

Keep the German Master Qualification in Europe

Comments on the debate about regulated skilled crafts professions

For several years, an intensive debate has been continuing on a European level regarding stronger integration of the single market in terms of provisions of services. Regulated professions return to the centre of the debate again and again. In Germany, the term 'regulated professions' includes all skilled crafts professions under Appendix A of the Crafts and Trade Code (HWO). They are also often referred to as professions requiring a Master qualification.

Structure

1. Executive Summary
2. Background
3. Impacts on the Dual Education System
4. Regulation Offers Active Protection of Consumers
5. Impacts of the Amendment to the German Crafts and Trade Code 2004
6. The Master Qualification in the European Single Market
7. Final comments
8. About the Chamber of Skilled Crafts Frankfurt-Rhein-Main

Executive Summary



Florian Schöll
Representative to the EU
Phone: +32 (2) 74 21 906
Email: schoell@hwk-rhein-main.de

- From the viewpoint of the skilled crafts sector in Hessen, the qualification-related admission to the profession is to be retained.
- The German Master qualification serves to retain the training capacity of small company structures in the skilled crafts sector. Liberalisation weakens the successful dual education system in Germany.
- Regulated professions serve to ensure a high level of consumer protection and the provision of high-quality services. At the same time, they offer customers assistance in orientation in complex markets.
- Experiences with the amendment to the Crafts and Trade Code in 2004 have shown that a reduction of the access barriers in the area of establishing new companies has had an expansive effect. However, redistribution took place between employment requiring the payment of social security contributions and self-employment. Many of the newly established companies disappeared from the market after a few short years; with consumers with guarantee claims losing out.
- The German Master qualification is not an absolute requirement for the provision of services in Germany, and thus also not a barrier to the European single market.

Background

Protracted European debate about regulated professions, the European Commission started several initiatives

For several years, an intensive debate has been continuing on a European level regarding stronger integration of the single market in terms of provisions of services. Regulated professions return to the centre of the debate again and again. In Germany, the term regulated professions includes all skilled crafts professions under Appendix A of the Crafts and Trade Code (HWO). They are also often referred to as professions requiring a Master qualification.

The European Commission issued a communication on October 2, 2013 on [‘Evaluating national regulations on access to professions’](#). In it, member states were called on to set down in writing and evaluate all national regulations and provide national action plans for regulated professions. The measure was justified with Article 59 (5) of the [new recognition of professional qualification directive 2013/55/EU](#). In this directive, the member countries were obligated to portray why regulations are justified, necessary and commensurate, by January 18, 2016 (known as the Transparency Initiative).

In the meantime, the European Commission presented a [new European single market strategy](#) in October of 2015. In addition to the reference to the ongoing transparency initiative, the Commission announced that the access to regulated professions was to continue to be improved. The Commission wants to develop and present an assessment for the member countries on this issue, on the basis of which their existing or also newly regulated occupational profiles are to be evaluated. The Commission simultaneously demands a stronger linking of the debate on regulated professions with the European Semester. This idea was taken up particularly in two roadmaps of the Commission on the further proceedings in the segment of regulated professions in June of 2016.

Impacts on the Dual Vocational Education System

A liberalisation weakens the successful dual education system in Germany.



The pledge of the Chamber of Skilled Crafts Frankfurt-Rhein-Main as part of the European Alliance for Apprenticeships

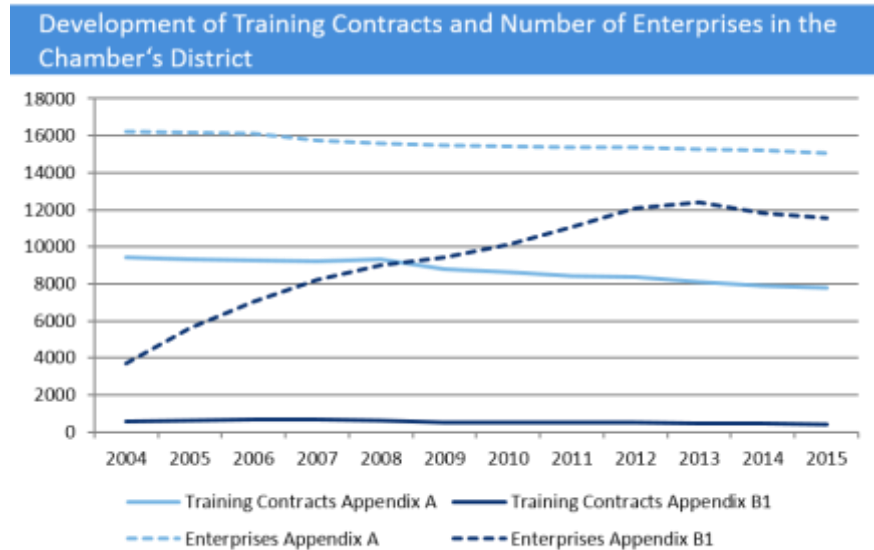
Click [here](#) or scan QR code.



In the meantime, the European Commission has recognised that the dual education system is able to make a decisive contribution to lowering unemployment among young people in Europe. Accordingly, the Commission supports member countries and companies in the establishment of dual education systems, for example as part of the [European Alliance for Apprenticeships](#). Moreover, the Commission is working on increasing the attractiveness of the dual education system. From the point of view of the skilled crafts sector, the parallel efforts of the Commission to liberalise regulated profiles of professions like the German Master qualification are not comprehensible.

The basis of a successful vocational training system is the acquisition of a Master qualification. In the Master training courses, in addition to the necessary trade skills, skills needed for teaching are also taught. With that, the Master is qualified and suited to teach young people his knowledge of the trade. At the same time, the Master qualification contributes to the training capacity of the small company structures in the

skilled crafts sector. The International Labour Organization (ILO) also arrives at this conclusion. In a [study by the ILO](#), the German Master qualification is listed as a successful strategy for establishing dual education structures in SMEs.



Source: Chamber of Skilled Crafts Frankfurt-Rhein-Main

It should be noted that companies in regulated skilled crafts professions train approximately four times as many young people as companies in license-free skilled crafts professions. Deregulation in the course of the amendment to the Crafts and Trade Code in 2004 discernibly led to a clearly lower number of masters in the license-free skilled crafts professions. Plus there is the fact that the training activity is primarily carried out by “old companies” (existing before the deregulation), “new companies” (established after the deregulation) do hardly any training/education. Instead of lowering the obligation to be a master to a different specialist qualification, such as a completed education programme, proof of any qualification in the deregulated skilled crafts professions is completely waived since the deregulation in 2004. Thus there is no longer any incentive to acquire the necessary specialist qualifications before taking the step of becoming self-employed, and, as a consequence, the professional foundations to train young people are also missing. Therefore one is faced with the perspective that up to 70,000 training positions could be lost each year due to further decontrols.



The brochure “The dual education system: How the future works” explains the German education system in a simple and understandable manner.

Click [here](#) or scan QR code.



The decisive advantage of the dual training system is training in line with the market. The educational content is directly oriented towards the market's demands. Moreover, young people are trained in a manner tailored to suit existing needs – companies normally only provide training when they have a corresponding need for specialists. If a trainee cannot be hired by a company in the end, the certificate of apprenticeship still provides documentation of his or her practical abilities. Based on the qualifications acquired, the skills of the specialist can be assessed more easily on the labour market, since the qualifications were directly acquired in practical work at the company. The same applies to the title of ‘Master’. In addition to the purely professional qualifications, becoming a ‘Master’ also entitles the holder to admission to polytechnic/university

studies. With that, an essential contribution is made to educational equality.

It should also be taken into consideration that, with the financing model of the dual education system, the German government saves the costs for full-time vocational education. The skilled crafts sector extensively finances the qualification of its own future workers itself. Due to the high private financing, this lowers the burden on public budgets to a considerable extent. Dual vocational education is a worthwhile investment in education from both an individual and a governmental/societal perspective. A liberalisation of the central Master qualification thus inevitably leads to higher costs for public budgets.

Regulation Offers Active Protection of Consumers

Regulated professions serve consumer protection and offer customers orientation in complex markets.

A crucial link for the provision of a high-quality dual education at companies is the acquisition of a Master qualification: In their Master training courses, in addition to the necessary trade skills, young masters also learn skills needed for teaching and business fundamentals – the basis for successful business and vocational education activities.

In general, obligatory professional qualifications offer orientation in asymmetrical markets regarding consumer protection and avoidance of risks. Asymmetric information for private households and commercial partners is reduced; the transaction and information costs of an economy are lowered. Certification solutions are often pitched as an alternative. But the market is, however, already extremely lacking in transparency and marked by an overly complex certification bureaucracy.

Impacts of the Amendment to the German Crafts and Trade Code 2004

The amendments to the Crafts and Trade Code in 2004 reduced access barriers and led to new companies being established. However, redistribution took place between employment requiring the payment of social security contributions and self-employment. Many of the new companies show a diminishing persistence on the market. Consumers with guarantee claims lose out.

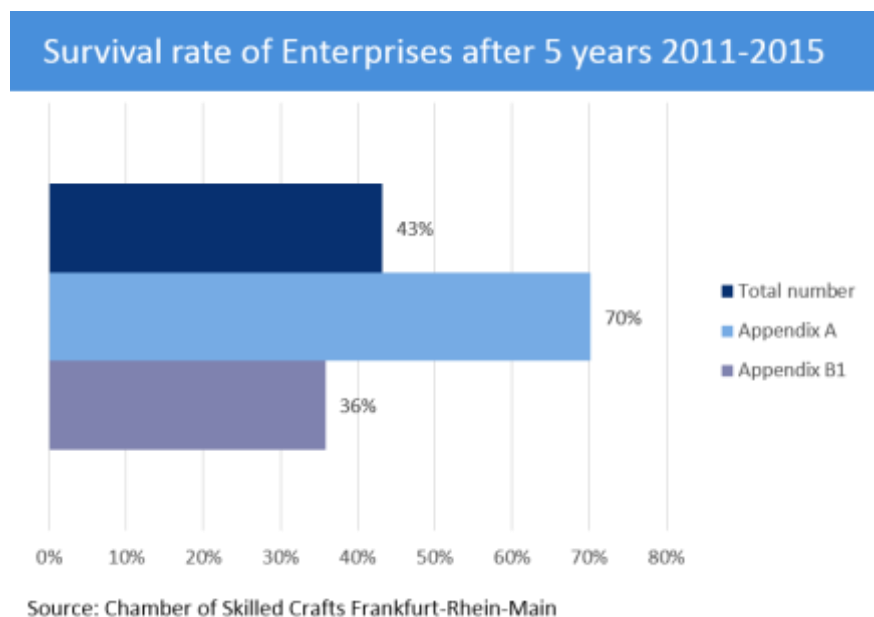
It is occasionally argued that a deregulation of regulated professions leads to growth impulses and benefits start-ups, for example, according to the Commission as part of the [new European single market strategy](#). Ultimately the Commission stated about the amendments to the Crafts and Trade Code in 2004: The results prove that the reforms resulted in an opening up of the market and newly established companies. Therefore the number of companies in the newly created Appendix B1 has almost doubled, and, according to the Commission, five years after the reform it can be observed that there are overall more self-employed people than before the reform. Overall employment, however, hardly changed. Regarding single-person companies, it was attested that they will possibly grow in the future and thus new jobs could emerge. From the point of view of the Chamber of Skilled Crafts Frankfurt-Rhein-Main, these hopes of additional employment have not been fulfilled.

Although the amendment to the Crafts and Trade Code in 2004 with its reduction to the access barriers in the area of start-ups had a reflationary impact, above all redistribution took place from employment subject to social insurance contributions in the direction of self-employed working conditions.

Although the number of start-ups increased due to the reduction of regulated skilled crafts professions, the sales and the total number of employees remained almost unchanged. Moreover, the start-up boom primarily concentrated on urban centres with a great deal of large-scale construction sites and just a few craft professions (above all tile and mosaic layers, interior decorators and building cleaners).

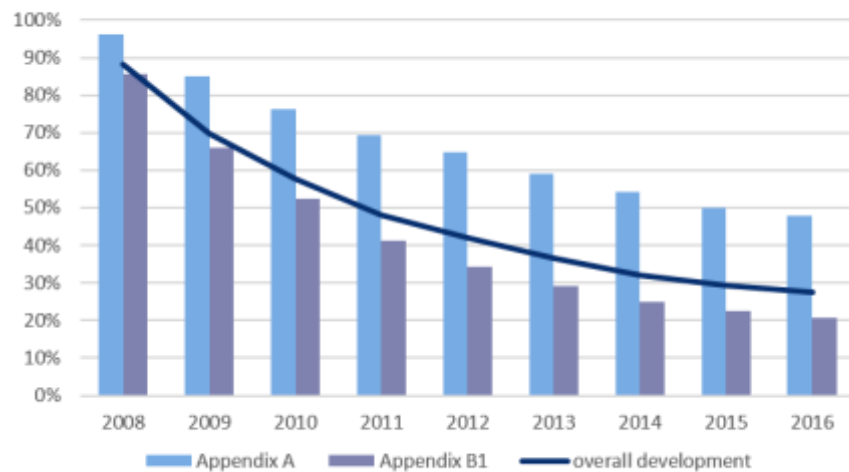
After the EU eastern enlargement, many people took advantage of the opportunity to become self-employed in Germany, to circumvent restrictions in the right of establishment and freedom of movement of workers. Thus the start-up boom is in no case to be attributed to a deregulation of regulated professions per se.

The amendment meant a strain on the social insurance systems in the license-free skilled crafts professions – conventional working conditions were reduced and replaced with solo freelancers and cheap unqualified labour. In the time period from 2003 to 2009 the average company size dropped from 11.3 to 4.3 employees (Appendix B1). This takes place massively at the expense of the social systems and has far-reaching consequences.



Based on their higher level of specialist qualifications, companies in regulated skilled crafts professions exhibit a higher level of stability in the market than establishments founded by owners not possessing corresponding specialist qualifications – the average length of time on the market of companies in regulated skilled crafts professions is clearly higher. Internal data of the Chamber of Skilled Crafts Frankfurt-Rhein-Main shows that the survival rate of skilled crafts enterprises in Appendix B1 is clearly lower than the survival rate of enterprises in Appendix A. Five years after establishment of the enterprises, only 36% of the enterprises in Appendix B1 are still active in the market. In contrast, 70% of the enterprises from Appendix A are still active in the market. Enterprises in Appendix B1 obviously have difficulty developing sustainable business models.

Survival rate of enterprises founded 2008



Source: Chamber of Skilled Crafts Frankfurt-Rhein-Main

This becomes particularly clear when looking at the survival of enterprises over time. Out of all the enterprises established in 2008 in Appendix B1, only 21% of the skilled crafts enterprises still exist in the year 2016. Looking at a direct comparison of all enterprises established in the year 2008 in Appendix A, 48% of the enterprises in the regulated sector still exist in 2016. Many of the business models of Appendix B1 do not appear to be stable on a sustainable level. Therefore it is not comprehensible to the Chamber of Skilled Crafts Frankfurt-Rhein-Main how the Commission can talk about best practice as part of the 2004 amendments to the Crafts and Trade Code.

The Master Qualification in the European Single Market

The German Master qualification is not an absolute requirement for the provision of services in Germany and thus also not a barrier to the European single market.

The temporary, cross-border provision of services is already possible at present for persons from other European member states. The intended provision of services in the regulated skilled crafts segment must solely be reported to the responsible Chamber of Skilled Crafts. If the occupation is not regulated in their country of origin and the applicants did not conclude a government-regulated training programme in that occupation, they must additionally provide proof of two years' work experience being self-employed or as operations manager.



Information: "Practise and entry possibilities in the German skilled crafts sector"

Click [here](#) or scan QR code.



A permanent establishment in a regulated skilled crafts profession is also possible in Germany for persons from other European member states. Proof of necessary work experience is already sufficient for this (cf. §2 EU/EWR HWV).

A 'Master' title is not necessarily required for an establishment in a regulated profession even within Germany. Journeymen of Appendix A (regulated skilled crafts professions) also have the possibility to become self-employed in Germany without a 'Master' title after working for six years in their trade (including four years in a managing position). 26,729 people have already made use of this exception between 2004 and 2010.



Information: "Establishment of professionals and short-term provision of services in Germany"

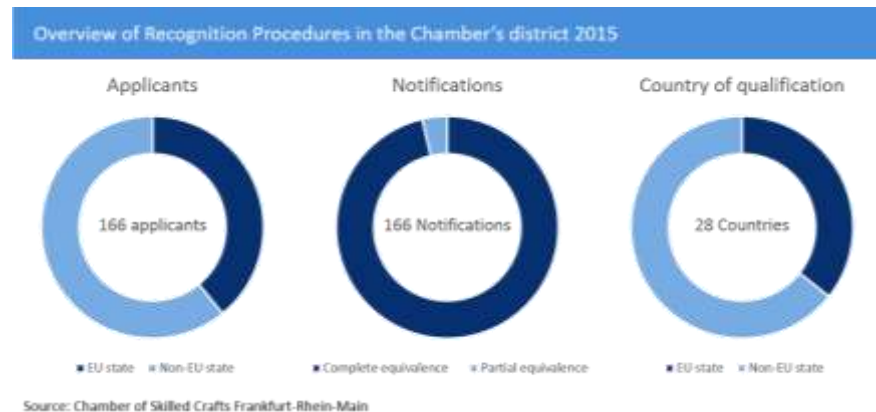
Click [here](#) or scan QR code.



The so-called "owner principle" was also nullified in 2004 – the company owner thus no longer needs to have a 'Master' title; it is sufficient for him or her to hire a person with the corresponding qualifications. Further, the entry in the Register of Craftsmen was made easier for *Techniker* (~technicians) and *Industriemeister* (~foremen).

Since April of 2012, improved laws regarding recognition of professional qualifications exist in Germany under the [Federal Recognition Act \(BQFG\)](#). With that, the German Federal Government is implementing [Directive 2005/36/EC on the recognition of professional qualifications](#). In the time period between April 1, 2012 and December 31, 2015 in the professions in sole federal responsibility, 63,486 new applications alone were submitted for recognition. In the entire year of 2015, according to the [official statistics regarding the Recognition Act](#) in all regulated and non-regulated professions 17,112 decisions were issued. In the process, in the segment of regulated professions, in only 2.4% of the decisions was the equivalency not recognised. In 77.8% of the cases, the full equivalency was certified. In solely 19.8% of the cases was a compensatory measure required for complete recognition.

In Germany, the regional chambers of skilled crafts are responsible for the recognition of foreign professional qualifications in the skilled crafts sector. As the responsible entity for the skilled crafts sector in the Rhine-Main region, the Chamber of Skilled Crafts Frankfurt-Rhein-Main conducts the equivalency testing under the [Federal Recognition Act \(BQFG\)](#).



In the region covered by the Chamber of Skilled Crafts Frankfurt-Rhein-Main, in the time period between January 1, 2015 and December 31, 2015, a total of 166 applications for recognition of professional qualifications were submitted. In 161 cases, full equivalency was certified. In an additional five cases, partial equivalency was determined. 39% of the applicants came from the European Union and had completed vocational training in ten different European member countries. In 61% of the decisions issued, the qualification was acquired outside of the European Union.

To what extent regulated professions are supposed to be limiting the functioning of the European single market at this point is something that is not apparent to the Chamber of Skilled Crafts Frankfurt-Rhein-Main. In

the entire year of 2015, not one single application of recognition of a professional qualification was rejected.

Final comments

Whether continuing deregulation of the regulated professions will actually lead to the desired growth impulses is more than questionable from the viewpoint of the skilled crafts trade, especially since there is not even a consensus in the scientific community on the effects of such deregulation, and positive economic developments cannot be clearly attributed to these measures. Moreover, observations and experiences of the amendment to the Crafts and Trade Code in 2004 impressively show that the impacts of deregulation are in no case in the interest of the economy. The decreased training activity and the transformation of employment subject to social insurance contributions lead to negative effects in government budgets in the long-term (social welfare benefits/ basic financial security in advanced age). Short-term economic growth impulses are being put ahead of the long-term financial sustainability of the economy here.

About the Chamber of Skilled Crafts Frankfurt-Rhein-Main

The Chamber of Skilled Crafts Frankfurt-Rhein-Main is one of the largest self-governing skilled crafts bodies of the economy and represents around 33,000 member enterprises.

As a self-governing body in the skilled crafts sector, the Chamber of Skilled Crafts Frankfurt-Rhein-Main represents the interests of SMEs in the Frankfurt-Rhine-Main region. With around 33,000 member companies in its region, the Chamber of Skilled Crafts Frankfurt-Rhein-Main is both one of the largest chambers of skilled crafts and one of the largest self-governing bodies of the German economy. With approximately 133,500 employees, our member companies have an annual turnover of around 12.2 billion Euro. The Chamber of Skilled Crafts Frankfurt-Rhein-Main offers its member companies a broad spectrum of support in running their enterprises. The portfolio of services includes, among other things, advising on the establishment of start-ups, advising and preparation of company successions and advising on investment decisions, financial matters and liquidity issues. Each year, approximately 9,000 young people are trained in around 5,000 companies providing training in the region covered by the Chamber of Skilled Crafts Frankfurt-Rhein-Main. The Chamber of Skilled Crafts Frankfurt-Rhein-Main is represented by its own office in Brussels.

Last updated: December 2016

Publisher



Chamber of Skilled Crafts Frankfurt-Rhein-Main

Bockenheimer Landstraße 21

60325 Frankfurt am Main

Phone: +49 (69) 97172-818

Email: europa@hwk-rhein-main.de

Internet: www.hwk-rhein-main.de