

The Nordics during the first phases of COVID-19

Lars Werke, Sweden Statistics, Lars.Werke@scb.se
Sini Liukkonen, Statistics Finland, sini.liukkonen@stat.fi
Pontus Lindroos, Statistics Finland, sini.liukkonen@stat.fi
Kristian Taskinen, Statistics Finland, sini.liukkonen@stat.fi
Ólafur Már Sigurðsson, Statistics Iceland, olafur.m.sigurdsson@hagstofa.is
Anton Örn Karlsson, Statistics Iceland, olafur.m.sigurdsson@hagstofa.is
Geir Hjemås, Statistics Norway, Geir.Hjemas@ssb.no
Peter Bøegh Nielsen, Statistics Denmark, PBN@dst.dk
Søren Schiønning Andersen, Statistics Denmark, SSA@dst.dk
Fenja Søndergaard Møller, Statistics Denmark, FSM@dst.dk

Abstract

Since the beginning of 2020, Covid-19 has caused major impact on public health and economies around the world. A number of analyses have looked into socio-economic effects of Covid-19 in individual countries. However, there is need for evaluating the effects in a comparative perspective. Mandated by the Nordic chief statisticians at their meeting in Torshavn in August 2021, the Nordics (Denmark, Finland, Iceland, Norway and Sweden) published a joint report in May 2022 concerning the socio-economic effects of Covid-19. This paper is a shortened version of the report. The paper is divided into four main sections concerning i) health ii) macro economy, iii) businesses, and iiiii) labour market. Focus is on the development from the first quarter of 2019 until the third quarter of 2021.

The comparison identifies several similar patterns in the five countries. In general, all five countries have recovered economically. For instance, the GDP levels are back to pre Covid-19 after a drop in the beginning of the pandemic. Moreover, employment rates increased in 2021 in all five countries, and except for Iceland, the employment rate was even higher in Q3 2021 than at the beginning of the pandemic in 2020. Nonetheless, the five countries also differ significantly in various aspects such as confirmed Covid-19 cases, number of deaths, and test strategies.

These identified similarities and differences are conceivably relevant for users when comparing across countries. A solid foundation of comparative statistics may help to guide policy-makers and contribute to fact-based decision-making in the context of a pandemic. Likewise, the analysis could encourage and inspire other national statistics institutes and scientists to make similar comparative analyses, e.g. of downstream structural effects.

Keywords: Covid-19, Nordic countries, economy, health, businesses

1. Introduction

COVID-19 emerged in Europe in January 2020. In comparison with many other countries, the Nordic countries (Denmark, Finland, Iceland, Norway, and Sweden) were relatively mildly affected in terms of infections and deaths. The pandemic led, however, to a comprehensive shutdown of the Nordic societies that affected the economies.

In May 2022, the five Nordic countries published a joint report concerning the socio-economic effects of Covid-19. This paper is a shortened version of the report. The paper compares the developments up to and during the first phases of the pandemic (March 2020 until Q3 2021 – and in some cases Q4 2021). Focus is on key indicators in the fields of health, macro economy, businesses and labour market in the five Nordic countries. The paper mainly relies on harmonized data that are comparable across the Nordic countries. However, some of the COVID-19 data concerning mortality and compensation schemes are experimental and currently challenging to compare across countries.

Although there are important lessons to learn from the early stages of the pandemic, the pandemic has not fully played out and we have yet to see the long-term consequences. Thus, this paper provides a snapshot and does not pretend to give the full picture.

2. Effects on health

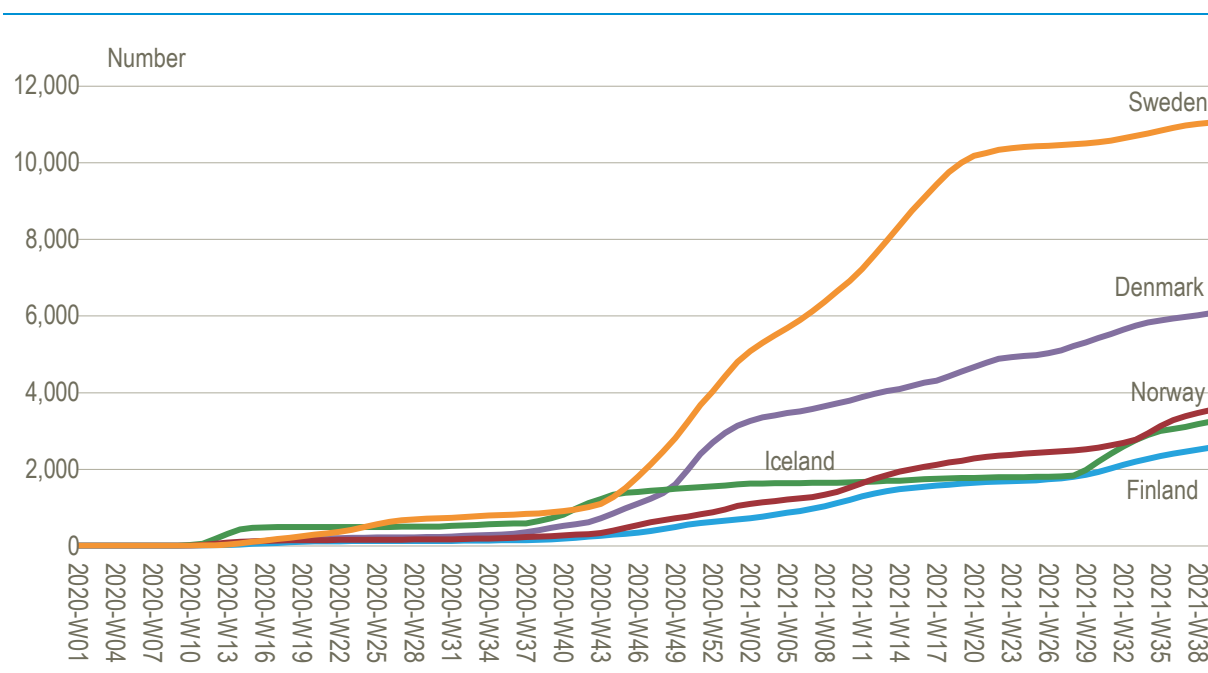
The following chapter looks at different health indicators across the Nordics. Indicators such as infections and death rates both influenced and were influenced by restrictions and shutdowns. The cause or effect will not be discussed here, but some measures came before the infection and death rates, as other measures came as a response to the infections and deaths.

2.1 Number of persons infected with COVID-19

The Nordic countries' objectives were the same: to contain infections and protect the most vulnerable citizens. Sweden chose a different direction than the other Nordic countries. While Sweden leaned more on voluntariness and self-regulation, the other countries relied more on state-imposed restrictions and shutdowns. This may have led

to a higher infection rate in Sweden. As shown in figure 2.1, at the end of the third quarter of 2021, Sweden had around 11,000 confirmed infections per 100,000 inhabitants. In comparison, Finland's corresponding figure was 2,500.

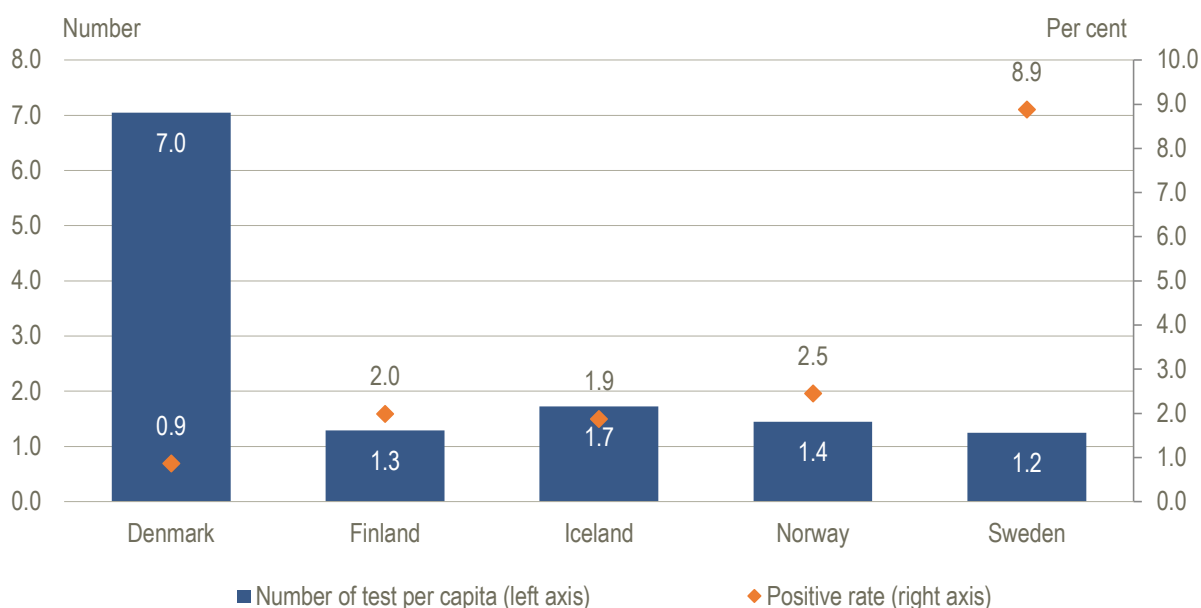
Figure 2.1 Cumulative confirmed cases of COVID-19 up to and including Q3 2021 (per 100k)



Source: OECD Health Statistics

Starting in the autumn of 2020, Denmark increased the amount of testing much more than its Nordic neighbours. This is a factor in explaining why recorded infections in Denmark are increasing faster than in Norway, Finland, and Iceland. By the third quarter of 2021, Denmark had tested each inhabitant an average of seven times, while the rest of the Nordic countries tested an average of around 1.5. As seen in figure 2.2, the proportion of positive tests is 0.9 per cent in Denmark, while in Sweden; the figure is 8.9 per cent. This could imply that Sweden has more undetected cases than Denmark, and that the number of infections in Sweden would be higher if they had the same test rate as Denmark.

Figure 2.2. Number of tests per capita and positive rates of tests up to and including Q3 2021

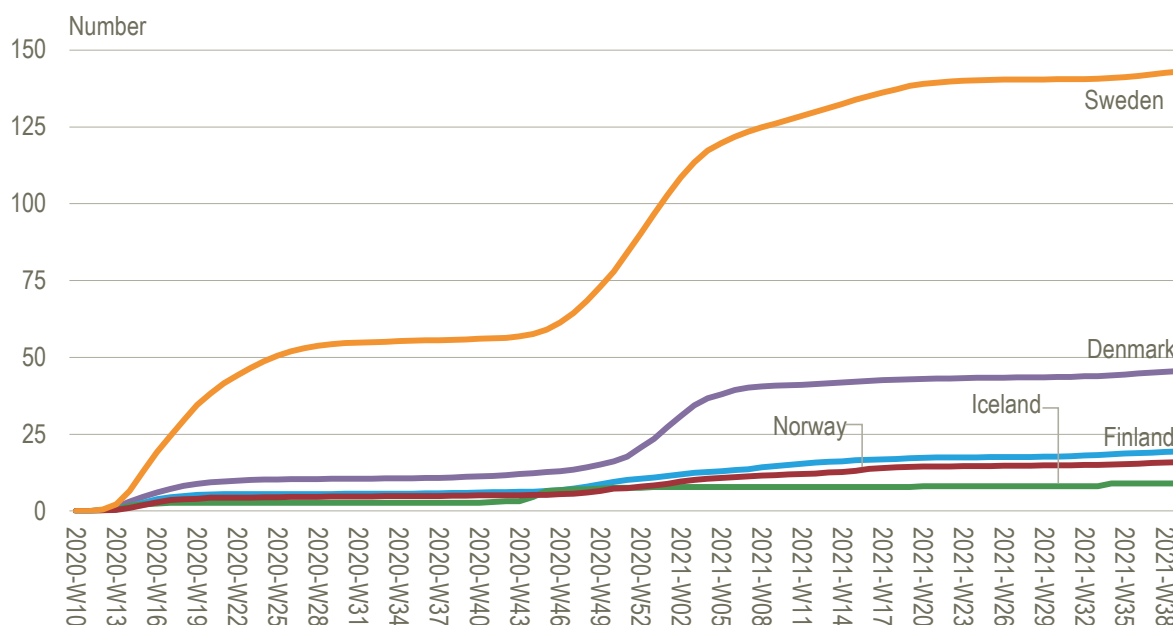


Sources: OECD Health Statistics and ourworldindata.org

2.2 Mortality

As with COVID-infections, there are significant disparities in the number of deaths related to COVID-19 between the Nordic countries. Sweden has a far higher death rate than the rest of the Nordic countries, as seen in figure 2.3. At the end of the third quarter of 2021, Sweden had over 140 deaths per 100,000 inhabitants, while Denmark, which was closest, had 45 deaths per 100,000 inhabitants. Iceland had the lowest rate, with less than 9 deaths per 100,000 inhabitants. The death rates levelled off in the first quarter of 2021, which is likely because vaccination of vulnerable groups began in early 2021.

Figure 2.3 Cumulative deaths attributed to COVID-19 up to and including Q3 2021 (per 100k)



Source: OECD Health Statistics

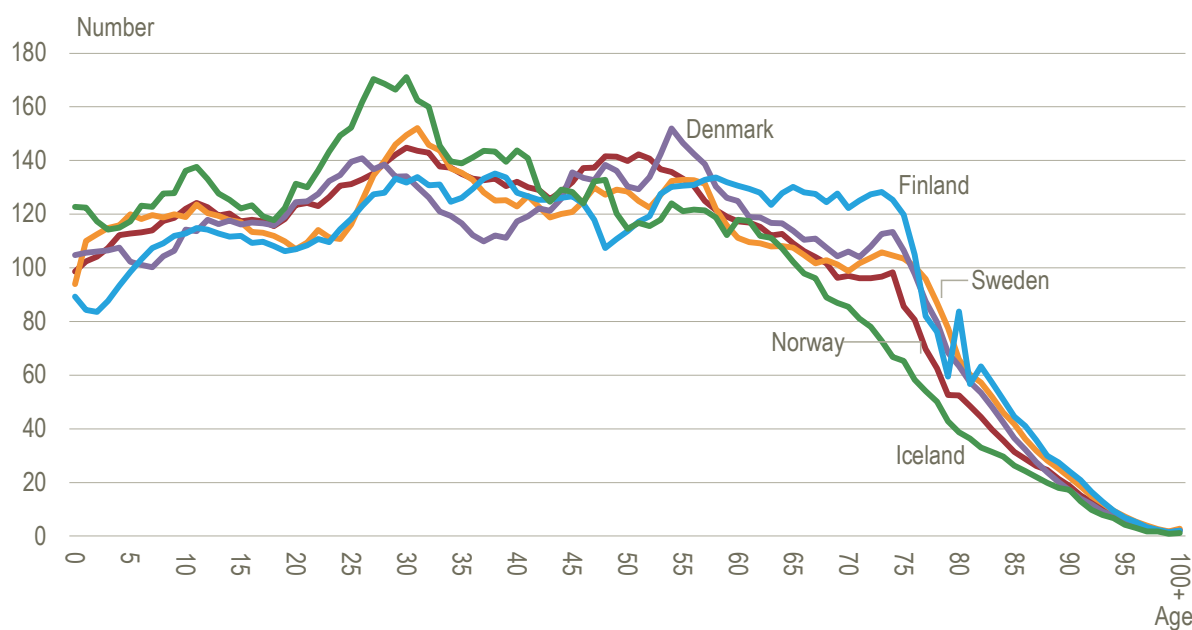
Comparing the number of deaths caused by COVID-19 between nations can be challenging. The practice of registering deaths may vary from country to country and may have changed during the pandemic.

At the start of the pandemic, there was not necessarily a common understanding in the assessment of when COVID-19 was an underlying or contributing factor to death around the world. Furthermore, this definition may have shifted during the pandemic. However, there is no reason to suggest that the Nordic countries' COVID-death registration practises differ significantly, and hence we have not taken into account any systematic differences.

COVID-19 deaths disproportionately affect the elderly. People over the age of 70 are more likely to have several underlying health issues, particularly chronic disorders, which increase their risk of dying from COVID-19. As seen in figure 2.4, the Nordic countries have different age structures. Iceland's population is younger than that of the other Nordic countries. In terms of age composition, Finland has the oldest population. Finland stands out among people aged 65 to 75. By this logic, Iceland would have fewer deaths than its neighbours if all else remained constant, and Finland would have

the most deaths. However, Finland has a low death rate despite its age structure, compared to Sweden, Denmark, and Norway.

Figure 2.4 Age composition for the Nordic countries (per 10k)



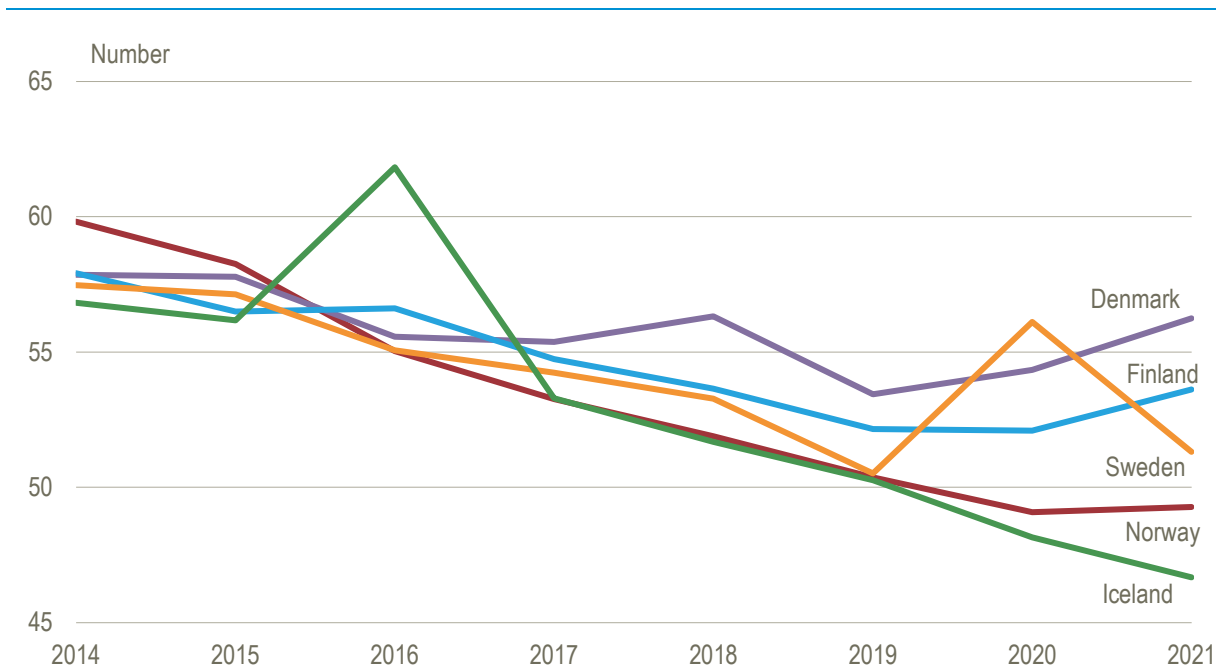
Source: The Nordic statistical offices

2.3 Mortality rate

The possible discrepancies in reporting of COVID-related deaths between countries can skew the numbers. The total mortality rate is more robust. In Sweden, all-cause mortality among the elderly climbed significantly in 2020 but fell correspondingly in 2021, as illustrated in figure 2.5. The story of the other Nordic countries is different. Finland and Denmark had a small increase in 2020 as well as in 2021, while Norway had lower mortality in 2020 than in 2019, and no change between 2020 and 2021. Iceland experienced a peak in 2016, but this was followed by a sharp decrease in the mortality rate from 2016 and onwards.

There is a difference in the age composition of people aged 70 and older between the countries, as shown in figure 2.4. This means that the figure 2.5 below should be interpreted with that in mind.

Figure 2.5 Deaths per 1,000 men aged 70+



Source: The Nordic statistical offices

In general, the Nordic countries share a similar death rate. In many cases, flu epidemics can explain the fluctuations between years for each country. If the outbreaks are severe, they can have long-term consequences for the death rates. This could imply that the starting point prior to COVID-19 may help to understand the impact of COVID-19 on the death rate. Sweden, along with Denmark, registered the biggest decline in death rates between 2018 and 2019 compared to the rest of the Nordic countries. Sweden and Denmark are also the countries with the most reported COVID-19 deaths, mostly in 2020.

Norway's mortality rate is, in contrast, low in both 2020 and 2021. The death rate in Norway is predicted to climb in 2022, with signs of this beginning in the first quarter of 2022. Aside from the impact of COVID-19 on death rates in the Nordic countries, one should keep in mind that there are many other factors that influence death rates. Therefore, it will be interesting to see what influence COVID-19 has on death rates in the coming years. There is no doubt that Sweden has a substantially higher prevalence of COVID-related mortality than the rest of the Nordic countries, even if there are discrepancies in COVID-19 death registrations.

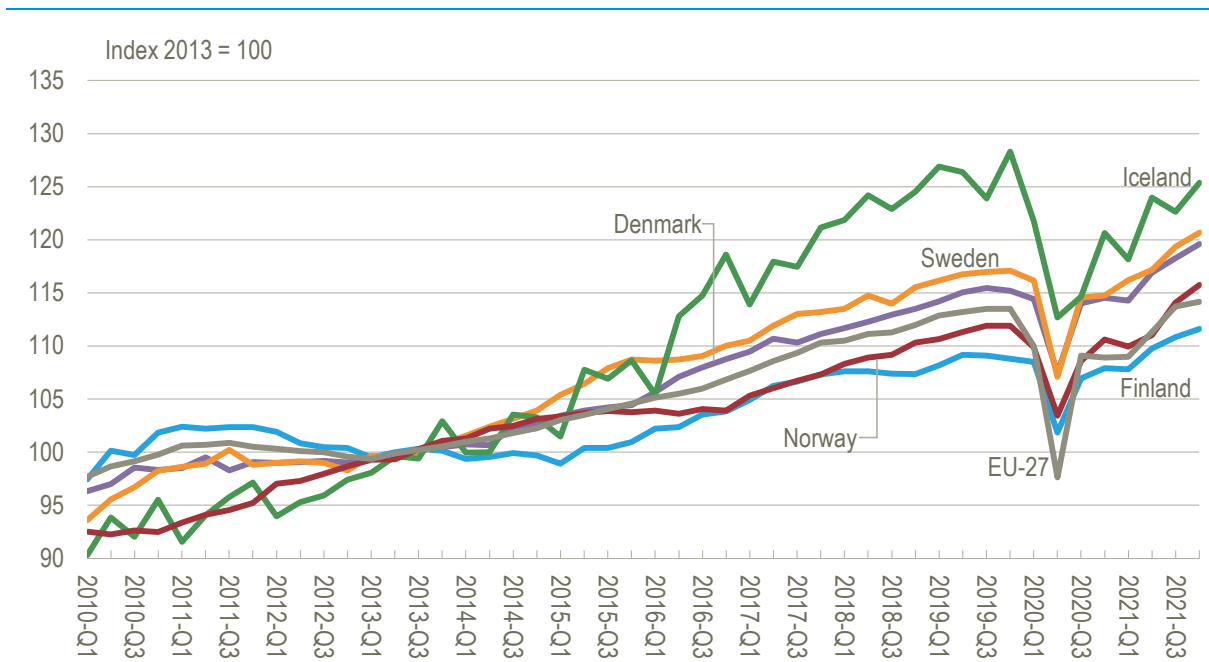
3. Effects on macro economy

This chapter explores how the pandemic affected GDP, public finance, household consumption and foreign trade.

Figure 3.1 shows that the Nordic economies have had quite a similar development of GDP during the COVID-19 pandemic. All countries had a massive downturn in the second quarter of 2020. The largest drops from 2020-Q1 until 2020-Q2, according to seasonally adjusted figures, were in Sweden (-7.8 per cent) and Iceland (-7.4 per cent). The Icelandic economy had rapid growth in the years leading up to the pandemic, driven by the tourism sector. During the pandemic, most countries imposed strict restrictions on international travel, and international tourism dropped to close to zero. Compared with the other Nordic countries, the Icelandic economy is more dependent on tourism, and that is one main reason for the sharper decline and somewhat slower recovery. Sweden's large, export-oriented manufacturing sector saw a big drop as the pandemic hit, which contributed to the somewhat larger downturn of GDP early in the pandemic, as compared with the other Nordic countries.

The smallest drop in GDP during the second quarter of 2020 was in Norway (-5.9 per cent). But the Norwegian economy fell a bit more than Finland, Denmark, and Sweden in the first quarter (-1.8 per cent). For mainland Norway (excluding the petroleum sector), GDP development was rather similar to Sweden, Finland, and Denmark. Including the petroleum sector, the Norwegian GDP only fell marginally during 2020, as the petroleum sector had strong growth.

Figure 3.1 GDP, Chain linked volumes (2013=100), seasonally and calendar adjusted data



* Gross domestic product Mainland Norway

Source: Eurostat, ssb.no, and hagstofa.is

In general, all the Nordic economies recovered in the second half of 2020 and most of 2021. Except for Iceland, all the Nordic countries had surpassed the GDP-levels from before the pandemic by the fourth quarter of 2021.

3.1 Effects on public finances

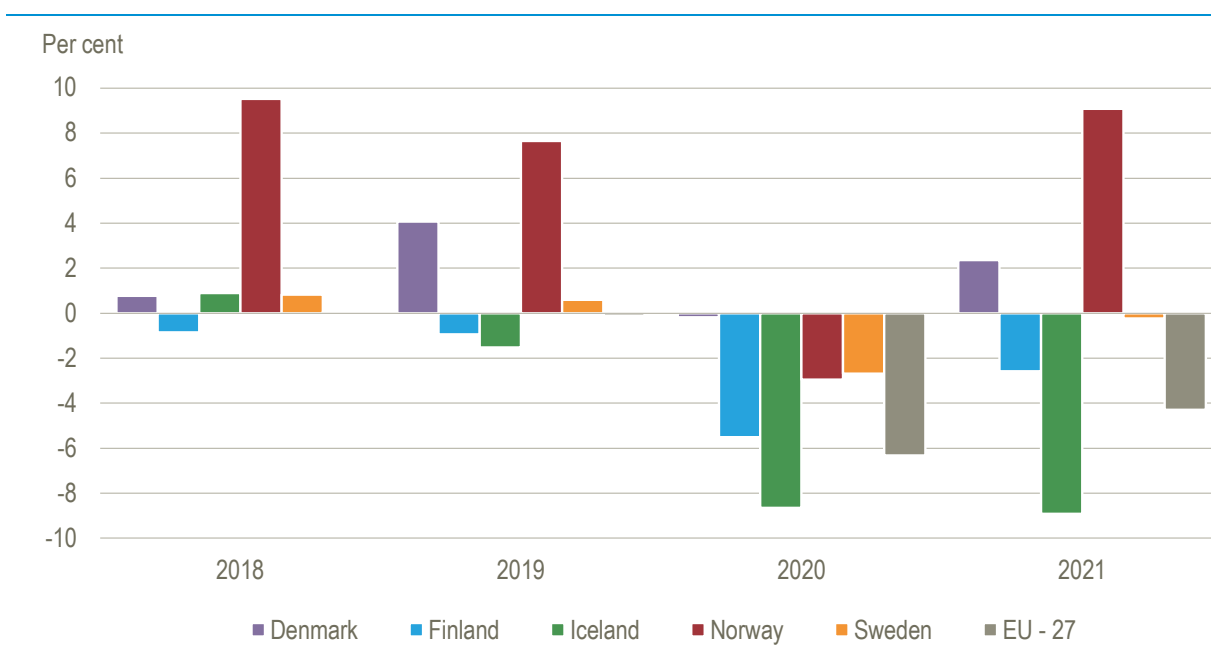
Numerous initiatives have been launched to support businesses and employees affected by the restrictions in all Nordic countries. The stimulus packages that have been launched aimed to support businesses and employees mainly through subsidies and transfers that have affected government deficits and, to a lesser extent, government consumption expenditures. Some of the measures taken, such as extended time frames for loans or guarantees only have an impact on the government deficit if they are utilized.

As seen in figure 3.2, Norway and Iceland had the largest negative changes in government deficits between 2019 and 2020. Norway came from a long period of strong public finances and the deficit in 2020 was the first in 25 years. In relation to GDP, these two countries have had the largest government expenditures to mitigate the COVID crisis' impact on the economy. In Norway, lower revenues from petroleum

as a result of low oil prices and provisional amendments made to the taxation of oil and gas companies also affected the deficit in 2020. As gas prices rose sharply in the second half of 2021, the deficit in 2020 was turned into a large surplus in 2021.

Sweden and Denmark have moved through the crisis with the mildest impact on their government deficits. In 2020, Denmark had a small deficit that was turned into a surplus in 2021.

Figure 3.2 Government deficit (net lending (+) / net borrowing (-), per cent of GDP

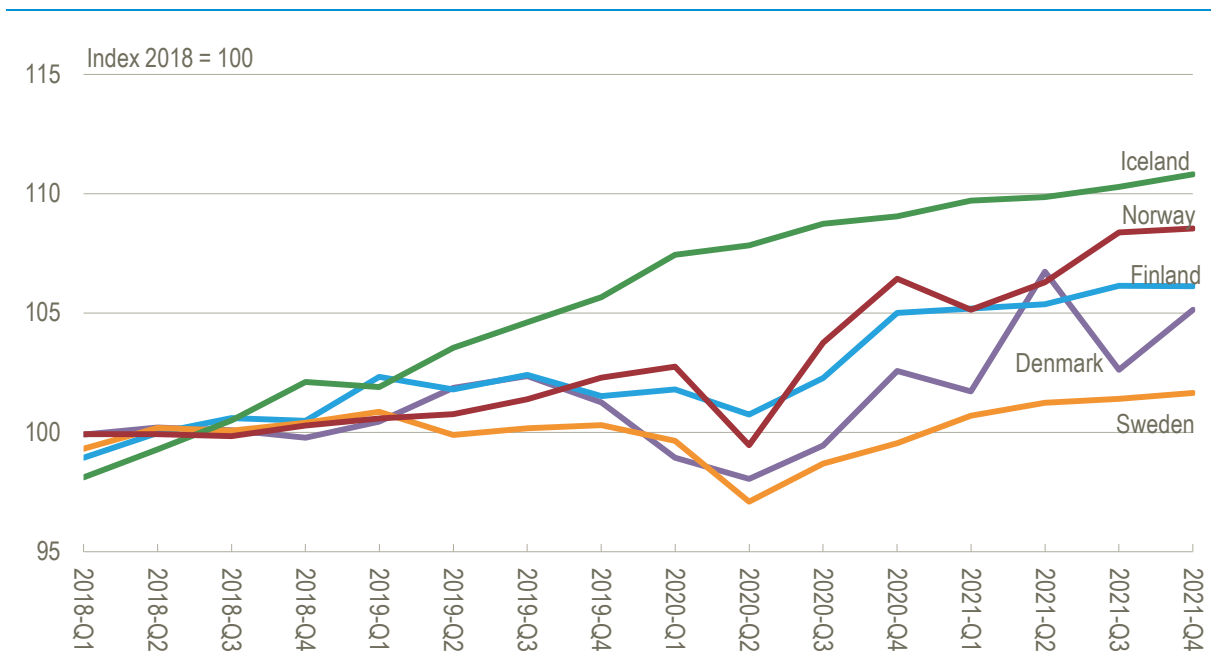


Source: Eurostat and ssb.no

Figure 3.3 illustrates the government final consumption expenditure in the five Nordic countries. In Iceland, government consumption remained high throughout the crisis, while the other Nordic countries saw a significant decline in the second quarter of 2020, followed by increased government spending for the rest of 2020. The decline, in volume terms, for these countries stemmed from the part of government spending that is geared directly towards households (individual consumption expenditures) like health care and education. In Sweden, for example, the decline in spending in the second quarter was to a large extent related to the rebalancing of health care to face the COVID pandemic at the expense of other health care, while in Norway, reduced

government consumption was also related to the closing of public schools and kindergartens.

Figure 3.3 Government final consumption expenditures, Chain linked volumes (2018=100), seasonally and calendar adjusted data

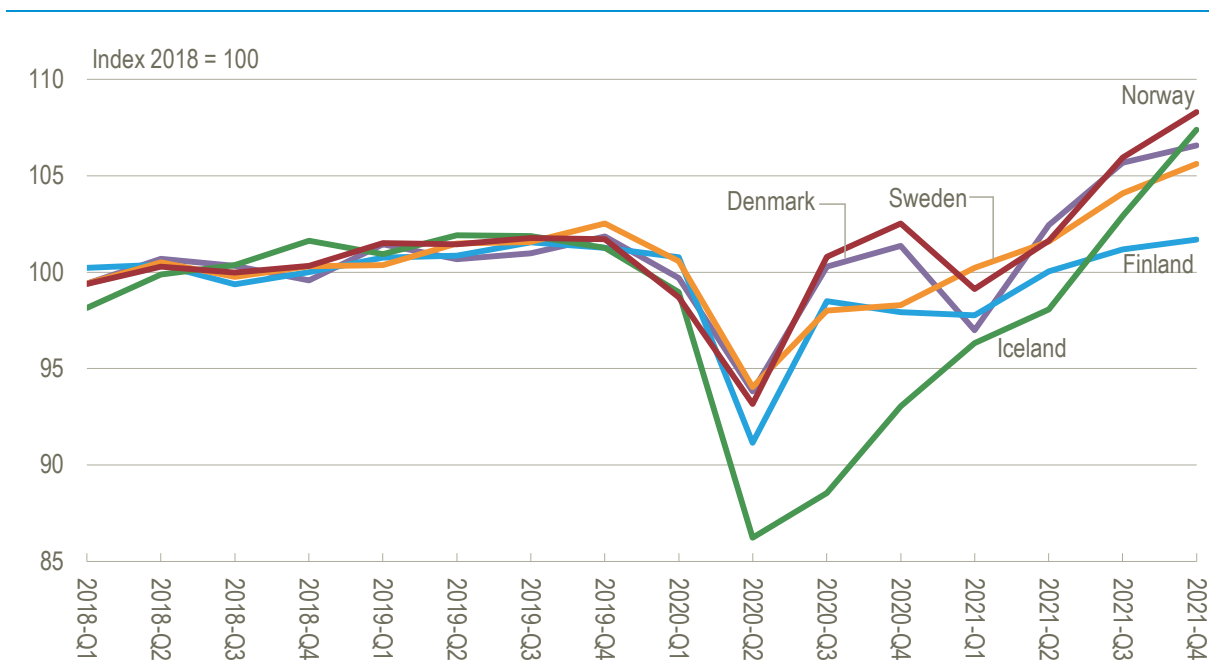


Source: Eurostat and hagstofa.is

3.2 Effects on households

Many pandemic restrictions have been directed towards households, which, along with self-regulation to avoid infection, has led to some changes in household consumption patterns. Figure 3.4 illustrates the total household consumption expenditures. Iceland had the largest drop in total household consumption of the five countries during the first half of 2020. In Denmark, the downturn in the second quarter of 2020 was slightly more modest than in the other countries, and already in the third and fourth quarter of 2020, the level was above the pre-crisis level.

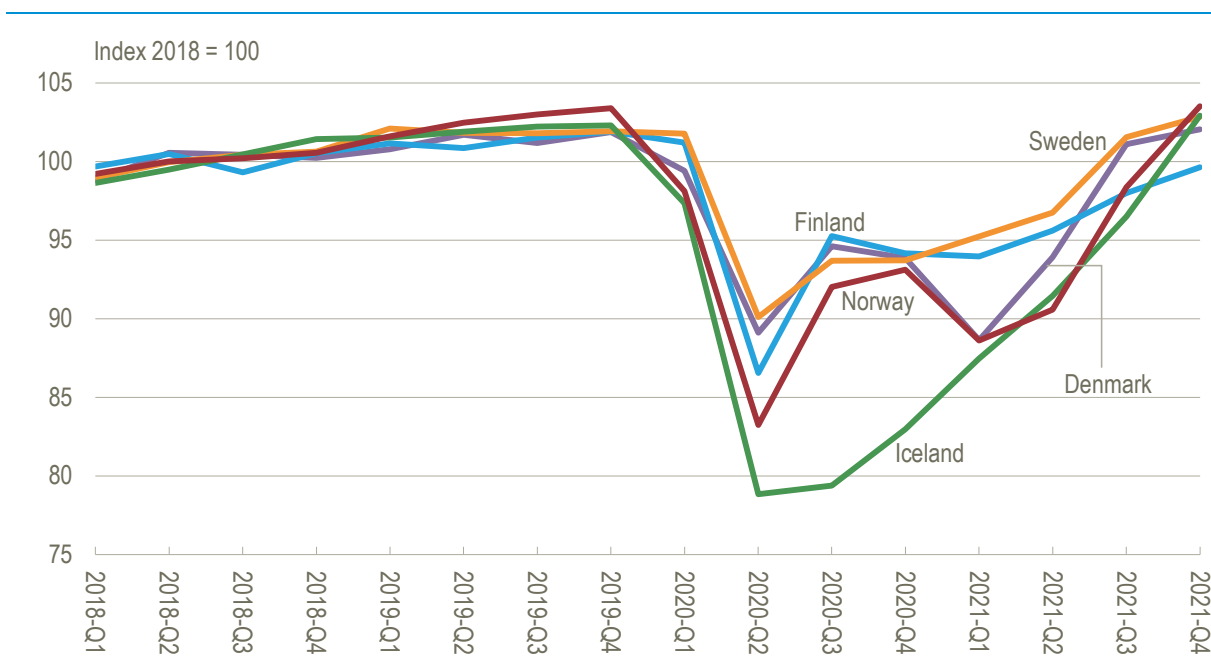
Figure 3.4 Total household consumption expenditures, Chain linked volumes (2018=100), seasonally and calendar adjusted data



Source: Eurostat

In Sweden, Finland, and Iceland, the household consumption of services, shown in figure 3.5., has recovered slowly after the downturn. In both Denmark and Norway, the recovery ceased in the first quarter of 2021 – probably because the pandemic intensified, and new restrictions were introduced. After society reopened, consumption of services recovered in Denmark and Norway, particularly during the second and third quarter of 2021. For Norway, this trend continued into the fourth quarter of 2021.

Figure 3.5 Household consumption of services, Chain linked volumes (2018=100), seasonally and calendar adjusted data

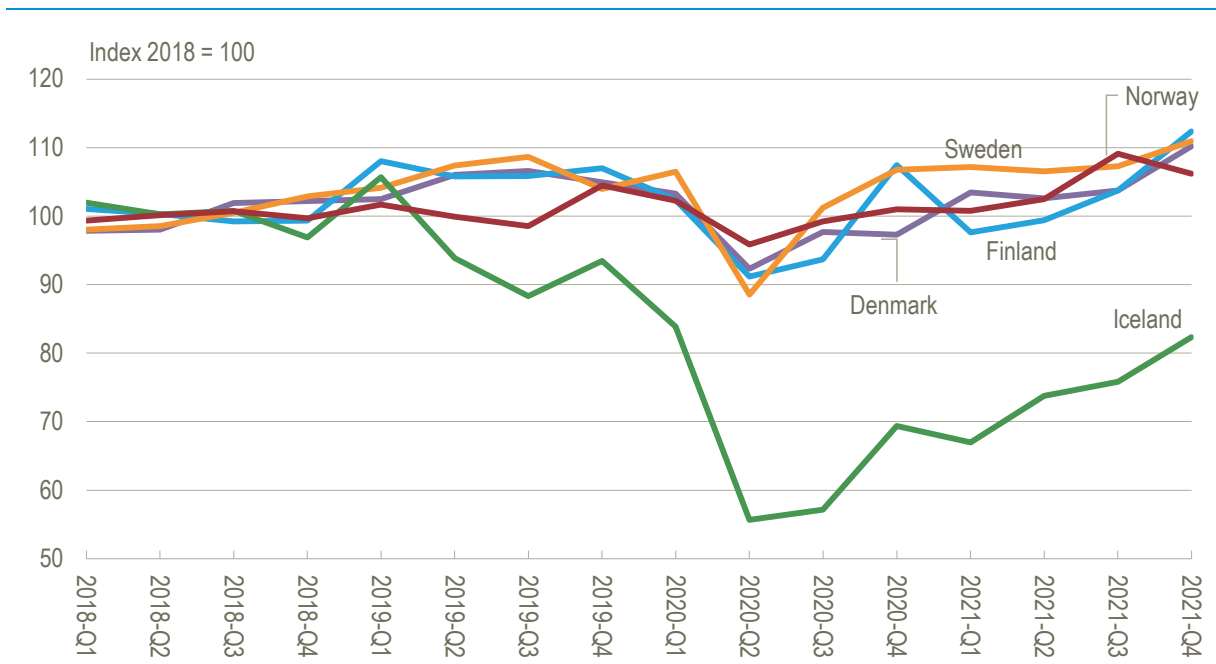


Source: Eurostat

3.3 Effects on transactions with the rest of the world

The Nordic countries are small, open economies with a large dependence on foreign trade. Global growth of trade had already stopped in 2019 and fell sharply with the breakout of the pandemic in the spring of 2020. The export volumes have since recovered. Figure 3.6 illustrates that the recovery was quite rapid in Sweden. By the fourth quarter of 2020, Swedish export volumes were back to pre-pandemic levels. For Denmark, Finland, and Norway, the recovery was somewhat slower, but by the fourth quarter of 2021, export levels were above the pre-pandemic levels. For Iceland, export volumes were on a downward trend before the pandemic, and exports fell dramatically during 2020. The main contributors were a big downturn in travel and air transport that drove down the export of services. At the time of writing, Icelandic exports have only partly recovered and are still well below the levels from 2018-2019.

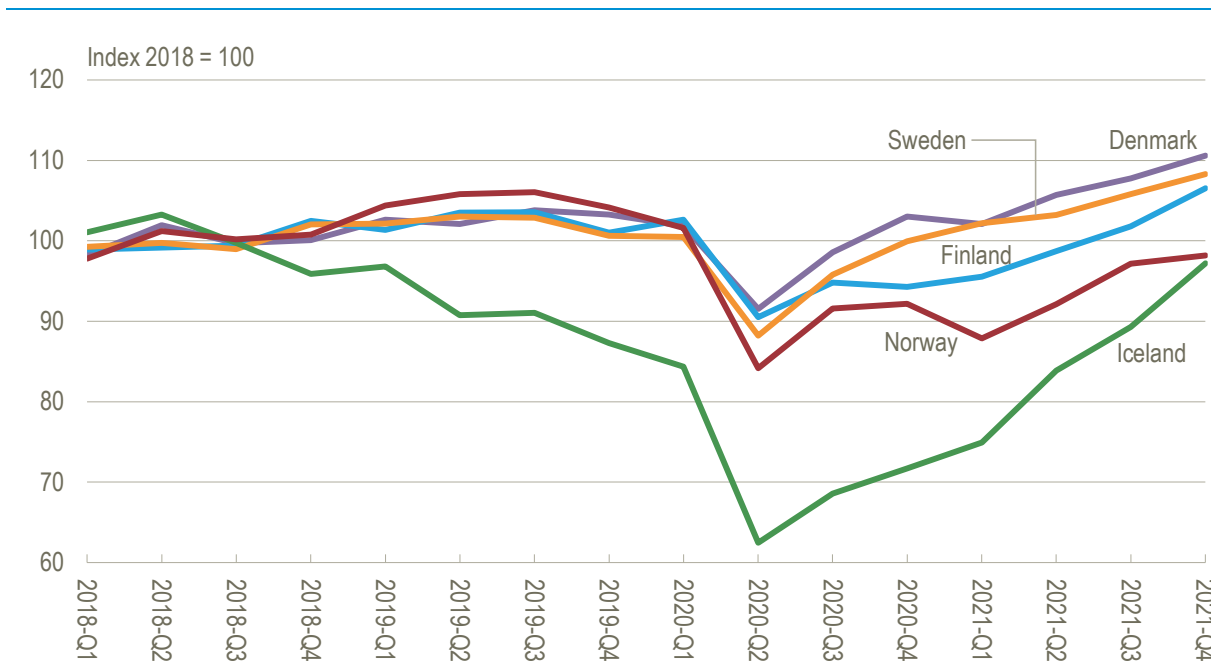
Figure 3.6 Total exports, Chain linked volumes (2018=100), seasonally and calendar adjusted data



Source: Eurostat and hagstofa.is

Figure 3.7 shows the total imports in the five Nordic countries. Import volumes fell as well during the second quarter of 2020. In Denmark, imports rose quicker than exports in the following quarters. In Finland, Norway, and Sweden, there was also a recovery in imports, but at a slower pace than for exports. Thus, net exports have grown. In Iceland, the trend was negative, just as it was for exports, even before the pandemic. However, after the decline in the second quarter of 2020, Icelandic import volumes have increased every quarter since. Together with the slow recovery of Icelandic exports, net exports have thus decreased, and this has negatively affected GDP in both 2020 and 2021.

Figure 3.7 Total imports, Chain linked volumes (2018=100), seasonally and calendar adjusted data



Source: Eurostat and hagstofa.is

4. Effects on businesses

The COVID-19 pandemic has had a huge effect on businesses globally. This chapter describes the effects of COVID-19 on the business environment and turnover and discusses the similarities and differences between the Nordic countries.

4.1 Business environment

At the very beginning of the pandemic, production fell in most of the industries, but their recovery was mostly equally quick in industries that were not dependent on tourists or social gathering. The widely spread sudden drop in production was mostly due to the uncertainty that the fast-spreading pandemic raised.

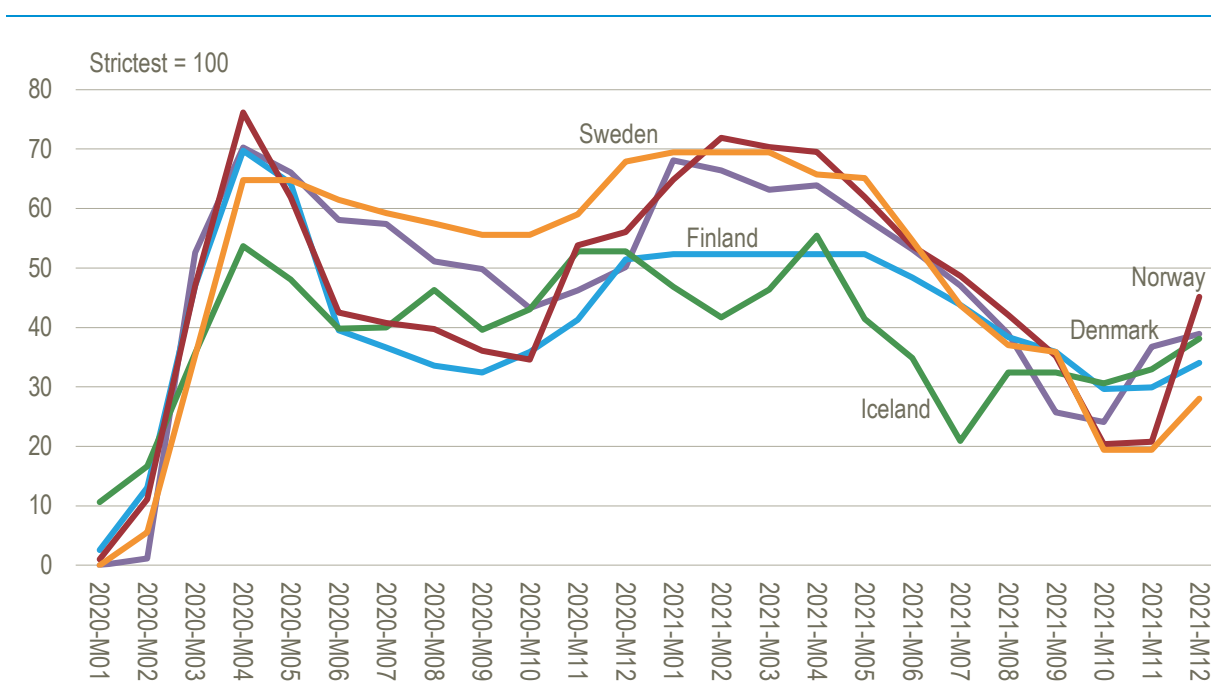
The restrictions have been imposed based on the severity of the epidemic situation, and according to the COVID stringency index (figure 4.1), we see that during 2020-2021 there have been two major lockdowns in the Nordic countries – at the beginning of the pandemic and during the first months of 2021.

The confidence of businesses (figure 4.2) has mostly been above the long-term average after the first half of 2020, pointing out, that once the effects of COVID-19 on businesses were clearer, the industries that were not affected by the restrictions, have

been confident about the future. The confidence has been especially strong in Sweden, whereas in Finland, restoring the business confidence took the longest.

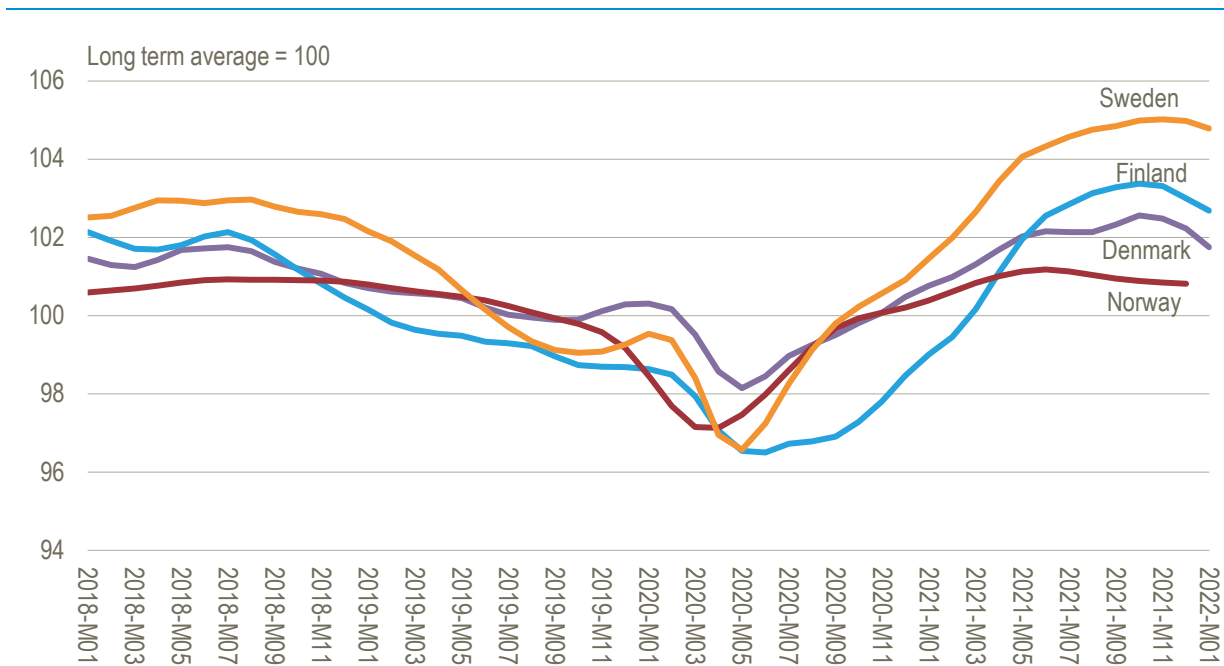
Business confidence was also helped by the different support schemes introduced by the Nordic governments described in box 1. In addition to restored confidence, people and businesses learned to live with a pandemic. New types of products in combination with increased e-commerce were developed quickly across many industries.

Figure 4.1 COVID stringency index, strictest=100



Source: <https://ourworldindata.org/grapher/covid-stringency-index?tab=chart>

Figure 4.2 Business confidence index, long term average = 100



Source: OECD

Box 1: Government support schemes and initiatives

All five Nordic countries implemented government support schemes and additional initiatives to mitigate the economic consequences of the COVID-19 pandemic. These initiatives have affected the economic development such as turnover, unemployment rates etc. Hence, the type and level of government support is important to keep in mind, when comparing the development and performance of businesses and the labour market across the five countries.

All countries implemented **compensation for self-employed** who lost turnover due to the corona outbreak. Moreover, all the countries also implemented **compensation for the enterprise's fixed costs** in cases of lost revenue, and four of the five countries (Denmark, Sweden, Norway, and Iceland) implemented general **wage/salary compensation**.

In addition to these types of compensation schemes, all five countries implemented **loans** to enterprises in varying forms such as loans to finance due VAT payments and state-guaranteed loans to businesses. Lastly, all the five countries implemented a number of smaller compensation schemes and supplementary initiatives such as reduction in pension contributions, compensation for the cost of sick pay, payouts of funded holiday payments, compensation for businesses forced to cancel cultural events etc.

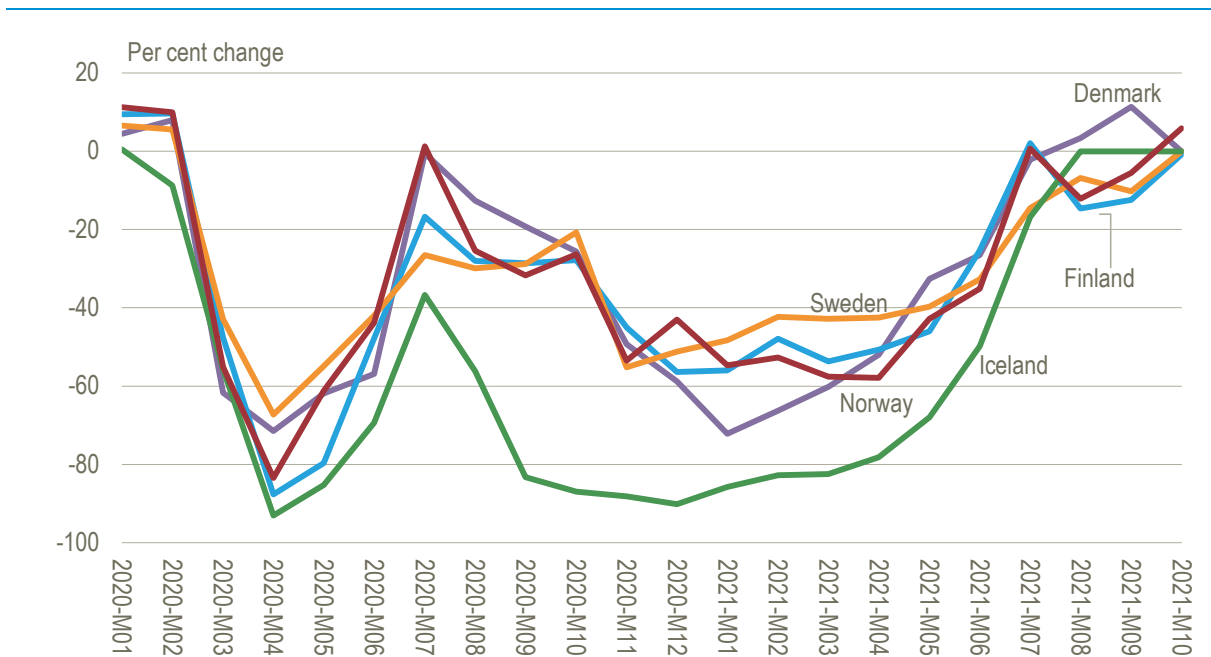
Although all the countries implemented some of the same types of support schemes, the requirements, periods and coverage were very diverse across the countries. Therefore, it is not possible directly to compare numbers and figures in a short and comprehensive manner for this publication. In addition, none of the Nordic countries have yet collected and verified data covering the total amounts for government support and initiatives. Thus, the numbers should be interpreted and used with caution. Nonetheless, the figures indicate the level of support during the pandemic in the different Nordic countries. The table below shows the estimated total amounts from the main support schemes and the most supported activities.

Government support. March 2020-September 2021				
	Amount granted and registered (million EURO)	Amount granted and registered as share of GDP 2020	Top-3 of the activities (NACE Rev 2.1) that received the largest amounts	Remarks
Denmark	6,238	2.0 per cent	56.10 Restaurants and mobile food service activities 55.10 Hotels and similar accommodation 56.30 Beverage serving activities	The amount only covers the three general compensation schemes concerning salary compensation, lost turnover and fixed costs.
Finland	2,142	0.9 per cent	56.10 Restaurants and mobile food service activities 55.10 Hotels and similar accommodation 62.01 Computer programming activities	The compensation for self-employed and freelancers is not included. This is around 94.3 million EURO (rough estimate). One of the first major support schemes introduced in Finland was the 'Funding for business development in disruptive circumstances' that was not directly aimed at most affected industries but for RDI activities that help businesses adjust for the market disturbances. This had a major effect on the top supported activities in Finland.
Iceland	428	2,3 per cent	55.10 Hotels and similar accommodation 56.10 Restaurants and mobile food service activities 51.10 Passenger air transport	The amount does not include quarantine payments, which is about 1 per cent of the total amount.
Norway	21,645 <i>incl. Q4 2021</i>	NA	NA	So far, it has been estimated that COVID-19-related financial measures will cost 12,944 million in 2020, 8,701 million in 2021, and 2,639 in 2022. All these numbers are in 2022-prices, and include adopted and proposed measures. Loan transactions and guarantee authorizations etc. are not included in the table. The durations of the support schemes vary.
Sweden	9,600	2,0 per cent	56.10 Restaurants and mobile food service activities 70.22 Business and other management consultancy activities 71.12 Engineering activities and related technical consultancy	The total amount reflects the total pandemic support such as lost turnover, compensation for rent, support to the cultural sector, support to sports and local clubs, compensation for sick pay, and wage support.

4.2 Tourism

The tourism industry has been one of the most affected industries in the Nordic economies, much like in other countries across the world. Nights spent at tourist accommodation fell significantly, as especially international travel was restricted. The figure 4.3 shows that in April 2020 the nights spent in tourist accommodation were 67-94 per cent lower than in April 2018. The restrictions were lifted quickly during the summer of 2020, and in Denmark and Norway, the tourism recovered fully. As the second wave of the pandemic started, the restrictions became stricter, and the tourism slowed down again limiting the number of nights spent at tourist accommodation.

Figure 4.3 Nights spent at tourist accommodation establishments, per cent change from 2 years ago



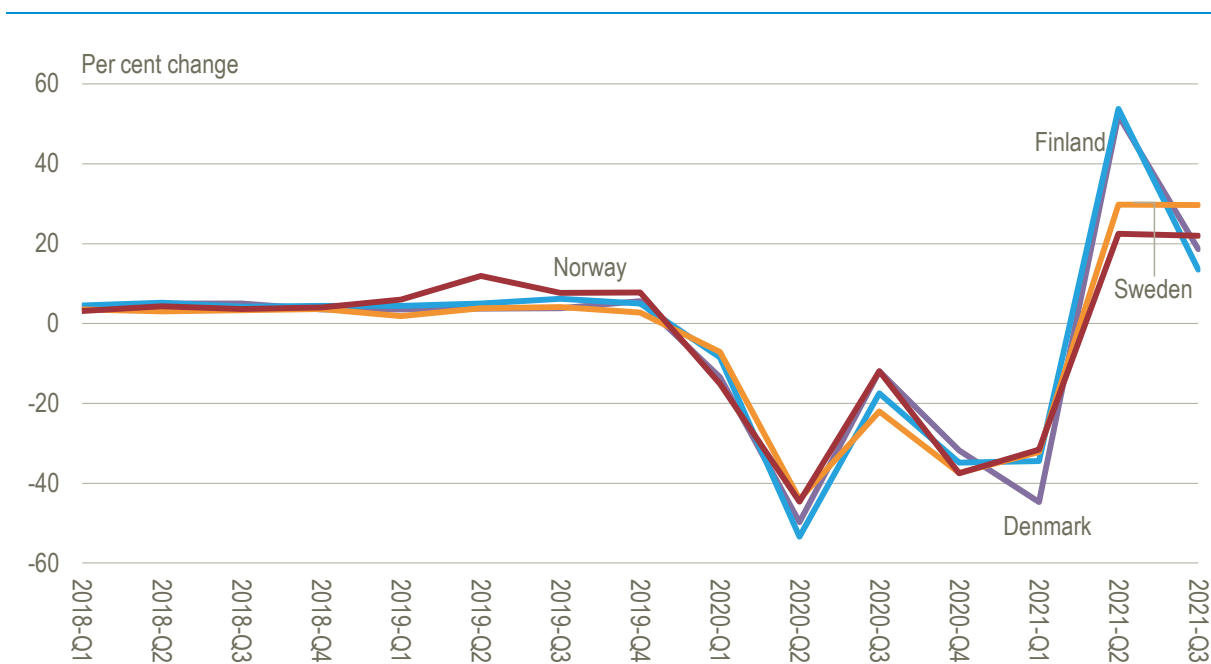
Source: Eurostat

The pandemic has had the most severe effect on tourism in Iceland, where the majority of travellers arrive by plane. In other Nordic countries, crossing borders by land is easier. In these countries, domestic travel, and to some extent travellers from other Nordic countries, have contributed to a more positive development.

4.3 Turnover

The effect of COVID is clear when looking at turnover figures as well. In the Nordic countries, there were limitations to the opening hours of restaurants and bars, and this is evident in figure 4.4.

Figure 4.4 Index of turnover in accommodation and food services, per cent change from previous year, calendar adjusted not seasonally adjusted data

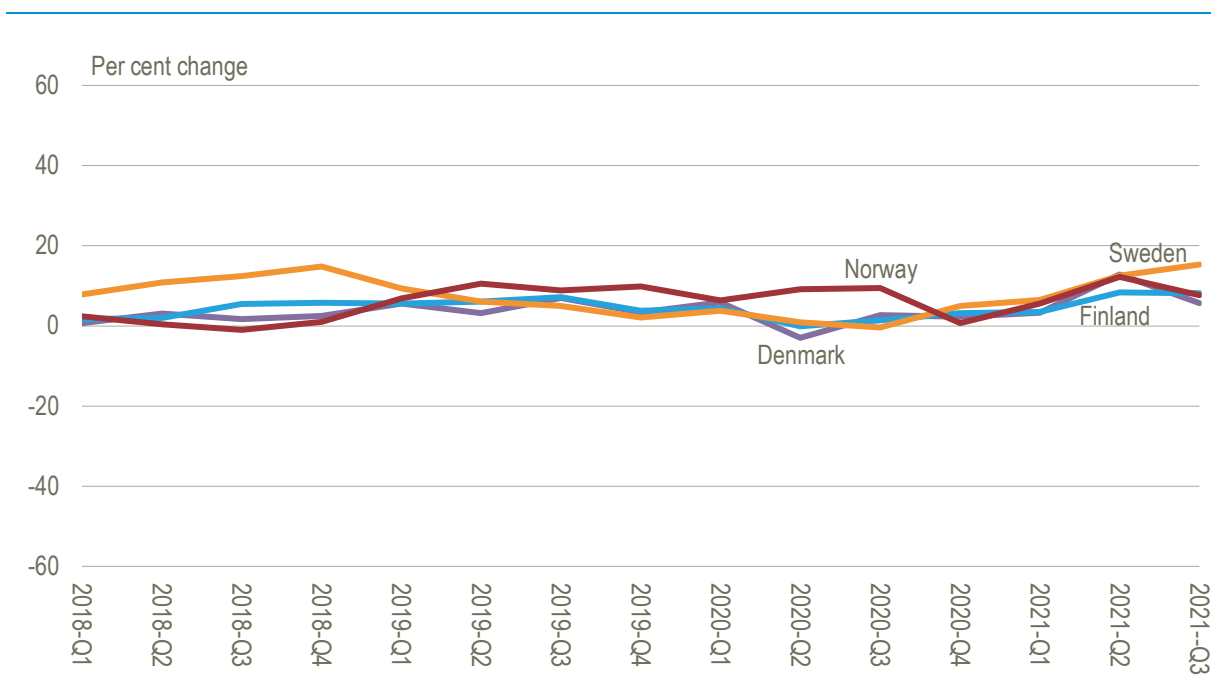


Source: Eurostat

At the start of the pandemic, turnover in the accommodation and food services industries fell by around 50 per cent across all countries, and turnover did not return to pre-pandemic levels until 2021. A major contributor to the difficulties in accommodation and food services has been the lack of foreign travellers as well as restrictions on mobility.

There are no big differences in the development of turnover of accommodation and food services, when comparing the Nordic countries except Iceland. Figure 4.3 indicates that the fall in turnover is probably largest in Iceland as it is heavily dependent on tourism.

Figure 4.5 Index of turnover in information and communication, per cent change from previous year, calendar adjusted not seasonally adjusted data



Source: Eurostat

There are enterprises that have done well during the pandemic. If we compare the turnover development in figures 4.4 and 4.5, we see that in the information and communication services, the pandemic had practically no negative effect. As people started to telework and stay at home more, the need for those services increased for business and personal purposes.

Overall, the effect of COVID-19 on different industries has been substantially asymmetrical. The mostly suffered industries are not the largest ones in terms of number of employees or value added, so the overall effect on the economy has been smaller than first was anticipated, although this does not apply to Iceland. The economy of Iceland is more dependent on tourism than the other Nordic countries and as COVID-19 particularly affected tourism, its impact on the overall economy was larger.

5. Effects on the labour market

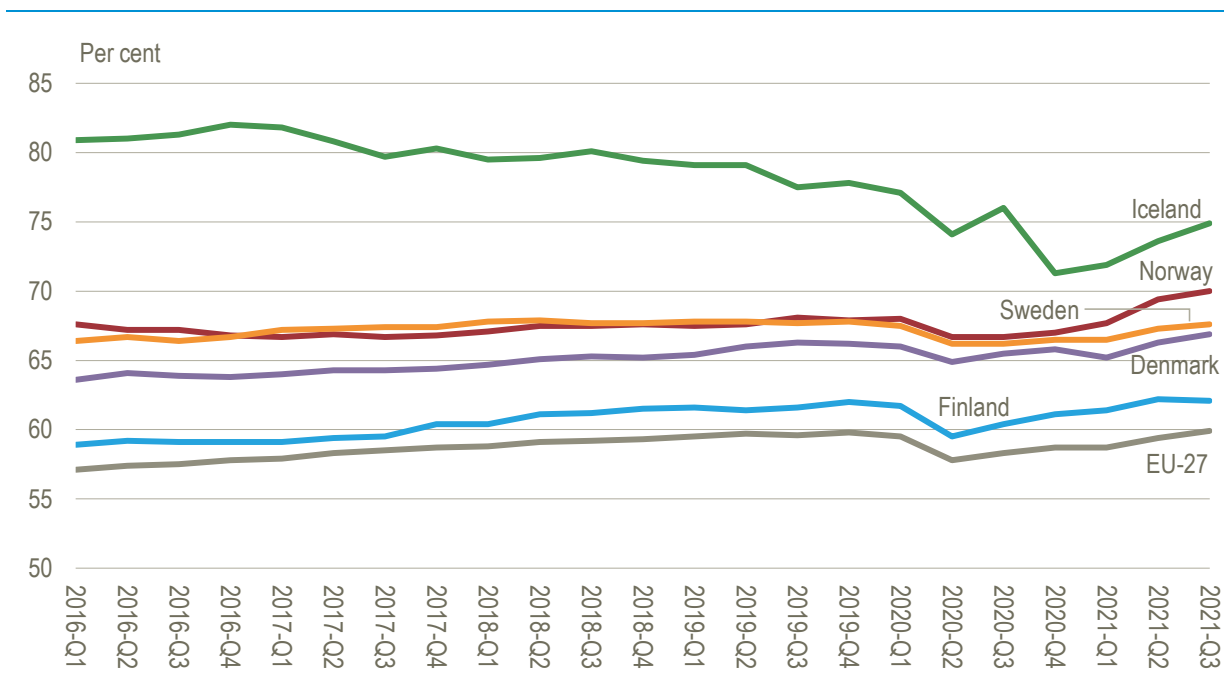
Restrictions caused by COVID-19 had a huge impact on labour markets all over the world. This section takes a quick look at the impact of the pandemic on the labour markets of the Nordic countries.

5.1 Labour force

The Nordic labour market can be characterised by a high employment rate compared to other European countries. All five countries have a higher employment rate than the average for the EU-27, with Iceland well above. The unemployment rate is also different from the EU-27 average for the Nordic countries with exceptions for Finland, and in recent years Sweden. As figures 5.1 and 5.2 show, both employment rates and unemployment rates were impacted by the pandemic at the beginning of 2020. Compared to the employment rate, the unemployment rate showed more distinct COVID-19 impacts. After the onset of the pandemic, unemployment rates in the Nordic countries rose significantly while Denmark and Norway seem to have been the least affected in the Nordic Region. The unemployment rate in Norway was high relative to the Norwegian context, while still being low compared to the other Nordic countries. Of the five countries, Iceland seems to have been hit the hardest with regards to the rise in unemployment.

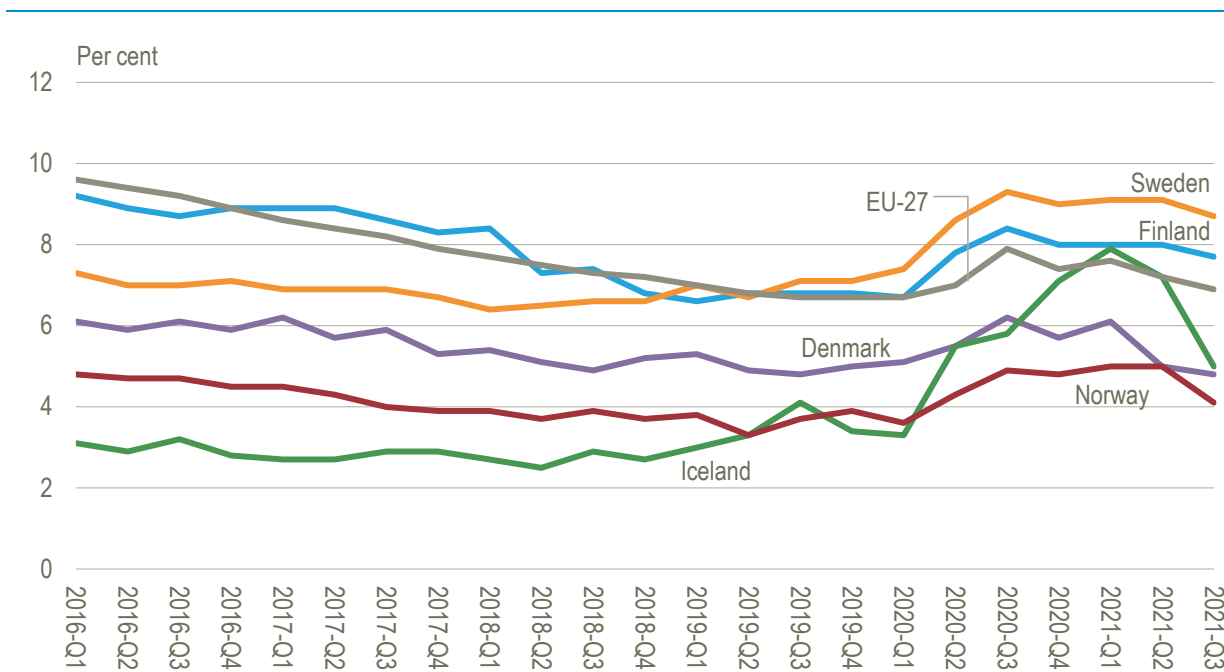
Both figures tell the same story in the aftermath of the pandemic. Employment rates increased and were even higher in the 3rd quarter of 2021 than they were at the beginning of the pandemic (in the 1st and 2nd quarter of 2020).

Figure 5.1 Employment rates in the Nordic countries of total population



Source: Eurostat, extracted in March 2022

Figure 5.2 Unemployment rates in the Nordic countries (from 15-74 years)



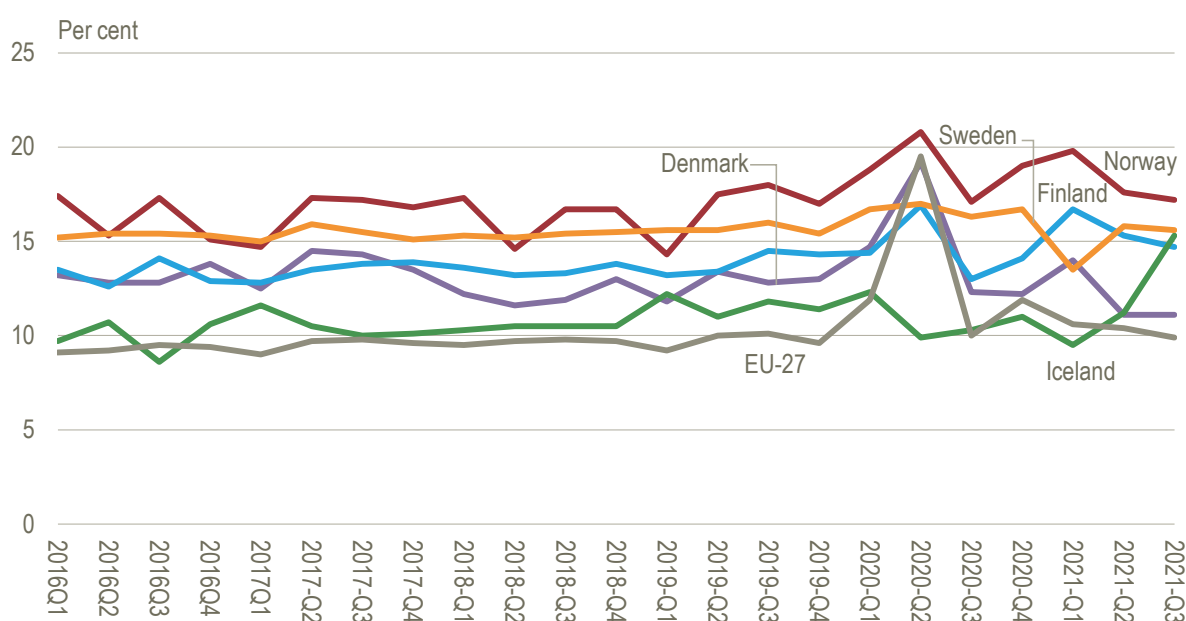
Source: Eurostat, extracted in March 2022

5.2 Absences from work

Other indicators such as absences rates also tell an important story about the impact of COVID-19 on the labour force. Absences from work are one of the key determinants of the total volume of hours worked. As can be seen in figure 5.3, absences from work of employed people in the 2nd quarter of 2020 were substantially higher than on average both before and after. With the exception of Iceland and Sweden. The figure also shows that the Nordic countries were less affected than the EU-27.

Absences indicate that the Icelandic labour market did not respond in the same way as the labour markets of the other Nordic countries. In Iceland, there was a great deal of uncertainty and people often did not know whether they had a job or not. The Labour Force Surveys (LFS) measurements reflect that situation quite well since, more often than not, individuals became inactive in the labour market. In the other Nordic countries, people were increasingly sent on temporary leave (furlough), which made their position clearer towards employers. Almost all of Nordic countries have introduced furlough schemes, albeit to quite different forms and extent. Some of the Nordic countries had a system for short-term layoffs in place even before the pandemic, which made it possible for employers to retain their staff and for employees to keep their jobs during the pandemic.

Figure 5.3 Absence rates in the Nordic countries, per cent of total employment



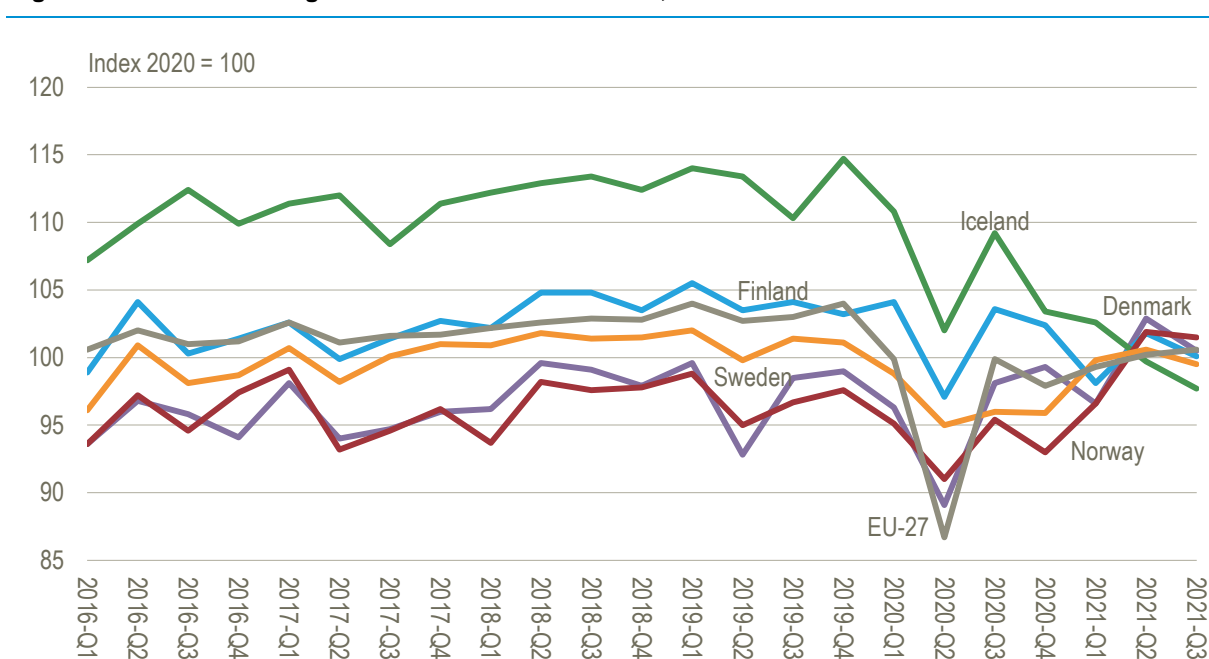
Source: Eurostat, extracted in March 2022

5.3 Hours worked

‘Hours worked’ means all hours in which the employee actually performed work and does not include any paid or unpaid leave time. Statistics on the hours of work add another dimension to employment as an indicator that gives a perspective on the social conditions of labour.

Figure 5.4 clearly shows how the working hours of those who were at work fell sharply at the beginning of the epidemic, and the same applies to all the Nordic countries and even more dramatic for the EU-27 countries. Norway, however, stands out a little because it is not easy to say if the drop in the 2nd quarter of 2020 is anything other than a normal movement. At least it is less prominent than in the others Nordic countries. In the aftermath, actual working hours have risen again for all countries except for Iceland some extent Finland. The reasons for reduced working hours in Iceland are not all caused by the pandemic. In 2020 and 2021, collective agreements dictated a shorter working week for employed people. There might also be some other reasons for this difference due to the national practicalities related to furloughs and termination of job contracts. In Iceland, the more negative development of hours worked is mostly explained by the more severe fall in tourism.

Figure 5.4 Indexed working hours in the Nordic countries, 2020 = 100

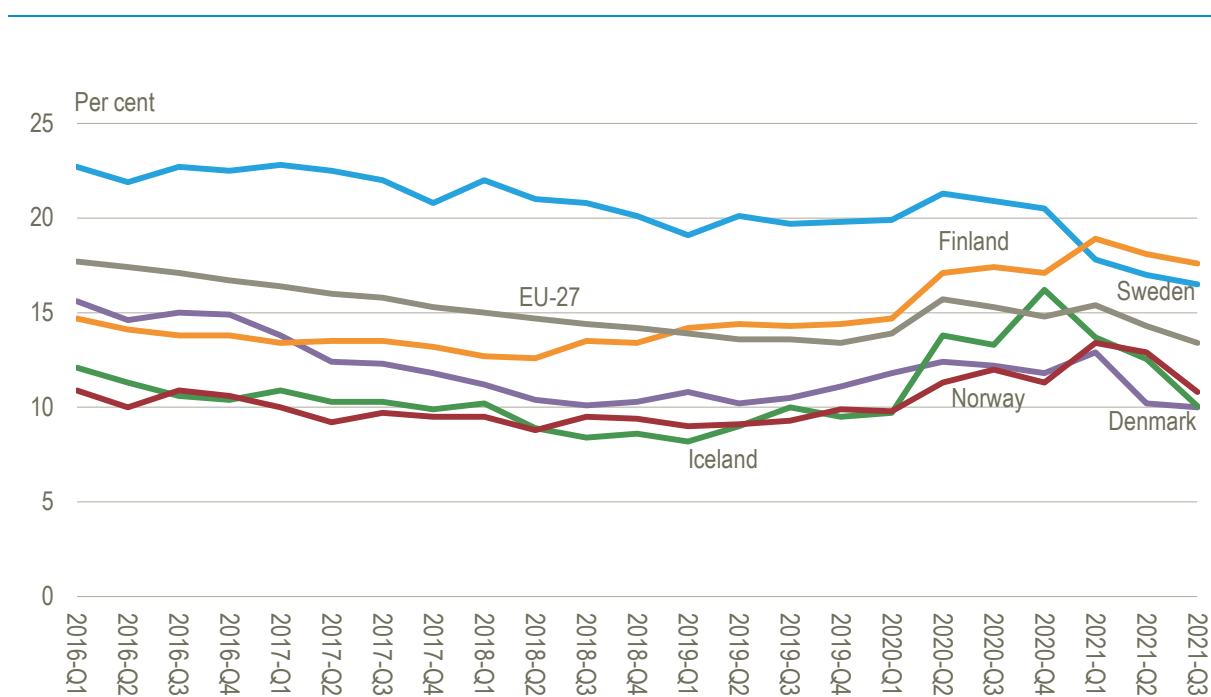


Source: Eurostat, extracted in March 2022

5.4 Labour market slack - unmet need for employment

The development of the labour market linked to the COVID-19 pandemic have shown a need to look further than unemployment to report on the unmet demand for employment. Though employment and unemployment rates are important indicators in the labour market, they do not tell the whole story. Labour market slack reflects an unmet need for employment, both for those in the labour market and those who fall outside of it. The concept therefore includes a larger group than only those who are classified as unemployed according to the LFS. As can be seen in figure 5.5 labour market slack rose at the beginning of the pandemic. As with unemployment less so for Denmark, and the considerably sharpest rise was in Iceland. In all the five countries, the labour market slack declined during 2021.

Figure 5.5 Labour market slack in the Nordic countries



Source: Eurostat, extracted in March 2022. Figures for Q1 2021 to Q3 2021 are preliminary for Iceland.