

Austria: Extension of the short-time work scheme and debates on a reform of unemployment benefits

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At the end of July 2020, the Austrian government decided to extend the Corona short-time work scheme for another six months, until March 2021. Furthermore, an intense political discussion was triggered around the idea of reforming unemployment benefits by introducing a degressive wage replacement rate, decreasing over the period of unemployment. However, there is no agreement on such a reform among the coalition partners.



Description

The so-called “Corona short-time work” (CSTW) scheme was introduced in March 2020 to mitigate the adverse impact of the COVID-19 pandemic and related lockdown measures on the labour market (see Flash Report 2020/47). The CSTW was originally planned to expire by the end of September 2020; however, already at the end of July, after negotiations with the social partner organisations, the government announced an extension of the scheme for another six months, i.e. until the end of March 2021.

The wage replacement rate of the extended CSTW will continue to range between 80 and 90% of the previous net salary, depending on the earlier gross income. But a number of modifications will apply. Initially, working hours could be reduced to between 10 and 90% of the original working time; this has now changed to a range of between 30 and 80%. In other words, a reduction of usual working time to very short hours (less than 30% of usual hours over the period considered for the calculation of the average working hours) will no longer be possible in the future. However, as in the initial model, working time can still be temporarily reduced to 0 hours within the overall period used to calculate average working hours, which will be expanded from a maximum of three months to a maximum of six months. In order to prevent abuse of CSTW by employers, they will have to provide a more detailed forecast of their expected future business development. An important element that was

considered in the negotiations on the extension of the scheme was the introduction of an “obligation for further training”. The idea was that workers would have to participate in further training during CSTW. Finally, it has been agreed that workers have to be “willing to participate in further training” if this is offered by their employer. The Public Employment Service (PES) plans to organise training measures, in cooperation with employers.

Another policy area where a reform is envisaged is that of unemployment benefits. At the end of July, the Vice-chancellor of the Federal Government and party leader of the Greens, Werner Kogler, announced that his party would be in favour of a degressive wage replacement rate for unemployment benefits, with a higher replacement rate at the beginning of the period of unemployment, which would decrease over time. Currently, unemployment insurance grants a net wage replacement rate of 55% (plus any family allowances) for unemployment benefits (*Arbeitslosengeld*); this rate then decreases to approx. 52% in so-called emergency unemployment assistance (*Notstandshilfe*), which can, in principle, be obtained for an unlimited period after the maximum period for unemployment benefit has been reached. (This maximum period varies between 20 and 52 weeks, depending on the age of the beneficiary and the earlier insurance record.) The introduction of a degressive wage replacement rate for unemployment benefit is also a declared long-term goal of the conservative People’s Party (ÖVP), who have governed together with the Greens in a

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coalition Government since January 2020. However, it appears that the two parties hold different positions on the specific design of a reform of unemployment insurance. Reportedly, the ÖVP is in favour of a model where the replacement rate at the beginning of the unemployment spell is higher than currently (approx. 65%), and where it then decreases to 55% and later to 45% (or less). The Greens, however, would like the wage replacement rate to be increased to 70% at the beginning of the period of unemployment, and then not to fall below the current level of 55%. The Social Democrats (SPÖ), the largest opposition party in parliament, as well as the Trade Union Federation (ÖGB) argue that the net replacement rate of unemployment benefits should generally be increased to 70% and that a degressive replacement rate would not make sense under the current circumstances, when there is no demand for labour.

Outlook and commentary

Since its introduction, CSTW has been widely used by employers, considerably mitigating adverse effects of the COVID-19 pandemic on the labour market. Its extension is based on a generally accepted understanding that the macro-economic conditions will remain difficult in the medium term and that in some sectors, such as production, structurally adverse effects will only become fully visible from autumn 2020.

In this context, one of the declared objectives of the government is to

them know in good time which features of the current CSTW will be amended from October 2020. The narrowing of the possible reduction of working time to between 30 and 80% of the original working hours (instead of 10% and 90%) is intended to make the system fairer, as it might be difficult to explain why persons with very short working hours should receive the same income as persons with nearly full working hours. Preventing abuse of CSTW by employers also appears to be an issue. It remains to be seen how the new requirement on companies to forecast their expected future business development will actually be implemented. Hitherto, nearly all applications for CSTW were accepted by the PES, and the resources of the so-called financial police (*Finanzpolizei*), checking the proper implementation of CSTW by companies, are rather limited - between 21 April and the end of June, approx. 2,450 companies were audited in more detail, whereas more than 100,000 companies applied for CSTW both in May and June. Regarding the combination of CSTW and further training, it is not yet known precisely how this will be implemented. Evidently, if this goal is to be taken seriously, it will require very substantial organisational efforts, and the PES will need additional resources. At the same time, independent experts largely agree that CSTW should in the future be combined with measures for further education and training.

The pandemic and its adverse impact on employment and unemployment have evidently helped to intensify debate on a

unemployment have evidently helped to intensify debate on a possible reform of the unemployment insurance system. Within this debate, differing positions and arguments exist regarding the general importance of employment incentives, and concerning the adequacy of benefit levels, taking into account goals of social inclusion and poverty alleviation. This is one of the areas on which the two parties in government traditionally disagree, and on which no concrete reform plans have been set out in their joint coalition agreement of January 2020. Debates on this issue will most likely continue and a compromise may be difficult to find.

Further reading

Information on the extended CSTW:

<https://news.wko.at/news/oesterreich/Verlaengerung-der-Corona-Kurzarbeit-ab-1.-Oktober-2020.html>

2020-2024 Government Programme of the ÖVP-Greens coalition government: <https://www.bundeskanzleramt.gv.at/dam/jcr:7b9e6755-2115-440c-b2ec-cbf64a931aa8/RegProgramm-lang.pdf>

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