



COVID-19: Labour market and Economic measures in Norway

- An analysis from Confederation of Vocational Unions (YS)

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1. Introduction: Norway and COVID-19

Norway, with its population of 5.3 million is among the hardest hit countries by COVID -19 relative to its population size. Norway rank at 14th place of countries with highest number of cases . Som key figures:

- Total of 2 132 persons infected with COVID-19
- 7 deaths have been reported
- 162 patients have been admitted to hospital with confirmed coronavirus
- 39 patients have been or are in intensive care with confirmed coronavirus
- A total of 53 735 have been tested for coronavirus



Like many other European countries, The Norwegian Government has introduced several measures to halt the spread of the virus. Some examples:

- The Government has closed its borders to foreign nationals who lack a residence permit in Norway. Temporary entry and exit controls is introduced at the internal Schengen border.
- All schools, universities and kindergartens are closed
- Several shops and institutions has been closed (for example hairdressers, fitness-centres, swimming pools, etc.).

2. Labour markets and economic measures by the Norwegian Government

The heavy measures to reduce the spread of COVID-19 has had severe implication on the Labour market and the economy of Norway. To mitigate the negative economic effects, the Norwegian government has introduced measures in several steps. And more may be needed in the coming weeks. The main measures are:

On 13 March, the Government proposed a set of immediate measures to support jobs, help businesses in a very difficult liquidity situation and strengthen health services. These measures are estimated to weaken the budget balance by more the NOK 6 billion.

On 15 March, the Government announced two new loan and guarantee schemes with a combined volume of NOK 100 billion.

On 16 March, the Government and the opposition in the Parliament agreed on a framework for even stronger measures based one the proposals put forward on 13 March, including support to self-employed and further deferral of tax payments. These changes are estimated to add about NOK 30 billion to the weakening of the budget.

On 19 March, all parties in the Parliament agreed on further expansion of Government support, including temporary reduction of the employers' social security contribution and compensation for losses in the culture and sports sectors, further weakening the budget by some NOK 14 billion.

On 20 March, the Government put forward two parliamentary propositions covering all economic corona-measures agreed between the parties in Parliament so far, and proposing a few additional measures, including a state guarantee scheme for airlines important for the Norwegian transport system.

The total increase in budget outlays from the economic measures are estimated to exceed NOK 65 billion (see tablet). This includes a loss provision of NOK 10 billion for the new loan scheme in private banks with a state guarantee and of NOK 6 billion for the aviation guarantee scheme. In addition, the budget is weakened by more than NOK 45 billion by reduced tax revenues due to lower activity in the economy and higher expenses due to a sharp increase in the number of registered unemployed and sick pay recipients (automatic stabilizers). Overall, the oil-adjusted budget balance is weakened by more than NOK 110 billion.

Table 1. Estimated changes in non-oil Fiscal Budget deficit for 2020 as a result of economic measures and changed outlook for the economy. Billion NOK.

	2020
Mitigating income loss for businesses	24.5
Mitigating income loss for persons	18.1
Strengthening the health sector, municipalities and social security	0.6
Other compensation schemes	4.6
Aviation sector, including loss provision to guarantee scheme	8.7
Loss provisioning	10.0
SUM Discretionary measures	66,6
Automatic stabilizers	45.0
Reduced tax revenue	24.0
Increased expenditure on unemployment benefits	16.0
Increased sickness allowance	5.0
SUM Weakening of the budget balance	111.2

Source: Ministry of Finance

Liquidity in companies and households will improve by NOK 230 billion. In addition, the loan guarantee scheme for loans to small and medium-sized companies of NOK 50 billion will improve the liquidity of the companies. In total, this will be NOK 280 billion. In comparison,

the quarterly value creation in the mainland companies before the outbreak of the virus was around NOK 500 billion.

Overview of measures to mitigate effects of COVID-19:

- Reduce the number of days that employers are obliged to pay salary to workers at temporary lay-offs, from 15 to 2 days.
- Remove the three waiting days between the period when employers have to provide salary to workers in temporary layoffs and the period when the workers are entitled to daily unemployment benefits.
- Change corporate tax regulations so that companies that are loss making can reallocate their loss towards previous years' taxed surplus.
- Change the tax regulations so that owners of loss making companies can postpone payments of wealth tax.
- Suspend the tax on air passengers for flights in the period from 1 January until 31 October 2020.
- Suspend payments of aviation charges until 31 June 2020.
- Reduce the low rate of VAT, which includes passenger transport, accommodation and parts of the cultural sector, from 12 to 8 per cent in the period from March 20 to October 31, 2020.
- Defer the deadline for payment of the first VAT period from 14 April to 10 June 2020.
- Postpone the deadline for payment of the second tax installment for companies from 15 April to 1 September 2020.
- Postpone the deadline for payment of employers' contributions from 15 May to 15 August 2020.
- Introduce a state guarantee scheme for new bank loans to small and medium-sized enterprises suffering losses because of the extraordinary situation arising from the Covid-19 pandemic. The initial package of NOK 50 billion will be increased if needed.
- Reinstate the Government Bond Fund to increase liquidity and access to capital in the Norwegian bond market, where larger companies typically raise their funding. The Fund will provide up to NOK 50 billion, to be invested in bonds issued by Norwegian companies.
- Purchase of home transport by air of Norwegians on travel and special shipping, NOK 100 million.
- Purchase of domestic air routes where there is no basis for commercial operations, NOK 1,000 million.
- Aviation guarantee scheme totaling NOK 6 billion, with a 90 percent government guarantee on each loan. Of these, NOK 3 billion is directed to Norwegian Air Shuttle, 1.5 billion to SAS and the remaining 1.5 billion to Widerøe and other airlines.

3. YS' assessment of measures from the Government

YS is overall satisfied with the measures imposed by the government and has welcomed the willingness and efforts by both the Government and the Parliament to handle the current crises. However, this is a crises of such large proportion that the existence of thousands of

our businesses and workplaces are being threatened overnight. YS has therefore presented some demands and recommendations for the government in the further work to limit the economic impact of the crisis.

Measures to secure individuals affected:

- The number of days of care benefits for workers staying home and taking care of children should be extended corresponding to the period when the health authorities keep schools and kindergartens closed.
- The number of temporary layoffs connected to COVID-19 in Norway has reached more than 150,000. YS is asking for a further extension of the 20-day period with full pay during temporary layoffs. If this does not happen, the consequences of this crisis will primarily be borne by the workers, and this is not acceptable. It will also lead to a significant fall in demand, when such a large group gets its income dramatically reduced.
- We know that large groups of employees are being dismissed from occupational pension schemes as they are laid off. This means further significant financial losses for the already vulnerable groups. We are requesting a temporary law prohibiting the dismissal of laid-off workers from the company's pension scheme.
- Mortgage loan guarantee: Not only businesses, but also individuals may need loan guarantees these days. Norwegian households has in general high mortgages. We ask the Government to deliver state guarantees for existing mortgages to ensure that everyone who needs it only pay interests on their mortgage. This can prevent the crisis from growing into a housing market and a mortgage crisis.

Measures to ensure liquidity to the business community:

- The government has introduced a loan guarantee scheme for small and medium-sized businesses where the state guarantees 90 percent of the loans under the scheme. The scheme applies to loans up to NOK 50 million per company and with a maximum term of 3 years. It makes sense that the maturity is not very long. This ensures that the loans go to companies that are viable. However, we must keep in mind that in some industries - tourism, for example - the downtime is likely to be prolonged, and may not be over until a vaccine against Covid19 is developed and mass produced. In this industry, there are many companies that would have been profitable without the crisis, but the long downtime means that the maturity of three years may be too short to ensure survival. YS therefore ask the government to consider even longer maturities for the most vulnerable industries and supplementing with other types of liquidity measures.
- Conditions for getting emergency help: When the community and employees help save businesses, business owners must do the same. We demand that businesses that receive public assistance do not pay dividends and bonuses in 2020.

4. Short information on YS

The Confederation of Vocational Unions (YS) is a politically independent umbrella organization for labour unions. YS consist of 13 affiliated unions, with a total membership of over 230 000 individuals. YS represents the unions in the national tripartite cooperation, development of labour policy and in matters that affect members, such as economic development, welfare, inclusion, labour participation and working environment. YS is member of the Council of Nordic Trade Unions (NFS), European Trade Union Confederation (ETUC), EUROCADRES, Pan-European Regional Council (PERC), International Trade

Union Confederation (ITUC) and the Trade Union Advisory Committee to the OECD (TUAC). YS also participates in national and international work under the umbrella of International Labour Organisation (ILO).

Read more about YS at our website: www.ys.no.

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