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### Ensuring fair short-time work – a European overview

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#### Key points:

- At the end of April 2020, in the EU27 there were more than 42 million applications for support for workers on short-time work or similar schemes, which corresponds to about one quarter of the overall EU workforce. If one includes the United Kingdom and Switzerland, the number of applications for short-time work rises to more than 50 million.
- With its proposed SURE programme to provide financial support to national short-time work and similar systems, the European Commission has recognized the importance of short-time work for avoiding unemployment and supporting employees' wages while at the same time allowing companies to adapt working hours to the drop in demand.
- The SURE programme, however, only provides financial support and therefore perpetuates potential structural deficiencies of national systems.
- Based on a comparison of the different short-time work schemes in Europe, this policy brief identifies some criteria for fair short-time work which enables workers not only to retain their job, but also to live a decent life.
- The key criteria are: (1) Short-time work (STW) schemes should cover all sectors, companies and categories of workers; (2) They should at least cover 80 per cent of the original wage; the lowest amount paid should be at least a minimum wage at the level of the living wage; (3) They should provide special protection for low-wage workers by providing them with a higher percentage of the original wage; (4) The duration of wage support should extend beyond the duration of the state of emergency; (5) STW schemes should contain a provision on protection against dismissal which extends beyond the duration of the STW support; (6) Companies that pay out dividends or bonuses, buy back shares, or have subsidiaries registered in tax havens should not be eligible for STW support by the state; (7) The regulation of the terms and conditions of STW arrangements should be based on an agreement between trade unions and employers to ensure their full involvement in the design and implementation of STW support.

#### Introduction<sup>1</sup>

On 9 April 2020, the Eurogroup finance ministers agreed a €540 billion emergency rescue package to deal with the consequences of the current COVID-19 crisis. The package contains three main elements: first, a revised European Stability Mechanism (ESM) pandemic credit line of €240 billion, which enables eurozone countries to use up to two per cent of their GDP for healthcare-related spending; second, a pan-European guarantee fund established by the European Investment Bank (EIB), which provides €200 billion in financing for companies, particularly small- and medium-sized enterprises (SMEs); and third, the 'European instrument for temporary Support to mitigate Unemployment Risks in an Emergency' (SURE), which provides €100 billion of loans to EU Member States in support of their national short-time work (STW) schemes or similar measures 'that allow firms experiencing

economic difficulties to temporarily reduce the hours worked while providing their employees with income support from the State for the hours not worked.' (European Commission 2020: 2).

While the ESM credit line in particular attracted a lot of criticism with respect to its limited financial capacity and the political stigma attached to it, the SURE programme was widely welcomed as a timely and appropriate measure to support companies and workers in the countries hardest hit by the crisis. In a nutshell, SURE

<sup>1</sup> Data correct as of 5 May 2020. Figures for Slovakia in graphs 1 and 2 were adjusted on 13 May 2020.

can be seen as a European re-insurance of the kind of national STW schemes which had already proved an effective tool to limit unemployment during the 2008/2009 economic and financial crisis. This means that the EU would borrow up to €100 billion on the financial markets, using guarantees of up to €25 billion from the EU Member States. It would then lend the money raised to Member States to support their national STW systems.

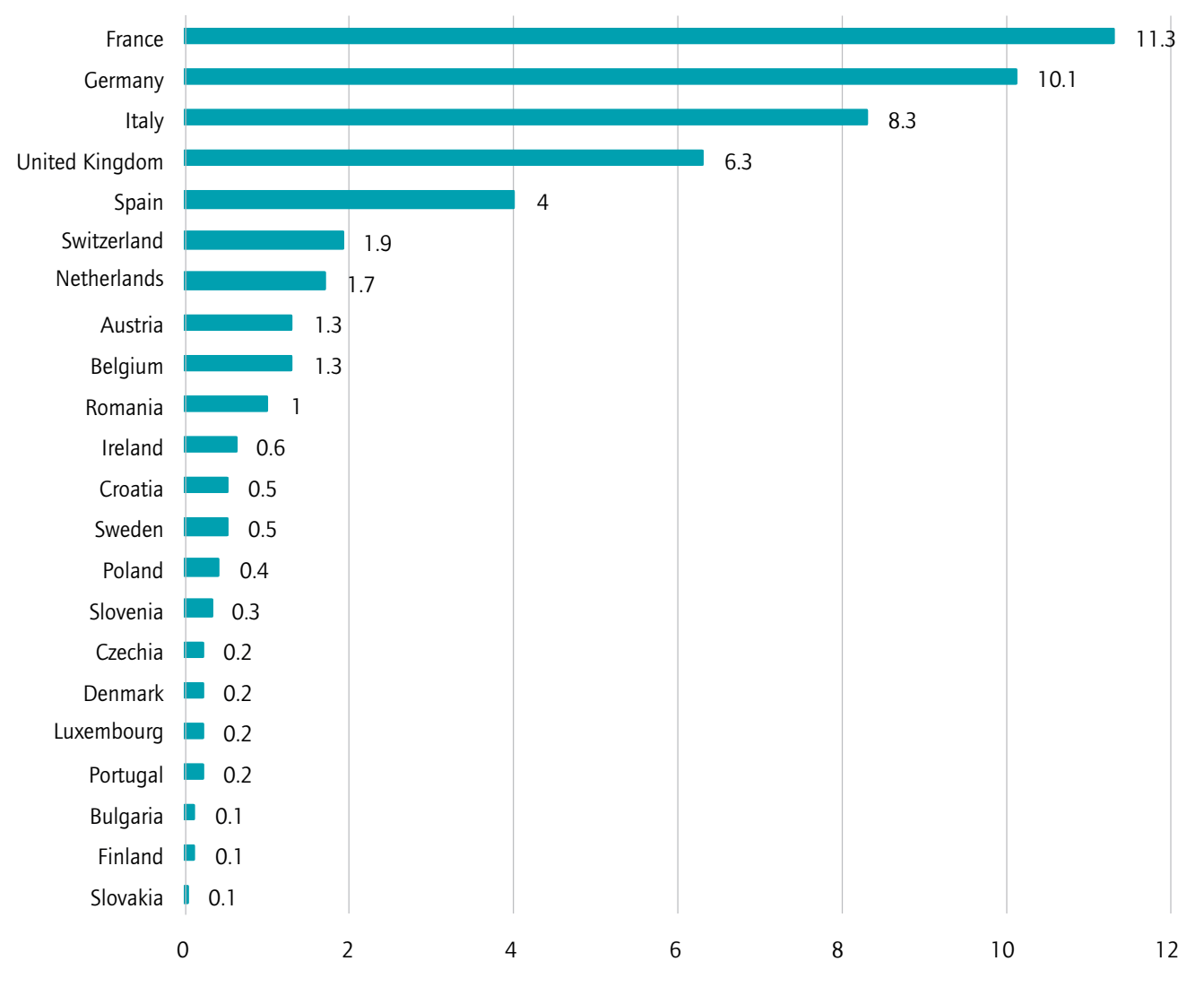
### Use of short-time work during the COVID-19 crisis

Already, the number of workers affected by STW during the COVID-19 crisis in Europe by far exceeds the number of workers that received STW allowances during the 2008/2009 crisis. National data on the use of STW are not readily comparable because the take-up of STW is measured differently across countries (Hijzen and Venn 2011). In most countries – including the larger ones such as France, Germany and Italy – official data so far refer only to the

number of workers for whom applications have been submitted. The actual number of workers affected by STW is most likely smaller because many companies apply for STW as a precautionary measure without actually putting workers on STW. In other countries, such as the United Kingdom and Czechia, the official number refers to the actual number of workers for whom the companies receive STW support. The data for the take-up in Figures 1 and 2 cannot distinguish between these two different methods of measuring the use of STW.

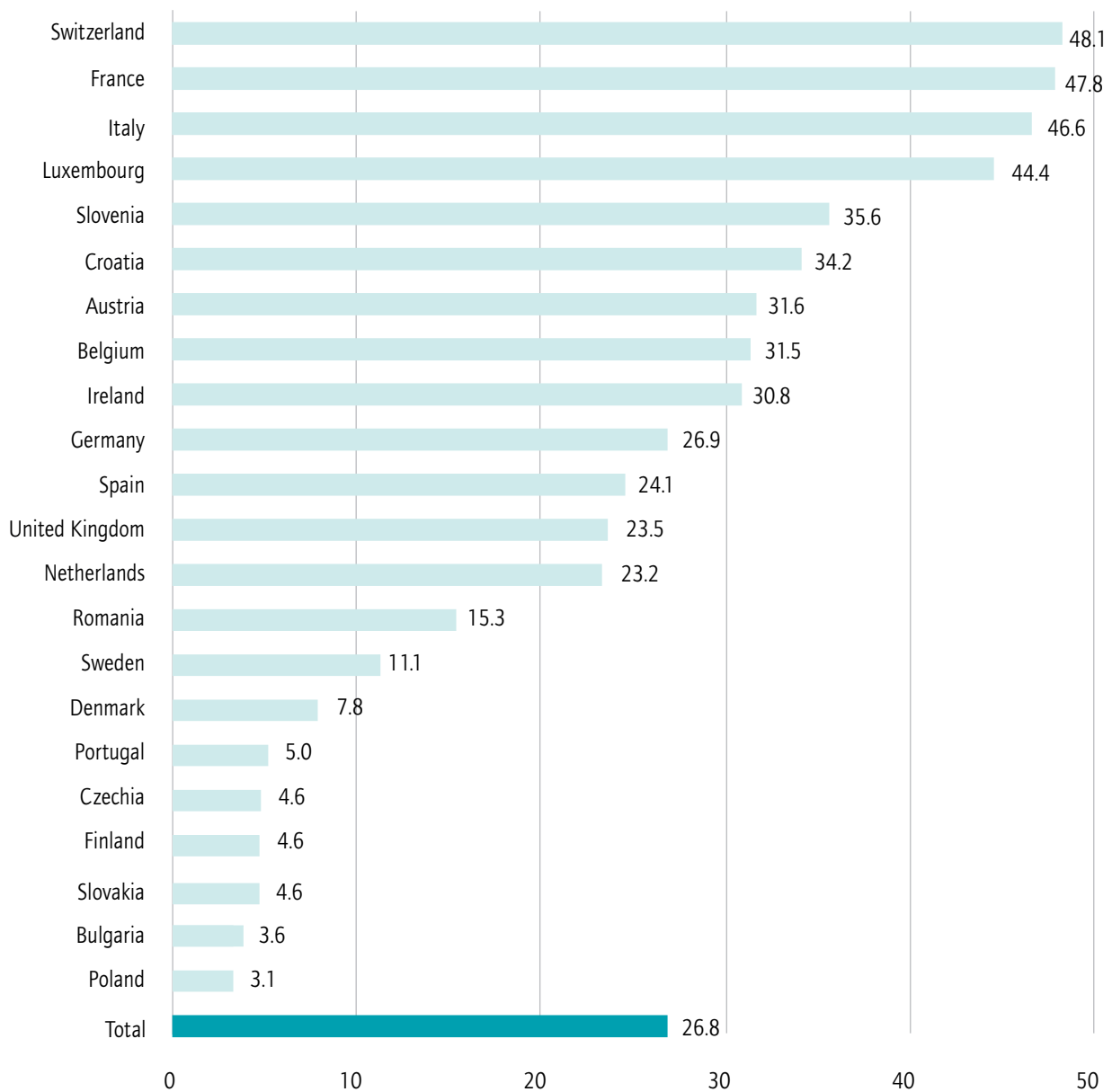
With this caveat in mind, the number of workers participating in STW and similar schemes across Europe was more than 50 million at the end of April 2020 (Figure 1). With 11.3 million, France is the country with the highest number (Ministère du Travail 2020), followed by Germany with 10.1 million (Bundesagentur für Arbeit 2020), Italy with 8.3 million (Istituto Nazionale Previdenza Sociale 2020), and the United Kingdom with 6.3 million (Financial Times 2020). In the EU27, the number of workers for whom applications have been submitted was more than 42 million. Even if not all

Figure 1 Number of workers (actual or applied for) participating in STW and similar schemes (End of April/beginning of May 2020, in millions\*)



\* Note: Partly provisional figures; figure for Luxembourg includes cross-border commuters. Source: ETUI/WSI on the basis of data from national employment agencies and ministries.

**Figure 2 Proportion of workers (actual or applied for) participating in STW and similar schemes**  
(End of April/beginning of May 2020, in per cent of all workers\*)



\* Note: Figures for all workers taken from the Eurostat Labour Force Survey (annual figures for 2019); figure for Luxembourg includes cross-border commuters.  
Source: ETUI/WSI on the basis of data from national employment agencies and ministries.

applications lead to an actual STW arrangement, the number of workers on STW or similar schemes has already reached an all-time high. In contrast to the United States, where the corona crisis has already led to unemployment for more than 33 million people, the STW schemes have obviously contributed significantly to maintaining employment, at least in the short term.

There are great differences in the proportion of workers participating in STW or similar schemes across Europe (Figure 2). The largest proportion – with nearly half of all workers participating in STW – can be found in Switzerland (48.1 per cent) and France (47.8 per cent), followed by Italy with 46.6 per cent, and Luxembourg with 44.5 per cent. There are five countries (Slovenia, Croatia, Austria,

Belgium and Ireland) in which around one third of all workers are in STW, and another four countries (Germany, Spain, the United Kingdom and the Netherlands) where the proportion of workers in STW is around one fourth. A relatively low share of workers in STW (around or even less than 10 per cent) can be found in the Nordic countries (Denmark, Finland and Sweden) as well in many central and eastern European (CEE) countries, such as Bulgaria, Czechia, Poland and Slovakia. Across the whole EU27, more than one quarter of the approximately 160 million workers are currently participating in STW or similar schemes.

The dramatic Europe-wide increase of STW during the current crisis underlines the relevance of the SURE programme, while at the same

time it raises doubts whether its financial scope will be sufficient (Matthes 2020). Another criticism levelled against SURE is the fact that it is based on loans which will increase the public debt of countries using this scheme (Corti and Crespy 2020). Moreover, SURE has even been called a 'consolation' for not having created 'corona bonds' as a much more fundamental approach to the growing need for resources to finance anti-crisis measures (Seikel 2020).

Considering the critical importance of STW in maintaining employment, however, a specific instrument such as SURE can make a valuable contribution to promote STW schemes and to close gaps where national STW systems reach their financial limits. There are also some positive political implications of the scheme. First of all, it sends an important signal of European solidarity to the countries hardest hit by the COVID-19 crisis. SURE, furthermore, gives the EU visibility as a political actor whose initiative helps European citizens in a concrete situation of crisis. These 'soft' aspects should not be underestimated in view of increasingly Eurosceptic views in countries such as Italy and Spain, where citizens increasingly feel let down by other European countries (Tooze 2020). Another important aspect is the fact that SURE is a new tool without conditionality. It therefore carries no stigma attached to it that could lead to higher premia on financial markets or that could be exploited by anti-European right-wing parties in the national context. This stands in stark contrast to the ESM credit line, which is historically laden with the harsh conditionality that was attached to the ESM financial bailout programmes during the 2008/2009 crisis. Although the finance ministers have agreed to waive the usual conditionality for the duration of the COVID-19 crisis, it is exactly this stigma attached to the ESM which makes it unlikely that the governments of Italy and Spain will even apply for loans under the newly created ESM pandemic credit line; it therefore risks remaining a latent resource (Kirkegaard 2020).

By avoiding direct intervention into national systems, SURE respects the diversity of national arrangements which provide support to workers and companies in temporary crisis situations. However, this strength is at the same time a weakness. The absence of clear criteria for the national-level application of the financial support provided by SURE means that the instrument perpetuates any potential deficiencies in the design of national systems. The European Commission has already announced plans to address this shortcoming by issuing a set of non-binding guidelines after SURE has been officially adopted by the European Council. Against this background, the objective of this publication is to review some of the key features of national STW systems and on this basis to identify some criteria for fair STW schemes in Europe which enable workers not only to retain their jobs but also to live a decent life.

## Variations on a theme: different types of short-time work schemes in Europe

Arrangements for STW or other similar instruments to bridge temporary crisis situations are widespread across Europe (Arpaia et al. 2010; Mandl et al. 2010). In some countries, such as Austria, Belgium, Germany, Italy and Switzerland, STW schemes have a very long tradition. The first STW schemes were established in Germany and Switzerland already in the 1920s (Fuster 2020). In

others – and, strikingly, in most CEE countries – the possibility of STW was introduced in the context of measures to deal with the economic and financial crisis of 2008/2009 (Cahuc 2019: 5). More recently, against the backdrop of the COVID-19 crisis, many countries have adapted their established STW arrangements to the new challenges; in some cases, the opportunities for using them and their scope and volume have been significantly expanded. By contrast, other countries with a less pronounced tradition of STW arrangements have launched new crisis programmes, which also aim to compensate for a temporary loss of working hours through (partly) state-sponsored wage support. This latter group includes several CEE countries but also the United Kingdom and Ireland.

While the objectives of the STW schemes are the same in all countries, they differ considerably in their institutional design and underlying logic. This can already be seen in the terminology used. The term *Kurzarbeit* is mainly limited to the German-speaking countries – Germany, Austria, Switzerland – and Sweden. In other countries, such as Belgium, France, Luxembourg and the Netherlands, the term 'temporary or partial unemployment' is used, although France has recently changed the name of its scheme to *activité partielle*. While classic STW regimes emphasise the reduction of daily or weekly working hours, the main focus of the other type of system is on a situation where employees do not work at all for a longer consecutive period (Mandl et al. 2010). In practice, it is often difficult to differentiate between these two types of system, since, for example, in Germany working time can also be reduced to zero hours. In the other countries with a classical STW regime, however, a certain minimum amount of time still needs to be worked in order to receive STW allowance. In Austria and Switzerland this minimum is 10 per cent of the working time and in Sweden 40 per cent, although during the current crisis, the Swedish government has temporarily reduced the minimum to 20 per cent for the period May-July 2020.

The national STW systems furthermore vary in the way the STW allowance is paid. In some countries, such as Belgium, Finland and Spain, the financial support is paid directly to the employee through the national employment agency (and in Belgium also through trade unions). In the majority of countries, however, the STW allowance is paid as a wage subsidy to the employer, who then passes it on to the employee together with the normal wage for the hours actually worked. In many instances, the rules also include incentives to provide training to employees during STW and the state's responsibility to take over the social insurance contributions.

The central differences between the respective systems, however, mainly concern the scope and volume of the assistance, the responsibility of the state, employer and employees in financing the STW allowance, and additional regulations such as, in particular, the protection against dismissal during STW.

## Who gets what? The scope and volume of STW support

In the majority of European countries, the STW schemes used in the context of the COVID-19 crisis cover companies of all sectors

and sizes. The most frequently found exemption from STW schemes are the employees of public institutions. This applies to Austria, Belgium, Bulgaria, Cyprus (in some cases), Latvia, Sweden, the United Kingdom and to a certain extent Norway, where public sector employees are not formally excluded but where STW is very rarely used in the public sector. Reference is made to company size in Italy, where the main STW scheme, the Ordinary Wage Guarantee Fund (CIGO) mainly covers the manufacturing sector and, depending on the industry, enterprises with a minimum of 15 or 50 employees. However, during the recent COVID-19 crisis, the scope of STW schemes was extended to all sectors and also to enterprises with less than five employees. Since the 2008/2009 crisis, STW schemes in most European countries have also included atypical workers, such as part-time and fixed-term employees and temporary agency workers. In some countries, however, the scope of the STW scheme has been extended in the context of the COVID-19 crisis. In Germany, for instance, temporary agency workers have so far been excluded from the STW scheme but are currently integrated based on a crisis-related temporary rule. Another example is Croatia, where the proposal discussed in parliament at the time of writing (beginning of May) includes the suggestion to extend the duration of financial support for permanent seasonal workers.

While there may not be large differences in their scope, STW schemes in Europe vary significantly in the volume of the STW allowance. The volume of STW schemes includes three elements. The most obvious one is the level of the STW allowance, which refers to the size of the wage compensation as a percentage of the original wage. The second element is the duration of the wage support which refers to the maximum length of time the wage compensation is paid for. Many systems furthermore define an upper limit of the wage support. This so-called 'cap' can either refer to the absolute amount paid or to the maximum gross wage which serves as the basis for the calculation of the STW allowance.

In the 28 European countries considered in Figure 3, the level of STW allowance varies between 50 per cent in Poland and 100 per cent of the original wage in Denmark, Ireland and the Netherlands. Aside from the level as a proportion of the original wage, there is a whole range of country-specific additional arrangements. In Belgium, for instance, the state pays an additional 'corona supplement' of €5.63 per day, which means that the actual STW allowance is higher than the statutory 70 per cent. In Germany, the relatively low level of statutory STW pay is frequently topped up by industry-level collective agreements (see below).

Other countries do not specify a certain percentage of the original wage but instead provide for a lump sum payment. In Croatia, for instance, the STW allowance amounts to the net minimum wage; in Greece, the state pays €800 per month to those workers whose company had to close because of the COVID-19 crisis; and in Malta, full-time employees in certain specified sectors severely hit by the crisis also receive €800 per month.

In yet other countries, the STW allowance varies depending on the reasons for STW (Czechia), the workers' original gross wage (Austria) or the duration of STW pay (Norway and recently Germany). A wide variation exists in Czechia where, depending on the reason,

STW pay can range from 60% in the case of economic difficulties resulting from the COVID-19 crisis to 100% in the event of a business closure due to a government order. In Austria, low-wage earners with a monthly gross wage of up to €1,700 are paid a higher STW allowance of 90 per cent compared with 85 per cent for workers whose monthly gross wage ranges between €1,701 and €2,685; and 80 per cent for workers earning between €2,686 and €5,370 (Schnetzler et al. 2020). In Norway, 100 per cent of the original pay is compensated for the first 20 days. After that the worker receives between 62.4 per cent if the original annual earning is between 300,000 and 600,000 NOK and 80 per cent if the workers' original salary is below 300,000 NOK. Germany is another example where the duration of STW support determines its level: on 23 April 2020, the government decided that from 1 May the usual 60 to 67 per cent only apply to the first three months. Between the fourth and sixth month of receiving STW allowance, the level will increase to 70 per cent (for workers without children) and 77 per cent (for workers with children). Between the seventh and twelfth month of receiving STW allowance, the level will be 80 per cent (without children) and 87 per cent (with children) respectively.

In some countries, such as Estonia, France, Lithuania, Luxembourg, Poland, Portugal and Slovenia, the statutory national minimum wage is the absolute lower limit for the STW allowance. Such a 'minimum STW allowance' related to the national minimum wage is intended above all to guarantee employees in low-wage sectors a certain minimum income during STW.

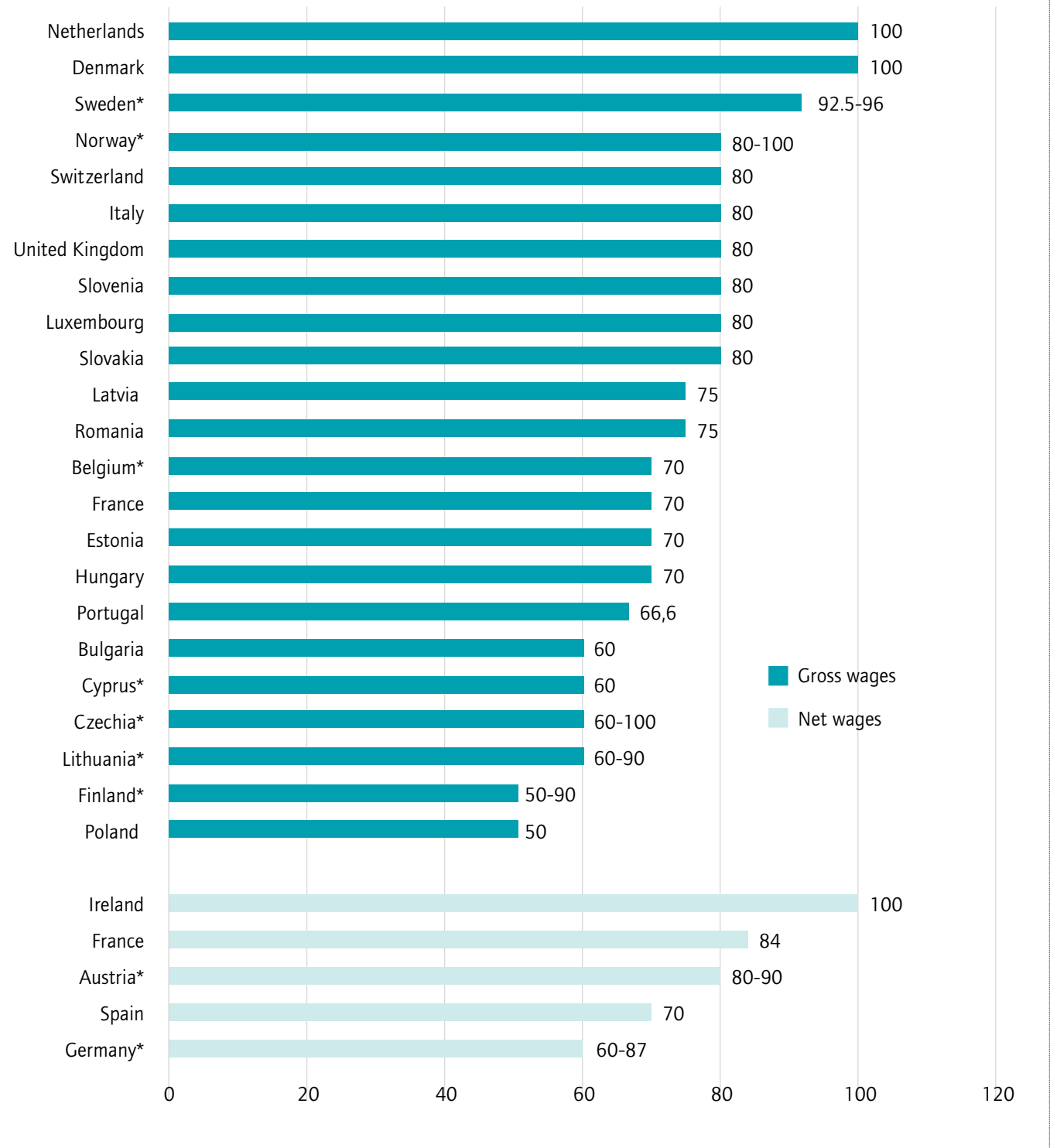
A major difference in national STW schemes is whether the STW allowance relates to gross or net pay. In most countries, gross pay is used as the basis for the calculation of the STW allowance, so that the net compensation may even be significantly higher. In France, for example, the STW allowance is 70 per cent of the gross pay. However, since the STW allowance is tax-free, this corresponds to 84 per cent of net remuneration.

## The role of the cap: defining maximum STW allowances

Most national schemes specify a maximum amount of STW allowance to be paid. This so-called cap is another important element determining the volume of a STW scheme because even in a seemingly generous scheme with a high level of STW allowance as a percentage of the original wage, the actual amount paid may still not be sufficient if the cap is very low. The cap can be expressed as an absolute maximum amount of money to be paid but it can also be expressed in relation to the minimum wage. In France, for instance, the cap is 4.5 times the minimum wage, in Portugal 3 times and in Luxembourg 2.5 times. In Romania it is 75 per cent of the national average wage, and in Poland it is 40 per cent of the national average wage in case of a working time reduction of between 20 and 50 per cent.

Austria, Germany and Sweden are special cases: in these three countries, the cap refers to the maximum gross wage which is taken as the basis for the calculation of the STW allowance. In western Germany, for instance, the upper limit taken for the calculation of

Figure 3 Short-time allowance in per cent of the original pay in Europe



\* Notes:

Sweden: Depends on the extent of working time reduction.

Norway: 100% from the third to the twentieth day; afterwards: 80% for up to 300,000 NOK annual earnings, and 62,4% for earnings between 300,000 NOK and 600,000 NOK.

Belgium: Plus an additional corona supplement of €5.63 per day.

Cyprus: The special unemployment benefit amounts to the value of 60% of the social insurance unit which in turn amounts to 60% of the original wage.

Czechia: Depends on the reason for the working time reduction: 60% in case of economic difficulties, 100% in case of business closure due to government order.

Lithuania: 90% in sectors subject to statutory restrictions; 60% in all other sectors.

Finland: The 50% figure refers to the average amount of the earnings-related benefit, which in some cases can reach up to 90% of the daily salary.

Austria: 90% for a monthly wage of up to 1,700 EUR; 85%: €1,701 to €2,685; and 80%: €2,685 to €5,370.

Germany: In the first three months: 60% or 67% for people with children; fourth to sixth month: 70% or 77% (with children); from the seventh month: 80% or 87% (with children).

Source: ETUI/WSI on the basis of national sources.

the STW allowance is €6,900 (in eastern Germany it is €6,450); this means that any additional money earned per month is not taken into consideration for the calculation of the STW allowance. A comparison between Germany and Italy – both countries with a maximum duration of 12 months – illustrates the importance of the respective cap for the volume of the STW allowance. Even though in Italy the level of the STW allowance is 20 percentage points higher than in Germany during the first three months, the actual maximum amount of money paid is lower than in Germany because in Italy the cap is substantially lower. In Italy, the cap for monthly gross wages above €2,159,48 is €1,129.66. In western Germany, by contrast, the maximum amount of STW allowance paid for an unmarried employee without children is €2,220 (60% of the net wage) and therefore almost double the maximum amount paid in Italy.

## Bargaining for more: the role of collective agreements

While STW arrangements are, as a rule, based on legislation, in many countries collective agreements play an important role in defining the terms and conditions of STW schemes. In countries with a strong tradition of close relations between trade unions and employers, such as the Scandinavian countries Denmark, Norway and Sweden, but also Austria, the principal features of the STW scheme used during the COVID-19 crisis, such as its level and duration, are based on a national-level collective agreement. The more specific implementation of the scheme has been agreed at local level: in the Scandinavian countries this is usually negotiated between management and trade unions, while in Austria it is as a rule based on an agreement between management and works councils with the final approval of the respective trade union and employers' federation. In other countries such as Italy, Poland and Spain, the conditions for the use of STW must be agreed between management and trade unions or the employee representation structures at company level.

Germany is a special case, where industry-level agreements play a very important role in improving the terms of the statutory STW scheme. This applies in particular to the role of collective agreements in increasing the level of the statutory STW allowance from 60 per cent of the net wage in the case of a worker without children up to a level between 75 and 100 per cent. Examples of industries in which industry-level collective agreements in the context of the COVID 19 crisis have improved the level of STW allowance include: the film industry (100%); metalworking (80-97%); local government (90-95%); chemicals (90%); automotive craft (90%); fast food restaurants (90%); textiles services (80%); and the wood and plastics industry (75%) (Schulten and Müller 2020; Wirtschafts- und Sozialwissenschaftliche Institut 2020).

At the same time, and although there are more and more collective agreements that increase the statutory STW allowance in Germany, only a minority of employees actually stand to benefit. In contrast to the 2008/2009 crisis, the COVID-19 crisis has not only hit the manufacturing sector with its comparatively high wages and bargaining coverage, but also the private services sector, which has comparatively low wages and bargaining coverage. In the

private services sector, many employees on STW will not be able to make ends meet for long, with a net income loss of 40 per cent (Bispinck and Schulten 2020). Against this background, the German Trade Union Confederation (Deutscher Gewerkschaftsbund, DGB) advocated an increase of the statutory STW allowance to at least 80 per cent of the net wage. Some of the sectoral trade unions such as Ver.di even demanded an increase to 90 per cent of the net wage. This shortcoming of the German system is only partly addressed by the recent increase of the level of the statutory STW allowance. For many low-paid workers, for instance in the restaurant and catering sector, the increase of the STW allowance to 80 per cent after seven months comes too late because their employer may have gone out of business by then.

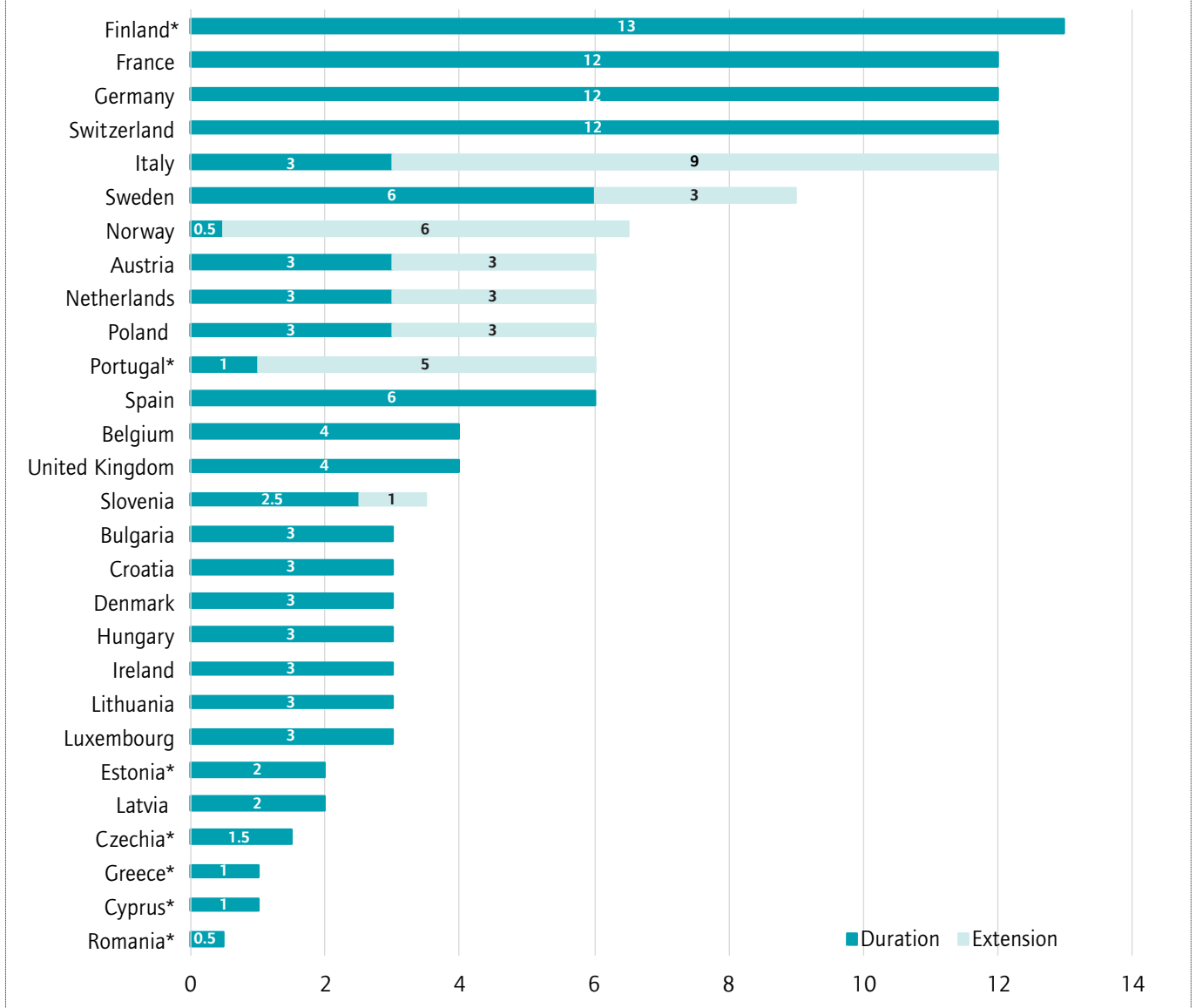
In some countries, there is a range of company-level agreements that also serve to increase the statutory STW allowance. The most prominent example is Germany, with agreements, for instance, at Winterhall DEA (100%), Volkswagen (78-95%), Eurowings (90%), Deutsche Telekom AG (85%) and Deutsche Bahn AG (80%) (Wirtschafts- und Sozialwissenschaftliche Institut 2020). Company-level agreements that increase the level of the statutory STW allowance also exist in France, where, for instance, at Renault an agreement was signed on 31 March 2020 which increases the STW allowance to 100 per cent of the original wage (Benezet 2020).

## Getting through the dry spell: duration of support

There are also major differences in the duration of STW benefits, which we identify as the third dimension of the volume of STW systems. As a rule, more generous benefits go hand in hand with a shorter period of entitlement. A distinction must be made, however, as to whether the arrangements made in the course of the COVID-19 crisis are based on an already existing system or whether specific crisis-related programmes have been adopted. Temporary special programmes tend to provide more generous benefits. In countries such as Austria, Denmark, Ireland and the Netherlands, which have adopted special crisis-related programmes with a comparatively high level of STW allowance, the benefits are initially limited to three months. In Austria and the Netherlands, STW can be extended for another three months. In Sweden, on the other hand, a high level of short-time allowance of more than 90 per cent of gross salary is paid for six months and can also be extended for a further three months.

Figure 4 illustrates that in the majority of countries, the duration of the STW scheme applied during the crisis was three months or less. Some countries, however, offer the possibility to considerably extend the use of the STW scheme. The examples of the Netherlands and Austria have already been mentioned above. Further examples are: Poland, where the crisis programme can be extended for another three months; Portugal, where the STW allowance in the context of the COVID-19 crisis is granted on a monthly basis with the possibility to extend the programme for up to six months; and Italy, where the emergency rules apply for three months with the possibility of an extension of up to 12 months. Still other countries which foresee only a very short duration, such as Cyprus, Czechia, Estonia and Romania, have explicitly linked the crisis measures

Figure 4 Duration of short-time allowance during the COVID crisis (in months)



\* Notes:

Finland: 400 days.

Portugal: STW allowance granted on a monthly basis with the possibility to extend the programme up to six months.

Czechia: Programme is linked to state of emergency; possibility to extend the programme.

Cyprus: Programme is linked to duration of suspension of business activity due to the crisis; possibility to extend the programme.

Estonia: The support may be paid for two months out of a period of three months between March and May 2020.

Romania: Programme is linked to state of emergency; possibility to extend the programme.

Source: ETUI/WSI on the basis of national sources.

to the duration of the state of emergency and thus include the possibility to extend the programme.

### Who foots the bill? Financing the STW allowance

For employers, STW means a considerable cost reduction, which is financed both by the employees' loss of income and by the state-sponsored wage subsidy. In the majority of European countries, the state pays 100 per cent of the STW allowance. In a range of countries, however, the employer has to contribute to the employees' STW pay in order to mitigate against the risk that

employers misuse the system. The part of the employee's STW allowance covered by the employer can vary from less than ten per cent in Sweden (1-7.5 per cent) and Italy (4-8 per cent) to 30 per cent and more in Ireland (30 per cent), Portugal (30 per cent) and Malta (33 per cent).

In some countries, the shares of the STW allowance to be covered by the state and the employer are linked to certain criteria. In Norway, for instance, the employer has to cover the whole STW allowance for the first two days and then the state takes over. In the Netherlands, the employer's share is linked to the size of the expected loss of a company's turnover and can range between 10



and 77.5 per cent. In Denmark, the share covered by the employer varies between 10 per cent for non-salaried employees and 25 per cent for salaried employees. While in Denmark employees continue to receive 100 per cent of their wages, they have to contribute five days' holiday to STW. A very interesting case is Slovenia, where according to the first set of 'Anti-Corona-Laws', the employer had to cover 60 per cent of the employees' STW allowance. This was changed, however, in the subsequent set of 'Anti-Corona Laws'. Now the state covers 100 per cent of the STW allowance.

## Dismissal protection

In order to reduce the risk of abusing the system, in the majority of European countries the STW allowance subsidy paid during the COVID-19 crisis is linked to protection against dismissal for the employees concerned. The exceptions are Belgium, Finland, Germany, Latvia, Romania and Slovenia. In Germany, however, protection against dismissal is part of many industry-level collective agreements regulating the terms and conditions of STW where these exist. In some countries, such as Austria, Bulgaria, Cyprus, France, Hungary, Lithuania and Slovakia, protection against dismissal even extends beyond the period during which the employees receive STW allowance. In Bulgaria, France and Lithuania, the protection against dismissal is double the length of the duration of STW. In Cyprus, in the case of a partial suspension of business activities, the protection extends one month beyond the duration of STW and in Slovakia two months. In Hungary, employers have to maintain the same level of employment until the end of December 2020. In Austria, the length of protection against dismissal follows a staged model depending on the duration of the STW allowance (Schnitzer et al. 2020): up to two months of STW ensures a total of three months' protection from dismissal; up to four months of STW ensures a total of six months' protection from dismissal; up to twelve months of STW ensures a total of fifteen months' protection from dismissal; and more than twelve months of STW ensures four additional months of dismissal protection on top of the total duration of STW.

## Strings attached: ban on the distribution of dividends for companies under STW schemes

After some larger companies in Europe in particular announced their intention to pay out dividends despite the ravages of the COVID 19 crisis, in many European countries questions were asked whether these companies should still be allowed to receive state aid (including wage subsidies for STW). The logic behind the exclusion of such companies from STW support is that if companies have enough money to pay out dividends and buy back shares, the financial problems of these companies cannot be that severe to justify the socialisation of the costs of retaining their employees via STW schemes. Thus, before applying for state support, companies should utilise their own resources. France was among one of the first countries which announced that companies which have applied for a deferral of tax and social security payments or a loan guaranteed by the state must undertake not to pay dividends to their shareholders in France or abroad in 2020 (Gouvernement Français 2020). The

French Minister of the Economy and Finance, Bruno Le Maire, has also appealed to companies subsidised through STW schemes to abstain from paying out dividends (Capital 2020). So far, however, there is no legally binding ban in France on paying out dividends for companies under STW schemes, which has been met with criticism from French trade unions (CGT 2020).

A similar situation exists in Germany, where companies applying for special corona loans from the state-owned development bank, KfW, are not allowed to distribute profits and dividends. This is, however, not the case if companies receive wage subsidies from the Federal Employment Agency when using STW. In mid-April 2020, three out of four companies listed on the German stock market were still declaring their intention to pay out dividends – even if they put their employees on STW (Sommer and Osman 2020). Among them are Germany's largest car producers BMW, Daimler and Volkswagen, which intend to pay billions of euros to their shareholders while the three companies combined have more than 200,000 employees on short-time work.

In Switzerland, meanwhile, paying out dividends and bonuses is not allowed for companies receiving state credits (Schweizerische Eidgenossenschaft 2020). As this does not apply to wage subsidies linked with STW, a cross-party commission of the Swiss National Parliament has called for a regulation prohibiting companies with STW from paying out dividends (Sekretariat der Kommissionen für soziale Sicherheit und Gesundheit 2020). This position has been endorsed by the Swiss Trade Union Confederation (Schweizerischer Gewerkschaftsbund, SGB), which wants to oblige companies supported by STW schemes to refrain from dismissals and dividend payments (Schweizerischer Gewerkschaftsbund 2020).

Much stricter rules which also cover companies under STW schemes apply in Sweden and Denmark. In Sweden, the Swedish Agency for Economic and Regional Growth (Tillväxtverket) which is responsible for refinancing STW allowances to the companies, declared that it is 'inappropriate for a company to be paying out large amounts in dividends and at the same time to be taking advantage of the support from the State in the form of the short-time work allowance.' (Tillväxtverket 2020). In such a case, Tillväxtverket will make use of its possibility to adjust the support granted to that company.

In Denmark, the government declared that larger companies which seek public funds (including wage subsidies for STW) of more than 60 million DKK (around €8 million) are not allowed to pay out dividends, to buy back shares, or to be registered in tax havens (Finansministeriet 2020). Demands to ban the payment of dividends for companies under STW schemes have also been raised in Austria, Belgium, the Netherlands and the United Kingdom.

Finally, there is also a discussion at European level to ban paying out dividends for companies receiving state aid from EU programmes. According to a leaked document, the European Commission has already made some proposals for EU-wide COVID-19 aid rules (Rankin 2020). A European approach is also supported by the European Trade Union Confederation (ETUC), which argues that 'companies having at least one subsidiary in tax havens, currently paying dividends, practicing share buybacks, delivering executive bonuses or laying

off workers' should have no access to 'any kind of public financial support' such as the 'still to-be-adopted SURE programme, public procurement or the ECB PEPP programme' (ETUC 2020a).

## Conclusion: criteria for an effective and fair STW scheme

Based on this review of national STW systems, the following key criteria for an economically effective and fair STW in Europe can be identified and should be taken into consideration by the European Commission when formulating its guidelines for the proper application of the SURE scheme (see also Giupponi and Landais 2020):

**Inclusiveness:** STW schemes in Europe should cover all sectors, companies, and categories of workers. In particular, the most vulnerable categories of workers, such as part-time and fixed-term employees, temporary agency workers, platform workers and migrant workers should not only be explicitly covered in the context of any emergency programmes, but should generally be granted access to STW schemes.

**Volume:** STW schemes should generally enable all workers to live a decent life and to make ends meet. Following the practice in almost half of European countries, the wage support should at least cover 80 per cent of the original wage. In order to protect low-wage workers who are hardest hit by the temporary loss of parts of their wages, the wage support should be more generous for this group of workers. Existing caps in the various countries should be adapted to accommodate the objective of enabling a decent living standard.

Another important measure to protect low-wage workers is to define a lower limit for the STW allowance. In line with the European Commission's initiative to establish fair minimum wages in Europe, the minimum threshold for the STW support should be the national living wage level of at least 60 per cent of the national median which provides for more than mere subsistence by enabling participation in society (Müller and Schulten 2020).

**Duration:** In some countries, the duration of wage support schemes is explicitly limited to the duration of the 'state of emergency'. In the light of the dramatic increase of unemployment across Europe and the as yet unknown economic consequences of the current COVID-19 crisis, it is important that the duration of the STW arrangements offers a long-term perspective beyond the immediate confinement period.

**Protection against dismissal:** In order to avoid the misuse of the system by companies, STW schemes should include a protection against dismissal for workers receiving wage support. Following the example in a range of Member States, the protection against dismissal should last beyond the period of STW.

**Ban on paying out dividends:** Furthermore, receipt of state support through STW schemes should be made conditional on a ban on paying out dividends and executive bonuses, buying back shares, and on having headquarters or subsidiaries registered in countries that are recognized as tax havens.

**Full involvement of trade unions and employers:** In order to ensure the effectiveness of STW schemes, trade unions and employers should be fully involved in their design and implementation at national, sectoral and company level. The STW allowance should only be paid if the conditions are agreed between trade unions and employers at the appropriate bargaining level in accordance with national regulations, customs and practices.

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