COVID-19 Short-Time Working in Luxembourg

Thursday, June 11, 2020

Along with many European countries, the COVID-19 pandemic has affected employers and employees in Luxembourg. On March 17, 2020, the Government of Luxembourg issued a State of Emergency until June 25, 2020 and implemented several measures and guidance to prevent the spread of COVID-19. Luxembourg’s population of approximately 625,000, reportedly has 4,040 confirmed cases of COVID-19, 110 COVID-19 fatalities and 3,901 individuals who have recovered from the coronavirus.

Similar to other European jurisdictions, Luxembourg provides employers and employees with “short-time” working opportunities in various circumstances, including due to cyclical economic problems, structural economic problems, in the event of force majeure and due to economic dependence.

Generally, short-time working schemes are public programs that allow employers that are experiencing economic difficulties to reduce the hours worked temporarily while providing employees with income support from the State for the hours not
worked. Short-time work can involve either a partial reduction in the number of hours worked for a limited period (e.g., a partial suspension of the employment contract) or a temporary redundancy (e.g., a full suspension of the employment contract). In each case, the employment contract continues and is not broken. Short-time work is intended to help employers achieve flexibility during periods of temporary economic downturn without resorting to redundancies. For employers, this strategy has the added benefit of retaining trained labor as opposed to recruiting untrained staff when economic activities increase. For employees, short-time work enables them to remain in the labor market, even at a reduced level of working time and pay, while avoiding a decline in their skills.

In addition, and in response to the COVID-19 pandemic, the Government of Luxembourg implemented short-time working in the event of force majeure in relation with the coronavirus from March 18, 2020 through June 30, 2020. This short-time working scheme provides an accelerated procedure for all employers that had to completely or partially stop their activities because of the decisions taken by the government. During the short-time working period, the State covers the compensatory allowance up to 80% of the salaries. Of particular interest to employers hoping to participate in this short-time working scheme, on June 4, 2020, the Government of Luxembourg extended the period for employers to apply for short-time working in the event of force majeure in relation with the coronavirus from May 31, 2020 until June 15, 2020.

Finally, a new application form currently is being prepared for short-time working for July 2020. Such form is expected to be available on or around June 20, 2020.

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