Work sharing: A strategy to preserve jobs during the global jobs crisis

Work sharing\(^1\) is a labour market instrument based on the reduction of working time, which is intended to spread a reduced volume of work over the same (or a similar) number of workers in order to avoid layoffs or, alternatively, as a measure intended to create new employment (see TRAVAIL Policy Brief No. 1).

In times of economic crisis, work sharing not only helps to avoid mass layoffs, it also allows businesses to retain their workforces, thus minimizing firing and (re)hiring costs, preserving functioning plants, and bolstering staff morale during difficult times. If complemented with targeted training for affected workers, work-sharing measures also have the potential to bring long-term benefits to both workers and enterprises.

Work sharing and partial unemployment benefits are policy responses suggested by the Global Jobs Pact, adopted by the ILO’s tripartite constituents in June 2009, to limit or avoid job losses and to support enterprises in retaining their workforces (ILO, 2009b, Section III, Point 11.4). In the G20 Leaders’ Statement for the G20 Summit convened in Pittsburgh in September 2009, the leaders committed to implementing “recovery plans that support decent work, help preserve employment and prioritize job growth”. Furthermore, the ILO Report to the G20 Leaders’ Summit (ILO, 2009a, Section 1.3) states that “work-sharing ... has attracted interest in the context of the crisis. The most sophisticated systems are those in which strong company-level negotiations are backed by government subsidies and access to training”.

Likewise, various European Union bodies have highlighted the use of temporary “short-time working” arrangements as one of the measures which can help to manage the impact of the global jobs crisis and maintain employment, especially if accompanied by financial support to mitigate workers’ income losses and training measures (see, e.g., European Commission, 2009; Council of the European Union, 2009).

Prior to the onset of the crisis, work-sharing measures had already been implemented and used in a number of developed countries, such as Austria, Belgium, Canada, France, Germany, the Netherlands, Switzerland and a number of individual states in the United States. Many of these existing programmes were revised and expanded during the crisis as well (see TRAVAIL Policy Brief No. 1).

In these developed countries, work-sharing policies and programmes typically include five key elements: the reduction of working hours for all workers in a company or a specific work unit within a company, in lieu of layoffs; a corresponding (pro-rata) reduction in earnings (total wages); the provision of wage supplements to affected workers to “cushion” the effects of temporary reductions in earnings; the establishment of specific time limits on the period of work sharing (such limits are essential to ensure that the work-sharing programme is indeed a temporary measure in response to the economic crisis); and the creation of links between work-sharing programmes and training/retraining activities (see TRAVAIL Policy Brief No. 1). In addition, engaging workers’ and employers’ organizations in the design and implementation of government-sponsored work-sharing programmes is typical and can increase their likelihood of success.\(^2\)

New developments in work sharing in middle-income countries

by Jon C. Messenger and Sarai Rodríguez
A new wave: The development of work-sharing programmes in middle-income countries

A number of middle-income countries, have, for the first time, put in place different forms of government support to encourage businesses to use more working time adjustments instead of resorting to layoffs as part of their policy responses to the present crisis. The most prevalent actions adopted to assist companies in these countries suffering the effects of reduced demand are provisions for paid or unpaid leave, reductions of social benefit contributions, and some kind of short-time working measure, that is, work sharing.

Two regions in particular have experienced a dramatic increase in the use of some basic form of work sharing/short-time work during the current crisis: Central and Eastern Europe and Latin America (see Table 1).

As most of these work-sharing measures have only recently been developed, no information is yet available on their impact. The purpose of this policy brief is to examine and compare the main features of the programmes and determine whether and, if so, in which ways they differ from work-sharing programmes that have been implemented in industrialized countries.

Similarities and differences among new measures

Among the work-sharing measures that are being implemented in middle-income countries, the first interesting aspect is the different terminology being used for the various schemes. Some countries refer to “short-time working” (Turkey), a “shorter working week” (Croatia), “flexiconto” (Slovakia), or names based on the days worked plus the days not worked and those spent in training, such as “4+1” (or “3+2”) programme (Hungary); there is also the “labour training permission” (Chile) and “Paros técnicos”, which means “technical unemployment” in Spanish (Mexico). Other countries provide for the possibility of “special state-subsidized temporary paid leave” (Poland), or a “four-day workweek” in the Czech Republic. These variations in terminology highlight differences in the design of the individual national instruments. In some countries, only support for either reduced (weekly) working hours or temporary work stoppages (of a few weeks or months) are possible, while others offer provisions for both types of reduced working hours, with the same or varying conditions, and sometimes linked with training as well.

In general, short-time working with some type of wage supplement is preferred by trade unions, as it compensates employees at least partially for their losses in income. However, if the crisis is prolonged, and particularly if the reduced demand is structural in nature, then the reduction of working hours only has the effect of postponing unemployment. That is the reason why the time frame for the use of these measures is nearly always temporary, ranging from three to 12 months in duration. Exceptionally in a few countries, the measure may be a permanent feature of the labour law, which can be activated when necessary, for example Slovakia (Cziria, 2009b).

Despite the differences among the work-sharing measures across these countries, some common principles prevail. One important similarity is that the level of development and implementation of work-sharing programmes in the two regions has been at the national level. That is the case for Argentina, Bulgaria, Chile, Croatia, the Czech Republic, Hungary, Mexico, Poland, Romania, Slovakia, Slovenia, Turkey and Uruguay. Another similarity is that many countries have made an important effort to extend unemployment benefit schemes and/or expand their coverage to workers with reduced hours; for example, some countries have expanded the application, eligibility and coverage of partial unemployment benefits (e.g. Chile, the Czech Republic and Uruguay). Partial unemployment benefits provide one type of wage subsidy that allows workers to remain in their existing employment relationship, but at reduced working hours (see the discussion in the next subsection). In addition, some of these countries have also implemented measures to temporarily reduce the social security contributions or taxes and social contributions paid by employers and workers (e.g. Romania, Slovakia).

In most cases, these work-sharing programmes also include a requirement for companies to demonstrate clear economic reasons in order to be eligible for any reduced working time or partial unemployment scheme. Also, there is often a requirement that employers maintain their previous level of employment while receiving a subsidy or participating in the programme. Moreover, employers are required to continue paying reduced wages and social security contributions, although the latter are sometimes at reduced levels. In some countries, work-sharing measures have been specially adapted to small- and medium-sized enterprises, such as in Argentina, Hungary and Romania.

Regarding the composition of the group of employee beneficiaries of work-sharing measures in middle-income countries, these measures are mainly targeted to workers who have permanent contracts, rather than temporary, agency and fixed-term
Central and Eastern Europe

Country | Work-sharing measure(s)
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Bulgaria | A reduced working time scheme and 160 days’ unpaid leave policy was introduced in the government anti-crisis programme of December 2008.
Croatia | The government adopted the Law on Subsidizing a Shorter Week in July 2009.
Czech Republic | Act No. 262/2006 Coll., Labour Code, includes a provision in Article 209 on “partial unemployment”, and a government scheme to create a four-day workweek is being developed.
Hungary | The government introduced an “employment policy package” in November 2008 aimed at preserving jobs through measures including subsidies to companies for maintaining employment or supporting shorter working hours.
Poland | In July, the Polish Government signed into law a bill designed to protect jobs and help companies, including special state-subsidied temporary paid leave.
Romania | The general framework for the work-sharing actions is in Law No. 76/2002 regarding unemployment benefits and stimulation of employment and Government Emergency Ordinance No. 28/18 of March 2009.
Serbia | Serbia has produced some experiences of the implementation of work-sharing programmes at company level, involving companies such as U.S. Steel Corp., Simpo and Alfa Plama, which have implemented company schemes since March 2009.
Slovakia | In March 2009, an amendment to the Labour Law introduced a flexible working time account (“flexiconto”). This measure permits workers to take time off work with basic wages and then work the missing hours when demand recovers (without additional payments).
Slovenia | The Law on Partial Subsidisation of Full Working Time and the Law on Partial Refund of Pay Compensation were adopted in January and May 2009, respectively.
Turkey | Provisions regarding work sharing were adopted in 2008, and are regulated by the Unemployment Insurance Law and the Regulation on Short-Time Work and Short-Time Work Payment.

Sources: Bulgaria (Neykov, 2009; Tomev, 2009); Croatia (UATUC, 2009a and 2009b); Czech Republic (Dolezelova, 2009); Hungary (Neumann, 2009; Neumann and Edelényi, 2009); Poland (Czarzasty, 2009; Semenowicz, 2009); Romania (Ciutacu, 2009b); Slovenia (Skledar, 2009a and 2009b); Turkey (Onaran and Pammukkale, 2009); Slovakia (Cziria, 2009b).

Latin America

Country | Work-sharing measure(s)
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Argentina | The Programme of Preventive Procedure of Crisis (PPC) — originally created in 1991 and regulated by Employment Law No. 24.013 and by Decree No. 328/88 — has been used again during the current crisis. It provides for negotiation and agreement between the parties with government when companies decide to take actions that affect employment, which may include reduced hours of work.
Chile | The government, together with workers’ and employers’ organizations, signed the National Agreement for Employment, Training and Working Protection in May 2009 (Law No. 20.351 on employment protection and promotion of labour training). This agreement provides for a type of work sharing with partially paid leave linked with training.
Mexico | The Mexican Federal Government established the Programme for the Preservation of Employment in January 2009, which aims to protect employment through reductions in working hours and the reduction of costs faced by businesses through a scheme called “paros técnicos” (technical unemployment). The measure ended in December 2009.
Uruguay | The Uruguayan Employment Preservation Programme through Reduction of the Working Week and Training is based on an interpretation of Art. 10 of Law No. 15,180 of 20 August 1981 (which establishes a system of benefits to cover the contingency of compulsory layoffs) and applied through Decree 316/009 (July 2009) regarding a special system for total or partial unemployment benefits for certain economic activities.

Sources: Argentina (Bertranou and Mazorra, 2009); Chile (Government of Chile, 2009); Mexico (Galhardi, 2009); Uruguay (Casanova, 2009a and 2009b).
workers — who are predominantly women in most countries. Extending eligibility for work-sharing benefits to such non-standard employees would be appropriate and also promote gender equality, especially if the scheme were to be coupled with training activities.

**Sectoral and employee coverage**

Differences also emerge regarding the sectoral coverage of work-sharing programmes. In most countries, these measures are universal in nature and can be used by all enterprises irrespective of their economic sector (Croatia, the Czech Republic, Hungary, Poland, Romania, Slovakia, Slovenia and Turkey). Nonetheless, in a number of such countries their measures are mainly used by companies which have been the hardest hit by the economic downturn. In Poland, these cover metallurgy, banking, the building industry and transport (Semenowicz, 2009); while in Slovakia, they are applied in the automotive, electric and steel industries (Cziria, 2009b). In Slovenia, work sharing is mainly applied by enterprises in the car components industry, textiles and clothing, the steel and metal-working industry, and also the manufacturing of electrical equipment, sports equipment, glass products, wood processing, construction and transport industries (Skledar, 2009a and 2009b).

However, in some countries these measures are designed to be used by specific types of companies, and are targeted to mainly export-oriented and consumer sectors; for example, the Uruguayan programme is targeted to the sectors of leather, textiles and clothing, wood and wood products, and metallurgy (Casanova, 2009a and 2009b). Likewise, in Mexico the Programme for the Preservation of Employment is directed at the automotive industry, electronic, electrical and capital goods (Galhardi, 2009).

**Wage subsidies**

Work sharing can be applied with either unsubsidized or subsidized salaries. In cases in which the measure is applied without a wage subsidy [e.g. Argentina, Poland (in the case of a reduction of working hours), Serbia, Slovakia], the disadvantage for workers is that their salary is reduced in proportion to the reduction of their working hours. With a wage subsidy [e.g. Bulgaria, Chile, Croatia, the Czech Republic, Hungary, Poland (in case of state-subsidized temporary paid leave), Mexico, Slovenia, Turkey and Uruguay], workers get to keep more of their income, which also provides an additional stimulus to consumption; however, such payments can have a significant budgetary cost. In both cases, employers benefit from reduced costs and maintaining the investment in the skills and knowledge of their workers, while workers keep their jobs.

The type and the amount of the wage subsidies provided to affected workers varies among the countries. In Bulgaria, employers pay workers’ remuneration based on four hours’ work per day, and the state supplements their monthly individual remuneration by 60 euros (CMKOS/FES, 2009). In the Czech Republic, the wage compensation for “partial unemployment” must not be lower than 60 per cent of the worker’s average wage (Dolezelova, 2009). In Croatia, the government will compensate the difference of the reduced net earnings in the amount of 10 per cent, or 13 per cent for workers with children (UATUC, 2009a). In Hungary, the wage costs for the fifth working day in the 4+1 programme are assumed by the firm (up to 50 per cent) and by the government. State support may amount to up to 80 per cent of total training expenses and 80 per cent of lost earnings (Neumann and Edelényi, 2009).

**Training activities**

Some of the middle-income countries reviewed require that affected workers must not be dismissed during their work-sharing period and/or during a specific period of time after work sharing ends. Moreover, other countries have also put in place measures to foster skill development and training to ensure that workers are well-equipped with appropriate skills for potential new career opportunities. Eligibility for government support for work sharing is sometimes explicitly linked to the provision of and participation in education and training activities during the time not worked. Alternatively, work-sharing programme provisions may offer more favourable conditions if they are linked to training measures (e.g. Chile, Hungary and Uruguay).

In Hungary, for example, the 4+1 programme includes training on the fifth day of the week, and, also in Uruguay, the Employment Preservation through Reduction of the Working Week programme offers the opportunity for workers to spend the time not worked in training activities. In Chile, one of the measures is the “labour training permission”, which establishes that the worker and the employer are able to agree on a training period of up to five months (continuous or discontinuous). During this period, the worker neither provides services to the employer nor receives wages, but instead attends training courses and receives benefit payments equivalent to 50 per cent of the average of his/her last six months’ income.
By contrast, in Argentina, Bulgaria, Croatia, the Czech Republic (the case of partial unemployment), Mexico, Slovakia, Slovenia and Turkey, training is not explicitly included in the work-sharing measure.

In Poland, during the special state-subsidized temporary paid leave, the workers are paid the equivalent of the statutory minimum wage, almost 50 per cent of which is financed by the government. In Slovenia, according to the Law on Partial Subsidisation of Full Working Time, companies which introduce reduced working time of 36 or 32 hours per week are entitled to a payment of 60 or 120 euros per employee per month, respectively. The Law on Partial Refund of Pay Compensation states that workers on the “temporary waiting for work” scheme will receive 85 per cent of their previous salaries: 50 per cent will be covered by the government and 35 per cent by the employer (Skledar, 2009a and 2009b). In Romania, the Government Emergency Ordinance (GEO No. 28/2009) provides that a company temporarily suspending operations and keeping their workers in a “technical unemployment” status must pay its workers an indemnity of a minimum of 75 per cent of their nominal salary. In addition, both the employer and its employees are exempted from the payment of social security contributions for a maximum period of three months (Ciutacu, 2009b).

In the Mexican Programme for the Preservation of Employment (paros técnicos), the amount of financial support provided by the Federal Government per bimonthly period is 110 pesos per day and per worker. The maximum amount of support for a particular company is 5,100 pesos per worker (Galhardi, 2009). In Uruguay, although Decree No. 316/009 regarding a special system for total or reduced working hours per week are entitled to a payment of 60 or 120 euros per employee per month, respectively. The Law on Partial Refund of Pay Compensation states that workers on the “temporary waiting for work” scheme will receive 85 per cent of their previous salaries: 50 per cent will be covered by the government and 35 per cent by the employer (Skledar, 2009a and 2009b). In Romania, the Government Emergency Ordinance (GEO No. 28/2009) provides that a company temporarily suspending operations and keeping their workers in a “technical unemployment” status must pay its workers an indemnity of a minimum of 75 per cent of their nominal salary. In addition, both the employer and its employees are exempted from the payment of social security contributions for a maximum period of three months (Ciutacu, 2009b).

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Options to reduce working hours have also been implemented in sectoral collective agreements, and even at company/plant level, based on a direct employee-employer agreement or, in some cases, an employer decision justified by the reduced demand for the company’s products or services. In Chile, the “labour training permission” established in Law No. 20.351 on employment protection and promotion of labour training is based on a voluntary agreement between the worker and the employer. In Slovenia, the Law on Partial Subsidisation of Full Working Time establishes that the wage subsidies would be subject to agreement between a company and a representative trade union, or the trade union association at the industry level if the employees in a company are not organized in a trade union (Skledar, 2009a and 2009b). Likewise, in the Czech Republic, “partial unemployment” must be regulated by an agreement between the trade union and the employer if there is an operating trade union at the workplace (Dolezelova, 2009). In Uruguay, in order to access the benefits established in the Employment Preservation Programme, the bargaining of a collective agreement is required (Casanova, 2009).

The contribution of social dialogue and other forms of negotiation

In general, work-sharing schemes are not applied unilaterally by the employer, but rather this is done within a framework of social dialogue with workers, which (as with other working time arrangements) should lead to a higher level of success in implementing such measures. The level and extent of the participation of the social partners in the design of these policies is attributed to differences in the tradition of social dialogue in the various countries and also to the activism of particular governments in the present difficult economic situation. Nonetheless, most of the middle-income countries have implemented work-sharing measures with an important involvement of employer federations and trade unions; for example, in Chile, where Law No. 20.351 is based on the tripartite National Agreement for Employment, Training and Working Protection. This is also the case in Mexico, where the National Tripartite Agreement on Labour Productivity was signed in May 2009 (Galhardi, 2009). The Polish law approved by the government in July 2009 comprises the vast majority of the “Anti-crisis package” drafted by the Tripartite Commission for Social and Economic Affairs in March (Czarzasty, 2009; Semenowicz, 2009). Likewise in Argentina, the importance of social dialogue is reflected in the Programme of Preventive Procedure of Crisis (PPC), which constitutes an instance of negotiation between the parties with government mediation (Bertranaou and Mazorra, 2009).
Work-sharing programme participation and expected beneficiaries

Some examples can help to illustrate the number of workers and/or companies that are expected to benefit from work-sharing measures. In Bulgaria, the National Employment Action Plan will support about 19,000 workers that moved to shorter working hours (Tomev, 2009). In Croatia, the government’s estimates show that state subsidies will protect about 250,000 workers (UATUC, 2009a). In Slovenia, the Law on Partial Subsidisation of Full Working Time has been estimated to subsidize the wages of nearly 250,000 employees (Skledar, 2009a); a similar number of workers will be supported by the work-sharing measures approved under the state aid scheme in Romania (Ciutacu, 2009b). The Polish measures are expected to benefit 60,000 companies and 250,000 workers (Semenowicz, 2009). In Argentina, about 300 companies applied for the PPC procedure from October 2008 to May 2009 (Bertranaou and Mazorra, 2009). In Mexico, until September 2009 (when programme enrolment ended), the Programme for the Preservation of Employment has supported 224 companies (Galhardi, 2009). In Uruguay, initially it was estimated that 4,000 workers would benefit from the Employment Preservation Programme through the Reduction of the Working Week and Training scheme, although it is now expected to assist a larger number of workers (Casanova, 2009). Finally, it is estimated that the Chilean “labour training permission” measure will benefit about 70,000 workers per month (Government of Chile, 2009).

Conclusions

In the context of the global economic and jobs crisis, middle-income countries needed to take actions to reduce the impact of the crisis on employment and maximize the potential for growth in jobs in the coming period of economic recovery. In that sense, the adoption of work sharing has been an important temporary measure to protect existing jobs, support enterprises, further develop employees’ skills, and strengthen social protection.

- Since the autumn of 2008, a number of middle-income countries have developed and implemented work-sharing/short-time work programmes or measures. However, no detailed information about their results is available yet.
- The terminology used for the work-sharing measure, the level of implementation, sectoral coverage, the availability of wage subsidies, training activities and programme participation vary across middle-income countries.
- Work-sharing measures in these countries have generally been national in scope, with participating enterprises mainly in the export-oriented and consumer goods sectors, especially manufacturing industries.
- Such measures involve reductions in employees’ paid working hours, which are complemented by some type of wage subsidy for hours not worked (e.g. partial unemployment benefits) for affected workers in most of these countries.
- Few work-sharing measures in these countries have explicit links with training activities, although there are some notable exceptions (e.g. Chile, Hungary).
- Both workers and employers have been actively involved in the development of work-sharing programmes, a process that can help contribute to success in the implementation of these measures.
- In the current exceptional circumstances, work-sharing programmes should be timely, targeted and temporary in order to maximize their chance of success. In addition, minimizing the administrative burdens for participating companies is another key element in ensuring that measures which exist “on the books” are more likely to be used in practice.

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1 Work sharing is also referred to as “short-time work” and as “partial” or “temporary” unemployment.

2 The implementation of crisis response policies regarding employment to safeguard existing jobs can include measures to allow workers to combine employment with partial unemployment benefits, as well as work sharing and temporary and targeted reductions in social security contributions. Regardless of the specific option used, “social dialogue plays an essential role to ensure fair and inclusive arrangements” (ILO, 2009c).

3 The specific amount of the support depends mainly on the number of workers and the percentage of reductions in sales of the company.
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