2 LABOUR MARKET MEASURES IN EUROPE IN REPONSE TO THE CORONAVIRUS PANDEMIC

ÁGNES MAKÓ & FRUZSINA NÁBELEK

Depending on the seriousness of the epidemiological situation and the extent of measures introduced in response, the coronavirus epidemic placed a heavy burden on European economies. Cancellation of events, restrictive measures or shutdowns resulted in a considerable decrease in labour demand in the most affected sectors. Decision makers and the enterprises concerned also had to handle the large-scale absence of employees from work due to illness, nursing a family member or home-learning. In the course of tackling the crisis, most European governments considered it a priority to keep workers in employment and compensate those absent from work and they have adopted and adopt diverse measures to this end. This study provides an overview of the most typical measures with a direct impact on the labour market.

European countries introduced several measures of various types and extent in order to counteract the impacts of the coronavirus pandemic on the labour market. In this summary, we review the policies that have been included in the crisis management measures of several countries and we focus on describing the types of measures. Although there have been some common crisis management methods in Europe, individual measures and support programmes have been introduced differently, under different conditions and to varying degrees.

2.1 Assistance for those absent from work

One of the first direct economic impacts of the coronavirus pandemic was that some of the labour force had to take time off from work. Countries severely affected by the epidemic faced difficulties because of employees on sick leave, nursing family members or being in quarantine, but school closures also placed a significant burden on both employees and employers in less affected countries. Several European countries introduced measures to tackle absence from work.

One of the most typical measures is to increase the length of paid holiday available for parents of young children and in some countries – including Austria, Germany, Greece and Italy – wages for the extra days off were paid for by the government. In several countries, parents who were unable to work from home but had to stay at home because of school closures were entitled to an emergency allowance (such measures were introduced by, for example, Poland, the Czech Republic and Malta).

Other measures concern employees on sick leave or in quarantine: in several countries where sick pay is provided by employers, governments took over the obligation to pay it. In the United Kingdom, employers were reimbursed for two-weeks' sick leave of employees quarantined. In Denmark, the benefit payable by employers for one month was taken over by the state in the case of coronavirus infection. In Germany, businesses are obliged to pay regular wages for the employees concerned for 6 weeks, which is, however, significantly subsidised by the government. Latvia provided a maximum of 700 EUR of subsidy for employers in the case of employees on sick leave.

In some countries, it was the sick or quarantined employees who were provided direct financial assistance or allowances by the state. They were compensated for 90 per cent of their wages in France and for 60 per cent in the Czech Republic. In Ireland employees on sick leave were entitled to a weekly allowance of 350 EUR at most.

2.2 Job retention measures

Another group of measures aim at retaining jobs. These include direct financial assistance for enterprises, improved access to loans as well as support related to taxes and contribution, which are designed to maintain the solvency and, in this way, prevent the bankruptcy of enterprises. They were adopted by all European countries in some form.

Economy support measures were adopted to provide direct financial assistance for enterprises that had incurred significant losses or loss of revenue in Austria, the Czech Republic, Denmark, France, Greece, Holland, Latvia, Luxembourg, Germany, Romania, Spain and Slovenia.

Government credit lines were established to ensure the liquidity of enterprises, retain jobs, mitigate damage and protect the market position of enterprises in the Czech Republic, Denmark, Ireland, Luxembourg, Hungary, Portugal, Romania, Sweden and Slovenia.

Government-subsidised soft loans are available for enterprises in most EU member states. These reduced-interest loans are available in Austria, Estonia, Holland, Croatia, Ireland, Latvia, Lithuania, Poland, Hungary, Germany, Italy and Slovakia. Interest free loans are available for enterprises affected by the crisis in the Czech Republic, France. Greece, Romania, Spain and Slovakia.

Additionally, state loan guarantees are available for loans taken out by enterprises affected by the coronavirus pandemic in most EU member states (Austria, the Czech Republic, Denmark, Estonia, France, Greece, Holland, Croatia, Latvia, Lithuania, Luxembourg, Germany, Italy, Portugal, Romania, Spain, Sweden, Slovakia and Slovenia).

Measures related to taxes and contributions have two major types in Europe. Several countries have decided to temporarily abolish or significantly reduce certain employment-related taxes and contributions (for example Belgium and Italy) or have it taken over by the state (for example Germany and Poland).

Another type of measures related to taxes and contributions include a suspension of the obligation to pay those charges: in that case the government does not waive taxes (that is does not forgo such revenues) but temporarily mitigates the loss of revenues of sectors shut down. Some countries adopted both types: in France, for example, tax and contributions were waived for the most affected enterprises on a case-by-case basis.

Taxes payable by enterprises were suspended in several countries without special requirements, that is payment deadlines were postponed in Finland, France, Holland, Germany, Italy, Romania, Slovakia and Slovenia. The suspension of payment obligation applied only to enterprises in the most affected sectors in Greece, Hungary and Malta. Obligation to pay corporation tax was suspended in Austria, Belgium, the Czech Republic, Holland, Croatia, Lithuania and Luxembourg, while VAT was suspended in Belgium, Holland and Italy.

The deadline for individuals for filing the tax returns was also postponed in Cyprus, the Czech Republic and Slovakia. The deadline for businesses for filing the tax returns was postponed in Belgium, Cyprus, the Czech Republic, France, Poland, Luxembourg, Hungary, Slovakia and Slovenia. Obligations to pay the personal income tax was postponed in Austria, Belgium, the Czech Republic, Holland, Croatia and Luxembourg.

VAT rates were reduced in Cyprus and Germany, while the obligation to pay VAT was suspended (the payment deadline was postponed) in Cyprus, Denmark, Croatia, Poland and Sweden.

Furthermore, conditions concerning contributions have also been relaxed across Europe. The obligation to pay social security contributions was suspended in Belgium, Luxembourg and Italy. In the Czech Republic, self-employed persons were exempt from paying social and healthcare contributions for several months. The payment deadline of labour market contributions was postponed by 4 months in Denmark. The contributions of enterprises in the most affected sectors (catering, theatres) were cancelled in France. In Croatia, enterprises incurring a loss of at least 20 per cent of their revenues were partly or fully exempt from corporate tax, personal income tax and social security contributions in April, May and June. Only businesses that retained their workers were eligible. In Poland, payment of social security contributions was waived for enterprises. Self-employed entrepreneurs and micro-enterprises who experienced a more than 50 percent drop in revenues in March compared to February as well as farmers were granted a three months' exemption from social contributions. Enterprises were also able to pay contributions intermittently. In Malta, the most affected enterprises were granted a 60-day deferral of social security contribution payment. In Sweden, it was possible to defer social contribution payments by 12 months. Enterprises whose revenues dropped by at least 40 per cent were also entitled to a deferral of contributions in Slovakia.

In addition, other tax-related support measures have also been adopted. Enterprises in Belgium were entitled to support from tax authorities in relation to their tax liabilities (preparing a payment plan and exemption from interest on late payment and penalties for late payment). In Estonia, it was possible to reschedule the payment of liabilities at an interest rate lower than the one currently applicable. In Holland, tax deferrals were granted to a total amount of 26 billion EUR and a liquidity guarantee of 4.5 billion EUR was provided for enterprises. In France, tax relief was granted for the most seriously affected businesses. Current and late payment of taxes was deferred by up to three years in Latvia and businesses were entitled to paying by instalment without penalties. In Romania, enterprises which paid their income tax or flat-rate taxes by the deadline were offered a 10-percent tax relief. Tax inspections were postponed in France and Slovakia.

The most common job retention measures include wage subsidies introduced in various arrangements, the best-known of which is the German *Kurzarbeit*, a subsidised reduced working time (*Reuters,* 2020). The scheme introduced during the crisis in 2008 ensures that businesses not able to operate at full capacity and thus having less demand for labour do not respond with downsizing but reduce the working hours and wages of employees, while the loss in wages is compensated by the state. In addition to retaining the jobs, the measure offers another advantage: following the crisis enterprises are not forced to recruit and train new employees, which saves costs on employee training and facilitates easier recovery (*Cahuc,* 2019).

The scheme, present in Germany for years and financed from a dedicated fund, was expanded as a result of the crisis in 2020, while eligibility requirements were relaxed: wage subsidy is now possible to claim for temporary and fixed-term employment and for short-time arrangements involving at least 10 per cent of employees. This form of wage subsidy has also been adopted by other countries, although the extent of wages subsidised differs from country to country and eligibility criteria are also varied. Austria, similarly to Germany, decided to expand the scheme and since March the government has funded 80 per cent of the wages of employees of businesses operating at 30–80 per cent of working time. The subsidised period was initially three months, with a possibility for a three-month extension and in July it was prolonged until March the following year. In France, 70 per cent of gross wages and 100 per cent of the minimum wage at eligible businesses were covered by the government under a temporary unemployment scheme. Denmark determined the extent of subsidy based on the type of jobs concerned: enterprises that would have been forced to lay off at least 30 per cent of their staff or at least 50 employees were eligible for a 75-percent subsidy on white-collar workers and a 90-percent subsidy on blue-collar workers. In Malta the extent of subsidy varies by sector: businesses in the most affected sectors, for example tourism, were entitled to 800 EUR per month per full-time employee and the subsidised period was extended, while businesses in less affected sectors were eligible for 160–480 EUR depending on the location and form of employment.

In several countries, including Belgium, the Czech Republic, France, Italy and Spain there are no eligibility criteria for claiming wage subsidies; any enterprises can claim support for retaining their employees on the grounds of the epidemic (*force majeure*). In other countries businesses had to prove that they had lost trade because of the pandemic: in Poland, similarly to Hungary, eligibility was determined on the basis of revenue lost and the extent of the subsidy was 50 per cent of the minimum wage in the case of total shutdown and 40 per cent of previous wages in the case of short-time working arrangements (SMEs were eligible for higher subsidy rates).

Wage subsidies often also promote job retention by imposing the requirement of retaining staff, that is employers have to guarantee not to dismiss staff for a specified time following the subsidised period. A long-term incentive is the so-called bonus, applied in Great Britain, received by employers for each employee still employed at the beginning of 2021.

In addition to the above countries, wage subsidies were also introduced in Bulgaria (in directly affected sectors, 60 per cent of wages at most), the Czech Republic (60 per cent of wages), Ireland (a maximum of 410 EUR for each employee), Italy (80 per cent of gross wages at most), Latvia (75 per cent of the average wages of the 6 months preceding the crisis), Lithuania (60 per cent of wages at most), Luxembourg (up to 80 per cent of wages), Estonia (70 per cent of the average wages of the past twelve months), Holland (1500 EUR at most), Croatia (a maximum of 2000 HRK per employee), Denmark (up to 75 per cent of wages), Spain, Slovakia and Slovenia (up to 80 per cent of wages in the last two countries) as well as Sweden (depending on the reduction of working hours, up to 52 per cent of wages).

Wage subsidies also applied to self-employed entrepreneurs and freelancers in several countries. Entrepreneurs working in sectors affected the most seriously by the lockdown were entitled to a subsidy in Slovenia (a base income of 700 EUR a month), Greece (530 EUR a month), Denmark, Malta (800 EUR a month), Poland, Italy (up to 500 EUR a month), Latvia (75 per cent of previous wages but not more than 700 EUR a month) and Lithuania (257 EUR a month).

2.3 Unemployment and direct aid

An important group of measures includes assistance to those who lost their jobs because of the pandemic. As a result of the pandemic, several countries decided to raise unemployment benefits or introduce extra benefits for those who became unemployed due to the pandemic. In Belgium, the unemployment benefit was increased by 5 per cent (from 65 per cent to 70 per cent) up to a ceiling of 2,754 EUR per month. In Poland it increased to 1300 PLN and those who lost their jobs due to the pandemic were disbursed a further 1200 PLN for three months. Lithuania increased the unemployment benefit payable to workers laid off and also extended the duration of eligibility. The eligibility period was increased by three months in Germany for job seekers whose 12-month eligibility period would have expired between 1 May 2020 and 31 December 2020.

In sectors shut down as a result of Covid, several countries introduced a temporary unemployment scheme providing assistance for employees whose contract was suspended or who were forced to take unpaid leave (for example France, Greece or Poland). In Belgium, temporary unemployment due to the pandemic was considered *force majeure* and the government provided a wage subsidy from 1 February to 30 June covering 70 per cent of wages and those who became unemployed due to the pandemic received a wage supplement of 5.63 EUR a day. Where teleworking was not feasible and employees became temporarily unemployed, employers were exempt from paying wages: the Belgian national employment service provided unemployment benefit for such employees. In Cyprus, enterprises were able to suspend their operation in March and April if their revenues decreased by at least 25 per cent. Employees affected by such suspension were eligible for an unemployment benefit up to 60 per cent of their wages. In Estonia, the Unemployment Insurance Fund provided 70 per cent of the average wages of the preceding 12 months but not more than 1,000 EUR for the period of 1 March to 31 May, which employers supplemented by at least 150 EUR. Both the Estonian Unemployment Insurance Fund and employers paid the related social tax and unemployment insurance fees. France introduced a temporary unemployment scheme in order to prevent mass redundancies. At businesses eligible for the temporary unemployment scheme, employees are paid 84 per cent of their net wages, while they are laid off. In Romania, employers were able to decide unilaterally to suspend employment contracts and thus their employees became technically unemployed. The government reimbursed businesses for 75 per cent of the technical unemployment benefits. Parents staying at home with their children were also entitled to technical unemployment benefit.

The entitlement conditions to unemployment benefits were eased in several countries or benefits were extended to also cover sole proprietors, freelancers and other categories of the self-employed. In Spain, entitlement to unemployment benefit was extended to include domestic workers and fixed-term workers otherwise not entitled to social assistance. In Belgium, temporary agency workers were provisionally entitled to unemployment benefit and firms forced to shut down were able to claim automatic unemployment benefit for their employees. In Finland, entrepreneurs and the self-employed provisionally became entitled to unemployment benefit. Sweden eased the entitlement conditions to, and increased the amount of, unemployment benefit. In Malta, a monthly 800 EUR was paid for two months for parents whose work was not feasible to carry out as telework but they were unable to work because of school closures. The same applied to people with reduced mobility and those advised to stay at home because of their age or chronic disease.

Several countries introduced an emergency unemployment benefit or a one-off cash benefit. In Greece, the emergency unemployment benefit amounts to 800 EUR and the country introduced a one-off long-term unemployment benefit of 400 EUR for the long-term unemployed. Employees whose jobs were suspended because of the emergency measures are granted a cash benefit. A ban on dismissals is also in place. In Ireland, employees and the self-employed out of work because of the pandemic are entitled to an emergency unemployment benefit of 350 EUR per week. In Malta, a temporary unemployment benefit is granted to those who lost their jobs due to measures related to the pandemic. Italy introduced the notion of emergency income, which is paid for three months to the amount of 400 EUR monthly or a maximum of 800 EUR monthly in the case of families. The self-employed were granted an allowance of 600 EUR in March and April and 1000 EUR in May. In France, over one-third of employees (8.7 million persons) were forced to take partial or full unpaid leave: they received an emergency unemployment benefit.

In the Flanders region of Belgium, the unemployed were granted an allowance for utility costs and the temporary unemployed received a 40-EUR flat-rate reduction on gas and energy bills.

In addition, some countries introduced a ban on dismissals in order to prevent unemployment (for example Greece and Italy), while others encouraged the reinstatement of dismissed employees by granting allowances on tax and contributions (for example Romania). Policies promoting re-employment also include government funding for retraining and training programmes. The French government finances the training costs of those who became partially unemployed due to the coronavirus pandemic. Lithuania provides a grant for the unemployed whose retraining is not feasible at present.

2.4 Supporting remote work

Support for remote work has been one of the measures adopted to contain the epidemic: it included relaxing the regulations regarding remote work and, in some countries, providing financial support. In Belgium, the government requested employers to order their employees to work from home and where it was not feasible, employees became temporarily unemployed on account of *force majeure*. In Denmark, if job tasks permitted, remote work was compulsory for workers in the public sector, while in the private sector it was recommended to adopt it or other flexible employment forms. The government in Luxembourg also recommended firms to introduce remote work and they adopted a special leave for family reasons for employees. In Bulgaria, Poland and Hungary labour regulations were amended to enable employers to order their employees to work from home. In Portugal, remote work was obligatory in all cases where it was feasible. The Maltese government provides a grant of 2 million EUR for businesses that give preference to remote work over commuting to work. Firms making investments into remote work are granted 500 EUR per employee up to a total of 4000 EUR. Spain supported digitalisation and the development of telework-friendly conditions at SMEs by loans and other financial support instruments.

2.5 Measures adopted in Hungary

Compared to the measures adopted by other European countries, Hungarian measures were primarily related to various forms of job retention, while support for the unemployed was not included and support for absent workers was only included to a limited extent among the measures.[1]

Absent workers are mainly assisted through eligibility to sick pay and agreements between employers and employees are of primary importance. Employees who fall ill, are quarantined because of contact with an infected person or look after a sick child, qualify as incapacitated and are thus entitled to sick pay. In other cases, for example quarantine after a stay abroad or having to stay at home because of school closures, employers and employees can agree on taking a leave and then exemption from work (that is taking an unpaid leave) if the employee is unable to work from home. To assist with the latter, a measure was effective during the state of emergency, stipulating that workers on unpaid leave are entitled to healthcare.

However, measures in Hungary did not include unemployment assistance – neither the extent nor the coverage of the unemployment benefit. Furthermore, direct aid to employees was only introduced with a limited coverage (a one-off grant for healthcare workers and staff in retirement homes).

Similarly to other countries, the majority of Hungarian measures concerned various forms of job retention. The measures reviewed did not introduce direct aid for employers but offered soft loans with subsidised interest rates and a state guarantee, a loan for wages at an interest of 0.1 per cent as well as preferential loan products for SMEs. As for tax and contribution measures, in addition to the overall reduction of social contribution tax and the extension of deadlines for tax returns, the measures introduced primarily supported

1 For more details see the previous chapter.

the most affected sectors: for example a three-month tax and contribution exemption, a tax reduction on request or exemption from paying tourism development contribution.

Several types of wage subsidy were introduced in Hungary. A scheme similar to *Kurzarbeit* (short-time work scheme) compensated for up to 70 per cent of wages for lost working hours if working time did not exceed 80 (previously 70) per cent of earlier working time. Entitlement conditions were amended after the launch: the first call required employers to justify the necessity for the short-time work compensation, while there was no such requirement after the amendment. In addition to the wage subsidy in the short-time work scheme, a wage subsidy for employees working in research and development and a job creation wage subsidy were also available.

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