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## **Case study: The Alliance for Initial and Further Training in Germany**

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This chapter discusses recent efforts to strengthen the governance of skills policy for the case of Germany. Building on the analytical framework developed in the introductory chapter, the German case study explores the case of the Alliance for Initial and Further Training, which was established in its present form in 2014. The Alliance brings together a broad range of stakeholders, i.e. state actors from different levels of government, representatives from unions and employers' association as well as other civil society groups. Even though Germany has a long tradition of collective decision-making in skills policy, the Alliance brings added value by effectively pursuing a “whole-of-government” approach in promoting collaboration between stakeholders. This chapter introduces the Alliance in detail as well as how it fits into the broader landscape of skills governance in Germany. It further discusses the Alliance's contribution to innovation in skills policy and ongoing challenges.

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## Introduction

The German skills regime, in particular the dual system of apprenticeship training, is widely perceived as a successful model that supports the effective development of skills. The success and popularity of the German “skills machine” (Culpepper, 1999<sup>[1]</sup>) rests on its ability to mobilise and involve employers in the financing and provision of vocational education and training (VET) to a much larger extent than in other countries. The strong involvement of employers in skills development and use is supported by a high degree of public commitment to VET. Apprenticeship training in firms is complemented with theoretical education in vocational schools, and training firms are supported by various means and measures so that they can provide training for disadvantaged young people. The governance structure of the skills system involves a multitude of stakeholders from local, regional and federal levels of government, as well as employer and craft associations and unions, which compels them to work together to address current challenges in the skills system and to continuously update and adapt the system to the changing socio-economic environment. Germany is considered to be a prime example of a “collective” skills regime (Busemeyer and Trampusch, 2012<sup>[2]</sup>) as it requires the continuous interaction between, and commitment from, these different stakeholders.

This case study provides a broad introduction to the governance of the German skills system and presents a relatively recent innovation within this structure: the Alliance for Initial and Further Training (Allianz für Aus- und Weiterbildung, hereafter “the Alliance”), which was established in its current form in 2014. This alliance builds on various preceding Pacts for Vocational Education and Training, the first of which was passed in 2004. Even though the governance of the German skills system already offers a multitude of entry points for stakeholders to get involved, there are several advantages of the new pact instrument that are particularly relevant for improving co-ordination across levels of government and different sectors of the skills system. Furthermore, the Alliance includes the top levels of the political hierarchy, whereas the regular governance bodies of the training system are somewhat removed from the top strata of politics. The Alliance has been an effective instrument in raising the priority of skills policy on the government’s agenda and in devising new policy instruments and solutions to co-ordination problems that could not have been addressed in the regular governance structures.

Within the overall framework of this report, this case study focuses in particular on the dimensions of:

- Promoting co-ordination, co-operation and collaboration across the whole of government.
- Engaging stakeholders throughout the policy cycle.
- Aligning and co-ordinating financing arrangements.

Aligning financial incentives will receive somewhat less attention than the first two dimensions as the instrument of the Alliance is mostly about stakeholder involvement and co-ordination. The next section of this case study provides a short introduction to the governance of the German training system, before exploring the Alliance in greater detail. The analysis that follows is based on insights from interviews with stakeholder representatives and experts conducted in June/July 2019 in Berlin and via telephone. The final section of the case study gives a number of policy recommendations for the future development of governance in the German skills system.

## Germany’s education and training system

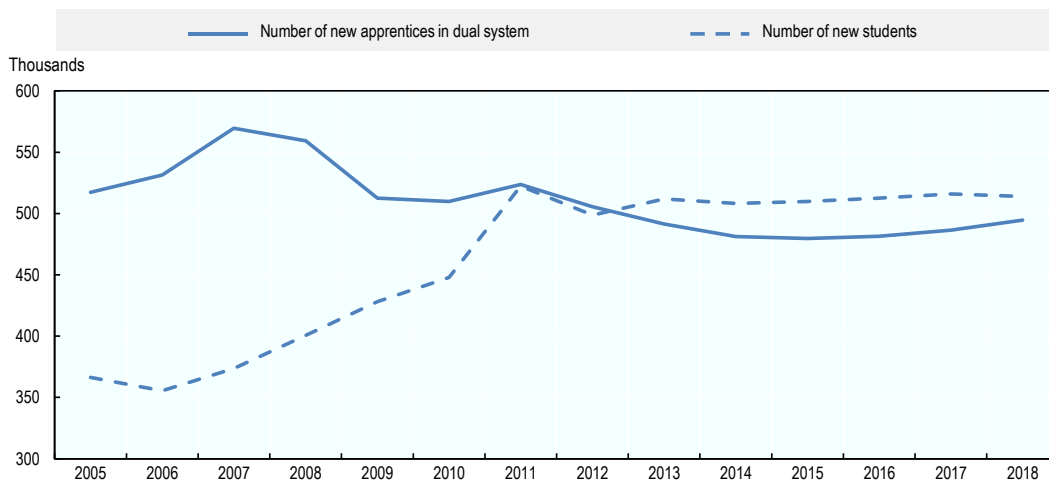
The German VET system – in particular dual apprenticeship training – is often regarded as a role model in education reform as it produces low levels of youth unemployment, a highly trained workforce at the intermediate skills level and – as a consequence – high levels of competitiveness among firms in certain product markets, such as high-quality manufacturing. More recently, scholars have argued that it also contributes to lower levels of socio-economic inequality as it provides access to well-paid and relatively

secure employment for practically talented youth (Busemeyer, 2015<sup>[3]</sup>; Estévez-Abe, Iversen and Soskice, 2001<sup>[4]</sup>).

The German VET system also encompasses various forms of full-time vocational education in schools, but its core strength (and characteristic) is the dual apprenticeship training system. Despite the continued attraction of academic higher education, vocational training remains a popular choice for young people, even those with a general university entrance qualification. The number of new entries into the apprenticeship system has varied over the years, partly because the number of available training slots depends on business cycles and prevailing economic conditions as employers freely decide whether to hire apprentices and in which occupations they should be trained.

Figure 3.1 shows the number of new entries per year into the apprenticeship system compared to the number of new entries into academic higher (tertiary) education. There are two key observations to be made from this information. The first is that even after decades of educational expansion and “academic drift” towards tertiary education, the number of new entries into the apprenticeship system was still significantly higher than entries into higher education until 2011, and has remained at a comparable level since then. This confirms that vocational training is still an attractive choice for a large share of youth, as well as the relatively low share of young adults who choose to pursue academic tertiary education, which is exceptional in international comparison (Powell and Solga, 2011<sup>[5]</sup>). It should also be noted that there is a sizeable share of apprenticeship graduates that move on to pursue higher education studies afterwards. The second important observation is that in the year 2013, the number of new entries into academic higher education was – for the first time in history – higher than the number of new entries into the apprenticeship system. Furthermore, the number of entries into higher education increased relatively rapidly within a short period of time, reflecting the strong demand from employers for university graduates, as well as rising educational aspirations of parents and students. Given the continued attraction of higher education, this development is not likely to reverse soon, which indicates a new kind and level of competition between academic higher education and post-secondary vocational education. In response to these developments, hybrid forms of post-secondary education that combine dual apprenticeship training with higher education studies in the dual study programmes have been expanding rapidly (Graf, 2018<sup>[6]</sup>).

**Figure 3.1. Number of new apprentices vs. number of new students per year, 2005 to 2016**



Source: BMBF (2017<sup>[7]</sup>), Datenreport zum Berufsbildungsbericht 2017: Informationen und Analysen zur Entwicklung der beruflichen Bildung (Data report on the Vocational Education and Training Report 2017: Information and analyses on the development of VET), <https://www.fachportal-paedagogik.de/literatur/vollanzeige.html?FId=1137539#vollanzeige>.

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Despite these recent changes, the dual model of apprenticeship training remains at the core of the German skills system. In this model, practical training in the workplace is combined with theoretical training in vocational schools and colleges. Most importantly, this kind of dual training is organised in an integrated manner, so that apprentices usually spend one or two days per week in school and the remainder of the week in the firm. This way, apprentices can immediately apply their theoretical knowledge in a practical setting, as well as reflect on their practical experiences jointly in a classroom setting. This kind of integrated learning has many advantages compared to sequential learning, which is more common in other countries such as Norway (see case study in Chapter 5 of this report), where students first spend an extended period of time in school before starting work in a firm, without necessarily receiving additional training while on the job.

One advantage of integrated learning is that apprentices gain “polyvalent skills” (Streeck, 1996<sup>[8]</sup>). These are skills that are specific to a particular firm context as well as sufficiently broad and versatile, often going beyond the immediate skills needs of the training firm. For example, apprentices in car manufacturing would not only be trained in how to use a particular machine or master a particular production process in one specific firm, but rather about the general principles of how to build a car engine, which can then be applied in a particular firm context. In a sense, the dual apprenticeship model involves training “above need”, which may be criticised by employers in the short term as it is costly. In the long term, however, it contributes to developing a highly trained workforce that is more able to adapt to changing circumstances than a workforce which only receives short-term on-the-job training. Not surprisingly, unions have been more forthcoming in demanding training regulations that promote polyvalent rather than firm-specific skills in order to ensure that apprenticeship graduates are employable in range of different firms, rather than being tied to one particular employer (Streeck, 1996<sup>[8]</sup>).

Dual training also provides apprentices with a sense of responsibility for managing their own affairs, and contributes to the development of a number of tacit social and emotional skills (OECD, 2015<sup>[9]</sup>), such as coming to work on time, meeting deadlines, engaging with customers and taking responsibility for production processes. In the long term, this kind of engagement and involvement leads to a more motivated and committed workforce.

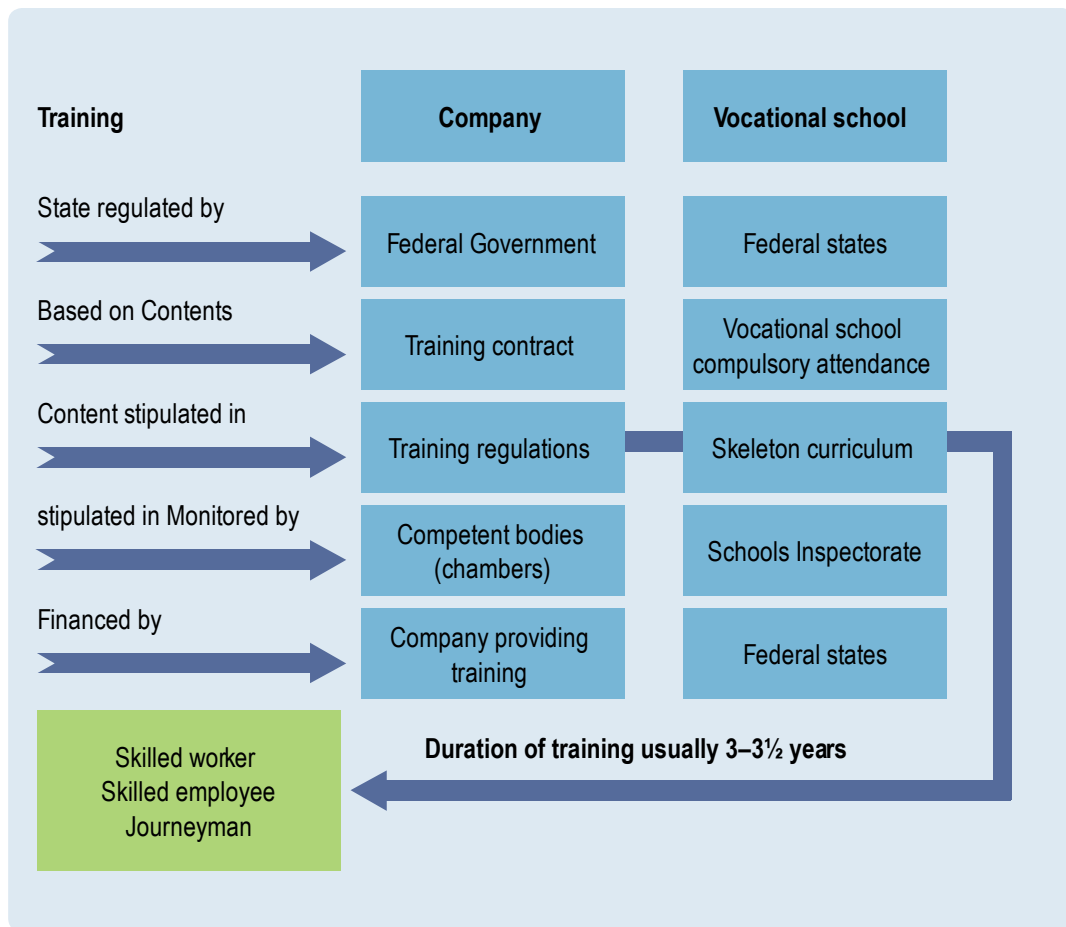
The curricula for the firm-based and school-based part of dual training are decided in a complex process of negotiation that involves business and professional associations, trade unions, the Federal Institute for Vocational Education and Training (Bundesinstitut für Berufsbildung, BIBB), the state (*Länder*) governments, and different federal ministries, depending on the particular occupation. Figure 3.2 is a simplified depiction of this process. The content of the workplace component is regulated in training ordinances (*Ausbildungsordnungen*), which are formal decrees issued by the federal government. Training ordinances regulate the firm-based part of apprenticeship training as they contain relatively detailed regulations on the content of training. The school-based component is regulated in framework curricula (*Rahmenlehrpläne*), which are issued by the individual states (*Bundesländer*). This is because Germany is a federalist country, and the states have the main legal responsibility for education policy. During the negotiation process, individual state governments co-ordinate with each other, as well as with the federal government and social partners (employers and unions), to ensure that the school-based and work-based components complement each other.

Within the federal government, several ministries are involved in skills policy. The Federal Ministry for Economic Affairs and Energy (Bundesministerium für Wirtschaft und Energie, BMWi) is formally responsible for issuing most of the training ordinances, in co-ordination with the Federal Ministry for Education and Research (Bundesministerium für Bildung und Forschung, BMBF). Broadly speaking, the BMWi is responsible for ensuring that training ordinances match the actual needs of labour market actors, whereas the BMBF is more concerned with how training ordinances fit with the needs of educational actors. The Federal Ministry for Labour and Social Affairs (Bundesministerium für Arbeit und Soziales, BMAS) has competencies in the area of adult learning, and is also involved as a central actor in the various initiatives further discussed below.

Compared to other sectors of the education system, VET is much more co-ordinated and centralised across the different *Länder*. As the training ordinances regulating the firm-based part of training is the same throughout the whole of Germany, the curricula for vocational schools also need to be harmonised. This is achieved by the *Länder's* acceptance that in the case of VET, the social partners act as “first movers” in defining the needs and broad content of new or updated training ordinances.

Horizontal co-ordination across *Länder* is further facilitated by the Standing Conference of the Ministers of Education and Cultural Affairs of the *Länder* (Kultusministerkonferenz, KMK). The KMK was established in 1948 as a body of voluntary co-ordination between *Länder* in the policy area of education, in which the *Länder* enjoy a great deal of autonomy in policy making. Its purpose is to issue recommendations to the *Länder* in order to achieve a certain degree of harmonisation of educational standards, procedures and institutions, while also maintaining the autonomy of *Länder* to devise their own education policy. The recommendations do not have a legally binding character, even though in practice they are followed. The KMK's work is based on the consensus principle, which means that all *Länder* have to agree before a recommendation is passed. The strong emphasis on consensus-based decision making is identified by critics as a reason for decision making in the KMK often being perceived as slow and cumbersome.

**Figure 3.2. The process of devising apprenticeship training curricula in Germany**



Source: Bundesinstitut für Berufsbildung, BIBB (2014<sup>[10]</sup>), *Training Regulations and How They Come About*, <https://www.bibb.de/veroeffentlichungen/de/publication/show/7324>.

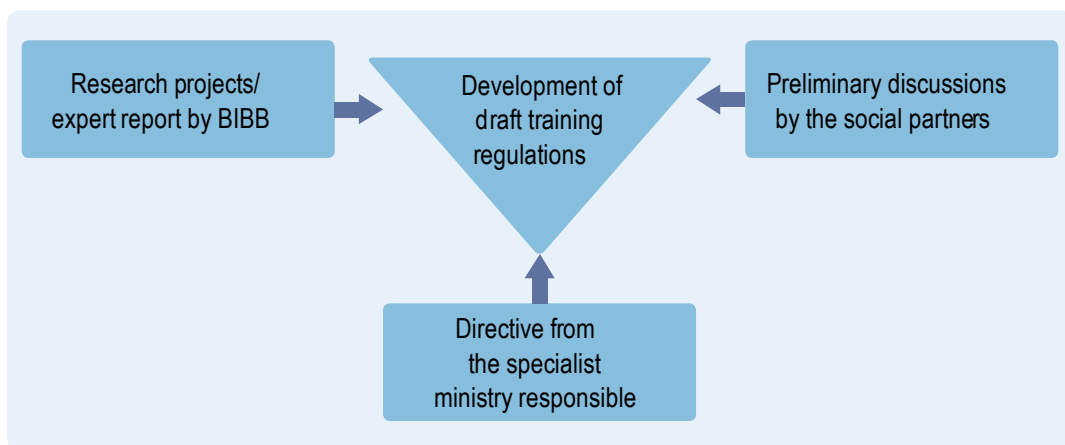
In the domain of dual training, the secretariat of the KMK plays an important role in facilitating the harmonisation and co-ordination process of framework curricula for the school-based part of dual training.

Even though separate committees are set up to update and regulate the firm-based and school-based part of a dual training occupation, there is a clearly defined process (agreed on in the form of a “joint protocol” in 1972) that ensures multiple interactions between these two committees. Among other things, this process foresees that the heads of the two different committees participate in an observing capacity in the meetings of the other committee.

Researchers are also involved in the process of updating training regulations. In this regard, the BIBB plays a central role – both as a moderator of the overall process and as a source of research input. Innovation of training standards occurs mostly in the process of revising the work-based component. In this process, employers’ associations and unions (the social partners) and the BIBB co-operate to identify current and future skills needs (Figure 3.3). Social partners have expertise and practical experience with the current set of training regulations. If these are outdated and/or new training needs arise, they can approach the BIBB to set in motion a revision process. The BIBB has a dual function: it acts as a moderator and process manager for negotiations between unions and employers, and provides research and technical expertise during this process. For instance, it conducts surveys among firms to verify whether new skills needs and demands have arisen.

Employers and unions – as well as the different levels of government – bring different perspectives and pursue different interests in this process. Employers and their particular associations are often interested in devising more specific training profiles to ensure that training regulations meet their immediate needs. Unions, in contrast, tend to be more interested in devising broader skills profiles so that apprenticeship graduates from the same occupation have the necessary skills to work in different types of firms. Over the years, both employers and unions have accumulated institutional knowledge and learning experiences so that new or reformed training occupations represent a good compromise between employer needs for specific skills and union demands for labour mobility. State actors largely refrain from direct intervention in this process, even in cases of disagreement, but may put political pressure on social partners to reach consensus (Busemeyer, 2009<sup>[11]</sup>). *Länder* governments are responsible for implementing the school-based part of dual training. They have an interest in devising occupational profile that are not too specific, as organising classes in vocational schools for very specific occupations is challenging as the number of apprentices/students is very small. Occupation-specific classes in vocational schools often need to include apprentices from a wide geographical area in order to fill up classes with a sufficient number of students, which creates additional organisational problems regarding transport and accommodation.

**Figure 3.3. Co-operation between research, government and social partners in training reform**



Source: Bundesinstitut für Berufsbildung, BIBB (2014<sup>[10]</sup>), *Training Regulations and How They Come About*, <https://www.bibb.de/veroeffentlichungen/de/publication/show/7324>.

Within the BIBB, the Board (Hauptausschuss) is the central governance body that oversees its activities, with an emphasis on its work in the field of updating and creating new training occupations (the so-called *Neuordnungspolitik*). The Board is a classic example of a corporatist decision-making body. The 32 seats (or rather “voices” or voting rights as the number of actual members/persons might be different) are distributed equally across four “banks”, with eight seats/voices each for employers, unions, the *Länder* and the federal government. The Board is also responsible for the BIBB’s research programme. Besides providing research on training occupations, as explained above, the BIBB also provides analyses on broader issues in the governance of VET, such as the costs and benefits of training or how conditions of access to training vary across regions and time periods. The BIBB is also responsible for publishing the annual report on VET (*Berufsbildungsbericht*), which contains both a data-based report on current developments in VET and a political section on future priorities for policy making.

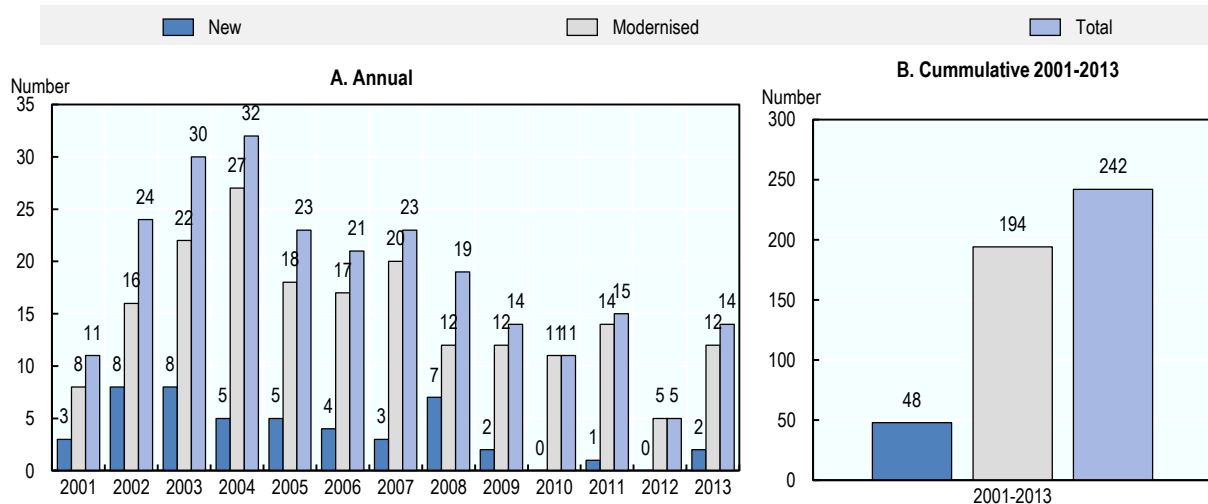
For the system as a whole, there are advantages and disadvantages to the corporatist process of training reform. A significant disadvantage – particularly in the past when actors were less experienced – is that it can take a long time to revise training regulations as the process is complex and involves many stakeholders with divergent interests. For instance, the process of updating occupational profiles in the metal and electrical sector that took place in the 1980s took almost 15 years to complete (Busemeyer, 2009<sup>[11]</sup>). However, social partners and the BIBB now have more experience in this process, and may even have become more willing to compromise and work together as they perceive a joint interest in quickly adapting training regulations to changing market needs. The process of updating or creating a training occupation now takes about one to two years, although there are usually informal preparatory negotiations among the social partners before they officially approach the ministry to set in motion the formal process. In the background interviews for this case study it became clear that the involved actors have developed a significant degree of trust in the process and each other, which facilitates the search for objectively good solutions, while also recognising the different interests of the stakeholders involved. It also ensures a high degree of policy stability in the system as the basic structures and processes have been in place since the early 1970s.

A significant advantage of the corporatist approach is that the system remains sufficiently flexible to adapt to changing training needs as policy makers in government pay attention to the skills needs of labour market actors. Training reforms are based on solid research to provide an objective foundation to the subjectively voiced needs. As training reforms are usually based on compromise between unions and employers, potential conflicts in the implementation phase are effectively prevented. Furthermore, the central role of the BIBB as process manager and co-ordinator ensures that the number of training occupations does not get too high, which is important to maintain the usage value of apprenticeship certificates on the labour market and a certain degree of system simplicity. The total number of training occupations is about 330 and has remained relatively stable since the mid-1990s. In the United Kingdom, in contrast, a lack of co-ordination between employers and the state has led to a proliferation of vocational qualifications and awarding bodies (Keep, 2015<sup>[12]</sup>) which impairs transparency and has negative implications for labour market mobility and (youth) unemployment.

Figure 3.4 shows the number of new or revised (modernised) training regulations in Germany per year. It shows that the early 2000s were a high point in training regulation reform, similar to the mid-1990s (not included in the figure). In these periods of intense educational innovation, the dual apprenticeship training model was (successfully) extended to new and emerging sectors of the economy, in particular the service and the information and communication technology (ICT) sector. The majority of apprentices (63%) are currently trained in the service sector, with the rest being training in the productive (industrial) sector (BMBF, 2017<sup>[7]</sup>). Although many of these service sector occupations are low-level services, there are also a number of high-skill service sector occupations in the banking, insurance, consulting and ICT sectors, which lead to employment positions occupied by tertiary graduates in other countries. As a consequence, many young students with a university entrance qualification opt for VET instead of academic higher education (college or university). In 2009, 27.7% of apprentices have obtained

a university entrance qualification – up from 20.3% (BMBF, 2017<sup>[7]</sup>). These figures show that VET has remained an attractive option even for students with an academic background, which is related to the system's ability to innovate and adapt to changing circumstances and training needs.

**Figure 3.4. Revised and new training regulations in Germany per year, 2001 to 2013**



Source: Bundesinstitut für Berufsbildung, BIBB (2014<sup>[10]</sup>), *Training regulations and how they come about*, <https://www.bibb.de/veroeffentlichungen/de/publication/show/7324>.

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The corporatist model of dual apprenticeship training is accompanied by a cost-sharing arrangement between training firms and the state. The state – in particular the *Länder* – is responsible for financing vocational schools and colleges, including preparatory classes at these institutions. The federal government is mostly responsible for the costs of firm-based preparatory qualification measures related to labour market activation strategies. The training firms themselves, however, take on the largest share of financing. A recent survey of relative costs and benefits of training in firms concluded that, on average, firms spent EUR 17 933 on each apprentice per year, which is almost three times the amount that Germany spends on each student, on average, in the university sector (EUR 6 200 in 2012) (Statistisches Bundesamt, 2015<sup>[13]</sup>). However, when assessing these figures it is important to note that the gross costs of apprenticeship training are significantly reduced for firms through the productive contributions of apprentices. Apprentices, particularly in the last stages of their training, take on responsibilities of semi-skilled and skilled workers. Since apprentices are paid at lower rates, this amounts to significant cost savings for training firms. It is estimated that the real net costs (on average) are actually EUR 5 398, thus comparable to per-student expenditure. There is, however, a large degree of variation: productive contributions are highest for firms and training occupations in the crafts sector and lowest in large firms in the industrial sector. For firms in the industrial sector, investing in apprenticeships is a strategy to recruit future skilled workers, whereas for those in the craft sector it also amounts to a cost-saving strategy.

Over time, the legal foundations of the German VET system have been remarkably stable. Some critics have repeatedly warned that the resistance of the German VET system to change would eventually lead to its demise (Baethge, Solga and Wieck, 2007<sup>[14]</sup>; Kern and Sabel, 1994<sup>[15]</sup>; Greinert, 1998<sup>[16]</sup>), whereas others have identified its continued flexibility and adaptability to a changing socio-economic environment (Thelen, 2007<sup>[17]</sup>). The legal foundations of the modern dual apprenticeship system go back to the enactment of the Federal Law for Vocational Education and Training (Berufsbildungsgesetzes, BBiG)

in 1969, and the above mentioned “joint protocol” in 1972. The first large reform of the BBiG took place in 2004/05, when the system was adjusted to allow for more flexibility (e.g. in terms of examination procedures) within the system. This reform also opened up the system to international and European influences, such as by allowing apprentices to undertake some of their training abroad. In 2016, the BMBF published the results of an evaluation of the 2005 BBiG reform (BMBF, 2016<sup>[18]</sup>). This evaluation did not identify major need for reform as the relevant stakeholders continued to be highly supportive of the system, even though union representatives tended to be somewhat more critical and pointed to remaining structural problems with the integration of disadvantaged youths into the system. Nevertheless, the evaluation report recommended only “technical and optimising reforms” in the detailed regulations of the BBiG law rather than large-scale change (BMBF, 2016<sup>[18]</sup>). Interview partners for this case study reconfirmed that the system receives broad support from all stakeholders involved, including state actors, unions and employers.

The grand coalition government that came into office in the spring of 2018 took up this issue again. The BMBF presented a proposal for a reform law (Berufsbildungsmodernisierungsgesetz, BBiMoG) shortly before Christmas 2018, giving stakeholders until the beginning of January to respond. Even though the BBiMoG mostly envisioned only minor changes to the legal foundations, there were two issues that implied more significant changes, which triggered contentious responses from stakeholders. The first change was to define a statutory minimum apprentice wage, which is currently set by collective wage agreements, or individually in areas not covered by these agreements, although even in these cases there are often collective agreements as reference point. The new minimum wage regulation for apprentices sets a minimum wage level for regions, sectors and firms that do not subscribe to collective wage agreements, meaning that where collective agreements are available they would still effectively set apprentice wages, reflecting the long tradition of social partnership in Germany. The second measure proposed in the BBiMoG was to rename vocational certificates in further/higher vocational education. Instead of (or in addition to) using traditional names such as *Industriemeister* or *Polier*, certificates would be awarded with associations to higher education degrees such as Bachelor Professional or Master Professional (vocational bachelor or master degree). Again, employers (although not necessarily from the crafts sector) are most critical about this proposal. Negotiations about the BBiMoG continued through 2019, thereby affecting the process to achieve a new agreement on the prolongation of the Alliance for Initial and Further Training (see below).

This brief review of the basic governance structure of VET in Germany shows that there is a long tradition of corporatist decision making in Germany, which is widely perceived as a strength of the system. Over time, the continuous interaction between stakeholders in different contexts has contributed to the development of a level of mutual trust among the actors involved. At the same time, there is still potential for conflict when interests diverge, as will be explored in the next section. The development of trust and the establishment of well-functioning corporatist governance bodies take time. In public debates about the transferability of the dual training model, such transferability is often negated with reference to the long tradition of apprenticeship training in Germany, going back to medieval times. Even though there is some truth to this claim, the institutional foundations of the current “modern” dual training system were laid in the 1960s and the 1970s, as explained above. Nevertheless, the strong tradition of corporatism clearly facilitates current efforts to revitalise social partnerships through other instruments, such as the Alliance for Initial and Further Training, which is explored in the following section.

## **The Alliance for Initial and Further Training**

### ***Overview and history of the Alliance***

The Alliance for Initial and Further Training in its present form and composition was formed in December 2014 with a mandate for the time period from 2015 to 2018. However, in order to fully

understand its role in the governance of skills policy in Germany, it is necessary to go back to the origins of its predecessor in 2004 (see Busemeyer (2009<sup>[11]</sup>; 2015<sup>[3]</sup>) for further details).

In 2004, economic conditions in the market for apprenticeships were very different to now. As mentioned above, employers are, in principle, free to decide whether to hire apprentices, and in which occupations these apprentices should be trained. As a consequence, business cycles have a strong impact on the number of available training slots, with business being more reluctant to hire apprentices in difficult economic circumstances. During the economic crisis following the end of the dot-com bubble in the early 2000s, the mismatch between the supply of training opportunities offered by firms and the demand from youth and apprenticeship applicants was particularly severe. A strong increase in formal youth unemployment could partly be compensated by expanding the so-called transition sector – a fragmented “system” of labour market activation and school-based stop-gap measures for youth unable to secure an apprenticeship (Baethge, Solga and Wieck, 2007<sup>[14]</sup>). However, the government coalition of the Social Democratic Party (SPD) and the Greens was under pressure to come up with measures to counter the lack of training slots without endangering the basic foundations of the dual training system.

One instrument prominently discussed by the government was the introduction of a training levy. The basic concept of a training levy is a requirement for firms to pay into a joint training fund, which can then be used to reimburse firms that engage in training activities. If properly designed and implemented, this system should set strong incentives for firms to engage in training as they will get reimbursed for their costs. Non-training firms are still required to pay into the joint fund in compensation for other firms taking responsibility for the collective good of having a well-trained workforce.

Even though levy-grant schemes have been introduced in other European countries (e.g. Denmark, France and the United Kingdom), as well as in some sectors of the German economy (i.e. in the construction industry), the establishment of a similar levy-grant scheme at the national level has always been very contentious in Germany. Employers and their related associations, as well as the Christian Democratic (CDU) and the Liberal (FDP) Party, have been critical of this idea as they feared that burdening business with further levies, or making their willingness to participate in training dependent on subsidies from the training fund, would endanger their continued commitment to apprenticeship training in the long run. In contrast, proposals to pass a training levy were always more popular with the unions and the SPD, in particular its left wing.

When faced with the continued crisis in the training market in 2003/04, the SPD/Green government moved ahead to develop a proposal to establish a levy-grant scheme. As expected, and as was also the case with previous proposals to establish a levy-grant scheme, the proposal met with fierce opposition from businesses and the Conservative-Liberal opposition. The government coalition and the unions themselves were also divided on the issue, but as the crisis on the training market persisted, there was an urgent need for government action.

The solution found was the enactment of the first National Pact for Vocational Training and the Qualification of Skilled Workers in Germany (*Nationaler Pakt für Ausbildung und Fachkräftenachwuchs in Deutschland*) in 2004. The pact was signed by the Federal Minister for Federal Minister of Economics and Labour, Wolfgang Clement (SPD), the Federal Minister for Education and Research, Edelgard Bulmahn (SPD), as well as the heads of the Association of German Chambers of Commerce and Industry (Deutscher Industrie- und Handelskammertag, DIHK), the Federal Association of German Industry (Bundesverband der Deutschen Industrie, BDI), the Central Association of the German Confederation of Skilled Crafts (Zentralverband des Deutschen Handwerks, ZDH) and the Federal Association of German Employers' Associations (Bundesvereinigung der Deutschen Arbeitgeberverbände, BDA). Most notably, the signatories of the pact did not include union representatives, who decided against participating as they did not believe it to be an effective instrument in response to the lack of training places. Thus, in the following years the pact established a new governance structure besides and in parallel to the formal

decision-making bodies described in the previous section, in which the unions continued to participate. This first pact also did not include the *Länder* governments.

The first pact ran for three years (from 2004 to 2007). Its core element was a joint commitment from the pact signatories to provide each “willing and able” youth the opportunity to participate in training, preferably (but not necessarily) in the dual apprenticeship system (Ausbildungspakt, 2004<sup>[19]</sup>). To achieve this goal, the pact business partners committed to creating 30 000 “new” apprenticeships per year, as well as 25 000 newly designed “entry qualifications” to facilitate the transition from school to training for disadvantaged youths. The federal government would provide financial support for this new type of qualification, as well as further subsidies for training collectives (groups of training firms).

In the years that followed, the performance of the pact in achieving its goals was perceived differently by the different stakeholders in the system. The initial signatories naturally perceived it in a more positive light, i.e. as an instrument that effectively mobilised the “corporatist spirit” of the system to address a supposedly temporary shortage of training places, without fundamentally challenging the basic logic of the firm-based apprenticeship training system as the levy might have done. Unions, in contrast, were more critical regarding the contribution of the pact. In particular they noted that employers’ commitment to create 30 000 “new” instead of “additional” training places was misleading. Due to natural fluctuations in the training system, it was possible (and relatively easy) to create new training slots (i.e. slots that had not been offered in the year before), while at the same time the overall number of training slots might still decline (as other slots get eliminated). As shown in Figure 3.1 above, this can happen, particularly in tightening economic conditions. The training market crisis persisted until 2005/06, when an upswing in the business cycle led to a significant improvement in the training market. This positive trend was temporarily halted during the crisis years of 2009/10, but quickly picked up again so that the dominant problem in the training market is no longer a persistent and structural gap between the overall demand and supply of training places, but rather a significant degree of regional imbalances and “mismatching”, with some regions (and sectors) suffering from a lack of skilled applicants for apprenticeships, and other regions (and sectors) experiencing a greater demand from youth than supply of available training slots.

Despite continued criticism, the government (now a grand coalition government between the SPD and CDU/CSU) decided to extend the pact in 2007. In the renewed pact, which ran from 2007 to 2010, business actors increased their commitment to provide 60 000 new apprenticeship slots per year and 40 000 places for “entry qualifications”, as well as recruit 30 000 new training firms (i.e. firms that had not offered or participated in training before) (Ausbildungspakt, 2007<sup>[20]</sup>). The federal government committed to provide the necessary funding for the expansion of qualification measures, and the Federal Employment Agency (Bundesagentur für Arbeit, BA) promised to increase efforts and funding to promote the placement of disadvantaged youth, in particular those with an immigrant background. In line with the increased involvement of the BA, the Federal Ministry of Labour and Social Affairs joined the other two federal ministries as formal pact partners. The Federal Association of Free Professions (Bundesverband Freier Berufe, BfB) also joined as an important stakeholder for small and medium-sized enterprises in the service sector.

The pact was renewed for a third time in 2010, this time under the leadership of a government coalition of Christian Democrats (CDU/CSU) and Liberals (FDP) (Ausbildungspakt, 2010<sup>[21]</sup>). The number of formal signatories was extended to include a representative of the KMK, i.e. the *Länder* education ministries, as well as the State Secretariat for Migration, Refugees and Integration as the inclusion of youth with an immigrant background became a more important topic for pact signatories. This was partly because demographic changes had accumulated and contributed to a slow but continuous decline in the number of school leavers, which made employers increasingly worried about the future supply of skilled workers. Consequently, the priorities of the revised pact were primarily to improve vocational consulting in schools to lower the rate of school drop outs, particularly among youth with an immigrant background, to mobilise so-called *Altbewerber*, i.e. applicants who had been unsuccessful in securing an apprenticeship place

in previous years, as well as to invest greater efforts in recruiting highly talented school leavers for vocational training rather than academic education.

In 2014, the Alliance for Initial and Further Training was established as the successor to the previous pacts. It is important to emphasise that the Alliance is both a document signed by the various partners and a body or discussion forum established to accompany and supervise the implementation of the policies and initiatives agreed upon in the pact document. In many ways, the Alliance signalled a re-start of the pact instrument in skills policy, which is indicated by the change in name and by the expansion of the range and number of pact signatories. Most importantly, unions officially joined the Alliance as pact partners. As some interview partners noted, this can be regarded as a response to increasing worries in previous pacts that unions might be excluded from important agreements between employers and state actors. Unions are formally represented by the German Trade Union Confederation (Deutscher Gewerkschaftsbund, DGB), which co-ordinates directly with major unions such as the IG Metall (Industriegewerkschaft Metall), ver.di (Vereinte Dienstleistungsgewerkschaft), IG BCE (Industriegewerkschaft Bergbau, Chemie, Energie) and IG BAU (Industriegewerkschaft Bauen-Agrar-Umwelt) who are involved as member organisations of the DGB. Moreover, the representation of *Länder* governments is expanded in the Alliance. In addition to the KMK as representative of the *Länder* education ministries, the Alliance includes a representative of the conference of *Länder* ministries for economic affairs and the conference of labour and social affairs ministries. The Federal Employment Agency (Bundesagentur für Arbeit, BA) is also now an official pact partner. All previous pact partners, i.e. representatives from the various employer organisations and government departments, continue to participate.

### ***Innovation in the governance of skills policies***

The Alliance encompasses an impressive range of stakeholders, effectively bringing together different government departments (education, business and labour), levels of government and stakeholders. Regarding its internal governance structure, the Alliance combines annual plenary meetings involving the top political levels with more regular meetings of working groups at the lower level. Furthermore, as becomes apparent when comparing the agreements of the Alliance with the previous pacts, the Alliance agreement contains a significantly higher degree of detail regarding specific policy instruments and issues to be further discussed. Over the years, the Alliance at the federal level has been complemented with numerous similar alliances at the regional *Länder* level, which ensure that the activities of the federal Alliance are complemented with regional alliances. Broadly speaking, the activities of the regional alliances are very similar to the federal alliance, for example to improve consulting and placement services for disadvantaged youth, to develop regional strategies to ensure a sufficient supply of skilled workers, and to develop new initiatives to promote adult learning.

The Alliance continues along the lines of the previous pacts in terms of substance and topics, albeit with a certain rearrangement of priorities, which partly reflect the changing composition of pact partners and the changing conditions in the training market (Allianz für Aus- und Weiterbildung, 2014<sup>[22]</sup>). For instance, unlike the 2010 pact, but more in line with the pacts before then, the issue of ensuring a sufficient supply of training places receives more attention. More specifically, the business partners in the Alliance have committed to providing 20 000 “additional” (rather than simply “new”) apprenticeship training slots per year from 2015, as well as 500 000 internship places for students and pupils. Furthermore, the Alliance partners have re-stated their commitment to provide a training opportunity to every applicant, preferably in firm-based training. The business partners in the Alliance commit to providing three offers for firm-based apprenticeship training to youth who did not manage to secure a training place by 30 September (the official starting date of the training cycle), although with the important modification that youth are expected to be regionally mobile. This points to the significant regional imbalances in the system: there are some regions (and occupations) where employers struggle to find applicants to fill the available training slots, and others where there are more applicants than available slots (BMBF, 2019<sup>[23]</sup>). Hence, providing training offers to youth if they are willing to move or accept training in a different occupation than

they initially preferred is less challenging than the goal of providing each youth with a training slot in their preferred occupation and region, although it still represents a significant commitment on the part of employers. The Alliance has committed to doing more to counter persistent regional imbalances in the provision of training across German *Länder*.

An important innovation in terms of policy instruments that the Alliance agreement introduced was the “assisted apprenticeship” (*assistierte Ausbildung*), which is directed at improving the integration of disadvantaged youth into the training system. Before the Alliance agreement was enacted there were numerous instruments available to support the integration of youth who struggled to find a regular apprenticeship training slot in the open market. The assisted apprenticeship scheme, however, addresses an important gap in supporting measures by providing direct support, in the form of dedicated personnel with specialised social and pedagogical skills, for training firms that hire disadvantaged youth on a regular apprenticeship. The support is available for the entire training period. As youth are employed as regular apprentices within firms (rather than visiting out-of-firm training courses, for instance), their chances of securing employment after training is increased. The instrument of assisted apprenticeship is broadly supported by unions, employers and state actors. In the Alliance agreement, the government (i.e. the Federal Employment Agency) committed to financing 10 000 places for assisted apprenticeships in the first year of the Alliance period, and the pact signatories agreed that the instrument should become a regular element in the statutory toolbox of labour and training market policies soon thereafter.

Another example of concrete action in the context of the Alliance was a special agreement on the integration of refugees into the German education and training system (Allianz für Aus- und Weiterbildung, 2014<sup>[24]</sup>). When Germany experienced a major influx of refugees in the years 2014-2016, policy makers and stakeholders broadly agreed that education and training policies played a crucial role in integrating young refugees into German society and the labour market. Although many refugees lacked important qualifications and competencies required for the German labour market, an increasing number of German firms – in particular in the crafts sector – struggled to find skilled workers and apprentices. Hence, opening up the apprenticeship system to refugees had the potential to play a crucial role in promoting their integration and in mitigating the shortage of skilled labour, at least in the short run. As one interview partner noted, the Alliance provided important political leverage at this point, which regular bodies such as the BIBB Board would not have been able to provide. The role of the agreement of the Alliance partners on developing “perspectives” for refugees documents the broad willingness of relevant stakeholders in the system to acknowledge and agree on the challenges ahead, and to list and document policy responses that should be given priority, such as promoting language courses and educational consulting, setting up a system of “welcome officers” (*Willkommenslotsen*) to provide individual guidance and counselling to refugees, and recognising formal foreign qualifications and informally obtained prior knowledge.

As will be discussed in greater detail in the next, more analytical, section, the Alliance is broadly supported by the major stakeholders in the system but its future is not certain. The last Alliance agreement officially lasted until the end of 2018. The coalition agreement of the currently governing grand coalition between the CDU/CSU and the SPD contains a commitment to extend and renew the Alliance for another period of several more years. According to interview partners, the signing of a new version of the Alliance agreement was significantly delayed for a number of reasons, particularly the protracted start of the last federal government, which only took up office in the spring of 2018, and the parallel negotiations about the reform of the Federal Law on Vocational Education and Training (BBiMoG) (see above). As the BBiMoG reform involved some contentious issues, the relevant stakeholders, in particular employers, were reluctant to negotiate the renewal of the Alliance agreement before final decisions regarding the BBiMoG had been made. In spite of this state of affairs. Nevertheless, there has always been broad agreement among the stakeholders that the Alliance should be continued, as our interview partners repeatedly confirmed.

On 26 August 2019, a new Alliance agreement was signed that renewed the commitment of the Alliance partners until the year 2021 (Allianz für Aus- und Weiterbildung, 2019<sup>[25]</sup>), when the next federal elections

are scheduled due to take place. The renewed Alliance agreement continues along the lines of the 2014 agreement. First, the Alliance signatories have committed to strengthening firm-based apprenticeship training, for example by intensifying efforts to recruit employers, particularly small and medium-sized enterprises, to offer apprenticeship training, and by expanding guidance counselling in schools and local chambers of commerce. Second, the agreement reinforces the commitment of the Alliance partners to improve and further develop measures that support the transition from school to training. More specifically, the above mentioned assisted apprenticeship instrument piloted in the 2014 Alliance will be further expanded and established as a regular policy instrument, rather than an experimental pilot scheme. Finally, the new Alliance pact puts a focus on promoting higher VET, i.e. types of further education and training that typically follow initial training in VET. In this way, the signatories aim to preserve and promote the attractiveness of VET relative to academic higher education.

## Analysis

### *Opportunities for innovative governance reforms*

When considering opportunities for innovative governance reforms it is useful to consider the “added value” of the Alliance, given that the governance of the German skills system had already promoted multiple ways of stakeholder engagement and co-ordination across levels of government. A first observation in this context is that the Alliance and its predecessor pacts have proven surprisingly resilient, as the first pact was passed back in 2004. Furthermore, even though the primary and relatively political purpose of the first pact was to provide some form of compensation for the failure of attempts to establish a levy-grant scheme, the pact instrument has apparently proven its value from the perspective of those directly involved, evolving into a much broader forum for exchange and debate about current and future priorities for skills policy in Germany.

Assessing the added value of the Alliance primarily involves comparing it to the BIBB Board, which is the main decision-making body in the traditional governance structure of the German VET system and includes representatives from employers, unions, the *Länder* and the federal government.

As emphasised by interview partners, a first – and arguably the most important – added value of the Alliance compared to the work of the BIBB Board is that the Alliance directly involves the top of the political hierarchy (i.e. ministers and the government as a whole). In this sense, it is a unique committee at the federal level, and significantly different from existing boards and committees. The signing and renewal agreement of the Alliance agreement and – to a lesser extent – the yearly meetings of the Alliance plenary are major political events that create a significant amount of media attention. Hence, the Alliance helps to put skills policy at the top of the government’s agenda during these focal points, and represents a government instrument that shows it takes skills policy seriously. In contrast, the activities of the BIBB Board rarely make the news as they fall under the domain of day-to-day government activities.

Second, there are important differences regarding the dynamic of agenda setting and policy innovation. As explained above, the BIBB Board is the main decision-making body in the process of reforming, revising and passing new training ordinances. As a consequence, its agenda is largely determined by issues related to this process, even though broader issues on the governance of the VET system are also discussed, particularly in relation to the annual publication of the “Report on Vocational Education and Training”. Nevertheless, it is important to emphasise that simply for legal reasons, the remit of the BIBB Board is limited to issues concerning the dual apprenticeship system itself, which, although important, is only one part of the overall skills system.

In contrast, the agenda of the Alliance, given that it is mainly a political body with no statutorily defined limitations, is much broader, and social partners have a stronger influence in setting priorities and topics

compared to the BIBB Board. For example Alliance discussions cover labour market integration and activation measures, apprenticeship training, and further and continuous training. As interviewees confirmed, the range of topics usually goes beyond what was included in the original Alliance or pact agreement as new issues emerge. By linking initial and further training, the Alliance responds to a traditionally weak spot in the governance of skills policy, namely the connection between initial and further training. This connection is only well-developed for further education routes defined in the statutory foundations of the VET system, namely the BBiG and the associated regulation for the crafts sector (Trade and Crafts Code, Handwerksordnung, HwO). These regulations, however, cover only a certain segment of the growing market for further education, which is increasingly important in times of major technological change. In the long term, the Alliance could help to prepare the ground to establish a more encompassing legal foundation for a comprehensive framework that covers all sectors of initial and further training.

The Alliance provides a forum for discussion and exchange to enable stakeholders to consider the priorities for skills policy in more conceptual terms and, to some extent, independent of the current legal limitations. Compared to previous pacts, the broad involvement of stakeholders is an advantage, even though it may slow down decision-making processes to some extent. Background interviews revealed that even the signatories of the previous pacts support including more partners and stakeholders, such as unions, and a broader involvement of the *Länder* in the renewed Alliance as it has a positive effect on the relevance and effectiveness of the Alliance in the long run. Getting critical voices on board (as mentioned above, unions had been critical of the previous pacts) also helps to achieve a broad consensus and sense of ownership among stakeholders.

The Alliance has become a kind of laboratory for innovative policy instruments, such as the assisted apprenticeship scheme, initiatives to facilitate the integration of refugees into apprenticeship training, new policy instruments to facilitate the transition of disadvantaged youth from school to training (*Einstiegsqualifizierung*, EQ), and the development of joint criteria in placement services for youth in earlier pacts. Since the agencies and ministries in charge of these policies are directly involved as equal partners in the Alliance, these ideas can be tested before being eventually transformed into binding law by the responsible state actors (or not if they do not work). Thus, a supporting condition for corporatist bodies such as the Alliance to work is that state actors are involved on an equal footing and with the same degree of commitment as non-state actors. If and when the Alliance partners commit and agree to joint initiatives, they can easily be transferred from the Alliance level to policy making and implementation. Given the corporatist legacy of the German skills system, achieving this kind of agreement is more likely than in systems without such a tradition. The corporatist tradition also means that the involved partners maintain some degree of autonomy in regulating their own affairs within their domains, which implies that they have the necessary resources at their disposal.

A third issue relates to the internal governance of the Alliance compared to the BIBB Board (and other committees in the system). Although regular meetings and exchanges between stakeholders are helpful in creating mutual trust between those involved, creating trust does not necessarily mean that all stakeholders have to agree to the same thing. Establishing mutual trust in a corporatist decision-making process instead signifies developing a mutual recognition of each other's interests and position, while still remaining committed to joint problem solving and the search for mutually beneficial solutions. The building of trust is also helped by the fact that those involved in the policy network of skills policy often remain in their position for many years, which also leads to a development of trust on a personal rather than institutional level. A potential cost of this might be the development of "group think" mechanisms that prevent the emergence of genuinely new ideas.

Even though stakeholders have met often and repeatedly in the committees of the BIBB, and on other occasions, interview partners indicated that the internal governance of the Alliance provides additional benefits. Most importantly, and somewhat in contrast to the previous pacts, the Alliance organises regular meetings at the working level in one central and several subsidiary working groups dedicated to particular topics, which allows for more continuous and "problem-oriented" forms of exchange. For instance, unions

and employers have traditionally disagreed on how exactly to measure the number of youth in need of an apprenticeship training slot. Interviewees indicated that the Alliance was helpful in achieving a joint understanding of these basic facts. The internal governance of the Alliance is also helpful in solving conflicts by shifting venues: if there is conflict at the working level (which rarely happens), contentious issues are delegated to higher levels in the ministerial hierarchy. If issues are contested at a political level, they can be delegated down to the working level to address them from a more problem-oriented and pragmatic angle.

The fourth added value of the Alliance regards its role in facilitating co-ordination across levels of government. As mentioned above, the role of the *Länder* in the process of training reform is usually confined to devising the framework curricula for the school-based part of VET. Given that the BA, which is in charge of the bulk of labour market activation and supporting measures, is a federal agency, the role of the *Länder* is limited in this area. The Alliance has opened up new ways for *Länder* to get involved in skills policy more broadly. Whereas the previous pact only included the KMK as a representative of the *Länder* education ministries, the 2014 Alliance (as well as the 2019 follow-up) also included representatives from the *Länder* ministries of economic affairs and the ministries for labour and social affairs, signalling a much broader understanding of skills policy that goes significantly beyond education and training institutions in the narrow sense. According to interviewees, the co-ordination of positions on the part of the three conferences of *Länder* ministries is challenging, but mostly works well, although other pact partners might perceive it as slow and cumbersome.

The federal Alliance is connected to emerging regional alliances constructed according to the role model of the federal alliance. As mentioned above, these regional alliances essentially translate the goals and strategies of the federal Alliance into a regional context, facilitating the collaboration between regional policy makers and stakeholders. Even though the federal Alliance provides a loose framework to help guide these regional processes, the co-ordination is sufficiently flexible to allow regional actors to set their own priorities.

To sum up, the Alliance for Initial and Further Training is widely supported by the relevant stakeholders in the system, and there is basic agreement that it should be continued. However, there are a number of challenges that should be addressed in further developing governance arrangements in the area of skills policy.

### ***Ongoing challenges of the Alliance***

The temporary nature of the Alliance (and the previous pacts) can make it dependent on prevailing political conditions at a certain moment in time, i.e. when the previous Alliance needs to be renewed and revised. As discussed above, even if there is basic agreement among stakeholders, the continuation of the Alliance can become entangled with other potentially more pressing and/or contentious issues on the political agenda. The delay in passing the most recent Alliance agreement did not threaten its continuation as a new agreement was signed within a few months, but as long as the Alliance is not permanent, there is always the potential that renewal attempts might fail, even if it is widely supported by stakeholders.

Some interview partners reported that the temporary nature of the Alliance can also have advantages. For example, it is possible to significantly expand the scope of the Alliance from one iteration to the next, bringing new stakeholders on board and new issues onto the agenda. The temporary nature of the agreement also implies that when a new Alliance is forged its issue are much more likely to rise to the top of the government's agenda compared to if the Alliance is transformed into a regular body of government decision making.

A second challenge is the multiplication of committees and decision-making bodies. Although, as explained above, there is broad agreement among stakeholders that the Alliance provides additional benefits and complements existing governance bodies, there is still a danger that the establishment of additional

committees and governance bodies might at some point make decision making too cumbersome and slow, and contribute to overlap between competing bodies.

For instance, in parallel to the negotiations regarding the renewal of the Alliance and the reform of the BBiG, the federal government passed a National Strategy for Further Education (Nationale Weiterbildungsstrategie) on 12 June 2019. All major stakeholders were involved in devising this strategy, which at first sight at least partly overlaps with the mandate of the Alliance. However, in contrast to the Alliance, the National Strategy approaches the issue of further education more from a labour market perspective than an educational perspective, which is related to the fact that the BMAS has taken the lead on the project. Thus, the official division of labour is that the Alliance focuses on types of further education and training that are legally recognised as follow-up training to initial VET, whereas the National Strategy for Further Education focuses on other types of further education and lifelong learning. On a practical level, these different types of further education are clearly related and should therefore be addressed from a more comprehensive perspective. Hence, as interviewees confirmed, although the division of labour between the two bodies – the National Strategy for Further Education and the Alliance – is formally clear, it is practically somewhat entangled.

Although interview partners perceived a certain risk of having too many committees, there was widespread agreement that the Alliance should remain independent and not, for instance, be merged with the BIBB Board, confirming that the actors involved see added value in the Alliance. However, there were also critical voices among interview partners stating that the Alliance may no longer be needed. The initial purpose of the various pacts and the Alliance was to deal with a temporary shortage of training places, which is no longer a major concern. These critical voices also argued that some of the innovations developed in the context of the Alliance are likely to have come about even without the Alliance. Hence, the challenge in this respect is to give the Alliance a clear mandate that would justify its continued existence on a more permanent basis (more on this below).

A third challenge regards the potential of the Alliance to promote innovation in terms of policies and governance instruments. On the one hand, the political nature of the Alliance means that actors can discuss broader conceptual issues independent of statutory limitations. On the other hand, this political nature also means that the actual degree of innovation in terms of policies and instruments promoted by the Alliance is inherently limited, and confined by the discretionary leeway of stakeholders acting within their respective domains.

This means that broadly speaking, the Alliance does not have the task or mandate to develop proposals for large-scale policy reforms, but rather to improve the functioning of the system given the current distribution of competencies and responsibilities. At the same time, reform discussions at the higher political and policy-making level affect the working of the Alliance. For instance, the reform of the BBiMoG mentioned above had concrete consequences for the renewal of the Alliance (namely delaying the enactment of a new Alliance agreement); however, this reform project was not discussed and debated within the Alliance, but through the traditional channels of stakeholder engagement in law making.

Therefore, much of the work of the Alliance amounts to incremental improvements of current practices in labour market and training policies, but usually not proposals for large-scale reforms, not least because this kind of agreement would be politically difficult to achieve. If, however, the actual work of the Alliance is mostly confined to incrementally improving the performance of the system, involved stakeholders might at some point begin to doubt the genuine added value of the pact – in the worst case dropping out altogether – as was also occasionally indicated in interviews.

Furthermore, the degree of innovation that results from Alliance agreements is inherently limited by the fact that it involves stakeholders with strong vested interests in the continued existence of the current system. As decisions are based on the corporatist consensus principle, there is a further risk that solutions will amount to lowest common denominator policies rather than genuine innovations. However, it should be emphasised that the Alliance has on the whole come up with a number of innovative ideas and proposals

in recent years, and has effectively mobilised the joint problem-solving potential of the involved actors to some degree.

The final challenge is the information base of decision making in the Alliance. Although the Alliance can and does draw on the expertise provided by established institutions in the field of education, training and labour market policies, such as the BIBB, the research institute of the BA (the Institute for Employment Research, IAB) and various non-governmental research institutes, there is no explicitly formalised input from research to the debates and negotiations of the Alliance at the political level, in contrast to countries such as Norway (see Chapter 5). However, adding an external perspective by, for instance, involving non-partisan experts and researchers in debates could itself become a source of innovation, and partly mitigate the risk of “insider” bias.

## Summary

The Alliance for Initial and Further Training responds to the three dimensions of governance identified in the introduction to this chapter in the following ways. First, it promotes co-ordination across levels of government by involving representatives from the *Länder* and the federal government. At the same time, it involves representatives from different departments at these different levels, i.e. education, economic affairs and labour/social affairs. Using these multiple forms of co-ordination and collaboration in an effective manner is demanding on the part of the actors involved, and facilitated by the long tradition of cross-level collaboration within German federalism.

Second, the Alliance engages stakeholders throughout the policy cycle. Due to its long tradition of corporatist decision making, non-governmental stakeholders are regularly involved in policy making through various channels. The Alliance is another channel primarily focused on the implementation and policy formulation stages of the policy cycle. Regarding implementation, Alliance partners devise new and innovative ways and instruments to improve the functioning of the current system. This is achievable as agencies and ministries are involved in the Alliance on an equal footing to non-state actors, and with a significant degree of commitment, which are crucial preconditions for success. Regarding policy formulation, the Alliance has – to some extent – become a laboratory for new policy approaches that may later be translated into law as it allows actors to debate and consider innovations in broader terms and independent of the legal remit of existing institutions and bodies.

Third, the Alliance helps to improve the alignment of financial incentives. Broadly speaking, the financial incentives for stakeholders in the VET system are already well-aligned in the sense that there is a clear division of labour between employers paying for the firm-based element of training, the state paying for the school-based part, and supporting labour market measures and workers (i.e. unions) accepting a certain degree of wage restraint for apprentices. The Alliance allows actors to engage in a dialogue about the potential necessity to occasionally revise and renegotiate this cost-sharing arrangement to reflect ongoing changes in the socio-economic environment. Furthermore, state actors in the Alliance have committed to back up proposals to introduce new instruments such as assisted apprenticeship training with the required financial resources.

## Policy recommendations

Based on the analysis of the strengths and weaknesses of Germany's Alliance for Initial and Further Training, the following section presents a number of policy recommendations specific to the Alliance. More general policy recommendations are developed in the final chapter of this report.

### ***Make better use of the potential of the Alliance to promote innovative skills policies***

The Alliance has the potential to devise innovative approaches to the future development of skills policy, and has done so in the past. However, there is also the risk that the work of the Alliance will increasingly get stuck in the details of implementing existing policies and instruments, and shy away from considering the future of skills policy in Germany more broadly. To some extent, this is a consequence of the institutional nature of the German education and training system, but it is also related to the composition of Alliance partners.

Regarding the institutional legacy of the German education system, the Alliance largely remains in the VET domain. An innovative aspect of the Alliance has been the extension of its remit to the further education sector, although this connection might become weaker again due to the enactment of the National Strategy for Further Education. Even more importantly, when considering skills policy in broader terms, it would be necessary to include the higher education sector. Responding to new demands from employers related to technological change and globalisation, the intersection between higher academic and vocational education has become a major source of innovation in the German education system, for example the rise of dual study programmes that combine apprenticeship training with higher education studies. In further iterations, the Alliance should pay more attention to this sector, for example by discussing how and whether joint standards for dual study programmes should be devised, and how young people could be encouraged to pursue this kind of education. The new 2019 Alliance agreement moves in this direction by emphasising the need to invest more in higher VET, including hybrid training programmes that combine VET with higher education studies.

Regarding the composition of Alliance partners, further expanding the range of actors involved might be considered, even though adding further partners could hamper the effectiveness of decision making at some point. Related to the previous paragraph, representatives of the higher education sector could be added as partners, such as the Conference of University Rectors (Hochschulrektorenkonferenz, HRK) or the Science Council (Wissenschaftsrat). Currently, as seen for instance in the debate about the reform of the BBiG, representatives from the higher education sector are reluctant to open up universities to the field of VET. However, involving the higher education sector would signal that the domain of skills policy is not confined to vocational education, but rather encompasses different forms of post-secondary and tertiary education with strong connections to the labour market.

### ***Prevent multiplication of governance bodies***

Even though the Alliance has created added value, it is important to prevent the multiplication of governance bodies. The innovative potential of the Alliance lies in the fact that it crosses departmental boundaries as well as levels of government. It would be unfortunate if the establishment of new governance bodies such as the National Strategy for Further Education or the revival of the Education Council (Bildungsrat), which is supposed to improve co-ordination between federal and Länder levels in the field of education, eventually leads to overload of the responsible actors, and overlapping mandates between competing decision-making bodies. Hence, when new co-ordinating governance bodies are established they need to be regularly evaluated against whether or not they still produce added value. This also holds for the Alliance, even though this chapter has argued that it will most likely continue to add value in the future. Such an evaluation could and should be primarily based on feedback from the actors involved, since they know best whether or not the Alliance provides added value. There should, however, also be some form of evaluation of governance structures from the system perspective that involves input from outside observers, experts and academic research.

### ***Link duration of Alliance agreements with election cycles***

The temporary nature of the Alliance has advantages and disadvantages. In order to maintain the desired political effect of raising the visibility of skills policy as an important issue on the government's agenda, the Alliance should continue to involve the political heads of the ministerial hierarchies. The mandate (in terms of topics and priorities) of the Alliance should also be renegotiated and adjusted with new agreements on a regular basis. Since the content of the agreements are likely to reflect political context conditions, this process of renewal should be formally connected to the duration of legislative periods, which would also facilitate the implementation of the Alliance's decisions. The 2019 Alliance agreement already points in this direction as it ends in 2021, when the next federal elections are scheduled to take place.

Putting the Alliance on a more permanent basis in terms of funding would allow a further development of its internal governance structure, for example by establishing a more sustainable knowledge base. Given the readily available expertise of the BIBB and the IAB, the Alliance's efforts in this direction would not have to emulate or copy these institutions' research activities, but rather provide a more systemic connection between them. In particular, the Alliance could develop an expertise in studying governance-related aspects of skills policy – an area of research not usually addressed in depth by these institutions. Developing this kind of expertise would also give it a clear mandate.

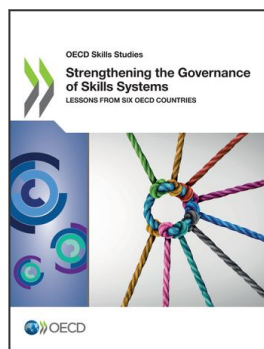
### ***Allow sufficient time for meaningful stakeholder engagement***

Most interview partners expressed concerns that meaningful engagement with stakeholders is difficult when time pressure is high. More concretely, there were three major issues on the agenda in terms of skills policy: the reform of the BBiG, the establishment of the National Strategy for Further Education and the renewal of the Alliance. The federal ministries involved stakeholders in all of these processes, but rather than discussing them together in one forum (e.g. the Alliance), they were treated as separate processes that ran in parallel. Even though the range of actors and stakeholders involved in all three may slightly differ, there is a large overlap in terms of competences and personnel. This arrangement of de facto strong interconnections, but formal separation between the processes, may lead to co-ordination problems and inefficiencies. For instance, negotiations on the renewal of the Alliance were significantly slowed down by uncertainties related to the reform of BBiG. Hence, in order to allow for meaningful stakeholder involvement, stakeholders need to be given sufficient time to develop their proposals. Furthermore, the added value of the Alliance is currently to devise practical solutions to current challenges in the skills system. A vision for its future development is that due to its unique nature as a largely political committee, it could also reflect on and discuss strategic options regarding system-related aspects of governance.

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