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***The Economic Crisis as a Trigger of Convergence?
Short-time work in Italy, Germany and Austria***

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Abstract

In all European countries, emergency policy measures have been introduced in order to counteract the employment consequences of the economic crisis. In the context of variously composed anti-crisis packages, many European countries have used Short-Time Work (STW) schemes, that is measures to subsidize a temporary reduction in working time intended to maintain an employment relationship. Countries which already had STW schemes, such as *Kurzarbeit* in Germany and Austria and the *Cassa Integrazione Guadagni* (CIG) in Italy, have loosened the eligibility requirements and extended their maximum duration.

This paper focuses on the issue whether the economic crisis has spurred any convergence in the use of STW in these three social-insurance countries – Austria, Germany and Italy – or whether policy change has rather occurred in a path-dependent fashion. In order to do so, the paper also adopts a systemic approach, focusing on relationships of complementarity or functional substitution and equivalence among the various schemes comprising income maintenance systems to tackle the risks of partial or total unemployment. In addition to shedding light on a rather under-researched province of contemporary welfare states such as STW, this article also aims to contribute to the debate on the analytical levels in the study of social policy by showing the relevance and potential of adopting an intermediate level of analysis between a regime-centred and a programme-centred approach.

Keywords: short time work, unemployment compensation, social protection, convergence, path dependence

JEL classification: I38, J65, J68

1. Introduction

As the crisis started to hit their economies, all European countries adopted more or less comprehensive policy packages in order to sustain employment levels, offset the social consequences of the crisis, and enhance firms competitiveness (Eurofound 2009; European Commission 2010). The actual composition of anti-crisis packages differed widely across Europe by type of intervention (Pisani-Ferry and Van Pottelsberghe 2009) and financial effort (Watt 2009). Most countries, though, have adopted measures to subsidize temporary reductions in working time, by strengthening existing programmes or introducing brand new ones (Arpaia et al. 2010, Eurofound 2010). Following the terminology in use, we refer to these schemes as Short-Time Work (STW). As compared to other instruments of income support, STW is fundamentally aimed at avoiding the dissolution of employment relationships. Its political attractiveness thus results from the fact that it allows to maintain employment levels. However, it is a discretionary measure, in that the concession of benefits does not automatically stem from the emergence of a social risk but is rather dependent on approval on the part of the public authority. Also, it is generally employers – or in certain cases, works councils –, rather than workers to file a request for the concession of benefits. On the whole, STW does not constitute an individual social right for workers. STW schemes can nonetheless be framed as part of the broader income maintenance system in many welfare states, and especially in Bismarckian ones, within and outside Europe.

It seems interesting to analyze comparatively the strategies of use of STW during the economic crisis which started in 2008. We do so upon the theoretical presumption that an exogenous shock of such magnitude could bear the ‘capacity’ (Cartwright 1994) to trigger processes of change able to overcome differing institutional legacies, and to induce phenomena of policy convergence in advanced capitalist countries. This article focuses in particular on the issue of whether there has been convergence in the use of STW in three social-insurance countries – Austria, Germany and Italy – where it has been in place for decades but has always served quite different purposes, or whether policy change has rather occurred in a path-dependent fashion.

In Italy, STW has constituted an inherent part of the post-war unemployment compensation system. To be precise, it has been the pivotal scheme of income protection, at least for workers in the core sectors of the economy. In Austria, STW has been in place for some forty years, but the presence of functionally equivalent schemes has limited its scope and institutional importance. Germany seems an intermediate case, in which STW has long been an important element in the income maintenance system in case of no or reduced employment, but it has been traditionally used with a very specific

political economic purpose, namely that of hoarding skilled labour in firms in the face of strong fluctuations of product demand.

In fact, STW displays a dual nature. On the one hand, it is a social policy instrument, aimed at supporting worker income in case of joblessness. On the other hand, it is intended to allow firms to retain highly trained workforce, so as to avoid human capital dispersion as a consequence of redundancies. As such, STW constitutes an industrial policy instrument, particularly in those models of capitalism, such as the German, which rely on the production and reproduction of asset-specific skills (Estevez Abe et al 2001, Thelen 2001). From a theoretical point of view, therefore, one can expect relevant differences in the configuration, development and effective use of STW in countries belonging to different varieties of capitalism. A good deal of institutional difference between STW schemes in Italy, on the one hand, and Austria and Germany on the other hand can be understood in this way.

Despite differences in their institutional design and role, STW schemes have constituted the principal policy instrument for counteracting the employment crisis in all three countries, including Austria in a rather unprecedented manner. Governments have implemented policy adjustments to such schemes in order to modify their conditions of use, which made them *prima facie* more similar than could have been expected on the grounds of the varieties of capitalism (VoC) literature (Hall and Soskice 2001, Hancké *et al* 2007). However, the assessment of convergence in the functioning and use of STW schemes becomes more blurred if, rather than considering STW schemes per se, a *systemic* approach is adopted, whereby the analysis focuses on relationships of complementarity or functional substitution and equivalence among the various schemes comprising income maintenance systems to tackle the risks of partial or total unemployment (Kvist 1998). When seen under these analytical lenses, STW schemes still perform persistently divergent functions in the three countries.

In addition to shedding light on a rather under-researched province of contemporary welfare states, this article also aims to contribute to the debate on the analytical levels in the study of social policy by showing the relevance and potential of adopting an intermediate level of analysis between a regime-centred and a programme-centred approach (Hinrichs 2000).

Next section discusses our analytical proposal and provides an institutional contextualization of STW. Section 3 adopts a programme approach in order to describe the institutional features of STW schemes in Italy, Germany and Austria prior to the economic crisis, while section 4 focuses on the STW within the income-maintenance system in the three countries. Section 5 compares the main policy adjustments enacted in the three countries during the crisis. The paper concludes interpreting

the different policy responses in the light of institutional complementarities, investigating whether convergence in the use of STW can be ascertained, despite different policy legacies.

2. Short-time work in different institutional arrangements

Although widely used in the latest crisis, as in previous ones, STW schemes have been relatively under-researched by social policy scholars. With notable exceptions, mainly dealing with Germany and Italy¹, the comparative study of income maintenance schemes has tended to focus on more conventional unemployment benefits (UB)². Such neglect is partly understandable, insofar as STW schemes are *sui generis* contribution-based measures centred more on employers than on employees. Nevertheless, STW constitutes an important piece within the income maintenance systems in many Western European welfare states.

STW provides a wage replacement allowance in order to compensate a temporary reduction in working time set in place in order to ensure the continuity of an existing employment relationship. STW schemes can generally cover two distinct types of risks: *conjunctural* crises – stemming from temporary downturns, thus limited in time and consequences – and *structural* crises, due to lengthier processes of firm restructuring which may still result in future redundancies.

While employees may chiefly regard STW as an instrument of job security, from the employers' point of view STW allows the management to hoard labour – in particular, skilled workers – during temporary downturns without incurring in turnover costs: dismissal costs on the one hand, and costs pertaining to recruiting and training new workforce after weathering the storm on the other hand.

As already mentioned, detectable differences can be expected in the institutional design and role performed by STW in a given country's political economy, according to which variety of capitalism it belongs to:

- in *Liberal Market Economies* (LMEs), characterized by general skills, low employment protection and low UB, STW can be expected to play a residual role, as firms do not need to retain but a small portion of trained workforce and will generally opt for (external) numerical flexibility as the most convenient strategy. In these countries, STW actually take the shape of temporary lay-offs, during which workers count as unemployed;

¹ Such as Seifert (1994) and Gualmini (1997). Mosley and Kruppe (1996) provide a comparative analysis across Italy, France, Germany and Spain.

² See for instance Clasen and Clegg (2006), Clegg (2007).

- in *Coordinated Market Economies* (CMEs), the enabling role of the state (Kitschelt and Streeck 2003) and cooperative industrial relations push firms to seek for consensual plant-level strategies during downturns, in order to retain their skilled workforce and maintain employment. This takes place on the background of relatively strict dismissal protection and the diffusion of asset-specific skills in the core workforce which makes workers costly to train and less interchangeable than in LMEs. STW performs the function of helping firms retaining their skilled workforce, while comparatively generous UB and activation measures provide an active safety net for workers made redundant;
- *Mixed Market Economies* (MMEs) constitute a hybrid model, in which a dualistic production system, with a minority of large manufacturing companies and a diffuse layer of micro- and small enterprises, creates multiple differentiations in terms of needed skills (Regini 1997). Hence, MMEs are associated to a fragmented configuration of varying levels of job protection and UB, pertaining to specific segments of the workforce (Molina and Rhodes 2007). Given adversarial industrial relations and a pervasive role of the state (Schmidt 2002), STW is oversized as compared to CMEs as its resources are used as currency of ‘political exchange’ between the social partners and parties in government for the purpose of maintaining the income of core workforce (Pizzorno 1978). Its interaction with UB results, in turn, dysfunctional for workers in small and micro-firms and for non-standard workers in large firms, whose skills are arguably inessential for firms during crises, thus making them the principal object of (external) numerical flexibility.

Although the VoC approach provides useful insights in broadly understanding the role of STW schemes in different political economy regimes, its utility seems limited when one intends to consider the possibility of policy change induced by exogenous shocks, as it was the case of the 2008 financial crisis. The VoC approach naturally leans towards emphasizing persistence, insofar as actors’ expectations are patterned and stabilized by existing institutions, which – as regards welfare institutions – are basically the outcome of production necessities (hence the concept of welfare production regime: see Estevez-Abe et al. 2001, Iversen 2005). Given these premises, shocks will be absorbed within each political economy regime, inducing largely path-dependent policy change. The analytical level and the theoretical tenets of the VoC approach tend to pre-structure, meta-empirically, the answer to the question whether massive exogenous shocks can induce policy

convergence in countries belonging to different political economy regimes, or (both product and process) policy innovations tend to be incremental.

Hinrichs (2000) moves a similar criticism to the analytical perspective that focuses on regimes in order to study social policies³. He contrasts a *programme* approach to the *regime* approach as the best suited analytical perspective in order empirically to answer research questions concerning issues of change and convergence in social policy.

However, it seems that two levels of understanding of the concept of ‘single policy programme’ can be identified. While the general examples made to illustrate the programme approach refer to broad entities, often overlapping with policy fields (Hinrichs himself refers to pension policy), the empirical referents of the concept tend to be, in practical terms, single policy measures, understood as social protection schemes performing a specific function, such as the STW. Indeed, this is what is normally carried out in day-to-day social policy research: the analysis of single social protection schemes, or clusters of consistent schemes.

In the light of this, we find it particularly promising, for heuristic purposes, to adopt a middle-ground perspective between the one focused on regimes and that focused on single social policy schemes. Following an early intuition by Kvist (1998), this analytical perspective can be identified as a *systemic* one, focusing on the various measures that empirically contribute to fulfil given social needs, and on the relations that occur between them, be they of functional complementarity, overlapping, or substitution. In this paper, adopting a system approach entails focusing on the overall income maintenance system in case of no or reduced employment, comprised of various programmes in addition to the STW, notably unemployment insurance and unemployment assistance, but also social assistance, and even temporary suspension schemes. We will thus ascertain whether possible convergence in the policy design of specific measures such as STW schemes is matched by convergence in the role played by such measures in the overall system, or whether there could be convergence at the specific programme level, coupled with persisting divergence at the system level, although with a less abstract focus than the one implied by a (political economy) regime approach.

In order to do so, it is however necessary to sketch out the design and institutional features of STW in Italy, Austria and Germany as they were regulated *before* the changes introduced to counteract the economic crisis. While such changes will be analyzed in section 5, it is the functioning of STW before the crisis that has moulded its role in each country’s income maintenance system.

³ While Hinrichs’ polemical target is Esping-Andersen (1990)’s welfare regime approach, his criticism is obviously generalizable to the study of political economy regimes, as in the VoC literature.

3. STW before the crisis

In all the countries considered, *conjunctural* STW schemes have long been inherent parts of the income maintenance system in case of non employment⁴. However, only Germany and Italy introduced *structural* schemes, emerging from sweeping crises in the manufacturing sector, albeit at different times⁵. Benefits are granted upon the occurrence of objectively unavoidable events (as a lack in product demand) and conditional to an evaluation of the economic reasons that justify the claim on the part of the employer. Further institutional similarities between the three countries concern the contributory basis of the schemes, their targeting at the firms' core workforce, and the exclusion (at least before the anti-crisis interventions) of apprentices, temporary agency workers (TAW), 'economically dependent workers' (Pedersini 2002) and managers. Finally, the common Bismarckian root of the three welfare systems conventionally assigns the management of the STW funds to the same administrative structures running the unemployment insurance funds, namely the National Institute for Social Protection (*Istituto Nazionale della Previdenza Sociale*, INPS) in Italy, the Federal Employment Office (*Bundesagentur für Arbeit*, BA) in Germany, and the Labour Market Service (*Arbeitsmarkt Service*, AMS) in Austria.

Upon these shared basis, we can provide a better understanding of the country-specific features of STW schemes *before* the changes introduced to counteract the employment crisis. Table 1 below provides a synoptic view on the institutional aspects of greater difference: eligibility rules for firms and workers, generosity in terms of length and wage replacement level, and costs for firms.

To begin with, Kurzarbeit schemes in Germany and Austria are accessible to all types of firm, regardless of their size classes or economic sector. In Italy, both conjunctural (*Cassa Integrazione Guadagni Ordinaria*, CIGO) and structural (*Cassa Integrazione Guadagni Straordinaria*, CIGS) STW are reserved to particular sectors, such as industry, constructions, agriculture and related craft firms, whereas CIGS introduces a further exclusion mechanism, by restricting eligibility to firms with more than 15 employees⁶. By contrast, in Germany and Austria firms must have exhausted all other alternative options (holidays, work-sharing arrangements, etc.) before accessing Kurzarbeit. Moreover, Germany sets a double requirement as at least one third of the workforce in a plant must be affected by a reduction of no less than 10% of monthly salary. In Austria working hours could be

⁴ The first scheme (*Kurzarbeit*) was instituted in Germany in 1918. The Italian *Cassa integrazione guadagni* (CIG) dates back to 1947. Finally, Austria introduced *Kurzarbeit* in 1968.

⁵ As early as 1968 in Italy (CIG *straordinaria*); late 1980s in Germany.

⁶ Also commercial firms with more than 200 employees can be eligible to CIGS, but exemptions to this threshold have routinely been introduced in the yearly Budget Law, so as to lower it to 50 employees.

reduced only up to 80%⁷. Also, while in Italy CIG constitutes a separated fund vis-à-vis the unemployment insurance fund, in German and Austria financial resources are drawn from a single fund. This helps understanding some of the following differences in terms of generosity for workers and of costs for firms.

In general, the Italian CIG appears comparatively more generous in replacement rates and length of benefits than the German and Austrian Kurzarbeit. CIG replaces up to 80% of the wage as opposed to 60% of ordinary unemployment benefits, while in Austria and Germany there is no difference between the two schemes in this respect. Ceilings are however applied to hourly wage replacements both to CIG and to UB in Italy, so that the actual replacement rates will result considerably lower than the nominal ones for many beneficiaries⁸. Moreover, if the length of CIG is as short as the Austrian Kurzarbeit (3 months), and in any case – when taking into account all possible extensions - less generous than the German Kurzarbeit (12 months against 24), the maximum length of CIGS by far exceeds all other schemes (up to 48 months, including all extensions)⁹.

Costs of STW for employers are also lower in Italy. True, a firm eligible for CIGS has to pay an overall contribution of 4.71% for CIGS, CIGS, and UB, higher than an Austrian (3%) or a German firm (3.25% till 2007, then 2.1% following the Hartz reforms)¹⁰. The difference lies in the costs for firms *upon usage*. When using STW, the only cost for employers is a special contribution to the STW insurance which is never higher than 8% of the STW benefit. Social contributions are completely taken over by INPS (and thus the state) for the part exceeding a flat-rate contribution paid by workers. In Germany and Austria employers incur in much higher costs. In Germany they are charged with the total amount of social contributions (including the employee's share) for the first 6 months, albeit calculated on 80% of the wage corresponding to non-worked hours; in Austria, thanks to collective agreements, this takes place on the entire wage corresponding to non-worked hours¹¹. Moreover, in both countries collective agreements at the firm level may – and generally do – provide that the employer tops up the benefit.

Finally, the Italian CIG stands out for the discretionary role assigned to the public authority. Consultation with works councils is mandatory for a CIG request to be filed. Nonetheless, an agreement between the social partners at the firm level is not binding for the concession of benefits,

⁷ Both provisions have been changed in the context of anti-crisis interventions.

⁸ To provide an example, a worker whose monthly gross salary amounts to € 1,800 is entitled to a gross benefit of € 892,96 in 2010, if receiving full-time wage compensation. In this case, the real replacement rate results below 50%.

⁹ Lengths modified in Germany and Austria in the context of anti-crisis interventions.

¹⁰ As an anti-crisis measure, in order to rebate labor costs the unemployment insurance contribution (equally divided between employer and employee) has been further lowered from 4.2% to 2.8%, in view of a stabilization at the level of 3% as of 2011.

¹¹ Provisions changed in the context of anti-crisis interventions in both Austria and Germany.

as it is a tripartite committee at the local level chaired by representatives of the Labour Ministry which ultimately decides over the granting of CIG, and negotiates possible extensions, on a case-by-case basis. By contrast, in Austria and Germany the gatekeepers of the whole process are instead the works council, whose agreement is mandatory for an STW request to be valid, also by virtue of the co-decision powers of trade unions.

Table 1 about here

To sum up already at the programme level Italy's CIG displays rather peculiar features as compared to its Austrian and German counterparts. However, it is the systemic placement of STW schemes in the overall institutional framework of income compensation systems to make a real difference between Italy, on the one hand, and Germany and Austria, on the other. This is what we turn to in the next section.

4. A systemic approach: STW and income maintenance

The cases of Italy, Germany and Austria display different models of institutional interplay between STW and unemployment benefit systems, albeit on the grounds of a similar insurance-based logic. In fact, the Italian CIG has traditionally worked as a *functional substitute* for a weak UB system, which also provides for no general minimum income scheme. By contrast, German and Austrian Kurzarbeit seems to exert a *complementary* function to a comprehensive set of UB, despite some differences between the two cases.

4.1. Italy

Italy features a UB system exclusively centred on social insurance, accompanied by neither unemployment assistance nor any generalized social assistance scheme. Table 2 below provides the institutional characteristics of the main existing schemes. Ordinary unemployment benefits (*indennità di disoccupazione a requisiti pieni*, OUB) are formally accessible to all dependent workers, with the exception of apprentices and independent contractors, the latter being considered as self-employed. In fact, as Berton *et al* (2009) show, the fulfilment of a double eligibility threshold (insurance seniority coupled with accrued contributions) constitutes a severe barrier to new entrants in the labour market as well as to workers with discontinuous employment histories

stemming from non-standard employment: although formally entitled, only 40% of fixed-term workers, and as little as a third of TAW manage to receive such benefit when becoming unemployed. Wage replacement rates were raised in 2007, but as compared to CIGO (12 months) and CIG (4 years), benefit length is shorter: 8 months maximum (12 for elder workers).

Although targeted at discontinuous workers (fixed-term, TAW and seasonal workers), the scheme with reduced eligibility requirements (*indennità di disoccupazione a requisiti ridotti*, RUB) maintains a fully-fledged social insurance logic. While the contributory requirement is sensibly diminished, the insurance seniority requirement remains unvaried. As a matter of fact, RUB is not a proper unemployment scheme, but rather some *ex-post* monetary compensation for unemployment spells. Beneficiaries receive a lump-sum allowance proportional to the number of days worked in the year before that of claim, irrespective of their current employment status.

All in all, almost 40% of fixed-term workers and half of TAW do not get any kind of benefit when they become unemployed (*ibid.*). As mentioned, there is no minimum income scheme, thus those who do not qualify for either FUB or RUB are left without any resources from the welfare state.

Table 2 about here

Besides other schemes earmarked to agricultural and construction workers, a non-rights based scheme stands out in the Italian unemployment compensation system: mobility allowance (*indennità di mobilità*). This very generous scheme (particularly in terms of length) caters only to those open-ended workers made redundant by large industrial firms, typically as a consequence of the exhaustion of CIGS benefits or of collective dismissals. It does not qualify as a proper social right, as it is subject to the same procedures as CIG, and therefore to a discretionary approval on the part of the public authority.

To summarize, the traditional configuration of institutional complementarities in the Italian welfare system leans towards the prominence of STW as a functional substitute for a defective set of automatic and inclusive UB, to the sole advantage of workers in the more unionized sectors. On the firm side, STW constitutes an instrument of internal flexibility against the background of the strictest regulation in the OECD as regards collective dismissals.

4.2 Germany

Contrary to what happens in Italy, German *Kurzarbeit* provides no better treatment than unemployment insurance (*Arbeitslosengeld*, ALG I), as shown in table 3 below. Moreover, a

stronger emphasis on active labour market policies is ideally meant to provide workers with job opportunities and skills upgrading in the view of employment transitions. Also from the standpoint of coverage, the German UB system is more inclusive than the Italian one. Eligibility to ALG I requires a contributory record of one year in the last two, but no insurance seniority. Moreover, a voluntary opt-in to unemployment insurance has been available since 2006 to self-employed workers who fulfil some conditions (basically, having been previously insured by virtue of a qualifying job). On the other hand, the 2005 Hartz reforms markedly reduced the length of ALG I especially for older workers¹². Finally, unlike Italy, Germany has in place a comprehensive social assistance package, comprised of a minimum income scheme for those unable to work (*Sozialhilfe*) on the one hand, and social assistance for jobseekers and their families (*Grundsicherung für Arbeitsuchende*) on the other. The latter is comprised of *Arbeitslosengeld II* (ALG II), which replaced in 2005 the old unemployment assistance and merged it with social assistance for those able to work, and a benefit (*Sozialgeld*) which can be accessed by family members unable to work of ALG II recipients¹³.

Table 3 about here

Scholars however point at the dualization between core standard workers covered by ALG I, and discontinuous workers employed with non-standard contracts, especially TAW and ‘marginal workers’, who are more likely to fall on social assistance in case of unemployment (Palier and Thelen 2010, Eichhorst and Marx 2011)¹⁴.

4.3 Austria

STW has traditionally played a limited role in Austria, as compared to Germany and Italy. This is due to the configuration of income maintenance system in Austria, which provides alternatives to Kurtzarbeit which are better valued by the employers. In particular, temporary suspension arrangements (*Aussetzverträge*) are a functional equivalent to STW. These consist in a voluntary agreement between employees and their employer to terminate the employment relationship in time

¹² As contrasted to the pre-Hartz system, when workers aged over 47 could collect benefits up to a maximum (depending on one’s contributory record) of 32 months, now the maximum is set at 15 months for workers over 50, up to 24 for those over 58.

¹³ The scheme for jobseekers and their families now takes the lion’s share of social assistance beneficiaries: in 2008 5 out of 5.2 million people on social assistance were receiving either ALG II or Sozialgeld (Huster *et al.* 2009).

¹⁴ In Germany and Austria *marginal* workers are those employed in so-called *mini-jobs*, i.e. with part-time contracts below given wage ceilings (400 €/month in Germany; 366,33 €/month in Austria) and reduced social contributions and entitlements (among which no entitlement to unemployment insurance).

of crisis and re-establish it during good weather. The agreement can entail a unilateral obligation on the part of the employer only, or be binding also for the employee. In the latter case, if the employee later refuses to resume the work relationship, entitlement to some severance payments (such as the end-of-service allowance) can be lost. Suspension arrangements are far more attractive to the employers than STW. They are cheaper for them, as workers register with the AMS as normal unemployed and income support is provided by unemployment insurance or social assistance, so employers do not pay any social contributions for the workers suspended. Besides, employers are forced neither to prove their economic condition before the public authority and bear administrative costs, nor to enter negotiations with works councils.

Not only is there a well-oiled functional equivalent to STW, but Austrian workers can access a more encompassing income maintenance system than the German and Italian ones (see Table 4). Compulsory unemployment insurance (*Arbeitslosenversicherung*) covers all dependent workers and, since 2008, also *Freie DienstnehmerInnen*, economically dependent workers which the law equates to dependent ones. The other self-employed can opt-in to the scheme, paying voluntary contributions. The sole workers not covered by unemployment insurance are marginal workers¹⁵. Upon exhausting unemployment insurance, workers can access means-tested unemployment assistance (*Notstandshilfe*), in principle for an unlimited length (conditional to activation of the beneficiary). Finally, a brand new nation-wide minimum income scheme (*Mindestsicherung*) will progressively replace the former scheme (*Sozialhilfe*) which was administered by *Länder* according to local-specific regulations.

Table 4 about here

5. Adjusting STW rules to face the crisis

The impact of the financial crisis was larger in Italy than in Germany and Austria, starting already in 2008. Also, recovery was quicker in Germany and Austria than in Italy during 2010, and projections for 2011 and 2011 confirm this trend (Table 5). This reflected on occupational levels: whereas job loss in 2009 was relatively moderate in Germany and Austria, in Italy losses in 2009 significantly eroded increases occurred in previous years (see Table 6). By the same token, Italy's

¹⁵ See fn 14.

unemployment rates rose during 2010, while they stabilized in Austria and receded in Germany (Table 7).

Tab. 5 about here

Tab. 6 about here

Tab. 7 about here

Yet, it seems plausible to say that in all three countries unemployment rates would have been higher if governments had not resorted to STW schemes in such an extensive way as they actually did. All three countries introduced adjustments in order to render such schemes more accessible and flexible. Austria and Germany modified rules in such a way that made their STW somewhat more ‘Italian’, in terms of length and costs for employers. At the same time, Italy flanked adjustments to the traditional CIG with a vast array of exemptions to existing rules, attempting to fix the holes in the coverage of the income maintenance system through existing discretionary instruments, without creating new social rights.

5.1. Italy

In order to counteract the employment consequences of the crisis, the Italian government appropriated 7 billion € for the years 2009-2010 (2.65 billions of which were provided by the regions through the European Social Fund) and 1 billion for 2011. The main intervention lay in strengthening and expanding CIG, to which aim the bulk of the monies was geared. So-called ‘emergency social shock absorbers’ (*ammortizzatori in deroga*, AD) were introduced, i.e. new measures created by relaxing eligibility rules to CIG and mobility allowance (MA) to include firms previously not covered for reasons of size or economic sector, and non-standard (dependent) workers when previously excluded; at the same time the length of CIGO and CIGS was extended virtually indefinitely, by allowing for the possibility to freely convert the former into the latter without any new assessment¹⁶.

The introduction of the AD (‘emergency’ CIG, ‘emergency’ MA) clearly constitutes a major institutional innovation in Italian labour market policy. First, the extension of CIG and MA entitlement to the majoritarian layer of small firms (which had never contributed to the CIG fund,

¹⁶ Both measures are intended to be in place at least until the end of 2011.

so that AD are completely funded out of the general revenue) may shift such schemes away from large industrial firms and their workers. Second, the inclusion of all non-standard *employees* among the workers eligible for AD seems to pave the way for the opening of schemes typically reserved to standard workers such as CIG and MA. However, no changes were made to eligibility requirements with respect to firm seniority (see tables 1 for CIG and 2 for MA). Also, the granting of benefits must be authorized by the regional authorities, while benefit length is regulated by regional tripartite agreements, conditionally on actual availability of resources in the regional budgets (resources for AD are given to the regions after rounds of negotiations with the Treasury).

Beside the institutional innovation of AD, ‘regular’ CIG has actually constituted the main labour market policy instrument during the crisis. As the amount of available financial resources was increased by the state intervention, evaluation of admissibility has presumably become looser, and firms were allowed to extend and cumulate the length of CIGO and CIGS beyond their normal limits.

Not surprisingly, given these premises, the use of CIG during the crisis has been considerable: the number of authorized hours was, in 2009 and 2010, five times higher than in previous years (Figure 1). This translated, in October 2010, into some 600,000 full-time equivalent workers enrolled in STW, roughly 2.5% of the entire workforce.

Figure 1 shows how, after a peak in 2009, the use of CIGO slowed down, to be outpaced in 2010 by emergency and regular CIGS. In particular, during 2010, the number of authorized hours of emergency CIG took over that of CIGO, making up one third of the overall figure. This trend is also visible by looking at the increasing number of beneficiaries of emergency CIG (Figure 2), presumably due to previously excluded categories, such as small crafts and retail, now resorting to the scheme.

Fig. 1 about here

Fig. 2 about here

5.2 Germany

Building on the post-reunification experience, the German federal government identified Kurzarbeit as a valuable instrument in order to limit employment losses during the crisis. Especially with the second Conjunctural Package (*Konjunkturpaket II*) – approved in January 2009 – the then Grand Coalition cabinet adjusted Kurzarbeit schemes along various dimensions:

- Eligibility conditions for firms were loosened. The one-third-of-workforce threshold was abolished, thus STW can now apply even to a single worker, provided s/he undergoes a wage reduction of at least 10%. Moreover, applications for STW are no longer conditional upon the exhaustion of alternative measures;
- Extension of the legal length of STW from 6 to 18 months;
- BA takes charge of 50% of social contributions, which raises to 100% after 6 months of length or if the firm provides training measures¹⁷;
- Inclusion of TAW.

Not surprisingly, the year 2009 marked one of the highest peaks of use of STW in the post-war history of Germany (Brenke *et al* 2010). Arguably, the relaxation of access rules to Kurzarbeit contributed to this result. As Eichhorst and Marx (2009) recall, in the early 1990s German firms pursued alternative strategies of flexibilization, such as the preventive exhaustion of hours accounts and job-sharing. Precisely the lift of this requirement in 2009 rendered STW a more immediate solution for firms than before. Besides, Kurzarbeit became much less expensive for employers, as they benefited of partial or total exemptions from social contributions, and were left with the sole cost of possible wage top-ups regulated by in-firm collective agreements. As a consequence, in 2009 many more firms used Kurzarbeit than in the early 1990s (Figure 3).

Fig. 3 about here

After the peak reached in May 2009, when as many as 1.5 million German workers were in STW, figures constantly diminished. However, the number of beneficiary firms tended to remain stable (about 60,000 firms) even into 2010 (Figure 4).

Fig. 4 about here

5.3 Austria

In the initial phase of the crisis the use of Kurzarbeit was very mild, due to its little flexible rules, especially in comparison to functional equivalents, such as suspension arrangements. Following the amendments passed in February 2009, take up rates increased remarkably. Changes were introduced to make STW more appealing especially for small and medium enterprises, on the basis of a joint

¹⁷All of the provisions above were meant to expire at the end of 2010.

draft presented by the the employers' main peak organization WKÖ and the trade union federation ÖGB. Main changes consisted in:

- clearer eligibility criteria, to be provided by the Federal Employment Service (AMS);
- basic length extended from 3 to 6 months, with possible further extensions up to 18 months;
- possible variation of working hours between 10% and 90% (previously 80%) of normal working hours;
- introduction of a special training subsidy co-financed through the ESF (*Kurzarbeitshilfe mit Qualifizierung*) for employers that offer training courses to their employees during the hours not worked, with the AMS covering up to 60% of expenses.

In July 2009 further changes extended length up to 24 months for the period 2010-2012 and made STW more attractive by waiving the share of social contributions statutorily weighing on the employer (about 50% of total social contributions) after 6 months of an employee's benefit recipiency¹⁸. TAW became eligible, also.

Firms reacted quickly to the new rules: at the zenith of the crisis in Austria in mid-2009, the number of workers under Kurzarbeit greatly outreached levels touched in previous crises (Figure 5).

Fig. 5 about here

Yet, the figures on beneficiaries started shrinking shortly after this peak, and Kurzarbeit usage returned to its physiological levels relatively soon: see Figure 6. As in Germany, however, figures pertaining to firms went down much more slowly than those pertaining to workers: in Austria too employers chose to maintain a measure of internal flexibility, albeit for a reducing number of workers. Overall, estimates show that Kurzarbeit in Austria involved some 600 firms (European Commission 2010), saving about 8,400 full-time equivalent jobs during 2009 (Mahringer 2010), roughly 0,2% of the workforce.

Fig. 6 about here

6. Conclusions

¹⁸ As we have seen, collective agreements typically provide that the employer takes charge of the share of social contributions weighing on the employee in Kurzarbeit. In practice, from the seventh month social contributions paid by the employer are halved.

This work has highlighted how Austria, Germany and Italy all have strengthened STW in order to buffer the occupational impact of the crisis, no matter what its role within each country's income maintenance system. If we consider its original design, it may well seem that the German and Austrian STW has now become more 'Italian'. Access requirements were loosened, benefit length extended, and costs for firms remarkably decreased (Table 8). Moreover, all three countries have extended eligibility rules to atypical workers – TAW in particular.

Tab. 8 about here

The Italian case stands out under many respects, however. Given the unevenness of CIG coverage, benefiting large industrial firms and their workers, the massive extension of 'emergency' CIG to the whole production structure made Italian STW a blanket scheme, intended to pursue multiple policy objectives. On the one hand, it serves ersatz industrial policy aims, trying to allow as many firms as possible to remain operational, rather than favouring genuine processes of restructuring and re-investment. On the other hand, it also seems to depart from social policy aims to embrace a somewhat macroeconomic goal, backing effective demand through a generalized support to household spending capability. By contrast, in Germany and Austria STW by and large maintained its specific function of hoarding skilled labour within firms in order to sustain the competitiveness of the economic system during and after the crisis. Such functional specialization is arguably possible in these countries given the complementary role of Kurzarbeit vis-à-vis UB and social assistance schemes within an articulated income protection system. In Italy, this interplay is encumbered by the fact that CIG exerts a substitutive function in place of a skimpy unemployment compensation system and missing social assistance.

It follows that our initial research question – whether the magnitude of the crisis actually produced policy convergence among STW schemes in Italy, Germany and Austria – calls for a multiple answer. From a programme-centred point of view, looking at governance rules and institutional characteristics of STW schemes, the answer is yes: all three countries introduced remarkable innovations, and path-breaking policy changes in Austria and Germany made their STW schemes at least partially converging towards an 'Italian' design. From a systemic perspective however, considering the role of STW schemes within the larger system of income protection, programme-level convergence gives way to rather differentiated trajectories of development which tend to reinforce existing divergencies between Germany and Austria, on the one hand, and Italy on the

other. Despite the extraordinary opportunity window provided by the crisis, Italy's social policy innovations have been strongly path-dependent. New schemes function in the same way as the old STW ones, eschewing the introduction (or the extension) of social rights to favour, yet again, particularism and fragmentation as the hallmark of the Italian welfare state.

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Tables

Table 1. Institutional features of STW schemes *before* the crisis in Italy, Germany and Austria

	ITALY – CIGO (conjunctural)	ITALY- CIGS (structural)	GERMANY - KURZARBEIT	AUSTRIA - KURZARBEIT
Eligibility - firms	Manufacturing, agriculture Excluded: crafts, services	Manufacturing, crafts tied to manufacturing Must employ more than 15 employees (some more than 50, others more than 200)	All firms At least 1/3 of workforce with loss of 10% monthly wage STW as last resort	All firms Max 80% working time reduction STW as last resort
Eligibility - workers	Dependent workers No apprentices, no TAW, no independent contractors	Dependent workers, at least 90 days of firm seniority Excluded workers as CIGO	Dependent workers No apprentices, no TAW, no independent contractors	Dependent workers covered by social insurance No apprentices, no TAW, no independent contractors
Benefit length	3 months in a row, extendable up to 12 months in 2 years	Up to 48 months for restructuring (24 + 12 + 12)	6 months extensions up to 24 months	3 months
Benefit amount	80% of hourly gross wage per non-worked hour; ceilings: 892 € gross per month for gross monthly wage up to 1,931 €; 1,073 €/month above		Same level as UB: 60% of net wage per non-worked hour (67% with children) + possible top-up to wage at the firm level	Same level as UB 55% of net wage per non-worked hour + possible top-up to wage at the firm level
Costs for employers	Specific contribution to CIGO insurance: 1.90% (2.20% for firms beyond 50 employees) Upon usage, 4% of STW benefit (8% for firms beyond 50 employees) Social contributions entirely taken over by the state (both employer's and employee's share; the employee pays 5.84% of the STW benefit)	Specific contribution to CIGS insurance: 0.90% (2/3 employer, 1/3 employee) Upon usage, 3% of STW benefit (4.5% for firms beyond 50 employees) Social contributions: as for CIGO	Unemployment insurance contribution rate: 4.2% till 2008; 2.8% between 2008 and 2010; 3% as of 2011 (1/2 employer, 1/2 employee) Upon usage, employer charged with social contributions (including the employee's share) on 80% of the wage for non-worked hours (worked hours as usual) Reduced social contributions after 6 months, or if training provided	Unemployment insurance contribution rate: 6% (1/2 employer, 1/2 employee) Upon usage, employer charged with social contributions on the full wage for non-worked hours (while not mandated by law, collective agreements generally charge the employer also with the employee's share)

Tab 2. The Italian income maintenance system (2010)

	FUB	RUB	Mobility Allowance
Entitlement	Only dependent workers, no apprentices, no independent contractors	Only dependent workers, apprentices only if previously qualifying job spell, no independent contractors	Only dependent, full-time workers in firms eligible for CIGS
Eligibility	Insurance seniority: 2 years; contributory requirement: 52 full weekly contributions in the last 2 years	Insurance seniority: 2 years; work requirement: at least 78 worked days in the year the benefit is claimed for	Firm seniority over 12 months (of which 6 effectively worked)
Length	8 months, 12 months for over 50	Number of days in the reference year, with a maximum of 180	Dependent on worker's age and geographical location: South, up to 48 months for individuals aged over 50; North: max 24 months Long mobility: 7 years for men, 10 for women
Amount	60% of gross wage up to 6 months; 40% for the following 2 months; 30% for further months; ceilings as for CIG	35% of previous wage up to 120 days; 40% afterwards; ceilings as for CIG	80% of previous wage during first year, 60% for the following years; ceilings as for CIG

Table 3. The German income maintenance system (2010)

	Unemployment Insurance (<i>ALG I</i>)	Social assistance for those able to work (<i>ALG II</i>)	Social assistance (<i>Sozialhilfe</i>)
Entitlement	All dependent workers enrolled in social insurance Self-employed can opt-in Excluded: students, marginal workers (mini-jobs)	Universal (subject to means test), but conditional upon ability to work (for family members unable to work of ALG II recipients: <i>Sozialgeld</i>)	Universal (subject to means test), but conditional upon incapacity to work
Eligibility	One year of contributions over the last two Registration to public employment services and availability for work	Need (subject to means test) Registration to public employment services and availability for work	Need (subject to means test) Incapacity to work more than 3 hours per day (e.g. disease, handicaps) or old age
Length	Up to 12 months for workers below 50; 15 months over 50; 18 months over 55; 24 months over 58	Indefinite but conditional to activation for work	Indefinite
Amount	60% of net wage (67% with children)	Flat rate (359 € per month in 2010 for a single person) plus housing and heating (318 €/month in 2010) and children allowances; special rules for children from 2011	As ALG II

Table 4. The Austrian income-maintenance system (2010)

	Unemployment Insurance (<i>Arbeitslosenversicherung</i>)	Unemployment Assistance (<i>Notstandshilfe</i>)	Social Assistance (<i>Mindestsicherung</i>)*
Entitlement	Dependent and economically dependent workers Self-employed can opt in Excluded: public employees, marginal workers (mini-jobs)	Those eligible for UI (subject to means test)	Universal (subject to means test)
Eligibility	52 weeks within previous 24 months Under 25: 26 weeks within previous 12 months	Exhaustion of UI Need (subject to means test)	Need (subject to means test)
Length	20 to 52 weeks depending on age and contribution record	52 weeks (renewable, but conditional to activation for work)	Indefinite
Amount	55% of net wage; family supplements possible	92-95% of UI benefit	720 € per month for a single person

*: Nation-wide scheme progressively replacing previous regionally differentiated *Sozialhilfe*, since July 2010

Tab. 5 GDP growth (%), 2008-2012

	2008	2009	2010	2011 (forecast)	2012 (forecast)
Austria	2.2	-3.9	1.6 (forecast)	1.6	n.a.
Germany	1.0	-4.7	3.6*	2.2*	2.0*
Italy	-1.3	-5.0	1.0*	1.0*	1.3*
Euro area	0.5	-4.1	1.8*	1.5*	1.7*

Source: International Monetary Fund, World Economic Outlook, October 2010 (when *: updated January 2011).

Tab. 6 Employment (15 to 64 years), annual averages (x 1,000)

	2007	2008	2009	2008/07 (%)	2009/08 (%)
Austria	3963	4020	4002	1.4	-0.4
Germany	37611	38239	38131	1.7	-0.3
Italy	22846	23010	22650	0.7	-1.6
Euro area	137703	139631	139430	1.4	-0.1
EU-27	215276	217751	213887	1.2	-1.8

Source: Eurostat LFS

Tab. 7. Unemployment rates (%), quarterly data (seasonally adjusted)

	2009 Q1	2009 Q2	2009 Q3	2009 Q4	2010 Q1	2010 Q2	2010 Q3
Austria	4.4	4.8	5.2	4.8	4.5	4.6	4.5
Germany	7.3	7.6	7.6	7.4	7.3	6.9	6.7
Italy	7.4	7.6	8.0	8.3	8.4	8.4	8.3
Euro area	8.8	9.4	9.7	9.9	9.9	10.0	10.0
EU-27	8.3	8.8	9.2	9.4	9.6	9.6	9.6

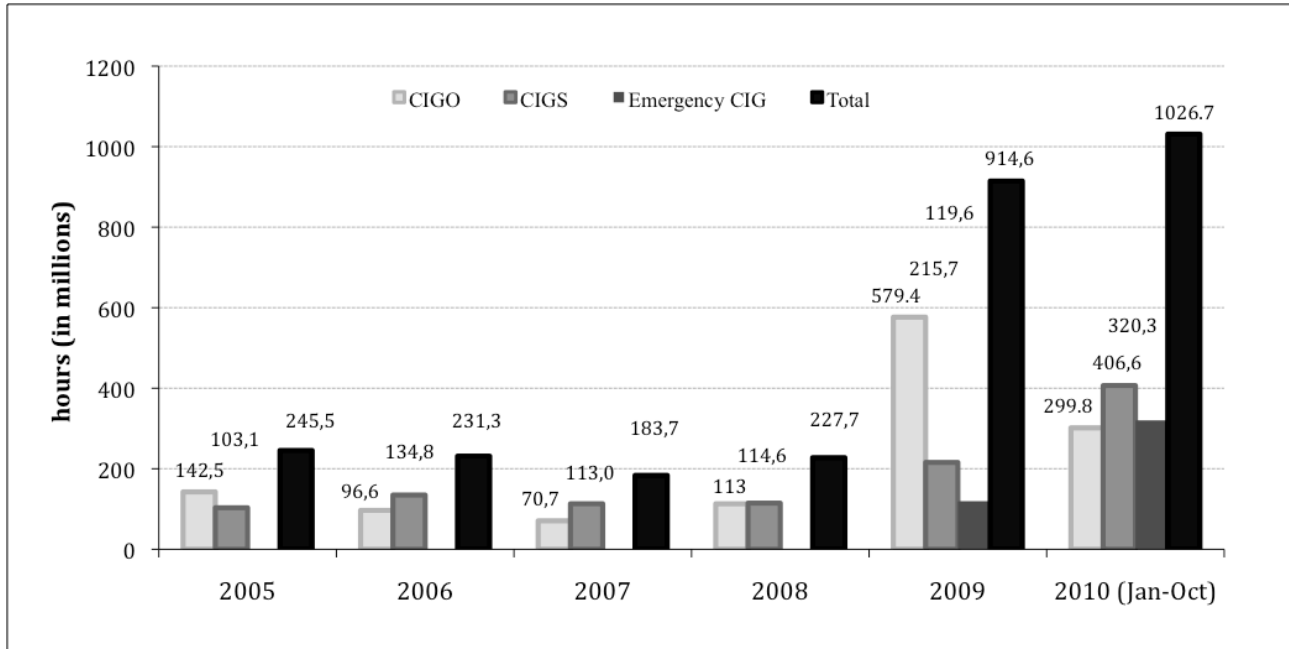
Source: Eurostat LFS

Tab. 8. Adjustments to STW during the crisis in a comparative perspective

Dimensions of reform	Italy	Germany	Austria
<i>Coverage</i>	Inclusion of atypical workers Inclusion of all firm types	Inclusion of TAW	Inclusion of TAW
<i>Length</i>	No formal limit Discretionary decisions of public authority on extensions and renovations	Increased to 18 months; extensions up to 24 months	Increased to 6 months; extensions up to 24 months
<i>Costs for firms</i>	Unaltered (very high) for traditional beneficiaries Newly admitted firms free-ride on insurance funds	Loosening of (formal/informal) access rules Social contributions halved (up to 6 months) or entirely taken over by the state (beyond 6 months or if training provided)	Loosening of (formal/informal) access rules Social contributions halved (beyond 6 months)

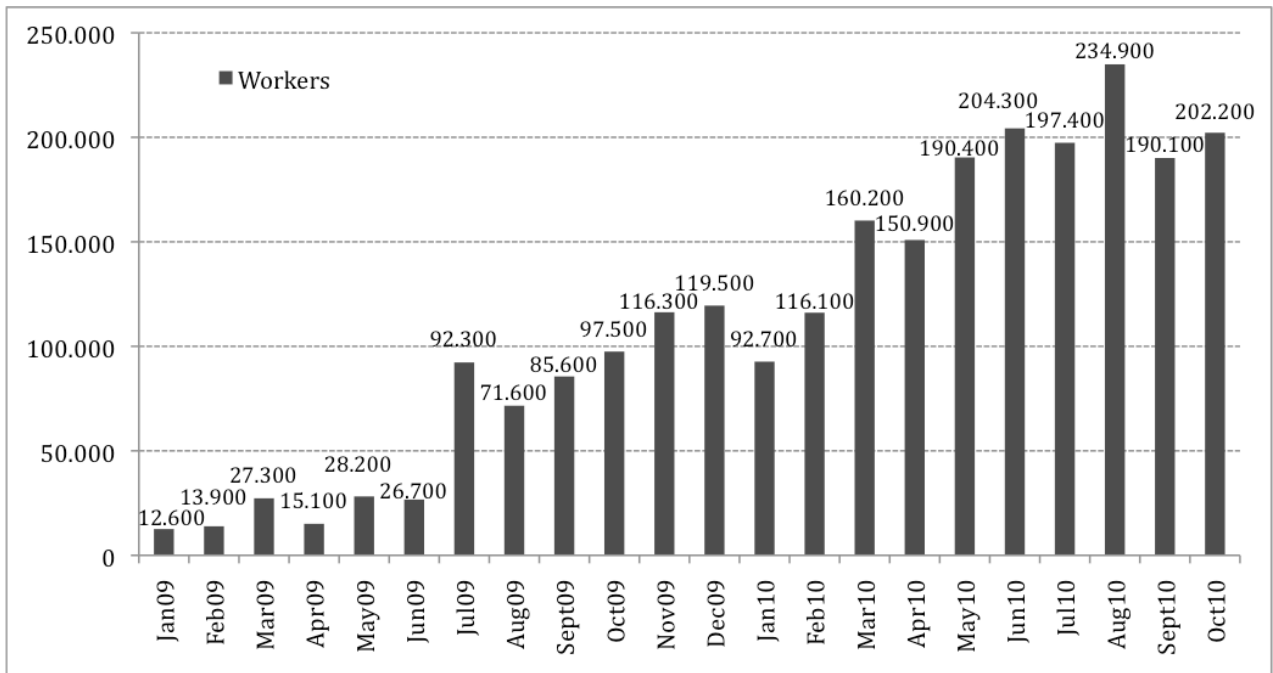
Figures

Fig. 1. Authorized hours of CIG (2005 – october 2010, data in millions of hours)



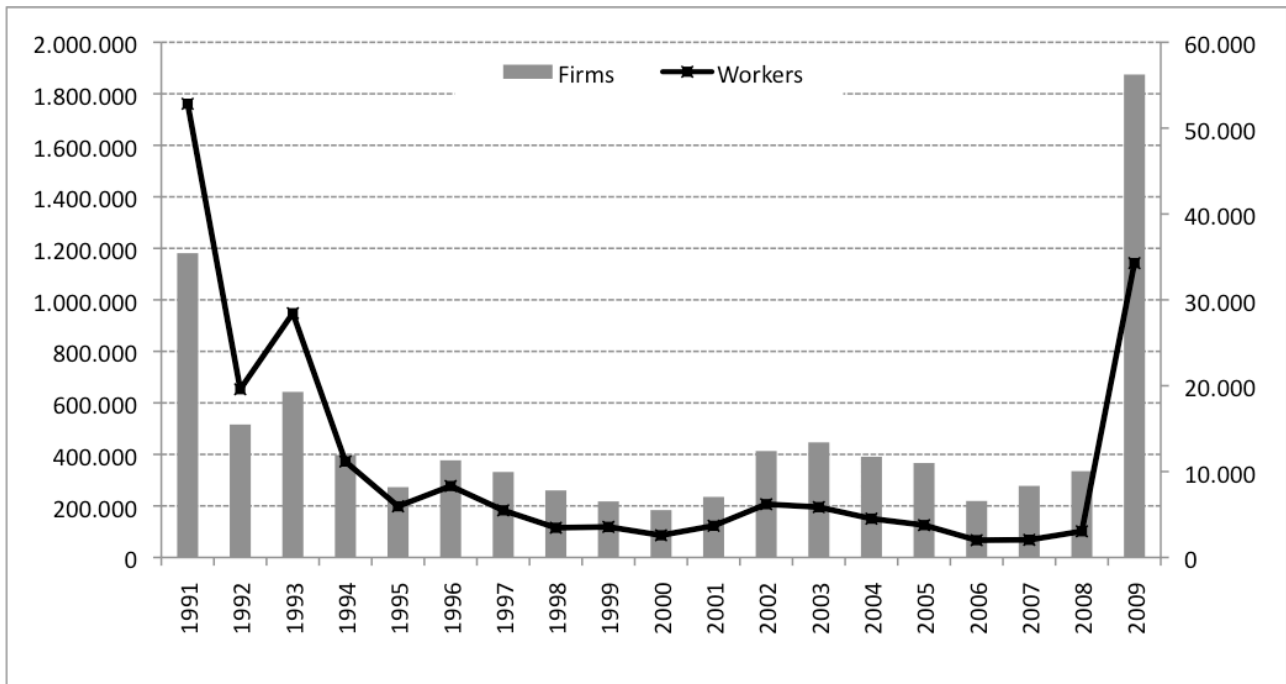
Source: UIL (2010)

Fig. 2. Workers covered by emergency CIG (Jan 2009 – October 2010, full-time equivalents)



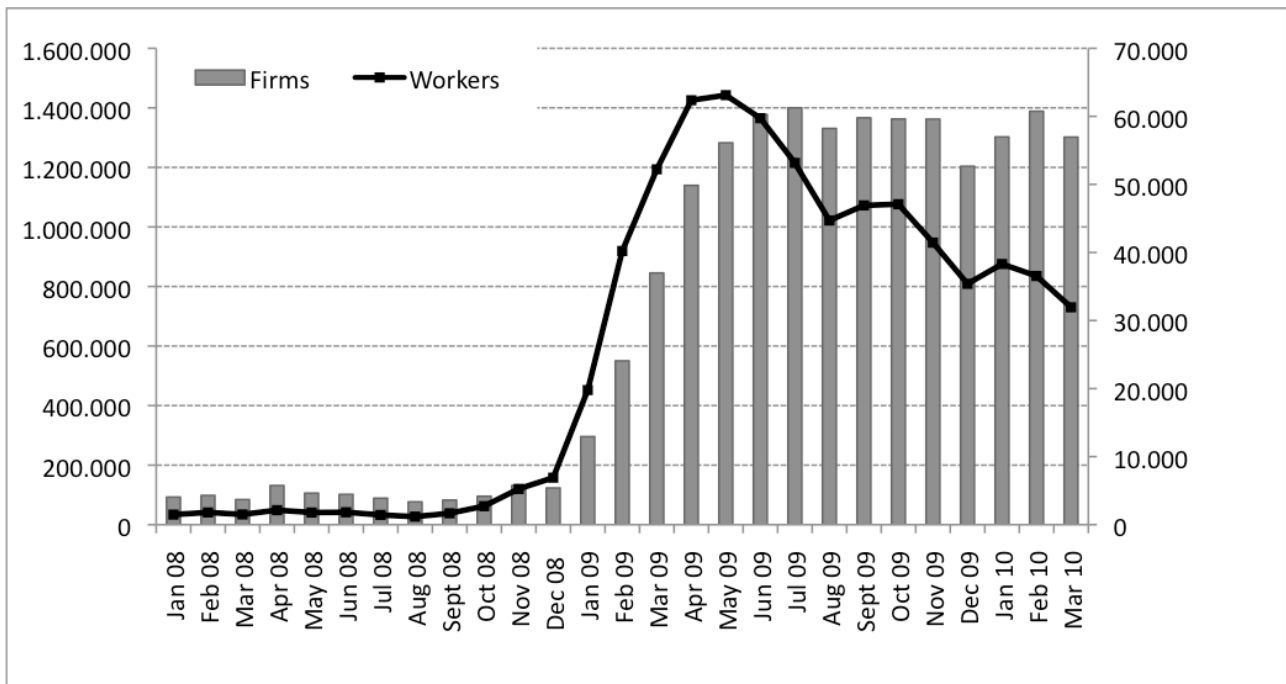
Source: UIL 2010.

Fig. 3. Kurzarbeit recipients in Germany (1991-2009, firms and workers)



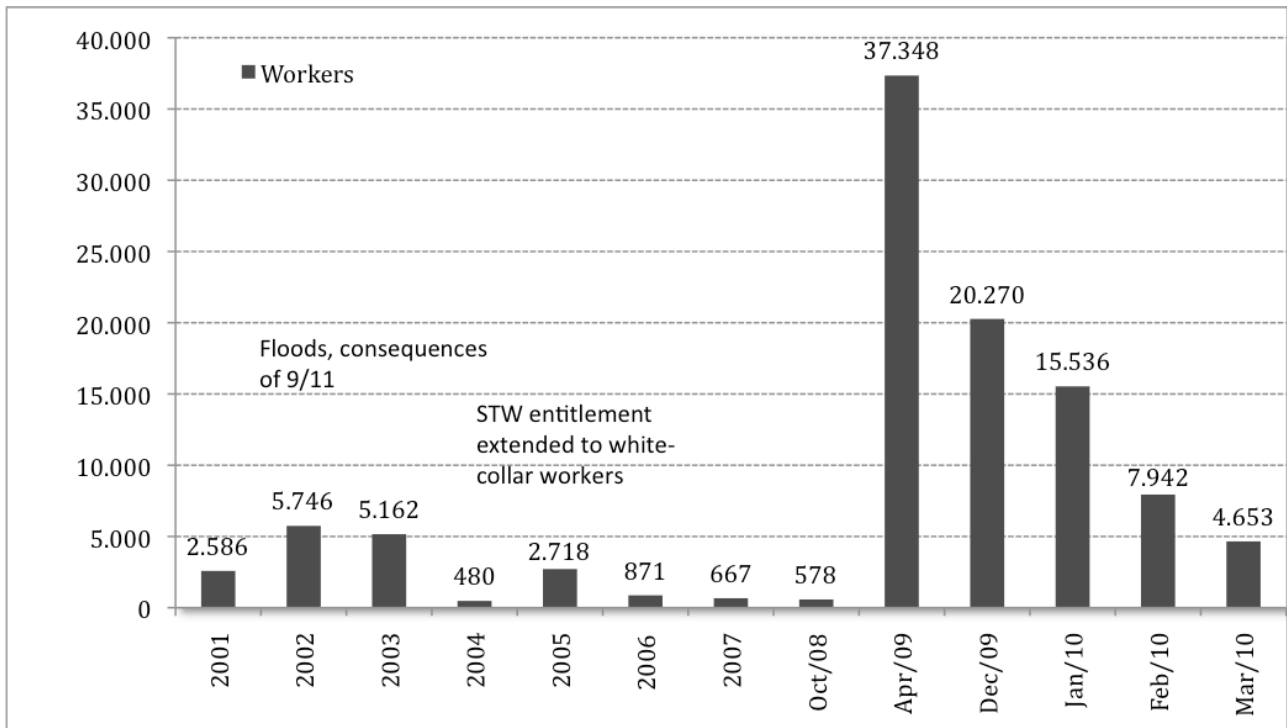
Source: Bundesagentur für Arbeit
 Line: workers (left-hand scale)
 Bars: Firms (right-hand scale)

Fig. 4. Kurzarbeit recipients in Germany (January 2008 – March 2010, firms and workers)



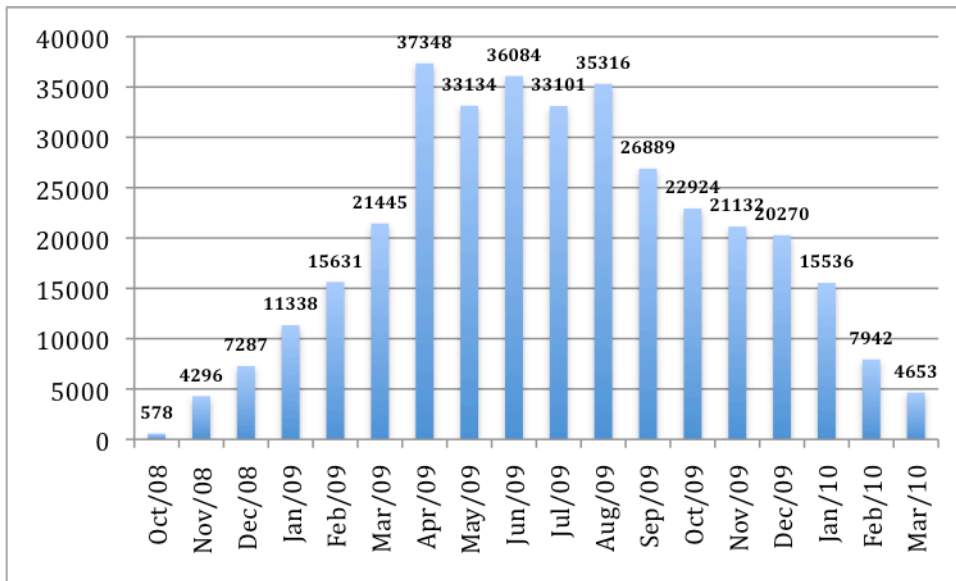
Source: Bundesagentur für Arbeit
 Line: workers (left-hand scale)
 Bars: Firms (right-hand scale)

Fig. 5. Kurzarbeit beneficiaries in Austria (2001 – 2010; selected months for 2008, 2009 and 2010)



Source: Bundesministerium für Arbeit, Soziales und Konsumentenschutz

Fig. 6. Kurzarbeit beneficiaries in Austria during the crisis (October 2008-March 2010)



Source: Bundesministerium für Arbeit, Soziales und Konsumentenschutz