

Short-time work across Europe¹

Short-time working arrangements or other similar instruments for bridging temporary crisis situations exist in many European countries. In some, such as Germany, Belgium, Italy and Austria regulations on short-time work have a very long tradition. In others, in particular the Central and Eastern European countries, short-time work was introduced during the 2008 crisis. During the current corona crisis, the countries with the long tradition have started to adapt their established short-time working regulations to the new situation. The others have introduced crisis programs that include short-time work.

While the objectives of the short-time working regulations in all countries are the same, they differ considerably in their institutional design and the underlying logic. The term "short-time work" is mainly used in the German Language area - Germany, Austria, Switzerland – and to a limited extent in Sweden. In other countries such as Belgium, France, Great Britain, Luxembourg, the Netherlands, and Romania the term "temporary or partial unemployment" is used. While classical short-time work regimes stress the reduction of daily or weekly working hours, the second type of system focuses on one situation, in which the workers are employed over a continuous period during which work is not performed at all.

However, there are central differences between the respective systems in the regulations of coverage, amount of compensation, duration of the payment of support, burden sharing between the state and the employer, and additional regulations regarding protection against dismissal. These main differences are:

Coverage:

- Short-time working systems cover generally companies of all sectors and sizes. Exceptions are:
 - Austria and Belgium, where employees of public institutions are not covered.
 - Italy, where the General Support Fund (CIGO) is mainly for manufacturing companies and for SMEs with 15 and 50 employees. During the current corona crisis, however, the range of the CIGO was extended to all sectors and also to enterprises with less than five employees.
 - Since the 2008/2009 crisis, in many European countries the support measures include also atypical workers like part-time, fixed-term or temporary workers.

Amount of compensation:

- Within Europe, short-time working allowance can be set between 60 – 100% of the remuneration. However, large differences exist between countries, such as:
 - In the Nordic countries, like Denmark or Sweden, but also in the Netherlands or Ireland, workers are paid short-time compensation of up to 100%.
 - In Germany, short-time working allowance is of 60% or 67%.
- A major difference is whether the wage replacement benefits are based on the gross or net remuneration. In most countries it is based on the gross remuneration, so that in net terms it can result in higher wage compensation.
 - In France, the short-time work compensation is set at 70% of gross pay. Since the short-time allowance is tax-free, this corresponds to 84% of net remuneration.

¹ The text is a summary based on: Thorsten Schulten, Torsten Müller "Short-time working allowance in the Corona crisis", No. 38 - Policy Brief WSI - 04/2020.

- In some countries, like France, Lithuania, Poland, Portugal and Romania there is also an absolute lower limit for the short-time working allowance fixed by the statutory minimum wage. Such a regulation should secure a minimum income especially for employees in the low-wage sector during short-time work.
- In Austria, the low-wage earners gain a proportionately higher short-time working allowance of 90% of net remuneration which is generally paid internally, compared with 80% and 85% respectively for the remaining employees.

Duration of support:

- Major differences in the duration of short-time work benefits exist. As a rule, more generous benefits are paid for a shorter period. During the current corona crisis the adopted measures are:
 - Denmark, Ireland, the Netherlands and Austria have adopted crisis-related special programs with a high short-time working allowance. The initial reference is to a three months period. In the latter two countries, the short-time work can be extended once for further three months. In Sweden, a short-time working allowance of over 90% of the gross salary is paid for six months and this may be extended for further three months.
 - In countries where the short-time work compensation is of a maximum of 70% of net or gross salary, the period is longer from the outset. This concerns Spain with 2 years, Germany and Belgium with a maximum of 12 months and France and Portugal at 6 months each. In France, there is a possibility for an extension.

Burden sharing between the state and the employers in terms of contribution:

- In most countries, the state covers 100% of the short-time working allowance through the unemployment insurance schemes. However, in some countries, employers are also required to contribute to the costs of the short-time working allowance:
 - In Italy, the state covers 92% – 96% of the costs of the short-time work allowance.
 - In Denmark and Sweden, the state pays 75% of the short-time working compensation. In Denmark the remaining 25% must be borne by the employers, while in Sweden the employers' contribution depends on the extent of the reduction in working time, which varies between 5% – 12.5%.
 - In Portugal and Ireland, the state covers 70% and the employers cover 30% of the costs of the short-time allowance.
 - In Slovenia, the employers cover 60%, while the state only 40%.
 - In the Netherlands, the state's share of the contribution is coupled to the expected losses in company turnover and can be between 22.5% - 90%.

Protection from dismissals:

- In Denmark, Ireland, France, the Netherlands, Norway, Austria and Spain, short-time work compensation is coupled with protection against dismissal.

- In Austria and France, the protection against dismissal is ensured throughout the period during which the short-time working allowance is paid. In Austria, the length of the protection against dismissal corresponds to the length of the payment of benefits. In France, the protection against dismissal is twice the length of the period during which short-time work compensation is paid.
- In Germany, dismissals are possible even during short-time work.

Collective bargaining as an effective tool to improve the benefits of short-time work

In many countries workers suffer more or less considerable income losses during short-time work. Therefore, trade unions have tried to win increases in the amount of short-time allowances through top-up payments ensured through collective agreements.