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Designing short-time work for mass use

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INSTITUTE FOR EMPLOYMENT
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IAB-FORSCHUNGSBERICHT

Results from the project work of IAB

10|2022en Designing short-time work for mass use

Enzo Weber, Yasemin Yilmaz

Designing short-time work for mass use

Enzo Weber (IAB), Yasemin Yilmaz (IAB)

In der Reihe IAB-Forschungsberichte werden empirische Analysen und Projektberichte größeren Umfangs, vielfach mit stark daten- und methodenbezogenen Inhalten, publiziert.

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In brief

- In times of crisis, as was the case in the past COVID-19 pandemic, the instrument of short-time work reaches the limits of processability due to exceptionally high case numbers and fluctuating use. For this reason, this article will outline provisions for the design of short-time work under mass use.
- The developments and reforms of similar instruments on international level will serve as possible starting points. In the course of the pandemic situation, the provisions for short-time work were facilitated in some countries with the declaration of force majeure (“act of God”).
- For Germany, this article will propose corresponding regulations that could take effect in such cases.
- Finally, we will discuss the additional variant of a wage subsidy, which would be calculated on the basis of lost revenue. At the same time, this variant will be distinguished from other economic assistance.
- The options presented for mass use serve to regulate short-time work in exceptional situations. They are not intended to replace the traditional short-time allowance tailored to individual entitlements. Therefore, we will also outline the conditions under which a return to the regular scheme should take place.

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Summary

In the course of the COVID-19 pandemic, short-time work has once again proven to be an effective instrument to stabilise employment. However, the mass and fluctuating use that this effort entailed encountered an instrument based on individual eligibility. The complete processing of all cases in Germany will take years, with corresponding strains and uncertainties for firms and labour administration.

Against this background, this article discusses various possible approaches of a mass use directive for short-time work. A glance at European countries indicates that a simplification of short-time work, which is necessary in view of exorbitant case numbers, could be achieved by using the legal instrument of force majeure. If this is declared for certain sectors of the economy, these will have access to short-time work with simplified criteria and procedures. This is the context against which such simplifications are proposed for Germany.

Given various examples on international level, an even more far-reaching variant would no longer consider the loss of individual working hours, but would provide for subsidies on the total wage costs. These should depend on the lost revenue. However, layoffs would have to be excluded in order to preserve the benefits of direct job retention while simplifying matters considerably. For the sake of not restricting flexibility too much, a basic level of layoffs could be made possible or the subsidy could be reduced proportionately in the case of redundancies due to operational reasons. In view of the lower precision, the more far-reaching variant may be considered if there are extensive economic shortfalls in certain sectors.

A mass use directive is distinct from other targeted economic assistance independent of the principle of short-time work or job retention. Such assistance can be applied additionally if further measures beyond the compensation of labour costs are required to secure liquidity in a crisis. Furthermore, targeted economic assistance is the more appropriate instrument when it comes to avoiding production downtimes rather than cushioning them.

Particularly in the case of mass use of short-time work, the connection with qualification becomes important. In order to cope with conditions of uncertainty and organisational difficulties, a concept with flexibly applicable, modular, also online-based further training formats, incentives and counselling services is essential.

Finally, preconditions for the phase-out of the mass use scheme have to be outlined. This is because the performance of short-time work may deteriorate severely if it continues beyond the crisis phase. The exceptional situation would have to be officially ended - or extended - at an appropriate time with sufficient notice. As a guideline, objective criteria could refer to the revenue development in the affected sectors, the utilisation of the mass use provision and the withdrawal of state-ordered restrictions. Subsequent schemes may provide for transition to regular short-time work, a gradual reduction of wage subsidies and liquidity support.

Zusammenfassung

Während der COVID-19-Pandemie hat sich Kurzarbeit erneut als wirksames Instrument zur Stabilisierung der Beschäftigung erwiesen. Dabei stieß die massenhafte und schwankende Nutzung, die dieser Einsatz mit sich brachte, jedoch auf ein auf individuellen Ansprüchen beruhendes Instrument. Die vollständige Bearbeitung aller Fälle wird Jahre dauern, mit entsprechenden Belastungen und Unsicherheiten für die Betriebe und die Arbeitsverwaltung.

Vor diesem Hintergrund werden im vorliegenden Artikel unterschiedliche Ausgestaltungsmöglichkeiten einer Massennutzungsregel für die Kurzarbeit diskutiert. Der Blick in das europäische Ausland zeigt, dass sich eine angesichts exorbitanter Fallzahlen erforderliche Vereinfachung der Kurzarbeit unter Nutzung des Rechtsinstruments der *force majeure* („höhere Gewalt“) erzielen ließe. Wird dies für bestimmte Bereiche der Wirtschaft festgestellt, erhalten sie Zugang zu Kurzarbeit mit vereinfachten Kriterien und Verfahren. Vor diesem Hintergrund werden derartige Vereinfachungen für Deutschland vorgeschlagen.

Eine noch weitergehende Variante würde nicht mehr den Ausfall individueller Arbeitsstunden betrachten, sondern Zuschüsse auf die gesamten betrieblichen Lohnkosten vorsehen. Diese sollten vom ausgefallenen Umsatz abhängen. Dabei müssten Entlassungen ausgeschlossen werden, um bei starker Vereinfachung die Vorteile einer direkten Beschäftigungssicherung zu erhalten. Um Flexibilität nicht zu stark zu beschränken, könnte ein Basisniveau an Entlassungen ermöglicht oder der Zuschuss im Falle von betriebsbedingten Entlassungen anteilig reduziert werden. Angesichts der geringeren Zielgenauigkeit kommt die weitergehende Variante dann in Betracht, wenn in bestimmten Bereichen umfassende wirtschaftliche Ausfälle vorliegen.

Eine Massennutzungsregel steht in Abgrenzung zu anderweitigen gezielten Wirtschaftshilfen unabhängig vom Prinzip der Kurzarbeit bzw. Beschäftigungssicherung. Diese können zusätzlich greifen, wenn für die Liquiditätssicherung in einer Krise über den Ersatz von Arbeitskosten hinaus weitere Maßnahmen erforderlich sind. Gezielte Wirtschaftshilfen sind zudem das geeignetere Instrument, wenn es darum geht, Produktionsausfälle zu vermeiden statt abzufedern.

Gerade bei massenhafter Nutzung von Kurzarbeit wird die Verbindung mit Qualifizierung bedeutend. Um den Bedingungen unter Unsicherheit und organisatorischen Schwierigkeiten gerecht zu werden, kommt es auf ein Konzept mit flexibel einsetzbaren, modularen, auch onlinebasierten Weiterbildungsformaten, Anreizen und Beratungsangeboten an.

Schließlich sind Bedingungen für den Ausstieg aus der Massennutzungsregel darzulegen. Denn die Bilanz von Kurzarbeit kann sich stark verschlechtern, wenn sie über die Krisenphase hinaus fortgesetzt wird. Die außergewöhnliche Lage müsste zu einem angemessenen Zeitpunkt mit hinreichender Vorankündigungszeit offiziell beendet – oder verlängert – werden. Objektive Kriterien als Richtschnur könnten sich auf die Umsatzentwicklung in den betroffenen Bereichen, die Inanspruchnahme der Massennutzungsregel und die Rücknahme staatlich angeordneter Einschränkungen beziehen. Anschlussregeln können Übergangsmöglichkeiten in normale Kurzarbeit, eine schrittweise Absenkung von Lohnkostenzuschüssen und Liquiditätsunterstützung vorsehen.

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1 Introduction

In March 2022, the European Union activated the Temporary Protection Directive (2001/55/EC) for immigration from Ukraine. This is intended to allow people to obtain temporary protection status in the EU without the usual asylum case-by-case review. The directive was developed for circumstances when a large number of people leave their home country for the same generally recognised reason. It reduces waiting times and uncertainty for those affected, and it also cuts down on the workload for the administrations of the receiving states. The backlog in the processing of asylum applications in 2015 and 2016 is an abiding memory.

A similar effect occurred for short-time work since the beginning of the coronavirus pandemic. In many countries, an extremely large number of employees were forced into short-time work for the same reason within a very short period of time. In Germany, the peak in 2020 was around six million people. Short-time allowance has stood the test in securing employment (e.g. Balleer et al. 2016). Even in the coronavirus crisis, the rise in unemployment could be significantly limited by measure of the immense force of the economic shock.

However, in Germany, as in many other countries, short-time allowance is designed based on individual entitlement. While it is initially the companies that must notify the authority about short-time work, afterwards the settlements and claims must then also be checked in each individual case. Processing will take years and occupy an enormous amount of staff. The required operating personnel data may even no longer be available at the time of the review. Additionally, this entails tedious uncertainty for those affected. When the instrument was originally designed, no one even imagined millions of cases. As a result, many companies across the economy gained extensive experience with the instrument, so that the use of short-time work is likely to remain high in future crises (cf. Boeri/Brücker 2011). This is also supported by the fact that the labour market will be characterised by scarcity in the foreseeable future, which increases the willingness to retain workers (Klinger/Weber 2020). In the event of a suspension of gas deliveries, there would be high demand for a short-time work instrument.

2 Mass use of short-time work under complex rules

This report covers cyclical short-time work, i.e. not seasonal and transfer short-time allowance. The criteria for cyclical short-time work in Germany are complex. The following only roughly summarises Sections 95 et seq. SGB III: Entitlement to short-time allowance exists in case of a considerable loss of working hours in connection with a loss of pay if this has been reported to the employment agency and a number of other conditions are met. The loss of working hours must be caused by the general economic development or an unusual unavoidable event, be temporary and unavoidable, and at least one-third of the staff in the company must be affected by a loss of income of over 10 percent each in the respective calendar month. Except for a number of cases, holidays and working time bonuses must be taken primarily. Employment must

continue after the start of the loss of working hours or be taken up for compelling reasons or after the end of training, and the employment relationship must not have been terminated. The process of short-time work processing goes through the stages of notification, application or settlement and payment, and eventually, the final review.

Hence, mass use encountered an instrument designed on an individual basis with complex criteria. In this respect, the question must also be: If a large number of people want to use the instrument of short-time work for the same generally recognised reason, could we design a collective short-time work instrument effective to this end in the sense of the Temporary Protection Directive on a situational and temporary basis? And should this amount to facilitating short-time work provisions, or to what extent would direct economic assistance be more appropriate as an instrument in the case of a comprehensive impact, for instance, on certain sectors?

3 International approaches

As a start, it might be worth looking abroad to find suitable starting points for the design and procedure of a directive for mass use. Short-time work is by no means a specifically German instrument; similar provisions can be found in many countries. Ever since the pandemic, they have been used intensively. Information on this has been researched for an international data set as part of the IAB project “Die Arbeitsmarkteffekte der Ausgestaltung von Kurzarbeitsregeln” (*The labour market effects of the design of short-time work provisions*), which aims to determine the effects of access requirements, wage replacement rate and entitlement period. These can be general procedures or also procedures that were introduced as special provisions in special cases, such as the Coronavirus crisis.

Some countries, for instance, France, Italy, Belgium, Spain and the Czech Republic, are united in their approach to the pandemic as a trigger for a state of emergency. The pandemic is considered “force majeure” (OECD 2020), i.e. an act of nature beyond control that affects the economy and the labour market and which is tackled with short-time work. On the one hand, this led to an expansion or simplification of already existing statutory options, such as in the case of France, Italy or Belgium (cf. OECD 2020), on the other hand, as already described, specific regulations were launched which, as in the case of the Czech Republic, became the blueprint for a new generally applicable instrument (cf. Drahokoupil 2021).

In all cases, this state of emergency of force majeure is defined and declared by the government, partly in consultation with the social partners, and thus defined as a framework for the subsequent possibilities of applying for short-time work. In order for this to be possible, an attempt is made beforehand to define the nature of such an exceptional situation and how it can be recognised. In summary, these are particularly serious situations of economic crisis or situations beyond human agency that affect economic activity, such as environmental disasters: In France, force majeure is described as an epidemic, disaster or storm of an exceptional nature (Ministère de l'Économie, des Finances et de la Souveraineté industrielle et numérique 2020). In the Czech Republic, force majeure, which the general short-time work scheme implemented in

the course of the pandemic is based on, is defined as a threat to employment in connection with a natural disaster, a cyber-attack, an epidemic or an economic crisis (cf. Drahekoupil 2021). The Belgian provision, on the other hand, defines force majeure somewhat more universally as the occurrence of a sudden and unforeseeable event that makes it impossible to carry out work and that was not brought about deliberately (cf. Landesamt für Arbeitsbeschaffung 2022b) – this covers a broad spectrum from company destruction due to fire and power cuts to the current pandemic and company closures as well as staff quarantine periods.

Force majeure – and this is key to a mass use directive – comes with an absolute validity claim, provides room for action in times of great challenge, and yet does not simply undermine existing law and customary procedures without a sense of proportion. The example of France, which already had provisions for short-time work in place before the pandemic, shows that this principle facilitates access to the instrument and rearranges the process of notification and application. For example, it is now possible to apply for short-time work retrospectively, and approval periods of the departmental bodies have been cut and/or amended by automatic enforcement after the expiry of a review period (cf. OECD 2020; Ministère du Travail, du Plein emploi et de l'Insertion 2020).

In Spain, access to assistance is additionally facilitated by the accompanying definition of sectors that are particularly affected and, therefore, worthy of support (cf. Cruces Aguilera 2021). The actual admission examination was facilitated as well: The approach typically pursued in France and Italy to legitimise short-time work through collective agreements instead of examining individual cases seems promising. More evidence of the crisis situation is not necessary in combination with force majeure and its specified case of validity, which is why the formal fulfilment of the collective process alone and the principles and declarations recorded in the contracts are examined (cf. OECD 2020; Faioli/Bologna 2021; Ministère du Travail, du Plein emploi et de l'Insertion 2020). In Belgium, you also do not have to verify the actual economic difficulties of the company under force majeure, since the pandemic is generally considered the cause of short-time work. Nevertheless, the firms are instructed to preserve the respective receipts for a possible future review – an exhaustive review procedure is not applicable (cf. Landesamt für Arbeitsbeschaffung 2022a; Serroyen 2021).

Regarding the question of how a firm's losses to be compensated are defined, the European cases examined with the principle of force majeure show a tendency towards extending the possibility of access to short-time work with simultaneous settlement per affected employee or individual reduction of hours (cf. Eurofound 2022, entries on Italy, Spain, Belgium and France). This becomes particularly clear and understandable in the case of France: The onset of force majeure in the form of the pandemic allowed an application of short-time work to atypical employment relationships as well. However, this was associated with a change from the payment of a lump sum per employee to an amount proportional to the remuneration of employees on short-time work (Eurofound 2022).

So far, results of evaluations of the instruments regarding their impact during the coronavirus crisis are only available for some cases. For Spain, Congregado et al. (2022) draw a positive balance of the short-term effects on employment. Albertini et al. (2022) note that French short-time work schemes have stabilised employment and consumption, however, with significant bandwagon effects. The latter should be considered in light of low preconditions combined with

a high level of performance (at times 100 % of wage costs up to 4.5 times the minimum wage). The OECD (2022) also finds similar bandwagon effects for Belgium and Italy but identifies their origin in the lack of co-financing of the costs of the lost working hours by companies. This design of the instrument fuels the danger that more employees benefit from the instrument of short-time work than necessary – especially permanently unprofitable jobs would thus be secured at high financial cost, which could undermine the anticipated upswing.

Overall, however, a positive summary can once again be given with regard to the use of short-time work: For example, a Europe-wide evaluation by the University of Konstanz in 2016, which evaluated short-time work provisions during the financial crisis between 2007 and 2009, shows that this instrument is most effective when corresponding provisions already existed in a country and GDP growth is strongly negative. Hence, short-time work is most effective at the beginning of a recession and when it can serve as a quick-acting automatic stabiliser (cf. Brey/Hertweck 2016). In light of the heavy use, especially in the early stages of the pandemic, this has obviously also been demonstrated in the current crisis. As a matter of fact, job retention instruments have been used by all European countries regardless of the nature of their welfare state (cf. Ebbinghaus/Lehner 2022).

4 Force majeure as the basis of a mass use provision for short-time work

Insofar as a special provision for mass influx is desired, conclusions for Germany, among others, could be as follows. Force majeure could be defined along the lines of the international examples discussed. In accordance with force majeure, the federal government would have to specify a generally recognised incident with exceptional and serious effects to activate the mass use directive. This would lead to an omission of the standard case-by-case review as reassurance of the appropriateness of use. Therefore, the bar would have to be set high. Normal, limited recession (cf. Hausner/Weber 2017) would not come into consideration. It could therefore be argued that the effects go well beyond such a recession, at least for parts of the economy. Among other things, current leading indicators and forecasts can be used for this purpose. For instance, a conceivable application would be in the event of a possible suspension of gas deliveries.

One approach to set the bar high could be given by involving common European decisions. Force majeure could then be activated with a sufficiently broad consensus on the exceptional significance of an event. Clear and efficient rules of procedure would be necessary in order to guarantee fast decision-making. A positive side effect would be that a European alignment would manifest a common basis on which support measures can be taken in line with EU competition regulation.

Another argument in favour of such an approach is that an extension of short-time work provisions only has an additional positive effect in particularly severe crises (Gehrke/Hochmuth 2021), and bandwagon effects can be limited by focusing on companies with heavy losses (Cahuc et al. 2021). Moreover, (as in Spain or Italy) applications could be limited to certain industries and, if necessary, fields of activity (or, if relevant, regions or enterprises directly affected by

ordered measures such as business closures) if this is in the nature of the reason; in the remaining sectors, the established short-time work scheme would continue to apply. This is because blanket measures increase the risk of bandwagon effects, are less cost-effective and can prevent productivity-enhancing reallocation (Di Nola et al. 2022). Shortages will probably characterise the German and many other labour markets for the foreseeable future. Consequently, instruments that finance the loss of labour should be handled in a restrictive manner.

In the event of a suspension of gas deliveries, an obvious delimitation would be limited to those establishments that would be directly rationed on the amount of gas. While this criterion has the advantage of clarity, its scope in the economy would be very limited. In addition, this could include sectors that are highly dependent on the directly affected energy-intensive industries in supply chains. This may involve procuring energy-intensive products, i.e. supply chain disruptions, or suppliers or service providers losing business as a result of gas rationing. In principle, these criteria could also be applied to individual establishments, but a definition according to industries would create clarity in advance and avoid individual review efforts. The full crisis effects would also go beyond this delimitation. Thus, a suspension of gas deliveries would lead to further sharp increases in energy prices, which would additionally drive inflation. Labour-intensive service industries such as the hospitality industry would also be affected by the corresponding loss of purchasing power (cf. Wolter et al. 2022).

In the case of an activation of force majeure, the fact that the establishment is affected by a temporary unavoidable loss of working hours for economic reasons or as a result of an unavoidable event would no longer have to be examined on a case-by-case basis. Nevertheless, bandwagon effects must be limited as effectively as possible. It would be conceivable (as in Belgium) to require enterprises to keep documents for proof of appropriate use, but having these only checked on an ad hoc basis (e.g. in the case of irregularities or previous complaints) or randomly. Plausibility could already be estimated to a very large extent in a standardised way using revenue data, which are also available promptly with regard to value-added tax (VAT). In obvious and verified cases – for example, when it comes to a government decision such as business closure in a pandemic or rationing in a gas supply freeze – the short-time work notification could be omitted, because the business would not need any further confirmation of access to short-time allowance in advance. Below the threshold of legal changes, a more detailed examination of the notification could at least be dispensed with in such cases. In addition, a positive initial application, which already includes the necessary business documents, could (except in cases of suspected benefit abuse) already be considered as a final confirmation of payment. The criterion of a minimum level of exposure of the enterprise could be omitted, since, on the basis of assumptions, only very severely affected sectors would be considered anyway. Holidays and working time bonuses could be disregarded, as was already temporarily decided in the coronavirus crisis by amendment. A refund of social security contributions and an increase in the wage replacement rate may be available as options. Remanence costs basically limit bandwagon effects; however, expansions that reduce remanence costs can have positive employment effects, especially in severe crises, when it is also particularly a matter of securing liquidity (Gehrke/Hochmuth 2021).

These provisions would facilitate the procedure. However, the loss of working hours of individual employees would still be considered. An even more far-reaching option could be based on flat-rate variables such as revenue loss, as in the Netherlands or Australia, for example. This would make it more similar to direct economic assistance. When thinking in such a direction, however, one should first understand why short-time work is so effective.

5 Variant of a collective instrument – securing employment and accuracy are essential

One important reason is that short-time allowance draws on a flow variable, namely avoiding layoffs. This means that it directly influences decisions relevant to the labour market and the economy (e.g. Faia et al. 2013). The fact that a loss of working hours and certain remanence costs (Bach/Spitznagel 2009) have to be accepted for the utilisation also strongly limits bandwagon effects. These advantages are indicative of the basic principle of short-time work as compared to direct economic assistance. The same applies with regard to the fact that the establishment can plan with short-time allowance, other than with discretionary economic assistance. This increases the willingness to hire even before crises (Balleer et al. 2016). Additionally, workers are less able to diversify risks than the capital side and are therefore more risk-averse. This is why stabilising employment has higher welfare effects than stabilising revenue. Consequently, aggregate demand is supported particularly effectively by short-time allowance, as the unemployed cut back their consumption more strongly (Dengler/Gehrke 2021, Aiyar/Dao 2021). Similarly, the risks of consolidated unemployment (Klinger/Weber 2016) and of taking up low-value jobs when under pressure (“sullyng”, Barlevy 2002) do not arise in the first place if job losses are deliberately avoided. This preserves the value of the established matches of person and workplace. Costs and delays of dismissals and rehiring are avoided.

Therefore, a more far-reaching option of the mass use directive as a “rescue fund for jobs” should at least retain the direct avoidance of redundancies as a principle. A flat-rate subsidy would be conceivable. This should be granted as a percentage of wage costs, because a direct revenue refund would actually increase the incentives for redundancies (e.g. Hentze 2020) – after all, lost revenue would be replaced even if wage costs are saved through layoffs. When countries introduced wage subsidies in the pandemic, they mostly relied on proportionate capped support (ILO 2020). Such subsidies are more efficient at targeting support than flat-rate schemes, avoid paying more than a recipient’s normal wage and ensure that workers retain a level of salary commensurate with their productivity (Cassells/Duncan 2020). The subsidy could be granted from a certain level of (possibly initially predicted) revenue losses, and the percentage could increase with the size of the loss. Automated data reconciliation with the tax authorities would be possible, as with the coronavirus interim aid. Accordingly, cooperation between the labour administration and the ministries of finance and economics would be appropriate for implementation. Employment status and earnings could be determined from continuously

available data (as in Australia; Hamilton 2020) from social security payments or payroll taxes. The criterion would therefore be revenue losses, not individual working hours losses. In view of bandwagon effects, full cost reimbursement should not be granted (cf. e.g. Albertini et al. 2022). Also, the support should be conditional on the company refraining from redundancies during this time and for some time afterwards (with the exception of dismissals for personal and behavioural reasons according to Section 1 Para. 2 German Employment Protection Act). Such protection against dismissal during individual short-time work exists in France, Italy and Spain, for example, while in the US, “Paycheck Protection Program” loans were forgiven to the proportion of jobs retained. In Germany, according to directives, when short-time work is used, the overall employment in the enterprise must be predominantly maintained. A simultaneous use of established individual short-time work would be excluded if the subsidies were used. This variant would result in a radical simplification, but the fundamental advantages of an instrument for employment stabilisation and prevention of unemployment would be maintained. It would guarantee high flexibility for management decisions in the crisis and provide stronger incentives for firms to keep hours worked up and to increase them quickly when conditions improve (OECD 2020).

Obviously, there would also be disadvantages. For instance, it would lead to a loss of flexibility if the use of short-time work ruled out dismissals for operational reasons throughout the establishment. Options would be to allow a certain basic level of dismissals or to reduce the subsidy proportionally in case of dismissals for operational reasons. This would maintain some flexibility when it is no longer reasonable to maintain certain matches because of the consequences of the crisis. Above all, however, the instrument would lose its accuracy if all employees of a company were treated summarily, because working hour losses can differ significantly depending on the type of job. Short-time work according to the lost working hours of individual employees, however, allows establishments to self-select by considering only employees whose jobs would be at risk and also only the relevant working hours (Cahuc et al. 2021). This results in higher cost efficiency. As a consequence, this highlights that such a far-reaching variant should only be considered if there is a widespread and profound breakdown of economic activity in specific industries. Differentiating between employees would become less important in a situation like that.

If the subsidy was treated as operating revenue, part of it would be returned to the state via taxes if profit is realized despite the drop in revenues. In net terms, therefore, there is automatically a differentiation according to profit or loss – especially if a higher tax rate is applied to the subsidy. An early separate determination and inclusion of the profit situation would not be necessary.

Economic assistance independent of the principle of short-time work or job retention can additionally take effect if further measures beyond the replacement of labour costs are required to safeguard liquidity in a crisis. One example in Germany is the interim aid to offset fixed costs during the coronavirus crisis. Targeted economic assistance is also the more appropriate instrument when it comes to avoiding rather than absorbing production losses (Weber 2022). This is the case, for example, when costs skyrocket in the energy crisis. Here, continuing energy-intensive production would be possible but may no longer be economically viable. However, a shutdown would entail shortfalls in supply at subsequent economic stages and risks of irreversible effects. It is feasible to already create a conceptual framework for action for such

cases, even if no actual standard instrument is created. Finally, economic assistance could be preferred to activating a mass use rule for short-time work in situations that require serious adjustments and make securing employment in the affected sectors no longer a sensible goal (cf. Giupponi et al. 2022). Admittedly, such an assessment is unlikely to be possible in advance (but may – as discussed below – play a role when exiting). Even in the contact-intensive service industries, which experienced extensive and lengthy downtimes, the demand for labour is now so high again that bottlenecks are occurring – and this despite the fact that layoffs have already been successfully limited (cf. Röttger/Weber 2021). Furthermore, short-time work rates in the coronavirus crisis have always declined rapidly after their peaks in the lockdowns. After the Great Recession, Aiyar and Dao (2021) find no evidence of unusual increases in misallocation for Germany. All in all, the risks of foregoing an instrument of employment protection would be immense in view of the aforementioned central advantages of short-time work programmes.

6 Combining short-time work and qualification

One Achilles' heel of short-time work is that it finances stagnation, while especially recessions are times of upheaval. This can be counteracted with a sensible combination of qualification and short-time work, which explains, for example, the special efforts of France in the field of adult learning during times of short-time work (cf. Hijzen et al. 2021). This would become even more important in the case of collective use of short-time work for Germany.

The previously little use of times of short-time work for training is mainly explained by uncertainty and organisational difficulties of fitting into the continuously adjusted work schedule (Bellmann et al. 2020). Therefore, a concept with flexibly applicable, modular, also online further training formats, incentives and counselling services is needed (Weber 2021, OECD 2020). Such qualification programmes should be developed and provided with the support of the Federal Employment Agency together with providers of further education. Positive wage and employment effects of qualification can return a considerable part of the costs of short-time work into public budgets via tax and contribution revenues (Kruppe et al. 2020).

7 Exit rules

What is important for such an instrument suitable for mass influx would be not only regulations for activation but also for exiting. The risk of delaying necessary labour market adjustments must be taken into account. The employment balance of short-time work can deteriorate sharply if it continues beyond the crisis (Hijzen/Martin 2013). However, stopping too early can endanger the retained jobs and liquidity of the companies (Hamilton 2020). The exceptional situation would have to be terminated officially at an appropriate time. If activation was accurately targeted, a differentiation by sector, for example, should not be necessary when exiting. However, this

should remain an option, also because crises can be asymmetrical for different sectors. For instance, in France, more generous short-time work provisions for particularly affected industries remained in force longer during the coronavirus crisis. Decisions on expiry or extension should be made with sufficient advance notice to ensure plannability. Objective criteria as a guideline can reduce uncertainty while ensuring that the exceptional situation applies for as long as necessary but is not overstretched. This could be based on the fact that the revenue development in the affected sectors is sufficiently similar to that of the pre-crisis level (e.g. over 90 percent); also, leading indicators, such as orders, could be included. It would also make sense to assume that by this time, the situation has normalised to such an extent that the use of the mass use directive has sufficiently decreased. When it comes to government orders such as business closures or rationing, their revocation could also play a role.

Irrespective of such criteria, the application would have to be phased out in a regulated manner when the crisis has a lasting impact so that the pre-crisis level is no longer a relevant benchmark for the affected sectors. Of course, this cannot be proven definitely in the ongoing process without long-term observations. With one to two years of experience, it should be possible to make an assessment based on information such as bankruptcies or closures, redundancies, development of demand and market changes. However, these are likely to be exceptional cases. The export economy, for instance, recovered after the severe slump in 2009, and the coronavirus pandemic shows a similar pattern, too: While the crisis dragged on for a long time due to the many waves of infections, the rapid recovery of the hospitality industry, for example, after the respective lockdowns indicated that the business model would fundamentally meet with strong demand again.

New short-time work measures would only be possible under normal provisions in the event of expiry of the mass use directive. A follow-up provision should be made for the remaining existing cases. In the case of wage subsidies, a gradual reduction should be considered (e.g. OECD 2022). In the variant of individual lost working hours, at least a use of short-time work according to normal rules would have to be made possible over a period remaining until the maximum period of eligibility. Slovakia, for example, switched to a German-style short-time work system as of March 2022, having previously had a wage subsidy model in place during the coronavirus crisis when sales slumped. The provisions should be coordinated in such a way that transitions are as smooth as possible if the additional requirements of short-time work are fulfilled. A transitional phase in which existing cases can still be continued according to mass influx rules would be conceivable. In addition, economic assistance could be used to facilitate the exit from short-time work for firms with temporary but still persisting financial difficulties. Access to a credit programme, for instance, would help to prevent establishments from remaining in short-time work for too long due to liquidity bottlenecks.

8 Conclusion

In principle, it would be conceivable to introduce such a simplified variant of a short-time work scheme, which is geared to large numbers of cases, only when a crisis situation relevant to it occurs. However, complex conceptual decisions would have to be made under high time

pressure, then pass through the legislative process, and the new measures would have to be implemented immediately. One strength of short-time allowance is, however, that it is prepared and immediately available. Economic assistance in the coronavirus crisis, on the other hand, which was launched ad hoc, was naturally subject to delays, ambiguities and adjustments. This speaks in favour of preparing the provisions in advance. However, it is then important to limit activation of the mass use directive to highly exceptional events so that even in situations of political pressure, no use is made for less serious situations. In France and Belgium, for instance, the Ukraine war and the associated bottlenecks have already been explicitly defined as another case of force majeure. In view of the stable labour market situation in Germany, at least so far, this alone would not be a sufficient trigger in the sense of the instrument discussed here. However, provisions should already be made for the event of a suspension of gas deliveries.

A mass use directive for short-time work would create a collective instrument for job retention for appropriate cases. In serious crisis situations, it could considerably relieve the burden on all parties involved and greatly reduce waiting times and uncertainty for those affected. It is important to design simplifications in such a way that they safeguard employment and avoid abuse and excessive bandwagon effects as far as possible. The examples and considerations in this article are intended to provide indications for such a design of labour market policy provisions.

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