NEW REGULATIONS ON SHORT-TIME WORK (KURZARBEIT) –
Supporting Businesses and their Staff During the Corona Crisis

– GUIDELINES FOR WORKS COUNCILS, STAFF COMMITTEES, AND EMPLOYEES –

Status as of December 2020

The Federal Government has changed the regulations for short-time work. Particularly those businesses and their staff that are directly or indirectly affected by the consequences of the Corona crisis shall in this way receive effective support. Short-time work swiftly reduces businesses’ burdens in terms of personnel expenses in those cases where they were obliged to temporarily suspend production or events.

Short-time work means that the employer, in agreement with the works council, reduces an employee's working time. It is also possible to reduce work time by up to 100 percent, i.e. short-time work “0”. For the relevant time, employees are compensated by the Federal Employment Agency, using funds from the unemployment insurance fund. Short-time working helps to maintain and stabilize jobs. Employees can be sure that their jobs will be preserved and employers have the opportunity to react flexibly to demand fluctuations.

In these Guidelines, we provide more details on this approach. It is important that, in addition to employers, works councils also let the Federal Employment Agency advise them on this matter. To this end, they can contact the local Employment Agency, or call the nationwide hotline 0800 45555 20.

Dear colleagues,

the Federal Government has changed several regulations during the Corona pandemic. For this reason, we are also continuously updating these guidelines, including answers to your questions that have reached us in the meantime.

You can access the current version via the following link:
www.dgb.de/schwerpunkt/corona (in German)

Information on questions related to employment law and Corona can be accessed here:
www.dgb.de/-/m72 (in German)

However, we ask for your understanding that individual answers to questions are currently not possible. To this purpose, please contact your competent trade union.

Short-time work helps to avoid layoffs. Despite many applications from the companies this bridge proves solid - mass unemployment was prevented in Germany. This shows the value of a strong welfare state.

The legislator has increased short-time work benefits and has thus met an important demand of the unions. Now it is time for politics – after weighing in all risks – to provide clear perspectives for employees and companies.” –

Anja Piel,
Member of the Executive Board, DGB
What Do the Corona Regulations Look Like?

As per applicable law, work stoppage needs to affect at least a third of a business’s staff. The new provisions reduce this threshold, so that temporarily until the 31st of December 2021 only 10 percent of staff need to be affected by work stoppage.

What is new is that the amount of short-time work allowance depends on the amount of reduction in working hours and the duration of short-time work. It generally represents around 60 percent of the flat-rate loss of net wages in the entitlement period (calendar month) for employees without children and 67 percent for employees with children. If the working time is reduced by more than 50 percent, the short-time work allowance in the first three reference months still represents 60 percent or 67 percent (for employees with children), of the salary for the diminished working hours due to short-time work. Starting from the fourth month however, the amount rises to 70 or 77 percent, starting from the seventh month to about 80 or 87 percent. This regulation is temporary. It has been in effect since March 1st, 2020 and has been extended up until December 31st, 2021 – provided that the entitlement to short-time work allowance has arisen by March 31st, 2021.

What is new is that short-time work benefits can be drawn for up to 24 months. This applies to companies that started short-time work before December 31st, 2020 and applies until December 31st, 2021 at the latest.

Normally, employers need to try to prevent short-time work at all costs. Thus, they are also obliged to try and use the leeway provided to them via working time accounts. The new provisions, however, waive the obligation to accumulate a negative working time balance before issuing short-time work allowances until December 31, 2021, provided that short-time work is introduced by March 31, 2021.

The employer pays only social security contributions in relation to the short-time work allowances. The current system of short-time work allowances does not foresee contributions to unemployment insurance. The new provisions of the regulation state that the employer is reimbursed for the above social security contributions in full until June 30, 2021. Starting July 1st, 2021 up to December 31st, 2021, only 50 percent of the contributions will be reimbursed to the employer – provided the short-time work starts by June 30, 2021.

What is new is that further education and training during short-time work will receive special advancement starting from January 2021.

According to the new provisions, temporary agency workers (“Leiharbeiter*innen”) are also eligible for short-time work allowance until December 31st, 2021, provided that short-time work was introduced in the temporary employment agency by March 31st, 2021. These employees have been excluded from receiving such payments since 2012. The temporary employment agency is the employer of such employees, and thus obliged to submit the necessary applications. In these cases also, the short-time work allowances shall only be granted once work time surpluses (additional hours) have been compensated.
Which businesses may apply for short-time work?

All commercial businesses may apply for permission to conduct short-time work, including businesses devoted to cultural or social matters. Short-time work does not depend on the size of the business. The respective business needs to employ at least one dependent employee.

As a rule, publicly owned companies are excluded from short-time work. However, in case of unavoidable grounds requiring short-term work (e.g. if, by official order, such companies need to shut down), then the respective company can also apply for short-time work for its employees. The unavoidable grounds need to be directly related to the company. The competent Employment Agency will decide whether or not there are sufficient grounds to allow short-time work.

For how long can short-time work allowance be drawn?

In principle, short-time work benefits can be drawn for up to twelve months. However, there are companies that have already worked on short-time work in the past year and are now likely to exceed the twelve months. In order to avoid associated hardship cases, the period for receiving short-time work benefits for employees whose entitlement to short-time work benefits came into force before December 31, 2019, has been extended to up to 21 months, at most until December 31, 2020.

Who can receive short-time work allowance?

Short-time work allowance can be issued to all employees that are liable to social security contributions. Employees who are on leave or who receive sickness benefits prior to the start of short-time work, are exempted from receiving short-time work allowance.

Foreign employees are also entitled to short-time work allowance regardless of their residence status and nationality. However, there are special regulations or exceptions for certain groups that must be considered. See more: [https://www.dgb.de/-/xx1](https://www.dgb.de/-/xx1)

“Mini-jobbers“ are exempted, as they are excluded from the duty of social security contributions.

Trainees usually do not receive any short-time work allowance, as usually, the traineeship should continue even in cases of reduced production. If an interruption of the traineeship cannot be avoided – this should be the case where, e.g., a business is closed due to the Corona virus – trainees may also be included in short-time work. At the same time, the business will need to continue to pay the full traineeship allowance for another six months at least, as the traineeship allowance does not constitute remuneration for a certain work performance, but rather financial support for the trainee to enable him/her to accomplish the traineeship (Section 19 par 1, no. 2 of the Vocational Training Act (BBiG)).

Which law regulates this?

The regulations are based on changes made to the Third Book of the Social Security Code (Drittes Buch Sozialgesetzbuch), where Section 109 par 5 constitutes the respective enabling provision.

Article 11a was introduced into the Temporary Employment Act (Arbeitnehmerüberlassungsgesetz), which authorizes the Federal Government to issue relevant ordinances.

The respective ordinance contains details on short-time work.

[https://t1p.de/sc3e](https://t1p.de/sc3e)
[https://t1p.de/27hi](https://t1p.de/27hi)
(Beschäftigungssicherungsgesetz)
Why is short-time work better than layoffs for employers and employees?

➡️ Jobs will be preserved and work can be resumed flexibly. No long application, hiring and job training processes are required. The trained specialists remain in the company.

➡️ Employers should take into account that dismissals are subject to notice periods during which employees are entitled to receive their full remuneration no matter if they are still working or not.

➡️ Other funds for employers, intended to ensure their liquidity, aim at preserving jobs and are tied to employment guarantees.

➡️ If a later dismissal is inevitable, the period of short-time work will not be counted as unemployment regarding the extent and duration of the unemployment benefit.

➡️ More generous regulations have significantly improved the promotion of further education and training during short-time work. The therefore required procedures have been simplified.

See also: The Work of Tomorrow Act (Arbeit von Morgen Gesetz): New opportunities to promote training and further education. [https://t1p.de/s69a](https://t1p.de/s69a)

Temporary Special Regulations on Unemployment Benefits

Is there an employment security agreement (Beschäftigungssicherungsvereinbarung) between the trade union and the company which:

... reduced the weekly working hours,
... led to lower wages,
... was settled starting March 1st, 2020,

then, if unemployment does occur, it has no negative effects on the amount of unemployment benefit. This means that the unemployment benefit is calculated based on the wages that would have been achieved without this agreement.

This rule applies until December 31st, 2022.

What happens in case of a dismissal during short-time work?

These two types of dismissals are possible during short-time work:

1. Dismissal for operational reasons by the employer
2. Termination of contract by the employee

Regardless of who initiates the termination of contract, the following rules apply:

➡️ In order to be eligible for short-time work allowance, the employment contract cannot be terminated (Section 98 par 1, no. 2 SGB III).

➡️ The eligibility for short-time work allowance ends the day the employer hands out the termination note to the employee (or the other way around).

➡️ Notice periods are to be respected.

➡️ During the notice period employees are entitled to receive the full, undiminished remuneration from their employer regardless of the extent to which the employer can actually deploy them.
How to apply for short-time work?

Step 1:

Notification of the competent Employment Agency of short-time work in a business through the employer

Generally, the employer applies for short-time work allowance. In order to do that, the employer needs to notify the Employment Agency of short-time work in his/her business in writing. The works council’s statement on this matter needs to be attached to the written notification. The respective templates for these documents are available on the website of the Federal Employment Agency.

The submission of the above notification is permissible, if the employer has announced his/her decision to engage in short-time work to the affected employees beforehand. For this purpose, the employer and the works council usually conclude a company-level agreement (see below). In cases where a business does not have a works council, a declaration of consent of all employees affected by short-time work is required (see below). In order to be able to bill the month in which short-time work took place, the written notification of short-time work needs to have been received by the competent Employment Agency by the last day of the month at the latest.

**ATTENTION!**

*If the notification on short-time work is received too late – e.g. due to disruptions of the postal service – short-time work allowances can only be granted as of the following month. Therefore, it is highly recommended to submit notifications digitally!*

*Companies that are already in short-time work do not have to give a new notification in order to have easier access to short-time work allowances and reimbursement of Social Security contributions.*

*Short-time work can also be retrospectively applied for temporary agency workers, starting March 1, 2020.*

Step 2:

Granting of short-time work through the Employment Agency in principle

The Employment Agency examines whether the eligibility criteria exist in the respective case. If the result of the examination is positive, then short-time work allowances will be granted, namely as of the month in which the notification was submitted. After that, the employer has three months’ time in which to submit the payment claim for short term working allowances for the relevant accounting month.

Step 3:

Monthly applications for short-time work allowances by the employer

The employer calculates the short-time work allowance on the basis of the actual working hours and pays it out to the employees. He then applies for reimbursement of the amount he has paid from the responsible employment agency.

**ATTENTION!**

*The application needs to have been received within three months after the expiry of the respective accounting month.*
What role do works councils play?

According to section 87 par 1, no. 3 of the Works’ Constitution Act (BetrVG) the works council has to be fully involved in the decision whether and to what extent a business introduces short-time work. The same applies to the decision if a company returns to its usual working hours e.g. in case of an earlier termination of short-time work. The new regulations didn’t change this. The employer and the works council, as before, need to negotiate a company-level agreement, which settles the details. If expert advice is necessary, we recommend that works councils contact the competent union or seek the support of a lawyer.

What are essential components of the company-level agreement?

- Which other regulations are in force (e.g. collective agreements)?
- Are there any terms of notice that need to be taken into account?
- Begin, end, extent and scheduling of short-time work
- Which divisions/groups of persons shall enter into short-time work, and which shall not?
- The amount of short-time work allowance, as well as employer supplements and subsidies derived from collective agreements, as applicable
- How to handle residual leave from the previous year?
- How to handle working hour accounts?
- Provisions regarding further education and training as well as occupational health during periods of short-time work
- How to inform and involve the works council on a regular basis during the period of short-time work and in further planning?

Under Section 87 of the Works’ Constitution Act (BetrVG), the co-determination of these matters by the works council is comprehensive and obligatory. It is not enough for the employer to merely inform the works council, or to have the works council “rubber stamp” a suggestion made by the employer. The works council needs to be actively involved in the decision on introducing short-time work in the business, and to have a part in developing the respective modalities. If no agreement is reached on these matters between the employer and the works council, a conciliation board shall decide. The conciliation board replaces the agreement between employer and the works council (Section 87 par 2 of the Works’ Constitution Act).

What if there is no works council?

If there is no works council, individual employment law applies.

In businesses with no works council, short-time work always requires the consent of the employees. In some instances, such consent is already included in the employment contract. In such cases, the employer may order the imposition of short-time work. In cases where employment contracts do not contain such clauses, the employer needs to attach declarations of consent of all employees affected by short-time work to the notification of short-time work.

As short-time work is a means to retain employment positions, and is also not charged against a potential receipt of unemployment benefits at a later stage, we would counsel employees to provide such consent. If no consent is reached, the employer may be required to dismiss employees due to altered conditions of employment. The validity of such dismissals may – same as dismissals for operational reasons – be subjected to judicial review within a period of three weeks. We suggest nonetheless that employees – taking into consideration the company’s performance – try to negotiate a top-up of the short-time work allowance with their employer.
What does short-time work mean for employees?

The short-time work allowance should at least partially compensate for the loss of earnings. It is granted only for the lost working hours and amounts to 67 percent of the difference to the employees' net remuneration in cases where employees have at least one child, and to 60 percent of the difference for employees with no children. For short time work starting March 1st 2020 the short time work allowance will rise from the 4th month to 77 or 70 percent and from the 7th month to 87 or 80 percent of the difference to the original net remuneration.

This regulation has been extended until December 31st, 2021 and applies to all employees whose entitlement to short-time work benefits arises by March 31st, 2021.

► If the business has a regulation on flexible working hours, work time surpluses (additional hours) will need to be taken into account pro rata, unless special collective agreements apply. Since such agreements will differ depending on each individual situation, we would advise to contact the Employment Agency in case any questions remain unanswered.

► Annual leave doesn’t have to be used up before the start of short-time work. As a rule, it is sufficient if a vacation planning for the current calendar year is available. Then the employees cannot be expected to take this vacation before receiving short-time work allowance. Residual leave from the previous year needs to be taken or at least planned before the start of short-time work.

► While receiving short-time work payments, employees are generally held to take part in any mediation efforts undertaken by the Employment Agency.

► The short-time work allowances paid by the Employment Agency are tax-exempt. Care will need to be taken during the annual adjustment of income tax to ensure that the paid amounts are taken into account when determining the personal tax rate – especially in cases of joint couple taxation. This leads to an increased tax rate, to be paid on the regular income (progression provision).

A top-up of the short-time work allowance by the employer is tax free up to an amount of 80 percent of the original net wage. This is a new regulation, up until now, this top-up was regarded as taxable wages.

**TIPP**

The website of the Federal Ministry of Labour and Social Affairs (BMAS) provides a good overview on questions and answers concerning labour law and occupational health and safety, translated into ten languages: https://t1p.de/b8wm

**THIS IS IMPORTANT:** Employees are obliged to immediately notify the employer of any changes in their personal circumstances (e.g. changes to their tax category).

Who is not entitled to request short-time work allowance?

The payment of short-time work allowance is linked to the unemployment insurance. Employees who do not have unemployment insurance can thus also not receive short time work allowance.

This includes employees, who have become eligible for standard retirement pensions and could obtain a standard retirement pension starting from the following month, as well as workers in marginal employment (mini-jobbers, see above), persons who are self-employed and who have no employees, and civil servants. Employees receiving sickness benefits are also not entitled to receive short-time work allowance.
Are employees covered by social security schemes while receiving short-time work allowance?

Employees retain their membership in statutory health, care and pension insurance schemes respectively, as well as in unemployment and companies’ accident insurance schemes.

What happens if people get sick during short-time work?

If employees fall sick while receiving short-time work allowance, and are no longer able to work, they are still entitled to receive short-time work allowance for 6 weeks (so-called sickness short-time work allowance).

If the incapacity to work occurs before short-time work allowance is paid, employees are entitled to the continued payment of undiminished wages up to the start of short-time work. From the start of short-time work:

- In the case of short-time work zero: Entitlement to sick pay ("Krankengeld") equal to the amount of the short-time work allowance and paid by the employer, which is to be reimbursed by the health insurance company.
- In the case of partial short-time work: Entitlement to continued payment of wages in the amount of the reduced wage and additional entitlement to sick pay in the amount of short-time work allowance, also paid by the employer.

If the sickness lasts longer than 6 weeks, the employees are entitled to sick pay ("Krankengeld") by the health insurance company.

EXAMPLE: An employee, single and without children, earning 2000 Euro/month is written off sick with effect from 15 March until the end of April. Starting 30 March his/her company introduces short-time work at a 50 % rate. His/her income can be calculated as following:

March 15 – March 29

- Continued payment of wages by the employer for two weeks, on the basis of the renumeration before short-time work (2000 Euro/month)

Starting March 30: 50% short-time work

- Continued payment of wages by the employer on the basis of 50% of the regular income: 1000 Euro
  + 50 % sickness benefit equaling the amount of short-time work allowance at a rate of 60%: 600 Euro
  = 1600 Euro

In case of short-time work at a 100% rate ("Short time work zero") starting March 30 only sickness benefit equaling the amount of the short-time work allowance will be paid.

If the employee’s inability to work is caused by a third person (e.g. traffic accident), the employee must provide his/her employer with the third person’s name and address. The affected employee’s claims towards the third party are then transferred to the Federal Employment Agency in the amount of short-time work allowance due.

What if maternity leave occurs during short-time work?

Pregnant workers lose their entitlement to short-time work allowance starting with the day in which the maternity leave begins. They will receive benefits under the Maternity Protection Act. Before maternity leave begins, there can be a claim to short-time work allowance if and insofar as women are not restricted in their work because of their pregnancy.

TIPP

The responsible health insurance company will answer questions about the prohibition of employment, maternity allowance (depending on the health insurance company and the type of health insurance in question), sickness benefit or child sickness.

Help for parental benefit is available here:

https://t1p.de/lrtn
Can short-time work be used for further education and training?

The short-time work can also be used for further education and training. Works councils and employers should discuss this possibility.

Starting January 1st, 2021, the conditions for the implementation of further education and training during short-time work will be significantly simplified. The employers are reimbursed for part of the costs of the measure, depending on the size of the company.

Requirements:

- The measures should last for at least 120 hours and
- both the measures and their providers must be officially certified.

Unlike in the past, advanced further training falling under the Advanced Further Training Act (Aufstiegsfortbildungsförderungsgesetz)(AFBG), aiming for example at the completion of a foreman’s or technician’s degree, is also possible. The providers and measures have to be certified according to the AFBG.

The employer also receives further support, due to the fact that his part of the employees’ social security contributions are reimbursed by the Federal Employment Agency.

The earlier the further education and training measure is started, the higher the chance that it will be finished before the end of the short-time work.

**ATTENTION!**

*There is basically no possibility of funding for measures, which the employer is required by national or federal state regulations to provide.*

Funding for longer lasting measures, e.g. the subsequent acquisition of a professional qualification or a certificate-oriented qualification (abschlussorientierte Qualifizierung), is still possible under prior law. In these cases, the employer can receive a reimbursement of both the costs of the measure and the wage costs, depending on the size of the company and under the condition that the employees are no longer on short-time work.

**More detailed explanations are available (in German) under: https://t1p.de/wltl**

It is recommended to develop qualification plans in such a way, that free periods of time during unavoidable losses of working hours can be used for measures of further qualification and training.

**ATTENTION!**

*The employment agencies will prioritize putting an end to short-time work over the realization of training and qualification measures. This means that vocational training and qualification will not be accepted as a ground for continuing short-time work. Nevertheless, further education and training do not have to be interrupted or broken off. They can continue to be funded by the Employment Agency even after short-time work has ended.*

**NOTE:**

*For companies where further education and training was already introduced during short-time work before January 1st, 2021, the original funding commitment from the Federal Employment Agency remains valid also beyond January 1st, 2021. Measures introduced before January 1st, 2021 can be continued under the previous conditions.*

<table>
<thead>
<tr>
<th>Start of short-time work</th>
<th>regular reimbursement of social security contributions</th>
<th>with further education and training</th>
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<tbody>
<tr>
<td>before June 30, 2021</td>
<td>until June 30, 2021 100 percent</td>
<td>July 1st to December 31st, 2021 100 percent</td>
</tr>
<tr>
<td>July 1st, 2021 until July 31st, 2023</td>
<td>no refund</td>
<td>50 percent</td>
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</tbody>
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**NOTE:**

*The reimbursement of the measure costs is also possible if the measure lasts longer the period of short-time work, even after Januar 1st, 2022.*
May employees work elsewhere during short-time work?

Those employees, who were already engaged in some form of secondary employment before short-time work was introduced (the first month of receiving short-time work allowance is decisive here), may pursue such secondary employment, without the resulting earnings being offset against short-time benefits.

If a new job is started or the existing secondary job is expanded, new additional earnings regulations will apply from April 1 to December 31, 2020.

- If a second job is taken up during short-time work, the additional earnings will be offset against the short-time work benefits.
- A “Minijob” will not be taken into account nor offset against the short-time work benefits, even if it is started while receiving short-time work benefits. This regulation is temporary, until December 31st, 2021.

What if there is not enough money for living?

If the short-time work allowance received is not enough to cover the costs of living of an employee’s household, he/she may apply for benefits to cover subsistence costs (Hartz IV). In this way, employees with income may receive an additional allowance. As a rule, 20% of the income will not be taken into account when calculating Hartz IV benefits, which means that the amount of payment is higher than if there is no income. This will be assessed in each individual case.

At the suggestion of the DGB, access to Hartz IV benefits was legally facilitated. Savings’ amounts will not be checked by Jobcenters unless they are significant (limit: 1st person 60,000 euros, each additional person plus 30,000 euros). In addition, the actual housing costs are accepted - without checking whether they are appropriate. This applies to Hartz IV applications submitted by March 31, 2021.

Those who are self-employed and who have no employees may also receive benefits to cover subsistence costs if they are not able to receive short-time work allowance and are not receiving any more orders due to the crisis.

ATTENTION!

Instead of Hartz IV, you can alternatively also apply for housing allowance (“Wohngeld”), which is a pro rata subsidy for rent, e.g. an average of Euro 190 for a couple and the child supplement (“Kindergeld”) of max. Euro 185 per child. Nevertheless if the loss of income is very significant – as it is with short-time work zero – Hartz IV is usually the better option.

Info on the emergency child supplement (“Kindergeld”): https://t1p.de/luzj

New Hartz IV rules: www.dgb.de/-/x04

IT IS IMPORTANT to present documentation on the amount of supplementary earnings to the employer, because he must calculate the due amount of the short-time allowance taking into account the diminished working hours and the total earnings (including possible top-up amounts).