

COUNCIL OF THE EUROPEAN UNION

Brussels, 26 May 2009

10015/1/09 REV 1 ADD 2

SOC 338 ECOFIN 380

ADDENDUM 2 TO THE NOTE

from:	Presidency
to:	Delegations
Subject:	Employment Committee's contribution to the informal Employment Summit
	- Analysis carried out by the EMCO on short-time working arrangements

<u>Delegations</u> will find attached, for information, the Employment Committee's analysis of short-time working arrangements. This analysis was attached to the letter from the Chair of the Employment Committee, addressed to Minister Petr Šimerka (ADD 1).

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DG G



The Employment Committee

OVERVIEW ON MEMBER STATES' SYSTEMS OF TEMPORARY UNEMPLOYMENT/REDUCED WORKING TIME

Introduction

Analysis of Member States' employment policy responses to the current economic climate¹ has revealed that different forms of public support are being put in place by EU countries to encourage businesses to use more flexible working time arrangements instead of making employees redundant. The broadening, and more extensive use, of such measures suggests the need for closer monitoring and discussion at EU level.

National labour law, as well as national collective bargaining regimes, differ between Member States. These differences influence the job retention mechanisms put in place by companies that are experiencing a cyclical fall in demand. In addition, the form and level of involvement of public institutions in measures that support the use of reduced working time, also vary within the EU.

Typically (but not always), the State compensates for lost working hours through wage top-ups (directly to the employee or to the employer) and/or training (through funding or provision). Even if measures seem to be horizontal in nature, the most typical beneficiaries of those schemes can be found within the manufacturing sector, mainly linked to the automotive industry and its suppliers (e.g. in AT, FR, HU, IT and PT), another example being also tourist or construction sectors (e.g. in CY, IT).

This note presents an overview of the different schemes of "short time working arrangements" adopted in the EU and reflects on potential benefits and risks of such measures.

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¹ Ref: EMCO/04/160209/EN

Structure and Design of Measures

In order to encourage employers to retain as many workers as possible, even in the face of reduced demand, the most prevalent form of action is the adoption of some form of "short-time" working measure, whereby the workers receive the compensation for lost hours of work. Within the last few months, a number of MS have introduced (SI, HU, and PT) or extended (AT, DE) provisions for reduced working time, and some others are planning to follow the same direction (BG, CY, CZ, EE, and PL). This type of state intervention has also been evidenced before in countries like: BE, DK, FI, FR, IT, and NL (see table below). The measures allow companies to temporarily reduce activity below the contractual agreement or to momentarily suspend all, or part of, its activity. In these cases, the loss of employee salary is (partly) compensated by the State.

Eligibility and Target Groups

MS provide support through wage top-ups to compensate for shortened working hours (e.g. in AT, SI, IT) and/or temporary unemployment benefit if a full suspension from work is taking place (e.g. in BE, FR). More often than not, the reduced working time arrangements do not allow for a complete disruption of work, but the eligible time reduction threshold varies significantly between MS (e.g. 50% in HU to 90% in AT).

The level of public support to individuals under the schemes is, in some countries, higher than the minimum wage or the normal unemployment benefit (e.g. AT, BE or IT). In HU, the rate is 80% of the previous wage and cannot be higher than 150% of the minimum wage. In FR the conventional allocation is 60% of the former hourly wage (with a minimum of 6.84 Euros per hour). In IT the rate is set at 80% of the total remuneration for any hours not worked, with a ceiling that is amended on an annual basis. In BE, the rate is 70% of the employee's wage for cohabitants, and 75% of the employee's wage for single people and heads of family.

At the same time, as a consequence of the financial crisis, a number of MS have relaxed/extended certain eligibility criteria and have increased the amount of financial support that is available for employers; e.g. in AT and DE, social security contributions that are normally met by employers are now being met, or part-met, by the State; in IT extra resources have been allocated to the scheme to support SMEs. Similarly, in some cases, the MS is reimbursing or subsidising training costs (DE, HU, PT), and/or travel and childcare expenses (DE).

Measures target mainly workers who are under permanent contracts (IT), or in specific sectors (CY, FR, IT). In a few cases, vulnerable groups are given special attention: IT is targeting low paid workers, whilst in BE, blue collar workers are being targeted. Apprentices are usually not eligible for funding (AT, IT²). Yet IT also targets employers with smaller numbers of employees.

Conditionality

In most cases, there is a requirement in place for companies to demonstrate the clear economic reasons for engaging with any reduced working time/temporary unemployment scheme: decreased orders/loss in demand (BE, DE, FR, IT, NL, and PT) or restructuring (FR, IT), but in general there is no further conditionality for the measure to be implemented. Some MS who have introduced new measures require the employer to maintain employment while receiving the subsidy (SI, PT), or establish a plan for sustained employment after completion of the scheme (AT, HU). In SI, the employer is required to continue paying wages and social security contributions, or refrain from granting bonuses to management.

Some countries have tried to encourage the further training of workers who are on temporary unemployment/reduced working time scheme (BE, CY, DE, HU, NL, PT, and SI). Whilst training is not obligatory in any MS, some aim to maximise the employability of workers on short time arrangements by using the cancelled hours for training and lifelong learning activities (HU, DE, FR, IT, PT).

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² Law 2/2009 extended the benefit to apprentices.

Time limits

The time limits for the use of any such scheme differ within most MS, with some schemes being made available for 6 months (SI), 12 months (FR, PT) and in some cases for up to a maximum of 24 (36 if CIGO and CIGS taken together) months (IT). AT and DE have amended rules that were previously in place, in order to assist employers to adapt to recently changed circumstances resulting from the crisis, and have extended time limits that were in place, from an initial ceiling of 3 months in AT and 6 in DE, to a current maximum of 18 months in both countries. FR extended the number of hours to 1000 hours for automotive and textile industries and up to 800 hours for the other sectors

Key actors

There are some differences in how MS manage the provision of support. Whilst most MS manage and monitor the funds/support themselves through employment agencies (AT, DE, BE, SI, PT), in other MS the scheme is managed by national bodies but with the important involvement of social partners and individual enterprises (IT).

The latter option may contain some potential benefits, such as the removal of an administrative burden and the insurance of greater levels of collaboration and agreement between the parties affected. For instance, in AT an agreement with the social partners in each case is a precondition for a provision of support, which is managed through public employment service.

There also exist measures where there is no state involvement and which are based on a direct employee-employer agreement; e.g. recession sabbaticals (equivalent to paid career breaks) which have been evidenced in IE and UK, or negotiated working hours reduction with a subsequent compensation of reduced or no worked hours in individual enterprises in IT.

Funding

Financing provision of training under short-term working/temporary unemployment falls within the General Block Exemption Regulation and/or *de minimis* regulation both of which allow MS to grant certain public aid without formal notification to the Commission. Given the scope of measures in place, it may not be applicable to larger firms which would soon reach the ceiling presented in *de minimis* regulation (DE).

ESF support for training is granted within the framework of the available ESF funds, and a number of preconditions for support are in place. Only two MS have indicated that they intend, or have just started, to use ESF to fund such a scheme (DE, HU).

Further details on the different measures implemented by MS can be found in Annex A.

Expected benefits

The rationale for instituting systems of temporary unemployment/reduced working time during a crisis is based on the critical success factor of **maintaining employment**, which itself is, of course, linked to a range of economic benefits. Indeed, such systems are considered less costly in the long run than making workers redundant, and then re-hiring them after a period of unemployment³.

Furthermore, firms save the costs involved with redundancies and the subsequent costs of recruitment. These measures may also help firms to retain experienced and skilled workers and preserve human capital. If complemented with targeted training, whether specific to an individual company or more generally applicable, the measures can bring long-term benefits to both workers and companies, not only in terms of the company **driving up its individual skills base**, but also in terms of how the **company image** can be improved, both internally and externally. In addition, such measures assist in the **prevention of redundancies**, the **maintenance of purchasing power**, the preservation of functioning plants, and the bolstering of staff morale during economically difficult times.

Eurofound (2009), Europe in Recession: Employment initiatives at company and Member State level

Potential Risks/Concerns

A number of potential risks have, however, been identified with the implementation of these measures.

By supplementing private industry with financial assistance from the MS, there is the potential to inadvertently introduce **perverse incentives**, which may encourage some companies to avail of financial support and assistance, even though they may have no real need to avail of such funding. The conditionality measure introduced in SI, whereby bonuses to management in companies participating in the scheme are suspended, might be considered as an attempt to overcome such a risk. It should also be considered whether the scheme is being imposed unilaterally on workers or is a result of bilateral agreement.

In a similar vein, there is the potential for a degree of **deadweight loss**, whereby financial support from the MS is provided for company activities that would have taken place in any case (e.g. training), and may have been funded by the individual employer.

But the most pertinent shortcoming of the reduced working time/temporary unemployment mechanisms is that they may **not be able to differentiate between cyclical and structural** problems within individual companies. Some companies may find themselves in such a precarious economic position, that receiving support from the State would only prolong the inevitable closure of the company/plant. This point underlines the need for clarification as to whether the problem facing a company is cyclical or structural. Furthermore, whilst these measures are designed to militate against the current crisis in the short-term, it is not yet clear whether they will have the capacity or capability for long-term sustainability.

There may also be the potential for **increased displacement**, which could result in a focus on one single policy issue, thereby deflecting necessary attention from other relevant policy areas where remedy is also required, such as those currently seeking employment. Furthermore, lack of conditionality in those measures might make workers stay in inactivity or even bring a risk of falling in **unemployment trap.**

The issue of **state aid** arises as a possible concern, where *de minimis* ceilings are exceeded. The potential of such schemes to distort competitiveness, within or between Member States, cannot be overlooked.

Concluding Remarks

Fourteen countries have introduced temporary unemployment /reduced working time schemes intended to preserve employment and retain skills, prevent unemployment, and maintain purchasing power through compensation of lost earnings.

While such schemes may, in the context of the current crisis, be seen to have a positive impact on employment and social cohesion, MS are invited to take the following considerations into account:

- ➤ Consideration should be given to the role of the relevant agencies within the MS, but also to the potential role of the various social partners and individual companies that may be involved.
- ➤ Consideration should also be given to whether any further training during such periods is obligatory, the nature of such training (i.e. general or specific), and how the training could be funded
- ➤ MS may wish to consider introducing eligibility criteria, either in respect of the company involved, given that the crisis is now also affecting the services industry, or in respect of the type/level of worker affected. Such criteria should address the concern that such measures are used for cyclical purposes, and not used to prop up dying firms and thereby prolong their inevitable demise.
- For the most part, arrangements are in place for workers on a permanent contract, rather than for temporary and fixed-term employees. This differential has the potential for an adverse effect on those groups who predominantly comprise temporary and fixed-term employees (females, young people, and foreign workers). MS may therefore wish to consider extending eligibility of such benefits to such employees, especially if the scheme were to be couple with relevant training.

MS	Reduced Working Time Arrangement	Wage Top Up	Support through Unemploy- ment Benefit	Social Security Contribution	Training Costs Met/ Training Provided	Specific Sectors Targeted	Targeting Companies of Specific Size	Vulnerable Groups Targeted	Max Length of Time (Months)	Sustained Employment Requirement	Number of employees under the scheme 2008/2009	Total budget in 2008 and in 2009
AT	Х		Х	Х	Х				18	Х	In 2009:	In 2009:
											60.000	€ 200 mio.
											(estimated)	(estimated)
BE	TE*		Х		Х			Blue	1 if full			
								Collar	suspension.			
									3-12 for			
									partial			
BG	Х											
CZ												
CY	TE*		Х	Х		X			5	Х	4.594	€ 8.587.993
			(working time	(credits)		(Temporary					(covers the	(covers the
			is reduced by			unemployed					period	period
			100%. The			from the					1/11/2007 –	1/11/2007 –
			level of			tourist					31/3/2008)	31/3/2008)
			benefit			industry)						
			foreseen									
			equals the									
			"normal"									
			unemploymen									
			t benefit)									
CY	Х								12 (18)⁴		180⁵	€ 650.000

A new scheme will be launched in October 2009 through which a subsidy will be granted to companies/organizations, covering part of the employment cost for new employees with flexible working arrangements, for the maximum of 18 months.

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It includes \approx 20 employees for the abovementioned new scheme.

MS	Reduced Working Time Arrangement	Wage Top Up	Support through Unemploy- ment Benefit	Social Security Contribution	Training Costs Met/ Training Provided	Specific Sectors Targeted	Targeting Companies of Specific Size	Vulnerable Groups Targeted	Max Length of Time (Months)	Sustained Employment Requirement	Number of employees under the scheme 2008/2009	Total budget in 2008 and in 2009
CY					Х	Х			Average		Target 2009:	In 2009:
						(Unemployed			60 hours		1000	€ 1.040.000
						from the					(The	(estimated)
						sectors of					implementatio	
						Construction,					n of the	
						Trade, Tourist					scheme will	
						industry)					start in April	
											2009)	
CY					(TE*)	Х		One of the	3 weeks	Х	The	In 2009:
					Involves two	(Tourist		training	(90 hours)		implementatio	€ 205,000
					training	industry)		programmes			n of the	(estimated)
					programmes			is targeted to			scheme will	
								employees at			start within	
								entry level			2009	
								positions				
								(limited				
								experience				
								and low pay)				
DE	Х		X	X	X				18		In 2008:	In 2008:
											101540	€ 290 Mio
											In 2009:	In 2009:
											260000	€ 1750 Mio
											(yearly av.;	(estimated)
											estimated)	
DK												
EE	Х											
EL												

MS	Reduced Working Time Arrangement	Wage Top Up	Support through Unemploy- ment Benefit	Social Security Contribution	Training Costs Met/ Training Provided	Specific Sectors Targeted	Targeting Companies of Specific Size	Vulnerable Groups Targeted	Max Length of Time (Months)	Sustained Employment Requirement	Number of employees under the scheme 2008/2009	Total budget in 2008 and in 2009
ES												
FI	Х		Х									
FR	TE*		Х		X	Х	Х		12 (6 with one period of renewal)		300 000	€ 90 Mio (but € 39 Mio by now in the state budget)
HU	Х	Х			Х				12	Х	2988 supported (13,8 thousand to be covered)	€ 20 Mio (HUF 6 bn)
IT	X	Х	X**	X***		Х	Х	Low paid	12 (CIGO) 24 (CIGS) 36 (CIGO+CIGS)			
IE												
LT												
LU	х		х		Х				24			In 2008 300.000 €
LV												
MT												
NL PL	Х		Х						6			
PT	X	X		X	Х	Automotive industry was the first sector			12(6 with one period renewal)	X	In 2009: 20.000 (estimated)	In 2009: 105M€

MS	Reduced Working Time Arrangement	Wage Top Up	Support through Unemploy- ment Benefit	Social Security Contribution	Training Costs Met/ Training Provided	Specific Sectors Targeted	Targeting Companies of Specific Size	Vulnerable Groups Targeted	Max Length of Time (Months)	Sustained Employment Requirement	Number of employees under the scheme 2008/2009	Total budget in 2008 and in 2009
						targeted. Only						
						recently					3.400	
						(April) was					(supported	
						the measure					until	
						expanded to					1.04.2009)	
						all sectors of						
						activity						
RO												
SE												
SI	Х	Х		X					6	Х	In 2009:	In 2009:
											320,000	€ 230 000
												Mio
SK	Х											
UK												

^{*}TE = Temporary Unemployment; ** Unemployment benefit provided by Bilateral bodies managed by Social partners in Craftsmen sector; *** The enterprises pay a ordinary and a extraordinary contribution financing a CIG system; **** In the period of 5 years;

MEASURES BY COUNTRY

AUSTRIA

AT operates a reduced working time scheme and introduced new guidelines in 2009. The scheme can be taken up for all employees with the exception of apprentices, and is designed to assist all businesses with the exception of: federal organisations; legal bodies; and political parties. The scheme can be used for periods of between 6 and 18 months (although exceptions can be made), and can be extended if there is either a collective agreement, or individual company agreement, although conditions are placed on the length of extension available. Employees are also protected from dismissal under the scheme for 4 months, although exceptions to this can be made. Employees under the reduced time scheme are remunerated by a fixed unemployment benefit for any hours lost, and compensation towards social security contributions for those hours are made by AT at about 41%. A qualification can also be granted for any workers under the scheme, if a number of conditions are met: the number of participants is clearly defined; participants are all working under the reduced working time scheme; and if the qualification is sectorally transferable and well designed. 60% of the costs for any such training will be met by the Public Employment Service, with the remaining costs met by the employer. It is anticipated that demand for use of the scheme will increase by approximately 40,000 applications in April 2009, and it is thought that the sector greatest affected is the automotive industry, especially automotive supply.

BELGIUM

BE operates a scheme of temporary unemployment for economic reasons, which can be used by businesses for reasons related to the economic situation, such as a temporary reduction in orders.

Under this scheme, the employment contract remains binding, although the employee's obligation to work is temporarily suspended, as is the employer's obligation to pay the employee. Employers must inform the federal agency responsible for Unemployment Benefit of any temporary redundancies. Where this is the case, employees will receive Unemployment Benefit for any days that are not worked. Employees can, however, only be fully suspended for a maximum of 4 weeks.

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Partial suspension is also permissible for between 3 and 12 months, depending on the number of days/weeks worked. There must, however, be at least one week worked between any 2 periods of suspension.

Currently, the scheme is only available to blue collar workers, as BE considers that white collar workers are protected by the extended periods of notice that are in place for them. From January 2009, the scheme has also been extended to include temporary and agency workers.

The level of Unemployment Benefit available during these periods is 70% of the wage for a cohabiting employee (up to a maximum of 1,544 Euros per month), and 75% of the wage for single employees and employees who are the head of a family (up to a maximum of 1,655 Euros per month). There is also possible additional finance available, either directly from the employer or from a sectoral fund.

In response to the current crisis, a number of additional components have been added to the scheme since January 2009, including a temporary increase of the level of benefit available and access provided to training courses.

GERMANY

DE's short-time working measure (*Kurzarbeit*) has a number of pre-conditions attached, including that any loss of work must lead to the loss of earnings for at least one third of the people employed in the plant; any reduction must be due to economic reasons or unavoidable events; that it must be temporary; and that all other avenues have been exhausted (i.e. time banks have been used up). However, following DE's Stimulus Package II, the access to short-time working allowance (requirements of pre-conditions) is easier this year and next year.

10015/1/09 REV 1 ADD 1 MH/vk DG G EN The employer must request support from the federal employment agency on behalf of its workers, and the federal agency will then ascertain whether all preconditions have been met. Normally, once the short-time working has been approved, it may only remain in place for a maximum of 6 months, although extension by legal ordinance is possible in the case of exceptional circumstances within the labour market. However, following DE's Stimulus Package I, this period has been extended to 18 months, and the requirement to train workers during this period has now been introduced.

Normally, during the period of short-time working, social security contributions have to be met entirely by the employer. However, following DE's Stimulus Package II, employment agencies reimburse half of the social security contributions in respect of short-time working. For employees who take part in further training during short-time work, contributions may be fully reimbursed (applicable up until the end 2010). Furthermore, supplementary to the extension of the short-time work allowance, a Federal Programme on funding qualification measures for workers on short-time entered into force on 1 January 2009. The programme is co-financed by the ESF. The amount of assistance varies between 25 and 80 per cent of training course costs, depending on the type of training, the size of the company, and the persons participating in the scheme.

FINLAND

FI's Working Hours Act is peremptory by nature, but national labour market organisations may, by collective agreements or contracts, negotiate contracts that deviate from several of the provisions of the Working Hours Act. For example, it is possible to agree on regular working time and flexible working hours. Regular working arrangements can be based on the average usage of working hours, which means that the daily and weekly hours may vary as long as the working hours average 40 hours per week over a pre-determined period. This period may be no longer than 52 weeks in duration. With the agreement of labour market organisation, flexible working hours can be agreed through the establishment of a working time bank.

10015/1/09 REV 1 ADD 1 MH/vk 15 DG G **EN** Under FI's measures, the lay-off of employees refers to temporary interruption of work and pay on the employer's initiative, whilst the employment relationship continues in all other respects. The employer may lay off an employee only if the amount of work, or the employer's potential to offer work, has diminished because of a financial or production-related reason. The lay-off can be based on the employer's unilateral decision, or on a mutually agreed basis. Any lay-off may be valid until further notice, or on a fixed-term basis. Depending on the need for lay-offs, the employer may lay off the employee either entirely, or by reducing the regular weekly or daily working hours, in accordance with the Act or the employment contract. If it is estimated that the work has diminished temporarily, the employer is entitled to lay the employee off only for the estimated period of diminished work.

The employer is also entitled to change the employment relationship unilaterally into a part-time relationship on economic or production-related grounds. The change is an alternative to making an employee redundant and possible only under the same circumstances as terminating the employment relationship.

FRANCE

Temporary unemployment is also in place in FR to allow employers to deal with the economic crisis as well as other exceptional circumstances. Employers are able to temporarily reduce the legal or contractually agreed level of activity, or to suspend all or parts of its activities. The scheme compensates employees for a loss of salary through an indemnification scheme, which provides the workers with a specific level of unemployment support. There are 3 types of financial support: "Conventional Allocation" which is paid to the employee by the employer and which is 60% of the normal hourly rate (with a minimum of 6,84 Euros per hour); "Specific Allocation" which is paid by the State at a rate of 3,84 Euros per hour to businesses with 250 employees or less and 3,33 Euros per hour for businesses with more than 250 employees; and "Complementary Allocation" which is paid by the employer, and is equivalent to the level of unemployment benefit.

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EN

These payments can be made for up to 1,000 hours for those employees working in either the automotive or textile industries, and for up to 800 hours for all other sectors, with a maximum duration of 12 months (6 months with one period of renewal). The scheme allows for 6 consecutive weeks of temporary unemployment, before the employee is possible placed on a formal "return to work" scheme.

The scheme is not, however, available to a number of employee categories such as employees whose unemployment was created through industrial action, or people who are seasonally unemployed, unless their unemployment is as a result of an exceptional circumstance due to the time of the year.

The automotive industry represents half of the temporary unemployment demands.

HUNGARY

HU has already launched a reduced working time scheme, coupled with training provision, that is funded from national resources, although a similar scheme, funded through ESF, is being planned.

The scheme allows companies, with the voluntary approval of employees, to modify current employment contracts to allow for new working time arrangements, such as a reduction in the percentage of previous working hours, with a maximum of a 50% reduction. Wages are reduced accordingly, with the same hourly wage maintained for those hours that are worked, and 80% of the hourly wage given for those hours that have been lost. The scheme applies to all enterprises that have at least 3 employees.

The scheme has 2 conditional selection criteria: that there is an increased risk of employee lay-offs due to the current crisis; and there is a temporary loss of demand. Businesses must also be able to sustain employment after the completion of the programme.

Whilst training is not mandatory under the current programme, any training is undertaken must be complementary. There is, however, no requirement for training to be either firm-specific or general, as both are acceptable and it is the employer who decides the type of training which is most appropriate.

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ITALY

In IT, there are 2 main systems to help retain jobs and prevent dismissals:

- (1) a general system based on a wage supplement (CIG) which is managed by the National Social Security Institute and mainly used by medium and large businesses in the manufacturing and construction sectors. Within this system, there are 2 different schemes: the ordinary wage supplement (CIGO) and the extraordinary wage supplement (CIGS). This system is financed on a mutualistic basis
- (2) the second system aims to maintain jobs in the small business and craft sectors, who do not have access to the CIG. These sectoral funds, jointly managed by social partners, pay specific subsidies to workers in the case of a reduction or suspension of working hours, with the contribution of the Employment Fund managed by the Ministry of Labour, Health, and Social policies. The CIGO is used when a business reduces or suspends the activity of workers because of transitory events or temporary market difficulties. The fund pays a wage to workers for hours that have not been worked and is based on an assurance mechanism, in that businesses pay a contribution (premium) on all wages of employees using the fund when they plan a temporary reduction or suspension of production, for part or the entire workforce. The CIGO can be used for blue and white collar workers in the industrial, construction, and building supply sectors, but not for managers. The CIGO allowance is 80% of the total wage for no worked hours, with a fixed maximum decided each year by INPS. In 2009, the fixed limits are 886.31 Euros per month for workers with a monthly salary below 1,917.48 Euros per month, and 1,065.26 Euros per month for workers with a higher salary. The CIGO is paid for a maximum of 13 consecutive weeks. In exceptional circumstances, the CIGO can be availed of for a maximum of 52 weeks within a 2 year period.

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DG G EN The CIGS supplements the fund when a business reduces or suspends production for reasons of restructuring, reorganisation, a crisis involving a labour surplus, or bankruptcy procedures. In these cases, the fund also pays workers for hours that have not been worked. The CIGS is also reserved for workers in industrial businesses with more than 15 employees, commercial enterprises with more than 200 employees, publishing companies (with any number of employees), and service/artisanal and co-operative enterprises with more than 15 employees. The CIGS cannot be used by a company that is simultaneously using the CIGO, and is contingent on a plan for resuming activity and protecting jobs being approved by the Ministry of Labour, Health and Social policies.

Under CIGS, 80% of the total wage is paid for hours that have not been worked, for 0-40 hours per week, and for up to a maximum period of 24 months (36 months in a period of 5 years considering CIGO + CIGS).

IT also introduced the Solidarity Contract, under which social partners and the company in crisis can, on the basis of agreements, avoid the dismissal of employees. The Solidarity Contract consists of a reduction of working hours and a corresponding reduction in pay. The National Social Security Institute pays a wage supplement equal to 60% of the wage reduction and this position can last for 24 months, with a possible extension of a further 24 months.

LUXEMBOURG

LU operates a system of short-time working for reasons based either on the weakness of economic activity or on structural reasons. Both systems can only be applied when all other own means have already been exhausted by the company. Under the specific rules valid for the years 2009 and 2010 short-time working may be applied during 24 month and up to a maximum of 50% of the normal working time in average per month.

Decisions to admit companies to these schemes are taken by the Council of Ministers based on the opinion of a Tripartite Commission meeting every month.

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During short-time working period the worker gets, for every non-working hour, 80% of his normal salary and the employer is paid back by the employment found. If during his period of non activity the worker takes part in a vocational training program the allowance will be 90% of his normal salary. During the period of short-time working social security contributions have to be paid by the employer.

If short-time working is applied for structural reasons employers are invited to conclude Employment Safeguard Plans with their workers representatives or with national trade unions.

NETHERLANDS

As a reaction to the financial crisis, NL has introduced a temporary reduced working time arrangement, which has been timebound between 30 November 2008 and March 2009. To be eligible for this scheme, companies must be able to demonstrate, through the provision of an audit certificate, a fall in sales of 30% in 2 consecutive months. There are a number of other obligations which companies are required to meet in respect of training, the continued payment of wages, and an obligation to retain the contract of employment with the employee until at least 4 weeks after the completion of the reduced working time arrangement. The scheme can be taken up initially for a 6 week period, which can then be extended 3 times for up to a total maximum of 24 weeks. NL is meeting the additional costs itself through an injection of 200m Euros to unemployment benefit funds. For any hours lost, employees will receive 75% of their last earned wage during the first 2 months of the scheme. Thereafter, employees will receive 70% of their last wage for any hours lost. To date, 624 applications have been received, mainly from the metal production sector.

SLOVENIA

In January 2009, SI approved the partial subsidisation of full-time work. In order to obtain a subsidy an employer has to determine full working time of 36 hours per week with an act, collective labour agreement, or a general act in case a trade union is not established at the employer. In order to obtain a subsidy, an employer shall, in addition to approving a suitable act, make an agreement on ensuring the work with representative trade unions.

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There are a number of further conditions on the employer, if they are to receive the subsidy: they must not make employees redundant during the period of receiving the subsidy; they must continue to pay salaries and social security contributions; they must not determine overtime work for employees during the period of subsidy; and they will not pay bonuses to management or monitoring authorities.

Employers are able to submit a maximum of 2 applications: one for assistance in subsidising the salaries of employees, whose full-time work has been set at 36 hours per week (this is a subsidy of 60 Euros per month); and a second subsidy if, following agreement with a trade union, a period of shortened working time, of no less than 32 hours per week, has been instituted. The entire process is managed by the Employment Service.

For 2009/10, The Ministry of Labour, Family and Social Affairs has also dedicated 4 million Euros for the training and education of employees within micro and small businesses, as well as within businesses with subsidised full-time employment. In addition, 8 million Euros have been set aside to provide training and education for lower skilled employees within businesses with subsidised full-time employment.

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The Qualification-Employment Program includes the placing of workers into qualified training during periods of temporary reduction in normal work or a suspension of employment contracts. Vocational training should be undertaken during working hours and in correspondence with the normal working period, or the remainder of the normal period of work in the case of a reduction in activity.

The measure is designed for businesses who can demonstrate adequate solvency ratios, financial autonomy, and a strong competitive position in the markets where they are operating, yet for reasons of cyclically reduced demand, need to temporarily introduce a reduction in normal working periods or the suspension of employment contracts, to ensure its viability and the maintenance of jobs.

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The financial support corresponds to:

• 85% of the wage compensation payment which is 2/3 of the normal gross compensation of

the workers, as set out in the Labour Code, during the training period;

• Payment of an incentive for qualification, equivalent to 1/3 of the normal gross

compensation of the worker.

The financial support applies to a maximum of 35% (automotive sector) or 25% (other

sectors) of the workers of the enterprise, which is directly connected with the level of

production or the equivalent in number of production hours.

To access this support, the enterprise must:

Demonstrate adequate solvency ratios and financial autonomy in the two previous years

before application;

• Demonstrate economic viability;

Demonstrate a regularized situation to the tax and social security administration;

• Not have initiated proceedings of collective dismissals since the approval of the IIE

(Initiative for Investment and Employment);

Demonstrate and quantify the potential excess of working capacity and demonstrate that it

is based on cyclical effects of reduced demand for their products;

Submit a training plan, designed to improve the qualifications of the workers.

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