

## VI. “Collective Agreement” – Danish Social and Labour Market Policy in the COVID-19 Crisis

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### *1. Introduction*

As was the case in countries across the globe, the COVID-19 pandemic initially led to a dramatic downturn of Denmark’s national economy. On 11 March 2020, Prime Minister Mette Frederiksen first announced comprehensive measures to contain the spread of the coronavirus, which had the effect of radically limiting market activity and reducing everyday life to a minimum. Restaurants, gyms and a wide range of businesses and factories were forced to close. In addition, schools, kindergartens and universities were shut, and all public sector employees who were not needed in a ‘critical’ function were ordered to work from home. When numbers of infections began to lower from April 2020 onwards, Denmark saw an easing of restrictions. In May and June 2020, the country had comparatively low infection rates and began to focus on economic reopening. This picture changed again in September 2020, when, given a new surge in case numbers, renewed restrictions on public life and the economy became necessary – albeit on much more limited scale than the measures taken in March of that year. Since then, the Danish approach has been one of swiftly reintroducing restrictions during new pandemic waves, followed by a quick phase-out when infection rates ease. The labour market and economic policy measures have mirrored this approach, with several of the schemes initially introduced in spring 2020 being phased out and reintroduced repeatedly over the course of the pandemic, so as to provide support when needed but without hampering long-term economic recovery. Throughout the course of the pandemic, measures to retain jobs and support the economy have been combined with a series of social policy measures aimed at limiting the specific hardships that the restrictions brought.

The Danish labour market model is known for its comparatively low employment protection, but also for the generous social security provided in the event of unemployment (‘flexicurity’). Due to the dramatic effects

of the COVID-19 pandemic on the Danish economy, a first consequence that was to be expected when the first shutdowns were ordered in March 2020 was a rapid increase in redundancies. In order to forestall this, the Danish government, the trade unions and the employees' associations on 14 March 2020 reached a tripartite agreement concerning the introduction of a comprehensive salary compensation scheme for employers.<sup>1</sup> The measures adopted as a result of the tripartite agreement of 14 March 2020 were improved and expanded by way of additional tripartite agreements reached on 30 March 2020 and 18 April 2020 respectively.<sup>2</sup> Several further tripartite agreements were made throughout the course of the pandemic, aiming to deliver a focused response to the industries and professions that required it the most. Tripartite agreements are an established mechanism of labour market regulation in Denmark. The scope of the measures laid down over the course of the pandemic, however, has been of historic dimensions.

In order to counter the negative effects of the COVID-19 pandemic on the economy as a whole, the Danish government and the parties represented in the Danish Parliament (*Folketinget*) reached a cross-party agreement on 19 March 2020 concerning the introduction of comprehensive liquidity measures, public compensation schemes and the deferral of tax payment obligations for businesses and the self-employed.<sup>3</sup> For the self-employed, the most relevant aspect of the agreement of 19 March 2020 was an income support scheme modelled on the salary compensation scheme for employers. On 18 April 2020, the Danish government and the parties of the Danish Parliament reached a further agreement by which they improved the existing measures and, in most cases, extended the period of their applicability.<sup>4</sup> Sectors and professional that had initially been overlooked were included, including freelancers such as artists, and the measures overall refined.

In addition to measures aimed at preventing redundancies and stabilising the economy, some provisions concerning social protection were

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- 1 [Trepartsaftale om midlertidig lønkompensation for lønmodtagere på det private arbejdsmarked](#) of 14 March 2020.
  - 2 [Aftale om styrkelse af trepartsaftalen om midlertidig lønkompensationsordning](#) of 30 March 2020; [Aftale om forlængelse af trepartsaftalen om midlertidig lønkompensation](#) of 18 April 2020.
  - 3 [Aftale om covid-19 initiativer](#) of 19 March 2020.
  - 4 [Aftale om hjælpepakker til lønmodtagere og virksomheder mv. i forbindelse med gradvis genåbning af Danmark](#) of 18 April 2020; [Aftale om forlængelse og udvidelse af kompensationsordning til arrangører](#) of 18 April 2020.

adapted to the distinct challenges of the COVID-19 crisis. In the cross-party agreement of 19 March 2020, for example, the Danish government and the parties of the Danish Parliament agreed to introduce a series of measures that would help recipients of social benefits during the crisis. These included an extension of maximum benefit periods and the adaptation of 'benefit conditionalities' to the specific challenges resulting from the initial 'shutdown' – first and foremost the physical closure of social authorities and the radical reduction of available jobs.<sup>5</sup>

But despite the generosity that has characterised the Danish measures, the focus began to shift early on in the pandemic on economic recovery and on limiting the scope of the support measures. Already in May 2020, the generous support packages of March and April 2020 were considered unsustainable in the long run because of the ways in which they artificially maintained the 'status-quo' of the pre-crisis economy. An economic expert committee was entrusted with making suggestions for the phase-out of the support packages that would limit individual hardships while ensuring the least possible damage to the Danish economy as a whole. The committee delivered a report on 25 May 2020, in which it suggested measures that would involve continued support for those affected by public restrictions and an increase in unemployment protection, while phasing out the cost-intensive public compensation schemes of March and April 2020.<sup>6</sup>

The measures that followed were initially more targeted. While a full phase-out of the early measures had been agreed by the labour market parties and the government on 5 June 2020<sup>7</sup>, and the political parties of the *Folketing* on 15 June 2020 respectively, this soon proved to have been premature. New restrictions introduced in light of rising infection rates in August 2020 concerned in particular the early closure of restaurants, bars and cafés, first at a local level, with a nationwide 10 p.m. curfew introduced for the hospitality sector on 19 September 2020. By way of a tripartite agreement of 31 August 2020, the government and labour market parties agreed on new measures to seek to prevent redundancies in the most severely hit sectors.<sup>8</sup> The parties of the *Folketing*, too, reached new agreements with the government on 28 August and on 20 September

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5 [Aftale om covid-19 initiativer](#) of 19 March 2020.

6 [Report](#) by the economic expert group concerning the phase-out of the compensation schemes.

7 [Aftale om gradvis udfasning af den midlertidige lønkompensationsordning](#) of 5 June 2020.

8 [Trepartsaftale om en ny midlertidig arbejdsfordelingsordning på det private arbejdsmarked](#) of 31 August 2020.

2020 concerning those sectors affected by the new restrictions.<sup>9</sup> As with the restrictions as such, however, the measures introduced from August 2020 onwards were more tailored to the specific needs of those affected by the more limited measures. The original, broad-sweep measures, meanwhile, were initially phased out on 29 August 2020.<sup>10</sup> One of the chosen strategies to prevent hardships from this phase-out was to simultaneously ease eligibility for unemployment benefits for both the self-employed and employees. Both agreements also introduced new support measures for specific labour market groups and businesses, in addition to expanding existing economic stimulus measures and lending schemes and increasing job training opportunities. A further agreement reached on 19 June 2020 introduced a DKK 700 million support package with a view to promoting summer tourism in Denmark.<sup>11</sup>

Since then, the Danish government, labour-market parties and the *Folketing* have continued the ‘dance’ of opening and closing parts of the economy and public life as required by infection numbers and identified locations of transmission. As renewed shutdowns became necessary, some of the original generalised schemes from spring 2020 were reintroduced, operating alongside the more targeted schemes that had subsequently been introduced over the course of the summer 2020. In addition, social protection measures were introduced or extended for individuals for whom the phaseout of the modifications introduced during the pandemic would have been too harsh.<sup>12</sup> The Danish measures overall have been characterised by transparency and generosity, combined with a focus on economic recovery and avoiding public subsidies for unviable businesses. This is in line with the new Epidemic Act, which entered into force on

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9 [Aftale om Bedre vilkår til særligt hårdt ramte dele af dansk erhvervs-, idræts- og kulturliv](#) of 28 August 2020; [Aftale om kompensation til barer, restauranter og caféer mv. ved begrænsninger på åbningstiden](#) of 20 September 2020.

10 [Aftale om udfasning af hjælpepakker, stimuli-initiativer og eksportinitiativer](#) of 15 June 2020.

11 [Aftale om sommerpakken](#) of 19 June 2020.

12 [Aftale mellem regeringen \(Socialdemokratiet\), Venstre, Radikale Venstre, Socialistisk Folkeparti, Enhedslisten, Konservative og Alternativet om Udvidelse af hjælpepakker](#) of 27 October 2020; [Aftale mellem regeringen \(Socialdemokratiet\), Venstre, Radikale Venstre, Socialistisk Folkeparti, Enhedslisten, Konservative og Alternativet om tillæg til aftale om genåbning af generelle kompensationsordninger](#) of 16 December 2020. In November 2020, the generalised schemes had been introduced for seven municipalities in North Jutland following local shutdowns. However, this was soon expanded.

1 March 2021 and which rests on the principle that compensation for measures other than expropriation needs to be well justified.<sup>13</sup>

Despite some initial oversights and complaints about increasing complexity, the measures overall have been deemed highly successful. Denmark's BNP was above pre-pandemic levels by the second quarter of 2021, while the EU average was the third quarter of 2021.<sup>14</sup> It is estimated that up to 81,000 jobs were saved due to the support measures, and the decrease in employment numbers was 60,000 lower than it would have been without the measures.<sup>15</sup> One explanation for the relative success of the measures is the inclusion of trade unions and the Danish style of cross-party consensus seeking ahead of major decisions. The labour market and social policy measures adopted since March 2020 in response to the crisis have predominantly been the result of a high level of agreement between the Danish government, the labour market parties and the political parties represented in the *Folketing*. As the crisis continued over spring and summer 2020, some disagreement did begin to emerge concerning the assessment of how successful these measures have been and whether and in what ways they should be continued or phased out. Specific industries and labour market groups were harder hit than others, causing frustration among specific industry representatives. Political disagreement also began to arise over the government's spending policy. Overall, however, the agreements taken over the course of the pandemic have been supported by a vast majority of political parties, and all key decisions concerning the labour market have been taken in conjunction with the labour market parties.

The distinct type of decision-making in Danish labour market policy appears to have forestalled friction that could have impeded the swift implementation of effective measures. In addition, the universalist features of the Danish social security system have proven an asset during the crisis. In 2017, Denmark had carried out a reform of its unemployment insurance system, which made it easier for self-employed individuals, freelancers, and so-called hybrid workers (*kombinatorer*) to claim unemployment benefits. This allowed policy makers to rely on the unemployment insurance system for individuals across the labour market as the compensation schemes were phased out. The comparatively effortless transition between employment

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13 [Rapport](#) fra arbejdsgruppen Principper for hjælpepakker ved nye epidemier (Erhvervsministeriet, 2012), p. 4.

14 *Ibid.*, p. 3.

15 Finansministeriet, [Økonomisk redegørelse 2021](#), p. 35.

and unemployment in Denmark, and the inclusivity of the unemployment system, appear to have proven an asset. The crisis appears, most of all, to have highlighted the strengths of the Danish labour market approach and its social security systems in times of economic downturn.

## 2. *Job Retention*

The initiatives jointly agreed by the Danish government and the Danish labour market parties in March and April 2020 included a range of instruments aimed at preventing redundancies in the private sector. At the same time, these measures served a number of more general economic purposes; first and foremost to support businesses more generally, and to place the economy in a position that would facilitate speedy economic recovery once the crisis was over. The express aim of the measures was therefore not only to prevent individual job losses, but also to avoid losing good ‘job matches’ at a cost to employers and the economy as a whole.

### a) *Salary Compensation*

The most important component of the agreement of 14 March 2020 between the Danish government, the trade unions and the employees’ associations was a comprehensive salary compensation scheme (*lønkompensationsordning*) for the private sector. The compensation scheme allowed private employers to receive compensation for the salary of their employees for a period of up to four months in the period between 9 March and 8 July 2020 (originally up until 8 June, with a one-month extension agreed on 18 April 2020). Employers were able to receive 75% of salary cost for salaried employees, and 90% of salary cost for non-salaried workers. One condition that needed to be met was that without financial support, the employer would be forced to make redundant at least 30% or 50 members of their work force. Moreover, employees needed to be furloughed, meaning that they received full pay without carrying out any work-related duties during the period in which compensation was received. Companies were not allowed to dismiss for economic reasons *any* of their employees while they received compensation (this included those employees who still carry out their duties). It was a further condition for receipt of salary compensation that employees take five days of (paid or unpaid) holiday leave during any three-month period of salary compensation (in the case of shorter or

longer periods, the number was adapted proportionately). By way of a separate agreement reached by the government and the labour market parties on 14 March 2020, apprentices were included in the salary compensation scheme.<sup>16</sup> The rights and obligations of employers and employees were laid down in a law adopted on 24 March 2020.<sup>17</sup> By way of an additional agreement reached on 30 March 2020, the government and the labour market parties agreed to raise the maximum monthly amount that can be received in compensation to DKK 30,000 (approx. EUR 4,023).<sup>18</sup> Originally, the maximum rate was DKK 23,000 (approx. EUR 3,085) for salaried employees and DKK 2,000 (approx. EUR 3,487) for non-salaried employees.<sup>19</sup>

Following a tripartite agreement of 5 June 2020, the salary compensation scheme was extended once more to cover the period from 9 July until 29 August 2020. The agreement aimed to extend the salary compensation scheme mainly to help businesses through the summer months, but it was modified slightly and made subject to additional requirements. Salary compensation over the summer months was granted only with a three-week payment break during the period for which compensation was sought. Employers were granted a corresponding right to make their employees take up to three weeks of holiday leave.<sup>20</sup>

While the salary compensation scheme was considered an overall success, there was agreement among the labour market parties, the political parties and economic experts that a phase-out would be necessary in order to forestall more long-term detrimental effects to the Danish economy, and the tripartite agreement of 5 June 2020 expressly stated that it would be phased out by 29 August 2020. This was confirmed in the cross-party agreement of 28 August 2020 and the tripartite agreement of 31 August.<sup>21</sup> The scheme was granted an extension only for businesses affected by a con-

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16 [Trepartsaftalen om midlertidig lønkompensationsordning til arbejdsgivere omfatter lærlinge og elever](#) of 14 March 2020.

17 [Lov 2020-03-24 nr. 264](#) om arbejdsgiveres og lønmodtageres retsstilling ved lønkompensation af virksomheder i forbindelse med covid-19; the salary compensation scheme is regulated further in the decrees [BKG 2020-03-25 nr. 267](#) and [BKG 2020-03-31 nr. 329](#). The financial basis of the scheme is provided in [Aktstykke nr. 108 \(FT 2019-20\)](#) of 17 March 2020.

18 All figures have been rounded to the closest full amount. The exchange rate used is that of 21 May 2020.

19 See footnote 2.

20 [Lov 2020-06-26 nr. 958](#) om varsling af ferie i den forlængede lønkompenationsperiode.

21 See footnotes 8 and 9.

tinued mandatory closure taken as part of measures to restrict the spread of the virus. However, the original generalised compensation scheme was reintroduced based on a collective agreement of 10 December 2020, when increased infection rates made comprehensive restrictions necessary.<sup>22</sup> The reintroduced scheme was virtually the same as the original scheme, and it was in place for the duration of the new restrictions being in place. Alongside the regular schemes, a series of targeted schemes were in operation for various periods throughout the pandemic for sectors particularly severely affected by closures, such as the tourism and nightlife sectors and businesses affected by closures during the Christmas period.<sup>23</sup>

### b) Work Reduction

In addition to the salary compensation scheme, the government made the existing regulations on ‘work reduction’ (*hjemsendelse på grund af arbejdsfordeling*) more flexible in March 2020. ‘Work reduction’ means that an employee is exempt from work for at least an average of two days per week and their salary reduced accordingly. This allows employers to divide work among all employees, rather than making individuals redundant in times of limited need. The basis for work reduction can be either a sector-wide agreement or a collective agreement reached within a company. In the case of work reduction, an employee is entitled to supplementary unemployment benefits (*supplerende dagpenge*) for the lost hours, provided they are a member of an unemployment insurance fund (*a-kasse*). In the absence of membership in an unemployment insurance fund, an individual may be entitled to social assistance (*kontanthjælp*). The daily rate for supplementary unemployment benefits is identical to the standard rate for unemployment, which at present amounts to around 90% of the previous salary up to a maximum of DKK 19,083 per month (approx. EUR 2,559). In the case of work reduction, the maximum rate is reduced by the number of hours spent in work. Supplementary unemployment benefits are paid for a maximum of 30 weeks within any 140-week period. Around 70% of the Danish work force are members of an unemployment insurance fund.<sup>24</sup> In order

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22 [Trepartsaftale om forlængelse af midlertidig arbejdsfordelingsordning og lønkom-pensation](#) of 10 December 2020.

23 Ibid.

24 [Arbejdskraftundersøgelsen](#), First Quarter 2019; Danmarks Statistik; [A-kassernes afregning af medlemsbidrag](#), 1. Januar 2019, Styrelsen for Arbejdsmarked og Rekruttering.



to prevent layoffs, the Danish authorities eased the notification requirements for work reduction in March 2020, with any requirements for advance notification to the authorities that an employer is planning to implement work reduction removed entirely.<sup>25</sup>

Given the phasing-out of the salary compensation scheme on 29 August 2020, the regulations on work reduction were supplemented by a new scheme in an attempt to prevent redundancies. In a tripartite agreement of 31 August 2020, the government and the labour market parties agreed that new, temporary provisions on work reduction should be enacted by law, which would operate alongside the existing tools for work reduction.<sup>26</sup> The scheme involves a modification of existing mechanisms of work reduction, including an increase in the supplemental unemployment benefit level to up to DKK 143.50 per hour (the equivalent of DKK 23,000 in case of full-time unemployment, roughly a 20% increase from the regular rate).<sup>27</sup> Participation in this scheme does not eat into an individual's maximum eligibility period for unemployment benefits. In addition, and this is the most central aspect of the temporary scheme, individuals who are not members of an unemployment insurance fund can become eligible for supplementary unemployment benefits. Under the temporary scheme, they are allowed to become members of an unemployment insurance fund and claim supplementary benefits immediately, provided they pay triple the membership fee per month. Employees gaining eligibility to unemployment benefits through the special provisions in this scheme will not be entitled to regular unemployment benefits after the scheme runs out. The scheme applies to the entire private sector, both those parts governed by collective agreements and those without. Unlike under the regular rules concerning work reduction, the employee is granted fewer rights. If he or she refuses to participate in the work reduction scheme, they can be made redundant. The temporary legal measures were deemed a success in cushioning the repeated challenges of phasing out the more generous salary compensation schemes once restrictions ended, and were extended

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25 See the [press release](#) of the Ministry of Employment of 12 March 2020.

26 [Lov 2020-09-11 nr. 1336](#) om adgang til iværksættelse af midlertidig arbejdsfordeling som led i håndteringen af covid-19; [lov 2020-09-11 nr. 1337](#) om ændring af lov om arbejdsløshedsforsikring m.v., lov om sygedagpenge og barselsloven.

27 In addition, employers have to contribute the equivalent of 3 G-dage to the scheme per month per employee; on G-dage, see below, section 1. c).

several times, most recently until 31 March 2022.<sup>28</sup> The scheme as a whole reduces state spending, while providing new instruments for employers to prevent redundancies.

### c) Additional Measures

On 26 March, the Danish Parliament passed a law that suspended the employer's obligation to pay unemployment benefits to employees covered by unemployment insurance during the first two days of work reduction (so called *G-dage*).<sup>29</sup> The amended provisions on *G-dage* were in force from 27 March 2020 until 31 August 2020 and reintroduced in January 2021 for the period from 19 January 2021 until 28 February 2021.<sup>30</sup> The provisions did not apply in the case of a dismissal. In this case, the employer remained obliged to pay unemployment benefits during the first two days of unemployment. The amended rules on the *G-dage* were introduced mainly to ease the implementation of work reduction so as to prevent redundancies by limiting the financial burden on employers when instating such schemes.

In conjunction with the above measures, training opportunities were expanded for individuals out of work or on reduced working hours. The service, tourism, hotel and catering sectors have been particularly hard hit by the corona crisis. In order to prevent redundancies in these industries, the trade union *3F*, the employer's association *Horesta* and the Ministry of Employment in March 2020 developed a 30-day online training course that employees can complete while there was no work for them to do during closures (while still receiving full pay). Upon successful completion of the course, the state and the trade unions reimbursed 100% of salaries to the employers.<sup>31</sup> Training opportunities were subsequently expanded significantly. By way of the tripartite agreement of 30 August 2020, opportuni-

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28 [Lov 2021-12-21 nr. 2529](#) om ændring af lov om adgang til iværksættelse af midlertidig arbejdsfordeling som led i håndteringen af covid-19 og lov om arbejdsløshedsforsikring m.v.

29 [Lov 2020-06-26 nr. 960](#) om ændring af lov om arbejdsløshedsforsikring m.v. og lov om sygedagpenge; [Lov 2020-04-22 nr. 473](#) om ændring af lov om aktiv socialpolitik, lov om arbejdsløshedsforsikring m.v. og lov om sygedagpenge; [Lov 2020-03-26 nr. 274](#) om ændring af lov om arbejdsløshedsforsikring m.v. og lov om arbejdsgiveres og lønmodtageres retsstilling ved lønkompenstation af virksomheder i forbindelse med covid-19.

30 [Lov 2021-01-19 nr. 58](#) om ændring af lov om arbejdsløshedsforsikring m.v.

31 [Press release](#) of the Ministry of Employment of 22 March 2020.

ties for staff training during periods of work reduction were introduced, both for the regular work reduction model and the temporary scheme. Additional training schemes have been introduced for the unemployed, see below (4).

In an additional effort to ease the financial burden of the crisis on employers and prevent redundancies, the rules concerning statutory sick pay have been adapted to the distinct situation brought about by the coronavirus. Usually, an employer is obliged to pay either salary or sick pay for the first 30 days of an employee's absence due to sickness, before they can claim a refund from the municipality. Under the amended rules, which were in place until 1 July 2021 in the first instance<sup>32</sup> and reintroduced during the height of the 2021/22 winter wave<sup>33</sup>, an employer can claim a refund from the municipality already from the first day of an employee's absence, if the absence is the result of a COVID-19 infection or a publicly mandated quarantine, which makes the performance of work duties impossible.<sup>34</sup> The provisions support employers financially, thereby ensuring that they do not exert economic pressure on employees for turning up to work when there is a possible infection risk to others. In addition, employees at risk of a severe COVID-19 infection were eligible also for sick pay.

A novel measure introduced in September 2020 on the basis of an additional tripartite agreement reached on 10 September<sup>35</sup> concerned the granting of state-funded parental leave benefits to both employees and the self-employed when they are forced to take time out of work to look after a child infected with COVID-19, or when the school, kindergarten or other childcare facility that their child attends has had to shut due to a COVID-19 outbreak. The law granted up to ten days of parental leave benefits per child under the age of 14. The law expressly stated that a parent is not entitled to the benefit if they can carry out their work from home, and that the scheme is subsidiary to other social benefits, including regular child sick pay.

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32 [Lov 2021-03-27 nr. 527](#) om ændring af lov om sygedagpenge og barselsloven.

33 Ibid.

34 [Lov 2020-03-17 nr. 212](#) om ændring af lov om sygedagpenge.

35 [Trepartsaftale om midlertidig ordning med barselsdagpenge til forældre med hjemsendte børn som følge af covid-19](#) of 10 September 2020.

### 3. Supporting the Economy

The measures adopted by the Danish government and the parties of the *Folketing* that seek to support the overall economy can be subdivided into three categories: a. access to loans and innovation support; b. public compensation and c. deferral of tax and social contribution payments.

#### a) Access to Loans

As early as 11 March 2020, the Danish government announced that it would release the countercyclical capital buffer established in the wake of the global financial crisis of 2008. This was to ensure that banks would remain in a position to issue loans. On 12 March 2020, the Danish government announced that it would guarantee loans by up to 70% between 1 March 2020 and 30 September, provided that they had been taken in order to compensate for revenue losses of more than 30% caused by the crisis.<sup>36</sup> The details of the loan guarantee scheme were subsequently set out in a ministerial decree.<sup>37</sup>

The cross-party agreement of 18 April 2020 also established a scheme which allowed small and medium-sized businesses, which on 2 March 2020 had already paid to the authorities their value-added tax for the second half of 2019 (small businesses) or the fourth quarter of 2019 (medium-sized businesses), to have the payments returned as an interest-free loan. A corresponding mechanism was subsequently introduced for businesses that pay payroll tax rather than VAT. Under a law passed on 5 May 2020, such businesses can receive any payments made in the first quarter of 2020 as an interest-free loan.<sup>38</sup> A new corresponding loan scheme was introduced for value added tax, payroll tax and AM paid during the

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36 See the [information sheet](#) of 12 March 2020 on the website of the Ministry of Economic Affairs.

37 [Bekendtgørelse 2020-04-06 nr. 384](#) om ændring af bekendtgørelse om garantiordning for udlån til store virksomheder; [Bekendtgørelse 2020-03-26 nr. 276](#) om garantiordning for udlån til store virksomheder.

38 [Lov 2020-05-05 nr. 572](#) om rentefrie lån svarende til angivet moms og lønsumsafgift og fremrykket udbetaling af skatte kreditter m.v. i forbindelse med covid-19.

remainder of 2020 and in 2021, with repayment deadlines extended several times and now reaching into 2023.<sup>39</sup>

In order to keep the private credit insurance market afloat (in particular with a view to the exports market), the parties to the agreement of 18 April 2020 decided that the Danish State would assume part of the risk of private credit insurers in return for an obligation on the part of credit insurers to maintain a certain level of market activity in Denmark. In addition, loan guarantees by the state were increased to 80%. In addition, a temporary state fund was created that was intended to be able to act as an “investor of last resort”.

### *b) Public Compensation*

On 25 March 2020, the Danish government announced the introduction of a compensation scheme for fixed costs. The compensation scheme was a result of the cross-party agreement reached on 19 March 2020. Under the scheme, businesses that due to the crisis faced a decrease in turnover of at least 30% (originally 40%, but subsequently reduced to 35% and then 30%), or which were forced to shut as a result of public measures to contain the COVID-19 pandemic, could apply to have a certain percentage of their fixed expenditure compensated, depending on the decrease in turnover. The rate of compensation was up to 90% of expected revenue losses. The fixed costs included rent, interest rates and leasing costs (but not wages, taxes and social contributions). The maximum compensation that could be issued under this scheme was DKK 110 million (ca. EUR 15 million) per company (increased from DKK 60 million by way of the agreement of 18 April 2020). The compensation scheme was regulated in a ministerial decree.<sup>40</sup> Businesses that were *forced* to shut entirely due to the restrictions could receive 100% of fixed costs in compensation. The period

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- 39 [Lov 2021-05-04 nr. 779](#) om ændring af lov om rentefrie lån svarende til indberettet A-skat og arbejdsmarkedsbidrag i forbindelse med covid-19, lov om rentefrie lån svarende til angivet moms og lønsumsafgift og fremrykket udbetaling af skatte kreditter m.v. i forbindelse med covid-19 og lov om midlertidig udskydelse af angivelses- og betalingsfrister m.v. på skatteområdet i forbindelse med covid-19.
- 40 [Bekendtgørelse 20-05-05 nr. 574](#) om compensation for faste omkostninger til virksomheder i økonomisk krise som følge af COVID-19, earlier: [Bekendtgørelse 2020-04-08 nr. 398](#) om ændring af bekendtgørelse om midlertidig kompensationsordning for virksomheders faste omkostninger; [Bekendtgørelse 2020-04-02 nr. 350](#) om midlertidig kompensationsordning for virksomheders faste omkostninger.

for which compensation could be sought was originally from 9 March until 8 August 2020, but the scheme has been reintroduced and extended several times in slightly modified versions since then. In addition, several targeted compensation schemes for specific businesses and specific seasons were introduced, including for businesses and self-employed individuals in the tourism and nightlife sectors and those affected by closures over the Christmas period.<sup>41</sup> Over time, the compensation schemes were in part simplified in terms of the documentation requirements (*kompensation 'light'*), and a more simplified model concerning the compensation percentages was introduced.

On the basis of the cross-party agreement of 19 March 2020, the Danish government introduced a compensation scheme for the self-employed that was modelled on the salary compensation scheme for private businesses. In accordance with a ministerial decree issued on 1 April 2020, predicted revenue losses of self-employed individuals could be compensated if they were a result of the COVID-19 crisis and amounted to at least 30%. The scheme was only meant to compensate for the loss of personal income of the self-employed, not the loss of overall company turnover. The period for which compensation could be sought was initially from 9 March until 8 July 2020.<sup>42</sup> The rate of compensation was 90% of the predicted revenue loss (originally 75%, but subsequently increased), up to a monthly maximum of DKK 23,000 (EUR 3,085) per applicant. It was a condition for receiving compensation under this scheme that the applicant's annual income did not exceed DKK 800,000 (EUR 107,294) in 2020. The scheme extended to all self-employed whose companies – regardless of their legal form – had been registered in the Danish Central Business Register (*Det Centrale Virksomhedsregister* = CVR) by 9 March 2020 at the latest. To be eligible, companies could not have more than 25 employees (increased from 10 employees by way of the cross-party agreement of 18 April 2020), and the applicant had to both work in the company and own a minimum of 25% of the company. It was possible for more than one application to be filed per company. Under specific circumstances, the scheme also applied to individuals not registered in the Central Business Register, such as freelancers. In this case, the monthly average income prior to the crisis had to have amounted to at least DKK 10,000 (EUR 1,341). For their employees, the

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41 [Aftale mellem regeringen \(Socialdemokratiet\), Venstre, Radikale Venstre, Socialistisk Folkeparti, Enhedslisten, Konservative og Alternativet om tillæg til aftale om genåbning af generelle kompensationsordninger](#) of 16 December 2020.

42 [Bekendtgørelse 2020-04-01 nr. 332](#) om en midlertidig kompensationsordning for selvstændige mv. i økonomisk krise som følge af Covid-19.

self-employed could seek salary compensation via the salary compensation scheme discussed above, 1. Special compensation schemes were subsequently introduced in April 2020 to cater for the distinct problems arising for self-employed individuals and freelancers with mixed income sources including artists. As was the case with the salary compensation scheme, the compensation schemes for the self-employed were extended, but slightly modified for the period after 9 July 2020. The compensation scheme for the self-employed was extended until 8 August 2020, in the first instance, and then extended once more until 31 August 2020. For the summer scheme, the maximum compensation rate was increased to 100% for businesses affected by publicly mandated closures, but with the cap of DKK 23,000 (EUR 3,085) remaining in place. As was the case for other compensation schemes, the scheme remained in place for those facing continued restrictions, but phased out otherwise. However, the generalised scheme was reintroduced with slightly modified form during the winter waves of 2020/21 and 2021/22 during times in which more widespread restrictions were in place. In addition, special compensation schemes with an increased compensation rate were introduced over the course of the pandemic for self-employed individuals and freelancers whose main income is usually generated in the summer or Christmas seasons.<sup>43</sup>

The right to sick pay for the self-employed was also expanded, so as to grant the self-employed similar relief to that offered to employers. Pursuant to a law passed on 17 March 2020, the self-employed could receive sick pay during the first two weeks of sickness, if they are unable to perform their work due to a COVID-19 infection. Usually, a self-employed individual can only apply for sick pay after two weeks of sickness. Self-employed individuals who cannot carry out their work due to a quarantine mandated by the health authorities have a right to sick pay for the entire period in which they are unable to perform their work due to the quarantine.<sup>44</sup> The self-employed can also receive parental benefits in case of a school closure or a COVID-19 infection of their child.<sup>45</sup>

Under a further compensations scheme, financial losses could be compensated for events with more than 350 participants, which would have been held in Denmark between 6 March and 30 September 2021 (*arrangørordningen*), and which had to be cancelled due to public measures

43 [Bekendtgørelse 2020-07-14 nr. 1168](#) om en midlertidig kompensationsordning for sæsonafhængige selvstændige mv. i økonomisk krise som følge af COVID-19.

44 § 43, [Lov 2020-03-17 nr. 212](#) om ændring af lov om sygedagpenge; [Lov 2021-12-14 nr. 2380](#) om ændring af lov om sygedagpenge og barselsloven.

45 [Lov 2020-09-29 nr. 1427](#) om ændring af barselsloven.

to contain the virus.<sup>46</sup> In addition, from August 2020 onwards, a series of new, highly targeted compensation schemes was introduced. The backdrop to the new measures was a nationwide 10 p.m. curfew for restaurants and bars, as well as a limitation on public and private gatherings to 50 people. On the basis of a cross-party political agreement of 20 September 2020, the compensation scheme for fixed costs was modified for businesses in the hospitality and culture sectors for the lost profits incurred due to the 10 p.m. curfew. The amended scheme was backdated to 19 August 2020, when the first local curfews were imposed. An additional compensation scheme was agreed by the political parties on 13 October for caterers for private functions which had to be cancelled due to the new restrictions.<sup>47</sup> In addition, the political parties agreed that compensation would be made available for losses incurred due to the purchase of perishable foods for consumption on 26 and 27 September, the two days immediately following the introduction of new additional restrictions. These types of specialised schemes were reintroduced throughout the pandemic depending on the restrictions introduced. It emerged, however, that these targeted schemes did not always cover all of those affected by the new restrictions, and for example sub-contractors often fell outside their scope.<sup>48</sup>

The public compensation schemes introduced since March 2020 need to be seen in relation to the laws on public compensation in existence prior to the COVID-19 pandemic. On 20 March 2020, the Danish legislator repealed § 27 of the Epidemic Act (*Epidemiloven*), which contained a comprehensive right to public compensation for economic losses incurred as a result of public measures to contain an epidemic. The legislator repealed the provision based on the argument that it was impossible to determine its economic consequences for the state budget in light of the COVID-19 pandemic.<sup>49</sup> The specific compensation schemes introduced since March 2020 must therefore be seen as a partial replacement of § 27 of the Epidemic Act. However, the new measures may also be better suited to address

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46 Initially, the minimum number of participants was 1000 (500, if the target group was particularly vulnerable in regard to Covid-19). The minimum number of participants was subsequently reduced as a result of the cross-party agreement of 18 April 2020; [Bekendtgørelse 2020-03-18 nr. 233](#) om kompensation for tab ved aflysning af større arrangementer som følge af COVID-19-afværgeforanstaltninger.

47 [Aftale om yderligere kompensation til særligt hårdt ramte virksomheder mv](#) of 13 October 2020.

48 [Rapport](#) fra arbejdsgruppen Principper for hjælpepakker ved nye epidemier, p. 111.

49 § 27, [Lov 2020-03-17 nr. 208](#).



swiftly and in a targeted way the economic challenges of the current situation, without draining the state's finances or damaging the economy in the long run.

The pandemic response since March 2020 has gone from including only very generalised measures for the economy as a whole, to a combination of very targeted schemes concerning losses in specific sectors, on specific days or in specific contexts, in addition to the reintroduction of the generalised schemes for limited periods only. This is in line with the overall political aim of avoiding the 'status quo bias' of compensation schemes, in order to maintain a certain element of dynamism and adaptability within the labour market, and thereby to limit long-term damage to the economy.

### *c) Deferral of Tax and Social Contribution Payments*

In March 2020, the Danish government and parties represented in the *Folketing* reached an agreement concerning the deferral of a number of public payment deadlines. The deferrals aim to safeguard the liquidity of businesses during the crisis. By way of a laws passed in March and June 2020, the public payment deadlines for income tax and value added tax as well as the so-called labour market contribution were extended.<sup>50</sup> A law passed on 30 April 2020 introduced a similar extension for payroll tax payments.<sup>51</sup> A corresponding law was adopted for the 2021 payment deadlines.<sup>52</sup>

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50 [Lov 2020-03-17 nr. 211](#) om midlertidig udskydelse af betalingsfrister for indeholdt A-skat og arbejdsmarkedsbidrag, B-skat og foreløbigt arbejdsmarkedsbidrag samt midlertidig udskydelse af angivelses- og betalingsfrister og forlængelse af afgiftsperioder for moms m.v.

51 [Lov 2020-05-05 nr. 572](#) om rentefrie lån svarende til angivet moms og lønsumsafgift og fremrykket udbetaling af skatte kreditter m.v. i forbindelse med covid-19.

52 [Lov 2021-02-23 nr. 248](#) om ændring af lov om midlertidig udskydelse af angivelses- og betalingsfrister m.v. på skatteområdet i forbindelse med covid-19, lov om rentefrie lån svarende til indberettet A-skat og arbejdsmarkedsbidrag i forbindelse med covid-19 og lov om rentefrie lån svarende til angivet moms og lønsumsafgift og fremrykket udbetaling af skatte kreditter m.v. i forbindelse med covid-19.

#### 4. Social Protection

In order to prevent social hardship during the crisis, the Danish government and the parties of the *Folketing* agreed on 19 March 2020 to extend the maximum payment periods for unemployment benefits and sick pay, as well as to introduce new higher education loans for students. The necessity for other adaptations within social security legislation was only identified later, and specific rules on social assistance and the ‘pensioners premium’ were adapted to the distinct situation of the COVID-19 pandemic in March and April 2020 respectively. The unemployment insurance system has played a significant role in connection with the phase-out of the major public compensation schemes, and has therefore been subjected to a series of modifications over the course of the pandemic. In addition, special training opportunities have been introduced for the unemployed.

Unemployment insurance is voluntary in Denmark (‘Ghent System’) and is administered via a state-subsidised system of unemployment insurance funds (*a-kasser*) that are closely aligned with the country’s trade unions. Crucially, and in contrast to many unemployment schemes across the world, the Danish unemployment system is available to the self-employed, freelancers and so-called hybrid workers with mixed income sources (*kombinatorer*). The new system was introduced in 2017 and in contrast to the pre-existing system also allows mixed income sources to serve as the basis for calculating benefits. For a self-employed individual to claim unemployment benefits, they usually have to have abandoned their business altogether, with a temporary laying down of business activity insufficient.<sup>53</sup> Unemployment benefits are usually granted for a period of up to 24 months and are paid by the unemployment insurance funds.<sup>54</sup> In light of the current crisis, this period was initially extended by three months on the basis of the cross-party agreement of 19 March 2020.<sup>55</sup> Following the cross-party agreement of 18 April 2020, an extension of this period by a further month was agreed, bringing the exempted period up to 30 June 2020.<sup>56</sup> The period was subsequently extended once more, until 31

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53 § 53, [Lov vom arbejdsløshedsforsikring](#).

54 § 55, *ibid*.

55 Lov 2020-03-26 nr. 274, see footnote 29.

56 [Lov 2020-04-22 nr. 473](#) om ændring af lov om aktiv socialpolitik, lov om arbejdsløshedsforsikring m.v. og lov om sygedagpenge.

August 2020.<sup>57</sup> It was reintroduced for the period from 1 January until 30 June 2021.<sup>58</sup>

In connection with the phasing out of the public compensation schemes for the self-employed, the government's economic advisory committee recommended utilizing the unemployment insurance system to prevent potential hardships. The membership rates for the self-employed before the crisis stood at only around 50%, compared to around 70% for employees, meaning that this group would be particularly exposed to social hardship. The self-employed were therefore given an opportunity to opt into an unemployment insurance fund without having to fulfil the usual requirement of a 12-month membership period before unemployment benefits can be claimed. Under temporary legal provisions, self-employed individuals were temporarily able to join an unemployment insurance fund and claim benefits immediately, provided they paid 12 months of membership fees retrospectively, and committed to remaining members for another 12 months.<sup>59</sup>

In a further important move by the legislator, the conditions for the self-employed to be able to claim benefits were amended for those businesses affected by a closure due to COVID-19-related measures: if the business of a self-employed person was otherwise viable, a self-employed individual was able to claim unemployment benefits even without the usual requirement of *permanently* shutting down the business. A temporary closure thus suffices, making it easier to claim unemployment benefits for a short duration of time.

The amendments to the existing unemployment insurance system in conjunction with the repeated phase-out of the generalised schemes reflect a general policy aim of returning to traditional means of social policy and labour market interventions. The government's economic advisory group, which first recommended the measures in May 2020, had pointed out that there was no experience with the novel measures adopted at the early stages of the pandemic, and that the potential detrimental effects of these measures had to be limited and the 'status quo bias' of the initial crisis

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57 Lov 2020-06-26 nr. 960 om ændring af lov om arbejdsløshedsforsikring m.v. og lov om sygedagpenge.

58 Lov 2021-01-19 nr. 57 om ændring af lov om arbejdsløshedsforsikring m.v. og lov om sygedagpenge; Lov 2021-03-20 nr. 467 om ændring af lov om arbejdsløshedsforsikring m.v., lov om sygedagpenge, lov om aktiv socialpolitik og lov om en aktiv beskæftigelsesindsats.

59 Lov 2021-06-29 nr. 1438 om ændring af lov om arbejdsløshedsforsikring m.v., lov om sygedagpenge og barselsloven.

measures removed. It also pointed out that redundancies were inevitable in the current crisis, and that they should not be avoided at all cost.

A further measure introduced in June 2020 concerns job training schemes for unskilled unemployed individuals.<sup>60</sup> For unskilled workers and skilled workers with outdated job training over the age of 30, a special scheme was adopted that grants an increased unemployment benefit level amounting to 110% of the regular sum.<sup>61</sup> The scheme grants the increased benefit rate for such types of job training for which the authorities estimate that there will be a societal demand following the crisis. While undergoing job training as part of this scheme, an individual is exempt from the usual requirements to be actively jobseeking and to participate in activation measures. This training scheme is an expansion of job training schemes initiated before the crisis, adapted to the distinct needs of the post-crisis economy. The government has issued a list of eligible jobs and the scheme will remain in place for individuals beginning job training in eligible jobs by the end of 2022.<sup>62</sup>

On the basis of the cross-party agreement of 19 March 2020, a law passed on 26 March 2020 extended the right to sick pay (*sygedagpenge*) by three months (1 March 2020 until 31 May 2020). By way of the subsequent cross-party agreements of 18 April 2020 and 15 June, this period was extended by one more month until 31 August 2020. A corresponding amendment law was passed on 22 April 2020.<sup>63</sup> A further three-month extension was granted to those whose sick pay expired between 1 November 2020 and 1 November 2021.<sup>64</sup> Sick pay is usually granted for a maximum period of 22 weeks, before the municipality conducts a work capacity assessment. The current rate for sick pay is a maximum of DKK 4,405 (EUR 591) per week. The extension of the period of eligibility to sick pay aims mainly to prevent recipients from having to undergo a work fitness evaluation during the time of lockdown.

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60 *Aftale om ekstraordinært løft af ledige* of 17 June 2020.

61 *Lov 2020-06-30 nr. 1051* om ændring af lov om en aktiv beskæftigelsesindsats og lov om arbejdsløshedsforsikring m.v.

62 *Lov 2021-06-11 nr. 1238* om ændring af lov om en aktiv beskæftigelsesindsats og lov om arbejdsløshedsforsikring m.v.

63 *Lov 2020-04-22 nr. 473* om ændring af lov om aktiv socialpolitik, lov om arbejdsløshedsforsikring m.v. og lov om sygedagpenge; *Lov 2020-03-26 nr. 275* om ændring af lov om sygedagpenge.

64 *Lov 2020-11-19 nr. 1642* om ændring af lov om arbejdsløshedsforsikring m.v., lov om sygedagpenge, lov om aktiv socialpolitik og lov om seniorjob.

An additional amendment to the rules on sick pay grants sick pay to individuals who are at risk of complications from COVID-19. The basis for this measure was the cross-party agreement of 18 April 2020, in which it was agreed that DKK 200 million would be set aside for employees especially at risk of complications from COVID-19, and initial measures were put into place in May 2020.<sup>65</sup> Following an extension in August, the scheme remained in place until 31 December 2020. The law grants sick pay to individuals at heightened risk for complications related to COVID-19, as well as close relatives of such individuals. Sick pay under this provision requires an individual medical assessment, meaning that it does not apply in general to what may be termed ‘risk groups’.

A further component of the agreement of 19 March 2020 entailed the creation of improved loan opportunities for students within the framework of the state ‘Students’ Grants and Loans Scheme’ SU (*statens uddannelsesstøtte*). The main reason for this extension was that many students faced the loss of their work income through side jobs. A law passed on 31 March 2020 contains a provision that allows students to apply for an additional student loan, provided that they are already recipients of SU. This applies to the vast majority of students in Denmark, meaning that almost all students are eligible for the additional loan. The additional student loan period was initially limited to March and April 2020. However, the relevant amendment law of 31 March 2020 granted the responsible Ministry the authority to extend the period for which an additional loan may be granted. The Ministry has already made use of this provision twice and extended the period by a total of four months to include May, June, July and August 2020.<sup>66</sup> The law on extended loans for students expired on 1 March 2021.<sup>67</sup> In addition, the legislator adopted provisional legislation to the effect that individuals who were in education but had exceeded the income thresholds in 2020 and 2021 because they had served in a medical or public capacity as part of the corona response would not face repayment claims.<sup>68</sup>

On 6 April 2020, the Danish Parliament decided to suspend the ‘225-hour rule’ for recipients of social assistance (*køntanthjælp*) for a period of three months beginning on 9 March 2020.<sup>69</sup> The 225-hour rule entails

65 Lov 2020-05-20 nr. 657 om ændring af lov om sygedagpenge.

66 Bekendtgørelse 2020-04-28 nr. 544 om udvidede muligheder for studielån som følge af covid-19.

67 Lov 2020-03-31 nr. 328 om ændring af SU-love.

68 Lov 2021-02-27 nr. 293 om ændring af SU-loven.

69 Press release of the Ministry for Employment of 6 April 2020.

that recipients of social assistance need to demonstrate that they remain available to the labour market by working at least 255 hours annually. The extension was made so as to align social assistance with the extensions already granted for recipients of unemployment benefits and sick pay. Because the parties to the cross-party agreement of 18 April 2020 had in the interim decided to extend the maximum receipt periods by another month, the relevant legislation of 21 April 2020 ultimately also provided for a four-month suspension of the 225-hour rule.<sup>70</sup> In June, the period was extended once more, until 8 September 2020<sup>71</sup> and once more from 1 November 2020 until 30 June 2021.<sup>72</sup>

In the cross-party agreement of 18 April 2020, the parties also laid down that the minimum work requirement for recipients of the ‘pensioner’s premium’ would be reduced. The pensioner’s premium is a supplementary payment granted to pensioners who remain in work after their retirement. The usual requirement of 1,560 hours of work per year was reduced to 1,040 for the current year, the equivalent of a reduction of four months.

By way of the cross-party agreement of 15 June 2020, a one-off payment of DKK 1,000 was agreed to be made to individuals who had been on social benefits in April 2020. The measure was subsequently approved by Parliament and the payouts were made in September.<sup>73</sup>

In sum, many of the existing social security systems were thus provisionally amended to cater for the needs of the crisis, often in combination with special job training opportunities. The strong reliance on the unemployment insurance system during the phase-out of the major compensation schemes of March and April 2020 reflects the robustness of the Danish welfare state in stemming the consequences of the crisis for large segments of the labour market.

## 5. Conclusion

By way of established labour market mechanisms, the Danish government and the Danish labour market parties jointly and swiftly agreed on comprehensive measures to stabilise the labour market and the economy following the first shutdowns in March 2020. Joint agreements taken by the

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70 Lov 2020-04-22 nr. 473 om ændring af lov om aktiv socialpolitik, lov om arbejdsløshedsforsikring m.v. og lov om sygedagpenge.

71 Lov 2020-06-26 nr. 959 om ændring af lov om aktiv socialpolitik.

72 Lov 2021-05-12 nr. 878 om ændring af lov om aktiv socialpolitik.

73 Lov 2020-08-21 nr. 1222 om engangstilskud til modtagere af forsørgelsesydelse.

political parties of the Danish Parliament introduced support for the self-employed as well as economic stimulus measures, and led to the adaption of existing social legislation to the needs arising from the coronavirus pandemic. The measures initiated in March 2020 were subsequently amended and supplemented in order to adapt them to the changing situation and to correct initial oversights. Following the Danish government's announcement on 7 May 2020 that the initial shutdown would be brought to an end, the focus began to concern the phasing-out of the compensation schemes, and the question of how to provide targeted support for sectors of the economy that continued to face restrictions. The compensation schemes were initially replaced with more targeted ones, but the general schemes had to be reintroduced several times during the following pandemic waves.

The initial decision to phase out the schemes by late August 2020 was carried by a broad, political consensus involving trade unions and employees' associations. Following the economic expert commission's report in May 2020, there was a general agreement that these novel and highly interventionist, state-funded measures could hamper the country's economic recovery, and would therefore be of detriment to overall societal prosperity in the long run. The phasing-out of the schemes was possible primarily due to the careful adaption of the provisions on work reduction and the unemployment insurance system. This, in conjunction with the tool of 'work distribution', suggests that the pre-crisis 'flexicurity' model still formed a guiding rationale during the crisis, despite the aim to retain 'job matches'. However, the repeated phasing-in and phasing-out over the coming 18 months also highlighted how there could not be too much rigidity around following a singular approach. Denmark therefore saw a dynamic mix of reintroducing the generalised schemes from the first wave of the pandemic and introducing targeted schemes, followed by their quick phasing-out once restrictions were lifted.

In regard to individual social protection, the Danish government and the political parties of *Folketing* swiftly agreed on measures aimed at preventing social hardship. This, of course, could not avoid some individuals being hit hard by the crisis. In particular the voluntary nature of the Danish unemployment insurance system might be seen as a problem in this context. Instead of applying for salary compensation, but in order to still be able to prevent lay-offs, some sectors of the economy have relied

heavily on unpaid leave.<sup>74</sup> In this case, the employees are able to apply for benefits from an unemployment insurance fund – provided that they are a member. Without membership, they will have to apply for social assistance. In particular unpaid leave will therefore hit the weakest members of the work force the hardest, as it is often low-paid workers who decide not to join an unemployment insurance fund in order to save membership fees. But access to unemployment benefits has also become easier during the crisis, at least for some parts of the labour market, and the fact that the unemployment insurance system in principle covers all labour market participants has meant that the available safety net is comparatively broad.<sup>75</sup> In addition, training opportunities have been made available to the unemployed, often in conjunction with increased benefit rates, which will place individuals in a good position to secure employment in the post-crisis labour market.

Overall, the crisis appears to have highlighted the strengths of the Danish labour market and its welfare state. Decision-making by way of tripartite agreements has been able to forestall friction between political parties, the economy and employees. The constant dialogue has meant that specific needs could be listened to, but that the needs of the economy as a whole, both during the crisis and in future, were kept in mind. In addition, a number of measures helped to prevent fraud. This included the automatic validation against the registered previous taxed income and other information on the company. If the automatic validation procedure flagged up inconsistencies, the case was, for example, transferred to manual handling by a case worker.<sup>76</sup> In addition, the payments were dependent on transparent reporting requirements, and a whistleblower scheme was introduced.<sup>77</sup>

For individuals, the well-developed and inclusive social security systems of the country have been able to offer a safety net for most of the labour market as the compensation schemes were phased out. And by focusing on job training, the labour market parties and Danish politicians have also

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74 See for example [Organisationsaftale Mellem DI og CO-industri Vedrørende force majeure og hjemsendelse efter Industriens Overenskomst grundet COVID-19](#) of 17 March 2020.

75 It is important to note, however, that there is a minimum prior income threshold, meaning that some marginal part-time workers will not be eligible for unemployment benefits.

76 [Rapport](#) fra arbejdsgruppen Principper for hjælpepakker ved nye epidemier, p. 117.

77 Ibid.



ensured that the labour force will be in a good position to meet the challenges of the post-pandemic labour sector, in particular with regard to jobs in the digital economy. This is not to say that the schemes have been flawless, however. As in most countries, select groups have fallen between the cracks of compensation schemes, first and foremost artists and freelancers below the necessary income thresholds, and some of those self-employed persons indirectly affected by the cancellation of events who were not included by the targeted scheme (*arrangørordningen*). The introduction of new schemes and changing eligibility periods of the generalised schemes at times also made it a challenge for businesses to navigate the increasingly complex landscape of measures and to understand what compensation they were entitled to and what documentation demands were needed.<sup>78</sup>

While no structural changes can be expected in Denmark, it would be mistaken to assume that the labour market will remain the same. The Danish approach to labour market and social policy is centred around dynamism and change. In the current crisis, this means that livelihoods are protected not only in the short-term, but also in the long-term, through job training and innovation at a time when changing consumer behaviour caused by the pandemic, the digital revolution and climate change confronts workers and the labour market as a whole with new challenges. It can also be assumed that the Danish welfare state will be better prepared should a similar crisis arise. A comprehensive report has been issued on the principles of crisis measures in any future pandemic, which identified 18 key principles of labour and economy support measures. These included help to self-help, the importance of speed and transparency, an ex-post accounting to be done by those entities that received compensation, as well as the importance of the reestablishment of a well-functioning market. Based on the lessons learnt during the current pandemic, including a clearer idea of the legal principles at play, decision-makers in any comparable future crisis will hopefully be well-equipped to respond with appropriate measures.

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78 Ibid., 110.

