

Short-time working during the COVID-19 pandemic
Summary of the report by the Parliamentary Control of the
Administration for the attention of the National Council Control
Committee

of 13 January 2023

Key terms



Short-time working compensation

Short-time working (STW) aims to allow businesses to avoid redundancies when there is a temporary lack of work to do. Part of the employees' salaries is paid by the unemployment insurance fund in the form of short-time working compensation (STWC).

Implementing bodies in the cantons

Short-time working is organised in the cantons in two steps: the cantonal offices approve advance requests for short-time working, and then the private and public unemployment benefit schemes pay out the compensation.



Simplified accounting procedure

In order to obtain short-time working compensation during the COVID-19 pandemic, businesses simply had to give notice of the total salary bill for their workforce using a simplified accounting procedure. In contrast to the normal procedure, details for each individual employee were not required.

Checks on employers

The Confederation is responsible for overseeing and carrying out checks on employers: checks as to whether businesses have claimed short-time working compensation lawfully are carried out on their premises. The checks are carried out by the Unemployment Insurance Compensation Office, which is affiliated to the State Secretariat for Economic Affairs (SECO), or by an accountancy firm on its instructions.



Summary

Short-time working proved to be an expedient instrument during the COVID-19 pandemic, but the many changes made to the legislation caused problems as time went on. Overall, SECO provided the implementing bodies with an adequate level of support. However, it will probably be unable to reliably establish how much of the over CHF 16 billion paid out to businesses was claimed lawfully.

As part of its inquiry into the way the federal authorities handled the COVID-19 pandemic, the control committees of the Federal Assembly (CCs) instructed the Parliamentary Control of the Administration (PCA) on 26 January 2021 to evaluate the use of short-time working during the COVID-19 pandemic.

On 9 September 2021, the relevant FDF/EAER sub-committee of the National Council CC (CC-N) further instructed the PCA to investigate the grounds for the multiple adjustments to the law on short-time working (STW), the support given to the implementing bodies, and the supervision of the legality of claims for short-time working compensation (STWC).

The evaluation is based on an analysis of documents and interviews with more than 40 people, mainly working in the Administration. In addition, Ecoplan AG conducted a survey on behalf of the PCA of all the implementing bodies in the cantons. The evaluation covers the period from the start of the COVID-19 pandemic in March 2020 until June 2022. It comes to the following main conclusions:

Short-time working proved to be an expedient instrument during the COVID-19 pandemic, but needed to be adapted

The Confederation was right to make use of STW during the COVID-19 pandemic. The law provides for it to be used in the event that restrictions are ordered by authorities. The Federal Council made express reference to avoiding unemployment as a statutory objective in the grounds that it gave for its decision on STWC, at the start of the crisis at least (Point 3.1). Furthermore, STWC was to a significant extent coordinated with other economic support measures during the COVID-19 pandemic (Point 3.2). In view of the countless number of businesses affected, using the normal procedure for STWC would have been too complicated, which is why it was expedient to simplify the procedure (Point 3.3.1) and push ahead with its digitalisation (Point 4.3). The question arises in this connection of whether the procedures can be made more efficient for major crises of this kind.

The political decisions to adapt STWC were not made with sufficient foresight

The Federal Council – and occasionally Parliament as well – took decisions at very short notice and often adapted the legal rules on STWC retrospectively, not only at the start but also in later phases of the COVID-19 pandemic. The Administration was left with no time to consider the implications of these changes in detail and to prepare for their implementation. The documents on which the Federal Council based its decisions made reference to the economic risks and the risks of abuse, but only to an inadequate extent (Point 3.4). Frequent changes at short notice proved to be a major challenge for the implementing bodies in the cantons (Point 3.5).

The revised rules remained in force for a long time, which created further problems

In the case of many changes made to STWC during the COVID-19 pandemic, their period of application was repeatedly extended, which caused new problems. Members of both the executive and Parliament adopted differing positions on the question of extending the simplified procedure. Ultimately, it was retained for two years, which led to legal uncertainties. In relation to compensation for annual leave and public holidays, these uncertainties resulted in a supplementary credit of CHF 2 billion having to be approved in response to a judgment of the Federal Supreme Court. The multitude of changes also caused problems in implementation, because many businesses' claims for STC had to be repeatedly reassessed (Point 3.3.2). With regard to SECO's supervisory activities, the long extension of the simplified procedures ultimately increased the risk of unlawful claims for STWC (Point 3.4.1) as well as the cost of conducting retrospective checks (Point 5.3). The longer it went on, the economic risk that STWC would prevent structural change also increased (Point 3.4.2). Once the revised rules had been introduced, the executive came under serious political pressure, including from Parliament, not to go back to the previous system. The aim of STWC, preventing unemployment, receded increasingly into the background in the grounds on which the Federal Council based its decisions (Point 3.1).

SECO and the implementing bodies made an outstanding effort

In both the cantons and in the Federal Administration a great many employees worked extremely hard to ensure that STWC could be paid out to businesses as quickly as possible. Until the COVID-19 pandemic, only a few people at any level of government were familiar with STWC in detail. SECO tried wherever possible to respond to the implementing bodies' needs (Point 4.4), and set up a hotline for businesses and the general public (Point 4.3). In view of the many changes to the legal rules, SECO found it difficult to support the implementing bodies adequately (Point 4.2), yet in most cases these bodies assessed SECO's performance positively (Point 4.1). On the other hand, SECO could not guarantee that the law would be applied uniformly at all times (Point 4.5).

SECO set priorities for supervision, the SFAO expanded its activities

The responsibilities for supervising the STWC scheme were not changed during the COVID-19 pandemic; however, SECO dispensed with various checks. It made a priority of supporting implementation in the cantons and conducting on-site checks on employers, which was appropriate for the situation. The supervisory committee for the unemployment insurance funds, which is the highest supervisory body, requested regular reports, but otherwise did not carry out any active supervisory activities (Point 5.1). In contrast, the Swiss Federal Audit Office (SFAO) expanded its supervisory activities in relation to STWC. Its work, at the start in particular, when it was not especially familiar with the STWC system, was only of limited value, but the data analyses that it carried out proved particularly useful for SECO (Point 5.5). In view of the Confederation's major financial stake in STWC, the PCA takes the view that the bigger role played by the SFAO in supervision was appropriate.

The checks probably do not provide a sound overall assessment of the legality of STWC claims

During the COVID-19 pandemic, the Federal Council and SECO stressed to the public that despite the simplified procedures there was no additional abuse of the system and that they would ensure by means of retrospective checks that STWC was lawfully paid out. As early as the summer of 2020, SECO drew up an inspection plan for combating abuse and was also quick to issue external contracts for conducting checks on employers in the businesses concerned. However, it did not update the inspection plan, even though it received far more reports of abuses than it had anticipated (Point 5.2). At the moment it is unclear whether SECO can check the many reports within the five-year limitation period, especially as on-site checks have proved to be more complex and time-consuming than expected. The PCA therefore has doubts that SECO, as set out in the inspection plan, will also be able to carry out sufficient numbers of spot checks on randomly selected businesses in order to be able to reliably estimate the total amount of STWC that was claimed unlawfully because of errors or fraud (Point 5.3). Finally, the PCA has established that SECO has not made full use of the option provided for under the law of sanctioning businesses that have unlawfully claimed STWC (Point 5.4). The general question arises of the extent to which the checks carried out have had the intended deterrent effect as far as abuses are concerned.

The full report is available in French, German and Italian (www.parliament.ch).