CORONAVIRUS PANDEMIC, SHORT-TIME WORK SYSTEMS AND AVOIDING LAYOFFS

Sweden, Denmark, Germany, the Netherlands, Austria, and Spain

Jyrki Raina

August 2020

Foreword

The novel coronavirus, COVID-19, hit Europe suddenly in late winter 2020 and was met with a rapid response from governments and both sides of the industry.

What was common for each country was that there was a significant downturn in production and services, with the ensuing threat of mass unemployment. Measures to prevent unemployment varied by country depending on the various systems that were available within the framework of the local legal systems. New laws were enacted rapidly as needed and collective industrial organisations drafted new agreements.

Finland adapted to the situation in a highly flexible manner with the government and the country's collective industrial organisations working in close cooperation. Furlough procedures, where the employment relationship is not severed and loss of income is offset with earnings-related benefits, were accelerated. The employees' waiting period was removed and social safety measures were extended to sole entrepreneurs.

Many European countries enacted short-time work systems, where the government covers a part of the loss of income. This report focuses on said models. Other measures include various compensation packages for companies, such as covering social security fees with government funds, VAT reductions, direct subsidies, loans, and guarantees.

The solutions used by other countries may influence the discourse in Finland when we begin to search for new ideas for future crises during the pandemic aftercare procedures.

In summer 2020, the Finnish Industrial Union, the Trade Union Pro and the Finnish Paper workers' Union commissioned me to write a report on the measures six EU member states – Sweden, Denmark, Germany, the Netherlands, Austria, and Spain – took in reaction to the pandemic, particularly with short-time work systems.

I compiled this report with written sources and with the help of interviews from labour union experts from the analogue countries. My aim was to find out what their systems' main points were as well as the local operators' experiences, without going too far into detail.

The report's steering group consisted of the Finnish Industrial Union's Jari Hakkarainen, the Trade Union Pro's Matti Koskinen, and the Paper workers' Union's Markku Häyrynen.

Jyrki Raina, August 2020

The report has been translated
from Finnish into English by AAC Global

1. Background

In March, the coronavirus pandemic was thought to be different than the economic crisis of ten years ago, or the 1990s depression. Even though we did not know much of the virus, we were able to assume that the first wave would last some months, after which additional waves would occur concurrently with care and vaccine development.

Stopping the virus required, according to healthcare experts, isolation and safe distances. The European Union was incapable of making a unified decision, and national governments made divergent decisions on closing borders, hotels and restaurants, or even on halting factory production.

Governments, companies and labour unions quickly realised that preserving jobs was paramount. Companies that are required to close their doors may not be able to reopen, and employees that have been laid off may not be able to return even if their employers reopen. For employees, it is better to retain employment over being laid off, despite a minor reduction to their income. Germany's experiences of the economic crisis ten years ago showed that focusing on keeping jobs was worth it, and the economic train got back to speed quickly once the situation improved.

A core part of the different governments' coronavirus packages has been to secure jobs through short-time work systems. On one hand, these systems have helped employees retain their purchasing power and through that, contribute to the national economy, and on the other hand, they have helped companies maintain their production while adapting to the market situation.

It must be noted that many countries do not have a similarly flexible furlough system as Finland, which only required minor tweaks when the coronavirus pandemic hit. That is why they were required to create support systems quickly through laws and collective agreements.

2. Country review

In this section, I will provide an overview of short-time work systems in six European countries, with a particular focus on the following questions:

- is there a support model in place for short-time work systems in normal conditions?
- changes to regular systems due to the pandemic
- corporate-level conditions for using the systems (e.g. ban on dividends and layoffs)
- target and manner of compensation payment
- level of compensation
- duration of the support
- funding for the system and its economic impact
- experiences of the labour unions
- references to other, possible measures for preventing mass unemployment

Sweden

Sweden used a furlough income system for some years in the early 1990s, but it was discontinued for cost reasons. When the global financial crisis hit in 2008, IF Metall and certain other unions ended up drafting temporary crisis agreements, which, as a cause of some conflict, allowed for no more than a 20 percent reduction in income. This crisis, however, resulted in a law on government support for short-time work *(Lag om statligt stöd vid korttidsarbete)*, which was enacted in early 2014.

According to this law, the government will cover one third of the costs for up to 12 months, if an employee's:

- income is lowered by 12% and their working time by 20%,
- income is lowered by 16% and their working time by 40%, or
- income is lowered by 20% and their working time by 60%.

This government support was, however, limited to particularly low cycles, and it was not allowed to prevent "socially desirable structural changes". Due to this, this measure went fully unused in recent years, while Sweden's competitive countries created more flexible systems. As a result, the government's appointed investigator, Anders Ferbe, proposed an expansion to the system in 2018 to also cover companies' temporary, serious financial issues.

Before this matter could progress, the coronavirus pandemic became a reality, requiring rapid and radical action. As a result, laws were approved in April and May that covered the core aspects of Ferbe's proposal. Additionally, the government agreed to cover a majority of the costs in a crisis. Short-time work and the division of responsibility was determined as such:

Level	Short-time work	Reduction of income	Employer share	Government share	Employer's labour cost savings
1	20 %	4%	1%	15%	-19%
2	40%	6%	4%	30%	-36%
3	60%	7.5%	7.5%	45%	-52.5%
4	80%	12%	8%	60%	-72%

Intended for the coronavirus pandemic, this system will be in force until the end of 2020, but level 4 only applies to the period from May to July 2020, when employees working as little as a 1-day workweek will get 88% of their normal salary. The government share of the short-time work costs is roughly 75%, including the employer's social security fees.

Swedish Ministry of Finance example converted into euros: An employee's full-time monthly salary is €3,173. They are moved to a 2-day workweek and due to the 60% reduction, they will be paid 92.5% of their salary, i.e. €2,935. The employer's costs are reduced by 52.5%: previously, the salary and social security fees totalled roughly €4,173, now reduced to €1,982. The government covers the remaining cost, i.e. €1,878, which corresponds to roughly 75% of the total costs of the short-time work measure.

Requirements of this support package are coronavirus-related financial difficulties for the company, and a local agreement at workplaces that are linked to an industry or company-specific collective agreement. At other companies, signatures from at least 70% of the employees under the planned scope of the short-time work are required.

The employer pays the employee their reduced salary, and seeks compensation from the Ministry of Employment's Tillväxtverket agency. This support is available from 16 March 2020 until the end of the year, for an initial six-month period and a possible three-month extension. The salary ceiling for this support is 44,000 SEK/month (at current rates, €4,265). Government support is not available for the portion of salary that exceeds this ceiling.

Layoffs are not prohibited, but the agency states that dividends should not be paid out after 16 March. Otherwise, the agency may deem that the company is not in financial difficulty.

In May, the government assessed that part-time furloughs would affect 550,000 employees per month until the end of the year. The total sum of the support is estimated to rise to roughly €9 billion. By mid-July, 2.5 billion had been spent on support for 570,000 employees. Sweden's political right is critical of the support package, which they deem excessive and consider to prevent structural changes.

In mid-June, 89,000 industrial union IF Metall members, i.e. roughly one third of the total membership, were employed at companies that had entered into a local agreement on short-time work. IF Metall thinks that the system, with its 75% government support, is slightly too generous, which has led to local agreements being signed at a fairly low threshold. Members and their representatives are, however, mainly happy, as the reductions in income are minor and since there had only been 1,200 people laid off in March–June. Furloughs have been implemented in various ways, occasionally with alternating full work weeks and full weeks off.

The office workers' union Unionen rapidly negotiated 50 industry-specific and 20,000 local agreements that applied to a maximum of 100,000 members, 40,000 of whom worked in industrial jobs. Unionen think the system has worked well, though it does share IF Metall's criticism of the system's excessive generosity and low barrier.

Paper workers' union Pappers wrote an industry-specific agreement on the application of the law, and according to them, it has functioned without major issues. At worst, the paper industry saw only 1,500-2,000 people in furlough.

What kinds of changes will be made to the previous "normal system" is not yet clear, after the temporary law on the coronavirus pandemic is discontinued at the end of 2020? The changes will most likely be based on the proposal commissioned from Anders Ferbe, according to which the 2014 system is extended to companies' temporary and serious financial issues. In Ferbe's proposal, the government would pay one third, or some other share, but one that is smaller than the 75% in the coronavirus period, of the furlough costs, and the employer and employee a third each. The law would also include incentives for competences development and training under partial government support during the furlough period.

Denmark

Denmark has had a system they refer to as work sharing *(arbejdsfordeling)* for short-time work, regarding which there are legal regulations as well as those in the collective agreement between the industrial unions' joint body, CO-industri and Dansk Industri.

This system was widely used in the previous financial crisis, but as the situation improved, its use waned. Danish labour unions have been happy with the dynamic labour market and its flexible security system *(flexicurity)*. Employment protections are weak, but the social safety net is strong and the country's active labour market policies keep periods of unemployment short.

In normal conditions, to prevent layoffs, short-time work is possible for no more than 13 weeks in a 12-month period. Labour agencies can, at the company’s application, grant another 13-week period. Reductions may also take place in shorter periods. Employees are paid when they are working, and they are provided an unemployment benefit for a furlough of at least two days.

Possible models are:

- furlough of at least 2 days per week
- one week of work, one week of furlough
- 2 weeks of work, one week of furlough
- 2 weeks of work, 2 weeks of furlough
- 6 or 7 weeks of work, 6 or 7 weeks of furlough

Work sharing must be agreed locally, and such agreements must be reported to both sides of the industry and to the labour agency. During the use of the system, layoffs for financial reasons are prohibited.

After the coronavirus broke out, a tripartite agreement was reached very quickly on 14 March, in which the core factor is a government compensation for labour costs. Companies that would be required to lay off at least 30% of their workforce or over 50 employees were included as beneficiaries.

Employees are paid their full, normal salary, of which the government compensates 75% to the employer for monthly salaried employees, and 90% of hourly employee’s salaries, however no more than 30,000 DKK (roughly €4,000) per month. As a counterbalance, the employee is required to take five unpaid holidays.

After two extensions, the system will remain in place until the end of August 2020, according to current information. While the salary compensation system is active, companies may not lay employees off for financial reasons. This salary compensation cannot be combined with the work sharing arrangement. In March, the Danish government estimated that the total price for this compensation would be 3.8 billion DKK (€510 million).

After the government's salary compensation system was confirmed, Co-industry and Dansk Industri agreed on 17 March that companies may, in a coronavirus-related force majeure situation, place an employee on furlough without notice. Correspondingly, the employee must be invited back to work when the situation improves, possibly at a one-day notice.

Companies seeking overall support for a sum of over €8 million may not pay out dividends or re-buy their own stock during 2020–2021, nor may they be registered in a tax haven.

CO-industri states that feedback from the field has been highly positive, as jobs have not been eliminated. Employers, on their part, have placed high value on the fact that it has been possible to quickly regain highly skilled employees. In June, short-time work arrangement applied to over 200,000 employees, i.e. roughly 8% of the workforce. The industrial sector has not suffered as much as the service sector.

There is, however, a rising worry for when the support measures end in September, as old orders have been carried out and new ones have been slow to come in. Denmark's industrial sector is SME-focused and primarily works in subcontracting, and as such, much depends on the development of the European and global economies. It is likely that the work sharing system will see some developments when the salary compensation ends in August, unless it is extended, as most other countries have done.

Germany

Short-time work *(Kurzarbeit)* under normal conditions is regulated in the German social laws. The government may provide a compensation *(Kurzarbeitergeld)*, if:

- employment and income are reduced significantly for an economic reason,
- the reduction is temporary and inevitable (other measures already taken), and
- at least one third of the employees has lost at least 10% of their gross income in a calendar month (no upper limit), and
- The application is based on a local agreement, generally with the works council *(Betriebsrat)*.

The compensation for short-time work is 60% of the employee's lost net wages, or 67% of the employee has at least one child. The employer pays the employee their reduced salary, and applies for compensation from the authorities.

This compensation can be paid for a period of no more than 12 months. In an exceptional situation, the federal government may extend this period to 24 months, as was done during the financial crisis in 2009. Employees retained their jobs and production rose rapidly once the situation improved.

After the coronavirus spread through Germany, the federal government approved a host of temporary improvements to the short-time work benefits in March–April 2020:

- to receive the benefit, it is enough for at least 10% of the employees to have seen a reduction in work and income of at least 10%, instead of the usual one third
- the federal government would pay the employer's social security fees, either in full or in part
- temporary agency workers were included in the benefits
- the level of benefits would be raised after the first three months in case the loss of income is more than 50%: 4–6 months and 70% of net salary (77% if with children), 7–12 months and 80% (87% if with children)

The basis for increasing the level of compensation over the months was that salaries in the services sector, which was the worst off, are often small and its margins tight. In calculating the benefits, the wage ceiling is set at €6,900/month in the western states and €6,450 in the eastern states, which is clearly higher compared to Sweden and Denmark.

The federal government covers all the costs. The system was put in place retroactively from 1 March, and it is set to be discontinued at the end of the year.

Things were also changing on the collective agreement work. In March, IG Metall agreed in the state of Nordrhein-Westphalen that Christmas and holiday bonuses could be divided by 12 and added to the monthly salary on local agreement. These are benefits that are based on collective agreement, with Christmas bonuses being 55–110% of the monthly salary and the holiday bonus being 70%. This arrangement ups the level of compensation to roughly 80% and reduces the employer's costs.

When the local agreement is in effect, lay-offs are not possible. Short-time work is possible from 35 hours weekly to 28 with a partial salary compensation, and in exceptional cases, to 26 hours weekly. As a part of the local agreement, a solidarity fund will be opened for the employer to transfer €350 per employee, to be used to support employees in financial trouble. Support is provided for childcare, which will also be made easier.

IGBCE also confirmed a higher level of compensation in their collective agreement than what the law requires, in the chemicals industry for 90% of net salary (which was already valid in normal times) and 80% in the glass sector. Similar agreements exist on the corporate level. In the paper industry, the employer can choose between two systems, either a 90% compensation level or a system based on law, which, due to its formula, can provide a shift-based employee with up to 95% of their net salary. All in all, three out of four IGBCE members are included in the higher compensation bracket. The employer is responsible for the additional costs of the higher level of compensation. As compensation, the notification period for furloughs was reduced to three days, and it became possible to agree on 12 hour shifts locally.

In May–June, short-time work applied to 2.1 million metal industry workers (out of a total 3.5 million), 260,000 chemicals industry workers (particularly automotive subcontractors) and 160,000 wood, paper and textiles industry workers. In April, the pace continued to accelerate. The measures apply to 80% of the metal manufacturing workforce, 67% of the automotive industry, and 33% of the chemicals industry. In all of Germany, 10 million wage earners were included in the system in April–July, when at the height of the financial crisis in 2009, short-time work only applied to 1,4 million people. Despite that fact, unemployment rose by 28%, which meant a lot of jobs were lost, particularly in the services sector.

IG Metall wants to highlight the fact that short-time work is only one tool among many to secure jobs. When financial issues emerge, overtime work and external agency work orders are discontinued, and part-time retirement may also be considered. The financial crisis had taught them to make quick decisions, as keeping people employed proved to be useful. The members are happy, as are the companies that retained their liquidity.

The idea behind the net salary idea was to ensure that the employees can truly get the agreed share of their regular income. The labour unions desired a 80% level of compensation, but in negotiations, they settled for a compromise to get a functioning system quickly.

These systems will remain in place until the end of 2020 (as will IG Metall's extended collective agreement), and they can be extended further with a regulation. Much depends on the development of the economy and employment figures in the autumn.

In July, the German employment agency stated that supporting short-time work will cost the federal government €23.5 billion in 2020.

The Netherlands

In the Netherlands, short-time work systems *(werktijdverkorting)* are in normal conditions limited to exceptional events, such as fires, flooding and epidemics. A company can seek support, if work volumes are reduced by at least 20% for 2–24 weeks.

Employees retain, roughly speaking, their usual incomes. The employer pays the employee for hours worked, and the government pays them for the short-time work. Support is available for six weeks as a rule. Three six-week extensions are possible if the ministry of employment and social affairs deems that the situation has not improved. The maximum support period is, therefore, four six-week periods, i.e. a total of 24 weeks.

Once the coronavirus pandemic spread to the Netherlands, the government replaced the normal system on 17 March with the NOW emergency fund to promote employment *(Noodfonds Overbrugging Werkgelegenheid)*. The threshold remains at an estimated 20% loss of work over the next four months, but the share of government subsidy is now dependent on lost turnover as follows:

- 90% of salary, if turnover has fallen by 100%
- 45% of salary, if turnover has fallen by 50%
- 22.5% of salary, if turnover has fallen by 25%

The employer will be responsible for 10–77.5% of the wage cost. The employee will be paid in full, and the government will compensate the employer for the share stated above. The ceiling has been set high, as the maximum compensable monthly salary is €9,538. Support is also available for labour costs regarding temporary and zero-hour workers' costs.

Local agreements are not required, but the employer must notify the works council of their application for NOW support. They must also encourage employees to seek training and career counselling, for which a new support programme was opened in August.

Salary subsidies are generally paid for no more than three months, but a three-month extension may be granted upon application.

A company that receives this subsidy is not allowed to pay bonuses or dividends in 2020. Layoffs must be avoided until the last. In May, layoffs were subject to a penalty fee of 50%, i.e. the employer was required to pay back 1.5 times the subsidy for an employee they laid off. This penalty fee was removed in June, but the subsidy will still be recovered from the employer. Laying off at least 20 employees is subject to an agreement with the labour union or the employment council. If the parties do not reach an agreement and layoffs are still carried out, the government subsidy is reduced by 5%.

The government has estimated that the NOW programme will cost roughly €20 billion. A total of 1.7 million employees, i.e. 23% of the workforce, were included in this support system in May.

The programme has been extended until the end of September 2020. According to the largest labour union, FNV, discussions on another extension has already begun. FNV has been happy with the support measures, especially after the measures were expanded to include temporary and other "flexible" workers. The union would like to move towards a sector-specific approach in the autumn, instead of the current, general unfocused programme.

Austria

Austria's short-time work programme *(Kurzarbeiterhilfe)* can be used in normal conditions, when the following requirements are met:

- other options, such as time banks, holidays and overtime bans have already been exhausted
- company-specific agreement between social partners on short-time work conditions and scope
- employer must consult the works council to explore other options
- working time must be 10–90% of normal hours
- company must apply for support six weeks in advance

Unworked hours are subject to an unemployment benefit that is roughly 55% of net salary. The system is in place for six months, but it can be extended in six-month periods for up to two years.

Once the coronavirus pandemic spread to Austria, the central labour union, ÖGB, and the employers' representative body, WKÖ, agreed on an extensive support package. The government agreed to compensate furlough costs in full as follows:

- 90% of the past 13 weeks' net salary, if gross income does not exceed €1,700/month
- 85% if gross income is €1,700–2,685
- 80% if gross income is €2,685–5,370
- apprenticeship workers will receive 100% of their net salary

Companies apply for the support from the labour market agency, while negotiating a local agreement. Support is granted for three months at a time, and additional applications are accepted. The programme was intended to end in September, but in July, it was extended to the end of March 2021. Both sides of the industry agree that an additional six-month extension will be required in April 2021, with a focus on industries that require support.

The employer pays the employee their reduced salary and is compensated by the agency, including non-wage labour costs. Working time may be reduced to 30-80% of normal, but the salary is always 80–90%. In their free time, the employee is required to participate in employer and agency-organised training.

Employees may not be laid off during short-time work measures and the month thereafter.

The government estimates that furlough support will require €12 billion. A total of 1.4 million employees, i.e. 32% of the workforce, were included in this support system in May. According to Austria's major industrial labour union PRO-GE, 380,000 employees in 14,000 companies were under short-time work at the end of May. The amount of support per employee was roughly €8,800.

According to PRO-GE, numbers show that the need for support has been great and that over a million jobs have been saved across various fields. The largest change to the normal system was to boost the level of compensation from the fairly low 55% to 80–90% of the net salary, which was a requirement from the labour unions. Maintaining purchasing power and domestic demand was important.

Another change was that regular support was limited to companies with a works council. Without a council, every employee's signature is required for the application, which also needs additional signatures from the social partners. In practice, the unions have a veto right regarding the applications, which has meant that relations between them and certain difficult companies have improved. Employer representatives are confident, as the situation has stayed under control. Market development is, however, uncertain, which means that extending the programme until 2021 was important.

Spain

In normal conditions, Spain uses a short-time work system called ERTE (*Expediente de regulación temporal de empleo*). It makes either a 10–70% part-time or a full-time furlough possible. Employees are provided up to 70% of their previous gross salary as an unemployment benefit, which is at least 75% and no more than 220% of the legal minimum wage. This benefit can be paid for up to two years.

The employer must inform the labour authorities of starting this process and contact employee representatives to initiate consultation proceedings as well as to inform them of the number of employees and the financial, technical, organisational or production-related reasons.

After the coronavirus pandemic reached Spain, the ERTE system remained in place roughly as it was, but the local negotiation period was reduced to 7 days, and the government committed to cover the employers' social security fees in case of furloughs. The government estimates that it will spend €17 billion on the ERTE programme, and €6 billion on social security fees.

Employees will be given an unemployment benefit of up to 70% of their previous gross salary for the first six months, after which the benefit drops to 50%. For companies with under 50 employees, the government will pay the social security fees in full, and for larger companies, it will pay 75% of the fees.

There are upper limits to the compensation. Families with at least two children are entitled to no more than €1,411 per month, families with one child get €1,255 per month, and families without children get €1,098. For comparison, the legal minimum wage in Spain is, despite the significant raises in recent years, only €1,108 per month.

The crisis mitigation system has been extended until 30 September, but people are guessing that it will be extended further, until the end of 2020.

At the height of the pandemic in May, 4 million workers were included in the ERTE programme, which is 24% of Spain's entire workforce, as well as half a million companies of all sizes. The drop in industrial production was at its lowest in April, at nearly 34%, with a fall of up to 92% in automotive manufacturing.

Companies have committed to zero layoffs and maintaining the level of employment for six months after normal operations resume after the programme ends. The programme prohibits paying dividends, and it is not available for companies that have their head offices in a tax haven.

Spanish labour unions have negotiated various company-specific agreements which improve employee security with, for instance, extended layoff bans or increased compensation levels (Airbus 90%, Michelin 80%).

In January–May, industries laid off as few as 1,000 people, while 84,000 workers were furloughed either part or full time. In total, there were slightly under 900,000 Spanish people in furlough. Half of them have already returned to work.

Labour union Industria CCOO have been very happy with the left-wing government's support package, which has saved tens of thousands of jobs. The difference to the financial crisis ten years ago is massive. Then, the right-wing government chose the path of austerity instead of investment, which caused many jobs to be permanently lost. Now, 5 million workers have benefited from the programme. Labour unions have been active in negotiating better arrangements, particularly with large, international companies.

Industria CCOO states that support will be required after the programme ends on 30 September. The government has considered reserving €5 billion for each upcoming month, but with more focus on particular sectors. The tourism, automotive, and steel industries have suffered the most.

3. ETUI guidelines on efficient and fair systems

The European Trade Union Institute ETUI published guidelines in spring for efficient and fair short-time work systems:

- **Scope**: The system must include all industries, companies, and employee groups. Employees in the most vulnerable positions require particular attention.
- **Support amount**: The system must ensure a sufficient sum of money for a decent life. Salary benefits should guarantee at least 80% of the original salary. People that work low-wage and atypical jobs should gain a higher benefit. Possible maximum amounts must be measured in a manner to maintain a reasonable standard of living.
- **Duration**: It is important that the support system provides a long-term outcome after the immediate crisis.
- **Layoff protection**: To avoid abuse, the system should also include layoff protections that extend beyond the support period.
- **Dividend prohibition**: A condition of government support should be to forbid companies from paying out dividends, management bonuses, stock re-buys, and registering the company head office or subsidiaries in tax havens.
- **Labour union and employee participation**: The labour unions and employees should be involved in planning and implementing such a system on the national, industrial and company level. Benefits should be paid only if the conditions of such have been agreed with the unions and employees on a suitable level.

The country review shows that the elements listed by ETUI have been included in the systems in most of the countries in this review. In the final chapter, I will comment on some parts in more detail.

4. Summary and thoughts on the future

In spring, Europe faced a new, common challenge of the coronavirus and its threat to health, the economy, and employment. Every country is different, with their own history, traditions, structures and practices. As a result, different countries created various, different short-time work systems with government support. Despite their differences, these models can also provide insight into the discussion here in Finland on the future of our systems in normal and crisis conditions.

I will present here a host of conclusions and thoughts on the systems and experiences of the six reviewed countries.

Each of the countries has spent and continues to spend a lot of money. Governments and social partner's organisations seemed to agree that the mistakes of the financial crisis of ten years ago must not be repeated. Then, most countries took the road of austerity, losing millions of jobs permanently and causing suffering for their citizens. Now, employees were kept at work, the government paid the bill, and everyone reaped the benefits. The bill is, of course, massive, and will take long to pay off. This report covers no more than the costs of the short-time work systems and compensations of social security fees, and it does not cover other, large sums such as direct benefits, value-added tax breaks or transfers and the like.

Compensation levels are higher in every comparison country than furlough benefits in Finland. According to the chart below, employees receive 60–100% of their regular income, whereas in Finland, a person with a €3,000 monthly salary with no children will receive a little under €1,700, i.e. 56% of their previous income. A Finn with a €4,000 monthly salary will receive slightly under 50% of their salary, and someone with a €5,000 salary only gets 43%. In the comparison countries, working time is also always reduced more than the salary.

	Short-time work salary of previous income
Sweden	92.5–96%, with 20–60% less work (until the end of July, 88% with 80% less work)
Denmark	100%, independent of how much work is reduced (loses max. 5 annual holidays)
Germany	60% of previous net salary (67% if with children) for the first 3 months, then 70% (77% if with children) for the next 4–6 months, and 80% (87% with children) for months 7–12. IG Metall and IGBCE have signed agreements wherein the compensation level is 80–90%
The Netherlands	100%, with estimated short-time work of 20%
Austria	80–90% of previous net salary (100% for apprentices)
Spain	70% for first 6 months, then 50%

Strong role of labour unions and/or works councils. Most of the countries require a local agreement as a condition to receiving the support packages, other also require a national collective agreement. Spain is the only country where a simple consultation with union representatives is sufficient, and in the Netherlands informing the works council is enough. In Denmark and Austria, the government system is based on a tripartite agreement or an agreement between the social partners, and in other countries, the social partners are involved in the negotiations with the local governments. In Germany, the government system's level of compensation was raised with industry and company-specific collective agreements. Unions and works councils were also deemed useful in determining that the need for assistance is real, and therefore to prevent abuse. Some furloughs have taken place under fairly light grounds to save on costs, but flat-out fraud has been rare thanks to the control mechanism.

Ban on lay-offs and payment of dividends. It feels natural that when governments invest billions into saving jobs, that they would have the right to set conditions on that investment. Some sort of lay-off protections is provided by Denmark, Germany, the Netherlands, Austria, and Spain. Distribution of dividends has been prohibited in Denmark (including tax havens), in the Netherlands (including management bonuses) and in Spain (including tax havens). In Sweden, the authorities can also deem that a company that pays out dividends does not need support.

Extensions to the programmes? At the moment, Austria is looking furthest, as the country’s social partners agreed on continuing the government support measures until March 2021. They are unanimous on continuing the support measures even beyond that, but only for industries that require assistance. In most other countries, the programmes have not been extended further than the end of 2020, with the Netherlands’ programme only active until the end of September and Denmark's programme until the end of August. If economic development remains poor in the autumn, there will certainly be a pressure to continue these measures until next year.

Or to a new normal? An alternative to the expensive pandemic-era programmes may be an update to the short-time work and furlough systems of the old normal. This country review shows that the systems employed by the various countries are surprisingly inflexible and not particularly agile to respond to the companies’ temporary financial issues in a manner that saves jobs. Sweden already has a completed investigator’s report, and the Netherlands will have to do something, as the NOW programme has replaced the old system in its entirety. The European Trade Union Confederation ETUC has written that “generally, short-time work systems are cheaper for governments compared to paying unemployment benefits to people that have been laid off”. ETUC does not refer to any research, but as has been stated above, keeping an employee is generally less expensive for all parties. On the other hand, it should not prevent necessary continuous development in the industry, or structural changes.

Corporate subsidies and fair competition. The governments’ billion-euro subsidies in the reviewed countries have been large corporate subsidies rather than adjustments to employment protection systems. How far can corporate subsidies be kept at this level before anti-competitive effects begin to emerge? This question is highlighted, if like in Austria, subsidies for particular industries enter the discussion. It must be noted that the short-time work systems discussed in this report have been only a part of the government support measures. Other direct and indirect subsidies have also made ten-billion-euro dents in budgets.

Reduced bureaucracy. Direct, simple systems received praise from both the trade unions and companies. In most countries, the employees did not have to wait for busy unemployment funds to pay out their benefits, and instead received their lowered salary directly from their employer, who sought their compensation from the government. The procedure was also made simple for the companies.

General satisfaction. Both employees and companies have been happy with the fact that mutual efforts and government support have saved millions of jobs and secured the employees purchasing power. Companies are ready to rise again, if and when the global situation so allows.

Links to European reports:

ETUC: Short Time Working Measures Across Europe (updated 25 May 2020)
ETUC: National measures to avoid collective/individual layoffs (updated 24 April 2020)
ETUI: Ensuring fair short-time work – a European overview (May 2020)
Eurofound: COVID-19 – Policy responses across Europe (June 2020)
OECD: Supporting livelihoods during the COVID-19 crisis (updated 20 May 2020)

Annex to the report – furlough in Finland

Finland has not introduced a separate short-time work model for the covid-19 crisis; it has opted to use the possibility of furloughs and the related unemployment security system.

The social partners did, however, agree on, and the government executed some changes to unemployment security and the furlough process to make it more flexible, which will be in place until the end of 2020. The core changes are described below.

Furlough

A furlough refers to a situation, where work and the payment of wages are halted, either until further notice or for a fixed term, while retaining the jobs. A requirement of furlough is always that the employer is unable to offer the usual amount of work. The reason for this may be a decrease in backlog orders, a weakening of the company's financial situation, or a disruption in the availability of components that are required in production.

Furloughs can be carried out either by placing an employee on full-time furlough for a fixed period, or by reducing their daily or weekly hours. Due to a reduction in work, an employee can be placed on furlough for a fixed term, or as an alternative to being laid off, until further notice. The reduction in available work and the estimated duration determine the length and manner of the furlough arrangement. Furloughs are, however, intended to be a temporary measure and an alternative to lay-offs or making an employee permanently part-time.

Furloughs are always linked to a requirement of co-determination, as well as a duty to serve employees that are placed on furlough are notified in advance (furlough notice). During the coronavirus pandemic, a temporary change to the legislation, as well as the corresponding clauses in the collective agreements regarding co-determination negotiations, which

- Reduced the period for co-determination negotiations to 5 days (in normal, temporary furloughs, this period is 14 days, and for furloughs until further notice, 90 days)
- The furlough notice period was reduced to 5 days (normally 14 days to 1 month)
- It was also made possible to place an employee in fixed-term employment in furlough. In normal situations, this is only possible in certain special cases.

These temporary changes will remain in place until the end of 2020. The changes are intended to facilitate faster, more flexible reactions sudden changes in a company's situation caused by the coronavirus pandemic.

Financial security during furlough

While on furlough, employees receive unemployment benefits. In Finland, these benefits are split into the government's base per diem, which is €724/month, and the unemployment funds' earnings-related pay-outs to their members.

Trade union members receive an earnings-related per diem through the unions' unemployment funds. The level of earnings-related unemployment benefit varies by salary. With full-time furlough the rate is 65% for people with a €2,000/month salary, 60% with a €3,000 salary, and slightly over 50% with a €4,000 salary (https://www.tyj.fi/en/if-you-become-unemployed/calculator/). An employee on furlough in a manner that their daily or weekly hours have been shortened are entitled to earnings-related benefits in relation to their shortened hours. An employee on an average salary, who works 50% their regular hours due to the furlough, will receive over 80% of their full-time salary as the combined salary and unemployment benefit.

Due to the covid-19 crisis, unemployment security was changed, among other things, in a manner that the wage earner is not imposed a waiting period, and days on furlough are not counted against the maximum wage security (unemployment benefits are paid for 300 or 500 days). Additionally, self-employed people will find gaining unemployment benefits easier.

The employers' share of unemployment security fees was also reduced.

The appendix was produced by the commissioning unions' experts, and it is not a part of the original report.

The report has been translated from Finnish into English by AAC Global.