

MNI REALITY CHECK: Germany's Jobs Outlook Stable But Uncertain

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By Chris Cermak

FRANKFURT (MNI) - Uncertainty was high among German employers in April, with some recruiters seeing growing signs of optimism but others citing downside risks from the economic outlook and the introduction of wage increases in the temporary work segment.

After a weaker second half of 2012, many recruiters now see the labor market in a holding pattern, albeit with unemployment levels near a post-unification low. Uncertainty has made most employers wary of hiring new workers, but fearful at the same time of reducing their existing workforce should the situation improve quickly.

"Even if we are seeing a small dip in the market, overall we are at a very high level," said Markus Ley, head of HAYS Temp recruitment. "That is more a sign of normalization than real weakness."

Hopes for a recovery in 2014 appear to be clouded by great uncertainty about the more near-term economic outlook, as the economic soft patch has lasted longer initially expected.

"I see no tailwind for temporary workers from the economy at the moment," said Sven Kilian, CEO of recruitment firm TimePartner Group, describing clients as in a situation of status quo.

The uncertainty stems both from the economic outlook and a series of wage agreements coming into effect this year that aim step-by-step to bring the wages of temporary workers up to the level of full-time employees.

Vera Calasan, head of the German division of Manpower, said that while wage agreements have certainly had some effect, "the impact we are currently seeing is a completely normal fluctuation in our branch around the growth outlook, around the declining economic situation."

While Germany is doing better than most other Eurozone countries, both Calasan and Kilian say economic growth this year will likely be too weak to spur any further improvement in the employment market. Estimates ranging from 0.5% to 1.0% GDP growth are below the level needed to spur hiring, they argue.

Calasan described the temporary work market as still in decline, with any improvement in the outlook likely to come only after the summer months once a recovery next year appears on the horizon. "If we can really count on higher economic growth next year, then that will show up in the autumn."

While equal-pay agreements are also having some impact on demand for temporary workers this year, recruiters say it is difficult to distinguish this effect from the overall economic weakness.

"We are currently seeing sideways movement. It is hard to say whether this is related to the economic situation or to the pay agreements," said Dieter Traub, CEO of Orizon. "We are of course experiencing special effects that do not have to do with the economic outlook ... but I know of nobody who could mathematically separate these out."

With temporary agencies foreseeing a decline for much of the second half, Traub cited continued uncertainty among clients but also saw hope in the current stability: "Sideways movement - this is already a good thing. We are not falling further."

Hazy prospects have left recruiters unsure of just how their clients will behave over the coming months. Even when the demand is there, it is not necessarily translating into new jobs.

Some employers "have been cautious about new hiring - they definitely have a need but are waiting before actually going through with new hiring," said Bernd Kraft, vice president and general manager for central Europe at the online search site Monster.

The uncertain outlook also means many businesses appear to be accepting the increased cost of temporary work at the moment. Kilian says many are unable to decide whether to let these employees go or to take them on full time. The resulting strain on operating margins is putting pressure on firms' bottom line.

"Most clients have gone along with the wage increases, as the need for flexible employment planning remains indispensable," says Suzana Bernhard, head of DEKRA Arbeit Gruppe. "But it is clear that the wage increases have proven an extreme burden for some companies, which is why a final conclusion on the developments cannot yet be reached."

Bernhard is more optimistic than some other recruitment firms about on the current employment outlook, describing the market for temporary workers as stable compared to last year. "Overall we can even see slight growth."

While the wage increases for temporary workers may have affected the market this year, recruiters agreed that the current rounds of union wage negotiations will not have a major effect on employment levels.

Calasan said the average 3% wage increase seen or expected in most sectors is within reason but rejected calls for Germany to increase wages more steeply as unwarranted amid the economic unease.

"Everything that is between 1-3% is in my opinion manageable, but we should not make the mistake this year of driving wage costs to such highs that we stumble over them next year," she said. "Growth of 0.7% is not that far away from negative GDP. Just because the international community views and evaluates us so positively doesn't mean that we can't slip up as well."

German employment figures for April will be released Tuesday at 09:55 CET.

Editor's Note: Reality Check stories survey sentiment among business people and their trade associations. They are intended to complement and anticipate economic data, and to provide a view into specific sectors of the economy.

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