



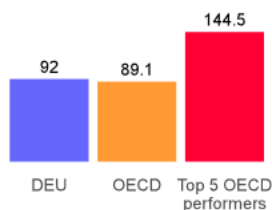
## Performance gaps

## Recommendations

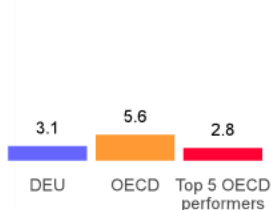
### Product and labour markets functioning

- Infrastructure investment has moderately increased in recent years. However, weak municipal infrastructure investments, lengthy planning and approval procedures, remain key challenges.
- Market entry and competition is hampered by a high administrative burden and strict occupational entry regulations.
- Skilled labour shortages weigh on the productivity of firms and risk to hinder investments in green and digital infrastructure.
- Venture capital investment as a share of GDP is low, and the banking sector has difficulties in providing credit to young and innovative firms.
- Bolster local infrastructure planning capacity through inter-municipal cooperation, training and expanding staffing in key roles.
- Reduce administrative burdens and improve stakeholder engagement in regulatory policymaking.
- Liberalise labour market entry conditions, prioritising sectors subject to supply constraints.
- Expand Active Labour Market Programmes, focusing on vocational education and training and basic education for adults.
- Improve the effectiveness of start-up and growth financing instruments as well as conditions for institutional investors to invest in venture capital.

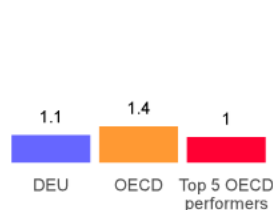
**Labour productivity**  
GDP per employee, USD  
2022



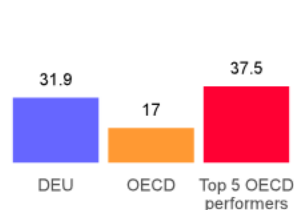
**Unemployment rate**  
%, 2022



**Product Market Regulation**  
Economy-wide  
From least to most restrictive  
Index of 0-6, 2018



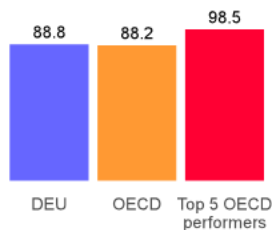
**Active labour market policies**  
expenditure per unemployed  
% of GDP per capita  
2020 or latest available



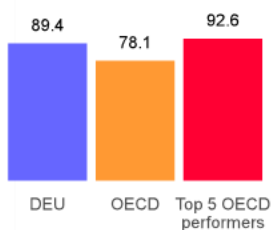
### Digital transition

- Germany is a world leader in technology and engineering, but lags on digital transformation. Access to high-speed broadband and mobile data connections lags behind, particularly in rural areas.
- Firms' investments in knowledge-based capital are low, contributing to weak adoption of key ICT tools, especially in SMEs.
- The lack of mandatory common standards on design and interlinkage of data and IT tools across levels of government hinders the digitalization of public services. ICT infrastructure in schools is weak.
- Ensure that incentives for investment in physical capital do not discourage spending on digital services, and better support the digital transformation of SMEs.
- Set mandatory common IT standards and encourage the harmonization of administrative procedures and joint software development across levels of government.
- Raise public investments in school infrastructure and improve ICT training for teachers.

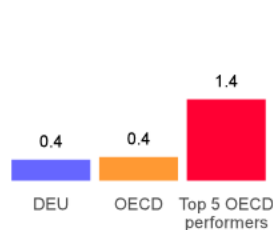
**Households with broadband Internet access at home**  
%, 2021 or latest available



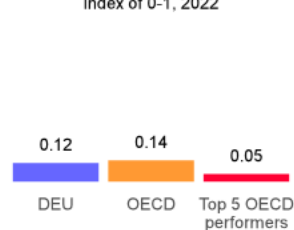
**Businesses with a website or home page**  
%, 2021 or latest available



**Business R&D expenditure in information industries**  
% of GDP, 2019 or latest available



**OECD Digital Services Trade Restrictiveness Index**  
From least to most restrictive  
Index of 0-1, 2022

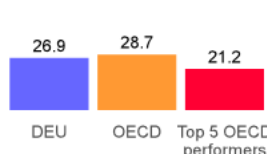


### Inclusiveness, social protection, and ageing

- Rapid population ageing will reduce fiscal space and exacerbate labour shortages. Many elderly and low-skilled workers encounter difficulties to updating their skills.
- Many women work part-time and are overqualified for their jobs.
- Inequality in education outcomes is among the highest across OECD countries. Teacher shortages are high. Access to childcare and early-childhood education is limited due to informal and decentralised application procedures.
- Improve adult learning opportunities and facilitate participation of low-skilled individuals by better recognition of prior-learning and workplace outreach.
- Reform the current joint income taxation rules for couples to raise labour supply incentives of second earners.
- Further expand access to early-childhood education by centralising application procedures within municipalities.
- Raise the quality of basic education by using frequent performance evaluations to better target support and improve teaching quality.

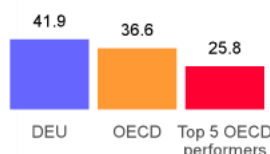
#### Mean poverty gap after taxes and transfers

Line at 60% of median disposable income  
2021 or latest available



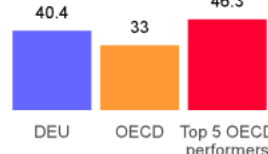
#### Impact of socioeconomic background in PISA reading score

%, 2018



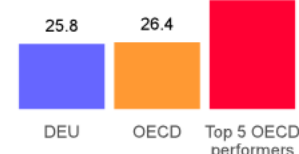
#### Strength of redistribution

Differences in Gini coefficients between market & disposable income relative to coef. on disposable income  
%, 2021 or latest available



#### Income levels provided by cash minimum-income benefits

% of median disposable income, 2021 or latest available

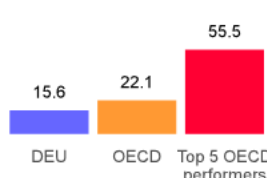


### Climate transition

- Germany set an ambitious target of reaching climate neutrality in 2045, which requires tripling the speed of emission reductions. Emission pricing can effectively help to reduce emissions, but price levels are too low, unpredictable and unharmonised.
- Income support measures to households affected by higher carbon prices are not well targeted due to weak data and IT infrastructure.
- The energy crisis has emphasised the need for accelerating the expansion of renewable energy supply. Electricity generation from renewables is less stable over time, but price signals do not contribute to better match demand and supply.
- Set an emissions cap for all sectors not covered by the EU ETS, in line with national emission reduction targets, and phase out fossil fuel subsidies and tax expenditures.
- Allow for accessing, linking and analysing administrative datasets across levels of government to better target support, while ensuring adequate data protection and confidentiality standards.
- Streamline and facilitate permitting procedures for solar and wind capacity installations.
- Introduce time-variable grid charges.

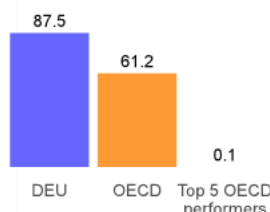
#### Share of renewables in the energy mix

%, Average over 2019-21 or latest available



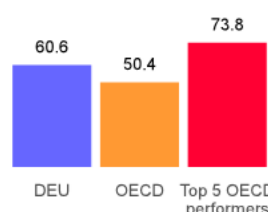
#### Share of population exposed to more than 10 µg/m3 of PM2.5

%, Average over 2017-19



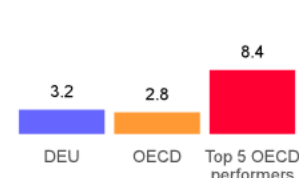
#### Carbon pricing score

%, at EUR 30 per tonne CO2, 2018



#### Environmentally-related government R&D budget

% of total government R&D 2021 or latest available

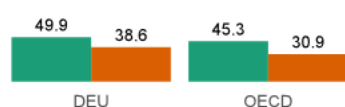


## Overall performance

#### Economy

Thousands USD per capita  
2022 or latest available

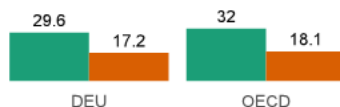
Gross Domestic Product  
Household gross adjusted disposable income



#### Inequality and poverty

2021 or latest available

Gini coefficient after taxes and transfers (index of 0-100)  
Poverty rate, line at 60% of median disposable income (%)



#### Environment and climate

1 unit of GDP, 2021

0.18 GHG emissions  
0.24 (OECD)

Welfare cost of premature deaths due to ambient particulate matter  
% GDP equivalent, 2019





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## Economic Policy Reforms 2023

Going for Growth

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