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Agenda 2010 was a boon for Germany

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For three years now Germany has been recording stable growth of more than 1.5% and, despite initially downbeat forecasts, it looks set to maintain that pace in 2017 as well. In many respects the performance in recent years outstripped expectations: high immigration did not lead to rising unemployment, rather the jobless numbers have fallen despite the growing labor force and real wages have risen strongly. The public-sector budget has been in surplus for three years and pensioners and those on benefits have seen marked increases.

Without the unexpectedly large job gains on the labor market none of this would have been possible. Despite two major financial and economic crises, the number of people in work in Germany is now four million higher than in the middle of the last decade. There is no doubt that the Agenda 2010, which was wrapped up in 2005, has changed the German labor market. Thanks to a host of improvements in job placement, the facilitation of atypical employment – such as mini-jobs and limited contracts or easier routes into self-employment – many job-seekers were able to return to the labor market. In addition, capping the entitlement period for unemployment benefit has increased the incentive to find a job.

In the current debate the growth in atypical employment and in the low-wage sector is bemoaned by many and blamed on Agenda 2010. This misses the point. The real reason for the increase in “precarious” jobs and the lack of advancement opportunities is not the labor market policy of Agenda 2010 but the fact that the qualification profile of many job-seekers, especially in this digitalization age, does not match the requirements on the demand side.

Almost half of the unemployed in Germany have no formal or completed vocational training, limiting their chances of climbing up the vocational ladder. More investment in the (digital) facilities of our schools, smaller classes, more flexible curricula, more early sponsorship and improved further training and retraining opportunities are just a few things on the list. As a proportion of GDP, Germany spends less on education than the OECD average. But it is primarily in the education sector where the ground is paved for the higher-skilled jobs of tomorrow. To backpedal on Agenda 2010 reforms and to re-impose a ban on atypical forms of employment would make the lives of the less qualified on the labor market considerably more difficult. This would not solve any problems, but would push the less educated back into unemployment. A massive education and training drive would be the right supplement to Agenda 2010.