



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



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Please cite this publication as:

OECD (2023), *Nordic Lessons for an Inclusive Recovery? Responses to the Impact of COVID-19 on the Labour Market*, OECD Publishing, Paris, <https://doi.org/10.1787/2aa7bcc1-en>.

ISBN 978-92-64-84959-4 (print)
ISBN 978-92-64-60824-5 (pdf)
ISBN 978-92-64-75057-9 (HTML)
ISBN 978-92-64-65171-5 (epub)

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Preface

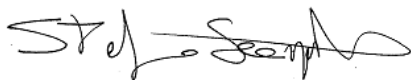
The COVID-19 pandemic had a large impact on the labour markets of OECD countries as a result of widespread public health restrictions and associated dampened economic activity. In response, Nordic Governments, as did others across the OECD, promptly enacted a variety of labour market policy responses to tackle the many new challenges brought about by the pandemic. Nordic labour markets overall have exhibited a fast and strong recovery. However, just like the unequal impact of the crisis, the pace of recovery has not been equally experienced by all groups in the labour market – with some vulnerable groups facing a deeper and more prolonged effect of the crisis.

More recently, the recovery faces new challenges, including Russia's war of aggression against Ukraine that has led to a global energy crisis, widespread inflation, a cost-of-living crisis and significant labour shortages. Therefore, it is an opportune time for all countries, including the Nordic countries, to reflect on their experience during the pandemic and consider how they can better reform their policies to promote greater labour market inclusion and resilience against both current and potential future shocks. This includes leveraging already rich administrative data to conduct robust policy evaluations to understand the effectiveness of measures used and derive lessons for the future.

Furthermore, Nordic countries must now work to promote more inclusive labour markets in the post-pandemic by preventing further marginalisation of those individuals and groups already distant from the labour market prior to the pandemic. This includes taking proactive steps to address barriers to work (or moving up the jobs ladder), increasing participation in and flexibility of training, supporting job transitions and labour reallocation, and making participation in the labour market a viable option for all.

Finally, Nordic countries must also consider how labour market policies can become more flexible and adaptable to changing labour market conditions. This will not only assist in responding to crises as they arise but will also help Nordic countries to better equip their labour forces in face of long-term and structural trends such as the green and digital transformations which are likely to have significant impacts on labour markets and the skills demanded by employers.

The Nordic experience during the pandemic and the recommendations set out in this report for the post-pandemic period also offer important lessons for other countries across the OECD and beyond in how we can build more inclusive and resilient labour markets for the future.



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Secretary General of the Nordic Council of
Ministers

Foreword

Governments are looking to learn lessons from the unprecedented measures taken in the context of the COVID-19 pandemic, as they address the new challenges brought about by the ongoing cost-of-living crisis but also make progress towards labour markets that are more inclusive, sustainable, and resilient to future shocks. The OECD Directorate for Employment, Labour and Social Affairs contributes to these efforts by analysing the impact of COVID-19 on employment and jobs, examining the labour market and social policy responses taken by countries and by developing policy advice drawing on international good practice.

This report provides a detailed analysis of how the pandemic has affected labour markets in the Nordic countries – Denmark, Finland, Iceland, Norway, Sweden and the autonomous regions to the extent possible – and different socio-economic groups within them. It also takes stock of the policy measures taken in the Nordic countries to avoid economic and social meltdown during the COVID-19 crisis, with a focus on action taken in the areas of unemployment benefits (UB), job retention (JR) schemes, active labour market policies (ALMPs) and skill policies. In doing so, it highlights similarities and differences in the approaches taken by different Nordic countries and places them in the wider international context. This report aims to assist governments in the Nordic countries and beyond in reflecting on the experience of the COVID-19 pandemic to build more inclusive, sustainable, and resilient labour markets.

This report was prepared by Satoshi Araki, Ailbhe Brioscú, Sandrine Cazes, Alexandre Georgieff, Anja Meierkord and Andrea Salvatori in the OECD's Directorate for Employment, Labour and Social Affairs (ELS) with the guidance of Theodora Xenogiani (project leader) and Glenda Quintini. The report also benefitted from contributions from Karolin Killmeier, Clara Krämer, Thomas Liebig, Marius Lüske, Isac Olave Cruz and Agathe Simon. Statistical assistance was provided by Dana Blumin and editorial assistance by Lucy Hulett and Hanna Varkki.

The report benefitted greatly from information and assessments received from stakeholders in Nordic countries through both questionnaires and data requests as well as through virtual fact-finding consultations held with the OECD team between April and June 2022. Consultations were held with representatives of relevant Ministries (including Ministries of Labour, Education, Finance and Enterprise where appropriate), Public Employment Services, national training agencies, local authorities, social partners (representatives of both workers and employers) and Job Security Councils (in the case of Sweden). The report also benefitted from insights from a virtual fact-finding meeting with representatives from the Åland Islands. Preliminary results were also presented by the OECD Director of Labour, Employment and Social Affairs (ELS), Stefano Scarpetta, and discussed at a meeting of Labour Ministers of the Nordic Council of Ministers in Oslo in November 2022.

The report would not have been possible without the Nordic Council of Ministers secretariat, in particular Jens Oldgard and Christa Elmgren, who provided secretarial assistance and greatly facilitated organisation and collation of questionnaire responses and comments from Nordic countries on earlier drafts of the report. Comments on earlier drafts of the report were also provided by Stefano Scarpetta (Director of ELS), Mark Keese (Head of Skills and Employability Division) and Stéphane Carcillo (Head of Jobs and Income Division) at the OECD.

The financial support provided by the Nordic Council of Ministers for this report is gratefully acknowledged.

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Executive summary

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

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

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

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

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

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

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

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

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

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

1 Assessment and recommendations

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Faced with the backdrop of sudden changes in the labour market due to the onset of the COVID-19 pandemic, Nordic countries were quick to respond through policy interventions across the areas of unemployment benefits, job retention schemes, active labour market policies and skill policies. This chapter provides an overview of the impact of the pandemic on Nordic labour markets and an assessment of the associated policy responses undertaken. Drawing on the key lessons that can be derived from the Nordic crisis response, the chapter also provides a set of key recommendations in each policy area to enable Nordic countries to build more inclusive and resilient labour markets in the post-pandemic period.

1.1. The labour market impact of the COVID-19 crisis in the Nordic countries

At the onset of the COVID-19 pandemic, governments in the Nordic region and across the OECD quickly intervened to contain its spread and the associated economic fallout. A wide range of interventions were put in place to cushion the labour market impact of the crisis, protecting jobs and incomes and preserving production capacity in an extremely uncertain environment (OECD, 2022^[1]; OECD, 2020^[2]; OECD, 2021^[3]). These interventions and the subsequent recovery plans enhanced the resilience of labour markets across the OECD, fuelling a recovery from the COVID-19 crisis whose speed exceeded expectations in many cases.

The stark contrast of this experience with the slow recovery from the global financial crisis of 2008-09 highlights the importance of labour market resilience, i.e. limiting fluctuations in employment and ensuring a quick rebound in the wake of economic shocks. Labour market resilience is crucial not only to limit short-term social costs but also to support labour market and economic performance in the medium to long term (OECD, 2018^[4]).

Relative to the OECD as a whole, GDP fell less in the Nordic countries at the height of the COVID-19 crisis and grew more in the recovery. Indeed, the cumulative growth in GDP between Q4 2019 and Q2 2022 was larger in each of the Nordic countries than for the OECD as a whole (+2.8%), with the only exception of Iceland. The largest increases were recorded in Denmark (+5.5%) and Sweden (+5.1%).

Like many other OECD countries, Nordic countries have seen a fast recovery of their labour markets following the COVID-19 crisis. Over the course of the crisis, the five countries, however, exhibited different degrees of resilience. All five countries experienced larger increases in unemployment than most other European countries that also made extensive use of job retentions schemes – with a particularly significant spike in Iceland. These increases were quickly reabsorbed in Denmark, Iceland and Norway, but Finland and Sweden experienced higher unemployment for longer than the OECD average.

The falls in employment rates in Nordic countries were generally in line with those recorded in European countries, except again for Iceland. This latter country recorded one of the slowest recoveries in employment rate among all the OECD countries – with the employment rate still below its Q4 2019 level after 9 quarters. Albeit of a smaller magnitude, the decline in employment rate was also comparatively persistent in Sweden, where a full recovery was achieved after 8 quarters against an average of just over six quarters across all OECD countries. Among the autonomous territories, the impact on the employment rate of the crisis was much larger in the Åland Islands than in any of the Nordic countries – in Q2 2020, the employment rate almost halved relative to its Q4 2019, reaching 39%. This was largely driven by the severe hit that tourism and the shipping industry took when travel restrictions were introduced in March 2020 which led to a drop in GDP in 2020 of 19%. The impact of the crisis on the employment rate in the Faroe Islands and Greenland was much more muted and in line with that in the rest of the Nordic region.

1.1.1. The impact of the crisis was generally stronger and longer on the low educated and the young

The differential impact of the crisis on industries translated into an unequal impact on groups of workers, with young people, migrants and people without tertiary education generally seeing larger reductions in employment and increases in unemployment.

Thanks to the robust recovery, much of the unequal impact had been reabsorbed by early 2022. Nevertheless, young people and workers without tertiary education felt the effects of the crisis more strongly and for longer. Young people saw a longer contraction in employment than older workers in all Nordic countries except Iceland, although the latter was the country in which youth employment fell the most.

The larger and longer decline in employment for people without tertiary education was also a common pattern across the Nordic countries. The hit for the low educated was particularly prolonged in Sweden and Iceland – indeed one of the longest in the OECD. In the case of Iceland this was linked to the particularly large initial fall, but several countries had faster recoveries from larger falls than Sweden. In Norway – which exhibited an overall high degree of resilience – people with upper secondary education suffered relatively more.

1.1.2. The crisis has led to an increase in teleworking that raises new policy challenges

The forced experiment in mass teleworking led business, governments and workers to adapt quickly to maintain activity and employment during the COVID-19 pandemic. As a result, teleworking use boomed in most OECD countries independent of their pre-COVID teleworking prevalence. While the use of teleworking receded from the peak of 2020, the latest data do confirm that it remains high and is likely here to stay. In Nordic countries, the increase was particularly stark in Finland where the incidence of employees working from home increased from 27.8% in 2019 to 39.3% in 2021.

In Nordic countries, post-pandemic discussions on facilitating access to teleworking and associated working conditions have mostly occurred at the firm level and through individual working contracts. However, the new context generated by the COVID-19 crisis has also led to new policy initiatives in Denmark and Norway. Denmark introduced new rules concerning the quality of the working environment, placing an obligation on employers to provide the necessary tools to employees if they work from home for more than two days per week each month. Following a series of rounds of consultation with social partners, Norway amended its legislation on the working environment in the summer of 2022. The amendments removed existing exemptions from working hours regulations for work performed from home, meaning that the same rules will now apply for work performed from home or from an office – including those restricting work at night and on Sundays. Employers are also required to apply the same rules on the psycho-social work environment to employees working from home and from the office. The Norwegian Labour Inspection Authority is charged with monitoring compliance.

The increase in teleworking raises questions on its impact on gender disparities in the labour market

The changes induced by the pandemic reversed gender disparities in the incidence of teleworking in some countries. While women tended to work from home less (both occasionally and usually) than men before the pandemic in all Nordic countries, more women than men reported that they usually worked from home both in 2020 and 2021 in Denmark, Finland and Sweden. In Iceland and Norway, men continued to work from home more than women in 2020.

The increased use of teleworking among women raises questions on how it might affect disparities in work-life balance, wages and career progression between genders. Evidence from before the pandemic suggests that the effect of teleworking on gender disparities might depend on the pre-existing level of inequality (OECD, 2023^[5]). In already unequal contexts, for example, teleworking tends to be used primarily by mothers as a way to balance work and family commitments, while fathers might use it for other reasons, such as productivity enhancement. Studies have also found that teleworking is associated with a wage boost mostly for men. This might partly reflect actual gendered productivity effects, but gendered stigma, social norms, and firms' managerial culture might also play a role.

Finally, while robust empirical evidence on career progression is still missing, studies suggest several contextual elements surrounding teleworking might negatively affect the career prospects of teleworkers and particularly women. These include the fact that, at least since the pandemic, men use it less than women, that men use (or are at least assumed to use) teleworking for different reasons than women, and that in many workplaces career advancement hinges on visibility and input measurement, rather than output evaluation (OECD, 2023^[5]).

1.2. A flexible system of support for jobs and incomes during crises

1.2.1. Nordic countries shored up the unemployment benefit system during the COVID-19 crisis

Nordic countries are characterised by comparatively generous unemployment benefit (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 either formally or informally.

Since the onset of the crisis 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 all Nordic countries. 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, Finland, Norway and Sweden relaxed minimum work requirements to access UBs. Denmark, Finland, and Norway 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 Nordic countries shored up existing support for the self-employed as well, and Norway introduces a new temporary ad hoc subsidy for them.

Nordic countries generally 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.¹ However, the larger increase in unemployment seen in the Nordics may in part also be driven by their higher reliance on UBs rather than Job retention (JR) support. Indeed, the existence of well-established and generous UB systems likely made it easier and more acceptable to both firms and workers in these countries to rely on UBs rather than JR support.

The increase in the number of claimants is also the result of countries effort 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 to the total number of unemployed from labour force surveys – with particularly significant increases in Norway and Iceland.

1.2.2. During the COVID-19 crisis, the use of job retention schemes in Nordic countries was unprecedented but lower than in most other European countries

Job retention schemes have been one of 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. 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.

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. Finland and Norway – both of which offer UB to workers who are placed on JR support, or temporarily laid off – modified their existing schemes. Iceland and Sweden introduced a new one, while Denmark did both things – introducing a COVID-19 version of its existing scheme and a brand new scheme also available 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. Norway and Sweden already covered temporary workers under their existing schemes, while Denmark and Iceland covered them under their newly introduced schemes. In Finland and Norway – where workers on JR support receive UB – the relaxation of eligibility requirements for UB also benefitted workers on JR. 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. In Norway, however, the cost to employers results from the obligation to pay full salary to workers for a certain number of days (which was reduced from 15 to 2 between March and September 2020) before they begin receiving benefits. Similarly to the Finnish system, employers in Norway do not contribute to the cost of hours not worked once employees start receiving benefits. 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.

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 Denmark (for the newly introduced furlough scheme), Norway (if the scheme was used for a limited time period) and Sweden. 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.

1.2.3. The experience of the COVID-19 crisis has highlighted the importance of swift adjustments to income support policies tailored to the specific challenges of the time

Job retention schemes and unemployment benefits are key policies to support workers' jobs and incomes during recessions. They can enhance labour market resilience and inclusiveness by protecting workers' incomes and stimulate the recovery by supporting aggregate demand, preserving production capacity and facilitating the transition to new jobs. Many of the measures adopted by the Nordic countries and more broadly across the OECD to adapt their UB and JR systems to the COVID-19 crisis reflect the specific nature of the crisis and therefore cannot offer a playbook for future recessions. The COVID-19 crisis,

however, has shown clearly the importance of adjusting policies and doing so in a timely manner. In light of this experience, and to enhance resilience to future crises, Nordic countries could consider the following.

Ensure more inclusive income support for the unemployed during crises by adjusting UB systems to changing labour market circumstances

Minimum work requirements to access UB help reduce the risk of frequent transitions between unemployment and employment. However, in times of crisis, they can exacerbate labour market inequalities by excluding from income support the young and workers with shorter tenure who are more likely to lose their jobs. Similarly, a severe recession greatly reduces the potential moral hazard cost of longer or higher benefits and increases their value in stimulating demand. These arguments suggest adjusting the rules of the UB system to variations in labour market conditions as reflected by the level and evolution of unemployment. These changes could be introduced through rules triggering automatic adjustments of either eligibility conditions, maximum duration or benefit level or by establishing agile processes involving governments and social partners to implement any changes as necessary.

Introduce rules or agile processes to ensure that JR schemes are mainly used in times of crisis and phased out rapidly when the economy recovers

The risk that JR support hinders employment reallocation is greatly reduced when labour demand is severely depressed. During a severe downturn, job retention schemes can help reduce flows into unemployment and attenuate congestions in the labour market, ultimately contributing to a smoother recovery. These facts provide a justification to adapt the eligibility conditions and the generosity of the schemes to the evolution of labour market conditions. The particular nature of the COVID-19 crisis meant that a consensus quickly formed on the necessary actions, making it possible to decide and implement the changes. To ensure that changes are introduced in a timely manner in future crises, Nordic countries could adopt automatic rules that link specific parameters to the labour market situation or ensure that agile processes are in place – involving Governments and social partners – to revise the rules that determine the costs for firms and the benefits for workers quickly when necessary.

Increase the targeting of JR schemes to jobs at risk through firms co-financing of hours not worked

While in all Nordic countries the use of JR schemes by firms involves procedural up-front costs that can help discourage abuses of the scheme, in Finland and Norway firms do not contribute to the cost of hours not worked once workers start receiving benefits. Introducing co-financing (possibly allowing the level to vary with labour market conditions) might help reduce subsidies for firms that do not really need them and increase the targeting of the support towards jobs that firms expect to remain viable in the longer term (Hijzen and Venn, 2011^[6]).

In most OECD countries with a permanent scheme, firms are required to contribute to the cost of hours not worked (OECD, 2021^[3]). Co-financing might impact firms differently depending on their ability to access external finance. Based on this consideration, some countries – such as Spain and Japan – have less onerous co-financing rules for small firms.

As an additional way to help firms that face particularly severe liquidity constraints, all countries could consider adopting forms of co-financing of hours not worked through an experience rating mechanism, whereby firms reimburse part of the subsidy once they leave the scheme. Experience-rating has long been a feature of income support systems in the United States, while, following recent reforms, in Italy firms pay higher social security contributions after they have made use of the scheme.

Leverage administrative data to evaluate the merits of different design features of JR schemes and inform their design to enhance labour market resilience to future crises

There is a general consensus that JR schemes saved millions of jobs across the OECD during the COVID-19 crisis, but there are very few studies offering rigorous evaluations of the impact of the schemes in specific countries and none evaluating the merits of different design features. As discussed in more detail in Chapter 3, the design of JR schemes differs substantially in several dimensions across the Nordic countries. These differences may have played a role in explaining the differences across the countries in labour market performance over the COVID-19 crisis. Rigorous analyses on this point require disaggregated data on the use of the scheme by firms and workers and are hampered by the contemporaneous deployment of many different policies, their rapid and frequent changes as well as by the evolution of the economic and health situation over the course of the crisis. Nevertheless, even studies focusing on less turbulent and exceptional times that leverage administrative data on firms and workers can provide useful insights to inform the design of job retention schemes to improve the resilience of labour markets to future crises. In particular, 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.

1.3. Strengthening Public Employment Services (PES) and active labour market policies

To address the challenges brought about or exacerbated by the rapid onset of the COVID-19 pandemic, Nordic PES implemented changes across two key dimensions; firstly, altering the operating models and delivery channels to enable service continuity, and secondly, expanding and adapting their active labour market policies (ALMP) offerings to the dramatically changed labour market backdrop. It is crucial that Nordic PES draw lessons from their experience during the pandemic and commit to generating the evidence for what worked and what did not. It is also important that they take further steps to ensure that their ALMP systems are oriented to promote more resilient and inclusive Nordic labour markets in the post-pandemic period.

1.3.1. Despite comparatively high expenditure on ALMPs pre-COVID, most Nordic countries decreased spending on ALMPs during the pandemic

In 2019 all Nordic countries except Norway had significantly higher expenditure on ALMPs compared to their other OECD counterparts. Upon the onset of the pandemic and with the variety of challenges that ensued, the majority of OECD countries responded by increasing their expenditure allocations to ALMPs. Surprisingly this trend did not extend across the Nordic region. In fact, all countries except Norway decreased the share of spending allocated to ALMPs in 2020 (as a percent of GDP).²

Overall, this differential trend reflects the high-level policy prioritisation in the Nordic region, with Nordic countries channelling resources mainly towards unemployment benefits and JR schemes over ALMPs, particularly in the early stages of the pandemic in 2020. ALMP activity in these early phases was greatly limited – and in some cases was mostly paused – due to a view in most Nordic countries that ALMPs had minimal scope against prevailing public health restrictions and suppressed economic and labour market conditions, contributing to the decline in ALMP expenditure seen in most Nordic countries in 2020. As a result, changes to ALMPs primarily took place in the latter stages of the pandemic as easing public health restrictions allowed for the gradual resumption of societal and economic activity.

Despite the decrease in public expenditure on PES and ALMPs in 2020 in most Nordic countries, Denmark, Finland and Sweden still recorded significantly higher spending than OECD countries on average. However, strong capacity does not diminish the need for some level of expenditure increases and resource

reallocations during crisis periods, which may be necessary to ensure that the level and effectiveness of service does not deteriorate as unemployment and PES caseloads rise – as was the case during the pandemic.

1.3.2. Strong digitalisation enabled Nordic PES to respond well to the capacity constraints placed on their services

During the pandemic Nordic PES were able to adapt their operations and human resource capacity quite smoothly by reallocating existing PES staff, temporarily boosting human resources via new hires and – in the case of Sweden – increasing use of external contracted service providers. By bolstering capacity in these ways, Nordic countries were able to ensure that those PES services and activities of particular importance during the crisis (including the administration of benefits, information services and client services) were adequately resourced to help meet augmented demand.

The use of digital services and tools also greatly assisted Nordic PES in responding to increased demand for services. This included the use of static or passive online tools such as chatbots (as employed by Iceland and Norway) to provide information to clients, while alleviating some of the pressure on PES staff. The high degree of digital PES offerings already in place before the pandemic greatly enabled a smooth transition to digital provision during the pandemic, particularly in areas where services could not be provided in traditional in-person ways due to public health restrictions (e.g. job-search support and counselling). Despite this, some shortcomings do exist in this area in the Nordic region. Firstly, Nordic PES do not have established monitoring and evaluation frameworks for digital tools, processes and services to ensure they provide value for money and to assess their impact on the provision of services to both jobseekers and employers. Secondly, when transitioning to digital service delivery during the pandemic, little consideration was given to those individuals and groups who may not benefit from or may not be able to access digital services (either due to a lack of digital skills or means of access).

1.3.3. Nordic PES enacted narrow changes to ALMPs, primarily focussing on measures already in place

Nordic PES took steps to change the design of their ALMP offerings, but overall, the role of ALMPs in the labour market policy response to the pandemic was smaller than on average across the OECD. In the early stages of the pandemic, ALMP activity was limited (due to public health restrictions) and largely focussed on moving job-search support and counselling services and moving training online. As the pandemic progressed and restrictions were gradually eased, Nordic countries began to gradually increase ALMP activity.

Overall, the number of actions taken by individual Nordic countries was limited – focussing only on some categories of ALMP provision and weighted heavily toward expanding or adapting on pre-existing initiatives, with newly introduced measures less prominent in the ALMP response. Common changes to ALMP offerings included steps to move job-search support and counselling services to online digital or remote provision. Several Nordic countries also utilised employment incentives to encourage the recruitment of unemployed jobseekers and to stimulate the demand for labour, with a mix of both new (Iceland and Norway) and existing measures (Denmark and Sweden) utilised. In addition, Finland, Iceland and Sweden altered existing supports to encourage entrepreneurship among jobseekers in response to the pandemic – making start-up incentives more prevalent in the Nordic ALMP response than on average across the OECD.

In general, changes to ALMPs initiated by the Nordic countries were primarily broad-based (for wide groups of jobseekers), with measures to assist vulnerable groups or proactively mitigate increases to long-term unemployment before they occurred much less common in the policy mix.

1.3.4. Social partners were highly involved in deliberations during the pandemic, despite formal roles in only two Nordic ALMP systems

Social partners, as representatives of workers and employers, often have a very good understanding of labour market trends and what is happening on the ground; information that is highly relevant to PES and ALMP systems. When comparing the involvement of Nordic social partners across policy areas, they are least involved in ALMPs than in unemployment benefits, JR schemes and skills policies – with formal roles in the ALMP systems of only Denmark and Iceland.

In deciding responses to the crisis in this area, Nordic countries in general made use of a wide variety of both new and pre-existing structures (such as committees, working groups and other fora for discussion) to bring together relevant stakeholders and expertise. Such structures to support dialogue with social partners were particularly prominent in Denmark and Iceland. However, those Nordic countries without formal roles for social partners in their ALMP systems still engaged with social partners to varying degrees during the crisis period, both on an ad-hoc basis as needed and through temporary working groups established during the emergency period. Therefore, despite no formal role in the ALMP systems of the majority of Nordic countries, social partners still had a voice in all Nordic countries during the COVID-19 pandemic. Overall, the existing relationships and high level of trust between social partners and the parties involved in Nordic ALMP systems (Ministries and PES) enabled smooth engagement during the crisis period.

1.3.5. Impact evaluations of ALMPs are not yet systematic in every Nordic country

Most Nordic countries have a relatively strong supporting infrastructure required to facilitate policy monitoring and evidence-based policy making, highlighted by various routine activities to link register data relevant for ALMPs (OECD, 2020^[7]). Nevertheless, some difficulties were seen in this area for several countries in the context of this project, when seeking up-to-date and detailed data on ALMP measures and supports utilised by Nordic PES during the pandemic period.

Having access to up-to-date data and engaging in systematic data exchange between relevant institutions is necessary to support the evaluation of ALMPs. This has paid off for several Nordic countries, with Denmark, Norway and Sweden in particular having a strong track record in undertaking these analyses. However, in Finland and Iceland, impact evaluations of ALMPs are generally not systematically undertaken, implying that these countries may be less well equipped than others to undertake counterfactual impact evaluations of PES services and ALMP measures introduced or utilised during the pandemic, in order to understand what worked and for whom during this crisis.

1.3.6. Based on lessons from the crisis, Nordic countries can take steps to further enhance their ALMP systems to promote inclusiveness and resilience

PES and ALMPs play a crucial role in connecting people with jobs. Furthermore, ALMPs can be of particular help in crisis times, as well as in addressing wider societal and economic challenges – including labour market shortages, the green and digital transitions and the labour market integration of vulnerable groups (including Ukrainian refugees in the context of the ongoing Russian aggression against Ukraine). Therefore, in enhancing the provision of employment services and their ALMP offerings and in learning from the crisis response, the following recommendations set out the key areas for action for Nordic ALMP systems.

Ensure the inclusion of vulnerable groups in the PES digitalisation journey

A significant positive development coming out of the COVID-19 pandemic for PES is the digital advancements that ensued and are likely to continue in the delivery of employment services. Nordic PES

must now work to ensure that digital employment services are accessible and inclusive. This consideration was largely lacking during the pandemic response, with steps to move job-search support and counselling to digital or remote delivery largely taking place across the board (i.e. for all jobseekers).

Therefore, Nordic PES must take proactive steps to ensure that no individuals or groups are left out or become disadvantaged as a result of increasingly digitalised services. This means making additional allowances and putting in place alternative services and modes of delivery, in order to ensure that vulnerable groups in particular receive supports and services through channels that are most effective for them, while also having consideration for those without means of access (internet or device) or sufficient digital skills (OECD, 2022^[8]). For example, in taking steps to modernise employment services, Australia implemented a new digital-first employment service model *Workforce Australia* in July 2022 (Department of Employment and Workplace Relations, 2022^[9]). Through this reform, jobseekers are assessed using a framework to help understand their individual needs (which includes a profiling tool) and are then referred to the appropriate services stream. Job-ready jobseekers are referred to *Workforce Australia Online* where they can access online tools and resources. While digital-first, the new model is not digital-only, with those individuals identified as needing additional support referred to a provider who can provide tailored supports.

Enhance the provision of individualised comprehensive ALMP supports for vulnerable groups

Measures explicitly targeting vulnerable groups – either new or changes to existing ones – were not as prevalent in the policy mix among Nordic countries during the COVID-19 pandemic. Going forward, a key priority for Nordic PES should be the provision of services and supports for vulnerable groups, addressing their individual needs.

The essential first steps of the PES in this area include the identification of people in need of additional support (including those not registered with the PES) and pro-active outreach efforts, as vulnerable groups are often less likely to reach out to the PES (or other relevant institutions) themselves (OECD, 2021^[10]). After establishing contact with vulnerable groups, it is necessary to quickly identify the most vulnerable and their needs (e.g. through the use of quantitative profiling tools) and to begin the provision of integrated and comprehensive support that is tailored to the needs of the individual and/or refer them to the relevant services in other institutions. These activities are enabled by efficient data exchange and co-operation with relevant institutions, policy areas and service providers to ensure comprehensive support. Furthermore, support to vulnerable groups must take place along the entire labour market integration pathway, with post-placement support an important step in supporting sustainable integration.

Make ALMP systems more flexible to changing labour market conditions

Nordic PES will need to further adapt their ALMP provision to help jobseekers cope with changing labour market demands. This is particularly prominent in the area of training, where PES should take proactive steps to equip jobseekers with the necessary skills in demand by employers and to prevent increases to long-term unemployment. Better linking ALMPs to prevailing labour market needs, including informing the design and procurement of training based on insights from skills anticipation activities, can assist in addressing ongoing labour shortages and longer-term labour market trends, such as the green and digital transition, as well as in promoting greater labour market resilience.

Strong relationships and engagement between PES and employers are greatly important in having responsive ALMP systems, including in promoting the flexibility to respond to regional differences and challenges. An interesting example of a measure established to alleviate labour shortages in the Nordic region, benefitting from close employer-PES engagement, is the Trøndelag model (*Trøndelagsmodellen*) in the Trøndelag region of Norway. A joint initiative between employers, education authorities and Norway's PES (NAV), the Trøndelag model has two main objectives: to promote labour market integration and provide much-needed labour to companies facing shortages (NAV, 2022^[11]). The model seeks to address

these labour shortages faced by employers in the region by placing jobseekers with employers needing skilled labour and assisting them to pursue an apprenticeship qualification, while also providing tailor-made support, access to other education or training if needed and ongoing follow-up support.

Enhance the use of linked administrative data to improve the targeting and design of ALMPs

Several Nordic countries routinely link register data relevant to ALMP systems. Access to high quality and timely data, including from systematic data exchange with relevant institutions, is central to the provision of effective employment services. This is of heightened importance during crisis periods, such as during the COVID-19 pandemic, and in face of other ongoing labour market challenges.

Leveraging the already rich data and associated technical infrastructure in many Nordic countries, further steps could be taken to improve the exchange and linking of data from different institutions in the areas of employment, social, health and education services (including from municipalities and private providers), while taking into account the necessary data protection requirements. Such administrative data can help Nordic PES to better identify the people in need of their services, understand their barriers to employment and inform the design of appropriate individualised pathways for labour market inclusion. An international example of good practice in this area is seen in Estonia with its Youth Guarantee Support System. This system, established in 2018, combines data from nine input registers and allows case managers to map young NEETs (persons not in education, employment, or training) in municipalities, reach out to them and – where needed – commence case management and the provision of cross-sectoral supports (Estonian Social Insurance Board, 2022^[12]).

Strengthen the monitoring and evaluation of ALMPs and conduct evaluations of digital services and tools

Strengthening the ALMP evaluation capacity and activity is crucially important for Nordic countries, particularly given the comparatively high ALMP spending in most Nordic countries. Such evidence-informed policy making would allow Nordic countries ensure that they are achieving value for money. Denmark, Norway and Sweden link administrative data for the specific purpose of conducting impact evaluations of ALMPs. Nonetheless, there remains room for improvement across the region – including strengthening existing monitoring and evaluation frameworks and making counterfactual impact evaluations of ALMPs systematic in those countries where they currently are not.³ Furthermore, Nordic countries should actively work to address the challenges they face in linking data for evaluation purposes, including data privacy issues, time-lags in the release of administrative data and insufficient financial/human resources devoted to work in this area (OECD, 2020^[7]).

The creation of tools or platforms to pool relevant data can be particularly beneficial in enabling such impact evaluations, with a prominent example being the Labour Market Program Data Platform (LMPDP) in Canada (OECD, 2022^[13]). This platform which brings a wide range of data relevant to ALMPs (including data from the Canada Revenue Agency to capture employment outcomes), culminating in a comprehensive analysis platform that ensures efficient use of resources (data does not need to be reworked for each new project or piece of analysis), consistency across evaluations and builds institutional knowledge over time.

Furthermore, the scope of these evaluations should be expanded to include evaluations of digital services, tools and processes utilised by PES in the delivery of ALMPs, in order to ensure they are having their intended impacts in assisting PES staff and clients (OECD, 2022^[8]). Finally, it is critical to strengthen the impact of policy analysis on policy making pertaining to PES and ALMPs, in order to ensure that the insights gained are used to inform contingency planning for future crises, strengthen offerings to clients and to improve (or bring to an end) those measures found to be ineffective.

1.4. Developing skills for the recovery

Nordic countries built on well-established and highly developed adult education and training systems in their pandemic response. Their adult learning systems provide diversified, integrated, and flexible learning opportunities, with high public funding and a strong reliance on public providers. Adult learning participation is consistently some of the highest in Europe.

1.4.1 *Participation in adult learning fell during the pandemic but recovered quickly*

As in most other European countries, Nordic countries experienced a drop in adult learning participation in 2020. This was generally followed by a strong rebound, as the pandemic and economic situation improved. Some Nordic countries, notably Finland, were able to withstand the effect of the crisis better than others and saw a relatively small drop in adult education and training participation, while others, notably Denmark, experienced substantial declines. In the case of Denmark, the pandemic exacerbated a decline in participation already seen before the pandemic and rates have not yet fully recovered to pre-pandemic levels. Drivers of this differentiated impact of the pandemic on participation levels across Nordic countries are difficult to disentangle, but likely include differences in life-long learning culture, in-built flexibility around mode and assessment of learning (or lack thereof), differences in the reliance of work-based versus school-based training, as well as the effectiveness of the different policy responses taken.

1.4.2 *All Nordic countries took action in the area of skills during the pandemic*

Skill policies were not core to the initial policy response to the COVID-19 pandemic across the Nordic region, when the focus was firmly on protecting jobs and securing incomes. Yet, enabling individuals to develop skills for the recovery quickly gained importance as the pandemic drew out. Some Nordic countries saw the crisis as a strategic opportunity to advance an agenda of upskilling and reskilling adults in the context of accelerating structural change. Others considered the crisis transitory and assumed that laid-off individuals would eventually return to jobs for which they already had the right skills. The extent to which reduced working hours and temporary layoffs were seen as an opportunity for adults to develop skills for the recovery varied across the Nordic region.

All Nordic countries implemented measures to stimulate the demand for and ensure the supply of training during the pandemic, although levels of activity and investment varied strongly. Making comparisons across the Nordic region, levels of activity in this policy area were arguably highest in Denmark and Finland and lowest in Sweden. Most measures implemented targeted individuals and education and training providers; measures addressed at enterprises were more limited than seen in other OECD countries. A notable exception is the Swedish competence initiative (*kompetensinsatser*), which compensated employers for training measures for staff on short-time work. Unsurprisingly then, the decrease in training participation of employed individuals was higher than the decrease in training participation of unemployed or inactive individuals in all countries but Finland.

1.4.3 *Financial support was the policy-lever most frequently used*

Most initiatives undertaken in Nordic countries in the context of the pandemic aimed to maintain or even increase the demand for training by individuals, primarily through the use of financial incentives. These typically came in the form of allowing unemployed and laid-off individuals to train while receiving benefits. There was remarkably limited policy action to address the situational and attitudinal barriers of individuals, such as through providing information and guidance, or helping them access training online. While evidence is scarce, policy makers across Nordic countries share the concern that, consequently, the pandemic response may have left behind those hardest to engage in education and training.

On the supply-side, much of the policy action focused on expanding the existing education and training offer to accommodate a presumed heightened demand by unemployed individuals and those temporarily laid-off. Again, financial support for education and training providers was the key policy-lever used. Several countries, including Denmark, Finland, Norway, and Sweden, took a forward-looking approach and strategically invested in the development of shorter, more labour market relevant education and training programmes.

Across the Nordic region, the shift to online learning was relatively smooth for individuals and providers, due to high degrees of digitalisation and digital skills present even prior to the pandemic. For some target groups, notably adults living in remote areas, as well as those with disabilities or other health issues, the shift to online learning may have opened access to learning. An exception was practical or work-based learning opportunities, for example in the context of adult vocational education and training, which were difficult to shift online. Some providers experimented with ways to bring practical experiences to students, through mobile workstations, videos, or virtual reality applications, albeit with limited scope and success. With some exceptions, e.g. Denmark, governments made no regulatory changes to move training online. One may also have expected some government measures to ensure the quality and certification of online learning but there is no evidence that this was a concern for policy makers in Nordic countries.

1.4.4 To tackle present and future skill shortages, Nordic countries should increase the agility, flexibility and effectiveness of their skill development systems

In all Nordic countries, the crisis hastened structural changes in the labour market, causing the emergence of significant skill shortages. The picture of shortages by sectors, occupations and skills varies across countries, but shortages in education, health, and care professions, as well as skilled craft workers with vocational qualifications, stand out across the region. Adult upskilling and reskilling will be key to addressing these structural changes in the medium to long-term and ensure the continued success of the Nordic model, alongside tackling health-related inactivity, other activation policies (including ALMPs), providing incentives for people to work for longer and targeted migration policies.

This will require Nordic adult education and training systems to become more agile, flexible and effective. Actions taken during the pandemic provide some lessons on how to make the necessary changes to move towards this vision. The following recommendations reflect these lessons, but also more general insights based on an assessment of the performance of Nordic adult education and training systems.

Improve the agility of skills assessment and anticipation systems

All Nordic countries have skill assessment and anticipation (SAA) exercises that generate evidence on the current and future skill needs of the labour market (skill demand) and available skills in the population (skill supply) (OECD, 2016^[14]). Information from these exercises may be used in the planning of employment, education and training and migration policies. Yet, the pace of structural change and the emergence of new policy priorities – such as climate mitigation policies – warrant a review of these exercises. It will be critical to make SAA exercises more agile, that is to enable them to react quickly to changing circumstances and priorities and to produce information that can be used to inform policy decisions in real-time. Currently, the process of identifying skill needs and taking the relevant policy action is lengthy in most countries. Denmark, for example, works with 12-month timeframes from the identification of gaps to the set-up of new (short) courses. According to some stakeholders, this should ideally be reduced to three months.

To accommodate the demand for more timely SAA information, Nordic countries should make use of latest methodologies and data sources. This includes big data, which are used by a growing number of OECD countries to gain a more timely and granular picture of skill demand and supply. In the United Kingdom, for example, the Department of Business, Energy and Industrial Strategy (BEIS) uses data from Lightcast to gain monthly insights about the increase of “clean growth jobs”. Nordic countries

should also institutionalise mechanisms that translate the information produced into policy action, e.g. the development of new training offers or adaptation of curricula, where they don't exist already.

Increase the flexibility of learning pathways

Adult learning participation across the Nordic region is generally high. Yet, participation across different socio-economic groups is uneven and many adults face multiple, multi-layered and interconnected barriers to taking up learning opportunities (OECD, 2019^[15]). To enable more adults to participate in learning, adult learning systems must provide flexible learning pathways through good practice tools such as the recognition of prior learning, partial qualifications, modular learning opportunities and micro-credentials.

Different Nordic countries already implement these tools to different extents and lessons can be learnt from each other. Denmark, for example, offers exceptional flexibility with regards to combining modules of different learning provision into tailor-made qualifications (Desjardins, 2017^[16]). Finland has a particularly well-developed vocational education and training system that is fully modularised and ensures that existing skills are recognised prior to starting an initial or continuing vocational education and training programme (Cedefop, 2019^[17]). Some Nordic countries, however, should review their current learning systems for adults with the view to making them less rigid by breaking down barriers between formal, non-formal and informal learning.

As learning pathways become more flexible, they also become more complex for individuals to navigate, which in turn increases the need for high-quality guidance services. Nordic countries should examine their existing offers and ensure that they provide high-quality career and educational guidance for different target groups, including wrap-around support for adults with higher support needs. In addition, increasing complexity will warrant the use of digital solutions to streamline information on existing learning opportunities and (financial) support options.

Update regulatory frameworks

The COVID-19 pandemic had a unique impact in that it shifted much of the provision and assessment of learning (temporarily) online. Across the Nordic region, the move towards online learning was comparatively smooth due to high levels of digitalisation of education and training providers and digital skills of the adult population. Some countries, however, found that this change in mode of delivery required regulatory changes, as existing regulations offered limited flexibility regarding the places and modes of learning and assessment.

In light of this, Nordic countries should consider updating their regulatory frameworks further and making them agnostic about the place and mode of learning and assessment, where this is not already the case. This would not only ready adult learning systems for future similar crises but could also facilitate the flexible learning pathways described above. Systems that are agnostic about the place and mode of learning, such as the Finnish vocational education and training system, tend to be more advanced when it comes to the recognition of prior learning amongst others. To safe-guard against undesirable effects, including a lack of work-based elements in vocational education and training, education and training providers should receive guidance on the appropriate shares of different places and modes of learning. Providing such soft guidance may be sufficient to ensure compliance in the trust-based Nordic adult education and training systems, while allowing for flexibility in case of future pandemics or other emergencies.

Concerning online learning, Nordic countries may consider assessing the cost-effectiveness of the currently decentralised provision of online learning, e.g. every education and training provider developing their own online learning offer, and may want to identify centres of excellence responsible for developing online content on certain topics.

Institutionalise governance structures

Social partners traditionally play key a role in shaping skill policy across the Nordic region, although to different extent across countries. Their role may include negotiating agreements, managing, and funding programs, participating in decision-making, advising policy and/or raising voice and informing their members and the public.

The role of social partners in shaping skill policy increased in the context of the pandemic. Social partners were regularly consulted by the relevant public authorities on regulatory and legislative issues, frequently in newly established fora of exchange. In some Nordic countries, the pandemic also provided new impetus for tripartite and bilateral negotiations. Some stakeholders see the involvement of social partners in the early stages of decision-making as key to the swift implementation of measures, as governments were able to secure buy-in early in the process. However, these new formats of consultation were only temporary in some cases. In Iceland, for example, the Co-ordination Committee for Employment and Education involved the relevant ministries, social partners, PES, education and training providers, as well as student representatives. It concluded with a report in May/June 2020 and was dissolved soon thereafter.

Where this is not already the case, Nordic countries should consider institutionalising governance structures for skills policy which include social partner representatives, such as co-ordination committees, high-level groups or other consultative bodies. While such structures can be cumbersome when it comes to reaching consensus, the experience from the pandemic shows that they may ultimately improve the agility of the system by building trust between key actors in the skill policy arena.

Key policy recommendations

The COVID-19 crisis has clearly shown the importance of adjusting income support policies and doing so in a timely manner. In light of this experience, and to enhance resilience to future crises, Nordic countries could consider the following:

Ensure a more inclusive income support for the unemployed during crises by adjusting UB systems to changing labour market circumstances. These changes could be introduced through rules triggering automatic adjustments or by establishing agile processes involving governments and social partners to implement any changes as necessary.

Introduce rules or agile processes to adjust key policy parameters (e.g. cost to firms, duration of subsidies etc.) to ensure that JR schemes are mainly used in times of crisis and phased out rapidly when the economy recovers.

Increase the targeting of JR schemes to jobs at risk through firms co-financing of hours not worked in countries where this does not currently happen.

To attenuate the risk of penalising firms that face particularly severe liquidity constraints, **consider the adoption of experience rating systems for the co-financing of hours subsidised by JR schemes**, whereby firms reimburse part of the subsidy once they leave the scheme.

- **Leverage administrative data to evaluate the merits of different design features of JR schemes** and inform their design to enhance labour market resilience to future crises

Nordic PES should consider the following recommendations in the area of ALMPs to foster more inclusive and resilient labour markets going forward:

- Continue to build on the strong digital foundation in the region, while taking additional steps to **ensure the inclusion of vulnerable groups in the PES digitalisation journey**.
- **Enhance the provision of individualised comprehensive ALMP supports for vulnerable groups** to support more inclusive labour markets.
- **Make ALMP systems more flexible to changing labour market conditions**, including through greater co-operation with employers.
- **Enhance the use of linked administrative data to improve the targeting and design of ALMPs**, including by strengthening systematic data exchange with relevant institutions.
- **Strengthen the monitoring and evaluation of ALMPs and conduct evaluations of digital services and tools**. The impact of policy analysis on policy making must also be bolstered.

Nordic countries should consider increasing the agility, flexibility, and effectiveness of their **skill development systems**. Specific recommendations to this end include:

- **Improve the agility of skill assessment and anticipation systems** to produce granular information that can be used to inform policy decisions in real-time.
- **Increase the flexibility of learning pathways** through tools such as the recognition of prior learning, partial qualifications, modular learning opportunities and micro-credentials, where they do not exist. This should be accompanied by high-quality guidance services.
- **Update regulatory frameworks for adult learning**, making them agnostic about the place and mode of learning and assessment.
- **Institutionalise governance structures** that involve social partners to improve the agility of the system through building trust between key actors in the skill policy arena.

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Notes

¹ As discussed in more detail in Chapter 3, in Norway, Finland and Iceland workers on job retention schemes also receive Unemployment Benefits. The data for Norway do not allow distinguishing between jobless people who receive UBs and people on job retention schemes that receive the same benefit. For this reason, the analysis on Unemployment Benefit claims is limited to the other four Nordic countries.

² Discussions of PES and ALMP expenditure do not include Iceland, as they do not participate in the OECD/EC Labour Market Programme Database.

³ Counterfactual impact evaluations seek to establish, by employing controlled experiments and/or econometric techniques, the difference in outcomes for individuals who participated or benefitted in a programme and those that did not.

2

The labour market impact of the COVID-19 crisis in the Nordic countries

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

In Brief

This chapter analyses the main labour market developments during the COVID-19 crisis in Nordic countries from an international perspective. The focus is on overall labour market resilience (i.e. the magnitude and length of fluctuations in labour market indicators in the wake of the crisis) and on differences in resilience across different groups of workers. Labour market resilience is crucial not only to limit short-term social costs but also to support labour market and economic performance in the medium to long term.

The analysis covers the period from the beginning of 2020 to the second quarter of 2022 and provides the following main findings:

- The COVID-19 crisis had an unprecedented impact on economic activity across the OECD. However, the subsequent recovery has been faster than expected thanks to the prompt and massive policy support for firms and households deployed by governments throughout the crisis and the rapid rollout of effective vaccines.
- Relative to the OECD as a whole, GDP fell less in the Nordic countries at the height of the COVID-19 crisis and grew more in the recovery. Indeed, the cumulative growth in GDP between Q4 2019 and Q2 2022 was larger in all Nordic countries except Iceland than for the OECD as a whole (+2.8%). The largest increases were recorded in Denmark (+5.5%) and Sweden (+5.1%).
- Like many other OECD countries, Nordic countries have seen a fast recovery of their labour markets following the COVID-19 crisis. Over the course of the crisis, the five countries, however, exhibited different degrees of resilience.
- All five countries experienced larger increases in unemployment than most other European countries that also made large use of job retentions schemes – with a particularly significant spike in Iceland. These increases were quickly reabsorbed in Norway, Denmark and Iceland, but Finland and Sweden experienced higher unemployment for longer than the OECD average.
- The falls in employment rates in Nordic countries were generally in line with those recorded in other European countries, except again for Iceland. This latter country recorded the slowest recovery in employment rate among all the OECD countries. Albeit of a smaller magnitude, the decline in employment rate was also comparatively persistent in Sweden, where a full recovery was achieved after eight quarters against an average of just over six quarters across all OECD countries.
- The differential impact of the crisis on industries has translated into an unequal impact on groups of workers, with young people, migrants and people without tertiary education generally seeing larger reductions in employment and increases in unemployment. However, thanks to the robust recovery, much of the unequal impact had been reabsorbed by early 2022.
- Nevertheless, young people and workers without tertiary education felt the effects of the crisis more strongly and for longer.
- Young people saw a longer contraction in employment than older workers in all Nordic countries except Iceland, although the latter was the country in which youth employment fell the most.
- The larger and longer decline in employment for people without tertiary education was also a common pattern across the Nordic countries. The hit for the low-educated was particularly prolonged in Sweden and Iceland – indeed one of the longest in the OECD. In the case of Iceland this was linked to the particularly large initial fall, but several countries had faster recoveries from

larger falls than Sweden. In Norway – which exhibited an overall high degree of resilience – the middle-educated suffered relatively more.

2.1. Introduction

From the onset of the COVID-19 pandemic, Governments around the world quickly intervened to contain its spread and economic fallout. A wide range of interventions were put in place in particular to cushion the labour market impact of the crisis, protecting jobs and incomes and preserving production capacity in an extremely uncertain environment (OECD, 2022^[1]; OECD, 2020^[2]; OECD, 2021^[3]). These interventions and the subsequent recovery plans enhanced the resilience of labour markets across the OECD, fuelling a recovery from the COVID-19 crisis whose speed exceeded expectations in many cases.

The stark contrast of this experience with the slow recovery from the global financial crisis of 2008-09 highlights the importance of **labour market resilience, i.e. limiting fluctuations in employment and ensuring a quick rebound in the wake of economic shocks**. Labour market resilience is crucial not only to limit short-term social costs but also to support labour market and economic performance in the medium to long term (OECD, 2018^[4]).

On the eve of the COVID-19 crisis, the Nordic countries had some of the best-performing labour markets across the OECD. In December 2019, the unemployment rate was below the OECD average of 6.1% in Norway, Iceland and Denmark, and only slightly above that level in Finland and Sweden. The Nordic countries had some of the highest indicators for resilience and inclusiveness across the OECD (OECD, 2018^[4]). They also had good quality labour relations, high collective bargaining coverage rates and, except for Iceland, sectoral framework agreements with margins of flexibility to possibly derogate at lower level – the so-called organised decentralised and co-ordinated bargaining systems – that had helped enhance the resilience of their labour markets to previous crises (Box 2.1).

This chapter analyses the main labour market developments during the COVID-19 crisis in Nordic countries from an international perspective, covering the period from the beginning of 2020 to the second quarter of 2022. The focus of the analysis is on the overall resilience of the labour markets, as well as on the differential impact of the crisis across different demographic groups.

Section 2.2 describes the evolution of GDP in the Nordic countries over the crisis, while Section 2.3 looks at the evolution of unemployment and employment rates and their resilience, as captured by the length and magnitudes of deviations from pre-crisis levels. Section 2.4 moves to consider how the crisis has impacted different demographic groups and the resilience of their respective labour markets. Finally, Section 2.5 looks at the evolution of teleworking use and the policy challenges likely to arise from its structural increase.

Box 2.1. How do Collective Bargaining systems compare in the Nordic countries?

In order to map out collective bargaining systems across countries, it is important to look at different features of the systems, notably the predominant level of bargaining where parties negotiate, but also the degree of flexibility of the system, which is determined by the rules governing the hierarchy between the different levels of bargaining and the possibility for firm to derogate or opt out in case of economic difficulties. In particular, systems based on sectoral-level and national/cross-sectoral level bargaining can be decentralised but in an organised way when firm-level agreements have a significant role in determining the terms of employment, but they are subject to specific conditions set either by law or social partners themselves. Moreover, the presence and degree of some mechanisms of co-ordination is key to prevent totally independent and atomised negotiations, but rather some synchronisation of different bargaining units when setting their strategy and targets. Finally, the quality of labour relations, in particular the level of trust between social partners, is another key aspect of collective bargaining systems.

All Nordic countries except Iceland (and Finland until 2015) have an organised decentralised and co-ordinated bargaining system (Table 2.1). In these countries, sectoral agreements, even in the case of extensions, leave significant room for lower-level agreements to set the terms of employment by leaving up to bargaining parties the design of the hierarchy of agreements. In these countries, co-ordination is relatively strong and usually takes the form of pattern bargaining, where a leading sector sets the targets first and others follow (OECD, 2019^[5]). By contrast in Iceland, collective bargaining is rather centralised, sectoral agreements play a strong role and there is rather limited room for lower-level agreements to derogate from higher-level ones; moreover co-ordination is weak, partly due to the lack of significant pattern bargaining (OECD, 2017^[6]).

Table 2.1. Dashboard of collective bargaining systems in the Nordic countries, 2018

	Predominant bargaining level	Degree of (de-) centralisation	Co-ordination	Trade union density in the private sector	Employers' organisation density	Collective bargaining coverage rate	Quality of labour relations
Norway	Sectoral	Organised decentralised	High	40-50%	70-80%	60-70%	High
Finland	Sectoral	Organised decentralised	High	50-60%	60-70%	80-90%	Medium
Denmark	Sectoral	Organised decentralised	High	60-70%	60-70%	80-90%	High
Sweden	Sectoral	Organised decentralised	High	60-70%	80-90%	80-90%	High
Iceland	Sectoral	Centralised	Low	90% or more	70-80%	80-90%	High

Note: The Quality of Labour Relations is an indicator based on the assessment of senior executives in The Global Competitiveness Index Historical Dataset © 2005-14 and © 2007-17 World Economic Forum.

Source: OECD/AIAS ICTWSS Database on collective bargaining and workers' voice, <http://www.oecd.org/employment/ictwss-database.htm>.

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Representative unions and employers' organisations as well as high quality relations between the social partners are preconditions for co-ordination and for a well-functioning collective bargaining system

(OECD, 2019^[7]). In all Nordic countries, indicators of representativeness and quality of relations are generally high in international standards, but some differences emerge. While Denmark, Finland, Sweden and particularly Iceland have the highest trade union density across OECD countries, Norway has a comparatively low level (40-50%). The employers' organisation density is particularly high in Sweden where it reaches 80-90% but remains between 60% and 80% in the other Nordic countries.

Beyond collective bargaining, Nordic countries also differ in the extent to which social partners are engaged in broader social dialogue arrangements, which can supplement collective bargaining in crisis responses and contribute to the quality of labour relations. Social dialogue can be informal, such as ad hoc discussions with social partners initiated by the government or simple exchange of information, but also formal, such as social partners' involvement in systematic working groups or advisory bodies. Through informal and formal social dialogue, social partners can for instance raise voice regarding workers' and firms' interests, advise policy, participate in decision-making (not only at the national but also firm- and workplace levels) and manage schemes like unemployment benefits or training (although this is usually covered by collective agreements and thus collective bargaining).

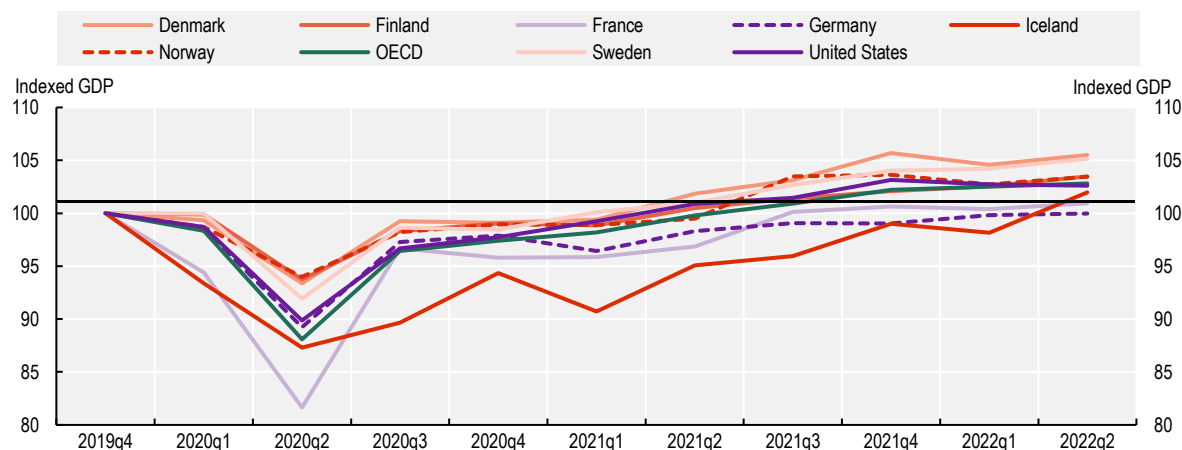
2.2. Relative to the OECD, GDP fell less in the Nordic countries at the height of the COVID-19 crisis and grew more in the recovery

The COVID-19 crisis had an unprecedented impact on economic activity across the OECD. However, **the subsequent recovery has been faster than expected thanks to the prompt and massive policy support for firms and households deployed by governments** throughout the crisis and the rapid rollout of effective vaccines (OECD, 2021^[8]). In the second quarter of 2020, GDP for the OECD as a whole was 12% lower than in the last quarter of 2019. By Q3 2021, output had fully recovered and then continued to grow – albeit at slower pace – into the second quarter of 2022, climbing to 3.4 percentage points above its Q4 2019 level (Figure 2.1).

With the exception of Iceland, **Nordic countries generally saw a smaller initial decline in GDP compared to the OECD as a whole.** In Iceland, GDP fell 13% below pre-crisis levels in Q2 2020 and only fully recovered in Q2 2022. Denmark, Finland, and Norway saw an initial fall of GDP between 6% and 7%. Norway then achieved a full recovery at the same time as the OECD as a whole, while Denmark and Finland did so one quarter earlier, in Q2 2021. Sweden saw an initial GDP decline of just over 8% and experienced a faster recovery than most other OECD countries – with GDP already returning to pre-crisis levels by Q1 2021.

Figure 2.1. GDP fell less in Nordic countries than for the OECD as a whole

Seasonally adjusted real GDP indexed to 100 in Q4 2019, selected OECD countries, Q4 2019 to Q2 2022



Note: OECD is the unweighted average of the 38 member countries.

Source: OECD calculations based on data from the (OECD, 2023^[9]), *OECD National Accounts Database*, <https://stats.oecd.org/index.aspx?r=194170>.

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The economic disruptions from the wave of the pandemic driven by the Omicron variant in late 2021 and the early months of 2022 caused a slowdown in growth for the OECD as a whole, and even a contraction in some countries, including Denmark, Iceland and Norway. Nevertheless, the cumulative growth in GDP between Q4 2019 and Q2 2022 was larger in all the Nordic countries except Iceland than for the OECD as a whole (+2.8%). The largest increases were recorded in Denmark (+5.5%) and Sweden (+5.1%).¹

A number of factors explain the variation in the magnitude of the economic impact of the crisis and in the speed of the subsequent recovery across countries, but their relative contributions are difficult to disentangle rigorously in the data. These factors include the size of the sectors more directly affected by (mandated or voluntary) limitations to inter-personal contact, the nature and length of the health restrictions adopted by countries and of the behavioural responses by consumers and firms, the timing and size of different waves of the pandemic, and the speed and scope of vaccination campaigns. For example, the particularly large decline in GDP in Iceland has been linked to the significant relative size of the tourism sector in the country, and that of Sweden to the fall in activity in its large, export-oriented manufacturing, while the relatively quick recovery in Denmark to the early adoption of vaccination passports and the consequential early lifting of restrictions in September 2021 (Norlén et al., 2022^[10]; Statistics Finland et al., 2022^[11]; OECD, 2021^[3]). In a cross-country analysis, Rustichelli and Turner (2021^[12]) find that the pre-crisis size of the travel and tourism sector is found to better explain cross-country differences in GDP growth in 2020, than exposure to any of the other sectors considered most vulnerable to COVID-19, or the average stringency of wider country lockdown measures during 2020.

2.3. Labour markets in Nordic countries recovered quickly from the crisis, but less so in Sweden and Iceland

2.3.1. Unemployment rates increased more in the Nordic countries than in many European countries, but the increase was generally not more persistent

As the crisis struck, the OECD unemployment rate increased to 8.2% in April 2020 from 5.3% in December 2019 (Figure 2.2, Panel A). Some countries – like the United States, Colombia and Costa Rica – saw very large and rapid increases in unemployment, but in the vast majority of countries that made significant use of job retention schemes (including the Nordic countries), the initial impact of the crisis was largely absorbed through a reduction in hours (OECD, 2021^[8]). However, as the crisis lingered on, the burden of adjustment moved to the extensive margin, with many on short hours returning to work while jobs destroyed were not fully recovered – and unemployment rates picked up in many countries.

In the Nordic countries, the initial impact of the crisis on unemployment was larger than in most of the other European countries that made significant use of job retention schemes (see Chapter 2). Peak increases in unemployment (relative to December 2019) were larger in Sweden (+2.6 percentage points from 6.9%), Iceland (+2.4 percentage points from 4.5%) and Finland (+2.3 percentage points from 6.5%). In Denmark and Norway, the peak increases remained below 2 percentage points (from 4.9% and 4% respectively), but above those recorded in Italy, France, Germany and the United Kingdom. Within the Nordic region, the labour market impact of the crisis was particularly pronounced in the Åland Islands (see Box 2.2).

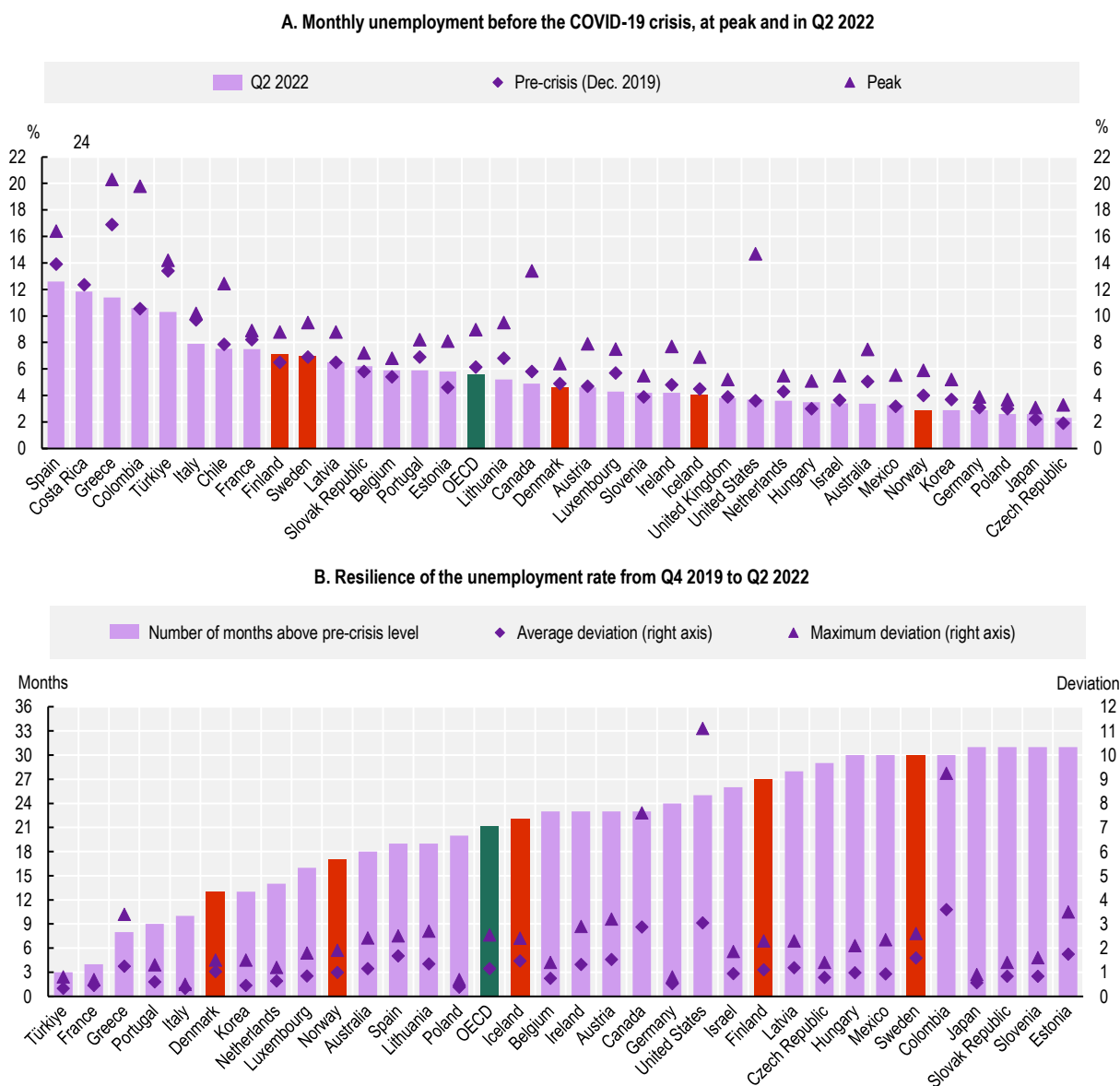
By January 2022, the OECD unemployment rate had returned to its pre-crisis level and continued a slower decline into the first half of the year. The fast recovery prevented the build-up of long-term unemployment which typically follows recessions – with the level of long-term unemployment remaining very close to pre-crisis levels in the Nordic ones, as indeed was the case more generally (OECD, 2022^[11]). On average across the OECD countries included, between December 2019 and July 2022, the unemployment rate was above its starting level for 21 months with an average deviation of +1.1 percentage points. In July 2022, the unemployment rate was below pre-crisis levels in many countries, with an average deviation of -0.5 percentage points.

The unemployment recovery was slower in Sweden and Finland than on average across the OECD (Figure 2.2, Panel B) – Between December 2019 and July 2022, the unemployment rate was above its initial level for 30 months in Sweden, for 27 months in Finland. Despite experiencing similar peak increases to Sweden and Finland, Iceland saw a faster decline in its unemployment rate which remained above pre-crisis levels for 22 months – in line with the OECD average. Indeed, in July 2022, the unemployment rate remained slightly above pre-crisis levels in both Finland and Sweden, while it had fallen below that level in Iceland (-0.4 percentage points to reach 4.1%).

The Danish and Norwegian unemployment rates proved particularly resilient to the COVID-19 crisis, experiencing a faster recovery than on average across the OECD. In Denmark and Norway, the unemployment rate remained above its baseline level by an average of 1 percentage point over 13 and 17 months respectively. Several OECD countries experienced slower recoveries than Denmark and Norway, despite seeing a larger overall increase in unemployment. These countries included Iceland and Finland – as mentioned above – but also some of the European countries that made larger use of job retention schemes, like Belgium and Germany. While many factors that cannot be disentangled contribute to differences in performance – including the structure of the economy, the timing of the pandemic, institutional factors and other policy changes – the result is suggestive that the comparatively lower reliance on job retention schemes did not undermine the resilience of the Danish and Norwegian labour markets (see Chapter 2).

Figure 2.2. Unemployment increased in the Nordic countries more than in most other European countries, but the recovery was generally fast

Seasonally adjusted unemployment rates and resilience of unemployment rates, persons aged 15-64



Note: OECD represents the unweighted average of the 36 and 33 countries shown respectively in each panel.

Source: OECD calculations based on data from (OECD, 2023^[13]), *OECD Short-term Labour Market Statistics dataset*, <https://stats.oecd.org/index.aspx?queryid=35253>.

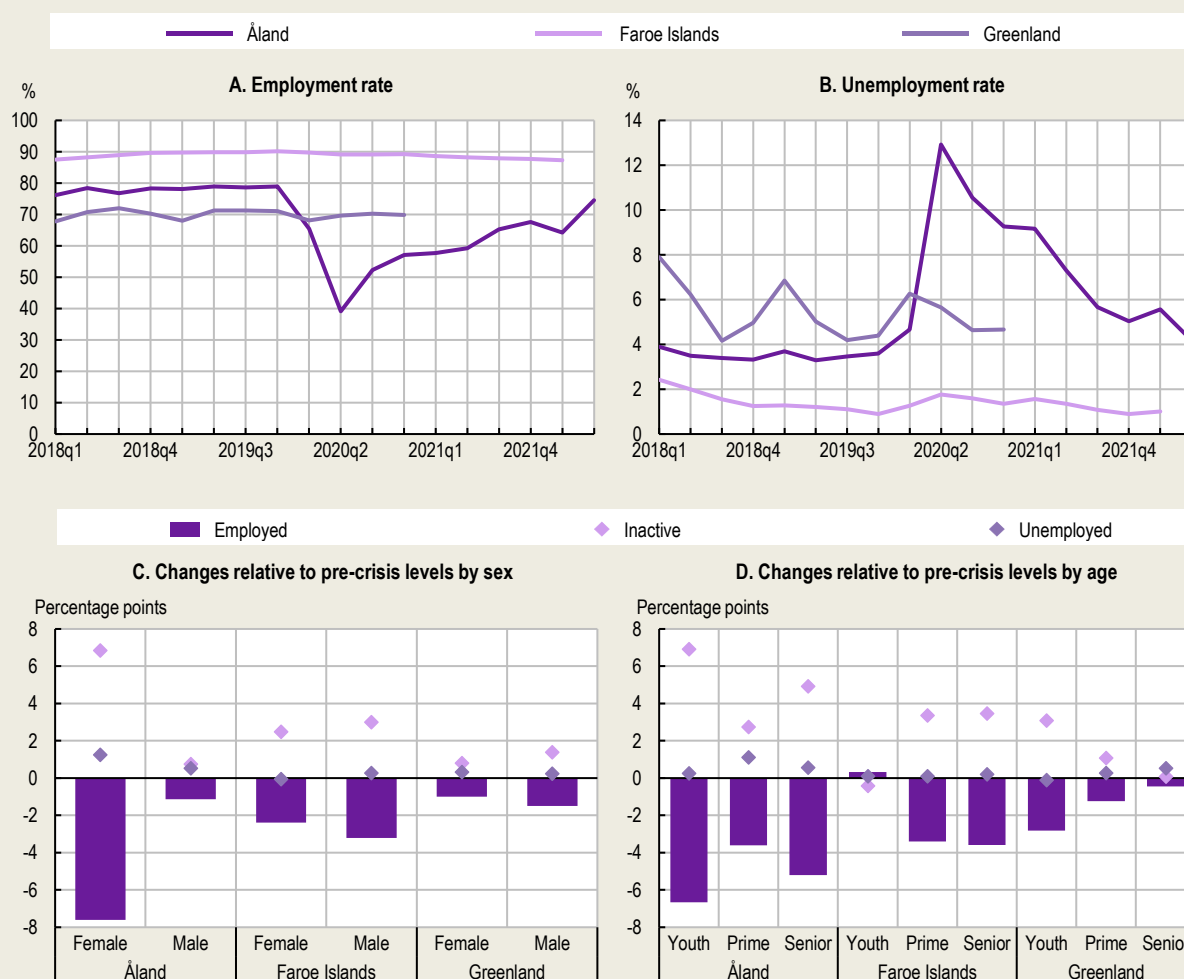
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Box 2.2. The labour market in the autonomous territories during the COVID-19 crisis

The COVID-19 crisis has had a very strong impact on the labour market of the Åland Islands – much larger than in any of the Nordic countries. This was largely driven by the severe hit that tourism and the shipping industry took when travel restrictions were introduced in March 2020 which led to a drop in GDP in 2020 of 19% – far larger than in any of the Nordic countries (see Section 2.2). In Q2 2020, the employment rate almost halved relative to its Q4 2019, reaching 39% (Figure 2.3, Panel A). The unemployment rate soared from 3.6% to 12.9% (Panel B).

Figure 2.3. Labour market performance in Åland Islands, Faroe Islands and Greenland

Changes in employment, inactivity and unemployment rates, not adjusted for seasonality



Note: The pre-crisis level is benchmarked at Q2 2019 for the Åland Islands and Q4 2019 for the Faroe Islands and Greenland. The latest data point is Q2 2022 for the Åland Islands, Q1 2022 for the Faroe Islands and Q4 2020 for Greenland. The working-age population is defined as those aged 15-64 for the Åland Islands, 15-66 for the Faroe Islands and 18-65 for Greenland. *Youth* refers to persons aged 15-24 (Åland), 16-24 (Faroe Islands) and 18-24 (Greenland), *Prime* to persons 25-54 and *Senior* to persons 55 and over.

Source: OECD calculations based on the register-based unemployment and the size and structure of the population (Statistics and Research Åland (ÅSUB), OECD calculations based on the register-based monthly unemployment and population (Statistics Faroe Islands), Labour force among permanent residents (Statistics Greenland).

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The Åland Islands deployed financial support for the many small firms operating in the autonomous territories in order to prevent bankruptcies and hiring subsidies for the unemployed. This helped alleviate the social cost of the crisis. Yet, the labour market contraction in the Åland Islands has been more persistent than in most of the Nordic countries. Two full years since the start of the crisis, the employment rate had not fully recovered in Q2 2022 – remaining more than 4.3 percentage points below its baseline level. The impact of the crisis was particularly large for women and young people, with both employment rates down by more than 6 percentage points compared to pre-crisis levels (Panels C and D).

The labour market impact of the COVID-19 crisis was much more muted in the Faroe Islands and Greenland and more in line with the developments in the other Nordic countries. In the Faroe Islands, the employment rate gradually fell by 2.6 percentage points to 87.3% in the four quarters ending in Q1 2022 (Panel A). The unemployment rate edged up to 1.8% in Q2 2020 but fully recovered to pre-crisis levels by Q1 2022 (Panel B). The impact of the crisis was stronger among adults and older workers (Panels C and D).

In Greenland, the employment rate (not seasonally adjusted) fell by 1.3 percentage points to 70% in the four quarters to Q4 2020, while in each of the last three quarters of 2020 the unemployment rate was only about 0.5 percentage points higher than those in the corresponding quarter of 2019 (Panels A and B). Young people were disproportionately affected by the crisis, consistent with the pattern observed throughout the OECD (see Section 2.4).

2.3.2. The contraction in employment rates in Nordic countries was similar to that of other European countries and generally short-lived, with the exception of Sweden and Iceland

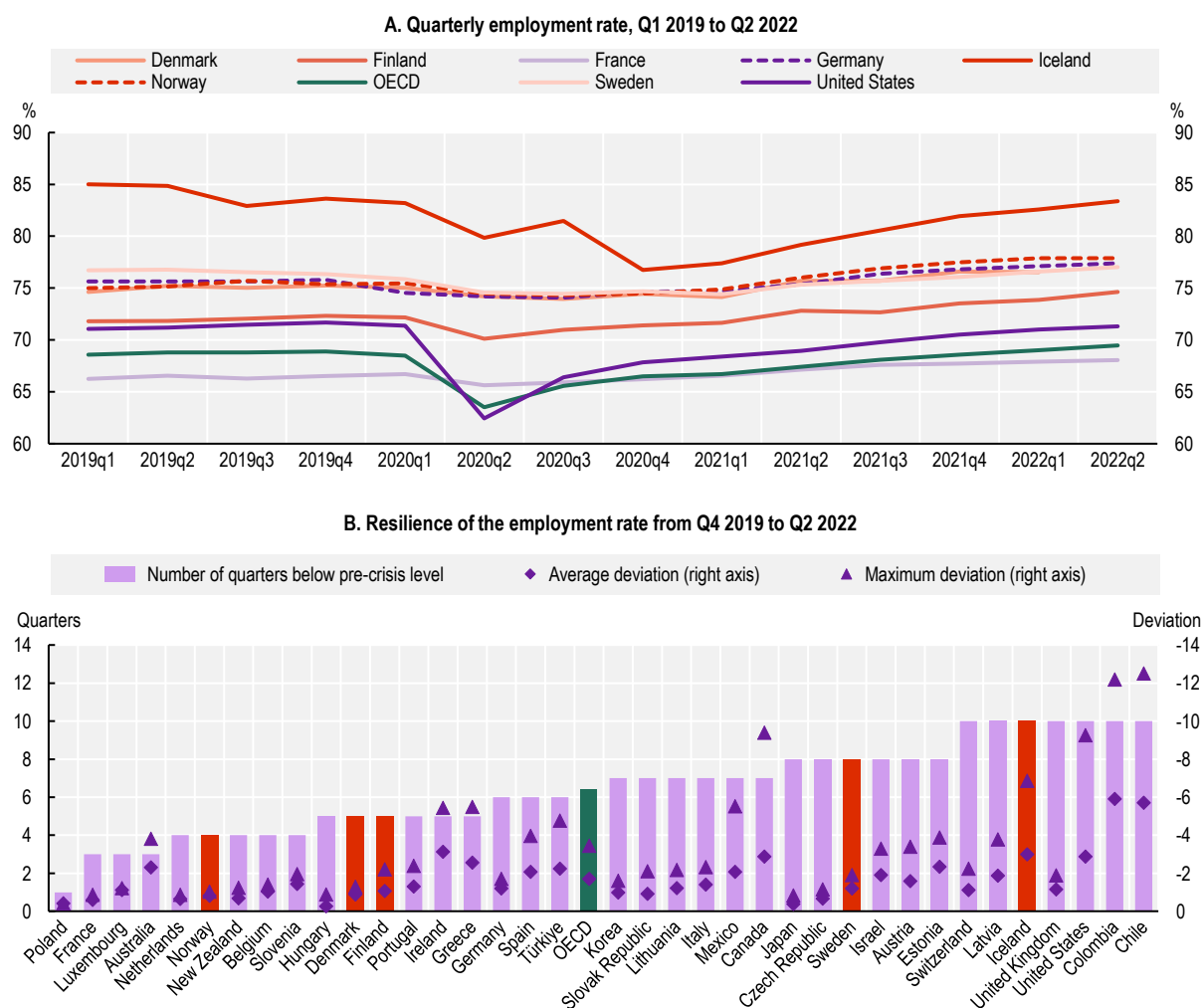
Similar to the unemployment rate, **the employment rate also fell much more during the COVID-19 crisis in countries that made only limited use of job retention scheme**, like the United States and Chile (Figure 2.4). **Iceland was the only Nordic country to experience a contraction in the employment rate larger than the OECD average (-6.9 percentage points vs -3.5 percentage points)** (Figure 2.4, Panel B). In the other Nordic countries, the maximum decline in employment rates were between 1 percentage point and just over 2 percentage points, similar to other European countries that made significant use of job retention schemes, like Germany, the United Kingdom and Switzerland.

The employment recovery was slower in Iceland and Sweden than on average across the OECD (Figure 2.4, Panel B). Indeed, Iceland experienced the largest and most persistent decline in employment rates among the Nordic countries (and one of the most persistent in the OECD more generally), though starting from one of the highest levels in the OECD (83.6% in Q4 2019) (Figure 2.4, Panel A). Iceland was the only Nordic country whose employment rate remained marginally below its pre-crisis level in Q1 2022 – with an average deviation from the Q4 2019 base line of -3.3 percentage points per quarter (Figure 2.4, Panel B).

In Sweden, the decline in employment rate was also relatively persistent albeit of a smaller magnitude (Figure 2.4, Panel B). Indeed, the employment rate in Sweden returned to the pre-crisis baseline only in Q1 2022 after eight quarters, against an average of just over six quarters across all OECD countries with data available. The employment recovery in Sweden appears comparatively long especially in relation to the maximum decline of -1.9 percentage points. Sixteen OECD countries experienced larger maximum declines but faster recoveries than Sweden. One of these countries is Finland where the employment rate fell by a maximum of 2.2 percentage points but remained depressed over the whole period for only five quarters (with an average quarterly deviation from its Q4 2019 level of -1.1 percentage points).

Figure 2.4. The fall in the employment rate was generally small and short-lived in Nordic countries, with the exception of Iceland and Sweden

Seasonally adjusted quarterly employment rates and resilience of employment rates, persons aged 15-64



Note: OECD is an unweighted average and excludes Costa Rica.

Source: OECD calculations based on data from (OECD, 2023^[13]), *OECD Short-term Labour Market Statistics dataset*, <https://stats.oecd.org/index.aspx?queryid=35253>.

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

Norway, Denmark, and Finland experienced a faster recovery in employment than the OECD average. The employment rate was below pre-crisis levels for five quarters in Denmark and Finland falling by a maximum of 1.3 percentage points and 2.2 percentage points respectively, while Norway saw a maximum contraction of 1.3 percentage points and one of the fastest recoveries in the OECD (over only four quarters). Indeed, only four OECD countries experienced a decline in employment rate at least as large as that of Norway and recovered in no more than four quarters (Luxembourg, Australia, New Zealand, and Slovenia).

An alternative way to assess the recovery of the employment rate is to compare its evolution against its pre-crisis trend rather than level. This has the advantage of recognising that countries whose employment were on a growing trend might revert to pre-crisis *levels* more quickly, but still lag behind where they would

have been in the absence of the COVID-19 crisis. However, the limitation of this approach is the assumption that the pre-crisis trends (which occurred in generally strong labour markets) provide a valid benchmark to assess where employment would have been in the absence of the COVID-19 crisis.

This analysis of the employment deviation from its pre-crisis trend, confirms that Sweden and Iceland experienced a relatively slow recovery. Indeed, the employment rate of Sweden was still below its pre-crisis *trend* in Q2 2022 – despite having already passed its pre-crisis *level* (see Annex Figure 2.A.1). In Iceland, the employment rate was below both its pre-crisis trend and level in Q2 2022.

Similarly, this analysis confirms that Norway and Denmark experienced quick recoveries, returning to pre-crisis trends in early 2021 and late 2021 respectively. Finland is the only country for which the trend analysis leads to a slightly different conclusion. Indeed, as mentioned above, its employment rate returned to pre-crisis *levels* quickly – already at the start of 2021 – but in Q2 2022, it was still below its pre-crisis *trend*.

2.4. The unequal impact of the crisis on sectors translated into an unequal impact on different demographic groups

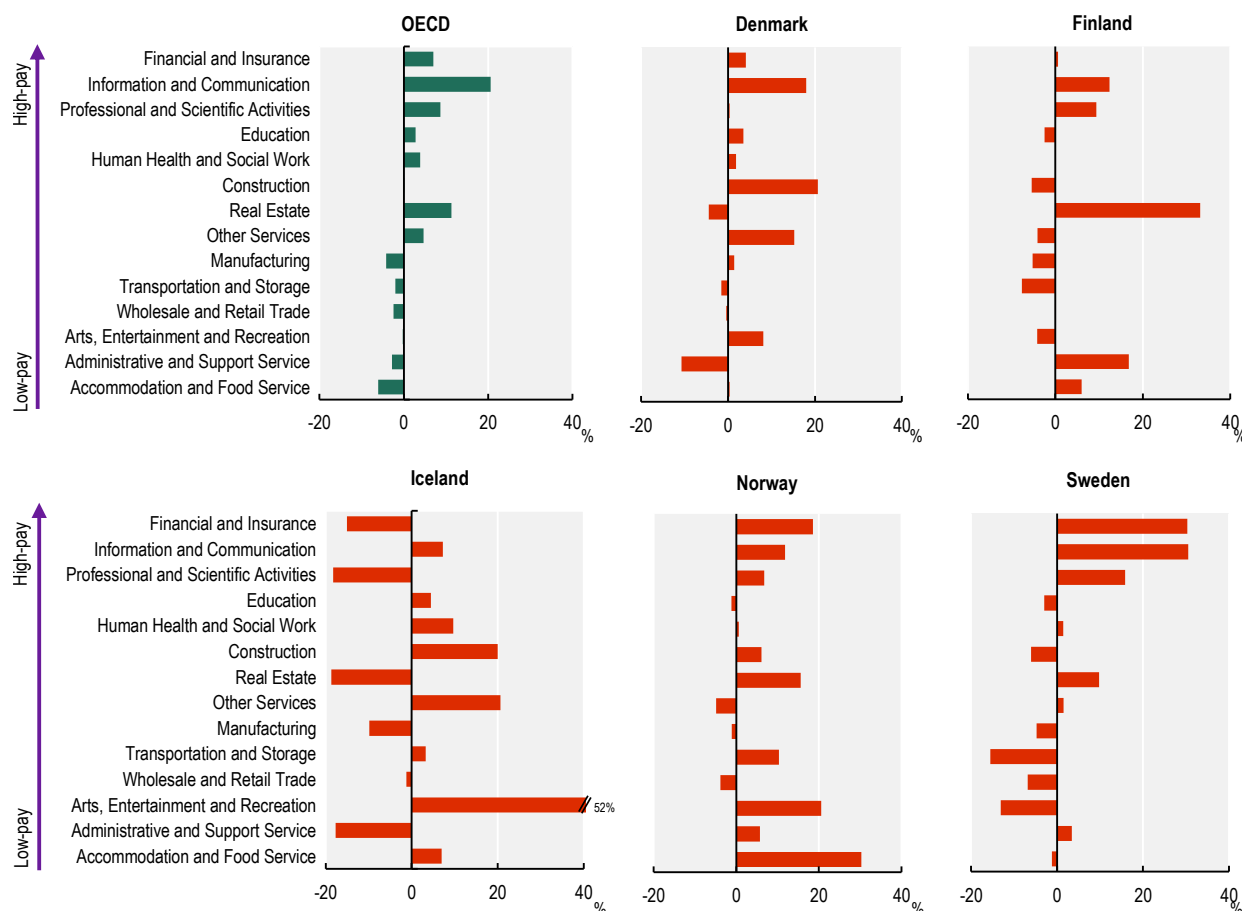
The markedly asymmetric impact across sectors is a distinctive feature of the COVID-19 crisis that is well documented (OECD, 2021^[8]). **Industries where telework was not feasible – such as accommodation and food services, arts, and transportation and storage – saw larger reductions in hours and employment losses across countries.** By contrast, other service industries such as information and communication, as well as financial and insurance activities, saw an increase in activity already over the course of 2020. As the pandemic protracted into 2021, industries with limited teleworking possibilities continued to be affected disproportionately by more targeted restrictions and persistent changes in consumers' habits even as the overall economic impact of each successive wave became smaller.

Across the OECD, **the differential impact of the crisis on different industries was a significant driver of the impact of the crisis across different groups of workers** (OECD, 2021^[3]; OECD, 2022^[1]). The low educated, the young and migrants were more likely to work in industries where telework was less feasible and as a result felt the impact of the crisis more strongly.

Two years since the onset of the crisis, employment changes by industry across OECD countries were still very clearly shaped by the pandemic (Figure 2.5). Relative to the same quarter of 2019, in Q2 2022,² lower-pay industries exhibited employment losses or modest growth, while higher-pay service industries reported larger employment gains. Construction and Manufacturing – two sectors that employ many medium earners – recorded stable or declining employment. Employment also increased in Health and Education – two medium pay sectors that have been heavily affected by the pandemic.

Figure 2.5. Low-pay industries are lagging behind in the recovery

Average percentage change in employment by industry across Nordic countries, Q2 2022 relative to Q2 2019



Note: The figure reports the unweighted average of the percentage change in employment by industry relative to Q2 2019, not seasonally adjusted. Industries are ranked by the median wage in 2019 in the European Structure of Earnings Survey (SES). The ranking of industries is broadly consistent when 2019 data on median wages from the Current Population Survey of the United States are used. OECD represents the unweighted average of 30 countries: Australia, Austria, Belgium, Canada, Chile, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Italy, Latvia, Lithuania, Luxembourg, Mexico, Netherlands, Norway, Poland, Portugal, Slovak Republic, Spain, Slovenia, Sweden, Switzerland and the United States. See the main text for a discussion of the statistical break that occurred in the series provided by Eurostat in Q1 2021.

Source: OECD calculations based on the Australian Bureau of Statistics, the Canadian Labour Force Survey, the National Employment Survey (ENE) for Chile, the European Labour Force Survey (EULFS) for European countries, the National Survey of Occupation (ENOE) and Telephone Survey of Occupation and Employment (ETOE) for Mexico, the UK Labour Force Survey, and the Current Population Survey (CPS) for the United States.

StatLink  <https://stat.link/5qm306>

In Sweden and (to a lesser extent) in Denmark, employment dynamics across industries were similar to those seen on average across the OECD, with employment remaining generally depressed in low-pay industries but having grown in high-pay ones. In the other Nordic countries – and most notably in Norway – employment had also grown above pre-crisis levels in some low-pay industries, though generally less than in high-pay industries.

2.4.1. The crisis hit young people's employment harder and for longer, but by early 2022 they had recovered in all Nordic countries except Sweden

The initial impact of the crisis was stronger on young people than older adults across the OECD, including in the Nordic countries. The employment rate of youth declined by a maximum of 5.6 percentage points relative to its level in Q4 2019 on average across the OECD countries with data available (Figure 2.6, Panel A). The corresponding figure for workers aged 25 to 54 was 3.8 percentage points (Annex Figure 2.B.1, Panel A).

In Iceland, the youth employment rate fell by 9.5 percentage points reaching 60%, against a fall of just over 7 percentage points for the older adults. In Sweden, Finland, and Denmark, the differential impact of the crisis on the youth was particularly pronounced – even though the overall fall in employment was smaller than in Iceland (see Section 2.3). In Sweden and Finland, the youth employment rate fell by 5.5 percentage points, while in Denmark by just over 4 percentage points. By contrast, the 25 to 54 age group experienced a drop in employment rate of around 1.5 percentage points in all three countries. In Norway, in the context of an overall smaller contraction, the differences between the two age groups were smaller, with the employment rate falling by just over 2 percentage points for the young and by about 1.6 percentage points for the older group.

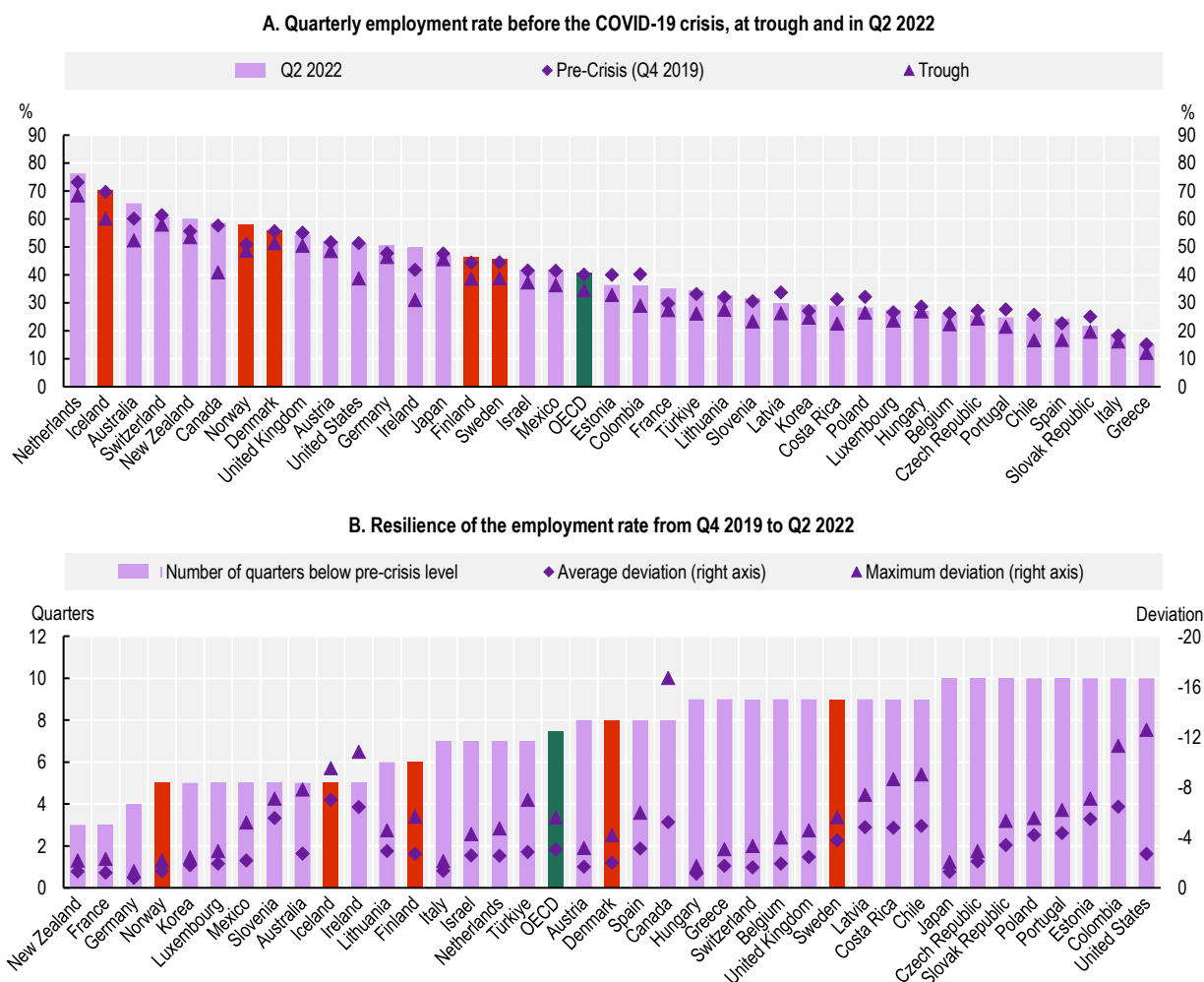
By Q2 2022, however, the employment rate of young people had fully recovered in all the Nordic countries, except Sweden where it stood at about 42.4% in Q1 2022 vs 44.4% in Q4 2019. In Iceland, Denmark and Norway, the youth employment rate increased by more than that of older adults relative to the pre-crisis baseline. In Finland, youth and older adults' employment grew by a similar amount. Over the same period, the OECD average indicates a full recovery of the youth employment rate, but a slightly stronger performance for the employment rate of older adults.

Despite the progress, however, **the cumulative impact of the crisis on employment rates was larger for young people than older adults in all Nordic countries, except Iceland.** Indeed, between Q4 2019 and Q1 2022, in Denmark, Norway, Finland and Sweden, the youth employment rate was below pre-crisis levels for more quarters than that of older adults (on average by two quarters) and by a larger amount (on average by -2.8 percentage points). This pattern was seen in a total of 21 countries in the OECD, but not in Iceland where – despite its larger maximum fall – the youth employment was below pre-crisis levels for fewer quarters than that of older adults (five vs eight).³

The impact of the crisis on youth unemployment rate was generally less persistent (Annex Figure 2.C.1). As the crisis struck, the unemployment rate increased more for the youth than for older adults in almost all the OECD countries, including the five Nordic countries. Among the Nordic countries, the largest increases were recorded in Sweden and Iceland, where the youth unemployment rate increased by about 5 percentage points reaching 25% and 15% respectively. By Q1 2022, youth unemployment had all but returned to pre-crisis levels in Iceland (+0.5%) but remained 3 percentage points above that level in Sweden. The other Nordic countries are among the 26 OECD countries in which the youth unemployment rate had fallen below pre-crisis levels by Q1 2022. The improvement of the unemployment rate was particularly strong in Finland (14.2% or -3.8 percentage points compared to Q4 2019) and Denmark (8.6%, a fall of -1.7 percentage points). In both countries, older adults saw smaller improvements in their unemployment rates.

Figure 2.6. The crisis had a large and persistent impact on the employment of young people

Seasonally adjusted employment rates and resilience of employment rates, persons aged 15-24



Notes: OECD is an unweighted average.

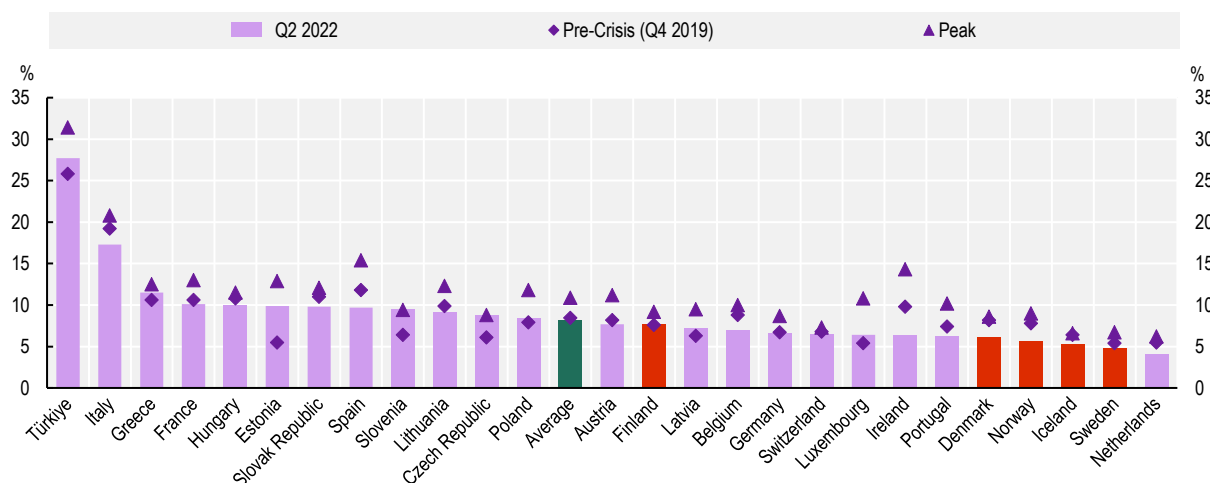
Source: OECD calculations based on data from (OECD, 2023^[13]), *OECD Short-term Labour Market Statistics dataset*, <https://stats.oecd.org/index.aspx?queryid=35253>.

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The good performance of youth during the recovery is also reflected in the decline in the share of young people not in employment, education or training (NEET) in Q2 2022 relative to pre-crisis levels (Figure 2.7). On average across 24 European member countries, the NEET rate had declined by 0.4 percentage points, having re-absorbed the increase seen at the beginning of the crisis to return to historically low levels (OECD, 2021^[8]). In all the Nordic countries the NEET rate was either at the pre-crisis level (Finland) or below it. A decline occurred also in Sweden despite the sluggish performance of the other labour market indicators for youth (0.7 percentage points to reach 4.7%), while the largest decline was recorded in Norway, where the NEET rate declined by 2.2 percentage points to reach 5.6%.

Figure 2.7. The share of young people not in employment, education or training are at pre-crisis levels or below in all the Nordic countries

Share of persons aged 15-24 not in employment, education or training (NEET), seasonally adjusted



Note: The green bar represents the unweighted average of the 24 European member countries shown, excluding Switzerland and Türkiye for which the latest quarter is Q4 2020.

Source: (Eurostat, 2023^[14]), *Young people neither in employment nor in education and training (NEET), by sex and age – quarterly data*, https://ec.europa.eu/eurostat/databrowser/view/lfsi_neet_q/default/table?lang=en.

StatLink  <https://stat.link/uj7k6c>

2.4.2. People without tertiary education experienced a larger and longer negative shock from the crisis, but had recovered by Q2 2022

The initial impact of the crisis on employment was larger for people without tertiary education across the Nordic countries and the OECD more broadly. On average across the countries with data available, the employment rate fell by a maximum of 3.5 percentage points for those with low education (Figure 2.8, Panel B) and by 3.7 percentage points for those with medium education (Annex Figure 2.B.2, Panel B). For people with high education the corresponding figure was 2.2 percentage points.

Relative to that of people with high education, the employment rate of the low-educated fell further in all the Nordic countries except Norway, and that for the middle-educated in all except Sweden. The fall in the employment rate for the low-educated was particularly large in Iceland (-10 percentage points to 65% – the largest among the 24 countries with data) and Sweden (-4.2 percentage points to 55%). In Finland, the middle educated experienced a particularly large drop in the employment rate compared to the general overall employment performance. Their employment rate fell by 3.5 percentage points to 71.3%.

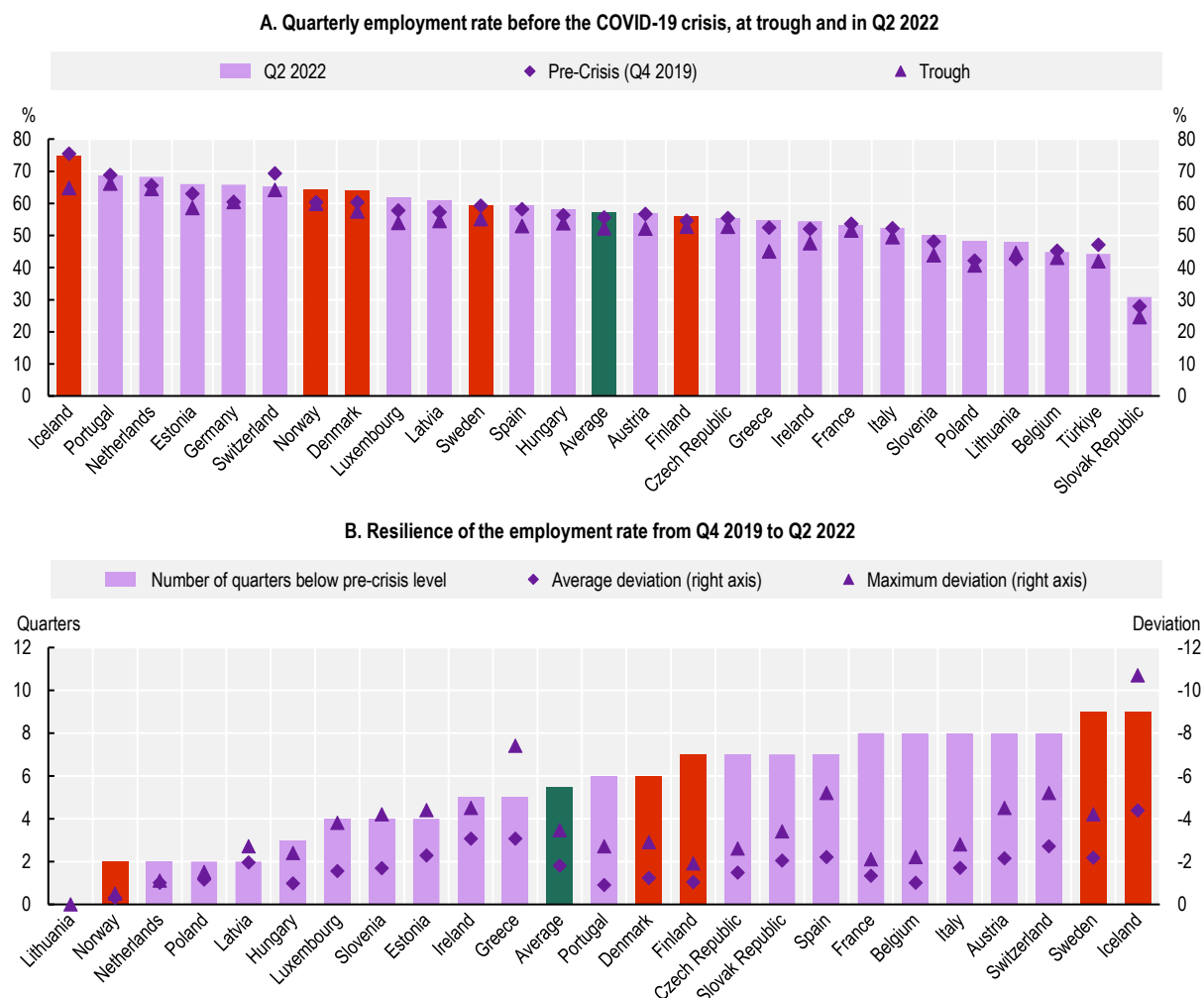
The cumulative impact of the crisis over the whole period – from Q4 2019 to Q2 2022 – was generally larger for the low-educated and middle-educated across the OECD, including in the Nordic countries. In fact, their employment rate remained below pre-crisis levels for longer and by a larger amount than for the highly educated. In Sweden and Iceland, in particular, the low-educated experienced the longest contraction in employment among the 24 countries with data available (Figure 2.8, Panel B). Indeed, in Sweden the employment rate of the group only returned to pre-crisis levels in Q2 2022 after nine quarters below pre-crisis levels by an average of 2.2 percentage points. Iceland was the only Nordic country where the employment rate of the low-educated remained (marginally) lower than its pre-crisis levels – after nine quarters with an average deviation of -4.4 percentage points. While in Iceland the slow recovery was linked to the very large initial drop mentioned above, several countries experienced

maximum drops at least as large as that of Sweden but faster recoveries, including Switzerland, Spain, Ireland and Estonia.

At the other end of the spectrum, the overall resilience of the Norwegian labour market to the COVID-19 crisis was also very evident among the low-educated, as their employment saw the smallest contraction and one of the quickest recoveries in the OECD.

Figure 2.8. The low-educated saw large and persistent contractions in employment in some of the Nordic countries

Seasonally adjusted employment rates and resilience of employment rates, persons aged 20-64 with low education



Note: The green bars represent the unweighted averages of the 26 and 24 European member countries shown respectively in each panel. Low-educated are persons with less than primary and lower secondary education based on ISCED 2011, levels 0-2. Age group restricted to 20-64 to be consistent with unemployment by education level.

Source: (Eurostat, 2023^[15]), *Employment by educational attainment level – quarterly data*, https://ec.europa.eu/eurostat/databrowser/view/LFSI_educ_Q/default/table?lang=en.

StatLink  <https://stat.link/c9q54w>

There was less variation across the Nordic countries in terms of the time that the employment rate of the middle-educated remained under its pre-crisis level between Q4 2019 and Q2 2022 (Annex Figure 2.B.2,

Panel A). In Iceland the recovery was still incomplete by the end of the observation period, as the employment rate of the middle educated stood 1.7 percentage points below its pre-crisis levels. Belgium and the Slovak Republic experienced contractions of a similar length, even though their maximum fall in employment was more modest.

In Norway, the labour market of the middle-educated proved less resilient than that of the other education groups. Indeed, the employment rate of the middle-educated was below its Q4 2019 level by an average of 1.2 percentage points for eight quarters in the period ending in Q2 2022. This was the same length as Sweden, which, as discussed above, had a significantly slower employment recovery overall. In fact, in Q2 2022, the employment rate of the middle-educated had returned to pre-crisis levels in Sweden but remained marginally below that level in Norway. Finland was among the countries where the employment rate of the middle-educated recovered more quickly than Norway and Sweden despite a larger maximum fall.

Reflecting the broader pattern across the OECD, **people without tertiary education also experienced larger increases in unemployment during the crisis in all Nordic countries** (Figures in Annex 2.C). However, the differences between education groups in the cumulative impact of the crisis over the two-year period were generally smaller than for employment. By Q2 2022, the unemployment rate had improved for the low-educated relative to pre-crisis levels in Denmark and Norway but remained above pre-crisis levels in the other three Nordic countries. For the middle-educated, in Q2 2022, the unemployment rates had broadly returned to pre-crisis levels in all the Nordic countries.

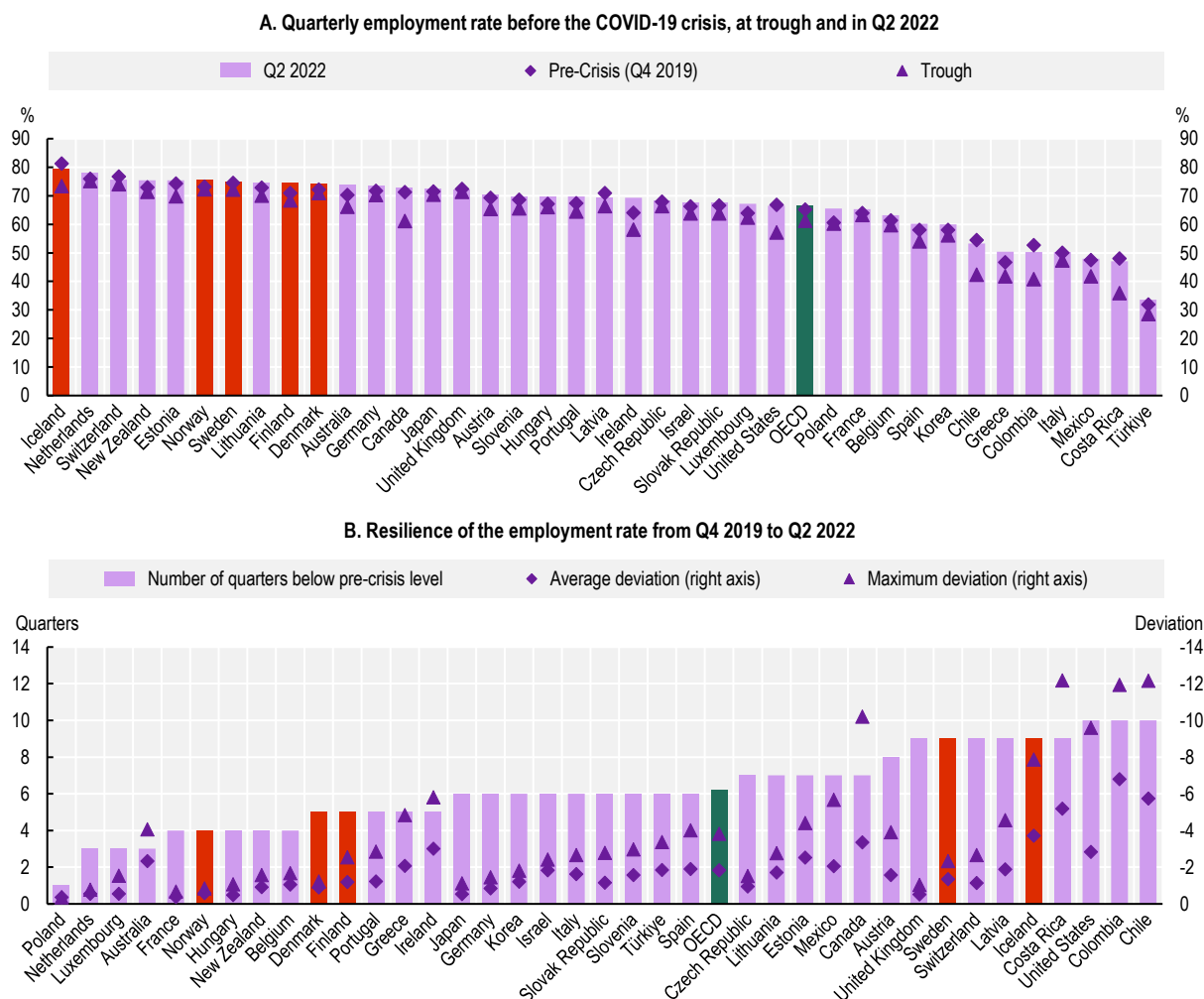
2.4.3. Women's employment has recovered across the OECD and in most of the Nordic countries

The initial employment impact of the crisis was generally larger for women across the OECD, but the differences between the two genders were mostly small (-3.8 percentage points for women and -3.7 percentage points for men on average across all countries). At the onset of the crisis, the Nordic countries featured some of the highest employment rates for women in the OECD (Figure 2.9, Panel A). Women saw larger peak declines than men in employment in Sweden, Iceland, and Finland. In all five Nordic countries, the differences in the impact between women and men did not exceed 0.7 percentage points in absolute value.

Over the recovery, however, **women's employment recovered at least as quickly as that of men in almost all countries**. Sweden was one of the only four OECD countries in which the employment rate contraction between Q4 2019 and Q2 2022 was longer for women, lasting nine quarters with an average quarterly deviation of -1.3 percentage points vs seven quarters with an average deviation of -1.1 percentage points for men. In Iceland, the employment rate of both genders was still below pre-crisis levels in Q2 2022 – after nine quarters. By contrast, the women's employment rate deviated from its baseline level for fewer quarters than men's in Norway and Finland – and for the same number of quarters (and average deviation) in Denmark.

Figure 2.9. Women's employment quickly recovered from the initial hard blow of the crisis

Seasonally adjusted female employment rates and resilience of employment rates, ages 15-64



Note: OECD is an unweighted average.

Source: OECD calculations based on data from (OECD, 2023^[13]), *OECD Short-Term Labour Market Statistics dataset*, <https://stats.oecd.org/index.aspx?queryid=35253>.

StatLink  <https://stat.link/681qgw>

By early 2022 the employment gap between women and men had decreased in most OECD countries. Among the Nordic countries, this occurred in Denmark and Finland. In the other three Nordic countries the employment gap grew slightly, with the largest increase recorded in Iceland, where in Q2 2022, employment was still below pre-crisis levels by 1.8 percentage points for women and by 0.3 percentage points for men.

The evolution of the unemployment rate tells a similar story across the OECD broadly and the Nordic countries in particular. **The initial impact of the crisis on unemployment was larger for women, but they recovered much of the lost ground in subsequent quarters.** Among the Nordic countries, women's unemployment rate remained above pre-crisis levels in Q2 2022 in Sweden (8.5% or +1.1 percentage points since Q4 2019) and Iceland (4.9% or +1.5 percentage points) – in both cases by more than for men.

2.4.4. Over the recovery, migrants recovered most of the lost ground in all Nordic countries, but their unemployment rate was still lagging behind in Sweden and Iceland in Q2 2022

The initial severe impact of the crisis on migrants across countries has been documented using different approaches and pre-crisis reference points in the literature (see for example (OECD, 2020^[16]; OECD, 2022^[17]). Unlike for the other demographic groups covered in the previous sections, seasonally adjusted data that also account for the statistical break in the series of the countries covered by Eurostat are not available for employment and unemployment by country of birth. Hence, to deal with the statistical break in the series, this section uses series corrected following the procedure described in Annex 2.E. To deal with seasonality, the section compares the last data point in the observation period (Q2 2022) with the same quarter of 2019 – omitting the resilience analysis presented in the other sections due to the difficulty of isolating seasonal effects across different quarters. The timing of peak and trough points varies across countries and do not always correspond to Q2 2020 and so it might be affected by seasonal variation, though they are likely to be minor compared to the effect of the crisis. These differences in approach and time reference warrant caution when comparing results from this section to those from previous ones.

This measure confirms that **the initial impact of the crisis on employment was larger for migrants than natives in most OECD countries, but not in all five Nordic countries**. On average across the 28 OECD countries with available data, the employment rate of migrants fell by a maximum of 4.1 percentage points vs 2.4 percentage points for the natives relative to Q2 2019 (Figure 2.10, Panel A) for migrants and Annex Figure 2.D.1 for the natives). Denmark and Finland were among the six countries where employment fell more for the natives than migrants. In Norway migrants' employment fell more, but the difference between the two groups was smaller than in most other countries, (-2.6 percentage points for migrants and -1 percentage point for the natives). By contrast, in Sweden and Iceland the disproportionate impact of the crisis on migrants was larger than on average across the OECD, with Iceland in particular recording one of the largest differentials (-14 percentage points for migrants vs -8.2 percentage points for natives).

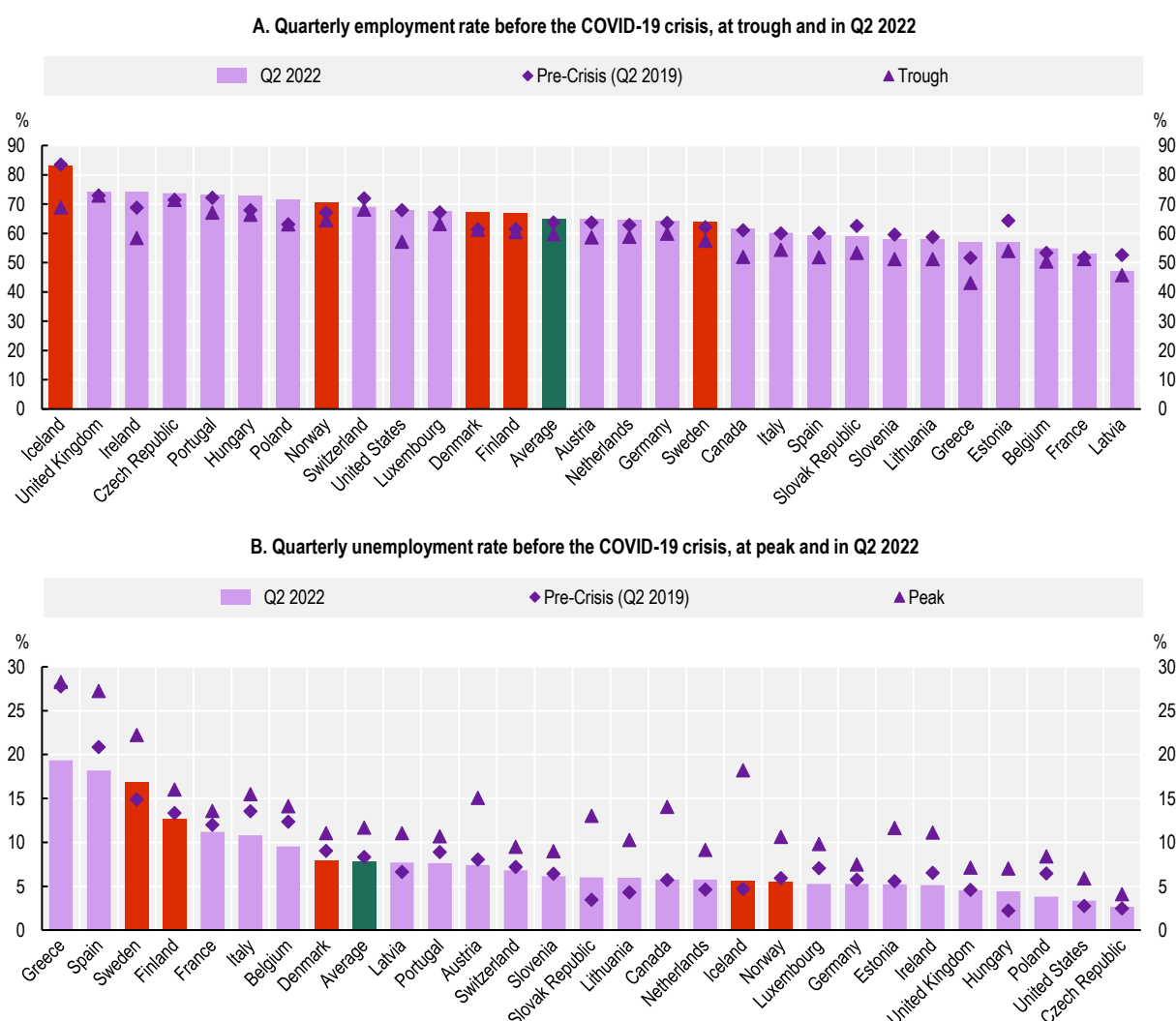
Over the course of the recovery, however, migrants' employment grew more than natives', resulting in a narrowing of the employment gap in many countries, including all five Nordic countries. On average across the 28 OECD countries, migrants' employment was 1.1 percentage points higher in Q2 2022 than in the same quarter of 2019 – while the corresponding figure for the natives was 0.6 percentage points. In all five countries the employment gap between migrants and the natives narrowed by at least 1 percentage point, against an average across all OECD countries with data available of 0.6 percentage points. Iceland was the only Nordic country where migrants' employment remained below its baseline level in Q2 2022 (-0.5 percentage points vs -1.8 percentage points for the natives). Migrants' employment growth was particularly strong in Finland and Denmark, where the employment rate of migrants stood more than 5 percentage points higher than before the crisis in Q2 2022 – leading to a narrowing of the employment gap with the natives by almost 4 percentage points.

The impact of the crisis on the unemployment rate was stronger for migrants than for the natives in almost all OECD countries, including the five Nordic countries (Figure 2.10, Panel B for migrants and Annex Figure 2.D.1 for natives). Despite the overall resilience of its labour market, Norway saw a particularly significant increase in the unemployment rate for migrants, which at its peak climbed 4.7 percentage points (against 1.2 percentage points for the natives) above its Q2 2019 level – which, at 5.9% was one of the lowest in the OECD and the lowest among Nordic countries. Sweden and Iceland saw some of the largest increases in the unemployment rate for migrants across the OECD (+7 percentage points and +13.5 percentage points respectively). In the case of Sweden, the increase took place from one of highest baseline levels of the unemployment rate in the OECD (14.9% vs an average of 8.3% across all countries).

Sweden and Iceland were also the only two Nordic countries where the unemployment rate for migrants remained above pre-crisis levels in Q2 2022 (by 1.9 percentage points and 0.8 percentage points respectively), leading to an increase in the unemployment gap between migrants and natives. In the other Nordic countries (and more widely on average across the OECD countries with available data), the unemployment rate had fallen more for migrants than for the natives. Norway was the Nordic country where the unemployment rate for migrants had fallen the most relative to that of natives, despite the initial surge mentioned above.

Figure 2.10. Migrants have recovered most of the lost ground in all Nordic countries

Seasonally adjusted quarterly employment and unemployment rates, foreign-born aged 15-64



Note: The green bars represent the unweighted average of the 28 countries shown.

Source: OECD calculations based on national Labour Force Surveys (Canada, United Kingdom), the European Union Labour Force Survey (European countries) and Current Population Survey (United States).

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Analysis from OECD (2022^[17]) find that recent arrivals have seen their outcomes develop more favourably than those of settled immigrants in some of the Nordic countries over the course of the recovery. In

Sweden, the employment rates of immigrants with less than five years of residence increased, whereas the rates of settled migrants declined. In Finland, the situation improved for both groups but much more for recent arrivals. This is unusual, since recent arrivals are generally among the hardest hit in early phases of economic downturns (OECD, 2009^[18]; OECD, 2014^[19]). Two factors may contribute to this phenomenon. First, immigration took a massive hit in 2020, and groups with weak labour market attachment (such as refugees and family migrants) saw particularly strong declines in numbers of new arrivals, thereby resulting in a mix of recent arrivals with more favourable outcomes. Second, emigration of previous immigrants increased in a number of countries, with recent arrivals being much more prone to emigrate or return. However, it is unclear to which degree this concerned recent immigrants with weaker labour market attachments. For Norway, Bratsberg and Raaum (forthcoming^[20]) found that the use of posted workers declined by two-thirds during the pandemic, thereby cushioning the impact on resident immigrants and the native born alike.

2.5. The growth of teleworking raises new policy challenges

2.5.1. A short portrait of teleworking before the COVID-19

Across OECD countries,⁴ the use of teleworking was limited before the COVID-19 pandemic, with about 15.1% of employees reporting working from home in 2019.⁵ However, the incidence of teleworking was higher than the OECD average in all Nordic countries except Norway. According to EU-LFS data, about 27-28% of employees were working from home in Denmark, Finland and Iceland and about 35% in Sweden in 2019.

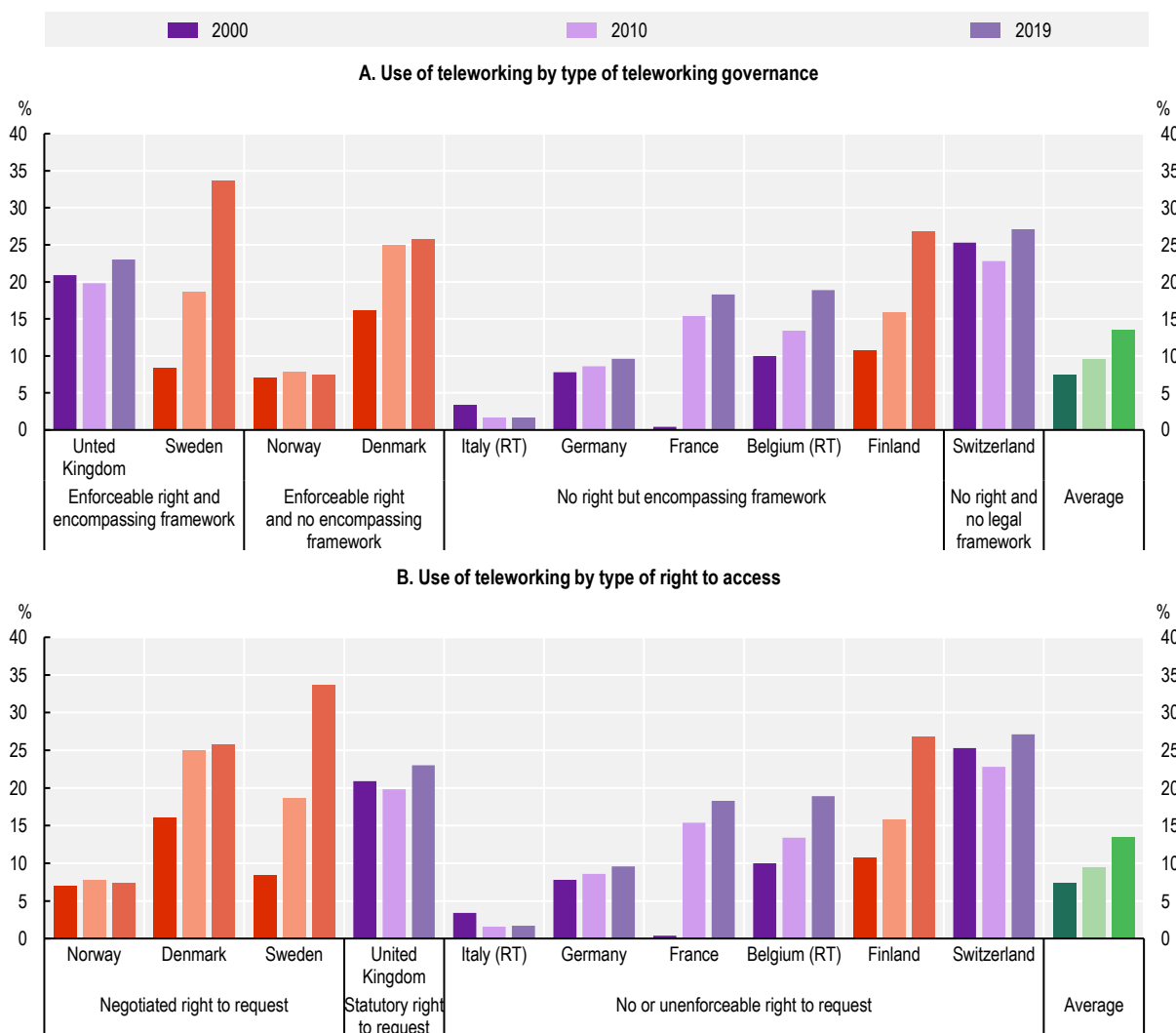
These differences in the use of teleworking across countries can be attributed to different factors, notably the fact that not all jobs can be done remotely, that not all firms are equipped with the adequate infrastructure, and that some regions might not have yet benefited from the roll-out of fast broad-band connections (OECD, 2020^[21]). Moreover, variation in national management culture to teleworking, but also regulations governing the access and the working conditions of teleworking also mattered in explaining cross-country variations. As shown in Figure 2.11 Panel A, **the incidence of teleworking has been rising since 2000 in countries where an enforceable right to request telework⁶ exists**. In most countries with no enforceable right to request teleworking and no encompassing legal framework,⁷ the incidence of teleworking had been stagnating below 10% since 2000. Finally, **the incidence of teleworking was highest on average – and most steadily rising since 2000 – in countries where access to teleworking is granted through collective bargaining** like in Denmark and Sweden (Figure 2.11 Panel B).⁸ In Norway access to teleworking is also granted through collective bargaining, but the share of teleworkers is lower (7.7% in 2019) highlighting that other factors also contribute to shaping the take up of teleworking in practice.

Available evidence on the incidence of teleworking across socio-demographic groups in OECD countries prior to the COVID-19 crisis, reveals a clear divide between those who can telework and those who cannot. First, in the majority of countries for which data were available, **the share of men teleworking was higher than that of women** – and in some cases much higher (e.g. Norway). Second, **the incidence of teleworking increased both with educational attainments and earnings** (OECD, 2021^[22]).

In addition to socio-demographic characteristics, access to teleworking depends on other factors, including region of residence (those living in cities are more likely to be in teleworkable occupations compared to those living in rural areas), firm size (since medium and large firms concentrate more teleworkable occupations than small enterprises), occupations and work organisation (Fana, Torrejón Pérez and Fernández-Macías, 2020^[23]).

Figure 2.11. Teleworking by type of regulation, Nordic and other selected OECD countries, in the pre-COVID period

Percentage of employees aged 15-64 usually or occasionally working at home



RT: Regular Teleworking.

Note: The green bars represent the unweighted averages of 24 European member countries: Austria, Belgium, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Italy, Latvia, Lithuania, Netherlands, Norway, Poland, Portugal, Slovak Republic, Slovenia, Spain, Sweden, Switzerland, Türkiye and the United Kingdom. Year 2000 refers to 2001 (Poland, Slovak Republic, Switzerland), 2003 (Latvia), and 2006 (Türkiye).

Source: Adapted from (OECD, 2021^[3]), *OECD Employment Outlook 2021: Navigating the COVID-19 Crisis and Recovery*, Figure 5.6, <https://doi.org/10.1787/5a700c4b-en>.

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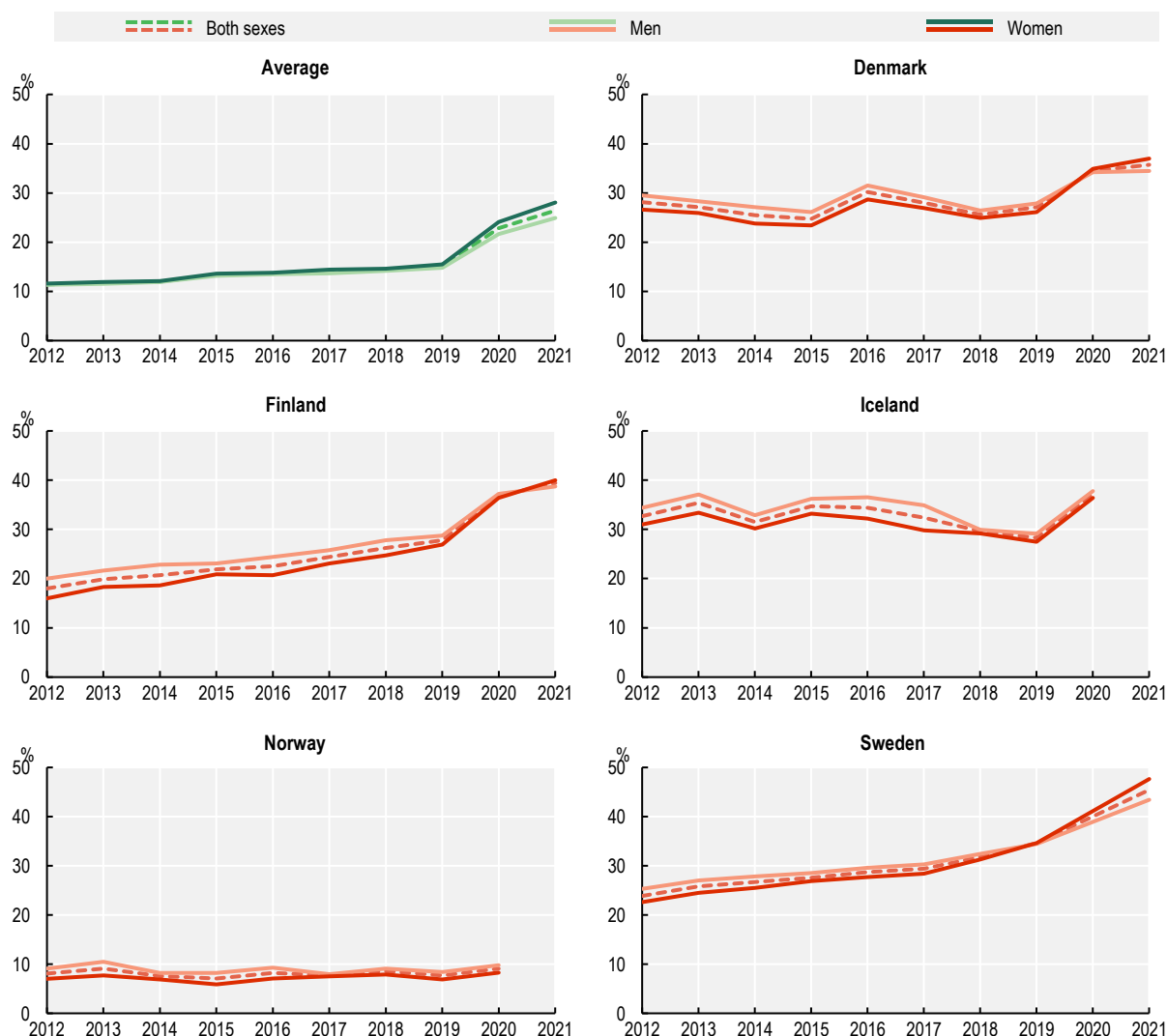
2.5.2. Teleworking after the pandemic

The forced experiment in mass teleworking led business, governments and workers to adapt quickly to maintain activity and employment during the COVID-19 pandemic. As a result, teleworking use boomed in OECD countries; latest data and surveys of workers and business across OECD countries show that **teleworking remains high and is likely here to stay**: the incidence of employees working from home

grew up to 22.8% in 2020 and 26.4% in 2021 against 15.1% in 2019 for the OECD.⁹ This surge in teleworking took place in almost all OECD countries, independently of their pre-COVID teleworking prevalence. In the Nordic countries, the increase was particularly stark in Finland¹⁰ (39.4% in 2021 against 27.8% in 2019, Figure 2.12). The increased importance of teleworking has spurred some regulation changes in at least some of the Nordic countries already (see Box 2.3).

Figure 2.12. Teleworking (work from home) trends, total and by gender

Percentage of employees aged 20-64 (main job) by gender, 2012-21



Note: Teleworking covers employees who usually or sometimes work from home. Average is the unweighted average of 23 European member countries and the United States. Excluded: Australia, Canada, Chile, Colombia, Costa Rica, Iceland, Israel, Japan, Korea, Mexico, New Zealand, Norway, Türkiye and the United Kingdom). In Sweden, the questions regarding working from home were changed in 2020. This has resulted in more comprehensive data for the country but also means that the Swedish figures since 2020 are not comparable to previous years, nor to other EU countries. Data for 2021 are not available for Iceland. Data for Norway refer only to workers who work from home by contract. Data for 2021 are not shown due to a change in the questionnaire.

Source: (Eurostat, 2023^[24]), *Employed persons working from home as a percentage of the total employment, by sex, age and professional status*, https://ec.europa.eu/eurostat/databrowser/view/lfsa_ehomp/default/table?lang=en and OECD estimates based on the American Time Use Survey (ATUS).

2.5.3. A more structural shift to teleworking raises new policy challenges

The rapid switch to mass teleworking as a result of COVID-19 highlighted both **benefits** – e.g. in reduction of commuting time, higher flexibility and autonomy for workers, higher job satisfaction, etc. – as well as **risks** – work intensification, degraded work-life balance, isolation, etc. Moreover, there is a risk that teleworking might widen further existing inequalities. **Pre-existing disparities in teleworking outlines before between educational and income groups widened** during the first lockdowns (Norlén et al., 2022^[10]), **whereas gender disparities reversed in some countries**: while women tended to work less from home (both occasionally and usually) than men before the pandemic *in all Nordic countries*, more women than men reported that they usually worked from home both in 2020 and 2021 in Denmark, Finland and Sweden (Figure 2.12). In Iceland and Norway, men continued to work from home more than women in 2020.

The increased use of teleworking among women raises questions on how it might affect disparities in work-life balance, wages and career progression between genders. Overall, available pre-pandemic evidence suggests that **teleworking mirrors pre-existing gender inequalities** in work-life balance and therefore likely hinges on prevalent contextual gender norms, expectations about fathers and mothers' roles, and firms' organisational cultures (OECD, 2023^[25]). In already unequal contexts, for example, teleworking tends to be used primarily by mothers as a way to balance work and family commitments, while fathers might use it for other reasons, such as productivity enhancement (see for example (Craig and Powell, 2012^[26]; Chung and van der Horst, 2020^[27]).

Studies have also found that teleworking can be associated with a wage boost, but so far men appear to have benefitted from it more systematically than women (see (OECD, 2023^[25]) for a review). While this difference might partly reflect actual gendered productivity effects, gendered stigma, social norms, and firms' managerial culture might also play a role.

Finally, while robust empirical evidence on career progression is still missing, studies suggest several contextual elements surrounding teleworking might negatively affect the career prospects of teleworkers and particularly women. These include the fact that, at least since the pandemic, men use it less than women, that men use (or are at least assumed to use) teleworking for different reasons than women, and that in many workplaces career advancement hinges on visibility and input measurement, rather than output evaluation (OECD, 2023^[25]).

Box 2.3. The pandemic has spurred changes in the regulations on working conditions for teleworkers in Denmark and Norway

In Nordic countries, post-pandemic discussions on facilitating access to and working conditions of teleworking have mostly occurred at the firm level and through individual working contracts. However, the new context generated by the COVID-19 crisis has also led to new policy initiatives in Denmark and Norway.

In Denmark, a new executive order issued by the Danish Working Environment Authority (WEA) and prepared in close collaboration with the social partners came into force in April 2022 to facilitate teleworking. Employees are now allowed to use their own work equipment (desk, chair, private computer) when they are teleworking, as long as it complies with current standards. Otherwise, employers are obliged to provide the necessary tools if employees work from home for an average of more than two days per week each month.

Following a series of rounds of consultation with social partners, Norway amended its legislation on the working environment in the summer of 2022. The amendments removed existing exemptions from working hours regulations, meaning that the same rules will now apply for work performed from home

or from an office – including those restricting work at night and on Sundays. Employers are also required to apply the rules on the psycho-social work environment to employees working from home. The Norwegian Labour Inspection Authority is charged with monitoring compliance. While it cannot inspect employees' homes, it can require documentation to prove compliance with regulations. The new rules do not apply to work that is brief or sporadic – i.e. less than a day per week on average.

Source: OECD consultations with national Governments.

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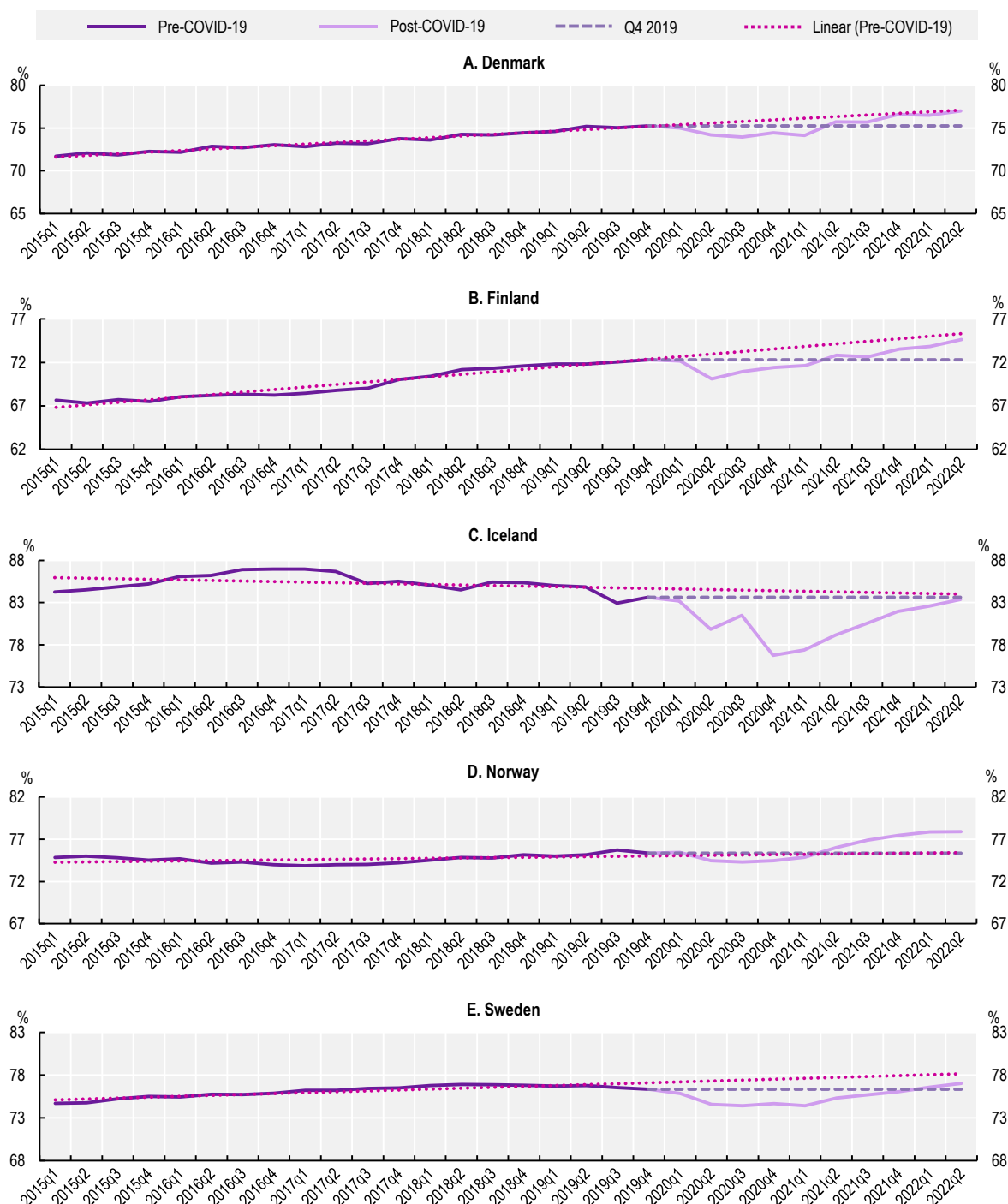
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Annex 2.A. Employment rate time trend

Annex Figure 2.A.1. Pre-COVID-19 employment rate trend in the Nordic countries (ages 15-64)

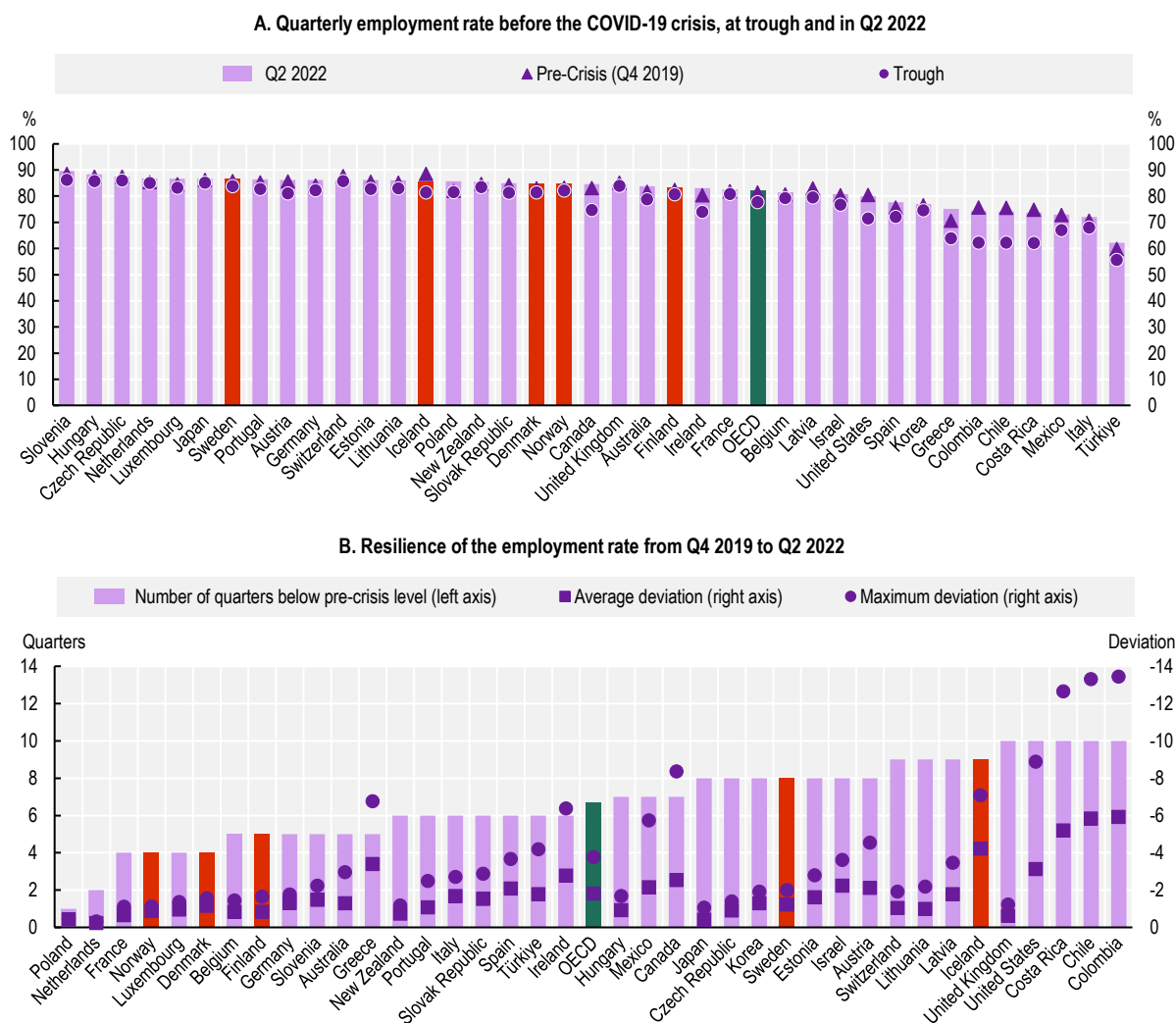


Note: Panels show the linear time trend extrapolating the employment rate from Q1 2015 to Q4 2019, before the COVID-19 pandemic.

Source: OECD calculations based on (OECD, 2023^[13]), OECD Short-term Labour Market Statistics dataset, <https://stats.oecd.org/index.aspx?queryid=115261>.

Annex 2.B. Additional results to the employment analysis for groups of workers

Annex Figure 2.B.1. Seasonally adjusted employment rates and resilience, persons aged 25-54

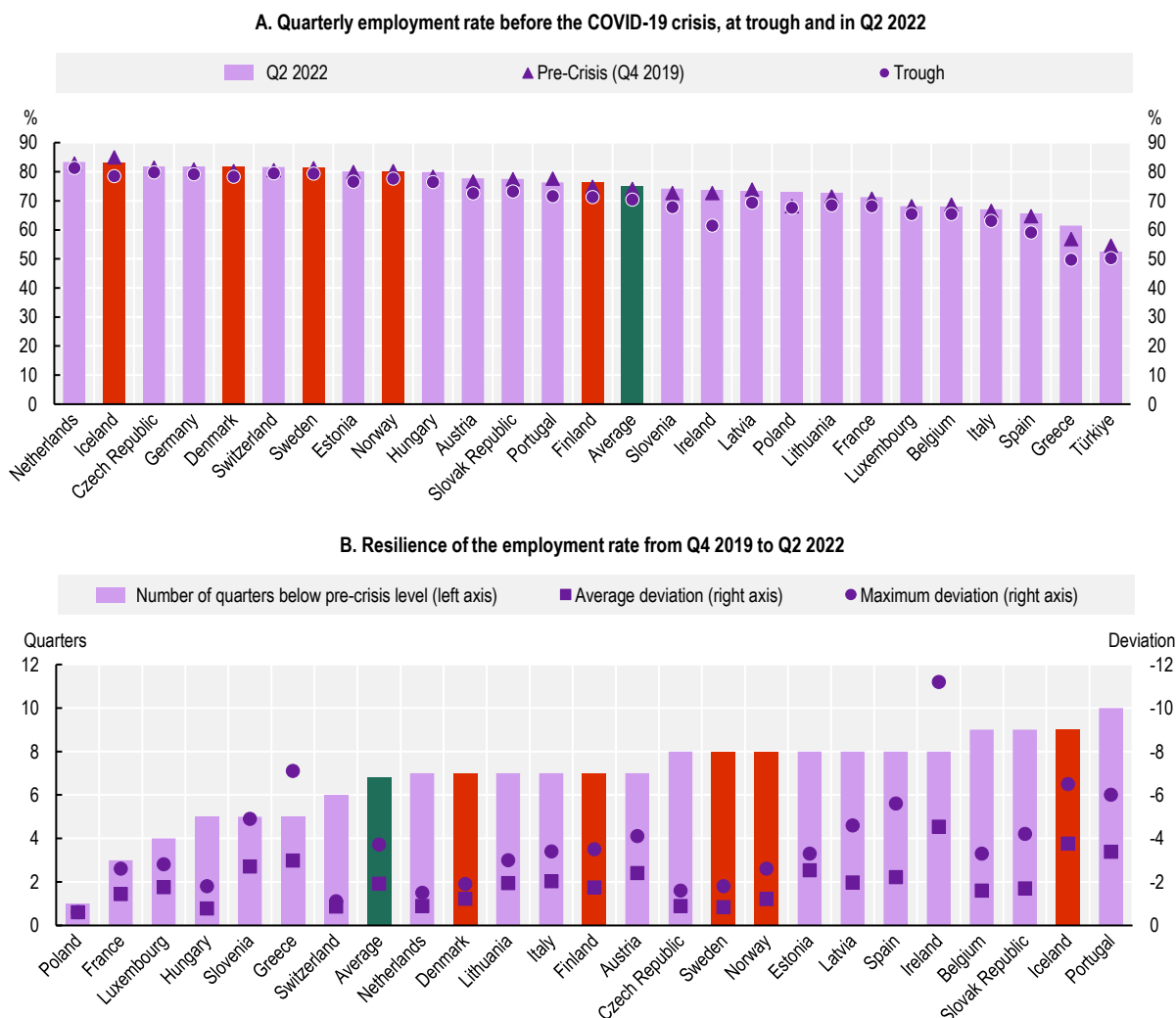


Note: OECD is an unweighted average.

Source: OECD calculations based on data from (OECD, 2023^[13]), *OECD Short-term Labour Market Statistics dataset*, <https://stats.oecd.org/index.aspx?queryid=35253>.

StatLink  <https://stat.link/kh5erd>

Annex Figure 2.B.2. Seasonally adjusted employment rates and resilience, persons with middle-level education, persons aged 20-64

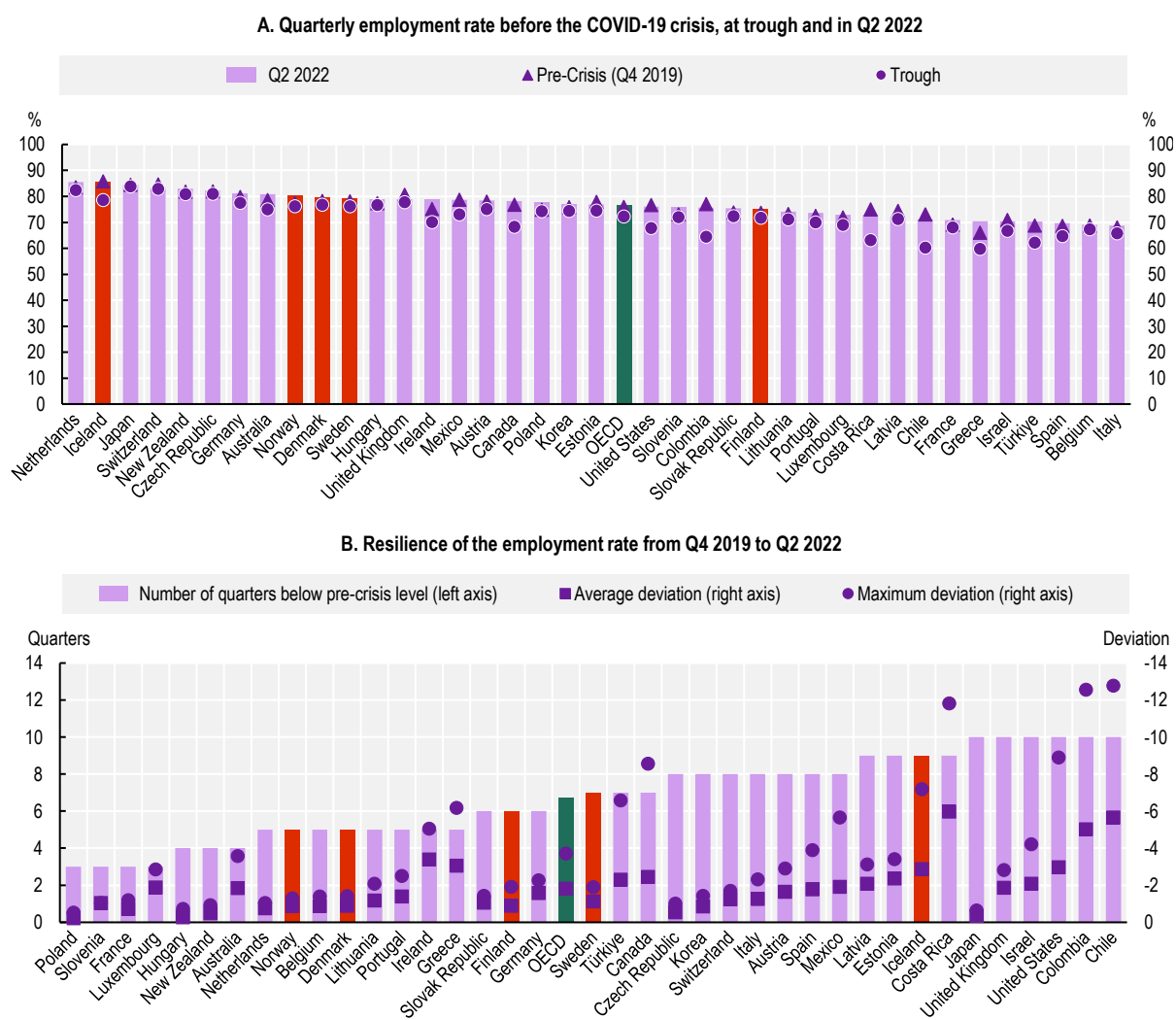


Note: The green bars represent the unweighted average of the 26 and 24 countries shown in each panel respectively. Workers with an upper-secondary and post-secondary non-tertiary education based on ISCED 2011, Levels 3 and 4. Age group restricted to 20-64 to be consistent with unemployment by education level.

Source: (Eurostat, 2023^[15]), *Eurostat Dataset: Employment by educational attainment level – quarterly data*, https://ec.europa.eu/eurostat/databrowser/view/LFSI_educ_Q/default/table?lang=en.

StatLink  <https://stat.link/6eno05>

Annex Figure 2.B.3. Seasonally adjusted employment rates and resilience, men aged 15-64



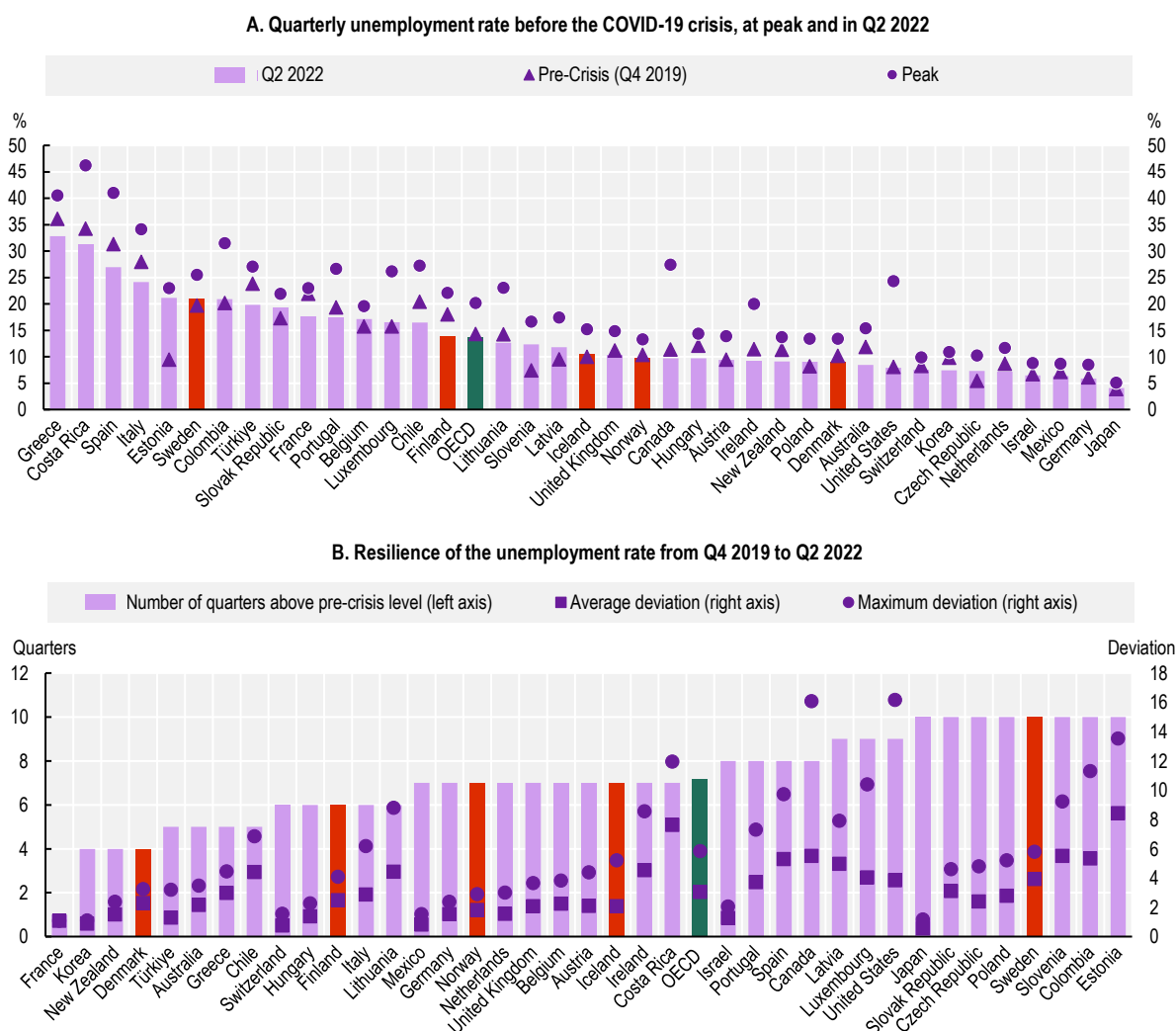
Note: OECD is an unweighted average.

Source: OECD calculations based on data from (OECD, 2023^[13]), *OECD Short-term Labour Market Statistics dataset*, <https://stats.oecd.org/index.aspx?queryid=35253>.

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Annex 2.C. Additional results to the unemployment analysis

Annex Figure 2.C.1. Seasonally adjusted unemployment rates and resilience, persons aged 15-24

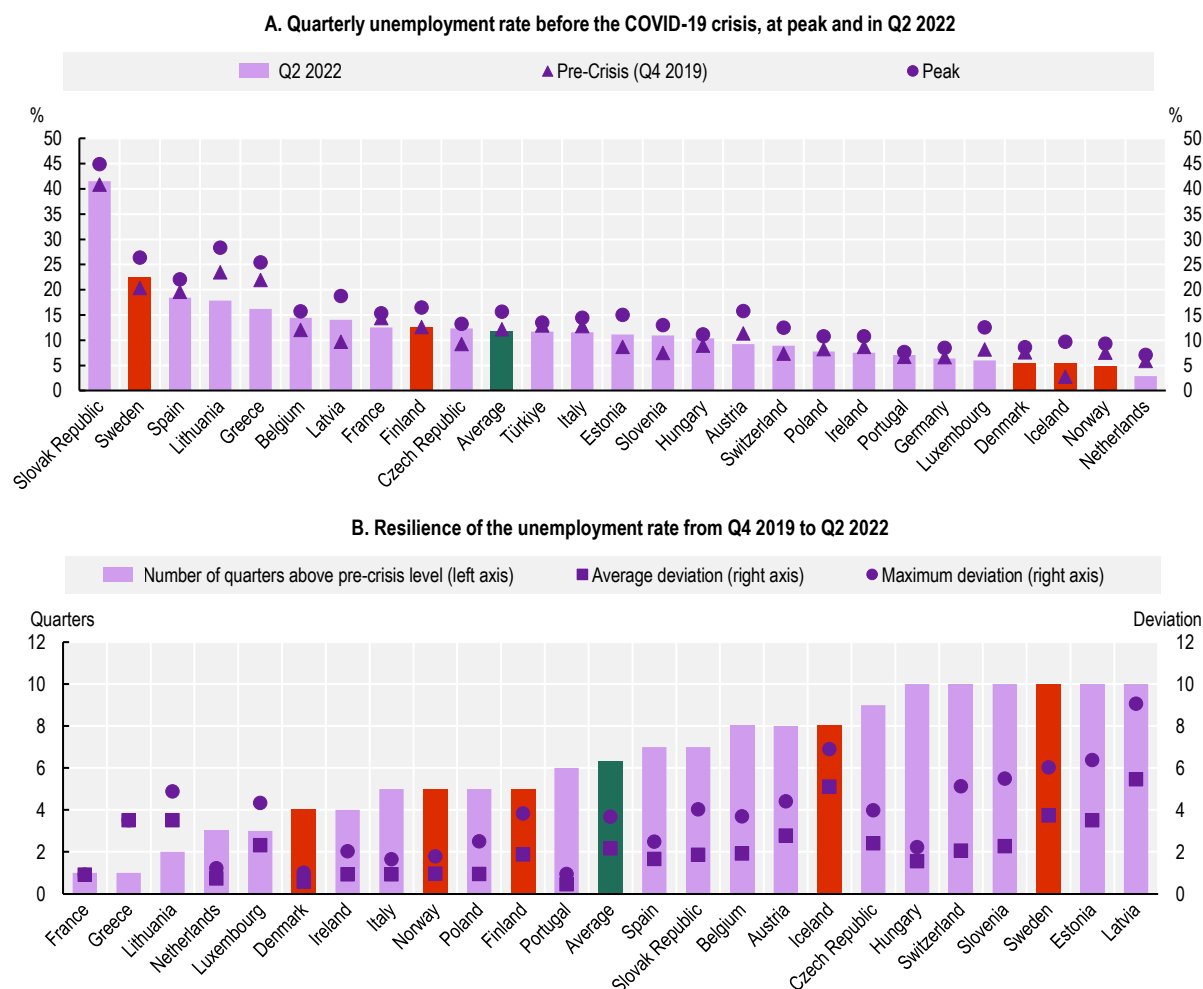


Notes: OECD is an unweighted average.

Source: OECD calculations based on data from (OECD, 2023^[13]), *OECD Short-term Labour Market Statistics dataset*, <https://stats.oecd.org/index.aspx?queryid=119786>.

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Annex Figure 2.C.2. Seasonally adjusted unemployment rates and resilience, persons aged 20-64 with low level education

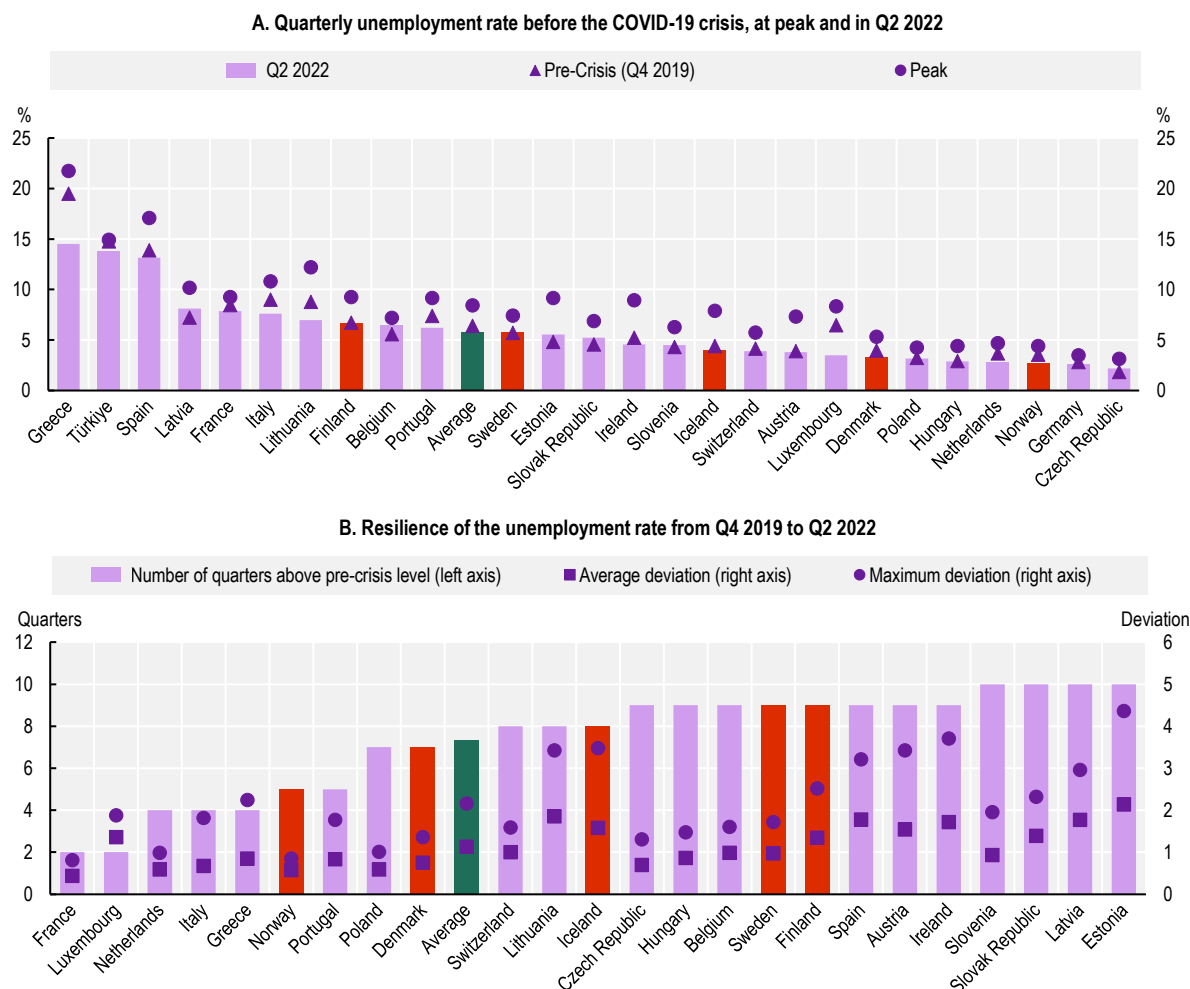


Note: The green bars represent the unweighted average of the 26 and 24 countries shown in each panel respectively. Persons with less than primary and lower secondary education based on ISCED 2011, levels 0-2.

Source: (Eurostat, 2023^[15]), Eurostat Dataset: Employment by educational attainment level – quarterly data, https://ec.europa.eu/eurostat/databrowser/view/UNE_EDUC_Q_custom_4675549/default/table?lang=en

StatLink  <https://stat.link/eb4sa0>

Annex Figure 2.C.3. Seasonally adjusted unemployment rates and resilience, persons aged 20-64 with middle level education

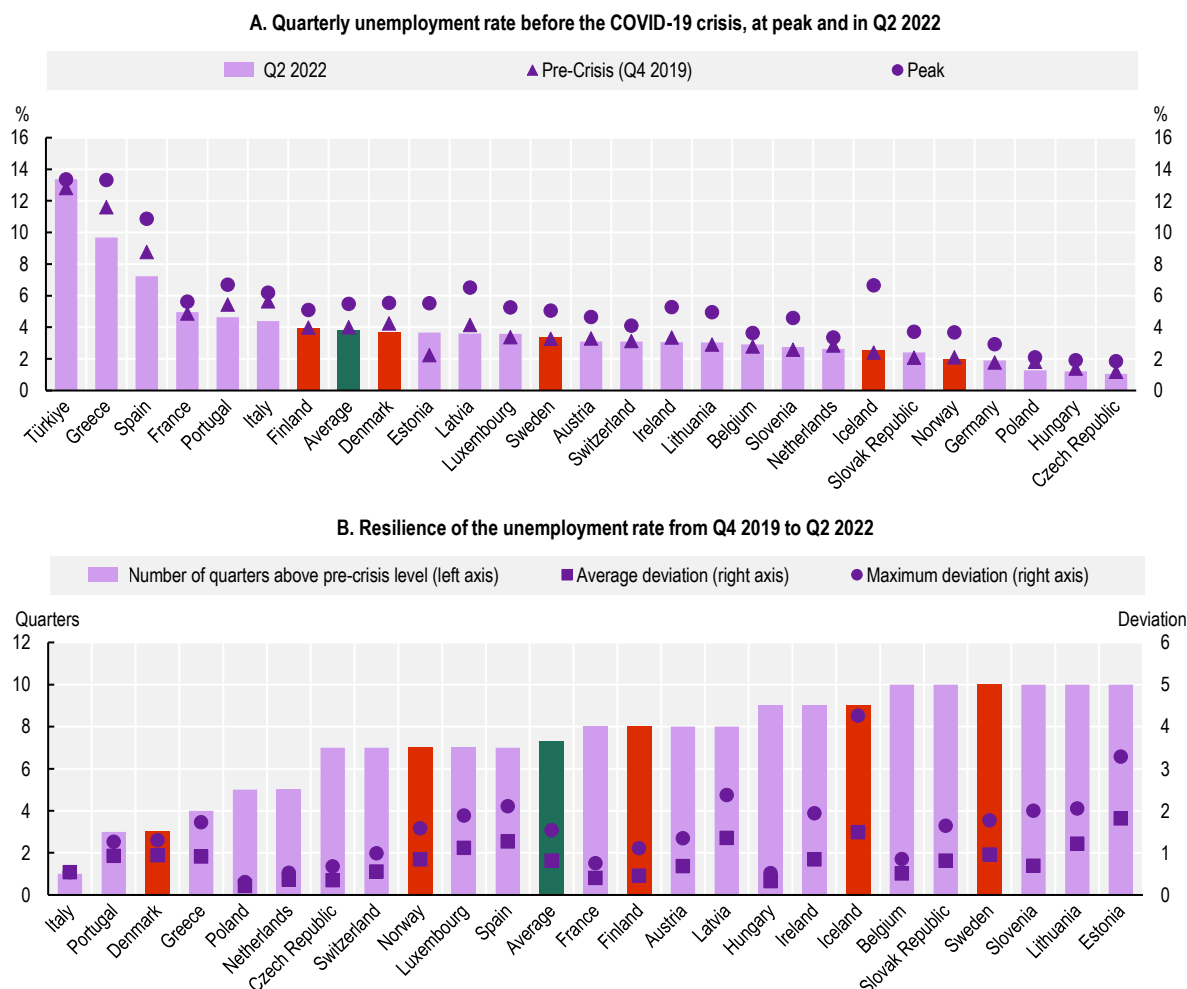


Note: The green bars represent the unweighted average of the 26 and 24 countries shown in each panel respectively. Workers with an upper secondary and post-secondary non-tertiary education based on ISCED 2011, Levels 3 and 4.

Source: (Eurostat, 2023^[15]), Eurostat Dataset: Employment by educational attainment level – quarterly data, https://ec.europa.eu/eurostat/databrowser/view/UNE_EDUC_Q_custom_4675549/default/table?lang=en

StatLink  <https://stat.link/p08w1n>

Annex Figure 2.C.4. Seasonally adjusted unemployment rates and resilience, persons aged 20-64 with higher education



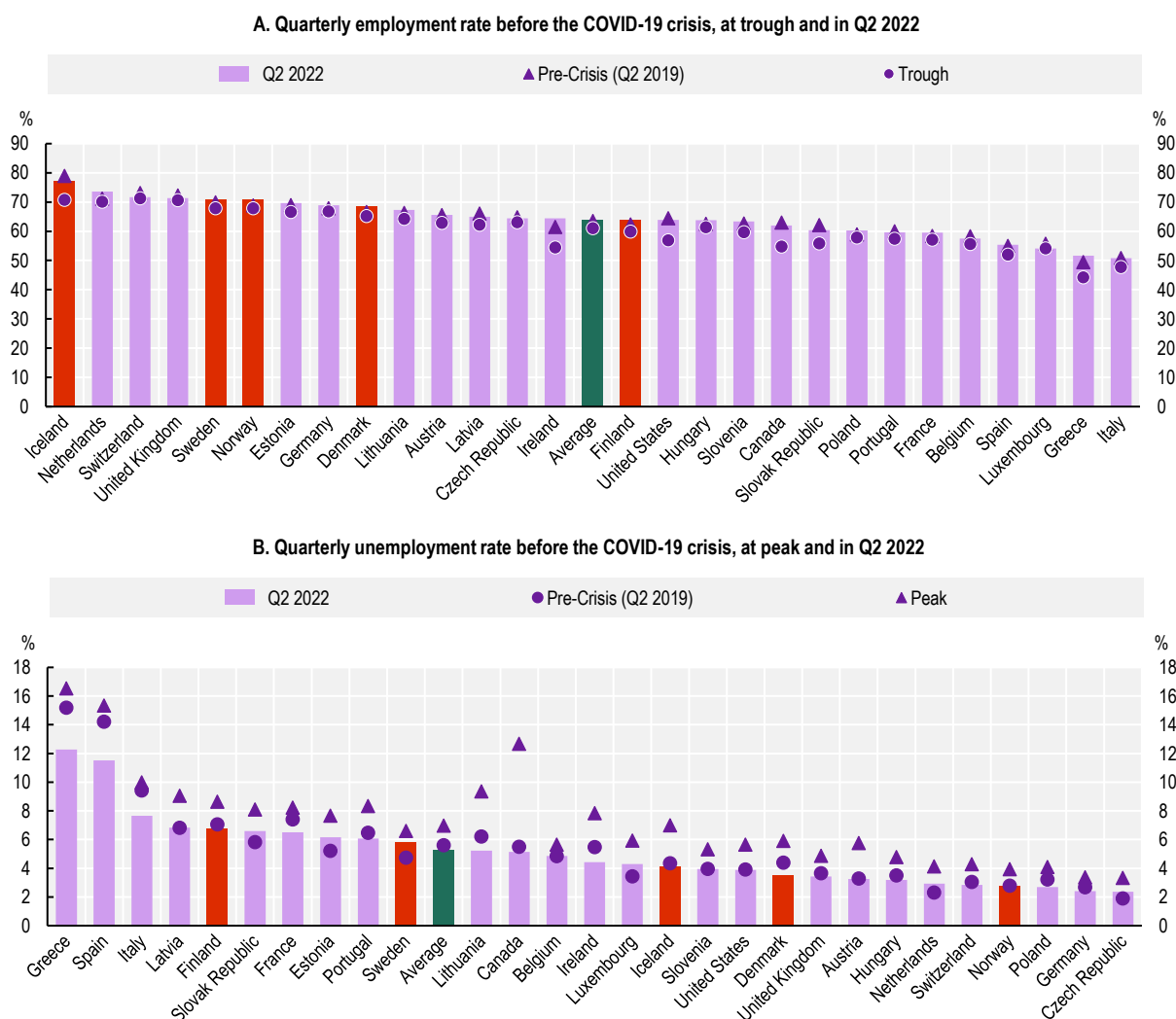
Note: The green bars represent the unweighted average of the 26 and 24 countries shown in each panel respectively. Persons with tertiary education based on ISCED 2011, Levels 5-8.

Source: (Eurostat, 2023^[15]), Eurostat Dataset: Employment by educational attainment level – quarterly data, https://ec.europa.eu/eurostat/databrowser/view/UNE_EDUC_Q_custom_4675549/default/table?lang=en

StatLink  <https://stat.link/u4qc2e>

Annex 2.D. Additional results to the native-born analysis

Annex Figure 2.D.1. Seasonally adjusted employment and unemployment rates, native-born aged 15-64



Note: The green bars represent the unweighted average of the 28 countries shown.

Source: OECD calculations based on national Labour Force Surveys (Canada, United Kingdom), the European Union Labour Force Survey (European countries) and Current Population Survey (United States).

StatLink  <https://stat.link/khy9q8>

Annex 2.E. Adjustments to the breaks in Eurostat time-series

In 2021, Eurostat implemented a number of methodological changes to the way European Union Labour Force Survey data are collected and managed as well as some changes to the labour market status definitions. These changes have produced a break in the series for employment and unemployment provided by Eurostat in the first quarter 2021. In the spring of 2022, Eurostat released break-adjusted series for employment and unemployment and some demographic breakdowns. The methodology employed is described in Eurostat (2022^[28]). Whenever possible, this chapter uses the recently released break-adjusted series. This is the case, for example, for aggregate employment and unemployment rates, as well as for the series by education, gender and age.

However, for some of the series used in this chapter, Eurostat has not provided the break-adjusted version. This is the case for employment by industry, as well as employment and unemployment by country of birth. In all these cases, the chapter uses adjusted series using a correction factor calculated exploiting the availability of both break-adjusted and non-break-adjusted series at a higher level of aggregation.

To illustrate the procedure, consider the case of employment by industry. In this case, a correction factor (for each country and quarter) is calculated by taking the ratio between the break-corrected aggregate employment and the uncorrected aggregate employment. The same correction factor is then multiplied by the (uncorrected) employment level of each industry in the relevant quarter. For example, to correct the employment level of a given industry in Q1 2019, the level of employment for that industry reported by Eurostat is multiplied by the ratio between the adjusted total employment in Q1 2019 and the unadjusted total employment in the same quarter.

Eurostat did not provide corrected series for employment by country of birth. The correction factor for the proportion of the foreign-born population in employment is computed as the ratio between the corrected and uncorrected employment rate for the whole population. The same correction factor is then applied to correct the series for employment by country of birth by *industry*.

The main limitation of this approach is the underlying assumption that the outcomes of the various groups to which the correction factor is applied were indeed affected in the same way by the break in the series. For example, in the case of the employment of women by industry, the procedure assumes that the proportional change in employment produced in the aggregate for women by the break also occurred in every single industry.

Notes

¹ The higher resilience of Nordic countries to the COVID-19 crisis is also confirmed by variations in total hours worked. Seasonally adjusted data from Eurostat indicates smaller cumulative decline in hours worked in Nordic countries than most major European economies. In particular, the cumulative decline in hours worked between Q4 2019 and Q2 2022 was between -16% (in Denmark) and -28% (in Sweden) in Nordic countries, against an average for the European Union of -36%.

² Seasonally adjusted data that correct for the break in the Eurostat series are not available for employment by industry. These results are based on data not adjusted for seasonality, but break-corrected using the procedure described in Annex 2.E.

³ Statistics Sweden (2022^[29]) also finds that over the course of the COVID-19 crisis the risk of unemployment was higher for younger workers. Consistently with results presented later in the chapter, they also find a higher risk of unemployment for individuals with lower qualifications and for the foreign-born.

⁴ Unweighted average of 24 OECD countries: Austria, Belgium, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, the Netherlands, Poland, Portugal, Slovak Republic, Slovenia, Spain, Sweden, Switzerland and the United States.

⁵ While different definitions of teleworking – and related cross-country data sources – are available for OECD countries, the only comparable data source that allow looking at the evolution of teleworking over time are the European Labour Force Survey (EU LFS) that define teleworkers as “employees usually or occasionally working from home” and provide data for European countries, Norway, Iceland and Switzerland from 2000 onwards. They can be combined with data from the American Time Use Survey (ATUS) for the United States. The underlying definition in the EU-LFS however is somewhat imprecise as excluding employees working remotely outside of their home but from another remote location not provided by the employer, while it might also include employees working from home *not* using ICTs.

⁶ A right to request telework is enforceable if employers have a limited list of valid reasons to refuse to grant it.

⁷ “Encompassing” legal frameworks are defined as such if they regulate most working conditions of teleworkers, such as occupational safety and health, cost of equipment, working hours, etc. By contrast, regulations only stipulating the conditions for workers to request teleworking (e.g. by written demand) and for employers to respond (e.g. written notification within x months) are not considered encompassing (OECD, 2021^[22]).

⁸ This can be explained by the fact that when negotiated through collective bargaining, the right to request telework is often encompassing, while statutory right tends to be restricted to specific categories of workers.

⁹ OECD-24 average for employees aged 20-64 based on EU LFS and ATUS for the United States.

¹⁰ According to Statistics Norway, this may reflect the fact that only those who had an employment contract indicating a home office responded positively to respective questions in the Labour Force Survey (Norlén et al., 2022^[10]).

3

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

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Andrea Salvatori, OECD

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 exiting 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

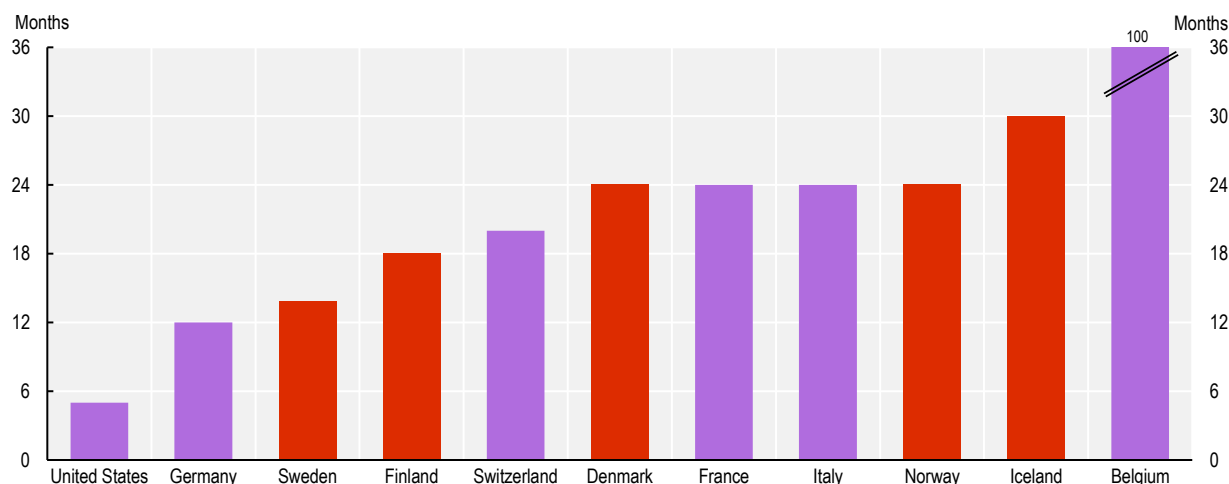
Denmark is the lone OECD country that only features a voluntary unemployment insurance scheme which requires workers to become members of a UI fund in order to receive any benefit. Broader means-tested social assistance programmes are nevertheless available to unemployed individuals who are not members 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) run 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^[1]).

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%

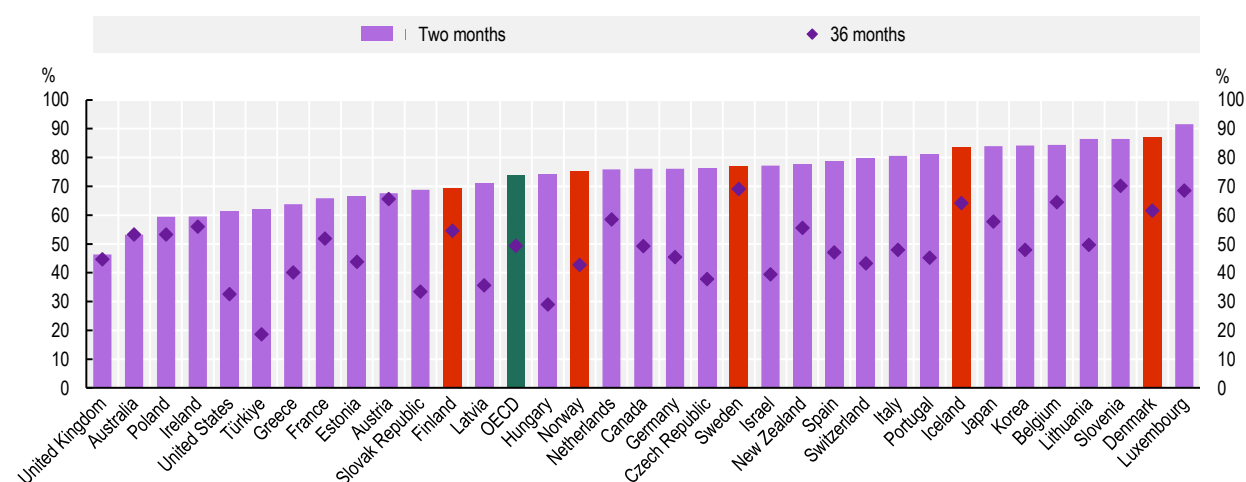
and 77% respectively), while Iceland and Denmark feature decisively higher NRRs – 83% and 87% respectively.

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/>.

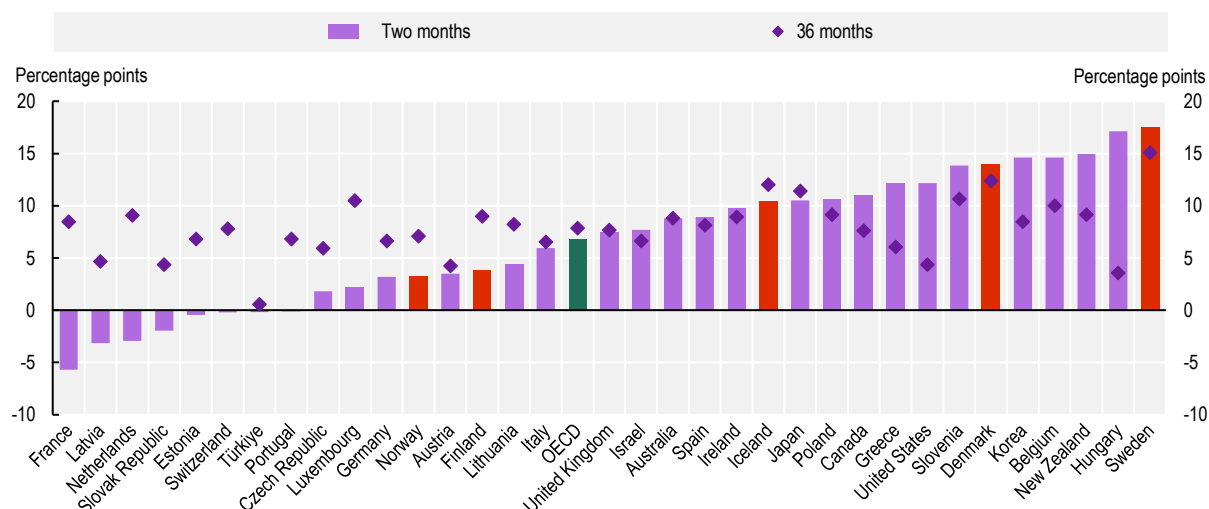
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Across the OECD, **support for the unemployed is often explicitly targeted towards those with lower earnings** (Figure 3.3). Indeed, in most countries, initial NRRs are higher for workers with low previous earnings than for those with previous earnings 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]).

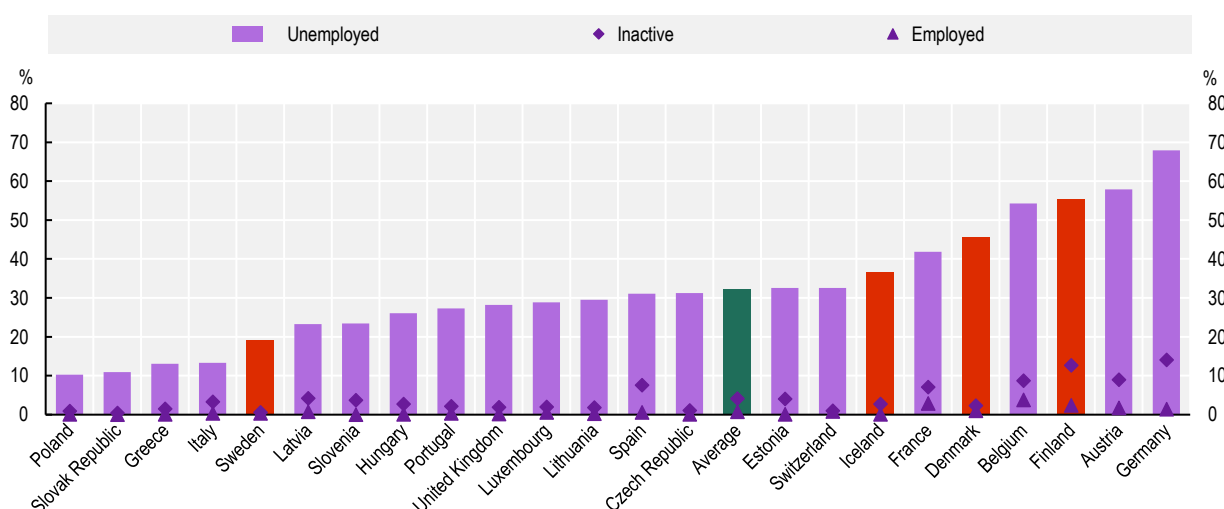
The effective coverage of UB systems depends on a number of policy and non-policy factors interacting with one another – see OECD (2018^[8]) for an in-depth discussion. Non-policy factors include demographics (e.g. ageing, migration) and labour-market conditions, although each of them may, in turn, shape 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



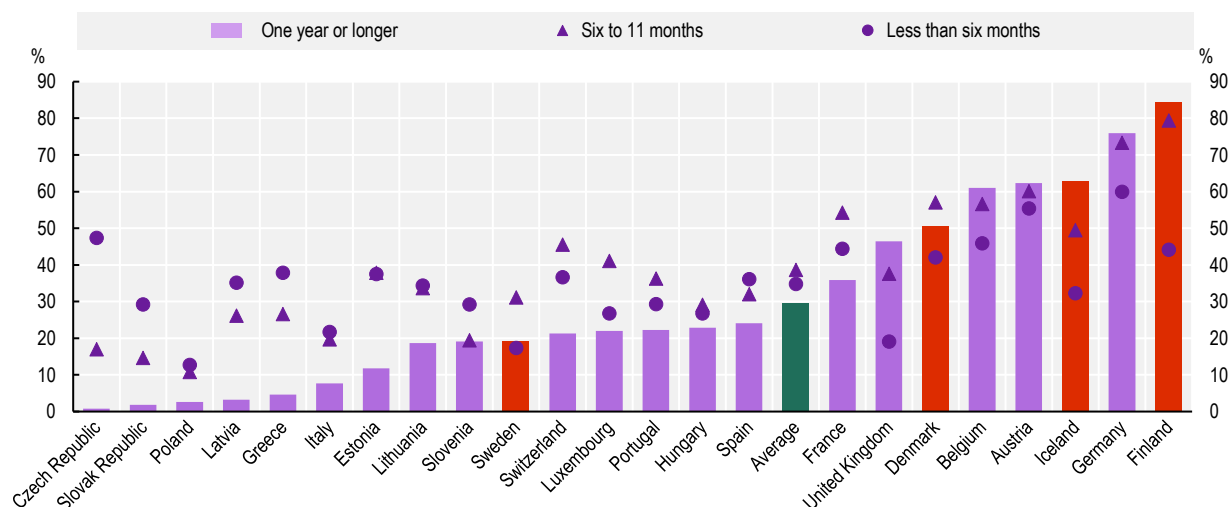
Note: Data for Norway are not available in the EU-LFS. The green bar represents the unweighted average of the 23 European countries shown. Data for Sweden do not include a series of benefits that are accessible to jobless individuals who: i) are not in receipt of core unemployment benefits; and who ii) 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

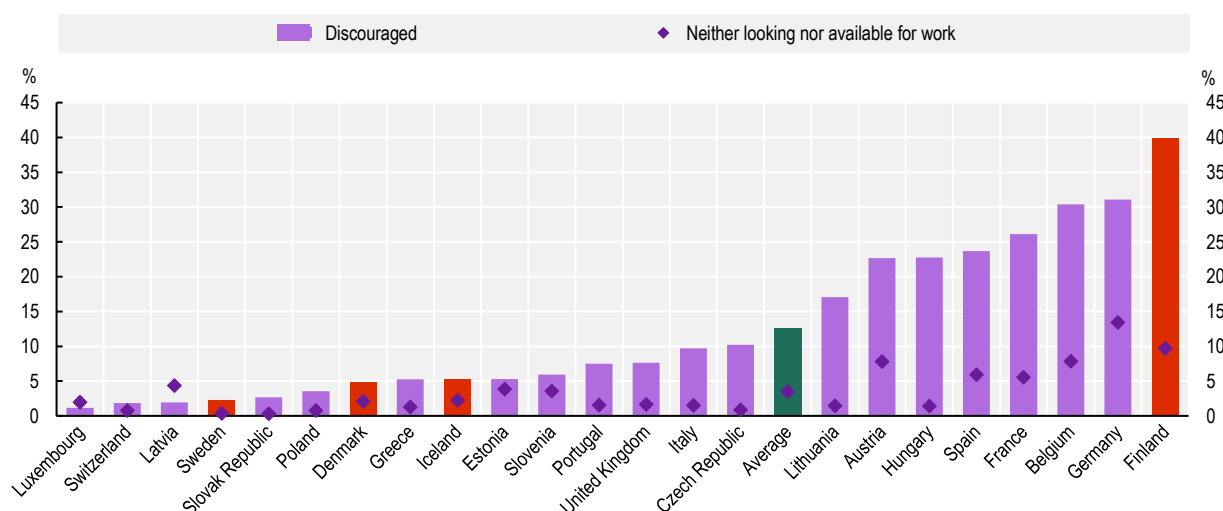


Note: Data for Norway are not available. The green bar represents the unweighted average of the 23 European countries shown. Data for Sweden do not include a series of benefits that are accessible to jobless individuals who: i) are not in receipt of core unemployment benefits; and who ii) satisfy other 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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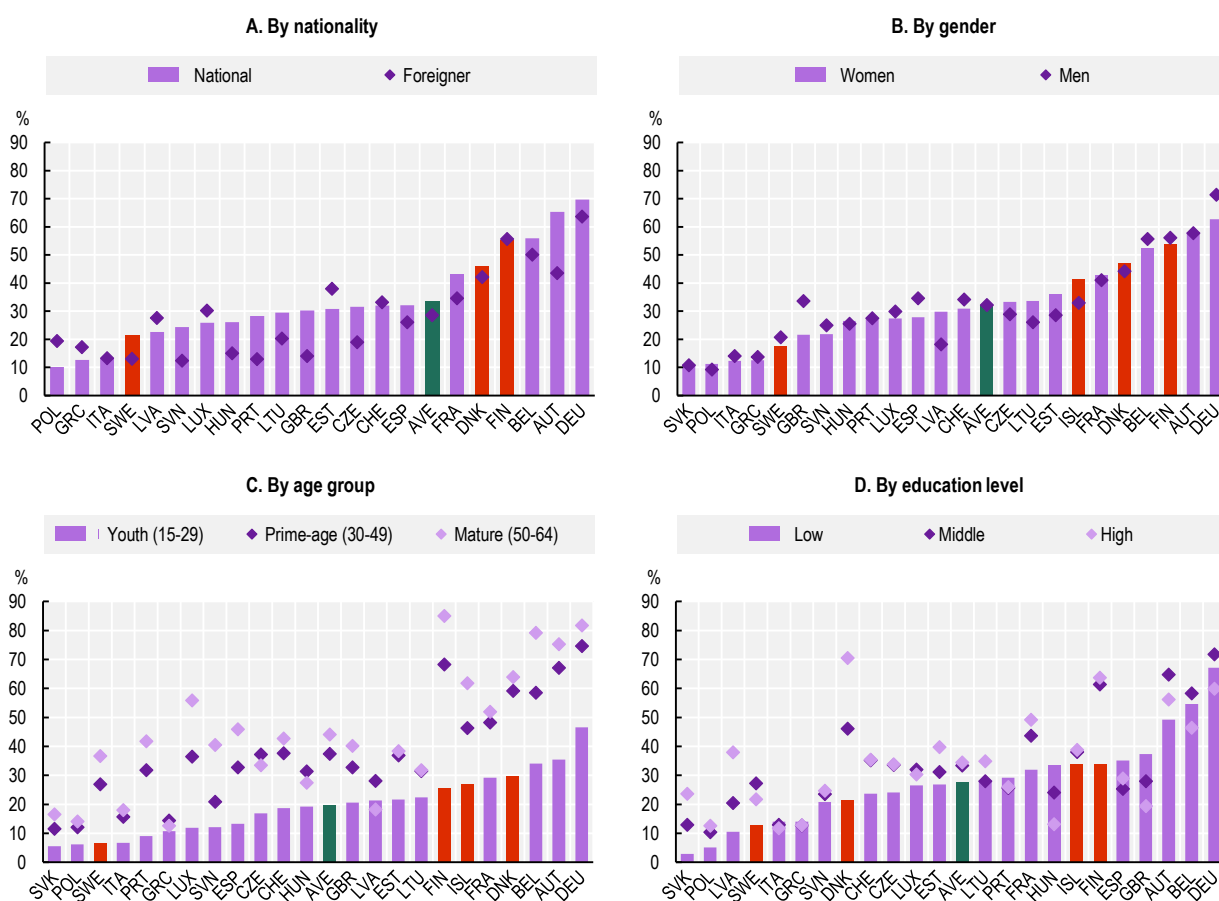
In most OECD countries, **UB coverage is lower among foreigners than nationals** (29% vs 34%). This is also the case in two of the three Nordic countries with reliable data available, i.e. Denmark and Sweden. In Finland, however, the difference is negligible (Figure 3.7).

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
	31 December 2020). The labour market subsidy was made more easily accessible for the self-employed till February 2022. 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)		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.
Iceland			Flat amount and minimum benefit increased by 6.2%. 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%. 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.
Norway	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. 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%. 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.	Benefit duration was extended to the end of March 2022 for claimants whose entitlement would have ended between March 2020 or later.	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*. 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.
Sweden	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. The waiting period was abolished from 30 March 2022 until January 2021.		Increased in minimum and maximum benefit amounts by 40% and 32% respectively. 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). The minimum benefit for both is SEK 255/day (for part-time employed people with low working hours)

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).

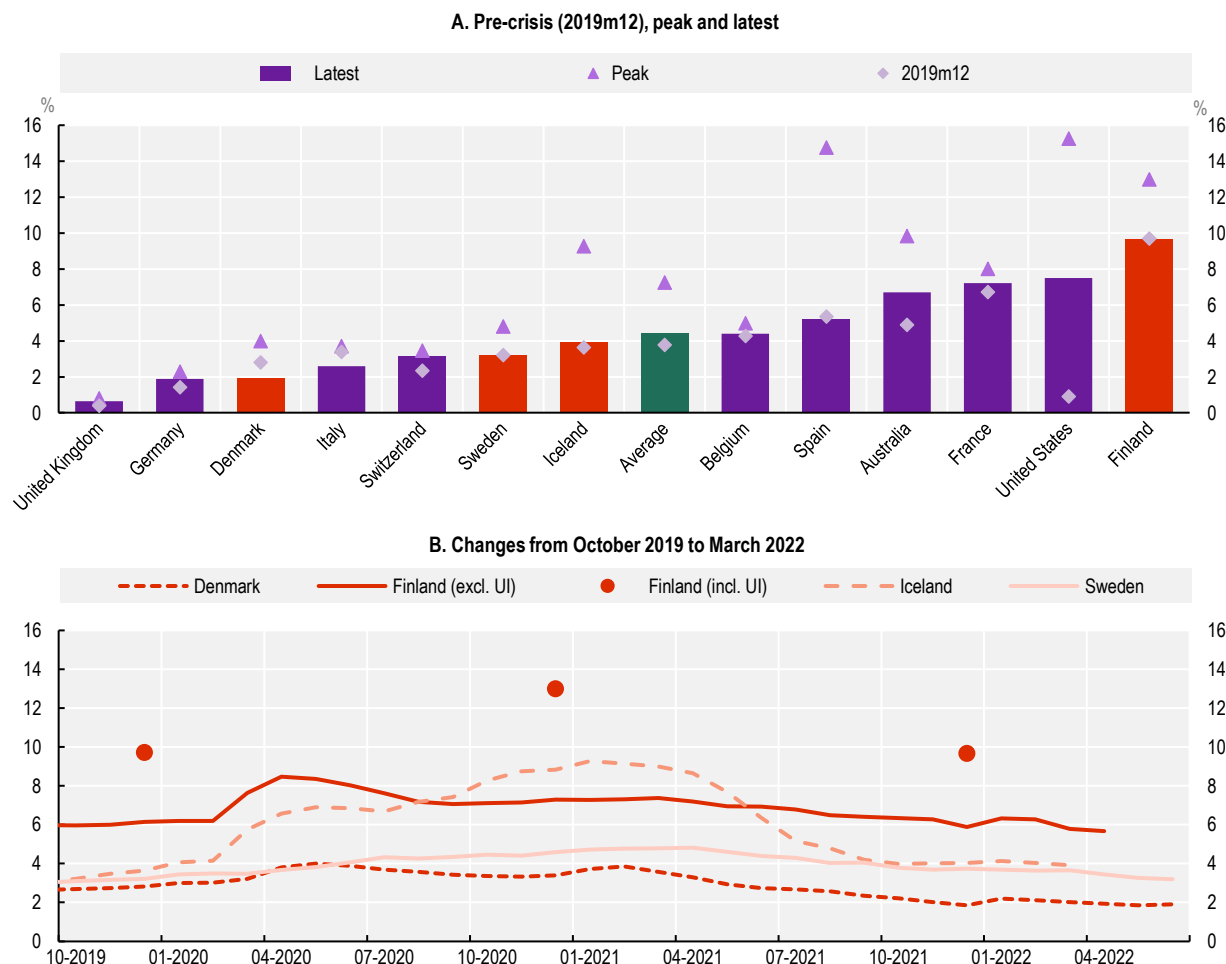
The increase in the number of claimants was particularly pronounced in Iceland and Finland (Figure 3.8, Panel B). In Iceland the increase was more than twofold between February 2020 and the peak of January 2021 (from 3.6% to 9.3%), with the number of claimants returning close to pre-crisis levels by 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)



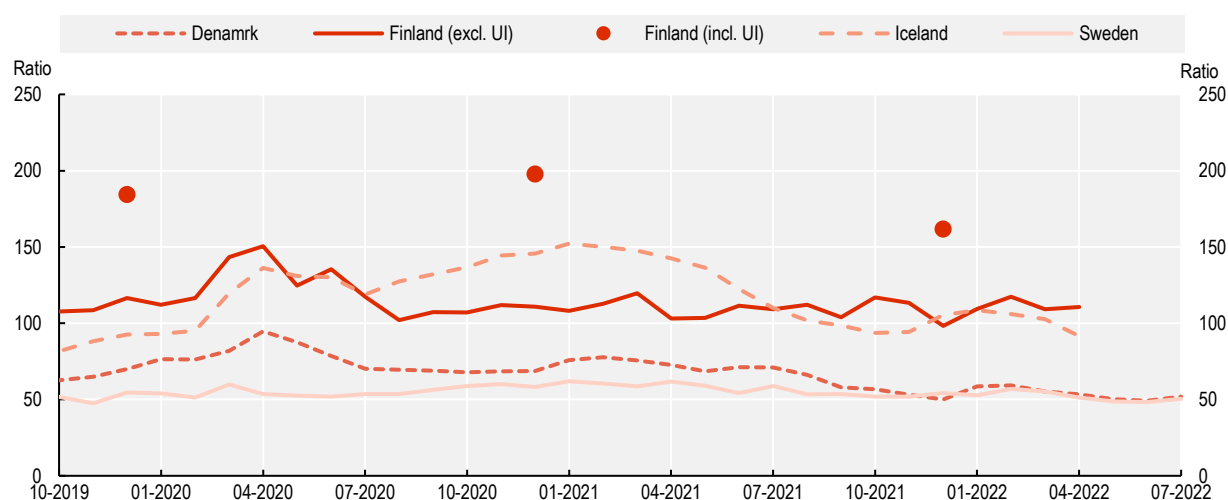
Note: For Finland, earnings-related benefits are available in December only and thus not included for the other months. The green bar represents the unweighted average of the 13 countries in Panel A. The latest data point is February 2021 for Italy and the United Kingdom, March 2021 for France, April 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#:~:text=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.

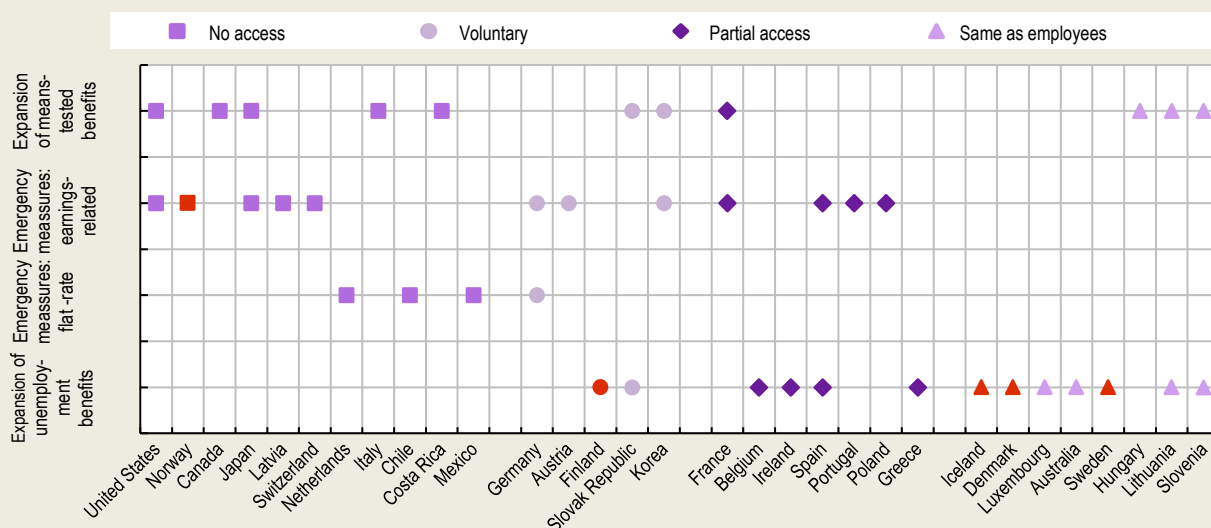
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Box 3.1. Most Nordic countries provide access to unemployment benefits for the self-employed and stepped-up support during the COVID-19 crisis

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*.

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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

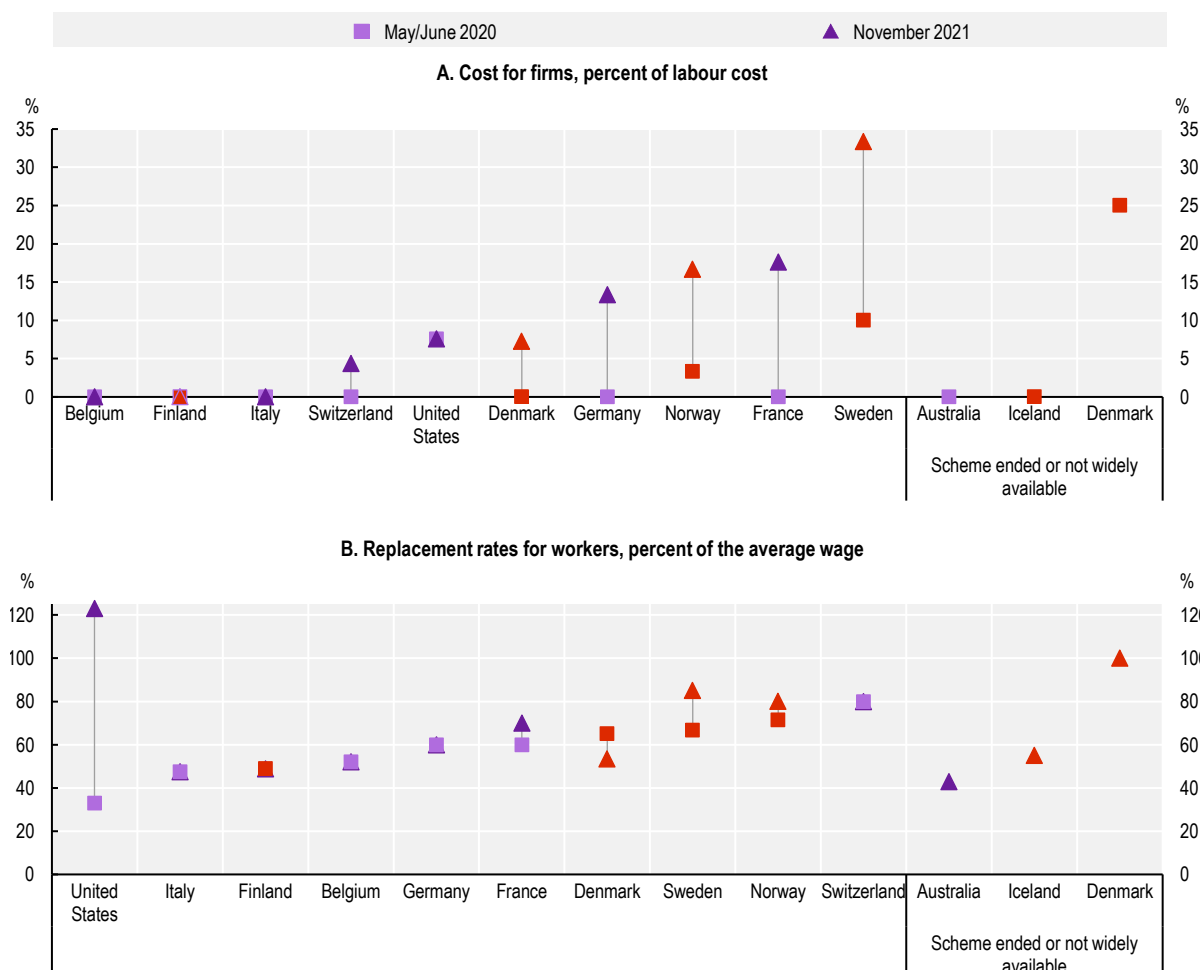
During the early stage of the COVID-19 crisis, **a majority of OECD countries set to zero the cost of hours not worked**, suspending the obligation to pay wages and social security contributions and therefore allowing firms to adjust labour costs in line with the decline in business activity (OECD, 2021^[24]). 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.

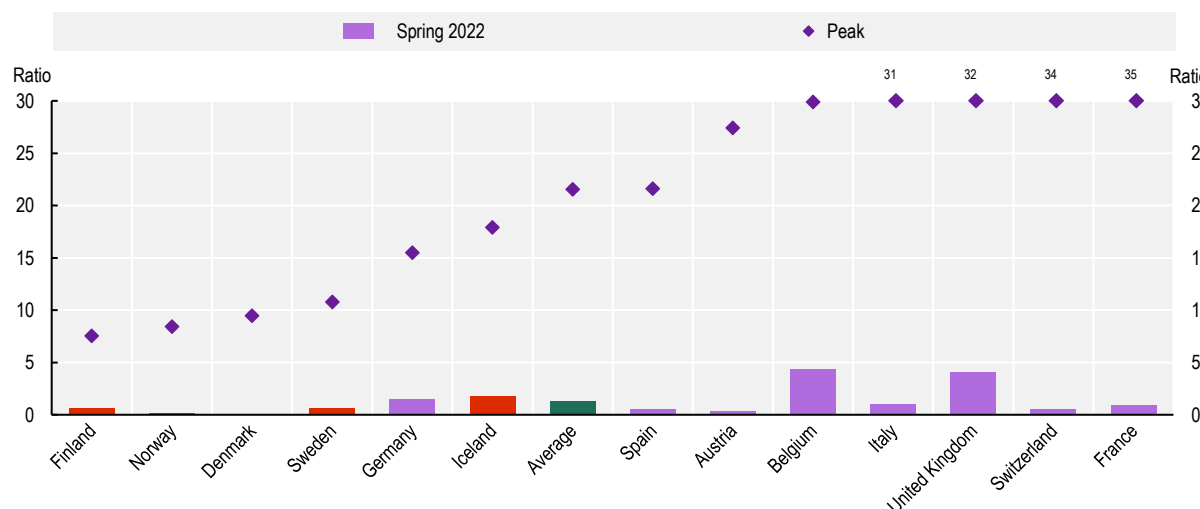
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3.3.4. The use of job retentions schemes was comparatively low in the Nordic countries

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), Vinnumálastofnun'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 exiting 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.

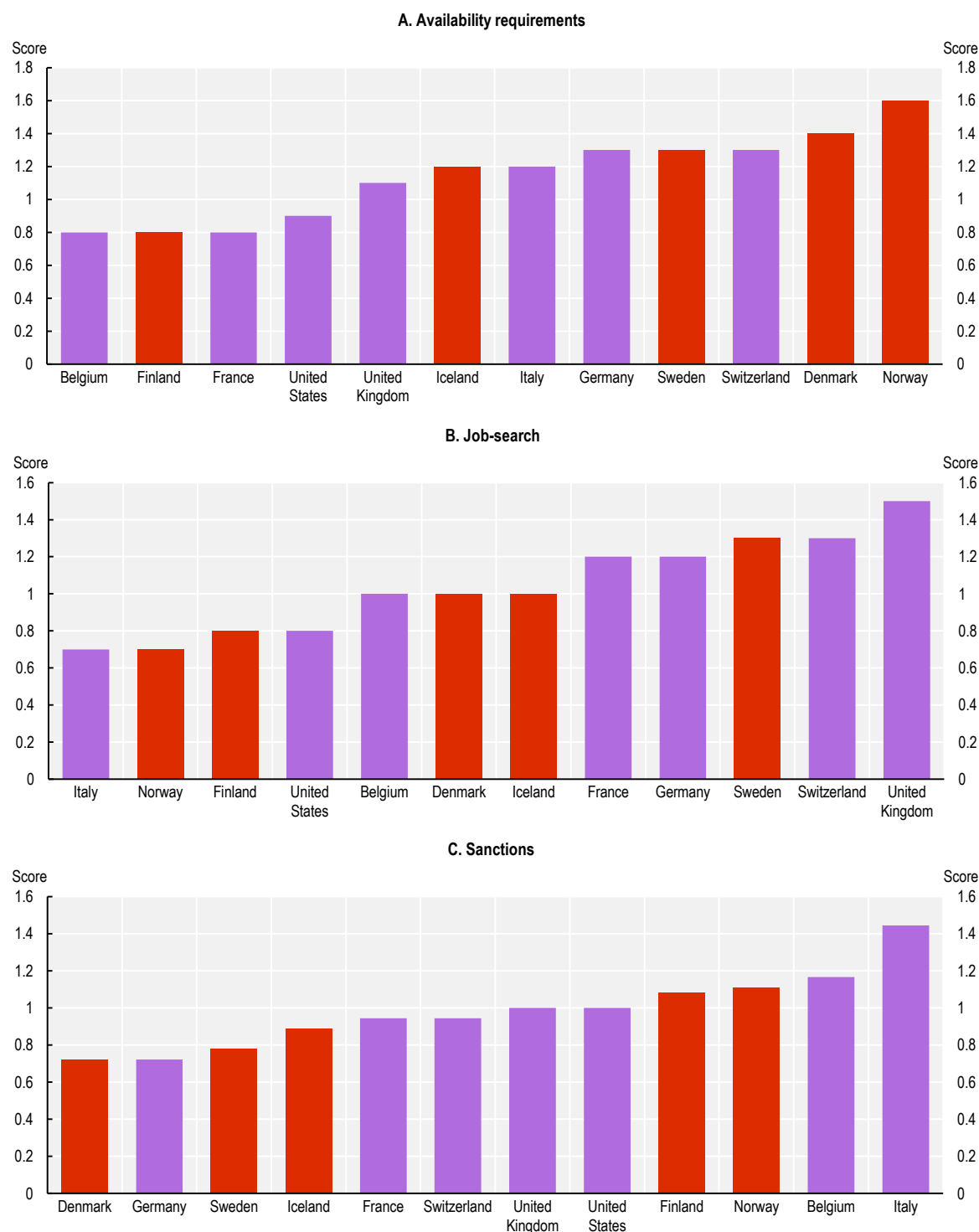
2. Some unemployment benefit extensions are not shown in the table because they do not directly relate to the COVID-19 crisis: Australia and New Zealand increased earnings disregards and benefit levels after the expiry of their temporary COVID-19 measures in 2021 and 2022; Estonia made possible for jobseekers 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.

4

The role of Public Employment Services and active labour market policies during the COVID-19 crisis and recovery

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Active labour market policies (ALMPs) and Public Employment Services (PES) have an essential role in assisting jobseekers and people at risk of losing their job on their journey back to quality employment and helping employers in finding employees with the right skills. In times of crisis, this role becomes particularly acute. This chapter explores the contribution of PES and ALMPs to the Nordic labour market policy response to the COVID-19 pandemic. First, an overview is provided of trends in the reliance on PES by jobseekers and public expenditure on ALMPs in Nordic and OECD countries. Second, the chapter describes how Nordic countries altered PES operating models and adapted their ALMP provision during the COVID-19 crisis and the recovery. Institutional set-up of Nordic ALMP provision is then examined, including the role played by social partners. Finally, it highlights the importance of evaluating the effectiveness of ALMPs and tools used by PES.

In Brief

Key findings

The delivery of effective active labour market policies (ALMPs) by Public Employment Services (PES) becomes of heightened importance in times of crises resulting in large employment shocks – as was the case during the COVID-19 pandemic. This chapter focusses on ALMPs (such as job-search support and counselling, training, employment incentives, sheltered and supported employment and rehabilitation, direct job creation and start-up incentives) and excludes temporary employment and income maintenance programmes. Such measures fall under the umbrella of job retention schemes and are discussed separately in Chapter 3 of this report.

In Nordic countries, much like many other OECD countries, the COVID-19 pandemic further intensified challenges facing PES before the crisis. These included the need to adapt the ALMP package, rapidly increase PES staffing levels and enhance PES IT infrastructure.

Prior to the COVID-19 pandemic, Nordic countries had comparatively high spending on ALMPs – with all countries except Norway spending significantly more than the OECD average on ALMPs in 2019 (1.06% vs 0.45% of GDP). Due to the resultant swift impacts of the pandemic on the labour market, OECD countries on average moved to increase the public expenditure allocated to ALMPs in 2020. However, the Nordic countries did not tread the same path – with all countries except Norway decreasing the share of spending allocated to ALMPs in 2020.

- Within the ALMP basket, while variations exist within individual countries, Nordic countries on average have typically outspent OECD countries on average in all categories of active labour market measures except direct job creation and start-up incentives.

Faced with rapidly changed circumstances, including the imposition of public health restrictions limiting face-to-face contact, Nordic PES adapted their operating models and delivery channels to enable continuity of service to clients.

- PES staffing levels were boosted via new hires and staff reallocation. In Sweden, this took the form of scaled up hiring of external job coaches to cater for increased caseloads.
- Due to the inability to deliver services in traditional in-person ways, Nordic PES also increased the digitalisation of services – a transition that was smooth, greatly assisted by the strong digital capacity of Nordic PES prior to the pandemic. New digital initiatives were implemented both in interactive services (such as job search training webinars in Sweden) and passive online supports (such as chatbots in both Norway and Iceland). These digital measures allowed clients to continue to receive support, while also enabling PES to cope with the elevated demand for information and other services.
- The unique nature of the crisis and its impacts on economic and labour market activity in the early stages also saw Nordic PES relaxing job-search requirements for jobseekers.
- Other changes to operating models included regional initiatives to address local impacts of the pandemic, including the set-up of a temporary job centre at Copenhagen Airport in Denmark.

In order to adapt to the vastly changed labour market backdrop and rapid inflows to unemployment, Nordic PES expanded and adapted their ALMPs. These changes primarily involved scaling up and making changes to pre-existing measures and – to a lesser extent – the introduction of new ones.

Changes to ALMPs in Nordic countries were narrower in scope (across fewer ALMP categories) in comparison with other OECD countries and focussed primarily on broad responses, with little put in place to specifically target vulnerable groups.

- All Nordic countries made changes to their provision of **job-search support and counselling** services for jobseekers, primarily involving moving the delivery of these services to remote means. Norway also introduced new digital job clubs to promote more active job search among jobseekers over the course of a six-week programme. At different points during the crisis, several Nordic countries also altered the prioritisation and targeting of job-search support and counselling aimed at: those furthest from the labour market in Norway; the young unemployed in Finland; and newly and long-term unemployed jobseekers in Sweden respectively.
- Across Nordic countries **training** provision moved primarily online. Some steps were also taken to introduce short courses aimed at meeting urgent labour market demands and to better target resources towards groups most in need (including young people and long-term unemployed). Denmark, Finland, Iceland and Norway enhanced and facilitated access to **mainstream education and training programmes** among unemployment benefit recipients – an avenue that was previously not always possible. However, the design of these initiatives posed challenges in some countries that in turn limited take-up, including overly restrictive course lists, narrow eligibility windows and barriers relating to pre-conditions (such as pre-requisite education and the language of delivery).
- **Employment incentives**, which stimulate the demand for labour by supporting the recruitment of jobseekers, were a feature of the ALMP response of several Nordic countries. In Sweden and Denmark, this saw changes and additional funding provided to existing supports, with new programmes introduced in Norway (targeted at young jobseekers) and Iceland.
- Although not a feature of every Nordic country's ALMP basket, pre-existing **start-up incentives** were adapted by Sweden, Finland and Iceland – with changes involving extending the maximum duration of support and expanding target groups.

Overall, when the pandemic hit, Nordic ALMP systems had the key elements for an agile and effective response to the COVID-19 crisis. This included flexible organisational set-ups of employment services, flexible ALMP regulation, strong stakeholder engagement and flexible resources (both human and financial). Even in countries such as Denmark, where ALMP regulation is highly entrenched, emergency solutions were found to circumvent the lengthy regulatory process. Furthermore, social partners were often involved in discussions surrounding changes to ALMPs and PES operations, even in those Nordic countries where social partners do not have a formal role in ALMP systems.

To draw out the policy lessons of the COVID-19 crisis, it will be crucial for Nordic countries to engage in counterfactual impact evaluations of their ALMP response. This will allow countries to understand what did or did not work and will assist in the formulation of contingency plans for future crises.

- Most Nordic countries already engage in a high level of routine activities to link administrative data relevant to the evaluation of ALMPs and have a strong track record of conducting such evaluations.
- However, there is room for improvement – including in engaging further with cost-benefit analyses and in ensuring that evidence gathered from evaluations actively informs policy. Furthermore, given the high level of digitalisation in Nordic PES, the scope of evaluation activities should also be expanded to cover digital tools and processes utilised by PES. This would help to better understand their impact and how to enhance their accessibility and inclusivity (ensuring that no groups or individuals are left behind).

4.1. Introduction

Public employment services (PES) and active labour market policies (ALMPs) are a crucial component in the promotion of resilient labour markets, helping unemployed jobseekers on their pathway towards quality employment and improving the matching between labour demand and supply. ALMPs comprise both the provision of labour market services (client services and administration of labour market measures and supports) and active labour market measures (training, employment incentives, sheltered and supported employment and rehabilitation, direct job creation and start-up incentives).¹ While such policies form a regular part of the day-to-day activities of PES, their role becomes increasingly important during times of economic crisis.

Following the onset of the COVID-19 pandemic in March 2020 and its immediate impacts on the labour market and unemployment levels (as discussed in Chapter 2), Nordic PES sprung into crisis mode. **In addition to rising caseloads, the COVID-19 pandemic served to exacerbate a series of challenges faced by Nordic PES before the crisis** (Table 4.1). This included the need to redesign the ALMP package to better meet the needs of jobseekers and employers. Nordic countries were not alone in this challenge, as the dramatically changed labour market backdrop and increased demand for PES services saw more than eight in ten OECD countries facing the same need to make changes to their ALMP offerings (OECD, 2022^[1]). Difficulties in filling vacancies in frontline occupations were also common to all Nordic countries and many OECD countries generally, with nine out of ten experiencing this challenge during the pandemic. Other challenges faced by the Nordic countries during the COVID-19 crisis included the need to increase PES staff levels and improve PES co-operation with other service providers.

Table 4.1. The COVID-19 pandemic brought with it new and old challenges to Nordic PES

Main challenges facing Nordic PES by type of impact

	Need to increase PES staff levels	Need for PES staff with higher / different skills	Need to investment in IT infrastructure	Need to increase ALMP budget	Need to redesign the ALMP package	Need to improve co-operation with other service providers	Difficulties in filling vacancies in certain “frontline” occupations
Denmark	Not a challenge before or during crisis	Not a challenge before or during crisis	Not a challenge before or during crisis	Not a challenge before or during crisis	Not a challenge before, but emerged	Not a challenge before or during crisis	Not a challenge before, but emerged
Finland	Challenge before and intensified further	Challenge before and intensified further	Challenge before and intensified further	Not a challenge before, but emerged	Challenge before and intensified further	Challenge before and intensified further	Challenge before and intensified further
Iceland	Challenge before and intensified further	Challenge before and intensified further	Challenge before and intensified further	Not a challenge before, but emerged	Challenge before and intensified further	Challenge before and intensified further	Challenge before and intensified further
Norway	Not a challenge before, but emerged	Challenge before and intensified further	Challenge before, but did not intensify further	Challenge before and intensified further	Not a challenge before, but emerged	Challenge before and intensified further	Not a challenge before, but emerged
Sweden	Challenge before and intensified further	Challenge before and intensified further	Challenge before, but did not intensify further	Challenge before and intensified further	Challenge before and intensified further	Challenge before and intensified further	Challenge before and intensified further

Note: The type of impact on countries is divided into four categories, each represented by a different colour in the table. Due to the highly decentralised nature of ALMP provision in Denmark, this table only captures the national view, which may not fully capture the view of individual municipalities responsible for the provision and design of ALMPs in their locality. In responding to the questionnaire, countries were asked to identify whether or not they faced the challenge pre-pandemic and whether the challenge emerged or was further intensified during the crisis.

Source: OECD Questionnaire on Policy Responses to the COVID-19 Crisis circulated in late 2021.

While the COVID-19 emergency period is largely in the past, many challenges remain for Nordic PES in the recovery period and are or could be exacerbated by other ongoing crises and events. In addition, new challenges have emerged in recent times due to the global energy crisis and the war in Ukraine, including the need to support inflows of people escaping the war.

This chapter explores the role played by PES and ALMPs in the suite of policies implemented by Nordic countries in response to the COVID-19 pandemic (excluding unemployment benefits and job retention schemes which are not classified as ALMPs and are explored separately in Chapter 3). It makes use of information gathered from extensive consultations with the key stakeholders in each Nordic country and various OECD questionnaires completed by each country, including a specific questionnaire designed for this project. Nevertheless, some limitations in the data available were encountered, including a time lag in the OECD/EC Labour Market Programme Database, meaning the latest data available on ALMP expenditures and participants are for the year 2020. Further data were collected through a specific request for this project; however, the differing availability and frequency of these data means that they cannot be used to make full cross-country comparisons and conclusions. In addition, at the time of writing, COVID-19 response measures introduced by the Nordics had largely not yet been subject to counterfactual impact evaluations, meaning it is too early to say if what was done was effective or not.

In exploring the PES and ALMP component of the Nordic COVID-19 response, this chapter begins with an overview of the impact of the pandemic on the use of employment services and ALMP and PES budgets. The next section undertakes a discussion of the ways in which Nordic PES adapted their operating models in response to the changed labour market backdrop and prevailing public health restrictions. The following section explores how Nordic PES expanded and adapted their ALMPs in attempts to better meet the needs of their clients and the labour market. To provide further insights into the structures supporting the delivery of ALMPs, the penultimate section examines the institutional set-up of ALMP provision in these five countries, including the role played by social partners. Finally, the chapter concludes with an overview of the importance of evaluating the effectiveness of ALMPs and the tools used by PES.

4.2. Nordic countries see relatively strong reliance on PES by jobseekers and high levels of public funding channelled towards PES and ALMP activities

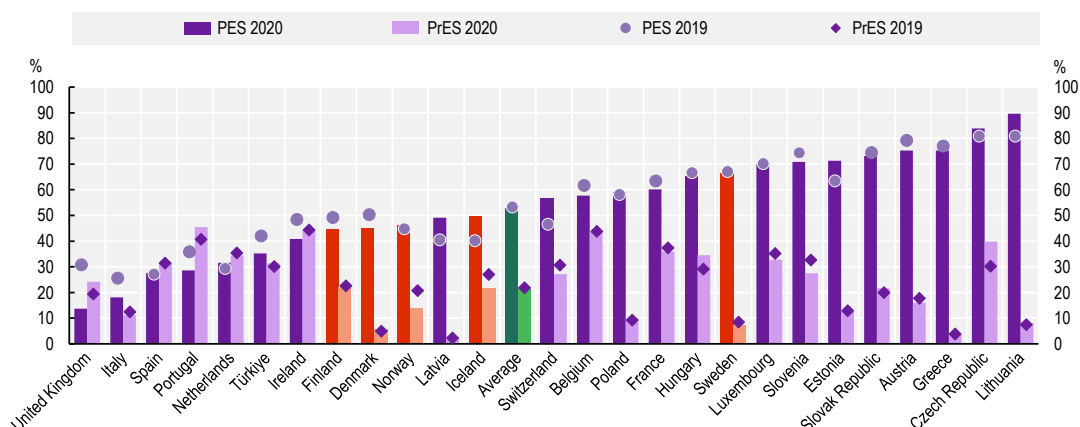
This section explores the extent to which Nordic jobseekers relied on employment services during the COVID-19 crisis and examines trends in ALMP expenditure across Nordic countries both before and during the pandemic – providing insights into the capacity of Nordic PES to respond to the labour market shock.

4.2.1. Despite a dampened labour market backdrop during the early stages of the pandemic, Nordic jobseekers still relied on PES to assist their job-search efforts

The COVID-19 pandemic and associated public health restrictions had significant negative impacts on hiring patterns and the number of vacancies, particularly during the height of the pandemic in 2020. Despite this, **jobseekers still relied on PES to assist their job search efforts during the pandemic period**. On average across Europe and Türkiye, 53% of unemployed jobseekers turned to PES for assistance to find work in 2020, relatively unchanged from 2019 (Figure 4.1). In the Nordic region, a decline occurred in Denmark, Finland and Sweden (to a very small degree), whereas the share rose in Norway and especially in Iceland (where an increase of over 9 percentage points took place between 2019 and 2020). A contributing factor to this increase was likely the Norwegian and Icelandic PES responsibility for unemployment benefit administration.

Figure 4.1. Jobseekers continued to rely on public (PES) (and private (PrES)) employment services in their job search efforts during the pandemic

Share of unemployed persons (15-64) who contacted an employment office to find work in 2019 and 2020 (Q2-Q4)



Note: The average is unweighted and includes the EU27 (excluding Germany), Iceland, Norway, Switzerland, Türkiye and the United Kingdom. Data for 2021 onwards are not available due to the introduction of a new EU-LFS questionnaire from January 2021, which no longer includes this question.

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

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Private employment services (PrES) also provide assistance to the unemployed on their job search journey. On average in Europe, one in four jobseekers sought assistance from PrES in 2020 (unchanged from the level in 2019). In Nordic countries, the rate of PrES usage is more mixed, with decreases from 2019 to 2020 experienced in all countries except Denmark. In 2020 the rates were particularly low in Denmark and Sweden, where 6% and 7% of jobseekers in these countries respectively sought job search assistance from private providers.

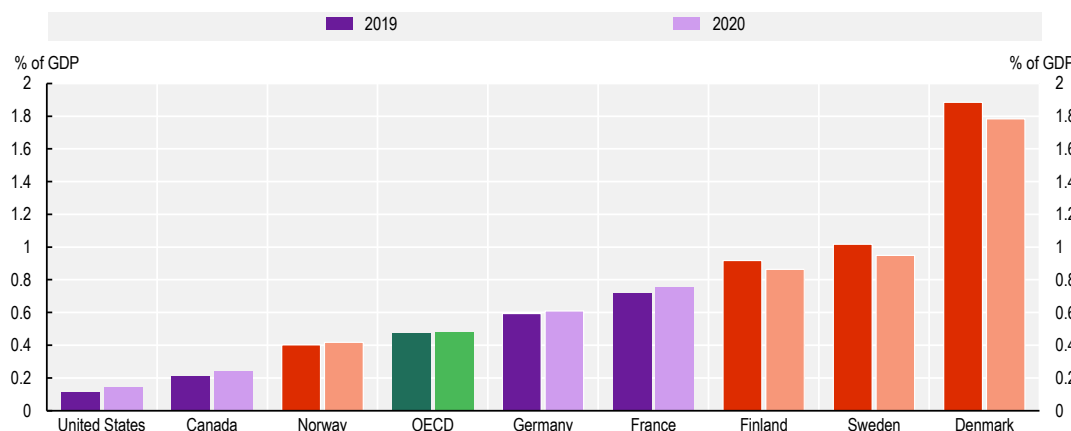
4.2.2. At the onset of the COVID-19 pandemic, spending on ALMPs was already relatively high in most Nordic countries

Prior to the pandemic, most Nordic countries had typically spent more generously on ALMPs² than on average across the OECD.³ In 2019, OECD countries on average had expenditure on ALMPs equal to 0.45% of GDP (Figure 4.2). In the Nordic region, this share was significantly higher in all countries except Norway, with average ALMP expenditure in the region at 1.06% of GDP in 2019. Furthermore, Denmark, Finland and Sweden were the top three spenders on ALMPs relative to GDP across the entire OECD.

While the majority of OECD countries increased public expenditure on ALMPs upon the onset of the pandemic, all Nordic countries except Norway reduced the share of spending allocated to ALMPs in 2020 (as a percent of GDP). Despite this reduction in expenditure in most Nordic countries, average ALMP spending in the region for 2020 was still significantly higher than the level seen across the OECD (at 1% of GDP compared to the OECD average of 0.48%). In Norway, ALMP spending was lower than the OECD average but increased slightly to 0.42% of GDP in 2020. These decreases seen in ALMP spending in most Nordics in 2020 should be understood in the wider context, including the significant allocation of expenditure to job retention schemes and related measures, particularly in the early phases of the pandemic (see Box 4.1 and Chapter 3 for an overview of the role of job retention schemes during the pandemic).

Figure 4.2. Compared to other OECD countries, most Nordic countries make higher investments in ALMPs, 2019 and 2020

Expenditure on ALMPs as a percentage of GDP in Nordic countries and selected OECD countries, 2019 and 2020



ALMPs: Active Labour Market Programmes, GDP: Gross Domestic Product.

Note: OECD is an unweighted average for the different types of employment support published in the OECD/EC Labour Market Programme Database and excludes Colombia, Costa Rica, Greece, Iceland, Israel, Korea, New Zealand, Türkiye and the United Kingdom with no or incomplete data. Data exclude category 4.2 (Employment maintenance incentives), which during the COVID-19 pandemic included some furlough-type schemes which are not considered ALMPs.

Source: (OECD, 2023^[2]), *OECD/EC Labour Market Programme Database*, <https://doi.org/10.1787/data-00312-en>.

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Box 4.1. Job retention schemes had a significant impact on labour market policy financing during the crisis

The first priority of Nordic countries upon the onset of the pandemic – like many other OECD countries – was to protect incomes and jobs in affected firms. This was commonly done via employment maintenance incentives (category 4.2) and partial unemployment benefits (category 8.2), both of which were often administered by PES and fall under the umbrella of job retention schemes (which are discussed in detail in Chapter 3). The measures in category 4.2 generally aim to maintain employment via employment incentives for employers, while the measures in category 8.2 aim to maintain income, with the measures covering specifically the hours not worked (short-time working schemes). In practice during the COVID-19 pandemic, the difference between these two types of measures was often insignificant. Overall, countries generally aimed to maintain both employment and income simultaneously, while the details of the design and implementation of specific schemes often dictated by the feasibility of implementation (e.g. data availability on hours worked, capacity to process such data, etc.).

These measures constituted significant shares of expenditure on labour market policies in 2020 in several Nordic countries – as shown in Table 4.2. Therefore, the reductions to ALMP expenditure seen in most Nordic countries in 2020 relative to 2019 can be understood, in part, by the increased resources allocated to these temporary measures to support the employment and income maintenance of workers in firms impacted by the crisis and the associated economic downturn. Thus, taking this and (other) expenditures on passive labour market programmes together with ALMPs, total expenditure on labour

market programmes (across all categories 1-9) as a share of GDP increased in all Nordic countries in 2020 relative to 2019.

Table 4.2. Nordic countries allocated significant resources to fund income and employment maintenance schemes for workers in firms impacted by the crisis

Expenditure as a percentage of GDP, 2020

	Denmark	Finland	Norway	Sweden
ALMPs (categories 1-7, excluding 4.2)	1.78	0.86	0.42	0.95
Temporary employment and income maintenance measures in continued employment relationships (categories 4.2 and 8.2)	0.85	0.04	0.77	0.62

ALMPs: Active Labour Market Programmes, GDP: Gross Domestic Product.

Note: The ALMP classification is defined by the methodology of the OECD Employment and Labour Market Statistics database (<https://doi.org/10.1787/data-00312-en>) and the European Commission Labour Market Policy database (<https://ec.europa.eu/social/main.jsp?catId=738&langId=en&pubId=8126&furtherPubs=yes>).

Source: (OECD, 2023^[2]), OECD/EC Labour Market Programme Database, <http://dx.doi.org/10.1787/data-00312-en> and OECD (2022^[3]), *The scope and comparability of data on labour market programmes*, <https://www.oecd.org/els/emp/ALMPdata-Scope-and-Comparability.pdf>

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Figure 4.3 presents a more detailed overview of this picture in the Nordic region and on average across the OECD, showing expenditure on different ALMP categories (defined according to the OECD/EC LMP Database) as a percentage of GDP.⁴ Overall, **Nordic countries on average typically outspend the OECD average in all categories of active labour market measures except direct job creation and start-up incentives.**⁵ However, within each category of active labour market measure variations do exist across the Nordic countries.

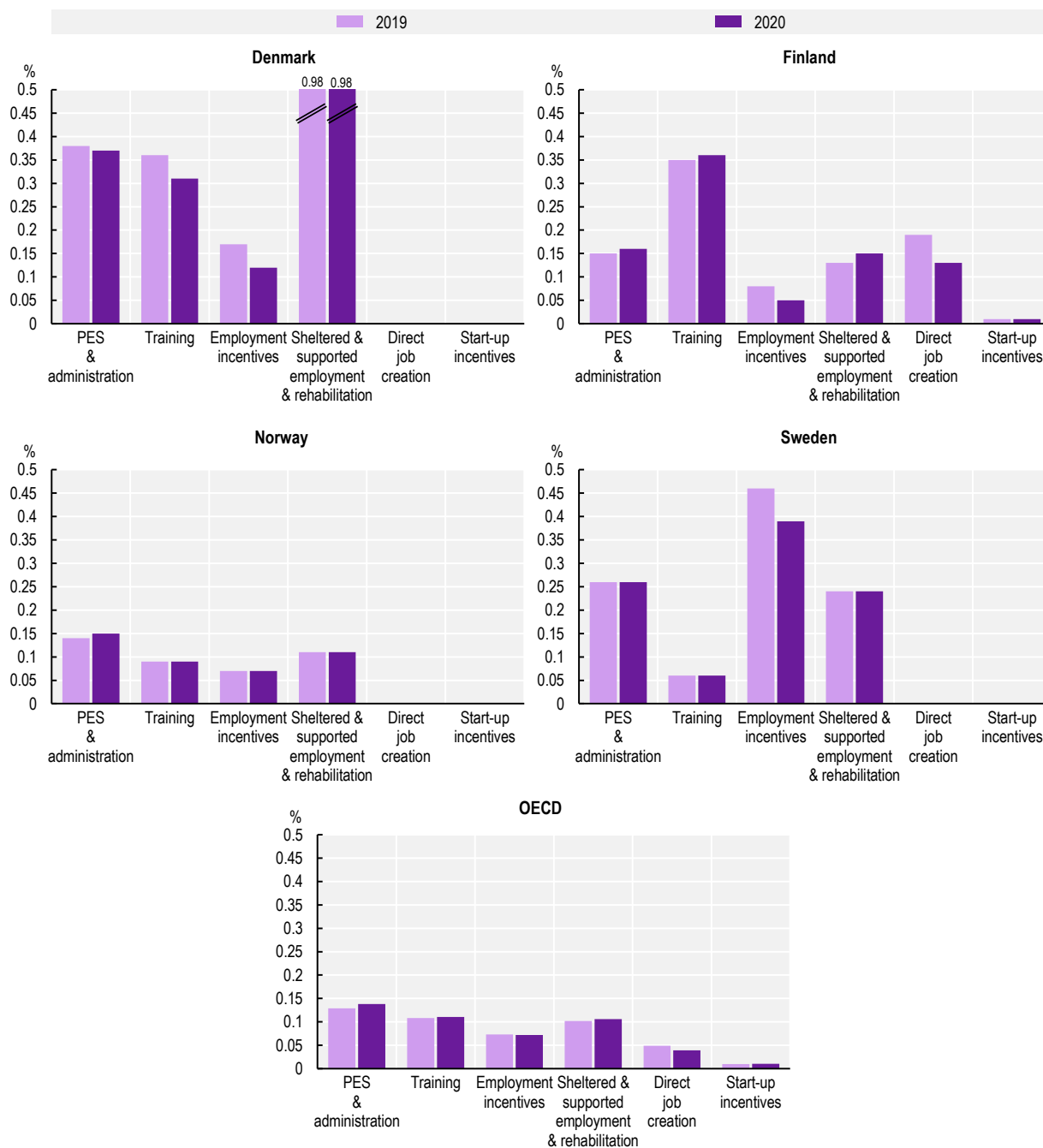
- Pre-pandemic, Nordic countries on average were spending twice as much (0.22% of GDP) on **PES and administration** as OECD countries on average (0.13% of GDP). Expenditure in this area covers the areas of client services (information services and case management), other activities (including the administration of supports and measures) and the costs of staff involved in the provision of the PES services and activities. Upon the onset of the pandemic, increases – albeit small – were made to spending PES and administration – with Nordic countries on average increasing spending to 0.24% of GDP and OECD countries spending 0.14% of GDP on average. Evidence suggests that this category of intervention tends to be the most efficient (often in terms of both effectiveness and costs) form of ALMP expenditure (Card, Kluve and Weber, 2018^[4]; Brown and Koettl, 2015^[5]; Dar and Tzannatos, 1999^[6]; Kluve, 2010^[7]). Even though the pandemic cultivated unique conditions – particularly in its early stages – it was still crucial for PES to continue to operate and provide such essential services (including through digital channels), despite public health restrictions impacting economic activity.
- Nordic countries spent 0.22% of GDP on **training** measures compared to the OECD average of 0.1% in 2019. These higher average levels of spending in the Nordic region were driven by exceptionally high expenditure allocations to training in Denmark (0.36% of GDP) and Finland (0.35% of GDP), with Norway and Sweden both trailing behind the OECD average. During the pandemic, OECD countries on average introduced a minor increase to their spending on training measures (0.11% of GDP). In the Nordic region spending on training in 2020 was largely unchanged (at an average of 0.21% of GDP), with Finland being the only country to see a higher share of spending allocated to training (albeit a small increase). Training interventions are important tools in actively addressing the barriers to employment and improving the competencies

of individual jobseekers. In addition, training can be crucial to addressing skills mismatches in the labour market; a factor of utmost importance at present given the labour shortages being faced across the Nordic region.

- **Employment incentives** aim to stimulate the demand for labour by incentivising the hiring of unemployed jobseekers by employers, often in the form of hiring subsidies to assist with labour costs. Nordic countries typically have higher expenditure on employment incentive measures than what is seen across the OECD as a whole, seeing spending of 0.2% of GDP in 2019 compared to the OECD average of 0.07%.⁶ This was driven in particular by Sweden and Denmark, who both outspent the OECD average by a considerable amount (0.46% and 0.17% of GDP respectively in 2019). Sweden saw the highest level of spending allocated to employment incentives within the Nordic region in 2020 (0.39% of GDP), far exceeding the OECD average. In addition, this category alone accounts for the highest share of spending on ALMPs in Sweden and was a significant focus of the country's ALMP response to the COVID-19 pandemic.
- **Sheltered and supported employment and rehabilitation** measures aim to support the labour market integration of vulnerable groups, primarily of people with disabilities or reduced capacity to work, and typically involve the use of recruitment subsidies to promote the hiring of these individuals. In this area, Nordic countries typically out-spend their OECD counterparts (which spent 0.1% of GDP on average in 2019, compared to the average in the Nordic region of 0.37%). In 2020 again, Nordic expenditure in this area was again higher than the OECD average. Denmark is undoubtedly the driving force behind the comparatively higher levels of spending on sheltered and supported employment seen in the Nordic region, where almost 1% of GDP was allocated to such measures in both 2019 and 2020. Outside of PES and administration activities, this is the highest area of ALMP expenditure in Norway, where a significant share of ALMP spending and efforts are targeted at persons with reduced work capacity – which is a structural rather than cyclical issue.
- **Direct job creation** measures, which see the creation of additional jobs in order to assist long-term unemployed or other vulnerable jobseekers into employment (usually in low-added value jobs in the public sector), do not feature in the ALMP packages of Denmark, Norway and Sweden. Empirical evidence on the effectiveness of these programmes is dubious, with analysis by Card, Kluve and Weber (2018^[4]) finding that direct job creation measures are largely ineffective into bringing people back to open-market employment. However, Finland typically spends higher than the OECD average in this area, including in 2020 where spending was equivalent to 0.13% of GDP (compared to the OECD average of 0.04% of GDP). This is a historically driven trend originating from the post-World War II period, which saw over half of jobseekers at the time gaining employment via public works schemes (Duell, Grubb and Singh, 2009^[8]). At the time, public works (which are a form of direct job creation) were largely the only income support available. While their prevalence has decreased over the decades that followed, their historical basis explains their comparatively higher usage in Finland still today.
- **Start-up incentives** provide an alternative route to the labour market by providing support to those jobseekers interested in starting their own business and becoming self-employed. In the Nordics, start-up incentives are only part of the ALMP basket in Iceland, Finland and Sweden but – in line with OECD-wide trends – account for a very small fraction of overall ALMP expenditure (0.01 and 0.005% of GDP in 2020 in Finland and Sweden respectively).

Figure 4.3. The composition of the ALMP basket differs across the Nordic region

Expenditure (as a percent of GDP) on ALMPs in Nordic countries and the OECD, 2019 and 2020



ALMPs: Active labour market programmes; GDP: Gross domestic product; PES: Public employment service.

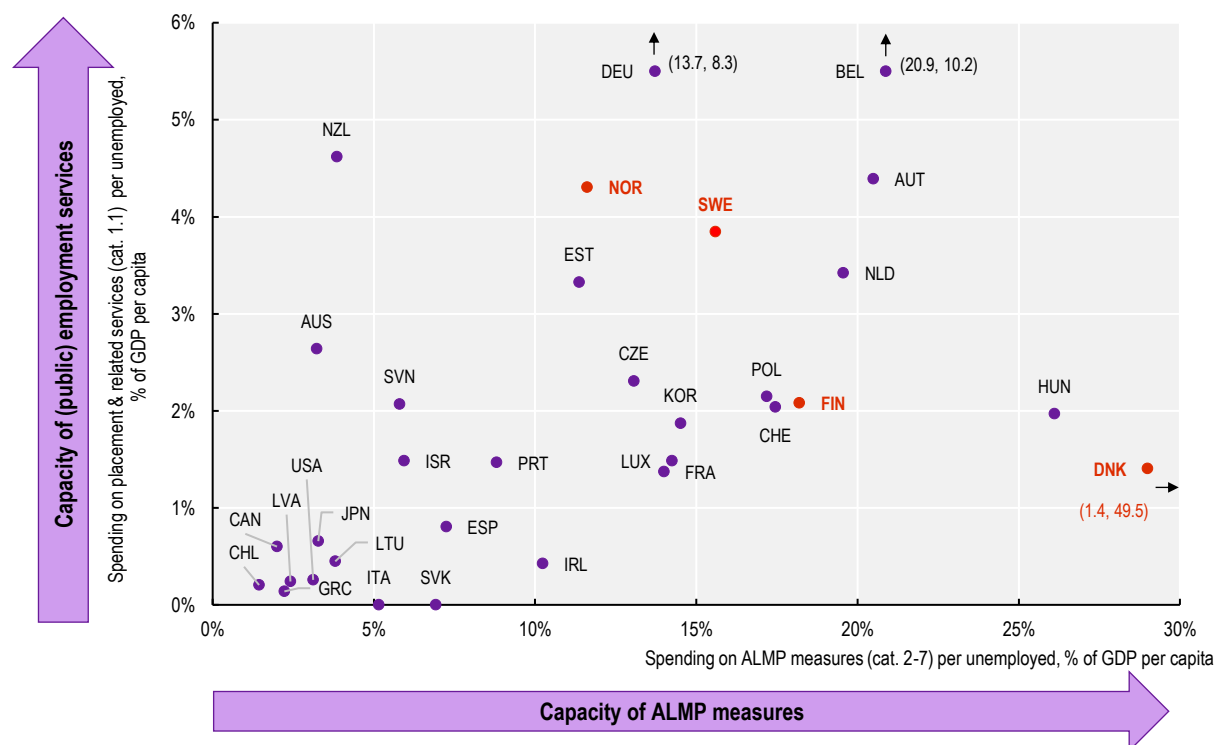
Note: OECD is an unweighted average for the different types of employment support published in the OECD/EC Labour Market Programme Database and excludes Colombia, Costa Rica, Greece, Iceland, Israel, Korea, New Zealand, Türkiye and the United Kingdom where there are no or incomplete data. Data excludes category 4.2 (Employment maintenance incentives), which during the COVID-19 pandemic included some furlough-type schemes which are not considered ALMPs.

Source: (OECD, 2023^[2]), *OECD/EC Labour Market Programme Database*, <http://dx.doi.org/10.1787/data-00312-en>.

Examining ALMP expenditure can also be useful in providing some insights on the capacity of a country's ALMP system, as shown in Figure 4.4. PES capacity, along with the organisation and regulatory set-up of ALMP provision, is an important driver of PES performance. Empirical evidence underpins this, including, for example, in studies of a Finnish experiment which saw PES counsellors moved to municipalities in the region of Pirkanmaa. The experiment resulted in positive boosts to labour market outcomes, which was found to not only be influenced by the change in organisational set-up, but was also linked to increased PES capacity and ALMP expenditure (Arnkil, 2019^[9]; Scharle et al., 2018^[10]).

Figure 4.4. Key indicators of ALMP system capacity

ALMP expenditure by OECD country in 2020



ALMP: Active Labour Market Policy.

Note: *Capacity of (public) employment services*: Publicly funded expenditures on placement and related services (category 1.1) per unemployed person as a percentage of GDP per capita (i.e. other expenditures in category 1, above all expenditures on benefit administration, are excluded). *Capacity of ALMP measures*: Publicly funded expenditures on ALMP measures (categories 2 to 7: training, employment incentives, supported employment and rehabilitation, direct jobs creation, start-up incentives) per unemployed person as a percentage of GDP per capita. Expenditures on ALMPs per unemployed as a percentage of GDP per capita are calculated as expenditures on ALMP relative to GDP multiplied by population size over the number of unemployed.

Unemployed according to the International Labour Organization (ILO) definition of unemployment and based on OECD Labour Force Statistics. For detailed ALMP categories, see <http://www.oecd.org/els/emp/Coverage-and-classification-of-OECD-data-2015.pdf>.

Source: (OECD, 2023^[2]), OECD/EC Labour Market Programme Database, <http://dx.doi.org/10.1787/data-00312-en>; the United Nations Population Prospects and the OECD dataset LFS by sex and age (for unemployed), <http://stats.oecd.org/Index.aspx?QueryId=9571>.

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The horizontal axis of Figure 4.4 presents expenditures on active labour market measures per unemployed person as a percentage of GDP per capita in 2020. By taking into account the level of unemployment in the country, this measure gives an indication of the effective capacity of the ALMP system, relative to the economy's overall productive capacity, to provide jobseekers with access to interventions designed to

assist their labour market integration. The vertical axis shows spending on placement and related measures per unemployed person as a percentage of GDP per capita in 2020. This provides an approximation of PES capacity in terms of staff levels and caseloads. Taking these two measures together, countries in the top right quadrant of Figure 4.4 – which have both well-funded placement services and active labour market measures – are more likely to have had the capacity to absorb the initial shockwaves of the pandemic (Lauringson and Lüske, 2021^[11]). In general, Nordic countries perform well against these metrics suggesting strong effective ALMP capacity in face of the COVID-19 crisis and the ability to reallocate resources as necessary. It is important to note, however, that these indicators do not capture all information that would be required to fully understand a country's ALMP capacity – including the level of digitalisation present (which can reduce staff case and workloads) – or the quality of the services provided. Furthermore, strong capacity – as was the case in Nordic countries – does not entirely mitigate the need for expenditure increases and reallocations upon the onset of a crisis, in order to ensure that the level and effectiveness of service does not decline as caseloads increase.

4.3. Nordic PES adapted their operating models to ensure service continuity and adapt to new challenges that emerged during the pandemic

Faced with dramatically changed circumstances and a variety of challenges resulting from the COVID-19 pandemic, Nordic PES – like those across the OECD – implemented a variety of changes and adaptations to their strategies and operating models to ensure service continuity. This section explores these adaptations to PES staffing levels and operating models, including changes to delivery models, increased use of digitalisation and the temporary relaxation of job-search requirements for jobseekers.

4.3.1. Faced with unprecedented demand for services, Nordic PES took action to boost staffing levels

PES staff resources quickly became under pressure following the onset of the pandemic, faced with rapid increases in newly unemployed jobseekers and applications to job retention schemes. As a result, the majority of Nordic countries were faced with the need to increase PES staffing levels (Table 4.1). Accordingly, **Finland, Iceland, Norway and Sweden reallocated existing PES staff** – an action taken also by about two-thirds of OECD countries (OECD, 2021^[12]).⁷ This level of flexibility and adaptability enabled Nordic PES to quickly prioritise staff to critical services and activities, most commonly the processing of benefit applications. While staff reallocations helped alleviate some of the pressure in the beginning, the persistence of the pandemic saw countries needing to take further steps to boost human resource capacity. Accordingly, **Finland, Iceland, Norway and Sweden hired additional PES staff** in 2020, a trend also seen in 55% of OECD countries.

As the focus of PES moved away from the immediate crisis response of registering clients and protecting and securing incomes and into the phase of providing proactive support to clients via their ALMP offerings, newly allocated and hired staff became increasingly focussed on these efforts and activities. In Iceland, when boosting PES human resources, particular attention was paid to the profile of client inflows, resulting in the hiring of PES counsellors with foreign language skills to be able to serve those who do not speak Icelandic. This was in response to the prevalence of foreign-born individuals among those workers displaced by the pandemic and associated restrictions.

As the COVID-19 crisis recedes and as pressure on PES declines, it will be important to reduce PES staff capacity accordingly. In Nordic countries, boosts to staff numbers are largely temporary and can be expected to be phased out as the crisis alleviates. The use of external contracted service providers is one route that can provide flexibility in this area and can allow PES capacity to easily move in tandem with unemployment levels.

This is the case in Sweden where ongoing PES reform means that in-house personnel levels have been reduced, with a move towards greater reliance on private providers of job coaching. Therefore, in face of rapidly growing unemployment in the initial months of the COVID-19 pandemic, the Swedish PES acted quickly to ramp up the hiring of external job coaches to meet the new levels of demand for services. These external job coaches managed significant caseloads over the course of the pandemic, handling 127 800 unemployed jobseekers in 2020 and 215 900 in 2021. These caseload numbers represented a significant increase from the pre-pandemic level managed by Swedish external job coaches, where external job coaches dealt with 56 300 jobseekers in 2019 or just above one-quarter of the 2021 peak level.

4.3.2. Strong digital foundations allowed Nordic countries to make swift changes to their PES operating models and modes of delivery during the crisis period

PES across the OECD had to make changes to their way of doing business during the pandemic. These changes often included enhanced digitalisation in order to support increased caseloads and to enable service continuity in face of limitations to in-person service provision (OECD, 2022^[13]; OECD, 2022^[11]). As a result, the COVID-19 pandemic has undoubtedly contributed to accelerating the digital leap of PES across the OECD.

In the Nordic region, this trend was no different, with increased levels of digital service delivery most prevalent in the areas of job-search support, counselling and training. However, **in Nordic countries the digital capacity of PES pre-COVID was significantly stronger than the OECD average**, with many central PES activities already possible on a remote or digital basis prior to the crisis (Table 4.3). This allowed for a comparatively smoother transition to meet the sudden need for much greater reliance on digital or remote services during the crisis. Building on this strong digital foundation, many Nordic PES further enhanced their digital capabilities, implementing digital/remote solutions where not previously available and making further changes and improvements to activities already available on a digital/remote basis pre-COVID.

Table 4.3. Nordic countries had strong digital foundations, offering remote/digital access to many services pre-COVID and made further advancements during the pandemic

Status of digital or remote access to selected PES services in each Nordic country and across the OECD

	Claiming of unemployment benefits	Registration as unemployed with PES	Job search assistance	Counselling	Job matching
Denmark	Possible pre-COVID	Possible pre-COVID	Introduced during COVID-19 pandemic	Introduced during COVID-19 pandemic	Introduced during COVID-19 pandemic
Finland	Possible pre-COVID, but adapted further in response	Possible pre-COVID, but adapted further in response	Possible pre-COVID, but adapted further in response	Possible pre-COVID, but adapted further in response	Possible pre-COVID, but adapted further in response
Iceland	Possible pre-COVID	Possible pre-COVID	Possible pre-COVID, but adapted further in response	Possible pre-COVID, but adapted further in response	Possible pre-COVID
Norway	Possible pre-COVID, but adapted further in response	Possible pre-COVID, but adapted further in response	Possible pre-COVID, but adapted further in response	Possible pre-COVID, but adapted further in response	Possible pre-COVID, but adapted further in response
Sweden	Possible pre-COVID	Possible pre-COVID	Possible pre-COVID	Possible pre-COVID	Possible pre-COVID
Percentage of OECD countries where it was possible pre-COVID	64%	73%	82%	36%	73%

Note: Percentage of OECD countries where remote/digital access was possible pre-COVID includes those where it was possible pre-COVID and no adaptation was implemented, as well as those countries where it was possible pre-COVID but was adapted further in response to the crisis. Remote, but not digital, typically refers to activities taking place over the phone. The status of digital services is divided into three categories, each represented by a different colour in the table. While not possible pre-COVID, Denmark utilised digital/remote counselling during the pandemic with digital engagement now an option for all jobseekers once they reach six months in unemployment.

Source: OECD (2021^[12]), Active labour market policy measures to mitigate the rise in (long-term) unemployment: A summary of country responses to the OECD/EC questionnaire, <https://www.oecd.org/els/emp/almppmeasurescovid19.pdf>.

Improvements related to the digitalisation of services for jobseekers during the pandemic period can be categorised into two main areas (OECD, 2022^[13]):

- **Interactive or active digital service provision** – this involved PES implementing measures to facilitate remote or digital counsellor-client engagements when in-person engagement was not possible. Digital/remote counselling was already possible in all Nordic countries except Denmark prior to the pandemic. Therefore, no new systems had to be developed, with these countries solely needing to scale up what was already in place. While remote engagement was not an option in Denmark pre-COVID, strong pre-existing digital and e-government infrastructure made for a relatively smooth transition to digital provision. In addition, positive experience among Danish PES clients and staff has seen a regulatory change introduced to make digital counselling a permanent option for all jobseekers unemployed for six months or longer. Further interactive digital service activities were also engaged in, including newly introduced job search training webinars in Sweden (European Network of Public Employment Services, 2022^[14]).
- **Static or passive online support** – this involved the design and implementation of online tools and resources to enable self-service for clients. Such tools were particularly useful in providing newly unemployed jobseekers with information on services available to them in a timely manner and alleviating pressure on PES staff by allowing jobseekers to access this information themselves. In this domain, the Icelandic PES implemented a chatbot tool, *Vinný*, on their website. This tool primarily facilitated clients in claiming unemployment benefits, but also provided support in other areas including assisting clients with job search. In Norway, PES call centres quickly became overwhelmed. To combat this, the Norwegian PES made improvements to its website and its

pre-existing chatbot, *Frida*, launched in 2018. *Frida* proved to be an extremely useful tool for the Norwegian PES, providing a much-needed boost to capacity in face of a 250% increase in enquiries and handled over 270 000 queries from citizens in the first few weeks of the pandemic alone (Boost AI, n.d.^[15]). During the pandemic's busiest periods, *Frida* was handling a volume of queries equivalent to the work capacity of 220 full-time employees. As a result, the tool was a huge success in providing information to citizens, while mitigating the need for further increases to personnel (including temporary ones).

In addition to further developing their digital capabilities, **Nordic PES also engaged new operations to tackle the unprecedented solutions – including regional initiatives to address local challenges** arising from the pandemic. An interesting example of PES engaging in new operations to tackle the unprecedented situation is that of the temporary job centre established at Copenhagen Airport, where impacted workers in the sector could receive counselling and retraining opportunities (Box 4.2). Further examples of adaptations to operating models include Iceland's PES opening a dedicated Polish language phone line in response to the prevalence of Polish workers in certain sectors of the Icelandic labour market (including the construction and service sectors).

The implementation of changes to PES operating models during the pandemic were not without challenges in some Nordic countries. One of these challenges, identified by stakeholders, was that they were not able to run sufficient checks when implementing changes to IT systems, as would be the case in normal times, due to the need for immediate action during the pandemic period. This was a challenge noted by the PES of both Norway and Iceland in adapting their IT infrastructure during the pandemic period. Similarly, in Denmark, shortcuts were taken to facilitate swift regulatory changes to ALMPs and PES operations – a process that is typically entrenched in an extensive regulatory process (this is discussed further in section 4.5.1). As a result, the full consultation of stakeholders that usually goes in tandem with such changes was not able to take place and the frequent changes to measures and operating models in the early phases of the pandemic became burdensome for job centre staff due to a lack of stability and constantly changing advice.

Box 4.2. Denmark: Temporary job centre at Copenhagen Airport

Due to the decentralised nature of the Danish PES, municipalities had the flexibility to implement regional initiatives to tackle the aspects of the COVID-19 crisis pertinent and unique to their locality. An example of one such regional initiative took place in Tårnby, home to Copenhagen Airport, the largest workplace in the municipality. At the time, approximately 22 000 employees were employed in approximately 1 000 companies in and around the airport.

Due to the significant impact of the pandemic on tourism and travel, which saw traveller numbers drop by 99%, Copenhagen Airport and associated companies were severely hit. Therefore, in the summer of 2020 the Danish PES in the Tårnby municipality – in co-operation with unions, the Ministry of Employment, SAS (Scandinavian Airlines) and Copenhagen Airport – established a temporary job centre at the airport. Impacted workers could receive advice, job search assistance and access to training opportunities. The service was open to both workers facing reduced activity and those laid off, meaning employees continuing their employment at the airport had the opportunity to upskill and laid off workers could enhance their skills and competencies to assist them in finding new employment elsewhere. In the lifetime of the temporary job centre, 1 500 people benefitted from its services between 2020 and 2021.

Source: CPH (2021^[16]), *Annual Report 2020*, <https://www.cph.dk/en/about-cph/investor/announcements/2021/3/annual-report-2020>; CPH (2021^[17]), *Copenhagen Airports: Group Annual Report 2020*, https://www.cph.dk/495dd5/globalassets/8.-om-cph/6.-investor/arsrapporter/2020/kl_ar_2020_uk_final.pdf; CPH (2020^[18]), *CPH: Fruitful negotiations leading to fewer redundancies*, <https://www.cph.dk/en/about-cph/press/news/2020/8/cph%20fruitful%20negotiations%20leading%20to%20fewer%20redundancies>; Routes (2020^[19]), *Tårnby will secure the jobs of the future at Copenhagen Airport with a new counselling and job centre*, <https://www.routesonline.com/airports/2392/copenhagen-airports-as-cph/news/291642/tarnby-will-secure-the-jobs-of-the-future-at-copenhagen-airport-with-a-new-counseling-and-job-centre/>.

4.3.3. Nordic countries moved to relax job-search requirements for jobseekers in response to prevailing public health restrictions and weak labour market conditions

Plummeting numbers of job vacancies in the early stages of the COVID-19 pandemic meant that it was not practicable to maintain the mutual obligation for jobseekers to actively search for a job while receiving unemployment benefits. As a result, just over one quarter of OECD countries opted to retain these job-search requirements, with remaining countries either making changes to or suspending them altogether in their initial response to the crisis (OECD, 2021^[20]). In the Nordic region, all countries made changes to their job-search requirements during the COVID-19 period, including temporary suspensions in Denmark, Iceland and Norway at the very beginning of the pandemic.

4.3.4. Key takeaways

While a rapid response to the labour market consequences of the pandemic was necessary, this speed was not without challenges. These challenges included the inability to implement proper quality checks and tests when introducing new tools and systems (Iceland and Norway), not being able to fully consult relevant stakeholders to the level that would usually take place, and knock-on effects on frontline PES staff from rapid changes taking place in quick succession (Denmark).

Nordic PES were generally well able to respond to the unprecedented demand for employment services and applications for unemployment benefits and job retention schemes. Nordic PES responded quickly by boosting staffing levels (both via reallocation of existing staff and hiring new staff) and utilising external providers to bolster capacity (in the case of Sweden). In addition, digital tools (such

as the chatbots utilised in Norway and Iceland) helped PES to cope with the heightened demand for information services and alleviated some pressure on PES staff.

Most Nordic countries decreased their ALMP expenditure in 2020 relative to 2019 (as a share of GDP). This was opposite to the trend seen in most OECD countries in their response to the COVID-19 crisis. Despite this reduction, ALMP expenditure in the region remained above the OECD average in most Nordic countries. The different trend in the Nordic region may be explained in part by the priority of Nordic countries in the early stages of the pandemic to protect incomes and workers (see Chapter 3), the greater investment of these countries in ALMPs prior to the pandemic (on average significantly higher than the OECD average) and the strong level of PES digitalisation present pre-COVID (meaning no significant investments were required in this area).

The strong digital infrastructure present in the PES of the Nordic countries pre-COVID meant that they were well paced to transition employment services to digital or remote delivery upon the onset of the crisis. Many of the key activities in the case management and job-search support process were possible online or remotely before the pandemic, meaning that in most cases services only had to be ramped up to cater to the new environment and challenges. In addition, passive tools such as chatbots proved useful in boosting capacity at a time when human resource capacity was under significant pressure. Overall, Nordic countries report that digital engagement worked well for both staff and customers and is to remain part of the suite of services going forward. This includes Denmark, where digital engagement was not possible pre-COVID, but a recent regulatory change means it is now a permanent option for all jobseekers once they reach six months of unemployment. This positive experience reported across countries was greatly facilitated by the widespread adoption of digital technologies by Nordic PES, and in public services more generally, prior to the pandemic.

Despite enhanced digital service delivery, tailored solutions for certain individuals or groups were generally not introduced by Nordic countries. The pandemic risks leaving deep scars on some vulnerable groups of people who already faced multiple and complex labour market barriers pre-COVID. These groups require integrated, comprehensive and well-targeted support from the PES, as well as other institutions providing social, health and education services. In the Nordic region, adaptations to job-search support and counselling during the COVID-19 period were generally broad changes affecting all jobseekers – primarily seeing these services moved to digital or remote delivery. This kind of remote or digital engagement may not be the most suitable way to support these groups, who typically benefit more from personalised intensive support. Other groups with limited digital skills and partial or no means of access to digital services (i.e. no access to the internet or a device) may also have been left out during the period in which only digital service provision was possible and until in-person meetings resumed.

4.4. To respond to the new labour market landscape and the needs of their clients, Nordic PES took steps to expand and adapt the design of ALMPs

OECD countries made significant changes to their ALMP offerings to make sure that they were better suited to the needs of the labour market during the pandemic and provide better support to displaced jobseekers. Across the OECD, changes to ALMPs were most common in the areas of job-search support and counselling, training and employment incentives – with countries making a variety of adaptations, including to target groups, delivery models or channels and altering their offerings to better support sectoral and occupation reallocation (Figure 4.5 and (OECD, 2022^[1]).

Figure 4.5. OECD countries adopted a variety of changes to the design of ALMPs in response to the COVID-19 crisis

Share of OECD countries where the design is different in 2021 compared to pre-crisis (2019)



Note: For job-search support and counselling: statistics based on 32 country responses (excludes Canada, Colombia, Israel, the Netherlands, Norway and the United Kingdom); for training: based on 33 country responses (including Canada); and for employment incentives: based on 30 country responses (excluding Costa Rica, Germany, Mexico and the United States and including Colombia). Only ALMP categories with the largest changes are shown. The changes might have taken place either in 2020 or in 2021.

Source: (OECD, 2022^[1]), *OECD Employment Outlook 2022: Building Back More Inclusive Labour Markets*, <https://doi.org/10.1787/1bb305a6-en>.

StatLink  <https://stat.link/goa8mn>

Nordic countries also adapted their ALMP offerings to respond to the challenges of the COVID-19 pandemic. The policy mix and spread across the various categories of ALMPs varied within Nordic countries (Table 4.4) and was, in some cases, smaller in scope than seen on average across the OECD (OECD, 2021^[20]; OECD, 2022^[1]). For the most part, these changes in the Nordic countries primarily occurred in the latter stages of the pandemic, as societal and economic activity could gradually resume. This is because much of the day-to-day ALMP activity (outside of job-search support and counselling) was temporarily put on pause by Nordic countries in the early phases of the pandemic as a result of public health restrictions and due to the view within the region that such policies had limited potential in this crisis (particularly in 2020). Furthermore, the comparatively narrow ALMP response may have been impacted by the already high levels of investment in ALMPs pre-pandemic (as discussed in section 4.2.2), giving Nordic PES a comparatively stronger position in terms of capacity upon the onset of the crisis.

Nordic countries primarily altered ALMP measures already in place prior to the pandemic, with the introduction of entirely new policies or measures taking place to a far lesser extent (Table 4.4). They both expanded existing measures via additional resourcing and adapted their design to better respond to the new challenges brought about by the pandemic. Similar to the trend seen across the OECD on average, changes to ALMPs in the Nordic region were most commonly seen in the areas of job-search support and counselling, training and employment incentives.

Table 4.4. Nordic countries primarily expanded and adapted existing measures to adapt the ALMP provision during the pandemic period

Summary of main changes to ALMPs undertaken in response to the pandemic by country and type of change, March 2020-March 2022

	Denmark	Finland	Iceland	Norway	Sweden
Job-search support and counselling					
Expanded or adapted existing measure(s)	X	X	X	X	X
Introduced new measure(s)	X			X	
Training					
Expanded or adapted existing measure(s)	X	X	X		X
Introduced new measure(s)	X	X	X	X	
Employment incentives					
Expanded or adapted existing measure(s)	X		X	X	X
Introduced new measure(s)			X	X	
Start-up incentives					
Expanded or adapted existing measure(s)		X	X		X
Introduced new measure(s)					

Note: The ALMP categories of sheltered and supported employment and rehabilitation and direct job creation are not represented in this table, as no changes took place in these policy areas. Changes identified in the category of training also include non-ALMP or labour market training, primarily measures to facilitate access to mainstream education and training programmes for jobseekers while maintaining their benefit entitlements. The type of change to ALMPs is divided into two categories (expanded/adapted an existing measure or introduced a new measure), each represented by a different colour in the table.

Source: Information provided by national authorities through questionnaires and qualitative consultations.

4.4.1. Job-search support and counselling

Faced with public health restrictions on face-to-face interactions limiting the ability for PES to deliver their services in the typical in-person fashion, almost **nine in ten OECD countries implemented design changes to their provision of job-search support and counselling**. Similar changes were also seen in the Nordic region, where all five countries introduced changes to the provision of job-search support and counselling services. The majority of these changes centred on improving and expanding digital and remote service delivery to enable service continuity, including the introduction of digital counselling for the first time in **Denmark** – see previous section on adapting and changing PES operating models.

Norway made use of newly introduced digital job clubs to further assist jobseekers to find employment by promoting more active job search. The digital job club course takes place over a period of up to six weeks, focussing on providing knowledge on effective job search skills (including CV-writing guidance, interview training, information on different avenues for job search, etc.) and building self-motivation (including learning how to market your abilities to potential employers, enhancing motivation and self-esteem and developing a career plan). The digital job club comprises of tailored components, such as individual career guidance, and group-based activities, including group work and opportunities to share experiences with other jobseekers (NAV, 2022^[21]; NAV, 2022^[22]). These digital job clubs saw significant take-up, with almost 15 800 individuals participating in 2021 alone (this includes new registrants to digital job clubs and existing registrants to job club services that were changed to digital provision due to the pandemic).

Several Nordic countries also improved the prioritisation and targeting of job-search support and counselling. The Norwegian PES introduced an increased number of places for more intensive follow-up for those furthest from the labour market. In Finland, additional investments were made to employment services for young people, including extra funding to one-stop-shop guidance centres (*Ohjaamo*) for young people. In **Sweden**, prioritisation and targeting of job-search support and counselling evolved over the course of the pandemic. In the early stages, the Swedish PES ramped up job coaching (provided by

external job coaches) for newly unemployed jobseekers. In the spring of 2021, this focus transitioned to the long-term unemployed (jobseekers unemployed for 12 months or more); a cohort that was growing rapidly. Accordingly, the Swedish PES set out to increase the proportion of job-coaching services provided to the long-term unemployed. In doing this, the PES set a goal of allocating 80% of job coaching capacity to the cohort of long-term unemployed jobseekers (before spring 2021 the rate was approximately 60-70% newly unemployed).

4.4.2. Training and further education

Faced with a rapidly changed labour market, training measures formed a vitally important feature of the ALMP response across OECD countries. **Across the OECD, the expansion of training was widespread in efforts to upskill workers at risk of pandemic-related displacement and to assist in the reallocation of workers** (see Chapter 5 for further discussion of skills policies).

Across the OECD, and in the Nordics, training provision shifted to largely online provision following the onset of the COVID-19 pandemic. In the Nordic region, this proved to be a relatively smooth transition, due to the strong digital foundation in the countries prior to the pandemic. In addition to new delivery channels, Nordic countries also introduced specific short courses to meet urgent labour market needs. For example, Finland operated rapid retraining to displaced jobseekers for the agricultural sector, which was unable to obtain labour from abroad – a hiring approach common in the sector pre-COVID.

Several Nordic countries also made some efforts to better target training measures to groups most in need, including in Finland where EUR 60 million was allocated to enhance ALMPs, including training, for young people. Furthermore, Sweden changed the way labour market training was targeted as the pandemic and labour market situation progressed. In the beginning, training was targeted at newly unemployed jobseekers. However, later in the pandemic, because of rising long-term unemployment, the Swedish PES set a goal to increase the take-up of training among long-term unemployed jobseekers, primarily by attempting to actively channel them towards training measures.

In addition to changes to labour market training, **Denmark, Finland, Iceland and Norway facilitated take up of mainstream education and training programmes among unemployment benefit recipients** (as well as other people). Although not considered an ALMP, such initiatives improved access to formal (or higher) education for unemployment benefit recipients, a route that had not always been present prior to the pandemic. These initiatives are discussed in more detail in Chapter 5 (Section 5.2.1) and include temporary legislative changes in Norway and Finland to allow jobseekers to access training and higher education opportunities while maintaining their unemployment benefits. This facility has since been made permanent in the legislation in Norway.

These initiatives to enable access to education while in receipt of unemployment benefits were not without challenges in practice – which in turn had impacts on participation. The *Educational Lift* programme in Denmark and *Education as an Opportunity* in Iceland both sought to encourage jobseekers to upskill in areas of economic interest – particularly those sectors facing labour shortages at the time. In both countries, jobseekers could only take courses from a prescribed list – which may have proved too restrictive for some jobseekers. In addition, the Icelandic PES faced lower than expected participation in *Education as an Opportunity* likely due to combination of factors, including language requirements and the time-limited nature of the support, meaning that individuals who wished to continue this education for longer than one semester could only do so on a part-time basis for the remainder of their benefit eligibility or on a full-time basis unsupported by benefits. For many individuals, this would have required them to apply for student loans. Furthermore, many courses were only delivered in Icelandic, which may have acted as a barrier for some jobseekers.

The empirical literature on the effectiveness of ALMPs, including during times of crises (Card, Kluve and Weber, 2018^[4]), **supports the greater emphasis countries placed on training measures**,

especially during the early phases of the pandemic. Evidence surrounding long-term education and training programmes – such as those utilised by Nordic countries – indicates that participation can often be associated with lock-in effects. Findings indicate that participants are often less likely to accept a job offer and enter unsubsidised employment (as a result of reduced job search intensity) while undertaking the programme (OECD, 2021^[20]; Forslund, Fredriksson and Vikström, 2011^[23]). However, during times of economic downturn and reduced vacancies – as was the case during the height of the COVID-19 pandemic – such lock-in effects are less important. While Iceland's efforts to incentivise longer-term education uptake amongst jobseekers came quite late in the pandemic (in early 2021), the time-limited nature of the measure (with jobseekers only supported by unemployment benefits for one semester) meant that the heightened risk of lock-in effects due to the delay in the intervention were likely diminished.

4.4.3. *Employment Incentives*

Employment incentives aim to stimulate labour demand by incentivising and supporting the recruitment of jobseekers, often belonging to some target groups. **Employment incentives featured strongly among the ALMP response of most Nordic countries**, with activity in this area most commonly taking the form of adaptations to pre-existing initiatives. The use of employment incentives by Nordic countries largely took place in the later stages of the pandemic in order to promote the labour market recovery and as public health restrictions were gradually eased:

- The **Swedish** PES operated a dual-phase approach to the COVID-19 pandemic. Following the first phase (which focussed on digital job coaching and training of newly unemployed persons), the second phase aimed to address rising long-term unemployment. A key component of this phase was employment incentives, with the Swedish Government boosting the funding of such programmes from spring 2021 in order to incentivise employers to recruit individuals unemployed for 12 months or more. This additional funding facilitated the extension of the maximum duration of employment incentives from 24 to 36 months and the number of staff in the PES working to actively steer and prioritise long-term unemployed jobseekers towards these opportunities. In general, these were pre-existing employment incentive programmes, including the *Nystartsjobb* (new start jobs) and *Introduktionsjobb* (introductory jobs) measures which are primarily targeted at the long-term unemployed and newly arrived immigrants. Despite these changes to these measures, take-up was significantly below pre-pandemic levels. Approximately 50 800 and 51 200 individuals participated in *Nystartsjobb* in 2020 and 2021 respectively, below the pre-COVID participation level of over 63 100 in 2019. The take-up for *Introduktionsjobb* followed the same trend, but with comparatively smaller participation levels – with around 21 500 and 25 900 participants in 2020 and 2021, respectively, compared with 34 200 in 2019. In addition to the long-term unemployed, newly arrived immigrants are also part of the target group for both of these measures. A further employment incentive *Etableringsjobb* (entry jobs) is also under development, with the same target groups. This new scheme, originating from a social partner proposal, will see the subsidy paid to the individual rather than to the employer. While such initiatives are welcome, the numerous initiatives with overlapping target groups suggests a potential to consider the consolidation of some of these supports. This would be simpler for both employers and jobseekers interesting in participating and could leave room for the development of new initiatives for other target groups not captured by the current offering.
- In attempts to tackle the high numbers of young people who registered as unemployed during the COVID-19 pandemic, many with little or no work experience, the **Norwegian** PES introduced a summer job initiative in 2021 (*Sommerjobb*). This was a targeted subsidy to public and private sector enterprises that provided young jobseekers (aged 16 to 29) with work experience opportunities. Priority was given to long-term unemployed youth or those with reduced capacity to work. The goal was to help them with their future educational and career trajectories and to motivate them to continue to participate actively in the labour market. The Norwegian PES covered

50% of the young person's salary, or 75% of the salary for persons with reduced capacity to work, for up to four weeks and offered follow-up support to the participant during their time in the workplace (NAV, 2021^[24]; NAV, 2022^[25]). This programme saw 634 participants in 2021, a relatively small number in comparison to the number of young people (under 25 years) who took part in employment incentives in Norway prior to the pandemic (3 395 in 2019). Low take-up could be possibly explained by the limited duration of the subsidy, with young jobseekers and employers alike potentially having a preference towards longer-term employment opportunities.

- Similar to Sweden, the **Icelandic** PES pivoted its focus in spring 2021 to the use of employment incentives to encourage the recruitment of jobseekers in the recovering labour market. Through a newly introduced *Let's work* initiative, largely built on a pre-existing support, employers in Iceland could obtain wage support for up to six months per unemployed individual. To be eligible, employers had to – among other things – pay the employee's wages according to collective agreements and already have at least one employee working in the company. The amount of the subsidy was equal to the rate of unemployment benefit for individuals unemployed for six months or longer and half the rate of unemployment benefit for individuals unemployed for 3-6 months, with the employer paying the difference between the wage and unemployment benefits to the worker. In some cases, such as in the case of a person with a disability, there was a possibility for the subsidy to be extended beyond the six-month time limit. In addition to being available to private sector employers, the support was also opened up to NGOs and municipalities to participate, something that had never been previously possible but was implemented due to the unique nature of the crisis. Take-up for this initiative was positive, with over 7 800 jobseekers hired through the scheme in 2021 (316 of which were hired by NGOs and municipalities).
- Also in response to rising long-term unemployment, **Denmark** initiated a package of initiatives worth just over DKK 159 million (Beskæftigelsesministeriet, 2021^[26]). This suite of measures aimed to assist long-term unemployed jobseekers back into the labour market and included, inter alia, additional funding to an existing wage subsidy to those employers who recruit a jobseeker over the age of 50.

4.4.4. Start-up Incentives

Approximately one in five OECD countries expanded supports for jobseekers interested in becoming entrepreneurs, to support job creation as economies began to recover (OECD, 2021^[12]; OECD, 2021^[20]). **Start-up incentives, although small in scale and not a widespread component of ALMP provision all Nordic countries, were also adapted during the COVID-19 pandemic.**

In **Sweden**, the maximum duration of the financial support provided to jobseekers who start a business was temporarily extended from six to 12 months during the pandemic period. Through this scheme jobseekers receive, in addition to business advice and guidance, an activity grant that is equivalent to the amount of unemployment benefit for the duration of the programme to help them get their business off the ground (Arbetsformedlingen, n.d.^[27]; Verksamhet, 2022^[28]). By extending the duration of available support, take-up of these initiatives was sustained during the crisis period, with 4 352 and 7 532 beneficiaries in 2020 and 2021 respectively – both higher than the pre-COVID level of 4 222 seen in 2019. Similarly, **Finland** opted to increase the maximum duration of their start-up support for jobseekers from 12 to 18 months; a policy that remained in force until 31 December 2021 and saw 3 819 beneficiaries in 2020 and 4 392 in 2021. In **Iceland**, the PES adapted existing start-up incentives by expanding the target group – extending eligibility to foreign jobseekers. On average over 6 500 and 6 000 jobseekers benefited from these start-up incentives in 2020 and 2021, respectively, a significant increase on the pre-pandemic level of 2 600 seen in 2019.

4.4.5. Key takeaways

Nordic countries changed their ALMPs in response to the pandemic to a lesser degree than was typically seen across other OECD countries. Changes to ALMPs implemented by Nordic PES were mainly introduced in the later stages of the pandemic and largely focussed on scaling up or adapting pre-existing measures. In addition, these changes to ALMPs were narrower in some Nordic countries compared to other OECD countries, taking place across fewer ALMP categories. The decisions behind this approach may be partially linked to the already higher investment in ALMPs in these countries prior to the pandemic and the prioritisation of unemployment benefits and job retention schemes among Nordic countries, particularly in the early phases of the pandemic (Section 4.2.2).

Nordic PES made changes to further facilitate access to formal (or higher) education to jobseekers while maintaining their benefit entitlements in countries where this was previously not possible. This trend is well aligned with evidence from many countries around the world which shows that training programmes tend to be particularly effective in bringing people back to employment, especially during times of crises, where lock-in effects are limited. These opportunities in the Nordic countries, while often limited to learning in areas of economic interest, were primarily targeted towards formal higher education routes, which typically take multiple years to complete and generally require at least secondary-level education. As a result of this, as well as the overly restrictive course lists in some countries (which precluded jobseekers wishing to study in other areas or those with insufficient language skills or prior education from participating), take-up of some of these offers was often limited and below PES expectations.

The use of start-up incentives in the COVID-19 response was more common in Nordic countries than on average across the OECD. Sweden, Finland and Iceland – the only Nordic countries where start-up incentives form part of the ALMP mix – all made changes to existing initiatives by altering the targeting and maximum duration of supports. Take-up of these measures was strong and generally exceeded pre-pandemic levels.

Nordic countries did not introduce measures to target vulnerable groups specifically, instead introducing largely broad measures. While some broad measures can also be useful for vulnerable groups, comprehensive targeted supports are essential in supporting their successful labour market integration (OECD, 2021^[29]). Furthermore, the design of some measures (including associated prerequisites) may have precluded some persons from vulnerable groups from being able to participate – this includes the access routes to education introduced in several Nordic countries. For certain individuals in vulnerable groups, particularly those facing significant barriers to work, such education routes are generally not suitable. The same can also be said for the various employment incentives introduced by several Nordic countries. These broad measures largely focussed on providing the financial incentive for employers to recruit jobseekers and in most cases did not incorporate coaching and training for participants – elements that are important in generating positive outcomes for vulnerable groups (OECD, 2021^[29]).

Changes to ALMPs made in response to the COVID-19 pandemic were initially intended to be temporary. However, several Nordic countries have seen benefits to some of these measures, opting to make them permanent – including in further enhancing digital services. Examples here include the facility for jobseekers in Denmark to choose whether to engage with the PES in-person or digitally once they reach six months unemployment – an option that was not possible before the pandemic. In addition, in improving access to education and training for jobseekers, Norway has made permanent the ability to combine benefits with education and training. Furthermore, based on positive experiences both on the side of the PES and on the side of clients, many countries are continuing to invest in digitalisation efforts and in the IT infrastructure of the PES. This included the introduction of a new PES IT system in Iceland in May 2022 to improve matching and profiling capabilities, among other things. Finland also launched a new service in May 2022 – the *Job Market Finland*. This new online service, which has been light-heartedly described as the “Tinder of the labour market”, marked the first steps to further enhance digital employment

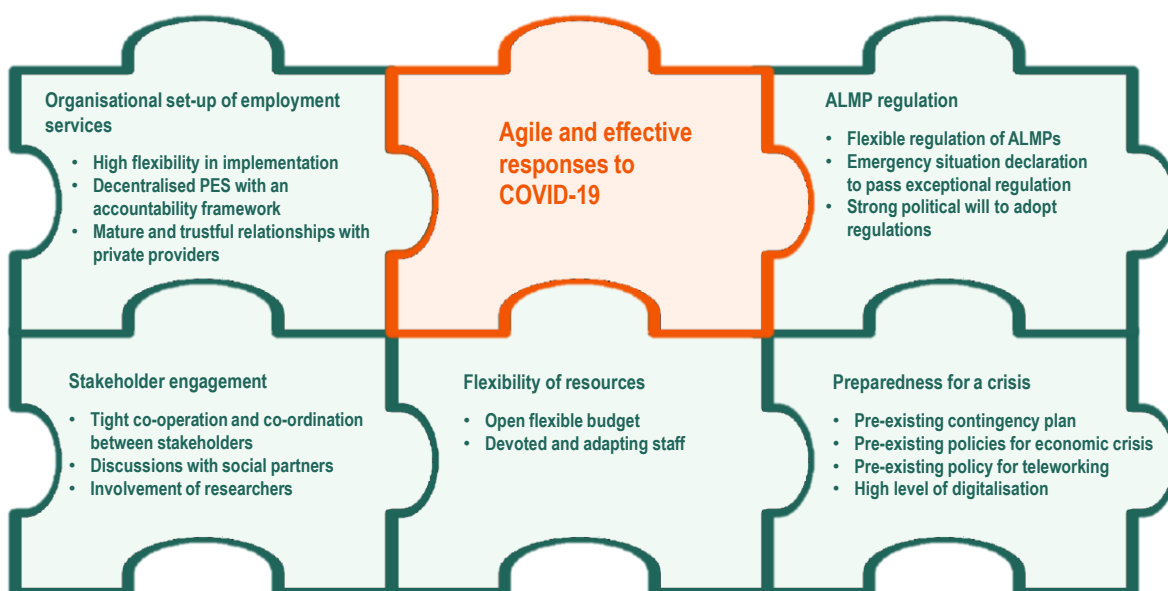
services in Finland. At present, it primarily encompasses an online job-matching service for jobseekers and employers.

Much of the changes to ALMP measures initiated by Nordic countries over the course of the pandemic were focused, directly or indirectly, on jobseekers displaced by the COVID-19 pandemic, with those unemployed before the crisis becoming a lesser priority. Consequently, long-term unemployment as a share of total unemployment rose during the pandemic period in some Nordic countries. Targeted initiatives to proactively help those who were unemployed before the pandemic and over the course of the crisis from becoming long-term unemployed were generally not present in the policy mix. Instead, countries largely took action to address the problem after levels of long-term unemployment began to rise. This meant these individuals were disadvantaged by the significant reduction in ALMP activity in the early days of the pandemic. While the prevalence of long-term unemployment has returned to pre-COVID levels in several Nordic countries, the region still faces a significant challenge in fully integrating those people who are still unemployed (including long-term unemployed individuals) into the labour market – driven by the skills mismatch, acknowledged by many Nordic PES, between their clients and prevailing labour shortages.

4.5. The institutional set-up of ALMP systems is a key determinant of the ability to respond to a crisis in an agile and effective manner

Certain key features of ALMP systems were very important in determining the ability to respond in an agile and effective way to the labour market challenges of the pandemic. Among these features is the organisational set-up of employment services, the regulatory set-up of ALMP provision and the level of stakeholder engagement (OECD, 2021^[20]). This section explores these elements by providing an overview of the institutional set-up in Nordic ALMP systems, while highlighting the role played by the social partners.

Figure 4.6. Key features of ALMP systems for agile and effective responses to COVID-19



Source: OECD (2021^[20]) *OECD Employment Outlook 2021: Navigating the COVID-19 Crisis and Recovery*, <https://doi.org/10.1787/5a700c4b-en>.

4.5.1. The institutional set-up of ALMP provision gives Nordic countries some flexibility

Countries' ALMP and PES responses to the COVID-19 pandemic depended in part on their institutional set-up of ALMP provision. Both the organisational set-up (i.e. how different institutions are involved in the provision of ALMPs) and the regulatory set-up (i.e. how the rules for the design and delivery of ALMPs are set) influence a country's ability to swiftly adapt ALMPs to new circumstances (Lauringson and Lüske, 2021^[11]). For example, if delivering the necessary responses to changing circumstances requires complex legislative changes, the response is likely to be slower than in more flexible set-ups. **Especially in times of a crisis, such as the COVID-19 pandemic, systems with a high degree of organisational and regulatory flexibility can be at an advantage.**

The organisational set-up of ALMP provision varies markedly across countries in the Nordic region, but in each country in the region, certain factors in the system allow for flexibility (Table 4.5). Iceland has a PES with a tripartite management body, while Denmark has a decentralised PES with a national co-ordinating agency (*STAR*). **In both Iceland and Denmark, the PES has a comparatively high degree of autonomy, which can contribute to swift and well-tailored responses to crises.** For example, in both countries, PES independently manage the daily implementation of ALMPs, as well as the co-ordination and co-operation with other stakeholders part of the ALMP system (Lauringson and Lüske, 2021^[11]).

Table 4.5. Key characteristics of the institutional set-up of ALMP provision in the Nordic countries

	Denmark	Finland	Iceland	Norway	Sweden
Organisational set-up					
Structure of PES	Decentralised PES with national co-ordinating agency	PES is an agency under the Ministry	National level PES with tripartite management body	PES is an agency under the Ministry	PES is an agency under the Ministry
Leading role for daily implementation of ALMPs	PES	PES and Ministry	PES	PES	PES and Ministry
Relevance of private employment service	Low	High	Medium	High	High
Regulatory set-up					
In how many different types of regulation are conditions for specific ALMPs set?	2	2	1	1	1
Are (some or all) conditions for specific ALMPs set in a regulation that has to be adopted by parliament?	Yes	Yes	No	No	No

Source: Lauringson and Lüske (2021^[11]), "Institutional set-up of active labour market policy provision in OECD and EU countries: Organisational set-up, regulation and capacity", <https://doi.org/10.1787/1815199X>.

In Finland, Norway and Sweden, PES are agencies under a Ministry (or fully managed by a Ministry), leaving less autonomy for the PES. Nevertheless, if implemented properly, such systems can enable quick centralised decisions on ALMP provision in line with national priorities. In addition, all three countries contract out some ALMPs which can increase their ability to scale up or down employment services flexibly according to changing needs. Furthermore, Sweden is in the process of an important PES reform which will see further reliance on contracted service providers. For instance, contracting out employment services can augment the maximum capacity for employment services temporarily to cope with sudden spikes in the number of jobseekers (e.g. at the onset of a crisis) without hiring new PES staff, and thus without the need to make long-term financial commitments (Langenbucher and Vodopivec, 2022^[30]).

Besides the organisational characteristics of ALMP provision, an ALMP system with an agile regulatory setting can also play an important role in responding in a swift and effective way to a crisis (Lauringson and Lüske, 2021^[11]). **Iceland, Norway and Sweden have agile ALMP regulatory systems** that are both lean (only one type of regulation governs the ALMP system) and flexible (conditions of specific ALMPs are not adopted by parliament). **In Denmark and Finland, the regulation pertaining to ALMPs is comparatively more entrenched**, seeing conditions of ALMPs set in two types of regulation and in acts adopted by parliament. Having more steps in the process to amend ALMPs in turn adds to the time it takes to enact changes. This was particularly evident in Denmark in the early days of the COVID-19 crisis when the ALMP regulatory system could not match the pace of the rapidly evolving crisis. To overcome this issue more widely, including to enact quicker changes in the health sector, Denmark put in place temporary legislation to circumvent this lengthy regulatory process. In particular, the temporary arrangement meant that pandemic measures were discussed every four weeks. While this sped up the regulatory process, the practical implementation on the ground was more difficult, with job centres overwhelmed with the many rapid changes that took place in quick succession.

4.5.2. Social partners play an important role in Nordic ALMP systems, including during the COVID-19 crisis

As representatives of workers and employers, social partners can bring important insights and provide valuable input to ALMP systems. Through their members, they often have an up-to-date understanding of what is happening in the labour market, which is of high relevance to PES as they seek to align their ALMP provision with the situation on the labour market. With strong involvement in unemployment benefit systems (Chapter 3), the organisation of job retention schemes (Chapter 3) and the formulation of skills policies (Chapter 5), ALMPs represent the area of labour market policies studied in this report where social partners in the Nordic region are the least involved. Despite this, **social partners still do play an important role in the majority of Nordic ALMP systems – a role that extended to the COVID-19 crisis.**

Across the Nordic countries, social partners are involved in the ALMP system to varying degrees (Table 4.6). **Denmark and Iceland see a very high level of formal social partner involvement in the ALMP system**, as social partners supervise the PES and advise the ministry, while in Finland, Norway and Sweden, social partners are not formally part of the ALMP system, but participate in discussions as needed on an ad hoc basis (Lauringson and Lüske, 2021^[11]).

Table 4.6. The role of social partners in the ALMP system varies across Nordic countries

Role of social partners in the institutional set-up of ALMP provision

	Social partners advise the ministry (via an advisory body)	Social partners supervise the PES	Social partners advise the PES (via an advisory body)	Social partners are not formally part of the system, but they are involved in the discussions as needed
Denmark	X	X	X	
Finland				X
Iceland	X	X	X	
Norway				X
Sweden				X

Source: OECD (2021^[12]), *Active labour market policy measures to mitigate the rise in (long-term) unemployment: A summary of country responses to the OECD/EC questionnaire*, <https://www.oecd.org/els/emp/almppmeasurescovid19.pdf>; Lauringson, A. and M. Lüske (2021^[11]), "Institutional set-up of active labour market policy provision in OECD and EU countries: Organisational set-up, regulation and capacity", *OECD Social, Employment and Migration Working Papers*, No. 262, <https://doi.org/10.1787/9f2cbaa5-en>.

Denmark has a significant track record of strong social partners and a high degree of stakeholder involvement (including social partners) in the ALMP system (OECD, 2021^[31]). The social partners have established advisory and supervisory roles in the Danish ALMP system, at a national, regional and local level. Due to these embedded roles, the proposals and inputs put forward by the social partners in Denmark are more or less systematically taken into account in the design of policies and are formalised by social partner involvement in the following bodies in Denmark (STAR, 2021^[32]):

- *National level:* The *Employment Council (BER* – advises the Minister of Employment on employment policy), the *Board of Supervisors* (advises the Minister of Employment on STAR's supervisory activities) and various inter-ministerial working groups (working on national strategy co-ordination).
- *Regional level:* The eight *Regional Labour Councils* which seek to enhance co-ordination and to foster dialogue between municipalities and other actors, including unemployment insurance funds, businesses and vocational education and training (VET) centres, etc.
- *Local level:* No legal entities, but social partners are involved in informal bodies that have representatives from the business community, trade unions and educational institutions.

In addition to a strong relationship with the ministry, the social partners also have a high level of engagement with the Danish PES (*STAR*). During the pandemic, discussions between the social partners and the PES benefitted from a pre-existing group that met regularly to discuss social partner priorities and potential response measures. This existing group and established relationship of trust allowed for swift engagement and thus made it easier to gather consensus for new measures, which would have otherwise taken too long to co-ordinate in a crisis situation if no relationship had existed pre-COVID. This ongoing engagement approach proved effective and was very well received by the social partners. The approach to co-operation has continued in the recovery process with the Danish Government, the social partners and Local Government Denmark (*KL*) establishing a tripartite agreement to address the challenge of labour shortages (STAR, 2021^[33]), which is an issue common to many OECD labour markets post-COVID. The October 2021 agreement puts in place a package of DKK 84.6 million to tackle the challenge, focusing on – inter alia – enhancing jobseeker-employer matching and improving measures to support the labour market re-integration of older jobseekers.

Similarly, **Iceland** too sees formal social partners involvement in the ALMP system. At a national level, this is bolstered by social partners membership in the board of the Directorate of Labour (Icelandic PES). The role of the board, which is appointed by the minister, is to discuss and monitor the work and budget of the Directorate (Vinnulastofnun, n.d.^[34]). The board also manages policy decisions in the area of labour market measures and reports annually to the minister on the labour market situation and impacts of policies. In addition, this is bolstered at the regional level by the Labour Market Councils in each of Iceland's regions, which include members from both worker and employer representative organisations (Stjórnarráðið, n.d.^[35]; OECD, 2021^[36]). While these regional councils have no decision-making power, they must report to the Board of Directors in November of each year on the state of the regional labour market. In addition, they make non-binding proposals for the provision of ALMPs for the following year. Close engagement between the social partners and the ministry and PES also takes place outside of these structures, via other working groups and ad hoc discussions on different topics as needed, including on a more intensive basis during the pandemic. Furthermore, the legislation surrounding ALMPs and labour market policy more widely is currently under revision, focussing – inter alia – on simplifying and digitalising the system. This reform, which is expected to go before the Icelandic Parliament in 2023, is a joint initiative of the Icelandic Government, Directorate of Labour and social partners.

In Finland, Norway and Sweden, where social partners are not formally involved in the ALMP systems, the way in which ad hoc conversations typically took place during the pandemic differs greatly between countries. In **Finland**, in addition to informal discussions, a special “high-level group” was established to monitor the COVID-19 situation and to foster the discussion between the ministry and the social partners.

In addition, the social partners have also been involved in discussions on ongoing PES reform. This highlights that although the social partners have no formal role in Finland, their expertise and voice was acknowledged during the pandemic, and in other key moments such as wider reforms, by creating a forum for regular discussions. In **Norway**, the social partners were not involved in the defining of rules or designing of ALMP response measures during the pandemic but were involved in public hearings and invited to contribute to or provide feedback on draft legislation and proposals by the ministry on an ad hoc basis. Despite not being a formal part of the system in Norway, co-operation and dialogue was well-established prior to the pandemic, including via a discussion forum with the Ministry of Employment. This existing relationship and an established high level of trust facilitated smoother and more frequent dialogue during the crisis period. Finally, in **Sweden**, much of their ALMP response was focussed on adapting and expanding existing labour market measures. The social partners were only very partially involved in these discussions, with engagement with the ministry remaining ad hoc during the crisis period. However, the social partners have taken a bigger role in more recent discussion of new developments such as the entry jobs scheme (*etableringsjobb*) – an employment subsidy or incentive programme – which began as a social partner initiative in 2018 and is currently in development.

The institutional set-up of ALMP systems in Nordic countries, including the involvement of the social partners, enabled a swift response to the COVID-19 crisis. Nordic countries and their PES were, in general, able to enact relatively swift changes to respond to the crisis – including regulatory and legislative changes where relevant. This included changes to operating models, the design and set-up of services/measures, jobseeker requirements and financial and human resources. Decisions around changes to ALMPs and PES often included the social partners, even in Nordic countries where the social partners are not formally part of the ALMP system – including in autonomous territories such as the Åland Islands (see Box 4.3). The speed at which countries could respond was undoubtedly shaped by the institutional and regulatory set-up of their PES. Even in Denmark, with a heavily regulated ALMP environment, solutions were found in the shape of emergency laws to circumvent the rigorous regulatory processes and to enable swift changes as the crisis evolved. Therefore, the **ALMP systems of Nordic countries in general already had in place the key elements for an agile and effective response to the COVID-19 crisis** (as set out in Figure 4.6) – including flexible organisational set-ups of employment services, flexible ALMP regulation, strong stakeholder engagement (aided by pre-established relationships and trust) and flexible resources (both human and financial).

Box 4.3. Spotlight on how strong stakeholder co-operation in the Åland Islands enabled an agile and co-ordinated response to the COVID-19 pandemic

The Åland Islands and archipelago – a self-governing autonomous part of Finland – is made up of 6 757 islands and is home to over 30 000 inhabitants, having experienced population growth since the 1970s. Greatly reliant on the flow of people and goods to and from Finland (via water transit), the declaration of a state of emergency by Finland in March 2020 and resultant border restrictions impacted Åland greatly. Sprung into action, the Åland Government quickly established an emergency taskforce with all relevant stakeholders (including financial institutions, Chamber of Commerce, etc.), which in the very beginning met as frequent as once or twice daily. In response to the evolving crisis situation an emergency budget was introduced on 28 March 2020, the largest budget in Åland's history, along with the necessary legal framework to facilitate the implementation of policy responses that required new or adapted legislation.

Among the first decisions made was the introduction of liquidity supports for firms, based on a joint commitment among the taskforce to avoid all possible bankruptcies. This was particularly important to Åland authorities, given the high percentage of firms with less than four employees (half of Åland's approximately 2 300 firms).

By the end of April 2020, *Ålands arbetsmarknads- och studieservicemyndighet* (AMS, Åland's PES) had 1 945 individuals signed on as jobseekers – compared to 566 jobseekers in February 2020. This inflated the unemployment rate to 12.9% by Q2 2020, a significant jump from 3.6% in Q4 2019 (see Box 2.2 in Chapter 2 for further information on the labour market impact of the crisis on the Åland Islands). To protect the incomes of displaced workers, an elevated rate of unemployment benefit was introduced for three months. In the context of public health restrictions, PES offices were closed to the public and engagement with clients was done remotely (primarily by phone and e-mail). This new mode of service delivery worked well for both the PES and clients alike and has resulted in increased remote delivery and a permanent change to PES office opening hours (which from autumn 2021 have re-opened for reduced hours over three days per week, as opposed to five days pre-COVID).

Given the seasonal economy and labour market in Åland due to the large tourism sector, an employment incentive was introduced to assist during the more difficult winter period – a response jointly designed by the government and Chamber of Commerce. The programme had already been in place prior to the pandemic but was scaled up to increase the hiring of unemployed jobseekers between November 2020 and June 2021 and again during low season between November 2021 and June 2022. In addition, a further employment incentive was introduced during the summer period to promote the hiring of young jobseekers during the tourist season.

Overall, the strong relationships and high level of trust present in Åland between the government, the social partners, banks and businesses was hugely beneficial in responding to the COVID-19 crisis. Rather than a top-down approach with government drafting proposals for stakeholder consideration (which usually happens in normal times or in previous crises), COVID-19 response measures were developed together with the social partners and other relevant stakeholders. The already close-knit society created a common goal towards resilience, with people wanting to be part of the solution – highlighting that effective stakeholder relationships and collective decision making can create agile solutions to a crisis that are informed by a wider range of expertise and are transparent to citizens.

Source: Consultations with stakeholders from the Åland Islands; Åsub (2023^[37]), “Åland FAQ”, <https://www.asub.ax/en/aland-faq>.

4.6. Evaluating the effectiveness of the ALMP changes introduced during the pandemic will be crucial to draw lessons for the future

Designing policies and services informed by evidence should be a crucial component of the policy making process and in understanding “what works” (OECD and European Commission, 2018^[38]). Evidence-based policy making can help ensure the quality, accessibility suitability of services, while striving to make more efficient and effective use of public finances (OECD, 2021^[20]). In the context of the COVID-19 pandemic, such activities are of utmost importance in ensuring that those policies introduced and adapted had their desired impacts and that those that did not or proved inefficient are subsequently modified or brought to an end. Furthermore, this can help countries to better respond to future crises and enhance contingency planning.

One key activity central to evaluating the effectiveness of programmes, and understanding what works and for who, is the undertaking of counterfactual impact evaluations. Counterfactual impact evaluations seek to ascertain changes in outcomes of programme participants that can be credited to the programme and not external factors (OECD, 2022^[39]; OECD, 2022^[40]). Participants and non-participants are compared on selected observable characteristics (e.g. demographic characteristics, education, employment history, age, etc.) in order to estimate the “treatment effect” or the causal effect of programme participation, with outcomes of participants (or the treatment group) compared with the similar group of non-participants

(control group). An econometric approach is then employed to ensure the treatment and control groups are comparable and to yield unbiased results.

In having the supporting infrastructure to facilitate evidence-based policy making, **Nordic countries undertake relatively high levels of routine activities to link register data that are relevant for the evaluation of ALMPs**. Denmark routinely links external registers, its own registers and surveys; Norway and Sweden routinely link external and its own registers; Finland routinely links its own registers (OECD, 2020^[41]).⁸ Denmark, Sweden and Norway link administrative data for the specific purpose of conducting impact evaluation. In Finland on the other hand, linked administrative data are largely employed for the production of statistics and monitoring activities. This is similar to Iceland where the relative performance of the labour market and ALMPs is assessed via monitoring statistics, high-level analysis and surveys conducted by the PES (OECD, 2021^[36]). Rapid access to data (including up-to-date data on ALMPs, which were difficult for some countries to provide for this project) and systematic exchange with relevant institutions is crucial to the provision of effective employment services – particularly in a crisis period, where the situation is evolving rapidly.

In practical terms, the existence of this infrastructure enabling widespread availability and easily linkable administrative data in **Denmark** has led to a significant body of literature on impact evaluations of Danish labour market policies (OECD, 2020^[41]). In furthering the availability and reach of information on the impacts of particular labour market policies, the Danish PES (*STAR*) developed the *Jobeffekter.dk* research database in 2013 in co-operation with a number of independent researchers. This knowledge bank is regularly updated, providing timely insights into what works in labour market policy. In addition, all uploaded research is subject to an assessment which checks, among other things, the researcher's analytical method and whether it has been published in a scientific journal. Similarly, in **Sweden** the dedicated Institute for Evaluation of Labour Market and Education Policy (IFAU), established in 1997, has published a wealth of information using Swedish linked administrative data. The Swedish authorities also work with IFAU researchers to embed evaluations into the design of programmes they are piloting. For example, they currently are trialling different payment schemes for outside providers in a pilot programme of contracted-out employment services.

In **Finland**, research regarding ALMPs, including impact evaluation activities, is fragmented due to the decentralised organisational set-up of the Ministry of Economic Affairs and Employment. This means that the responsibility for analysis and research is scattered across the Department, instead of taking place in a single dedicated unit. Despite this, the rich data available means that counterfactual impact evaluations have been undertaken for most key Finnish ALMPs. However, there is scope for improvement, in particular, by systematically conducting cost-benefit analyses (OECD, 2023^[42]). Furthermore, the application of evidence to inform policy is not always routine. Finland generally engages in experiments and pilots before rolling out widespread reforms, however recent reform to the institutional framework of ALMP provision was decided on before the evaluation results were available.

The use of evidence to inform policy making should also extend from active labour market measures to digital services, tools and processes used by PES in the provision of ALMPs, including those implemented or used to a greater degree during the COVID-19 pandemic and aftermath. While Nordic PES do engage in customer satisfaction surveys and high-level monitoring, systematic and rigorous monitoring and evaluation of digital services and tools are not as common as studies into the impact of ALMPs more generally. Therefore, monitoring and evaluation frameworks should be extended to encompass the digitisation of employment services. This will allow Nordic countries to better understand the impact of such digital tools and services, including the impacts on service accessibility and different groups within the client base to ensure that nobody is left behind (OECD, 2022^[13]). The use and impact of tools available to PES counsellors aiming to facilitate service provision should also be subject to rigorous evaluations.

Overall Nordic countries are quite advanced compared to many OECD countries in the linking and use of administrative data to conduct impact evaluations of ALMPs, however there is scope for further improvements. While counterfactual impact evaluations of ALMPs are systematic in some Nordic countries, others could take further steps to better leverage administrative data for this kind of analysis. For example, Canada established the Labour Market Program Data Platform (LMPDP), which is a linked data platform bringing together a wealth of data on ALMPs and beyond (including data from the Canada Revenue Agency) and enabling efficient use of administrative data for evaluation purposes (OECD, 2022^[43]). Furthermore, there is room for the Nordic countries to improve the impact of such evaluations in directly influencing decision- and policy making. Moreover, it is important that they consider expanding the scope of evaluations to ensure that digital technologies, tools and processes used by PES to assist service delivery are also subject to the same regular and systematic evaluations to ensure their effectiveness in helping clients.

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Notes

¹ The ALMP classification is defined by the methodology of the OECD Employment and Labour Market Statistics database (<https://doi.org/10.1787/data-00312-en>) and the European Commission Labour Market Policy database (<https://ec.europa.eu/social/main.jsp?catId=738&langId=en&pubId=8126&furtherPubs=yes>).

² This section reports trends in the ALMP expenditure in the Nordic region, making use of the OECD/EC Labour Market Programme Database. All Nordic countries except Iceland participate in this data collection. In addition, due to the time lag present in this database, latest ALMP expenditure data available at the time of writing is for the year 2020 and thus only capture the height of the pandemic period.

³ Expenditure levels presented and associated comparisons drawn are a share of GDP and do not take account of differing unemployment levels across Nordic and OECD countries.

⁴ In Figure 4.3 and associated text, the OECD average excludes Colombia, Costa Rica, Greece, Iceland, Israel, Korea, New Zealand, Türkiye and the United Kingdom where there are no or incomplete data.

⁵ While Nordic countries on average typically outspend the OECD average in all categories of active labour market measures except direct job creation and start-up incentives, differences within countries mean that this trend does not hold true for all Nordic countries. In 2019, Sweden and Norway spent less than the OECD average on training and Norway matched OECD spending on employment incentives.

⁶ Expenditure on category 4 (Employment Incentives) excludes category 4.2 (Employment maintenance incentives) due to the inclusion of furlough-type schemes in category 4.2 in some countries that were particularly prevalent during the pandemic period.

⁷ Due to the decentralised nature of the Danish PES and the provision of ALMPs by municipalities, statistics for staffing levels were not available for Denmark.

⁸ Status for Iceland is unknown. Source: 2018 OECD-EC questionnaire.

5

Developing skills for the recovery

Anja Meierkord, OECD

Skills shortages are one of the most pressing issues for long-term resilience in the Nordic countries. The COVID 19 crisis highlighted the challenges faced by otherwise high-performing skill development systems in adapting quickly to sudden changes in the labour market. Lessons can be learned from the adjustments countries made during the pandemic to improve their responsiveness to changes in skills demand and supply and to strengthen skills matching in the long term. This chapter provides an overview of the demand for and supply of skills in the Nordic countries, their adult education and training systems and patterns of participation in training. It then discusses the measures taken in the context of the pandemic, namely:

- i) the mechanisms used to stimulate demand for training and their impact;
- ii) the support provided to ensure training supply and take-up; and
- iii) the role of the social partners as negotiators, advisers, and decision-makers.

In Brief

Key findings

The focus of the initial policy response to the COVID-19 pandemic across the Nordic region was firmly on securing incomes and adapting employment services. Yet, enabling individuals to develop skills for the recovery quickly gained importance as the pandemic drew out. At that point, Nordic countries were able to build on well-established and highly developed adult education and training systems in their pandemic response.

All Nordic countries implemented measures to stimulate the demand for and ensure the supply of training during the pandemic, although levels of activity and investment varied strongly. Levels of activity in this policy area were arguably highest in Denmark and Finland and lowest in Sweden. The vast majority of measures implemented targeted individuals and education and training providers.

Most initiatives undertaken in Nordic countries in the context of the pandemic aimed to maintain or even increase the demand for training by individuals. Governments did so by adapting or expanding information and guidance on training, supporting individuals in accessing training online, as well as making time and money for training available.

- Most Nordic countries introduced or adapted **financial support measures** during the pandemic. They facilitated access to financial incentives for training participation and expanded free training opportunities for individuals. Most of these measures targeted unemployed individuals for whom it would usually be unattractive or impossible to train while receiving unemployment benefits.
- Many countries introduced measures that allow for the **reduced working time under job retention schemes to be used for upskilling**. Finland and Sweden stand out as providing subsidies to enterprises that train workers on reduced working hours and Denmark relaxed waiting times for unemployed individuals to take part in free education and training measures.
- **Information and guidance** during the pandemic in Nordic countries was mostly provided in the context of job search support and educational guidance offered by Public Employment Services. Social distancing requirements complicated the delivery of these services that usually take place face-to-face.
- Support to access **training online** was rare despite the significant increase in online learning opportunities for adults in Nordic countries. Iceland expanded the provision of digital skills courses during the pandemic and Norway provided funding to municipalities to provide digital equipment to refugees and asylum seekers, so that they could continue Norwegian language courses during the pandemic.

Alongside these demand-side measures, Nordic countries took action to maintain – or in some cases increase – the supply of training opportunities during the pandemic. These measures targeted education and training providers, and to a much lesser extent enterprises, with the view to enable them to continue to offer training under the constraint of social distancing measures.

- All Nordic countries **increased the funding** for providers with a great flexibility on how to use it. Providers used the opportunity to increase the number of training places to cover more target groups, develop new learning offers for skills in demand and online learning offers. The measures covered many levels of education: short vocational education courses (Denmark),

upper secondary courses (Iceland) and higher education courses (Iceland, Finland, Sweden). Norway increased funding for all levels of formal and non-formal learning.

- **Moving training online** was smooth in all Nordic countries, building on a high degree of digitalisation prior to the pandemic. Most countries increased the provision of information and support for teachers and trainers. Denmark was the only country to make a number of legislative and regulatory changes necessary for providers to move training online.
- **Building the capacity of employers** to design and deliver training was less common. Denmark expanded its pool of continuing vocational education and training (CVET) co-ordinators who connect and support the dialogue between educational institutions, job centres and social partners to develop education and training for employed and unemployed individuals. Finland provided additional funding to hire lifelong learning co-ordinators in their Centres for Economic Development, Transport and the Environment.

Social partners traditionally play a strong role in training systems in all Nordic countries. During the crisis, too, they strongly supported actions to develop skills for the recovery. Their involvement included participation in decision-making in the area of skills, negotiation of agreements and roles as mediators and consultants.

In all Nordic countries, the crisis hastened structural changes in the labour market, causing the emergence of significant skill shortages. Adult upskilling and reskilling will be key to address these structural changes in the medium to long term, alongside tackling health-related inactivity, other activation policies, supporting people to work for longer and targeted migration policies.

5.1. Introduction

Nordic countries have high-performing adult skill development systems according to international comparisons (OECD, 2019^[1]), yet there is scope for improvement. With the COVID-19 crisis having accelerated structural changes in the labour market (see Chapter 1), upskilling and reskilling opportunities for adults will need to be optimised, up-scaled and made more inclusive. Reviewing actions taken during the crisis can provide important insights on how to advance towards these objectives.

This chapter gives an overview of the changing supply and demand for skills in Nordic countries, before highlighting key characteristics of current skill development systems for adults. It then discusses measures taken during the pandemic to maintain – or even stimulate – training opportunities for adults. It highlights the role of social partners in doing so. The chapter closes with some lessons for adult learning policy, based on the experience of the pandemic on which to build a resilient and inclusive recovery.

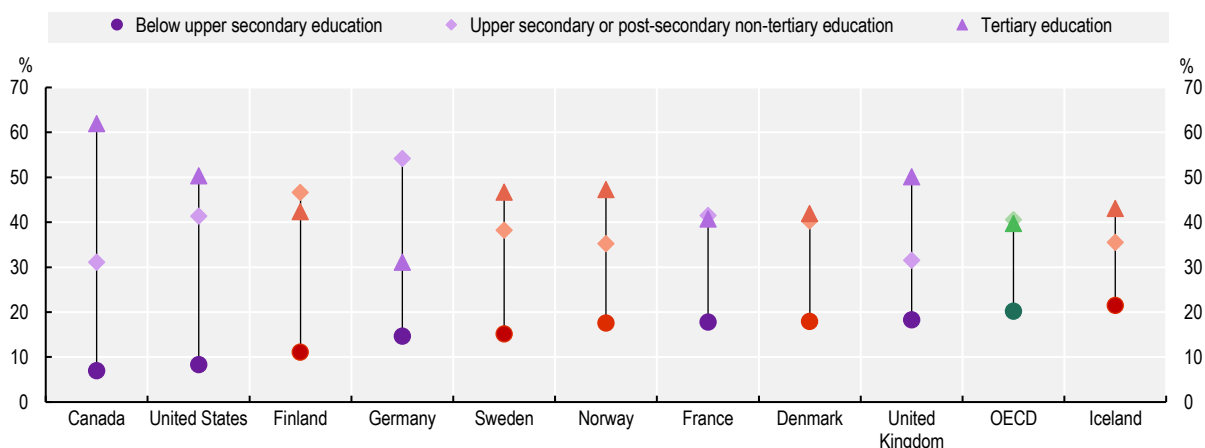
5.1.1. Nordic countries have a highly skilled population by international standards

Data on educational attainment levels of the adult population show that Nordic countries have a high-skilled population by international standards, with Finland standing out as top performer (Figure 5.1). In Finland, only 11% of the adult population aged 25-64 do not hold an upper secondary degree, compared to 20% of adults on average across the OECD. Shares of adults with low educational attainment are higher in other Nordic countries, i.e. 15% in Sweden, 18% in Norway and Denmark and even as high as 21% in Iceland. All Nordic countries have higher shares of adults with tertiary degrees than the OECD average (40%), although the data also highlights differences in the relative importance of (vocational) upper secondary education versus higher education in different Nordic countries. While in Iceland, Finland, Norway, and Sweden larger shares of the adult population hold tertiary rather than upper-

secondary/post-secondary non-tertiary degrees, shares of adults with both types of degrees are balanced in Denmark, which has a strong vocational education and training system at the upper secondary level.

Figure 5.1. Most Nordic countries only have a small share of adults with low qualifications

Share of population by educational attainment, adults aged 25 64, 2021



Note: Data are based on the ISCED 2011 classification.

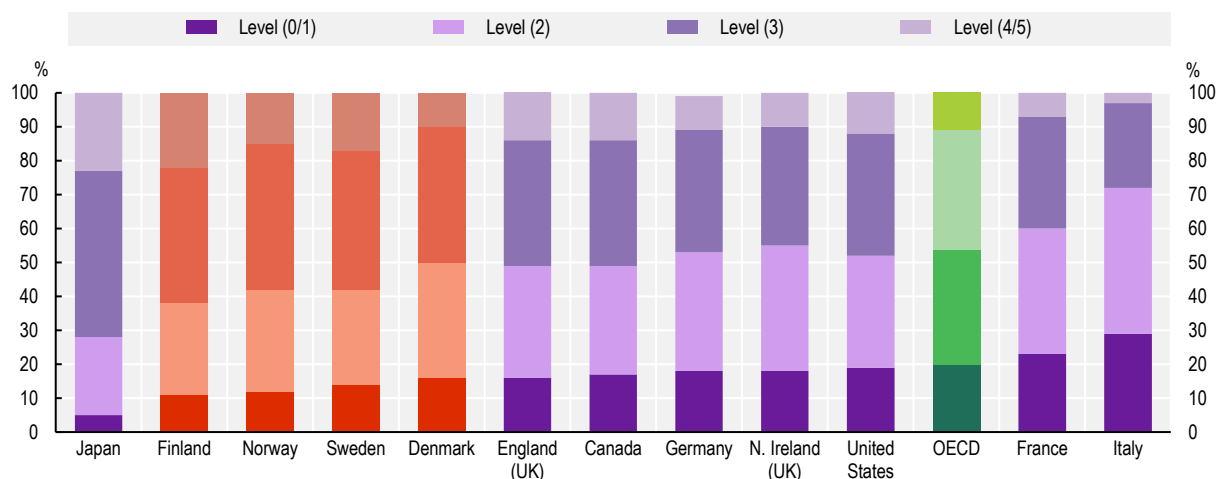
Source: (OECD, 2023^[2]), *OECD Dataset: Educational attainment and labour-force status*, <http://stats.oecd.org/Index.aspx?QueryId=93189>.

StatLink  <https://stat.link/s83lvq>

The high level of educational attainment is reflected in high levels of proficiency in foundational skills in Nordic countries compared to the OECD average, although there are cross-country differences. Data from the Survey of Adult Skills (PIAAC), which assesses the proficiency of adults in the foundational skills of literacy, numeracy and problem-solving, shows that most Nordic countries have substantially smaller shares of adults with low levels of foundational skills and substantially higher shares of adults with high levels of foundational skills than the average OECD country (Figure 5.2). For example, 20% of adults across the OECD display low proficiency in literacy, but this figure is only 11% in Finland, 12% in Norway, 14% in Sweden and 16% in Denmark. By contrast, only 11% of adults across the OECD display high proficiency in literacy, but 22% in Finland, 17% in Sweden and 15% of adults in Norway do. However, the share is lower in Denmark (10%). Patterns for numeracy skills are broadly similar, although Denmark along with the other Nordic countries also performs above the OECD average on this dimension (numeracy is not displayed on Figure 5.2).

Figure 5.2. Proficiency levels in foundational skills in Nordic countries are high by international comparison

Share of population by literacy proficiency level, adults aged 25-64, 2012



Note: No data available for Iceland. Proficiency levels 0/1 refer to low levels of foundational skills, levels 2 and 3 refer to medium level of foundational skills, levels 4/5 refer to high levels of foundation skills.

Source: (OECD, 2023^[3]), *Educational attainment and labour market outcomes by skills*, <http://stats.oecd.org/Index.aspx?QueryId=74265>.

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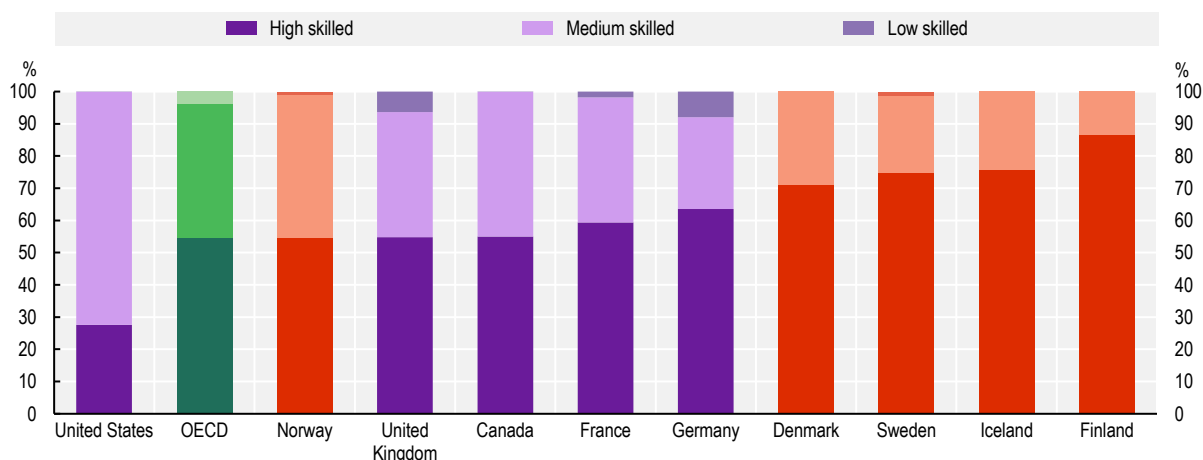
5.1.2. Following the pandemic, large labour shortages in Nordic countries intensified further

Labour markets in Nordic countries were already undergoing deep structural changes prior to the pandemic, due to digitalisation, decarbonisation and increasingly also demographic changes (Alsos and Dølvik, 2021^[4]). While the picture is nuanced, the overall direction of change prior to the pandemic was skill-biased, i.e. employment growth was primarily seen amongst high-skilled occupations, with growth in low- and medium-skilled occupations either stagnating or declining (OECD, 2017^[5]).

In line with this development, **labour shortages in Nordic countries prior the pandemic primarily occurred in high-skilled and – to a lesser extent – medium-skilled occupations**, according to the OECD Skills for Jobs database (Figure 5.3). Finland displayed the largest shortages in high-skilled occupations pre-COVID, such as managerial or professional occupations, and nine in ten jobs in shortage fell to this category. Shortages in Denmark and particularly in Norway were somewhat more balanced between high-skilled and medium-skilled occupations, such as skilled craft workers, office clerks or shop salespeople. According to the OECD Skills for Jobs database, shortages in low-skilled elementary occupations were negligible in Nordic countries. By contrast, on average across the OECD countries analysed, just over half of the employment shortages was in high-skilled occupations, 41% was medium-skilled and 7% was low-skilled occupations.

Figure 5.3. Prior to the pandemic, Nordic countries experienced shortages primarily in high-skilled occupations

Share of employment in occupations in shortage by skill level, 2019



Note: High-, medium- and low-skilled occupations are ISCO occupational groups 1 to 3, 4 to 8 and 9 respectively. Shares of employment in each skill tier are computed as the corresponding employment in each group over the total number of workers in shortage in each country. Data refer to 2012 (Iceland), 2017 (Germany, United Kingdom) and 2020 (Canada).

Source: (OECD, 2023^[6]), *OECD Skills for Jobs 2022*, <https://www.oecdskillsforjobsdatabase.org/#FR/>.

StatLink  <https://stat.link/0i7dbg>

As Nordic countries emerged from the pandemic, labour shortages have intensified even further.

This increases inflationary pressures and risks holding back economic and employment growth in the medium term. The picture of shortages by sectors, occupations and skills varies across Nordic countries, but shortages in education, health and care professions, as well as skilled craft workers with vocational qualifications, stand out across the region:

- **Danish** companies report significant shortages in the manufacturing industry, construction and service sectors. They state the lack of qualified employees being by far the biggest growth challenge overall and across sectors and regions (Dansk Industri, 2021^[7]).
- **Iceland's** labour demand has increased in the construction industry and in public-sector related services, according to Statistics Iceland's Job Vacancy Survey. The highest job vacancy rates in 2022 were in professional, scientific and technical activities; administrative and support service activities, followed by construction, wholesale and retail trade; repair of motor vehicles and motorcycles; transportation and storage; accommodation and food service activities (Statistics Iceland, 2022^[8]; Central Bank of Iceland, 2021^[9]).
- **Finland** recorded the highest number of open job vacancies in 30 years in 2021, with the biggest shortages being in health, care, education and social work professions. The number of open vacancies is high across sectors, including in construction, manufacturing and services (JOTPA, 2022^[10]).
- **Norway** faces strong shortages, in particular in health and social services (notably nurses), as well as occupations in building and construction, traditional trades and skilled crafts and manufacturing (Norwegian Directorate of Labour and Welfare, 2021^[11]; Cappelen, Dapi and Gjefsen, 2020^[12]; McGrath, 2021^[13]).
- **Sweden** has a long-standing shortage of health care workers from many education programmes such as doctors and nurses of several specialisations, according to the Labour Market Tendency

Survey 2021 released by Statistics Sweden (Statistics Sweden, 2021^[14]). Shortages of teachers and other types of educators as well as recent graduates from vocational programmes in upper secondary education are also reported (Swedish Public Employment Service, 2022^[15]; Statistics Sweden, 2021^[14]).

5.1.3. Nordic countries stand out for having well-funded and flexible adult learning systems

Adult learning systems in Nordic countries provide diversified, integrated and flexible learning opportunities, with high public funding and a strong reliance on public providers. There are also similarities when it comes to the outcomes of adult learning systems in Nordic countries, notably high learning participation rates and comparatively large shares of adults who obtain their highest qualifications through adult education (Desjardins, 2017^[16]; Nordregio, 2020^[17]; Desjardins, 2020^[18]).

In Nordic countries, formal and non-formal learning opportunities fall broadly in the following categories. While most categories are common to other OECD countries, there are some regional specificities such as the strong tradition of adult liberal education. Learning opportunities within each category share some key characteristics, such as the types of providers, level of qualifications that can be obtained and mode of learning. It should be noted, however, that there is considerable integration of different types of learning opportunities in Nordic countries and that these categories can overlap:

- **Adult Basic Education** includes a large number of non-formal learning opportunities for adults who lack basic skills including literacy, numeracy and IT. They may be equivalent to primary education (ISCED 1) and may or may not lead to a certificate. Adult Basic Education can be provided in the workplace in Denmark, Finland and Norway. Learning opportunities are often flexibly adjusted to each person's needs, focusing on their motivation, and the curriculum can be aligned to activities related to the environment in which they work.
- **Adult General Education** gives adults the opportunity to obtain formal degrees at the levels of lower (ISCED 2) and upper secondary (ISCED 3) education in the form of second-chance education. In Nordic countries, the same providers typically offer Adult Basic and Adult General Education and the distinction between these two types of programmes is blurry in some countries.
- **Adult Vocational Education** is a complex category, which subsumes a range of learning provision, from courses leading to formal vocational qualifications at upper secondary and post-secondary levels (ISCED 3-5) to non-formal shorter courses that allow employees to improve their competences at work but may not be certified. Adult Vocational Education is typically delivered through a combination of on-the-job and classroom-based theoretical training, although systematic information on this across Nordic countries is missing. Comparative data of initial vocational systems in Nordic countries suggests that 100% of vocational students in Denmark take part in combined work- and school-based programmes, followed by Norway (70%) and Iceland (55%). By contrast, in Finland and Sweden school-based programmes are dominant, with 85% and 95% of students enrolled in school-based vocational education and training (OECD, 2020^[19]).
- **Adult Higher Education** takes place at higher education institutions such as universities, university colleges, or universities of applied sciences. Provision includes Short-Cycle Tertiary, Bachelor's and Master's degree studies, which may be indistinguishable from educational pathways for young people, as well as specialised non-formal adult education offers such as credit-granting courses depending on the country.
- **Adult Liberal Education** has a strong tradition in Nordic countries and includes a wide variety of non-formal learning opportunities offered by adult education centres, folk high schools, associations, social partners, and commercial and non-profit private providers in Nordic countries. Provision is traditionally oriented towards leisure, culture and democracy education, but also

includes literacy and foundational skills courses as well as vocational education. In many Nordic countries, knowledge acquired in these courses can be recognised in the formal system.

In Nordic countries, adult learning is primarily delivered by a range of public providers (Table 5.1). This is a specific feature of Nordic countries, compared with most other OECD countries where training markets are more fragmented and involve a large number of private providers. In addition to general educational institutions, Nordic countries have learning infrastructures specifically for adults, including dedicated Adult Education Centres, Folk High Schools or Lifelong Learning Centres. Providers are typically fully public institutions or private in receipt of public funding. Partnerships to provide training are common, e.g. collaborations of associations with schools and universities, training providers with companies, adult education centres with universities in the area of Open University education, or counties with adult learning associations and distance education institutions. Local and regional actors play an important role in designing and delivering training according to local needs.

Table 5.1. A wide range of providers offers formal and non-formal adult learning in Nordic countries and they are primarily public

Basic education	General education	Vocational education	Higher education	Adult liberal education
Adult Education Centres (DNK, FIN, NOR, SWE) Regional lifelong learning centres (ISL) Folk High Schools (DNK, FIN, SWE)	Adult Education Centres (DNK, FIN, NOR, SWE) Folk High Schools (FIN, SWE)	Adult Education Centres (DNK, SWE)		Adult Education Centres (FIN) Adult Education Associations (NOR) Regional lifelong learning centres (ISL) Folk High Schools (DNK, FIN, ISL, NOR, SWE) Folk Universities (DNK, NOR)
Vocational colleges (DNK) Specialised schools for adults (FIN)	Vocational institutions (FIN) Upper Secondary Schools (FIN, NOR) Specialised schools for adults (FIN) Schools and lifelong learning centres (ISL)	Vocational colleges/institutions (DNK, FIN, NOR, SWE) Labour Market Training Centres (DNK) Upper secondary education institutions (FIN, ISL, NOR) Private vocational providers (DNK, FIN, ISL, SWE)		Vocational institutions (FIN) Evening Schools (DNK)
		University Colleges (SWE) Universities of Applied Sciences (FIN)	Universities (DNK, FIN, ISL, NOR, SWE) University Colleges (DNK, ISL, NOR, SWE) Universities of Applied Sciences (FIN) Business Academies (DNK)	
Private providers (NOR) Study associations (NOR) Private and public enterprises (NOR) Industrial organisations (NOR)	Study associations (NOR) Distance education institutions (NOR)	Private and public enterprises (DNK, ISL, NOR)		(Education) Associations (DNK, NOR) Study centres (FIN)

Source: OECD elaboration, based on Desjardins (2017^[16]), *The Political Economy of Adult Learning Systems*; informationsverige.se (2021^[20]), *Adult education*; Cedefop (2019, pp. 38-39^[21]), *VET in Iceland*; Eurydice (2022^[22]).

The distinction between youth and adult education and training is more pronounced in some Nordic countries than in others. In Finland, both groups typically learn alongside each other with the exception of some primary and lower secondary education that is offered in Adult Education Centres. In Denmark, Iceland, Norway and Sweden on the other hand, adult education is organised separately from general education for youth. Exceptions are some joint offers in higher education in Sweden and Denmark and vocational upper-secondary education in Iceland. All countries have measures in place to facilitate learning access for adults and to ensure flexibility especially for working adults. These include the recognition of prior learning and shortening study times accordingly, distance learning, credit-based or modular courses, part-time education and training, as well as study opportunities in the evenings and on weekends.

Despite their strong performance, Nordic adult learning systems are not without weaknesses, as highlighted in the OECD *Dashboard Priorities for Adult Learning*, which facilitates comparison of the performance of adult learning systems across OECD countries (Table 5.2). On the positive side, skill challenges in Nordic countries are less pressing than in many other OECD economies, primarily due to higher levels of adult skills, slower rates of structural change and better old-age dependency ratios. Compared to the OECD average, participation in adult learning is generally high and adult learning systems are well funded. However, some issues remain. For example, there are large participation gaps between different socio-economic groups in Finland (OECD, 2020^[23]) and that share of adults who consider that adult learning was useful to them is below the OECD average in Norway and Sweden. In addition, delivering training that is aligned with labour market needs and has a tangible impact on people's employability constitutes a challenge in several Nordic countries.

Table 5.2. Adult learning systems in Nordic countries perform relatively well but there is room for improvement

Performance of Nordic adult learning systems, compared to the OECD average

	Denmark	Finland	Norway	Sweden
How urgently do skill challenges need to be addressed?	Less urgently	Less urgently	Less urgently	Less urgently
How good is the coverage of provision?	Average	Average	Very good	Very good
How inclusive is the system?	Very inclusive	Not very inclusive	Very inclusive	Very inclusive
How flexible is the system?	Very flexible	Average	Not very flexible	Not very flexible
How high is the perceived impact of training ?	Average	Average	Not very high	Not very high
How aligned is the system with labour market needs ?	Very aligned	Average	Very aligned	Not very aligned
How well is the system financed ?	Very well	Very well	Average	Average

Note: No data available for Iceland; all data refers to job-related adult learning only. *Urgency of training need* summarises a range of contextual factors relevant to the skills development needs of the adult population. It includes indicators on population ageing, automation and structural change, adult skill levels and globalisation. *Financing* assesses the degree to which investments are made at individual, employer and public level, and costs of training as a limiting factor to employers' provision and individuals' participation. *Coverage* captures the level and intensity of participation in and provision of training activities by both individuals and firms. *Inclusiveness* assesses the extent to which different groups of the population take part in adult learning by analysing participation gaps of selected disadvantaged groups. *Perceived impact* captures the self-reported usefulness and effectiveness of training, the effectiveness of adult learning in terms of producing useful skills and improving labour market outcomes and wage returns to participation in adult learning. *Alignment with skills needs* includes labour market imbalances, whether firms assess future skill needs, the extent to which training is provided in response to the identified needs, and the participation in training by workers at risk of skills obsolescence. *Flexibility and guidance* includes time and distance as barriers to participation, the availability of distance learning and the availability and use of guidance.

Source: OECD Dashboard Priorities for Adult Learning, in: OECD (OECD, 2019^[1]), *Getting Skills Right: Future-ready Adult Learning Systems*, <https://doi.org/10.1787/9789264311756-en>.

5.1.4. Participation in continuing education and training fell during the pandemic but recovered quickly

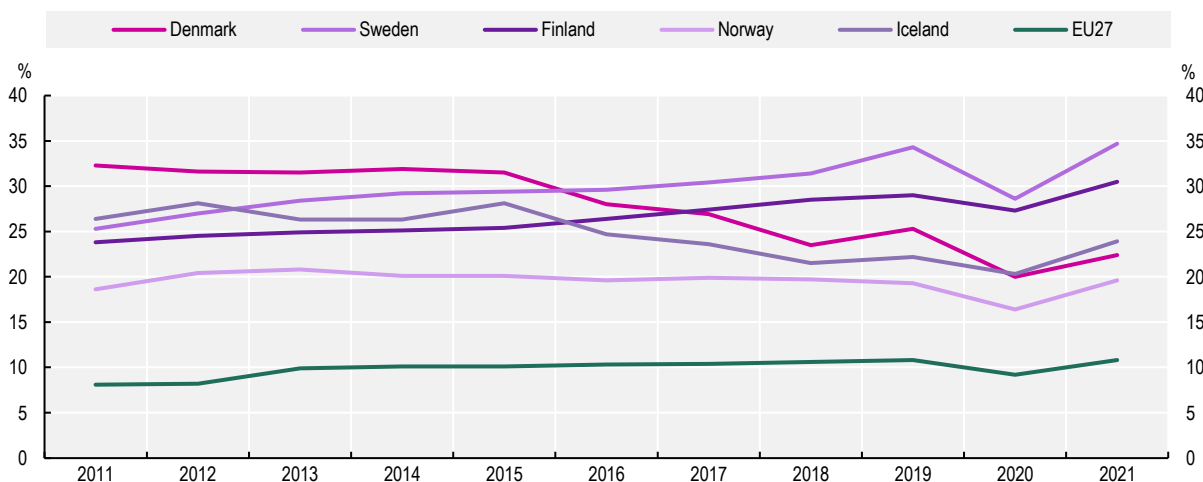
Participation rates prior to and during the pandemic were some of the highest in Europe, according to European Labour Force Survey data, although there are some cross-country differences (Figure 5.4). Prior to the pandemic in 2019, Sweden (34%), Finland (29%), Denmark (25%) and Iceland (22%) displayed the highest participation rates of adults in education and training in a 4-week period in Europe, rivalled only by Switzerland (32%) and well above the EU-27 average (9%). Participation rates in Norway are slightly lower (19%), but still more than twice the EU average.

During the pandemic in 2020, Nordic countries experienced a drop in learning participation, as did most other European countries. This drop was most pronounced in Denmark, which saw a 21% decline in training participation, and least pronounced in Finland, which only recorded 6% lower training participation in 2020 than in 2019. These drops in training participation are likely the result of a complex interplay between an overall decline in the demand for training by individuals, for example because they had a preference for face-to-face learning or were facing productivity pressures in essential services, and a decline in the supply of training by enterprises and training providers, which were affected by shut-downs and had to shift training provision online. The relative share of workplace-learning in a country, in comparison to classroom-based learning, likely plays an important role in explaining cross-country differences, as work-place learning was more difficult to move online. In parallel, differences across countries may reflect a varying reliance on online learning during the pandemic.

With the exception of Denmark, participation in adult learning in Nordic countries had returned to pre-pandemic levels or even surpassed it by 2021. Denmark stands out for experiencing the sharpest fall and weakest recovery. In 2021, participation in adult learning in the country was still 2.9 percentage points lower than in 2019 (Figure 5.4).

Figure 5.4. Adult learning participation fell in all Nordic countries in the pandemic but has since recovered

Participation rate in education and training in the last 4 weeks, adults aged 25-64, 2011-21



Source: (Eurostat, 2023^[24]), *Participation rate in education and training (last 4 weeks) by sex and age (dataset)*, https://ec.europa.eu/eurostat/databrowser/view/TRNG_LFSE_01_custom_794119/default/table?lang=en.

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

During the COVID-19 pandemic, adult learning participation across the European Union decreased more strongly for some groups than others (Table 5.3): Women experienced larger drops in participation than men (-1.9 vs. -1.5 percentage points); employed individuals larger drops than unemployed or inactive individuals (-1.9, -0.2 and -1.1 percentage points respectively). Those with higher education levels experienced larger drops in percentage points than those with medium- or low-level education (-2.8, -1.5 and -0.9) respectively.

The impact of the pandemic on learning participation of different socio-economic groups in Nordic countries is broadly in line with the European picture. Considering employment status, employed individuals experienced the largest decline across the Nordics, with the exception of Finland. Looking at education levels, those with a high education level experienced the sharpest decline, with the exception of Iceland (although percentage point differences are small and likely insignificant). Only when looking at gender do the Nordic countries show more deviation from the European pattern: women experienced smaller declines than men in Finland and Iceland.

In line with the overall recovery, participation rates of most socio-demographic groups have returned to their pre-pandemic levels. Denmark is an exception where the slow recovery of adult learning participation among the employed remained below its 2019 level (not shown in Table 5.3).

Table 5.3. Employees are the group most affected by a decline in learning participation

Percentage change in participation rate in education and training in the last 4 weeks (2019 vs. 2020), adults aged 25-64

	Total	Gender		Employment status			Education level		
		Men	Women	Employed	Unemployed	Inactive	Low	Medium	High
EU-27	-1.6	-1.5	-1.9	-1.9	-0.2	-1.1	-0.9	-1.5	-2.8
Denmark	-5.3	-4.3	-6.4	-5.8	-5.6	-3.0	-3.5	-4.3	-7.4
Finland	-1.7	-1.8	-1.6	-1.9	-2.7	-0.2	-2.1	-1.5	-2.4
Sweden	-5.7	-4.2	-7.4	-6.6	-5.4	-1.4	-1.8	-5.0	-7.9
Iceland	-1.9	-2.0	-1.6	-2.2	-2.1	0.0	0.0	-2.3	-2.2
Norway	-2.9	-2.7	-3.1	-3.5	-1.2	-0.6	-2.4	-2.5	-3.8

Note: Highlight refers to group in each category that saw the largest percentage point decline in participation.

Source: (Eurostat, 2023^[24]), *Participation rate in education and training (last 4 weeks) by sex and age*, https://ec.europa.eu/eurostat/databrowser/view/TRNG_LFSE_01_custom_794119/default/table?lang=en, (Eurostat, 2023^[25]), *Participation rate in education and training (last 4 weeks) by sex and labour status*, https://ec.europa.eu/eurostat/databrowser/view/trng_lfse_02/default/table?lang=en and (Eurostat, 2023^[26]), *Participation rate in education and training (last 4 weeks) by sex and educational attainment level*, https://ec.europa.eu/eurostat/databrowser/view/trng_lfse_03/default/table?lang=en.

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5.2. Nordic countries took several actions to stimulate the demand for training

At the beginning of the pandemic, policy measures in the area of education and training were not a priority for policy makers in many Nordic countries. Instead, governments grappled with the adaptation of unemployment benefits, job retention schemes and the rapid influx of clients to public employment services (PES) (see Chapters 2 and 3). As the crisis progressed, Nordic Governments and social partners increasingly focused on enabling individuals to upskill and reskill for a post-pandemic economy.

Most initiatives undertaken in Nordic countries in the context of the pandemic aimed to maintain or even increase the demand for training by individuals. Governments did so by adapting or expanding

information and guidance on training, supporting individuals in accessing training online, as well as making time and money available for training. Table 5.4 provides an overview of demand-side measures taken by Nordic countries and highlights if these were: a) entirely new measures; b) measures that were adapted during the pandemic, e.g. by changing eligibility rules; or c) measures that were expanded, i.e. existed prior to the pandemic, but saw increased funding or scope. The following section describes the implemented measures in further detail.

Table 5.4. As the crisis progressed, Nordic countries adapted and expanded demand-side measures to support training participation

Measures taken to stimulate the demand for training, March 2020-March 2022

		Denmark	Finland	Iceland	Norway	Sweden
Information and guidance	Awareness campaigns and outreach		Adapted			
	Counselling and career guidance		Adapted	Expanded		
Support to access training online	Basic digital skills support and training	Newly introduced		Expanded	Newly introduced	
Financial support measures	Financial incentives for individuals	Adapted	Adapted	Newly introduced	Newly introduced	
	Free access to training	Expanded	Adapted	Newly introduced	Adapted and expanded	Expanded
Measures to make time for training	Paid training leave / other time-related measures	Adapted	Adapted			
	Opportunity to train while covered by job retention scheme		Adapted		Expanded	Newly introduced

Source: Information provided by national authorities through questionnaires and qualitative consultations.

5.2.1. Most responses to the pandemic were built on pre-existing measures

Skills policy in Nordic countries during the pandemic typically built on pre-existing measures and initiatives, which were adapted or expanded to address the specific challenges of the crisis. This approach allowed for swift development and implementation of measures, rather than having to start from scratch. It may also reflect the extremely high uncertainty of such an unprecedented situation as the pandemic, where the duration and overall impact in the longer term were hard to foresee, making the introduction of and investment in entirely new measures particularly risky.

Most Nordic countries introduced or adapted financial support measures

Several Nordic countries introduced or adapted financial incentives for training participation during the pandemic (see Chapter 3). These measures typically targeted the unemployed and some involved regulatory changes that had previously prevented individuals from taking part in regular education and training, while in receipt of unemployment benefits:

- **Denmark** increased benefit levels for unemployed individuals above the age of 30 who took up vocational education and training in shortage occupations in 2020-22 (Box 5.1). For employees with vocational degrees, Denmark increased the funding available through the Transition Adjustment Fund (*Omstillingsfonden*) by DKK 10 million (approx. EUR 1.3 million). The Adjustment Fund covers participant fees for certain adult higher education programmes up to DKK 10 000 per person (approximately EUR 1 300) (Dansk Erhverv, 2020^[27]; Danish Ministry of Education and Research, 2020^[28]).

- **Iceland** temporarily changed legislation to allow long-term unemployed individuals to take part in one semester of full-time study at vocational or higher education institutions (30 ECTS points), while continuing to receive unemployment benefits (UB). Subsequently, they could continue their study as a regular student (not supported by UB) or study part-time (12 ECTS) for the remainder of their eligibility for unemployment benefits. Studies were restricted to in-demand skills, including STEM, health and social care and education. This measure was part of Education as an Opportunity (*Nám er tækifæri*), which was designed and implemented by two ministries (Icelandic Ministry of Social Affairs, 2020^[29]).
- **Finland** temporarily expanded the rights of certain unemployed individuals to take part in higher education courses in the context of Labour Market Training. Those with bachelor and master's degrees were given an opportunity to start a two-year study programme towards a higher education diploma to change profession and keep on receiving unemployment benefits. The temporary legislation was valid until 2022, while individuals need to complete their diploma by 2024. An evaluation of the measure is outstanding.
- Similarly to Iceland, in April 2020 **Norway** introduced a temporary legal exemption to the principle that an entitlement to unemployment benefits is incompatible with being in education and training (Government of Norway, 2020^[30]). This allowed laid-off and unemployed individuals to receive unemployment benefits, while pursuing education and training. No prior approval by the public employment services was needed. Approximately 1 800 and 1 400 people in receipt of unemployment benefits took advantage of this education pathway in 2020 and 2021 respectively. The ability to combine unemployment benefits with education and training was made permanent from October 2022 with some adjustments: unemployed individuals now need to apply to the PES and meet certain criteria to be able to pursue education and training while receiving UB. The new measure primarily targets those without primary or upper secondary education (NAV, 2022^[31]).

Most Nordic countries also expanded free training opportunities for individuals during the pandemic. Free training opportunities can both be understood as a financial incentive for individuals, as they constitute a 100% subsidy to individual training costs, or a measure to stimulate the supply of training by increasing funding for education and training providers to offer training.

Box 5.1. Denmark: Increased benefits for unemployed when taking up vocational education

Prior to the pandemic, Denmark gave unemployed individuals above the age of 30 with no or outdated vocational qualifications the opportunity to upskill through vocational education and training. During the training, they received a reduced UB of 80% from the maximum unemployment benefit rate (*erhvervsuddannelse på dagpenge*). Any training was to be agreed with the job centre.

From 1 August 2020 until the end of 2022, Denmark offered a more generous benefit rate of 110% when training for occupations that were in shortage or in an area with in-demand skills (*uddannelse på forhøjede dagpenge*). Occupations in shortage were defined according to a positive list issued by the Danish Agency for Labour Market and Recruitment, as well as vocations related to green and digital transition. The increased benefit co-existed with the regular benefit for vocational training during unemployment. Close to 400 individuals benefitted from the new measure in 2020 and 1 600 in 2021.

Beneficiaries were allowed to continue their vocational education beyond the time that they were eligible for UB. Following the end of their eligibility for UB, they could continue their training using other benefit entitlements or under the adult apprenticeship scheme (*voksenlærlingeordningen*).

Source: Folketing (2020^[32]), *Ordinance on the education and training incentive pool*, BEK No. 1 122, 03.07.2020; Folketing (2020^[33]), *Act amending the Act on Active Employment, the Unemployment Insurance Act, the Act on Preparatory Adult Education and Dyslexia Education for Adults and the Act on the Travel Guarantee Fund*, Law No. 1 054, 30.06.2020; STAR (2020^[34]), *Information on laws and decrees implementing initiatives from two agreements on upskilling*, <https://star.dk/media/14477/orienteringsskrivelse-om-udmoentning-af-opkvalificersaftaler.pdf>.

Measures to make time for training involved increasing training opportunities under job retention schemes

Most Nordic countries acknowledged that reduced working time could be used for upskilling and increased opportunities to train in the context of job retention schemes. Due to uncertainties surrounding the duration of temporary lay-offs and, linked to this, the likely reluctance of employers and individuals to engage in training, participation was sometimes incentivised through additional training subsidies to individuals and employers (Drahokoupil and Müller, 2021^[35]). Table 5.5 summarises the different provisions made by countries to allow and incentivise training in the context of job retention schemes.

Finland and Sweden stand out as providing subsidies to enterprises that train workers on reduced working hours. In **Finland**, adults who were covered by job retention schemes had the opportunity to take part in labour market training activities. For this target group, 40-60% of training costs were covered by the public purse, while the remainder was paid by enterprises. Company representatives and PES staff planned training opportunities jointly. In **Sweden**, employers could receive compensation for employees on short-term leave for training purposes (*kompetensinsatser*) (Box 5.2).

Focusing on the unemployed, **Denmark** relaxed waiting times to take part in free education and training measures. Notably, unemployed individuals could: i) take up six-week job-focused education from the first day of unemployment (previously: after five weeks); ii) become adult apprentices after three months of unemployment (previously: after six months); and iii) start a short vocational education and training course if they had a statement of intent to hire from an employer (Danish Ministry of Employment, 2020^[36]).

Table 5.5. Training opportunities under job retention schemes were expanded in Nordic countries during the pandemic

	Denmark	Finland	Iceland	Norway	Sweden
Existence of possibility	Yes	Yes	Yes	Yes	Yes
Date of introduction	31 August 2020	16 March 2020	15 March 2020	20 April 2020	1 January 2021
End of measure	ongoing	End of 2021	31 May 2021	End of September 2021*	ongoing
Coverage	Private sector employees	Private sector employees	Private sector employees	tbc	Private sector employers
Subsidies to employer provided training while covered by job retention schemes	/	40-60% of actual costs	/	/	60% of actual costs up to SEK 20 000 per employee

*The measure was replaced by new permanent legislation from 1 October 2021, which increased the possibility to combine education and unemployment benefits.

Source: Information provided by national authorities and Drahokoupil and Müller (2021^[35]), *Job retention schemes in Europe, a lifeline during the COVID-19 pandemic*, ETUI working paper 2021.07, www.etui.org/publications/job-retention-schemes-europe.

Box 5.2. Sweden introduced employer incentives to provide training to employees on short-time work

In 2021, Sweden introduced training initiatives (*kompetensinsatser*), a measure aimed to incentivise employers benefitting from short-time work support to offer training to employees working reduced hours. The initiative covered employers' training costs up to 60% and encompassed both internal and external initiatives. Internal initiatives related to training and associated costs provided by the enterprise itself, while external initiatives referred to training that was purchased from an external provider. Subsidies could be received for:

- Purchasing services related to training or validation,
- Course or lecturer fees, costs of course materials and other aids,
- Fees for the validation of prior learning,
- Employee allowances,
- Travel costs, accommodation for employees,
- Rental of premises.

To receive the subsidy, a written agreement with details of the competence initiatives was required. Such agreement should include the aim of the competence initiative (e.g. upskilling or skill validation), the content of the initiative, if employees take part in the initiative during paid leave or unpaid working hours and that the employer is responsible for the costs of the initiative.

Source: Berglund (2021^[37]), *Job retention schemes in Europe: Annex Sweden*; Tillvaxtverket (2022^[38]), *Competence initiatives during short-term work*, <https://tillvaxtverket.se/om-tillvaxtverket/information-och-stod-kring-coronakrisen/korttidsarbete/kompetensinsatser-under-korttidsarbete.html> and information provided by national authorities.

Regular paid and unpaid leave entitlements for the purpose of education and training remained unchanged throughout the pandemic. This is likely explained by the fact that time was not a key constraint to training. Hence, measures were largely focused on engaging those who already had time for training, e.g. those temporarily laid off and the unemployed.

Increasing information and guidance on training was not a priority in Nordic countries during the pandemic

In most Nordic countries, information and guidance were not a key area for intervention during the pandemic, the exception being job search support and counselling services offered by Public Employment Services (see Chapter 3). Strengthening these services may have stimulated the demand for training among those who found themselves with more time to train due to reduced working hours, short-time work and (temporary) unemployment. However, guidance services are frequently delivered face-to-face, in particular when they target vulnerable groups, which was not feasible in the context of social distancing requirements. Finland and Iceland stand out as the two countries to proactively adapt or expand existing guidance services during the pandemic:

- **Finland** adapted its one-stop-shops that provide guidance to young job seekers under 30 years of age (*Ohjaamot*). Ohjaamot centres offer low-threshold guidance and are run by the Finnish Public Employment Service in collaboration with municipalities. They bring together public, private and third-sector service providers in one physical place with the objective to provide holistic guidance to young people in the areas of employment, education, social and health services (Mikko Valtakari, 2020^[39]). During the pandemic in 2020 and 2021, these centres offered additional psychosocial support for young jobseekers. Ohjaamot centres (*one-stop guidance centres*) also increased their public awareness and outreach campaigns through the use of new social media formats (TE-live).
- **Iceland** increased funding for career guidance through their Lifelong Learning Centres, upper secondary education institutions and universities between early January 2021 and June 2022. The additional funding was used to expand the guidance offer to individuals who lost their job or were at risk of losing their job. Additional funding for the services was provided by the public employment services through the Education as an Opportunity initiative (*Nám er tækifæri*, see below).

Support to access training online was rare despite the significant increase in online learning opportunities for adults in Nordic countries

The pandemic led to a significant increase in online learning opportunities for adults, as education and training providers adapted to social distancing requirements (OECD, 2020^[40]). Digital skills, access to computer equipment and the Internet were preconditions for accessing this training online. Basic digital skills support and training may have helped individuals with low digital skills to access learning online and so stimulate the demand for training. Yet only Iceland and Norway took explicit measures to improve access to digital training in the pandemic:

- **Iceland** expanded the provision of digital skills courses during the pandemic in the context of their Education as an Opportunity programme, by making additional contracts with additional private education providers to provide courses to the unemployed. This additional private provision was found necessary, as IT courses at public Lifelong-Learning Centres were perceived by unemployed individuals as lacking relevance, according to stakeholders.
- **Norway** provided funding to municipalities to provide digital equipment to refugees and asylum-seekers, so that they could continue Norwegian language courses during the pandemic.

It should also be noted that **Denmark** set up a fund amounting to DKK 50 million (approximately EUR 6.5 million) to support initiatives of municipalities, enterprises, unemployment insurance funds, social partners and providers that aimed to increase the basic skills of individuals with dyslexia and/or reading and writing challenges. However, digital skills and increasing the participation in IT courses were a small component of the measure (STAR, 2021^[41]).

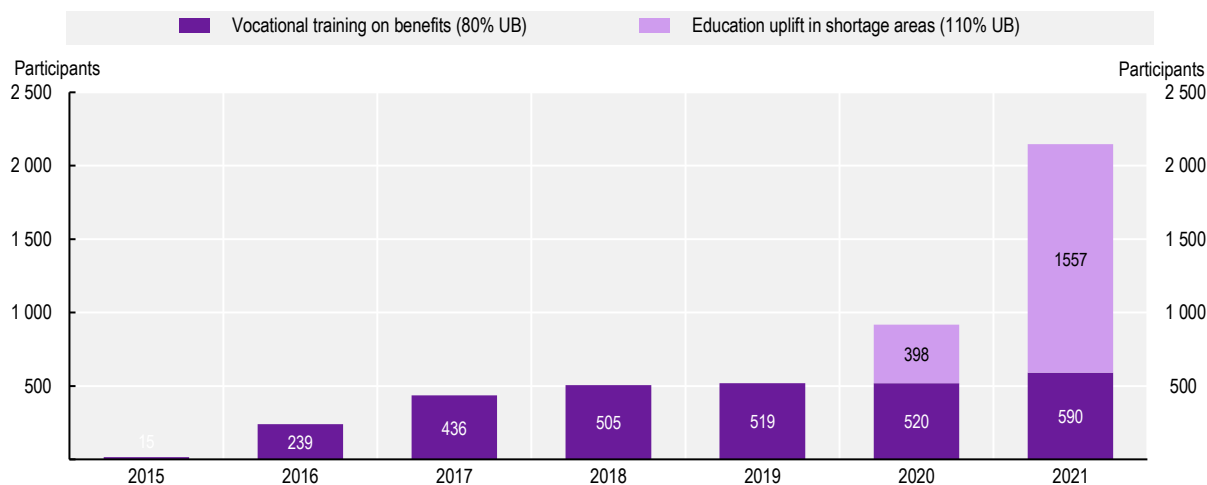
5.2.2. Information on take-up is sparse but the emphasis on measures that reduced institutional barriers to train may have been misplaced

Information on the take-up of demand-side measures to stimulate training is extremely sparse at the time of writing, let alone assessments and evaluations of the many measures that the Nordic countries put in place during the crisis. The data that exists provides only a very limited picture of the extent to which these measures reached their target group.

Measures that allowed (long-term) unemployed individuals to combine training and the receipt of unemployment benefits had mixed success according to the stakeholders consulted in the context of this study. In **Denmark**, for example, around 2000 individuals made use of the increased benefit levels for unemployed individuals who trained for shortage occupations in 2020-21 (*uddannelseløft*, Educational Lift in shortage areas, Figure 5.5). These participation numbers were substantially higher than in earlier measures with lower benefit receipt (*erhvervsuddannelse på dagpenge*, vocational training on benefits) but still disappointing given a target group of more than 20 000 unemployed individuals above the age of 30 with at most primary education in 2020.¹ An evaluation of this policy change was published by STAR (the Danish Agency for Labour Market and Recruitment) in May 2021. The evaluation found that, as a result of the initiative, local authorities (who deliver employment services in Denmark) have had an enhanced focus on guiding jobseekers towards education (BDO, 2021^[42]; Eurofound, 2022^[43]). In addition, municipalities have noticed an increased incentive among jobseekers to engage in such opportunities.

Figure 5.5. Take-up of the Danish measure “Educational Lift in shortage areas” was relatively high

Number of participants in the legacy and COVID-specific measure



Note: Beneficiaries of Vocational training on benefits received 80% of their unemployment benefit while training; beneficiaries of the Educational Lift in shortage areas received 110% of their unemployment benefit while training.

Source: Danish Ministry of Employment.

StatLink  <https://stat.link/h3lw4i>

Similarly, in **Iceland**, it was expected that the initiative Education as an Opportunity (*Nám er tækifæri*) would engage around 3 000 participants in formal and non-formal learning opportunities over a time period of 1.5 years – but take-up proved much lower in reality (approx. 1 100 participants in 2021 and 323 in the first semester of 2022). Overall, this suggests that Nordic countries may have underestimated the importance of attitudinal and situational barriers, such as individuals’ perceptions around learning,

language barriers or care responsibilities. As a result, removing institutional barriers to participation in training did not address the key barriers.

5.2.3. Key takeaways

Most Nordic countries were relatively quick to introduce measures to stimulate the demand for training, typically following an initial period where training activities were on hold due to uncertain outlook. Measures primarily focused on expanding existing measures, such as financial incentives for training, including through providing free training opportunities, as well as allowing individuals on unemployment benefits or with reduced working hours to train. Information and guidance measures, which may have increased individuals' awareness of training opportunities, and support to access online training, were not implemented widely.

A key challenge for policy makers looking to maintain the demand for training was the uncertain duration of the pandemic and the stop-and-start nature of social distancing measures. The extensive use of job retention schemes – rather than dismissals for example – constituted an additional challenge for engaging individuals in training. Many individuals expected to return to their previous position and saw little incentive to upskill or reskill while covered by job retention schemes. Similarly, from the point of view of policy makers, job retention schemes aim to temporarily protect jobs that are meant to survive but are at risk for liquidity issues. In some countries, notably Iceland, it was an explicit expectation by policy makers that individuals on job retention schemes would not participate in education and training, according to stakeholders interviewed in the context of this study. Nevertheless, upskilling for existing jobs, to adapt to changes in job content, would have been within the scope of job retention schemes. Providing subsidies to enterprises to train staff with reduced working hours – such as in Finland and Sweden – was a promising approach to maintain training activity of this group. In fact, a similar model was discussed in Norway but did not materialise.

Measures taken in the pandemic have reminded policy makers of the difficulty of engaging those furthest from the labour market in training. While expanding the rights of (long-term) unemployed individuals to take part in education and training was a step in the right direction, this needs to be accompanied by outreach, information and guidance services to be effective. Furthermore, implemented measures usually expanded access to formal education and training programmes, which take multiple years to complete. This is not a feasible learning pathway for those furthest from the labour market. Language requirements for formal education and training schemes, for example in Iceland, constituted an additional barrier for the group of workers with migrant background to participate in training. Shorter and modular programmes, including in English language, may provide more realistic learning pathways for this group.

Pandemic response also helped governments identify gaps in the coverage of existing support schemes. In Iceland, for example, individuals have access to financial support for lifelong learning either through sectoral vocational training funds, where eligibility is based on the number of years worked, or via public employment services if not employed. During the pandemic, it emerged that these two channels left some immigrants and women not active in the labour market without access to financial support for lifelong learning.

Shift to online learning may have been more effective if additional support had been provided (Ramboll Management Consulting, 2021^[44]). On the one hand, online learning may have provided better access to learning for those with bad experiences with (classroom) learning and those with disabilities or health issues. On the other hand, most countries provided limited support and training for accessing online learning, risking leaving vulnerable groups behind. Other challenges would also need to be addressed if online learning was to be used more widely. First, motivating online learners is key to training completion which was quite poor prior to the pandemic. Broadening the range of online courses would also be crucial

to make online learning more inclusive. Finally, despite significant upscaling during the pandemic, courses available online still tend to focus on the skills needed in white-collar jobs (OECD, 2020^[40]).

5.3. Nordic countries introduced measures to boost the supply of training during the crisis period

Nordic countries took action to maintain – or in some cases increase – the supply of training opportunities during the pandemic, alongside the demand-side measures described above. These measures targeted at education and training providers, and to a much lesser extent enterprises, with the view to enable them to continue to offer training under the constraint of social distancing measures. Measures also aimed to support providers to deal with potential increases in demand from jobseekers and those temporarily laid off. Notably, supply-side measures were less prevalent across Nordic countries than measures targeting individuals. Finland is an exception; it implemented a comparatively large number of measures to support the supply of training.

Examples of supply-side measures included increased funding for providers, other support for providers to move training online and capacity-building for employers to provide training. Table 5.6 gives an overview of these measures and highlights if these were: a) entirely new measures; b) measures that were adapted during the pandemic, e.g. by changing eligibility rules; or c) measures that were expanded, i.e. existed prior to the pandemic, but saw increased funding or scope. The following section describes these measures in further detail.

Table 5.6. Nordic countries often expanded existing measures to support the supply of training

Measures taken to support the supply of training, March 2020 to March 2022

		Denmark	Finland	Iceland	Norway	Sweden
Increased funding for providers	For existing learning offers	Expanded	Expanded	Expanded	Expanded	Expanded
	To develop new learning offers	Newly introduced	Expanded		Expanded	
Support to move training online	Regulatory changes	Newly introduced				
	Support leaders, teachers and trainers		Expanded	Newly introduced		Newly introduced and adapted
Building capacity of employers		Expanded	Newly introduced			

Source: Information provided by national authorities through questionnaires and qualitative consultations.

5.3.1. Responses to the pandemic focused on funding, online training and capacity building

The most common supply-side measure across Nordic countries was the provision of more funding to education and training providers to develop new and expand existing learning opportunities. In contrast to other OECD economies, there was limited support to prevent private providers from exiting the market, which may be explained by predominantly public training provision in the Nordic countries.

Increased funding was allocated for providers with a great flexibility on how to use it

In most Nordic countries, the dominant measure to maintain the supply of training during the crisis was to channel additional funding to education and training providers. This increase in funding aimed to achieve

multiple objectives including: i) increasing the number of training places to cover more target groups (those on job retention schemes and the unemployed); ii) developing new learning offers for skills in demand (including in essential services); and iii) developing online learning offers. In some cases, providers were given clear directives on how the additional funding was to be used. Overall, however, a trust-based approach dominated and in many Nordic countries there is limited evidence on how the funding was actually used.

All Nordic countries provided additional funding to expand existing learning offers with the objective to cater to an expected increase in demand from unemployed individuals and those on job retention schemes:

- In **Denmark**, regional training pools provide subsidies for municipalities to purchase short vocational education courses for the unemployed. In 2021, funding for these pools was increased from DKK 100 million to DKK 300 million (EUR 40 million) and was intended to cover 80% of the operating expenses for the purchasing of short, business-oriented courses in areas with increased labour demand (STAR, 2020^[45]; STAR, 2020^[46]).
- The **Icelandic** initiative “Summer Education for All” (*sumarnám*) increased the range of free courses at upper secondary and higher education institutions between June-August 2020 and again June-August 2021 (Icelandic Ministry of Education and Culture, 2021^[47]). Target group of these courses were individuals preparing for university, but also individuals who wanted to improve their employability. Additional funding provided by the Ministry of Education and Culture amounted to ISK 800 million (approx. EUR 5.8 million).
- In 2020, **Finland** provided additional financing for higher education institutions with the aim to increase the supply of open higher education courses in specific shortage areas, including science, technology, data processing, telecommunications and medicine. The amended 2020 budget included additional funds of EUR 10 million to be shared equally between universities and universities of applied sciences. Target groups of these measures included individuals who were temporarily laid off, the unemployed and those excluded from university training, who could participate in the training free of charge (normally a small nominal fee applies) (Finnish Ministry of Education and Culture, 2020^[48]). Additionally, a number of universities and universities of applied sciences offered free access to online training for the unemployed or laid-off individuals. This was a bottom-up measure and not initiated by the Finnish Ministry of Education.
- **Sweden** built on its existing “Knowledge Boost” initiative (*kunskapslyftet*) to expand study places during the pandemic (Swedish Ministry of Education, n.d.^[49]; Swedish Prime Minister’s Office, 2021^[50]). Since 2015, government has provided grants to providers to increase permanent study places in vocational adult education programmes, higher vocational education, education at folk high schools, universities and colleges (Government Office of Sweden, 2016^[51]). Between 2015 and 2020, 160 000 additional study places were created with the funding, more than half of which between 2020 and 2022. In addition, funding was increased to strengthen the capacity and develop work on distance learning in higher education institutions. This included an expansion of short higher vocational education courses and programmes, many of which can be pursued on a part-time basis.
- **Norway** funded additional study places at higher education institutions (4 000) and in higher vocational education (1 500), according to data provided by national stakeholders.

In some countries, education and training institutions received additional funding to develop entirely new training offers for expanded target groups, notably adults who were on job retention schemes, who had lost their job or were at risk of job loss during the pandemic. This also included the development of rapid retraining schemes in essential sectors:

- In 2021, **Denmark** provided DKK 40 million (approx. EUR 5.4 million) to higher education institutions to develop new programmes for adults who had lost their jobs or were at risk of job loss

due to the COVID-19 crisis. A specific focus was on individuals with vocational education and training degrees, but also those with higher education degrees who wanted to change profession. The funding covered the development, organisation and operation of training courses (Danish Ministry of Education and Research, 2021^[52]).

- Between 2020 and 2021, **Finland** allocated over EUR 50 million for projects and experiments that support continuous learning, test new forms of co-operation between education and employment actors, help people develop skills and address skill demands of the labour markets (*Jatkuvan oppimisen avustukset*). While the funding scheme was conceived prior to the pandemic, the crisis provided further impetus for the development of short-term training opportunities, new modes of co-operation and measures for the inclusion of underrepresented groups in training. Grants were awarded to a wide range of organisations, including liberal arts institutions, vocational training providers, universities and universities of applied sciences (Finnish Ministry of Education and Culture, 2022^[53]; Finnish Ministry of Education and Culture, 2021^[54]; Finnish Ministry of Education and Culture, 2021^[55]).
- **Finland** also developed rapid training schemes for temporarily laid-off and unemployed individuals to work in the agricultural sector. In the sector, labour from abroad was scarce due to travel restrictions imposed by the pandemic.
- **Norway** expanded the tripartite sector programs for skills development (*treparts bransjeprogram*) by providing additional funding of NOK 280 million in 2020 and 2021 (approx. EUR 27 million) (Box 5.3).

There is little evidence that Nordic countries supported private providers during the pandemic to prevent them from exiting the market. This may be due to the fact private providers were covered by generous business support and job retention schemes (see Chapter 2) and not in need of targeted intervention. One exception is **Sweden**, where the semi-private provider Lernia AB received a capital injection of SEK 150 million to continue its activity during the crisis (Swedish Ministry of Enterprise and Innovation, 2020^[56]).

Box 5.3. Norway: expanding sectoral skill development programmes

In 2019, Norway introduced a tripartite industry programme for competence development (*treparts bransjeprogram*) in two sectors, notably the municipal health and care sector, as well as the construction industry. In the context of the COVID-19 pandemic, nine additional sectoral programmes were established in 2020, covering the tourism industry, retail, renewable and power industries amongst others.

These programmes constitute a public subsidy for the development and implementation of industry relevant education and training programmes. They provide funding for employers and employees to jointly define the skill and training needs in their particular industry. Subsequently, education and training providers can respond to calls for funding issued by public authorities to develop offers that respond to these needs.

The final training offer is free for individuals. Tripartite industry programmes specifically target those with low levels of formal skills and little incentive to participate in education and training.

Source: Aspøy et al. (2022^[57]), *Evaluation of the tripartite industry programme for competence development*, www.fao.no/images/pub/summaries/2022/20803-summary.pdf

Moving training online was smooth, facilitated by increased information and support for teachers and trainers

The transition to offering learning online was therefore comparatively smooth for Nordic education and training providers and governments did not offer specific support to providers to move training online. Nordic societies were highly digitalised prior to the pandemic, both in terms of the connectivity of individuals and the provision of public services online (OECD, 2020^[58]; European Commission, 2021^[59]). Legislative and regulatory frameworks were generally already in place to facilitate the transition, including when it came to the assessment and certification of online participation.

Only **Denmark** made a number of legislative and regulatory changes that were necessary for providers to move training online. It relaxed the legislation for providers at upper secondary level (including VET providers), which are normally required to deliver training in person. The government also increased funding levels for online education through their Taximeter system, which allocates funding to providers, based on activity levels and results.

Some countries developed measures to support leaders, teachers and trainers within education and training providers to adapt to the challenges of online learning:

- **Iceland** established various platforms for open dialogue and information for headmasters of upper secondary schools, rectors in universities, guidance counsellors in schools, and managers of Lifelong Learning Centres amongst others. These groups met virtually on a weekly basis, where they received information from the Ministry of Education and discussed various challenges.
- The **Finnish** Ministry of Education and Culture and the Finnish National Agency for Education developed joint information materials to support teachers and trainers during the pandemic. Information was provided on a dedicated website and continuously updated.²
- In **Sweden**, the National Agency for Education (*Skolverket*) expanded in-service training programmes for teachers by adding a 15-hour online course on the topic of remote teaching and learning.³ Course content included issues of pedagogy and didactics in distance education, technology and organisation.
- Additionally, the Research Institutes of **Sweden** (RISE) developed and operated the website *Skolahemma.se*, which provided resources, information and inspiration for teachers and others working in the Swedish school system during the COVID-19 pandemic. The website was operated in co-ordination with various partners, including the National Agency for Education, SKR, Swedish Edtech Industry, the Swedish Council for Higher Education, the School Research Institute, the Swedish Agency for Special Needs Education, the Gothenburg region, the Prince and Crown Princess Foundation and the Swedish Polytechnic Authority.

Building the capacity of employers to facilitate a dialogue between actors in the training landscape

Across the OECD area, employers are one of the key providers of education and training for adults (OECD, 2021^[60]). The pandemic constituted a significant challenge for training in enterprises, due to social distancing requirements on the one hand and productivity pressures in some sectors on the other. This, along with the uncertain outlook, may explain why **Nordic countries engaged with employers only to a very limited extent on the issue of training during the pandemic** and decided to focus their attention on maintaining the supply of training through education and training providers. Exceptions were Finland and Denmark, where governments implemented some small-scale measures to increase the capacity of employers to train:

- **Denmark** expanded its pool of continuing vocational education and training (CVET) co-ordinators during the pandemic. CVET co-ordinators are individuals who connect and support the dialogue

between educational institutions, job centres and social partners to develop education and training for employed and unemployed individuals.

- **Finland** provided funding of EUR 20 million to hire lifelong learning co-ordinators in the Centres for Economic Development, Transport and the Environment, called “ELY centres”.

5.3.2. *The limited information available suggests a good take-up of the supply-side measures*

There are limited data on the take-up of supply-side measures, providing only a partial picture of the reach of these types of interventions.

Measures that increased the provision of free training courses experienced relatively high take-up.

Stakeholders in Iceland, for example, consider the participation of more than 5 500 individuals in summer courses at the upper secondary and university level in 2020 an unprecedented success. In line with general participation patterns, 67.5% of those who participated in summer courses at the university level were women. 20% of participants used the summer course offer to learn Icelandic. The expansion of the Norwegian tripartite industry programmes from two to 11 industries engaged more than 23 000 individuals in training in 2020-21.⁴ An evaluation of the programmes finds that they reached their target group, i.e. adults with low formal skills who do not regularly participate in education and training (Aspøy et al., 2022^[57]). The evaluation also highlights that participation varied considerably between programmes, with the tourism programme – perhaps unsurprisingly – recording the highest number of participants. Similarly, additional funding for regional training pools in Denmark attracted 22 411 participants in 2021, compared to 8 353 in 2019 and 9 369 in 2020.

While the take-up of expanded education provision may seem like a success, the evaluation of the **Norwegian Education Boost initiative** (*Utdanningsløftet*, Box 5.4) raises some concerns about the value for money of such initiatives (Høst, Sevaldson Lillebø and Solbue Vika, 2022^[61]). Focusing on the take-up of upper secondary education opportunities by adults and young people, the evaluation finds that few participants took part in training relative to the money allocated. It attributes this to the fact that municipalities struggled to convert the funds received into outputs. Other countries may have experienced similar challenges, although evaluations of implemented measures are still not available.

Box 5.4. Norway implements a comprehensive package to boost education

Many Nordic countries started to consider skill policies only some time into the pandemic, as they were dealing with arguably more pressing issues of ensuring health and safety, teleworking and wage replacements in early 2020. Norway stands out for developing skill measures early in the pandemic and launched their **Education Boost Initiative** (*Utdanningsløftet 2020*) in mid-2020. The initiative was a large-scale skill investment package, funded with NOK 3.5 billion (approx. EUR 340 million), which aimed to increase the capacity of the entire education and training system to deal with the COVID-19 pandemic.

It included a wide range of competence-oriented measures in the county municipalities, competence development for the laid-off and unemployed people, an increase in the number of study places in vocational colleges and higher education, as well as measures to help more laid-off and unemployed people to complete upper secondary education.

Large investments of this initiative were overseen by new governance structures, including a group of directors, a head of operations group and a secretariat function, which ensured the co-ordination between different actors. The group of directors included director generals of the agency Skills Norway, the Norwegian Agency for International Co-operation and Quality Enhancement in Higher Education,

NOKUT (the Norwegian Agency for Quality Assurance in Education) and the Norwegian Directorate for Education and Training.

Some elements of the measure have been evaluated. The evaluation shows that measures targeted at low-skilled adults to obtain upper secondary qualifications had limited success, with low participation numbers. Municipalities struggled to make use of the funding received, due to the narrow definition of the target group. Changeable pandemic situation also meant that the target group was smaller than initially anticipated.

The implementation of the Education Boost Initiative will continue into 2022, as the measures for adults are maintained to a large extent.

Source: Ministry of Science Norway (2021^[62]), *Fullføringsreformen – med åpne dører til verden og fremtiden, Melding til Stortinget*, www.regjeringen.no/contentassets/581b5c91e6cf418aa9dcc84010180697/no/pdfs/stm202020210021000dddpdfs.pdf; Høst, Håko et al (2022^[61]), *Evaluering av Utdanningsløftet 2020: Tiltakene rettet mot videregående opplæring [Evaluation of the Education Promise 2020: The measures aimed at upper secondary education]*.

5.3.3. Key takeaways

Education and training providers in Nordic countries were quick to move classroom-based training online during the pandemic. There was comparatively limited government intervention to enable this shift: Denmark adapted some regulations and Finland, Iceland and Sweden provided training and online resources for leaders, teachers and training providers to move training online. As most countries expanded funding to education and training providers during the pandemic, often with few conditions attached, it can be expected that some of this funding was used to move training online.

Maintaining the provision of adult vocational education and training was challenging in most countries, due to difficulties of moving work-based and practical training online (see also (Ramboll Management Consulting, 2021^[44])). Those countries with more school-based vocational education and training systems generally fared better in maintaining the supply of training. Finland, for example, stands out as having recorded the smallest decline in training participation during the pandemic. Their extremely flexible approach to delivering vocational education and training, both when it comes to learning location and assessment methods, may have helped to maintain provision during the pandemic.

The pandemic was an opportunity for education and training providers to develop new learning offers for expanded target groups and changing skill demands of the labour market. Some Nordic countries, notably Denmark, Finland and Norway, strategically invested in the development of shorter, more labour market relevant education and training programmes by public or publicly funded providers. The experience of Iceland highlights the limit of this approach: Many jobseekers sought training at private learning providers, as some publicly funded life-long learning centres struggled to develop new and applied learning programmes that met the demand of individuals.

Supporting enterprises to provide training was not a priority in the Nordic region during the pandemic. Exceptions were Denmark and Finland, which invested some limited funding in in-kind support measures for employers to develop training in line with their needs. This low focus on employers by international comparison may be explained by the particular difficulties of delivering training in workplaces in a socially distanced setting, but also by the strong reliance on public sector provision of education and training in Nordic countries.

5.4. The traditionally strong role of social partners in Nordic countries was important in developing skills for the recovery

Social partners played an important role in shaping skill policy during the pandemic in most Nordic countries, as was the case in other policy areas (see Chapters 2 and 3). There was substantial variation in the types of actions taken and level of involvement between different Nordic countries (Table 5.7).

Table 5.7. Social partners were very active in the area of skills during the pandemic

Actions taken by national social partners in the area of skills, March 2020–March 2022

	Denmark	Finland	Iceland	Norway	Sweden
Negotiating agreements	Yes				Yes
Managing and funding programmes	Yes		Yes	Yes	Yes
Participating in decision-making	Yes	Yes	Yes	Yes	Yes
Advising policy	Yes	Yes	Yes	Yes	Yes
Raising voice and informing	Yes	Yes	Yes	Yes	Yes

Source: Information provided by social partner organisations through questionnaires and qualitative consultations.

5.4.1. Social partners have historically paid an important role in managing and funding training programmes

In most Nordic countries, social partners have an institutionalised role in managing and funding education and training, which they continued to exercise during the pandemic. An exception is Finland, where social partners have no such institutionalised involvement.

In Denmark, Iceland and Norway this involvement primarily takes place through **bipartite Training Funds**, which have a dedicated budget for skill development outside the usual public budgetary channels. The dedicated budget is usually established through levies imposed on employers and employees (co-financing):

- In **Denmark**, sectoral Training Funds (*Uddannelsesfonde, Kompetenceudviklingsfonde*) are very common and have been included in all collective agreements since 2007. Their primary role is the (re-)distribution of funding to cover both direct and indirect costs of training. Depending on the Fund, individual employees, employer or both can apply for funding. Some funds also provide in-kind support in the form of funding consultants to support employers with the organisation and planning of training. Certain funds also support the training of specific groups, e.g. training for the low-qualified or Danish language training (Eurofound, 2021^[63]; Danskindustri, n.d.^[64]).
- **Iceland** has several social partner-run Training Funds for different types of workers (e.g. unskilled workers or government employees) and geographic areas (inside and outside the capital area), but these do not cover all sectors of the economy. Their role is to fund grants and financial incentives for vocational education, as well as to support employers and education and training providers in the development of training (Cedefop, 2008^[65]; SGS, 2022^[66]).
- **Norway** has a limited number of Training Funds, which can be sectoral or cross-sectoral in nature and are enshrined in bilateral collective agreements (Cedefop, 2008^[65]). Unilateral Training Funds of Trade Unions are also common. The Norwegian Confederation of Trade Unions (LO), for example, operates an Education Fund (*Utdanningsfond*) to implement and support training measures among its members. Support includes scholarships for obtaining full qualifications, short courses, as well as the development of training measures (LO Norge, 2019^[67]).

Swedish social partners are responsible for operating Job-Security Councils in different sectors. These Councils provide an early-intervention mechanism in the case of company restructuring and large-scale dismissals (Box 5.5).

Box 5.5. Sweden: Facilitating transitions during the pandemic through job security councils

Swedish Job Security Councils (JSCs) provide support and guidance to displaced workers in the case of plant closures and mass layoffs, even before displacement occurs. JSCs are actively involved in all stages of the process of restructuring, including by providing advice to employers and trade unions at an early stage in the process. They provide transition services and guidance to workers who are made redundant, through individual counselling, career planning, job search assistance, outplacement services and retraining. The JSCs' upskilling services are partly based on a skills barometer that they run twice a year and that allows the JSCs to anticipate skills needs.

The JSCs are jointly run by employers' organisations and unions (the government has no role). Their funding (which comes entirely from employers) is negotiated in collective agreements along with wage increases and unions frequently hold back on the latter to safeguard JSC funding. The JSCs illustrate the advantage of sectoral bargaining, that allows distributing the risks and the accompanying costs of displacement over an entire sector. All workers covered by a collective agreement are covered by the JSC, including non-union members. To be eligible, workers need to have worked in their company for at least 12 months. The JSCs are a complement to the PES. They can provide a top-up to unemployment benefits as well as additional services. Once workers are dismissed, the PES becomes responsible for them.

The JSCs appear to make a significant contribution to the unusually rapid re-employment rate of displaced workers in Sweden, although some concerns about inequality between blue- and white collar JSCs and the co-operation with the PES remain.

Building on the model of the Job Security Councils, a public transition organisation became operational in October 2022. The transition organisation provides basic transition support for employees not covered by a collective agreement, which previously did not have access to a Job Security Council. The organisation was established in the context of a wide-ranging Transition Package for more flexibility, transitioning capacity and security in the Swedish labour market.

Source: OECD (2019^[68]), *Negotiating Our Way Up: Collective Bargaining in a Changing World of Work*, <http://dx.doi.org/10.1787/1fd2da34-en>; OECD (2015^[69]), *Back to Work: Sweden: Improving the Re-employment Prospects of Displaced Workers*, <http://dx.doi.org/10.1787/9789264246812-en>; Swedish Government (2022^[70]), *Flexibility, adaptability and security*.

5.4.2. Social partners participate in decision-making in all Nordic countries

In all Nordic countries, **social partners have an institutionalised role on boards of decision-making bodies in the area of skills development**, including public employment services, social insurance institutions, national education and training agencies, as well as boards of education and training providers at the local level. Representation on decision-making bodies exists in virtually all Nordic countries, but notable examples include:

- In **Finland**, the work of the newly established Service Centre for Continuous Learning and Employment (*Jatkuvan oppimisen ja työllisyyden palvelukeskus, JOTPA*) is overseen by a board that includes representatives of the Ministries for Education and Culture and the Economy and Employment, as well as representatives from various social partner organisations (Finnish Ministry

of Education and Culture, 2021^[71]). The agency's mandate is to promote the development of skills of working-age people and ensure the availability of skilled labour.

- Similarly, the **Icelandic** Education and Training Service Centre (ETSC, Fræðslumiðstöðin) is a tripartite body that co-ordinates Iceland's efforts to increase learning opportunities for low-skilled adults (Box 5.6Box 5.6.).
- In **Sweden**, the National Agency for Higher Vocational Education (*Myndigheten för yrkeshögskolan*) ensures the quality of higher vocational education programmes. The agency's advisory council for labour market issues includes social partner representatives. The council is responsible for making recommendations on which training programmes should receive state funding, based on inspections and an assessment of labour market needs.

Box 5.6. Iceland: Tripartite ownership of the Education and Training Service Centre

Established in 2010, the Education and Training Service Centre (ETSC) Iceland has been a leading actor in analysing, validating and increasing the competences of low-skilled adults in working life. The centre is a co-ordinating body of the 14 regional lifelong learning centres in Iceland, who are in direct interaction with the target group. In line with the 2010 Law of Adult Education and Regulation 1163/2011, activities of ETSC include:

- Curricula and programme development;
- Strategic development of the validation for prior learning system in Iceland;
- Provision of learning pathways based on the competence analysis/validation process;
- Development of information, advice and guidance services.

During the pandemic the role of the ETSC was to adjust measures according to societal situation in co-operation with other stakeholders.

The ETSC is a limited private company, which is jointly owned by the Icelandic Confederation of Labour (ASÍ), the Confederation of Icelandic Employers (SA), the Federation of State and Municipal Employees (BSRB), the Ministry of Finance and the Association of Local Authorities in Iceland.

Source: FRAE (2023^[72]), The Education and Training Service Centre (ETSC), <https://frae.is/fraedslumidstodin/about-us/>; information provided by national authorities through questionnaires and qualitative interviews.

5.4.3. In the context of the pandemic, social partners were regularly consulted and new exchange formats were established

In all Nordic countries, social partners at the national level were consulted by relevant public authorities on legislative and regulatory issues in the area of skills throughout the pandemic.

This often took place through established fora of communications, such as committees, high-level groupings or other consultative bodies, or through ad hoc bilateral conversations building on previously established relationships. In all cases, the frequency of the consultations was increased, with up to daily communication in some cases.

In some countries, **new exchange formats were established to monitor the COVID-19 situation**. In **Finland**, for example, ministries established informal round-table discussions with social partners. Similarly, in **Iceland**, a temporary Co-ordination Committee for Employment and Education ensured a co-ordinated policy response. The Committee included representatives of the Ministries of Education and Employment, social partners, public employment services, as well as representatives from schools and students. It concluded its work with a report in May/June 2020, which formed the basis for further actions

and funding decisions. Following the report a smaller Action Committee monitored the implementation of the proposed policy responses, while the Co-ordination Committee was dissolved.

5.4.4. Social partners were important mediators between their members and policy makers throughout the pandemic

Employer organisations in all Nordic countries engaged in informing their members about government policies throughout the pandemic. This sometimes took place through the provision of structured information online, but more often on an ad hoc basis through direct interaction with members. Skill policy only played a minor role in such requests, according to the stakeholders consulted in the context of this report.

A small number of social partner organisations implemented mutual learning exercises between their members. In **Finland**, for example, a Digital Game Changer project brought together enterprises in different sectors to discuss issues related to digital working and data security issues.

Some social partner organisations conducted **regular surveys** to understand the support needs of their constituents in the pandemic and used the results in their lobbying efforts with governments.

5.4.5. Social partners were strongly involved in negotiating agreements during the pandemic

Social partners in several Nordic countries signed agreements during the COVID-19 pandemic. In line with the patterns observed for government action, agreements made early in the pandemic typically focused on securing the income of workers, while education and training measures came more into focus over time:

- In **Denmark**, adult education and training started to come into focus in tripartite agreements in August 2020. Prior to this, agreements had related to wage compensation schemes and emergency support for apprenticeships. In August 2020, a tripartite agreement extended the existing short-time working scheme in the private sector and introduced the possibility for individuals to take part in continuing education while receiving unemployment benefit (STAR, 2020^[73]). This agreement was extended again in November 2020, making further provisions for education or retraining. In October 2021, the government, the social partners and Local Government Denmark (KL) concluded a tripartite agreement on the issue of labour shortages, which focused on matching, activation and migrant labour, rather than on education and training.
- In **Finland**, where there are no regular bargaining rounds between the social partners, a collective agreement on the furlough scheme was negotiated in 2020. According to the stakeholders involved, there was a discussion about including opportunities to train during furlough in the agreement, but this idea did not make it into the final agreement.
- **The Swedish** social partners concluded an agreement on improving the staffing situation in elderly care in May 2020, including through education and training measures. The agreement was made between the Swedish Association of Local Authorities and Regions (SALAR) and the Municipal workers union (*Kommunal*), but a wider tripartite reform Elderly Care Boost (*Äldreomsorgslyftet*) was launched at the same time. The initiative included paid training leave for those working in the sector, yet participation is likely going to have lagged behind expectations due to productivity pressures during COVID-19 in the sector.

In some Nordic countries, such as **Denmark**, the pandemic seems to have provided new impetus for tripartite agreements. Previously seen as lengthy processes with limited agreement between the partners, tripartite agreements during the pandemic allowed legislation to pass quickly through parliament. Similarly,

in **Finland** the pandemic provided opportunities for bilateral negotiations between employer organisations and trade unions.

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Notes

¹ A direct comparison of the number of participants and size of the target group is challenging, because the target group includes individuals with “no or outdated vocational qualifications”.

² Opetustoimi ja koronavirus, Opetushallitus (oph.fi), <https://www.oph.fi/fi/koulutus-ja-tutkinnot/opetustoimi-ja-koronavirus>

³ <https://www.skolverket.se/skolutveckling/kurser-och-utbildningar/fjarrundervisning--webbkurs>

⁴ Data provided by the national authorities.

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

This report examines the impact of the COVID-19 pandemic on Nordic labour markets and the associated policy responses undertaken in the areas of unemployment benefits, job retention schemes, active labour market policies and skill development policies. The report discusses the details of these policy measures across Nordic countries and draws out the main lessons learned from their response to the crisis. Finally, the report provides a set of key recommendations in each policy area to enable Nordic countries to build more inclusive and resilient labour markets in the post-pandemic period.

