

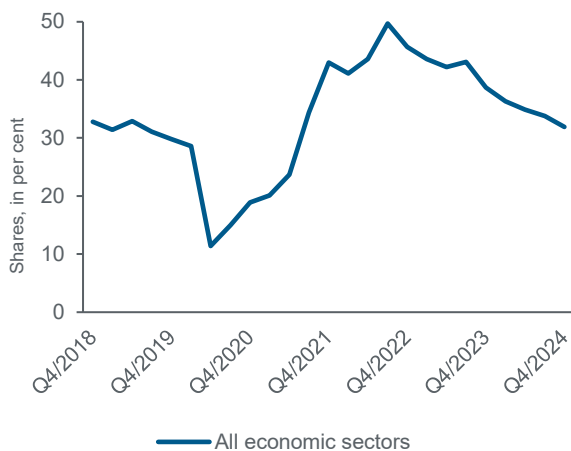
»»» Despite economic lull, skills shortages are growing again in parts of the services and construction sectors

9 December 2024

Author: Martin Müller, phone +49 69 7431-3944, martin.mueller@kfw.de
Press contact: Nina Luttmner, +49 69 7431-41336, nina.luttmer@kfw.de

- At the start of the fourth quarter, skills shortages were hampering operations at 32% of businesses. Skilled labour shortfalls have thus eased further as a result of the weak economic environment.
- The drop is most significant in industry, which has recorded the steepest declines in sales and orders. But here, too, 21% of businesses reported disruptions due to skills shortages.
- Currently, 39% of service providers are complaining about a lack of workers, slightly less than in the previous quarter. In some subsegments, however, skilled labour shortages continue to worsen. Skilled labour shortages have also grown again slightly in wholesale and the main construction industry, affecting 26 and 29% of enterprises.

KfW-ifo Skilled Labour Barometer



Shares of businesses whose operations are being negatively affected by a shortage of skills. Q4/2024, for example, means 4th quarter 2024, with the survey conducted in the first month of each quarter, meaning October for the current quarter.

Sources: KfW Research, ifo Institute

Impact of skilled labour shortages remains high and is worsening again in wholesale and construction

Although demand for skilled workers has decreased as a result of the weak economic environment, shortfalls continue to hamper many enterprises. In October 2024, 31.9% of SMEs surveyed under the KfW-ifo Skilled Labour Barometer reported that their operations were being hampered by a shortage of skilled workers. In the services sector, the rate was a much higher 39.1%.

The economic weakness resulting from the COVID-19 crisis and Russia's war of aggression against Ukraine has endured

KfW-ifo Skilled Labour Barometer – economic sectors



for three years now. It has led to layoffs and hiring freezes, particularly in industrial enterprises. In manufacturing, only around half as many enterprises were therefore affected by skills shortages as in the third quarter of 2022 (down from the high of 44.5 to 20.6%). But the number of affected industrial enterprises is still twice as high as the long-term average. On average across all quarters since 1991, a mere 9.7% of manufacturing enterprises reported having been impacted by skilled labour shortages.

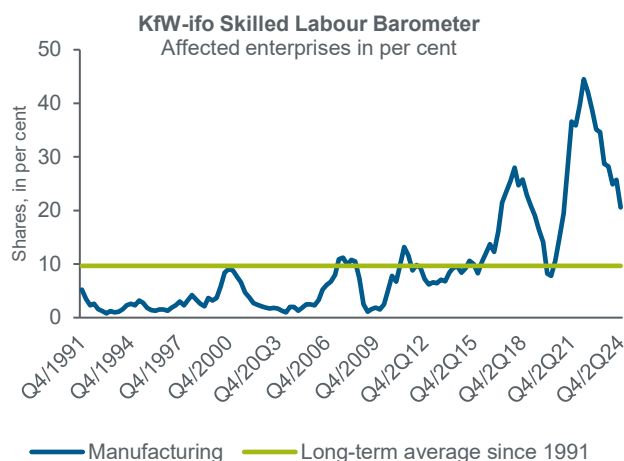
In commerce, 28.1% of enterprises were experiencing problems from skills shortages. The share was 30.7% in retail

and 26.1% in wholesale. Thus, despite the economic lull, more enterprises were affected again than in July (24.3%).

The number of affected enterprises also increased again in the main construction industry. In October, 28.9% of enterprises reported production disruptions as a result of skills shortages, up from 27.7% in July.

Overall, small and medium-sized enterprises were affected roughly as often (32.1%) in October as large enterprises (31.5%). In manufacturing, however, the share of affected businesses was significantly higher among SMEs than among large enterprises (24.4 vs. 15.1%).

Skills shortages in manufacturing historically high despite weak economy



Sources: KfW Research, ifo Institute

Service industries are particularly affected, with some experiencing growing shortages again

Despite the weak economic environment of the past years, many service industries are still experiencing skills shortages. Currently, 73.6% of law firms, tax accountancies and auditing firms see their operations impaired by a shortage of skilled workers. More than 50% of road and rail transport services as well as facility management and gardening services are affected, as are almost 50% of architecture and engineering firms, as well as accommodation providers.

Skills shortages worsened in the summer among law firms, tax accountancies and auditing firms, in the accommodation and telecommunications sectors, real estate and housing, among others.

Skills shortages have eased significantly in a range of **manufacturing industries** as a result of declines in sales and orders. Manufacturers of garments are currently relatively little impacted (1.5%), as are metal production and processing firms (10.3%) and manufacturers of motor vehicles and vehicle parts (15.8%). But there are still industrial sectors with a high share of affected enterprises, among them manufacturers of printed materials and businesses involved in the duplication of sound, image and data carriers (36.9%), leather, leather goods and shoes (33.3%) and rubber and plastic goods (33.1%).

Conclusion: The skilled labour shortage has eased as a result of the weak economic environment but remains historically high

Skills shortages continue to act as a barrier to growth for a substantial share of businesses. All major economic sectors continue to be affected, especially the services sector. Shortfalls have worsened again in a range of service industries as well as in wholesale and the main construction industry. Skills shortages will worsen again in the coming years as the economic situation improves and baby boomers begin to reach the age of retirement. How this will impact on the economy depends on how successful the response will be. All the stops need to be pulled out, in particular:

- Further increasing labour force participation, particularly of women and people of early retirement age
- Demand-oriented education, training and retraining
- Attracting and integrating skilled migrants
- Private-sector and public-sector investment in physical assets, human capital and innovations in order to raise labour productivity

[Click here to access the data record – Skills shortages by economic sector, company size and region](#)

Construction and interpretation of the KfW-ifo Skilled Labour Barometer

The KfW-ifo Skilled Labour Barometer is based evaluations of the ifo economic surveys which are used to calculate, among other things, the well-known ifo Business Climate Index. The Skilled Labour Barometer reports on the share of enterprises in Germany that report adverse impacts on business operations from a shortage of skilled workers. Each quarter about 9,000 enterprises from trade and industry, construction, wholesale, retail and services (without the banking and insurance sectors or the state) are polled on their business situation, among them some 7,500 SMEs. In addition to providing an overall indicator for the skills shortage in the German economy and indicators for various sectors and regions, the barometer also enables a company size-specific data evaluation separated into SMEs and large enterprises. Enterprises are generally classed as small to medium-sized if they employ a workforce of not more than 500 and record an annual turnover not exceeding EUR 50 million. For a more accurate analysis, however, these quantitative distinctions have to be drawn more narrowly for retail trade (maximum annual turnover of EUR 12.5 million), the building and the construction industry (up to 200 employees) and services (maximum annual turnover of EUR 25 million). All enterprises that exceed at least one of these thresholds are classed as large-scale enterprises. The main construction industry was first surveyed on the impacts of skills shortages on business activity in the third quarter of 2018. That was the reason the sector was not integrated into the overall indicator before that quarter. The value of the indicator for the overall economy changes minimally as a result.