

# Job retention schemes in Europe

## Slovakia

Lucia Kováčová<sup>1</sup>

**Note on ETUI classification of job retention schemes (JRSs):** All job retention schemes (JRS) share the objective of preserving the ties between companies and their employees in times of temporary economic difficulties. They support incomes of workers who keep their employment contract even if the work is fully suspended. Depending on the primary objective and the nature of support, three different categories of JRS can be distinguished:

**(1) Short-time Work Scheme (STW):** The key objective of STW schemes is to provide support to companies to retain their employees in times of economic difficulties. The company receives financial support for the employees' wages paid for the time not worked. The extent of working time reduction can vary, including also a full work suspension.

**(2) Furlough Scheme (FS):** FSs can be best understood as temporary unemployment. The financial support is thus paid directly to the worker for the period of partial or full working time suspension. The aim of a FS is to enable companies to reduce their wage bill by temporarily laying off (parts of) their workforce. While retaining the ties with the employer, workers on the FS scheme are available to seek alternative employment. Integrated into the existing system of unemployment insurance, FSs can be seen as a tool to facilitate the transition towards a new job.

**(3) Wage Subsidy (WS):** The main objective of WS is to preserve employment through subsidizing companies' wage bills. For this purpose, a company in temporary financial difficulty receives financial support per employee, regardless of whether or not working time of specific employees is reduced. The employees keep receiving their wages. Permissible wage adjustments are not directly related to working time reductions.

## Key characteristics of the job retention scheme

**ETUI classification of the job retention scheme (JRS)**      Short-time work scheme (STW)

**The broader context of short-time working schemes (STW) in Slovakia:** The Slovak STW system is currently rather fragmented. It consists of two temporary measures that were adopted in response to the Covid health and economic crisis. In addition, in May 2021 the National Council of the Slovak Republic adopted a permanent STW scheme (inspired by the German concept of Kurzarbeitsgeld) which was intended to serve as a sustainable policy tool to mitigate adverse economic impacts on companies and to preserve jobs in future crises. This new permanent STW scheme was enacted by Act no. 215/2021 on Short-time Work Support, and it will enter into force on 31 December 2021. It also establishes an Employment Retention Fund as a new social insurance fund that will be administered by the Social Insurance Company. This new policy measure is not intended to increase the social insurance contributions paid by employers. An essential condition for granting financial support will be restrictions on business operations which are caused by external temporary factors that are beyond the control of the employer. Furthermore, the support will only be paid out if the employer cannot assign work to at least one third of employees in the amount of at least 10% of the weekly working time. The fund is intended to compensate 60% of the average hourly gross wage for a maximum duration of 6 months within 24 consecutive months. Initially, the Ministry of Labour intended to also oblige self-employed persons to pay a mandatory contribution to the newly established fund, but in the end, the Act applies only to employees and employers. Furthermore, it excludes public sector employees.

An STW scheme existed before the pandemic as part of ALMP. It was not tied to the social insurance system. According to the Labour Code, the employer was obliged to cover 60% of the wage if they could not assign work tasks to employees for serious reasons that prevented the employer from conducting normal operations. In such a case, the employee was entitled to wage compensation in the amount determined by the agreement. The employee's approval was needed.

The employer was entitled to apply **for a financial allowance for job retention** (PES) if:

- (1) they retained the job for at least three months;
- (2) there were long lasting and serious operational reasons that did not allow them to assign work to the employee in the amount of 40% or more of weekly working time.

Note: even if all the conditions were fulfilled, the allowance was not granted automatically.

1. Central European Labour Studies Institute (CELSI).

Name of the scheme	<b>Measure 1: Financial support for employers whose business operations were restricted by government order: support for employees encountering difficulties at the workplace</b>	<b>Measure 2: Financial support for employers whose business operations were restricted due to an economic downturn: support for employees encountering difficulties at the workplace</b>
<b>Start date of the implementation of the special Covid-19 JRS rules</b>	<p>The measure is part of the First Aid package enacted in April 2020 (Measure No. 1). The First Aid package was prolonged in October 2020 and it is now called First Aid Plus.</p> <p>The dates of extension and the changes involved are as follows:</p> <p>Since <b>October 2020</b>: the financial allowance will cover 80% of <i>total labour costs</i> (not gross wages as before October); maximum amount increased to €1,100.</p> <p>Before <b>April 2020</b>, there was a cap on financial aid per employer/company (€200,000 per month and €800,000 for the whole period of receiving support), which was abolished in April.</p>	<p>The measure is part of the First Aid package enacted in April 2020 (Measure No. 3A). The First Aid package was prolonged in October 2020 and now it is called First Aid Plus.</p> <p>The dates of extension and the changes involved are as follows:</p> <p><b>April–September 2020</b>: 80% of gross wages paid by the state (net wage, taxes); social security and health insurance contributions paid by the employer.</p> <p><b>Since October 2020</b>: 80% of total labour costs paid by the state (including social security and health insurance contributions); the employer does not pay anything.</p>
<b>Eligibility</b>	<ol style="list-style-type: none"> <li>(1) Employees cannot work (or their working time has been reduced) because a company has been forced to shut down or limit its activities due to government order.</li> <li>(2) Approval of workers' representative needed.</li> <li>(3) Employer has not declared bankruptcy or one into liquidation.</li> <li>(4) No unfulfilled obligations to the state (for example, unpaid social security contributions)</li> <li>(5) No other benefit has been applied for to retain the same job.</li> </ol>	<ol style="list-style-type: none"> <li>(1) The company (recipient of financial support) must demonstrate economic downturn/decline in revenues of at least 20%.</li> <li>(2) It would have been possible to open business premises in the absence of the pandemic during the period for which financial support has been applied for.</li> <li>(3) Approval of workers' representative needed.</li> <li>(4) Employer has not declared bankruptcy or gone into liquidation.</li> <li>(5) No unfulfilled obligations to the state (for example, unpaid social security contributions)</li> <li>(6) No other benefit has been applied for to retain the same job.</li> </ol>
<b>Exceptions (category of workers or companies excluded from support)</b>	<ol style="list-style-type: none"> <li>(1) Employees without a permanent work contract are excluded from support, such as employees with temporary work contracts.</li> <li>(2) Public sector entities are excluded from support.</li> </ol>	Not defined; at the discretion of the government.
<b>Duration of support (maximum duration for which JRS support is paid)</b>	During the period of the shutdown (at the discretion of the Public Health Authority).	Not defined; at the discretion of the government.
<b>Level of support for employees (percentage of gross or net wage, please also specify whether social security contributions are covered)</b>	<p><b>For March 2020 only</b>: employees are entitled to compensation of 60-80% of their gross average wage for the time they were on STW – thus, for the time the employee could not work. The state contributes the amount of the gross wage and the employer covers social security and health insurance contributions.</p> <p><b>Since April 2020</b>: employees have been entitled to compensation of 80% of their gross average wage for the period they were on STW. The state contributes the amount of the gross wage and the employer covers social security and health insurance contributions.</p>	<p>Since <b>March 2020</b>: employees are entitled to compensation of 80% of their gross wage for the time they are on STW – thus for the time the employee could not work. The state contributes the amount of the gross wage and the employer covers social security and health insurance contributions.</p> <p>Since <b>October 2020</b>: the employer is entitled to compensation of 80% of labour costs to cover employees' wages for the period they were on STW. Thus, the employer does not contribute anything. The employees' wage level is calculated on this basis. Social security and health insurance contributions are therefore covered by the state (they are included in labour costs).</p>

	<p><b>Since October 2020:</b> the employer is entitled to compensation of 80% of labour costs to cover employees' wages for the period they were on STW. Thus, the employer does not contribute anything. The employees' wage level is calculated on this basis. Social security and health insurance contributions are therefore covered by the state (they are included in labour costs).</p> <p>For example, if the hourly gross wage is €6, the state will compensate €4.80 (80% of €6). If the employee could not work for 80 hours in a particular month, the contribution provided by the state is €384 (80 hours x €4.80). Because the state contribution also covers labour costs (+35.20% of the €384 as contribution to social and health insurance fund), the <b>total state subsidy/contribution</b> will be €519.17.</p>	
<b>Cap on support (maximum amount of JRS support payable)</b>	<p>For <b>March 2020:</b> €880 per employee</p> <p>Since <b>April 2020:</b> €1,100 per employee</p> <p>Before April: €200,000 per employer (monthly – the cap could be increased in specific cases) and €800,000 for the whole duration of support. The cap on support was abolished in April.</p>	<p>Since <b>March 2020:</b> €880 per employee</p> <p>Since <b>October 2020:</b> €1,100 per employee</p> <p>Before April: €200,000 per employer (monthly – the cap could be increased in specific cases) and €800,000 for the whole duration of support. The cap was abolished in April.</p>
<b>What share of the support is covered by the state and by the employer?</b>	<p><b>April–September 2020:</b> 80% of gross wages paid by the state (net wage, taxes); social security and health insurance contributions paid by the employer.</p> <p><b>Since October 2020:</b> 80% of total labour costs paid by the state (including social security and health insurance contributions); the employer does not pay anything.</p>	
<b>Dismissal protection</b>	Employees cannot be dismissed for at least one month after the end of benefit payments.	
<b>Role of collective bargaining in the adoption and implementation of JRS support</b>	<p>Representatives of both trade unions and employers at the tripartite level have supported the adoption and implementation of the STW schemes.</p> <p>Trade union representatives at the tripartite level have criticised income compensation measures in general: they have pointed out that people taking care of children below 11 years of age (staying at home because kindergartens and schools were closed), receive a pandemic nursing allowance of 70% of net wages, while employees unable to work have received 80% of gross wages. They claim that this is discriminatory against parents. They have also criticised the speed of financial aid provision in general.</p>	
<b>Special conditions for support to avoid misuse of the system (for instance, ban on paying out dividends or bonuses; ban on share buybacks or operating from tax havens)</b>	<p>Employers cannot apply for the allowance for employees if:</p> <ol style="list-style-type: none"> <li>(1) employees are taking vacation time or receiving any social insurance benefit (care benefit or sickness allowance);</li> <li>(2) employees have been given notice;</li> <li>(3) employees' wages are subsidised by another ALMP scheme (except for contributions for a newly established job, for assistant jobs in sheltered employment, to support labour mobility or such like).</li> </ol>	
<b>Special provisions as regards training/ requalification/ reorientation of employees on JRS</b>	None.	None.

## Quantitative data

How many workers were on JRS each month? (Please indicate whether these are applications for JRS or the actual numbers of workers on JRS)		Number of workers supported by the scheme <sup>2</sup>	Number of workers supported by the scheme <sup>3</sup>
	March 2020	65,584	68,196
	April 2020	56,535	103,298
	May 2020	24,830	109,612
	June 2020	2,118	79,552
	July 2020	472	79,559
	August 2020	135	52,780
	September 2020	200	43,908
	October 2020	3,465	67,450
	November 2020	4,810	57,891
	December 2020	4,600	34,824

**Which sectors were most affected at the beginning of the pandemic in March/April and towards the end of the period studied in November/December? (as a percentage of overall number of workers on JRS)**

No exact data: during both periods, micro-companies and small companies were more likely to receive different types of financial aid from the First Aid package than larger companies. In October 2020, micro and small companies received 65% of the financial aid (which included not only STW schemes but all five measures together).

The financial aid is used mainly in the industrial production, wholesale and retail trade, construction and accommodation services and the gastronomy (data for November 2020; these sectors received 69% of the aid).<sup>4</sup>

Is there any data on how much money the state spent on JRS and over time? (in absolute figures and as a percentage of GDP)		Total amount	% in GDP	Total amount	% in GDP
	March	18,719,409.82	0.0199	18,368,144.63	0.0196
	April	28,020,250.95	0.0299	44,085,668.84	0.0470
	May	10,342,475.13	0.0110	41,461,841.02	0.0442
	June	811,265.68	0.0009	24,684,191.07	0.0263
	July	291,817.64	0.0003	20,114,611.06	0.0214
	August	61,734.02	0.0001	14,444,813.07	0.0154
	September	75,537.43	0.0001	10,274,657.91	0.0109
	October	1,196,414.47	0.0013	12,785,335.18	0.0136
	November	1,575,590.76	0.0017	12,042,564.04	0.0128
	December	1,954,761.05	0.0021	9 821 517.02	0,0105
	<b>Total</b>	<b>€63,049,255.95</b>	<b>(% of GDP): 0.0672%</b> * GDP for 2019 (Eurostat)	<b>€208,083,343.84</b>	<b>(% of GDP): 0.22%</b> * GDP for 2019 (Eurostat)

2. Source: Central Labour Office of the Slovak Republic, February 2021.

3. Source: Central Labour Office of the Slovak Republic, February 2021.

4. Source: Institute of Social Policy (2021) First aid in Slovakia. Preliminary report on social aid for workers and families. <https://cutt.ly/NkkTPJU>

## Information on non-standard workers and JRS<sup>5</sup>

<p><b>Do non-standard workers (NSW) have access to the regular JRS scheme or are there other support schemes, for instance for the self-employed?<sup>6</sup></b></p>	<p>Both measures are aimed at employees with a permanent work contract and exclude people with a temporary work contract. Self-employed persons that employ other people are eligible to apply (as an employer) for both measures (Measure 1 and Measure 2 described above).</p> <p>As part of the financial aid package, the Slovak government announced and implemented other measures targeting the self-employed:</p> <p><b>Measure No. 2 in First Aid/First Aid Plus:</b> The financial contribution for the self-employed with social insurance coverage whose revenue declined by at least 20% (since April 2020) (including those self-employed who have a work contract along with a self-employment license).</p> <p><b>Measure No. 4A in First Aid/First Aid Plus:</b> The lump sum financial contribution (€315) for the self-employed without any other income and without social insurance; income from permanent and temporary work contract is allowed.</p> <p><b>Measure No. 4B in First Aid/First Aid Plus:</b> Lump sum financial contribution for one-person company (€315).</p>
<p><b>What are the eligibility criteria?</b></p>	<p><b>Measure No. 2 in First Aid/First Aid Plus:</b> The self-employed cannot interrupt or terminate the self-employment license.</p> <p><b>Measure No. 4A in First Aid/ First Aid Plus:</b> The self-employed cannot interrupt or terminate the self-employment license.</p> <p><b>Measure No. 4B in First Aid/First Aid Plus:</b> The company must meet the condition of minimum turnover and maximum profit before tax.</p>
<p><b>How is the financial support for non-standard workers calculated?</b></p>	<p><b>Measure No. 2 in First Aid/First Aid Plus: financial support is calculated based on the decline in revenues:</b></p> <p><b>Since October:</b> 20%–39.99%: €270 40% – 59.99%: €450 60% – 79.99%: €630 80% and more: €810</p> <p><b>April–September 2020:</b> 20%–39.99%: €180 40%–59.99%: €300 60%–79.99%: €420 80% and more: €540</p> <p><b>Measure No. 4A in First Aid/First Aid Plus:</b> <b>Since October 2020:</b> a lump sum €315 for all eligible recipients <b>April–September 2020:</b> a lump sum €210 for all eligible recipients</p> <p><b>Measure No. 4B in First Aid/First Aid Plus:</b> <b>Since October 2020:</b> a lump sum €315 for all eligible recipients <b>April–September 2020:</b> a lump sum €210 for all eligible recipients</p>
<p><b>Which sectors were most affected in terms of providing support to non-standard workers?</b></p>	<p>No exact data, but it is estimated that mainly one-person businesses and freelancers from the entertainment sector, sports and recreation, and gastronomy, are most affected.</p>
<p><b>Are there any measures for training/ requalification/ reorientation for non-standard workers?</b></p>	<p>None.</p>

5. Non-standard workers include workers with a temporary work contract, platform workers, temporary agency workers, multiparty employment, disguised employment/dependent self-employment, freelance workers, etc.
6. The following questions refer to any existing schemes for non-standard workers.