

# Online Magazin IAB -

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## Effects of population change on the labour market in Germany

1. April 2012 | Dr. rer. oec. Dr. rer. soc. Malte Sandner, Brigitte Schels, Uwe  
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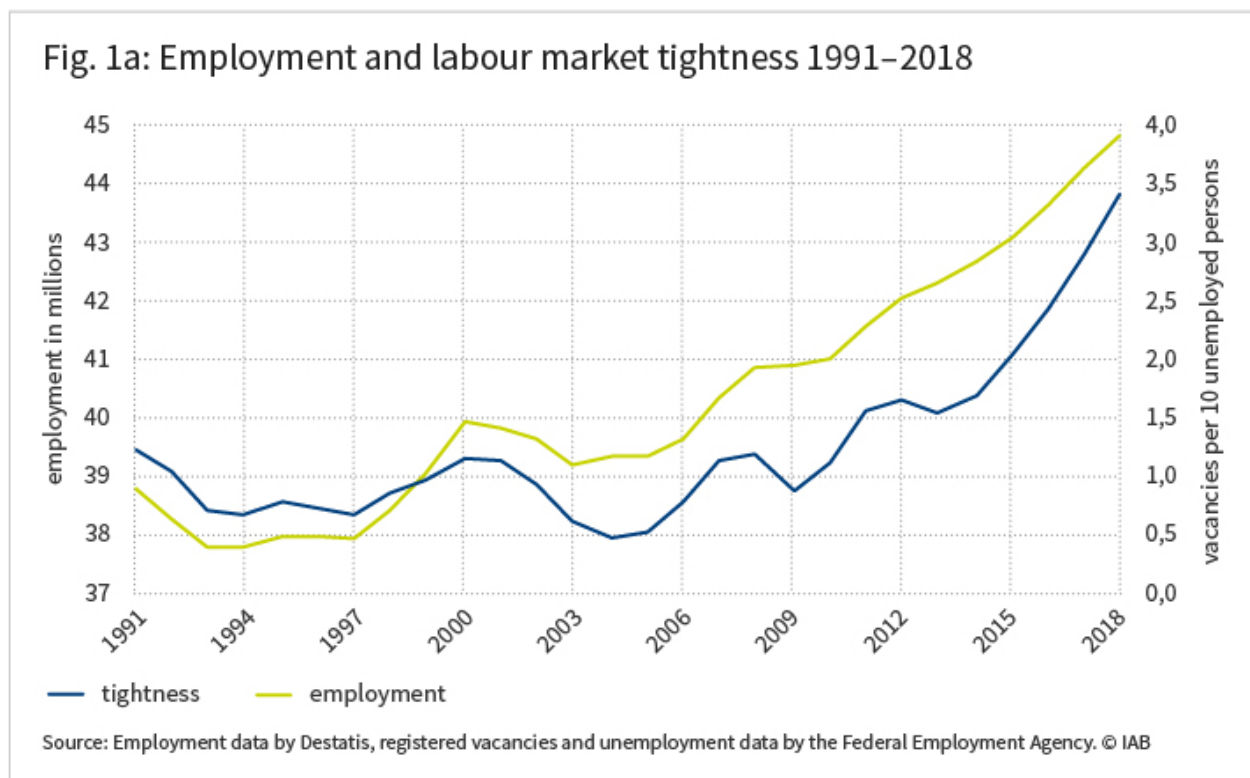


Until now, high migration and participation in the labour market have offset the  
decline of the labour force potential in Germany. However, the demographic  
development leads to only one conclusion, the consequences of the demographic change will  
become increasingly severe and must be tackled from different directions.

Starting in 2006, Germany has experienced a strong recovery in the labour market, with  
record levels in employment year by year. In 2011, the unemployment rate, which is about  
9.4% up from 9.1% in 2006, has increased by a remarkable 9 percentage points  
more and more virulent.

# Labour shortage has strongly increased

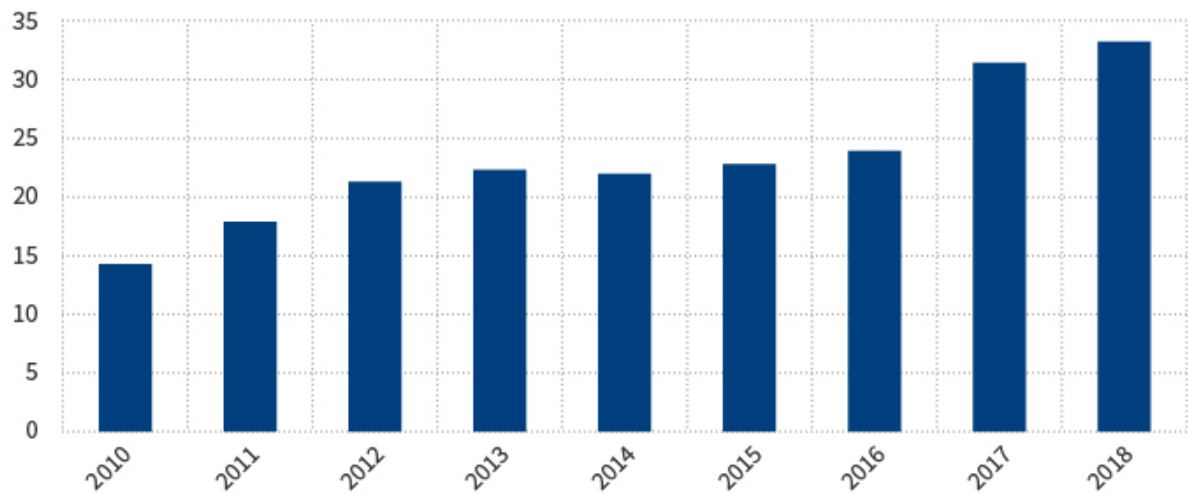
While the register data of the Federal Employment Agency only 0.5 vacancies per ten unemployed in 2005, recruitment has become more time-consuming and costly because of a lack of applicants more than doubled. The tight labour market incentivises companies to hire or even conduct anticipatory hires. Hence, the labour shortage that is already existing and/or is expected to increase.



The steep employment growth attracts labour shortages for labour demand by the firms could be satisfied as long as ensure a sufficient increase in the labour force. Thus, regardless of cyclical fluctuations, there is hardly a limit to the steep upward trend in German employment.

Fig. 1b: Recruitment difficulties in Germany 2010–2018

Shares in total recruitments in percent



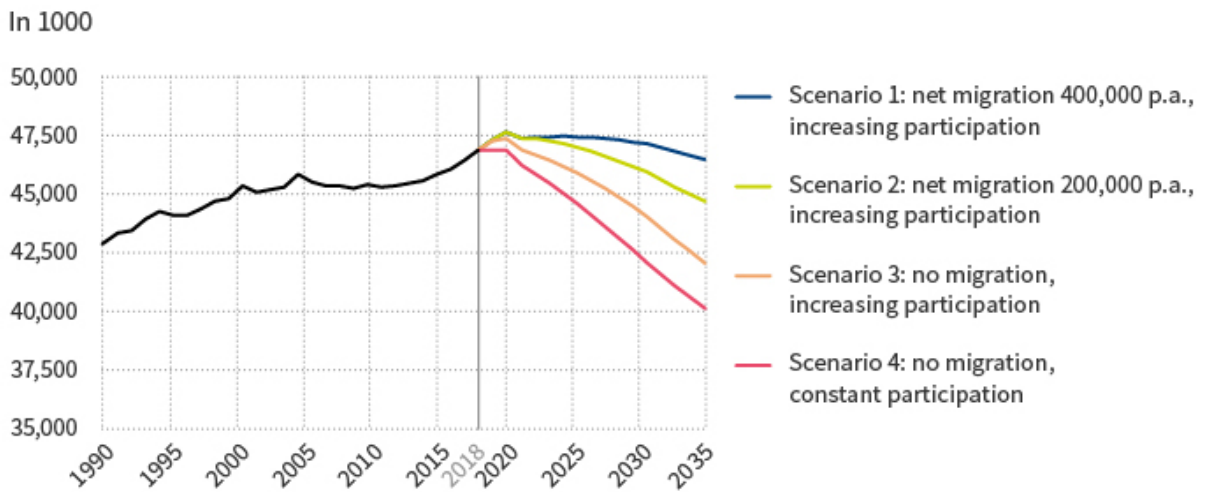
Source: Recruitment difficulties data from the IAB German Job Vacancy Survey. © IAB

## Future development of the labour

The total population in Germany amounted to 83.0 million in 2018. The population that is relevant to the labour market, either employed, unemployed or in training, amounted to 47.5 million, about 57 percent of the total population aged 15 to 74.

Figure 2 shows scenarios for the future development of the labour market. It reveals the impact of the three driving forces: demographic change, technological change and the changing structure of the economy.

Fig. 2: Scenarios of future labour force potential 1990 – 2035



Notes: Labour force potential aged 15–74 years. Scenarios 1 and 2 net migration: 2018: 430,000; 2019: 380,000; 2020: 310,000. 2021 onwards: migration according to the legend.

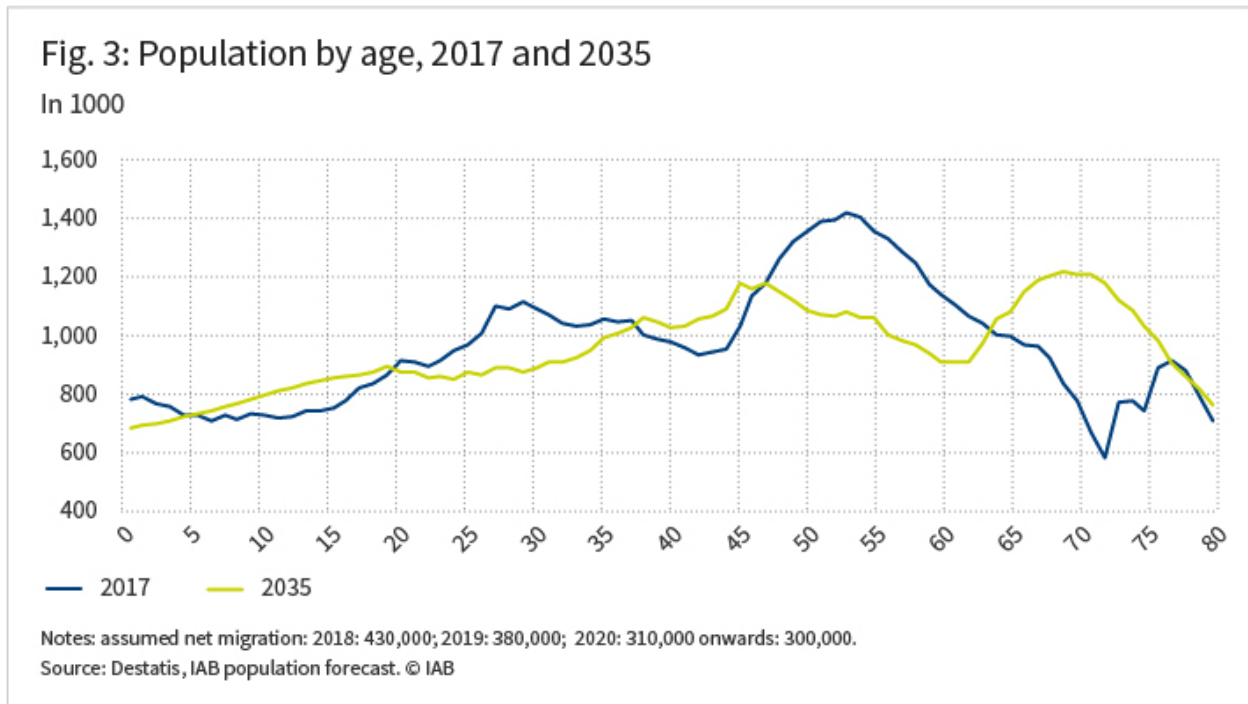
Source: © IAB

## The ageing population drives the

As regards demography, fertility and mortality in the next 15 years, they hardly play any role in the demographic scenario. Mortality is almost irrelevant for the working-age population already born and the change in fertility has significant effects on the rate of women in Germany increased from 1.33 in 1990 to 1.59 in 2017. The projection of the demographic scenario, where the labour force potential would decline by 7.5 million

The main reason is the ageing population. Figure 2 compares the situation given in 2017. The shift in the working-age population, a strongly decreasing number caused by the ageing of the baby boomers were born in the late 1940s and early 1950s. The projection of the age distribution are going to leave the labour market

nowadays the smallest cohorts are in retirement



## Participation rates of Germans ca

The orange scenario in Figure 2 shows the effect more women enter the labour market and the longer labour force potential. However, this number of million people or 12 percent because there is rates.

While participation rates of men are relatively rates of women have changed over time and may in German women are quite high anyway. More than 90 participate in the labour market. This limits the on social norms as well as institutional setting for the elderly the pension system.

Participation rates of female foreign nationals lower than those of their German counterparts. C integrated into society and culture as to adjust

be managed successfully (targeting language skill differences), this would increase the labour force. [Johann Fuchs and his colleagues calculated in a](#)

## Migration will postpone but not stop potential

The blue and green scenarios in Figure 2 add the forecast, a set of assumptions regarding the size of the labour force (including migration, especially from the past, strong spikes in immigration often depend on enlargement), and the social and economic well-being of immigrants. High inflow rates by German resettlers from East Germany balanced after the German reunification. A steep decline in immigration caused by the EU financial crisis, immediately following the 2008-9 crisis. Between 1991 and 2018, the average migration balance was 200,000 net migrants per year to be used in labour force. While an annual net inflow of 400,000 would decline the labour force.

In either case, the decline in the labour force cannot be stopped: in the more realistic case, a potential labour force would shrink by 2.7 million people or 1.5% (400,000 net migration), by half a million people in the other case.

Beyond the pure number of net migrants, migration also affects the distribution of the labour force as well as via participation. Population is typically younger than the average population. In 2017, the average age was 45 years old in 2017 and will be just before 50 in 2035. In the age distribution given by the resident population in 2018, net migration increased the total population. If immigrants are comparatively young, they will stay in the labour force. However, one should take into account that the more migrants will have claims against the labour market, the more migrants will have claims against themselves.

## The demography calls for adjusting security system

Summarizing the scenarios regarding the evolution is clear: As soon as the baby boom generation stops supplying labour, the consequences will be manifold. The labour shortage. But first and foremost, the social situation. [p a Qy b- vai so- uysol uy-, g oa apæ nts h ð no nse y sit re m](#) Germany will face strong pressure in a shrinking economy. Depending on the age dependency ratio will increase more or less older people per 100 workers aged 20 to 64. In 2035, even 1.5 elderly people per 100 workers. In such an environment, the intergenerational contract according to which the system was compiled by the current one. Moreover, an older insurance system.

### which must be tackled from different

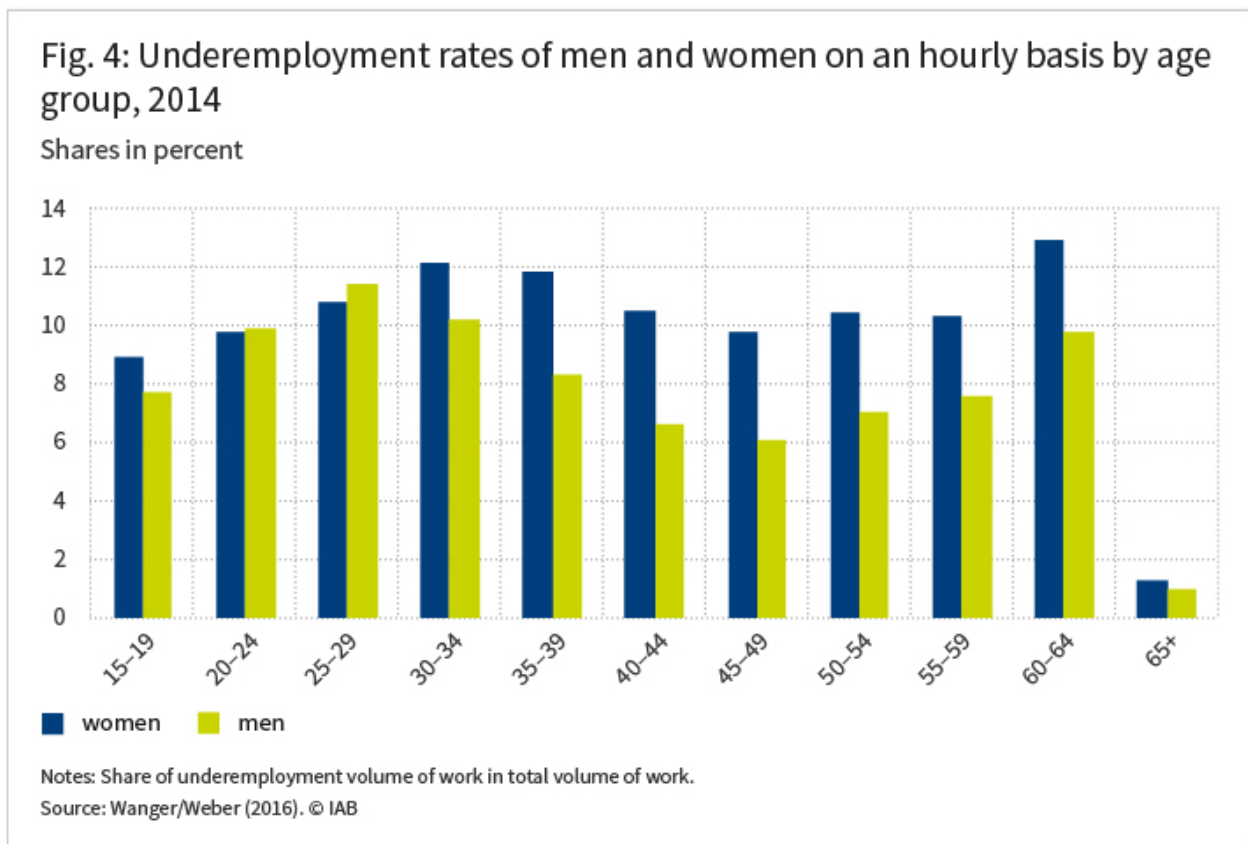
The problem for social security, mainly pension side: revenues as well as expenditures. Revenues can be increased by higher yields higher income, or by a lower decline in tax revenues also with respect to hours worked.

Digitization may help to mitigate the decline in revenues, but it also reverse a recent trend of low [spt ruddy u d tyi v Fir tay n c](#) [Carbonero and his d icob l n o eta gfui ensd i ann y2 Oh1 a8](#) beneficial effect on labour markets in developed countries. In contrast, autarky where there is no ageing problem.

## Meeting the desired working time

As Johann Fuchs and his colleagues pointed out it will be unrealistically high to compensate for the desired improvements can be achieved provided that the d

unemployed will be [Sealios - Economic Director - January 2017](#), the the involuntary part-timers in total part-time employment gives underemployment rates on an hourly basis, is based on the consideration that unemployed women and workers who wish to work more could extend component of workers who wish to work shorter hours. The respective underemployment rate for 15- to 19-year-olds is the total hours worked by this group could be 9 and working time arrangement.



The figure impressively shows that there is an overall decline in the labour force by longer hours of a woman than with men. Especially after the family formation, an improvement by only 6 percent would be possible. This is particularly true for women than they currently do.

## Germany competes for skilled immi

As Germany competes with many other countries for labour immigration has been launched. Most important workers with vocational qualifications and skill the proof of precedence will be largely abolished regarding the recognition of the equivalence of remain in place. Hence, the main obstacle to the the options for job search, apprenticeship search qualifications have been extended or newly creat

## The pension system is under review

In order to limit the expenditures in the pension retirement are frequently under discussion. While pension system for an average of about 13 years, and 21 years (women), respectively. The pensiona This is why a link of pensions to life expectancy statistical measure and easier to practice than

Higher retirement age: The German Pension Insurance reports 2017. However, starting in 2012, the legal retirement will have reached 67 years. The effect of this c potential has already been considered in the sce a further increase of the legal retirement age u

Naturally, the effect is large when the consider retirement age would be especially effective if following the political debate in Germany, any f possible in the distant future only. Insofar, by force potential by 1.5 million people would only

Flexible entry into retirement [Juditha](#) [Bahr](#) [Gz](#) [eome](#) [khaen d](#) [ArB](#) [colleagues](#) [sthatte](#) [dari](#) [onu](#) [2017](#) ne third of the companies become entitled to a pension within the last two

especially small companies because, for them, the great loss of professional competence. When asked businesses reported shorter working hours, follow time. As of 2017, the Flexible Retirement Act (FLiA) has made the transition into retirement more predominantly positive. The agreement with the additional contributions and the more generous additional pension is particularly high.

## Conclusion

In order to reduce the negative consequences of social security systems, above all, the following effective framework for the employment of women in Germany needs to increase its attractiveness for the integration of migrants into the labour market and

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Stundenvolumen bringt IAB-aktuelle Informationen

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## Zitationshinweis

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