

The German Labour Market in 2023

Weak Economy Affects Development on the Labour Market



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Summary

- Economic development in Germany in 2023 was dampened by high inflation, rising interest rates and weak foreign demand. According to current estimates by the Deutsche Bundesbank, real gross domestic product fell slightly by 0.1 percent in 2023, adjusted for calendar effects.
- The effects of the weak economic development were also evident on the labour market. Unemployment and underemployment (excluding short-time work) rose significantly on average over the year. Even adjusted for Ukrainian nationals, there was an increase.
- At the same time, total employment and employment subject to social security contributions increased slightly in the annual figures.
- The reported demand for new employees has decreased noticeably, but remains at a comparatively high level.
- Short-time working due to the economic situation remained at a moderate level over the course of the year compared to the long-term average.
- The downward trend in the number of registered applicants in the vocational training market over the past few years has come to a halt in the careers counselling year 2022/23.
- At the same time, roughly the same number of in-company training places were registered as in the same period last year.

1 Economic Development

- Economic development in Germany in 2023 was dampened by high inflation, rising interest rates and weak foreign demand.
- After real gross domestic product (GDP) remained unchanged in the first quarter on a seasonally and calendar-adjusted basis, it increased by 0.1 percent in the second quarter and fell by 0.1 percent in the third quarter.
- According to current estimates by the German Federal Bank¹, real gross domestic product adjusted for calendar effects fell slightly by 0.1 percent over 2023 as a whole, after +1.8 percent in 2022 and +2.6 percent in 2021.

2 Unemployment and Underemployment

Unemployment

- On average, 2,609,000 people were registered as unemployed in Germany in 2023, 191,000 or 8 percent more than a year ago.
- If Ukrainian nationals are excluded for analytical purposes, unemployment rose by an annual average of 105,000 or 5 percent.
- The average annual unemployment rate (based on the total civilian labour force) was 5.7 percent in 2023. Compared to the previous year, it increased by 0.4 percentage points.
- In 2023, an average of 1,734,000 unemployed people were cared for in the legal sphere of the German Social Code II (SGB II, basic income support for job-seekers) and 875,000 in the legal sphere of Social Code III (SGB III, unemployment insurance).
- In the SGB II sphere, the number of unemployed people rose by 124,000 (+8 percent) compared to 2022, while it increased by 66,000 (also +8 percent) in the SGB III sphere.

Definition of unemployment according to the German Social Code III (§§ 16, 138):

Unemployed is who

- is temporarily not in an employment relationship of at least 15 hours weekly,
- is looking for an employment subject to social-security contributions of at least 15 hours weekly,
- has registered at the Federal Employment Agency,
- is available for the placement efforts of the employment offices,
- is making own efforts to finish the joblessness and
- is not taking part in a measure of active labour market policy.

Notice: This definition differs from the unemployment definition of the International Labour Organisation (ILO) in several respects. Unemployed according to the ILO is who

- is completely out of employment (does not even work one hour per week),
- is available for the labour market (including self-employment) within two weeks (i.e. not immediately) and
- is actively seeking for employment (has been undertaking concrete steps in the preceding four weeks) or has found a job that begins within the following three months.

Unemployment according to Social Code III is considerably higher than unemployment according to the ILO definition in Germany. The main reason is that according to Social Code III, jobseekers are counted as unemployed even if they work in minor jobs (one to 14 hours weekly) or they have not undertaken concrete steps in the preceding four weeks.

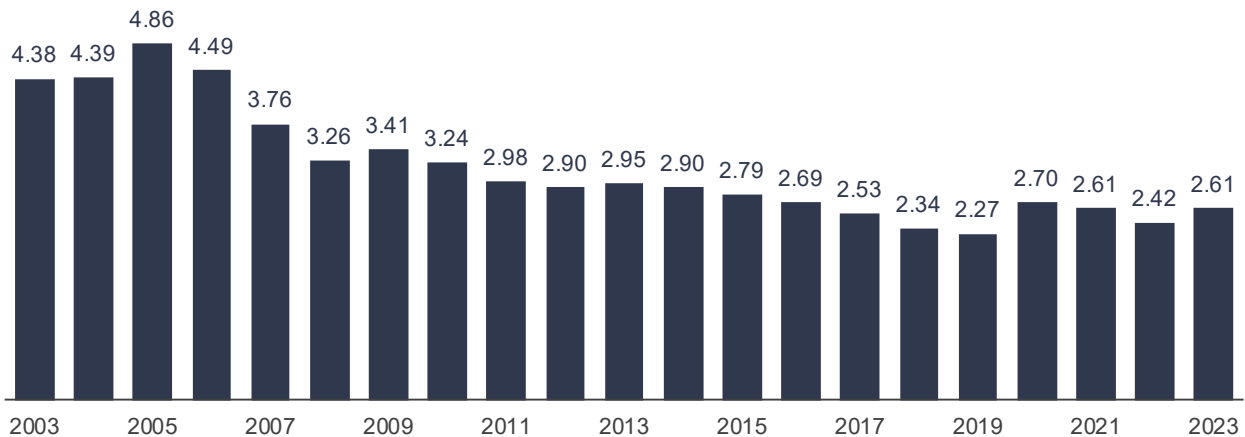
¹ Article on the outlook for the German economy in the German Federal Bank's December 2023 Monthly Report.

Figure 1

Development of Unemployment

Annual average (in millions)

Germany



Data source: Statistics of the Federal Employment Agency

Underemployment

- Underemployment, which also takes changes in labor market policy into account, amounted to 3,449,000 in 2023 and has thus increased significantly compared to the previous year (+264,000 persons, +8 percent).
- The fact that underemployment has increased more than unemployment is due to a higher use of relieving labour market policy instruments – in the past year mainly due to an increase in participation in integration courses.

Unemployment of Selected Groups of Persons

- On average for 2023, female unemployment increased slightly more (+8.2 percent) than male unemployment (+7.6 percent). In total, an average of 1,412,000 men and 1,196,000 women were registered as unemployed in 2023.
- Unemployment has developed differently in the age groups: In the 15 to under 25 age group, average annual unemployment in 2023 has increased by 13 percent year-on-year to 229,000 persons, while unemployment among 25 to under 55-year-olds has only increased by 8 percent year-on-year to 1,752,000 persons. The average annual number of unemployed people aged 55 years or older was 627,000 in 2023, 7 percent higher than in 2022.
- The annual average unemployment of Germans increased by 3 percent to 1,641,000 persons in 2023. Unemployment among foreigners, on the other hand, rose by 18 percent to 967,000 persons, partly due to the entry of many protection seekers from Ukraine.
- For people without vocational training, the average annual unemployment rose by 8 percent to 1,454,000 persons in 2023. Unemployment has also increased significantly among university graduates (+19 percent to 243,000 persons). In contrast, the increase for skilled workers was much more moderate, rising by 4 percent to 879,000 persons.
- The number of long-term unemployed, i.e. people who have been unemployed for longer than twelve months, averaged 906,000 in 2023. This is 10,000 or 1 percent fewer than in the previous year. The annual average share of long-term unemployed among all unemployed people was 34.7 percent in 2023, compared to 37.9 percent in the previous year. However, the decline in the annual average belies the fact that long-term unemployment increased over the course of 2023. The number of long-term unemployed people in December 2023 was 57,000 higher than in December of the previous year.

Table 1

Unemployment by Structural Characteristics

Annual averages

Germany

| | 2023 | 2022 | 2021 | Change 2023/2022 | Change 2022/2021 |
|---|-----------|-----------|-----------|---------------------|---------------------|
| Men | 1,412,000 | 1,313,000 | 1,455,000 | +100,000 | -142,000 |
| Women | 1,196,000 | 1,106,000 | 1,159,000 | +91,000 | -53,000 |
| Age 15 to 24 | 229,000 | 203,000 | 227,000 | +26,000 | -23,000 |
| Age 55 and over | 627,000 | 587,000 | 611,000 | +40,000 | -24,000 |
| German nationals | 1,641,000 | 1,601,000 | 1,822,000 | +40,000 | -221,000 |
| Foreign nationals | 967,000 | 817,000 | 792,000 | +150,000 | +25,000 |
| Without completed vocational training | 1,454,000 | 1,344,000 | 1,403,000 | +110,000 | -59,000 |
| With in-company or extra-company training | 879,000 | 846,000 | 969,000 | +32,000 | -123,000 |
| With academic education | 243,000 | 205,000 | 222,000 | +38,000 | -17,000 |
| Long-term unemployed | 906,000 | 916,000 | 1,027,000 | -10,000 | -111,000 |
| With disabilities | 166,000 | 164,000 | 172,000 | +2,000 | -9,000 |

Data source: Statistics of the Federal Employment Agency

Unemployment Rate

- The average annual unemployment rate, based on the total civilian labor force, amounted to 5.7 percent in 2023. Compared to the previous year, it increased by 0.4 percentage points.
- In Eastern Germany, the rate was higher at 7.2 percent than in the west at 5.3 percent.
- At the level of the Federal States, the unemployment rate ranges from 3.4 percent in Bavaria to 10.6 percent in Bremen. The annual average unemployment rate has increased in all States. The strongest increase was recorded in Hamburg, Saxony and Thuringia (+0.6 percentage points).

Inflow and Outflow of Unemployed Persons

- Unemployment is not a fixed block, rather there is a lot of movement regardless of the economic situation.
- In the course of 2023, 6,550,000 persons registered as unemployed, while at the same time 6,367,000 persons ended their unemployment.
- Compared to the previous year, entries increased by 309,000 or 5 percent, while exits increased by 250,000 or 4 percent.
- There are many reasons for registering as unemployed or deregistering from unemployment. In addition to the direct exchange with the regular labour market, this also includes interruptions in unemployment, for example due to incapacity to work or participation in an active labour market policy programme.
- Dependent employment:
 - Around 2,239,000 people registered as unemployed from dependent employment in the regular labour market (excluding trainees) in 2023, 114,000 more than in the previous year.
 - At the same time, 1,726,000 people were able to end their unemployment by taking up employment in the regular labour market, 11,000 or 1 percent more than a year before.
- Self-employment:
 - In addition, 89,000 people who were previously self-employed registered as unemployed during the course of the year, 3,000 or 4 percent more than a year before.
 - These were offset by 114,000 people entering self-employment, 4,000 or 4 percent more than in 2022.

- Vocational training:
 - At the second threshold, i.e. the transition from training to employment, 150,000 people who were previously employed in in-company or extra-company training registered as unemployed over the course of the year. This was the same number as in the previous year.
 - By taking up vocational training, 59,000 people were able to end their unemployment, 2,000 or 3 percent more than a year before.

Table 2

Unemployment – Inflow and Outflow

Annual sums

Germany

| | 2023 | 2022 | 2021 | Change 2023/2022 | Change 2022/2021 |
|---|-----------|-----------|-----------|---------------------|---------------------|
| Inflow | 6,550,000 | 6,241,000 | 5,824,000 | +309,000 | +417,000 |
| incl. dep. employment on reg. labour market | 2,239,000 | 2,124,000 | 2,126,000 | +114,000 | -1,000 |
| incl. self-employment | 89,000 | 86,000 | 92,000 | +3,000 | -7,000 |
| incl. vocational training | 150,000 | 150,000 | 163,000 | - | -13,000 |
| Outflow | 6,367,000 | 6,117,000 | 6,201,000 | +250,000 | -85,000 |
| incl. dep. employment on reg. labour market | 1,726,000 | 1,716,000 | 1,962,000 | +11,000 | -246,000 |
| incl. self-employment | 114,000 | 110,000 | 129,000 | +4,000 | -19,000 |
| incl. vocational training | 59,000 | 57,000 | 65,000 | +2,000 | -8,000 |

Data source: Statistics of the Federal Employment Agency

- The relationship between unemployment and employment subject to social security contributions can be described with indicators on the risk of entry and the chances of leaving:
 - According to preliminary data, an average of 0.54 percent of employees subject to social security contributions registered as unemployed each month. In 2022, the risk of becoming unemployed was slightly lower at 0.51 percent.
 - In calendar year 2023, the rate of exits from unemployment to employment (including vocational training) fell to 5.74 compared to 6.14 in the previous year.
 - Against the background of a shortage of skilled workers, employers are trying to hold on to their employees as much as possible. However, people who have become unemployed find it very difficult to find new employment.

3 Employment

Total Employment (Federal Statistical Office)

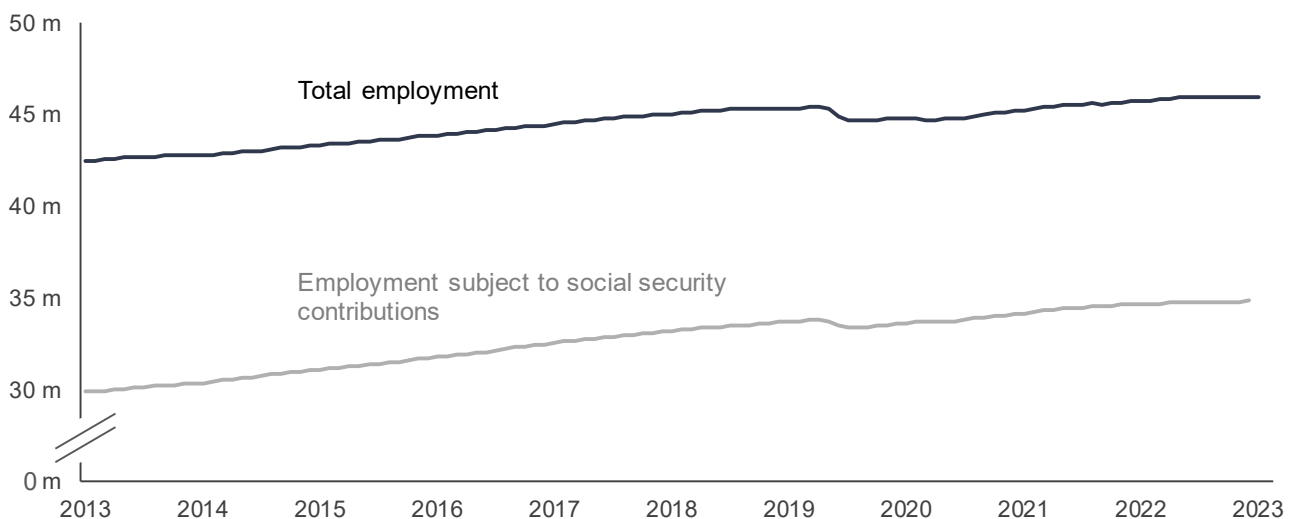
- According to preliminary data from the Federal Statistical Office, total employment (according to the national concept) increased by an average of 333,000 to 45.93 million persons in 2023.
- The different forms of employment developed differently. While employment subject to social security contributions and marginal employment (both exclusively marginal employment and marginally paid secondary employment) increased, self-employment declined.

Figure 2

Employment

Stock (seasonal adjusted)

Germany; November 2013 to November 2023 (Employment subject to social security contributions: October 2023)



Data source: Statistics of the Federal Employment Agency

Employment subject to Social Security Contributions (June 2023)

- Due to a 6-month waiting period in the employment statistics, an annual average is not yet available for 2023. The annual values used in the labour market reporting of the Federal Employment Agency for employment are the June values, which are usually close to the annual average.
- According to the Statistics of the Federal Employment Agency, 34.71 million people were employed subject to social security contributions in June, 264,000 more than a year before. Over the course of the year, the growth in employment subject to social security contributions has visibly slowed down, which is probably due to the economic downturn and the shortage of skilled labour.
- In the majority of the Federal States, the number of employees subject to social security contributions in June 2023 was above the previous year's level. The strongest increase was in Hamburg (+2.2 percent). In contrast, there were declines in some Eastern German States: in Saxony-Anhalt and Mecklenburg-Western Pomerania (-0.6 percent each) and in Thuringia (-0.5 percent).
- The increase in employment subject to social insurance contributions in 2023 was driven exclusively by foreigners. Their number increased by 341,000 or 7 percent to 5.33 million. By contrast, the employment of German nationals fell by 77,000 persons compared to the previous year. So-called third countries accounted for additional 257,000 employees and the European Economic Area (including Switzerland) for 84,000. Notable contributions to growth came from the countries of the EU eastward enlargement (+74,000), the countries of

asylum (+45,000), the Eastern European third countries (+67,000; including Ukraine: +53,000) and the Western Balkans (+43,000).

- The analysis by economic sector shows predominantly increases compared to the previous year. The largest increases in absolute terms were registered for
 - skilled business services (+84,000 employees or +3.0 percent),
 - information and communication (+49,000 or +3.8 percent) and
 - the hospitality industry (+34,000 or +3.2 percent).
- In contrast, there were notable decreases in temporary employment (-34,000 employees or -4.7 percent), trade (-30,000 employees or -0.7 percent) and parts of the manufacturing industry.
- The increase in employment subject to social security contributions is based on both more full-time and more part-time employment. In June 2023, full-time employment rose by 84,000 persons or 0.3 percent year-on-year to 24.28 million persons and part-time employment by 180,000 persons or 1.8 percent to 10.43 million persons. The share of part-time employment subject to social security contributions continued to increase; in 2023, it was 30.0 percent, compared to 29.7 percent in 2022. In 2013, the share was 25.1 percent and in 2003 it was only 17.0 percent.

Marginally Paid Employment (June 2023)

- The number of people employed exclusively on marginal monthly wages has increased. In June 2023, 4.27 million people were employed exclusively as “mini-jobbers”, an increase of 102,000 or 2.5 percent compared to the previous year.
- The share of exclusively marginally paid employment in total employment was 9.3 percent, compared to 9.1 percent in the previous year and 12.0 percent in 2013.
- The number of employees subject to social security contributions who have a side job on marginal monthly wages has also increased. In June 2023, 3.34 million employees subject to social security contributions had such a side job, 148,000 or 4.6 percent more than a year before.² The share was 9.6 percent compared to 9.3 percent in 2022 and just 7.9 percent in 2013. Only exclusively marginally paid employees are included in total employment figures, as part-time workers are already counted with their main job.

4 Short-time Working Allowance

- According to an initial estimate by the Statistics of the Federal Employment Agency, the average annual number of short-time workers (including seasonal short-time allowance and transfer short-time allowance) in 2023 was around 220,000, down from 426,000 in 2022 and 1.85 million in 2021. In the pre-corona year 2019, an annual average of 145,000 short-time workers were registered.
- 0.6 percent of employees subject to social security contributions were on short-time work in 2023, compared to 1.2 percent in 2022, 5.5 percent in 2021 and 8.8 percent in 2020, but only 0.4 percent in 2019.
- The average loss of working hours for all short-time workers in 2023 was estimated at 31 percent of normal working hours; this results in an employee equivalent of around 69,000 secured jobs and prevented unemployment.

² In each case based on the number of employees subject to social insurance contributions in June.

5 Labour Demand

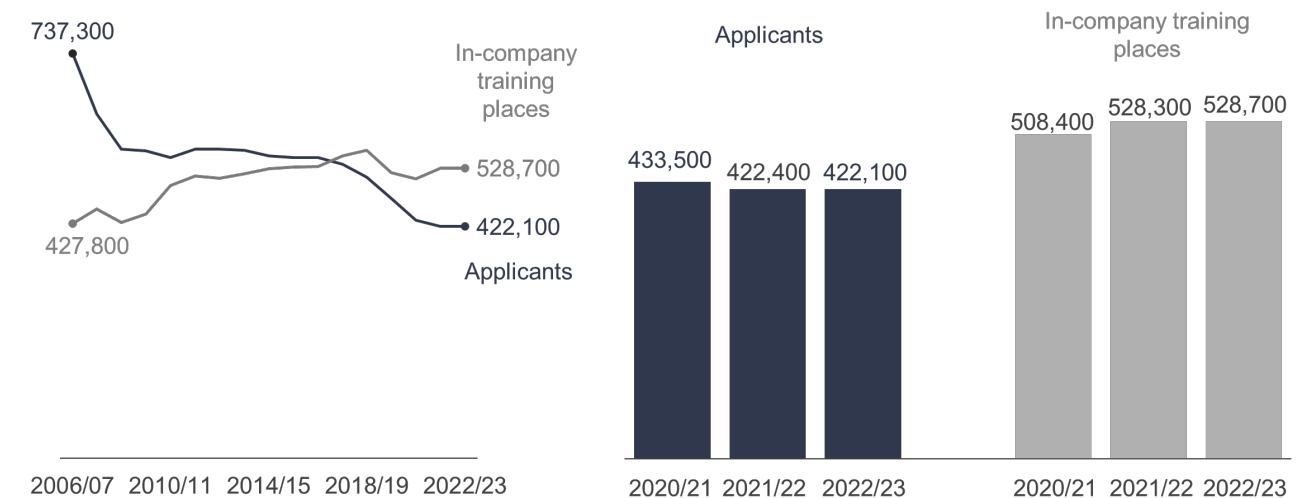
- According to the Institute of Employment Research of the Federal Employment Agency, the total number of job offers in the economy reached a record high of just under 2 million in the last quarter of 2022. In 2023, the first three quarterly figures were slightly lower at around 1.7 million.
- The average number of vacancies registered with the Federal Employment Agency in 2023 was 761,000, which was 84,000 (-10 percent) lower than in the previous year.
- The inflow of vacancies, which is a better indicator of companies' current willingness to hire than the stock of vacancies, fell significantly in 2023 compared to the previous year. Over the course of the year, 1,633,000 new vacancies were registered for filling, which was 251,000 or 13 percent fewer than in the previous year.
- From January to December 2023, 1,697,000 jobs were deregistered, which was 194,000 or 10 percent fewer than a year ago.
- As a result of the declining demand for labour, the Federal Employment Agency's Vacancy Index (BA-X), a seasonally adjusted indicator of labour demand in Germany, also fell significantly over the course of the year. Compared to December 2022, the BA-X has decreased by 12 points to 116 in December 2023.

6 Vocational Training Market 2022/23

Figure 3

Still Significantly More Registered Training Places than Registered Applicants

Registered applicants and registered (in-company) training places
Each October to September



Data source: Statistics of the Federal Employment Agency

From 2008/09 including training places for graduates of the Abitur.

- In the 2022/23 careers counselling year (October 2022 to September 2023), the downward trend in the number of registered applicants over the past few years has come to a halt.
- At the same time, roughly the same number of in-company training place were registered as in the year before.
- In total, 422,000 registered applicants were compared to 529,000 registered in-company training place.
- This means that over 100,000 more in-company training place were registered than applicants. As in the previous year, there were 80 registered applicants for every 100 registered in-company training place.

- On 30 September 2023, 26,000 applicants were unplaced. Despite the favourable market situation from the applicant's perspective, this figure is higher than in the previous year (+4,000). In addition, 37,000 applicants who had switched to an alternative were still looking for a training place.
- The number of unfilled training places rose by 5,000 to 73,000, indicating that recruitment problems have continued to increase. It was particularly difficult to fill training places in food-related occupations, orthopaedic and rehabilitation technology, construction and construction-related occupations, vehicle driving, metal occupations as well as hotel and restaurant occupations.
- For years, balancing the vocational training market has been hampered by considerable regional, occupational and qualification disparities. The fact that the number of both unplaced applicants and unfilled training places has increased can be seen as an indication that the matching problems have increased.

7 Social Security

- On average for 2023, the number of employable people who received wage replacement benefits in accordance with Social Code III (unemployment benefit) or basic income support for job-seekers in accordance with Social Code II (the newly introduced citizen's benefit) increased to 4,664,000.
- An annual average of 799,000 people received unemployment benefit and 3,930,000 were entitled to citizen's benefit.
- Compared to 2022, the number of recipients of unemployment benefit increased by 69,000, while the number of employable people entitled to basic income support for job-seekers rose by 212,000.