slight decrease from 2014. Poverty of the elderly has increased over the past 10 years (for the age group 65-74 as well as for the age group 75+);
- Overall, the German material and social deprivation rate ([Eurostat data](#)) decreased between 2014 and 2017 by about 4 percentage points. It was at 8.1%, well below the European average of 13.7%.

### 2.4.1. Child poverty

In 2017, the child poverty rate (ratio of the number of people age 0-17 whose household income falls below 50% of the median household income of the total population) in Germany was nearly one percentage point above the poverty rate of the whole population, placing Germany in the midfield when compared to other OECD countries ([OECD Poverty Rate Indicator](#)<sup>18</sup>). The share of young people aged [0-16 at risk of poverty](#), defined as 60% of the national [median](#) equivalised disposable income after [social transfers](#) in [EU statistics](#), was 17.3% in 2018, 1.4 percentage points below the at-risk-of-poverty rate of the whole population.

In particular, children living in single-parent households, in low work-intensity households and in families with many children are at risk of poverty. According to a study of the Bertelsmann Stiftung (Tophoven et al., 2018), maternal employment is key to alleviating child poverty.

A specific challenge in a life course perspective is to provide children living in poverty with equal access to education. This starts with enrolment in quality and full-time early childhood education (Fresno et al., 2019). Germany made some progress in raising the educational achievement of disadvantaged people, but the link between educational achievement and socio-economic background remains strong and persists over people's working life.

Limited upward mobility is a phenomenon that is rooted in child poverty, but that also causes it. For example, according to a study published in the wake of the German Government's Poverty and Wealth Report of 2015, between 30% and 40% of the differences between the income levels of individuals can be explained by the income level of their parents (IAW, 2015). Further, the educational trajectory of a child depends greatly on its family background. Data published in 2018 (Kracke/Buck/Middendorff 2018) shows that 79 out of 100 children with parents having tertiary education start tertiary education, but only 27 out of 100 children with parents that do not have tertiary education do so. One way to

<sup>18</sup> Share (%) of children (0-17) with an equivalised income post tax and transfer of less than 50% of the national annual median equivalised post-tax-and-transfer income, 2015-2016 or nearest available year.

improve upward mobility is to improve the quality of education for all. the Good Day Care (*Gute KiTa*) law that is in force since January 2019 provides the *Länder* with EUR 5.5 billion until 2022 in order to improve in the quality of childcare, e.g. by bettering the child-to-caregiver ratio.

#### 2.4.2. Affordable housing

The housing cost overburden rate ([Eurostat SILC data](#)) was 14.5% in 2017, which is higher than the EU-28 average (10.4%). Affordable housing has become a major problem, in particular in urban areas, affecting low-income and middle-income households. Rising population in the economically dynamic centres of Germany, as well as the increased income of a part of the population that induced demand for more square meters per person, has led to an increase in rents and housing prices. In addition, the number of social housing units (publicly subsidised apartments with fixed lower rent for persons at risk of poverty) decreased from 2.09 million in 2006 to 1.18 million in 2018 ([Deutscher Bundestag data](#)), as many newly built apartments are no longer subject to limited profit regulations after around 15 to 30 years.

Recent policy measures include indexing housing allowances to nominal wage development and inflation ([Gesetz zur Stärkung des Wohngeldes](#), in force from 1 January 2020). Reforms of housing allowances should increase the number of eligible households from 480,000 to 660,000. It is planned to link part of housing allowances to work incentives.

On February 14 2020, the [Bundestag](#) extended and tightened the rent growth regulation, the so-called rent break (*Mietpreisbremse*), by five years until the end of 2025. The original rent growth regulation was introduced in 2015 and would have expired in end-2020. It applies to regions with a tense housing market. In these regions, the rent level may exceed the average rent level only by 10%. The new version of the law extend the rights of the tenant to reclaim overpaid rent for new rental contract. In a [Bundestag discussion](#), the Government pointed out that the regulation on rent growth slowed the rent development down, however left-wing opposition party *Die Linke* stated that a rent brake should be more comprehensive and should strictly prevent any increases in rent.

#### 2.4.3. Statutory minimum wage

The Great Coalition introduced a minimum wage of EUR 8.50/hour on 1 January 2015 (with a transition period until 2017 in case collective agreements have set lower wages). In June 2016, the minimum wage commission decided to increase the minimum wage level to EUR 8.84/hour from 2017 onwards for all sectors except newspaper deliverers and seasonal workers (for whom the EUR 8.50/hour wage [remained in place from 2017 on](#)). [As of January 2020](#), the German minimum wage is EUR 9.35/hour. Compulsory internships and voluntary internships lasting for less than three months are not subject to minimum wage regulations (details in Section 5.2.2). In comparison with other European countries, the German minimum wage is high, both in terms of the nominal level but also in purchasing power parities (Schulten/Lübker, 2019).

The statutory minimum wage was introduced during a period of economic growth; according to recent research, it did not negatively affect employment. An evaluation of short-term effects of the minimum wage indicated that contractually agreed working hours of persons employed subject to social security contributions decreased by 1.5 hours (or 5%) in the first six months of 2015; however, decreases in the actual working time were not statistically significant (IZA, 2018). A thorough evaluation of the impact of the minimum wage on the economy and the labour market is foreseen for 2020.

Implementation of the statutory minimum wage effectively raised the wage level of the lowest decile from EUR 6.60 per hour in 2014 to around EUR 7.50 per hour in 2016 (Fedorets/Grabka/Schröder, 2019). The DIW calculated that for 2.4 million workers the hourly wage was lower than the minimum wage in

2017 (Fedorets/Grabka/Schröder, 2019). The share of non-compliance (wages below the minimum wage) was especially high in the personal service sector (43.3%) and in the hospitality sector (34.2%).

According to the Minimum Wage Commission's monitoring report, the introduction of the minimum wage had a slightly positive effect on the transition from a mini-job to regular employment. The impact on the number of employed persons subject to social security in sectors most affected by the introduction of the minimum wage is not clear. The number of employed did not fall, but increases may have been smaller than would have been the case without minimum wages. The minimum wage did not lead to higher unemployment for workers from affected sectors (Mindestlohnkommission, 2018).

#### 2.4.4. European minimum wage initiative

As part of their "100 days in office", the European Commission intends to propose a reform initiative for a shared framework through which minimum wages can be determined at the national level. [January 2020](#) saw the launch of consultation on what constitute fair minimum wages in the EU. The aim is that by 2024 all workers in the EU should earn a fair and adequate wage, no matter where they live.

According to the German newspaper [Handelsblatt](#), the managing director of the German employers' association BDA is opposing a European minimum wage initiative, while a board member of DGB indicated that a European minimum wage framework could help to prevent wage dumping and would support greater equity in Europe, as in the wake of the economic crisis increases in the minimum wage were postponed in many EU Member States.

### 3. SOCIAL DIALOGUE STRUCTURES

#### KEY FINDINGS

Germany is well known for its social partnership model. However, trade unions have faced declining memberships over several decades, and an increasing share of workers is not covered by a collective bargaining or Works Council agreement. Nevertheless, wages increased, due to good economic performance and low unemployment. Wage growth was highest in the metal and electrical industry; the steel industry; and the public sector of the *Länder* (in particular for single occupational groups such as nurses and carers).

#### 3.1. Social partners

The German Trade Union Confederation (DGB) is the largest trade union confederation, uniting eight sectoral trade unions<sup>19</sup> and around 6 million individual members in 2018 (a decrease from 7 million in 2004 and 6.3 million in 2009, [DGB data](#)). One of the two largest affiliated trade unions, [IG Metall](#)<sup>20</sup>, could stop the declining trend in trade union memberships for its trade-union and even succeeded in slightly increasing their members since 2010, while the other, [ver.di](#)<sup>21</sup>, could at least slow the trend down. The other trade confederation is the [Christlicher Gewerkschaftsbund](#) (Christian Trade Union Federation of Germany) which represents 14 trade unions with 280,000 members.

In parallel with the founding of the united services union ver.di in 2001, occupational trade unions and associations like Vereinigung Cockpit (aircraft pilots), GDL (train drivers), and Marburger Bund (medical doctors) [stopped cooperating with DGB](#) and began representing the interests of their members more directly and more aggressively, which led to a series of calls for strikes<sup>22</sup>.

The main representative of employers in Germany is the umbrella organisation BDA, but employers are also organised in various sectoral associations like the [Federation of German Industries](#), the [Federation of German Employers' Associations in the Metal and Electrical Engineering Industries](#), and the Employers' Association of Insurance Companies in Germany. They also participate in [craft](#) and [business and trade](#) chamber organisations. On the employer side, it can be observed that some have left the employer associations or are not adhering to it in order to avoid being covered by collective bargaining agreements. According to [IAB](#), the share of workers in tariff-bound companies decreased from 70% in West Germany and 56% in East Germany in 1996 to 49% (West Germany) and 34% (East Germany) in 2017. Experts at IAB assess that this erosion process is gradual but continuous.

#### 3.2. Collective agreements

The autonomy of social partners and collective agreement is enshrined in [article 9\(3\) of the constitution](#), and encompasses the right to autonomously regulate working and economic conditions through collective agreements. With the introduction of the minimum wage, a tripartite setting was established for the first time. Three representatives of the employers and three representatives of the

<sup>19</sup> IG Metall, ver.di, IG Bauen-Agrar-Umwelt, IG Bergbau, Chemie, Energie, Gew. Erziehung und Wissenschaft, Gew. Nahrung- Genuss-Gaststätten, Gew. der Polizei, EVG.

<sup>20</sup> IG Metall is active in the metals and electrical, iron and steel, textiles and clothing, wood and plastics, crafts and services and the information and communications technology sectors.

<sup>21</sup> Ver.di (Vereinte Dienstleistungsgewerkschaft – the German United Services Trade Union) is active in service sectors.

<sup>22</sup> For example, [Vereinigung Cockpit](#) successfully called for a series of strikes – in 2015 (Lufthansa/Lufthansa Cargo), 2016 (Lufthansa), 2017 (strike warning, Ryanair), and 2018 (Ryanair).

unions are part of the nine-headed [Mindestlohnkommission](#)<sup>23</sup>, which decides every two years on adjustments to the level of the minimum wage.

The unified collective agreement act ([Tarifeinheitgesetz](#)) was implemented in July 2015. It stipulates that in the event of conflicting collective agreements in a company, only the collective agreement of the trade union with the largest number of members in the company at the time of conclusion of that agreement will be applicable.

Most collective agreements are signed at sector and regional level. In addition, a number of firm-specific collective agreements exist for some large companies such as Deutsche Bahn (transport sector), Deutsche Telekom (ICT), or Volkswagen (car manufacturing). In 2018, 25% of companies were covered by a sector collective agreement and 2% by a company-level collective agreement (Ellguth/Kohaut, 2019).

The share of workers covered by a collective agreement decreased from 68% (West Germany) and 53% (East Germany) in 2004 to 56% (West Germany) and 45% (East Germany) in 2018 ([IAB Betriebspanel data](#)). According to IAB Establishment Panel data, half of companies not covered by a collective agreement fixed wages in accordance with the collectively agreed wage in the respective sector, covering about 23% of workers. Forty-one percent of workers were covered by a Works Council Agreement, concluded by the Works Council and the company. Over time, coverage by collective agreements and concluded between trade unions and employers, employers' organisations or a Works Council Agreement fell over time. The number of workers covered neither by a collective agreement nor by a Works Council Agreement increased from 24% in 2000 to 37% in 2018 in West Germany, and from 39% in 2000 to 47% in 2019 in East Germany (Ellguth/Kohaut, 2019).

While trends of weakening in the collective bargaining system in Germany could be observed for a long time, this process has not been reinforced by the global economic crisis. Since the recovery of the crisis it seems that the balance of power has shifted, reflected in wage growth in the recent past as well as in the introduction of the minimum wage in 2015 (WSI, 2019). Collectively agreed wages grew by 3.3% in 2018 and by 2.9% in 2019 (equalling an increase of 1.4% of real wages). Wage growth was highest in the metal and electrical industry; the steel industry; and the public sector of the *Länder* (in particular for single occupational groups such as nurses and carers [*Pfleger*]). [Recent collective agreements](#) included increasing working time flexibility, in particular the option for workers to choose between more free time and pay elements.

### 3.3. European Works Councils

German multinational companies were among the first to introduce European Works Councils, before the European Works Council Directive was adopted. According to a survey published in 2017, a European Works Council is present in 73 of the 100 largest European companies, among them 15 German companies (Hassel/Helmerich, 2017).

Globally, France, Germany and the United Kingdom host most of the European Works Councils due to the size of the companies and the development level of industrial relations in those countries (EC, 2018).

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<sup>23</sup> The other members of the Mindestlohnkommission are the chairman (proposed by employers and unions and appointed by the federal government) and two independent, scientific consultant members without voting rights.

## 4. SKILLS DEVELOPMENT

### KEY FINDINGS

The dual vocational education system has been widely acknowledged to be one of the main success factors to lower the unemployment of young people, as many of them have been taken on by the companies in which they were trained.

A major concern has been the decreasing number of young people enrolling in dual vocational education and training.

To tackle the challenges faced by the dual VET system, an Alliance for Initial and Continuing Education and Training was forged. In addition, several measures and laws have been introduced over the past few years to promote continuing education and training in particular. Increasing participation in continuous training has proved challenging, but doing so is crucial if workers are to adapt to ongoing technological change.

### 4.1. The German dual vocational education and training system

#### 4.1.1. Trends and challenges

The German dual vocational education and training (VET) system combines part-time vocational schooling with work-based learning. Most dual VET programmes are of three years' duration. Curricula have been designed by the relevant ministries for school-based as well as workplace-based education and training. The responsible federal ministries – in most cases the Federal Ministry of Economy and Energy (BMWi) – adopt vocational training regulations (*Ausbildungsordnungen*) for state-recognised training occupations<sup>24</sup> that fall under the dual training system, in coordination with the BMBF. These regulations include minimum standards (objectives, content, duration of training, test requirements) for the practical part of training and are relevant for employers. The Federal Institute for Vocational Education and Training (BiBB) prepares the content of training regulations for the government. Employers, chambers and unions, as well as *Länder* and Federal Government representatives, also participate in the preparation of new occupations or the modernisation of educational regulations. The Standing Conference of the Ministers of Education and Cultural Affairs of the *Länder* (KMK) develops framework curricula for vocational schools that are aimed at guiding curriculum development at *Länder* level, as the *Länder* are responsible for school-based education. The chambers play a crucial role in training the trainer in companies, and control the quality of company-based training and examination.

The dual vocational education system has been widely acknowledged to be one of the main success factors lowering the unemployment of young people, as many of them have been taken on by the companies in which they were trained. In 2018, the share of persons employed through vocational training<sup>25</sup> was 58.1% (of total employment for ages 15-64, compared to 59.2% in 2008, [Eurostat data](#)). It has also been acknowledged that the strength of workplace-based learning consists in narrowing the gap between theoretical knowledge and practical knowledge.

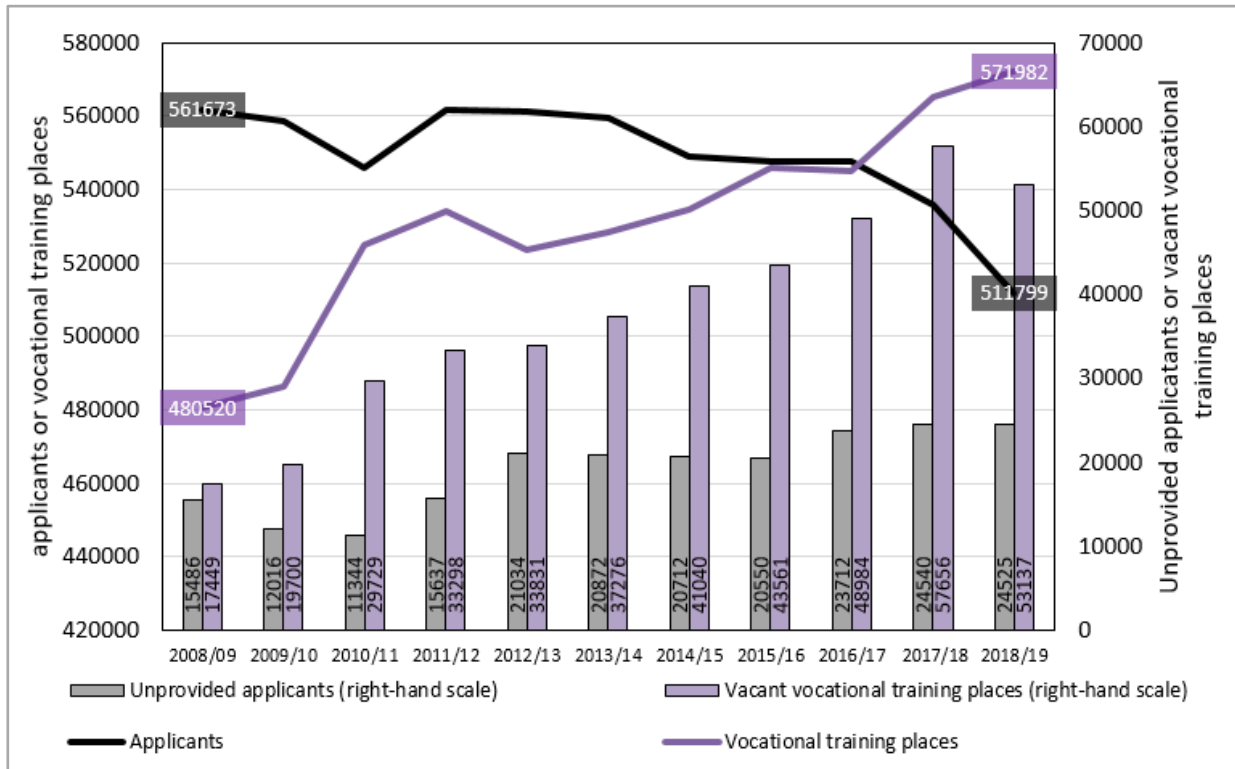
The number of persons enrolled in dual VET decreased from 1.571 million in 2009 (DESTATIS data) to 1.331 million in 2018 ([DESTATIS data](#)). Two diverging trends can be observed regarding the number of participants in dual VET (apprenticeships) over the period from 2008/09 to 2018/19 (Figure 9).

<sup>24</sup> There are 326 stately recognized training occupations in 2019.

<sup>25</sup> Upper secondary and post-secondary non-tertiary education.



Figure 9: (Unprovided) Applicants and (vacant) vocational training places, 2008/09 – 2018/19



Source: PES data

On the one hand, the total number of applicants for vocational training decreased by 8.9%, the number of apprenticeship places increased by 19.0%, and the number of unfilled apprenticeship places more than tripled. Nevertheless, the number of applicants who could not find a vocational training place increased by 58.4%. This seeming contradiction is explained by local mismatches (applicants who search for a vocational training place are not necessarily located in an area where vacant training places are) or occupational mismatches (applicants did not find a vacant training place in their target occupation). Another reason might be the changed composition of young people applying for an apprenticeship, whereby an employer may perceive more candidates as less well educated or suitable. This could be a result of the trend towards an “academisation” of vocational training, and changed preference of young people with a university entrance school degree for tertiary education.

In 1999, the European Ministers for Education signed the Bologna declaration in order to bring more coherence to higher education in Europe; this initiated introduction of bachelor’s and master’s degrees in Germany. The bachelor level did not exist previously in Germany, and therefore more young people pursued the VET education stream. Following introduction of the bachelor level, the number of university students in Germany increased significantly, from 2.121 million in [2009/2010](#) to 2.897 million in [2019/20](#) (DESTATIS data), while the number of persons in vocational training decreased. Also, more and more universities of applied sciences offer courses for occupations affected by skilled worker shortages, like social service and healthcare (e.g. nursing science), leading to a trend towards professionalisation and academisation of some professions (Euler/Severing 2017). It is feared that the skill gaps could increase, as the workplace-related learning content is accorded less importance.



#### 4.1.2. Integration of disadvantaged groups into the VET system and the Youth Guarantee

Taking up a VET education within the dual vocational training scheme has been regarded as a successful means of labour market inclusion. Germany succeeded in reducing the share of young people who enrolled neither in VET nor in tertiary education. The rate of young people in neither employment nor education and training (NEET) is comparatively low in Germany, having lessened over the past years.

The share of young adults aged 25-34 without a formal vocational degree decreased from 18.3% in 2005 to 15.7% in 2017 ([DESTATIS data](#)). In 2017, the share of German nationals (without a migration background) who did not have a vocational qualification was 9.3% (2005: 11.5%). This share was much higher for persons who migrated on their own (32.8% in 2017, 2005: 41.5%) and persons with migration background who did not themselves migrate to Germany (mainly second-generation immigrants, 25.3% in 2017, 30.8% in 2005).

The key approach for integrating young people into the labour market has for many years been to improve their pathway to vocational education and training. Since the 1970s, pre-apprenticeship schemes have been developed to compensate for lack of school skills or vocational orientation. Among the major instruments and programmes targeting (disadvantaged) young people are the prevocational education schemes (*Berufsvorbereitung*), career entry support – i.e. individual career guidance, counselling and coaching at schools to better manage the transition (*Berufseinstiegsbegleitung*) – and entrance qualification, i.e. 6- to 12-month subsidised internships (*Einstiegsqualifizierung*) (Duell, 2016). In recent years the shortage of apprentices in a number of occupations (e.g. in a number of crafts) have facilitated the implementation of strategies to include more disadvantaged groups (e.g. young people with a migration background, early school-leavers, young people with learning difficulties).

The federal government initiated Assisted Training ([Assistierte Ausbildung](#)) as a pilot in 2009, and the scheme became law in 2015. It combines individual career entry support and introductory training by involving educational institutions in order help youth with difficulties complete vocational education or find an apprenticeship placement, with a maximum duration of 6 months. There were around 10,000 participants in 2018 (Bundestag 2019b).

Implementation of the Youth Guarantee in Germany can be regarded mainly as a continuation, upscaling and improvement of existing measures.

#### 4.1.3. Alliance for Initial and Continuing Education and Training

To tackle the challenges faced by the dual VET system, an Alliance for Initial and Continuing Education and Training (*Allianz für Aus- und Weiterbildung*) was forged between 2015 and 2018, led by the Ministry of the Economy. A new [alliance for 2019-2021](#) was signed between the Government, the social partners and other key stakeholders in August 2019. The alliance involved a large number of governmental and non-governmental key actors such as the Ministry of Labour and Social Affairs, the Ministry of Education and Research, the Integration Commissioner, the Federal Employment Agency, business representatives, trade unions, coordinating commissions in the area of education policies (which is the responsibility of the *Länder*). Actions included: i) increasing the number of dual vocational training places registered with the Federal Employment Agency and information campaigns; ii) sector dialogues to promote initial dual vocational training; iii) new approaches to promote the taking up of VET training by disadvantaged youth (Assisted Training, see above); and iv) improving access of young refugees to VET through adoption of the integration law.

## 4.2. Strengthening workplace learning within the tertiary education system

### 4.2.1. Dual university courses

Dual university courses have been introduced as a new format in some universities in Germany, mainly at bachelor level. These study formats are highly in demand by employers, which have to offer a place in their companies for on-the-job training. Students sign a vocational education contract. In [2017](#), there were 104,929 dual university students (3.7% of all students) and 22,212 new entrants to the programmes (5.3% of all new students). Most courses are provided by universities of applied science (*Hochschulen für angewandte Wissenschaften*).

### 4.2.2. Traineeships

Practical phases are increasingly built into higher education curricula, as well as in school curricula (at the age of 16). In some cases there are strong links between specific companies and higher education providers, namely the universities of applied sciences. Universities of applied sciences have a tradition of mandatory six-month traineeship. As a new trend, research-oriented universities build in traineeship into their curricula.

A study carried out by CLEVIS Consult in cooperation with the Otto-von-Guericke-Universität Magdeburg (*CLEVIS Praktikantenspiegel*) surveyed 5,600 trainees in 2017 (CLEVIS, 2018). About 47% of trainees accomplished their traineeship in the context of their university studies. Overall the study shows a high level of satisfaction with the traineeship. It can be assumed that introduction of the minimum wage as well as the labour shortage and “talent” acquisition strategies of companies has improved the working and learning-on-the-job conditions for trainees. According to the European Commission (EC, 2020), assessment of the quality of traineeships is positive.

Nevertheless, challenges remain and the quality of training could be improved. The *CLEVIS Praktikantenspiegel* (CLEVIS, 2018) points to areas that would need improving according to the trainees surveyed: 28% indicated they wanted more demanding and adequate tasks; 27% wanted improvements of the learning and 21% would like to have a better feedback structure. Quality control of training at the workplace is a key element for the apprenticeship system (dual vocational training see above), but not for traineeships.

According to [§22 of the minimum wage law](#), the minimum wage does not have to be paid for i) persons currently in education who perform an internship that is subject to school, vocational training or university regulation; ii) persons who complete an internship of up to three months for career orientation purposes; iii) persons who do an internship of up to three months which accompanies their vocational or tertiary training, assuming that this is the first internship relationship with the same employer; iv) trainees who participate in an entry-level qualification measure (§ 54a Social Code III) or a vocational training preparation measure (§§ 68 to 70 of the Vocational Training Act). Further, minimum wage regulation does not apply to persons without a training degree who are younger than 18 ([§22\(2\) minimum wage law](#)).

## 4.3. Promotion of continuous training

The participation rates of adults in education and training are comparatively low (8.2% in Germany as compared to the EU-27 average of 11.7% in 2019, [Eurostat data](#)). It increased between 2010 and 2016 and decreased between 2016 and 2018. On average, the length of formal and non-formal education and training in terms of hours spent was above EU average. Adult participation in education and

training increases with the skills level. In 2018, the participation rate of low-skilled adults was only 4.3%, although it had progressed since 2010.

The Law on the Promotion of Further Training and Social Security in the Unemployment Insurance System ([\*Arbeitslosenversicherungsschutz- und Weiterbildungsstärkungs-gesetz\*](#)) was adopted in July 2016. With the new regulations, persons employed without a vocational qualification degree can take part in basic skill training courses (reading, writing, computer skills) to prepare for further training measures. Support for upskilling of workers older than 45 and low-skilled workers was increased. The maximum length of measures to assess employability of long-term unemployed persons and the unemployed who are hard to place was extended from 6 to 12 weeks. This period is meant to be used to assess skills and for career guidance.

In addition to the Qualification Opportunity Act (compare chapter 1.8), in June 2019 a new national continuing training strategy was adopted as part of the aim to secure skilled and highly skilled labour. At its heart is a cooperation of all relevant ministries including education and labour, the Public Employment Service Germany and relevant other stakeholders including the states (*Länder*). Development of this [national training strategy](#) will address the challenges of increasing digital transformation in the workplace, as job and skill profiles will change and new jobs will emerge. A first monitoring report about the implementation is planned for 2021.

## 5. EUROPEAN SOCIAL FUND IN GERMANY

### KEY FINDINGS

Important parts of the European Social Fund have focused on integrating disadvantaged groups into the labour market.

An important value-added of the ESF for Germany consists in the possibilities it offers to develop and promote innovative approaches.

During the seven years of the European Social Fund (ESF) funding period 2014-2020 (BMAS, 2020), EUR 2.7 billion has been made available for federal-level projects, In addition EUR 4.8 billion available for projects carried out by the 16 *Bundesländer*. Projects that are (co-)funded by the ESF are, for example:

- a [programme to integrate long-term unemployed persons into the labour market](#) (see Section 1);
- the [ESF-Integrationsrichtlinie Bund](#) (integration of persons with “special labour market entry barriers”);
- promotion of job-related [German language courses](#) for persons with a migration background;
- the [ESF-Sozialpartnerrichtlinie](#) (e.g. funding of projects that promote HR strategies that increase equal opportunities of women, older people, or persons with a migration background);
- the [ESF-Bundesprogramm Zukunftszentren](#) (regional digitisation advice centres for small and medium-sized enterprises in Eastern German *Länder*).

An important value-added of the ESF for Germany consists in the possibilities it offers to develop and promote innovative approaches. The focus of major parts of the ESF was the integration of people into the labour market (e.g. with regard to Thematic Objective 9). A challenge would be to focus more on reducing inequalities and discrimination in all areas.

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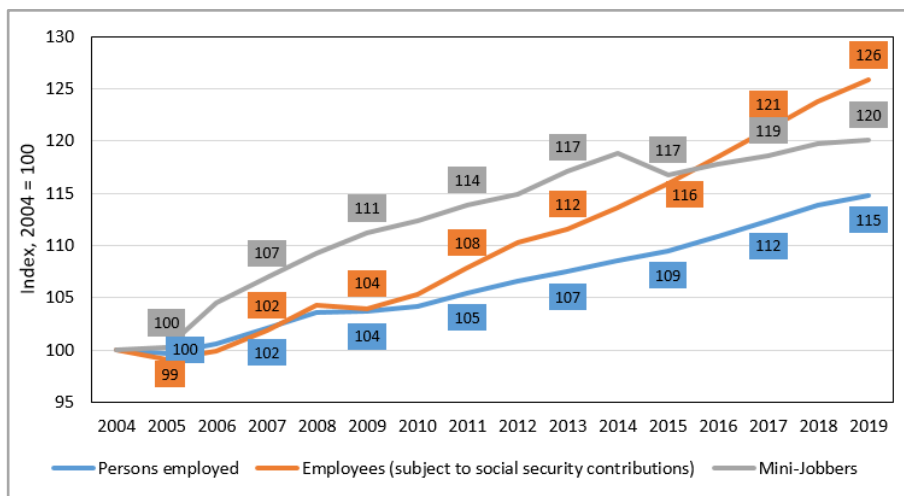
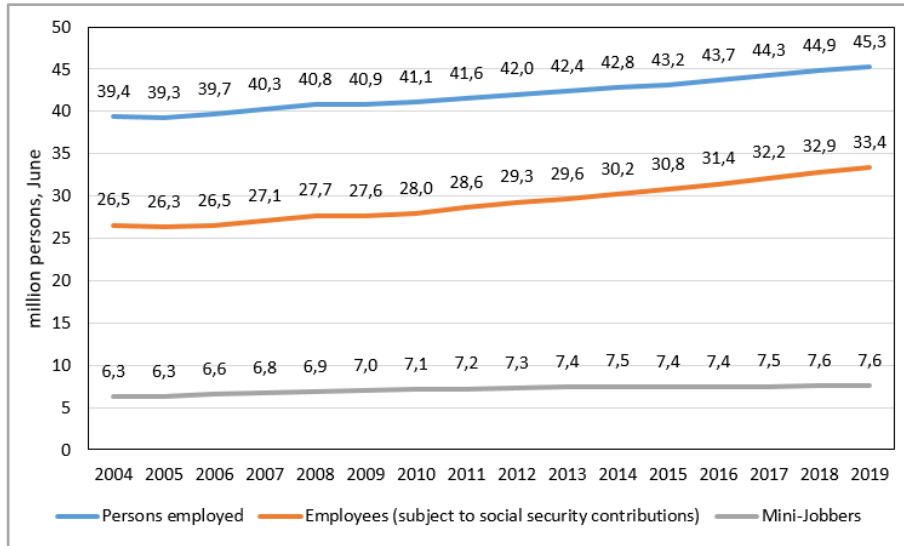
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## ANNEX

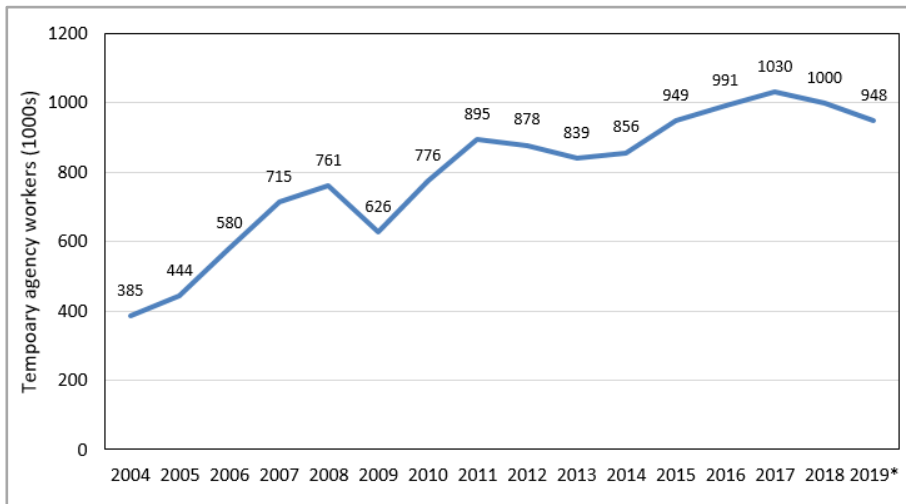
Figure 10: Employment dynamics, 2004-2019



Source: Federal Statistical Office ([Persons employed](#)), PES ([Employees subject to social security contributions and Mini-Jobbers](#))

Note: Data points refer to June of the corresponding year. Persons employed are working in Germany, not necessarily living in Germany (Inlandskonzept). Mini-Jobbers include persons with a Mini-Job as second occupation

Figure 11: Temporary agency workers 2004-2018 and June 2019



Source: [PES data](#)

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

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