

»»» Coronavirus and structural change threaten jobs – further training more important than ever

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The coronavirus crisis and structural change are posing a serious threat to jobs. That makes it all the more important to upskill the working population in order to preserve future-proof jobs and prepare for the post-coronavirus era.

The coronavirus pandemic is threatening millions of jobs

The employment situation has improved noticeably since May 2020 but 2.9 million people were still out of work in January and 2.3 million were working short-time in November. The risks remain high. The most recent KfW SME Panel findings show that SMEs expect the number of employees to potentially drop by as much as 1.1 million in 2020. Job cuts of this magnitude will not occur thanks to comprehensive government support but the figure mirrors the precarious situation of many businesses.

Employees have to adapt to new challenges

The task in the years ahead will be to secure jobs of the future through the crisis and to improve the employment prospects of jobless workers and those on short-time arrangements. Workers and SMEs will also have to adapt to new demands. After all, Germany is at the beginning of a far-reaching structural transformation resulting from digitalisation, the transition to a carbon-neutral economy and demographic change.

Digitalisation is a major driver of this transformation. According to data collected by the KfW SME Panel, 1.5 million SMEs successfully completed digitalisation projects from 2016 to 2018 – 380,000 more than from 2015 to 2017.

In addition, without an appropriate response, the German economy will be heading for growing skills shortages from a shrinking and ageing population.

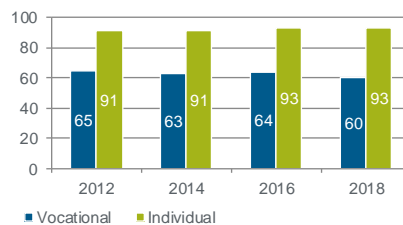
The weak growth in labour productivity is accelerating the trend.

Germany has a deficit in further education

In order to tackle the challenges, employees, employers and unemployed workers must invest more time and money in skills acquisition. The trend is growing but 60% of the working population did not participate in further vocational education in 2018 (Figure 1). Individual professional development activity is still negligible. Moreover, short-term training measures that often have a limited upskilling effect predominate.¹

Figure 1: Most of the workforce does not engage in further education

Working population not engaged in further education in the last 12 months from 2012 to 2018 (in per cent)



Source: Adult Education Survey, own calculation

Those working in the low-wage sector and low-skilled workers are the least likely to participate in professional development. In 2018, 75% of workers with a low level of education (not higher than the German Hauptschulabschluss, the basic school-leaving certificate) completed no further training (Figure 2).

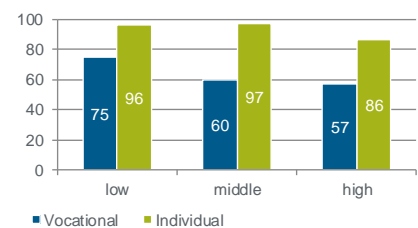
For a culture of lifelong learning, the value of further education must be communicated (better job prospects, higher incomes, career advancement opportunities, entrepreneurial success). Individual advice from the Federal Employment Agency and private and municipal pro-

viders on training needs and opportunities can also be helpful. This includes advice to SMEs – particularly with a view to digitalisation. A study by KfW Research has shown that one third of SMEs are unable to meet their need for digital skills.²

The further education sector is difficult to gauge. Certification of further education offerings along with expansion and integration of further education databases can provide greater transparency and quality assurance. Regional further education alliances between business and state actors can eliminate shortages, as can online services (training, advice, best-practice solutions).

Figure 2: Lower educational qualifications=less further education

Working population not engaged in further education in the last 12 months by level of education in 2018 (in per cent)



Source: Adult Education Survey, own calculation

Costs are often a barrier to further education

Financial support is of crucial importance because further education is (too) often prevented by a lack of money. What is particularly important is covering the cost of providing in-service training for low-skilled workers in the low-wage sector. They are at particular risk of being overwhelmed by the digital structural transformation. Cost is also a significant barrier for many SMEs that need to acquire new expertise and train their workforce.

¹ Leifels, A. (2017), *Participation in continuing education is unequal – especially by prior attainment*, Focus on Economics No. 153, KfW Research.

² Leifels, A. (2020), *Digital skills shortage is hampering German SMEs' digital transformation – is upskilling the answer?* Focus on Economics No. 277, KfW Research.