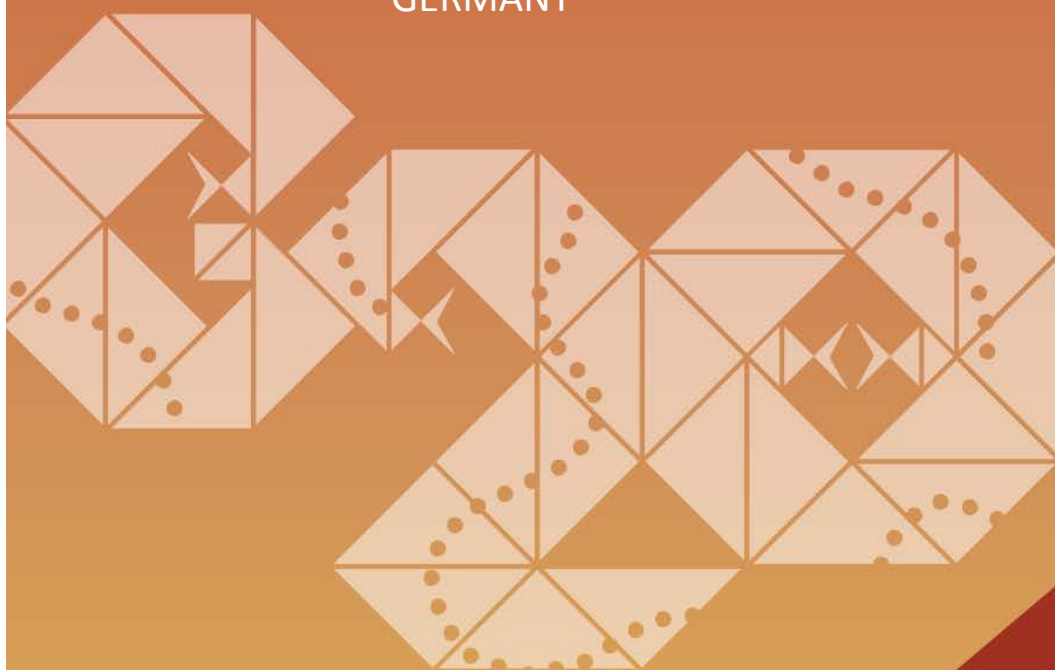


# EMPLOYMENT PLAN 2014

GERMANY



## CONTENTS

1. Employment and labour market outlook
2. Employment challenges for Germany
3. Current policy settings and new commitments
4. Monitoring of commitments



## Introductory summary of the G20 Employment Plan

Germany's economy and labour market have shaped up well in recent years. However, further improvements for groups like youth, long-term unemployed and women still need to be undertaken. The current labour market outlook opens many opportunities for people who had difficulties to find a job before. Due to the demographic change, Germany is and will furthermore be facing the challenge of skilled labour force shortage in the coming years.

Therefore, Germany's employment plan links priorities of the Australian G20 presidency and Germany's national challenges and commitments in the areas of employment:

- female labour participation,
- long-term unemployment,
- youth unemployment.

### More and better employment for women

In Germany, the female employment rate has risen continuously during the last two decades to reach 72.5 in 2013. However, female employment is characterized by a relatively high share of part-time and women are still under-represented in high tech professions and top management positions. Combined with career interruptions for family reasons, women earn less than men during their life courses - and usually have lower pensions than men. Germany will address the quantitative and qualitative side of female labour participation. Germany highlights the topic of female labour participation as one of the priorities of the Labour and Employment Ministers' Meeting in Melbourne, particularly as a main deliverable at the Brisbane summit.

Germany welcomes the G20 Labour and Employment Ministers' commitment to reduce the gender gap by 25% by 2025 and underlines the link of this quantitative goal with the agreed qualitative measures to lift female labour force participation.

### Reduction of long-term unemployment

There are still about 1 million people who have been unemployed for one year or longer. Although the number has declined over the last years, long-term unemployed are still disadvantaged in the labour market. In many cases, integration in the labour market has not been successful due to a range of multiple placement obstacles. Additionally to existing methods and strategies the Federal Labour Ministry is preparing a programme to address this issue.

### More young persons in education, vocational training, employment or training

In 2013, Germany had a youth unemployment rate of 7.9 % (Eurostat) which is the lowest unemployment rate for youth in the EU. Germany's challenge is not to urgently reduce high unemployment among young people. The challenge is to assist disadvantaged young people with specific barriers, e.g. to complete a vocational training. For that reason there is a need to strengthen a preventive approach in the area of school-to-work transition and support young people to find a successful start in their vocational life. In this context, Germany highlights the EU Youth Guarantee that gives young people better perspectives for their future participation in the world of work.



## 1. Employment and labour market outlook

The German economy is growing moderately faster in 2014 than last year. But the unfavourable development of the “hard” industrial indicators and the decline of the business climate is currently indicating a temporary pause in growth in the middle of the year. Some economic indicators were influenced by special effects such as the time of the summer holidays. Furthermore, losses of confidence as a result of geopolitical crises and the weakness of global economy had damping effects. National and international institutions’ growth forecasts for Germany currently range from 1.3 % to 1.6 % in 2014 and 0.8 % to 2.0 % in 2015. The Federal Government’s projection from October 2014 is 1.2 % for 2014 and 1.3 % for 2015. German GDP growth will be driven by domestic demand over the forecast horizon (1.4 % in 2014; 1.7 % in 2015). The good labour market situation, with employment reaching new record highs (42.8 million in 2015) and unemployment further decreasing (ILO rate 4.8 % in 2014; 4.7 % in 2015), will result in increasing gross wages and salaries (3.8 % in 2014; 3.7 % in 2015), disposable income (+2.2 % in 2014; 2.9 % in 2015) and real private households consumption (1.0 % in 2014; 1.4 % in 2015).

Germany has made substantial progress on the labour market. Long-term unemployment has fallen in the last five years from 1.5 million by about one third, and the number of employees subject to social security contributions has risen tangibly. This good development in employment in Germany underlines the significance of an open and functioning labour market, a strong social partnership and free collective bargaining as fundamental pillars of the Social Market Economy.

Overall employment is expected to rise by 325,000 people to 42.6 million this year. Already in 2013, the employment rate rose to over 77 %, thus exceeding the national German target for the EU 2020 strategy. Also the employment of women has grown in the last years to reach 72.5 % in 2013. The employment of young persons developed positively, too. The yearly average 2013 for the unemployment rate of young persons aged 25 or younger was 7.9 % (Eurostat). Last year, Germany reached the best figure in the European Union which is significantly lower than the average unemployment rate of 23.5 % for young persons (Eurostat).

Despite the positive developments some challenges remain as outlined in chapter 2 “employment challenges”.

Using a cautious labour market policy, the new Federal Government will improve the basic conditions for more employment. To achieve this aim, the Government will, for example, continue to advocate a strong social partnership of employers and unions.



Table 1: Economic and labour market conditions, 2008 (LHS) and 2013 (RHS)								
	Real GDP growth Annual growth rate in percentage		GDP per capita (USD terms)		Employment Growth (15+)		Employment to population ratio (20 - 64 years)	
Germany	1.1 %	0.1 %	44,305	44,287	1.5 %	0.9 %	74.0 %	77.1 %
G20 Average*	1.4 %	1.9 %	25,339	26,243	1.1 %	0.9 %	57.7 %	57.1 %
	Unemployment rate (15 - 64 years)		Incidence of long-term unemployment (15 - 64 years)		Youth unemployment rate(15-24 years)		Youth unemployment to population ratio (15-24 years)	
Germany	7.6 %	5.4 %	52.5 %	44.7 %	10.6 %	7.9 %	5.5 %	4.0 %
G20 Average	6.3 %	6.1 %	24.1 %	31.0 %	n/a	n/a	6.9	7.8
	Participation rate** (15 - 64 years)		Female participation rate** (15 - 64 years)		Informal employment rate		Collective bargaining coverage ***	
Germany	75.9 %	77.5 %	69.7 %	72.5 %	n.a.	n.a.	West 55% (8%) East 40% (12%)	West 52% (8%) East 35% (12%)
G20 Average	60.2 %	60.3 %	50.0 %	51.8 %	n/a	42.2 %	n/a	28.8 %
	Minimum wage (% of average wage)		Gini coefficient		School completion rate		Literacy rate ****	
			2008	2012	2009	2011		
Germany	n.a	n.a.	0.285 %	0.29 %	84 %	92 %	n.a.	99.4 %
G20 Average	34.9 %	34.9 %	0.341 %	0.376 %	76.5 %	78.9 %	n/a	n/a

\*G20 averages were calculated by the Australian Presidency in cooperation with international organisations and definitions may deviate from German data. In some cases comparability is not possible.

\*\*activity rate (including employed as well as unemployed)

\*\*\*figures in brackets stand for company-related collective agreements which are additional to association-level agreements

\*\*\*\* for 2011, refers to population aged 18 to 64

Table 2: Labour market forecasts for 2014		
Employment growth	Unemployment rate	Participation rate
0.8%	4.8 % (ILO)	70.2*(15 - 74 years)

## 2. Employment challenges for Germany

Germany has made substantial labour market progress. In particular, at approx. 72%, the female employment rate is in the upper third of G20 countries, long-term unemployment has fallen to 1 million people, the number of employees subject to social security contributions has risen and youth unemployment is low compared to other countries.

However, not all concerned have benefitted from the positive development of the German labour market. Full-time or nearly full-time labour force participation of women still has to be enhanced, the number of women in top positions has to increase and the gender pay gap between women and men needs to be reduced. Currently more than one million people have been unemployed for more than one year. Long-term unemployed only benefit below-average from the positive labour market developments although the absolute figure of long-term unemployed has decreased from about 1,5 million by one third over the last five years (about 500,000 people). The framework conditions for the employment of young people have to be further improved to ensure a constant high level of youth employment in future.

These challenges are closely linked to the demographic change. The demographic change impacts directly on the labour supply, the performance of the German economy and the social systems. Therefore, the Federal Government continues the ambitious concept of securing the supply of skilled workers as one of its priorities in the field of employment, social and economics policies. By this it will encounter the challenge of a skills shortage and at the same time create new job opportunities for people who have been unable to fully participate in the labour market.

The Federal Government's skilled labour concept is characterized by a comprehensive and long-term approach. It consists of five areas of action: (1) activation and securing employment, (2) improved family-work balance, (3) educational opportunities for all from the outset, (4) qualification: initial and continuing education/training and (5) integration and immigration of qualified personnel.

Against this background, the Federal Government focuses especially on the challenges of "boosting female labour force participation", "tackling long-term unemployment" and "promoting youth employment" in the context of the G20 agenda and the G20 employment plan.

### CHALLENGE: BOOSTING FEMALE LABOUR FORCE PARTICIPATION

Creating equal opportunities for women and men and better incentives for women to work is a comprehensive task. In Germany, the female employment rate ranks in the upper third of the G20 countries. However, nearly every second woman in part-time employment works less than 20 hours per week on average. A lot of women in part-time employment would like to work more hours if they could better balance work and family life. Furthermore, women are still under-represented in high tech professions and top management positions.

The contribution of women to the labour force can be improved through higher participation rates, enhancing working hours in part-time employment, better paid and higher quality jobs and a successful re-entry to the labour market after a family related break of several years. The OECD has estimated that full convergence of female labour force participation to the participation rate of men by 2030 would boost the annual GDP per capita growth rate across the OECD by 0.6 percentage points on average.

Since a good reconciliation of family and work life is crucial for a high and continuous labour force participation of women, the Federal Government envisages to further improve the availability of appropriate, affordable and high-quality day-care for children and to gradually expand all-day care in childcare facilities. Moreover, the Federal Government will further develop the law on part-time work and parental leave policies and will continue its programs and awareness raising activities together with the social partners in order to promote family-friendly working conditions.

Furthermore, the Federal Government envisages legal measures in order to increase the representation of women in leadership positions in private companies and the public sector and to eliminate unjustified pay inequities between women and men.



## CHALLENGE: TACKLING LONG-TERM UNEMPLOYMENT

The German Federal Employment Agency has developed methodologies and concepts for an effective integration and placement in the labour market by an individual approach. The agencies provide profiling through an analysis of professional and soft skills, taking into account the individual private situation. Once established, an agreement of objectives between the unemployed and his/her integration assistant and a schedule to achieve these objectives is pursued. This may include i.a. further training.

However, roughly one million persons have been unemployed for more than one year. Although the number of long-term unemployed has declined in the last years, unemployed persons have only benefitted below average from the positive development of the labour market. Due to individual and complex problems a permanent integration into employment may often only be achieved over a longer period of time with the effort of all concerned.

Against this background, the new Federal Government will focus its employment policy on tackling long term unemployment. It aims at further reducing the still high number of long-term unemployed, offering matching qualifications to low skilled and long-term unemployed persons and placing them on the general labour market.

According to the World Bank, economic growth is often not enough to reabsorb the long-term unemployed in the labour market. Most effective policies need to combine measures to stimulate growth and to promote the employability of the long-term unemployed. The Federal Government aims at improving the employment prospects for long-term unemployed persons by a further programme which comprises the consultancy of employers and acquisition of jobs, coaching of employees after starting work and a temporary financial compensation for employers during the period in which the productivity of the former unemployed is reduced.

## CHALLENGE: PROMOTING YOUTH EMPLOYMENT

Although the situation for young persons on the German labour market is very good in international comparison, the unemployment rate of persons aged 25 years or younger should be reduced even further. Identified challenges, such as targeting young persons aged 20 to 25 without a formal vocational qualification, should be tackled.

With respect to the demographic change, Germany has to ensure that all young people take advantage of their opportunities and start successfully into working life. The mentoring for the school to work transition will be expanded. It aims at guiding young persons with difficulties from their last year at school until they start a vocational training (e.g. "Jugendberufsagenturen", youth employment agencies). To support young persons who are not in education, employment or training a new federal program ("JUGEND STÄRKEN im Quartier" i.e. „Encouraging Youth in the Community") will be implemented. Young persons who are socially disadvantaged will receive individual support to help them make the transition into suitable training or employment measures. Together with social partners and the Laender, the Federal Government will launch a new alliance for vocational and further training with the aim to strengthen the dual system of vocational education and training and further training. The Federal Government will press hard to ensure that the "Compact for Growth and Jobs" adopted by the European Council in June 2012 is properly implemented.



### 3. Current policy settings and new commitments

The Federal Government will create framework conditions for the economy which will contribute to its competitiveness and its innovative strength on the global labour market. More jobs, secure and well paid, will be created. With an intelligent labour market policy the government will pave the way for more employment and a strong social partnership. With its policy agenda Germany aims to create more productive and better quality jobs and contributes to a strong, sustainable and balanced growth, poverty reduction and increasing social cohesion.

With regard to the current G20 agenda, the German G20 employment plan focuses on “boosting female labour force participation”, “tackling long-term unemployment” und “promoting youth employment”.

#### BROAD ECONOMIC SETTINGS

Germany is committed to the G20 Framework for Strong, Sustainable and Balanced Growth and the collective objectives of the G20. Apart from the stabilization and deepening of the economic and monetary union in Europe and the on-going financial market reforms, the priorities for the Federal Government are: maintaining a sound fiscal position, improving framework conditions for investment and innovation especially for small and medium-sized firms, strengthening targeted investment and innovation policies, fostering competition, improving labour market policies, and continuing with successful energy reforms. Moreover, the Federal Government is committed to reach balanced and ambitious free-trade agreements between the EU and leading third countries and a successful conclusion of the Doha round. The German economy has been and strives to remain an anchor of stability in the Euro Area by pursuing these policies.

All measures will contribute to stronger, sustainable and balanced growth in Germany and the G20. Fostering innovation and competition will support productivity growth and will thus make overall growth stronger. Maintaining a sound fiscal position and energy reforms will make growth sustainable. Robust domestic demand on the back of high employment and stronger investment as well as expanded trade will support growth in Europe and worldwide. Moreover, increasing foreign investment by German firms will foster Europe’s economic recovery and contribute to growth in G20 countries. (High) technology exports will contribute to increase productivity in importing countries and help technological transfer, including to developing countries.

#### Macroeconomic policy

Sound public finances are an essential prerequisite for confidence of market participants, private investment and economic growth. Hence, the Federal Government aims at a balanced federal budget in structural terms in 2014. Next year, the federal budget will also be balanced in nominal terms. The general government budget will be balanced in nominal terms with a small structural surplus in 2014 and 2015. Germany aims at reducing its debt ratio (76.9 % of GDP in 2013) below 65 % by 2018 and to below 60 % of GDP within ten years. Germany will comply with all international fiscal commitments – both at the EU and G20 level (“Toronto commitments”). It will do so with a growth-friendly fiscal policy: preserve a balanced budget while stepping up infrastructure investment.

For other than fiscal commitments particularly regarding monetary and exchange rate policy frameworks and the reduction of EU imbalances please refer to the EU Growth Strategy Template.

#### Regulation, finance, incentives, investment and entrepreneurialism

##### *Investment and Infrastructure*

The Federal Government will provide a total of €5 billion of additional funding for urgently needed investment in public transport infrastructure over the next four years, primarily for maintenance and modernization purposes. The Government also decided to extend the truck-toll to all roads under national responsibility and to introduce a road fee for cars. The revenue will be used for investments in motorways. In addition, measures will be taken to improve efficiency and to set the right priorities for infrastructure investment.





The Federal Government pursues a targeted investment and innovation policy. This mainly involves the modernization of the infrastructure base in Germany. Investment in infrastructure will both strengthen the dynamism of the domestic economy and create an additional growth impulse in Germany and Europe alongside Germany's strength in exports. Also, efficient infrastructure improves the framework for private investment.

For identifying further action to improve the investment climate and to mobilize more private capital for infrastructure investment, the Federal Minister for Economic Affairs and Energy has set up a high-level working group "Strengthening investment in Germany". The group started its work at the end of August, 2014 and includes experts from the public and private sector as well as academia. A final report is expected in spring 2015.

Total capital expenditure of local authorities, which are responsible for the maintenance and expansion of local infrastructure, is increasing markedly (+8 % in 2013, similar expectations for 2014), also promoted by measures of the Federation. In the years 2014-2017 the Federal Government intends a further support of municipalities by a total of €3 billion.

The Federal Government has adopted the "Digital Agenda" in August. This government strategy will strengthen growth and employment in the digital sector, in particular in telecommunication infrastructure. Key objectives are to make better use of the innovation potential, to support the development of extensive high speed networks, to enhance the security of IT systems and providers, and to promote media literacy of all generations. Regulation that promotes investment and fosters innovation should allow for optimal incentives for private telecommunication providers to expand the broadband network. From 2015 onwards, revenues from allocations of broadcast frequencies will be used to give additional incentives to invest in those regions where broadband deployment is not profitable yet. The aim of the new R&D technology programme "Smart Service World" with governmental funding of € 50 million from 2015-2019 is to mobilize the same funding from the private sector to enhance the topic Industry 4.0, which promotes the computerization of the manufacturing industry, with intelligent "Smart Services".

Regarding private investment, Germany's general conditions for investment are generally very favourable. Institutions, infrastructure, the macroeconomic environment and educational standards are high. Financing for investment is abundant but barriers impeding the financing of small and medium-sized enterprises must be reduced. One important aspect will be to ensure traditional financing for small and medium-sized enterprises via savings banks, cooperative banks, private banks, business promotion banks and guarantee banks. The introduction of the new rules on equity and liquidity requirements (Basel III) must be taken into account in this regard. Access to traditional bank financing is often difficult for innovative start-ups and young companies. For this reason, the Federal Government aims to increase the international competitiveness of the German venture capital market by more efficient legal and tax rules. This will help attract more resources for investment in innovative firms in Germany.

The Federal Government aims to keep the R&D quota at 3% of GDP – well above EU average. It will expand the High-Tech Strategy into a comprehensive, interdepartmental innovation strategy for Germany. The Strategy will cover both technological and societal innovations with the aim to transform research results better and faster into practice.

The Federal Government will also invest more into education and research: The federal states (Länder) and municipalities will be supported in financing child care, schools and universities by €6 billion over the next four years. The Federal Government will continue to finance research facilities. Additional €3 billion for research outside the universities will be made available by the Federal Government. Hence €9 billion of the €23 billion in additional spending on policy priorities over the next four years will be invested in education, science and research.

#### *Entrepreneurialism and Incentives*

New start-ups and young businesses provide innovative services and products which advance society and create jobs. For this reason, the Federal Government will continue to give them targeted support. Furthermore, the Federal Government is also facilitating access to international growth markets for high-tech start-ups.

Access to traditional bank loans is often difficult for innovative start-ups and young companies. They rely on alternative sources of finance, such as venture capital, which is provided by business angels or venture capital companies. However, Germany's venture investment rate has only remained around the European average up to now.



In addition Germany creates favourable business environment to help SMEs grow. Success on domestic and international markets is significantly determined by favourable business conditions at home and sufficient access to resources. Government programs provide a stimulus in the fields of financing, skills, innovation and market opportunities abroad:

- The promotional activities of the KfW SME Bank include granting long-term credits for capital expenditure and working capital with more favourable interest rates than for conventional bank loans.
- Federal Ministries cooperate closely with business associations and trade unions to recruit young talents for the dual vocational training system that breeds skilled professionals.
- The Central Innovation Program for SMEs (ZIM) promotes research, development and innovation and is open to all technologies and sectors.
- Foreign trade promotion instruments pave the way even for small businesses to become active in international markets.
- In addition, the German accelerator program provides young startups with hands-on mentoring at our locations in Silicon Valley, San Francisco and New York City to enter the US market.

These are just a few examples of measures that foster a continuous growth of SMEs in Germany and allow them to expand and to pursue activities abroad.

## LABOUR MARKETS AND SOCIAL PROTECTION

The social market economy in Germany, with its comparably strong role of the social partners, collective bargaining and internal flexibility, has proven itself during the financial crisis. Targeted reforms of the German model have contributed to this success.

The labour market is currently very receptive to new workers and is opening up opportunities for people who were previously unable to participate in this positive development. At the same time, however, the low-wage sector has expanded to a problematic degree for more than 20 years. For this reason, the Federal Government aims to adapt the policy environment to ensure secure and good work with fair pay, as well as a strong social partnership between employers and trade unions.

Covering the demand for skilled workers whilst at the same time opening up better earning opportunities to people is a major task for the whole of society. The Federal Government will primarily focus on people in Germany and will advance their degree of integration into the labour market.

### Labour market regulation

Good work should be worth the effort and provide for a living on the one hand. On the other hand, productivity and wage level have to correspond so that employment subject to social security contributions is preserved. Traditionally, this balance is established by social partners in the framework of collective agreements.

By introducing a binding general national minimum wage the Government will provide for an adequate minimum income level. Following the elections in autumn 2013, the new Federal Government acted immediately and in spring 2014 concluded the draft of the law on minimum wages. A national binding minimum wage of 8,50 € gross per hour will be introduced on 1 January 2015. Generally binding collective agreements of representative bargaining partners may deviate from this until 31 December 2016. The national minimum wage has to be applied without restrictions as of 1 January 2017. A minimum wage commission consisting of representatives of the social partners and scientists will review the level of the general minimum wage for the first time with effect from 1 January 2017. If necessary the commission will suggest to adjust the level of the minimum wage and the Federal Government may make it mandatory nationwide. The commission will then make suggestions regularly should an adjustment of the general minimum wage be considered necessary.



The conclusion of unlawful outsourcing contracts (Werkverträge) at the expense of workers should be prevented. Also the law on the recruitment of temporary workers will be expanded. This will include that the leasing period will be limited to a maximum of 18 months and that after nine months, temporary workers will receive the same pay as permanent employees.

The German labour market came out of the financial and economic crisis comparably well. This can be explained to a large extent by the positive impact of high internal flexibility. When the German economy came to a halt in 2008/09, companies did not have to lay off their workers. Instead, working hours were cut down and further training measures for short-time workers were encouraged. This was possible for at least three reasons: 1) The system of social partners allowed a high degree of cooperation between employers and labour (unions). Workers agreed to temporary lower wages in return for the promise of continued employment. 2) The German Federal Government expanded short-term working allowance (“Kurzarbeitergeld”) and thus made it easier for companies to overcome the economic downturn without jeopardizing their specific human capital. Under this measure, the German Federal Employment Agency subsidized the income of affected workers for a given period. These workers could even use the time for a subsidized further training. 3) German workers had been working overtime prior to the crisis which allowed them to reduce overtime during the slump. The mid-term outlook was bright as well, giving companies the confidence to keep their employees during the downturn.

Once the economic engine kicked off again, German companies were ready to react quickly, increasing the German market share of the global market. The core effect however, was the stabilization of the German economy and the reassurance of positive expectations which led to a containment of the crisis. The positive result of the internal flexibility approach was reinforced by two aspects. Firstly, an effective social security system which acted as an automatic stabilizer. Secondly, well balanced economic stimulus packages.

### Safer Workplaces

The Joint German Occupational Safety and Health (OSH) Strategy is the strategy applicable in the field of safety and health throughout Germany and jointly supported by the German government, the federal states (Bundesländer) and accident insurance institutions. It forms the basis for concerted action in order to attain the jointly established occupational safety and health objectives. Promoting health and wellbeing and the workability of an ageing workforce in the context of demographic change are Germany’s strategic priorities.

“Shaping Work, Securing the Future” is the motto of the Initiative New Quality of Work. For more than ten years the initiative has been working to ensure a new quality of work. Through its activities the initiative seeks to address the question “How can work be profitable for companies, and be healthy, motivating and attractive for employees?”

More information on Germany’s international cooperation in the area of OSH can be found in the answer to the questionnaire to the G20 subgroup on safer workplaces. Further information on national OSH is available on:

<http://www.baua.de/en/Homepage.html>

<http://www.gda-portal.de/en/Homepage.html>

### Social protection

Social security and social protection, a caring government and caring society as well as social cohesion characterize the German social state. It guarantees a society worth living in and where everyone can take part in the social and political developments. The aim of social security and social protection is to support individuals who are unable to overcome emergency situations by their own means and to prevent such situations by long-term measures in cases of sickness, accidents, need for care, unemployment or old age. Social security is managed by the different branches of the solidarity-based social security system: pension insurance, health and care insurance, unemployment insurance and occupational accident insurance.

The Federal Government aims to adapt the social security and social protection systems to future challenges and to elaborate it in a sustainable and socially acceptable way.



In the last years - as a reaction to demographic change - the German Government decided to gradually raise the standard retirement age to 67 years. This was an important step to improve the sustainability of the statutory pension system and to counter the impending shortage of skilled labour. In January 2014, the Federal Government proposed the so called "pension package". It includes a special regulation on the entitlement to a full pension by the age of 63 years after 45 years of contributions, the extension of child care times for children born before 1992, improvements to the reduced capacity pensions and yearly adaptations of the participation benefits. The entry age of 63 years for a full pension after 45 years of contributions will be gradually raised to the age of 65 years from 2016 to 2029.

Furthermore, the German parliament has launched a high level working group for exploring ways to a more flexible retirement-regime. This includes incentives for a longer working life and improved flexibility in the transition from working life to retirement. The group was constituted in June 2014 and is expected to present results by the end of this year.

### Co-operation with social partners

The cooperation with the social partners is crucial for the safeguarding and enhancement of the employment and economic conditions in Germany. It is substantial for the successful model of the social economy and contributes considerably to social peace. An important fundament of the German social security system is the principle of self-government. Employees and employers are members of the self-governing bodies and therefore directly involved in the management of the social security.

The coherent and responsible cooperation of the social partners with the Federal Government paved the way to combat the economic and financial crisis effectively. The rise in unemployment was minimized. This was achieved by agreements of the bargaining partners to reduce the weekly working hours in times of economic crisis, solutions at company levels, and the limited generous short-time work regulations of the government (as elaborated above under section "labour market regulation").

Together the social partners thus build a foundation for a flexible, successful and innovative management of economic and employment-related challenges.

The Federal Government will therefore continue the successful cooperation and in the next years, together with the social partners, work on further strengthening dual vocational training, tackling the demographic change and on the self-governing structures of the social insurance institutions.

### Active labour market programmes

As discussed before, the German labour market currently offers a lot of opportunities also for those who have not been able to participate in the past. In particular, this includes people who have stayed away from the labour market for a long time or who have been unemployed because they lack a formal vocational qualification, their qualification is outdated or whose professional skills are insufficient. Unemployed people receive unemployment benefits to prevent hardships and provide support for the reintegration into the labour market. In the framework of this active labour market policy existing measures are applied and targeted at these groups.

The Federal Government plans to continue these measures. For example, the programme "Initiative to accompany the structural change" ("Initiative zur Flankierung des Strukturwandels", IFlaS, 400 million € funding) of the Federal Employment Service targets unemployed with low skills who would like to start a professional training leading to a formal certificate. Employees with low skills may also receive funding for a professional training leading to a formal certificate (Programm "Weiterbildung Geringqualifizierter und beschäftigter älterer Arbeitnehmer in Unternehmen", WeGebAU, 280 million €).

Additionally, the initiative to further qualify young adults ("AusBildung wird was-Spätstarter gesucht") is continued. It was started in 2013 with the aim of reaching within three years 100,000 young people aged 25 to 35 years motivating them to start a professional training leading to a formal qualification or to start a dual vocational training. From January to October 2013, already 30,000 young adults started a qualification measure. According to the Federal Statistical Office in 2012 approx. 1.4 Million people aged 25 to 34 did not have a formal vocational qualification.

Among the unemployed aged 25 to 34, almost every second person has not completed vocational training; this were approx. 330,000 people in 2013.

To improve the labour market integration of adults with a migrant background, the Federal Government initiated the support programme "Integration through Qualification (IQ)" in 2011. The support programme has grown to become an efficient nationwide structure with three central tasks. Firstly, through the creation of a regional support structure for the Act to Improve the Assessment and Recognition of Foreign Vocational Qualifications which entered into force on 1 April 2012. Secondly, through support of the competent statutory institutions for labour-market integration, particularly the employment agencies and job centres, in performing their tasks for example, with instruction to improve the intercultural competence of advisers. Thirdly, dovetailing of the various support measures (e.g. interlinking general integration courses with the promotion of job-related language skills and vocational skill building).

The instrument of cyclical short-time work contributed enormously to keep valuable skilled workers in the companies during the financial and economic crisis 2009/2010. In the coalition agreement the Government agreed that it would act quickly and implement proven regulations to support short-time work in the short term and thus securing jobs if a similar crisis occurred.

### Policy measures targeting disadvantaged and other groups in the labour market

In the framework of the G20 Employment Plan Germany has identified three challenges: "boosting female labour force participation", "tackling long-term unemployment" and "promoting youth employment". The Federal Government is going to tackle these challenges with clear commitments.

*Commitment 1: The Federal Government promises to promote female labour force participation and support the improvement of women's participation in employment in terms of quality.*

Key elements are:

- Further promoting the return to work for women after a family-related break of employment (Programm Perspektive Wiedereinstieg).
- Introducing the entitlement to temporary part-time work with the right to return to former amount of working hours (Rueckkehrrecht).
- Further development of the Parental Allowance Act and the Parental Leave Act by introducing the Parental Allowance Plus and the partnership bonus. The Parental Allowance Plus facilitates complementary income from a part-time job after the birth of a child, and thus enhances the incentive for mothers to return to work. Improving the quantity and quality of childcare, especially for children aged 0 to 3 years and full-time school.
- Cooperating with social partners on the dissemination of innovative models of work organisation and flexible working time in local and nationwide networks.
- Facilitating the use of household related and family supporting services.
- Introducing a compulsory quota of 30 % for women in supervisory boards of fully co-determined and publicly listed enterprises and binding targets also for other listed companies or companies falling under the rules of co-determination for supervisory boards, managing boards and top management levels.
- Introducing new equal pay legislation to ensure equal pay for equal work and work of equal value

*Commitment 2: The Federal Government promises to tackle long term unemployment.*

The Federal Government is planning a European Social Fund (ESF) – co-financed program to create employment prospects for long-term unemployed persons receiving benefits (Unemployment Benefit II). Activities will include: acquisition of jobs and consultancy for employers concerning the modalities of the program, appointing a contact person for employers in case of difficulties with the employee, individually tailored coaching of employees after starting work and a temporary financial compensation for employers during the period of reduced productivity of the previously unemployed person (total volume of funding 885 million €).

*Commitment 3: The Federal Government promises to further promote youth employment.*

Key elements are:

- Emphasis will be furthermore placed on job guidance, vocational orientation and counselling for young persons. Young persons with difficulties manage more successfully the school to work transition when they are supported by preventive measures and guidance at the beginning of the career. Young persons will receive matching offers addressing their individual needs to avoid that they become “NEETs”(neither employment, education nor training). Locally created models of cooperation between different organizations will be disseminated nationwide. Fields of actions are: transparency, exchange of information, harmonized procedures and the principle of a One-Stop-Shop where possible.
- The mentoring for the school to work transition shall be expanded as far as possible. Career entry mentors assist lower-attaining pupils at schools offering general education. The mentors provide individual, ongoing support from the penultimate school year through to the first half of the vocational training year to help pupils transition from school to vocational training. Therefore the Federal Government is planning an ESF-co-financed programme (Berufseinstiegsbegleitung).
- To support young persons who are not in education, employment or training ("NEETs") a new federal program „Encouraging Youth in the Community" ("JUGEND STAERKEN im Quartier") will be implemented within the framework of the federal ESF operational programme. Young persons who are socially disadvantaged or with individual difficulties will receive individual support to help them make the transition into suitable training or employment measures. This programme opens funding opportunities to support young people with a migrant background.
- Together with the social partners and the Laender, the Federal Government will launch a new Alliance for vocational training and further training.
- The successful completion of the school-to-work-transition is a main task for the Federal government. To this end, the Federal cabinet adopted the national implementation plan to implement the EU Youth Guarantee in Germany. Key issues are a new Alliance for vocational training and further training, extension of locally created cooperation schemes, continued promotion of young people with disabilities and a closer coordination of preventive measures on federal and Laender level. The EU Youth Guarantee should ensure that all young persons under the age of 25 in the EU receive an offer of a quality apprenticeship, (further) training or quality job within four months after leaving school or becoming unemployed.

## SKILLS DEVELOPMENT

Germany supports the European Alliance for Apprenticeship of the European Member States by consulting and the establishment of light-house projects. Germany cooperates worldwide with partner countries which are interested in dual vocational training to develop and modernize successful vocational training systems.

Further points see commitment “promoting youth employment”

### School education

In the Federal Republic of Germany, responsibility for the education system is determined by the federal structure of the state. Unless the Basic Law (Grundgesetz) awards legislative powers to the Federation, the Laender have the right to legislate. Within the education system, this applies to the school sector, the higher education sector, adult education and continuing education. Administration of the education system in these areas is almost exclusively a matter for the Laender. These areas are therefore not included in the German EP. For more information see:

<http://www.kmk.org/information-in-english/the-education-system-in-the-federal-republic-of-germany.html>





## Apprenticeships, vocational training and higher education

### *Apprenticeships*

A standardized and comprehensive system of education and vocational training for about 330 apprenticeship based professions is a major reason for Germany's economic strength. Young people and companies can expect that their efforts in the field of education are part of a system which ensures access, quality, mobility, and capacity for innovation. Dual vocational training is highly regarded as a starting point for a professional career in Germany. The system is described as dual because training is conducted in two places of learning: companies and vocational schools. It normally lasts three years (some occupations only require two years and there are also regulations allowing a reduction in the training period for trainees with an Abitur - the school leaving certificate allowing entry to higher education). The trainees are in the average between 16 and 18 years old at the beginning of the education and training. In the dual system, the vocational school is an autonomous place of learning. Its task is to provide basic and specialised vocational training and to extend previously acquired general education. Final training examinations are geared to vocational practice, i.e. to the work requirements and processes of the occupation. As a rule, a final examination covers four or five fields typical of the occupation. Performance in general subjects is evaluated within the framework of school reports. Standardized requirements and examination rules ensure the high qualification of employees, the transferability of skills (in contrast to informal in-company training) and the economic success of businesses.

In the last few years, the training market situation for young people has improved overall. However, many young persons still have difficulties in getting started with vocational training. For those who are struggling a number of programs exist in vocational schools to facilitate the transition from school to work. Students are given the opportunity to earn a degree and prepare themselves for an apprenticeship. Students who are still required to attend school are obliged to take part in school to work transition programs if they were not successful in finding an apprenticeship. For more information on dual training promotion see commitment "promoting youth employment".

### *Higher education*

Higher education is free of charge in nearly every public university in Germany. Tuition fees have been reversed step by step after their introduction a couple of years ago. Private universities that charge tuition only play a minor role in the German higher education system. The „Hochschulpakt 2020“ (HSP in German – Higher Education or HE Pact in English) is a joint programme of Federal Government and Laender, that aims to ensure a provision of Higher Education tailored to suit market needs. For the years 2007 to 2010 the first HSP had increased the number of additional new HE entries twice as much as planned (185.000 compared to 2005). In answer to this significant augmentation, the Federal Government increased the funding up to 2 Billion EUR overall for the first programme phase. In 2013, the heads of Federal and Laender Governments decided to further adapt HSP to the increasing development (624.000 additional first year students). In effect, the Federal funding in additional HE supply until 2015 will amount to a total of more than 7 Billion EUR.

Furthermore, the heads of Federal and Laender Government agreed to improve the quality of teaching and the conditions of studying through the „Qualitätspakt Lehre“. With a total amount of approx. 2 Billion EUR until 2020, the Federal Government will fund a comprehensive, competition-based programme to foster a broad range of measures of HE institutions to recruit qualified staff, HR development and improvement of teaching quality.

The German Office for International Cooperation in Vocational Education and Training (GOVET) is an essential component of the strategy of the Federal Government to move towards greater cohesion in international VET cooperation by delivering services from a single source. It provides specialist support to the Federal Government in international vocational education and training cooperation and creates transparency both within and outside Germany by forming an information exchange platform. GOVET is the central contact point for national and international VET stakeholders and acts in the capacity of a "one-stop shop" in this regard.

For more information see: <http://www.bibb.de/en/index.htm>



## 4. Monitoring of commitments

This section reports on the implementation of Germany's commitments made under recent G20 presidencies focusing on the Los Cabos Jobs and Growth Plan and the St Petersburg Action Plan.

A more detailed monitoring can be found in the German feedback to the G20 Task Force on Employment monitoring during the Russian and Australian G20 Presidencies.

### ST PETERSBURG ACTION PLAN:

- Germany will continue to implement its "Skilled Workers Strategy" to promote the availability of high qualified workers through its immigration policy any by promoting and establishing a culture of welcome and recognition.
- According to the St. Petersburg Accountability Assessment, "Germany has fulfilled many of its structural reform commitments. Of particular importance was progress towards facilitating immigration of skilled workers, enhancing labour market competition, and boosting R&D and educations spending." Germany continues to implement the strategy and submits an annual progress report.

### LOS CABOS ACTION PLAN:

- Tax and benefit reforms to enhance productivity and improve incentives to work.  
Reduction of the contribution rate to the statutory pension fund by 0.7 percentage points as of 1 January, 2013, reducing the burden of employers and employees in total by 0.2 % of GDP.
- Labour market reforms to increase employment and increase labour force participation, such as: enhancing education, training and skills development.

The federal government's spending on R&D is continuously rising; in 2012, it amounted to approx. €13.7bn and is likely to rise to approx. €14.4 bn in 2013. A third of all R&D spending in Germany was publicly funded; two-thirds came from the private sector. The R&D/GDP ratio has been increasing in recent year and has reached almost 2.9% in 2011. Additional federal expenditures for education and R&D amount to €13.3 bn between 2010 and 2013, roughly half for education and for R&D. The commitment has thus been more than fulfilled.

An example of the impact of the policies to improve educational levels: As a proportion of the resident population in the same age group, the percentage of school-leavers without a lower secondary school leaving certificate (Hauptschulabschluss) dropped from 8% to 6.2% between 2006 and 2011. There were roughly 492,700 first-year students in 2012. After 2011, this is the second-highest number of first-year students ever recorded in Germany. As a proportion of the population in the same age group, the percentage of university graduates more than doubled from 14% in 1995 to 31% in 2011.

- Labour market reforms to increase employment and increase labour force participation, such as: encouraging the participation of women in the labour force by, for example, reforming benefit systems and providing affordable child care services.

The Federal Government and the Laender are investing in the expansion of child care and the improvement of the quality of care. With the introduction of a legal entitlement to early childhood education for all children over the age of one year on 1 August 2013, the Federal Government set a milestone for needs-oriented child day care. The major increase in the number of childcare places for children under three (U3) can be attributed, in particular, to the financial support of the Federal Government and the expansion efforts of the regions. Through to 2014, a total of 5.4 billion euros in federal funding will be made available to the regions for the expansion of U3 childcare facilities, with roughly 2.7 billion euros available as investment grants alone. Supplementing this, the regions also direct their own funds into the expansion efforts. From





2015 onwards, the Federal Government share in the operating costs will amount to 845 million euros annually. The Federal Government will continue to support the Laender in their effort to expend childcare and enhance the quality of childcare.

