



Image: BATO Group

Berlin Labour Market on the Upturn

Every ten minutes, a new job is created in Berlin, according to a headline in the *Berliner Zeitung**. That is quite an impressive fact, considering that the capital’s labour market went through a long period of increasing unemployment up until mid 00’s. Last year, the unemployment in the German capital fell to its record low in twenty five years to a rate of 9.8% and to 8.9% in May this year. Putting it into perspective with the nation-wide average rate of 5.7% and knowing that Berlin still lags behind most other federal states, it may not seem great. However, Berlin is leading the way in terms of growth dynamics, developing at the fastest pace within Germany. This is particularly remarkable considering that the working population is also growing with ca. 40,000 people moving to Berlin each year. Today’s newsletter provides more insights on the development and characteristics of the Berlin job market.

While Berlin is not (yet) in the top-league of Germany’s strongest labour markets, its current dynamics are particularly impressive against the city’s historical backdrop and the related economical conditions Berlin had to overcome before it could become a prosperous place.

The first economic boom which came about after the German reunification did not prove to be substantial due structural economic shortcomings Berlin had (lack of large industrial sites, slow productivity, migration of population in western regions etc.). A long period of stagnation followed between 1995 and 2003, from where Berlin finally started to recover.

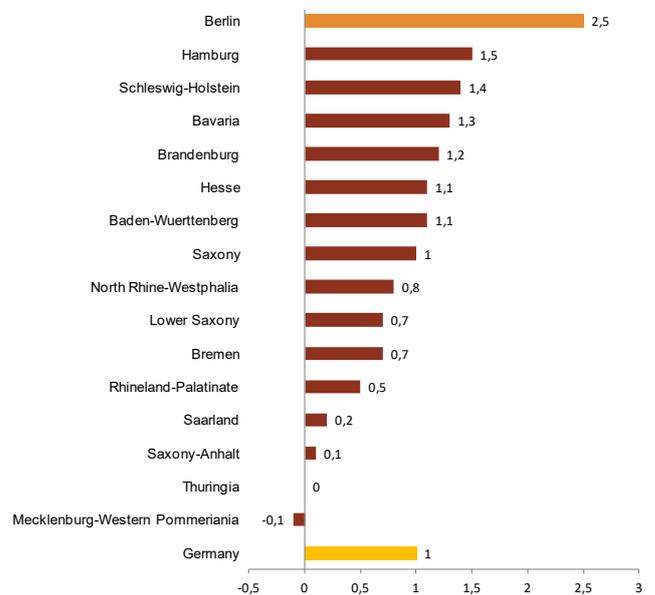
From 2005 Berlin’s GDP was growing faster than in any other federal state with an annual average growth of 2% between 2006 and 2016 while the nation-wide growth rate was 1.2%¹. Not only that, Berlin’s economic activity was stronger than that of Munich, Hamburg and Stuttgart, which are deemed to be top prosperous cities in Germany².

The unemployment rate dropped from 19% in 2005 to 8.8% in June this year³, an above-average performance. Especially the number of jobs that are subject to social security are growing.

The absorption in the Berlin labour market is actually higher than it can be seen by the employment rate, as the concurrently strong growing workforce in Berlin keeps the upturn within certain limits.

Employed Persons in the Federal States, 2016

Year on year change in %



Source: Berlin-Brandenburg Statistics Office, Press Release Nr.17, 26 January 2017

Not only the dynamics of the labour market have changed significantly. The market structure has undergone a great shift since Berlin became capital: from the predominance of the production industry to public and business related services since Berlin became the German capital.

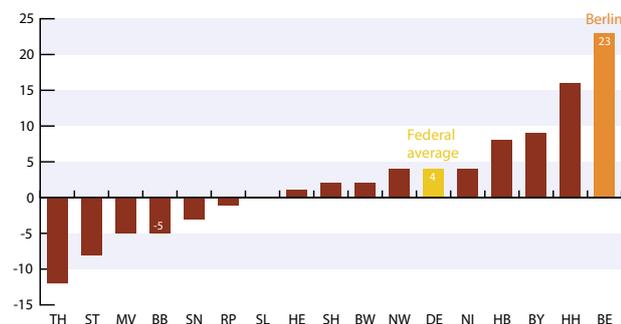
* Between October 2015 and October 2016, *Berliner Zeitung* article from 03.01.17

Today's key economic drivers in Berlin are the scientific, research and knowledge intensive sectors as well as public and business related services, especially the sectors:

- Internet economy
- Energy supply
- Tourism & Cultural sectors
- Real estate industry

Along with the trend of expanding internet economy, Berlin is about to become Germany's official digital hub for the Internet of Things and FinTechs (next to Frankfurt) as an awardee of the Digital Hub Initiative by the Federal Ministry of Economics and Energy. As a global top ten startup ecosystem (see our [newsletter](#) dedicated to this particular matter) it is not surprising that founding activity is exceptionally lively in Berlin, showing an above average performance as the BBB Founding Index reveals (by the Guarantee Bank Berlin - BBB). There are currently 201 new companies per 10,000 working citizens in Berlin, with an upward trend, while the number for Germany as a whole is declining, currently at 123 new foundings per 10,000 working citizens.

Foundings and closures of companies in 2015
Balance per 10,000 citizens



Source: IHK Berlin: Berliner Wirtschaft in Zahlen 2016 based on data of Statistical Offices of the Federal Government and the States, April 2016; Modified by BATO

Not only is the overall number of new enterprises is growing in the capital. The proportion of proper companies with at least one employee is increasing, while the share of one-man operations (*Kleinbetriebe*) is on a decline.

Although Berlin is a heaven for startups, experts are concerned about the sufficiency of its ecosystem to promote growing companies and for its role as an overall prosperous business location.

Luckily, we can see some large companies coming to the capital: *Deutsche Bank* just moved a part of their risk management here from London and Google is launching its own startup campus in Berlin. While these moves will surely benefit the local employment market, it is hoped that these are signs of an overall trend and that further medium and large companies will be attracted to Berlin, especially against the backdrop of Brexit.

The incentives are clearly given by the great availability and affordability of the workforce in the German capital.

The abundance of talent in Berlin can be well seen in international comparison, where it scores better than London or New York, according to the evaluation in the Global Startup Ecosystem Report 2017 By Startup Genome.

The labour market conditions in the German capital seem to be appealing not only for employers. A survey by PricewaterhouseCoopers showed that 75% of interviewed Berliners consider the city as an attractive work place, especially its industrial diversity (86 %), job offers (84 %) and accessibility for commuters (72 %).⁴

While young working population is more affordable for employers in Berlin than in other global cities, the average wage of Berliners is growing. With an increase of 4.1% in 2015, it saw the strongest growth in over twenty years*. This is particularly due to the increasing employment in higher skilled professions.

Despite the exceptionally beneficial recent situation of the Berlin economy, Berlin needs to carry on improving its conditions as a business location in order to maintain and accelerate the progress.

Experts emphasize on the necessity of implementing infrastructural improvements as well as developing a supportive framework for expanding enterprises. Furthermore, Berlin has not yet untapped its full research potential, which also requires infrastructural upgrades.

Needless to say that the given job market expansion has a considerable effect on the local office market. The leasing activity went up by 36% between 2012 and 2016, while vacancy fell from 7% to currently 2.9%. Prime rents increased by 30%, reaching a level of 28.70 € per square metre today and average rents went up by 25% to 16.50 € per square metre, based on latest market reports by Colliers International.

Please note that the contents of this newsletter have been researched and written according to the best of our knowledge; however they are in no way to be accepted as a legal advice or suggestion. Therefore we exclude any liability.

* Latest official data only available for 2015, Source: Berlin-Brandenburg Statistics Office, Press Release Nr.80, 30 Mar 2017

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