The German Labour Market in 2018

Bundesagentur für Arbeit

Statistik

Imprint

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Summary

- Economic development in Germany remained upward in 2018, but has lost momentum. According to current estimates by the Deutsche Bundesbank, real gross domestic product rose by 1.5 percent, after +2.2 percent in 2017.

- Exports and private consumption increased less dynamically in 2018 than in the previous year, also due to incriminating special factors in the automotive industry.

- The labour market continued to develop very well.

- Employment has again increased strongly due to the development of employment subject to social security contributions.

- The BA vacancy index (BA-X) did not continue its dynamic growth in 2018, but it continuously moved above the 250-point mark and thus is at a very high level.

- Unemployment and underemployment have fallen significantly on the yearly average.

- Long-term unemployment has also decreased significantly.
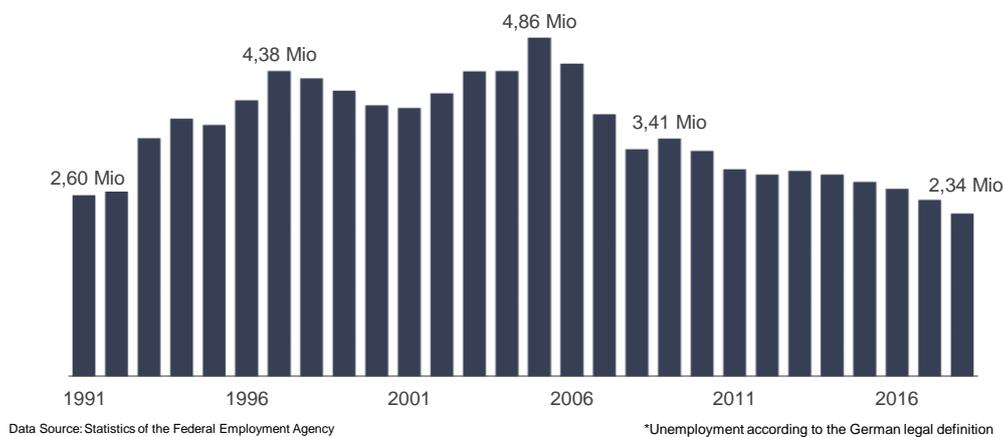
1 Economic Development

- The economic upswing in Germany lost momentum in 2018. Real gross domestic product (GDP) even fell by 0.2 percent in the third quarter, after +0.5 percent in the second and +0.4 percent in the first quarter.
- The setback in the third quarter is mainly attributable to special factors in the automotive industry. Growth is expected to resume in the fourth quarter.
- According to current estimates by the Deutsche Bundesbank[1], real gross domestic product is likely to have increased by 1.5 percent over the whole of 2018, after +2.2 percent each in 2017 and 2016.

2 Unemployment and Underemployment

Unemployment[2]

Unemployment on the yearly average

Annual-average stock of unemployed*
Germany

Data Source: Statistics of the Federal Employment Agency   *Unemployment according to the German legal definition

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- On average in 2018, 2,340,000 people were registered as unemployed in Germany, 193,000 or just under 8 percent fewer than a year ago. Unemployment was thus lower than ever before in reunited Germany.
- An average of 1,538,000 unemployed people were cared for in the legal sphere of the German Social Code II (basic income support for job-seekers, SGB II) and 802,000 in the legal sphere of Social Code III (unemployment insurance, SGB III). The development was better in the SGB II sphere: unemployment fell by 139,000 persons (-8 percent) there and by 54,000 persons (-6 percent) in the SGB III sphere.
- The annual average decline in unemployment is equally evident among men and women.
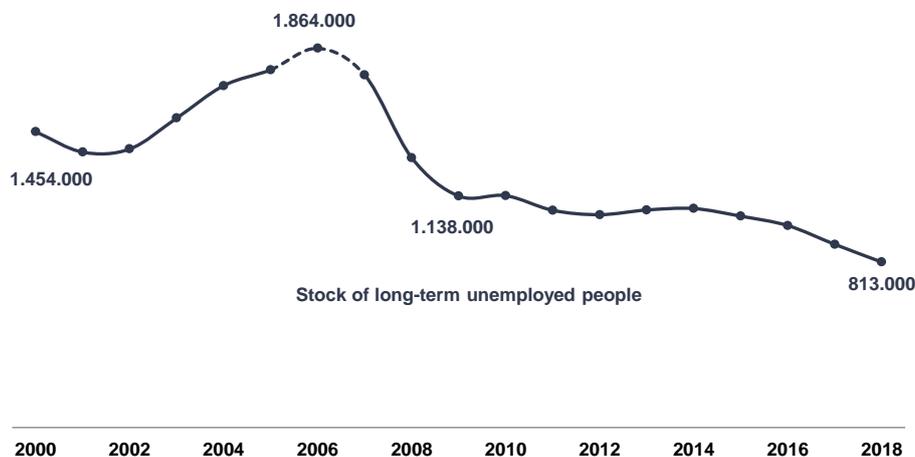
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[1] Contribution to the prospects of the German economy in the monthly report of the Deutsche Bundesbank in December 2018. Preliminary calculations for the development of gross domestic product in 2018 will be published by the Federal Statistical Office on January 15 of 2019.

[2] Unemployment according to the German legal definition (Social Code III §16 paragraph 1)

- There were fewer unemployed people across all age groups. The number of young unemployed people decreased the most with an annual average decline of 8 percent to 210,000. Their unemployment rate (the unemployed in relation to the civilian labour force) fell to 4.6 percent.

- Unemployment among people with a foreign passport also developed positively in 2018. The annual average stock of unemployed foreigners decreased for the first time since 2011 and amounted to 626,000 persons. In 2017, an average of 655,000 foreigners had been seeking a job.

- The positive trend also continued for long-term unemployment in 2018. With a decline of almost 10 percent, the good development of the previous year was even slightly exceeded. On average, 813,000 people were unemployed for 12 months or longer in 2018. Moreover, the trend was even better than for unemployment as a whole, so that the share of long-term unemployed people fell from 35.6 percent in 2017 to 34.8 percent in 2018.

Long-term unemployment continues to decrease

Long-term unemployment*; annual average
Germany

1.864.000

1.454.000

1.138.000

813.000

Stock of long-term unemployed people

| 2000 | 2002 | 2004 | 2006 | 2008 | 2010 | 2012 | 2014 | 2016 | 2018 |

Data Source: Statistics of the Federal Employment Agency

*Unemployment according to the German legal definition

- The lower the qualification, the higher the risk of being unemployed. At 18.3 percent, the unemployment rate for people without vocational qualification was more than five times as high in 2018 as for people with in-company or school-based vocational training, where the rate was 3.3 percent. People with an academic degree had the lowest unemployment rate at only 2.2 percent.[3]

- 52 percent of all unemployed people did not hold any (completed) vocational training, 40 percent had a company or school-based vocational education and 8 percent a tertiary education. Unemployment is likely to have decreased in all qualification groups in 2018. [4]

Underemployment

- Underemployment, which takes account of changes in labour market policy, amounted to 3,286,000 persons in 2018, which means a decrease on the previous year (-231,000 persons, -7 percent).

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[3] Also see: https://www.statistik.arbeitsagentur.de/Statischer-Content/Grundlagen/Methodik-Qualitaet/Methodenberichte/Arbeitsmarktstatistik/Generische-Publikationen/Methodenbericht-berufsspezifische-Arbeitslosenquote.pdf

[4] The development of unemployment by qualification group can only be roughly estimated after a change in the data collection procedure in December 2017 led to an abrupt decline in the category "not stated" and to a corresponding increase in the category "without completed vocational training".

- The fact that underemployment has decreased more sharply than unemployment is explained by the annual-average decline in the relief provided by labour market policy instruments (excluding short-time work: -38,000 persons).

- The largest annual-average declines were recorded for measures of activation and vocational integration (-18,000 persons), job opportunities (-8,000 persons) and measures financed by other institutions (-8,000 persons), in which participation in integration courses at the Federal Office for Migration and Refugees (BAMF) is recorded. On the other hand, there was an increase in the special provisions of § 53a SGB II for older persons and in the Federal Programme for Social Participation in the Labour Market (+6,000 persons and +2,000 persons, respectively).

Unemployment Rate[5]

- The annual-average unemployment rate, based on the civilian labour force, was 5.2 percent in 2018. It fell by 0.5 percentage points compared with the previous year.
- At 6.9 percent, the rate was significantly higher in Eastern Germany than in the West, where it was 4.8 percent. However, the gap between the rates has narrowed considerably in the last few years. Compared to the previous year, the unemployment rate has decreased by 0.7 percentage points in Eastern Germany and by 0.5 percentage points in Western Germany.
- At the Federal State level, the range extends from 2.9 percent in Bavaria to 9.8 percent in Bremen.

Inflow and Outflow of Unemployed Persons

- Unemployment is not a fixed block, there is a lot of movement, but recently it has been somewhat lower.
- In the course of 2018, a total of 7,213,000 people registered as unemployed, while during the same period 7,388,000 people ended their unemployment.
- Compared to the previous year, the inflow into unemployment decreased by 342,000 persons or 5 percent. The outflow from unemployment fell by 350,000 persons, which is 5 percent as well.
- 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.
- The transitions between employment and unemployment were somewhat smaller in absolute terms in 2018 than a year before. In the course of the year, 2,585,000 people registered as unemployed after dependent employment on the regular labour market (or vocational training), 39,000 or 1 percent less than a year before. At the same time, 2,085,000 people were able to end their unemployment by taking up employment on the regular labour market, 73,000 or 3 percent less than a year before.
- 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 is very low and continues to decline.
- In the moving annual period from December 2017 to November 2018 – more recent data is not available – an average of 0.65 percent of employees subject to social security contributions registered as unemployed each month. In the calendar year 2017, the risk had been 0.68 percent.
- The chances of ending unemployment by taking up employment subject to social security contributions on the regular labour market were greater than in the previous year. In 2018, the rate of transitions into employment subject to social security contributions (including vocational training) was 7.38 percent, compared with 7.06 percent in 2017.
- This means that in 2018 the lowest risk of becoming unemployed and the highest chance of ending unemployment are achieved since these indicators were calculated (2008).

[5] According to the German legal definition.

3   Employment

Employment (Federal Statistical Office)

- According to preliminary results of the German Federal Statistical Office, total employment (according to the national concept) again increased significantly on average in 2018 (+562,000 employees or +1.3 percent).
- 44.83 million people in employment are a new record since the German reunification.
- The increase is mainly due to an increase in the number of employees subject to social insurance contributions.
- The number of exclusively marginally employed people has decreased and self-employment has also declined.

Employment in total und employment subject to social security contributions
Saisonally-adjusted figures, January 2008 to October/November 2018
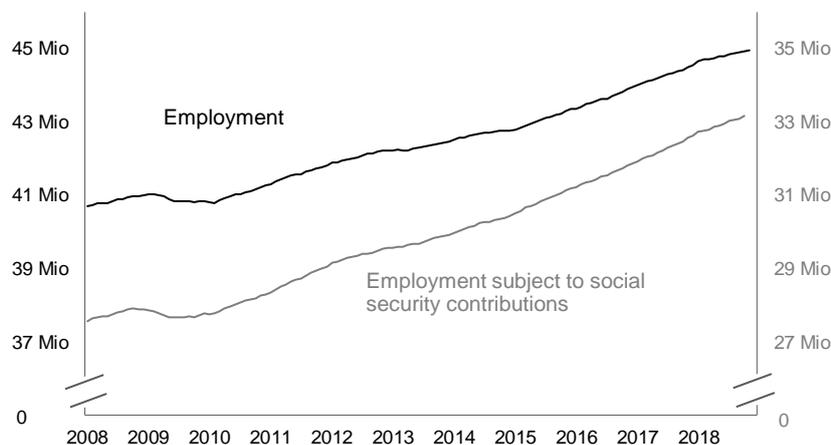
Data Source: Statistics of the Federal Employment Agency, Federal Statistical Office

**Employment subject to Social Security Contributions**

- As in previous years, employment subject to social security contributions increased more strongly than total employment in 2018. In June, 32.87 million people were employed subject to social security contributions, 705,000 or 2.2 percent more than a year ago. In June 2017, there had been an increase of 722,000 or 2.3 percent.
- The strongest increase in employment subject to social security contributions compared with June 2017 was recorded in Berlin (+3.5 percent). Thuringia recorded the smallest increase (+0.5 percent).
- The analysis by sector shows employment increases almost throughout. The largest absolute increase was recorded in the manufacturing sector (+134,000 employees or +2.0 percent). There was an employment loss in the temporary employment sector (-26,000 employees or -2.9 percent) as well as in financial and insurance services (-9,000 employees or -1.0 percent).
- More than half of the increase in employment subject to social security contributions was borne by foreigners. Their number increased by 379,000 or 10.9 percent to 3.87 million. This was mainly due to more employed nationals from the current immigration countries, in particular from the Eastern European EU states and the non-European countries of origin of asylum seekers. The number of Germans subject to social security contributions increased by 326,000 or 1.1 percent to 29.00 million.
- The employment growth has also been somewhat more driven by men and full-time employment.

4   Labour Demand

The BA Vacancy Index (BA-X)

BA Vacancy Index (BA-X)

January 2009 to December 2018
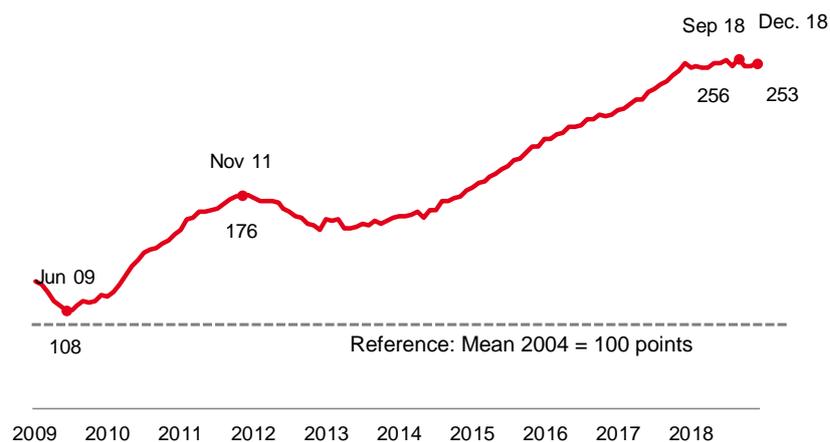
Data Source: Statistics of the Federal Employment Agency

- The BA vacancy index (BA-X) [6] reflects the seasonally adjusted development of labour demand. The index includes the jobs notified to the BA (stock and inflow), the jobs for freelancers and self-employed people as well as the jobs notified to private employment services.
- In the year 2018, the BA-X did not continue its dynamic growth, but it continuously exceeded the 250-point mark and thus has reached a very high level.

Registered Vacancies

- On the average of 2018, the stock of registered vacancies continued to increase significantly. According to a survey of the Institute for Employment Research (IAB), the research institute of the Federal Employment Agency, the total macroeconomic job offer, which includes the vacancies that are not notified to the Federal Employment Agency, also exceeded the last available figure for the previous year.
- On average, 796,000 vacancies were registered in 2018, 66,000 or 9 percent more than a year ago.
- The stock of vacancies is turning over relatively quickly. In the course of the year, 2,324,000 vacancies were registered and 2,293,000 offers were deregistered. The momentum in 2018 was slightly less than a year ago; compared to the previous year, 3 percent fewer vacancies were received, while roughly the same number were deregistered.
- The vacancies that were deregistered in 2018 had an average vacancy time of 112 days, 13 days longer than in the previous year.
- The share of vacancies that had been vacant for more than three months increased significantly from 37 to 42 percent. Moreover, the ratio of registered unemployed to registered vacancies fell further from 3.5 to 2.9.
- These indicators show that recruiting processes have become more difficult. However, it is still not appropriate to speak of a comprehensive shortage of labour or of skilled workers. Nevertheless, there are bottlenecks in individual technical occupational fields, in construction occupations and in health and care occupations.

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[6] See the monthly publication *BA-Stellenindex BA-X* on the Internet at
https://statistik.arbeitsagentur.de/Navigation/Statistik/Arbeitsmarktberichte/Arbeitsmarkt-Allgemein/Arbeitsmarkt-Allgemein-Nav.html

5   Social Security

- In 2018, the annual average number of employable people who received wage replacement benefits in accordance with Social Code III (unemployment benefit, SGB III) or basic income support for job-seekers in accordance with Social Code II (unemployment benefit II, SGB II) fell to 4,788,000. Around 715,000 people received unemployment benefit and 4,144,000 were entitled to unemployment benefit II.
- Compared to the previous year, both the number of recipients of unemployment benefit in accordance with SGB III and the number of employable people entitled to benefits in accordance with SGB II have decreased, also due to the good situation on the labour market.

6   Outlook

- According to the IAB forecast for 2019[7], the German economy and the labour market in particular are likely to continue to develop well. However, there will be a moderate slowdown in momentum. And there are downside risks.
- Employment in total and employment subject to social security contributions in particular will continue to rise next year.
- For 2019, the labour market researchers of the IAB expect the annual average number of unemployed people to decline by 120,000 to 2.23 million.
- Irrespective of the economic development, important challenges on the German labour market will remain in the future. In addition to digitalisation, these include the increasingly scarce labour force, but also structural problems such as the integration of the long-term unemployed and refugees.

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[7] Forecast of the Institute for Employment Research (IAB) for 2019. Cf. *IAB-Prognose für 2018/2019: Aufschwung bleibt, verliert aber an Tempo.* IAB-Kurzbericht 21/2018 at http://doku.iab.de/kurzber/2018/kb2118.pdf.