

# XI. Temporary Changes and Long-Term Problems – Regulating the Swedish Labour Market and Social Security System during the COVID-19 Pandemic

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## 1. Introduction

The ongoing COVID-19 pandemic has substantially impacted Swedish society and has given rise to an increased need for quick but often temporary action to protect jobs and income, support business, and strengthen social protection. Sweden has used a “softer” approach to public health measures to keep workplaces, schools, and more social parts of society open. The measures on keeping distance, wearing masks, etc., have mainly been issued in the form of recommendations (sermons) without being combined with tough sanctions (sticks). Still, the consequence of the pandemic is visible in labour market statistics, with a record number of persons being given notice of redundancy in early 2020. According to Statistics Sweden (SCB), the unemployment rate rose during the first phase of the pandemic, which hit specific sectors especially hard, e.g., hotels and restaurants.<sup>1</sup> This sector is also characterised by having many persons in part-time or temporary/seasonal employment.<sup>2</sup> An increase of redundancies has been seen in all sectors of the labour market, showing that business is under much pressure. Unemployment is now at a high level, partly due to the pandemic,<sup>3</sup> also in comparison with other EU countries.<sup>4</sup>

To address the problems on the labour market, particularly the risk of mass unemployment, the Swedish government early in 2020 relocated resources for short-time work allowance (furloughed workers) combined with other forms of support aimed at providing for employers and busi-

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1 SCB, [Arbetsmarknaden under coronapandemin](#), Statistiska meddelanden AM 110 SM 2101, read 08/01/2022.

2 OECD Policy Responses to Coronavirus (COVID-19). Distributional risks associated with non-standard work: stylised facts and policy considerations, p. 4.

3 SCB (Statistics Sweden), [Arbetslöshet i Sverige](#), 2021-09-14, read 14/02/2022.

4 Eurostat, Euroindicators, 89/2021 – 30 July 2021.

nesses to hibernate during the crisis.<sup>5</sup> The social security system has also been an essential tool for providing necessary support and reforms, mainly implemented through government ordinances following a COVID-19-initiated delegation of powers by parliament to the government as an extraordinary exception to the Social Insurance Code (SFB).<sup>6</sup> The changes that have been introduced aim to reinforce the measures recommended by the Public Health Agency.<sup>7</sup> More specifically, the amendments have extended the scope of financial support by relaxing benefit conditionality for employees and the self-employed, including an increase in the level of benefit rates and direct support for employers by providing wage cost subsidies. Changes have also been made to the application process for benefits, and additional funding has been allocated to local administrations to cope with the rising number of requests from claimants.<sup>8</sup>

Sweden is a country with an extensive and universal social security system that supports the labour market and the welfare of all residents. The infrastructure supports both employees and self-employed persons who are incapacitated for work or have lost their jobs due to the crisis. A temporary wage subsidy scheme was introduced to help employers retain employees and provide compensation for income lost during the crisis period. When coronavirus was first detected in Sweden in early 2020, the reported absences from work due to sickness surged.<sup>9</sup> Government

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5 Lag (2013:948) om stöd vid korttidsarbete. This strategy aims to prevent layoffs and unemployment by furloughing workers, and is not part of the social security regulations. Caroline Johansson and Niklas Selberg describe COVID-19 and Labour Law: Sweden, Italian Labour Law e-Journal Special Issue 1, vol. 13 (2020) COVID-19 and Labour Law. A Global Review. Section: National Reports.

6 Socialförsäkringsbalk (2010:110).

7 The Swedish approach consisted of recommendations without penalties and fines and was initially aimed at preventing crowding and ensuring social distancing, yet keeping society open, see, e.g., HSLF-FS 2020:12, 16 April 2020. Anyone with symptoms was ordered to stay at home. Over time, these recommendations have been tightened, with the most recent revisions being introduced on 18 January 2021 (HSLF-FS 2021:3).

8 For an overview of actions taken in social security see Thomas Erhag, Social Security during the Pandemic – The Case of Sweden, in Devetzi/Stergiou (eds.), Social Security in Times of Corona – A legal Comparison of Selected European Countries, Sakkoulas Publications 2021, pp. 155-176. This article is a deepened and widened analysis of the action taken to counter the adverse effects of the COVID-19 pandemic but is partly a major revision of the earlier publication by Erhag.

9 [Data from the Försäkringskassan \(Social Insurance Agency\)](#), read 14/02/2022.

subsidies to employers to offset sick pay costs amounted to SEK 5 billion in May 2020, but only SEK 1 billion in September.

## 2. *Job Retention*

One of the essential support measures for workers and businesses in response to the COVID-19 crisis is the short-time work allowance (furlough). The Short-Time Work Allowance Act<sup>10</sup> was introduced in 2013 in the aftermath of the financial crisis of 2008. Still, it had not been implemented before the pandemic.<sup>11</sup> The possibility of short-term work is widely acknowledged in the labour market. Agreements on short-term work between the social partners have been made in 558 of 666 collective agreements in the private sector, covering 90 per cent of the more than 2 million persons employed in the private sector.<sup>12</sup>

The legislation on short-term work has been particularly relevant during the pandemic because it aims to prevent terminations of employment contracts and consequently prevent unemployment. The act allows employers to reduce employees' working time, with the government covering a larger share of the employer's wage costs. The employee and the employer share the remainder of these costs.<sup>13</sup> An employee can have reduced working hours and still receive more than 90 per cent of their wages, with personnel costs being reduced by up to 50 per cent for the employer. The government covers up to 75 per cent of the employer's expenses in case of reduced working hours for six months. This may be extended for three months. Not all employees are eligible for the support. It applies to persons with permanent and temporary employments but under the condition that they have been employed for three months. Self-employed persons are not able to claim support. Statistics from December 2021 show

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- 10 Lag (2013:948) om stöd vid korttidsarbete. Temporary and more generous rules for 16 March to June 2021 entered into force in April 2020, lag (2020:375) om stöd till korttidsarbete i vissa fall. This statute was later changed by further extending the more generous support for the period between 1 December 2020 and 30 September 2021, lag (2021:54) om stöd till korttidsarbete i vissa fall.
- 11 Caroline Johansson and Niklas Selberg, COVID-19 and Labour Law: Sweden, Italian Labour Law e-Journal Special Issue 1, vol. 13 (2020) COVID-19 and Labour Law. A Global Review. Section: National Reports, p. 3.
- 12 Ekonomifakta, *Korttidspermittering*, read 14/02/2022.
- 13 From February 2021, new rules for financial support for short-time work entered into force and were applied retroactively from 1 December 2020.

that the allowance has been given to almost 600,000 employees with a preliminary cost of 48.2 billion SEK for 2020 and 2021.<sup>14</sup>

### *3. Supporting the Economy*

There have been several measures adopted by the Swedish government and the *Riksdag* seeking to support the economy in general. The supportive measures directly aimed at workers and employers to protect jobs and income have been combined with various measures to ease pressure on struggling businesses and ultimately provide for the possibility of “hibernation” during periods of significant loss of turnover. Besides direct grants aimed at covering compensation for fixed costs, the tax system has been an essential instrument for relief with lowered social security contributions, deferment of tax payments including VAT combined with the possibility of credit guarantees and loans. Rent support has been offered to specific sectors. Employers have been given incentives to be generous to workers by offering employees perks without them having to pay income tax on the value. This section will briefly comment on three categories of support, a) loans and direct financial support, b) compensation for fixed costs and c) deferment of tax payments.

#### *a) Loans and Direct Financial Support*

To support the self-employed category, who do not receive support from other measures, the government introduced direct financial support for businesses suffering from a significant negative impact of COVID-19 on their business turnover, *omsättningsstöd* (turnover support). Since the self-employed do not benefit from short-term work allowance support and have a comparatively low degree of membership in unemployment insurance funds, it can be assumed that turnover support is an essential economic and social measure. The turnover support was first introduced for March to July 2020,<sup>15</sup> and continuously prolonged from August 2020 to

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14 Ekonomifakta, **Korttidspermittering**, read 14/02/2022.

15 Förordning (2020:893) om omsättningsstöd till enskilda näringssidkare för mars-juli 2020.

September 2021.<sup>16</sup> In December 2021, the support was reintroduced with a possible extension until March 2022.

Turnover support can be awarded if the decline in net sales is almost exclusively caused by the effects of the spread of COVID-19 and if sales amount to at least SEK 200,000 in 2019 and are not covered by insurance, damages, or similar. For support to be paid out, sales must be less than a certain percentage of net sales for the reference period being the corresponding period during 2019 (has varied between 60 and 70 per cent). The support will amount to a certain percentage of lost sales (has varied between 75 and 90 per cent depending on the period) and is capped to a maximum of 24,000 SEK per month for each self-employed person. Access to unemployment insurance has had an effect on the amount being paid out.

Companies, especially small and medium-sized, have also been offered loans to secure functioning credit support during the pandemic. *Almi*, a state-owned venture company, was given new capital, 3 billion SEK, to increase lending. The Swedish export credit was expanded with up to 200 billion SEK for state support and commercial credits to Swedish export companies, and *Exportkreditnämnden*, the agency for promoting export and internationalisation for Swedish companies, was given extra room (500 billion SEK) for credit guarantees to companies and banks making it easier for business to access capital.<sup>17</sup>

#### *b) Compensations for Fixed Costs*

*Omställningsstöd* (adjustment support) is intended for natural and legal persons doing business in Sweden and being registered for F-tax (independent firm) and aims to cover fixed costs. The adjustment support was introduced in July 2020 as a direct consequence of the pandemic. It could be given to companies whose total net sales for March and April 2020 were less than 70 per cent of the total net sales for the corresponding period in 2019 if the spread of the COVID-19 disease caused the decrease in sales.<sup>18</sup> During the immediately preceding financial year, the net sales must have amounted to at least SEK 250,000. The requirement for F-tax did

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16 Förordning (2021:143) om omsättningsstöd till enskilda näringssidkare för augusti 2020-september 2021.

17 Ministries of Finance, Enterprise and Innovation, and Foreign Affairs, [Press release 23 March 2020](#), read 14/02/2022.

18 Lag (2020:548) om omställningsstöd.

not apply to foundations, non-profit associations and registered religious denominations that are exempt from tax liability. Adjustment support was later provided at 70-90 per cent of the percentage loss of turnover, calculated on the company's fixed costs for the relevant period. The support was capped for the applicable periods (e.g., 97 million SEK for August to September 2021). Fixed costs refer to costs for rent and leasing, interest, depreciation of fixed assets and necessary repairs of such assets, electricity, water, sewage, internet and telephony, heating, insurance, animal feeding, franchise fees, permits, as well as royalties and intellectual property license fees. Costs for wages are not included. The Swedish Tax Agency is the authority that decides on eligibility for support, and the support is paid out through a crediting of the tax account. The support has been extended and successively covered different periods during the pandemic, with minor changes to the conditions by government ordinance (March-April 2020, May 2020, June-July 2020, August-October 2020, November-December 2020, January-February 2021, March-April 2021, May-September 2021). The government reintroduced the support in December 2021 for December 2021-March 2022. The support is considered as state aid according to EU state aid rules. Consequently, the government had to apply for and get the support approved by the European Commission before paying out.

To reduce costs for companies, a rent subsidy was introduced for April-June 2020, January-March 2021, April-June 2021 and July-September 2021. The grant meant that landlords who reduced the fixed rent for companies in vulnerable industries could apply for support to compensate for part of the reduction. For April-June 2020, compensation was given with a maximum of 50 per cent of the reduced fixed rent, however, with a maximum of 25 per cent of the original fixed rent. From January 2021, the support was strengthened to provide compensation with 50 per cent of the reduced fixed rent, up to 50 per cent of the original fixed rent.<sup>19</sup>

### *c) Deferment of Tax Payments*

At the early stages of the pandemic, the government activated legislation on the deferment of tax payments for companies.<sup>20</sup> Special deferment

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19 Förordning (2020:237) om statligt stöd när vissa lokalhyresgäster fått rabatt på hyran. Förordning (2021:273) om statligt stöd när vissa lokalhyresgäster fått rabatt på hyran under 2021.

20 Prop. 2019/20:132.

legislation was already in place in 2009 due to the financial crisis. Under normal circumstances, deferment of paying taxes can be accepted in cases of exceptional reasons<sup>21</sup>. Still, during the financial crisis, deferment was accepted generally, albeit for a limited period, if there were no special reasons against it.<sup>22</sup> Accordingly, concerning the difficult situation for Swedish industry and business life during the pandemic, the government concluded that it once again was reason enough to consider extraordinary measures and activated the possibility of deferment in line with the legislation from 2009.<sup>23</sup> Deferment was made possible for taxes due between January and September 2020 but this period was later prolonged until January 2021.<sup>24</sup>

Deferment was made possible not only for employers' payment of preliminary income taxes and social security contributions but also for VAT. The reason was to secure liquidity of the business, and the deferment was combined with a fee of 0.3 per cent per month on the tax payment. The idea was to expect payback of taxes within 12-15 months, but according to a PM from the Ministry of Finance, the period for repayment will now be further extended.<sup>25</sup>

An example of a more elaborate use of taxes for economic relief is the immediate but temporary reduction in social security contributions.<sup>26</sup> Employers only had to pay pension contributions between 1 March 2020 and 30 June 2020.<sup>27</sup> In more concrete terms, this implied reduced payroll taxes; the employer's contribution amounts typically to 19.80 per cent on

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21 Skatteförfarandelagen (2011:1244).

22 Lagen (2009:99) om anstånd med inbetalning av skatt i vissa fall.

23 Prop. 2019/20:132, p. 32.

24 Prop. 2020/21:166. Extra ändringsbudget för 2021 – Förlängda ersättningar på sjukförsäkringsområdet, stöd till företag, kultur och idrott samt andra åtgärder med anledning av coronaviruset.

25 Ministry of Finance, Fi2021/02865, En ytterligare förlängning av anståndstiden för att möjliggöra avbetalning av tillfälliga anstånd.

26 Social security contributions are, with a marginal exception, paid by employers and self-employed persons. These contributions have little or no formal connection to the right to benefits. Social security contributions are paid monthly to the tax authorities together with income taxes. With the exception of the pension contribution, social security contributions are not separated from the state budget. All social security contributions are both legally and practically considered as taxes meaning that the absence of payment will not have an impact on the right to benefits.

27 Lag (2020:202) om särskild beräkning av vissa avgifter för arbetsgivare. Prop. 2019/20:151 Extra ändringsbudget för 2020 – Ytterligare åtgärder på skattemrådet med anledning av coronaviruset.

the employee's total payroll, of which 10.21 per cent is earmarked for old-age pension.<sup>28</sup> A similar support measure for social security contributions was also provided for the self-employed. Such support to employers was limited to a maximum of 30 employees and on wages up to a maximum of SEK 25,000 per month. The regular social security contribution rate for self-employed persons is 28.97 per cent of their net business profits. To contain the economic consequences for this group, a relief measure was introduced for 2020, with the regular pension contribution rate of 10.21 per cent only applying to annual profits that exceeded SEK 100,000. The government later reduced the social security contributions for young persons between 18 and 23 years of age. The contribution rate on wages up to SEK 25,000 will be reduced to 19.73 per cent instead of the regular rate of 31.42 per cent between January 2021 and March 2023.<sup>29</sup> A further reduction was made for June-August 2021. During this period, employers only paid pension contributions of 10.21 per cent to stimulate the economy. The government has also proposed that this "summer discount" be applicable during June-August 2022.<sup>30</sup>

In other cases, taxes are waived (exempt) to provide specific incentives for pandemic-friendly behaviour. Examples are provided by "fringes" that would usually be taxed, such as the employer offering free parking for persons who do not want exposure through collective transport, or offering gifts to employees as a friendly gesture for hard(er) work. Under normal circumstances, the value of these benefits would be subject to income tax, but temporary exceptions have been made during the pandemic.<sup>31</sup>

#### *4. Social Protection*

The social security system represents a key component in the government's policy response to the pandemic. By launching a wide range of time-limited social security measures, the system has been used to mitigate the negative social and economic consequences of COVID-19. The ongoing

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28 An additional payroll tax, allmän löneavgift, is paid at 11.62 per cent for both employers and the self-employed.

29 Prop. 2020/21:1, Budgetproposition.

30 Prop. 2020/21:202 Extra ändringsbudget för 2021 – Förstärkt nedsättning av arbetsgivaravgifter för 19-23-åringar under juni-augusti 2021. Fi2021/03061, Förstärkt nedsättning av arbetsgivaravgifter för 19-23-åringar under juni-augusti 2022.

31 Prop. 2019/20:166.

pandemic has substantially impacted Swedish society and has increased the need for social protection and growing pressure on the social security system. The social security system is a social “infrastructure” designed to alleviate social risks by providing financial assistance when such risks materialise. Due to the introduction of the possibility of delegation and subdelegation, several COVID-related social security provisions could be issued by the government, or by a public agency, with reference to “extraordinary events in peacetime”. From March 2020, social security has been an essential instrument in distributing financial support in the wake of rising sickness absences. Other policies have targeted the need to contain the spread of infection, ease the pressure on the health care system and improve the financial situation for families with children.

In September 2021, with more than 70 per cent of the population vaccinated, a low spread of infection in society and some of the considerable pressure on healthcare lifted, the Swedish government decided to disassemble several social security measures designed to dampen the negative social consequences of the pandemic.<sup>32</sup> In hindsight, it can be concluded that the September rollback was premature and reversed. This back-and-forth pattern in regulating COVID-related protective measures adds yet another level of complexity to an already overall cluttered image of legislative actions. Below, we outline the main protective steps related to unemployment, students, sickness and families with children. We can identify three main phases (so far): An initial phase (spring of 2020), a second phase (winter of 2020-2021) and a potential third phase (winter of 2021-2022). The overall aim of all protective measures has been to mitigate the negative social impact of the pandemic and ease pressure on health care services. It is hard to say what the situation might have been like without them. Still, statistics so far indicate that the massive and costly measures invested in social protection, while not providing a total shield from negative social impact, still maintained a level of stability.

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32 Already in April (see prop. 2020/21:166, pp. 51 and 53) the government had linked the share of vaccinated persons in the population with some of the different extraordinary social security measures. Initially, there was hope to reach a level of 70% of the population to be vaccinated already in June, but this target was not met. In Prop. 2020/21:208, extra ändringsbudget för 2021 – Förlängda ersättningar på sjukförsäkringsområdet, stöd till företag, kultur, idrott och civilsamhälle samt andra åtgärder med anledning av coronaviruset, a new target was set: September 2021.

*a) Protective Measures related to Unemployment*

Swedish unemployment insurance is partly voluntary as organised in line with the Ghent model and was, before the outbreak of COVID-19, criticised. A study commissioned by the government described unemployment insurance as having “low coverage, complicated administration, lack of accuracy and low predictability”.<sup>33</sup> Other labour regulations and collective agreement-based solutions have been developed to complement statutory unemployment insurance, such as the Job Security Foundation and the rules on furlough. Still, these are generally not available to groups most at risk in the labour market, such as hourly workers, people with fixed-term employment and the self-employed.

As unemployment insurance is partly voluntary, a person who is not a member of an unemployment insurance fund or does not meet the eligibility criteria will only receive a basic flat allowance of SEK 365 per day. Workers who have been a member of an unemployment insurance fund for at least one year (membership requirement) and were employed for at least six months during that year (work requirement) are entitled to unemployment benefits calculated in relation to their salary. Compensation from the unemployment insurance fund will be paid out for a maximum of 300 days, or 450 days if the unemployed person has children under 18 years. During the first 200 days of unemployment, the worker’s compensation amounts to a maximum of 80 per cent of their base salary. After that, the compensation payment amounts to a maximum of 70 per cent of the worker’s base salary. Compensation is only paid up to a maximum of SEK 910 per day for the first 100 days; from day 101 to day 300, the maximum amount of compensation is SEK 760 per day. The compensation period usually commences after a 6-day waiting period. The total compensation expressed in SEK generally means that the level of income protection is low compared to other areas of social security. Of course, the low level of coverage and comparatively low benefits indicated that something needed to be done during the initial stage of the pandemic.

Several temporary changes were made in April 2020 and planned to be in force between 13 April 2020 and 3 January 2021.<sup>34</sup> The government has extended this period until the end of 2022 and included the costs in

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33 SOU 2020:37, p. 139. Ett nytt regelverk för arbetslösheitsförsäkringen.

34 Prop. 2019/2020:146. Extra ändringsbudget för 2020 – Ytterligare åtgärder med anledning av coronaviruset.

its budget for 2021.<sup>35</sup> Specific high-risk groups were targeted with these reforms, such as employees in sectors where work is often time-limited, or persons performing work “by the hour”.<sup>36</sup> The amendments also aimed to make unemployment insurance more accessible for the self-employed. The changes introduced an increase of the income-related benefit from day 101 of unemployment onwards. The basic daily allowance, available for those not eligible for income-related benefits, has temporarily been raised from SEK 365 to SEK 510 (SEK 8,030 to SEK 11,220 per month). As for income, the coverage of the income-related benefit has temporarily been expanded as the cap has been raised for the first 100 days of unemployment.

Furthermore, the 6-day waiting period has been suspended. Temporary modifications of the membership and work conditions were made to boost membership and the number of persons qualified for income-related benefits. Usually, a 12-month membership in an unemployment insurance fund is required to be eligible for income-related unemployment benefits. Still, now a 1-month membership will count as four months of membership between March and December 2020, thus allowing members to qualify after only three months of membership. A temporary change to the required period of employment for eligibility has also been introduced to facilitate access to income-related unemployment benefits. Workers are now required to have worked at least 80 hours a month over six months or 480 hours for six consecutive months and at least 50 hours per month (part-time work) after that over a total period of 12 months. The requirement now is for part-time and hourly workers to have worked 60 hours a month over six months or 420 hours for six consecutive months and for at least 40 hours per month (part-time work) after that over 12 months to qualify for income-related unemployment benefits. Self-employed persons are also eligible for this benefit if their business is temporarily closed (the requirement that the company must have been operational for five years has been abolished).<sup>37</sup> The ordinary regulation requires phasing out and shutting down the business for the entrepreneur to receive any benefits.

The impact of the coronavirus crisis on the labour market is visible in the official statistics, with an increase in unemployment since March 2020.<sup>38</sup> According to Arbetsförmedlingen (Swedish Public Employment Service),<sup>39</sup> 120,000 persons lost their jobs in 2020, a number that has prob-

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35 Budgetproposition för 2021. Prop. 2020/2021:1.

36 Budgetproposition för 2021. Prop. 2020/2021:1. Utgiftsområde 14, p. 40.

37 Lag (1997:238) om arbetslöshtsförsäkring, 36 §. SFS 2020:217.

38 Statistics Sweden (SCB), Arbetskraftsundersökningarna (AKU).

39 Swedish Public Employment Service.

ably been curbed by the high number of approved applications for short-time work permits (75,000); there are now a total of nearly 580,000 short-time workers according to Tillsvärxtverket (Swedish Agency for Regional and Economic Growth).<sup>40</sup> Unemployment insurance funds have also experienced an inflow of new members since the outbreak of COVID-19.<sup>41</sup>

*b) Protective Measures related to Students and Higher Education*

Government policies introduced to minimise the adverse effects of COVID-19 can also be found within the system of higher education. Following a decision that it should be clarified that in case of extraordinary events in peace-time, either the government or a public authority given delegated powers had the mandate to decide by ordinance on rights for students to receive study support during leave<sup>42</sup> such a decision was also made.<sup>43</sup> Thus, it was decided that students would be allowed to keep their already granted study grants, study loans or study support (even if no longer able to study). Also, it was decided that students claiming study grants were exempted from the demand to show a doctor's certificate when taking care of sick children. These measures were agreed upon in April 2020 and made retroactively effective from 1 January 2020.<sup>44</sup>

Ordinarily, students receiving study grants can only have incomes up to a set level and still receive a maximum grant. If incomes are higher, the grant will be lowered. Due to the pandemic and in an effort to unburden a struggling healthcare sector, the construction with a "free amount" was set aside making it easier for students (mainly medical students, nursing students and students in other care-oriented education) to work extra within their line of education. The lack of restrictions in combining income from work and study grants also worked more broadly to the advantage of people at economic risk due to a failing labour market. During 2020 and 2021, there were no restrictions on how much money students could

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40 Swedish Agency for Economic and Regional Growth.

41 IAF, *Fler medlemmar I arbetslöshetsskassorna*, 15/04/2020, read 14/02/2022.

42 Prop. 2019/20:132, Extra ändringsbudget för 2020 – Åtgärder med anledning av coronaviruset.

43 Förordning (2020:201) om studiestöd vid spridning av viss smitta, 3-5 §§.

44 Förordning (2020:201) om studiestöd vid spridning av viss smitta, 6 §.

earn through work and still receive entire study grants.<sup>45</sup> In 2022, this temporary adjustment was ended, and it is no longer in place.

In terms of the effects of the pandemic on the educational system, one can note the following: People in the process of repaying their study loans can apply for a decrease in the amount for repayment in situations of exceptional economic hardship (for instance, if receiving social assistance). In 2020, there was a 25 per cent increase in approved applications on these grounds. Another criterion that can lead to approved postponement of repayment is that the person is again registered as a student (returning to studies). In 2020, there was a 13 per cent increase in approved applications on these grounds, and there was a distinct increase in the number of people studying – a development made easier due to abolishing the “free amount” mentioned above.<sup>46</sup>

c) *Protective Measures related to Sickness*

In April 2020, COVID-19 was listed as a contagious disease. This meant that if health care workers became infected at work, the infection would qualify as a work injury. The same would also be true for persons who otherwise treated a contagious person at work and contracted coronavirus.<sup>47</sup> The same month, in April 2020, several temporary changes to sickness insurance were introduced. It was decided that they were to enter into force retroactively from 16 March 2020 and remain effective until 31 December

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- 45 In a similar manner as described above, it was first decided to enter a clarification in the Study Grant Act that in case of extraordinary events in peacetime, either the government or a public authority is given delegated powers, has the mandate to decide by ordinance on whether the incomes of students should be dealt with in another manner than regulated, see prop. 2019/20:146 Extra ändringsbudget för 2020 – ytterligare åtgärder med anledning av coronaviruset. A delegation from parliament to the government in cases of “extraordinary events in peacetime” is now in place, Studiestödslagen (1999:1395) 2 kap. 10 § 4 p. SFS 2020:199. Later, such an ordinance was issued and the change implemented: Förordning 2020:201 om studiestöd vid spridning av viss smitta, 2 a §.
- 46 Centrala Studiestödsnämnden (CSN), [Hur har pandemin påverkat återbetalningen av studielån?](#), read 08/01/2022.
- 47 SFS 2020:1045, changing förordning (1977:284) om arbetsskadeförsäkring och statligt personskadeskydd. If qualified as a work injury, an employee will receive full compensation in case of incapacity for work. This amendment is permanent.

2020.<sup>48</sup> Additional changes were presented by the government in June 2020<sup>49</sup> and extended in November 2020.<sup>50</sup> Later, the government extended the measures to last until 30 April 2021 and reserved the necessary financial resources decided by the government based on the delegated powers.<sup>51</sup>

The early amendments introduced in spring 2020, and to be described in more detail below, extended the scope of financial support by relaxing benefit conditionality for employees and the self-employed and by giving direct support to employers by providing wage cost subsidies during sick pay periods. Changes were made to the application process for benefits, and additional funding was allocated to local administrations to cope with the rising number of requests from claimants.

The focus was already, from the beginning, on short-term benefits, allowing workers who were experiencing only mild symptoms to stay at home by compensating them. Similarly, it was made possible for parents to stay at home, income compensation was provided when their children were ill, or schools closed. At the same time, the government subsidised employers' costs when their employees could not work.<sup>52</sup>

Under normal circumstances, sickness benefits are paid out when a worker is sick and incapacitated for work. Income loss during the first 14 days of sick leave is usually compensated by the employer, who pays sick pay. Following this 14-day period, the employee can apply for sickness benefits from Försäkringskassan. The first day of sick leave is a 1-day waiting period. A self-employed person's sickness benefits are covered by Försäkringskassan immediately, but the waiting period may range from 3-30 days, depending on the chosen plan. The amount of benefits the

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48 Prop. 2019/2020:132, Extra ändringsbudget för 2020 – Åtgärder med anledning av coronaviruset.

49 Prop. 2019/2020:187, Extra ändringsbudget för 2020 – Ersättning till riskgrupper, kapitalinsatser i statligt ägda företag och andra åtgärder med anledning av coronaviruset.

50 Prop. 2020/21:46. Extra ändringsbudget för 2020 – Förlängd rätt till ersättning för riskgrupper.

51 Förordning (2020:195) om vissa sjukpenningförmåner med anledning av sjukdomen COVID-19.

52 The support to employers to help cover extensive costs for sick pay has been renewed in several steps: Prop. 2020/21:84 Extra ändringsbudget för 2021 – Förlängda ersättningar på sjukförsäkringsområdet, stöd till företag och andra åtgärder, covered time until 30 April 2021. Prop. 2020/21:166, Extra ändringsbudget för 2021 – Förlängda ersättningar på sjukförsäkringsområdet, stöd till företag, kultur och idrott samt andra åtgärder med anledning av coronaviruset, extended the measure until 30 June 2021.

self-employed person receives depends on his or her previously reported income, declared in his or her tax return.

As part of the spring-2020 COVID-related reforms, a temporary flat benefit was introduced to compensate for the loss of income during the first day of sickness. A worker could apply to Försäkringskassan for reimbursement and his or her lost wages were paid out as sickness benefits for one day.<sup>53</sup> Self-employed persons were also eligible for a similar flat fee for the given waiting period of up to 14 days. The sickness benefit for self-employed persons was thus paid from the first day of reported sickness, and not once the waiting period was over.

The government also introduced a compensation for employers for extraordinary costs related to sick pay during the first 14 days of the employee's sick leave period. High-risk protection for excessive employer sick pay costs does exist.<sup>54</sup> Hence, if the employer's sick pay costs, including taxes and contributions, exceeded 0.5 per cent of total wage costs, the employer would receive compensation. This temporary support measure lowered the applicable threshold and thus made it accessible for smaller businesses as well.

Also temporarily, medical certification supporting the need for leave due to illness had to be provided from day 15 of the sick leave period and not on day 8 as is usually the case.<sup>55</sup> This change was intended to relieve the pressure on the health care system.

Preventive sickness benefits *for certain risk groups*, introduced by ordinance (2020:582) were introduced as temporary benefits providing for exceptions to SFB Chapter 27 (preventive sickness benefit) and SFB Chapter 46 (disease carrier allowance). The amendment aimed to provide benefits to individuals who belong to specific risk groups, i.e. persons with certain diseases at more risk than others during the pandemic. If such persons stayed at home to avoid infection but did not have the possibility to work from home, they were eligible for this particular benefit. Under normal circumstances, they would not qualify for benefits under the SFB.

In December 2020, when the second wave was a fact, the government proposed critical temporary changes to how incapacity for work was to be

<sup>53</sup> Förordning (2020:195) om vissa sjukpenningförmåner med anledning av sjukdomen COVID-19. The exceptions to this ordinary regulation on sick pay described here was initially only supposed to apply until 31 December 2020, but has now been extended, förordning (2020:1030).

<sup>54</sup> Lag (1991:1047) om sjuklön, Art. 17.

<sup>55</sup> Förordning 2020:196 om ändring i förordningen (1995:1051) om skyldigheten att lämna läkarintyg m.m. i sjukpenningärenden i vissa fall.

assessed in case of long-term sickness.<sup>56</sup> The current system is not flexible enough in a pandemic, as workers with a good prognosis and who are likely to return to their jobs will lose their sickness benefits. Many of these persons are also waiting for scheduled medical care, which has been postponed due to the tremendous challenges the health care system is currently facing.<sup>57</sup> Under normal circumstances, assessing an employee's capacity for work on day 180 determines whether they can return to their regular workplace/employer or whether the employee can work in any other available job on the labour market (SFB Chapter 27 Art. 48). This provision has been quite controversial as it implies that a person who is no longer able to work in their regular job can be forced to apply for another available position on the labour market and will thus be considered unemployed instead of sick and will consequently lose their sickness benefit. There are negative financial consequences for an individual regarded as unemployed compared to being a recipient of sickness benefits. A new, more flexible system for the rehabilitation of this group of workers was introduced on 15 March 2021.<sup>58</sup> The COVID-related measure that made exceptions from the 180-days-rule mentioned above was applicable from 21 December 2020 up until 14 March, when the new regulation came into force.<sup>59</sup>

As the second wave of the pandemic phased out during the spring and summer of 2021 and the process of getting the population vaccinated gained speed, the government decided on extensions of protective measures step-by-step, applying relatively short periods. In April 2021, the government proposed to prolong all the measures described above: the compensation to employees for the waiting day, compensation to employers for the 14-day sick pay period, compensation to risk groups and their relatives (in need of isolation), the lowering of qualification criteria in sickness insurance and the extension of the period on sick leave before sick persons need a doctor's certificate.<sup>60</sup> In May, the same protection measures were proposed to be extended once more, this time until the end

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56 Prop. 2020/21:78 Vissa ändrade regler inom sjukförsäkringen. Förordning 2020:711 om undantag från vissa bestämmelser om sjukpenning med anledning av sjukdomen COVID-19.

57 Prop. 2020/21:1 Budgetproposition.

58 Prop. 2020/21:78 Extra ändringsbudget för 2021- Vissa ändrade regler inom sjukförsäkringen.

59 Prop. 2020/21:83 Förstärkta stöd till företag, nedsättning av arbetsgivaravgifter för unga och andra åtgärder med anledning av coronaviruset.

60 Prop. 2020/21:84 Extra ändringsbudget för 2021 – förlängda ersättningar på sjukförsäkringsområdet, stöd till företag och andra åtgärder med anledning av coronaviruset, read 14/02/2022.

of September and with a note that measures should be in force until the vaccination target was met and 70 per cent of the population had been vaccinated.<sup>61</sup> However, some measures, like the relaxed demand on when to show a doctor's certificate, had already as this point been prolonged until the end of the year.<sup>62</sup> A prolongation was effected until the end of 2021 for the exception introduced regarding the point during a person's sick period at which his work capacity was to be estimated with a view to any other work on the labour market.<sup>63</sup>

In September 2021, the vaccination goal was met. Some of the protective measures were ended: the compensation to employees for the qualifying day, the compensation to employers for the 14-day sick pay period, the compensation to the self-employed for their qualifying days, the compensation to risk groups and their relatives (in need of isolation), the lowering of qualification criteria in sickness insurance and the extension of the period before you need a doctor's certificate.<sup>64</sup> In December 2021, when the fast spread of the Omicron variant of the virus had become an undeniable fact, the Department of Social Affairs decided to propose reversals of several of the September roll-backs. The compensation for the waiting day was proposed to be re-introduced for the period of 8 December 2021 to 31 March 2022.<sup>65</sup> Other examples of proposed roll-backs included the compensation to persons belonging to a risk group (and their relatives),<sup>66</sup> and a proposal to yet again, in a second step, extend the period before a doctor's certificate was needed in case of a claim for sickness benefit.<sup>67</sup> These proposals are pending until a majority in the parliament

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61 Prop. 2020/21:208 Extra ändringsbudget för 2021 – förlängda ersättningar på sjukförsäkringsområdet, stöd till företag, kultur, idrott och civilsamhälle samt andra åtgärder med anledning av coronaviruset, read 14/02/2022.

62 Prop. 2020/21:208.

63 Vårändringsbudget 2020/21:99.

64 The time limit had been set by the government in prop. 2020/21:208 Extra ändringsbudget för 2021 – förlängda ersättningar på sjukförsäkringsområdet, stöd till företag, kultur, idrott och civilsamhälle samt andra åtgärder med anledning av coronaviruset, and at this point no further extension had been decided. Thus, no special decision was necessary to end it, as it merely expired.

65 On 8 December 2021, the government presented a new action plan in preparation for a new wave of COVID-19. *At the same time, it proposed a re-introduction of measures to keep infections down and also economic benefits in line with earlier policies.*

66 Forsakringskassan, *Coronaviruset – det här gäller*, 1 April 2022.

67 *Proposal from the Department of Social Affairs*, 23 December 2021; if accepted, the proposal is included in the revised budget to be decided by parliament in January 2022 (along with the proposal mentioned above from 8 December).

agree on financing, and a decision is expected in January 2022. If positive, the measures will be accessible retroactively. Whether the winter of 2021 is the beginning of a third phase in terms of the number of people falling ill from the pandemic is hard to say at the time of writing this report. Still, by the end of 2021, the government was prepared to re-introduce also other, already tried-out protective measures if needed.

The disease carrier allowance, a benefit that already existed but was rarely used before the pandemic, was frequently applied from March to May 2020 and later during the second wave, which started in October 2020. In December 2020, there were 9000 recipients of this benefit compared to 15 the previous year. In the first phase of the pandemic, in March 2020, the number of new cases of sickness increased by 89 per cent.<sup>68</sup> During the beginning of the second wave of the pandemic in November 2020, the increase in new cases of sickness was 35 per cent more than in 2019 (the comparable figure for April was an increase of 105 per cent). Applications for the temporary compensation of the 1-day waiting period during a sickness period varied from 200,000 applications per week in May 2020 to 100,000 weekly applications from September onwards. This temporary compensation was re-introduced on 8 December 2021.<sup>69</sup> Government subsidies to employers to offset sick pay costs amounted to SEK 5 billion in May 2020, but only SEK 1 billion in September.

Other measures were less used, such as the preventive sick benefit initially estimated to target 200,000 recipients; still, by June 2020, less than 2200 had applied. The main explanation for the miscalculation is that more people could work from home than predicted. A benefit that decreased during the period was the benefit paid to people taking care of a close relative (a decrease of 30 per cent). The reduction of applications for the care benefit is related to the limitations in access to the elderly population (isolated due to the high risks, especially during the first phase of the pandemic).

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The proposal suggests that the extended period is to last until 31 March 2022. **Similarly, the demand to show a doctor's certificate to receive the disease carrier allowance was temporarily lifted altogether during the period 27 December 2021 - 31 March 2022**, read 14/02/2022.

- 68 Försäkringskassan, "Socialförsäkringen och coronaepidemin. En översikt av nyttjandet av socialförsäkringen under coronaepidemin 2020", Socialförsäkringsrapport 2021:1, Social Insurance Report, June 2020.
- 69 Försäkringskassan, **Effekter som covid-19 har på sjukförsäkringen. Delrapport 2, Svar på regeringsuppdrag**, 2021-09-01, read 08/01/2022.

*d) Protective Measures Targeting Pregnant Women and Families with Children*

Following the outbreak of COVID-19, parents of children belonging to a risk group and parents, in general, faced significant challenges, especially when schools started to close. Therefore, the government passed an ordinance to adopt temporary measures to introduce exceptions to the SFB for parents whose children had recently been seriously ill and when schools began to close.<sup>70</sup> The ordinance stipulates that if schools are closed, the temporary parental benefit will be made available to parents who cannot work (from home) and who would otherwise suffer a loss of income. The same provision applies to parents whose children have recently been seriously ill. The purpose of these temporary provisions is to provide increased protection for children who may be at higher risk of becoming severely ill. In the fall of 2022, the government decided to prolong the temporary measures described above. At first until 31 January 2022, but at a later stage during the fall, this date was proposed to be postponed to the end of March 2022.<sup>71</sup>

In 2020 and 2021, during the period July 1 to December 31, the government decided on an added benefit to top up housing allowance, a benefit directed at low-income families with children.<sup>72</sup> The benefit was 25 per cent of the estimated housing allowance (maximum), which could mean an added SEK 1325 each month.

In February 2021, the unique COVID risks identified concerning pregnant women caused the government to change a regulation that aims to secure safety at the workplace for pregnant women. Thus, COVID-19 was added as a legitimate reason to be awarded benefits during pregnancy if your work environment was such that the employer could not secure your safety. The employer makes the assessment and decides whether the work environment is safe.<sup>73</sup>

Not surprisingly, the costs for temporary parental benefits (leave to care for a sick child) reached record levels in March-April 2020. The number

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70 Förordning (2020:244) om viss tillfällig föräldrapenning med anledning av sjukdomen COVID-19.

71 [Department of Social Affairs](#), read 08/01/2022.

72 Prop. 2019/20:167. The time-limited extraordinary benefit was constructed as a special benefit not to be taken into account in, or affecting, the calculation of the ordinary housing allowance.

73 AFS 2020:3, Smittrisker, Arbetsmiljöverkets föreskrifter om ändring i Arbetsmiljöverkets föreskrifter AFS 2018:4 om smittrisker.

of days when parents used temporary parental benefits increased by 90 per cent in March 2020.<sup>74</sup>

## 5. Conclusion

It is not for us to pass judgment on whether the general strategy followed by Sweden to fight coronavirus has been efficient or not. Sweden initially had very high mortality rates, its health care system is again struggling to cope with the third rise in COVID-19 hospitalisations, and there is an urgent need to take care of a growing “debt” in health care.<sup>75</sup> The pandemic has indeed had a substantial negative social and economic impact on many sectors of society. But this said, there are also indications that crisis management, reflected in the almost endless number of revised, extraordinary state budgets, has found ways and means to counteract and avoid some of the worst potential risks.

This article described various critical measures where the legislator wanted to stabilise and strengthen livelihood opportunities and basic income security. Support could have been provided with the help of existing legal infrastructure but has been expanded concerning the pandemic as an *extraordinary event*. In retrospect, the regulatory changes have been characterised by short-sightedness. Still, the temporary solutions sought have recurred in several rounds in the same way the pandemic has gone in waves.

Furlough is an example of a previously established crisis method that was reactivated and used as support during the pandemic. There are examples of other activities where e.g. the ordinary tax procedures have been set aside due to what the legislator refers to as extraordinary circumstances. Deferment of payment of taxes means temporary liquidity support but is due to be paid back with an interest rate. The legislator has other than economic reasons in mind for taxes on work and social security contributions when giving costly discounts on the employer’s wage taxes.

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74 Försäkringskassan, “Socialförsäkringen och coronaepidemin. En översikt av nyttjandet av socialförsäkringen under coronaepidemin 2020”, Socialförsäkringsrapport 2021:1, Social Insurance Report, June 2020.

75 For an analysis of the measures taken in the health care sector, see Ana Nordberg and Titti Mattsson, *COVID-19 Pandemic in Sweden. Measures, Policy Approach and Legal and Ethical Debates*, In BioLaw Journal – Rivista di BioDiritto, pp. 731-739.

The social insurance system has been a vital infrastructure used for support measures. SFB has now been changed to the extent that the government quickly has the mandate to take specific steps in the case of extraordinary events. The temporary COVID-19 regulations made it easier for employed persons to stay at home with symptoms since the economic effects of staying at home are not as severe now as they are during normal circumstances. Social security legislation has been adapted to meet the altered needs caused by the pandemic. The government is temporarily shouldering a higher share of the risk under the current extraordinary circumstances, especially regarding short-term benefits for employees and financial support for employers. We have witnessed changes to short-term benefits to address the risk of sickness, family, unemployment, and increased beneficiaries. The results are reflected in the costs and transfers that have been made via the benefits regulated in social security legislation. Statistics indicate that the temporary initiatives represent an essential support mechanism, and social insurance was generally used more frequently during 2020 because of COVID-19.<sup>76</sup> Unemployment insurance is a particular case because the previously identified weaknesses in the system were so strongly exacerbated during the onset of the pandemic.

One indication on whether or not the different social security reforms were successful in mitigating the feared social consequences of the pandemic could be looked for in the reports from the National Board of Health and Services, the agency responsible for overviewing social assistance. According to the National Board of Health and Services, there has been no increase in social assistance recipients during 2020; on the contrary, a slight decrease is noticeable. However, the total amount of aid paid out increased, as did the share of recipients who received assistance for an extended period. There was no decision to increase levels of social assistance as a response to COVID-19, thus the figures reflect an increased need for assistance among eligible individuals. It is hard to know to what extent this development was caused by COVID-19, as it is a continuation of a trend that had existed already before the pandemic broke out<sup>77</sup>. Still, during 2020, groups that received more assistance included an increase of women in low-paid work and unemployed in the age-span 55-65, groups that might have been hit harder than others by how COVID-19 affected the labour market. It seems that in spite of the social security reforms

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76 Försäkringskassan, *Korta analyser 2020:5*.

77 Socialstyrelsen, “[Utvecklingen av ekonomiskt bistånd i spåren av covid-19 – faktablad 4](#)”, 2021-10-07, Dnr 5.7-24430/2020.

instituted to dampen negative social effects of the pandemic, the reforms did not prevent these groups from an increased dependence on social assistance. This said, given the overarching trends in social assistance there might be more complex explanations for this development that might include but also reach beyond the pandemic. There seem to be no drastic changes in these figures for 2021.<sup>78</sup>

Another indication of how successful the social protection measures have been in mitigating the negative social and economic consequences is to look at figures from the Bailiff's office. In figures from September 2021 presented by the Bailiff, a distinct increase in evictions of families with children after COVID-19 is identified (the highest number since 2015). At the beginning of the pandemic, many landlords were open to unique, temporary solutions, but fewer solutions were available as time passed.<sup>79</sup>

There were, in retrospect, some general delays in the initial legal response. In a comparative perspective, it seems as if the pre-pandemic situation in Sweden was unusual, with either no, or unclear legal possibilities for the government to act swiftly on extraordinary events in peacetime. Whatever else, one prediction is that the changes made in different bills to secure governmental action in exceptional times are likely to stay.

The measures introduced during the pandemic cost an additional SEK 400 billion in government spending in 2020-21 alone.<sup>80</sup> What is less clear are the more long-term effects of the crisis on the labour market and social security policy. The temporary changes have indisputably revealed areas and issues that represent a temporary challenge and also a major broader challenge for the Swedish welfare state.

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78 Socialstyrelsen, “[Utvecklingen av ekonomiskt bistånd i spåren av covid-19 – faktablad 4](#)”, 2021-10-07, Dnr 5.7-24430/2020.

79 Kronofogden, [Fler vräkta barnfamiljer i spåren av pandemin](#), 19/09/2021, read 14/02/2022.

80 [An additional SEK 1000 billion has been made accessible through loans and financial guarantees](#). The SEK 400 billion is an estimate for all action taken. One can compare this to the normal budget for social security in Sweden (excluding administration, old-age pensions and unemployment) which is around SEK 225 billion per year. Försäkringskassan, Socialförsäkringen i siffror 2019.