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MASTER OF ECONOMICS AND PUBLIC POLICY

MASTER´S FINAL WORK

DISSERTATION

POLICY RESPONSES TO COVID-19 AND THE LABOUR MARKET

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RESPOSTAS DE POLÍTICAS À COVID-19 E AO MERCADO DE TRABALHO

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To my mother and to my sister, for the endless patience, love and encouragement.

ABSTRACT

To tackle COVID-19 effects on labour markets and, in particular, on youth labour markets, governments adopted an unprecedent pack of public policy measures, some of them youth-specific. The aims of this research are: (i) identifying the categories and characteristics of labour market policies implemented in EU and Portugal, namely youth-related; (ii) assessing how countries adapted them throughout the pandemic; (iii) identifying the main negative impacts of COVID-19 on the evolution of the labour market; and (iv) concluding to what extent there is evidence that the policy measures adopted (e.g., Job Retention Schemes and Active Labour Market Policies) had the effect of counteracting those negative effects on total population and on youngsters.

Based on Policy Watch databases, statistical and administrative data and documentation, different phases of the policies implementation are identified. In a first immediate response, Job Retention Schemes were widely implemented in EU and had different characteristics. In a second stage, labour market evolution imposed a constant adaptation, and public authorities targeted policies to the more affected groups. A third stage was characterized by public policies aimed to incentivise firms to go back to production and, in many EU countries, public subsidies were implemented to incentivise the hiring of young unemployed or the unemployed population in general.

Policy measures were put in place to mitigate the pandemic effects on labour market on the supply side and on the demand side, especially through Job Retention Schemes. But, in the case of Portugal, there is still a lack of evidence that public measures were capable of supporting the permanent hiring of young people in a sustainable way. By the end of 2021, global unemployment rate was below pre-pandemic levels but the same did not occur for the young.

Key words: Labour Market, Public Policy, COVID-19, Portugal and EU, Youth

JEL classification codes: J22, J23, J28, J48, J63, J64, H25, H84

RESUMO

Para combater os efeitos da COVID-19 nos mercados de trabalho e, em particular, no mercado de trabalho dos jovens, os governos adotaram um pacote sem precedentes de medidas de política pública, algumas delas específicas para os jovens. Os objetivos desta investigação são (i) identificar as categorias e as características das políticas de mercado de trabalho implementadas na UE e em Portugal, nomeadamente ligadas aos jovens; (ii) avaliar como os países as adaptaram ao longo da pandemia; (iii) identificar os principais impactos negativos da COVID-19 na evolução do mercado de trabalho; e (iv) concluir em que medida existem provas de que as políticas adotadas (por exemplo, regimes de retenção de emprego, como o layoff, e Políticas Ativas do Mercado de Trabalho) tiveram o efeito de contrariar esses efeitos negativos, na população em geral e nos jovens.

Com base em bases de dados de Policy Watch, dados estatísticos e administrativos e documentação, são identificadas diferentes fases de implementação das políticas. Numa resposta imediata, os regimes de layoff foram amplamente implementados na UE e tiveram diferentes características. Numa segunda fase, a evolução do mercado de trabalho impôs uma adaptação constante, e as autoridades públicas orientaram as políticas para os grupos mais afetados. A terceira fase da pandemia foi caracterizada por políticas públicas que visaram incentivar as empresas a retomarem produção e, em muitos países da UE, foram atribuídos subsídios públicos para incentivar a contratação de jovens desempregados e da população desempregada em geral.

Foram implementadas medidas de política para mitigar os efeitos da pandemia no mercado de trabalho do lado da oferta e do lado da procura, especialmente através de Regimes de Retenção do Emprego. Mas, no caso de Portugal, não havia ainda evidência de que as medidas públicas tenham conseguido apoiar a contratação permanente de jovens de forma sustentável. No final de 2021, a taxa de desemprego global estava abaixo dos níveis pré-pandémicos, mas o mesmo não se verificou com a taxa de desemprego dos jovens.

Palavras-Chave: Mercado de Trabalho, Políticas Públicas, COVID-19, Portugal e UE, Jovens

Classificação JEL: J22, J23, J28, J48, J63, J64, H25, H84

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Lists of Acronyms and Abbreviations

ALMP	Active Labour Market Policies
CAE/NACE	*Classificação das Atividades Económicas/ Nomenclature des Activités économiques dans la Communauté Européenne*
EU	European Union
Eurofound	European Foundation for the Improvement of Living and Working Conditions
Eurostat	European Statistical Office
GEP-MTSSS	*Gabinete de Estratégia e Planeamento do Ministério do Trabalho, Solidariedade e Segurança Social*
GVA	Gross Value Added
IEFP	*Instituto do Emprego e da Formação Profissional*
ILO	International Labour Organization
IMF	International Monetary Fund
INE	*Instituto Nacional de Estatística*
JRS	Job Retention Scheme
LFS	Labour Force Survey
MSME	Micro, Small and Medium Enterprises
MTSSS	*Ministério do Trabalho, Solidariedade e Segurança Social*
NEET	Not in Education, Employment or Training
OECD	Organization for Economic Cooperation and Development
SME	Small and Medium Enterprise
STW	Short-Time Work
SURE	Support to mitigate Unemployment Risks in an Emergency
UK	United Kingdom
WFH	Working from Home
WHO	World Health Organization

I. INTRODUCTION

COVID-19 struck world's health and economic systems by lightening, forcing governments to implement quick responses to effectively prevent a harsh increase in casualties, as well as a sudden rise in unemployment, and to maintain households' wellbeing. What made the pandemic crisis a unique economic shock was that it was both on the demand and the supply side.

The social, economic and health effects of COVID-19 crisis did not affect the population in EU equally and pre-pandemic inequalities were exacerbated. This is the case for youngsters, a group which will be one of the foci of this dissertation for two reasons: (1) initial studies point them out as the most affected by the crisis as in previous recessions; (2) to understand if governments had learnt from past experiences and tried to mitigate the impacts on youngsters.

Young people in the labour market (employed or unemployed) were particularly hurt by COVID-19 crisis (ILO, 2021) and there was no clear evidence, at the end of 2021, that the recovery of the economy was improving their situation, at least back the pre-pandemic performance in the labour market. However, several youth-specific labour market policies were implemented as well as other non-youth-specific that could affect positively the youngsters.

This dissertation aims to contribute to a better knowledge of the role of public policies in Portugal and the EU during the pandemic and, in particular, the youth labour market. The research questions that guide this dissertation are:

(i) Identifying the different approaches carried out by economic literature about the pandemic crisis and by labour market literature and associated public policies. What are their characteristics and the subsequent behaviour of labour markets and the economy?

(ii) The interdependence between health and the economic situation of countries had never been so strongly linked and the pandemic had different waves of intensity. Consequently, what was the revealed capacity for innovation and adaptation of the policy measures in the EU and Portugal throughout the pandemic crisis?

(iii) For the Portuguese case, how can one assess the pandemic shock in pre-pandemic labour market trends?

(iv) What were the main negative impacts of the pandemic crisis on the evolution of the labour market (total population and youth) and to what extent there is evidence that

the policy measures adopted (e.g., Job Retention Schemes and Active Labour Market Policies) had the effect of counteracting those negative effects, namely on the youth.

The dissertation has four chapters. After this introductory remarks, **Chapter II** presents a literature review on the approaches by economic science and public policy towards the socio-economic impacts of the pandemic. Special attention is given to the heterogeneity of studies regarding different target groups, such as youngsters, and policy measures, such as Job Retention Schemes (JRS) and Active Labour Market Policies (ALMP). In **Chapter III**, we propose a taxonomy on the public economic policy measures adopted during the pandemic crisis using three Policy Watch databases: Eurofound (n.a.), OECD (n.a.) and ILO (n.a.). An overview of the general policies adopted affecting the labour market is made to the EU and Portugal. Specifically, Job Retention Schemes (JRS) will be analysed in a comparative perspective for four countries (Portugal, France, Germany and UK). Measures targeted at youth and 'post-JRS' measures, to incentivise firms to resume activity, will also be examined, because international institutions defend their adoption. In **Chapter IV**, we study the EU and, more broadly, the Portuguese labour market performance before and after the pandemic, contributing to understanding how and in what grade several economic measures, specifically related to the labour market, responded after the implementation of public policies. **Conclusions** summarise the results and propose future research avenues.

II. LITERATURE REVIEW

1. An overview of the initial COVID-19 impacts on Labour Markets

To contain the spread of SARS-CoV-2, the immediate policy responses in many countries, in March 2020, were general lockdowns in sectors such as non-essential retail, hospitality, air travel, restaurants, arts, culture and leisure services (the exceptions were essential retail, health services and other essential services), mandatory teleworking in compatible sectors and emergency remote schooling (Baum, Mooney, Robinson & Solnet, 2020; Blundell, Costa Dias, Joyce, Postel-Vinay & Xu, 2020; Orlowski, 2021; Williams & Kayaoglu, 2020).

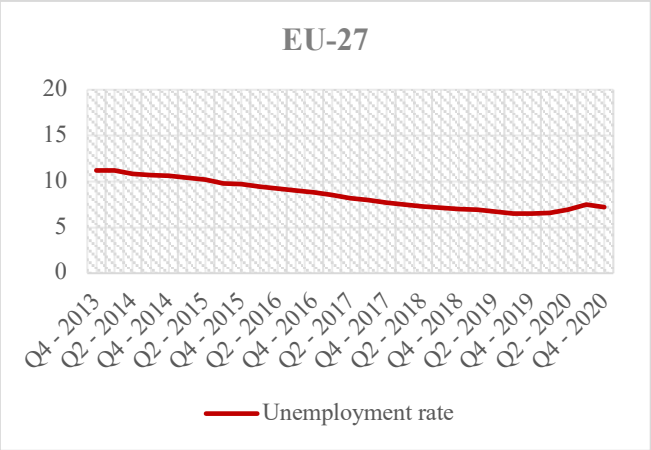
Such policies had positive effects on controlling infection rates, but had a side effect: an increase of unemployment throughout Europe. The sharp increase of new COVID-19 cases also reduced hours worked among the employed population due to illness, mandatory quarantine, businesses closures, special parental leave associated to kindergarten closure and Job Retention Schemes. On June 2020, Cirera *et al*. (2021) estimated that COVID-19 crisis would likely be the deepest in advanced economies since the Second World War and overtake the impacts of the 2008 financial crisis.

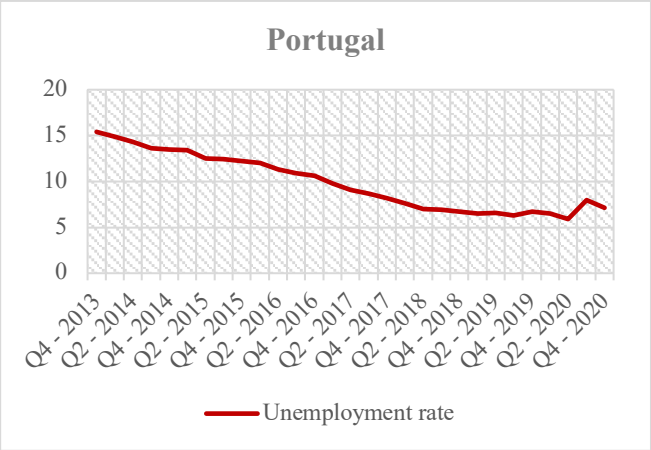
This initial economic downturn in medium and high developed economies was interpreted as not just a deceleration of the economy, but also a "*radical shift in the mix of economic activities*" (Costa Dias *et al*. 2020; p. 2) because the crisis prompted structural adjustments in labour markets. On the one hand, it reinforced job creation in sectors such as healthcare or online services but, on the other hand, eliminated jobs in a larger scale in sectors where lockdowns were imposed for a long period, such as travel, recreation, non-essential retail and in industries that are unprepared for the post-crisis digital economy (Orlowski, 2021). Some sectors will experience a persistent effect that can become definitive, which results from changes in the demand for products and services (e.g., habits of consumption, lifestyles, routines), technologies and labour organisation such as working from home.

The economic effects were not as harsh as initially expected. Despite rising in the first months of the pandemic, the unemployment rate did not grow as much as in the previous crisis. Also, as COVID-19 became endemic, governments continued to ease restrictions albeit high infection and death rates. As a result, the labour market scenario was showing signs of improvement by the end of 2021: unemployment rate fell in the

EU-27[1] from the August/September 2020 peak to 6.8%/6.7% one year later, which is equal to pre-crisis levels (*Figure 1*). A similar, tendency was seen in Portugal (*Figure 2*).

Figure 1 and Figure 2. Unemployment rate (%) in EU and Portugal from Q4 2013 to Q4 2020





Data source: Eurostat (LFS)
https://ec.europa.eu/eurostat/databrowser/view/UNE_RT_Q_H__custom_3344825/default/table?lang=en

In Portugal, the marginal increase of unemployment was evaluated as evidence of the efficiency of government measures in supporting jobs (Banco de Portugal, 2020; Ferreira, Cerejeira & Portela, 2020a, 2020b). These government measures are at the core of this dissertation.

2. How economic science and public policy dealt with the socio-economic impacts of the pandemic

2.1. Economics of COVID- 19 and transdisciplinarity

Literature and political narrative have argued about the existence of a **trade-off between 'economy and health'**. This view states that, to avoid the dissemination of coronavirus and pressure on health services, economy must partially or totally 'stop', which will have deep consequences. In this subject, there is a lack of consensus. Besley *et al*. (2020) questioned the approach, arguing that not only more successful economies were better off protecting their citizens' health in the past, but also that investing in their citizens' health had beneficial effects on the economy. Pienknagura & David (2020) placed the responsibility on policy making to ensure this trade-off is relaxed but outline

[1] It includes EU-27 countries (from 2020 after Brexit).

that each policy success is heavily dependent on how citizens respond to it. *Figure A1* (in *Appendix*) illustrates, for Portugal, this trade-off with a timeline combining health and policy measures (quantitative and qualitative data).

COVID-19 represented an exogenous shock with macro-economic impacts to world's economies. In an initial stage, economists questioned if it was a demand shock, given the rise in unemployment, or a supply shock, due to the interruption of supply chains and industries' closures (Bekaert, Engstrom & Ermolov, 2020; del Rio-Chanona, Mealy, Pichler, Lafond, Farmer, 2020). As time went by, it became clear that COVID-19 shock was, essentially, a shock with supply and demand elements that concurred within themselves (Caballero & Simsek, 2020). Guerrieri, Lorenzoni, Straub & Werning (2020), for example, added that supply shocks would go on to create new demand shocks greater than the first shock.

Within the 'Economics of COVID-19' there was an interconnectivity of different research subjects (Brodeur, Gray, Islam & Bhuiyan, 2020; Hur & Jenuwine, 2020; Snower, 2020; Susskind & Vines, 2020; The DELVE Initiative, 2020). For example, research has combined economics and epidemiology (Murray, 2020) or economics and social sciences (Besley & Stern, 2020). When it comes to workers, it has addressed the multilateral impacts of COVID-19 on unemployment (Weber, Hurley & Adăscăliței, 2021; Chetty, Friedman, Hendren & Stepner, 2020), on incomes (Wachter, 2020a) or on financial wellbeing (Botha, New, New, Ribar & Salamanca, 2021), but also on mental health or non-COVID-19 mortality (Wachter, 2020a).

Some institutions have created large databases that updated the adopted policy measures associated to the pandemic by country: e.g., Eurofound (n.a.); ILO (n.a.); and OECD (n.a.). In **Chapter III**, these large databases, which were used on the research, will be described.

2.2. The heterogeneity of approaches to the labour market and target groups

Economists have researched about the expected and actual economic impacts of the pandemic and the associated measures of public policy in multiple ways. Different approaches were adopted concerning the labour market:

(i) the report and quantification of the immediate unemployment effects (Bell & Blanchflower, 2020; Costa Dias *et al.,* 2020; Ferreira *et al.,* 2020a, 2020b; Orlowski, 2021; Wachter, 2020a);

(ii) the analysis of the design and scope of adopted policy measures (Adams-Prassl, Boneva, Golin & Rauh, 2020b; Ferreira *et al*., 2020a, 2020b);

(iii) the anticipation of the policy making challenges (Costa Dias *et al*., 2020), namely on long-term high unemployment (Wachter, 2020a).

(iv) the description of the measures adopted and patterns on countries' responses. Specifically, Job Retention Schemes, such as the Portuguese *simplified layoff*, were widely discussed (Adams-Prassl *et al.*, 2020b; Ferreira *et al.*, 2020a; Mayhew & Anand, 2020; OECD, 2020a; Drahokoupil & Muller, 2021).

The pandemic didn't affect all groups equally and exposed and exacerbated many pre-existing socio-economic inequalities. Research has identified the most **vulnerable groups**: young people[2] (Blundell *et al*., 2020; Wachter, 2020a, 2020b); women (Alon, Doepke, Olmstead-Rumsey & Tertilt (2020); the low-paid (Blundell *et al*. 2020); those without a higher degree or with a low-skilled job (Costa Dias *et al.* 2020; Ferreira *et al.* 2020a); the self-employed (Blundell *et al.* 2020; Ferreira *et al.* 2020a), informal workers (Webb & McQuaid, 2020; Williams *et al.,* 2020); the poorest (Blundell *et al.,* 2020); and micro and small firms (Bartik, Bertrand, Lin, Rothstein & Unrath, 2020; Webster, 2021a; Cirera *et al.,* 2021; WTO, 2020). In some studies, these multiple vulnerabilities are interconnected. Blundell *et al*. (2020) concluded that, in the UK, workers of shutdown sectors were disproportionately female, young and low-paid.

The sectors affected by the lockdown, as hospitality, received special attention from economists (Baum *et al*., 2020; Williams *et al*., 2020). Baum *et al*. (2020) determined that the pandemic magnified the vulnerabilities in the hospitality workforce prior to the pandemic, such as precarious labour contracts, low levels of remuneration and poor working conditions. Furthermore, workers in this sector frequently perform their job in the '*informal economy*' and, consequently, were excluded from public support measures.

There is also a consensus that micro and smalls firms, due to lower financial resources and borrowing capacity, as well as a larger presence in sectors most exposed to the restrictions, were highly vulnerable (Bartik, 2020; Webster, 2021a; Cirera *et al*, 2021;

[2] The impact on youth and youth employment and unemployment is studied in *Section 5*.

WTO, 2020). For example, relying on survey data of more than 120,000 firms in 60 countries (Portugal included), Cirera *et al.* (2021) estimated that micro firms were, between April and September 2020, about half as likely to receive support compared to large firms. Overall, only one in four companies received public support, which means the majority faced the crisis alone. This result is coincident with that of OECD (2021a) for Portugal's SME: up to February 2021, only 21% had accessed public support (below OECD's average of 34%). This represented a risk for employment maintenance given the high share of SME in the Portuguese business tissue.

2.3. The case of Youngsters

Ferreira *et al.* (2020a) have leaned over the urge of recent graduates to enter the labour market shortly after graduation, otherwise they would be competing disadvantageously with the following class. Therefore, young people that entered the workforce in 2020 were exposed to long-lasting effects on the labour market.

Literature has also pointed out that youngsters tend to have more precarious contracts. During COVID-19, it was likely that least permanent workers and those with less experience were the first to be dismissed ("*last in, first out*"), which can have been speed up by policies designed during the pandemic. For example, in the Portuguese Job Retention Scheme, the *simplified layoff*, companies could not dismiss permanent workers, but could simply not renew temporary contracts that expired (Ferreira *et al*., 2020a).

Young people are also at risk of long-term negative effects on salary levels and even fertility or marriage. Wachter (2020b) surveyed several studies focusing on workers who enter the labour market during recessions, arguing that workers suffer medium to long-term consequences. A rise of 4 to 5 percentage points in the unemployment rate will lead to an initial reduction in annual earnings of new college graduates of about 10%, an effect which will only fade after around ten years. The effects can also expand to other social dimensions, including on marriage, divorce, fertility (since family formation decisions are postponed) or even criminal activities and alcohol consumption.

Besley *et al.* (2020) foresaw that while the young may be the least affected in their health by the pandemic, they may very likely pay the highest economic price, not only with unemployment, low wages and poorer job opportunities, but also possibly paying higher taxes over their lifetime to fund the measures adopted during COVID-19. The

characteristics of the young active population in Portugal and the EU before and during the pandemic crisis will be studied in *Section 5*.

2.4. The importance of Job Retention Schemes (JRS) and Active Labour Market Policies (ALMP)

Labour market policies are instruments used by governments to respond to individuals struggling in labour markets as, but not only, the unemployed (Clegg, 2017). Consequently, they are of great need especially during periods of recessions or at the onset of a crisis. This kind of policies were widely implemented during COVID-19.

World Bank's policy tracker (2020) for SME identified 1,607 measures to support companies and workers/citizens in 135 countries, since the start of the pandemic until September 2021, and concluded that employment support constituted one quarter of all measures adopted, mainly through Job Retention Schemes and support for the self-employed; and that high income countries tend to use employment support measures more frequently (32%) than the others (Cirera *et al*., 2021).

Job Retention Schemes

One of the most transversal set of measures adopted, in particular, in high-income countries, during the first stages of the pandemic, were Job Retention Schemes. By May 2020, these schemes covered about 50 million jobs across OECD, which represented ten times more than during the financial crisis (OECD, 2020a). They were public programs that allowed firms to reduce hours worked, sometimes up to 100%, while receiving public financing for worker's wages. Their aim was to protect the ties between workers and companies, employees' incomes, and to avoid large increases of unemployment.

The discussion about these schemes and results is large and diverse. Job Retention Schemes can bring advantages to firms (Adams-Prassl *et al*., 2020b; Costa Dias *et al.,* 2020; Drahokoupil *et al.,* 2021; European Commission, 2020d; Hijzen & Martin, 2013) because they:

(i) allow businesses to pursue activity, even during temporary low demand, through reductions in hours worked;

(ii) prevent permanent dismissals, with companies being able to keep their employees' experience and knowledge during a temporary negative shock, and avoid the long and costly process of dismissing, hiring and training;

(iii) reduce labour costs and help avoid bankruptcy;

(iv) allow firms to rapidly resume activity once restrictions are lift up;

(v) reduce uncertainty for companies and incentivise hiring by assuring them a safety net if things go wrong.

Workers also benefit (Adams-Prassl, 2020b; European Commission, 2020d; OECD, 2020a):

(i) by keeping their contract, job and salary;

(ii) by avoiding unemployment and, specifically, long-term unemployment;

(iii) because Job Retention Schemes usually guarantee a stronger financial support than unemployment benefits.

There are disadvantages, since in many cases employees don't get a full salary.

These schemes have, in some countries, a long history and experience of application during economic downturns. Job Retention Schemes were introduced in the USA and Canada in the late 1970s and are a well-established policy (Mosley, 2020). Even prior to the pandemic, they helped firms and their workers through economic fluctuations. In general, the schemes had two main characteristics: were *cyclical* (most reasons for adopting them were economic, dependent on the business cycle); and *sectoral* (mainly in industry and rarely in the service sector, contrary to the pandemic crisis) (Mosley, 2020).

Prior to COVID-19, the analysis of Job Retention Schemes' impacts has been done in two main perspectives: **(i)** country-level (e.g., Hijzen *et. al,* 2013); and **(ii)** using firm-level data (e.g., Lydon, Matha & Millard, 2019; OECD, 2020a). Regarding **(i),** many studies focused on the impacts of Job Retention Schemes during the last financial crisis. In an analysis of 23 OECD countries, from Q1 2004 to Q4 2010, using take-up rates throughout time and countries, Hijzen *et al*. (2013) supported the idea that these arrangements help preserve jobs in a recession[3]. However, they warned that *timing "is crucial*" (p. 29) because a prolonged use of Short-Time Work[4] has a negative impact on recovery, although it can reduce the crisis' social costs.

[3] According to their estimates, in the second half of 2009, unemployment was estimated to have been 580,000, 130,000 and 445,000 higher without a JRS, respectively, in Germany, Italy and Japan.

[4] Short-time work is a type of Job Retention Scheme which directly subsidies hours not worked. It differs from Wage Subsidies, which also fund hours worked to firms.

Using a difference-in-differences approach to assess the evolution of labour market adjustment patterns, Hijzen & Venn (2010) also pointed out to Job Retention Schemes' role in preserving jobs during a financial crisis but outlined that the positive effects only applied to permanent contracts, leaving temporary workers behind.

The **(ii)** approach compares firms that used Job Retention Schemes with those that did not. Since, in the previous recession, Germany was particularly effective in mitigating the impacts on employment and take-up rates were high[5], many studies focus on the country's example. However, not all agree on the positive effects. For example, Kruppe *et al*. (2014), who studied employment changes in Germany between June 2008 and June 2010, found no significant disparity in contract terminations for companies that did not participate in the scheme compared to the ones that did, which can mean that firms seek other mechanisms to secure jobs.

Based on Business Pulse Surveys of 79 countries (Portugal included), Cirera *et al*. (2021) concluded that in firms that received wage subsidies the probability of dismissals was lower but saw no significant influence of the scheme in the evolution of sales nor on the prospects of default on the following months. Another complementary view argues that the scheme prevents workers' reallocation to sectors with labour shortages and delays adjustments, while keeping afloat low-productivity firms and low-quality job matches (Adams-Prassl *et al*., 2020b; Costa Dias *et al*. 2020; Ferreira *et al*., 2020a; Mayhew *et al.,* 2020).

Pre-pandemic literature on Job Retention schemes has, too, contemplated the need to change its design over the course of the business cycle and during recovery, which may encourage firms and workers to leave Job Retention Schemes and reduce the risk of dependency on such schemes (Hijzen *et al*., 2010). Hertweck & Brey (2016) studied the effectiveness of Job Retention Schemes extensions in OECD countries during and after the Great Recession (whether by soothing eligibility criteria or creating new schemes) and figured out that the "*dampening effect*" on unemployment rate decreases at higher take-up rates[6]. Therefore, they argued that take-up should be increased at the beginning of the recession but eased rapidly, as soon as recovery starts.

[5] The European Great Recession was a prolific rehearsal stage for the adoption of JRS schemes. Across the 25 OECD countries that had a JRS scheme during the financial crisis, take-up increased from insignificant numbers in 2007 to more than 1% of dependent employment two years later, which means 4.5 million workers in the OECD (Hijzen & Martin, 2013).
[6] Defined by the authors as the share of all employees participating in STW schemes.

Simulations by OECD based on firm-level data of 14 European countries suggested that these programs significantly reduced jobs at risk due to liquidity problems during COVID-19 (OECD, 2020a). For Portugal, convergent results were obtained by Ferreira *et al*. (2020a) who argued that firms's liquidity problems were eased with the Portuguese *simplified layoff* because the share of companies under the scheme that faced liquidity issues is equivalent to the share before the crisis.

Job Retention Schemes are also associated with some risks that have been documented not only during the pandemic (Adams-Prassl, 2020b; Costa Dias *et al*. 2020; Mayhew *et al.,* 2020), but also prior (Hijzen *et al*., 2010; Hijzen *et al.,* 2013): (i) *deadweight effects*, when Job Retention Schemes subsidise jobs that would have been preserved if the subsidy was not paid; and (ii) *displacement effects*, when they preserve jobs that are not viable in the medium and long-term and will end once the support terminates. The first risk can be curtailed through eligibility requirements. For example, by having to present evidence of substantial downturns in production (Adams-Prassl, 2020a) or broader economic need (Hertweck & Brey, 2016; Hijzen *et al.,* 2010); by requiring firms to share more costs of Job Retention Schemes; or limit the maximum duration (Hijzen *et al*., 2013). The second risk can be mitigated by conditionality requirements, such as the obligation for job search or training while under a Job Retention Scheme (Hijzen *et al.,* 2010). Job Retention Schemes can also present a moral hazard: while receiving a subsidy to pay wages, firms may illegally require their employees to work a normal schedule (Adams-Prassl, 2020a). As will be seen, countries tried to tackle these risks during the pandemic in different ways.

It is recommended that, in the recovery phase of the pandemic, Job Retention Schemes could be combined more strongly with Active Labour Market Policies, such as training or job creation subsidies, to guarantee that, in case of dismissal, workers can more easily find a new job (Eichhorst *et al*., 2021). OECD (2020a) adds that when the gap between Job Retention Schemes and unemployment benefits is large, there could be an alignment to reduce the schemes' attractiveness.

The OECD (2020a) and the European Commission (2020d) also warned governments that such schemes could not be implemented for too long otherwise they would become economically inefficient by sustaining jobs that are not viable. But, as Mosley (2020), advised that if countries plan to abandon these schemes, they ought to do

so progressively. In line with this warning, many countries started to progressively decrease, throughout the pandemic, public support paid to companies through Job Retention Schemes to incentivise them to resume activity once restrictions were eased.

Active Labour Market Policies

Another set of measures recommended by literature are Active Labour Market Policies (ALMP), which can be "*an effective policy tool to protect incomes while also improve workers' longer-term labour market prospects*" (ILO, 2020a; p. 2). ALMP are usually targeted to the unemployed or those at risk of unemployment (Arltová & Kantová, 2020) and include measures on the supply and demand side of the labour market to support workers' integration (ILO, 2020a).

On the supply side these measures can assist people in maintaining the link to the labour market and encourage them to search for new jobs. On the demand side, they incentivise job creation and hiring. Examples of ALMP are employment searching support to ensure an effective match between job vacancies and workers; training and labour market services; job counselling services; public employment programs to subsidy apprenticeships; and start-up incentives (ILO, 2020). Some countries have complemented Job Retention Schemes with training programmes. Still, ALMP were being implemented less frequently, at least in a first stage of the pandemic (ILO, 2020).

The need for ALMP, specifically for younger people, is highlighted by Mayhew *et al*. (2020), by arguing that the adoption of Job Retention Schemes should be quickly replaced by policies to improve work-based training.

III. EMPIRICAL ANALYSIS

3. Public policy measures and the labour market: data sources and a proposed taxonomy

3.1. Policy Watch Databases and methods of analysis

Several institutions collect, organise and publish data on the policy measures adopted during COVID-19 pandemic. The main source of data used in this dissertation is Eurofound's Policy Watch (n.a.), a database which identifies multiple categories of labour market measures to EU-27, Norway and UK, explains them and in many cases associates government data regarding take-up or public spending. This is the most complete database considered. Some of its characteristics are:

(i) It has multiple filters, as target groups, type of funding, sectors or social partners involvement. It also contemplates private company practices, which will not be analysed.

(ii) Data is collected by the Network of Eurofound Correspondents, with quality control carried out by the Eurofound staff. It is translated into official publications.

(iii) Each case is associated to only one category and subcategory to prevent redundancies and is consistently updated, namely with information on take-up and conclusions over their effectiveness. One measure can have multiple target groups.

(iv) New subcategories are frequently added in or adjusted. This led to a high variation of the data, namely the total measures counting, throughout 2020 and 2021[7].

(v) It only includes new measures implemented during the pandemic or already existing measures that were significantly adapted. This is the case of the Portuguese *simplified layoff*[8].

Eurofound's database made available the qualitative information about each policy measure, aggregating them by category and subcategory. As such, it is possible to see which set of measures were more frequent. However, the sole counting of policy measures, as a single number, is a very imperfect measure of the importance of each policy because the resources allocated, the access and use by companies or workers/citizens are also crucial data for a rigorous evaluation and a cross-country comparison. Such data is collected according to Eurofound format guide but is not completely standardised.

[7] In fact, Eurofound states that the information in the Policy Watch tool has not been subject to the full Eurofound evaluation, editorial and publication process.

[8] Portugal had a layoff scheme before the pandemic but was deemed as bureaucratic. As there was a need for quick action during the pandemic shock, the government adjusted the mechanism to make it faster and more comprehensive.

Two additional policy watch databases were also consulted, ILO (n.a.) and OECD Country Policy Tracker (n.a.) but are secondary since they were only updated on an initial stage of the pandemic. Based on these policy watch databases, an original Taxonomy of Public Policy Measures was created and applied to EU and Portugal (see *Subsection 3.2*.). These databases are identified in *Table AI* and their categories, as well as subcategories, in *Table AII*.

For the analysis of COVID-19's impacts on labour markets and the economy in general, as well as the characteristics and effects of Job Retention Schemes and other programs, official statistics (Portugal's and other EU's statistical offices), administrative data, documentation policy related (e.g. legislation) and reports by national and international institutions were used.

3.2. A proposed taxonomy

This dissertation proposes a taxonomy composed by seven categories for the policy measures identified in the three policy watch databases, Eurofound, OECD and ILO. *Table I* applies this taxonomy to Europe (EU-27, Norway and UK) and Portugal.

(1) **Retention of workers and salary protection measures**[9], guaranteeing the maintenance of worker-employer links. It includes Job Retention Schemes.

(2) **Targeting recovery, namely Active Labour Market Policies (ALMP)**. Examples are training programs; incentives to hire youngsters, unemployed or people with disabilities; incentives for the young Not in Education, Employment or Training (NEET).

(3) **Incentivise a gradual relaunch of work**. Examples are non-refundable payments to companies to stimulate the restart of activity; support to adapt their businesses to COVID-19; financing of personal protective equipment (PPE); providing technology for contactless delivery.

(4) **Supporting businesses liquidity and survival measures**. Includes access to finance (e.g., guarantees for bank loans; or sector-specific loans), deferral of payments or liabilities; and direct subsidies to companies.

(5) **Income protection beyond JRS**, which guarantees social protection to workers not eligible for other support, as the self-employed or those who don't have enough social contribution records. Examples are extension or creation of unemployment benefits and

[9] Since this dissertation is focused on employment and the labour markets, we will be focusing on Retention of workers and salary protection measures (1) and Targeting recovery, namely Active Labour Market Policies (ALMP) (2), in *Subsections 4.3*. and *4.4.,* respectively.

targeted subsidies. It also covers measures that arose from school closures and COVID-19 disease itself (e.g., sick leave; support to care for children while schools are closed).

(6) **Guaranteeing workers' wellbeing**. Examples are rotation schemes to avoid agglomerations and contagion risk; teleworking; extraordinary health insurance; and mental health services.

(7) **Targeting those in need to protect the vulnerable group,** guaranteeing their basic needs. For example, food vouchers, rent moratoriums for households and suspension on loan payments.

Table I. The application of the taxonomy in Europe and Portugal

Taxonomy	EU-27, Norway, UK	Portugal
(1) **Retention of workers and salary protection measures**	72	3
(2) **Targeting recovery, namely Active Labour Market Policies (ALMP)**	71	5
(3) **Incentivise a gradual relaunch of work**	16	4
(4) **Supporting businesses liquidity and survival measures**	417	10
(5) **Income protection beyond JRS**	169	8
(6) **Guaranteeing workers' wellbeing**	149	10
(7) **Targeting those in need to protect the vulnerable group**	32	4
Others	531	21

Source: Author's construction based on Eurofound (n.a.)

4. An analysis of the labour market measures

4.1. An overview

In this subsection, we compare Portugal and Europe using data from Eurofound Policy Watch[10].

As of August 27, 2022, Eurofound (2022) registered, in 29 European countries, a total of 1,457[11] labour market policy measures introduced by governments and social partners to contain the pandemic effects on businesses, workers and others, from March

[10] The reason for the choice of Eurofound database is: (i) OECD database only extends until May 2020, and measures identified are generally also contemplated by Eurofound; (ii) ILO database found more than 70 policy measures, but this number includes adaptations of pre-existing instruments and measures outside the labour market scope but with impact on it (e.g. the digitalization in public administration or in judicial procedures; and measures that are directly connected to the pandemic, as the raise of the "minimum of existence" threshold); (iii) Eurofound database only considers new measures taken during the pandemic and related to it; and (iv) Eurofound database allows users to apply filters (e.g., target groups, the involvement of social partners or category), allowing for cross-country comparisons.

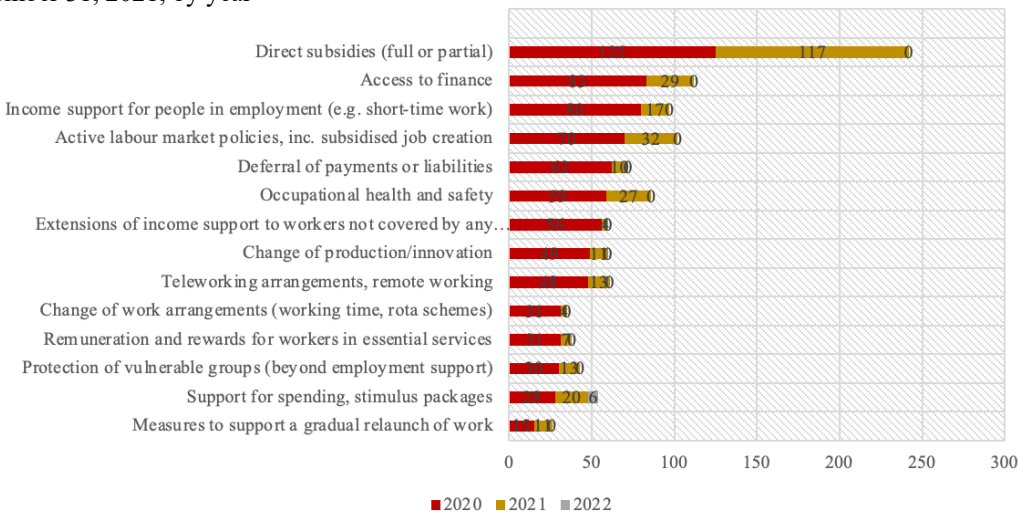
[11] The number includes legislation (937), company practices (140), bipartite (92) or tripartite (31) collective agreements, non-binding recommendations (70) and other initiatives of policies (187).

2020 to December 2021. The most frequent measure was "*direct subsidies*" (17% of total), which included business closure compensations or subsidies for the most affected companies/sectors. "*Access to finance*" for companies (8%), "*active labour market policies (enhancing employability, training, subsidised job creation, etc.*" (7%) and "*income support for people in employment*", which included Job Retention Schemes (7%), came after. This share doesn't diminish Job Retention Scheme's importance, since it was a measure with high take-up rates.

ALMP, including subsidised job creation, accounted for 7% of total measures, but were identified in 25 countries which is line with warnings from international institutions that they should be widely implemented to guarantee a sustained recovery and avoid long-term unemployment. However, besides literature advising the implementation of measures to incentivise firms to resume activity once recovery takes place, there were only 26 (less than 2% of total), in 12 countries, measures to "*support a gradual relaunch of work*".

Data shows how measures have been adapted throughout the pandemic, reflecting different economic and epidemiological stages. *Figure 3* and *Figure 4* show the most frequent measures during COVID-19 in 2020 and 2021. In both periods, "*direct subsidies*" and "*access to finance*" were the most common, but third rank differ between years. While during 2020 it was occupied by "*income support for people in employment*", including Job Retention Schemes, showing a concern for retaining job matches, during 2021 the priority was changed to "*active labour market policies*", with measures focused on training and job creation.

Figure 3. Main measures adopted in 29 European Countries (from order of 2020) from March 21, 2020, to December 31, 2021, by year



Data source: Eurofound (n.a.)

Moreover, out of the 1,457 measures, the vast majority (74%) was adopted until December 31, 2020, and 40% during the first four months of the pandemic. This reflects how there was a need for a quick public response to companies and households.

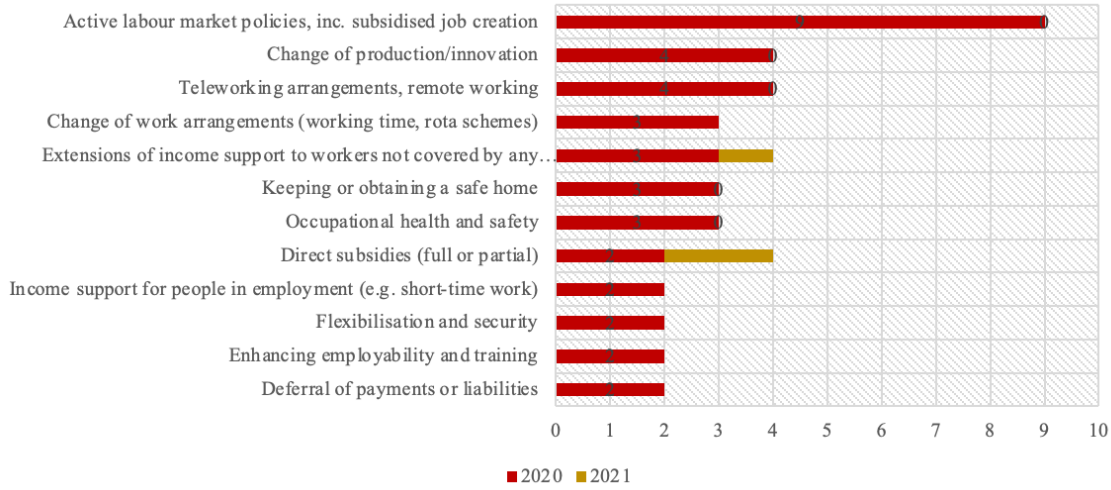
Less than half (643) measures remained active at the end of 2021, mainly in the subcategories of "*occupational health and safety*", "*direct subsidies*", "*access to finance*" and "*active labour market policies (enhancing employability, training, subsidised job creation, etc.*". Most measures were funded by national funds (60%) while 12% received European funds.

4.2. The case of Portugal

For Portugal, Eurofound Policy Watch identified 65 measures from March 21, 2020, to December 31, 2021. The majority were introduced in 2020 (80%), although infection rates deeply increased during 2021, especially in January and February. In that period, the Portuguese government ended up reviving already existing measures and readapted them, so Eurofound does not count them as *new* measures.

The most adopted type of policy was *"**ALMP**, including subsidised job creation*" (13.8% of total). Except for three, they were all related to **Ativar.pt**, a program with several dimensions (apprenticeship allowances to firms and incentives to hiring) and was directed to several groups (unemployed, the young and people with disabilities). These ALMP measures will be object of further analysis in *Subsection 4.4.*

Figure 4. Main measures adopted in Portugal (from order of 2020) from March 21, 2020, to December 31, 2021, by year



Data source: Eurofound (n.a.)

Portugal also introduced four teleworking measures, which includes decrees that made working from home (WFH) mandatory for the private and public sector. At

telework peak (Q2 2020), Portugal had 23% of employed people WFH, out of which 91% said they were doing so due to COVID-19. The number decreased in the following months, as restrictions were eased, to half workers (11.6% in Q4 2020) (INE, 2021).

"*Income support for people in employment (e.g. short-time work)"* only includes two measures, but of great importance: the Portuguese *simplified layoff* and its substitute, the *support for the progressive recovery*, which was a more restrictive type of Job Retention Scheme, designed to incentivise companies that were not too affected to resume business.

Also, Portugal had in place one measure to "*support a gradual relaunch of work*" during 2020 and two in 2021 (see *Subsection 4.5*.). It consisted of a financial support, non-repayable, to help companies adapt their business to the requirements of the legislation created to contain COVID-19: e.g., the acquisition of protective equipment and the costs of reorganizing workplaces. *Table II* compares Portugal with Europe concerning the kind and frequency of policy measures.

Table II. Most frequent categories of *new* Policy Measures for EU and Portugal during 2020 and 2021

	EU-27, Norway, UK	Portugal
Period	2020 (Mar 21) 2021 (December 21)	
Total of measures	1,457	65
3 kinds of measures more frequent Year 2020 (Mar-Dec)	• Direct subsidies (full or partial) (125) • Access to finance (83) • Income support for people in employment (e.g., short time work) (80)	• Active labour market policies, inc. subsidised job creation (9) • Teleworking arrangements, remote working • Change of production/innovation (4)
3 kinds of measures more frequent Year 2021 (Jan-Oct)	• Direct subsidies (full or partial) (117) • Active labour market policies, inc. subsidised job creation (32) • Access to finance (29)	• Access to finance (3) • Direct subsidies (2) • Extensions of income support for workers not covered by any kind of protection (1)

Source: Author's construction based on Eurofound COVID-19 Policy Watch Database

When it comes to **social partners involvement,** reality was significantly different from the average standards in Europe. In Portugal, social partners met with the government almost once every two weeks (in "*Comissão Permanente de Concertação Social*").

Almost half measures (32) received **national funds**, while 21 will get or have gotten European funds[12]. Some measures (e.g., the *simplified layoff*) have both types of funding.

[12] Portugal is set to receive up to 5.9 billion euros from the European Commission in the form of loans (the SURE instrument) to fully fund measures such as layoff.

Figure A2 presents, for Portugal, a chronology for the main measures targeted at families, workers as well as companies and represents, in parallel, the unemployment rate (global and youngsters') as a quantitative indicator of the labour market disequilibrium. *Figure A2* also summarises how Portugal strongly responded with new labour market measures at the beginning of the pandemic to retain jobs and maintain some levels of remuneration, how measures were eased in Summer 2020 (when the epidemiological situation improved) and how, during the deadliest wave (December 2020, January/February 2021), of the period studied, many measures were revived and strengthened. The unemployment rate, however, was somehow indifferent to the new set of restrictions of the beginning of 2021 (see *Section 5*).

4.3. The adoption of Job Retention Schemes: a four countries comparison

Job Retention Schemes are recognised as important instruments to prevent higher employment losses (Adams-Prassl, Boneva *et al*. 2020; Costa Dias *et al*., 2020; Drahokoupil *et al*., 2021; European Commission, 2020d; Hijzen & Martin, 2013). According to OECD Country Policy Tracker, 92% of OECD countries had implemented Job Retention Scheme measures by July 24, 2020, to help firms preserve jobs. The only exceptions were Colombia, Israel and Mexico.

In Eurofound's COVID-19 Policy Watch (2021), 102 measures were identified for "*income support for people in employment* (e.g., short-time work)", which included the schemes' variations throughout the months, from the beginning of the pandemic until December 31, 2021. In this database, Job Retention Schemes were found in 26 European countries, but a report published by Eurofound (2020) added Finland, Norway and Sweden making Job Retention Schemes adopted in all EU-27, UK and Norway.

This subsection focuses on the characteristics (e.g., intensity, duration, design) of the schemes adopted in four countries (France, Germany, Portugal and UK) during the crisis and in the recovery. The aim is to assess the variability of designs, their adaptations in time and consequent take-up. The reasons for selecting other countries besides Portugal are different: **UK** had no pre-pandemic Job Retention Scheme and adopted a new one during COVID-19; **Germany** was highly successful in job retention during the financial crisis of 2008; and **France** widely expanded coverage when the pandemic began.

Take-up of Job Retention Schemes is dependent not only on its design (generosity, eligibility conditions, duration), but also on the economic outlook and the strictness of the labour law (European Commission, 2020d; Eurofound, 2020). A design analysis can

be an important indicator to understand if Portugal could have been more efficient compared to its counterparts and, as a result, have better curtailed the impacts. *Table AIII* characterises, in more detail, each scheme.

1) During the pandemic, countries created or adapted JRS

Job Retention Scheme already existed in many European country's legislation, mainly created during the 2008-2009 global financial crisis (Eurofound, 2020). In OECD, 23 countries already had a Job Retention Scheme before the crisis (OECD, 2020a).

To guarantee a quick response to the restrictions, some countries expanded/adapted their schemes in the beginning of COVID-19. In March 2020, **Portugal** created a regime that was a simplified version of an existing mechanism to make its operationalisation faster and introduced new eligibility criteria adapted to the pandemic reality. It also extended the scheme to members of statutory bodies exercising management functions and, as France and Germany, to part-time workers.

In **France**, the new rules were widely extended, in March 2020, to workers that were usually kept out of the support measures (e.g.: those with atypical hours worked). In **Germany**, temporary workers (around 2% of the workforce) were also included in the scheme, but the so-called "*mini-jobbers*" (precarious forms of short-term work) and the self-employed who don't pay social security contributions were not covered.

2) Generosity varies widely across countries

Of the four countries, **Germany** and **Portugal** were the ones where the *salary's replacement rate*[13] began to be lower (60% or 67% for parents and 66%, respectively). But while **Germany** rapidly increased generosity, in **Portugal** that step only happened in January 2021, with the payment of full salary. The most generous country was, initially, **United Kingdom** (paid 80% of the previous salary), followed by **France** (70%). These replacement rates were maintained at least until the end of 2020.

On the employers' side, most Job Retention Schemes allowed working time to be reduced to zero with no costs to firms (OECD, 2020a). Portugal was an exception, since it was the only analysed country that required companies to pay 30% of due salary in an initial stage. Also, in **Portugal, France** and **Germany** companies could not dismiss workers while under the scheme.

[13] The percentage of a worker's normal salary that is paid under the Job Retention Scheme.

2) Requirements were the least favourable in Portugal

In some countries (**Portugal**), eligibility may have depended on the turnover loss, while in others (**Germany**), on the proportion of workers affected by the reduction in hours worked. In the beginning of the pandemic, **Portugal** created a new eligibility criterion to avoid access to companies that did not need it (preventing *deadweight effects*): only those with a turnover loss of at least 40% could apply. This requirement was the highest and the least favourable in Europe (Eurofound, 2020) (*Figure A3*).

4) As activity resumed, public support decreased (except in Germany)

OECD (2020a) has called on governments to prevent the risk of supporting unviable jobs by demanding companies a higher contribution. As recovery began, to avoid a *deadweight effect*, Job Retention Schemes were adapted to target jobs and sectors that remained at higher risk and, in general, became less favourable for other firms.

In **Portugal**, after the first lockdown, from May 2020, economic activities progressively reopened. To incentivise firms to resume activity, they had eight days after the ease of restrictions to reopen to keep the public support. Also, the *simplified layoff* ended in July for most companies, remaining only available to firms obliged to close due to government restrictions (bars and discotheques and, in the COVID-19 wave of the beginning of 2021, other businesses ordered to close). The ones that didn't close, but were still affected, could request the *traditional layoff* or a new scheme called *support for the progressive recovery (Table AIV)*, created in August 2020. It was, in many cases, less favourable for firms because: **(i)** initially, it did not allow a full reduction of hours worked as the *simplified layoff*; **(ii)** companies could not choose the proportion of working time to reduce (it was dependent on turnover loss and the month of request, becoming more demanding to incentivise firms to resume activity); **(iii)** in the previous regime, companies were exempt from social contributions, whereas in the new one it depended on company's size and month of application.

Since many companies did not resume activity as expected, and there was still a considerable number of companies that were facing turnover losses higher than 75%, the government made some adaptations: **(i)** eligibility criteria were eased to 25% turnover loss; **(ii)** the hardest hit (≥ 75% loss) could reduce hours worked to 0% and earn some support for hours worked.

Regarding social contributions, all countries had exemptions, but eased them. **Germany** was the most generous: social contributions paid by employers were fully

reimbursed until July 2021. A partial exemption could be maintained after if companies offered training to their employees, which is a way to limit *displacement effects*.

Besides literature warning for the risks of extending Job Retention Schemes, all analysed countries extended them throughout 2021, which may be explained by a new wave of the virus, at the end of 2020/beginning of 2021, that pushed for new lockdowns.

3) Take-up differs among countries

The share of workers and companies under Job Retention Schemes depended on the restrictions, as well as the accessibility and attractiveness of the schemes (Eurofound, 2020). It is expected that, because of the conditions at the peak in April/May 2020 (low replacement rate; high turnover loss requirement; obligation to firms to pay 30% of due salary; prohibition to dismiss permanent workers), **Portugal** would be the country with the lowest take-up, and the **UK**, by not requiring proof of economic hardship and offering the greatest salary replacement rate, would have reached the highest.

Table AV sums up take-up rates according to official national data for the four countries in 2020. In April, the month with the highest share of workers under a Job Retention Scheme, **France** was the country with the greatest take-up (44%). In contrast, **Germany** where it was lower (18%).

A reason for **France**'s numbers might be that both workers and firms were exempt from Social Security contributions and the regime coverage was largely increased in the beginning of COVID-19. In **Germany**, the "*Kurzarbeit*" had low participation levels not only in the beginning, but also afterwards, even when benefits were enhanced. It can be explained by improvements of the sanitary and economic situation throughout Summer. German companies might as well have been in a better starting position to deal with the crisis. The **UK**, on the other hand, maintained high take-up until July. From this month onwards, the number of workers under Job Retention Schemes decreased considerably as social contributions exemptions ended and new layoff requests were prohibited.

It can be argued that design influenced take-ups but there could be other factors. A deeper analysis should consider other variables, such as the restrictions that were in place in each country, the infections/death rates, or other labour market measures to contain the crisis. In fact, in all four countries, available data pointed out to an increase in the enrolments in the last two months of the year which might be explained by a surge in COVID-19 cases and deaths in a new wave of the pandemic. The real impact of Job Retention Schemes is not easy to access since many schemes were implemented amongst other measures directed at the labour markets and firms.

In **Portugal**, enrolled workers' peak of April 2020 was 44 times higher than the total number of workers covered between 2008 and 2017 (*Table AVI*). Compared only to 2009, the year prior to the crisis with higher take-ups, the number in April 2020 was 151 times higher for **Portugal**, 37 times for **France** and five times for **Germany**.

4) Public spending as a % of GDP was the lowest for Portugal

According to documents submitted to the European Commission (excluding the **UK**), in 2020, **Portugal** was, among the remaining countries, the one that spent the least as a percentage of GDP (0.6%) in a Job Retention Scheme (European Commission, 2020a, 2020b, 2020c). **France** spent the most (1.4%, following its high take-up rates). Although **Germany** had lower take-up than Portugal, expenditure was higher (0.8%), which may be explained by the highest generosity in salaries (from July) and in social contributions exemptions.

4.4. How labour market policies targeted youngsters

After the previous global crisis, governments "*failed to take sufficient action for young people, resulting in long-lasting scars on their career development and impacts on well-being*" (OECD, 2021: p2). As youngsters are more exposed to unemployment risks during the current crisis (see *Section 5*), some countries have resorted to youth targeted measures to improve their employability. In fact, youth unemployment rose sharply during the pandemic and, by the end of 2021, remained above pre-crisis levels.

Until December 31, 2021, Eurofound (2022) had only 14 measures specifically target at "*youth (18-25) in employment*" (1%) in EU-27, Norway and UK. The number does not include measures that although available for youngsters were not purposely targeted at them (e.g., Job Retention Schemes). Since two measures were company practices, we will only be considering 12 (0.8%). Other 17 (1.2%) measures were identified for "*Youth (18-25)*" but are not direct labour market policies (and mostly measures to contain social hardship and incentivise education).

Youngsters in employment were not the target group of most measures adopted. The most significant share was intended to "*sector specific set of companies*" (319, 22%) and "*employees in standard employment*" (260, 18%). While in 2020, it was the latter that led the chart of measures adopted (232), in 2021 it was "*sector specific set of companies*" (108 against only 28 of "*employees in standard employment*"). These data don't mean that measures adopted in 2020 were cancelled in 2021 (in fact, it doesn't show us how many 2020 measures were still active in 2021). However, it can mean that countries

focused on companies' support during the beginning of the recovery and consistently created new measures to prevent firms from closing.

"*Small and medium enterprises*" also got a great attention from governments during 2020 and 2021 (138, 9.5%), as well as the "*self-employed*" (109, 7.4%). On the other side, minorities such as "*migrants or refugees*", had two targeted measures (0.14%), while "*migrants or refugees in employment*" were the focus of seven (0.48%). "*Women*" and "*female workers*" had, each, two, as well as "*undeclared workers*". *Figure A4* showcases frequency of measures by target groups.

Eurofound identified new measures for youngsters in employment in 10 countries: Austria; Cyprus (2); France (2); Ireland; Luxembourg; Norway; Portugal; Romania; Sweden; and UK. The measures were distributed into two categories: (i) "*extension of income support to workers not covered by any kind of protection program*" (2 measures); (ii) "*active labour market policies, including subsidised job creation*" (10).

OECD (2021b), on the other hand, calculated that around a third of OECD countries created hiring subsidies to incentivise firms to recruit young people or extended existing mechanisms. While Eurofound identified new measures taken during the pandemic, OECD also described measures that existed prior to the crisis.

OECD (2021b) divided these measures into 7 categories: **(i)** "*youth strategies to guide cross-sectoral and employment policies*" (33); **(ii)** "*extending income support measures for young people to cushion the impact of the crisis*" (22); **(iii)** "*hiring subsidies to stimulate job creation for young people*" (24); **(iv)** "*promote work-based learning for young people at a time of crisis*" (33); **(v)** "*strengthening employment services for young peopl*e" (24); **(vi)** "*expanding mental health services, funding and supports for young people*" (25); **(vii)** "*emergency housing measures for young people*" (8). Both **(vi)** and **(vii)** will not be considered since they are out of the labour market scope.

Table AVII sums up measures identified for young people in employment by both Eurofound and OECD (2021b), according to several criteria: only European countries were considered, as well as new measures targeted only at young people in employment (or unemployment), not young people that are still studying. From these filters, 34 measures remained for 22 European countries. There were not identified new measures in eight EU countries (Bulgaria, Croatia, Estonia, Slovakia, Slovenia, Spain, Finland and Malta). Combining Eurofound's and OECD's criteria, we propose the following categories (some measures fall under more than one category): (i) *Incentives to hire jobseekers* (12); (ii) *incentives to take on apprentices* (may include incentives to also hire

apprentices) (13); (iii) *employment services* (5); (iv) *financial support during unemployment* (4); and (v) *increasing income support* (1).

Most measures targeted at youth (25) were to incentivise companies to either hire jobseekers or take on apprentices (as well as hire them after the apprenticeship is over) via allowances to cover the costs (e.g., salary). Hiring subsidies can be cost effective to prevent youth unemployment, but they ought to be targeted (e.g., at small firms and low-wage workers), to avoid *deadweight loss* (OECD, 2021b).

There were also policy measures that aimed to encourage conversion of an apprenticeship contract to a fixed-term or even open-ended contract (e.g. France, Portugal, Austria, Ireland). In the following subsection, a brief analysis will be made of the measures adopted in **Portugal** (*Ativar.pt*) and **UK** (*Kickstart Scheme*).

4.4.1. From *Ativar.pt* to the *Kickstart Scheme*

Ativar.pt

The option for studying these two schemes is due to different designs: while the Portuguese *Ativar.pt* scheme financially incentivised companies to hire apprentices when the apprenticeship was over, the UK's *Kickstart Scheme* assumed that the mechanism was temporary (up to six months) for youngsters to gain experience and not necessarily to get employed by the same company. The following analysis must be made in light of UK's labour market characteristics, which are more flexible than the Portuguese, making it easier to hire and fire workers (OECD, 2020c). The 2020 OECD's Employment Protection Legislation indicator (ranging from 0 to 6, with 6 meaning a higher stringency) for the UK is 1.7, while Portugal's is 2.9, second highest among OECD countries.

Ativar.pt counted as one ALMP because it included two policy measures: (1) *Ativar.pt internships*; and (2) *Ativar.pt Incentives*:

(1) ***Ativar.pt Internships.*** State contribution paid to companies to help finance the grant intended to interns/apprentices.

(2) ***Ativar.pt Incentives.*** Bonus paid by the State to the company if the employer celebrated a fixed-term contract or an open-ended contract with an unemployed; or if they converted a fixed-term contract to open-ended. Contrary to measure **(1)**, this was not specifically targeted to the young.

In July 2021, in a statement, the government announced that, since Ativar.pt began, during two candidacy periods (in 2020 and 2021), more than 27,000 people had been placed in a job — 15,500 interns and 9,100 workers with a contract. Only 2,900 people

had their internship converted to an open-ended contract.[14] This is far from the program's potential universe: for example, according to IEFP (2021) data, in January 2021, 50,331 people were registered in employment centres as unemployed with less than 25 years (this is just a part of potential universe, since *Ativar.pt* Internships were targeted to unemployed aged between 18 and 30 years old, or more than 30 if unemployed for longer than 12 months). In total, 72% of the interns (11,160) were youngsters up to 25 years old. Payments of 215 million euros had been approved by July 2021.

In the case of *Ativar.pt Incentives*, more than 93% of the celebrated contracts were open-ended, but only 18% (1.638) of the newly employed were youngsters up to 25 years old. That is why we argue that the program still lacks evidence that it will get to reach its goal to incentivise the hiring of young people. It must not be excluded the possibility that these numbers can mean that economic growth was greater than expected and companies did not feel the need to resort to the scheme to hire youngsters. Still, the program was aimed to hiring youngsters, but might have been more effective towards other groups.

Kickstart Scheme

The **UK** also created one policy measure specifically targeted to youngsters: the *Kickstart Scheme*. Part of the announced Plan for Jobs, its goal was to tackle what the government believed would be the disproportionate economic impacts of the pandemic in youngsters' employment. The aim was to offer young people work experience, training and reduce their chances of long-term unemployment.

The goals and expectations were ambitious. The British Government had pledged an initial billion GBP for the creation of 250,000 jobs. However, numbers were disappointing. Until September 2021, data by the Secretary of State for Work and Pensions[15] showed that, from the 196,300 jobs that had been made available, only 76,900 youngsters had started working. The scheme ended for new applications in December 2021 and, until March 31, 2022, had created less 90,000 jobs (159,800) than expected (250,000)[16]. As a result, the government estimates that a total 168,000 youngsters will be covered, which means the scheme will be cheaper (1.26 billion £) than initially expected (2 billion £) (House of Commons Committee of Public Accounts, 2022).

14 https://www.portugal.gov.pt/pt/gc22/comunicacao/comunicado?i=mais-de-27-mil-pessoas-colocadas-atraves-do-programa-ativarpt
15 https://questions-statements.parliament.uk/written-questions/detail/2021-09-21/52625
16 https://www.theyworkforyou.com/wrans/?id=2022-03-29.149447.h

The program's monitoring was criticised in a report of February 2022, where the Public Accounts Committee called the implementation period "*chaotic*" and said "*little track was kept*" from the money spent to access if the program really worked. The committee anticipated the reasons why take-up was not as significant as expected: **(1)** economic growth was greater than expected, which led to more people finding a non-Kickstart job; **(2)** many people who were benefiting from unemployment subsidy at the start of the pandemic have remained on the benefit since, and the Department has been unable to explain why these people have not moved into Kickstart jobs; **(3)** there was criticism by employers on the scheme's bureaucracy. No such study has been published on the Portuguese Ativar.pt.

4.4.2. Comparing Portugal's and UK's response

One clear disadvantage of the *Kickstart* compared to *Ativar.pt* was that the first assumed that contracts were only temporary and didn't predict a bonus for conversion of apprenticeships into open-ended or even fixed-term contracts, as the latter. Also, Portugal's allowance paid to trainees was higher for the most qualified, which may encourage the creation of skilled jobs. However, someone who finished doctoral studies and is, therefore, highly qualified, can only expect to receive 1,053 euros per month (not very different from what the Kickstart offers for *all workers*, regardless of qualification). *Table AVIII* compares both schemes.

4.5. Post-layoff measures: incentivizing firms to resume activity

Many countries started to decrease public support paid to companies to subsidise inactivity. This was a way to incentivise firms to resume activity once restrictions are eased. In general, when it comes to measures implemented to support a gradual relaunch of work for business, Eurofound (2022) alone has identified 26 measures from March 2020 to December 23, 2021. As we will be excluding company practices and measures at UE level, 17 remain, as identified in *Table AIX*.

One method to incentivise companies to resume normal hours were temporary subsidies paid to firms that reopen, which the OECD (2020a) believed should complement Job Retention Schemes. This type of measure can have a downside: a *deadweight effect* because it risked being paid to companies that would, anyway, increase hours worked, again). OECD (2020a) considered, however, that benefits could offset the costs. Such a mechanism was found in **Portugal** and Ireland.

In **Portugal** an allowance to incentivise activity resumption was aimed at companies that left the *simplified layoff* and its subsequent *support for the progressive recovery*. Created in August 2020, when the *simplified layoff* ended most companies, it offered two modalities:

(1) allowance equal to one minimum wage for each worker that was under the regime or the training program, paid at once.

(2) allowance equal to twice the minimum wage for worker, paid throughout the course of six months. In this case, there was also a temporary exemption of 50% of social contributions regarding salaries of workers covered. This was the preferred option for the majority (Social Security, 2021).

In August 2020, only 9,013 companies received this new support. The number was lower than could have been expected if we consider that, in July, the last month of the *simplified layoff*, more than 38,000 companies were under the regime and would, at a first glance, be eligible for the support. Data from Social Security services show that, in August, only 10,118 companies were under any type of layoff (*simplified*, the traditional or the *support for the progressive recovery*). This could mean that, between July and August, more than 28,000 companies that benefited from the *simplified layoff* didn't receive any Job Retention Scheme support in August and could have received the allowance to incentivise activity resumption. This can either be a sign that the measure has been little publicised or that companies were better than expected and did not look for such support.

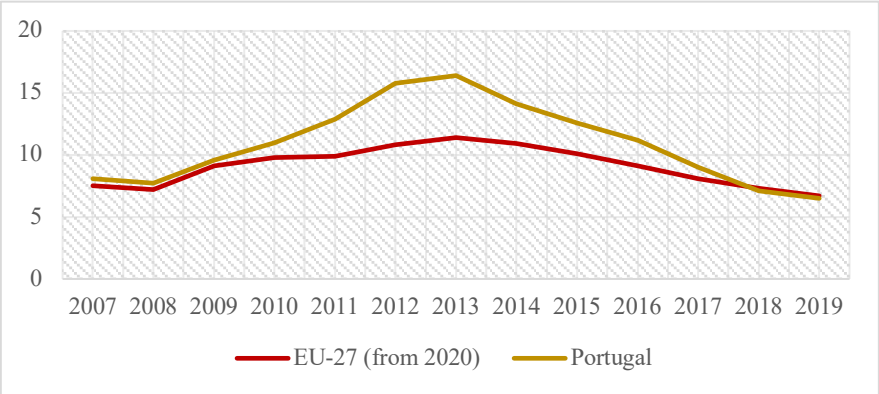
Eurofound also identified as a measure to help companies retrieve activity a program from Portugal called "*Apoiar*" (complemented by "*Apoiar Restauração*", only for restaurants).

5. Measuring the impacts of the pandemic

5.1. Pre-crisis trends

Portugal and other EU countries were still recovering from the European Great Recession of 2008-2009, the sovereign debt crisis, before the pandemic hit. A favourable business cycle and structural factors as migration and reforms on labour markets led to strong job growth, with a steady decrease of unemployment rates (*Figure 5*).

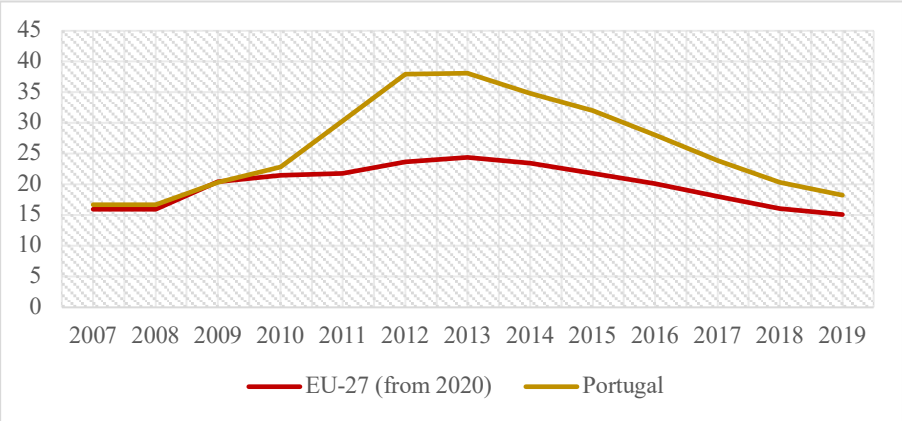
Figure 5. Unemployment rates in EU-27 and Portugal from 2008 to 2020



Data source: Eurostat (LFS, %)
https://ec.europa.eu/eurostat/databrowser/view/LFSA_URGAN__custom_3009806/default/table?lang=en

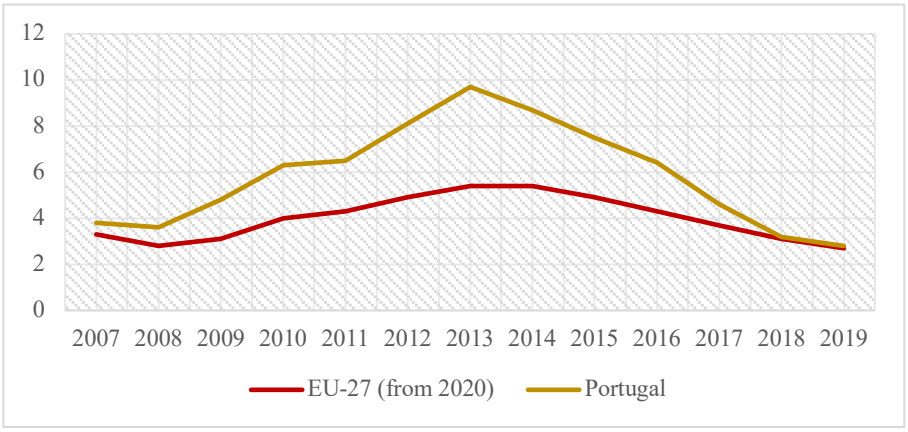
With a positive outlook were also youth unemployment rate (*Figure 6*) and long-term unemployment rate (*Figure 7*). In EU-27, youth unemployment rate was at the lowest level of recent years (18.3%) while in Portugal it was the lowest since 2008 (18.3%). Albeit remaining high, both had been recovering from the peak that followed the European recession (in the case of Portugal, of 37.3% in 2015).

Figure 6. Youth unemployment rates (15-24 years old) in EU-27 and Portugal from 2007 to 2019



Data source: Eurostat (LFS, %)
https://appsso.eurostat.ec.europa.eu/nui/submitViewTableAction.do

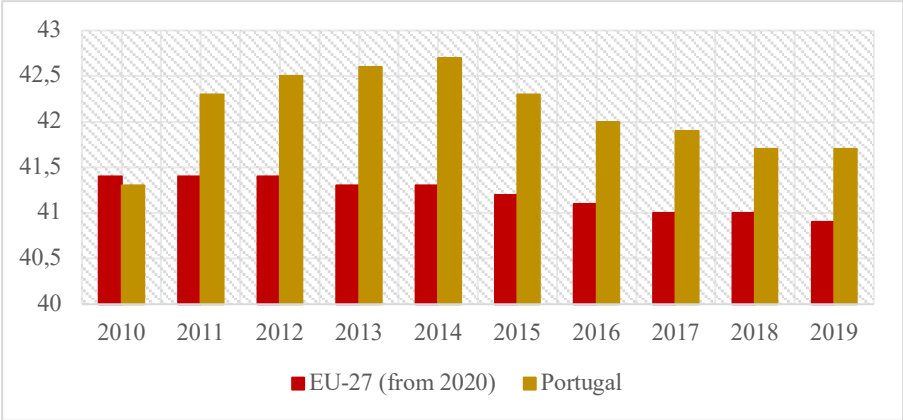
Figure 7. Long-term unemployment rates in EU-27 and Portugal from 2007 to 2019



Data source: Eurostat (LFS, %)
http://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=yth_empl_120&lang=en

Weekly hours worked were falling (*Figure 8*), a sign of automation and increasing work-life balance efforts. In Portugal, there was a significant growth during the previous financial crisis, with a peak in 2014 (working time legislation changed in 2013).

Figure 8. Weekly hours worked in EU-27 and Portugal from 2010 to 2019



Data source: Eurostat (LFS, hour)
https://ec.europa.eu/eurostat/databrowser/view/TPS00071__custom_3266236/default/table?lang=en

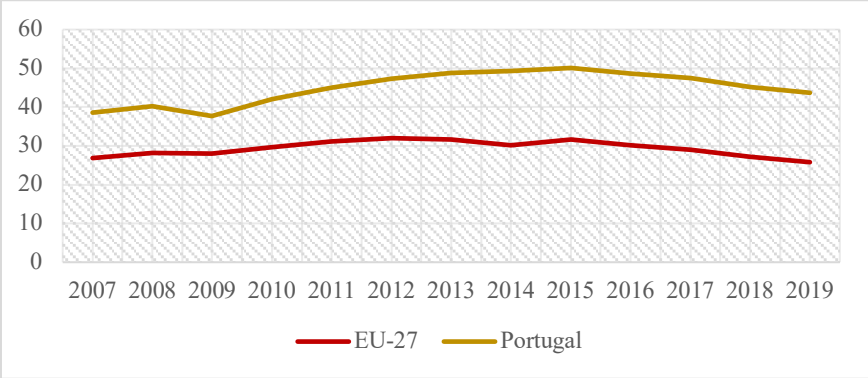
There were, however, still problems regarding the labour market. For example, involuntary part-time employment[17] (as a percentage of total part-time employment) remained above pre-Great Recession levels in Portugal (*Figure 9*).

Also, temporary employment (as a percentage of total employment) was lower than prior to the previous crisis but still high (above 20% in Portugal and at 15% in EU). This type of employment was particularly significant for youngsters (15-24 years old) (*Figure 10*). This is, in part, because youngsters were over-represented in sectors that were greatly affected by COVID-19 restrictions (as in tourism and arts) and were already more likely to have temporary contracts, which are more unprotected in light of the law. *Figure 11*

[17] Percentage of the labour force that is working part-time but wants a full-time job.

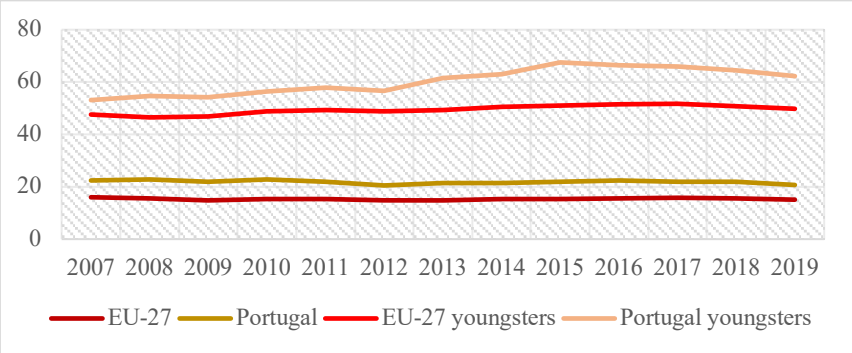
shows how youngsters were, in 2019, more affected by temporary contracts than total population, in sectors such as "*accommodation and food services*" or "*arts, entertainment and recreation*".

Figure 9. Involuntary part-time employment rates in EU-27 and Portugal from 2007 to 2019



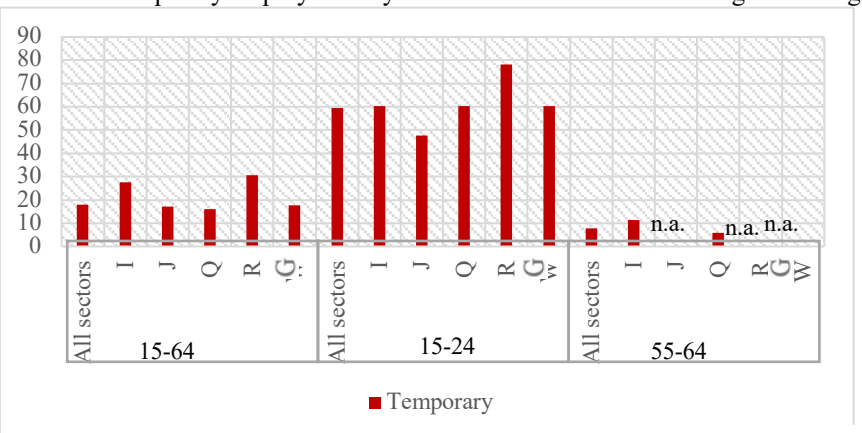
Data source: Eurostat (LFS, as a % of the total part-time employment)
https://appsso.eurostat.ec.europa.eu/nui/submitViewTableAction.do

Figure 10. Temporary employment rates for total workforce and youngsters in EU-27 and Portugal from 2007 to 2019



Data source: Eurostat (LFS, %)
https://ec.europa.eu/eurostat/databrowser/view/LFSA_ETGAN2__custom_3455696/default/table?lang=en

Figure 11. Distribution of temporary employment by some economic activities and age in Portugal in 2019



G – Wholesale and retail trade; repair of motor vehicles and motorcycles
I – Accommodation and food services
J – Information and communication
Q – Human health and social work activities
R – Arts, entertainment and recreation

Data source: Eurostat (LFS, % of temporary employment)
https://ec.europa.eu/eurostat/databrowser/view/LFSA_ETGAN2__custom_3455696/default/table?lang=en

GDP was glooming after decreasing during the financial crisis. For Portugal, for the first time in the country's democracy, a budgetary surplus was achieved in 2019. The year of 2020 was set for a new historical outcome: the Portuguese government State's Budget, presented in October 2019, estimated that GDP growth would be 1.9% and there would be a budgetary surplus, of 0.2% of GDP (OGE 2020).

5.2. When the pandemic hit

The unexpected pandemic shredded government's plans: there was a profound decrease of GDP, from positive change of 2.5 % in 2019 to a historical contraction of 8.3% in 2020. However, 2021 was a turnaround year and GDP increased 4.9%. Although below initial expectations (5.4%), it meant there was some recovery during 2021.

As a result of the crisis, Portuguese's gross value added, between 2019 and 2020, dwindled 9.8%. The highest drop was in "*accommodation and food services*" (-53.9%), "*arts, entertainment and recreation*" (-38%) and "*transportation and storage*" (-33.9%)[18].

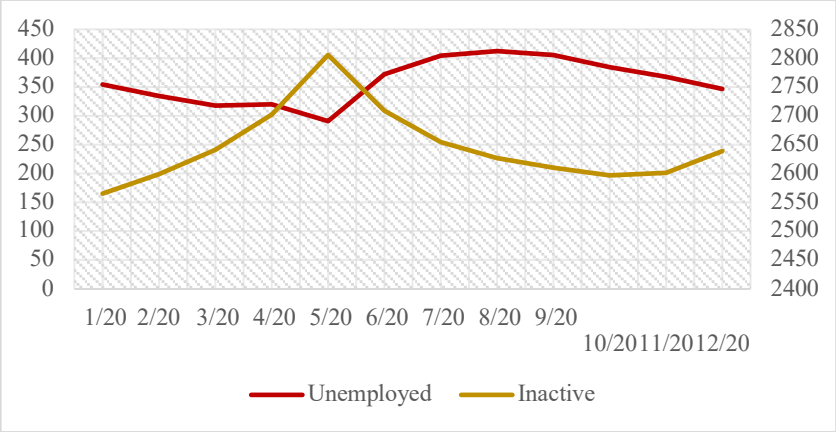
The timeline of the pandemic from March 2020 to March 2021 (*Figure A1*) illustrates the multiplicity of lockdowns and the uncertainty that economic agents and society were confronted to. A second wave of COVID-19 cases beginning in October 2020, with an unprecedent peak in January 2021, forced the government to take a step back and reintroduce restrictive measures. This period is characterised by an increasing of the adoption of Job Retention Schemes in Portugal (as will be seen in *Figure 18*).

Albeit the significant growth of the unemployment rate in a short period after the beginning of the pandemic, it was far from initial predictions by international institutions. For example, OECD (2020b) anticipated that unemployment rate would grow to 14.6%[19] in Q2 2020 and 17.6% in Q4 2020, which did not happen.

During the first months of COVID-19, unemployment rate was slow to respond to lockdowns in Portugal[20]. This had a methodological reason: some 'unemployed' people were counted as 'inactive' since lockdowns compromised labour demand and prevented potential workforce from searching jobs or start working (they were sick, couldn't search for work due to lockdowns or had to take care of their children due to school closures). *Figure 12* shows a mirror effect between the 'unemployed' and 'inactive' population.

[18] https://www.ine.pt/xportal/xmain?xpid=INE&xpgid=ine_indicadores&indOcorrCod=0006612&contexto=bd&selTab=tab2
[19] A double-hit scenario, where it is assumed that new shutdowns would be implemented before the end of 2020 due to a new wave.
[20] Registered unemployed was more transparent to the pandemic than the unemployment rate. It immediately rose in March, during the emergency state, leading to an increase of 3% (+9 985) compared to the homologous period to up to 343,761. In April, the first month that was completely affected by the lockdown, the unemployment more than doubled compared to the same month of the previous year and tripled in May, despite the beginning of the first reopening of the economy.

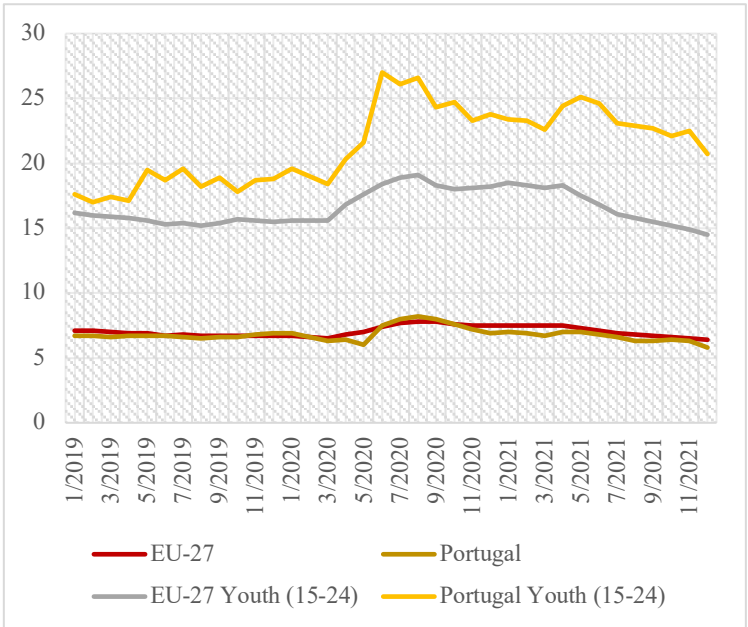
Figure 12. Unemployment and inactive population in Portugal in 2020



Data source: INE (thousands)
https://www.ine.pt/xportal/xmain?xpid=INE&xpgid=ine_indicadores&indOcorrCod=0007981&contexto=bd&selTab=tab2
https://www.ine.pt/xportal/xmain?xpid=INE&xpgid=ine_indicadores&indOcorrCod=0010062&contexto=bd&selTab=tab2

The beginning of 2021 was characterised by an intense wave of COVID-19 cases and deaths, which led to a new lockdown. This one hasn't, however, had the same effect on unemployment rate as the first lockdown, of March and April 2020, which can mean that companies were better prepared for the shock and/or already had a smaller workforce due to uncertainty and the financial effects of the crisis. By the end of the year, the rate was even *lower* than prior to the pandemic (5.8%) (*Figure 13)*, for which Job Retention Schemes might have had an important role.

Figure 13. Unemployment rates evolution in EU-27 and Portugal in 2019, 2020 and 2021



Data source: Eurostat (LFS, %)

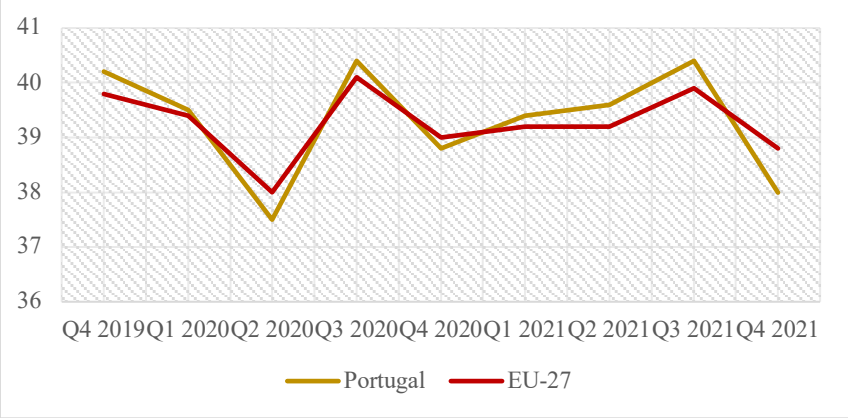
https://ec.europa.eu/eurostat/databrowser/view/UNE_RT_M__custom_3344753/default/table?lang=en

But the greatest adjustment was in hours worked. While unemployment rate remained stable between Q1 2020 and Q2 2020, hours worked went down 5%. These results are consistent with those of IMF (2022), which justified with the unprecedent support by EU countries, as Job Retention Schemes.

The *simplified layoff* might have been able to contain greater damaging effects on employment but was reflected in hours worked. In Portugal, the highest decrease was, initially, between Q1 and Q2 (-2 hours per week) (*Figure 14*). In the beginning of 2021, albeit the high infection and death rates, as well as a new lockdown, hours worked even increased slightly. Again, a combination of policy measures focused on the labour market and health were able to ease the trade-off between health and economics. In Q4 2021 the situation got worse compared to the previous quarter (-2.4 hours per week), a period of high infection rates.

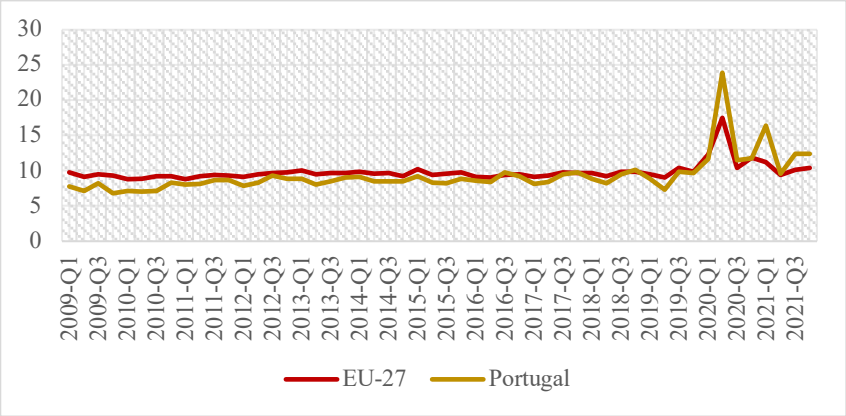
Both in EU-27 and Portugal hours worked fell lower than in the previous crisis, while the unemployment rates did not rise to such crisis' levels. This suggests that the high decrease of hours worked was more motivated by Job Retention Schemes than by unemployment. In fact, total absences from work (*Figure 15*) reached record levels during 2020, both in EU-27 and in Portugal, where absences were higher than in EU-27, signaling high take-up rates of the *simplified layoff*.

Figure 14. Weekly hours worked in EU-27 and Portugal from Q4 2019 to Q4 2021



Data source: Eurostat (LFS, hours)
https://ec.europa.eu/eurostat/databrowser/view/LFSQ_EWHAIS__custom_3456550/default/table?lang=en

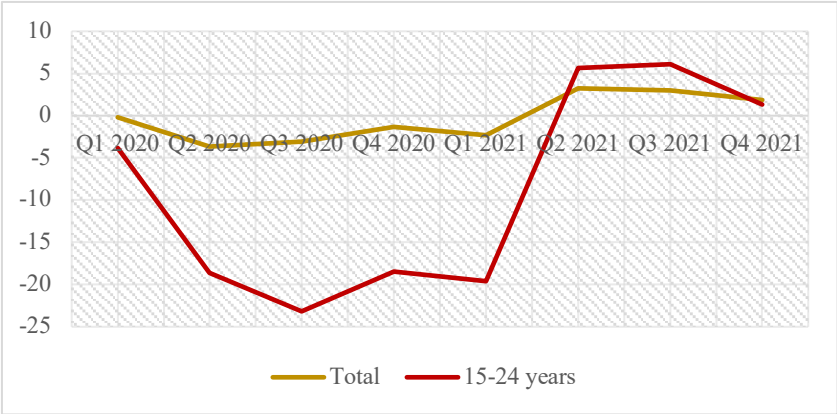
Figure 15. Absences from work in EU-27 and Portugal from Q4 2019 to Q4 2021



Data source: Eurostat (LFS, % of total employment)
https://ec.europa.eu/eurostat/databrowser/view/lfsi_abt_q/default/table?lang=en

Youngsters were not the ones that benefited the most from Job Retention Schemes and, as a result, felt the unemployment impacts first and more broadly. While global unemployment rate increased 1.4% (0.1 p.p.), between January 2020 and January 2021, youth unemployment rate grew 19% (3.8 p.p.) (*Figure 16*). The evolution of jobs occupied by youngsters (15-24 years old) also shows how this group was the most affected (*Figure 17*). In June, the unemployment rate in Portugal reached a pandemic peak of 27%, way above EU-27's august peak of 19.10%.

Figure 16. Homologous variation of employed people from 15 to 24 years old and 25 and more years old in Portugal between 2019 and 2021

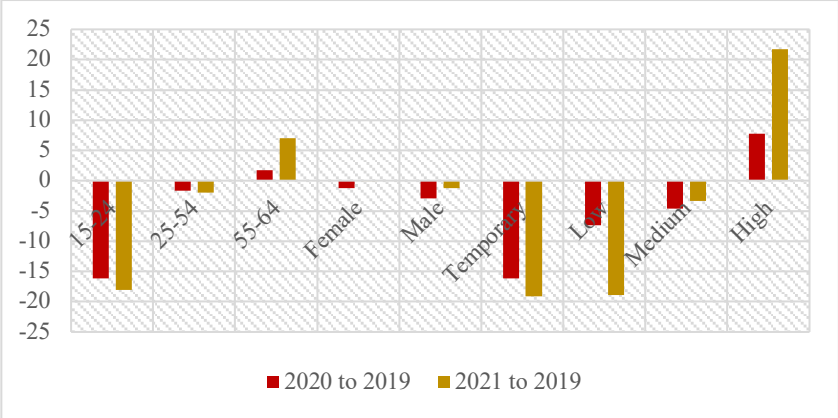


Data source: INE (% change)
https://www.ine.pt/xportal/xmain?xpid=INE&xpgid=ine_indicadores&indOcorrCod=0010667&contexto=bd&selTab=tab2

As already seen, youngsters were over-represented in the most affected sectors by the pandemic and most likely to have a temporary contract, which were not as protected as permanent contracts. The moto "*last in first out*" applies in this crisis. Consequently, youngster would go into unemployment, but because they didn't have the required discounts, could not always access unemployment benefits. *Figure 17* emphasizes how youngsters have been the most affected regarding employment loss by the COVID-19

pandemic, as well as male workers compared to female, temporary and those with low education levels. In 2021, only older workers (55-64 years old) and those with a higher degree had recovered, or surpassed, pre-pandemic employment levels.

Figure 17. Employment evolution in Portugal between 2019 and 2020; and 2019 and 2021



Data source: INE (% change)
https://www.ine.pt/xportal/xmain?xpid=INE&xpgid=ine_indicadores&indOcorrCod=0010667&contexto=bd&selTab=tab2

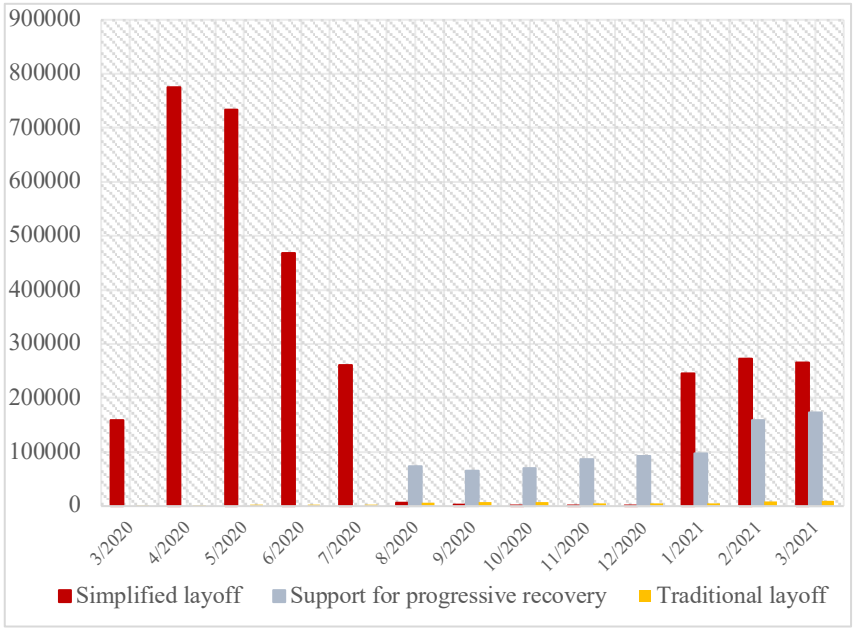
Public policy measures to support jobs, as Job Retention Schemes, were crucial for the slow increase in unemployment. In a document to assess the impacts of the SURE instrument (which includes the Portuguese *layoff*), EC (2021) compared the expected and actual changes in unemployment rate, according to "*Okun's Law*"[21] and concluded that, without measures such as the *simplified layoff*, the Portuguese unemployment rate would have increased to 11.8% (this level was never reached, and the peak was 8.2% in August 2020). Instead of the year-on-year increase of around 16,000 unemployed (according to INE's database for March 2020 to March 2021), the growth could have been of 240,000 new unemployed, 15 times higher. EC (2021) believes that support measures, such as the ones included in the SURE instrument, contributed to limit the unemployment growth.

The *simplified layoff* is not, however, exempt of problems. In an initial stage, until the beginning of May, legislation forbade companies under the *simplified layoff* to renew contracts. Also, there was not enough protection (nor incentives for such protection) of fixed-term contracts, which are widely implemented in Portugal and more common for youngsters: if companies couldn't dismiss permanent workers for 60 days after the scheme's end, they could simply not renew fixed-term contracts, which were the first to be dismissed. In fact, there was a reduction in such form of employment.

[21] According to this Law, a decline in output growth of between 2% and 3% is associated with a one pp increase in the unemployment rate (EC, 2021).

Albeit their potential disadvantages, the *simplified layoff* was an important measure in Portugal. In April 2020, a month of total lockdown, 775,484 people were under the regime (25% of total workers) (*Figure 18*). In July 2020, one month before the regime became restricted, there were still 38,885 firms and 261,102 workers covered. This coverage drastically fell to only 1,228 and 6,559, respectively, in August 2020. The new *support for the progressive recovery* (the *simplified layoff* substitute) was not able to 'catch' the remaining companies and workers. *Figure 18* shows how the new measure had, from the beginning, low levels of take-up compared to the *simplified layoff* (there was a slight increase in October when rules became more favourable; and, again, in January 2021 when a new lockdown was implemented). The traditional layoff was an alternative to many: firms enrolled in the regime doubled to more than 6,000 in August.

Figure 18. Number of workers under the *simplified layoff*, the *support for the progressive recovery* and *traditional layoff* in Portugal from March 2020 to March 2021



Data source: Segurança Social (n.a.)

The low take-up regarding *support for the progressive recovery* can reflect: **(i)** the positive effects of economy's reopening during Summer and the following months. If this is true, then the goal to incentivise activity resumption was accomplished; **(ii)** that many companies did not find the new support attractive enough, for which might have contributed the inability to suspend contracts. In fact, data from the *simplified layoff* shows that companies preferred the contract suspension modality (where hours are reduced to zero) over reduction in working time. Also, prohibition of collective dismissals might have disincentivised firms in a scenario of uncertainty. Moreover, some firms in

specific sectors do not declare their full turnover, therefore, could not meet the criteria to access subsidies.

From the beginning, with mild monthly exceptions, the sectors with most companies requests for the *simplified layoff* have been "*accomodation and food services*", "*wholesale and retail trade; repair of motor vehicles and motorcycles*; and "*Manufacturing industries*". In the two first sectors, the tendency could be expected, as they represent CAEs/NACEs that heavily rely on the contact with the public, which was restricted during the pandemic in many government decrees. Manufacturing industries, on the other hand, felt the impact of constraints in the supply chain and the decrease of sales due to a cut of consumption (e.g., for outdoor clothing).

When it comes to *support for the progressive recovery*, reality is slightly different, since "*administrative activities and support services*" is the third sector with most firms benefiting from support. This can be explained by the fact that this CAE/NACE entails diverse activities (some of them, highly affected), such as temporary work, travel agencies, events organization, cleaning, employment agencies, call centers, etc. (Almeida, 2020). Even with the beginning of the normalisation of activity, "*accommodation and food services*" continued to be the sector with most companies under the regime.

Micro firms (up to 10 workers) were the ones that resorted the most to the *simplified layoff* and the *support for the progressive recovery* (82% of total). This result supports conclusions by Cirera *et al*. (2021); Bartik, (2020); Webster (2021a); and WTO (2020), who argued that micro and small firms were at higher risk. And is not surprising since micro firms represented 82% of total companies in Portugal by 2019 (Quadros de Pessoal, 2019).

Women were more likely to be put on a Job Retention Scheme, representing 55% of workers that were under the *simplified layoff* and the *support for the progressive recovery* from March 2020 to September 2021, which may be explained by the fact that the most affected sectors are mainly characterised by female labour force.

The *simplified layoff* represented around 18% of total spending related to the pandemic (4.591 million euros, according to DGO, which includes both layoffs, investments in National Health Service or the suspension of corporate income tax, etc.)

Many authors who have studied Job Retention Schemes in specific countries have regarded youngsters as the most enrolled group since they tend to have a higher presence in the most affected sectors, as "*accommodation and food services*" or the artistic sector

(OECD, 2021b; Blundell *et al*., 2020). The same, however, didn't apply to Portugal. Workers between 40 and 49 years old as well as between 30 to 39 were more likely to be under a Job Retention Scheme. This not so significant presence of youngsters under both layoff regimes in Portugal may be explained by the fact that youngsters tend to have more precarious and temporary contracts and, therefore, were the first to be dismissed (more precisely, to see their contracts end and not be renewed). Both layoffs didn't allow for a reduction in workforce but allowed ending fixed-term contracts not to be renewed.

After the pandemic shock, some sectors were seeing a labour shortage due to skill mismatches (FMI, 2022), which aggravated compared to pre-pandemic levels as a result of a slow return of migrants who went back to their homes during COVID-19 toughest periods, as well as changing job preferences. Also, accumulated savings during the pandemic allowed workers to spend more time looking for their preferred job.

IV. CONCLUSIONS

COVID-19 was a shock with supply and demand elements that concurred within themselves. It was a crisis characterised by a constant pursue of equilibrium between health and the economy. Governments tried to sooth this *trade-off* with an unprecedent pack of public support measures to avoid consequences on labour markets and the economy as harsh as the previous financial crisis, the sovereign debt crisis.

Economic literature has shown how, during recessions, retention measures should be prioritised in an initial stage of the shock, while reallocation measures targeted to the most viable firms and workers should be the focus as the shock persists. This transition should be made softly.

In a first approach, Job Retention Schemes were widely implemented in Europe, and have been identified by the Eurofound in all European countries. These schemes sought to quickly stem COVID-19 effects on employment and unemployment. In Portugal, enrolled workers' peak of April 2020 was 44 times higher than total workers covered between 2008 and 2017.

Job Retention Schemes were an important measure, if not the most import measure, to avoid a harsh increase on unemployment that could have become prolonged. Combining the *traditional layoff*, the *simplified layoff* and its subsequent scheme (the *extraordinary support for the progressive recovery*), more than 1,000,000 workers and 158,000 companies were covered in Portugal. By retaining job ties, as well as guaranteeing worker's wages and financial support to companies, they helped the labour market not only during the downturn of the economy, but also during the recovery period, by preventing companies from taking on the costly process of firing, hiring and training.

A cross-country analysis of four European countries (Portugal, France, Germany and UK) shows that design influenced take-up, but also that each countries' conditions prior to the pandemic were decisive to their performance during the crisis.

A second stage of labour markets policy measures was one of constant adaptation. As the pandemic went by, countries adjusted their measures, targeting them to the more affected groups or making them less advantageous. It was in such context that the Portuguese *support for the progressive recovery* was created.

In retention scheme's adaption process, countries preferred to better target measures to firms than to decrease employers' wages. There were, however, periods — of high infection and death rates, accompanied by new lockdowns —, where governments

took a step back and re-expanded Job Retention Schemes to relax the *trade-off* between health and the economy.

Economic literature advised countries to progressively phase-out support measures and incentivise companies to resume activity, namely through Active Labour Market Policies (ALMP). This was done in what we consider a third stage of the pandemic, that in some cases coexisted with the second stage: one where some governments tried to incentivise firms to go back to work to prevent the so called "*zombie companies*" to continue to be artificially sustained. This could be done by non-repayable loans to firms that reopened activity. However, such type of measures were not widely implemented.

This stage was also characterised by measures targeted at the unemployed and youngsters' employability and training, which was done in multiple ways: incentives paid to companies to hire jobseekers or to take on apprentices; employment services; financial support during unemployment; and increasing income support for youngsters or the unemployed. The most adopted strategy at this stage was the introduction of subsidies paid to firms to incentivise the hiring of young people or the unemployed.

In the case of Portugal, both types of measures may have had a limited effect because:

i) *Ativar.pt* (an incentive to take on internships; or to hire or convert fixed-term contracts to open-ended contracts) still lacks evidence that it will sustainably support the permanent hiring of young people: by July 2021, only 18% (1.638) of the newly employed were youngsters up to 25 years old. Further studies should be made on this topic.

ii) The allowance paid to firms to incentivise the resuming of activity and maintenance of employment was an important measure to signalling activity resumption need for economic recovery to thrive, but there is no evidence that it hasn't supported companies that would, anyway, resume activity. Also further studies should be drawn on this approach.

Support measures put in place helped mitigate the pandemic effects, not only on the supply side, but also on the demand side. In 2020, the unemployment rate increased from 6.3% in March (6.5% in EU-27) to a peak of 8.2% in August (7.8% in EU-27). Although a significant growth in such a short period, it was far from initial predictions by international institutions. By the end of the year, the rate was even lower than prior to the pandemic (5.8% in Portugal and 6.4% in EU-27).

Measures could not, however, totally supress negative consequences and COVID-19 ended up highlighting pre-existing inequalities, regarding youngsters, the low-skilled and temporary contracts. Youngsters were at higher risk since they were over-represented in

sectors greatly affected by COVID-19 restrictions (as in tourism) and were already more likely to have temporary contracts, which were more unprotected in the light of the law. Also, the *simplified layoff*, as well as its substitute, did not allow firing employees, but allowed fixed-term contracts to simply not be renewed (which covered many youngsters).

By the end of 2021, youth unemployment persisted, which should be object of attention, or it will become a permanent scar. In Portugal, it rose 13 times more than total unemployment, between January 2020 and January 2021 and, by the end of 2021, was above pre-pandemic levels. Still, it was recovering, albeit slowly. This improvement could be an effect of a better outlook of the Portuguese economy, for which contributed labour market policies to sustain employment, as Job Retention Schemes. Such schemes, therefore, were having an indirect role in the ongoing youth unemployment recovery because they helped companies to stay afloat during the hard pandemic months.

Other groups still haven't recovered: that of low-skilled and temporary workers.

Following measures should, therefore, prioritise reallocation support for these vulnerable groups, but at the same guaranteeing that jobs that are being created are in sustainable sectors with non-precarious conditions. This is particularly relevant in a context of labour shortages, where low unemployment rates coexist with increasing difficulties by companies to hire workers, from the low-skilled to the highly skilled.

Limitations and Future Research

In the case of Portugal, there is a lack of a comprehensive study over the effectiveness of each measure's adoption (except for layoffs schemes that, because of their great success, were object of many analysis even internationally).

In some cases, official data regarding measures' take-up and financing has not been made available. This lack of transparency was a limitation that made it difficult to draw concrete conclusions over effectiveness.

Regarding databases, in Eurofound's Policy Watch data was still not standardised by countries, although the information available already allows for a preliminary analysis.

There was also a great volume of literature and reports that were still being produced regarding COVID-19 and labour markets. The amount of information available, for so many countries, made it hard to constantly keep to date to the most recent and accurate research about pandemic crisis.

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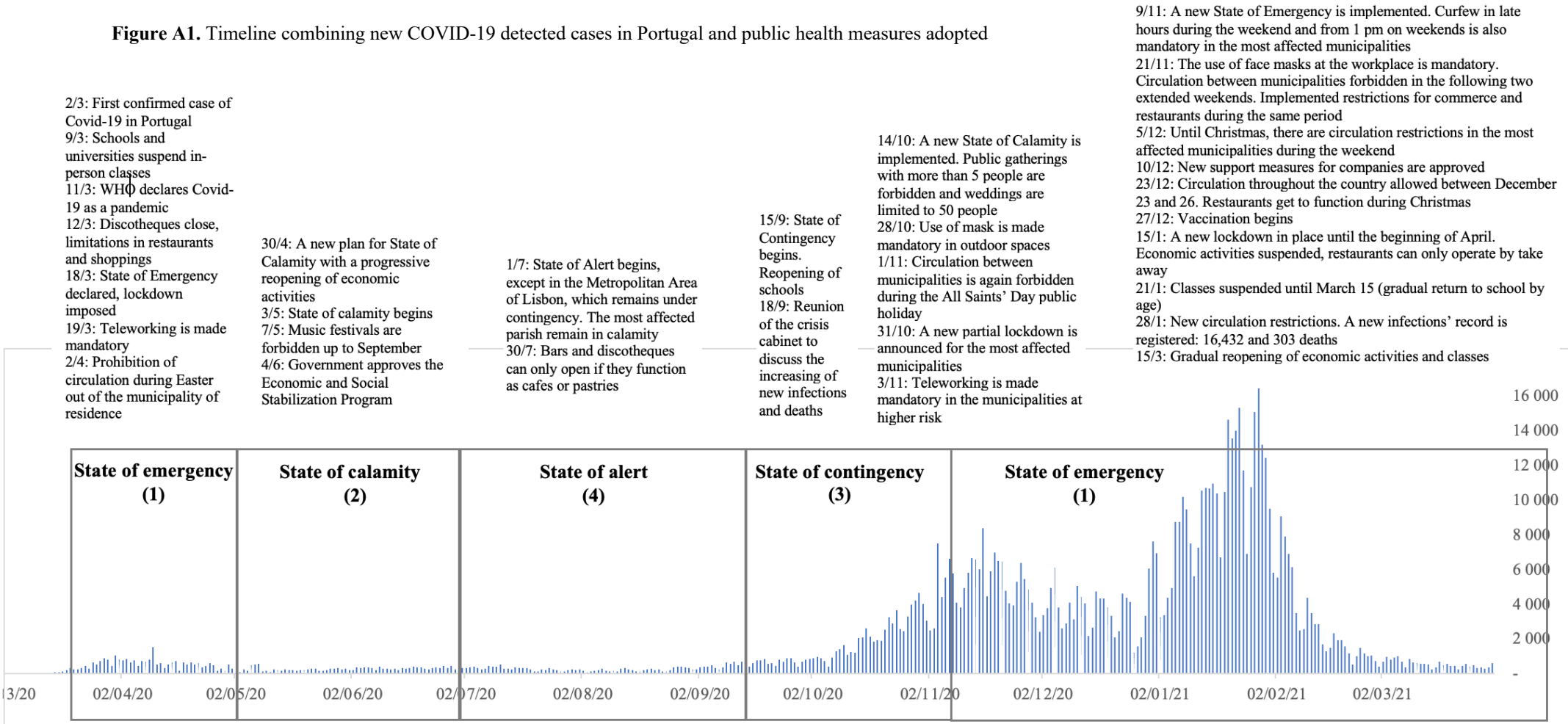
APPENDIX

Figure A1. Timeline combining new COVID-19 detected cases in Portugal and public health measures adopted



Source: Author's construction based on ILO (2020), Governo da República Portuguesa (2020), Roser, Ritchie, Ortiz-Ospina & Hasell (2020) and DGS (n.a.)

Figure A2. A timeline of the adopted measures in Portugal and unemployment and youth unemployment rate from March 2020 to March 2021

Source: Author's construction based on Eurofound's Policy Watch (n.a.), ILO's Country Policy responses (n.a.), OECD Policy Tracker & Governo da República Portuguesa (n.a.) and Eurostat

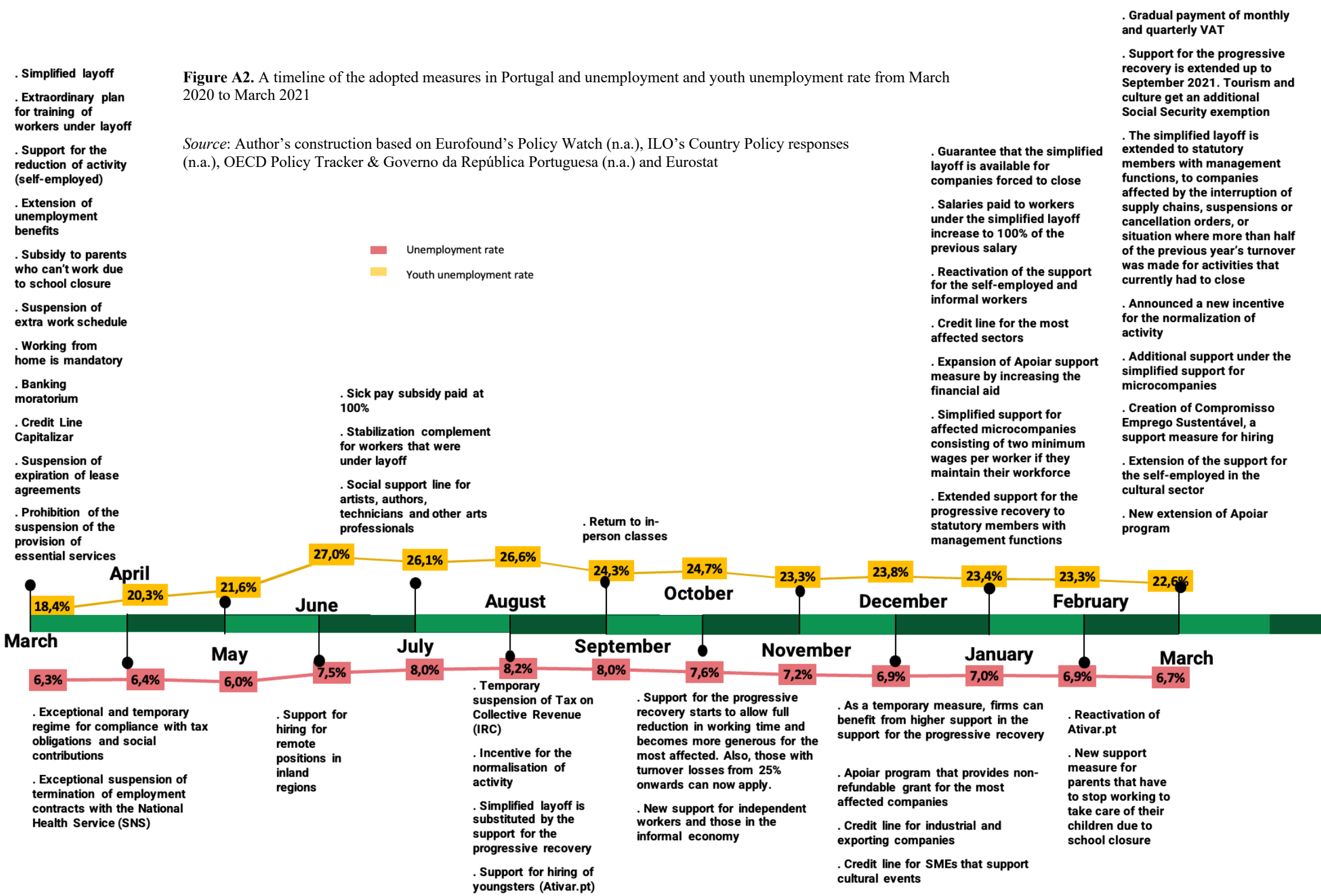
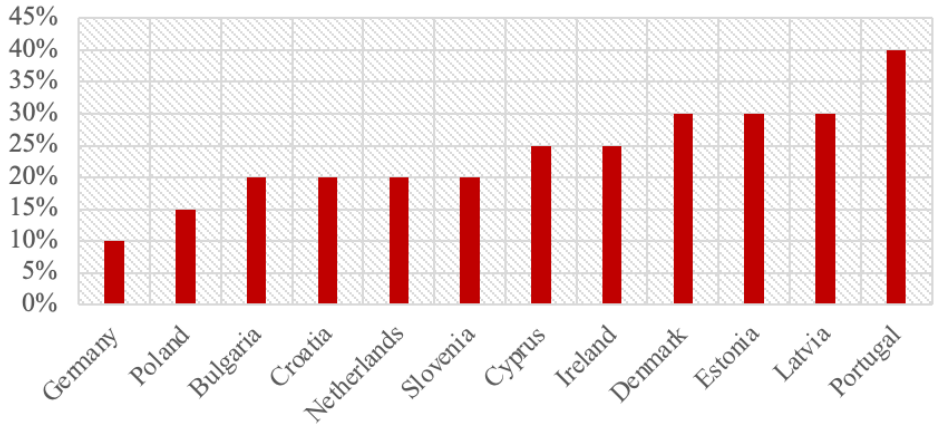
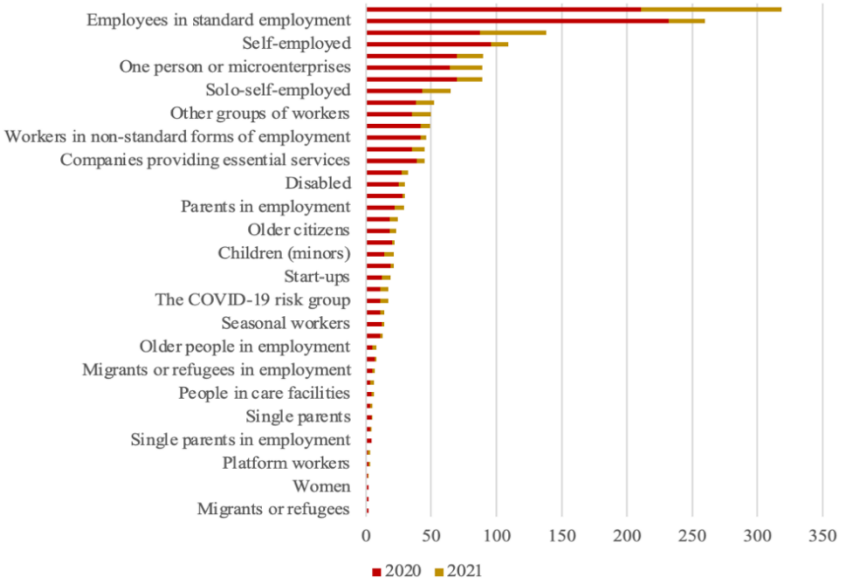


Figure A3. Thresholds to request access to JRS. It includes thresholds of reduction in demand, turnover, invoicing or share of workforce that could have been dismissed



Data source: Eurofound (2020)

Figure A4. Frequency of measures by target groups in all European countries in 2020 and 2021



Data source: Author's construction based on Eurofound's Policy Watch (n.a.)

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Table AI. Policy Databases used for the analysis

Eurofound Policy Watch	**ILO**	**OECD Country Policy Tracker**
Period analysed: 31/3/2020 — 31/12/2021 Last updated: unknown Last accessed: August 27, 2022 Link: https://static.eurofound.europa.eu/covid19db/database.html	Period analysed: 31/3/2020 — 9/10/2021 Last updated: October 19, 2021 Last accessed on: August 27, 2022 Link: https://www.ilo.org/global/topics/coronavirus/regional-country/country-responses/lang--en/index.htm	Period analysed: 31/3/2020 — 19/5/2020 Last updated: May 19, 2020 Last Accessed: August 27, 2022 Link: https://oecd.github.io/OECD-covid-action-map/
Austria, Belgium, Bulgaria, Croatia, Cyprus, Czechia, Denmark, Estonia, European Union, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Norway, Poland, Portugal, Romania Slovakia, Slovenia, Spain, Sweden, United Kingdom	188 countries and territories	100 countries and territories

Source: Author construction based on Eurofound's Policy Watch (n.a.), ILO's Country Policy responses (n.a.), OECD's Country Policy Tracker (n.a.)

Table AII. Categories of Policy Measures associated to COVID-19

Database	**Items identified in each policy**	**Policy Measures (Large categories)**	**Labour Market (subcategories)**
Eurofound **Policy Watch** Period analysed: 31/3/2020 — 31/12/2021 Last updated: unknown Last accessed: August 27 2022 Link: https://static.eurofound.europa.eu/covid19db/database.html	• Territorial scope • Start date; end date • Scope (temporary, open-ended) • Type of measure (legislation or statutory regulations; other initiatives or policies; non-binding recommendations or other texts; company practices) • Statues of regulation (entirely new measure; new aspects included into existing measure) • Category (see column B) • Subcategory (see column C) • Date of submission of the case • Background information • Content of measure • Use of measure • Actors (national government, trade unions, company/companies, employer's organisations)	• Employment protection and retention • Ensuring business continuity and support for essential services • Income protection beyond short-time work • Measures to prevent social hardship • Promoting the economic, labour market and social recovery • Protection of workers, adaptation of workplace • Reorientation of business activities • Supporting businesses to get back to normal • Supporting businesses to stay afloat	• Active labour market policies, inc. subsidised job creation • Access to finance to companies • Change of work arrangements (working time, rota schemes) • Change of production/innovation • Extensions of income support to workers not covered by any kind of protection scheme • Teleworking arrangements, remote working • Direct subsidies (full or partial). • Keeping a safe home • Measures to support a gradual relaunch of work • Occupational health and safety • Protection of vulnerable groups (beyond employment support) • Income support for people in employment (e.g. short-time work). • Flexibility and security • Enhancing employability and training • Deferral of payments or liabilities • Creation of platforms for businesses aimed at customer • Income support for unemployed • Preventing over indebtedness • Mobilisation of larger workforce • Paid sick leave • Rescue procedures in case of insolvency

	• Target groups (businesses, citizens, workers) • Funding (national funds, European funds, trade union, employer's organisation) • Role of social partners • Private or public sector		• Smoothing frictions • Support for parents • Wage flexibility • Well-being of workers • Support for spending, stimulus packages
ILO Period analysed: 31/3/2020 — 9/10/2021 Last updated: October 19, 2021 Last accessed on: August 27, 2022 Link: https://www.ilo.org/global/topics/coronavirus/regional-country/country-responses/lang--en/index.htm	n.a.	• Stimulating the economy and employment • Supporting enterprises, jobs and incomes • Protecting workers in the workplace • Relying on social dialogue for solutions • Other measures	• Tax-related measures • Business credit line • Other financial support • Extending social protection • Employment retention • Assistance to business • NHS • Telework • Work absence • Migrants • Labour inspectorate
OECD Country Policy Tracker /Trackling the Coronavirus Period analysed: 31/3/2020 — 19/5/2020 Last Accessed: August 27, 2022 Last updated: May 19, 2020 Link: https://oecd.github.io/OECD-covid-action-map/	n.a.	• Fiscal and monetary initiatives. • Employment and social initiatives. • More policy responses.	• Income support to sick workers and their families. • Income support to quarantines workers who cannot work from home. • Helping dealing with unforeseen care needs. • Income support to persons losing their jobs or self-employment income. • Helping firms to adjust working time and preserve jobs. • Financial support to firms affected by a drop in demand. • Helping economically insecure workers stay in their homes.

Source: Author construction based on Eurofound's Policy Watch (n.a.), ILO's Country Policy responses (n.a.), OECD's Country Policy Tracker (n.a.)

Table AIII. Different designs of Job Retention Schemes in Portugal, UK, Germany and France

	Original name	Who can access?	How much did employees receive?	How much did employers pay?	Was there exemption of social contributions?	Were dismissals prohibited?	What was the time frame?
Portugal	Layoff simplificado (*simplified layoff*)	From March to the end of July, it was available for companies in a "business crisis situation". It included firms that were (1) legally obliged to remain closed; or (2) companies that had only partial or no activity due to the disruption of the supply chains; or (3) companies that reported a fall in activity of at least 40%, in the period of 30 days prior to the request, comparing to the monthly average of the two months prior to that period, or to the same period in the previous year. Members of statutory bodies exercising management functions could also access. From August 1, it was only available for firms that had to remain closed due to a government decree. The other companies could access "*support to the progressive recovery*" (see below). In January 2021, with the new lockdown, the regime was opened	At least 2/3 of the previous salary (this limit was raised to 100% from January 2021 with no additional costs for firms: Social Security pays 70% of the 2/3 and 100% of the remaining 1/3). **Minimum**: minimum wage (635€ in 2020) **Maximum**: 3 times the minimum wage (1.905€ in 2020)	The employer must pay 30% of the 2/3 received by the employee (the remaining 70% are paid by Social Security).	Companies (only) are exempt of Social Security contributions in the part that is paid the employer.	Yes. For the duration of the support and in the following 60 days, companies cannot end contracts in a collective dismissal or in a dismissal due to job extinction. They can, however, not renew temporary contracts that came to an end.	Initially, companies could only apply for 3 months, but the limit was expanded due to the aggravation of the health crisis. It remains available while restrictions exist.

		to more sectors that were obliged to close again.					
	A second version: Apoio à retoma progressiva (*support to the progressive recovery*).	From August 2020, companies with losses of, at least, 40% (from October 2020, it was changed to 25%) could apply. In 2021, started to cover member of statutory bodies exercising functions of management.	Since the scheme initially only allowed the partial reduction of working hours, employees ended up receiving more than 2/3 of their salary. The reduction of working time (and, therefore, of the paid salary) was dependent on the loss of turnover. The allowed percentages also differed throughout the months. Workers could receive at least between 77% and 83% of their wages from August to September, and between 88% and 92% from October to December 2020. From January 2021, the scheme began to pay 100% of the previous salary up to 3 times the minimum wage. In October 2020, it was modified to allow for some companies (the hardest hit), ≥ 75%) to reduce total working time. In these cases, the State would cover 100% of salaries, with zero costs for firms. The most affected can also benefit of some support (35% of gross pay) for the hours worked.	Employer must pay 100% of the worked hours. For the not worked hours, employer pays 30% of 2/3 of the due salary.	Micro, small and medium companies had total exemption of social contributions (in the part paid by the firm) for hours not worked from August to September; and 50% exemption from October. Big companies benefited from a discount of 50% from August to September, and no discount from October.	Yes. For the duration of the support and in the following 60 days, companies cannot end contracts in a collective dismissal; or in a dismissal due to job extinction; or dismissal due to inadaptation. They can, however, not renew temporary contracts that came to an end. In 2021, the cap was increased to 90 days.	In 2021, it was indefinitely prolonged for the duration of the health crisis.

United Kingdom	Coronavirus Job Retention Scheme	From July 1 and until October 31, employers could only claim an allowance for employees who had already been furloughed for 3 consecutive weeks between March 1 and June 30. This means that companies could no longer furlough new employees (there were some exceptions, as parental leaves). After October, the scheme was extended to other workers. There was no need to prove economic hardship. Company needs to have a UK bank account and have a PAYE payroll scheme.	From March to June, employees received, at least, 80% of their previous salary. Maximum: 2,500 GBP From July, the scheme started to allow employees to work as a part-time: they receive 100% of worked hours and 80% for hours not worked (up to 2,500 GBP).	From March to June, there were zero costs: employers could claim 80% of each furloughed worker's previous salary up to 2,500 GBP. From July, they had to pay 100% of worked hours and had State contribution of 80% for hours not worked. From September, Government contribution decreased to 70% of wages up to 2,187.50 GBP, with employers having to pay the remaining 10% up to 2,500 GBP. From October, government cap was lowered to 60% up to 1,875 GBP. However, from November 1, the government	From March to June, government covered the employer's (not the workers') national insurance contributions and minimum enrolment employer pension contributions. Employer National Insurance and pension contributions returned in July.	Normal redundancy rules apply to furloughed employees. However, in case of dismissals, no part of the grant can be used to redundancy pay.	Extended to September 2021.

				took a step back and returned to 80% contribution up to 2,500 GBP (but employers had to pay National Insurance and pension contributions). Rules changed in 2021.			
Germany	Kurzarbeit	Companies with a loss of working hours due to economic reasons (as a decline in orders due to the impacts of Covid-19); and/or shut down ordered by the government, if at least 10% of the workforce is affected by the lack of work (in the original design, it was 30%) and a loss of earning of more than 10% of their monthly gross salary. Also opened up for temporary workers.	At least 60% of their net income (67% if they have children) for hours not worked. From July 2020, while the compensation still amounted to 60% (67% for parents) in the first 3 months, it increased to 70% (77% for parents) from month 4 onwards and to 80% (87% for parents) from month 7 onwards. This increase was a response to trade unions complaints.	Zero costs for the salary payment (companies only had to pay some components, e.g. holiday pay).	Social insurance contributions paid by employers for their employees are reimbursed by the Federal Employment Agency. From 1 July 2021 to 31 December 2021 the reimbursement will decrease to 50%.	Dismissals during short-time working are possible, but the worker must return to full-time employment during the notice period, and the employer is not entitled to the public short-time working allowance.	The maximum duration was extended to 12 months initially and from October to 24 months for businesses that applied prior to 31 December 2020.

France	Activité Partielle	It is directed at companies going through a reduction or suspension of activity due to (1) the economic situation; (2) disasters of exceptional nature (3) Disruptions in the supply chain (4) Restructuring of the company It was expanded from the original design and could be required to employees with atypical working hours, child minders, people who work from home and are paid on a piecework basis (e.g., journalists), public employees mainly in an industrial and commercial activities, vulnerable people and parents with children under 16 who could not work. The administrative procedure was simplified: the request was authorized within 48 hours after being filed if the administration did not respond (in the original design, it was 15 days).	At least 70% of their previous gross hourly wage (approximately 84% if the net hourly remuneration). **Minimum:** of minimum wage (or 8.03 euros per hour) **Maximum**: up to 4.5 times the minimum wage (45.68 euros per hour or 6,927.39 euros per month) — "which covers more than 95% of wage earners" (IZA, 2020). From June 1, 2020, companies saw a reduction in the financing: from 70%, they started being reimbursed only up to 60% of gross salary (but still need to pay at least 70% of the previous salary). Sectors under specific restrictions due to the coronavirus crisis (e.g., tourism, hotels and restaurants, sports and cultural sectors, air transportation) were not included in this change. Another reduction in the compensation rate to the employees and their employers was expected on October 1, but was postponed.	Zero costs. The employer receives an allowance that corresponds to a share of the hourly pay of the employee (for hours not worked).	The worker and the firm are exempt from Social Security contributions. (Firms in the most affected firms were able to benefit from contribution exemption until December 31, 2020).	Yes, twice the period during which the scheme was authorized (Eurofound, 2020).	From 6 months, the maximum duration was increased to 12 months. It cannot exceed 1,607 hours per year per employee until December 31 (in the pre-Covid design it was 1,000 hours).

Source: Author's construction based on Eurofound's Policy Watch (n.a.), ILO's Country Policy responses (n.a.), OECD Policy Tracker (n.a.)

Table AIV. Criteria and conditions of the new *support for the progressive recovery*

	August/September		**October/December onwards**			
Turnover loss	≥ 40%	≥ 60%	≥ 25%	≥ 40%	≥ 60%	≥ 75%
Reduction in working time	Up to 50%	Up to 70%	Up to 33%	Up to 40%	Up to 60%	Up to 100%
Social contributions paid by the employer	Big companies: 50% reduction		No reduction			
	MSMEs: total exemption		50% reduction			
Salary	Working hours are paid 100%					
	Hours not worked are paid by 66%		Hours not worked are paid by 80%			
Social Security	Worked hours: 0%					35%
	Not worked hours: 70%					100%
Salary paid to the worker	At least 83%	At least 77%	At least 92%		At least 88%	

Source: DGERT (n.a.)

Table AV. Job Retention Schemes' take-up in Portugal, France, Germany and UK from March 2020 to December 2020

	March	**April**	**May**	**June**	**July**	**August**	**September**	**October**	**November**	**December**
France	6,700,000 (35%)	**8,400,000 (44%)**	7,000,000 (37%)	3,200,000 (17%)	1,800,000 (9%)	1,100,000 (6%)	1,200,000 (6%)	1,800,000 (9%)	3,100,000 (16%)	2,500,000 (13%)
Germany	2,834,309 (9%)	**6,006,764 (18%)**	5,726,322 M (17%)	4,464,298 (13%)	3,318,830 (10%)	2,550,769 M (8%)	2,244,063 (7%)	2,037,069 (6%)	2,405,048 (7%)	2,856,187 (9%)
United Kingdom	6,842,600 (20%)	**8,786,600 (26%)**	8,376,100 (24%)	6,822,000 (20%)	5,393,100 (16%)	3,810,900 (13%)	2,843,400 (11%)	2,399,600 (7%)	3,868,200 (11%)	3,975,100 (12%)
Portugal[a]	160,354 (5%)	**777,303 (25%)**	735,739 (24%)	471,156 (15%)	264,236 (9%)	86,817 (3%)	76,632 (3%)	79,534 (3%)	93,007 (3%)	99,650 (3%)

[a]Portugal's numbers include the simplified layoff, traditional layoff and support for the progressive

Source: Author's construction based on Bundesagentur für Arbeit (2021); DARES (2021); HM Revenue&Customs (2020); Segurança Social (n.a.).

Table AVI. Number of workers under JRS between 2008 and 2017

	2008	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**
Germany	90,684	1,117,530	474,235	133,798	99,742	110,730	79,737	74,944	115,862	101,260
France	42,000	227,000	86,000	36,000	62,000	70,000	61,000	53,439	51,098	45,413
Portugal	344	5,145	1,623	892	2,451	2,133	1,160	1,205	1,676	1,019
UK	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

Source: European Commission (2020)

Table AVII. Measures targeted to young people (18-25) in employment in Europe from March 2020 to December 2021

Country	Category	Description
Austria	Original category: Active labour market policies, incl. subsidised job creation Author's category: Incentives to take on apprentices	Companies are paid a bonus up to 2,000€ for each **apprentice** hired (1,000€ are received at the start of the apprenticeship and 1,000€ if trainees are retained after probation period). If the apprenticeship is terminated during probation, the first amount will have to be returned. It adds to another subsidy (already existing) for training. In October 2020, another bonus of 500€ was implemented for micro firms and 1,000€ for smalls ones. Also had a STW scheme just for apprentices.
Austria	Original category: Strengthening employment services for young people Author's category: Employment services	Called Corona Job Offensive, it provides unemployed aged between 20 to 25 years old training and reskilling via public employment services.
Belgium	Original category: Hiring subsidies to stimulate job creation for young people Author's category: Incentives to hire jobseekers	Employers can receive wage subsidies up to 500€ per month for up to six months if they hire jobseekers aged between 18 and 30 years old with tertiary education. There is also a specific subsidy for the young NEET to incentivize them to get into employment in the social economy.
Cyprus	Original category: Enhancing employability and training Author's category: Incentives to hire jobseekers	Includes many measures: (1) A special vocational scheme targeting 1,000 SMEs whose turnovers were highly affected. (2) A scheme only for the unemployed in the hotel and catering sector. (3) Schemes targeted for the employment and training of youngsters from 15 to 29 years old NEET; and for the employment of the unemployed and former prisoners.
Cyprus	Original category: Active labour market policies, incl. subsidised job creation Author's category: Incentives to hire jobseekers	Incentive to hire youngsters from 15 to 29 years old in NEET. The allowance is 870€ for the first six months and 924€ for the rest and covers the hiring of five people. Subsidy is paid for the first ten months; employer must pay remaining two.
Czechia	Original category: Strengthening employment services for young people Author's category: Employment services	Regional projects are being implemented to support youth employment.
Denmark	Original category: Promoting work-based learning for young people at a time of crisis Author's category: Incentives to take on apprentices	An exceptional financial assistance to support trainees, which included a WS from May to December 2020. The aid covered 75% of the salaries of the workers retained.
Flanders (Belgium)	Original category: Promoting work-based learning for young people at a time of crisis Author's category: Incentives to take on apprentices	Apprenticeship fee paid to employers was increased from 500/750€ to 1,000€ per year, per person from September until August 2021.
Flanders (Belgium)	Original category: Extending income support measures for young people to cushion the impact of the crisis Author's category: Incentives to hire jobseekers	Allowance for young people who left school and completed a 12-month professional integration program but were not able to find work. They receive this support because they are not eligible for unemployment benefits. Conditions were relaxed during Covid-19.
France	Original category: Active labour market policies, incl. subsidised job creation Author's category: Incentives to take on apprentices and incentives to hire jobseekers	There are two types of contracts covered by the support for people with work-study contracts: (1) Apprenticeship contract: aimed at young people from 16 to 29 years old (but the contract can be concluded when they are 35 or already had been in an apprenticeship but wants to move to a higher level of qualification; or the previous contract ended for reasons beyond their control or because of unfitness). No age limit for disabled workers, entrepreneur, or high-level sportsperson. (2) "Professionalisation" contract: aimed at young people under 30. In both cases, the financial support depends on the age of employees and goes up to 5,000€ for someone under 18 years old and 8,000€ over 18.
France	Original category: Active labour market policies, incl. subsidised job creation Author's category: Incentives to hire jobseekers	Employers can receive a grant of 4,000€ for a full-time position for young people under 26 years old in an open-ended contract or a fixed term of at least three months. Only for people who were not employed from August 1, 2020, and receive less or equal two times the hourly amount of the SMIC. Employers cannot have made, since January 1, 2020, a redundancy on economic reasons for the position.
France	Original category: Extending income support measures for young people to cushion the impact of the crisis	800,000 people under 25 years old who were experiencing financial hardship were given 200€ in May 2020. In December, there were new decrees that conceded monthly allowances to previous beneficiaries of higher education

	Author's category: Financial support during unemployment	scholarships under 30 years old who were looking for jobs; and for jobseekers under 26 registered in employment services.
France	Original category: Strengthening employment services for young people Author's category: Employment services	New measures to support job search targeted at NEETs under 25 years old was created.
Geneva, Switzerland	Original category: Promoting work-based learning for young people at a time of crisis Author's category: Incentives to take on apprentices	Introduced a lump-sum payment of 3,000 CHF for new companies that recruit apprentices. There are another associated bonus.
Germany	Original category: Promoting work-based learning for young people at a time of crisis Author's category: Incentives to take on apprentices	Apprenticeship scheme to support the more affected SMEs. The bonus for companies providing training was doubled throughout time to 4,000€.
Greece	Original category: Hiring subsidies to stimulate job creation for young people Author's category: Incentives to hire jobseekers	Updated a hiring subsidy which offers 75% of monthly salary and non-salary costs up to 750€ per month for 10 months if companies hire unemployed university graduates aged 22-29 years old.
Greece	Original category: Strengthening employment services for young people Author's category: Employment services	Training and certification support by the public employment agency is available for youngsters in the food industry.
Hungary	Original category: Extending income support measures for young people to cushion the impact of the crisis Author's category: Increasing income support	Employees under 25 years old are exempt from paying personal income tax from 2022 onwards.
Hungary	Original category: Hiring subsidies to stimulate job creation for young people Author's category: Incentives to hire jobseekers	From May to August 2020, employers could benefit from a subsidy to hire jobseekers unemployed for more than six months and those aged under 25. A new scheme was created in October 2020 aimed at employers of low-skilled and young jobseekers. It covers up to 50% of wage and social contributions up to 100,000 HUF per month for up to five months. A third extension happened from June 2021.
Ireland	Original category: Active labour market policies, incl. subsidised job creation Author's category: Incentives to take on apprentices	Employers who take on apprentices can apply for an allowance of up to 3,000€ for each. Of this amount, 1,000€ are paid in the third quarter of 2021 if the apprentice is retained in employment.
Ireland	Original category: Hiring subsidies to stimulate job creation for young people Author's category: Incentives to hire job seekers	Extended the hiring subsidy to jobseekers up to 30 years old in August 2020. Pays employers between 7,500€ and 10,000€ for up to two years.
Italy	Original category: Hiring subsidies to stimulate job creation for young people Author's category: Incentives to hire job seekers	A hiring subsidy up to 100% of wages up to 6,000€ per year for three years for firms that hire people not in employment, training nor education under 36 years old with a permanent contract.
Italy	Original category: Promoting work-based learning for young people at a time of crisis Author's category: Incentives to take on apprentices	Already existing schemes were adapted to increase financial incentives for firms who take on apprentices: the employer contribution rate decreased from 24% to 10%.
Latvia	Original category: Extending income support measures for young people to cushion the impact of the crisis Author's category: Incentives to hire jobseekers	A new allowance for jobseekers who had recently completed higher education. Could be paid for up to four months until June 2021. Equals 500€ in each of the first two months and 375€ in the last two.
Lithuania	Original category: Promoting work-based learning for young people at a time of crisis Author's category: Incentives to take on apprentices	From March 2020, when apprenticeships or internships have to be suspended, government pays a training grant of around 40% the minimum wage.
Luxembourg	Original category: Active labour market policies, incl. subsidised job creation Author's category: Incentives to take on apprentices	Companies can access a lump sum subsidy to accept apprentices, from 1.500€ to 5.000€.
Netherlands	Original category: Extending income support measures for young people to cushion the impact of the crisis Author's category: Financial support during unemployment	Rules for young people under 27 years old to access social assistance were deemed, as instruments to support return-to-work. Also, from March 2020, municipalities were authorized to ease the mandatory search period for 18–27-year-olds before receiving social assistance, which has been extended.
Norway	Original category: Extensions of income support to workers not covered by any kind of protection scheme Author's category: Financial support during unemployment	Aimed at apprentices affected by Covid-19 impacts on the labour market and who lost their jobs, since many of them haven't worked long enough to access unemployment benefits. Apprentices receive an allowance equal to 100% of the previous salary up to 12,482 NOK (≈1,100€ per month), as well as an extra of 62.4% up to 49,929 NOK (≈4,400€)
Poland	Original category: Strengthening employment services for young people Author's category: Employment services	Assistance to young people under 29 years old for professional activation.
Portugal	Original category: Active labour market policies, incl. subsidised job creation Author's category: Incentives to take on apprentices	Grant paid to apprentices that are unemployed or youngsters up to 30 years old, when starting an apprenticeship in a company. Another dimension is Ativar.pt Incentives, where firms get to receive financial support if they celebrate a fixed-term or open-ended contract with an unemployed, or if they convert a fixed-term contract to an open-ended contract. Up to 5,266€.
Romania	Original category: Extensions of income support to workers not covered by any kind of protection scheme Author's category: Financial support during unemployment	For 12 months, Government covers 50% (up to 2,500 RON; ≈ 510€) of the salary for workers between **16 to 29 years old** or over 50 whose contract ceased during the state of emergency and/or the state of alert. Also applies to nationals who lost their jobs in other EU member countries. At least 1,3 million Romanians who were working outside returned to the country (about 300,000 are job seekers).
Sweden	Original category: Active labour market policies, incl. subsidised job creation Author's category: Incentives to hire jobseekers	Social Security contributions paid by employers for their employees aged 19 to 23 years old are reduced from 31.42% to 19.73%. Applicable for workers earning up to 25,000 SEK per month (≈2,500€).
United Kingdom	Original category: Active labour market policies, incl. subsidised job creation Author's category: Incentives to take on apprentices	Grant paid to interns temporarily hired by firms, up to £6,500. "Kickstarters" must have training to develop skills as well as support to find a permanent job.
United Kingdom	Original category: Strengthening employment services for young people Author's category: Employment services	The Youth Offer is targeted to 18–24-year-olds and helps them through work search and to transition to employment.

Source: Eurofound's Policy Watch (n.a.) and OECD (2021b)

Table AVIII. Comparing Portugal's Ativar.pt and UK's Kickstart Scheme

	Target	Requirements	Amount paid	Duration
Portugal **Ativar.pt**	***Ativar.pt Internships.*** Targeted to companies that hire for an internship a **registered unemployed** aged between **18** and **30** years old; or more than **30** years old if they are unemployed for longer than **12** months. ***Ativar.pt Incentives.*** **Companies** that hire **registered unemployed** for 6 months regardless of age; unemployed for **2 months** and **29 or less** years old or **45 or more** years old; regardless of time of unemployment registry, someone who is benefiting from unemployment subsidy, RSI, and others.	***Ativar.pt Internships.*** Companies cannot hire someone with whom they had a contract in the 24 months prior to the candidacy. ***Ativar.pt Incentives.*** Companies must advertise the vacancy, celebrate an open-ended or fixed-term contract for 12 months or more with an unemployed; maintain the level of employment; companies must guarantee training.	***Ativar.pt Internships.*** Trainees are entitled to a monthly internship grant, meal or meal allowance, and insurance against work accidents. The grant depends on the level of qualification from 439 euros (non-qualified) to 1053 euros (for someone with doctoral studies). The IEFP' s contribution to the company from 65% to 95% of the grant. ***Ativar.pt Incentives.*** If the employer celebrates a fixed-term or an open-ended contract with an unemployed, it receives from 1.755 to 5266 euros. There are bonus if the person hired is youngster, working in interior of the country or if their contract is promoting gender equality. If companies convert a fixed-term contract to an open-ended, they get a bonus up to 2194.05euros.	***Ativar.pt Internships.*** 9 months. ***Ativar.pt Internships.*** Contract must last, at least, 12 months.
UK **Kickstart Scheme**	Targeted at **companies** who hire those receiving **unemployment** benefits aged between 16 and **24** years old.	"Kickstarters" must have training to develop skills as well as support to find a permanent job. Jobs created with the scheme's funding had to be newly created and not replace existing or planned vacancies and could not cause existing employees or apprentices to lose their work or experience a reduction in working time.	For a 24-year-old the total grant will be of, approximately, 6,500 GBP (around 1,083 GBP per month), regardless of qualification. For the employer, it covers social contributions and an additional 1,500 GBP for setup costs.	Up to 12 months. The program was programmed to last until June 2021 but was extended until December 17, 2021.

Source: Author's construction based on Eurofound (n.a.)

Table AIX. Policy Measures in Europe for supporting firms to reopen from March 2020 to December 2021

Austria	Recommendation for a gradual relaunch of work - focus on office routine
Austria	City of Vienna issues gastronomy vouchers for every household
Austria	Employers' organisation provides consulting services for SMEs to restart their business
Belgium	Support for tourist sector
Bulgaria	Support for medium-sized enterprises
Croatia	A small value aid program to help affected activities in the transport sector, tourism sector and the cultural and artistic events industry
Cyprus	Cyprus to pay holiday costs of infected tourists
Cyprus	Incentives scheme for airline companies
Greece	Replacing the house quarantine period with overtime work
Hungary	Restart interest-free fast loan
Ireland	Grant for restarting small businesses introduced
Ireland	New Outdoor Dining Funding Scheme Launched
Italy	Urgent provisions to access to cultural, sporting and recreational activities
Malta	Restart Schemes 2021 – Arts Council Malta
Portugal	Extraordinary financial incentive to support the normalisation of business activity
Portugal	ADAPTAR Programme - Adaptation of business activity in the context of COVID-19
Portugal	Support measures within the scope of the COVID-19 pandemic

Source: Eurofound's Policy Watch (n.a.)