

Austria: Corona Short-Time Work has been extended until June 2022, but with reduced generosity and tightened access

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MARCEL FINK – EUROPEAN SOCIAL POLICY NETWORK

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At the end of June 2021, the Austrian parliament passed a reform extending the Corona Short-Time Work (CSTW) scheme until the end of June 2022. At the same time, access to the scheme was somewhat tightened and its generosity reduced. However, companies that were "hit especially hard" by the economic impact of the COVID-19 pandemic may continue to use CSTW until the end of 2021 according to the more generous rules in place before this reform. For other companies, new rules have applied since 1 July 2021.

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Description

The Corona Short-Time Work (CSTW) scheme was enacted on 15 March 2020 and has been revised and extended three times between then and June 2021. Following negotiations between the Federal Government and social partner organisations, the CSTW, starting from 1 July 2021, is being prolonged a fourth time, until the end of June 2022. However, companies may only receive CSTW subsidies for a maximum of 6 of these next 12 months.

According to the recent reform, the more detailed regulations apply to two different situations. For companies that have been "hit especially hard" by the COVID-19 pandemic, CSTW will continue to be granted until the end of 2021, largely according to the same rules as before the reform. "Companies hit especially hard" are defined as: i) companies whose turnover decreased by at least 50% between the third quarter of 2019 and the third quarter of 2020; or ii) companies directly affected by lockdown measures. For other firms, the new rules have applied since 1 July 2021.

Under the initial CSTW, working time could originally be reduced to between 10% and 90% of the level of the relevant working time. From October 2020, this was changed to between 20% and 70% of the original working hours (during the period covered by the calculation, working hours could also be reduced to 0 hours temporarily). According to the new rules, working time can usually only be reduced by a maximum of 50%,

whereas for companies "hit especially hard" the 70%-rule continues to be in place until the end of 2021.

Within CSTW, employers previously received a refund of close to 100% of the costs associated with hours not worked because of CSTW, also covering social insurance contributions and pro-rata costs for Christmas and holiday pay. Starting from 1 July 2021 this refund was reduced by 15%, with the effect that only about 85% of the costs associated with CSTW will be covered by the public subsidy, and the rest will have to be financed by the employer. However, firms "hit especially hard" will continue to get the full refund until the end of 2021.

Businesses that have not used CSTW between 1 April and 30 June 2021 and which apply for it thereafter may only be granted a CSTW subsidy after a personal consultation with the Public Employment Service (PES; *Arbeitsmarktservice* AMS) and representatives of social partner organisations. During this consultation, it will be assessed whether short-time work could be (at least partly) replaced or prevented by alternative measures.

Before 1 July 2020 employers were not allowed to reduce the number of employees while receiving CSTW subsidies. The new rules allow for a reduction of the number of employees while using CSTW providing that two conditions are met: i) the employees concerned must have been registered with the PES "early dismissal warning system", according to § 45a AMFG (*Arbeitsmarktförderungsgesetz*; Labour Market Promotion Act) before the company applies for CSTW, and ii) the

trade union must agree to exclude these persons from the job guarantee usually applicable during usage of CSTW.

What remains unchanged by the reform is the total wage replacement rate for employees on short-time work. Depending on the prior salary level, this rate varies between 80% and 90% of the previous net salary.

The declared goal of the reform is to provide planning security, to prolong CSTW as an easily accessible and rather generous system for sectors and companies especially affected by the economic consequences of the COVID-19 pandemic, and to reduce the take-up by other companies.

Outlook and commentary

CSTW turned out to be the main instrument for employment stabilisation in Austria during the COVID-19 pandemic. The number of employees registered with CSTW rose sharply during the first lockdown starting from mid-March 2020. An all-time high was reached in May 2020, with more than 1.3

million employees registered with CSTW (this number is somewhat higher than the number of beneficiaries for which precise monthly information is not available). According to estimations by the PES (see AMS 2021), between March 2020 and March 2021 a monthly average of around 245,000 jobs were saved due to CSTW. During the same period, the average monthly number of employees was 3.70 million (March 2020: 3.59 million; March 2021: 3.73 million), and the average monthly number of registered unemployed 425,000 (March 2020: 504,000; March 2021: 381,000 [the peak during the period was reached in April 2020, with 522,000 registered unemployed]).

In June 2021 the number of registered unemployed fell to approx. 290,000 persons, but still a further 300,000 persons were registered with the CSTW scheme. With the recent reform, the number of persons covered by CSTW until the beginning of autumn 2021 is expected to decrease to between 100,000 and 120,000, of which around 20,000 to 30,000 are expected to work in

companies “hit especially hard” by the pandemic.

Evidently, increasing the direct costs of CSTW for employers, especially on account of the reduction of the CSTW subsidy by 15%, should substantially reduce the incentives for companies to make use of the scheme. Yet time will tell whether this will result in a rising number of layoffs. If and to what degree such an effect will occur depends primarily on the overall economic performance of the country during the next few months. Recent forecasting indicates a strong upswing for both 2021 and 2022 (Institut für Höhere Studien 2021). However, this is based on the optimistic assumption that there will be no future lockdowns.

Further reading

Institut für Höhere Studien (IHS) (2021): [Forecast of the Austrian Economy 2021–2022](#)

[Information on the CSTW reform prepared by the PES](#)

PES (2021): [Assessment of the employment impact of CSTW](#)

Author

[Marcel Fink](#) (Institute for Advanced Studies, Vienna)

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