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**Article**

## Keynote Address by Olaf Scholz

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Keynote Address by

## OLAF SCHOLZ

German Federal Minister of Labour  
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The German economy is now growing again, economic activity is strong and regardless of what the forecasts say in detail, the upswing appears to continue. This has had an impact on unemployment, which is declining and will continue to decline this year and, according to the forecasts, next year as well. In this light it is no wonder that the discussion of the lack of skilled labour and how to acquire a sufficient number of qualified workers has begun and is becoming louder. My horror scenario as Minister of Labour is that we will have two things at the same time: lack of skilled workers and high unemployment. My fear is that in 2012 or 2015, German employers will demonstrate for more immigration while at the same time we have high unemployment.

Whether this will come about or not will be decided today. For this reason, this year's conference topic is highly important, and I would like to make a few remarks on the issue of training tomorrow's skilled workers. One statement at the start: the number of jobs for workers with low qualifications will decline in Germany and elsewhere. Contrary to a widespread opinion, the number of these jobs is not growing. We must keep this in mind when we think about the challenges we face.

What needs to be done can be simply stated: we must mobilise our human resources and ensure that the talent in our society can unfold. For this to happen, we must start with the schools and better still with pre-schooling. We cannot accept that 8 percent of pupils in Germany drop out of school. This is not a natural number, it is too high and it points to a serious educational-policy problem in Germany. We have to start with preschooling, we need more full-day schools, better schools, and it is good that we have already begun to change course. In 2013 Germany will introduce what many countries

already have: the right to pre-school care starting at age one. This is new in Germany, it will change our culture and it will help our children, especially those who come from families that are not fully able to promote their talent.

We will also introduce more all-day schools. The programme implemented by the previous administration has been further developed far beyond the original plans; a turnaround has occurred. If we make the right choices now, this will help the school leavers we will have in 10, 15 and 20 years. But we also have to solve the problem of those who leave the schools now and enter the labour market. If we assume that we will have to work longer, this means that a 16 year-old today faces a working life of 50 years. The qualifications that this person has at 16 will help determine opportunities over these 50 years.

In addition, new opportunities must be made possible by improving one's qualifications. We need a culture in which people have opportunities if they apply themselves. This means that they must not be confronted with insurmountable barriers. With the programme "Second Chance for School Leavers" we have managed to reduce the number of early school leavers to 2 percent per age group. But if we look at the total number, 500,000 of our unemployed have no school leaving certificate, and almost all of them are long-term unemployed. Therefore, in our labour-market policy reforms, we must ensure that a school leaving certificate can always be earned later, whether at 35 or 42. We need to send the message: "your fate has not been sealed; you can develop your talent if you apply yourself".

A second figure is also important in the discussion on skilled labour: 15 percent of those over 35 have no vocational qualification. And looking at the young people today, there has been no major improvement here. In light of the changed working worlds, this is a big problem, which is why we need more vocational training places. The numbers in Germany are enlightening: 625,000 vocational training contracts were signed last year. This was the result of joint efforts by policy-makers, business leaders and trade unions that I am proud of. This is



the second best result since 1990. But on the negative side, if we compare this number with previous years we see that this is still too few. In 1984, a record year admittedly, we had in western Germany 705,000 new vocational training contracts – today it is 500,000 in the west. In terms of this number, we are lacking 200,000 training places a year.

We must realise that despite this year's success reports we still have a problem. This year everyone who is capable will have a good chance of finding a training place. But we also have a backlog of applicants from previous years that have to be included. And also those who at first glance are not regarded as capable of vocational training are also still there. Among these are many that with enough effort can find their way to good careers as skilled workers. Thyssen-Krupp, for example, has trained many who were said to have no chance and they became good apprentices.

We have to continue down this road, and it is also important in the discussion on skilled labour needs and immigration. In any case, with the proper effort, there are those who can be helped to good skills and we must not neglect them. As Labour Minister I make the following pledge to German business: "if you also train these young people, which is not always easy, I will help you in any way possible". The German Parliament recently decided to give a training bonus to those who have been waiting long for a training position. This is, of course, an emergency response in light of the numbers and it is not clear exactly how to solve the problem. We only know the desired result that these young people get training and later good jobs.

In future, apprentice training, which has a good reputation in Germany provided in its dual form by schools and businesses, will have a central role in training our skilled workers. We stand behind the goal set by the OECD of sending 40 percent of an age group to university. And not only that 40 percent begin their studies – a goal we have almost reached – but that they also complete their studies. But even if 40 percent of an age group begin and finish their studies, 60 percent will also want to have good careers through other ways, and we need them too for the success of our economy. Today about 12 percent of the population has academic qualifications, and many have not realised what the increase in these numbers will mean. At such conferences we

often forget that we academics are in a minority and will remain so.

In our universities we have too few students in the MINT subjects: mathematics, informatics, natural science and technology. We have to think about how we can change this. The child of two teachers of German is very unlikely to become an engineer. The typical engineering student comes from a family of engineers or from "social climbers": children of skilled workers and immigrants as well as women. We are paying for the lack of permeability of the German educational system with too few engineers. We should have been able to cover the need for more engineers from these three groups. If we had, we would also have improved equal opportunity and mobility in our society. The current lack of engineers is a problem we have brought upon ourselves.

On the question of educational impermeability, why it is not possible in Germany, as in other countries, that a vocationally trained person with three years on the job be admitted to university. Some of them might want to study engineering and could complete this course of study. We could cover some of our needs for engineers this way. In Austria there is the model of an occupational *Matura*. Why should a person who is a *Meister* not have the same access to universities as someone with an *Abitur*? With these measures we could significantly enlarge the number of students in the MINT subjects. In discussions on the lack of skilled labour, we must also find ways of further increasing the female labour participation rate. We are proud that Germany has now reached the Lisbon targets here, but, with a look at the Scandinavian countries, we are not so far as we could be. To progress here we need to improve day-care programmes, also in our companies.

As Labour Minister I have consciously referred to the domestic potential that we have. A discussion on skilled labour and the need for immigration that neglects the domestic potential will not meet with acceptance in a democratic society unless we can prove that we have done all that is needed. In Germany, a need for skilled labour from abroad only exists for academically qualified workers. This is the thesis I would like to present for discussion: there are no qualification needs in Germany below the academic level that we cannot fill ourselves. A dual vocational training lasts two to three years,

and so we can quickly eliminate a problem that we recognise now.

We can also solve problems pragmatically. If a particular vocational group says we need 311 skilled workers, the government would let them have these people from abroad, but the companies would have to expand their training so that this problem does not come up again. We do have a need for the immigration of skilled labour of the academically qualified with long qualification paths. Still, we need concrete figures and not round numbers like 100,000. What we need is a labour requirement index, as we now have for the labour market as a whole, related to specific areas with forecasts, not for the distant future, but for the coming months, derived from a survey of the companies themselves.

On the issue of migration, regulations are currently under discussion in the EU. The German position is clear: the decision of labour migration must remain a national decision, also in a single European market. Also with regard to the Blue Card – the migration of skilled labour from outside Europe – this must only apply to academics, since the labour market in Europe is also in a position to fill the needs that exist below the level of the most highly qualified. In the near future, we will need to deal with the freedom-of-movement regulation within the EU. We have to decide whether for the eight recent European accession countries the exception to the free movement of labour that runs up to 2011 will be renewed. A decision must be made by 2009. The current discussion in Germany favours extending this exception. The same applies to Bulgaria and Romania, which are now in the second phase of the three phases of exceptions to the freedom-of-movement regulations and that must wait until 2015. My position is that since we only have needs in the area of the top qualified, an exception is reasonable. When I look at countries that do not have this exception in place, there have been no negative effects in some areas of the economy but certainly in others, where the lesser qualified are more prominent.

The German labour market is in a unique position. After years of stagnation, unemployment is declining, and now for the first time since the 1980s, when long-term unemployment increased continuously, we have the chance to integrate many of these people into the labour market. It would be a mistake in

this phase to take the focus off these people and say that there are others we can turn to. For this reason I feel a renewed exception is needed, although the final decision within the German government has still not been made.

There are exceptions to my position in the area of decisions that we can take according to national law. Summer last year, we decided that for three engineering professions the free movement of labour within the EU applies. I can imagine extending this in the area of highly qualified engineers, where we have no problem on the labour market. This also applies to highly qualified personnel outside the EU if it is determined that these skills are not available on the German labour market. It is clear that the German economy must have the personnel it needs, otherwise economic growth is jeopardised.

Germany is probably one of the most liberal countries in terms of the immigration of the highly qualified, but this has received little attention. Last year we implemented a regulation that gives foreigners who have completed a course of studies in Germany one year to find work; if they do, they receive a work-based residence permit that can become permanent. German universities unfortunately have not publicised this in their recruitment of foreign students. And for those who have studied in Germany, the German language is, of course, no longer a barrier as it is for other foreign specialists. Those who are already in Germany can also “immigrate”. We have asylum seekers who are highly qualified, and the question is when they finish vocational training in Germany or university studies if we cannot make it easier for them to pursue their careers in this country with these qualifications. This would be clear proof of integration, using the human resource potential that is here; this we must not neglect.

And finally, we have qualified people in Germany who cannot use their qualifications. These are people who have studied abroad and have somehow ended up in Germany and whose qualifications are not recognised. We should not underestimate the number of mathematicians with diplomas who have not had a chance in Germany although they are needed. What needs to be done? We cannot sign agreements on qualifications with every country in the world. That would take decades. But with additional qualifications and external examinations, these people could obtain the qualifications

they need. This would also be a way of tapping into our qualification potential.

I have tried to outline my positions on skilled labour needs in Germany. I have tried to present a pragmatic and reform-oriented approach. And I hope I have provided enough material for a controversial exchange of views.

Thank you.