



Further Training in Times of Crisis

The current economic crisis in Germany has turned into a recession that has the potential to leave the labor market bruised again for quite a while. Despite the successful reforms of the past years, the high-risk groups of the labor market will still be most vulnerable. Long-term unemployment will go up again, albeit – thanks to the reforms – at a slower pace than during previous recessions. In this situation we are now hearing frequently voiced demands to pull back on the reforms, and especially to increase the level of transfer payments as an effective means to stimulate consumption.

This would be wrong for various reasons. Right now domestic consumption is not Germany's biggest problem. But it could well become a problem if slackening reform efforts and suspended programs allow unemployment to rise again. Our tax-benefit system provides few work incentives for the low-skilled, but strong incentives for early labor force exit due to generous provisions for (partial) early retirement and extended unemployment benefit periods for older workers. Germany must still cope with a high level of long-term unemployment and a vast shadow economy.

Therefore, the problem groups of the labor market must be activated at an early stage. This requires a proactive approach, i.e., intervention before damage is done, and a consistent implementation of the workfare principle. Moreover, job placement for high-risk groups must be handled right from the start by one single institution, preferably the same institution that is in charge of supporting the long-term unemployed.

Among the major problem groups are unskilled workers, older workers and migrants. Mobilizing these groups through further training should be at the core of a strategic and sustainable labor market policy. The

Federal Employment Agency should provide specific training programs for all short-time workers and laid-off unskilled workers. This activation serves to ensure that unemployment will not rise substantially during the current crisis.

But the topic of education is much broader, and its challenges are becoming much more significant in these times of crisis. Knowledge and education are the key resources for growth, innovation and prosperity. Despite the recent downturn, we are still faced with high-skilled labor shortages and constantly aging workforces. It is never too early to tackle these problems because their solution will take a long time. Yet, Germany's efforts to provide further training are still rather weak by international standards. A qualification initiative involving training vouchers for all workers aged 45 and over could be part of an anti-recession package and serve as a starting point for further modernization efforts in Germany. The focus must be on providing high-quality training services.

Since Germany does not yet have an industry for further training, a wide distribution of training vouchers would constitute an activating industrial policy with the long-term goal of efficient private-sector competition in this sector. Soon this would lead to the creation of numerous qualified jobs in newly established firms. This model could also include public-private partnerships involving adult education centers, schools and universities, which could contribute their expertise and facilities. This would mark the beginning of a knowledge society from which everyone can benefit.



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