The German Labour Market in 2021

Labour Market Recovers in Second Corona Year
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Summary

- The German economy was in a slowed upswing in 2021. According to current estimates by the Deutsche Bundesbank, real gross domestic product grew by 2.5 percent, after a minus of 4.6 percent in 2020.

- With the easing of Corona measures starting in early summer 2021, the economy picked up in the second quarter, but was slowed by supply shortages and new restrictions as a result of the fourth Corona wave later in the year.

- The labour market was on a recovery path in 2021, which gained significant momentum in the wake of the easing in early summer.

- Above all, employment subject to social security contributions increased significantly. Because marginal employment and self-employment continued to decline on the average for the year, total employment remained unchanged on the yearly average. However, there was a considerable increase in the course of the year.

- Unemployment and underemployment (excluding short-time work) fell on the yearly average, and even more sharply over the course of the year. The consequences of the Corona crisis became increasingly smaller, but are mainly visible in increased long-term unemployment.

- The labour market was supported to a considerable extent by the use of short-time work in 2021, too, but the take-up has decreased significantly compared to the first Corona year.
1 Economic Development

- The German economy was in a slowed recovery in 2021.
- After real gross domestic product (GDP) shrank by 1.9 percent in the first quarter in seasonally and calendar-adjusted terms, it increased by 2.0 percent in the second quarter and by 1.7 percent in the third quarter.
- The momentum was slowed by supply bottlenecks in the manufacturing sector and, in the fourth quarter, by renewed restrictions due to the fourth Corona wave.
- Over the whole of 2021, real gross domestic product grew by 2.5 percent according to current estimates by the Deutsche Bundesbank\(^1\), after -4.6 percent in 2020. Economic output thus still remained significantly lower than before the Corona crisis.

2 Unemployment and Underemployment

Unemployment

- On average, 2,613,000 people were registered as unemployed in Germany in 2021, 82,000 or 3 percent less than a year ago, but 347,000 more than in 2019, before the Corona pandemic\(^2\).
- This significant increase is primarily due to the Corona pandemic containment measures, which were in place across the country in 2020 and 2021.

Looking at the annual figures, however, leaves the improvement within the year somewhat out of the picture. For example, unemployment fell by 378,000 persons from December 2020 to December 2021. At 2,330,000,
the number of unemployed people in December 2021 was only about 100,000 higher than in December 2019, a comparable month before the pandemic.

Figure 2

Development of Unemployment
January 2019 to December 2021

Germany

- In 2021, an average of 1,615,000 unemployed people were cared for in the legal sphere of the German Social Code II (SGB II, basic income support for job-seekers) and 999,000 in the legal sphere of Social Code III (SGB III, unemployment insurance).
- In the SGB II sphere, the number of unemployed people increased by 56,000 (+4 percent) compared with 2020, while it decreased by 138,000 (-12 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.
Underemployment

- Underemployment, which also takes changes in labour market policy into account, amounted to 3,368,000 persons in 2021 and thus decreased again somewhat compared with the previous year (-120,000 persons, -3 percent). Compared with the annual average for 2019, however, underemployment is still 197,000 persons or 6 percent higher.
- It is also worth taking a look at underemployment over the course of the year. Over the course of 2021, i.e., from December to December, underemployment (excluding short-time work) fell much more sharply than in the annual average, by 418,000 persons or 12 percent. In December 2021, the lowest value ever was even measured.
- The fact that underemployment has fallen more sharply in absolute terms than unemployment compared with 2020 can be explained by the lower use of relieving labour market policy instruments.
- The strongest annual-average declines were recorded for measures financed by other institutions (-26,000 persons), which cover participation in integration courses at the Federal Office for Migration and Refugees (BAMF).

Corona Effect on Unemployment and Underemployment

- The annual-average level of unemployment and underemployment remains elevated due to the Corona crisis.
- However, in 2021, a considerable part of the Corona-induced increases was dismantled again.
- For example, according to an estimate by the Department of Statistics of the Federal Employment Agency, the average annual burden of the Corona crisis in 2021 is 339,000 persons for unemployment and 207,000 persons for underemployment, down from 420,000 and 316,000 persons, respectively, in the first Corona year of 2020.
- Looking at the course of the year, a corona-related burden of only 104,000 persons is calculated for unemployment in December, while no effects are discernible for underemployment.

Unemployment of Selected Groups of Persons

- Differentiating according to gender, the annual-average decrease in unemployment was stronger for men than for women in 2021. Unemployment for men decreased by an annual average of 4 percent to 1,455,000 persons and for women by 1 percent to 1,159,000 persons.
- Unemployment has developed differently in the age groups. There was a clear decrease in 2021 in the younger age group up to 25 years, whose unemployment fell by 12 percent to 227,000 persons on the annual average. In contrast, unemployment in the age group 55 and older increased by an average of 6 percent to 611,000 persons.
- By nationality, the annual-average unemployment for Germans decreased by 4 percent to 1,822,000 persons and for foreigners by 2 percent to 792,000 persons.
- For people without vocational qualification, the annual-average unemployment in 2021 remained almost unchanged at 1,403,000 persons. The unemployment of people with formal vocational training developed much more favourably in 2021. The annual-average number of unemployed persons with in-company or school-based training fell by 6 percent to 969,000 and that of academics by 7 percent to 222,000.
- The fact that the Corona crisis led to a consolidation of unemployment is shown above all by the development of long-term unemployment. It has increased significantly. Long-term unemployed are persons who were unemployed for more than 12 months on the respective reference date (previous duration as opposed to completed duration). There were 1,027,000 long-term unemployed persons in the annual average in 2021, which was 210,000 persons or 26 percent more than a year ago and 300,000 persons or 41 percent more than in the pre-Corona year 2019. The annual-average share of long-term unemployed persons in all unemployed persons was 39.3 percent in 2021, up from 30.3 percent in the previous year and 32.1 percent in the pre-Corona year 2019.
The German Labour Market in 2021

Table 1
Unemployment by Structural Characteristics
Annual averages
Germany

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<tbody>
<tr>
<td>Men</td>
<td>1,455,000</td>
<td>1,521,000</td>
<td>1,263,000</td>
<td>-66,000</td>
<td>+192,000</td>
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<td>Women</td>
<td>1,159,000</td>
<td>1,175,000</td>
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<td>Age 15 to 24</td>
<td>227,000</td>
<td>257,000</td>
<td>205,000</td>
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<td>+21,000</td>
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<td>Age 55 and over</td>
<td>611,000</td>
<td>579,000</td>
<td>499,000</td>
<td>+32,000</td>
<td>+112,000</td>
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<td>German nationals</td>
<td>1,822,000</td>
<td>1,891,000</td>
<td>1,624,000</td>
<td>-69,000</td>
<td>+198,000</td>
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<td>Foreign nationals</td>
<td>792,000</td>
<td>805,000</td>
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<td>-13,000</td>
<td>+149,000</td>
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<td>Without completed vocational training</td>
<td>1,403,000</td>
<td>1,408,000</td>
<td>1,181,000</td>
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<td>+222,000</td>
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<tr>
<td>With in-company or extra-company training</td>
<td>969,000</td>
<td>1,028,000</td>
<td>877,000</td>
<td>-58,000</td>
<td>+92,000</td>
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<tr>
<td>With academic education</td>
<td>222,000</td>
<td>238,000</td>
<td>187,000</td>
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<td>+35,000</td>
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<tr>
<td>Long-term unemployed</td>
<td>1,027,000</td>
<td>817,000</td>
<td>727,000</td>
<td>+210,000</td>
<td>+300,000</td>
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<tr>
<td>With disabilities</td>
<td>172,000</td>
<td>170,000</td>
<td>155,000</td>
<td>+3,000</td>
<td>+18,000</td>
</tr>
</tbody>
</table>

Data source: Statistics of the Federal Employment Agency

Unemployment Rate

- The annual-average unemployment rate, based on the civilian labour force, was 5.7 percent in 2021. Compared to the previous year, it decreased by 0.2 percentage points, while it exceeded the level of the pre-Corona year by 0.7 percentage points.
- In Eastern Germany, the rate was significantly higher at 7.1 percent than in the West at 5.4 percent. In recent years, the gap between the rates had narrowed significantly. In 2021, the rate fell by 0.2 percentage points in both Eastern and Western Germany compared to the previous year and rose by 0.7 percentage points in each case compared to the pre-Corona year 2019.
- At the level of the Federal States, the unemployment rate ranges from 3.5 percent in Bavaria to 10.7 percent in Bremen. The annual-average unemployment rate has decreased in almost all States. The strongest decrease is reported in Bremen (-0.5 percentage points). There was a slight increase only in Berlin (+0.1 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 and also despite the Corona crisis. However, the dynamics have clearly decreased in recent years as a result of the Corona pandemic.
- During 2021, 5,824,000 people registered as unemployed, while at the same time 6,201,000 people ended their unemployment.
- Compared to the first Corona year 2020, the inflow into unemployment has decreased by 622,000 persons or 10 percent and the outflow from unemployment has increased by 236,000 persons 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 (around one third), this also includes interruptions in unemployment, for example due to incapacity to work or participation in an active labour market policy programme.
- Dependent employment:
  - From dependent employment in the regular labour market (without vocational training), 2,126,000 people registered as unemployed during 2021, which was 425,000 or 17 percent less than in the first Corona year 2020, but also 324,000 or 13 percent less than in the pre-Corona year 2019.
- At the same time, 1,962,000 people were able to end their unemployment by taking up employment in the regular labour market, 81,000 or 4 percent more than a year ago and also 16,000 or 1 percent more than in 2019.

- Self-employment:
  - In addition, 92,000 people who had previously worked as self-employed registered as unemployed during the year, 9,000 or 9 percent less than a year ago and about the same as in 2019.
  - They were offset by 129,000 people entering self-employment, 10,000 or 9 percent more than in 2020 and 13,000 or 11 percent more than in 2019.

- Vocational training:
  - At the second threshold, i.e. the transition from vocational training to employment, there were fewer entries into unemployment. Over the course of the year, 163,000 people who had previously been employed in in-company or extra-company training registered as unemployed, 15,000 or 9 percent less than a year ago and 17,000 or 10 percent less than in 2019.

Table 2

**Unemployment – Inflow and Outflow**

*Annual Sum

*Germany*

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<td><strong>Inflow</strong></td>
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<td>incl. dep. employment on reg. labour market</td>
<td>5.824.000</td>
<td>6.446.000</td>
<td>7.243.000</td>
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<td>2.126.000</td>
<td>2.551.000</td>
<td>2.449.000</td>
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<td>-324.000</td>
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<td>incl. vocational training</td>
<td>92.000</td>
<td>102.000</td>
<td>92.000</td>
<td>-9.000</td>
<td>-9.000</td>
</tr>
<tr>
<td><strong>Outflow</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>incl. dep. employment on reg. labour market</td>
<td>6.201.000</td>
<td>5.966.000</td>
<td>7.226.000</td>
<td>+236.000</td>
<td>-1.024.000</td>
</tr>
<tr>
<td>incl. self-employment</td>
<td>1.962.000</td>
<td>1.881.000</td>
<td>1.947.000</td>
<td>+81.000</td>
<td>+16.000</td>
</tr>
<tr>
<td>incl. vocational training</td>
<td>129.000</td>
<td>119.000</td>
<td>116.000</td>
<td>+10.000</td>
<td>+13.000</td>
</tr>
</tbody>
</table>

Data source: Statistics of the Federal Employment Agency

- The relationship between unemployment and employment can be described by the risk of becoming unemployed and the chance of ending unemployment.
  - The average risk of becoming unemployed from employment subject to social security contributions decreased significantly in the calendar year. According to preliminary data, 0.56 percent of all employees subject to social security contributions registered as unemployed. This means that the entry risk is at its lowest level since this indicator has been calculated. In the first Corona year 2020, the risk had been 0.68 percent and in the pre-Corona year 2019 0.65 percent.
  - The chance of ending unemployment by taking up employment subject to social security contributions in the regular labour market fell in the first Corona year 2020 to 6.12 percent, the lowest annual value since 2009. In the calendar year 2021, the exit rate into employment (including vocational training) increased to 6.39 percent, but is still significantly below the value of the pre-Corona year 2019, 7.40 percent, and only slightly above the exit rate in the global economic and financial crisis of 2009, when it was 6.08 percent.
3 Employment

Total Employment (Federal Statistical Office)

- According to preliminary data from the Federal Statistical Office, total employment (according to the national concept) remained at the previous year's level of 44.91 million persons on average in 2021. In comparison with the pre-Corona year 2019, a decrease of 363,000 persons or 1 percent is calculated.
- The different forms of employment developed differently. While employment subject to social security contributions returned to its growth path in the second Corona year, the number of self-employed and exclusively marginally employed people continued to decline.

Figure 3

Employment
Stock (seasonal adjusted)
Germany; October 2011 to November 2021

Employment subject to Social Security Contributions (June 2021)³

- According to the Statistics of the Federal Employment Agency, 33.80 million employees were subject to social security contributions in June 2021, 479,000 more than a year ago. Employment subject to social security contributions is 395,000 persons or 1 percent higher than in the corresponding pre-crisis month of June 2019. Despite this increase, the Corona crisis is likely to have significantly reduced the level of employment subject to social security contributions, assuming that the positive growth trend of the pre-Corona period would have continued.
- The recovery in the second Corona year started in all Federal States last year – but to varying degrees. The strongest increase was in Berlin (+3 percent), the smallest in Thuringia (+1 percent). However, the recovery has not yet led to a return to pre-crisis levels in all States. In comparison with June 2019, increases are reported for the most part, with the peak value again in Berlin (+4 percent). However, there were still significant declines in Thuringia (-1 percent) and Saarland (-1 percent).
- The analysis by economic sector shows increases for the very most part compared to June 2020. The largest absolute increases were registered in

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³ As annual values, the labour market reporting of the Federal Employment Agency uses the June values for employment, which are usually close to the annual average. However, this does not apply to June 2020, when employment was significantly below the annual average due to the employment losses in the first lockdown. Accordingly, the increase from June 2020 to June 2021 is stronger than the increase between the annual averages of the two years.
The German Labour Market in 2021

- temporary employment (+88,000 persons or +14 percent),
- healthcare (+79,000 persons or +3 percent) and
- public administration (+73,000 persons or +4 percent).
The largest absolute declines in June 2021 were in
- the metal and electrical industry (-69,000 persons or -2 percent) and
- the hotel and restaurant industry (-45,000 persons or -4 percent).

Compared to June 2019, which is the reference point before the Corona pandemic, there are still notable declines in the metal and electrical industry (-188,000 persons), the hotel and restaurant industry (-128,000 persons) and in temporary employment (-34,000 persons).

While the decline in the hotel and restaurant industry is solely related to the Corona crisis, the metal and electrical industry has continued a downward trend that was already evident before the Corona crisis; in addition, supply problems with raw materials and intermediate products are likely to have had a negative impact recently.

- The increase in employment subject to social security contributions is based on both more full-time and more part-time employment. Full-time employment increased by 206,000 persons or 1 percent to 23.90 million persons and part-time employment by 273,000 persons or 3 percent to 9.90 million persons in June 2021 compared to the previous year. The share of part-time employment subject to social security contributions continued to increase; in 2021 it was 29.3 percent, up from 28.9 percent in 2020. In 2011 the share had been 23.9 percent and in 2001 only 16.2 percent.

Exclusively Marginal Employment (June 2021)

- The number of people employed exclusively on marginal monthly wages also continued to decline. In June 2021, 4.15 million persons were employed exclusively as "mini-jobbers", 109,000 or 3 percent less than in the previous year.
- Compared to the pre-crisis month of June 2019, the drop was 495,000 persons or 11 percent.
- In contrast, the number of employees subject to social security contributions who have a side job with marginal monthly wages was 189,000 or 6.7 percent higher in June 2021 than a year ago, at 3.01 million. Compared to the pre-crisis month of June 2019, an increase of 59,000 persons or 2.0 percent is reported.

4 Short-time Working Allowance

- In the first Corona year 2020, the use of cyclical short-time work reached an all-time high of 6.0 million employees in April. In the course of easing the Corona measures, the number fell sharply then. In the second lockdown, the number of short-time workers rose again to 3.4 million in February 2021 and then fell to 710,000 in October 2021. For November and December, no figures are yet available, but it can be assumed that the take-up will increase again due to renewed restrictions as a result of the current pandemic development and supply chain problems.
- According to an initial estimate by the Statistics of the Federal Employment Agency, the total annual average number of short-time workers in 2021 was around 1.85 million, after 2.94 million in 2020 and 145,000 in 2019. This means that 5.3 percent of all employees subject to social security contributions were on short-time work in 2021, after 8.8 percent in 2020 and 0.4 percent in 2019.
5 Labour Demand

The Federal Employment Agency’s Vacancy Index (BA-X)

Figure 4

Vacancy Index of The Federal Employment Agency (BA-X)
January 2011 to December 2021
Germany

- The Federal Employment Agency's vacancy index (BA-X), a seasonally adjusted indicator of labour demand in Germany, rose by 3 points from November to December to 132 points.
- This is close to the previous high since the index was introduced in 2005, which was 134 in July 2018 and February 2019.
- Compared to the same month in the previous year, the current vacancy index is up 33 points. The BA-X exceeds its value of March 2020, which is the last reporting month before the effects of the pandemic measures became visible on the labour market, by 18 points.

Registered Vacancies

- There was an average of 706,000 vacancies registered in 2021, up 92,000 or 15 percent from a year ago, but still down 69,000 or 9 percent from the pre-Corona year of 2019.
- The inflow of vacancies, which is a better indicator of the companies’ current willingness to hire than the stock of vacancies, increased significantly again in 2021. 1,931,000 new vacancies were registered for filling during the year, which was 341,000 or 21 percent more than in the previous year. Compared to the pre-Corona year 2019, a minus of 176,000 or 8 percent is still reported. The fact that fewer new vacancies were registered compared to the pre-Corona period is also due to the fact that fewer people are changing jobs in the uncertain labour market situation caused by Corona and that there are also fewer vacancies to be filled as a result of the lower fluctuation.
- From January to December 2021, 1,713,000 vacancies were deregistered, up 22,000 or 1 percent from a year ago, but down 483,000 or 22 percent from pre-Corona year 2019.
6 Vocational Training Market

Balance of the Vocational Training Market 2020/21

Figure 5

Corona causes training vacancy and, above all, applicant registrations to continue to fall significantly

Registered applicants and registered in-company training vacancies, changes compared compared to the same period of the previous year
Careers counselling years 2018/19 to 2020/21, October to September each, Status unplaced/unfilled in September, Germany

- The situation on the vocational training market continued to be strongly influenced by the consequences of the pandemic measures in the 2020/21 careers counselling year (October 2020 to September 2021).
- From October 2020 to September 2021, the number of registered training applicants in particular once again fell significantly compared to the previous counselling year (-39,000). The number of registered training vacancies also continued to fall (-19,000), although not as sharply as last year.
- As in previous years, there were more training vacancies registered than applicants. For every 100 in-company training vacancies registered, there were 87 registered applicants (previous year: 92). However, it must be taken into account that many applicants were not registered because the usual channels of access to careers counselling were restricted due to the pandemic measures and could not be completely replaced by digital services. For this reason, the number of applicants registered may not adequately reflect the actual interest in vocational training in this counselling year.
- With the easing of the pandemic restrictions, a slight brightening compared to the last reporting year became visible from early summer onwards. The share of unplaced applicants has fallen slightly. Reports from the chambers about a slightly higher number of newly concluded training contracts compared to the previous year underline the slight improvement.
- On 30 September 2021, 25,000 applicants were unplaced (-5,000 compared to the previous year). In addition, 43,000 applicants who had switched to an alternative were still looking for a training place (-6,000).
- The number of unfilled training vacancies rose by 3,000 to 63,000. The share of unfilled training vacancy increased, indicating that filling problems have increased.

Data source: Statistics of the Federal Employment Agency
Despite the perceptible slight brightening compared to the last counselling year, the results overall remain considerably behind those before the pandemic.

In addition to the restrictions caused by the pandemic measures, this was also due to the regional, occupational and qualification imbalances known from previous reporting years.

Subsequent Placement in the "5th Quarter"

The success of subsequently placing unplaced training applicants from October to December 2021, in the so-called "5th quarter" of the 2020/21 counselling year, will become evident in the reporting month of January 2022.

By December 2021, fewer young people were registered as applicants for a training with an immediate start than last year (-9,400). The number vacancies for a training with an immediate start exceeded that of the previous year (+4,300). In total, there were 63,400 registered applicants and 78,300 training vacancies in the "5th quarter 2021" so far.

In December, every sixth training seeker registered in the "5th quarter" was in training (18 percent).

44 percent of the registered applicants were still unplaced in December 2021 (-2 percentage points compared to the same month of the previous year).

In absolute figures, 28,100 applicants were unplaced in December 2021 and almost 21,000 were still looking for a training place despite having an alternative. At the same time, 18,900 training vacancies were still unfilled.

7 Social Security

In the course of 2021, the labour market visibly recovered from the Corona pandemic, even if it has not yet fully recovered. As a result, fewer and fewer people were dependent on unemployment insurance benefits or basic income support for job-seekers.

In the annual average of 2021, 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 (unemployment benefit II) fell to 4,590,000. Around 873,000 people received unemployment benefit and 3,796,000 were entitled to unemployment benefit II.