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# **Employment policy in the transformation to a green and digital economy**

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## **Structure**

- 1. Difference between structural change and transformation**
- 2. Labour market forecasts - No one knows for sure**
- 3. Labour market dynamics: The different faces of transformation for the employees**
- 4. Internal Transformation**
- 5. Risky external Transformation**
- 6. Modernisation of vocational training**

# 1.1 Why do we actually speak of transformation and not structural change?

## Structural change

- Shift in the number of employees in the sectors: result of many independent market decisions

## Transformation:

- Upheaval as a result of several simultaneous trends: digitalisation and decarbonisation.
- Intended and thought of from the end with a long time horizon: reduction of CO2 emissions by 2050
- Bet on future innovation capacity and willingness to innovate
- Only possible with comprehensive changes in our way of production and living

## 2.1 Labour market forecasts - No one knows for sure

### Numerous forecasts and scenarios on the various transformation trends - Two examples

- Digitalisation: IAB study (Wolter et al. 2015): Slight increase in productivity, shifts between sectors, increase in services, loss of 60,000 jobs.
- Electromobility: " In 2035, almost 114,000 jobs will have been lost due to the switch to electric drive in passenger cars" (Mönning et al. 2018).

### All forecasts depend on a few assumptions:

- IAB: slight increase in productivity growth.
- Mönning et al.2020 = import of batteries

## 2.2 Labour market forecasts - No one knows for sure

- **Digitalisation: manageable overall effects - sufficient time to act**
- **Electromobility: strong regional and operational effects - but long transformation with time to act.**
- **More jobs can be created through additional public investment, i.e. lost through transformation: Increase in public investment by €20 billion per year = + 354 000 full-time equivalent employees by 2030 and + 629 000 people by 2050 (Krebs/Scheffel 2017: 43).**
- **Core message: Managing change: However, major upheavals at company level and in individual sectors**

### 3. Labour market dynamics in the transformation

	Numerical	Functional	Monetär
Inter- nal	Working time flexibility, change of contractual working time	Change of activity and/or job in the company	Change of remuneration in the company
Exter- nal	Voluntary/ involuntary change of company	Change of activity after change of company	Change in remuneration after change of company

The exact numerical framework of the different forms of mobility over time unknown: Must prepare labour policy options for all forms.

Income, employment and skill risks in the transformation

Added to this is the generational change by 2050 - transformation multi-generation project: initial vocational training central

## 4. Dualised German labour market: High wage losses with involuntary occupational change (gross hourly wage mean in euros with and without occupational change 2012)

	In the learned occupation/profession	Self-initiated change of occupation (reason=reorientation)	Self-initiated change of occupation (reason = higher income)	Involuntary change
<b>Men</b>	<b>19,5</b>	<b>18,9</b>	<b>23,9</b>	<b>14,7</b>
<b>Women</b>	<b>17,4</b>	<b>13,7</b>	<b>16,1</b>	<b>11,1</b>
<b>apprenticeship</b>	<b>15,3</b>	<b>15,4</b>	<b>20,6</b>	<b>12,8</b>
<b>School based VET</b>	<b>15,8</b>	<b>13,4</b>	<b>22,2</b>	<b>9.8</b>
<b>Advanced VET</b>	<b>20,8</b>	<b>15,6</b>	<b>23,2</b>	<b>15.0</b>
<b>Tertiary Education</b>	<b>26,1</b>	<b>26,7</b>	<b>30,7</b>	<b>16,3</b>
<b>Total</b>	<b>18,6</b>	<b>16,6</b>	<b>21,2</b>	<b>13,2</b>

## 4.1 Internal Transformation (IT)

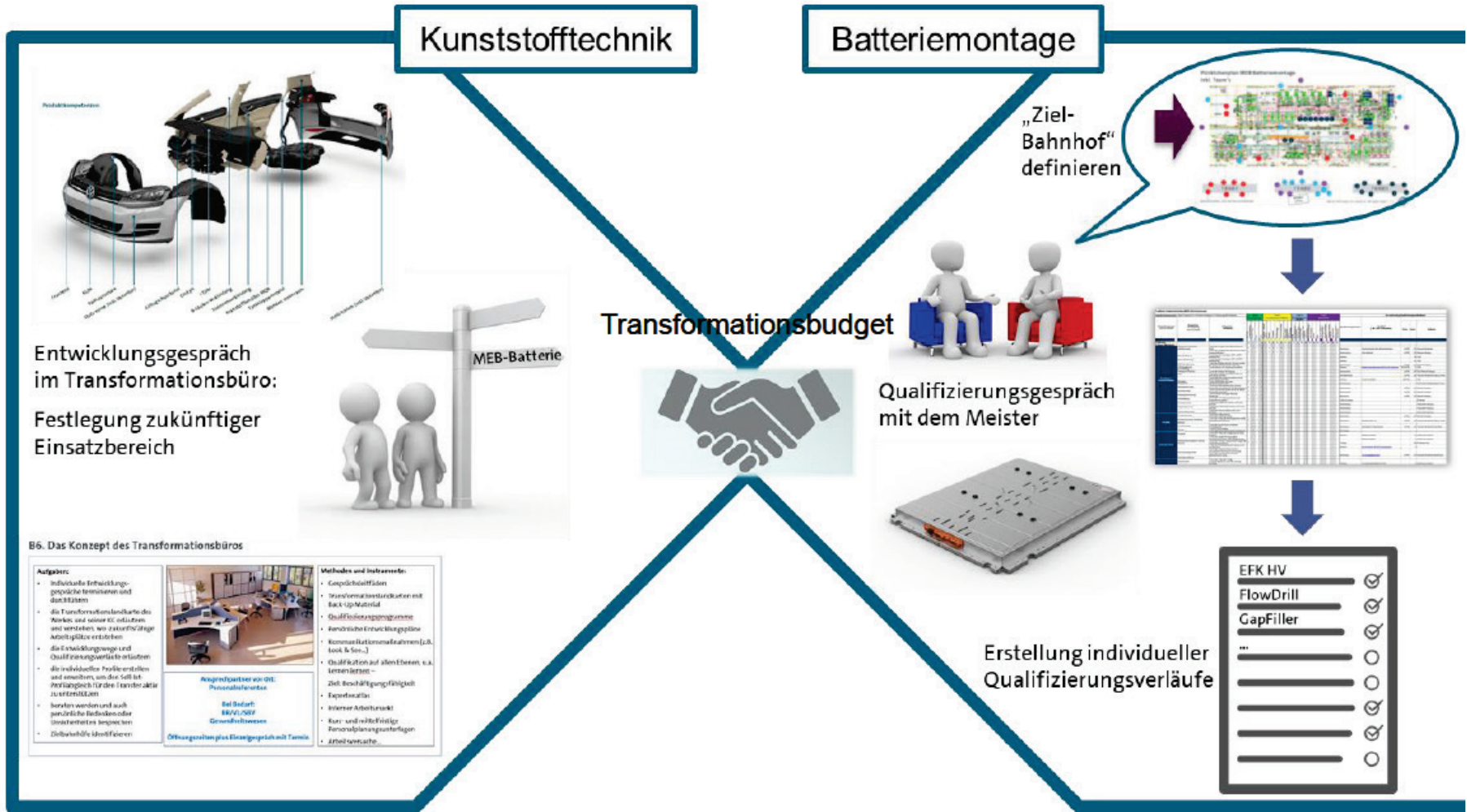
- **Strong employment protection and co-determination main drivers of Internal change in Germany**
- **IT requires forward-looking personnel policy – often insufficient**
- **example: IG Metall survey of 2000 works councils (2019): Only 22% of respondents see systematic personnel planning and only 14% systematic assessment of qualification needs**
- **Central tasks: Avoidance of redundancies through (1) internal transfers, (2) further training and (3) temporary reductions in working hours, (4) social plans (transfer to other companies/early retirement)**
- **Trade Unions: use co-determination to develop forward-looking HR policy (example: Project 2020 NRW)**
- **Beware of quick subsidies: Most large companies have sufficient liquidity to finance change**
- **To be done: Introduction of a Transformation Short-Time Scheme (in the coalition agreement ) for major upheavals**



## 4.3 Conversion to electromobility: the case of VW Braunschweig (4500 employees)

- Phasing-out of plastic parts and mechanical products production (-625 jobs), new jobs in battery system production and maintenance (+700 jobs)
- Further training central to transformation 1:1 transfers to the new jobs often not possible: long staffing chains affected 1/3 of the employees
- Transformation budget of 165 million € for all locations
- Organization of transfer via internal “transformation office”
- Qualification measures designed with the support of the VW-Group (e.g. fit-for-change 2 days; 22 days for electricians)
- Learning close to the workplace with practical elements
- No public funds - competitive disadvantage: Tesla hired employees in their greenfield with training vouchers from the employment office

# Transformation VW Braunschweig



# 4.5 Temporary working time reduction to avoid dismissals

Unternehmen	Beschäftigungs- sicherung	Arbeitszeitverkürzung	Sonstige Regelungen
<p><b>Daimler:</b> Verwaltung und produktionsnahe Bereiche</p> <p><b>Eckpunkte</b> für einen unternehmensbezogenen <b>Ergänzungstarifvertrag</b></p>	Keine betriebsbedingten Kündigungen und Standortschließungen <b>bis 2030</b>	<p><b>Verkürzung der Wochenarbeitszeit</b> um 2 Stunden ohne Lohnausgleich (01.10.2020 bis 30.09.2021)</p> <p><b>Tarifliches Zusatzentgelt 2021</b> wird verpflichtend in bezahlte Freistellungstage verwandelt</p>	<b>Wegfall der Ergebnisbeteiligung</b> für 2020
<p><b>ZF Friedrichshafen:</b> 50.000 Beschäftigte im Inland</p> <p><b>„Tarifvertrag Transformation“</b> Unternehmensbezogener <b>Ergänzungstarifvertrag</b></p>	Keine betriebsbedingten Kündigungen und Standortschließungen <b>bis Ende 2022</b>	<p><b>Betriebliche Verkürzung der Arbeitszeit nach dem Tarifvertrag Beschäftigungssicherung</b> auf bis zu 30 Stunden pro Woche</p> <p>Nutzung von <b>Kurzarbeit, Zeitkonten und Altersteilzeit</b></p>	<p><b>Einmalige Streichung des tariflichen Zusatzentgelts (T-Zug-B)</b> von 400 € in 2020</p> <p><b>Übernahme</b> aller Ausgebildeten und dual Studierenden</p> <p>Unternehmensweit einheitliche <b>Aufstockung des Kurzarbeitergeldes</b> auf 80 bis 97 % des Nettoeinkommens je nach Umfang und Art der Kurzarbeit</p> <p>Verbesserte Regelungen zur <b>Altersteilzeit</b></p> <p>Gemeinsame Entwicklung eines „<b>Zielbildes</b>“ für <b>jeden Standort</b> zwischen Standortleitung und Betriebsrat</p>
<p><b>Bosch:</b> 35.000 Beschäftigte in den Bereichen Entwicklung, Forschung, Vertrieb, Verwaltung</p> <p>Unternehmensbezogener <b>Ergänzungstarifvertrag</b></p>	Keine betriebsbedingten Kündigungen <b>bis Ende 2022</b>	<b>Verkürzung der Arbeitszeit</b> zwischen 8,57 % (Beschäftigte mit 35 und weniger Wochenstunden) und 10 % (Beschäftigte mit mehr als 35 Wochenstunden) (01.08. bis 31.12.2020)	<b>Teillohnausgleich</b> durch Aufstockung des Weihnachtsgeldes

## 5.2 1 Billion „Future Fund for the Automotive Industry“ of the German government 2021 - 2025

- 340 million euros are ear-marked for financing regional transformation networks that develop regional transformation strategies. The aim is to improve knowledge transfer, particularly to small and medium-sized enterprises (SMEs)
- Example "Regional Transformation Network Southeast Lower Saxony for the development of a regional transformation strategy in the vehicle and supplier industry" which was applied for on the initiative of the IG Metall offices in Braunschweig, Wolfsburg and Salzgitter-Peine. It is funded by the Federal Government with 7.6 million euros for the period from January 1, 2022 to June 30, 2025
- Four other regional networks with trade union participation

## 5.2 Investment labour market policy

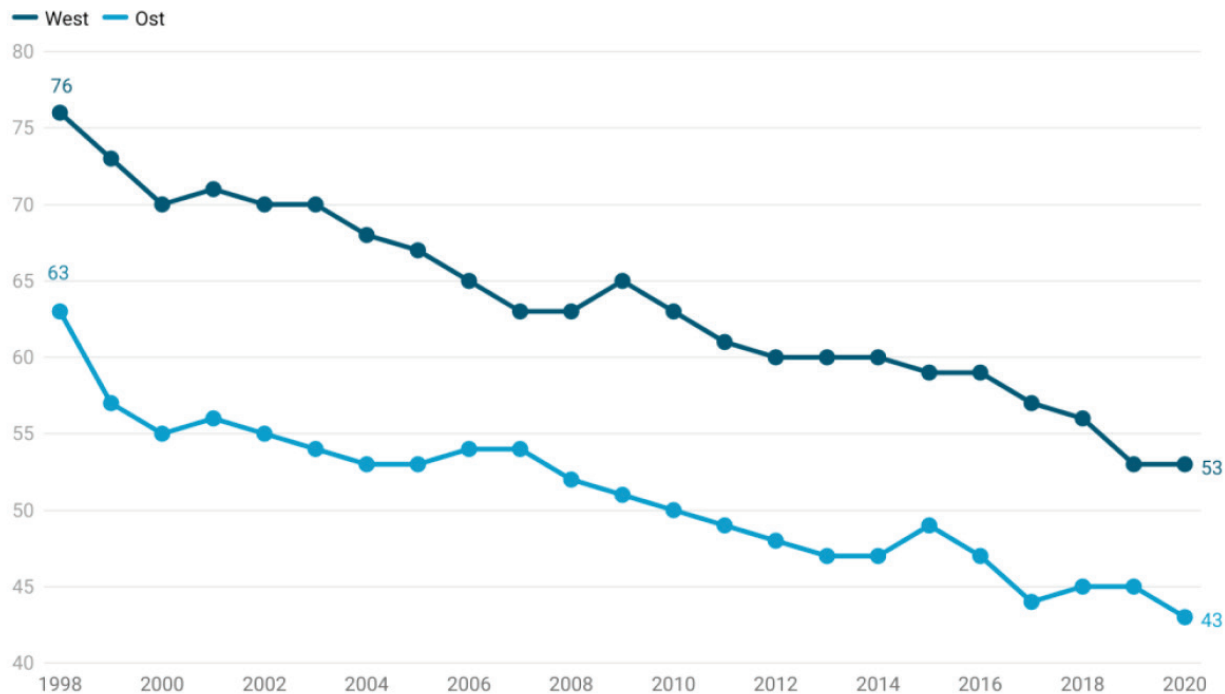
- **Until 2000: Train-first approach in labour market policy**
- **Paradigm change to work-first with Hartz laws 2004**
- **Substantial reduction of retraining especially degree-related further training of unemployed – mainly short „fast-food retraining“**
- **Since 2007 slow paradigm change: increase of degree-related further training because of skill-bottlenecks**
- **With coalition agreement complete break with Hartz-laws: train first approach for un- and semi-skilled unemployed**
- **Further reforms agreed upon in coalition agreement 2021: Increase of unemployment allowance by 150 € per month, transformations-short time, paid training leaves for employed according to Austrian model**
- **Expansion of CET guidance at the employment offices with 600 posts**
  
- **Also: Increase of age limit in the youth orientated German grant/loan system for self-initiated further training according to the Swedish model**

## Unemployed in retraining (average per year)

Year	Unemployed in retraining	Of this with certificate
	2000	356.768
2005	111.744	70.500
2007	128.386	34.279
2010	188.360	59.947
2015	147.588	69.964
2020	148.416	70.187

## 5.3 Dressing coverage by collective agreements (CCA) increases the risk of external mobility

Coverage by collective agreements in Germany 1998 – 2020, in %

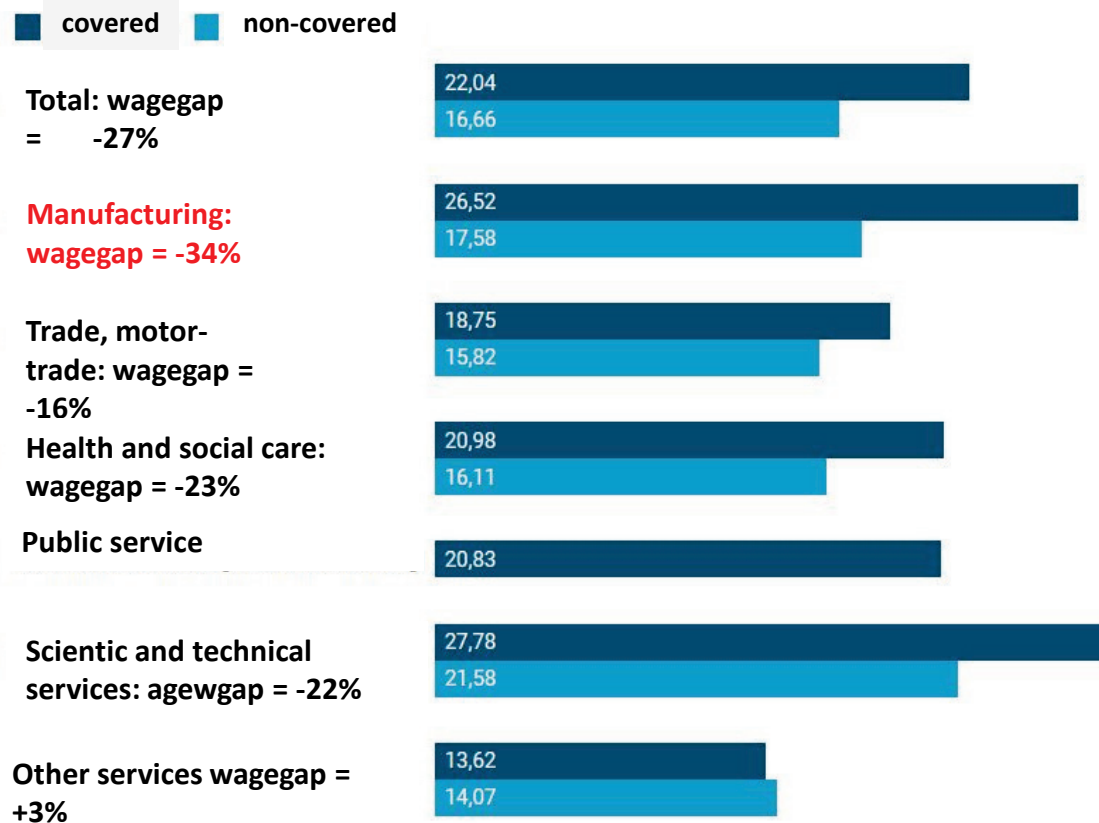


**Unfair competition between covered and non-covered companies: Continuous decline of CCA - no deregulation needed**



## 5.4 High wage gap between covered and non-covered employees in the dualised German Labour Market

Median hourly gross wage in € of full-time-employees April 2018



**Highest gap in manufacturing which is mostly affected by the transformation**



## 5.5 Increase of CCA

### Main instruments:

- **Organizing:** important but many house-fights with low aggregate effects
- **Extension of CA:** powerful instrument with short-term effects, but complete blockade from employer's associations
- **Prevailing wage laws:** powerful instrument with short-term effects; legal barriers through ECJ; difficult to implement in a federal state, difficult to monitor and enforce
- **Co-determination:** stabilizer of organisational power in companies, crucial for compliance and enforcement

## 6.1 Modernization of vocational training

- **61% of German employees have vocational training qualifications**
- **Around 4.5 % of the employees are apprentices in the dual system of vocational training**
- **Training in around 323 (2020) national white and blue collar occupations**
- **Training duration 2 – 4 years, 3 days a week in the company, 2 days in vocational schools**
- **Basic idea: broad training which helps to cope with changing work environment**
- **Social partners decide in the main committee of the German Federal Institute of Vocational Training on the basic standards of each occupation (occupational title, duration of training, training programme)**
- **Reforms of the occupations or the creation a new occupations are initiated by the social partners**

## 6.3 Modernization of vocational training

- **Most occupations modernized in the last decade**
  - Occupational profiles broader than in the past and technology open
  - Learning in teams and in real business processes to acquire social skills and understand the context of their work
- **Ongoing observation of new challenges and their impact on training**
- **Until 2021: Modernisation occupation by occupation**
- **Since 2021: Joint minimum standards on cross-cutting issues (digitalisation, sustainability, health&safety, Organization of the training company, vocational training as well as labor and collective bargaining law) for all 323 occupations**

## Conclusions

- **Socially balanced transformation can only succeed with a bundle of measures**
- **Focusing on further education alone is insufficient**
- **Transformation will take more than 30 years: stable guard rails - and not hectic short-term programs**
- **Proposals still relevant even with faster transformation - possibly more bridging measures (shorter working hours)**
- **Don't just look at large companies - regional policy is key for SMEs**
- **The acceptance of the transformation by the population will be decided by the distribution issues.**
- **Biggest problem of the transformation: the dualisation of the German labour**