



Improved Benefits with
Short-Time Allowance Plus

**Working Short-Time
to Overcome the Crisis.**

**WORKING TO BOOST
EMPLOYMENT**

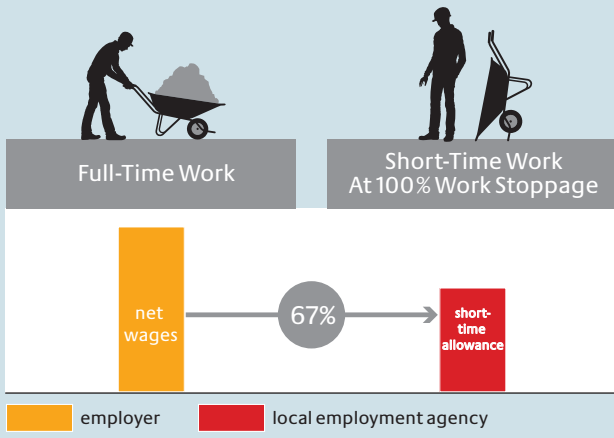
Working Short-Time to Overcome the Crisis.

Quick Assistance for Companies and Employees

With its “short-time allowance plus” and its economic stimulus packages the German government has introduced additional measures to stabilise the labour market. These provisions will help small, medium-size, and larger firms ride out the slump in demand and sales that has resulted from the economic downturn, without having to release workers. Valuable employee know-how can thus be retained and is available again as soon as the order books recover. And short-time allowance provides companies with even more advantages when we compare it with employee dismissals. Wage and salary costs decline immediately. And later on, there is no need to initiate the time-and-energy-consuming search for new employees who, although qualified, would still have to be worked into the specific job profiles.

Employees also benefit from short-time work during the present crisis. For short-time work safeguards their jobs. In addition, the Federal Employment Agency provides financial support for further education measures during the phase of short-time work. Employees can thus participate in further education programmes and acquire important additional qualifications during short-time work.

How Short-Time Allowance Works



Short-time allowance for employees amounts to 60 percent of their foregone net wages. If the worker's household includes a child, 67 percent is paid. Employers calculate the short-time allowance and pay it to employees. The employers are then reimbursed for short-time allowance by the respective local employment agency.

New Aspects in Short-Time Allowance

- The maximum period of eligibility for short-time allowance is extended to 18 months. The provision is applicable for all employees with claims eligible up to 31 December 2010.¹
- Social insurance contributions are reimbursed to employers by the local employment agencies at a rate of 50 percent in the first six months of short-time work.¹
- Beginning with the seventh month of short-time work the local employment agencies reimburses employers for social insurance contributions at the rate of 100 percent. This arrangement applies for all of the employer's operating sites if the employer has implemented short-time work in at least one of the enterprise's operating sites for six months as of 1 January 2009. For employees participating

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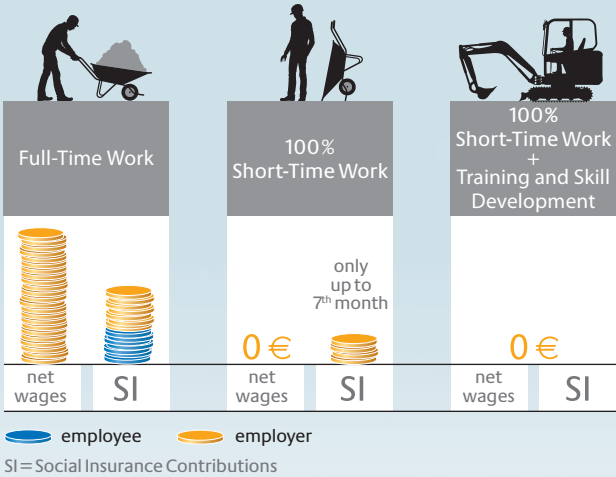
in further education measures during the short-time work phase, the social insurance contributions may be paid in full by the respective local employment agency from the very outset of short-time work.¹

- Proof of a greater-than-10 percent loss of wages suffices to apply for short-time work for one or more employees. The stipulation that at least a third of the company's workforce must be affected by such a loss of wages is suspended upon request of the employer. Upon submitting an application for short-time allowance, the employer may decide whether to opt either for the new provisions or the previous measures.¹
- Employers may request that, upon an interruption of short-time work amounting to three or more months within the already approved period of eligibility, the resumption of short-time work need not be notified to the local employment agency. In such cases, the eligibility period continues without interruption for the entire period as originally approved.¹
- Balances on working time accounts need not enter the minus zone prior to the receipt of short-time allowance.¹
- Temporary changes in working time that are brought about by job security agreements and have been in effect since 1 January 2008 have no negative impact on the level of short-time allowance.¹
- Applications for short-time work may now also be submitted for temporary or contract workers without restriction.¹
- In addition, further education measures for employees receive considerable financial assistance during the short-time work phase.

¹ These provisions are scheduled to expire at the end of 2010.

What Employers Pay

For employers, short-time work and measures for training and skill development are the best alternatives (also in financial terms) to dismissing workers. The local employment agency assumes the burden of short-time allowance for foregone wages. Employers pay only the wages due for public holidays and vacation time. Moreover, for the working time lost as the result of short-time work, social insurance contributions decline to a level of 80 percent. They are borne half-and-half by the local employment agency and the employer. The employment agency takes on this responsibility in full as of the seventh month. If the employees undergo training and skill development during the period of short-time work, the contributions are borne in the amount of 100 percent by local employment agencies.



Support for Companies of All Sizes

Short-time allowance may be requested by companies of all sizes in all sectors, for example: a graphics art agency employing five persons, the automotive supplier encompassing 500 employees, or the construction conglomerate with 50,000 workers on its payroll. All of them can benefit from short-time work. A precondition is that their works council agrees to short-time work.

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In companies not having a works council or collectively agreed provisions governing short-time work, short-time work may be applied for if all of the affected employees state their consent and all of the corresponding requirements are met.

The application submitted to the local employment agency for short-time allowance has also been greatly simplified over the course of the present crisis. The goal is to ensure quick and non-bureaucratic relief.

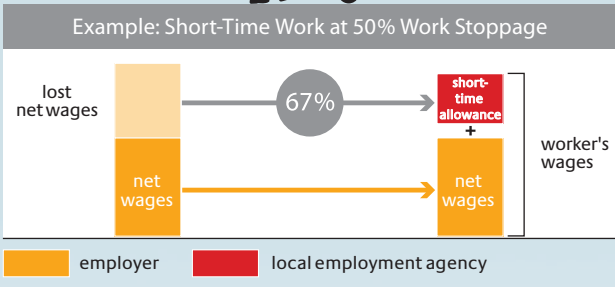
Short-Time Allowance May Be Applied for If

- the work load has decreased for economic reasons or by reason of an unavoidable event;
- at least a third of the workforce experiences a loss of wages of more than 10 percent **or** the company is no longer able to pay full wages to at least one of its workers, in which case it suffices for that employee's wage loss to be more than 10 percent;
- the drop in the work load is unavoidable, i.e. if all other means to prevent the work stoppage such as a draw-down of surplus hours in the working time account have already been exhausted;
- it can be expected that the situation will improve within 18 months at the latest and will then allow a return to the regular weekly working hours;
- the work-load decrease is notified to the responsible local employment agency.

Offsetting Wages through Short-Time Allowance

If the working hours of the employees are reduced, the company only pays wages for the work actually performed. Thus, if weekly working hours amount to only 20 rather than 40 hours, wages are correspondingly reduced by half. That lowers the financial burden on the respective company.

Workers receive short-time allowance to offset the lost income in the amount of 60 percent of foregone net wages. Workers with children receive 67 percent. Although payroll tax is not imposed, short-time allowance is subject to applicable progressive tax thresholds.



Both wage elements – wages for reduced working hours and short-time allowance – are paid out to employees by the company. Contributions to social insurance from wages are borne in equal measure by employer and employees. Short-time allowance and the social insurance contributions are reimbursed to the company at the rate of 50 percent by the local employment agency and are reimbursed in full by that institution as of the seventh month of the eligibility period. Where employees undergo training and skill development during the phase of short-time work, social insurance contributions are reimbursed 100 percent as of the very beginning of the eligibility period.

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Training and Skill Development during Short-Time Work

In times of booming sales companies are often unable to offer further education to their workers, whose full input in operations is indispensable. The short-time work phase is well suited to be used for training and skill development. Where this is done, the Federal Employment Agency assumes a share of the further education costs. Upon request and from the very first month, it may additionally assume the full costs of social insurance contributions due for employees undergoing further education during the short-time work phase. Up to the end of 2010, the Federal Employment Agency will assist a number of further education efforts involving programmes; examples of such programmes could be language courses in technical English or training to qualify for a forklift operating permit.

Such measures benefit not only companies but also workers. For further education refreshes and expands vocational qualifications, thus improving opportunities for personal advancement. For companies, such measures also amount to an investment in the future. For with a well educated and qualified workforce companies enhance their competitive positions and simultaneously increase employee satisfaction.

Training and Skill Development outside Short-Time Work

But further education is worthwhile not only during the phase of short-time work. The Federal Employment Agency offers numerous assistance programmes, also outside the bounds of short-time work. The WeGebAU programme, for example, was especially designed for further educating workers with low skill levels and older employees. But it may now also be used by all workers whose training or further education was accomplished prior to four years earlier. The Federal Employment Agency bears the full cost of the further education efforts and even a share of the wage costs for workers with low skill levels. WeGebAU, just as short-time work, is thus suited to lowering wage costs temporarily while at the same time qualifying employees for future job needs.



Training and Skill Development during Short-Time Work

Further education of workers with low skill levels

Further education of qualified workers

Who is assisted?

- workers without certified vocational qualifications
- workers who for at least four years have performed a job for which they have no certified vocational qualification

- workers with certified vocational qualifications who perform a job in keeping with their training

What further education measures are assisted?

- measures that lead to a recognized vocational qualification certificate or that partially qualify workers for the related task
- all measures must be authorised for further education assistance under Social Code III

- measures that impart know-how also useful for other job needs on the labour market
- measures that impart workers with job-related know-how

What costs are reimbursed?

- the local employment agency reimburses the full cost of courses
- a grant is paid toward transport and childcare costs

- the local employment agency reimburses 25 to 80 percent of the cost of courses, depending on the type of training, size of the firm, and individual employee participating

Contact and Imprint Information

Information and Advisory Services

Please call the info-telephone of the Federal Ministry of Labour and Social Affairs (telephone number 01805-67-67-12*) for any questions on short-time work and training and skill development.

The Federal Ministry of Labour and Social Affairs also provides detailed information on short-time work and training and skill development at: **www.einsatz-fuer-arbeit.de**

Companies seeking information on short-time work or wishing to apply for short-time allowance should contact their local employment agency or the employer service of the Federal Employment Agency (telephone number 01801-66-44-66**).

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