

**COVID-19: Labour market and Economic measures in Norway**

**- An analysis from Confederation of Vocational Unions (YS)**

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# 1. Introduction: Norway and COVID-19

Norway, with its population of 5.3 million, was among the hardest hit countries by CÒVID -19 relative to its population size, but the latest reports are more positive. Some key figures:

* Total of 6 010 persons infected with COVID-19 
* 80 deaths have been reported
* A total of 94 265 have been tested for coronavirus

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

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

The Government has announced that some of the measures, among them the closing of kindergartens and primary schools will be eased from the 20th April.

# 2. Labour markets and economic measures by the Norwegian Government

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

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

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

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

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

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

Overview of measures to mitigate effects of COVID-19 introduced by **20th March**:

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

On **Friday 27 March,** the Government put forward additional financial measures to address the consequences of the coronavirus outbreak. In this phase the Government put in place measures to help those who are currently laid off or unemployed to get back to work quickly and help to strengthen Norway’s economic activity.

Key measures in the **27th March package** is:

**Compensation scheme for unavoidable business expenses:** The scheme will provide compensation, for a period, for some of the unavoidable fixed costs of companies severely affected by infection control measures.

**Grants for young growth companies – NOK 2.5 billion:** This includes strengthening the innovation grants scheme by NOK 2 billion and the start-up grants scheme by NOK 500 million.

**Innovation loans – increased loan framework by NOK 1.6 billion, to NOK 3 billion:** Innovation loans may be used for partial financing of investment projects related to start-up, innovation, restructuring, internationalisation and development. The Government proposes that the increased amount should be directed especially towards liquidity loans.

**Interest payment support fund – NOK 300 million:** The purpose is to provide payment relief to companies hit by the crisis, through instalment deferral and deferral of interest payments on existing or new innovation loans and venture loans with a regional focus.

**Grants for private innovation groups – NOK 50 million:** This support scheme is to help these groups to maintain the services they provide to start-up and growth companies.

Business-oriented research – NOK 250 million: This increase will help to keep R&D activity up across the entire business sector, so that research projects and activities do not cease.

**Capital for fund and matching investments – NOK 1 billion:** The Government proposes to increase Investinor’s investment capital to improve access to capital for early-stage companies.

**Extended unemployment benefit period for persons dismissed from work:** Unemployed and laid-off workers who are approaching the maximum period for unemployment benefits will have their benefit period extended through to the end of June. The change will apply to both the ordinary unemployment benefit period specified in section 4-15 of the National Insurance Act and the special benefit period specified in section 4-19 for persons who have performed military service or compulsory civil defence service. Because of the extension in the rules for job seekers and laid-off workers, changes are also being made for people who receive a work assessment allowance (AAP) while looking for work.

**Extended unemployment benefit period for laid-off workers:** For laid-off workers there will be a similar extension of the unemployment benefit period as a result of temporary regulations issued by the Ministry of Labour and Social Affairs to extend the period employers are released from payroll obligations for those who were laid off prior to 1 March 2020. This means the state is to pay unemployment benefits for laid-off workers beyond the current 26-week period. As now planned, this is to apply through the end of June.

**Advance payment of unemployment benefits:** The Government is enabling NAV to pay unemployment benefits in advance. Thus, those who have lost their income will be able to get money into their account quickly, without having to wait for processing of the unemployment benefit application. This policy applies to employees entitled to benefits in the event of unemployment or layoff.

**Shorter employer period for sickness benefits:** Employers are to be reimbursed for sickness benefits paid from the fourth day onwards for sickness absence related to the coronavirus.

**Easier to report sickness without physician’s certificate:** Employees are given the right to self-report sickness for 16 days even though the employer only pays from Day 4.

**Sickness benefits for self-employed persons:** Self-employed persons may also receive sickness benefits from the National Insurance Scheme from the fourth day onwards for sickness absence due to the coronavirus. Sickness absence for the first 16 days may be certified by electronic report to NAV by the self-employed person.

**Freelancer sickness benefits:** Freelancers may also receive sickness benefits from the National Insurance Scheme from the fourth day onwards for sickness absence due to the coronavirus. Sickness absence for the first 16 days may be certified by electronic report to NAV by the freelancer.

**Lowering of value added tax reduced rate:** The reduced-rate value added tax (VAT) is further reduced from 8 per cent to 7 per cent from 1 April 2020 to 31 October 2020 for industries including tourism and certain sporting activities. These industries generally have a VAT rate of 12 per cent.

**Reduced employer contribution:** The employer’s social insurance contribution is to be reduced by 4 percentage points for one term, equivalent to two months. This proposal will be submitted in the revised budget. For zone V (the former Finnmark county and region of Nord-Troms), where the rate is zero, compensation of NOK 250 million is to be provided.

**Postponed advance tax payment for personal taxpayers:** The first instalment due date for advance tax payment is postponed for personal taxpayers from 15 March to 1 May 2020. The second instalment due date for advance tax payment is postponed for personal taxpayers from 15 May to 15 July.

**Postponed deadline for advance tax payment for non-personal taxpayers (companies):** The second instalment due date for non-personal taxpayers (companies, etc.) has been postponed from 15 April to 1 September 2020. However, electric power enterprises will not be able to postpone advance tax payment on ordinary income.

**Loan guarantee scheme for small and medium-sized companies:** As previously announced, the government has been working on a loan guarantee scheme for small and medium-sized businesses. A central government guarantee of loans issued by the banks makes it easier for businesses to obtain money and get through this crisis. The scheme is approved by the EFTA Surveillance Authority (ESA). The banks can now employ it. The Government is continuing work to expand the number of companies eligible for loans under the scheme. Such expansion will be stipulated in regulations and must also be approved by the ESA before implementation. The Government is working to have this in place next week.

**Government Bond Fund to help large enterprises:** The Government Pension Fund (Folketrygdfondet) today was granted its mandate for the Government Bond Fund and can now lend money to companies by buying interest-bearing securities. The fund is modelled on a fund established during the financial crisis, but is tailored to the challenges we now face. Previous experience has shown that this measure can contribute to a more efficient corporate bond market.

**Facilitate socially beneficial acquisitions and restructurings of listed companies:** Under current regulations, shareholders may have to pay a price which, in the present situation, is artificially high in the event of a change of control in listed companies. Today, a legal basis has been established so regulations can be issued allowing capital to be raised for listed companies without the offer price for mandatory tenders being based on prices that do not reflect the current situation.

# 3. YS` assessment of measures from the Government

YS is overall satisfied with the measures imposed by the government and has welcomed the willingness and efforts by both the Government and the Parliament to handle the current crises. However, this is a crises of such large proportion that the existence of thousands of our businesses and workplaces are being threatened overnight. YS has therefore presented some demands and recommendations for the government in the further work to limit the economic impact of the crisis. The main demands for YS:

**Measures to secure individuals affected:**

* The number of temporary layoffs connected to COVID-19 in Norway has reached more than 300,000. YS is asking for a further extension of the 20-day period with full pay during temporary layoffs. If this does not happen, the consequences of this crisis will primarily be borne by the workers, and this is not acceptable. It will also lead to a significant fall in demand, when such a large group gets its income dramatically reduced.
* As a minimum, YS requests that the authorities help ensure that all laid-off workers receive pay compensation for the increase in the use of 2 days' notice before layoffs.
* The number of days of care benefits for workers staying home and taking care of children should be extended corresponding to the period when the health authorities keep schools and kindergartens closed.
* Employees who are refused employment because of local Covid-19-regulations must be paid compensation.
* Mortgage loan guarantee: Not only businesses, but also individuals may need loan guarantees these days. Norwegian households has in general high mortgages. We ask the Government to deliver state guarantees for existing mortgages to ensure that everyone who needs it only pay interests on their mortgage. This can prevent the crisis from growing into a housing market and a mortgage crisis.
* Apprentices who are laid off during this period must regain the time they have lost by extending the agreement for apprenticeship time by the same time as the leave period.

**Measures to ensure liquidity to the business community:**

* Companies with a direct prohibition on activities due to Covid-19 should receive fixed costs compensated during the period under which the prohibition applies.
* Consideration should be given to (application-based) grant schemes for industriens that is hard-hit by the Covid-19 measures.
* The government has introduced a loan guarantee scheme for small and medium-sized businesses where the state guarantees 90 percent of the loans under the scheme. The scheme applies to loans up to NOK 50 million per company and with a maximum term of 3 years. It makes sense that the maturity is not very long. This ensures that the loans go to companies that are viable. However, we must keep in mind that in some industries - tourism, for example - the downtime is likely to be prolonged, and may not be over until a vaccine against Covid19 is developed and mass produced. In this industry, there are many companies that would have been profitable without the crisis, but the long downtime means that the maturity of three years may be too short to ensure survival. YS therefore ask the government to consider even longer maturities for the most vulnerable industries and supplementing with other types of liquidity measures.
* Conditions for getting emergency help: When the community and employees help save businesses, business owners must do the same. We demand that businesses that receive public assistance do not pay dividends and bonuses in 2020.
* YS demands that the authorities set aside new funding for training and education for employees in industries that are now laying off. The authorities should quickly engage in dialogue with relevant employee and employer organizations on this issue.

# 4. The negotiations on collective agreements temporary stopped

On the 10th of March Fellesforbundet, the largest private sector union, and the employers's association Norsk Industri started the negotiations in the metal sector. The negotiation results in this sector set the pace for the collective bargaining in all other sectors in the economy (the Front Runner Model) .

On the 13th of March Fellesforbundet and Norsk Industri agreed to stop the negotiations due to the current situation caused by the Corvid-19 outbreak. All existing and current collective agreements are prolonged until the 21st of August. The negotiations under the given mandate will start up again on the 3rd of August, if no other decision is taken.

# 5. Short information on YS

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

Read more about YS at our website: [www.ys.no](http://www.ys.no).

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