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► Government response to the pandemic

The German Government plays a strong role in cushioning negative social and economic repercussions of the pandemic. The government's prominent role in crisis management is rooted in the German "social market economy" model which relies on an extensive set of instruments and policies for regulating as well as stabilizing and stimulating business activities, actively supporting the provision of labour, and providing social security. An extensive set of economic, labour and social policies were implemented in 2020. In Vocational Education and Training, the financial measures aim in particular at counteracting the tendency to reduce training places by companies severely threatened by the economic impact of the crisis. With these measures and incentives, the government is for the first time allocating bonus payments and subsidies to SMEs to support them in their training engagements. This text provides an overview of the measures implemented in light of the COVID-19 pandemic.

In Germany, the pandemic began to spread in early spring 2020. Until late fall 2020, Germany had been less affected by the COVID-19 pandemic than its European neighbours. Infection rates were low. Still, schools had to go into distance learning, and in many places dual training was constrained or even had to pause. Infection numbers began to rise considerably in late fall 2020, forcing the government to repeatedly impose and expand very strict lockdown measures in many areas of life and work. Accompanied by rising vaccination efforts throughout spring 2021, the infection rate fell and the government gradually reduced containment measures in early summer 2021.

The relatively good initial development was mainly due to two important factors: broad testing and consistent compliance with contact restrictions. Social and economic backlashes were addressed with economic and social policy measures and rapidly introduced special programmes. Regarding VET, the first negative impact on companies and VET institutions was somewhat alleviated, though not stopped, by a federal programme aimed at saving training places.

With regard to health care and public health development, Germany benefitted from a high number of intensive care beds and an elaborated medical and health care system. Maintaining the capacity of the health care system was one of the main points of orientation for adapting and introducing policies.

In order to face the challenges, the Federal Government pursued three main objectives:

1. Protecting the health of the most vulnerable and prevent an overstress of the health system capacity
2. Cushioning the consequences for all citizens, employees, and companies
3. Dealing with the pandemic through international cooperation.

Overall, the government plays a strong role in cushioning negative social and economic repercussions of the pandemic. In general, the German model of a “social market economy” relies on an extensive set of instruments and policies for regulating as well as stabilizing and stimulating business activities, actively supporting the provision of labour, and providing social security. The Federal Government was able to face the challenges imposed by the pandemic by activating existing legal and regulatory instruments which had been introduced and proven in previous crises. One of the most effective response instruments was short-time work,¹ which already played an important role in keeping unemployment low during the Financial Crisis at the end of the 2000s. Likewise, for Vocational Education and Training, measures specifically responding to the COVID crisis could be built on the solid basis of the dual VET system, particularly its legal and regulatory framework, the state and businesses cooperation in the provision and funding of training, and the permanent research and monitoring of economic, labour and training developments. One important research project on the development of the apprenticeship market in face of the pandemic has recently been finished by Dr. Tobias Maier, BIBB, which you will find in the following text (p. 32ff.).

The following gives an overview of the up-to-date responses of the German government concerning VET, the economy and labour market as well as education and research.

Vocational Education – securing dual training through financial incentives

The Federal Government has put in place an extensive support package in order to incentivize companies, particularly SMEs, to continue their efforts in the Dual VET system. The financial measures aim in particular at counteracting the tendency to reduce training places by companies severely threatened by the economic impact of the crisis. With these measures and incentives, the government is for the first time allocating bonus payments and subsidies to SMEs to support them in their training engagements.

A central aspect of the stabilization measures is the programme of the Federal Ministry of Education and Research (BMBF) that secures apprenticeships with a volume of up

1 Short-time work is a government financed social insurance mechanism which had first been tried during the financial crisis in 2009. Instead of laying off employees, companies reduce their employees' working hours. The government provides a replacement for the loss of income and thereby supports both companies and employees.

to EUR 750 million. The Federal government, Federal Agency for Employment, the Federal states (Länder), employer organizations as well as unions have formed an “**Alliance for VET**” (BMBF 2021 a) which observes the situation of the economy and the companies concerning vocational training. They agreed on the following financial incentives (most of them available until the end of 2021):

- ▶ A bonus payment (EUR 2,000 per trainee) for SMEs which keep their apprenticeship placements stable in the next year
- ▶ A bonus payment (one-off payment of EUR 3,000) for SMEs (economically affected by COVID-19) which increase their apprenticeship placements in the next year
- ▶ Financial support to SMEs (economically affected by COVID-19) which continue in-company training without interruptions or reductions by keeping trainers and apprentices in full time employment
- ▶ Financial support to SMEs or inter-company facilities that absorb trainees from other SMEs unable to maintain their training offers or collaborating in joint training initiatives
- ▶ A bonus payment (EUR 3,000 per trainee) for SMEs which take over trainees from insolvent companies

Economic Policies

The Federal Government has taken a number of measures in order to support companies which suffer financially from the consequences of the pandemic (BMW 2021). Besides direct aid, the government tries to stimulate the economy with tax-alleviations, the support of exporting businesses, and easier access to basic income support. The overall goal is to stabilise the economy and to secure jobs and incomes.

Protecting Businesses and Jobs

The government focused on immediate alleviation measures, i.e. providing credits, guarantees, and direct financial aid to support businesses and for self-employed workers and employees to survive the lockdown of parts of the economy and the subsequent loss of income. Parts of the measures were directly provided by the central state, some through the “Länder” (federal states) and were thus different, depending on the respective state (Bundesland). Support packages were released for different phases/months of the pandemic. Currently, the most extensive state-aid package was the so-called November and December Assistance which has been extended to summer 2021. Only in November and December 2020, the government spent more than EUR 13 billion (BMW 2021).

Several low threshold loan programmes were introduced, e.g. bridging financing gaps; quick loans; investment loans for public enterprises; state banks; government bonds. Self-em-

ployed individuals have suffered high losses in incomes due to the corona crisis. They were often not able to defer detrimental effects to their businesses. The state provides financial support (grants) to them in all branches, from crafts to health and care professions to artists, for the period from January to June 2021. The first interventions in 2020 left self-employed professionals in culture and arts largely uncovered which required adjustments later on.

Aids regarding wages and salaries, taxes, and social security

A) Tax alleviations

The Federal Government launched extensive measures of the economic stimulus package in order to resolutely address the economic consequences of the corona pandemic (selection):

- ▶ VAT rate was temporarily reduced from 19 to 16 percent from 1 July 2020 to 31 December 2020
- ▶ Alleviations regarding import tax duties
- ▶ Tax alleviations regarding low emission company cars
- ▶ Tax alleviations for taxpayers who work from home (home office flat rate) for 2020 and 2021
- ▶ VAT rate for meals in restaurants and pubs was reduced from 19 to seven percent until 31 December 2022

B) Export aids

- ▶ Export credit guarantees: the aim of the protective measure is to secure existing supply chains in the amount of approximately EUR 420 billion and not to burden companies additionally, in case they have to insist on prepayment when there is no credit insurance

C) Securing reasonable subsistence

- ▶ In particular, small businesses and self-employed people should not have to fall back on their savings or their existence be threatened. They receive quick and non-bureaucratic access to basic security (SGB II) without a comprehensive assessment of assets or having to give up self-employment. This resembles a turn away from the need-based subsistence payment scheme

Labour market policies and social security

The comparably robust German economy and the comprehensive German social security system have helped to prevent extensive financial and social damages to the German population, up to now. Some additional programmes and temporary adjustments to existing instruments were put in place in order to counteract the negative impact of the pandemic (BMAS 2021):

- ▶ Short-time work allowance partially makes up for the loss of earnings and helps to keep jobs where otherwise the employing company would be forced to dismiss employees; the allowance is subject to various preconditions and has been put in place until the end of 2021
- ▶ Easier access to basic security and social assistance for job-seekers
- ▶ Assistance for workers who are temporarily unable to work due to parenting duties and who suffer a loss of earnings as a result
- ▶ Occupational Safety and Health regulations: extensive new regulations have been put in place in order to protect workers from COVID-19

Education, research, and science policies

In the domain of education and research the Federal Government has taken a number of measures in order to foster research on vaccination. Further, they provided support to facilitate and accelerate the digitization of education (BMBF 2021: b). The measures taken are coordinated jointly by the states (“Länder”), which have competences in the field of school education and universities. One of the major challenges was to support students who were not only exposed to the immediate effects of the crisis on academic life and learning but also lost access to small jobs and, therefore, part of their living and study financing.

The measures in the area of education, research, and science include the following:

A) Research and science

- ▶ Funding for research on vaccination and support for the the development of vaccines
- ▶ Supporting the global “Access to COVID-19 Tools-Accelerator initiative” and its objectives of developing, producing, and distributing vaccines, therapies, and diagnostics equitably around the world
- ▶ Supporting research relations with German university medicine community to cope with the current pandemic crisis (EUR 150 million). The aim is to set up a “National Task Force COVID-19” and establish central infrastructures such as a patient-related database

B) Upscaling the digitization of education

- ▶ Funding of EUR 600 million for the expansion of IT infrastructure in the states (Länder) on top of the EUR 5 billion of the already existing programme “Digitalpakt Schule”
- ▶ Expansion of the “HPI-Schul-Cloud”, providing learning platforms during the lockdown, in particular for schools which lack digital infrastructure
- ▶ Extra funding of EUR 500,000 for German community colleges

C) Alleviation of student allowances and support schemes

- ▶ Continuation of student allowance regardless of COVID-related breaks in learning activities
- ▶ Additional income possibilities
- ▶ Extension of the maximum allowance period
- ▶ Student loans as an interim aid

This overview was expressly dedicated to government measures in response to the pandemic and meant to contribute to the policy dialogue with the partner countries participating in this workshop series. Of course, additional efforts and measures were also taken by stakeholders and practitioners in all areas. Public employers and businesses established home office models, adjusted workflows, digitised communication, etc. Vocational and general schools creatively developed content, methods, and processes to minimize educational losses and keep at bay the widening gap between learners during home schooling periods. Unions, social organizations, sector representatives, pupils' and parents' bodies, and other civil society voices campaigned for their respective interests to be considered. Addressing the pandemic was and still is an inclusive and holistic societal effort.

What's next?

At this moment, the next phase of the pandemic is not easy to foresee. National and international vaccination campaigns have not reached a critical threshold yet. Health issues deriving from COVID-19 infections seem to be challenging for many individuals over significant periods of time, and they will continue to stress health systems. It remains to be seen to what extent government policies destined to counteract negative ramifications of the pandemic will succeed. For now, in many areas, government-funded support measures have helped businesses and employees. Mid-term critical effects are, however, to be expected regarding public finances, economic development, (deferred) company closures, and long-term unemployment and poverty. A critical view should also be thrown on the impact on the groups which were not the most vulnerable in terms of health effects but were most affected by the lockdown policies; namely, students, apprentices, and pupils who had to interrupt school and training and lacked social learning environments and many of whom suffered from psychosocial stress (cf. below: Verónica Fernández Caruncho, p. 41ff.). Government policies should also be critically reflected with view of administrative processes. The pandemic crisis has shown that German administrative structures need to become more effective and efficient, particularly with regard to complementary competences among administrative levels (Federation, federal states, and municipalities). Many indicators that describe the impact of the pandemic are short-term and do not allow for reliable forecasts: per capita GDP has fallen about five percent in 2020 (DESTATIS 2021a), whereas unemployment has risen by around 1.1 percent in the first quarter of 2021 compared to the first quarter of 2020 (DESTA-

TIS 2021b). Moreover, the government debt has risen considerably, up to 14.5 percent in 2020 (DESTATIS 2021c).

Long-term labour and apprenticeship market forecasts that combine existing longitudinal surveys with the models describing the effect of the COVID-19 disruption provide important data for future scenarios and policy conclusions. In the German VET system, where the private sector for a large part covers VET costs, economic development is crucial for maintaining training quotas. The above-mentioned volume of financial support provided by the Federal Government is an outstanding market intervention that puts the state into a leading crisis management position in areas which under normal circumstances would rather be considered as the autonomous business world.

In the German example, the state played a crucial role in addressing the crisis and mitigating its effects. At the same time, lessons need to be learnt to further enhance the resilience of the country in case of future crises.

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