

“Working Short-Time to Overcome the Crisis”



CHANGES IN SHORT-TIME WORKING

BACKGROUND “Working Short-Time to Overcome the Crisis” is the motto adopted by the federal government and the legislature for the most recent improvements in overall conditions for short work hours adopted in reaction to the ongoing economic crisis. The goal is to make it easier for companies affected by the crisis to forego dismissals for operational reasons. The provisions of the “Economic Stimulus Package II,” which went into effect as of 1 February 2009, were complemented by what is referred to as the “Short-time Allowance Plus” with effect as of 1 July 2009. The new changes, most of which will remain in effect until the end of the year 2010, can be summarized as follows:

OVERVIEW In the case of employees who started to receive short-time benefits in the year 2009, payment of short-time benefits was extended to a maximum of 24 months.

During the first six months of short-time work, the Agencies for Employment (Agenturen für Arbeit) reimburse employers for half of the social-security contributions due for hours not worked. After the “Short-time Allowance Plus” takes effect, i.e. as of the seventh calendar month of short work, these social-security contributions are even reimbursed in full. Companies that have had employees on short time since 1 January 2009 will already start to benefit from full reimbursement as of July 2009.

Reimbursement of employers in full for social-security contributions that are due is also already possible as of the first month of short-time work if at least 50% of the time not worked is devoted to participation in professional development activities.

Previously, it was possible to claim short-time benefits only on the condition that the monthly wages of at least one-third of the company workforce was reduced by more than ten percent. The Agencies for Employment now also pay short-time benefits when only individual employees or depart-

ments are affected if it is possible to document a reduction in wages for each of the respective employees.

In the case of collective employment guarantee agreements, temporary changes in working hours have not been taken into account for the purposes of determination of the amount of the short-time benefits, which come to between 60 and 67% of the net income of the respective employee, since 1 January 2008. In such cases, the number of hours actually to be worked on a regular basis is used to determine the reduction in working hours for the purposes of calculation of short-time benefits so that the amount of such benefits is not negatively affected by any reduction in working hours intended to guarantee employment under a company or collective agreement.

In addition, it is no longer necessary to build up negative balances in work-time accounts so that the accounts go “below zero” in order to become eligible for short-time benefits.

Finally, short-time benefits are now also available without any restrictions for temporary personnel and employees with limited contracts.

ASSESSMENT The changes that have been introduced make short-time work more attractive and seem to be a viable way of avoiding workforce reductions when a company temporarily does not have enough work to occupy its entire workforce. Incentives have been put in place to encourage the use of short-time work as an instrument for weathering the crisis, in particular reimbursement of social-security contributions, initially half and then in full, as well as the possibility of putting only individual employees or departments on short time.

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