European Foundation for the Improvement of Living and Working Conditions

Extending flexicurity – The potential of short-time working schemes

ERM REPORT 2010

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For every tree felled, at least one new tree is planted.

Foreword

Over the past two years, European companies have been faced with huge falls in demand and, consequently, in required production. This could have resulted in massive unemployment. However, the extension or introduction of short-time working measures, temporary layoff schemes and other forms of reduced working time supported by public funds meant that nearly two million European workers in 2009 did not lose their jobs, and retained much of their take-home pay. Many of these workers on short time also participated in training schemes, boosting their employability and providing an upskilling of labour for their employer. In addition, the existence of such schemes ensures that employers can preserve their pre-crisis pool of skilled labour, for when recovery comes.

Short-time working and similar schemes have already been the focus of work by Eurofound; this year's annual report from Eurofound's European Restructuring Monitor (ERM), however, while it includes an analysis and description of schemes across the Union, goes further and examines the potential of short-time working and temporary layoff measures to serve as a concrete implementation of the EU's 'common principles of flexicurity'. Short-time working and temporary layoff combine internal numerical flexibility for the employer with job and income security for the employee; where training is conducted during the time off, this also contributes to employment security. Moreover, the report illustrates the extent to which genuine consensus has been achieved among social partners at national level in many countries, building trust and common understanding among the parties involved. It proposes that this consensus could be harnessed to develop reduced working time schemes in a more active policy direction than is typically the case, to extend the flexicurity concept, and assist workers and companies to put in place the skills needed for European competitiveness and recovery. In addition, this latest ERM annual report analyses the characteristics of economic short-time workers across Europe, as well as providing its usual overview of restructuring activity in terms of employment levels over the past year.

We trust that this report will provide a constructive input into the flexicurity debate, and assist policymakers in creating appropriate responses to the challenges of Europe's labour market.

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Executive summary

Introduction

Never before have short-time working schemes been so prominent as in the last two years: many Member States expanded their existing schemes and others introduced them for the first time. Such schemes have been widely seen as successful in mitigating the worst effects of this very serious recession.

While the annual report of the European Restructuring Monitor (ERM) typically examines the adjustment of employment levels in the face of economic change, this year's report focuses more on the adjustment of average hours worked. While publicly financed short-time working and temporary layoff schemes are the main focus of the report, it is important to emphasise that there are many other means by which working time can be reduced. These include company-initiated reductions in overtime, the use of working time accounts and holiday entitlements and numerous other types of bilateral arrangements between employers and employees.

The report shows that five million fewer people were in employment in the first quarter of 2010 compared with the onset of the crisis in mid-2008. Construction and manufacturing alone account for a net decline in employment of five million persons. Significant decline has also been observed in the transport and retail sectors. Sectors in which employment is growing include health and education, computer programming and consultancy, and other professional and scientific activities. Levels of large-scale restructuring in the ERM database began to revert to long-term average levels in mid-2009, after the sharp spike of activity recorded during the fourth quarter of 2008 and the first quarter of 2009. Manufacturing accounted for nearly half of all employment losses during the crisis. Other sectors with significant employment losses were transport and communication, financial intermediation and retail. On the positive side, the retail sector also featured strong job gains attributable to the announced expansion plans of large discount chains such as Aldi, Tesco and Asda.

Policy context

Even if an upturn in the business cycle may subsequently reveal some negative aspects of short-time working schemes – for example, lower job transition rates – they do appear to have been a successful business-cycle instrument. The question is whether they can be something more, not least in terms of addressing some of the structural problems facing the European Union up to 2020. This report argues that they can.

The European social market economy is based on the understanding that the joint efforts of the social partners – together with those of the state – provide the soundest basis for sustainable economic growth and that, in hard times, the costs be shared throughout society. Publicly subsidised short-time working schemes provide perhaps the best example of how the costs of labour market adjustment can be more widely shared. This report shows the extent to which real consensus on these schemes has been achieved among many social partners in Europe. It suggests that this consensus could be harnessed to develop these schemes further towards a more active policy orientation, an extension of the flexicurity concept and, more concretely, the generation of new skills for the jobs needed to put Europe on the path to recovery and further on to the visions of Europe 2020.

Key findings

- Working time reduction was particularly prevalent in Germany, Belgium, Italy, France, the United Kingdom (UK) and Sweden. This contrasts with the Czech Republic, Slovakia, Bulgaria, Portugal, Slovenia, Hungary, Spain and Lithuania, where most of the net adjustment in working hours was due to job losses.
- The number of economic short-time workers (ESTW), not necessarily on publicly subsidised schemes, tripled to almost two million between 2008 and 2009.
- ESTW, as a percentage of all workers, are most prevalent in Italy, Germany, Netherlands, Slovenia and Belgium and least prevalent in Sweden, UK and Luxembourg.
- ESTW are mainly middle-aged men, but the Netherlands, Denmark and Sweden have a large proportion of young ESTW and in Slovenia, Estonia, Latvia, Romania, and Portugal, there are more older workers.
- Workers in manufacturing and with low levels of education, in blue-collar occupations are more likely to be ESTW; again, however, there is some variation between Member States.
- The 15 short-time working schemes studied in the report vary greatly in the extent of the maximum working time reduction. The schemes may cut working time by between 10% and 100%, and compensate for between 55% and 80% of the foregone pay.
- The compensation of lost social security entitlement rights is not widespread, though there are examples of this being done by the employer and the state.
- In principle, all parties agree that training should be provided and in some schemes training is mandatory. Despite this, the uptake is limited and there are quality concerns. Workers are not always motivated to take part; firms may have limited experience; and the capacity for training, particularly in small and medium-sized enterprises (SMEs) is very problematic, as is the fragmented nature of training systems in some countries.
- The uncertainty regarding when the employee may have to return to work, possibly at short notice, makes the planning of training difficult.
- There has been a recent tendency to provide more income compensation when the worker participates in training.
- While training costs are sometimes subsidised, this is generally not the case and financing is a major problem in many schemes.
- Administrative difficulties are common and the delay between application and reimbursement varies from 15 days to two months. Schemes that were up and running when the crisis hit and those with close social partnership have had fewer implementation problems.
- The often-cited problem of the schemes' only propping up ultimately unprofitable firms can be minimised through a proper allocation of costs and other sanctions and incentives; this can encourage the self-selection of firms that are in only temporary difficulties and that have a viable economic future. The support should, however, be temporary.

Policy pointers

- Short-time working schemes do provide numerical flexibility for the employer together with job and income security for the employee; in addition, they do comply with many of the 'common principles of flexicurity' outlined by the European social partners.
- It is, above all, the lack of training that hinders these schemes in addressing the challenges of modern labour markets and achieving closer integration with the goals of the European Employment Strategy.
- These problems could be addressed by establishing a system of advisors, public support for training costs and better adjustment of training programmes to the situation and requirements of short-time workers.
- Training should not just be firm specific but also include more general skills. The training should be organised in modules to provide the flexibility required for workers on these schemes.
- If proper training cannot be provided, then some other meaningful use of the hours that are not worked could be encouraged.
- There is probably a role for these schemes even beyond the anti-crisis package context in which many were introduced.
- A tripartite approach facilitates policy implementation.
- There is little logic in limiting these schemes to certain sectors or types of workers.
- Wage compensation should be related to the level of the national unemployment benefit payment.
- If short-time working is conducted for longer periods, some form of compensation for loss of social security rights should be considered.

The overarching policy conclusion is that the consensual nature of these schemes provides a promising basis for further tripartite cooperation. Just as the last two decades saw a reorientation from passive to active labour market policy, so should a flexicurity-aligned system of short-time working adopt a more active stance. This facilitates the internal restructuring of the firm during the downturn and is a useful means of inducing a more countercyclical emphasis to training. It also improves employability on the external labour market, should dismissals eventually become necessary.

Introduction

The European Restructuring Monitor (ERM) examines how enterprises adjust to structural change and the business cycle, primarily in terms of employment levels. However, there are a number of other means by which labour market adjustment can occur. The ERM annual report 2009 (Hurley et al, 2009) showed that – given the massive fall in gross domestic product (GDP) – the decline in employment in the current recession, while certainly extensive, was relatively low compared to the recessions of the 1980s and 1990s. Moreover, it was very striking that, for a given GDP decline, the decrease in employment varied considerably between Member States. While to a large extent a lower decrease in labour input in some countries was almost certainly due to relatively high labour productivity in those countries, labour market policy, institutions and company practices have also been important. By far the most significant of the numerous job retention schemes recently implemented were various means to reduce working time. The main role of public policy in this regard is when the state subsidises short-time working and temporary layoffs.

Thus, the thematic feature of this year's ERM annual report analyses the appropriateness of these schemes, in terms of the goals of European employment policy as headlined in the EU's overarching strategy document *Europe 2020* (European Commission, 2010b) and which have been developed in the European Employment Strategy. In broad terms, the Europe 2020 strategy reaffirms the flexicurity approach at both EU and national policy level, while the European Employment Strategy has – since its inception– strongly advocated an activist stance to labour market policy.

As these schemes, at least historically, were seen purely in terms of job retention, it may appear that they fit badly with the concept of flexicurity, especially in light of the prominence often given to external transitions in the flexicurity debate. However, it must be emphasised that flexicurity is not just about external transitions and that the concrete implementation of the national flexicurity pathways (the second phase of the flexicurity agenda) cannot be divorced from either the institutional settings of Member States or the prevailing state of the labour market. Given the extremely negative recent developments and prospects for the labour market in most Member States, the latter point is particularly important. The current lack of job opportunities makes an exclusive emphasis on external transitions less feasible, both in theoretical and practical terms and so also more difficult to achieve consensus upon.

However, in order to view these schemes as flexicurity instruments, they cannot simply consist of passive support to employees or firms. Just as the last two decades saw a reorientation from passive to active labour market policy, so should a flexicurity-aligned system of short-time working or temporary layoff schemes adopt a more active component than is typically the case. This facilitates the internal restructuring of the firm during the downturn and is a useful means of inducing a more countercyclical slant to training. It also provides some enhancement of employability on the external labour market should dismissals eventually become necessary.

One very prominent feature of the various public short-term and temporary layoff schemes that becomes apparent in this report is the high level of consensus between the social partners. Indeed, these schemes provide a very striking example of how the costs of labour market adjustment can be shared by employers, workers and the state. This successful tripartite cooperation provides a very solid foundation for further development of these schemes in line with the broad aims of European employment policy. This requires the adoption of a much more active orientation of these schemes. However, this report finds a number of problems in providing suitable training and suggests some possible ways of improving this deficiency in order to make these schemes fit for the challenges of the modern labour market.

One reason for some scepticism on the part of some European trade unions towards flexicurity as promoted by the European Commission is that it does not take into sufficient account – as the point of departure – the maintenance of the employment relationship. As this is a central feature of these schemes, there is reason to suppose that a flexicurity concept oriented towards such short-time working should be much more amenable to the labour movement. Thus, further policy efforts to incorporate flexicurity principles in such schemes could prove to be politically successful.

On the other hand, flexicurity is an approach that to a considerable extent respects the logic of the market. A common criticism of public support of short-time working schemes is that they hinder the optimal reallocation of labour to more productive activities, since they keep ultimately unproductive firms alive with public money. However, a careful examination of some of the schemes in this report suggests that this does not have to be the case. A proper allocation of costs among the involved parties and the design of other incentives and sanctions should be able to reduce such problems to a minimum.

Thus, the main message of this report is that short-time working schemes have the potential to fulfil some of the essential elements of flexicurity in Europe. This potential is not currently being exploited. Moreover, the very positive tripartite experience of these schemes has generated much trust and common understanding between the parties. This may provide a solid political foundation for a consensus-based development of flexicurity.

Before proceeding with the main theme of the report on flexicurity and short-time working/temporary layoff, Chapter 1 of this report provides the standard overview of restructuring activity in terms of employment levels, using data from the European Labour Force Survey and the European Restructuring Monitor. Employment rates dropped over 2.5% – corresponding to five million people in the EU27 – between the onset of the crisis in mid-2008 and the first quarter of 2010. In several Spanish regions as well as in Ireland and the Baltic states, employment rates declined by at least seven percentage points over two years. Considerable dips were also observed in the Nordic Member States, the UK and Bulgaria. The countries and regions that have endured the crisis with least damage to their labour markets include Austria, the Netherlands, Germany (especially northern Germany), western France and Poland. Construction and manufacturing alone account for a net decline in overall EU27 employment of five million persons. Significant decline has also been observed in the transport and retail sectors.

The sectors with the highest level of employment growth in the EU have been health and education, with net increases in EU27 employment of half a million and over a million persons, respectively. Employment in public administration has so far remained relatively steady. Computer programming and consultancy is a core knowledge-intensive services sector and is among the top-growing sectors in eight Member States, including Belgium, Austria and France. The new NACE 2 category of other professional and scientific activities (NACE 74) comprises a range of activities including legal, advertising, research and development, management consultancy and architecture and is another knowledge-intensive sector in which employment has risen during the crisis – notably in the UK, the Netherlands, Finland, Estonia and Greece.

Levels of large-scale restructuring activity in the ERM began to revert to long-term average levels (around 100 cases per month) in mid-2009 after the sharp spike of activity recorded during the fourth quarter of 2008 and the first quarter of 2009. During this peak crisis period, reporting levels climbed to around 300 cases per month, the overwhelming majority of them cases of announced job destruction.

Manufacturing accounted for nearly half of all employment losses recorded in the ERM during the crisis. Within manufacturing, capital-intensive sectors such as automobile, machinery and basic metals production were particularly affected. Other broad sector categories with significant employment losses (more than 10% of the total) included transport and communication, financial intermediation and retail. On the positive side, the retail sector also featured strong countervailing job gains attributable in the main to the announced expansion plans of large discount chains such as Aldi, Tesco and Asda.

Two contrasting impacts of the economic crisis can be seen in the share of restructuring job losses accounted for by, respectively, offshoring and bankruptcy/closure. Between the first quarter of 2008 and the second quarter of 2010, offshoring accounted for its lowest proportion of announced job losses (4%) since the ERM began, while bankruptcy accounted for its highest (22%). This is consistent with expected patterns of restructuring in a severe recession, especially one with a strong financial component. Higher levels of business failure are accompanied by retrenchment to core markets, and companies are more likely to desist from expansion or diversification via offshoring and relocation.

As average reduction in the hours worked has been such an extensive reaction to the crisis in many Member States, Chapter 1 also presents some empirical evidence of this phenomenon using statistics that have largely not been used elsewhere. The data is based on employed persons who responded that they worked less or not at all due to a lack of work for technical or economic reasons in the European Labour Force survey. These persons are called economic short-time workers (ESTW).

While publicly financed short-time working and temporary lay-off schemes are the main focus of the report, it is important to emphasise that there are many means by which working time can be reduced. These include company-initiated reductions in overtime, the use of working time accounts and holiday entitlements and numerous other types of bilateral arrangements between employers and employees. Indeed, calculations reported by the OECD (2010) estimate that only 25% of the average hour reductions in Germany were due to short-time working. The major means of reducing working time were employer-initiated reductions in working time (40%) followed by reduced overtime (20%) and debiting working time accounts (20%).[1]

There were almost two million ESTW in Europe in 2009 and their number has tripled since 2008. Of these, 55% were in Germany and Italy. In terms of their share of all workers, the number of ESTW is highest in Italy, Germany, the Netherlands, Slovenia and Belgium. The countries with the lowest percentage of ESTW are Sweden, the United Kingdom (UK) and Luxembourg (at 0.37%). The largest relative increase was in Slovakia, followed by Germany and the Czech Republic, while in Sweden and Denmark the increase was marginal. ESTW make up 1.5% of all male employees but only 0.6% of all female employees. This male prevalence is widespread: it is greatest in Germany, Belgium and Luxembourg and least common in Denmark, the Netherlands and Sweden. While most ESTW are middle-aged, some Member States (the Netherlands, Denmark and Sweden) have a large proportion of ESTW among young employees; in others, the prevalence of ESTW is high among those aged over 50, as in Slovenia, Estonia, Latvia, Romania, and Portugal. Workers in manufacturing and with relatively low levels of education, in blue-collar occupations are relatively more likely to be ESTW.

In many countries, the proportion of ESTW with temporary contracts is higher than the proportion of those with permanent contracts. This is the case in Luxembourg, Bulgaria, Spain, Hungary, Lithuania, Poland, Portugal, Romania and the UK and is particularly marked in Denmark, Estonia, Greece, Latvia,

[1] See also ETUI (2009) and ETUI (2010) for a discussion on the possible effectiveness of short-time working schemes in Europe.

Malta, and Sweden. The opposite is the case in Germany, Italy, Austria and Slovakia. Three broad groups of ESTW can be identified in Europe in terms of socioeconomic and job characteristics:

- ·the traditional, characterised by permanent contracts in medium-to-large companies with low levels of education, with more training. These countries are Austria, Belgium, Germany, Italy, Slovakia, the Czech Republic and Slovenia;
- the unconventional, characterised by temporary contracts, working part time in small companies in service sectors, and with less training for employees. These countries are Denmark, the United Kingdom, Poland, Netherlands, Ireland and Estonia;
- a hybrid group (a mix of both) is comprised of Portugal, Spain, France, Greece, Finland, Sweden, Lithuania, Latvia, Romania, Hungary and Bulgaria.

Chapter 2 introduces the flexicurity concept and highlights the fact that flexicurity is not only about external transitions. Both the research literature and policy papers clearly recognise the internal dimension of flexicurity and the role that both variations in working time and on-the-job training can play in this context. The chapter also provides some examples of various types of flexicurity measures adopted at national, industry or company level. This includes a presentation of some recent Eurofound research of company initiatives. These typically involve the social partners in cooperation with regional authorities. It also provides a number of examples of how modulation in working time can be viewed as a flexicurity instrument, other than by means of publicly subsidised short-term working schemes.

The very severe current recession has undoubtedly challenged the flexicurity approach. The substantial increase in unemployment and considerably fewer vacancies in Europe make facilitating job-to-job transitions as emphasised in the flexicurity concept difficult. However, flexicurity is not just about external transitions on the labour market. The facilitation of internal transitions is also important. The Council of the European Union gave 'maintaining employment, where possible, through helping companies operate alternatives to redundancy such as flexible working patterns and the temporary adjustment of working time and other forms of internal flexibility measures' as the first point in a policy document aimed at helping Member States and social partners to manage the impact of the crisis (Council of the European Union, 2009).

The different perspectives of the social partners, who are important stakeholders in designing and implementing flexicurity, are well known. To put it in a somewhat simplified fashion, the employers push for more flexibility while the workers' preference is generally for security. This is particularly acute when the issue of employment protection for dismissal arises. Given the scarcity of jobs on the external labour market in the current recession, this variance of emphasis has hardly diminished recently. However, BusinessEurope explicitly views short-time working as embodying flexicurity in the crisis and it is striking how both social partners (as well as governments) approve of short-time working schemes as a bridging instrument for generally viable firms to recovery in those countries where it exists. It is important to note that, for what follows in this report, the European social partners stress the importance of training as part of short-time working schemes, both to foster firms' sustainable competitiveness and workers' job and employment security.

Chapter 3 introduces the publicly supported short-time working or temporary layoff schemes in 10 countries. These are Austria, Belgium, France, Germany, Italy, Luxembourg, Netherlands, Poland, Slovenia, and Wales (in the United Kingdom). The choice of countries was determined by the potential of their schemes to contribute to flexicurity and, more concretely, the presence of a relatively strong training obligation and the inclusion of particular regulations of social security elements.[2] As some countries have more than one instrument, in total 15 public schemes were analysed. The chapter begins by attempting to clarify the terminology, as many terms are used. The common terms of partial unemployment, short-time working or temporary layoff appear to lack a meaningful distinction across Europe, the different usage being attributed to cultural elements and tradition. The catch-all term used in this report is 'short-time working and temporary layoff', to distinguish between a total or partial reduction of working time, even if some schemes allow both. The chapter provides a very broad comparative overview of these schemes along the lines of those used by the OECD (2010) and the European Commission (Arpaia et al, 2010). It also presents the administrative data on programme participation. With the exception of the ProAct scheme in Wales, which explicitly aims to foster training (and for this also provides income support), the instruments in the other countries seek to compensate workers for reduced income due to lower working hours, thereby providing the employers with flexibility and the workers with income and job security. The majority of instruments are financed by the unemployment funds and implemented by a tripartite agreement among government and the social partners.

The individual schemes vary regarding the possible extent of working time reduction (from 10% to 100%), the duration of public income support (from four weeks to several years) and the level of wage compensation (from 55% to 80% of foregone pay). In most of the countries, social security contributions during reduced working hours are based on the reduced income. However, there also exist examples of maintained social security levels, either publicly funded or to be covered by employers' and employees' contributions. Most of the schemes provide dismissal protection during short-time working or temporary layoffs, and some of them even for a certain period afterwards. During the crisis, many of the analysed schemes were amended to provide greater income support if training is carried out during the non-worked hours and sometimes also training costs are (partly) subsidised.

Chapter 4 assesses the schemes from various perspectives. These include the access to and availability of the public support in practice and the administrative problems that can arise. For example, there are considerable differences in the waiting period between application and reimbursement, ranging between 15 days and two months. The common problem of bureaucratic burden was highlighted and indeed this can be particularly acute when companies are under the time and resource pressures inherent in a recession. One general conclusion is that it would appear that the schemes recently introduced to specifically address the crisis had more implementation problems than the historically well-established schemes, mainly because of the better transparency and more rapid response of the latter. There were many indications that close social partnership was very conducive to efficient implementation. In many countries, the trade unions are involved throughout the process and in some cases trade union approval is a prerequisite for public approval. It was also notable that in many countries, collective agreements provide compensation and social security rights beyond those stipulated by law.

While there may be some logic in the state's subsidising social security contributions when working time is reduced for a long period, in practice this might add up to a considerable burden on the public budget. At the same time, obliging employers to account for these contributions (and in a similar way, too-generous dismissal protection during or after short-time working or temporary layoff) might hinder their engagement in this job-retention measure.

[2] While probably the most interesting countries in this regard have been included, it is by no means the case that some other publicly subsidised schemes do not have these features. It should also be noted that while some Member States do not have public support, collective agreements do permit similar types of arrangements. This is the case, for example, in some Scandinavian countries.

In principle, all parties agree that training should be provided. Despite the focus on training, the study identifies many problems with its practical implementation in all countries. For many reasons, the uptake is limited. Workers are not always motivated to take part, firms may have limited experience and the capacity for training (particularly in SMEs) and the fragmented nature of training systems in some countries is not always conducive to the identification of suitable training providers and courses. There are of course also funding issues. An issue particularly related to short-time working and temporary layoff schemes is the uncertainty regarding when the employee may have to return to work, possibly at short notice, which makes the planning of training problematic.

The crucial question of whether these schemes only serve to prop-up ultimately unviable companies and hinder structural change is addressed by examining the allocation of costs and the presence of incentives and sanctions. It would appear that, generally, the schemes are constructed to appeal most to firms that at least believe themselves to have a long-term future. There is some suggestion that this may be a more efficient means of targeting the appropriate firms than the setting up of objective criteria. Nevertheless, it is crucial that the support is strictly limited in duration.

Chapter 5 relates the analysis of the schemes in the previous two chapters to flexicurity. Short-time working and temporary layoffs combine internal numerical flexibility for the employer with job and income security for the employee (and, if training is conducted during the time off, also contributes to employment security). In addition, such schemes succeed in fulfilling many of the ‘common principles of flexicurity’ outlined by the European social partners and supported by the Council of the European Union. Hence, they can be considered flexicurity instruments, which – in combination with other measures – can contribute to a country’s flexicurity concept. Short-time working and temporary layoff support is widely seen as an appropriate tool in maintaining jobs in generally viable firms temporarily hit by an economic downturn, be it a global one as recently experienced or an individual case of company restructuring. Consequently, it is recommended that such instruments be offered on a permanent basis, going beyond the anti-crisis packages and developed to incorporate some of the key elements of flexicurity. This report proposes some policy pointers and recommendations for the design of public short-time working and temporary layoff schemes. This is not done in terms of a national best-practice scheme but rather to identify good practice elements observed in various schemes.

In institutional terms, a tripartite approach, securing the commitment of social partners and the government, is one of the important success factors. This can also contribute to the spread of information about the existence and characteristics of the schemes, thereby fostering employers’ and employees’ willingness to become engaged. However, it must be ensured that a high number of involved stakeholders does not result in the level of administrative effort being disproportionate to the benefits for the firms, or in a lengthy evaluation and payment period endangering the employers’ already damaged liquidity.

Short-time working and temporary layoff schemes fulfil a bridging function for healthy companies in a downturn, giving them time to rethink the business strategy, adjust to the altered framework conditions and maintain jobs that are needed in the recovery soon to follow. As such, these schemes need to be accessible to all private enterprises – as long as the companies are economically viable and experience only temporary difficulties. As this, however, can hardly be judged by an external party, the support scheme must be designed in a way that automatically limits misuse. This can be done by, for example, providing public support only for a limited duration, imposing some costs on the employers in order not to make the scheme too attractive, or by giving trade unions or works councils an active role in introducing reduced working time at firm level. Furthermore, beneficiary companies should be motivated to rethink their business strategy by being required to elaborate a 'crisis business plan', which includes future scenarios and therewith related operational activities.

Regarding employees, the instrument should be as inclusive as possible, allowing eligibility for all types of workers. The extent of public wage compensation should be considered relative to national unemployment benefits and also take into account the strictness of the prevalent employment protection legislation. It is important that workers' social security – including their future pension entitlements – not be reduced (particularly for schemes that allow for longer periods of reduced working time).

In order to provide the affected workers with short-term job and income security, and with long-term employment security, an important aspect of public support schemes is that the non-worked hours that are at least partly subsidised be used in a meaningful way. Workers on reduced working time could be used as instructors for on-the-job training of unemployed persons, do voluntary work or be redeployed in other parts of the employer's company or even other firms. Naturally, also participating in training measures during the time off can foster the workers' employability. However, experience from the recent recession has shown that there are some difficulties regarding the combination of short-time working and temporary layoffs and training that need to be overcome first. These challenges might be facilitated by, for example, establishing a system of advisors, public training costs support and better adjusting training programmes to the requirements of short-time workers.

EU labour markets during the crisis: fewer workers working shorter hours

1

The European Labour Force Survey (ELFS) and the European Restructuring Monitor (ERM) are two EU-wide data sources, which can present an evidence-based portrait of the changes of employment in Europe. The ELFS is the principal source of comparable data on labour market outcomes in the European Union and provides reliable information on net employment change by economic sector and region. It does not, however, provide data on the extent of job losses and gains due to restructuring. For this reason, the ERM is a valuable source of complementary data: it captures both quantitative data (announced job losses or gains) and qualitative data (small case narratives about individual large-scale restructuring events, generally involving at least 100 job losses or gains, in named companies or business units, as well as details of the type of restructuring involved).

In this chapter, these two data sources are used to cast some empirical light on the extent of labour market structural change during and after the 2008–2009 economic crisis. A particular aim is to differentiate between those labour market adjustments that have reduced the numbers of employees and those that have reduced the working time of those in employment.

For both the ELFS and ERM, the analysis starts from the beginning of 2008. This allows coverage of the period before, during and after the crisis – on the hopeful assumption that return to growth in late 2009 signals an ending of some sort. This creates a portrait of the labour market consequences largely specific to the crisis. Also, one of the main variables of the analysis (the NACE sector) was subject to a major reclassification in the ELFS in 2008, which was radical enough to frustrate most sector comparisons – at NACE two-digit level – with 2007 and earlier.[3]

This report will first of all outline the background by looking at the linkage between declines in output and rises in unemployment at country level. In a second part, it presents the evolution of the main employment data at regional and sector level over the two-year period from the first quarter of 2008 to the first quarter of 2010, using ELFS data. This is complemented by data on restructuring trends from the ERM dataset. In a third part, the data showing the decline in labour inputs will be broken down in terms of working time reductions and employment headcounts. This serves to introduce an analysis of the phenomenon of economic short-time working, again using ELFS data.

Background

The economic crisis, which hit most of the European countries from the third quarter of 2008, has had major effects on labour markets. Starting from a level of 7.1% in 2008, the EU27 unemployment rate increased to 10% in the first quarter of 2010, corresponding to approximately 7.8 million additional unemployed persons. This makes the effect of the 2008–2009 recession on unemployment comparable to the deepest post-war recession, the 1973 oil shock. Similarly, in 2009 the GDP of the EU27 decreased by 4.2% compared with 2008, which constitutes an unprecedented figure in the history of the European Union: one has to look back at the Great Depression of the 1930s in order to find a similar continent-wide output loss of this order of magnitude.

Although almost all Member States have suffered a decrease in GDP and an increase in unemployment, the extent of these shifts strongly varies among countries. In particular, countries with approximately the same loss of output have experienced a different increase in the unemployment rate. This is the

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3 The ERM annual report traditionally uses the ELFS data as a frame or reference for considering ERM data and case material. It should be pointed out that this task is complicated this year by the fact that the ERM still works with NACE rev 1.1. for sectoral designation. The ERM will begin to implement NACE rev 2 in 2011.

case, for example, for Germany and Denmark: both suffered the same decrease of GDP in 2009, a fall of 4.9%, but the rise in unemployment was much higher in Denmark than in Germany.

Table 1 shows that all the Member States have seen a decrease of their GDP in 2009 (with the exception of Poland, which experienced a rise of 1.7%). Moreover, Denmark, Estonia, Italy, Ireland, Latvia, Sweden and United Kingdom also recorded a decrease in GDP in 2008. While the average fall in GDP for the EU27 in 2009 was 4.2% (with most Member States recording a loss between 4% and 5%), the decrease was smaller in some southern European countries such as Malta (-1.5%), Cyprus (-1.7%), Greece (-2%) and Portugal (-2.7%).

Table 1: Change in real output growth from the previous year, and unemployment rate, EU27 (%)

Countries	Growth rate of GDP – percentage change on previous year			Unemployment rate			
	2007	2008	2009	2007	2008	2009	Percentage change 2008 to 2009
EU27	2.9	0.7	-4.2	7.1	7	8.9	27.1
Austria	3.7	2.2	-3.9	4.4	3.8	4.8	26.3
Belgium	2.9	1	-3	7.5	7	7.9	12.9
Bulgaria	6.2	6	-5	6.9	5.6	6.8	21.4
Cyprus	5.1	3.6	-1.7	4	3.6	5.3	47.2
Czech Republic	6.1	2.5	-4.1	5.3	4.4	6.7	52.3
Denmark	1.7	-0.9	-4.9	3.8	3.3	6	81.8
Estonia	7.2	-3.6	-14.1	4.7	5.5	13.8	150.9
Finland	5.3	0.9	-8	6.9	6.4	8.2	28.1
France	2.4	0.2	-2.6	8.4	7.8	9.5	21.8
Germany	2.5	1.3	-4.9	8.4	7.3	7.5	2.7
Greece	4.5	2	-2	8.3	7.7	9.5	23.4
Hungary	1	0.6	-6.3	7.4	7.8	10	28.2
Ireland	6	-3	-7.1	4.6	6.3	11.9	88.9
Italy	1.5	-1.3	-5	6.1	6.7	7.8	16.4
Latvia	10	-4.2	-18	6	7.5	17.1	128
Lithuania	9.8	2.8	-14.8	4.3	5.8	13.7	136.2
Luxembourg	6.5	0	-4.1	4.2	4.9	5.2	6.1
Malta	3.8	1.7	-1.5	6.4	5.9	6.9	16.9
Netherlands	3.6	2	-4	3.2	2.8	3.4	21.4
Poland	6.8	5	1.7	9.6	7.1	8.2	15.5
Portugal	2.4	0	-2.6	8.1	7.7	9.6	24.7
Romania	6.3	7.3	-7.1	6.4	5.8	6.9	19
Slovakia	10.6	6.2	-4.7	11.1	9.5	12	26.3
Slovenia	6.8	3.5	-7.8	4.9	4.4	5.9	34.1
Spain	3.6	0.9	-3.6	8.3	11.3	18	59.3
Sweden	3.3	-0.4	-5.1	6.1	6.2	8.3	33.9
UK	2.7	-0.1	-4.9	5.3	5.6	7.6	35.7

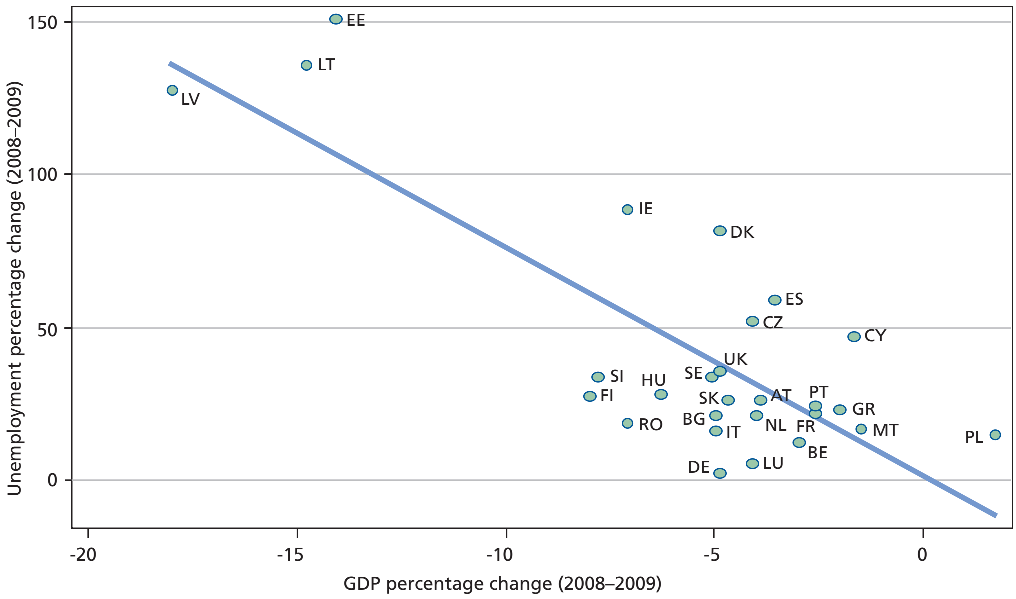
Source: Eurostat

France also recorded a limited decrease (of -2.6%) compared with the EU average. Conversely, the collapse of GDP growth was dramatic in the Baltic states, with a loss of between 14% and 15% for Lithuania and Estonia and a striking 18% in Latvia. Finally, a large decrease was also recorded in Finland (of -8%), Slovenia (-7.8%), Romania (-7.1%), Ireland (-7.1%) and Hungary (-6.3%).

In 2008, unemployment rose in only a few countries, such as Estonia, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Spain, Sweden and the UK. However, in 2009 it rose in all 27 Member States. Although most countries recorded an unemployment rate in 2009 that was 30% higher than the figure for 2008, other countries (Belgium, Germany, Italy, Luxembourg, Malta, Poland and Romania) recorded a quite limited increase (Germany and Luxembourg less than the 7% compared with the previous year, the others less than 20% higher than the previous year). By contrast, the three Baltic states more than doubled their unemployment rate. A considerable increase was also seen in Denmark, Ireland, Spain and the Czech Republic, the change varying from 50% to 100% compared with the previous year.

It has been empirically observed that growth slowdowns coincide with rising unemployment (Okun, 1962). The analysis of correlation between the variation of the real output growth and the changes in unemployment rate is presented in Figure 1.

Figure 1: Correlation between changes in GDP and changes in unemployment rate



Source: Eurostat

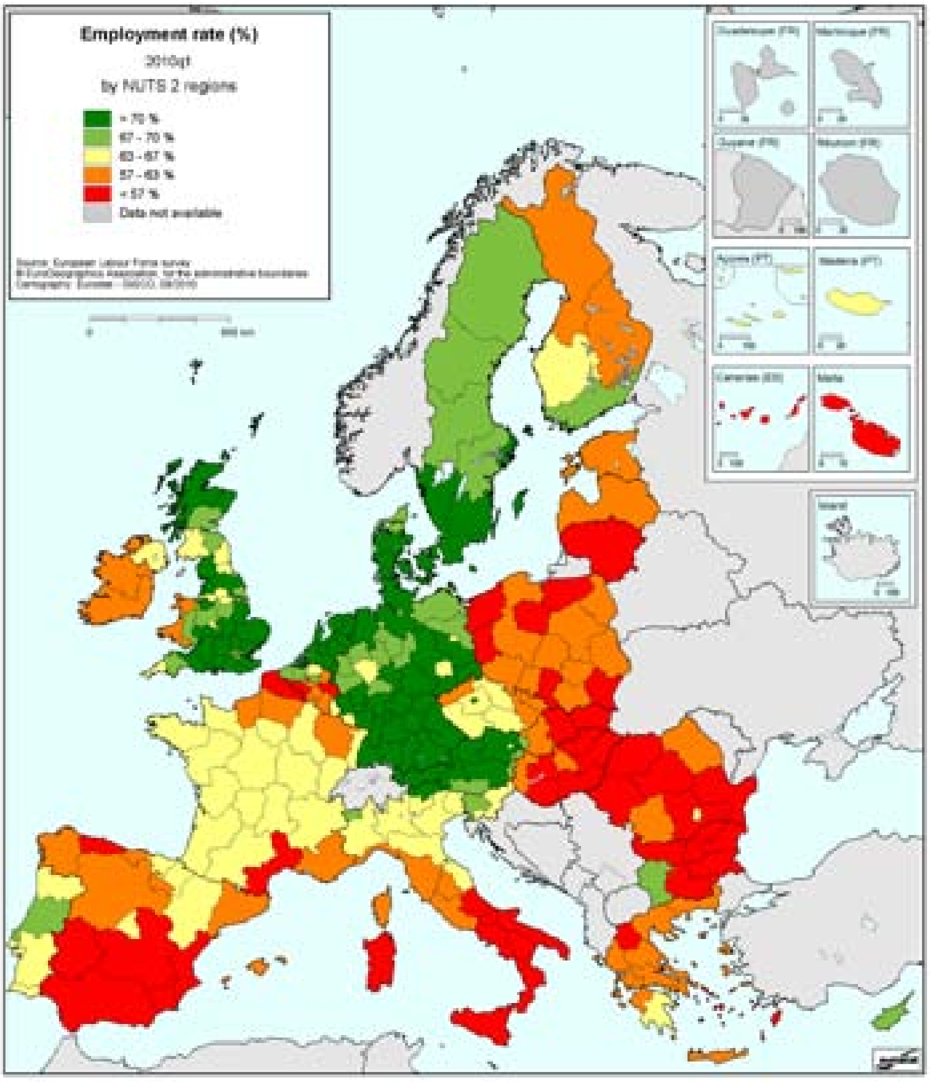
As expected, a strong negative correlation (of -0.79) is found between changes in GDP and changes in unemployment. The figure highlights the variation of the increase in unemployment for a given fall in GDP between Member States. Countries above the line (such as Estonia, Lithuania, Ireland, Denmark, Spain, Czech Republic and Cyprus) have shown a particularly poor labour market performance in terms of unemployment rate, given the size of the reduction of their GDP. On the other hand, Germany, Luxembourg, Slovenia, Finland, Hungary, Italy and Belgium have recorded an increase in unemployment that is lower than expected in respect to the size of their output loss.

Employment data by country and region

One of the salient facts of the crisis, then, has been the wide variation in labour market impacts in the EU. Though every Member State has been affected negatively by a crisis that led to a peak-to-trough contraction in economic activity of 5%, the employment levels in some countries such as Germany and Poland have emerged comparatively unscathed while those of others have suffered the most dramatic rise in unemployment in recent memory.

Figure 2 shows how labour markets remain more closely integrated at national level, reflecting the dominant influence of national policies and economic conditions on labour market outcomes. There are some countries with a predominantly high employment rate – UK, Germany, Austria, the Netherlands, Sweden and Denmark – where most individual regions have an employment rate of at least 67% and many have an employment rate of at least 70%. There are, however, just as many low-employment regions, many of them directly related to developments during the crisis. A swathe of the most easterly regions from the Baltic states through Poland to Bulgaria and Romania have employment rates of around 60% and below, as do southern Mediterranean regions in Italy and Spain.

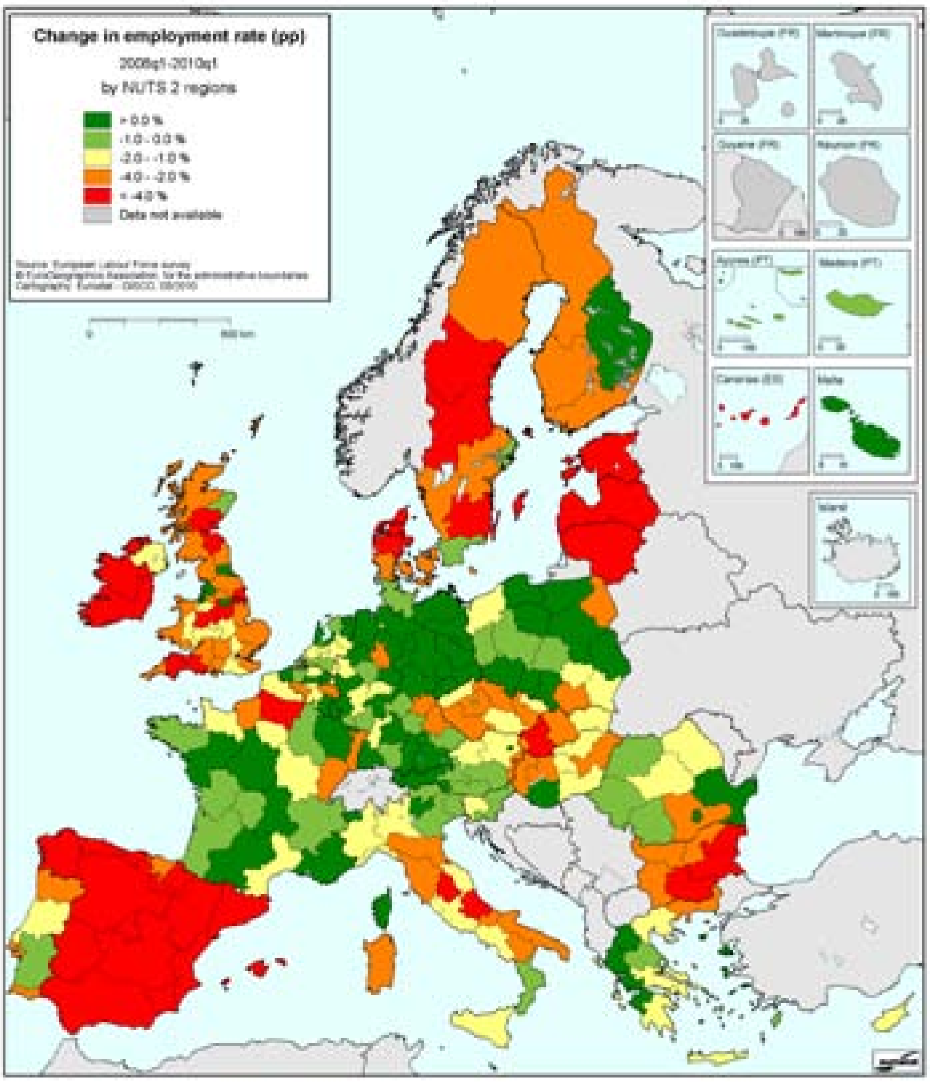
Figure 2: Employment rate by NUTS 2 regions, first quarter 2010 (%)



Notes: The employment rates indicated are for those aged between 15 and 64 years.
Source: ELFS, first quarter 2010

At EU level, the original Lisbon Strategy set as a key labour market objective an employment rate of 70% for the EU, to be achieved by 2010. Improved labour market performance in the period 2005–2008 in a favourable macroeconomic climate brought the overall employment rate close to the trajectory required to reach the 70% target.[4] In the third quarter of 2008, the EU27 employment rate reached 66.4%, while the rate in the 15 Member States that had comprised the Union up until 2004 (the EU15) stood at 67.6%.[5] The 2008–2009 economic crisis decisively removed any chances that the EU would meet its overall employment objectives. According to the most recent data from the first quarter of 2010, the EU27 employment rate is 63.7% (65.1% in the EU15). Employment rates have dropped over 2.5% since the onset of the crisis in mid-2008 and five million fewer people are at work in the EU27.

Figure 3: Changes in employment rates by NUTS 2 regions, first quarter 2008 to first quarter 2010 (percentage points)



Notes: The figures are for changes in employment rates for those aged between 15 and 64 years.
Source: ELFS, 2010

4 However, the trajectory had inherent instabilities in the form of increasing financial sector debt feeding construction and real estate booms in a number of Member States as well as productivity and real exchange rate differentials within the euro area.

5 This is probably a fairer reference, given that the Lisbon objectives were formulated prior to the major accession in 2004.

A regional (NUTS 2) breakdown of changes in employment rates from the first quarter of 2008 to the first quarter of 2010 confirms the distress of the labour markets across all regions in certain Member States. Indeed, the raw data on employment rate changes is even starker than the banded categories illustrated above; in seven Spanish regions, as well as in Ireland and the Baltic states, employment rates declined by at least seven percentage points over two years. Perhaps less remarked upon has been the sharp contraction of employment in the Nordic Member States and the UK – albeit in both cases from previously high levels – and in Bulgaria. The great majority of regions in these countries have suffered declines in employment rate of at least two percentage points during the crisis.

The countries and regions that have endured the crisis with the least damage to their labour markets include Austria, the Netherlands, Germany – especially northern Germany – western France and Poland.

A second observation is that there is a greater variety of employment performance across regions at country level when looking at recent changes rather than at rates of employment. In Italy, for example, changes in the regional employment rate are spread across the range of values. They increased in two regions – Tyrol and Alto Piemonte – but declined by over four percentage points in Abruzzo and Umbria. France and the UK exhibit similar variation across the regions.

The improved employment situation in Germany and Poland continues to be noteworthy. Most regions in these two large Member States fall into the top category for employment rate growth, whereas they were in the lowest categories for employment growth in a similar map covering the period 2001–2006 (Irastorza and Storrie, 2007, p.6). Thus, the labour markets of both of these countries have been able to sustain the positive turnarounds experienced between 2005 and 2008 through the period of crisis. In particular, employment rates in eastern Germany seem to have converged towards those in the western part of the country and this area now forms part of a high-employment northern European core.

Employment data by sector

The principal structural employment trend in Europe is the ongoing long-term shift out of primary sectors and manufacturing into services. Europe is increasingly becoming a services-oriented economy, with services now accounting for over two thirds of total employment. The rate of decline in agricultural employment was particularly marked in the new Member States (NMS) around the time of accession but has moderated somewhat subsequently.[6] Construction and manufacturing have however been very severely impacted by the crisis and in both cases are down by 10 percentage points from their pre-crisis levels. Falls in the employment level in construction and manufacturing alone account for a net decline in overall EU27 employment of five million persons between the first quarter of 2008 and the first quarter of 2010.

[6] The economic crisis may indeed have contributed to this slowing down of the move out of the agricultural sector – for example in Lithuania, where there was a marked decline in employment opportunities in the manufacturing and services sectors.

Table 2: Percentage change in employment and proportion of total employment in EU27, by sector, first quarter 2008 to first quarter 2010

SECTOR Nace rev 2, one-digit	Population 2008 (millions)	Population 2010 (millions)	Percentage change	Proportion of total 2008 (%)	Proportion of total 2010 (%)
A - Agriculture, forestry and fishing	11.12	10.69	-3.8	5.1	5.0
B - Mining and quarrying	0.88	0.82	-6.1	0.4	0.4
C - Manufacturing	37.78	33.95	-10.1	17.2	15.8
D - Electricity, gas, steam and air conditioning supply	1.48	1.63	9.7	0.7	0.8
E - Water supply; sewerage, waste management and remediation activities	1.56	1.54	-1.3	0.7	0.7
F - Construction	18.38	16.29	-11.4	8.4	7.6
G - Wholesale and retail trade; repair of motor vehicles and motorcycles	31.24	30.36	-2.8	14.2	14.1
H - Transportation and storage	11.42	10.94	-4.2	5.2	5.1
I - Accommodation and food service activities	9.11	9.26	1.6	4.1	4.3
J - Information and communication	6.16	6.11	-0.9	2.8	2.8
K - Financial and insurance activities	6.57	6.52	-0.6	3.0	3.0
L - Real estate activities	1.69	1.65	-2.3	0.8	0.8
M - Professional, scientific and technical activities	10.43	10.68	2.4	4.7	5.0
N - Administrative and support service activities	7.92	8.14	2.8	3.6	3.8
O - Public administration and defence; compulsory social security	15.48	15.46	-0.1	7.0	7.2
P - Education	15.57	16.07	3.2	7.1	7.5
Q - Human health and social work activities	20.91	22.04	5.4	9.5	10.3
R - Arts, entertainment and recreation	3.35	3.37	0.6	1.5	1.6
S - Other service activities	5.35	5.28	-1.3	2.4	2.5
T - Activities of households as employers	2.49	2.59	3.9	1.1	1.2
U - Activities of extraterritorial organisations and bodies	0.18	0.19	4.8	0.1	0.1
Non-specified	0.65	1.08	65.3	0.3	0.5
Total	219.72	214.67		100.0	100.0

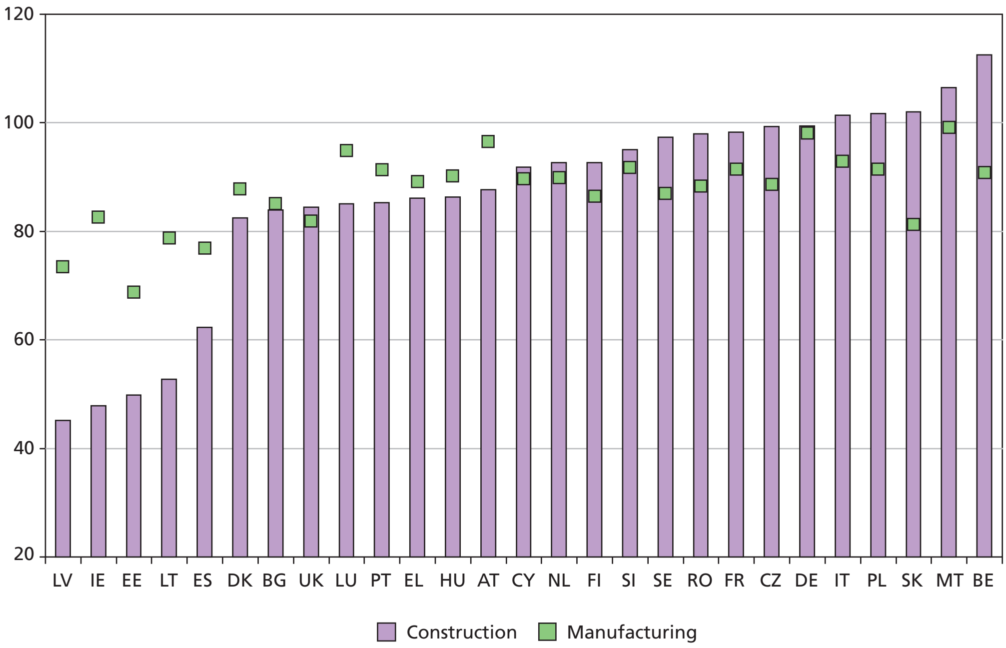
Source: Eurostat, ELFS (Eurofound's calculations)

Manufacturing now accounts for less than 16% of overall employment in the EU27, compared with over 20% in 2000, and it continues to be a sector disproportionately affected by restructuring activity, as evidence from the ERM illustrates. As Figure 4 demonstrates, the sharp fall in employment in the construction sector during the crisis is very strongly concentrated in those Member States where construction booms followed accession to the EU, and resulting rises in inward investment. In other cases, booms followed integration into the common currency, aided by a more permissive monetary environment of lower interest rates and cheap and available credit. Falls in the level of employment of between 38% and 55% were recorded in the construction sectors in Latvia, Ireland, Estonia, Lithuania and Spain. In Spain alone, over one million construction sector jobs were lost in this two-year period.

Levels in manufacturing employment have fallen across all Member States but with less variation than for construction. Notable too are the relatively modest declines in manufacturing employment in some of those countries that operated extensive state-supported short-time working schemes during the crisis – for example Germany, Austria, Luxembourg and Slovenia – as described in detail elsewhere in this report.

To what extent is it possible to differentiate between the sharp falls in employment in the construction sector and manufacturing sector? It seems likely – on the one hand – that declines in manufacturing employment are a continuation of long-run structural trends, albeit appreciably sharpened by the consequences of the recent crisis. Construction sector employment – on the other hand – tends to have a strong cyclical component and this is reflected in the very severe drops in employment in those countries with a preceding real estate and construction boom. If it is correct to assume that the recent booms arose as a result of specific combinations of circumstances (very low interest rates post-EMU, lack of supervision in the banking systems and huge credit growth as a result of the increasing integration of global capital markets), which are unlikely to be repeated in the foreseeable future, much of the employment lost in construction as well as in manufacturing will not be recovered.

Figure 4: Change in employment levels in construction and manufacturing, first quarter 2008 to first quarter 2010, by country



Notes: The first quarter of 2008 = 100.
Source: Eurostat ELFS (own calculations)

Collateral damage from the decline in manufacturing and construction can be observed in the transport and retail sectors where nearly one and a half million jobs were lost. It is perhaps ironic that two of the sectors most associated with the crisis, real estate and financial services, have to date been comparatively unaffected in employment terms.

The sectors with the highest level of employment growth in the EU have been health and education, with net increases in employment in the EU27 of half a million and over a million, respectively. Employment in the public administration has remained steady. Employment in these predominantly publicly funded sectors – as a proportion of overall employment – rose from 23.6% to 25%. In a context of major public sector retrenchment in most Member States following the emergency stimulus measures of 2008–2009, public sector employment levels are likely to come under pressure in the coming years. As Table 3 indicates, they already have done so in France – where a policy of non-replacement of one in two departing civil servants was announced in 2007 – as well as in Italy, Bulgaria, Latvia, Cyprus and Malta.

Table 3: Decrease in EU27 employment in top six NACE sectors, first quarter 2008 to first quarter 2010 (thousands)

NACE		NACE		NACE		NACE	
Austria		Belgium		Bulgaria		Cyprus	
41	-25.8	**64**	-31.1	**1**	-39.1	**41**	-4.3
49	-17.1	**1**	-29.4	**14**	-36.0	**84**	-2.5
42	-17.0	**41**	-25.6	**84**	-31.9	**1**	-1.8
47	-16.2	**52**	-25.1	**41**	-31.8	**18**	-1.5
16	-11.1	**66**	-16.3	**43**	-21.0	**73**	-1.4
31	-9.0	**78**	-16.1	**10**	-20.9	**61**	-1.3
Czech Republic		Germany		Denmark		Estonia	
43	-27.2	**96**	-181.5	**46**	-28.5	**41**	-22.4
28	-25.8	**56**	-104.9	**43**	-27.9	**43**	-17.0
25	-24.7	**25**	-101.7	**28**	-11.9	**16**	-11.6
13	-17.3	**1**	-98.2	**45**	-10.6	**56**	-7.7
24	-16.7	**31**	-73.4	**41**	-9.4	**14**	-7.5
1	-15.0	**52**	-71.4	**38**	-8.6	**25**	-7.2
Spain		Finland		France		Greece	
41	-721.7	**41**	-10.8	**84**	-127.1	**43**	-32.8
43	-282.7	**88**	-10.5	**68**	-85.9	**41**	-32.2
47	-166.6	**46**	-10.5	**29**	-84.0	**18**	-18.0
25	-136.8	**17**	-9.8	**49**	-69.2	**45**	-12.7
23	-88.4	**62**	-9.7	**26**	-57.0	**13**	-11.4
46	-85.9	**45**	-8.0	**85**	-41.2	**71**	-10.9
Hungary		Ireland		Italy		Lithuania	
47	-42.4	**41**	-72.6	**46**	-156.4	**41**	-61.4
43	-18.4	**43**	-60.5	**85**	-134.8	**43**	-20.1
41	-13.1	**1**	-34.2	**1**	-48.6	**85**	-14.9
42	-10.7	**47**	-23.3	**84**	-44.8	**47**	-13.3
16	-10.7	**81**	-11.8	**28**	-44.2	**52**	-11.5
26	-10.4	**46**	-11.0	**15**	-44.1	**33**	-10.1
Luxembourg		Latvia		Malta		Netherlands	
99	-2.1	**41**	-53.4	**30**	-1.9	**69**	-111.3
70	-1.8	**84**	-24.9	**61**	-0.9	**87**	-65.9
22	-1.7	**46**	-17.5	**35**	-0.8	**47**	-42.3
42	-1.5	**42**	-17.3	**1**	-0.7	**25**	-33.6
51	-1.5	**52**	-12.5	**84**	-0.6	**43**	-26.9
81	-1.0	**25**	-10.1	**18**	-0.5	**93**	-24.6
Poland		Portugal		Romania		Sweden	
1	-144.4	**41**	-87.5	**16**	-47.8	**87**	-26.5
10	-70.6	**97**	-41.7	**15**	-33.6	**28**	-15.6
14	-65.3	**14**	-28.0	**46**	-30.4	**25**	-15.4
30	-37.4	**13**	-23.9	**27**	-29.9	**29**	-15.1
49	-33.3	**43**	-18.1	**28**	-28.9	**78**	-11.3
15	-27.8	**64**	-17.3	**13**	-28.2	**41**	-8.8
Slovenia		Slovakia		UK			
28	-5.4	**27**	-22.8	**43**	-1293.4		
46	-4.5	**29**	-16.1	**47**	-241.0		
23	-4.5	**24**	-15.1	**69**	-220.9		
14	-3.8	**25**	-13.9	**52**	-217.8		
96	-3.8	**28**	-13.7	**64**	-189.4		
16	-3.5	**49**	-12.9	**25**	-145.8		

Note: The NACE codes are for rev 2, two-digit.

Table 4: NACE sectors and numbers of occurrences of sectoral job loss, first quarter 2008 to first quarter 2010, EU

NACE	Sector	Occurrences	NACE	Sector	Occurrences
41	Construction	15	61	Telecoms	2
43	Specialised construction activities	12	56	Food and beverage services	2
25	Manufacture: fabricated metal products	9	31	Manufacture: furniture	2
1	Agriculture	9	30	Manufacture: other transport equipment	2
46	Wholesale except motor vehicles	8	27	Manufacture: electrical	2
47	Retail except motor vehicles	7	26	Manufacture: computer, electronic and optical	2
28	Manufacture: machinery and equipment	7	24	Manufacture: basic metals	2
84	Public administration, defence and social security	6	23	Manufacture: other non-metallic mineral products	2
52	Warehousing and transport support activities	5	10	Manufacture: food	2
16	Manufacture: wood products	5	99	Extraterritorial organisations	1
14	Manufacture: clothing	5	97	Domestic services	1
49	Land transport	4	93	Sports and recreation	1
42	Civil engineering	4	88	Social work	1
13	Manufacture: textiles	4	73	Advertising and market research	1
85	Education	3	71	Architectural and engineering activities	1
64	Financial services except insurance / pensions	3	70	Head office, management consultancy activities	1
45	Wholesale / retail of motor vehicles etc.	3	68	Real estate activities	1
29	Manufacture: motor vehicles	3	66	Auxiliary financial services	1
18	Manufacture: printing and recorded media	3	62	Computer programming, consultancy etc	1
15	Manufacture: leather	3	51	Air transport	1
96	Other personal services	2	38	Waste collection and treatment	1
87	Residential care	2	35	Electricity, gas etc. supply	1
81	Building services and landscaping	2	33	Repair or installation of machinery	1
78	Employment activities	2	22	Manufacture: rubber / plastic	1
69	Legal and accounting activities	2	17	Manufacture: paper products	1

Source: Eurostat ELFS (Eurofound's calculations)

At a more detailed level of sectoral disaggregation, the plight of the construction sector during the crisis is again evident. Construction or specialised construction activities account for the greatest sectoral job loss in 12 of the Member States and figure in the top six sector job-loss lists in all but the following countries – France, Germany, Italy, Malta, Luxembourg, Poland, Romania, Slovakia and Slovenia. An indication of the sensitivity of employment in the construction sector to downturns, as well as of the unsustainable levels of earlier growth, is that construction was the top sector in terms of job gain in 12 Member States between 2003 and 2007. In seven of those countries, it is now the single biggest source of job loss.

Losses in agriculture were greatest in absolute numbers in Germany, Poland and Italy and, in relative terms, in Bulgaria and Ireland. The wholesale or retail sector was the top job-loss sector in Italy, Hungary and Denmark.

Within the broad manufacturing category, some heavy manufacturing sectors close to the auto sector – fabricated metal products, machinery and equipment – figure prominently on many national lists; however, auto manufacture itself is only in the top six in three countries – France, Sweden and Slovakia. Again, this is suggestive evidence that public policy served as a buffer for employment in the car manufacture sector during the crisis. Without the combination of short-time working (which was

Table 5: Increase in employment in top six NACE sectors EU27 (absolute increase in thousands), first quarter 2008 to first quarter 2010

NACE		NACE		NACE		NACE	
Austria		Belgium		Bulgaria		Cyprus	
88	28.9	**43**	45.2	**86**	6.5	**46**	5.4
85	19.6	**85**	35.5	**69**	5.7	**56**	2.9
86	18.0	**81**	30.4	**87**	4.2	**97**	2.0
52	17.0	**62**	22.5	**80**	3.9	**93**	1.7
62	15.1	**88**	20.8	**7**	3.7	**47**	1.4
24	11.5	**45**	18.8	**22**	3.7	**23**	1.3
Czech Republic		Germany		Denmark		Estonia	
86	24.3	**86**	105.1	**47**	13.2	**86**	7.4
41	13.5	**85**	101.4	**81**	12.7	**80**	4.7
85	13.2	**55**	88.5	**85**	11.5	**50**	2.8
96	12.6	**81**	88.1	**93**	11.3	**55**	2.8
84	12.1	**84**	84.1	**64**	7.8	**74**	2.6
56	12.0	**66**	81.8	**88**	6.2	**23**	2.0
Spain		Finland		France		Greece	
84	167.4	**49**	9.9	**86**	118.8	**1**	45.0
85	54.2	**85**	6.5	**47**	92.7	**97**	19.4
86	47.3	**1**	4.7	**88**	91.4	**58**	12.4
87	45.3	**87**	4.3	**56**	80.7	**42**	9.9
88	41.4	**74**	2.6	**62**	71.3	**10**	9.8
62	37.3	**86**	2.5	**35**	69.5	**74**	8.9
Hungary		Ireland		Italy		Lithuania	
84	22.1	**86**	11.4	**97**	174.6	**1**	13.8
81	13.1	**85**	3.6	**96**	47.3	**71**	5.8
85	12.1	**84**	3.3	**41**	45.0	**81**	5.1
53	9.2	**35**	2.9	**88**	33.5	**73**	4.2
80	7.9	**75**	2.0	**56**	33.5	**46**	4.1
49	7.7	**51**	1.5	**38**	33.1	**49**	3.7
Luxembourg		Latvia		Malta		Netherlands	
64	5.6	**68**	9.4	**46**	1.9	**88**	39.2
85	3.3	**38**	5.5	**86**	1.4	**86**	27.1
97	2.9	**62**	4.3	**47**	1.3	**70**	19.6
69	2.9	**53**	3.9	**52**	1.0	**85**	11.6
87	2.4	**55**	3.2	**56**	0.9	**74**	9.0
96	2.2	**71**	3.1	**31**	0.7	**81**	8.8
Poland		Portugal		Romania		Sweden	
86	69.1	**85**	41.5	**45**	34.2	**84**	17.4
84	68.2	**86**	24.3	**96**	19.5	**70**	8.9
56	53.8	**42**	22.8	**88**	17.5	**65**	8.3
42	51.5	**33**	11.6	**64**	15.3	**62**	7.9
85	44.0	**62**	9.7	**69**	13.6	**69**	6.5
47	39.5	**29**	9.6	**41**	13.3	**94**	5.4
Slovenia		Slovakia		UK			
47	10.7	**84**	23.3	**41**	598.9		
56	6.2	**47**	17.9	**85**	361.6		
62	5.2	**41**	8.0	**87**	333.0		
84	5.1	**46**	6.5	**74**	204.1		
21	3.9	**45**	5.9	**70**	187.8		
33	3.7	**86**	4.8	**33**	164.2		

Note: The NACE codes are for rev 2, two-digit; the large 'unspecified' category is omitted from the rankings for Netherlands and Luxembourg. For the UK, the large figures for NACE 41 in job gain and NACE 43 in job loss (Table 3) are likely to result from a reclassification within construction sector jobs.
Source: Eurostat ELFS (Eurofound's calculations).

widespread in particular in car manufacturing) and of car scrappage incentives, employment losses would undoubtedly have been greater.

Other manufacturing sectors in the top six job-loss lists include those where production has continued to move offshore (Bottini et al, 2007) and where employment levels have been declining structurally over recent decades – clothing, textiles, leather and wood products.

Leaving aside those countries where the greatest employment decline has been in construction, the variety of other sectors that occupy the first ranking by country is noteworthy. In Sweden, net employment loss has been greatest in residential care; in Belgium, it has been in financial services: and in Slovakia, it has been in the manufacture of electrical appliances.

Table 6: NACE sectors and numbers of occurrences of sectoral job gain, first quarter 2008 to first quarter 2010, EU27

NACE	Sector	Occurrences	NACE	Sector	Occurrences
85	Education	14	23	Manufacture: other non-metallic mineral products	2
86	Health	14	35	Water collection, treatment and supply	2
84	Public administration, defence and social security	9	38	Waste collection and treatment	2
62	Computer programming, consultancy etc	8	52	Warehousing and transport support activities	2
88	Social work	8	53	Postal and courier activities	2
47	Retail except motor vehicles	7	71	Architectural and engineering activities	2
56	Food and beverage services	7	93	Sports and recreation	2
81	Building services and landscaping	6	7	Mining of iron	1
41	Construction	5	10	Manufacture: food	1
74	Other professional and scientific activities	5	21	Manufacture: pharmaceuticals	1
87	Residential care	5	22	Manufacture: rubber / plastic	1
46	Wholesale except motor vehicles	4	24	Manufacture: basic metals	1
69	Legal and accounting activities	4	29	Manufacture: motor vehicles	1
96	Other personal services	4	31	Manufacture: furniture	1
97	Domestic services	4	43	Specialised construction activities	1
1	Agriculture	3	50	Water transport	1
33	Repair or installation of machinery	3	51	Air transport	1
42	Civil engineering	3	58	Publishing	1
45	Wholesale / retail of motor vehicles etc	3	65	Insurance / pensions	1
49	Land transport	3	66	Auxiliary financial services	1
55	Accommodation	3	68	Real estate activities	1
64	Financial services except insurance / pensions	3	73	Advertising and market research	1
70	Head office, management consultancy activities	3	75	Veterinary activities	1
80	Security and investigation activities	3	94	Membership organisations	1

Source: Eurostat ELFS (Eurofound's calculations)

As already indicated, the main sectors for employment growth during the crisis have been health and education. In general, public sector employment has held reasonably steady throughout Europe during the crisis. In some Member States – such as Spain and Ireland – it has increased to offset a small part of the severe losses in construction, manufacturing and other predominantly private services sectors. In both of these Member States, health, education and public administration are the top three sectors for net employment growth. Other caring services such as social work (publicly funded) and residential care (mixed funding) also appear in the top growing jobs in a number of Member States.

Computer programming and consultancy is a core knowledge-intensive services sector and features amongst the top growing sectors in eight Member States, including Belgium, Austria and France. The new category of other professional and scientific activities (NACE 74) comprises a range of activities including legal, advertising, research and development, management consultancy and architecture and is another knowledge-intensive sector in which employment has risen during the crisis – notably in the UK, the Netherlands, Finland, Estonia and Greece.

Finally, going against the grain of both recent structural and cyclical trends, the construction sector added a significant number of new jobs in Belgium, Slovakia, the Czech Republic and Italy, while agriculture was the fastest growing sector in Greece and Lithuania.

In summary, the most recent ELFS quarterly data shows that employment levels in the EU27 have dropped by just over five million in the two years from the first quarter of 2008 to the first quarter of 2010, which includes the period of economic crisis and recession affecting most Member States in the year following the third quarter of 2008. This corresponds to a rise in unemployment rates of over three percentage points and a decrease in the employment rate of just less than two percentage points. Job loss has been especially concentrated in manufacturing and construction, while there has been some countervailing employment growth in primarily publicly-funded employment in health, education, social work and in the central government administrations. Manufacturing continues to represent a declining share of overall employment, down to fewer than one in six workers (16%). The employment impacts of the crisis were very unevenly distributed geographically, with the sharpest losses being experienced in those countries where a preceding construction and real-estate boom made the post-financial crisis correction exceptionally severe.

Restructuring during the downturn: the European Restructuring Monitor

The objective of the European Restructuring Monitor (ERM) is to capture the employment impacts of large-scale company and organisation restructurings across Europe. It does so by presenting individual cases of restructuring based on media reports. In operation since 2002, the ERM now constitutes a dataset of over 11,000 individual cases of restructuring which, notwithstanding certain biases (see Annex 1), is the best single, publicly available source of EU data on the employment impacts of large scale organisational restructuring.

Criteria for inclusion in the ERM

To warrant inclusion in the ERM, an individual case of restructuring must meet certain qualifying criteria. The thresholds for inclusion are at least 100 job losses or job gains announced by an employer, or cases of job loss involving sites employing more than 250 people and affecting at least 10% of the workforce.

The ERM defines job loss at restructuring in a similar fashion to the EU Directive on collective redundancies (98/59/EC) in that it refers to the number of intended redundancies. However, the number of intended redundancies does not have to be registered with any public authority, but rather is based on company announcements covered in the major print and broadcast media in each country (between three and five sources are indicated for each Member State).

From the first quarter of 2008 to the second quarter of 2010, over 4,400 cases of restructuring were logged and summarised in the ERM.

ERM data on restructuring-related job loss is indicative rather than representative. The value of the dataset is that it provides access to a large number of identifiable and publicly reported cases of restructuring that have been collected, edited and published in a consistent fashion. It includes basic quantitative data on individual cases – such as announced job losses or creations, or the total number employed in a business or geographical unit; at the same time, it offers qualitative information regarding the type of restructuring involved – for example, offshoring, outsourcing or internal restructuring. It also provides a basic narrative on each case, including stated reasons for the restructuring, the types of jobs affected, social partner positions and other relevant contextual information.

Overview of restructuring cases

Between the beginning of 2002 and the end of the second quarter 2010, over 11,000 cases of large-scale restructuring in the Member States were recorded by the ERM. (From 2005 onwards, this included the Member States of central and eastern Europe.) The ratio of cases of announced job loss to announced job creation was around 1.7:1 over the period.[7] The cases recorded were associated with announced job losses totalling just above 3.8 million and announced job creation of just over 2.0 million. The annual median size of restructuring cases varied between 200 and 250 over the period covered for both job gain and job loss.

Table 7: Large-scale restructuring in Europe: an overview of ERM cases from 2002 to 2010

	Number of cases		Employment (thousands)		Median case size	
	Job loss	Job gain	Job loss	Job gain	Job loss	Job gain
2002-2007	4,341	2,622	2,510	1,532	210	250
2008	1,032	535	527	279	227.5	200
2009	1,650	359	652	203	200	220
2010	345	183	144	61	230	200
Total	7,368	3,699	3,833	2,076	205	231

Note: Figures for 2010 are for the first and second quarters only.
Source: ERM

On average, the ERM records approximately 90–100 large-scale restructurings per month. As Figure 5 illustrates, these 'normal' levels of activity rose sharply during the last quarter of 2008 and the first quarter of 2009, almost immediately following the global financial crisis triggered by the collapse of US bank Lehman Brothers in September 2008. In this period, monthly case totals climbed to over 300 and featured a much higher share of job loss cases. Declining restructuring activity recorded in the ERM since the second quarter of 2009 coincides with the onset of recovery in output even if unemployment levels only began to stabilise at the end of the first quarter of 2010.

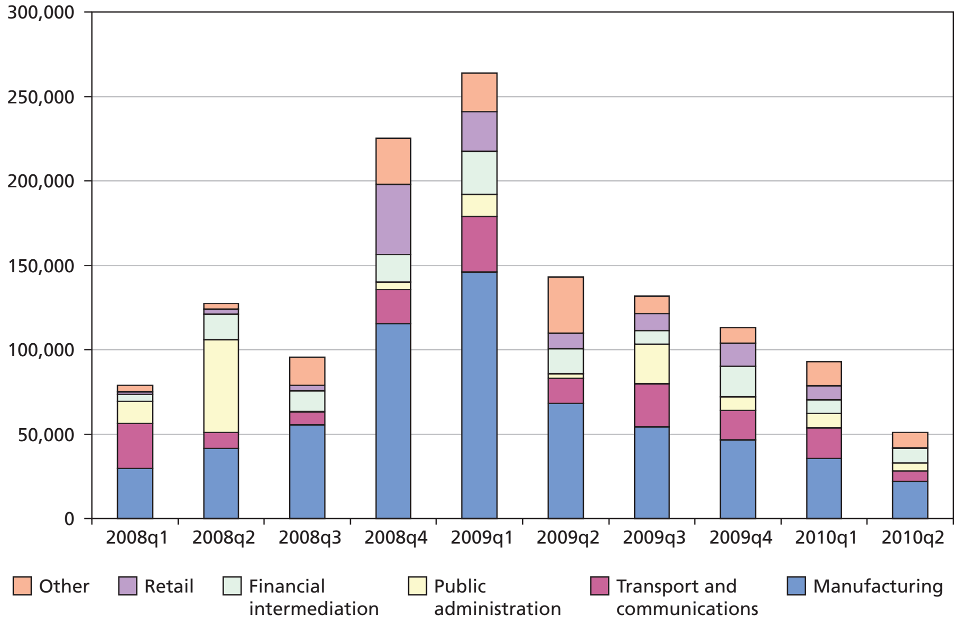
Large-scale restructuring by sector

At the peak of the crisis in early 2009, nearly four times as many announced job losses as gains were reported in the ERM. The sectors most affected by the crisis were manufacturing, retail and financial intermediation. Public administration, which had accounted for 17% of restructuring-related job loss in 2006–2007 represented a much smaller proportion of announced job loss in the most recent period.

7 It should, however, be noted that the ERM only began recording announced job creation cases towards the end of 2003. It should also be noted that ERM case submissions are based on media reporting and that media reporting tends to highlight job loss cases more readily than job creation cases. For this reason, the ratio of job loss to job gain cases is skewed towards job loss – even in a period of significant employment growth such as 2002-2007.

Indeed, as already illustrated by ELFS data, public sector employment in general – including education and especially the health sectors – has held steady even as government finances have rapidly worsened. If and when the recovery becomes more secure, public sector retrenchment appears very likely, as the crisis has increased public debt for the EU as a whole well beyond the original Maastricht criterion considered consistent with sustainable public finances (government debt no greater than 60% of GDP).

Figure 5: Announced job loss in ERM restructuring cases by major sectors, first quarter 2008 to second quarter 2010

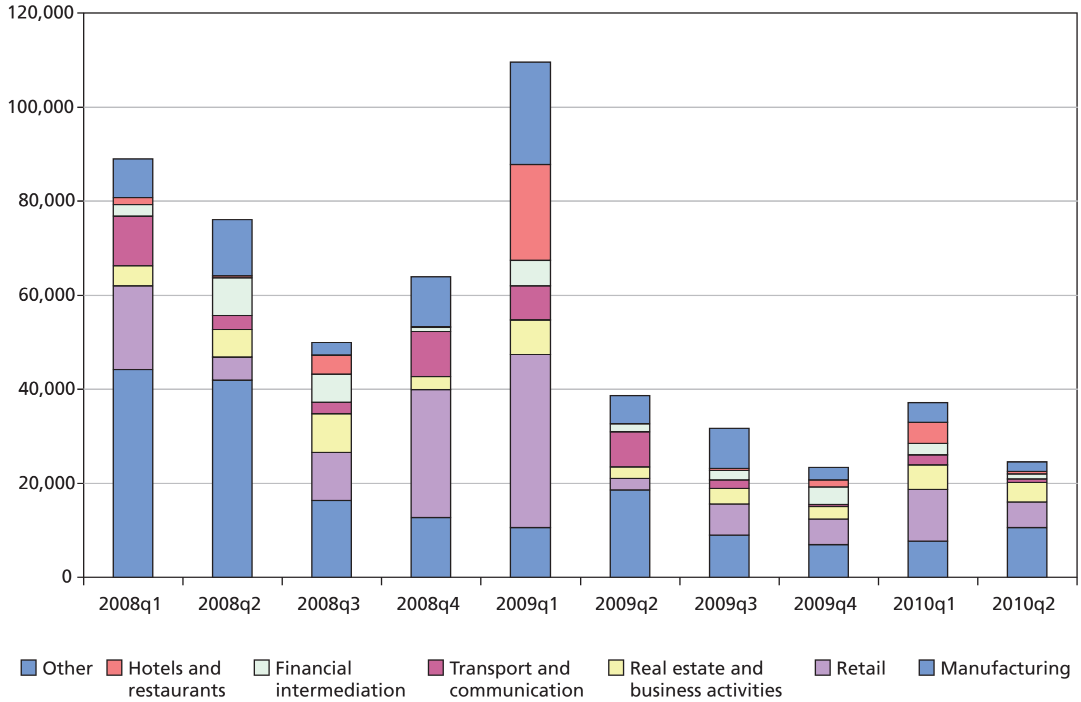


Source: ERM

Within manufacturing, the subsectors most affected by restructuring job loss were heavy industry, capital-intensive sectors such as car, machinery and basic metals production. Together, these three accounted for over 40% of total announced manufacturing job losses (or 251,000, out of a total of 613,000 announced job losses in manufacturing, from the first quarter of 2008 to the second quarter of 2010).

As can be seen from Figure 6 – which shows ERM data for aggregate announced job creation – manufacturing has been one of the more dynamic sectors in terms of announced job creation though this relates largely to the first half of 2008, before the onset of the economic crisis. Thereafter, manufacturing accounts for a declining share of job gains, and the principal source of announced job creation has been the retail sector. Indeed, while retail accounted for a sharply increased proportion of overall job losses during the economic crisis, it was also the sector in which announced job gains were greatest. In this highly competitive sector, the misfortunes of Woolworths, Quelle, Karstadt et al have provided market opportunities for other retail groups; in particular, discount retailers such as Aldi, Lidl, Tesco and Asda have embarked on major national or international expansions, targeting more cost-conscious consumers during the crisis and increasing market share. From the first quarter of 2008 to the second quarter of 2010, around 30% of announced job gains were in the retail sector and around 25% in manufacturing.

Figure 6: Announced job gains in ERM restructuring cases by major sector, first quarter 2008 to second quarter 2010



Note: Figures for 2010 are for the first and second quarters only.
Source: ERM

Financial services restructuring: limited retrenchment

To date, the impact of the 2008–2009 economic crisis has been greater on balance sheets in the financial services than it has on employment headcounts. Emergency loans and guarantees from the public purse amounting to over €3 trillion have propped up the sector, as have hundreds of billions of euro of state aid for recapitalisation. Over 30 EU-based financial institutions have had recourse to such loans or guarantees. In each case, these have been subject to scrutiny and approval as state aids from the European Commission.

A temporarily more permissive state aid regime has evolved to facilitate the transfer of monies from the public to the private sector ensuring the survival of many banks through the credit crunch and its aftermath (Doleys, 2010). In some cases, banks have been nationalised or part-nationalised. In all cases, however, in return for receiving aid, banks had to commit to reducing assets and, ultimately, to restructuring. Though the European Commission discouraged the favouring of local or national markets in the restructuring process, in practice some international retrenchment has been inevitable given requirements to reduce asset levels by up to 50%.

A number of German regional banks suffered large losses early in the economic crisis as a result of ill-fated investments in US property-related assets. All companies that required crisis aid were obliged to submit restructuring plans to the Commission within six months.

In most cases, the conditions attached to the state aid envisaged significant restructuring with a view to minimising potential distortions of competition.

BayernLB, one of the leading regional banks in Germany, embarked on restructuring plans in 2008–2009, which involved 5,600 job cuts across the group (over a quarter of the workforce). It made a net loss of €5.1 billion in 2008 and required cash injections of about €30 billion from the German federal and Bavarian governments. The plans involved divestments as well as streamlining the international operations in Luxembourg, Austria and eastern Europe. Subsidiaries and foreign activities were to be sold where possible or end up being managed directly from Bavaria.

Landesbank Baden-Württemberg (LBBW) announced a restructuring plan involving the loss of 2,500 jobs throughout the EU in October 2009. The plan involved closing down its activities in the real-estate business in 15 out of 18 countries. Operations would continue only in Germany, the UK and France. The company was also to divest its airline and shipping interests, and concentrate on core, less risky, banking activities. In total, the plans involved a reduction of total assets of 40%.

West LB, the regional bank of North-Rhine Westphalia, implemented a cost-saving plan for similar reasons in 2008–2009. From 2007 to the end of 2010, 1,350 jobs were to be cut at the bank, which had suffered losses linked to its expansion of activities into new markets. The bank is to reduce its total assets by 50% and focus on only three core business activities. The plan envisages changing the bank's ownership structure through a public tender procedure by the end of 2011.

In Spain, the regional savings banks (*cajas*) began mergers in 2010 as losses mounted on property lending. The 45 cajas are small-scale regional savings banks, with public representatives on their boards, and not-for-profit charters. They account for over half of the assets of the Spanish banking system and employed 135,000 persons in 2008. Profits are directed to community and social projects.

While the Spanish government has been encouraging mergers between the cajas with capital incentives from a bank restructuring fund (*Fondo de Restructuraction Ordenada Bancaria*) established in June 2009, the autonomous regions and local authorities have been 'reluctant to concede to the dismantling of institutions with broad power in providing credit for local business and financing regional projects' (Sanz de Miguel, 2010). In July 2010, new regulations were introduced, which opened up the possibility of private-sector investment in the cajas. Given that five of the seven European banks that failed the so-called 'bank stress tests' published by the Committee of European Banking Supervisors in July 2010 were cajas, the recent restructurings cited below are likely to be the first of many.

The new Unnim bank was created in April 2010 from the merger of three saving banks – Caixa Sabadell, Terrassa and Manlleu. The merger is to involve the shedding of 530 staff over two years as 20% of the branch network is closed. The merger of Caixa Catalunya, Caixa Tarragona and Caixa Manresa in March 2010 was to cost 1,300 jobs. Job losses in the two mergers were to be effected primarily through early retirement or voluntary departure.

In the UK, forced divestments were imposed on those banks that required public support to survive the financial crisis. Royal Bank of Scotland (RBS) announced in May 2010 plans to cut 2,600 insurance and retail banking jobs in the UK over the following 12 months. The bank's troubles were the 'result of a strategy of aggressive expansion, including the acquisition of the wholesale operations of [Dutch bank] ABN Amro in late 2007 and risky lending financed mainly through wholesale funding' (European Commission, 2009). As part of the state-aid package that RBS received, EU competition regulators required that the bank sell off its Direct Line and Churchill insurance businesses, as well as more than 300 bank branches.

Bank of Scotland (Ireland) announced in June 2010 the closure of its Halifax business and Irish branch network resulting in 750 redundancies. In June and July 2010, 44 Halifax branches were closed. The bank is owned by the partly nationalised UK bank Lloyds and had entered the Irish market at the height of a local property boom in 2005. Bank of Scotland (Ireland) said it was withdrawing from the Irish retail banking market after a review found that Halifax was too small to survive as a result of the financial crisis. Pressures on its UK parent company to repatriate assets and multi-billion euro impairments on property-related loans are understood also to have played a role in the retrenchment.

Estimates of the forced balanced sheet reductions for crisis-struck European banks vary from 20% in the case of Lloyds Banking Group – one of the biggest restructurers on the ERM since 2008, with seven separate restructuring announcements – to 35% for Dexia (Belgium/France), 40% for RBS and LBBW, 45% for Commerzbank and ING and 50% in the case of WestLB and Hypo Real Estate. In addition, some institutions such as Roskilde Bank (in Denmark) and Bradford & Bingley building society (in the UK) are in the process of winding down altogether (Doleys, 2010).

Thus far, the decline in financial services employment has been surprisingly modest given the scale of financial losses reported and the precarious solvency of many banks. The ELFS data shows that employment levels declined by around 50,000 (less than 1%) between the first quarter of 2008 and the first quarter of 2010. By comparison, employment in the financial services sector in the US declined by over 7% over the same period (US Bureau of Labour statistics).[8] Though crisis-led restructuring has clearly begun in the financial sector – as indicated in the ERM cases above – the pace of change may quicken in the years to come, with forced divestments feeding corporate activity (especially mergers) and temporarily nationalised banks returning to private ownership. The employment consequences are likely to be negative.

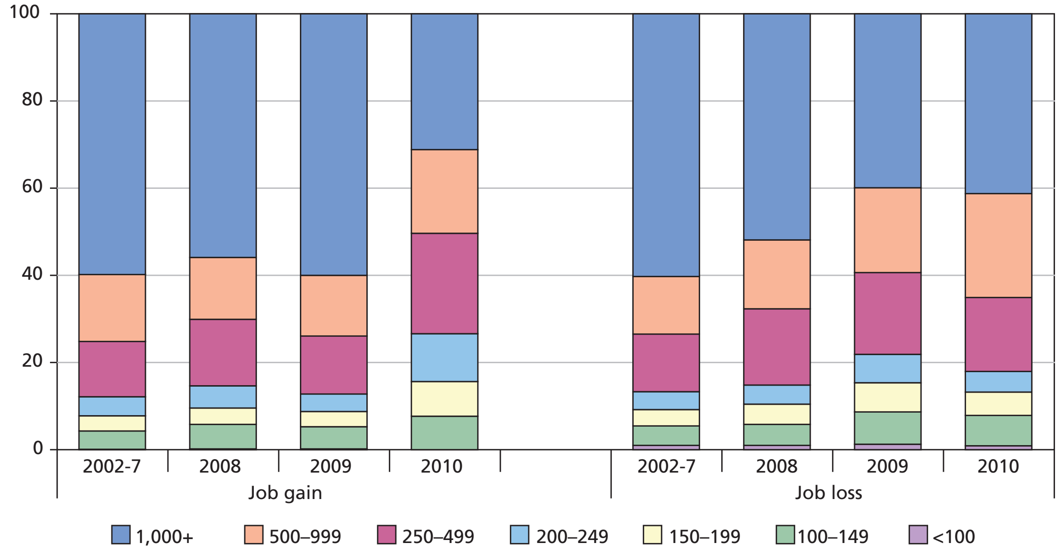
Restructuring by case size

As Figure 7 indicates, the distribution of employment gains and losses is heavily concentrated in larger-scale restructurings. In part, this is for reasons of large-firm bias and media-coverage bias, which are inherent in the ERM data (see Annex 1). It is possible to discern patterns comparing year-on-year shifts in the composition of job loss by case size. The proportion of announced job loss in large-scale cases involving at least 1,000 job losses has varied between 40% and 60% over the period (their proportion

[8] These figures use the NAICS sector classification, so they are indicative and not strictly comparable.

of cases on the other hand varies between 7% and 11% by year). The proportion in medium-sized cases and smaller cases increased markedly during the crisis (in 2008–2009) before beginning to fall back in early 2010.

Figure 7: Proportion of ERM-recorded announced job loss/gain by case size, 2002–2010 (%)



Note: Figures for 2010 are for the first and second quarter only.
Source: ERM

In terms of job gain, large-scale cases involving at least 1,000 new jobs account for the majority (around 60%) of overall job gains recorded in the ERM in the period 2002–2009. The pattern in the first semester of 2010 as growth has resumed has, however, been quite distinctive. The proportion of jobs in medium-sized cases involving between 150 and 499 jobs has doubled (from 21% to 42%).

Over the period from 2002–2007 to 2010, the median number employed in companies announcing major job loss has risen from 800 to 900 and the proportion of larger employing units (with 500 or more employed in the affected units)[9] announcing job loss has not decreased; in fact it has increased somewhat from 58% to 60%. In summary then, the trends appear to be for a declining share of very large cases of restructuring-related job loss and gain (those leading to the announced dismissal of over 1,000 individuals). At the same time, a consistently high share (around 60%) of job loss cases involve larger employing units (more than 500).

Restructuring by country and restructuring type

Two contrasting impacts of the economic crisis have been on the proportion of restructuring job losses accounted for by offshoring and by bankruptcy/closure. From the first quarter of 2008 to the second quarter of 2010, offshoring accounted for its lowest proportion of announced job losses (4%) since the ERM began, while bankruptcy accounted for its highest (22%). This is consistent with expected patterns of restructuring in a severe recession, especially one with a strong financial component. More businesses fail or retrench, and there is less emphasis on expanding or diversifying via offshoring and relocation. From this perspective, the most recent data showing a (modest) increase in the proportion of

[9] The ERM records the numbers of workers employed in the units affected by the individual restructuring event. While this bears no necessary relationship to either firm-level or establishment-level employment, it is used here as a rough proxy of both, in the absence of other data.

jobs that are lost to offshoring may be considered a hopeful signal of recovery. Major bankruptcies were concentrated in the retail sector with Woolworths in the UK failing in December 2008, with 27,000 job losses and Arcandor in Germany, failing in June 2009, with 5,000 job losses being emblematic of the vulnerability of even the most well-known retail groups.

Table 8: Proportion of announced large-scale restructuring job loss by restructuring type, 2008 to second quarter 2010 (%)

Country/region	AT	BE	CZ	DK	Baltic states	FI	FR	DE	HU	IE	IT	NL	PL	PT	RO	SK	SI	ES	SE	UK	EU27
Bankruptcy	23	26	28	26	27	23	10	13	24	28	25	17	17	55	4	36	41	30	14	34	22
Internal restructuring	44	64	65	59	65	74	86	78	72	52	57	74	81	43	93	43	55	58	82	58	69
Merger & acquisition	9	1	1	0	2	0	2	6	0	0	14	4	0	0	0	0	0	7	0	4	3
Offshoring	14	7	5	13	6	2	2	3	4	16	2	2	1	2	1	19	4	4	3	3	4
Outsourcing, relocation and other	11	1	0	1	0	1	0	1	1	5	2	3	1	0	3	2	0	1	1	1	1
Total	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100

Note: Yellow shading indicates where the change between the periods 2002–2007 to 2008–2010 (second quarter) saw an increase of more than 10 percentage points. Orange shading indicates a decrease of more than 10 percentage points over the same period. BG, EL, LU, MT, CY are omitted due to limited number of cases; Baltic = LV, LT and EE.
Source: ERM.

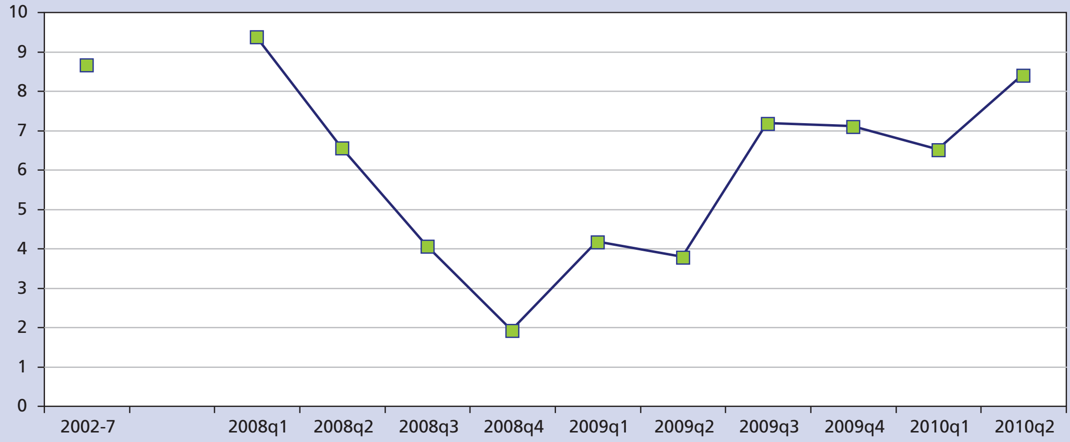
Internal restructuring accounted for over two of every three announced job losses in ERM restructuring cases from 2008 to the second quarter of 2010, marginally lower than in the period 2002–2007. Bankruptcy/closure accounted for a sharply increased proportion of job losses in the same period (up from 14% to 22% of total). At national level, as indicated in Table 8, the increased proportion of job losses related to bankruptcy/closure was notable in Belgium, the Czech Republic, Spain, Finland, Italy, UK and Slovenia (an increase of more than 10 percentage points in each country). At aggregate EU level, the increase in the share of bankruptcy/closure-related job losses was matched by a decline in the proportion of jobs lost to offshoring, relocation, outsourcing and internal restructuring. The following countries report at least 10% of announced job losses as being attributable to offshoring: Austria, Denmark, Ireland and Slovakia. The inclusion of Slovakia is notable in that it was until recently mainly a destination country for offshoring from countries in the EU15.

Geographical consolidation during the downturn

Internationalisation and overseas expansion of business is often associated with a period of growth. Recessions, on the other hand, are generally accompanied by rationalisation, as output adjusts to diminished demand. There is less willingness to engage in foreign expansion and often greater pressure to concentrate on activities in traditional core markets. Occasionally this involves shedding units born of recent expansionary activity into new markets.

There was a marked fall-off in the proportion of large-scale restructuring job loss accounted for by offshoring and related restructuring types (outsourcing and relocation) during the recession. These forms of restructuring, while often given prominence in

Figure 8: Offshoring, relocation and outsourcing as proportion of overall ERM-announced job loss (%)



Source: ERM

media reporting, account for a comparatively minor proportion of overall employment loss (rarely more than 10% of total job losses). In the peak quarters of crisis-related restructuring (the fourth quarter of 2008 and the first quarter of 2009), only between 2% and 4% of job losses were related to offshoring, outsourcing or relocation. It has taken until the most recent quarter, the second quarter of 2010, for offshoring-related job loss to recover to trend levels.

In this context, a declining level of offshoring is consistent with normal commercial instincts in a severe downturn. Companies incline towards prudence and may drop or defer changes in operations that involve significant immediate costs. Consolidation and survival become the main considerations. Even if external circumstances were more favourable, the ability to finance expansion is likely in any case to have been limited by tighter credit conditions. Financing that had been so abundant up until 2008 was less available for international expansion in the aftermath of the financial crisis. Another factor contributing to consolidation – and in certain cases, repatriation – of activities is the prioritisation of local employment in established companies, for motives of economic nationalism, protectionism, political pressure or some combination of the above.

Recent ERM cases demonstrate the variety of ways in which firms have sought to manage their international presence during the downturn.

Planned repatriation of production

Italian automobile group Fiat announced in April 2010 that it would invest €700 million in its factory in Pomigliano d'Arco, Campania, which would take over production of the next generation Fiat Panda model. The current model is produced at Fiat's plant in Tychy, Poland, which employs over 6,000 workers. Investment in the Italian plant was made conditional on wide-ranging changes in work practices, which were accepted by a majority of unions and union members at a vote in June 2010. Polish workers in Tychy fear significant job losses despite the facility being the most productive of Fiat's car plants.

Rationalisation and centralisation

Improved technology and communications provides incentives for companies to centralise national operations at one site or European operations in one country. This form of rationalisation may obey an obvious business and commercial logic but can potentially generate regional pockets of unemployment in the places firms leave behind.

In June 2010, Stada, a German manufacturer and trader of generic and branded pharmaceutical products, announced details of a restructuring programme that will result in the loss of 800 jobs across Europe. According to the company's press release, the programme is intended to reduce the complexity of group structures, make centralised control of group companies more efficient and accelerate continuous cost optimisation. The restructuring involves the divestment of production facilities as well as outsourcing individual functional areas to third-party providers. In total, 10% of Stada staff (800 people) are to lose their jobs, the majority outside Germany.

Also in Germany, online auction company eBay cut 400 out of 1,000 jobs, mainly in direct customer services. The company plans to close these operations in Germany and to centralise them elsewhere, mainly in Dublin.

Concentration of specific functions in one European or global centre

Dutch banking and insurance company ING announced the creation of 150 jobs in a new regional centre opened at Cluj Napoca, (Romania) in February 2010. The company will continue recruiting IT specialists and personnel for accounting and operational posts until the end of the year. The Cluj centre will provide services to Romanian companies as well as other companies based in the Czech Republic, Slovakia, Poland and Hungary. A further announcement in May 2010 foresaw recruitment of another 150 employees in 2010 and up to 700 more by 2013.

Telefonica, the parent company of mobile phone operator O2, announced in May 2010 the creation of 100 new jobs in Dublin by the end of 2012. The human resources (HR) jobs are to be located at its European People Services Centre at the O2 headquarters in Dublin. The new venture will provide HR services, support functions and administration to Telefonica Europe's 27,900 employees, in their various local languages. Other firms have also been attracted to the Irish capital, already host to European headquarters or major operational units of information technology (IT) firms including Google, Paypal, Amazon and Facebook. Zurich Insurance announced in June 2010 the creation of 120 jobs at its European centre in Dublin. A month earlier, US-owned pharmaceutical multinational, Merck Sharp and Dohme (MSD) announced it would create 150 jobs in Dublin in a new business services centre servicing the Europe, Middle East and Africa (EMEA) area. MSD, which has merged with Schering-Plough, employs about 2,300 people in total across its various plants in Ireland. Attracting multinational pharmaceutical companies has been a priority of the country's Industrial Development Agency since the 1980s.

Western Union, an industry leader in global money transfer, is to set up its new global operations centre in Vilnius by the end of 2010. According to the management, over 200 new jobs will be created in Vilnius over the coming three years.

At a national level, UK retailer John Lewis announced the creation of 175 new jobs with the opening of a new customer call centre near Glasgow in June 2009, designed to centralise all customer services for Scotland. When the unit finally opened in Hamilton in 2010, planned employment at the unit had risen to 450. The retail group has also centralised its customer service activities in England at Didsbury near Manchester.

Relocation of European manufacturing centre for cost reasons

US-owned Dell Computers announced in January 2009 that computer manufacturing would cease at its plant in Limerick, Ireland with 1,900 staff losing their jobs. The computer manufacturer offshored its entire production facilities to a factory in Łódź, Poland, during 2009 in order to reduce costs. Wage costs in particular are much lower in Poland than in Ireland. Dell continued to employ 1,000 staff in Limerick engaged in logistics and product development and 1,300 at a sales and support site in Dublin. The Irish authorities were successful in their application for €22.8 million in aid from the European Globalisation adjustment Fund (EGF).

Rubber manufacturing machines and tyres producer, Continental Matador Rubber Company, confirmed the loss of 190 of 2,100 jobs in Puchov, Slovakia, from September 2009. According to a group press release, the redundancies were due to a decision to centralise production of specialised machines for rubber manufacturing in Germany.

Retrenchment

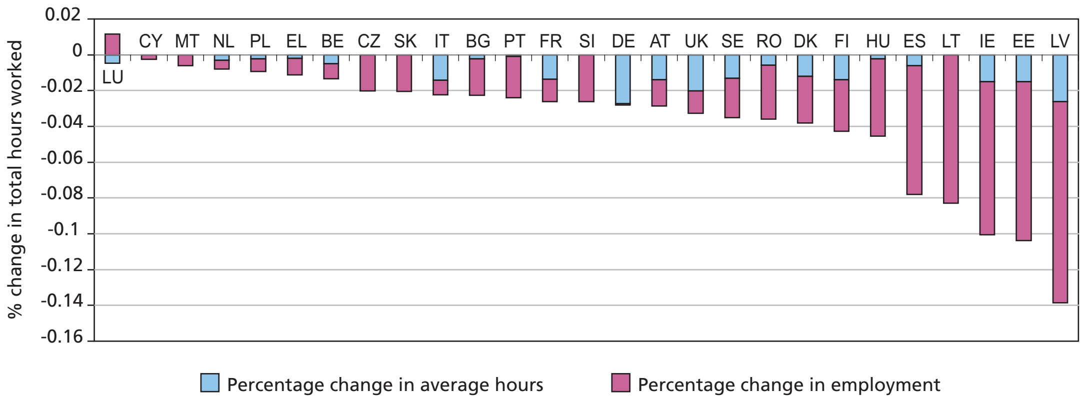
Aldi, the leading multinational discount supermarket, announced that it would withdraw from Greece in July 2010. By the end of the year, 38 outlets will be closed, with the loss of 700 jobs. The company had expanded into Greece in 2008 and envisaged at the outset a €1.5 billion investment, opening 400 outlets within 10 years, but subsequently scaled its plans down. Earlier in the same month, FNAC, the French media/electronics retailer, also announced that it would close its three Athens stores with the loss of 200 jobs.

Labour input reductions: working time and headcount adjustments

The decline in number of total hours worked corresponding to a given decrease in production or turnover crucially depends on the labour productivity of the economic activity in question. When labour productivity is high, fewer hours need be reduced, while in sectors or countries where labour productivity is low, the impact on total hours worked will be appreciably higher. This is probably a major reason why, for example, the decrease in total hours worked in German manufacturing was so limited compared with the very significant decrease in production. However, it is obvious that institutional and policy factors have also been important – not least in terms of whether the reduction in total hours was realised by a decrease in average hours worked or by reducing the numbers of employees.

Figure 9 presents the relative change in total hours worked, separated into the two additive components of relative change in average hours worked and employment levels. Total working hours have decreased for all countries except Luxembourg. In Germany, a reduction of 2.7% in the number of average working hours has been recorded; this is the highest value observed and in net terms almost all of the total reduction of hours was due to a reduction in average hours worked. This contrasts with the Czech Republic, Slovakia, Bulgaria, Portugal, Slovenia, Hungary, Spain and Lithuania, where nearly all the net adjustment was due to a decline in employment levels. Other countries showing a considerable reduction in average hours worked are Belgium, Italy, France, the UK and Sweden.

Figure 9: Relative change in total hours, broken down into average hours and head-count changes, 2007–2009



Source: KLEMs dataset (Eurofound's calculations)

Economic short-time work in Europe

While publicly financed short-time working and temporary layoff schemes are the focus of the chapters that follow, it is important to emphasise that there are many ways in which working time can be reduced. These include company-initiated reductions in overtime, the use of working time accounts and holiday entitlements, and numerous other types of bilateral arrangements between employers and employees. Indeed, calculations reported by the OECD (2010) estimate that only 25% of the average hour reductions in Germany were due to the short-time working scheme. The major means of reduction was employer-initiated reductions in working time (40%), followed by reduced overtime (20%) and debiting working time accounts (20%).

The term economic short-time workers (ESTW) is used by the OECD to denote those working less due to adverse economic conditions. The ELFS captures both those who worked less and those who did not work at all due to lack of work for technical or economic reasons; this provides the empirical basis for the cross-country comparisons and analysis in the rest of this chapter. Annex 1 provides details of the precise definition used, which is much broader than the short-time working and temporary layoff schemes taken up in the following chapter.

Table 9 shows that there were almost two million ESTW in Europe in 2009. This is three times the figure for 2008. In terms of percentage change, the increase has been particularly strong in Slovakia, Germany, the Czech Republic, Bulgaria, Estonia and France; in Sweden and Denmark, there was only a very marginal increase.

Table 9: The incidence of economic short-time working, 2004–2009

Country	thousands						Proportion of all ESTW in EU (%)	Percentage change 2008–2009	Proportion of ESTW among all employees (%)
	2004	2005	2006	2007	2008	2009			
Austria	7.6	11.7	12.7	14.6	13.6	22.8	1.18	67.9	0.65
Belgium	16.7	17.3	13.7	11.2	15	40.6	2.11	169.6	1.08
Bulgaria	8.1	3.3	3.9	3.4	4.6	21.4	1.11	362.5	0.75
Cyprus	0.4	0.5	0.9	0.5	0.6	1.4	0.07	144.7	0.46
Czech Republic	8.7	9.4	4.9	5.9	7	59.4	3.08	743.1	1.45
Germany	60.4	54.6	33.4	28.6	70.3	604	31.33	759.8	1.76
Denmark	22	46	46.5	35	38.6	41.5	2.15	7.5	1.64
Estonia	1.8	2.5	2.3	1.1	2.5	10.2	0.53	311.7	1.87
Spain	16.4	19.8	19.4	30.2	42.6	65.8	3.41	54.6	0.42
Finland	7.2	4.3	5.5	4	12.1	30.6	1.59	152.5	1.44
France	89.6	67.1	51.4	61.2	39.8	157.7	8.18	296.4	0.69
Greece	3	4.9	4.4	4.3	4.1	10.7	0.55	161.7	0.37
Hungary	4.1	4.5	4.7	3.9	4.7	12.6	0.65	165.7	0.38
Ireland	4.5	3.4	3.5	4.3	7	20.2	1.05	189.4	1.28
Italy	181.8	181.9	285.8	182.7	202.2	459.5	23.83	127.2	2.66
Lithuania	1.6	3.1	2.9	2	4	15.7	0.81	294.9	1.26
Luxembourg	0	0.1	0.1	0.1	0.1	0.7	0.04	433.6	0.37
Latvia	3.2	4.3	0.9	3.2	4.2	14.3	0.74	244.1	1.64
Malta	0.7	0.4	0.3	0.4	0.2	0.7	0.04	188.3	0.51
Netherlands	56.3	61.5	65.4	55.7	61.6	94.1	4.88	52.7	1.28
Poland	31.5	40.9	34.3	24.7	28.8	59.6	3.09	107.2	0.49
Portugal	16.7	16.1	11.4	10.9	16.9	25.1	1.3	48.6	0.65
Romania	4.3	5.5	6.3	2.3	7.3	19.5	1.01	165.9	0.31
Sweden	16.6	6.3	4.1	4.7	5	7.7	0.4	51.9	0.19
Slovenia	1.4	1.4	2	1.2	2.4	9.2	0.48	284.5	1.12
Slovakia	3.9	5.9	2.8	2.5	2.5	28.9	1.5	1079.3	1.45
UK	23.3	22.3	25.2	23.7	32.6	94.1	4.88	188.4	0.38
EU27	592.1	599.1	648.5	522.1	630.3	1928.1	100	205.9	1.06

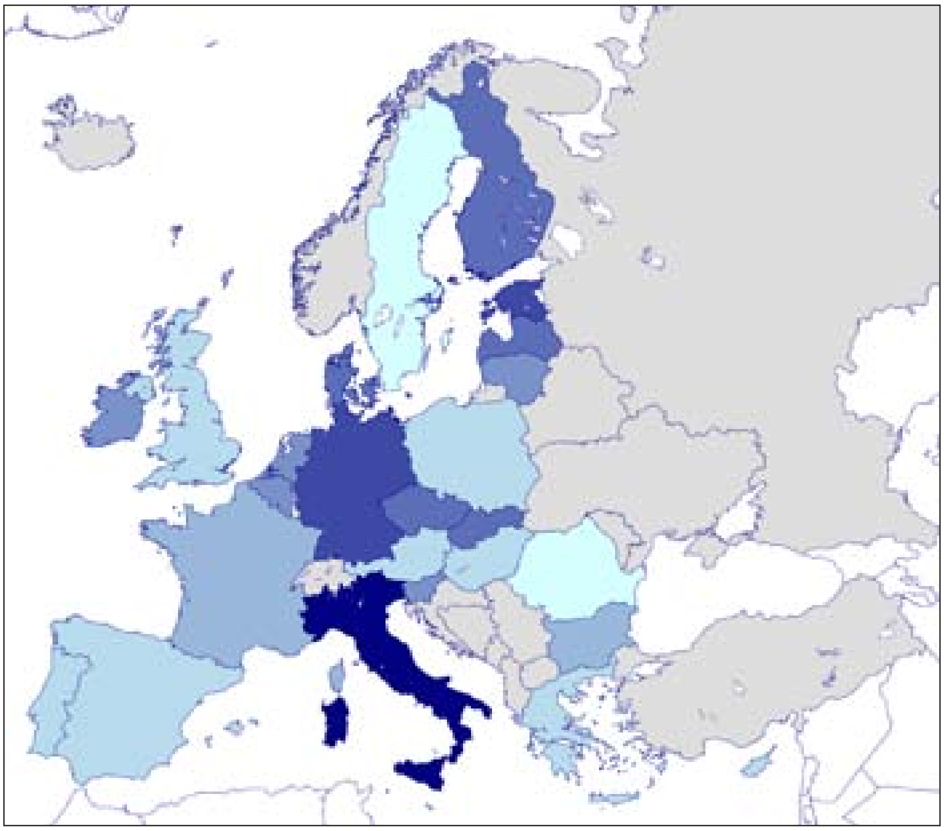
Source: Eurostat 2009 ELFS (Eurofound's calculations)

This number is, however, unevenly distributed among the Member States, with 55% of all such workers in Europe being in Germany (about 604,000 workers) and Italy (around 459,000). These two countries have well established public short-time working schemes. Looking at the numbers from previous years, it would appear however, that economic short-time working is a more cyclical phenomenon in Germany than in Italy.

ESTW, as a proportion of all employees, are most prevalent in Italy, at 2.66%. Other countries where ESTW make up more than 1% of the total number of employees are Germany (1.76%), the Netherlands (1.28%), Slovenia (1.12%) and Belgium (1.08%). In contrast, the countries with the lowest proportion of ESTW in the workforce are Sweden (0.19%), Luxembourg (0.37%) and the UK (0.38%).

Around 72% of ESTW in Europe are men; this corresponds to 1.5% of all male employees. Only 0.6% of all female employees are ESTW. This male prevalence is common to all Member States except Malta. The largest gender difference in the population of ESTW is found in Germany, Belgium and Luxembourg, where the ratio is approximately 1:4. This ratio is appreciably lower in Denmark, the Netherlands and Sweden.

Figure 10: Proportion of ESTW in workforce



Note: The shading indicates the relative proportion of ESTW with respect to the total number of employees: dark blue indicates the highest proportion, while light blue indicate the lowest proportion.
Source: Eurostat 2009 ELFS (Eurofound's calculations)

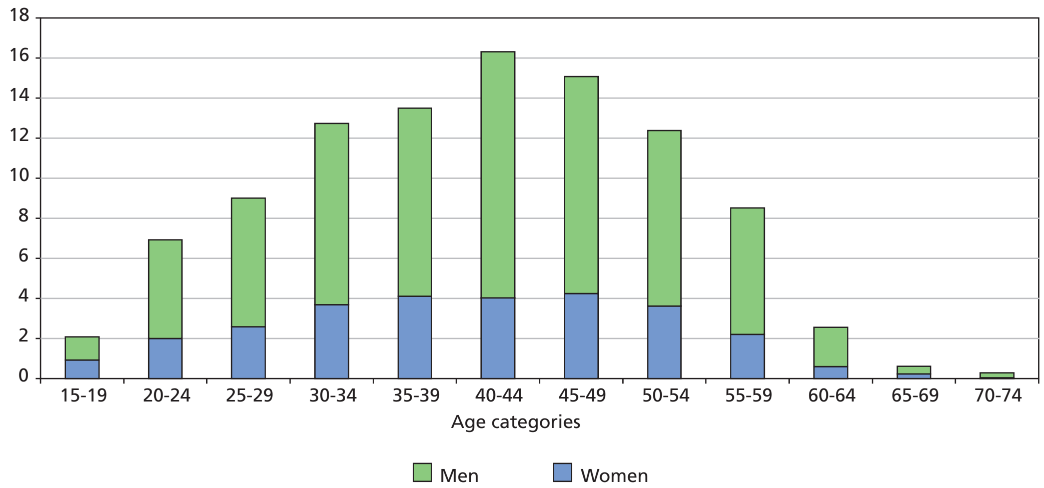
Figure 11 plots the age distribution of ESTW in Europe by gender. It peaks for the central age categories of 40–44 years and 45–49 years, corresponding to 16.3% and 15% respectively of the total number of ESTW in Europe. This overall distribution is common to several Member States (Germany, Italy, Austria, Belgium, France, Lithuania, and the UK). A number of Member States show a somewhat different pattern. In Luxembourg, 21% of the ESTW are in the 50–54 years age group. In the Netherlands, the highest proportion of ESTW is recorded among those aged under 30 – in particular, among 15–19 year-olds (where it is 16.5%), followed by 20–24 year-olds (at 13%) and 25–29 year-olds (at 11%). A similarly high proportion of younger ESTW is found in Denmark and Sweden. Conversely, in Slovenia, Estonia, Latvia, Romania and Portugal, the over-50s represent at least 30% of the population of ESTW, indicating that older workers are apparently at risk of working less.

Figure 12 shows that:

- 57% of ESTW have an upper-secondary level education;
- 23% have a lower-secondary level of education;
- 6.7% have only primary education.

However, with respect to the overall population of employees, ESTW represent 1.7% of those with a lower-secondary level of education, 1.6% with a primary level and just 1.2% of those with an upper-secondary level. This situation is common to several countries such as Austria, Belgium, France,

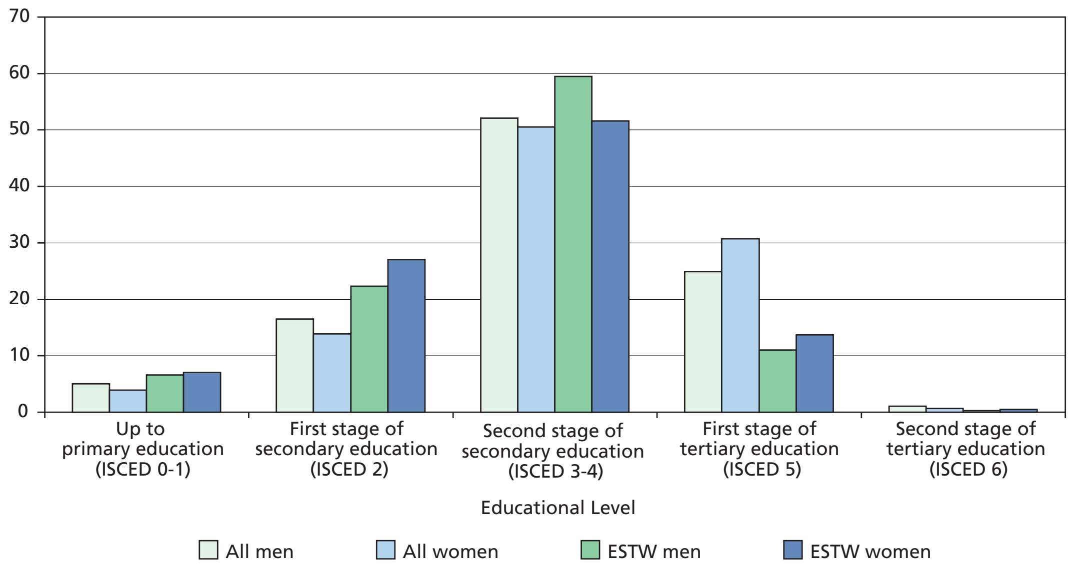
Figure 11: Age composition of ESTW in Europe, by gender (%)



Source: Eurostat 2009 ELFS (Eurofound's calculations)

Germany, Luxembourg, the Netherlands, Sweden and the UK. In some southern European countries – Portugal, Greece and Spain – ESTW consist mostly of those with a lower-secondary level of education, both in absolute and in relative terms. However, some countries, such as Poland, present quite a unique picture: in relative terms, ESTW represent 2% of those with a second stage of tertiary education, 0.9% of those with a primary level of education 0.8% of those with a lower-secondary education.

Figure 12: Composition of ESTW by educational attainment and gender, EU27 (%)

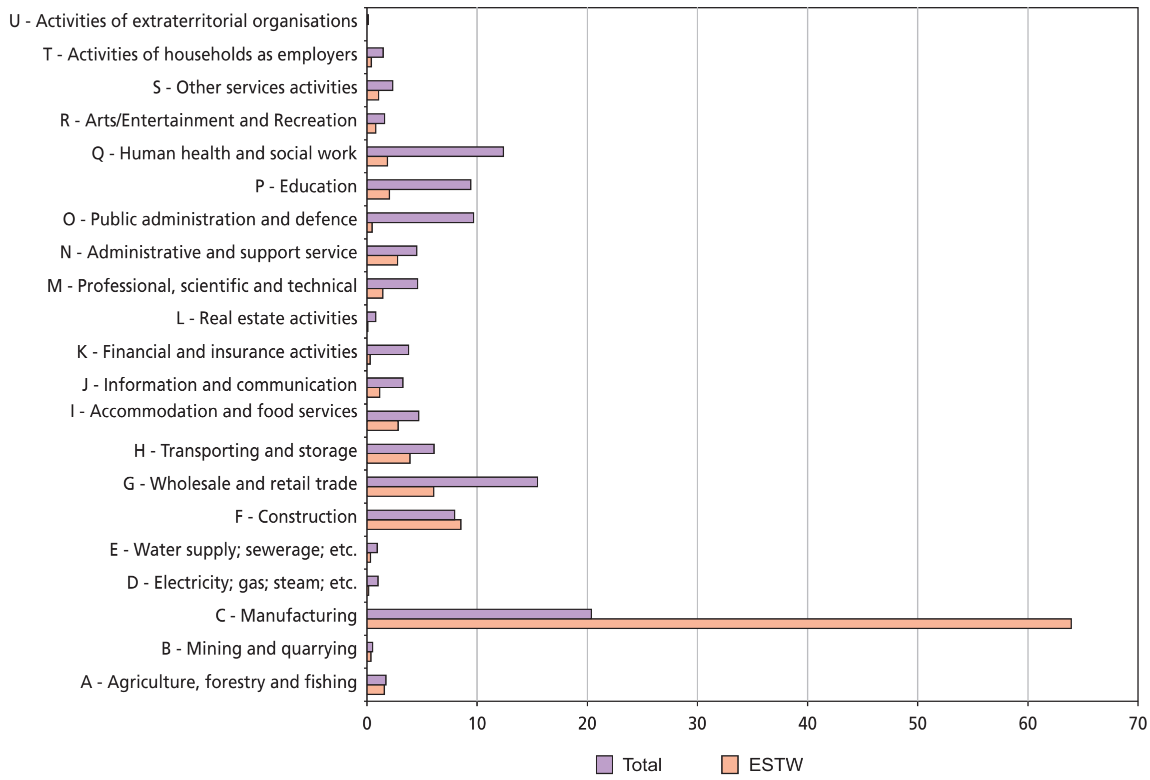


Source: Eurostat 2009 ELFS (Eurofound's calculations)

Focusing now on some characteristics of the job, Figure 13 shows the distribution of ESTW and total employment by sector according to NACE code rev 2 (one-digit). Manufacturing and construction dominate the distribution of ESTW in Europe, at 64% and 9% respectively; both these sectors, manufacturing in particular, are highly over-represented. This sector distribution is broadly similar in most Member States. However, in some Member States, construction is by far the dominant sector.

This is the case for example in Greece (where 60% of ESTW are in construction), Cyprus (58%) and Lithuania (30%). Moreover, the Netherlands exhibited a fairly high rate of ESTW in the wholesale sector also (at 13%) and Poland recorded a considerable number of ESTW in the education sector (16%). This is in line with the high rate of ESTW with a post-tertiary level of education in Poland.

Figure 13: Composition of ESTW by sector, EU27 (%)

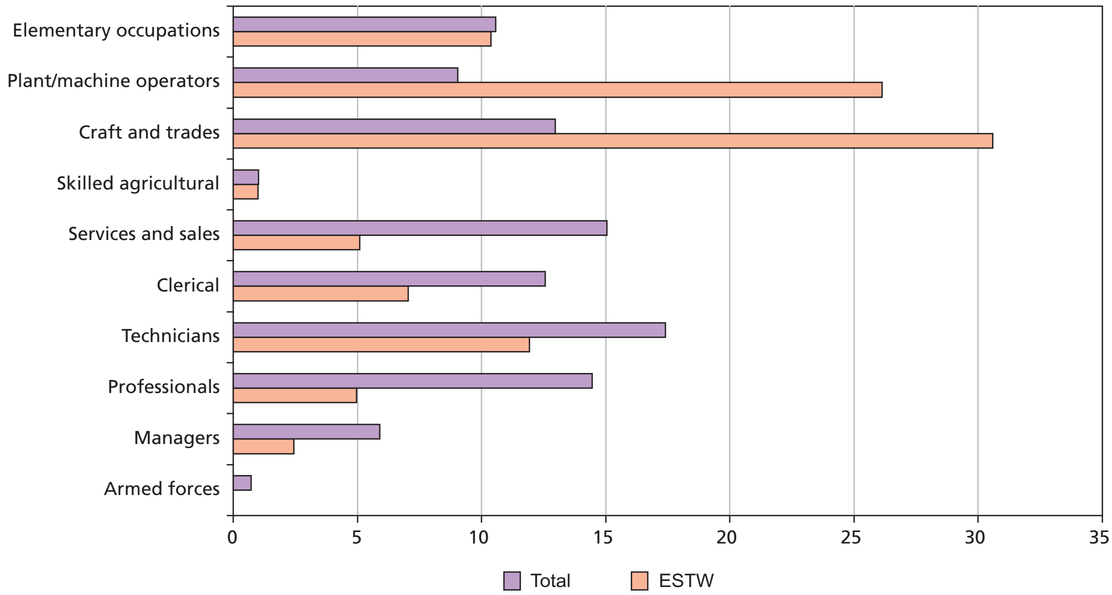


Source: Eurostat 2009 ELFS (Eurofound's calculations)

The distribution by occupation in Figure 14 shows a similar pattern, with craft and trades work (31%), plant and machinery operators (26%) and technicians (12%) showing high proportions of ESTW among their workforces. In relative terms, the occupation with the largest proportion of ESTW is plant and machinery operators (3.17%), followed by craft and trades workers (2.57%) and elementary occupations (1.07%). Although this situation is common to most of the Member States, some have a very different pattern: Denmark (at 24%), the Netherlands (22%), Ireland (20%) and Sweden (12.5%) recorded the largest proportion of ESTW in services and sales. Furthermore, in Poland, confirming the peculiarities identified above, the occupation with the largest share of ESTW is craft and trades, where 42% of workers in the sector are ESTW, followed by professionals (19%).

A breakdown of the distribution of ESTW by type and duration of contract (temporary or permanent, and part time or full time) provides a further insight into the job characteristics of ESTW. At European level, 89% of all ESTW have a permanent contract. This figure ranges from very high levels in Germany (97%), Slovakia (97%), Romania (97%), Austria (95%) and Italy (93%) to lower levels in Sweden (60%) and the Netherlands (56%). However, with respect to the overall population of employees, in many countries the proportion of ESTW with a temporary contract is higher than the proportion of those with a permanent contract. This is the case in Luxembourg, Bulgaria, Spain, Hungary, Lithuania,

Figure 14: Occupational composition of ESTW and all employees in Europe (%)



Source: Eurostat 2009 ELFS (own calculations)

Poland, Portugal, Romania and the UK and is particularly marked in Denmark, Estonia, Greece, Latvia, Malta, and Sweden. Conversely, the prevalence of ESTW who hold a permanent contract is evident in Germany, Italy, Austria and Slovakia.

At the European level, 87% of ESTW work full time. This situation is common to all Member States, with the exception of Denmark and the Netherlands. However, in several countries, the proportion of ESTW with a part-time contract is larger than the proportion who work full time; this is the case in Bulgaria, Cyprus, Denmark, Estonia, Spain, Finland, Greece, Ireland, Lithuania, Latvia, Malta, Netherlands, Poland, Portugal, Romania, Sweden, Slovenia and Slovakia (where the highest percentage of ESTW workers with a part-time contract is recorded, at 5.8%). Conversely, in Member States with a

Figure 15: Prevalence of ESTW, by duration of contract

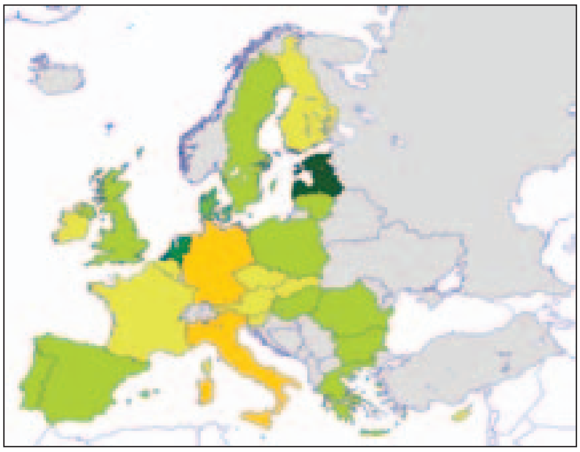
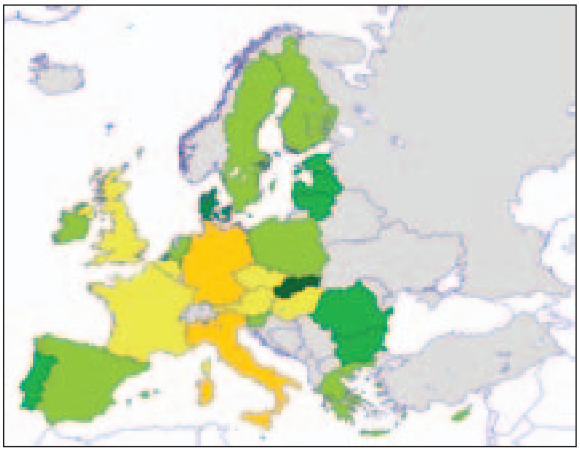


Figure 16: Prevalence of ESTW, by type of contract



Source: Eurostat 2009 ELFS (own calculations)
Note: a) Prevalence of ESTW by duration of contract (green = temporary contract; orange = permanent contract);
b) Prevalence of ESTW workers by type of contract (green = part-time contract; orange = full-time contract).

long tradition of ESTW, such as Italy, Germany, Austria, Luxembourg and Belgium, the prevalence of ESTW with a full-time contract is confirmed also in relative terms.

As the incidence of training while on short-time working is an important indicator for this report, the number of ESTW who had engaged in training within the four weeks prior to the ELFS interview is relevant. Overall, while 8% of all employees reported having participated in training activities, only 5% of short-time workers did so. The rate of participation in training varies greatly among the different countries: the participation rate is considerably higher than the EU average in Denmark (where it is 30%), the UK (21%), Sweden (20%) and Finland (19%). Conversely, in the NMS, participation in training is very limited: in Romania it is 0.1%, Bulgaria (0.6%), Hungary (1%), Slovakia (1.6%) and Lithuania (2%). The rate of participation in training is lower for the ESTW than for other employees in several Member States, such as Austria (where it is 10.9% and 12.4% respectively), Belgium (3.9% and 5.6% respectively), Germany (3.2% and 5.4%), Italy (3% and 4.3%), the Netherlands (6% and 9.4%), UK (10.2% and 21.3%) and Slovenia (10.9% and 7.4%). In other countries, however, the participation rate in training is higher for ESTW than for other employees – Hungary (2.4% and 1% respectively), Poland (3.3% and 2.7%), France (7.5% and 7.2%) and Malta (14% and 7%),

Determinants of becoming an ESTW

In order to examine the probability of becoming an ESTW and to investigate whether the observed differences highlighted in the previous section persist when controlling for other important sociodemographic and job-related characteristics, a logit model is applied. As almost 60% of the ESTW are in Germany and Italy, the model for the whole of Europe is not presented; rather, it is performed individually for 24 Member States (Cyprus, Malta and Luxembourg being excluded due to a lack of data). The full set of estimates and a fuller description of the methodology is presented in Annex 1.

The results show a heterogeneous picture of the profile of ESTW among the 24 Member States analysed. The differences are quite striking as regards the type of contract, part or full time working and the size of the companies. However, it is possible to group the 24 Member States into three clusters: traditional, unconventional and hybrid.

Traditional cluster

The traditional cluster is the most coherent. This cluster is comprised of Member States with a long and extensive tradition of short-time working schemes – Austria, Belgium, Germany and Italy. This group is then complemented by a set of other countries (the Czech Republic, Slovakia and Slovenia), which have economic links with and are geographically contiguous and culturally close to the former set, possibly implying a spill-over effect. The group is called ‘traditional’, since having a permanent contract and working in medium-sized or large companies in a subordinate position in all these countries increases the probability of a worker’s being an ESTW. However, the impact of working part or full time differs among these countries. In Austria, Belgium, Germany, and Italy (the countries with a long and well-established tradition of public short-time working schemes), those with a full-time contract have a greater probability of being ESTW. Conversely, in the other countries, the probability is greater for those with a part-time contract. However, considering the professionally-related variables, this is the only difference observed; in terms of economic sectors and occupation, there is a common profile. Employees in the manufacturing sector have a greater probability of being ESTW. In addition, the probability increases for those working in occupations such as machine or plant operators and craft and other trades workers.

Men have a higher probability of being ESTW, with the exception of Italy. The probability of being ESTW decreases as the education level increases. Thus, employees with a primary level of education have a higher probability of being ESTW and those with an upper secondary or tertiary educational level have a lower probability of being ESTW. There are, however, some age differences. In Italy and Slovenia, those over 50 years of age have a higher probability of being ESTW. In Austria, Belgium, the Czech Republic and Germany, it is those in their 40s who are more likely to be ESTW, while in Slovakia, it is those in their 30s who are most likely to be ESTW. Finally, in all these countries, ESTW have a higher probability of participating in training activities than other workers and, with the exception of Belgium, of having a second job. In conclusion, the profile identified in this set of countries differs only with regard to age and part- or full-time working.

Unconventional cluster

The cluster of countries termed ‘unconventional’ is the most unlike the traditional cluster. This cluster is composed of Denmark, Estonia, Ireland, the Netherlands, Poland and the UK. These countries have a number of common characteristics as regards the functioning of their labour markets and are often considered to be among the more economically liberal countries in Europe and generally score highly on flexicurity indicators.

In these countries, employees with a temporary contract and working in a micro company have a higher probability of being ESTW. Moreover, those who occupy subordinate positions have a greater probability of being ESTW in all these countries – except Denmark – and those with a part-time contract have a greater probability of being ESTW (except in the UK). The effect of company size is reflected in the effect of the economic sectors. In contrast to the other clusters, those working in the sectors of construction, accommodation and food services, arts and entertainment, administrative and support services, real estate, and mining have a higher probability of being ESTW. The presence of several private services sectors makes the profile depicted in this cluster unique. With regard to national particularities, in Ireland the sectors in which workers have a higher probability of being ESTW are real estate and mining, while in Denmark they are accommodation and food services, arts and entertainment and education. The education sector has an important effect on the probability of being ESTW also in Poland. Moreover, the effect of occupation constitutes an additional difference with respect to the other clusters: here, together with the usual machine and plant operators and craft and trade workers, working as a manager in Denmark, and as professionals in Poland and Estonia, increases the probability of being ESTW.

The analysis of the sociodemographic variables shows that men have a higher probability of being ESTW than do women in all these countries, with the exception of Estonia. In terms of educational level, those with a tertiary education have a lower probability of being ESTW. In Denmark, Ireland, Poland and the UK, those with a lower-secondary level of education have a higher probability of being ESTW, while in Estonia and Netherlands those with only a primary education are more likely to be ESTW. As observed for the other clusters, also here the effect of age differs among the countries of this group. In Denmark and the Netherlands, it is younger and older workers (those aged 29 years and under, or 55 years and over) who are more likely to be ESTW. In Poland and Estonia it is older workers (those aged over 55), while in the UK it is those in their 40s. In terms of access to training, in the UK, Estonia, and Netherlands, ESTW have a lower probability of participating in training compared with other employees. The opposite holds true in Ireland, Denmark and Poland.

Hybrid cluster

The countries in the hybrid cluster are more heterogeneous, not only as regards their institutional background and labour market characteristics but also in terms of the probability of their workers being ESTW. This group is composed of three southern European countries (Greece, Portugal and Spain), France, two Nordic countries (Sweden and Finland), three eastern European countries (Bulgaria, Hungary and Romania) and two of the Baltic states – Latvia and Lithuania. In all these countries it is those workers with a temporary contract who are most likely to be ESTW. Moreover, with the exception of Hungary, the probability of being ESTW increases for those with a part-time contract and, with the exception of Romania and Bulgaria, for those holding a subordinate position. However, the effect of the size of company varies among the countries. In Bulgaria, Hungary, Romania, Portugal, France and Sweden, it is those working in medium-sized and large companies who are more likely to be ESTW. Conversely, in Finland, Spain, Greece, Latvia and Lithuania, it is those working in small firms who are more likely to be ESTW.

The effect of the economic sector is similar in some ways in the hybrid cluster to the traditional cluster, and different in others. Although workers in the manufacturing and construction sectors are more likely to be ESTW in Bulgaria, France, Finland and Latvia, in the remaining countries, other productive and service sectors have an impact on the probability of being ESTW. For example, working in the mining sector increases the probability of being ESTW in Lithuania, Greece, Romania and Hungary, as does working in the electricity sector in Portugal. In Sweden, it is those working in administrative and support services and in Spain those working in other service activities who are more likely to be ESTW. However, a certain degree of coherence is found in the occupations: those working as machine or plant operators, craft and other trades workers and those in elementary occupations are more likely to be ESTW in all the countries of this cluster.

Men are more likely than women to be ESTW in all these countries, with the exception of Portugal and Sweden (where gender differences are not significant) and Greece (where women are more likely to be ESTW). In all the countries, with the exception of Spain, those with a tertiary level of education are less likely to be ESTW. In France, Latvia, Lithuania, Portugal, Romania and Spain, workers with only a primary level of education are more likely to be ESTW, while those with a lower-secondary level of education in Bulgaria, Finland and Hungary are more likely to be ESTW. The effect of age strongly varies among the countries and a common trend is not identified. Nevertheless, in Bulgaria and Latvia, those aged over 24 years are more likely to ESTW. Conversely, in Portugal, Spain, and Sweden, older workers (those aged 55 years or over) are more likely to be ESTW. The probability of being ESTW is higher for people in their 40s in Lithuania, Hungary, and Finland. Finally, ESTW in Finland, Latvia, Lithuania, and Sweden are less likely to attend training courses (although the size of the company may play a role here). The reverse is the case for the rest of the countries in this cluster.

In conclusion, the analysis of the results of the logit models shows that in terms of professionally related variables, the 24 Member States can be grouped in three clusters: traditional, hybrid and unconventional. The three profiles are differentiated mainly by the type of contract, by whether they work part or full time, by the size of the company, by sector and by occupation. However, there is somewhat more heterogeneity in terms of sociodemographic variables, making the interpretation of these variables more difficult also within the clusters. The highest degree of dissimilarity is the effect of age, where different patterns are found within each cluster, while a greater homogeneity exists for the effect of gender and educational level. Table 10 summarises the characteristics of the three clusters.

Table 10: Factors increasing the probability of being a ESTW across Europe

	Traditional	Hybrid	Unconventional
Countries	Austria, Belgium	Portugal, Spain, France	Denmark, Netherlands
	Italy, Germany	Greece, Finland, Sweden	UK, Ireland
	Czech Republic, Slovakia	Lithuania, Latvia, Romania	Poland, Estonia
	Slovenia	Hungary, Bulgaria	
Professionally related variables	Permanent contract	Temporary contract	Temporary contract
	Full/part-time	Part-time	Part-time
	Medium-sized/large companies	Small and medium-sized/large companies	Micro companies
	Subordinate	Mainly subordinate	Mainly subordinate
	Productive sectors	Mainly productive sectors	Mainly private services sectors
	Machine/plant operators	Machine/plant operators	Machine/plant operators
	Craft and other trades workers	Craft and other trades workers	Craft and other trades workers
Sociodemographic variables	Men	Men	Men
	Primary education	Mainly primary educational level	Mainly lower secondary educational level
	More training	Mainly more training	Mainly less training

Conclusions

This section has provided a characterisation of ESTW in Europe, by means of a number of statistical descriptive tables that show the similarities and differences of this population across the Member States.

According to the ELFS, in 2009 almost two million European employees stated that they worked less due to lack of work for technical or economical reasons. Although 55% of these employees were in Germany and Italy, all Member States have seen the number of ESTW increase over the period 2008–2009. The largest relative increase was in Slovakia, followed by Germany and the Czech Republic, while in Sweden and Denmark the increase was marginal. The gender divide is marked: 1.5% of all male employees are ESTW, as against only 0.6% of all female employees. This male prevalence is widespread, being greatest in Germany, Belgium and Luxembourg and least common in Denmark, the Netherlands and Sweden. In general, workers in manufacturing and with relatively low levels of education, in blue-collar occupations, are more likely to be ESTW.

In order to examine the probability of becoming a ESTW and to investigate whether the observed differences highlighted in the descriptive tables persist when other important sociodemographic and job-related characteristics are controlled for, a logit regression model was estimated for each country. Based on the results of this analysis, three broad groups of ESTW can be identified in Europe in terms of socioeconomic and job characteristics. The profiles depicted for these groups are clearly differentiated by the type of contract, the length of working day, the size of the company, the economic sectors and the occupation. The ‘traditional’ group is characterised by having permanent contracts in medium-sized to large companies, having low levels of education, and receiving more training. It comprises Austria, Belgium, the Czech Republic, Germany, Italy, Slovakia and Slovenia. The ‘unconventional’ group is characterised by having temporary contracts, by working part time in small companies in services sectors, and by employees’ receiving less training; such employees are found mainly in Denmark, Estonia, Ireland, the Netherlands, Poland and the UK. The ‘hybrid’ group combines a mix of the major traits found for the previous two groups; it comprises Bulgaria, Finland, France, Greece, Hungary, Latvia, Lithuania, Portugal, Romania, Spain and Sweden.

Finally as the issue of training is central to the chapters that follow in this report, it is useful to examine the results for the training variable. While 8% of all workers had participated in training at some time in the four weeks prior to the ELFS interview, only 5% of the ESTW did. Thus, there is certainly some scope for increasing the training intensity for ESTW. The results of a logit estimation of the probability of receiving training for all workers and ESTW (not reported here) shows the same sign and roughly the same relative size of coefficients as the training coefficient in the estimation of being ESTW. Thus being an ESTW increases the probability of having had training recently in Austria, Belgium, France, Italy, Slovenia, Spain, Portugal, Greece, Denmark, Romania, Ireland and the Czech Republic. It had a negative effect in the Netherlands, UK, Sweden, Finland, Lithuania and Estonia. However it is important to highlight that this of course does not mean that more training is provided in the former countries compared with the latter – these estimates refer to more training for ESTW compared with other workers; indeed the levels of training for all workers in the latter group are high – for example, in the UK and Sweden.

Flexicurity in Europe 2

Concept of flexicurity

Flexicurity is a policy strategy, which aims to align flexibility – in the labour market, in work organisation and in labour relations – with employment and income security. Increasing globalisation and technological progress requires rapid adaptation and development of production methods, service delivery and human resources practices. The challenge for the European social model is to enable workers to make secure transitions on the labour market while preserving and improving the competitiveness of companies (European Commission, 2010a). Flexicurity is an approach that promotes open, responsive and inclusive labour markets and avoids segmentation. According to the terms of the concept, support should be available to enhance the employability of those already employed and to manage transitions – both within the current job and between jobs. At the same time, those who are not active in the labour market (or who are at its margins), the unemployed, those in undeclared work, or those in unstable employment need to be provided with better opportunities, financial incentives and support measures to enable them to more readily gain access to stable and legally secure employment (Council of the European Union, 2007).

Flexicurity implies a shift of emphasis from job security to employment security. Rather than protecting specific jobs, it promotes the employability of the workforce. This leads to an emphasis on active labour market policies, lifelong learning, modern social security systems, support for jobseekers and fostering equal opportunities for all (European Commission, 2007 and 2010a). The intention is to create a win–win situation for both workers and employers, with flexibility and security mutually reinforcing – rather than contradicting – each other (European Expert Group on Flexicurity, 2007). As such, flexicurity has also become an important part of the European Employment Strategy and its implementation and monitoring instruments (Auer, 2010) and plays a prominent role in the Europe 2020 strategy (European Commission, 2010b).

Flexicurity is, however, an intangible concept, and indeed has been characterised by some as lacking in conceptual rigour (Schmid, 2010). Moreover, due to different economic, cultural and institutional differences, a 'one-size-fits-all' approach to flexicurity in Europe is not appropriate (European Expert Group on Flexicurity, 2007).

For this report, the distinction between internal and external flexicurity, both of which should be promoted, is important. Internal flexicurity refers to transitions and adjustments made within an enterprise: employers invest in their workers' skills to move them into other jobs and develop their talents which, in turn, leads to an improvement in work organisation (European Commission, 2007). External flexicurity refers to the movement of workers from one job to another with different employers (or to self-employment); it includes the provision of benefits to cover a period of unemployment, if needed (European Commission, 2007) and support for the transition between unemployment or inactivity and work.

Flexicurity policies include active and passive labour market policies, training and education, social protection, labour law and collective bargaining (Auer, 2010). In order to illustrate the broad scope of policy tools available in the framework of flexicurity, Wilthagen and Tros (2004) created a framework for a matrix that provides an overview of flexicurity measures as combinations of the various types of flexibility and security.

Table 11: Flexicurity matrix

	Job security	Employment security	Income security	Combination security
External numerical flexibility	Types of employment contracts Employment protection legislation Early retirement	Employment services/active labour market policy Training/lifelong learning	Unemployment compensation Other social benefits Minimum wages	Protection against dismissal
Internal numerical flexibility	Shortened working weeks/part-time working arrangements	Employment protection legislation Training/lifelong learning	Part-time supplementary benefits Study grants Sickness benefits	Different types of leave schemes Part-time retirement
Functional flexibility	Job enrichment Training Labour leasing Subcontracting Outsourcing	Training/lifelong learning Job rotation Teamwork Multi-skilling	Performance-related pay systems	Voluntary working time arrangements
Labour cost/wage flexibility	Local adjustments in labour costs Scaling or reductions in social security payments	Changes in social security payments Employment subsidies In-work benefits	Collective wage agreements Adjusted benefits for shortened working weeks	Voluntary working time arrangements

Source: Wilthagen and Tros, 2004 (row and column headings); Pacelli et al., 2008

Examples of flexicurity practices in Europe

Examples of flexicurity policies in Europe are numerous and varied. The rest of this report will be devoted to short-time working and temporary layoffs, which are instruments combining internal numerical flexibility with job security, income security and combination security. However, prior to that, the following will illustrate some other flexicurity instruments. These are shown in Table 11 – note that the same measure may serve as a tool for several flexibility–security combinations. Furthermore, the following examples show the different levels at which flexicurity measures may be applied, whether as public, governmental, or legal instruments, as collective agreements, or as company-level initiatives.

In the field of employment contracts (which combine external numerical flexibility and job security), for example, the concept of distance working has been included in Polish labour law on the basis of an agreement between the social partners. The aim is to meet certain needs in the 'new economy' while at the same time creating potential benefits for employees (Council of the European Union, 2008). Another example is the French 'specific purpose contract' or 'mission contract', which provides the possibility of transforming a fixed-term contract of up to 36 months into an open-ended contract at the end of this period (Council of the European Union, 2008).

The Finnish 'change security model' combines lifelong learning with unemployment compensation (hence combining external numerical flexibility with both employment and income security). Workers who are made redundant for economic reasons may take leave during the notice period not only to look for a job, but also to access specific training while having access to higher redundancy allowances (Council of the European Union, 2008).

The Austrian 'labour foundations', the Belgian and French 'redeployment cells', the Dutch 'mobility centres', the German 'transfer companies' and the Swedish 'Job Security Councils' have a similar aim, combining modules such as vocational orientation (including skills assessment and labour market information), intensive vocational training, psychological and outplacement support (that is, guidance in the job search process) with income compensation for the redundant workers (European Employment Observatory, 2009; Hurley et al., 2009; Voss et al., 2010). The long-term instruments are in most cases jointly funded by the previous employer and public money[10] and are established and run with considerable involvement of the social partners. The social partners step in before dismissals take place (and therefore while an employment contract is still in place, even if it is not necessarily with the previous employer but rather with another body) and offer services tailored to the needs and characteristics of the individual worker. It would appear that these transition bodies are very effective due to the joint approach of all relevant stakeholders, their long-term orientation and the attention given to individuals in the process.

A recent case study from Eurofound's European Monitoring Centre on Change (EMCC) analysed the labour foundation at the Austrian Plansee company, which was set up in 2009 in consultation with the works council and the regional public employment service to deal with economic difficulties during the recent crisis (Eurofound, 2010a). The foundation is funded by the company and the public employment service, with training costs partly co-funded by the regional government. The voluntary participants were mainly (semi-) skilled men below the age of 30. After an orientation phase, during which their current skills and qualifications were assessed and an individual career plan was developed, participants underwent full-time training. The training was given mainly to enable the participants to gain higher educational qualifications, which enable later participation at vocational colleges. Participation in the foundation was possible for three years (four years for workers aged 50+), with the average duration being about 30 months. As the labour foundation was situated on the company's premises, the affected workers could stay in contact with the company and their former colleagues.

An example of guaranteed minimum wages, or income security, with regard to external numerical flexibility is the French 'solidarity income' applicable since 2009 (Council of the European Union, 2008). Apart from providing a minimum income for those not working, it also provides an income supplement for who have found a new job but earn an income that is lower than their previous allowances.

Another recent EMCC case study illustrates a company-based initiative that combines external numerical flexibility and income security. The Romanian steel manufacturer ArcelorMittal Galati offered employees who were willing to take voluntary leave during the recession a one-off severance payment of between about €2,400 and €5,900, in addition to their monthly salary for six to 24 months (depending on their length of service). Chronically ill workers received an additional payment of about €1,000. While receiving the agreed monthly payment, workers were allowed to take another job, and both the employer and employees continued to pay social security contributions. A high proportion of employees working for ArcelorMittal in eastern and central Europe – the majority being close to retirement age – chose to leave the company on a voluntary basis during the first quarter of 2009 (Eurofound, 2010b).[11]

Working time accounts are a widespread flexicurity instrument at company level, which combine internal numerical flexibility with job security. Data for Germany for 2007, for example, show that 47% of all employees used working time accounts (Herzog-Stein and Seifert, 2010). In Germany, working time accounts are more common in large companies than in SMEs and balancing periods of up to one

[10] An exception to this is the Swedish Job Security Councils, which are financed by the employers in a broad sector-wide insurance-like system.

[11] In western Europe the take-up was much lower, perhaps pointing to a higher awareness about the long-term challenges (long-term unemployment, decreased pension entitlements and lack of health insurance) that this measure might raise.

year are more common than longer periods. On average, it is possible for the worker to have accrued a time balance of up to 90 hours, and to be 'owed' 46 hours by the company.

A legally regulated example of internal numerical flexibility combined with job security is the Dutch 'Adjustment of Working Hours Act'. It provides workers in companies with at least 10 employees the right to increase or reduce their working hours once every two years without giving any justification. Employers have to provide substantial reasons for not complying with the workers' request (Flecker et al., 2010). However, available data show that this possibility is not much used. In Denmark, workers cannot be dismissed if they refuse to work part time or apply for a working time reduction. At the same time, workers who have to work in a part-time job, although they would like to work full-time, are entitled to unemployment benefits to compensate for their income loss (Flecker et al., 2010). The same regulations can be found in Portugal.

A more targeted approach towards working time flexibility and job security is taken by the Spanish 'equality plans', which are a legal requirement in large companies. In order to improve the quality of jobs held by women, the plans concern working time adaptations according to family responsibilities, and pay (Council of the European Union, 2008).

Internal flexibility and employment security can be realised by 'employers' pools' which exist, for example, in Belgium, France and Germany (Bruggeman and de Lavergne, 2010; BVMW, undated). Several employers have created a separate company, which engages, on demand, workers who are employed in those firms that are members of the pools. Workers are only recruited if the member companies can guarantee a full workload for them, so that idle times are avoided. For that reason, the number of member companies is in most cases limited, often to fewer than five). Rotation between the individual jobs may be organised seasonally, weekly, daily or half-daily, depending on the arrangements among the member companies. In many cases, the separately managed company not only administers the sharing of the workers, but also recruits and inducts the workers and supports the member companies with regard to HR management and training (also for their core staff). Currently, there are about 400 employers' pools in France, for example, which employ about 13,000 workers.[12]

The Austrian 'solidarity bonus' is an example of internal numerical flexibility and income security (BMASK, 2009). If several employees of a firm reduce their working time so that an unemployed person or an apprentice can be employed, the government will reimburse them for 50% of their lost income and cover the total additional social security contributions for up to two years (three years if the recruited person is unemployed long term, is aged 45 years or over, or is disabled).[13]

The Romanian 'Builders' Social House' instrument (Casa Socială a Constructorilor, 2010) also combines internal numerical flexibility and income security. It demonstrates that flexicurity measures do not necessarily have to be public instruments, but may be based on social partners' initiatives. The non-profit organisation was founded by collective agreements in the construction sector. Its aim is to ensure the protection of employees during periods of when work cannot take place because of bad weather. During such periods, employees receive monthly income support for up to 90 days equal to 75% of their average monthly salary over the previous three months. The instrument, jointly managed by the social partners, is funded by contributions from its member companies (equalling 1.5% of turnover), employees (1% of their monthly gross base salary) and beneficiaries of investments in construction (0.5% of the value of the completed construction works).

12 This figure is for sectors other than agriculture, in which about 4,000 pools employ about 19,000 workers.

13 Future entitlements are calculated on the previous full-time level, in order to avoid workers' losing out in retirement and unemployment benefits.

A company-based example of combined internal numerical flexibility and combination security can be found at the Romanian branch of the steel manufacturer ArcelorMittal (Eurofound, 2010b). At ArcelorMittal Galati, social partners agreed that during the first quarter of 2009, each employee would take up to 10 days' annual leave by rotation. The 10-day limit was chosen to ensure that each worker would have left at least 15 days of annual leave to take at their convenience. In spite of this, the compulsory annual leave was not popular among the workforce, as it was perceived as interfering with family responsibilities and lacking flexibility, given that only the employer could decide when the leave must be taken.

A recent EMCC case study of the UK law firm Norton Rose provides another company example (Eurofound, 2010c). In 2009, the company extended its 'Flex Scheme', which was already part of the firm's flexible working policy. In response to the crisis, Norton Rose offered its employees the possibility of taking a sabbatical of between four and 12 weeks while receiving 30% of their wage. The reduction in salary could be spread over a six-month period. Before the start of the sabbatical, a four weeks' notice period was established. It transpired that in some departments it was not practical to put staff on sabbatical due to the nature of their work. Rather than taking such long-term leave, employees were encouraged to adjust flexibly to the current workload (for example, having a day or two off if their workload were not high, while working full-time if it were). As a consequence, short-time working was used more often than sabbatical leave, the ratio being 70:30. (This was also due to workers' reluctance to accept the deeper pay cut associated with a sabbatical.)

The Austrian 'training leave' scheme seeks to foster functional flexibility (the title of the scheme was amended to 'training leave plus' in response to the crisis, and its provisions were made more generous). It enables workers to take leave of up to 12 months in order to receive company-based training for at least 20 hours per week from an external training institution (European Employment Observatory, 2009; Eurofound, 2010a). During this period, participants receive an allowance from the public employment service equal to the unemployment benefit (which generally equates to 55% of the net salary); thus, employees benefit from job and employment security and from income security. For as long as the crisis persists, training costs are equally covered by the employer and the regional government. There is no legal entitlement for employees to take training leave; rather, a decision is taken based on individual agreements between the employer and the employees or the works council. While the uptake of the measure had been comparatively low during the 2000s, there was a considerable increase in 2008, which is attributed to the changed eligibility criteria and increased income compensation.

A similar instrument is the Belgian 'paid educational leave', in which private-sector employees are entitled to be released from work for training purposes for up to 120 hours per year while still receiving their wage (for which the employer may be reimbursed by the government). Requests for release can only be rejected by the employer if more than 10% of employees fulfilling the same tasks are absent at the same time (Flecker et al., 2010). Again in Belgium, the 'career break' offers public-sector workers the possibility of reducing working time (down to zero hours) for a fixed term, while income loss is partly compensated by the government (Flecker et al., 2010). The time off does not necessarily have to be spent in training; it can be used for any reason – for example, childcare or elder care. In the private sector, a collective agreement dealing with 'time credits' allows workers to reduce working time according to a number of arrangements:

- by 50% or 100% for up to one year during the course of the worker's career;
- by 20% over five years;

- by 20% or 50% until the workers retire (if they are 50 years or older and have worked for at least 20 years).

To avoid difficulties for the company, a maximum of 5% of staff members may take such leave at the same time.[14]

In the Danish 'job rotation' measure, workers have the possibility of taking long-term leave for training or childcare, during which a replacement (ideally an unemployed person) fills their post (Flecker et al., 2010).

Another example of fostering functional flexibility and job security is the Irish 'Skillnets' programme, partly funded by the government and the participating companies. It aims to facilitate the establishment of self-selecting networks of enterprises based on common training needs. A particular focus is on engaging SMEs in the training process. A number of characteristics of the scheme are considered as reasons for its success (Voss et al., 2010):

- the leadership of sector bodies and trade unions;
- the transfer of knowledge among participating companies;
- the possibility of sharing (and hence lowering) training costs;
- the development of career paths;
- the emergence of sector-specific standards and certification.

Job rotation is an example of the combination of functional flexibility and employment security. It has been offered by, for example, the steel manufacturer ArcelorMittal (Eurofound, 2010b). In response to the crisis, the company set up a 'skill pool' for those employees in each subsidiary who wanted to stay in the company but whose jobs were no longer available due to a permanent halt in operations. Employees had their skills reassessed and were encouraged to take vacant positions within the company after receiving training that prepared them for the new job. The process of transfer took between one day and two months, depending on the requalification requirements (only a minority of the transferred employees benefitted from substantial training). For three months, the employee received the same salary as for their previous job.

The combination of external and functional flexibility and employment security can also be achieved by temporarily assigning workers to other employers, as was negotiated by a 2009 collective agreement in the German North-Rhine Westphalia metal and electric industry – another example of a flexicurity instrument initiated by social partners. Firms that want to maintain a standard employment contract with their blue- and white-collar workers (excluding trainees and home workers) for whom they do not have sufficient work may lease them to firms in the same sector that are suffering labour or skills deficits. The unchanged wages and annual payments are paid by the sending employer, who also compensates for working time differences through working time accounts or additional payments. The receiving employer reimburses the sending employer for the expenses. In this way, local or regional staffing pools are created, avoiding alternative measures such as layoffs, short-time working and temporary agency work. However, in practice, most of the agreements have shown poor results as employers make hardly any use of the staffing pools (Kramer 2010; Schmid, 2010).

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[14] The proportion can be changed by company or industry-level collective agreement; companies with fewer than 10 employees may reject the request for working-time reduction if this were to result in negative economic consequences.

Labour cost flexibility and job security can be achieved by adjusting wages or ancillary wage costs. This was done in the Czech government by cutting employers' social security contributions for 2009 and 2010 (European Employment Observatory, 2009). The reduction amounts to about 10% of gross wages for low earners and declines to zero for wages slightly above the average.

In Romania, new legislation introduced in the context of the crisis (Government Emergency Ordinances no. 28/2009 and 4/2010) has also resulted in a reduction of ancillary wage costs (Eurofound, 2010b). Employers and employees are exempted from social security contributions (unemployment benefit contributions, professional hazard and accident security contributions, contributions to the salary claims guarantee fund, and health insurance contributions) for up to three months. In the event that business activity is temporarily suspended, employers still pay employees a tax-free indemnity of up to 75% of the basic salary, depending on the position held. During a period of temporary suspension, affected employees benefit from payments to pension schemes, unemployment benefits and health insurance contributions, but cannot take paid sick leave. It is assumed that a significant number of companies and employees benefit from this adjusted regulation.

Finally, an initiative in Italy can – depending on the perspective – be considered as a combination of external, internal or functional flexibility combined with job, employment and income security. An agreement created between the government and social partners in Italy in 2009 sought to mitigate the negative effects of the crisis on temporary agency workers (Eurofound, 2010d). Under this agreement, temporary employment agencies implement activation plans, which entitle those employees who have worked at least 78 days since January 2009 and who have been unemployed for at least 45 days (without the benefit of any other wage support) to a lump sum payment of €1,300. Furthermore, inhabitants of certain regions receive a training voucher of €700. By December 2009, about 17,500 temporary agency workers had received payment and about 23,000 had received training. It is estimated that 30% of the workers involved in these training courses found new employment after undergoing this training.

Flexicurity and the recession

The recession has resulted in substantial increases in unemployment and considerably fewer vacancies in Europe, making smooth job-to-job transitions – as envisaged in the flexicurity concept – difficult. The original concept of flexicurity was based on easier hiring and firing and comprehensive social protection for the unemployed. This concept has been challenged as – at least in the short run – adjustments within companies were more prevalent than external ones, and the question arose as to whether flexicurity can also work in 'bad weather' (Auer, 2010; Tangian, 2010). At the same time, a discussion was held regarding whether the reductions in working hours that have taken place (see Figures 1 and 9), partly supported by publicly funded short-time working or temporary layoff instruments, can be considered as flexicurity (more precisely, numerical flexibility combined with income and job security).

Over the course of the crisis, the flexicurity debate has also raised the question of whether flexicurity can be a way out of the crisis and contribute to employment growth in the EU. It is seen as imperative to ensure that workers are given enough security to help them through waves of restructuring, by encouraging workers to acquire employment skills that go beyond the requirements of their specific job and that allow them to make the transition into new employment, should this be required.

In the European Commission's Communication on Europe 2020 (European Commission, 2010b) the Commission states that 'implementing flexicurity principles and enabling people to acquire new skills to adapt to new conditions and potential career shifts will be key' to a successful exit from the crisis. It also states that, together with European social partners, it will try to identify ways to better manage economic transitions and to fight unemployment and raise activity rates. It argues that, at national level, Member States will need to implement their national pathways for flexicurity, as agreed by the European Council, to reduce labour market segmentation and facilitate transitions as well as reconcile work and family life.

The European Council adopted a set of conclusions on the issue of flexicurity in times of crisis at a sitting of the Employment, Social Policy, Health and Consumer Affairs Council in mid-2009 (Council of the European Union, 2009). These conclusions contained a set of policy measures based on the flexicurity principles, aimed at helping Member States and social partners to manage the impact of the crisis. These include:

- maintaining employment, where possible, through helping companies put in place alternatives to redundancy such as flexible working patterns and the temporary adjustment of working time and other forms of internal flexibility measures;
- enhancing and improving activation measures and providing adequate income support and access to quality services for people impacted by the crisis, by using the tools of modern social protection systems in line with the principle of flexicurity, subsidiarity and sustainability of public finances;
- increasing investment in human capital, especially retraining, skills upgrading and labour market matching, including for those who are working part-time or in other flexible forms of employment, and for low-skilled workers;
- adhering to the principle of gender mainstreaming at all times when implementing flexicurity principles to tackle the crisis;
- implementing adequate responses with a view to adapting, if relevant, employment and labour market provisions in the framework of the flexicurity approach in order to promote flexible, secure transitions from unemployment to employment and between jobs, while supporting reliable contractual arrangements for those in work;
- integrating all flexicurity elements and pillars to focus on reducing segmentation and improving the functioning of the labour market.

It is hoped that these policy guidelines will provide a framework within which Member States can formulate and adjust employment policy in order to ensure that they withstand and emerge from the crisis.

European social partners' perspectives on flexicurity

While national governments retain overall responsibility for flexicurity policies, the involvement of social partners in the design and implementation of flexicurity measures is very important (Auer, 2010). The argument for this is that if stakeholders are directly involved, the outcome will tend to balance flexibility and security – or at least in a better way than can be provided for by collective agreements (which are restricted to internal flexicurity) or legislation (which focuses on external flexicurity) (Ibsen/ Mailand, 2009). At the same time, as was shown previously, flexicurity instruments are not only limited to the public sphere, but may also be realised at sectoral or company level upon the initiative of social partners. For them to be effective, mutual understanding and cooperation is an important precondition. Consequently, flexicurity necessitates trust and dialogue among all stakeholders – public authorities as well as employers' and employees' representatives (Wilthagen and Tros 2004; UEAPME, 2007; CEEP, 2007). Nevertheless, and quite naturally, employers' and employees' representatives have diverging opinions regarding the concept of flexicurity.

The European Trade Union Confederation (ETUC) recognised the need for flexibility and security for both workers and businesses, but insisted that trade-offs between these two for workers be avoided (ETUC, 2007). Flexicurity must not, ETUC maintained, result in the dilution of workers' rights, particularly in such areas as dismissal: all workers should enjoy adequate employment and social security protection (including those on atypical employment contracts), and the open-ended contract should remain the labour market norm. Consequently, ETUC emphasised the following aspects (ETUC, 2007; summarised):

- general principles such as a growth- and job-friendly macroeconomic policy or gender equality as well as the availability of public financial resources as preconditions for realising flexicurity;
- job quality, including the prevalence of stable and open-ended employment contracts;
- job protection systems that prevent unfair and arbitrary dismissals and promote internal flexibility;
- interaction between job protection and employment security, including the promotion of lifelong learning or advance notification of dismissals to provide workers with more time for job-to-job transitions;
- active labour market policies enabling smooth job-to-job transitions;
- generous social welfare systems covering all forms of contracts and work;
- strong, autonomous and representative social partners to negotiate flexicurity.

Employers' representatives focus on concerns about how to ensure that the labour market can function without what they see as over-rigid legislative constraints and that companies are provided with human resources that can contribute to the innovation and competitiveness of firms. BusinessEurope, among others, has set out what it sees as priorities (BusinessEurope, 2009):

- the modernisation of social security systems to promote mobility and attract more people into the labour market;
- a reform of non-wage labour costs and tax and benefit systems to ensure that working is economically advantageous and to reduce benefit dependency, while at the same time providing adequate income support for those outside the labour market;
- fostering a more knowledge-based and entrepreneurial society, and developing workplaces of the future.

In a similar manner to ETUC, the European Association of Craft, Small and Medium-Sized Enterprises (UEAPME) believes that for the European economy to reach its full potential, flexicurity components have to be complemented by sound macroeconomic policies, but also emphasises the need for the full completion of the internal market, the creation of a business-friendly environment, in particular for SMEs, and the stimulation of entrepreneurship (UEAPME, 2007).

In 2007, the EU-level cross-sector social partners published a joint text on common principles on flexicurity (ETUC et al, 2007). In this text, the social partners recognise that, applied in the right way and acknowledging the differences among Member States, the flexicurity approach can create a win–

win situation and be equally beneficial for employers and employees. They state that any flexicurity policy needs to combine the following elements in a way that is appropriate for particular environments:

- sound macroeconomic policies, a favourable business environment, adequate financial resources and the provision of good working conditions;
- labour law and contractual arrangements that facilitate access to the labour market and transitions between jobs;
- effective and high-quality active labour market policies;
- lifelong learning policies that ensure the employability of workers by improving competencies and qualifications;
- efficient and sustainable social protection systems, which provide guaranteed income support and foster labour market integration;
- social dialogue that contributes to a negotiated balance between flexibility and security, improves the smooth functioning of the labour market and facilitates the adaptability of enterprises and workers.

Impact of the crisis

An interesting characteristic of the economic crisis was the widespread agreement rapidly reached between social partners and governments across Europe that short-time working and temporary layoffs are useful temporary measures for coping with the effects of the economic downturn. There was mutual understanding that – in so far as possible – jobs need to be maintained while at the same time employers have to be relieved from costs in order to weather the recession. Consequently, concessions were made on both sides, resulting in a state of solidarity during the crisis among employers and employees.[15]

Against the background of the crisis, UEAPME urged the European Commission to ensure that Member States focused on helping SMEs, as they are often in a more difficult and precarious position than their larger counterparts. Furthermore, it pointed out that a situation in which some groups of workers benefit from flexibility but lack security (and vice versa) must be avoided. In this respect, flexicurity and the related balance of flexibility and security is seen as a possible solution if the principles agreed upon by all social partners are adapted to the current challenge (UEAPME, 2010).

BusinessEurope sees short-time working as embodying flexicurity in the crisis. This strategy allows companies to retain workers and hence not lose the investment they have made in their employees in terms of training; it enables them to prepare for the upswing; and it provides employees with job and income security. Based on the information provided by its member organisations, its contacts with companies, and statistical data (see also Figures 1 and 9), BusinessEurope is convinced that short-time working has helped firms keep their workers and has had a positive effect on maintaining employment.

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[15] BusinessEurope even refers to this as ‘unanimous support for short-time working from employers, unions and public authorities’.

This last aspect is also highlighted by the ETUC, which also states that – since flexicurity is expensive – richer countries can better afford to put into place appropriate support measures while poorer countries are not always in such an advantageous position. Concerns regarding the ‘deadweight loss’ of public support for short-time working schemes need to be considered – that is, companies that were in difficulties before the crisis and that are availing of short-time working to prolong their existence. BusinessEurope admits that such cases may exist, but believes that this holds true only for a few isolated cases.

UEAPME also stresses that flexicurity urgently needs to be applied in the current situation. While generally supporting the principle of short-time working, UEAPME emphasises that SMEs, and particularly micro enterprises, have limited scope for internal flexicurity due to their limited human and financial resources and therefore also need support in the field of external flexicurity.

European social partners also stress the importance of training as a crucial part of short-time working schemes – both to foster both firms’ sustainable competitiveness and boost workers’ job and employment security. UEAPME stresses the need for guidance on training offers for companies (and SMEs in particular) and for workers, to ensure that the training provided actually allows workers to adapt and, if necessary, change to alternative jobs. Furthermore, the available training offers need to be examined regarding their quality and their appropriateness for being conducted during short-time working, and for SMEs. This may involve, for example, less bureaucracy and easier access.

Public support instruments for short-time working and temporary layoff

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The following analysis of selected public support instruments for short-time working and temporary layoffs aims to investigate the contribution of such schemes to flexicurity in times of crisis. Across Europe, these instruments have been widely applied during the recent recession as a way of maintaining jobs. While Member States have used different approaches, all approaches provide wage compensation for relative income loss due to reduced working hours. The measures differ both in their characteristics and in their names. Nevertheless, for reasons of simplicity, only two terms will be used.

- 'Short-time working' refers to a situation in which working time is reduced, but the employees are still working on an ongoing basis in the company. Examples include a daily reduction of working time by four hours or a weekly reduction of working time by two days.
- During 'temporary layoffs' the affected workers do not work at all with their employer for a longer consecutive period (for instance, three months in a row) while the employment contract is still maintained.

There is no common, standardised definition for these working time reductions, so the above need to be considered as a working definition for the current study. However, the 'dividing line' between the schemes is not very strict: for example, the German and Italian short-time working schemes also offer a working time reduction of 100% over a longer period.

This study considers only instruments that combine income support – due to reduced working hours during the recession – with maintaining the social security level of the employees and/or training during the hours that are not worked. Furthermore, only those instruments that are backed by public regulation (such as legal provisions) and funding have been analysed. Although the influence of collective agreements within these schemes has also been assessed, instruments that are based solely on social-partner agreements (either at sectoral or company level) and lack any public support have been omitted.

Table 12 provides a brief overview and comparison of the 15 analysed schemes in 10 European countries.

Table 12: List of selected schemes in 10 Member States

Austria	*Kurzarbeitsbeihilfe* (short-time working subsidy)
Belgium	*Indemnisation du chômage temporaire/tijdelijke werkloosheid* (temporary unemployment allowance)
France	*Indemnisation du chômage partiel* (partial unemployment allowance) *Indemnisation de l'activité partielle de longue durée* (allowance for reduced activity of long duration)
Germany	*Kurzarbeitergeld* (short-time working allowance)
Italy	*Cassa integrazione guadagni* (wage guarantee fund) *Contratti di solidarietà* (solidarity agreements) *Cassa integrazione guadagni in deroga* (wage guarantee fund in derogation)
Luxembourg	*Indemnisation du chômage partiel* (partial unemployment compensation)
Netherlands	*Deeltijd WW* (part-time unemployment benefit)
Poland	*Świadczenia z tytułu skróconego wymiaru czasu pracy* (employment subsidy for shorter working time) *Świadczenia z tytułu przestoju ekonomicznego* (employment subsidy for temporary stop of operations)
Slovenia	*Delno subvencioniranje polnega delovnega časa* (ZDSPDČ, partial subsidies of full-time work) *Delno povračilo nadomestila place za delavce n/a zacasnem cakanju n/a delo* (ZDPNP, partial reimbursement of payment compensation for temporarily laid-off workers)
Wales (UK)	ProAct

In-depth information about each of the schemes can be found in the country reports (available on the Eurofound website), summaries of which are also provided in Annex 2.

Setup of the instruments

The general objective of the public support instruments is to maintain employment in economically difficult times when – for reasons beyond the control of the employer – the company cannot provide a full workload for its staff. In order to avoid dismissals, employers may reduce working hours of all or a group of workers, who then receive compensation (from public funds) for part of their loss of income due to the reduced working hours. The instruments support the twofold aim of flexicurity: to foster the flexibility (as regards working time) of generally viable firms during times of temporary economic difficulties while maintaining workers' security (in terms of job and income security).

The only analysed support measure that puts a different emphasis on the two elements of this combination is the Welsh ProAct scheme. Although it is also a 'crisis instrument' introduced in order to assist companies in coping with the effects of the economic downturn, its primary aim is not to maintain jobs in the companies. Rather, its objective is to enhance the (future) competitiveness of the businesses as well as workers' general employability by providing financial support so that the hours that are not worked can be used to upskill staff. Here, a more long-term, strategic and future-oriented perspective was taken, one which places the provision of training at the centre of the strategy. This contrasts with the other schemes, which were designed primarily as wage subsidy instruments (and in some cases provide some training incentives on top of that).

In most of the instruments analysed, wage compensation is funded by the unemployment fund, which is in turn financed by employers' and employees' general contributions. An exception to this is the Italian ordinary wage guarantee fund, which is entirely financed by employers' contributions.

In seven countries (Austria, Belgium, France, Germany, Italy, Luxembourg and the Netherlands) the instruments were already in place before the crisis – in some cases, for decades. The German instrument, for example, has been used for about 100 years, and was further developed on several occasions to adjust to changing market requirements. During the recent recession, all the analysed instruments already available in the Member States have been adapted and extended, as it was quickly realised that the existing instruments – while a useful mechanism for coping with the crisis – were not adequate in their current state. Governments intended to temporarily boost participation in short-time working and temporary layoff schemes. This is deemed reasonable in a deep recession, one in which many generally viable jobs are at risk, firms' access to credit is limited, and there are comparatively low social costs entailed in locking workers in unsustainable jobs as there is little possibility for them to move quickly to more productive jobs (OECD, 2010).

The existing schemes were adjusted through a number of approaches. One key measure was to include employers and employees who had previously been excluded from the group of beneficiaries – employers, in terms of sectors and/or size classes and employees) and regarding employees, part-time workers, employees on fixed-term contracts and temporary agency workers.[16] In addition, the amount of income support was increased and duration for receipt of benefits was extended. Many instruments introduced a link between short-time working or temporary layoff and training. This was done either by making the provision of training during the hours not worked a precondition for entitlement to income

[16] This inclusion of other groups of employees contributes to Pathway 1 of flexicurity, as outlined by the European Commission, which aims to reduce segmentation between non-standard and standard employment.

support (as was done in the Dutch and Slovenian temporary layoff support schemes) or by offering incentives for training during the time off, such as greater income support or covering social security or training costs (as in Austria, Germany and Luxembourg).

In Poland, Slovenia and in Wales, the public support instruments were newly designed and implemented during the recent recession. Interestingly, while most of the countries that already had such a measure either provided support for reduced working hours (as in Austria, Germany, Italy, the Netherlands)[17] or temporary layoffs (Belgium, France, Luxembourg), both Poland and Slovenia introduced subsidies for both types of working time flexibility.

The analysis of the administrative data on participation in short-time working and temporary layoff schemes shows that the level of public support for reduced working hours varied between countries; at the same time it highlights the lack of common indicators for measuring participation and providing comparable data across the Member States.

Germany presented the most dramatic picture: the number of workers on short-time schemes for economic reasons rose from about 57,700 in 2008 to more than one million in 2009 (the annual average number of participants). A similar sharp increase was also seen in Austria, where the average annual number of participants rose from about 1,000 in 2008 to almost 26,000 in 2009. In Belgium, by contrast, the daily and monthly average number of participants for 2008 ‘only’ doubled in the first seven months of 2009.

In Luxembourg, the average number of new entrants was about 300 in 2008 and reached a level of about 6,600 for the first six months of 2009.

For Italy and France, the numbers of authorised short-time working hours are reported. In Italy, taking into consideration the three forms of short-time working (*cassa integrazione guadagni ordinaria, straordinaria* or *in deroga*)[18] the total number of authorised hours increased from 227 million in 2008 to 914 million in 2009. In France, the total number of authorised hours of *chômage partiel* rose from 28 million in 2008 to 256 million in 2009.

In the Netherlands, there were 36,000 participants in the scheme in March 2010, compared with 40,000 in the previous month. Based on the Dutch Ministry of Social Affairs and Employment data, 16,023 workers receiving benefits were recorded in December 2008, with the number of recipients of the reduced working time benefit reaching its maximum in September 2009, at almost 49,000 workers.

In Poland, the number of applications submitted for the public support schemes for reduced working time increased from the date the legislation entered into force, reaching its maximum in February 2010 with about 4,500 applications for short-time working and 5,600 applications for temporary shut-downs.

Finally, in Slovenia, about 66,700 workers were included in the short-time working subsidy between January 2009 and May 2010, while about 16,200 received support for temporary layoffs. About 4,400 workers were involved in both support schemes.

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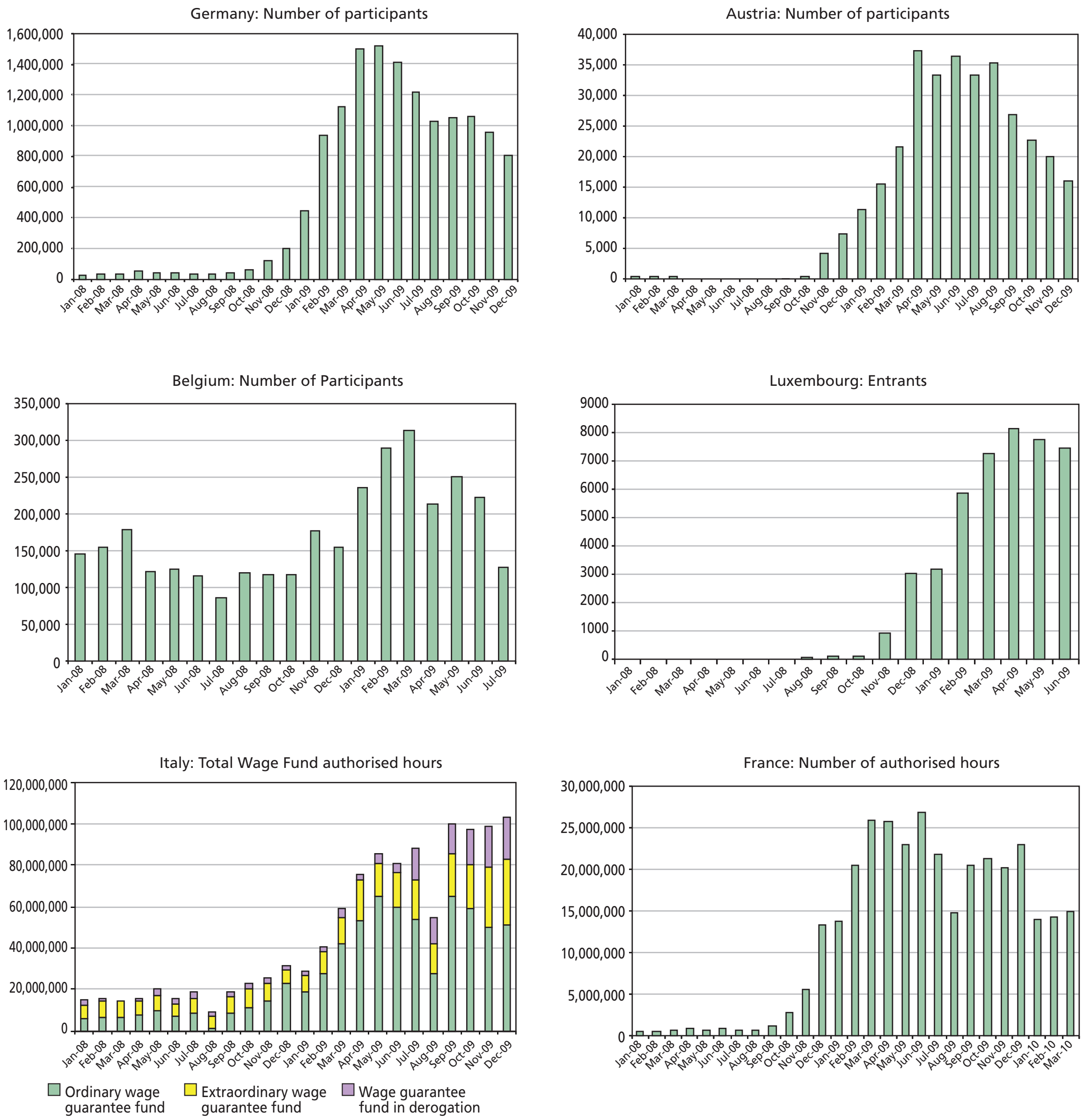
[17] In the Netherlands, an income support instrument for reduced working hours had existed for decades but was not used as a business cycle instrument. In 2009, a new temporary scheme was introduced to specifically deal with the current crisis.

[18] For the remaining chapters, the solidarity contracts are also considered.

Figure 17: Participation in public short-time working and temporary layoff schemes: number of participants or authorised hours



Source: Eurostat labour market policy (LMP) database and national data sources

While the newly introduced schemes are accessible only during the crisis and focus on those companies and workers affected by the economic downturn, the schemes that were established before the recession cover a broader scope of events.[19] All of them cover cases of economic difficulties beyond the firms' control, that is, market problems of supply or demand. In Luxembourg, a company is eligible for compensation for temporary layoffs if its main suppliers or clients receive these benefits. Belgium (in the case of white-collar workers), Poland and Slovenia introduced a criterion concerning by how much the turnover must have decreased in order for firms to be eligible. In addition, many schemes also

[19] To build on the success of ProAct in Wales and help reinvigorate the economy, the initial ProAct scheme has been implemented on a permanent basis under the name of 'ProAct Skills Growth Wales'. The wage subsidy has been waived, while the training cost support has been increased (http://wales.gov.uk/topics/educationandskills/foremployers/proactskillsgrowthwales/?lang=en).

provide support for natural catastrophes and *force majeure* requiring reduced working hours. Belgium and Italy also provide support in case of bad weather conditions; in Austria, a separate instrument is available for this. In Germany and Luxembourg, short-time working support is also possible in cases of structural change. In Austria, Germany and Luxembourg (as well as in Belgium, in the case of white-collar workers), all internal alternatives (such as holiday entitlements, working time accounts or similar) must be chosen first before public support is possible.

With the exception of Italy, private employers in all sectors and size classes have access to the wage compensation support instruments for reduced working hours. In several schemes, it is explicitly stated that public-sector employers are not eligible. In Italy, only companies in manufacturing, construction and in building supply can access the ordinary wage guarantee fund. Eligibility for the Italian extraordinary wage guarantee fund and the solidarity contracts depends on company size: companies in the manufacturing, construction, building supply, craft, restaurant, catering and services sectors must have more than 15 employees, while companies in the trade sector must have more than 200. In general, it must be demonstrated that the company applying for public short-time working or temporary layoff benefit is financially sustainable and that the difficulties experienced are of a temporary nature.

Regarding employees, Belgium has the strictest eligibility criteria, allowing only blue-collar workers access to the scheme. However, over the course of the crisis, white-collar workers are also supported if specific preconditions are met. Only in Slovenia are part-time workers excluded from short-time working support. Workers on fixed-term contracts and temporary-agency workers may be beneficiaries only in about half of the analysed schemes and in some of these only during the crisis. In some countries, apprentices and management are explicitly excluded from the target group. In Italy, workers must have worked for the company for at least 90 days before they are eligible for short-time working support (this threshold does not apply to the ordinary wage guarantee fund).

In all the analysed schemes, works councils and/or trade unions must be involved before public support is granted. In Austria, Belgium, Germany, the Netherlands, Poland, and in the Italian extraordinary wage guarantee fund and solidarity contract, agreement between employees' and employers' (representatives) must be reached, while in France, Luxembourg, Slovenia and in the Italian ordinary wage guarantee fund, information and consultation is sufficient. In many cases, social partner or collective agreements include supplementary benefits (such as greater income support, coverage of employees' contribution to social security or provision and funding of training) for short-time workers or staff on temporary layoff, that go beyond the legal requirements.

Working time reduction and income security

The income support offered by public instruments provides companies with internal numerical flexibility. Employees are more willing to fewer working hours if they are (partly) compensated for their loss of income. This gives companies the possibility of reducing working time and therefore costs.

Working time can be reduced by 100% – mainly in the temporary layoff schemes, but also in the German and Italian short-time working schemes – resulting in a situation in which workers do not work at all for a period of time but still have their employment contract and receive some payment.

Working time can be reduced by between 10% and 90% in Austria and by up to 60% in the framework of the Italian solidarity contract. A maximum reduction in working time of 50% is supported in Luxembourg, the Netherlands and in the Polish employment subsidy for shorter working time. The lowest possible working time reduction among the considered schemes is in Slovenia, where the partial subsidies of full-time work only allow for a working time reduction of up to eight hours per week.

In France, the allowance for temporary layoff can be received for up to four consecutive weeks (six during the crisis), and is a maximum of 600 hours per employee per year (1,000 hours during the crisis). In Belgium, the maximum support period is also four weeks in case of full suspension, but there is no time limitation in situations where work is reduced to at least three days per week or one week per fortnight. Working time can be reduced for a total duration of up to six months in Luxembourg and Poland, and 12 months in Germany, in the Italian ordinary wage guarantee fund and the Slovenian reimbursement of payment compensation. Within the Slovenian temporary layoff scheme, employers can receive support for a maximum of 12 months, but each individual worker can be on the scheme for six months only. In the Netherlands, the maximum duration of support depends on the number of employees involved: it ranges from up to 39 weeks, if 60% or more of the workforce is affected, to 65 weeks if a maximum of 30% of the workers are on short-time working. In Austria, the maximum duration is 18 months (as is the case in the Slovenian short-time working support scheme), but during the crisis longer periods (of up to 24 months) are possible. The same is possible in Germany during the crisis and in other exceptional circumstances. The Italian extraordinary wage guarantee fund and the solidarity contract provide for support for up to 48 months.

In the Netherlands, a minimum duration of working time reduction is given (26 weeks, up to 65 weeks), as is for the crisis-related Belgium temporary layoff scheme for white-collar workers (of one week in the case of working time be reduced by 100%, two weeks otherwise). In Wales (UK), the hours not worked must amount to at least 20% for about 40 days over a 12-month period.

Several of the schemes provide for income support – for the hours that are not worked – that amounts to the level of unemployment benefit. This corresponds, for example, to about 55% of the net wage in Austria or up to 67% of the net wage in Germany. A similar level is granted in Belgium (70% of the foregone pay, raised to 75% in early 2009) and in the Netherlands (75% of the foregone pay for the first two months of reduced working time and 70% thereafter), but a higher level is granted in the Italian wage guarantee fund and in Luxembourg (80% of the foregone pay).

In contrast to calculating the wage compensation as a percentage of the lost income, some countries reimburse absolute amounts. Within the Slovenian short-time working scheme, public compensation is paid up to a level of €120 per month, and in the ProAct scheme in Wales it is GBP 50 (about €60) per day. In France, public compensation amounts to €2.44 per hour for SMEs and €2.13 per hour for larger enterprises (this was raised to €3.84 and €3.33 during the crisis). The employer is obliged to compensate the workers for 50% of their gross wage (60% during the crisis) with a minimum hourly amount of €4.42 (raised to €6.84 at the beginning of the crisis, and raised further to €6.96 later on). A similar concept has been established in Luxembourg, where employers have to pay 80% of the wages for hours that are not worked, but are only compensated by the government from the 17th hour onwards. During the crisis, however, the full wage compensation (that is, from the first hour on) came to be covered by the public subsidy. The Slovenian partial reimbursement of payment compensation was designed in a similar way: employers are obliged to pay the workers 85% of their normal wage during the hours that are not worked, but need only cover 35% as the remaining 50% is reimbursed by public subsidy. This means that in these schemes, the workers are legally guaranteed a minimum income during the hours they don't work, one paid by the employer but only partly reimbursed by the public subsidy, resulting in a kind of cost-sharing among government, employer and the employee.

In other countries, similar outcomes are achieved by sectoral or company-level collective agreements, resulting in a 'top-up' of the legally required wage compensation by the employer.

Social security and training

The security elements in the analysed public support instruments that go beyond income security are threefold: social security, dismissal protection and training.

With regards to social security – that is, unemployment insurance, accident and illness insurance, and pension insurance – in the majority of analysed schemes, employers' and employees' contributions (and as a consequence the resulting benefits) are based on the reduced wage. In Germany, the employer must also pay the employees' contributions (and is partly reimbursed for this over the course of the crisis); the basis for the calculation is 80% of the full-time wage – hence, a higher level than the public income support.

Only in Austria, Belgium, France and in the Slovenian temporary layoff scheme is the previous wage for the full working time considered as the basis for calculating social security contributions, thereby maintaining workers' full social security levels during the reduced working hours.

In Austria, Belgium, Germany and in the Italian wage guarantee fund, public support is provided to reduce or reimburse parts of the employers' social security costs.

In general, periods of short-time working or temporary layoff are considered as normal working time when calculating the qualification period for unemployment benefits. In the case of unemployment following such periods, benefits are calculated on the basis of the previous full-time wage. Interestingly, short-time working periods in the Netherlands reduce the entitlement period for unemployment benefits.

Most of the schemes require that workers not be dismissed while the employer receives public support for short-time working or temporary layoff. Differences exist in terms of whether the entire workforce is protected (as in Austria, Luxembourg or Slovenia) or only those workers who are participating in the scheme (as in France or Poland). In the Netherlands and Wales (UK), the employer is required to pay back (part of) the support received, if any workers are dismissed while on part-time unemployment.

In a few countries, dismissal protection is also extended to the period following short-time working or temporary layoff. In Austria, the affected workers must not be made redundant for a period of between two to four months after short-time working finishes (depending on how long the short-time working scheme was in place). Polish workers are protected for six months after the public support expires. French companies receiving compensation for reduced activity of long duration are obliged to preserve the posts of the affected employees for twice the length of the support period; in the Netherlands, this extends to three months after the scheme's expiry.

No dismissal protection is given in Belgium, Germany and Italy.

The inclusion of training in short-time working schemes can also be considered a security element (training and lifelong learning is mentioned in several cells of the flexicurity matrix in Table 11). Among the analysed instruments, only the French system and the Slovenian short-time working support scheme do not provide a direct link between training and income support for reduced hours.

In the Netherlands, Slovenia (for the partial reimbursement of payment compensation) and Wales, the provision of training during some of the hours not worked is a precondition for receiving public income support. In Italy, the wage supplement is suspended if a worker refuses training while receiving support from the wage guarantee fund or the solidarity contract.

In Austria, Belgium (in the Flemish region) and Luxembourg, income support for the hours not worked during short-time working and temporary layoff is increased, if training aimed at fostering workers' general employability is provided. In Germany, the government covers employers' expenses for social security contributions, if training is provided during at least 50% of the hours not worked.

Training costs during short-time working or temporary layoff are partly publicly subsidised in Luxembourg (with a subsidy of 50%), Austria (in general, 60%), Poland (up to 80%) and Germany (up to 100%), Slovenia (up to €500 per worker), Wales (up to about €2,300 per worker or €230,000 per company). In Austria, Germany (for lower qualified workers) and Luxembourg, the training-cost subsidy is a generally available instrument that was extended to short-time workers; in contrast, the allowances in Wales or for higher-qualified workers in Germany were introduced for short-time workers only and then extended to other groups.

Reflections on public schemes 4

Availability and usability

Among the Member States analysed in the framework of this study, there exists a wide consensus that short-time working and temporary layoff has made a considerable contribution to saving jobs during the crisis. Although it is difficult to assess the long-term sustainability of these saved jobs (which will depend greatly on how quickly recovery can be realised, as well as other, structural factors), at least in the short run, an important labour market effect can be shown. This provides immediate advantages for individual workers and employers as well as macroeconomic benefits.

Such schemes mean that workers can avoid unemployment and enjoy job and income security, particularly if employers and/or the government provide for wage compensation for (part of) the income lost due to reduced working hours. A psychological element is also involved: although workers may be working fewer hours or are even being temporarily laid off, the employment contract remains intact so that the workers' CV is not 'blemished' by phases of unemployment. Particularly in countries such as Austria or Germany – where the stigma of unemployment is still strong – this contributes considerably to workers' feelings of worth and self-confidence as well as to their employability (unemployment also being viewed negatively by employers). If, in addition, the non-worked hours are used for meaningful training activities, this certainly results in enhancing the employability of the affected workers.

Meanwhile, these schemes enable employers to put in place internal numerical flexibility while at the same time retaining skilled labour and avoiding the negative consequences of dismissals (such as redundancy payments, legal conflicts or a bad image). This helps employers avoid further burdening their budget and liquidity and enables them to strategically prepare for economic recovery – particularly if they are publicly supported.

From a macroeconomic viewpoint, short-time working and temporary layoffs are more favourable than unemployment as the related costs are considered to be lower. Since the reduced working time of short-time workers is generally less than a full working week, and since workers who are temporarily laid off receive benefits for only a limited period of time, the direct costs are lower than the costs of supporting those who are unemployed. In addition, ancillary services that would be provided to unemployed persons (advice, matching etc.) are avoided.[20]

It has to be considered, however, that in any case, not all short-time workers or temporarily laid-off persons would become unemployed: either their employer would want to retain them, or if they were dismissed, they would quickly find another job. At the same time, supporting short-time workers or temporarily laid-off persons in one company might have effects in other firms linked to that company throughout the value chain. Their employees might not be affected as long as short-time working or temporary layoffs are introduced in their partner company on a temporary basis; however, they might well become unemployed themselves if the short-time workers were dismissed.

Furthermore, 'chain effects' affecting other businesses or even industries are limited as long as income security is provided by short-time working or temporary layoffs, so that there is a smaller chance of consumers hoarding savings, due to anxiety about the future, than in a situation of higher unemployment.

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[20] The OECD (2010) highlights the possibility that public support of short-time working and temporary lay-off may subsidise some jobs that would have been maintained in any case without the subsidy. However, it is also emphasised that the implied rate of deadweight loss appears to be modest compared to other types of job subsidies.

On the negative side, it has to be considered that public subsidies always run the risk of being abused or leading to deadweight loss. With regard to short-time working and temporary layoff, concerns have been raised that through public support, competition may be reduced (which was the reason that the UK abandoned its short-time working scheme in the 1970s) or healthy structural change may be hindered, as workers are artificially locked in jobs that are not sustainable. However, experience in the analysed countries invalidates these arguments: due to the eligibility criteria and characteristics of the schemes, they are attractive only for economically viable businesses in temporary difficulties, and if used as a bridging instrument until recovery.[21]

The (anecdotal) evidence available shows that a positive outcome for all parties involved can be best realised in countries in which public short-time working or temporary layoff support instruments existed prior to the crisis and were regularly applied in the case of such events as company restructuring, sectoral downturns or natural catastrophes (OECD, 2010). This means that all relevant stakeholders (government, public employment services, trade unions, employer organisations, works councils, employers and employees) are already familiar with the instrument, with its advantages and disadvantages and with its operational applicability and modes of operation. There is greater acceptance of the instrument, resulting in a higher level of take-up (OECD, 2010; also see Figure 17). This also makes the measure more effective (short-time working or temporary layoff is most effective when implemented in the early phase of an economic downturn). It must be considered that although higher take-up is not necessarily better, excessively low take-up is a concern, particularly in a substantial global economic crisis (OECD, 2010).

Probably the best example of the adaptation of existing schemes among the countries analysed is that of Germany, where the public short-time working subsidy has been in existence for about 100 years and is regularly used. Hence, a high level of awareness and familiarity already exists, resulting in a greater uptake of the measure during the crisis, even though the scheme itself is comparatively complicated in its design and characteristics. By contrast, in Poland – where the support instruments for reduced working hours were newly introduced during the crisis – the lack of experience with the new instrument and lack of clarity with regards to the legal regulations caused many difficulties in the first few months of operation. During this period, public authorities were not fully in a position to answer questions from the employers, and scepticism regarding the new tool has partly contributed to its limited use by companies and workers. Similarly in the Netherlands, the rather quick introduction of the crisis-related short-time working scheme resulted in a lack of adequate training for the administrators of the instrument.

These examples also highlight the importance of transparency and good communication regarding the instrument, making all involved stakeholders aware that the support instrument exists and objectively informing them about its advantages and disadvantages. This could help counteract prejudices, which reduce companies' and workers' level of interest in participating in the programme.

In spite of the advantages of short-time working and temporary layoff, it must not be forgotten that such a measure entails costs – both for the public budget and for employers. Sustainable funding needs to be available, so that companies and employees can access financial aid if needed. In most of the countries, the scheme is backed by the unemployment fund – that is, by employers' and employees' contributions. This results in a situation in which money that is spent on short-time working or temporary layoff cannot be used for unemployment support and active labour market policy. This, then, results in a

[21] Consequently, the design of the instrument is of utmost importance, see the section 'Guidelines and elements of good practice' on page 81.

trade-off between these two types of public support, which – ideally – should supplement rather than cannibalise each other. In other countries (Italy, for example) a separate fund is created for short-time working or temporary layoff benefits, which is funded mainly by employers' contributions. (For the ordinary wage guarantee fund there is also a small contribution by employees.) While this avoids a trade-off between support for reduced working hours and unemployment benefits in terms of the budget available, at the same time it increases the financial burden on companies and workers – of which only some contributors at the end benefit.

In the analysed countries in which short-time working or temporary layoffs were extensively used during the crisis, it turned out that the main reason for enterprises' using such approaches was their wish to retain their workforce (so-called 'labour hoarding') and so avoid a resource and skill drain. This is the case not only for highly skilled and specialised workers, but also for formally unskilled workers, with firm-specific capital, who make an important contribution to efficient production or service delivery. Companies want to be prepared for the recovery that may start at any time and have sufficient and immediately productive workers at their disposal, so they chose working time reduction over redundancies, even if additional costs were related to that choice.

This fear of not having access to 'scarce good workers' in an economic upswing (and therefore risking a loss of competitiveness) was a particularly important driver for firms in countries such as Germany, where employers who had dismissed their workers during the last economic downturn in the early 2000s experienced considerable problems with re-recruiting them in the following recovery. The same holds true for countries such as Austria, which – having enjoyed continuous, strong economic performance over recent years – found itself with a general lack of (skilled) labour.

This experience is also supported by the Polish example – but from the opposite perspective. Here, short-time working and temporary layoffs have not been used extensively during the crisis (see Figure 17), as companies were not as affected as in other countries and therefore saw less need to reduce working time. At the same time, employees were less willing to accept shorter working hours – and the consequent reduced income – as there was sufficient possibility to switch to another employer who could provide them with a full-time job.

These different experiences illustrate that short-time working and temporary layoffs will not be implemented extensively unless there is a specific need for such measures from the perspective of both employers and employees; they also indicate that the existence of a public support instrument that is properly designed (that is, not overly generous) is – in itself – not a sufficient incentive for companies to implement working time reductions in a workplace. Consequently, the potential for misuse and deadweight loss is comparatively limited.

The available research also indicates that the bureaucratic burden of the application process and the ongoing administrative requirements for receiving the public subsidy for reduced working hours was a factor hindering participation for several employers in Europe. When companies are striving to survive in times of crisis, they have little interest in dealing with administrative procedures, particularly if they feel the effort required to be too high compared with the public support that can be received.

Another factor is the time period between an employer's submitting the application or the request for payment and the public authority's evaluating it and making the payment available. In Slovenia, for example, applications are evaluated within 15 days; in France, in contrast, employers are notified of the outcome of their application after a considerable delay of up to three months. Similarly, in Germany, reimbursement takes – on average – 15 working days after the request for payment made, while it takes about one month in Slovenia and about two months in Austria.

This is a particular problem for smaller companies: they may be less familiar with bureaucratic requirements, lack specialised departments (such as a human resources management team) or specific administrative software (such as specialised accounting software allowing for differentiated wage administration) and have less room for manoeuvre in terms of financial resources and liquidity.

Taking this into account, some national governments (and the public employment services administering the schemes) have tried to reduce the administrative procedures involved in the support instrument – for example, by limiting the information required in the application. While this has been appreciated by applicants, it reduces the information available for evaluating the applications and for monitoring the effective allocation of public funds.

Role of social partners

Depending on the national framework of social partnership and social dialogue, employers' and employees' organisations – as well as works councils – are involved in administering short-time working and temporary layoff schemes and the public support available for these schemes to a differing extent and at different levels.

In terms of the involvement of the social partners in designing or introducing the scheme, the experience from the analysed countries shows that a strong and well-established tripartite system is an essential success factor for the rapid development and timely implementation (or adaptation) of the support instrument. Particularly in times of crisis, when quick solutions are needed to maintain the economy's competitiveness, it is important that governments, employer and employee representatives look for a joint solution that is acceptable to all – despite their differing interests. Rather than insisting on trying to achieve the optimal solution from one party's perspective it is important that an agreement be found that, under the given circumstances, is the best solution for all in terms of sustainably maintaining the firm and the jobs. Hence, a sense of solidarity, mutual understanding and the willingness to make concessions among the different parties is essential. Wilthagen (2008) refers to this as 'joint responsibility for change'.

In several countries, social partners have established sectoral or company-level agreements that go beyond the governmental short-time working or temporary layoff support by obliging the employers to make additional indemnifications. These may, for example, include: greater income support than that reimbursed by the government; the coverage of employees' social security contributions; dismissal protection; or the provision and funding of training. While this is beneficial for the affected workers, the question arises as to what effect such 'top-ups' might have on the employers, as these additional costs may threaten the sustainability of a firm that already is in financial difficulty.

In terms of individual company-level agreements to introduce short-time working or temporary layoffs, in some of the countries workers' representatives (trade unions, works councils or staff assemblies) must be informed about the management's decision. In other countries, they must be consulted or are even required to agree with the decision in order that the company qualify for public support for reduced working hours. It can be assumed that the more the workers or their representatives have a say in the decision to introduce short-time working or temporary layoffs as well as in the design of the individual scheme, the more secure and beneficial the outcome will be for the staff. Anecdotal evidence from the analysed countries suggests that short-time working and temporary layoffs are more widespread in companies with works councils as these tend to 'push' the management to apply the instrument; it also suggests that in companies without works councils there are more problems regarding the provision of information. The potential disadvantage of greater involvement on the part of employee representatives is that the process might take longer and that a solution is only found later. This brings with it the risk that – particularly in a severe crisis – the financial situation of the company deteriorates considerably, it is burdened with higher costs for a longer duration than if a quicker solution had been found, and the result is bankruptcy and the eventual loss of jobs.

Where trade unions are required to be involved in each individual company agreement on short-time working or temporary layoffs, smaller enterprises in particular – which are not familiar with social dialogue – might be disadvantaged as they lack the necessary negotiation skills. This might decide them against becoming engaged in short-time working or temporary layoff schemes altogether and instead find other solutions, including redundancies.

Eligibility criteria

Eligible events

The countries analysed in the study take different approaches with regard to the conditions according to which public financial aid for working time reduction is granted. While the newly introduced schemes strictly limited support to the period of the current global economic crisis, the others may also provide support for individual company crises, rather than a recession affecting a huge number of firms. This is advantageous for companies in restructuring or hit by sectoral distortions or natural disasters, offering them the possibility of using working time flexibility while rearranging business activities without having to dismiss workers immediately.

An interesting approach is that of Luxembourg, where companies indirectly affected by the downturn – due to the extent of their dependency on client or supplier firms in crisis – may also qualify for support. Against the background of the business structure in Europe (where micro enterprises dominate, often strongly dependent on a few client and supplier companies) and the general economic trends towards globalisation (which requires that these smallest firms cooperate if they are to remain competitive) this can be described as strategic support to assist firms to prepare for upcoming changes in business activities before they become really threatening; hence, it is a preventive – rather than a remedial – instrument.

What should be avoided is the spending of public funds on support that does not show any positive effects in the medium or long run. This means that the eligibility criteria for short-time working or temporary layoff benefits should require that:

- the economic difficulties of the companies be the result of an external event beyond the control of the management (in order not to support poor business management);
- the problems be of a temporary nature (a rule of thumb used by several stakeholders was that the difficulties last not more than between six and 12 months)
- the business itself be economically sustainable.

In addition, the repeated stating of the fear that short-time working or temporary layoffs may hinder inevitable structural change suggests that time limits be set for public support (ILO, 2010). This also helps ensure that any measures be only temporary, and promotes the flexicurity agenda, as it implies a greater degree of security for workers; a permanent reduction of working hours and wages would imply a focus solely on employers' flexibility.

Public short-time working/temporary layoff support should help to avoid a situation whereby workers are immediately made redundant in situations of temporary economic difficulties, but this should be the case only if there is a realistic chance that their jobs will be retained in the medium to long run (as the employer recovers from the shock and once more becomes a competitive market actor). Across the analysed countries there is a consensus that short-time working and temporary layoffs should not be used as an instrument to simply postpone inevitable dismissals. If it is foreseeable that redundancies need to take place (particularly in a situation of structural change rather than a temporary economic difficulty), they should be implemented as soon as possible to give the affected workers a more realistic picture about their future and time to prepare for a new job. At the same time, this approach saves public money, which could – for example – be used to secure other jobs for newly redundant workers. Support for short-time working and temporary layoffs should not be seen as a way of subsidising – on an ongoing basis – wage cuts in declining sectors: this would hinder workers' mobility and consequently result in distortions of labour reallocation (Arpaia et al., 2010).

However, particularly in global economic downturns it is hard to assess in advance for how long the difficulties will last, and which of the firms and jobs will remain on the market afterwards. Nevertheless, almost all of the analysed support instruments include such evaluation criteria. In most cases, though, the company must state in its application that the problems are of a temporary nature and prove (for example, by providing documentation of recent business developments) that the firm is financially viable. In some of the schemes this must be confirmed by the works council or trade unions.

The question arises as to whether such an approach is sound, as both the company and the workers (or their representatives) in this phase share an interest in receiving public assistance and will be willing to sign such statements in the application form. At the same time, and particularly during the recent crisis with the sharp increase in demand for public support, the administering authorities (due to lack of capacities and/or expertise) stated they had only limited scope for conducting a proper feasibility and sustainability check on the applicants.

To counteract this, some of the analysed schemes introduced a data criterion, requiring that a certain decrease in turnover during the preceding few months be demonstrated, by the inclusion of balance sheets (for instance) in the application, along with evidence of sound financial development. Experience shows, however, that it is difficult to find an appropriate value for this threshold in order not to disqualify too many firms, as seems to have happened in Poland during the recession.

An interesting approach has been taken in Luxembourg, where support for temporary layoffs due to economic reasons is available if the government declares an entire industry to be in crisis. Then, all firms in the sector are – in principle – eligible for public support. However, since there must be safeguards in place to avoid the public support giving unfair competitive advantage to the industry under consideration, in practice this approach cannot be used for highly competitive sectors.

Another way of avoiding deadweight loss and ensuring that only viable firms apply for public support is to design the financial aid in a way that it is attractive only on a temporary basis (usage over a longer period of time making it disproportionally expensive) and is seen only as a last resort by the employer (this can be done by stipulating that all other company internal alternatives, such as the use of accrued overtime or holiday entitlements, have been used before starting short-time working or temporary layoffs). An interesting approach in terms of putting support on a temporary footing is that of the Italian extraordinary wage guarantee fund; to a large extent, this is financed by employers' contributions, which are increased during the period of receiving the benefit.[22] This ensures not only that the scheme's

[22] This can be compared with the U.S. approach of 'experience rating'. An employers' contribution to unemployment insurance (including short-time working arrangements) is based on the company's individual risk of laying off workers as experienced in the past, so that contributions are higher if more of its employees have received unemployment benefits (Arpaia et al., 2010).

budget is balanced but also that only companies that can afford the higher contributions apply for the support.

Furthermore, in order to guarantee workers' income while working hours are temporarily reduced, the eligibility criteria – as well as the monitoring of the beneficiaries – need to include the requirement that public support be passed on to the affected workers. (In most of the analysed schemes, the funds are not directly paid to the employees but rather to the employers.) In – for example –the Slovenian partial subsidies of full-time work or the ProAct scheme, this is not guaranteed. This may result in a situation in which companies receive public money without having any obligation to use it for the intended purpose; hence, the efficiency or effectiveness of the instrument cannot be guaranteed.

It should also be considered, however, that if eligibility criteria are too tight or the scheme is not attractive enough, a considerable number of employers may decide against using it and instead make workers redundant immediately.

Eligible employers

The Italian schemes for reduced working hours restrict access to public income support to a number of sectors and size classes – the only cases among those analysed to do so. During the crisis, however, this has been extended, which underlines the point that – in general – universal accessibility is beneficial. At the same time, a number of the considered schemes exclude public employers from access to such instruments, as this would result in the 'double use' of public money for affected employers and employees.

In terms of size class considerations, the French model (among the analysed schemes) provides higher wage compensation support to SMEs than to large businesses. Meanwhile, the Italian extraordinary wage guarantee fund provides for lower additional contributions for small companies than for larger firms. In Germany, the dropping of the criterion that at least a third of the staff must be affected by a considerable decrease of income due to reduced working hours had a big impact on the uptake of reduced working hours in small firms, as had the granting of the possibility for accessing financial support even where only one staff member was working short time. Such approaches are useful, bearing in mind that smaller companies constitute the backbone of the European economy but often have more limited financial resources and less room for manoeuvre in an economic crisis. SMEs are important employers – particularly at local level: hence, targeted support for them contributes to employment security considerably.

Eligible workers

The analysed schemes support a broad spectrum of workers (with the exception of the pre-crisis support instrument for temporary layoffs in Belgium, which supports only blue-collar workers). In several countries, apprentices and trainees cannot be placed on short-time working or temporary layoff, because their time in the company is considered as training rather than work, so reduced time would negatively affect their future employability. The Austrian approach is interesting in this respect: it guarantees the ongoing training of apprentices by requiring that those workers who train apprentices in the company cannot reduce their working time in a way that might affects apprentices' training.

In some schemes, executives or members of the company management are explicitly excluded from public short-time working or temporary layoff support; in others, the public financial aid given is less attractive for high earners than for low earners. This is done because these staff members are supposed to create and implement strategies to move the company out of the temporary crisis: hence, it would be counterproductive to reduce their working time.

Throughout the recession, a debate arose regarding a number of short-time working or temporary layoff schemes, which excluded workers on fixed-term contracts and temporary agency workers, who are considered particularly vulnerable groups in the labour market. Anecdotal evidence from the analysed countries shows that this differentiation among permanent and temporary staff caused tensions in the firms, reducing their productivity and efficiency. However, even in those countries where they have been able to participate (or have been included in the scheme during the crisis), temporary-agency workers figure very little in public short-time working and temporary layoff schemes (OECD, 2010). This is because the incentives for employers to also place temporary agency workers on reduced working time are weaker than those for their core staff: for employers, the costs for implementing reduced working time schemes tend to be higher than those for firing and rehiring temporary workers (OECD, 2010). Furthermore, non-regular work commitments are seen as a natural element of these types of contracts – that is, a 'normal risk' for which there is no perceived need for public support. Evidence from the recent crisis has shown that the first reaction of many employers to the reduced level of orders was to opt not to extend fixed-term contracts and to cancel temporary work agreements. At the same time, it is assumed that in a recovery, employers will be cautious at the beginning regarding their recruitment decisions and start by employing fixed-term workers and temporary agency workers rather than permanent staff. For this reason, Austrian collective agreements on short-time working include the requirement that the proportion of temporary-agency staff among a firm's employees is limited to between 5% and 10% after a period of short-time working, to promote the recruitment of permanent staff during recovery.

Social security and dismissal protection

The reduction of working hours and the related public wage compensation increases the companies' internal numerical flexibility and employees' income security; however, workers' medium- to long-term security may be diminished when social security contributions and benefits are based on the reduced wage paid by the employer. In order to avoid this, some of the schemes consider the time spent on short-time working or on temporary layoff as full time with regard to the required employment period for qualifying for unemployment or pension payments. The benefits received are calculated on the basis of the full-time wage before the introduction of short-time working or temporary layoff.

From the perspective of the employees, this of course is the ideal case, as they do not lose any entitlements. In this context, the length of time for which short-time working or temporary layoff is possible is important. While potential decreases in social security are considered to be of minor relevance in cases in which reduced working time is possible for only a couple of weeks, maintaining the level of social security is of major importance when reduced working time is possible for several months or even years, as it may then have a considerable impact on workers' benefit levels. In many cases, employees are not aware of this because they focus on their immediate income security rather than on their long-term position.

The question arises how to finance the maintenance of workers' social security level on a full-time basis during reduced working hours. As paying the full insurance contributions from a reduced wage level is a financial burden for the employees, some of the schemes include the provision that the employer must also cover the employees' contribution. This may be done by legislation (as in Germany) or by collective agreement (as in Austria). This, however, imposes significant costs on the company, which may already be in financial difficulties and lacking liquidity; this then might be a reason for the employer not to engage in short-time working or temporary layoff schemes but rather to choose alternatives.

Consequently, those public schemes that also provide financial coverage of social security contributions, ideally on a full-time basis, are the most advantageous for employers and employees. At the same time, however, this requires that sufficient public funds be available to finance these expenses and raises the possibility of deadweight loss, as it makes the instrument more attractive for the beneficiaries. To avoid this, Austria and Germany – for example – do not cover the full social security contributions from the first month of short-time working, but step in fully only later (in both cases after six months), when it is assumed that companies might stop short-time working (because of the costs involved) and dismiss workers.

Another aspect of workers' security is dismissal protection, during and after short-time working or temporary layoff. In order to avoid companies' misusing the instrument – receiving public support but still making employees redundant – some of the schemes oblige the employer (either through legislation or by collective agreement) not to dismiss the affected workforce or even the entire staff, in some cases.

In a number of cases dismissals are possible in principle but sanctions are involved, which may become very costly for the employer. For example, in the Netherlands, France, Poland and Wales, at least part of the subsidy received must be paid back, if short-time workers are made redundant during or shortly after the period of reduced working hours.

Training

A general consensus exists among the analysed countries that the time off during short-time working/ temporary layoff should be used for training, as this not only increases workers' competencies but also the companies' competitiveness in recovery. Even though there is some evidence that short-time working or temporary layoffs cannot fully prevent dismissals in the long-run, the combination of reduced working hours with training is assessed positively, since the period can be used to prepare workers to move to new jobs once recovery begins (ILO, 2010).

To achieve these goals, many public-support instruments developed new approaches during the current crisis that relate income support to training. In the majority of schemes, it was required that the training provided be meaningful for the affected workers on the labour market – that is, not specific only to the current employer.

Different incentives have been related to income support for these schemes in order to make participation in training during the hours not worked more attractive for both employees and employers. However, although some increase in training activities during the crisis can be shown, the effects of the attempt to combine reduced working hours with training are limited. The exception among the analysed schemes is the ProAct scheme in Wales. This, however (as has already been indicated) is promoted as a support instrument for training during hours not worked, which also offers income support (rather than as an income support instrument for reduced working hours that also provides training). The Welsh experience seems to suggest that the available schemes could be presented in a different way – namely, as offering training rather than income support – if working time reduction needs to take place during times of economic difficulties.

To a large extent, the limited uptake of training during the crisis can be attributed to more general factors that hinder vocational training and training in companies, which are not specific to reduced working time schemes. Examples include a lack of interest on the part of workers in engaging in training (particularly among older and lower-skilled workers) or a lack of interest among employers in paying for workers' training (this being considered an additional cost rather than an investment in human resources). This underlines the importance of providing some coverage of training costs so as not to burden the budget of firms and/or employees even more during the crisis.

Furthermore, in many European countries, the market for training is very fragmented, with a huge number of training providers and courses. This makes it difficult for employers and employees to identify the most appropriate course for their individual purposes, requiring a time-consuming and frustrating process of trial and error in locating a provider.

In addition, the available research identified a number of factors specific to the phenomenon of reduced working hours, which hinder the uptake of training.

First, if meaningful training is to be provided, future skill needs must be identified, a training plan must be drawn up, and suitable training providers and courses must be located. All this becomes more pressing in times of crisis when companies are in financial difficulties and are trying to survive. In particular, the smallest companies, which do not have specialised HR units, lack the capacities and competencies to quickly solve these tasks, and hence require further support.

Secondly, short-time working in particular is characterised by substantial flexibility. In some of the schemes analysed, the employer can settle the hours that are worked and not worked within the agreed framework at short notice and in an irregular way, responding to the current stock of orders. It is difficult to find a training measure with an equally flexible course schedule. Furthermore, in most of the schemes, the resumption of work is prioritised over finishing the training. This means that as soon as the workload allows for a return to full-time work, it is highly likely that the training that was begun will not be continued or will be postponed indefinitely. This does not benefit skills upgrading or the learning process. Such problems are less frequent in the case of temporary layoffs, as here workers do not work at all for an ongoing period. The Netherlands defined a minimum duration of short-time working of 26 continuous weeks during which training has to take place, so that – although this was not intended initially – positive effects for the affected workers can be achieved.

In some of the analysed schemes, training support will only be granted if specific (officially accredited) training providers are approached. While such a requirement safeguards the quality of the training provided, it almost completely rules out support for companies' own in-house training. It may also mean that companies (particularly larger ones) cannot continue to work with their long-term training providers because these are not officially accredited, such certification being attainable only after a lengthy, bureaucratic process. Both may be an important reason for employers to refrain from providing training during short-time working or temporary layoff. Evidence from the Welsh ProAct scheme – which can be considered quite successful in terms of combining training and reduced working hours – shows that where in-house training was eligible for public support, companies' interest in participating in the scheme was greater.

Finally, the administrative effort involved in applying for and administering training support has been criticised as a major impediment by several stakeholders in the cases analysed. This is particularly true in those cases in which training costs are co-funded by the European Social Fund (ESF).

Conclusions and policy pointers 5

Short-time working/temporary layoff and flexicurity

The principle aim of this report is to assess the extent to which public support for short-time working or temporary layoff in the selected Member States can be considered as a form of flexicurity. Indeed, the schemes discussed in this report were selected in terms of their possible relation to elements of flexicurity.

One approach to answering this question is to refer to the 'flexicurity matrix' (see Table 11). The schemes combine internal numerical flexibility for the employer, at least in the short-run, with job and income security for the employee. If training is also related to income compensation, this can be extended to functional flexibility for the employer and employment security for the employee. Thus, at a very general level, one can reconcile important elements of these schemes with some general principles of flexicurity. A more detailed analytical approach is to refer to the European Commission's Communication *Towards common principles of flexicurity: More and better jobs through flexibility and security*, endorsed by the European Parliament and validated by the European Council in 2007 (Council of the European Union, 2007).

These flexicurity principles can be compared with the general characteristics of short-time working or temporary layoff schemes. In the following, each principle of flexicurity is followed by a comparison with these characteristics.

'(1) Flexicurity is a means to reinforce the implementation of the Lisbon Strategy, create more and better jobs, modernise labour markets, and promote good work through new forms of flexibility and security to increase adaptability, employment and social cohesion.'

Short-time working and temporary layoff schemes do not aim to create jobs, but to maintain existing jobs during temporary economic downturns. It is also not obvious that they contribute to modernising labour markets. However, if used effectively they certainly promote good work through a combination of working time flexibility and job and income security, and foster social cohesion as a sense of solidarity emerges (by enabling work-sharing for all rather than unemployment for some).

'(2) Flexicurity involves the deliberate combination of flexible and reliable contractual arrangements, comprehensive lifelong learning strategies, effective active labour market policies, and modern, adequate and sustainable social protection systems.'

Reduced working time schemes incorporate flexible and reliable contractual arrangements, particularly if they include dismissal protection clauses and cover non-standard workers. The latest development – of combining income support with training – also contributes to a lifelong learning strategy. Since the instruments focus on internal flexicurity, there is little room for active labour market policies (ALMP), external transitions not being the target. However, bearing in mind that ALMP covers both those already in unemployment and those at risk of unemployment, support for short-time working or temporary layoffs can also be considered as an ALMP instrument. (This is, again, particularly the case if a training element is involved, hence fostering workers' general employability). Training can also be supported if workers on reduced working hours schemes use the hours they have not worked to provide unemployed people, or persons detached from the labour market, with training. In terms of social protection systems, it can be concluded that in at least some of the schemes this link exists (namely, those schemes that ensure that social protection is maintained on a full-time basis during the reduced working time).

'(3) Flexicurity should be tailored to the specific circumstances of each Member State. Based on the common principles, each Member State should develop its own flexicurity arrangements. Progress should be effectively monitored.'

That individual approaches were taken in the Member States when designing, adapting and implementing public short-time working or temporary layoff support becomes very obvious when investigating the individual characteristics of the instruments available across Europe. Several of the schemes have been in existence for decades and were adjusted to the changing market conditions. Other schemes were launched only relatively recently in order to cushion the effects of the recession. This, as well as the heterogeneity in institutional, economic and labour market characteristics, explains the different approaches that Member States take towards short-time working/temporary layoffs. Regarding monitoring, there is a considerable need for Member States to catch up, as little impact evaluation has been conducted so far. While this is hardly surprising for the newly introduced schemes (given that the time horizon since their implementation is not long enough for a proper evaluation), it is a drawback for the more established schemes. A particular disadvantage is the lack of micro data.

'(4) Flexicurity should promote more open, responsive and inclusive labour markets overcoming segmentation. It concerns both those in work and those out of work. Support should be available to all those in employment to remain employable, progress and manage transitions both in work and between jobs.'

Short-time working and temporary layoff schemes are targeted at the employed: hence, they do not consider those out of work. Nevertheless, they may positively influence workers' employability (either because they raise workers' skills levels, or because they help workers avoid the stigma of unemployment); they may also contribute to the reintegration of unemployed or detached workers (if workers on reduced working hours use the hours they don't work to train them in their company). Hence, some link to a better transition between jobs can be made. Nevertheless, the instruments enhance the position of insiders relative to outsiders and may thereby further increase labour market segregation (OECD, 2010). However, the available data also show that reducing working hours for economic reasons disproportionally preserves the jobs of manual and low-skilled workers in manufacturing companies, which might help reduce segmentation.

'(5) Internal (within the enterprise) as well as external flexicurity are equally important and should be promoted. Sufficient contractual flexibility must be accompanied by secure transitions from job to job. Upward mobility needs to be facilitated, as well as between unemployment or inactivity and work. High-quality and productive workplaces, good organisation of work, and continuous upgrading of skills are also essential. Social protection should provide incentives and support for job transitions and for access to new employment.'

Reduced working hours schemes seek to promote internal flexicurity. Although external flexicurity (that is, transitions from job to job) are not the primary objective of these schemes, they may also contribute to that goal if the time off is used in a meaningful way (particularly training for or by short-time workers or temporarily laid-off staff), general employability hence being promoted. Upward mobility and skills upgrading may be facilitated if meaningful training is provided during the time off. Depending on the characteristics of the Member State's welfare system, social protection may be better for workers on such schemes than for unemployed persons, particularly if periods of reduced working hours do not reduce entitlements for unemployment or retirement benefits.

‘(6) Flexicurity should support gender equality by promoting equal access to quality employment for women and men and offering measures to reconcile work, family and private life.’

Women typically benefit to a lesser extent from short-time working and temporary layoff support for two reasons (ILO, 2010). First, a large share of working time reduction occurs in large, male-dominated industrial enterprises. Second, the schemes often exclude workers on temporary contracts and sometimes also part-time workers – predominantly women, in most countries. Nevertheless, the most recent developments regarding inclusion of part-time and temporary workers in the schemes of several countries counteract this.

‘(7) Flexicurity requires a climate of trust and broadly-based dialogue among all stakeholders. While public authorities retain overall responsibility, the involvement of social partners in the design and implementation of flexicurity policies through social dialogue and collective bargaining is of crucial importance.’

Evidence from the recent crisis shows that reduced working hours schemes were widely recognised by all stakeholders (government, employers’ and employees’ organisations) as an appropriate instrument for dealing with the effects of the recession. In spite of other differences, agreements regarding income support for reduced working hours could be reached very quickly through social dialogue and collective bargaining: all parties acknowledged the benefits of flexibility and security stemming from such schemes and were willing to make concessions to arrive at a win–win situation.

‘(8) Flexicurity requires cost-effective allocation of resources and should remain fully compatible with sound and financially sustainable public budgets. It should also aim toward fair distribution of costs and benefits, especially between businesses, public authorities and individuals, with particular attention to the specific situation of SMEs.’

A widespread characteristic of short-time working/temporary layoff schemes is the sharing of costs between government, employers and employees. Few of the schemes provide more beneficial regulations for SMEs than for larger firms. Bearing in mind the more limited financial resources and higher challenges SMEs face on the labour market, there should be more such regulations. Regarding cost-effectiveness, the stakeholders are convinced that the support is less expensive than unemployment; however, hard data or evaluations are not readily available.

The above considerations suggest that short-time working and temporary layoff schemes succeed in fulfilling some of the common principles of flexicurity but certainly not all. This, however, should not necessarily be seen as a shortcoming; schemes for reduced working time have their own specific objectives, not necessarily seeking to fulfil all criteria of flexicurity. Moreover, flexicurity is a complex concept, the principles of which no single instrument can satisfy in their entirety. Rather, flexicurity consists of a set of measures that can point to achieving the standards set out in the list of principles. Thus, it can be concluded that short-time working/temporary-layoffs may well contribute to the flexicurity concept. It should be borne in mind, however, that the concept of flexicurity is not necessarily set in stone but might undergo some adjustments based on the current and future economic situation in Europe. For this, the considerations summarised in this report might be a good starting point.

The relevance of short-time working and temporary layoff schemes

The recent economic crisis was to a large extent characterised by companies deciding to adjust working time rather than dismiss workers; the available data indicate that such a strategy helped limit the anticipated increase in unemployment. Among these flexible working time arrangements were working-time accounts, holiday entitlements, career breaks or sabbaticals and, to a considerable extent, short-time working and temporary layoffs.

This emphasis on internal flexibility arose from employers' wish to 'hoard labour' to be prepared for the recovery, particularly as economically strong firms were also affected by the collapse in global demand (Möller, 2010). However, legal frameworks – particularly employment protection legislation – and institutional mechanisms also influenced the move towards adjusting working time. 'Institutional mechanisms' include sector- or company-level collective agreements that incorporate employer-funded wage compensation for reduced working hours and public support schemes. Virtually all Member States of the European Union either adjusted their public instruments to provide income compensation for workers on short-time schemes or on temporary layoff, or initiated them during the crisis. Governments decided to temporarily increase participation in these schemes to preserve jobs and avoid unemployment. Short-time working and temporary unemployment were supposed to fulfil a bridging function until full-time work could be resumed once recovery began.

The available data show a considerable increase in the level of participation in public short-time working and temporary layoff schemes across Europe; in at least some countries, the absolute number of beneficiaries is large. National stakeholders are convinced that the public funds invested in these measures were justified, since the compensation for reduced income on these schemes is deemed less costly than unemployment benefits; in addition, such schemes have other, longer-term benefits: the employability of workers is maintained, and – since they feel more secure in their jobs – workers are more likely to spend their income into the economy, rather than hoard it.

However, short-time working or temporary layoff support instruments should not be seen as a panacea, which can solve all problems in an economic downturn. Rather, they should be seen as one tool in a system of instruments (Schmid, 2010), the composition of which strongly depends on the economic, labour market and institutional characteristics of the individual country. These instruments are not limited to public measures but also include approaches based on social-partner agreements and employer-initiated activities. In the same way, such a 'toolbox' of instruments need not be limited to labour market policy: it could also incorporate regional or industrial policy instruments that combine, for example, short-time working or temporary layoff support with other instruments to support company restructuring (such as advice and consultancy or access to finance) or with outplacement or transfer schemes – for instance, employer pools, mobility schemes, labour foundations, transfer companies or reemployment units.

These general framework conditions also influence the practical relevance of the instruments. Uptake may, for example, be lower in countries in which alternative support instruments are considered more attractive by employers and employees; they may, in turn, be higher in countries with strict employment protection legislation or high hiring and firing costs (OECD, 2010).

Nevertheless, support for short-time working and temporary layoff is widely seen as an appropriate tool for maintaining jobs in generally viable firms that are temporarily hit by an economic downturn. However, economic downturns need not only occur on a global scale, as experienced in the last two years. They occur more commonly on a small scale – for example, an individual company crisis that results in restructuring, or sectoral and regional downturns. Since support in this sort of instance is also needed to mitigate the labour-market effect, it is generally recommended that such instruments be offered on a permanent basis, going beyond the anti-crisis packages. (Experience has shown that timing is critical in economic downturns, and that short-time working and temporary layoff schemes tend to be more effective in the early phase of a crisis. In some countries, it proved difficult to set them up quickly enough for them to be fully effective (see also OECD, 2010)). For such a permanent scheme to be effective and efficient, however, the design and characteristics of the instrument need to be carefully thought out – in particular, in terms of finding a balance between offering meaningful support while at the same time ensuring the scheme is sufficiently restrictive to avoid misuse and deadweight loss.

The in-depth analysis conducted in the framework of this project has shown that – for flexicurity in general, but also for short-time working and temporary layoffs – no 'one-size-fits-all' approach is possible. With that in mind, the research still succeeded in identifying some elements that are valid for all the schemes implemented in any particular framework conditions. These are summarised in the following sections.

Guidelines and elements of good practice

On the basis of the public short-time working and temporary layoff support instruments analysed in Chapter 4, the following section aims to provide some guidelines regarding the design and implementation of such instruments, which could be considered when planning or running them.

It must be emphasised, however, that the instrument should not be considered as a stand-alone tool to cope with economic difficulties, but should be embedded into a system of other measures (not least, those that promote external flexicurity in order to enhance the reintegration of 'labour market outsiders'). Furthermore, across Europe there is no such thing as 'the best' short-time working or temporary layoff support scheme: the individual success of such instruments strongly depends on national characteristics such as the the welfare regime or the industrial relations context. Consequently, rather than suggesting 'good practice instruments' the emphasis is on 'good practice elements' within these instruments.

Institutional and administrative aspects

A fundamental question, which must be considered at the beginning of the design phase of a short-time working or temporary layoff support measure is the organisation of the instrument. While this report focuses on *public* support instruments, evidence from other Member States shows that support instruments may also be implemented without public intervention – for example, in the form of collective agreements at industry or company level. Such agreements may be particularly advisable in countries with a strong background of social partnership, low levels of social welfare benefits or restricted public budgets.

Nevertheless, even if such a bipartite strategy is followed, the role of tripartite cooperation in the scheme should not be neglected. Experience shows that work-sharing policies and instruments are more likely to benefit workers, employers and the government if governments actively promote these schemes and if they are negotiated and implemented through social dialogue at national level, and through collective bargaining at industry and company level (ILO, 2010). Such dialogue increases all stakeholders' commitment and acceptance of the scheme, which in turn is a precondition for a quick implementation. At the same time, there is an urgent need for mutual understanding and bilateral concessions, hence a sense of solidarity: otherwise it is unlikely that a solution beneficial to all will be reached, or at least not as quickly (speed of implementation being an important element in the effectiveness of the support).

At individual company level, it should be considered that not all employers are equally engaged in and familiar with social dialogue. While it is generally considered useful to oblige the management to at least consult with the works council before the introduction of short-time working or temporary layoffs, those companies in which no works council is established need to be kept in mind. For such companies, alternative pathways to having to establish a works council first need to be provided, such as the direct involvement of the (affected) workers themselves.

Regarding funding, most of the analysed schemes are backed by the unemployment funds, financed by employers' and employees' contributions. An alternative approach would be to use a separate fund organised by the social partners – at sectoral level, for example. The concept of joint funding by employers and employees could be maintained, in a manner more like an insurance scheme. If combined with experience ratings, hence establishing a relationship between the level of contributions and benefits, a high level of fairness among participating enterprises and workers can be achieved and the danger of offering public subsidies, which might distort competition, is reduced.

The organisation of such instruments may also influence the level of administrative effort involved for the applicants and beneficiaries. Anecdotal evidence shows that a high level of bureaucracy – one perceived as too burdensome compared with the support received – hinders companies' involvement in the measure. Such red tape may cause considerable problems – particularly for smaller companies that do not have specialised departments and lack familiarity with administrative procedures. This may make them consider alternative solutions, including immediate redundancies. Consequently, it is recommended that the amount of 'paperwork' be strictly limited to the information needed to conduct a proper evaluation of the applications or requests for payments.

Furthermore, practical advice and consultation regarding how to fill in the necessary forms, apply for the support and manage the ongoing administration is recommended, particularly for the target group of SMEs. This could be jointly offered by the administering authority and the social partners.

The administering authority's administrative processes need to ensure that evaluations of applications and payment requests are carried out quickly and support is provided without unnecessary delay, so as not to further endanger the firm's liquidity (already under threat during the economic downturn). A comparatively simple solution, which has proven beneficial, is the possibility of submitting the application or payment request online. Furthermore, it is advantageous if the system enables the company details to be saved, so that in the case of a renewed application or request for extension, less information needs to be provided.

Regarding the assessment of applications, the approach taken by some countries to involve the finance ministry, employer organisations or economists in the evaluation of applications might be considered. This contributes to a better assessment as to whether the applicant company is financially sustainable.

Experience has shown that it is beneficial to evaluate applications at local level – for example, through the local agencies of the public employment service. These are often familiar with the regional businesses and their economic development and employment strategies. This facilitates and speeds up the assessment of the sustainability of the firm and jobs under consideration, which – in turn – can reduce the administrative effort that an employer needs to make when applying (see above).

Another aspect that should be considered from the very start is how to communicate the instrument in order to raise stakeholders' awareness of its existence and applicability, and make it more acceptable to both employers and employees. In this respect, two aspects might be of particular relevance. The naming conventions of the instrument could be considered. This present study has shown that there is no strict definition of 'short-time working' and 'temporary layoff' across Europe: the support instruments are named according to local tradition and culture, rather than according to the differences in the measures. Consequently, it is not – for example – recommended to use the phrase 'temporary layoff support instrument' in countries in which unemployment is stigmatised. In cases where the measure is developed or amended, it should be considered whether or not a new name should be applied, since this might cause confusion and reduce transparency. Finally, if the income support is to be combined with an incentive to use the time off during reduced working hours meaningfully (for example, in training), it might be a good idea to emphasise this other incentive and promote the income support as a by-product, rather than the other way around.

In terms of the communication strategy, an objective communication of the instrument's characteristics and potential advantages and disadvantages for the different parties involved is necessary. This will help increase stakeholders' awareness of and familiarity with the instrument, and improve the image of the measure and reduce scepticism among stakeholders.

In this respect, the involvement of the social partners is important, as is the availability of unbiased information (including evaluations) stemming, for example, from data monitoring or research. This needs to be provided on an ongoing basis to assess whether or not the funds have been spent effectively and efficiently, and to adjust the instrument if required. In an ideal situation, micro data allowing for a follow-up of the individual beneficiaries should be provided. These could include such indicators as the length and amount of support, additional benefits received on top of wage compensation (such as training), and phases of employment and unemployment after short-time working or temporary layoffs. In turn, these could be cross-tabulated with the characteristics of the workers – for instance, age, gender, nationality, educational level, profession, sector, and type of work contract. In such evaluations, it would be desirable not to limit the analysis to the number of jobs saved or extent of unemployment prevented, but to also investigate the long-term development of the affected workers and the issue of job creation in the companies.

Trade unions and works councils also have a role in the monitoring and evaluation of the instrument at the workplace level. In order to safeguard the best possible outcome for their members, they should take an active role in this; the situation is, of course, more difficult in firms where there is no works council.

Eligible companies

Keeping in mind the very targeted objectives of the instrument – namely, to maintain jobs in financially viable firms, which are in temporary difficulties beyond the control of management – it must be ensured that only such companies have access to the measure. Support instruments are intended to serve a bridging function for healthy companies in a downturn, to give them time to rethink their business strategy, to enable them adjust to the altered framework conditions and to allow them to maintain jobs needed in the recovery to follow. In relation to this, a further option could also be to give employers access to the instrument on a more strategic basis. Such a proactive, preventive approach is particularly relevant for smaller firms strongly dependent on a limited number of suppliers and/or clients. These companies could be given access to public support if their suppliers or clients initiate short-time working or temporary layoffs. Although the firms themselves might not yet be affected by the economic difficulties, it is foreseeable that they might be in due course. Consequently, granting them public support for reduced hours at this early stage gives them more time to spread their stock of orders over a longer period of time, and hence more time to come up with strategic business plans.

In general, it is recommended that the instrument be made available to all private businesses, irrespective of sector, size and legal form, as the need for working time flexibility with public support may arise for all enterprises. At the same time, public employers should be excluded from access to such instruments: granting them access would result in a situation of 'double use' of public money for affected employers and employees.

As it cannot be readily judged by an external party whether a firm's financial difficulties are caused internally or externally or whether they are temporary or structural, the support scheme must be designed in a way that automatically limits misuse. This can be achieved through a number of measures, listed below.

Actively involving employee representatives Ensuring trade unions' or works councils' active involvement guarantees that the solution selected by management – with all its immediate and long-term implications – is acceptable to the workforce and cannot be implemented without their agreement; this implies that workers' representatives have access to all relevant company information.

Using internal measures first Schemes should require that all internal possibilities (such as positive working time accounts, holiday entitlements or similar) have been used before external support is given.

Limiting the duration of assistance Support should be offered for a only comparatively short period of not more than between six and 12 months (this also limits the danger of inevitable structural change being blocked). At the same time, the support period should not be so short as to prevent the enterprise recalibrating its business strategy and implementing meaningful activities (such as training during the time-off on the part of the workers).

Requiring some payment from the employer If employers are required to make some contribution to the instrument, it will not be as attractive for them and hence will be used only if management is convinced that a full workload can be taken on again soon. This can be done by, for instance:

- obliging employers to pay a higher wage compensation than is reimbursed by the subsidy;
- requiring employers to provide additional benefits (such as social security coverage, training costs or similar);
- raising contribution rates where employers use the instrument;
- imposing substantial penalties in cases where the primary objective of the measure cannot be achieved (as, for instance, when dismissals take place or the subsidy is not passed on to the affected workers).

Actively involving employees An interesting approach could be to study the affected workers in a pilot group. If, for example, it is found that receiving wage compensation for reduced working hours reduces workers' future entitlements (or entitlement periods) for unemployment benefits, they will consider more intensively whether or not to agree to short-time working or temporary layoffs and might also contribute to finding additional creative solutions to maintain a company's sustainability.

A strong emphasis also should be laid on the company's future plans – that is, their strategies and approaches for getting out of the crisis and regaining a sustainably competitive position once recovery begins. One eligibility criterion could therefore be to require firms to rethink their business strategies and consider changes in the organisational and work environment. This could take the form of a business plan, which would be in line with the bridging character of the support instrument. Smaller enterprises, in particular, may need some support in anticipating future developments and ensuring that the intended changes are not realised too abruptly for the affected workers (ILO, 2010). Hence, it is recommended that not only support for wage compensation be offered to companies, but that advice and consultancy in drafting a 'crisis business plan' be made available in the implementation phase of the support instrument. (The business plan should include future scenarios and operational activities.)

Eligible workers

It is recommended that wage compensation schemes for reduced working hours be as inclusive as possible, targeting both workers on both standard and non-standard contracts (ILO, 2010). In particular, the schemes should not exclude those who have only limited job protection (Arpaia et al., 2010). The main reason why employers introduce short-time working or temporary layoffs is to hoard labour; hence, it can be argued that those who are of least importance to the employer are the very ones who are most vulnerable during a crisis and should then receive the most protection – for example, by having more favourable conditions applied to them. A tendency does exist for low-qualified workers, temporary-agency workers, and manufacturing workers to be more likely to be urged to reduce their working time (and hence income) during a company crisis; however, the situation does differ depending on – for example – the age of the workers, their job tenure and the size of the company. Data, as compiled in this report, could be useful in identifying the groups of workers with the highest probability of being placed on short-time working or temporary layoff.

It is therefore recommended that, in general, all employees be able to access the support, irrespective of whether they are blue- or white-collar workers, work full or part time, and belong to the core staff or work on non-standard contracts. It should be ensured that workers on such non-standard contracts do get access to the support scheme in practice – not only in theory. (This underlines the necessity of aligning the support for short-time working or temporary layoff with labour law and other public instruments, rather than seeing it as a stand-alone measure.) One exception to this is the case of apprentices and trainees. The time they spend in companies is seen as training, rather than productive working: hence, their hours in the firm should not be reduced, as this might affect their skills and competencies development and hence future employability. In line with that, it also needs to be ensured that those training these apprentices be sufficiently available so as to guarantee their training progress.

Going beyond that, a more restrictive approach (such as explicitly excluding management from support, on the basis that managers should not reduce their working hours but strive to find solutions to quickly bring the firm back to recovery) is of little use. Anecdotal evidence suggests that abuse of the instruments is very limited because of the design of the schemes and because those employers who take the bridging function of the support seriously will do their utmost to return employees to full-time work: for instance, they will need productive employees to implement new business ideas and opportunities and hence will not put such employees on short-time working or temporarily lay them off. This is also supported by the available data, which show that managers or higher-skilled workers are less likely to be put on short-time working schemes or be temporarily laid-off.

Wage compensation and income security

When deciding on the extent of support, the generosity of the wage compensation should be considered relative to the unemployment benefits. Studies show that short-time working schemes give rise to more reductions in working hours when they are more generous than the general unemployment benefit scheme (Arpaia et al., 2010). The general consensus is that the support for short-time working or temporary layoff should not leave affected workers worse off than the unemployment scheme.

Furthermore, the strictness of employment protection legislation – that is, the cost and time involved in hiring and firing procedures – needs to be considered as this influences employers' decisions regarding internal versus external numerical flexibility. Consequently, where employment protection legislation is more binding, the rules for accessing short-time working or temporary layoff schemes should be more flexible (Arpaia et al., 2010).

An aspect that could be kept in mind when deciding upon the amount of support is the size of the employing company, taking into account the specific needs of SMEs. These constitute the backbone of the European economy and contribute considerably to the labour market, particularly at local level. At the same time, their financial resources are more limited and they are, therefore, more challenged in an economic downturn. Hence, concepts favouring employers in SMEs in terms of (partially) supporting wage compensation for temporarily reduced working hours – as has been already implemented in some countries – may be considered.

Social security

Apart from providing wage compensation for reduced working hours, the social security protection of the affected workers should also be safeguarded so that it is not reduced during short-time working/ temporary layoff, or at least does not fall below the level of social security that would be provided in the event of unemployment.

The need for social security compensation strongly depends on the duration of the reduced working time. It becomes particularly important if short-time working or temporary layoff is being done over a longer period.

Social security may be protected either by public compensation or by obliging employers and/or employees to cover the full contribution, despite the reduced working hours. The latter option, however, implies a relative increase in social security costs. Moreover, it necessitates the provision of information and awareness-raising measures, as many employees will not be aware of the long-term implications that fewer working hours might have on their unemployment or pension entitlements.

At the same time, it should be kept in mind that short-term volatility in demand or supply is a normal business phenomenon – that is, a standard risk for the entrepreneur. Consequently, public support to maintain workers' social security level should not be too generous (for example, fully reimbursing employers' social security contributions from the first reduced working hour onwards), as this might trigger deadweight loss.

Maintaining employment levels

In order to avoid abuse of the instrument it is recommended that – while receiving the subsidy – the employer not be allowed to dismiss workers for economic reasons, or be required to repay the financial aid should they do so. Furthermore, dismissal protection after the short-time working or temporary layoff period makes sense, as this is in line with the general aim of the instrument of preserving jobs.

However, the protection period should not be too long, as this would severely limit the employers' flexibility and would make them reluctant to engage in short-time working or temporary layoff at all.

It should be considered whether or not employers be allowed to recruit additional, new staff while receiving support for short-time working or temporary layoffs. Allowing for this would contribute to the scheme's flexicurity character, by fostering the external flexicurity element. However, the company should at least have to justify why additional staff are necessary and why their foreseen tasks cannot be fulfilled by those on short-time working or temporary layoff (the reason for the subsidy being the firm's temporarily reduced workload).

Meaningful use of hours not worked

In line with the flexicurity concept (which focuses on both job security and on employment security), support for short-time working or temporary layoffs should ensure that the hours not worked, which are at least partly wage subsidised, are used in a meaningful way to foster workers' employability, both in their current and any future jobs. This could be achieved either by obliging employers or employees to ensure this meaningful use, or by providing additional incentives such as higher wage compensation. Here, different approaches are possible.

First of all – as has notably been done during the recent crisis – training could be provided to short-time workers or temporarily laid-off persons. However, recent experience has shown that it was difficult for employers and employees to provide such training in practice – even where there was a public financial incentive or legal obligation to do so. One reason was the lack of any culture of lifelong learning, resulting in employers and employees having little interest in engaging in further education.[23] However, the main challenge – particularly for micro and small enterprises – was to identify the future skill needs and appropriate available training offers in order to arrange meaningful training in times of crisis, when quick action is needed but the market for training is heterogeneous, diversified and opaque.

A possible solution to this impediment could be to employ specialised advisors who are familiar with the affected companies and workers, and with the available training offer. The advisors could quickly step in to assist employers (particularly in micro and small enterprises) in assessing their training needs and arrange meetings between enterprises and training providers to jointly identify skill needs and training programmes. In an ideal case, such a facility would be available at regional level to counteract the problem of the limited mobility of potential training participants.

Another possibility would be to establish common standards throughout the training market (in a similar fashion to the European Credit Transfer and Accumulation System), so that employers and employees can quickly identify the content of individual training courses and what qualifications the trainers have (Mandl, 2009).

Another approach that might facilitate the rapid identification of training needs is the establishment of 'skills inventories', which would show for each employee their acquired formal and informal skills and competencies. If this is regularly updated, it can be quickly compared with future skill needs, and so speed up the process of identifying in which fields additional training is necessary.

Another problem is the considerable flexibility inherent in short-time working, which makes it difficult to align the hours that are not worked with the available training offers; the temporary character of

[23] This is a general problem related to vocational training and further education and is not specific to short-time working or temporary lay-off. A discussion of this problem would go beyond the scope of this study and is, therefore, omitted here.

reduced working hours may also not fit in well with formal training. This underlines the necessity of finding training offers that can be combined with situations where workloads vary and that can be continued once full-time work resumes. With regard to this, the following recommendations regarding the design of training programmes can be given (Mandl, 2009).

- Training offers should be available at local and regional level to avoid trainees having to commute, so saving time when training must be combined with work. With this in mind, in-house training should also be supported.
- Training should be provided in a targeted manner to small, homogenous groups of learners, so that meaningful training can also take place in limited periods of time.
- Training should be provided for a minimum duration of hours to ensure meaningful skills enhancement.
- Training should be organised in a modular way. This makes it possible to choose modules relevant to individual workers, taking into account previous knowledge and experience. It also makes training more flexible in terms of the scheduling of individual training sessions, so that if workers cannot attend a specific module due to work obligations, they can catch up with it at a later point.
- Training providers should offer courses that deliver certified qualifications that are formally recognised or well-accepted by employers in order to improve the image of short-term courses.

It is particularly important for micro and small companies that training costs be publicly subsidised, without this entailing a heavy administrative burden or complex application processes; the financial resources of such small companies are more limited than those of larger firms and during the economic downturn their liquidity is endangered. The amount of support should also be considered, taking into account that low levels of public support can finance only basic or short-time training measures. Bearing also in mind that public funds are limited in an economic downturn, it is recommended that public and private funds (sector training funds, for instance) be combined.

Another possibility for the meaningful use of the hours not worked is to organise training provided by short-time workers or temporarily laid-off persons. Experienced workers could introduce young people, the unemployed or those detached from the labour market into the operational work processes of their company. This can improve the competencies of those workers providing the training (as it may be difficult to find appropriate training for older, experienced workers), supports better (re)integration into the labour market of the trainees, and reflects positively on the employer. Indeed, the employer might also benefit from establishing a pool of people who are at least somewhat familiar with company-specific tasks and who can be recruited if additional workforce is needed in the recovery.

The hours not worked may also be used for volunteering activities, which fosters a sense of communality and social capital, and enhances skills not related to work, which may still boost workers' employability at a later date. Employers may support such activities, since they could benefit from the advantages that engaging in corporate social responsibility brings.

Finally, employees without a full workload could be seconded to other companies with a lack of labour or skills for a limited period of time. This could increase workers' employability (particularly if the secondment takes place at a cross-sector level, involves training and includes an option for the worker not to return to their former position). It could also boost the competitiveness of firms and provide a starting point for further future cooperation.

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Annex 1:
Methodological approach

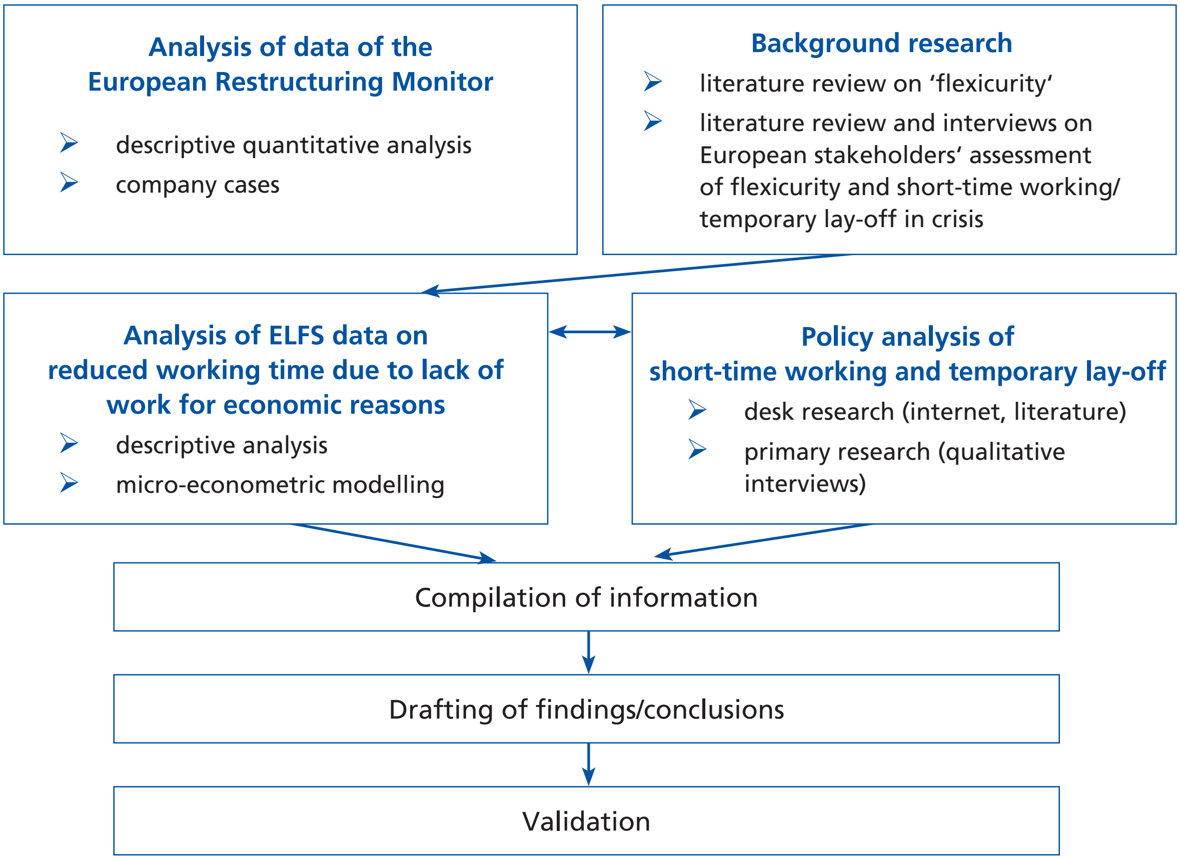
Overview

Eurofound compiled the ERM annual report for 2010 by applying a mix of methodologies of social and economic sciences.

The first part of this report focuses on the adjustment of the employment level during the crisis by providing data – from the European Restructuring Monitor (ERM) – on redundancies and job creation due to restructuring. The second part deals with the adjustment of working hours, with an emphasis on short-time working and temporary layoffs. For this, data from the European Labour Force Survey was used. Finally, the thematic part of the report gives a general overview of the flexicurity concept and then focuses in depth on public short-time working and temporary layoff schemes in Europe.

The following figure gives an overview of the main steps in the research, which are explained in more detail on the following pages.

Figure A1: Methodological overview



European Restructuring Monitor

The ERM defines job loss at restructuring in a similar fashion as the European Directive on Collective Redundancies (98/59/EC) in that it refers to intended redundancies.[24] However, the intended redundancies do not have to be notified to any public authority but rather 'announced', either in the media or some other public domain. To qualify for inclusion, the redundancies must affect at least 100 jobs or involve sites that employ more than 250 people and affect at least 10% of the workforce. Unlike the Directive, however, there is no stipulation regarding the time in which the intended job loss is to occur.

The major advantage of the ERM is that it captures data early in the dismissal process, and therefore includes those who may leave near the beginning of the process. It will, however, almost certainly overestimate the actual number affected by the restructuring; while the ERM does require the correspondents to update any subsequent revisions of announcements, it is likely that these revisions will be less well covered in the media. The early warning feature of the ERM is therefore one of its major strengths, as information is usually available long before the reduction of the workforce is enacted. Another major strength of the ERM is that it is based on information in the public domain. Thus, no issues of privacy arise and the identification of specific cases allows the process of structural change to be observed at company level.

Nevertheless, the major problem with the ERM is the question of whether the macro picture that it portrays is representative of job loss in general. There are a number of ways in which the ERM may be biased with respect to job loss in general.

Firstly, a company-size bias occurs by definition, due to the ERM thresholds stipulated. Moreover, even within the company size definitions, an overrepresentation of big companies and large workforce reductions will almost certainly occur, as these are more likely to be reported in the media. As company size is correlated with a number of important factors, such as economic sector, the size bias will lead to many other types of bias. For example, the large company bias is likely to lead to a higher reporting rate in the ERM for manufacturing relative to services. The manufacturing bias may, in turn, lead to a bias as regards region and gender. The fact that the sampling error will be greater when companies are small may lead to inconsistencies over time – if company size varies over time – and between countries with differing company size distributions.[25] The most obvious impact of the large company bias can be seen in relation to the small Member States, such as Cyprus and Malta, as they have very few companies of the size that fall under the ERM thresholds. Indeed, the ERM database provides very limited information on restructuring in these countries.

A second likely bias is a regional bias – apart from that which follows from the large company bias just outlined. Such a bias may arise when media coverage is not evenly spread throughout the country. While most of the newspapers from which announcements are drawn are formally national, some national or regional capital-city bias may also be possible.

A country-size bias is also likely to occur in the ERM. In absolute numbers, there is obviously much more job loss in big countries. In terms of national impact, restructuring involving, for example, 100

[24] This is Council Directive 98/59/EC of 20 July 1998, on the approximation of the laws of the Member States relating to collective redundancies. It consolidates Directives 75/129/EEC and 92/56/EEC.

[25] In the European context, there may be reason to believe that the main small-company bias – both currently and in the years to come – will arise as a consequence of the ongoing restructuring of agriculture in the new Member States. In terms of employment consequences, this is an extremely important issue and one that is typically not dealt with when the general public, academics or policymakers consider restructuring.

employees will be a less frequently occurring and more media-prominent event in countries such as Greece or Portugal than in Germany or the UK. This suggests that the reporting frequency will be higher in small countries than in large ones. Such a bias could introduce serious flaws in comparisons between countries, albeit not over time. Moreover, because there are more large companies in big countries, this leads to better coverage in the ERM. Thus, there are likely to be conflicting tendencies to bias as regards country size, leaving little indication as to the size and direction of the bias.

A bias in terms of type of restructuring – such as internal restructuring, relocation or closures – may also occur if the public and media focus is more concentrated on certain types of restructuring. Otherwise, there is little to suggest that a bias occurs in this aspect of the ERM.

Finally, it should be noted that the ERM also reports cases of job creation. However, as the majority of ERM cases are identified in newspapers, one could presume, in accordance with the journalistic adage that 'the best news is bad news', that a higher rate of reporting of job loss relative to job creation will occur. This is counterbalanced to an extent, nonetheless, by the enthusiasm of the press departments of investment-promotion agencies in placing and highlighting media stories about new factories or offices and, in turn, new jobs.

ELFS data analysis

The OECD defines economic short-time workers (ESTW) as those workers who worked less than usual due to lack of work for technical and economic reasons. The European Labour Force Survey (ELFS) captures this population, providing data harmonised by country, which permits a robust cross-country comparison. In particular, the population of ESTW is identified in the ELFS with the variables HOURREAS and NOWKREAS. The variable HOURREAS captures the population of those who worked less because of lack work for technical or economical reasons in the week of reference (HOURREAS = 4 – 'Working less due lack of work for technical or economic reasons'). The variable NOWKREAS captures the population of those workers who did not work at all due to lack of work for technical or economic reasons in the week of reference, but who still have a formal attachment to their job (NOWRKREAS = 1 – 'Not worked due lack of work for technical or economic reasons').

For all the Member States, this population is analysed and compared with the characteristics of the overall population of employees by mean of a set of professionally related and sociodemographic variables as shown in Table A1.

Table A1: Set of explanatory variables included in the model

Name and categories	Type
AGE: Age of the respondent (17–65)	Categorical
SEX: Gender of the respondent (0 = M, 1 = F)	Categorical
NATIONAL: Nationality of the respondent: 0 = National; 1 = Non EU; 2 = EU27	Categorical
EDUCATION: Educational level of the respondent: 0 = ISCED1; 1 = ISCED2; 2 = ISCED 3–4 ; 3 = ISCED 5–6	Categorical
ISCO1D: ISCO code 1-digit (0 = armed forces and 6 = skilled agricultural excluded)	Categorical
NACE_REC: NACE code rev 2 1-digit	Categorical
2NDJOB: Existence of a second job (0 = No; 1 = Yes)	Categorical
PART_TIME: Full/part time (0 = full time; 1 = part time)	Categorical
SUPERVISORY: Supervisor role (0 = No; 1 = Yes)	Categorical
TEMPORARY: Temporary/permanent position (0 = permanent; 1 = temporary)	Categorical
SIZE: size of the firm: 0 = micro (fewer than 10 employees); 1 = small (10–19 employees); 2 = medium–large (more than 20 employees); 3 = unknown	Categorical
TRAINING: Participation in training (0 = No; 1 = Yes)	Categorical

In order to investigate whether the observed differences highlighted in the previous section persist when controlling for other important sociodemographic and job-related characteristics and to explore the probability of becoming ESTW, a logit model is estimated. Such models are common in economics and sociology literature (see Greene (2000) for more details). The logit model is used when the event is measured with a variable with two mutually exclusive options (for instance, 'Yes' and 'No') and its occurrence is characterised by a set of explanatory variables, which are the factors that either increase or reduce the probability that such an event occurs. Given the nature of the data in the analysis, the application of a logit model is natural, as what is wanted is to be able to predict the probability of an employee's being an ESTW, given all the sociodemographic and job-related variables listed above.

In order to facilitate the computation of the model and to avoid identifying effects mainly due to the presence of outliers, those economic sectors and occupations that have recorded only a small number of ESTWs are not considered. In particular, the sectors of agriculture (NACE code rev 2: A), activities of households as employers (NACE code rev.2: T) and activities of extra-territorial organisations (NACE code rev 2: U) are excluded from the analysis. Moreover, in terms of occupations, the ISCO code categories of 'armed forces' and 'skilled agricutural workers' are excluded from the analysis. Finally, the age category of over 65 years is excluded from the analysis.

The model is performed individually for 24 Member States. Cyprus, Malta and Luxembourg are excluded due to the large amount of missing data. As almost 60% of ESTWs have been observed in Germany and Italy, the model for all of Europe is not presented. The independent variable 'economic short-time workers' ('Yes'/'No') is built following the assumptions described above.

As all the variables included in the model are categorical, a positive sign of the coefficient implies a higher probability of an employee's being ESTW for that realisation of the variable with respect to the category adopted as the reference. The values of the coefficient reported here are a monotonic transformation of the logistic coefficient and are a unique effect of the predictors on the dependent variables; hence, for each predictor, they represent the expected change in the probability of an employee's being ESTW with respect to the reference category, the other covariates being held fixed.

The numbers presented in the table are not easy to explain to a non-statistician. Formally, they are the marginal effects on the log of the odds ratio. They can be interpreted as follows: a positive number indicates a positive effect of a particular category on the probability of an employee's being an ESTW, compared with the base category. For example, the number 0.15 for 20–24 year-olds in Austria indicates that 20-24 year olds are more likely to be ESTWs than the base category of 15–19 year-olds. Bigger numbers indicate bigger effects, so the number 0.26 for 25–29 year-olds means that a member of this age group is even more likely to be an ESTW and so on. The results of the logit model for the 24 countries are presented overleaf, the coefficients that are significant at the 5% level being presented in bold.

Table A2: Logistic regression of the probability of economic short-time working in 24 Member States, 2009

Variables	Countries									
	AT	BE	BG	CZ	DE	DK	EE	ES	FI	FR
AGE										
Baseline category: 15–19			n/a							
20–24	0.15	0.59	1.18	0.29	1.74	0.32	-0.55	0.99	0.22	0.75
25–29	0.26	0.65	0.34	-0.10	1.93	-0.19	-0.22	0.86	1.13	0.83
30–34	0.30	0.20	0.37	0.31	2.43	-0.18	-0.35	0.69	0.99	1.00
35–39	0.47	0.55	0.43	0.20	2.24	-0.61	-0.03	0.87	0.75	0.57
40–44	0.39	0.66	0.96	0.37	2.20	-0.76	-0.46	1.17	1.57	1.00
45–49	0.56	0.40	0.03	0.34	2.43	-0.70	-0.52	1.14	1.55	0.93
50–54	0.24	0.50	-0.10	0.11	2.40	-0.47	-0.01	1.24	1.24	0.72
55–59	-0.01	0.07	0.54	0.07	2.21	-0.38	-0.52	1.49	1.15	0.90
60–64	0.24	0.39	baseline	-0.21	1.98	0.15	baseline	2.20	0.17	-0.54
SEX										
Baseline category: Male	-0.41	-0.19	-0.12	-0.15	-0.13	-0.32	0.44	-0.08	-0.27	-0.14
EDUCATION										
Baseline category: Up to primary			n/a							
Lower secondary	-0.30	-0.12	0.84	-0.95	-0.14	0.27	-1.57	0.07	0.22	0.12
Upper secondary	-0.28	-0.36	1.49	-1.15	-0.40	0.30	-1.56	0.11	0.04	0.03
Tertiary	-0.32	-1.16	baseline	-1.09	-0.73	0.06	-1.12	0.50	-0.01	-0.24
NATIONALITY										
Baseline category: Native										
NON-EU	0.08	0.34	n/a	0.35	0.14	0.35	0.84	0.82	n/a	0.13
EU27	0.13	-0.50	n/a	0.07	0.52	-0.66	n/a	1.37	1.03	-0.47
OCCUPATION (ISCO 1D)										
Baseline category: Manager										
Professionals	-0.37	1.10	0.04	-0.52	-0.50	-0.33	1.04	0.22	0.28	0.23
Technicians	0.43	1.78	0.54	0.56	0.01	-0.42	-0.90	0.69	0.64	0.66
Clerical workers	0.31	1.03	0.54	0.50	-0.06	-0.52	-1.40	0.50	-0.59	0.57
Services and sales workers	0.06	1.31	-0.84	-0.74	-1.24	-0.30	-0.52	0.65	0.64	0.42
Craft and trades workers	0.59	2.53	1.41	0.88	0.23	-0.59	0.93	1.55	0.86	1.56
Plant and Machine operators	0.48	2.34	1.53	1.25	0.36	0.37	1.07	1.72	0.70	1.43
Elementary occupations	0.32	2.49	1.16	0.34	-0.27	0.03	-0.84	1.75	0.75	0.83
ECONOMIC SECTOR (NACE 1D)										
Baseline category: C. Manufacturing										
B – Mining	-0.04	-0.77	n/a	-3.32	n/a	-0.41	1.97	n/a	n/a	-0.50
D – Electricity; gas; steam; etc.	-2.42	-0.96	n/a	-2.62	n/a	0.00	n/a	n/a	n/a	n/a
E – Water supply; sewerage; etc.	-1.60	-2.23	n/a	-1.57	-2.08	-0.29	n/a	-1.82	n/a	n/a
F – Construction	-1.20	-0.76	-0.37	-0.73	-1.58	-0.44	0.20	-1.73	-0.91	-1.10
G – Wholesale and retail trade, etc.	-0.97	-1.79	-1.82	-1.51	-1.89	-0.64	-0.80	-1.38	-1.52	-2.44
H – Transporting and storage	-0.96	-0.90	n/a	-1.52	-2.13	-0.30	-0.52	-0.82	-1.07	-2.81
I – Accommodation and food services	-0.58	-1.60	-1.44	-1.53	-2.67	0.45	-1.04	-0.42	-1.39	-2.57
J – Information and communication	-1.15	-2.74	n/a	-1.19	-2.30	-0.02	-0.96	-2.71	-1.93	-1.61
K – Financial and insurance activities	-1.98	-1.40	n/a	-3.08	n/a	-2.34	n/a	n/a	n/a	-2.27
L – Real estate activities	-1.13	n/a	n/a	-1.65	n/a	-0.22	n/a	n/a	n/a	-2.59
M – Professional, scientific, technical	-0.53	-1.83	n/a	-0.90	-2.77	-0.18	-1.01	-2.67	-1.73	-1.94
N – Administrative and support service	-1.20	-1.43	n/a	-1.67	-1.51	-0.01	n/a	-2.19	-1.63	-1.52
O – Public administration; etc.	-2.85	-3.98	n/a	n/a	n/a	-1.43	-4.05	n/a	n/a	-3.91
P – Education	-1.60	-3.48	n/a	-2.86	-3.85	0.31	-2.90	-2.85	-1.59	-2.37
Q – Human health and social work	-2.31	-1.54	n/a	-3.57	n/a	-0.31	-1.19	-3.09	-1.77	-2.61
R – Arts/entertainment and recreation	-1.30	-0.95	n/a	-2.07	-1.79	0.42	-0.56	-2.77	-1.08	-0.57
S – Other services activities	-4.23	-0.96	n/a	-1.43	-3.11	-0.37	-0.27	0.70	-0.93	-3.00
TYPE OF CONTRACT										
Baseline category: Permanent	-0.37	-0.46	1.66	-0.10	-1.30	0.53	0.82	0.31	0.17	0.17
FORM OF EMPLOYMENT										
Baseline category: Full-time	-0.10	-0.46	1.94	0.37	-0.78	1.01	0.76	0.33	1.06	0.36
1.SUPERVISOR										
Baseline category: No	-0.22	-0.12	-0.23	-0.11	-0.55	0.09	-0.13	-0.52	0.01	-0.58
SIZE OF THE COMPANY										
Baseline category: Micro										
Small	-0.07	-0.16	0.09	0.00	0.07	-0.24	-0.78	0.70	0.10	-0.28
Medium–large	0.48	0.20	0.74	0.16	0.42	-0.43	-0.81	0.53	0.03	0.27
Unknown	-0.12	0.10	-0.27	-0.18	n/a	0.24	-2.41	-0.13	n/a	-0.33
EXISTENCE OF SECOND JOB										
Baseline category: No	0.65	-0.24	2.54	0.23	0.41	-0.21	0.93	-0.12	0.04	-0.03
1.TRAINING										
Baseline category: No	0.16	0.35	n/a	0.02	0.17	0.03	-0.23	0.92	-1.83	0.38

Note: Bold type indicates statistical significance at the 5% level.

Countries													
EL	HU	IE	IT	LT	LV	NL	PL	PT	RO	SE	SI	SK	UK
-0.55	**-0.26**	**0.34**	**0.06**	**0.79**	**-0.22**	**0.17**	**1.50**	**0.28**	**-1.84**	**-0.17**	**-0.74**	**0.77**	**-0.08**
-0.60	**-0.25**	**0.55**	**-0.08**	**0.92**	**-0.41**	**0.15**	**1.08**	0.05	**-1.15**	0.00	**-0.4**	**0.56**	**0.26**
-0.11	-0.10	**0.44**	**0.14**	**0.84**	**-0.45**	-0.02	**1.48**	-0.11	**-1.14**	**-0.69**	**-0.66**	**1.10**	**-0.22**
-0.37	0.21	**0.40**	**0.17**	**0.99**	**-0.94**	**-0.42**	**1.63**	**1.04**	**-1.17**	**-0.36**	**-0.55**	**0.80**	**0.25**
-2.18	0.04	**0.41**	**0.26**	**1.26**	**-0.51**	-0.03	**1.63**	**0.79**	**-1.37**	-0.04	**-0.51**	**0.78**	**0.12**
-0.69	-0.11	**0.51**	**0.20**	**1.12**	**-0.42**	**-0.21**	**1.66**	**0.68**	**-1.03**	**-0.22**	**-0.49**	**0.69**	**0.29**
-0.57	0.22	**0.35**	**0.20**	**0.97**	-0.12	**0.12**	**1.56**	**1.35**	**-0.74**	**-0.30**	0.19	**0.64**	-0.02
-0.13	**-0.32**	**0.41**	**0.29**	**1.17**	**-0.53**	**0.24**	**1.83**	**1.28**	**-0.90**	-0.07	0.2	**0.55**	**0.32**
n/a	-0.02	**0.28**	**0.07**	**0.74**	**-0.41**	**0.59**	**0.17**	**1.89**	**-1.70**	**0.25**	-0.24	-0.14	**-0.62**
0.94	**-0.15**	**-0.11**	**0.12**	**-0.48**	**-0.18**	**-0.17**	**-0.29**	0.10	**-0.04**	-0.06	**-0.08**	**-0.18**	**-0.14**
												n/a	n/a
0.27	**0.61**	-0.03	**-0.12**	**-1.04**	**-0.97**	**-0.04**	**0.58**	**-0.28**	**-1.22**	-0.03	**0.29**	**0.16**	**-0.20**
-0.35	**0.41**	-0.05	**-0.23**	**-1.20**	**-1.34**	**-0.23**	**0.41**	**-0.27**	**-0.52**	-0.11	-0.18	**0.51**	**0.34**
0.07	**0.52**	**-0.13**	**-0.32**	**-1.71**	**-1.06**	**-0.51**	**0.52**	**-0.50**	**-0.28**	**-0.19**	-0.12	baseline	baseline
2.01	n/a	0.06	**0.25**	**1.30**	**0.34**	**0.68**	n/a	**-0.29**	n/a	**0.27**	**0.36**	n/a	**-0.87**
n/a	**-0.41**	-0.02	**-0.12**	n/a	n/a	**0.79**	n/a	**1.10**	n/a	0.01		n/a	**-0.83**
n/a													
-0.04	**1.51**	0.00	**0.83**	**0.29**	**0.32**	**0.22**	**1.34**	**-0.34**	**-0.72**	**0.30**	**0.58**	-0.04	**-0.07**
1.31	**2.56**	**0.37**	**0.96**	**0.52**	**0.72**	**0.35**	**0.75**	-0.13	**-0.26**	**1.09**	**0.32**	**0.43**	**0.35**
-1.65	**1.76**	**0.23**	**0.74**	**-0.16**	**-0.77**	**0.09**	0.03	**-0.16**	**0.34**	**0.76**	**0.8**	**0.40**	**0.23**
0.21	**2.05**	**0.32**	**0.45**	**-1.10**	0.12	**0.67**	**-0.48**	**-0.25**	**-0.72**	**0.79**	**0.48**	**-0.41**	**1.08**
0.72	**2.55**	**0.76**	**1.53**	**0.70**	**0.87**	**0.72**	**1.34**	**-0.17**	**0.98**	**1.68**	**0.42**	**0.47**	**1.34**
1.89	**2.48**	**0.91**	**1.90**	**0.84**	**0.76**	**0.68**	**1.17**	**0.23**	**1.09**	**1.68**	**0.64**	**0.91**	**1.55**
baseline	**2.37**	**0.53**	**1.43**	0.01	**0.62**	**0.55**	**1.01**	**-0.45**	**1.29**	**0.43**	**0.36**	**0.94**	**1.28**
n/a	**0.20**	**0.40**	**-2.11**	**1.17**	**-0.59**	**0.72**	**-0.31**	**-1.50**	**0.17**	-0.09	**-1.24**	**-2.66**	n/a
n/a	n/a	**-1.69**	**-3.34**	n/a	n/a	n/a	n/a	**0.38**	**-0.88**	n/a	n/a	n/a	n/a
n/a	**-2.17**	**-2.80**	**-1.98**	**-2.59**	**-2.17**	**-0.22**	n/a	**-1.58**	**-1.39**	0.14	**-1.57**	**-2.89**	n/a
n/a	**0.38**	**-0.08**	**-1.10**	**0.61**	**0.38**	**-0.62**	**0.42**	**-0.11**	**-0.06**	**-0.16**	**-1.20**	**-1.29**	**-0.38**
-0.89	**-1.84**	**-0.46**	**-1.17**	**-0.36**	**-1.24**	**-0.66**	**-1.33**	**-2.06**	**-0.88**	**-0.94**	**-1.86**	**-3.10**	**-1.47**
-0.22	**-1.94**	**-1.07**	**-1.53**	**-0.39**	**-0.37**	**-0.30**	**-0.42**	**-0.97**	**-2.48**	**-1.43**	**-1.32**	**-1.70**	**-1.32**
0.8	**-1.27**	**-0.14**	**-0.69**	**0.64**	**-1.11**	**0.18**	**-0.18**	**-2.22**	**-2.67**	-0.01	**-1.66**	**-3.06**	**-0.96**
n/a	**-1.28**	**-1.56**	**-1.40**	n/a	n/a	**0.25**	**-1.68**	**-0.95**	n/a	**-0.50**	n/a	n/a	**-1.07**
n/a	n/a	**-1.77**	**-2.85**	**-0.79**	n/a	**-1.49**	n/a	n/a	**-0.72**	**-0.74**	**-2.39**	n/a	**-2.54**
n/a	n/a	**0.30**	**-3.18**	**-0.89**	n/a	**-1.78**	n/a	n/a	n/a	**-0.64**	n/a	**-2.01**	n/a
0.48	n/a	**-0.40**	**-1.09**	**-0.69**	**-2.00**	**-0.19**	n/a	**-1.40**	**-1.99**	**-0.15**	**-3.79**	**-1.88**	**-1.17**
0.84	**-0.63**	**-0.54**	**-1.53**	**-0.30**	**-1.63**	**0.37**	**-2.06**	**-4.00**	n/a	**0.54**	**-1.51**	**-3.93**	**-1.30**
n/a	**-2.90**	**-2.44**	**-3.51**	**-0.52**	**-1.49**	**-2.13**	**-3.28**	**-1.31**	n/a	**-0.97**	n/a	**-5.10**	n/a
n/a	**-2.13**	**-1.96**	**-1.90**	**-0.54**	**-1.92**	**-0.88**	**-0.14**	**-1.63**	n/a	**-1.10**	**-3.26**	**-2.34**	**-3.56**
n/a	**-2.86**	**-1.42**	**-3.16**	**-0.86**	**-1.22**	**-0.92**	**-2.06**	**-2.78**	n/a	**-1.12**	n/a	**-4.30**	**-2.28**
n/a	**-0.75**	**-0.16**	**-1.06**	n/a	**-1.09**	**0.44**	**-1.74**	n/a	n/a	**-0.32**	n/a	n/a	**-1.99**
n/a	**-2.27**	**-0.72**	**-1.39**	**-1.77**	**-0.07**	**-0.96**	n/a	**-2.34**	n/a	**-1.62**	n/a	n/a	**-1.52**
0.05	**0.28**	**-0.42**	**-0.50**	-0.02	**0.95**	**0.89**	**0.54**	**0.77**	0.08	**1.06**	**-0.33**	**-0.60**	**1.11**
1.08	**-0.19**	**0.31**	**-0.07**	**1.14**	**0.75**	**0.50**	**1.09**	**1.37**	**2.66**	**0.78**	**0.26**	**2.12**	**-0.28**
-0.92	**-0.69**	**-0.29**	**-0.15**	0.00	**-1.16**	**-0.30**	**-0.11**	**-0.52**	0.37	**-0.22**	**-0.3**	-0.03	**0.16**
0.29	**-0.33**	**-0.39**	**0.09**	**0.58**	**0.23**	**-0.97**	**-0.23**	**-0.08**	**-0.34**	**-0.36**	n/a	**-0.10**	**-0.36**
-0.30	**0.34**	**-0.73**	**0.59**	**0.25**	**-0.07**	**-0.75**	**-0.28**	**0.27**	-0.04	-0.03	n/a	**0.26**	**-0.36**
n/a	**-0.24**	n/a	**-0.39**	**-0.21**	**-0.10**	**-0.78**	**0.04**	**0.04**	**-0.98**	**0.48**	n/a	-1.13	n/a
1.42	**-0.28**	**0.13**	**0.58**	**0.14**	**-0.74**	**0.19**	**0.38**	**0.04**	**0.09**	**-0.25**	**0.45**	n/a	**-0.62**
1.48	**1.52**	**0.20**	**0.24**	**-2.18**	**-1.96**	**-0.11**	**0.66**	**0.70**	**3.25**	**-0.08**	**0.22**	**0.45**	**-0.49**

Background research and policy analysis

In order to provide a referential framework for the study, a literature review giving a brief overview on the concept of 'flexicurity', its realisation in practice and European stakeholders' assessment on flexicurity during the recent crisis was conducted. This was supplemented by qualitative interviews with representatives of the major institutions at EU level.

The main part of the report comprises an in-depth analysis of public short-time working and temporary layoff support schemes available in 10 Member States during the recent economic crisis. An emphasis was laid on those Member States that offer public income-support instruments for reduced working time, which are linked to a 'social security element' (such as publicly supported social-security contributions or dismissal protection during or after short-time working or temporary layoff) and/or a 'training element' (a requirement to conduct training during the hours not worked in order to receive income support, or more beneficial support if training is carried out). Furthermore, a geographical mix was used, and both types of schemes (that is, short-time working and temporary layoff) were included. Consequently, the public short-time working or temporary layoff support instruments in Austria, Belgium, France, Germany, Italy, Luxembourg, the Netherlands, Poland, Slovenia and the UK (Wales) form the subject of this study.

For these countries, individual country reports have been drafted, and published, based on qualitative primary research (half-standardised personal interviews with national representatives of the government, the public employment service, social partners and experts), on available literature and on policy and legal documents. These summarise the background and working methods of the analysed instruments as well as their outcomes and effectiveness.

On the basis of a comparative analysis of these national public short-time working and temporary layoff schemes, conclusions regarding their contribution to flexicurity during the crisis have been drawn and validated in two European expert workshops conducted in July 2010.

Finally, policy pointers giving recommendations and guidelines that could be considered when designing and implementing public short-time working or temporary layoff support schemes have been derived.

Annex 2
National short-time working and temporary layoff support instruments

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National short-time working and temporary layoff support instruments

Austria

Name of the instrument:	• in national language: Kurzarbeitsbeihilfe • in English: short-time working subsidy
Status:	• adapted to the recession
Eligible events:	• temporary economic difficulties beyond the firm's control (drop in production/supplies or sales/demand) • natural catastrophes • if all internal alternatives have been used and a social partner agreement has been signed
Eligible employers:	• all employers except the public sector, political parties • temporary work agencies only if workers cannot be redeployed in other firms and the firm under consideration is also introducing short-time working
Eligible employees:	• all employees (including part-time and temporary agency workers as well as employees on fixed-term contracts) subject to social security contributions, except apprentices (and their trainers in the firm) and the executive board
Possible working time reduction:	• 10%–90% of legally/collectively agreed working time
Public income support for non-worked hours:	• amounting to the unemployment benefit (about 55% of the net wage) • up to a monthly gross wage of €3,727.78 • for six months – can be extended twice for a further six months, that is a total of 18 months • for up to 24 months during the crisis
Social security contributions:	• calculation basis for contributions/benefits: normal working time/wage • covered by: employers and employees; due to collective agreements employers often have to cover also employees' contributions; during the crisis the PES reimburses employers' contribution to social security from the seventh month of short-time working onwards • implications for unemployment benefits: short-time working periods are considered as normal working time regarding the qualification period for unemployment benefits; unemployment benefits are calculated on the full-time wage before short-time working

Austria

(contd)

Dismissal protection:	• during receipt of benefits: collective agreements oblige the firms not to reduce their overall employment level during the short-time working period • after receipt of benefits: collective agreements oblige the firms not to dismiss short-time workers for between two and four months after short-time working ends
Training:	• training and income/social security support: training of at least 16 hours fostering workers' general employability entitles the employer to a qualification subsidy (instead of the short-time working subsidy), which is 15% higher than the short-time working subsidy • coverage of training costs: 60% of the training costs (75% for Burgenland) can be subsidised, up to €10,000 per participant
Social partner involvement:	• company's works council and the industry's employer and employee organisations need to be involved in the consultation of the employer by the public employment service • a precondition for public income support is a social partner agreement by the industry's employer and employee representatives (irrespective of whether a works council exists in the firm); this in the majority of cases obliges the employer to provide additional wage compensation, social security contribution coverage and dismissal protection
Special features of the instrument:	• strong involvement of sectoral social partners in each individual short-time working case, also resulting in a situation where additional benefits for the employees covered by the employer are standard • workers' social security levels are mostly maintained

Belgium

Name of the instrument:	• in national languages: chômage temporaire / tijdelijke werkloosheid • in English: temporary unemployment
Status:	• adapted to the recession
Eligible events:	• temporary economic reasons • weather • accidents • force majeure • force majeure due to medical reasons • company closure due to annual holidays • company closure due to compensatory rest period in the framework of reduced working time • strike/lockout • dismissal of a protected employee
Eligible employers:	• private sector companies
Eligible employees:	• blue-collar workers (including part-time workers; temporary agency workers and workers on fixed-term contract only since early 2009) • white-collar workers (including part-time workers) during the crisis if the employer is a private company that has experienced a decline in turnover, production or order level of 15% compared to the same quarter a year previously or a rate of temporary unemployment of its blue-collar workers of at least 20% after all days of compensatory leave have been taken
Possible working time reduction:	• up to 100%
Public income support for non-worked hours:	• up to 70% of foregone pay (up to 75% since early 2009) • up to a monthly gross wage of €1,900 (extended to €2,200 during the crisis) • up to 4 weeks, if working time is reduced by 100%; up to three months if working time is reduced to less than three days per week; without limitation otherwise (up to 26 weeks for white-collar workers during the crisis, with a minimum duration of one week if working time is reduced by 100% or two weeks)

Belgium

(contd)

Social security contributions:	• calculation basis for contributions/benefits: normal working time/wage • coverage by: employers and employees (during crisis[26] employers' social security contributions are reduced by €750 per quarter and worker if working time is reduced by 25% and by €600 for a 20% working time reduction)
Dismissal protection:	• during receipt of benefits: none • after receipt of benefits: none • workers on temporary unemployment are exempt from the requirement to give notice to their employer • the period of dismissal notice may only begin after the temporary unemployment period elapses
Training:	• training and income/social security support: increased allowance paid by the Flemish government if training takes place during temporary unemployment in the crisis • coverage of training costs: collective agreements provide for the coverage of training costs and per diem
Social partner involvement:	• agreement of workers' representatives before starting temporary unemployment and collective agreement at sector or company level • sectoral extensions of the eligibility duration can be realised by recommendations of tripartite committees
Special features of the instrument:	• coverage of blue-collar workers only (white-collar workers only during the crisis)

[26] Anti-crisis measure 'L'adaptation temporaire du temps de travail de crise'

France

Name of the instrument:	• in national language: Indemnisation du chômage partiel • in English: partial unemployment allowance
Status:	• adapted to the recession

Eligible events:	• temporary events (up to 12 months during the crisis) of
	  • economic downturn
	  • difficulties in raw material/energy supply
	  • restructuring/modernisation of the enterprise
	  • any other exceptional circumstances

Eligible employers:	• all employers in the private sector
Eligible employees:	• all employees including part-time workers, employees on fixed term and temporary agency contracts • not eligible are seasonal workers, those who are on strike, suspended from activity for longer than six weeks and workers for whom working time is counted in a fixed total of hours or days
Possible working time reduction:	• 100%
Public income support for non-worked hours:	• hourly compensation of €2.44 for SMEs and €2.13 for large companies (during crisis: €3.84 for SMEs and €3.33 for large companies) • up to four consecutive weeks (six during the crisis), maximum 600 hours per employee and year (up to 1,000 during the crisis)
Social security contributions:	• calculation basis for contributions/benefits: normal working time/wage; extra retirement credits counting towards a complementary pension scheme • coverage by: neither the employers nor employees • implications for unemployment benefits: temporary unemployment periods are considered as normal working time regarding the qualification period for unemployment benefits; unemployment benefits are calculated on the full-time wage before temporary unemployment
Dismissal protection:	• during receipt of benefits: for affected workers • after receipt of benefits: none
Training:	• training support not related to partial unemployment allowance or reduced activity of long duration, but provision of training support for employees in vulnerable situations (including partial unemployment)

France

(contd)

Social partner involvement:	• consultation of the works council required to receive the public support • amendments to existing provisions are introduced in collective agreements that are subsequently validated by the government and finally transposed into the Labour Code
Special features of the instrument:	• affected employees are legally entitled to a specified amount of compensation for the loss of income resulting from working time reductions from the employer and the employer is partially reimbursed by the government

Name of the instrument:	• in national language: Indemnisation de l'activité partielle de longue durée • in English: compensation for reduced activity of long duration
Status:	• adapted to the recession

Eligible events:	• temporary events (up to 12 months during the crisis) of
	  • economic downturn
	  • difficulties in raw material/energy supply
	  • restructuring/modernisation of the enterprise
	  • any other exceptional circumstances

Eligible employers:	• all employers in the private sector
Eligible employees:	• all employees including part-time workers, employees on fixed term and temporary agency contracts • not eligible are seasonal workers, those who are on strike, suspended from activity for longer than six weeks and workers for whom working time is counted in a fixed total of hours or days
Possible working time reduction:	• 100%
Public income support for non-worked hours:	• hourly compensation of €2.44 for SMEs and €2.13 for large companies (during crisis: €3.84 for SMEs and €3.33 for large companies) • up to four consecutive weeks (six during the crisis), maximum 600 hours per employee and year (up to 1,000 during the crisis) • In addition: €1.90 per hour for the first 50 hours funded by the government, €3.90 per hour from the 51st hour onwards funded by Pole Emploi, for between four and twelve months

France

(contd)

Social security contributions:	• calculation basis for contributions/benefits: normal working time/wage; extra retirement credits counting towards a complementary pension scheme • coverage by: neither the employers nor employees • implications for unemployment benefits: temporary unemployment periods are considered as normal working time regarding the qualification period for unemployment benefits; unemployment benefits are calculated on the full-time wage before temporary unemployment
Dismissal protection:	• during receipt of benefits: for affected workers • after receipt of benefits: for affected employees for twice the length of time of reduced activity of long duration
Training:	• training support not related to partial unemployment allowance or reduced activity of long duration, but provision of training support for employees in vulnerable situations (including partial unemployment)
Social partner involvement:	• amendments to existing provisions are introduced in collective agreements that are subsequently validated by the government and finally transposed into the Labour Code • higher compensation can be stipulated in sector agreements • the agreement can also be concluded between the government and an economic sector and thus be applicable to all enterprises within that sector
Special features of the instrument:	• this allowance supplements the statutory partial unemployment allowance

Germany

Name of the instrument:	• in national language: Kurzarbeitergeld • in English: short-time working allowance
Status:	• adapted to the recession
Eligible events:	• economic reasons/temporary shortfall of orders • seasonal economic volatility in the construction sector or other sectors subject to seasonal variations (caused by weather conditions) • definitive loss of employment • if all internal alternatives have been used
Eligible employers:	• all employers of which at least one third of all employees (trainees are not considered) have experienced a wage cut due to reduced working hours of more than 10% of their monthly gross wage (during the crisis this criterion is not applied)
Eligible employees:	• all workers (including part-time and temporary agency workers during the crisis) subject to social security contributions affected by a substantial loss of income (more than 10% of their monthly gross wage) • employees specifically responsible for acquiring new orders must not be subject to short-time working
Possible working time reduction:	• up to 100%
Public income support for non-worked hours:	• amounting to the unemployment benefit (up to 67% of the net wage) • up to a monthly wage of €5,500 (for western Germany) and €4,650 (for eastern Germany) • up to 12 months (24 months in exceptional cases and during the crisis)
Social security contributions:	• calculation basis for contributions/benefits: 80% of the normal wage • coverage by: employer (also employees' contribution); during the crisis, the public employment service (PES) reimburses 50% of employers' expenses (100% from the seventh month onwards or if training is provided); contribution to unemployment insurance is fully covered by PES • implications for unemployment benefits: neither employers nor employees have to pay unemployment insurance for the non-worked hours; short-time working period is considered as if the employee had worked full-time, and unemployment benefits to be paid after short-time working are calculated on the basis of the full-time wage before short-time working

Germany

(contd)

Dismissal protection:	• during receipt of benefits: none; if a worker is dismissed during short-time working, the employer is not entitled any more to the short-time working allowance; hence, a return to full-time work during the notice period is required • after receipt of benefits: none
Training:	• training and income/social security support: full reimbursement of employers' expenses for social security contributions if training that fosters workers' general employability is provided during at least 50% of the non-worked hours • coverage of training costs: up to 100% of the training costs can be subsidised
Social partner involvement:	• agreement of employees or works councils required for starting short-time working, and the works council will also be involved in the design of the short-time working measures • in addition to the legal regulations, there are sectoral collective agreements on working time arrangements, including short-time working, in most sectors; some of them provide for supplements to the public short-time working allowances to be paid by the employer
Special features of the instrument:	• during short-time working, employers also have to pay for employees' social security contributions • short-time working allowance can also be provided for employees affected by structural change

Italy

Name of the instrument:	• in national language: Cassa Integrazione Guadagni Ordinaria (CIGO) • in English: ordinary wage guarantee fund
Status:	• adapted to the recession
Eligible events:	• temporary events beyond the control of the employer due to temporary market difficulties or seasonal weather conditions
Eligible employers:	• industrial companies • construction companies and building supply companies (subject to seasonal working time reduction due to weather conditions)
Eligible employees:	• all employees (including fixed-term contracts and part-time workers) except senior executives, temporary agency workers, home workers and apprentices
Possible working time reduction:	• up to 100%
Public income support for non-worked hours:	• 80% of the foregone pay • up to a monthly ceiling established annually by the Italian Statistics Institute (ISTAT) based on the consumer price index (CPI); for 2010, this ceiling is equal to €892.96 per month, and it is increased to €1,073.25, for those workers whose monthly salary is above €1,931.86. • up to 13 consecutive weeks, with a possible and exceptional extension to 12 months (in combination with CIGS in total up to 36 months over a period of five years)
Social security contributions:	• calculation basis for employers' contributions/benefits: reduced working hours • contributions are automatically covered by the social security authority for periods in which the employee did not work at all or at reduced working hours • implications for unemployment benefits: none; contributions covered as above
Dismissal protection:	• during receipt of benefits: none • after receipt of benefits: none
Training:	• training and income/social security support: if a worker refuses training during CIGO/CIGS/CS, the wage supplement is suspended (during crisis employer has to top up to full wage when training on the job) • coverage of training costs: financed by government and regional funds (co-funded by European Social Fund)
Social partner involvement:	• consultation with the trade union but agreement not necessary or precondition for application for public support
Special features of the instrument:	• solely funded by employers' contributions

Italy

Name of the instrument:	• in national language: Cassa Integrazione Guadagni Straordinaria, CIGS • in English: extraordinary wage guarantee fund
Status:	• adapted to the recession
Eligible events:	• restructuring • reorganisation • change of activity • crisis of the enterprise • bankruptcy
Eligible employers:	• industrial companies, construction, building supply companies, craft companies, restaurant and catering companies as well as service companies and cooperatives with more than 15 employees • trade companies with more than 200 employees • publishing companies
Eligible employees:	• all employees (including fixed-term contracts and part-time workers) who have been employed by the firm for at least 90 days
Possible working time reduction:	• up to 100%
Public income support for non-worked hours:	• 80% of the foregone pay (up to a specific ceiling) • up to a monthly ceiling established annually by the Italian Statistics Institute (ISTAT) based on the consumer price index (CPI); for 2010, this ceiling is equal to €892.96 per month, and it is increased to €1,073.25, for those workers whose monthly salary is above €1,931.86 • up to 48 months per company or 36 months per production unit (in combination with CIGO in total up to 36 months over a period of five years)
Social security contributions:	• calculation basis for employers' contributions/benefits: reduced working hours • contributions are automatically covered by the social security authority for periods in which the employee did not work at all or at reduced working hours • implications for unemployment benefits: none; contributions covered as above
Dismissal protection:	• during receipt of benefits: none • after receipt of benefits: none

Italy

(contd)

Training:	• training and income/social security support: if a worker refuses training during CIGO/CIGS/CS the wage supplement is suspended (during crisis employer has to top up to full wage when training on the job) • coverage of training costs: financed by government and regional funds (co-funded by ESF)
Social partner involvement:	• agreement with the trade union as a precondition for application for public support
Special features of the instrument:	• bonus-malus system regarding funding: enterprises using the CIGS have to pay an additional contribution equal to 5% of the wage supplement given to the employees (3% for the enterprises with up to 50 employees). This additional contribution is doubled from the 25th month of wage supplement.

Name of the instrument:	• in national language: contratti di solidarietà, CS • in English: solidarity contracts
Status:	• adapted to the recession
Eligible events:	• restructuring • reorganisation • change of activity • crisis of the enterprise • bankruptcy
Eligible employers:	• industrial companies, construction, building supply companies, craft companies, restaurant and catering companies as well as service companies and cooperatives with more than 15 employees • trade companies with more than 200 employees • publishing companies
Eligible employees:	• all employees (including fixed-term contracts) who have been employed by the firm for at least 90 days except senior executives, temporary agency workers, home workers and apprentices • part-time workers are only eligible if part-time work existed in the firm before applying for the benefit
Possible working time reduction:	• up to 60%
Public income support for non-worked hours:	• 60% of the foregone pay (80% during the crisis)[27] • up to 48 months (24+24) and up to 60 months in southern Italy (24+36).

[27] During the crisis, enterprises not having access to CIG can use CS for their employees (except senior executives) whereby income support amounts to 25% of the foregone pay for up to 24 months.

Italy

(contd)

Social security contributions:	• employers benefit from a reduction in social security contributions for the affected workers by 25% (if the working time is reduced by more than 20%) or 35% (if the working time is reduced by more than 30%) • contributions are automatically covered by the social security authority for periods in which the employee did not work at all or at reduced working hours • implications for unemployment benefits: none; contributions covered as above
Dismissal protection:	• during receipt of benefits: none • after receipt of benefits: none
Training:	• training and income/social security support: if a worker refuses training during CIGO/CIGS/CS the wage supplement is suspended (during crisis employer has to top up to full wage when training on the job) • coverage of training costs: financed by government and regional funds (co-funded by European Social Fund)
Social partner involvement:	• agreement with the trade union as a precondition to implement solidarity contracts
Special features of the instrument:	• mostly funded by employers' contributions and for a small part through employees' contributions

Italy

Name of the instrument:	• in national language: Cassa Integrazione Guadagni in Deroga • in English: wage guarantee fund in derogation
Status:	• activated in the recession
Eligible events:	• current crisis
Eligible employers:	• companies not having access to CIG • companies having exhausted their entitlements from CIG
Eligible employees:	• all employees, including temporary agency workers, home workers and apprentices, employed by at least 90 days in eligible enterprises
Possible working time reduction:	• up to 100%
Public income support for non-worked hours:	• 80% of the foregone pay • up to a monthly ceiling established annually by the Italian Statistics Institute (ISTAT) based on the Consumer Price Index (CPI); for 2010, this ceiling is equal to €892.96 per month, and it is increased to €1,073.25, for those workers whose monthly salary is above €1,931.86 • duration is regulated by regional agreements
Social security contributions:	• calculation basis for employers' contributions/benefits: reduced working hours • contributions are automatically covered by the INPS for periods in which the employee did not work at all or at reduced working hours • implications for unemployment benefits: none; contributions covered as above
Dismissal protection:	• during receipt of benefits: none • after receipt of benefits: none
Training:	• training and income/social security support: if a worker refuses training during CIGO/CIGS/CS the wage supplement is suspended (during crisis employer has to top up to full wage when training on the job) • coverage of training costs: financed by government and regional funds (co-funded by European Social Fund)
Social partner involvement:	• agreement with the trade union as a precondition for application for public support

Luxembourg

Name of the instrument:	• in national language: Indemnisation du chômage partiel • in English: partial unemployment compensation
Status:	• adapted to the recession
Eligible events:	• economic reasons • economic dependency • structural reasons • force majeure • if all internal alternatives have been used
Eligible employers:	• all employers located in Luxembourg
Eligible employees:	• all workers working in Luxembourg (including part-time workers and workers in fixed-term contracts) except apprentices and temporary agency workers
Possible working time reduction:	• up to 50% per month
Public income support for non-worked hours:	• for the non-worked hours, the salary may be reduced to 80% of the normal salary; the employer has to cover the salary for the first 16 non-worked hours per month (eight hours in the case of part-time employees) and is reimbursed for the remaining 80% of non-worked hours by the government, up to an hourly rate of 250% of the social minimum income of an unskilled worker aged 18 or more (during the crisis reimbursement is provided from the first hour onwards) • up to six months over a period of 12 months (up to 130 days per year during the crisis) for economic reasons; individually fixed for the other types
Social security contributions:	• calculation basis for contributions/benefits: reduced wage • coverage by: employer (during the crisis under certain conditions by the government) • implications for unemployment benefits: unemployment benefits are calculated on the basis of the full-time wage before partial unemployment
Dismissal protection:	• during receipt of benefits: all workers of the company • after receipt of benefits: the employer must maintain the posts of the affected employees after the partial unemployment period for the same length of time of the partial unemployment period

Luxembourg

(contd)

Training:	• training and income/social security support: Income support raised to 90% for hours during which training is done (or for all non-worked hours if more than 16 hours of training are provided during partial unemployment) • coverage of training costs: up to 50% of training costs are supported
Social partner involvement:	• the employer must inform the employee committee, the joint works committee and, where applicable, the union; during the crisis a *plan de maintien dans l'emploi* has to be agreed upon with worker representatives
Special features of the instrument:	• support for temporary layoff due to economic reasons is made available upon governmental decision for whole industries, whereby highly competitive sectors will not be considered • support can also be provided for employees affected by structural change

Netherlands

Name of the instrument:	• in national language: Deeltijd WW • in English: part-time unemployment benefit
Status:	• newly introduced during the recession (to replace another already existing scheme)
Eligible events:	• current crisis
Eligible employers:	• all
Eligible employees:	• workers (including part-time workers, excluding fixed-term contracts and temporary agency workers) who have worked for at least 26 of the 36 weeks before starting Deeltijd WW
Possible working time reduction:	• 20%–50%
Public income support for non-worked hours:	• 75% of the foregone pay for the first two months and subsequently 70% • up to €185.46 per working day • for a minimum of 26 weeks, up to 65 weeks (depending on the number of employees involved)
Social security contributions:	• coverage by: employer and employee; for workers aged 40 years and upwards, social security contributions during unemployment are publicly covered after six months on Deltijd • implications for unemployment benefits: receiving support from Deeltijd WW uses up entitlement to unemployment benefits on a pro rata basis.
Dismissal protection:	• requirement to pay back half of the support if workers are dismissed while on or shortly after Deeltijd WW
Training:	• training and income/social security support: provision of training improving workers' fitness for work is a precondition for receiving public support • coverage of training costs: none
Social partner involvement:	• crisis measure introduced after agreement in a tripartite summit meeting • agreement with the trade union/works council as a requirement for public support
Special features of the instrument:	• minimum duration of short-time working established • maximum support duration depends on the number of employees involved • obligation to pay back the subsidy received if workers are made redundant during or shortly after receiving the benefit

Poland

Name of the instrument:	• in national language: Świadczenia z tytułu skróconego wymiaru czasu pracy • in English: employment subsidy for shorter working time
Status:	• newly introduced during the recession
Eligible events:	• current crisis
Eligible employers:	• private sector employers (with the exemption of the primary sector) • in temporary financial difficulties (decline of turnover of at least 25% in three consecutive months after 1 July 2008 compared to the same three months of the period 1 July 2007–30 June 2008) • who do not fall behind in the payment of taxes and social security contributions, have not received public support for employing unemployed within the last 12 months and have not declared bankruptcy
Eligible employees:	• all employees (incl. fixed-term and part-time workers), but excluding temporary agency workers
Possible working time reduction:	• up to 50%
Public income support for non-worked hours:	• up to 70% of unemployment benefits per month and employee • for up to 6 months
Social security contributions:	• calculation basis for contributions/benefits: public subsidy • coverage by: government (employers' contribution) and employees • implications for unemployment benefits: short-time working periods are considered as normal working time regarding the qualification period for unemployment benefits and do not have any impact on eligibility, amount and period when unemployment benefits are received
Dismissal protection:	• during receipt of benefits: affected workers • after receipt of benefits: affected workers for six months
Training:	• training and income/social security support: entitlement to income support is precondition for training support • coverage of training costs: up to 80% of training costs for a duration of six months (12 months in case of post-graduate training), but no more than 300% of the national average wage per person • requirement to establish a company training fund

Poland

(contd)

Social partner involvement:	• agreement with workers' representatives • establishment, operation and training fund liquidation is governed by collective bargaining agreement • the Tripartite Commission for Socio-Economic Issues formed a monitoring team examining on ongoing basis concerns and questions about the anti-crisis act
Special features of the instrument:	• in the event of dismissal of an employee who received public assistance during the participation in the scheme and six months after, all of the aid granted to all employees has to be refunded

Name of the instrument:	• in national language: Świadczenia z tytułu przestoju ekonomicznego • in English: employment subsidy for temporary stop of operations
Status:	• newly introduced in the recession
Eligible events:	• current crisis
Eligible employers:	• private sector employers (with the exemption of the primary sector) • in temporary financial difficulties (decline of turnover of at least 25% in three consecutive months after 1 July 2008 compared to the same three months of the period 1 July 2007–30 June 2008) • who do not fall behind in the payment of taxes and social security contributions, have not received public support for employing unemployed within the last 12 months and have not declared bankruptcy
Eligible employees:	• all employees (incl. fixed-term and part-time workers), but excluding temporary agency workers
Possible working time reduction:	• 100%
Public income support for non-worked hours:	• 100% of unemployment benefit per month and employee • for up to six months during a 12 months period
Social security contributions:	• calculation basis for contributions/benefits: public subsidy • coverage by: government (employers' contribution) and employees • implications for unemployment benefits: short-time working/temporary stop of operations periods are considered as normal working time regarding the qualification period for unemployment benefits and do not have any impact on eligibility, amount and period when unemployment benefits are received

Poland

(contd)

Dismissal protection:	• during receipt of benefits: affected workers • after receipt of benefits: affected workers for six months
Training:	• training and income/social security support: entitlement to income support is precondition for training support • coverage of training costs: up to 80% of training costs for a duration of six months (12 months in case of post-graduate training), but no more than 300% of the average wage per person • requirement to establish a company training fund
Social partner involvement:	• agreement with workers' representatives • establishment, operation and training fund liquidation is governed by collective bargaining agreement • the Tripartite Commission for Socio-Economic Issues formed a monitoring team examining on ongoing basis concerns and questions to the anti-crisis act
Special features of the instrument:	• in the event of dismissal of an employee who received public assistance during the participation in the scheme and six months after, all of the aid granted to all employees has to be refunded

Slovenia

Name of the instrument:	• in national language: Delno subvencioniranje polnega delovnega casa • in English: partial subsidies of full-time work
Status:	• newly introduced during the recession
Eligible events:	• current crisis
Eligible employers:	• private companies as well as cooperatives (except in agriculture) experiencing a drop of demand for products or services by up to 20%
Eligible employees:	• all full-time workers, except management and temporary agency workers
Possible working time reduction:	• four to eight hours a week (10%–20% of working time)
Public income support for non-worked hours:	• up to €120 per employee and month • for up to 18 months
Social security contributions:	• calculation basis for contributions/benefits: reduced wage • coverage by: employer and employee • payment of social security contributions by employer is a precondition for receiving public support • implications for unemployment benefits: periods of short-time working/temporary unemployment are considered as normal working time when calculating the qualifying period for unemployment benefits; unemployment benefits are calculated on the basis of the reduced wage
Dismissal protection:	• during receipt of benefits: all workers • after receipt of benefits: none
Training:	• no link between short-time working and training
Social partner involvement:	• consultation with works council • agreement with works council results regarding longer working time reduction results in higher public subsidy
Special features of the instrument:	• employer is not legally obliged to pass the subsidy on to the employees • during receipt of the subsidy no bonuses can be granted to the management and no overtime work is allowed

Slovenia

Name of the instrument:	• in national language: Delno povracilo nadomestila place za delavce n/a zacasnem cakanju n/a delo • in English: partial reimbursement of payment compensation
Status:	• newly introduced during the recession
Eligible events:	• current crisis
Eligible employers:	• private companies as well as cooperatives (except in agriculture) fulfilling specific sustainability criteria
Eligible employees:	• all (but only up to 50% of a firms' workforce), except management and temporary agency workers
Possible working time reduction:	• 100%
Public income support for non-worked hours:	• 50% of the average monthly full-time wage received during the last three months up to the maximum unemployment benefit, corresponding to about €1,000 per month • for up to 12 months per company and six months per worker
Social security contributions:	• calculation basis for contributions/benefits: normal wage • coverage by: employer and employee • payment of social security contributions by employer is a precondition for receiving public support • implications for unemployment benefits: periods of short-time working/temporary unemployment are considered as normal working time when calculating the qualifying period for unemployment benefits; unemployment benefits are calculated on the basis of the full-time wage before temporary unemployment
Dismissal protection:	• during receipt of benefits: all workers • after receipt of benefits: none
Training:	• training and income/social security support: workers on temporary layoff have to participate in training for at least 20% of the non-worked time to receive income support • coverage of training costs: the government co-finances training costs (together with European Social Fund which contributes up to €500 per worker)
Social partner involvement:	• consultation with works council
Special features of the instrument:	• during receipt of the subsidy no bonuses can be granted to the management and no overtime work as well as additional hiring is allowed • employer is legally obliged to top up the public wage compensation for non-worked hours

Wales (UK)

Name of the instrument:	• ProAct
Status:	• newly introduced in the recession
Eligible events:	• current crisis
Eligible employers:	• private and third sector companies that have been economically viable before the crisis and having good commercial prospects
Eligible employees:	• all employees (including part-time and temporary staff)
Possible working time reduction:	• at least 20% for about 40 days over a 12 months period
Public income support for non-worked hours:	• up to GBP 2,000 (about €2,300), at a rate of GBP 50 a day per employee • limited to €200,000 over a three year period per company (de minimis rule, extended to €500,000 for the period 1 January 2008 to 31 December 2010)
Social security contributions:	• calculation basis for contributions/benefits: reduced wage • coverage by: employers and employees
Dismissal protection:	• during receipt of benefits: dismissals during short-time working requires the employer to repay the received wage subsidy • after receipt of benefits: none
Training:	• training and income/social security support: participation in accredited (company internal or external) training programmes is precondition for receiving wage subsidy • coverage of training costs: companies' training costs are subsidised by up to GBP 2,000 (about €2,300) per employee or GPB 200,000 per company
Social partner involvement:	• development of the scheme with strong social partner consultation
Special features of the instrument:	• regional programme

European Foundation for the Improvement of Living and Working Conditions

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In the face of recession, falling demand and consequent slowing production, short-time working and temporary layoff schemes have been extended (or introduced) in many Member States. These schemes, often with the aid of public funds, reduce working time, while protecting workers' incomes and company solvency; frequently, the time spent not working is used for training instead. This report examines the practice of reduced working time across Europe, and looks in detail at how it is implemented in 10 Member States, with a view to determining the contribution that such schemes can make in implementing the common principles of flexicurity, especially in light of the broad-based consensus they enjoy among the social partners.

The European Foundation for the Improvement of Living and Working Conditions (Eurofound) is a tripartite EU body, whose role is to provide key actors in social policymaking with findings, knowledge and advice drawn from comparative research. The Foundation was established in 1975 by Council Regulation EEC No 1365/75 of 26 May 1975.

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