European Foundation for the Improvement of Living and Working Conditions

Tackling the recession: Employment-related public initiatives in the EU Member States and Norway

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Printed in Denmark

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Introduction

Objectives and methodology of report

The European economy is faced with the challenge of an economic downturn that globally is considered to be the deepest and most widespread recession since the end of the Second World War in 1945 (European Commission, 2009c). To cope with this situation in terms of supporting companies as well as the workforce, the European Union and individual Member States have introduced and/or adapted a wide range of public instruments.

This report provides an overview of public initiatives to address the current recession that have been carried out or planned in the EU Member States and Norway. Only instruments that focus on maintaining or creating employment and/or on providing income support to the labour force are considered. The information presented constitutes a summary of national facts gathered in the Member States and Norway by the correspondents of the European Restructuring Monitor (ERM) of the European Foundation for the Improvement of Living and Working Conditions (Eurofound) in April and May 2009. The national contributions have been supplemented with other in-house research by Eurofound, as well as numerous references to the European Industrial Relations Observatory (EIRO), and compiled into this comparative analytical report.[1]

It should be noted that neither the report nor the national contributions, which are available for download, claim to provide an exhaustive list of all initiatives available in the EU Member States and Norway. Rather, they offer a structured and systematic overview of the types of measures most commonly applied during the recession and their main characteristics. Consequently, generally available schemes that have not been newly introduced or adapted to the current recession are not considered.

General aspects of national approaches

Special advisory bodies

In some of the Member States, special bodies have been established to develop and/or amend public instruments to address the current recession. In Malta, for example, a taskforce chaired by the Minister of Finance, the Economy and Investment, Tonio Fenech, was set up to develop tailor-made solutions for manufacturing companies that were in financial danger. The taskforce is working with the major companies, assisting them in identifying new investment opportunities. Elsewhere, the tripartite British Regional Economic Council, the Czech National Economic Council (Národní ekonomická rada vlády, NERV) or the Slovakian national Crisis Council (Krízová rada) act as an advisory body to the government, providing it with feedback on proposed anti-crisis measures. In Denmark, the government asked the commission working on a new labour market reform to take the recession into account. However, the suggestions provided in the commission's interim report of October 2008 were not adopted by the government in the new budget that followed shortly after.

Anti-crisis packages

The majority of Member States (as well as Norway) launched a comprehensive 'anti-crisis package' comprising different instruments and funds to cope with the various problems being related to the current recession – economic, financial, employment and social. In Sweden, for example, measures to deal with the recession include rescue loans to companies in severely hit economic sectors, tax

[1] The text contains numerous references (e.g. EU0803019I) to records on the EIROnline website; these provide more detailed information on the issues in question. They can be accessed at http://www.eurofound.europa.eu/eiro by simply entering the reference into the 'Search' field.

reductions to boost consumer demand, investment in infrastructure, additional funds to local governments to maintain employment in the public sector and a decrease in employment fees and other taxes. The Spanish Plan for Stimulating the Economy and Employment (*Plan Español para el Estimulo de la Economia y el Empleo*, Plan E) has four axes of action: measures to support companies and families, measures to foster employment, financial and budgetary measures and measures for modernising the economy. Similarly, the Portuguese Initiative for Investment and Employment (*Iniciativa para o Investimento e Emprego*) has as one of its structural axes support to employment, economic activity and exports; it offers a wide array of measures to companies and the workforce.

The German strategic line of 'Securing Jobs by Strengthening Growth' aims to stabilise employment by increasing companies' competitiveness. It focuses on the facilitation of access to finance rather than supporting companies at risk of reducing employment. In a similar way, the Danish government does not provide direct support to companies at risk of cutting jobs. Its recent tax reform (Spring Package 2.0) is supposed to positively affect the Danish economy by tax reductions and increased public investment in infrastructure. Furthermore, financial support is provided to workers to compensate income loss in the framework of short-time work.

In some countries, a more focused approach is taken. In the United Kingdom (UK) and Austria, for example, the stimulus packages mostly rely on tax cuts, hence being directed at pure demand side effects (Pisani-Ferry and van Pottelsberghe, 2009). In Latvia, the preservation of jobs is indirectly supported as the programme that was introduced at the beginning of 2009 is a business support initiative mainly providing credits and guarantees for specific sectors of economic activity until the end of 2010. The industries concerned are: fishing; production, processing and trade of agricultural products; wholesale and retail trade; financial intermediation and insurance; renting of transport and equipment; real estate; gambling and betting activities; manufacture and trade of weapons and ammunition; and production and trade of tobacco and alcoholic drinks. In Malta, the stimulus package might be viewed as principally aiming to increase competitiveness and support investment rather than maintain employment, whereby many initiatives are targeted at the tourism and manufacturing sectors. In several countries, such as Germany, Greece, Hungary, the Netherlands, Portugal, Romania and Spain, specific attention is given to supporting small and medium-sized enterprises (SMEs). A few Member States, such as Latvia and Portugal, have put emphasis on boosting export activities.

Numerous countries – for example, Austria, Belgium, Cyprus, Germany, the Netherlands and Slovenia – focus on training instruments. Young persons are specifically addressed in Austria, Bulgaria, Finland, France and Greece through, for instance, apprenticeship and internship programmes or job placement initiatives. Meanwhile, older workers are an important target group in some of the Bulgarian or Portuguese provisions.

Varying stages of development

Particularly in the 15 Member States before enlargement of the EU in 2004 (EU15), already existing instruments – in many cases, previously established as tools to support companies' restructuring activities – have been adapted to the specific needs of the current recession. On the other hand, in many of the new Member States (NMS) that joined the EU in 2004 and 2007, initiatives to combat the recession have been newly established. In Bulgaria, the government adopted a new National Action Plan for Employment in January 2009, which was developed as a main tool to mitigate the effects of the economic crisis on employment and the labour market (BG0901049I). The programme is funded by the state budget, through the EU-funded Operational Programme Human Resources Development 2007–2013, other operational programmes, the EU PHARE programme, the World Bank Social Investment Fund, external donors and other sources. The Hungarian crisis management and economy boosting package is also to be mainly financed by European means, through the New Hungary Development Plan as the current framework for use of the European Social Fund (ESF).

In the Czech Republic, most of the proposed measures are still at the legislative stage as the process of addressing the economic recession has only started in recent months. Likewise, the Lithuanian government's Economy Stimulation Plan and the Polish anti-crisis package are currently being approved, or have recently been approved, by their respective parliaments.

Nevertheless, in some countries no specific emphasis has yet been put on the development and provision of specific anti-crisis measures at macro level. Cyprus, for example, has observed limited impact of the crisis on the economy so far. Therefore, it has not introduced any legal arrangements for supporting companies which are at risk of reducing employment, and the regulations for short-time or other unemployment benefits have not been altered. Indeed, in Ireland, which has been severely hit by the economic crisis, the government has not developed specific measures at macro level to assist companies and maintain employment in response to the recession. Responses to the recession thus far are primarily company or plant-level initiatives. However, on 23 June 2009, the Irish government pledged up to €1 billion for job protection, with an initial €250 million subsidy scheme being proposed (article, *Irish Times*, 24 June 2009a); nonetheless, the Minister for Finance, Brian Lenihan, urged for caution regarding the scheme as it could lead to market distortions (article, *Irish Times*, 26 June 2009b).

Social dialogue

Social dialogue plays an essential role in ensuring fair and inclusive arrangements in the framework of the recession, which challenges both employers and the labour force. Across Europe, the involvement of social partners in the development and implementation of recession measures differs with regard to the level and extent of their integration in policy design. This is attributed to the differences in the tradition of social dialogue and in the strength of the particular government in the present situation.

In Austria, Belgium, Germany and the Netherlands, for example – countries with a well-established social partnership – a social partner agreement contributed considerably to the design of the stimulus packages (Watt and Nikolova, 2009; International Labour Organization (ILO), 2009b). In France, social dialogue has led to an agreement to extend partial unemployment benefits (ILO, 2009b). The Latvian government has accepted some of the measures proposed by the social partners, while trade union resistance prevented the introduction of some other provisions. In Hungary, tripartite negotiations at macro level are underway.

In contrast to this level of progress, the three main Italian trade union confederations have all proposed different measures and are calling for social partner consultations (Watt and Nikolova, 2009). In Slovenia, trade unions, employer organisations and the government are represented in the Economic and Social Council (Ekonomsko socialni svet Slovenije, ESSS), which is supposed to draft recession measures. Several Member States have such tripartite bodies, as mentioned above. However, the Slovenian trade unions have criticised the government for attempting to reduce the role of the ESSS by giving too much weight to the recession-related communication with civil society.

In cases where trade unions have had the opportunity to influence the design of the crisis package, governments benefited from their political support for the package as a whole even if specific measures were criticised (Watt and Nikolova, 2009). Nevertheless, in several Member States – for example, Sweden (SE0812019I) and the UK (UK0812039I, UK0902029I) – employer and employee organisations have strongly criticised their country's stimulus package, mainly as they deem it to be insufficient for reducing the effects of the economic crisis.

Widespread points of discussion among employer and employee representatives and the government include: the lack of the social dimension in the stimulus package (for example, in France); flexible working hours, including short-time work and temporary lay-offs and the associated pay cuts; the setting and the level of the minimum wage (for instance, in Bulgaria and Estonia – EE0902039I); and public spending. With regard to the latter issue, Danish, Finnish, Spanish, Swedish and UK trade unions, for example, opt for public investment measures to generate higher employment (Watt and Nikolova, 2009; UK0902029I, UK0904059I).

Collective agreements

Concerning collective agreements at sectoral and/or company level, the Metalworkers' Union (Odborový zwäz Kovo, OZ KOVO) in Slovakia, for instance, prepared a guideline for trade union officials to assist them on how to proceed in case of a reduction of work in companies. However, in spite of trade unions' efforts to include relevant provisions to protect employees against dismissals in collective agreements, so far such provisions have not been integrated into the accords. For example, in Germany, many collective agreements contain so-called opening clauses allowing company-level agreements to deviate from sectoral collective agreements in order to cut costs and safeguard employment. Usually, these agreements concern extensions or cuts in working time without full compensation in pay, cuts in benefits or delays in agreed pay increases.

It has been observed in Spain, for instance, that fewer agreements are signed and fewer workers are affected by them in times of economic crisis. Furthermore, salary increases are lower: for example, increments of 3.59% were reported in 1994, compared with 8.33% in 1990, as a consequence of the 1992 crisis.

In countries like Ireland where collective frameworks providing for negotiated working time flexibility are absent at national and sectoral level, company-level initiatives involving both wage and working time flexibility are more prominent. Concession bargaining can be found in several Member States at sectoral and/or company level. In Denmark, Poland or Romania, for example, the trade unions seem willing to accept a low or zero wage increase, and even decreases in pay, in order to maintain jobs. In Germany, a regional agreement was signed in the metal industry to delay wage increases by up to seven months based on a voluntary work agreement depending on the economic situation of the company (Rychly, 2009). By way of contrast, the Finnish trade unions and the Prime Minister, Matti Vanhanen, rejected the proposal of the Confederation of Finnish Industries (Elinkeinoelämän keskusliitto, EK) to postpone previously agreed pay increases in 2009 as this strategy was considered to jeopardise domestic demand (FI0901029I).

Meanwhile, pay cuts in Austria are being agreed in the form of individual contracts between the employer and each employee, as labour representatives at sectoral and company level refused to accept such practices.

Classification of employment-related recession measures

As noted, many European countries have introduced rather comprehensive stimulus packages, resulting in a wide range of measures that directly or indirectly aim to support the labour market. The available instruments not only help to avoid mass dismissals, but also minimise the firing and hiring or rehiring costs for businesses. Thus, they simultaneously mitigate the labour market and social impacts of the economic crisis for the labour force, facilitate adjustment at company level and incorporate not only a short-term but also a medium to long-term perspective, including investment in human capital and the safeguarding of company-specific skills (ILO, 2009b).

Eurofound has classified the most widespread employment-related public recession instruments in the EU Member States and Norway into three broad categories (see Figure 1 on p. 6).

- Measures to maintain employment have a 'preventive' character in that they aim to keep people in employment by, for example, supporting companies or providing income support for workers who have accepted pay cuts to safeguard their jobs.
- Measures to create employment refer to instruments promoting the transition from unemployment to employment. Note that this classification focuses on the individual jobseeker. It does not address the issue of net employment creation as substitution effects may arise.
- Initiatives to financially support individuals in case of redundancy are summarised in the category of income support for unemployed people and those who are outside the labour market.

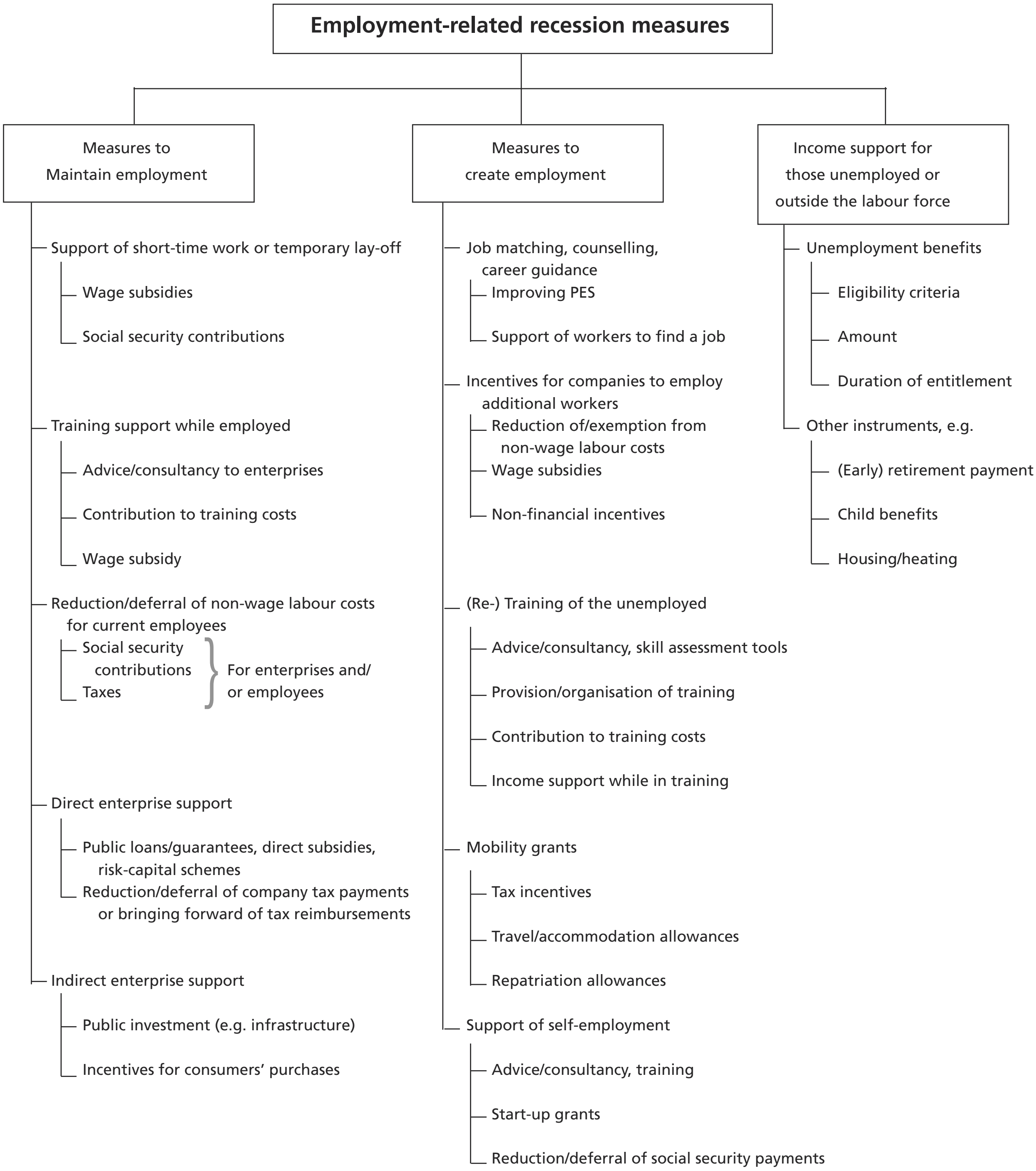
The following chapters will briefly outline the types of measures introduced by the governments in the Member States and Norway within each of these three categories, supplemented by illustrative examples of the respective instruments, as well as information – insofar as it is available – on the social partners' involvement in their design. The study will put most emphasis on the measures to maintain employment as these are currently being prioritised among the Member State activities. At the same time, it should be noted that some of the initiatives introduced so far may be classified into more than one of the categories shown in the figure.

Measures to maintain employment

Support of short-time work and temporary lay-off

In order to avoid dismissals during a downturn in demand, many European companies put their employees on short-time work or temporary lay-off. This results in lower personnel costs for the enterprise while also safeguarding the availability of the required human resource capacities and skills as soon as there is an upward trend in the economic development. For the employees, it provides at least a temporary guarantee of not being made redundant and, hence, income security – even if the reduced number of working hours leads to a relative pay cut.

Figure 1 Employment-related recession measures, EU Member States and Norway



Overview of employment-related recession measures in the EU Member States

Note: PES = Public Employment Service.
Source: Eurofound

To support the activities in companies undergoing restructuring, several Member States have been providing financial assistance for short-time work or temporary lay-off for companies and/or employees even before the recession; such cases are not considered here. Some of these instruments have been adapted to meet the requirements of the current situation, for example in Austria, Belgium, Denmark, France, Germany, Italy, Lithuania, Luxembourg, the Netherlands, Norway and Sweden. These adaptations are often based on a tripartite initiative, with the aim of rendering the rules more flexible and practicable, including for SMEs. Other countries, particularly the NMS, that had not yet availed of such measures have introduced them recently – for example, Bulgaria, Hungary, Romania and Slovenia. Often, the regulation is valid for a limited time period only – that is, for the recession.

Social partner involvement

In general, a social partner agreement on the terms and conditions of the short-time work or temporary lay-off arrangement has to be established at sectoral or company level, and the measure has to be approved by a governmental authority, such as a local Public Employment Service (PES). In Sweden, new general one-year agreements on temporary lay-offs have been reached between the Union of Metalworkers (IF Metall) and several employer organisations covering metal, engineering, chemical, textiles and other manufacturing sectors, allowing the possibility of reducing working hours – even though the country normally prohibits lay-offs. Blue-collar workers will be paid according to the time actually worked but will receive at least 80% of their normal salary. The local parties can agree on training for the workers instead of free time (SE0903019I). Trade unions for white-collar workers are now under pressure to agree to similar arrangements; however, they are opposed to the idea as they assume negative consequences for their members' pension entitlements and consumer demand. Social partners also tried to convince the government to provide lay-off pay as was done during the economic downturn in the 1990s, but this proposal has not been adopted so far (SE0902019I). In Germany, a regional trade union and employer organisation in the metal and electrical industry agreed on more favourable conditions for the workers' remuneration while on short-time work. In return, other premiums, such as Christmas and holiday bonuses, are to be reduced or delayed (DE0905049I).

In Estonia, social partners suggested providing financial support for employees on partially paid leave from the Unemployment Fund. However, due to the fund's current difficulties in maintaining financial sustainability caused by rapidly growing unemployment levels, this proposal will probably not be adopted. Similarly, the Maltese social partners suggested to the government to introduce a compensation scheme to pay part of the wages lost by employees of companies that were forced by the economic crisis to adopt a reduced working week. In the UK, employer representatives in particular have made similar demands, highlighting the Welsh example where the ProAct initiative temporarily offers wage subsidies and part of the training costs for workers on short-time work (*Western Mail*, 23 March and 16 April 2009).

By way of contrast, the Greek General Confederation of Labour (Γενική Συνομοσπονδία Εργατών Ελλάδας, GSEE) disagreed with the government's announcement to provide income support for employees of SMEs on reduced working hours. GSEE assumes that employers will use the international economic crisis as a pretext to violate labour legislation and workers' rights by arbitrarily establishing short-time work. In Slovenia, trade unions have criticised the Law on Partial Subsidisation of Full Working Time as they fear that companies may take advantage of the subsidy without allocating it to the workers and, hence, cut workers' income (SI0903019I). This concern has been confirmed by a recent company survey showing that 73% of the subsidised enterprises reduced salaries, and only 61% of the companies that applied for a subsidy intend to allocate it at least partly to the workers ('Podjetja po subvencije precej obotavljivo', Delo (daily newspaper), 2 April 2009). In the Netherlands, several trade unions demanded that employers applying for partial unemployment should supplement their employees' incomes to 100% of their normal salary level (NL0905029I). Employer representatives and the government, however, have rejected this proposal while at the same time leaving the option of negotiations at company level.

Differences in general approach

An interesting aspect is the terminology used for various schemes. Austria (see infosheet (in German) and guidelines (in German, 95Kb PDF) from the Public Employment Service (Arbeitsmarktservice, AMS)) and Germany, for example, refer to 'short-time work'. Meanwhile, Cyprus provides for the possibility of 'suspended employment' in the tourism industry, whereas Belgium, the Czech Republic and France regulate 'partial unemployment'. In the Netherlands, short-time work support was offered until the end of March 2009; since then, companies experiencing financial difficulties due to the economic crisis may apply for partial unemployment of their workforce. In Estonia, companies and employees may agree on 'forced leave' – however, without public financial support.

These variations highlight that differences arise in the design of the individual national instruments. In some countries, only support for either short-time work or temporary lay-off is possible while others offer provisions for both types of flexible working hours, with the same or with varying conditions. Although Finland, for instance, has a system of temporary lay-offs, the trade unions would prefer the introduction of a short-time work scheme (European Trade Union Institute (ETUI), 2009a).

Differences also emerge regarding sectoral coverage. Most of the instruments cover all sectors of economic activity. However, the Bulgarian measure, for example, is limited to industry and services. More specifically, it covers the: extraction industry; processing industry; production and distribution of electric and heating energy and gaseous fuels; water supply; sewage, waste management and recovery; construction; trade and repair of cars and motorcycles; transport, storage and communications; hotels and restaurants; creation and distribution of information and creative products; and telecommunications. The Italian wage guarantee fund (*cassa integrazione guadagni*, CIG) has only recently been extended from specific sectors and company size classes to cover a wider range of workers. This will be partly funded by the regional administrations, which will use ESF resources for this purpose.

The composition of the group of beneficiaries varies across Europe. Several countries offer support for short-time work or temporary lay-off to all employees, irrespective of their employment status. In Belgium, for example, temporary agency workers and workers with a fixed-term employment contract have recently been included in the scheme. However, only blue-collar workers are eligible regarding reduced working time; white collar-workers are eligible for temporary unemployment. In the Netherlands, short-time work is not possible for temporary agency workers. In France or Luxembourg, part-time workers are also eligible for part-time unemployment support. Austria explicitly excludes apprentices, chief executive officers (CEOs) and board members from the list of beneficiaries.

Type and conditions of support

The monetary assistance, which is either directly paid to the employees affected or transferred to them through the intermediation of the employer, may refer to financial support towards the wage and/or social security contributions. The Danish possibility of 'work-sharing' entitles employees to unemployment benefits for up to 13 weeks and can now be arranged as two weeks at work followed by one or two weeks of receiving unemployment benefit, resulting in a 'rotation of unemployment' among the workforce. In Norway, the employer has to pay wages for the first five days of temporary lay-off (10 days previously), after which the employees do not receive any income for three days. Afterwards, they are entitled to unemployment benefit. Temporary leave can now be used for up to 52 weeks (30 weeks before). There is also the opportunity to use short-time work. However, if working hours are reduced by less than 50%, the employees affected are not entitled to unemployment benefits. The government has decided to reduce the threshold from 50% to 40% to make it easier to use rotation-based lay-offs among employees. The new regulations will come into force from 1 July 2009 at the latest.

The Italian CIG entitles workers to an allowance of 80% of their last wage, up to a certain threshold, if they are temporarily laid-off or on short-time work for a period of up to one year. In case of the ‘extraordinary’ CIG, the benefit may not exceed a ceiling established by law after six months, and the duration varies from 24 months to 36 months over five years. Another Italian instrument – the solidarity contract (*contratto di solidarietà*) – which is a result of collectively bargained agreements, entitles workers whose working time is reduced by 60% to 60% of their last wage for a duration of 24 months, without an absolute threshold; the duration is 36 months in the south of Italy.

In Hungary and Luxembourg, workers on short-time work are compensated by 80% of their gross hourly wage. Luxembourg plans to increase this proportion to 90% if the employee undertakes training during the time off.

In Belgium, blue-collar workers receive up to 75% of their last income for the non-worked hours from public funds. This proportion is higher than was allowed in the previous regulation and depends on their family status. A gross income ceiling applies of €2,206.46 a month, up from €1,900. Moreover, the Flemish government has introduced a ‘bridging premium’ of €95–€345 a month for staff working shorter hours on a temporary basis (BE0904019I). In France, employers receive state compensation of €3.84 per worker in SMEs and €3.33 in large companies if they apply short-time work. Such work can last up to six consecutive weeks (instead of four weeks before the recession) or 800 hours per employee and year (increased from 600 hours); however, the textiles, clothing and leather industry and the automotive industry have a higher time limit of 1,000 hours. To avail of this provision, the employers have to pay at least 75% of the hourly gross wage (minimum €6.84) for non-worked hours if the reduction in activity lasts at least three months, or 60% otherwise. If the company closure exceeds three months, the employees are entitled to unemployment benefits.

The Dutch partial unemployment scheme compensates employees by a temporary unemployment allowance of 70% of the wage due for the cut in working time for a duration of up to 15 months in total (ETUI, 2009b). Pension rights are not accrued on the unemployment component of their income.

In Germany, the employer pays for the effective working time and receives a state allowance for up to 67% – depending on the worker’s family status – of the missing net wage, for a duration of up to 24 months. Up until 30 June 2009, the government has borne half of the social security contributions that are attributed to short-time work; as of 1 July, these contributions will be fully covered after the sixth month of such work. In Austria, the minimum level of compensation for the income loss that the employer has to pay to the employee refers to the unemployment benefit, which amounts to about 55% of the net wage, as well as sickness and retirement insurance and family allowances if applicable. If the employer pays higher compensation than legally required, public support is not increased; in other words, additional costs are borne by the employer.

In Slovenia, employees on temporary leave are entitled to wage compensation of 85% of their average wage in the last three months: 50% of the wage is refunded by the state and 35% by the employer. To receive the state funds, the employer has to adopt a ‘Programme of job preservation, upgrading of jobs quality and development of human resources’.

Romania has taken a rather different approach, where the Unique National Collective Agreement 2007–2010 obliges employers to pay the base salary during interruption of business, or 75% of the employees’ individual base salary in exceptional cases if the halt in operations is due to technical or other reasons. Government Emergency Ordinance No. 28/2009 of March 2009 regulates that, in cases where business is suspended and employees are indemnified with a minimum of 75% of the normal salary for each position, both employers and employees are exempted from social security contributions for up to three months. They are also exempt for this period from unemployment security contributions, professional hazard and accident security contributions, contributions to the salary claims guarantee fund and health insurance contributions. Furthermore, the indemnity paid to workers during a temporary suspension of business is income tax free.

Training and non-dismissal requirements
In some instruments, the eligibility for public support for short-time work or temporary lay-off is bound to the provision of and participation in education and training activities during the time off. Alternatively, the provisions may offer more favourable conditions if related to training measures (see next section for more details).

Furthermore, some schemes require that the affected workforce must not be dismissed during or after their short-time work period. In Austria, for example, companies must not make employees redundant for the duration of short-time work, and most collective agreements also stipulate that the workers affected will not be made redundant for a period of up to four months after the end of the short-time work period. In Luxembourg, the companies must not make any workers redundant for economic reasons during the period of application of the short-time work scheme, which is not only open to companies in economic difficulties but also to enterprises that are heavily dependent on one or more companies already benefiting from the short-time work scheme. In Slovenia, workers for whom the company receives subsidies for a reduced working week cannot be laid-off while the enterprise is getting the allowance (SI0903019I).

Use of short-time work
Companies in the EU have increasingly applied short-time work schemes during the last months, compared with the time horizon before the economic crisis. In Austria, for example, it was expected that for the first quarter of 2009 about 26,000 employees would be on short-time work (article (in German), *WirtschaftsBlatt*, 28 January 2009a). At the end of March, more than 33,000 workers in 165 companies were expected to be on short-time work, mainly in the automotive sector as well as in the metalworking, wood and plastics industries (article (in German), *WirtschaftsBlatt*, 18 February 2009b). By mid May, the numbers amounted to about 60,000 workers in more than 250 companies. In Belgium, more than 313,000 people were temporarily unemployed in March 2009, primarily among male blue-collar workers in Flanders as well as in the metal, textiles and food industries, and in construction (National Employment Office (Office National de l’Emploi/Rijksdienst voor Arbeidsvoorziening, ONEM/RVA); European Commission, 2009f).

In Denmark, the number of work-sharing arrangements increased to more than 700 cases in the first quarter of 2009, compared with about 200 in 2008 and about 30 each year in 2006 and 2007. The number of non-worked hours covered by the Italian CIG almost doubled in 2008 compared with 2007, with a particularly sharp increase at the end of the year. In May 2009, the number of workers on temporary leave (78% of whom are male) amounted to more than 17,500 in Norway (compared to about 2,200 in May 2008).

Most of the companies applying for short-time work support in Germany are active in metal manufacturing, construction, wholesale and retail trade, and manufacture of machinery, as well as temporary agency work. Data from previous years show that companies are less likely to apply short-time work if they employ many temporary agency workers, part-time workers and/or low-skilled workers (Crimmann and Wießner, 2009).

Nevertheless, some evidence indicates that short-time work does not prevent dismissals in the long run but rather postpones redundancies in times of severe economic difficulties (Calavrezo et al, 2009). Furthermore, the application of short-time work – particularly if used over a longer period of time – negatively affects structural change by artificially maintaining employment in declining industries instead of redirecting the workforce into more future oriented jobs (Eichhorst and Marx, 2009; Crimmann and Wießner, 2009). The longer the economic crisis lasts, the less effective the instrument of short-time work is to counteract negative labour market effects.

To summarise, the following table provides an overview of some of the recently introduced or changed short-time work and temporary lay-off support schemes across Europe, as well as their main characteristics.

Selected public support short-time work and temporary lay-off schemes addressing the recession, EU Member States

	Name	New / adapted	Eligibility	Type and extent of support	Duration
AT	Short-time work, short-time work support) (*Kurzarbeit, Kurzarbeitsbeihilfe*)	Adapted	All employees, including temporary agency workers, except apprentices, CEOs and board members; other possibilities have to be exhausted first, such as use of overtime and holiday entitlements, or working time accounts	Compensation of the income loss by the employer of at least the level of unemployment benefits (about 55% of the net wage) plus sickness and retirement insurance and family allowances if applicable. Support is increased by 15% if the employer offers training	Maximum six months, extended to 18 months in total or 20 months in extraordinary circumstances. Working time has to amount to 10%–90% of normal working hours
BE	Temporary unemploy-ment / technical unemployment (Chômage temporaire/ chômage technique)	Adapted	Employees, including temporary agency workers and workers on fixed-term employment contracts; in some cases only blue-collar workers	Maximum 75% of the last income, depending on family status, up to a gross monthly wage of €2,206.46	Working time has to amount to 35 hours maximum or four days a week
BG		New	Employees in industry and services	Maximum BGN 1,200 (€613 as at 25 June 2009) per worker, depending on the number of non-worked hours	Maximum three consecutive months per calendar year

Selected public support short-time work and temporary lay-off schemes addressing the recession, EU Member States (*continued*)

	Name	New / adapted	Eligibility	Type and extent of support	Duration
DE	Short-time work, short- time work allowance (Kurzarbeit, Kurzarbeitergeld)	Adapted	All employees, including temporary agency workers and workers on fixed-term employment contracts, if their employer has a decrease in earnings of at least 10%	The government pays up to 67% of the difference between the normal wage and the lower wage, as well as 50% of the social security contributions for the non-worked hours (100% in case of qualification)	Maximum 24 months
DK	Work-sharing	Adapted	All employees	Eligibility to unemployment benefits	Maximum 13 weeks
FR	Partial unemployment / technical unemployment (*Chômage partiel/ chômage technique*)	Adapted	All employees, including part-time workers, temporary agency workers and those on fixed-term employment contracts, if their employer has a decrease in sales of at least 50% in case of short-time work. All employees in case of temporary lay-off	The employer pays up to 75% of the hourly gross wage for the non-worked hours at a minimum of €6.84 an hour; the state pays SMEs €3.84 and large companies €3.33 per hour and worker. In case of a company closure of more than three months, employees are entitled to unemployment benefits	Six consecutive weeks, in total 800 hours per employee a year or 1,000 hours in the textiles, clothing and leather industry and automotive industry
HU		New	All employees	80% of the last wage up to 150% of the national minimum wage; 80% of training costs if provided by the employer	
IT	Wage guarantee fund (*Cassa integrazione guadagni*, CIG)	Adapted	Employees, including temporary agency workers and partly project workers and apprentices	80% of the last wage up to a certain threshold	Maximum one year
	Solidarity contract (*Contratto di solidarietà*)	Adapted	Shop-floor and office workers, members of cooperatives	60% of the last wage when working hours are reduced by 60%	Maximum 24 months
LU		Adapted	All employees, including part-time workers; other possibilities must be exhausted first, such as a reduction in the number of temporary agency workers, use of overtime and holiday entitlements or internal redeployment	The employment fund pays 80% of the gross hourly pay; this is planned to increase to 90% if the employee participates in training	Up to 50% of normal working hours
NL	Short-time working (*Werktiidverkorting*, WTV) until end of March 2009, partial unemployment thereafter	Adapted	No temporary agency workers; employers have to undertake training of the staff on short-time work	70% of the wage for the non-worked hours	Up to 50% of normal working hours for a maximum of 15 months

Selected public support short-time work and temporary lay-off schemes addressing the recession, EU Member States (*continued*)

	Name	New / adapted	Eligibility	Type and extent of support	Duration
NO	*midlertidig permittering*	Adapted	All employees	Employers pay wages for the first 5 days of temporary lay-off, followed by 3 days without wages; afterwards, employees are entitled to unemployment benefit	Maximum 52 weeks
RO		New	All employees	Employers and employees are exempted from paying social security contributions; workers' pay during a temporary suspension of business is income tax free	Maximum three months
SI		New	All employees; employers have to undertake training of the staff on temporary leave	Employees on temporary leave are entitled to 85% of their average wage in the last three months: 50% is refunded by the state, the remaining 35% by the employer	

Note: See the annex on p. 33 for a full list of country codes.
Source: Eurofound

Training support while employed

In order to take advantage of the low level of business activity while at the same time preparing enterprises and employees for the economic recovery, several governments support education and training measures for companies' employees during the recession. The intention is to motivate enterprises to carry out additional training activities rather than subsidising the cost of training that the companies would undertake in any case.

Advice and consultancy to enterprises

On the one hand, this may refer to the provision of advice and consultancy to companies on how to organise in-house training and/or how to find the most suitable external education provider. An example is the UK 'Train to Gain' programme, a government service offering independent advice on improving the skills of employees. Employers of all sizes and in all sectors of economic activity can get help from skills brokers to find the right training and to access available funding. Since January 2009, the initiative has been extended to include short-term training in areas that make quick returns to businesses, such as cash flow management and business improvement techniques (*Hull Daily Mail*, 22 May 2009).

Contribution to training costs and/or wages

On the other hand, financial support is provided, either with regard to the training costs arising for the employer or in terms of wage subsidies for the training time. In Belgium, for example, the Walloon government extended its funds for vocational training to encompass permanent employees, temporarily unemployed staff, subcontracting workers, fixed-term contract workers and temporary workers. The Single-enterprise Initial and Continuing Vocational Training Programme in Cyprus seeks to preserve jobs in companies that are facing economic difficulties due to the crisis, by covering a substantial part of the expenses for staff training. In the Czech Republic, two ESF-funded educational programmes – 'Extend your knowledge' (Vzdělávejte se) and 'Training is a chance' (*Školení je šance*) – not only provide finance for covering the training costs but also for employees' wage compensation for the time of their participation in the training. In Greece, subsidies are granted for in-house training in SMEs (article, *People's Daily* (Chinese-owned newspaper), 24 April 2009).

Austria has taken an interesting approach, where the general provisions for unpaid training leave (*Bildungskarenz*) have been amended for the current recession (*Bildungskarenz plus*). If the employer and the employee agree on unpaid leave – that is, the employment relationship remains intact – for up to 18 months for the purpose of further training, the employee is entitled to a training allowance amounting to the fictitious unemployment benefit that would have been paid by the PES if they were officially unemployed. The employer bears the costs of the training but receives a public subsidy of 25%–50% of the cost up to a certain limit, varying across the individual federal states or regions. The leave period allowed also varies across the regions.

Another instrument directly addressing employees' income during training is being discussed in France. Thereby, employees should receive normal remuneration for training during working time and an allowance equal to half of their remuneration for training undertaken outside normal working hours. Employees would also be entitled to transfer their accumulated allocation of training time to be used during a period of unemployment or within two years of joining a new employer (Federation of European Employers (FedEE), 14 May 2009).

Conditions of training support

In several cases, public training support is linked to short-time work (see above), whereby in the Netherlands and in Slovenia, for example, it is even obligatory to involve workers in training while they are on short-time work or temporary leave. In Austria, for instance, employers may receive a special training subsidy (*Kurzarbeitshilfe mit Qualifizierung*) if they offer their employees training courses to enhance the workers' future employment prospects during the non-worked hours while on short-time work. The Flemish government in Belgium grants a special bonus to workers reducing their working time in the framework of a company's restructuring plan and who undertake training during the reduced working time.

In France, a social investment fund has been established – based on the proposal of a trade union confederation and funded by the state and social partners – to provide training for workers in partial unemployment and for jobseekers (Triomphe/Goryacheva, 2009). In Germany, employers will receive subsidies, financed by the ESF, during 2009 and 2010 to offer additional training to staff on short-time work, with an easing of the usual eligibility requirements on training certification if the training is conducted solely in-house. In Italy, suspended workers participating in the CIG or solidarity contracts will be provided with the opportunity to attend vocational retraining or upgrading courses, financed by an inter-professional fund for continuing training promoted by the social partners. The recently introduced Irish Short Time Working Training Programme will provide two days of training a week for employees who are on systematic short-time work for three days a week and receiving a social welfare payment for the two days that they are not working. Only 277 places are available and each placement will be for 52 weeks. The training offered will be flexible, which would allow people to complete courses if they return to full-time work.

The Estonian and Finnish social partners have suggested introducing similar support for training measures during short-time work or temporary lay-off. Training support is also being discussed more generally for employees in Sweden, rather than focusing on short-time work.

Problems arising

Attaining further qualifications while on short-time work enhances employees' employability, while at the same time increasing the competitiveness of the company. Nevertheless, as the employer cannot accurately forecast the duration of short-time work, it is assumed that mainly short training measures will be applied, resulting in criticisms regarding their effectiveness. Modular qualification instruments are recommended. However, they increase the administrative and organisational burden for the company – which might not be feasible, particularly for SMEs. Furthermore, for the employer the added value of investing in skills development may not be clear if it is unsure whether or how long the employees will remain part of its workforce. Consequently, preliminary data for Germany, for example, show that education measures are not given much priority during short-time work (Crimmann and Wießner, 2009).

Reduction or deferral of non-wage labour costs for current employees

Governments are taking various steps to enable companies to maintain their workforce while at the same time considering the economic situation of the enterprise. In addition to supporting short-time work (see above), the reduction or deferral of non-wage labour costs financially supports the maintenance of jobs in economically difficult times. Therefore, social security contributions are the focus of several countries' initiatives – for example, in Bulgaria, Germany, Hungary and Sweden – as these are often a significant overhead for the companies.

Social security contributions

Some countries generally lower all social security contributions, while others concentrate on elements of them, such as pension insurance or health insurance. Furthermore, across Europe considerable differences arise regarding the target group of the reduction – that is, whether employers' or employees' contributions are diminished.

In Germany, for example, employers' contribution to unemployment insurance has been lowered from 4.2% in 2008 to 2.8% in 2009 and 2010 (European Commission, 2009e). Contributions to health insurance were reduced by 0.3 percentage points. In addition – as in Germany employers must currently also cover the employees' contributions for workers on short-time work – this obligation will be halved during 2009 and 2010.

In Bulgaria, the most substantial amendment is the participation of the state as an insurer. Up until 2009, workers and employers paid pension insurance contributions in a ratio of 40:60. However, since the beginning of 2009, the state is paying 40% of the pension contributions, reducing the employees' part to 26.7% and the employers' share to 33.3%.

In Slovenia, the employer organisation suggested a reduction in the rate of employers' social security contributions. It also proposed reducing the rate and duration of compensation for absence from work due to illness paid by employers, from 80% to 70% of the wage and from 30 days to 20 days (article (in Slovenian), *Gorenjski Glas* (regional daily newspaper), 25 May 2009). Trade unions have strongly opposed these suggestions.

In some countries, only specific groups of employees are subject to more beneficial social security contributions. In the Czech Republic, Hungary and Portugal, for example, the government encourages employers to hire or retain older workers through reductions or exemptions in social security contributions, such as health insurance. Sweden targets youth employment with a reduction in social security contributions for workers aged less than 26 years.

Some countries target specific economic sectors through reductions in social security contributions. In Spain, for instance, the government deferred employer social security contributions in the airline and road transport sectors (ES0810029I). Other countries, such as Portugal and Sweden, have reduced social security contributions for micro enterprises.

Tax exemptions or deferrals for enterprises

In order to ease the financial situation of businesses, many countries have adopted employment-related tax exemptions or delayed tax payments for companies. In Belgium, for example, the stimulus package to boost the economy in crisis – which was agreed by the government at the end of December 2008 – provides for an exemption of tax on overtime up to 130 hours, whereas before the limit was up to 65 hours. The package also provides a tax exemption of 75% for the employment of scientific researchers; this proportion is up from 65%. Finally, the new measures allow for an increased tax exemption on night shifts, up from 10.7% to 15.6%. In addition, the stimulus package grants the possibility to delay for three months the tax payment for the first two quarters of 2009. A previous study examining the macroeconomic impacts of additional tax exemptions for employers considered that an increase in jobs would be the likely outcome of such measures (Bossier et al, 1998). Sweden grants a similar possibility to SMEs to defer tax payments on wages for up to one year.

In some cases, such as in the Netherlands, these tax cuts or deferrals are conditional on companies' acting in ways to promote wider social and economic goals, such as research and development (R&D) or investment in green technologies (Watt and Nikolova, 2009).

Income tax cuts

Income tax changes are another choice for governments, given their generality and the comparative ease of adjusting rates or thresholds. In economically difficult times and when workers receive a lower wage, reducing income taxes represents an easy measure to maintain household consumption, thereby fostering commercial activities. In Latvia, for example, the government has cut the rate of personal income tax to 23% from 25% since 1 January 2009 ('Latvian government cuts personal income tax rate to 23%', *Baltic Business Daily*, 10 December 2008). Poland also cut the minimum rate of income tax from 19% to 18% on 1 January 2009. In Lithuania, the personal income tax rate was reduced even more. Since 1 January 2009, the rate is 15% instead of 24% as before. Furthermore, a new system to calculate the tax exempt income has been introduced, being particularly beneficial for low earners.

In Italy, the experimental scheme for tax relief on productivity bonuses introduced by the 'Agreement on work, welfare and social security' signed by the social partners and the previous centre-left government, led by Romano Prodi, was extended to 2009 (IT0712029I). Furthermore, the range of beneficiaries was increased: employees in the private sector earning annual incomes of less than €35,000, rather than the €30,000 allowed for in 2008, will now be eligible for the tax relief. Moreover, the amount of the bonus to which tax relief applies has also been increased, from €3,000 to €6,000 (IT0812029I).

Nevertheless, there is some criticism regarding income tax cuts as, unless the changes are carefully designed, such measures tend to favour those who are better-off as they pay most income tax. Thus, various countries, such as France, Germany or Lithuania, are considering reducing income tax payments targeted at low earners or have already done so (French Press Agency (Agence France Presse, AFP), 18 January 2009).

Social partners' responses to the adoption of these measures were not enthusiastic in several countries. In Slovenia, for example, trade union leaders urged for caution over a proposal to temporarily reduce employers' social security contributions as a way of combating the economic crisis. They instead insisted that the government should support workers' incomes as an increasing number of companies resort to short-time work.

In contrast, employers in the Czech Republic in particular have sought tax reductions or the postponement of social and health insurance payments without interest applying due to delays in payment.

Direct enterprise support

The present crisis is characterised by low investor confidence and demand expectations while at the same time financing conditions are rather tight (European Commission, 2009c). This results in a situation whereby it is difficult for companies to access finance to enhance their business activities, and hence maintain or create employment. Companies first hit are often younger, cash-poor enterprises that may have good growth potential, which is at risk of being lost due to a liquidity shortage. To support companies, many countries have introduced public loans, guarantees, direct subsidies to enterprises and/or risk-capital schemes, or have amended existing schemes in this regard. This approach seems to be particularly feasible in a recession marked by a financial crisis in which the financial markets are unable to foster efficient capital reallocation and credits are curtailed (Pisani-Ferry and van Pottelsberghe, 2009).

Most of the instruments provide aid of up to €500,000 per company facing funding problems because of the current credit squeeze. The eligibility period is limited to 2009 and 2010, and the support is only provided to companies that have not been in financial difficulties before 1 July 2008. The provisions have also been assessed by the European Commission to meet the conditions of the Commission's Temporary framework for state aid measures and not to give rise to any undue distortions of competition.

Across Europe, the content of the direct enterprise support packages differs. For example, in Estonia, Poland and Slovakia, most emphasis is put on loan guarantees; Poland focuses in particular on SMEs. Latvia and Lithuania also offer low interest loans and Romania combines guarantees with direct grants – again, with a focus on SMEs. Hungary and the Netherlands, for instance, offer a package of guarantees, low interest loans and direct grants. Hungarian trade unions rejected the idea of non-refundable subsidies, claiming that the state authorities' judgement of companies' financial difficulties could be biased, being based on uncertain criteria, and demanded more careful investigation (HU0812029I). France and Germany provide reduced interest loans and guarantees as well as a modified risk-capital scheme. The latter is also available in Austria and Italy.

Sectoral focus
Bearing in mind the backdrop of the current recession, it is little surprise that many of the public instruments to directly support the private economy are targeted at the financial sector. The stability of the latter is considered a precondition for providing credit to the real economy. Some countries, such as France, Italy, Spain and Sweden, also provide other sector-specific loan guarantees, credit facilities or direct subsidies – for example, to the automotive sector, which has been severely hit by the recession. In a few cases, businesses investing in the production of 'green products' are supported, for instance by reduced interest loans in France, Spain and the UK, providing more favourable conditions for SMEs than for large companies.

Export activities
In several countries, negative export developments mirror the breakdown of world trade (European Commission, 2009c). Therefore, governments have introduced some support instruments to assist companies in their export activities. In Denmark, for example, the state export-credit agency provides export-credit reinsurance to complement insurance cover available on the private market. Both the private insurers and the exporters retain part of the underlying risk (press release, European Commission, 6 May 2009a). Export activities of Estonian companies are supported by credit risk guarantees, preshipment risk guarantees and investment guarantees, while Luxembourg is offering public short-term export credit insurance (press release, European Commission, 20 April 2009b). In Portugal, the Initiative for Investment and Employment envisages the creation of a credit line to support exports and competitiveness in agriculture, fishing and the agro-industry. In Norway, the export guarantee scheme of GIEK (Guarantee Institute for Export Credits) has been expanded, and a special lending programme to facilitate the continued financing of contracts that qualify for the use of supported export credits (so called CIRR loans) has been introduced.

Deferring, reducing or reimbursing tax payments
Another approach to improve companies' liquidity is to reduce their immediate financial obligation of corporate taxes by lowering the tax base or tax rate, or by deferring the companies' tax payments or bringing forward tax reimbursements. The French economic recovery plan, for example, includes the early reimbursement of the research tax credit or value-added tax (VAT) from the start of 2009 (FR0903029I). Similarly, the Italian Decree Law No. 185/2008 on 'Urgent measures to support families, work, employment and business, and to restructure the National Strategic Framework to combat the crisis' (in Italian, 263Kb PDF) envisages increased tax deductibles and reduced tax advances, the revision of reference earning parameters and payment of VAT on invoicing (IT0812029I). Among its provisions, the Portuguese Initiative for Investment and Employment foresees: a tax credit for investment in 2009, which may reach 20% of the invested amount, deductible on four exercises; the self-settlement of VAT on the provision of goods and services to public administration when the amount exceeds €5,000; as well as the acceleration of the VAT refund period and elimination of the bank guarantee for companies regarding the first VAT refund.

Romanian enterprises are exempted from tax on reinvested profits as of the second quarter of 2009, following a motion of the social partners (Romanian Press Agency (*Agenția Română de Presă*, Rompres), 6 February 2009; RO0902039I). In Spain, the government announced a 5% reduction in corporate tax for three years in order to support employment maintenance. This reduction will be applied to companies with fewer than 25 workers, a sales volume of less than €5 million and average employment rates that, by December 2009, are the same as or better than the 2008 average ('The President announced eleven measures to promote a new economic growth model', Spanish government, 12 May 2009). In Sweden, corporate tax is reduced from 28% to 26.3% (ViewsWire, Economist Intelligence Unit, *The Economist*, 5 March 2009), while in the UK, payment of all forms of tax is to be spread over a longer period of time (Glassner and Galgóczi, 2009).

Indirect enterprise support

In general, demand is assumed to continue to be rather low; however, government consumption and public investment should be stable or increase as these are supported by budgetary stimulus measures proposed in the European Economic Recovery Plan (129Kb PDF) (European Commission, 2009c). Some initiatives constitute indirect enterprise support as public spending enhances the demand situation in the private sector – at least in relation to certain sectors of the economy. Consequently, these initiatives also have an effect on the labour market as increased demand will lead to a higher production level, which, in turn, necessitates more human resources.

Investing in public infrastructure

Numerous Member States (as well as Norway) have decided to invest state funds in public infrastructure, such as road and rail maintenance, schools, hospitals or other healthcare institutions. In France, for example, large investment in social housing is expected to provide both affordable accommodation as well as a stimulus for the construction sector; more specifically, 70,000 new apartments are to be built in 2009 and 2010.

Incentives for consumers

Another way to indirectly support companies is to provide incentives for people to spend their income on consumer products. On the one hand, this can be done by giving price reductions or a bonus on the purchase of specific goods. Several countries – such as Austria, the Czech Republic, France, Germany, Italy, Luxembourg, Portugal and Slovakia – have, for example, launched or amended a car scrappage scheme benefiting the automotive industry and its supplier industries. Thereby, consumers can take advantage of a reduction in the purchase prize of a new car if they scrap their old car, which has to fulfil certain conditions, in return.

A different approach has been taken by the Spanish 'Innovative Vehicle, Ecological Vehicle' (*Vehículo Innovador, Vehícular Ecoloógico*, Vive) Plan in force until 31 July 2010. The government offers a loan for the purchase of cars with a maximum of 140 grams of carbon dioxide (CO_2) emissions per kilometre or 160g/km for light commercial vehicles; no interest is due on the first €10,000 for a period of five years and 2.5% interest applies on the additional amount, up to €30,000 (Vive Plan (in Spanish, 82Kb PDF), Ministry of Industry, Tourism and Trade (Ministerio de Industria, Turismo y Comercio)).

Sectoral focus

On the other hand, purchase incentives for consumers may take the form of tax reductions related to specific products. To foster the construction sector, the Swedish government has, for example, lowered tax on restoration, construction and maintenance work on private houses. This tax reduction (ROT-avdrag) would amount to 50% of the costs up to a maximum threshold of SEK 100,000 (€9,055 as at 26 June 2009), which is equivalent to a tax reduction of up to SEK 50,000 (€4,528) for each individual in a year. The government hopes that such a measure will increase employment in the construction sector by 7,000 new jobs in 2009 and 3,500 jobs in 2010 (SE0812019I).

To support tourism, the Cyprus Employers and Industrialists Federation (Ομοσπονδία Εργοδοτών και Βιομηχάνων, OEB) recommended reducing airport taxes; OEB also suggested lowering taxes and charges in the construction sector (CY0901019I). In Romania, a government ordinance of December 2008 stipulates that all new registered vehicles complying with EURO 4 and 5 fuel emission standards as well as hybrid cars with an engine capacity below 2,000 cubic centimetres (cc) are tax exempt for one year, from December 2008 to December 2009.

Measures to create employment and/or employability

Job matching, counselling and career guidance

One of the most obvious instruments to bring together supply and demand in the labour market – including in times of crisis – is the provision of services for job matching, counselling and career guidance. Such activities may be targeted at both workers seeking jobs as well as companies looking for employees. During an economic downturn, the workforce is higher on the agenda as a beneficiary of these services.

Improving employment services

Several Member States have made efforts to adapt their Public Employment Services to the specific needs of the current labour market situation, which is characterised by a considerable increase in unemployed persons. This strategy may include, for example, hiring additional PES staff members (as in Germany, Norway, Spain and the UK), training the existing staff members, increasing the frequency of consultancy (as in Finland) or restructuring the service. For instance, in France, the PES has been merged with the social benefits agency; this action was not taken specifically due to the recession but is regarded as helping to put unemployed people in contact with job activation measures and counselling. In Luxembourg, the activities of the National Employment Administration (Administration de l'Emploi, ADEM) are linked with those of private service providers operating in the field of placement and recruitment, with a focus on temporary work. This cooperation is coordinated in the framework of a public-private partnership project aiming towards the sustainable integration (*intégration durable*) of unemployed persons into the labour market and is known as 'Indura'; it was launched in January 2009 (LU0902019I). In the Netherlands, the government has decided to establish 30 mobility centres to promote cooperation between companies, trade unions and job-finding organisations – an initiative that is strongly supported by the social partners (NL0901049I). A Cypriot example shows that activities in this field are not limited to employment services under governmental administration. The Cyprus Building, Wood, Mine and General Workers Trade Union has upgraded its employment office dealing with finding jobs for unemployed people on the basis of daily contacts between trade unionists and employers.

Job matching and employment guidance

From a more operative or content-oriented point of view, many Member States have increased their activities to support unemployed people in finding a job. This is done by actively looking for job vacancies and matching them with suitable candidates, by providing advice and consultancy to jobseekers and by preparing them for their job application. Some countries put specific emphasis on individualised service provision. In Sweden, for example, attention is given to individualised coaching for unemployed persons (SE0812019I), while the UK has introduced a government-funded scheme, known as Jobcentre Plus, offering individual jobseekers one-to-one support and training tailored to their needs (UK0812039I).

In Bulgaria, for instance, the national programme 'New Employment Prospects' provides dismissed persons with a service package including employment guidance, consultancy, professional orientation, requalification and subsidised employment in the private sector. The programme is part of the new National Action Plan for Employment mentioned earlier. Meanwhile, the Irish website www.survivingredundancy.ie not only addresses financial issues faced by unemployed people but also offers paid-for outplacement services for employers, including curriculum vitae (CV) advice and design, interview skills training and psychometric testing. In addition, it offers guidance to employers going through the redundancy process for the first time. The site was launched at the beginning of March 2009 and receives 1,500 hits a day (article, *The Corkman*, 30 April 2009).

Special target groups

In some cases, initiatives focus specifically on certain economic sectors or individuals most severely hit by the recession. In the UK, for example, one focal point of the unemployment policy is young people aged less than 25 years who are 'not in education, employment or training' (NEETs), as well as persons unemployed for six months or more (UK0812039I, UK0902029I). Cyprus has undertaken an evaluation and reassessment of employment policies regarding non-EU citizens. In Ireland, the Minister of State with special responsibility for Integration and Community – formerly, Conor Lenihan, now John Curran since 22 April 2009 – and the Training and Employment Authority (Foras Áiseanna Saothair, FÁS) have been discussing the rapid increase in unemployment among migrant workers. In Italy, the 'Welfarma' project was introduced in November 2008 (IT0812019I). As part of the agreement, the social partners and the government have declared their intention to act jointly to assist, retrain and outplace workers made redundant in the pharmaceutical industry. The initiative will include assistance in finding employment either in the same or a similar industry, or in other economic sectors; it will also offer help in starting a business. While the signatories of the agreement are satisfied with the outcome, other industry stakeholders are sceptical regarding its success.

Incentives for companies to employ additional workers

In an economic downturn characterised by a financial crisis resulting in liquidity problems for many enterprises, even companies that would be willing to create new or additional jobs might not be in a position to do so due to monetary restraints. Hence, several Member States have introduced or increased their financial support to companies employing additional workers.

Reducing non-wage labour costs

On the one hand, this can be done by reducing the non-wage labour costs that employers have to pay for newly hired workers. Many Member States are increasing financial support or reducing the tax burdens on companies when they employ additional workers. France, for example, has a temporary measure to lower the social security contributions of companies with fewer than 10 employees for any new workers whom they hire during 2009, while in Germany employers' health insurance contribution for newly hired staff is reduced (ILO, 2009a). Portuguese employers in micro and small enterprises are exempt from social security contributions for 24 months when hiring a long-term unemployed person.

In some cases, such as France, Slovenia and Sweden, especially vulnerable groups are targeted, such as young people and first time jobseekers, older workers, low skilled people and long-term unemployed persons. In Slovenia, information about these measures is disseminated during special events to inform employers. The employer organisation OEB in Cyprus has suggested using the reserves of the Redundancy Fund to cover employer contributions if jobless individuals are hired within the first two or three months after they become unemployed.

Wage subsidies
On the other hand, wage subsidies may be granted – that is, parts of the new employees' wages are borne by public funds instead of the company. In Bulgaria, for example, the 'New Employment Prospects' programme provides for subsidised employment in the private sector. Similarly, Hungarian employers hiring workers laid-off by other companies due to the economic crisis may expect wage subsidies (HU0812029I). However, labour market experts question the effectiveness of this instrument as they consider that such programmes usually have considerable 'dead weight'; in other words, many companies that would hire workers anyway without government support are able to avail of the financial assistance.

In the UK, employers may receive a subsidy to recruit and train workers, as part of a package of 'intensive support' for those unemployed for more than six months (European Commission, 2009d and 2009g; UK0902029I). In Greece, the creation of new jobs for 60,000 unemployed workers will be subsidised through converting the unemployment benefit into an employment subsidy. Companies will receive a grant equal to the unemployment benefit for every new recruit, while at the same time employees will receive a salary and maintain their insurance cover. Furthermore, in the tourism sector, recruitment is being encouraged by converting the seasonal unemployment benefit into an employment subsidy offered only to hotels maintaining the same number of employees in April and May as the year before (GR0905079I). Finally, there will be subsidies for companies hiring young unemployed people.

Non-financial incentives
In a few cases, non-financial incentives for companies to create additional employment opportunities have been established. An example is the OEB proposal in Cyprus to establish a state prize for Corporate Social Responsibility based on the hiring of unemployed individuals.

Alternative forms of employment

As well as providing incentives for companies to create additional jobs, a few countries – such as Portugal – have devised activities to provide additional employment opportunities in social enterprises or non-profit organisations (NPOs).

In the municipality of Paltamo in northeast Finland, for example, all unemployed residents (currently about 300) are included in the payroll of a new employment agency so that they can earn a basic living through customised jobs. The employment agency is run by the Paltamo employee association, comprising the municipality, local entrepreneurs and trade unions; the ESF is also involved in the project. The employment agency offers its services to outsourcing enterprises and associations, and the work is carried out by suitable employees on the agency's payroll; in this respect, it functions like a temporary work agency. In practice, the work tends to be renovation and repair work, forestry work and other environment maintenance work. The wages are subsidised with regular wage subsidies from the Employment and Economic Development Office (Työ- ja elinkeinotoimisto). This government-subsidised project will last for four years.

In the UK, GBP 100 billion (€117 billion as at 26 June 2009) has been devoted to social entrepreneurs to create at least 15,000 jobs for young people (*guardian.co.uk* (online news resource), 14 May 2009). Furthermore, changes have been announced to the government's Enterprise Finance Guarantee Scheme, which provides a 75% government guarantee on individual loans, to help improve lending to companies and social enterprises in disadvantaged areas (Central Office of Information (COI) News Distribution Service (government marketing and communications agency), 12 May 2009).

(Re-)Training of unemployed people

Another important active labour market policy widely used in the Member States to prepare people who are unemployed due to the current recession for future job opportunities refers to (re)training.

Advice and skills assessment

Some European countries have adapted or introduced instruments to assist unemployed persons in finding the most suitable education or training measure for them. The Estonian government, for example, plans to issue cards for jobseekers containing a certain amount of money as well as a list of courses, their location and training schedule. The idea is to provide assistance while at the same time increasing the autonomy of jobseekers in choosing the 'right' training courses (*Global Insight Daily Analysis*, 24 March 2009). In Ireland, FÁS carries out a skills assessment of immigrants registering for unemployment payments and seeking to return to work, in order to establish linguistic or skills gaps among unemployed migrants.

Enhanced provision of training

In several cases, the public provision of training for the target group of unemployed people has been altered, for example by devoting greater funds in order to offer more courses or by changing the eligibility criteria to allow more people to have access to the educational measures. The former option has been taken in, for instance, France and the Netherlands, based on tripartite agreements. Likewise, Italy has established a Fund for Employment and Training financed from the Employment Fund and the Fund for Underdeveloped Areas (*Fondo per le Aree Sottosviluppate*) (IT0812029I). The Luxembourg Indura project (see above), which is financially backed by the country's Employment Fund, involves the provision of technical and/or social training to improve the participants' skills level as well as supporting the participants in carrying out a 'personal project' with the aim of improving their employability (LU0902019I).

Special target groups

Some countries focus specifically on individual groups among those who are unemployed – for example, people aged over 25 years who lack an occupational qualification in Germany or construction workers in Ireland. In the latter case, the plan is to retrain thousands of construction workers in the installation of green technologies in homes and businesses, and in the carrying out of compliance and energy rating assessments (article, *Irish Examiner*, 20 May 2009). By way of contrast, the Spanish government provides public universities with additional funds to promote free registration to unemployed degree holders aged between 25 and 40 years, so that they may enter official master study programmes during the economic crisis (State News Service, 12 May 2009).

In Finland, France and the Netherlands, young persons are given specific priority. Likewise, Ireland launched a new government scheme for on-the-job training of unemployed construction sector apprentices in December 2008 (press release, FÁS, 5 January 2009). This Employer-Based Redundant Apprentice Rotation initiative will include carpenters, joiners, electricians, plasterers, plumbers and bricklayers; it is organised by FÁS, which makes a contribution to the employment costs of the company. A special scheme for redundant electrical apprentices has also been devised (press release, FÁS, 10 February 2009).

In Austria, the government is planning to adapt a special re-employment scheme for temporary agency workers who have been or are about to be made redundant in light of the current recession; the original scheme was targeted at workers in the food industry and is known as the Labour Foundation for Workers in the Food Processing Industry (*Arbeitsstiftung für Arbeitnehmer in der Lebensmittelwirtschaft*, Aufleb). The temporary agency workers will be offered further training and retraining courses for a maximum period of four years. The scheme is to be managed and administered by a private company on behalf of the Federal Ministry of Labour, Social Affairs and Consumer Protection (Bundesministerium für Arbeit, Soziales und Konsumentenschutz, BMASK), which will provide €10 million to fund the programme. About 2,000 workers are expected to enter the scheme, 80% of whom will be young workers.

Support for training costs

Furthermore, some countries have introduced or extended support for training costs for educational measures undertaken at private training providers – or plan to do so, as in Latvia (Baltic Business News (online news service), 5 April 2009). In Poland, for example, new legislation on professional training for unemployed people, enacted in February 2009, states that training chosen by an unemployed person is to be financed by local authorities from the Labour Fund up to a maximum cost of PLN 9,000 (€1,996 as at 26 June 2009). The full cost is provided if a labour office has sent the person on the training. Courses have to last for 30 hours a week for a duration of six to 12 months, or 24 months if the person does not have any professional education. If the beneficiary fails to finish the course for reasons other than taking up a new job, they are obliged to return the money to the local authority (Polish News Bulletin (daily news digest), 22 April 2009).

Additional income support

In a few countries, unemployed persons are now eligible for additional income support if attending (re)training while they are unemployed due to the recession. In France, for example, the occupational transition contracts (*contrats de transition professionelle*, CTP) provide for the compensation of employees made redundant by funding 80% of their gross income for one year during which they undertake vocational training or internships in companies. This measure was originally only applicable to companies with more than 1,000 employees but has now been extended to all enterprises (Glassner and Galgóczi, 2009). Furthermore, to encourage young persons to gain competences by combining work experience with training, the French state is considering offering a one-off payment of €1,000 to people aged less than 26 years if they sign a contract for work and training (*contrat de professionnalisation*) in a company with fewer than 50 employees. In the UK, unemployed persons under the age of 25 years who have been out of work for 12 months will receive additional money on top of their benefits if they participate in training (*Financial Times*, 23 April 2009).

In a similar way, the Bulgarian Industrial Association (Българска стопанска камара, BIA) has suggested establishing a public-private partnership (PPP) organisation for the training or retraining of unemployed people, whereby unemployment benefits would be suspended if the participants opted out of this training (BG0812039I). Meanwhile, the Cypriot OEB has proposed distributing benefit payments amounting to 75% of their previous earnings to unemployed individuals joining the vocational training programme of the Human Resource Development Authority (Αρχή Ανάπτυξης Ανθρώπινου Δυναμικού, AnAD).

Mobility grants

Even in times of recession with a high number of job losses, some vacancies in the labour market are not filled due to a mismatch of supply and demand in geographic terms. Hence, incentives for workers to relocate either temporarily by daily commuting or permanently by changing their place of residence may contribute to improving the labour market situation.

Few initiatives in this regard have been launched in the EU Member States, or at least little information is available about such instruments being newly established to cope with the recession. This, however, is little surprise bearing in mind the extensive regional dispersion of the recession.

Nevertheless, in Belgium, for example, extended tax incentives are offered to employees commuting from their place of residence to another region in which suitable job offers are available. The Interprofessional Accord envisages greater freedom from taxes for employees' commuting costs for 2009 and 2010 (ETUI, 2008). In Slovakia, the mobile workforce is supported by a travel and/or accommodation allowance to offset the higher costs to workers of working in another area than their place of residence. Respective mobility grants were provided also before the economic downturn took place. Nonetheless, from March 2009, the subsidy provided to commuting workers was significantly increased (by 37%–88%), depending on the length of the route. Also in Lithuania, the amendment of the Law on Support for Employment of June 2009 foresees a compensation for territorial mobility, if travelling expenses exceed 20% of the salary which is lower than two minimum monthly wages or amounts to LTL 1,600 (€ 436) per month.

Mobility grants are not always limited to national borders. As migrants are among the workforce groups most severely hit by redundancies, some countries have established a repatriation allowance providing financial means for foreign workers to return to their country of origin if they become unemployed due to the recession. For example, in February 2009 the Czech Republic introduced a 'Voluntary return' ('*Dobrovolný návrat*') repatriation programme for foreign workers, providing accommodation in the period between registering for the programme and leaving the country, as well as payment of travel costs and €500 to migrants who have lost their jobs due to the economic crisis and want to return to their home countries. By mid June, about 1,700 migrants had registered for the programme, which was set up for 2,000 persons; an extension is planned.

Supporting self-employment

The creation of employment is not necessarily limited to dependent employees but may also be seen in a wider context, namely the start-up of businesses – that is, the creation of self-employment. Particularly in times of economic downturn, when many companies can no longer afford to pay wages and related costs, skilled and experienced employees may offer their expertise on a self-employed and (sub)contracting basis. Nevertheless, as such a step implies considerable risks for the individual concerned, governments provide support to assist the new entrepreneur in safeguarding their own work as well as the potential employment effects in the future if the developing enterprise hires additional workers.

Advice, consultancy and training

Such assistance may comprise advice and consultancy to the future entrepreneur regarding the required procedures for the start-up, as well as the legal, social and economic aspects that should be considered before founding a business – for example, social insurance and tax issues, and the legal requirements of starting and running a company. For instance, the UK package discussed by the government, social partners and business representatives in the employment summit of January 2009 includes the provision of help for unemployed persons to set up a business, such as advice on creating a business plan and funding for the first months of trading (UK0902029I).

Potential self-employed people may also be supported by the provision or funding of training measures to prepare them for their future role as entrepreneur. In the framework of the Bulgarian anti-crisis package, for example, it is planned to train 150,000 persons, 10,000 of whom are supposed to start a business afterwards (BG0812039I). In Romania, the Operational Programme Human Resources Development 2007–2013, financed by the ESF, launched a call for tenders for promoting entrepreneurial culture through training to provide basic management knowledge to people willing to start a business, and to improve managerial skills in SMEs as well as qualification and assistance for employers working in sectors affected by economic restructuring. The value of the projects must be between €500,000 and €5 million; the deadline to submit proposals is mid July 2009.

Funding for business start-ups
Even if the future entrepreneur possesses sufficient knowledge and skills in professional as well as administrative terms, it still might happen that they are unable to start a company due to lack of capital. Indeed, during this recession, which is characterised by a 'credit crunch', it is difficult for newly established companies to gain access to finance. Therefore, several Member States – such as Austria, Lithuania (Lithuanian News Agency (Lietuvos naujienų agentūra, ELTA), 20 May 2009), Portugal and the UK (European Commission, 2009d; UK0902029I) – have introduced or extended their subsidies for business start-ups.

In Estonia, start-up and development grants aiming to support the establishment and survival of small businesses with higher growth potential and technology investment in the manufacturing sector are cofinanced by the European Structural Funds and managed by Enterprise Estonia (Ettevõtluse Arendamise Sihtasutus, EAS). In Poland, eligibility for subsidies for launching private business activity has been extended from long-term unemployed people and those excluded from the labour market to those having lost their jobs due to the recession; this measure is financed by EU funds as part of Action 6.2 of the Human Capital Operational Programme. Eligible persons also benefit from counselling and entrepreneurial training (*Polish News Bulletin*, 22 April 2009).

A different approach is planned in France, where the Minister for the Economy, Industry and Employment (Ministre de l'économie, de l'industrie et de l'emploi) intends to provide jobseekers with the option of collecting half of their unemployment benefits at one point of time to use as start-up capital and the other half six months later if they are still in business.

Reducing or deferring social security payments
Another incentive for future self-employed persons to realise their business idea may be the reduction or deferral of social security payments. This is possible, for example, in the Czech Republic, in Slovakia – where compulsory contributions to the Solidarity Fund have been reduced from 4.75% to 2% of the tax assessment base from 1 April 2009 to the end of 2010 – and in Sweden. Likewise, business taxes may be a significant financial burden at the start of entrepreneurial activities if income is low and investment has to be made for the future. In France, for instance, a new statute offers an exemption from professional tax or VAT at business start-up, a low income tax rate as well as social security contributions that are proportional to the revenues. Since the beginning of 2009, 43,000 self-employed people have taken advantage of this initiative, surpassing the government's expectations (Market News International (news agency), 6 February 2009). A similar instrument is also being demanded by the Romanian trade unions of the chemical sector, which is experiencing a high number of dismissals due to the recession. The unions are calling for a tax exemption for two years after the business start-up, as

well as a grace period of 12 months for loans on preferential interest rates and a €2,000 non-refundable support grant (RO0901039I).

Income support schemes

Unemployment benefits

Unemployment benefits are an important measure among the policies used to provide income support to people who are temporarily out of the labour force. During the present economic crisis, several governments have made amendments to the prevailing regulations, for example with regard to the eligibility criteria.

Eligibility criteria

In France, for instance, the government has temporarily relaxed the rules for entitlement to unemployment benefits as of 1 April 2009. Under the new legislation, a person must have made unemployment contributions during any four months in a past 28-month period in order to be eligible for the benefits. Those eligible will receive a one-day benefit for every day worked during the past 28 months, payable over a maximum period of two years. In the case of a person aged over 50 years, the benefit could be payable over a period of three years. The change in rules will only apply until the end of 2010. In addition, young jobseekers who cannot claim unemployment benefit because they have not yet made enough social security contributions will be given a one-off payment of €500. Similar amendments have been effected in Finland, where social partners reached a common understanding on the respective changes. Eligibility is extended to people who have been employed for eight months during the preceding 28 months; up until now, the minimum condition has been 10 months of employment.

In Italy, the government has extended the possibility to benefit from the unemployment allowance for a maximum of 90 days for workers employed in companies outside the scope of the CIG. This measure will also be available to apprentices on an experimental basis for the period 2009–2011. The unemployment allowance will be paid only if at least 20% of the amount is paid by joint bodies agreed by collective bargaining. In addition, the government extended the possibility for workers of companies with up to 15 employees who lose their jobs to demand their inclusion in the work availability or mobility lists (lista di mobilità). Project workers will receive a one-off payment when they finish their contract provided that they meet certain requirements. For 2009, the payment will be equal to 20% of the income received in the previous year; from 2010, this proportion will amount to 10% of the previous year’s income.

In Sweden, the government is reducing the required duration of previous employment to qualify for the unemployment benefit to six months from 1 July 2009. The Czech Republic is taking an interesting approach, where a law to change the insolvency act is in the legislative process. This law establishes that employees’ wages should take priority over other creditors, such as banks, and entitles the employees to a state subsidy during the insolvency procedure.

However, a few countries are tightening the regulations concerning unemployment benefits. In Hungary, for example, the government is implementing a policy measure called ‘The way to work’, restricting the eligibility criteria of welfare provisions for long-term unemployed people who have already exhausted the duration of the unemployment benefit. The rationale behind this measure is to encourage more effective training and jobseeking activities.

Amount

In addition to eligibility criteria, several countries have designed the value of the unemployment benefit more favourably for the beneficiaries. The Czech government, for example, has opted for a weighting system in the benefit regime. In the first months, the claimant receives 130% of the monthly benefit entitlement, which decreases to 70% for the subsequent months. The rationale behind this mechanism is to encourage unemployed people to search for a new job. In Estonia, the parliament approved the new Employment Contracts Act, which provides higher unemployment benefits. The law should enter into force on 1 July 2009 and envisages unemployment benefits equal to 70% of a person's last wage, rather than 50% as before (ETUI, 2009a). Nonetheless, trade unions expressed concerns regarding the timing of these adjustments, and – given the difficulties of the Unemployment Insurance Fund due to the rapidly increasing unemployment level – these provisions were likely to be postponed.

In Ireland, the personal rate of jobseeker's allowance has been reduced to €100 a week but only for new claimants aged under 20 years of age.

The social partners have supported initiatives to increase the amount of benefit payable. For example, in Greece, trade unions proposed an increase unemployment benefits; at the moment, the duration is up to one year. Trade unions in Romania have demanded that unemployment benefits should be supplemented by severance pay contributed by employers and amounting to the equivalent of 12 salaries for the month prior to lay-off (RO0901039I). In addition, they argue that workers made redundant should receive 90% of the salary earned prior to dismissal, instead of the unemployment benefit currently representing 75% of the minimum wage. In Slovenia, trade unions have asked the government to amend the Law on Employment and Unemployment Insurance and the Law on Social Security in order to increase the social security of unemployed persons (SI0904019I).

Duration of entitlement

Another amendment carried out or planned by several governments refers to the duration of entitlement to unemployment benefits. In Latvia, for example, the government was discussing extending unemployment benefit payments up to nine months, as of 1 July 2009. In Poland, the government has already agreed on an extension of the social unemployment subsidy from 12 to 18 months; this measure will apply during 2009. Nonetheless, unemployed persons unwilling to accept job offers from their local job office will be deprived of their status. These persons will be removed from the unemployment register for 120 days after the first unjustified refusal, for 180 days after the second refusal and for 270 days after the third refusal ('Unemployed treated stricter', *Polish News Bulletin*, 4 February 2009; PL0807019I). In Romania, the entitlement period has been extended by three months for all eligible persons.

Other income support instruments

As a way of adjusting the workforce in companies and sectors undergoing economic difficulties, some Member States have started discussions regarding (early) retirement and the related public benefits. A considerable heterogeneity prevails across Europe in this regard. In some countries, such as Cyprus, Denmark, Poland and the UK, older people do not seem to be severely affected – that is to say, above average – by the recession, and hence no debate has ensued regarding altering the pension system. However, other countries, such as Hungary, Latvia, Luxembourg and Romania, have observed that older workers in particular are subject to the negative labour market effects of the current crisis, for example recording a significant increase in early retirement. Consequently, a few public initiatives aim to support retirement during the economic downturn. In Italy, for instance, there is a specific provision in the banking sector with the establishment of an extraordinary scheme, directly funded by the banks undergoing restructuring, to be used for the outplacement of redundant workers. The fund allows workers with no more than five years to complete until reaching pensionable age to receive a benefit worth 70% of their gross wage until they reach the age of retirement. In Hungary, the Ministry of Social Affairs and Labour (Szociális és Munkaügyi Minisztérium, SZMM) announced in 2008 the possible introduction of an early retirement scheme; however, this plan has not been accomplished.

Governments have put in place other measures, such as child benefits, housing allowances and student allowances, in order to give social assistance to people who are detached from the labour market due to the recession. In Germany, for example, the government provided a one-off payment of €100 per child to all persons entitled to child benefits. Bulgaria introduced a one-off payment to cover increased heating charges for low income households. In the Czech Republic, the state plans to set up a fund for providing temporary aid to those losing their salaries and who are unable to pay their monthly mortgage instalments. France has a provision to support housing with a twofold increase in zero interest rate loan amounts, in addition to welfare support (FR0903029I). In Poland and Portugal, financial help is available for those who are unable to meet their mortgage payments. In Portugal, the government also increased its contribution towards the cost of generic medicines for pensioners earning pensions lower than the national minimum wage. Furthermore, it has increased its support for students who are beneficiaries of family allowance and who have one parent unemployed for more than three months. In France, the government plans to introduce an Active Solidarity Payment (*Prime de solidarité active*, PSA), targeting 3.8 million low income households; each household will receive €200.

Concluding remarks

The available data clearly show that the current economic crisis is severely affecting the European labour market. As, in general, there is a time lag between changes in employment and output, employment is expected to further deteriorate throughout 2009 and 2010 (European Commission, 2009c). In previous financial crises, employment returned to pre-crisis levels some four to five years after economic recovery, on average (ILO, 2009b). Thus, it is clear that public support in maintaining and creating employment must be sustained during the period of economic stabilisation. Experience from previous recessions shows that policies implemented during an economic crisis may have a significant influence on long-term growth (Pisani-Ferry and van Pottelsberghe, 2009).

Pisani-Ferry and van Pottelsberghe (2009) emphasise that policies that can improve medium-term performance should be prioritised. More specifically, several experts give the following recommendations (ILO, 2009b; Pisani-Ferry and van Pottelsberghe, 2009):

- pro-growth policies should be emphasised, such as education, innovation and ‘green investment’;
- bank restructuring should be implemented more quickly;
- employment support should be temporary, apply to the whole economy and focus on keeping workers in employment, rather than on redundancies and retraining. The experts highlight good practices such as short-time work for all economic sectors and company size classes, work-sharing arrangements and flexible working hours, as well as temporary payroll tax breaks;
- governments should strengthen income maintenance measures for unemployed people, such as unemployment benefits, social assistance and pensions;

- support for large companies in traditional industries should be conditional on restructuring;
- young innovative companies and SMEs should be provided with access to finance.

Consequently, comprehensive crisis packages have been recommended rather than isolated instruments focusing solely on fostering economic growth or the labour market. Experts emphasise the priority of avoiding unemployment – for example, by supporting companies, particularly in terms of access to finance as well as strategic investment in R&D and innovation – rather than providing ‘remedies’ for it by means of active and passive labour market policy. An important challenge for many Member States in this regard will be to find a justified balance between support for individuals and companies and adding to the burden on the state budget.

Furthermore, it seems to be of particular importance that good cooperation exists among national stakeholders – employee and employer representatives, the government and the public employment service – as well as a coordinated approach across Europe.

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Annex

Country groups

EU15	15 EU Member States prior to enlargement in 2004 (Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, the Netherlands, Portugal, Spain, Sweden and the United Kingdom (UK))
NMS	12 new Member States, 10 of which joined the EU in 2004 (Cyprus, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia and Slovenia) and the remaining two in 2007 (Bulgaria and Romania)
EU27	27 EU Member States

Country codes

Country code	Country name
AT	Austria
BE	Belgium
BG	Bulgaria
CY	Cyprus
CZ	Czech Republic
DE	Germany
DK	Denmark
EE	Estonia
EL	Greece
ES	Spain
FI	Finland
FR	France
HU	Hungary
IE	Ireland
IT	Italy
LT	Lithuania
LU	Luxembourg
LV	Latvia
MT	Malta
NL	Netherlands
NO	Norway, part of the ERM network
PL	Poland
PT	Portugal
RO	Romania
SE	Sweden
SI	Slovenia
SK	Slovakia
UK	United Kingdom

As European economies slide into recession, companies face increasing financial difficulties as sales decline and prospects for a quick recovery recede. Consequently, a growing number of businesses are coming under threat, putting the jobs of more workers at risk. Already across Europe many companies have closed or reduced their scale of operations substantially and many jobs have been lost. This report examines the various measures being taken by governments and trade unions in different countries to try to maintain jobs, or at least to moderate the losses that occur.

The information presented constitutes a summary of national facts gathered in the Member States and Norway by the correspondents of the European Restructuring Monitor (ERM) of the European Foundation for the Improvement of Living and Working Conditions (Eurofound) in April and May 2009.

The European Foundation for the Improvement of Living and Working Conditions is a tripartite EU body, whose role is to provide key actors in social policymaking with findings, knowledge and advice drawn from comparative research. The Foundation was established in 1975 by Council Regulation EEC No. 1365/75 of 26 May 1975.

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EF/09/47/EN