

# COVID-19 socio-economic responses in Germany

ESPN Flash Report 2020/31

WALTER HANESCH – EUROPEAN SOCIAL POLICY NETWORK

JUNE 2020



## Description

*In Germany, a range of labour market and social policy measures were taken early on to mitigate the risks associated with the COVID-19 crisis. Almost all of these measures are temporary.*

In addition to medical measures and a comprehensive protective shield for the economy, a number of labour market and social policy measures were adopted by the federal legislator to mitigate the social costs of the COVID-19 crisis:

1) One of the first measures adopted (13 March 2020) was the Act to Facilitate short-time work. This authorises the federal government to permit easier access to the short-time work allowance in the event of exceptional conditions in the labour market, by statutory order (for a period until the end of 2021). According to the corresponding regulation, which entered into force retroactively on 1 March, a company can apply to the Federal Employment Agency for permission to introduce short-time working if at least 10% (previously at least one third) of its employees have suffered a reduction in working hours. The affected employees receive the short-time work allowance immediately.

2) The law on social protection package I, which came into force on 27 March and contains in particular the following measures:

- Simplified access to minimum income benefits according to Social Code Books II (Basic Income Support for Job-Seekers) and XII (Social Assistance): in order to support especially micro-entrepreneurs and the self-employed who have suffered significant income losses in the wake of the COVID-19 crisis, access to

subsistence benefits has been simplified (until 30 June, with the possibility of an extension until 31 December).

- Facilitated access to the child benefit supplement: for families whose income is reduced due to short-time working, unemployment benefit or loss of income, the conditions for payment of the child benefit supplement are relaxed. For example, for a limited period, the income in the last month before an application is submitted is taken into account, rather than the income over the previous 6 months.
- Childcare allowance: if parents are unable to work due to the official closure of kindergartens and schools, they can, subject to certain conditions, receive compensation (this measure applies to parents with children under 12 or disabled children [with no age limit]).
- Existence guarantee for social service providers: providers who would have to close their facilities during the COVID-19 crisis because they are no longer able to perform their previous tasks, are eligible for a non-refundable grant if they use their facility for crisis management (until 30 September or at the latest 31 December).

3) Social protection package II, adopted by the federal legislator in May 2020, includes further measures to cushion the social consequences of the COVID-19 pandemic.

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- The short-time work allowance is increased for employees whose working time has been reduced by at least 50%. The increase depends on the period during which the person has already been working short hours. From the fourth month onwards, the short-time work allowance is increased from the standard rate of 60%, to 70% of net wages, and from the seventh month onwards to 80%. For parents, the allowance is increased from the normal rate of 67%, to 77% and 87% of the last net wage respectively. The increases apply until 31 December at the latest.
- The period of receipt of unemployment benefit I, i.e. the contribution-based wage replacement benefit from unemployment insurance, is extended once by three months if the entitlement expires between May and December. As a result, the moment when job seekers need to apply for the means-tested basic income support is postponed.

4) As part of the Second Act on protection of the population in the event of an epidemic situation of national importance, all nursing care workers will receive a one-off special payment ("Corona premium") of up to €1000 in 2020. The highest payment will be made to full-time employees in direct care and nursing. The payment can be increased to €1500 by employers and/or the Länder. Individual Länder, such as Bavaria, have announced that they will pay a premium of €500 to all employees in the health and care sector.

5) On 3 June, the governing coalition agreed on an economic stimulus package worth €130 billion. It includes inter alia a one-off child bonus for families, of €300 per child. The bonus is also paid to recipients of minimum income benefits under Social Code Books II and XII.



## Outlook and commentary

As expected, the COVID-19 crisis has had an impact on the labour market (Bundesagentur für Arbeit 2020): the number of registered unemployed went up from March to May by 478,000 to a total of 2,813,000 (+21%) – i.e. an unemployment rate of 6.1% in May. In March, 2.02 million, or 6% of employees paying social insurance contributions, took advantage of the short-time work allowance. Based on the company applications made in March and April, a maximum total number of 10.66 million recipients of short-time work allowance in April and May 2020 can be assumed. This would correspond to 31% of all employees paying social security contributions.

The impact of the above measures can only be assessed with caution, not least because the duration and depth of the COVID-19 crisis and its impact on the economy and labour market cannot yet be predicted. However, experts agree that the massive use of short-time work has so far prevented an even greater increase in unemployment.

Overall, the first two reforms (short-time work and social protection package I) have met with broad approval. In contrast,

the increase in the short-time working allowance (in social protection package II) has been criticised by the employers' associations despite its limited duration (BDA 2020). As almost all the measures are only valid for a short time, they alleviate the current situation for the workers concerned but are not expected to have a lasting effect. This is regrettable, not least for employees in the care sector, since working conditions and remuneration are a major reason for the lack of skilled workers in this occupational field. The same is true for those receiving short-time work allowance, which was and will be very low again by European standards (Schulten, Müller 2020) when the temporary increase expires.

### Further reading

BDA (Bundesvereinigung der deutschen Arbeitgeberverbände) (2020): Tragfähigkeit des Sozialstaats nicht durch falsche Erwartungshaltungen völlig überfordern, Stellungnahme vom 26.4.2020, Berlin.

Bundesagentur für Arbeit (2020): Monatsbericht zum Arbeits- und Ausbildungsmarkt May 2020, Nürnberg.

Schulten, Thorsten; Müller, Thorsten (2020): Kurzarbeitergeld in der Corona-Krise. Aktuelle Regelungen in Deutschland und Europa, Policy Brief WSI No. 38, Düsseldorf.

### Author

[Walter Hanesch](#) (University of Applied Sciences Darmstadt)

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Quoting this report: Hanesch, W. (2020). COVID-19 socio-economic responses in Germany, ESPN Flash Report 2020/31, European Social Policy Network (ESPN), Brussels: European Commission.