Skilled labour shortages: still affecting almost one quarter of companies

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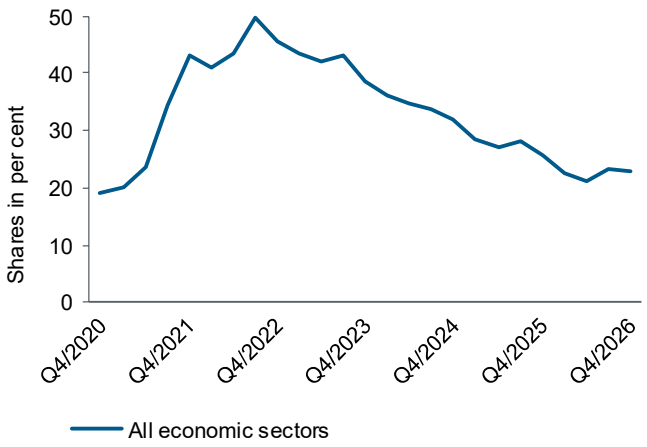
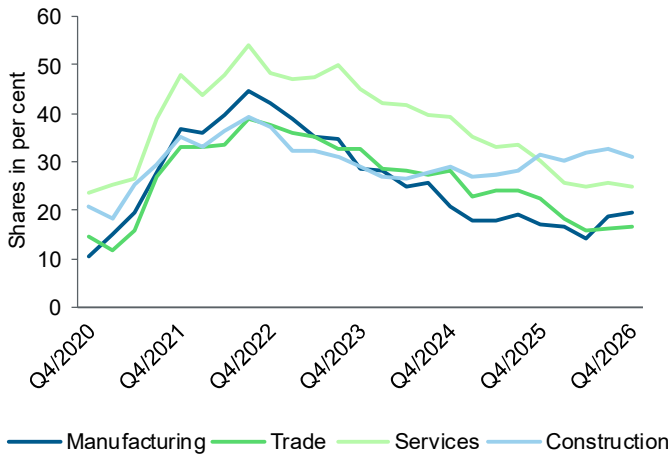
- At the beginning of Q4, skilled labour shortages hampered the business activity of 23% of companies. The proportion affected thus remained virtually unchanged over the course of the year.
- In industry, skilled labour shortages increased again towards the end of the year. In October 2026, 20% of industrial companies were affected, compared with 17% in October 2025.
- In the services sector, 25% reported a lack of skilled workers, compared with 30% one year earlier.
- By contrast, a relatively high proportion of 31% of companies in the main construction sector were affected by skilled labour shortages. The increase in public construction contracts may be a significant contributing factor.

KfW-ifo Skilled Labour Barometer



KfW-ifo Skilled Labour Barometer – Economic Sectors



Shares of companies whose business activity is hampered by skilled labour shortages. Q4/2026 means, for example, the fourth quarter of 2026, with the survey conducted in the first month of each quarter, i.e. currently in October.

Sources: KfW Research, ifo Institute

Skilled labour shortages particularly hamper construction, while increasing again in industry

In October 2026, 22.8% of companies were affected by skilled labour shortages, compared with 25.8% in the same month of the previous year. This remains a relatively high figure in a longer-term comparison. The share remained largely unchanged over the course of the year. The proportion affected developed differently across the major sectors.

In the **main construction sector**, the business activity of 30.9% of companies is hampered by skilled labour shortages. Construction firms are recording strong growth in government contracts for projects financed through the Special Fund for Infrastructure and Climate Neutrality. While private construction investment is still languishing, public investment has already been expanded considerably over the past two years. Skilled labour shortages constitute a significant obstacle to implementing construction projects.

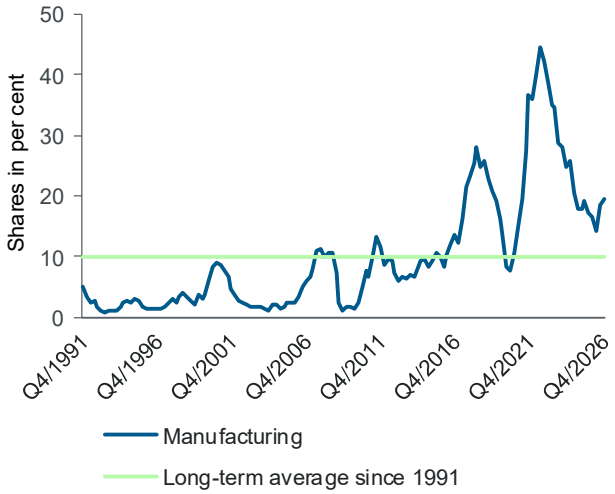
In **manufacturing**, 19.6% of companies were hampered by skilled labour shortages in October, compared with 17.1% one year earlier. This reflects the economic upswing, which has also been driven by the recovery in exports and the expansion of infrastructure investment. Skilled labour shortages have again increased sharply in various industrial branches. This applies in particular to manufacturers of beverages (34.7% of companies

affected), paper and cardboard products (37.8%) and electrical equipment (21.3%) but also to mechanical engineering and the production and processing of metals. In other industrial branches, skilled labour shortages were reported only rarely, including in the manufacture of textiles and leather goods (0%), motor vehicle manufacturing (6.4%) and the chemical industry (12.6%).

At present, 24.7% of service companies report being affected by skilled labour shortages. In some **service branches**, a lack of skilled workers hampers companies far more frequently. More than 40% of legal and tax advisors and auditors, road and rail transport companies and building and garden maintenance companies are currently hampered by skilled labour shortages. In hospitality, architectural and engineering offices and warehousing, the figure is more than 30%. In **trade**, skilled labour shortages currently hamper 16.5% of companies.

Skilled labour shortages in industry have increased again

KfW-ifo Skilled Labour Barometer, affected enterprises in per cent



Sources: KfW Research, ifo Institute

Companies in eastern German federal states are particularly frequently affected by skilled labour shortages

From a regional perspective, skilled labour shortages were most widespread in the eastern German federal states, where 27.6% of companies were affected. In the eastern German services sector, 33.8% reported being hampered by a lack of skilled workers. This is caused by demographic decline and ageing, which is reinforced by relatively low immigration in the non-city federal states of eastern Germany (*Flächenländer)*. These federal states have lost a substantial share of their population over recent decades. Birth rates were low and immigration was relatively limited.

Regional analyses show that hostility towards foreigners and xenophobia have a negative effect on the inflow of skilled workers from Germany and abroad. Young workers and academically qualified persons in particular are discouraged as a result. This often affects regions where shortages of skilled workers are already particularly pronounced because of a shrinking working-age population.[1] This impairs the prospects for the economy and living conditions in eastern Germany. However, eastern German federal states and regions should not be regarded as a homogeneous unit but differentiated. Eastern German cities are also growing, particularly Berlin, which has experienced a boom over the past 10 years.[2]

Missing qualifications and regional mismatch are key causes of skilled labour shortages

A new KfW Research study examined whether Germany faces a general labour shortage and the extent to which qualification and regional mismatches contribute to skilled labour shortages: *Germany has enough workers, yet many vacancies are difficult to fill – what can the state do?* (In German only).

The finding: Germany has around 4.6 million jobseekers and a hidden reserve of 1.3 million people of working age who could become available to the labour market at short notice. By contrast, there are around 1 million vacancies. The causes of recruitment difficulties therefore clearly do not lie in an insufficient number of workers. Rather, the main causes are missing qualifications and the fact that many jobseekers have limited regional mobility.[3]

Conclusion

The share of companies hampered by skilled labour shortages remained persistently high over the course of 2026. In industry, more companies were again hampered by a lack of skilled workers. Skilled labour shortages were particularly widespread in the main construction sector but also in other branches, for example among legal and tax advisors and auditors, road and rail transport companies and manufacturers of beverages and paper and cardboard products. Eastern German service companies were particularly frequently hampered by a lack of skilled workers.

Detailed figures (excel) on the extent to which individual sectors are affected by skilled labour shortages can be found here.

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.

[1] Bucha, T. und A. Rossen (2025): Who wants to live among racists? The impact of local right-wing attitudes on interregional labour migration in Germany, JOURNAL OF ETHNIC AND MIGRATION STUDIES, 2025, VOL. 51, NO. 7, 1623–1646, Who wants to live among racists? The impact of local right-wing attitudes on interregional labour migration in Germany.

Diermeier M. et al. (2025): Rechtsaußen-Erstarken in Deutschland: Implikationen für den Wirtschaftsstandort, Gutachten, Institut der Deutschen Wirtschaft, S. 14 f, IW-Gutachten Vielfalt ist Zukunft. (*The rise of the far right in Germany: implications for Germany as a business location, Expert Report, Institut der Deutschen Wirtschaft, p. 14 f, IW expert report "Diversity is the future"* – our title translations, in German).

Keitel, C. (2025): Fremdenfeindlichkeit in Regionen bremst die Zuwanderung von Fachkräften, IAB-Forum (*Xenophobia in regions slows the immigration of skilled workers* – our title translation, in German).

[2] Cf. Müller, M. (2026): Auf einen Blick, Im Osten boomt's, KfW Research May 2026 (*The East is booming* – our title translation, in German).

[3] Cf. Müller, M. (2026): Deutschland hat genug Arbeitskräfte, dennoch sind viele Stellen schwer zu besetzen – was kann der Staat tun?, KfW Research, Focus on Economics No. 562 (*Germany has enough workers, yet many vacancies are difficult to fill – what can the state do?* – our title translation, in German).