

[IZA News](#)[About IZA](#)[Organization Chart](#)[People](#)[Research](#)[Labor Policy](#)[Publications](#)[Discussion Papers](#)[Policy Papers](#)[Standpunkte](#)[Books](#)[Research Reports](#)[IZA Compact](#)[IZA in the Press](#)[Publication Record](#)[Journals](#)[Events](#)[IZA Prize / YLE Award](#)[Teaching](#)[Links / Resources](#)[Press](#)

IZA



Short-Time Work Benefits Revisited: Some Lessons from the Great Recession

by Tito Boeri, Herbert Brücker

(April 2011)

published in: Economic Policy, 2011, 26 (68), 697-766.

Abstract:

The Great Recession triggered a resurgence of short-time work (STW) throughout the OECD. Several countries introduced scratch STW or significantly expanded the scope of the programmes already in place. In some countries like Italy, Japan and Germany between 2.5 and 5 per cent of the workforce participated in short-time work schemes at the trough of the recession. In this paper we analyse the rationale for short time work benefits and their effects on labour adjustment from both a cross-country and a time-series perspective. We find that STW actually contributed to reduce job losses during the Great Recession. However, the number of jobs saved, according to our macroeconomic estimates, is smaller than the full-time equivalents jobs involved by these programmes, pointing in some cases to sizeable deadweight costs. Other institutions, like plant-level bargaining over hours, wages and employment levels may be more effective than STW in encouraging adjustment along the intensive margins in presence of temporary shocks. Our results also suggest that STW cannot be readily extended to countries having much different institutional configurations as the demand for STW is very much affected by other institutions such as employment protection legislation and the degree of centralization of collective bargaining. The micro evidence from firm-level data in Germany is more encouraging as to the effectiveness of STW, pointing to rather moderate deadweight losses. We interpret this result as due to specific design features of the German STW that could make it more effective in addressing the moral hazard problems related to reliance on subsidised hour reductions. The German Kurzarbeit scheme is indeed discouraging 100 per cent hours reductions and is experience-rated.

Text: See [Discussion Paper No. 5635](#)



[Back](#)