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Youth and Work

The case of Germany

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1. Background

Youth, the role of young people in Europe and the importance of youth employment and qualification are high on the European agenda and at national level.

At European level the importance of caring about young people has recently been stressed. The Commission published in March 2005 a communication [COM (2005) 206 final] on European policies concerning youth, stating that the destiny of Europe increasingly depends on its ability to foster societies that are child- and youth-friendly.

Demographic trends illustrating dramatic changes in the size and age structure of Europe's population, obviously worried policy makers. The number of young people aged 15 to 24 is set to drop by a quarter, from 12.6 to 9.7%, between 2005 and 2050, while the age-group 65 + will grow from 16.4 to 29.9%. The Commission's Green paper on Confronting demographic change draws attention to the implications for Europe of these changes.

Firstly stress is put on the inter-generational burden, as a small number of young people will have to carry the burden of replacing the larger numbers of the preceding generations. Secondly boosting growth and enhancing sustainable development will significantly required young people's contribution, as recognized in the European Pact for Youth adopted by the Spring-2005 European Council. Finally, integrating young people in the labor market is crucial for ensuring social inclusion, as they are particularly at risk of poverty (19% of 16-24 year olds, compared with 12% of 25-64 year-olds). All actions and policies have to consider a gender perspective, as young women experience higher unemployment and higher risk of poverty than young men.

At national level, youth employment raises concerns in most member states. European average figures show how transition into the labour market for young people is difficult, with youth unemployment more than double the overall rate within Europe (17.9% for under 25, compared with 7.7% for 25 year-olds and up). Particularly worrying is the fact that youth-unemployment ratio quickly adjust to economic slowdowns.

Gender differences still exist and their consequences become more and more complex to address. Young women generally do better in the education system than young men, nevertheless they are still more likely to be unemployed. In economic slowdown period although, as recent figures show in some countries, the increase of unemployment affects more young men than their female counterpart.

Furthermore, ambiguous impacts of employment and training programmes increase the complexity for governments and all the actors to conceive policies addressing effectively the issue. As analysis of the Norwegian Youth programmes have shown, employment, training and vocational programmes have various impacts even if they -a priori- all target young people. As Ines Hardoy's study states separate analyses for subgroups indicate that employment programmes increase the full-time employability of females but not of males, and for the younger age group, but not of those over 20 years of age.

Training programmes have no positive effects, irrespective of subgroup. Vocational programmes are counterproductive for teenagers, which is the group at which it is targeted.

2. Regulatory framework

The commonly accepted definition that is used either in official statistics or in communiqués is that persons below the age of 25 are young workers. Owing to the specifics of the transition from education to employment in Germany (see below) young workers are sometimes divided into two groups: persons aged 15 to 19 and those between 20 and 25.

Concerning unemployment benefits as well as re-integration policies, young workers are covered by the same regulations that apply, in general, to all other beneficiaries. According to the Social Security Code III (Sozialgesetzbuch III, SGB III), young workers are allowed to receive unemployment benefits and to join active labour market programmes that aim at their re-integration into employment. This rule applies if the young worker has been employed for at least 12 months before becoming unemployed and has paid contributions to the unemployment insurance scheme. In addition, persons who begin their first vocational training programme are eligible for various special assistance schemes. This rule applies, in practice, predominately to young persons. According to Social Security Code II (Sozialgesetzbuch II, SGB II), persons who are 24 or younger and who apply for unemployment benefits II must immediately be placed into employment, vocational training programmes or job-creation schemes. The SGB II covers young people who are unemployed, but who are not eligible for unemployment benefits or training programmes provided by SGB III.

According to the Works Constitution Act (Betriebsverfassungsgesetz, BetrVG), a youth delegation can be set up in any establishment that

employs at least five persons who are either younger than 18 or younger than 25, but have not yet finished their vocational training programme. The youth delegation can make proposals to the works council that deals, among other things, with the organisation of in-company training, and working-time arrangements for young workers. Moreover, it is obliged to monitor management to ascertain whether or not managers comply with the laws specifically directed towards the employment of young workers.

The employment of juveniles who are 18 or younger is governed by the youth employment protection (Jugendarbeitsschutzgesetz, JArbSchG). The JArbSchG stipulates, for example, the maximum working hours per day and per week, the minimum holiday entitlement for various age groups, the attendance at vocational schools, the activities juveniles are allowed to carry out, and the provision of specific health-care measures. In this regard, the maximum daily working hours are limited to eight hours except for those juveniles aged 16 or older or who work in agriculture. Such workers are allowed to work nine hours per day; however, the maximum working hours in two subsequent weeks are restricted to 85.

Vocational Training Act (Berufsbildungsgesetz, BBiG) and the Craft Trades Law (Handwerksordnung, HWO) govern issues of vocational training, such as the recognition of occupational title and profiles, the duration of training, the general training plan and the requirements for examination. Though both laws do not cover only young workers, they, in practice, overwhelmingly cover the apprenticeships of people under 25. Though a minimum wage does, in general, not exist in absolute terms, the BBiG prescribes that apprentices' wages should be fair. Wages can vary among occupations, but should increase as seniority increases. According to a court ruling, wages for apprentices must not fall more than 20 per cent below the wages either that are usually paid in an industry or a region or that are fixed by collective agreements.

3. National Programmes on Youth employment

3.1 Facts and figures on youth at work

According to the latest figures of the Federal Statistical Office (Statistisches Bundesamt, destatis), roughly 42% of 15 to 25 year-olds were employed in 2004. In general, the share of male persons aged 15 to 24 who had already been employed was higher than corresponding figures for women (see Table 1). The gap in the participation rates

applies, in particular, to the subgroup of juveniles who are under 20. Not only is employment more prevalent among male persons, but so, too, is unemployment. In other words, young males are more likely to be affected by unemployment than women in the same age bracket. Since 2000, the development of employment has, in general, been much more favourable for female persons. This holds particularly true for those aged 20 to 24. From 2000 until 2004, the number of employed female workers aged 20-24 declined by less (-1.5%) than the corresponding fall for male workers (-8.3%).

Table 1: Number (in 1,000) and share (in %) of employed and unemployed young males and females in various age groups (March 2004)

	Age					
	15-19 (incl.)		20-24 (incl.)		15-24 (incl.)	
Male						
All	2,410	51%	2,416	51%	4,826	51%
Employed	695	58%	1,469	53%	2,164	54%
Unemployed	99	57%	319	62%	418	61%
Female						
All	2,285	49%	2,300	49%	4,585	49%
Employed	511	42%	1,324	47%	1,835	46%
Unemployed	77	43%	192	38%	269	39%
All						
All	4,695	100%	4,715	100%	9,410	100%
Employed	1,206	100%	2,793	100%	3,999	100%
Unemployed	175	100%	511	100%	686	100%

Source: destatis

Table 2: Unemployment among young people

	Unemployment rate in %			Unemployed persons under 25	
	Under 20	20-25 (excl.)	Under 25	Total	Female (in %)
1993	6.5	9.2	8.5	453,758	46.6
1994	7.2	10.3	9.5	466,122	46.1
1995	7.9	10.1	9.5	431,586	45.4
1996	9.0	11.7	11.0	475,586	42.0
1997	9.6	13.2	12.2	501,405	41.0
1998	9.3	12.8	11.8	471,996	41.1
1999	8.5	11.4	10.5	429,584	40.9
2000	6.8	10.8	9.5	428,510	39.6
2001	5.8	10.9	9.1	444,074	38.8
2002	5.4	12.2	9.7	497,602	37.5
2003	4.5	13.0	9.9	516,131	37.4
2004	4.2	13.0	9.9	504,338	38.2

Source: BA

In contrast to other European countries, the youth unemployment rate does not differ distinctly from the averaged unemployment rate. Latest figures from the Federal Employment Agency (Bundesagentur für Arbeit, BA) reveal that the unemployment rate of people under 25 was 11.5% in October 2005; this compares to the average rate of 11.0% or 12.2% with regard to the dependent labour force, respectively. Unemployment amongst 15 to 19 year-olds was even lower: in October 2005, it was 7.5%. In keeping with general labour market conditions, unemployment among young people in eastern Germany is higher than it is in western Germany: in October 2005, it was 17.9% in eastern Germany, and 9.8% in western Germany. Data indicate that passing the first threshold from

education to the labour market and, in particular, to the dual system of vocational education and training (VET) is much more easier than passing the second threshold from the dual system of VET or external training programmes to regular employment. This feature is confirmed by the youth unemployment time series provided in Table 2. Table 2 also corroborates the relatively more favourable development of female unemployment. The share of females among those aged 15 to 25 who were unemployed declined between 1993 and 2004; the absolute figure of unemployed women in this age bracket also declined.

Accounting for the Hartz-IV reform, the BA has, in the meanwhile, published more detailed data on youth unemployment that allow for those beneficiaries who receive their payments based on SGB II regulations to be distinguished from those who receive their benefits based on SGB III. Almost 50% (312,255) of all unemployed young persons (645,567) in August 2005 were covered by the SGB II. Almost 45% of those had, up to August 2005, been unemployed for more than six months. Nonetheless, the average unemployment spell is, in general, remarkably shorter for young persons than it is for older unemployed persons (Plünnecke/Werner, 2004). According to the BA, among those persons who were classified as being long-term unemployed, only 2.5% were younger than 25 in September 2004. Among all unemployed persons, the share of the 15 to 25 year-olds was 12.4%. This indicates that youth unemployment is a relatively transitional phenomenon. Young persons often suffer from unemployment just after graduating from school or vocational training, after leaving the army or civil service and just before starting courses in secondary or tertiary education.

3.2 The dual system of vocational education and training as path towards employment

The elasticity of youth unemployment in relation to the unemployment of 25 to 54 year-olds is 1.06 in comparison to an average for the OECD of 1.47 (Plünnecke/Werner 2004). This means that, in Germany, the unemployment rate among the former increases by 1.06 percentage points as the unemployment rate of the latter rises by one percentage point. In this respect, youth unemployment does not tend to be supercyclical. The dual system of VET generally lowers the threshold of the transition from education to the labour market. At the end of 2004, almost 1.8 million persons (preliminary figures) were working and learning within VET programmes that were provided by private and public enterprises. They account, approximately, for more than half of the total number of young workers who have to pay social-security

contributions (slightly less than 3.4 million). In this respect, the dual system of VET still is the most important transition path from education to employment. The main characteristics of the dual system of VET are as follows:

- VET is commonly organised by the public and the private sectors. Stakeholders are the Federal Government, the governments of the Länder, employers' associations, employers, and, finally, the trade unions.
- VET is conducted in companies and in part-time vocational schools.
- VET is carried out as training at the work place and as classroom tuition.
- VET is based on individual apprenticeship contracts and on compulsory attendance at vocational school.
- VET is regulated by the Federal Government and by the Länder governments.
- VET is supervised by the chambers of industry and commerce, chambers of trades, and school supervision bodies.
- Enterprises cover their own training costs (apprentices' pay, cost of trainers and materials); the governments fund the schools, research in VET areas, and additional vocational training programmes. In this respect, the expenditure of the private sector account for 73% of total funding for VET.

The dual system of VET aligns firms' demand for skilled labour with the content and curricula of VET. Although the dual system of VET, in general, fosters the transition of young people from education to the labour market, and helps to reduce the youth unemployment rate, these impacts have slightly attenuated over recent years. According to PISA, more than 20% of an age cohort fail to reach the basic qualification standards that are required for starting an apprenticeship. For these youths at risk, the first threshold has already become too high to pass. Furthermore, owing to technical and organisational changes, the skill requirements of firms have risen.

3.3 Public programmes to foster youth employment

In 1998, the Immediate Programme for the Reducement of Youth Unemployment (Jugendsofortprogramm, JUMP) was launched as a

result of growing unemployment amongst those under 25. JUMP ran until the end of 2003 and was, before it ended, complemented by JUMP Plus which was launched on 1 June 2003. JUMP contained several measures that aimed, firstly, at preparing young people for vocational training programmes, promoting the creation of in-company VET at the regional or local level, and providing external VET. Secondly, some programmes were designed to integrate young person into the labour market directly. They included, for example, short-term training programmes, wage subsidies or employment creation schemes that were specifically dedicated to training the participants. In addition, JUMP also contained, thirdly, various measures that aimed at encouraging or 'activating' young persons to become employable by, for example, offering them mobility allowances and personal assistance. After JUMP ended, several of its measures were, in accordance with the Job-AQTIV-Act (Job-AQTIV-Gesetz), added to the SGB III. JUMP Plus has been directed to those under 25 who receive either social benefits or unemployment assistance and who either have already been long-term unemployed or are about to become long-term unemployed persons. Jump Plus finished at the end of 2004.

When JUMP came to an end on 31 December 2003, almost 780,000 measures had been started since its inception (Dietrich 2003; Berufsbildungsbericht 2004). Nearly 40% of JUMP activities were conducted in eastern Germany. JUMP's peak was reached as early 1999 when 197,346 entries were made. As far as JUMP Plus is concerned, more than 62,200 15 to 25 year-olds began a scheme to increase employment. Table 3 provides figures on the average number of participants in various active labour market policy programmes from 2002 to 2004. The data show that the share of people under 25 slightly declined whereas their total number oscillated around 500,000 participants. The policies listed should, in general, aim to have a long-lasting and positive impact on labour market integration. A thorough evaluation of them has, however, not been conducted. In 2002, after the various schemes had been in existence for a relatively short period, an assessment of JUMP revealed that the placement rates of the various programmes were quite low. More than half of the former participants had, once again, become unemployed or had not been re-integrated into employment or training six months after they finished their programme. This held particularly true for those who had been on employment-creation schemes.

Table 3: Number of participants in selected active labour market policy programmes 2002-2004 (in 1,000)

Programme	2002			2003			2004		
	Total	15-25 year-olds		Total	15-25 year-olds		Total	15-25 year-olds	
		Total	In %		Total	In %		Total	In %
Further training	339.9	42.0	12.4	259.9	35.5	13.7	184.4	26.6	14.4
Short-term training	74.5	13.3	17.9	92.7	18.6	20.0	94.7	20.9	22.0
Employment creation scheme (ABM)	134.3	13.5	9.7	96.4	13.1	13.3	85.7	14.1	16.5
Structural adjustment programme (SAM)	58.8	2.5	5.2	46.8	2.0	4.3	31.5	1.1	3.4
Vocational preparation course	106.9	102.9	96.3	108.0	104.6	96.9	97.5	94.3	96.8
External vocational training	66.8	64.3	96.3	69.2	66.1	95.6	68.9	65.1	94.5
Training allowances	82.1	82.1	100	94.8	94.8	100	99.4	99.4	100
JUMP	85.9	85.9	100	75.6	75.6	100	38.3	38.3	100
Others	63.5	62.1	97.8	60.6	59.1	97.5	54.0	52.5	97.2
All programmes	4,061	497.6	12.3	4,377	516.1	11.8	4,381	504.3	11.5

Source: BA

3.4 Pact on apprenticeships

On 16 June 2004, the Federal Government, the BA and employers' and business associations signed a pact on apprenticeships (Ausbildungspakt). The latter committed themselves to creating, on average, 30,000 new apprenticeships annually in each of the following three years. Moreover, business vowed to provide 25,000 work experience opportunities (Einstiegsqualifizierungen) annually until 2006. This programme applies to young people whose qualifications are considered to be insufficient for starting an apprenticeship. Moreover, young applicants who fail to start a vocational programme in September of each year in which the pact on apprenticeships is running are invited to join a clearing system (Nachvermittlungsaktion); this clearing system is organised by the employment agencies and the chambers. According to the first report on the results, private companies provided 59,500 new apprenticeships in 2004. Moreover, 43,000 firms have been employing trainees for the first time since 2004. In addition, the number of work experience opportunities that were provided (30,000) was, in fact, higher than the figure that employers' and business associations committed themselves to. The Federal Government and the BA fulfilled their promise, too. For instance, the Training Programme Eastern Germany (Ausbildungsplatzprogramm Ost), which provides for 14,000 external vocational training places, has been prolonged and the supply of vocational preparation courses was increased by 3% in 2004. In 2005, the pact on apprenticeships has, so far, been successful in terms of providing new apprenticeships (52,000) and additional work experience opportunities (29,000), too. In this respect, the labour market for 15 to 25 year-olds has shown a reversal of the negative trend since 2004.

4. Role and views of the social partners on youth and work

As the social partners stipulate general employment conditions, they also settle the working conditions that strongly influence the employment prospects of young persons. Firstly, at the national and sectoral level, unions and employers' associations agree on the definition of new occupations as well as the modification of existing ones. Qualification profiles, VET standards, examination requirements, the duration and contents of training programmes, the level of qualifications, and the criteria for quality assurance are all settled in a tripartite process. In the initial step, the social partners and the chambers can put forward proposals on new vocations for which the Federal Institute for Vocational Education and Training (Bundesinstitut für berufliche Bildung, BiBB) develops training ordinances. In the second stage, experts appointed by

the social partners work out the details of the various training ordinances. The latter have, finally, to be approved by various committees at the national and regional level before they can come into force. Members of the committees are appointed by the social partners and by public bodies at the federal and regional levels. (This procedure applies accordingly to the modification of existing occupations.)

Secondly, social partners deal with important features of working conditions, such as wages and working hours, not only for the unskilled and for those young workers who already have some skills, but also for apprentices. The latter only holds true for in-company VET. Training wages vary distinctly among occupations (see Table 4). In general, the highest pay levels for trainees are found in manufacturing, commerce, and in public agencies. Wages in the crafts sector tend to be the lowest, on average. With respect to the seventies, trainee pay has, in the long-run, increased faster than wages in general. Only after 1998, has this development been reversed slightly in order to meet the falling number of apprenticeship places.

	Western Germany	Eastern Germany
Manufacturing and commerce	683	582
Public agencies	671	626
Agriculture	541	441
Freelance work	528	452
Crafts	524	414
Total	617	526

Source: BiBB

In 2003, 121 collective agreements existed on the issue of promoting VET. They contain, firstly, settlements that aim at enhancing or preserving the capacity to train and to provide additional apprenticeships. For example, 25% of the settlements allow for a general reduction of trainee pay. In most situations, the reduction is, in fact, a temporary or permanent wage freeze, such as the agreement in the chemical industry that was concluded in 2003. The president of the Federal Employers'

Association in the Chemical Industry (Bundesarbeitgeberverband Chemie, BAVC), Rüdiger Erckel, [praised the agreement in the chemical industry](#) as signal that employers contributed considerably to preserving a skilled workforce and to meeting their responsibilities for the young and for society as a whole. The Mining, Chemicals and Energy Industrial Union (Industriegewerkschaft Bergbau, Chemie, Energie, IG BCE) declared that [the agreement had been a success story](#), too. Secondly, collective agreements on promoting VET stipulate the circumstances under which former trainees should be employed as skilled workers within the training firm. Such a job guarantee is usually limited to, at least, six months and, at most, 12 months. Only four settlements did not fix any limited duration of the job guarantee. Moreover, 11 of the 121 agreements contain lower entry-level wages for former trainees.

5. Discussions and research

5.1 Training levy and the pact on apprenticeships

The employers' and business associations as well as the Federal Government jointly hailed the pact for apprenticeships as a success. Nonetheless, both sides acknowledge that greater efforts have to be made in order to meet the growing demand amongst young people for apprenticeships. The number of young persons leaving school will, at least until 2006, further increase. The Confederation of German Employers' Associations (Bundesvereinigung der Deutschen Arbeitgeberverbände, BDA) emphasised that the development of youth employment and the VET supply depended critically on the development of the labour market in general. In this respect, the ongoing sectoral change from manufacturing to the service sector as well as continuing job losses in the crafts sector represent a challenge to both employers' and public policy; their policies must tackle the growing demand for apprenticeships by supplying a sufficient number of training places. Therefore, from the point of view of the employers' associations, trainee pay has to be handled with more flexibility. In addition, social partners have been called upon to give consideration to the fact that providing a training place should be preferred to guaranteeing employment after VET has finished. The Confederation of German Trade Unions (Deutscher Gewerkschaftsbund, DGB) denied that the pact on apprenticeships had been a success. Furthermore, the DGB doubts that the level of trainee pay influences the supply of apprenticeships. The unions' reaction revealed their concern that they already declared when the intended implementation of a training levy was suspended in 2004. The debate on the pact on apprenticeships reveals that unions and employers'

associations still differ in their assessment of the impact of training costs, in general, and the cost-benefit relationship, in particular, on the supply of training places. Research findings have revealed that net training costs differ distinctly among occupations. Net training costs, however, are assumed to be the highest in apprenticeships that are not only demanding in terms of the qualification requirements of the trainee, but also offer the most favourable employment and income perspectives for young people.

5.2 Training places for disadvantageous groups

The OECD Programme for International Student Assessment (PISA) has shown that more than 20% of the 15 year-olds lack the basic competences that are necessary to join a typical VET programme successfully. Therefore, the BDA has been calling for new forms and a greater variety of VET programmes. For applicants who do not meet the required qualification standards shorter (only two year) and less demanding apprenticeships should be provided. The DGB, however, strictly prefers only those training programmes that take three years. Both sides have jointly demanded that the government improves the quality of education in schools.

6. Commentary

As far as the supply of unskilled labour by young people is concerned, the employment prospects of young workers are unfavourable. Collective agreements that have lowered the relation of high-skilled wages to low-skilled wages as well as labour-market regulations that have made low- and unskilled labour more expensive induce firms to rationalise jobs that have low qualification requirements. Therefore, VET and the integration of young people into apprenticeships after leaving school will become crucial in the fight against youth unemployment. The dual system of VET in Germany has prevented the unemployment rate of those under 25 from rising to the average level in Europe. The provision of more in-company training places requires, firstly, more flexible trainee pay that the social partners can agree on. In addition, the cost-benefit relation of VET should become more geared towards the latter by placing reimbursement clauses on a legally sound footing. Such clauses can hinder those firms that do not provide training places from churning skilled workers; these clauses can also safeguard more effectively than a training levy could the investments of those firms that do provide training firms. Moreover, they do not increase the labour costs of those firms in which there is no demand for new recruits.

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