

# Are Recent Labour Markets Reforms in Germany Effective ?

A Preliminary Assessment

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# Introduction

The German Economy has faced a severe economic slump from 2001 to 2005.

Unemployment has been rising dramatically.

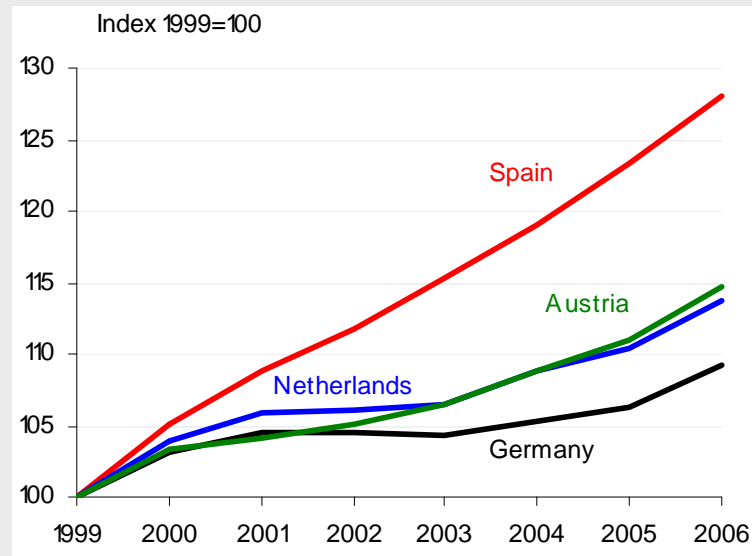
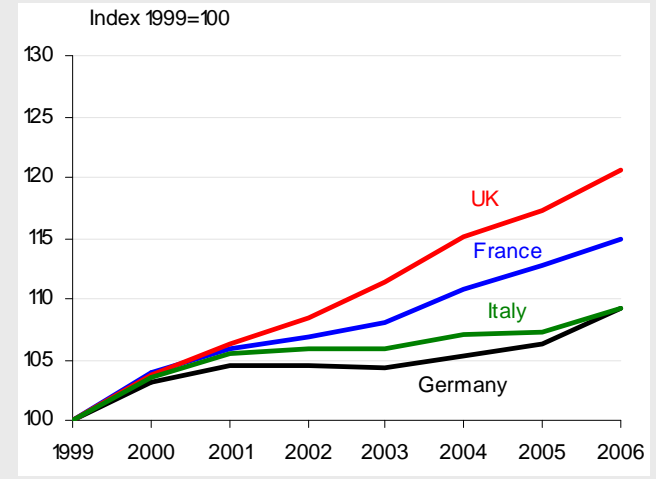
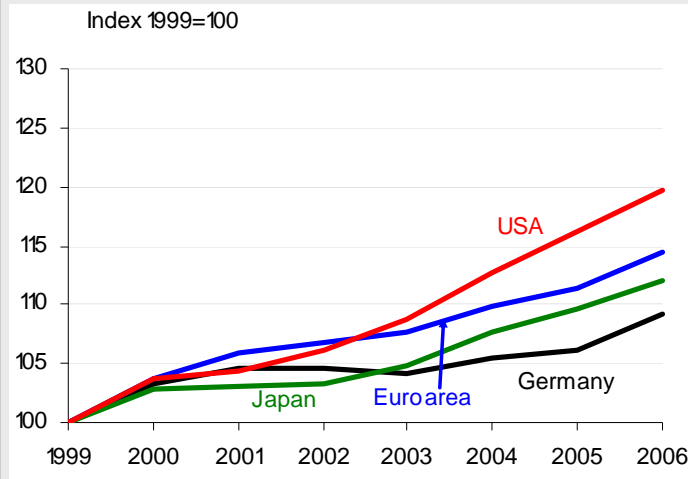
The former German Government was desperately in need to find remedies.

Agenda 2010 is the attempt to tackle the crisis mainly by changing labour market conditions.

Is the present economic upturn the reward for this strategy ?

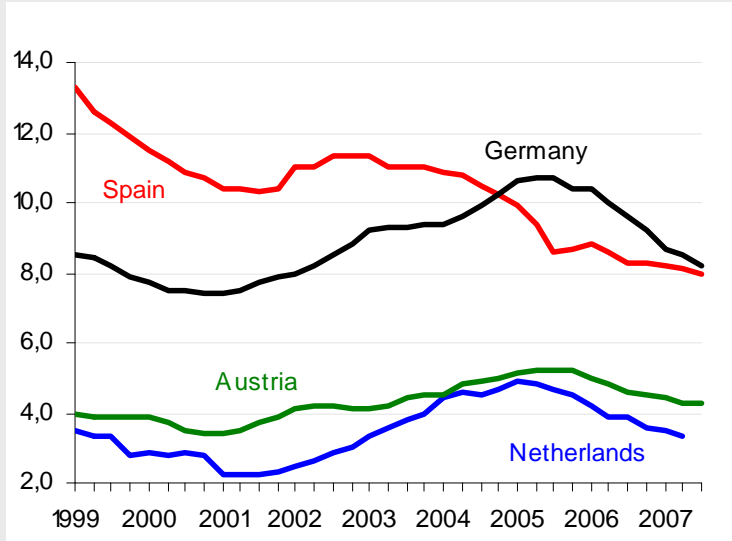
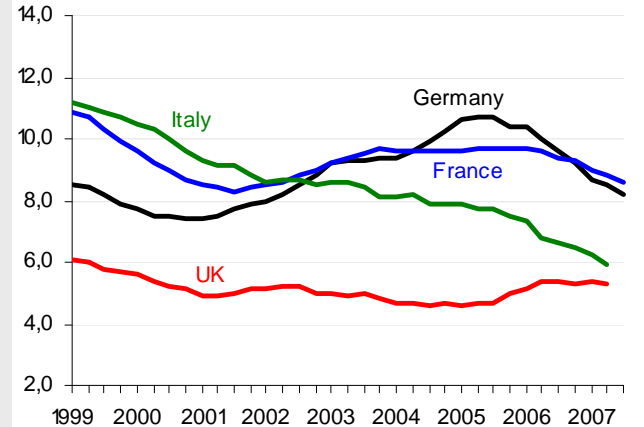
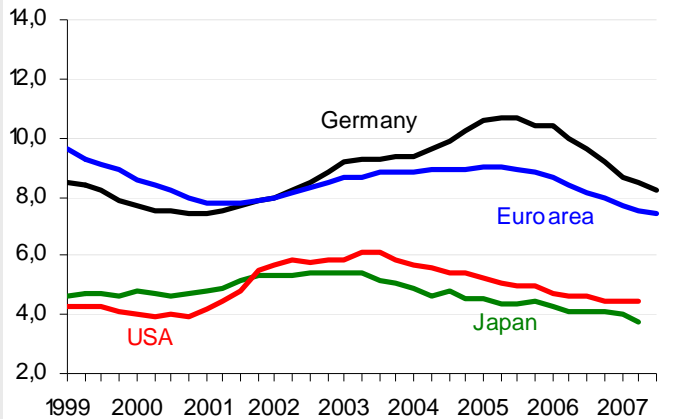
# Some Facts and Figures (I)

## GDP



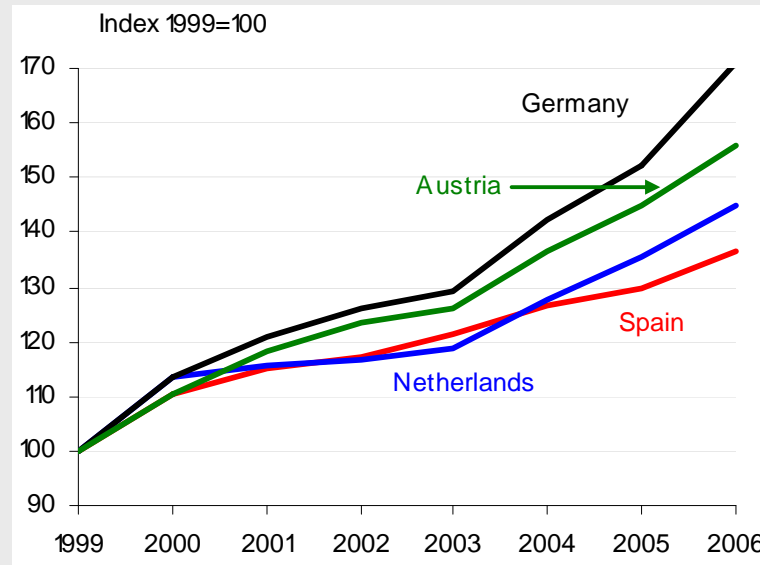
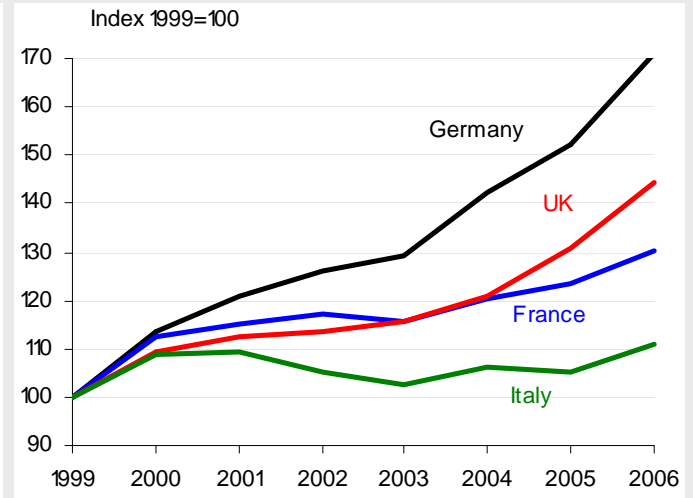
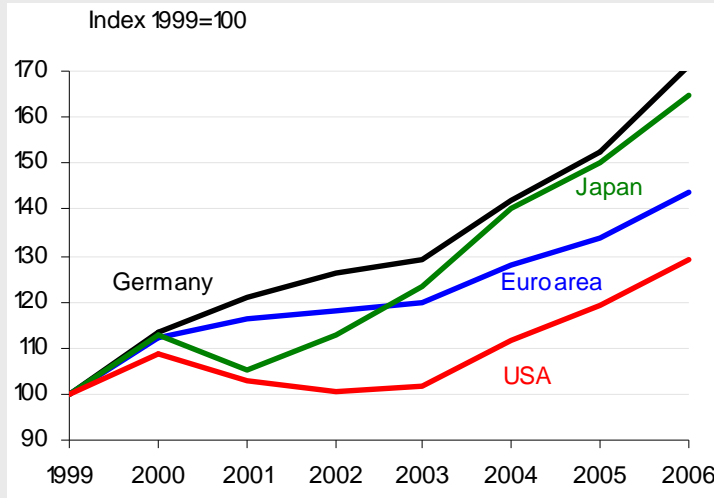
# Some Facts and Figures (II)

## Unemployment



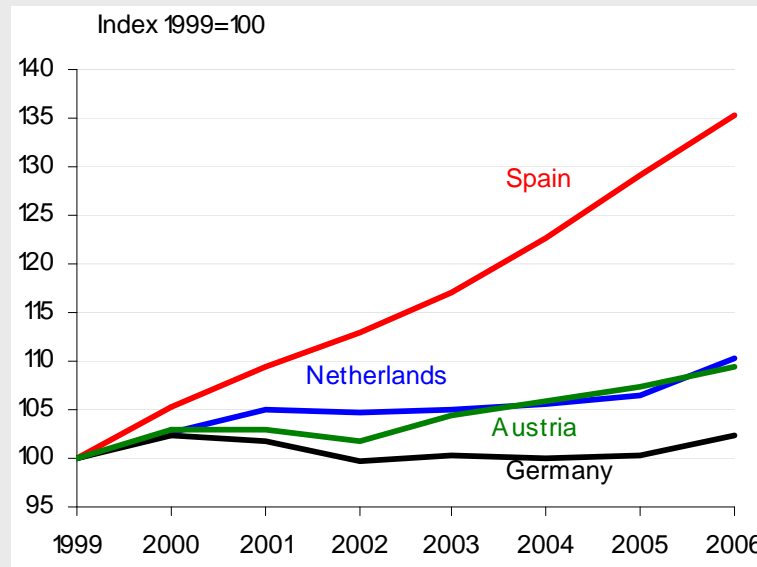
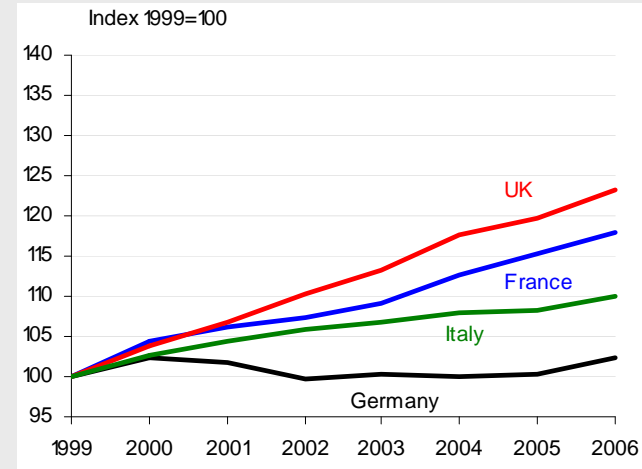
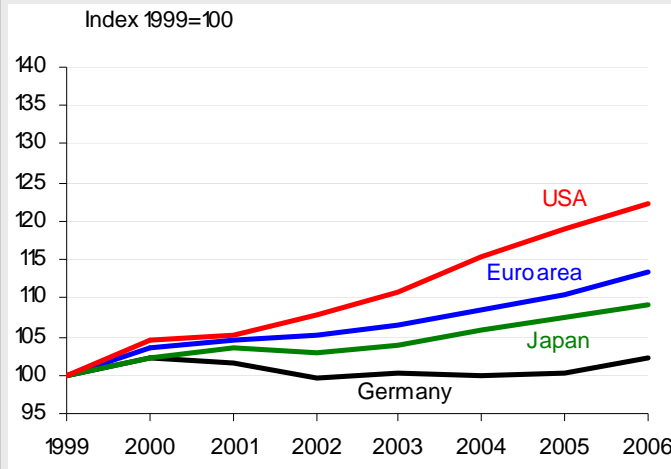
# Some Facts and Figures (III)

## Export Demand



# Some Facts and Figures (IV)

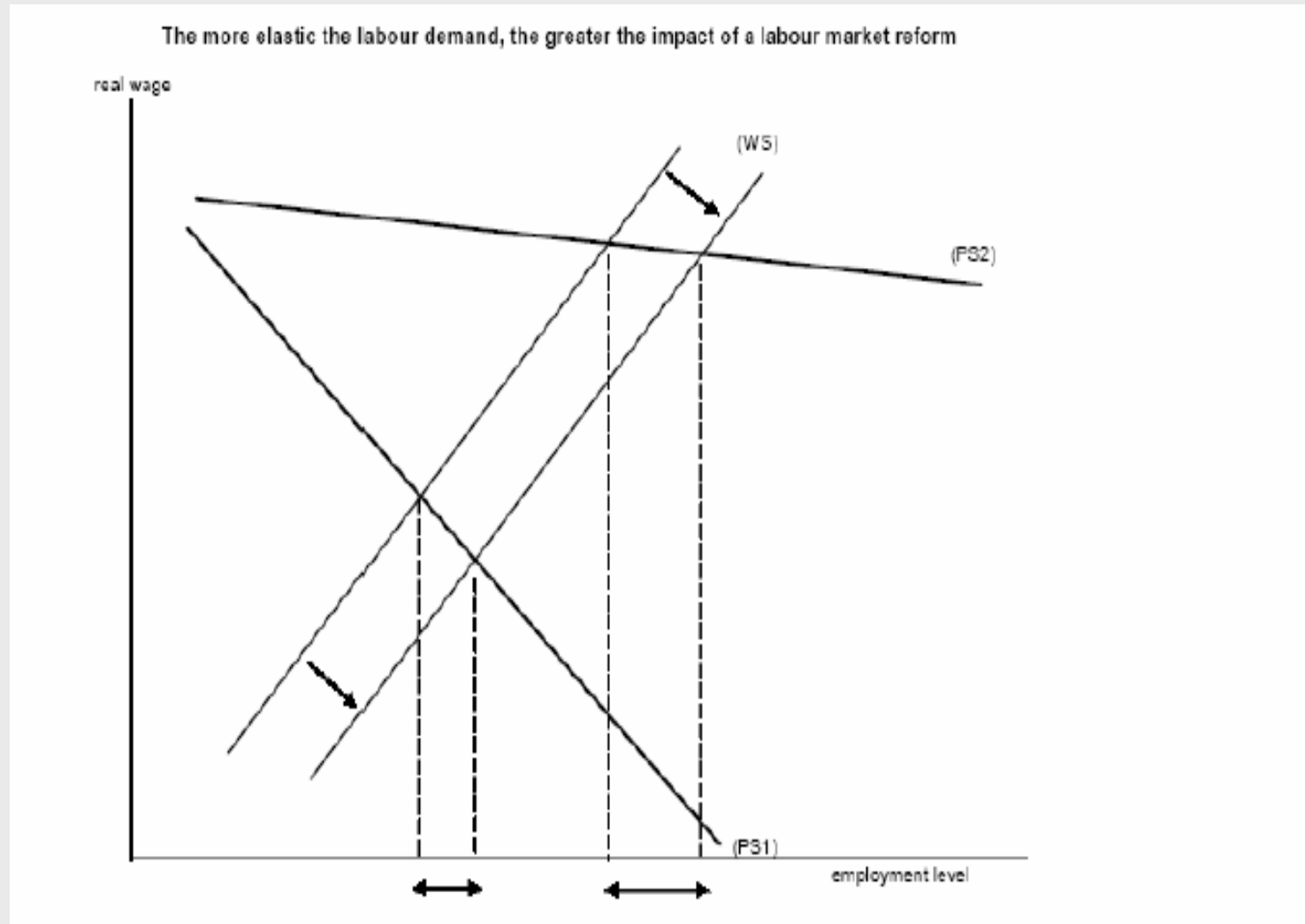
## Domestic Demand



# Labor Market Reforms

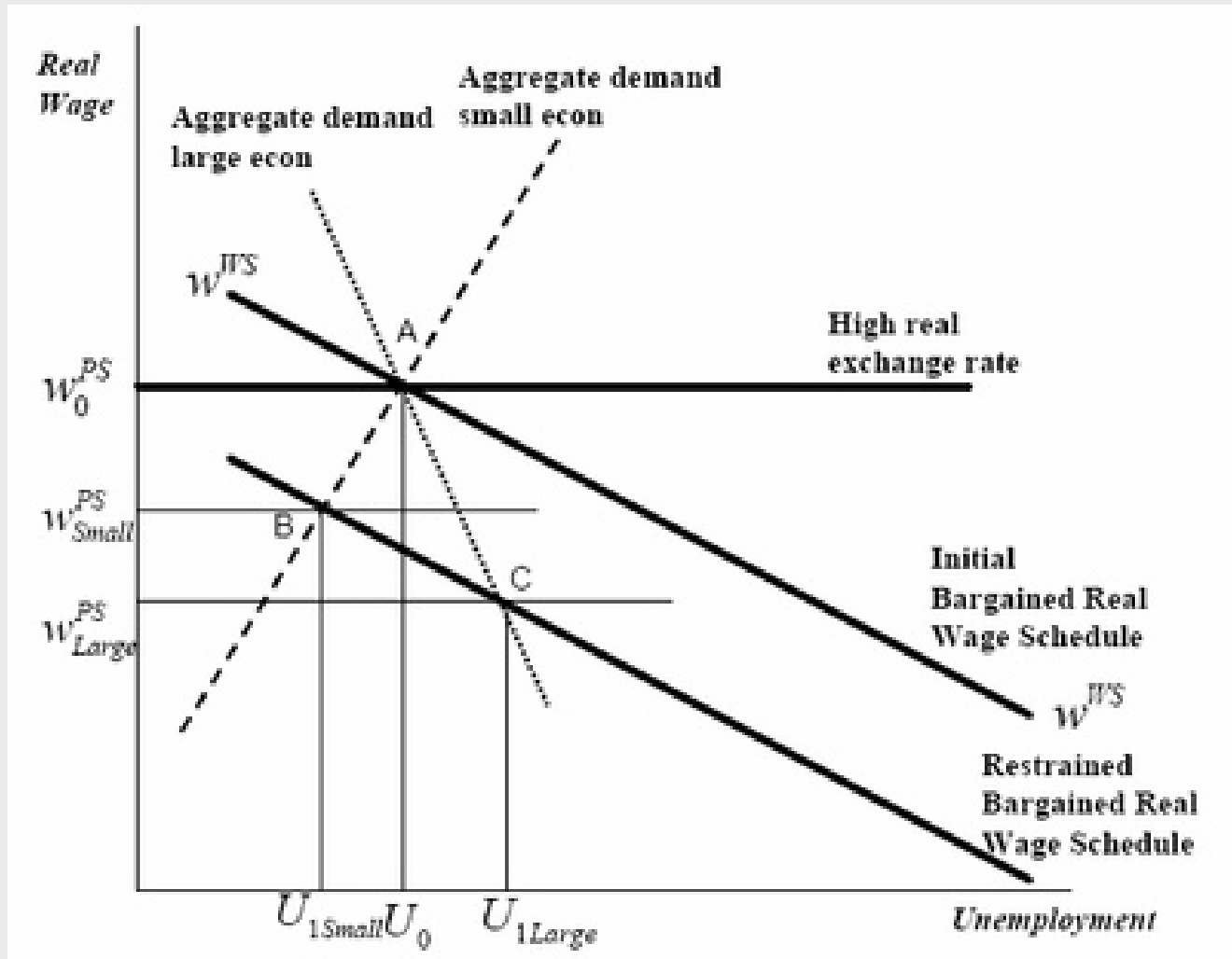
1. Restructuring the Federal Employment Agency.
2. Creating special Employment Opportunities.
3. Creating Additional Counselling and Education Opportunities.
4. Increase of Pressure on Unemployed to accept a job offer.
5. Abolishment of Long Term Unemployment Payments depending on last income.
6. Instead: Social Security Payment on subsistence level independent of last income.

# How Should these Reforms work ? (Bassanini/Duval)

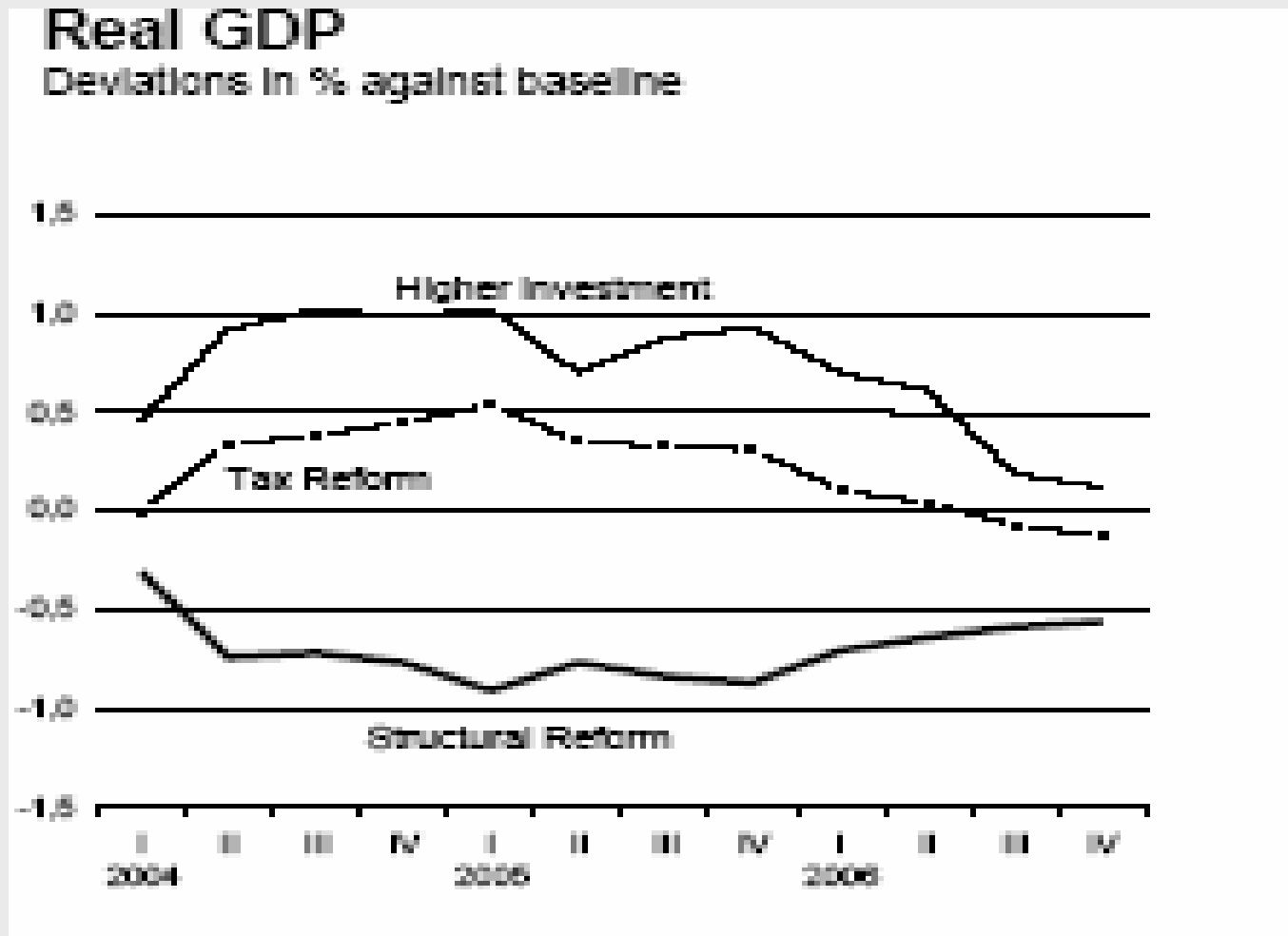


# How will they probably work ?

## Carlin /Soskice



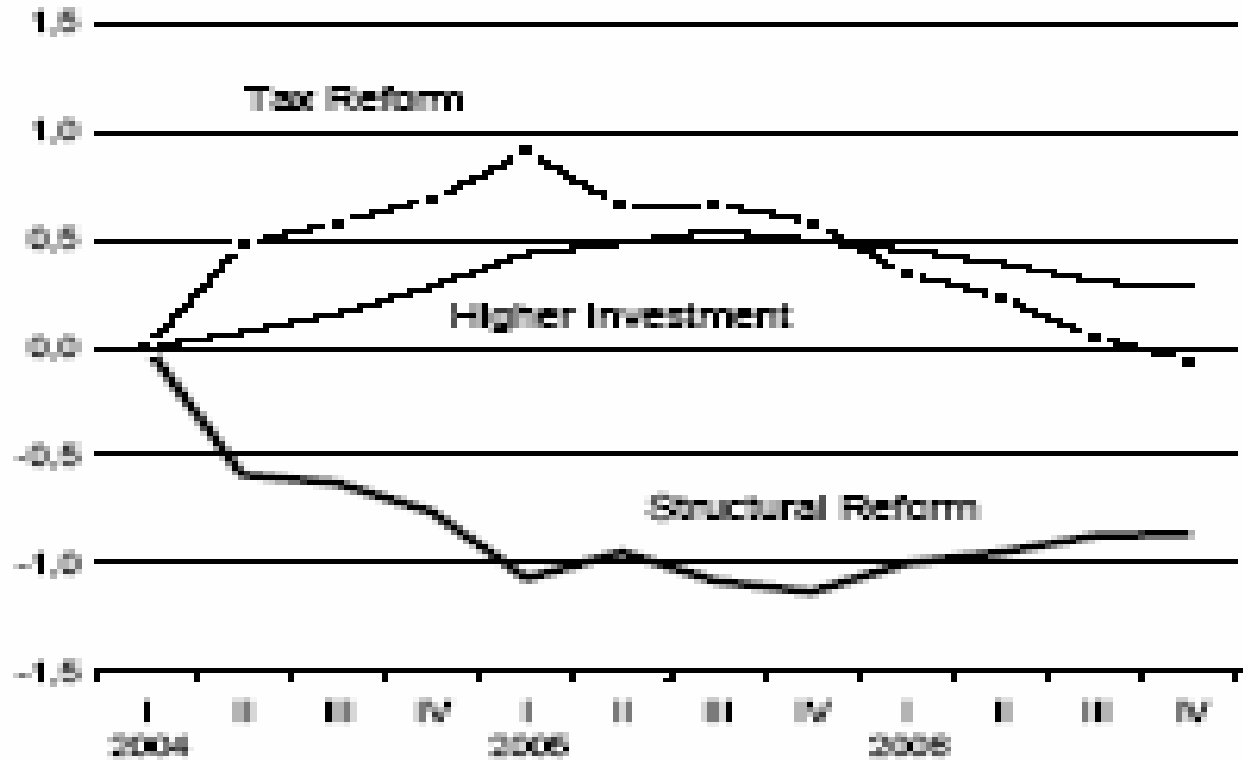
# What happened before the Upturn ?



# What happened before the Upturn ?

## Real private Consumption

Deviations in % against baseline



# Dating the Cycle

Three methods :

1. Heuristic (IAB)
2. Classical Cycle (Bundesbank)
3. Growth Cycle (Sachverständigenrat, IMK)

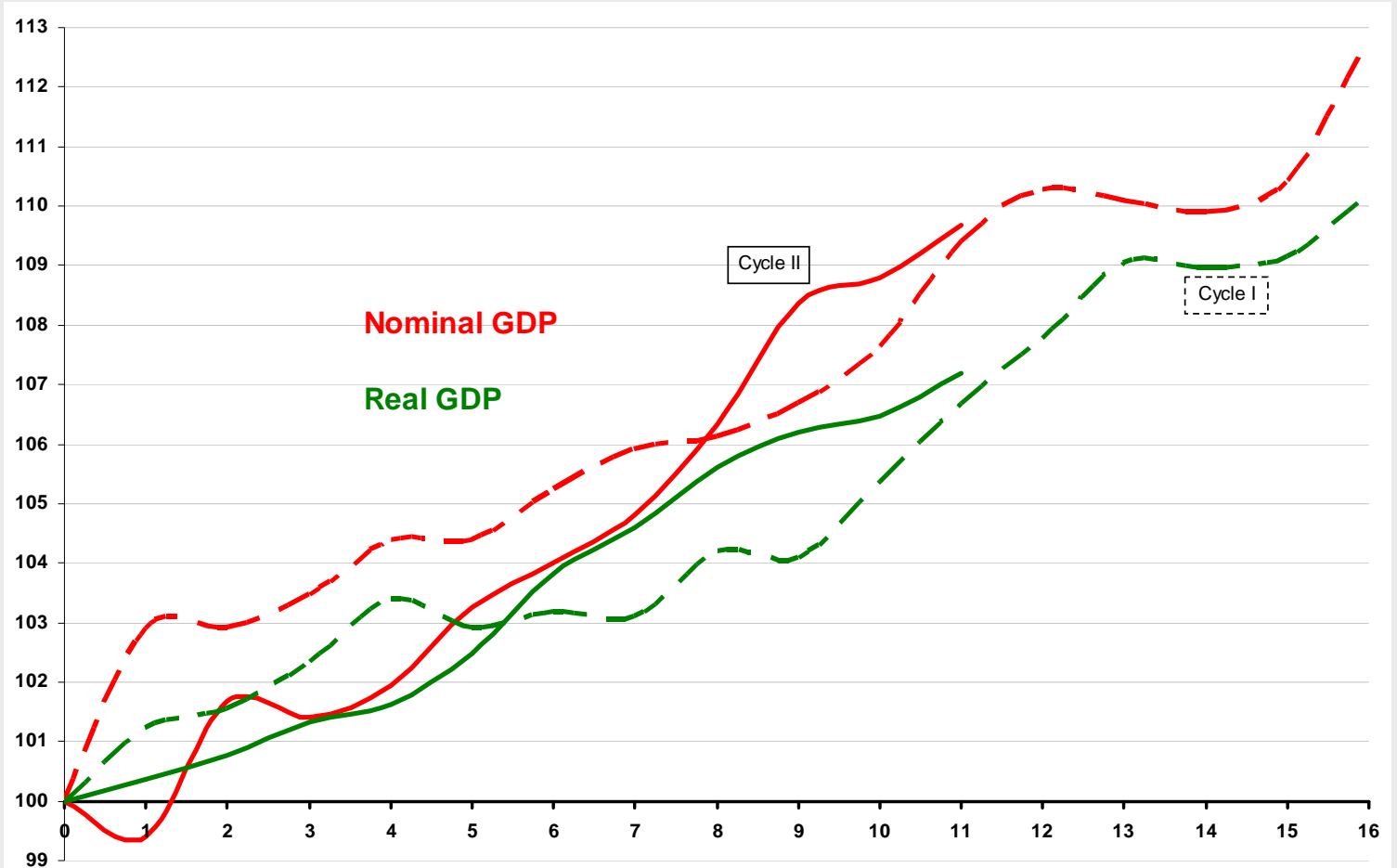
# What should we expect to see ?

1. Higher Number of Hours Worked
2. Lower Productivity per Hour
3. Higher Number of People Employed
4. Lower Productivity per Capita
5. Less Unemployment

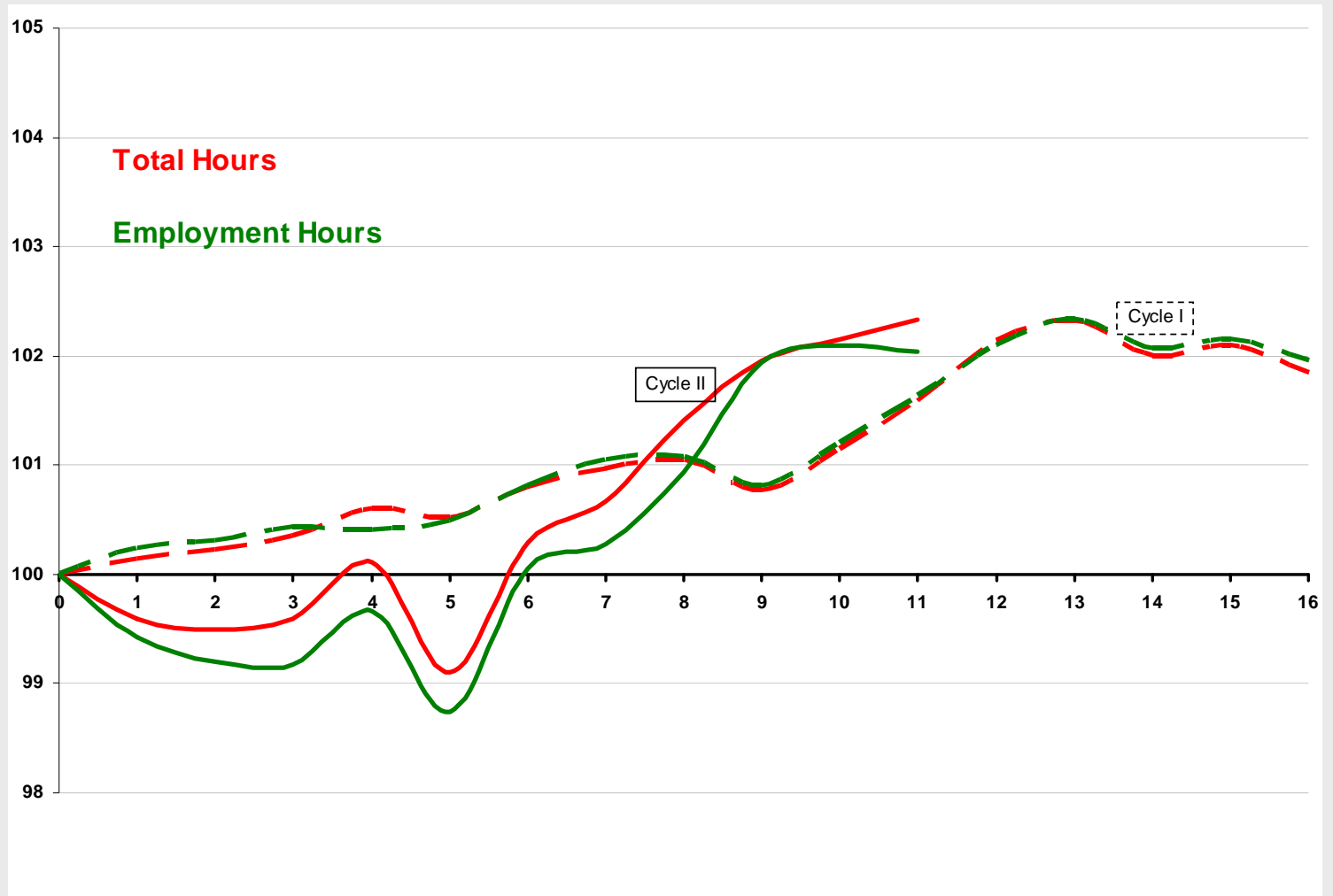
# Are the Reforms Effective ?

- Bundesbank :                    Yes (1993.2 -2001.2; 2003.2-2007.2)
- IAB :                                Yes (1999.1-2000.4;2006.1-2007.1)
- SVR :                                Yes (1999.2-2001.1;2004.4-2007.2)
- Horn/Logeay/Stapf        ?    (1998.2-2000.4; 2004.4-2007.1)
- Horn/Logeay                    ??    (1997.1-2001.1; 2004.4-2007.3)

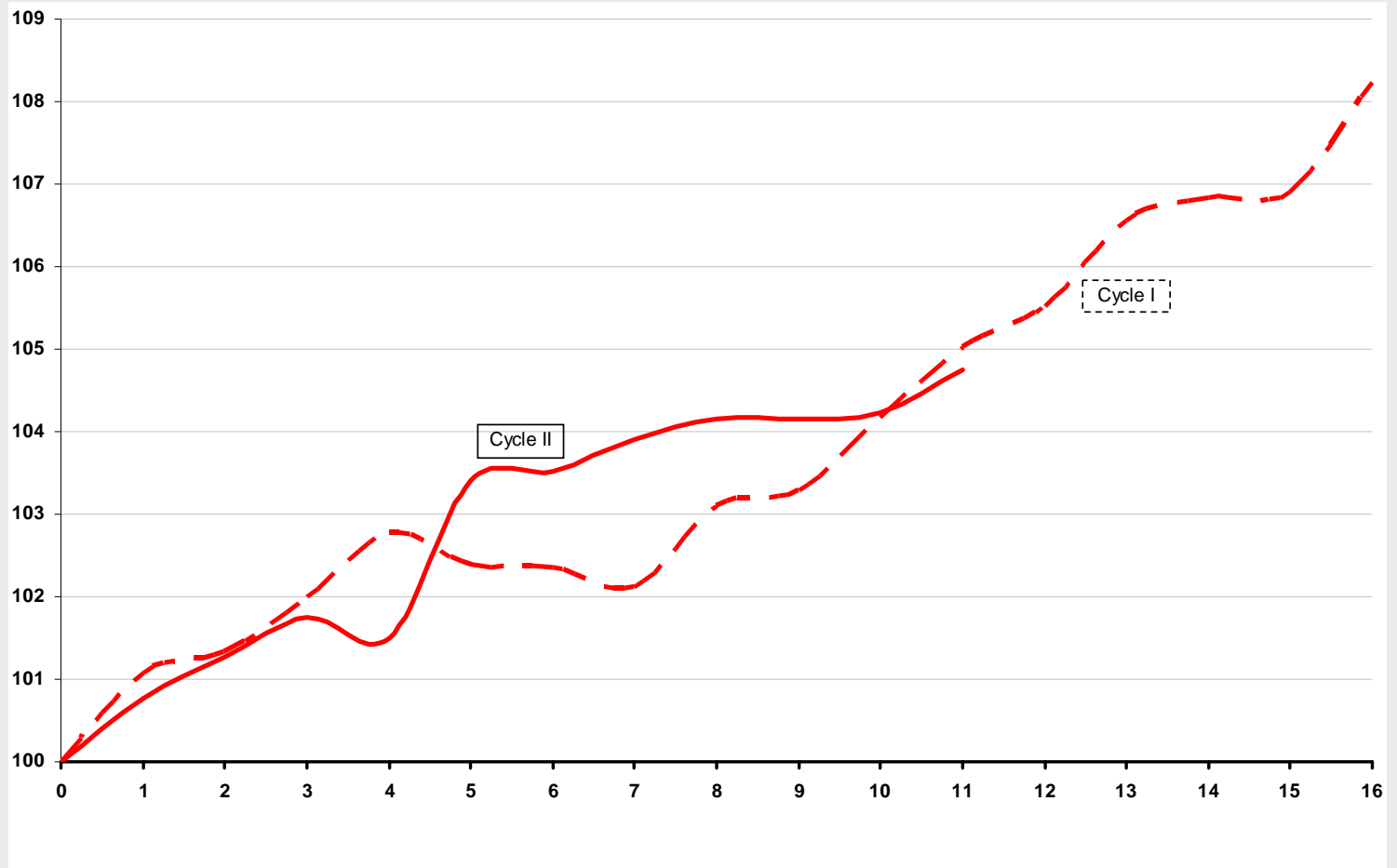
# GDP



# When the upturn started: Hours Worked



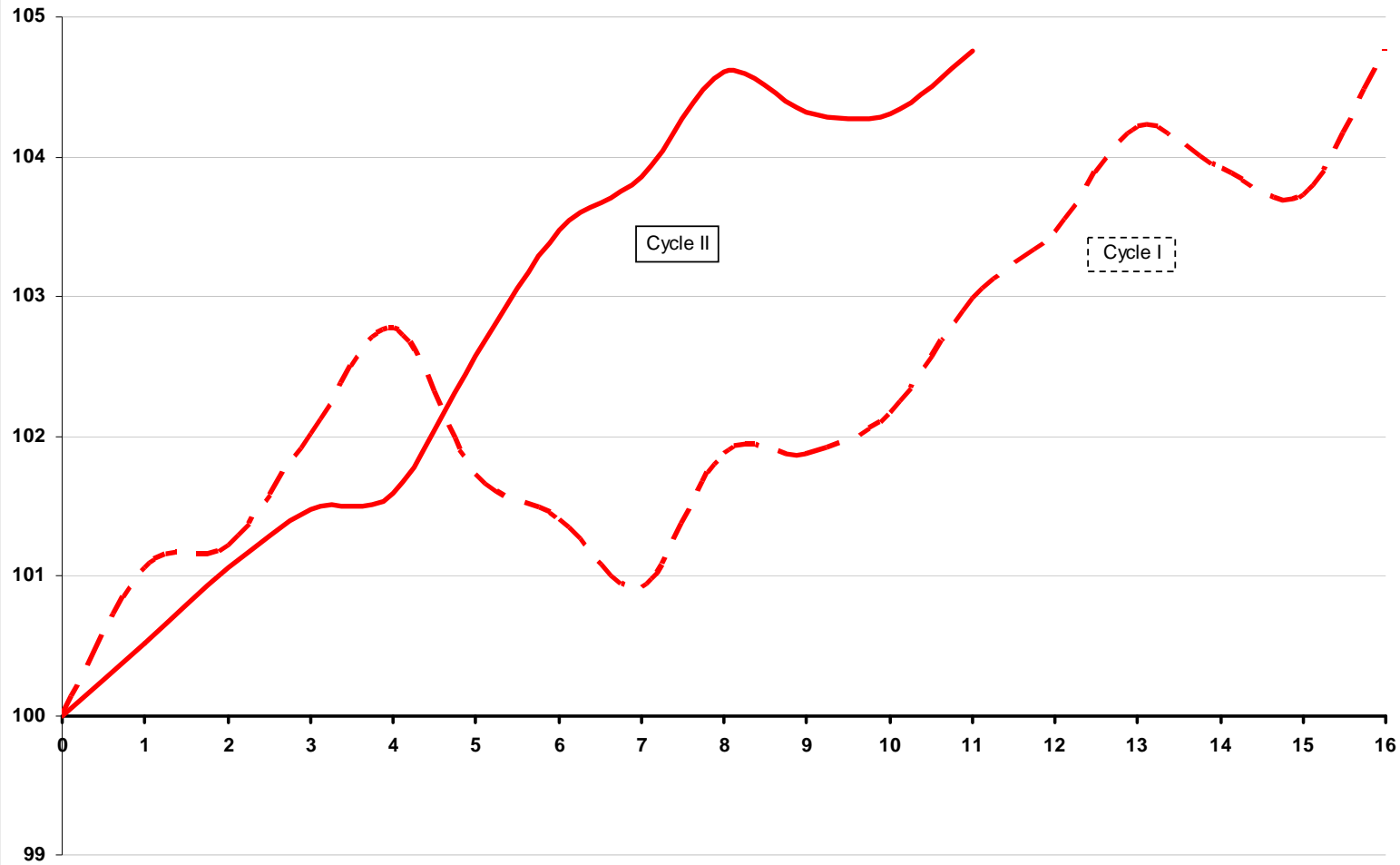
# Productivity per Hour



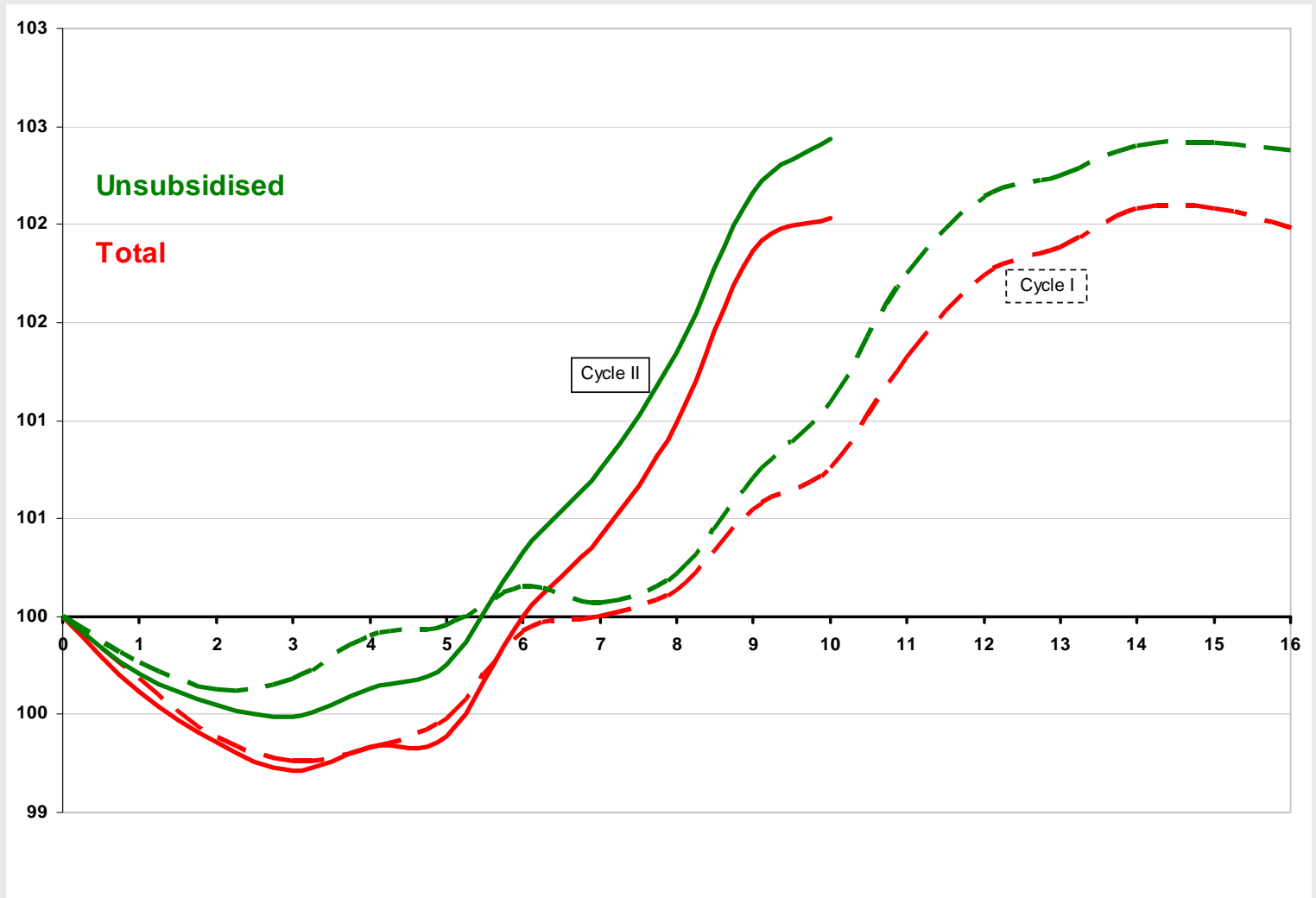
# People at Work



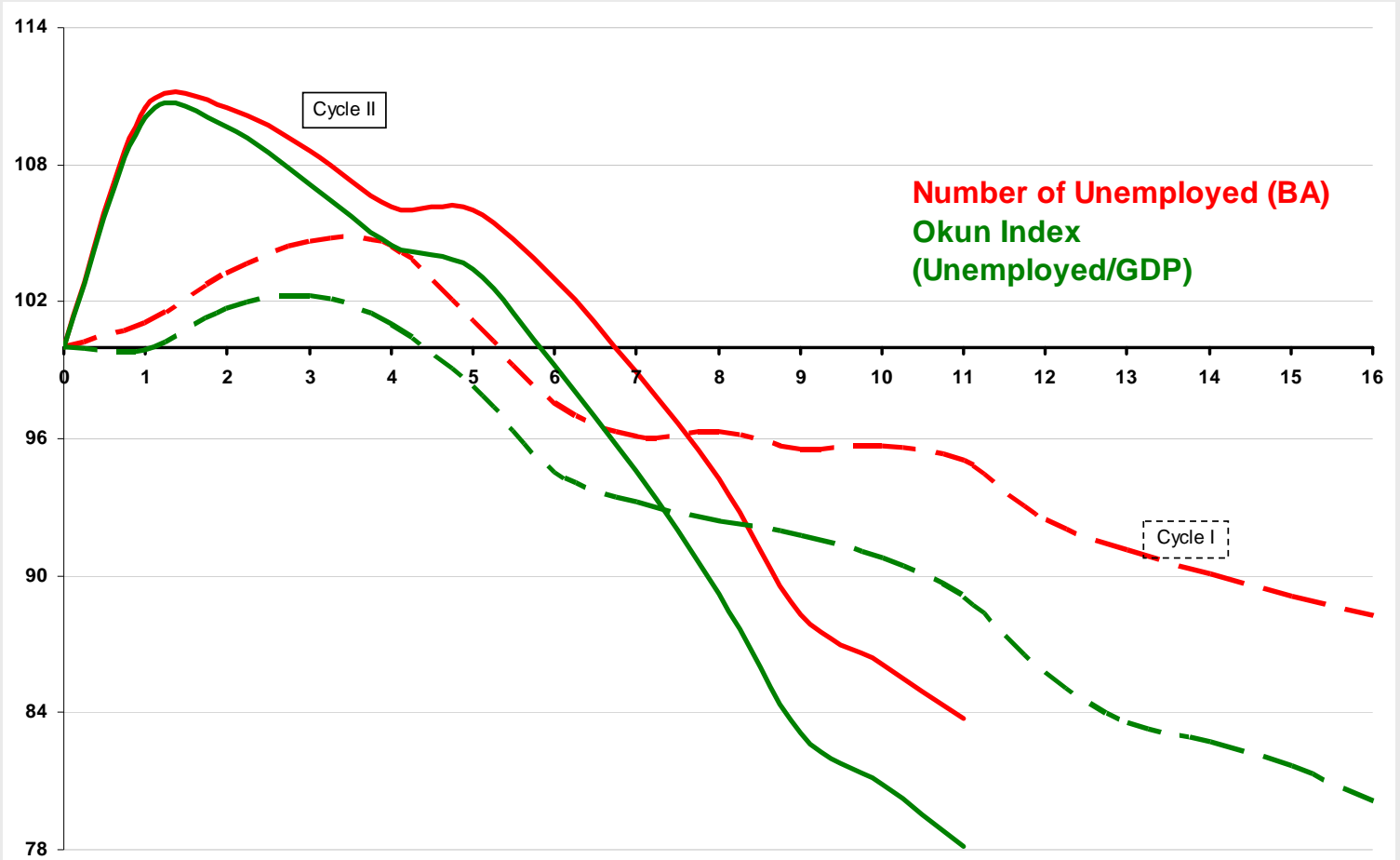
# Productivity per Head Total Employment



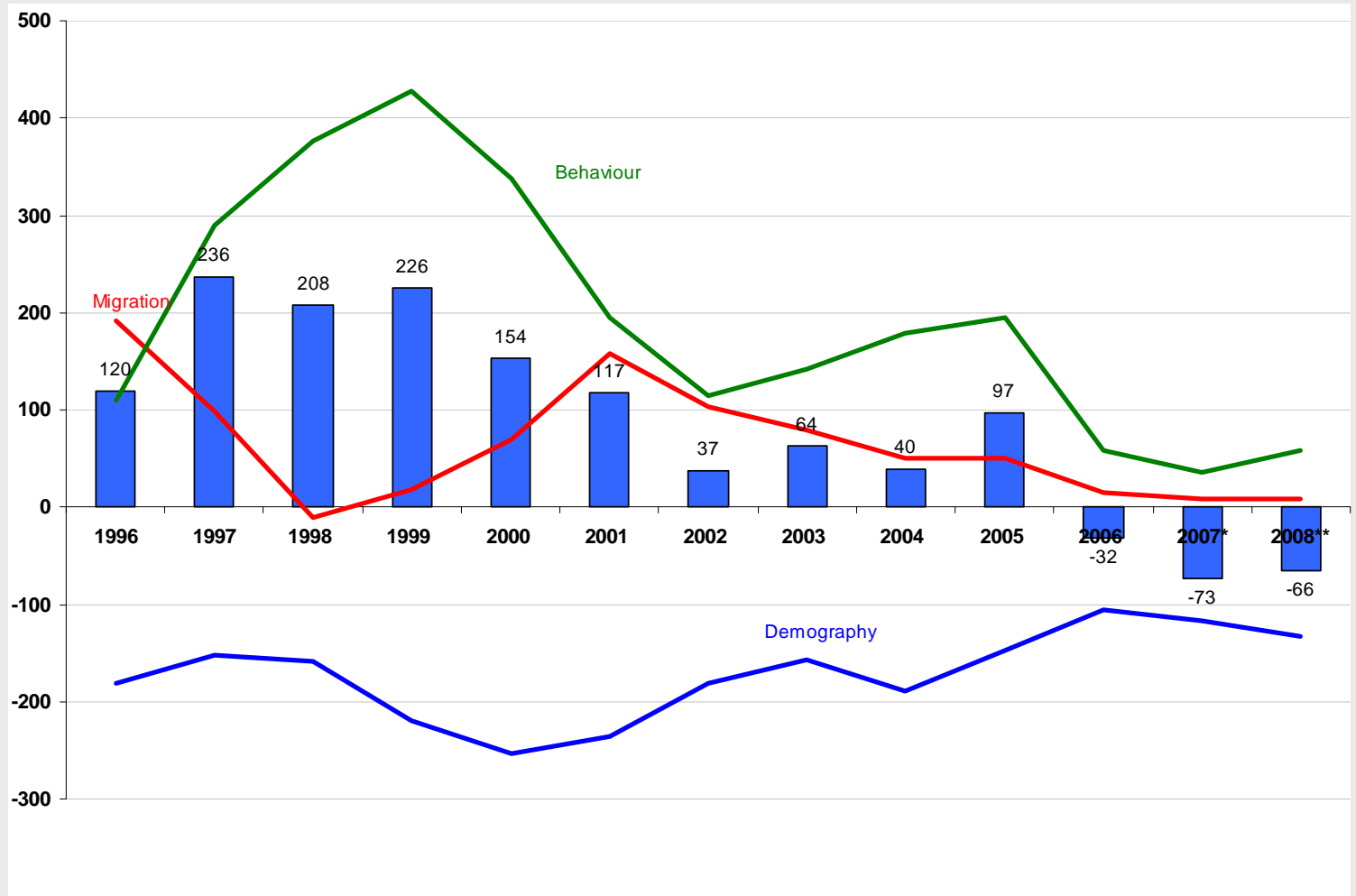
# Employment with Social Security



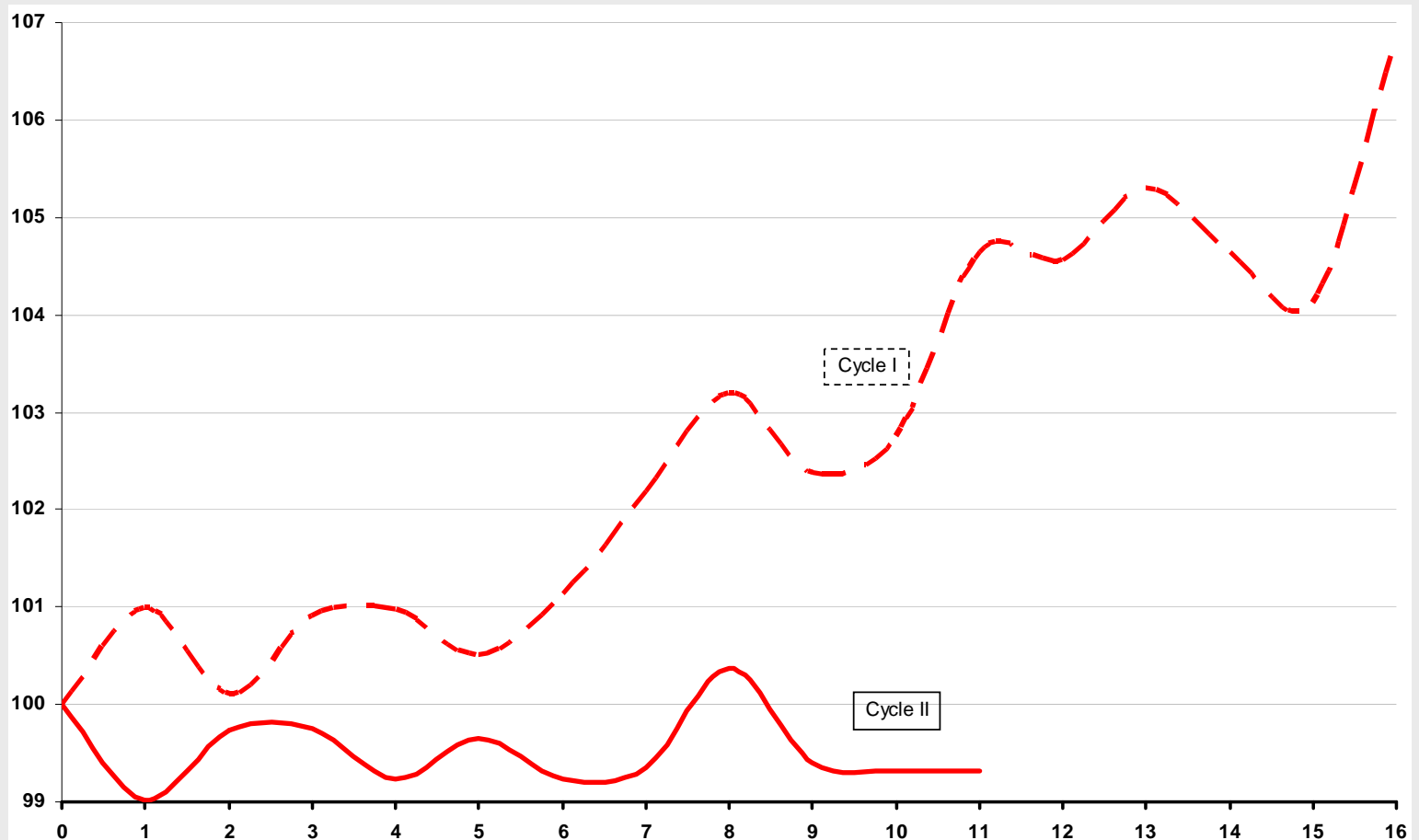
# Unemployment



# Labour Force



# Real Available Income: A Simulation



# Conclusion

- Conclusions must be preliminary since upturn not yet finished.
- Upturn started delayed because of labour market reforms.
- Once the upturn started reforms seem to have helped to rise employment.
- But the difference is so small that there are good chances we end up as in the past cycle.
- Unemployment may be lower due to a shrinking labour force.

Thank you for your attention

The End

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