



# Short-time work in Europe: Rescue in the coronavirus crisis? An interview with IAB researcher Regina Konle-Seidl

Jutta Winters

The coronavirus pandemic is keeping the economy on edge. To overcome the crisis, 33 of 36 OECD countries are now using short-time working schemes. All are pursuing the same goal of avoiding redundancies and retaining jobs. While the objective is the same in all countries, each country nevertheless tries to balance out a high use of the instrument and low [deadweight effects](#) and abuse. The legal requirements vary considerably across European countries. In an interview, the IAB researcher Regina Konle-Seidl explains the most important differences, discusses the advantages and disadvantages of short-time work, draws lessons from the use of this instrument in earlier times of crisis, and depicts first developments of short-time work and unemployment figures.

A detailed international comparison of short-time working arrangements is provided in the [IAB Research Report 4/2020](#).

**In the current COVID-19 crisis, more countries than ever before are using short-time work as a labour market policy instrument. Why?**

Quelle:  
<https://www.iab-forum.de/en/short-time-work-in-europe-rescue-in-the-coronavirus-crisis-an-interview-with-iab-researcher-regina-konle-seidl/> | 1

**Regina Konle-Seidl:** The ultimate goal of short-time work is to bridge phases of temporary economic crisis and thereby preserve jobs. It creates incentives for companies to retain workers beyond the otherwise optimal level. For companies, this has the advantage of retaining well-trained workers and avoiding firing and hiring costs. Workers and the state or the unemployment insurance all benefit as long as lay-offs can be avoided and salaries and social security contributions are still paid for a part of the working time. Short-time work, therefore, makes sense for all parties concerned in the event of a temporary loss of work.

### **Can short-time work also have disadvantages?**

Short-time work has particular disadvantages when structural rather than cyclical factors are responsible for economic problems of companies. In that case, the instrument would hinder restructuring and sometimes a more sustainable labour market policy. In this case, it would make more sense to speed up the placement and qualification process to avoid unemployment rather than to artificially maintain jobs that are no longer sustainable. If short-time work is granted for a longer period and there is a complete loss of work, short-time work can have a preserving effect on the employment structure. Economists then speak of efficiency disadvantages due to a reduction in the reallocation of labour and a delayed withdrawal of unproductive companies from the market. This was the case, for example, in East Germany. In the period after the reunification, it became clear that short-time work could not secure jobs in the longer run if there were no long-term employment prospects. Most short-time workers later switched to unemployment, early retirement or participation in labour market policy measures.

*If structural rather than cyclical factors are responsible for the crisis in companies, rapid placement and qualification would make more sense than short-time work.*

### **Are there any other disadvantages?**

There can also be some deadweight effects, for instance, when companies first use short-time work and then reduce the staff that they would have reduced anyway. In this case, short-time work would not be a sensible economic buffer, but rather a liquidity aid for companies and a kind of extended unemployment benefits for employees.

### **How does the German short-time working scheme differ from programmes in other countries?**

Germany is one of the countries with a long tradition of short-time work. We can currently

Quelle:  
<https://www.iab-forum.de/en/short-time-work-in-europe-rescue-in-the-coronavirus-crisis-an-interview-with-iab-researcher-regina-konle-seidl/> | 2

distinguish between three types of short-time working systems in Europe. Firstly, there are countries with established programmes like Germany, France, Belgium or Italy. Secondly, there are countries such as Austria or the Netherlands, which also have many years of experience with short-time work, but have replaced existing programmes with shorter but more generously equipped coronavirus-related short-time work programmes. In a third group, there are countries without any experience with the scheme, but which have now introduced special programmes for a limited period.

**Are there any conceptual differences between the programmes of the three groups of countries?**

The logic of short-time work regulations differs significantly across the different groups of countries. This is already obvious in the terminology used. The term “short-time work” is mainly limited to the German-speaking countries. In Belgium, France, Great Britain and the Netherlands, on the other hand, the terms “temporary unemployment” or “partial unemployment” are used.

While classic short-time work schemes such as the German one emphasize, for example, the reduction in daily or weekly working hours, countries without established programmes focus on supporting employees who do not work at all for a longer consecutive period.

A central challenge for the institutional design of short-time working arrangements is to prevent as many redundancies as possible, while at the same time curbing abuse or deadweight effects. In this context, a large number of design features has to be taken into account. These include not only the level of benefits and duration of the programme, but also the type of financing and the companies’ share of programme costs.

**Can you give concrete examples of how the German programme differs from the programmes of other countries?**

In Germany, the amount of the allowance is initially 60 percent of net salary, 67 percent for workers with a child. In countries with crisis-related special programmes such as Austria or Denmark, the replacement rate is much higher – 75 to 90 percent of net salary. In the first group of countries, however, the short-time benefits can generally be paid out for 12 months, whereas in countries with higher replacement rates it is usually limited to three months only. In Germany, a number of temporary changes were adopted following the Social Protection Package I of 13 March 2020 and the Social Protection Package II of 14 May 2020.

Quelle:

<https://www.iab-forum.de/en/short-time-work-in-europe-rescue-in-the-coronavirus-crisis-an-interview-with-iab-researcher-regina-konle-seidl/> | 3

There was no agreement in Germany on a socially staggered increase in short-time work benefits for low earners as in Denmark or Austria.

### **What are these changes?**

Changes refer, for instance, to the period of entitlement, which has been extended to up to 21 months if the entitlement to short-time work benefits arose before 31 December 2019. In addition, the amount of benefits was temporarily increased: from the fourth month of short-time work and in the event of a loss of working hours of at least 50 percent to 70 percent or 77 percent with a child, and from the seventh month to 80 percent or 87 percent with a child. However, there was no agreement on a socially staggered increase in short-time work benefits for low earners as in Denmark or Austria.

In contrast to many countries, however, the German short-time working allowance is not a state benefit paid to the employer, but a benefit paid – up to now – by the unemployment insurance fund to workers affected by short-time working. In contrast to Germany, short-time work benefits in all other countries are currently financed through government subsidies to the unemployment insurance or are generally funded by general tax revenues.

### **Are all employees entitled to short-time work benefits?**

Workers must be subject to social insurance contributions, since during short-time work, benefits are usually financed from the general contributions to unemployment insurance. In Germany, mini-jobbers are still excluded from short-time work because they do not pay unemployment insurance contributions. Also solo self-employed persons are not entitled to short-time work benefits. Overall, in most countries short-time work regulations have been extended to atypically employed persons, such as temp agency workers in Germany or domestic workers in France. In Italy, where previously only a third of workers were covered by the various wage guarantee funds, short-time working has now been extended to all employees and sectors.

### **What were the main changes to the existing short-time working programmes during the coronavirus crisis?**

The common features of the European short-time work programmes, which differ widely in logic and design, are that the level and duration of support for employees were increased, access to short-time work was made easier, and companies were relieved of the burden of cost-sharing. As already mentioned, short-time work programmes have also been newly

Quelle:

<https://www.iab-forum.de/en/short-time-work-in-europe-rescue-in-the-coronavirus-crisis-an-interview-with-iab-researcher-regina-konle-seidl/> | 4

introduced in some cases. As a result, the take-up rate has significantly increased, particularly for small- and medium-sized service companies in the hotel and restaurant industry, tourism, hairdressers and laundries, or the motor vehicle trade. It has to be shown in follow-up studies whether the new regulations have positive effects on securing employment and avoiding unemployment, and what effects can be expected in the longer term taking deadweight loss and misuse into account.

### **What is the main difference between the current coronavirus-related economic crisis and the economic and financial crisis of 2009?**

The financial and economic crisis of 2008/2009 was primarily a demand crisis that affected mainly the manufacturing industry. Currently and in contrast to 2008/2009, all sectors and especially small- and medium-sized service companies with liquidity problems are affected by a considerable drop in demand. This may lead to an increase in insolvencies. In these cases, short-time work unfortunately cannot prevent unemployment. In addition, “hoarding” of skilled workers in the manufacturing sector as in the 2008/2009 recession is less likely in the smaller service companies. Moreover, even before the coronavirus shock, there were structural problems in individual sectors such as the automotive industry. However, the decisive factor is likely to be whether the shock is indeed temporary or whether it grows into a systemic crisis.

The decisive factor is likely to be whether the shock is temporary or whether it grows into a systemic crisis. In the latter case, short-time work cannot secure jobs in the long term.

### **What lessons for the design of short-time work do scientists draw from previous crises?**

Konle-Seidl: Due to the different nature of the crises, findings from empirical studies can probably only be transferred to a limited extent. Recommendations for the optimal design of short-time work should therefore be treated with caution. For example, the much-noticed recommendations of Giulia Giupponi and Camille Landais assume that the use of short-time work will prove to be particularly advantageous in the event of a temporary shock if a number of design features are taken into account. For instance, short-time work benefits should be higher (80-90 percent) than unemployment benefits in order to maintain the demand for consumer goods. Furthermore, the short-time working allowance should basically be granted for the entire period of the crisis and not just for three months. Moreover, the

Quelle:

<https://www.iab-forum.de/en/short-time-work-in-europe-rescue-in-the-coronavirus-crisis-an-interview-with-iab-researcher-regina-konle-seidl/> | 5

possibilities for reducing working hours should be flexible. However, Giupponi and Landais did not address such aspects as the participation of companies in the costs of short-time work. This aspect has proven to be important to limit the risk of deadweight effects.

Experience from previous crises has shown that companies often reduce their training activities in times of crisis.

**It makes sense to use reduced working hours to make employees fit for the future world of work, not least in view of the rapid digital change. Is further training during short-time work financially supported?**

It is indeed a good idea to use the free time to build up IT competence and close knowledge gaps, thus also reducing the risk of future unemployment. The German [Federal Employment Agency](#) supports further training for employees on short-time work. In France, the costs of further training during short-time work are subsidized up to 100 percent. In contrast, in countries with shorter programme durations, there is usually no public-funded support for further training. Experience from previous crises has shown, however, that companies often reduce their further training activities in times of crisis and do not make use of existing funding opportunities. In addition, it turned out that it is not so easy to create tailor-made training offers during short-time work. However, due to the increasingly rapid changes in the world of work, further training is more necessary today than ever before.

The use of short-time work will exceed historical standards.

**How are figures on workers affected by short-time work evolving across countries?**

Easier access to short-time work has led to a massive increase in short-time work not only in Germany. The number of notified short-time work by companies is already exceeding all historical standards. At the end of April, in Belgium, 23 percent of the workforce, i.e. 1.25 million people, and in France as many as 40 percent of the workforce, i.e. 10 million people, were reported to have taken up short-time work. In Germany and Austria, short-time work was notified for almost every third employee subject to social security contributions. Although a notification does not automatically mean that short-time work is actually taken up, current employer surveys show that about three quarters of all short-time work notifications are actually settled. According to the German Federal Employment Agency, in March two million workers and in April about six million workers were eligible for short-time

Quelle:

<https://www.iab-forum.de/en/short-time-work-in-europe-rescue-in-the-coronavirus-crisis-an-interview-with-iab-researcher-regina-konle-seidl/> | 6



work compensation, figures far above the time of the financial crisis in 2008/2009. At that time, a peak of 1.44 million people was reached.

### **Is there already some indication as to whether short-time work will help to secure employment in the current coronavirus crisis?**

It is interesting to observe that, for example, the development of unemployment in Germany and Austria differs in time. While unemployment in Austria rose abruptly by almost 70 percent by the end of March, it has been falling continuously since mid-April. In Germany, on the other hand, unemployment rose with a time lag: from March to April by 308,000 people or around 13 percent. In May, the rise levelled off, but still amounted to 6.4 percent compared to the previous month. The different development might be partly due to the special Austrian coronavirus-related short-work benefit introduced on 21 March 2020. Compared to unemployment benefits replacing 55 percent of net income, the scheme is much more generous at 80 to 90 percent of net wages. This might be one of the reasons why expenditure on the coronavirus-related short-time work has increased dramatically: Within four weeks, the short-time work budget of the Austrian Ministry of Finance had to be increased more than tenfold from 400 million to five billion euros. Only in the wake of the crisis it will ultimately become apparent whether or not the more generous benefits for employees and the more far-reaching cost relief for companies in Austria compared to Germany were actually more effective in securing employment.

### **Literature**

Konle-Seidl, Regina (2020): [Short-time work in Europe: Rescue in the COVID-19 Crisis?](#) IAB-Research Report 4/2020.

Giupponi, Giulia, Landais, Camille (2020): [Building effective short-time work schemes for the COVID-19 crisis](#), in: VoxEU, 01 April 2020.