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Supporting jobs and incomes: job retention schemes and unemployment benefits during the COVID-19 crisis

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Job retention schemes and unemployment benefits have been the key policies used in the Nordic countries and across the OECD more broadly to enhance labour market resilience and contain the increase in inequality during the COVID-19 crisis. By supporting workers' jobs and incomes, the schemes have preserved productive capacity and supported aggregate demand, laying the foundations for a strong recovery. This chapter offers a comparative overview of the structure of unemployment benefit systems and job retention schemes in Nordic countries and how they were adjusted to deal with the specific challenges of the COVID-19 crisis.

In Brief

Job retention (**JR**) schemes and unemployment benefits (**UBs**) have been the key policies used in the Nordic countries and across the OECD more broadly to support workers' jobs and incomes during the COVID-19 crisis and to lay the foundations for a strong recovery. They have therefore contributed to the resilience of labour markets and helped mitigate the unequal impact of the crisis across different groups of workers.

This chapter offers a comparative overview of the structure of unemployment benefit systems and job retention schemes in the Nordic countries and how these policies were adjusted to deal with the challenge of the COVID-19 crisis.

Unemployment benefits.

- Nordic countries are characterised by comparatively generous UB systems with high levels of coverage – except in Sweden – but with significant gaps for migrants, the young and the low-educated.
- As the COVID-19 crisis struck, Nordic countries – in line with most other OECD countries – adjusted the existing unemployment benefit systems to ensure strong support for the largest possible number of people who lost their jobs. Concerns about work incentives and moral hazard were set aside, since jobseekers had only poor chances of finding new work at a time when large parts of the economy were effectively at a standstill. Indeed, job-search requirements were initially suspended in all countries.
- Since the onset of the crisis, in all Nordic countries, social partners were involved in the fast decision-making process that led to the implementation of changes to the UB system 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.
- To improve access to benefits for those with shorter tenure and young people in particular, Sweden, Finland, and Norway relaxed minimum work requirements to access to UBs. Finland, Norway and Denmark extended benefit duration, and benefit levels increased for at least some workers in all countries except Finland – which however increased the earning disregard for workers cumulating UB and income from work. All countries shored up support for the self-employed as well, and Norway introduced a temporary ad hoc subsidy for them.
- Nordic countries saw a larger increase in the number of UB claimants compared to several other European countries that also made extensive use of job retention schemes, reflecting the larger increase in unemployment seen in the Nordic region (see Chapter 1). However, the larger increase in unemployment seen in the Nordics may in part be driven also 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.
- The increase in the number of claimants is also the result of countries efforts to increase coverage among the unemployed during the COVID-19 crisis. Indeed, during the COVID-19 crisis, all four Nordic countries with data available saw increases in *pseudo-coverage rates* – the ratio of benefit recipients from administrative sources and total number of unemployed from labour force surveys – with particularly significant increases in Iceland.

Job Retention schemes.

- **At the start of the COVID-19 crisis, all Nordic countries took steps to make JR support widely available – in line with most other OECD countries.** Norway and Finland modified their existing schemes, Iceland and Sweden introduced a new one, and Denmark did both things, introducing a COVID-19 version of its existing scheme and a brand new scheme available also to firms not covered by collective agreements.
- **All Nordic countries simplified application procedures for firms** and suspended or shortened procedural processes normally meant to prevent abuse of the schemes, such as negotiations or consultations with workers' representatives.
- **Nordic countries also extended eligibility for workers.** Finland extended coverage of the schemes to temporary workers, who were already covered by the existing schemes in Norway and Sweden and were also covered under the newly introduced schemes in Denmark and Iceland. In Finland and Norway – where workers on JR support receive UB – the relaxation of eligibility requirements for UB also benefitted workers on JR support, while in the new scheme introduced in Iceland receipt of UB while on JR support was not subject to standard eligibility requirements for such benefits.
- **While a majority of OECD countries set to zero the cost of hours not worked for firms, this was only the case in Finland and Iceland among the Nordic countries.** In Norway, Sweden, and in the new furlough scheme in Denmark, firms continued to bear a comparatively high portion of the cost of hours not worked throughout the crisis.
- **From the workers' perspective, the schemes in Norway, Sweden and Denmark during the COVID-19 crisis were some of the most generous in the OECD.** In Denmark, workers received 100% of their wages under the new furlough scheme, while Norway and Sweden increased the generosity of the support for workers at the start of the crisis, from levels that were already comparatively high.
- **In the Nordic countries, the use of JR support was unprecedented, but much lower than in many other European countries.** Peak take-up was around 10% of dependent employment in Sweden, Norway, and Denmark, and 8% in Finland. It was larger in Iceland, where it reached 18% but still below the OECD average of 20%.
- Simple cross-country comparisons indicate that **differences in the peak use of JR support across countries largely reflect the intensity of the crisis rather than differences in their broader institutional settings.** Peak take-up rates are correlated with both the stringency of the lockdown measures and the fall in GDP. Indeed, the Nordic countries generally experienced smaller contractions in GDP and less stringent restrictions at the start of the pandemic than most other European countries.
- In addition, **the comparatively lower use of JR support in the Nordic countries might at least in part reflect the fact that the schemes were more onerous for firms** – at least in Sweden, Norway (if the scheme was used for a limited time) and Denmark (in the newly introduced furlough scheme). Indeed, this might be a policy choice reflecting the fact that the existence of well-established, and generous unemployment systems operating through highly digitalised processes made the use of UBs easier to scale up and generally more acceptable to both firms and workers, facilitating a comparatively larger reliance on UB rather than JR during the crisis.
- **There is general consensus that JR schemes saved millions of jobs across the OECD and greatly enhanced the resilience of labour markets to the crisis** by preserving productive capacity and enabling a fast labour market rebound. The measures adopted by the Nordic

countries and across the OECD to make JR support easily accessible, widely available and exceptionally generous helped to provide timely support to firms and workers whose economic activities had suddenly been reduced or even completely come to a halt.

3.1. Introduction

Job retention schemes and unemployment benefits have been the key policies used in the Nordic countries and across the OECD more broadly to support workers' jobs and incomes during the COVID-19 crisis and to lay the foundations for a strong recovery. They have therefore contributed to the resilience of labour markets and helped mitigate its unequal impact across different groups of workers.

Job retention (JR) schemes seek to preserve jobs and incomes of workers at hard-hit firms by paying subsidies to lower firms' labour costs against reductions in hours worked. The main purpose of the schemes is to avoid “excessive” layoffs, that is, the permanent dismissal of workers during an economic downturn whose jobs would be viable in the longer term. Hence, they can enhance labour market resilience by preserving productive capacity and viable matches and by stimulating aggregate demand through their income protection function. They can also contribute to labour market inclusiveness by spreading the cost of the adjustment across more workers through partial hour reductions, rather than concentrating unemployment on few.

Unemployment benefits (UB), either in the form of unemployment insurance or assistance programmes, serve two main policy objectives (OECD, 2018^[1]). First, these programmes **protect individual workers against the risk of income loss during joblessness**, smoothing consumption between unemployment and employment spells. This also acts as an automatic stabiliser at the aggregate level while ensuring a fair distribution of income and containing poverty. Second, by alleviating liquidity constraints and allowing more time for workers to look for a suitable position, **unemployment benefits can enhance the quality of job matches in terms of both earnings and job stability**, with potentially important implications for aggregate efficiency and the overall resilience of the labour market.

This chapter offers an overview of the structure of unemployment benefit systems and job retention schemes in the Nordic countries, placing them in an international perspective. After a comparative overview of some of the main features of the various systems that determine their impact on labour market resilience and inclusiveness, the chapter describes how the Nordic countries adjusted them to the specific challenges of the COVID-19 crisis and how these interventions compared to those adopted more broadly across the OECD. Section 3.2 focuses on the UB systems while Section 3.3 turns to JR schemes.

3.2. Unemployment benefits have played a significant role in cushioning the impact of the COVID-19 crisis in the Nordic countries

A large number of rules and parameters interact to determine the ability of the different UB systems to contribute to labour market resilience and inclusiveness during an economic downturn. This section provides an overview of some of the main features UB systems in the Nordic countries in an international perspective and how they were adjusted to deal with the specific challenges posed by the COVID-19 crisis.

3.2.1. The structure and features of the unemployment benefit systems vary across the Nordic countries

There are significant differences in the design of UB systems across the five Nordic countries, even if some of them share features that are quite distinct from those of other OECD countries.

Norway and Iceland feature mandatory unemployment insurance (UI) schemes that pay out earnings-related benefits. In Iceland, the unemployed receive a flat benefit for the first two weeks, followed by an income-related benefit for 65 days before reverting back to the initial flat rate. Once entitlement to UI runs out, means-tested assistance programmes are available in both countries. Among those in place in Nordic countries, this is the model that most closely resembles the prevailing one across the OECD, where mandatory earning-related insurance is combined with means-tested social assistance as a protection of last resort.

Finland and Sweden, instead, feature a multi-layer system in which a basic flat-rate benefit can be complemented with an earnings-related benefit for workers who choose to become members of an unemployment insurance fund. In Finland, individuals who are not eligible for either the flat-rate basic unemployment benefit or the income-related one have access to a form of means-tested unemployment assistance called the “labour market subsidy”. This time-unlimited subsidy is also available to all the unemployed at the end of their entitlement period to the basic and income-related benefits. In Sweden, unemployment insurance can be further complemented (to a maximum level of 80% of the previous wage subject to a ceiling and a time limit) by benefits paid by systems established through collective agreements in different industries or by private funds (Lindellee and Berglund, 2022^[2]). In addition, when entitlement to the other benefits expires, jobseekers can receive an *Activity Support* benefit indefinitely if they participate in an active labour market programme.¹

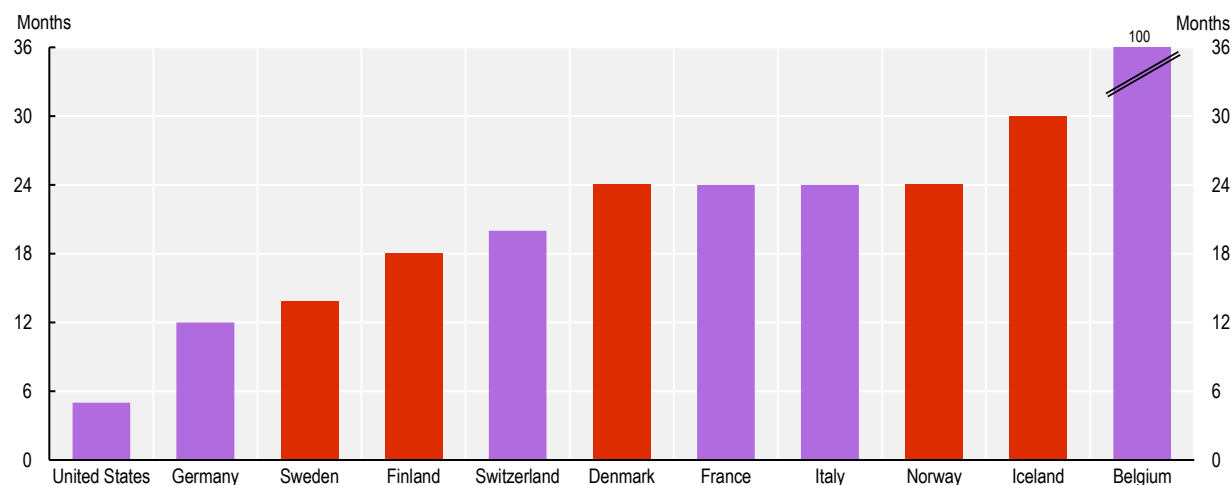
Denmark is the lone OECD country that only features a voluntary unemployment insurance scheme which requires workers to become members of a UI fund in order to receive any benefit. Broader means-tested social assistance programmes are nevertheless available to unemployed individuals who are not members of UI funds and to claimants who reach the end of their entitlement to UI.

The duration of unemployment insurance benefits differs substantially across the Nordic countries. Iceland has comparatively long maximum benefit duration of 30 months. Indeed, the only European country with a UI system with longer duration is Belgium – where the unemployed can claim their benefits indefinitely.² The duration of UI benefits is shorter in Sweden, where claimants consume their entitlement in just under 14 months – slightly longer than in Germany.

The time-limited duration of unemployment insurance benefits reflects the notion that unemployment insurance can only provide effective protection against temporary income losses associated with joblessness. As discussed above, those who exhaust the maximum duration of unemployment insurance benefits and who require continued income support typically can fall back on unemployment assistance or generic social assistance programmes whose primary purpose is to alleviate poverty rather than to smooth consumption (Hijzen and Salvatori, 2020^[3]).


Figure 3.1. Duration of unemployment benefit payments differs across Nordic countries

Maximum duration of unemployment insurance payments, 2020



Note: Data refers to 2019 for Iceland and Norway.

Source: (OECD, 2023^[4]), *OECD Tax-Benefit Policy Database*, <https://www.oecd.org/social/benefits-and-wages/data/>.

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The strong involvement of social partners in the UB systems of some of the Nordic countries sets them apart from the rest of the OECD

Social partners have long been involved in the functioning of unemployment benefit systems in the Nordic and other European countries, but their involvement in the different phases of design, implementation and monitoring varies across countries (Table 3.1).

Nordic countries, like most European countries, involve their social partners in the design and readjustment of UB provisions, although the ultimate responsibility for the process resides with governments and parliaments. This can happen either formally as in Denmark and Finland or informally as in Norway and Sweden. For example, social partners in Denmark participate in stable tripartite bodies that can intervene in UB policy designs and reforms, while social partners in Norway can submit policy proposals or lobby, but are not formally involved in this process (Eurofound, 2013^[5]).

Social partners are formally involved in the political bodies that supervise or are linked to the administration of the UB system in nearly all European countries, but in **Denmark, Finland and Sweden, trade unions maintain strong links with the funds that are responsible for the administration of the voluntary earning-related benefits** (Eurofound, 2013^[5]). The system characterised by state-subsidised voluntary unemployment insurance (largely) ran by trade unions is typically referred to as the “Ghent system”, from the name of the Belgian town where it first originated. Nowadays, workers can choose to become members of UI funds that are not run by trade unions in all three countries.

Finally, social partners’ involvement in the monitoring of the UB system is generally rarer across European countries. **Among the Nordic countries, social partners are not involved in the monitoring of UB systems in Norway, but are formally involved in Denmark, Sweden and Finland** (Eurofound, 2013^[5]). While social partners in Finland only implicitly monitor the UB system as part of their participation in a tripartite roundtable on productivity (similarly to Germany), social partners in Denmark explicitly monitor UI funds through their representation in the Supervisory Council on UB of the Danish Agency for Labour Market and Recruitment, as well as through the continuous supervision exercised by the UI funds themselves. In Sweden, trade unions are involved in the systematic supervision of UI funds through their

participation in the managing boards of some of the funds – and social partners and the government systematically evaluate the effects of the UB system within multilateral commissions (Eurofound, 2013^[5]).

Table 3.1. Social partners' involvement in designing, implementing and monitoring unemployment benefit provision

	Design and readjustment	Implementation	Monitoring
Denmark	Formal involvement in stable tripartite bodies connected to the policy making process	Unions have strong links with some of the funds that administer UI benefits; social partners are formally involved in councils and committees dealing with employment policies in general	Involvement explicitly targeted at UI provision through assessment activities by the Danish Agency for Labour Market and Recruitment (includes social partners) and trade unions
Finland	Formal involvement in both bi- and tripartite ad hoc committees set up by government to intervene in the UB system	Unions have strong links with the some of the funds that administer UI benefits; social partners are formally involved in councils and committees dealing with the wider UB system	Involvement generally targeted at employment policies through tripartite roundtable on productivity
Sweden	Informal involvement in information and consultation practices	Unions have strong links with the some of the funds that administer UI benefits	Involvement explicitly targeted at UI provision through the activities of the Unemployment Insurance Union (SO)
Norway	Informal involvement in information and consultation practices	No formal involvement , but social partners are actively involved in the negotiation of temporary lay-offs at the firm level	No involvement , but social partners may notify the authorities if members experience problems
Iceland	Formal involvement in tripartite ad hoc committees set up by government	Social partners are formally involved in councils and committees dealing with employment policies in general	Involvement generally targeted at employment policies through tripartite councils and committees

Source: For Denmark, Finland, Sweden and Norway, the information in this table is adapted from Eurofound (2013^[5]), *Social partners' involvement in unemployment benefit regimes in Europe*, <https://www.eurofound.europa.eu/publications/report/2013/social-partners-involvement-in-unemployment-benefit-regimes-in-europe>. Information on Iceland is based on policy questionnaires and consultations.

Unemployment benefit levels for the low-paid are high in Denmark and Iceland, but in line with the OECD average in the other Nordic countries

The level of support received by jobseekers is a key aspect of a UB system. Income support helps smoothing consumption between unemployment and employment spells and acts as an automatic stabiliser at the aggregate level. By mitigating income losses of those who lose their employment, UBs also help ensure a fair distribution of income and contain poverty. Finally, by alleviating liquidity constraints and allowing more time for workers to look for a suitable position, unemployment benefits can enhance the quality of job matches in terms of both earnings and job stability, contributing to aggregate efficiency and labour market resilience more broadly (OECD, 2018^[11]).

The overall level of support received by UB claimants is affected by the interaction of gross unemployment benefits with other elements of the tax and transfer system (e.g. progressive income taxation, differences in social security contributions, tax treatment of unemployment benefits). For this reason, this section focuses on net replacement rates (NRRs) to provide an overview of the level of support received by UB claimants in different countries. Where multiple levels of benefits are available, the results are based on the assumption that workers receive the voluntary benefit for as long as they are entitled to. For details on the specific policy parameters of the Nordic countries including the gross replacement rates of the UB system, see Annex 3.A.

The level of support for the unemployed with low previous wages is comparatively high in Nordic countries. Two months into the UB spell NRRs for low-wage workers are below the OECD average of 74% only in Finland (69.5%) (Figure 3.2).³ Norway and Sweden have NRRs just above the average (75%

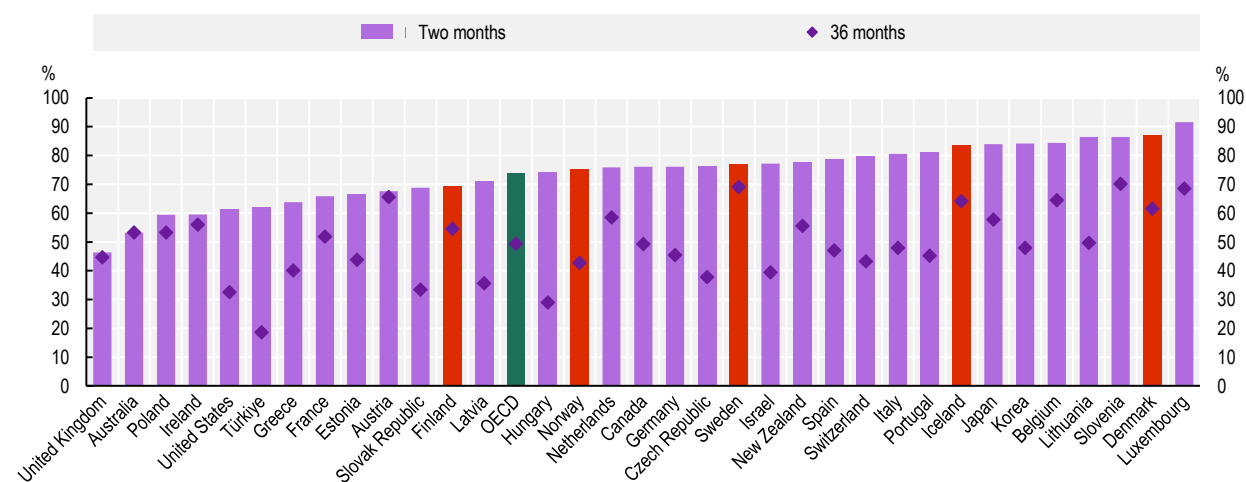
and 77% respectively), while Iceland and Denmark feature decisively higher NRRs – 83% and 87% respectively.

NRRs decline over the unemployment spell in the Nordic countries, like in the vast majority of OECD countries (Hijzen and Salvatori, 2020^[3]),⁴ **but support remains comparatively high.** In most countries, the decline in support is driven by the transition to unemployment assistance or social assistance when entitlement to UI runs out.⁵ The switch from an earning-related benefit to a means-tested one reflects a switch in policy objective from consumption smoothing to poverty alleviation.

After 36 months of unemployment, the average NRR falls to 50% across the OECD countries. The decline is particularly marked in Norway – where the NRR falls to 43% after 36 months (Figure 3.2)⁶ – but in general the long-term level of support for the unemployed is higher in the Nordic countries than in most other OECD countries. The decline observed is relatively small in Sweden because the simulations underlying Figure 3.2 assume that claimants receive “*Activity support*”, an income-related benefit⁷ available to workers who engage in a labour market policy programme when their entitlement to UI has expired.

Figure 3.2. Income support for the jobless is comparatively generous in most Nordic countries

Net replacement rate, 67% of the average wage, January 2020



Note: For a 40-year-old with five years of full-time contribution history and previous earnings equal to 67% of the average wage. Averaged over six family types: single, one-earner couple, and two-earner couple with partner's earnings equal to 67% if the average wage; each with no children and with two children. OECD corresponds to the unweighted average of the 34 countries shown (excludes Chile, Colombia, Costa Rica and Mexico). Net replacement rates express the net household income while unemployed as a proportion of the net household income while employed. Crucially, they take into account the role played by any part of the tax and benefit system that can complement unemployment benefit systems in providing support for the jobless, with the exception of housing benefits. For most countries, this means that the Net Replacement Rates at 36 months include social assistance benefits that individuals can receive once their entitlement to unemployment benefit runs out.

Source: (OECD, 2023^[6]), *OECD Tax-Benefits Models*, <https://www.oecd.org/els/soc/benefits-and-wages/>.

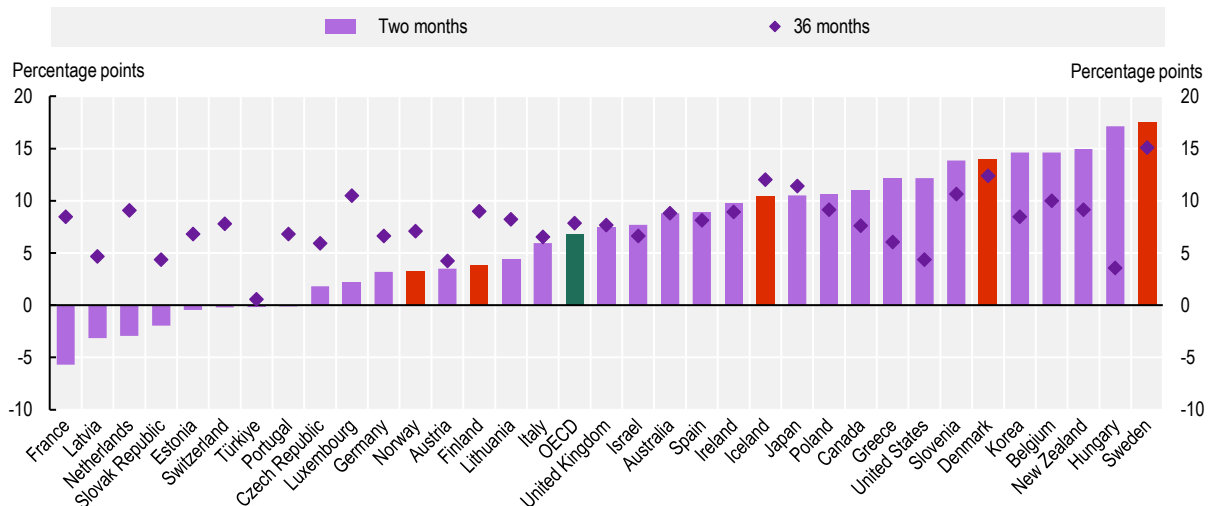
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Across the OECD, **support for the unemployed is often explicitly targeted towards those with lower earnings** (Figure 3.3). Indeed, in most countries, initial NRRs are higher for workers with low previous earnings than for those with previous earnings equal to the average wage. In Sweden, Denmark and Iceland the difference is comparatively large, ranging from just over 10 percentage points in Iceland to over 15 percentage points in Sweden – against an OECD average of around 6 percentage points at two months of unemployment. In Norway and Finland, the differences are below 5 percentage points. The degree of targeting towards workers with low previous wages is higher at 36 months than earlier in the

spell in Finland, Norway and Iceland, but not in Denmark and Sweden. Nevertheless, given the high starting level, these latter two countries feature the highest degree of targeting towards low-pay workers even 36 months into spell.⁸

Figure 3.3. Income support for jobless individuals is strongly targeted to low-wage workers in some of the Nordic countries

Difference between net replacement rates at 67% of the average wage and at the average wage, 2020



Note: For a 40-year-old with five years of full-time contribution history. Averaged over six family types: single, one-earner couple, and two-earner couple with both partners earning the same wage; each with no children and with two children. OECD corresponds to the unweighted average of the 34 countries shown (excludes Chile, Colombia, Costa Rica and Mexico). Net replacement rates express the net household income while unemployed as a proportion of the net household income while employed. Crucially, they take into account the role played by any part of the tax and benefit system that can complement unemployment benefit systems in providing support for the jobless, with the exception of housing benefits. For most countries, this means that the Net Replacement Rates at 36 months include social assistance benefits that individuals can receive once their entitlement to unemployment benefit runs out.

Source: (OECD, 2023^[6]), *OECD Tax-Benefits Models*, <https://www.oecd.org/els/soc/benefits-and-wages/>

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The coverage of unemployment benefits in Denmark, Finland and Iceland is comparatively high but less so for migrants, the young and low-educated

In a rights-and-responsibilities framework, unemployment benefits have a key role in targeting employment support and activation measures. **Low benefit coverage can undermine the effective reach of job-search assistance, training and other social and employment re-integration measures.** This in turn hinders the ability of the unemployment benefit system to effectively contribute to labour market inclusiveness by helping people to weather negative labour-market shocks. **Out-of-work benefits also serve as a major instrument for countering growing income inequality.** For instance, trends towards increasing inequality between the 1990s and mid-2000s have been linked to declining shares of jobseekers receiving benefits (OECD, 2011^[7]).

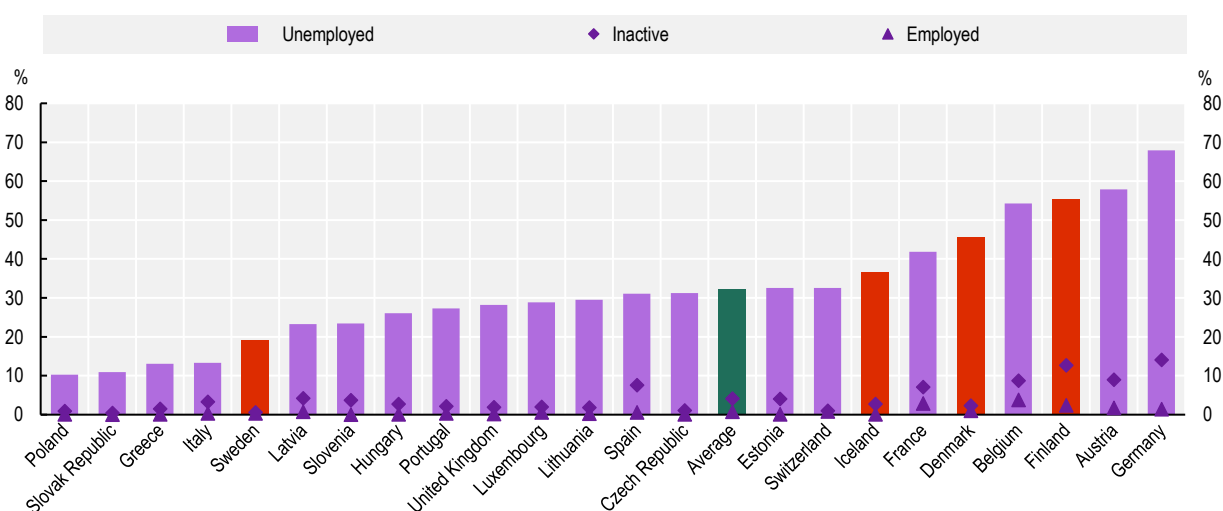
The effective coverage of UB systems depends on a number of policy and non-policy factors interacting with one another – see OECD (2018^[8]) for an in-depth discussion. Non-policy factors include demographics (e.g. ageing, migration) and labour-market conditions, although each of them may, in turn, shape policies regarding the accessibility of benefits. The policy dimensions that can affect UB coverage are many, including those relating to employment conditions (and the possibility of cumulating work income and UBs),

means-tests or activation-related behavioural requirements. Those who qualify for benefits may decide not to take them up if benefit levels are seen as low relative to the cost of claiming, or if other types of transfers are more generous or easier to obtain. In addition, the perceived accessibility and generosity of benefits can affect the job-search and re-employment decisions of unemployed individuals (OECD, 2018^[8]).

According to 2019 Labour Force Survey data,⁹ **pre-crisis UB coverage of the ILO unemployed is comparatively high in Finland (55.2%) and Denmark (45.7%)** (Figure 3.4). Iceland also has a coverage rate of 36.5% above the OECD average of 32.2%. **The LFS-based coverage rate for Sweden (19.2%) is comparatively low.** This is at least in part driven by the fact that the survey does not explicitly ask about all benefits available in the country – but results based on administrative data also suggests that Sweden has the lowest UB coverage among the four Nordic countries included here (see Figure 3.9). In the three countries with high coverage, rates are particularly high for the long-term unemployed (Figure 3.5). While the high coverage of the long-term unemployed in Iceland is linked to the comparatively long duration of unemployment insurance, in Finland this is linked to the labour market subsidy that is available indefinitely after the entitlement to the earning-related UI runs out. This likely explains why in Finland the relatively high coverage extends also to the inactive and particularly to discouraged workers¹⁰ (Figure 3.6).

Figure 3.4. Unemployment benefit coverage is high in most Nordic countries

Unemployment benefit coverage by employment status, working-age population (15-64), 2019



Note: Data for Norway are not available in the EU-LFS. The green bar represents the unweighted average of the 23 European countries shown. Data for Sweden do not include a series of benefits that are accessible to jobless individuals who: i) are not in receipt of core unemployment benefits; and who ii) satisfy other conditions such as active participation in employment support measures. Unemployed according to ILO guidelines.

Source: OECD calculations based on the European Union Labour Force Survey (EU-LFS).


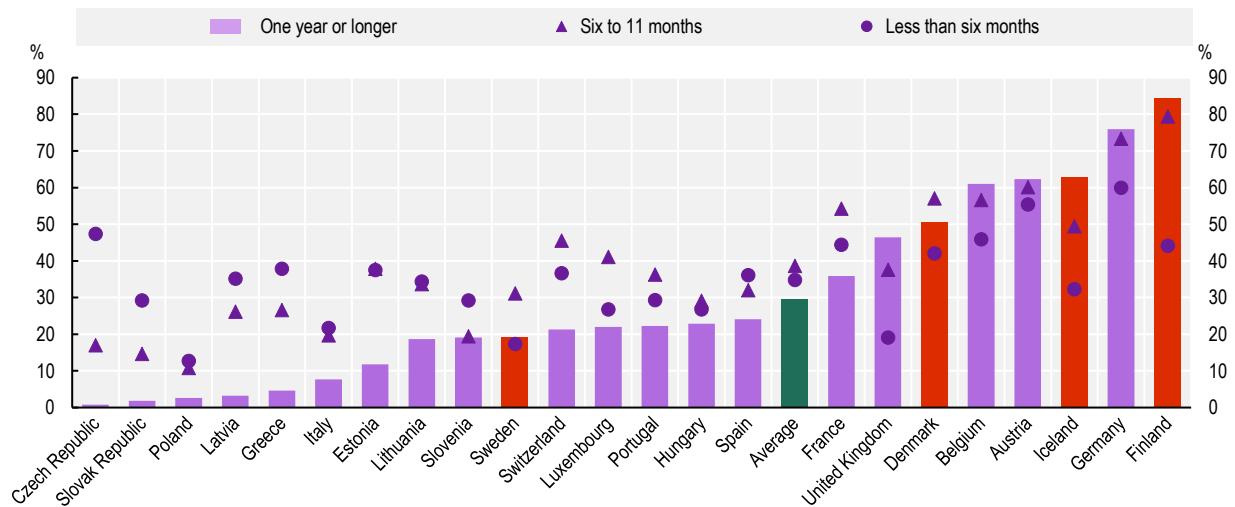
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Figure 3.5. Where unemployment benefit coverage is high, it is even higher for the long-term unemployed

Unemployment benefit coverage by unemployment duration, working-age population (15-64), 2019

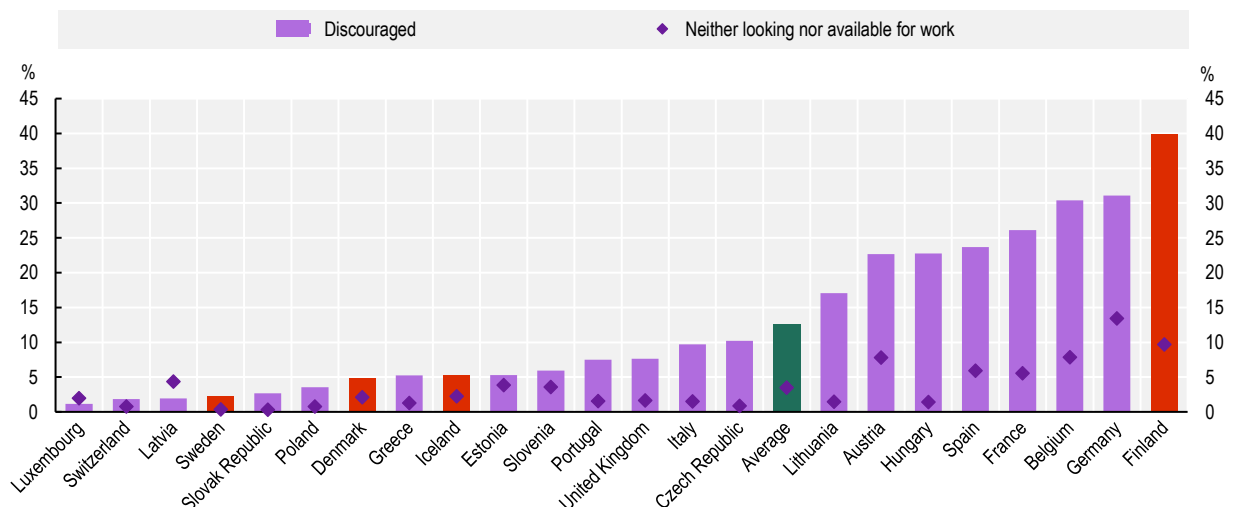


Note: Data for Norway are not available. The green bar represents the unweighted average of the 23 European countries shown. Data for Sweden do not include a series of benefits that are accessible to jobless individuals who: i) are not in receipt of core unemployment benefits; and who ii) satisfy other conditions such as active participation in employment support measures. Unemployed according to ILO guidelines. Source: OECD calculations based on the European Union Labour Force Survey (EU-LFS).

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Figure 3.6. A substantial share of people not seeking work receive benefits

Unemployment benefit recipients by inactivity status, working-age population (15-64), 2019



Note: The green bar represents the unweighted average of the 23 European countries shown. LFS data for Sweden do not include a series of benefits that are accessible to jobless individuals who: i) are not in receipt of core unemployment benefits; and who ii) satisfy other conditions such as active participation in employment support measures. Unemployed according to ILO guidelines. Source: OECD calculations based on the European Union Labour Force Survey (EU-LFS).

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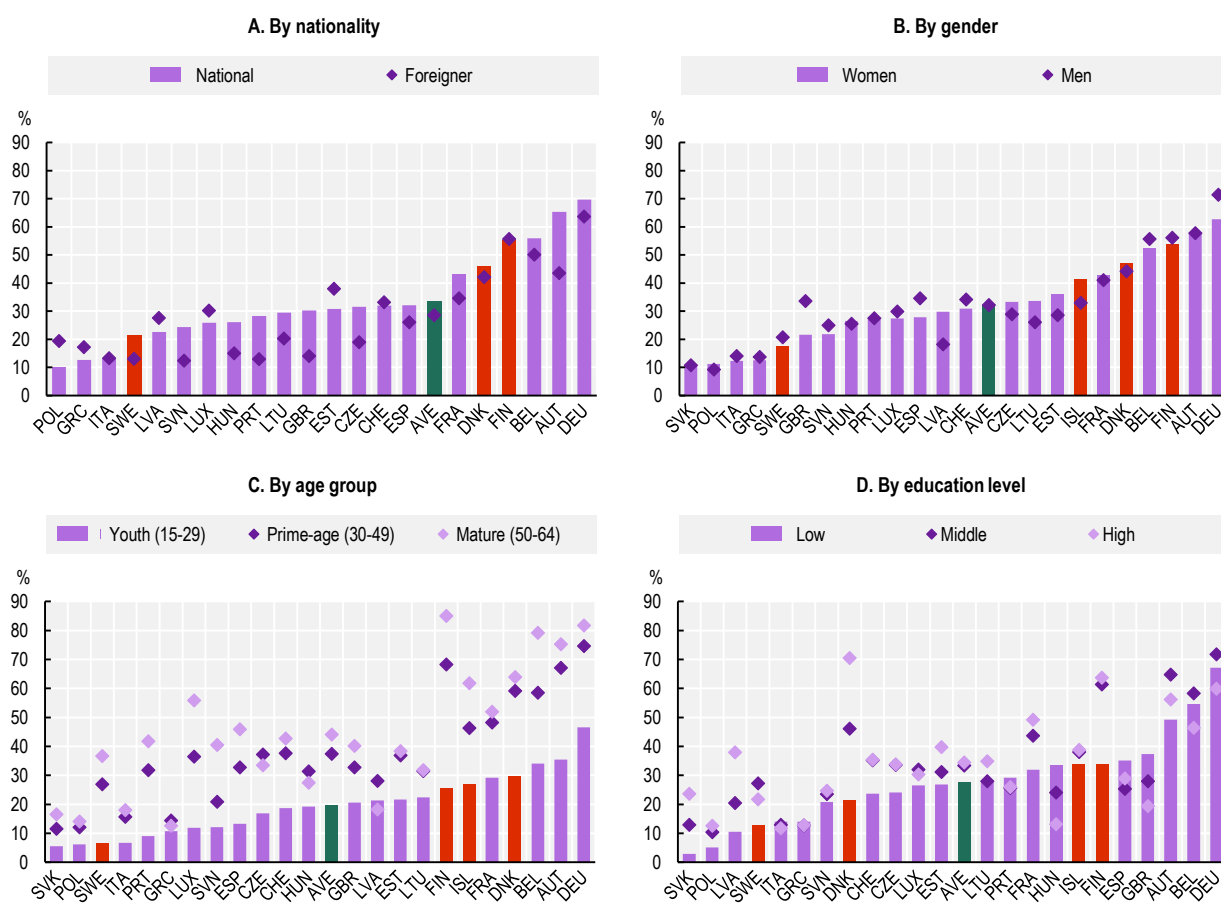
In most OECD countries, **UB coverage is lower among foreigners than nationals** (29% vs 34%). This is also the case in two of the three Nordic countries with reliable data available, i.e. Denmark and Sweden. In Finland, however, the difference is negligible (Figure 3.7).

Gender differences in UB coverage are generally small and the sign varies across the OECD (Figure 3.7). Differences are generally small in the Nordic countries as well, with the exception of Iceland (where coverage is higher for women – 42% vs 33%) and Sweden (where coverage is higher for men – 21% vs 18%).

Coverage is typically lower among younger and less educated unemployed across the OECD (Figure 3.7, Panels C and D). On average, coverage is 20% among youth compared to over 37% in older groups, and 28% among the low-educated, compared to 34% in the more educated groups. These differences are at least in part driven by the presence of minimum work requirements to access UB that are more likely to be binding for young people.

Figure 3.7. Unemployment benefit coverage by demographic subgroups

Coverage among ILO unemployed, working-age population (15-64), 2019



Note: The green bars represent the unweighted average of the countries shown in each panel. LFS data for Sweden do not include a series of benefits that are accessible to jobless individuals who: i) are not in receipt of core unemployment benefits; and who ii) satisfy other conditions such as active participation in employment support measures. Unemployed according to ILO guidelines.

Source: OECD calculations based on the European Union Labour Force Survey (EU-LFS).

In the Nordic countries, coverage differentials by education and age are generally larger (Figure 3.7, Panels C and D). In particular, the coverage rate among young people is especially low in Sweden (6%), and the comparatively high overall coverage in Denmark and Finland is reflected more strongly in the older (prime-age/older) and more educated (middle/highly-educated) groups. Finland in particular has the highest UB coverage for older workers among the countries included. This is likely due to the fact that the country offers generous unemployment benefit entitlements to older workers that are longer than those for younger workers and can also be extended up to the statutory retirement age. OECD (2020^[9]) argues that this feature can help explain some of the large employment gaps for older workers between Finland and the other Nordic countries.

3.2.2. During the COVID-19 crisis, Nordic countries took steps to ease access to unemployment benefits in line with most other OECD countries

As the COVID-19 crisis struck, governments around the world recognised the exceptional nature of the crisis and adjusted the existing unemployment benefit systems to ensure strong support for the largest possible number of people who lost their jobs. Concerns about work incentives and moral hazard were set aside, since jobseekers had only poor chances of finding new work at a time when large parts of the economy were effectively at a standstill.

In any recession, job losses are likely to be concentrated on workers with flexible work arrangements (e.g. temporary contracts, temporary agency workers, own-account workers), who are less likely to be eligible to unemployment insurance benefits, either because they do not meet minimum contribution requirements or because they are formally excluded (OECD, 2018^[11]). Minimum contribution requirements may also be too high for unemployed youth and other recent labour market entrants without recent work experience – which contributes to the relatively low coverage rates for young people described above. In the COVID-19 crisis, these risks were compounded by the fact that the sectors disproportionately affected by the crisis – such as food and accommodation – had a higher concentration of young and precarious workers (OECD, 2020^[10]). Many of the steps taken by Governments – including those of the Nordic countries – aimed precisely at addressing the risk that a large number of individuals could slip through the protection net.

Indeed, during the initial pandemic wave in spring 2020, the majority of OECD countries (32 out of 38 – see Annex 3.A) adopted measures extending benefit entitlements along one or several of the following three dimensions (OECD, 2022^[11]):

- *Improving access* (19 countries) by reducing or entirely waiving minimum contribution periods or covering groups of workers who had previously not been entitled (such as workers whose contract was terminated during a probationary period, workers on unpaid leave and workers who had quit their job for a new job offer that fell through when the crisis hit). Sweden, Finland, and Norway relaxed the eligibility conditions to access to UB (Table 3.2). Sweden and Finland reduced the minimum number of weeks of membership in a UI fund necessary to access the earning-related benefit – benefitting in particular younger workers. Sweden also reduced the minimum number of hours of previous work required, facilitating access for part-time workers. Similarly, Norway reduced the minimum income requirement to qualify for benefits. Norway, Sweden and Finland suspended the waiting period before a claimant can start receiving benefits. Rules concerning minimum work requirements and waiting periods generally help reduce incentives for alternating between short-duration jobs and unemployment (Boeri, Cahuc and Zylberberg, 2015^[12]), but these concerns were largely cast aside in the context of a pandemic that prevented the ordinary functioning of the labour markets.
- *Extending benefit durations* (16 countries) by lengthening durations outright, or by automatically extending entitlements that expired during the peak of the crisis. Among the Nordic countries, benefit duration was extended in Finland, Norway and Denmark.

- *Raising benefit amounts* (12 countries) by introducing temporary lump sum top-ups to unemployment benefits, raising replacement rates, or by lifting benefit floors or ceilings. A number of OECD countries also suspended progressive reductions in benefit amounts for those with longer unemployment spells. Sweden raised both the floor and ceiling amounts for the benefit payments, while Norway increased the replacement rate for lower incomes and Denmark increased the benefit ceiling. Finland increased the earning disregard for claimants also receiving some income from work. Iceland increased the amount of the flat benefit claimants receive at the start of the claim as well as the benefit floor. In addition, the overall generosity of the system was temporarily increased by extending the period over which claimants receive the income-related benefit from 65 to 130 days while keeping the overall duration of the benefit unaltered (i.e. flat rate plus income-related one).

All Nordic countries temporarily suspended job-search requirements at the start of the pandemic (see Chapter 4) and attempted to stimulate training for UB recipients (see Chapter 5). Denmark, Sweden, and Finland also shored up UB support for the self-employed, while Norway – which did not provide UB access for the self-employed prior to the crisis – introduced a new temporary *ad hoc* benefit for them (see Box 3.1).

By January 2022, a little less than two years into the pandemic, unemployment benefit extensions introduced during the crisis had expired in most of OECD countries (OECD, 2022^[11]). The Nordic countries, however, were among the exceptions as they maintained reduced work requirements (Norway, Sweden), longer maximum benefit durations (Norway) or higher benefit levels (Iceland, Norway, Sweden).

Since the rapidly evolving crisis required quick action, the changes were mostly adopted through emergency legislation by Governments. In all the Nordic countries, however, social partners were involved in the fast decision-making process both through the standard formal channels and through more informal channels. In some cases, proposals formulated jointly by the social partners provided stimulus for the government decision, as in the case of Finland.¹¹

Table 3.2. The Nordic countries quickly adjusted their unemployment benefit systems to meet the challenges of the COVID-19 crisis

Country	Improved access	Extended benefit duration	Raised benefit generosity
Denmark		Between 1 March and 31 August 2020 and between 1 January and 30 June 2021, the limit for duration of unemployment benefits was suspended. These periods are not included in the continuous monthly usage of unemployment benefits, also referred to as “dead periods”. Unemployed people who lost their rights to unemployment benefit in the period 1 November 2020 to 31 October 2021 had their unemployment benefit extended by two months. If the right to unemployment benefits expired in the period 1 November 2021 to 30 April 2022, as a result of the pause in the unemployment benefit seniority from 1 January 2021 to 30 June 2021, the unemployment benefit was also extended by two months. This extension could be used until 30 June 2022.	
Finland	Minimum work requirement for the earning-related UI benefit was shortened from 26 to 13 weeks (in place from 15 April 2020 to	Any income-related unemployment benefit paid between 1 July and 31 December 2020 did not count towards the maximum benefit payment period.	Increase in the “earning disregard” for claimants combining work income and benefits. Before COVID-19, unemployment benefit decreased by 50% of gross income

Country	Improved access	Extended benefit duration	Raised benefit generosity
	<p>31 December 2020).</p> <p>The labour market subsidy was made more easily accessible for the self-employed till February 2022.</p> <p>The five days waiting period was abolished, therefore recipients could have their UB five days earlier during COVID-19 (the total duration remained the same)</p>		<p>exceeding the disregard of EUR 300 per month. During COVID-19, this amount was increased to EUR 500. The provision remained in place in 2021.</p>
Iceland			<p>Flat amount and minimum benefit increased by 6.2%.</p> <p>Maximum benefit increased by 3.6%, at ISK 472.835 per month (in 2021). In 2022, the flat amount, minimum benefit and child supplement further increased by 2% and maximum amount increased by 5%.</p> <p>The overall amount received over the whole spell was also effectively increased by extending from 3 to 6 months the period over which the claimant can receive the income-related benefit rather than the flat benefit (with the overall duration kept constant). Abolished in February 2022.</p>
Norway	<p>Temporarily reduced minimum income for eligibility to unemployment benefits from 1,5G* to 0,75G over the past 12 months, or from 3G to 2,25G over the past 36 months. This applied to applications granted from 20 March 2020 to 31 March 2022.</p> <p>Until October 2021 and then between 15 December 2021 and 31 March 2022, the minimum reduction in working hours to be eligible for the unemployment benefit went from 50% to 40%.</p> <p>The waiting period of three days before the claimant can draw benefits has been abolished for applications granted between the 19 February 2021 and 31 March 2022.</p>	<p>Benefit duration was extended to the end of March 2022 for claimants whose entitlement would have ended between March 2020 or later.</p>	<p>For applications granted between the 20 March 2020 and 31 March 2022, the replacement rate was raised from 62.4% to 80% for incomes up to three times G*.</p> <p>From 27 March 2020 to 31 December 2022, those who had applied for unemployment benefits could apply for a pre-payment. The pre-payment was 60% of the calculation basis for unemployment benefit. The pre-payment was monthly, and a new application had to be handed in every month. The pre-paid amount would be deducted from the granted benefit. For partly temporary layoffs, the pre-payment was reduced according to the percentage of the partly layoff.</p>
Sweden	<p>Reduction of work requirements: during COVID-19, the work requirement was 6 months (at least 60 hours per month – instead of the usual 80 hours) over the 12 previous months. Alternatively, recipient should have worked at least 420 hours (normally 480 hours) during a consecutive period of 6 months and have performed this work for at least 40 hours (normally 50 hours) per month.</p> <p>The waiting period was abolished from 30 March 2022 until January 2021.</p>		<p>Increased in minimum and maximum benefit amounts by 40% and 32% respectively.</p> <p>Maximum benefit for people covered by the <i>basic insurance</i> is at SEK 510/day (before at SEK 365 /day) and maximum for people covered by the <i>income loss insurance</i> is at SEK 1 200/day (before at SEK 910/day).</p> <p>The minimum benefit for both is SEK 255/day (for part-time employed people with low working hours)</p>

Note: * “G” stands for the National Insurance scheme basic amount (*Grunnbeløp*), which is set at NOK 111 477 from 1 May 2022 onwards.
Source: (OECD, 2020^[10]), *Employment Outlook 2020*, <https://doi.org/10.1787/1686c758-en>, and (OECD, 2023^[6]), *OECD Tax-Benefits Models*, <https://www.oecd.org/els/soc/benefits-and-wages/>.

The number of UB recipients increased as unemployment rose and access to benefits was eased

Administrative data facilitate the tracking of the use of unemployment benefits throughout the crisis. Figure 3.8, Panel A reports the ratio between the number of benefit recipients and the total working age population at different points in time for selected OECD countries, including four of the Nordic countries. Data for Norway are not reported in the figure because it is not possible to distinguish UB claims made by jobless individuals and those made by individuals on job retention schemes, i.e. people on temporary layoffs who legally retain their job.¹²

The number of UB recipients increased in most countries as the COVID-19 struck and the unemployment rate climbed (see Chapter 2).¹³ On average, across the countries included the number of UB recipients relative to working age population increased from 3.8% in December 2019 to a peak of 7.2% in the spring of 2020 and then declined again to 4.5% by early 2022 (Figure 3.8, Panel A). The increase in the number of claimants was larger in countries which relied less on JRS – like the United States and Australia but was significant also in some countries where these schemes were used extensively – like in Spain.

Nordic countries saw a larger increase in the number of claimants compared to several other European countries that also made extensive use of job retention schemes, reflecting the larger increase in unemployment seen in the Nordic region (see Chapter 1). However, the existence of well-established and generous UB systems might also have contributed to the larger increases in unemployment in these countries, by making it easier and more acceptable to both firms and workers to rely on UBs rather than JR support (see also section 3.3.4).

The increase in the number of claimants was particularly pronounced in Iceland and Finland (Figure 3.8, Panel B). In Iceland the increase was more than twofold between February 2020 and the peak of January 2021 (from 3.6% to 9.3%), with the number of claimants returning close to pre-crisis levels by the end of 2021. In Finland, the number of recipients of the basic benefit increased from 6.1% of the working age population in February 2020 to 8.4% in April – a proportional increase of 37%. Data including recipients of the voluntary UI benefit are only available for the month of December and show an increase from 9.7% of the working age population in December 2019 to 12% in December 2020 – a proportional increase of 25%. Both indicators show a return to pre-crisis levels by the end of 2021.

Sweden saw a more gradual increase in the number of claimants from 3.5% of the working age population in February 2020 to 4.8% in April 2021 – a proportional increase of just under 40%. **In Denmark, the number of claimants grew proportionally less and then returned below pre-crisis levels earlier than in all other countries**, already in June 2021 – reflecting the quick recovery of the Danish labour market (see Chapter 1).

The changes in the number of claimants are clearly linked to changes in the total number of unemployed, but they also reflect changes in coverage resulting from the various policy changes implemented by countries. Indeed, as described above, many countries relaxed eligibility requirements, increased benefit levels and extended benefit duration while suspending job-search requirements precisely with the aim to extend the coverage of the UB system. All of these changes increased the proportion of jobless people who were entitled to UB. In addition, the particular nature of the crisis – with much economic activity frozen and a high degree of uncertainty – might even have encouraged a higher take-up among entitled jobseekers.

Figure 3.8. Unemployment benefits were widely used to cushion the impact of the COVID-19 crisis

Ratio of recipients of unemployment benefits to working-age population (15-64)



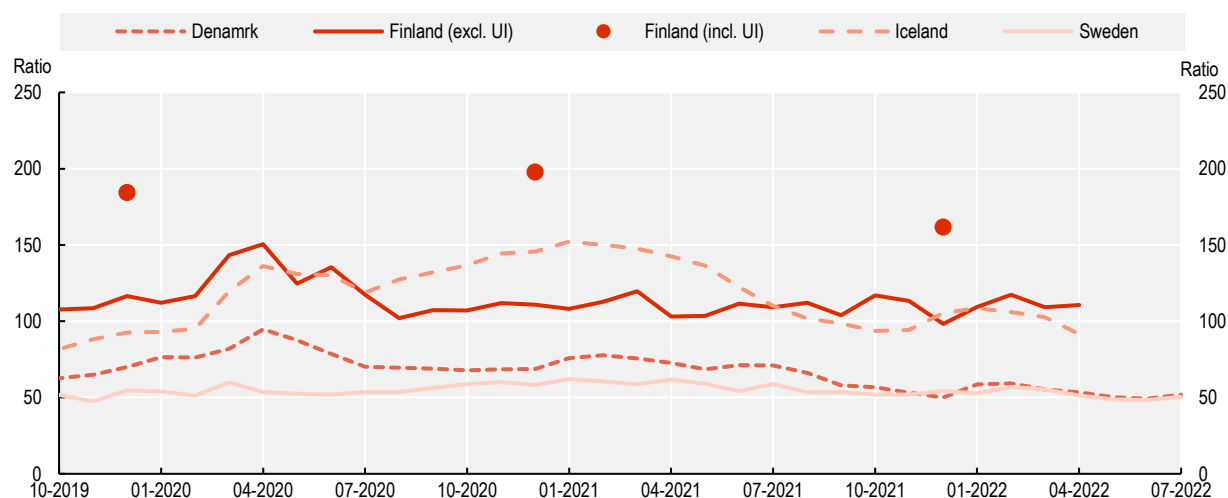
Note: For Finland, earnings-related benefits are available in December only and thus not included for the other months. The green bar represents the unweighted average of the 13 countries in Panel A. The latest data point is February 2021 for Italy and the United Kingdom, March 2021 for France, April 2021 for Germany and Switzerland, May 2021 for Belgium and the United States, June 2021 for Australia and Spain, December 2021 for Finland and March 2022 for Denmark, Iceland, and Sweden. The unemployment benefits shown above include: Newstart Allowance and Youth Allowance for Australia; *Prestations chômage* for both jobseekers and non-jobseekers for Belgium; *Nettoledige dagpengemodtagere* (unemployment benefits) and *Nettoledige kontanthjælpsmodtagere* (social assistance) for Denmark; earnings-related benefits and basic unemployment benefits including labour market subsidy for Finland; ARE (*Aide au retour à l'emploi*) for France; *Arbeitslosengeld* (unemployment benefits) for Germany; *Atvinnuleysisbætur* (unemployment benefits) for Iceland; contributory full unemployment benefit and non-contributory full unemployment benefit for Spain; *Assurance chômage* for Switzerland; basic unemployment insurance, complementary income-related insurance, activity support and development allowance for Sweden; Jobseeker's Allowance for the United Kingdom; Unemployment Insurance benefits, Unemployment Compensation for Federal Employees, Unemployment Compensation for Ex-Service Members, Railroad Unemployment Insurance, Trade Readjustment Allowances, Emergency Unemployment Compensation, Federal-State Extended Benefits, State Additional Benefits, Pandemic Unemployment Assistance and Pandemic Emergency Unemployment Compensation for the United States.

Source: OECD calculations based on data from (OECD, 2023^[13]), *Social Benefits Recipients High-Frequency database*, <https://www.oecd.org/els/soc/recipients-socr-hf.htm#:~:=%20text=The%20Social%20benefits%20Recipients%20High.after%20the%20COVID%2D19%20crisis> (recipients of unemployment benefits), the (OECD, 2023^[14]), *OECD Short-Term Labour Market Statistics*, <https://stats.oecd.org/index.aspx?queryid=35253> (population), Statistics Denmark, Social Insurance Institution of Finland (Kela), Iceland's Directorate of Labour (Vinnuálastofnun), Swedish Unemployment Insurance Inspectorate (IAF).


Indeed, during the COVID-19 crisis, the four Nordic countries with data available saw an increase in the proportion of unemployed people receiving UBs, as captured by *pseudo-coverage rates*, i.e. the ratio of benefit recipients (from administrative sources) and unemployed (as recorded in labour force surveys) (see (OECD, 2018^[8]) for a discussion of this measure). The increases were particularly significant in Iceland where pseudo-coverage rates increased significantly in the spring of 2020 climbing above 100 and then began to decline from early 2021, reaching pre-crisis levels by April 2022.¹⁴ By contrast, in Denmark, the pseudo-coverage rate never reached 100% and returned to pre-crisis levels in the early summer of 2020, and actually fell significantly below that level after June 2020, reaching 52% in July 2022. Finland was the only Nordic country already featuring pseudo-coverage rates above 100% before the COVID-19 crisis. The monthly data on the number of recipients of the basic benefit show a pronounced increase in pseudo-coverage rates at the start of crisis which was, however, largely re-absorbed by the summer of 2020 – after which the rate oscillated around pre-crisis values. Finally, Sweden saw a smaller but longer-lasting increase in pseudo-coverage rate which hovered at a value about 10% higher than pre-crisis well into the first months of 2022.

Figure 3.9. Pseudo-coverage rates increased in the Nordic countries at the start of the COVID-19 crisis

Ratio of recipients of unemployment benefits (from administrative sources) to the number of ILO unemployed (from LFS data)



Note: For Finland, earnings-related benefits are available in December only and thus not included for the other months. See note in Figure 3.8. Source: OECD calculations based on data from Statistics Denmark, Social Insurance Institution of Finland (Kela), Iceland's Directorate of Labour (Vinnuálastofnun), and the Swedish Unemployment Insurance Inspectorate (IAF) for recipients of unemployment benefits and (OECD, 2023^[14]), *OECD Short-Term Labour Market Statistics*, <https://stats.oecd.org/index.aspx?queryid=35253> for the unemployed.

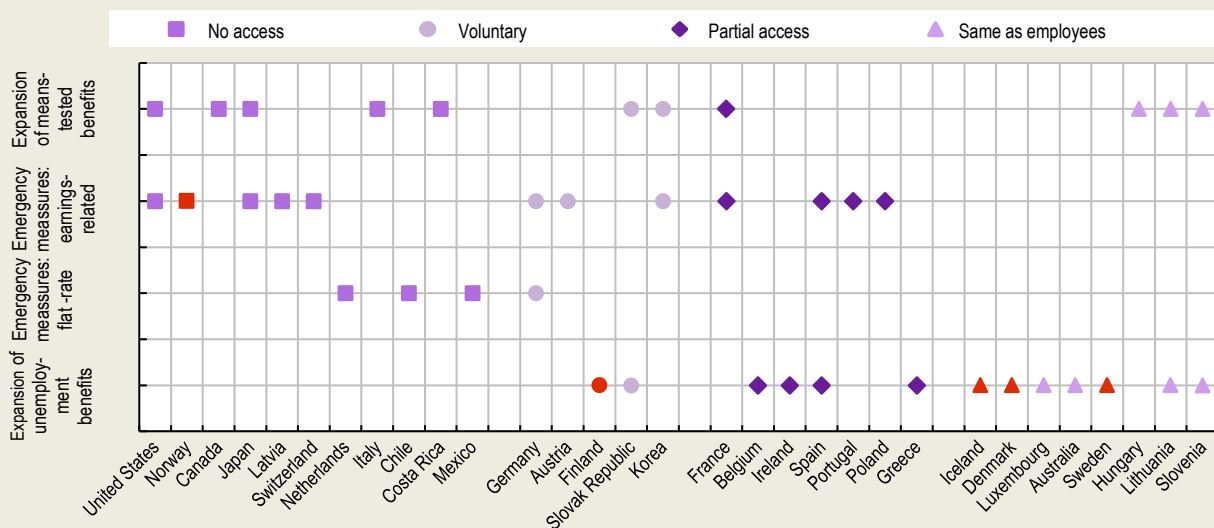
StatLink  <https://stat.link/wout4g>

Box 3.1. Most Nordic countries provide access to unemployment benefits for the self-employed and stepped-up support during the COVID-19 crisis

The self-employed often have less access to unemployment insurance benefits than dependent workers. The main reason is that the provision of unemployment insurance to the self-employed carries significant moral hazard, since, with no employer to confirm a layoff, it is difficult to establish whether a loss of income is caused by a (prior) lack of effort or external circumstances leading to business failure (OECD, 2018^[15]).


This leaves a potentially large proportion of workers without income protection. Across the OECD on average, in 2019, one in six workers was self-employed (OECD, 2022^[11]). In the Nordic countries, the share of self-employed is lower, ranging from 6.5% in Norway to 13.5% in Finland.

Figure 3.10. Access to unemployment benefits for self-employed workers was limited before the pandemic



Note: "No access": compulsory for dependent employees but the self-employed are included. "Partial access": self-employed workers are insured through a different scheme, receive lower benefit amounts and/or have more stringent entitlement criteria than dependent employees. "Expansion of unemployment benefits" includes easier access (e.g. shortening of minimum contribution periods), longer durations or higher amounts. In countries that did not cover the self-employed previously, it may also mean that self-employed workers gained access. Similarly, expansion of means-tested benefits includes the easing of means- and/or asset tests as well as increased amounts. For Belgium, "partial access" refers to the *droit passerelle*, a separate non-contribution-based programme for self-employed workers. In the Czech Republic, self-employed workers are statutorily insured at half of their taxable income but may choose a higher contribution base. For Germany, "voluntary access" refers to the unemployment insurance benefit *Arbeitslosengeld I*, not to the needs-based unemployment assistance benefit *Arbeitslosengeld II* that self-employed workers may also claim. For Italy, the chart refers to craftspeople, shopkeepers/traders and farmers, and not to para-subordinate workers, who are covered by a separate scheme. For Portugal, the chart refers to dependent self-employed workers.

Source: OECD Questionnaire on Policy Responses to the COVID-19 Crisis supplemented with information from the (OECD, 2023^[6]), *OECD Tax-Benefit Database* (<https://www.oecd.org/social/benefits-and-wages/>), (MISSOC, 2020^[16]) *Social protection of the self-employed*, (Spasova et al., 2017^[17]) *Access to social protection for people working on non-standard contracts and as self-employed in Europe*, (Baptista et al., 2021^[18]) *Social protection and inclusion policy responses to the COVID-19 crisis for European countries*, (Government of Canada, 2020^[19]) *EI benefits for self-employed people for Canada*, (OECD, forthcoming^[20]) *Income security during joblessness in the United States: Design of effective unemployment support for the United States*.

StatLink  <https://stat.link/ebcljx>

At the start of the crisis, 13 of 36 OECD countries with available information (OECD, 2022^[11]) did not offer any unemployment insurance benefits for self-employed workers. Eleven offered self-employed workers

the same unemployment protection as dependent employees, while in five the self-employed had the option to join a voluntary unemployment insurance scheme. The remaining seven countries offered partial access, i.e. with lower amounts and/or more stringent eligibility criteria than for dependent employees.

Among the Nordic countries, Norway was the only one where the self-employed had no access to unemployment benefits before the crisis. In Iceland, the self-employed have access to the same benefits as employees. Similarly, in Sweden they have access to the basic benefit and can opt to enrol in a voluntary UI fund. This is also the case in Finland, where the self-employed who choose to enrol in a voluntary UI fund can insure a level of income up to the level they insure for pension purposes. In Denmark, the self-employed can choose, similarly to employees, to join a voluntary UI fund. In fact, in Denmark, eligibility for UI is based on a minimum taxable income over three years and is not conditional on the type of employment.

At the onset of the COVID-19 crisis, countries who already provided (some) self-employed workers with unemployment benefits were able to shore up support using existing structures. In Denmark, self-employed workers could retrospectively join an unemployment insurance fund by paying a year's contributions if they were affected by containment measures. In Finland, until February 2022, the self-employed ineligible for either the basic benefit or the income-related one were allowed to access the labour market subsidy even if their activity had not entirely ceased, provided that their income had declined significantly. Sweden implemented a similar measure and suspended the prohibition to claim UB more than once over a five-year period.

Countries that had no systems in place to assess affected workers' previous earnings and entitlements had to either create such structures quickly or to adapt their minimum income benefits. Among these countries was Norway which introduced a new benefit that was tied to previous earnings – a measure also implemented, for example, in Austria, Switzerland and the United States.

Source: (OECD, 2022^[11]), "Supporting jobs and incomes: An update on the policy response to the COVID-19 crisis", in *OECD Employment Outlook 2022: Building Back More Inclusive Labour Markets*, OECD Publishing, Paris, <https://doi.org/10.1787/1bb305a6-en>.

3.2.1. Key takeaways

UB systems play a key role in enhancing labour market resilience and containing the increase in income inequality during economic downturns.

Nordic countries are characterised by comparatively generous UB systems for low-paid workers with high levels of coverage – except in Sweden – but with significant gaps for migrants, the young and the low-educated.

As the COVID-19 crisis struck, Nordic countries – in line with most other OECD countries – adjusted the existing unemployment benefit systems to ensure strong support for the largest possible number of people who lost their jobs. Concerns about work incentives and moral hazard were set aside, since jobseekers had only poor chances of finding new work at a time when large parts of the economy were effectively at a standstill. Indeed, job-search requirements were initially suspended in all countries.

Since the onset of the crisis, in all Nordic countries, **social partners were involved in the fast decision-making process that led to the implementation of changes to the UB system 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.

To improve access to benefits for those with shorter tenure and the young in particular, Sweden, Finland, and Norway relaxed minimum work requirements to access to UBs. Finland, Norway and Denmark extended benefit duration, and benefit levels increased for at least some workers in all countries except

Finland – which however increased the earning disregard for workers cumulating UB and income from work. All countries shored up support for the self-employed as well, and Norway introduced a temporary ad hoc subsidy for them.

Nordic countries saw a larger increase in the number of UB claimants compared to several other European countries that also made extensive use of job retention schemes, reflecting the larger increase in unemployment seen in the Nordic region (see Chapter 1). However, the larger increase in unemployment seen in the Nordics may in part driven also 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 (see also section 3.3.4).

The increase in the number of claimants is also the result of countries' efforts to increase coverage among the unemployed during the COVID-19 crisis. Indeed, **during the COVID-19 crisis, the four Nordic countries with data available saw increases in pseudo-coverage rates** – the ratio of benefit recipients from administrative sources and total number of unemployed from labour force surveys – with particularly significant increases in Iceland.

3.3. Nordic countries swiftly adapted their JR schemes to meet the challenges of the COVID-19 crisis

When the COVID-19 crisis erupted in spring 2020, **nearly all OECD countries used job retention schemes to provide timely and broad-based support to firms and workers affected by physical-distancing restrictions.** These job retention schemes sought to preserve jobs and incomes of workers at hard-hit firms by paying subsidies to lower firms' labour costs against reductions in hours worked. They took the form of: i) short-time work schemes that subsidised hours not worked; or ii) wage subsidy schemes that subsidised hours worked but could also be used to top up the earnings of workers on reduced hours. In both cases, contracts of employees remained in force while their work was partially or fully suspended.

Job retention schemes limited costly layoffs and re-hiring over a temporary shutdown of economic activity. They are also unlikely to have come at the expense of lost productivity growth initially, since the COVID-19 shock hit high- and low-productivity firms indiscriminately. Hence, it was not only, or mainly, low-productivity firms that received the subsidy, and the subsidy did not distort the survival chances of firms (Cros, Epaulard and Martin, 2021^[21]).

As the health and economic situation evolved, concerns about the economic costs of job retention schemes increased. Such economic costs may come principally in two forms: government support may go to jobs that do not need to be supported; or support may go to jobs that will not come back anyway, or come back only after an extended period (e.g. certain segments of the entertainment industry), slowing reallocation of jobs across firms. Evidence from job retention schemes in Australia, New Zealand and the United Kingdom suggests that these distortive effects have grown as economies recovered (Andrews, Charlton and Moore, 2021^[22]; Andrews, Hambur and Bahar, 2021^[23]), but no specific evidence is available for the Nordic countries yet.

3.3.1. The design of job retention schemes varies across the Nordic countries

Finland, Norway and Denmark already had short-time work schemes in place when the crisis struck.¹⁵ In all three cases, workers who were on JR support received unemployment benefits, a system also in place in Spain and Belgium. **Iceland introduced a new scheme** that followed the same approach. In Norway and Finland there were no limits on the permissible reduction in working time, similar to other countries with a long tradition of using job retention schemes like Italy, France and Germany. The Danish and Icelandic schemes, instead only allowed for partial reduction in hours – in Denmark the precise limits vary depending on a number of factors, while in Iceland hours could be reduced by up to 75%. One reason

why schemes only allow for partial reductions is to promote work-sharing and spread the costs of adjustment across the workforce (OECD, 2021^[24]).

Sweden has had a JR scheme in place since 2014, but the scheme has never been used since its activation is contingent on a severe deterioration of the business cycle. As the crisis struck, a new permanent short-term work scheme was introduced. The scheme only subsidises partial reduction in hours with a maximum permitted reduction of 60% (increased to 80% during the COVID-19 crisis).

Besides adjusting its existing short-time work scheme (*Arbejdsfordeling*), **Denmark introduced two new schemes during the COVID-19.** A Tripartite Agreement in the summer of 2020 established a COVID-19 version of the existing scheme (*Midlertidig Arbejdsfordeling*) which – unlike the existing scheme – could be used by firms even in the absence of specific collective agreements. The second scheme (*Lønkomensation*) was introduced in the spring of 2020 and took the form of a furlough scheme, whereby workers on the scheme would see their hours temporarily reduced to zero (OECD, 2021^[24]).

Norway also introduced a wage subsidy briefly at the end of 2021 until February 2022 on the back of concerns that the existing JR schemes did not provide strong incentives for firms to bring back workers in the uncertain economic situation driven by the new Omicron wave of the pandemic. The subsidy covered up to 80% of the wage cost (subject to a cap) for firms that experienced significant decline in turnover.

In the Nordic countries, social partners play a key role in the organisation of JR schemes

In the majority of European countries, the formal involvement of trade unions or employee representatives is a prerequisite for the use of job retention schemes (Müller, Schulten and Drahokoupil, 2022^[25]). Such arrangements are present in all four Nordic countries that have a permanent scheme in place, but **in Denmark, Sweden and Norway the involvement of social partners extends to the actual design of the scheme** (Müller, Schulten and Drahokoupil, 2022^[25]).

In Denmark, the standard scheme only operates through collective agreements. Many sectors include clauses on the use of JR support in their collective agreements, and companies without collective agreements can only use the scheme if a local agreement is signed (Larsen and Ilsoe, 2022^[26]). During the pandemic, social partners signed, adjusted and extended 26 tripartite agreements related to the job retention scheme. A Tripartite Agreement was also the basis for the introduction of the new furlough scheme introduced temporarily during the COVID-19 crisis, which however was regulated by legislation. Given the emergency context, this scheme could be used even if no prior agreement is in place, with the milder requirement of informing and notifying workers' representatives in advance.

In Norway, the Basic Agreement between the Norwegian Confederation of Trade Unions (LO) and the Confederation of Norwegian Enterprise (NHO) provides a number of rules for the JR scheme that complement the statutory ones.¹⁶ For example, the agreement details the length of the notice periods for temporary layoffs for different reasons, the criteria for the selection of workers to be placed on the scheme and mandates that local trade unions must be informed of the decision to use the scheme. Many of the Basic Agreement provisions on the JR scheme have become common practice over time and may apply even in firms that are not formally covered by the agreement. In addition, lower-level agreements may also regulate aspects of the scheme. The changes to the scheme that were implemented during the COVID-19 crisis were made in close co-operation with social partners (Svalund, 2022^[27]).

Sweden introduced legislation on short-time work in 2013 on the back of the positive record of collective agreements reached in the wake of the financial crisis (Global Deal, forthcoming^[28]). The legislation introduced the subsidy paid by the government for the wages of workers placed on the scheme. Firms can access the subsidy if there are industry and local agreements already in place or if an agreement with 70% of employees is reached (Berglund, 2021^[29]). Industry-level agreements typically define the framework for the local agreements. The new permanent scheme introduced at the start of the COVID-19 crisis was regulated through legislation, but also provided the basis for the adoption of specific collective

agreements. For example, early in the pandemic, an agreement was signed in the Hotel and Restaurant sector which regulated – among other things – the wage reductions for workers placed on the scheme.¹⁷

In Finland, collective agreements are not a pre-requisite for the use of the JR scheme, but firms are **required to negotiate with workers’ representatives before accessing the scheme**. Collective agreements can set clauses on the notice period that override statutory ones. The social partners played a key role in the adaptation of the scheme to the COVID-19 crisis, as they reached a bipartite agreement in March 2020 which was largely translated into legislation by the government very quickly afterwards.¹⁸

In Iceland, the new JR scheme was designed and implemented by the government. Social partners were involved through their standard participation in the dialogue with the labour market authorities.

3.3.2. As the COVID-19 crisis struck, Nordic countries took quick steps to ease access to job retention schemes similarly to most other OECD countries

Most OECD countries took measures to allow easy access to JR schemes during the COVID-19 crisis (OECD, 2021^[24]). Applications were simplified and could be made online in most countries, with the approval processes often automated. Denmark, for example, relied on an advanced digital system to simplify procedures for the firms so that the information on reference salaries of the workers was automatically provided from the tax register in the applications for JR support.

To reduce the risk of supporting jobs that do not need support, i.e. “deadweight effects”, countries often condition eligibility to JR support to having a valid economic justification. To promote access, a number of countries with short-time work schemes, temporarily weakened the criteria for a valid economic justification or even completely removed the need for one. This reflected reduced concerns about deadweight effects during the initial lockdown when economic activity came to a virtual standstill. Requiring an agreement with a trade union or worker representative can also help to alleviate deadweight effects, while at the same time ensuring a sound process. Since participation is costly for workers in terms of forgone earnings, a firm-level agreement can help to prevent firms from claiming support when there are no jobs at risk.

These procedures are typically in place in all Nordic countries and were reduced during the crisis. Finland reduced the statutory notice period (from 14 days to five) and shortened the negotiating period with workers’ representatives (to five days, while normally ranges from 14 days to six weeks, depending on the firm’s characteristics). In Denmark the COVID-19 version of the standard scheme replaced the obligation for a collective agreement to adopt the scheme, with a less stringent duty of information and consultation. Norway lowered the minimum permissible reduction in working time from 50% to 40%.

In addition to easing eligibility for firms, **several OECD countries extended eligibility for workers**. Standard eligibility rules might limit benefits to “insured” workers, i.e. workers who meet the minimum contribution requirements for unemployment benefits, or workers with a permanent contract, i.e. jobs that would be expected to last for a long time in the absence of the temporary shock. The focus of JR schemes on workers with longer work experience or permanent jobs is, in principle, consistent with the rationale of such schemes to preserve firm-specific knowledge that would be costly to rebuild if the worker is laid off. However, it also risks deepening labour duality, i.e. the gap in employment protection between those on open-ended and temporary contracts (Hijzen and Venn, 2011^[30]).

While the schemes in Norway and Sweden already covered temporary workers before the crisis, Finland was one of the countries that temporarily extended the coverage to them when the COVID-19 crisis erupted. Temporary workers were also covered in the newly introduced JR scheme in Iceland and Denmark.

In Finland and Norway, the relaxations of the requirements to qualify for UB also applied for the purpose of eligibility to JR support (see Section 3.2.2). **Iceland opened the access to partial UB**

under the JR scheme to all workers, regardless of whether they qualified for standard UB. In Denmark, unlike the pre-existing scheme, the temporary furlough scheme introduced for the COVID-19 crisis did not require workers to qualify for unemployment benefits.

3.3.3. During the COVID-19 crisis, job retention schemes in the Nordic countries were more generous to workers and more onerous to firms than in most other OECD countries

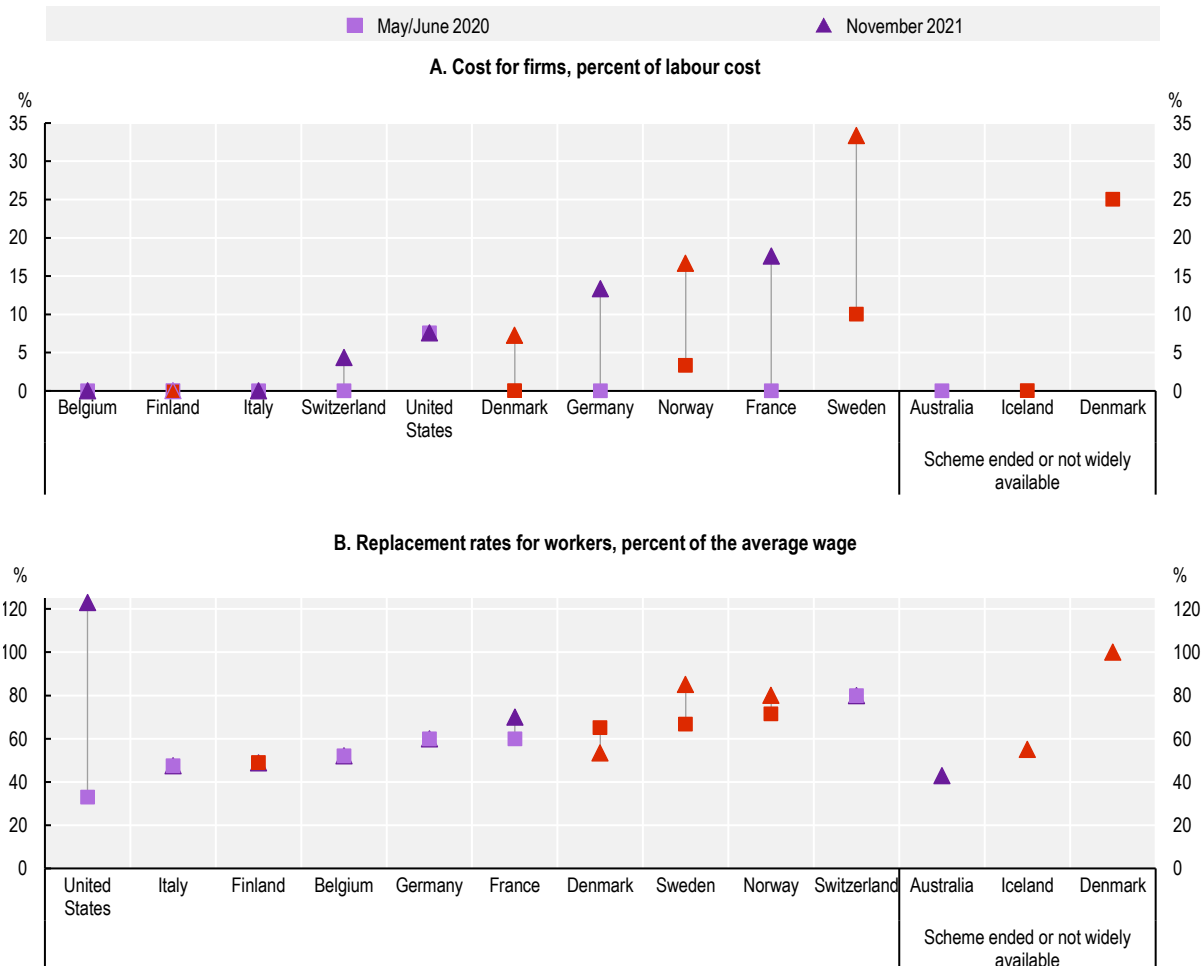
During the early stage of the COVID-19 crisis, **a majority of OECD countries set to zero the cost of hours not worked**, suspending the obligation to pay wages and social security contributions and therefore allowing firms to adjust labour costs in line with the decline in business activity (OECD, 2021^[24]). Even in the countries where employers were still bearing some of the costs, JR schemes allowed for significant adjustments in labour costs during the crisis, alleviating liquidity constraints and limiting the number of workers at risk of dismissal. Over the course of the crisis, as the health and economic situation improved, countries reduced the generosity of the scheme, generally by introducing greater co-financing requirements for firms. Such co-financing has the advantage that it tends to improve the targeting of the financial support to firms and jobs in need and make it less attractive for workers to stay in jobs that will not become viable again.

Among the Nordic countries, **the cost of hours not worked was already zero before the crisis in Finland and was set to zero in the new scheme introduced in Iceland** – which had come to an end by November 2021 (Figure 3.11.).

In Norway, Sweden, and in the new furlough scheme in Denmark, firms continued to bear a comparatively high portion of the cost of hours not worked throughout the crisis. In Norway, the cost to firms reported in Figure 3.11. results from the obligation to pay full wages to workers for a certain number of days – which was reduced from 15 to two from March to September 2022- before workers start receiving the JR benefits. Similarly to Finland, however, the cost of the marginal hour non-worked once employees receive the benefits is zero. Hence, firms face no additional cost in case of extension of the scheme and the average cost of an hour not worked decreases with the duration of the scheme. Denmark suspended the obligation to pay social security contributions for the first two days under its existing short-time work scheme, bringing the cost to firms under the scheme to zero. The COVID-19 version of the scheme that came into effect later in 2020 carried the obligation for firms to pay social security contributions for the first three days and increased the benefit for workers (Larsen and Ilsoe, 2022^[26]).


From the workers' perspective, the schemes in Norway, Sweden and Denmark during the COVID-19 crisis were some of the most generous in the OECD (Figure 3.11). Indeed, in Denmark workers received 100% of their wages¹⁹ under the new furlough scheme – although Borgensgaard (2022^[31]) finds that furloughed workers did see a small reduction in labour income, likely as the result of cuts negotiated before applying for wage compensation. Norway and Sweden increased the generosity of the support for workers at the start of the crisis, from levels that were already comparatively high.²⁰

Figure 3.11. Job retention schemes in some of the Nordic countries were particularly generous for workers but required higher co-financing from firms



Note: All calculations refer to workers with (gross) wages equal to the average wage of the relevant country. The values for November 2021 refer to those in place on the first day of the month. Denmark: Wage compensation scheme ended in September 2021. From 10 December 2021 until 15 January 2022, Denmark reintegrated a temporary wage compensation scheme. Norway: computations refer to the use of the scheme for 3 months (60 days). The cost for firms results from an obligation to pay full salary for a fixed number of days at the start of the period. Firms however do not participate to the cost of the marginal hour non-worked. For Sweden: the JR scheme allowed companies to reduce working hours up to 80% from May 2020 until July 2020 and from December 2020 until September 2021. While the new scheme remains in place, most of the rules adopted specifically to deal with the pandemic ended in September 2021. Changes between January 2020 and November 2021: Employer's family member and owner of the company are usually not covered, except from 16 March 2020 to 30 September 2021.

Source: Country answers and ad hoc updates to OECD Policy Questionnaire on Working Time Regulation and Short-Time Work Schemes.

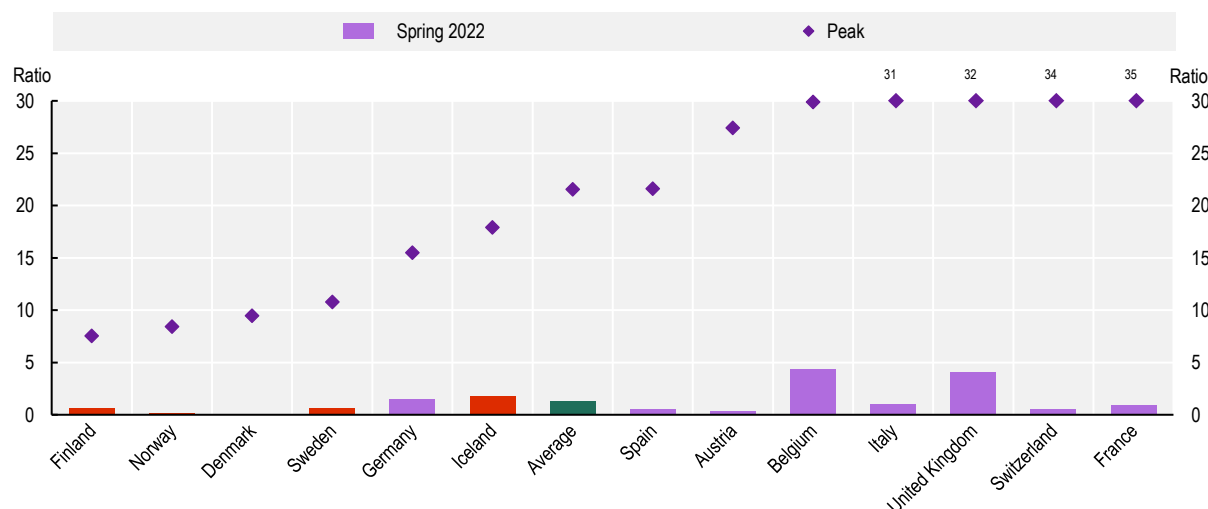
StatLink  <https://stat.link/rb8ija>

3.3.4. The use of job retentions schemes was comparatively low in the Nordic countries

Across the OECD, countries supported an unprecedented number of workers at the beginning of the COVID-19 crisis through job retention schemes, ten times as many as in the global financial crisis. The ending of the schemes in several countries in the context of a rapid recovery meant that the use of job retention support has fallen strongly: from a peak of 20% of dependent employment to 0.9% in March/April 2022 (on average among the OECD countries with available data and a scheme at some point during the crisis) (OECD, 2022^[11]). There has also been a big decline in their use in the countries with schemes that still operated in March/April 2022 (Figure 3.12)

Figure 3.12. The use of JR support was lower in the Nordic countries than in most other European countries

Ratio of those on job retention schemes to dependent employment



Note: The green bar is the unweighted average of the 13 European countries shown. The latest month is May 2021 for Iceland, September 2021 for Sweden and the United Kingdom, March 2022 for France, Germany, Iceland, Italy, Spain and Switzerland, April 2022 for Austria and Belgium, and June 2022 for Denmark, Finland and Norway. The peak was observed in April 2020 except for Denmark, Norway and Sweden, where the peak was observed in May 2020. For Finland and Iceland, total employment is used instead of dependent employment. Data for Norway refer to applications, not actual claims and can therefore include applications that are eventually rejected.

Source: Labour Market Service (Austria), Ministry of Employment (Belgium), Danish Business Authority and Jobindstat (Denmark), Direction de l'animation de la recherche, des études et des statistiques (France), Bundesagentur für Arbeit (Germany), Employment Services Statistics (Statistics Finland), Vinnuálastofnun's administrative data (Iceland), Istituto nazionale della previdenza sociale (Italy), Norwegian Labour and Welfare Organisation (NAV), Ministerio de Inclusión, Seguridad Social y Migraciones (Spain), Eurostat – Jobs benefiting from COVID-19 governmental support measures (Sweden), SECO – Amstat (Switzerland), HMRC coronavirus statistics (United Kingdom). Employees Statistics (Denmark), Labour Force Survey (Finland), Labour Force – Register Data (Iceland), Number of Employments and Earnings (Norway), Labour Force Surveys – Employees (Sweden) are also referenced for employment.

StatLink  <https://stat.link/rx9m41>

In the Nordic countries, the use of JR support was also unprecedented, but much lower than in many other European countries. Peak take-up was around 10% of dependent employment in Sweden, Norway, and Denmark, and 8% in Finland.²¹ It was larger in Iceland, where it reached 18%. By early 2022, it had fallen to less than 0.7% in Norway and Finland – which had returned to the rules in place before the COVID-19 crisis. Similarly, take up was very low in Sweden in September 2021, the last month before the special rules adopted for the COVID-19 pandemic ended. Iceland and Denmark discontinued their newly introduced schemes in May 2021 and March 2022 respectively.

The comparatively lower use of JR schemes in the Nordic countries might at least in part reflect the fact that the schemes were more onerous for firms – at least in Sweden, Norway (if the scheme was used for a limited time) and (for the newly introduced furlough scheme) Denmark. Indeed, **this might be a policy choice reflecting the fact that the Nordic countries feature well-established, and generous unemployment systems that operates through highly digitalised processes and provide strong support for job-search.** All these features likely made the scaling up of unemployment benefit provisions easier and generally more acceptable to both firms and workers than in many other European countries and might have facilitated a comparatively larger reliance on UB rather than JR during the crisis – as also discussed in section 3.2.2.

More generally, however, **simple cross-country comparisons indicate that differences in the peak use of JR support across countries largely reflect the intensity of the crisis rather than differences in their broader institutional settings** (OECD, 2021_[24]).²² Peak take-up rates are correlated with both the stringency of the lockdown measures and the fall in GDP. Indeed, the Nordic countries generally experienced smaller contractions in GDP (see Chapter 1) and less stringent restrictions at the start of the pandemic than most other European countries. By contrast, peak take-up does not correlate with institutions such as employment protection legislation (EPL) and collective bargaining systems. This is likely due to the nature of the crisis that in many countries suddenly forced large swaths of firms to temporarily cease their activity and stands in contrast with previous evidence that stricter EPL is associated with higher take-up of JR schemes (Boeri and Brücker, 2011_[32]; Hijzen and Martin, 2013_[33]).

The reduced use of job retention support in early 2022 mostly reflects a decline in demand by firms and workers as labour market conditions improved markedly. In addition, over the course of the recovery, demand for support has likely also decreased as countries reduced the generosity of the schemes, including Norway and Sweden. None of the Nordic countries however increased the targeting of the schemes towards specific firms, sectors or regions that had been particularly hard hit by physical-distancing restrictions – as seen for example in Portugal, Austria, France and Italy (OECD, 2022_[11]).

3.3.5. Key takeaways

At the start of the COVID-19 crisis, all Nordic countries took steps to make JR support widely available – in line with most other OECD countries. Norway, Finland modified their existing schemes. Iceland and Sweden introduced a new one, and Denmark did both things, introducing a COVID-19 version of its existing scheme and a brand new scheme available also to firms not covered by collective agreements.

All Nordic countries simplified application procedures for firms and suspended or shortened procedural processes normally meant to prevent abuse of the schemes, such as negotiations or consultations with workers' representatives.

Nordic countries also extended eligibility for workers. Finland extended coverage of the schemes to temporary workers, who were already covered by the existing schemes in Norway and Sweden and were also covered under the newly introduced schemes in Denmark and Iceland. In Finland and Norway – where workers on JR support receive UB – the relaxation of eligibility requirements for UB also benefitted workers on JR, while in the new scheme introduced in Iceland receipt of UB while on JR support was not subject to standard eligibility requirements for such benefits.

While a majority of OECD countries set to zero the cost of hours not worked for firms, this was only the case in Finland and Iceland among the Nordic countries. In Norway, Sweden, and in the new furlough scheme in Denmark, firms continued to bear a comparatively high portion of the cost of hours not worked throughout the crisis.

From the workers' perspective, the schemes in Norway, Sweden and Denmark during the COVID-19 crisis were some of the most generous in the OECD. In Denmark, workers received 100% of their wages under the new furlough scheme, while Norway and Sweden increased the generosity of the support for workers at the start of the crisis, from levels that were already comparatively high.

In the Nordic countries, the use of JR support was unprecedented, but much lower than in many other European countries. Peak take-up was around 10% of dependent employment in Sweden, Norway, and Denmark, and 8% in Finland. It was larger in Iceland, where it reached 18% but still below the OECD average of 20%.

Simple cross-country comparisons indicate that **differences in the peak use of JR support across countries largely reflect the intensity of the crisis rather than differences in their broader institutional settings.** Peak take-up rates are correlated with both the stringency of the lockdown

measures and the fall in GDP. Indeed, the Nordic countries generally experienced smaller contractions in GDP and less stringent restrictions at the start of the pandemic than most other European countries.

In addition, **the comparatively lower use of JR support in the Nordic countries might at least in part reflect the fact that the schemes were more onerous for firms** – at least in Sweden, Norway (if the scheme was used for a limited time) and Denmark (in the case of the newly introduced furlough scheme). Indeed, this might be a policy choice reflecting the fact that the existence of well-established, and generous unemployment systems operating through highly digitalised processes made the use of UBs easier to scale up and generally more acceptable to both firms and workers, facilitating a comparatively larger reliance on UB rather than JR during the crisis.

There is general consensus that JR schemes saved millions of jobs across the OECD and greatly enhanced the resilience of labour markets to the crisis by preserving productive capacity and enabling a fast labour market rebound. The measures adopted by the Nordic countries and across the OECD to make JR support easily accessible, widely available and exceptionally generous helped to provide timely support to firms and workers whose economic activities had suddenly been reduced or even completely come to a halt.

There are, however, very few studies offering rigorous evaluations of the impact of the schemes in specific countries – and none evaluating the merits of different design features. A report for the Swedish Government (The Swedish Committee on Support for Short-Time Work, 2022^[34]) concluded that the JR scheme had significant impact on the Swedish economy and contributed to cushion the fall in employment. The report also highlights that the generous version of the scheme remained in place for a prolonged period of time, increasing the risks of potential negative effects such as deadweight effects (i.e. support for jobs that would have survived anyway) and hindering employment reallocation. However, it also recognises that this conclusion is drawn with hindsight and that at the time of the various extensions of the scheme there was significant uncertainty on how the full impact of the pandemic and its future developments. For Denmark, Borgensgaard (2022^[31]) finds that the new furlough scheme prevented job losses among short-tenure workers but also provided support to longer-tenure workers who would have been less likely to lose their job even in the absence of the support. An OECD study on Switzerland concludes that the short-time work scheme helped preserve the jobs and incomes of different socio-demographic groups, including low-educated, temporary-contract and foreign-born workers (Hijzen and Salvatori, 2022^[35]).

The priorities going forward should be (i) to evaluate the effectiveness of job retention schemes in protecting different groups of workers and (ii) to understand the role of different design features in enhancing labour market resilience and inclusiveness. Administrative data on firms and employees that used the JR schemes are likely to yield significant insights on these aspects. The rigorous identification of the causal effect of the schemes in general and of their features in particular during the COVID-19 crisis is hampered by the contemporaneous deployment of many different policies and the rapid evolution of the economic and health situation. Nevertheless, even studies focusing on less turbulent and exceptional times that exploit detailed information on firms and workers characteristics can provide useful insights to inform the design of job retention schemes to improve resilience of labour markets to future crises.

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Annex 3.A. Additional details of unemployment benefits

Annex Table 3.A.1. Unemployment benefits entitlement

Rules concerning the type of unemployment benefits (voluntary or compulsory) and eligibility conditions.

	Programme name, national language	Insurance is voluntary (V) or automatic / compulsory (C)	Requirements in terms of previous employment (E), contributions (C), hours of work (H), and earnings (W)	Waiting period (days)	Maximum duration (months)
	[1]	[2]	[3]	[4]	[5]
Denmark	Arbejdsløshedsdagpenge og andre Akasseydelser	V	E: Earnings from employment of DKK 238 512 (55% of AW) within the last three years and minimum of 12 months of employment C: Payment of membership fee	0	24 in 3 years (see also column [12])
Finland	Peruspäiväraha (basic flat rate benefit); Ansiosidonnainen työttömyyspäiväraha (earnings-related benefit)	C: basic benefit; V: earnings-related benefit	E + C: 26 weeks in last 28 months H: 18 hours/week W: EUR 1 236 per month (32% of AW) or according to collective agreement	5	18
Iceland	Atvinnuleysisdagpeningar	C	E + C: 3 in last 12 months (reduced benefit); 12 months in last 12 months (full benefit)	0	30
Norway	Dagpenger under arbeidsløshet	C	E + C: prior work income of 24% of AW in preceding calendar year or 48% of AW in 3 preceding years	3 days (registered as unemployed out of last 15 workdays)	24
Sweden	Arbetslöshetsförsäkring inkomstrelaterad	V	E: at least 6 months (with at least 80 hours per month) in last 12, or 480 hours in 6 continuous months (with at least 50 hours per month); C: member of insurance fund for at least 12 months	6	13.8 (60 weeks), then job and development guarantee programme for 21.8 (90 weeks)

Note: AW = Average wage of a full-time private sector employee.

Source: (OECD, 2023^[6]), *OECD Tax-Benefits Models*, <https://www.oecd.org/els/soc/benefits-and-wages/>

Annex Table 3.A.2. Benefit calculation

Benefit calculation rules and possibility of cumulating benefits and earnings

	Initial benefit, percentage of reference earnings	Final benefit (end of entitlement period), percentage of reference earnings	Definition of reference earnings	Benefit floor Percentage of AW	Benefit ceiling Percentage of AW	Cumulation of earnings and benefits: permitted employment and mechanisms for reducing entitlements
	[1]	[2]	[3]	[4]	[5]	[6]
Denmark	90%		Gross employment income less 8% (employee) social security contributions	None	52%	Possible when working reduced hours of less than 4.5 days per week; paid on the basis of the member's individual rate of unemployment benefits; max. 30 weeks within a period of 104 weeks.
Finland	Basic flat-rate benefit: EUR 33.66 per day (19% of AW) Earnings-related benefit: 45% of daily reference earnings above basic benefit and up to EUR 148.73 per day (84% percentage of AW), plus 20% of daily reference earnings in excess of this amount		Gross employment income excluding holiday pay, minus a fraction of employee social contributions	19%	None	For part-time work (< 80% of full-time): benefit reduced by 50% of gross earnings exceeding EUR 300 per month (8% of AW); total income (benefit + earnings) cannot exceed 100% of reference earnings. Full-time work not permitted.
Iceland	Until day 10: Full flat-rate benefit of ISK 289 510 per month (38% of AW), From day 11 until month 3: 70% of reference earnings	From month 4: Full flat-rate benefit of ISK 289 510 per month (38% of AW)	Gross employment income	38% (full benefit)	59%	For occasional employment (<3 days at a time) benefit is reduced in proportion to the number of hours worked
Norway	62%		Gross employment income	None	60%	Benefit reduced in proportion with working hours, full withdrawal when working more than half-time over a period of 14 days
Sweden	Until week 40: 80%	From week 41: 70% After 60 weeks, job and development guarantee programme available, which pays 65% of previous earnings	Gross employment income	20%	51%	Benefit reduced in proportion to days worked

Note: In columns 4 and 5 all amounts are shown on an annualised basis. AW = Average wage of a full-time private sector employee.

Source: OECD Tax-Benefits database, <https://www.oecd.org/els/soc/benefits-and-wages/>

Annex Table 3.A.3. Unemployment benefit extension of OECD countries due to COVID-19

Extension of unemployment benefits relatives to January 2020

	Improved access and coverage			Extended benefit duration			Raised benefit generosity		
	Spring 2020	Jan-21	Jan-22	Spring 2020	Jan-21	Jan-22	Spring 2020	Jan-21	Jan-22
Australia ²	x	x					x	x	
Austria							x		
Belgium	x						x	x	
Canada	x	x			x			x	
Colombia	x						x		
Denmark				x	x				
Estonia ²								x	x
Finland	x					x	x	x	
France	x	x		x					
Germany				x					
Greece				x	x				
Iceland								x	
Ireland	x	x							
Israel ¹	x	x		x			x	x	
Italy				x					
Korea		x							
Latvia	x	x							
Lithuania	x	x							
Luxembourg				x					
New Zealand ²	x						x		
Norway	x	x	x	x	x	x	x	x	x
Poland	x							x	
Portugal ²	x			x	x				
Slovak Republic				x	x				
Slovenia	x								
Spain	x	x		x	x			x	
Sweden	x						x	x	
Switzerland	x			x					
Türkiye	x	x							
United Kingdom	x								
United States ³				x	x		x		

1. Data for 2022 are preliminary; shaded cells for Israel indicate that information for 2022 is missing.

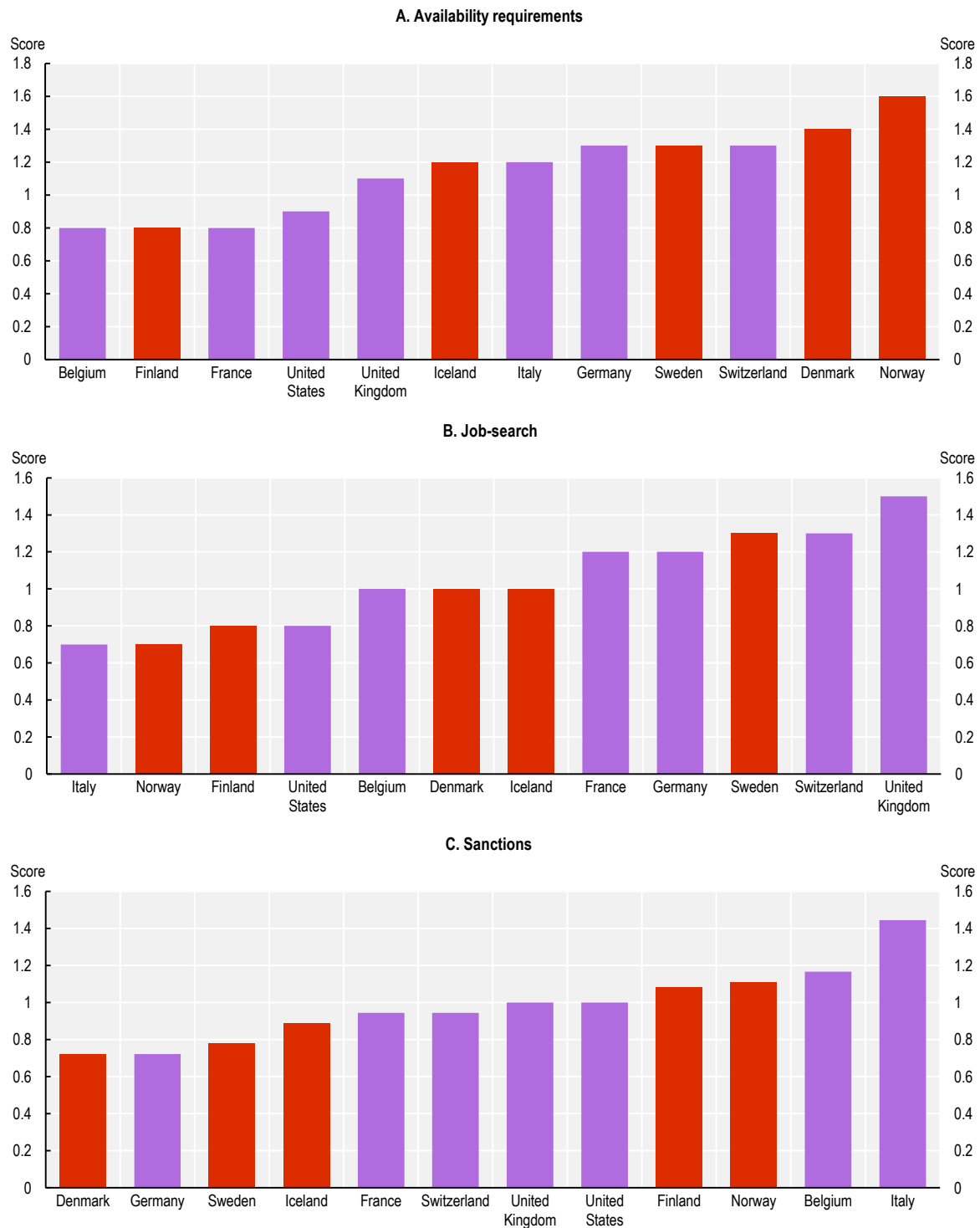
2. Some unemployment benefit extensions are not shown in the table because they do not directly relate to the COVID-19 crisis: Australia and New Zealand increased earnings disregards and benefit levels after the expiry of their temporary COVID-19 measures in 2021 and 2022; Estonia made possible for jobseekers to combine temporary work and receipt of unemployment benefits under certain conditions in September 2020; Portugal raised the amount of its Unemployment Social Allowance for households with children from 2022.

3. Information for the United States refers to the federal level.

Note: The table documents changes in either “first-tier” unemployment insurance or “second-tier” unemployment assistance programmes. A cross for spring 2020 indicates that unemployment benefits were extended relative to the situation in January 2020. A cross for January 2021 / January 2022 indicates that some of these extensions, or new extensions, were (still) in place, again relative to January 2020. A blank cell indicates that no extensions are in place (anymore) relative to the situation in January 2020.

Source: (OECD, 2022^[11]), *OECD Employment Outlook 2022: Building Back More Inclusive Labour Markets*, <https://doi.org/10.1787/1bb305a6-en>. And (OECD, 2020^[10]), *OECD Employment Outlook 2020*, <https://doi.org/10.1787/1686c758-en>, and the (OECD, 2023^[6]), *OECD Tax-Benefit database*, <https://oe.cd/TaxBEN>.

Annex Figure 3.A.1. Strictness of activation requirements, 2020



Note: Data on the strictness of activity-related eligibility criteria for recipients of unemployment and related benefits: the strictness of job-search and monitoring procedures, work-availability requirements and suitable job criteria and sanctions for benefit claimants. The data include information for first and lower tier benefits. Scores from 1 (least strict) to 5 (most strict). Data refer to 2019 for Iceland and Norway.

Source: (OECD, 2023^[6]), *OECD Tax-Benefit Policy Database*, <https://stats-3.oecd.org/Index.aspx?DataSetCode=SBE>.

Notes

¹ The benefit is also available to those who are not entitled to UB at all, but for a maximum of 450 days.

² The Belgian UB system is characterised by declining benefits over the spell – see (Hijzen and Salvatori, 2020^[3]; Salvatori, 2022^[36]). The long-term level of the benefit is a flat amount independent of previous earnings but it is not means-tested.

³ Information on the average previous earnings of UB claimants is not readably available for all countries. Evidence from Sweden shows that the average pre-unemployment wage of unemployed individuals is almost exactly half the average national wage. More broadly, it is well known in the literature that the risk of unemployment is strongly concentrated among a relatively small group of workers with low life-time earnings (OECD, 2015^[37]).

⁴ Two countries, Australia and New Zealand, operate universal unemployment benefits systems that apply from the beginning of the spell providing modest unemployment assistance (UA) benefits to all non-employed people subject to a means test without any limits to their maximum duration (Hijzen and Salvatori, 2020^[3]).

⁵ Declines that occur early in the spell are generally the result of declining unemployment insurance benefits – like in Belgium, Latvia, Lithuania and Slovenia (Hijzen and Salvatori, 2020^[3]). Among the Nordic countries, Iceland has a system where the benefit starts from a flat level for two weeks, is then 70% of previous earnings (subject to ceilings) for three months and finally returns to a flat level for the rest of the duration of the UI entitlement.

⁶ The gross replacement rate for UB in Norway is 62.4% for a maximum of 24 months. The drop in the NRR described in the text is mostly the result of the transition to social assistance.

⁷ The UI benefit at two months is 80% of previous earnings with a ceiling of SEK 910 (EUR 86) per day, while the activity support is 65% of previous earnings with a ceiling of SEK 760 (EUR 72).

⁸ In Denmark and Sweden, low ceilings for unemployment insurance benefits imply high targeting from the beginning of the unemployment spell. In particular, the unemployment benefit ceiling is binding for someone earning only 67% of average wage in these two countries. Indeed, in Denmark, without a cap, the unemployed people would be entitled to 90% of 67% of average wage (which was DKK 440 000 in 2020), i.e. DKK 265 000, which is above the cap of DKK 229 000 (OECD, 2020^[38]). Similarly, in Sweden, the uncapped benefit level would be 80% of 67% of SEK 464 000, i.e. SEK 249 000 /year, which is above the ceiling of SEK 236 000 /year (OECD, 2020^[39]).

⁹ While benefit-receipt information is less precise in these surveys than in the administrative data, it is possible to break down unemployment-benefit recipient totals by employment status. Data are not available for Norway.

¹⁰ These “discouraged” jobseekers are those who are available for work, but have temporarily stopped looking, e.g. due to poor job-finding prospects, because participation in active labour market programmes (ALMPs) leaves little time for active job-search or participants that are formally exempt from job-search requirements, or because some groups of benefit recipients (e.g. lone parents or older unemployed) are explicitly or implicitly exempt from some job-search obligations (OECD, 2018^[8]).

¹¹ <https://tuac.org/news/covid19-crisis-mapping-out-trade-union-and-social-partners-responses/>

¹² Calculations made by subtracting from the total number of UB claims the numbers reported for JR in Section 3.3 suggest that the increase in the number of jobless individuals claiming UB over the COVID-19 crisis in Norway was comparatively small. However, the figures obtained in this way are not entirely reliable because the series on JR claimants (i.e. temporary layoffs) likely over-estimates the actual number of claimants since it is based on applications rather than recognised claims.

¹³ The figures reported in this section refer only to jobless UB claimants and exclude employees who receive UB when placed on Job Retention support (i.e. workers who are temporarily laid off in Norway and Finland for example). See Section 3.3 for a discussion of the various job retention schemes in the Nordic countries and the role played by the unemployment benefit systems within them.

¹⁴ Rates above 100% indicate that significant shares of benefit payments go to individuals other than active jobseekers, which may be intended or unintended. See OECD (2018^[8]).

¹⁵ In Norway and Finland the JR version of the unemployment benefit is often referred to as “temporary layoff”.

¹⁶ <https://www.arbeidstilsynet.no/en/working-conditions/temporary-lay-off/>

¹⁷ <https://tuac.org/news/covid19-crisis-mapping-out-trade-union-and-social-partners-responses/>

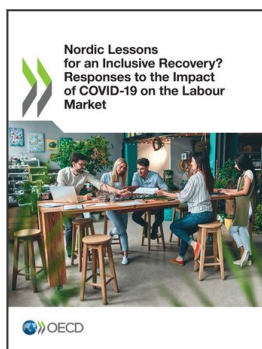
¹⁸ <https://www.eurofound.europa.eu/observatories/emcc/erm/support-instrument/temporary-layoff>

¹⁹ Workers were requested to use up to five days of their holidays’ entitlement unless an agreement was in place to reduce wages temporarily.

²⁰ The generosity of the system to workers is even larger than implied by Figure 3.11 in Norway since workers actually receive the full wage for the first few days. The length of this period was shortened from 15 days to two at the start of the pandemic and brought to ten by November 2021.

²¹ Data for Norway refer to applications, not actual claims and can therefore include applications that are eventually rejected.

²² According to responses during OECD consultations with Finland, the lower number of workers placed on JR support in the country can also be attributed to the fact that the scheme is typically only used on a full-time basis. Unfortunately, information on how many hours the scheme is used for is not readily available across countries, preventing the possibility of cross-country comparison.



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