

The Unknown Challenges and Search for Effective Methods for Easing the Epidemic Threat to the Economy and the Labour Market: Socio-economic Analysis of the Polish Example

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Abstract

The analysis focuses on the economic situation and the negative impact of the COVID-19 pandemic on the situation of companies and labour market in Poland in the first phase of the COVID-19 pandemic (March–April 2020). The article refers to the institutional analysis of instruments developed and implemented in Poland to support companies in the field of liquidity protection, protection of jobs and deferral of taxes and administrative levies. Poland's response to the threat of the epidemic quickly took on a radical form compared to other EU countries, the form of an extensive strategy called the Anti-Crisis Shield. Two possible scenarios were considered: 1. an optimistic scenario – the scale of the disease will decrease in May 2020, 2. a pessimistic scenario – the consequences of the pandemic will be felt in the Polish economy even until July 2020 (an increase in unemployment by 1 million people). Social dialogue seems to be important for short-term and long-term coordination of economic interests and legislative agenda during the implementation of the anti-crisis strategy in Poland.

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Introduction and Methodological Assumptions

According to the World Health Organisation, the global dimension of the SARS-CoV-2 coronavirus may be linked to identifying the virus in the 11-million Chinese city of Wuhan (capital of the Hubei province) in December 2019¹. The sequence of events at the beginning of the initial phase of the SARS-CoV-2 spreading globally from 30 December 2019 until 24 January 2020 was the following: (1) 30 December 2019: China's National Health Commission notifies about a cluster of pneumonia cases of unknown aetiology in the city of Wuhan, (2) 1 January 2020: the local Huanan Seafood Wholesale market in Wuhan is closed, (3) 7 January 2020: a new coronavirus is isolated, (4) 12 January 2020 – publication of the new coronavirus sequence, (5) 13 to 19 January 2020: first cases of coronavirus identified outside China (Thailand, Japan, South Korea), (6) 20 January 2020: first report of infection of health care professionals dealing with patients carrying SARS-CoV-2 coronavirus, (7) 24 January 2020: 835 cases of infection are reported in China. On 11 March 2020, the World Health Organisation announced the COVID-19 pandemic (World Health Organization 2020: 1). The first official SARS-CoV-2 coronavirus infection case in Poland was publicly announced on 4 March 2020, while simulations made by the Polish epidemiologists indicate that the COVID-19 epidemic probably started in the second half of January 2020. If the actual course of the COVID-19 epidemic in Poland is consistent with this simulation, it means that it is likely that the actions of the Polish public authorities in the field of the epidemic-related emergency, which were initiated since the adoption of the Act of 2 March 2020 on special solutions related to preventing, counteracting and combating COVID-19, other infectious diseases and the resulting crisis, which entered into force on 8 March 2020, were of a retroactive nature and thus played a limited role in reducing the scale of the epidemic risk. Other

¹ There are indications that the epidemiological situation in this Chinese province started to get out of control already in November 2019 (Margolin, Meek).

European Union Member States, including Italy, France and Germany, share the characteristics similar to Poland. In different EU countries, containment measures, including closures of schools, universities, kindergartens, but also shopping malls, shops and some service providers, have taken place at different levels and at different intervals. The intensity of restrictions in public and economic space also varied.

The subject of the article is the analysis of the economic situation and the negative impact of the pandemic on companies, mainly in the context of threats to the labour market and incomes of the population based on the example of Poland. The objectives of this paper are:

- 1) to define the risks associated with the spread of the epidemic and actions taken in the public, economic and social dimensions, which may have negative effects on the economy and the labour market;
- 2) to analyse crisis management conditions from the perspective of experience of some countries, especially EU member states, including Poland, dating back to the last financial crisis of 2008–2013 and definition of recommendations in this respect;
- 3) to present the studies conducted on a representative sample among Polish companies and identify economic and social threats and challenges based on the findings;
- 4) to analyse the adopted and implemented aid programmes for companies and citizens in terms of these programmes' adequacy to the risks identified;
- 5) to attempt to draw scenarios of the social and economic situation from the perspective of 2020 and 2021.

The analysis presented here refers to the experience of public management and strategy of dealing with the consequences of the international financial crisis in the years 2008–2013 in many countries, taking into account the exceptional nature of the impact of the epidemic on economic and social processes². New risk factors and economic uncertainty of companies and developments in the labour market have been identified thanks to the unique study which the author has managed to carry out at the end of March this year on a group of 815 companies representative of the Polish economy. The companies represented almost all sections of the classification of activities and sectors by employment size.

² If it proves impossible to achieve collective immunity on a long-term scale, then it is necessary to assume recurring disease peaks, the cyclicity of which will depend on coronavirus biological characteristics, preventive actions of public authorities, people's social behaviour (See Kissler et al. 2020).

The article also refers to the institutional analysis of the tools developed and implemented in Poland to support companies in the field of liquidity protection, protection of jobs and deferral of taxes and administrative levies. It also addresses forms of assistance offered to protect citizens' income and benefits.

An extensive analysis of literature has been conducted. There are numerous economic and social analyses as well as forecasts by individual countries and international institutions available online. To some extent, the presented results of studies and surveys have made it possible to propose an author's own forecast of the development of the economic and social situation, in particular the consequences for the labour market, taking into account the key importance of the external factor, which is the threat of the epidemic. The article ends with recommendations which, in author's opinion, may mitigate the effects of the looming crisis and become an important element of public management in emergency.

Socio-economic Threats and Crisis Management Strategies

Poland's response to the threat of the epidemic relatively quickly took on a radical form compared to other EU countries, and the strategy announced by the Government of the Republic of Poland in the form of an extensive strategy called the Anti-Crisis Shield contained as many as five pillars of solutions requiring complex actions in the area of legislation³. We are not going to offer a detailed description of all aspects of the adopted solutions. Still, it is noteworthy that the Government has not decided to introduce a state of emergency regulated in detail in the Polish Constitution and special laws⁴. This could have been related to the plan to conduct, despite the difficult situation, presidential elections scheduled for May that year.

The Polish government decided to take very radical steps, related to restrictions on citizens, closure of schools, kindergartens and universities, closure of most service

³ These five pillars are: Protection of workplaces and employees' safety, Funding for entrepreneurs, Healthcare, Strengthening of the financial system, Public investments. See Anti-Crisis Shield (2020).

⁴ In this case, the most relevant provisions are included in the Act of 18 April 2002 on the state of natural disaster (Journal of Laws 2002, no. 62, item. 558), <http://prawo.sejm.gov.pl/isap.nsf/DocDetails.xsp?id=WDU20020620558>.

and commercial outlets, except for retail outlets, pharmacies and chemist's⁵. Hotels and service establishments have been closed down, and, as a result, many companies and production facilities have decided to reduce or close down their operations. The announcement of maintaining the restrictions at least until mid-April, and in some cases, most likely for a longer period of time, raised questions about the fate of many companies and service providers, about the situation of employees and condition of the labour market, and finally the sources of income for a huge group of individuals employed under civil law contracts and the self-employed, who have lost their source of income overnight.

The issue of the future of the economy and the impact of shutting down production and services for an unspecified period of time on the labour market emerged very early in public discussion, especially as detailed forecasts were not known at the time, not to mention strategies and timeline of dealing with the epidemic. In the case of communicable diseases, which are characterised by a high degree of infectivity, the key element of an anti-crisis strategy is to choose how to contain the spread of a given virus in the population. In the context of the growing probability of the COVID-19 pandemic, the governments of the European Union member states were faced with the need to properly plan the stages of the decision-making process related to the implementation of the anti-crisis strategy and define actions to be taken at each stage of its implementation. Literature suggests that the issue of effective national pandemic management in Europe has been called into question (Herszenhorn, Wheaton 2020). There are two basic ways to reduce the scale of infection in a population: (1) mitigation strategy – delaying the spread of the virus in the population in order to reduce the burden on healthcare and protect the most vulnerable; and (2) suppression strategy – its main objective is to stop and reverse the upward trend in disease rates to a steadily low level. Each of these strategies results in the deaths of infected people, but only a suppression strategy increases the likelihood of a significant reduction in the number of cases that will result in the death of the infected. Indeed, both strategies have an ancillary role to play until an effective vaccine is developed against a given infectious disease or a combination of existing drugs is developed to enable the infected to recover. These strategies include various measures to counteract the spread of the epidemic (non-pharmaceutical interventions, NPIs), which are designed to reduce the scale of social interaction in the public sphere to a minimum in order to meet the individual's existential needs. It seems that the adaptability of the economies

⁵ In terms of the degree of restrictiveness of the introduced prevention measures, Poland was ranked 5th in the world in early April 2020 (Cheng et al. 2020).

of individual developed countries in the period after the peak of COVID-19 disease in individual populations within the borders of nation states will be largely influenced by institutional factors concerning the economic behaviour of individuals and economic activity of institutional entities (Fornaro, Wolf 2020).

In the literature on the subject, one of the most frequently cited typologies of capitalism that allows for comparative analysis is that by Peter A. Hall and David Soskice who introduced it in 2001. The authors define two basic types of market economies: (1) liberal market economies (LMEs): economic operators base their market activity on a hierarchical relationship and the principle of competition (supply and demand) as the basic elements of market exchange (Australia, Canada, Ireland, New Zealand, United Kingdom, United States); and (2) coordinated market economies (CMEs): economic operators make greater use of non-market relationships to coordinate actions with other economic operators compared to LMEs, and the results of their market activity are more often the result of coordinated strategic actions (Scandinavian countries, Benelux, Germany, Japan, Switzerland) (Hall, Soskice 2001: 8–9). In the European countries using this method, social dialogue plays an important role as an important mechanism for aligning public policies and dealing with crises based on a tripartite agreement: the government, trade unions and employer organisations.

It seems that the CME model has greater potential for institutional adaptation to the exogenous crisis factors in the long term, as the coordination of activities of many entities present in individual sectors of the economy requires the agreement on common rules for dealing with crisis situations, which may minimise the level of job cuts or restore the level of employment from before the crisis, as was the case with the German, as well as Polish economy after 2008. By contrast, the LME model is likely to provide a quicker labour market response to external supply shocks – operators can quickly make workers redundant in order to minimise the costs of their activities in a market that has reduced its earning potential in the short term. This happened in March 2020 in the United States due to a decrease in social activity in public space (which affected the service sector, as employment in industry remained stable) – the number of people who were unemployed for less than five weeks increased by 1.5 million people, the number of people working part-time for economic reasons increased by 1.4 million. On the other hand, the data from the American labour market, which the U.S. Department of Labour submitted on 9 April 2020 indicate that on 4 April 2020, 6.606.000 applications for unemployment benefits were submitted (compared to 203,000 applications a year earlier) and the registered

unemployment rate reached 5.1% (compared to 1.2% a year earlier). This scale and rate of deterioration in the US labour market has appeared for the first time since regular monitoring of its parameters began, which also carries the risk of a negative demand shock. The American political elite were aware of the unprecedented nature of the crisis. They managed to reach a cross-party agreement and on 27 March 2020 the House of Representatives approved the USD 2.2 trillion anti-crisis package. The primary objective of this package was to keep the U.S. economy active by providing substitution for lost corporate profits and employee incomes in order to reduce the scale of the demand shock and avoid economic depression (Crystal Watson et. al 2020).

The comparative analysis of the types of capitalism in the countries of Central and Eastern Europe (11 countries of the region including Poland) in 2005–2014, which is based on a comparison of reference values of selected EU Member States (Germany, Spain, Italy, Sweden, United Kingdom) in six institutional areas (product market, labour market, financial intermediation, social security, the system of knowledge creation and housing market) indicates that both in the case of Poland and the other 10 Central and Eastern European countries, the reference country is Spain/Italy. Thus, this is the Mediterranean capitalism model, with the simultaneous heterogeneity of economic institutions in terms of entry-exit systemic relations, which creates a new model of patchwork capitalism (Rapacki 2019: 321–342). Therefore, it may be assumed that after Poland joined the European Union, the system of capitalist economic institutions has not been stabilised to maintain a permanent steerability of the national labour market against the backdrop of negative impulses from the external or internal environment, as statistic solutions at the central level occur simultaneously with neoliberal solutions at the microeconomic level. When a crisis hits the labour market, this lack of unambiguity of the institutional model of market economy in Poland may result in a mismatch (at the level of response time, legal norms, financial and organisational resources) of public aid and the needs of economic entities and employees. In the case of Poland, a positive example was the reaction to the 2008 recession when trade unions and employers together with the government worked out a social pact as part of a tripartite dialogue at the very beginning of the crisis. The pact contained a strategy for mitigating the effects of the crisis and several tiers of action in the financial field, the area of job protection and social sphere. The 2008 global recession (the Great Recession) became a test case for the Polish economy which adapted well to the supply shock that the US financial market was the primary source of. Still, the consequences were global; according to the OECD data, Poland was the only European Union member state that recorded positive economic growth

in 2009 (OECD 2010: 23). This fact surprised many analysts who predicted that it was more likely that the Euro area countries would be able to adapt quickly to changing macroeconomic conditions. In the case of Poland, the anti-crisis legislative solutions were tailored to the expected consequences of the next phases of the global financial crisis. In 2009 (the first phase of the 'Great Recession'), the main objective of the Polish government's anti-crisis strategy was to increase the degree of flexibility of the Polish labour market and meet the expectations of entrepreneurs, and in 2013 (the second phase of the global financial crisis), legislative solutions were aimed at meeting the expectations of trade unions to maintain stability of employment and increase the level of wages (Męcina 2017: 355 onwards). Thus, in the first phase of the crisis, the Polish government sought to increase the degree of adaptability of the Polish labour market (macro-level), and in the second phase, the priority was to maintain and increase consumer demand by stabilising the income of employees (micro-level). At the same time, it should be noted that there was a critical opinion from the National Bank of Poland on the delay of the legislative response in 2009, which was expected to have an impact on the Polish economy not in the first but in the subsequent phases of the economic slump. According to the Polish government's plan from late 2008, the value of the fiscal incentive in 2009 (an increase in the limit of guarantees for business entities, credit action for small and medium-sized enterprises, acceleration of investments co-financed from the EU, reduction and simplification of taxes, and finally protection of jobs) was to amount to PLN 91.3 billion. For comparison, the realised revenues of the Polish state budget amounted to PLN 274 billion 183.5 million, i.e. the equivalent of about 1/3 of the annual GDP.

Moreover, advanced instruments for the protection of the labour market and workplaces were maintained in the Polish legislation on the basis of the 2013 *Act on the protection of workplaces*. They became the basis for the development by the Polish government of tools for the protection of jobs and employment, which was instantaneously adopted by the Polish Parliament. It is also worth stressing that despite the marginal importance of social dialogue in the process of agreeing on the adopted solutions, social partners, both employer organisations and trade unions actively tried to influence the government by formulating postulates and, above all, emphasising the importance of government assistance for companies and protection of the Polish labour market⁶. The scope of threats and demands shaping assistance measures were captured thanks to the research among companies conducted by

⁶ Such activities were also undertaken by employer organisations and trade unions in 2009 (Cf. Guardiancich, Pliszkiewicz 2012: 71–92).

the author. Research is a valuable source of information on the risks that the new situation means from the perspective of businesses, including in particular the threat of job losses.

Assessment of the Social and Economic Situation and the Companies' Demands Concerning the Directions and Scope of State Aid in Relation to the Threat of an Epidemic

The threat of an epidemic has probably become the most important topic for everyone, because it determines health and life prospects of the majority of society. As early as in late March 2020, the impact of the epidemic on everyday life was increasingly felt by the public, and for many, the pandemic meant numerous challenges to the social dimension and health as well as an economic dimension. It is good that the government and politicians quickly noticed that the problems and sometimes the paralysis of many spheres of life largely affected jobs and companies. In addition to care benefits, sick pay, sickness benefits, solutions aimed at building decent social security conditions took into account the possibilities of the companies' functioning under these extremely difficult conditions. Supporting companies during the crisis is not only about saving and protecting jobs but also about the conditions in which companies will start to recover from these difficulties – in March 2020 the ILO estimated that 25 million people could become unemployed as the effect of the COVID-19 pandemic worldwide (Ryder 2020). Besides, it is difficult to estimate whether the limitations that affect many areas of economic life will last 2, 3 or even 6 months. From the perspective of the events at the end of March 2020, one should see close relationship between concerns for public health and concerns for the economic security of Poles. In order to plan the pace of economic recovery, already at the beginning of the implementation of the coronavirus strategy, there was a need to launch instruments that would protect a significant part of the economic potential of Polish companies and jobs.

One cannot underestimate the legislative initiative announced by the government as early as in mid-March 2020, and presented in detail by the Ministry of Development, and in the part related to the protection of jobs, presented by the Ministry of Labour which employed a number of well-known instruments prepared by the legislature

during the previous crisis in 2013⁷. After several days of consultations with respective employer and employee organisations, another version of the government's bill arrived. It is good that the ministries of development and labour were open to comments and proposals. Organisations of employers and trade unions consulted companies in an extraordinary way, and communicated comments and demands to the government administration, which worked on the subsequent versions of the draft. The demands of many organizations were also known to the public. While positively assessing the proposed instruments for the protection of workplaces, it is worth noting that there was a necessary interplay of liquidity solutions, limitation of some levies and real support for financing the protection of workplaces in the period of downtime and limited activity of so many companies. The scope and size and, above all, the speed at which aid reached companies and the widespread availability of these instruments, determined the decisions to maintain the level of employment taken by companies during this difficult period.

The study was performed in a team led by prof. Jacek Męcina, Professor at the Faculty of Political Science and International Studies at the University of Warsaw, and an advisor to the Management Board of the Lewiatan Confederation. The study aimed at diagnosing the situation of companies in Poland and assessing the threats to the labour market and economy, especially from the perspective of persons managing companies and responsible for decisions on restructuring. Thanks to the survey, it was possible to gather information about the companies' planned activities and the state aid they expect. The study envisaging national, industry and regional levels was performed on March 23–25, 2020 across the country using the databases of the Lewiatan Confederation and other employer organisations in Poland. Thanks to this, despite some deviations from the structure of the Polish Statistical Classification of Economic Activities (PKD) and the regional distribution of economic entities, it was possible to build a sample representative enough to provide a diagnosis of the situation of the Polish economy and companies in terms of employment and sectors based on 809 questionnaires. A total of 1771 questionnaires were distributed among the respondents: heads and owners of companies. Answers were provided by 815 respondents, of which 809 questionnaires were analysed. Their distribution in terms of company sizes was as follows in Table 1.

⁷ Act of 11 October 2013 on special solutions pertaining to securing jobs (Journal of Laws 2013, item 1291), <http://prawo.sejm.gov.pl/isap.nsf/DocDetails.xsp?id=WDU20130001291>.

Table 1. The structure of research sample according to the company size

Company size	Number of answers	Participation (in %)
Up to 9 employees	241	30.9
10–49	238	30.6
50–250	178	22.8
Over 250	122	15.7
No answer	30	–
Total	809	100.0

Source: Own work.

Micro- and small companies employing up to 50 employees accounted for nearly two thirds of the sample, the average of 50 to 250 employees for nearly 23%, and companies identified in the survey as large, employing over 250 constituted nearly 16%. Although Polish economy is dominated by micro and small enterprises, such a structure of the surveyed companies reflects the structure of employment in the Polish economy where large and medium-sized companies employ nearly 38% of all employees. The private sector is better represented in the study than public institutions and administration.

Table 2. Test sample structure according to the PKD section (n=748)

PKD section code	Number
Agriculture, forestry, hunting and fishing	4
Mining and quarrying	0
Industrial processing	157
Electricity, gas, steam and hot water production and supply	9
Water supply; sewerage, waste management and remediation activities	5
Construction	49
Wholesale and retail trade and repair of motor vehicles and motorcycles	105
Transportation and storage	114
Accommodation and food service activities	29
Information and communication	33
Financial and insurance operations	23
Real estate activities	12
Professional, scientific and technical activities	86
Administrative and support service activities	27
Public administration and defence; compulsory social security	2

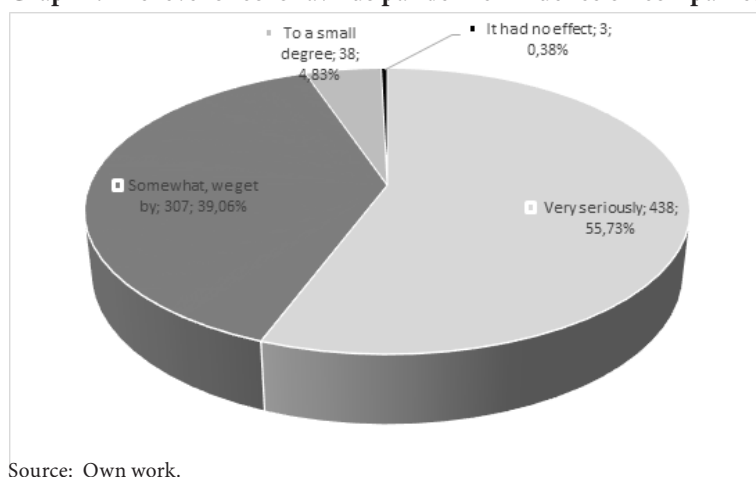
PKD section code	Number
Education	35
Human health and social work activities	28
Arts, entertainment and recreation	16
Other service activities	14
Total	748

Note: 67 questionnaires are not included in the table and in the graph due to the lack of response to question '11. Details: enter the industry in which the company operates' or cannot be assigned to a specific PKD section due to the lack of a clear answer to this question.

Source: Own work, based on the survey results <https://www.surveio.com/survey/d/T6F2E6P6L8P6A9X8G>.

The study aimed at determining the way the pandemic and restrictions introduced by the government affected companies' operations. The results confirm that the impact of the pandemic on companies was experienced by the majority of entrepreneurs: a total of 94%, with nearly 60% assessing the situation as very serious, and another less than 40% declaring that the effects were partly felt but the Management Board was still coping with the situation. Only less than 5% of the surveyed declared that the pandemic had a negative impact on the functioning of the company to a small extent, and the lack of impact was declared by 3 companies from the surveyed 809. Such a serious impact of the epidemic and its consequences on companies is unprecedented.

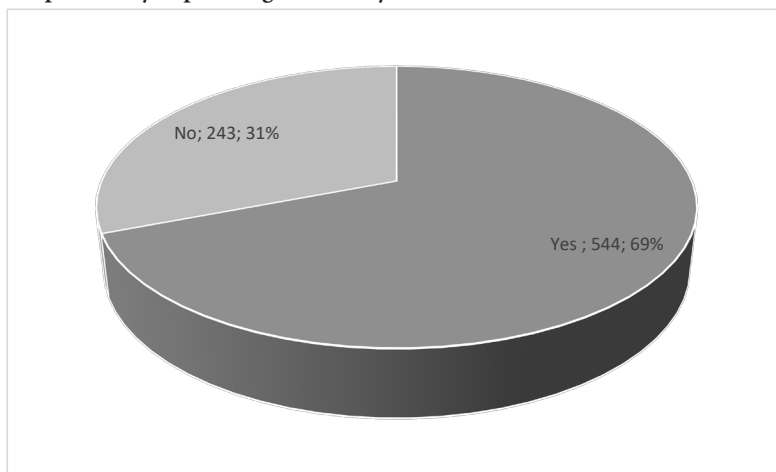
Graph 1. The level of coronavirus pandemic influence on companies



Source: Own work.

When analysing the structure of answers to this question depending on company size, it is worth noting that the smaller the company, the more serious the effects of this situation as declared by entrepreneurs. Thus, while the situation is perceived as very serious, less than 48% of large companies employing more than 250 employees believe so. On the other hand, negative consequences are noticed by nearly 56% of medium and 53% of small companies. Almost 2/3 or 62.7% of micro-enterprises with up to 9 employees consider the situation to be very serious. This confirms the long-observed tendency that the size of a company corresponds to a greater economic potential and greater capital assets, which allows it to survive a little longer even in a crisis. Nevertheless, the serious consequences of the crisis affect the decision to keep employment at its current level. Therefore, the companies were asked whether, due to the difficult situation, they were planning to reduce their workforce, and 69.1% of the companies surveyed confirmed their intention to make redundancies. Only 31% declared that the company did not plan to lay off employees.

Graph 2. Are you planning to reduce your workforce?



Source: Own work.

The analysis of the size of companies planning redundancies shows that more often than not large companies plan to cut the number of employees. Thus, on the basis of the survey, the redundancies are expected by nearly 69% of large companies, over 80% of medium and nearly 71% of small companies. On the other hand, micro-enterprises planning to reduce employment constitute only 60% of the surveyed entities, which may be explained mainly by the small number of staff and the need to maintain limited human resources indispensable for the functioning of the company. It is also noteworthy that the sector of microenterprises is also characterized by

higher employment flexibility and easier, because less formal, adjustment process: among others, the provisions of the Act on collective redundancies, regulations and other labour law obligations do not apply to these companies.

The companies were also asked about the planned downsizing over the next 2 months. The survey shows that only less than 31% of companies do not plan to lay off, while the largest group plans to lay off up to 20% or up to 30% of employees; in total 40% of the surveyed companies plan such reductions in employment. Again, the biggest redundancies are planned by larger companies, for which in this situation (downtime or a drop in orders) do not allow them to use their potential: 55% of companies with more than 250 employees and a similar percentage, 56.4%, of companies with 50 to 250 employees are planning redundancies. On the other hand, small and micro companies (28% and 37% of companies, respectively) announce the intention to downsize. Some of the companies do not plan any lay-offs, and a possible reduction in employment of up to 20 and up to 30% of the workforce is only planned by 24% of the surveyed micro-enterprises.

On the basis of the collected data and declarations of planned job cuts, it can be estimated that they jointly expressed their intention to lay off 22,478 employees, which shows the dimension of the challenge we are facing given that as few as 809 companies were surveyed. Below please find declarations of redundancies by companies by employment size:

- in the group of companies of up to 9 employees, 185 companies declared the risk of laying off 431 people (on average, 2.3 per company);
- in the group of companies of up to 10–49 employees, 185 companies declared the risk of laying off 1360 people (on average, 7.4 per company);
- in the group of companies of up to 50–250 employees, 149 companies declared the risk of laying off 4579 people (on average, 30.7 per company);
- in the group of companies of over 250 employees – 93 companies declared the risk of laying off 16108 people (173.2 per company on average).

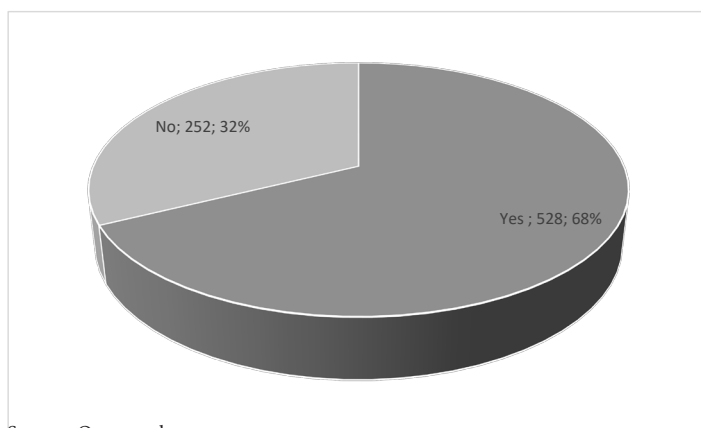
Although it is not possible to present cumulative results for individual industries, it can be estimated, based on the sample, that the largest number of companies planning to downsize are medium-sized and large companies in the manufacturing and services sector, and the largest potential redundancies are in large manufacturing companies.

This data clearly shows the scale of the challenges and expectations directed at the government, which had been declaring for the last two weeks to prepare appropriate instruments to support companies and protect jobs. These declarations

were welcomed by businesses with great hope and, as research demonstrates, their rapid launch was a prerequisite for survival for many of them, the scale and speed of the assistance provided also determined the final number of redundant workers.

It is impossible, in such a quick study, to collect information about all aid instruments. On the other hand, the declarations of the government and postulates of the business quite unequivocally identify the needs of companies – from the suspension of certain levies and obligations, including in particular the suspension of the contributions to the Social Insurance Institution (Polish: ZUS), through instruments of financial support for employment under the conditions of discontinuation or limitation of activity, to actions aimed at protecting the financial liquidity of companies. All these forms of aid are not only expected by business, but as the results of the survey show, as much as 68% declare that the lack of aid from the state may result in a decision to close down the company, and only less than 1/3 of the respondents are of the opinion that the lack of aid will not result in shutting down of their business.

Graph 3. Possibility of closing down a business if the state aid will not be provided



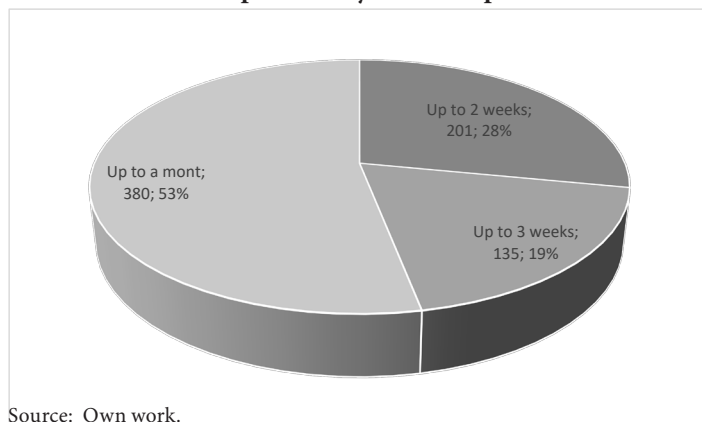
Source: Own work.

The distribution of the respondents' answers confirms that large companies with more than 250 employees are less likely to think about closing down their operations: only slightly more than 38% of them link the shutting down of their business with the lack of State aid, which can easily be explained by their greater growth potential and their position on the market, which allows them to cope with the situation despite such dramatic conditions. But the expectations of medium-sized, small and micro companies are much higher, as many as 69% of medium, 73% of small and almost 80% of micro companies believe that without state aid there will be a need to close down

their business. The intentions show quite clearly the scale of the expectations, with the highest for micro-enterprises and the entire SME sector. The scale of challenges related to the extraordinary nature of the crisis in which companies find themselves is all the greater because, as other opinions gathered in the survey show, not only the state aid itself, but first of all, its immediate launch is crucial from the entrepreneurs' perspective.

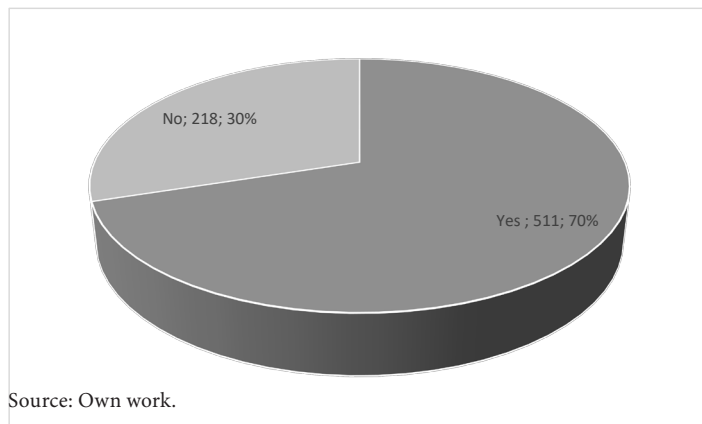
Companies were also asked about how long they can wait for the government to help them to avoid reducing the scale of their operations, especially when making employees redundant? Although the results are not dramatic, as 53% of companies declare they can wait for the government aid for as long as a month, for some companies (over 28%), the waiting period is up to 2 weeks, and only about 20% of companies can wait for support instruments for up to 3 weeks. As many as 11% of respondents did not answer the question.

Graph 4. Time perspective of waiting for government assistance in a case of possible lay-offs after pandemic hit



As the results demonstrate, the expected assistance, provided it comes quickly, can make a real difference in protecting jobs. The study asked about one of the instruments defined as a guarantee of financing the company's support in case of downtime, which, due to cessation of activity or its radical limitation, today hits Polish companies most often and most severely. From the declarations made in the survey by more than 70% of the companies, the government's launch of instruments that will help finance downtime costs will reduce job losses. Only less than 30% of the respondents believe that the aid will not reduce employment in their situation.

Graph 5. If the government launches subsidised aid, will there be a reduction in employment in your company?



The clear positive impact of state aid on job cuts is, in the light of the study, undisputed, with a smaller impact of 60% on large companies with more than 250 employees and over 70% on smaller entities. Large companies, also due to the scale of losses, but also due to the costs associated with maintaining their potential and employment, as much as 40% declare that despite the aid, employment reduction will be inevitable in their case. We find confirmation of these declarations in the next question: to what extent will the introduction of state aid limit the reduction of employment? The results clearly indicate that only for less than 1/4 of the respondents the aid will not reduce the scale of redundancies.

Therefore, for the vast majority of companies (75%), efficient and timely aid means a reduction of job cuts. Additionally, for almost 20% of the surveyed companies, the aid means resignation from redundancies, with the largest percentage being microenterprises (31%) and small companies employing up to 50 people (about 19%). The state aid will have much less impact when deciding on the scale of employment reductions in large and medium-sized companies. Thus, companies with more than 250 employees declare that state aid may reduce the effects of the planned redundancies by 1/4 for only 23% of companies and by half for 24%. The situation is similar for medium-sized companies, with 50 to 250 employees. In their case, state aid may reduce job cuts by 1/4 for nearly 1/3 of the surveyed companies and by half for almost 20% of the companies. In the case of small companies with up to 50 employees, quick delivery of help to companies may reduce redundancies by 25% in as many as 1/3 of the surveyed companies.

Based on the analysis of the results, one may draw a conclusion that although the difficult situation in which companies find themselves will lead to a reduction in

employment, protective measures will have a decisive impact on reducing the number of redundancies, especially in the small and medium-sized enterprise sector. Large companies, also due to the huge costs of maintaining their potential, will not be spared the reduction of employment, which will be particularly visible on the labour market, due to the employment size of the largest entities, which means significant levels of redundancies: from 100 to even 500 employees. It is worth stressing, however, that even in their case, efficient and adequate state action may reduce the size of redundancies. The scale and efficiency of the assistance will determine the economic security perspective for millions of Poles.

In this context, immediately after the analysis and decisions related to the support of companies, which the government has planned for 3 months, an effort should be made to prepare solutions, not only financial ones, but also in the area of labour law and more flexible working time management, or the implementation of the long-suggested working time accounts and payroll accounts, which will allow a quick recovery of the economic potential. Treating it as a kind of supplement to the presented results, it is worth posing a question about the future of the economy after the pandemic and the decisions that need to be taken immediately in order to give the economy a chance for a quick recovery, i.e. building favourable conditions for companies to develop⁸. Is there a chance to rebuild the potential of companies devastated by this crisis and how quickly can they recover? Is it possible to develop solutions and plan decisions that will help companies to rebuild their potential?

What measures should be taken to ensure that affected companies restore their ability to hire new employees? How to make unemployment drop again after a certain increase within a year? How to secure for the future an underfunded and neglected healthcare service – physicians, nurses, auxiliary staff, analysts, rescuers, who save health and lives with such sacrifice? How to convince large multinationals that Poland is still a good place for business and investment? How to encourage cooperation with them in rebuilding the employment potential? (European Commission in European Semester 2020).

These questions require prompt answers, and decisions have to be taken immediately, since only by formulating a clear action plan for today and tomorrow companies can be offered the prospect of development needed to fight for survival today. But once the government has launched the aid programme, it is time to show the prospects and concrete decisions. Today, the perspective of important decisions

⁸ It is noteworthy noting that civil society institutions should also be involved in developing anti-crisis measures. For more details on the subject, see: Augustyniak et.al. 2020.

in the context of modern working time solutions, popularisation of remote work⁹ or crisis intervention mechanisms becomes a measure of responsibility for the future of employees and employers. In turn, for post-crisis development prospects, it is important to re-launch a discussion on the quality and appropriate financing of public services such as healthcare and education as key areas of discussion on the social and economic development of the country (Mazur, Możdżeń, Oramus 2018: 793–796).

The Programme of Assistance for Companies and Benefits for Citizens and an Attempt to Assess its Effectiveness from the Perspective of the Risks Involved

The programme to support Polish economy announced by the government initially assumed earmarking of over PLN 212 billion, with it being emphasised from the outset that too little of the expenditure was allocated directly for the purposes of protecting jobs and guaranteeing the income of employees and other groups that suffered a radical loss of income. Much of the programme was rather related to support for the financing sector to provide liquidity and offer bank guarantees to maintain companies' solvency. It was only the radical attitude of entrepreneurs and trade union representatives that prompted the government to launch additional aid at the level of PLN 100 billion, dedicated to maintaining employment and protecting jobs for companies regardless of size and type of activity. Therefore, it can be assumed that the total value of the intervention of the Polish government will amount to about PLN 312 billion, i.e. over EUR 70 billion¹⁰.

The most important facilitations are to concern reliefs in receivables, including facilities for the payment of taxes and social security contributions, improvement of financial liquidity of companies – financial instruments for companies, including guarantee support and subsidies for credits, protection and support of the labour market, among others. Thus, the following forms of assistance were offered:

- facilitating VAT settlements: postponement of the entry into force of the new SAF-T from 1 April 2020 to 1 July 2020;

⁹ In connection with the outbreak of the COVID-19 pandemic, 23% of working employed Poles worked remotely (IPSOS 2020).

¹⁰ As of 16 April 2020, entrepreneurs submitted one million applications for financial support under the Anti-Crisis Shield (see Ministry of Labour and Social Policy 2020).

- split payment streamlining;
- postponement of the deadline for companies to register in the Central Register of Real Beneficiaries (Act on Counteracting Money Laundering), from 01 April to 01 July 2020;
- earlier VAT refunds;
- facilitating suspension of business activities;
- including trip cancellation fees as tax deductible expenses for industries affected by the crisis;
- abolishing the prolongation fee;
- changes to the state aid scheme, extensions to SMEs and large companies.

The liquidity improvement scheme includes the following forms of aid:

- a 'retrospective' loss deduction from income (i.e. the loss from 2020 from 2019): the loss incurred from business activity in a given year may be deducted from income earned in the following five years;
- guarantee support and subsidies to loans: BGK actions;
- granting of aid under *de minimis* aid. Currently, the amount of the *de minimis* guarantees granted by BGK cannot constitute more than 60% of the loan amount and exceed PLN 3.5 million (one-time guarantee) there is a postulate to increase the guarantee to 80% of the loan amount;
- a subsidy to the interest rate of loans – by extending the scope of the disaster fund to include an epidemic.

The key pillar of the aid is to protect and support the labour market, providing:

- shortening of the crisis period which entitles to state aid (from 6 to 2 months). The crisis means a 15% drop in turnover, sales of goods or services.

In case of downtime, the employees of such an entrepreneur would be entitled to:

- a benefit from the Guaranteed Employee Benefits Fund up to 100% of unemployment benefit (PLN 823.60) increased by the amount of social insurance contributions
- and remuneration financed from the entrepreneur's funds in the total amount of at least the minimum wage for work.

In addition, the package of assistance includes regulations which guarantee benefits for employees and persons who have lost their income, i.e. sickness and care allowances:

- An entrepreneur with sickness insurance, who is unable to perform business activity due to coronavirus, will receive a sick benefit from ZUS on general terms, i.e. if they receive a sick leave or a decision of the state health inspector on quarantine or isolation.

- An entrepreneur will also receive a care benefit if he or she personally takes care of a sick child or another family member (sick leave), a child in isolation or quarantine (decision of the sanitary institution) or a child under 8 years of age in the event of the unforeseen closure of a crèche, children's club, kindergarten or school (statement of the insured person).

The government also guaranteed a number of solutions in case of the loss of orders by persons employed under civil law contracts and the self-employed. Below I will present the tools which directly affect the labour market by stabilising employment and protecting jobs. According to entrepreneurs, the key solution in the case of limited or suspended activity of companies is to subsidise salaries and social security contributions during the economic downturn¹¹.

According to the Act, employers are entitled to support from the Guaranteed Employee Benefits Fund (FGŚP) as a special purpose fund, created from entrepreneurs' contributions for the protection of wages in case of a threat of bankruptcy or liquidation, in the amount of co-financing of up to 50% of the minimum wage. Benefits from FGŚP also cover payments of employee social security contributions due from the employer¹².

In order to obtain assistance, the employer announces discontinuation of activity and pays employees the remuneration which cannot be reduced by more than 50% (the minimum threshold of reduction is the amount of the minimum wage, i.e. PLN 2,600 gross in 2020, including the working time).

The subsidy covers only employees who have earned income up to an amount equivalent to 300% of the average monthly salary from the previous quarter, as announced by the Central Statistical Office (GUS), in force on the day of the submission of an application. For applications submitted in the second quarter of 2020, monthly remuneration for the first quarter of 2020 apply. Its amount is estimated on 20 April 2020. However, it can be assumed that 300% of the average monthly remuneration for the first quarter will be about PLN 15,500–16,000.

The funding also applies to persons employed under contract. The basic condition for receiving support is a decrease in turnover, understood as a decrease in sales of goods and services in terms of quantity or value:

¹¹ Article 15g of the Act of 31 March 2020 on amending the Act on special solutions related to preventing, counteracting and combating COVID-19 (Journal of Laws 2020, item. 567).

¹² As of 14 April 2020, entrepreneurs submitted applications for financial support under the Anti-Crisis Shield for the amount of PLN 2 132 434 894 (Polish Press Agency 2020).

- no less than 15% calculated as the ratio of the total turnover in any two consecutive calendar months after 1 January 2020 to the day preceding the date of application, compared to the total turnover in the corresponding two months of 2019 (a month shall also be deemed to be 30 consecutive calendar days where the two-month comparison period starts during the calendar month) or
- no less than 25% calculated as the ratio of the turnover from any given calendar month after 1 January 2020 to the day preceding the day on which the application is filed compared with the turnover from any given calendar month after 1 January 2020 to the day preceding the day on which the application is filed compared with the turnover from the previous month (a month is also considered to be 30 consecutive calendar days if the reference period starts during the calendar month).

The necessary condition for the employer to receive co-financing is that there are no tax arrears, no arrears in payment of social security contributions, contributions to the Guaranteed Employee Benefits Fund, the Labour Fund and the Solidarity Fund, at the end of Q3 2019. There may also be no prerequisites for the employer to declare bankruptcy. The conditions and mode of work during the period of economic downtime shall be established in an agreement concluded by the employer with the trade unions or, in the absence thereof, with the workers' representatives. The employer must forward a copy of the agreement to the competent district labour inspector within 5 working days of its conclusion. An entrepreneur may receive aid from FGŚP only if he or she has not received aid in respect of the same workers for the same payment items for job protection. The benefits are available for a total period of 3 months from the date of submission of the application. However, the Act provides for the possibility of extending the period of co-financing by the Council of Ministers.

The application for funding is submitted to the relevant Provincial Labour Office in the form of an electronic simplified application via the praca.gov.pl portal. The submission of an application to a selected office requires signing it with a qualified electronic signature or a signature confirmed by the trusted profile on the ePUAP platform. Originally, the draft law assumed that subsidies to employees' salaries constitute public aid. In the final version of the Act, however, such a reservation was removed.

The second support instrument is the protection of jobs by reducing working hours (40:40:20)¹³. Pursuant to the Act, any employer who, similarly to the downtime

¹³ Article 15g, paragraph 8 of the Act of 31 March 2020 on amending the Act on special solutions related to preventing, counteracting and combating COVID-19 (Journal of Laws 2020, item 567).

funding, will record a decrease in economic turnover and is not in arrears with taxes and social security contributions at the end of the third quarter of 2019 may apply for job funding. These reasons are understood as in the case of introducing downtime by the employer. The employer, instead of introducing downtime, may reduce working time by 20%, but not more than 0.5 job positions, with the proviso that the wage may not be lower than the minimum wage taking into account working hours. In such a case, the reduced remuneration of employees may be subsidised from the FGŚP funds up to 50% of the remuneration, but not more than 40% of the average monthly remuneration from the previous quarter announced by the President of the Central Statistical Office. Benefits from FGŚP also include funds for the payment of employee social security contributions due from the employer.

The 40:40:20 subsidy system covers only employees who have earned income up to an amount equivalent to 300% of the average monthly salary from the previous quarter, as announced by the Central Statistical Office (GUS), in force on the day of application submission. For applications submitted in the second quarter of 2020, monthly remuneration for the first quarter of 2020 will apply. Its amount was provided on 20 April 2020. It can be assumed that 300% of the average monthly remuneration for the first quarter will be about PLN 15,500–16,000. The conditions and modalities of work during the period of reduced working hours shall be determined in agreement with trade unions or, in the absence thereof, with the workers' representatives. The employer must forward a copy of the agreement to the competent district labour inspector within 5 working days of its conclusion. An entrepreneur may receive aid from FGŚP only if he or she has not received aid in respect of the same employes for the same payment item for job protection.

In practice, the subsidy can amount to about PLN 2,450 per month. The benefits are available for a total period of 3 months from the date of submission of the application, with, as in the case of downtime, the possibility of extending the period of co-financing by the Council of Ministers. The application for funding shall be submitted to the relevant Provincial Labour Office through the praca.gov.pl portal. The submission of an application to a selected office requires signing it with a qualified electronic signature or a signature confirmed by the trusted profile on the ePUAP platforma.

Another interesting solution launched at the local level and dedicated to micro-, small and medium entities, employing up to 250 employees is the support from the Labour Fund, as a special purpose fund created from employers' contributions to counteract the economic and social effects of unemployment, by the Poviast Labour

Office, supervised by local authorities: the Poviát governor¹⁴. Entrepreneurs may receive, on the basis of a contract signed with a governor, a subsidy to their employees' salaries and social security contributions from these salaries. The conditions for receiving such funding include:

- having the status of a micro, small or medium-sized enterprise within the meaning of the Entrepreneurs Act;
- the registered considerable, at least 30% decrease in turnover as a result of the epidemic, understood as a reduction in sales of goods and services by volume or value, during any two consecutive calendar months of 2020 compared to the same two months in 2019 (a month is also considered to be 30 consecutive calendar days if the two-month reference period starts during the calendar month).

The amount of the subsidy is dependent on the decrease in turnover and is equal to:

- at least 30%, in the amount not exceeding the sum of 50% of the remuneration of individual employees covered by the application for co-financing together with the social security contributions due from these salaries, but not more than 50% of the amount of the minimum remuneration for work, increased by social security contributions from the employer, in relation to each employee;
- at least 50%, in the amount not exceeding the sum of 70% of the salaries of individual employees covered by the application for co-financing together with social security contributions due from these salaries, but not more than 70% of the minimum salary, increased by social security contributions from the employer, in relation to each employee;
- at least 80%, in the amount not exceeding the sum of 90% of the salaries of individual employees covered by the application for co-financing together with social security contributions due from these salaries, but not more than 90% of the amount of the minimum salary, increased by social security contributions from the employer, in relation to each employee.

The subsidy may be granted from the date of submitting the application, to micro-, small and medium-sized enterprises for a period not longer than 3 months, with the possibility of extending the period of support by the Regulation of the Council of Ministers. The application for co-financing shall be submitted by the entrepreneur to the competent poviát labour office within 14 days from the date of

¹⁴ Article 15z**z** of the Act of 31 March 2020 on amending the Act on special solutions related to preventing, counteracting and combating COVID-19 (Journal of Laws 2020, item. 567).

announcement of the collection of applications by the director of the poviast labour office.

The entrepreneur is obliged to maintain in employment the employees covered by the agreement with the governor for the period of co-financing and, after the end of the co-financing, for a period equal to that period (e.g. if the employer received co-financing for a period of three months, he or she should maintain the employees for the next three months after the end of the support period).

A completely new solution, justified by the nature of the crisis, is support for people running their own businesses, small employers and micro entrepreneurs through exemption from social security contributions and downtime benefits for the self-employed. Thus, a person conducting non-agricultural business activity under the provisions of the Act of 6 March 2018: Entrepreneurs Act or other special provisions, if they are not subject to social insurance on other grounds, may apply for a single benefit, with the possibility of extending to 6 months the amount of 80% of the minimum wage, i.e. about PLN 2,080, which is about 42% of the average wage in the economy.

Another benefit provided for in the package is a downtime benefit for persons who perform civil law contracts (contract of mandate, agency contract, contract for specific work)¹⁵. On this basis, a person performing an agency contract, contract of mandate, other contract for the provision of services to which, in accordance with the Civil Code, the contract of mandate applies or contract for specific work if he or she is not subject to social insurance on other grounds. The downtime benefit is granted if, as a result of the occurrence of COVID-19, there was a downtime in the operation of the ordering party or parties with whom a civil law contract was concluded. As a rule, the amount of the benefit is PLN 2080 (80% of the minimum salary in 2020) and it is not taxed, social security contributions are not deducted from it, nor is it enforced.

Due to the high importance of self-employment in the Polish labour market, loans are provided for the self-employed and for micro-enterprises for micro-entrepreneur¹⁶, which means that micro-entrepreneurs (within the meaning of Article 7(1)(1) of the Entrepreneurs Act) may apply to counteract the negative effects of COVID-19 granting them, on the basis of an agreement, a one-off loan of up to PLN

¹⁵ Article 15zg Su and below of the Act of 31 March 2020 on amending the Act on special solutions related to preventing, counteracting and combating COVID-19 (Journal of Laws 2020, item. 567).

¹⁶ Ibidem.

5,000 at a fixed interest rate (0.05 of the rediscount rate for bills of exchange accepted by the National Bank of Poland, which from 18 March 2020 amounts to 1.05).

Apart from solutions dedicated to the labour market and protection of workplaces, the package of solutions also includes income guarantees for employees who, due to the need to care for a child or a child with disabilities, without any relation to the so-called care provision, cannot provide work due to the closure of kindergartens and schools and other care and educational institutions¹⁷.

Thus, a parent of a child under 8 years of age or a disabled child may apply for an additional guardianship allowance if the crèche, children's club, kindergarten, school or other institution to which the child attends is closed or if the nanny or day carer is unable to provide care due to COVID-19, shall be entitled to an insured person dismissed from work because of the need to take care of a child under 8 years of age in person or having a severe or moderate degree of disability up to the age of 18 years or a child with a disability certificate or a certificate of need for special education.

In addition to the discussed regulations related to the protection of workplaces and the protection of the income of employees taking care of dependent persons, the package of anti-crisis solutions includes important solutions in the area of labour law, which in pandemic conditions are to facilitate the functioning of companies.

Thus, the obligation to carry out preliminary examinations and periodic examinations of employees was suspended¹⁸ for the period of the announced epidemic until further notice. After its cancellation, the employer and the employee will be obliged to perform examinations within a period not exceeding 60 days. In the event of unavailability of a physician authorised to carry out such examinations, the initial or follow-up examination may be carried out and issued by a different physician. Such examination shall be valid for 30 days from the date of cancellation of the emergency or epidemic condition.

Regulations were also introduced to make working time more flexible¹⁹, defining that an employer may limit the time of an uninterrupted daily rest to no less than 8 hours and an uninterrupted weekly rest to no less than 32 hours, including at least 8 hours of uninterrupted daily rest, which means that an employee's working day may amount to as much as 16 hours of work, with a single uninterrupted rest in each

¹⁷ Article 1(3) of the Act of 31 March 2020 on amending the Act of particular solutions related to the COVID-19 prevention, counteraction and combating (Journal of Laws 2020, item. 567)

¹⁸ *Ibidem*.

¹⁹ Article 15zf Su of the Act of 31 March 2020 on amending the Act of particular solutions related to the COVID-19 prevention, counteraction and combating (Journal of Laws 2020, item. 567).

week, lasting a minimum of 32 hours, while a period of extended rest should fall on a Sunday.

The employer may also introduce a system of balanced working time, in which the working time may reach up to 12 hours in a settlement period not exceeding 12 months. However, the introduction of this solution will require the conclusion of an agreement with the trade unions or representatives of employees selected in the mode adopted by the employer in question, as well as the application of less favourable employment conditions than those resulting from employment contracts, to the extent and for the time agreed in agreement with the trade unions or employee representatives selected in the mode adopted by the employer. The condition for applying these solutions, similarly as in the case of support in the form of economic downtime or 40:40:20 co-financing, is to record a decrease in economic turnover, and a decrease in economic turnover means a decrease in the sale of goods and services in the period of two or one month by 15% or 25% respectively.

Assessment of the implemented solutions for the protection of the economy and the labour market in the context of the assumed scenarios of the pandemic situation in Poland.

From the perspective of the discussed support instruments, there is a quite ambitious plan of very broadly launched support instruments, taking into account both the sector of micro and small enterprises, medium and large companies, but also the self-employed, so numerous represented in the Polish labour market. If one assumes relatively easy access to these instruments, one can predict that companies will manage to survive the most difficult period, the direct impact of the paralysis of the economy, as well as the very slow start-up of companies in May and early June, resulting in a revival of the Polish labour market.

Sufficient income protection instruments in the form of social security benefits seem to have been secured, with the additional maintenance of a relatively generous family benefit scheme for children, the '500+'²⁰. Some deficits can only relate to low unemployment benefits, which remain at only about 1/4 of the minimum wage in the economy, which, with an increased risk of partial redundancies, can significantly reduce the income of families affected by unemployment²¹. However, this optimistic

²⁰ From April 2016 to the end of February 2020, more than PLN 102.107 billion (including administrative costs) was spent on the implementation of this programme. See Ministry of Family 2020.

²¹ According to the results of the analysis carried out by the Centre for Economic Analysis CenEA, Foundation, the risk of loss of income resulting from the first wave of the COVID-19 pandemic may affect 17.2% of households in Poland (in the case of 5.2% of households, this risk is estimated as high) (see: Myck, Oczkowska, Trzcíński 2020: 1).

initial analysis should confront the picture of the level of security from a labour market and income perspective with a scenario of pandemic developments and impacts on the economy and labour market.

Literature discusses many scenarios of the impact on economic development, balance on the labour market and the threat of a recession, which may become global in spite of the strategies already announced in China and other Asian countries, but also in the European Union (Warwick McKibbin and Roshen Fernando 2020). The two simplified scenarios for Poland presented in the conclusion are, in the author's opinion, the most realistic forecasts for the economy and the labour market, in close relation to the temporal distribution and intensity of the epidemic risk²².

In the first (optimistic) scenario, it should be assumed that the impact of the pandemic will remain low and the scale of the disease will be flattened in May this year. This means the possibility of a slow release of the economy in May this year and a return to growth in Q3 2020. A positive scenario for most of the EU countries, especially for Germany, Poland's largest trading partner, would mean a strong rebound of the Polish economy in Q3 2020, rebuilding interrupted supply chains and increasing domestic demand. Unfortunately, even in this optimistic scenario, Q4 2020, if there is no vaccine or an appropriate combination of the vaccine to alleviate the course of infection, it means a renewed slowdown and increase in disease absenteeism caused by worsening weather conditions and increasing morbidity. Even with the decline in the threat of an epidemic, the economy will be severely affected by increased absenteeism and a drop in productivity, which will not end until the second quarter of 2021. Although the 2021 perspective should already be secure, the effects of the public finance deficit caused by budget expenditures in 2020 and burdening the unbalanced Social Security Fund will adversely affect the development of the economy. Although unemployment, expected at 7–8%, will not be a heavy burden, the problem will be the budget deficit, which must include a reduction in social transfers²³. Only high economic growth in 2021 can cushion the economic and social impact of the 2020 pandemic, and the condition for dealing with economic tensions, increasing stratification and poverty as a consequence of the pandemic will be to develop in the social dialogue a wise and fair strategy for overcoming the economic

²² It is worth noting that, in the opinion of the European Commission, the key criteria for reducing the scope of preventive measures by public authorities should be health criteria (epidemiological criteria, criteria related to the organizational potential of health care, appropriate potential for monitoring the course of the disease) (see: European Commission, Communication 2020).

²³ Cf. EIB Group's response to the crisis, COVID-19 Weekly Update - April 3, 2020, <https://www.eib.org/en/readonline-publications/covid-econ-weekly-briefing-03-april.htm>.

collapse and budget deficit and mitigating the consequences of negative developments in the labour market.

The second (pessimistic) scenario is unfortunately equally realistic and assumes that the effects of the pandemic in the Polish economy will remain even until July 2020, with far more unfavourable consequences in the form of bankruptcy of many companies and an increase in unemployment by 1 million people, to 10–11% by the end of 2020. This means that the short period of the third quarter will only allow for a partial recovery of the economy, increase in casual and temporary employment, and the second hit of the pandemic in the fourth quarter of 2020 and the first quarter of 2021 will cause a further increase in unemployment. A similar situation in most EU countries and Germany means a collapse in exports and the supply chain, an even greater fall in employment, a fall in consumption and an increase in unemployment in Poland to 15%. It also means a radical deterioration of the income of households and the emergence of a widespread problem of poverty, which can affect up to 30% of the population. The consequence of such a scenario will be a serious crisis in public finances and a reduction in social transfers. Although a recovery of the economy can be expected in 2021 and a slow return to normality, it should be stressed that the prospect of a relapse of the pandemic in the 2020 and early 2021 could mean a collapse of the health care system and a lack of possibility of such extensive intervention in the economy and labour market, and thus a serious demand crisis which will limit the possibility of a rapid economic recovery. The social and economic impact of such a scenario is difficult to assess and dangerous from an economic and social, and finally, political perspective²⁴.

Avoiding a pessimistic scenario, while taking into account the unfavourable pandemic scenario, is possible only in the perspective of taking extraordinary and unconventional actions in the economic and social sphere. The scenario of extending the impact of the pandemic on the economy and society in the perspective of 2020 means the need to work out radical solutions in the social dialogue and re-evaluate public policies that will protect the state and citizens from the effects of the recession and the loss of social and health security of a significant part of society (International Labour Organization 2020: 10–12). The solutions developed, using the mechanisms of dialogue between government, employers and trade unions can provide greater social

²⁴ According to the International Monetary Fund, the most pessimistic variant is the course of the COVID-19 pandemic (option: Longer outbreak in 2020 plus new outbreak in 2021) will result in the following changes in global GDP between 2020 and 2024: -2.82% in 2020, -7.29% in 2021, -5.57% in 2022, -4.53% in 2023, -4.14% in 2024 (International Monetary Fund 2020).

and political support for decisions taken in the area of health care and the labour market. According to the authors, these should be the following actions:

- priority for healthcare system financing, even at the expense of public tributes and transfers and redirecting them to public services related to the healthcare and social security of citizens²⁵;
- ensuring the functioning of strategic economic sectors related to the supply of food, energy, security measures, social services and strategic production based on labour resources with a high degree of resilience to epidemic risks;
- launching a large-scale programme of loans and guarantees to protect companies' financial liquidity and protect them against bankruptcy;
- ensuring the supply chain in strategic areas and maintaining their activity and production potential;
- providing income or benefits to all citizens and social services at a level that is feasible, taking into account the risks associated with the crisis in public finances²⁶;
- popularisation of e-learning services in education and e-government as a form of social services provision²⁷;
- developing a 'return to normalcy' plan based on an economic intervention programme, correlated with the activities of other EU countries and supported financially by EU and national resources.

Such concerted efforts should result in a greater sense of security on the one hand, and in guaranteeing minimum safety standards, first of all health, then income and economic standards on the other hand. Established in social dialogue and not only at national, but also at the European level, such a programme can increase the potential for impact and ensure health and social security, contribute to safeguarding economic and labour market potential and provide an opportunity to avoid a long-term economic crisis.

In conclusion, it should be stressed that, despite the real scenarios of avoiding a long-term recession and dealing with the epidemic from a national perspective,

²⁵ In the years 2015–2017, the Polish healthcare expenditure amounted to (in GDP %): 6.3% in 2015, 6.5% in 2016, 6.5% in 2017 (see: GUS 2019: 116).

²⁶ In Poland, the discussion on unconditional basic income has already entered the mainstream public debate (e.g. Kancelaria Senatu [Senate Chancellery] 2018)

²⁷ This may be a serious organisational challenge due to Poland's continuing low position in the Digital Economy and Society Index (DESI) – in 2019 it was only the 25th position out of 28 EU Member States [See European Commission (DESI) 2019: 3].

the problem is global and only a global approach to monitoring threats and finding effective instruments will allow the world and societies to feel safer²⁸. In this context, it must not be forgotten that already at the stage of combating a pandemic, the international community must show more solidarity with developing countries, where the health but also the economic impact, due to the strong dependence on developing countries' tourism, which will return to normal as slowly as possible, will be very serious. Thinking about national scenarios, we must bear in mind global challenges, which will increase the role of international organisations, which at many levels – monitoring threats, forecasting the situation and exchanging experience, and finally organising aid – should call for more activity on the part of Member States.

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²⁸ This requires that decision-makers at national level continuously draw on scientific knowledge and constantly adapt their strategies to the COVID-19 pandemic (see: Kupferschmidt 2020: 4: 10).

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