

## Selected aspects of institutional responses to negative effects of a pandemic in European countries\*

Wybrane aspekty działań instytucjonalnych przeciwdziałających negatywnym skutkom pandemii w państwach europejskich

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**Summary:** *The text presents selected institutional measures taken in European countries to counteract the negative effects of the coronavirus pandemic.*

**Key words:** *COVID-19, negative effects, counteraction, European countries, health care, economy, intervention benefits*

**Streszczenie:** *Tekst prezentuje wybrane działania instytucjonalne podjęte w państwach europejskich mające na celu przeciwdziałanie negatywnym skutkom pandemii koronawirusa.*

**Słowa kluczowe:** *COVID-19, negatywne skutki, przeciwdziałanie, państwa europejskie, ochrona zdrowia, gospodarka, świadczenia interwencyjne*

### Introduction

In 2020, societies and economies were operating in the situation of pandemic caused by the Covid-19 virus. Its impact is and was multidimensional. It affected all aspects of social life and the economy.

Above all, the pandemic has affected the health of the population. It led to numerous cases of often serious illnesses and even deaths. The disease also caused many side effects, which have not yet been fully recognised.

The economy has been comprehensively affected. National income has decreased as compared to previous years. Many sectors of the economy have been forced to significantly reduce their activities or even close down. Bankruptcies have become commonplace. It became necessary to reduce employment.

Large groups of the population became impoverished; both employees and entrepreneurs. There was also noted a threat of aggravating social inequalities.

In this difficult situation, the main challenge for national policies was to care for the health of the population. At the same time, intensive efforts became necessary to sustain economic development, economic activity of citizens and to ensure an adequate standard of living. Many measures were taken to limit redundancies and to enable a rapid relaunch of the economy after the pandemic, as well as to provide a subsistence support for people for whom there was no or only limited work.

These three main challenges facing governments: the health of the population, the economy and the standard of living of population are interdependent. It is difficult to predict the far-reaching effects of the pandemic in these areas, which is still ongoing. Admittedly, there are indications that it will soon be defeated by the vaccination of large parts of the population, but it is still necessary to continue protective policies in these three interrelated spheres.

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## Health protection

Protecting the health and lives of citizens has, of course, become a priority for all governments. In this regard, preventive and intervention measures have been taken, which have evolved in response to the evolving situation.

In terms of prevention, countries have gradually introduced many restrictions to limit the spread of infections by reducing the extent of exposure to the virus. This included bans on gatherings and restrictions on private contact, at school, in commerce and in cultural and leisure institutions, and at work through the widespread use of remote working. An extreme solution was the lockdown of entire economies, applied in some countries even several times.

In terms of medical intervention, health service was being prepared to treat infected people. Adequately prepared medical staff and health centres were organised while maintaining safety for doctors and nurses. In many countries, sometimes following the recommendations of specially established coordination committees, logistics plans have been prepared to make the most efficient use of existing resources in the health service. Over time, the process of testing and, from the end of 2020, of vaccination against coronavirus has become important.

The situation has evolved as the number of infections increased. Governments have responded on an ongoing basis to the changing situation, to difficulties and bottlenecks in access to medical care. In practice, this means – as noted in many countries – less involvement in treatment of other diseases.

For example, in Bulgaria, in November 2020, the government announced the redirection of the entire potential of the healthcare system to the fight against coronavirus and allocated a further BGN 81 million to implement additional measures in the fight against COVID-19. In addition, the authorities established the so-called Unified Medical Protocol of Action (a type of procedure for dealing with the pandemic) and involved general practitioners in the fight against coronavirus.

The additional funds of BGN 81 million as part of the supplementary measures announced by the Minister of Health came from the reserve of the National Health Insurance Fund. They have been allocated, inter alia, to the establishment of COVID zones at Diagnostic and Consultation Centres and to the financing in November and December 2020 of general practitioners directly dealing with coronavirus patients. The Prime Minister, during a remote cabinet meeting, demanded that his ministers work “at full capacity” and requested the Health Minister to ensure the possibility of donating blood plasma from patients who have contracted COVID-19 not only in Sofia but also elsewhere in the country.

From November 2020, every general practitioner has been receiving BGN 1,000 for treating citizens with COVID-19. According to the government, the additional remuneration was aimed to motivate general practitioners to monitor patients, prescribe therapies and check the state of health of citizens.

## Employment and benefits

The division of tasks undertaken by governments into those sustaining employment and those introducing social benefits can be considered, to some extent, as arbitrary. Payment of additional benefits has been often aimed to support employment and, in turn, employment could constitute an entitlement to benefits. Such a division shows, however, that instruments used were aimed first of all at supporting employment or mainly at improving the material situation. It is therefore more a question of indicating these two aspects rather than creating a very precise, exclusionary division of the types of measures taken.

### Employment

Since the beginning of the pandemic, countries have taken measures to support employment in such a way that employees for whom there was no full-time work could work a limited number of hours for a wage similar to the previous one or that, if necessary, they could stop working while retaining a substantial part of their wages. As an example of the latter solution, “furlough” in England can be

mentioned, where people temporarily leaving their jobs were paid 70% of their previous earnings. The furlough is financed by the state budget.

While initially the time horizon for such programmes was a few months, they are now expected to operate for some time still in 2021.

Employment supporting measures introduced by individual states can be divided into several groups:

- short-term work (partial unemployment schemes),
- temporary redundancies – the already mentioned furlough in England, also used in Denmark,
- additional measures: emergency cash transfers, additional incentives to undertake training, additional subsidies for selected sectors of the economy or flexibility in granting benefits.

As a consequence of the long duration of the crisis, the following modifications of previously introduced solutions were needed:

- increase in benefits and support for employers (higher replacement rates and higher subsidies),
- easier access to benefits (shorter administrative procedures or loosening of access conditions),
- extending the programmes to additional sectors, and extending the time horizon for benefiting from these programmes,
- support for employees to adapt to the longer duration of the crisis, support for retraining, higher benefits for persons on short-term contracts, consent to work for other employers.

In France, for example, the so-called partial unemployment scheme will be extended until mid-2021. The personal scope of the scheme has also been extended so that people on time-limited, daily or hourly contracts could benefit from it. In addition, access to benefits is provided within 48 hours.

Similarly, Germany will continue its short work programme, while increasing the replacement rate from 60% to 70% and, after a longer period, to 80%. This so-called Kurzarbeit will run until December 2021, with

the assumption that it will allow for preserving at least 1 million jobs.

In the UK, the furlough scheme has been extended until the end of March 2021. The amount of payment has been increased to 80% of salary (up to a maximum limit of GBP 2.5 thousand). The right to part-time work for the current employer has been also introduced.

The furlough scheme applicable in Denmark was changed in September 2020 to a scheme more favourable to beneficiaries. It allows the employer to distribute work according to current need with reduced hours of work and compensation for lost earnings from unemployment insurance funds.

To complement the mentioned schemes, vocational training programmes are being intensified in Denmark, Germany and Spain.

Trade unions are involved in efforts to maintain the protection of employees.

In Austria, the Federation of Trade Unions (ÖGB) has sought to launch a further stimulus package in connection with the pandemic and high unemployment. In addition to VAT reduction and investment bonus already implemented by the government, ÖGB pointed to the need for additional investments, especially in the areas of local government, public transport, digitisation and education, housing, as well as environmental and energy policy. At the end of September, almost 409,000 unemployed and trainees were registered with public employment services, which is an increase of 22% compared to the same month last year. In comparison, only around 67,000 vacancies were directly available.

Due to the expected economic slowdown in the autumn and winter, in October 2020, the short-term work programme was not expected to be terminated – as previously planned – at the end of March 2021. Additional aid packages are likely to be required for sectors that are severely affected by the pandemic, such as the “event” industry and city hotels.

The Austrian Federal Chancellor announced in October 2020 that, in addition to tackling the pandemic, he wanted to make the topic of labour a central political issue

over the next six months. In his view, in addition to the health crisis, a permanent economic and labour crisis must be prevented by all means.

In Austria, the number of long-term unemployed, i.e. people unemployed for at least 12 months, increased by 45% by October 2020, compared to the same month of the previous year.

Also in Croatia, extensive subsidies were introduced to sustain employment. Between September and December 2020, such subsidies will continue to be paid in COVID-19-affected areas and assistance to micro-entrepreneurs will be maintained.

Support for sustaining jobs affected by the coronavirus has been extended to all existing areas, such as passenger transport, accommodation, catering and food service. These businesses can benefit from support of up to 4 thousand kuna (approximately PLN 2375) per employee, provided that incomes have fallen by at least 60%.

Support for micro-entrepreneurs amounted to 2 thousand kuna per employee for employers with up to 10 employees provided that incomes fell by at least 50%.

In the Czech Republic, at an extraordinary meeting at the end of September 2020, the government agreed on the form and principles of further support for employment and entrepreneurship in a situation of production limitation as a result of the pandemic, which will be triggered in cases of serious threat to the economy or industry. This was enshrined in the Employment Act. The main objective of the programme that is coming to an end was to maintain employment when the economy is closed down. Now the new measures are to support work and real economic performance.

As part of this support, the state will be able to take over part of the employer's costs related to its employees (wages, insurance contributions) during the downtime periods. The scope of downtime at work is 20-80% of working time (i.e. 1 to 4 days per week) per supported employee. The labour office will provide employees with funds through the employer.

The state support for the period of unassignment is 70% of the previous net salary. Its amount is constant throughout the period of support. The maximum amount is equal to the average wage in the national economy. The period of support may last up to 12 months for each supported employee.

### Benefits

Many countries have also decided to introduce intervention benefits that partly overlap with measures to support job retention. They can be classified as follows:

- temporary cash benefits introduced for a limited period. Eligibility conditions vary between countries, but are generally linked to income, job loss or household size;
- one-off benefits. These are intended for groups at risk of hardship. Sometimes such benefits are paid to all members of society to support consumption;
- social security institutions increase existing benefits, for example by doubling them for two/three weeks;
- early payment of benefits. This form of support is mainly used for old-age pensions;
- temporary relaxation of eligibility conditions. For example, income criteria have been relaxed in the case of social assistance benefits or requirements to present relevant documentation were reduced;
- extending existing benefits. Many countries have made efforts to increase access to benefits. In particular, the idea was to extend these benefits to people in the informal economy.

In Germany, for example, in autumn 2020, the federal government decided to grant a child bonus of EUR 300, in order to better support families during the pandemic. The first instalment of EUR 200 per child was paid in September 2020. The second instalment of an additional EUR 100 per child was scheduled for October. The child allowance is paid for all children who were entitled to family allowance in September 2020. The child allowance is usually paid automatically by the relevant family benefit fund. Only in rare, exceptional cases one will need to contact the

family benefits office to receive the child allowance. In the case of newborns for whom neither the family allowance nor family supplementary allowance has been determined and paid, a claim for family allowance will suffice. To receive the child allowance, a written application must be submitted to the local family benefits office of the Federal Labour Agency.

Customer service in social security institutions has been adapted to pandemic operating conditions. The measures taken in this regard can be divided into the following categories:

- increased use of digital channels, including e-services, mobile services and data sharing services;
- a pragmatic approach to reach all population groups in particular through call centres to provide services to those who do not use digital channels;
- flexibility and adaptation as regards the requirement to appear in person at the office or to use paper documents;
- redeployment of staff to other posts in social policy institutions according to the requirements of the situation.

## Economy

During the pandemic, countries took measures with shorter and longer time horizons to stop the economic collapse and to prepare for future recovery. This was done through the aforementioned plans for supporting employment, but also through other measures such as direct funding for the sectors most affected by the pandemic. Many countries have also prepared investment programmes for the future in selected areas of the economy. In this respect, countries are trying to take measures aimed to increase the innovativeness of their economies. Investments are planned in new technologies, as well as in education and health care.

Governments realise that the economy, education, health care or social security institutions must make greater use of electronic tools (for example by using remote working). Of course, the use of technology goes beyond communication methods and a wider impact on economies can be expected.

For example, in Spain in October 2020, the government presented a plan to get the country out of the worst economic crisis in decades. Spain plans to create more than 800,000 new jobs over the next three years thanks to the funding it will receive from the EU rescue plan to help the pandemic-affected economy. The country will use EUR 140 billion of aid from the European Union between 2021 and 2026. Spain will allocate the first part of aid in the amount of EUR 72 billion between 2021 and 2023 to fund “projects that can be implemented within three years and that promote modernisation and job creation”. Almost a third of all the money received from the EU will go to the digital transformation of the economy and more than 37% will be used to switch to greener energy sources in line with targets set by the European Commission. The government has warned that Spain’s GDP will fall by 11.2% this year and unemployment will rise to 17.1% in 2020 (from 14.1% last year) and will only fall to 16.9% in 2021.

In Belgium, in November 2020, the government focused on support for the self-employed workers. It approved 38 measures to reduce the financial burden on businesses and the self-employed workers, which include:

- deferral of tax payments,
- extension of certain tax benefits for companies,
- resumption of the possibility of staying on the so-called temporary unemployment due to force majeure,
- doubling the droit passerelle compensation package for self-employed workers in a sector that has been closed down,
- deferment of the payment of social security contributions,
- facilitating the temporary secondment of workers from closed businesses to work in the care sector.

Certain economic sectors, as already mentioned, were particularly affected by the anti-pandemic restrictions. These include services related to tourism. In Belgium, for example, the tourism industry is in a very difficult financial situation and is demanding government support. According to the Horeca Brussels Federation, 80% of hotels remain closed,

restaureurs have noted an 80% drop and catering companies – a 90% drop in turnover. In addition, the Federation reports that 3,000 jobs were liquidated in 2020 and another 10,000 jobs are likely to be lost in 2021.

So far, the Belgian government has allocated EUR 20 million to support this branch of the economy, which is described by the representatives of the federation as a drop in the ocean of needs.

## Conclusion

2020 has become a test year for governments and societies in terms of interrelated and interdependent measures to protect the

health of the population, ensure adequate living standards for citizens and sustain functioning of economies.

Different countries have taken measures of different forms and scales due to existing differences in the structure of their economies and their levels of development, but as for the trends, they were of a similar nature.

Currently, all are waiting for the majority of the population to be vaccinated in order to return to normal functioning. It is to be expected, however, that some of the changes that have been introduced, primarily involving new technologies, will permanently alter economies and societies.

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