



2018 OECD ECONOMIC SURVEY OF GERMANY

Sustaining strong and inclusive growth

Berlin, June 12th 2018

<http://www.oecd.org/eco/surveys/economic-survey-germany.htm>



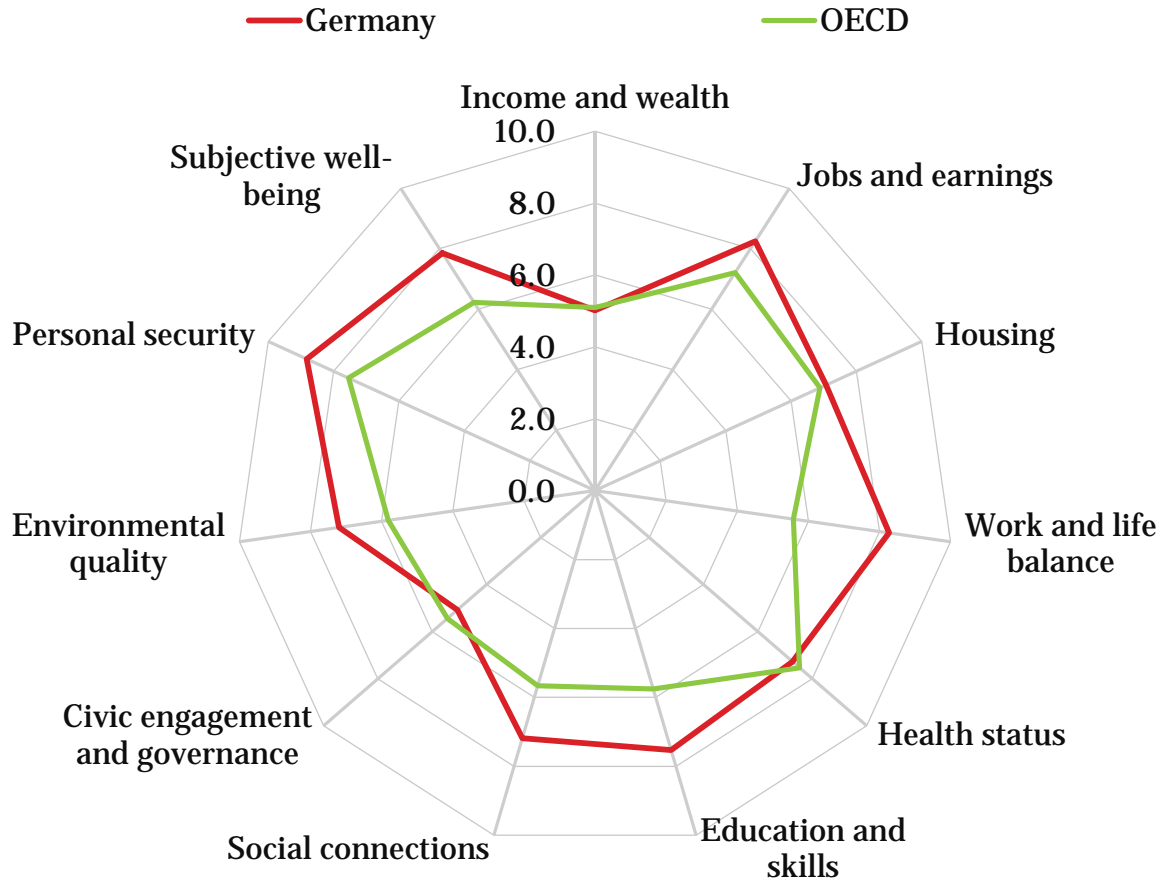
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Wellbeing is high

OECD Better Life Index, 2017

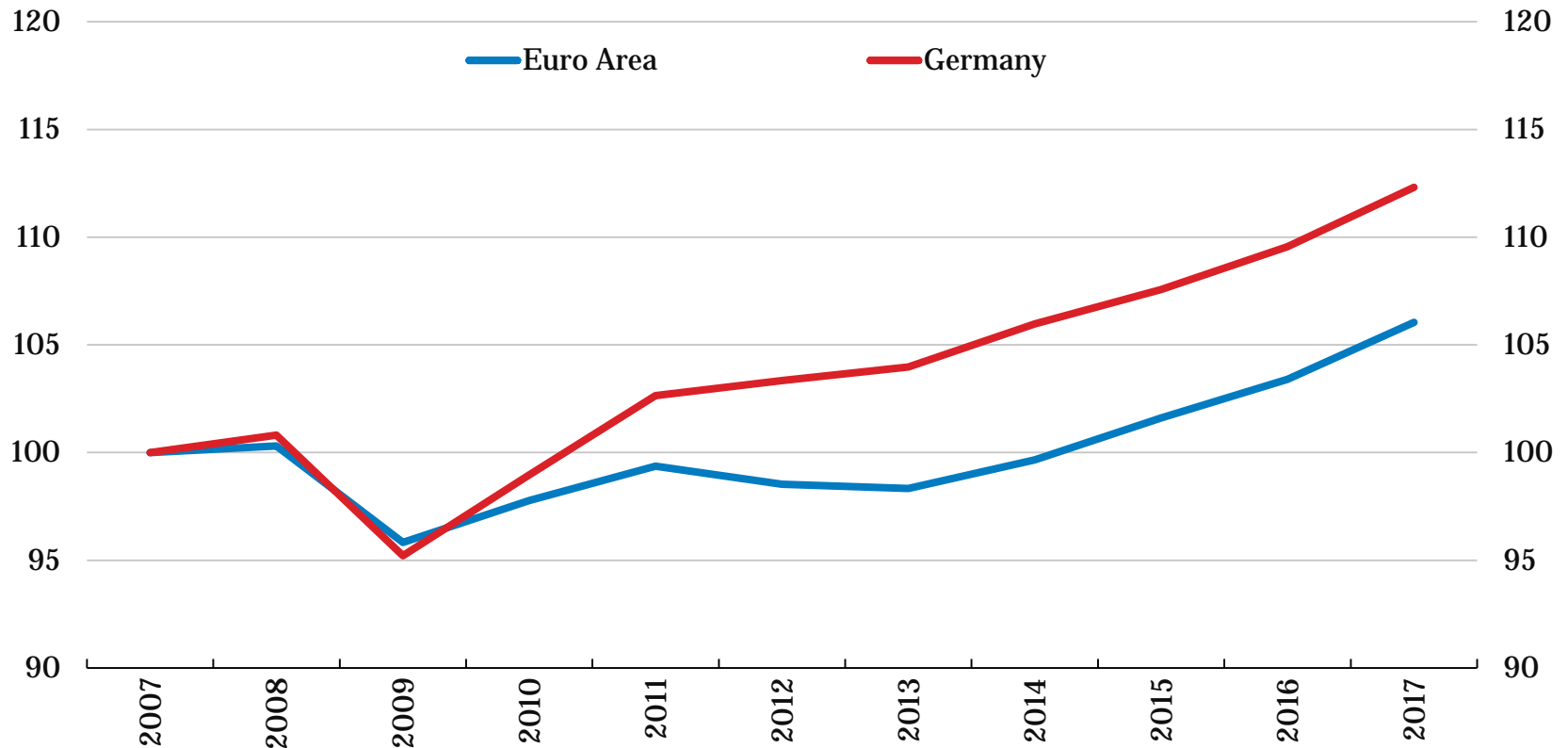


Source: OECD (2017), OECD Better Life Index, www.oecdbetterlifeindex.org.



Economic growth is robust

Real GDP, Index 2007= 100

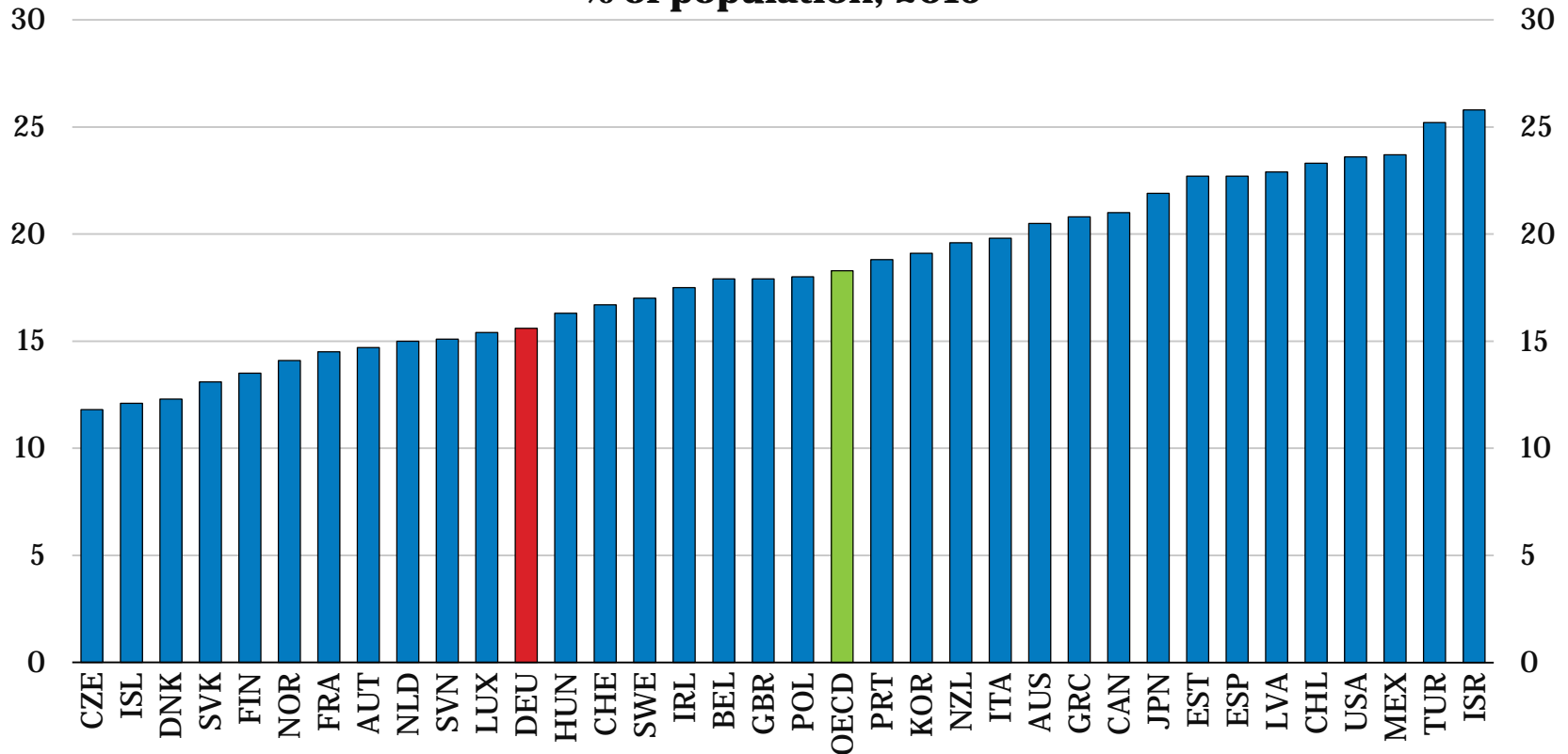


Source: OECD (2018), OECD Economic Outlook: Statistics and Projections (database).



Relative poverty is low

**Population with disposable income below the poverty line,
% of population, 2015**



Note: The poverty line is 60% of median household income. Household income is adjusted to take into account household size.

Source: OECD (2018), OECD Social and Welfare Statistics (database).



Unemployment is at a record low

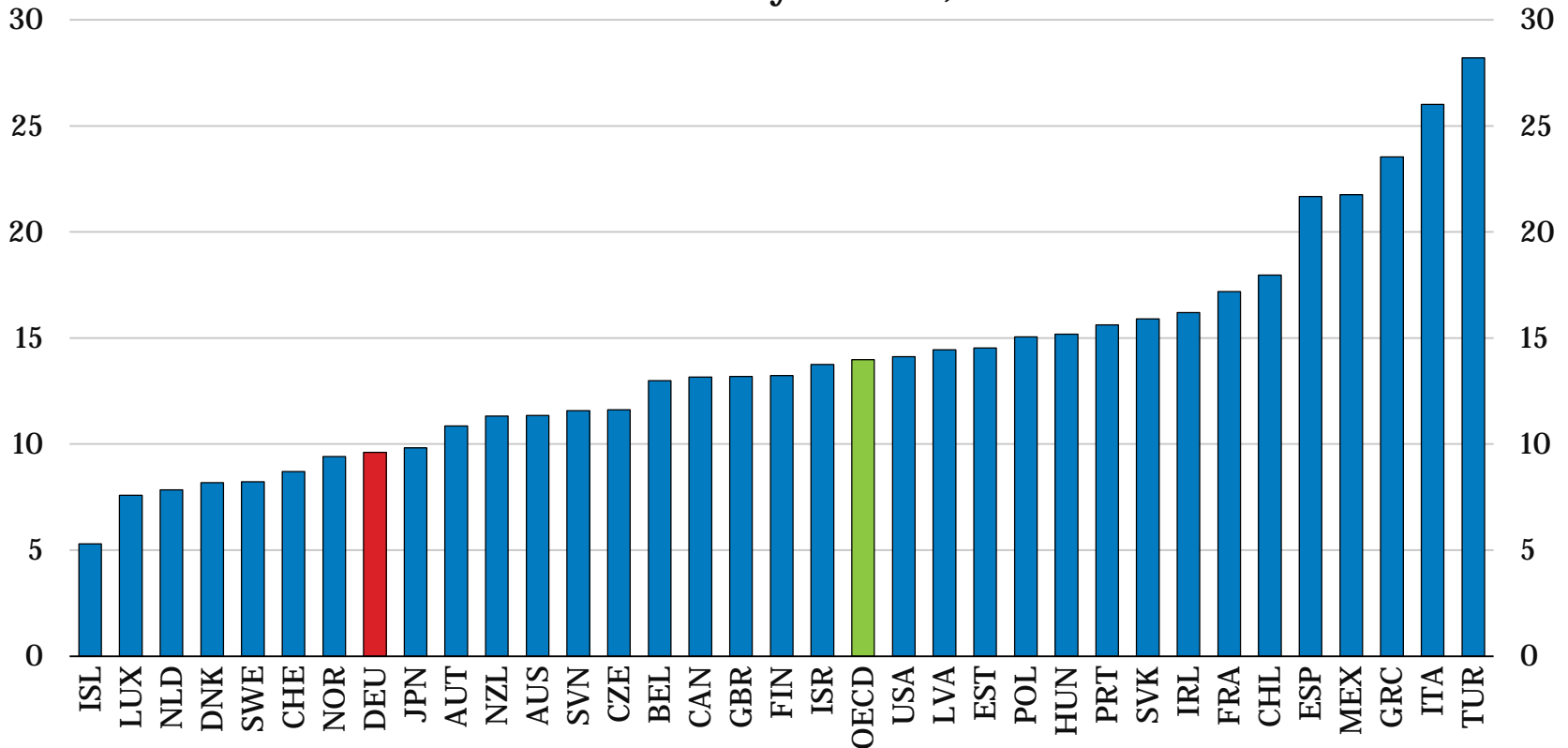


Source: Statistisches Bundesamt.



Most German youth are in employment, education or training

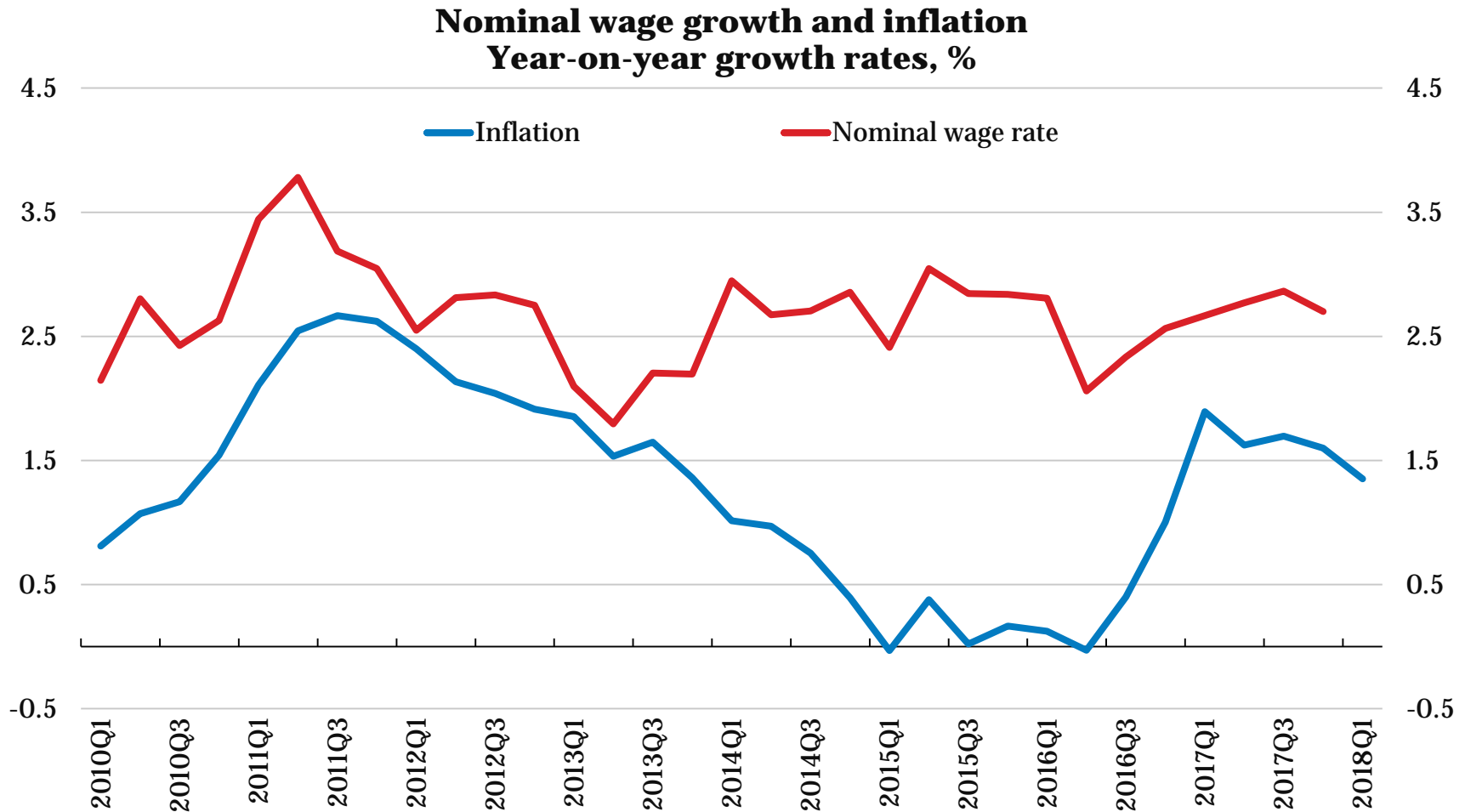
**Youth not in employment, education or training (NEET),
% of 15-29 year-olds, 2016**



Source: OECD (2017), "Education at a glance: Educational attainment and labour-force status", OECD Education Statistics (database).



Wage growth remains moderate



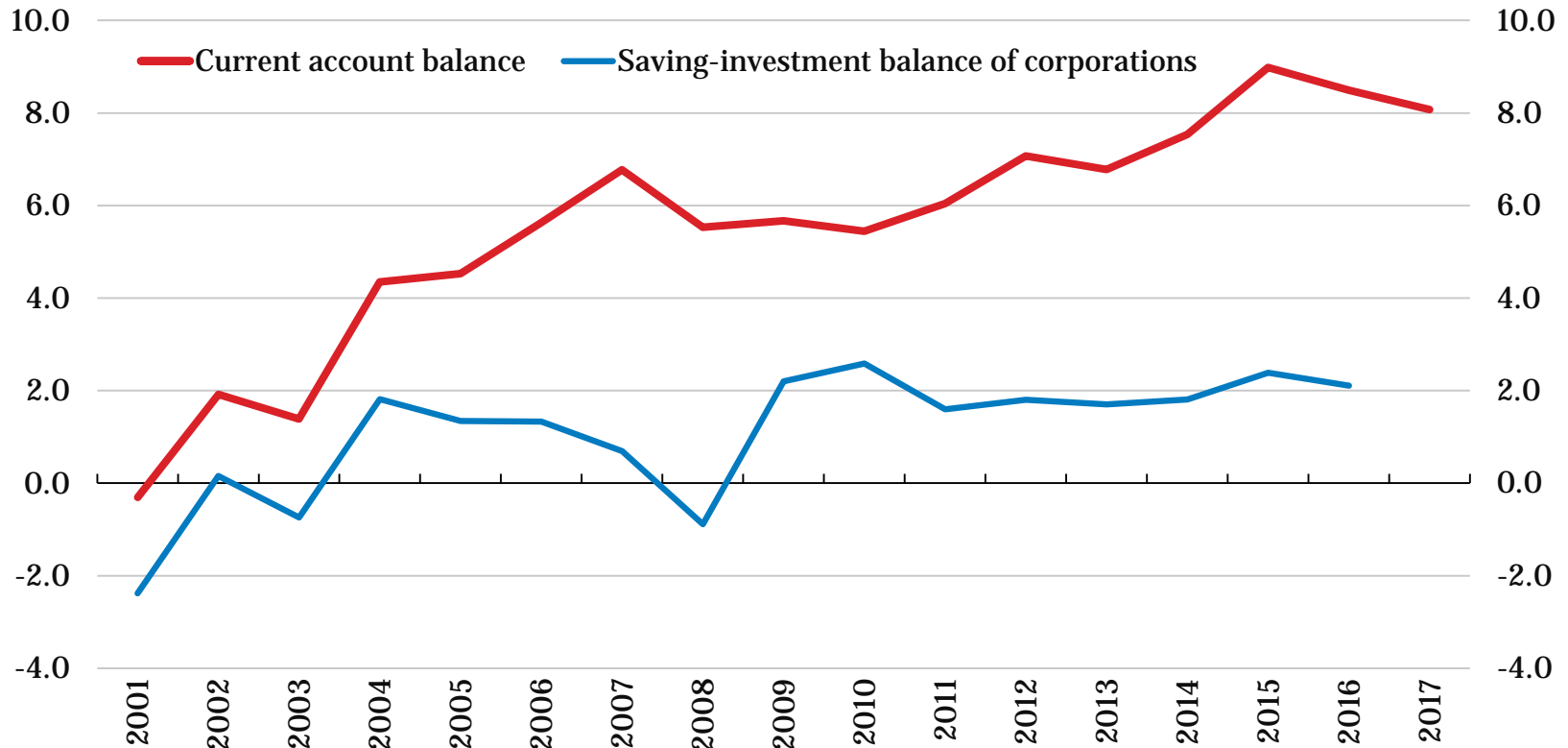
Note: Inflation is that of the Harmonised consumer price index (HICP).

Source: OECD (2018), OECD Economic Outlook: Statistics and Projections (database).



High corporate saving contributes to the current account surplus

**Current account and saving-investment balance,
% of GDP**



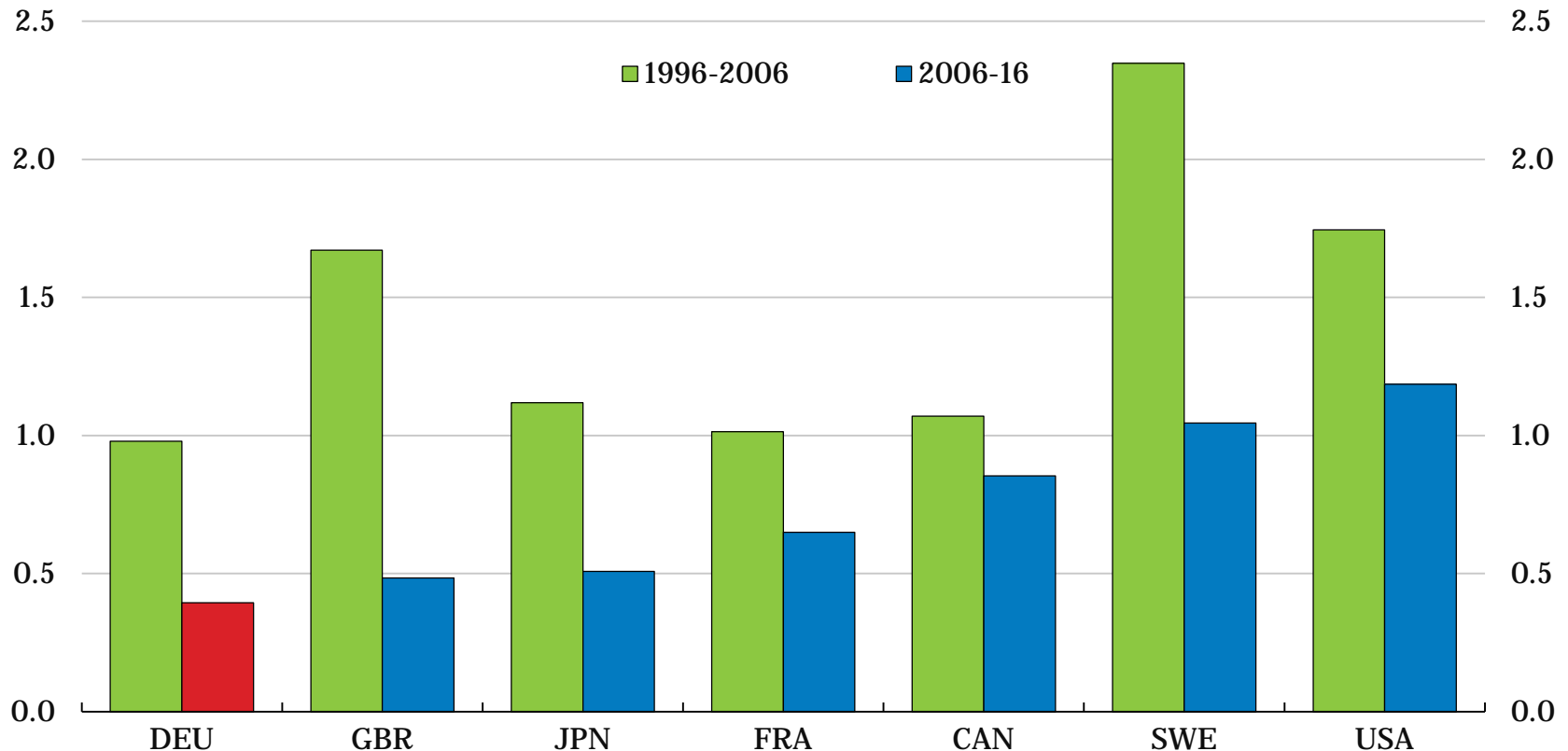
Source: OECD calculations based on OECD (2018), OECD National Accounts Statistics (database) and OECD (2018), OECD Economic Outlook: Statistics and Projections (database).

CHALLENGES



Trend productivity growth has slowed

Average annual rate of labour productivity growth,



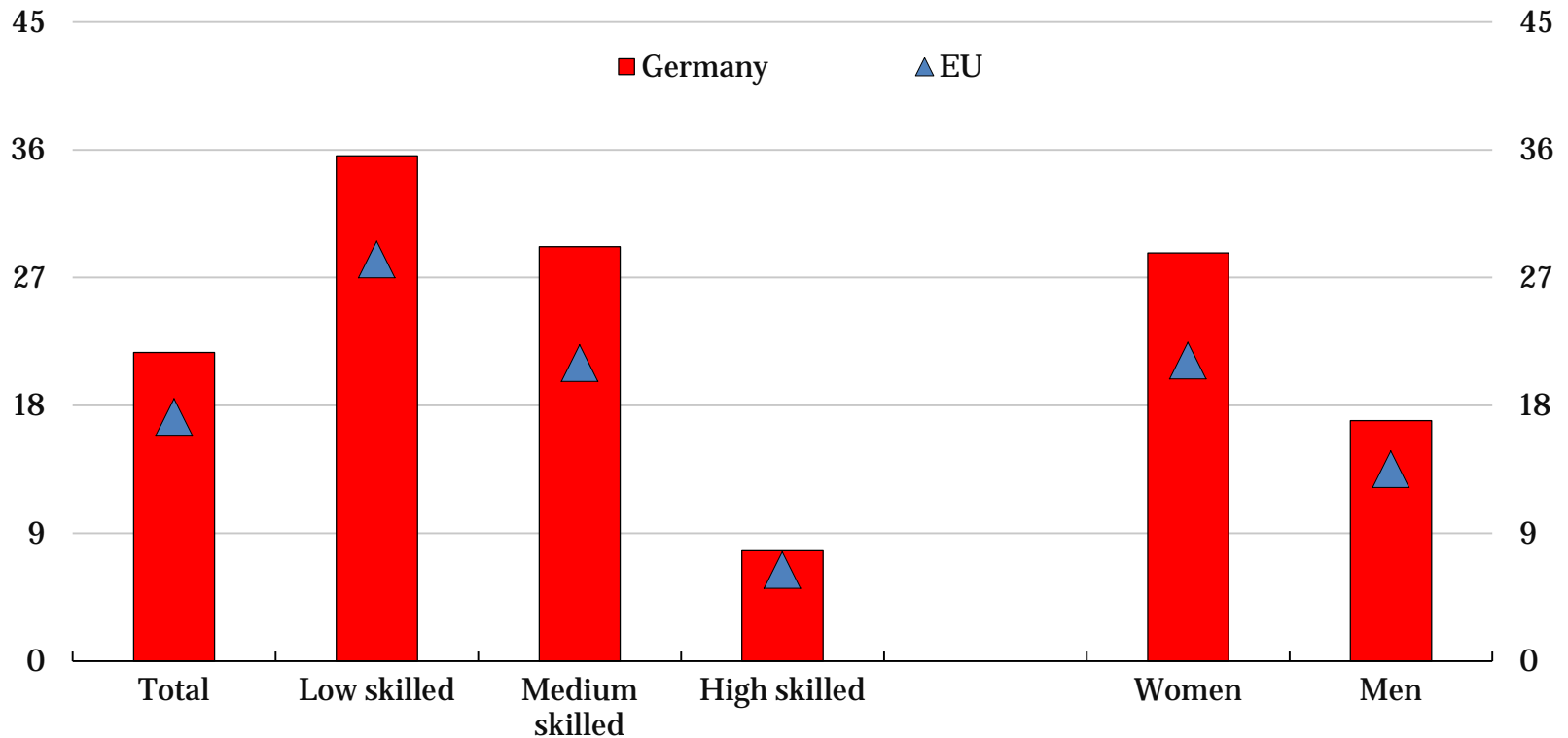
Note: Average annual growth in trend labour productivity.

Source: OECD (2018), "OECD Economic Outlook No. 102 (Edition 2017/2)", OECD Economic Outlook: Statistics and Projections (database).



Many workers earn low wages

**Employees earning low wage,
% of all employees**

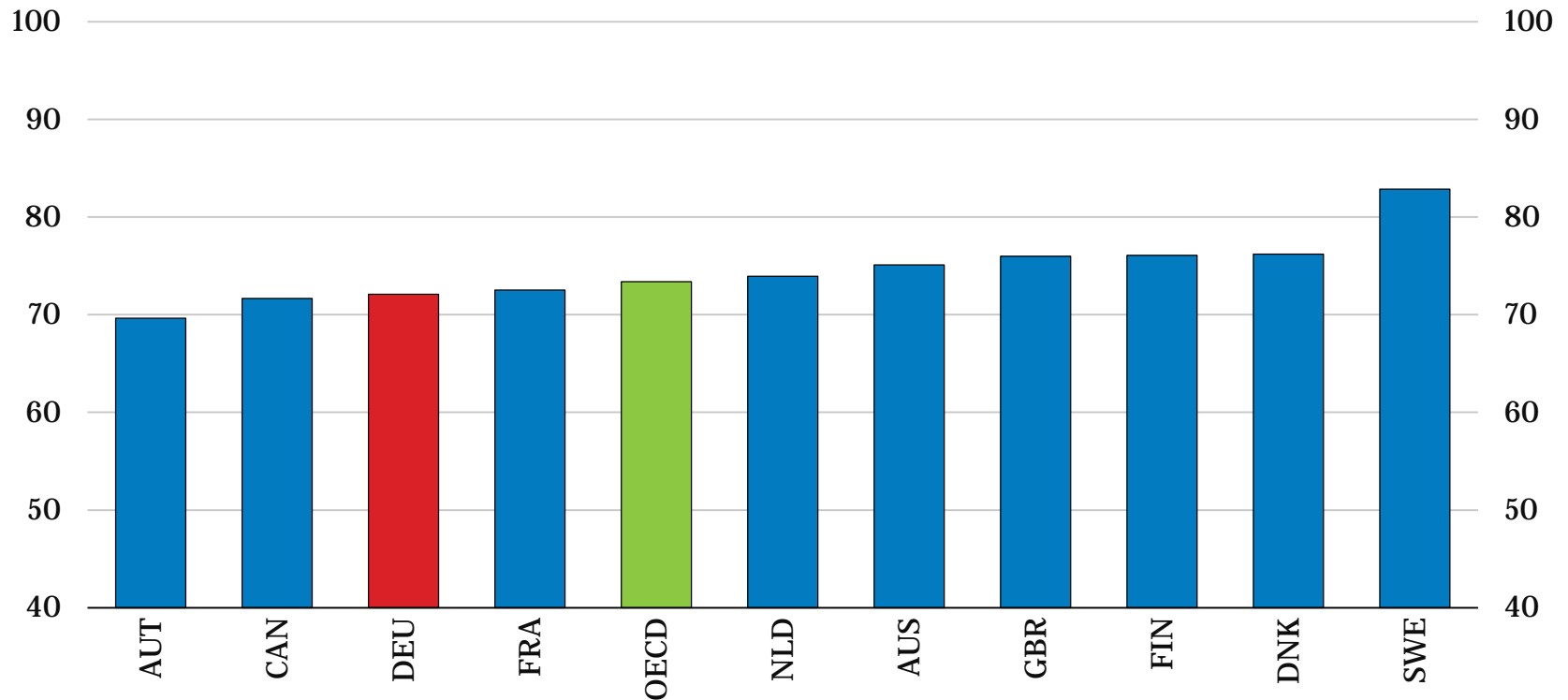


Note: employees earning low wage are those earning less than two thirds of the median gross hourly earnings.
Source: Eurostat (2018), Employment and working conditions (database).



Highly educated women earn much less than men

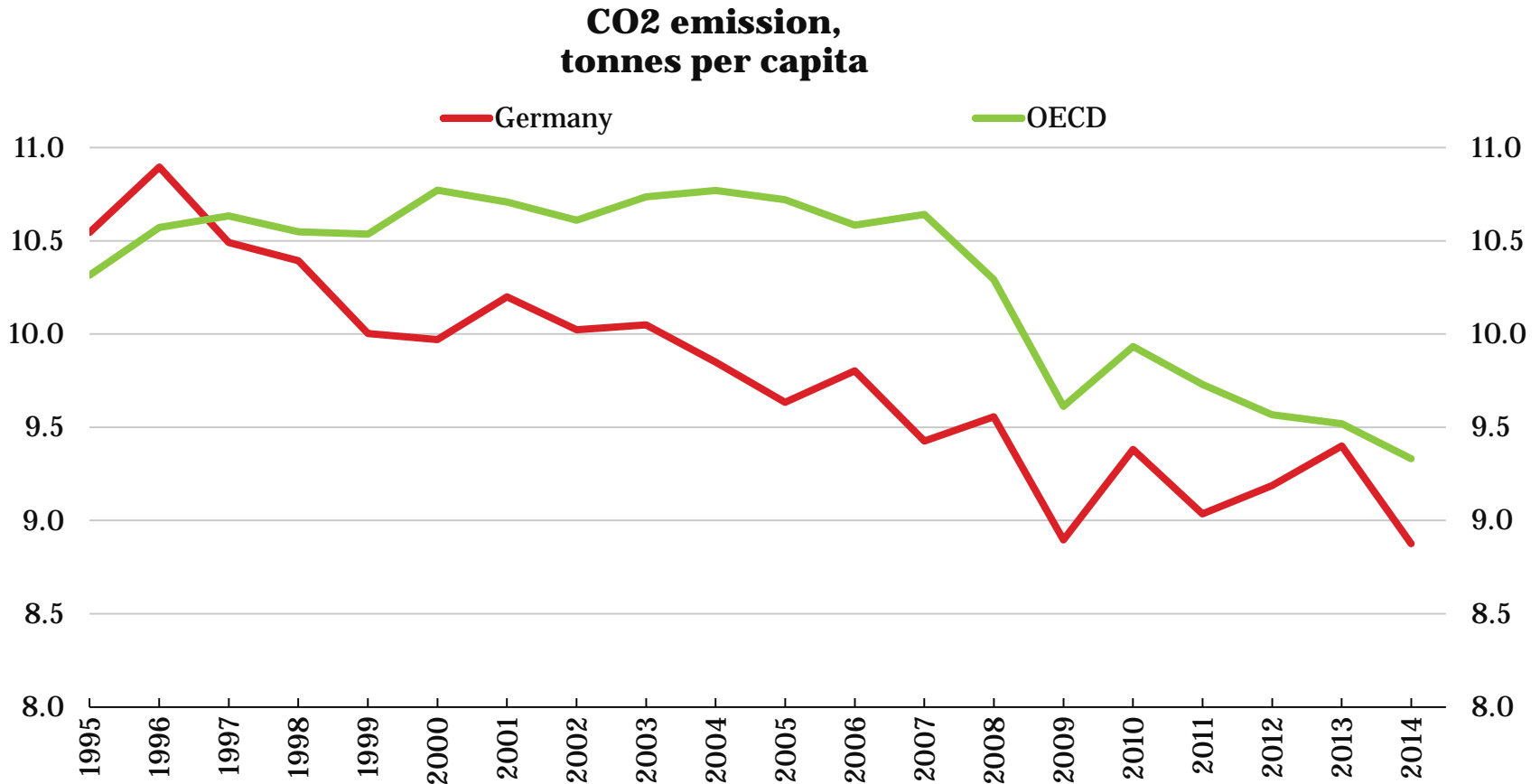
**Women's earnings as % of men's earnings,
Tertiary education graduates, 2014**



Source: OECD (2016), Education at a Glance 2016: OECD Indicators.



CO2 emissions have fallen little in recent years

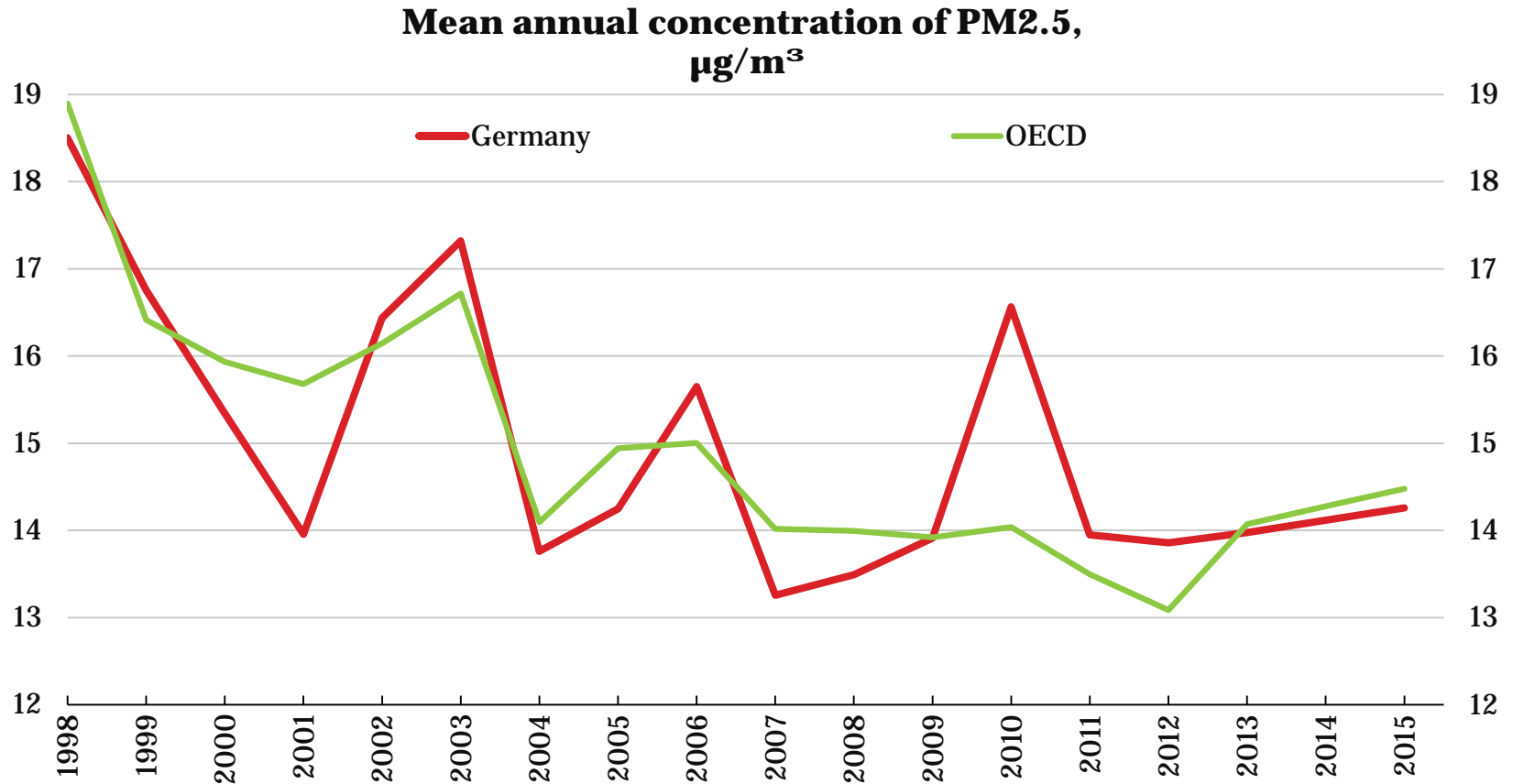


Note: Emission is production based.

Source: OECD (2018), Green Growth Indicators (database).



Small particle emissions have not fallen recently



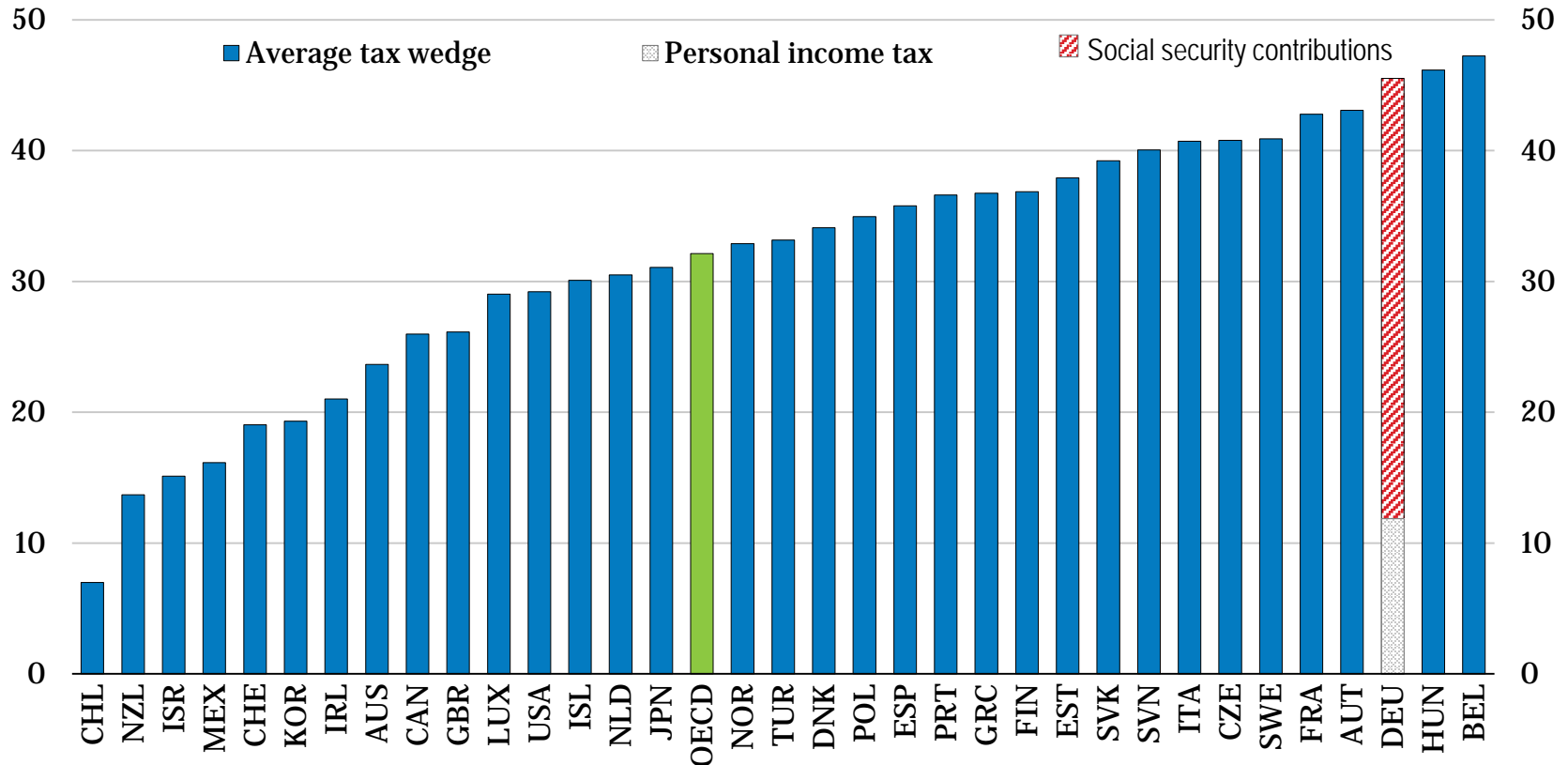
Source: OECD (2018), Green Growth Indicators (database).

USING FISCAL POLICY TO SUPPORT INCLUSIVE GROWTH



Labour taxes on low incomes are high

**Labour income tax and social security contributions,
as % of labour costs, 2017**

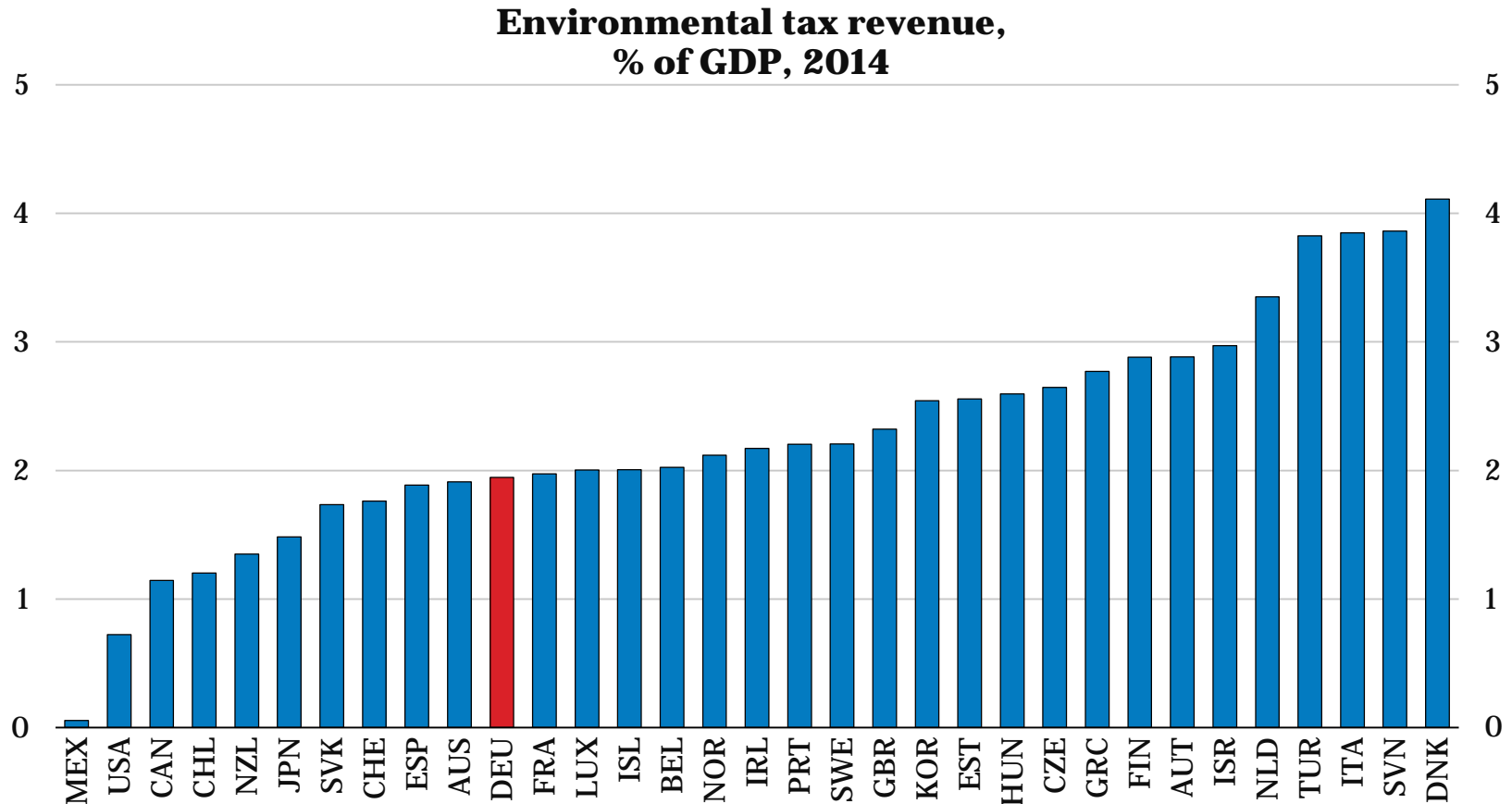


Note: Income tax plus employee and employer social security contributions less cash benefits for single person, no child, earning 67% of average earnings.

Source: OECD (2018), Taxing Wages Statistics (database).



Environmental tax revenue could be higher

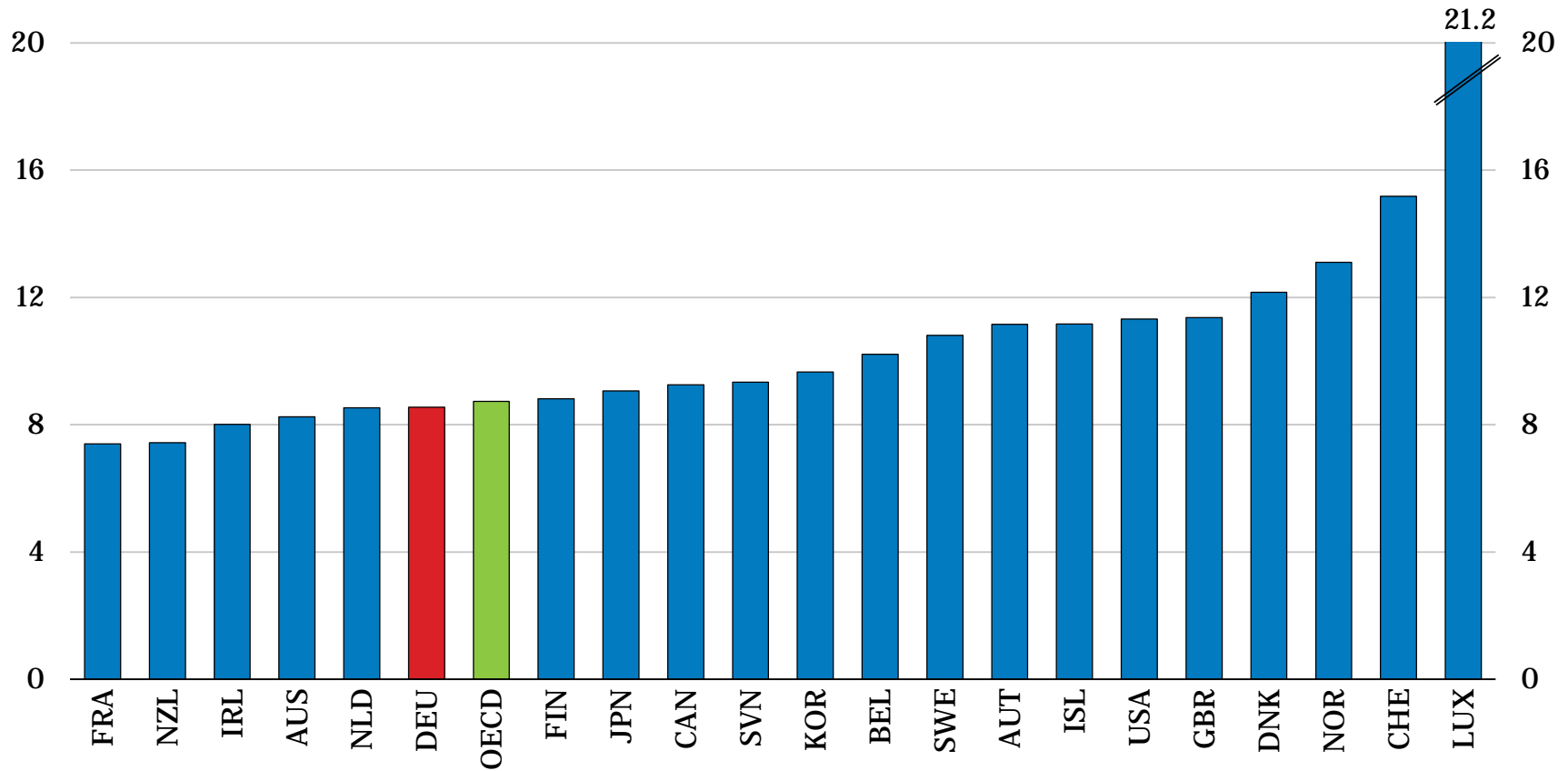


Source: OECD (2018), "OECD Instruments used for environmental policy", OECD Environment Statistics (database).



Expenditure on primary education is low

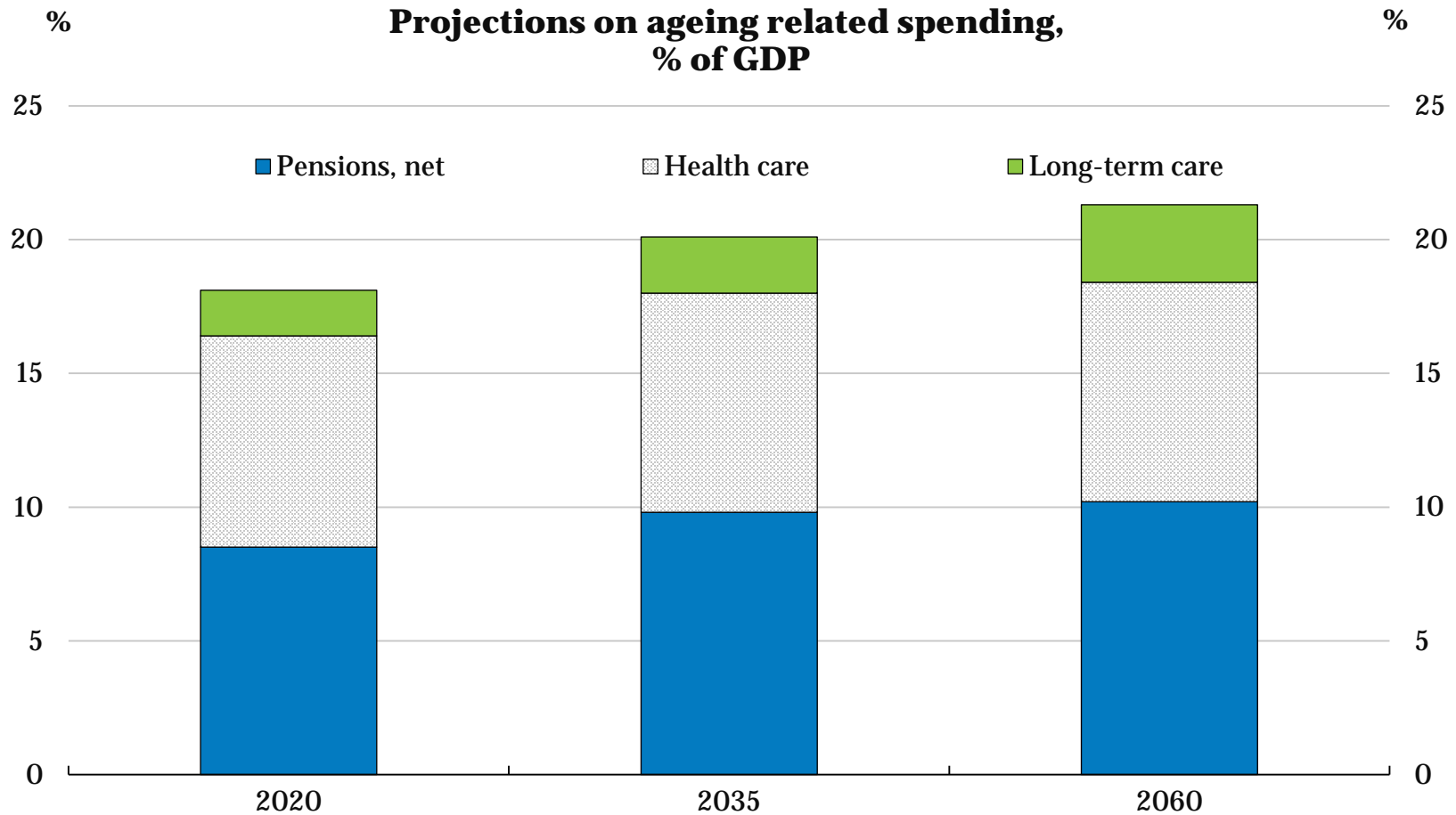
**Annual public expenditure in primary education,
Per student, USD thousand, PPPs, 2014**



Source: OECD (2017), Education at a Glance 2017: OECD Indicators.



Ageing related spending will increase



Source: European Commission (2015), "The 2015 ageing report: Economic and budgetary projections for the 28 EU Member States (2013-2060)". Based on the reference scenario.



Key recommendations for fiscal policies supporting steady inclusive growth

- Use fiscal leeway in a prudent manner, taking capacity constraints into account, to lower the taxation of low wage earnings and to raise priority spending on childcare, education and life-long learning as well as for low-emission transport infrastructure.
- Index the legal pension age to life expectancy.
- Introduce spending reviews more broadly at the federal and Länder level and use them to reallocate funding across broad spending fields.

More in the Key Policy Insights of the Economic Survey of Germany 2018



Key recommendations for boosting green growth

- Extend charging station infrastructure to promote electrification of road transport.
- Develop congestion pricing.
- Remove regulatory hurdles to new low-emission urban transport services, including ride-sharing.

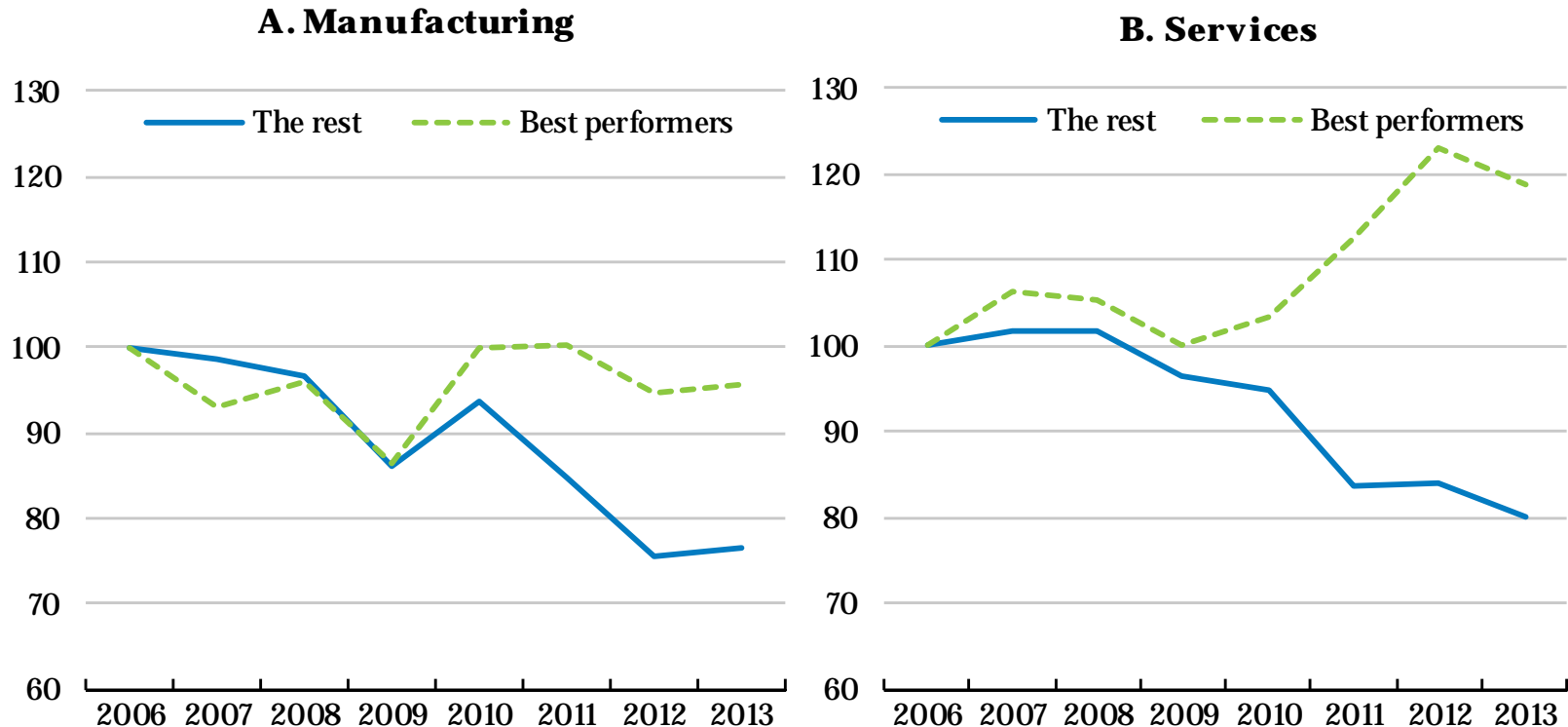
More in the Key Policy Insights of the Economic Survey of Germany 2018

BOOSTING PRODUCTIVITY AND PREPARING FOR THE FUTURE OF WORK



Technology diffusion has slowed

**Multifactor productivity level of German firms,
index 2006 =100**

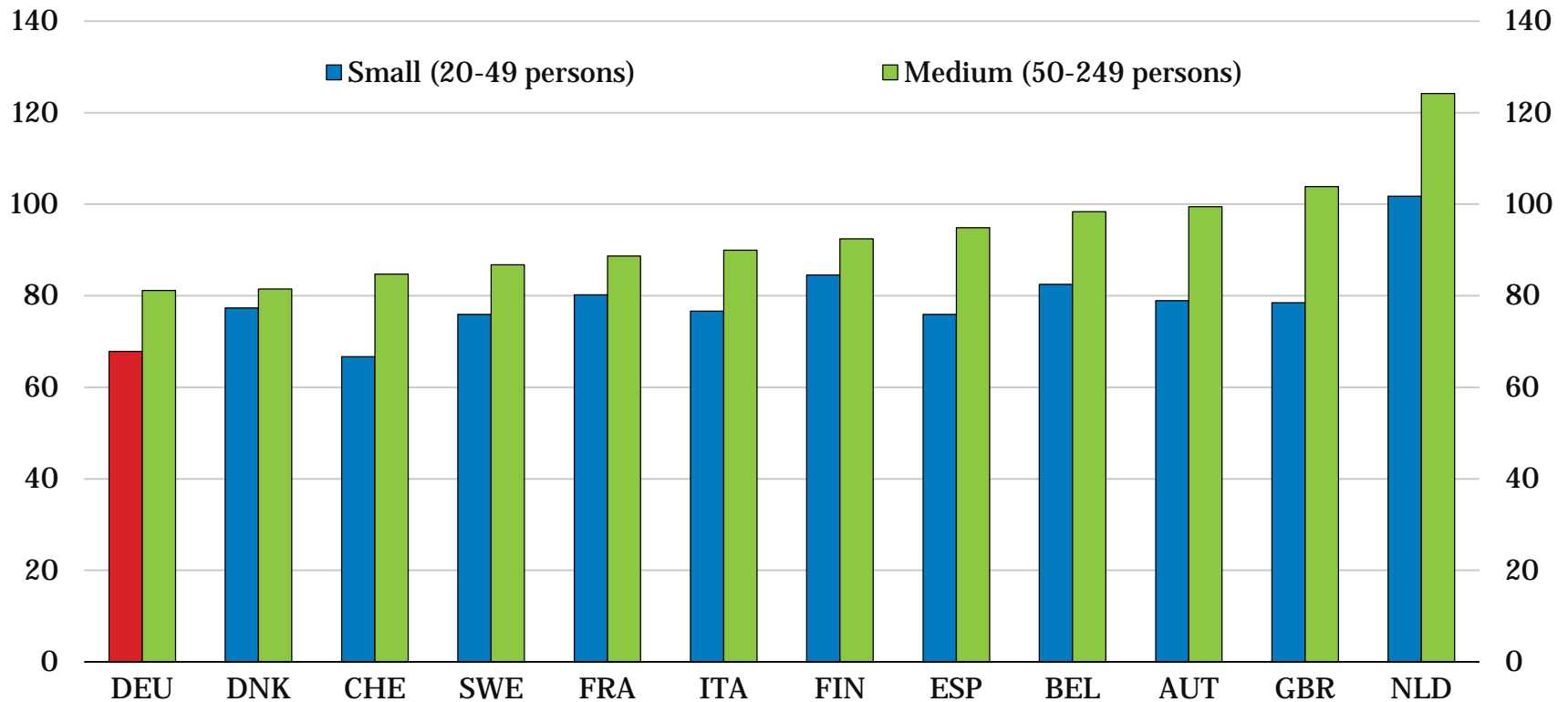


Note: The Best performers are the top 5% firms with highest productivity within each 2-digit sector .
Source: OECD calculations based on *ORBIS* dataset.



Small and medium sized firms lag behind in productivity

**Value added per person employed in SMEs,
% of the level of large firms, 2014**



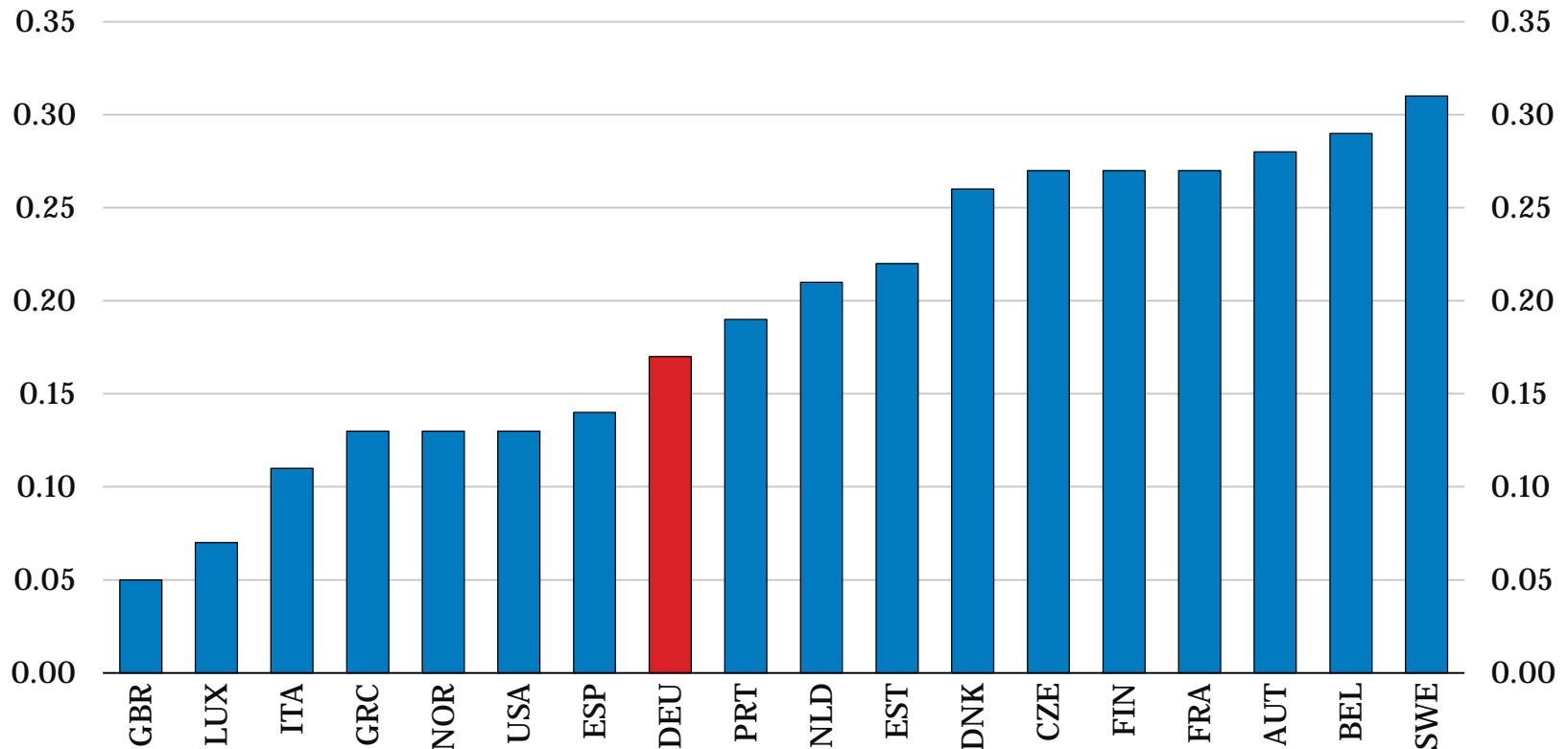
Note: Large firms are firms with more than 250 employed persons.

Source: OECD calculations based on *OECD (2017), Entrepreneurship at a Glance 2017*.



Knowledge-based capital contributes little to productivity growth

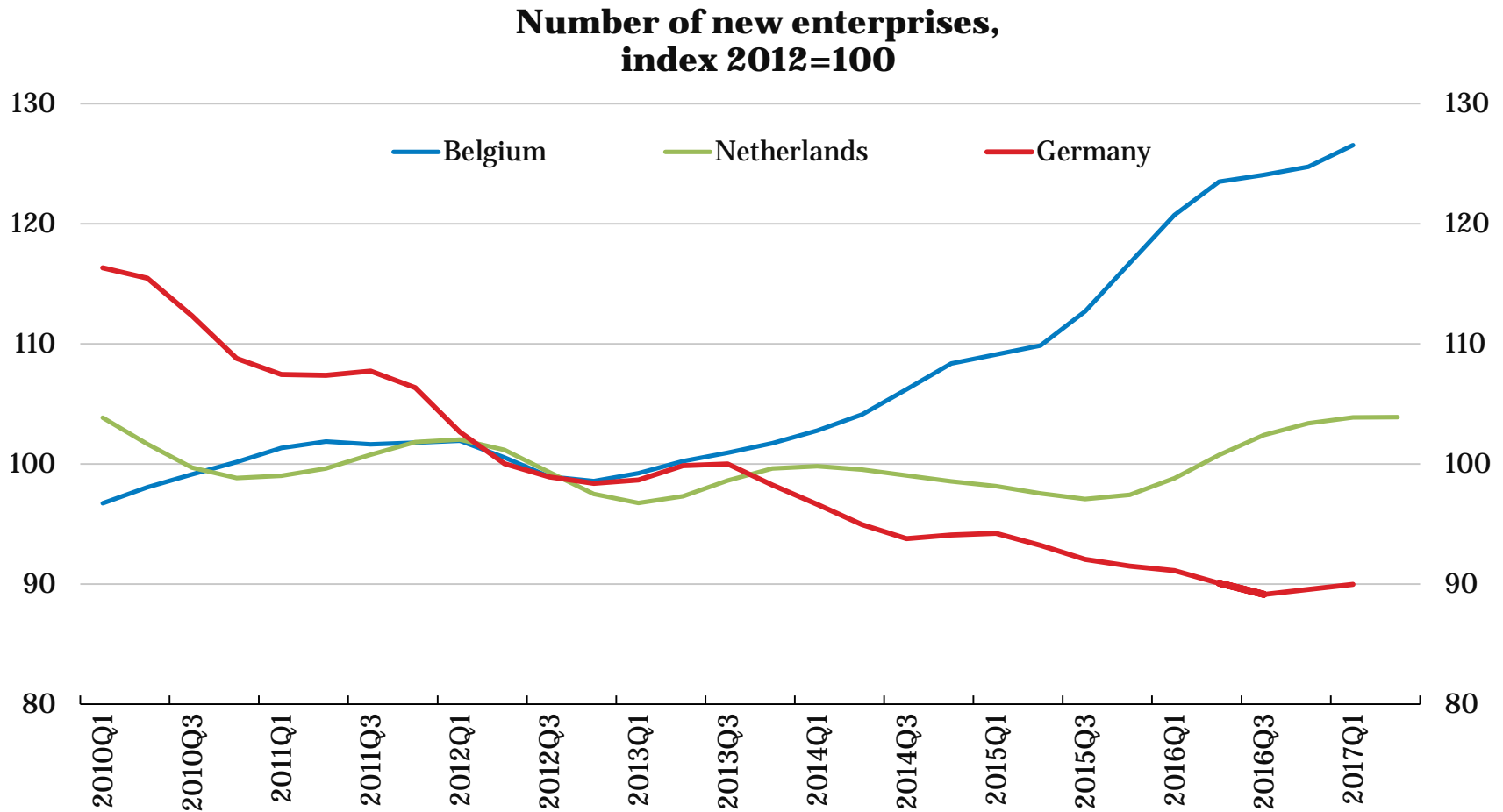
**Contribution of KBC to labour productivity growth,
Percentage points, business sector, 2000-14**



Source: OECD (2017), *OECD Science, Technology and Industry Scoreboard 2017: The digital transformation*.



Entrepreneurship has declined

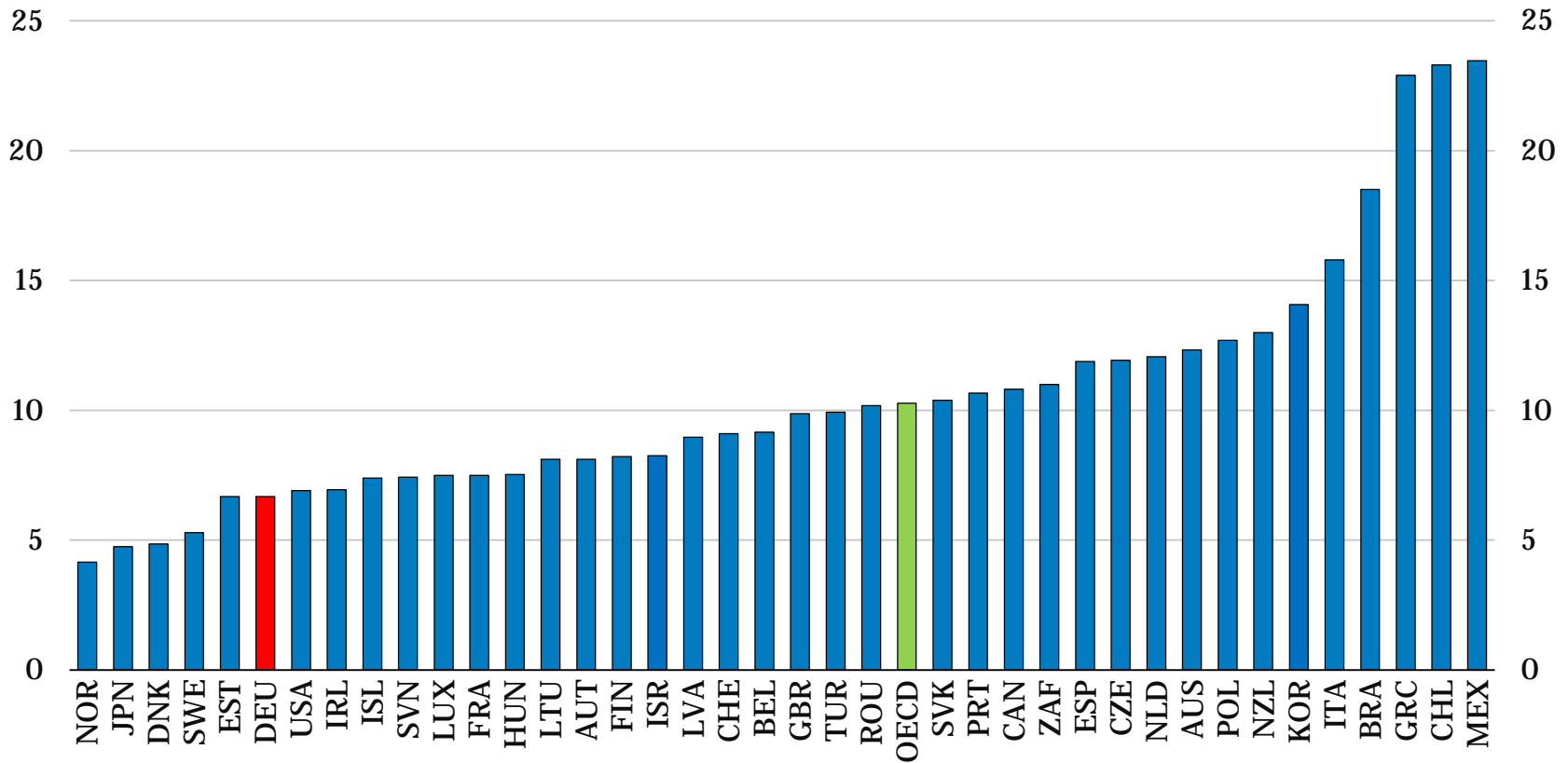


Note: the number of new enterprises is adjusted for business cycle components.
Source: OECD (2017), Entrepreneurship at a Glance 2017.



Women's entrepreneurship is low

**The share of self-employed women,
% of total active women, 2016**

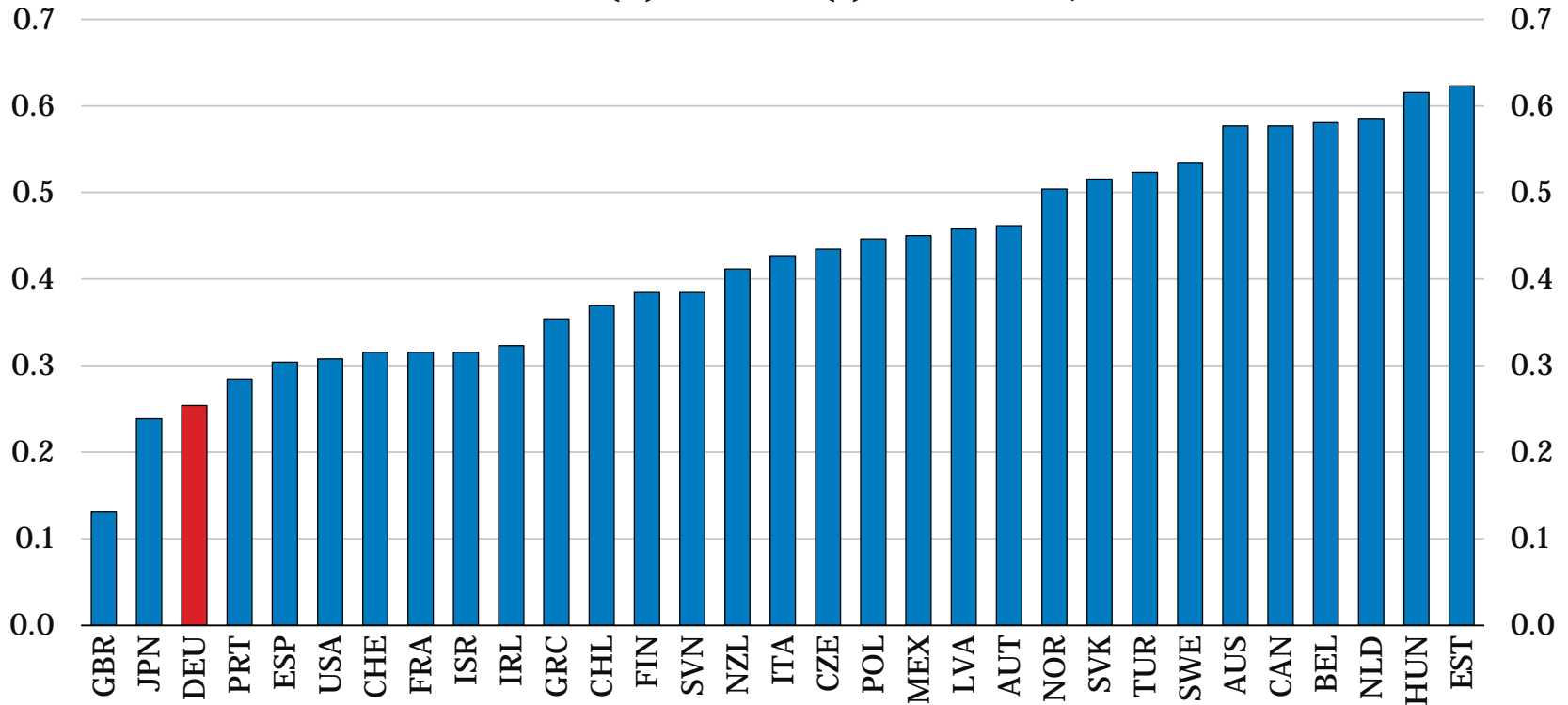


Source: OECD (2017), Entrepreneurship at a Glance 2017.



The insolvency regime is efficient

**OECD indicator of insolvency regime,
From least (0) to most (1) restrictive, 2016**

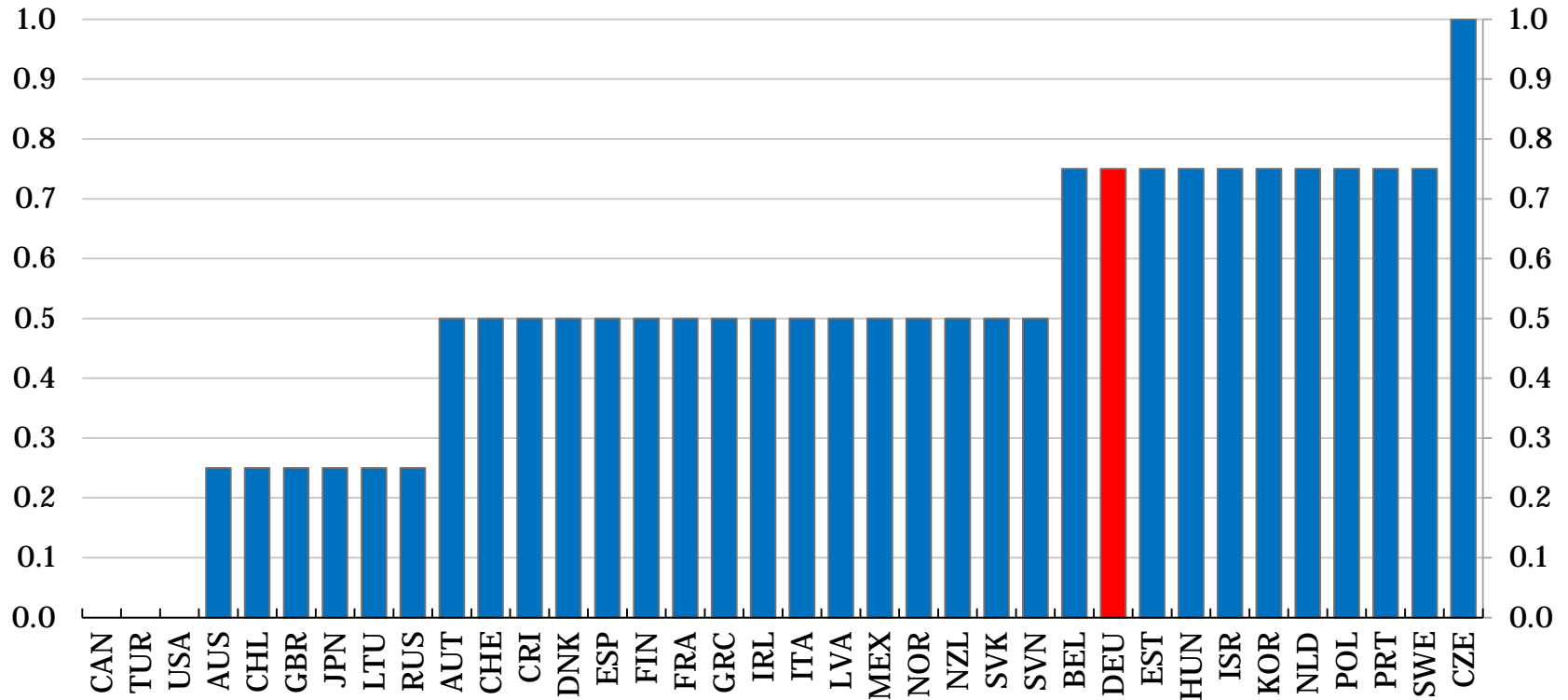


Note: The OECD insolvency regime indicator capture (1) personal costs to failed entrepreneurs, (2) lack of preventative and streamlining measures and (3) barriers to restructuring. Higher values of the composite indicator correspond to more inefficiency.
Source: Adalet McGowan, M., D. Andrews and V. Millot (2017), "Insolvency regimes, zombie firms and capital reallocation", OECD Economics Department Working Papers, No. 1399.



The personal costs of failed entrepreneurs are high

The subcomponent of the OECD insolvency indicator on personal costs of failed entrepreneurs, from least (0) to most (1) restrictive, 2016



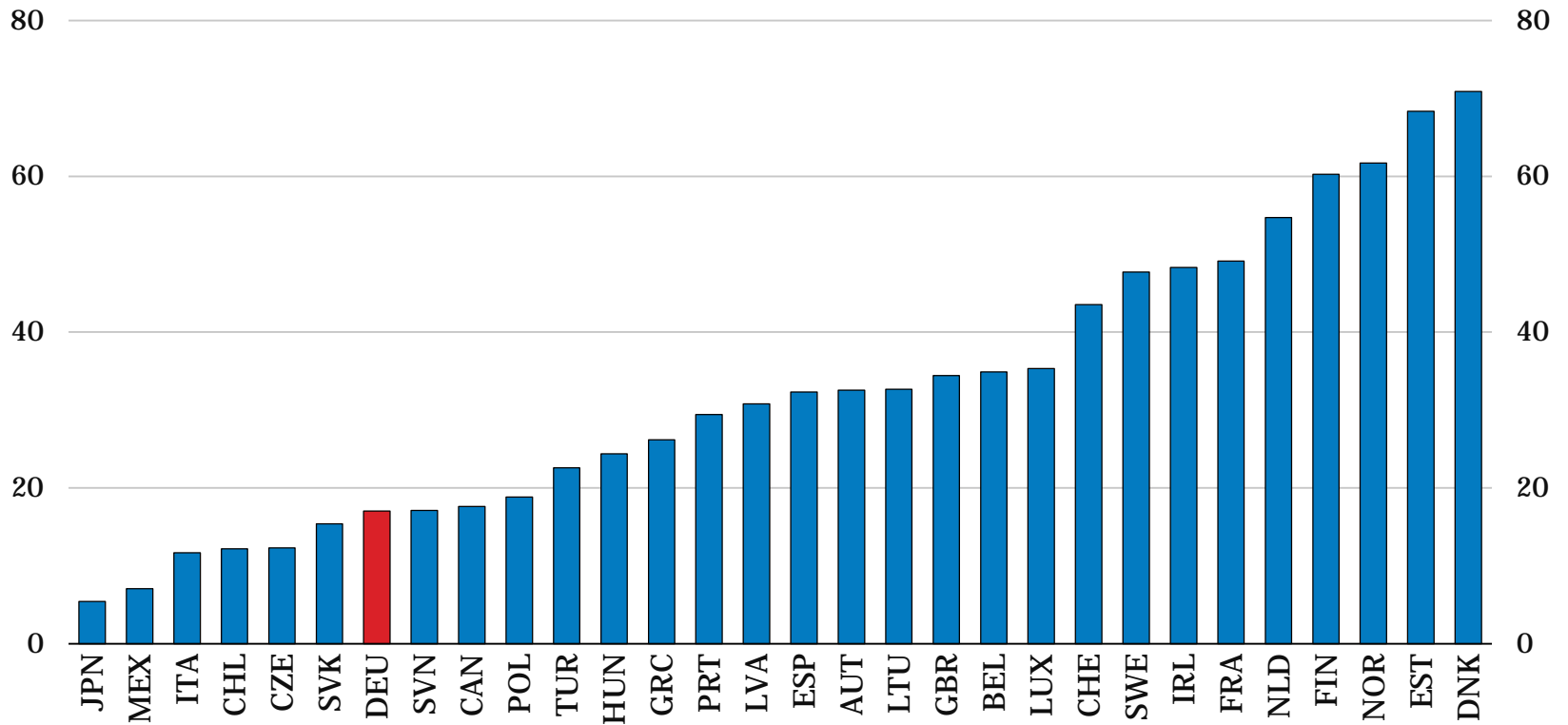
Note: The subcomponent captures the stringency of the restrictiveness on the insolvency procedure on failed entrepreneurs, including the length of discharge period.

Source: Adalet McGowan, M., D. Andrews and V. Millot (2017), "Insolvency regimes, zombie firms and capital reallocation", OECD Economics Department Working Papers, No. 1399.



Low use of e-government raises costs of start-ups

**Individuals submitting forms to authorities online,
% of individual surveyed, 2016**

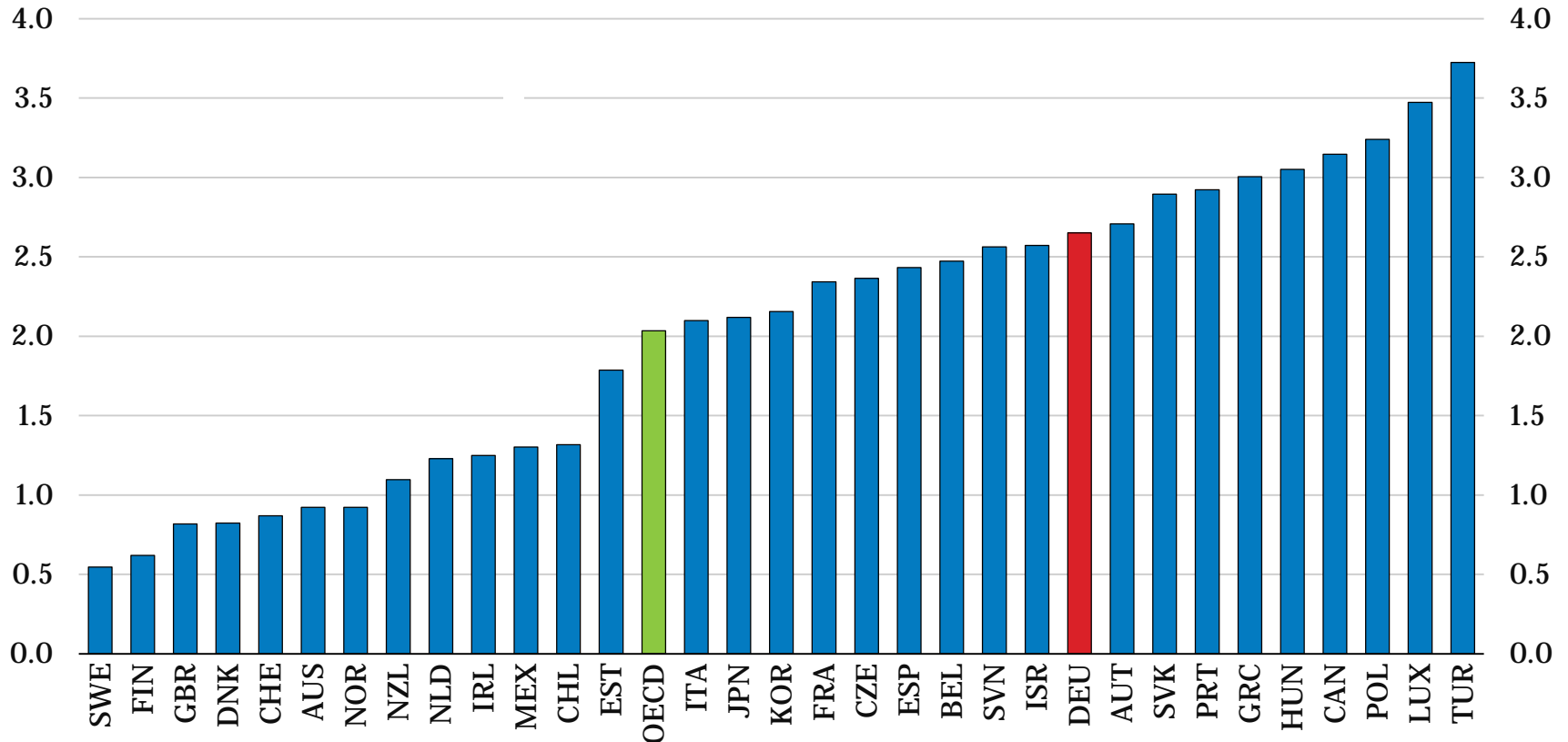


Source: OECD (2017), *OECD Digital Economy Outlook 2017*.



Entry barriers to professional services are high

Indicator of regulation in professional services,
From least (0) to most (6) stringent

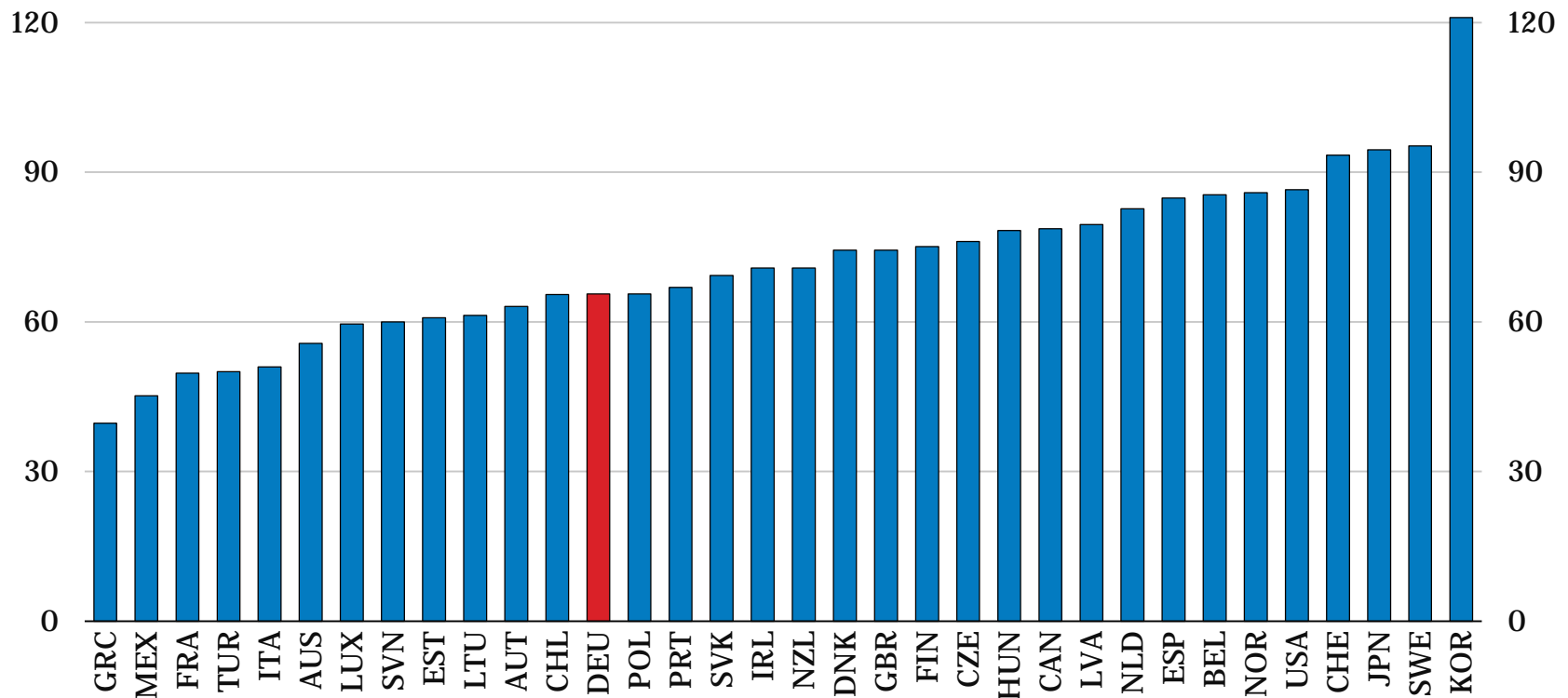


Source: OECD (2015), OECD Product Market Regulation Database.



Internet connection speed is slow

**Average peak connection speed,
Megabits per second, Q1 2017**

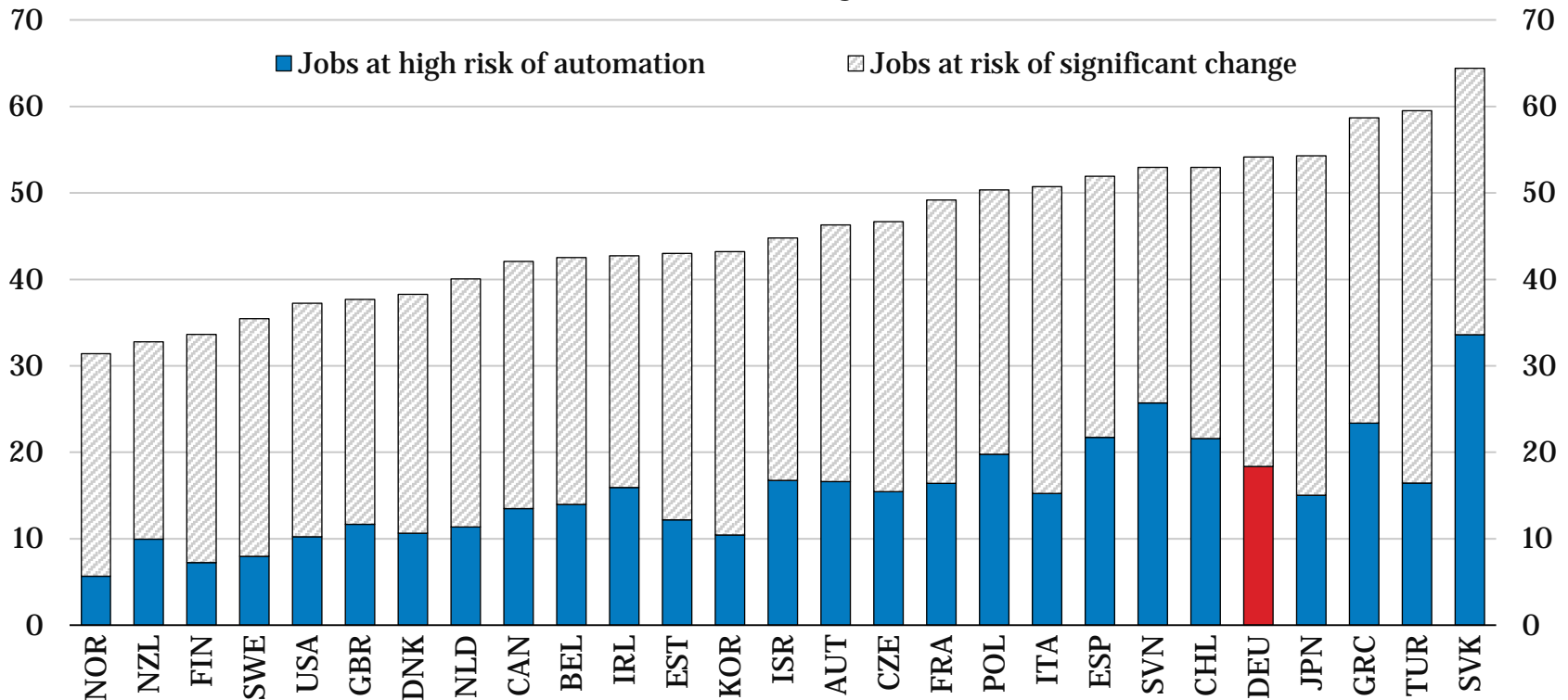


Source: Akamai (2017), "Akamai's state of the Internet report: Q1 2017 report", <https://www.akamai.com>.



Many jobs may undergo substantial changes

**Jobs at high risk of automation and significant change,
% of all jobs**



Source: Nedelkoska, L. and G. Quintini (2018), "Automation, skills use and training", OECD Social, Employment and Migration Working Papers, No. 202, OECD Publishing, Paris.



Key recommendations for boosting productivity and preparing for the future of work

Boost entrepreneurship and resource allocation

- Ease the conditions for bankrupt entrepreneurs to be discharged of debt after 3 years, while maintaining adequate safeguards for creditors.
- Create a one stop shop to process all procedures for starting up a company online.
- Reduce restrictive regulation in the professional services, safeguarding quality standards and consumer interests.
- Privatisise government stakes in the *Landesbanken*, car manufacturing, telecommunications and postal services.

Strengthen digital infrastructure through competition

- Use the upcoming radio spectrum auction to promote competition in the mobile market.

Expand social protection for the self employed

- Make enrolment in public old-age pension mandatory for the self-employed who are not covered by old-age pension insurance.
- Open access to public health insurance to all self-employed.

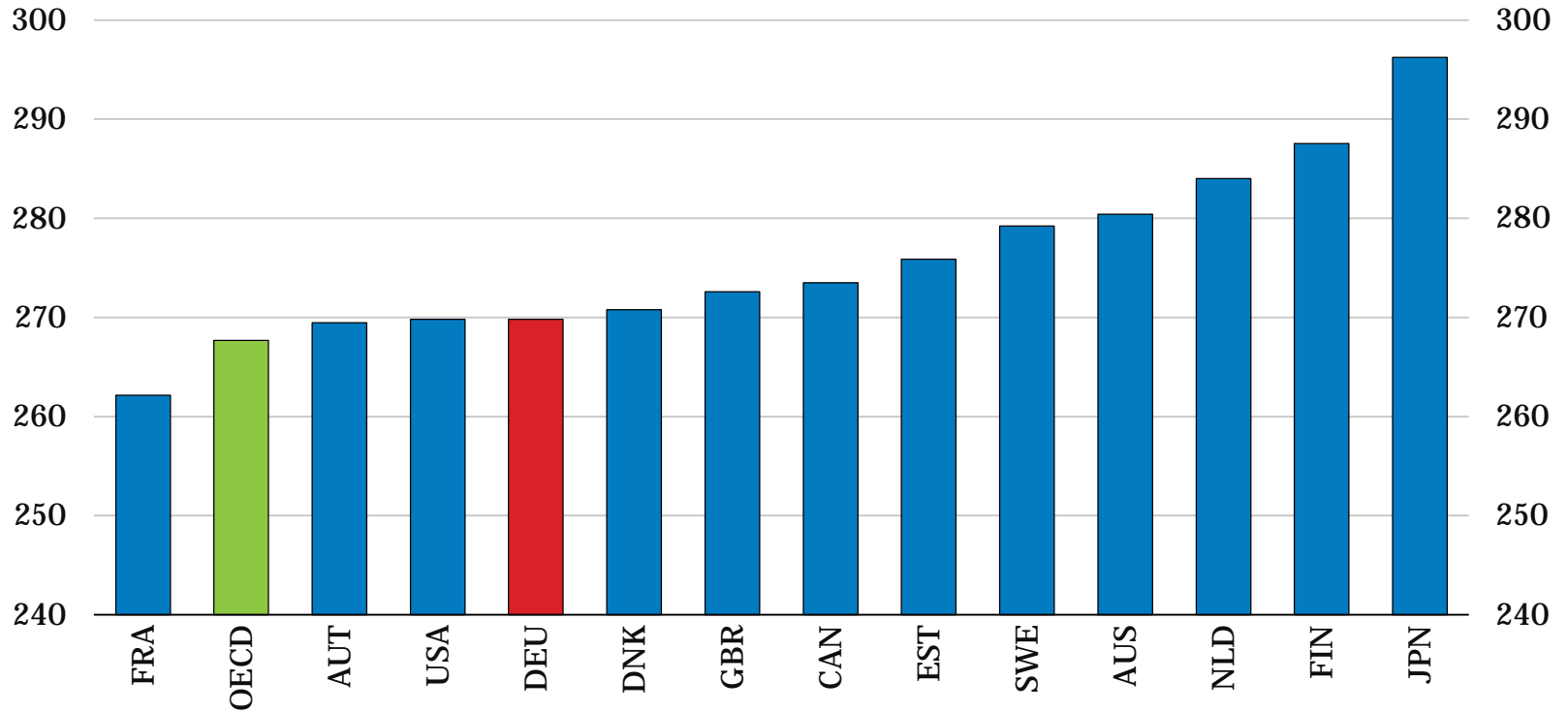
More in Chapter 1 of the Economic Survey of Germany 2018

IMPROVING SKILLS AND THEIR USE



Adults skills lag behind leading countries

PIAAC mean proficiency scores in literacy



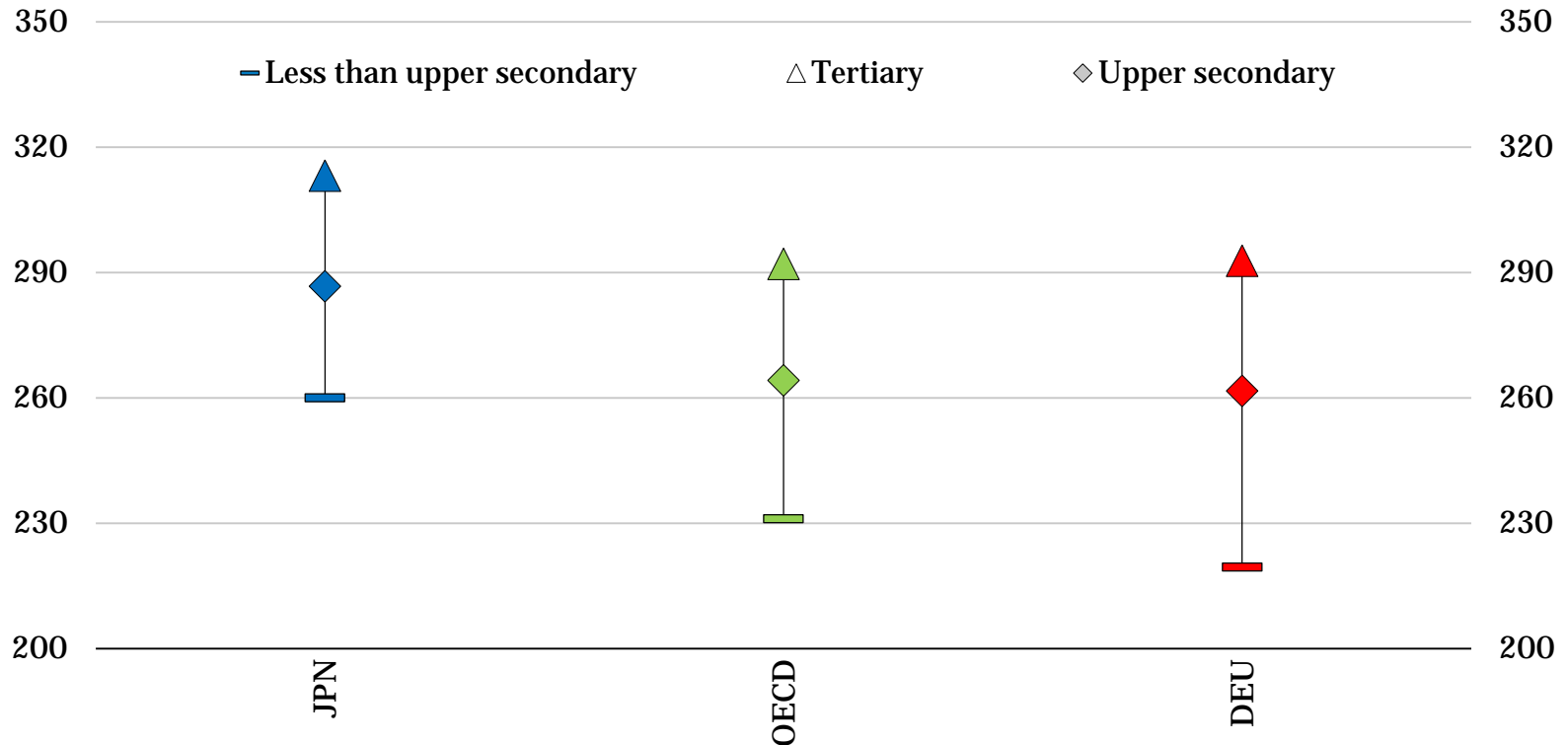
Note: The data refer to 15-65 year-olds

Source: OECD (2016), Skills Matter: Further Results from the Survey of Adult Skills.



Literacy skills are low among workers with low education attainment

**PIAAC mean proficiency scores in literacy,
by educational attainment**



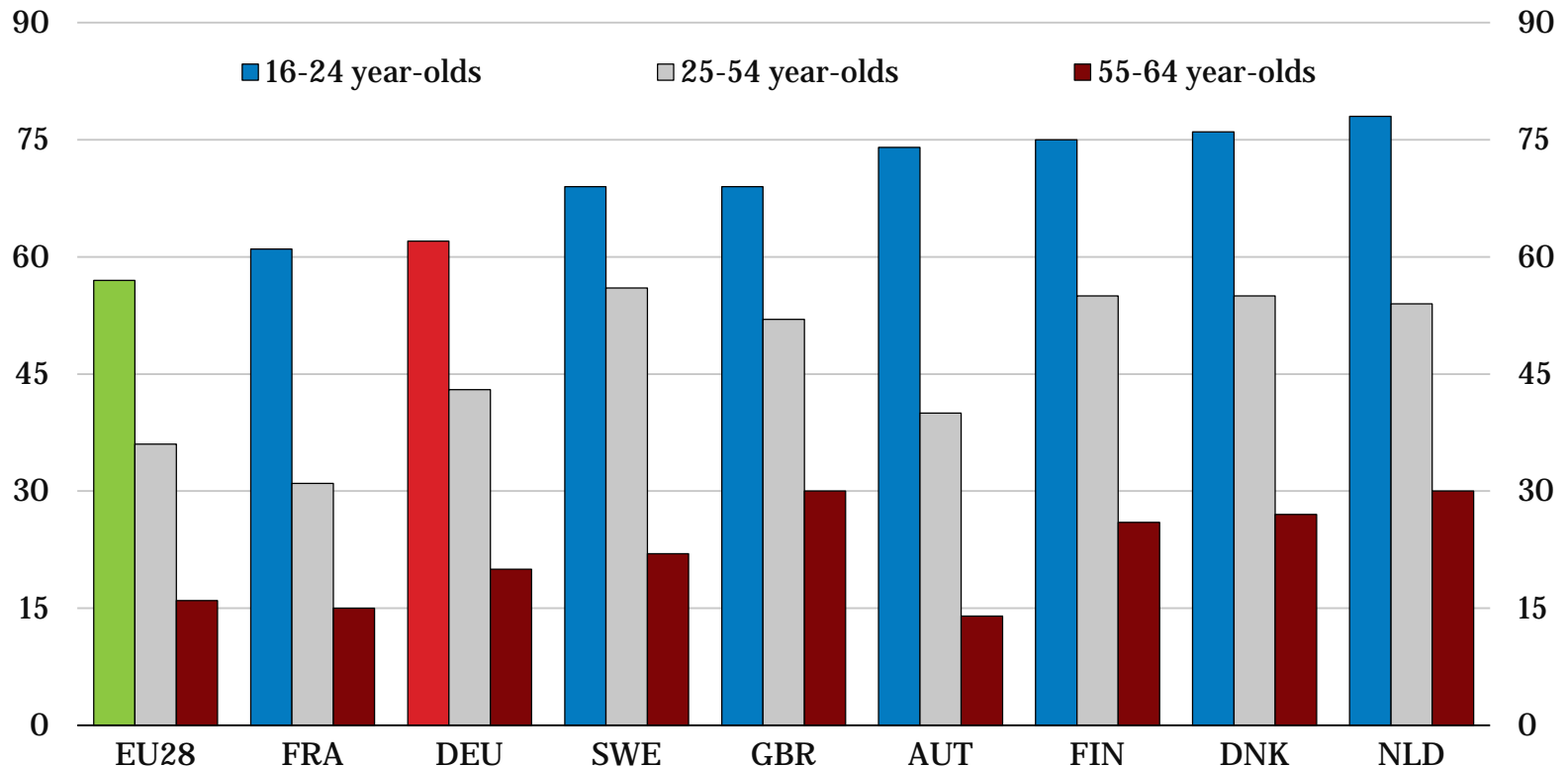
Note: The data refer to 15-65 year-olds

Source: OECD (2016), Skills Matter: Further Results from the Survey of Adult Skills.



ICT skills lag behind leading countries, especially among the young

**Population with above basic ICT skills,
% of total population, by age cohort, 2017**

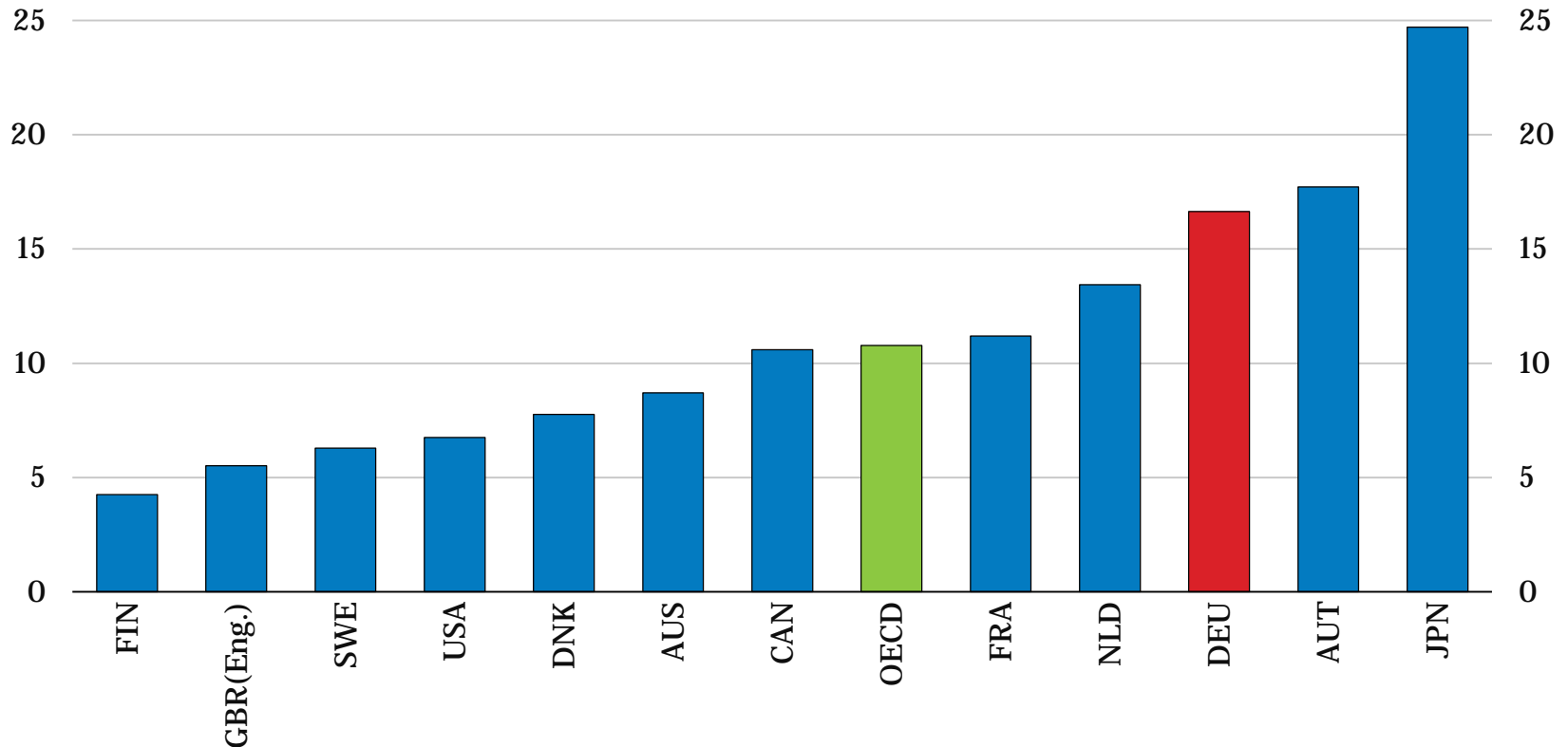


Source: Eurostat (2018), *Individuals' level of digital skills* (database).



Women's skills are under-used

**Gender difference in PIAAC problem solving skills at work,
% of the mean use of skills by women**



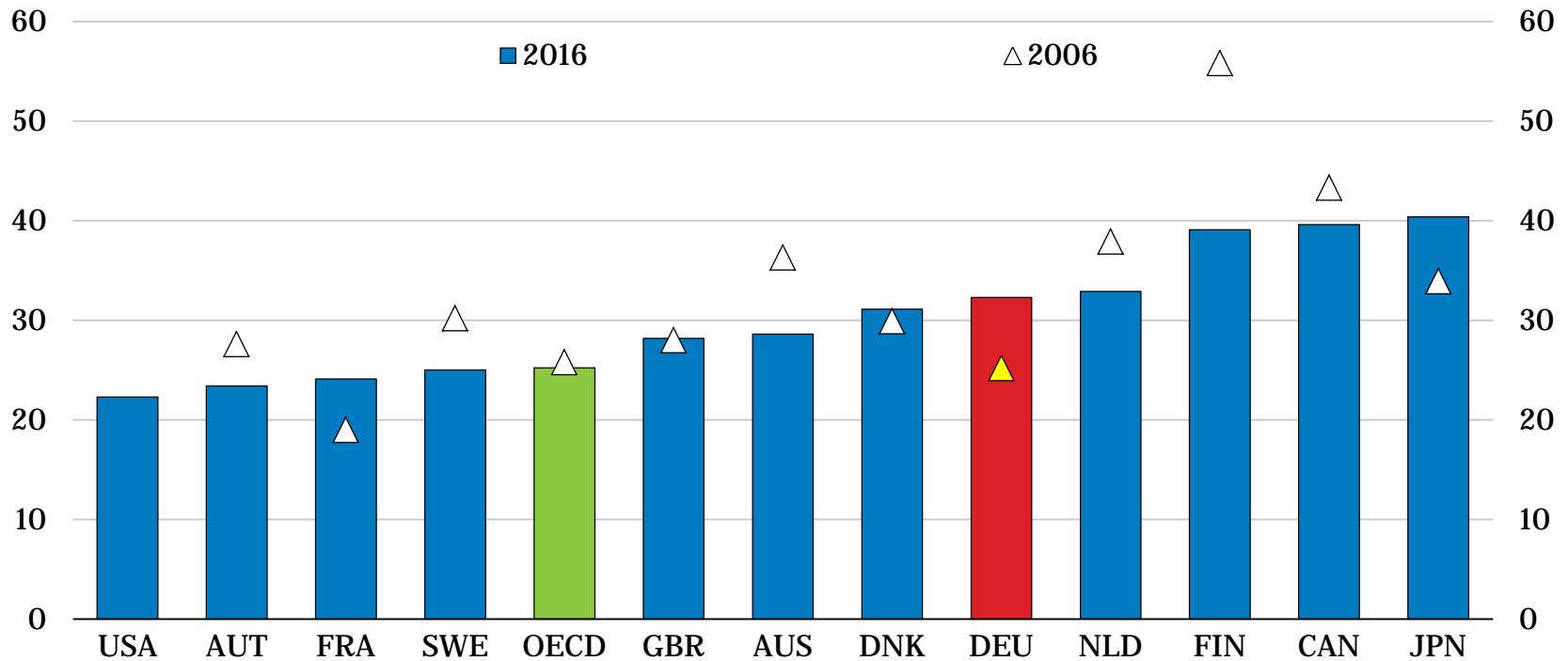
Note: Gender differences in problem solving skills at work is captured as the difference in of the mean use of skills between men and women.

Source: OECD (2016), Skills Matter: Further Results from the Survey of Adult Skills.



Educational attainment of disadvantaged students has improved

Students with mid-level or higher PISA attainment, as % of disadvantaged students



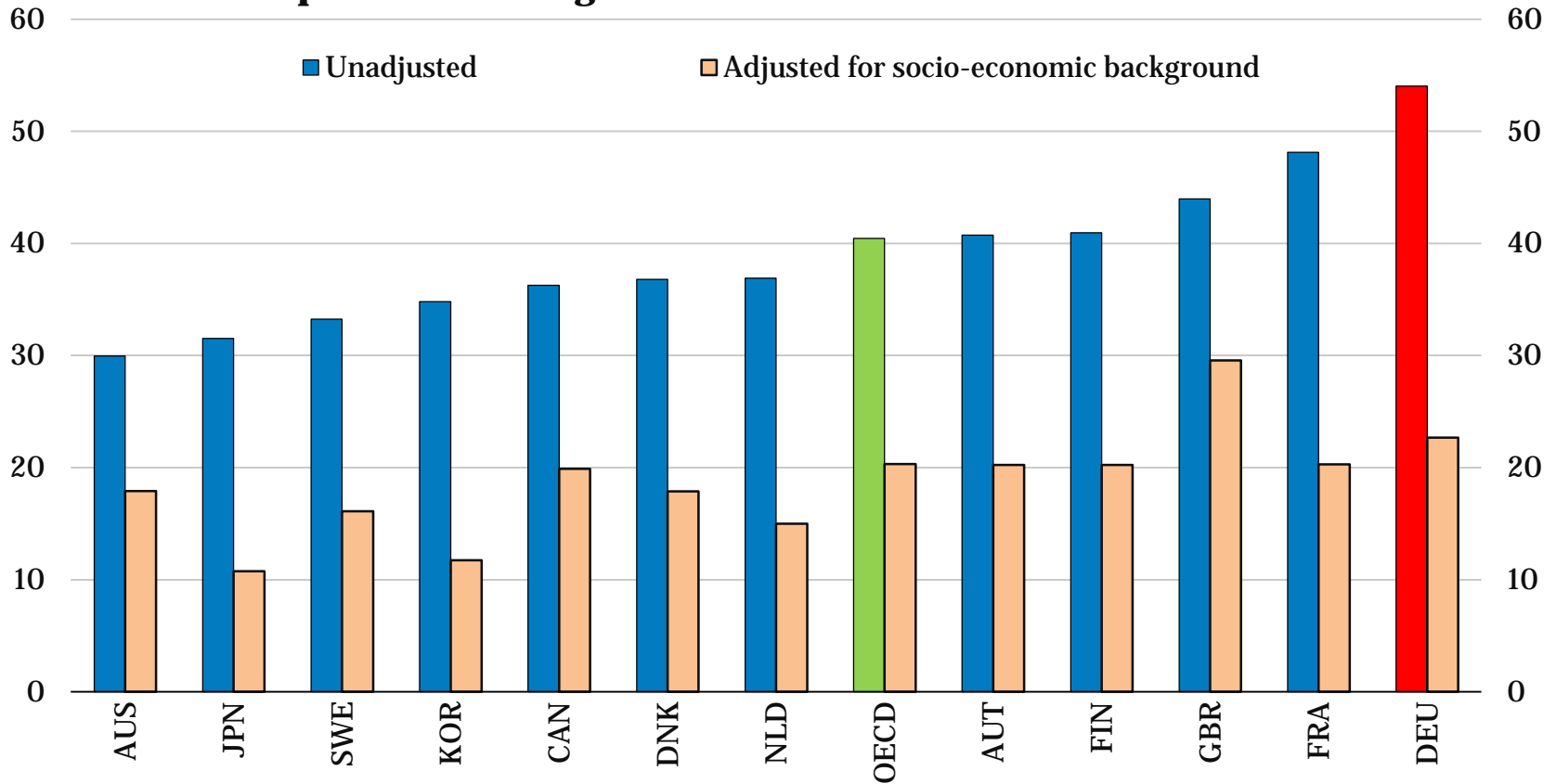
Note: The share of students achieving level 3 or above in all three PISA domains (reading, mathematics and science) among the 25% most disadvantaged students in their country according to the PISA index of economic, social and cultural status.

Source: Agasisti, T., et al. (2018), "Academic resilience: What schools and countries do to help disadvantaged students succeed in PISA", OECD Education Working Papers, No. 167.



Parents' educational attainment influences children's skills

Difference in PIAAC literacy scores between individuals with parents with high and low educational attainments



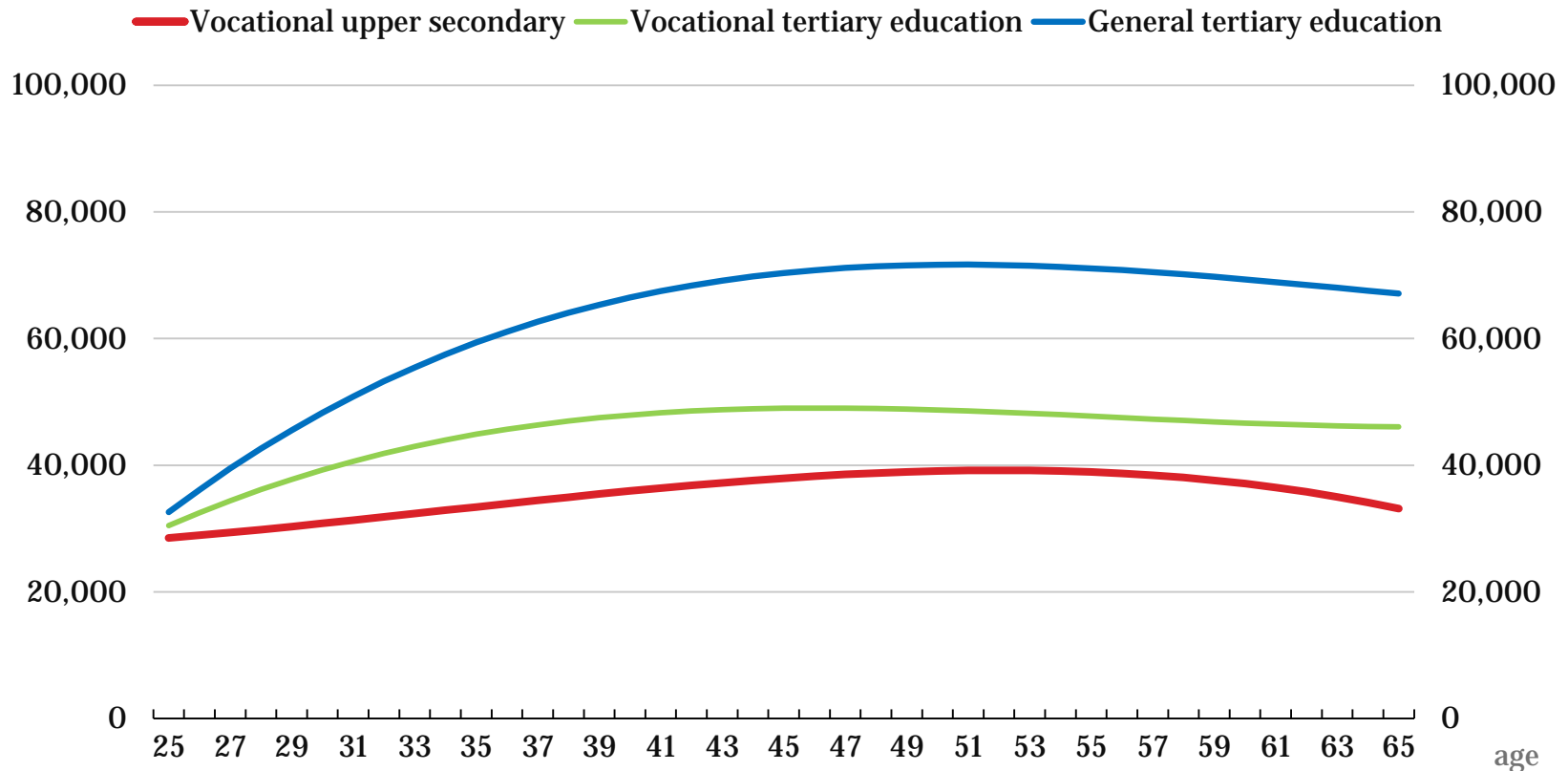
Note: Difference in PIAAC literacy scores between individuals aged 25-65 with one parent educated to tertiary level and no parent educated to upper secondary level. The adjusted differences take into account differences in age, gender, education, immigrant and language background.

Source: OECD (2016), Skills Matter: Further Results from the Survey of Adult Skills.



The income of vocational graduates increases only little over their lifetime

Yearly earnings of 25-65 year-olds men, euros

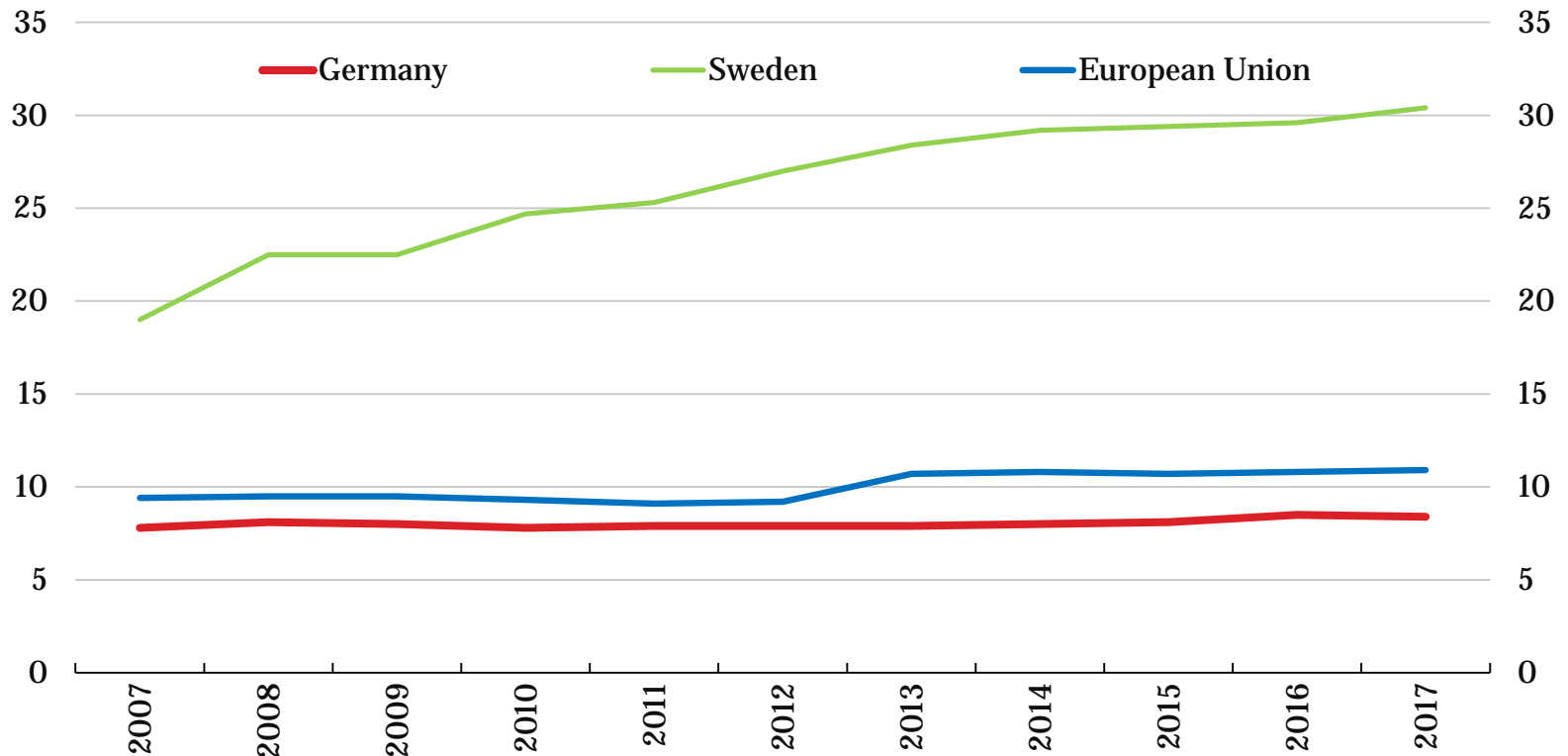


Source: Economic Survey of Germany 2018.



Participation in lifelong learning could be higher

**Participation in life-long learning,
% of population aged 26-64, 2017**



Source: Eurostat (2018), Education and training (database).



Key recommendations for improving skills and their use

Improve equity in education

- Raise quality standards in childcare and early childhood education.
- Expand primary education to high-quality full-day education programmes.

Reduce skill mismatch

- Lower the tax burden on the wage income of second earners.
- Increase the minimum amount of time the second parent has to take parental leave, from the current 2 months, for the couple to receive the maximum leave entitlement.

Improve upskilling opportunities in the vocational education system

- Strengthen general education within vocational schools, and maintain the strong labour market orientation of vocational education and training.

Boost participation in life-long learning

- Offer more training programmes for the modular acquisition of qualifications in life-long learning and foster the recognition of skills acquired on-the-job.
- Strengthen support for unskilled adults to obtain professional qualifications.

More in the Chapter 2 of the Economic Survey of Germany 2018



For more information

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