Coming Challenges

Stockholm, 14. September 2011
Prof. Dr. Michael Hüther
Agenda

SHORTAGE OF WELL TRAINED LABOUR

THE POTENTIAL OF MIGRANTS

THE ROLE OF WAGES AND UNIONS
A shrinking and ageing population

Source: StBA; Var. 1-W1 der 12. koordinierten BVB; IW-Berechnungen

Stockholm, 14. September 2011
Demography: The long run
Population by qualification and age, 2009, Germany, in thousands

<table>
<thead>
<tr>
<th>Age Group</th>
<th>Qualification Unknown</th>
<th>Children under 15 yo</th>
<th>Without Professional Qualification</th>
<th>Professional Education</th>
<th>University / FH Degree</th>
<th>Coming 5-Year Cohort</th>
</tr>
</thead>
<tbody>
<tr>
<td>0 to 4 years</td>
<td>3.445</td>
<td>7.694</td>
<td>112</td>
<td>2.137</td>
<td>1.888</td>
<td>2.037</td>
</tr>
<tr>
<td>5 to 14 years</td>
<td>4.902</td>
<td>7.102</td>
<td>5.736</td>
<td>8.289</td>
<td>8.634</td>
<td>8.634</td>
</tr>
<tr>
<td>15 to 24 years</td>
<td>7.102</td>
<td>2.137</td>
<td>1.888</td>
<td>8.289</td>
<td>1.858</td>
<td>1.590</td>
</tr>
<tr>
<td>25 to 34 years</td>
<td>2.037</td>
<td>1.888</td>
<td>1.786</td>
<td>1.858</td>
<td>1.663</td>
<td></td>
</tr>
<tr>
<td>35 to 44 years</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>45 to 54 years</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>55 to 64 years</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Statistisches Bundesamt 2010, eigene Berechnungen

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Right now, engineers are scarce in Germany

Difference between job vacancies and unemployed

Source: Bundesagentur für Arbeit, Institut der deutschen Wirtschaft Köln

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Net migration has been no help

Immigration to and emigration from Germany, in thousands

Source: Statistisches Bundesamt

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**Qualified immigration is too small to matter**

Migration from third countries

<table>
<thead>
<tr>
<th>Requirements</th>
<th>Influx in 2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employment §18 AufenthG</td>
<td></td>
</tr>
<tr>
<td>- professional training or university studies</td>
<td>14.816</td>
</tr>
<tr>
<td>- Without professional training or university studies</td>
<td>8.408</td>
</tr>
<tr>
<td>Highly qualified workers and researchers §§ 19, 20 AufenthG</td>
<td></td>
</tr>
<tr>
<td>- excellent scientific performance or specific job experience which results in a wage of at least €66.000 special research appointments</td>
<td>311</td>
</tr>
<tr>
<td>Self employed § 21 AufenthG</td>
<td></td>
</tr>
<tr>
<td>- Among others: Investment of at least €250.000 + creation of 5 jobs</td>
<td>1.024</td>
</tr>
</tbody>
</table>

Total qualified immigration: 16.151

Sources: BAMF, IW Köln
Potential today: Validation of foreign educational achievements

- Engineering: 1247
- Law, social sciences: 580
- Languages, cultural sciences: 294
- Agrary, forestal, nutritional studies: 274
- Medicine: 229
- Art: 114
- Mathematics and sciences: 112
- Others: 81

Source: Mikrozensus, 2009
Potential tomorrow: migrants‘ descendants

Share of persons with migration background of total population

Source: Statistisches Bundesamt/Mikrozensus 2009

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Need for better education and integration

Labour market integration of immigrants

<table>
<thead>
<tr>
<th>Category</th>
<th>People with migration background</th>
<th>People without migration background</th>
</tr>
</thead>
<tbody>
<tr>
<td>Labour force potential</td>
<td>62%</td>
<td>58%</td>
</tr>
<tr>
<td>Employment rate</td>
<td>87%</td>
<td>93%</td>
</tr>
<tr>
<td>Recipients of ALG I/II among labour force</td>
<td>21%</td>
<td>9%</td>
</tr>
<tr>
<td>Unemployment of highly qualified</td>
<td>10%</td>
<td>3%</td>
</tr>
<tr>
<td>Unemployment of medium qualified</td>
<td>12%</td>
<td>8%</td>
</tr>
<tr>
<td>Unemployment of low qualified</td>
<td>19%</td>
<td>15%</td>
</tr>
</tbody>
</table>

Source: IW Köln, Mikrozensus 2009
Agenda

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Minimum wages

- A general legal minimum wage is still in discussion. Its proponents see it as a means to reduce the number of „working poor“

- At the moment, Germany has legally introduced sectoral minimum wages in several sectors of the economy

Problems:

- High control costs due to segmented application

- Outside competition (by firms that do not sign tariff agreements) ceases to exist, this lessens the need for wage moderation

- Workers with a productivity less than the minimum wage are in danger to become unemployed
# Minimum wages in several sectors

<table>
<thead>
<tr>
<th>Sector</th>
<th>Number of concerned employees</th>
<th>Minimum wages in Euros</th>
</tr>
</thead>
<tbody>
<tr>
<td>Special operations in black coal mines</td>
<td>2.000</td>
<td>11,53 bis 12,81</td>
</tr>
<tr>
<td>Roofing</td>
<td>84.000</td>
<td>10,80</td>
</tr>
<tr>
<td>Construction</td>
<td>678.000</td>
<td>9,75 bis 13,00</td>
</tr>
<tr>
<td>Painting Services</td>
<td>110.000</td>
<td>9,75 bis 11,75</td>
</tr>
<tr>
<td>Electric Services</td>
<td>310.000</td>
<td>8,65 bis 9,80</td>
</tr>
<tr>
<td>Waste management</td>
<td>175.000</td>
<td>8,24</td>
</tr>
<tr>
<td>Elderly care</td>
<td>630.000</td>
<td>7,75 bis 8,75</td>
</tr>
<tr>
<td>Building cleaning</td>
<td>830.000</td>
<td>7,00 bis 11,33</td>
</tr>
<tr>
<td>Laundries</td>
<td>30.000</td>
<td>6,75 bis 7,80</td>
</tr>
<tr>
<td>Security firms</td>
<td>170.000</td>
<td>6,53 bis 8,60</td>
</tr>
</tbody>
</table>

Source: BDA-Tarifarchiv  
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A dangerous proposal: €8,50 per hour

Minimum wages in per cent of average wages

Source: Eurostat;

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Membership structure of trade unions

Rate of unionization, 2010

- Civil servants: 50%
- White collar workers: 15%
- Blue collar workers: 10%
- 18-29 years: 5%
- 30-39 years: 10%
- 40-49 years: 20%
- 50 plus: 25%

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Fusions of German unions

Gewerkschaft Kunst

+ 

IG Druck und Papier

IG Medien 1989
Fusions of German unions

Gartenbau, Land- und Forstwirtschaft

+  

IG Bau-Steine-Erden

→

IG Bauen-Agrar-Umwelt 1996
Fusions of German unions

IG Bergbau und Energie

IG Chemie-Papier-Keramik

Gewerkschaft Leder

IG Bergbau, Chemie, Energie 1997
Fusions of German unions

IG Metall

G. Textil Bekleidung

G. Holz und Kunststoff

IG Metall 2000

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Fusions of German unions

Ver.di 2001

IG Medien

Deutsche Postgewerkschaft

Deutsche Angestelltengewerkschaft

G. Öffentlicher Dienst, Transport und Verkehr

G. Handel, Banken, und Versicherungen

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Fusions of German unions

Transnet – Gewerkschaft der Eisenbahner Deutschlands

Verkehrsge werkschaft GDBA

Eisenbahn- und Verkehrsgewerkschaft (2010)
Trade unions as actors in industrial relations

- A recent survey shows: 61 per cent of the interviewed want unions to fight for higher wages (late 1990s: 43 per cent)

- 42 per cent of the interviewed believe that craft unions can enforce higher wages more effectively than industrial unions, only 30 believe it to be the other way round

- As a reaction of the important fusion resulting in ver.di (2001) several craft unions decided to become independent from the new conglomerate. They started to follow a wage policy according their own interests.

- The crafts unions of pilots, air traffic controllers, flight attendants, physicians, train drivers have become quite powerful

- Industrial unions are getting under pressure to rethink their strategy of moderate wage increases
Wage development depends on labour supply

The upward pressure on wages will be influenced by the developments outlined before:

- The shortage of well trained labour will lead to an excess demand for workers, which will bring bargaining power to the employees.

This development can be mitigated by various factors:

- The successful education of the younger generation
  - A special focus must lie on the education of migrants‘ descendants
- Accredit ing foreign educational achievements
- A higher influx of qualified immigrants