



# COVID-19 INTERVENTIONS IN DANISH CONSTRUCTION

KIM HAUGBØLLE  
*SENIOR RESEARCHER, PHD*



DEPARTMENT OF THE BUILT ENVIRONMENT  
AALBORG UNIVERSITY

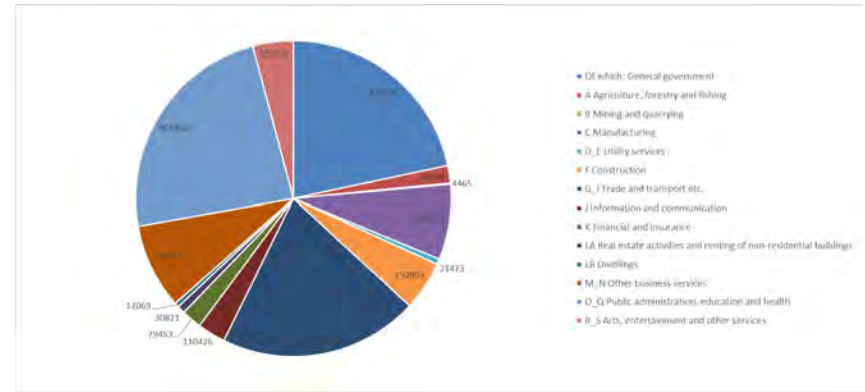
Construction's Role in Economic Recovery Plans  
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khh@build.aau.dk

# Outline

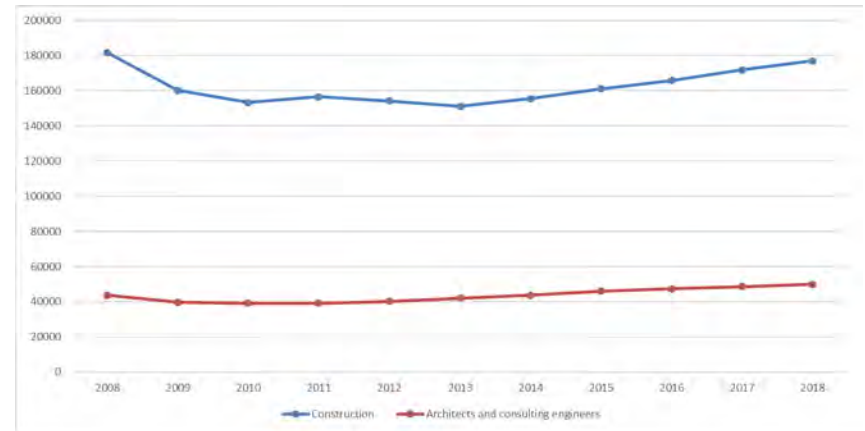
- Introduction
- Five Danish COVID-19 initiatives impacting on construction
- Reflections on construction's role in economic recovery plans

# Introduction – the backdrop

- Population: 5.6 million people and growing
- Highly developed and extensive social welfare state – 1.7 million public employees of 3.8 million in total – stabilising the national economy
- Lockdown 12 March 2020 by Social Democratic government
- High level of construction employment – back to pre-finance crisis level



Source: Danmarks Statistik (2020). Statistikbanken. Table NABB10



Source: Danmarks Statistik (2020). Statistikbanken. Table RAS300

# Initiative 1. Wage compensation scheme

- General unemployment scheme of max 90 % of salary, max DKK 19,000 per month (EUR 2,500) for max two years
- A new supplementary scheme to avoid unemployment and loss of jobs
- In effect 9 March to 29 August (tripartite agreement by 15 March)
- Spring 2020: Approx. 250,000 employees temporarily suspended from work with wage compensation scheme
- Used by construction companies for approx. 1 % of the work force – mostly administrative personnel

	2020U25	2020U26	2020U27	2020U28	2020U29	2020U30	2020U31	2020U32	2020U33	2020U34	2020U35
<b>All</b>	87762	83305	75013	70104	28206	28151	28141	27404	26614	26028	25627
<b>Construction</b>	858	851	842	834	328	323	323	312	306	304	302
	1,0%	1,0%	1,1%	1,2%	1,2%	1,1%	1,1%	1,1%	1,1%	1,2%	1,2%



# Initiative 2. Stimulating construction demand

- Every 4 years parliamentary agreement on social housing – latest in April 2020
- Doubling of expenditures on social housing refurbishment
- DKK 30 billion (EUR 4 billion) in 2020-26
- Of which DKK18.4 billion (EUR 2.5 billion) for advancing refurbishment projects on the waiting list
- Expected to create 3,300 jobs in 2020 and 7,800 in 2021



## Initiative 3. Lifting restrictions on public construction expenditure

- Annual agreement between government and municipalities on public construction expenditure
- Public construction expenditure 2020 of DKK 19.1 billion (EUR 2.5 billion) by municipalities
- Government's (partly) abolishment of the fixed ceiling of construction expenditures by municipalities
  - Additional DKK 2.5 billion (EUR 350 million) in 2020
- Similar financial expansion expected in 2021

## Initiative 4. Stimulating private consumption

- New EU labour market directive implemented in 2020
  - Five weeks of holiday pay frozen in the national pension fund ATP
  - Not to be paid out until retirement
- Three weeks of holiday pay to be released for early payout before December
  - Approx. DKK 60 billion (EUR 8 billion) minus tax
- Current negotiations regarding the remaining two weeks

## Initiative 5. Indirect substitution of private consumption

- Not really an initiative, but rather unintended consequence impacting construction
- Less domestic and international holiday travel release money for construction and DIY in private households
- News stories: Builders' merchants and craft firms experience increase in turnover



# Role of construction in economic recovery plans

- A resurgence of classical Keynesian strategy of expanding public funding in times of crisis
- Regulating the national economy through construction expenditure – stop/go policies historically
- The effect of stop/go policies on business cycles strongly depends on the timing and magnitude of initiatives
- Risk of accelerating development in either upward or downward direction



# Summing up

- The Danish government's COVID-19 interventions with regard to construction
  - Safeguarding employment (1)
  - Direct stimulation of construction demand (2 and 3)
  - Indirect stimulation of construction demand through private consumption (4)
  - Indirect substitution of private consumption (5)
- Rather classical stop/go policy
- Question whether these interventions will provide a supporting hand or accelerate further overheating of the construction economy

