

ARTICLE – Are those on short-term work schemes unemployed?

There is considerable interest in comparing labour market developments between different countries, particularly in times of international crises. The purpose is often to learn which economic policy measures work well to counteract increased unemployment and reduced employment. But one should exercise caution when making such comparisons. There are differences between countries with regard to the measures implemented both to prevent the spread of the coronavirus and to alleviate the economic effects of the pandemic. But even if the strategies to combat the spread of the virus were to have been the same in all countries, the consequences for the labour market might nevertheless differ because developments are also affected by the special circumstances and institutions in each country. This article specifically takes up how the national systems for state support to short-term work schemes may have different effects on the unemployment statistics in different countries. If one wishes to draw conclusions with regard to Sweden on the basis of developments in unemployment in other countries, it is important to be aware that there are major differences in the definitions between different sources of statistics.

The Riksbank and the Swedish Government, together with other authorities, have implemented measures to alleviate the effects of the coronavirus pandemic on the Swedish economy.¹³ Many measures are aimed at helping companies to survive and retain their employees so that the economy can pick up again when the corona crisis wanes and production can resume.

Other countries have also implemented extensive measures to alleviate the economic effects of the pandemic.¹⁴ The way the measures have been designed depends largely on the labour market institutions in the respective country. The effects on, for instance, unemployment may differ in different countries, even if the measures taken are similar.

One example of how even similar measures can have entirely different effects on unemployment is government support to short-term work schemes, which has been provided in many countries. Employees on short-term schemes in Sweden receive salary and are counted as employed in the Labour Force Surveys (LFS), the official labour market statistics in Sweden. Those on short-term schemes are not to register with the Swedish Public Employment Service, as they still have their jobs. The short-term work schemes therefore mean that fewer people are registered as unemployed in Sweden, both with regard to the LFS and Swedish Public Employment Service statistics, than would be the case without this measure.¹⁵

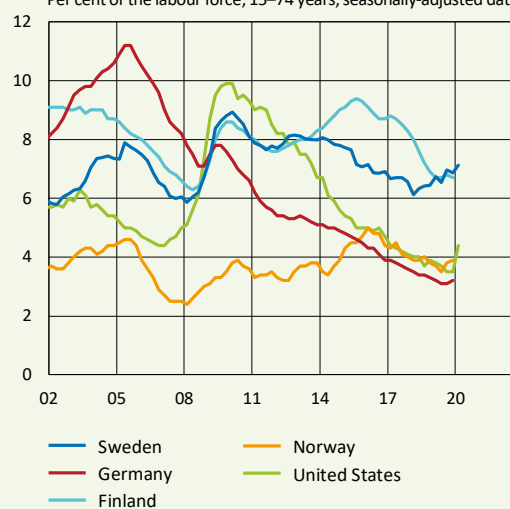
In Sweden, state support for short-term work schemes has not been available in earlier crises, but there is a lot of

interest in this support, and so far, up to 24 April, support has been granted for more than 250 000 employees.

The Swedish system for short-term work schemes is similar to the German system for short-time work, which contributed to keeping unemployment down in Germany during the financial crisis (see Figure 3:19). The German government has estimated that 2.35 million employees will take part in short-time work in Germany in 2020. This corresponds to almost 6 per cent of the employed in Germany and is around twice as many as during the financial crisis. In March, the number of people in short-term work in Germany was around one million.¹⁶

Figure 3:19. Unemployment in different countries

Per cent of the labour force, 15–74 years, seasonally-adjusted data



Sources: Bureau of Labor Statistics, Eurostat and Statistics Sweden

¹³ See the article “The Riksbank’s balance sheet is growing” and the box “The Swedish Government’s crisis measures”.

¹⁴ See the box “Fiscal policy support measures abroad”.

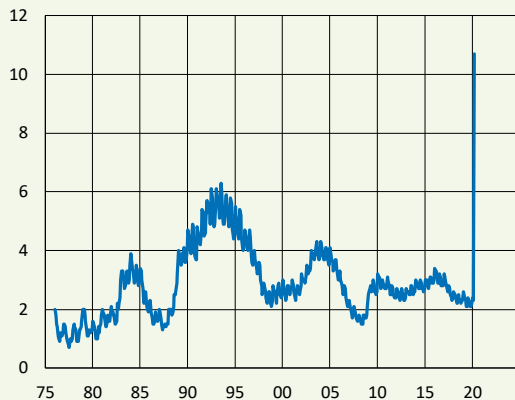
¹⁵ According to Swedish Public Employment Service, unemployed are persons registered as openly unemployed and persons taking part in programmes with

activity support. According to the LFS, unemployed are persons who are able and willing to work and have applied for jobs. For more details of the differences, see I. Häkkinen Skans (2019), “Developments on the labour market according to different statistical sources”, Economic Commentaries no. 6, Sveriges Riksbank.

¹⁶ According to statistics from Bundesagentur für Arbeit.

In Norway and Finland the short-term work scheme system is different. There, the employer does not pay any salary to the people who are on short-term work schemes; instead they receive compensation through the unemployment insurance. Employees who are on short-term work schemes full-time, are counted as unemployed in the register-based statistics.¹⁷ This means that the figures for register-based unemployment in these countries have begun to rise substantially as more people are on short-term work schemes off. In Norway, unemployment has risen from just over 2 per cent in February to almost 11 per cent in March (see Figure 3:20). In Finland, almost 450,000 employees have been given notice of short-term work schemes in the space of a few weeks.

Figure 3:20. Registered unemployment in Norway
Per cent of the labour force



Source: NAV

It is unclear whether people who are on different types of short-term work schemes in these countries are to be classified as unemployed or outside of the labour force in the internationally comparable labour force surveys. But it is probable that the unemployment figures according to the labour force surveys will not be as high as according to the register-based statistics, at least in the short term. One important reason is that those on short-term work scheme will probably not seek new jobs during the period of time they are on short-term work schemes, and to be classified as unemployed in the labour force survey they would have to be actively seeking jobs. Register-based unemployment is also affected by how the regulations regarding unemployment insurance look, for instance, how large a percentage of those who have lost their jobs are entitled to unemployment benefit. This differs between countries and over time. The requirements made for job seekers in the unemployment

¹⁷ Register-based unemployment in Norway and Finland corresponds to the employment figures produced by the Swedish Public Employment Service in Sweden.

¹⁸ Initial jobless claims are usually a good indicator of how the official unemployment measure in the United States is developing. However, there is a risk that many of those who are not entitled to unemployment benefit will leave the labour force, which would cause a less steep increase in the number of unemployed.

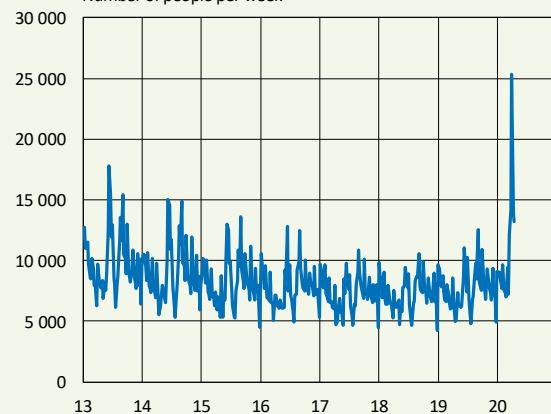
¹⁹ In Sweden, the period of notice given is regulated by collective wage agreements and the time of notice for redundancy varies according to the length of employment. Employees who are not covered by any collective wage agreement have a period of

insurance scheme also affect how active those who have lost their jobs will be in seeking new jobs and thus also affect registration as unemployed in the LFS.

In countries that lack generous systems for short-term work schemes one can see signs that unemployment will rise dramatically. In the United States, for instance, new applications for unemployment benefit (known as initial jobless claims) rose in a few weeks from around 200,000 applications a week to 6.6 million applications in a week. These are unprecedented levels in the United States.¹⁸ The fact that the number of new applications is rising so quickly is a sign that the downturn in the economy is moving quickly, but also that employment security in the United States is weak.

In Sweden, most employees have the right to a certain period of notice, which means that unemployment is not rising as quickly as in the United States.¹⁹ However, in Sweden too, the notices of redundancy have increased rapidly, which indicates that unemployment will increase going forward.²⁰ Moreover, many of the employed have fixed-term employment contracts or are employed by the hour, and these contracts are not being extended, which will increase unemployment. The number of newly-registered unemployed at the Swedish Public Employment Service has already begun to increase at a faster pace (see Figure 3:21).

Figure 3:21. Newly registered unemployed at the Swedish Public Employment Service
Number of people per week



Note. The reduction in new registrations in the weeks 15 and 16 (beginning 6 and 13 April) is probably due to the Easter holiday.

Source: The Swedish Public Employment Service

It is important to be aware that different sources of statistics can define labour market variables in very different ways. Comparisons between different countries should

notice pursuant to the Employment Protection Act. The period of notice is always at least one month for those with permanent employment. When an employer gives notice, an employee who has been employed for at least 10 years has a period of notice of 6 months, according to the Employment Protection Act.

²⁰ Not all notices of redundancy lead to redundancy and unemployment. The number of those given notice of redundancy who lose their jobs depends, among other factors, on how long the crisis lasts. During the financial crisis, around 60 per cent of those given notice of redundancy were actually made redundant and around 30 per cent became unemployed.

always be made with some caution, as developments are affected by the special circumstances and institutions in each country. If one wishes to compare unemployment in different countries, it is important to use data sources that measure unemployment in a comparable way. The labour force surveys are the statistic that is most internationally comparable and they should therefore be used when making comparisons with other countries. However, during the corona pandemic it may be difficult to carry out the surveys in the same way as usual, which can lead to the statistics being less comparable.²¹

²¹ See the Eurostat website for further information
<https://ec.europa.eu/eurostat/data/metadata/covid-19-support-for-statisticians>.