



IMPLEMENTING THE “SIMPLIFIED” LAY OFF DURING THE COVID-19 PANDEMIC

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2ND SECTION

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This is a report covering a first phase into the control of the extraordinary measure to support the maintenance of employment contracts, the so called “simplified” lay-off, a scheme operated until June 30, 2020. It considers the design, implementation response and direct impacts. Further considerations will be deepened in subsequent actions. The following observations stand out from the exam carried out, which substantiate the recommendations made.

1. On March 13, the government announced an extraordinary support measure for the maintenance of employment contracts, in case of temporary reduction of the normal working period or suspension of the employment contract, called “simplified” lay-off. This scheme was based on the already existed regime provided for in the Labor Code (commonly known as lay-off), and adapted to the requirements demanded by the emergency context, particularly in terms of its design, accession and financing procedures.
2. The objective of quickly deliver financial support to employers and their workers who, as a result of the COVID-19 epidemic, were in a situation of business crisis, has been achieved. In fact, all this support has been operational since March 27, that is, 2 weeks after the respective announcement. The workers received 2/3 of the normal gross earnings, 70% reimbursed by Social Security. Employers benefited from exemption of Social Security contributions and were prevented from ending employment contracts during the period of the scheme and for the following 60 days.
3. The main eligibility criteria for obtaining support was being a private sector employer, with a regularized position within Social Security and the Tax Authority and claiming to be affected by a business crisis due to COVID 19, with respect to: i) breach billing of at least 40% in the 30 days prior to the order, compared to the reference period (same month or last two months); ii) closure by administrative or legal order; iii) total or partial stoppage of the firm activity resulting from the interruption of global supply chains, or the suspension or cancellation of orders.
4. In designing the “simplified” lay-off measure, a fast and comprehensive support was promoted with no consideration of specific characteristics of the sectors of activity and employers and with relaxation of the control mechanisms through the inspection of the eligibility conditions to be carried out *a posteriori*.
5. In most other European countries, the measure covered businesses with a drop in sales of less than 30%. The government support to employee earnings varied between 50% and 100% of the salary.



6. The “simplified” lay-off had an expressive adhesion. Until June 30th, 114.200 employers claims were received. Until that date, 101.229 employers and 820.739 workers benefitted from support. However, there was no information available identifying the eligibility criteria or the number of employers / workers who were refused support and the reason for the refusal. Most lay-off workers belong to the manufacturing industry (22.3%), followed by “Wholesale and retail trade; Repair of motor vehicles and motorcycles”(17.9%), “Accommodation, catering and similar ”(17.1%) and “ Administrative and support service activities ”(10.1%).
7. The procedures were clear and accessible which helped the demand for the measure. However, there were delays in the validation, and only 70% of the employers requests (79,899) were validated. This could have reflections in the speed of the payments, despite the managerial efforts of the Social Security Institute, that even with no additional resources worked through the involvement of several entities and departments and the creation of various communication channels, both internally and at the level of external users.
8. On June 30, 2020, the expenditure with the “simplified” lay-off amounted to 629 M €. In addition the revenue that the State failed to collect as a result of the temporary exemptions from the payment of Social Security contributions, under the responsibility of employers that adhered to the “simplified” lay-off, was € 258.2 million.
9. The Authority for Working Conditions carried out 2,220 actions to inspect the “simplified” lay-off, covering 65,515 workers, having made 103 participations, relating to 1,429 workers, to the Social Security Institute, IP, for possible termination and refund of the support granted.
10. One of the risks identified in the action is related to the reliability of the reporting information. In fact, and although the number of requests received and validated is known, information on the reasons for employers' adherence, number of extensions, average approval periods and payment dates is not known, which limits monitoring, evaluation execution and the identification of the impacts of the “simplified” lay-off. The lack of this information and its non-publication periodically until the end of the year 2020 undermined transparency about the use of public resources made available.
11. Such information is more relevant as the evolution of the pandemic requires continuous responses and specific assistance that will be so much more effective in protecting jobs the more its design and respective implementation is substantiated by the information resulting from the application of the measure that preceded it.
12. After June 30, new measures were announced, which will be further developed in future actions:
 - a. In August 2020, a special support was created for the progressive resumption that followed the “simplified” lay-off. Initially, this support was accessible only to companies with a break in sales of 40% or more, becoming more comprehensive in October, by lowering this limit to 25%. Likewise, it is also more advantageous, since, Social Security started to finance only 70% of the worker's hourly earnings not worked, with some exceptions, changing it to finance up to 100%.



b. In September 2020, the Social Security Institute, IP, created a project team with the objective of monitoring and controlling these extraordinary employment supports offered in the context of the pandemic COVID-19. This work will be crucial in monitoring these measures, particularly identifying and mitigating the risks inherent in processes of this nature.

c. In January 2021, companies forced to close down again had the possibility to join the “simplified” lay-off, if giving up in case it applies the remaining period of the previous support.

Recommendations

Considering the audit observations and regarding future support measures:

The Minister for Labor, Solidarity and Social Security should:

- Promote the evaluation of the “simplified” lay-off measure, quantifying its impacts on the economic and social dimensions and on Public Finances.
- Provide for the production of reliable, complete and timely information about the universe of beneficiaries, including financial data.
- Promote the application of control mechanisms that assure the collection and treatment of information required to monitor, evaluate and publicise.
- In the design of future job support maintenance measures, consider the definition of more targeted and specific objectives and eligibility criteria, ensuring the prevention of risk of excluding those who need it most.

The Social Security Institute should:

- Promote, in conjunction with the IT Institute (II, IP), the implementation of control and validation procedures on the data systems with respect to number of requests, as well as the physical and financial execution of the measure, so that an adequate evaluation is made possible.
- Promote the production and periodic dissemination of information on performance indicators of the “simplified” lay-off measure, eligibility criteria and reasons for rejection.