



26 March 2020

## Information for our partner trade unions in other countries on Germany's current economic and social-policy response to the corona crisis

### **Improvements in compensation for short-time working:**

A company in Germany qualifies for financial support to pay employees on short-time work (the "short-time work allowance") only if their employment is subject to social security contributions. The statutory allowance equals 60% of the net wage (or 67% for employees with children). In many firms that have a collective agreement with IG Metall, there are company agreements which stipulate that the employer also makes additional payments to staff members on short-time work. In some cases this contribution brings the payments up to 100% of the regular wage.

Both German Federal Parliament and Federal Council decided unanimously on 13 March 2020 in record speed the new rules of short-time work allowance. The target is to make the access to short-time work easier if companies suffer from massive supply bottlenecks or have to be closed by the authorities. These facilities will take effect retrospectively on March 1, 2020 and will be paid retrospectively. This means that companies can already apply for the improved short-time work.

- To realize this kind of job-securement, requirements for receiving short-time work benefits are made easier:
- It is sufficient if ten percent of the employees of a company are affected by the loss of work so that a company can apply for short-time work. Formerly, at least a third of the employees must be affected.
- Social security contributions of the employers are fully reimbursed by the Federal Employment Agency for short-time work.
- Also temporary agency workers can apply for short-time work allowance.
- In companies where agreements on fluctuations in working hours are used, negative working time accounts are not set up.

### **Collective agreement in the metal-working and electrical industry in 2020**

In view of the corona crisis, regular collective bargaining activities in the German metal-working and electrical industry have been suspended. In their place, IG Metall and the employers in the sector have negotiated collective agreements taking account of the exceptional situation:

- Special annual payments (holiday and Christmas bonuses) may be paid out on a monthly basis and thus raise the assessment basis for the short-time work allowance.
- In the plants, a solidarity fund will be established into which the employer pays €350 per full-time employee. Under a company agreement, the money may be disbursed

from this fund to employees who are particularly severely affected by short-time work. This will alleviate cases of social hardship resulting from short-time work. If these funds are not used in the plant, they can be disbursed to the employees as a one-off payment on 1 December 2020.

- Both of these measures – redistribution of the annual bonuses and the solidarity fund – help to secure employees' net wages at the level of around 80 per cent.
- For parents facing problems in looking after their children due to the closure of schools and child care facilities, the option of taking eight days off work instead of the additional tariff payment is being extended to parents of all children under the age of 12.
- In addition, in the year 2020 employees can take up to five days off work that are not set off against their annual leave to look after children up to the age of five, while continuing to receive their wages.
- The collective agreements enter into force without delay and cannot be terminated until 31 December 2020 at the earliest.

### **Keeping works councils operable**

In Germany the law on works councils stipulates that they can pass their resolutions only in face-to-face meetings. Other voting procedures (resolutions passed by circular mail, in telephone conferences, etc.) are not legally binding. On 23 March 2020 the German Federal Minister of Labour and Social Affairs, Hubertus Heil, published a ministerial declaration to keep works councils operable. In this exceptional situation, meetings which pass resolutions may also be held as telephone or video conferences. Confidentiality and participation must be ensured and documented. The same rules also apply to the resolutions of general and group works councils, European works councils and SE works councils under German law.

In general, the current exceptional situation must not be used to circumvent the rights of trade unions, works councils or employees, or to prevent participation. Operability should be maintained, especially in difficult times.

### **Selected additional labour-market and social-policy measures by the German Government**

- Social welfare benefits will be made accessible rapidly and unbureaucratically.
- Swift adaptation of the child supplement to the new income situation in the crisis.
- Employees on short-time work can undertake activities in areas important for the common good without losing their short-time work payments.
- Social service providers and care facilities in Germany will receive financial support.
- Regulation of compensation to alleviate loss of earnings suffered by working parents/guardians of children up to the age of 12, if they have to look after their children themselves owing to the closure of schools or child care facilities and therefore cannot continue working. Parents looking after children will receive support equal to 67% of their last net wage for up to six weeks.
- Protection for tenants will be improved. Landlords will not be allowed to serve notice on tenants who are in arrears with rent payments for the period between 1 April 2020 and 30 June 2020. The same will apply to the provision of basic services such as electricity and telecommunications.

## **Selected economic-policy measures by the German Government**

- Companies will have easier access to low-interest loans from the state-owned KfW bank. The credit facility is not limited. The conditions for KfW loans to entrepreneurs will be relaxed and the KfW will assume up to 90% of the default risk in order to encourage house banks to issue loans. KfW guarantees have been increased to 822 billion euros.
- An economic stabilisation fund is being set up with a volume of up to 600 billion euros. Of this, 100 billion euros will be used to secure corporate debts by providing state guarantees and taking a direct stake in the companies, and to facilitate refinancing of the capital market.
- The immediate aid measures for micro-enterprises and individual entrepreneurs will total up to 50 billion euros and include one-off payments to companies and individual entrepreneurs of up to 9,000 euros for three months for firms with up to five employees, and up to 15,000 euros for three months for firms with up to 10 employees.
- Temporary suspension of the obligation on stricken firms to file for insolvency. Enforcement measures triggered by non-payment of taxes will not be applied until the end of the year.