

Labore

Review of the current situation in the Nordic countries

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Unemployment insurance (European Commission)

- Unemployment benefits are a key feature of all European welfare systems.
- By insuring workers against the risk of job loss, they provide an essential safety net for individuals and households, thereby contributing to protecting them against poverty. Act as a means to smoothen consumption.
- Also act as automatic stabilisers in the business cycle by supporting the incomes of those who have lost their job and look for another employment.
- In addition, unemployment benefits make the reallocation of labour across the economy a smoother process, as job seekers can devote time to finding jobs that match their skills and expectations, or to retrain.



Functioning of the unemployment insurance systems during the crisis

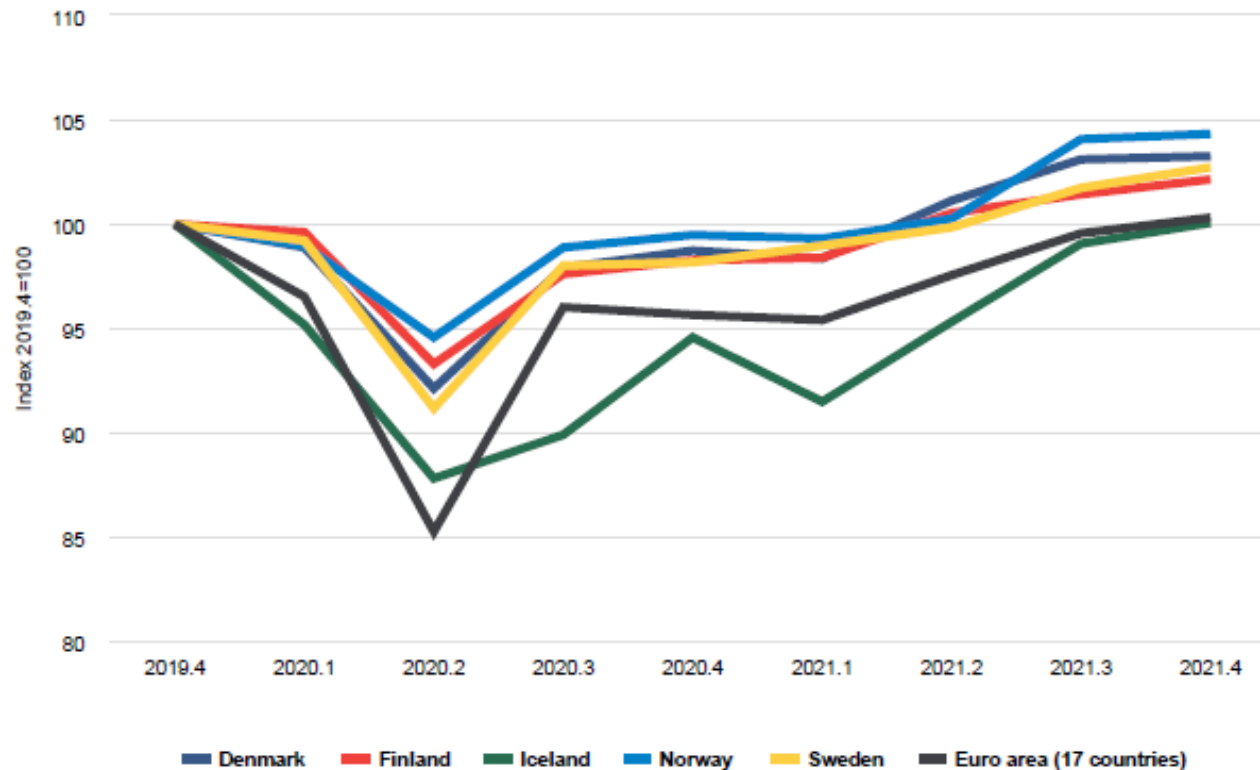
- The role and functioning of unemployment insurance systems highlighted during the crisis.
- How well existing unemployment insurance systems worked during the very unexceptional COVID 19 crisis? What changes?
- The financial durability of the systems during the crisis
- Differences in the functioning between the financial and COVID 19 crisis



Economics and labour market developments during the COVID 19 crisis



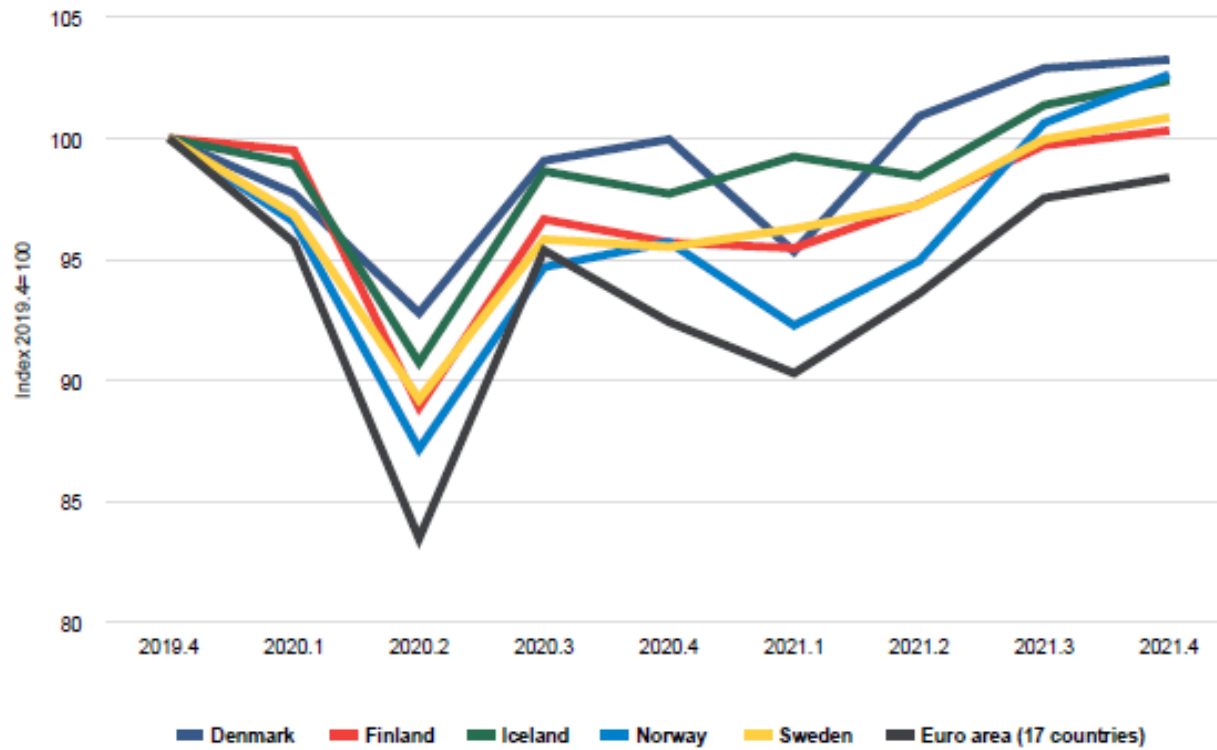
Nordic countries and the COVID-19 pandemics: a sharp drop in GDP in the second quarter of 2020, but quite a quick recovery except for Iceland (Andersen, Hollden and Honkapohja, 2022)



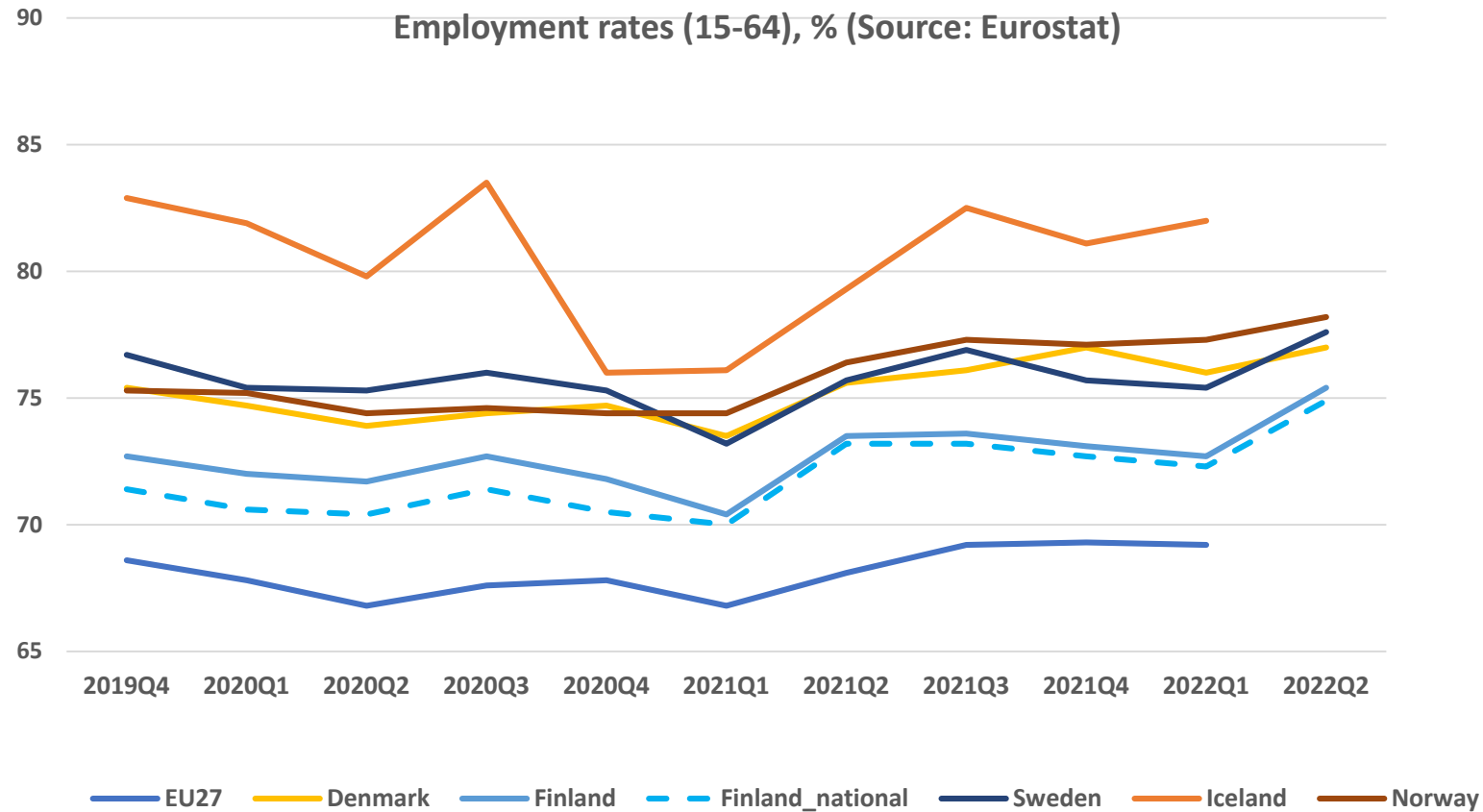
GDP recovered to pre-pandemic levels by the second quarter of 2021.



Nordic countries and the COVID-19 pandemics: a sharp drop in the private consumption in the second half of 2020 in all countries (Andersen, Holden and Honkapohja, 2022)



Nordic countries and the COVID 19- pandemics: A relatively modest drop in employment rates, but country variation

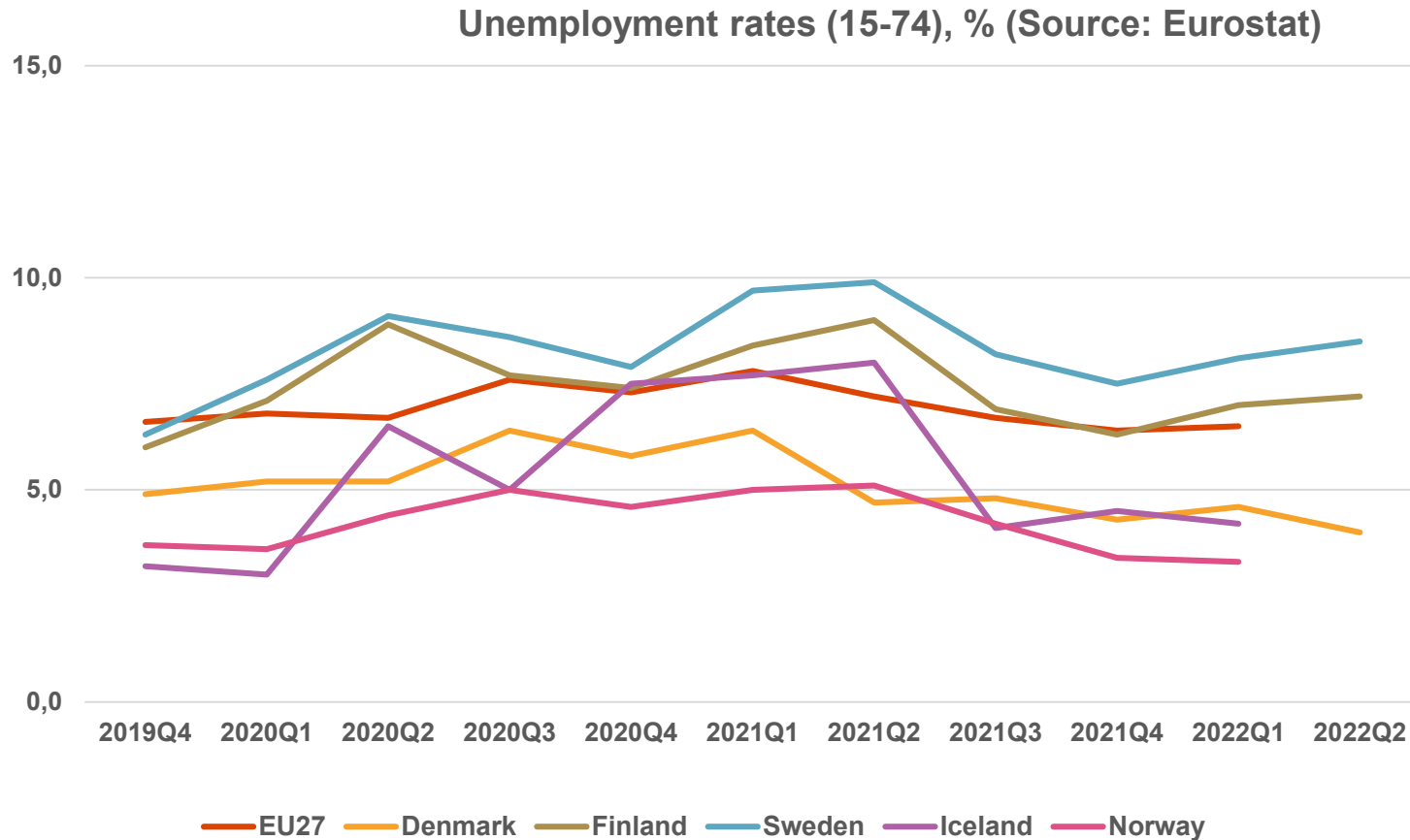


Annual employment rates
(Source: Eurostat)
2019 2020 2021

EU27	68,4	67,5	68,4
Denmark	75	74,4	75,5
Finland	72,9	72,1	72,7
Sweden	77,1	75,5	75,4
Iceland	84,1	80,3	79,8
Norway	75,3	74,7	76,3

- N.B. There is a break in the time series 2021Q1 due to a change in labour market status definition.

Nordic countries and the COVID 19-pandemics: A relatively modest increase in unemployment rates, but again country variation



Annual unemployment rates (Source: Eurostat)
2019 2020 2021

EU27	6,7	7,1	7
Denmark	5	5,6	5,1
Finland	6,7	7,8	7,7
Sweden	6,8	8,3	8,8
Iceland	3,5	5,5	6
Norway	3,7	4,4	4,4

- N.B. There is a break in the time series 2021Q1 due to a change in labour market status definition.



Unemployment insurance systems in the Nordic countries – some key features

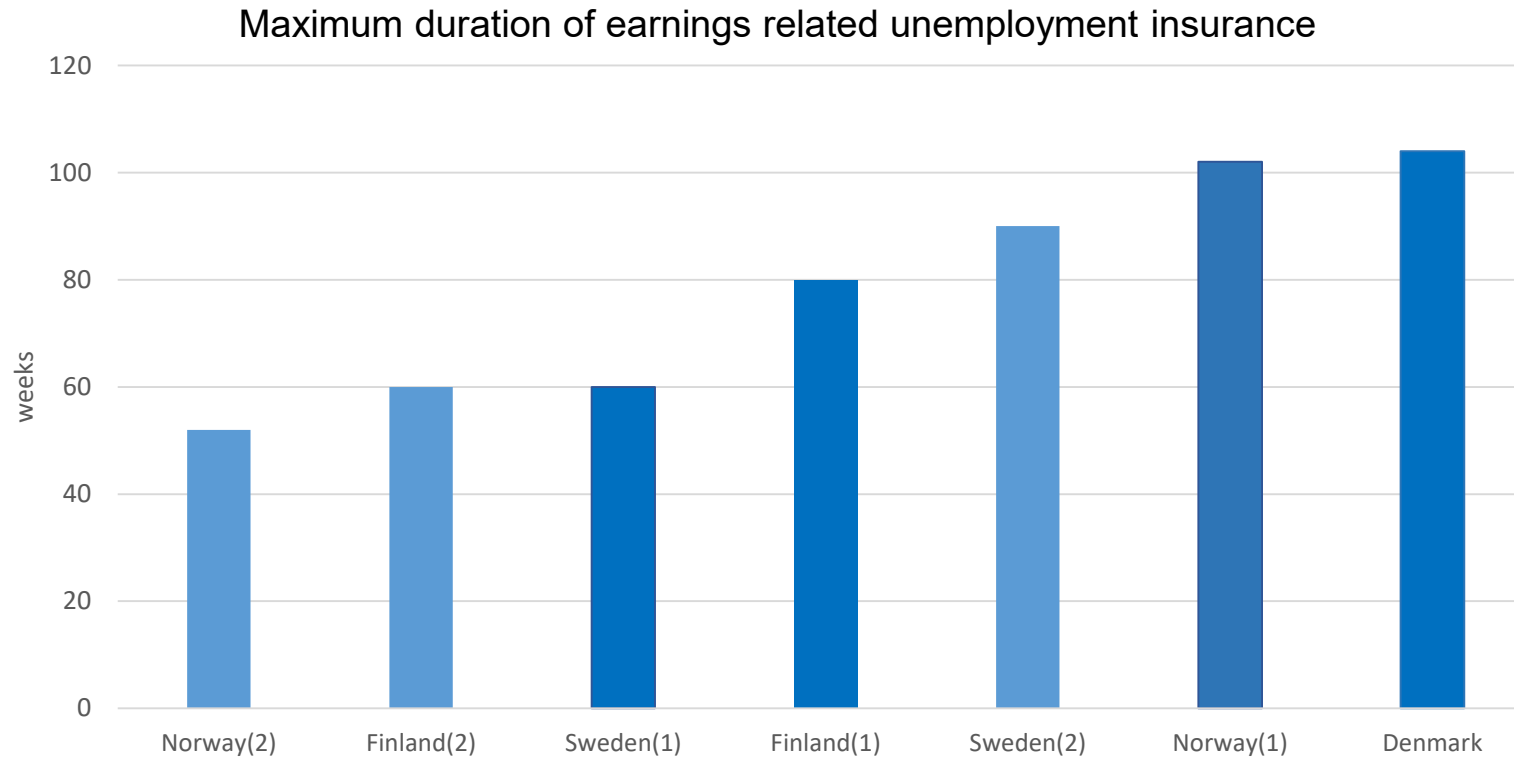


Eligibility conditions of earnings related unemployment benefits in the Nordic countries: in Ghent system countries (Denmark, Sweden, Finland, Iceland) both an employment condition and a membership condition of an unemployment insurance fund, in Norway only employment condition

	Denmark	Finland	Norway	Sweden
Employment condition	<p>Full-time members of unemployment insurance fund: at least 32,133 € during last 3 years; only 2,666 €/month can be taken into account</p> <p>Part-time members: 21,333 € during the last 3 years; only 1478€/month can be taken into account</p>	<p>Work at least 26 weeks within the last 28 months; working time at least 18h/week and salary at least according to collective agreement</p>	<p>Salary requirement at least 1,5*basic security (grunnbeløpet); i.e. 13,740 € during last 12 months or at least 3*basic security, i.e. 27,481 € during last 36 months</p>	<p>Work at least 6 months within the last 12 months; working hours at least 80 per month or employed for at least 480 hours within the last 6 months and at least 50 working hours per month every month during the last 12 months</p>
Membership condition	<p>Membership in an unemployment insurance fund for at least 12 months</p>	<p>Membership in an unemployment insurance fund for at least 26 calendar weeks during which fulfilled employment condition</p>	<p>No membership condition in an unemployment insurance fund</p>	<p>Membership in an unemployment insurance fund for 12 months</p>



Earnings related unemployment benefit maximum durations in the Nordic countries - maximum duration longest in Denmark and Norway, Finland and Sweden close to each other



In Iceland maximum duration of earnings related unemployment benefits is three months

Sweden (2) if the unemployed person has children under age 18, Finland (2) if the unemployed person has an employment history under three years, Norway (2) if wage income in the previous calendar year is under two times the level of basic security, Finland (3) over 58 y. and work at least 5 years during last 20 years.		
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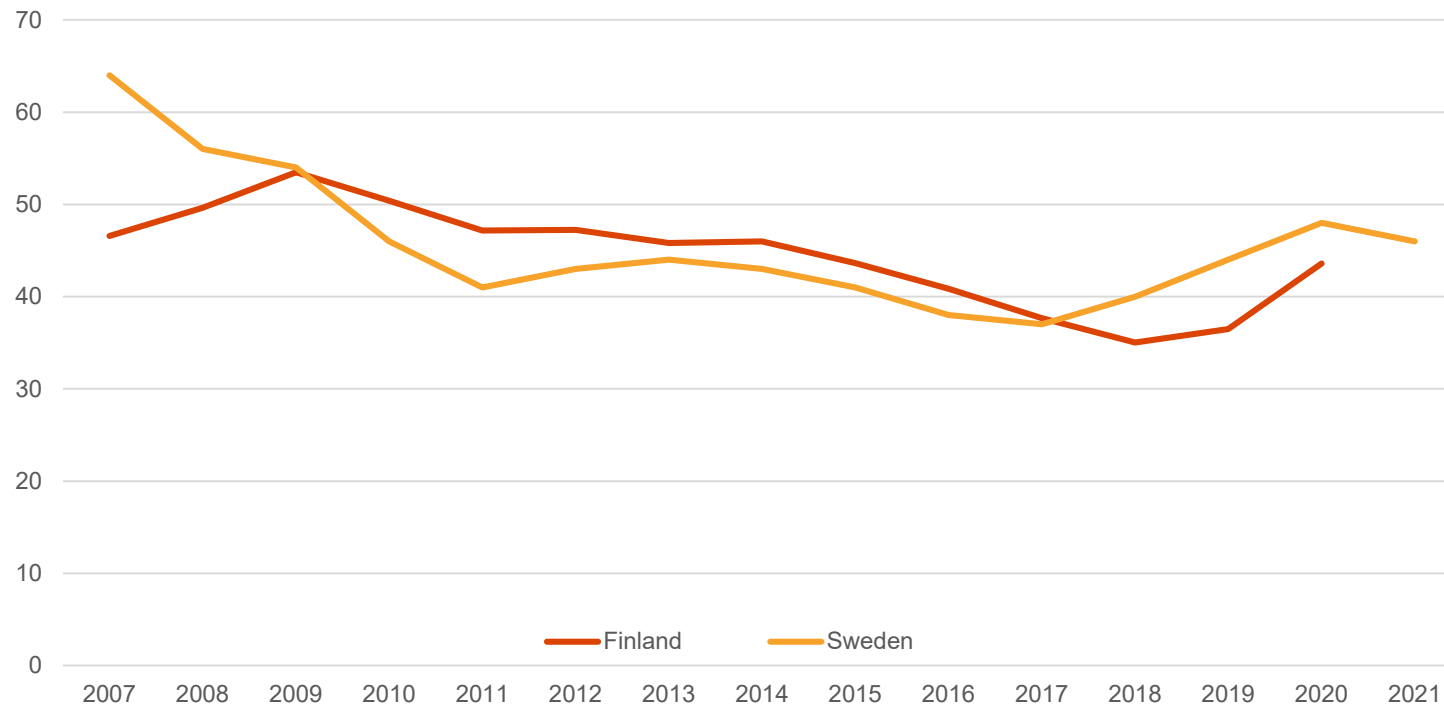
Earnings related unemployment benefit level in the Nordic countries - there is a maximum for the level of benefit in Denmark, Sweden, Norway and Iceland

Denmark	Finland	Norway	Sweden
90 % of previous income; max 2,525€/month	Base part equal to basic income allowance (33,66€) + 45 % of the difference between daily wage and base part If monthly wages > 95*base part, earnings related part is 20 % of part that is greater than the threshold Child supplement	62% of the previous income; max 38606 €/year, minimum 6434 €/year Child supplement	80 % of the previous income for the first 200 days; then 70 %, max 94€/day for 100 days and then 78 €/day

in Icelandt the maximum amount of income-related unemployment benefits is ISK 456,404 per month



The shares of earnings related unemployment insurance recipients – Sweden and Finland: about half received earnings related unemployment insurance



If not eligible for earnings related unemployment benefit:

- Finland basic unemployment allowance or labour market subsidy
- Sweden 'grundnivå'
- Denmark 'kontanthjælp'
- Norway meanstested economic help



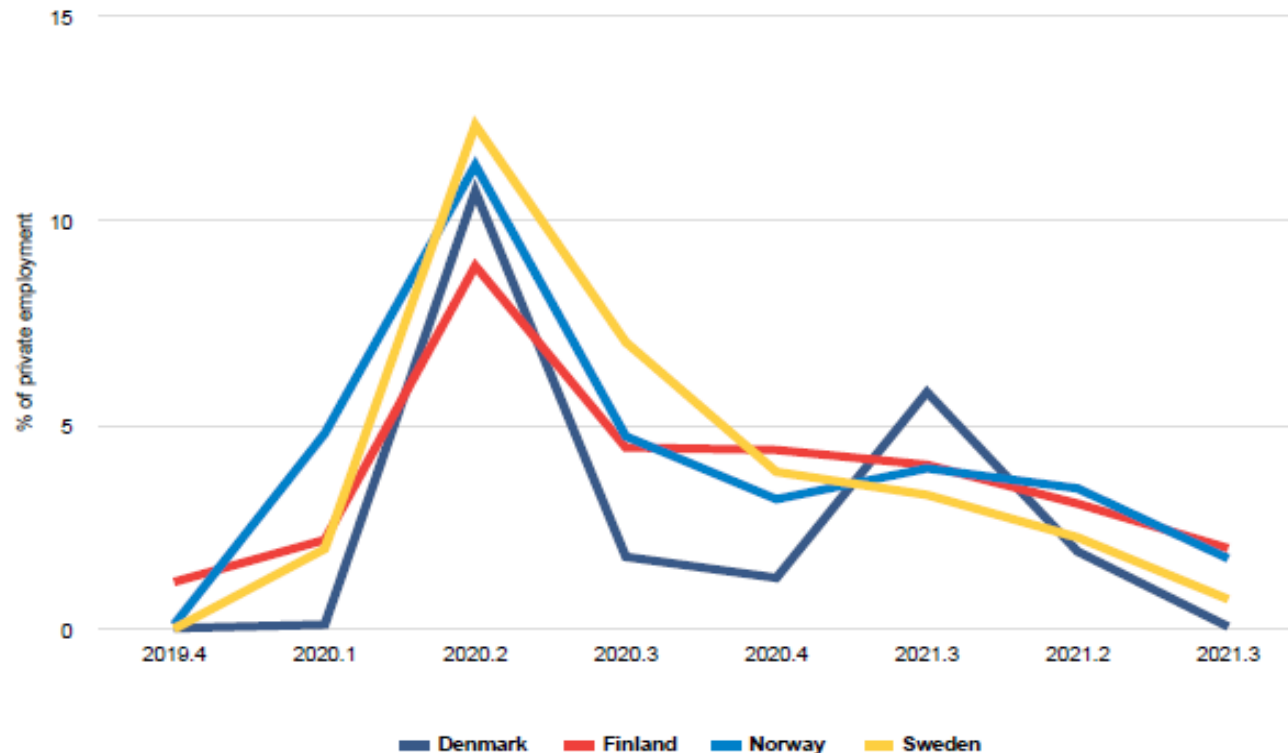
Job retention schemes to prevent a growth of unemployment and a decline in employment excessively & role of unemployment benefits

Table. Countries have adjusted existing job retention schemes or adopted new ones (source: OECD 2020 table)

	Pre-existing short-time work scheme	Increased access and coverage	Increased benefit generosity	Increased access for workers in non-standard jobs	New short-time work scheme	New wage subsidy scheme
Denmark	•	•			•	
Finland	•	•	•	•		
Iceland					•	
Norway	•	•	•			
Sweden	•	•	•			



Work sharing/wage compensation/short-time work/temporary layoffs in Nordic countries (Andersen, Holden & Honkapohja, 2022)



The countries all introduced various forms of job retention and wage compensation schemes. At the peak of the pandemic's effect on the labour market, in the second quarter of 2021, 8–12 percent of all employees were affected by such policies



Denmark: main form of job retention short-time work scheme (STW) were company receives financial support for the employees' wages for the time not worked

	STW (figures cover approved applications)	Traditional FS scheme (figures cover approved applications)	Temporary Covid FS scheme* (figures cover approved applications)
March 2020	191.082	5,471	–
April 2020	252.074	2,822	–
May 2020	248.807	1,005	–
June 2020	240.181	707	–
July 2020	86.274	122	–
August 2020	42.484	1,099	–
September 2020	2.186	533	3.297
October 2020	2.001	95	6.897
November 2020	5.835	52	10.074
December 2020	39.891	43	9.478

Source: Erhvervstyrelsen (2020) which administers the wage compensation scheme. Note: as the published figures are on weekly basis, we have listed the highest number of people on STW for that particular month.

Source: STAR (Styrelsen for Arbejdsmarkedet og rekruttering) (2021), which together with the job centres administer the data on FS schemes and their usage. * Note the figures for temporary Covid FS scheme are only published on weekly basis, we have listed the highest number of people temporary laid off under the temporary Covid FS scheme for that particular month

Source: Larsen & Ilsøe (2021), FS=furlough scheme



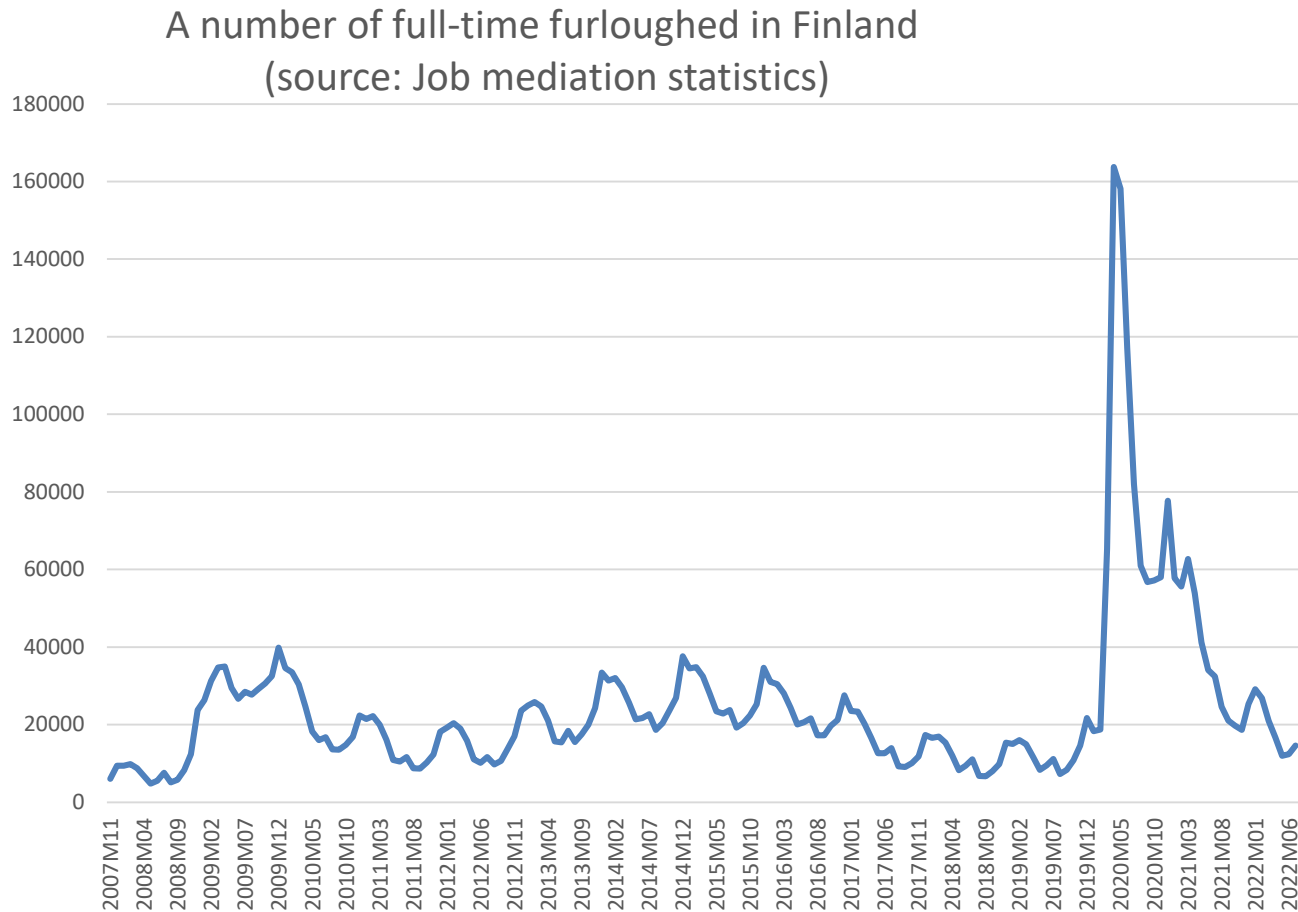
Sweden: predominant form of job retention short-time work scheme during the crisis (SWT system became a law in April 2020)

	Actual STW*	Projection of actual STW	STW quota (% of employees)**	Applications for STW*
31 March 2020	266,800		6.0	90,289
30 April 2020	506,100		11.4	54,184
29 May 2020	552,500		12.2	16,903
30 June 2020	547,200		12.0	7,034
31 July 2020	509,300		11.1	2,596
31 August 2020	448,200		9.8	2,034
30 September 2020	307,800		6.8	1,770
30 October 2020	219,500		4.9	1,287
30 November 2020	201,400		4.4	2,867
30 December 2020	99,900		2.2	1,611

Source: Berglund (2021)



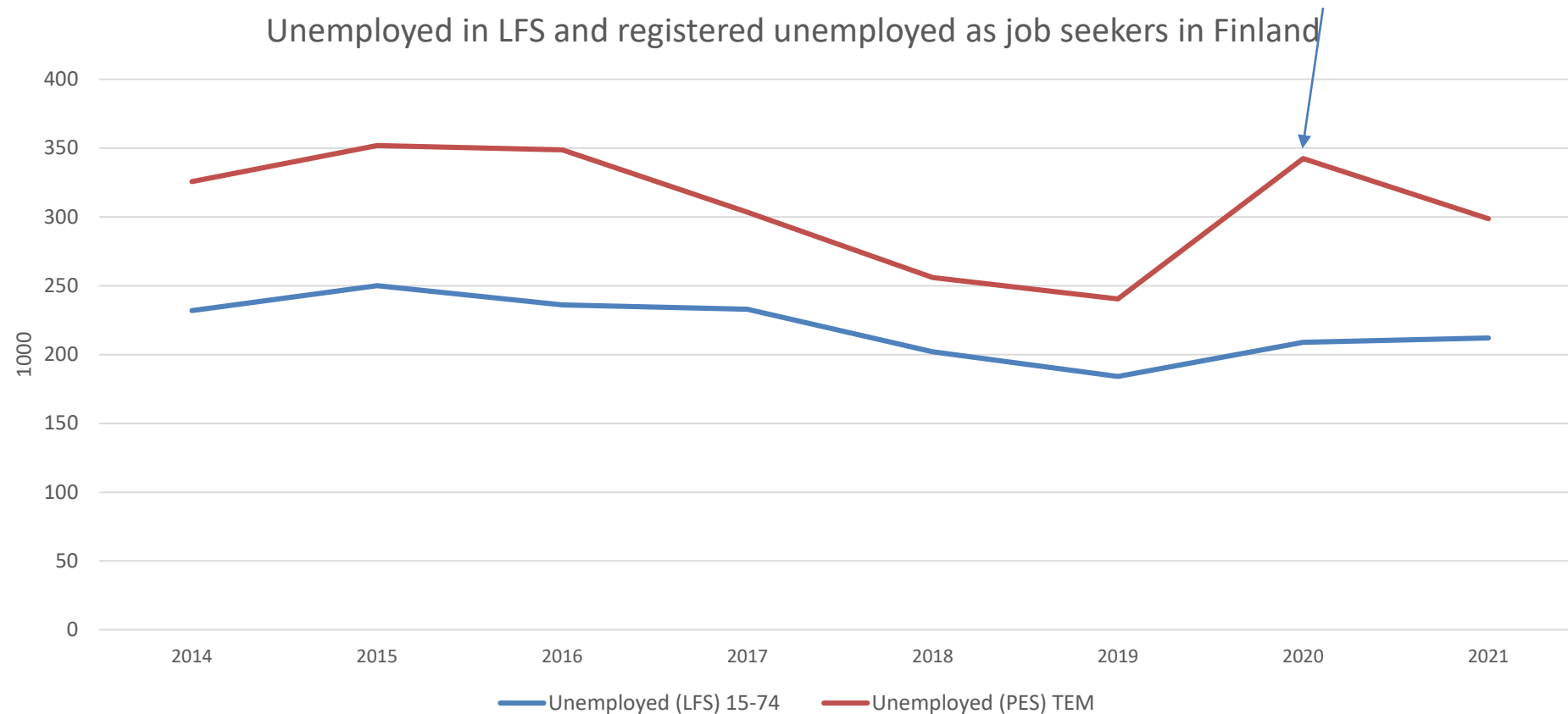
Finland: furlough schemes existed already before the latest COVID19 crisis; predominant form of job retention



- Employees can be furloughed either full-time or part-time and keep their employment contracts valid
- Compensation from unemployment benefits - must register at PES as an unemployed job seeker
- A huge increase in the number of full-time furloughed in the second half of 2020
- During pandemics shorter notification times of furloughs



Rise in the number of furloughed show differently in 2 unemployment statistics in Finland



Norway: predominant form of job retention furlough scheme

Number of workers on the temporary lay-off scheme (share of the labour force). The definition for counting workers includes both those who have applied and those who have been granted unemployment benefit due to temporary lay-off and those who have applied, and have not been rejected (the case processing time has increased, thus many may not have received an answer). The figures include both those 100% temporarily laid off and those laid off on a part-time basis.

March 2020	257,373 (9.1)
April 2020	272,843 (9.6)
May 2020:	217,630 (7.7)
June 2020	144,141 (5.1)
July 2020	108,662 (3.8)
August 2020	90,006 (3.2)
September 2020	64,717 (2.3)
October 2020	54,772 (1.9)
November 2020	61,530 (2.2)
December 2020	61,042 (2.2)

Source: NAV (the Norwegian Labour and Welfare Administration). <https://bit.ly/3kDbRF6>

Source: Svalund (2021)



Temporary changes to unemployment insurance benefits in all Nordic countries

- Job retention schemes protected jobs but the number of unemployed increased
- Many countries incl. Nordic countries reacted by also making temporary changes in social protection to mitigate the financial and social distress caused by the COVID19 crisis



Temporary changes to unemployment benefit rules implied easier access or better protection

Denmark	Finland	Sweden	Norway	Iceland
<p>-Unemployment benefit periods from 8th March to 31st August 2020 will not be included in the calculation of the two-year regular maximum benefit duration.</p> <p>-Initially, activation requirements for the unemployed were suspended when the public sector was locked down, but were re-implemented in late May.</p> <p>-Furthermore, those on social assistance will not be required to obtain a minimum number of work hours during 2020</p>	<p>-Employment condition from 26 weeks to 13 weeks and removal of 5 waiting days; in force to the end of 2020</p> <p>- The earnings threshold was raised from 300 euros to 500 euros</p> <p>-The maximum length of time for which unemployment insurance benefit could be paid was temporarily extended by a policy of not counting days on unemployment insurance benefit for the furloughed during 16.3.-31.12.2020 and for the unemployed 1.7.-31.12.2020</p> <p>-For self-employed access to labour market subsidy (till 30.6.2021)</p>	<p>-For the first 100 days, the basic benefit has been raised from SEK 365 (€36.50) to SEK 510 (€51) per day (April 2020-December 2022)</p> <p>-For the first 100 days, the maximum earnings-related daily benefit has been raised from SEK 910 (€91) of June 2020, the maximum daily benefit after 100 days was raised, from SEK 760 (€76) to SEK 1,000 (€100). (April 2020-December 2022)</p>	<p>- The unemployment benefit is increased from 62,4 per cent to 80 per cent of the calculation basis up to an income of 3G. Applies to applications which are granted from the 20th of March 2020 to 31st of December 2020</p> <p>-From the 27th of March to the end of 2020, those who have applied for unemployment benefits can apply for a pre-payment. The pre-payment should be 60 per cent of the calculation basis for unemployment benefit. The pre-payment is monthly, and a new application has to be handed in every month. The pre-paid amount will be deducted from the granted benefit. For partly temporary layoffs, the pre-payment is reduced according to the percentage of the partly layoff</p> <p>-Unemployed who had 18 weeks or less remaining of their period of unemployment benefits per 29 February 2020 have had their eligibility period prolonged to the end of October. The waiting period of three days before the claimant can draw benefits has been temporarily abolished.</p>	<p>-Extension of maximum duration of earnings related unemployment benefits from 3 to 6 months</p>

Summing up

- Internationally compared the level and duration of earnings related benefits generous in Nordic countries
- Large and abrupt shocks to the economy such as Covid crisis -> need for more protection for cushioning the consequences for firms and individuals in the acute stage also in the Nordic countries
- Policies providing income replacement are not only beneficial to the individual but also work as an automatic stabiliser for the economy.



Thank you for your attention!



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