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Policy Performance and Evaluation: Germany

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STRATEGIC TRANSITIONS FOR YOUTH LABOUR IN EUROPE

Policy Performance and Evaluation: Germany

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IZA

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i) to 'advance the knowledge base that underpins the formulation and implementation of relevant policies in Europe with the aim of enhancing the employment of young people and their transition to economic and social independence', and

ii) to engage with 'relevant communities, stakeholders and practitioners in the research with a view to supporting employment policies in Europe.' Contributions to a dialogue about these results can be made through the project website www.style-research.eu, or by following us on twitter @STYLEEU.

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Executive Summary

- The German youth unemployment rate is traditionally low in comparison to other European countries. It decreased steadily in the last years, even within the recent crisis, and became the lowest in the European Union.
- The level of responsibility in matters of education is interlaced in Germany. On the one hand, federal states have legislative authority in education policy and arrange the administration. On the other hand, the federal government is responsible for extracurricular vocational training and further training, training grants and promotion of scientific research. Traditionally, trade unions and employers' associations play a crucial role in the context of education responsibility, not least due to importance of dual vocational training in Germany.
- The federal structure of education in Germany leads to a heterogeneous system. However, this does not mean that every single federal state has unique regulations. Often, differences occur between clusters with similar regulations. What is common between all federal states is the rough structure of the schooling system. At the age of six compulsory schooling starts. After finishing compulsory schooling children are separated into different educational paths, depending on their abilities. From a legal point of view freedom to choose between educational paths ensures access to tertiary education, independent of the selected school type after finishing compulsory schooling. In case of dual vocational education, there is no legal minimum requirement with regard to chosen school type.
- However, the freedom to choose between educational paths, especially between tertiary and vocational education is part of recent discussions. There is wide consensus between labor market experts, public institutions and social partners that the mobility between vocational and tertiary education has to increase, not least due to the ongoing trend of academization. Although dual vocational education is still very important, the amount of new students was already higher in 2011 than the amount of new apprentices. Improvements in recognizing and crediting of educational achievements facilitate up and down-ward mobility, leading to better matches. However, recent improvements within this area only act as models.
- Besides rather highly educated individuals, disadvantaged young people also came into focus in the recent past. Similar as in case of potential academics, they face difficulties in receiving further education. These obstacles refer to issues that relate to the educational and social system, which frustrate rather than promote disadvantaged young people, and to employers that feel unable to train these people. There is wide consensus among German stakeholders, that improving transparency of educational schemes and centralizing support for disadvantages young people tackle these obstacles. However, similar as in case of potential academics, improvements within this area only act as models.
- In general, several measures are implemented to support the connection between the education system and the labor market. Unfortunately, little effort has been undertaken to evaluate all these different types of active labor market policies for youth in Germany. However, existing evidence reveal positive long and short run employment effects for measures that focus on job assistance and training, while public job creation has counter-productive effects. Subsidies might trigger negative indirect crowding-out effects that counteract their positive direct impact on youth labor markets.

- Despite the minimum wage, with its exceptions that mostly affect young people, there are no major differences in the German employment law for young and older people. This is why there is no general difference in the employment protection or unemployment assistance legislation with regard to age. However, by taking a closer look at fixed-term contracts among young people, it becomes clear that this group is more affected by temporary employment than older age cohorts.
- Social assistance differs for young people. As long as benefit recipients live in their parents' house, they receive a lower amount of social assistance. Furthermore, if a benefit recipient under 25 years old wants to move out, he/she needs the approval of local authorities so that he/she still obtains the benefits to finance his/her own flat.
- Currently, the general favorable situation on the German labor market enables policy makers to focus more on rather specific subgroups, like disadvantaged or potential academics, instead of youth in general. Independently of the question wheatear the dual vocational scheme is responsible for low levels of youth unemployment, the current situation in Germany enables policy makers to diminish one of its main drawbacks, namely the freedom to choose between educational paths.

Key words:

Youth unemployment; policy performance; Germany

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Abbreviations

ABH	Training assistance grants
AGH-MAE	Employment Opportunity with Additional Expenses Compensation
ALMP	Active Labor Market Policy
AVGS	Vouchers for job placements
BA	Federal Employment Agency
BAföG	Federal Training Assistance Act
BAVC	Employers' Federation for the Chemical Industry
BBiG	Vocational Training Act
BDA	Confederation of German employers' associations
BFD	Federal volunteer service
BGB	Civil code
BIBB	The Federal Institute for Vocational Education and Training
BMAS	Federal Ministry for Labor and Social Affairs
BMBF	The Federal Ministry of Education and Research
BMFSFJ	Federal Ministry of Family, Senior Citizens, Women and Youth
DIHK	The Association of German Chambers of Commerce and Industry
ELP	Employment protection legislation
EQ	Introductory Training for Young People
FÖJ	Voluntary ecological year
FSJ	Voluntary social year
FWD	Voluntary military service
IAB	Institute for Employment Research
IHK	Chambers of Industry and Commerce
OECD	Organisation for Economic Co-operation and Development
PES	Public employment services
SES	Senior Experten Service
SGB II	Social Act II
TzBfG	The Act on Part-Time Work and Fixed-Term Employment
ZWH	Central Agency for Continuing Vocational Education and Training in the Skilled Crafts

1. Institutional arrangements

1.1 Governance structure

1.1.1 Level of responsibilities

Before looking at the German institutional arrangements in detail, one needs to describe the governance structure in each area. First, the level of responsibility in matters of education is interlaced in Germany. On the one hand, federal states ("*Bundesländer*") have legislative authority in education policy and arrange the administration. On the other hand, the federal government is responsible for extracurricular vocational training and further training, training grants, promotion of scientific research, labor promotion and employment research. Second, the majority of active labor market policies (ALMP) schemes are financed by the federal government. However, public employment services (PES) are also organized on regional and local levels and thus cooperate with federal state governments as well as municipal administrations. Moreover, there are a range of possible projects employed by the different federal states as well as local pilot projects that must be considered in order to understand regional needs.

1.1.2 Key stakeholders involved in the design and implementation of youth-related policies

In terms of educational policy, the key stakeholders are the ministries of education of the federal states and the Federal Ministry of Education and Research. Moreover, the Joint Science Conference ("*Gemeinsame Wissenschaftskonferenz*") coordinates the support of the promotion of education and science between the federal government and federal states, while the Conference of the Ministers of Education and Cultural Affairs ("*Kultusministerkonferenz*") coordinates the educational policy between the 16 federal states. The German Council of Science and Humanities ("*Wissenschaftsrat*") provides advice to the national government and to the 16 federal states on the structure and development of higher education and research. The Federal Institute for Vocational Education and Training ("*Bundesinstitut für Berufsbildung*") is an important research center focused on the development of vocational education and training and thus offers advice to the national and state governments.

In the field of ALMPs, there are several stakeholders in Germany. The key stakeholder is the Federal Ministry for Labor and Social Affairs ("*Bundesministerium für Arbeit und Soziales*" - BMAS), which is divided into seven departments. The BMAS has executive powers in the field of employment promotion, which are regulated by the Social Act II (SGB II). In addition, the ministry has the legal supervision of the Federal Employment Agency ("*Bundesagentur für Arbeit*" - BA). The BA is a self-governing public body and is responsible for the implementation of the ALMPs on the national, regional and local level. The governments of the federal states can implement supplemental ALMPs in addition to the national ALMPs on a voluntary basis as they receive financial resources from the European Social Fund of the European Union for employment promotion. The Conference of Ministers for Labor and Social Affairs ("*Arbeits- und Sozialministerkonferenz*") is an annual meeting of the labor ministers of the federal states to coordinate their labor market policies. Local authorities do not implement any ALMPs directly; however, they cooperate with the job agencies of the BA and

thus influence the ALMPs on the local level indirectly. Municipal interests are represented on the national level through the German Association of Cities ("*Deutscher Städtetag*") and the German Association of Towns and Municipalities ("*Deutsche Städte- und Gemeindebund*"). Eventually, pilot projects in the field of ALMPs are possible on the local level in cooperation with the municipalities. Moreover, trade unions and employers' organizations are important stakeholders, which will be described in the next section (Obermeier / Oschmiansky 2014).

1.1.3 Role and extent of involvement of social partners

Traditionally, trade unions and employers' associations have been very important in various fields of labor market and social policy. Today this still holds true even though the number of members in unions has decreased since German reunification. In the field of educational policy, there are three large unions and associations that represent the collective interests of teachers and other servants at schools. While the Trade Union of Education and Science ("*Gewerkschaft Erziehung und Wissenschaft*") promotes a shift from the federal educational policy towards a centralistic one as well as comprehensive instead of multi-tracked schooling, in contrast, the German Teachers Federation ("*Deutsche Lehrerverband*") defends the multi-tracked school system as well as the federal education system. The Federation for Education and Training ("*Verband Bildung und Erziehung*") favors regionally different solutions in terms of school structure but opposes the reduction of school years in the German educational system (Hepp, 2013). The interests of civil servants in the tertiary education system are primarily represented by the United Services Union ("*Vereinte Dienstleistungsgewerkschaft*"). Furthermore, apprentices can join the trade unions that represent the sectors in which they are working, e.g., the "*Industriegewerkschaft Metall*" for the metal industry. Analogically, the same is true for the employers of apprentices, which can join the relevant employers' associations. However, the membership in the regional chambers of commerce is compulsory for all firms except for freelancers, agricultural enterprises and craft businesses. The chambers of commerce are especially important for apprentices as they are in charge of the examination proceedings of the vocational training. Moreover, the chambers monitor the firms and give advice to trainees in matters of the apprenticeship (DIHK, 2014).

In the field of ALMPs, the social partners have an important role as they influence the political process and legislation. At the national level, the interests of the trade unions are bundled in the Confederation of German Trade Unions ("*Deutscher Gewerkschaftsbund*"), while the interests of the employers are represented by the Confederation of German Employers' Associations ("*Bundesvereinigung der Deutschen Arbeitgeberverbände")* and the Federal Association of German Industry ("*Bundesverband der Deutschen Industrie").* Moreover, employer and employee representatives together make up two thirds of the supervising board ("*Verwaltungsrat*"), which controls and advises the Federal Employment Agency in terms of ALMPs (Obermeier / Oschmiansky 2014). Additionally, the social partners are strongly involved in the set-up of the vocational training regulations ("*Ausbildungsordnungen*"). Both unions and employers' associations can propose the introduction of new training occupations or change the regulations of existing ones. Under consideration of the advice of the Federal Institute for Vocational Education and Training, the BMAS may then grant official recognition of the new or changed apprenticeship (§ 4 BBiG).

1.2 Education and training system in Germany

1.2.1 School System

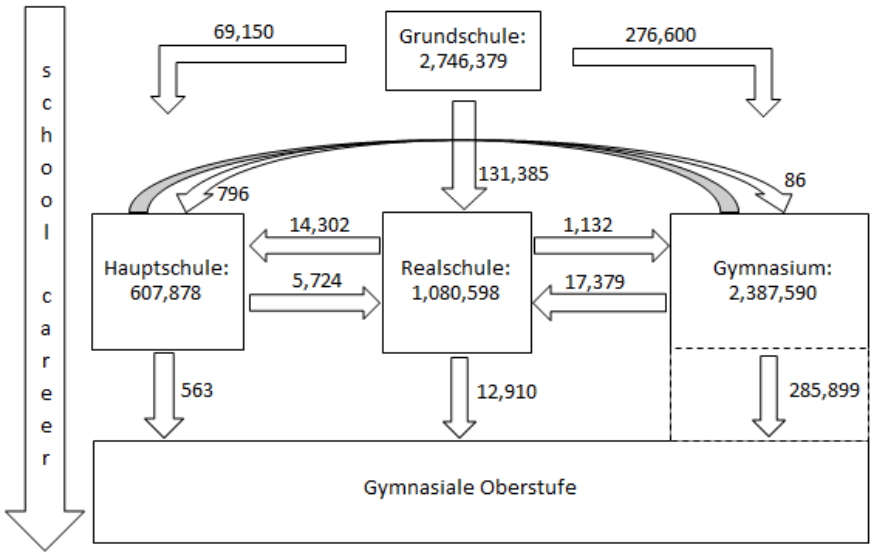
In Germany, compulsory education for children starts from the age of six years, and full-time schooling lasts nine years in most federal states. In North Rhine-Westphalia, Berlin, Brandenburg and Bremen, compulsory school attendance is ten years. Afterwards, adolescents are obliged to part-time vocational schooling if they do not continue attending a full-time school. This part-time compulsory education ends with the completion of the vocational training (2 – 3.5 years) or twelve years of attendance in full-time school. Additionally, part-time compulsory education ends in most federal states with the school year in which the student becomes 18 years old.

The transition from primary to secondary education differs across the federal states in Germany. While in Berlin and Brandenburg elementary school ("*Grundschule*") consists of six grades, primary education in the other federal states ends with the fourth grade. After the completion of primary school, children at the age of ten (respectively, twelve) enter secondary education, which consists of four different school types: "*Hauptschule*", "*Realschule*", "*Gymnasium*" and "*Gesamtschule*". In most federal states parents can choose the type of school their children should attend freely. However, in the last grade of primary school, teachers have to write a letter of recommendation which proposes the type of school based on the ability and talents of the child. While in most federal states the teacher's recommendation is only advisory and not binding, in Bavaria, Saxony, Thuringia, Brandenburg and Bremen, parents must follow the recommendation of the teacher.

The "*Hauptschule"* focuses on students that did not perform well in primary school in most subjects. Since these children are rather unlikely to enroll in a university or a college, this type of school concentrates on rather practical skills in order to prepare for vocational education. The range of subjects at a "*Hauptschule"* is quite similar to those of the other schools, including mathematics, natural sciences and English. However, the pace of learning is slower at this type of school, which should coincide with the cognitive abilities of the children. The "*Hauptschule"* ends at the ninth or tenth grade depending on the federal state and the type of school-leaving qualification.

Next, the "*Gymnasium"* is quite different from the "*Hauptschule"* as it concentrates on students with rather high cognitive abilities and prepares the adolescents mainly for university with a focus on abstract thinking and problem-solving techniques. Students can obtain a higher education entrance qualification ("Abitur") after the twelfth grade at most gymnasia, while a few gymnasia in some federal states have an additional thirteenth grade. The "*Realschule"* is ranked somewhere between the "*Hauptschule"* and the "*Gymnasium"* and can be finished with a secondary school leaving certificate ("Mittlere Reife") after ten years of schooling. Both the "*Realschule"* as well as the "*Hauptschule*" provide students who performed very well with school-leaving qualifications which entitles them to obtain the *Abitur* at a "*Gymnasium"*. The period between "*Mittlere Reife"* and "*Abitur"* is called "Gymnasiale Oberstufe". However, the majority of students who start in the "*Gymnasiale Oberstufe"* already attained the Gymnasium. These students comprised about 285,000 in the school year 2012/2013, whereas students from the "*Hauptschule"* represent only 563, and students from the "*Realschule"* amounted to 12,910 (Figure 1).

Figure 1 Simplified representation of the German school system and transition between types of school of classes 7 to 9 and transition from elementary to secondary education to "Gymnasiale Oberstufe" in 2012/2013



Source: Statistisches Bundesamt, Bildungsbericht 2014, own illustration

Furthermore, in the German school system, students may have to repeat a year in the case of insufficient grades. Such grade retention occurred more than 150,000 times, which is about 1.8 percent of all students in the school year 2012/2013 (Statistisches Bundesamt, 2014a). Moreover, in the case of a lack of learning progress, school students are permitted to change the type of school, e.g. from the "*Gymnasium"* to the "*Realschule"*. Such switches are also possible the other way around, e.g. from the "*Hauptschule"* to the "*Realschule"* (Figure 1). In the school year 2010/2011, almost 100,000 students switched from one type of school to another, while the majority of students downgraded to a formally weaker school (Bellenberg, 2012).

Besides this classical system of types of schools in Germany, there are also comprehensive schools ("Gesamtschule") and special needs schools ("Sonderschule") as well as many other special schools like Waldorf schools. While the "*Gesamtschule"* integrates the classical three types of schools in Germany ("*Hauptschule", "Realschule", "Gymnasium"*), the "*Sonderschule"* focuses on children with special needs like learning difficulties.

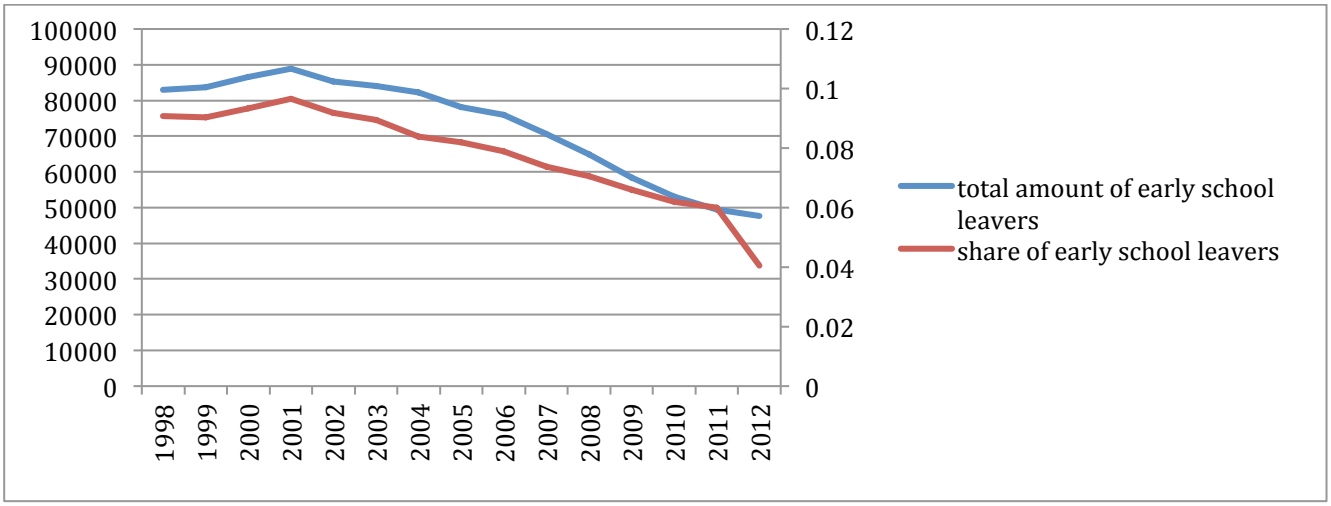
In addition to the general education system, there are several higher secondary vocational schools ("*Fachoberschule*" and "*Fachgymnasium*"), which usually start at eleventh grade and finish after twelfth or thirteenths grade. Those schools focus on certain professional specializations like engineering or economics. The minimum entrance requirement for the higher vocational schools is a secondary school leaving certificate ("*Mittlere Reife"*) obtained in a "*Realschule"* or *"Hauptschule"*. Students can obtain a higher education entrance qualification ("*Abitur"*) after three years (if they performed very well at "*Mittlere Reife")* or an advanced technical certificate ("*Fachhochschulreife*") after two years.

In the school year 2012/2013, there were approximately 8.5 million school students in the German general education system. Of those, 2.7 million children attended elementary school, while about 350,000 children were assigned to one of the special needs schools. Almost 2.4 million school students attended a "*Gymnasium*", 1.1 million and 600,000 adolescents attended a "*Realschule"* or a

"*Hauptschule"*, respectively. Approximately 700,000 school students were enrolled in a comprehensive school. Additionally, there were more than 300,000 students in higher secondary vocational schools (Statistisches Bundesamt, 2014a).

In 2012, about 870,000 students graduated from school or left school without any certificate, and 305,000 graduated with "*Abitur"*, 14,000 with "*Fachhochschulreife"* and 345,000 with "*Mittlere Reife"*. While 157,000 students left the "*Hauptschule"* with a certificate, 48,000 left school without a certificate (Statistisches Bundesamt, 2014a). The amount of school leavers without a certificate is on a decreasing trend, both in total and relative amounts (Figure 2). The strong decrease in the relative amount between 2011 and 2012 is driven by the double intake of school leavers due to the shortened "*Abitur"*.

Figure 1: Early school leavers



Source: Statistisches Bundesamt

The German school system is still mainly publically organized. However, private schools have started diminishing the state monopoly on education. While in 1992 only 4.8 percent of German students attended non-public schools, in 2012 already 8.5 percent of children attended a private school (Statistisches Bundesamt, 2014c). Private schools in Germany can be separated into replacement schools ("*Ersatzschulen*") and supplement schools ("*Ergänzungsschulen*"). Replacement schools are equivalent to public schools in terms of organization, teacher qualifications and educational objectives. Hence, the school leaving certificates of private replacement schools are equivalent to the ones of public schools. In contrast, supplement schools are more prevalent in the field of vocational schooling, and students cannot obtain regular school leaving certificates.

In Germany there are no fees for attending public schools. To the contrary, there is public support available for children through the Federal Training Assistance Act (*BAföG*) introduced in 1971. Principally eligible are secondary school students (post tenth grade) that do not live at their parents' household. However, there are different detailed criteria for the above described schools. The maximum funding is 538 Euros per month, and there is no repayment necessary. In 2013, approximately 293,000 secondary school students received monetary support according to the *BAföG*, and the monthly average of the grant was 410 Euros (Statistisches Bundesamt).

1.2.2 Tertiary Education

In Germany, the tertiary education system can mainly be separated into the classical universities and the universities of applied sciences ("*Fachhochschule*"). Additionally, there are some specialized colleges focusing solely on arts, public administration or sports. Classical universities cover the full range of academic disciplines, e.g., medical education, political science or philology. The teaching at universities is mainly theoretical and research-oriented. In contrast, the teaching at the "*Fachhochschule"* is usually rather practical and work-orientated. Additionally, universities of applied sciences do not cover the whole range of academic disciplines. Instead their study program focuses on technical sciences and practical disciplines like business administration and social work. Moreover, universities of applied sciences do not have the right to award doctoral degrees like classical universities do. However, both types of universities conduct research. Additionally, research in Germany is conducted by public and privately funded research institutes which are independent from the universities. Besides these classical studies at universities, there are cooperative study programs ("*Duales Studium*"). Those programs combine rather practical-oriented studies at the university with on-the-job training at private companies. Hence, those students are primarily employees with a fixed-term contract and regular payment with social insurance contributions (§ 20 SGB IV).

In the first semester of 2014, there were more than 2.6 million students in Germany. Approximately 1.7 million people studied at a university, while almost 850,000 students were enrolled at a "*Fachhochschule"*. About 70,000 women and men studied at an art or public administration college. These numbers have increased tremendously in the last two decades as the overall tertiary student number was only about 1.8 million in 1992. This large increase is mainly due to the rise of the universities of applied sciences (474,000+), even though the number of university students substantially increased as well by 316,000 (Statistisches Bundesamt, 2014e). Moreover, the number of students in cooperative study programs has increased largely in the last decade. As in 2004 there were only 41,000 *dual students*, in 2013 already 64,000 students were enrolled in a cooperative study program (BIBB, 2014c).

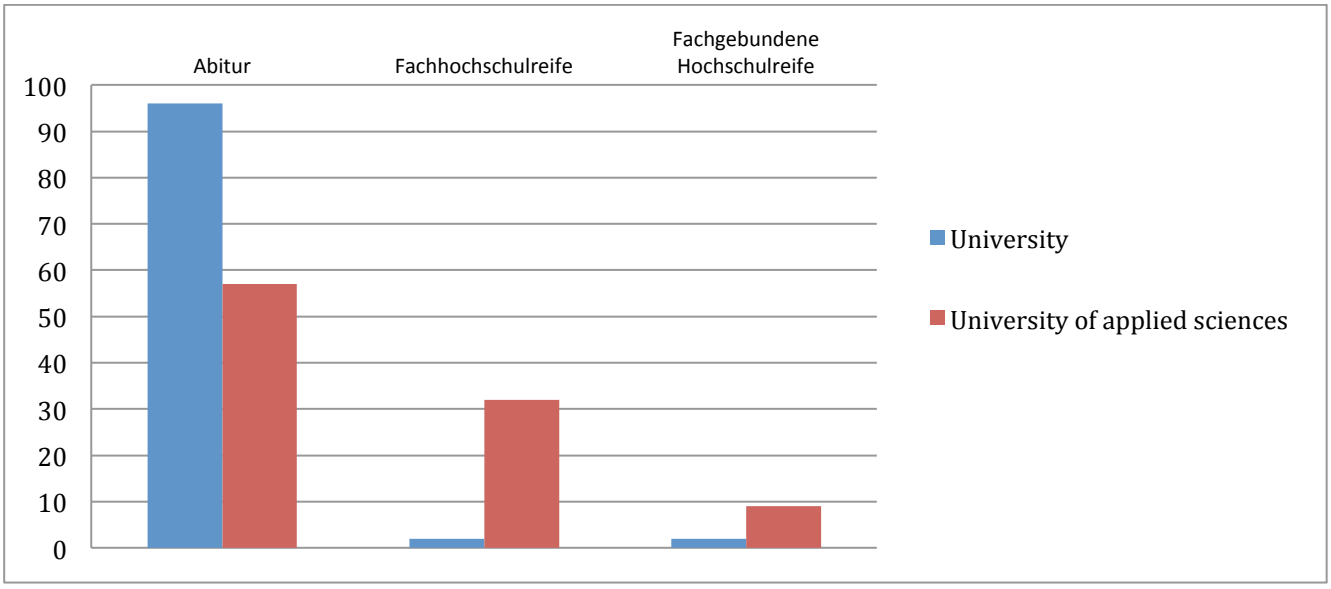
Most tertiary students attend public universities or public universities of applied sciences. There are more than 100 private or church-related universities in Germany. However, those are rather small as only 158,000 students (approximately 6 percent) attend private universities, and only 29,000 students (approximately 1 percent) are enrolled at church-based universities (Statistisches Bundesamt, 2014e).

Due to the *Bologna declaration,* the traditional German diploma and magister have been replaced by European standard degrees. The introduction of bachelor's and master's degrees was supposed to trigger convergence of higher education systems across Europe and thus increase the mobility of students. However, German state examinations ("Staatsexamen") are still prevalent in the fields of medical education and law studies. Since 1999, students can obtain a bachelor's degree first within three to four years. Afterwards students may obtain a master's degree within one to two years. Eventually, the highest academic degree is the doctoral degree. In 2013, there were 436,000 graduates in the tertiary education system. While the majority of the students (207,000) were awarded a bachelor's degree, 78,000 students received a master's degree. Moreover, almost 28,000 postgraduates finished their doctorates. In addition, approximately 42,000 students were granted a teaching qualification and 64,000 students were still awarded classical German degrees like the diploma (Statistisches Bundesamt, 2014d).

In Germany, there are several fields of studies. The biggest subject regarding numbers of students is Business Administration (223,000). Other subjects with a high number of enrolled students are Mechanical Engineering (117,000), Law studies (107,000), Economics (90,000) and Informatics (88,000) (Statistisches Bundesamt, 2014e). In 2013, the average age of first-time graduates in the tertiary system was 26.5 years, while beginning students were on average 21.3 years old (Statistisches Bundesamt, 2014e).

In the past decades, the freedom to choose among educational paths has vastly increased. In the past, tertiary education was predominantly reserved for a small fraction of students that graduated from a "*Gymnasium"*. Nowadays, universities, and especially universities of applied sciences, are more accessible for the majority of youths, which reflects the political reaction to the upcoming skilled worker shortage in Germany. In general, the main requirement for admission to universities is the higher education entrance qualification ("*Abitur"*) obtained from a "*Gymnasium"*, a comprehensive school or a three-year higher secondary vocational school ("*Fachgymnasium"*). The minimum admission requirement is an advanced technical certificate ("*Fachhochschulreife"*), which can be obtained from a "*Gymnasium"*, a comprehensive school or a two-year higher secondary vocational school ("*Fachoberschule"*). However, there are possible exceptions to obtain a subject-linked university entrance qualification ("*Fachgebundene Hochschulreife"*) by completing the vocational training and passing an aptitude test (Hochschulrektorenkonferenz, 2014). Figure 1 illustrates the educational background of the tertiary students in Germany in 2012 for both universities and universities of applied sciences. While the majority (96 percent) of the university students graduated with "*Abitur"*, only about 57 percent of the students at universities of applied sciences obtained "*Abitur"*. About one third of these students received an advanced technical certificate ("*Fachhochschulreife"*), and almost 10 percent obtained a subject-linked university entrance qualification ("*Fachgebundene Hochschulreife"*). In contrast, at universities there are only very few students (2 percent) with such school leaving certificates (BMBF, 2013c).

Figure 1: Educational background of tertiary students in 2012.



Source: BMBF

Furthermore, admission to several subjects is limited, especially in the case of medical education. The selection process includes three different quotas. First, 20 percent of the places at universities

are awarded according to grade point average (“numerus clausus”) of the school leaving certificates. Another 20 percent of the slots are distributed according to a waiting period, i.e., people waiting the longest time are granted the places. The remaining 60 percent of places can be assigned by the universities by different criteria. Many universities choose the grade point average as main criteria. However, there are also other criteria possible like subject-specific tests, interviews and letters of motivation. Completing vocational training beforehand might also be beneficial in the selection process of the universities.

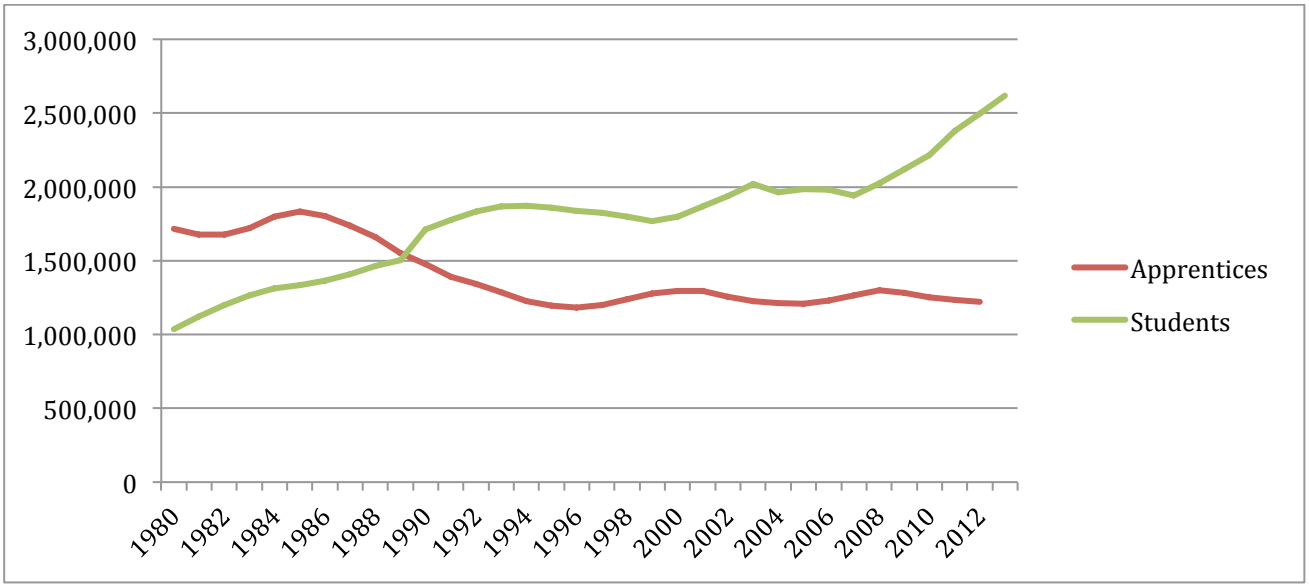
Currently, in Germany there are no tuition fees at public universities. In the last decade, there were several federal states that introduced tuition fees at the level of 500 Euros per semester. However, all federal states abandoned tuition fees for first-time students again, with Lower Saxony being the last state to do so in 2014. In some federal states, there are still tuition fees for long-term students. Furthermore, there are still semester fees that have to be paid by every student. Those fees cover a ticket for regional and local public transport and a general social contribution which is used to finance student services like sport activities or canteens. The semester fees range from 50 to approximately 300 Euros per semester depending on the federal state and the ticket for public transport.

In addition to very low fees, there is broad funding for first-time university students. According to the Federal Training Assistance Act (*BAföG*), disadvantaged tertiary students can receive a loan of up to 670 Euros per month for living expenses, rent and health insurance. The main criterion for the exact amount of the grant is the income of the student’s parents. While half of the loan is treated like a grant, the other half must be paid back. The repayment starts 5 years after graduation and is free of interest. Eligible are students with German nationality or foreigners with a right of residence in Germany (e.g., due to family relations). Moreover, first-time university students must be younger than 30 years when starting her or his bachelor studies. Master's students are only eligible for the educational grant before they turn 35 years old. In 2013, approximately 666,000 tertiary students received, on average, 446 Euros per month of public funding according to the *BAföG* (Statistisches Bundesamt, 2014f).

1.2.3 Training System

Besides the different types of universities, young people in Germany can enter the dual vocational education system (“*Duales Ausbildungssystem*”) and start an apprenticeship. The training system has a long tradition in Germany. Many professions which require a college degree in other countries can be pursued after completing an apprenticeship. Examples are occupations in the field of nursing or physiotherapy. Thus, there has been a relatively large share of apprentices in Germany in the past. However, the proportion of apprentices to university students has shifted towards the academic sector in the last 30 years. The development of the number of apprentices and university students in Germany from 1980 on is illustrated in figure 2. This trend towards tertiary education also reflects the expanded possibilities of entering universities described above.

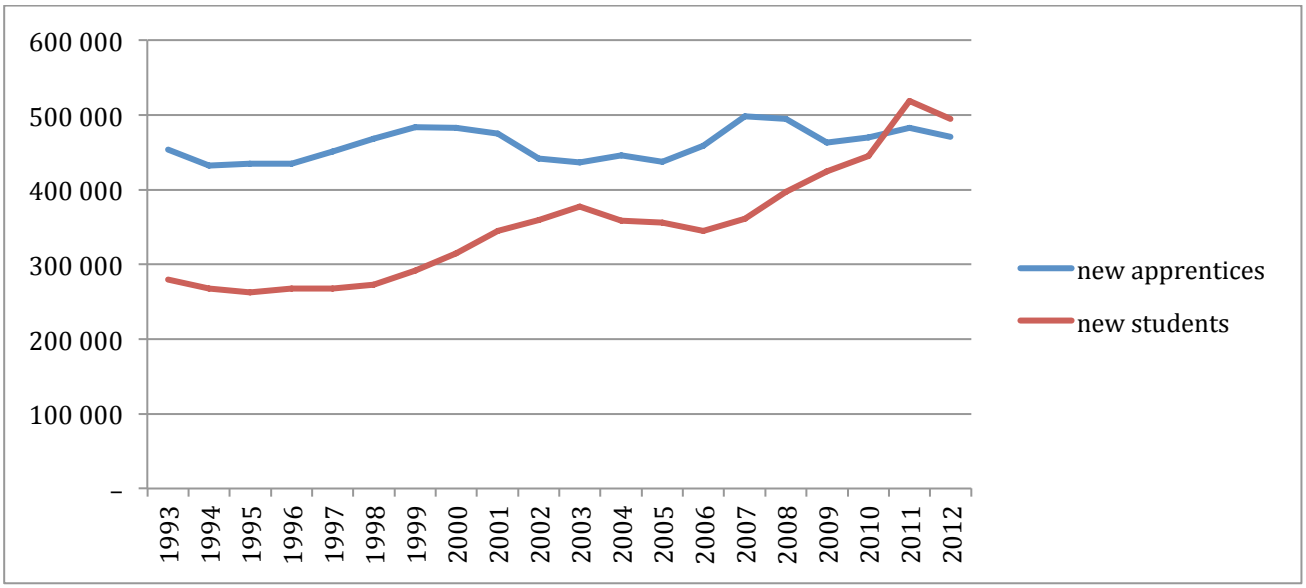
Figure 2: Development of apprentices and tertiary students 1980 – 2013



Source: Statistisches Bundesamt

According to figure 3, the increase in the amount of students is driven by the increase in new students. Its peak was reached in 2011. Besides the general trend of higher tertiary education, this development was driven by the abolishment of compulsory military service and the double intake of school leavers due to the shortened "*Abitur".*

Figure 3: Development of new apprentices and new tertiary students 1993 – 2012



Source: Statistisches Bundesamt The German dual training system is called "dual" because it combines practical on-the-job training with rather theoretical education in vocational schools ("*Berufsschule*"). The duration of the apprenticeship varies between two and three-and-a-half years depending on the profession. Moreover, there is no formal requirement for starting an apprenticeship. However, most training facilities demand at least a secondary school leaving certificate from the "*Hauptschule"*. Besides better chances of an offer for an apprentice position, a better certificate reduces the duration of the apprenticeship (§ 8 BBiG). While the "*Abitur"* shortens the apprenticeship by up to a year, the

"*Mittlere Reife"* still reduces the duration by half a year. After completing the training, apprentices receive three certificates. The first certificate states the official title of the profession. While the second certificate lists the grades in the vocational school, the third certificate from the training facility states the acquired skills as well as the performance during the apprenticeship (§ 16 BBiG). Moreover, there is a probation period for apprentices of a minimum of one month and a maximum of four months (§ 20 BBiG).

Furthermore, apprentices receive monetary compensation throughout the job training, which increases every year (§ 17 BBiG). The vocational training pay varies substantially across professions as well as between West and East Germany. While a construction mechanic in his first year receives 879 Euros per month in West Germany, the payment of a first year apprentice in the hairdressing sector is only 374 Euros per month in West Germany (BIBB, 2014a). While the average payment in West Germany is 767 Euros per month, it is about 708 Euros per month in East Germany (BIBB, 2014b). As the compensation in many occupational fields is exceeded by living expenses, there are additional vocational training grants called "*Berufsausbildungsbeihilfe*" provided by the German Federal Employment Agency. The key requirement is that the apprentice does not live in the parents' household 60 SGB III). The amount of the grant depends mainly on the rent of the apartment, the income of the parents and the payment of the apprentice (§ 61-67 SGB III). The maximum amount of the "*Berufsausbildungsbeihilfe"* is 572 Euros per month plus expenses for expenditures such as working clothes and equipment as well as travelling costs. The payment for the apprenticeship and the income of the parents are partially subtracted. There is no repayment of the grant.

Apprentices spend three to four days of a week at a training facility in order to gain work experience and acquire practical job-relevant skills. The training facility has to offer training resources like tool kits as well as guidance to the apprentice. Furthermore, the Chambers of Industry and Commerce ("IHK") monitor the quality of the apprenticeship in the training facilities and set up guidelines (§ 32 BBiG). Hence, it is guaranteed that the apprenticeship and its certificate are recognized throughout Germany. This in turn ensures labor mobility across regions. Additionally, apprentices attend vocational schools one or two days a week. Alternatively, apprentices attend vocational school not on a weekly basis but for several weeks without interruption. The vocational school is compulsory for apprentices younger than 21 years, while older apprentices still have the right to attend vocational school regularly. The subjects in school include job-specific studies like technical and medical knowledge as well as general education subjects like German and politics. As the academic year of the vocational schools are identical to the school of general education, the apprenticeships usually start in August or September of each year.

The content of the training is determined in the vocational training regulations ("*Ausbildungsordnungen*"). These regulations are approved by the Federal Ministry for Labor and Social Affairs under the consideration of the advice of the Federal Institute for Vocational Education and Training. The social partners may propose changes in these regulations or even the introduction of completely new training occupations. The training regulations define the name of the apprenticeship and its duration. Furthermore, the regulations include the minimum skills and proficiencies ("*Ausbildungsberufsbild*") to be trained as well as a time schedule for teaching ("*Ausbildungsrahmenplan*"). Finally, the regulations also define examination requirements of the apprenticeship (§ 5 BBiG).

The training facilities can differ widely. Besides companies in the industrial, commerce, trading and agricultural sectors, apprenticeships are possible with administration authorities and freelance

professionals like physicians and lawyers. Those facilities provide training in approximately 400 different professions, ranging from bank clerks and dental technicians to carpenters. Overall, there are around 1.2 million apprentices in Germany, with almost 500,000 newly signed training contracts each year. The profession which is chosen most often is retail salesman, with 66,000 apprentices in 2012. However, the types of apprenticeships differ greatly across gender and education level. While on average male apprentices favor rather technical professions, females focus more on medical and commercial jobs. For example, there are almost 62,000 Mechanic Technician apprentices, but only about 2,000 of them are female. In contrast, more than 37,000 women work to become medical assistants, while only 500 men do an apprenticeship in this field (Statistisches Bundesamt, 2013). The most frequented training occupations in Germany in 2013 for women are: Medical Assistant, Office Clerk, Management Assistant for retail services, Industrial Clerk, and Qualified Dental Employee. In the case of man, these occupations are: Motor Vehicle Mechanic Technician, Industrial Mechanic, Electronics Technician, Plant Mechanic for Sanitary, heating and air conditioning systems, and Management Assistant for retail services.

In addition to the dual vocational education system, there is also pure school-based vocational training for certain professions. In full-time vocational schools ("*Berufsfachschule*"), students acquire theoretical as well as practical skills without any on-the-job training (§ 2 BBiG). Typical professions are Business Assistant or Technical Assistant. Moreover, there are vocational schools that specialize in health care professions like physiotherapist or dietitians. While there are 437,000 adolescents studying at a "*Berufsfachschule"*, about 149,000 students are enrolled at health care vocational schools (Statistisches Bundesamt, 2014b). Duration and requirements are similar to apprenticeships in the dual vocational education system. However, apprentices in the school-based vocational training usually do not receive any payment. Like normal school students, they can apply for public funding according to the *BAföG*. The maximum amount of the grant is 538 Euros if the apprentice does not live in the parents' household, and there is no repayment necessary. In 2013, almost 146,000 students of full-time vocational schools received, on average, 356 Euros per month of public funding according to the *BAföG* (Statistisches Bundesamt).

Comparing the apprentices in the dual vocational education system with students in the school-based vocational training yields the following results. Approximately three quarters of the apprentices in the dual education system are 21 years old or younger, while 60.9 percent are male, and 7.1 percent are foreigners. The apprentices in the school-based vocational training are, on average, younger as 82.8 percent are at maximum 21 years old. Moreover, the sex ratio is reversed as 57.5 percent are female. Additionally, 11.7 percent are foreigners (Statistisches Bundesamt, 2014b). Furthermore, the attended school before the apprenticeship seems to matter in terms of success. A total of 34.6 percent of the apprentices with a lower secondary school leaving certificate ("*Hauptschule"*) quit the training without a certificate in 2012. In contrast, only 13.4 percent of the apprentices with "*Abitur"* abandoned the training before completion (Statistisches Bundesamt, 2013).

In addition to these two types of training, there is the possibility of a pre-vocational training year ("*Berufsvorbereitungsjahr*"). The "*Berufsvorbereitungsjahr"* is compulsory for adolescents younger than 18 years that both did not complete any type of lower secondary school like the "*Hauptschule"* and were not able to find an apprenticeship. The one-year program at a full-time vocational school offers general education as well as occupational field-related training. Additionally, there is guidance helping the students to make future career choices. Successful graduates of the "*Berufsvorbereitungsjahr"* are awarded with a lower secondary school leaving certificate at the level of

the "*Hauptschule"*. Students do not receive any payment but may receive public financial support according to the *BAföG* (§ 2 BAföG). After completing the pre-vocational training, these youths may apply for an apprenticeship or continue with a basic vocational training year ("*Berufsgrundbildungsjahr*"). The "*Berufsgrundbildungsjahr"* offers general education as well as practical basic job-specific training at a slightly higher level than "*Berufsvorbereitungsjahr"* and also lasts one year. Students can choose between several occupational fields like domestic management or construction technology. The minimum requirement is either a lower secondary school certificate or a certificate from the "*Berufsvorbereitungsjahr"*. Depending on the grades, students may be awarded with a lower secondary school certificate at the level of the "*Realschule"* ("*Mittlere Reife"*). Additionally, the completion of this program might reduce the duration of a subsequent apprenticeship by one year if the occupational field is the same. Participants of the program receive financial support according to the *BAföG* (§ 2 BAföG) if they do not live in the household of the parents. In 2012, there were about 49,000 students in the program of the "*Berufsvorbereitungsjahr"*, while more than 28,000 young people participated in the program of the "*Berufsgrundbildungsjahr"* (Statistisches Bundesamt, 2014b).

1.3 Active Labor Market Policies (ALMP)

There are several active labor market policies (ALMP) targeting youth unemployment in Germany. The public employment services (PES) are coordinated by the Federal Employment Agency ("Bundesagentur für Arbeit", BA). The BA is a self-governing public body with more than 100,000 employees and thus can act independently from the government. The head of the agency is in Nuremberg and focuses on the development of new programs and measures as well as on strategic management and administration. A special office of the BA, called the Institute for Employment Research (IAB), has, among others, the task of evaluating the effectiveness of ALMPs+. At the meso-level there are ten regional directorates across Germany, basically reflecting the federal states in Germany with some fusions of rather small federal states, e.g., Rhineland-Palatinate and Saarland. Those regional directorates coordinate active employment policies with the federal state governments. They also direct and monitor the 156 local employment agencies as well as approximately 600 branch offices throughout Germany. Additionally, there are more than 300 local "Job Centers" which are joint institutions of the BA and the municipalities. Besides the administration of public unemployment insurance and the basic social security benefits for job seekers, the agencies and centers execute the ALMP on the local level (BA, 2014d).

The ALMPs of the BA are quite comprehensive. In order to increase employment and reduce the risk of unemployment, there are several fields of action: "placement in training places and workplaces, vocational guidance, employer counseling, promotion of vocational training, promotion of further training as well as promotion of professional integration of people with disabilities" (BA, 2014c). In 2013, the budget of the BA for ALMP measures was approximately 1.5 billion Euros, while almost 330 million Euros were spent on measures focusing on young people (BA, 2014a). Overall, the monthly average of young people under 25 years participating in ALMP measures was above 300,000 in 2014 (BA, 2014b).

One of the most important tasks of the BA is the placement of unemployed and job-changing persons, graduates and school-leavers. In personal conversation appointments, job counselors give practical help for entering the workplace and give advice about career possibilities as well as general education and vocational training. In addition, school students can fill out a vocational interest survey

(self-directed search) to reveal professional aptitudes. Besides general career guidance, they inform the job seekers about several job and training offers that fit the applicants' qualification and competence. Moreover, job counselors also inform job seekers about employment promotion benefits like vouchers for private mediators. Eventually, job counselors give information on the general development of the labor market and highlight shortages and oversupplies in certain regions and segments of the economy in Germany. In order to improve the efficiency of the placements, the local employment agencies maintain contacts with several companies (Rübner / Sprengard, 2011).

In addition to personal advice, every local employment agency includes a career guidance center ("*Berufsinformationszentrum*", BIZ) for research. The usage of the career guidance center is free of charge and does not require any registration. The BIZ provides information via print and computer media on four subject areas: work and professions, training and education, application procedures as well as international experience. The first area gives information on different professions and their requirements as well as access to a job data base. The second subject area provides an overview of the education and training possibilities in Germany. The third area focuses on the application process. Besides information and advice, there are computers with special software which can be used to write and print applications. The fourth subject area provides information on gaining international experience through internships, au-pair or social services abroad (BA, 2014e).

Furthermore, there are several online resources provided by the BA. The database "*JOBBÖRSE*" is similar to private online job platforms with several job and training postings. The database "*BERUFENET*" combines written outlines of different professions with videos which illustrate the tasks of the professions. Moreover, the database "*KURSNET*" collects educational opportunities like courses on certain software packages or job application training. Finally, there are two websites that concentrate on school students that want to start initial vocational training ("planet-beruf.de") or plan to attend a university ("abi.de"). These online resources concentrate on the career guidance of young people and offer assistance in the occupational choice (BA, 2014f).

In Germany there are several strategies for professional activation and integration of unemployed persons (§ 45 SGB III). Before these strategies are undertaken, the BA has to create an analysis of the professional aptitudes and talents ("*Potenzialanalyse*") for every newly unemployed person and formulate an integration agreement ("*Eingliederungsvereinbarung*") with the job seeker. The integration agreement defines the goal of the integration, the effort of the job seeker and the BA as well as the employment promotion benefits (§ 37 SGB III).

Employment promotion benefits can be granted in order to pursue five objectives: first, to enhance integration into the labor market or vocational training; second, to identify, reduce and eliminate labor market placement obstacles; third, placement in employment subject to social insurance; fourth, promotion of self-employment; and fifth, to stabilize employment relationships. The maximum duration of these measures is generally eight weeks, or six weeks if the measures take place at an employer. The costs of these employment promotion benefits, including travel costs, are covered by the BA (§ 45 SGB III). In June 2014, 39,000 adolescents under 25 years participated in these measures (BA, 2014b). Examples for such measures are educational opportunities like courses on computer software skills, knowledge of foreign languages or general job application training. Additionally, there are possible measures undertaken by employers as well. These internships are supposed to train job-specific skills.

Furthermore, job seekers may receive vouchers for job placements or measures at private operators ("*Aktivierungs- und Vermittlungsgutschein*", AVGS). Thus, job seekers can choose private firms on

their own which offer either a qualification measure, job placement or practical training within a company. These private operators have to be approved by the Federal Employment Agency and receive up to 2,000 Euros per measure, or 2,500 Euros per measure in the case of the long-term unemployed or disabled persons. Job seekers become eligible for the vouchers after six weeks of unemployment within the last three months or if they were not offered any jobs or vocational training by the public employment service during this time (§ 45 SGB III).

Next, employers may receive integration allowances ("*Eingliederungszuschuss*") if they hire persons with placement obstacles like long-term unemployment, disabilities or very low qualifications. The assessment of the obstacle of very low qualifications is the responsibility of the local employment agencies. Employers receive subsidies of up to 50 percent of the wages depending on the underperformance of the workers. The maximum duration of the subsidy is twelve months (§ 89 SGB III). The integration allowance for disabled persons may be up to 70 percent of the wages for 24 months, and in cases of the severely disabled, up to 60 months. After each year, the integration allowance will be lowered, reflecting the increasing performance of the employees (§ 90 SGB III). In June 2014, there were approximately 8,000 persons less than 25 years old that profited from the integration allowance, which reflects the decreasing importance compared to other measures (BA, 2014b).

Moreover, self-employment is fostered by the Federal Employment Agency. Unemployed persons may receive a start-up subsidy ("*Gründungszuschuss*") if they are eligible for unemployment benefits for at least another 150 days. In addition, the applicants have to demonstrate the sustainability of the start-up, and they must prove that their knowledge and skills as entrepreneurs are sufficient. To underline these prerequisites, applicants should bring references from credit institutions or a chamber of commerce (§ 93 SGB III). While the maximum duration is six months, the amount of the subsidy equals the previously received unemployment benefits plus 300 Euros per month. Subsequently, entrepreneurs may receive 300 Euros per month for another nine months (§ 94 SGB III). The relative importance of the start-up subsidy has decreased as there were only around 1,000 youth participants per month in 2014, while there were 8,000 participants younger than 25 per month in 2011 (BA, 2014b).

Another instrument of ALMP in Germany is the "Employment Opportunity with Additional Expenses Compensation" ("*Arbeitsgelegenheit mit Mehraufwandsentschädigung*" - AGH-MAE). The AGH-MAE aims at long-term unemployed persons that receive unemployment benefits. The working opportunities are supposed to retain or increase the employability of the unemployed as they acquire work experience. Thus, the long-run goal of the AGH-MAE is to increase chances of moving into the regular labor market. However, the working opportunities are not regular employment relationships, and participants in this measure do not receive wages. However, participants receive some additional cost compensation of around 1.00 to 2.50 Euros per hour, which is paid in addition to the unemployment benefits. The maximum working hours per week are 30 hours. Unemployed persons are placed in such employment opportunities by the local employment agencies. There are three requirements for the creation of such work opportunities. First, they have to constitute a substantial *public interest*, which means that they are non-profit and beneficial to the society. Second, the created jobs have to be *in addition to* and may not substitute regular employment. Third, the work opportunities have to be *neutral to competition* in the labor market, do not harm the economy and hamper the creation of regular employment. The maximum duration in a working opportunity is 24 months in the last five years. AGH-MAE, though, is subordinate to other measures that aim to

integrate the unemployed person directly in the regular labor market (§ 16d SGB II). One example for such an employment opportunity that meets the three criteria is to read to the elderly innursing homes. Rejections of working opportunities according to the AGH-MAE are treated like violations to the integration agreement and thus trigger reductions of the unemployment benefits (§ 31 SGB II).

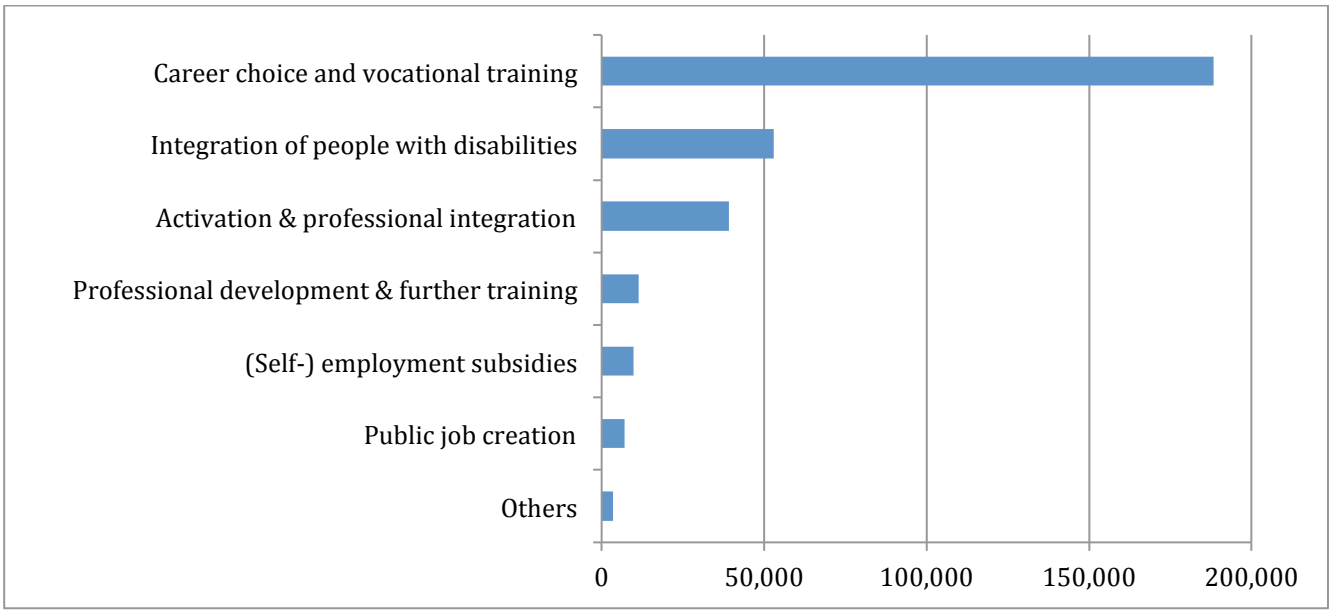
Next, the "Introductory Training for Young People" ("*Einstiegsqualifizierung*" – EQ) tackles the problem that many firms may not want to take the risk of employing apprentices with uncertain skills for a period of up to three-and-a-half years. At the same time, the *EQ* addresses young people with severe placement obstacles who were not able to successfully obtain an apprenticeship contract. Thus, the EQ consists of a six to twelve month internship combined with vocational schooling (§ 54a SGB III). After completion of the program, the firm has the opportunity to take over the trainee as an apprentice. In this case, the apprenticeship may be shortened by the time period equivalent to the *EQ*. The trainee receives a payment of 216 Euros per month from the Federal Employment Agency (§ 54a SGB III). In June 2014, there were more than 12,000 youths participating in the introductory training for young people (BA, 2014b).

A special financial benefit is the so called "*Berufsbildungsbeihilfe*" (= vocational training support) (§ 56 SGB III). It is intended to support young people who do not live with their parents anymore and want to start vocational training or a qualification measure. Completion of full-time education is required, and financial need is checked beforehand.

Besides these active labor market instruments, there is a great deal of career guidance focusing on adolescent school students in Germany. The Federal Employment Agency carries out more than 90,000 information events at schools and universities. Job counselors talk to the students, ask them about their interests and aptitudes, present career paths and point out suitable apprenticeships and study programs (BA, 2013). Figure 3 summarizes and illustrates German labor market measures focusing on adolescents younger than 25 years in June 2014. Clearly, the majority of the youths (188,000) are involved in measures that concentrate on career guidance and vocational training. Examples for this category are the "Guidance for Young People Entering a Profession" ("*Berufseinstiegsbegleitung*"), where more than 49,000 youths participated, and "Introductory Training" ("*Einstiegsqualifizierung*"), with more than 11,000 participants in 2014 (Figure 4).

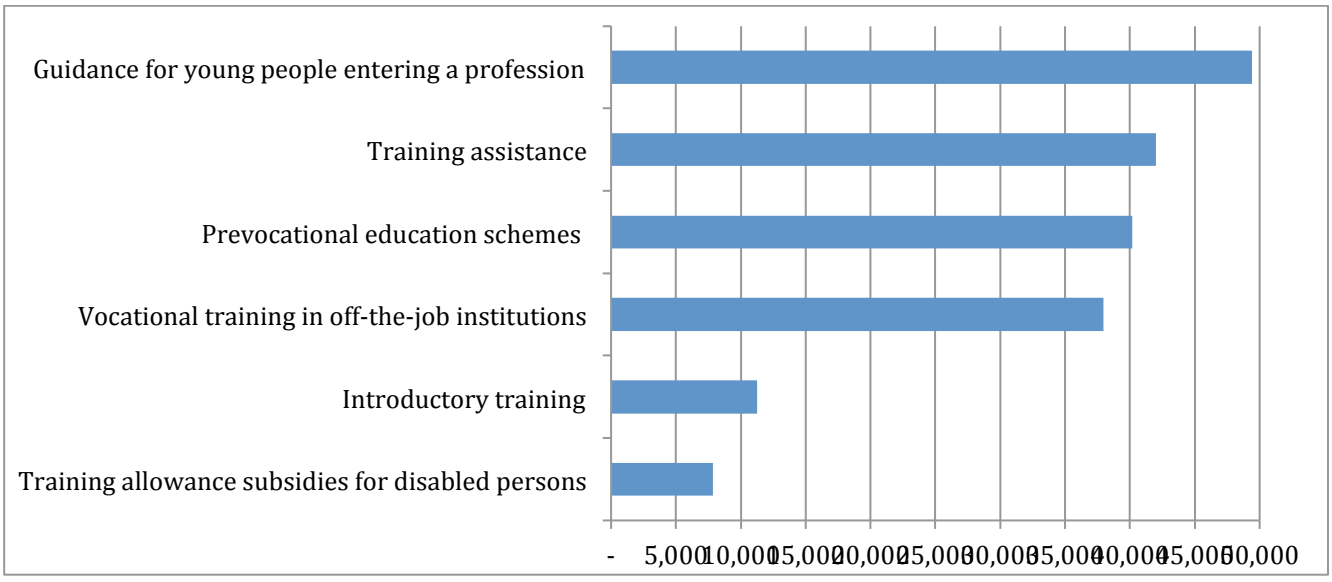
Furthermore, 52,000 young people benefited from measures focusing on the integration of disabled persons, while almost 40,000 adolescents take part in activation measures. Moreover, about 11,000 persons under 25 years are engaged in further training measures. Finally, less than 10,000 youths profit from employment or self-employment subsidies, and only 7,000 young people are affected by public job creation measures (BA, 2014b).

Figure 3: Labor market measures for young people under 25 years. Source: Federal Employment Agency



Source: Federal Employment Agency

Figure 4: Stock of participants in ALMP measures in 2014



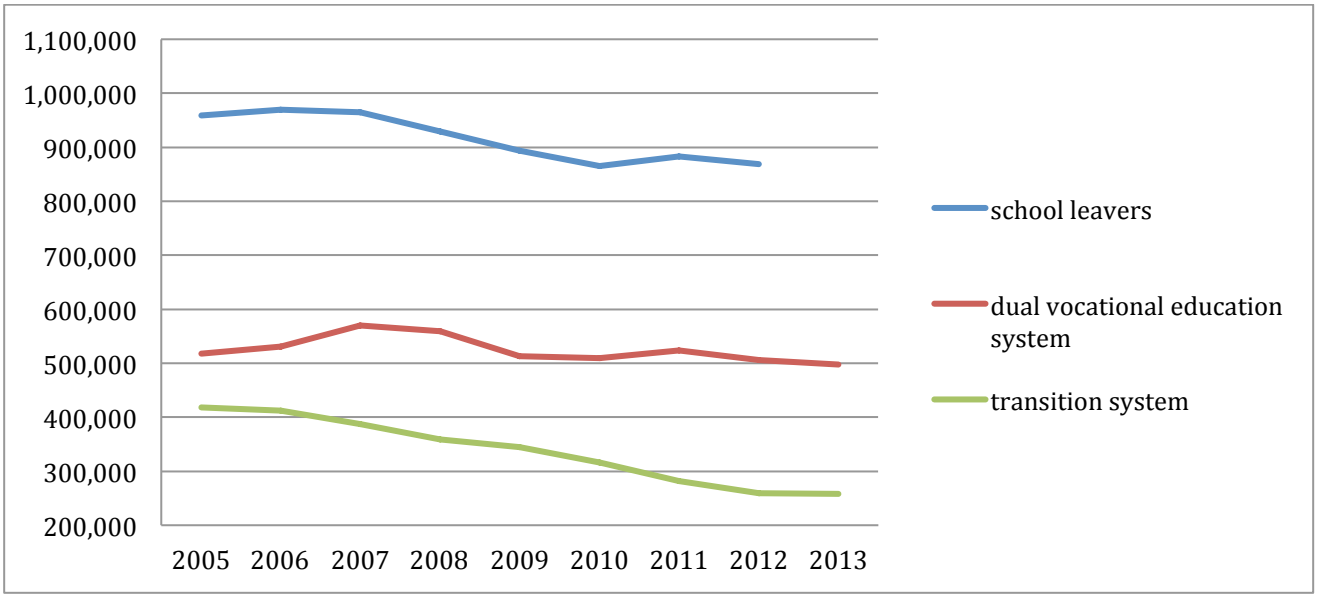
Source: Federal Employment Agency

In Germany, there are additional possibilities that bridge the time between school and employment and thus may facilitate the transition into the labor market. On the one hand, school graduates can choose to complete a voluntary social year ("*Freiwilliges soziales Jahr*", FSJ), which is a state-funded civic engagement program. Applicants must have fulfilled compulsory school attendance and must be younger than 27 years. The duration of the FSJ is 6 to 24 months. The participants receive free lodging and board, work clothes and an additional pocket money, which can be up to approximately 350 Euros per month (§ 2 JFDG). Participants can work at social, charity or other organizations with public interest like hospitals, church communities or human rights organizations. The FSJ can take place in Germany as well as abroad (§§ 5-6 JFDG). Additionally, there are further state-funded

voluntary work programs like the federal volunteer service ("*Bundesfreiwilligendienst*", BFD) and the voluntary ecological year ("*Freiwillige Ökologisches Jahr*", FÖJ), which are very similar to the FSJ. There are approximately 100,000 people in Germany that participate in one of the three voluntary work programs (BMFSFJ, 2014). On the other hand, school graduates can decide to join the voluntary military service ("*Freiwilliger Wehrdienst*", FWD), which lasts 6 to 23 months (§ 58b SG). Besides free board and lodging, volunteers receive a payment ranging from 777 Euros per month in the first three months to 1,146 Euros per month in the last five months. There are approximately 8,500 young people in the voluntary military service (Bundeswehr, 2014).

In 2013, about 250,000 young people participated in one of these offers in the transition system, thus about half as much as the dual vocational system. However, it is a strong decrease compared to 2005 where over 400,000 participants took part.

Figure 3: Amount of participants in the transition system



Source: Bildungsbericht

1.4 Entitlement to benefit

In general, all persons aged 15 years and above who are capable of working and entitled to receive a social security benefit receive unemployment benefits. Unemployment benefits are divided into unemployment assistance and social assistance. There is no special unemployment assistance ("*Arbeitslosengeld*" (SGB III)) for young people. The amount and duration of unemployment assistance depends on the duration and income of the previous occupation. The duration of entitlement varies between 6 and 12 month.

The amount of social assistance ("*Arbeitslosengeld* II" (SGB II)) depends on age. Young people between 14 and 17 years old receive 296 Euros, and young adults who still live in their parents' house obtain 313 Euros per month. This financial support should guarantee their physical subsistence level (food, clothes or personal hygiene) and aims to maintain sociocultural standards (e.g,. aid for school attendance) as well. If a benefit recipient under 25 years old wants to move out, he/she needs the approval of local authorities so that he/she still obtains the benefits to finance his/her own flat.

Preconditions for the approval could be social matters, especially a serious disturbance of the relationship among children and parents, or if the young benefit recipient has his or her own family to take care of. Furthermore, the financial benefits will be issued in order to better integrate the young person into the labor market when moving to another place.

There are penalties in the form of reductions of the unemployment benefits if a job seeker refuses to sign the integration agreement. Penalties also occur if any obligations of the integration agreement are violated by the unemployed person (§ 31 SGB II). An example of such a violation is the rejection of a job offer from the public employment service. Unemployment benefits are reduced by 30 percent for the first violation. Repeated violations result in a cut-off of the benefits by 60 percent. Eventually, benefits are terminated completely in a third violation of the integration agreement (§ 31a SGB II). In general, these penalties are effective for three months. However, the penalties can be shortened to six weeks by the employment agencies if the unemployed person is younger than 25 years (§ 31b SGB II).

Seventeen percent of the persons who are capable of working and are entitled to receive benefits are under 25 years old. The largest cohort of people not capable of working but entitled to receive benefits is the age cohort of people under 15.

1.5 Employment Protection Legislation

There is no general difference in the employment protection legislation with regard to age. Germany's protection of permanent workers against individual and collective dismissals was among the highest of all OECD countries in 2013 with an OECD EPL indicator of 2.98, whereas the indicator is below average with respect to regulations on temporary forms of employment with a score of 1.75.

Lay-offs are subject to a social welfare oriented selection by age. That means, for example, young people without obligations are more likely to be given notice. Dismissal notice period does not depend on the age but on tenure. The period worked before reaching the age of 25 was not taken into account when calculating the corresponding dismissal notice period in the past. Based on the judgment of the European Court, this practice discriminates young people, which is why courts should consider the time worked before the age of 25 as well.

In general, during the probation period, the employer can quit the employment contract with a dismissal notice period of two months at any time within the first six months (§ 622 BGB). In the case of vocational training relationships, employers can quit employment contracts at any time without notice within the probation period. This probation period lasts at least one month and at most four months (§ 22 Berufsbildungsgesetz). After this period, the apprenticeship can only be terminated without notice due to of grave causes. This will be the case when methods of education were not successful to improve performance and behavior of the trainee is deemed unsatisfactory. As for trainees, there is a four-week dismissal notice period. Termination for grave cause is not binding in law if the underlying circumstance is known for more than two weeks.

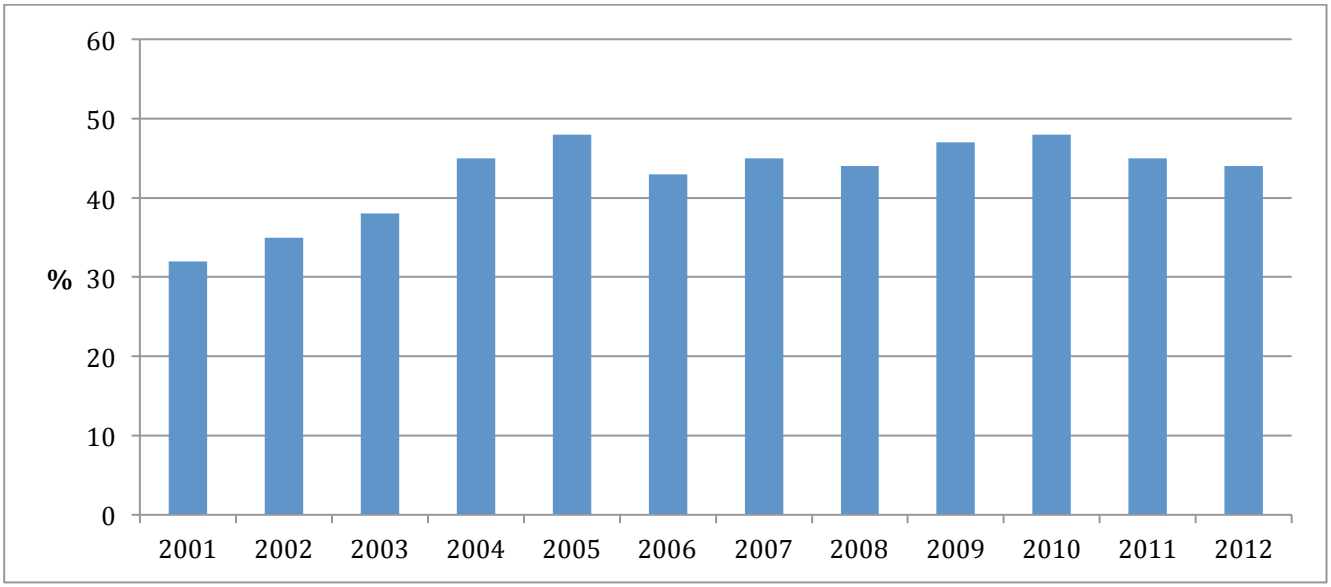
By taking a closer look at fixed-term contracts among young people, it becomes clear that this group is more affected by temporary employment than older age cohorts. A study carried out by the Federal Statistical Office, showed that in the age group of 15 to 20-year-olds, about 40.7% of employees are fixed-term employed (although persons in vocational training or schooling were not included). Among 30 to 40-year-old employees, 9.3% are fixed-term employed, and among the age cohort of 50 and older, merely 4.7% work on the basis of a fixed-term contract.

The idea of fixed-term employment contracts in Germany has its origin in the mid-80s. For the first time, employment contracts could be limited to a period without any objective reason based on the "*Beschäftigungsförderungsgesetz*".

There are two possible forms of limiting an employment relationship. The first is the limitation with an objective reason. This is the case when the demand for workers exists only temporarily, e.g., to substitute a worker, subsequent to vocational training, in order to facilitate the transition into a regular job, or if the workplace is financed by public resources which are scheduled for temporary employment by budgetary law. A limitation based on a court settlement would also be an objective reason. There is no upper limit for limitations with an objective reason. In contrast, limitation without an objective reason could be applied for no more than two years, and in newly established firms, for no more than four years. A minimum of a three year break between the former employment relationship and a new one justifies the limitation.

The share of fixed-term contracts between 1984 and 1986 rose from 4% up to more than 8%. In 2003, the "*Teilzeit- und Befristungsgesetz* (TzBfG)" was amended, and the first law of modern labor market services ("*Hartz I*") was established. It relaxed the use of fixed-term contracts, which caused an increase in this form of employment (Figure 4).

Figure 4: Share of new hires with temporary contracts (vocational training excluded)



Source: IAB Betriebspanel

Considering the rate of temporary contracts, there is a strong surge between 1991 and 2012. The share of temporary employed persons of all dependent employees rose by 2.2%.

2. Policy Innovations

2.1 Education

After leaving schools of general education, most students have to decide whether they want to start dual vocational education or continue to study. Whereas studying requires at least a "*Fachhochschulreife*", there is no formal minimum requirement for starting dual vocational education. On the one hand, this increases the freedom to choose for those without a degree. However, completed vocational education does not qualify for continuing studying, which decreases the freedom to choose between educational paths afterwards. This is an important issue because in 2011, 76.9% of the people who started a dual vocational education did not have more than a "*Realschulabschluss*", and 26.8% were not older than 17 years. As a result, young people choose an educational path at a relative early stage of life, but if they would like to educate further after completion, they have to go back to school. This may keep people from furthering their education. Several approaches were initiated to overcome this drawback of the system.

In 2009, the Conference of the Ministers of Education and Cultural Affairs decided that further trained persons, like 'Meister' for example, are entitled to study at universities. Persons who completed their dual vocational education plus three years of professional experience within the same professional area are also entitled to study at a university. However, the course has to be linked to the former profession. Several private organized colleges offer shortened courses for persons with corresponding professional experience. Universities are also authorized to shorten courses for persons with professional experience. However, it is not widely used.

Baden-Württemberg started a project which deals with the problem of path dependence at an earlier stage. In this federal state, it is possible to combine dual vocational training and "*Fachhochschulreife*" if holding an intermediate school leaving certificate. After at least three years, participants complete their apprenticeship and receive the "*Fachhochschulreife*", which entitles them to study at universities of applied sciences.

Besides path dependence, an increase in early individual vocational guidance and counseling at school is another current field of interest. Revealing personal interests and skills should both motivate students not to drop out of school on the one hand, and on the other, decrease the number of college drop outs. Initiatives like the "*Berufswahlsiegel"*, which was introduced by the social partners, the IHK and the BA, award schools with outstanding vocational guidance and counseling. 'Starke Schule', which is a similar initiative, is supported and managed by the Herthie-Stiftung, BA, BDA and the Deutsche Bank Stiftung.

The ministry of education (BMBF) offers several programs to facilitate the transition from school to work. In 2010, the BMBF founded the program "*Bildungsketten*" (education chains), which focuses on youths with special needs that are likely to drop out of school without a certificate. The program consists of three elements: potential analysis, career orientation and career starting support. In the seventh grade, qualified pedagogues conduct interviews with children and analyze their strengths and weaknesses focusing on methodological (problem-solving competence), personal (motivation) and social skills (e.g., communicative ability). In eighth grade, the stage of career orientation starts with personal guidance counselors who give personal advice, arrange internships and help find an

apprentice position in cooperation with the BA. In the third stage, guidance counselors continue to work with the youths until the completion of the first year of the vocational training (BMBF, 2013a). In 2014 there were more than 50,000 young people under 25 per month involved in this program, which reflects an upward trend (BA, 2014b). Moreover, since 2008, there has been a program ("*Berufsorientierungsprogramm*") that intensifies the career orientation beginning in the eighth grade. Within two weeks (80 hours), students are able to gain practical experience from qualified trainers in three occupations. In this way, the youths can grasp the essence of different occupational fields, find out which one fits best with their personal aptitudes and develop motivation for their personal career. Since 2008, more than 450,000 school students participated in this program (BMBF, 2013b). Eventually, in 2006 a training structure program called "*JOBSTARTER*", which is administrated by the Federal Institute for Vocational Education and Training ("*Bundesinstitut für Berufsbildung*" – BIBB), was introduced. The goal of the program is to promote local projects that intensify the relationships between companies, chambers of commerce and employment agencies in order to create new apprenticeship places. Between 2006 and 2013, the projects of this program created more than 60,000 new apprenticeship places (BIBB, 2013).

2.2 Active Labor Market Policies

In most cases, innovative ALMPs occur at the regional level, where they serve as models. These models are often influenced by the specific needs of the regional labor markets and the specific characteristics of regional institutions. Thus, even if successful at the regional level, transferability to a supra-regional scale is possibly an issue. Initiators of such regional models are not just public authorities, but can also be business associations, for example. Their common dominator, however, is their focus on disadvantaged young people.

In 2014, the BA introduced the initiative "*Berufliche Ausbildung hat Vorfahrt*" as a response to the ongoing mismatch at the dual apprenticeship market. In the last two years, the number of unoccupied positions and unplaced applicants increased due to regional and occupational mismatches. This initiative includes several measures, like a public campaign which should increase employers' willingness to provide apprenticeships, even for disadvantaged young people. This initiative also addresses policy makers as legislation changes are promoted which should increase the amount of people who are entitled for training assistance. Several measures which support vocational training ("*Ausbildungsbegleitende Hilfe"* (ABH)) should be offered for everyone who needs it in order to prevent a break in vocational training. These include, for example, tutoring, preparation for exams, private tuition in German, assistance with daily problems or mediation between apprentices, teachers and parents. Further, cooperation between employers and institutions which provide external vocational training should be increased, and regions with high degrees of mismatches should be supported by additional external vocational training. In addition to this advisory role, the initiative includes one concrete ALMP measure called "*Assistierte Ausbildung*". This involves a third educational provider who accompanies young people before and during vocational training and supports firms in administrative and organizational issues.

The project "*CONNECT*", which is a part of the "*JOBSTARTER*" initiative realized by the BIBB, is based on the idea of fulfilling several elements (modules) to obtain a vocational certificate. These elements represent different occupational competences. Currently, there are 14 occupations which are divided into these elements ("*Ausbildungsbausteine*"). In order to ease the transition into vocational training in a firm, the participation in one or more of the elements should count for later in-

firm training. The “JOBSTARTER” initiative also encourages part time apprenticeships. Part time schemes should enable young parents to take up an apprenticeship. Thus, working hours are reduced to at least 20 hours per week. Additionally, this should increases the amount of training companies if they do not have enough work for a full-time apprentice. In North Rhine-Westphalia, this initiative is accompanied by the “*ModUs*” project, which supports parents in the application process, organizes childcare and mediates between apprentice and employer in case of conflicts.

The Federal State Hamburg introduced special job agencies (“*Jugendberufsagentur*”) for young people under the age of 25. The institution provides guidance concerning vocational training or study, employment, entitlement to benefits and assistance in overcoming educational problems. In order to address as many young people as possible, the agency and the cooperation partners arrange career counseling in schools from the 8th grade onwards. Consequently, the agency stays in contact with all juveniles until they have found a training opportunity or a job and ensures a successful vocational training. About 350 counselors are available and 14,300 young people made use of the measures between October 2012 and September 2013. A total of 8,446 persons applied for a dual apprenticeship, and 84.4% of them received assured access to training, employment, secondary school or introductory training due to the help of the agency. However, although this approach offers a model of good practice, it is unclear if it is fully transferable to other Federal States, especially since Hamburg is a federal city state, and as such, institutions are rather linked to each other.

As already pointed out, there are not only initiatives of public authorities. “*Nord-Chance*” is a model initiated by the employers' association “*Nordmetall*”, which covers 250 firms in the metal and electronics industry in northern Germany. Young people interested in a metal or electronics job and who have not found a vocational training opportunity within the placement period are offered a qualification measure. They are trained and prepared by an educational institution for up to five months and placed in a firm afterwards. In the case that the apprentice is suitable for the job, he/she receives a vocational training opportunity. Within the firm, young people acquire basic knowledge and take part in firm-specific training modules. Furthermore, an allowance is paid during preparation (150 Euros per month) and during introductory training (300 Euros per month). The goal of this initiative is to bring about 1,000 young people into vocational training.

Another model called “*Zukunft durch Ausbildung und Berufseinstieg*” is carried out by the employers' association *“BAVC*” of the chemical industry. It is based on the idea that firms train more young people than they actually require because completed vocational training is better than no training, and it improves job opportunities. Therefore there is no obligation to take over the apprentice. Between 2014 and 2016, they aim to offer 9,200 vocational training opportunities each year. The collective agreement includes a measure to prepare young people for training maturity as well (“*Start in den Beruf*”). It is targeted to young school leavers and qualifies them for vocational training for up to twelve months within an operational promotion scheme. In addition, the new agreement also allows for the participation of long-term unemployed persons over the age of 25.

The issue of discontinuing vocational education is taken up by the foundation “*Senior Experten Service*” (SES). The SES introduced the public supported “*VerA*” initiative in cooperation with the umbrella organizations of the industrial and craft sectors and liberal professions. “*VerA*” administrates about 1,000 retired volunteer professionals which guide young people in vocational education in times of crisis. This free-to-use service can be initiated by employers, vocational schools or by the apprentice itself.

Besides the quantity of support, quality also matters. This is why the IHK and the Central Agency for Continuing Vocational Education and Training in the Skilled Crafts (ZWH) introduced the project "*Stark für Ausbildung- Gute Ausbildung gibt Chancen*", which is supported by the Federal Ministry for Economic Affairs and Energy. This project focuses on the quality of the training staff. As training staff should become aware of the special needs of disadvantaged young people, qualification and information schemes are offered.

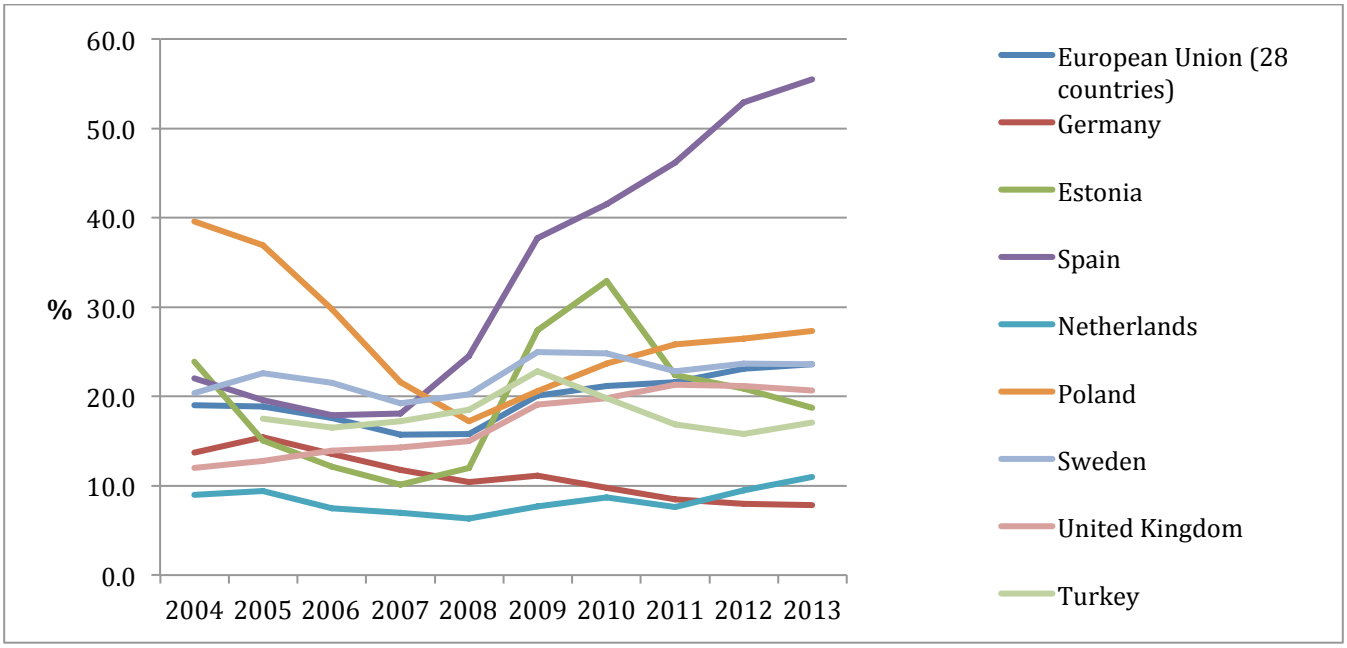
2.3 Minimum Wage

The German minimum wage was introduced at the beginning of 2015. In general, employees who are at least 18 years of age receive a minimum gross hourly wage of 8.50 Euros. However, there are some exceptions. If collective agreements contain gross hourly wages below 8.50 Euros, periods of transition are granted until the end of 2016. Additionally, there are groups of workers who are excluded. These include minors, apprentices, people in introductory training, mandatory internships, internships shorter than 3 months and the long-term unemployed. Thus, aside from the long-term unemployed, exceptions heavily focus on young people.

3. Assessment of effects on youth employment

The German youth unemployment rate is traditionally relatively low in comparison to other European countries. It decreased steadily in the last years, even within the recent crisis and became the lowest youth unemployment rate in the European Union in 2013 (Figure 5)

Figure 5: Unemployment rate of people below 25 years



Source: Eurostat

In the recent past, innovations of AMLPs for young people focused on the disadvantaged, whereas innovations in the educational context focused on the freedom to choose between educational paths.

Focusing on the disadvantaged is driven by the persistent high level of long term unemployed in Germany, whereas short term unemployment decreased steadily in the recent past. Since the group of long term unemployed is dominated by people with no or lower secondary education, innovative ALMPs has focused on them. The key element of most innovations is the intensified support and fastest possible transitions either directly into employment or into training measures. Furthermore, intensified support is characterized by an increase in centralization, which means that young people should receive support from a single source like the "*Jugendberufsagentur*" in Hamburg. There is consensus about the promising effect of this approach.

In the case of ALMPs for young people, there is consensus over one major point of criticism: the confusing amount of different types of initiatives with different responsibilities, which is induced by the regional model character of the majority of ALMPs. However, it makes it difficult to support everyone with the best possible measure. Additionally, parallel double structures produce unnecessary expense.

Whereas there is consensus about the positive effect of intensified support to increase the employability of young people, reducing requirements to complete vocational training is controversial. Although this could be favorable for less able individuals, building up a system with several elements (modules) to more easily obtain a vocational certificate is perceived by some stakeholders as a potential threat to the quality of the dual vocational system in Germany.

Unfortunately, little effort has been undertaken to evaluate all these different types of ALMPs for youth in Germany. One exception, for example, is Caliendo et al. (2011). They find positive employment effects for most measures examined. While the wage subsidies seem to have the strongest effect on long-term employment (10-20 percent), measures that include job search assistance and training yield smaller effects (5-10 percent). In contrast, public job creation instruments seem to have negative employment effects in the short-run and none in the long-run. Similarly, Heyer et al. (2011) pointed out positive employment effects of wage and start-up subsidies as well as training within firms for youth. However, crowding-out effects might be possible. Again, public job creation measures are found to be rather harmful for overall youth employment. However, job creation schemes may improve employment prospects of young people with strong placement obstacles.

All in all, German ALMP measures that focus on job assistance and training have positive long and short run employment effects, while public job creation has counter-productive effects. Subsidies might trigger negative indirect crowding-out effects that counteract their positive direct impact on youth labor markets.

Recent innovations in the educational system focus not only on the disadvantaged. The freedom to choose among educational paths, for example, mainly concerns higher levels of education. The university entrance certificate with a "*Meister*" or the subject-linked eligibility of university admission with a completed vocational education plus professional experience are the two main innovations to increase the freedom to choose between the academic and vocational system. However, still only a minority make use of these possibilities. In both cases, studying is associated with income loses, which probably explains the minor importance of these schemes.

Improvements in the freedom to choose between educational paths at an earlier stage are considered more promising. Thus, projects like in Baden-Württemberg, where it is possible to combine dual vocational training and "*Fachhochschulreife*", are assessed as good practice. Early interventions are also promising in the case of career guidance, which is why the program "*Bildungsketten*" also offers good practice.

However, the favorable situation for youth at the German labor market is not only shaped by institutional innovations. The amount of companies that took on trainees decreased in the recent past. This, however, is partly compensated for by current demographic changes.

There is an ongoing debate between the social partners about the responsibility of a decreasing amount of training companies. Whereas employers' representatives point out students' bad aptitude for training due to the educational system, trade unions criticize the lack of willingness of employers to invest in those people.

The academization of society also decreases the demand for training companies. However, stakeholders and politicians are expressing concerns about this development because they suggest that vocationally educated people are needed at the labor market. Stopping or even reversing the academization, however, would increase the problem of the lack of willingness to train.

The introduction of the minimum wage is not seen as major burden for the educational system because of the exclusion of minors and the high social status of education. However, a possible effect on educational attainment has to be evaluated because the relative gain in taking up employment in comparison to education increases due to the minimum wage introduction.

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