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Nordic welfare states—still standing or changed by the COVID-19 crisis?

Bent Greve[1] | Paula Blomquist[2] | Bjørn Hvinden[3] | Minna van Gerven[4]

[1]Department of Social Sciences and Business, University of Roskilde, Roskilde, Denmark

[2]Department of Government, Uppsala University, Uppsala, Sweden

[3]NOVA Norwegian Social Research, Oslo Metropolitan University, Oslo, Norway

[4]Department of Social and Public Policy, University of Helsinki, Helsinki, Finland

Correspondence

Bent Greve, Department of Social Sciences and Business, University of Roskilde, Roskilde, Denmark.

Email: bgr@ruc.dk

Abstract

Nordic welfare states are known for their universalistic and all-encompassing approach to welfare and having a long tradition for active labour market policy as tool in economic crises with adverse impact on employment. They have had a long tradition for strong egalitarian approaches and their residents are consistently among the happiest in the world. A key issue is whether a crisis like the COVID-19 outbreak is changing the Nordic welfare states. This article focuses on providing a description of what instruments the Nordic countries have taken or expect to use as part of dealing with the welfare challenges resulting from rising unemployment and greater social and economic insecurity in the wake of the crisis. The tentative conclusion is that the crisis so far has strengthened key characteristics of the Nordic welfare states by the state taking on a strong central role not only for the functioning of the market but also continued in a path-dependent way with universal and relatively generous benefits such as for those who become unemployed or have reduced income because of the crisis.

KEYWORDS

equality, Keynesian demand management, Nordic welfare states, social and labour market policy, universality

1 | INTRODUCTION

We are grateful for the invitation to contribute to this special issue of *Social Policy & Administration* about early social policy responses to the COVID-19 pandemic around the globe. Based on our joint knowledge from four of the

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Nordic welfare states (Denmark, Finland, Norway and Sweden), we aim to answer the question: How have the Nordic welfare states responded to the welfare challenges in the wake of the COVID-19 pandemic and what have been the main similarities and differences among them when tackling this crisis? Our focus is not on the efforts to prevent the spread of the virus, but the welfare responses to the new social and economic insecurities resulting from its effect on the economy. The aim is, in a preliminary way, to show how the pandemic outbreak in 2020 influenced the Nordic universal welfare states.

Esping-Andersen's typology of 'welfare regimes' (Esping-Andersen, 1990) has dominated much of the comparative research on welfare states. Following his typology, scholars have historically characterised the Nordic welfare states as 'social democratic': comprehensive, with generous welfare transfers and social services (like health and care for children and the elderly), promoting a high degree of economic and gender equality, and an active labour market policy to generate a high degree of labour market participation as well as re-entering the labour market in case of unemployment (Arts & Gelissen, 2002; Blum, Kuhlmann, & Schubert, 2020; Greve, 2016; Kangas & Kvist, 2019). These welfare states are high spenders and redistribute market incomes considerably through tax and fiscal policies, including generous old age pension benefits (Morel, Palier, & Palme, 2012). While this characterisation has been called into question starting in the 1980, as these countries historical success in achieving low social inequality and insulation of individual life-chances from market commodification may have lagged (Aaberge et al., 2018). Nevertheless, relative to most other advanced industrial democracies, social conditions in these four countries remain quite egalitarian, so grouping these countries together is a useful starting point for analysing variations and similarities within the Nordic countries in response to the crisis.

Given that the attempt is to describe and analyse the development of very recent policy changes, this article will less rely on comparative quantitative indicators, and more on official documents associated with policy initiatives following from to the COVID-19 crisis starting in early 2020 and ending in October of the same year. Where we can, we will try to use quantitative indicators to support our argument. For example, in relation to unemployment, it is difficult for the time being to estimate how long this will remain at higher levels, including as a result of the fact that unemployment will depend to a large extent on the development of the global economy and not only the active labour market policy in the Nordic countries. In particular, the analyses will emphasise the similarities and difference among the Nordics national responses to the crisis, including a discussion on how the measures chosen follow from the broad institutional patterns that underlie Nordic welfare states, yet also reflect some differences owing to unique features of these different countries.

The Nordic countries are among the richest and happiest countries in the world, and welfare policies are an important cause of that happiness (Helliwell, Layard, Sachs, & De Neve, 2020; Martela, Greve, Rothstein, & Saari, 2020; Radcliff, 2013). Given this, and their high incomes and economic stability, the Nordics may have been in a better position than many other countries to meet the challenge of the pandemic.

The structure of this article is as follows. The next section provides a snapshot of key economic indicators before the crisis began in March 2020 and through October 2020 (or the last available statistical information). Section 3 describes key social policy initiatives in each country that were undertaken in response to the sudden negative economic effects of the crisis up to November 1. In the end of this section, we provide a systematic overview of crisis initiatives. Section 4 analyses measures described in Section 3 in terms of their consistency with key characteristics of the historical 'social democratic' model, including how policy changes promise to change the features of universality, generosity, equality and full labour market participation. Section 5 concludes this article.

2 | SOCIAL AND ECONOMIC SITUATION BEFORE AND AFTER THE ONSET OF THE COVID CRISIS

Overall, the Nordic countries were in a strong economic position before the crisis as shown in Table 1. All four countries had higher than average GDP per inhabitant. Sweden and Finland had a slightly higher rate of unemployment

TABLE 1 Basic economic indicators (pre-COVID)

	GDP per capita at 2015 PPP constant US $ (2019) 2019	Unemployment rate (January 2020) January 2020	Budget Surplus/Deficit (% GDP) (2019) 2019	Debt/GDP 2019
Denmark	52,898	4.9	3.66	48 (2018)
Finland	45,967	6.8	−1.14	70
Norway	62,079	3.7	6.39	47
Sweden	50,607	7.2	0.49	46
OECD	42,927	5.3	−2.66 (2018)	79

Source: OECD.Stat, *Economic Outlook* (June 4, 2020) and *Government at a Glance* (June 22, 2020).

than the OECD average in January 2020, whereas Denmark and Norway had lower rates of lower public sector debt, and only Finland had a public sector deficit in 2019. Thus, compared with most other countries, the social democratic welfare states were in a favourable macro-economic position to cope with the pandemic. This solid fiscal assessment is also shared by prominent international bond rating agencies (Fitch Ratings, 2020).

With respect to the health care sectors, they were also well functioning before the pandemic. Yet, there were differences in the four countries' preparedness with regard to relevant procedures, the required supplies and equipment to diagnose and treat patients safely in cases of this specific pandemic. For some of the countries, not all of this was available at the outset, indicating a need for more systematic preparedness for such crises in the future. The countries chose different approaches to try preventing the spread of the virus with a more open approach in Sweden compared with the other countries who implemented more stringent lock-downs, including mandatory closures of businesses, schools, internal movements (Hale, Petherick, Phillips, & Webster, 2020).[1] During the Spring of 2020, excess death rats were markedly higher in Sweden than in the other Nordic countries, a pattern which shifted during the Fall when they became more similar. It remains to be seen what lessons will be drawn for what appears to be a second wave in the Fall of 2020.

Whether the outbreak of the pandemic lead to marked differences in death rates for different groups is difficult to assess in detail at this stage. However, a Swedish study shows that less well-off people have a higher risk of death (including having a lower level of education, low income and being immigrant from low or middle-income countries) (Drefahl et al., 2020). There is little reason to believe that this will be different in the other Nordic countries, given the existing inequalities in health in these countries (Mackenbach et al., 2019). The future medical outcomes are likely to depend on several factors, for instance, on whether and how quickly effective vaccines and treatments are developed. Such factors will not only be important for the public health impact but also for the long-term economic impact of the COVID-19 crisis (Eichenbaum, Rebelo, & Trabandt, 2020), which in all countries seemingly will be considerable, the size depending on for how long the crisis will last—and not only in the Nordic countries.

Table 2 shows the OECD's June forecasts for annual economic growth in the four Nordic countries in 2020 and 2021, under two assumptions—a one wave and a two wave pandemic. As of early November 2020, most EU countries have implemented a second set of 'lockdown' rules (BBC, 2020). An updated OECD forecast in September 2020 for the G20 economies (OECD, 2020) indicated less severe 2020 downturns (due in part no doubt to policy interventions in G20 countries in Spring/Summer 2020), but the longer term outlook was more pessimistic due to lagging investment and activity in the late summer (OECD, 2020).There is evidence that more lenient Swedish public health responses resulted in relatively less short-run labour market disruptions (in terms of both open unemployment and furloughed workers) (Juranek, et al. 2020), and the economic effects of the pandemic have nonetheless been generally severe in Denmark, Finland, Norway and Sweden.

All four Nordic countries are hard hit in 2020 by the pandemic, real GDP is not expected to return to 2019 levels until at least some time 2022 and there is little evidence that the level of policy response (lock-down vs. leniency)

TABLE 2 Gross domestic product, volume, growth

	Single Wave			Two waves		
	2019	2020	2021	2019	2020	2021
Denmark	2.37	−5.78	3.65	2.37	−7.06	0.87
Finland	0.93	−7.88	3.66	0.93	−9.17	2.39
Norway	1.15	−5.99	4.68	1.15	−7.54	1.27
Sweden	1.23	−6.68	1.65	1.23	−7.78	0.39
OECD - Total	1.69	−7.54	4.76	1.69	−9.29	2.24
Data extracted on November 2, 2020, 00:35 UTC (GMT) from OECD.Stat						

Source: OECD, 2020 Economic Outlook No. 107.

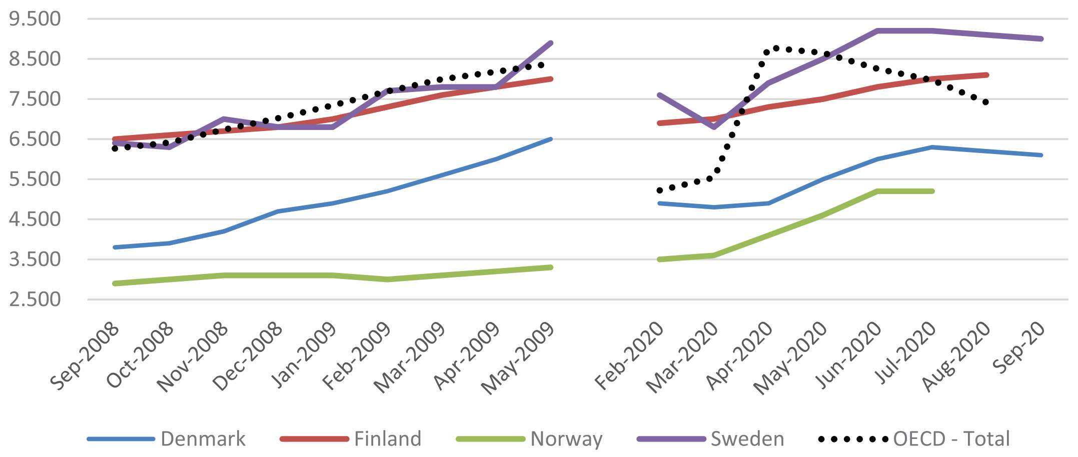

FIGURE 1 Rise in unempoyment great recession versus COVID-19. *Source:* OECD Harmonised Unemployment rates, https://data.oecd.org/unemp/harmonised-unemployment-rate-hur.htm [Colour figure can be viewed at wileyonlinelibrary.com]

had a dramatic effect on output. The resurgence of the virus spreading in the autumn of 2020 seemed to have more limited effect on economic activity, except in part of activities related to the tourism, catering and restaurant sectors.

Reflecting the drop-in economic activity, all four of these countries experienced considerable labour market disruptions. Figure 1 shows the development in the monthly unemployment rate since February 2020 and compares that against rates in the first seven months of the Great Recession as a way of indicating how the crisis has influenced core aspects of the Nordic welfare states. Across all four countries, unemployment rates have increased by between 1 and 2% points in a few months, but the *speed* of the increase is much more rapid than experienced during the Great Recession.

3 | COUNTRY RESPONSES TO THE SOCIAL AND ECONOMIC EFFECTS OF THE CRISIS

This section will first present a short overview of welfare initiatives in the four Nordic countries including information on the impact on the labour market.

3.1 | Denmark

Denmark has had many short-term initiatives in the wake of the COVID-19 crisis,[2] and several initiatives have been extended to cover more people or long periods of time as the pandemic has evolved. This makes it difficult to precisely assess the size and impact of the policy changes. When thinking about impacts, it is important to distinguish between direct and indirect impacts on social well-being as is general the case when looking into social policy interventions. Thus, for example, some initiatives have had a direct impact on people via direct payments (such as unemployment or other benefits), while others operate indirectly on incomes by supporting enterprises in an effort to avoid lay-offs.

One reason why it is difficult to estimate the size of the impact on employment as well as social inequality is that many of the instruments being used are completely new. Examples include:

- specific measures to support larger companies or targeting specific sectors of the economy that have been hardest hit;
- postponement (but not elimination) of VAT payments from businesses;
- increasing liquidity in the bank-sector;
- state assumption of sick pay obligations (instead of the employer) during the first 30 days of employee sick leave.
- assuming some of the fixed costs (rent, interest payments, etc.) for certain companies that experienced a drop in turnover.

The government also enacted several measures to directly support employees and the unemployed (including self-employed, free-lancers, and platform workers).

The first major element was, in keeping with tradition in Danish labour market policy change, a tri-partite agreement between unions, employers and the state. This agreement combined state support for companies to reduce lay-offs, employer agreement to continue wage payments for those not coming to work and employees drawing down their remaining paid vacation days when not called in for work. This agreement was originally made through July 8, 2020, but was extended to August 29 for those not able to go back to normal production (such as tourism, airports, etc.). A further agreement was made from the expiration of that agreement through the end of the year which provides a form of paid work-sharing along with an enhanced unemployment benefit (Frederiksen & Vinding, 2020).

Originally, the size of the unemployment benefit was not changed, so that the replacement rate is as it was before the crisis. However, there was a change in several conditions. Unemployment and sickpay benefit periods from 8th March to 31st August will not be included in the calculation of the two-year regular maximum benefit duration. Initially, activation requirements for the unemployed were suspended when the public sector was locked down, but were re-implemented in late May. Furthermore, those on social assistance will not be required to obtain a minimum number of work hours during 2020 given the widespread decline in labour demand.

Another instrument Denmark is using to address the decline in labour demand is work-sharing. Little used in the past, tripartite agreements during the crisis have made it easier to access, and the current tri-partite agreement (through December 31, 2020) provides for its (voluntary) widespread use throughout the economy. The aim of work sharing is to prevent long-term redundancy.

An additional response to labour demand shortages has been efforts to increase training of otherwise idle workers. By the end of June, more than 10,000 people were using the work-sharing. Most recently, the last tripartite agreement expanded work sharing, and increased unemployment benefits (20% points) for those losing pay due to their participation in work-sharing schemes.

For self-employed and free-lance workers (who represent a growing share of the labour force), the government has designed a new compensation strategy to make up for some loss of income. Up until now, these workers have had less access to income replacement programs. The expansion of benefits targeting this group seems to suggest a general enhancement of social security rights in the country. An additional measure of relief for the self-employed was a provision for the government to compensate small business owners with 100% of lost revenue during periods of mandatory closure due to public health lock-down. Free-lancers have also been supported under certain conditions.

Overall, it has been estimated that the changes will cost the state around 17 billion EURO in 2020, close to 6% of GDP.

Public pensions (old age, disability and early retirement) continue as usual. Housing benefits are not changed because of the crisis, and the same is the case with regard to taxation. Whether there will be a need for changes in order to finance the deficit after the crisis is still not possible to answer. It is expected to imply a public deficit in both 2020 (−7.2% of GDP) and 2021 (−1.8% of GDP), but still the debt will not increase to more than 41.5% of GDP. Thus, even with the large public sector direct support and ensuring liquidity for companies, public sector finances are still solid, reducing the risk of strong pressure on the welfare state.

There have been a number of initiatives to support vulnerable groups, including homelessness people, coping with violence in the families, however, mainly a stronger short time support than breaking new ways in the service delivery.

To sum up, in Denmark, the main new instruments created during the COVID-19 crisis have been a support to companies including self-employed, a more flexible support to free-lancers and plat-form workers, and an increased used of formal work-sharing arrangements implemented in line with more generous unemployment benefit provisions. These measures have aimed to reduce the social risk of rising unemployment and falling income and include easing other conditions for receipt of social insurance and social assistance. The increase in unemployment since the lock-down has been more than approximately 50,000 persons. An important remaining question is what will happen when the broader support for companies is reduced. A new economic stimulus packages were decided in June in order also to boost the economy also in the rest of 2020.

Overall, so far there is no indication of changes in the generosity and universality of the Danish welfare state, while at the same time a pressure on public sector finances and an increase in the level of unemployment, which presumably will continue at least a few years. New types of coverage of self-employed and free-lancers might also be new elements.

3.2 | Finland

The Finnish welfare state initiatives in the COVID-19 crisis included a series of measures aimed at easing the economic hardship due to the 'shut-down' and buffering the labour market against initial shocks. By June 2020, the Marin's (red-centre-green) cabinet government has introduced four supplementary budget proposals, each of which including major support packages for the businesses. The first support package (on 12th March) provided initial emergency support in financing and tax treatments for the worst-hit small and medium enterprises and was soon followed by a major support package of 15 billion EUR announced on 16th March. The support packages have proceeded by a consultation round of the social partners, but unlike in other Nordic states, the role of trade unions and work councils was more limited in the crisis, as many unemployment related issues (such as short-term work and wage supplement systems) were already covered by a national regulation. Major investments have been made to small and medium enterprises through the extra loans and grants provided by state-owned Finvera Business Finland, Regional Centres for Economic Development, Transport and the Environment (the so called ELY centres) and Finnish Industry Investment. By early May 2020, Finvera and ELY centres have granted approximately 400 million in development projects applied by small and medium size enterprises SMEs to protect businesses financially and prevent bankruptcies and job losses (Keskimäki, Atkins, Merisalo, Rautianen, & Tynkkynen, 2020). Massive support packages have were earmarked to large state-owned companies, such as providing state guarantees for Finnair (airline-company) and to state support for specific sectors (agriculture, restaurants, culture, hospitals, etc.), for example, and for both public and private companies.

For the labour market, the most COVID-related measures can be best characterised and defined as forms of flexicurity (Tros & Wilthagen, 2013): they aimed to ease the adaptations of businesses (e.g. to simplify redundancies and reduce operating costs), as well as to protect the workers' income who were laid-off or made redundant. Finland had already an existing national scheme for temporary lay-offs (based on unemployment benefit systems) to buffer against sudden economic downturns, and no separate changes were needed to support short-term work or temporary layoffs. However, in March, the employer's flexibility to lay-off employees was temporarily increased. The minimum consultation times of lay-offs were reduced from 14 days to five days and the right to lay off applied also the fixed-term employment contracts. To compensate for the risks of greater lay-off flexibility for companies, the government improved the unemployment benefits. The normal five-day benefit waiting period was eliminated for layoffs and redundancies, and the days that a person is temporary laid off were not counted for the maximum duration of UI. Furthermore, the employment condition to qualify for the UI was reduced from 26 weeks to 13 weeks. In addition, the government took an initiative to improve the unemployment protection of the entrepreneurs and freelancers by facilitating their access to social assistance and unemployment benefits during the outbreak epidemic.

To ease the immediate impact of the economic disruptions due to the virus lockdowns, the government announced in March temporary changes in financing of pensions in Finland. This included a reduction in the contribution that employer's pay to the national pension fund through December 2020 and a three-month suspension of contributions to occupational pension plans. The latter was proposed by the labour market organizations.

To ease income disruptions for families with children, in response to the COVID-related economic crisis, the government introduced a benefit (Väliaikainen epidemiatuki) for families with an (employed) unemployed parent who staying at home to care for children under ten and for workers returning from abroad and in 14 day quarantine, if their employer did not compensate for wages during that period. The new benefit is equal to the minimum amount of parental allowance (EUR 28.94 a day/ EUR 723.5 per month) was valid between 16th March and 13th May (the day before children returned to school). The payment for workers in quarantine remained valid as long as the state of emergence continues. By 7th May, KELA (2020) had received 1,178 applications for the benefit.

The Finnish government also introduced a series of financial support measures to fill gaps in national and local government budgets due to reduced tax receipts and increased demand for government services. For instance, in March, the state financially supported the unemployment funds to expedite the processing of benefit applications and in April municipalities were compensated for the loss of municipal income tax revenue and rising social and health expenditures In April, the government also raised the basic unemployment benefit and raised its funding share of the earnings-related component of the unemployment benefit. Finally, to cushion the economic blow to the weakest and prevent inequality, it allocated more funding for the social assistance and housing allowances.

To conclude, although COVID-19 related deaths in Finland have been reasonably low (351 as of October 19), the economic consequences of the crisis are considerable. The Finnish Ministry of Finance (2020) estimates that the economy will shrink by 4.5% in 2020, followed by a sluggish growth of the GDP by 2.6% in 2021 and 1.7% in 2022. The initial reaction of Marin's cabinet to COVID-19 was to secure the businesses, buffer workers against income losses and support accommodate surging demand and falling revenue in benefit administration. There were limited changes to benefit rates, but access was extended for some groups (such as families and self-employees). The outbreak measures have, however, substantially boosted the Finnish public deficit in 2020, and the on-budget deficit was estimated to rise around €10.8 billion for 2021(Finnish Government, 2020). So far, no significant austerity to welfare state has been declared by Marin cabinet, but the high public deficit raises questions about whether future welfare cuts reforms will be likely to be put on the table after the crisis is over.

3.3 | Norway

The Norwegian government presented the first part of a comprehensive package of measures for dealing with the pandemic March 12, 2020 (The Norwegian Government, 2020a). The package included a set of policy measures to reduce the acute economic problems caused by the pandemic *and* the associated lock-down of most public, private and cultural sector services). These measures aimed partly at ensuring income replacement for affected individuals and households and partly reducing the potential liquidity problems of private businesses in order to avoid mass dismissals and bankruptcies. As the pandemic's effects worsened, the government introduced additional measures (of compensation and loans) targeted at the economic branches, companies and individuals for whom the pandemic had particularly adverse effects (The Norwegian Government, 2020c). The following were the most important measures (The Norwegian Government, 2020b; see Table 3 for more details):

- A temporary extension of the national unemployment insurance system by granting benefits from the first day of unemployment and increasing the standard daily allowance.
- A guarantee to temporary laid-off persons of 100% wage compensation up to a salary of 60 Euro.
- An adjustment of the benefit rules for temporary laid off and unemployed to include more people.
- A temporary benefit for apprentices in cases of unemployment or temporary layoff and for self-employed and freelancers not included in the unemployment benefit scheme.
- A temporary benefit based on social assistance rates for persons outside the EU/EEA area staying in Svalbard.
- A temporary sickness benefit for self-employed and freelancers.

At time of writing, there had been no assessment of the overall impact or effect of these extra-ordinary measures. However, by late autumn 2020, the government stated that there had been no increase in the number of bankrupties in Norway caused by the COVID-19 pandemic (Norwegian Government, 2020c: 148). What was clear was the high level of public expenditure on the measures.

As of June 2020, the Norwegian Government (2020b) expected public spending on income protection because of COVID-19 to increase by 0.9% of GDP as by January 1, 2020 (2021?) (Statistics Norway, 2020). The increase is due to expected additional spending on unemployment benefits and anticipated extra social welfare spending for sickness and other social benefits. If one simplifies matters a bit, one might say that the interventions by the government made the provisions of the Norwegian welfare more and not less universalistic and redistributive, at least temporarily.

The estimated extra costs of the time-limited measures support Norwegian businesses during and after the COVID-19 pandemic amount to 2.7% of GDP as by January 1, 2020 (Norwegian Government, 2020b). By September 2020, the government estimated that 52.3% of this amount would be directed toward private businesses while expenditure for additional income maintenance would amount to 13.1% of the total (Norwegian Government, 2020c). In the period from February to April 2020, the number of *furloughed* persons (aged 15–74 years) increased from 0.2 to 9.6% of the labour force, but subsequently fell to 2.3% in September 2020. Similarly, the number of *unemployed* persons (aged 15–74 year) increased from 2.3% in February to 10.6% in March, and then fell to 5.1% of the total labour force in September 2020 (https://www.ssb.no). The rebound in the number of infected persons in October and November 2020 will probably lead to a new rise in unemployment rates.

According to the Norwegian Association of Local and Regional Authorities (KS), Norwegian municipalities (who are responsible for providing regular means-tested and discretionary social assistance ('minimum income') will face an additional bill for providing such assistance in the range of 80–150 million Euro in 2020 (KS, 2020).

The public costs related to dealing with the COVID-19 pandemic are high and still increasing by November 2020. However, the Norwegian Government will be able to draw on the large *Government Pension Fund Global* to covers these costs (Norwegian Bank Investment Management, 2020; https://www.nbim.no/no/). This is likely to contribute to a temporary reduction of the Fund. More serious threats to the sustainability of the Norwegian welfare state might be found in the potentially prolonged adverse impact of the COVID-19 on international demand and the competitiveness of Norwegian business. The global economic slowdowns could also hinder the employment prospects of new cohorts of young people entering the labour market in coming years (Norwegian Government, 2020c).

TABLE 3 Initiatives responding to the Covid-19 pandemic in core welfare state areas of the Nordic countries

	Denmark	Finland	Norway	Sweden
Employment protection	Wage subsidies to avoid lay-off, upskilling, work-sharing	Major investments in companies (SME) Flexicurity: decrease EPL (dismissal at layoffs)	Statuary length of temporary leaves (furloughs) prolonged from 26 via 50 to 52 weeks, currently even further (to avoid dismissal of employees)	Government subsidies of sick pay, Government subsidies of reduced working time agreements, postponement of payroll and VAT taxes, economic aid and subsidised loans to small and medium-size companies, rent-subsidies
Unemployment protection	Longer unemployment benefit–up to 6 months	Flexicurity: access to UI made easier, extension of payment period (within the crisis period) Extra funding for financing of basic UI and handling claims	Extension of national unemployment insurance system by granting benefit from the first day & increased daily allowance. Temporary laid-off persons initially given a relatively generous compensation, but later with a cap of 608 106 NOK & eventually decreasing levels of generosity. The benefit rules for unemployed and furloughed adjusted to include a wider circle of people.	Relaxation of qualifying rules, increase in some benefit levels
Social Assistance	Relaxing demand to work 225 hours per year in order to obtain highest level of benefits	Access to SA made easier (self-employed) Extra funding for funding SA	A temporary benefit based on social assistance rates for persons outside the EU/EEA area staying in Svalbard.	No Change
Sickness and Disability	No one could lose sickness benefit for three months	Sickness allowance (under infectious diseases allowance) paid to employees who have been asked to go into quarantine	Temporary benefit provision for self-employed and freelancers self-employed from day four of a sickness spell.	Sick pay insurance: removal of first qualifying day, temporary removal of required medical certificate, extension to cover risk groups
Family Policies	Parents can get daily sickness benefit to take of children if the children are sent home as precaution even if not sick	New temporary minimum parental allowance for parents caring for the child under ten of age without work income	Doubling of the number of days that parents can stay at home with sick children, and allowing transfer of days between co-parents. Entitling self-employed and	Parental insurance extended to cover care of child whose school/preschool is closed

(Continues)

TABLE 3 (Continued)

	Denmark	Finland	Norway	Sweden
			freelancers to the same number of sick-kids days as employees, to less extent a three-day waiting period.	
Pensions	No change	Reduction in the private sector employer's earnings-related pension contribution and postponing occupational pension payments with three months	No change	Temporarily reduced payments to pension funds for small and middle-sized companies
Housing and Financial Security	No change, but try to ensure that financing of homeownership should still be possible	Extra funding for financing the housing benefit	No change	Raise in housing allowance for families with children
Taxation	Longer time for companies to pay VAT etc. in order to support liquidity in companies	VAT loans and VAT easements for businesses, late payment penalties and interest charges waived	No change	Postponement of VAT tax
Other instruments to alleviate impact of crisis have a welfare state impact	Support to self-employed and free-lancers, wage support to companies not laying-off workers.	Study support not cut if studies are delayed Financial support for municipalities (social and health care services), unemployment funds, social security institutions, public employment services to expedite claims and services	Increased access to loans for students who have lost work income. NOK 1 billion allocated to convert some of that supplement loan into a grant.	Increased state funding to regions and municipalities, Provision of new paid education for employees in elder care sector, agreement between employers and unions in elder care sector to increase permanent and full-time employment

Source: National information, see also Sections 3.1 to 3.4.
[Correction added on 25 January after first online publication: In Table 3, the sentences under the "Norway" column, rows 1 and 2 have been updated in this version.]

3.4 | Sweden

Like in the other Nordic countries, the government in Sweden launched a series of initiatives to protect the economy in the face of the COVID-19 pandemic in the Spring of 2020. In March, the government presented a series of measures aimed at protecting employment and easing the financial burdens of employers. They included:

- a temporary public funding of the first 14 days of sick pay (normally paid by employers),

- an expanded system permitting short-term layoffs (currently through the end of 2020), where employees can reduce working time by up to 60% (80% at the height of the outbreak) while receiving 90–95% of their wages with 45% of that employer cost covered by the state (60% at the height of the outbreak) (Tillvaxtverket, 2020).
- postponement of some social security payments and value-added tax payments.

As of May 2020, over 500,000 employees had utilised the short-term layoff scheme. The government also allocated additional funds to the Swedish Public Unemployment Service and higher educational institutions to increase the supply of training programs study places over the summer and fall (Swedish Government, 2020).

Sweden has experienced a sharp economic decline in the wake of the pandemic. The Swedish Ministry of Finance has predicted that the country's GDP will be reduced by 4.6% in 2020 and that general government net lending will decline to −3.3% of GDP, leading to an estimated public sector debt of 42.9% for 2020 (Swedish Ministry of Finance, 2020a). Unemployment rose from 6.7% in March 2020 to 9.3% in July and was predicted to peak at 10% before the end of the year. The rise in unemployment is expected to hit vulnerable groups on the labour market, such as the young, low-educated and foreign-born particularly hard (Swedish Public Employment Service, 2020). In October 2020, there were signs that the Swedish economic recovery was faster than had initially been expected (NIER, 2020).

To protect the economy and business sector, in March 2020, the government also presented a crisis package aimed at small and medium-sized companies. The package contained a 'loan guarantee' for companies with financial difficulties due to the pandemic, a temporary reduction of social security contributions, and measures to help the companies reduce their rents through government subsidies (Swedish Ministry of Finance, 2020a). In April, additional relief measures were provided, including tax relief for the self-employed and economic aid for companies with a decrease in turnover of over 30% in April and May.

In addition to measures aimed at mitigating the economic effects of COVID-19, in Spring 2020, the Swedish government also bolstered the social transfer system. Sick pay insurance, normally replacing 80% of the wage (up to an income ceiling), was extended in several ways. First, the one-day waiting period for benefits was suspended. Second, formal medical certification was also temporarily suspended. Third, suspected carriers of the COVID-19 virus were made eligible for sick pay, and fourth, sick pay was extended to entitle those uninfected, but with a high risk of complications to stay home from work (Swedish Social Insurance Agency, 2020). Unemployment insurance, which normally provides 80% of salary for the first 300 days of employment (up to an income ceiling), was temporarily expanded as well. Several qualifying conditions such as the work and insurance qualifying periods were relaxed. Until the end of 2020, those employed less than half-time were made eligible for unemployment insurance. At the same time, the income ceiling was raised and several benefit levels increased. The first six waiting days were also suspended (Swedish Ministry of Labour, 2020). Finally, the parental insurance was temporarily extended, allowing parents to receive regular income compensation (80% of the wage up to a ceiling) when the child's school or preschool is closed due to the COVID19 pandemic (Swedish Ministry of Social Affairs, 2020). Taken together, the adjustment measures introduced in the Swedish social insurances in response to the Corona virus can be described as increasing their accessibility and making some benefits more generous, particularly in the unemployment insurance. The costs associated with the changes in the social protection systems were estimated by the government to 25 billion euro.

Last, the Swedish government has also taken several measures to support the health and elderly care systems during the pandemic. Given the dramatic increase in excess mortality in Sweden during the Spring of 2020 in the wake of the pandemic, these systems were placed under extra ordinary strain. Normally, most financing of health and elder care services in Sweden (about 75%) comes from regional and local taxes. It is thus extraordinary that the Swedish government declared in April 2020 that it will cover *all* health and social care costs associated with the COVID-19. In the Spring budget 2020, the government also announced that it would permanently raise annual grants to municipalities and regions by 12.5 SEK Billion (Swedish Ministry of Finance, 2020b). During the pandemic, national expert authorities such as the PHA and the National Board of Health and Social Welfare (NBHW) have taken a more active role within Sweden's very decentralised health care system. This has led some observers to predict that the pandemic will led to a more permanent centralization of the system.

The high death rates due to COVID 19 in nursing homes for the elderly in Sweden led to a critical debate about the country's elder care system. Poor employment conditions and poor staff education as well as poor facility hygiene routines were blamed for causing the virus to spread rapidly within the elder care sector. In response, in May 2020, the government presented measures to improve working conditions and increase the competence of the staff through a program of paid education. The program, which will be wholly funded by the government in 2020 and partly in 2021, is expected to include 10,000 elder care workers. It is combined with an agreement between the main social partners in the elder care sector, the Swedish Association of Local Authorities and Regions (SALAR; *Sveriges kommuner och Regioner*, SKR) and the Municipal Workers's Union (*Kommunal*) which will offer permanent and full-time employment to employees who participate in the education program (Swedish Ministry of Finance, 2020c).

All measures presented by the left-wing Swedish government during the spring 2020 were developed through negotiations with the two centrist parties, the Liberals (Liberalerna) and Center Party (Centern). When presented in parliament, the measures were supported by all the parliamentary parties. This is illustrative of the relatively high level of political consensus around addressing the economic and social impact of the Corona pandemic in Sweden. Taken together, the measures taken by the government to protect the economy and strengthen the welfare system in the face of the pandemic appear very much in line with Sweden's history of active labour market and social policies.

3.5 | Summing up

Table 3 provides a summary of the information provided above about what the Nordic welfare states have done in the wake of the Corona-crisis, as outlined in the previous parts of this section. Some initiatives have been temporary, such as support to companies, change in rules of receiving unemployment benefit. It is difficult to foresee future changes in health care, if needed, be prepared to increase spending on health care, also given that health care has a high support among voters (Meuleman et al., 2018; Roosma, Gelissen, & Van Oorschot, 2013).

As shown earlier (Figure 1), the Nordic welfare states have averted extreme large increases in unemployment. The limited disruption is partly a result of the temporary policy efforts to prevent layoff but also that even if firing as part of the flexicurity model (Tros & Wilthagen, 2013) is argued to be relatively easy in the Nordic countries, it takes time from being fired to have to register for unemployment benefit. However, the various support packages will end and over time, and this may increase the unemployment rate further. Still, to the extent that the changes with regard to reduced international economic development, national economic growth and unemployment are more limited than in the OECD area, with Sweden as an exemption, this may be another indication of the impact of the universal and encompassing Nordic welfare states also on being able to ensure demand for labour as well as reduce the risk of lay-offs.

4 | ARE THE CHANGES IN LINE WITH NORDIC TRADITION?

The aim of this section is to assess how changes described in Section 3 (and summarised in Table 3) fit with the traditional understanding of the Nordic social democratic welfare states.

4.1 | Unemployment benefits and social assistance

In all four countries considered, access to unemployment benefits and social assistance was made easier. However, the overall change in generosity (perhaps with the exception in Norway) has been limited. One common possible welfare state expansion in these countries has been the increased support provided to self-employed and free-lancers. At least for the time, these previously excluded groups have seen more benefits extended to them though it is hard to say whether or not these expansions will be made permanent in the future.

4.2 | Change in other welfare benefits

Not only have unemployment benefits been expanded due to COVID-19 but also various other programs have been impacted, for example, pension contribution, sickness and family policy. Changes include reducing funding of pensions funds (Finland and Sweden) as well as greater access to or new types of sickness benefits (Denmark, Norway, Finland and Sweden). In various ways, Finland, Norway and Sweden have made changes to their family policies, providing temporary allowances and more day care of children. Denmark recently implemented (autumn 2020) a benefit for parents with children sent home from as a precaution. A similar family care scheme is also available in Finland. Overall, policy changes reflect a focus on more inclusionary social policies which should help to maintain the high degree of equality characteristic of Nordic countries.

4.3 | Wage and other compensations to companies

The provision of liquidity to allow firms to continue paying employees during economic shut-downs has arguably been most important in the governments' responses to COVID-19. This ranges from support to ensuring liquidity in firms (later payments of taxes and duties), wage subsidies to avoid lay-off, investment in companies, subsidy when reducing working time. The aim overall being to limit the number of persons losing their jobs during the crisis, in the expectation that this would help maintain overall consumption, and, thus reduce negative, long-term macroeconomic consequences. In a number of ways, all countries have supported companies in order to reduce the increase in unemployment.

Whether these changes in policies will bolster the labour market in the long-run is not possible to know, because all Nordic welfare states are highly dependent on global economic developments, maintaining domestic demand can only go so far. However, if policy changes help companies to survive longer, then this kind of economic support can have a long-term economic impact by reducing the risk of unemployment and reduce the risk of a stronger economic recession. This can be argued to be ensuring demand to support of the economic development, while also reducing the risk of layoffs in many companies.

4.4 | Other types of interventions in the crisis

A few other examples, such as extra support to students, because for many it has been difficult to follow studies during the crisis. There has also been some extra financing to municipalities and regions in order to cover the pressure on the local services in the welfare states, as well as develop welfare services, including health care also in order to be better prepared at a possible other pandemic. This just to indicate that a broad and varied types of measures have been used in order to cope with the crisis.

4.5 | Inequality?

Given the expanded generosity of the Nordic welfare states in response to the COVID-19, and the efforts by these countries' governments to expand work-sharing arrangements and to preserve the basic employment/wage arrangements in place just prior to the COVID-19 crisis, national responses have sought to maintain the relatively high degree of economic equality in these four countries. While the lack of welfare state labour market programs pre-COVID-19 did raise the prospect of hardship for self-employed and free-lancers, expanded programs to these groups of labour market participants, including in some cases covering lost operating expenses, should reduce the short-run impact on these groups incomes. Because these welfare states already provide universal services like healthcare and care for children and the elderly, the social effects of negative income shocks are generally mitigated.

At the upper end of the income distribution (which is the driver of growing income inequality in many high income countries), the COVID-19 crisis has had negative impacts as well.

In longer term, there remains a concern that increasing unemployment has hit above all the young and unskilled. Parallels have been drawn with the deep economic recession in Finland in 1990s,[3] and the financial crisis in 2009, which left a long shadow over the economic position of young workers and the long-term unemployed These longer-term risks of inequality necessitate taking a long-term perspective the relation between COVID-19 outbreak and inequality. However, expanded training, broader work sharing, and support to maintain labour force attachments in these countries do address some of these dynamic threats to inequality. A Danish study has estimated that the support to the companies has 'helped to reduce the number of workers laid off by approximately 81.000 and increased the number of workers furloughed by 285.000' (Bennedsen, Larsen, Schmutte, & Scur, 2020, 2), thus reducing the risk of unemployment and thereby the impact on inequality.

The Nordic's traditional focus in maintaining and reducing the economic impact of crises on social inequality thus seems to have prevailed in the initial responses to the COVID crisis. Yet, ethnic inequality and welfare chauvinism (Greve, 2019) are issues that may jeopardise the Nordic welfare state. According to the daily press, city districts of the Norwegians capital with the lowest average income and the highest percentage of people with ethnic minority background became the most severely hit in terms of percentage of people infected (Aftenposten, 2020; Dagsavisen, 2020; Norwegian daily, 2020a, 2020b). Similar scenarios are obtained in Sweden, Denmark and Finland, where COVID-19 infection rates have been significantly higher among the foreign-born than native-born groups (see PHA, 2020 for Sweden, https://files.ssi.dk/COVID19-epi-trendogfokus-07052020-4eu7 for Denmark, https://yle.fi/uutiset/3-11305135 for Finland).

4.6 | Summing up

Overall, the Nordic welfare states have seemingly used an approach to ensure demand as well as reducing the lay-offs by economic support to companies in order to cope with the crisis, and this has been possible due to a solid economic position before the crisis and being wealthy societies. In addition to the traditional strong automatic stabilisers (such a well-developed income maintenance systems in case of unemployment), the governments in Nordic states have used massive public support to unemployed and companies in order to reduce the impact of the economic downturn caused by the pandemic on future productive capacity. So far, Nordic welfare states witness limited increase in open unemployment, yet the longer term impact on unemployment is difficult to predict, because governments would struggle to 'float' large sectors of the economy indefinitely. For Denmark, the estimated budget deficit for 2020 is 7.25–9% and (with an expectation of 1.75 and 3.75% in 2021.[4] For Sweden and Finland, the projected deficits are 7.3 and 7.2%, respectively, in 2020. And while Norway's vast oil wealth technically permits to sustain high deficits for much longer, drawing down that vast wealth also has a limit. Like all prosperous nations, the Nordic countries depend on the global economy to sustain their prosperous egalitarianism over the long term.

Understood in this way the welfare states have seemingly prevailed and continued along the historical path related to classical income transfers, however, at the same time expanded also by more direct support and intervention in the market forces in order to reduce the possible negative income on living standards for its citizens. What is less clear is whether the spending in order to reduce the impact of the crisis combined with the expected lower overall economic growth will have an impact on the future of the welfare states. If the crisis is soon over, the long-term impact might be limited, still, with a possible change in priorities so that health care will be given more money in order to be better prepared for a possible further crisis. The universality and generosity have not been overall influenced, while at the same time, there has even been new groups covered as part of the instruments used to support those in need in the wake of the crisis.

5 | CONCLUSION

The Nordic countries have, also historically, supported demand as a way of coping with economic crisis, so that in times of lack of demand for labour, expansive fiscal policy, together with an active labour market policy, has been central. This seems to have been strengthened during the crisis, as the focus has been on demand, and less on supply side measures. This demand approach further has the positive impact on social capital and reduce hardship of a financial crisis, as also shown in an article related to the last financial crisis (Hörisch & Obert, 2020), so that not only seems the policy to support employment but also that this will help in ensuring continuous cohesive societies. In this way, the crisis has not changed the overall characteristics and universality of the Nordic welfare states, but has strengthened the focus on state intervention in economies as part of how to ensure jobs and a good living standard for all citizens.

The Nordic welfare states have increased their coverage within new segments of societies, and thereby broadened their role. This is especially seen in the attempts to cover the risks of the self-employed, such as small shop owners, hairdressers and free-lancers. In recent years, we have seen discussions on the change on the labour market as a consequence of new technology (Greve, 2017) and the situation of those working on platforms. The latter are self-employed and therefore typically been considered outside the scope of the welfare states (Behrendt, Nguyen, & Rani, 2019; Hill, 2015). Thus, the COVID-19 crisis might even have been a first step in that a new group might be better covered in the years to come.

ORCID

Bent Greve https://orcid.org/0000-0003-0502-4389
Bjørn Hvinden https://orcid.org/0000-0003-1760-2537

ENDNOTES

[1] There has over time been differences in the degree of lockdown, which sector, how many can be together as well as differences in recommendations and direct imposed restrictions. However, this is not the focus here, as central is how change in welfare states policy has been.

[2] For Denmark, see www.fm.dk and www.bm.dk, which are used as the central reference for the policy initiatives.

[3] https://vnk.fi/documents/10616/21411573/VNK_Tiedepaneelin_raportti_200601.pdf/b3c837ba-02a1-693b-ccf5-fbdada481c01/VNK_Tiedepaneelin_raportti_200601.pdf

[4] See https://fm.dk/media/17913/danmarks-konvergensprogram-2020.pdf.

[Correction added on 25 January 2021: References Aftenposten 2020 and Dagsavisen 2020 have been added in this version.]

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