

# Job retention schemes in Europe

## Sweden

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**Note on ETUI classification of job retention schemes (JRSs):** All job retention schemes (JRS) share the objective of preserving the ties between companies and their employees in times of temporary economic difficulties. They support incomes of workers who keep their employment contract even if the work is fully suspended. Depending on the primary objective and the nature of support, three different categories of JRS can be distinguished:

**(1) Short-time Work Scheme (STW):** The key objective of STW schemes is to provide support to companies to retain their employees in times of economic difficulties. The company receives financial support for the employees' wages paid for the time not worked. The extent of working time reduction can vary, including also a full work suspension.

**(2) Furlough Scheme (FS):** FSs can be best understood as temporary unemployment. The financial support is thus paid directly to the worker for the period of partial or full working time suspension. The aim of a FS is to enable companies to reduce their wage bill by temporarily laying off (parts of) their workforce. While retaining the ties with the employer, workers on the FS scheme are available to seek alternative employment. Integrated into the existing system of unemployment insurance, FSs can be seen as a tool to facilitate the transition towards a new job.

**(3) Wage Subsidy (WS):** The main objective of WS is to preserve employment through subsidizing companies' wage bills. For this purpose, a company in temporary financial difficulty receives financial support per employee, regardless of whether or not working time of specific employees is reduced. The employees keep receiving their wages. Permissible wage adjustments are not directly related to working time reductions.

## Key characteristics of the job retention scheme

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| <b>ETUI classification of the job retention scheme (JRS)</b>              | Short-time work (STW)  |
| <b>Name of the scheme</b>   | <i>Korttidsarbete</i> (Short-time work) or <i>Korttidspermittering</i> (Short-time lay-offs)   |
| <b>Start date of the implementation of the special Covid-19 JRS rules</b> | Temporary lay-offs ( <i>permitteringar</i> ) have been used since the 1930s, with workers receiving unemployment benefits (after a one week qualifying period [ <i>karens</i> ]) while keeping their working contract at a specific employer. Temporary lay-offs came to be regulated in the central agreement of 1938 ( <i>Saltsjöbadsavtalet</i> ). In 1964, a new collective agreement laid down that the employer would pay a reduced wage ( <i>permitteringslön</i> ) during the week-long qualifying period before unemployment benefit. The Employment Protection Legislation Act in 1974 also regulated temporary lay-offs and stipulated that employers should pay full wages for temporary lay-offs longer than two weeks, with the employee receiving a reduced wage the first week, and unemployment benefit the second. In 1984 a new collective agreement with supplementary changes in employment protection legislation was introduced. It stipulated that employers pay full wages during temporary lay-offs, while the state and money from special funds administered by the social partners subsidised up to 60% of the costs. The maximum duration of a lay-off was 30 days, with subsidies for 23 of those days (that is, except for days 1 to 3, 11 to 12, and 21 to 22). In 1995 the temporary lay-off system was abolished because of austerity measures imposed during the crisis. Even though the right to full wage compensation during temporary lay-offs still existed in accordance with employment protection legislation, temporary lay-offs were no longer in use. |

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In connection with the financial crisis, however, collective agreements (so-called 'crisis agreements') were concluded in some industries, for example, between Teknikföretagen (Association of Swedish Engineering Industries) and IF Metall. In local agreements, working time or wages could be reduced temporarily, although wages could not be reduced to below 80% of normal wages. Sometimes, training activities could also be included in the agreements. These agreements were temporarily in use in 2010. Because of the good experiences with these agreements, as well as the example set by the German STW system during the crisis, the social partners in manufacturing and the extractive industries put pressure on the government to introduce a general STW system in Sweden. In 2014, a new system was implemented. State-supported STW could be used in deep recessions. The government agency Konjunkturinstitutet (National Institute of Economic Research) decides whether a deep recession is taken hold. Such an assessment was made for the first time in April 2020. The system holds that the costs of STW are shared by the state, the employers and the employees and could be imposed for 12+12 months.

In 2018, the government set up a public inquiry to suggest changes to the STW system to make it more available for sectors in the economy in different business cycles (that is, to relax the condition that the whole economy needs to be in a recession, and that this option be available only after a government decision), and to make it more training oriented in periods of STW. A proposal was ready at the beginning of March 2020. Because of the COVID crisis, however, the government reworked the proposal, and made the system temporarily more generous during 2020 (now extended to 30 June 2021), as well as retroactive from 16 March. The STW system became law in April 2020.

The dates of extensions to the scheme and the changes involved were as follows:

- 2 April 2020: new law on STW during the Covid crisis was introduced (see above)
- 27 May 2020: reinforced support during May to July to also cover 80% time reductions
- 9 November 2020: government announced that the STW system during Covid will remain in place until 30 June 2021, and cover 80% time reductions from January to March
- 19 January 2021: extra budget with extension of STW to 30 June 2021

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| <b>Eligibility</b>   | <p>STW compensation to companies can be paid if:</p> <ul style="list-style-type: none"> <li>– the company has suffered temporary, serious financial difficulties that could not have been foreseen or avoided (e.g. decline in demand, problems of access to markets, disruptions of key deliveries) ;</li> <li>– there is support for STW in both sectoral and local collective agreements, or individual agreements with at least 70% of the employees if collective agreements are missing;</li> <li>– the employer has resorted to other available measures to reduce labour costs;</li> <li>– the company, at the time of application, is not insolvent or under reconstruction;</li> <li>– the support covers reductions in hours worked, but not sick leave, holidays and parental leave;</li> <li>– the support goes to the employer, not to the employee. The employer pays the currently reduced wage to the employee;</li> <li>– the aid covers only those who were employed in the month of comparison. The comparison month is the month falling three months before the start of the period for which the company is seeking support;</li> <li>– both fixed-term employees and part-time employees are covered by the support. Employees belonging to the family of the employer can also be included in the programme.</li> </ul> |
| <b>Exceptions (category of workers or companies excluded from support)</b>   | Self-employed persons and certain public actors cannot receive the support.  |
| <b>Duration of support (maximum duration for which JRS support is paid)</b>  | The duration of the support is 6 months, with the possibility of a 3 month extension (normal system). In the normal STW system there should be a waiting period of 24 months before people are allowed to apply again. Because of the Covid crisis, however, from 1 December 2020 it was possible to apply directly for a further extension until 30 June 2021; in other words 7 extra months with STW.  |
| <b>Level of support for employees (percentage of gross or net wage, please also specify whether social security contributions are covered)</b> | <p>Depending on the size of the applied reduction in working hours, the employee's wage is affected as follows:</p> <p>20% worktime reduction – 4% reduction of normal wage<br/> 40% worktime reduction – 6% reduction of normal wage<br/> 60% worktime reduction – 7.5% reduction of normal wage</p> <p>During May to July 2020 the STW also included an 80% worktime reduction with a 12% reduction of normal wages. This possibility was reintroduced for the period January–June 2021.</p> <p>The suggested 'normal system' (that should continue after the Covid crisis):</p> <p>20% worktime reduction – 12% reduction of normal wage<br/> 40% worktime reduction – 16% reduction of normal wage<br/> 60% worktime reduction – 20% reduction of normal wage</p>  |
| <b>Cap on support (maximum amount of JRS support payable)</b>  | The cap on support is a normal monthly wage of SEK 44,000 (€4,071), which is a wage in the upper 10th decile of the wage distribution.   |

**What share of the support is covered by the state and by the employer?**

In case of a 20% worktime reduction 1% is covered by the employer and 15% by the state  
 In case of a 40% worktime reduction 4% is covered by the employer and 30% by the state  
 In case of a 60% worktime reduction 7.5% is covered by the employer and 45% by the state

During May to July 2020 ( and January to March 2021) the STW also included an 80% worktime reduction, with 8% covered by the employer and 60% by the state

This implies a cost reduction for the employer of:

- 19% in case of a 20% worktime reduction (4% employee/15% state)
- 36% in case of a 40% worktime reduction (6%/30%)
- 53% in case of a 60% worktime reduction (7.5%/45%)
- 72% in case of an 80% worktime reduction (12%/60%)

Another way to illustrate the state subsidy is to calculate how large a share the state subsidy gives the employer after the reduction in the employee's wage:

- If the wage is cut by 4% and working time by 20%, there is a 16% cost increase for the employer (that is, only 80% of normal working hours are performed for 96% of the former wage), and the state subsidises 94% of the increase (that is, 15 of the 16 percentage point increase)
- If the wage is cut by 6% and working time by 40%, the 34% cost increase is covered 88% by the state (30/34)
- If the wage is cut by 7.5% and working time by 60%, the 52.5% cost increase is covered 86% by the state (45/52.5)
- If the wage is cut by 12% and working time by 80%, the 68% cost increase is covered 88% by the state (60/68)

The wage costs for the employer includes social contributions.

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| <b>Dismissal protection</b>  | It is possible to dismiss employees covered by short-time work allowance.  |
| <b>Role of collective bargaining in the adoption and implementation of JRS support</b>   | <p>According to the law on STW, a precondition of receiving the allowance is that a collective agreement on STW has been concluded both at industry level and locally. This means that no local agreement can be concluded without a sectoral agreement. If there is no company-level collective agreement, STW can be introduced if 70% of the employees sign a written agreement to that effect.</p> <p>The first sectoral collective agreement was signed in March 2020 in the hotels and restaurants sector. Agreements were signed for more or less the whole private sector relatively quickly.</p>  |
| <b>Special conditions for support to avoid misuse of the system (for instance, ban on paying out dividends or bonuses; ban on share buybacks or operating from tax havens)</b> | <p>One of the basic preconditions for an employer to be entitled to STW allowances is that the employer has experienced temporary and serious financial difficulties. If, however, a company seeking help carries out a value transfer in the form of a dividend, which reduces the company's assets, this – according to Tillväxtverket (Swedish Agency for Economic and Regional Growth), which administers the allowance – strongly suggests that the company is not in fact in serious financial difficulties. Tillväxtverket controls profit distribution and other value transfers during the period in which a company is receiving support, for two months before support is provided and during the six months immediately following the support period. Value transfers made before 16 March 2020 are not checked.</p> <p>A new statutory regulation regarding dividends and other value transfers was implemented on 15 February 2021. According to the new law, an employer is not eligible for the allowance if, during the support period, the two months immediately beforehand and within six months immediately after the support period it issues dividends, provides compensation, buys back its own shares or reduces its share capital or reserve fund for repayment to shareholders.</p> |
| <b>Special provisions as regards training/ requalification/ reorientation of employees on JRS</b>  | Employers who provide training for employees on STW during time off work, will receive compensation corresponding to 60% of the training costs, starting 1 January 2021. Both external training and in-house training, as well as validation, are covered by this support. The maximum amount of training costs generally supported under this provision is SEK 10,000 (approximately €990) per employee. The conditions pertaining to such training should be regulated in a collective agreement, or in a written agreement between the employer and the individual employee.  |

## Quantitative data

| How many workers were on JRS each month? (Please indicate whether these are applications for JRS or the actual numbers of workers on JRS) | Actual STW* | Projection of actual STW | STW quota (% of employees)** | Applications for STW* |
|---|-------------|--------------------------|------------------------------|-----------------------|
| 31 March 2020   | 266,800     |                          | 6.0                          | 90,289                |
| 30 April 2020   | 506,100     |                          | 11.4                         | 54,184                |
| 29 May 2020   | 552,500     |                          | 12.2                         | 16,903                |
| 30 June 2020  | 547,200     |                          | 12.0                         | 7,034                 |
| 31 July 2020  | 509,300     |                          | 11.1                         | 2,596                 |
| 31 August 2020  | 448,200     |                          | 9.8                          | 2,034                 |
| 30 September 2020   | 307,800     |                          | 6.8                          | 1,770                 |
| 30 October 2020   | 219,500     |                          | 4.9                          | 1,287                 |
| 30 November 2020  | 201,400     |                          | 4.4                          | 2,867                 |
| 30 December 2020  | 99,900      |                          | 2.2                          | 1,611                 |

Which sectors were most affected at the beginning of the pandemic in March/April and towards the end of the period studied in November/December? (as a percentage of overall number of workers on JRS)

|   | May 2020*    |                | August 2020* |                | November*    |                | December*    |                |
|---|--------------|----------------|--------------|----------------|--------------|----------------|--------------|----------------|
|   | Total number | % of total STW | Total number | % of total STW | Total number | % of total STW | Total number | % of total STW |
| A: Agriculture, forestry and fishing                                    | 600          | 0.1            | 300          | 0.1            | 100          | 0.0            | 100          | 0.1            |
| B: Mining and quarrying   | 0            | 0.0            | 0            | 0.0            | 0            | 0.0            | 0            | 0.0            |
| C: Manufacturing  | 165,300      | 29.9           | 127,300      | 28.4           | 46,100       | 22.9           | 31,100       | 31.1           |
| D: Electricity, gas, steam and air conditioning supply                  | 0            | 0.0            | 0            | 0.0            | 0            | 0.0            | 0            | 0.0            |
| E: Water supply; sewerage, waste management and remediation activities  | 1,200        | 0.2            | 1,200        | 0.3            | 300          | 0.1            | 300          | 0.3            |
| F: Construction   | 14,400       | 2.6            | 11,200       | 2.5            | 5,400        | 2.7            | 3,700        | 3.7            |
| G: Wholesale and retail trade; repair of motor vehicles and motorcycles | 104,700      | 19.0           | 82,300       | 18.4           | 31,500       | 15.6           | 13,700       | 13.7           |
| H: Transportation and storage   | 31,900       | 5.8            | 27,100       | 6.0            | 15,700       | 7.8            | 7,100        | 7.1            |
| I: Accommodation and food service activities                            | 59,800       | 10.8           | 50,300       | 11.2           | 32,200       | 16.0           | 6,800        | 6.8            |
| J: Information and communication  | 29,000       | 5.2            | 25,400       | 5.7            | 9,900        | 4.9            | 5,900        | 5.9            |
| K: Financial and insurance activities                                   | 2,400        | 0.4            | 1,800        | 0.4            | 800          | 0.4            | 300          | 0.3            |
| L: Real estate activities   | 2,600        | 0.5            | 2,000        | 0.4            | 1,000        | 0.5            | 600          | 0.6            |
| M: Professional, scientific and technical activities                    | 57,200       | 10.4           | 50,000       | 11.2           | 23,200       | 11.5           | 12,900       | 12.9           |

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|--|----------------|-----|----------------|-----|----------------|-----|---------------|-----|
| N: Administrative and support service activities                 | 29,400         | 5.3 | 25,400         | 5.7 | 12,700         | 6.3 | 5,600         | 5.6 |
| O: Public administration and defence; compulsory social security | 0              | 0.0 | 0              | 0.0 | 0              | 0.0 | 0             | 0.0 |
| P: Education   | 5,400          | 1.0 | 4,500          | 1.0 | 2,200          | 1.1 | 1,600         | 1.6 |
| Q: Human health and social work activities                       | 20,400         | 3.7 | 15,600         | 3.5 | 6,200          | 3.1 | 2,800         | 2.8 |
| R: Arts, entertainment and recreation                            | 17,400         | 3.1 | 14,900         | 3.3 | 8,800          | 4.4 | 4,900         | 4.9 |
| S: Other service activities                                      | 10,800         | 2.0 | 8,900          | 2.0 | 5,300          | 2.6 | 2,500         | 2.5 |
| <b>Total number</b>  | <b>552,500</b> |     | <b>448,200</b> |     | <b>201,400</b> |     | <b>99,900</b> |     |

**Is there any data on how many workers lost their jobs after JRS expired?**

No

**Is there any data on how much money the state spent on JRS and over time? (in absolute figures and as a percentage of GDP)**

To date, approximately SEK 34 Billion (approximately €3.4 billion) supporting 590,000 employees (approx. 0.7% of GDP)

## Information on non-standard workers and JRS<sup>2</sup>

**Do non-standard workers (NSW) have access to the regular JRS scheme or are there other support schemes, for instance for the self-employed?<sup>3</sup>**

Temporarily-employed and part-time employees are included in the STW scheme. One problem for temporarily-employed, however, is that the company should 'have used other available measures to reduce labour costs', which may include the non-continuation of fixed-term contracts.

Temporary agency workers can be included in the scheme if they are assessed as essential to the company's operations. Temporary work agencies can also apply for STW support, as workers can have an open-ended contract with an agency.

Self-employed workers are not covered. If the business is a limited company, however, with the owner also employed, it may be possible to obtain the allowance.

Other support measures for the self-employed:

- closing-down support: if the business is forced to close down due to infection control 100% of fixed costs are covered;
- support if revenue falls substantially;
- support for rental costs;
- deferment of taxes;
- loan guarantee for SMEs (the state guarantees up to 70% of the loan);
- easier access for self-employed to unemployment benefits.

**What are the eligibility criteria?**

Similar to those for permanent employees if they have a temporary contract (see above). Self-employed are generally not covered.

2. Non-standard workers include workers with a temporary work contract, platform workers, temporary agency workers, multiparty employment, disguised employment/dependent self-employment, freelance workers, etc.
3. The following questions refer to any existing schemes for non-standard workers.

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| <b>How is the financial support for non-standard workers calculated?</b>                             | Similar to those for permanent employees if they have a temporary contract (see above). Self-employed are generally not covered. |
| <b>Which sectors were most affected in terms of providing support to non-standard workers?</b>       | Not available  |
| <b>Are there any measures for training/ requalification/ reorientation for non-standard workers?</b> | Similar to those for permanent employees (see above).  |

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### Sources

Tillväxtverket (Swedish Agency for Economic and Regional Growth): <https://tillvaxtverket.se/>

Swedish government: <https://www.regeringen.se/regeringens-politik/regeringens-arbete-med-coronapandemin/>

Medlingsinstitutet (Mediation Institute): Pandemin och korttidsarbete, October 2020.

Edebalk P.G. and Wadensjö E. (1985) Permitteringsersättning, permitteringar och arbetslöshet, Ekonomisk debatt, 6/85.

\* Statistics on the number of workers involved in short-time working are an approximation calculated by Tillväxtverket. The number of applications refer to companies that apply.

\*\* Statistics Sweden, labour market statistics, author's calculations.