

European Employment Observatory

Occasional workshop on
Short-Time Working Arrangements
The German experience

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Brussels, 13 January 2010

Programme

Unemployment insurance programme (Federal Labour Office)

- **cyclical**
- seasonal
- structural (transfer companies)

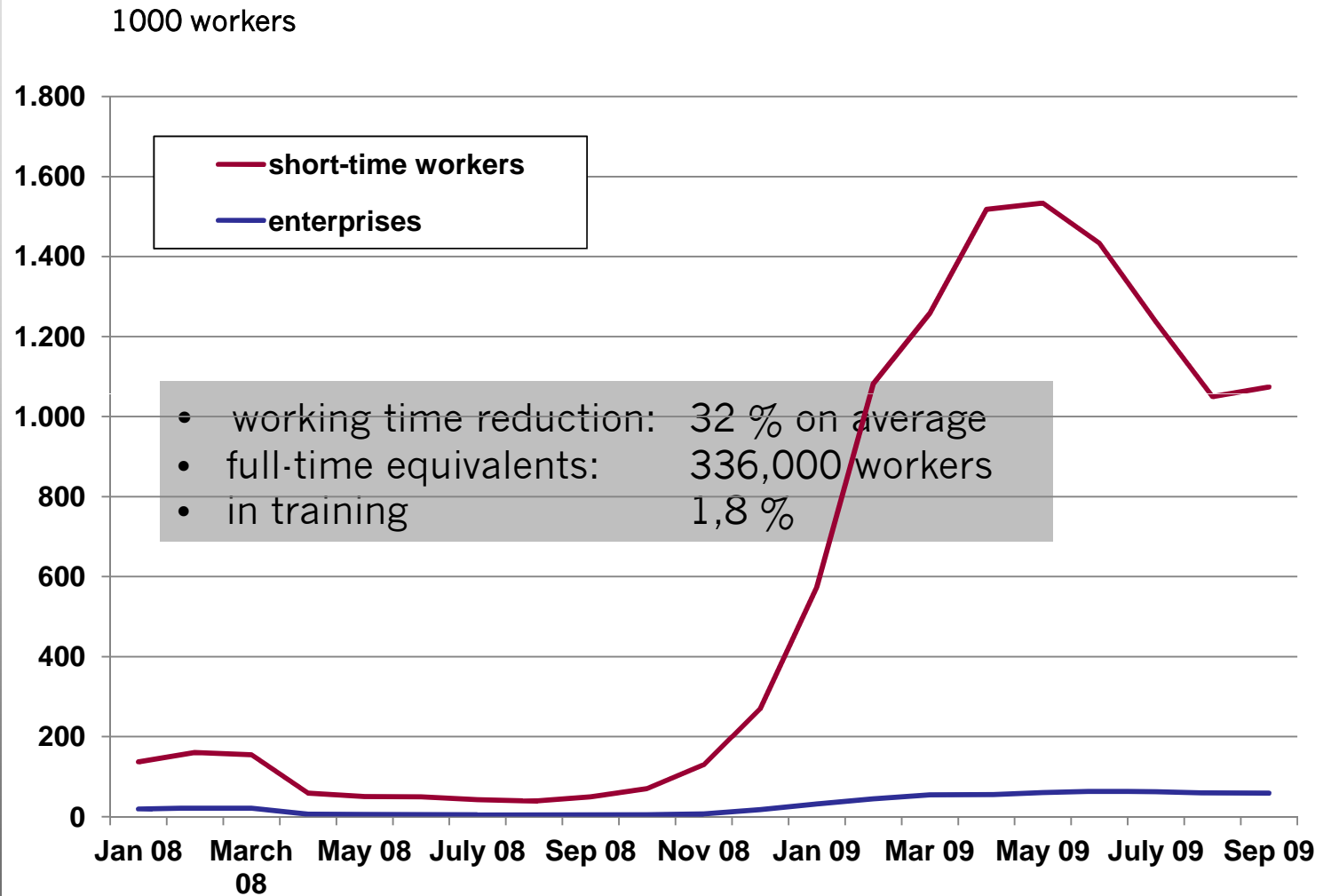
Eligibility to cyclical short-time work (SGB III, § 169 ff)
of companies which want to reduce working time

- temporary or not preventable order decrease
- wage reduction by more than 10 %

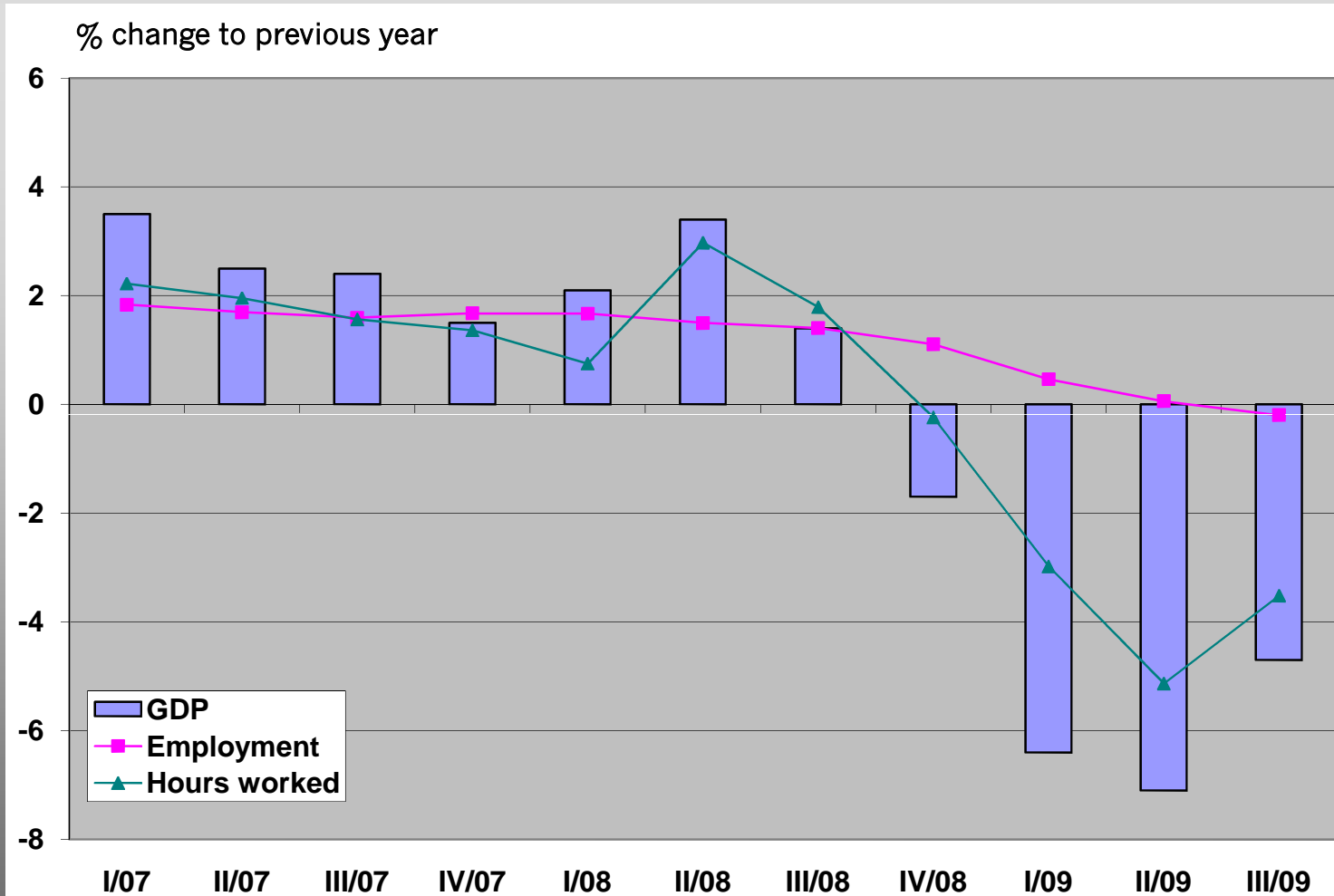
Allowance

- 60 to 67 % of difference between regular and reduced salary
- 50 % of employers' social security contributions
- 100 % of employers' social security contributions
*for support periods > 6 months
if vocational training is provided*
- for the maximum of 18 months
*until 2008: 6 months
2009: 24 months
2010: 18 months*

... with strong utilisation

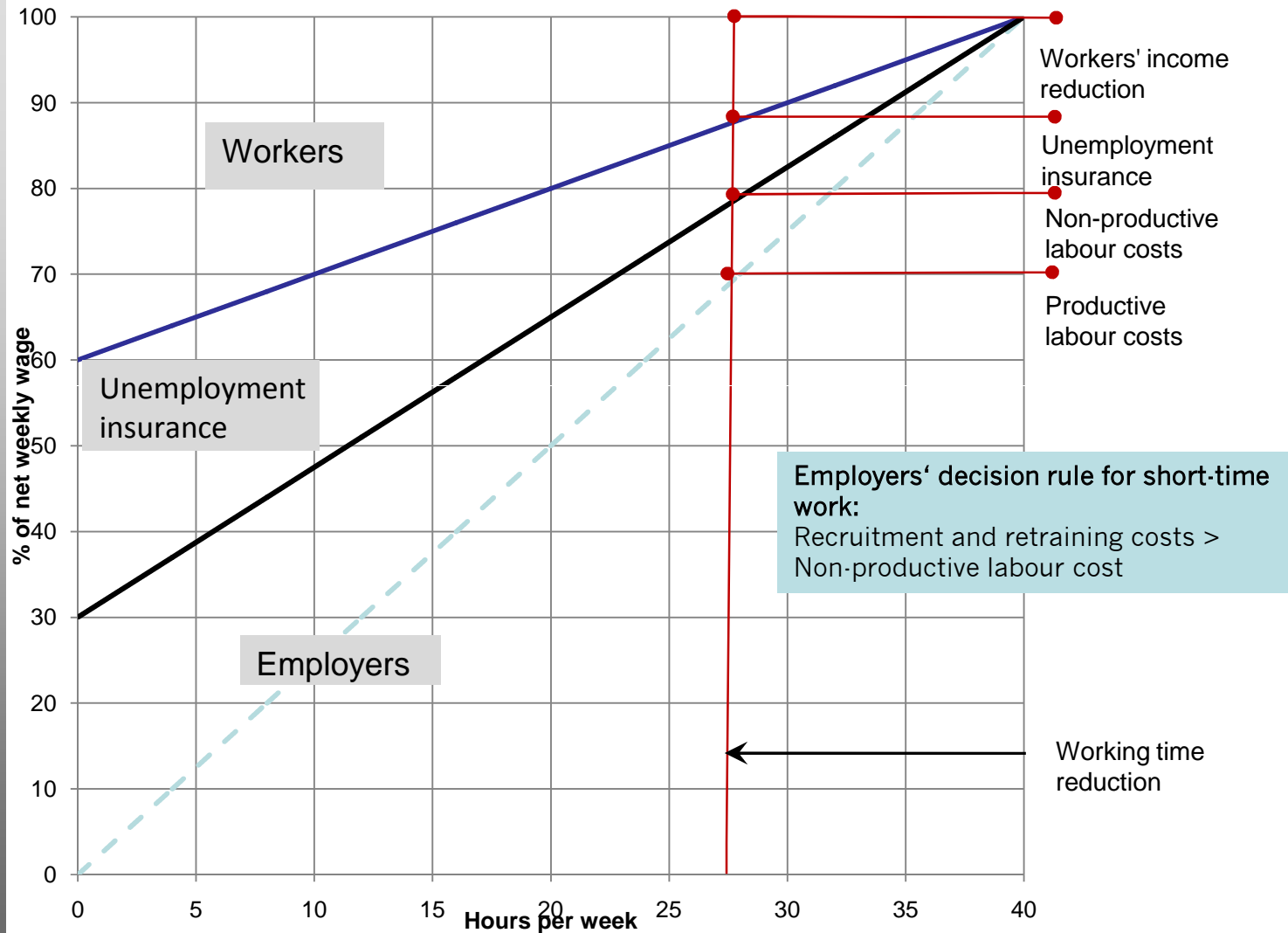


... and significant labour market effects



Source: Statistisches Bundesamt

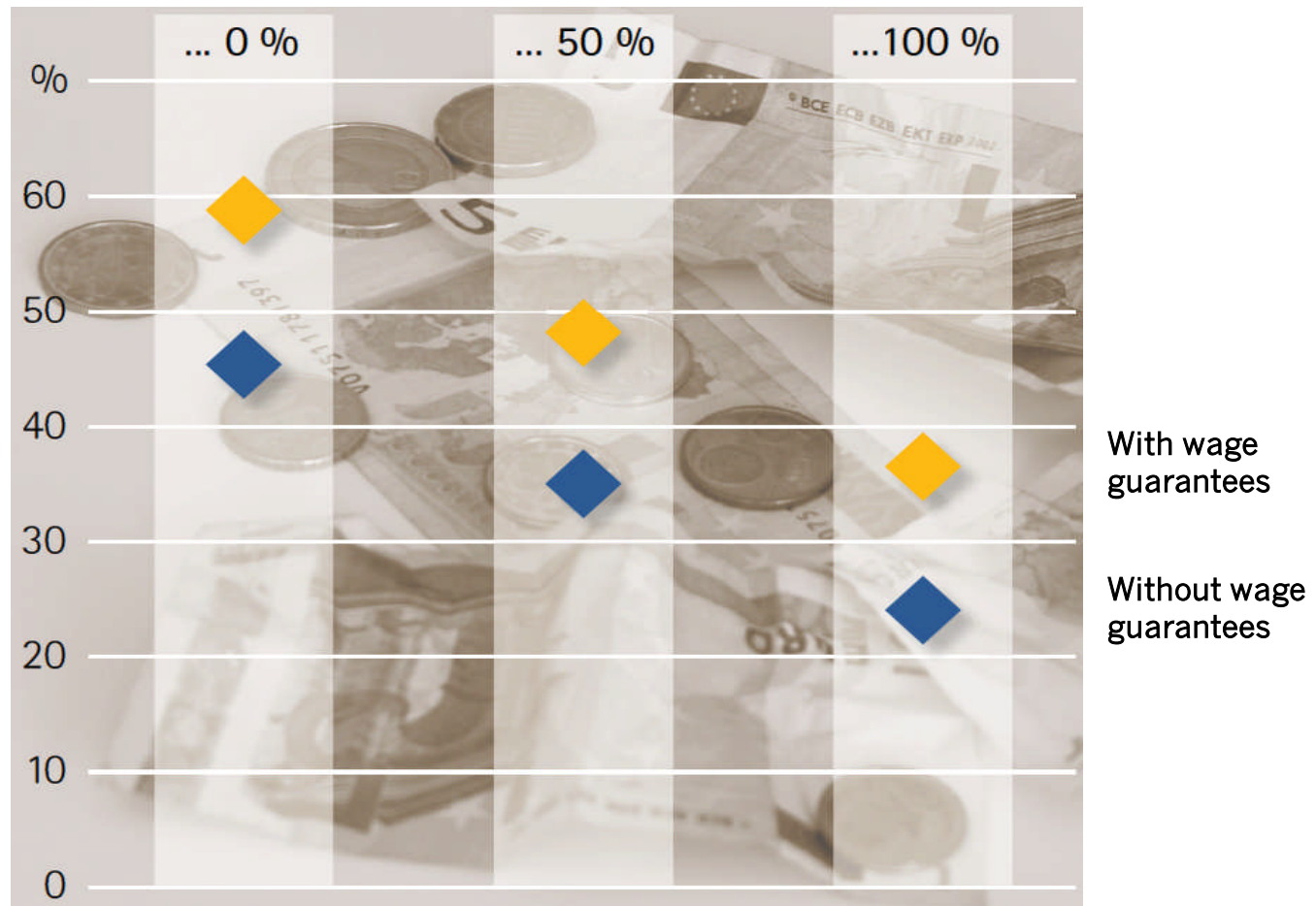
Cost sharing model



Source: Economix

What it costs companies

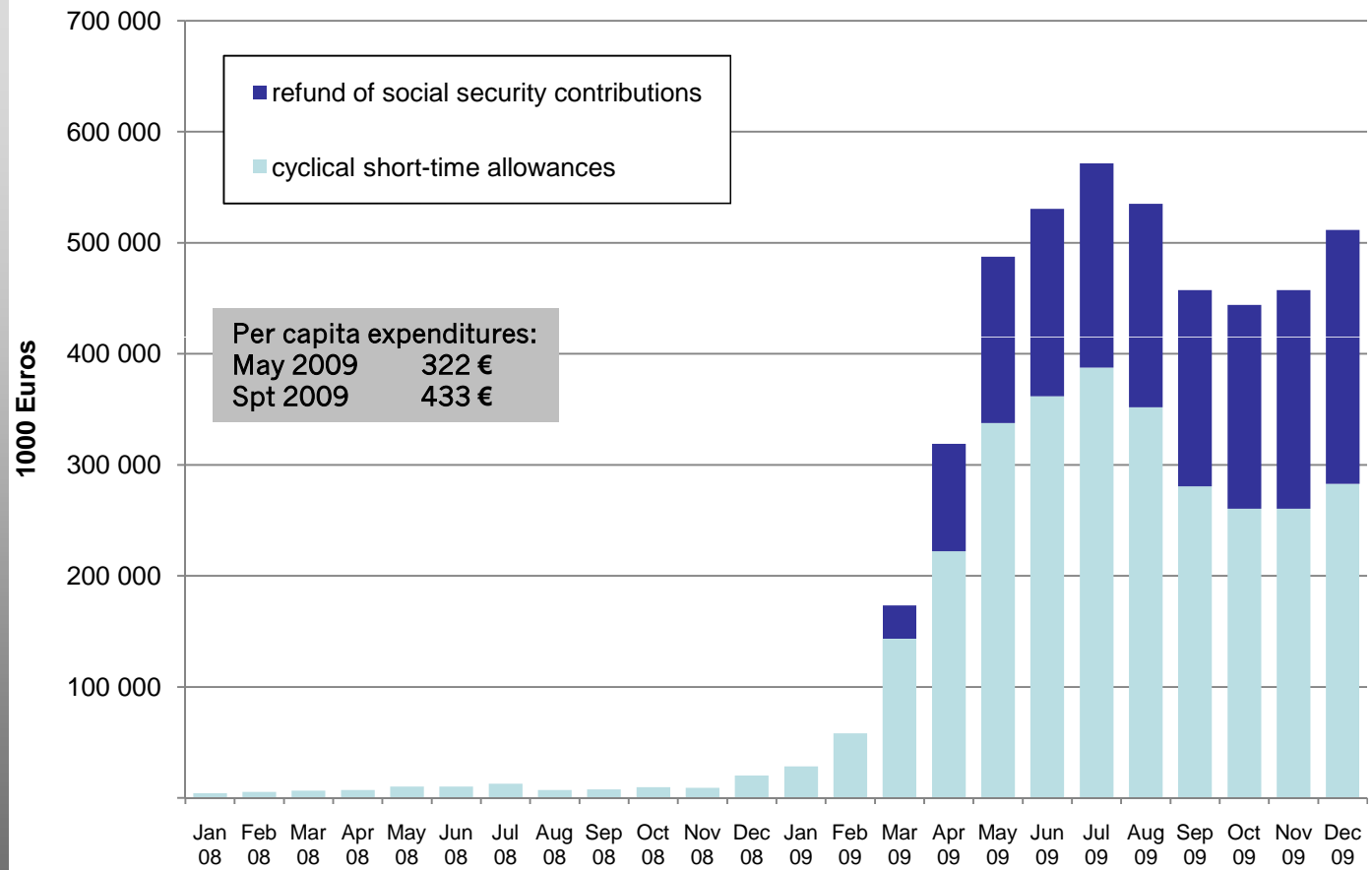
% share of short-time related labour costs for companies
share of social security reimbursement



Source: IAB

Public expenditures

Short-time work expenditures of Federal Labour Agency (1000 Euros)

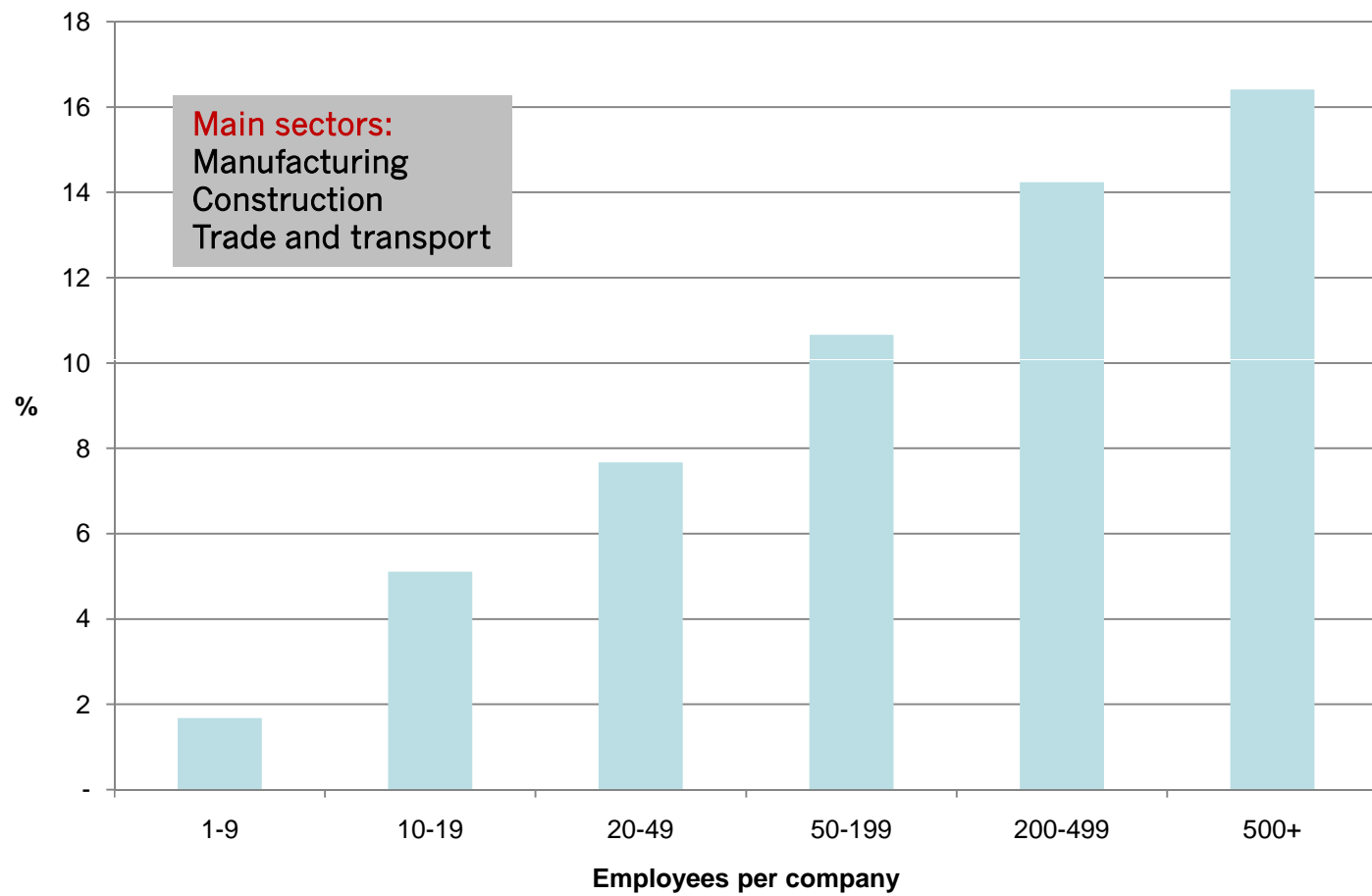


Why companies use short-time work

- Avoid productivity losses and recruitment costs
- Avoid redundancy payments (dismissals protection)
- Safeguard investments in vocational training
- Productivity gains with shorter working hours
- Social responsibility / image considerations

Company size

% share of companies with short-time work, September 2009



Conclusions

- A strongly efficient **cyclical** instrument
- Maintaining the allocation of labour
- Risk of avoiding restructuring
- Sustaining private consumption
- Reducing social conflicts