A Web Appendix

This Web Appendix provides additional material discussed in the manuscript.

A.1 Stock of Furloughs

As described in Section 3, we only have data on the stock of furloughs for Sweden and Denmark. This stock data is useful for two reasons: First, it enables us to check whether our results based on weekly new unemployment and furlough spells (inflow only) would turn out differently if stock data would be used. Second, it helps us assess whether unemployment or furloughs drop considerably once a lockdown is lifted. If this would be the case, then using our measure of the cumulative sum of new unemployment and furlough spells (as, e.g., in Figure 2) would mask such a development. As mentioned above, we have stock data on the weekly number of total furloughs only available for Denmark and Sweden. Thus, we run our regression based on equation (1) with the stock of furloughs as dependent variable only for these two countries. Figure A.1 shows that the stock of furloughs plateau out at around week 15 for Denmark and week 18 for Sweden respectively. However, a considerable decrease in the stock number of furlough spells can not be observed in either of the two countries. Thus, Figure A.1 suggests that for the time period of our study, using the cumulative sum of new unemployment and furlough spells (which we have access to for all four countries) seems sufficient to analyze the labor market effects during the height of the COVID-19 crisis.
Figure A.1: Seasonally and regionally adjusted stock number of furloughs per 100,000

Notes: The figure shows the event-study coefficients estimated from equation (1), using the cumulative stock of furloughs rather than inflows (all per 100,000 population). The whiskers indicate the 95%-confidence intervals (standard errors clustered on the country-region level). The blue shaded vertical line indicates the week of the lockdowns in Denmark (week 11).

A.2 Difference-in-Difference results

In this section we summarize results from our difference-in-differences (DID) analysis. Column (1) of Table A. 1 uses weekly new unemployment spells, and column (2) uses weekly new unemployment plus furlough spells as the respective outcome. The coefficients shown in the first two columns are based on a conventional DID, estimating one post-treatment effect that represents the average effect over all post-lockdown weeks. We find that over the entire treatment period of week 11 to 21, Denmark has on average 149 (per 100,000 population) more new unemployment plus furlough spells per week compared to Sweden. Finland has roughly 78 more new unemployment plus furlough spells per week and 100,000 inhabitants than Sweden, and Norway around 300.

Column (3) of Table A. 1 uses the cumulative sum of new unemployment plus furlough spells as outcome variable. Column (3) is based on Equation (2), but we only display the coefficient
estimated for week 21. This coefficient corresponds exactly with what is depicted for week 21 in Figure 3, which is also the coefficient we use in the main text to quantify our results. We find that up to week 21, all three other Nordic countries have a significantly higher cumulative sum of new unemployment plus furlough spells compared to Sweden.

Table A. 1: Difference-in-Difference results

| DID-comparison | UE            | UE&FU         | UE&FU Week 21 |
|----------------|---------------|---------------|---------------|
| Denmark#Sweden | 39.878***     | 149.420**     | 1,363.665*    |
|                | (5.758)       | (61.486)      | (680.952)     |
| Finland#Sweden | -21.392**     | 77.725***     | 784.544**     |
|                | (8.675)       | (26.859)      | (277.302)     |
| Norway#Sweden  | 10.098*       | 301.985***    | 3,198.487***  |
|                | (5.178)       | (30.955)      | (346.753)     |

Observations 2,333 2,333 2,333

Notes: Column (1) uses weekly new unemployment spells, column (2) weekly new unemployment plus furlough spells, and column (3) the cumulative sum of new unemployment and furlough spells as the respective outcome variable. Column (3) only shows the coefficient for week 21. All estimates per 100,000 population. ***, ** and * indicates significance at the 1%-,-5%- and 10%-level. Standard errors are clustered on the country-region level.

A.3 Sensitivity due to changes in FTE calculation

As mentioned in Section 3.2, we want to alternate the assumed degree of working time reduction of the part-time furloughed when calculating the FTEs in order to check sensitivity. In our baseline results above we assumed that part-time furlough spells reduce their working time by the maximum possible reduction in Sweden (60% before 1st of May, 80% thereafter). As a sensitivity check, we now assume that the part-time furloughs reduce their working-time only by 50%. Again, we apply this to all part-time furloughs in our data.

Table A. 2 replicates Table A. 1. We see that all estimated coefficients remain statistically significant, but increase in size. This increase in the size of the coefficients is most likely driven by the larger share of part-time furloughs in Sweden (where all furloughs are part-time) compared
to the other countries. Overall, we receive qualitatively similar results compared to our preferred estimates shown in Table A.1.

| DID-comparison   | UE     | UE&FU (FTE) | UE&FU (FTE) |
|------------------|--------|-------------|-------------|
|                  |        | Week 21     |             |
| Denmark#Sweden   | 39.878 | 190.089***  | 1,811.019***|
|                  | (5.758)| (60.672)    | (671.806)   |
| Finland#Sweden   | -21.392| 114.414***  | 1,169.030***|
|                  | (8.675)| (24.600)    | (252.396)   |
| Norway#Sweden    | 10.098 | 322.852***  | 3,429.082***|
|                  | (5.178)| (28.632)    | (320.800)   |
| Observations     | 2,333  | 2,333       | 2,333       |

Notes: Column (1) uses weekly new unemployment spells, column (2) weekly new unemployment plus furlough spells, and column (3) the cumulative sum of new unemployment and furlough spells as the respective outcome variable. Column (3) only shows the coefficient for week 21. All estimates per 100,000 population. ***, ** and * indicates significance at the 1%-5%- and 10%-level. Standard errors are clustered on the country-region level.

A.4 Mobility decline of the Nordic countries compared to U.S. states

Figure A.2 illustrates the large difference in mobility decline between the Nordic countries by comparing it to all 50 U.S. states. Using Google’s COVID-19 Community Mobility Report, we find that the differential decline between Sweden and its neighbors in workplace visits was much bigger than the decline between most of the 50 U.S. states. Thus, the pattern confirms that the variation in measures within the Nordic countries is well-suited to identify an effect of the different policy choices.
Figure A.2: Workplace visits in the Nordic countries and all U.S. states

Notes: The figure shows how workplace visits changed compared to the median weekly value, using the 5 week period from January 3 to February 6, 2020 as comparison. The U.S. states are shown in shades of light-grey colors. The blue shaded vertical line indicates the date of the lockdowns in Denmark, Finland and Norway from Table 1, which is around March 13 (week 11). The dashed vertical line indicates Easter holidays (week 16). Source: Google LLC “Google COVID-19 Community Mobility Reports.” https://www.google.com/COVID19/mobility/ [July 15, 2020].