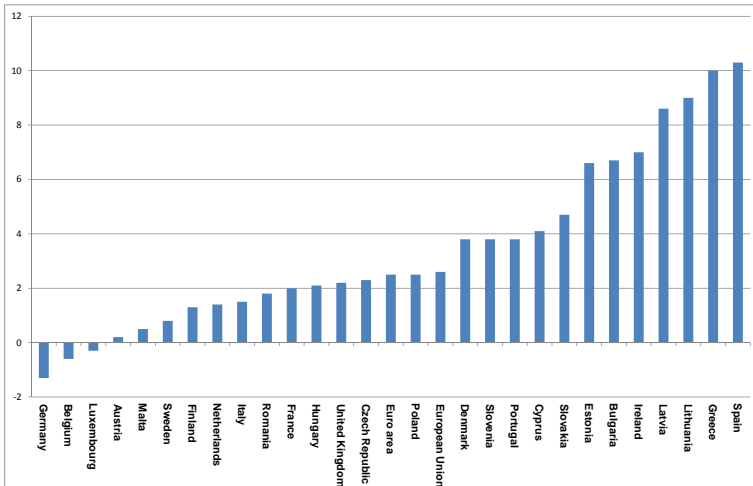


Germany's labour market in the current crisis: Why this time is different

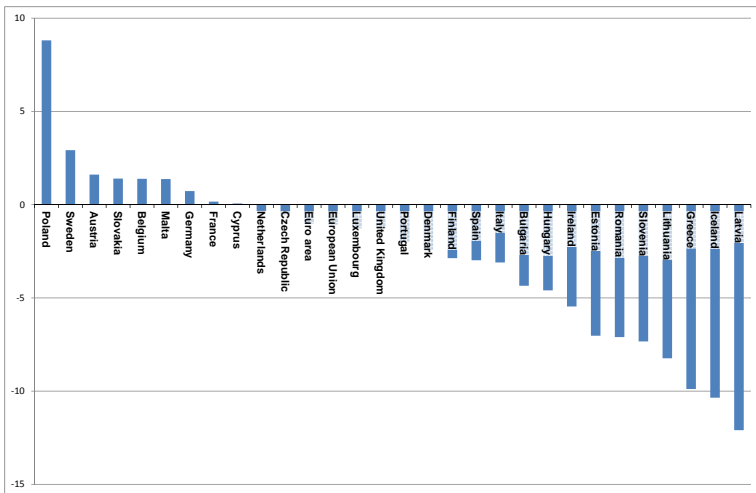
Simeon Vosen
(RWI)



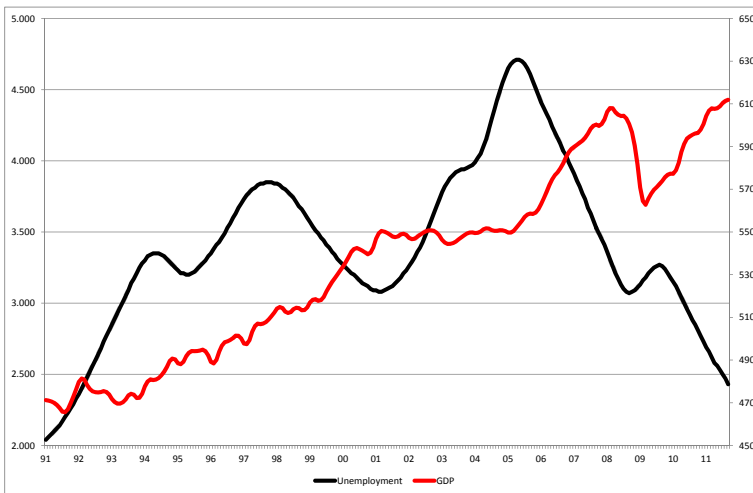
Change in unemployment rates since Lehman (2008:M9 - 2011:M9)



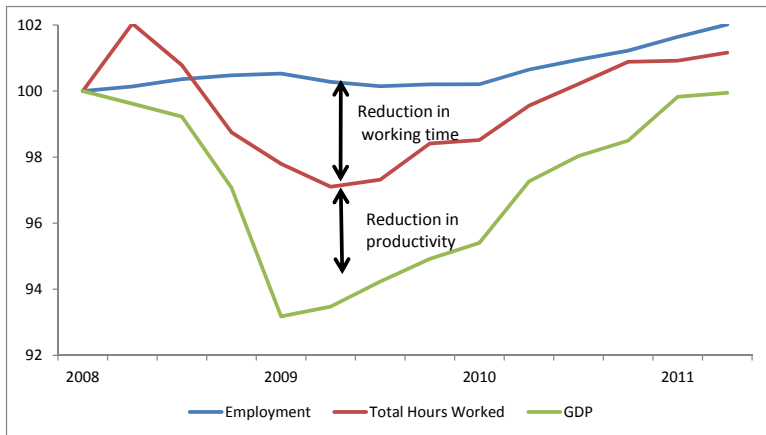
Change in GDP since Lehman (2008:Q3 - 2011:Q2)



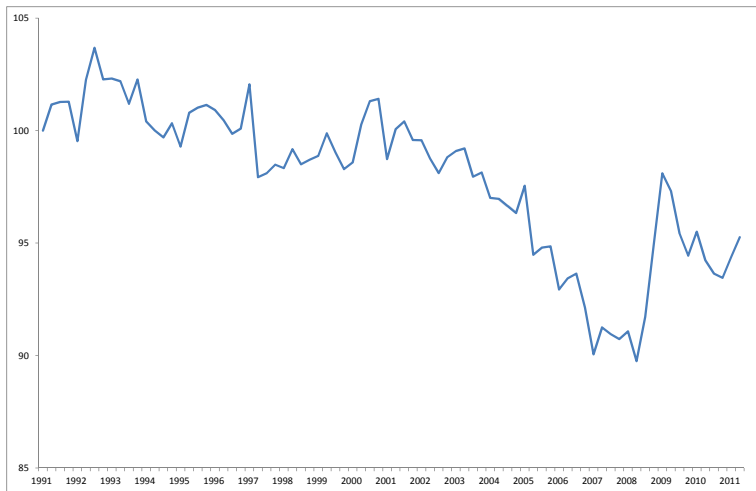
Unemployment and Growth in Germany



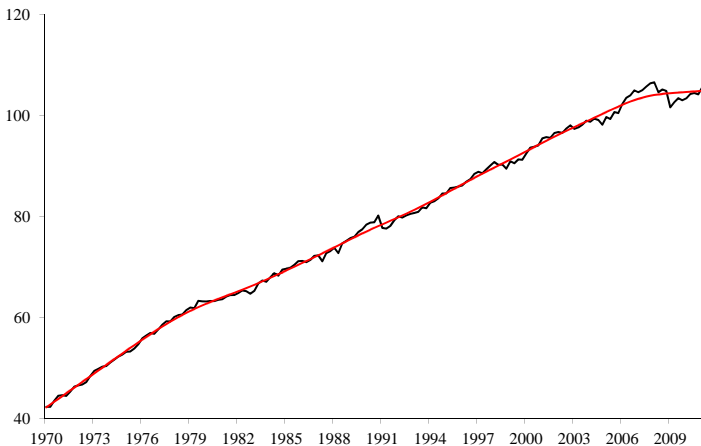
Components of the GDP-employment gap in Germany



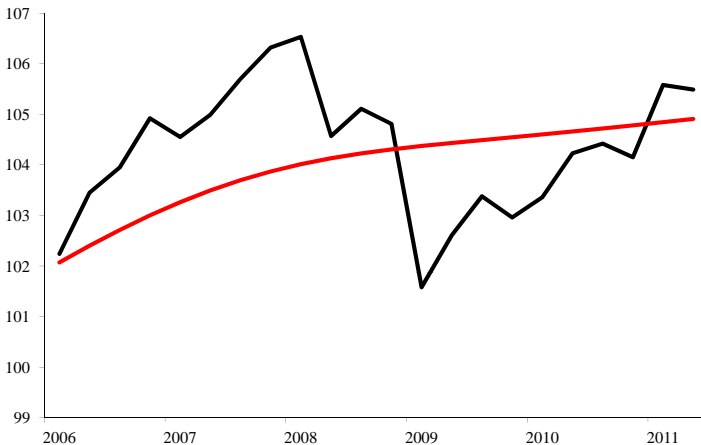
Real unit labour costs (hourly basis)



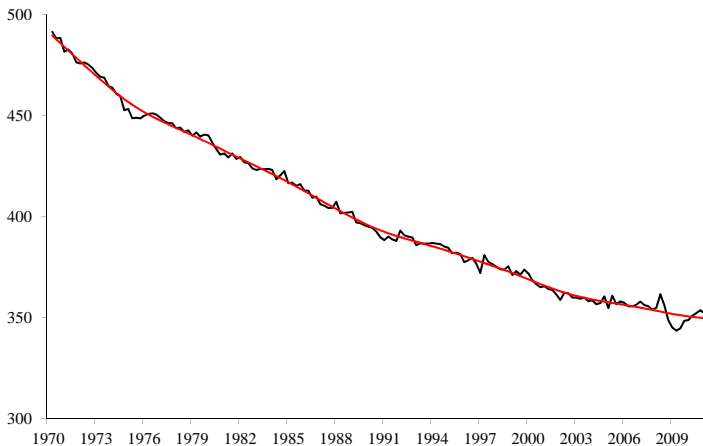
Average productivity, long-term trend (I)



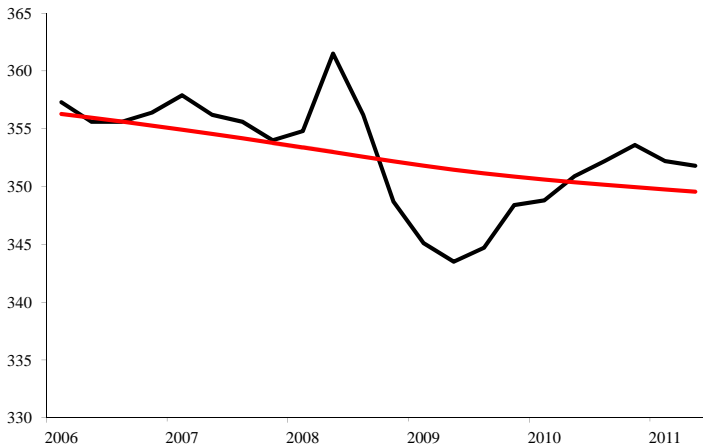
Average productivity, long-term trend (II)



Long-term trends in average working time (I)



Long-term trends in average working time (II)



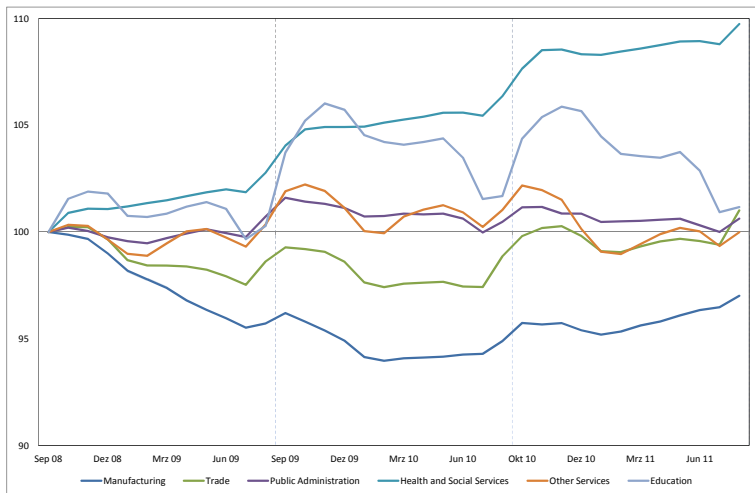
Working time accounts and corridors

- Since mid-1990s, working time regulations have become more and more flexible.
- In the years preceding the crisis, working time accounts were established.
- In 2009, balances in working time accounts were reduced on average by 9.3 hours per employee.
- Paid overtime dropped by 13 hours per employee.
- Adjustment of regular working hours (e.g. working time corridors).

Extension of short-time work scheme

- Instrument was first introduced in 1918.
- Short-time work schemes have played an important role in all major recessions ever since.
- It is the prime policy instrument to the labour market in the current recession.
- The number of short-time workers skyrocketed in the current crisis (1.5 m in May 2009).

Structural change



Summary and Conclusions

The robustness of Germany's labour market in the current crisis has mainly been caused by:

- The wage moderation that preceded the crisis.
- Germany's flexible labour market institutions with regard to working time.
- The economic slump's favorable sectoral composition.