

## **Coronavirus update Sweden (20 March 2020)**

The strategy of Sweden is to stop any further spread of infection, so that the situation can remain manageable for the care sector. The most important measure in this regard is to reduce the number of contacts between individuals. In the first phase, this has mainly affected the travel and hospitality industries, which are now experiencing a strongly reduced demand.

The decision to prohibit public meetings involving more than 500 people has affected theatres, trade fairs, cinemas and concerts but also hotels, restaurants, as well as travel agents and transport companies. Many Swedish people work from home, which has considerably reduced the number of guests at lunch restaurants.

The sectors that were initially affected are characterised by many small companies with weak financial resources as well as freelance workers and self-employed. The latter are very vulnerable, due to the large number of cancellations and the lack of appropriate support and insurance schemes.

Now, even the big industries are affected. Volvo Cars stops the production of passenger cars until Easter, which will affect 25 000 employees. The reason is for instance problems with supplies. The company will make use of the temporary layoff salary scheme. No employees will be given notice of termination of employment.

Volvo Trucks will close down its factories in Sweden, which will affect 20,000 employees. The employees will be laid off.

Swedavia, which owns and runs airports in Sweden, has decided on an immediate and temporary short-term layoff of 1,900 out of its totally approximately 2,500 permanent employees for the time being. In addition, Swedavia gives notice of termination of employment, which concerns 800 employees.

### **Economic policy measures by the Swedish Government:**

The purpose of the political measures aimed at the economy and labour market is to avoid layoffs and bankruptcies of otherwise viable companies.

The Government (the Social Democratic Party and the Green Party) as well as the Centre Party and the Liberal Party have presented a proposal for an additional amending budget, including measures such as:

- Introduce the possibility of short-term layoffs, which means that the employers' pay costs can be reduced by half, while the worker gets at least 90 percent of the pay. Three quarters of the costs will be covered by the state.
- The costs for sick pay will be assumed by the central government on a temporary basis during April and May.
- Companies can defer payment of employers' social security contributions and certain taxes.

- The qualifying day - which means that the worker does not get sickness benefit for the first day of sickness - will be discontinued. In addition, the appropriation for the disease carrier allowance will be increased.

The additional amending budget also includes proposals regarding state support to municipalities and regions, in order to compensate for the increased health and medical care costs. In addition, the relevant government agencies, such as the National Board of Health and Welfare, the Public Health Agency of Sweden and the Swedish Medical Products Agency will get increased resources.

### **Monetary policy measures by the Swedish Riksbank**

To safeguard the supply of credit for small and medium-sized companies above all, the Riksbank has decided to lend up to SEK 500 billion to companies via banks. This is a means of countering the turbulence on the financial markets, leading to that essentially robust companies may experience financial difficulties.

To make it plausible for banks to make use of this opportunity, the loans are given at variable interest rate corresponding to the Riksbank's repo rate, currently zero percent, and run for two years. In order to ensure that the loans granted to banks by the Riksbank should benefit companies, the Riksbank will continuously monitor banks' lending to non-financial companies.

### **The Riksbank has also decided on the following measures:**

- Immediately increase the purchase of securities by up to SEK 300 billion this year. If necessary, the purchases will include both government, municipal and mortgage bonds.
- Reduce the lending rate for overnight loans to banks from 0.75 to 0.20 percentage points above the repo rate. The repo rate remains at zero percent.
- Offer banks to borrow an unlimited amount of money on a weekly basis against collateral at three months' maturity at an interest rate of 0.20 percentage points above the repo rate.
- Increase flexibility with regard to the collateral banks can use when borrowing money from the Riksbank, which will, among other things, give banks more scope to use mortgage bonds as collateral.

### **Schools**

Sweden has not yet decided to close compulsory schools and preschools. Should this be decided, the government has prepared for such a situation by temporarily changing the rules that now apply to be entitled to temporary compensation for the care of sick children. A parent can now be compensated for taking care of a child that must stay at home due to closed school or preschool.

It has also been decided that students at university, vocational college and adult education, in extraordinary events, such as the current coronavirus situation, should retain their study loans for the period already granted. This should also apply to the start-up study support for those

unemployed who need to complete their basic or upper secondary education. Secondary school students' study loans will continue to be paid out. Moreover, the Government's assessment is that study loans granted in extraordinary events, in cases where no teaching is provided, should not be required to be repaid.

### **Trade union activities and collective agreements**

The Hotel and Restaurant Union in Sweden has now signed a crisis agreement based on the government's lay-off rules. It covers all types of employment except those who are employed on a single day. The lay-off period is determined jointly by the parties at each workplace. It can be valid for a maximum of 6 months with a possible extension of 3 months. In addition, the following rules apply:

- With a work reduction of 20%, the salary is reduced by 4%.
- With a work reduction of 40%, the salary is reduced by 6%.
- With a work reduction of 60%, the salary is reduced by 7.5%.

LO's leadership has daily contact with the government and the employers' organisation, the Confederation of Swedish Enterprise, as well as the majority parties in the Riksdag.

LO believes that further measures will be needed. Among other things, a strengthened unemployment insurance with increased compensation and opportunities for more people to be able to benefit from the insurance. LO also calls for measures to use the opportunity for skills development.

Almost all collective agreements are to expire during the spring. The large wage negotiations round of 2020 is postponed due to the Corona crisis. Trade unions and employer organisations in the industry sector have agreed to restart the negotiations in the autumn. Similarly, LO, The Swedish Trade Union Confederation, and The Confederation of Swedish Enterprise will put off the wage negotiations. Those collective agreements in the industry sector that are about to expire, will be prolonged until October 31, 2020. The message from LO and The Confederation of Swedish Enterprise is that all employers and union organisations are recommended to prolong the collective agreements until October 31.

LO is to hold its Congress in early June. At present, the work is being geared towards this plan, but there is also preparedness to take a new direction due to stricter rules that might be introduced as regards the size of public gatherings.