

Drahokoupil, Jan; Müller, Torsten

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Job retention schemes in Europe: A lifeline during the Covid-19 pandemic

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the Covid-19 pandemic

Jan Drahekoupil and Torsten Müller

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Abstract

This paper analyses the job retention schemes implemented in response to the Covid-19 crisis, showing quantitative trends and differences in terms of expenditure on the schemes and the number of workers involved. The key focus is on a qualitative analysis of the schemes' key properties. In order to understand the diversity of job retention schemes implemented in the Covid-19 crisis, we first develop a typology, distinguishing between three underlying types: short-time work schemes, furlough schemes, and wage subsidies. We then provide a comparative overview of the different schemes implemented in the context of the crisis, considering their design as well as their size in terms of expenditure, and map adjustments made to them in the course of the crisis. The third section analyses the evolution of the take-up of the schemes in the course of 2020. The remaining sections discuss in detail such key properties as: eligibility criteria, the level of support for employees and employers, the role of collective bargaining and worker participation, dismissal protection, measures to avoid misuse, and training provisions. The paper concludes by drawing lessons from experiences with the Covid-19 pandemic in light of the discussion on whether and how permanent schemes should be established. It argues that the main issue is to find a design that balances the interests of all stakeholders. This would require meaningful financial participation on the part of employers, effective integration of the schemes into active labour market policies, and provisions to avoid misuse, including the effective involvement of worker participation and collective bargaining structures.

Introduction

Job retention schemes (JRSs) are aimed at preserving employment in firms that experience a temporary drop in demand. They preserve the links between companies and their employees, which may be costly to re-establish once broken. They also support workers' incomes, who keep their employment contract even if work is suspended. Job retention schemes have become a hallmark of the European approach to dealing with economic downturns, promising a more humane and effective solution to economic crises (cf. Fischer and Schmid 2021). Job retention schemes became widespread in the Great Recession when a number of European countries introduced or extended job retention policies. In 2009, they were used in sixteen European Union (EU) member states and also in Norway and Switzerland. Belgium, Italy, Germany, and Luxembourg ran particularly large job retention schemes, with the share of employees receiving support exceeding 2 per cent (Cahuc and Carcillo 2011: Figure 1). Job retention schemes have become the key crisis response measure in Europe in the Covid-19 crisis. In 2020, all EU member states, as well as Norway, Switzerland, and the United Kingdom (UK), used some form of job retention scheme. Many were just temporary, but the experience of the crisis put the introduction of permanent schemes on the agenda in a number of countries.

This paper analyses the job retention schemes implemented in 2020, showing trends and differences in terms of scheme expenditure and number of workers enrolled. The key focus is on a qualitative analysis of the key properties of the schemes. The comparative analysis of the institutional features aims to complement existing assessments of job retention schemes that point to the importance of their design, yet rarely engage in a systematic discussion of their differences. We do that by analysing the dataset collected through the ETUI's expert survey in all EU member states and in Norway, Switzerland, and the United Kingdom in early 2021. The individual country reports are available as online appendices to this report on the ETUI website.

The distinct economic benefit of job retention schemes is that they can prevent the inefficient termination of otherwise viable jobs during a period of temporary adverse economic conditions. Employment protection legislation can make such separation of workers from firms particularly costly. Moreover, once valuable staff are lost, it can be difficult and expensive to replace them when demand recovers. This prolongs the return to pre-recession output levels or profitability and may even reduce the economic potential of firms and the economy as the whole. The benefits of job retention schemes must be balanced against their potential deadweight and displacement effects, however, as well as against other inefficiencies (Lydon *et al.* 2019; see overview in Cahuc 2019). Job retention schemes may indeed subsidise jobs that would have been preserved anyway (hence the deadweight losses). In turn, they may subsidise jobs that are not viable in the longer term, hindering labour mobility and disincentivising retraining and other forms of efficiency enhancement (displacement effects). Other inefficiencies may arise when firms less affected by demand fluctuation subsidise those that are more affected, with large firms typically overrepresented in the latter group (as documented for France in Cahuc and Nevoux 2018).

Analyses of the effects of job retention schemes in the Great Recession point to net job-saving effects, particularly as far as the short-term effects of the recession are concerned (Boeri *et al.* 2011; Hijzen and Martin 2013). Cahuc and Cacicillo (2011) concluded that a one percentage point increase in job retention scheme take-up rates was associated with a decrease of one percentage point in unemployment and an increase of one percentage point in employment. The estimates quantifying the job-saving effects remain uncertain, however. Much effort was put into estimating the employment effects in Germany, which runs a permanent scheme emblematic of one specific type of job retention scheme, namely a short-time work scheme. Using German panel data, Herzog-Stein *et al.* (2013) concluded that the cyclical job losses would have been around 40 per cent higher in the absence of the job retention scheme (positive effects were also found by Boeri *et al.* 2011; Balleer *et al.* 2016). Other analyses have downplayed the importance of the job retention scheme in Germany and attributed more relevance to the use of flexible working-time accounts (Burda and Hunt 2011; Möller 2010). Cooper *et al.* (2017) even found output losses as a result of allocative inefficiencies through reduced vacancy-filling.

The evidence from the Great Recession has consistently shown that job retention schemes benefit only permanent workers, with no (negative) impact on temporary workers (Hijzen and Venn 2011; Lydon *et al.* 2019). Analyses also indicate that take-up is related to a high degree of firm-specific human capital, high dismissal costs, stringent employment protection legislation and high downward wage rigidity (Lydon *et al.* 2019). The effectiveness of job retention schemes is thus related to links with other labour market policies and institutions, notably employment protection legislation and collective bargaining structures.

Studies from earlier recessions also indicate that the effectiveness of job retention schemes depends on their design. First, if the cost of participating in a job retention scheme is too high, companies may dismiss workers in viable jobs; no or too low costs, however, may incentivise inefficient use of such schemes (for example, Cahuc 2019). Second, allocative inefficiencies are more likely if a job retention scheme is used outside a recession. Research by Boeri *et al.* (2011) suggests a threshold of a 1.5 per cent reduction in GDP above which job retention schemes help prevent employment losses. It also supports the common assumption that job retention schemes are effective in the context of contemporaneous or cyclical, as opposed to structural, shocks. Third, inefficiencies may also be reduced if job retention schemes are financed by companies likely to actually use them (that is, experience rating, see Cahuc 2019). Fourth, permanent schemes are likely to be more efficient than ad hoc schemes. Permanent schemes are indeed characterised by a higher take-up (Lydon *et al.* 2019), suggesting the importance of stable rules. Moreover, designing a scheme under exceptional conditions may introduce suboptimal rules that may then be difficult to change. Finally, Cahuc and Carcillo (2011) concluded that plant-level bargaining may be more effective than an inefficient job retention scheme for adjusting hours without making too many employees redundant. We would argue, however, that the job retention schemes can be made more efficient by involving collective bargaining in their design.

The severity of the Covid-19 crisis made efficiency considerations secondary to the imperative of providing quick and widely accessible support in a situation in which large parts of the economy were effectively shut down (see, for example, Giupponi and Landaïs 2020). There seemed no need to test for the long-term viability of supported jobs as the restrictions appeared to be an extreme form of a contemporaneous shock. A key concern was to ensure access to groups of workers excluded from schemes. This changed somewhat as it became apparent that the extended restrictions may also induce structural changes. Concerns about deadweight losses and displacement effects have thus informed adjustments of the schemes during the crisis. Early assessments of the use of job retention schemes in the Covid-19 crisis point to job-saving effects, but estimates of their extent remain uncertain (OECD 2021; Eurofound 2021; Eichhorst *et al.* 2020). The OECD's estimate – allowing for efficiency losses – suggests that, on average, the potential decline of employment would be almost 50 per cent larger than the actual change in employment (OECD 2021: Figure 2.7). Eurofound's calculations suggest that well established job retention schemes were more effective than temporary schemes.

In order to understand the diversity of job retention schemes implemented in the Covid-19 crisis, we first develop a typology, distinguishing between three underlying types: short-time work (STW) schemes, furlough schemes, and wage subsidies. We then provide a comparative overview of the different schemes implemented in the context of the crisis, considering their design, as well as size in terms of expenditure, and map their adjustments in the course of the crisis. The third section analyses the development of take-up of the schemes in the course of 2020. The remaining sections discuss in detail the schemes' key properties: eligibility criteria, the level of support for employees and employers, the role of collective bargaining and worker participation, dismissal protection, measures to avoid misuse, and training provisions. Lessons from the crisis are discussed in the conclusions.

Typology of job retention schemes

Job retention schemes serve a dual purpose: they help companies to weather economic difficulties and they also help workers to keep their jobs and protect their wages. Their rationale is to maintain ties between companies and their employees at times when demand falls temporarily. Job retention schemes in Europe come in different shapes and sizes, but a key characteristic shared by all is that employees keep their employment contract even if work is fully suspended. From the point of view of the employee, job retention schemes, like unemployment insurance, protect (part of) their income, and, unlike unemployment insurance, protect them from the negative consequences of job loss and career disruption. Employers benefit because job retention schemes prevent the loss of employees' firm-specific knowledge and the high costs involved in hiring and training new employees once the economy picks up again. Job retention schemes may also prevent bankruptcies of otherwise viable enterprises. Finally, like the unemployment insurance system, job retention schemes serve as a counter-cyclical policy that stabilises the economy during a recession. All in all, the key economic benefits of job retention schemes, distinguishing them from unemployment insurance, are related to avoiding the high adjustment costs involved in a transition from one state of the economy to another.

It is common to distinguish between wage subsidies, short-time work schemes and furlough schemes. There has always been some overlap between these schemes and the differences have become particularly blurred as they were adjusted to the unprecedented economic shock of the Covid-19 pandemic. At the same time, in order to understand the functioning of the schemes, it is useful to work with the three types, as they each have different objectives and follow distinct logics.

The most fundamental distinction can be drawn between wage subsidies, on one hand, and short-time work schemes and furlough schemes, on the other. Whereas wage subsidies can be understood as subsidising hours worked, short-time work schemes and furlough schemes effectively subsidise hours *not* worked. Eligibility for wage subsidies is thus linked to the situation of the company rather than to the adjustment in working time experienced by the employee. While the level of support of short-time work schemes and furlough schemes is directly linked to the adjustment of working time, the level of the wage subsidy is either flat, or related to the severity of the impact of the crisis for the company.

The main objective of wage subsidies is thus to preserve employment through subsidising companies' wage bills. For this purpose, a company in temporary financial difficulty receives financial support per employee, regardless of whether or not the working time of specific employees is reduced. Employees keep receiving their wages. An ideal-typical wage subsidy scheme thus subsidises the wage bill of all companies in difficulties without any conditions related to the reduction of working hours. There may be conditions in terms of retaining a percentage of workforce or wages paid to the workers. Simple to design and implement, wage subsidies are relatively easy to establish as a crisis measure that provides support at short notice. They are typically financed from the state budget.

Short-time work and furlough schemes are often distinguished with reference to the number of hours reduced. The OECD (2021: Chapter 2) thus considers furlough schemes as a subtype of short-time work schemes in which working hours are temporarily reduced to zero. Eurofound (2021) refers to ‘temporary lay offs’ where no working hours are allowed. Such a distinction is somewhat arbitrary, however. This has become apparent in the context of the Covid-19 crisis, when both short-time work and furlough schemes have been made more flexible also when it comes to the extent of working time reduction. At the same time, part-time furlough and short-time work schemes with an option to reduce working time by 100 per cent were common also before the Covid-19 crisis (for example, in Finland and Germany respectively). More generally, however, the definition of full reduction depends on the reference period, which can in practice vary from a full reduction for a day or for a month. For instance, a one-week break from work in the Belgian furlough scheme is typically understood as ‘full working-time reduction’, but in substance it seemed to differ little from a 25 per cent working time reduction spread over a month. We thus prefer to distinguish between short-time work and furlough schemes with reference to distinct underlying rationales. More specifically, short-time work schemes are aimed primarily at retaining existing jobs by providing companies with wage support, while furlough schemes provide assistance to workers who temporarily become unemployed. They can be seen as a tool to facilitate their transition to other jobs.

The key objective of short-time work schemes is thus to help companies to retain their employees in economic difficulties. The company receives financial support for paying employees’ wages when they are not working. Other features of short-time work schemes can vary, but an ideal-typical logic can be identified. The classic short-time work schemes incentivise companies to spread the costs of adjustment across the workforce by either limiting working time reduction to a certain percentage (France, Austria), or by requiring that the reduction affects a certain proportion of workers (Germany). The workers enrolled in the scheme are neither available nor incentivised to take up other employment. Therefore, in order to avoid misuse by companies, the scheme requires either that employers share some of the cost of the hours not worked, or approval of use by public authorities. Furthermore, worker representatives may be involved in the implementation of the scheme to facilitate burden sharing and also to help avoid misuse. Employees typically also bear some of the adjustment costs by receiving lower pay for hours not worked. As the benefit comes in the form of wages, insurance contributions are paid. With workers effectively waiting for their jobs to resume, training during the downtime can be expected to be organized by companies. Finally, short-time work schemes can be financed through various means, including special funds with employer and employee contributions, the state budget, or unemployment insurance.

Table 1 Job retention schemes: a typology

	Short-time work scheme	Furlough scheme	Wage subsidy scheme
Defining features			
Common goals (JRS)	Retaining links between workers and companies (protecting jobs). Reducing the wage bill of companies in difficulties. Protecting workers from income loss.		
Type of support	Support to companies to finance hours not worked.	Benefit to employees for hours not worked. Allowing companies to temporarily lay off parts of their workforce.	Subsidy to companies regardless of whether working time of specific employees is reduced.
Typical design			
Other objectives	Spreading the costs of adjustment across the workforce.	Hedging against the costs of worker transitioning to another job (by retaining the old contract).	
Eligibility	Temporary economic difficulties. Reduction in working time. Employment contract.	Temporary economic difficulties. Reduction in working time. Worker eligible for unemployment assistance.	Economic difficulties. Selected sectors or types of companies.
Level	Linked to pay. Directly reflects adjustment of working hours.	Linked to pay. Directly reflects adjustment of working hours.	Permissible wage adjustments not directly related to working time reduction.
Financing	Varies.	Unemployment insurance.	State budget.
Insurance contributions	Paid also for time not worked.	Not paid (insurance compensation).	Paid, unless wage subsidy in the form of insurance-contribution relief.
Cost for employers (to avoid misuse)	A proportion of pay for the time not worked.	Initial period of the benefit may be born by the employer (a flat rate).	Subsidy can be linked to the severity of impact, or a flat rate. It can effectively reduce the wage bill to zero, particularly for lower paid employees, or if adjustment in pay allowed.
Role of collective bargaining	Worker participation instrumental in managing the spread of adjustment in the company and in avoiding misuse. Agreements may increase the level of support.	Employee representatives may be involved in managing temporary layoffs. Sectoral collective agreements often regulate the system.	None.

In contrast, furlough schemes can be best understood as temporary unemployment. Financial support in the form of unemployment benefit is therefore as a rule paid directly to workers for the period of partial or full working-time suspension. The aim of a furlough scheme is to enable companies to reduce their wage bill by temporarily laying off (parts of) their workforce. At the same time, the workers keep their employment contract with the company and can thus return to their previous position on unchanged terms. While retaining ties with their employer, workers on the furlough scheme are available to seek alternative employment. Integrated into the existing system of unemployment insurance, furlough schemes can also be seen as a tool to facilitate transition to a new job. The typical furlough scheme, including its financing, is thus integrated in unemployment

insurance and assistance. In order to avoid misuse, furlough schemes may require that employers finance the first days of unemployment benefit. This can be understood as a flat rate, but there are also more complex arrangements. Workers on temporary unemployment are entitled to receive support in their efforts to find other jobs. Training can thus be expected to be organised through public unemployment assistance rather than in companies (however, as discussed below, only a few existing furlough schemes have a strong training element). The level of benefit follows the system of unemployment insurance; it can be understood as an insurance pay-out and thus no insurance contributions are paid on it. Unlike in short-time work schemes, the transition between furlough scheme and standard unemployment insurance is relatively seamless and the boundaries may in practice not be clear-cut. Finally, worker representatives may be involved in implementing furlough schemes through their involvement in temporary dismissal procedures.

Table 2 provides an overview of the types of job retention scheme implemented in Europe in 2020 and 2021. Box 1 includes additional information on their financing. In many cases, our classification differs from those used in the respective countries. For instance, we classify the Danish *Lønkompensationsordningen* as a short-time work scheme rather than as a wage subsidy, despite its name ('wage compensation scheme'). However, the scheme is directly linked to the hours worked by a specific employee and effectively subsidises the wage for the time not worked. This makes it a short-time work scheme in our classification rather than a wage subsidy, which subsidises the overall wage bill. Similarly, the UK scheme is typically referred to as a 'furlough' scheme, but we classify it as a short-time work scheme as it contributes to the cost of hours not worked without integrating workers into unemployment assistance system.

Table 2 Job retention schemes in Europe, 2020-2021

	ETUI classification of the scheme	Permanent scheme	Adjustment to the crisis	Adjustments during the crisis*
Austria	STW scheme, 10-90% time, up to 100% in HORECA	Yes	Duration longer; more flexible rules for extension of duration and administrative simplification	Increase in the minimum working time (unless restricted by government)
Belgium	FS, can be part-time	Yes	Eligibility widened; level increased; duration extended; administrative simplification	Additional allowance ('protection bonus') in case of intensive temporary unemployment, lower withholding tax (15%), promoting temporary employment in other branches or participation in training
Bulgaria	STW scheme, full-time and part-time (1-4hours/day)	No		Wider sectoral coverage; obligations to preserve jobs lifted for some sectors; eligibility: drop in revenues introduced
	WS for hospitality, tourism and transport sectors			Introduced later (July-December 2020; extended to the end of May 2021)
Croatia	WS	No	Special scheme: Job Preservation Support	Wider sectoral coverage; various eligibility changes; higher cap
	STW scheme, 10-90%		Special scheme: Short-time Work Allowance	Maximum reduction increased from 50% to 70% and then 90%; higher cap
Cyprus	FS, can be part-time	No	A variety of furlough schemes introduced	
Czechia	STW scheme, up to 100%	No		Implemented in June-August 2020
	WS: social insurance contribution relief for small companies	No		
Denmark	STW scheme, 100% reduction	No		
	Part-time FS, reduction applies to all workers	Yes	Procedures more flexible; temporary Covid FS introduced (membership in unemployment scheme not required, higher level, no limit on duration)	Increasing of level of support; payment of security contributions by employers
Estonia	STW scheme paid directly to employees as a benefit	No		Eligibility tightened (larger impact), lower level of support and lower cap, dismissal protection extended; scheme not extended beyond June 2020 but re-introduced in December 2020
Finland	FS, can be part-time	Yes	Eligibility: fixed-term workers; education provision; temporary layoff procedure more flexible; duration limit lifted	
France	STW scheme, working time reduction up to 50% (standard)/40% special	Yes	Eligibility: wider categories of employees; 40% working time reduction	Reduction of level and subsidy to employers of standard STW scheme; a long-term scheme introduced (APLD): longer duration; co-payment by employers
Germany	STW scheme, up to 100% working time reduction	Yes	Eligibility: temporary agency workers and impact; duration; level; employer support higher (insurance contributions covered); incentives for training	Increase in level of support; from June 2021 full coverage of security contributions by state only if workers receive training
Greece	FS	No		
	STW scheme, 50% working time reduction			Coverage of employer contributions

	ETUI classification of the scheme	Permanent scheme	Adjustment to the crisis	Adjustments during the crisis*
Hungary	STW scheme, working time reduction 30-50%	No		Agency workers included into STW scheme
	WS for HORECA			Introduced during second wave
	WS for R&D workers, to the company			
Ireland	WS	No	WS (can be combined with FS)	Increased level of support
	Part-time FS	Yes	Minor role	
Italy	Normal STW scheme (CIGO), 0-100% reduction	Yes	Eligibility widened: pandemic emergency; simplified procedure; suspension of dismissals on economic grounds	
	Special STW scheme (CIGS), 0-100% reduction	Yes		
	Residual STW scheme (FSB), 0-100% reduction	Yes		
	Temporary Covid-19 STW scheme (CIGD), 0-100% reduction	No	Covid-19 STW scheme for those not eligible for permanent schemes; suspension of dismissals on economic grounds	August–December 2020: co-financing from companies with revenue drop < 20%; September 2020: requirement to enrol into re-activation programmes
Latvia	STW scheme, full- and part-time reduction	No		Duration extended, overall level decreased but increased for low income through increase in cap
Lithuania	STW scheme, full-time and part-time	No		Level and ceiling increased, higher level and ceiling for employees > 60 years
Luxembourg	STW scheme, up to 50% reduction (100% in 2020)	Yes	A 'force majeure Covid-19 STW scheme': duration extended; eligibility: company under restrictions & more flexibility if difficulties; temporary workers and apprentices eligible, 100% reduction possible	A 'structural STW scheme', July-December 2020: no limit on % of employees and working time reduction for Horeca and tourism
Malta	WS	No		Eligibility widened: workers (students, pensioners), impact (revenue drop requirement relaxed); Level lowered for some sectors
Netherlands	WS	No	A special scheme replaced the permanent FS	Level: 10% wage cut allowed; support for employers adjusted; training provisions
Norway	FS, can be part-time	Yes	Smaller working time reduction possible, training allowed, duration, eligibility (lower prior income, non-EFTA citizens included), state subsidy; a WS for companies taking workers back from the scheme	Increased co-payment by employers; the length of temporary lay-offs has been increased; the period in which employees receive the full wage at the beginning of a lay-off has been reduced from 20 to 10 days; temporarily laid-off employees were allowed to receive training; between May and July 2020 laid-off employees from third countries had the right to receive unemployment benefits; between March and July 2020 the minimum working time requirements were reduced from 50% to 40%
Poland	WS, unpaid working time reduction possible	No		Eligibility impact: larger revenue fall required
Portugal	STW scheme, 50-70%/33-100% reduction (depending on decrease in turnover)	Yes		Introduction of extraordinary STW scheme in July 2020 replacing the standard scheme: eligibility widened beyond closure by government; 100% working time reduction allowed since January 2021, lowered to 75% in May 2021; increased level of support; full exemption of employers from paying security contributions turned into partial exemption

	ETUI classification of the scheme	Permanent scheme	Adjustment to the crisis	Adjustments during the crisis*
Romania	STW scheme, up to 50/80%	No		Working-time reduction more flexible; May 2020: 3 months WS of 41.5% for selected workers; co-determination by employees introduced
Slovakia	STW scheme, full-time and part-time	No	Special schemes (higher level), eligibility wider: restricted by government; economic difficulties	Employer's financial participation eliminated; Cap on support abolished
Slovenia	STW scheme, full-time (waiting for work at home)	No		Lowering of costs for the employer
Spain	FS, full-time and part-time	Yes	Introduction of two types of extraordinary support sub-schemes: based on force majeure and on economic, technical, organisational and production-related reasons arising because of Covid-19	In September 2020 introduction of a third sub-scheme each with different reductions of social security contributions for employers; simplification, expansion of sectoral coverage,
Sweden	STW scheme, maximum 80% reduction	Yes	Generosity, extension	Between May and July 2020 larger working time reduction of 80% possible (re-introduced for January-June 2021)
Switzerland	STW scheme, reduction > 10%, 100% reduction is possible	Yes	Eligibility temporarily widened: fixed-term, temporary; duration extended; employer contribution reduced	Eligibility widened to employees with work on demand
United Kingdom	STW scheme	No		Co-payment temporarily introduced; payment of security contributions by employers; part-time work allowed

Notes: * Extensions not considered; FS: furlough scheme; STW: short-time work; WS: wage subsidy.

Source: ETUI survey of job retention schemes.

Box 1 Job retention scheme financing

Wage subsidies, as temporary crisis measures, are funded from the state budget. In contrast, furlough schemes are part of unemployment assistance and thus typically financed from unemployment insurance funds. However, in many countries these can be considered part of the public budget. Belgium, Finland and Norway indeed subsidise these funds from the state budget. At the same time, the furlough schemes in Cyprus and Spain were financed by the state.

The financing models of short-time work schemes are even more diverse. As a rule, temporary schemes are financed from the state budget, with the exception of Romania which has used unemployment insurance for financing. Permanent schemes use a range of financing models, including unemployment insurance (Germany and Switzerland) and the state budget (Austria, Slovakia and Sweden). Some STW schemes also rely on special funds. In Italy, these are financed by employers, the state, and, in some cases, also by employee contributions. In France, STW financing combines state (67 per cent) and unemployment insurance (33 per cent).

The role of SURE funding by the European Union is discussed in the next section.

Job retention schemes in the Covid-19 crisis

Job retention schemes became common in the Great Recession. Sixteen European countries were using a job retention scheme in 2019, but some of these schemes were just temporary. There were permanent short-time work schemes in Austria, France, Germany, Italy, Luxembourg, Sweden, and Switzerland in the wake of the Covid-19 crisis. Belgium, Denmark, Finland, Ireland, Netherlands, Norway, and Spain had permanent furlough schemes. No country ran a permanent wage subsidy scheme: the latter can be considered an ad hoc crisis-fighting measure.

As documented in Table 2, all EU countries had introduced some form of job retention scheme by summer 2020. Some form of wage subsidy was introduced in nine countries. Interestingly, the Netherlands replaced its permanent furlough scheme with a Covid-related wage subsidy scheme. Similarly, in Ireland the wage subsidy represented the main crisis measure, with the permanent furlough scheme playing only a minor role. The appeal of a wage subsidy scheme as a crisis-fighting measure is that it is easiest to implement at short notice as it requires least effort in terms of administration and monitoring. At the same time, it is a relatively blunt instrument that neither tests for the viability of supported jobs, nor takes into account the actual working time reduction. However, this was less of an issue in the sectors that were effectively shut down by the Covid-related restrictions regardless of their longer term viability. Some countries thus introduced wage subsidy schemes targeted at the affected sectors: hotels, restaurants, and tourism in particular. In this context, the Hungarian wage subsidy for research and development workers stands out, given its specific targeting. The sectoral wage subsidy schemes in some cases complemented other job retention schemes. In Czechia, a wage subsidy in the form of relief from social insurance contributions for smaller companies also complemented the main short-time work scheme. Ireland, Malta, and the Netherlands, however, relied on wage subsidies as their main job retention scheme.

Most countries that had no job retention scheme at the beginning of the crisis opted for a short-time work scheme. As a reaction to the crisis, short-time work was introduced in eleven EU countries and in the United Kingdom. Furlough schemes were introduced only in Cyprus and Greece. This is perhaps related to the complexity of integrating a temporary scheme into an existing system of unemployment insurance.

The existing furlough and short-time work schemes proved to be ill equipped to address the challenges of the Covid crisis. As documented in more detail in Table 2, all permanent job retention schemes were adjusted to the new environment. The scale of the economic shock, especially in the initial phase, was unprecedented. Some companies have seen their business effectively disappear in the face of government restrictions. In this context, the short-time work rationale of spreading the costs of adjustment across the workforce became less relevant. The limits on the maximum extent of working time reduction in STW schemes was thus typically increased. The crisis also made it difficult to assess the temporal nature of economic difficulties. The eligibility criteria of short-time work and furlough schemes were thus made less demanding and the procedures more flexible. The

limits on duration were extended or temporarily lifted. Short-time work schemes also often allowed companies to enrol workers in quarantine. Finally, the aims of providing generalised income support and a general freezing of ties between employees and firms took priority over any targeting of the core workforce or addressing possible freeriding by employers and, in the case of furlough schemes, also by (uninsured) employees. The schemes were thus often made more generous for employees (see Belgium, Germany and Sweden) and, in the case of short-time work schemes, also for companies (see Germany and Switzerland). Finally, the schemes were made available to wider categories of workers.

Both permanent and temporary schemes, typically, were further adjusted as the crisis evolved (see Table 2, column 5). The extension of temporary measures was the most common adjustment. Estonia and Latvia were the only countries which discontinued their job retention schemes in June 2020, only to re-introduce them at a later stage of the pandemic. Wage subsidies were also frequently adjusted during the pandemic, but the changes did not follow a clear trend. Croatia, for instance, widened its sectoral coverage and increased the support paid to employers. Eligibility was made more demanding in Poland. Malta, running a substantial wage subsidy scheme, made it accessible to a wider set of workers and companies, but somewhat reduced the level of the subsidy. Finally, the Netherlands, another country with a large wage subsidy scheme, allowed a cut in wages paid and introduced training provisions, effectively introducing (minor) incentives and support for changing jobs.

In contrast, the procedural adjustments of the short-time work schemes during the crisis tended to follow a similar pattern, increasing flexibility and extending scope and duration. Whereas the level of short-time work support for employees as a percentage of the original wage and the cap remained remarkably stable over time, the substantial changes introduced in short-time work schemes concerned mainly the proportion of short-time work support paid to employees that needs to be covered by the employer. Over time, many countries in which, at the beginning of the crisis, the state fully covered employees' short-time work support – such as France, Italy, Slovenia and the United Kingdom – introduced some kind of co-payment by the employer. This clearly reflects the dynamics of the pandemic and the fact that at the beginning of the crisis providing broad support and retaining companies' financial liquidity took precedence over concerns about unjustified claims. Over time, the latter gained in importance.

The adjustments of furlough schemes to the crisis tended to introduce more flexibility into systems and allowed for longer use of schemes. In Denmark, furthermore, eligibility was widened by extending the scheme to workers not enrolled in the unemployment insurance system. The country also increased the level of the benefit as the crisis unfolded. In general, furlough schemes proved to be more universally applicable, requiring fewer adjustments.

Figure 1 provides an overview of the size of the schemes, in terms of spending in 2020 as a percentage of GDP. Unfortunately, the quality of data differs across countries. For some countries, the spending figures are based on estimates (for

example, Finland) or do not cover all programmes in all periods (for example, Italy). Countries with permanent furlough schemes may not distinguish spending on furlough schemes from spending on standard unemployment schemes, hence the lack of data for Finland and Denmark. In any case, the data suggests that spending on job retention schemes cannot be linked directly to their type, even if the severity of the crisis is taken into account.

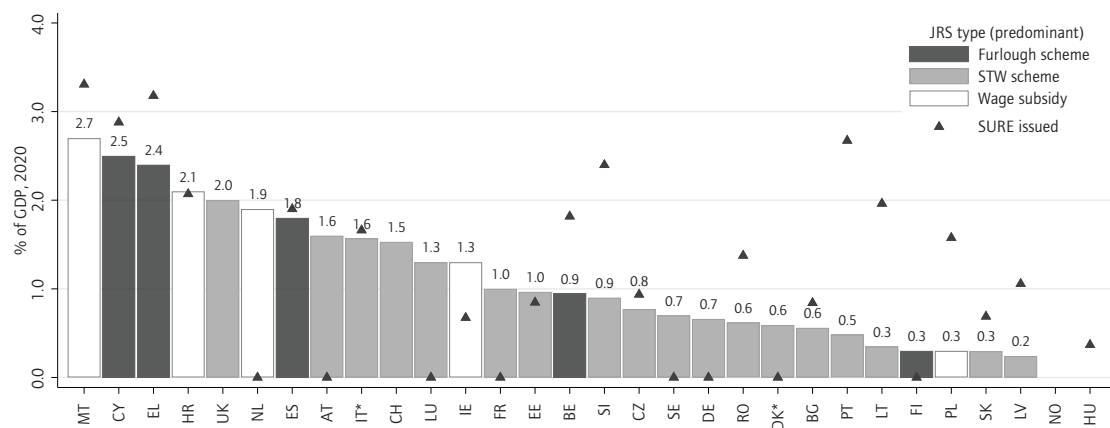
As indicated in Figure 2, spending on job retention schemes reflects falls in GDP, but there was also a lot of variation between countries affected by the crisis to a similar extent. Malta, Cyprus and Greece, three countries that recorded the highest spending on job retention schemes in 2020, also recorded the highest spending levels relative to the fall in GDP. If the depth of the crisis is taken into consideration, Ireland and the Netherlands also rank among the highest spenders (see Figure 2). In contrast, Portugal, Slovakia and Latvia have spent less than might be expected based on GDP.

As suggested by Figure 3, spending on job retention schemes has reflected take-up to a considerable extent. We can expect take-up to be influenced by, besides the severity of the crisis, the scope of job retention schemes (eligibility criteria) and the cost to the employer of using the scheme (relative to dismissing and rehiring workers). The large job retention schemes in Cyprus and Greece were characterised by wide accessibility and low cost to the employer. Interestingly, wage subsidies – which, as discussed below, were characterised by relatively strict eligibility criteria in terms of the economic difficulties experienced by firms – were also among the schemes with the highest spending and take-up (with the exception of Poland). As far as the cost of job retention schemes is concerned, many countries have reduced the cost of time not worked for the employer close to zero. At the same time, a number of countries, including Czechia, Denmark, Norway, Poland and Portugal, require substantial employer co-financing of hours not worked. These countries are indeed among those with lower spending and take-up, relative to the fall in GDP. On its own, however, the cost of using the scheme does not explain the variation in spending and take-up.

Finally, spending patterns indicate that the ability to spend, or rather to borrow on the financial markets, played little role in explaining the size of job retention schemes in Europe. There were indeed worries at the beginning of the pandemic that the crisis would exacerbate economic divisions within Europe, with countries in good financial shape spending their way out of the crisis, leaving behind countries with historically high debt levels that might find it difficult, or more expensive, to access funding on financial markets. In the end, however, southern European countries were among the highest spenders, also taking the severity of the crisis into account. This can be attributed to supportive EU policies. The European Commission allowed, at an early stage of the crisis, considerable flexibility in using EU funding (the European Social Fund in particular) for financing crisis-related measures. A number of EU countries took advantage of this flexibility to finance their job retention schemes (for example, Czechia, Romania). Moreover, a system of joint borrowing (EU SURE bonds) was adopted in May 2020 (European Commission 2021). Member states could use the programme to finance their job retention schemes through loans guaranteed by the EU, hence under better

conditions than would be available for states with high borrowing costs. As indicated in Figure 1, SURE funding was used by a large number of EU countries. A survey among policymakers confirmed the importance of SURE funding in a number of member states in providing the fiscal space to finance job retention schemes (Eurofound 2021: 39). Among the higher spenders, Netherlands, Austria and Luxembourg chose not to use SURE financing. Importantly, in contrast to past programmes of EU lending, SURE funding was unconditional. It could be used only for eligible spending that included job retention schemes and other crisis-related programmes.

Figure 1 Spending on job retention schemes and SURE issued, 2020 (% of GDP)

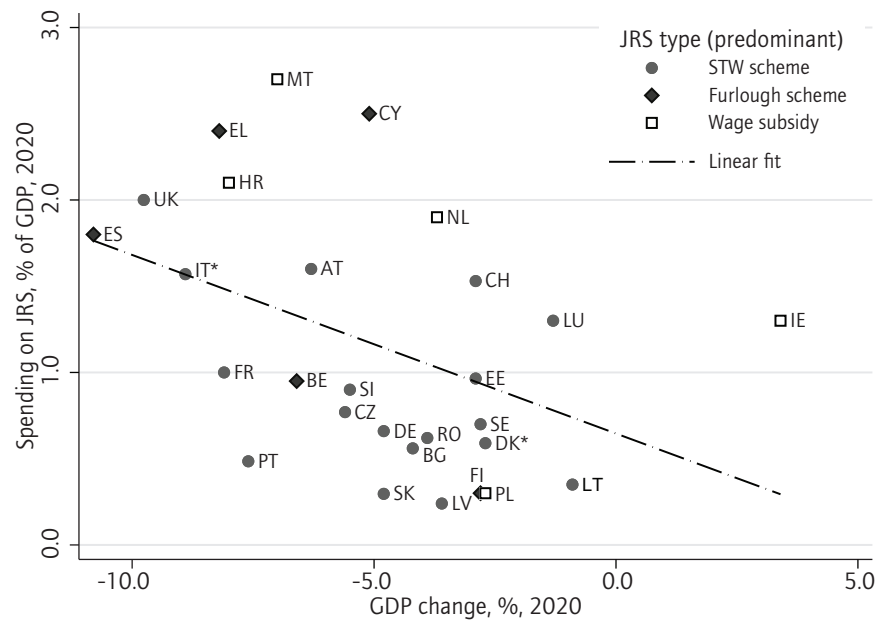


Note: * Denmark: short-time work spending only (not available for the furlough scheme), Italy: spending for March-October 2020.

– No spending figures available for Norway and Hungary.

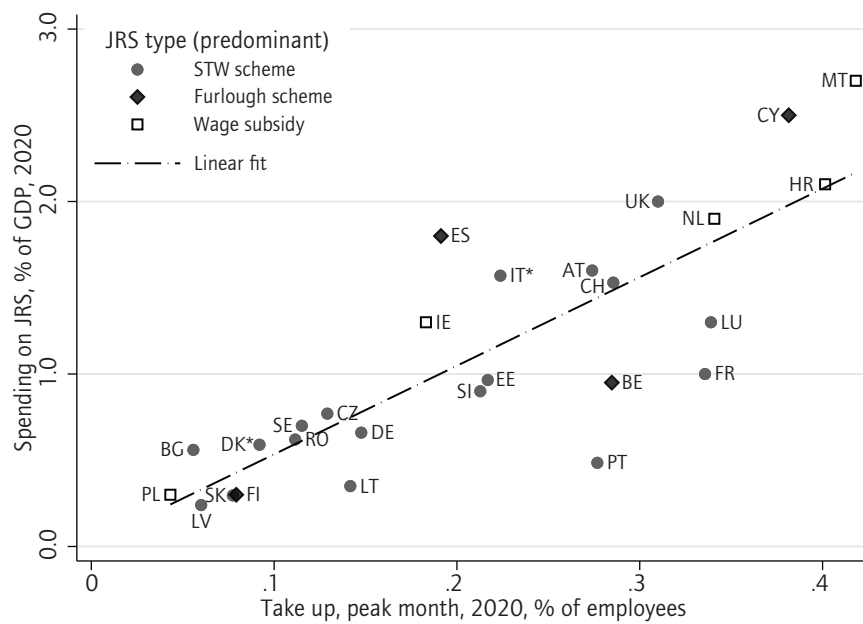
Source: ETUI survey of job retention schemes.

Figure 2 Spending on job retention schemes and GDP change in 2020



Note: * Denmark: short-time work spending only (not available for the furlough scheme), Italy: spending for March-October 2020.
Source: ETUI survey of job retention schemes.

Figure 3 Job retention scheme spending by take-up



Note: * Denmark: short-time work spending only (not available for the furlough scheme), Italy: spending for March-October 2020.
Source: ETUI survey of job retention schemes.

Developments in take-up over time and across sectors

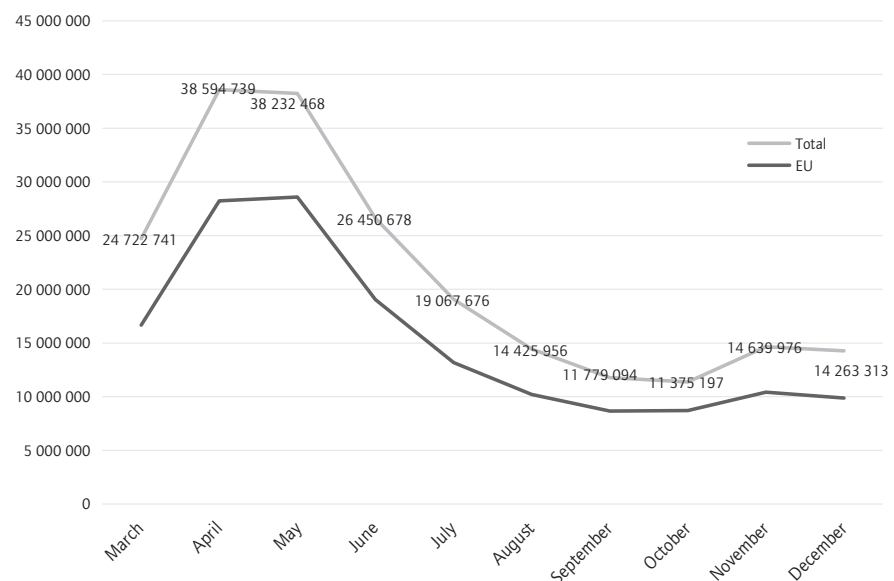
The use of job retention schemes peaked at the beginning of the pandemic. Our database – which covers EU member states and Norway, Switzerland and the UK – records 38.6 million workers benefiting from support from a job retention scheme in April 2020 (Figure 4). In EU member states for which data is available, take-up peaked in May, with 28.6 million workers on schemes. The use of job retention schemes dropped rapidly after May 2020, with the lowest number of workers – 11 million – on some form of job retention scheme in October 2020. The second wave of the virus then drove the number up again, but to a much lower level of 14.6 million in November 2020 (10.4 million for EU members). These figures are calculated on an employee/month basis: a single employee using a job retention scheme during several months thus counts as a job retention scheme user in each month. Importantly, these figures do not take into account whether a worker used a job retention scheme on a full-time basis, or just for 10 per cent of their time. Many short-time work and furlough schemes indeed allowed various degrees of enrolment. In any case, take-up figures in full-time equivalents are not available for most countries. The data is thus not directly comparable across countries. This also constrains the interpretation of take-up rates and their development in individual countries. At the same time, we observe a correlation between our measure of take-up and spending, suggesting that variations in monthly working hours do not play a major role in explaining the variation in take-up rates.

With these caveats in mind, we compare the take-up rate, measured as a percentage of employees benefiting from some form of job retention scheme, between countries in Figure 5. The rate was highest in Malta, Croatia and Cyprus, where it reached around 40 per cent in the peak month. Unfortunately, data on take-up is not available for Greece, which is among the high spenders. Take-up peaked in April or May in almost all countries. Czechia is an exception, however, as it introduced a broad wage subsidy in the form of insurance contributions relief for smaller firms in June–August, driving up the take-up rate in this period. Figure 5 thus displays the take-up rate for Czech short-time work separately, and clearly it is one of the smaller schemes. It also highlights data for the Netherlands, which is not directly comparable, being collected for three-month rather than monthly periods.

Analyses of take-up in the first wave point to underlying factors that explain variation, namely the stringency of the respective lockdowns and the share of contact occupations that make employment structures vulnerable to social distancing (OECD 2021: Figure 2.3; Eurofound 2021: Table 3.4). These two factors are directly related to the fall in GDP, the factor that we discussed in the previous section. Take-up rate cannot be directly linked to the share of temporary contracts (see Eurofound 2021: Graph 3.4). As will be further discussed, many countries have extended their job retention schemes also to temporary workers. Countries, notably Belgium, only exceptionally allowed keeping temporary workers on the job retention scheme after their contract had expired, however. In contrast, temporary contracts were not extended in Spain and Portugal, two countries with a high share of them.

Figure 6 maps the development of take-up throughout 2020. It followed a two-way pattern across Europe, with large schemes recording the highest take-up rates also in the second wave. Figure 6 also shows that some countries stood out. First, the Maltese wage subsidy had a high take-up rate throughout 2020. It was characterised by broad eligibility criteria (sectors), with the economy suffering severely from restrictions on tourism. Second, the take-up of the Irish wage subsidy remained at a similar, albeit much lower, level throughout the year. The eligibility criteria were somewhat stricter in Ireland (a 30 per cent decline in turnover or customer orders) and the wage subsidy was implemented in a context of a relatively mild economic shock. Third, the take-up rate declined much more gradually and remained relatively high throughout the October nadir also in the United Kingdom, which implemented a short-time work scheme (termed a ‘furlough scheme’). The design of the latter was fairly sui generis, however, with no eligibility criteria in terms of economic impact and no cost to the employer from March to August. Fourth, Portugal recorded high take-up in the first wave, but only a very low one by the end of the year. Finally, as already mentioned, the second peak in Czechia was driven by the additional wage subsidy for smaller companies, implemented on top of its short-time work scheme for a limited period.

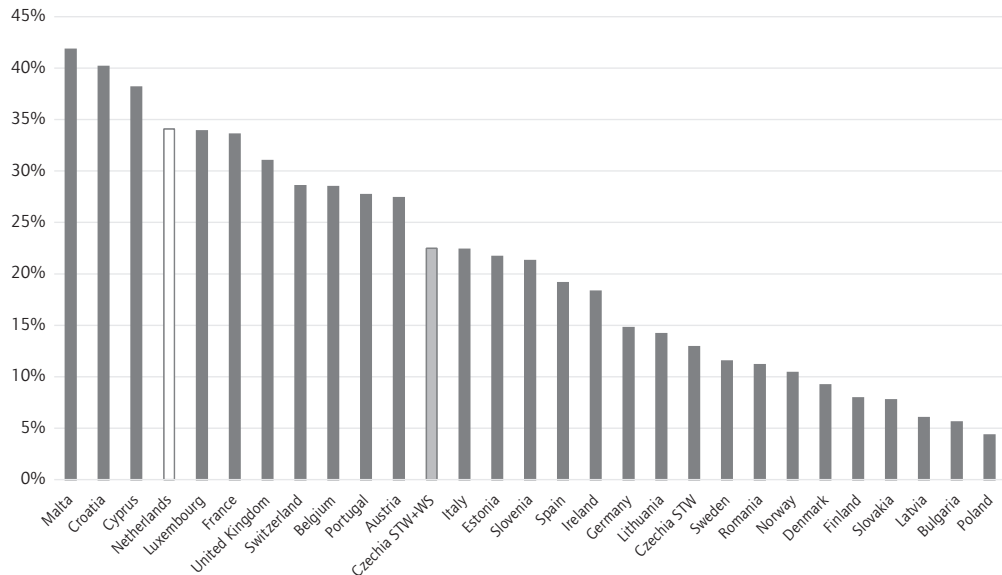
Figure 4 Number of employees supported by a job retention scheme each month in 2020



Note: Data are not available for Greece and Hungary. The figures are based on incomplete data reported in Malta, Romania, and Latvia. In Malta, take up figures were not reported for March, June, August, October, and December 2020. In Romania, take up is not available for August-November 2020. For Latvia, take up was not reported in November 2020. For Netherlands, quarterly figures were used. The figures do not take into account the number of hours on the JRS.

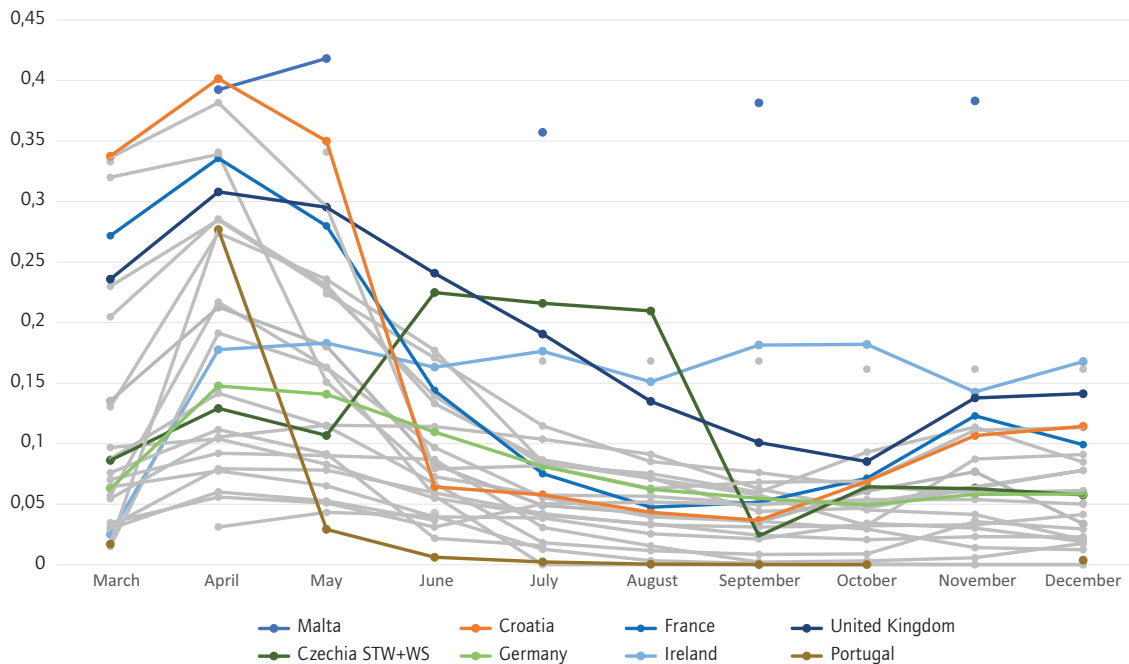
Source: ETUI survey of job retention schemes.

Figure 5 Persons using job retention schemes as a percentage of employees, peak month in 2020



Note: Data are not available for Greece and Hungary. The figures are based on incomplete data reported in Malta, Romania, and Latvia. In Malta, take up figures were not reported for March, June, August, October, and December 2020. In Romania, take up is not available for August-November 2020. For Latvia, take up was not reported in November 2020. For Netherlands, quarterly figures were used. The figures do not take into account the number of hours on the JRS.
Source: ETUI survey of job retention schemes.

Figure 6 Development in take up rates in 2020



Note: Data unavailable for Greece, and fragmentary for Hungary, Latvia and Romania; data for the Netherlands are not directly comparable as they were collected for three-month periods. Moreover, the figures do not differentiate the number of hours covered.
Source: ETUI survey of job retention schemes.

Our survey did not produce comparable data on the sectoral composition of job retention schemes across Europe. Instead, we present the sectoral breakdown on the development of expenditure on such schemes throughout 2020 for Germany and the United Kingdom (see Table 3 and Table 4, respectively). If considered together with information in other country reports and with Eurofound's analysis of take-up in Spain, Portugal and France in the first wave (Eurofound 2021: Table 3.2), the data suggests that differences in sectoral composition in the relevant economies gave rise to different sectoral biases in take-up. More specifically, countries with high manufacturing employment had a higher propensity to resort to job retention schemes in manufacturing than countries with lower manufacturing employment. In turn, countries specialising in services tended to exhibit more intensive use of job retention schemes in services than countries with low service employment. At the same time, given the high contact intensity, services tended to record higher take-up than manufacturing in all countries in 2020, but there were important shifts throughout the year.

It is indeed informative to contrast sectoral developments in Germany and the United Kingdom, given the large differences in the sectoral composition of their economies, particularly in relation to manufacturing. While the latter accounted for 20 per cent of employment in Germany in 2020 it represented only 9 per cent of employment in the United Kingdom. Similar trends can be identified in the two countries, despite their structural differences. Manufacturing, wholesale and retail trade, and accommodation and food received the largest share of job retention scheme support in both the United Kingdom and Germany. In the later stages of the crisis, the sectoral composition changed, however, with job retention scheme expenditure shifting towards accommodation and food, as well as arts and entertainment and other services (NACE R and S). Spending on manufacturing, as a share of overall job retention scheme spending, declined somewhat, but it remained among the major recipients.

The role of manufacturing in job retention schemes sets the two countries apart. The differences in the share of manufacturing in job retention scheme expenditure is far larger than one might expect given the difference in manufacturing employment. Germany is indeed characterised by a strong bias towards manufacturing, with the sector accounting for about 40 per cent of job retention scheme spending in June–August 2020. The sectoral bias and its change over time can be best identified by considering the share of workers using the scheme within sectors, data on which is available for Germany (Table 3). It indicates that, in the early stages of the crisis, the share of employees benefiting from the German short-time work scheme was indeed highest in manufacturing, where 29.2 per cent of workers were enrolled in some form of it in May 2020, in comparison with 17.1 per cent for all sectors. The share dropped to 9.1 per cent in December 2020, which was still above the average share of 7.9 per cent in the period. Moreover, the shift towards accommodation and arts and entertainment and other services (NACE R and S) appears much more pronounced if analysed in terms of take-up within the sectors. While the take-up rates in these sectors was 25.2 per cent and 10.9 per cent, respectively, in May 2020, the second lockdown drove them to 56.3 per cent and 24.2 per cent in December 2020. The large increases in the take-up rate in services can be attributed to an overall decline in employment in these sectors. The actual

numbers of workers in accommodation and catering receiving short-time work support was in fact 12 per cent lower in December than in May (Müller 2021).

An analysis of the adjustments in hours worked for Czechia suggests that the pattern observed in Germany may not be unique (Jurajda and Doleželová 2021). Czech data also show a bias towards larger firms across sectors. The support was thus concentrated in manufacturing companies with over 250 employees. The evidence provided in the country reports suggests that the manufacturing bias is indeed larger in economies that rely more heavily on this sector. We thus observe a strong manufacturing bias in Bulgaria, Czechia, Finland, Germany, Hungary and France. This sector accounted for a smaller share of supported employment in other countries for which sectoral breakdowns are available, however (Denmark, Estonia, Norway, Ireland and the United Kingdom).

The manufacturing bias can be attributed to the higher importance for manufacturing companies of maintaining links with their employees than for employers in accommodation and food services. Evidence from the Great Recession indeed shows a strong link between high human capital and job retention scheme take-up (Lydon *et al.* 2019). Manufacturing companies thus may be more willing to contribute to the costs of keeping an employee in a short-time work scheme. The relatively high share of the service sector in the British short-time work scheme may thus be related to the relatively low cost of keeping workers under a job retention scheme. The costs were lowered in the crisis also in Germany (amounting to a 50 per cent cut in insurance contributions), but the German short-time work scheme, as is common for this type of job retention scheme, still involves considerable administration costs on the part of the employer. These costs may also explain a possible bias towards larger companies. The latter are able to spread fixed administration costs across a larger number of workers. Finally, employment norms may play a role, with the accommodation and service sector often relying on casual employment (fixed term or informal contracts). In such a context, employers will find it easier not to extend the contract, or will not have access to job retention schemes at all.

Table 3 Sectoral breakdown of job retention scheme take-up in Germany and the use of job retention schemes within sectors, 2020 (% of employees)

	March	May		July		August		December	
Sector (NACE)	In JRS	In JRS	(Within sector)	In JRS	(Within sector)	In JRS	(Within sector)	In JRS	(Within sector)
A: Agriculture	0	0.1		0.09		0.09			
B: Mining and quarrying	0.02	0.07		0.12		0.14			
C: Manufacturing	23.22	35.49	(29.2)	42.05	(20.3)	40.89	(15.1)	22.92	(9.1)
D: Electricity, gas	0.03	0.11		0.07		0.06			
E: Water supply; sewerage	0.13	0.22		0.18		0.17			
F: Construction	9.18	2.14	(6.4)	1.96	(3.4)	2.05	(2.7)	1	(1.4)
G: Wholesale and retail trade	16.13	14.73	(14.7)	12.21	(9.0)	11.92	(6.7)	17.38	(10.2)
H: Transportation	4.76	5.59	(17.1)	6.06	(10.8)	6.82	(9.4)	5.54	(7.9)
I: Accommodation and food	17.29	11.11	(25.2)	9.73	(31.3)	10	(24.7)	20.39	(56.3)

	March	May	July	August	December
J: Information and communication	1.16	2.65	3.37 (9.5)	3.56 (7.7)	2.01 (4.1)
K: Financial and insurance	3.91	0.8	0.53	0.54	
L: Real estate	0.39	0.45	0.36	0.36	
M: Professional, scientific and technical	6.13	7.16 (7.2)	7.22 (10.3)	7.54 (8.3)	7.21
N: Administrative and support	7.54	7.01 (11.4)	7.53 (11.4)	8.02 (9.3)	7.11 (8.6)
O: Public administration	0.08	0.38	0.35	0.31	
P: Education	1.37	1.53 (2.8)	1.12 (2.8)	1.03 (2.0)	1.10 (2.1)
Q: Human health and social work	4.81	5.81 (2.1)	3.14 (2.1)	2.55 (1.3)	2.24 (1.2)
R: Arts, entertainment and recreation	2.54	2.37	1.63	1.59	4.84
S: Other services	4.67	2.26	2.28 (10.9)	2.35 (8.5)	5.80 (24.2)
T: Activities of households	0.02	0.01	0.01	0.01	
All	100	100 (17.1)	100 (9.9)	100 (7.6)	100 (7.9)

Note: JRS – job retention scheme. Sources: Bundesagentur für Arbeit (2021a, 2021b) in Müller (2021).

Table 4 Sectoral breakdown of job retention scheme take-up in the United Kingdom, 2020 (% of all employees)

Sector (NACE)	30 Apr	31 Oct	31 Dec
A: Agriculture	0.3	0.3	0.4
B: Mining and quarrying	0.1	0.2	0.0
C: Manufacturing	10.2	7.8	6.9
D: Electricity, gas	0.2	0.0	0.1
E: Water supply; sewerage	0.4	0.3	0.3
F: Construction	8.1	5.4	4.9
G: Wholesale and retail trade	21.0	14.9	18.0
H: Transportation	4.3	5.1	4.0
I: Accommodation and food	18.6	25.1	28.1
J: Information and communication	2.2	3.2	2.6
K: Financial and insurance	0.8	0.8	0.7
L: Real estate	1.7	1.6	1.4
M: Professional, scientific and technical	6.4	8.1	6.0
N: Administrative and support	9.1	8.9	8.2
O: Public administration	0.1	0.2	0.2
P: Education	3.3	2.6	2.2
Q: Human health and social work	4.3	4.0	3.3
R: Arts, entertainment and recreation	5.0	6.7	7.2
S: Other services	3.4	4.3	4.6
T: Activities of households	0.1	0.1	0.1
Unknown and other	0.3	0.6	1.0
All	100	100	100

Source: HM Revenue & Customs (2020) in Fulton (2021).

Eligibility criteria

‘Eligibility’ refers to the criteria that companies and their workers have to fulfil to receive financial support. The broadest possible distinction between eligibility criteria therefore concerns whether they refer to the situation of the company or that of the employees. Even though the specific form and mix of company- and employee-related eligibility criteria vary considerably across Europe, they can be divided into sub-categories shared to varying degrees by all job retention schemes. The company-related criteria comprise four sub-categories: first, whether the pandemic caused some sort of economic difficulties; second, whether the reason for support is a government decision leading to restrictions on companies’ economic activity; and third, company-specific characteristics such as size and sector. A fourth sub-category is the degree to which trade unions and company-level employee representation structures are involved in the implementation of the respective job retention scheme as a precondition for receiving financial support. This fourth sub-category will be dealt with in a separate section. The employee-related criteria, by contrast, are much more homogenous across countries, in particular because countries have tried to make their Covid-19 job retention schemes as inclusive as possible.

Analysis of eligibility criteria yields the following two key results:

(1) Reflecting the severity of the Covid-19 crisis all countries have pursued the principal objective of making the provision of support as inclusive, timely and effective as possible by ensuring broad eligibility for companies and workers. This also includes measures to simplify application processes and the actual payment of support. Applications, for instance, could be made online in virtually all countries. In many countries, applications could also be made retroactively, taking into account that government decisions to contain the crisis that negatively affect economic activity were often made at short notice. This also involves the possibility to pay a certain percentage of support in advance, based on the expected economic impact and to settle the final amount to be paid once the actual need for support has been reliably established. If the economic impact is less severe than expected this may also mean that a company has to pay back part of the support that has already been paid. The newly introduced wage subsidy scheme in the Netherlands is a case in point. In July 2021, officials of the Dutch Ministry of Finance revealed that more than 70 per cent of the entrepreneurs who received a wage subsidy in 2020 have to repay parts of it. The officials estimate that for the period March-September 2020, approximately €4.2 billion have to be repaid by more than 50,000 companies because they overestimated the expected loss of revenue on which the wage subsidy is based (Schellekens et al. 2021). It should be emphasised, however, that such advance payments are much easier to organise in wage subsidy schemes in which the amount paid does not depend on working time arrangements. Alternatively, some short-time work schemes, like those in Austria and Germany, enable companies to apply for short-time work as a precautionary measure for a longer period and only then claim support for the workers who actually go onto short-time work. This is why in Austria and Germany the number of applications diverges considerably from the actual number of workers for whom short-time work support has been paid.

(2) The specific form and mix of eligibility criteria are shaped by the underlying logic of the different types of job retention scheme, the course of the pandemic and its economic impact. In a nutshell, economic criteria tend to be more specific in wage subsidy schemes and newly established short-time work schemes than in permanent, more well-established short-time work and furlough schemes. By contrast, in the latter, formal requirements to involve trade unions and employee representation structures are more common than in wage subsidy schemes. Over time, eligibility criteria have not changed much, irrespective of the type of job retention scheme. In countries in which changes have taken place, they reflect a growing concern about deadweight losses. As a consequence, the criteria were made more restrictive during low ebbs of the pandemic and loosened during peaks. In some countries, growing concern about deadweight losses is furthermore reflected in attempts to make them more sector-specific, channelling financial support more strongly to sectors hardest hit by the pandemic. In some countries, these attempts to avoid deadweight losses also include special provisions that exclude companies from eligibility that pay out dividends or bonuses, operate from tax havens or buy back shares.

Company-related eligibility criteria

Because by definition the aim of a job retention scheme is to provide support in a situation of a temporary drop in economic activity, the main criterion for companies in all schemes is that they find themselves in some sort of economic difficulties caused by the pandemic. More specific requirements to prove economic difficulties differ considerably across countries and are strongly shaped by the underlying logic of the respective scheme. As a rule, the requirements to prove economic difficulties are most stringent in wage subsidy schemes, which all include some kind of numerical minimum threshold for the drop in revenue. The more stringent requirements in the case of wage subsidy schemes can be explained by the fact that support is paid to companies usually per employee and often as a lump sum, irrespective of any working time reductions. This increases the need to link support to more ‘objective’ economic criteria to lower the risk of deadweight losses from supporting companies that in fact do not need it.

In the various wage subsidy schemes across Europe, the minimum entitlement threshold for a fall in revenue ranges from 15 per cent in Poland to 60 per cent in Croatia in the period July–September (see Table 5). The criteria not only vary *between* countries but in some cases also within them, depending on the reference period of the comparison or the specific situation of the company. In Poland, for instance, the minimum threshold of a 15 per cent drop in revenue applies to comparisons with the same period in 2019. If, however, the reference period is the previous month in 2020, companies need to prove a drop in revenue of at least 25 per cent (Surdykowska 2021). Croatia represents the prime example of frequent changes over time in adapting to the development of the pandemic and its economic implications. In the period March–May 2020 companies needed to prove a 20 per cent drop in revenue. In June 2020, the criteria were tightened to apply only to companies from selected sectors which had to provide evidence of a drop of at least 50 per cent compared with 2019. For the period July–September

2020 the threshold was raised to 60 per cent and kept at 50 per cent only for micro-companies with fewer than 10 employees. For the period October–December 2020 the threshold was again lowered to 40 per cent for companies in selected sectors and for micro-companies regardless of the sector in which they operate (Jaklin 2021). The frequent changes in economic eligibility criteria in Croatia reflect the fact that at the beginning of the pandemic, from March to May 2020, the provision of broad support took precedence over concerns about unjustified claims. Later on, in particular when government-imposed economic restrictions were eased, abuses became more important. As a consequence, criteria were tightened and geared more specifically towards sectors that were still more heavily affected, such as transport and storage, HORECA, information and communication, various other service activities and arts and entertainment. The fact that in the period October–December 2020 the criteria were loosened again reflects the impact of the second wave of the pandemic and the increased need for more easily accessible and broader financial support.

By contrast, in short-time work schemes the requirements for proving economic difficulties are less specific because the size of support is linked to the extent of the working time reduction. The reduction of working hours can be seen as an indicator of economic difficulties in its own right. This makes a more specific justification in terms of a fall in revenue less important. This is why some short-time work schemes – for instance in Denmark, Estonia, Germany and Romania – specify a minimum number of employees who need to be negatively affected by the temporary drop in economic activity. In Germany, the rules stipulate that for a company to be eligible for short-time work support at least 10 per cent of the workforce needs to be affected by a loss of at least 10 per cent of gross pay. Similarly, in the Romanian short-time work scheme companies are eligible only if the contracts of at least 10 per cent of the employees are suspended. In the short-time work scheme in Estonia, support was initially provided only to employers that reduced working time or wages for at least 30 per cent of their workforce.

Concerning the exact proof of economic difficulties to be provided, a distinction needs to be drawn, however, between permanent, well-established short-time work schemes – for instance in Austria, France, Germany and Sweden, which adapted their eligibility criteria to the specific needs of the crisis – from schemes newly set up in many central and eastern European countries in the context of the crisis. The permanent schemes did not include specific economic criteria in the first place and did not introduce them in their adapted Covid-19 schemes. By contrast, the newly set up schemes in many central and eastern European countries include specific minimum thresholds for a drop in revenue, ranging from 10 per cent in Romania to 50 per cent in Estonia in June 2020 (see Table 5). Hungary is a special case, specifying a range of 5–75 per cent. Economic criteria are least specific when it comes to furlough schemes. This once again reflects the underlying logic of such schemes. Because support is paid directly to the employee for time not worked, the support is *de facto* part of the unemployment benefit system. As a consequence, employee-related eligibility criteria play a more important role than in, for instance, wage subsidy schemes.

Table 5 Eligibility criteria for companies

Wage subsidies	Short-time work schemes		Furlough schemes
Economic difficulties			
Specified	Unspecified	Drop in revenue	Unspecified
BG: at least 20% HR: at least 20-60% (changes over time) IE: at least 30% NL: at least 20% PL: at least 15%/25%	AT, CZ, FR, DE, LT, SE	BG: 20% HR: 20% EE: 30/50% GR: 20% HU: 5-75% SK: 20% SI: 20% PT: 25% RO: 10%	BE, CY, DK, FI, NO
Closure/restrictions because of government decisions			
	CZ, DK, FR, LT, PT, SK, SI, ES		CY, GR, NO
Selected sectors			
HR: selected sectors and micro companies HU: at least 30% drop in revenue in HORECA, culture and sport MT: at least 25% drop in revenue in selected sectors	BG: list of NACE codes LU: in tourism and HORECA 75% of the workforce to be retained SI: non-financial companies and companies not relying on public budget ES: selected sectors		CY (HORECA and business related to these sectors) GR
Other criteria			
CZ: less than 50 employees and employment and wage bill kept at least 90% HU: hours reduced by 15-75%	DE: 10% of the workforce affected by loss of at least 10% of gross pay DK: temporary layoff of at least 30% of staff or at least 50 employees EE: employer cannot provide work to 30% of the workforce and wage reduction of 30/50% of the employees by at least 30% HR: more than 10 employees LV: volume of exports within the EU in 2019 is 10% of total turnover or not less than €500,000; average monthly gross wage in 2019 was not less than €800; long-term investments in fixed assets as of 31.12.2019 were at least €500,000 RO: suspension of contracts for at least 10% of employees		IE: working time reduction of 2-4 days per week.

Note: One country may run different types of job retention schemes in parallel and therefore be dealt with under wage subsidy, short-time work scheme and/or furlough scheme at the same time.

Source: ETUI survey of job retention schemes.

Reflecting the specific conditions of the pandemic, in some cases, the decision to grant support is based on whether the disruption of economic activity is because of government measures to contain the pandemic. This is common in short-time work and furlough schemes and in some cases, such as Czechia, it is also linked to a higher level of support. This criterion, however, does not play a role in any of the wage subsidy schemes. A common feature of all three types of scheme are sector-specific requirements. The broadest possible distinction can be made concerning whether public sector employers are eligible for job retention schemes. A sizeable number of countries exclude public sector employers to varying degrees, including Austria, Cyprus, Czechia, Greece, Hungary, Italy, Malta, Portugal, Romania, Slovakia, Slovenia, Sweden and the United Kingdom (see also Eurofound 2021: 25).

Irrespective of the type of job retention scheme, some countries have also established sector-specific schemes or have specified certain sectors that have been particularly hard hit by the crisis and are therefore eligible for such support. Where sector-specific schemes were established, for instance in Hungary and Cyprus, they focus on the HORECA sector. Other countries – such as Bulgaria, Croatia, Greece, Malta and Spain – have taken a more comprehensive approach, establishing a list of sectors that are eligible for job retention schemes. A case in point is Malta, where at the beginning of the crisis two different lists of sectors were drawn up, based on the degree to which they were affected by the crisis and providing different levels of support. To take account of the course of the pandemic and its economic impact, the lists were under constant revision and in July 2020, the system was further differentiated with the introduction of a third list of sectors (Fiorini 2021).

Employee-related eligibility criteria

Whereas the company-related criteria vary considerably, the employee-related eligibility criteria are much more homogenous across countries. A common trend irrespective of the type of job retention scheme is the fact that, at the beginning of the pandemic, most countries tried to make their schemes as inclusive as possible. This means that most countries also included non-standard workers on part-time and/or fixed-term contracts and temporary agency workers. Exceptions include the short-time work schemes in Croatia and Hungary, which explicitly apply only to full-time employees; and the short-time work scheme in Denmark, which covers only permanent employees. In many countries with a long-standing tradition of job retention schemes, the permanent scheme was adapted to make it more inclusive. In Germany, for instance, temporary agency workers, who normally are not eligible, were included in the scheme. In France, the scope of the standard short-time work scheme has been extended to almost all categories of employee, including executives, temporary and part-time workers, domestic workers and childminders, travelling salesmen and employees at most public companies (Vincent 2021). Similarly, the Covid-19 scheme in Switzerland made short-time work support temporarily available to categories of employees that were excluded from support under the standard scheme. This applies to employees with a fixed-term employment relationship, temporary agency workers, employees working on call, apprentices, people in at-risk groups (for example, with high blood pressure)

and people with quasi-employer status (Baumann 2021). In Italy, where the traditional short-time work schemes were limited to the industrial sector and in the case of CIGS only applied to companies with at least 15 employees, all these limitations were removed under the Covid-19 short-time work scheme to cover all workers, all sectors and companies with fewer than five employees (Faioli and Bologna 2021).

While the general trend of making job retention schemes as inclusive as possible during the pandemic applies irrespective of the type of scheme, some employee-related eligibility criteria are more specific to the type of job retention scheme. The wage subsidy schemes in Ireland and Poland, for instance, exclude support for workers above a certain earnings threshold. In Ireland this threshold is €1,462 per week and in Poland it is 300 per cent of the national average wage. The furlough schemes in Denmark, Finland and Ireland require that the respective employee has contributed sufficiently to the unemployment benefit system in order to be eligible for financial support — although in Finland this only refers to the earnings-related unemployment benefit. A de facto link to sufficient contributions to unemployment insurance also exists in the short-time work schemes in Austria and Germany, which exclude marginally employed employees below a certain monthly earnings threshold and are therefore not covered by social insurance.

Generosity of job retention schemes

The generosity of support refers to the amount of job retention scheme support provided to companies and employees over a certain period of time. Generosity can be assessed from two angles: first, from an employee perspective as the financial support received to compensate (part of) wages lost because of reduced working hours and, second, from an employer's perspective as the financial support a company receives to cover (part of) its overall wage costs during a temporary drop in demand. The two are not necessarily the same because the latter also includes payment of social security contributions. In many countries the employers, furthermore, also have to cover a certain part of employees' wages for hours not worked.

Generosity is more than just the replacement rate defined as a percentage of the original wage received for time not worked. It consists of three elements: the most obvious is the level of job retention scheme allowance, which refers to the replacement rate. The second element is the so-called 'cap', which specifies a maximum amount of money paid for time not worked. The cap plays an important role in assessing the generosity of job retention scheme support because in a seemingly generous scheme with a high allowance as a percentage of the original wage, the actual amount paid – and therefore the overall generosity – may still be low if the cap is very low. The third element is the duration of wage support, which refers to the maximum length of time for which wage compensation is paid. The longer the duration the higher the overall generosity. During the pandemic, the duration of the initial Covid-19 arrangements did not play a major role because even in countries with a short initial duration the Covid-19 arrangements have been extended several times. As a consequence, in almost all countries some kind of scheme was in place without interruption for the whole period March–December 2020. The only exceptions are Estonia and Latvia. In Estonia, the short-time work scheme in place from March to June 2020 was discontinued and only reinstated from March to May 2021. A slightly adjusted scheme was also in place for the period 28 December 2020 to 17 January 2021 in response to the restrictions imposed by the government to tackle the second wave of the pandemic (Kallaste 2021). Similarly in Latvia, the short-time work scheme that was established at the beginning of the crisis for the period March to June 2020 was discontinued and reinstated in an adapted version for the period November 2020 to June 2021 (Preisa 2021). The following analysis of the generosity of job retention schemes from the perspective of employees and employers will therefore focus on the level and cap of job retention scheme support.

Generosity of job retention schemes support from an employee perspective

The level of support which an employee receives while on a job retention scheme is usually calculated as a percentage of the original wage. In most countries, the gross wage is used as the basis for calculation. Only in the short-time work schemes in Austria, Croatia, Germany, Greece and Hungary is the net wage taken as reference. In comparisons this can make a substantial difference. In France, for instance, the official replacement rate of 70 per cent of the original gross wage

corresponds to 84 per cent of the net wage. Another issue to be taken into account in international comparisons is the fact that in some cases the level of support as a proportion of the original wage does not correspond to the actual support received by employees. In Belgium, for instance, the state pays an additional ‘corona supplement’ of €5.63 per day, which means that the actual allowance for employees is higher than the statutory 70 per cent. The short-time work scheme in Latvia provides for a supplement of €50 for each dependent child up to 24 years of age. In other countries, such as France and Italy, but particularly in Germany, the level of statutory short-time work support is frequently topped up by industry- and company-level collective agreements (see below for more detail). It also has to be born in mind that in some job retention schemes – in particular, in wage subsidy schemes – the allowance is a flat-rate payment. As a consequence, no general replacement rate can be calculated. This applies to the wage subsidy schemes in Bulgaria, Ireland and Malta, as well as the furlough scheme in Greece.

With these caveats in mind, the level of job retention scheme allowance in the 30 countries covered in this study varies considerably, both across and within countries, irrespective of type of scheme, according to the following criteria.

Duration of support

In Germany, Greece, Norway and Spain the level varies according to the duration of support. In Germany, the permanent short-time work scheme was adapted so that the usual support of 60 per cent for workers without children and 67 per cent for workers with children applies only to the first three months. Between the fourth and sixth months of receiving short-time work allowance, the level increases to 70 per cent (for workers without children) and 77 per cent (for workers with children). After that the level is 80 per cent (without children) and 87 per cent (with children), respectively. The rationale for raising the level of short-time work support with increasing duration was that in view of the relatively low starting level workers may find it difficult to live on 60/67 per cent of the original wage for a longer period, in particular low-wage earners. In Norway, Spain and Greece, by contrast, the level of support decreases with increasing duration. In Norway, from March to August 2020, the employee received 100 per cent of the original pay for the first two days from the employer and for the following 18 days from the state (up to a cap of NOK 608,000). After that the worker receives between 62.4 per cent (if original annual earnings are between 304,000 and 608,000 NOK) and 80 per cent, if the workers’ original annual salary is below 304,000 NOK. In September 2020, the period for which workers receive the full wage was shortened from 20 to 10 days (Svalund 2021). In Spain, the level of support is 70 per cent for the first six months and 50 per cent thereafter. In the furlough scheme in Greece, the worker receives €800 for the first 45 days and between €300 and €534 thereafter.

Original gross wage

Taking into account that low-wage earners find it more difficult to live on a reduced wage, job retention schemes in some countries – such as Austria, Norway and Switzerland – provide a higher level of support to lower wage groups. In Austria, for instance, there are three wage brackets, with different levels of short-time

work support. Low-wage earners with a monthly gross wage of up to €1,700 are paid a higher allowance of 90 per cent compared with 85 per cent for workers whose monthly gross wage ranges between €1,701 and €2,685; and 80 per cent for workers earning between €2,686 and €5,370 (Tamesberger and Moser 2021). Switzerland has a different model. While the replacement rate for all wages is 80 per cent of the original wage, workers earning less than CHF 4,340 are paid a flat rate of CHF 3,470, which means that the actual replacement rate gradually increases for low-wage earners (Baumann 2021).

Reason for job retention schemes

In some countries – such as Czechia and Slovakia – the level of support varies according to the reason why workers cannot work. In Czechia, an employee receives 60 per cent of the original wage if they are in quarantine or cannot work because of a temporary drop in demand; 80 per cent if the company cannot provide enough work because of a temporary fall in supplies; and 100 per cent if the economic restrictions are caused by a government decision to contain the spread of the pandemic (Draškoupil 2021). A similar arrangement existed in Slovakia for March 2020. For the period April to December 2020, the replacement rate was 80 per cent, no matter whether the economic restrictions resulted from a temporary economic downturn or from a government decision (Kováčová 2021).

Extent of working time reduction

In Poland and Sweden, the level of support varies depending on the extent of the working time reduction. In Poland, workers receive 50 per cent of the original wage if operations are suspended. If, however, working time is only reduced between 20 and 50 per cent the workers only receive pay for time worked (Surdykowska 2021). The short-time work scheme in Sweden distinguishes three different options: workers receive 96 per cent in case of a 20 per cent working time reduction; 94 per cent if the working time reduction is 40 per cent; and 92.5 per cent in case of a 60 per cent reduction of working time. Between May and July 2020 it was also possible to reduce working time by 80 per cent. In this case short-time work support was 88 per cent of the original wage. This possibility was reintroduced for the period January–June 2021 (Berglund 2021).

Bearing in mind the variations within countries, the level of support for employees ranges from 50 per cent in Estonia (in June 2020), Latvia (for employees of micro companies), Poland and Spain (after the first six months), to 100 per cent in Bulgaria, Croatia, Czechia (in case of government restrictions) Denmark (in the case of the short-time work scheme ‘Lønkompensationsordningen’), Hungary (wage subsidy schemes), the Netherlands and Norway (for first 10/20 days of support) (see Table 6). It is, furthermore, noteworthy that in the majority of countries the level of support did not change between March and December 2020. The exceptions are: Estonia, where the level of short-time work support was reduced from 70 per cent for March to May 2020 to 50 per cent in June 2020; Latvia, where the level dropped from 75 per cent for the period March–June 2020 to 70 per cent for the period November 2020 to June 2021; Slovakia, where in case of economic restrictions imposed by the government the level was 60–80 per cent

in March 2020 and 80 per cent in the period April–December 2020; and Portugal, where the level of short-time work support has been increased considerably over time: in the traditional scheme from 66 per cent at the beginning of the crisis in March 2020 to 88–92 per cent in the period from October to December 2020; and in the extraordinary scheme from 66 per cent in August and September 2020 to 80 per cent in the period from October to December 2020 (Campos Lima 2021).

Another important factor determining the volume of job retention scheme support is the so-called ‘cap’, which refers to the maximum amount of money paid, irrespective of the level of job retention scheme allowance as a percentage of the original wage. Most systems specify the cap as an absolute sum of money, but it can also be expressed in relation to the minimum or the average wage. In France, for instance, the cap is 4.5 times the minimum wage, in Portugal three times, in Luxembourg 2.5 times and in Lithuania – depending on the chosen model of support – either 1.5 times or the actual minimum wage. In Slovenia the cap is the average wage, in Romania it is 75 per cent and in Poland 40 per cent of the national average wage. Other countries specify a maximum gross wage which serves as the basis for calculation. This is particularly important in countries such as Austria and Germany, where the replacement rate refers to the net wage. This makes the calculation of the payable maximum amount of money very complex. In Germany, for instance, the maximum gross wage to be taken into consideration for the calculation of the short-time work support is €7,100 in western Germany and €6,700 in eastern Germany. This is, however, not the actual cap in terms of the maximum amount payable. The calculation of the short-time work allowance is based on the difference between the actual gross remuneration in the month of short-time work and the gross remuneration which the employee would have earned in that month without a reduction of working hours. From this gross difference a net difference is calculated, which in turn provides the basis for the calculation of the actual short-time work allowance. Because the short-time work allowance is a percentage of the net wage lost due to the working time reduction the amount of the allowance depends on various factors: the original gross wage; the reduction of working time which determines the wage lost due to short-time work; the tax bracket; whether or not the employee has children; the duration of short-time work; and the part of Germany in which the employee lives. Against this background, the maximum amount payable is approximately €3,900 for an employee in western Germany with at least one child, an original gross wage of €7,100, a working time reduction of 100 per cent, membership of tax bracket 3 and at least 7 months’ short-time work (Müller 2021).

Given the large differences across Europe in the cost of living and overall wage levels it is difficult to compare the absolute value of caps across countries. The following comparison will thus be based on the relative value of the cap defined as a percentage of the average wage. Table 6 shows that in the 30 countries covered in this study the cap ranges from below half the average wage in Belgium, Croatia, Greece, Hungary (short-time work scheme), Italy, Malta and Poland to 150 per cent or more of the average wage in Austria, France and the Netherlands (see Table 6). This illustrates that seemingly equally generous systems in terms of the level of job retention scheme support – such as Italy, Austria and Switzerland – differ widely in terms of overall generosity. In all three countries the level of support is 80 per

cent but in Austria and Switzerland the relative value of the cap is more than three times that of Italy. Thus the overall generosity of the short-time work schemes in Austria and Switzerland is considerably higher than in Italy. While a cap on job retention support generally tends to protect the wages of workers at the lower end of the income distribution, a higher cap ensures that also workers higher up the pay scale receive the full wage compensation offered by the respective scheme. The wage subsidy scheme in the Netherlands is thus the most generous because it not only compensates 100 per cent of the workers' original gross wage, but its cap has by the far the highest relative value of all schemes covered by this study and therefore provides full wage compensation also for workers who earn more than twice the average wage.

In some countries, such as Estonia, France, Greece, Luxembourg, Poland, Portugal and Slovenia, the job retention scheme also defines a minimum amount of support. This absolute lower limit is usually the statutory national minimum wage. Such 'minimum support' related to the national minimum wage is intended above all to guarantee employees in low-wage sectors a certain minimum income while on a job retention scheme.

Another element of support – and from an employee perspective often overlooked – is the payment of insurance contributions. This is because non-payment of insurance contributions while one is enrolled in a job retention scheme is likely to lead to a loss of accrued rights in the pension or unemployment insurance system. It also implies a loss of funding for social insurance schemes, notably the pension system. Integrated into the system of unemployment assistance, workers on furlough schemes are in fact claiming an insurance benefit. As for other unemployed persons, no social security contributions are generally paid for the time on the furlough scheme. In Denmark, the standard furlough scheme obliged the employer to pay social contributions for the first two full working days an employee is registered as unemployed. As an adjustment to the crisis, this was waived in March–September 2020. In Cyprus, however, the state covered social insurance contributions for workers using the temporary furlough scheme. Finally, the Spanish furlough scheme represents another exception with some companies, depending on company size and situation, obliged to pay up to 25 per cent of employer contributions.

In contrast, short-time work and wage subsidy allowances are paid as a wage. By implication, social security contributions are due on these payments, albeit possibly reduced as the salary may be lower if these schemes are used. Social security contributions are indeed paid also for time not worked in existing short-time work schemes. France and Hungary are exceptions, with social security contributions not being paid for time spent on their short-time work scheme. In Bulgaria, the state covers only 60 per cent of employer contributions for time not worked.

Finally, social security payments are, in principle, due on wages supported by a wage subsidy scheme. At the same time, the latter can actually take the form of relief from social security contributions. Wage subsidy schemes in the form of social security relief were implemented in Czechia and Hungary. In Ireland, the wage subsidy involved also a reduced 0.5 per cent rate for employer contributions.

In Croatia, employers were exempt from social security contributions, but the state paid them on the supported amount. Otherwise, social security contributions were paid on wages under most of the wage subsidy schemes implemented in 2020. In Malta, the state covered also the employee contributions on top of the wage subsidy.

Table 6 Generosity of job retention scheme support from the employees' perspective

	Job retention scheme	Level	Variation in level	Cap (absolute)	Cap as a percentage of the average wage*
AT	STW scheme	80-90% net wage	Depending on original gross wage: (a) 90% net wage if gross wage €1,700 or less; (b) 85% net wage if gross wage between €1,700 and €2,685; (c) 80% net wage if gross wage between €2,685 and €5,370. 100% for apprentices	Maximum gross wage to be taken into account: €5,370 Maximum payable with maximum amount of working time reduction and, as common practice in Austria, including special payments: €6,814	€4,034: 168%
BE	FS	70% gross wage	Additional Covid 19 supplement of €5.63 per day.	Maximum gross wage to be taken into account: €2,754.76 Maximum payable: €1,928.40 Since 1 July 2021 the cap is €2,785.76 and the maximum amount payable €1,950.03	€4,130: 47%
BG	STW scheme	100% gross wage		Maximum gross wage to be taken into account: BGN 3,000 (€1,533); Maximum payable: BGN 1,800 (€920)	BGN 1,468 (12/2020): 123%
	WS	Lump sum BGN 290 (€148) for each job preserved			
HR	STW scheme	100% net wage		Maximum gross wage to be taken into account: HRK 4,000 Depending on maximum working time reduction allowed: 06-09/2020: HRK 2,000 (€267) based on 50% maximum reduction 10-12/2020: HRK 2,800 (€369) based on 70% maximum reduction	HRK 9,601 (03/2021): 21-29%
	WS	100% net wage		03/2020: HRK 3,250 (€428) 04-09/2020: HRK 4000 (€533) 10-12/2020: cap depends on drop in revenue: at least 40% drop: HRK 2,000 (€267) 60% and more: HRK 4,000 (€533)	21-42%
CY	FS	60% gross wage		Minimum: €360 Maximum: €1,214	€1,914 (12/2020): 63%
CZ	STW scheme	60-100% gross wage	Depending on reason of STW: 60% gross (lack of demand, quarantined), 80% (lack of supplies), 100% (operations restricted, workers absent)	Cap on payment to employer: CZK 29-39,000 per employee/month (€1,060-1,900)	CZK 34,063: 85-114%
	WS	90% gross wage			

	Job re- tention scheme	Level	Variation in level	Cap (absolute)	Cap as a percentage of the average wage*
DK	STW scheme	100% gross wage		DKK 30,000 (€4,034)	DKK 35,658: 84%
	FS	Up to 90% gross wage	Due to cap replacement rate for high earners can be lower.	Traditional scheme: DKK 19,083 (€2,566), Temporary Covid-19 scheme: DKK 23,000 (€3,093)	64%
EE	STW scheme	50-70% gross wage	03-05/2020: 70% gross wage 06/2020: 50% gross wage	03-05/2020: €1,000 06/2020: €800 Minimum amount: minimum wage	€1,427: 56-70%
FI	FS	40%-90% gross wage	Two types of payment: Basic benefit: €33.78 /day + bonus for children Earnings-related: 40-90% of gross wage		
FR	STW scheme	70% gross wage (approximately 84% net wage)		Maximum gross wage to be taken into account: 4.5 times the minimum wage 03-12/2020: €6,927.39 Maximum amount payable: €4,849,17 Minimum amount: minimum wage	€3,046: 159%
DE	STW scheme	60-87% net wage	Depending on duration of STW support and children 1-3 months: 60/67% 4-6 months: 70/77% More than 6 months: 80/87%	Maximum gross wage to be taken into account €7,100 in western Germany and €6,700 in eastern Germany. Actual maximum amount paid as percentage of net wage depends on: original gross wage, duration of STW support, tax bracket, children, extent of working time reduction. The maximum amount possible is therefore approximately €3,900	€4,349: 89%
GR	STW scheme	60% net wage		Minimum amount: minimum wage	
	FS	Lump sum of €300-800	Depending on the duration of support: First 45 days: €800 After 45 days: €300-534 per month depending on the financial circumstances of worker	€300-800	€1,782: 17-45%
HU	STW scheme	70% net wage		Maximum gross wage to be taken into account: twice the minimum wage of HUF 214,130 (€602). Cap depends on extent of working time reduction. Maximum amount payable with a maximum working time reduction of 75%: HUF 112,418 (€316)	HUF 370,845: 30%
	WS (sector- specific)	100% gross wage		HUF 241,500 (€680)	65%
	WS (for R&D)	100% gross wage		HUF 318,920 (€897)	86%
IE	WS	Flat rate payment: €203- 350 per week	Payment varies depending on gross pay per week	€350 per week; based on a 39 hours week this amounts to €1,516, 67 per month	€4,067: 37%
	FS	€41.10 per day			
IT	STW scheme	80% gross wage		Cap depends on monthly gross wage: Below €2,159.48: €939.99 Above €2,159.48: €1,129.66	€2,633: 36-43%

	Job retention scheme	Level	Variation in level	Cap (absolute)	Cap as a percentage of the average wage*
LT	STW scheme	70-90% gross wage	The level depends on the model of support chosen by employer. Employees above 60 years of age: 70-100%	Cap depends on model of support chosen by employer: 70% model: 1,5 monthly minimum wage (€910.50) 90% model: 1 minimum wage (€607)	€1,199: 51-76%
LV	STW scheme	50-75% gross wage	The level depends on the type of company and the timing: 03-06/2020: 75% as standard level and 50% for employees of micro companies 11/2020-06/2021: 70% standard level and 50% for employees of micro companies	Cap depends on the timing: 03-06/2020: €700 11/2020-06/2021: €1000 and the minimum wage of €500 as the minimum amount to be paid.	€1083: 65-92%
LU	STW scheme	80% gross wage		Maximum gross wage to be taken into account: 2.5 times the minimum wage for unskilled workers: €5,354.98 Maximum amount payable: €4,283.98 Minimum amount: minimum wage for unskilled workers	€5,064: 84%
MT	WS	Flat rate payment: €160-800	Depending how hard the sector was hit by the crisis: Annex A severely hit: €800 (top up of €400 by employers) Annex B: less severely hit: €160 Since 06/2020 Annex C: €600	€800 per month	€1,535 (12/2020): 52%
NL	WS	100% gross wage	Since 10/2020 employer can cut wages to 90%	Maximum gross wage to be taken into account: varied over time: 03-09/2020: €9,538 10-12/2020: €9,691	€4,433: 215-219%
NO	FS	62.4-100% gross wage	Depending on duration of support and original wage: 03-08/2020: First 20 days: 100% (up to the cap for days 3-20) Then for wages up to NOK 304,000 (€26,500): 80% For wages between NOK 304,000 and 608,000: 62.4% 09-12/2020: First 10 days: 100% Then for 30 weeks benefits as described.	NOK 608,000 (approximately €53,000) per year which amounts to NOK 50,667 (€4,417) per month	NOK 51,226: 99%
PL	WS	50% gross wage	Two options: If operations suspended: 50% gross wage; If working time reduced by 20-50% then wage only for the time worked	40% of national gross average wage; minimum amount payable: minimum wage	40%
PT	STW scheme	66-92% gross wage	Two schemes available: Traditional Scheme: 03-07/2020: 66% 08-09/2020: 77-83% 10-12/2020: 88-92% Extraordinary Scheme: 08-09/2020: 66% 10-12/2020: 80%	Maximum amount payable: 3 times the minimum wage: €1,905 per month Minimum amount: minimum wage	€1,566: 122%
RO	STW scheme	75% gross wage	41.5% for employees on fixed-term contracts	75% of the national gross average wage 41.5% of the national average wage for fixed-term contracts	75%

	Job retention scheme	Level	Variation in level	Cap (absolute)	Cap as a percentage of the average wage*
SK	STW scheme	60-80% gross wage	Two sub-schemes: (1) Economic restrictions due to government order: 03/2020: 60-80% 04-12/2020: 80% (2) Economic restrictions due to economic downturn: 03-12/2020: 80%	For both sub-schemes: 03/2020: €880 per month 04-12/2020: €1,100 per month	€1,100: 80-100%
SI	STW scheme	80% gross wage	100% for quarantined workers	Minimum amount payable: Minimum wage (€940.58) Maximum amount payable: Average wage (€1,821.44) provided that overall support per undertaking does not exceed €800,000	100%
ES	FS	50-70% gross wage	Depends on the duration of support: 70% for the first six months of support; 50% from the seventh month onwards	Depends on number of children: 0 child: €1,098.09 1 child: €1,254.96 2 children or more: €1,411.83	€2,295: 48-62%
SE	STW scheme	88-96% of gross wage	Depends on the extent of working time reduction: 20% reduction: 96% of wage 40% reduction: 94% of wage 60% reduction: 92.5% of wage In the period 05-07/2020: 80% reduction: 88% of wage	SEK 44,000 (€4,071)	SEK 38,485: 114%
CH	STW scheme	80% of gross wage	flat rate of CHF 3,470 (€3,220) for workers earning less than CHF 4,340 (€4,030)	CHF 9,880 (€9,170) per month	CHF 7,611: 130%
UK	STW scheme	80% of gross pay		GBP 2,500 (€2,810)	GBP 3,400: 74%

Note: FS: furlough scheme; STW scheme: short-time work scheme; WS: wage subsidy.

Source: ETUI survey of job retention schemes; * source for average wage in May 2020: OECD (2021).

Generosity of job retention scheme support from an employer's perspective

From an employer's perspective the key aspect of generosity of support is the extent to which the job retention support reduces overall wage costs. As regards the design of a job retention scheme, two aspects play an important role in this respect. First, the extent to which the state and the employer share the costs of employees' wages for time not worked, and second, the extent to which the state covers the social security contributions for workers on job retention schemes as a substantial part of additional wage costs. For employers a job retention scheme is attractive if the overall cost of putting workers on it is lower than the costs of laying off existing and in recruiting new workers when economic activity resumes. Thus, the ideal solution for employers is that the state fully covers employees' wage support and social security contributions so that the employer has no additional costs when putting a worker on a job retention scheme. For the state, however, avoiding deadweight losses and undue strains on public budgets by obliging employers to cover parts of these costs are further factors to be considered.

Overall, two key features can be observed as regards the rules on employers' co-payment of job retention scheme support. First, the rules depend strongly on the type of job retention scheme. Co-payment rules are particularly common among wage subsidy schemes and almost absent among furlough schemes. Second, over time co-payment practices, in particular in short-time work schemes, became more common, reflecting the fact that during the course of the pandemic considerations of avoiding deadweight losses gained in importance in relation to the objective of providing broad-based support to maintain companies' financial liquidity. In what follows these two features will be outlined in more detail.

Measures to avoid unjustified support are particularly relevant for wage subsidy schemes, which provide support irrespective of working time arrangements and therefore potentially also cover part of the wage for time worked. They therefore provide a strong incentive for employers to continuously draw on the wage subsidy even if the initial economic reasons for support no longer pertain. In most wage subsidy schemes covered in our study concerns about providing unjustified support are taken into account by establishing clear economic eligibility criteria, on one hand, and by requiring employers to cover parts of the employees' wages, on the other. In Croatia, Malta, Poland and the Netherlands, for instance, employers should pass on the wage subsidy to the employee in full and top up to the required level those wages that exceed the amount received as the wage subsidy. In the Netherlands employers are required to top up wages to 100 per cent of the original wage. The wage subsidy schemes in Hungary stipulate that the employer has to cover up to 50 per cent of the employees' replacement wage.

Because in furlough schemes furloughed employees are de facto considered (partially) unemployed, support for time not worked is, as a rule, fully covered by the state or the respective unemployment insurance system. Of all the furlough schemes covered in this study, Norway is the only exception, providing for a share to be covered by the employer. Employers usually pay wages to the furloughed worker for 5 to 15 days. In the period March–August 2020 the employer had to

pay furloughed workers their full wages for the first two days only. For the period September–December 2020 the number of days for which the employer has to pay the employees their full wages was increased to ten (Svalund 2021).

In many short-time work schemes, the state fully covers the employees' wage support for time not worked. The Covid short-time work scheme in four further countries – France, Italy, Slovenia and the United Kingdom – foresaw full coverage by the state at the beginning of the pandemic and introduced some co-payment by employers later on. In France, in the standard short-time work scheme, *Activité Partielle*, the public Unemployment Insurance Scheme (Unedic) fully covers the allowance. In the *Activité Partielle de Longue Durée* (APLD), which was newly introduced in June 2020, the employer has to take over 10 per cent of employees' short-time work support (Vincent 2021). In Italy, the usual practice of the normal short-time work scheme, namely that the Wage Guarantee Fund fully covers the STW allowance, also applied to the Covid-19 scheme between March and July 2020. From August to December 2020, however, companies had to take over a share of the costs depending on their loss of revenue. For companies with a loss of below 20 per cent the share was 9 per cent and for companies with no loss of revenue the share was 18 per cent (Faioli and Bologna 2021). Slovenia also started the pandemic with full state coverage for April and May 2020 and introduced an employer co-payment of 20 per cent for the period June – November 2020. In December 2020, the co-payment rule only applied to companies that received more than €800,000 in state aid. For those companies that remained below this threshold the state fully covered the short-time work allowance (Poje 2021). The United Kingdom also introduced frequent changes as regards the share covered by the state and the employer. From March to August 2020, the state fully covered the short-time work allowance; in September 2020 the employer had to cover 10 per cent; and in October 20 per cent. In November 2020, the system reverted to the original rule of full coverage by the state (Fulton 2021).

In the other countries the share of the employees' short-time work support to be covered by the employer ranges from 1 to 40 per cent (see Table 7). In a range of countries the share varies, depending on certain criteria. In Czechia, for instance, the share depends on the reason for short-time work and ranges from zero in case of restrictions due to government decisions to contain the pandemic, to 20 per cent if a worker is in quarantine, and 40 per cent if the company is in economic difficulties (Drahokoupil 2021). In Denmark the share to be covered by the employer depends on the category of workers, and in Sweden and Portugal on the extent of the working time reduction (see Table 7). Croatia is a special case because there the state pays a fixed amount per employee on short-time work to companies, which then have to top up the employees' wages to 100 per cent of the net wage. For these two countries it is therefore not possible to calculate the percentages covered by the state and the employer. The share covered by the state is larger for low-wage earners and smaller for employees higher up the pay scale.

Table 7 Generosity of job retention scheme support from the employers' perspective

	JRS	Part of employees' JRS support covered by company	Coverage of social security contributions (SSC)
AT	STW scheme	None – 100% covered by the Austrian Public Employment Service	State covers 100% of SSC for the hours not worked
BE	FS	None – 100% covered by the Unemployment Insurance	SSC paid only for the time worked (or at least for time covered by a salary)
BG	STW scheme	40% employer, 60% covered by the state	State covers 60% of employer contribution
	WS	07-12/2020: The employer receives a subsidy of BGN 290 (approximately €148) or each job preserved	Employer and employee continue paying SSC
HR	STW scheme	Employer receives a fixed amount of support depending on maximum working time reduction allowed. The employer has to pay the part of the employee's wage that exceeds the amount of the support: 06-09/2020: HRK 2,000 (€267) based on 50% maximum reduction 10-12/2020: HRK 2,800 (€369) based on 70% maximum reduction	Employers pay SSC for the time on STW but are reimbursed up to the amount paid
	WS	Employer receives fixed amount for every full-time employee which the employer passes on in full to the employee. The employer has to pay the part of the employee's wage that exceeds the amount of the support: 03/2020: HRK 3,250 (€428) 04-09/2020: HRK 4000 (€533) 10-12/2020: depending on drop in revenue: at least 40% drop: HRK 2,000 (€267) 60% and more: HRK 4,000 (€533)	Employers are exempt from SSC; the state covers SSC up to the amount paid
CY	FS	None – 100% covered by the State	Employers' SSC are covered by the state
CZ	STW scheme	Share of employer depends on reason for STW: 0% in case of restrictions due to government decision 20% if the worker is in quarantine 40% in case of restrictions due to economic difficulties	Employers' SSC partly covered by the state
	WS	Wage is fully covered by the employer	Employers' SSC covered by the state
DK	STW scheme	Depends on the category of workers: White-collar workers: 25% Non-white collar workers: 10%	Fully compensated by the state
	FS	None – 100% covered by the Unemployment Insurance	Depends on the scheme: Traditional Scheme: Employers' SSC are suspended Covid Scheme: Since 09/2020: employers have to pay SSC
EE	STW scheme	Employer needs to pay at least €150 per month to the employee on STW	SSC covered by the state
FI	FS	None – 100% covered by the Unemployment Insurance	No SSC paid when on FS
FR	STW scheme	For standard scheme: fully covered by the state and the Unemployment Insurance Scheme For APLD introduced in 06/2020: employer has to cover 10% of the employees' 70% wage support and the Unemployment Insurance Scheme covers the remaining 60%	SSC paid only for the time worked
DE	STW scheme	None – 100% covered by the Federal Employment Agency	For 03-12/2020 Federal Employment Agency covers 100% of employers' SSC for hours not worked.
GR	STW scheme	None – 100% covered by the state	06/2020: Employers' SSC; after that covered by the state
	FS	None – 100% covered by the state	Covered by the state

	JRS	Part of employees' JRS support covered by company	Coverage of social security contributions (SSC)
HU	STW scheme	None – 100% covered by the state	No SSC paid when on STW scheme
	WS (sector-specific)	50% of the wage to be covered by employer	No SSC paid when receiving wage subsidy
	WS (for R&D)	47.6% of the wage to be covered by the employer	Employers and employees keep paying SSC
IE	WS	None: flat rate payment; but frequently employer pays wage top-up	Employers pay SSC at a reduced 0.5% rate
	FS	None – 100% covered by the state	No SSC paid when on FS
IT	STW scheme	Normal Scheme: none – 100% covered by the Wage Guarantee Fund (WGF) Covid Scheme: 03-07/2020: none – 100% covered by the WGF 08-12/2020: special contribution of employers to WGF depending on the loss of revenue: Below 20% loss of revenue: 9% of wages for hours not worked No loss of revenue: 18% of wages for hours not worked	Normal scheme: covered by the fund Covid Scheme: not paid when on STW scheme
LT	STW scheme	None - 100% covered by the state	Employers and employees keep paying SSC
LV	STW scheme	None - 100% covered by the state	No SSC paid when on STW scheme
LU	STW scheme	None – 100% covered by the state	Employers and employees keep paying SSC
MT	WS	In severely hit sectors the employer receives a flat rate payment of €800 for full-time employees which the employer has to top up to a maximum of €1,200	Employers keep paying SSC also on the subsidy
NL	WS	Employer has to top up wage subsidy to 100% of the employees' wages. The size of the subsidy depends on loss of turnover (from 20-100%) and a multiplier which varied over time: 03-09/2020: multiplier of 90%; thus employers' share ranged from 10% (100% loss of turnover) to 82% (20% loss of turnover) 10-12/2020: multiplier of 80%; thus employers' share ranged from 20% (100% loss of turnover) to 84% (20% loss of turnover) 01-06/2021: multiplier of 85%; thus employers' share ranged from 15% (100% loss of turnover) to 83% (20% loss of turnover)	Employers and employees keep paying SSC
NO	FS	03-08/2020: employer has to cover 100% of wages for the first two days 09-12/2020: employer has to cover 100% of wages for 10 days After that the employee receives FS support with no costs for the employer	No SSC paid when on FS
PL	WS	Depends on the extent of working time reduction: If operations suspended, the employer receives a subsidy of 50% of the minimum wage and has to top up wages to the level of 50% of the original wage but at least the minimum wage; In case of a working time reduction of 20-50%, the employer receives 50% of reduced wage and has to cover the remaining 50% of the reduced wage	Employers and employees keep paying SSC

	JRS	Part of employees' JRS support covered by company	Coverage of social security contributions (SSC)
PT	STW scheme	Normal scheme: the state covers 70% and the employer 30% of the wage support for employees Extraordinary scheme: employers' share varies according to working time reduction and drop in revenue: 70% state and 30% employer if working time reduction is less than or equal to 60% and drop in revenue between 25-75% 100% state and 0% employer if working time reduction is greater than 60% and drop in revenue is 75% or more.	Normal scheme: employers are exempt from paying SSC Extraordinary scheme: 08-09/2020: complete exemption for micro and small and medium-sized companies and 50% exemption for large companies 10-12/2020: exemption for micro and small and medium-sized companies has been reduced to 50%
RO	STW scheme	None – 100% covered by the Unemployment Insurance	Employers and employees keep paying SSC
SK	STW scheme	None – 100% covered by the state	03-09/2020: SSC covered by the employer 10-12/2020: SSC covered by the state
SI	STW scheme	Employers' share varied over time: 04-05/2020: 100% covered by the state 06-11/2020: 80% covered by state and 20% by employer 12/2020-01/2021: 80% state and 20% employer for all companies that received more than €800,000 in state aid; for those below the €800,000 threshold the state covers 100% of the employees' wage support.	04-05/2020: SSC covered by the state 06/2020-01/2021: employer has to pay SSC
ES	FS	None – 100% covered by the state	The employer receives a certain reduction, which depends on company size and the reason for STW: the reduction varies between 75 and 100%
SE	STW scheme	Share of the employer varies depending on the extent of working time reduction: 20% reduction: 1% by employer and 15% by the state 40% reduction: 4% by the employer and 30% by the state 60% reduction: 7.5% by the employer and 45% by the state In the period 05-07/2020: 80% reduction: 8% by the employer and 60% by the state	Employers pay SSC on the adjusted wage
CH	STW scheme	The Covid scheme reduced the number of days to be covered by the employer (so called waiting days) from 1-3 to 1 and from 09/2020 to 0.	Employers and employees pay SSC on the full wage for normal working hours
UK	STW scheme	Employers' share of the employees' wage support varied over time: 03-08/2020: 100% covered by the state 09/2020: 90% covered by the state and 10% by the employer 10/2020: 80% covered by the state and 20% by the employer 11/2020-06/2021: 100% covered by the state	03-07/2020: SSC covered by the state Since then employers pay SSC on adjusted wage

Note: FS: furlough scheme; STW scheme: short-time work scheme; WS: wage subsidy.

Source: ETUI survey of job retention schemes.

Concerning social security contributions (SSC), which are another important cost factor for employers, there is a wide range of arrangements across the 30 countries covered in this study. Despite the variation, however, some trends can be observed. In well-established STW schemes, as in Austria and Germany, SSCs are fully covered by the state, while in Belgium and France SSCs are paid only for time worked. In many wage subsidy schemes, such as in Bulgaria, Malta, the Netherlands and Poland, employers and employees keep paying SSCs; while in furlough schemes, as in Finland, Ireland and Norway, SSCs are not paid when on the scheme. The most striking features, however, are that in most countries employers are at least partly relieved from paying SSCs and the rules on SSC payment are frequently used as a tool to adjust costs for employers. In most countries in which the rules on SSC coverage have been changed during the pandemic they became more restrictive and increased costs for employers over time. This can be seen as an indicator that over time considerations of avoiding unjustified support and of providing more targeted support took precedence over considerations of reducing employers' wage costs. In the furlough scheme in Denmark employers were traditionally exempted from paying SSCs, but have had to pay them since September 2020. According to the Covid-19 short-time work rules in Germany, the employers' SSC are fully reimbursed by the Federal Employment Agency. A new law adopted in September 2020, however, stipulates that from June 2021 the state will cover only 50 per cent of the employers' SSC unless the employee spends time off work on training, in which case the state continues to cover 100 per cent. In Slovenia and the United Kingdom, employers' SSC were fully covered by the state at the beginning of the pandemic. This changed over time. In Slovenia, the employer has had to pay SSC since June 2020 and in the United Kingdom since August 2020. Similarly, in Portugal the complete exemption of employers from paying SSC under the standard scheme has been turned into a partial exemption under the extraordinary scheme (see Table 7).

Role of collective bargaining and consultation procedures

In many countries, trade unions and company-level employee representation structures have played an important role in the design and implementation of job retention schemes. The involvement of trade unions and employee representation structures is important for three reasons: first, it facilitates the smooth implementation of the respective arrangements and in doing so contributes to the timely and efficient provision of job retention scheme support. Second, it provides another layer of control to avoid unjustified claims for support; and third, industry- and company-level agreements can help to address and improve some of the shortcomings of statutory job retention schemes.

Trade unions and employee representation structures can be involved in different stages of the provision of job retention scheme support, including the design of the scheme and actual implementation. Most frequently, the involvement happens at the stage of implementation at company level in determining the specific arrangements and modalities. When looking at different national arrangements, it is important to distinguish different degrees of involvement, ranging from no formal requirement at all to involve employee representation structures, to a requirement to inform and consult employee representation structures and, finally, a formal requirement for the two sides to conclude an agreement about the modalities of implementation of the respective job retention scheme. The different country-specific arrangements are heavily influenced by the type of job retention scheme and the national industrial relations tradition. As a rule, formal requirements for some kind of involvement of trade unions and/or employee representation structures as a prerequisite for resort to the job retention scheme are most common in short-time work schemes (see Table 8).

Because in short-time work schemes the financial support depends on the specific working time arrangements, there is a greater need for more detailed regulation of the modalities than, for instance, in wage subsidy schemes. The involvement of employee representation structures, therefore, is essential to ensure the smooth functioning of the scheme. Because, furthermore, employees bear a substantial

Table 8 The role of trade unions and/or employee representation structures in the implementation of job retention schemes

Wage subsidies	STW schemes	Furlough schemes
Formal requirement to negotiate agreement about modalities of job retention scheme		
PL	AT; CZ; DE; FR (APLD); HR; IT (Covid-STW); SE	DK (standard scheme); FI;
Formal requirement to inform / consult trade unions / employee representation structures		
NL	BG; CH; ES; FR (standard scheme); IT (standard scheme); LU; PT; RO; SK; SI	BE; DK (Covid-19 scheme); NO
No formal requirements		
BG; CZ; HR; IE; MT	EE; GR; HU; LT; LV; UK	CY; GR; IE

Source: ETUI survey of job retention schemes and Workers' Participation in Europe Network Survey by ETUI.

part of the costs of short-time work in the form of accepting lower wages for time not worked, the involvement of trade unions and/or employee representation structures also fulfils an important control function: employees and their representation structures will accept short-time work only if there really is a temporary drop in economic activity requiring financial support.

Of the seven wage subsidy schemes in our sample five did not foresee any formal requirements for involving employee representation structures. Only in the Netherlands is there a requirement for information and consultation. Poland is the only case in which an agreement with trade unions or the employee representation structures is a formal requirement to apply for support under the wage subsidy scheme. By contrast, of the 18 short-time work schemes in our sample only in five countries is there no formal requirement for employee involvement: Bulgaria, Estonia, Greece, Lithuania and the United Kingdom. In all the other cases some form of involvement is required. In the case of France and Italy the rules for involving employee representation structures have even been tightened under the respective Covid-19 schemes. Whereas in Italy the standard short-time work schemes only require the information and consultation of trade unions, access to the special Covid short-time work scheme is conditional on the negotiation of a firm-level agreement. By the same token, in France the standard scheme foresees only information rights for the works council in companies with more than 50 employees. The newly introduced long-term partial unemployment scheme (APLD), however, can be implemented only on the basis of a company-level or sectoral collective agreement, which clearly specifies the duration of APLD, the activities and employees concerned, the maximum reduction in working hours, the procedures for informing employee representatives and the commitments made in terms of employment and training (Vincent 2021).

The requirements to involve employee representation structures can also vary within countries, depending on the type of job retention scheme. In Croatia and Czechia, for instance, where a wage subsidy scheme exists alongside a short-time work scheme, the wage subsidy scheme does not foresee any formal requirement to involve employee representation structures. The short-time work scheme in both countries, by contrast, contains a formal requirement to conclude an agreement on the use of short-time work. In Croatia, however, a company can still unanimously apply for the short-time work scheme if they cannot reach an agreement with the works council or the trade union (Jaklin 2021).

Furlough schemes show a more mixed picture than short-time work schemes. Of the seven furlough schemes in our sample, three do not include any formal requirements for employee representatives' involvement. It should be noted, however, that trade union involvement may be ensured through normal dismissal procedures. The four countries that foresee some kind of formal trade union involvement are all countries with a well-developed collective bargaining tradition: Belgium, Denmark, Finland and Norway. In Denmark, the Covid-19 furlough scheme actually reduces the degree of involvement. Whereas under the traditional *Arbejdsfordeling* scheme in companies covered by a collective agreement, the furlough scheme can be used only if the employer and the local union branch, shop

steward or other workplace representatives agree on introducing the scheme, the Covid-19 furlough scheme includes only a requirement for information and consultation (Larsen and Ilsøe 2021).

In some countries, however, the involvement of trade unions and employee representation structures goes beyond the implementation of the scheme at company level and extends to the actual design of the scheme, including the level of support. In countries with a strong tradition of social partnership the whole scheme is based on a collective agreement negotiated by the two sides of industry. This applies to the Scandinavian countries Denmark, Norway and Sweden, where following a voluntarist tradition of industrial relations the definition of the rules of the game and the terms and conditions of the employment relationship is left to the bargaining parties. Hence, in Denmark, the short-time work scheme ‘Lønkompensationsordningen’ is based on a tripartite agreement between the government and the peak organisations of trade unions and employers. Similarly, in Norway the furlough scheme is anchored in the central Basic Agreement concluded between the central organisation of trade unions and the employers; and in Sweden the use of short-time work is based on an industry-level collective agreement that defines the framework for the conclusion of local agreements on the use of short-time work. This, however, also applies to Austria, where the short-time work scheme is based on a so-called ‘social partner agreement’ that sets the terms and conditions for the use of short-time work at company level.

In other countries, collective bargaining plays an important role in improving the level of support provided by the statutory job retention scheme. In some countries this was done by concluding an industry-level agreement on a special supplement as, for instance, in the metal industry in Belgium or the public sector in Slovenia. More frequently, however, this was done by concluding a company-level agreement that tops up the level of support provided by the statutory job retention scheme. Examples include Belgium, Czechia, France, Germany, Italy, Slovenia, Switzerland and the United Kingdom. Often the company-level agreements went beyond merely topping up the level of support. In France, for instance, there were examples of company-level agreements that included a solidaristic component, ensuring disproportionately higher support for low-wage earners (Vincent 2021). Examples from the United Kingdom include company-level agreements that also ensure full payment of pension benefits and the extension of the scheme to staff who might otherwise have been excluded, such as workers on zero-hours contracts (Fulton 2021).

While in all the countries mentioned the role of collective agreements in improving the terms and conditions of the statutory job retention scheme remained restricted to some best-practice examples, Germany is a special case. Here, collective agreements play a crucial role in addressing the shortcomings of the statutory short-time work scheme. This applies in particular to the role of industry- and company-level collective agreements in increasing the level of the statutory STW allowance from 60 per cent of the net wage for the first three months in the case of a worker without children, up to a level between 75 and 100 per cent. According to Eurofund (2021: 28), approximately 45 per cent of workers in Germany saw their support for hours not worked increased through collective agreements.

The importance of collective agreements in topping up the level of short-time work allowance is illustrated by a survey conducted by the Hans Böckler Foundation. According to the survey, in June 2020, 60 per cent of employees in workplaces with a collective agreement benefited from a top-up, compared with just 34 per cent in firms without. By November 2020, 53 per cent of employees in firms covered by collective bargaining were still in receipt of a top-up, compared with 29 per cent of those outside collective bargaining (Schulten 2021). Examples of industries in which industry-level agreements have, in the context of the Covid-19 crisis, improved the level of short-time work allowance (often with higher increases for lower pay grades) include: the film industry (100 per cent); retail in North Rhine-Westphalia (100 per cent for the first four weeks and 80 per cent thereafter); theatres and orchestras (90–100 per cent); (metalworking (80–97 per cent); local government (90–95 per cent); insurance (90–95 per cent) chemicals (90 per cent); automotive craft (90 per cent); fast food restaurants (90 per cent); paper industry (90 per cent); ports (80 per cent); textiles services (80 per cent); glass industry (80 per cent); wood and plastics industry (75 per cent) and banking (75–95 per cent) (Müller and Schulten 2020; Schulten 2021).

The large number of collective agreements increasing the level of short-time work support in Germany can be explained by the low level of statutory support for the first three months. In parts of the private services sector characterised by low wages, many employees on short-time work will not be able to make ends meet, with a net income loss of 40 per cent for the first three months of short-time work support. Moreover, for many low-paid workers – for instance, in the restaurant and catering sector – the increase of the short-time work allowance to 80 per cent after seven months comes too late because their employer may have gone out of business by then. In many cases, collective agreements not only increase the level of support but also improve other shortcomings of the German statutory short-time work system. Many collective agreements, for instance, have also provided for dismissal protection for workers on short-time work that is not foreseen in the statutory scheme.

Special dismissal protection and provisions to avoid misuse

Job retention schemes protect ties between workers and companies through various forms of subsidies. Many schemes also make subsidies conditional upon an additional commitment not to dismiss workers, which may extend beyond the period for which the scheme is used. This typically includes 1–2 additional months or a multiple of the time for which the job retention scheme was used (with a maximum coefficient of 2 in Bulgaria). This means that if, for instance in Bulgaria, STW was used for three months, the protection against dismissal is six months covering the three months of STW plus three additional months after the end of the use of STW.

Special dismissal protection is most common among short-time work schemes, but even this group includes a number of countries that implement short-time work without any special protection against dismissals (such as Germany, Latvia, Sweden, Switzerland and the United Kingdom). It is also common for special dismissal protection to apply also for a period after the scheme has been used (for example, in Austria, Bulgaria, Croatia, Estonia, Hungary and Slovakia). Spain and Lithuania restrict dismissals for an extended period, but companies commit to retaining a percentage of their workers. In Luxembourg, there are restrictions on dismissals in terms of the percentage of workforce or working time reduced. Other forms of protection include a general suspension of dismissals on economic grounds (Italy and Luxembourg), and restrictions on part-time working and collective dismissals (Slovenia).

As far as wage subsidies are concerned, only Czechia has implemented a payroll subsidy not linked to specific employees, making it conditional on retaining a proportion of employees and a proportion of payroll. Wage subsidies in other countries have subsidised the wages of specific employees. These typically enjoyed protection against dismissal, which extended for an additional period in Bulgaria (50 per cent of the time during which the wage subsidy was used) and Hungary (1 month). In Malta, wage subsidies could not be claimed for workers who replaced those who were dismissed. This rule was changed, however, in January 2021. The new conditions of the wage supplement include a clause that allowed the supplement to be received for workers replacing employees who had left voluntarily. The number of workers for whom an organisation may receive the wage supplement, however, cannot exceed the number of employees receiving it at the end of May 2020 (Fiorini 2021).

Special dismissal protections are least common in furlough schemes. This is in line with the logic of a system of temporary unemployment, in which workers can switch to standard unemployment once the economic reasons for dismissal appear to be permanent. At the same time, furlough schemes in Cyprus, Denmark and Greece include protection against dismissal for the duration of the scheme.

In order to ensure that companies do not abuse job retention schemes, since the beginning of the pandemic there has been a lively debate in many European countries on linking job retention scheme support to a ban on profit-sharing

through dividends, management bonuses and other forms of profit-sharing. The logic behind the exclusion of such companies from job retention schemes is, simply, that if they have enough money to pay out dividends and buy back shares, their financial problems cannot be so severe as to justify the socialisation of the cost of retaining their employees. Thus, before applying for state support, companies are supposed to utilise their own resources. So far, however, only a minority of countries have attached provisions to their job retention schemes to avoid abuse. These could be found in 11 countries with all three types of job retention scheme with which we are concerned. Most frequently, such provisions included a ban on profit-sharing and management bonuses. Companies resorting to job retention schemes were not permitted to indulge in profit distribution through dividends and other forms of profit-sharing in Croatia, Denmark, the Netherlands, Portugal, Slovenia and Sweden. The Swedish Agency for Economic and Regional Growth (Tillväxtverket), which is responsible for refinancing short-time work allowances for companies, declared, for instance, that it is ‘inappropriate for a company to be paying out large amounts in dividends and at the same time to be taking advantage of the support from the State in the form of the short-time work allowance’ (Tillväxtverket 2020). In such a case, Tillväxtverket exercises its power to adjust the support granted. It therefore monitors value transfers in companies using the short-time work scheme two months beforehand and six months afterwards. A ban on profit-sharing would also often be in line with other conditions for the provision of public support to companies. In Germany, for instance, companies applying for special Covid-19 loans from the state-owned development bank, KfW, are not allowed to distribute profits and dividends. This is not the case, however, if companies receive wage subsidies from the Federal Employment Agency when using short-time work (Müller and Schulten 2020).

The payment of management bonuses was restricted in even fewer countries than profit-sharing, namely Croatia, Denmark, the Netherlands, Romania and Slovenia. Two countries, Czechia and Spain, also excluded companies residing in tax havens from receiving assistance. In order to comply with EU regulations, however, these did not cover tax havens within the EU, raising question marks about the effectiveness of such provisions. Special provisions also included excluding companies in bankruptcy (Czechia and Lithuania) and those with a record of tax violations (Latvia).

Training provisions

For employees, time spent on job retention schemes could be an opportunity to upgrade their skills and to improve their position within the firm and future employability. In the absence of retraining, workers who end up being dismissed may lose out twice over: first, through lower income when on a job retention scheme and then again through lower income when on unemployment assistance with time possibly spent on retraining. Employers may not be inclined to organise training without additional incentives, however. Investment in training is not likely to be an priority for companies in difficulties. Employers may also consider the prospects of workers on job retention schemes within the firm as uncertain. They are thus also likely to have little interest in investing in the skills of workers who may eventually seek employment elsewhere. There is thus a strong case for including incentives for worker training in the design of job retention schemes.

Some of the job retention schemes that were in place before the crisis included also a provision that allowed workers to take part in training, or included incentives for workers to enrol in training programmes. The training provisions were in some cases introduced as an adjustment to the crisis (Finland, German and Norway). They were also included in some of the temporary schemes introduced in the crisis. As far as wage subsidy schemes are concerned, none included training provisions as a conditionality. The Netherlands issues a recommendation to provide training, and also obliged employers to assist terminated workers in their job search.

Providing access to training for the unemployed and incentivising workers to improve their employability seem to follow from the logic of furlough schemes. We found training courses offered to workers on furlough schemes only in the Belgian region of Flanders, however. In Denmark, workers are allowed to take part in training organised by their employers. Other countries have introduced training provisions in response to the crisis. Norway allowed participation in training only during the Covid-19 crisis. Finland allowed workers temporarily to study full-time without losing unemployment benefit.

Some short-time work schemes included an obligation to provide training or direct support for retraining. Training programmes were available to short-time work recipients in Slovenia. The Swedish scheme included a subsidy of 60 per cent of training costs, up to SEK 10,000 (€990) per employee. A training grant can accompany short-time work in Portugal, too, which also supports training plans at the company level. In Spain, workers on short-time work schemes have priority in voluntary vocational training programmes, financed by employers' and workers' contributions. In Hungary, the employer must provide training during 30 per cent of reduced hours. Germany offered subsidies and introduced training incentives from June 2021 making insurance contributions fully reimbursable only if the respective employee takes part in training. In Luxembourg, short-time work allowance is higher for workers participating in training. In Austria, employees were obliged to take part in training offered by employers, but only a minority of firms do that. Finally, training was required in Italy, but it was not enforced and typically no training programmes were implemented.

Finally, some short-time work schemes allowed training without providing specific incentives for participation. In France, companies were also encouraged to provide vocational training. Norway introduced the possibility to take part in training by any provider (be it the employer or an external programme) as an adjustment to the crisis. The British scheme also allowed enrolled workers to take part in training.

Conclusions

One lesson learned from the Great Recession more than a decade ago is that job retention schemes play an important role in cushioning the employment impact of an economic crisis. Hence, in order to deal with the consequences of the Covid-19 pandemic, all the 30 countries covered in this report implemented some kind of job retention scheme. The experience of the Covid-19 pandemic illustrates that job retention schemes have been an integral part of a more demand-focused crisis management. Such schemes have allowed companies to weather the economic crisis by sustaining their financial liquidity, preventing unnecessary job losses and serving as an automatic economic stabiliser by sustaining internal demand through the protection of workers' wages. Studies that focussed more closely on job retention schemes' impact on employment, furthermore, confirm that the negative effects as regards job reallocation were only limited, with the balance tilted well in favour of the positive effects (OECD 2021). In essence, during the Covid-19 crisis job retention schemes have provided a lifeline for companies, workers and the economy at large.

As the Covid-19 crisis has dragged on for much longer than initially expected, discussions have emerged in many countries that did not have a permanent scheme before the crisis about whether to phase out the temporary schemes or whether (and how) to turn them into permanent ones. By the same token, the question arises in countries with a permanent job retention scheme whether the current 'Covid-19' rules should be kept or whether (and when) they should return to the standard scheme. Against this background, it is important to shed some light on the lessons to be learned from the Covid-19 pandemic as regards the institutional characteristics that worked well and some of the opportunities that were missed.

Any discussion about the potential advantages of a permanent scheme has to consider that job retention schemes are not only a tool for dealing with an exceptional situation, such as a pandemic, when financial support is needed on an extraordinary scale at very short notice. Job retention schemes by their very nature are tools for dealing with temporary economic difficulties caused by a cyclical fluctuation in demand. Such a situation can occur any time for a multitude of reasons, in particular in the current volatile economic environment resulting from the uncertain prospects of a recovery from the Covid-19 crisis, coupled with potential supply shocks disrupting value chains. Examples of such supply shocks are the pandemic-related shortage of computer chips or disruptions in ports. A permanent scheme helps companies and workers to deal with such cyclical economic difficulties at short notice. Another advantage of a permanent scheme is that when faced with an exceptional situation like the Covid-19 crisis, it is easier to adjust and upscale an existing system than to establish a new system from scratch. A permanent scheme, furthermore, facilitates take-up because in well-established schemes all the actors involved know exactly what to do when a temporary crisis emerges. In well-established permanent schemes applying for a job retention scheme is essentially a routine procedure. In non-permanent schemes, by contrast, applications are often fraught with uncertainty concerning the rules and procedures. This may deter some employers from applying at all. It is important to find a design that takes into account and strikes a balance between the interests of

all parties involved. From the workers' perspective the scope and generosity of the scheme, in terms of the assistance they receive, are of key importance. From the perspective of employers and the state the costs involved are of crucial importance and in particular how the two share these costs.

As regards the scope of job retention schemes, all countries made the eligibility criteria as inclusive as possible to ensure that workers on different types of contracts receive support. This applies to countries with permanent job retention schemes, which adjusted their employee-related eligibility criteria so that previously excluded categories of workers – such as workers on fixed-term contracts or temporary agency workers – also benefit from the system, as well as to countries with newly established schemes, which established inclusive eligibility criteria from the outset. This obviously reflects the key concern at the beginning of the crisis, namely the need to provide broad-based support, but it is also an important element of a permanent scheme, aimed at avoiding not only further segmentation of the workforce through the use of job retention schemes, but also leaving behind the most vulnerable categories of workers by excluding them from such support.

This also applies to the issue of generosity. During the crisis, a number of different options have been tried, as can be seen from the wide variation in the level of support across the 30 countries covered by this report, ranging from 50 to 100 per cent of the original wage. There is no single best solution for the appropriate level of support for workers. Two aspects are worth considering, however: first, the level should be high enough to ensure that workers on job retention schemes can make ends meet without having to rely on other state support measures. Half the countries covered in this report opted for a replacement level of at least 80 per cent. Because the cap also plays an important role in determining the generosity of the scheme, its level should be set so that it does not counteract the objective of ensuring that workers can make ends meet. The second lesson learned from the Covid-19 pandemic is that job retention schemes in a wide range of countries included specific provisions to protect wages at the lower end of the wage distribution. This can be done in different ways. Some schemes ensure a higher replacement rate for low-wage workers, while others include a provision that the minimum amount paid to workers for the time they spend on the scheme should be at least the minimum wage. In line with the recent European Commission proposal for a Directive on adequate minimum wages this minimum wage should not be below the internationally acknowledged 'double decency threshold' of 60 per cent of the national median and 50 per cent of the national average wage (European Commission 2020).

At the beginning of the crisis, states' clear priority was to ensure broad coverage and broad-based support for workers and companies by fully covering the costs of job retention scheme support. Later on, however, when some of the most severe economic restrictions were withdrawn and economic activity picked up again a range of countries made companies participate in covering the costs. The key issue here is to strike a balance between securing the financial liquidity of companies in temporary economic difficulties, while at the same time avoiding deadweight losses by supporting jobs, or companies, that actually do not need financial support. Furthermore, co-financing by employers may lead to a lower

take-up, but it is ultimately also in the interest of the workers. It makes sure that only workers with a reasonable chance of retaining their jobs are enrolled. It also prevents employers from using job retention schemes to avoid or postpone paying workers' severance payments. The experience of the Covid-19 crisis illustrates that different options may be pursued to strike this balance. Some countries made companies cover a certain percentage of the support provided to workers. Others restricted cost-sharing to the payment of social security contributions. The extent of the employers' share varied considerably.

Other measures to avoid misuse that are far easier to implement include, first, the establishment of clear and quantifiable economic eligibility criteria that ensure that only companies in economic difficulties apply for support. This should go along with regular checks on whether the criteria are still being met. A second measure is the involvement of trade unions and employee representation structures in the design and implementation of the scheme. Such involvement not only ensures the smooth functioning of the scheme by enabling tailor-made company-specific solutions that take into account the interests of workers and employers, but it also provides another layer of control. Because employees bear a substantial part of the costs of working time reductions in the form of lower pay for time not worked, employee representatives will agree to put workers on job retention schemes only if there really is no other option. Only a minority of countries set some kind of formal requirement to negotiate an agreement with or to consult trade unions and employee representation structures as a precondition for job retention scheme support, mainly countries with a permanent scheme. The majority of countries with newly established, temporary job retention schemes did not insist on a meaningful role for worker participation or collective bargaining. A third, easier to implement option to avoid misuse are provisions to prevent companies benefiting from public support from distributing profits to shareholders and management. Very few schemes included such provisions, however, which was clearly a missed opportunity. A number of countries, furthermore, attempted to deny access to support to companies that are based in tax havens outside the EU. These efforts were ineffective, however, as a number of EU member states offer tax avoidance opportunities. Any meaningful provisions should therefore also include EU countries. Another measure against misuse are provisions on dismissal protection for workers enrolled in the job retention scheme. Because special dismissal protection for workers on such schemes may deter employers from applying for support the length of its validity needs to be chosen carefully. Following the example of a range of countries, to be effective protection against dismissal should last at least one month beyond the period of enrolment.

A related issue of relevance for permanent schemes, and which has received much attention in the media, is the risk of supporting unviable jobs in so-called 'zombie companies', whose survival depends largely on job retention scheme support. Financial participation in covering the cost of downtime and restricting full-time enrolment can effectively reduce the risk of such deadweight losses. Other ways to address this problem could be to link access to job retention schemes to the submission of a business plan on which management has to at least consult trade unions and/or employee representation structures. To ensure that the survival of the company and its jobs is not based on exploitative working conditions

this business plan should also include a clear commitment to paying at least an adequate minimum wage to all employees.

Because existing job retention schemes typically make workers wait for their job to reappear, another opportunity missed in many countries during the Covid-19 crisis is the establishment of a clearer link between job retention schemes and training. As a matter of fact, very few schemes offer training opportunities and effective incentives for retraining. This is also the case for furlough schemes, which are integrated into the system of unemployment assistance. Workers thus do not have an opportunity to use the time to upgrade their skills and make themselves potentially employable also in other companies. This is problematic as the workers whose jobs turn out not to be viable effectively pay the costs of transferring to a new job twice: first as the cost of participation in the job retention scheme (lower pay) and then the cost related to transfer to a new job (lower income, retraining costs). To avoid such situations, job retention schemes should thus be better integrated into active labour market policy instruments and include clear incentives for the provision of training.

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**European
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Bd du Roi Albert II, 5
1210 Brussels
Belgium
+32 (0)2 224 04 70
etui@etui.org
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