

Job retention schemes in Europe

Ireland

Ger Gibbons¹

Note on ETUI classification of job retention schemes (JRSs): All job retention schemes (JRS) share the objective of preserving the ties between companies and their employees in times of temporary economic difficulties. They support incomes of workers who keep their employment contract even if the work is fully suspended. Depending on the primary objective and the nature of support, three different categories of JRS can be distinguished:

(1) Short-time Work Scheme (STW): The key objective of STW schemes is to provide support to companies to retain their employees in times of economic difficulties. The company receives financial support for the employees' wages paid for the time not worked. The extent of working time reduction can vary, including also a full work suspension.

(2) Furlough Scheme (FS): FSs can be best understood as temporary unemployment. The financial support is thus paid directly to the worker for the period of partial or full working time suspension. The aim of a FS is to enable companies to reduce their wage bill by temporarily laying off (parts of) their workforce. While retaining the ties with the employer, workers on the FS scheme are available to seek alternative employment. Integrated into the existing system of unemployment insurance, FSs can be seen as a tool to facilitate the transition towards a new job.

(3) Wage Subsidy (WS): The main objective of WS is to preserve employment through subsidizing companies' wage bills. For this purpose, a company in temporary financial difficulty receives financial support per employee, regardless of whether or not working time of specific employees is reduced. The employees keep receiving their wages. Permissible wage adjustments are not directly related to working time reductions.

Key characteristics of the job retention scheme

ETUI classification of the job retention scheme (JRS)

Wage Subsidy (WS): Employment Wage Subsidy Scheme
Furlough Scheme (FS): Short-time Work Support

Name of the scheme

In Ireland there are two schemes: the Employment Wage Subsidy Scheme (EWSS) in operation since 1 September 2020 and a permanent Short-Time Work Support Scheme. Since the latter did not play a very prominent role during the pandemic the key focus in this report will be on the EWSS.

It should be noted that Ireland has had a 'systematic short-time working' payment for many years, renamed 'Short-Time Work Support' in early 2020. Despite these titles, this is not a short-time work scheme as commonly understood. A Central Bank of Ireland paper (Lydon et al. 2018) described it as 'effectively a partial social transfer administered by the unemployment benefit system' and contrasted it to short-time work schemes in other European countries which, it said, are subject to 'stringent rules and conditions' and which 'tend to be entirely separate from the unemployment benefit system'. The Irish government also describes this as 'a form of Jobseekers' Payment (which is a flat-rate payment to fully or partially unemployed adults who have paid sufficient pay-related social insurance contributions) and as 'an income support payment for people who have been temporarily placed on a shorter working week by their employers' (Government of Ireland 2020).

In response to calls and proposals from trade unions in particular, the government has indicated to the social partners its willingness to consider the introduction of a scheme closer to the German Kurzarbeit (short-time working) scheme. No firm proposals have yet been tabled, however. On 1 June 2021, the Government announced that the short-time work scheme 'will be reviewed and refined as necessary, in line with international best practice by 2022.'

1. Irish Congress of Trade Union (ICTU).

The dates of extension and key changes involved are as follows:

The EWSS was introduced from 1 September 2020, at a weekly rate of €151.50 for employees earning between €151.50 and €202.99 per week, and of €203 for employees earning from €203 to €1,462 per week (only).

On 19 October 2020, the government announced the revised rates provided in the table below (that is, response to question on level of support for employees) with effect from 20 October 2020 to 31 January 2021.

On 6 January 2021, the government announced the extension of the 'enhanced subsidy rates' to apply to pay dates from 1 February 2021 until 31 March 2021.

On 25 February, the government confirmed that the EWSS would remain in place until 30 June 2021. On 1 June, it announced that it would be continued until 31 December 2021.

The original rules for the eligibility of 'proprietary directors' were also changed before the EWSS formally replaced the TWSS in September 2020.

Start date of the implementation of the special Covid-19 JRS rules	The Temporary Wage Subsidy Scheme (TWSS), introduced on 26 March 2020, ceased on 31 August 2020 and was replaced by the Employment Wage Subsidy Scheme (EWSS) from 1 September 2020.
Eligibility	<p>The EWSS is available for employers <i>who keep staff</i> on their payroll during the pandemic and whose employees are temporarily not working or on reduced hours or reduced pay (or both).</p> <p>The current eligibility rules (from 1 January 2021) require employers:</p> <ol style="list-style-type: none"> (1) to have a valid tax clearance certificate and to maintain tax clearance 'for the duration of the scheme'; (2) to have experienced a minimum 30% decline in turnover or customer orders from 1 January 2021 to 30 June 2021 compared with the: <ul style="list-style-type: none"> • same period in 2019, where the business operated for the whole of the comparable period in 2019; • period from the date of commencement to 30 June 2019, where the business commenced trading between 1 January and 1 May 2019; • projected turnover or customer orders from 1 January 2021, or date of commencement, to 30 June 2021, where business commenced after 1 May 2019 (this is compared with what projections may have been if the Covid-19 pandemic had not occurred); (3) and the disruption must have been caused by Covid-19.
Exceptions (category of workers or companies excluded from support)	<p>An EWSS subsidy can be claimed in respect of employees of an impacted business on the payroll and in receipt of gross wages of between €151.50 and €1,462 per week during the period of the scheme. In other words, employees earning less than €151.50 or more than €1,462 a week are ineligible.</p> <p>The following employees are also ineligible:</p> <ul style="list-style-type: none"> • employees working for more than 50% of their work in a business division or related group entity that is not expected to suffer a 30% reduction; • employees employed other than as part of a business (for example, domestic employees, such as childminders, housekeepers, gardeners, etc). <p>In addition, 'connected parties' (for example, brothers, sisters, linear ancestors, linear descendants, aunts, uncles, nieces, nephews of an individual and their spouse) who were not on the payroll and paid at any time between 1 July 2019 and 30 June 2020 are also ineligible. A person is connected to a company if they alone, or together with their connected parties, can exercise or acquire control of more than 50% of the issued share capital or voting rights, the greater part of distributions, or the greater parts of assets distributed on winding up.</p> <p>It was also originally the case that 'proprietary directors' (that is, a director who can control, either directly or indirectly, more than 15% of the share capital of a company), would be ineligible for the EWSS but this was changed before the EWSS replaced the TWSS on 1 September 2020 to allow them to take part, provided that:</p> <ul style="list-style-type: none"> • the proprietary director is on the payroll of the eligible employer, and • the proprietary director was paid wages which were reported to Revenue on the payroll of the eligible employer at any stage between 1 July 2019 and 30 June 2020. <p>There is no requirement for there to be other employees in the company claiming EWSS in respect of the proprietary director. Furthermore, where a person is a proprietary director of two or more eligible companies, a claim for EWSS can be submitted only in respect of one company, and the choice once made cannot be changed.</p>
Duration of support (maximum duration for which JRS support is paid)	The EWSS is due to run until 30 June 2021.

Level of support for employees (percentage of gross or net wage, please also specify whether social security contributions are covered)

Whereas under the previous Temporary Wage Subsidy Scheme, where the Revenue's guidance documents stated that an 'employer is expected to make best efforts to maintain the employee's net income as close as possible to normal net income for the duration of the Subsidy period' (for example, Revenue, 27 August 2020), there is no similar guidance in the Revenue's guidelines for the EWSS.

The level of wage subsidy to employers depends on the employee's gross earnings. The current levels of weekly wage subsidies are as follows:

Gross pay per week	Subsidy rates
Less than €151.50	No subsidy applies
€151.50–€202.99	€203
€203–€299.99	€250
€300–€399.99	€300
€400–€1,462	€350
Over €1,462	No subsidy applies

Because the EWSS (and the TWSS before it) entails (different) **flat rate** subsidies linked to gross earnings and was not designed to represent a specific replacement rate it is not possible to state precisely what level of support for employees it provides as a percentage of employees' previous gross or net earnings.

With regard to the previous TWSS, it may be worth noting that a 2020 Central Bank of Ireland paper estimated that the average subsidy peaked at €330 per week (net) in May 2020. This paper assumes that the average (employer) 'top-up' was €140 per week (gross). Based on earnings data from Ireland's Central Statistics Office showing that non-manager/non-professional workers earned around €466 per week net pre-Covid (Q4 2019), it estimates that 'for the average TWSS recipient receiving a subsidy of €330 and a top-up of €140, this suggests a close to 100 per cent "replacement rate", below management level *at this time*' (emphasis in original) (Keenan and Lydon 2020: 5).

It is important to be aware that Revenue estimates of 'top-ups' relate to weekly-paid employees 'in receipt of *at least one-top up*' from their employer. The Revenue did produce data for the number of employers paying top-ups in the early months of the TWSS, but not in the late months. For example, for the week ending 30 April 2020, it estimated that 14% of all employees whose employers were in receipt of the TWSS did not receive a top-up, including 28% of employees in *accommodation and food services*, 21% in *construction* and 21% in *human health and social work*.

With regard to social security, if an employment is eligible for the subsidy, the employees pay their normal PRSI (pay-related social insurance) and a reduced 0.5% rate of employer's PRSI applies.

In addition to the wage subsidy under the EWSS, which the employer is obliged to fully pass on to the employee, the employee may also be entitled to receive a short-time work support payment. This can be paid (tax-free) to eligible employees whose working time is reduced by between two and four full working days. To receive this payment, an employee must have paid sufficient social security contributions. The rate of payment depends on the average weekly earnings in the governing contribution year and the change in work pattern. The basic level is €40.60 per day to a maximum of €162.40 per week (i.e. for four days) which is equivalent to 4/5 of the weekly Jobseeker payment of €203 (it covers only full days lost). For example, if the employee is placed on a three-day work pattern, having previously worked five days, the employee may be entitled to up to €81.20 for the two days they are no longer working. This represents two-fifths of the maximum weekly flat-rate Jobseeker's Benefit of €203 per week and slightly higher rates if there is a qualified (that is, 'dependent') adult or child. The maximum duration of payment of the short-time work support is 234 days depending on the number of PRSI contributions paid by the employee.

If the employees are not eligible for the short-time work support payment, they may be entitled to receive the casual (part-time) jobseeker payment for their full days of unemployment, again if they meet the eligibility criteria; it should be noted, however, that this payment is aimed at part-time workers looking for full-time work. Or they could also apply for means-tested payments.

Cap on support (maximum amount of JRS support payable)

The maximum amount of EWSS subsidy that is payable to an employer is €350 per week (that is, for an employee whose gross pay is between €400 and €1,462 a week).

What share of the support is covered by the state and by the employer?

100% of the EWSS subsidy is paid by the state.

Dismissal protection	<p>No. The Revenue's guidance (Revenue 2021) states: 'The scheme does not affect any legal obligations that the employer may have to their employee as regards the terms, conditions or entitlements of their employment, including pay. However, if eligible employers <i>choose to retain eligible employees on the payroll</i> while the business is wholly or partially closed, EWSS can still be claimed in respect of wage payments made to those employees.'</p> <p>Furthermore, it should be noted that, while under Section 12 of the Redundancy Payments Act, an employee can usually apply for a redundancy payment if they have been on temporary lay-off or short-time for a period of four continuous weeks or six non-continuous weeks within a thirteen-week period, and that if an employer took advantage of the EWSS and 'continued to pay their employees', this time is 'counted as reckonable service for calculating statutory redundancy'. However, under Section 29 of the Emergency Measures in the Public Interest Bill 2020, during the current 'emergency period' an employee is not entitled to seek a redundancy payment from their employer as a result of being placed on temporary lay-off or short-time (Government of Ireland, 17 February 2021).</p> <p>This suspension of employees' right to seek a redundancy payment from their employer has been extended on a number of occasions by the government, and currently applies up to 31 March 2021.</p>
Role of collective bargaining in the adoption and implementation of JRS support	<p>There is no role for collective bargaining in the adoption and implementation of EWSS support.</p> <p>It should be noted, however, that the TWSS, which preceded the EWSS, originated in early March 2020 proposals from the Irish Congress of Trade Unions at the onset of the pandemic (ICTU, 4 March 2020), which were immediately discussed at some of the state's social dialogue fora.</p> <p>As stated above, the government has indicated to the social partners over the past year and more recently its willingness to consider the introduction of a scheme closer to the German <i>Kurzarbeit</i> scheme.</p>
Special conditions for support to avoid misuse of the system (for instance, ban on paying out dividends or bonuses; ban on share buybacks or operating from tax havens)	<p>None. The Minister of Finance stated in October 2020 that he has 'been advised by Revenue that the question of what dividends a company may or may not be in a position to pay to shareholders in 2020, in the light of the impact of the Covid-19 pandemic on the employer's business, are matters that are outside the remit of the TWSS and EWSS.'</p> <p>It should be noted, however, that the Revenue provides guidance on legislation that was proposed by the government and adopted by the <i>Oireachtas</i> (Parliament), in which the government has a majority.</p>
Special provisions as regards training/ requalification/ reorientation of employees on JRS	None.

Quantitative data

How many workers were on JRS each month? (Please indicate whether these are applications for JRS or the actual numbers of workers on JRS)		Data refers to number of employees in receipt of TWSS and EWSS. No data for applications (Source: Revenue, 25 February 2021)
March 2020		49,100 (TWSS began on 26 March)
April 2020		327,300 (week to 1 May)
May 2020:		337,300 (week to 29 May)
June 2020		300,600 (week to 3 July)
July 2020		337,700 (week to 31 July)
August 2020		289,400 (week to 28 August)
EWSS July/August 2020		30,600 (EWSS claims for July/August in respect of newly or seasonally hired employees who were ineligible for the TWSS)
September 2020		347,500 (Revenue now providing data by month)
October 2020		348,200 (as above)
November 2020		272,900 (as above)
December 2020		321,100 (as above)

Which sectors were most affected at the beginning of the pandemic in March/April and towards the end of the period studied in November/December? (as a percentage of overall number of workers on JRS)

The TWSS was introduced on 26 March 2020 and was replaced by the EWSS on 1 September 2020.

No data is yet available for the distribution of EWSS employees by economic sector (CSO, 5 February 2021).

The table below is therefore based on Revenue Commissioners' data for the week ending 30 April 2020 (Revenue, 30 April 2020) and the 2020 Central Bank of Ireland paper discussed above (Keenan and Lydon, October 2020)

	End April	End August
Wholesale & retail	25%	19%
Manufacturing	14%	10%
Construction	11%	8%
Accommodation and food services	10%	24%
Professional and technical services	9%	6%
Transport and storage	6%	5%
Administrative and support services	6%	5%
Human health and social work	5%	5%
Arts, entertainment and recreation	3%	8%
Education	2%	2%
Others	9%	8%

Is there any data on how much money the state spent on JRS and over time? (in absolute figures and as a percentage of GDP)

The Revenue (Revenue, 25 February 2021) indicates that:

the cumulative cost of the TWSS from 26 March to 3 September 2020 was **€2,844 million** (the EWSS replaced the TWSS on 1 September 2020).

EWSS payments to the end of December amounted to €1,406m and a further €250m in Employer PRSI (i.e. social security) forgone due to the reduced rate of PRSI on wages paid which are eligible for EWSS, making **€1,656 million** in total.

The estimated cost to the Exchequer of TWSS and EWSS over the period 26 March to 31 December is therefore **€4,500 million** (i.e. including employers' PRSI foregone).

Based on the Government's October 2020 projections for Budget 2021 (Government of Ireland, October 2020), this €4.5 billion amounts to approximately 1.3% of nominal GDP and approximately **2.2% of nominal GNI***, which adjusts for globalisation activities that disproportionately affect Irish economic aggregates (CSO, 2019).

Information on non-standard workers and JRS²

Do non-standard workers (NSW) have access to the regular JRS scheme or are there other support schemes, for instance for the self-employed? ³	<p>The Revenue's guidance for the EWSS does not directly address the situation of non-standard workers or the self-employed, but does state (Revenue, 3 February 2021) that the EWSS is an 'economy-wide enterprise support for eligible businesses in respect of eligible employees'.</p> <p>It should be noted that the Revenue's guidance for the TWSS had stated that 'self-employed individuals [could] apply directly to the ... COVID-19 Pandemic Unemployment Payment scheme rather than through the subsidy scheme.' (This is a payment of between €203 and €350 a week, that is, linked to previous earnings.)</p> <p>There are a number of other income support schemes available to the self-employed (Government of Ireland, December 2020). A self-employed person:</p> <ul style="list-style-type: none"> • who has been officially told to self-isolate or restrict their movements can apply for an Enhanced Illness Benefit for COVID-19 of €350 per week; • can earn up to €960 gross over 8 weeks in their self-employment and keep their Covid-19 PUP; • who was getting the Covid-19 PUP or a jobseekers' payment but is returning to work part-time (that is, less than 24 hours per week) can apply for the COVID-19 Part-Time Job Incentive for the Self-Employed. Under the scheme, there is no income limit on their part-time earnings. The personal rate of payment for this scheme is €128.60 a week (and €209.70 if they were paid the increased amount for a qualified adult' dependent on their previous jobseeker's claim); • who is closing their Covid-19 PUP or a jobseeker's payment and reopening their business can apply for the Enterprise Support Grant for businesses impacted by Covid-19 (ESG), which provides up to €1,000 for expenditure associated with restarting their business; • who was getting the Covid-19 PUP and want to set up their own business can apply for the Back to Work Enterprise Allowance Scheme (BTWEA) and qualify for a jobseeker's rate of payment; • who qualifies for either a Jobseeker's Benefit or Jobseeker's Benefit for the Self-Employed, can apply for the Short Term Enterprise Allowance to help them start their own business; • who is self-employed and is getting certain social welfare payments, can apply for the Back to Education Allowance (BTEA) if they wish to attend second or third level education; • can apply for up to €1000 per year to retrain with the Training Support Grant; • can apply for a number of means-tested payments.
What are the eligibility criteria?	See above.
How is the financial support for non-standard workers calculated?	See above.
Which sectors were most affected in terms of providing support to non-standard workers?	Not available.
Are there any measures for training/requalification/reorientation for non-standard workers?	See above.

References

- CSO (2019) Information Notice – Modified Gross National Income at Current and Constant Market Prices.
- CSO (2021) Live Register January 2021, 5 February 2021.
- Government of Ireland (2020) Short-Time Work Support (last updated 9 November 2020).

2. Non-standard workers include workers with a temporary work contract, platform workers, temporary agency workers, multiparty employment, disguised employment/dependent self-employment, freelance workers, etc.
3. The following questions refer to any existing schemes for non-standard workers.

Government of Ireland (2020) Social Welfare Schemes available to a self-employed person (last updated 14 December 2020).

Government of Ireland (2020), Budget 2021: Economic and Fiscal Outlook, October.

Government of Ireland (2021) Covid-19 Information for Redundancy Payments Scheme, 17 February.

ICTU (2020) Letter to An Taoiseach (Prime Minister) regarding Covid-19 outbreak – implications for workers, 4 March. https://www.ictu.ie/download/pdf/letter_to_taoiseach_4_march_re_covid_19_implications_for_workers.pdf

Keenan E. and Lydon R. (2020) Wage subsidies and job retention, Central Bank of Ireland Economic Letter Vol. 2020, No. 11, October 2020.

Lydon R., Mathä T.Y. and Millard S. (2018) Short-time work in the Great Recession: firm-level evidence from 20 European countries, Central Bank of Ireland Research Technical Paper.

Revenue (2020) Frequently Asked Questions (FAQ V18) on: Guidance on the Operational phase of the COVID-19: Temporary Wage Subsidy Scheme which commenced on 4 May 2020, 27 August.

Revenue (2021) Guidelines on the operation of the Employment Wage Subsidy Scheme, 3 February.

Revenue (2021) Covid-19 Support Schemes Statistics (as at 25 February 2021).