

# Executive summary

This report examines the impact of the pandemic on Nordic labour markets and the associated policy responses undertaken by Nordic countries in the areas of unemployment benefits (UB), job retention (JR) schemes, active labour market policies (ALMPs) and skill policies.

As in the majority of OECD countries, Nordic countries have experienced a fast recovery of their labour markets following the COVID-19 crisis. At the height of the crisis, unemployment rates increased more in Nordic countries than in many other European countries, but the increases were generally not more persistent. The contraction in employment rates in Nordic countries was similar to that of other European countries and generally short-lived. The five Nordic countries, however, exhibited different degrees of resilience – with Sweden and Iceland experiencing slower recoveries. The differential impact of the crisis across industries initially translated into an unequal impact on groups of workers, but much of it had been reabsorbed by early 2022. Nevertheless, young people and workers without tertiary education felt the effects of the crisis more strongly and for longer across all Nordic countries.

As the COVID-19 crisis struck, Nordic countries – in line with most other OECD countries – adjusted their UB systems to ensure strong support for the largest possible number of jobless people. Sweden, Finland, and Norway relaxed minimum work requirements. Finland, Norway and Denmark extended benefit duration. Benefit levels increased for at least some workers in all countries except Finland. All countries shored up support for the self-employed as well by temporarily relaxing the conditions to access them, and Norway introduced a temporary ad hoc subsidy for them. Most Nordic countries saw a larger increase in the number of UB claimants compared to several other European countries. This reflects the larger increase in unemployment seen in the Nordic region but also the greater reliance on job retention schemes in other European countries. In turn, however, the larger increase in unemployment seen in the Nordics may have been driven at least in part by their higher reliance on UBs rather than JR support. Indeed, the existence of well-established and generous UB systems likely made it easier and more acceptable to both firms and workers to rely on UBs rather than JR support.

All Nordic countries took steps to make JR support widely available, relaxing eligibility criteria for workers, simplifying applications and shortening procedures for firms. From the workers' perspective, the schemes in Norway, Sweden and Denmark were some of the most generous in the OECD. The use of JR support in Nordic countries was unprecedented, but much lower than in many other European countries. This is likely due to the fact that Nordic countries experienced smaller contractions in GDP and less stringent restrictions at the start of the pandemic. In addition, the higher cost of the schemes for firms – at least in Sweden, Norway and Denmark – might have contributed to their comparatively lower use.

Prior to the pandemic, all Nordic countries except Norway were spending significantly more than the OECD average on ALMPs. In 2020, expenditure on ALMPs (as a percent of GDP) increased on average across the OECD, but decreased in all Nordic countries except Norway. Nordic countries boosted staffing levels of Public Employment Services (PES), transitioned services to digital and remote service delivery (a transition that was smooth due to strong digital foundations in these countries) and relaxed job-search requirements for jobseekers. Nordic countries primarily altered and expanded ALMP measures already in place, while the introduction of entirely new policies or measures was far less common. Changes were

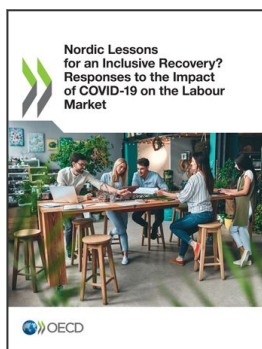
most common in the areas of job search support and counselling, training (and further education), employment incentives and start-up incentives.

Prior to the pandemic, Nordic countries were among the best performers in terms of adult skill development systems in international comparison. The COVID-19 crisis had major implications for access to upskilling and reskilling opportunities for adults, in addition to accelerating structural changes in the labour market. As a response, all Nordic countries implemented measures to stimulate the demand for training and support its supply. Levels of activity in this policy area were highest in Denmark and Finland and lowest in Sweden. Most initiatives undertaken in Nordic countries aimed to maintain or increase the demand for training by individuals. Governments did so by adapting or expanding information and guidance on training, supporting individuals in accessing training online, as well as making time and money for training available. Nordic countries also took action to maintain or increase the supply of training opportunities during the pandemic. These measures targeted education and training providers, and to a lesser extent enterprises, with the view to enable them to continue to offer training under the constraint of social distancing measures.

Social partners have played an important role in the design and implementation of these labour market policy measures in Nordic countries during the pandemic. In all Nordic countries, they were involved in the fast decision-making process that led to the implementation of changes to the UB and JR systems through both standard formal channels and more informal channels. In some cases, proposals formulated jointly by the social partners provided stimulus for the government decision. Social partners have also been involved in changes related to ALMPs, despite formal roles in the ALMP systems of only two Nordic countries. Their institutionalised role on the boards of decision-making bodies in the area of skills development enabled social partners to be involved in the negotiating of agreements and decision-making processes as well as mediating between their members and policy makers.

To promote greater labour market inclusion and resilience, Nordic countries can take action to:

- Introduce rules or agile processes to ensure that JR schemes are mainly used in times of crisis and phased out rapidly when the economy recovers.
- Increase the targeting of JR schemes to jobs at risk through firms co-financing of hours not worked during non-recessionary periods.
- Ensure a more inclusive UB system during crises by adjusting the rules on either the eligibility conditions, maximum durations, or benefit levels to changing labour market circumstances.
- Continue to build on the strong digital foundation of PES in the region, while taking additional steps to ensure the inclusion of vulnerable groups in the PES digitalisation journey.
- Enhance the provision of individualised comprehensive ALMP supports for vulnerable groups to support more inclusive labour markets.
- Enhance the use of linked administrative data to improve the targeting and design of ALMPs, as well as to strengthen the monitoring and evaluation of ALMPs.
- Improve the agility of skill assessment and anticipation systems to produce granular information that can be used to inform policy decisions in real time.
- Increase the flexibility of learning pathways through tools such as the recognition of prior learning, partial qualifications, modular learning opportunities and micro-credentials, where they do not exist.
- Institutionalise governance structures that involve social partners to improve the agility of the system through building trust between key actors in the skill policy arena.



**From:**  
**Nordic Lessons for an Inclusive Recovery?  
Responses to the Impact of COVID-19 on the  
Labour Market**

**Access the complete publication at:**

<https://doi.org/10.1787/2aa7bcc1-en>

**Please cite this chapter as:**

OECD (2023), "Executive summary", in *Nordic Lessons for an Inclusive Recovery? Responses to the Impact of COVID-19 on the Labour Market*, OECD Publishing, Paris.

DOI: <https://doi.org/10.1787/6ee1f263-en>

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