5.3 The ifo HR Survey

Julia Freuding, Johanna Garnitz, Bianca Schorer

5.3.1 Purpose and Conception

In a rapidly changing work environment, it is important for companies to react flexibly to exogenous factors. For HR related topics there are various flexibility instruments available for this purpose, such as working time accounts and temporary work. However, there is little information in official statistics on the use and importance of such instruments for businesses. To obtain more precise information on the application and significance of these tools, the ifo Institute, in cooperation with Randstad Deutschland, has been conducting a quarterly survey of around 1,000 human resources managers from various economic sectors since 2008. The ifo HR Survey has been introduced to focus on these HR related topics and is a complement to the other ifo surveys that mostly deal with business cycle developments. The results of the survey can be used to illustrate how the use of flexibilization instruments changes over time and whether structural changes or cyclical influences have become visible. In addition, current personnel policy issues are examined with changing supplementary questions. The topics focus on current trends or problems, such as the apprenticeship situation or the shortage of skilled workers. The findings provide benchmark information for companies and valuable data for researchers.

5.3.2 Composition of the Panel

To attain a sample that is as representative as possible for the German economy, companies from manufacturing, wholesale and retail trade as well as from the service sector throughout Germany take part in the survey. Moreover, attention is paid to ensuring that small and medium-sized enterprises as well as large companies are represented in the panel. A total of about 1,000 companies are surveyed. By contrast, the banking and insurance sector, public service providers, and construction companies are excluded for various reasons. The latter, for instance, is heavily affected by seasonal fluctuations, which would distort the picture.

Table 5.4 provides an overview of the composition of the panel. Of the companies surveyed, 42% belong to the manufacturing sector and 38% to the service sector. The remaining 20% of firms relate to the trade sector. The firm size is determined by the number of employees: Almost one-third of the firms employ up to 49 people, and the majority (44%) have between 50 and 249 employees. Each 12% of the companies employ between 250 and 500 persons, and more than 500 employees, respectively.

In addition, the average overall response rate of companies in 2021 and 2022 is 55%. The response rate to the online questionnaire (58%) is clearly higher than the paper response rate

Table 5.4: Distribution of participants of the ifo HR Survey

Economic sector	%	Firm size (employees)	%
Manufacturing	41.7	1-49	31.3
Trade	19.7	50-249	43.9
Service	38.6	250-499	12.1
		>500	12.7
Total	100.0	Total	100.0

(47%). The overall distribution of response rates is shown in Table 5.5.

Table 5.5: Response rates of the ifo HR Survey in 2021 and 2022

Quarter	Online (in %)	Paper (in %)	**Overall (in %)**
Q1 2021	68%	51%	**63%**
Q2 2021	55%	44%	**52%**
Q3 2021	60%	54%	**59%**
Q4 2021	57%	50%	**55%**
Q1 2022	58%	45%	**54%**
Q2 2022	52%	42%	**50%**
Q3 2022	57%	43%	**54%**
Q4 2022	55%	48%	**54%**
Average overall response rate	**58%**	**47%**	**55%**

Since the distribution of the companies surveyed in the HR panel across the size classes and industries does not exactly match with the distribution of the German economy across these characteristics, correction factors are used to calculate representative results for the surveys.

The target values for the business sectors and size classes are based on the data on employees subject to social security contributions per sector and size class, as published by the Business Register of the Federal Statistical Office (Federal Statistical Office 2021c). For this purpose, companies are divided into one of four size classes according to the number of employees subject to social insurance contributions, and the sum of the employees in the individual size classes is calculated.

In addition, the values are subdivided for each economic sector, so that the share of employees per size class can be calculated for each economic sector and a weighting is possible via the variables sector and number of employees. The economic sector of a company is defined on the basis of the standardized classification of economic activities WZ 2008, whereby for certain reasons some economic sections as described above are not covered in the survey panel, e.g., mining and quarrying (B), electricity, gas and water supply (D, E), construction (F), financial and insurance activities (K), as well as public administration, education, health care, and other services (O, U, P, Q, R, S, T) (Federal Statistical Office 2009).

Thus, HR managers from the following economic sectors are part of the panel: manufacturing (C), trade and maintenance of motor vehicles (G), transport and storage (H), the hotel and restaurant industry (I), information and communication (J), real estate (L), professional scientific and technical services (M), and other economic services (N). Each participating company is assigned to a class in terms of its economic sector and number of employees. Hence, each of these classes is included in the calculation of the results according to its economic weight, which is determined by the target values of the Federal Statistical Office. Classes tending to be underrepresented in the company survey in terms of economic importance or number of employees are given a correspondingly higher weighting by the correction factors. This procedure ensures the representativeness of the results at the aggregate level. Since the number of cases for individual sectors is too small, results are only published for the four company size classes and for the economic sectors manufacturing, trade, and services.

5.3.3 Questionnaire

The questionnaire consists of both regularly repeated standard questions and changing supplementary questions on current HR topics. The standard questions in the first and third quarters are structured as follows (as of 2022): The questionnaire consists of both regularly repeated standard questions and changing supplementary questions on current HR topics. The standard questions in the first and third quarters are structured as follows (as of 2022): In the first section, the HR managers are asked about their assessment of the importance of various flexibilization instruments in their company. The possible answers are “high/medium/low” or “not used”. The instruments asked about overtime, fixed-term contracts of replacement staff, mini-/midi-jobs of additional staff, temporary work, freelancers, outsourcing, in-house implementation and working time/flextime accounts. In addition, there is a response option on flexibilization measures in the personnel area in general, including instruments not previously mentioned (Figure 5.6).

In the second quarter, general data on the company is requested to be able to categorize by economic sector and company size in the evaluation. The data is also used to calculate the weighting of the responses. In addition, it is asked whether the company is a family business and what the composition of the workforce is in terms of the type of employment (see Figure 5.7). Figure 5.8 gives an overview of the standard questions of the last quarter. The focus lies on human resource planning for the coming year. It covers aspects such as staff planning, an associated need for temporary staffing, and qualification needs. Another aspect dealt with the issue of skilled workers.

Since the pilot survey in 2008, the original questionnaire has been slightly optimized and adapted several times. In 2010, the questionnaire was shortened in some places. In 2013, the

Figure 5.6: Standard questions of the first and third quarter

What importance do you attach to the following flexibilization instruments in your company?
(The information relates only to your business(es) in Germany)

	Instruments	The current importance in the company is … high	middle	low	no application
1)	Extra hours	☐	☐	☐	☐
2)	Additional/replacement staff on the basis of temporary contracts	☐	☐	☐	☐
3)	Additional/replacement staff on a minijob/midijob basis	☐	☐	☐	☐
4)	Use of agency workers	☐	☐	☐	☐
5)	Use of freelancers	☐	☐	☐	☐
6)	Outsourcing	☐	☐	☐	☐
7)	Internal realizations	☐	☐	☐	☐
8)	Working-time accounts	☐	☐	☐	☐
9)	Flexibilization measures in the personnel sector in general (including measures not mentioned above)	☐	☐	☐	☐

Figure 5.7: Standard questions of the second quarter

A) Questions about your company *(The information relates only to your business(es) in Germany)*

1) Would you describe your company as a family business? ☐ Yes ☐ No

2) How many employees work in your company (heads)? _______________

of these… full time ____________ part time _____________

temporary workers ________ trainees ________ marginal employees (up to 450€) ________

3) How much turnover did your company generate in 2021?

☐ < 1 mil. € ☐ 1 mil. – < 5 mil. € ☐ 5 mil. – < 25 mil. € ☐ 25 mil. – < 100 mil. € ☐ > 100 mil. €

flexibility measures were supplemented by the “no application” option, providing even better insight into the significance of the various measures. This must be considered when evaluating the survey over time. As there was previously no “no application” response, this marks a structural break. Companies that did not apply the respective instrument very often attributed a low importance to it. This led to a distortion in the answers. Comparable analyses up to the current margin are therefore only possible since 2013. In addition, the expected development of the importance of the various types of instruments was assessed up to 2014. However, since the companies almost exclusively expected no changes the ifo Institute deleted this question at the beginning of 2015. A possible explanation for the response behavior regarding the expectation question could be that these are structural, and thus slowly progressing changes rather than economic developments, which would be clearly visible in the respective survey waves. Another change in the survey cycle for the standard questions was implemented at the end of 2019 by changing the survey rhythm for the flexibility instruments from quarterly to semi-annually. As a result, the first and third quarters cover the flexibility instruments. In contrast, in the second quarter focuses on general questions about the company. At the end of the year, the outlook for the upcoming year is surveyed.

Figure 5.8: Standard questions of the fourth quarter

Outlook for the coming year 2021

1) How do you expect your staff to develop in the next six months?
□ increase sharply □ increase slightly □ remain the same □ decrease slightly □ decrease sharply

2) What kind of skilled workers do you expect to be looking for in 2021? ______________________ □ not any

3) Do you expect major problems in finding suitable skilled workers?
□ very big □ great □ medium □ few □ not any

4) How will the demand for temporary work in your company develop in the next six months?
□ increase sharply □ increase somewhat □ remain the same □ decrease slightly □ decrease sharply

5) How do you assess the importance of external partners in qualification and further training in the next six months?
□ increase □ remain the same □ decrease □ I can't assess the development.

6) How important do you think the qualification and further training of employees will be for the future success of your company?
□ more important □ remain the same □ less important □ I can't assess the development.

7) How important do you think the following training and qualification offers will be for the future success of your company?

	clearly less important	rather less important	stays the same	rather less unimportant	clearly less unimportant
Open training and further education offer	□	□	□	□	□
Company-specific training and further education offers	□	□	□	□	□
Certifications	□	□	□	□	□
In-service qualification (vocational qualification)	□	□	□	□	□
E-learning offers	□	□	□	□	□

5.3.4 Standard Questions: Methodology and Evaluation

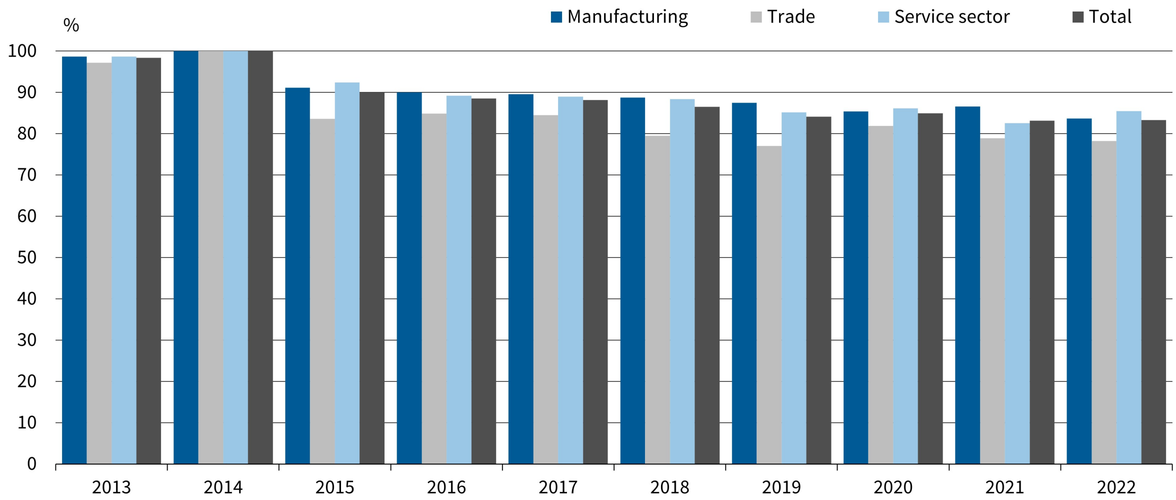
Since 2020, HR managers have been surveyed twice a year on the use of various flexibilization instruments in their companies. Before 2020, this was done on a quarterly basis. The aim is to use the answers to examine how the use of various flexibility instruments changes over time. In the first step of the evaluation, the use of the flexibilization instruments is considered, i.e., the proportion of firms that make use of the respective measure. This excludes those companies that have ticked the answer option "no application". In the second step, the importance of the individual instruments is examined. In the questionnaire, the HR managers have the option of evaluating the individual instruments with the categories "high", "medium", "low", or "no application". These four answer options are given the respective values 3, 2, 1, or 0 to calculate an average value. This calculated average indicates higher importance with ascending value.

Although the survey results on the importance of the respective flexibility measures have been available since 2008, the structural break in the data from 2013 onwards must be taken into account. The addition of the "no application" category to the questionnaire makes it possible to consider only those companies that actually use the instrument when assessing its importance. For a comparison over the entire survey period, the results for the years 2008 to 2013 would have to be adjusted by a factor, but only an estimate is possible. The other adjustments to the questionnaire have no impact on the evaluation of the data and do not limit comparability.

5.3.5 Results

The analysis of the flexibility instruments examines the frequency of use and the importance of the respective measures. Figure 5.9 shows the change of flexibilization in general over time – both overall and according to economic sectors. As a result, the use of flexibilization has generally declined since 2014. It is clear that the use of flexibilization has generally declined since 2014. This change can be seen most notably in trading companies.

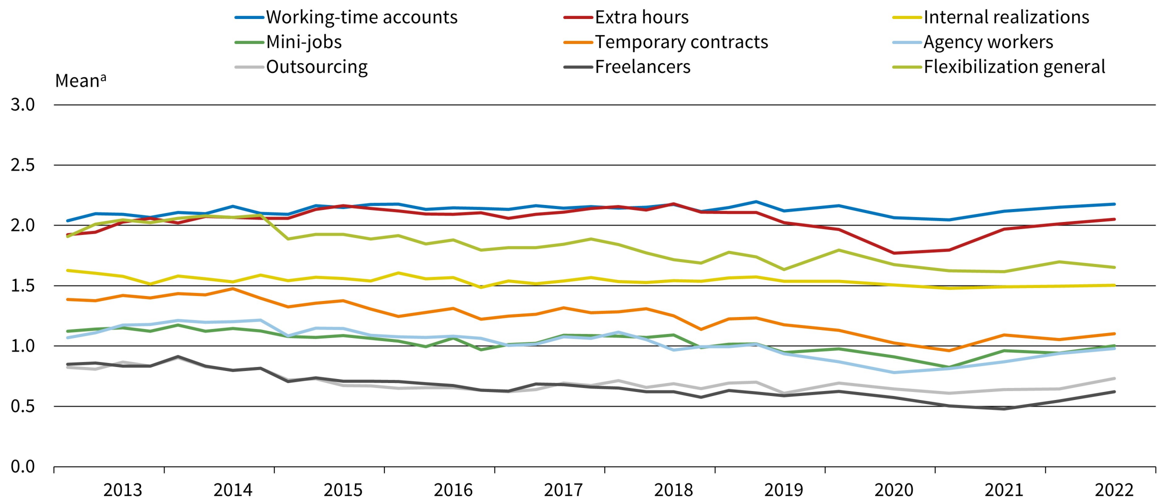
Figure 5.9: Application of the flexibility instruments in general over time by economic sector



Source: ifo HR Survey.

Over the entire observation period, by far the greatest importance is attached to the flexibility instruments of working-time accounts and extra hours (Figure 5.10). All other measures show less importance. The importance of working-time accounts and extra hours was simultaneous until the end of 2018. At the beginning of 2019, a greater spread between these measures can be observed as the importance of the working-time account increased. In the years dominated by the Covid19-pandemic, extra hours lost some importance as a flexibilization measure. Internal realizations remain constant on average at a medium level of importance. The importance of agency workers fell until mid-2020 but has regained importance since then. The manufacturing sector favors agency workers. A similar pattern applies to minijobs and temporary contracts for additional staff. Recently, the importance has risen to some extent in both measures, though at a slightly higher rate for temporary contracts than for minijobs. Outsourcing and use of freelancers are generally rated with lower importance than the other measures. While in the past years, development of both measures ran simultaneously, the spread between them has recently shifted towards a higher preference for outsourcing than for freelance work.

Figure 5.10: The developement of the importance of flexibilization measures



[a]Mean of no application (=0), low (=1), medium (=2) and high (=3) importance.
Source: ifo HR Survey. © ifo Institute

5.3.6 Supplementary Questions: Selected Results

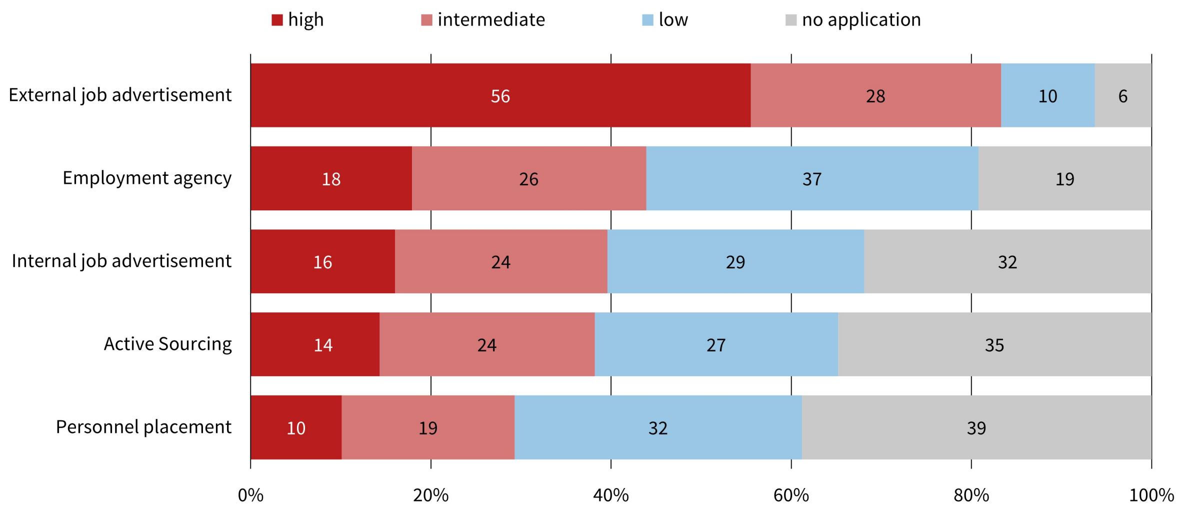
The supplementary questions in the second part of the questionnaire, which are developed individually for each survey, deal with current HR or economic policy issues. The topics vary from quarter to quarter and range from the handling of the 2010 World Cup to legislative changes (e.g., Pay Transparency Act 2017, Working Hours Act 2019, Bridge Part-Time Work Act 2019). Therefore, the ifo HR survey covers a wide range of topics. Some topics are taken up several times or there is a follow-up to analyze comparisons and changes. For example, the minimum wage (2008, 2014, 2019, and 2021) or the situation regarding vocational training (2014, 2015, 2018, 2020, and 2021) played a central role in several surveys (Brandt 2020b, Freuding and Garnitz 2021a, 2022b).

In addition to these special topics, the survey also addresses socio-political trends, such as diversity. The survey from the 2^{nd} quarter of 2021 showed that there is still room for improvement in the compatibility of family and career: For as many as 40% of the companies, part-time employment in a management position is conceivable. Since the emergence of the Corona pandemic, special attention has been paid to the consequences for personnel planning and the shortage of skilled workers.

5.3.6.1 Recruitment

Recruitment and active sourcing for potential employees was also a special topic and each was surveyed before and after the Covid-19-pandemic. In the second quarter of 2011, companies were asked which recruitment channels are most appropriate for finding new staff. The results of the survey highlight that the most frequently used channels were job advertisements in print media (58%) or on their own homepage (53%). Another popular option was recommendations from current employees (56%). Companies also recruited skilled workers with the help of employment agencies (56%). Less common were job fairs (10%) or stands at universities (16%). About 9% of companies found skilled workers through social media. After the Covid-19 pandemic, HR managers were asked which recruitment channels they think are most important for their company. The results of the survey are illustrated in Figure 5.11: 84% of the participants indicated external job advertisements in online or print media as a common way to find skilled workers and attribute medium to high importance to this instrument. In contrast, internal postings are rated as high or moderately important by 40% of the companies. Companies also use the services of employment agencies. This is given medium to great importance by 44%. The services of personnel service providers or headhunters are mainly used by companies with 250 or more employees. About 29% of HR managers rate personnel service providers or headhunters as moderately important. Another way to find skilled workers for the company is active sourcing. For about 38% of companies, this instrument is of medium or great importance. However, most companies do not use this instrument. About 35% do not apply active sourcing and for 27% of HR managers it is only of minor importance.

Figure 5.11: Importance of different channels for advertising vacancies (weighted shares in percent)



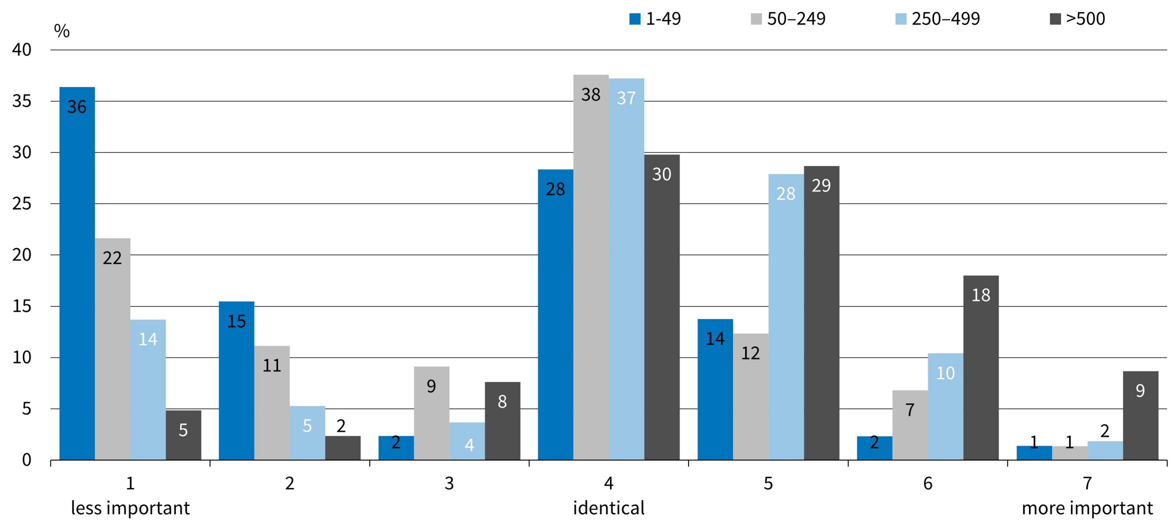
Source: ifo HR Survey.

In 2019, companies were asked about their use of data-driven recruitment methods (ifo Institute 2019). The main field of application of these technologies is the selection and assessment of suitable future employees. Data-driven recruitment methods can also be used to pre-select applicants. However, so far only 4% of companies surveyed use those techniques; of those, most are in the service and manufacturing sectors. Furthermore, no differences in the use of these methods can be identified between companies employing a higher or smaller number of persons. These results raise the question why these methods are not yet widely used. The main reasons are both a lack of knowledge and a lack of available offers from companies developing and selling these data-driven recruitment programs. HR managers also express concern about the risks associated with these methods, such as a lack of consideration of social competences and soft skills. The development of specific algorithms is also seen as problematic. In addition, the preference for face-to-face interviews on site remains widespread in companies (84%) and is preferred over digital interviews. A total of 29% of all companies use online job boards, such as Stepstone and Monster, for recruitment, and 4% use the career networks Xing and Linked-In. The latter are considered less important, especially regarding active sourcing. When differentiating between different targeted groups, larger companies mainly use social media to address trainees. As digitalization progresses, social media will be used more frequently, which will also lead to an increased use of data-driven recruiting programs. In 2022, 7% of HR managers could already imagine implementing those techniques (Freuding and Garnitz 2022a).

5.3.6.2 Diversity in Corporate Culture

Diversity in corporate culture mainly deals with gender, age, ethnic origin, physical and mental abilities, religion, world view, sexual orientation, and social origin. This topic was addressed in the second quarter of 2021 (Freuding and Garnitz 2021b). Figure 5.12 clearly shows that the focus on diversity for about one third of the companies has hardly changed in recent years. However, when considering the respondents' company size, it is clear that diversity has become more prominent in larger companies, whereas the topic is less important in smaller ones: the score of 4 is about the mean on a scale of 1 (less important) to 7 (very important).

Figure 5.12: Change in diversity focus in recent years by company size



Source: ifo HR Survey. © ifo Institute

Since HR departments are only able to record the age, gender, religion, and nationality of their employees, the focus of the study lies on the development of those criteria. Regarding age, the proportion of employees in individual companies who are between 51 and 60 years old is the largest (25%). All other employees are in descending order in the age structure: 41 to 50 (24%), 30 to 40 (23%), and under 30 (19%). In last place, with a clear gap between the age groups already mentioned, is employees 60 and over (9%). Concerning gender identity, the study accounts for men, women, trans*, and inter* people. The survey of the companies showed that the proportion of men in the respective companies is approximately 61%, women 39%, and diverse 0.06%.

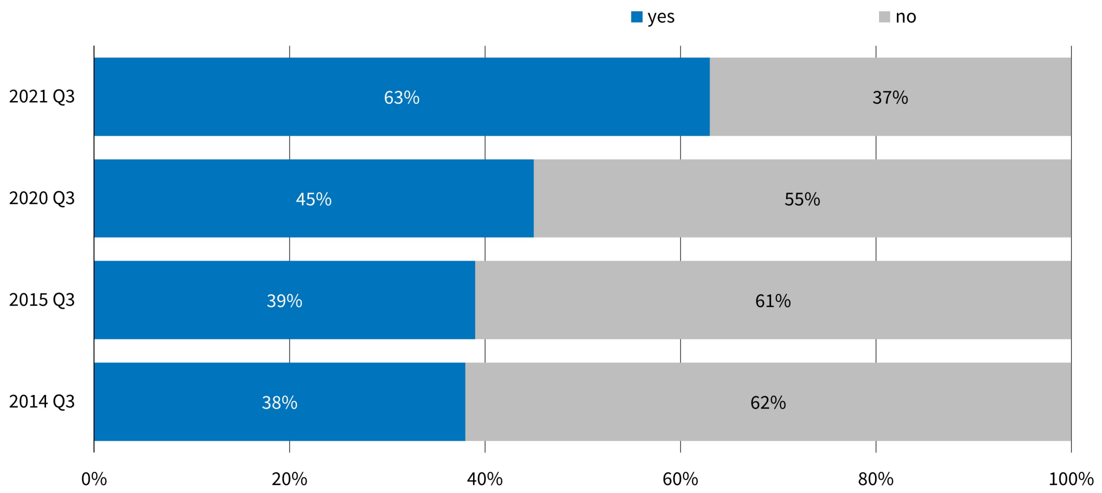
Variation in nationality in the companies is medium or high. Variation in educational background is in the medium range. Variation concerning physical or mental limitations is the lowest. Regarding the latter, the legislator prescribes the following: Companies with 20 or more workplaces should employ 5% severely disabled people (§154 of the German social security statute book – SGB). Companies with 20 to 39 workplaces are obliged to employ one severely disabled person. In contrast, a company with 40 to 59 workplaces is obliged to employ two severely disabled persons. If this obligation is not met, the companies must pay a compensatory levy according to §160 SGB. The human resources managers state that 3.5% of the companies have employed severely disabled persons. The result of the survey indicates that about a half of the companies partially pay the compensatory levy. Another question was whether the companies have set up the working environment of their employees in a barrier-free way: 64% offer the possibility of such a workplace. In contrast to the barrier-free working environment, internet-presence can also be designed barrier-free based according to internationally defined regulations, but this is not yet possible in half of the companies surveyed.

5.3.6.3 Vocational Training

The special topic of vocational training found its way into the ifo HR survey several times, having been addressed for the first time in the fourth quarter of 2014. In particular, the search for apprentices became a key issue. About 75% of the companies stated that they offer a training place. In the search for trainees, 62% had no difficulties and 38% had difficulties finding new trainees. Smaller companies with up to 50 employees stated somewhat more frequently that they had experienced difficulties. In the following year, the companies were asked about this again in a comparable form. The results show that a roughly similar proportion of training companies also had problems finding new trainees in 2015.

In 2020 and 2021, this topic came into focus again in light of the Corona pandemic. Therefore, the companies were once again asked about difficulties in finding trainees. 45% of the personnel managers surveyed reported problems finding trainees. This applies particularly for manufacturing companies (50%). The fewest problems with regard to finding trainees were experienced in the service sector (41%). Since this question was also asked in the same wording in the third quarter of 2020, a direct comparison is possible. Whereas in 2020 45% complained about difficulties, in the following year the proportion was 63% across all economic sectors. Nearly all companies that were unable to fill their training places stated that they had had problems finding trainees (95%). HR managers in manufacturing and service companies complained about problems in filling training places. The reason given by about half of the industrial and commercial enterprises, as well as larger companies, was the insufficient qualifications of the applicants. Small companies as well as the majority of service companies complained that they had received no or too few applications (Brandt 2020b; Freuding and Garnitz 2021a).

Figure 5.13: Problems finding new trainees (as a proportion of all companies providing vocational training)



Source: ifo HR Survey.

In summary, it can be seen that although the proportion of companies offering apprenticeships remained the same between 2014 and 2021, the search for new apprentices has become increasingly difficult. Figure 5.13 compares the results of the surveys, whereby it must be noted that the wording of the questions from 2014/2015 differs slightly from that in 2020/2021. To sum up, the challenge of finding new trainees – in the broader context of the shortage of skilled workers – is becoming more acute.

5.3.7 Conclusion

The ifo HR Survey is a labor market study that examines the importance of flexibilization instruments in German companies over the long term. Overtime, temporary work, mini-jobs, and other strategies for flexibilization are observed. The effects of changes in the law or more general trends and challenges are also part of the questionnaire. The input of HR managers is very important in this format. What moves them in their individual field of business makes larger contexts and developments visible as part of the survey. This is exactly where the ifo HR survey offers a perfect complement to the general economic surveys, with the ifo Business

Climate Index as the core element.

Due to the extensive panel of participating companies, which represents a cross-section of the German economy, the ifo HR survey is a valid instrument for analyzing a wide range of research topics that involve flexibilization measures in the HR sector, and also offers numerous evaluation potentials beyond this. External researchers interested in the microdata can access the survey free of charge at the LMU-ifo Economics & Business Data Center for scientific research on-site analysis.