



Position

Impacts of a Reduction in Regulated Professions on German Skilled Crafts

As part of the “Communication on the Implementation of the Services Directive: a partnership for new growth in services 2012-2015”, the European Commission has announced a revision of Directive 2005/36/EG on the recognition of professional qualifications. Further, on October 2, 2013, the Commission presented a “Communication on the evaluation of national regulations on access to professions”.

In Germany, the term regulated professions includes all skilled crafts professions according to Appendix A of the Crafts and Trade Code (HWO). Corresponding regulations not only serve to ensure a high level of consumer protection and the provision of high-quality services, they also serve to maintain the training capacity of small companies in the skilled crafts sector.

In 2004 an amendment was made to the German Crafts and Trade Code (HWO), which included the deregulation of 52 skilled crafts professions.

- The amendment to the German Crafts and Trade Code in 2004 discernibly led to clearly fewer training efforts. Approximately four times as many young people are trained in regulated skilled crafts professions than in license-free skilled crafts professions. Thus one is faced with the perspective that up to 70,000 training positions could be lost each year due to further decontrols.
- Although the number of start-ups increased due to the reduction of regulated skilled crafts professions, the sales and the total number of employees in skilled crafts 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 decorator and building cleaners).
- Conventional working conditions were reduced and replaced with *Ich-AGs* ('Me Incs'), solo freelancers and cheap unqualified labour. This takes place massively at the expense of the social systems and has far-reaching consequences.
- The regulation of skilled crafts professions is not a European market barrier, contrary to the argumentation of the European Commission. If a European citizen wants to provide cross-border services in Germany, he solely needs to give notice of this. In the case of a permanent establishment, only the equivalency of the qualification must be confirmed. Further, there are various additional exceptions.
- 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.

Continuing deregulation of regulated professions will lead to a massive weakening of the successful German training and education system and ultimately to poorer service quality.