

# **An Outdated Instrument of Labor Market Policy revived: Short-Time Work in Germany**

by Claudia Bogedan  
Institute for Economic and Social Research (WSI)  
in the Hans-Boeckler-Foundation,  
Hans-Boeckler-Str. 39,  
D- 40476 Duesseldorf, Germany,  
Email: claudia-bogedan@boeckler.de,  
fon. +49 211 77 78 383.

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## **Synopsis:**

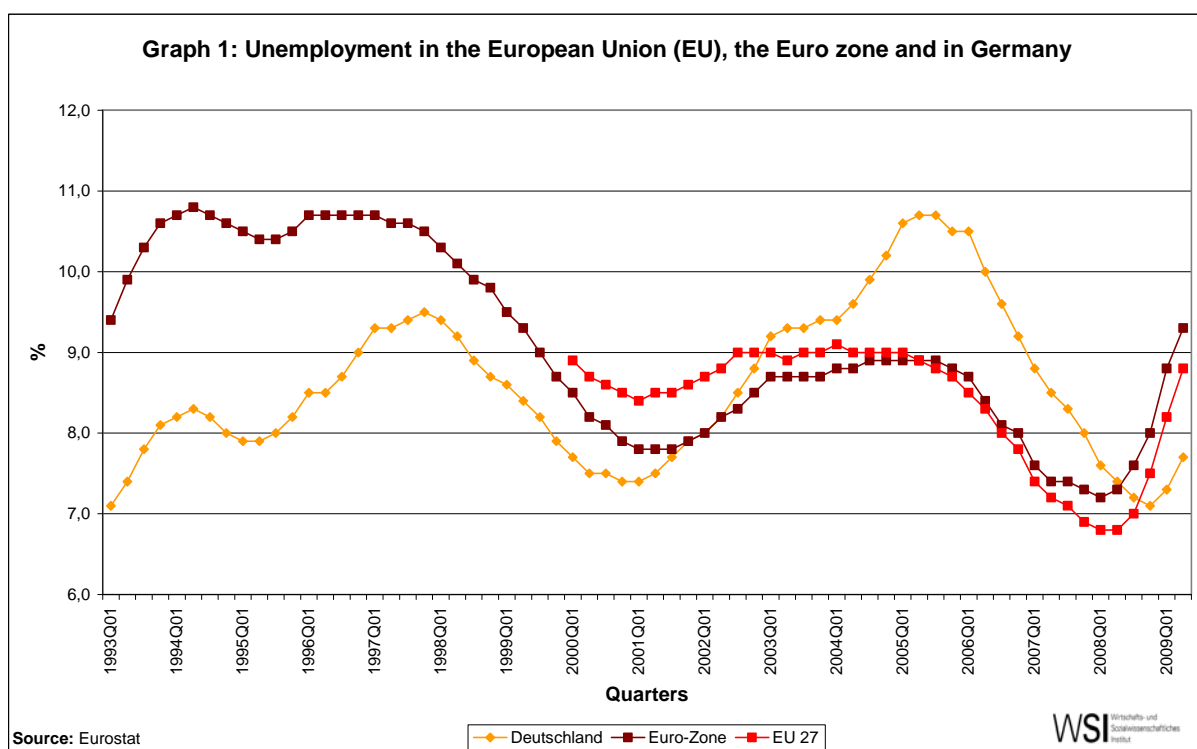
During the economic crisis, the focus in Germany was on one particular labor market policy instrument more than any other – the short-time work allowance (STWA). If the cyclical short-time work allowance as a labor market policy instrument played practically no role before that time, the federal government at the time reactivated this instrument in reaction to the global financial and economic crisis in 2008 by easing access to it and extending the benefit period. However, in contrast to other downward phases, it has been shown, that the cyclical trend does not alone explain the application of these particular instruments. It is politics that matters, too. It is the government that decides whether STWA is modified in a way that firms can/will make use of it.

# An Outdated Instrument of Labor Market Policy revived: Short-Time Work in Germany

## 1. Safeguarding Employment during the crisis

As a result of the global financial and economic crisis, the economic downturn in Germany during 2008 was similarly steep as in other European countries: GDP declined by 6.7% between the beginning of 2008 and the first quarter of 2009. In the last quarter of 2008, gross national product dropped by 2.4% and in the first quarter of 2009 by 3.5% compared with the previous year. The metalworking industry and the chemical industry were hit the hardest by the recession in 2008 and 2009, whereas health, social service and education were hardly affected in 2008 and 2009. But unlike the change in the gross domestic product (or GDP), the labor market in Germany reacted in a clearly more robust manner.

Graph 1 highlights the German “Sonderweg” in unemployment in the recent recession: The German labor market reacted later and weaker to the economic slump.



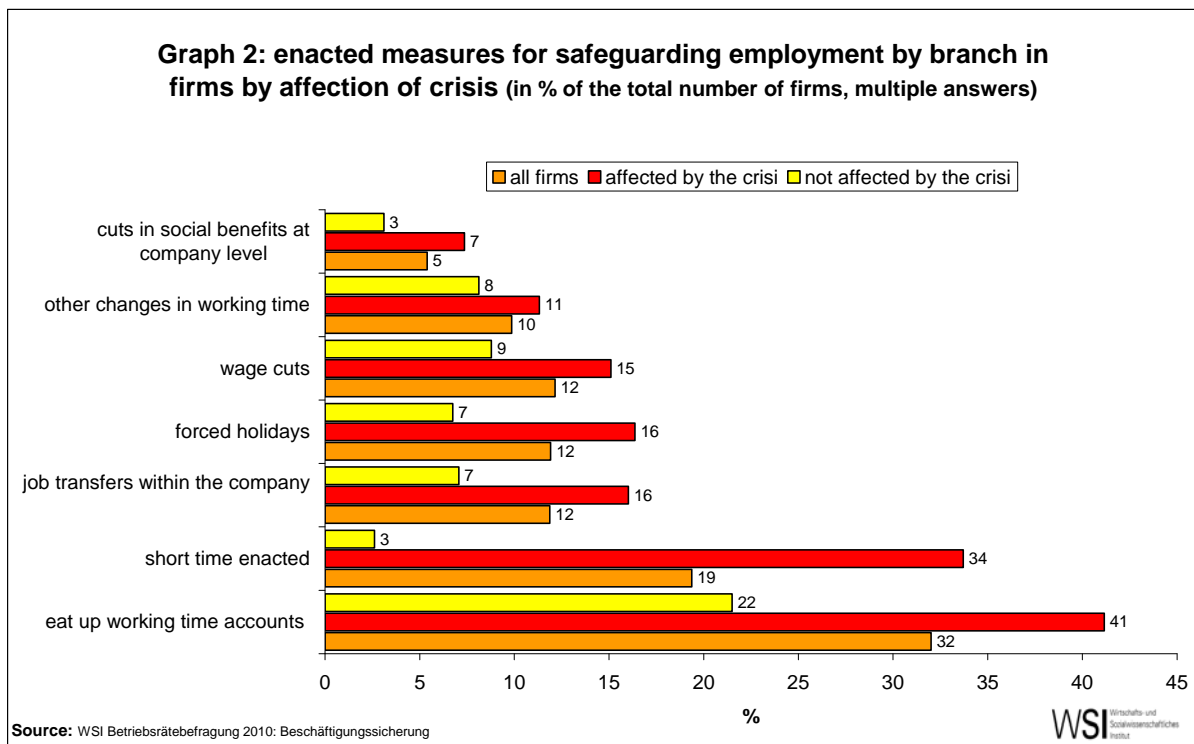
The German labour market development since the beginning of the recession has been labelled a ‘job miracle’, since unemployment increased below EU-average. According to figures by the Federal Statistical Office in 2009, full-time employment subject to social security contribution decreased by only 1.1%, whereas part time work rose by 2.3%.

The moderate unemployment trend in a European perspective is not only credited to part-time employment, but it is also due to flexible working time arrangements that helped to prevent a more significant increase in unemployment in the wake of the sharp decline in demand. During this recessive phase with short-time allowance (STWA), working hours accounts and reductions in working hours at the company level three pillars were available and appear to have given the employment bridge a solid hold. The real significance of these three instruments varies of course according to the individual case; that means that in places where the safeguarding of jobs is attempted, various measures are used.

In order to learn more about these business activities we have carried out a special WSI Works Council Survey on the effects of the economic crisis (Bogedan et al. 2009b). The survey asked – *inter alia* – works councils whether the company was affected by the crisis and which measures had been taken to maintain employment and avoid forced dismissals.<sup>1</sup> The results show that 51% of all establishments with a works council are affected by the crisis. The crisis affects in particular sectors like raw materials and investment goods. Whereas 78% of establishments in the raw materials and capital goods sector and 75% of those in the investment goods and durables sector took measures aimed at safeguarding employment, this was the case in only 18% of establishments in the financial services sector. However, only a minority of companies have massively laid off workers. Companies have used a wide variety of measures aiming to tackle the crisis by cutting labour costs while avoiding dismissals. The most widespread measure is the use of working time accounts to reduce effective working time (see Graph 2). In total, 30% of companies made use of working time accounts either in the form of a reduction of hours saved in individual accounts or in the form of working time credits which will have to be worked in the future when business recovers. The second most widespread measure is the introduction of short-time work. Other measures include the internal posting of employees and adjusted schemes for paid leave, as well as cuts in pay and benefits. Nonetheless, job cuts have also occurred in various ways (Bogedan et al. 2009b).

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<sup>1</sup> Its results are representative for companies with 20 or more employees and a works council. The survey involved 2,324 works councils and was conducted between July and September 2009.



In a cyclical decline, the safeguarding of existing employment relationships is at first the key task of employment policy. In order to build such an employment bridge, which, figuratively speaking, has the function of helping to bridge the temporarily existing cyclical trough, various instruments of 'internal numerical flexibility' (Keller/Seifert 2007) are available through which layoffs may be avoided or limited. Therefore, the ruling grand coalition government in Germany had, effective 1 February 2009, reregulated the short-time work allowance (STWA). Within the so-called 'Stimulus Package I', access to benefits and the benefits themselves were designed more generously. As a result, the number of recipients (female and male) of cyclical short-term work allowances compared to the year before, i.e., from December 2008 to December 2009, increased from 200,780 to 809,680. The number of businesses that had reported economically conditioned part-time work even climbed to 52,939 in December 2009, compared to 6,864 businesses in the same month the previous year.

Consequently, a presumably dead instrument of active labor market policy underwent an unexpected renaissance. In the first big recession of West German postwar history resulting from the oil crises of the 1970s, the STWA was already being used with the aim of bridging the cyclical downturn and preserving jobs. In the labor market crisis that followed the reunification of the two Germanys in the 1990s, one again resorted to the STWA, since it could be implemented quickly even in the new German states ('Bundesländer') without any particular preconditions.

To what extent, if at all STWA is used to avoid dismissals is insofar the result of politics. In contrast to other downward phases, the paper shows, that the STWA was

used extensively only if political decision-makers readjusted the instrument in order to make it attractive for businesses to use it. Thus, the cyclical trend does not alone explain the application of these particular instruments, political perceptions and changes in the overall labor market policy (LMP) influence both, politicians and employers.

In its second part, this paper, therefore, starts with a brief history of LMP in Germany and how the role of the STWA among the LMP-instruments has changed over time. In the third part different economic downswings since the 1970s and the application and regulation of STWA. Finally, the paper provides a preview on central questions for future research helping to understand the strength of STWA as an “employment bridge”.

## **2. The Role of the STWA Among Labor Market Policy Instruments**

Since the introduction of an active labor market policy (ALMP) in the Federal Republic of Germany through the Employment Promotion Act (EPA) of 1969, the STWA came to play the role of contributing to the conservation and creation of jobs. It thereby supplements both ALMP measures and the protection – considered ‘passive’ – provided by unemployment compensation. In a broader understanding of the term, this insurance benefit may also be seen as part of employment promotion. The reason for this is that unemployment compensation also promotes mobility in the labor market and hence the mobility and flexibility of employees. Unemployment compensation and the STWA were thus ascribed the double role of, on the one hand, protecting employees from losses in income during cyclical fluctuations and, on the other, facilitates an effective job search and support for employability. Moreover, in terms of cyclical economics it also acts as an automatic stabilizer, for it helps to prevent (drastic) losses in income and consumption, which in turn are intended to stabilize aggregated demand and thereby protect against further job cuts.

Since 1969, however, the demands placed on an active labor market policy have changed fundamentally. Not least through the reform of Social Insurance Codes II and III (the Hartz reforms), the demands, objectives and measures of the ALMP were reorganized (Bogedan et al. 2009a; Oschmiansky/Ebach 2009).

### ***2.1 The early beginning of active labor market policies and the oil crises***

In 1969 it was the grand coalition made up of the CDU/CSU and the SPD under Chancellor Kurt Georg Kiesinger that in response to the temporary economic slump of 1966–1967 introduced the Employment Promotion Act. Underlying the EPA was the understanding that the ALMP was part of a general employment policy aimed at helping to control cyclical, frictional, seasonal and even structural unemployment. ALMP overall promises an improved performance of the labor markets (Bosch/Priewe 1982; Kühl 1994). The end of the ‘short dream of eternal prosperity’ that resulted from

the oil crises of the 1970s placed new demands on the ALMP. Following a phase of full employment, the fight against unemployment now became the new objective. At the same time, the overriding trend in the 1970s and 1980s was one of expansion of benefits. This was, nonetheless, repeatedly interrupted by measures aimed at consolidation and saving. Especially in the area of bridging the seasonal and cyclical fluctuations of the labor market, benefits were increased or reintroduced. In 1982, because of the increasing expenditures (from 0.51 percent of GDP in 1969 to 2.18 percent of GDP in 1982), clear limitations on benefits were decided, which also affected unemployment compensation and unemployment assistance. Even during the phases of cyclical recovery, there was, however, no success in reducing the unemployment of certain problem groups, so that from each downturn there remained a substratum of unemployment and the previous level of employment was no longer achieved.

## ***2.2 Labor Market policy in the wake of reunification***

With German reunification, this problem was aggravated. The West German employment promotion law was transferred to the new German states. The rapid increase in unemployment between 1990–1991 in east Germany went hand in hand with a decline in total man hours of nearly one-fifth (data of the German Institute for Employment Research). Given the sharp increase in unemployment as a result of reunification, the expenditures of the German Federal Employment Agency (FEA) grew rapidly (they jumped from 1.92 percent of GDP in 1990 to 2.4 percent in 1991).

In order to dampen expenditures, cuts in benefits were made beginning in 1994. As early as 1993, it has been possible for the Federal Ministry of Labor to bring into force the budget of the FML against the will of the board of the self-administered FEA. In 1994 the repeal of the FML's monopoly on employment services followed. In 1997 the Employment Promotion Act went into effect and the integration of the EPA into Social Insurance Code II and III (SIC III) followed. This was associated with a decentralization of labor market policy, which gave job centers greater leeway in discretionary measures. At the same time, the problem of unemployment continued to grow. Whereas at the introduction of the EPA in 1969 the rate of unemployment barely came to 0.9 percent, it continued to rise and reached its highest point in 2005 at 13.4 percent. As a consequence, the problem of long-term unemployment became the major challenge. The trend in unemployment since the severe economic crisis at the beginning of the 1970s (the oil crisis) and until 2005, thus, consequently shows a staircase pattern, since from each downturn some hard-core unemployment remained (Hysteresis-effect). Only during the latest downturn could this pattern be broken. At that time in order to combat the rising unemployment rates measures to promote a second labor market were extended up to a rate of almost one third of the total spending of ALMP extended Oschmiansky (Oschmiansky/Ebach 2009). Subsequently

doubts on effectiveness of the STWA and the ALMP in total grew, which paved the way for a shift from demand-control to a supply-side orientated activation.

### **2.3 From active labor market policy towards activation**

With the Job-AQTIV Act of 2002, this change from an active to an activating labor market policy can be seen to emerge. It was followed by the four laws on modern services in the labor market, the so-called 'Hartz Reform'. With these acts, there was then a definitive break with the logic that had previously prevailed. Instead of job conservation and the creation of new employment relationships, from now on the conservation and creation of individual employability would be the goal of the ALMP. Instead of protection against underemployment, the acceptance of any kind of job would now be the goal of successful job placement. To this end, the willingness of the unemployed, on the one hand, to make concessions would have to be raised. On the other, the expansion of a low-wage sector was meant to create new employment opportunities. But labor market activation policies in Germany were also implemented in order to limit the expenditures of the Federal Employment Agency.

In addition, a socioeconomic change in structure and social modernization has taken place in the last four decades. The switchover from industrial production to service industries has significantly transformed the way the economy is managed. In 1969 the percentage of employees in the tertiary sector equaled 42.3 percent and it grew until 2007, reaching a percentage of 72.4 (data of the Federal Statistical Office). This trend is heightened not least by growing global integration and technological developments culminating in digitalization. In Germany this international intertwining is complemented by an Europeanization of politics and the economy. An additional change involves the increase in female employment. The old Federal Republic of Germany was marked by the role model of the male breadwinner and the employment rate of women was, in a European perspective, especially low: in 1969 the figure stood at 30.3 percent, in 2007 at 45.1 percent, while the rate of part-time employment among women stood at 51.1 percent (data of the Federal Statistical Office).

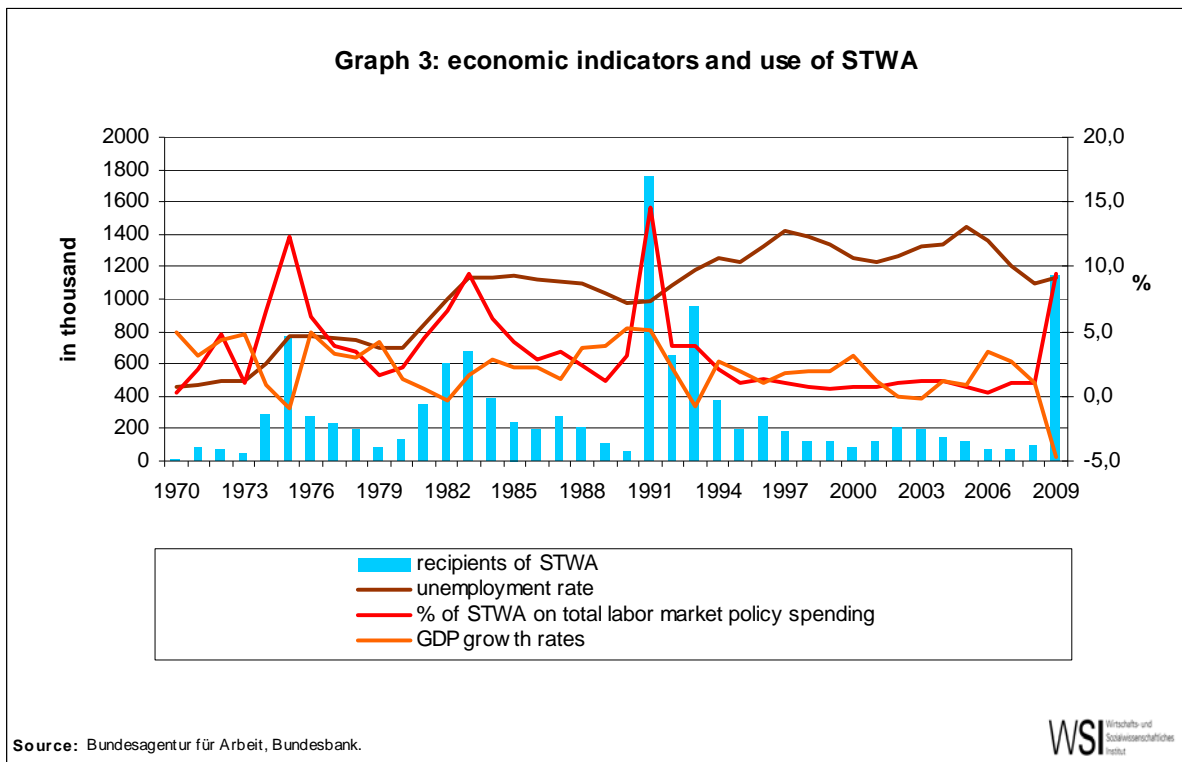
Consequently, since 1969, the situational framework of the ALMP has changed fundamentally. Thus, an adjustment of the goals and instruments of the ALMP appears only logical. Nonetheless, the ALMP needs to be derived not only functionally from the requirements of the labor market but is also subject to the *Zeitgeist*, as well as political preferences and power relationships in economic policy, the labor market and social policy. Also included in this is the fact that, retrospectively, the control effect of labor market policy is considered to be less than what it was as late as the 1970s and 1980s. Today, for example, it is assumed that macroeconomic employment policy in the case of supply-side disruptions (the oil price crises, for example) is useless. Also, the effectiveness of certain labor market policy instruments has been assessed in a new and different way because of the

altered role of evaluation research. At the same time, a greater emphasis on activation strategies ('demand and promote') has occurred recently. Thus, STWA is today embedded in a changed environment. The European Commission therefore recommends to combine measures to secure jobs, such as short-time, within other activating measures, that help to prevent inactivity by "back to work incentives", qualification, and the reduction of incidental wage costs (Carone et al. 2009).

### **3. Economy triggers, but politics matters**

Until the end of the 1980s, generally 90 percent of the expenditures for active labor market policy were applied to the 'classical' instruments inter alia STWA and further occupational training, job-creation schemes and the promotion of all-year employment in the building industry (Oschmiansky/Ebach 2009). With the onset of mass unemployment, the short-term wage allowance and the job creation schemes took on increasing significance. The percentage represented by these two measures totaled 47 percent of all expenditures in 1983 and 50 percent in 1991.

Graph 3 clearly shows that since 1970 the number of recipients of short-time for fourth time point was particularly high (1975, 1983, 1991 and 2009). In addition at these points the expenditure for short-time approximately 10% and higher in the total expenditure of the BA. In other years, they were significantly lower. We also see, that recipients of STWA and the share of spending on STWA on the total LMP spending is diametrically opposite to the course of the annual growth rates of gross domestic product (GDP). Moreover, at four points in the past decades, the GDP growth was negative: 1975, 1982, 1993, 2003 and 2009. These dates are not identical with the peaks in the number of STWA recipients, but there is a clear temporal proximity. A significantly different pattern shows the evolution of unemployment. This is mainly because during the stages of economic recovery they failed to reduce the unemployment problem of certain groups, so from each downturn unemployment remained (Hysteresis-effect). The development of unemployment is, therefore, since the 1970s to 2005, accordingly, a staircase pattern. Only in recent upturn this pattern could be interrupted.



The STWA existed since the early beginnings of the unemployment in the Weimar period. Through the Employment Promotion Act of 1969 and the consequent introduction of active labor market policies in the Federal Republic of Germany the STWA was updated. Short-time work allowances can be applied for by firms if, for economic reasons or because of special, inevitable events, the threat exists of an anticipated temporary loss of working hours. Nevertheless, short-term work allowances are a personal benefit offered to employees, which means that both business-related and personal requirements must be fulfilled. Among these requirements is, first, a loss in wages of at least 10 percent for one-third of the employees. Second, all other possibilities for mitigating the loss of working hours through other measures must be exhausted beforehand, such as the use of collectively agreed wage-scale adjustments or the reduction in credits to the working hours accounts.

Third, the employee must have a work relationship that is subject to social insurance and he must also continue this. If the requirements have been met, the employees receive 60 percent of the difference in net wages (analogous to unemployment compensation, employees with children receive 67 percent). The maximum duration in general is six months. This could however be extended by ordinance of the Minister for up to twelve months, if there are exceptional circumstances in certain labor market sectors or districts (Schmid/Semlinger 1980).

Thus, STWA seeks to help safeguard jobs if for a limited period company problems or for cyclical reasons working hours need to be reduced. The STWA thereby makes use of three mechanisms: First, it refunds a part of income loss. Second, the employers are able to share

the load of the loss in working hours among several employees. And, third, the state or more correctly the Federal Employment Agency saves otherwise costs for unemployment (Bruche/Reissert 1985). For businesses, this labor hoarding is more interesting if employees possess especially company-specific skills. As companies, however, has to bear the part of the incidental wage costs for the downtime, the short-time work is worth only as long as remanence costs are smaller than the costs of human capital losses (Bach et al. 2009). The possible duration of the duration of STWA is therefore an important parameter to evaluate the usefulness of this instrument (Crimmann, Andreas et al. 2009). However, the cost of a staff exchange is difficult to quantify in general. However, one can assume that the longer the crisis continues, the harder it is for the companies to keep employees (Bach et al. 2009; Haag/Discher 2002).

Summing up, all three parties have an interest to safeguard employment. This wish is certainly the strongest in the event of an economic crisis and an associated temporary demand slump. But even with structural crises safeguarding of employment can be useful if, for example, it is expected that after the required restructuring a comeback is likely. Employees are also interested in securing jobs when, due to rationalization job cuts are likely and the general situation in the labor market does not allow for a timely re-employment is unlikely. In these cases, STWA together with the appropriate accompanying measures (such as further occupational training) will help to improve the employability and to bridge the search phase. However, it appears, that the "costs" of the STWA are distributed unequally between the three parties involved - employers, employees and the state (Flechsenshar 1978).

The STWA is consequently by its nature an economic as well as a labor market measure. At the same time it in its reimbursement function a classical insurance benefit (Schmid/Semlinger 1980). These different functions of the STWA (Mosley/Kruppe 1995) have been reflected in the course of the decades since 1970 in a differentiation of the instrument in cyclical, transfer and season-STWA. The recent global economic crisis resulting from the banking and financial crisis is bringing about a comeback in the use of the cyclical STWA.

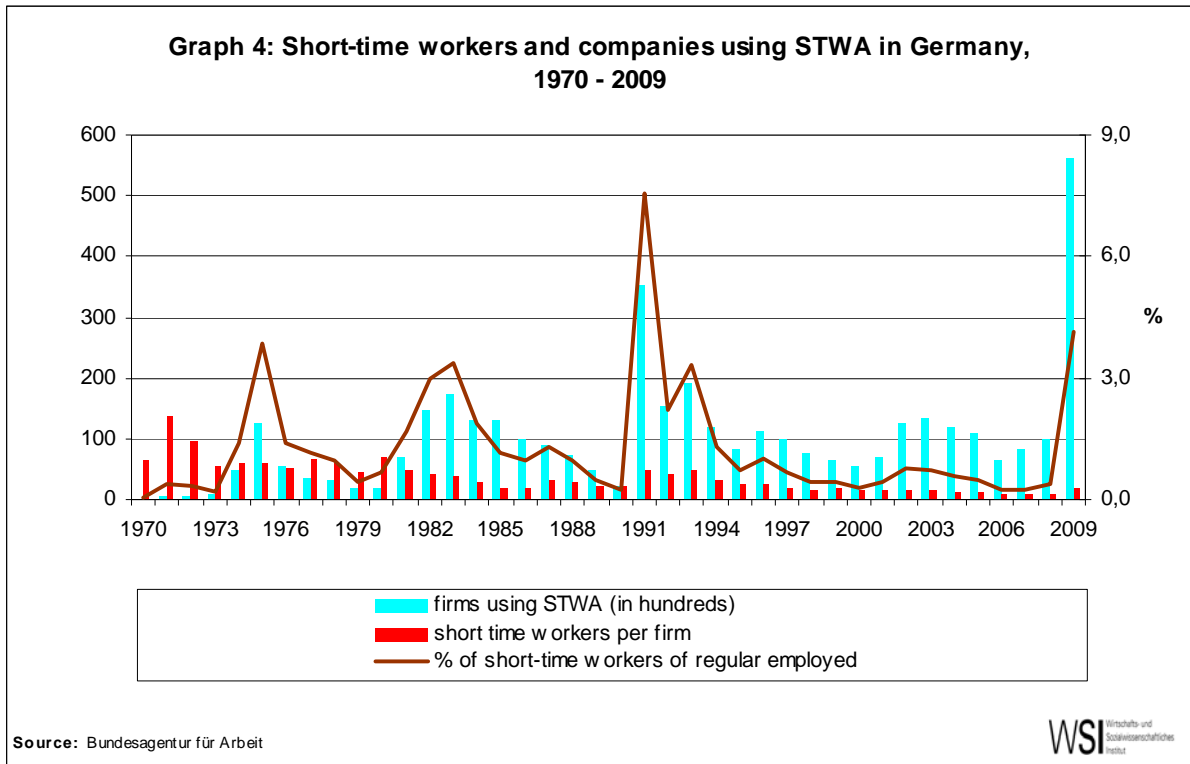
In order to handle the economic crisis following the financial crash in 2008, the federal government turned to employers' associations and – for the first time in years – to the trade unions in planning for the economic stimulus packages and for other measures protecting employment. The two parties differed strongly on the need for state intervention on the extent of state regulation. In fall 2008, the Confederation of German Employers' Associations (*Bundesverband der Arbeitgeberverbände/BDA*) considered reductions in taxes and non-wage labour costs as an "economic stimulus programme". A more detailed statement was published in November 2008 by the Confederation of German Industry (*Bundesverband der Deutschen Industrie/BDI*) suggesting that the economic crisis was to be tackled by limiting non-wage labour costs, by financial institutes providing sufficient credit to the private economy and by carrying out planned public investments in schools. In contrast, trade unions published detailed plans for a stimulus package. In December 2008, the

Metalworkers' Union *IG Metall* published a '7 point programme to stabilise employment' which called for credits to enterprises, for the pro-active use of short-time work, for a scrapping bonus to support the car-manufacturing industry and for the extension of codetermination rights. Relocation and plant closures should depend on a 2/3 vote of the supervisory board. Works council members should have the right to veto relocations and closures, according to *IG Metall*. On 12 December 2008, the Confederation of German Trade Unions (*Deutscher Gewerkschaftsbund/DGB*) called for an economic and growth stimulus package of €60 billion or 2.5% of gross domestic product (GDP) to generate about 710,000 new jobs in 2009 and up to 730,000 jobs in 2010. It also suggested additional public spending on education and the energetic refurbishment of buildings, an increase in the flat-rate benefit for the long-term unemployed (*Arbeitslosengeld II*) and so-called consumer cheques.

The then enacted economic stimulus packages included various measures such as extensive credits to the private sector, financial means for the energetic refurbishment of buildings in support of the construction sector, a scrapping bonus in support of the automotive industry and the extension of the duration of short time work to 18 months and, in 2009, to 24 months – initially for a limited period up to 31 December 2010. The requirement that previously one also must build up debit hours was abrogated by the revised law, too. Moreover, the employer is in addition reimbursed 50 percent of the social insurance contributions that he alone must bear. If qualification during the part-time work occurs in at least 50 percent of the down time, the social insurance contributions are reimbursed in full. From 1 July 2009 social insurance contributions are also reimbursed to the employers in full from the seventh month of the short time work period. Furthermore, the bureaucratic resources required have been simplified. This took place not without creating corresponding free-rider problems {cf. Sell, 2009 #72}. Several labor market researchers have therefore criticized the expansion of the short-term wage allowance. Moreover, in their opinion it prevents the introduction of important structural adjustments. Other researchers stressed the demand-stabilizing effect of the STWA and its capacity for bridging the cyclical slump.

In December 2008, STWA was paid to 270,000 employees – with a strong upward trend. The number of recipients (female and male) of cyclical short-term work allowances compared to the year before, i.e., from December 2008 to December 2009, rose from 200,780 to 809,680. The number of businesses that had reported economically conditioned part-time work even climbed to 52,939 in December 2009, compared with 6,864 businesses in the same month the previous year.

Graph 4 shows that the number of firms using STWA reached their peaks at the same point in time as the number of recipients was highest. However, the figure reveals another trend: the number of short-time workers per firm has decreased over time. A reason for this can be seen inter alia in the increase in small and medium sized companies (Deeke 2005). In particular, the number of companies using STWA rose in absolute terms. In 2009, an annual average of 56 244 companies used STWA, 1975, there were only 12 548 enterprises.



As well in the early 1970, as in the early 1990 and during the recent recession STWA regulations were made more attractive for companies by improving the cost-benefits ratio of the companies. Nevertheless, what makes STWA attractive is dependent on the "Zeitgeist" and the according political interests (Heinelt 1994), too. Recently, with numerous changes, the STWA has become significantly more attractive for companies (Crimmann, Andreas /Wießner 2009). In the beforehand downturn, in contrast, STWA had hardly played a role. Eichhorst and Marx (Eichhorst/Marx) attribute this to the fact that new measures of internal flexibility by collective agreements and company agreements have diminished the importance of short-time. However, the recent downturn has shown that these internal measures could successfully be combined with STWA (Herzog-Stein/Seifert 2010). Looking at costs of the expansion of the STWA the current regulation provides the lowest cost for firms, if it is - as politically intended - distributed among different shoulders and is combined qualification. This is also for the recipients of the STWA the most advantageous (Crimmann, Andreas et al. 2009). The state saves in this model "only" in comparison to unemployment. Thus, the state subsidized substantially companies that are affected by the crisis.

#### 4. Conclusion

In sum, the pattern of the use of STWA shows two interesting findings. First, STWA was rather used as a defensive, passive instrument than a proactive measure to safeguard employment by improving employability. This is *inter alia* due to the fact, that STWA was – with the exception of the East German labor market after reunification – never combined with

qualification successfully (Bogedan 2010; Mosley/Kruppe 1995; Seifert/Al 1993). Second we could show that the use of the STWA does not follow the economic performance curve only. In fact, politics matters. Since some of these – above mentioned - possible adjustments of the STWA regulation are relatively easily and quickly implemented in the way of simple regulation by the competent ministers, one can assume that they are influenced by short term considerations. Moreover it is likely to be influenced by party political preferences. So the question – for future research - is not only whether "politics matters" (Castles, 1979 # 32), but also to analyze whether the government activity significantly, depending on whether social democratic or bourgeois parties are in power (Schmidt, 1982 # 31). It is the sitting government which decides whether STWA regulations became modified in order to increase attractiveness. Moreover, this attractiveness varies over time. Thus, the economic situation in fact acted as a trigger but was, at the same time, significantly controlled by the political power relationships and the legacy of previous policy decisions. This finding should be taken into account to a greater extent in the current evaluation of the use of LMP instruments, analyses which mostly have a functional perspective only.

Unfortunately, we are lacking appropriate benchmarks for a quantifiable evaluation. It is thus, impossible to assess definitely whether the respective governments have been fully utilized their potential for action. Nevertheless, some evidence indicates, that they did not use their scope of action fully {see also Keller, 1995 #66@31}: LMP spending developed not in line with the political objectives, because budget demands required cuts which were mostly executed in the area of ALMP measures. Moreover, the experience of the German reunification demonstrates that if politics want to, they can expand spending to govern flows in the labor markets. This is likewise proved during the recent recession. After the STWA had played only a minor role during the last downturn at the beginning of the 21<sup>st</sup> century, this time policy-makers at the very beginning of the crisis intended to give it a major role in the safeguarding of jobs by extending the benefit period, easing access and creating financial incentives for businesses. However, what is still lacking is a convincing overall concept on when and how to end such expansive modifications of STWA.

In conclusion, it can be said that in the past STWA was employed more as a short-term instrument instead of integrate it in middle- and long-term strategy of increasing employability and safeguarding employment. A view stated likewise by Fritz Scharpf as early as 1980 in his preface to a volume by Günther Schmid and Klaus Semlinger (Schmid/Semlinger 1980). This can be explained inter alia by the fact that political decision makers tend to policies which promise quick success. The warning of Schmid and Semlinger (ebd.), not to confront crisis situations through the creation of ad hoc instruments, should be taken seriously.

Since the economic downturn is also associated with a profound and already long-term socio-economic change of structure, it can be assumed that in certain branches of industry the bridge across the crisis will not be able to support all workers and after the crisis fewer people will be employed in these particular sectors. This

transformation of sectoral labor markets needs to be addressed as well. Alongside the STWA which is the focus of this paper, corresponding economic and structural adjustment policy measures are thus required. Among those items not dealt with in depth in this paper are a government investment policy aimed at an ecological and gender-equitable reorganization of society for the benefit of employees. This is a policy that we nevertheless consider urgently required. If the current federal government has until now applied the short-term wage allowance as the principal means of counteracting the effects of the crisis, the time now must urgently be used in order to establish measures and instruments that are suitable to help the (long-term) unemployed in order to prevent a persistence of unemployment. The paper showed that a LMP master plan of this type was lacking not only during the recent downturn. The risks and benefits of the STWA are, consequently, both rooted in its short-term assertiveness and implementation capacity.

Thus, what is on the agenda for future research is firstly, to identify more precisely the factors that drive the composition of ALMP instruments and secondly, develop criteria for their appropriateness. These criteria should reflect a better interaction between on the one side short term effects and long term labor market demands and on the other side balance conflicts of interest between business cost-benefit calculations and macroeconomic perspectives. There is need for a better understanding the context of conditions that creates “successful” LMP instruments in order to allow for learning from other countries.

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