



Eurofound

Austria: Short-time working subsidy

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Background and objectives of the report

The global economic crisis hit Europe in mid 2008 and also had a considerable impact on the region's labour markets. Although almost all Member States have seen a decrease in gross domestic product (GDP) in the wake of the crisis, measures to protect labour markets from the effects of this have had varying success.

The reduction of working time has played a major role in lessening the impact of lowered production output on employment levels, and this project aims to investigate short-time working and temporary layoff schemes which have been used as a means of avoiding redundancies by many Member States during the recession.

To do this, the European Foundation for the Improvement of Living and Working Conditions (Eurofound) conducted an in-depth analysis of public short-time working and temporary layoff support schemes available in nine Member States (Austria, **Belgium, France, Germany, Italy, Luxembourg, the Netherlands, Poland** and **Slovenia**) during the recent economic crisis, supplemented by an analysis of **ProAct**, a regional support scheme in Wales (Eurofound, 2010b). An emphasis was placed on those Member States offering public income support instruments for two types of reduced working time: those linked to a social security element, such as publicly supported social security contributions or dismissal protection during or after a period of short-time working or a temporary layoff; and those linked to a training element, such as a requirement to undertake training during non-worked hours in order to receive income support, or to receive an enhanced level of public financial support. The analysis encompassed a wide geographical mix and covered both short-time working and temporary layoff schemes.

This is one of the individual country reports describing its national public support scheme. It is based on a literature and document review, as well as on qualitative semi-standardised interviews with national stakeholders conducted in the spring and summer of 2010. The main objective is to provide as detailed a description as possible of the characteristics and working methods of the scheme, and to assess its short-term effectiveness.

A comparative analysis of the individual schemes forms the thematic part of the ERM Annual 2010 – **Extending flexicity – The potential of short-time working schemes**. This is supplemented by a secondary analysis of European data on short-time working and temporary layoff schemes, and an assessment of the relationship between short-time working and flexicity.

General information on the scheme

Short-time working in Austria refers to the temporary reduction of working hours based on a social partner agreement. The model would not be very attractive for workers without any compensation for the loss of income caused by the lower number of working hours, so they receive short-time working support (*Kurzarbeitsunterstützung*) from their employer for the non-worked hours to partly compensate their normal wage level. The employer receives a short-time working subsidy (*Kurzarbeitsbeihilfe*) for this from the Public Employment Service (AMS) (BMASK, 2010).

The subsidy has a longstanding tradition in Austria and was initially based on the unemployment insurance law (*Arbeitslosenversicherungsgesetz*). Since the late 1960s it has been administered by the AMS in the context of its services for employers (*Unternehmensförderung*), focusing on supporting enterprises in their search for workers and fostering the adaptability of workers. This means that the Austrian short-time working subsidy amounts to a public aid, implying that employers and employees do not automatically have a legal entitlement to receive it but have to undergo an application and evaluation process.

The aim of the instrument is to maintain jobs and avoid unemployment during temporary economic difficulties while also ensuring that companies will have workers at their disposal to continue their production after the crisis (AMS, 2009a, 2009b). The objective of the recently introduced qualification measures during short-time working is to effectively use non-worked hours for education and training measures that are useful for the worker in the labour market as well as for the company. This should lead to higher adaptability for the companies and to increased employability for the affected workers.

Since the mid 1990s, the Federal Ministry of Labour, Social Affairs and Consumer Protection (BMASK) has been responsible for designing the legal basis of short-time working and for its administration, which is done by the AMS. In 2009, the employment promotion law (*Beschäftigungsförderungsgesetz*) anchored the regulation of the short-time working subsidy in the public employment service law (*Arbeitsmarktservicegesetz*, AMSG, paragraphs 37b and 37c). Since then, the AMS has been responsible for drafting directives – *Bundesrichtlinie für Beihilfen bei Kurzarbeit und Kurzarbeit mit Qualifizierung* (KUA) and *Bundesrichtlinie für Qualifizierungsförderung für Beschäftigte und Beschäftigte in Kurzarbeit* (QfB und QfB-KUA) – and for determining the eligibility criteria for the subsidy, particularly the minimum and maximum duration and preconditions for extending it, minimum and maximum share of non-worked hours, eligible workers, the amount of the subsidy and employment obligations. BMASK still has a monitoring role. This recent restructuring of the system was not caused by the economic crisis but had already been planned and just coincided with that date.

The Austrian regulation recognises two different forms of short-time working:

- short-time working caused by economic difficulties, that is for companies with a drop in production/supplies or sales/demand;
- short-time working caused by natural catastrophes, such as avalanches or floods, but also other disasters (such as the aftermath of the 9/11 terrorist attacks in the United States (US)).

Both forms of short-time working aim to tackle temporary problems in the company requiring a reduced number of working hours. There is no short-time working support for seasonal or structural difficulties. Other public support instruments are available for these (like the bad weather compensation law in the construction sector) that are strictly separated from short-time working support.

Although public short-time working subsidies have existed in Austria for decades, the instrument was not extensively used in the past. Only individual companies took advantage of the support in the event of unforeseeable economic drawbacks. On average, short-time working subsidies were provided for fewer than 1,000 workers a year before the current crisis (out of a total Austrian workforce of more than three million), resulting in a situation in which companies and employees had little experience with the instrument.

Nevertheless, in light of the recent economic crisis, all the relevant stakeholders (BMASK, AMS, employer and employee organisations) realised that short-time working could be a useful instrument to support employers and employees in this difficult situation and to avoid immediate dismissals. The stakeholders were aware that many Austrian companies – including strong, sustainable firms with good, competitive products affected by the downturn in the export industry – will have to reduce production levels due to the crisis. They were also alert to the fact that short-time working support has proven to be a suitable instrument to support companies that temporarily experience economic difficulties (BMASK, 2010; AMS, 2009a, 2009b).

At the same time, the parties assumed that the existing regulation was not sufficient to cope with the crisis and its effects, as it could be seen early on that the recession would last longer and affect the entire economy. Furthermore, they soon observed that the German short-time working support – from which several companies that have establishments in both Austria and Germany have already benefited – was more favourable for employers than the Austrian subsidy, and discussions with German institutions were initiated to learn more about the characteristics of their instrument.

Consequently, in the framework of the labour market stimulation packages (*Arbeitsmarktpakete*), the existing short-time working support has been adapted to better suit the current needs during the recession (BMASK, 2009a). The amendments enacted in February and July 2009 were based on the results of the discussions of a taskforce consisting of representatives of BMASK and the Federal Ministry of Economy, Family and Youth (BWFJ), the heads of the social partners and company managers. Furthermore, a joint draft was elaborated by the Austrian Trade Union Federation (ÖGB) and the Austrian Federal Economic Chamber (WKÖ). While budgetary adaptations could be quickly realised to equip the AMS with additional financial means in preparation for the anticipated higher demand for short-time working subsidies, negotiations regarding content-oriented changes were difficult, as employer and employee representatives had strongly differing interests on substantial issues. Nevertheless, in the end, the joint objective of guaranteeing sustainable businesses and jobs fostered the identification of commonalities rather than differences and the willingness for mutual concessions. Thus, an agreement that was acceptable for both sides could be reached.

Short-time working subsidies are paid from unemployment insurance funds, which are covered by employer and employee contributions. Parts of the recently introduced coverage of training costs while short-time working are funded by the European Social Funds (ESF).

Characteristics of the scheme

Eligibility for income support

In general, all employers are eligible for short-time working support. However, there are some exemptions (AMS, 2009a, 2009b):

- the public sector;
- political parties;
- temporary work agencies (unless they can prove that workers sent to specific companies cannot be redeployed in other companies and that the company in which the workers have been employed registered its core staff for short-time working with the AMS).

Similarly, all employees (including part-time workers and workers on fixed-term contracts) experiencing an income loss due to reduced working hours are eligible. Exemptions are:

- apprentices, as their time in the company is considered as training time that must not be reduced; this also has to be considered if apprentices' trainers in the company are involved in short-time working;
- employees working such a low number of hours that they are not obliged to make social security contributions (*geringfügig Beschäftigte*);
- the executive board of a company.

Temporary agency workers are eligible if they are affected by short-time working in the company they are currently working for and if a short-time working agreement has been signed with the temporary work agency.

Preconditions for receiving short-time working support are outlined below (BMASK, 2010; AMSG, paragraph 37b; AMS, 2009a, 2009b, 2009c).

- The necessity for a reduced number of working hours must be due to economic difficulties or natural disasters. The difficulties must be temporary and cannot be seasonal. They must be beyond the company's control and caused by a drop in orders or supplies. The company has to prove that the difficulties are beyond its control and prove that they will end in due course.
- The company has to have used all other internal company alternatives, such as working time accounts/reduction of accumulated overtime, holiday entitlements from previous years (for holiday entitlements for the current year, it is considered to what extent compulsory leave is socially feasible – for example, taking caring obligations into account) or other alternative working time models.
- The company has to inform the regional AMS in time (six weeks before the planned start of short-time working or four weeks before the planned extension) about the employment effects of the temporary economic difficulties. It also has to undergo a consultation to investigate whether or not the application of short-time working is justified, whether other internal company solutions (such as using overtime, working time accounts or holiday entitlements) have been considered and whether other public support instruments could be used instead of applying short-time working. The company's works council and the industry's employer and employee organisations need to be involved with the AMS in this consultation.
- Unless short-time working is undertaken due to natural disasters, there needs to be a social partner agreement by the industry's employer and employee representatives (irrespective of whether a works council exists in the company). This collective agreement has to define the scope, duration and extent of short-time working, the amount of the short-time working support, the number of affected workers and the period during which no dismissals during/after short-time working are possible. In case of qualification during short-time working (see below), details of the qualification measures have to be given. A standard for this social partner agreement has been elaborated by ÖGB and WKÖ. It is applicable for all sectors and types of enterprises and in practice is generally applied as it is; individual adaptations are made in only a few cases.
- The employer has to agree to pay short-time working support to the affected employees for the non-worked hours amounting to at least the level of unemployment benefits.
- Since 2009, the non-worked hours must correspond to 10% to 90% of the collectively agreed/legally provided working time on average (or normal working time in the case of part-time workers). The reduction of working time may vary for different groups of employees. The non-worked hours may be organised regularly (for example, one day a week) or as a block period.

The company's application for short-time working (which can also be done electronically) has to be submitted to the regional AMS at least three weeks before the planned starting date of short-time working. Among other details, it has to contain the total number of employees, the duration during which short-time working is required, the number of affected employees and a justification of why short-time working is necessary. The application has to be signed by the industry's trade union and either the works council or all short-time workers individually (if no works council exists in the company).

Duration of income support

If the application is positively evaluated, a public short-time working subsidy is granted. Initially, the income support is provided for three months, with the option of extending it for another three months (or longer in exceptional cases) if necessary. For short-time working caused by (natural) disasters, no limitation regarding the duration is foreseen by law.

In 2009, the eligibility period was extended to six months, which can be extended twice for a further six months, therefore for a total of 18 months. In case of extraordinary circumstances, a longer total support period is possible (AMS, 2009a, 2009b). During the crisis, the total support period has been increased to 24 months – but not beyond 31 December 2012 (BMASK, 2009a, 2010). This means that if a company wants to take full advantage of the 24-month period of receiving the short-time working subsidy, it has to start short-time working by 1 January 2011 at the latest.

Extent of income support

The short-time working subsidy amounts to the level of unemployment benefits (including social security contributions) for the non-worked hours (about 55% of the net wage), whereby lump sums for non-worked hours are determined. This lump sum is based on the normal (legal or collectively agreed) working time, the worker's monthly gross wage (including pro rata holiday and Christmas remuneration) and the number of children the worker has to care for. Furthermore, a short-time working subsidy is only provided for a monthly gross wage of up to €3,727.78 (that is, higher wage earners will only receive a subsidy for this part of their wage).

The short-time working subsidy is paid for the actual number of non-worked hours as long as this corresponds to 10% to 90% of the normal working time. The justification for this is that in cases in which working time reduction amounts to less than 10% of standard working time, this should be dealt with in the framework of the normal possibilities of flexible work organisation without any public support. If working time is reduced by more than 90%, this is considered as 'non-work' rather than 'short-time work', which is not subsidised by the measure under consideration.

The changed regulation operational during the crisis allows for overtime during short-time working, but this reduces the individual worker's number of non-worked hours and hence the short-time working subsidy. No subsidy is paid for sickness leave or annual holidays, as the employer is legally obliged to pay for these.

In addition to the legal regulation of the extent of the short-time working subsidy, it has to be mentioned that the social partner agreement and the short-time working agreement at company level foresee higher income support for non-worked hours payable by the employer, and that holiday or Christmas remuneration is based on the normal wage level in spite of the reduced working time (ÖGB, 2009). Consequently, in practice, workers receive between 80% and 90% of their normal net wage, irrespective of the level of working time reduction. It might therefore happen that the hourly net wage of the worker is almost doubled during short-time working (that is, if he or she works for 50% or less of the standard working time but receives 90% of the normal wage). In these cases (as in cases of short-time workers earning higher wages than the abovementioned thresholds), the higher support will not be matched by a higher public subsidy, so it has to be fully financed by the employer (AMS, 2009c), as do the administration costs related to short-time working. Consequently, the higher the number of non-worked hours, the more expensive short-time working becomes for the employer. If the non-worked hours amount to up to about 30% of normal working time, the additional (that is, not publicly reimbursed) costs for the company are not very significant.

The employer has to pay the employees the total of their normal wage for the hours actually worked and the short-time working support for the non-worked hours. On a monthly basis, the employer has to report to the AMS the number of non-worked hours per short-time worker, the amounts of short-time working support paid to these workers and that no short-time workers have been dismissed (AMS, 2009a, 2009b). This report has to be signed by the works council, the industry's trade union or the affected short-time workers. The AMS checks a sample of the reports corresponding to 5%

of short-time workers based on wage accounts and working time records. If approved, reimbursement is supposed to take place within one month, but it is more common that it is realised within two months.

The income support during short-time working is considered as normal income and therefore taxed like the wage (AMSG, paragraph 37b; AMS, 2009a and 2009b).

Security aspects of the scheme

The social security contributions (and benefits) during short-time working are based on the previous full-time wage before starting short-time working (AMSG, paragraph 37b; AMS, 2009a, 2009b). In general, it is agreed in the social partner agreement and the short-time working agreement at company level that the worker's contribution to social security for the non-worked hours will be covered by the employer.

Since in practice this results in a financial burden for employers and employees, the labour market stimulation package that came into force in July 2009 foresees that during the crisis the AMS will reimburse employers' contribution to social security (unemployment insurance, pension insurance, accident insurance) from the seventh month of short-time working onwards (AMSG, paragraph 37b; BMASK, 2009a). This should help to avoid competitive disadvantages compared to Austria's main trade partner, Germany, where the prevalent short-time working scheme also foresees public reimbursement of social security contributions under certain conditions.

The decision to reimburse social security contributions from the seventh month onwards and not from the beginning of short-time working was based on two considerations. On the one hand, the public authorities did not want to make the instrument too attractive for employers to avoid deadweight loss. On the other hand, the aim was to avoid a scenario whereby a substantial number of companies stop short-time working after six months (and then dismiss workers instead) during the ongoing crisis due to cost reasons.

The basis of the calculation for reimbursement (which does not include employees' contributions, even if covered by the employer) is the monthly gross wage before short-time working minus the actual income for the realised working hours. All short-time working agreements that started between 1 July 2009 and 31 December 2010 are eligible for this support.

The social partner agreements and short-time agreements at company level stipulate that the employment level (that is, the total number of blue-collar and white-collar workers as well as apprentices) of the establishment (understood as a technical and organisational unit) must not be reduced during short-time working and for a specified period afterwards (AMS, 2009a, 2009b). The affected short-time workers themselves must not be dismissed for two (in case short-time working was carried out for one month) to four months (in case short-time working continued for more than 12 months) after short-time working. Before the amended regulation came into force, the dismissal protection after short-time working referred to all staff, not only the short-time workers, and the envisaged duration corresponded to the duration of the short-time working period.

If a company cannot abide by this obligation not to dismiss workers, it can apply for an exceptional authorisation from the AMS, whereby it has to justify why the maintenance of the current employment level would considerably endanger the company's survival. Dismissals that have been announced before starting the short-time working period (even if they become operational only afterwards), justified dismissals, resignations and the expiration of fixed-term employment contracts are possible without influencing the short-time working subsidy. Dismissal of a worker due to personal reasons is also possible, but the employer then has to hire another worker to maintain the total number of employees.

Periods of short-time working are considered as normal/full-time working hours regarding qualification periods for unemployment benefits. Furthermore, if unemployment is realised immediately after short-time working (which rarely

occurred during the recent crisis), the basis of the calculation for unemployment benefits is the previous full-time wage (rather than the reduced income during short-time working).

The social partner agreements and short-time agreements at company level also stipulate that for the two years following short-time working, the share of temporary agency workers in the company is limited to 5% to 10% of the total working time in the firm. This is done to avoid a situation where companies in recovery use temporary rather than core staff.

Training element of the scheme

Since April 2009, qualification measures during short-time working have been publicly supported. The non-worked hours that are used for education/training purposes are paid for by the qualification subsidy (instead of the short-time working subsidy) and the cost of training courses is covered by a qualification support. The aim of this measure is to sustainably increase workers' employability (BMASK, 2010).

Preconditions for public support of education and training measures during short-time working are as follows (AMS, 2009a, 2009b).

- The abovementioned eligibility criteria for short-time working have to be fulfilled.
- The employer has to draft a qualification concept specifying how many of the short-time workers will participate in training and whether the training measures will take place within the company or with external training providers.
- The qualification measures need to be general – that is not only related to the current or future occupation of the affected worker in the current company. For instance, conferences and seminars that are only informative, product and work process induction training, as well as hobby courses will not be supported. Furthermore, the education/training courses have to comply with approved quality standards, meaning that they must be offered by appropriate trainers or training providers.
- The qualification measure has to have a duration of at least 16 hours.
- The qualification measures have to take place during the non-worked hours – in other words, during hours that normally would be working time (not spare time) if no short-time working was applied.
- The social partner agreement has to ensure that the employer pays a qualification support to the worker for the duration of the qualification measure. This support has to be 15% higher than the short-time working support.

The training can be conducted by internal company training centres (organisational units without a profit orientation that are separated from the production process) or by external training providers. It is up to the employer to decide which training provider to contract, but suitability and qualification have to be verified.

The employer receives a qualification subsidy to partly reimburse the additional costs for the qualification support and contributions to social security. This qualification subsidy amounts to 115% of the level of unemployment benefits (including social security contributions). After the seventh month, employers' contributions to social security are also covered, but only until 31 December 2012 (AMSG, paragraph 37c).

Furthermore, 60% of the training costs invoiced by external training providers can be subsidised – up to €10,000 per participant (the remaining 40% must be covered by the employer). This is financed by funds from the AMS and the ESF (50% each). This support or qualification for employed persons (*Qualifizierung für Beschäftigte*, QfB) has been in existence for years but has been extended to short-time workers because of the recent crisis.

For the federal state of Burgenland, qualification during short-time working can also be supported to a higher extent by ESF (AMS, 2010). The support amounts to 75% of the training costs; the remaining 25% has to be covered by the employer.

Monitoring of the scheme

To safeguard ongoing quality assurance, the regional AMS has to report to the central AMS, which is obliged to compile these reports within six weeks and submit the material to the board of directors (AMS, 2009a, 2009b). The board decides on further procedures (prioritised suggestions in case amendments are required).

Currently, there are no evaluations of the short-time working subsidies, but it is planned to undertake these for the renewed scheme that came into force in 2009.

Transparency of the scheme

To inform the general public about the instrument and its recent changes, BMASK has conducted publicity activities, such as the dissemination of press releases, throughout the crisis.

The AMS provides substantial information on its website targeted at employers and employees as well as practical material such as guidelines for drafting the monthly reports the employer has to submit to the AMS and a calculation tool for the short-time working support/subsidy.

The Chamber of Labour (AK) as well as WKÖ and the Federation of Austrian Industries (IV) offer specific information sections dealing with short-time working on their websites, hold information events and disseminate information via newsletters. In addition to general information dealing with eligibility criteria, duration and extent of short-time working subsidies or the procedures to undergo when applying for the subsidy, they also provide practical tools for their target group, such as guidelines for employers and employees or examples of agreements for short-time working. Furthermore, the interest groups also provide advice and consulting services for their members (workers, works councils, companies) if they approach them with specific or individual questions or concerns.

For the past two years, the issue of short-time working has also been extensively covered by the media. Literally thousands of newspaper articles provide information about the new/changed regulation, the positions of social partners, individual companies starting or ceasing short-time working, as well as the effects of short-time working. The provision and dissemination of information about short-time working was assumed to be highly relevant by the stakeholders. This is because, in spite of the longstanding existence of public short-time working subsidies, they were hardly used in the past, hence employers and employees lacked experience and knowledge about this relatively complex instrument.

Impact of the scheme

In October 2008, the first applications for short-time working as a result of the recent economic crisis were registered with the AMS. In the following months, a considerable increase in the number of applications was observed. The peak was reached in April 2009, when almost 57,000 workers were registered for short-time working. Since May 2009, a decrease in the number of applications has been noted. This decrease was slow in the beginning but gained momentum. By the end of 2009, about 35,000 employees were still registered. On average, 42,870 short-time workers (out of 3.2 million dependent employees) were registered with the AMS in 2009 and about 26,000 actually received public support.

This shows that not all the registered workers were actually working fewer hours, but rather that only between half and two thirds of the planned and authorised short-time work was realised. This implies that companies also use the instrument as a kind of safety net. They apply for public support and register as many workers/non-worked hours as

possible for a worst case scenario, but in the end do not use the maximum if it can be avoided. From the viewpoint of the public authorities, this does not pose a problem, as only the non-worked hours actually realised are subsidised, not the number initially registered.

In 2009, 66,965 employees actually undertook short-time working, which peaked in April 2009 when 37,652 workers in more than 300 companies received short-time working subsidies. On average, about 26,000 workers were on short-time working in 2009. Of these, 19% were women, 10% were below the age of 25 years and 19% were aged 50 or more. The average reduction of working hours amounted to about 26% in 2009.

Table 1: *Planned and realised/billed short-time workers in Austria, October 2008 to December 2009*

Month	Planned	Realised/billed	Realised/billed as a share of planned
October 2008	739	382	52%
November 2008	5,705	3,267	57%
December 2008	8,957	6,368	71%
January 2009	22,411	11,367	51%
February 2009	29,292	15,809	54%
March 2009	47,158	22,046	47%
April 2009	56,728	37,652	66%
May 2009	56,626	33,920	60%
June 2009	51,671	37,309	72%
July 2009	53,911	34,107	63%
August 2009	53,181	35,900	68%
September 2009	38,937	27,233	70%
October 2009	35,904	22,832	64%
November 2009	33,481	20,366	61%
December 2009	35,135	16,218	46%

Note: Data as of 15 March 2010. Figures for realised short-time working may change due to later billing.
Source: *BMASK*

Since mid 2009, the importance of short-time working has been decreasing again as companies experienced an economic recovery accompanied by an increased order level, particularly related to exports. For example, by May 2010, short-time working subsidies were granted for about 14,000 workers in almost 149 companies, and only four new applications covering fewer than 1,000 employees were registered for June 2010.

Short-time working was highly prevalent in the manufacturing sector, mainly in the automotive and machinery industry as well as in electronics. Furthermore, a regional concentration of short-time working in the federal states of Upper and Lower Austria as well as Styria (74%) could be observed (*BMASK*, 2010).

Since July 2009, social security contributions were publicly supported for about 21,000 short-time workers, of which 13% were women. About 8,000 short-time workers (12% female) participated in subsidised training measures during non-worked hours. About 2,900 of them also received training costs support, according to *BMASK*.

In 2009, €113.5 million was spent to finance short-time working (16% for female employees). Some 90.6% of this was spent on short-time working subsidies, 3.5% for qualification subsidies and 5.9% for covering social security contributions (according to BMASK, as of March 2010).

The economic crisis, short-time working and unemployment also affected overtime. In 2009, about 314 million hours of overtime were worked in Austria (Statistik Austria, 2010). This constitutes a decrease of more than 41 million hours, or almost 12% compared to 2008 and the lowest since 2004. Even bearing in mind that not all industries and jobs were equally affected by the recession, this reduction is significant.

Assessment and lessons learnt

Short-time working is considered to have had a stabilising effect on the Austrian labour market. This is because it (together with other labour market instruments applied in the recession) provided an incentive for employers to maintain employment relationships and thereby contributed to Austria's relatively low unemployment rate during the crisis compared to the majority of other EU Member States (BMASK, 2010; WKÖ, 2010). Consequently, it also contributed to a good level of economic confidence and the avoidance of panic, as workers experienced income stability and maintained their purchasing power and job security. This in turn avoided knock-on effects across the entire economy, namely along value chains, and thus had an important macroeconomic effect that cannot be estimated in figures.

The short-time working subsidy is a targeted public support instrument that can be applied in specific crisis situations that are caused by external factors. For its application during the recent crisis, it helped that the scheme already existed before the recession as one of the support instruments of the Austrian welfare state and was quickly adapted to the changed framework situations. The instrument was able to be amended so quickly because the AMS and the social partners already had a good knowledge of the procedures, effects, advantages and disadvantages of the instrument and because there was a long-standing tradition of social partnership with a well-established negotiation culture in Austria. Employer and employee organisations clearly outlined their individual (and partly controversial) positions in the beginning, but then moved on and aimed to find a joint solution that could be advantageous and sound for both companies and workers, rather than insisting on their own viewpoints, which would have hindered the fast improvement of the framework conditions.

There is also an indication that short-time working was done in companies in which works councils are active, as these advocated for the application of short-time working rather than other alternatives.

An example of the outcome of good social dialogue at company level with regard to short-time working is outlined in the Plansee company case study below.

Short-time working in the Plansee Group/Ceratizit

The Austrian Plansee Group is one of the market leaders in high-performance materials produced by powder metallurgy. When the economic crisis hit the group in the second half of 2008, the management, works council and chamber of commerce agreed on a social plan offering different options to the group's employees (such as the reduction and cancelling of overtime work, requesting workers to take outstanding leave, not renewing agency and temporary contracts, voluntary redundancy, early and partial retirement, vocational training leave, short-time working and the establishment of a labour foundation).

In Ceratizit, one of the group's divisions producing hard metals used in electricity transmission, vehicle manufacturing and other high-performance products, short-time working was applied between June 2009 and February 2010. During the first months, 400 to 500 workers (out of about 700 employees) took up short-time working. Short-time working was

initially planned to end in April 2010, but take-up significantly dropped from November 2010, reaching zero in March and April (see Table 2). This is attributed to a significant expansion in demand (even if it is currently unclear how sustainable this recovery will be).

Table 2: *Number of Ceratizit workers (Plansee Group) on short-time working arrangements between June 2009 and April 2010*

Month	Number of employees working reduced hours
June 2009	571
July 2009	460
August 2009	408
September 2009	386
October 2009	333
November 2009	216
December 2009	187
January 2010	89
February 2010	87
March 2010	0
April 2010	0

For the short-time workers, working time was cut by 15 hours a week for the duration of their participation in the measure. Based on an agreement between the management and the works council, the short-time workers received 90% of their previous salary (94% for low earners) as well as their additional benefits and pay-related entitlements.

During the non-worked hours, training was offered at the company premises, mainly by internal but also external trainers. The training was based on a training plan agreed on by the unit managers and relevant employee representatives. In total, 14,600 training hours were provided in the form of short courses, mainly covering topics that were relevant to the employer and process, but also some general issues.

The public subsidy comprised the short-time working subsidy as well as the qualification subsidy and 60% of the course fees. This covered about 50% of the costs incurred for the company. These costs implied that it was a temporary instrument to be phased out as soon as the economic situation improved.

Short-time working is considered to be a helpful instrument to avoid redundancies among permanent staff and the associated loss of experience and expertise from the company, thus enabling them to start working immediately on any new orders that come in. Two key factors were identified that contributed to the company's ability to implement 'soft landing' measures during the crisis rather than resorting to involuntary redundancies:

- strong social partnership and consultation both within the company and with trade unions and the chamber of commerce as well as the regional Public Employment Service;
- the framework of available public support instruments combined with the company's willingness and financial ability to provide further wage compensation.

Source: Eurofound, 2010a

Furthermore, the substantial accessibility of the subsidy – almost all employers and employees are eligible – contributed to its success. It must be mentioned, however, that the employment structure and company characteristics considerably affect the take-up of short-time working – employers will only be interested in keeping workers in their company in times of crisis and accept the related costs if they consider them to be valuable for the company. This may be related to a general lack of labour, to a more specific lack of the workers' skills (theoretical knowledge as well as company-specific expertise) and to the anticipated firing and rehiring costs.

Short-time working is an instrument that deals with temporary external economic difficulties, whereby 'temporary' could be considered as a period of about three to 12 months. Short-time working serves a 'bridging' function for workers to remain in employment during comparatively short periods of economic downturn, during which it is hoped that they will be needed in the company again very soon. It is not suitable for longer periods or for structural reasons (for which other public support instruments, like outplacement foundations, are available). For this reason, a support duration extending over a longer period of time is not highly relevant.

In the short term, however, the instrument succeeded in saving jobs in Austria, although an estimation of the number of jobs saved is hard to determine. The Austrian Institute of Economic Research (WIFO) estimated that about 8,400 employment relationships could be saved due to short-time working in 2009 (Mahringer, 2009). This calculation is based on the assumption that, on average, working time has been reduced by 30% for 65% of the workers who have been registered for short-time working and that no deadweight loss has occurred (that is, that the affected employment relationships would not have been maintained without short-time working subsidies). The most recent data lead to the assumption that the actual number is slightly lower (about 7,000 saved jobs). BMASK and the AMS believe that 10,000 to 15,000 jobs can be saved by the short-time working support amended during the crisis (Die Presse, 2010; BMASK, 2009a). With regard to these estimations, it needs to be kept in mind that they only map the direct effect, which should be supplemented by value chain effects – in other words, jobs that are affected in other companies/industries if workers are dismissed in one company.

The main advantages of short-time working are the ability to react comparatively quickly to crisis situations and the cost reduction for the employer, who is able to maintain the know-how of the workforce (or even increase it if qualification is done during short-time working). In 2006 and 2007, the Austrian economy was characterised by good economic development and employers were eager to attract skilled labour as a precondition for competitiveness and further development. As such, they wanted to keep their workforce in the company during the crisis in order to be prepared for an uptake of production in recovery. It also gave the companies some time during which they could assess the current and future economic situation and their own perspectives and think about future strategies. Even if dismissals have to take place in the end, employers do not have to immediately decide who to release (mostly driven by cost reasons), but could do so from a more strategic point of view. This consideration is aided by the fact that the majority of companies that undertook short-time working did not dismiss workers, and those that did only did so to a small extent, but very selectively. It has to be noted, however, that while core staff remained comparatively stable, many temporary agency workers were dismissed during the crisis.

For the workers, the short-time working subsidy resulted in a loss of income disproportionate to the number of non-worked hours as well as immediate job security. Due to the arrangements in the prevalent social partner agreements, workers in general experienced income stability (with a guaranteed wage level of about 80% to 90% of their normal wage), irrespective of the level of reduced working time. It must be noted, however, that the public short-time working support is related to many preconditions/eligibility criteria and administrative burdens as well as financial drawbacks for employers and the public funds (Gruber, 2009).

Even if employers receive the public short-time working subsidy, costs arise. Firstly, these relate to the short-time working support payable to the employees that is higher than the public subsidy received due to the arrangements of the social partner agreement. These costs increase with the level of non-worked hours, whereby up to a 30% reduction in working time does not seem to constitute a burden for the employer. Secondly, social security contributions, holiday and Christmas remuneration and other bonus payments are calculated on the basis of the normal full-time wage. Thirdly, social partner agreements also foresee that employers have to cover employees' social security contributions. These costs are not eligible for the public reimbursement of social security contributions. Finally, administrative costs also arise for applying for and managing short-time working. The latter are related to the way the finances are organised: the employer has to pay a short-time support to the workers (in addition to the wage for the worked hours) and is reimbursed by the AMS. Because of the costs that short-time working involves for employers, it is believed that companies will only apply it for a comparatively short period of time – for instance, only if they think that an economic upswing will be realised soon, thereby allowing them to return to normal production capacities.

With regard to public funds, it is assumed that short-time working actually helps save public money, as unemployment is avoided. Calculations show that having three short-time workers incurs about the same costs as one unemployed worker in terms of benefits paid out. In addition, it brings cost savings in administrative terms (for example, no matching and advice activities for unemployed people are needed) as well as the psychological benefit for the affected workers, who are not segregated from the labour market but rather stay in employment. This also fosters their employability in the long term, as they do not have 'bad track records' (times of unemployment) on their curriculum vitae (CVs).

The Austrian short-time working subsidy has been designed to be less attractive for employers than the German scheme in order to avoid deadweight loss (because of the higher costs accruing for the company) and to avoid hindering structural change. All stakeholders agree that if structural change (and related dismissals) has to be introduced, it should happen as soon as possible rather than spend (public) money in job-preserving measures that become void later on. There is little chance that companies in Austria will want to apply short-time working for a period longer than about one year, since by then their economic situation should have improved or because the instrument then becomes too expensive for a strategically-oriented employer, who will think of other alternatives (including plant closures and dismissal) rather than continuing short-time working.

In general, the system as it is currently designed in Austria is less suitable for smaller companies and service firms than for their larger and manufacturing counterparts. The instrument is considered to be rather complex, complicated and lengthy, as a high number of different stakeholders have to be involved. In addition, the requirement for the social partner agreement constitutes a barrier for smaller enterprises that are not very familiar with dealing or negotiating with trade unions. Another challenge is the wage administration (Gruber, 2009). If several employees are affected by short-time working within a company, the acquisition of specific accounting software might be necessary, which is too expensive for small and medium-sized enterprises (SMEs). For these reasons, short-time working has mostly been taken up by larger companies in Austria.

Since social security contributions during short-time working have to be paid on the basis of a normal wage (that is, not considering the reduced number of working hours and thus the related lower income level), short-time workers do not experience a decreased level of social protection. However, this level of social security translates into high staff costs for the employer, particularly if collective agreements at industry or company level also foresee that employees' contributions to social security have to be covered by the employer and other payments (like bonuses) are not limited. For this reason, the instrument was not attractive for some companies before the recent amendments that partly relieved employers of wage (related) costs (Grant Thornton Österreich, 2009). It is believed that the public coverage of employers' social security contributions considerably contributed to the instrument's success because it increased employers' willingness to implement short-time working, particularly since it aligned with the German model. This was

deemed to be necessary because of the close trade relationships between Austria and Germany. At the same time, it is not believed to be necessary to provide public social security support from the first month of short-time working onwards, as in the short run it is not efficient for employers to immediately dismiss workers anyway because of cost reasons; this would make the public subsidy too attractive and would provoke deadweight loss.

From the viewpoint of the affected workers, the dismissal protection during and after short-time working is beneficial, although it is criticised by the employer organisations (IV, 2009). The AMS assumes that a quarter of the short-time workers will be laid off after short-time working in the longer term (Wirtschaftsblatt, 2010). However, this assumption is not confirmed by the trade unions.

Furthermore, it should be noted that a number of companies did not adopt short-time working but applied other solutions to their reduced order levels, including immediate dismissals, because of the obligation to maintain the employment level over a certain period of time.

If short-time working agreements are not only related to dismissal protection but also – as is often the case in Austria – to the obligation that increased demand for human resources is to be satisfied by core staff rather than temporary agency workers, the instrument may also have an important labour market effect in recovery – namely, the reintegration of workers into permanent employment.

The newly introduced training element is appreciated by all stakeholders, as it allows companies and employees to use the periods of reduced working hours effectively to improve the quality of the workforce, which could foster a positive structural change for employers. However, it is important that training that enhances workers' value in the labour market is offered, and not only training beneficial for the current employer. In practice, it turned out that courses were agreed upon that are generally beneficial for workers' employability, either by enhancing general skills (such as quality management, creativity techniques, basic information technology (IT) skills, foreign language classes and time and stress management) or by providing for sector-specific vocational competences (for example, an industry-relevant theory basis, specific driving licences or sales training).

Nevertheless, although any training encouraged by the support instrument should be appreciated since it would not have been conducted otherwise, it must be noted that training was not widely applied during short-time working during the crisis, as its practical implementation proved to be difficult and necessitated planning time. Establishing a training concept was often too time-consuming for the employers during the crisis, as they were mainly occupied with finding ways out of the difficult economic situation faced by their business. Furthermore, training courses not only incur additional costs for the company, but also a loss of flexibility, as workers engaged in training measures cannot be as freely approached as those who are not if order levels increase. It was also difficult for the companies and workers to quickly find suitable training offers, particularly if they were looking for regional measures. These aspects imply that combining training with short-time working may be easier for larger companies than for smaller ones, as they often have access to better-equipped infrastructure, such as a specialised human resources (HR) department and established contacts with training providers. Lastly, the fact that not all workers are interested in participating in training and prefer to use the non-worked hours for leisure activities must not be overlooked.

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