

DOI: 10.24290/1029-3736-2021-27-4-78-88

CONSEQUENCES OF THE COVID 19-PANDEMIC FOR THE GERMAN LABOUR MARKET

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The article focuses on selected aspects regarding the consequences of the COVID 19-Pandemic for the german labour market.

1. The COVID 19-Pandemic (“corona crisis”) has different characteristics than previous economic crises. Therefore, special labour market-related instruments must be developed

The corona crisis had an evident impact on the German economy and labour market. However, this type of crisis cannot be compared with economic crises in former time. Money alone can not manage the crisis in Germany: since March 2020, shutdowns and health protection dominate the daily life. The most important goal is to contain the pandemic. In a global economic and financial crises, for example in 2009 in Germany, there is a big crash and a quick recovery of the economy, but the recovery process in the corona crisis is much longer. Germany had a strong boom phase in 2009, but in 2020 there was already a light recessive trend, also as a result of Brexit and trade conflicts with the United States. Furthermore, the sectoral impact is different: the financial crisis in 2009 focused on the industrial sector. But in the corona crisis a lot of sectors are involved, e. g. hotels, restaurants, trades and cultural institutions. In addition, structural factors were not so relevant in the financial crisis, but in the corona crisis the transformation plays a very important role; digitalization, but also climate protection are more relevant. With regards of these new challenges, innovative and effective labour market policy instruments have to be developed to manage the crisis in Germany.

2. The focus of labour market policy is currently on reducing negative employment effects, which goes hand in hand with high risks for public finances. However, Germany has effective labour market policy instruments to cope with the crisis

The gross domestic product (GDP) in Germany shows an interesting development. In the second quarter of 2020, the economic output decreased by 4,9%¹. This was linked to a decrease in exports (-9,9%) and imports (-8,6%) in 2020. Germany will not return to the level of March 2020 until December 2021. During the corona crisis, the economy and the labour market stagnated. In the meantime, there has been a clear recovery; the GDP will increase again in the next months. The prospect of wider availability of vaccines and an effective testing strategy will contribute to this. However, despite extensive easing, sectors directly related to tourism and big events still remain significantly impacted by a decrease in demand. Nevertheless, a significant economic recovery is expected to occur in the coming quarters, all sectors of the economy will benefit from this².

The corona crisis has affected the sectors very differently. There are winners, for example online trade, construction, pharmacies and security. The sectors transportation, travel, hotels, restaurants, cultural and event institutions, manufacturing industry were extremely affected negative by the corona crises and the shutdowns. These sectors used very intensively the instrument of short-time working compensation.

The developments on the labour market will depend crucially on how quickly the economy can recover from the consequences of the corona-related recession in the coming months. In May 2021, the first signs of a broad improvement in the labour market were visible. The consequences of the corona crisis are still clearly evident. The unemployment rate is 5,9% (around 2,7 million unemployed); cf. Mai 2020: -126,000³. Actual unemployment will become clear at the end of the corona crisis and the support measures. To prevent job reductions, existing work was just redistributed, on a grand scale and often subsidized by the state. Companies have reduced overtime, advanced vacations and cancelled working time accounts⁴. The actual impact on the labour market depends also on the effectiveness of the policy measures. Many employers have applied to the

¹ Bauer A., Fuchs J., Gartner H., Hummel M., Hutter C., Wagner S., Weber E., Zika G. Arbeitsmarkt auf dem Weg aus der Krise // IAB-Kurzbericht. 2021. N 6. P. 1.

² Ibid. P. 2.

³ Der Arbeitsmarkt im Mai 2021. Nürnberg: Bundesagentur für Arbeit. URL: <https://www.arbeitsagentur.de/presse/2021-21-der-arbeitsmarkt-im-mai-2021> (accessed: 15.06.2021).

⁴ Die Zeit. Fünf Millionen. Hamburg: Zeitverlag Gerd Bucerius. URL: <https://www.zeit.de/2020/30/arbeitslosigkeit-corona-krise-prognose/seite-2>. P. 2 (accessed: 15.06.2021).

Federal Employment Agency for short-time working compensation for their employees. Here, companies must declare the expected loss of work. In May 2021, the German Federal Employment Agency paid short-time working compensation to 2,61 million employees (cf. March/April 2020: 10,66 million)⁵. Short-time working compensation has developed into one of the most important active labour market policy instruments with an employment-securing function. When short-term crises arise on the labour market, it is intended to help overcome this crises. This instrument avoids unemployment, the loss of income can be partially and temporarily compensated.

In addition, the corona crisis also resulted in the layoff of employees and, in the worst case, the application for insolvency. The labour market in Germany was confronted with rising unemployment at the beginning of the corona crisis. To avoid a wave of insolvencies among companies, the obligation to apply for insolvency in case of corona-related illiquidity and over-indebtedness has been suspended until April 30, 2021. The intention was to protect the employees from loss of income for a limited period⁶. It is currently unclear how many companies in Germany are actually insolvent; around 3,000 insolvent companies are expected, and 70,000 jobs are expected to be lost.

The disadvantage of these policy measures is that they hinder structural changes in the economy, i.e. companies which were already at risk of insolvency before the corona crisis may use this opportunity to “reorganize” themselves or delay an impending insolvency. Short-time working compensation and unemployment insurance should not be interpreted as a “full insurance” for companies. Furthermore, public liquidity support (e.g. KfW credits, up-skilling grants) and tax benefits have so far obscured the fact that many companies are insolvent.

3. The Corona crisis is a particular challenge for HRM in Germany

a) Measures to reduce the shortage of skilled workers

The shortage of skilled workers has been affecting large sectors of the German economy for several years. Possibilities for counteracting this are above all in-house training (apprenticeship) and recruitment via the external labour market.

⁵ Bossler M., Gürtzgen N., Kubis A., Küfner B. Mit dem Corona-Shutdown ging zuerst die Zahl der offenen Stellen zurück // IAB-Kurzbericht. 2020. N 12. P. 1.

⁶ BMAS. Arbeitsförderung. Berlin: Bundesministerium für Arbeit und Soziales. URL: <https://www.bmas.de/DE/Themen/Arbeitsmarkt/Arbeitsfoerderung/foerderung.html> (accessed: 15.06.2021).

A study by the Federal Institute for Vocational Education and Training — BiBB (2020) states that vocational training is an investment against the shortage of skilled workers, despite the sometimes considerable costs for the training companies, although around two thirds of the gross costs are covered by the work of the apprentices themselves. But smaller companies in particular complain about the high costs of recruiting skilled workers on the external labour market. Therefore, despite increased training costs, in-house vocational training continues to offer strong financial incentives.

But more training companies can no longer fill their training places with suitable applicants or complain about the high number of prematurely terminated training contracts, such as the construction industry or the hospitality industry⁷.

The current Corona pandemic has made the situation even more difficult, with fewer training contracts signed in 2021 despite significant state support.

Both the number of training places and the number of applicants have declined in 2021 compared to the previous year (particularly strong in the hospitality sector).

But in contrast, supply has grown in some sectors, especially in health care, commerce and administration (Employers' Social Security Information Portal 2021).

Another way to meet the demand for skilled workers is through continuing education. Especially with short-time work and home office, there are expanded opportunities for online learning. However, the pandemic does not seem to have reduced the polarisation between groups with different levels of education. Despite the low-threshold nature of digital learning opportunities, the gap has widened: Employed persons with tertiary education used the home office for digital learning more often (around 30%) than those with vocational education (18%) or without vocational education (13%). This again shows the phenomenon of education accumulation, which has been known for a long time⁸.

One potential for covering skilled labour that has not yet been fully exploited is the recognition of foreign vocational qualifications. Yet only a relatively small proportion of migrants make such an application, and

⁷ *Leber U., Schwengler B.* Betriebliche Ausbildung in Deutschland — Unbesetzte Ausbildungsplätze und vorzeitig gelöste Verträge erschweren Fachkräftesicherung // IAB-Kurzbericht. 2021. N 3.

⁸ *Kleinert C., Vicari B., Zoch G., Ehlert M.* Digitale Weiterbildung erfährt durch Corona einen Schub — doch nicht alle profitieren gleichermaßen // NEPS Corona & Bildung. 2021. N 7. URL: <https://doi.org/10.5157/NEPS:Bericht:Corona:07:1.0> (accessed: 15.06.2021).

again those with HEI qualifications apply for recognition significantly more often than those with vocational training (41% to 28%). This is surprising because employment opportunities and income are significantly increased by the recognition of equivalence. To better exploit the potential of migrants, the following measures are recommended⁹:

- Higher transparency of the procedure.
- Lower fees.
- Faster processing of applications.
- Better counselling by the already existing Central Service Point for Professional Recognition so that the application can be processed before migration if possible.

From our point of view, vocational training in the Dual System is the “ideal solution” for meeting the demand for skilled workers in the long term in many occupations and sectors.

A recent study (Bertelsmann Stiftung 2021) on the educational prospects of students (in general education schools) in the second year of Corona shows that 41% of all students aspire to vocational training and 36% are still undecided. For 77%, this training is at least an option. However, 70% of the respondents say that the chances of getting an apprenticeship have worsened because of Corona.

Very important for public career guidance is the result that for 79% of the respondents, the information offered in the context of career guidance is sufficient overall, but more than half of all young people complain about difficulties in finding their way around it.

The authors of the study recommend a training guarantee to secure the prospects of young people and to strengthen the economy.

b) Challenges to the organisation of work

In the increasingly globalised economy, the Covid-19 pandemic poses the following challenges to businesses:

Use of flexible working time models and forms of work, especially home office and hybrid models:

- Greater consideration of the needs of employees in workplace design.
- Intensification of internal communication processes.
- Intensification of occupational health care, especially with regard to prevention.
- Accelerated introduction of virtual recruiting and onboarding tools.

⁹ Brücker H., Glitz A., Lerche A., Romiti A. Anerkennung ausländischer Berufsabschlüsse hat positive Arbeitsmarkteffekte // IAB-Kurzbericht. 2021. N 2.

- Intensification of operational crisis and risk management.
- Adapting leadership behaviour to the changed forms of work.

With regard to these tasks, it should be emphasised that they were already facing companies before the pandemic, but they now need to be solved at an accelerated pace. These challenges become clear when the dimensions of flexible forms of work are differentiated¹⁰:

Forms of spatial flexibilisation

Teleworking at home, alternating teleworking; Mobile working; Virtual teamwork — collaboration across multiple locations.

Forms of temporal flexibilisation

Working time accounts; Optional work schedules; Flexitime recording; Trust-based working time without time recording; Oncall duty; Shift work; Work on call; Shared service.

Flexible adjustment to/of work volume

To cushion peak loads; To take greater account performing the work; Part-time models; Marginal employment; Temporary forms of work; Flexitime arrangements; Long-term accounts.

Flexible adaption to life phases and life situations of employees:

- The younger ones: work-life balance.
- The middle aged: reconciling work and family life.
- The older once: reconciliation of work and health; voluntary work, leisure; family; time for further education; reducing stress by reducing working hours and taking longer breaks from work.

Nevertheless, the developments in the Corona crisis are not without problems, as a Survey of professional and managerial staff about the consequences of flexible work¹¹ shows:

- The more flexible the working time and place of work of the employee, the greater the disposition possibility for employers.
- 60% of respondents perceive noticeable tensions between the different employment groups: main cause “envy” (63%), because not everyone can benefit from home office, especially the under 40s.
- Managers have difficulties in dealing with flexible working hours and locations because for them performance and presence belong together.

¹⁰ Fraunhofer Institut für Arbeitswirtschaft und Organisation // IAO. 2020. N 1. Flexible Arbeitsformen.

¹¹ F.A.Z. Business Media GmbH // Flexibles Arbeiten erzeugt Unmut. 2021. N 2. URL: <https://www.personalwirtschaft.de › arbeitswelt › artikel> (accessed: 15.06.2021).

- Managers have problems (according to the employees) to give up the power of instruction and control.

How does the Corona pandemic affect our future?¹²

- The scale and speed of adoption of distance working is unexpectedly high.
- Reservations on the part of management squander potential for operational adaptability in the crisis. Slow change of mind now.
- The Corona pandemic acts as a catalyst for agilely developed, digital business models (e.g. recruitment, employee interviews, customer contacts).
- But: mixed results in terms of productivity and health impacts.
- The most important factor for success is a good corporate culture (especially “corporate identity”).

Despite some optimism about the new forms of work, limits are becoming apparent, as a recent survey of managers shows (Bertelsmann Stiftung 2021).

In the long run, working in a home office can become problematic, especially because the emotional and social contact between managers and employees is severed. “Managers are homesick for the office!”

The advantages of the home office are acknowledged, such as a better work-life balance and less travel time. However, the disadvantages mentioned are: technical problems in the home office, lack of social proximity and loss of information.

c) Recruitment challenges

In view of the shortage of skilled workers in Germany, it is existentially important for companies to know effective ways of recruiting staff. A distinction must be made between forms of personnel search and filling jobs (IAB 2021).

When looking for personnel, the company’s homepage, the search via the company’s own employees, internet job exchanges, contacts to the employment agency (Federal Employment Agency) and social media dominate.

However, job placements are mainly made via tips from their own employees and, at a distance, via internet job exchanges (excluding the employment agency) and their own homepage. Social media and private employment agencies play only a minor role.

¹² Fraunhofer Institut für Arbeitswirtschaft und Organisation // IAO. 2020. N 1. Flexible Arbeitsformen.

The following keywords characterise the most important recruiting trends in HR in 2021¹³:

1. Remote work and hybrid working models: home office, combining work in the office with home office or working from abroad.
2. Digitalisation: interviews via video, digital assessment centres, global HR system, online onboarding.
3. Automation and artificial intelligence: talent pool, pre-selection of applicants, skills analysis of application documents, scheduling of interviews.
4. Mental health and work-life balance.
5. Employee experience: taking into account the needs and expectations of the applicants with regard to the company.
6. Up-skilling: especially digital competencies.
7. Employer branding.
8. Distance leadership: specific leadership methods for remote work.
9. Multigenerational workforce.
10. Candidate experience: incorporating applicants' perceptions, experiences and emotions.

4. The Federal Employment Agency in Germany plays a key role in corona crisis management

The Federal Employment Agency is very close to the companies, especially to SMEs, to counsel them competently in the corona crisis. Their excellent infrastructure, a high staff mobility and decentralized decision-making authorities have supported to manage the crisis successfully. Nevertheless, the following implications, among others, can be identified:

- The Federal Employment Agency must focus its spectrum of tasks and its legal mandate to provide services — as in the past — even more closely on regional market requirements. The service portfolio must also be visible to companies in times of crisis; the employer service in particular must be positioned as a competent “labour market counsellor”¹⁴. The “BA-strategy 2025” provide the framework for a regional strategy that must be adapted to individual market conditions.
- It can be expected, that after the corona crisis the experiences of the employees of the Federal Employment Agency will be inte-

¹³ Workwise GmbH // Recruiting Trends 2021 — Das sind die Wichtigsten. 2021. N 3. URL: <https://hire.workwise.io/blog/recruiting-trends> (accessed: 15.06.2021).

¹⁴ BA. Handbuch für den (gemeinsamen) Arbeitgeberservice // Bundesagentur für Arbeit. 2020. URL: <https://www.baintranet.de/011/001/013/001/Documents/HEGA-01-2015-VA-Neuausrichtung-AGS-Handbuch.pdf> (accessed: 15.06.2021).

grated into a new regular working system. To this end, a survey of employees on the changed working conditions has already taken place¹⁵. Online counselling is currently being further expanded; it is planned to use and test this instrument after the end of the crisis as well — especially in the field of individual counselling. It must be clarified for which forms of counselling and counselling situations the online format is suitable. It is also necessary to find out how effective counselling — compared to face-to-face counselling — can be improved in this way. From the point of view of demand-oriented and customer-oriented counselling marketing, alternative forms of counselling and methods of communication can make a positive contributions for improving the images of the Federal Employment Agency.

- The corona crisis has shown that the professional staff of the Federal Employment Agency need additional competencies, especially in crisis management counselling. This is also necessary after the end of the crisis, as unemployment and insolvencies are expected to increase in the next months. It is important to be prepared for future incidents in order to improve the resilience of companies to potential difficult situations, for example by developing crisis management strategies.
- The Federal Employment Agency must work closely with internal and external partners. Especially after the end of the crisis, an economic recovery can be expected. There will be a high demand from companies for job placement services and to recruit new employees. Only a holistic approach to dealing with employers' needs can effectively help to ensure that the Federal Employment Agency is considered as a competent service partner. Communication within the Federal Employment Agency (e.g. between employer services, job placement, rehabilitation counselling, career guidance) must therefore be coordinated and managed. This can be promoted through joint events, company or job visits, as well as the development of a common self-perception. In addition — in line with employers' concerns — work with external network partners must be intensified (e.g. with chambers and business associations, other social insurance institutions, municipal institutions, integration offices) in order to ensure holistic counselling and support for companies. A functioning networking can also

¹⁵ BA. Vorstandsbrief an die Mitarbeiterinnen und Mitarbeiter der BA vom 17.07.2020 // Bundesagentur für Arbeit. 2020. URL: <https://www.baintranet.de/011/001/013/001/Documents/HEGA-01-2015-VA-Neuausrichtung-AGS-Handbuch.pdf>

improve the competencies and image of the Federal Employment Agency.

Economic risks, and also risks for the labour market, arise from uncertainties about the further development of the corona crisis. The risks of infectious mutations in particular will remain high. But every crisis is also an opportunity (e.g. structural modifications in the economy and on the labour market, new forms of communication and working conditions in companies, increasing digitalization). Of course all labour market actors hope, that the pandemic will end soon. We should be prepared for the changes on the labour market and are looking forward to see what the future will bring.

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