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ETUI-CELSI COVID-19 Observatory

National fiscal responses to the COVID-19 pandemic in Europe:

First descriptive results

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Key points

- The Fiscal Response Questionnaire (FiReQ), as a part of the ETUI-CELSI COVID-19 Observatory, collects data about fiscal responses to the COVID-19 crisis in the European Union and the UK.
- The dataset was collected between April - December 2020 and covers 19 countries.
- The largest numbers of the fiscal measures that have been adopted to mitigate the adverse economic impact of the pandemic were targeting firms and the self-employed encountering decline in revenues.
- Tax deferrals and exemptions also presented a frequent policy tool to help firms to deal with the adverse impact of the economic decline.
- Deferral of payments of social insurance contributions was another widely utilized policy instrument.
- Rather than adopting entirely new measures during the second and further waves of the pandemic, governments mostly extended and/or amended already existing policies.
- To alleviate the impact on workers, the national governments utilized mainly the extension of unemployment benefits schemes or sickness leave allowance.
- Some countries also implemented one-off payments as an immediate help for smaller firms, the self-employed and families to overcome economic hardships.

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1 Introduction

This policy brief presents the descriptive results from the Fiscal Response Questionnaire (FiReQ) mapping of fiscal policy responses of the EU Member states and the United Kingdom to the adverse economic impacts of the COVID-19 pandemic. The objective of the FiReQ database, conducted within the ETUI-CELSI Covid-19 Observatory, is to collect and compare data about national fiscal responses to the COVID-19 pandemic. The objective of the ETUI-CELSI Covid-19 Observatory is to monitor national policy responses, measure and analyze their determinants and impacts with the ultimate objective of better informing policy efforts fighting COVID-19 pandemics, but also similar pandemics in the future. The policy brief introduces the dataset and presents its key variables and descriptive statistics about the fiscal responses studied, aiming to enhance the understanding of the policies adopted in the context of European welfare states and labour markets. In doing so, this policy brief complements other policy trackers mapping out and analysing governments' responses to the pandemic. Among these, Eichhorst et al. (2021) review policy responses to the pandemic and the resulting economic crisis in nine EU Member States, Canada, Switzerland, UK and US; Kahanec, Martišková, and Lichá (2020) provide a general overview of early policy responses to the pandemic; and Müller and Schulten, (2020) review short-time work schemes during the pandemic. A recent OECD (2021) report provides an evaluation of SME and entrepreneurship policy responses to the COVID-19 pandemic and an International Monetary Fund (2020) study looks at the economic impact of COVID-19 mitigation policies. We contribute to these efforts by mapping, categorising, and measuring fiscal and related policy responses to the pandemic across the EU and UK with specific regard to the variation of

fiscal responses to the needs of various target groups affected by the pandemic. This policy brief also serves to categorise and compare fiscal and related response policies tackling adverse impacts of the pandemic across European welfare state regimes (Ferrera, 2020).

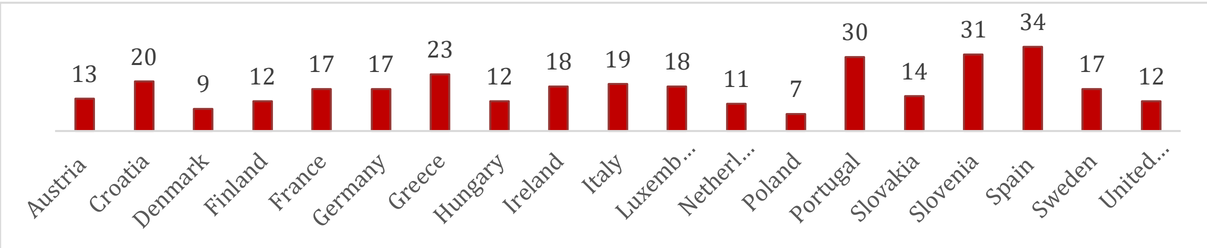
Among the key findings about fiscal policies adopted to mitigate the adverse economic impact of the pandemic are that the largest numbers of the measures adopted were targeting firms and the self-employed encountering decline in revenues; tax deferrals and exemptions also presented a frequent policy tool; and so were also deferral of payments of social insurance contributions. Policies adopted in early 2020 have been extended and/or amended in response to the second and further waves of the pandemic. Existing unemployment benefits and sickness leave allowance schemes were amended or extended to alleviate the impact on workers. Some countries also implemented one-off payments as an immediate help for smaller firms, the self-employed, and families to overcome economic hardship. The similarity of the observed patterns of policy responses across welfare state regimes suggests a degree of saliency of the policy response to the pandemic in Europe. The descriptive results of the policy brief serve to inform relevant policy and decision makers and researchers about policy efforts addressing the current health and economic crisis.

2 Methodology

Conducted by a CELSI team and coordinated with the ETUI, data collection for the FiReQ database started in April 2020 and was completed on the 15th of December 2020. Out of the 28 national experts invited to participate in the data collection in their countries, 16 completed and regularly updated the database, representing Austria (AT), Croatia (HR), Denmark (DK), Finland (FI), France (FR), Germany (DE), Greece (GR), Hungary (HU), Ireland (IE), Italy (IT), Luxembourg (LU), Portugal (PT), Slovakia (SK), Slovenia (SI), Spain (ES), and Sweden (SE)., Three additional countries, the *Netherlands (NL), Poland (PL)*, and the *United Kingdom (UK)*, were covered by the CELSI team. The data were updated and verified by the CELSI team using multiple data sources. In total, we obtained 334 observations, each representing a separate policy measure,[1] undertaken in these countries (Figure 1). The countries included in the sample represent 93.3% of EU GDP (Eurostat, 2020).

The national experts were requested to cover seven categories of policy measures that we identified as the most relevant (see Table 1 below) by filling in a structured questionnaire that was unified for all the countries. Several indicators were measured for each policy, including, for instance, the type of policy measure type of sponsor, target group and a scope of coverage.

Figure 1: The numbers of policy measures adopted, by country.



Source: FiReQ Database 2020

There are several limitations as to what conclusions can be drawn based on the descriptive analysis of the data provided in this policy brief, however: (i) in spite of significant validation and quality control efforts, we cannot entirely exclude the risk that some policy measures have not been reported in the dataset, or that some of their aspects were reported imprecisely; (ii) whereas frequency data provide a measure of what mixture of policies and instruments have been adopted, they alone do not provide information about their relative size (e.g. the implied fiscal expenditure), (iii) our attempts to gauge data about the fiscal costs and impacts of the various measures adopted, the dataset contains only limited information about their size. Further data and analysis are needed to evaluate the salience of the initial trends and descriptive results provided in this policy brief as well as qualities of the policies (generosity, duration, scope, etc.).

3 Findings

In this section we present an overview of the measures across seven policy categories listed in Table 1 that have been adopted and implemented to alleviate the adverse economic impact on the labour market and identify main

[1] If a policy measure was interrupted, e.g. during the summer of 2020, when the distancing measures were eased in many countries, and then reinstated, it was counted as one observation.

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trends in fiscal responses across the sampled countries welfare regimes. We discuss the main findings for each category of policy measures along with announced and estimated costs.

Table 1: Categories and types of policy measures included in the questionnaire.

Category of policy/type of policy	Tax breaks/ exemptions	Insurance scheme/regulation	Sectoral subsidies/ or direct payments to employers	Tax grace periods, deferrals	Monetary policy, QE, helicopter money	Income maintenance scheme	Reduction of fees	Temporary suspension of the membership fee	Employment protection adjustment, flexible employment forms, Kurzarbeit	Other	TOTAL
Providing fiscal support (e.g. vouchers, reimbursement of protective equipment costs) to reduce workers' exposure to COVID-19 in the workplace	2	2	0	0	0	0	0	0	1	4	9
Extending any existing income support to sick workers and their families	0	3	0	0	0	10	0	0	0	3	16
Establishing any income support to quarantined workers who are not ill but cannot work from home	0	1	0	0	0	9	0	0	1	0	11
Establishing any measures aiming to help workers and their families deal with unforeseen care needs (e.g., due to school closure)	0	1	0	2	2	23	0	0	5	7	40
Establishing or extending any income support to persons losing their jobs or self-employment income	6	8	1	5	0	41	0	0	6	4	71
Establishing or extending any measures helping firms to adjust working time and preserve jobs	5	0	2	2	0	11	0	0	29	0	49
Financially supporting firms affected by a drop in demand	24	1	45	20	9	5	0	0	1	33	138
Total	37	16	48	29	11	99	0	0	43	51	334

Source: the FiReQ Database 2020

Notes: Category of policies (column) are divided in types of policies (row).

Looking at the frequencies of different categories of policy measures adopted and implemented to alleviate the adverse economic impact of the pandemic, most of the policies (138) fall within the category of measures that were designed to help firms affected by a drop in demand. A relatively large share of policies (21%) belongs to the category of measures aimed at establishing or extending income support to persons losing their jobs or the self-employed. In total 49 measures were aimed at helping firms adjust working time and preserve jobs, which mainly referred to different types of short-time work schemes (STW, *Kurzarbeit*). About 10% of all policies reported by national experts were adopted to help workers and their families to deal with unforeseen care needs caused by, for example, school closure or child-care at home. On the contrary, only in seven countries in our sample, was any fiscal support adopted that served to reduce workers exposure to COVID-19 (such as reimbursement of protective equipment at the workplace). According to the survey responses, extending support for sick workers or quarantined workers does not present a particularly frequent measure adopted in the selected countries, as they represented only 20 observations which is less than 6 % of all the policy measures. One reason for the last finding may be that no specific measures were needed during the COVID-19 pandemic, as standard health insurance and social welfare policies provided a safety net for such workers as well.

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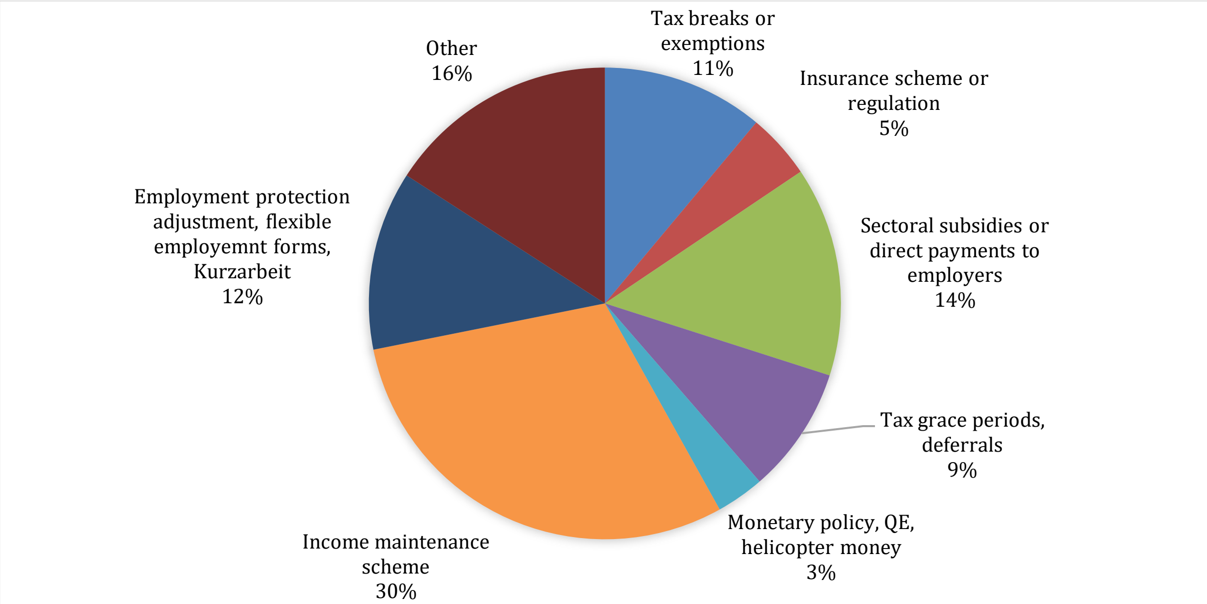
Observing the counts of the policy types in Figure 2, most of the policies that have been adopted and implemented across the countries in our sample presented income maintenance schemes (for both workers and the self-employed), making up almost a third of all policies. Employment protection adjustment, flexible employment forms and short-time work schemes together with sectoral subsidies or direct payments to employers also presented a common policy tool to tackle the adverse economic impact.

Two types of policies relating to payment of taxes, (i) tax breaks or exemptions and (ii) tax graces and deferrals, were aimed mainly at firms and the self-employed (only sporadically to workers) and included mostly deferrals, reduction, or cancellations of tax payments and social insurance contributions. According to the survey responses, policies supporting liquidity and cash-flows of enterprises (including helicopter money) were less commonly used.

Figure 2: Shares of the various types of policy measures adopted



Source: FiReQ Database 2020, N=334

3.1 Providing support to reduce workers' exposure to COVID-19 in the workplace

Only in a few countries out of the nineteen countries covered, various forms of support were provided at the workplace helping to mitigate workers' exposure to the virus. The measures mainly included two kinds of measures (i) VAT reduction or exemption for sanitary products such as masks (Greece, Portugal, Spain, and Slovenia) and (ii) reimbursement (partial or full) of protective equipment for at-risk workers such as health care, social or retail workers (Finland, Ireland, Slovenia, and Sweden). Some measures established that employers in the healthcare sector are obliged to ensure a safe work environment for their employees.

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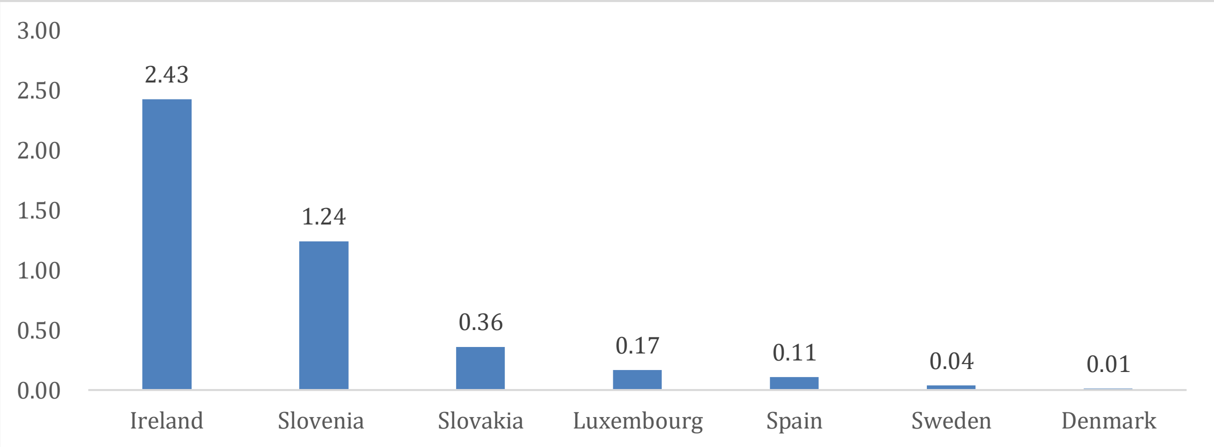
3.2 Extending any existing income support to sick workers and their families

Most of the polices falling within the category „Extending any existing income support to sick workers and their families" represent sickness benefits, either within the existing sickness benefit schemes or as an extra income compensation. Sickness benefits were extended either financially by increasing the level of benefits (Hungary, Ireland, Spain, and Slovenia) or in terms of the duration of a sickness leave (Denmark, Luxembourg, Slovakia, and Slovenia).

Some of the measures aimed at the procedural aspect of policy implementation: for example, in Sweden, medical certificate requirement has been suspended to ease policy implementation process. In Denmark, Luxembourg, and Sweden the financial burden of sick leave benefits was temporarily shifted from the employer to the state. Similarly, in Sweden, the state has reimbursed the first day of sickness for sick workers. Special financial aid was provided also for people who self-isolated, such as in Ireland and the United Kingdom. For example, in Spain, employees who have a sick leave because of COVID-19 receive 75% of their gross wage, while in Slovakia sickness benefit presents 55% of a net wage.

Figure 3: Costs of the measures providing income support for sick workers and their families for the public budget (as percentage of the nominal GDP) in 2020[2]



Source: The FiReQ Database 2020. No data available for the other countries covered.

All the policies have a national coverage and target the general population of employees and the self-employed.[3] The Slovenian Government also introduced extraordinary financial support for farmers who became sick with COVID-19. Most of the measures were adopted at the initial stages of the pandemic, during March and April 2020, and have been extended several times, effectively in place continuously until the end of the year.

[2] The figures present the announced limit or an estimate of the costs of the policy measures adopted as a response to the crisis.
[3] In this category, we discuss policy measures targeting primarily the self-employed and not non-standard workers having atypical contracts (e.g., freelancers). However, some of the measures may also target a broader category of non-standard workers.

As for the public expenditures on this category of measures, Ireland allocated almost 2.43% of GDP on sick leave compensation for workers in self-isolation, while Slovenia was 1.24%, Slovakia 0.36%, Luxemburg 0.17%, Spain 0.11%, Sweden 0.04%, and Denmark 0.01% (Figure 3).

3.3 Establishing any income support to quarantined workers who are not ill but cannot work from home

Policies in the category „Income support to quarantined workers who are not ill but cannot work from home" present mainly income maintenance schemes (10 out of 11 policies in total that were included by the national experts in this category), especially wage compensations for the time workers spent in quarantine. For example, France introduced a partial employment scheme, which stipulates that the employees ordered to quarantine themselves will receive 70% of their gross wage (if they cannot work from home) that is paid by the government with a ceiling of 4.5 times the statutory minimum wage. The same applies for Finland, where the full salary of the workers in quarantine is paid for 14 days. Slovenia also introduced a salary compensation (reimbursed by the state) ranging from 100% of average monthly wage of the worker in quarantine due to contact with an infected person to 80% of average monthly wage for a worker who visited a country from a stipulated list of low-risk countries.

Although most of the policies serve to provide support to workers in general, in some countries they target specific groups such as workers in the civil sector (Slovenia), caretakers (Slovakia) or risk groups such as those who cannot work due to a risk of being infected with the virus (Sweden). Civil servants received specific wage compensation in Slovenia. Sweden a temporary aid for workers at risk of being infected with COVID-19. In Slovakia, recipients of caretaking allowance and employees in quarantine are being provided the salary compensation in the amount of 55% of their monthly gross income.

In 2020, it is estimated that Spain and Sweden allocated for income support for quarantine workers who could not work from home about 0.10% and 0.12% of GDP respectively. For the other countries, no data was provided by the national experts.

3.4 Establishing any measures aiming to help workers and their families deal with unforeseen care needs

Policies in this category present mainly income maintenance schemes, particularly in three specific forms: (i) social allowances (sickness benefit for caretakers); (ii) income compensation; and (iii) exceptional financial aid (mostly one-off payments) for families. Most, but not all, of the measures were aimed at parents who had to stay at home with children due to the school closure and for families in material need. Other unforeseen care needs cover broader types of care that pandemic-stricken families had to provide to their members.

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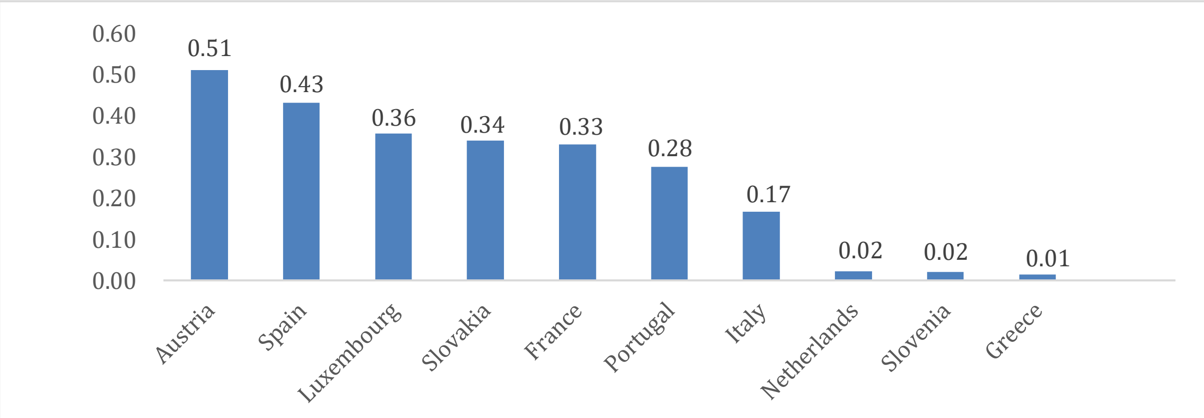
Social allowances were introduced in the form of an extension period for parental or child-care allowances or sickness payments for parents[4] (Denmark, France, Italy, Poland, Portugal, and Slovakia). Some countries adopted regulations to speed up the administration processes relating to payments of social allowances in general (Germany and Luxembourg). In Luxembourg, modifications in the legislative framework were adopted to permit family leave for reasons pertaining to childcare during the school closure (Luxemburg), while in Spain the compatibility of unemployment benefits and care of ill children have been resolved.

Slovenia and Germany introduced income compensation for individuals taking care of children at home. Austria implemented wage subsidies in the form of reimbursing 1/3 of wages for firms to keep parents employed.

Exceptional (one-off or temporary payments) for parents were implemented in Austria, France, Portugal, and Poland. Extraordinary help was conditioned mainly with the material needs of families.

Direct aid in the form of food delivery presents a rather rare policy (introduced only in Sweden). Additionally, in a handful of countries, including Italy and Slovakia, deferrals of loan and mortgage payments for workers and families were introduced. In Italy, financial contributions for rent were provided to prevent evictions. Direct financial compensation to parents with children in private kindergartens were provided in Slovenia, while for most of the epidemic period, parents were exempted from paying also for public kindergartens (for the time the kindergartens were closed).

Figure 4: Costs of the measures aiming to help workers and their families to deal with unforeseen care needs in the public budget (as percentage of the nominal GDP) in 2020[5]



Source: The FiReQ Database 2020. No data available for the other countries covered.

Most of the policies in this category were aimed at the general population, mainly workers taking care of children, unemployed and workers for the duration of the school year. This means that these measures were adopted and

[4] In some countries, sickness payments were provided to parents who stayed at home with children whose schools were closed during the pandemic.
[5] The figures present the announced limit or an estimate of the costs of the policy measures adopted as a response to the crisis.

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implemented at the beginning of the pandemic (March-April 2020) and continued also in the new school year after the summer 2020.

As can be seen in Figure 4, the highest share of public expenditures allocated for workers to deal with unforeseen care needs in 2020 was estimated to be spent in Austria with 0.17% of the nominal GDP, followed by Spain, Luxembourg, Slovakia, France, and Portugal in which the share is oscillating between around 0.3%-0.4%. Of the countries for which data is available and reported in Figure 4, the lowest share of public expenditures on this category of measures is estimated to be spent in the Netherlands, Slovenia, and Greece with 0.02% and less.

3.5 Establishing or extending any income support to persons losing their jobs or self-employment income

In total, 71 measures covering all the studied countries with data have been adopted to establish or extend any income support for persons losing their jobs or compensate income of the self-employed. More than a half of them (41) presented income maintenance schemes such as unemployment benefits. Regarding this, most of the measures aimed at extending the duration of unemployment benefit payment (Finland, Greece, Hungary, Ireland, and Germany) and extending eligibility criteria for unemployment benefits that would include the self-employed and other groups that were initially not eligible (e.g., Italy and France). Some of the measures served to provide exceptional financial aid (France, Italy, Netherlands, Portugal, Slovenia, Slovakia, and Sweden) in case of a decline in revenues. Exceptional financial support (29 policies out the 71 policies in this category) was mostly aimed at compensating income of the non-standard workers such as the self-employed, workers in the entertainment industry, in agriculture, or seasonal workers.

Additionally, some of the countries eased the administrative process relating to unemployment benefit payments. One of these measures presented, for example, abolishing the mean test for a duration of six months (Germany) or temporarily relaxing unemployment insurance eligibility requirements (Sweden). Spain even introduced a form of basic income for families suffering from poverty, which contemplates the future introduction of a complement for in-work and low-income workers. Several countries also opted to introduce reductions and deferrals for paying social security contributions (Austria, Luxembourg, Poland, Slovakia, Slovenia) or taxes (Austria, Ireland).

Tax breaks or reduction of rent payments present another form of support for people at risk of poverty; particularly at the initial phases of the outbreak of the pandemic Greece introduced a provision package on the reduction of rent for students and the suspension of tax payments for property owners that received reduced payment from their tenants.

Most of the measures in this category were adopted and became immediately effective at the initial stages of the outbreak of the pandemic (March - April 2020). Expansion of unemployment benefits schemes have been further extended by the end of the year in most of the countries. Some of the policies were suspended during the summer 2020, when the lockdown was eased, and they were reinstated in the autumn.

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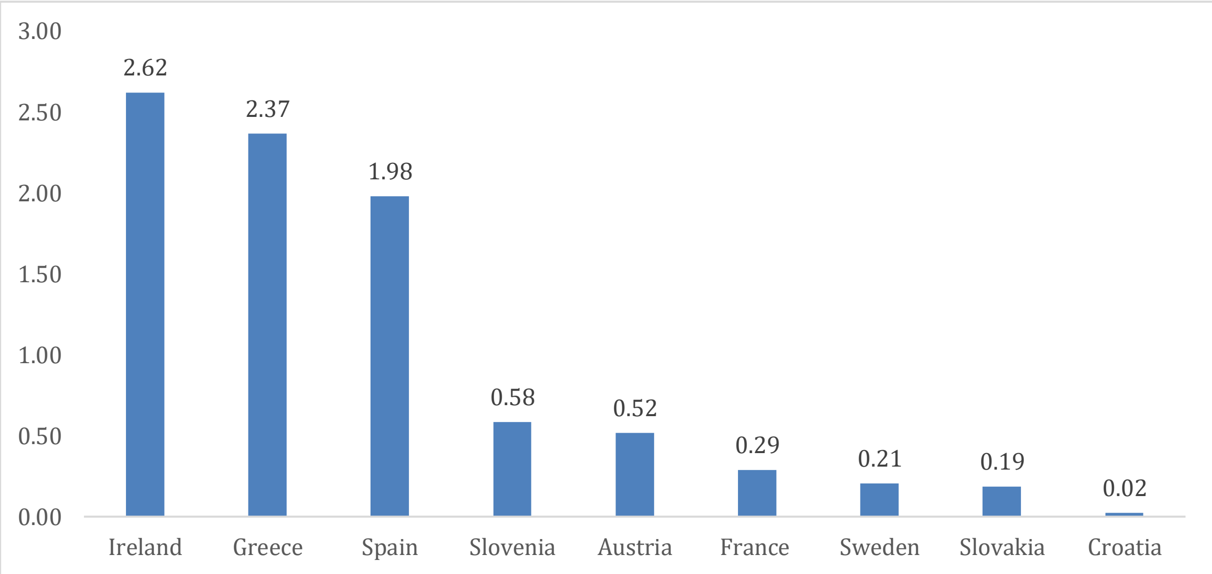
Among the countries with available estimates, Ireland allocated 2.62% of GDP on the measures extending income support for people who have lost jobs and for the self-employed; the highest share of this amount was estimated to be spent on the pandemic unemployment benefit (Figure 5). In Greece 2.37% of the nominal GDP was spent on unemployment benefit schemes, while the share of costs estimated to be spent mainly on the financial aid for the self-employed in Slovenia and Austria presented 0.58% and 0.52% respectively. While the share in Netherlands and France oscillated around 0.3%, in Slovakia and Sweden it was around 0.20%. The lowest share can be observed in Croatia with 0.02%.

Figure 5: Costs of the measures extending or establishing any income support for people losing jobs and self-employment income (as percentage of the nominal GDP) in 2020[6]



Source: The FiReQ Database 2020. No data available for the other countries covered.

3.6 Establishing or extending any measures helping firms to adjust working time and preserve jobs

In total, 49 policy measures in helping firms adjust working time and preserve jobs have been implemented and adopted, while a majority of them (29) presents employment protection adjustment, flexible employment forms and short-time work schemes. Short time work schemes have been widely utilized by the countries in our sample to mitigate the adverse economic impact of the pandemic on companies and to preserve jobs. Basically, all the countries in our sample have implemented or extended some form(s) of short-time work schemes.[7] Several countries have introduced wage subsidies for workers whose employer experiences restricted business operations, and as a result, reduced a working time (Croatia, Hungary, Slovakia, UK). In countries like Slovakia, a short-time work scheme has been institutionalized as a sustainable solution to the future economic crises. In several countries, where a system of short-time work schemes is well-established, amendments have been made. According to

[6] The figures present the announced limit or an estimate of the costs of the policy measures adopted as a response to the crisis.
[7] We obtained qualitative information about the policy measures from 19 countries, however, not for all the countries fiscal costs of measures were available.

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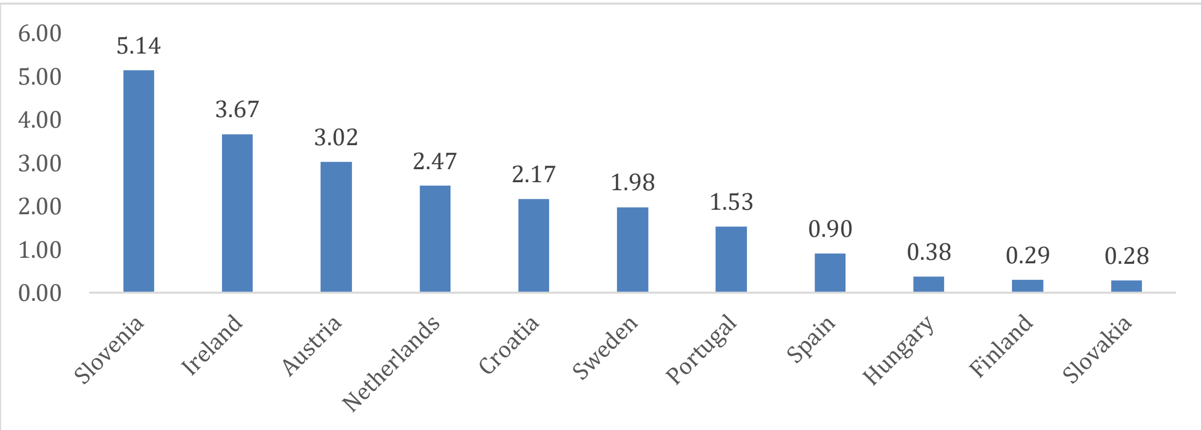
Eichhorst, W. et al. (2021), countries with well-established short-time work schemes introduced extensions with the purpose to make the scheme more inclusive regarding the target group and to reduce costs for employers. In Germany, the conditions for firms to access short-time working have been eased, the regulation on short-time working has been changed and a short-time working allowance has been increased as well if a working time is cut at least 50 percent. Similarly, France has included new categories of workers eligible for short time working (non-standard workers) and increased a financial contribution. As pointed out by Müller and Schulten (2020), although short-time work schemes have been adopted and implemented in almost all the EU countries, their policy design differ significantly in the way the STW allowances is paid or the extent of the reduction of working hours. Regarding this, in most of the EU countries the allowance is paid in the form of wage subsidies (directly to the employer), while in countries such as Finland, Spain, it is paid through the national employment agency to the employee.

The rest of the measures in this category presented easing conditions for temporary layoffs including income support and simplified layoff procedures to prevent dismissals (those policies were implemented in Finland, Portugal, and Sweden). Temporary layoffs present policies similar to short-time work schemes but the subsidy level is higher. Regarding this, Greece allowed temporary suspension of contracts, while in Denmark job sharing has been enhanced.

Figure 6: Costs of the measures helping firms to adjust working time and preserve jobs (as percentage of the nominal GDP) in 2020[8]



Source: The FiReQ Database 2020. No data available for the other countries covered.

Most of the measures are primarily aimed at firms and workers in general, some of the subsidies were sector specific. In Luxembourg, the restart aid for short and medium-sized enterprises in the in-store retail sector has been introduced In Croatia, support is provided for micro-entrepreneurs (with less than 10 employees) encountering a 50% drop in their income. In France, a new category of workers has become eligible for a short time work scheme, particularly non-standard workers whose working time is computed in days and not hours. non-standard workers have become eligible for short-time work schemes.

[8] The figures present the announced limit or an estimate of the costs of the policy measures adopted as a response to the crisis.

As presented in Figure 6, the highest share of public expenditures spent on the measures helping firms adjust working time and preserve jobs (mainly in terms of wage subsidies as mentioned above) can be seen in Slovenia with 5.14% of the nominal GDP. The lowest shares are estimated for Hungary, Finland, and Slovakia (0.38%, 0.29% and 0.28% respectively). For most of the countries in this sample, the value oscillates between 3.5% to 1.5%. (see Table A1 in Annex for absolute figures).

3.7 Financially supporting firms affected by a drop in demand

This category contains 138 different policy measures in all the countries in our sample. Most of them present sectoral subsidies and direct payments to employers (45), tax breaks and exemptions (24), tax grace periods and deferrals (20). A subcategory “other” includes measures (33) such as loans or discounts on commercial rents. A common feature of the policies in this category is a decline in sales as a condition for receiving support. As for tax breaks and exemptions, and tax graces/deferrals, most of the measures in this category refer to deferral of payments, reduction or even the cancellation of taxes and social contributions for the self-employed and firms. It includes measures such as the suspension of VAT payments for businesses or self-employed (Germany), the cancelation of taxes or social security contributions (Croatia), the reduction of VAT on meals in the gastronomy sector (Germany), suspension of social security contribution payments for businesses (Greece), cancellation of tourist development fees (Hungary), tax reliefs for companies affected by COVID-19 (Hungary), the temporary reduction for tourism and hospitality items (Ireland), exemption of the second payment of municipal tax (Italy), reduction of social security contributions for companies (Italy, Sweden), exemptions for regional production tax (Italy), the temporary suspension of payments on account of the corporate income tax (Portugal), tax deferrals for both natural persons and legal entities (Slovakia), social security debt payments deferrals (Spain), deferrals of social security contributions payments (Austria, Slovakia, Italy, Luxembourg, Portugal, and Slovenia), fractionated payments of the corporate tax and estimation method for the personal income tax (Spain), a VAT rate reduction to 4% (book, journal and digital reviews) (Spain), the reduction in the social security contribution for employees of the agricultural sector (Spain), and the deferral of tax debt payments (Spain). Countries like Germany adopted a whole package of tax relief measures similar to the aforementioned ones (it is easier to have the pre-payments of corporation taxes reduced, suspended or the penalties for delayed payment cancelled, etc.).

Sectoral subsidies and direct payments to employers present mainly direct aid for firms (Finland, Germany) in the case of a decline in sales, financial aid for SMEs (Finland, Germany, Luxembourg, Poland), subsidies for small companies, micro-entrepreneurs and the self-employed (Finland, Germany, Luxembourg), and large companies (Poland). Several countries introduced direct financial aid for certain industries such as fishery (Finland, Poland), agriculture (Finland, Poland), the transport industry (Poland), the entertainment industry (Poland, France) and tourism (Poland, France) or restaurants (Austria, Finland, France).

Additional policies providing liquidity to enterprises present mainly emergency one-off payments (Luxembourg), stabilization funds providing credit guarantees and grants, as well as loan schemes (Denmark, Slovenia and UK). Immediate grants were also provided to the self-employed (Germany), while loan repayment deferrals for the self-employed and SMEs were also provided in Slovakia.

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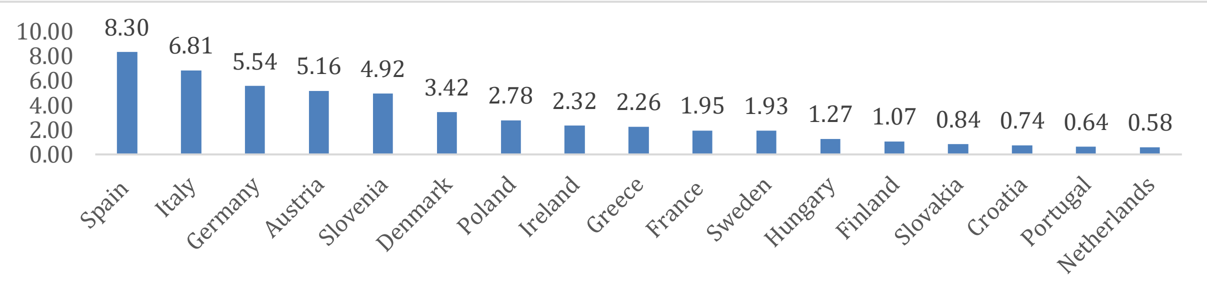
As shown in Figure 7, the highest shares of nominal GDP in 2020 were allocated to measures (included in this category) that support firms or sectors affected by a drop in demand. In Italy, more than 6.8% of GDP was allocated to this type of measures while the highest share of costs in this country was allocated particularly to the tax exemptions (6.77% of nominal GDP). A share of costs for Germany, Austria, and Slovenia oscillated around 5% of GDP and were related to direct subsidies, particularly for small and medium-large companies, tax reliefs and sectoral subsidies. It is estimated that Denmark allocated 3.4% of GDP to this category of measures, mostly to wage subsidies. Poland allocated 2.3% of GDP to this category of measures, mainly in a form of direct subsidies for small, medium-sized, and large companies. Ireland and Greece allocated around 2% of GDP, predominantly to direct grants to small companies, the self-employed and the tax reductions and suspensions. It is estimated that in France and Sweden, most of the costs were allocated to direct subsidies for firms and the reduction of taxes and social insurance contributions. Hungary, Finland, and Spain (with approx. 1% of GDP allocated to this category of measures) also focused on direct subsidies (including sectoral) and the reduction of social insurance contributions. The cohort of countries with the lowest shares of costs on this category of measures presented Slovakia, Croatia, Portugal, and the Netherlands with less than 1% of GDP. While Portugal and Slovakia allocated most of the costs on direct aid, the costs in Croatia and the Netherlands, were estimated to be spent on loan guarantee schemes (see Table A2 in Annex for absolute figures).

Figure 7: Costs of measures supporting firms affected by a drop in demand(as percentage of nominal GDP) in 2020[9]



Source: The FiReQ Database 2020. No data available for the other countries covered.

As can be seen in Figure 8, the relative frequencies of the policy responses to the COVID-19 pandemic studied in this policy brief were rather similar across the welfare regimes: conservative, liberal, Mediterranean, social democratic, and Central and Eastern Europe (Ferrera, 2020). That similar patterns, in terms of relative frequencies, of how the countries in our sample responded to the economic impact of the pandemic arose across all the studied regimes suggests that the overall patterns of fiscal response to the pandemic are driven by salient processes and factors, which tend to be similar across the countries. A few noteworthy differences can be observed, though: (i) social democratic and liberal regimes were more likely to extend the income support to sick workers and their families; (ii) conservative and Mediterranean tended to establish relatively more measures to help families with unforeseen care needs than the other welfare regimes; (iii), CEE countries were more likely to establish and extend measures helping firms to adjust working time and preserve jobs. These findings suggest that the observed patterns

[9] The figures present the announced limit or an estimate of the costs of the policy measures adopted as a response to the crisis.

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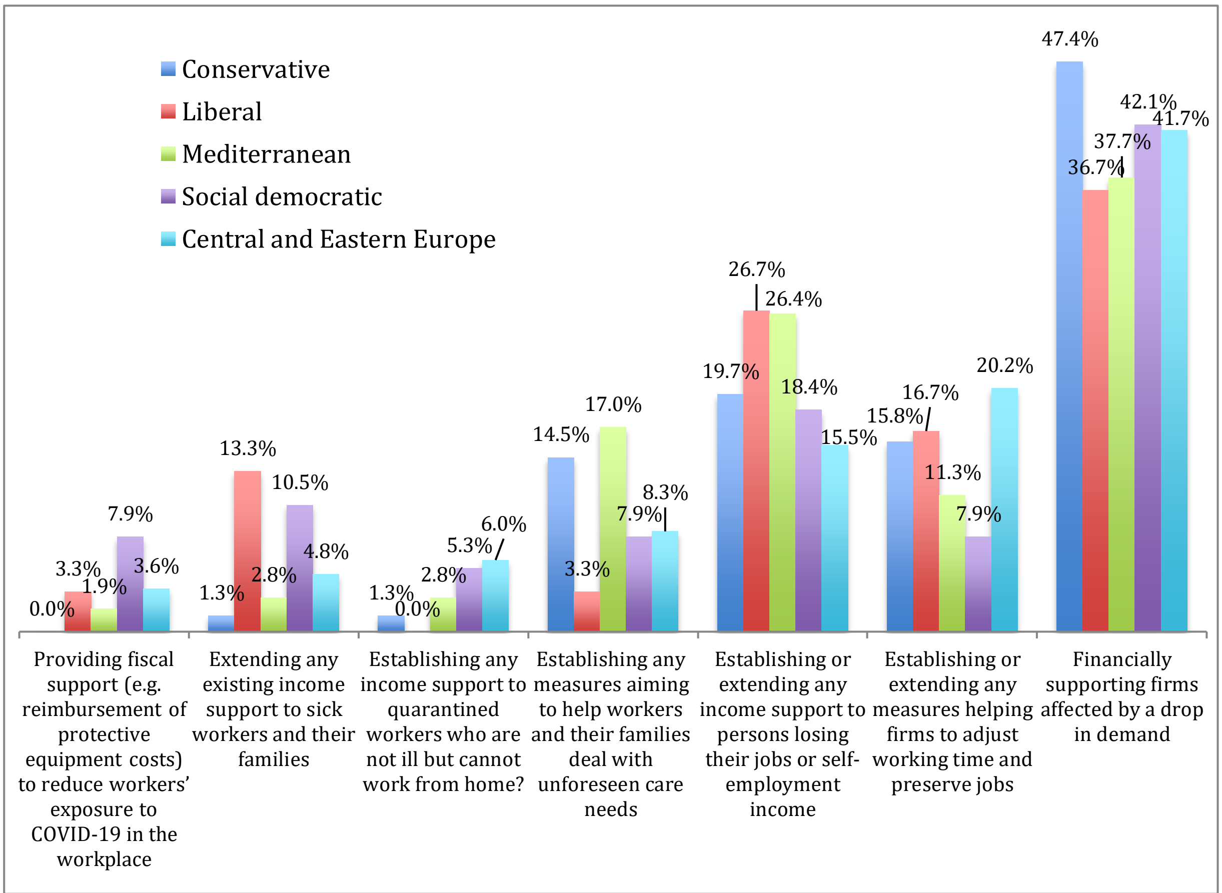
of policy responses to the pandemic are salient across welfare state regimes and they do not seem to be driven by outliers.

Figure 8: Distribution of policy responses across different welfare regimes



Source: The FiReQ Database 2020

Note: Conservative regimes (Austria, France, Germany, Luxemburg, Netherlands), liberal regimes (Ireland and United Kingdom), Mediterranean (Greece, Italy, Portugal and Spain), social democratic regimes (Denmark, Finland and Sweden) and Central and Easter Europe (Croatia, Hungary, Poland, Slovakia, and Slovenia).

4 Conclusions

This policy brief reviewed and compared national fiscal responses to the COVID-19 pandemic - including fiscal support measures to households, individuals, and firms in April-December 2020 in the European Union and the UK, using data collected by a network of national experts. Among our main findings are that the countries in our sample attempted to alleviate the adverse impact of the current health and economic crisis predominantly by implementing measures that support firms which have encountered a drop in demand, either due to shutdowns of business venues and other lockdown provisions, or the overall economic decline in general. At the same time, the national

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governments have frequently employed short-time work schemes to preserve jobs since working time had to be reduced due to restrictions of business activities and the necessity of parents to take care of school-aged children at home; short time work schemes have been utilized even in countries without a long tradition and practice in implementing these types of schemes, especially in new Member States. On the contrary, EU-15 countries[10] rather amended the already existing short-time work schemes, either by increasing a volume of financial support allocated to the STW schemes or by extending eligibility criteria which resulted in involving, for instance, non-standard workers as the target group of STW schemes.

A substantial part of measures has also targeted small and medium sized companies (see category 7, p. 12), especially by providing with direct financial aid, wage subsidies, different forms of tax reliefs or specifically short-time work allowances. The national governments also tend to involve self-employed groups and one-person business companies in the target groups of schemes.

There are no significant differences between policy measures that have been adopted and implemented during the first phase (March – August 2020) and the second phase (September – December 2020) of the pandemic; at the early stages of the pandemic, in most of the countries of our sample, the national governments promptly adopted or extended short-time work schemes and compensated the income of working parents that had to stay at home with school-aged children by providing them with care benefits. As the pandemic progressed, these policies have been amended and/or extended. Some governments shifted their focus on the extension of the unemployment benefit schemes.

Two new trends can be observed in the employment policies in the current economic crisis; (1) the expansion of the *Kurzarbeit* models even in the countries with limited experience with STW schemes and (2) attempts to ease administrative processes relating to payments of social benefits including the first attempts to introduce universal basic income with the intension of providing a prompt financial aid. Not only the policy design but also the implementation process has been temporarily amended, speeding up the payment processes or lowering administrative requirements from beneficiaries.

Overall, the use of various instruments of fiscal responses to the pandemic's effects on the economy was fairly similar across the five types of welfare regimes studied: liberal, conservative, social democratic, Mediterranean, and Central-Eastern European. This suggests a degree of saliency of the observed patterns of policy responses to the pandemic across Europe.

[10] The term EU-15 refers to 15 Member States of the European Union as of December 2003 before the new Member States joined the EU. The 15 Member States are: Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Netherlands, Portugal, Spain, Sweden, United Kingdom.

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Annex

Table A1: Costs of the measures on helping firms to adjust working time and preserve jobs for the public budget in Euro in 2020.

Austria	**Hardship case fund**	**Fund for hard-hit families**		**Slovakia**	**Financial aid for the self-employed (in case of decline in sales) Measure 2 First Aid)**	**Financial aid for the self-employed without social insurance**	
	2 000 000 000	60 000 000			158 000 000	17 000 000	
Croatia	**Support for persons in the sector arts and entertainment**	**Measures to assist the sports system in the wake of the coronavirus epidemic**	**Extended duration of measure a permanent seasonal worker**	**Slovenia**	**Monthly basic income for the self-employed, religious servants and farmers**	**Temporary unemployment benefit**	**One-time solidarity allowance for vulnerable groups**
	1 688 700	5 330 000	5 200 000		175 000 000	4 000 000	104 000 000
France	**Self-income scheme for small companies (Fonds de solidarité)**			**Spain**	**Compensation for self-employed**	**Compensation for temporary workers (subsidy)**	**Compensation for domestic workers (unemployment benefits)**
	7 000 000 000				3 766 760 000	17 600 000	**3 150 000**
Greece	**The SSC of employees of firms affected by the coronavirus crisis, whose labour contracts have been suspended**	**Extension of the regular unemployment benefit payment and long unemployment benefit**	**Unemployment benefit scheme for long-term unemployed**	**Spain**	**Compensation for fired workers during the trial period (unemployment benefits)**	**Basic minimum income**	
	1 357 000 000	232 000 000	65 000 000		42 000 000	3 000 000 000	

Ireland	Pandemic unemployment payment	Extension of the Pandemic unemployment payment	Budget-based support for self-employed people	Sweden	Temporarily relaxing unemployment insurance eligibility requirements	Turnover-based support to sole traders
	8 600 000 000	700000000	30 000 000		520 000 000	350 000 000

Source: The FiReQ Database 2020

Table A2: Costs of the measures helping firms affected by a drop in demand for the public budget in Euros in 2020.

Austria	Gastronomy package	Direct financial aid for media companies	"Soforthilfe" financial aid for businesses
	500 000 000	32 000 000	2 000 000 0000
Croatia	**Export loan insurance program**		
	400 000 000		
Denmark	**Wage and cost compensation schemes for businesses**		
	10 700 000 000		

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Finland	**Direct aid for firms**	**Financial aid for SMEs**	**Reducing labour costs on employers´ side temporarily**	**Direct restaurant benefit**		
	1 500 000 000	700 000	910 000 000	170 000 000		
France	**Financial support for strategic companies**	**Subsidies for small companies, self-employed and micro-entrepreneurs**	**Solidarity fund for small firms**	**France Relance Program**	**Solidarity fund for small companies with 50% drop**	**Direct aid for the automotive industry**
	20 000 000 000	20 000 000	6 000 000 000	5300000000	8000000000	8000000000
Germany	**Immediate grant (Soforthilfe) to self-employed and small firms**	**Business stabilisation fund providing credit guarantees and grants**	**Financial aid for freelancer and self-employed**			
	50 000 000 000	100 000 000 000 (capital), 40 000 000 000 (guarantees)	905 000 000			
Greece	**Suspension of VAT payments for businesses, self-employed**	**Suspension of tax obligation payments for businesses, self-employed**	**Suspension of Social Security Contributions (SSC) payments for businesses,**	**Special allowance for small employers affected by the crisis**	**Business financing in the form of a refundable advance payment**	**The interest payment on performing loans of SMEs**
	835 000 000	383 000 000	47 000 000	73 000 000	2 000 000 000	800 000 000

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Hungary	Tax and social security cancellation	Loan repayment moratorium (on interest) for all households and corporate loans loan deferrals	Loan repayment moratorium (on capital) for all households and corporate loans loan deferrals	Payment of financial aid for agricultural enterprises and food producers			
	508 000 000	1 280 000 000	9 780 000 000	70 000 000			
Ireland	**Liquidity funding for affected businesses**	**Arrangements (warehousing) for accumulated tax liabilities**	**ISIF Pandemic Stabilisation and Recovery Fund**	**Reconnection fund for micro and small businesses (restart grant)**	**Waiving of commercial rates for businesses closed due to public health**	**Credit guarantee scheme**	**Temporary Vat reduction for tourism and hospitality items**
	400 000 000	2 000 000 000	2 000 000 000	550 000 000	900 000 000	2 000 000 000	401 000 000
Italy	**Deferral of loan installments for SMEs**	**Exemption of the second payment of municipal tax**	**Deferral of the payment of social insurance contributions**	**Subsidies for enterprises in agriculture and fishery**			
	219 000 000 000	121 300 000 000	504 000 000	100 000 000			
Netherlands	**Small credit scheme**	**Broadening the guarantee for SME loans**	**Emergency support for businesses forced to shut down**	**Financial aid for agricultural sector**	**Financial aid for cultural sector**		
	750 000 000	300 000 000	2 670 000 000	650 000 000	300 000 000		

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Poland	**Direct subsidies for small, medium-sized and large companies**	**Direct subsidies for small and medium-sized companies**	
	3 800 000 000	11 000 000 000	
Portugal	**Support measures for company treasury and labour and social security.**		
	100 000 000		
Slovakia	**Loan Guarantees (de minimis aid)**	**Financial contributions for self-employed and firms encountering decline in sales**	
	350 000 000	440 000 000	
Slovenia	**Guarantee scheme**	**Tourist vouchers**	**Financial aid for firms in the road transport industry**
	2 000 000 000	345 000 000	35 000 000

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Spain	Tax debts 6 months deferral	Social security contributions 6 months deferral	Social Security debt payments deferral	Customs declarations' debt deferral	Suspension of interest and amortization payments in the Touristic sector (public loans)	Fractioned payment of the corporate tax and Estimation method for the Personal Income tax	Changes in VAT and Personal Income Tax calculation
	8 900 000	351 580 000	339 630 000	2 700 000	742 000	1 100 000 000	30 000 000

Spain	VAT rate reduction to 4% (book, journal and digital reviews)	Reduction in the social security contribution for employees of the agricultural sector	Support to movie theaters	Supports available to the tourism sector	Fund to support the solvency of strategic companies	"Renove 2020" program for the renewal of the vehicle fleet	Financial aid for tourism sector
	24 000 000	43 000 000	13 252 000	216 000 000	10 000 000 000	250 000 000	108 000 000

Spain	Guarantee scheme
	100 000 000 000

Sweden	Increased loan facilities and credit guarantees for Swedish SMEs	New opportunities to defer tax payments	Support due to loss of turnover	Increased loan facilities and credit guarantees for Swedish SMEs	Temporary reduction of employers' social security contributions	Central government temporarily assume responsibility for sick pay	Support for media industry
	490 000 000	60 000 000	3 800 000 000	9 850 000	3 000 000 000	1770 000 000	49 000 000

Source: The FiReQ Database

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