# Germany

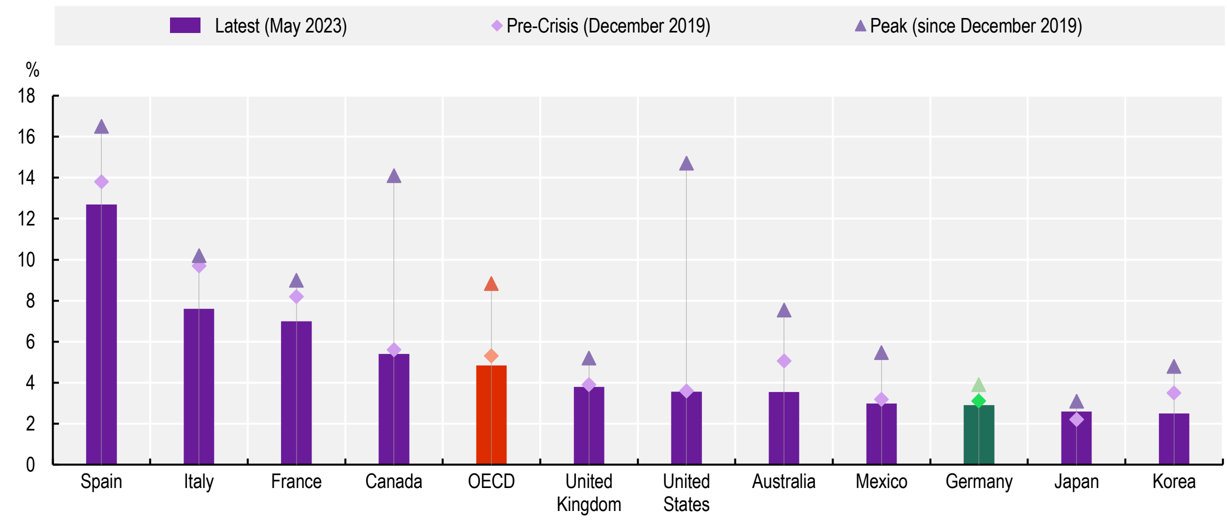
## Labour markets have been resilient despite the significant slow-down in economic activity

The labour market recovery from the COVID-19 recession has been strong, but lost momentum in 2022 and early 2023 in the context of the economic slowdown. However, employment and unemployment have held their ground, and job vacancy rates remain high in most countries, despite some signs of easing. By May 2023, the OECD unemployment rate had fallen to 4.8%, a level not seen in decades.

- In Germany, the unemployment rate stood at 2.9% in May 2023 (see Figure 1). This is one of the lowest values across all OECD countries, and below Germany's pre-crisis rate of 3.1% (in December 2019) and the crisis peak of 3.9% (reached in late 2020 / early 2021). Estimated employment stood at a record high of 77.3% among 15-64 year-olds in Q1 2023 – 1.5 percentage points above its value in the last pre-crisis quarter Q4 2019.
- The economic outlook is more muted. According to OECD projections, the German economy will stagnate in 2023 as high inflation reduces real incomes and savings and holds back consumption. This compares to a projected 1.4% growth in GDP OECD-wide. The outlook for 2024 is more positive, with a forecast GDP growth of 1.3% in Germany. Unemployment in Germany is projected to continue declining to 2.8% in 2024.

### Figure 1. Unemployment rates remain low across the OECD

Unemployment rate (percentage of labour force), seasonally adjusted




Note: Latest month available refers to March 2023 for the United Kingdom; and June 2023 for Canada and the United States.
Source: OECD (2023), "Unemployment rate" (indicator), https://doi.org/10.1787/52570002-en (accessed on 11 July 2023).

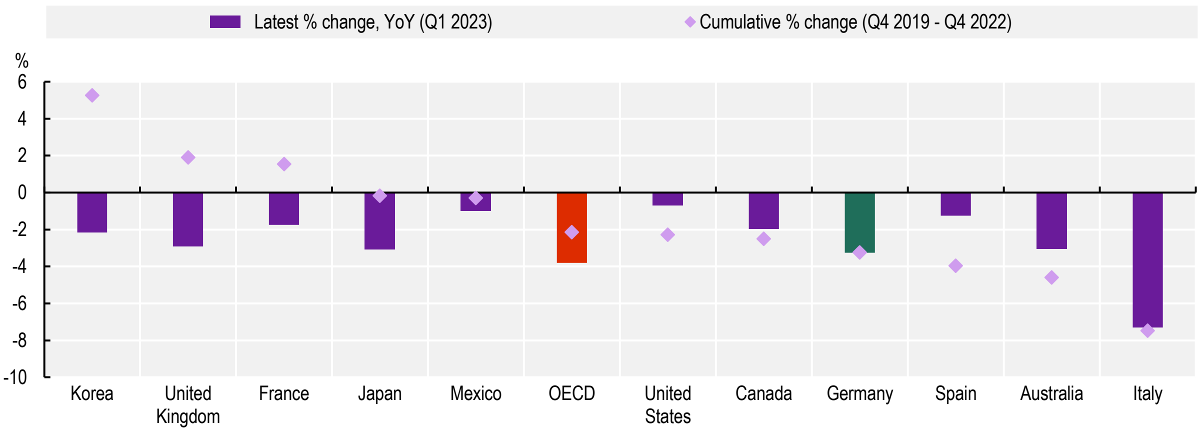
## Real wages are falling amid a cost-of-living crisis

Russia's war of aggression against Ukraine contributed to a surge in inflation, which was not matched by nominal wage growth. Consequently, real wages have fallen in virtually every OECD country. On average, real wages were down 3.8% in Q1 2023 year-on-year among the 34 OECD countries with data available. The loss of purchasing power is particularly challenging for low-income households who have less capacity to deal with increases in prices through savings or borrowing.

- In Germany real wages have also substantially declined, by 3.3% year-on-year up to Q1 2023 (Figure 2), compared to -2.9% in the United Kingdom and -1.8% in France. Over the three years since the start of the pandemic (Q4 2019 to Q4 2022), wages in Germany declined by 3.2% (-2.2% in the OECD on average).
- Low-paid workers in Germany have been somewhat shielded from this recent decline in real wages by the minimum-wage increase to EUR 12 per hour carried out in October 2022. In real terms, the minimum wage in Germany has risen by 12.4% year-or-year relative to early 2022, more than in most other OECD countries.

## Figure 2. Real wages are falling in most countries

Change in real hourly wages, Q1 2023




Note: OECD is an unweighted average of 34 OECD Member States (not including Chile, Colombia, Ireland and Türkiye). For the United Kingdom, average weekly earnings are used.
Source: *OECD Employment Outlook 2023*, Chapter 1.

## Profits increased more than labour costs in many countries

In most countries, profits have increased more than labour costs, making a large contribution to price pressures, and leading to a fall in the labour share of income. Data from Europe and Australia indicate that this is not limited to the energy sector. This indicates room for profits to absorb some future wage increases, but this might be less the case in small and medium firms that are more squeezed by other cost increases.

- In Germany, unit profits have risen by 24% since the last quarter before the pandemic, outpacing the rise in unit labour costs of 13%. This is a greater increase in unit profits, but a smaller rise in unit labour costs, than in the OECD on average; the differential between the two is substantially greater in Germany than in France, Italy, Spain and the United Kingdom.

## AI has so far helped high-skilled workers perform their jobs rather than displacing them, but employment effects could take time to materialise

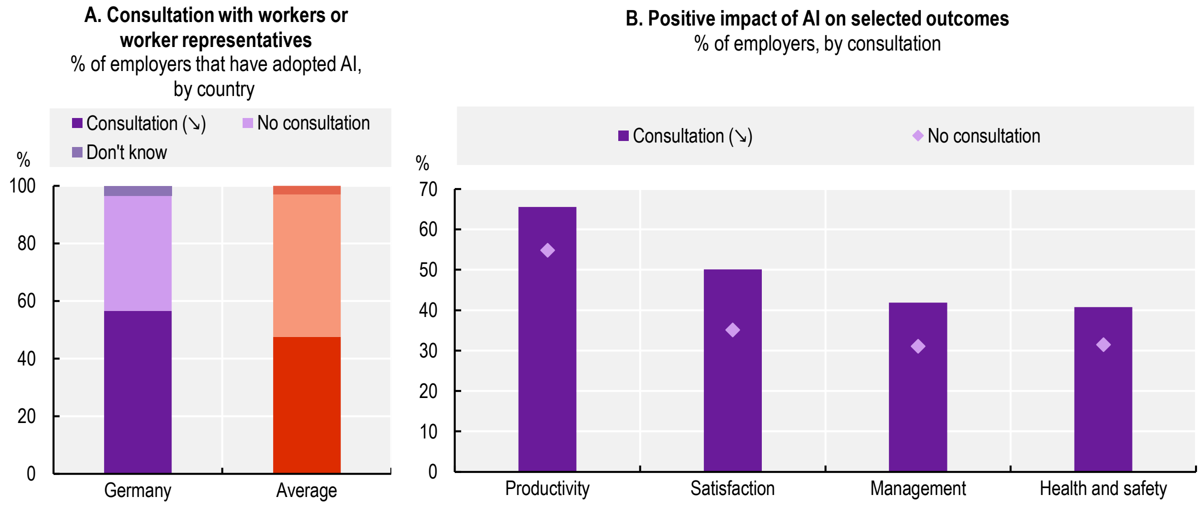
So far, there is little evidence of decreased labour demand due to AI. High-skilled occupations have been the most exposed to recent progress in AI, but they have also experienced employment gains relative to lower-skilled workers. However, AI adoption is still relatively low and the technology is evolving rapidly including recent advances in generative AI. Any negative employment effects may therefore take time to materialise.

- AI appears to complement the skills of more exposed, high-skill occupations. When considering all automation technologies including AI, the occupations at the highest risk of automation are typically lower-skilled and held by younger workers. 28.7% of employment in Germany is in occupations at highest risk of automation compared to an OECD average of 27%.
- Most OECD countries have issued national AI strategies, which usually recognise the importance of skills, but not always propose concrete actions to develop them. Germany's national AI strategy acknowledges that every individual should be well informed about the importance of AI and the opportunities and challenges it presents. It also explicitly refers to a programme of free online courses, developed in Finland, aimed at strengthening AI literacy for non-experts and increasing social acceptance of AI and individuals' motivation to learn about it.

## Social partners are engaging in the AI transition, but the lack of AI-related expertise is a major challenge

Collective bargaining and social dialogue have an important role to play in supporting workers and businesses in the AI transition. New evidence points to the beneficial role of workers' voice for working conditions and performance. Yet AI characteristics put additional challenges on weakening labour relations. Despite these challenges, social partners have already undertaken several initiatives, but need to get access to AI-related expertise.

### Figure 3. Employers that consult workers or worker representatives are more likely to report positive impacts of AI on worker productivity and working conditions




Note: In Panel A, employers were asked: "Does your company consult workers or worker representatives regarding the use of new technologies in the workplace?". In Panel B, employers that have adopted AI were asked, "Has artificial intelligence had a positive effect, negative effect or had no effect on worker productivity/worker satisfaction/managers' ability to measure worker performance/health and safety in your company?". Figures in Panel B. show the proportions that reported a positive effect. "Average" gives the unweighted average across the seven countries covered by the OECD survey: Austria, Canada, France, Germany, Ireland, the United Kingdom and the United States.
Source: *OECD Employment Outlook 2023*, Chapter 7.

- In Germany, more than half (57%) of employers who have adopted AI report consulting workers or worker representatives regarding the use of new technologies in the workplace. This compares to an average of 47% across the seven OECD countries who participated in the survey (see Figure 3). Employers who consulted with workers / worker representatives about AI adoption were more likely to report positive effects on worker productivity, workers satisfaction, managers' ability to measure worker performance, and health and safety.

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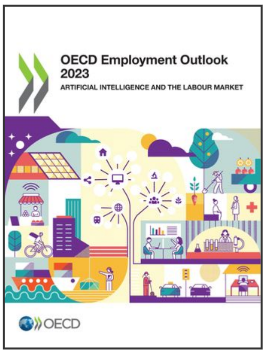


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