

Reducing the share of the unskilled to avoid skill shortages in Germany

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The unemployment of the unskilled workers in the German labor force has been rising at an above-average rate since the end of the 1970's. In 2009 the unemployment rate of the unskilled was 21,9% and more than three times higher than the unemployment rate of graduates from vocational education and training, and nearly nine times higher than the unemployment rate of graduates from tertiary education. As concerning as the level is the persistence of the unemployment of low skilled. Since the early 1990's their unemployment rate remained even in times of fast economic growth above 20%.

“Unskilled” in the German context are persons who have not completed a vocational education and training or tertiary education. Since the two or three year vocational training courses in vocational schools or the dual system of vocational training courses in Germany are highly standardized and often very demanding many semi-skilled workers or workers who attended shorter training courses are considered to be formally unskilled. More than 80% have a school leaving certificate and are qualified to attend vocational training.

The main reason for the high unemployment of the low skilled in Germany in the last 30 years was the high supply of unemployed skilled workers after the German unification. Unemployment was high and employers had the choice to recruit skilled workers also for simple jobs. The unskilled were the last in waiting queue of the unemployment and skilled workers crowded them out. A vocational certificate was regarded as a reliable signal of future good performance and became the minimum requirement even in many segments of the labor market for semi-and unskilled jobs. Employing skilled workers in such jobs saves recruitment and training costs, reduces the need for continuous supervision and improves the quality of products or services.

In the next decades the German will shrink because of demographic changes. The specialization of the German economy into high quality products and services requires at the same time an upgrading of the skill of the workforce. Long-term prognosis of the skill structure of the German labor market

up to 2025 forecast that the demand for unskilled workers will go down from 14,4% of the total demand to 13,3% while the supply of unskilled in the young age groups remains stable at around 15%.

Many economists regard such a skill-biased technological change as a driver for increasing employment problems of the unskilled. This is true if the education and training system does not keep pace with the changing skill structure in the labor market. If, however, the supply of unskilled workers is reduced to the same extent, then such a change should not be a problem. This seems not to be the case Germany. The prognosis show that in 2025 the supply of unskilled workers will exceed the demand of up to 1,2 Million persons. At the same time the demand for skilled workers increases and skill shortages in some segments of the labor market are forecasted.

The prognosis are based on an extrapolation of the present trends in education and training. The messages are quite clear. Firstly, if the supply of unskilled workers is not reduced the high unemployment rates of the unskilled will persist even if the economy is growing. Secondly, the economic growth will be substantially be constrained by skill shortages.

It seems difficult to cover skill shortages only by migration since the ageing European societies will be in strong competition for the qualified migrants over the next decades. Relying only on migration is also not desirable since many unskilled would remain long-term unemployed which raises welfare costs and threatens social cohesion.

Germany clearly failed to meet the policy target of the European Council in halving the proportion of the unskilled workers among the young age cohorts. The education and training system has to keep pace with the changing skill structure in the economy. Therefore the best strategy is to reduce the supply of the unskilled by (1) reducing the share of drop-outs from school, (2) increasing the participation in vocational training especially for young people with a migration background, and (3) providing the younger unskilled in the labor market with a second chance qualification via appropriate initial or continuing training.

Further reading

Braun,U. et al (2012), Employment without a vocational qualification - what are the available routes?, BIBB Report 17-2012, Bonn
(<http://www.bibb.de/veroeffentlichungen/de/publication/show/id/6832>=

Helmrich, R. et al. (2012), Shortages on the labor market: Changes in education and employment behavior will mitigate shortages of skilled workers, BIBB Report 18/12 , Bonn
(<http://www.bibb.de/veroeffentlichungen/de/publication/show/id/7021>)