

Germany

This country note provides an overview of the labour market situation in Germany drawing on data from *OECD Employment Outlook 2024*. It also looks at how the transition to net-zero emissions by 2050 will affect the labour market and workers' jobs.

Labour markets have been resilient and remain tight

Labour markets continued to perform strongly, with many countries seeing historically high levels of employment and low levels of unemployment. By May 2024, the OECD unemployment rate was at 4.9%. In most countries, employment rates improved more for women than for men, compared to pre-pandemic levels. Labour market tightness keeps easing but remains generally elevated.

- In Germany, the unemployment rate was 3.3% in May 2024, which is among the lowest among all OECD countries. The unemployment rate remains roughly similar to the pre-pandemic rate of 3.1% in December 2019, but falls well below the crisis peak of 3.9% reached in late 2020/early 2021. The employment rate was 77.4% in Q1 2024, which is 1.6 percentage points above its value in Q4 2019. This increase in the employment rate mirrors a change in the labour force participation rate.
- The OECD projects a continued sluggish growth of German GDP at 0.2% in 2024, contrasting to the average of 1.7% for the OECD. For 2025, however, the outlook is more optimistic, suggesting a growth of 1.1% in Germany's GDP compared the OECD's 1.8%. This can be attributed to a decline in inflation and recovering wage growth, which will raise private consumption and private investment. High corporate savings and gradually declining interest rates will contribute to this positive development.
- In November 2023, the German Supreme Court declared the use of special funds, like those created in response to the COVID-19 pandemic, to finance other investments in following years as unconstitutional. The decision could significantly reduce public investments for the net-zero transition over coming years, such as for the Climate and Transformation Fund (*Klima- und Transformationsfond*). This may dampen the creation of green-driven jobs on the German labour market, for example in the construction sector, which was expected to benefit from allocations for green renovation activities and infrastructure investments.

Real wages are up, but still have to make up for lost ground

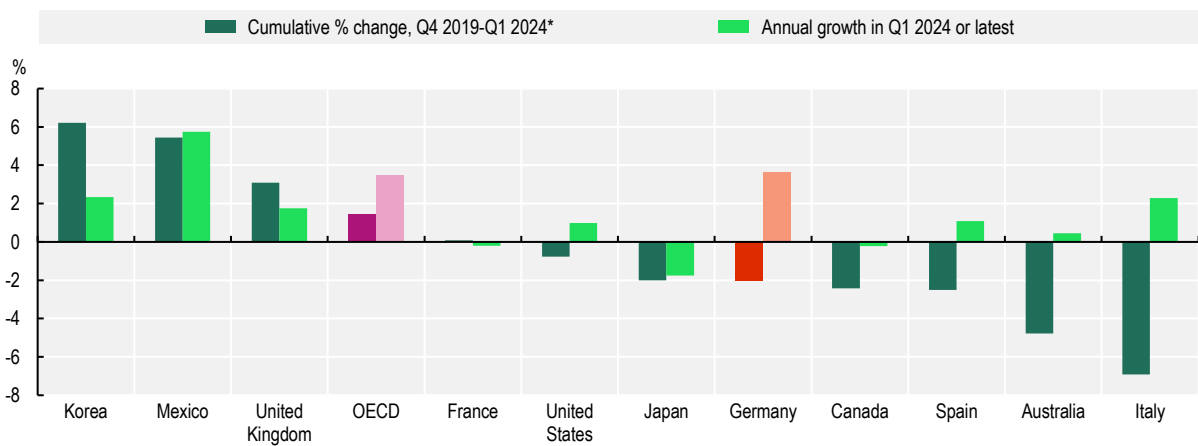
Real wages are now growing year-on-year in most OECD countries, in the context of declining inflation. they are, however, still below their 2019 level in many countries. As real wages are recovering some of the lost ground, profits are beginning to buffer some of the increase in labour costs. In many countries, there is room for profits to absorb further wage increases, especially as there are no signs of a price-wage spiral.

- Over the four years since the onset of the pandemic (Q4 2019 to Q1 2024), real wages in Germany have fallen by 2%, compared to an average increase of 1.5% across the OECD (Figure 1). This is

one of the largest declines in the OECD over this period. However, the reduction in inflation, coupled with significant increases in collectively agreed wages and the disbursement of tax-free inflation compensation bonuses of up to EUR 3 000 until the end of 2024, is expected to substantially boost German real wages this year.

- Successive increases of the German minimum wage since its introduction in 2015 have meant that the lowest paid workers have seen their wages rise over recent years. For example, following the increase in January 2024, the minimum wage now stands at EUR 12.41 per hour, which compares to EUR 9.19 in May 2019. In real terms, the minimum wage in Germany has risen by 13% over this period, which is approximately the same as the OECD average and well above the median (8.3%).

Figure 1. Real wages remain below 2019 levels in most countries



Note: * For Canada, Japan, Korea and Mexico, the annual growth refers to Q4 2022-Q4 2023 and the cumulative percentage change to Q4 2019-Q4 2023. OECD is the unweighted average of 35 OECD countries (not including Chile, Colombia and Türkiye).

Source: *OECD Employment Outlook 2024*, Chapter 1.

Climate change mitigation will lead to substantial job reallocation

The ambitious net-zero transitions currently undergoing in OECD countries are expected to have only a modest effect on aggregate employment. However, some jobs will disappear, new opportunities will emerge, and many existing jobs will be transformed. Across the OECD, 20% of the workforce is employed in green-driven occupations, including jobs that do not directly contribute to emission reductions but are likely to be in demand because they support green activities. Conversely, about 7% is in greenhouse gas (GHG)-intensive occupations.

- In Germany, 21.1% of the workforce is employed in green-driven occupations, with the highest concentration in Sachsen-Anhalt. However, among green-driven occupations only 14% are genuinely “green new or emerging occupations.” At the same time, 4.8% of employment is in emission-intensive jobs, with the highest concentration in Mecklenburg-Vorpommern. In Germany, like in the OECD, men are more likely to work in both green-driven and GHG-intensive jobs than women, while older workers are more prevalent in GHG-intensive occupations.

Many high-skilled emission-intensive and green-driven jobs are very similar in their skill requirements, meaning that high-skilled workers can move from emission-intensive to climate-friendly industries with relatively little retraining. However, this is not the case for low-skilled workers, who will require more retraining to move out of emission-intensive occupations.

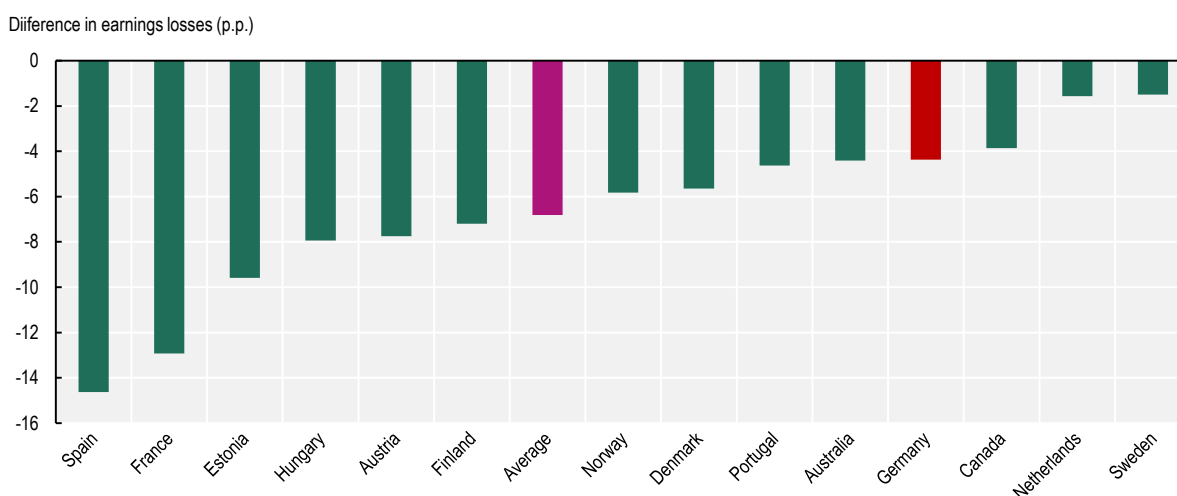
- Since 2023, Germany has formed working groups with trade unions, employer associations, and the public to analyse changing skill needs due to the twin transition. Since 2023, the Citizen's Benefit Act (*Bürgergeld-Gesetz*) offers new training bonuses (*Weiterbildungsprämie*) and monthly benefits to incentivise upskilling (*Weiterbildungsgeld*) for those on unemployment or citizen's benefits, including for in-demand qualifications related to the net-zero transition.

Job loss in high-emission sectors carries larger costs than in other sectors

The net-zero transition induces a contraction of high emission sectors, which account for 80% of GHG emissions but only 7% of employment across the OECD. Workers in these sectors face greater earnings losses after job displacement, averaging a 36% decrease over six years after job loss compared to 29% in other sectors. Policies that support incomes and facilitate job transitions are essential to mitigate these losses and ensure support for the net-zero transition.

- In Germany, where 6% of workers are employed in high-emission industries, earnings losses following job displacement in high- and low-emission industries are relatively small, averaging 29% and 25% over six years, respectively. This 4 percentage point difference in earnings losses between these industries is among the lowest among analysed countries (Figure 2). The slightly larger earnings loss in high-emission industries can mainly be attributed to the regional clustering of carbon-intensive activities and the concentration of specific tasks (e.g. routine manual) in these sectors.
- The relatively low level of earnings losses following job displacement compared to those in other OECD countries may be a result of specific policies that effectively support workers and job transitions. For instance, transfer companies (*Transfergesellschaften*), which are outplacement entities established as part of social plans during mass layoffs, offer job search assistance and skill training while compensating workers for income losses through public funds and employer contributions. Additionally, training and adapting to new roles within the same firm, which may help prevent displacement altogether, is incentivised through programmes like the German qualification benefit (*Qualifizierungsgeld*).

Figure 2. Workers in high-emission sectors face larger job displacement costs than in other sectors



Brief description: The figure shows the difference in average earnings losses for workers displaced in high and low emission sectors over six years after job loss across 14 OECD countries.

Source: *OECD Employment Outlook 2024*, Chapter 3.

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