

Reduced Working Hour Compensation in Switzerland Guide



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Please find herewith a practical guide to the Swiss Social Security Insurance covering “Reduced Working Hour Compensation” (KAE) and your respective rights in terms of reduced working hours for employees.

When business is slow, enterprises in Switzerland can apply for a temporary reduction of their employees’ working hours including cutting salaries proportionately. This allows employers to keep on employees during periods over which they could not afford to do so otherwise.

Employees must give their consent to the working hour reduction before an application can be submitted. Employers must submit applications at least 10 days in advance of the proposed working hour reduction.

Normally, the KAE only starts paying out benefits after an initial qualification period of 10 full workdays (under the Covid-19 regulation, however, there is no qualification period requested). Additional 3-day qualification periods apply at the start of every additional month of the benefit term (Covid-19 regulation - no additional qualification period applies). These waiting periods do not affect the employees because the employer must still pay at least 80% of the salary.

Important: A number of special provisions have been made which apply to employees of businesses which are directly affected by coronavirus prevention measures. Qualification periods are waived. The following employees which are not normally entitled to compensation can claim standard benefits: Temporary employees; employees with limited employment contracts; apprentices. Executive employees and employees employed by their spouses can receive a flat rate benefit of 3320 Swiss francs.

Social insurance benefits for reduced working hours

Eligible employees can claim compensation for reduced working hours. This compensation scheme is known as Kurzarbeitsentschädigung (KAE) in German and Indemnité en cas de réduction de l’horaire de travail in French.

Reduced working hour compensation should be applied for and administered by your employer. You do not have to claim compensation yourself.

Who is eligible for reduced working hours compensation?

You are eligible to receive compensation if you are employed and:

- If you are eligible to receive social unemployment insurance benefits or if you are a young adult who has completed compulsory schooling but is not old enough to contribute to social security.

- If the total cut in working hours between all employees is at least 10 percent in total.
- If the reduced working hours are temporary and you will remain employed by your employer after the reduced working hour period.
- If your employment contract does not specify a limited employment term.
- If your employer's financial difficulties are caused by mitigating circumstances beyond their control. Seasonal income fluctuations and financial difficulties caused by declining business or poor management do not allow for reduced working hours compensation.
- If you are neither the spouse nor the registered partner of your employer.
- If you do not hold an executive position and/or are not otherwise in a position to notably influence company decisions.
- If you are not an apprentice. Apprentices are not entitled to compensation for reduced working hours.
- If the reduction of your working hours was not caused by an employment dispute.
- If you are not a temporary worker or an employee on loan from a different company.
- If your employer provides a means of tracking working hours (a time clock machine or a spreadsheet, for example).

For how much compensation are you entitled?

Compensation equals 80% of the loss of income resulting from the temporary reduction of working hours.

It is possible for your employer to claim reduced working hour compensation for up to 12 months within a 2-year period. However, a maximum compensation period of 4 months applies for working hour reductions of more than 85%.

Social security and pension fund contributions

Your social security contributions are not affected by reduced working hours. You and your employer continue to pay contributions based on your full, standard salary. Your employer is compensated for his share of your contributions by the employment office.

To what extent does reduced working hour compensation affect employment terms?

Aside from working hours, the contractual terms of employment continue to apply during periods of reduced working hours. Employees and employers are free to terminate employment contracts within the limits of the contractual notice periods. If an employment contract is terminated by an employer, the employer must pay the employee the full contractual salary during the notice period.