



Path Reinforcer or Policy Accelerator? COVID-19 and Scandinavian Social Protection Reform Trajectories¹

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ABSTRACT

A pandemic may change the use of social protection systems. In this article, we compare Scandinavian reform trajectories of unemployment benefits and sickness benefits following the COVID-19 pandemic. From an institutional theory perspective, we have analyzed official documents on regulations proposed in government bills, public inquiries, reports, and secondary literature published between March 2020 and December 2023, as well as interview data from key actors representing the state, the social partners, and related stakeholder organizations. The findings show that Denmark and Norway implemented mostly provisional reforms and thus ended in path reinforcement. In Sweden, on the contrary, numerous provisional reforms during the pandemic turned out to become permanent in the post-pandemic period. As the pandemic legitimized permanent changes that in some cases had been debated for a long time in Sweden, it thus came to act as a path-clearing policy accelerator.

KEYWORDS

COVID-19 / employees / institutional theory / Scandinavia / sickness benefits / unemployment benefits

Introduction

The mega-event of the COVID-19 pandemic provided ‘a once-in-a-lifetime possibility to test the expectations and assumptions of theories of policy change’ (Capano et al. 2022, p. 2). The emergency and uncertainty of the coronavirus disease could make governments cling to known policy legacies *or* act as a ‘critical juncture’, that is, when a sufficiently strong exogeneous force alter the policy path or trajectories of institutions (cf. Béland et al. 2021; Capano et al. 2022; Hogan et al. 2022). As a serious public health issue and an *existential* threat to humankind, that is, something other than the recurrent malfunctioning of global capitalism, a pandemic may change preconceived

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notions of the use of, and the human needs for, systems of state-subsidized social protection. As emphasized by Béland et al. (2021, p. 258), the pandemic reminded us why we ‘need welfare states in the first place’. In contrast to the pre-pandemic, monetarist policy paradigm (cf. Streeck 2017), the pandemic ‘opened a unique policy window’ for large-scale, ‘Keynesian’, fiscal stimulus interventions to employers and employees ‘of a magnitude unseen in living memory for most countries’ (Chohan 2022, p. 74).

Following this, our aim is to describe and explain the various trajectories of Scandinavian social protection systems during and in the aftermath of the COVID-19 pandemic. First, were reinforced social protection schemes reset or made permanent when government-imposed lockdowns or regulations were lifted? Second, how do we explain the changes in the two different social protection schemes?

One question here is thus whether reforms were provisional or outlasted the pandemic. While studies from the early phase of the pandemic (e.g., Béland et al. 2021; Greve et al. 2021) could not discern this, a strength of our study is its longer time frame. We followed the reform trajectories from March 2020 to December 2023, hence after the global spread of the coronavirus had slowed down and been replaced by new urgent problems related to the surge of ‘high-inflation’ and ‘higher interest-rate’ across national economies.

Furthermore, the study is framed in a comparative perspective following the classification of Denmark, Norway, and Sweden as part of a specific welfare state ‘regime’ (see, e.g., Anttonen et al. 2012; Esping-Andersen 1990). However, despite regime commonalities, we can expect that changes in social protection were conditioned by pre-pandemic, country-specific conditions, such as levels of unemployment and former or on-going welfare and labor market policy reforms. Also, the nature of reforms in social protection depended on the depth and trajectories of the pandemic health crisis. Sweden, like countries such as the USA, the UK, Brazil, and Italy, ‘underwent significant shocks and disruptions in repeated “waves” over a long period of time’ (Capano et al. 2022, p. 5), while Denmark and Norway had very low infection and death rates (cf. Béland et al. 2021).

Furthermore, our analysis focuses on reforms in two main areas of social protection, unemployment benefits and sickness benefits,¹ as the nature of a pandemic is likely to have a major impact on both people’s employment and health. By studying the parallel changes in social protection systems, we may also contribute in another way to the field of institutional theory. As stressed by Hall (2010, p. 219), ‘[w]e do not yet know how the process of institutional change varies across issue domains or spheres of the polity. In some, change may be typically slow or incremental, and, in others, more frequent or abrupt’. We should also add that the study is restricted to employees.²

The remainder of the article is organized as follows. We start by describing the institutional set-ups of the unemployment benefits and sickness benefits in Scandinavia in the pre-pandemic era. This is followed by theory, and data and method. Finally, the findings are presented, and conclusions are drawn.

Scandinavian social protection systems in the pre-pandemic era

Unemployment benefits: institutional set-ups and main reforms

In Scandinavia, entitlements to social benefits are grounded in the political principle of ‘the work line’, that is, conditioned on the individual’s history of work performance

and earnings (Johansson & Hvinden 2007). At the same time, principles of universalism and all-encompassing social protection schemes have traditionally been emphasized (cf. Esping-Andersen 1990). Following this, the basic normative pattern in social security is the so-called protection of the established position (Christensen 2000), manifested in the principle of replacement of lost earnings. Income security aims hereby to preserve the former status or social position, as those eligible are compensated for a significant percentage of previous earnings up to an income ceiling.

In Norway, there is a compulsory, state-administered unemployment insurance. The benefit is paid out after three waiting days and it amounts to 62.4% of the former wage, and with a cap of 6 base amounts (hereafter 'BA'). Benefit eligibility follows from at least a minimum income of 1.5 BA during the last 12 months or alternatively 3 BA during the last three years, as well as having lost 50% or more of former working time. For those with a former minimum income of 2 BA, the maximum benefit length is 24 months compared to 12 months for individuals with a prior income between 1.5 and 2 BA.

In recent decades, no major changes have been made to the Norwegian unemployment benefit system. Also, the debate has been limited about the duration since it was reduced from 156 weeks to 104 weeks in 2003 for those with an income of 2 BA or more, and to 52 weeks in 2004 for those with an income below 2 BA (Christensen et al. 2009; Falch et al. 2012). An exception has been whether the benefit should give right to vacation payments the following year, which has been revoked and reinstalled several times in the new century [Prop. 4 L (2021–2022)].

Denmark and Sweden are part of the 'Ghent system', that is, an arrangement with voluntary, trade union-administered unemployment insurance funds. In Denmark, all unemployed persons must satisfy both a work condition and a membership condition to receive unemployment benefits. In 2020, the work condition constituted a minimum of 1924 working hours within the last three years, while the membership condition was minimum 12 months of unemployment insurance membership. In Sweden, a person can be eligible for a flat-rate basic insurance if meeting a work condition. This is stricter than the Norwegian and Danish systems with longer qualifying periods. The Swedish work condition demands at least 80 hours paid work per month during a period of six months, or alternatively 480 hours paid work during six months (and then at least 50 hours work per month). Furthermore, a person can be eligible for the income-related compensation, if having reached the 12 months unemployment insurance membership condition.

Many decades ago, Denmark used to stand out due to its extensive expenditures on unemployment benefits, not least following its long-term benefit duration. Over the decades, though, the duration was successively lowered (cf. Halvorsen & Jensen 2004), and in 2010, a major reform halved the duration from four to two years. Also, in 2012, the requalification requirement was doubled to 52 weeks (Høgedahl & Kongshøj 2017). In 2015, new, flexible requalification criteria were implemented following recommendations from an expert commission. A reform introduced eight new waiting days per year, as well as less generous benefits for graduates.

In Sweden, since the 1990s, stricter eligibility criteria and less generous benefits have been implemented. In 2006–2008, the center-right government realized some particularly significant reforms (cf. Bengtsson 2014; Bengtsson & Jacobsson 2018; Dølvik et al. 2015). The work condition was raised, the 'student condition' removed, and the obligation to seek jobs at the national labor market was altered from after 100 days to



day 1 as registered unemployed. Furthermore, the number of waiting days increased from five to seven, the possibility to extend benefit duration from 300 to 600 days of compensation was abolished, and a decreasing unemployment benefit compensation over time was introduced. During subsequent social democratic-led governments, the reforms were broadly maintained. However, there were some key revisions such as the raising of the benefit cap in both the basic and income-related insurance, the number of waiting days were reduced from seven to six, and the benefit duration for part-time unemployed increased significantly.

Sickness benefits: institutional set-ups and main reforms

In Scandinavia, the sickness insurance is mandatory and income-related and financed through the state and employer's and employees' national or local insurance contributions. In Norway, individuals on sick leave receive 100% wage compensation (up to a cap of 6 BA) from day one in the sickness period until the one-year limit. In comparison to unemployment benefits, the sickness benefit regulations have been more debated, particularly that too many working hours are lost due to the very high compensation level. Governments have not managed to improve the benefit structure vis-à-vis both employees and employers (Hagelund & Pedersen 2015). Instead, since 2001, inclusive working life agreements have been implemented where the state and the social partners collaborate to reduce the sick leave level, by carving out more effective workplace-oriented measures.

In Denmark, sickness benefits have been less debated compared to unemployment benefits. However, the Confederation of Danish Employers (DA), representing private employers, has particularly been vocal about the costs of sickness benefits and their implications for the labor supply (DA 2019). A reform in 2014 aimed to provide financial support to employees and sickness benefit recipients during illness periods, and to offer earlier and improved follow-up to speed up the return to work to counteract increased costs. The sickness benefit duration was then significantly reduced from 52 to 22 weeks. Since 2014, no larger revisions have been made.

Sweden has, in contrast to Denmark and Norway, a system with a waiting day deduction (*karensavdrag*), that is, a one-off deduction from the sickness benefit made in connection with sick leave. In 2008, the center-right government implemented an endpoint for entitlement to sickness benefits, and a stricter assessment of the work ability through 'the rehabilitation chain'. The benefit – corresponding to about 80% of the former income up to a ceiling – is paid for a maximum of 365 days (in very rare cases, an additional 550 days with a compensation of 75% of the former income can be granted). From 2014 onwards, Social Democratic-led governments did not reverse the center-right government main reforms, with exception for the 2016 removal of the endpoint for entitlement (Bengtsson & Jacobsson 2018).

Theory

The questions posed in this article have been analyzed through an institutional perspective. Here, we analyze the COVID-19 pandemic as an exogenous source of *potential*

institutional change across two issue domains (unemployment benefit and sickness benefit schemes). The contingency created by an unanticipated major event, such as a pandemic, can turn out to be a ‘critical juncture’ that ‘open up opportunities for historic agents to alter the trajectory of development’ (Mahoney & Thelen 2010, p. 7). Blyth (2002, p. 9), for example, analyzes institutional change in relation to economic crises, which he conceptualizes as situations of ‘Knightian uncertainty’, that is, ‘situations regarded by contemporary agents as unique events where the agents are unsure as to what their interests actually are, let alone how to realize them’.

Blyth stresses the uncertainty of events such as economic crises, and the role that economic ideas play in reducing uncertainty by offering an interpretive framework for new institutional arrangements. However, a pandemic may not result from the malfunctioning of financial and/or economic institutions and policy paradigms. Therefore, a pandemic is not a crisis that, by its very nature, must shake the foundation of how agents perceive their interests and how to realize them. Instead, during the uncertainty created in a situation of a fast-spreading lethal virus, one can imagine that policy makers will cling to proven policy instruments and approaches (cf. Hogan et al. 2022). Thus, in analyzing institutional change in relation to an event as the pandemic, there is a low likelihood of abrupt and wholesale transformations of institutions or changes of policy paradigms (cf. Hall 1993). However, the changes in environmental conditions caused by the pandemic can lay bare inherent tensions in institutions’ distributional consequences and reshape power relations (Mahoney & Thelen 2010). In this way, it is likely, following Béland et al. (2021, p. 251), ‘that alternatives to the status quo will become widely debated and, perhaps, adopted’. Institutional change, if it even comes into being, will then most probably be of a piecemeal, incremental nature, where seeds sown during the pandemic gradually grows and ‘only “show up” or “register” *as* change’ in a longer time frame (Mahoney & Thelen 2010, p. 2, italics in original).

Another framework for analyzing change is a model of policy punctuations as drivers of policy change: the initiation of a policy pathway (‘Path Initiation’), the advancement of reinforcement of a specific policy trajectory (‘Path Reinforcement’), the changed direction of a path (‘Critical Juncture’), the changes in the speed of change of a policy trajectory (‘Path Clearing’), and the ending of a policy path (‘Path Termination’) (Hogan et al. 2022). Of particular interest is COVID-19 as a potential path-clearing policy accelerator. According to Hogan et al. (2022, p. 45), ‘crises can serve to remove normal blockages and constraints on policy development, clearing roadblocks and allowing policy proposals to be developed that might have been languishing for some time’. In this way, the pandemic may act as a policy accelerator for reforms already planned, or it could speed up reforms in policy fields where they have not been carried out for a long time, such as the raising of unemployment benefit levels and ceilings. Also, it is possible that impediments emerge that could slow down policy change, that is, ‘path blocking’, such as lockdowns and restrictions during a pandemic (Hogan et al. 2022).

Data and method

In this article, our aim is to describe and explain all provisional and/or permanent changes in two main areas of social protection – unemployment benefits and sickness

benefits – in Scandinavia during and in the aftermath of the COVID-19 pandemic. In doing so, we have first studied various texts on policy changes, such as official documents on regulations proposed in government bills, public inquiries, and reports, as well as secondary literature from March 2020 (when the World Health Organization declared COVID-19 a pandemic) to December 2023.

The country cases in the research project were selected based on major similarities in their institutional set-ups. Following this, they have been classified into a ‘social democratic welfare state regime’, characterized by a strong labor movement with social democracy as a leading political force and trade unions with extensive power resources (cf. Esping-Andersen 1990), which have been able to form political constellations ‘that create very strong pro-welfare state coalitions’ (Pierson 2002, p. 388) and that have aimed at universal and all-encompassing social policies (e.g., Anttonen et al. 2012; Esping-Andersen 1990). However, against this backdrop of regime similarities, we want to study how internal variation among the Scandinavian countries manifests itself in relation to policy changes during a crisis such as the pandemic.

Among the totality of reforms in the unemployment insurance and sickness insurance systems, we first delimited our analysis to reforms concerning unemployment benefits and sickness benefits. Thereafter, we focused on reforms that either related to the categories ‘work-related obligations’ or ‘adequacy of benefits’. These categories were constructed by combining Goul Andersen’s (2012) operationalization of universalism/de-universalization of unemployment protection schemes, and Shahidi’s (2015) operationalization of welfare state recommodification in relation to labor market policy change. ‘Work-related obligations’, as a condition of benefit receipt, is operationalized through various aspects capturing the strictness of eligibility criteria. Concerning the unemployment benefit schemes, we deal with requirements to meet a work condition and a membership condition, the regulations concerning mandatory participation in job search activities, the definition of a suitable job offer, and the degree of punitive sanctions when not complying with benefit conditionalities. Concerning the sickness benefit schemes, this relates to aspects such as requirements for medical certificates, and the various regulations related to assessment of work abilities. ‘Adequacy of benefits’ concerns aspects relating to the generosity of benefits, such as the level, ceiling, and duration of the benefit, and the length of the waiting period before the benefit can be claimed.

Furthermore, to increase our understanding of why different measures were introduced (or not), and the drivers behind the various changes, we have analyzed additional interview data collected within a research project on labor market and welfare consequences of COVID-19. From March 2022 to May 2023, we conducted 27 interviews (either via Teams or face-to-face) in Denmark (6), Norway (10), and Sweden (11) with key actors representing the state apparatus, the social partners, and related stakeholder organizations. Questions regarding changes in unemployment benefit and sickness benefit schemes were posed in most interviews, but in some, for example, with policy experts, we delved into the details of how reforms came about. Interview data of the drivers behind the various changes was thereafter analyzed by applying the theoretical concepts of institutional change outlined in the theory section.

Findings

Provisional and permanent unemployment benefit reforms for Scandinavian employees

Denmark has a long tradition of tripartite agreements as an ad hoc policy tool in economic and social crises. However, following the Great Recession, in 2012, the Social Democratic government failed to conclude a tripartite agreement and instead implemented austerity measures (Høgedahl & Kongshøj 2017). This historic event was crucial in the pandemic crisis management. The concern to conclude tripartite agreements came from the Minister of Labour, who had been very critical of the failed post-Great Recession crisis management. This was also underscored by the social partners, for example, as expressed by the chair of the Confederation of Danish Employers: ‘We felt a strong urgency by the government and their close staff not to repeat the mistakes of the past. They rather do too much than too little’.

Furthermore, the social partners and government officials point to the unprecedented nature of the pandemic, making policy changes more acceptable. On 15 March 2020, the Social democratic government, The Danish Trade Union Confederation (FH), and The Confederation of Danish Employers concluded the first tripartite agreement (among a total of 21 agreements in 2020–2021). The unemployment benefit duration was prolonged, and the benefit period (maximum two years) was paused for recipients. The agreement was prolonged several times until 31 December 2021. Furthermore, ordinary recipient obligations, such as participating in activation measures, were cancelled for two and a half months, since both job centers and unemployment insurance funds had to close due to the lockdown (Table 1).

The decision that aroused most discussion was the phasing out of the so-called wage compensation scheme in the summer of 2020 (it had been implemented on 13 March 2020). The scheme compensated businesses for wage costs when keeping employees on the payroll. However, as the state bore the major cost, a more affordable model was needed. The government wanted to extend a ‘work sharing scheme’ in use among workers in the industry sector. The unemployment insurance funds administered the work sharing scheme, but to extend this scheme, it required a free access to the unemployment benefit system. Trade unions, such as the Danish Metal Workers, found this free access a ‘free riding’ problem, which could raise discontent among many unemployment insurance members who had paid to the system ahead of the pandemic (Interview with the chair of FH). However, despite the critique, the work sharing scheme was enlarged from August 2020 and gradually replaced and phased out the wage compensation scheme. Finally, the work sharing scheme ceased to apply on 1 April 2022.

Furthermore, on 1 May 2023, a reform aimed at strengthening benefit adequacy for short-term unemployed persons was implemented (while simultaneously lowering benefit adequacy for graduates below 30 years of age with no children). This was the only permanent reform in Denmark during the period under study. However, as it had been prepared in the pre-pandemic period but then delayed because of the pandemic, it was a case of path blocking where policy change had been slowed down (cf. Hogan et al. 2022).



Table 1 Unemployment benefit reforms for employees in Denmark, March 2020–December 2023

Work-related obligations	Provisional reform <ul style="list-style-type: none">• All obligations for benefit recipients, such as participation in activation measures were cancelled (15 March 2020–27 May 2020).
Adequacy of benefits	<div>Provisional reforms<ul style="list-style-type: none">• The benefit duration was prolonged (15 March 2020–30 June 2021).• Benefit recipients did not have to use their benefit days in the benefit period (15 March 2020–30 June 2021).</div> <div>Permanent reform<ul style="list-style-type: none">• Increased cap by €500 during months 1–3 of unemployment, while reduced with €588 for graduates below 30 years of age with no children (1 May 2023–).</div>

In Norway, there were temporary regulatory changes. Several work-related obligations were loosened. On 20 March 2020, the demand for having lost 50% or more of previous working time for benefit eligibility was reduced to 40% and this change was reversed and reinstated several times during the pandemic. The eligibility threshold was reduced from a minimum income of 1.5 BA to 0.75 BA during the previous 12 months, alternatively from 3 BA to 2.25 BA during the previous 36 months. This reform was also reversed and reinstated several times. Another reform was the extension of benefit duration so that no eligible person would lose the right to this benefit before 31 March 2022 (Table 2). The Norwegian Confederation of Trade Unions (LO) and the Confederation of Norwegian Enterprise (NHO) discussed benefit changes with the minority center-right government and the opposition. Some employees were unemployed or furloughed ahead of the pandemic and would soon reach the maximum benefit duration, and LO thus pushed for an extension. Furthermore, both NHO and LO wanted to allow benefit recipients (unemployed or on furlough) to participate in training schemes. This was temporarily allowed for some benefit recipients from April 2020, but later, in the fall of 2021, it was made permanent. The social partners had long wanted this reform and it had been a subject of several government papers. Also, the Minister of Labour in 2021 explains that he, as a former Minister of Education, tried to implement such a reform. However, he states that it was ‘impossible’ then, but ‘the pandemic opened the door’. Consequently, the pandemic functioned as a window of opportunity for this change. Furthermore, there were heated debates regarding the possibility to earn paid vacations during unemployment, considering that these rights were dismantled in 2015 (Birkelund 2020a). After pressure from the budget partner, the minority center-left government in 2022 reinstated this right.

Concerning benefit adequacy, on 20 March 2020, the three initial waiting days were cut, and this reform was extended several times before it ceased. As the effects of the pandemic particularly hit low-income earners, LO wanted them to keep more of their former incomes, which had not been a major issue in pre-pandemic debates on the unemployment benefit level. Following this, the compensation rate increased temporarily from 62.4% to 80% of the former wage for low-income groups (up to 3 BA) from 20 March 2020 after pressure from the trade unions and the parliamentary opposition (Regjeringen Solberg IV 2020a, 2020b; Birkelund 2020b). The change was temporarily reversed in 2021 but it was reinstated later the same year and finally ceased in March 2022 (Table 2). According to representatives both at the LO and the NHO, this change, as well as others, had to be *provisional*, as it otherwise would ‘challenge’ the work line.

The understanding was that this was temporary. It is a challenge [to the work line] if the unemployment benefit is too high among those with the lowest wages. (LOs chief economist)

It was acknowledged that it was a common responsibility to roll back the implemented measures. That was important, as the measure [increased income security for those with low wages] weakens the work line. If you have such a weakening permanently, that is not a good thing to be able to get people into jobs. (NHOs director for work life and wage rates)

Also, except for the minor left-wing parties, the parliamentary opposition agreed on rolling back the benefit changes after the pandemic.

Table 2 Unemployment benefit reforms for employees in Norway, March 2020–December 2023

Work-related obligations	Provisional reforms
	<ul style="list-style-type: none"> • The eligibility demand on work time reduction was reduced from 50% to 40% (20 March 2020–1 June 2021; 15 December 2021–31 March 2022). • The benefit duration was extended (20 March 2020–31 March 2022). • The eligibility threshold was reduced from 1.5 to 0.75 BA within the last 12 months, alternatively from 3 to 2.25 BA for the last 36 months (27 March 2020–31 March 2022, except for 1 November 2020–18 February 2021).
	Permanent reform
	<ul style="list-style-type: none"> • Participation in training/education while receiving benefit were allowed (temporarily from 20 April 2020; permanently from 21 September 2021).
Adequacy of benefits	Provisional reforms
	<ul style="list-style-type: none"> • The three waiting days were removed (20 March 2020–31 March 2022). • Compensation rate increased from 62.4% to 80% of the former wage for low-income groups (up to 3 BA, NOK 304 000 per year*) (20 March 2020–31 March 2022, except for 1 April 2021–14 December 2021).
	Permanent reform
	<ul style="list-style-type: none"> • The right to earn paid vacations during unemployment were reinstated from 1 January 2022.

*Note: The BA sum is slightly adjusted each year; the sum for 3 BA was from the year 2020.

In contrast to Denmark and Norway, there were several permanent changes in Sweden. Ahead of the pandemic, a public inquiry had been initiated in 2018 to increase unemployment insurance inclusiveness (Dir. 2018:8). However, the coronavirus disease halted the reform as it was deemed not feasible to implement. Instead, the existing regulatory framework was reinforced.³

One track we looked at initially was: “Is it possible to quickly implement parts of the new proposal? Could that be a solution?” But it was not deemed possible. The unemployment insurance funds did not have that system support./.../The pandemic became a kind of choice that created a kind of path dependency. The choice was to start from the existing unemployment insurance with its complexity and reinforce it. (Former state secretary at the Ministry of Labour)

Instead of changing the policy instruments, changes were made in the instruments' settings, thus resulting in a reinforcement of the 'old' policy path (cf. Hall 1993). The government introduced less strict eligibility criteria through several reforms (Table 3). The work condition was lowered. The reform was prolonged several times and was meant to expire in 2023, but the minority center-right government could not roll it back following the additional opposition from the Sweden Democrats (otherwise a supporting party of the government). Thus, in March 2023, the government was forced to declare this weakened work-related obligation a permanent change (Prop. 2022/23:85).

Furthermore, benefit generosity increased (Table 3). The six-day waiting period was temporarily removed in 2020. While temporarily reinstated in 2021, the waiting period was reduced from six to two days in 2022, and later, this also applied for 2023. Like the changes in the work condition, the government was forced to declare this change as permanent in March 2023 (Prop. 2022/23:85). This evolution of events was very surprising, as the waiting period was 'an issue that was not on the government reform agenda' ahead of the pandemic (Former state secretary at the Ministry of Labour).

Likewise, other reforms to increase income protection were, in several steps, prolonged. In the basic insurance, a minimum level was introduced, and the ceiling was raised. In the income-related compensation, the ceiling was raised with nearly one-third during the first 100 days, and in June 2020, the ceiling was markedly raised from day 101 of registered as unemployed. Unlike the other unemployment benefit reforms, increased ceilings had been high on the governmental reform agenda. As said by an investigator at the Swedish Trade Union Confederation (LO), it was the most profound change in the UB 'because [the ceilings] were so low that it really became higher for many people', and it was the issue that had been raised most clearly 'in the debate and also from the other [union] confederations, The Swedish Confederation of Professional Employees (TCO) and The Swedish Confederation of Professional Associations (Saco)'.

In autumn 2020, the government announced two-year extensions of several reforms: a raised ceiling and a minimum level in the basic insurance and raised ceilings in the income-related compensation for the first 100 days and from day 101. A policy expert at the Ministry of Labour in 2020 says that the reason for this two-year long extension was that the government already was in the process of a long-term reform of the unemployment benefit system (i.e., the earlier mentioned pre-pandemic inquiry) and that came to run in parallel. Thus, according to the policy expert, the crisis measures 'was a bit about trying to solve here and now problems that we knew we needed to solve in the long term'.

It later turned out that despite that the center-right government wanted to restore benefit levels to the lower, pre-pandemic levels to strengthening the work line, in 2022, it first decided to prolong these reforms until the end of 2023, and later in 2022, it decided that the reforms would be made permanent (Regeringskansliet 2022). Here, the dependence on the Sweden Democrats to gain majority seats in the parliament hampered the withdrawal of benefit changes, as the party opposed this.

Table 3 Unemployment benefit reforms for employees in Sweden, March 2020–December 2023

Work-related obligations	<div>Provisional reforms</div> <ul style="list-style-type: none">• Monthly activity reports to the Public Employment Service were paused (17 March 2020–14 July 2020).• The unemployment insurance membership condition was reached in three instead of 12 months (March 2020–December 2020) <div>Permanent reform (through a decision in March 2023)</div> <ul style="list-style-type: none">• The work condition was lowered from 80 to 60 hours per month during six months or lowered from 480 to 420 hours during six months and then at least 40 hours (previously 50 hours) per month (30 March 2020–).
Adequacy of benefits	<div>Provisional reform</div> <ul style="list-style-type: none">• The six waiting days were removed (11 March 2020–3 January 2021). <div>Permanent reforms (through decisions in 2022 and 2023)</div> <ul style="list-style-type: none">• The waiting days were reduced from 6 to 2 (3 January 2022–).• The ceiling in the basic insurance was raised from SEK 365 to SEK 510 per day (13 April 2020 –).• A minimum level of SEK 255 was introduced for the basic compensation (13 April 2020 –).• The ceiling of the income-related compensation was raised from SEK 910 to SEK 1200 per day for day 1–100 (13 April 2020–).• The ceiling of the income-related compensation was raised from SEK 760 to SEK 1000 from day 101 (29 June 2020–).

Provisional and permanent sickness benefit reforms for Scandinavian employees

During the pandemic, the Danish sickness benefit reforms were not as widely discussed as the unemployment benefit reforms, but they were also provisional and tripartite agreements were the policy tool, with sunset clauses ensuring temporality. The only sickness benefit reform passed by the parliament during the first lockdown was an extended right for employers to reimbursement of sickness allowance costs – the law was extended multiple times in 2020 and 2021. During a new lockdown in late 2021, a new tripartite agreement was concluded. Besides the reintroduction of the extended right for employers to reimbursement, another provisional reform meant that parents were allowed to receive sickness benefits (without the need to use the one or two paid sick days provided by the collective agreements) if they had to care for children that needed to stay at home because these had been found to be infected with the coronavirus or due to other cases of coronavirus infection in the day care, school, etc. This reform lasted to the end of February 2022 (Table 4).

Table 4 Sickness benefit reforms for employees in Denmark, March 2020–December 2023

Work-related obligations	<div>Provisional reform</div> <ul style="list-style-type: none">• Parents could receive benefits if they had to care for children that needed to stay at home due to having been infected with COVID-19 or due to other cases of COVID-19 infection in the day care, school, etc. (23 November 2021–28 February 2022).
Adequacy of benefits	<ul style="list-style-type: none">• No changes



In Norway, changes in the sickness benefit rules were hardly discussed between the social partners during the pandemic. The former Minister of Labour stresses that ‘there were not much discussion [regarding the sickness benefit]. We were agreeing on the basic features’. Still, some provisional adjustments were implemented on 16 March 2020 (Table 5). Persons which had to stay away from work due to, or suspicion of, COVID-19, or later because of being vaccinated, were given the right to benefits, if they could not work from home and otherwise lost income. Also, the number of days parents were allowed to stay at home with their children, if they were sick or had to stay at home due to quarantine, closed kindergartens, or schools, were temporarily doubled, up to 40 days per family.⁴

While rather few were infected with the coronavirus until a high percentage of the population was vaccinated in the fall of 2021, the consequences of the containment measures on work absence were important. In early February 2022, the quarantine regulations ceased to apply and the right to benefits during quarantine was thus removed (Table 5). Furthermore, the period the individual had to be employed with his employer before being eligible for so-called self-certified sick leave was reduced from two months to four weeks on 16 March 2020. The number of self-certified sick leave days also increased from 3 to 16 calendar days per year (the reform ended late 2022). Finally, Norwegian borders were regulated with quarantines. Persons who breached the national travel advice and were forced into quarantine when returning to Norway risked being denied sickness benefits. This regulation ended late 2022.

Table 5 Sickness benefit reforms for employees in Norway, March 2020–December 2023

Work-related obligations	<div>Provisional reforms (from 16 March 2020)</div> <ul style="list-style-type: none">• Self-certified sick leave days increased from 3 to 16 calendar days per year (until 1 June 2021, later reinstated 1 January 2022–31 December 2022).• The period the employee had to be employed with his employer before she could use self-certified sick leave was reduced from two months to four weeks (until 1 June 2021).• Persons who had to stay away from work due to, or suspicion of, COVID-19 or being vaccinated, were given the right to benefits, if they could not work from home and otherwise lost income (until 1 February 2022).• Parents could receive benefits if they had to care for children that needed to stay at home due to having been infected with COVID-19 or due to other COVID-19 related causes (quarantine, closed day care, school, etc.) (13 March 2020–1 July 2022).• Persons who breached the national travel advice and got quarantine duty when returning to Norway could be refused benefits (until 31 December 2022). <div>Provisional reform (from 29 January 2021)</div> <ul style="list-style-type: none">• EEA-employees who were unable to attend work due to closed borders were granted 70% of the sickness benefits basis up to 6 BA in the sickness insurance.
Adequacy of benefits	<ul style="list-style-type: none">• No changes

In Sweden, there were numerous revisions made in the sickness benefit system, and several became permanent (Table 6). A major area of policy changes concerned the fixed time limits (‘the rehabilitation chain’) for assessment of work abilities. These regulations aim to strike a balance between various needs and demands: to give individuals with

reduced work ability reasonable financial security and the possibility to return to work with their own employer even after a substantial period of sick leave, *and* to prevent sickness cases from becoming unjustifiably long by enforcing demands on conversion to work outside the person's workplace.

Ahead of the pandemic, like the unemployment benefit reforms, there were sickness benefit reforms underway. In 2018, a public inquiry had been initiated. Since the introduction of the rehabilitation chain in 2008, after day 180 of the sick leave period, the work ability was assessed against normally occurring work (with some temporary adjustments), that is, assessed against jobs at the national labor market overall (instead of assessed against jobs with the employer). However, the inquiry concluded that the application of normally occurring work is not sufficiently legally secure, as it is an assessment of the work ability against a fictitious labor market, and the assessment is therefore not comprehensible to the insured person. Also, the exceptions that exist to postpone the assessment against normally occurring work have been strictly applied by the Social Insurance Agency and the basis for decisions has thus been largely inadequate (cf. SOU 2019:2, 2020:6).

Several of the proposals in the inquiry were coming into force during the pandemic. First, a lower evidence requirement for reasons to postpone the assessment against normally occurring work was implemented on 15 March 2021 (SOU 2020:6). Second, several proposals that would not normally have been supported by the center and right-wing parties were, unexpectedly, implemented in early 2022. Initially, the social democratic-led government put these proposals in the budget bill of 2022. After political turmoil, an alternative budget bill for the right-wing parties was passed by the parliament. However, this bill lacked any amendments to the original reform proposals relating to the sickness insurance. Thus, following an investigator at the union confederation TCO, 'the political situation meant that parties [referring particularly to the Moderate Party and the Christian Democrats] that might not actually support those proposals had to support them because they wanted to endorse the [overall] budget bill'.

One reform that was passed in the budget bill concerned that a person for 'special reasons' may postpone the assessment of the work ability against normally occurring work at day 365 if the person is expected to return to work with the employer before day 550 in the sick leave period. Other reforms concerned that individuals aged 62 or older should from day 181 continue to have their work ability assessed against jobs with the employer (SOU 2020:6), and the assessment for on-call employment workers should be made against the work they are called in to perform until day 90 of sick leave (earlier they were in many cases assessed as unemployed, and this stipulated an assessment against jobs at the national labor market from day 1). Furthermore, individuals on part-time sick leave were from now on allowed to arrange their working hours more flexibly (cf. SOU 2020:26). Also, from 1 September 2022, a person's work ability should from day 181 be assessed against 'normally occurring work in a *specified occupational group*', that is, that the Social Insurance Agency, in case of refusal of prolonged sick leave, must specify one or more occupational groups in which the person could manage to work (cf. SOU 2020:6). Altogether, these reforms give individuals with reduced work ability an increased possibility of returning to work with their own employer even during a more extended sick leave period.

Concerning reforms to increase benefit generosity, in May 2020, a temporary compensation for the waiting day deduction was introduced. This compensation ended in



September 2021, but it was later temporarily reintroduced a few months. Following this, discussions on the abolition of the waiting day deduction were ‘given air in the sails’.

Suddenly, we see unions/.../which have members who are affected by this [the waiting day deduction], saying that this is unreasonable. And the Green Party and the Left Party decide to abolish the waiting day deduction. I would say that all this criticism, which we have been the bearers of, is being broadened and given air in the sails. (LO investigator)

Furthermore, in March 2022, a public inquiry to review the waiting day deduction (and the sick pay) was announced. However, from the perspective of the Confederation of Swedish Enterprise (Svenskt Näringsliv), the need for deductible as ‘an important component of an insurance’ was stressed:

Fiddling with the deductible in case of sick-leave, or for that matter the deductible for the employer, which is the sick pay, that I think you should be careful not to do, because then you damage the entire foundation of the insurance. (Expert at the Confederation of Swedish Enterprise)

In late 2022, shortly after the center-right government had been elected, it terminated the inquiry. After criticism from the Sweden Democrats and the opposition, it was, however, decided to launch an internal investigation. In December 2023, a proposal was published (proposed to come into force 1 January 2025) containing a lowered requirement so that more individuals with recurring sick leave should avoid a loss of income because of the waiting day deduction (Ds 2023:33).

Another major reform was the raising of the income ceiling. In early 2006, the social democratic government increased the ceiling from 7.5 to 10 BA, but the center-right government rolled back the reform later the same year. In July 2018, the social democratic-led government increased the ceiling from 7.5 to 8 BA, and in January 2022, the ceiling was raised to 10 BA, that is, it had returned to the same level as 16 years earlier (Table 6).

Table 6 Sickness benefit reforms for employees in Sweden, March 2020–December 2023

Work-related obligations	Provisional reforms
	<ul style="list-style-type: none">• Changed requirement for a medical certificate in case of illness from day 8 to day 15 (13 March 2020–30 September 2021, and 19 January 2022–31 March 2022). Furthermore, the Social Insurance Agency waited to request a medical certificate until day 22 (this applied until October 2020).• All 180-day assessments against normally occurring work were temporarily stopped meaning that the assessment was made against the employer until day 365 (21 December 2020–14 March 2021).• Exceptions from the assessment against normally occurring work at day 180 and day 365 in case of cancelled or postponed care, treatment, or rehabilitation due to the COVID-19 disease (April 2020–31 December 2023)

Permanent reforms

- Extended possibility to postpone assessment against normally occurring work after 180 days, following that the legal text changed from 'special reasons' to 'overriding reasons' that the person by day 365 at the latest will return to work the same extent as before at the workplace (15 March 2021–).
- Instead of having the work ability assessed against normally occurring work, the individual can, if there are 'special reasons', having it tested against the usual job if it is assessed that she can return to work before day 550 of sick leave (1 February 2022–).
- A more flexible arrangement of working hours for part-time sick leave (1 February 2022–).
- The assessment of work ability for on-call employment workers shall be made against the work the individual is called in to perform during day 1–90 of sick leave instead of an assessment against normally occurring work from day 1 (1 February 2022–).
- Persons on sick leave 62 years or older shall on day 181 have their work ability assessed against work with the employer instead of being assessed against normally occurring work (1 February 2022–).
- After 180 days on sick leave, it must be assessed whether the insured has such an ability that she can support herself through gainful employment in such 'specified occupational group' that contains jobs that are normally occurring on the labor market (1 September 2022–).

Adequacy of benefits

Provisional reform

- The waiting day deduction was replaced by a compensation of SEK 700 on 11 March 2020. It was raised to SEK 804 from June 2020, and then raised to SEK 810 both between 1 January 2021 to 30 September 2021 and 8 December 2021 to 31 March 2022.

Permanent reform

- The income ceiling was raised from 8BA to 10 BA (1 January 2022–).

Conclusions and discussion

A strong exogeneous force as the pandemic could *potentially* alter the trajectories of institutions. However, a first conclusion from our study is that the Scandinavian countries relied on known policy instruments during and in the aftermath of the COVID-19 pandemic. Consequently, this mega-event did not lead to path disruptions. Furthermore, another conclusion is that the nature of change did not mainly vary 'across issue domains' (cf. Hall 2010, p. 219) but across countries, that is, we found evident internal variation in the welfare state regime under study: between Denmark and Norway, on the one hand, and Sweden, on the other hand. The Danish and Norwegian governments implemented mostly *provisional* reforms during the pandemic, with the exception allowing training while receiving unemployment benefit (and one other minor exception). This contrasted with Sweden where several reforms in both the unemployment benefit and sickness benefit schemes became permanent.

Concerning the divergent sickness benefit reform trajectories, one key explanation for this is the depth of the pandemic health crisis (cf. Capano et al. 2022). Compared to the comprehensive lockdowns in Denmark and Norway, the Swedish government relied heavily on the expertise of the Public Health Agency, focusing on advice and recommendations that people were expected to voluntarily follow to facilitate social distancing

(SOU 2022:10). During the first and second pandemic waves, Denmark and Norway had very low infection and death rates, while Sweden had one of the highest rates in Europe (cf. Béland et al. 2021; SOU 2022:10). As the Danish and Norwegian health care systems were not particularly badly affected (except through the implementation of strict infection control measures), the needs and demands of major sickness benefit reforms were largely absent.

Additionally, there are also country-specific, pre-pandemic explanations for the diverse reform trajectories. In Norway, the sickness benefits have since long been very generous, not least that individuals receive 100% wage compensation from day one in the sickness period, and despite welfare retrenchment attempts (cf. NOU 1990:23, 2000:27; Mykletunutvalget 2010), there has been fierce resistance, resulting in institutional inertia (Hagelund & Pedersen 2015). Facing this inertia, tripartite collaboration aiming at efficient work-place measures to reduce sickness absence have been pursued since long, offering the social partners a *de facto* veto in tripartite negotiations on sickness benefit changes. Thus, with strong veto capabilities (cf. Mahoney & Thelen 2010), and a need for a generous benefit scheme securing that employees that become ill due to a potentially lethal virus did stay at home, the pandemic did not represent a critical juncture that closed of the current path, but rather provided incentives to keep the generous scheme. As such, the pandemic has reinforced the existing generous benefit system in Norway. Continuing with the Danish case, when COVID-19 was declared a pandemic, tripartism became the main policy tool of crisis management. The many agreements concluded were accepted by the opposition due to both the state of emergency and the *provisional* nature of the agreements, that is, the tripartite structure came to act as a safeguard for path reinforcement.

In Sweden, on the contrary, following the high rate of deaths and seriously ill, there was more room for reforms in the sickness insurance. The health care system was in a prolonged crisis, and a source of policy change in this changed environment seemed to be a shift in the balance of power (cf. Mahoney & Thelen 2010). In the light of the pandemic as a serious public health issue, key actors, such as the most powerful trade unions, saw the opportunity to push for reforms that increased benefit generosity and eased work-related obligations. We should here emphasize, though, that the reforms in question did not only follow from that the exogenous event of the pandemic entailed a sudden awakening that employees who fall ill need adequate income protection. Long-term, gradual institutional transformations (cf. Mahoney & Thelen 2010) had resulted in lesser benefit generosity and employment protection for persons on sick leave, and reform proposals were thus underway ahead of the pandemic. That said, the pandemic seemed to be decisive in the removal of ‘normal blockages’. As it paved the way for permanent changes that in some cases had been debated for a long time, the pandemic health crisis could thus be conceptualized as a path-clearing policy accelerator (Hogan et al. 2022).

Concerning unemployment benefit reforms, in Norway, the closure of businesses led to pressure for reinforced schemes. However, the main actors here referred to ‘the work line’, that is, the shared understanding that increased benefit generosity could risk weakening work incentives (cf. Johansson & Hvinden 2007). Even though the pandemic lay bare inherent tensions in institutions’ distributional consequences (cf. Mahoney & Thelen 2010), the shared understanding (of that increased income security is a disincentive to work) thus counteracted permanent changes. Also, long-lasting low unemployment levels in Norway may have limited public pressure for a more generous scheme.

In Denmark, as well, the pandemic did not lead to incremental or abrupt unemployment benefit changes. This was due to the nature of crisis management based on tripartite agreements, an institution temporarily replacing the ordinary policy process. By involving the social partners, the government gained legitimacy in terms of its crisis management. However, as in the case of sickness benefits, the parliamentary opposition only accepted this state of emergency as all agreements were supposed to be *provisional*.

In contrast to Norway and Denmark, Swedish unemployment benefit reforms were (like the sickness benefit reforms) prepared ahead of the pandemic to address what was perceived as shortcomings in the unemployment insurance. Various governments had received criticism for that the strict benefit conditionality and the diluted benefits had contributed to increased inequality (cf. Bengtsson & Jacobsson 2018; OECD 2015). However, the reforms were not possible to implement under the dire circumstances of the pandemic. Thus, as an illustration of ‘path blocking’ (cf. Hogan et al. 2022), the government was, due to impediments caused by the pandemic, forced to cling to proven policy instruments.

At the same time, following decades of austerity measures, the Swedish government debt as a percentage of GDP was in early 2020 the lowest since the end of the 1970s (Riksgälden 2023). This legitimized room for *provisional* increases in public spending. However, as several benefit changes had been prolonged multiple times, they were difficult to reset for the minority government, and thus became *permanent*. Unlike the shared understanding among Norwegian actors not to create stronger *disincentives to work*, in Sweden, in the aftermath of the pandemic crisis, there existed no equivalent shared understanding in creating stronger *incentives to work*. The pandemic thus opened a policy window for reforms in Swedish social protection systems, which meant at least a temporary derogation from the monetarist policy paradigm (cf. Bengtsson & Jacobsson 2018; Streeck 2017). However, we should keep in mind that institutional change may ‘follow an incremental sequence whose real effects may not be recognized for a long time’ (Capano et al. 2022, p. 3; cf. Mahoney & Thelen 2010). Thus, the future will tell to what extent the changes in the Swedish case will become reversed as the pandemic, and the lessons on the need for inclusive social protection systems that it raised, become more distant for policy makers.⁵

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Notes

- ¹ We have occluded other forms of assistance for the long-term ill, and regulations concerning persons belonging to a defined risk group or certain relatives of these risk groups.
- ² As different forms of self-employment are characterized by being specifically vulnerable in terms of income security, this group is studied separately in another, forthcoming article.
- ³ The center-right government announced in September 2023 that it will reiterate a main part of this reform proposal; that the unemployment insurance should be changed so that benefits are based on income from gainful employment (as in Norway) rather than time worked (Arbetsmarknadsdepartementet 2023).
- ⁴ In a similar way, a parent in Sweden could receive a temporary parental benefit if he or she needed to give up paid work to care for a child when, for example, a kindergarten or school was closed in certain situations linked to the coronavirus disease.
- ⁵ At the time of writing in April 2024, a public enquiry proposes to remove the permanent reforms implemented in 2021–2022 regarding weakened work-related obligations in the sickness benefit scheme. In addition, a new, substantially revised unemployment insurance scheme has been proposed and is planned to enter into force in October 2025 (cf. Arbetsmarknadsdepartementet 2023).