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**3**

**SPECIAL ISSUE ON  
COVID-19**

**BARTOSZ  
ARŁUKOWICZ**

Lessons learnt  
from the Polish  
struggle against  
COVID-19



**MARTIN SEYCHELL**

EU's international  
COVID-19  
vaccination  
cooperation

**ANDERS ÅSLUND**

Paradoxes of  
COVID-19 in  
Russia



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The impact of  
the COVID-19  
pandemic on the  
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REVIEW

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BARTOSZ ARŁUKOWICZ

# Lessons learnt from the Polish struggle against COVID-19

Expert article • 2945

For more than a year now the whole world has been preoccupied with the fight against the COVID-19 pandemic. Most of the countries have struggled to find a proper balance between the need to protect public health and the preservation of at least a rudimentary form of economic and social activity. At the same time, the health care services of even the most developed countries have been overwhelmed by the number of patients in need of intensive care and access to ventilators. All of this showed both the policy-makers the urgent need to better organise the provision of health services, but also the need to show courage when faced with serious health crises.

An example of Poland is an interesting lesson on how not to wage a war against a pandemic. For more than a year now, the Polish authorities managed the crises incoherently, chaotically, without a vision, and a will to listen to its critics. As a result of clear political mistakes they contributed to the worsening public health situation in Poland. Obviously, not every government reacted properly to the pandemic. Most, if not all, were not prepared for such a volume and quick spread of the virus. Some may say that with the benefit of hindsight, it is easy to judge. However, the course of the pandemic in Poland was a witness of political actions that undoubtedly led to an increased incidence and mortality caused by COVID-19. The pandemic in Poland began in March 2020 and in the first weeks developed slowly. The authorities reacted similarly to its partners in other EU countries. They introduced a full lockdown, a ban on mass gatherings, an obligation to wear protective masks and a rule stipulating that citizens can leave their houses only for essential purposes. So far, so good. However, the political calendar in Poland indicated that in May 2020, the Presidential elections should take place. Despite the inability of organising an electoral campaign, the government initially pushed for holding the elections according to the original schedule. However, under an increasing pressure from the public, they decided to postpone them until July. It was hoped that the situation would by then be under control.

During the campaign the state officials engaged in a full-scale action of undermining the gravity of the situation. The Prime Minister, Mateusz Morawiecki, went on to say that "(...)everyone, especially seniors, should not be afraid of anything, they can go to the elections. In summer, the flu viruses and the coronavirus are weaker, much weaker". The highly divisive elections culminated in the record turnout of 68%. This, in turn, led to record high numbers of infections both in July and August. The Presidential elections and the comments on the part of the government openly dismissing the gravity of the pandemic were among the root-causes of a more serious course of the pandemic during summer 2020 than in other European countries. But there was more.

The Polish authorities had huge problems with mass testing from the very beginning of the pandemic. Interestingly enough, during the course of the health crisis, the ratio of the number of tests showing a

positive result to the daily total number of tests performed in Poland is around 20% (1 test in 5), while in the UK it is 3.23% (1 test out of 31). The inability, or lack of willingness, to test the population led to a skewed view of the real threat. The authorities could not assess the future actions, because they did not employ all the tools on the basis of which they could do so. The lack of accurate monitoring led to a situation whereby in March and April of 2021, Poland had a similar numbers of deaths per 1 million inhabitants to Brazil, which was at the time the hardest hit country in the world.

On top of all that was a lack of consistency, which dissolved trust in the actions of the government among the citizens. This, in turn, led to the increasing defiance of the introduced restrictions. For example, on April 1, 2020, hairdressers were forced to close when the number of daily cases was 243, with 10 deaths from COVID-19. On May 18, 2020, it was decided to open hairdressing salons, when the daily number of cases was 356, and 11 deaths per day. The ski slopes, which were closed on December 17, with 11,950 cases and 431 deaths per day, opened on February 5, when there were 6,054 cases, but 367 people died from COVID-19. All of the above led to a growing resentment among the Poles.

The short description of the course of the pandemic and the mistakes made by the Polish authorities indicates several lessons for the future health crises. First of all, in order to ascertain the real picture of the situation, mass testing is an absolute must. Moreover, the governments cannot shy away from taking responsibility for its actions. When there is a need for tough measures, the authorities should not hesitate to introduce them. Thirdly, the messages coming from the government must be consistent. Sometimes it is better not to say anything than to keep contradicting itself on a daily basis. And above all, nobody should publicly undermine the impact of the crisis. It is better to do too much, than do too little. Such comments can lead to tragedies among many families. We have a lot to learn from the last 14 months, but we should learn quickly. ■

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MARTIN SEYCHELL

# EU's international COVID-19 vaccination cooperation

Expert article • 2946

**G**lobal cooperation and solidarity is crucial to effectively fight the COVID-19 pandemic, ensure early access to vaccines, diagnostics and treatments everywhere, and to start a sustainable global recovery. The EU is fully playing its part and has been leading the multilateral response.

On 8 April 2020, the European Commission and the EEAS adopted a Communication on the Global EU response to COVID-19 which outlines the actions to tackle this crisis as Team Europe. Our response focuses on the most fragile countries with weak health systems and on the most vulnerable people. It addresses the humanitarian, health, social and economic consequences of this crisis. All actions are based on the priorities and needs of partner countries. Team Europe [the EU and its Member States] has mobilised a global recovery package of over €40 billion to help our partners across the world address the immediate health emergency and humanitarian needs, strengthen health systems and support the economic recovery and social protection.

The Access to COVID-19 Tools Accelerator was launched April 2020, by the President of the European Commission, the President of France, the Director General of the WHO, and the Bill and Melinda Gates Foundation. It brings together a range of partners to achieve equitable access to COVID-19 therapeutics, diagnostics and vaccines. The Coronavirus Global Response Pledging Conference's goal was to ensure the universal and equitable access to prevention, diagnostic and treatment against COVID-19, through strengthened health systems. All participants collected pledges of EUR 15.9 billion. The EU has been leading these international efforts and pledged more than EUR 6.5 billion.

But to win the battle against this pandemic, immunisation needs to be accessible to all across the globe. As President von der Leyen said: "It is crucial to speed up the vaccination campaigns everywhere". We are in the middle of a pandemic that has cost too many lives. Vaccination is not a race against countries it is a race against time. We need to ensure safe and effective vaccination as soon as possible everywhere. The recovery of our societies and economies depend on it.

COVAX is leading efforts to ensure fair and equitable access to vaccines worldwide and is the best vehicle for delivering on international vaccine solidarity. To date, Team Europe has announced €2.47 billion, including €1 billion from the EU budget, for the COVAX Facility to help secure at least 1.3 billion doses for 92 low and lower middle-income countries by the end of the year. COVAX deliveries are picking up speed, thanks to this Team Europe effort. Over 53 million doses have been delivered to 121 countries all over the world by 4 May 2021.

Gavi, the Vaccine Alliance, is coordinating the development and implementation of the COVAX Facility, the global procurement mechanism of COVAX. The COVAX Facility make investments

across a broad portfolio of promising vaccine candidates to make sure at-risk investment in manufacturing happens now. This means the COVAX Facility, by pooling purchasing power from all countries that participate, will have rapid access to doses of safe and effective vaccines as soon as they receive regulatory approval. Guided by an allocation framework developed by WHO, the COVAX Facility equitably distributes these doses to help protect the most at-risk groups in all participating countries.

The EU is focusing both on accelerating vaccination of its citizens and on international efforts for global vaccination, not only with a major contribution to COVAX but also having pre-financed with €3 billion the production of vaccines that are being exported to over 40 countries.

Team Europe has set up a vaccine sharing mechanism to share vaccines secured under the EU's advance purchase agreements directly to partner countries and through COVAX.

Sharing vaccines with partners is not only about international solidarity but also in the EU's own interest to help break the circle of new mutations. For this speeding up safe and effective vaccination everywhere is key. The recent examples of vaccine sharing (France, Romania, Sweden) reflect Team Europe's commitment to global solidarity. More doses will be shared over time as vaccines become available. Given the continued global supply shortage, the EU vaccine sharing mechanism is expected to deliver large quantities as we progress on vaccination here in the European Union.

We are also supporting partners on the ground to help the roll-out of vaccines and ensure preparedness against future outbreaks and we stand ready to increase support to strengthen the health systems of our partner countries, as well as local manufacturing and production of pharmaceutical products.

Team Europe has strongly invested in COVAX and we urge all partners to support COVAX to make sure no one is left behind. The EU is ready to look into all available options to support individual partner countries in their efforts to reach this objective, including through sharing of vaccines secured for Europe and technical assistance for domestic resources mobilisation.

Countries may of course also complement the COVAX portfolio with vaccines coming from different sources, such as bilateral agreements with vaccine manufacturers, own production of locally developed vaccines or of sub-licensed in order to reach the high levels of immunisation rates necessary for a sustainable containment of the pandemic. For instance, the African Union has secured 670 million doses from vaccine manufacturers in addition to COVAX through the Africa Vaccine Acquisition Task Team established by South African President Ramaphosa.

Even though the 92 poorest countries get the COVAX vaccines for free, they will also need to mobilize domestic resources for additional doses and delivery and fully harness support from the World Bank and other multilateral development banks.



Expert article • 2946

In the Abuja Declaration of 2001, our partner countries in Africa committed to spending at least 15% of the government budget on health. By doing so they can mobilize additional resources.

At the same time, in the context of our budget for external action 2021-27, we will be taking specific actions in a Team Europe spirit to help our most fragile partners build resilient and inclusive health systems, and to develop local manufacturing and production capacity, and stronger pharmaceutical regulatory frameworks in Africa.

To overcome barriers to vaccine production in Africa, we are developing a Team Europe initiative that will support a fully integrated approach, pulling together access to finance, regulatory frameworks, skills development, and know-how. We are aware that creating an enabling environment for vaccine production will require a whole-Africa approach, with specific actions at country, regional and global levels.

Overall, we are playing our part to move away from ad-hoc solutions and move towards a sustainable system. This will help us manage and prevent future crises. ■

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RAUNO MERISAARI &amp; JANETTE SORSIMO

# Disinformation as human rights challenge

Expert article • 2947

**T**he COVID-19 pandemic has underlined the importance of open, free, secure, reliable, and interoperable Internet. Mis- and disinformation online, with a number of political, commercial and other motives has significantly increased during the pandemic.

The creation and dissemination of false information, even deliberately, is not a crime in itself. However, it can be used for criminal purposes such as incitement to hatred. It can also erode public trust in democratic processes and institutions, destabilize and polarize societies and fracture community cohesion.

We need both legal and political tools in combatting disinformation.

The volume of online disinformation is rapidly growing. According to a recent Eurobarometer study (March 2021), over 50 percent of Europeans believe they have encountered online disinformation. On the other hand, the consumption of fake news sites is relatively speaking still very low and only a small portion of online information flow is disinformation.

Freedom of expression and right to information are legally binding human rights in international law. Most human rights, including freedom of expression, are not absolute and they can be restricted in exceptional circumstances. All measures in preventing disinformation must be necessary, proportional and in line with international human rights obligations.

## Democratic societies and the rule of law

Some states use measures to counter disinformation for asserting government control over the use of the Internet, with disregard for international human rights law and principles of a free, open, interoperable, reliable and secure Internet. Governments can find free civil discourse undesirable as it hinders the possibility to act quickly.

Tackling the COVID-19 pandemic has required setting limitations to certain rights of movement in order to safeguard the right to health and life all over the world including in democratic societies, such as Finland. In spring 2020, the Finnish government temporarily restricted freedom of movement as the pandemic spread to Finland. However, these restrictions did not derogate the provisions of the European or international conventions on human rights.

## Right to health

Right to life and the right to the highest attainable standard of health are universal human rights. Lack of factual knowledge and mis- and disinformation have driven harassment and violent acts against health care workers and medical establishments. The International Committee of the Red Cross recorded more than 600 violent incidents during the first six months of the COVID-19 pandemic in 2020.

Researchers suggest that COVID-19 vaccines have become the new battleground for states' online influence and disinformation campaigns. The aim is to undermine confidence in rival vaccines with misleading or amplified negative information. All states should abstain from conducting and sponsoring disinformation campaigns, and condemn such acts.

## Role of business and civil society

Combatting disinformation cannot be solely a government endeavour. For-profit corporations are responsible for a significant part of information production and they have responsibility over the content published on their platforms. Private sector companies should address disinformation in a rights respective manner guided by the UN Guiding Principles on Business and Human Rights

The use of independent and impartial fact checking can help companies identify disinformation, and take measures to strengthen their provision of independent and accurate content on their platforms.

The Finnish FactBar education project has brought together fact-checking experts, journalists, media specialists, and educators to create tools for media and information literacy. The project has sought to support teachers in dealing with social media issues in classrooms and empower students with critical thinking and information literacy skills to resist mis- and disinformation.

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In December 2020, the Freedom Online Coalition (FOC), which gathers together 32 governments committed to protect human rights online, launched a Joint Statement on Spread of Disinformation Online. The process was led by the Governments of Finland and the United Kingdom.

In the joint statement, the FOC expresses deep concern about the growing scope and sophistication of disinformation. To address this phenomenon, the FOC calls upon governments to refrain from conducting and sponsoring disinformation campaigns, and urges also the private sector to take active steps to address the issue in a manner that respects human rights, democracy and the rule of law. Increasing transparency around measures taken to address the problems caused by algorithms in the context of disinformation is also important.

Finland as the Chair of the Coalition for 2021 is committed to disseminate the joint statement and continues to socialize its language to maximize impact. ■



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ALICJA MIKOŁAJEWICZ-WOŹNIAK

# Two faces of e-health in pandemic times

Expert article • 2948

**W**HO defines e-health as the use of information and telecommunication technologies for health. Such a vague approach allows this term to encompass a number of various solutions with a very different degree of technological advancement. The common denominator is only the goal – broadly understood health protection – combined with the application of specific technologies to achieve it. Consequently, the field lies at the intersection of medical informatics, public health and business. Its development is driven by the evolving needs of society on the one side and the willingness to achieve certain benefits (in particular financial gains) by entities introducing innovative solutions on the other. Along with the enhancement of digital technologies, e-health enters new paths, bringing about better prevention, optimized treatment or more effective surveillance of designated areas. Although the process is continuous, certain events become perceptible breakthroughs. One of them is the Covid-19 pandemic, which has caused a collapse in the health care systems of many countries.

The immediate cause was the necessity to commit huge resources to fight the dangerous disease. However, the implementation of various solutions aimed at stopping the transmission of the coronavirus, radically limiting access to health care also for non-infected patients, turned out to be no less significant reason. The situation has revealed completely new needs (related to, inter alia, controlling the location and health condition of dispersed individuals), forced the reorganization of the diagnostic and treatment process (being partly a consequence of the need to maintain social distance) and exacerbated the problems with deficits of some resources (which concerned in particular shortage of medical personnel). The fight to keep health care systems functioning has become a priority and digital technologies as well as Artificial Intelligence analytics tools have been considered a key part of EU's response to the pandemic. Currently implemented programs are aimed at detecting and preventing the spread of coronavirus, improving intensive care as well as protecting health care workers. Ensuring adequate financing of these projects from EU funds significantly increases the chances of their success.

Due to such commitment digital technologies noticeably improve the functioning of the health care system. Nevertheless, they carry also a number of risks as well as unfavorable phenomena. One of them is the already noticeable exclusion of particular social groups (including people who have a very limited experience in the use of digital tools or more advanced techniques of distance communication) from access to remote medical services. Furthermore, the negative consequences of insufficient skills in the use of technologically advanced solutions are accompanied by the problem of high costs of their implementation. Private health care sector (often constituting the last resort for those not finding sufficient help in the public health service) uses the need to implement new IT solutions as another justification for increasing the price of its services. This price increase, additionally fueled by several

other factors such as increased demand or the need to meet more stringent sanitary requirements, reduces the availability of medical services for the poorer parts of society and exacerbates inequalities in this area. External financing is currently targeted at selected areas, primarily supporting the fight against the pandemic. This seems to obscure the legitimacy of looking for opportunities to improve the treatment process of common ailments, that significantly burden the functioning of the health service. And successes achieved in selected areas, though may solve some pressing issues, will not translate into an efficient functioning of the whole health care system. For example, limited access to scattered medical records of patients still hinders the provision of medical services, although the blockchain technology offers effective solutions to the problem. Its nuisance in times of pandemic, however, may become an impulse to introduce changes.

As it has been emphasized for a long time, e-health is not only a matter of implementing advanced technical solutions, but also a specific way of thinking combined the right attitude to implement required changes in particular areas of health care. The pandemic prepared the right ground to change the attitude of a previously unconvinced part of society towards the development of telemedicine or Mobile Health, and prompted the competent authorities to invest additional resources in areas like Health IT Systems or Big Data Systems used in digital health. This should be seen as an opportunity. Its proper use, however, will depend on the appropriate coping with the problems that emerge along the way. ■



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MUHAMMAD FAHAN BASHIR

# COVID-19 vaccine and Western pharmaceutical firms: A complex global picture

Expert article • 2949

The recent explosion of COVID-19 cases in developing economies, i.e., India, has put tremendous pressure on developed western economies to suspend intellectual property, and pharmaceutical companies must be obliged to do more to address this crisis. Recently, a group of 60 developing economies started working on a proposal to waive WTO's intellectual property rules to allow a significant increase in COVID-19 vaccine supply, especially in the developing economies. The acceptance of such a proposal will be crucial in combating COVID-19 as middle-income countries, i.e., Colombia, Turkey, Brazil, and India, have seen an escalation in new COVID-19 cases. Pharmaceutical companies, which have scaled up production to meet global demand for vaccines, are opposing such waiver by arguing that such proposal will not significantly increase global vaccine supply in the short run because of lack of technical know-how and familiarity with the vaccine technology being critical factors.

The WTO intellectual property rules known as TRIPS were amended in the 1990s after the outbreak of AIDS to allow countries to manufacture medicine in an emergency. United Nations argues that such changes saved millions of lives in under-developed economies. Even after the reform in the years after the AIDS crisis, the process to modify WTO rules is open to legal challenges and may require many years to implement as every vaccine is based on a large number of separate patents. Another bureaucratic hurdle is that these rules were only modified to overcome localized disease outbreaks, not a pandemic; hence, exporting these vaccines under this exemption is open to legal discussion. Although, WHO has stabled technology-transfer pool for COVID-19 vaccines, but to this day, no pharmaceutical manufacture has made any contribution. US Trade representative Katherine Tai at a WTO conference addressed this situation by stating, "The market once again has failed in meeting the health needs of developing countries." Leading pharmaceutical companies, i.e., Johnson & Johnson, Pfizer Inc., and AstraZeneca PLC, have opposed such waivers and have promised that COVID-19 manufacturers can produce 10 billion doses in 2021 under the current intellectual property system. Though, campaigners for the waiver dispute this number to say far less is likely to be produced.

Pharmaceutical companies argue that trained technicians to ensure quality checks and scarce source ingredients, manufacturing techniques, and biological components are key obstacles in the setup of new assembly lines and scale up the vaccine production. Although progress has been made to overcome these obstacles, there is growing concern that these agreements are opaque and licensing agreements must be modified in recent months. Last year, the University of Oxford explored opening up intellectual property to expedite the manufacturing process of the COVID-19

vaccine. But lack of experience in extensive trials and regulatory and manufacturing approvals to launch a vaccine forced them to sign an exclusive agreement with pharmaceutical giants AstraZeneca, who has since built a web of more than 20 manufacturing partners to help deliver vaccines under the COVAX initiative. But has only shipped 50 million doses out a goal of two billion vaccines. BioNTech CEO Ugur Sahin has shown a willingness to issue special licenses to manufacture COVID-19 vaccines but has rejected calls to waive the intellectual property by saying that at least one year of experience is required to ensure quality control and master the technology. Last year, it took a months-long transfer of mRNA technology for Pfizer to produce vaccines at a large scale because technology is so new. "We don't want to have a low-quality vaccine in Africa," Dr. Sahin said.

According to consultancy firm McKinsey, vaccine manufacturer needs 18 to 30 months to adapt to the manufacturing process of vaccines but further reported that it could be compressed to as little as six months. Backers of waiver proposal further argue that several drugmakers in developing economies have passed WHO and US FDA quality checks and can produce vaccines but require funding and transfer of technical know-how from western pharmaceutical firms. While the developing countries have been arguing to lift COVID-19 patent restrictions, it is suggested that tighter language limiting the scope and duration of the measures can make it more acceptable to western countries. Pharmaceutical industries in Senegal, South Africa, Bangladesh, and India have shown their ability to produce COVID-19 vaccines within few months if the western pharmaceutical industry licenses their technology. Meanwhile, Russia and China have already pursued license agreements to manufacture vaccines in India, Serbia, and Brazil. Bangladesh's Incepta Pharmaceuticals has the production line to make 350 million doses each year and can easily expand production capacity to 500 million doses to produce mRNA vaccines. Despite being willing to pay to use intellectual property rights, no response for the licencing deal from western pharmaceuticals has been received.

But this issue is not limited to developing economies only. Canada has a significant shortage of vaccines; Ontario-based Biolyse Pharma has spent months trying to get a license but received no offers. Its plant, capable of making 50 million doses a year, stands unused. Pfizer-BioNTech and Moderna have not licensed their COVID-19 vaccines to any producers in the developing world so far. BioNTech has announced that it plans to expand production in Africa and South America but has offered no concrete details. Moderna, on the other hand, is arguing that sharing the know-how with manufacturers in the developing world would have pulled resources away from its own efforts to produce hundreds of millions of doses during the pandemic. But offered no detail that whether or not the company supports the

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TRIPS waiver proposal. So the question remains, will protection of COVID-19 vaccines' manufacturing process lead to another outbreak like currently being experienced in India, and whether, instead of profits, Western pharmaceutical firms show a willingness to safeguard humanity as a whole. The jury is still out, and we shall know the answer soon enough. ■

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DARIUSZ TWORZYDŁO

# COVID-19 and its impact on the work of experts and public relations specialists in Poland

Expert article • 2950

The presented analysis results from research carried out in 2020 within the public relations and media industry. It was conducted at a particular period when the world was fighting the first waves of the pandemic. The research made it possible to identify the changes that have been taking place, which permanently or temporarily would change the scope of the tools used and the relationships established between selected groups of stakeholders. In this study, a synthetic analysis is carried out on projects that concerned both journalists and public relations specialists. It also includes the main conclusions and assessments resulting from the research<sup>1</sup>.

The analysis begins with a closer glance at whether PR professionals are concerned about the impact of the restrictions on the performance of their professional duties in public relations agencies. Research conducted at the turn of November and December 2020 jointly with the Association of Public Relations Agencies on employees of agencies affiliated with the Association, indicates that concerns are present among the respondents, but they are not as strong as in the first wave of the coronavirus (March-April 2020). People representing the PR industry, who have experienced functioning in the new reality, get used to the necessary restrictions and the resulting changes. Almost every third respondent has no concerns (31.9%), and every fourth is moderately worried - their fears are lower than during the first wave of the pandemic (26.4%). 13.9% of respondents are as afraid as during the first wave, while 8.8% of respondents are even more afraid. Interestingly, as many as 19% of respondents answered "hard to say" to the question "Are you concerned about the negative impact of the current restrictions related to the COVID-19 pandemic on your PR agency?". Therefore, they were not able to precisely define what their assessment was, which may have been largely due to the fact that the changes taking place in connection with the pandemic are, on the one hand, very dynamic, and, on the other hand, difficult to estimate in terms of long-term effects.

Concerns are a common phenomenon that accompanies the work of people associated with professions that react flexibly to the introduced restrictions. This is also the case with the profession of a specialist or manager dealing with public relations. This problem is visible and important from the perspective of changes taking place in the analyzed industry. Looking at the total percentage of responses indicating the presence of certain concerns (49% in the entire sample), it is worth noting that the scale of their visibility depends on the position held by a person and the length of service. The future of work in the agency is especially disturbing for senior management (72%)<sup>2</sup> and people with the longest work experience (61.5%). In particular, those people who have already experienced other crises, e.g. economic ones, are able to predict the potential consequences of subsequent events of this type, and COVID-19 is

certainly an unprecedented crisis, an event that the global economy has not experienced so far. Hence, the fears that arise are not only justified but also have rational grounds. Concerns of the surveyed specialists are usually closely related to the assessment of changes that will take place in the future, but also to the issue of forecasts. The concerns mentioned above persist in relation to the research that was carried out in the first months of the pandemic in 2020. In this research project<sup>3</sup> public relations specialists were asked to assess how, in their opinion, the market of advisory and communication services will change in the era of the pandemic. The vast majority of respondents (69%) emphasized the need to change the work mode and move to the home office. It was the fastest change that occurred immediately after the outbreak of the pandemic. Not only more duties, but also performing tasks remotely - these are trends that will be more difficult to break. To save costs, many companies have given up expensive offices, reduced their size, and transferred activities partially to the network, dividing employees into groups - those who work in the office and those who can perform their duties remotely. A work rotation system has also been introduced in some entities. A significant reduction in employment was also predicted. In the case of 12% of respondents, the necessity to change the industry became real. The respondents indicated that one of the trends that will continue after the COVID-19 pandemic is brought under control will be the reduction of employment (57.9%). For several months during the pandemic, personnel changes were made in the industry. They were mainly a reaction to adjustments in the number of employees needed to complete the changing structure of projects for clients. During the above-mentioned projects, the respondents also indicated that the pandemic is the most serious crisis that the public relations industry had to deal with in Poland (57.9%).

There is also one additional important observation worth noting. Respondents assessed that for several entities forming the communications industry in Poland, the sequence of events associated with the pandemic is more of an opportunity than a threat (43.0%). The opportunity was seen, among other things, in moving to a higher level of management in terms of using available technological tools, e.g. for conducting meetings, workshops or online conferences, and even operational management. Another favorable circumstance was the possibility to make savings, which are easiest and fastest to implement during crisis events. From the perspective of the changes that are taking place and will continue to take place in the public relations industry, the next opportunity was connected with a very dynamic transition of many clients of the agency towards digital PR, which forced companies to adapt to the new realities and changes occurring on this market. In addition, research has shown that crisis management, CSR, and internal communication activities have started to become increasingly popular on the market. Thus,

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it can be assessed that COVID-19 has indeed caused significant changes in the public relations industry and will force permanent trends. Therefore, companies from the industry will be obliged to adapt to them if their strategic goal is development. ■

- 1 *The research and analyzes presented in this study were prepared by a team led by prof. Dariusz Tworzydło, composed of: Przemysław Szuba, Marek Zajic, Mateusz Lach, Sławomir Gawroński.*
- 2 *Chi-square = 14.860; df = 4; p = 0.005; Kramer V = 0.185.*
- 3 *Exacto's own research from May and April 2020. The aim of the research was to understand the impact of the coronavirus pandemic on the PR industry and to gather views on the future of the industry after the COVID-19 situation is brought under control. Ultimately, 242 PR specialists took part in the survey.*

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PETER LUND-THOMSEN

# Rethinking CSR in global value chains

Expert article • 2951

## Introduction

In 2020, COVID-19 has been associated with a major shake-up of global value chains (GVCs), particularly in the global garments industry, which connects consumers, brands, and retailers in the global North with local producers, workers, and communities in the global South. Initially, in January and February 2020, COVID-19 hit China leading to a temporary closure of large parts of the 'world's factory floor' as thousands of factories either had to slow production or closed. When COVID-19 reached North America and Europe in March and April of 2020, countrywide lockdowns and closure of retail outlets led to a dramatic fall in the international demand for products such as clothes and shoes.

The knock-on effect could quickly be seen in many producer countries where factory closures and job losses were acutely felt. For instance, in Bangladesh, hundreds of thousands of workers faced an abrupt loss of income, possibly leading to the starvation of their families, as their factory owners were not receiving payments for orders already shipped or faced sudden cancellation of orders from their buyers in the global North. In India, millions of migrant workers were suddenly on the move as the workplaces shut down. Without possible alternative sources of income, they were struggling to travel hundreds, if not thousands of miles on foot, to their native villages at a time when nation-wide transport had been shut down. In addition, with a sudden dramatic worldwide increase in the demand for hand sanitizers and safety masks, workers in some factories in the global South had to work around the clock to help their employers accelerate production. All while these workers suddenly had to be trained in physical distancing and other safety measures at the factory premises.

These dramatic events in the global garments industry in the first six months of 2020 provide us with an opportune moment to take a step back and reflect on whether these recent developments have had any direct implications for the dominant ways in which we theorize corporate social responsibility (CSR) in GVCs. I here understand CSR as a process through which companies attempt to address the social and environmental effects of their business operations, make sure that their business partners operate in ethical ways, manage their stakeholder relations, and seek to achieve wider social legitimacy.

Following exposes of poor working conditions and child labor in the subcontracted value chains of brands such as Nike and Levi Strauss in the 1990s, the so-called compliance-based paradigm to CSR in GVCs emerged. This paradigm has been very influential in CSR theory as it relates to global value chains in the last 20 years. The main idea was that multinational retailers and brands should:

- (a) develop ethical guidelines for the social and environmental behavior of their suppliers;
- (b) monitor the implementation of these guidelines through first party, second party, and third party audits;
- (c) provide suppliers with a chance to rectify instances of non-compliance within a reasonable time period – for instance, six months.
- (d) if suppliers still did not comply with the buyers' ethical codes of conduct after this period, retailers and brands should terminate their trading relations with these suppliers.

## An Expanded CSR compliance paradigm

I now argue that – post COVID-19 - our understanding of the compliance-based paradigm to CSR in global value chains needs to change. First, in my view, CSR compliance monitoring must not only be seen as related to on-site factory audits. It should also include so-called 'remote monitoring'. For instance, during 2020, UK-based labor rights consultancy, Impactt Limited worked with brand suppliers and workers' in remotely monitoring work conditions at factory sites when physical visits were made difficult due to COVID-19 travel restrictions. In practice, Impactt obtained a list of employees and phone numbers from brand supplier factories, and undertook 'remote' worker interviews via phone, WhatsApp, or other online communication tools at a time and location chosen by the workers' themselves. While this method did not permit for first-hand impressions of workers' conditions in the same way as physical factory visits would have done, it did make it possible to gather some rudimentary information about workers' conditions at the base of global value chains.

Second, in the light of COVID-19, I suggest that the compliance paradigm should be modified so that compliance with corporate codes of conduct – at least in theory - is not only expected from suppliers but also from buyers. Hence, in an expanded version, the compliance paradigm should include corporate codes of conduct for the purchasing practices of buyers. Such corporate codes of conduct for buyers' purchasing practices could stipulate that: (a) brands should not cancel already confirmed orders, (b) brands should not delay payments for existing orders, and (c) brands should not fail to pay suppliers altogether for orders already placed.

My third argument is that we must rethink another central feature of the compliance paradigm: i.e. it should not only be buyers that can exclude suppliers from their value chains if the latter fail to comply with CSR codes of conduct. Suppliers should also exclude buyers from their value chains in case these buyers fail to comply with codes of conduct that should guide their purchasing practices.

In short, I stipulate that we can (at least theoretically) imagine situations, in which suppliers 'blacklist' brands and retailers from their value chains due to their noncompliance with ethical purchasing practices as we (hopefully) move out of beyond COVID-19 in the coming year. ■



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ANDERS ÅSLUND

# Paradoxes of COVID-19 in Russia

Expert article • 2952

**A**s most countries, Russia has been hit hard by the Coronavirus pandemic, but in Russia the pandemic has been characterized by four paradoxes.

First, the direct economic effect has been moderate, while the popular reaction has been quite negative. Second, as a highly centralized country, Russia should have been at an advantage when facing a pandemic, but counterintuitively the Kremlin delegated the crisis management to the regional governors. Third, by international standards the official Russian Covid-19 statistics appear pretty moderate, but alternative statistics suggest that Russia has been particularly badly hit. Fourth, Russia has been one of the pioneers producing no less than three Covid-19 vaccines on its own, but Russians are suspicious and have been particularly reluctant to be inoculated. How can these four paradoxes be tallied?

Few countries suffered less from an output decline in 2020 than Russia, officially only 3.0 percent, while many countries saw contraction of 10 percent. These disparities can largely be explained by the structure of the economy and the length of lockdowns. Countries with plenty of tourism, such as Italy and Spain, suffered more, but in Russia heavy industry remains dominant and Russians could not go abroad for holidays much in 2020, avoiding the usual currency outflows from tourism. Nor did Russia impose long lockdowns.

Curiously, Russians reacted more negative than most to the economic hardship, according to the independent Levada Center opinion polls. The Russian economists Vladimir Milov and Sergei Guriev argue that Russians were running out of savings. According to the official Russia statistics, personal disposable income fell by 11 percent from 2014-20. After six hard years, the Russian consumers were hit once again. Therefore, the public Russian perception of the declining output has been worse than the statistics indicate.

Initially, the Kremlin denied the coronavirus for some time and then played down its possible impact. When the Russian government turned its attention to the coronavirus, it uncharacteristically delegated its management to the regional governors. An important explanation for this uncommon approach was that President Vladimir Putin was caught out of balance. In early 2020, he focused on three issues -- his national projects to boost Russia's investments, the amendment of the Russian constitution, and a major victory World War II march. The coronavirus disturbed his plans and was given a delayed afterthought. Since the president was not ready to combat the Covid-19, this task was delegated to the regions. Given that the regional governors were not accustomed to act independently and possessed no independent political mandate, their performance fell short.

Much of the public discourse about the Coronavirus pandemic in Russia has been devoted to competing claims between the authorities and civil society about the number of cases. Russians do not trust official statistics. This has been true of many countries, but nowhere have the differences between the official and publicly-claimed numbers been as great as in Russia. The country recorded an increase in deaths of 323,000 compared to 2019, and the 2.12 million people who died in 2020 was the highest annual fatality count for at least 16 years. Russia's population declined by 700,000 in 2020 and its life expectancy fell by 2.2 years in that year, while the brittle

US life expectancy declined by one year. A widespread suspicion is that Russia's Covid-19 deaths of officially 110,000 as of April 28 are in reality four times higher.

In the spring of 2020, Russia adopted two economic anti-crisis packages to combat the negative economic effects of Covid-19, but these packages have been quite modest, and the Russian government has not done much to reinforce its fiscal stimulus. At present, Russia is one of the most fiscally conservative countries in the world. The reason is that President Putin wants to preserve his freedom of action. As a consequence, the Russian economy is expected to be one of the most slowly growing in Europe in 2021 at perhaps 3.5 percent.

Russia has done well in the development of new Covid-19 vaccines, showing the strength of its biological research. No less than three Russian research institutes have independently developed their own vaccines. Sputnik V has attracted the greatest attention. Strangely, Russia has successfully exported it to dozens of foreign countries, while Russians remain highly reluctant to be inoculated.

Although Russia has not fared particularly badly from the pandemic, it has failed to reach out. Many countries have accepted its Covid-19 vaccine, but it remains to be seen if this has really been to Russia's advantage. ■

*"Russia's Crony Capitalism: The Path from Market Economy to Kleptocracy."* is the latest book of Anders Åslund.



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MARINA LIFSHITS

# Mortality during the COVID-19 epidemic in Russia

Expert article • 2953

There are two reliable sources of information which provide information about mortality from the COVID-19 epidemic in Russia. They are the “Memory List”<sup>1</sup> of medical workers died in the pandemic and data from the Rosstat<sup>2</sup> on the total number of deaths by month and year (the dynamics of the Rosstat statistics can also be viewed on the EMISS<sup>3</sup> site).

The official data<sup>4</sup> on cases and deaths from COVID-19 are understated several times and have no relation to reality. There are several reasons for this fact. 1) There was a shortage of tests in the early months. 2) The quality of the tests was extremely low. It is quite typical: several family members were sick, but only one of them tested positive for the virus. 3) It seems that in some regions the authorities deliberately underestimated the results. 4) People were reluctant to test on their own initiative, because they saw that if the results of their tests were positive, the problems were guaranteed, while help was optional.

In general, a negative attitude towards the quite adequate recommendations of the authorities regarding behavior during the pandemic dominated among the population. Many people believed the fakes that there was no pandemic, COVID-19 were no more dangerous than the influenza, masks and vaccinations did more harm than good, and that keeping a social distance was a «restriction of freedom». In turn, the authorities were reluctant to impose lockdowns for fear of harming the economy and displeasing the population. As a consequence, the medical system periodically collapsed in a number of regions, that led to high epidemic mortality.

In the first months of the epidemic, due to poor management, health care themselves were the sites of infection, and the proportion of deaths from COVID-19 was very high among health care workers because there was a lack of personal protective equipment. The number of deaths among medical workers was particularly high in May and June 2020.

The Memory List can be considered a reliable source because the name of each dead is known. The age of death, region, position, and place of employment are listed. Almost all names are accompanied by references. In most cases, one can find information about the date and the circumstances of death. The list consists of two parts: those who died in Russia and “colleagues from other countries,” mostly from the CIS. Further, we discuss just about the Russian part of the Memory List.

The Memory List appeared on April 30, 2020. As of May 10, it contained 147 people, more than half of whom died in April, and two even in late March (in Moscow and the Komi Republic). Further the situation changed in the following way: on May 29 there were 311 names, July 3 - 526, July 31 - 620, September 2 - 671, October 3 - 703, November 3 - 796, December 2 - 934, January 16 - 1033, February 26 - 1153, March 16 - 1243, April 23 - 1353. The list was updated quite often in the first months of the pandemic, but in 2021 approximately once a month. The median age of the deceased medical workers was 59 years old.

When analyzing Rosstat data on the number of deaths, it is necessary to take into account the dynamics of the available population. From 1960 to 2019, the largest increase in the number of deaths compared to the previous year was in 1993: 321.898 or 20.3 %. This was happening in the context of a huge influx of people due to the collapse of the USSR, and not all of the arrivals were counted in the statistics.

However, for the 12 months of 2020, 319.574 more people (18.1%) died in Russia (excluding occupied Crimea) than in 2019, and this occurred in the context of a sharp decline in the available population due to the outflow of migrants and deaths from the epidemic. According to official data, the total population (without Crimea) decreased in 2020 by 627,385 people, and the number of women by 327,445 (it is a record), since the proportion of women among the elderly in Russia is high.

From May to December of 2020, the increase in the number of deaths (without the Crimea) was 352.963 (30.6%), and for January-March 2021 another 122.279 (27.1%). Thus, there were at least 475.342 victims of the epidemic in Russia. Regardless of whether they died from COVID-19 or due to the collapse of the medical system. It is no exaggeration to call this result catastrophic.

Something strange is happening with vaccinations. Health care workers are the main risk group, so their vaccination began back in October 2020.<sup>5</sup> However, the Memorial List continues to fill up at a high rate. It is unclear whether Russian vaccines are not too effective, or there are not enough of them even for medical workers. Thus, the increase in the number of deaths from the epidemic will continue. ■

1 <https://sites.google.com/view/covid-memory/home>

2 <https://rosstat.gov.ru/storage/mediabank/aidA9DmD/edn03-2021.htm>

3 <https://www.fedstat.ru/indicator/33556>

4 <https://xn--80aesfpebagmflc0a.xn--p1ai/>

5 <https://ria.ru/20201015/vaktsinatsiya-1579982296.html>

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# COVID-19 in Russia

Expert article • 2954

The COVID-19 pandemic caused serious loss around the world, 167 million cases of infection (2.1% of the population), and 3.47 million deaths (2.08% of the cases), as of May 23, 2021. In Russia, 5 million cases (3.42% of the population) were confirmed, and 0.118 million (2.36% of the cases) died according to Rospotrebnadzor. For comparison, Sweden – 10.4% cases per capita, the USA – 10, Lithuania – 9.9, Estonia – 9.6, Spain – 7.7, Latvia – 6.9, the UK – 6.6, Germany – 4.3. Russia was among the leaders in detectability, or tests per capita, in 2020 according to 'Our world data'. The high rate of the COVID-19 spread can be explained by high population density and mobility, and its consequences could be intensified due to the aging.

The first confirmed cases in Russia were recorded on March 15 in 2020 (see the figure): Italian tourists in Moscow and Chinese workers in the Far East. At the first stage, carriers infected abroad were concentrated in large agglomerations and in coastal and border areas. On March 30, Russia closed international air traffic and imposed restrictions on the border; 30-day vacation for majority of professions were announced until April 30. These measures were considered as premature and excessive by some experts, but they turned out to be late. By mid-April 2020, the cases were observed in all Russian regions. The mandatory wearing of masks and gloves, travel bans and digital passes have been introduced. Many small businesses (retailers, hotels, restaurants, etc.) were temporarily closed. Students switched to distance learning, which created certain problems, especially in rural areas. However, the disease was actively spreading due to the return of temporary workers, as well as summer residents from agglomerations to small settlements. The number of cases has sharply increased in the northern mining regions, where temporary labour migrants moved for summer jobs. By mid-May, in Moscow, the number of new cases began to decline; it gradually decreased all over the country during the summer, reaching a minimum at the end of August. Most of restrictions have been lifted. In September, with the return of students and summer residents to big cities, a second wave begins. The authorities encouraged businesses to use remote employment. Many regions were forced to return some restrictions, but their severity was significantly lower. The second wave reached its peak by mid-December due to cold weather and New Year's sales. A decrease in the incidence rate was observed until the end of March 2021. The government has allowed flights to some tourist countries. The third wave signs appeared with increased international and interregional mobility. Moscow has seen steady cases' growth since late March 2021.

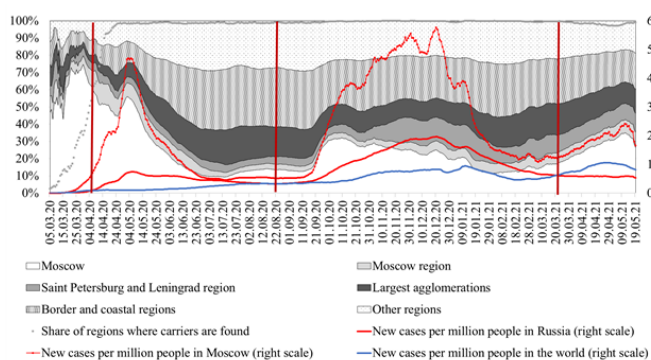
The highest total incidence rate in Russia is observed in the largest agglomerations as centres of business life, migration and tourism: Moscow and St. Petersburg (9 and 8% of the population), in old-developed regions near agglomerations, where summer residents go: Pskov, Novgorod, Oryol regions (>4.7%), in the northern mining regions with many temporary labour migrants: Yamal-Nenetsky, Murmansk, Magadan, Sakhalin (>4.6%), and in underdeveloped regions: Tyva, Altai, Kalmykia, Karachay-Cherkessia (>4.3%). The population of the latter could not fully comply with anti-epidemic measures due to the weak development of remote work, distance

learning, and lack of funds; the people did not fully believe the authorities.

The data on recorded mortality from COVID-19 can be distorted by the quality of tests, post-mortem diagnosis and other factors. For example, there is an opinion that local authorities tend to underestimate the number of deaths in order not to increase panic, to show better results for the federal authorities, etc. In addition, live data may be incomplete and lagging. Therefore, we use data on excess annual mortality: a comparison of this year mortality and previous ones. It also includes incidental deaths due to lack of assistance, overcrowding hospitals, etc. In Russia, the additional mortality rate in 2020 was 27%, this is the 20th place out of 94 countries (according to The World Mortality Dataset). For comparison, Peru - 140%, Mexico - 58%, Brazil - 32.4%, Czechia – 28.7%, Poland - 26.3%, Lithuania – 23.1%, Spain- 21%, the USA - 20.7%, Italy - 17.1%. Excess mortality was higher in the least developed Russian regions with weak development of health care: Chechnya (58%), Dagestan, Ingushetia (>43%), in the largest agglomerations with an aging population and high density of hospitalized: Moscow, St. Petersburg, Samara, Tatarstan (>33%), and in the mining regions Yamalo-Nenetsky, Khanty-Mansi regions (>33%) (according to Rosstat data).

The epidemic affected Russia more than the world average but less than most East-European countries; Moscow is among the most affected worldwide. As a result of the epidemic, a special healthcare infrastructure was created in certain regions, numerous electronic services were developed (digital passes, telemedicine, distance education, etc.), and many businesses were digitalized. The authorities have learned to respond faster to crises. However, it also sharpened the debate about digital totalitarianism (unfreedom) and privacy. Of course, the questions are being discussed how justified were the restrictive measure, although at the beginning it was about excessive restrictions, at the end – about 'exchanging lives for economic growth'.

Three waves of the COVID-19 in the Russian regions and worldwide (7-day rolling average). ■



Sources: Rospotrebnadzor; Our world in data; Zemtsov S., Baburin V. (2020). COVID-19: Spatial Dynamics and Diffusion Factors across Russian Regions. *Regional Research of Russia*, 3(10), 273–290.

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WESLEY R. MOY

# Russian misinformation and COVID-19

Expert article • 2955

The COVID-19 pandemic has provided new opportunities for Russian malign influence activities. Aggressive efforts will take place across a spectrum ranging from information operations to potential armed conflict. Hybrid warfare methodologies, blending a variety of instruments of state power, seek to exacerbate societal tensions, influence elections, and disrupt the activities of public and private sector organizations. Russia will continue its campaign against Western alliances, Western nations, and the United States. Its objectives include dividing and weakening NATO, subversion of pro-Western governments, undermining relationships, and reasserting its sphere of influence over former Soviet Union countries. In addition, expect to see misinformation and cyber campaigns against former Warsaw Pact countries including Georgia and Ukraine.

Russian information warfare has had significant success against the United States and its society as a center of gravity. Attacking existing divides, the effort inflames fault lines including racial tension, socioeconomic inequalities, and political polarization. Western elections have long been targets of Soviet and Russian influence campaigns, however, there is little evidence that the Russians have been successful in altering United States election results by attacking election machinery. During the period leading to the 2016 presidential election, provocations included false versions of actual groups such as Black Lives Matter. There were attempts to foment violence by organizing protests and counterprotests in the same place and time while urging participants to fight in the streets. Not yet understood, is the extent to which these activities continued during the 2020 election process and to what extent they contributed to the sharp divides that exist in U.S. society. An investigation, similar to the one conducted by Robert Mueller on the 2016 election, will be necessary to understand the extent and effectiveness of Russian activities.

Russian influence operations to take advantage of health crises are not new. In 1983, Operation Infektion was initiated by Soviet intelligence attempting to attribute the HIV/AIDS epidemic to United States activities aimed at developing biological weapons. The campaign lasted until 1987 and the resulting conspiracy theories reverberated for at least a decade. More recently, Russia has echoed Chinese assertions that COVID-19 was developed as a weapon and introduced into Wuhan by the U.S. Army. Russian intelligence services have continued to spread misinformation through English language websites throughout the pandemic. Russian media has promulgated disinformation about COVID-19 being spread through 5G towers resulting in further distrust of Western institutions and science. There is concern that the volume of misinformation has hampered worldwide efforts to slow the advance of the disease, contributing to the number of infections and deaths.

Recent Russian narratives in state-controlled media have attacked the efficacy and safety of vaccines developed by Pfizer-BioNTech and Moderna as well as exacerbating the issues with the AstraZeneca

and Johnson & Johnson vaccines. Success with promoting vaccine hesitancy and denigrating the producing firms will likely give Russia additional tools against the West. The 2020 Solar Winds cyber-attacks, likely conducted by Russian intelligence, affected 18,000 public and private sector organizations, including ones in the European Union, or conducting business there. In the United States, 60% of the companies that experience a cyber-attack fail within six months. Hybrid warfare activities against commercial organizations would further undermine Western nations and governments.

Accurate and inaccurate information surrounding the COVID-19 pandemic is exploitable as a weapon against Western democracies. There have been, however, important strides against disinformation. Efforts including the Finnish European Center for Countering Hybrid Threats have potentially identified best practices against misinformation and disinformation. Fact checking activities have emerged across the world. While a significant proportion of the fact checking effort had been focused on United States politics, there has been attention recently to misinformation about COVID-19 and vaccine hesitancy. The London- and New York-based nongovernmental organization First Draft, provides training for journalists and others to identify misinformation. Academic initiatives include the Shorenstein Center on Media, Politics, and Public Policy at the Harvard Kennedy School. In 2020, the World Health Organization launched an initiative and new scientific discipline called infodemiology as a multi-disciplinary effort to mitigate the effects of pandemic misinformation. Learning from these efforts and others, will be essential to combat Russian malign influence campaigns as well as those stemming from other state and non-state sources. ■



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# Russian disinformation during the pandemic

Expert article • 2956

According to the European Commission, Russia is different from other countries that promote disinformation (such as China, Iran, and North Korea) because its actions are systematic over the long term and it has an extensive range of instruments to spread disinformation. Russia uses traditional media and the internet, social media in particular, to spread misleading information. The Russian disinformation ecosystem is a collection of official, proxy, and unattributed communication channels and platforms that it uses to create and amplify false narratives. Russian pro-government media such as RT and Sputnik operate in a hundred countries and broadcast programmes in 30 languages. With an annual budget of about €270–400 million, RT can compete with BBC World (€300 million euros) and France Media Monde (the owner of France24, around €260 million euros). The Internet Research Agency (IRA), a so-called “troll factory” is also an important tool of Russian disinformation policy.

The goal of disinformation is to sow doubt over democratic rule and promote an ideological message about the supremacy of authoritarian systems. Therefore, its intention is to create chaos, social uncertainty, and disorientation. Contrary to propaganda, the aim of disinformation is not to convince anyone, instead the goal is to undermine trust in information as such, to introduce doubt into the perception of reality. The latest well-coordinated Russian disinformation campaign was about the COVID-19 pandemic. For the first time, Russia adopted China’s arguments, thus further disseminating Chinese propaganda related to the pandemic.

Both countries seek to strengthen their international position, primarily in their relations with the EU and U.S. The specific goals of Russia’s pandemic-related disinformation campaign have included undermining trust in objective facts and credible information sources concerning the pandemic. Russia, like China, promoted multilateral “corona diplomacy”, which aims to curry favour with Western states in particular to ease the international sanctions against it. In the early stages of the pandemic, Russia responded quickly to requests for help from other countries. The Russian Ministry of Defence sent medical support and a decontamination vehicle to China. Videos were distributed on Russian media showing Italians removing the EU flag from city buildings while the Russian national anthem plays in the background. Russian medical support was gaining more interest in world public opinion than aid efforts from other countries, mostly thanks to the Russian and Chinese disinformation campaigns. However, the disclosure of details about Russia’s “corona diplomacy”, including technical problems with the equipment it delivered, rather weakened the Kremlin’s international influence. The U.S. authorities returned ventilators to the Russians after incidents of the equipment catching fire in Russia. The Italian newspaper La Stampa revealed that 80% of the Russian supplies were of poor quality.

Despite the offer of cooperation during the pandemic, Russia has not managed to persuade Western countries to ease the international

sanctions. On 26 March 2020 in the UN General Assembly, together with Ukraine and Georgia, these countries rejected Russia’s declaration of solidarity in the fight against COVID-19, which would have led to the suspension of the sanctions. The European Commission indicated that health matters are not covered by the sanctions regime, so there is no justification for them to be lifted, especially since the reasons for introducing them, including Russia’s annexation of Crimea, have not changed.

The next stage of the Russian disinformation campaign has included attempts to discredit Western-produced COVID-19 vaccines, such as the Oxford-AstraZeneca preparation, which Russian propaganda labelled a “monkey vaccine”, followed by attempts to spread this information in Western media. English-language online portals also disseminated false information about non-Russian vaccines. Russia still hopes to create a more favourable position for its own vaccine on the world market and fulfil its strategic ambition to be seen as one of the first major powers to provide a solution to the COVID-19 crisis.

Overall, the Russian authorities have adapted to the global network of information systems and the dispersion of media and worldwide communication management. Contrary to the centralisation of command in the Soviet era, today’s coordination by the Kremlin is more challenging and not without problems that lead to failure. Although the Russian authorities still try to organise, control, and correct network structures from above, the Russian intelligence services are internally divided and scattered by bureaucratic wars over influence. However, it is precisely thanks to this loose network structure of coordination that it is much easier to hide the origin of disinformation activities and connect it to top Russian authorities, including President Vladimir Putin. ■



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# COVID-19 and the Russian economy

Expert article • 2957

The Covid-19 pandemic hit Russian economy hard through several channels in spring 2020. The lockdown measures imposed in April shut down a large part of the economy reducing domestic demand and production substantially. The huge shock on all economies across the globe cut export demand for Russian products and distortions in global value chains hampered imports. On top of that, Russian economy suffered a related, but partly separate blow through the oil sector that accounts for a significant share of the economy. As the global economic crisis cut oil demand sharply and sent oil prices to a free-fall, Russia had to agree with several other major oil producers (the OPEC+ countries) on substantial production cuts to stabilize the markets.

Despite the gloomy initial outlook, Russia seems to have weathered the crisis in economic terms with relatively moderate losses. Russian GDP contracted 3 % last year – at the same pace as the global economy overall. Although the economic crisis induced by the covid-19 has been globally historically severe, for Russia it has been more moderate in comparison to past decades. For example, during the global financial crisis in 2009, Russian GDP declined nearly 8 %. Several factors have been brought up to explain Russia's survival from the crisis, e.g. lockdown measures, government support and structure of the economy.

Initially, Russia imposed quite strict lockdown measures in spring 2020. The measures shut down most activities in service sector and in majority of Russian regions. In industry there were several exceptions, however, where activity continued. Restrictive measures were gradually lifted since mid-May. As the second wave of covid-19 hit Russia last autumn, some restrictive measures were reintroduced, but they were much more moderate than in the spring or in comparison to several European countries with similar infection rates.

Russian public economy entered the crisis in a more solid position than before due to prudent economic policies of past years. Expenditure was indeed increased notably to support the economy. Nevertheless, Russian public debt was still below 20 % at the end of last year and Russia's oil fund had liquid assets worth 120 bn USD (8 % of GDP). In international comparison, Russia's support package has not been exceptionally large. The IMF estimates Russia's spending measures at about 4 % of GDP, while the average for the G20 advanced economies is 12 %. The current crisis was also the first where Russia was able to use simultaneously accommodative monetary policy to support fiscal policy. The central bank lowered the key rate during the deepest phase of the crisis and ruble flexibility softened the blow from the oil price collapse.

It seems that the structure of the Russian economy has also softened the blow of the covid-19 crisis. The crisis has hit particularly hard service sectors and small and medium sized enterprises (SMEs). In Russian economy, the share of services and SMEs is lower than in most advanced economies. In addition, the crisis has affected particularly the tourism business. In Russia, the imports of tourism services have traditionally been much larger than exports. The collapse in imports of tourism services has left Russian households more money to spend domestically, while the blow on exports of tourism services has had a more moderate negative effect on the economy.

There are also certain factors that can support Russian economy to avoid longer term scars from the crisis. Russian job markets have traditionally been highly flexible. Despite a sharp initial rise, the unemployment rate had returned to 5.4 % by end-March – not substantially higher compared to the pre-crisis level of 4.7 %. In addition, Russia's private sector entered the crisis in a relatively solid financial position. The non-financial corporations and banks deleveraged especially their external debt in the previous years due to western sanctions. The Bank of Russia has improved the shape of the banking sector during the past decade by withdrawing licenses from hundreds of non-viable small credit institutions and sharpening banking supervision.

Nevertheless, the covid-19 crisis has hit also Russia hard. It has caused a massive human tragedy, as there were 300,000 deaths more in 2020 compared to the average in 2015-2019. Several households have also suffered severe economic losses. The average real disposable income of Russian households has declined by nearly 5 % since the beginning of the crisis and their purchasing power is now below the level in 2010. The current crisis can also weigh on the already modest longer-term outlook of the Russian economy. Russian GDP grew on average only 1 % a year in 2010-2019. Accelerating growth would require major structural reforms to improve the business environment, increase productivity and to address the new challenges caused by growing global climate action. ■



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# Influence of COVID-19 on the labour market in Russia

Expert article • 2958

**B**efore the onset of COVID-19, over the past 10 years, in Russia there were the following positive trends in the labor market: the unemployment rate dropped to historic lows, and wages rose, albeit at a not very high rate. But the global threat to human safety and health, COVID-19, has interrupted these trends.

The COVID-19 pandemic has affected a lot of countries in the world. In Russia, it has led to significant changes in the basic characteristics of the labor market. Some companies were forced to temporarily suspend their activities or completely close the enterprise. Moreover, the situation hit two categories the most: the most low-skilled employees and young people under 20 years old. About 40% of them were fired. More often than others, workers in the arts, sales, media and light industry were unemployed. In contrast, healthcare, science, IT and technology workers were fired less often than others.

The labor market around the world is going through tough times, with entire industries such as tourism and air travel shut down. In the beginning of COVID-19 the group of the most affected industries in Russia included tourism, sports, auto and other vehicles, household appliances, furniture, jewelry, sporting goods and leather goods. The pandemic affected up to 67% of small, medium and large enterprises, as well as individual entrepreneurs in Russia. However, only a third of the companies recognized as affected were able to benefit from government support. Totally the list of industries, the most affected by COVID-19 in Russia, includes: air transportation, airport activities, road transportation; culture, organization of leisure and entertainment; physical culture and recreation activities and sports; activities of travel agencies and other organizations providing services in the field of tourism; hotel business; catering; activities of organizations of additional education, non-state educational institutions; organization of conferences and exhibitions; activities for the provision of household services to the population - repair, laundry, dry cleaning, services of hairdressers and beauty salons.

Negative changes have also taken place in the field of education. In March 2020, the Government of Russia had to close educational institutions and switch to distance learning. This transition showed a number of problems. The education system turned out to be ill-prepared for the remote format. The teachers lacked the skills to work with the help of IT technologies, not all students had access to the Internet and could effectively continue their studies. The gap between students from rich and poor families has widened. The quality of education of less well-off children suffered more. There was a need to improve technical literacy for both teachers and students, as well as ensure equal access to online classes for all.

After the pandemic, we should expect a decrease in demand for mass events, international travel, offline services, and retail. The pandemic has accelerated digitalization, the transition to new forms of work and also accelerated the rise in unemployment. As a result of the transition of the economy to digital technologies, some workers

will lack competencies, and they risk being left unclaimed in the global labor market. This year, the consequences of the pandemic have been hit hardest: youth, this year's graduates, the self-employed, informal workers and the service sector. However, in the next 5-10 years, the negative consequences of the pandemic, changes in demand in the labor market may affect office workers, middle managers, lawyers, dispatchers, drivers, security guards, and owners of office centers.

Despite the possible increase in unemployment due to global automation and digitalization, at the same time, the demand for certain competencies will also increase. First of all, the demand for IT workers will increase - programmers, analysts, etc. - workers who will serve new digital technologies. In addition, there will be demand for marketers, communications specialists, business analysts, online education specialists, and doctors. Great demand is expected for creative professionals with developed soft skills.

The development of the pandemic introduced a new trend in the labor market: more and more companies began to introduce a remote work format. Such enterprises that actively use digital technologies in their work and those who managed to restructure their business processes into an online format in a short time managed to continue their functioning. Now the labor market will never be the same again.

The pandemic has completely changed the structure and nature of the labor market. Even after the end of the pandemic, the role and share of remote work and online work will increase. So, among the new trends in the labor market are the transfer of work processes to automatic mode, the transition to remote work, registration of the status of self-employed. Many innovations introduced now in the labour market in Russia will remain: automation, digitalization, remote work. It is possible that in some places mixed forms will be fixed, when employees spend part of their working time in the office, and part of the work is done from home. Remote work will significantly reduce the cost of renting premises for employees. ■

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# Mediatizing the pandemic: COVID-19 and its effects on journalism in Europe and beyond

Expert article • 2959

**R**eliable information plays a major role in managing and fighting the pandemic. Not only do the media provide the people with important information on protective measures and public regulations; they are also upfront in offering balanced analyses of the situation and debunking dangerous conspiracy theories. The pandemic has dominated media contents. However, the media around the world have been strongly affected by the crisis in various ways. In 2020, the World Health Organization warned about the impending risks of an “infodemic”, an overabundance of disinformation, misinformation, and fake news around COVID-19 with serious impacts on public health responses as well as audiences’ behaviour<sup>1</sup>. In many countries, press freedom has been curbed under the pretext of emergency measures and journalists’ working conditions have been impacted by restrictions of movement and work regulations. Reporting live and from the field might put journalists at risk of contracting the virus. Not least, media have felt the repercussions that troubled global. Empirical research on how current developments in the media sector have been initiated or accelerated by the ongoing pandemic is still emerging, but first studies as well as reports by organizations with relevant expertise and practical experience are providing important first insights.

Economically, COVID-19 has intensified already pressing concerns and added new challenges: “While news consumption has increased during the pandemic, the revenue hasn’t followed”<sup>2</sup>, as IJNET describes it.

At the end of 2020, the European Journalism Observatory (EJO), an online magazine bridging research and journalism practice to monitor trends and developments in the media sector in 13 languages, analysed the economic repercussions of COVID-19 on the media across Europe.<sup>3</sup> As experts from different parts of the continent recount, staff lay-offs, reduced salaries and ad slumps are causing an ever-thornier environment for supplying the people with literally vital news. In 2020, Italy saw a 26.6 percent decrease in print advertising, and Poland registered a decrease of 12 percent in the advertisement market by September. In Latvia, declining advertisement revenues amount to a loss of eight to twelve million Euros for the year according to the Latvian Broadcasting Association, and staff salaries have been cut by 20 to 30 percent.

In Germany, even big national titles resorted to short-term work. The “events” section that makes up an important part of local as well as some regional and over-regional journalists’ daily business is reduced. especially freelance journalists are vulnerable to the economic crisis. “From an economic point of view, it is devastating that many freelance journalists do not benefit from the corona emergency aid programmes”, as Tina Groll, chairwoman of the German Union of Journalists, explained to the EJO. At the same time, the COVID-19 crisis has caused a surge in hostility and attacks against the press, perceived as part of “the system” and targeted, for example, by the

so-called “Querdenker”-movement in Germany.

However, the crisis has also made people hungrier for news and information as well as for distraction. TV news shows, entertainment offers and online news websites in Germany registered record numbers of viewers, and users. The New York Times’ Coronavirus coverage had an unprecedented number of clicks and the newspapers online version attracted a record number of 7.5 million new subscribers in 2020<sup>4</sup>.

The effects the pandemic has so far had on media can therefore be described as “paradoxical”, as International Media Support puts it<sup>5</sup>: While misinformation increased, so did the demand for trustworthy news; a new wealth of information needed to be processed, but resources in newsrooms were tightened; and while journalists became targets due to their coverage and reported high stress levels, they were also more convinced than ever of the importance of their profession.

The hardships that the pandemic brings to the media sector and the unprecedented speed with which they have materialized could thus be an opportunity to find creative solutions for tackling negative long-term trends. Attention should be paid to innovations and new sustainable business models adapted to the challenges of the digital and online media market. In addition, fact-checking efforts should be stepped up and diversity in the newsroom should be prioritized to ensure that all population groups are reached by and have a voice in the media, which is key not only in crisis situations. COVID-19 also raises awareness for the relevance of science journalism and, in its global scope, for cross-border reporting. ■

1 <https://www.who.int/news/item/23-09-2020-managing-the-covid-19-infodemic-promoting-healthy-behaviours-and-mitigating-the-harm-from-misinformation-and-disinformation>

2 <https://ijnet.org/en/story/key-quotes-media-sustainability-during-covid-19-pandemic>

3 <https://en.ejo.ch/media-economics/the-economic-impact-of-covid-19-on-european-media-in-2020#Germany>

4 <https://www.nytimes.com/2021/02/04/business/media/new-york-times-earnings.html>

5 <https://www.comminit.com/media-development/content/covid-19-and-media-pandemic-paradoxes>



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# COVID-19 in Germany: A hiring crisis

Expert article • 2960

**O**n 27 January 2020, the first case of COVID-19 was confirmed in Germany. Only three weeks later the politicians stopped public life by a lockdown. The service sectors were affected most by this lockdown. Schools closed, travel bans were introduced, accommodation and restaurants closed as well as most part of wholesale. Also, the activity in the industry declined as almost the whole world slowed down, so that the delivery of intermediate products and parts paused.

This situation led to the strongest economic reaction since World War II in Germany. In the second quarter of 2020, the gross domestic product dropped by 11.3 percent. Unemployment rose from 5.7 percent in March to 7.1 percent in August 2020 and only decreased slightly until now. However, in the light of the strong economic reaction the labour market behaved relatively robust. The reactions in unemployment and employment are mitigated by so-called short-time work, the German job retention scheme.

Principally it serves as an automatic stabilizer and allows firms which experience economic difficulties to temporarily reduce the hours worked of their employees. The employees receive income support from the Federal Employment Agency in Germany for the hours not worked. As many sectors are affected by the crisis, the take-up of short-time work rocketed. During the first wave in spring 2020, almost 6 million workers were covered by the short-time work scheme. This is an extraordinary high number compared to other recessions. For instance, during the financial crisis only 1.4 million workers were covered. On top of that, atypical employment, which is not covered by short-time work, plummeted.

Though short-time work stabilizes employment, the question remains unanswered as to how quickly the labour market will recover from this shock. Scientific studies, that analyse the impact of the lockdown measures on labour market flows, indicate that especially hiring is hampered and only shows weak signs of recovery. Moreover, the length of the lockdown exhibits stronger effects on the flow rate from employment to unemployment. But, the degree of closure impacts both flow rates, from unemployment to employment and vice versa, to a similar extent. However, the effects of the lockdown on labour market flows are non-linear over time. In other words, the longer the lockdown lasts the less decrease in job findings and the less increase in separations is found.

Furthermore, workers who fear to lose their jobs or are currently unemployed search less actively. Search intensity but also placement intensity dropped during the crises and are still lower compared to the pre-recession level. Another stylized fact is that the asymmetric distribution of the crises in terms of industry sector spills over to the application behaviour. There is evidence that people from severely affected sectors search in sectors that experienced an increase in demand during the pandemic. For instance, people that work or have worked in the travel and recreation sector are searching now in the health sector.

Another issue that has emerged recently is that unemployment is about to become more persistent. Since the crisis has been going on for over a year now, more and more workers leave the compensation scheme of unemployment insurance and enter the pool of long-term unemployed (i.e. unemployed for over a year). This is worrying as research shows that long-term unemployment is still stigmatizing and can have long-lasting consequences, especially scarring effects and hysteresis.

From the firms' perspective, surveys show that in the fourth quarter of 2020 almost 20 percent of all firms received state subsidies from the Corona aid package. Among those firms that have been particularly affected by the crisis, the share even rises to almost 40 percent. That implies that the bankruptcy risk is elevated due to the crises and that firms that have been financially healthy might now be in difficulties. Though a wave of bankruptcy is not about to be expected as state aid helps to prevent this, it has implications for firm growth and thus labour demand. This is evident looking at the pool of vacant positions, which is only recovering slowly.

The most critical aspect of the corona crisis on the labour market results from a lack of new hires. While policies like short-time work have been successful in avoiding additional job separations, they are not sufficient to improve the labour market sustainably and to avoid undesirable effects. This can be achieved, for instance, by providing financial support for new hires.

A potential option would be to temporarily pay social security contributions for new jobs from the tax budget. This would not only incentivise rapid recruitment, but also encourage the creation of jobs subject to social security contributions instead of creating or re-hiring mini-jobs. One may focus such measures on long-term unemployed and those who are at risk just as on professional newcomers. ■

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# Phenomenon of participatory “guerilla” epidemiology in post-communist European countries

Expert article • 2961

The COVID-19 pandemic has found most of Eastern European countries in March 2020 completely unprepared. At the same time, richer Western European countries did not share the resources they possessed and they exerted control by disconnecting supply chains to weaker states and their societies. Moreover, the amount of people who do not trust institutions such as the government or official advisory bodies in post-communist societies is known to be significantly higher than European average. From the perspective of scientific progress during more than a year of the pandemic vaccines are a success, but there were also great failures in terms of not experimenting enough with other possible treatments (pharmaceutics without or with an expired patent were extremely rarely trialed in COVID-19 context in Eastern Europe in comparison with the Americas or Asia). Thus, struggling with the waves of the epidemic can be seen simply as a preparedness deficit incorporating trust deconstruction in institutional (politicians, public officers, scientists) and systemic (entire political system or economy and its actors) dimensions. It caused an increase in negative attitudes towards national and international institutional actions taken by governmental and scientific agencies, pharmaceutical industry or health services.

With the failure of institutions, some roles of the state were fulfilled by civil organizations emerging ad hoc. Let us examine two examples in greater detail: 1) folk clinical trials (known by their participants as “guerilla”) in Russia and 2) civic surveillance system in Poland (called by authors “civic resistance”). The “folk researchers” involved in these initiatives have trust in scientific methods and the power/need of data (at least data of any kind). They understand the concept of a trade-off between no or wrong information (as it would be the case without their intervention) versus open-access publicly available and transparent data collected by them with all possible limitations. These individuals and communities form social movements at the time of massive social disturbance during the pandemic to gain at least little control. They use social media to collaborate and discuss their research and form the so-called “Telegram (Twitter) Academy of Science” to cope with a radically altered reality trying to adopt something that suddenly becomes real.

Participatory civic epidemiology is not a new phenomenon in Eastern Europe. Denialism of HIV and AIDS by the Easternblock caused a parallel (para-)medical network of support in these countries in the 1980s (emergence of HIV in USSR was “confirmed” in 1987 and the problem officially had not existed before). “Solidarity” movement, which gathered together people in Poland also in the 1980s, formed resources (i.e. social capital) linked to possession of a durable network of organized relationships in opposition to pro-Soviet occupants. Alternative social structures with intellectual capacity and

biomedical knowledge existed in communist countries a few decades ago and are still alive in historical memory. Such civic participatory epidemiological projects of this scale during the COVID-19 pandemic in Eastern Europe probably could not have been possible anywhere else around the world.

## 1) Guerilla trials.

Official information (until the submission of this article) on frequencies of mild adverse events of Sputnik V (Russian flagship Gam-COVID-vac) from Eastern European registries or trials (some data is available from South American 4th phase trials) were not provided (Sputnik vaccine is linked with the government and public domain). Instead, Russian activists started “guerilla” clinical trials at two Telegram groups gathering over 15k detailed case reports of adverse events (observed syndromes) and vaccine efficacy (seroconversion levels) that shed some more light on Sputnik. Till the end of February, every 1 in 1000 vaccinated Russians was involved in this independent and voluntary Sentinel-like activity. It is important to stress that this concept is significantly different from the anti-vaccination movements, because the “folk researchers” are following evidence-based medicine rules within risk-benefit rationality and the outcomes of their investigation promote taking the Sputnik vaccine.

## 2) Civic surveillance.

In the first months of the pandemic, the state surveillance service in Poland was not able to correctly collect and process multiple epidemiological data from regional stations. Some volunteers on social media (mainly Twitter) engaged in unpaid activity of searching for data from their respective regions to build the only complete public data sheet about the epidemic. Self-organized, autonomous communities with collaboration on the regional level have proven to be more effective than professional but (under-)financed governmental agencies. This alternative surveillance system in Poland was (at least in some aspects) more reliable than official data submitted to ECDC or WHO. This phenomenon might have forced the authorities to speed up digitalization of epidemiological service in Poland and this strong community survived serving as a provider of constructive criticism in the area of quality of state statistics.

These two examples of unique social experiments have no equivalent of a similar scale in the modern history of medicine, but no event of the 21st century has changed public life in most of Eastern Europe as much as the spread of SARS-CoV-2 and its consequences. The complex landscape of socio-political changes and processes occurring during the pandemic in different Eastern European countries cannot be simply generalized, but the phenomenon of participatory epidemiology seems to have similar underlying factors

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(noninstitutionalized social capital) and patterns of operation (use of social media and following evidence based principles). For instance, the failure in disease management on both local or global scale caused decline of trust in national and international governing bodies as well as - unfortunately - biomedical scientists and medical professionals (especially considering the fact that it was already low in Eastern Europe). Moreover, social media during the pandemic have gained a bad reputation due to spreading dis/mis-information. However, the same social media was a platform for crowd-sourcing and collaborative development of systems alternative to state surveillance/clinical trials. Regardless of the low position of generated knowledge in the pyramid of evidence-based medicine, this phenomenon of civic or "guerilla" epidemiology should be investigated in more details from a sociological perspective. These observations confirmed that ad hoc civic organizations can be much more efficient than state institutions and their potential and experience should potentially be considered in planning management of future crises. Thus, I believe that social capital built due to the operation of these movements will be profitable for the Baltic region in the near future. ■



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KONRAD STAŃCZYK

# State interventionism in Poland during the COVID-19 crisis

Expert article • 2962

**A**s a result of the COVID-19 pandemic, which poses a serious threat to the public health and significantly affects citizens, societies and economies, the world is faced by a historic socio-economic challenge. This is due to the fact that the COVID-19 pandemic is associated with a significant human aspect. It brings significant social consequences, and at the same time causes a serious shock to the global and European economy.

The global economy is now experiencing the deepest recession since the Great Depression in the 1930s, with GDP declines of more than 20% and a surge in unemployment in many countries. Even in countries where containment measures have been relatively light, early data is already making clear that the economic and social costs of the pandemic will be large.

The spread of the virus is causing disruption of global supply chains, volatility in financial markets, consumer demand shocks and negative impact in key sectors like travel and tourism. The immediate effect of fighting the pandemic will be an unprecedented decline in international economic exchange. Due to a periodic closure of borders, shopping centres, hotels, restaurants and cultural facilities, private consumption will also decline. Some economic sectors, such as entertainment, restaurant, and above all, tourist and transport ones, need to prepare for a noticeable effects.

In order to reduce the negative effects of this crisis, some entities have taken advantage of the forms of support offered as part of state interventionism. The reference to the market economy allows for treating interventionism as the active role of the state in relation to the economy, which boils down to a systematic, orderly influence of the state on the overall condition of economic processes, while fully preserving the importance of market mechanisms, which continue to organize economic processes.

In Poland, the state of epidemic risk, and subsequently the state of epidemic in connection with the spread of an infectious disease caused by the SARS-CoV-2 virus, referred to as COVID-19, was announced in March 2020. In order to counteract the negative consequences of the pandemic for the economy, the government prepared a legislative package known as the "Anti-Crisis Shield".

The main purpose of introducing these measures was to protect workplaces and ensure financial and health security of citizens and companies in Poland. It is a set of several dozen important facilities which aim to help companies by providing financial support, subsidies for maintaining workplaces, exemptions from social security contributions or postponing numerous administrative obligations.

The anti-crisis shield 2020/21 is based on five pillars:

1. Protection of jobs and employee safety – PLN 30 bn

The government aims to contribute to employees' salaries in order to protect jobs.

2. Financing of entrepreneurs – PLN 74.2 bn

It is the biggest package of the government aimed at saving

companies. It includes a loan for micro companies of PLN 5000 to safe jobs, possibility of obtaining loans on preferential conditions, more beneficial conditions for settling losses from 2020, suspension of social contributions for the Social Insurance agency for 3 months, favourable tax regulation prolonging deadlines retail tax suspension, support for transportation companies and much more.

3. Health care – PLN 7.5 bn

Investments will be made in medical infrastructure, for example adjusting medical units to the needs of the elderly or building daily medical care centres.

4. Strengthening the financial system – PLN 70.3 bn

The Polish government has launched two packages: regulation package of the Ministry of Finance and the Financial Supervision Authority and Liquidity Package of the Polish National Bank (for example lowering capital buffers, REPO operations enabling increased liquidity in the banking sector; lowering the base interest rate from 1.5% to 1.0% and the required reserve rate from 3.5% to 0.5% increasing liquidity in the banking sector; potential LTRO operations and similar operations used by the European Central Bank).

5. Public investments – PLN 30 bn

Main focus areas are infrastructure, modernisation of schools and hospitals, energy transformation, digitalisation, biotechnology and pharmacy, environment protection policy.

Both small and large entrepreneurs, conducting sole proprietorship and persons employed on the basis of civil law contracts, may count on the state support.

The COVID-19 pandemic in 2020/21 is the first crisis of its kind, which concerns all countries and influences all fields of social, economic and cultural activities. For societies, nations, countries or even a single citizen, this phenomenon is something new, unknown and as a result dangerous and paralyzing. In these troubled times, it is the state that must intervene in the economy to overcome this crisis.



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# Illiberal constitutionalism and COVID-19 in Poland

Expert article • 2963

In 2021, only two countries – Hungary and Poland – display the characteristics of illiberal constitutionalism. After 25 years of the democratic transition of Poland, which brought fully-fledged constitutional democracy, it started to be downgraded to something else, which we call illiberal constitutionalism. This type of constitutionalism is based on a longing for a charismatic leader and specific national identity, combining individual freedom with non-liberal values. It distances itself from western standards of the rule of law, democracy, and human rights protection. Illiberal constitutionalism is viewed as the functioning of a public power that upholds the main constitutional structure but somehow lacks a normative domestic commitment to constraints on public power, even while, to a certain extent, it remains within the boundaries set by EU law and politics, as well as international minimum requirements. Illiberal constitutionalism is not the opposite of liberal constitutionalism and does not equate to authoritarianism; it departs from the former and tends towards the latter. Thus, constitutional democracy still exists, but its formal implementation outweighs its substantive realization. In the systemic settings, all elements of constitutional democracy, such as democracy, the rule of law, and human rights, are observable, yet none prevails in its entirety. Consequently, illiberal constitutionalism encompasses illiberal democracy, illiberal legality (the abused rule of law), and illiberalized human rights protection. In Poland, most of these changes are unconstitutional informal constitutional changes – which have been accelerated during the COVID-19 pandemic.

The presidential election illustrates the Polish illiberal democracy. The voting date was announced before the outbreak of the pandemic and set to 10 May 2020. The ruling majority wanted to organize the election at any cost. It seemed that the epidemic favored President Duda, who could still move around in his capacity as President, while other candidates were more restricted. Kaczyński announced that successful crisis management could not be undertaken without winning this election. Therefore, the parliamentary majority, during spring, did anything in its power to adopt laws that would be unequally and unfairly beneficial for them to win. The most worrying development was, however, that on 10 May, the vote was not held. On 6 May, the ruling camp decided not to proceed with the election without a formal legal ground, which they could not develop due to the many controversies and critical views of domestic and supranational and international actors. This move was also a result of a political agreement between Kaczyński and his allies. The new law on the presidential election, which was far from ideal but stayed more in line with the required standards than the earlier proposals, was passed and the election was organized in June and July 2020.

The phenomenon of illiberal legality can best be explained by how the Constitution 1997 was bypassed, i.e., informally changed, amid the pandemic only for mere political gain i.e., being able to organize the presidential election as originally planned. In mid-March, the Polish Government decided to declare a 'state of epidemic'. However,

"epidemic" is not mentioned in the Constitution, which otherwise has rules on emergencies, but human pandemic situations are only covered in two separate Acts (Act on the state of natural disaster and the Act on infectious diseases). The Government chose not to activate the available constitutional emergency regime, called 'extraordinary measure'; instead, with the parliament's help, it enacted a new statute-based regime to respond to the coronavirus pandemic. Under the constitutional emergency rules, a presidential election could not have been held. Still, under the new one, it became possible, along with the unconstitutional limitation of the freedom of assembly and the freedom of economic activity.

Illiberalization of human rights protection may be illustrated by the abortion bill read in the parliament during the first wave of pandemic and the CT decision of 22 October 2020. The CT de facto banned abortion during the second, more severe, wave of the pandemic. The judgment was published and became effective in January 2021. Both the decision and its publication caused mass protests. Before this CT decision (and even after it, as it was not published until January 2021), abortion was allowed in three circumstances: when the woman's life or health is endangered; the pregnancy is the result of rape; there is a severe and irreversible fetal impairment. The root of the case may be traced back to 2016 when the Sejm rejected the liberalizing abortion law bill, "Save Women". At the same time, the Sejm also considered the parallel bill "Stop Abortion". The latter bill was dropped until April 2020, when the Sejm decided to proceed with it amid the pandemic. The legislative procedure was still pending, but the ruling majority decided to shut down the disagreement surrounding the issue without deliberation and discussion. Therefore, the CT was abusively and informally approached and pressured to decide on the law.

The constitutionalist nature of the Polish legal system rests on the fact of membership in the EU and the application of the EU law, however reluctant it is. It was challenged by the CT's changed narrative: in April 2020, the CT ruled on the relations between Poland and the EU. As a result of series of judgments, the CT said that the SC had abused its competence to implement the CJEU judgment and wrongly and unconstitutionally emphasized its primary duty of loyalty to EU law and rulings of the CJEU, including the acceptance of their legally binding nature. These series of rulings are, therefore, a turning point in the relations between Poland and the EU as these rulings concern the foundations of the functioning of a Member State namely, the supremacy of EU law and EU law-friendly interpretation, and the recognition of the competence of the CJEU and the preliminary rulings procedure. Without recognizing these rules, it is not possible to operate within the EU legal sphere. The sovereignty of Poland and the supremacy of the 1997 Constitution, due to the arguments of the CT using them to stress Poland's symbolical sovereignty, have become a barrier against EU law and EU competences.

The consequences of not only this position but all the abovementioned unconstitutional informal changes are deeply

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harmful not only to the Polish people but the Polish legal system as well – which, formally, still operates under the liberal and EU-oriented Constitution 1997. ■

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ROBERT KRZYSZTOFIK

# The COVID-19 epidemic in Poland against the background of multidimensional challenges of the country and society

Expert article • 2964

The COVID-19 pandemic, which spread in 2020 worldwide, has impacted on the most of the existing socio-economic phenomena and processes - directly or indirectly. Unfortunately, apart from the tragic consequences for the life and health of millions of people, it also has disturbed the life of societies, individuals, institutions, and the economy. These consequences varied from country to country. The global dimension of the pandemic was, in this respect, similar to the essence of COVID-19 (many variants and consequences). They are sometimes surprising and sometimes determined by previous conditions. Even though understanding the essence of COVID-19 and its multidimensional consequences, including socio-economic, is still growing, there are still gaps in this matter. Perhaps paradoxically, it is more pronounced in the socio-economic area than in the medical or epidemiological one. The challenges above and the heterogeneity mentioned above of the COVID-19 phenomenon worldwide also affected Poland.

Like every country globally, Poland had its conditions for the spread of COVID-19 and ways of dealing with the pandemic. The essence of the epidemic in Poland overlapped with several essential phenomena and ongoing discussions. The key factors here seem to be the economic transformation of the post-socialist country, issues related to climate changes and decarbonization, and the orientation of the state's policy towards conservative thinking - together (within the European Union), but at the same time separately. All these issues, as well as social, economic, and political conditions, had to be influenced by the COVID-19 epidemic, which suddenly appeared and spread rapidly.

As early as March 2020, due to the increasing number of COVID-19 cases, the government decided to introduce the first socio-economic lockdown. The decision was obvious. The Polish health service was not ready for the dynamically growing number of hospitalized patients. Worse still, the number of deaths increased, especially among the elderly and the chronically ill. In a society with a strong identity of a nation that makes a joint effort to protect the country and its inhabitants under challenging moments in history, the tragic events related to the COVID-19 epidemic have focused actions and decisions on the issue of support and self-defense. This empathetic approach towards a part of society brings about reducing the first wave of the epidemic. At the same time, however, it puts many sectors of the transforming economy to the test. The paralyzing negative consequences of the blockade of large parts of services and trade raise concerns about the future of the manufacturing sector.

This sector has become a showcase of the Polish economy in times of transformation. The worst is all the more because a large part of the industry depends on global system.

Additionally, already in mid-2020, massive infections in the Polish coal mining industry are exacerbating its problems. All the more so as it happened at a pivotal moment in the discussion on decarbonizing the Polish energy sector. Mid-2020 was also a time of important (presidential) elections, which were to confirm the legitimacy of the policies adopted by the conservative-right-wing government. A conservative candidate won the elections. The discussion about holding elections during the epidemic raises doubts on both sides of the polarized Polish political scene and society.

At the end of April 2021, Poland is slowly recovering from the third wave of the COVID-19 epidemic. Unfortunately, the consequences of this stage of the epidemic are dramatic. For many days, the number of deaths per 100,000 inhabitants was record-breaking not only in Europe but also in the world. The answer to the question about this affairs is not easy. There are many reasons for this. Apart from the huge number of hospitalizations, for which the Polish health care system has not managed to prepare, important significance has air pollution. The symbol is mining Upper Silesia in southern Poland. There are the most deaths here, not only because of the large number of inhabitants and its high concentration. Here, the most polluted town in Europe is, and many others are in the top 100 of this infamous ranking. However, the time of the pandemic brought government decisions to decarbonize the country and shut down coal mining.

The COVID-19 epidemic is in Poland - and in many other countries - a turning point in thinking about the future of society, economy, and politics, including the EU. Not only politicians and decision-makers pass the competency test, but most of all, societies and communities. However, in this case, the result of this exam is not expected. The end of the pandemic in Poland and the world is more expected. ■

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# COVID-19 and energy poverty in Poland

Expert article • 2965

For over a year, Europe, like the rest of the world, has been struggling with the COVID-19 pandemic. Many articles have already been written on the issue of the health and economic impact caused by this disease. There was also a lot written about how to combat this pandemic and the aid programmes introduced by EU Member States because of it. Recently, there have been a growing number of studies on a recovery plan for Europe worth EUR 750 billion, presented by the European Commission. However, these analyses and discussions usually concern either Western Europe, which has felt the effects of this phenomenon most strongly, or China, where the disease began. In this short article I will try to give some background on Poland, representing Central Europe, and the effects that occurred here in terms of energy poverty during the reign of the COVID-19 pandemic.

Poland recorded one of the lowest drops in real GDP in the EU in 2020. It fell by 2.7% in 2020, and only 3 countries in the EU achieved better results. In addition, Poland was one of the first EU countries (after the Czech Republic and Slovakia) to react to the outbreak of the disease through a hard lockdown (spring 2020), which, on the one hand, severely restricted economic activity and, on the other hand, made it possible to avoid such a rapid increase in the number of infections during the first wave of the pandemic, which hit countries in the western part of the EU in the following months with great force. Analysing the economic situation of Poland, it should be mentioned that apart from favourable economic growth indicators (compared to the EU), the situation on the labour market is also good and the recession has not significantly influenced the increase in unemployment. According to Eurostat, the unemployment rate in Poland in March 2021 was 3.2%, which was the lowest level among all EU countries.

However, despite this relatively good economic situation in Poland, it should be noted that the COVID-19 pandemic has adversely affected Poland's level of economic development as measured by the level of energy poverty. While the wealthier part of society and larger companies were not affected by COVID-19 (in the case of industry it was even a period of steady growth), for the poorer part of society and small and micro enterprises, especially services, it was very acute. The lockdown applied to a greater or lesser extent since March 2020 (with a break for the summer months) has resulted in either a drastic reduction in economic activity or its complete stagnation. The effects of this are felt mainly by the poorest section of society and those on average incomes. This is because although the pandemic did not cause a sharp increase in the unemployment rate, the number of registered unemployed increased by 169,000 (18.6%) between March 2020 and March 2021. In addition, people were often formally employed but had not been paid for many months or had their income reduced. The anti-Covid support policy in place guaranteed job retention but did not provide income for workers. In addition, one should not forget the so-called self-employed workers and owners

of micro-enterprises who are omitted from statistics on the scale of unemployment in Poland (this therefore distorts statistics on the impact of COVID-19 on unemployment). At the time of the pandemic, this group of people received only token amounts of aid from the state, not even covering their fixed costs. Thus, they often lived off their savings, and were and still are deprived of income. Thus, the pandemic caused the disposable income of people in the second and third quintile groups to decrease and, in addition, the share of these groups in society to increase.

The second unfavourable development was the increase in energy prices, especially electricity, between 2020 and 2021 as a result of the increase in the cost of CO<sub>2</sub> emissions (in I-IV 2021 these increases amounted to almost 50%). While in 2019 the government supported households and kept electricity prices constant (compensating energy companies with tax reductions and subsidies), in 2020 and 2021 the pandemic made such support impossible. As a result, household spending on electricity and total energy carriers increased by 11.7% and 4.7% in 2020 and by 9.5% and 4.2% in Q1 2021, respectively. This results in an increase in the share of expenditure on energy carriers in the disposable income of the 2nd and 3rd quintile groups and an increase in the share of the population at risk of energy poverty for financial reasons (for whom this expenditure is more than 10% of income). While in 2016-2019 the level of energy poverty in Poland was decreasing (mainly due to the increase in social benefits), in 2020 and 2021 there was a sharp increase in its level and a return to the levels observed 5 years earlier (above 21%). To sum up, the Polish economy coped relatively well with the pandemic compared with other EU countries, but COVID-19 caused a strong stigma in the area of financial access to energy carriers. This pandemic has therefore caused not only economic and health effects, but also social effects, even in a country such as Poland, which survived the COVID-19 pandemic relatively mildly compared with other EU countries. ■



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# COVID-19 and religiosity in Poland

Expert article • 2966

**A**ny radical social change usually has an impact in the sphere of faith and religiosity. Many sociological and psychological studies have shown that, in the face of destabilization and uncertainty, religion and religious engagement provide hope and emotional support, can help to answer existential questions, help people find meaning in events that seem difficult to understand, and provide resources to face crises and adversity. Faith and religious practice can improve mental well-being by being a source of comfort to people in difficult times.

Accordingly, it can be hypothesized that in the current global crisis brought about by the Covid-19 pandemic, religion should play a particularly important role in helping people to cope with the threats they are experiencing. On the other hand, the fight against the pandemic has forced many countries, including Poland, to introduce restrictions aimed at preventing the spread of Covid-19, including restrictions on gathering for religious worship. Limiting people's possible forms of worship is not conducive to the development of their religiosity, and may even cause people to depart from traditional forms of religiosity.

The diverse effects of the pandemic on people's religiosity have been confirmed by previously published research results. On the one hand, studies have indicated that some people experiencing fear, suffering and/or illness during the pandemic have experienced a type of "spiritual renewal", such people saying that the pandemic has boosted their faith. On the other hand, there is also evidence of a de-intensification of religious practices during the pandemic. People who formerly practiced religious acts with little regularity have tended to abandon these during the pandemic, and, because churches have been closed, superficial religiosity based solely on tradition and customary participation in Sunday practices has weakened and sometimes even been extinguished.

Both of the abovementioned phenomena – on the one hand, a revitalization, and on the other hand, a decline of religiosity – can be observed in Polish society, and this has led to a polarization of Poles' religiosity during the pandemic.

Research on representative samples of adult Poles shows that, in its initial stages, the pandemic contributed to a strengthening of religiosity in certain parts of society. The number of people who did not undertake any religious activities under the strict government restrictions accompanying the first wave of the pandemic was lower than the sum of people who did not practice or practiced irregularly. This indicates that some people who did not practice or who practiced occasionally before the pandemic engaged in some type of religious practice during the initial phase of the pandemic – most often via the media. These results are consistent with research carried out in other countries such as the United States.

Importantly, Poles' religious involvement during the pandemic has been primarily determined by their level of religiosity before the pandemic. People who were more than averagely religious before the pandemic have engaged in religious practice (either in an online or traditional form) even more often during the pandemic, this even occurring during the most severe prohibitions. But people who previously participated less frequently in religious practices

have limited their religious activities even more during the pandemic and have not returned to their practices subsequent to the lifting of restrictions. This has applied particularly to younger Poles (aged 18-24 years) and to residents of the largest urban agglomerations: those groups of Polish society in which long-term declines in religiosity had been observed prior to the pandemic. It can be concluded that this situation has contributed to an increase in the polarization of religiosity. Those Poles who previously attended church only occasionally tended not to return to church at all after the lifting of restrictions during the summer of 2020, and a significant proportion of these people will probably never return, and this resulting more from atheization and secularization than from the privatization of religion.

Given the above, it is almost certain that Poles' religiosity after the pandemic will not be the same as it was before the pandemic: people for whom religiosity forms a major part of their life are likely to intensify their religious behavior, and people who practiced very rarely or sporadically before the pandemic are likely to further limit or even abandon their religious activities because of the pandemic and as a result of events accompanying the pandemic which have contributed to a decline in trust in the Church in Poland. These events concern further revelations of instances of pedophilia among priests, and the clergy's involvement in a political dispute over the tightening of abortion laws. ■

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KONRAD SOBAŃSKI

# Fiscal stimulus in Poland during the COVID-19 pandemic: Scope and implications for long-term sustainability

Expert article • 2967

The ongoing COVID-19 pandemic has resulted in large fiscal packages being implemented around the world. On the one hand, fiscal stimulus seems natural, as it aims to counteract the negative economic effects of the pandemic. On the other hand, however, it poses a serious challenge to the long-term sustainability of public finances as it results in a significant increase in global public debt. The International Monetary Fund (IMF) estimates that the total COVID-19 fiscal packages amounted to around 14 trillion USD by the end of 2020. As a consequence of sizeable budget deficits, global public debt reached 97.6% of GDP at the end of 2020, as compared to 83.5% of GDP a year earlier. Advanced countries faced the largest rise in the public debt ratio in 2020 (by 15.5 p.p. to 106.8%), whereas middle-income and low-income countries saw an increase by 9 p.p. (to 63.3%) and 5.2 p.p. (to 48.5%), respectively.

The European Union accounts for about one third of the fiscal stimulus across the globe (5.1 trillion USD). More than 60% of the EU fiscal anti-COVID spending (3.1 trillion USD) is concentrated in the four largest EU economies (Germany, France, Italy, and Spain), which is not surprising given the extent of the COVID-19 epidemic in these countries and their fiscal capacity.

Poland has implemented a much smaller fiscal package than the largest EU economies, but it is nevertheless relatively sizeable by EU standards. According to the IMF Fiscal Monitor it amounts to 13.1% of GDP (or 76.3 billion USD), which is more than the median for EU countries of 10.8% (or 48.5 billion USD). Most of the fiscal package in Poland relates to additional public spending or foregone public revenues (44.7 billion USD or 7.7% of GDP), with the remaining balance being public guarantees or loans provided (31.6 billion USD or 5.4% of GDP).

The government support was approved within 2 months of the first COVID-19 case confirmed in Poland on 4th March 2020. As part of the anti-crisis shields during the first wave of the epidemic in spring of 2020 a wide variety of measures for the general economy were implemented, including: subsidies for businesses to cover labour costs, deferrals of tax payments, loans to businesses provided by the Polish Development Fund (PFR), loan guarantees by the National Development Bank (BGK). In response to the second wave of the epidemic in autumn of 2020, the Polish fiscal authorities implemented additional measures for the most affected business sectors (including retail, hospitality, gastronomy, fairs, leisure and transport) to cover their fixed costs during the lockdown and maintain their liquidity.

The financial needs resulting from the anti-crisis shields have led to an unprecedented deterioration in the fiscal area. The government decided to temporarily freeze the so-called expenditure rule (Article 112aa of the Public Finance Act) to gain fiscal space for supportive policies. The IMF forecasts that general government expenditure increased from 42% of GDP in 2019 to 51.2% in 2020 (well above the average for European middle-income countries of 40.2%), while revenue fell by 0.6 p.p. to 40.7% of GDP in 2020. As a result, the general government overall deficit is estimated to increase from 0.7% of GDP to a record high of 10.5% (2020 compared to 2019). Moreover, according to IMF forecasts Poland witnessed an unprecedented increase in gross public debt to 60% of GDP at the end of 2020 as compared to 46% a year earlier.

This trend challenges the government bound by Article 216 of the Polish Constitution, which prohibits public debt to exceed 60% of GDP. An additional constraint is also Article 86 of the Public Finance Act, which sets another safety threshold for public debt at 55% (measured by national methodology). Breaking this rule obliges the government to eliminate the budget deficit and freeze public sector wages in the coming fiscal year, which would be harmful for the economy in times of crisis. It is worth noting that, at the same time, external constraints under the EU's Stability and Growth Pact do not temporarily limit the government, as they are suspended.

The government is trying to find its way out of this problem by following an approach for public debt statistics that diverges from the EU methodology. The bonds issued by eg. the Polish Development Fund (PFR), the National Development Bank (BGK) and the National Road Fund (KFD) are not counted as public debt, although these are in fact public institutions that had incurred a large debt of 218 billion PLN in 2020 (9.4% of GDP) to finance anti-crisis shields. Therefore, the Polish government estimates the public debt ratio at the end of 2020 at only 48% according to national methodology and at 57.6% according to EU standards.

Nevertheless, approaching the safety thresholds seems inevitable as the third wave of the epidemic in spring 2021 creates additional financing requirements and the accommodative fiscal policy continues. Moreover, further depreciation of the Polish zloty might pose another challenge, as a quarter of public debt is denominated in foreign currencies. As a result, even accounting measures might not be sufficient to avoid a parliamentary decision on public debt thresholds or the application of an 'exit clause' through a constitutional state of emergency. Even more important, however, is

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how policy makers will shape the fiscal framework for the long-term. A single set of transparent rules for measuring public debt in line with the EU methodology and fixed long-term safety thresholds would be recommended. Safety rules anchor and create fiscal credibility only if they are transparent and cannot be circumvented by policy makers through creative accounting. ■

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RYSZARD KAMIŃSKI &amp; OKSANA POLINKEVYCH

# Anti-crisis strategies of insurance companies

Expert article • 2968

**A**nti-crisis development strategies are the basis for ensuring successful operation and maintaining competitiveness in the markets. The pandemic COVID-19 has become a test for the insurance market too. Insurance companies are forced to develop anti-crisis new strategies and change approaches to the provision of services.

The need to develop anti-crisis strategies is due to the fact that the losses of insurers from COVID-19 grew rapidly. The most vulnerable were travel companies, hotels and restaurants and healthcare. Insurance premiums for this group of companies are significant. This violates the financial stability of insurance companies, which introduces an imbalance in the development of the insurance market. An example of a market that has been hit by the crisis is the United Kingdom. In this country insurance companies will pay travelers at least £ 275 million (about USD 340 million) due to the coronavirus epidemic. In March 2020, London stopped selling travel insurance to new customers. In September 2020, Lloyd's of London confirmed its forecast, according to which the losses of the insurance industry from the COVID-19 pandemic amounted to USD 107 billion. That month the High Court in London clarified the situation with insurers covering the risks of a pandemic. As of October 5, 2020, coronavirus was recognized as the main insurance risk of 2020. As of October 28, 2020, the publicly reported COVID-19-related losses of the world's largest reinsurance companies reached USD 23.7 billion. As of November 3, 2020, insurers' losses from coronavirus exceeded USD 100 billion.

Prior to the COVID-19 pandemic, insurance companies developed and implemented the following key anti-crisis development strategies: 1) A long-term planned change strategy. Anti crisis strategy is a function of duration of crisis and has certain limits of the nature of changes. This strategy is considered to be successfully implemented once the organization has entered sustainable operation and a steady state is planned. From this point of view, the anti-crisis development strategy can be seen as a means to achieve a specific goal, namely overcoming the crisis. 2) A strategy for balancing the interests of the insurance company and stakeholders. In both groups (individually or in combination), the level of significance of certain development areas is determined and the assessment is taken into account not only by the owners, but also by customers. For this, it is recommended to conduct SWOT analysis and TOWS analysis. 3) A risk management strategy. The risks can be divided into several groups: "flexa" risks, technical risks, and risks of social and civil responsibility to service users.

During the pandemic, insurance companies changed their approaches to the formation and implementation of basic anti-crisis development strategies. Among them can be distinguished:

1) An effort concentration strategy that combines a strategy of long-term planned changes and balancing the interests of the insurance company and stakeholders. The main priority is to find a

balance of interests between the three participants in the process: owners, managers, and clients or stakeholders. Besides, it is worth developing a marketing strategy for managing the image of insurance companies, which should form a positive goodwill of the company.

2) An innovation strategy consisting in the development and implementation of new insurance services, risk compensation mechanisms, considering the specifics of pandemics and crises. These include cyber insurance and an overview of the risk management mechanisms associated with the coronavirus pandemic. That is, insurance and reinsurance companies must develop a mechanism to compensate for damages directly caused by COVID-19.

3) A strategy for maintaining a sufficient level of financial sustainability of insurance companies. In this context, the concept of financially sustainable development of an insurance company arises. The closer the company is to the center of the financially sustainable development zone, the more risks it may face, which is especially important during the COVID-19 period. The influence of one or more factors of the external or internal environment can cause deviations in the activities of the insurer and the variability of its transition to a higher level of development with an increase in financial sustainability.

In addition, depending on the strength of the factor and operating conditions of the company, this can lead to the termination of activities due to reduced financial sustainability and the lack of opportunities to resume or continue development in the same area with changes in some characteristics. ■

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PAWEŁ NIEDZIÓŁKA

# Polish banking sector during the COVID-19 crisis – performance and challenges

Expert article • 2969

**A**mong other things, COVID-19 stands out for not being created following the imbalance of the financial system. On the eve of the pandemic, the performance of banks was relatively strong and therefore there have been given to them an important role in mitigating the economic effects of the crisis.

Before the pandemic the Polish banking sector had capital adequacy ratios well above Tier 1 and CET1 supervisory requirements (i.e. 15.9%). The increasing coverage of assets with own funds was accompanied by the erosion of ROE. This rate hovered around 7%, which is less than in the rest of Central and Eastern Europe, but more than in Western European countries. Banks also had high liquidity (LCR close to 150%) and relatively low dependence on interbank funding (around 35%). The NPL ratio did not exceed 5%, which should be considered a safe level. To conclude the Polish banking sector in all fundamental areas represented solid and stable standing.

The reaction of the Polish government, the Financial Supervision Commission and the National Bank of Poland to COVID-19 was mainly aimed at maintaining the liquidity of non-financial corporations, individuals and banks. Support included inter alia: credit holidays, government guarantees, suspension of social security contributions, interest subsidies and interest rate reductions. The Financial Supervision Authority allowed banks to change their approach to debt classification and provisioning for customers affected by the pandemic. The systemic risk capital buffer was reduced and the Tier 1 share of the required own funds was diminished. A reduction in the intensity of current supervision was also announced. In turn, the central bank significantly broadened the spectrum of instruments supporting bank liquidity.

Banks in Poland responded to COVID-19 just like their peers in other countries. The priority was to maintain business continuity. Therefore, in a fairly short time, bank headquarters started working first in a hybrid formula, and then completely remote. Bank branches were adapted to the new situation to reduce the risk of infection among employees and customers. E-banking is relatively well developed in Poland, so significant investments were not necessary in this area. Emphasis was placed on electronic communication with the bank as well as non-cash payments, including contactless usage of credit and debit cards.

Despite fears during the pandemic the credit crunch did not take place. The slowdown of lending to corporate clients was due to demand reasons. Companies suspended investment projects and their liquidity needs were largely met with government support. Although the percentage increase in the cost of risk was high during the first 2 quarters of the pandemic, this was mainly due to a low base. CoR eventually stabilised at an objectively low level and began to decline from the third quarter of 2020. The relatively good performance of companies resulted in low level of unemployment

in Poland at the end of 2020 (approx. 6.2%), which then positively influenced the quality of retail portfolios. At the end of September 2020 the banking sector in Poland recorded a further improvement in Tier 1 (up to around 17.5%) and LCR (approx. 220%). The pandemic did not restrain the process of ROE shrinkage which should be attributed primarily to a significant reduction in profits. This erosion is the result of this decrease in demand for corporate loans and a substantial lowering of interest rates.

To sum up, the Polish banking sector is still coping fairly well with the pandemic crisis. This applies primarily to large and medium-sized banks. COVID-19 has a greater negative impact on small, private retail-oriented banks offering products based on the maximum interest rate. Stability has also been affected by the fact that banks in Poland are relatively weakly exposed to pandemic-sensitive sectors. In addition, at the end of 2020, Idea Bank SA, the only commercial bank among the 15 largest ones, which did not meet the capital requirements, was subject to the resolution procedure. This bank being the weakest link in the sector, was finally acquired by Pekao SA.

Out of the main challenges facing the Polish banking sector at the onset of 2021 is the risk of currency conversion at historical exchange rates that refers to mortgages granted even before the subprime crisis. This operation may cause own funds to fall to levels close to or even below the supervisory requirements. The aforementioned risk, erosion of ROE and the accelerated digitisation of customer service forced by the pandemic seem to be the reasons for the closure of traditional branches, a significant reduction in employment in Polish banking as well as potential consolidation processes. ■



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# Challenges for Polish family firms tackling the COVID-19 crisis

Expert article • 2970

**A**t the beginning of 2020, family businesses in Poland had other plans than analysing the number of COVID-19 cases, assessing the resilience of healthcare system in the face of an extraordinary challenge or diving deep into information on the progress of vaccine research. Firms had plans, objectives and well-designed strategies for how to carve out an additional piece of the market pie and follow the path of economic growth. Instead, they have wondered about the timing of market lockdowns, the economic impact of the pandemic on their businesses or whether government interventions and policies will persist. Massive uncertainty has encompassed almost every aspect of their business and family subsystems. A fight to survive has begun.

The first infection of COVID-19 was confirmed in Poland on 4 March 2020. A week later, initial restrictions were introduced, such as cancelling mass events and suspending classes in kindergartens, schools and universities. Restaurants and other places where large amounts of people gathered were closed on 13 March. A few days later, further restrictions were announced, such as the closure of hotels, rehabilitation salons, hairdressers and other beauty industry firms. The number of customers in shops and hypermarkets was limited. Employers were obliged to provide extraordinary measures for safe working conditions including access to disinfectant liquids, sufficient distance between workstations or organising on-line work. From that moment, Polish businesses – including family firms – have run the gauntlet of prohibitions connected with the so called Great Lockdown. Pandemic restrictions have generated a massive shock of uncertainty because of the immediate and complete shutdown of the real economy, which has simultaneously resulted in significant reductions in supply and demand.

The lockdown negatively influenced the perception of the economic future of family businesses. In a study from the Family Business Initiative Association conducted at the beginning of the pandemic (31 March–2 April, 156 family firms) almost 58% of surveyed businesses expected to cease their economic existence in 12 weeks and 44% expected to go bankrupt in nine weeks.<sup>1</sup> For more than 90% of respondents, their firm was a source of more than 50% of family revenues. For 72% of family businesses, the company accounted for 75% of family income. In addition, Zajkowski and Żukowska conducted research in the first weeks of the pandemic crisis on over 100 family firms. The authors found that almost 65% of family firms declared a drop in revenue (average reduction of 44%) and expected further reductions in month to come at a similar level. Several firms (21%) reduced the number of employees and more than 31% forecasted further reductions.<sup>2</sup> Hence, the emerging picture seemed to be pessimistic. Major sectors under threat were tourism, transportation, catering business, retail (excluding online shopping), clothing and shoes industries.<sup>3</sup>

New circumstances required rapid adaptation to protect businesses. Two approaches for how to tackle the new crisis could

be distinguished. On the one hand, family firms implemented various solutions that facilitated at least partly continuing business operations in the tremendously difficult period. In a survey, 66% of businesses suspended investments and intellectual property development, 50% sent employees on paid vacation, 33% stopped paying bonuses or reduced remunerations. Moreover, 40% of firms extended payment due dates and 20% postponed loan or leasing payments. For more than 40% of businesses, remote work gained momentum, and 27% implemented e-commerce.<sup>4</sup> The idea of moving business to the internet was additionally intensively supported by the Polish Government.<sup>5</sup>

The second method to combat the pandemic employed so called anti-crisis shields implemented by the Polish Government. From the first lockdown until April 2021, nine 'shields' have been offered to business entities such as subsidies, loans, tax alleviations and more. Shields have included measures for the financial sector and health care system, employment protections and support for public investments. Figures presented by the government indicate a total amount of support around 312 billion Polish zloty (68 billion euros).<sup>6</sup>

The initial proposals included in the anti-crisis shield bill were assessed by Polish family businesses rather negatively. Specifically, 67.3% of family firms found the government had poor accuracy recognizing their needs, and 83.3% disliked the prepared support package. Better results were reported in assessing the efforts and programmes of local governments ('only' 55.8% of businesses ranked it as insufficient). However, businesses did not have any other solutions. Fifty-six per cent of family businesses declared that they would apply for the government support even though they did not believe that the proposed instruments could protect their firms during pandemic lockdowns. Additionally, firms voiced that access to support procedures were unclear and overcomplicated. Family firms also proposed their own anti-crisis solutions, including (1) loan subsidies; (2) salary exemptions from income tax and social security contributions; (3) flexible working time and remuneration measures; (4) temporary suspension of interest, loan instalment and leasing payments; (5) postponement of tax payments and (6) deregulation measures to simplify running a business.<sup>7</sup> However, expectations of family firms seemed not to align with financial resources of the treasury, as unofficially admitted by politicians from the ruling party.

In April 2021, there is still widespread disappointment in the Polish government's anti-crisis support measures.<sup>8</sup> Despite this, family firms struggle to protect their businesses, which represent their multigenerational heritage. Several family businesses have accessed private resources (so called survivability capital) to surmount the pandemic period. All firms are waiting for the dissemination of the vaccine to the majority of the Polish people, after which they would be able to restore business processes and undo the losses. Additionally, firms realise that the number of closed businesses and bankruptcies were not as large as they expected a year ago in particular due

to their own effort. Polish family businesses believe that the third wave of the pandemic would be the last and 'normal lives' would be restored, providing some optimism for the future. The final impact of the pandemic on family businesses will be seen in a few months when fresh figures will reveal the damaging effects of the unprecedented economic volatility. ■

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GRZEGORZ ZIMON

# SMEs and COVID-19 in Poland

Expert article • 2971

In Poland, the first cases of COVID-19 took place in March 2020. The reaction of the Polish government was very resolute, a lockdown was introduced throughout the country. This decision resulted mainly in the lack of complete information about the COVID-19 virus, it can also be said that it was not fully thought out. Schools and businesses were quickly closed, limits were introduced in grocery stores, which resulted in long lines in front of them. Life in Poland almost froze, electricity consumption decreased, traffic on the streets decreased, air quality in Poland improved. All this was the result of the detection of several cases in a 40-million country.

The COVID-19 pandemic has clearly exposed the poor state of the Polish health service. There were places where there was a shortage of staff in hospitals, there were no masks, and most of all the search for respirators began. The Polish government dealt with the shortage of supplies fairly quickly and efficiently, and medical equipment was quickly obtained. Respirators came to Poland from various sources. One of the suppliers was even an arms dealer, who to this day has not made deliveries for which, of course, millions had previously been paid. During the presidential election, the pandemic unexpectedly subsided, and a few days before the elections, the prime minister loudly encouraged people not to be afraid of the virus and go to the elections. The elections beat the COVID-19 pandemic, which of course later returned with greater force. The situation repeated, shops, schools and various service points were closed again, then some of them were reopened. This situation continues to this day.

From the point of view of SMEs, it was a serious mistake to communicate information by the Polish government about industry closures rather late. Very often, announcements appeared only a day or hours before closing. The owners had no room for reaction. They were left with a product that they had to throw away or a service that they could not provide and had previously incurred the costs of preparing the service.

The Polish government has generously offered support in the form of anti-crisis shields for industries that have suffered, i.e. for those whose activities have been closed or limited. Some SMEs praised this kind of aid very much, others complained that it did not help to save them and were heavily delayed. Surely state-owned enterprises could not complain about support. A prime example were mines and miners who were better treated compared to SMEs employees.

The situation for SMEs at the time of COVID-19 and the lockdowns being introduced were bad. Of course, a lot depended on the industry in which the SMEs operated. To this day, the companies that provide the services operate with limitations, or are completely closed. Therefore, it is difficult to assess what management strategies can be used by the owners of gyms, fitness clubs, since they are closed all the time. On the other hand, hairdressing salons at the time of opening have clients beyond their means, but they cannot serve them because they often dismissed employees during the early closure and now they are not sure whether to hire them or the situation will not happen again. Hotels and restaurants are collapsing, and take-out services do not always support entrepreneurs.

Strategies for managing financial security in SMEs operating at that time can be described as highly conservative. From the point of view of financial security, one should focus on the analysis of inventory

management, short-term receivables or short-term liabilities. In SMEs, at the very beginning of the pandemic, most enterprises tried to stock up at the highest possible level (construction industry). These were stockpiling activities with a large safety margin in the event of supply interruptions. It was a good move because virtually every industry has experienced outages or delays. Supply interruptions, shortages of goods in the states naturally caused an increase in the prices of goods and materials. So companies with high inventories have doubled benefits because they had numerous buyers and high prices. In the case of sales and customer receivables management, there were no problems with granting discounts. The sellers did not fight for contractors and did not have to support themselves with discounts, they did not grant them. The sellers as much as possible wanted to sell for cash or with a very short payment term. The situation for the management of liabilities to suppliers was the same as for the management of short-term receivables.

On the basis of these three elements, it should be stated that in SMEs the financial security management policy was based mainly on the collection of appropriate inventories, which allowed building appropriate strategies for managing receivables and liabilities. When assessing the financial liquidity management strategies, it is worth noting that there was a change in the structure of current assets where receivables from recipients were displaced by cash in hand or in a bank account. That actually improved the financial liquidity.

When analyzing the situation in Poland, it can be firmly stated that the groups that lost the least during lockdown were employees of state-owned enterprises and politicians. SMEs operating in the service sector lost the most.

Today, the public mood in Poland is a great opportunity to improve the situation of SMEs and their rapid development. The society is fed up with restrictions and if the restrictions imposed by the state are loosened, consumption will certainly increase, which will revive the service and commercial sector, which will allow SMEs to increase revenues and finally achieve the desired profits. ■



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# Perils of cross-country COVID-19 comparisons

Expert article • 2972

**D**uring the past year, the international media environment has been filled with articles and social media posts about which countries are doing best or worst in the pandemic. Cross-country comparison is especially problematic, as countries have different ways of collecting and reporting data which, in turn, need to be interpreted in relation to country contexts. Sweden has been particularly singled out for its approach, and much of this coverage has been misleading and lacking context. Here are a few lessons, based on how Sweden has been portrayed in the international media environment.

First, avoid “cherry-picking” data. Depending on the choice of comparator country, one can prove the success or failure of different types of social distancing measures, colloquially called “lockdowns.” Sweden has more deaths per capita than other Nordic countries but fewer than Spain or the United Kingdom, which imposed various “lockdown” measures; this is not at all enough information to draw conclusions on public health measures. It may also seem obvious to compare Sweden to other Nordic countries, but this is just as problematic as assuming, for example, that all Baltic countries are the same. Also, depending on context, the social pressure to abide by recommendations can be just as effective as the threat of a fine. However, context makes it difficult to compare the outcomes of compulsory measures in one location with those of voluntary measures in another.

Second, country-level data is misleading and an outbreak in one part of a country does not mean a virus is running rampant through the whole nation. This was particularly striking in the so-called “first wave” of the pandemic when Stockholm had much higher morbidity and mortality rates, in comparison to other parts of the country which were more similar to much of Norway and Denmark (to use a faulty comparison!). Even within a single region, deaths are unequally distributed by geography, class, ethnicity, gender and age; however, it is not always possible to disaggregate data due to patient confidentiality or policies around the collection and reporting of ethnicity.

Third, be specific about which policy is being evaluated, and at what level. Sweden has several levels of government (national, regional, and municipal) with different abilities to set and implement policies: guidelines may be set at a national level but implemented at a local level. Also think about whether you are evaluating the content of the policy or its implementation.

Fourth, we must evaluate policies from the perspectives of the diverse groups that experience them. Sweden is not homogenous and the ‘success’ or ‘failure’ of policies depends on one’s perspective, often shaped by living conditions, geography, class, relationship status, age and other demographic factors. Both voluntary and compulsory social distancing measures exacerbate inequalities, requiring a complex conceptual model of their effects on health, equity and society.

Fifth, when to evaluate? Different countries and regions have always been at different phases in their pandemics. The choice of when to evaluate policy is often a political one – and necessary in a democracy – but evaluating too soon can lead to ambiguous results, often at the taxpayer’s expense.

Sixth, familiarity with a country’s context and language goes a long way in improving the quality of policy evaluation. Within the international media coverage, it was common to see public health experts, with little connection to Sweden, making inaccurate statements in the media, often based on misunderstandings about the country’s complex system of public administration and politics, or with the assumption that Stockholm represents the whole country. Moreover, one reason why there were not more so-called “lockdown measures” is because many of these are complicated to implement under Swedish law, a nuance that was missing from much of the reporting.

Overall, asking ‘Does lockdown work?’ is useless. Rather, ask what specific measures were put in place, at what phase in the pandemic, and in what combination? How do these measures and their impact differ by sub-region or group? What are the (non-health) contextual factors that impact outcomes? How do different policies affect health and wellbeing? And will we ever be able to fully disentangle the consequences of the pandemic and the measures taken?

It should go without saying that the news and social media is not the most appropriate forum for the complex task of health policy evaluation. Rather, it is a complex undertaking that relies on a good understanding of a country’s context and a wide range of combined expertise, not least clinical, epidemiological, social, historical and legal. ■

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# Sweden's failed pandemic crisis management

Expert article • 2973

**B**y now Sweden's way in the pandemic is well-known internationally. Anti-lockdown and anti-mask- protesters in the U.S. and Europe have held up Sweden as an ideal. Sweden stands out by its relaxed approach. Following WHO's declaration of a pandemic on 11 March 2020, most European countries introduced restrictions and school closures from March. All Nordic countries except Sweden were quick to close schools, bars, and restaurants as well as the borders for non-citizens or residents. They initiated testing, contact-tracing, and isolation of cases. Similarly, Germany and the U.K. responded on 23 March with different restrictions. Sweden, by contrast, only temporarily closed upper secondary schools (16-18 years), which reopened on 16 June, and moved to online teaching at universities, while other schools were kept open. Public life remained largely uninterrupted. In general, there were no restrictions on travel or movement, no testing nor tracing, no recommendation of face masks even in hospitals or care homes. Despite the warnings from China and Italy, Sweden's Eurovision national final took place with full audience in Stockholm. Limits on gatherings came to 500 people on 12 March and 50 people on 29 March. The general recommendations were hand washing, keeping social distance, and to stay home in case of symptoms. Most political parties, except the national-conservative Sweden Democrats, gave passive consent to the approach until May, when critique began to appear following the high death rates. By 30 April, Sweden ranked among the top ten in the world with the highest deaths in covid-19, 244 per million, about seven times higher than Finland and Norway (ourworldindata.org. 30 April). By early June Sweden had twice as many deaths as the neighbouring region of all other Nordic countries, the Baltic countries, Poland, and Kaliningrad combined. By 8 July Sweden had reached a ratio of 538 deaths per million exceeding for example the U.S., which had 394.

The pandemic has been an unprecedented crisis and most European countries were insufficiently prepared. Governments had to respond to uncertainties with limited scientific knowledge. During such conditions, it is crucial that decision makers and agencies show capacity to adapt and respond to new information and conditions, as well as follow the precautionary principle, to protect its citizens. When the second wave started during September or first half of October, the other Nordic countries were well-prepared, and in Germany a circuit-breaker was introduced, closing restaurants, cafés, and cultural activities. Further measures followed in December, with the closing of schools and introduction of home schooling. Denmark also kept schools closed for an extended period after the winter holidays, to avoid a third wave. In Sweden, by contrast, the second wave in October took both the government and population by surprise, since the Swedish Public Health Agency (FoHM) had repeatedly stated that Sweden would be less affected because of its larger community spread in spring. The state epidemiologist repeatedly stated that other Nordic countries would "catch up". While scientific consensus grew

in the autumn that the virus is airborne, that pre- and asymptomatic spread plays a significant role, that face masks can provide protection in combination with other measures, including ventilation, that children can get infected and that schools play a role in community transmission, the FoHM consistently denied or downplayed all these facts. Hence, there was no general recommendation of face masks even in healthcare and care homes until December. By May 2021 face masks are still rare and one still find visitors without masks in birth clinics and care homes. Thus, Sweden's government and FoHM have been characterised by a remarkable resistance to accept now established scientific evidence. With exception of some editorials, the media has through most of the pandemic been unquestioning and government-loyal, while critical voices have been dismissed and ridiculed. However, on 17 December the Swedish King stated: "I think we have failed".

By early May 2021, Sweden has Europe's highest transmission, along with Cyprus, and is approaching 15,000 dead. A study by biologist Johanna Höög showed that 1 in 4 Swedish children have had Covid-19 and estimated that between 26,000 and 81,000 are affected by long-covid. Moreover, 9 children of 100,000 have been inflicted by hyper-inflammation, which is twice as much as in the U.S. and over five times more than in Germany. Deaths among children is also considerably higher in Sweden than in neighbouring countries, with 13 dead in Sweden, one in Norway, none in Finland. Sweden has had 7,7 times higher death rate among children than neighbouring countries. Hence, it has been considerably more dangerous to be a child in Sweden. The actual figures may be higher since there was virtually no testing in Sweden during the first wave.

Was there a strategy? In a constitutional hearing in April, Sweden's Minister of Health, Lena Hallengren, stated that there had been no strategy. However, both public statements and internal emails from the FoHM indicate that they early on adopted a "herd immunity" strategy allowing a slow but steady community transmission. Later this has been denied but it is the only strategy that makes sense given the relaxed approach. The effect was considerable social inequality. Risk groups and vulnerable groups have taken the main burden, being exposed unless able to self-isolate for a year. Throughout the pandemic the government has played a passive role and the FoHM has been allowed free reign to determine measures, in a conspicuous case of the "tail wagging the dog".

Sweden's recent crisis management history is dismal: weak response when the ship 'Estonia' sank in 1994 and insufficient response to the Tsunami in 2004. The latter resulted in a crisis commission delivering thorough critique of poor government management of crisis functions, with a subsequent reorganisation of the crisis function in the ministries. The government is ultimately responsible to lead the nation during a crisis according to the constitution. The public health agency is one of several agencies involved during a pandemic and should conduct its work based on science. However, Sweden's crisis

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management has once again displayed a considerable dysfunction at the cost of the physical and psychological well-being of a large part of the population. ■

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STEFFEN JURANEK &amp; FLORIS ZOUTMAN

# COVID-19: Sweden and its Scandinavian peers

Expert article • 2974

The Swedish approach to dealing with the COVID-19 pandemic, especially during the first wave, has been recognized as exceptional. This exceptionality becomes obvious when it is compared to the reactions of Sweden's Scandinavian peers; Denmark and Norway. The Scandinavian countries are an excellent comparison to learn from the Swedish approach. The countries have similar institutions, a similar population structure and they share the same values. Nevertheless, the Danish and Norwegian approach to COVID-19 stands in strong contrast to the Swedish approach. Whereas Denmark and Norway closed kindergartens, schools, shops, restaurants, and workplaces during the first wave, Sweden mainly focused on recommendations. Primary schools, kindergartens and workplaces remained open.

This difference in policies resulted in different outcomes. Mobility of Swedes did not decrease to the same extent as of its Scandinavian neighbors. Consequently, the virus spread more in the society. The higher number of cases lead to higher strain on Swedish hospitals, and, to a significantly higher number of deaths. In an empirical study, we calculate that the peak number of hospitalizations would have been 2.5 (3.5) times as large in Denmark (Norway), and death counts would have been 402 (1015) percent until June 2020 if Denmark and Norway would have followed the laxer policy of Sweden. Furthermore, we estimate the benefit of the lockdown in terms of healthcare and mortality costs amounts to between 1-4 (0.9-3.5) percent of GDP in Denmark (Norway).

Given the usual strong coordination of policies among Scandinavian countries, the difference in the reactions at the start of the pandemic is surprising. One reason for this difference may be found in the Swedish constitution. The Swedish constitution forbids ministerstyre, i.e., a direct interference of the government with the decisions made by the public agencies. This gives public agencies such as the public health agency (Folkhälsomyndigheten) a high level of independence. The public health agency and its state epidemiologist Anders Tegnell used this independence and implemented a policy that they believed is in the best interest for the Swedish people.

The main reasoning behind this decision were twofold. First, Swedish health authorities worried about negative side effects on health of a strict lockdown policy. Second, they believed that implementing laxer regulations would be more sustainable in the long term.

Unfortunately, we know today that these two goals were not achieved. After a devastating first wave, Sweden's number of COVID-19 patient per inhabitant in hospitals and intensive care units (ICUs) dropped down to Danish and Norwegian levels in October 2020. However, the second and third wave were again significantly more severe in Sweden than in the other two countries. Hence, the more severe first wave was not offset by a lower burden during the second and third wave. It is, of course, not clear whether one year already qualifies for a long-term perspective but given the rising

vaccination rates, there is hope that the consequences in an even longer-term will be limited in all countries.

Weighing off the COVID-19 burden with potential side effects of lockdown measures on the public health is empirically much harder. However, the comparison of the excess mortality and the costs for the health care system clearly indicate that the side effects have to be massive to call the Swedish way a success.

The economic benefits of the Swedish approach also appear to have been limited. The labor markets, but also GDP in general, show a very similar development in all three countries. It appears that the Swedish economy could not reap the benefits from the more lenient approach.

It is, of course, a difficult task to make decisions under uncertainty, and we do not intend to blame the Swedish public health agency. We believe that the agency acted with the best intentions. We are in the comfortable situation to analyze the situation in retrospect. But analyzing the Swedish approach improves our understanding and will lead to improved decision making in the future. ■



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# Contemporary Denmark: A brief outlook

Expert article • 2975

## A short overview of the Danish economy

Denmark has an advanced open economy. The country holds a positive structural balance of payments securing lucrative performance of the Danish economy, relying on international business activities. The country went into COVID-19 from a solid economic position. The government resolutely secured substantial policy space to deal with the coronavirus and prepare a resilient revival. The adopted fiscal policy continues to sustain the recovery from COVID-19. Appropriate strategic measures provide constant support to the labour market, keeping the unemployment low.

According to the estimates of the World Bank, by the end of the first quarter of 2021 Denmark's public accounts were among the best, allowing the country to have one of the smallest debt-to-GDP ratios world-wide. Due to the expected moderate resurgence in foreign demand, international trade is anticipated to recover slowly.

The Danish economy has strong prerequisites for adjusting to lasting fluctuations in demand due to COVID-19. In 2020, the Danish economy was assessed by the World Economic Forum, as one of the most adaptable economies in the world, providing Denmark with opportunities for a stable economic development post COVID-19.

The major exported agricultural products encompass a variety of meat and dairy products. Denmark has such an amount of agricultural produce enough to feed three times more people than its total population.

The most important industry sectors are the biotechnological, chemical, and pharmaceutical. The niche Danish firms and industries are mostly in the biotechnological and renewable energy sectors. Denmark is the world leader in the production of wind turbines selling the bulk of its production world-wide. The Danish industry sectors have dealt well with the problems caused by COVID-19.

Denmark has a highly concentrated resilient banking sector. The local banks have a key position in the industry, while three Danish banks control more than a half of the total assets. The tourism sector constantly increases in status to become an important source of national income. Trade and transport services are of key importance for the Danish economy as the country is the world's fifth-largest shipping national operator, where Maersk is the largest integrated shipping firm in the world.

According to the vision of the Nordic Council of Ministers, the Nordic Region is aspiring to become the most sustainable integrated region in the world by 2030. It comprises five countries, namely Denmark, Finland, Iceland, Norway, and Sweden, possessing a huge multiplicity of natural endowments, including the rich arable soil of Denmark. These are supplemented by the industrial developments of renewable energy from the Danish wind turbines, augmented by world-class scientific and technological advancements. Based on the World Bank figures, all Nordic countries are at present the equivalent

of the twelfth largest economy in the world. Investments across the Nordic Region in education, innovation and research soar securing sustained advancement of the regional economy.

All five Nordic Region countries are among the seven happiest nations in the world in 2021, Finland and Denmark topping the list.

## A review of Danish internationalisation

All countries in the Nordic Region started industrialising based on their key natural endowments. Denmark's resource endowments support the internationalisation of the country. The fertile arable land made agriculture of major importance for the Danish economy. Consequently, the food industry has gained pace in country's development and internationalisation.

Structural changes have gradually taken place Denmark, the country continuously relying on exporting of industrial goods as new businesses have appeared within the manufacturing sectors broadening the country production base. Denmark has continuously been a net exporter of food products and energy, supported overtime by many new industry sectors, the products of which have captured customers world-wide.

The World Bank, in its recent report, has revealed Denmark as first in Europe and fourth in the world for easiness of conducting business in the country.

Denmark has continuously been among the top five countries of the World Bank's publication "Ease of doing business" list. Denmark is also one of the countries with the best investment climates in the world. The country endeavours to augment its knowledge-based, high-tech, and green energy industrial sectors, giving a huge importance to innovation as well as research and development.

According to Forbes Business Magazine, Denmark has consistently been among the most preferred countries in the world attracting foreign direct investment.

Denmark has created world-class firms in numerous industries. Among them is the renewable energy. Many years of elaborate policy, based on a clear-cut strategy, have placed Denmark in the vanguard of 'cleantech' in the world with the impressive target of entirely stopping the use of fossil fuels by 2050.

Based on vigorous public-private collaborations, the country has many of the best industries in the world comprising biotech and life science. Founded on constant innovation, Danish food products offer high quality and world-class health safety.

The scale and scope of internationalisation of the Danish firms enhance constantly. On average the income generated abroad is approximately one-fourth for the smallest internationalised firms to reach more than four-fifth for the biggest. Regarding production overseas, in the case of large multinational Danish firms circa half of it is made outside Denmark, whereas it is about one-sixth in the case of Danish small and medium-sized enterprises.

Expert article • 2975

The innovation in Danish firms brings increased revenues. Typically, greater innovation leading to higher profitability is associated with enhanced differentiation of offerings.

Supplying big customers overseas has been advantageous for Danish firms of all sizes, the effect being more pronounced in smaller firms.

The higher share of international revenue has generally resulted in higher profits generated by Danish firms. Danish manufacturing is highly internationalised, with more than two-thirds of its revenue coming from outside Denmark. In comparison with all other Danish economic sectors, manufacturing comes second after transportation in terms of its level of internationalisation. ■

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OLIVIER RUBIN

# Decision-making during societal disruptions

Expert article • 2976

**E**vidence-based decision-making is generally lauded as best practice. However, the gathering and interpretation of evidence is often costly and time-consuming. The COVID-19 pandemic has exposed some challenges of evidence-based decision-making during major societal disruptions.

Evidence-based decision-making can be understood as using the best available scientific evidence in a systematic and transparent way. In normal times, evidence-based decision-making will most likely produce valid and robust recommendations. In such settings, causes and effects will often be localized and contained, and past data can easily be translated to current contexts. Decision-makers operate in the realm of “known knows” and are mostly guided by existing best practices. Occasionally, decision-makers might need to gather and analyze additional information. In politics, this could be during the design and implementation of important new reforms. In business, it might be in connection with planned mergers and acquisitions. In these “known unknowns” situations, evidence-based decision-making is integral to charting out the right course.

However, COVID-19 disrupted status quo. It demanded urgency in decision-making whilst at the same time introducing great uncertainties. Little was known about the virus, its vectors of transmission and its health impacts. To this day, many uncertainties remain. Contrast this to the latest pandemic, the swine flu outbreak in 2009, that did not produce the same disruption: pharmaceutical interventions were readily available, and the virus was well-understood.

Evidence-based decision-making during health emergencies prioritizes biomedical science and frequently includes epidemiological data and mathematical modeling. However, faced with incomplete data, predictions were mainly shaped by initial assumptions rather than empirical data. Would the novel COVID-19 behave as a regular seasonal flu, as SARS or something completely different? Accordingly, scientific predictions fell short with many initially underestimating the threat. In Denmark, for example, health authorities officially assessed the risk of domestic COVID-19 cases as low until 25 February when it was elevated to moderate. The first Danish case was detected two days later. Despite this, the health authorities still considered a full epidemic in Denmark low risk.

In other words, there was very little evidence on which to base decision-making. Health experts had to operate in what resembled an “unknown, unknowns” situation characterized by turbulence, incomplete data, and elusive options and objectives. Evidence-based decision-making, therefore, seemed a mirage in the important initial phase of the outbreak. High stakes, uncertainty and urgency are, of course, hallmarks of any major crisis. But in the wake of natural disasters or terrorist attacks, chaos and confusion usually dissipate in a matter of days or week as information gathering, data processing and decision-making regain momentum. The COVID-19 pandemic

is unique in that the prolonged crisis keeps generating new complexities and uncertainties.

In the absence of evidence and clear expert advice, political leaders in many countries turned to experience and intuition when making decisions. This is not necessarily bad. Political leaders are familiar with chaos and unpredictability. They are frequently required to assess and weigh risks and opportunities of different decisions under much uncertainty. The decisions they took were often precautionary and not always in accordance with health expert recommendations. The Danish government’s initial decisions of school lockdowns and border closures, for example, were not recommended by the national health agency. Faced with an unknown threat, the natural inclination of political leaders was to reestablish stability, buy time, and focus on what appeared to work rather than seeking the right answers. Naturally, some political leaders were more successful than others. As a general lesson, it appeared that the most effective decision-making processes sought to solicit advice from a broad roster of experts and practitioners, each contributing with their experience, knowledge, and intuition.

Fortunately, evidence-based decision-making ultimately regains traction even in the face of major disruptions. While great uncertainties persist, new scientific evidence is being produced at unprecedented speeds and volumes. Vaccines have been developed in record time. We are set to curb the outbreak in 2021, which would be a major accomplishment for humankind. Where the Spanish flu in 1918-20 wiped out 3-5 percent of the world’s population, the current COVID-19 pandemic will likely kill less than one permille. Still, there is scope for optimizing decision-making processes, especially for dealing with the initial phases of the next major global disruption that will most likely play out much different than the current one. ■



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# Managing lockdowns and re-openings during the COVID-19 pandemic - The Danish case

Expert article • 2977

**D**enmark is currently in a process of reopening after a second wave of COVID-19 cases late 2020 and early 2021. Extensive lockdowns were imposed in late 2020, and a sequential reopening process dependent on the number of new cases and hospitalizations started in March 2021. Recent developments have been favourable, and the reopening steps have been accelerated.

An important element in the Danish strategy is extensive testing (genome sequencing, tracing etc.), and access to many reopened activities is conditional on a negative COVID-19 test (valid for 72 hours). Vaccinations are being rolled out, but Denmark has decided not to use the AstraZeneca and the Johnson and Johnson vaccines (voluntary access to these vaccines is being discussed), and this slows down the process. Vaccination of all above the age of 50 has been set as a political milestone for the final steps in the reopening plan, and according to the latest projections, this will be reached early July.

Alongside the lockdowns, various emergency packages have been introduced. From an individual perspective, this offers insurance against and compensation for some direct consequences of the pandemic. From a broader perspective, the schemes aim at protecting production capacity (job-matches, avoiding firm closure) to support a swift recovery when the economy is fully re-opened. This is essential to avoid that the pandemic causes a more persistent decline in economic activity and increase in long-term unemployment. The key elements in the emergency packages are: i) a wage compensation scheme protecting job-matches such that workers receive their normal wage (up to a cap) and firms get a subsidy (75% or 90% of the wage costs), ii) compensation for fixed costs for firms experiencing a decline in turnover of at least 30%, iii) a support scheme for self-employed, and iv) liquidity and guarantee schemes for all firms (including postponement of payments of taxes and VAT). In addition, there are various other schemes, e.g. for culture. These measures are a very unusual form of economic policy in a very unusual situation; they have a status quo bias, and it is therefore essential that they are temporary and phased them out alongside re-openings.

These measures are essentially the same as applied during the first round of lockdowns in early 2020. Alongside the re-openings over the summer 2020, these emergency packages were phased out. Over this period the economy (production, employment) followed a clear V-pattern with a sharp drop at the onset of the pandemic and a swift recovery during the reopening phase. As an example, about 90% of those on wage compensation in April 2020 were in employment in October 2020. This is very close to normality since there are always in- and outflows from the labour market (retirement, sickness etc.). The decline in economic activity in Denmark in 2020 is among the lowest for OECD countries. Although many factors contribute to explaining this, the overall purpose of the emergency measures as temporary

measures to maintain job-matches and production capacity was thus borne out in reality.

A similar response is expected to follow the current re-openings, and early indicators confirm that this is happening. Interestingly, during the second lockdown round, the decline in economic activity has been smaller than during the first round, despite the lockdowns being as or perhaps slightly more widespread than in 2020. This indicates adjustments and adaptability to the new situation via numerous channels, including more “working from home” and adaptation of sales channels (click and collect, e-commerce, virtual meetings, teaching etc.). A high level of digitalisation is essential to resilience, making it easier to substitute virtual contacts for physical contacts.

Denmark entered the COVID-19 crisis with a well-performing economy, including low unemployment and sound public finances due to previous consolidation and reforms. Consequently, there was fiscal space to pursue rather aggressive policies in terms of emergency packages, but also more traditional fiscal policy measures. At the end of 2019, public debt was about 33% of GDP, among the lowest within the EU and well under the 60% baseline target. Despite the policy measures taken and the drop in GDP in 2020, debt will, according to the Ministry of Finance, be about 45% of GDP - still low by any international comparison.

In a medium perspective, uncertainty remains on the pandemic, including the global roll-out of vaccinations, mutations and the effectiveness of vaccines. Even in an optimistic scenario, the economy does not return to a pre COVID-19 situation. Some structural changes are accelerated and others prompted by the pandemic, including working from home, virtual meetings, e-commerce etc. ■



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# Norway's handling of COVID-19

Expert article • 2978

The corona crisis is a transboundary, complex and creeping mega crisis that tests the limits of what public administration is organized to handle. It is full of ambiguities regarding goals and values, uncertainty regarding means-end relations, and important decisions must be taken under great urgency. It is a stress test for the government crisis management and both governance capacity and governance legitimacy are necessary for a well performing crisis management.

In international comparison Norway is a well performing country in managing the pandemic. In a comparison of 98 countries Norway is ranked as number 18. Also in Nordic comparison Norway scores well. As of May 4 2021, the death toll per 100,000 is 14 compared to 17 in Finland, 43 in Denmark and 138 in Sweden.

Despite this apparent success the government was scoring low regarding emergency preparedness. No scenarios or plans to fight such a pandemic had been created and no exercises had been carried out. The national reserves of emergency equipments were insufficient and the health enterprises had not built up robust emergency preparedness.

The government was however able to improvise and make quick decisions March 12 2020. It pursued a suppression strategy. The major decisions were taken by the cabinet in close collaboration with the expert agencies. The political leadership deviated in some major decisions from the advice given by expert bodies, and generally opted for more radical measures following a 'precautionary principle'. The national restrictions and regulations were the strongest in Norway after World War II, but it was not a complete lockdown and curfews. The regulations had a broad scope, gave priority to health over economy and social concerns, to standardized national regulations over local flexibility, were more top-down than bottom up, and it was a combination of mandatory regulations and more soft advice.

From mid-April some restrictions were gradually lifted. This opening process slowed down when the infection rate started to increase in August and new restrictions were gradually re-introduced in the fall and winter when the mutated viruses arrived. A comprehensive strategy of testing, isolation, infection tracing and quarantine was enforced. Also, a stricter border control with quarantine hotel were introduced. In March 2021 restrictions were basically back to the situation one year earlier, combining a rather complex mixture of national and local restrictions but from April a cautious reopening started.

Overall, the political elite was cooperative and there was no mass polarization. The crisis management strategy was collaborative, involving stakeholders in society as well as bipartisan consultation within the parliament. There were some role conflicts between the Directorate of Health and the Institute for Public Health and NIPH and also between central and local authorities regarding national and local regulations. In general, the re-regulations have brought more criticism against the government.

The prime minister and the minister of health played an important role in communicating with citizens and the media through daily media briefings, together with the administrative and expert bodies, appealing to solidarity and the slogan was 'united we stand'.

Overall, the crisis communication was characterized timely and repeating messages and advises for actions revealing uncertainties

and the regulations were loyally followed up by the population. This communication strategy had, however, some challenges during the third wave because the different measures were shifting and unstable and ambiguously communicated which could make it a bit unclear what was the right thing to do for the people.

The process of making sense of the crisis played out in a context of high mutual trust between political and administrative/expert authorities. The process followed the Norwegian governance style of collaboration and involvement with affected stakeholders and the political opposition. Overall citizens' trust in government increased significantly from an already high level during this crisis. Trust in government, in the health authorities and in politicians increased. This general increase in trust reflects the alleged common communication strategy on working together.

The Norwegian crisis management in response to the corona pandemic so far is an example of rather effective decision-making, handling and making sense of the situation. This must be understood in the context of competent politicians, a high trust society with a reliable and professional bureaucracy, a good economic situation, a big welfare state and high-quality care in hospitals. Fundamental political decisions were taken in collaboration, thus enhancing the ability to make sense of the situation as it unfolded.

The main lesson learned from Norway is that despite a lack of preparedness, the government managed to control the pandemic rather effectively by adopting a suppression strategy followed by a control strategy based on a collaborative and pragmatic decision-making style, good communication with the public, a lot of resources and a high level of citizens' trust in government. Prompt responses and improved contact tracing enhanced the rather well performing crisis management.

A comparative advantage for Norway in dealing with the pandemic is the small population with a low population density, a cohesive and resilient society, capable institutions, high citizens trust in government and in their leaders who preside over a competent and effective state and its administrative apparatus. Thus, state capacity, leadership and social trust matter for the management of the covid-19 pandemic and crisis management is most successful when it can combine democratic legitimacy with government capacity and leadership. ■



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# Combatting pandemics in Norway

Expert article • 2979

For over a year the world is in a bizarre virus-caused disorder, which our generation have not experienced in the entire life, so no authorities possess routines how to react on such an unexpected flow. Decisions on pandemic treatment were made in emergency, and the exposed countries responded in a different way. To find out what worked well-thought-of or what not, the main questions of concern ought to be contemplated: Which decision-making authority managed the crisis? What preventive measures against infection spread have been applied? Was health care system prepared? How information for citizen have been procured? How the vaccine supply and roll-out was organized? What support the harmed business- and social activity received? How citizens reacted?

Standard solution does not exist, but shared experience may help to learn. In Bloomberg's report, April 2021, Covid-19 resilience ranking was presented, with relevant collected data, placing Singapore as the world's best, followed by Australia, New Zealand and Asian countries. Among the top 20 there are only 3 European countries: Finland as number 9, Denmark 14 and Norway 15 (some weeks earlier Norway was best as number 10, Finland 13; [www.bloomberg.com/graphics/covid-resilience-ranking/](http://www.bloomberg.com/graphics/covid-resilience-ranking/)). WHO's declared pandemic threat 30.01.2020, national actions have started afterwards.

In Norway The Government Corona Board (RCU) discuss solutions and actions, where The Norwegian Health Directorate and Norwegian Institute of Public Health present their professional recommendations, and government makes decisions on imposing national rules. Local authorities add local rules and manage implementation. The Corona Law of 18.03.20, allows government to enforce obligatory restrictions, if Parliament did not reject these with 1/3 of the votes. Information on enforced rules is presented on press conferences by Prime minister, Minister of Health, with presence and comments of General Director of Health Directorate, Director of Institute of Public Health and relevant Ministers, depending on subject. Corona testing centres were opened in all municipalities and tests are free of charge, available after accepted request. The lockdown 12th of March 2020 was more restrictive than health professionals advised, but partly released in April, as primary schools started to open from 20.04.20 for small- and later for older children. Children and youth were considered as the core group to be shield against consequences of lockdowns, to avoid increase of social disparities. Digital learning, facilitated in Norway, where all pupils have iPad from school, does not bring the same outcomes for all children, therefore open schools and after-school activities are of high importance for learning progress.

The important factor for pandemic management is correct information. Information on Corona facts and rules are published on webpages of central- and local authorities and health institutions', also in foreign languages of minority groups (The coronavirus situation – regjeringen.no). Central and local phone info is also available, as the rules and restrictions differed between regions, depending on infection spreading, with green, yellow and red zones warnings. Municipal authorities in consultation with chief municipal doctor decide and administrate the local rules. Warnings are also sent by sms. Norwegian health system worked efficiently, all inhabitants have access to free health care, and numbers of infected patients who

required intensive care were not very high.

Geography helped - both Norway and Finland have few big cities, where infection spreading is high. Vaccination program have started at the end of 2020, with priority order: 1. residents in nursing homes 2. age 85 years and above 3. Age 75-84 years, so following younger age groups. On 12th of May the Institute of Public Health suggested change in priority, to vaccinate the group 18-24 together with 40 – 44, to breakdown spreading more efficient. Economic consequences of pandemic are extensive. Already 7th of April 2020 the expert group led by prof. Steinar Holden from University of Oslo, presented the report "Socio-economic evaluation of infection control measures - covid-19", later two new reports were published, where strategies, consequences, and long-term effects of pandemic have been presented and solutions suggested. Government started to pay out compensation for activity stop, extra health-care expenses, unemployment prevention, and more, summarize to 252 billion NOK in 2020 and 229 billion NOK this year (Revised National Budget 2021) GDP in 2020 fell -0.8 % and is expected to grow 3.7% this year.

Summing up – what did contribute to place Norway among the top-ranking countries in contesting pandemic? I think that the crucial factor is a non-pandemic one - citizens trust to public institutions, so people accept and follow up inconvenient restrictions, as they trust that government acts for their best. ■



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# Labor demand under COVID-19 pandemic in Norway

Expert article • 2980

The world economy takes a huge hit from the Covid-19 pandemic since March 2020. The decline in economic activity and constraints on people's movements have far-reaching impacts worldwide. Norway is no exception. The mainland GDP shrank by 11% from February to April 2020. The pandemic also disrupted the labor market severely and suddenly, leading to a massive rise in unemployment. In May 2020, there are 120,000 fewer jobs than the same month in 2019, which amounts to a drop of over 4%. While a large part of this decline comes from involuntary job separations in terms of temporary or permanent layoffs, there is also a sharp drop in new vacancies, indicating that the pandemic has also led to a collapse in job creation.

From late February to June in 2020, the total number of new vacancy postings listed in the Norwegian Labor and Welfare Administration job database declined by around 27% compared with the same period in 2019. The magnitude of the drop in new vacancies in Norway is of similar size to what was found in Japan (30%), but somewhat smaller than those in Sweden (40%) and the US (44%).

The comparison between Norway and Sweden is particularly interesting. The initial exposures to the Covid-19 for these two countries are about the same. Similar government programs are implemented to soften the impact of the pandemic on the economy and labor markets as well. However, while Norway implemented very strict non-pharmaceutical interventions (NPIs), Sweden has opted for much lighter restrictions where most businesses were kept open with certain proximity restrictions. The lower magnitude in labor demand drop in Norway compared with Sweden casts doubt on the claim that stricter NPIs will inevitably lead to greater economic losses, as believed by many.

The drop in new vacancies started around the same time as the Oslo stock market index's plunge when there was still no confirmed COVID-19 case in Norway. That was about two weeks before the total lockdown in Norway which led to a spike in the unemployment insurance claims. The timing of the start of collapse is consistent with the idea that uncertainty in economic outlook due to the Covid-19 pandemic is an important cause for firms to pause their investment and hiring. After the initial dip, the number of new vacancies seems to stabilize and show some signs of recovery already in May and June 2020. However, the number is still lower than that of the same period in 2019. Interestingly, there seem to be no additional drops in vacancy postings of similar magnitude when the second and third wave of coronavirus hits Norway in November 2020 and March 2021.

The deterioration in labor demand is quite broad. It is observed almost at the same time in all counties in Norway, regardless of the initial spread of the virus. However, the size of the drop seems to be positively correlated to the severity of the pandemic measured by the number of all confirmed cases. Similarly, the Covid-19 pandemic affects almost all industries and all occupations. Based on these observed empirical patterns, we see that the lockdown and social

distancing policy are not the only cause of the dip in labor demand. However, some areas (industries) are hit harder than others.

The pandemic has led to a great shortage of seasonal workers which led to an increase in the new vacancies in the agriculture sector. The oil and gas industry was among the industries that experienced the largest drop, as it was hit particularly hard due to significant oversupply as the global economy slows down due to the pandemic. Industries that rely on close interaction between people, including the hospitality sector, the personal service sector, and the retail sector, were not able to continue ordinary business during the pandemic and therefore experienced a dramatic drop in demand.

The pandemic also had a rather uneven impact on the demand on different groups of workers. Historically, unskilled young workers are disproportionately disadvantaged in many ways during economic downturns, but this recession has been particularly acute. There are fewer vacancies that they are qualified for due to the collapse of new vacancies. And at the same time there are more job applicants to compete with due to the jump in involuntary job separations. Unfortunately, the recovery observed in May and June 2020 is mostly observed for jobs that require high education and previous work experience. The accumulated number of vacancies loss in the "youth-friendly" sectors remains high during the reopening phases. Unskilled young workers are facing the toughest labor market in generations. This may very likely induce long-lasting costs for the economy, as poor early labor market experience often results in persistent negative effects for young workers. Measures that strengthen the labor market opportunities for young workers are called for, both in terms of providing young workers better opportunities for continued education and qualification training and in terms of encouraging businesses to employ more young workers. ■

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# Labor migration and translocal families: Mobile lives during the pandemic

Expert article • 2981

**T**he economies of Eastern and Northern Europe increasingly depend on labor migration. Industries as well as public and private services in Nordic countries rely on both temporary and permanent labor from Eastern European countries. At the same time, families, communities, and public institutions in many countries are equally relying on wages earned abroad. The outburst of COVID-19 affects migrant workers, commuters, and their family members unexpectedly. Borders dismantled since the 1990s, becoming open or porous, have again become obstacles for going to work and making a living, as well as to returning home, spending time with children, parents, partners, and siblings. Based on research in the Inequalities of Mobility: Relatedness and Belonging of Transnational Families in the Nordic Migration Space project, we stress the substantial effect of COVID-19 on what we call translocal families.

The driving “workforce” of transnational economies are women and men, of different ages, embedded in family relations. Their border crossings result in a variety of translocal family forms for restricted periods of time, or for decades. Their everyday lives take place between different locations. Some migrant workers and commuters live most of their lives away from their families, yet sustain social relations through phones, Internet, money, gifts, traditions, and travel. Translocal familyhood hence comprises care, belonging, identity, emotion, everyday issues, politics, economic and national welfare systems, which are all now affected by the pandemic.

Until the COVID-19 global crisis, mobility and migration were increasing. Presently, however, migration is undergoing dramatic changes. On the one hand, these changes convey many problems. Some or all family members who work, live, and go to school in a different country, while remaining connected physically, emotionally, and digitally to their home countries, face new uncertainties and disruptions. Lithuanian women and men who work in the fish-processing industry in Northern Norway and uphold Norwegian local communities are not allowed to cross the border; Estonian and other East European construction workers who make up one fourth of the labor force in the Finnish construction sector, cannot lead their translocal lives as usual, but get stuck either in Finland or in their home country. Many people have lost their jobs. Even for those deemed “necessary workers,” who are able to continue working abroad, the restrictions mean uncertain and long-term absence from family and responsibilities “back home.” Contract work becomes more uncertain, and the regularity of commuting is interrupted. While some people get paid for quarantine periods, many must cover the costs themselves.

On the other hand, these changes involve new opportunities: some children from Estonia could join their parents in Finland, and attend school digitally. Some people were forced to seriously ponder their future and make decisions regarding their return—something that some of them had talked about for years. Overall, the pandemic alters everyday lives economically and time-wise. While migrant workers and their vital role in different sectors and communities is valued, discourses on migrant workers as virus carriers across borders are

also prominent. When migrant workers are depicted as threats, their possibilities to continue translocal lives are weakened.

A translocal family life consists of a fragile balance that must be carefully handled. While we do not know exactly how the COVID-19 pandemic will limit and create new mobility opportunities, we do know that translocal families are especially sensitive to geopolitical fluctuations that challenge relationships over geographic distance and emotional presence in their lives. We also know that families try to sustain their own translocal familyhood. While the international competition for workforce increases, the pandemic has shown that it is impossible for migrants to continue their lives and work as usual if their families are not cared for.

Aspiring to well-being, work, and education, translocal families, as individuals and as units, pave their lifelines between different places. Such in-betweenness creates both difficulties and opportunities, and is especially challenging in times of a global crisis. The pandemic has increased inequalities among migrants, as well as between migrants and others. The pandemic has also exposed many underlying structures and phenomena that create inequalities, rendering certain people vulnerable. Based on our research, we recommend that public and private institutions, authorities, and employers prioritize addressing translocal family life when dealing with the many impacts of the COVID-19 pandemic. ■

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# COVID-19 outbreak in Finland: A path to recovery through action-oriented implementation

Expert article • 2982

The Covid-19 outbreak in Finland has created the need for mobilization of different types of resources, viz; physical, financial and well-being. During the early days of the pandemic in March 2020, the best and worst-case scenarios for the spread of COVID-19 in Finland had been mapped out by researchers at universities in Turku and Tampere. The Government of Finland had acted swiftly and had 19 emergency measures in place in March 2020 to control the spread of Covid-19. According to the Finnish Government, Valtioneuvosto, the lockdown measures taken in Finland in March 2020 to prevent the spread of the virus initially restricted movement and business activity, and this had some consequences for economic growth. The Finnish economy however had gradually started to recover in October 2020.

Finland is now experiencing the second wave of coronavirus outbreak in early 2021. It is suggested that Finland can adopt the 4C model for Covid-19 for futures planning. C – Curing the infected persons through proper diagnosis and medical care, C – Controlling the spread of virus through preventive vaccination thereby breaking the chain, C – Confining super spreaders through practice of social distancing norms, C – Continuing the best practices like wearing masks, washing hands regularly and promoting mental well-being activities. The Government of Finland is trying its best to live up to its promise of on time delivery of healthcare facilities and meet the requirements of its people.

Referring to the Sitra Megatrends 2030, Finnish companies are now rethinking their relationship with their employees, how technology fits into recruitment and how people can continue to develop their skills during a pandemic. Covid-19 has made significant changes on original scenario of future of work. Scenario planning for the future of work in Finland needs to be brought forward by a couple of years. Forecasting is being increasingly replaced by recasting scenarios from the future state to present state. Futures planning as a result of the Covid-19 outbreak would accelerate the development of smart cities with smaller office spaces, less parking spaces and more green areas. This would necessitate the need for different kind of infrastructure landscapes for urban, semi-urban and rural areas where people could continue to work remotely.

According to Statistics Finland, the Finnish economy is expected to grow steadily in 2021 and 2022, which indicates that Finland is on its way to recovery post Covid-19. There was a policy recession initially, but Finland was able to avert real recession and financial crisis. Finland has been successful to emerge from the worldwide economic recession without a major impact. As suggested by Carlsson-Szlezak, P., Reeves, M., & Swarts, P. (2020) in their article 'What Coronavirus Could Mean for the Global Economy' published in Harvard Business Review in March 2020, Finland's recovery could be supported through a V-shaped scenario which describes the "classic" real economy shock, a displacement of output, but growth

eventually rebounds. In this scenario, annual growth rates could fully absorb the shock. It is an optimistic but plausible scenario. According to the Finnish Government, Valtioneuvosto, the general deficit would be lesser in 2021 and a full recovery is expected not before 2024. The private sector consumption would recover faster but the public sector consumption would continue to lag and recover slowly.

The Covid-19 outbreak in Finland has many lessons, viz first for the Government – battle readiness and deployment, i.e. to be always prepared for a pandemic in the future. The second lesson is for the Finnish companies – to be agile and responsive, i.e. to be characterized by the division of tasks into short phases of work and frequent reassessment and adaptation of plans. Finnish companies should embrace more of lean thinking in future in order to continue production even if there are disruptions in their supply chains due to production stoppages with their supply chain partners. Although, offshoring is an important component of Finnish manufacturing, the extent of regionalization and the dependency networks should be revisited for better future scenario planning. The third lesson is for the Finnish consumer, who has learnt to adapt, and this outbreak has brought to forefront the Finnish quality of Sisu within themselves, which is perseverance, the love of life and the desire to succeed despite adversities. Covid-19 outbreak in Finland will be recalled as a time for learning, being better prepared for the future, and being resilient in moments of crisis. ■



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# Social and health care safety during the COVID-19

Expert article • 2983

**W**hen on March 11, 2020 the WHO declared the COVID-19 as a worldwide pandemic, we faced a global crisis which brought with it unprecedentedly large human, economic and systemic impacts on the whole society (Tiirinki et al. 2020). In particular, the pandemic has placed the capacity, resilience and safety of the social welfare and health care system to the test in all countries.

In any case, quality and safety need to be the highest priority of the social and health care services in all situations. However, the pandemic brought many critical phenomena that have affected multiple levels of service system.

It can be noted that the social welfare and health care system has not been adequately integrated. The roles within different authorities related service system can be fragmented. This makes information transfer and cooperation difficult e.g. in social and health care patient and client safety. In Finland, the Ministry of Social Affairs and Health is in charge of the planning, guidance and implementation of national social and health policy. The organization of social welfare and health care services is the responsibility of municipalities. The system consists of 20 hospital districts and five university hospitals. Currently, eight out of the 20 regions have social and health care under a regional joint authority. In addition, Regional State Administrative Agency operates steering and supervising social and health care services.

During the first wave of the pandemic non-urgent medical treatment was downscaled in many countries, which formed a significant obstacle for its part to the realisation of good and safe care. The restriction taken to contain the pandemic have had significant in the social safety as well. The realisation of the safety during the pandemic must also be assessed when analysing the causes behind infection chains, for example in care units for the elderly.

Availability problems of personal protective equipment (PPE) were an alarming safety risk in fighting a serious infectious disease. Different countries faced a situation, where there wasn't enough PPE available for social and health care workers. There has been competition in the international vaccine market as well.

It needs to be analysed, how a competitive situation of this form has impacted the health and well-being of people in the end. Various research projects have already been launched and multidisciplinary dialogue can create a basis for new research approaches, also from the perspective of the safety of social and health system.

The operations of social and health care have been managed under unprecedented pressure during the pandemic. It has shown that extremely demanding situations require systematic management and coordination to ensure basic functions. However, new practices e.g. digital tools have been implemented simultaneously. It is time to start to analyse which new practices have worked, and which have not.

The common intention has been to ensure safe and good care, regardless of the exceptional circumstances. From managers of social and health care it has required continuous reassessment of the situation. The realisation of social and health system safety has required timely decision-making, measures and restrictions, and, for example, appropriate reorganisation of functions in the operational units of social and health care.

Understanding of the ways in which the pandemic can be controlled has grown significantly. When comparing internationally, it can be concluded that the preventative strategies which have been successful are made up of the timeliness of different actions, up-to-date and coordinated communications and the utilisation of various digital tools.

The organisation of social and health care services in exceptional circumstances has required large investments, as far as management, employees and financial resources are concerned. Analyses carried out in different countries have in common finding that an evaluation of the effects of the overall costs of the pandemic, from the economic and health care system perspectives, will take years.

In the future, the realisation of the success of the safety, capacity and operational reliability of social and health system will depend at least on the foresightedness of preparedness strategies and the ability to manage their implementation in practice. It is clear, in similar situations in the future, we will also face complex ethical and moral issues.

COVID-19 has tested drastically the components of safety in the social and health care system. However, we have already learnt a lot, and the social and health care will be increasingly better prepared for future crises. ■

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# Managing and communicating corona strategy: A balancing act

Expert article • 2984

**M**onday 16 March 2020 will remain a milestone in Finland's political history. On that day, a state of emergency was declared in the country in order to limit the consequences of an invisible enemy: a virus that was spreading the Covid-19 disease all around the world.

The Finnish innovation fund Sitra was the first organization to decide that a comprehensive report would be needed on how the government and other decision-makers in the country responded to the pandemic. I personally had the honour and responsibility of compiling the report that was published on 14 January 2021.

Little did we know at the start that the crisis would outlast the rapporteur's mandate by far. Hence the key findings of the report ("Valtioneuvoston ydin kriisitilanteessa", Sitra muistio 2021) can be seen as somewhat preliminary. But no events since have so far given reason to fundamentally alter the perspectives outlined in the paper.

One notion is that Covid-19 has forced society as a whole to weigh its basic values like civil liberties, democracy and free enterprise anew. It has also profoundly tested relations between states and international organizations.

In many ways especially the European Union first seemed to disappear from the news fora as all states focused on protecting their own inhabitants and economic interests. But the mood changed significantly when it became clear what role the EU would play in speeding economic recovery as well as developing and distributing vaccines.

## Exceeding the EU limits for several months in a row

Just two years ago it would have seemed unimaginable that, for example, Nordic countries would impose travel restrictions against each other or that special rules concerning travel between Helsinki and Tallinn would prove to be necessary.

But as the summer of 2021 approached, Finland had already exceeded, by several months, the limits of exceptional measures that European Union rules allow for limiting free movement within the Schengen area.

It was, however, not the EU or Finland's neighbouring countries that put the strongest pressure on the government of prime minister Sanna Marin to reconsider the tough measures taken. The strongest criticism came from the domestic travel and tourism industry. Their business took a strong hit already in spring 2020 and the early days of the covid crisis when the government, in cooperation with president Sauli Niinistö, declared a state of emergency in Finland, thus enabling the government to activate the emergency powers act.

## Green minister of interior closes borders

A political analysis of events appears almost ironic. The Marin government consists of five parties, and for several of them free movement is a fundamental value. An example: Finland has its first Green minister of interior, Maria Ohisalo. One of her first moves was to start strongly limiting people's right to travel.

The irony worked in several ways. It soon became obvious that a significant portion of the general public demanded even stronger restrictions than the ones that were first introduced by politicians.

Ever since, the corona strategy of the Finnish government has been a balancing act. Results looked quite good all through the first and second wave of the virus spread, but the third wave brought new challenges along. Even demonstrations against covid measures broke out.

## Inflation of sentiment as new state of emergency declared

A new state of emergency was declared on 5 March 2021 when the coronavirus situation in Finland had taken a clear turn for the worse. It soon became obvious that the Finnish public didn't react to the turn of events as dramatically as on the first time.

The shock effect was gone. People had figured out ways to "bend the rules" or simply disregarded restrictions.

Finland's decision-makers should carry at least some of the responsibility for this inflation of sentiment. In March 2020, when the first strict measures against the spread of the virus were introduced, ministers of the Marin government spoke about closing borders and obligating elderly people to remain in quarantine-like conditions.

Soon it was discovered that ministers were exaggerating at least to a certain extent. The constitution guarantees Finnish citizens (and permanent residents) the right to leave and enter their home country whenever they wish. That basic right can't be revoked by a state of emergency. This fact was kept away from public discussion until academic experts started to talk about it the media.

The same applies to the instructions that the elderly (70 years of age and above) were given. Legislation doesn't give the government competence to dictate people's daily movements on the basis of their age. Ministers can only recommend and persuade.

## Threshold of exceptional measures lowered

Dramatic steps taken by leaders during the Covid-19 crisis can have far-reaching implications in the years to come. If populist parties that want to enforce authoritarian rule gain power in future elections, the threshold of resorting to exceptional measures will be much lower than it has been thus far.

This should not be forgotten since the only thing we know for certain is that new crisis situations will emerge. We just don't know how and when. ■



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# The impact of the COVID-19 pandemic on the Finnish forest industry

Expert article • 2985

So far, the Finnish economy has survived the COVID-19 crisis well compared to countries focused on the production or export of services. The coronavirus pandemic hit different industries with varying degrees of intensity. According to the International Labour Organization's (ILO) estimation, the COVID-19 pandemic is affecting public health and causing unprecedented disruptions to economies and labour markets, including workers and enterprises in the forest sector. It has exacerbated existing challenges, with many enterprises and workers suffering consequently. In the first months of the pandemic, the situation looked bad. Surprisingly, the production of the Finnish forest industry was mainly affected by labour market strikes at the beginning of 2020 and the decline in demand for products on the world market, which had begun before the pandemic.

Coronavirus infections as such have not affected Finnish forest industry production facilities in the big picture. Following the onset of the crisis, companies resolutely began to take measures such as the isolation of production facilities. Between shifts, the premises were disinfected, and shift workers no longer met the people of the next shift at the end of their own shift. At the headquarters of some companies, employees can get tested for the virus on site if symptoms occur, free of charge.

However, there are some things the crisis has changed, perhaps permanently. The strengthening of certain global megatrends has been noteworthy. Moreover, the demand of forest-based products has diminished. Megatrends have the same effect everywhere, but different countries have different capacities to adapt to change. Digitalisation, for example, has accelerated further, as a significant proportion of workers have stayed away from their usual workplaces and their dependence on various electronic services and platforms has been highlighted. The closing of shops or restricting their opening hours has also reduced advertising in newspapers, which in turn has reduced newspaper editions and demand for printing paper. The digitalisation of the media has accelerated.

On the other hand, the pandemic has also had positive effects on the forest industry. Working from home and spending more time there, people have started fixing up their homes, which has created an unprecedented household construction boom. Wooden patio boards have been taken out of hand and landscaping has flourished. As a result of the restrictive measures, online sales have grown and various types of packaging, including those that consider the personal hygiene aspect, have become more important for people. This phenomenon has increased the demand for paperboard and packaging papers. In particular, the need for pharmaceutical packaging and food packaging has increased. Preparing for an uncertain tomorrow was also manifested globally as the hoarding of toilet paper.

What will come up after spring 2021 depends on the economic development in Finland and Europe. The situation is expected to improve according to the latest economic outlooks. However, assumptions behind the forecasts are heavily dependent on the COVID-19 vaccination delivery and distribution to citizens.

In terms of the forest industry, Finland is very self-sufficient. Wood is harvested and processed with domestic labour, most of the wood raw material (85%) is sourced domestically, and in many cases also the technology used is of domestic origin. However, Finland is dependent on imports of chemicals in the paper and board industry and the wood products industry.

Moreover, in terms of the market, we are not self-sufficient. Most forest industry products processed in Finland are exported, and although half of the pulp produced in Finland remains in Finland, it is also largely exported after further processing.

Due to the pandemic, logistics has suffered, and the availability of sea containers has been a difficulty for Finnish companies almost constantly during the crisis. In international trade, our remote location from main markets in Europe is a disadvantage, and the distance to Central Europe has not changed during the crisis.

In some countries, production in the forest industry has had to be halted due to the pandemic, but not in Finland. The stability or predictability of the operating environment in Finland has not been significantly affected by the crisis, but several industry players have expressed concerns about competitiveness. Product development and the launch of new innovations are not easy when interpersonal interactions are limited to conversations over the phone or through a computer screen. However, rather surprisingly, new openings have been seen in the forest industry. Only a resilient industry will be able to invest during a crisis. New investment plans such as Metsä Group's decision to build a bioproduct factory in Kemi – the largest investment in Finnish industrial history – best reflect faith in the future. ■



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# Enhancing co-operation in the Baltic Sea Region – together we are stronger

Expert article • 2986

The purpose of the EU-funded Baltprep project has been to enhance regional preparedness and response capacities in major accidents as well as co-operation and coordination between Red Cross National Societies and Civil Protection authorities. Red Cross National Societies from Denmark, Germany, Poland, Latvia, Lithuania, Estonia and Finland were involved in the project.

In the Baltic Sea Region each Red Cross National Society has their unique features combined by geographical location and Red Cross principles. Red Cross has an auxiliary role to public authorities in the humanitarian field. This auxiliary means that Red Cross National Societies have a role in disaster risk management, emergency response, health promotion and social services. Strong National Societies create a solid foundation for effective disaster preparedness and response on national level, but also enable cross-border and macro level co-operation in case of emergency.

Developing and strengthening skills and response processes for fast-changing scenarios and demanding working environments are essential part of the co-operation. Capacity building improves performance and deepen understanding of risks and humanitarian aid processes in the Baltic Sea Region. Staff and volunteers trained in disaster management and psychosocial support enhance and strengthen response capacity both on quantitative but also on qualitative level in order to ensure timely and effective assistance. Networking, knowing each other and trust between actors form a good basis for a long term co-operation, which can be achieved only by sharing knowledge and doing things together.

The first Red Cross Disaster Preparedness Plan for the Baltic Sea Region has been created. The purpose of the planning process has been to strengthen understanding of cross-border risks and hazards as well as joint knowledge of available capacities to address national level and cross-border emergencies. During the process Red Cross National Societies have increased their joint understanding on preparedness planning and how to request or host support from neighbor National Societies in time of emergency. Although there are many different interests and actors involved in disaster preparedness, one lesson learned is that an open and consultative process and ongoing dialogue are important.

## Responding to the Covid-19 pandemic

During Covid-19 outbreak Red Cross National Societies have supported authorities in the Baltic Sea Region, but also worldwide. Covid-19 is not only a public health crisis but also a humanitarian crisis that will impact the lives, health and livelihoods of people around the world. It has special characteristics such as the implementation in many countries of Emergency Powers Law and restrictions which also affect the work of the Red Cross. Cooperation and collaboration between the National Societies and with civil protection authorities in the region have been done at all levels: local, regional and national.

Red Cross National Societies reaction varies a bit from country to country but common response is to help the most vulnerable people. Also protection of volunteers and staff has been an integrated part of response.

During the second wave of Covid-19 **Lithuanian Red Cross** volunteers have been helping with contact tracing during the weekends. Almost 2 000 people signed up for volunteering in hospitals and care homes around Lithuania. Almost 300 volunteers have joined to help doctors and nurses. In the biggest hospital in Vilnius there have been 150 volunteers. All volunteers are trained by the Lithuanian Red Cross and by hospitals. This has been one of the biggest projects Lithuanian Red Cross has had.

**Latvian Red Cross** has been supporting people in need ever since the Covid-19 pandemic started. It has actively communicated safety measures and tips on how to support mental health. Red Cross offered help to persons in self-isolation and quarantine. Latvian Red Cross was appointed as the Coordinator of distribution of disinfectants and protective facemasks that have been procured by the Latvian Government to all non-governmental institutions. In cooperation with the IFRC, a large-scale public information campaign "How to protect yourself from COVID-19 infection" has been developed - more than 200 information materials made in Latvian, Russian, English, Dari, Turkish and Arabic languages have been distributed to local population, including refugees and asylum seekers. In cooperation with the Latvian Automobile Club, a communication campaign "Drive Healthy" has been implemented to strengthen the knowledge and skills of the society on health safety while using private, rented and public transport; in addition, face masks and information material on the proper wearing and disposal of protective masks were distributed on the streets in capital Riga.

Latvian Red Cross also continues to provide support and services, such as distribution of EU Support packages (food, hygiene, school supplies, hot meals), continues its work in 17 social care, rehabilitation, crisis and day care centers and organizes online webinars with the aim to educate and motivate people on matters such as self-motivation, looking for a job, doing regular exercises and building the notion that people are not alone but are connected with the community, although in new, digital ways.

Spring 2020, when the Estonian government declared an emergency, **Estonian Red Cross** started working together with the Health Board of Estonia – volunteers were almost 18 hours on a daily-basis at Tallinn airport and two ferry harbors, where they measured passengers' temperatures and shared Covid-related information.

Estonian Red Cross organized online trainings at schools in Southern Estonia – children gained knowledge about viruses in general and guidelines how to behave and protect themselves in the current corona period. Red Cross would like to expand these online training sessions all over the country both in Estonian and in Russian. Many branches of Estonian Red Cross have been carrying out care

for people who are ill at home or at self-quarantine. Volunteers have mostly been bringing them groceries.

In cooperation with the Eastern Region of the Estonian Rescue Board, Red Cross volunteers took part of the campaign, which was promoting wearing of masks. The outreach campaign was carried out at shopping centers and stores in Eastern Estonia.

**Finnish Red Cross** is supporting the most vulnerable groups as requested by the authorities. Finnish Red Cross is supporting authorities eg. in the vaccination process over 40 municipalities. Over 500 volunteers have participated in these activities. Visiting services are available, mainly online. Need for food aid has increased due to layoffs and uncertainty in the labor market. At the beginning of the Covid-19 pandemic focus was in psychosocial support activities eg. telephone online for citizens and psychoeducative videos. The Finnish Red Cross Youth Shelters run a chat service for youth in cooperation with two associations. On request, the Red Cross provides hospitals with Triage units to enhance the capacity to assess people's need for treatment.

**Polish Red Cross** (PRC) stands in solidarity with communities and are front-line responders to this pandemic. With an extensive network of branches and highly trusted volunteers and staff across the country, the National Society is placed to support people and their communities to prepare for and respond to this global emergency.

PRC is active in field of rescue services, promotion of blood donations, food distribution, home care services, psychosocial support and education. PRC was running a psychological helpline in the beginning of pandemic. Psychoeducation materials about dealing with stress and crisis were created and distributed among people in need. Special psychoeducation material about depression and mental health dedicated to youth was created and distributed in schools. Special help was provided for refugees and migrants who live in Warsaw and refugee centers around Poland. PRC provided COVID-19 protection items, hygiene kits and school support sets for children.

PRC Rescue Teams are supporting national medical health care system in their daily work and helping with transport of seniors for vaccinations, hospitals etc. One of PRC Rescue Teams organized a mobile vaccination point. PRC is also active in prevention. Its basic activities are focused primarily on educating the community how to protect themselves against infection and how to care for the others. PRC uses info-graphics and messages about good social behaviour in social media and its website. Youth volunteers are active in supporting peers by organising online meetings, webinars, workshops.

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# Budgetary responses to the COVID-19 pandemic in Estonia

Expert article • 2987

Since regaining independence in 1991, fiscal policy in Estonia has been characterized by a strong commitment to fiscal discipline and an aversion to incurring public debt. Even during the major economic crises in the early 1990s, 1999, and 2009, the Estonian government always responded to the recession with major expenditure cutbacks. As a result, Estonia stood out among the European Union countries with extremely low levels of public debt, which remained below 10% of Gross Domestic Product (GDP) until 2019.

The economic and social challenges presented by the global pandemic in 2020, however, brought about a major paradigm shift in Estonia's fiscal policy – the government adopted a counter-cyclical fiscal policy and more than doubled its level of public debt as a percentage of GDP. In this article, I will discuss the following questions: 1) What kind of budgetary measures did the Estonian government adopt in response to the pandemic in 2020? 2) Were these measures successful? 3) Why did Estonia respond differently to the 2020 crisis than to the previous ones?

Like many other countries in Europe and elsewhere, in order to contain the spread of the new corona virus, the Estonian government has had to impose a series of lockdowns starting from spring 2020. These had clear repercussions throughout the economy. The forced slowdown of the economy inevitably led to a decline in tax revenues at a time when the expenditure needs were increasing.

As a budgetary response to the pandemic in spring 2020, the Estonian government decided to adopt a series of expenditure measures. Inter alia, it provided additional funds to the health care sector, offered (at least partial) compensation to the private actors for the lock-down measures, and increased public investments to stimulate the economy. One of the key instruments in addressing the labour market was temporary wage compensation: the Unemployment Insurance Fund paid 70% of salaries to employees of those companies that were facing financial difficulties due to the pandemic.

Increasing expenditures in the face of declining tax revenues meant that the government had to borrow funds. It took direct loans (e.g. from the Nordic Investment bank), issued short-term bonds (with negative yields), and long-term bonds (with an interest rate of 0.125%). As a result of such fiscal policy choices, the general government deficit of Estonia in 2020 was 4.8% of GDP, which was considerably lower than the Euro-area average of 7.2% of GDP. The public debt increased from 8.4% of GDP in 2019 to 18.2% of GDP in 2020 (which is still ca five times lower than the average level of general government debt in the Euro-area countries, standing at 98% of GDP).

The budgetary response to the pandemic in 2020 can be viewed as mixed success. The wage compensation measure worked well in avoiding a dramatic surge in unemployment. The unemployment rate increased from 4.4% in 2019 to 6.8% in 2020, which remained lower

than the Euro-area average of 7.8%. Some budgetary measures, however, faced implementation problems. The loans and loan guarantees to companies, offered by Kredex, were not very popular since they did not offer attractive conditions to the companies. The provision of direct financial supports offered to various sectors hit by the crisis has also invited criticisms due to a lack of transparency. Difficulties in implementing such measures are not surprising given that the Estonian government has, in the past, had very little experience in stimulating the economy in a counter-cyclical way.

Overall, however, the fiscal measures (in combination with the government's ability to contain the virus relatively successfully in the first wave of spring 2020 and the relatively lenient lock-down measures in the fall of 2020) helped to offer a softer landing for the economy than would have been the case in the absence of counter-cyclical measures. In 2020, the GDP in Estonia fell by 2.9%, a drop which was two times smaller than the economic decline in the Euro-area (-6.6%).

In order to understand the Estonian government's paradigmatic departure from its previous obsessive commitment to fiscal discipline, the following reasons stand out. First, extensive borrowing looked like a rational option in the face of historically low interest rates for government debt. Second, the adoption of more counter-cyclical fiscal policy was facilitated by the ideological composition of the coalition government, with the more left-leaning Centre Party taking the lead. Third, the Estonian government had engaged in policy-learning: analyzing the effects of the previous pro-cyclical responses to economic crises indicated the importance of counter-cyclical fiscal policy in smoothing the economic cycle. Fourth, such choices were facilitated by the suspension of the supranational fiscal rules by the EU. Finally, the Estonian government was encouraged by the examples of other countries in Europe that incurred high levels of debt to fight the pandemic. ■



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# What protection does a homeworker need?

Expert article • 2988

The emergence of Covid-19 in early 2020 has posed several challenges for working life. Major changes took place both in the labour market and in employment relations. From a legal point of view, the question arose as to how to apply the rules in force or how to change the law so that both employees and employers would survive in a pandemic situation. Covid-19 also led to the widespread introduction of remote work, as moving people from the office to the home helped reduce human contact, which was needed to limit the spread of the disease.

Although there is no unanimous position on whether Covid-19 accelerated the pre-existing trend towards greater use of remote work, it is clear that working from home has come to stay, whether in the form of working only from home or hybrid work (partly at home, partly in the office). Working from home saves time that would otherwise be spent going to and from work, giving employees more flexibility and a better chance of achieving a work-life balance. Studies show that homeworkers are happier and more productive and that after the end of the pandemic, the average employee wants to work from home half of their working time. This leads to the question of whether the right to work (partly) from home should be one of the fundamental rights of an office worker.

For decades, the focus of labour law regulation has been on the employee, who is subordinate to the employer or whose activities are controlled by the employer. The employee's subordination is largely expressed in the fact that the employer determines how, where and when the employee must work. One of the starting points for the regulation of labour relations is that the work is performed in a factory or office, i.e. in a place under the employer's supervision. If the employee works from home, the employer has no control over both the employee's working hours and the place of work. This raises the question of whether and how to protect homeworkers.

First, it may be discussed whether a homeworker is a "genuine" employee in need of legal protection. As the employer does not have a precise overview of how the employee's working hours are formed and what their place of work looks like, it can be considered that the employee acts independently. Although the employee receives tasks from the employer, i.e. the employer determines the content of the work, they determine when and where to work. Thus, working from home blurs the line between the employee and the independent worker.

The problem is unlikely to arise in the case of hybrid work, but if the employee only works from home, the employer may want to hire such a person as a self-employed person or as a freelancer. However, since the employer retains strong control over the employee through the detailed instructions given to them, such a worker cannot be regarded as independent. It also points to the need to rethink the basis for defining an employment relationship, for example, by focusing more on the employee's economic dependence than on the criterion of subordination.

Second, the special work organization of the homeworker does not allow the employer to fulfil one of its main obligations, which is to ensure safe and healthy working conditions for the employee, both by limiting working hours and by complying with occupational health and safety rules. As a result, working from home also tests the boundaries of the division of responsibilities between the employer and the employee.

Although for some tasks it may be possible to keep records of working time by technical means, this cannot be done, for example, in the case of mental work. Precise agreement on working hours between the employee and the employer reduces the attractiveness of working from home for the employee. However, as the employer cannot supervise working time, the organization of working time must be negotiated between the parties. The employee will then be responsible for complying with the working time restrictions. These must also be followed by the employer, whether through the employee's right to disconnect or in any other way.

In addition, the employer cannot guarantee that the environment in which an employee works is healthy and safe. The employee can also be held responsible in this matter if the employer has informed them of the possible risks and trained them on how to avoid these hazards. A somewhat more complicated question is how to maintain the mental health of the homeworker, which can suffer when they work alone and face a lack of team spirit and support. During a pandemic, this is compounded by the increased burden of family responsibilities. It is important that the employer also teaches the employee mental health first aid techniques and implements measures to enhance cooperation between employees.

In summary, although there are many positive aspects to working from home, the need to protect the employee must not be forgotten, even if it leads to a rethinking of some of the long-standing rules of labour law. ■

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# How COVID-19 has pushed Estonia towards next generation citizen services

Expert article • 2989

For more than two decades, Estonia has been known for its digital government ecosystems through investigating technologies that support digital transformation. Now we are heading towards proactive and automated public services based on artificial intelligence to make our everyday lives as safe and comfortable as possible.

The most crucial enablers of Estonian e-governance have been digital data exchange based on X-road functionalities and digital identification and signing, implemented in strong partnership between the government and IT companies. These became a critical step into paperless government by achieving nearly 100% digitalization for public sector cross-organizational interaction.

In light of the Covid-19 pandemic, digital ecosystems have been largely accepted, although most of these changes have been a forced situation. Covid-19 brought into our lives new ways for working and living, transforming governments as well as businesses forever, speeding up the adoption of digital technologies. This has been a worldwide phenomenon.

In addition to state level digital transformation, digitalization has involved developments in local governments and their public services. In Estonia, almost all public services can be provided and consumed in a digital way. That has been a huge advantage in Covid times, as our government was ready to provide its services digitally with only some adaptation needed. Beside public sector services, the private sector and businesses have also experienced a tremendous push towards automation and contactless services. Of course, our huge advantage was that most of the people already knew and had skills to use these solutions – this allowed life to continue without major difficulties.

A crisis can sometimes be a catalyst for enormous growth and a facilitator for cooperation. Such example is the Estonian mobile app HOIA for tracking possible COVID-19 contacts. It was developed for free, involving months-long collaboration between a number of Estonian companies who at any other time would have been seen as competitors.

During the Covid crisis also our public private partnership has remained strong – many new solutions were created as a response to the crisis almost overnight as a result of several hackathons held in cooperation by the private and public sector players. Estonia gained a lot from this, as did several other countries: new solutions such as registering your sick leave online were created within 48 hours. Also, at the same time when a lot of major events around the world were cancelled in 2020, it was possible to hold WRC Rally Estonia

thanks to the creation of a data warehouse solution, which shared critical data between different parties during the event and included checking the participants' virus tests. In the education sector again, the public private partnership proved its efficiency: recommendations for parents and teachers were developed in cooperation and many educational startups opened their platforms for free. In terms of hardware, hands were joined through an initiative called "A Computer for Every Schoolchild".

The worldwide pandemic was a driver for cooperation not only on local, but also on global level. One such example is the GovStack project, the focus of which is to enable countries to kickstart their digital transformation journey by adopting, deploying, and scaling digital government services through the digital building blocks approach in low-resource settings. Another example is the cooperation with the World Health Organization where Estonia proposed to develop a common open-source trust architecture allowing cross-border health data exchange.

Despite the numerous technological achievements, there are still further steps Estonia can take towards the next generation digital architecture. In light of this, a roadmap was drafted in the Digital Agenda 2030 for Estonia: success of the Estonian seamless digital society will continue, ensuring all people have the best digital experience.

Numerous integrations have been developed based on digital data exchange layer to serve private and public sector information systems, but still further level of automatization and prediction is needed by involving AI into public sector business processes. Proactive services are the next evolutionary step following the Estonian once-only principle. For example, in Estonia, from 2019 parents no longer have to apply for family benefits after the Social Insurance Board completed its automatic proactive service. In that regard, Estonia has developed a vision paper, Next Generation Government Architecture, which contains an action plan along with a new approach for facilitating a more innovative way of public sector service implementation.

Thus, our government is focused on automatization of existing digitalized services to give a good foundation of AI enabled virtual assistants to help easier access to the government services. Although the proactiveness might be lacking in government decision-making processes today, the Estonian strategy is moving towards contactless proactive services as part of the citizens' everyday life. Here again the cooperation between the political leadership, the public sector institutions and private sector experts is of critical importance.

Expert article • 2989

Technology is just a tool to increase the well-being of all of us, so it is of utmost importance that the government has a realistic plan of how to use technology for the sake of its citizens. ■

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ALARI PURJU

# Estonia's governance approaches to the COVID-19

Expert article • 2990

**C**omparison of developments, decisions and governance actions of the Estonian Government and other institutions demonstrates clearly big differences between the reactions to the first and the second wave of the spread of coronavirus. During the first wave, the Government's reaction was very resolute. On 12 March 2020, the Government declared a state of emergency to last until 1 May. Afterwards, a state of emergency was prolonged until 17 May. The Government appointed the Prime Minister to lead the Government Committee tasked with resolving the situation caused by the coronavirus. Immediately after the Government meeting, the Prime Minister made a political statement to the Riigikogu (the Parliament of Estonia). The Government Committee on the Emergency established the Scientific Advisory Board for combatting COVID-19 and appointed the members of that board. The Health Board, the main administrative agency responsible for the coordination of the health care activities, had in the beginning primarily an administrative role in preparing technical tasks related to the treatment of the coronavirus.

There were several reasons for the resolute reaction of the Government. The situation was new and there was high uncertainty, concerning the spread of the coronavirus. Developments in the other countries demonstrated, that there is a possibility of a very dangerous health care crises. Another reason was mixed and soft reaction of the Health Board managers to the COVID-19 related risks.

When the Government declared emergency, practically all service providers had terminated their activities, the educational institutions had to apply distance learning, visits to all social welfare institutions, hospitals and prisons were prohibited. The Health Board also ordered the cessation of all regular, planned health care except emergency medical care. Sanitary inspection was employed at border crossing points to detect the symptoms of the coronavirus. Additional restrictions were introduced on islands. Only permanent residents were allowed to travel there. In May, the restrictions were abolished step by step and on 18 May 2020 the Prime Minister Jüri Ratas made a political statement in the Riigikogu, declaring the end of the emergency situation.

A quite popular opinion dominated in Estonian administrative circles and among journalists that the announcement of the state of emergency and especially the lock down of Estonia's islands was an over-reaction to the crises. The Government had problems with the enforcement of restrictions. For example, it was quite difficult to control how people obeyed the rules of self-isolation, if tested positive or identified as having been in close contact with other people tested positive in regard of the COVID-19. Police patrols on streets and the Border Guard with the help of the Defence League forces on border points and in ports of Estonia's islands were considered as an overreaction as well. The Government used the experience of the crisis management to introduce new legal regulations and to improve the staff and resources of the Health Board.

The Government's policy response to the spread of coronavirus was quite different during the second wave of the COVID-19, which started in autumn 2020. The idea was to react flexibly and locally to

the spread of the coronavirus in order not to close the whole society and the main challenge was to learn to live with the virus that threatens the human health. The responsible and healthy behaviour for oneself and others was seen as a key to treatment of health care problems.

The spread of the coronavirus speeded up in October 2020, the figures surpassing the highest level of the first wave, 56.66 COVID-19 positive tests per 100000 inhabitants during a two weeks period, already on 29 October 2020. The Government started to introduce restrictive measures only in the middle of November. In December, in Ida-Viru and Harju county (including in Tallinn, the capital of Estonia) a new set of restrictions were introduced, other regions having still relatively relaxed arrangements.

On 12 January 2021, the Prime Minister resigned due to the accusation of corruptive financing of the Centre Party and the coalition government stepped down. The new coalition government was formed under the Prime Minister Kaja Kallas from the liberal Reform Party. The other partner in the new coalition was the same Centre Party. In opposition, the Reform Party has been critical to the former Government restrictive policy during the first wave of the COVID-19. Now the new Government tried to apply more targeted to particular goals policies. The expectation of the positive impact of fast vaccination also played its role. However, the situation went out of hands. The highest figures were on 18 March 2021, when the average number of positive tests was 1553 per 100000 inhabitants, 20.1% of all tests were positive and 705 person were hospitalized. The number of persons in hospital was very close to the limits of the health care system capacity. The Government, seeing very rapid spread of the virus, introduced restrictions quite similar to those applied by the former Government during the first wave of the COVID-19 in spring of 2020. In April 2021, the situation improved, the restriction playing their positive role. On 10 May 2021, the average number of positive tests per 100000 was 355 and 7.6% of all tests were positive. The number of person in hospital was 293. Approximately 37% of the population was in theory immune to the coronavirus due to vaccination or a natural infection. The Government started to re-open the different establishments in May 2021. The two waves of COVID-19 have been a harsh lesson for the Governments of Estonia, demonstrating that there are no easy solutions to the problems. ■

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# COVID-19 and practical biopolitics: Estonian experiences

Expert article • 2991

In April 2021 the speaker of *Riigikogu*<sup>1</sup>, Henn Pölluas, has claimed that “liberal government might lead the country in a totalitarian direction”. This statement was part of the harsh parliamentary debate on a new bill aimed at giving more power to the police in times of the pandemic crisis. Surprisingly, this criticism came from EKRE, a party that has been conveniently positioned in the right flank of the Estonian political spectrum, yet almost literally reproduced the logic of Giorgio Agamben and other left-wing European thinkers of biopolitics who from the very beginning of the pandemic were warning about the dangers of what they called sovereign exceptionalism.

However, there is a significant gap between biopolitical theorizing and what might be dubbed practical biopolitics<sup>2</sup> as a set of policy measures undertaken by public authorities in response to the pandemic. Practical biopolitics is an area of intersection of medicine, statistics and governance, and its logic of its functioning is different from the sovereign power whose main instinct, as Agamben deems, is to usurp power under the guise of the state of exception as – allegedly – the main paradigm of both crisis and post-crisis governance. Practical biopolitics is more about “the management of circulations”<sup>3</sup> than about the “sovereign capture”<sup>4</sup> and its illiberal consequences.

Undoubtedly, exceptions in the form of various bans and restrictions are inalienable part of crisis management. As required, Estonian officials notified the Council of Europe of the introduction of the exceptional measures and submitted the government’s derogations from the European Charter of Human Rights under Article 15. For some time, Estonian authorities were considering such exceptional measures as mandatory personification of restaurant clients, theatre spectators and participants of public events, but the Data Protection Inspection discarded this approach as incompatible with Estonian legislation. By the same token, the Health Department order to temporarily close private dental clinics in March 2020 was legally challenged and cancelled. The Ministry of Justice overruled a decision by some local authorities to close down certain public spaces to “outsiders” as being illegitimate. A school’s decision to cancel spring vacation in 2020 was overruled by the court at the insistence of parents.

Thus, the gloomy predictions of a society of a “total control” emanating from some biopolitical scholarship did not materialize. The measures taken by the government did not undermine basic democratic procedures. Journalists openly discuss how the crisis might affect freedom of information, and seem to be quite vigilant when it comes to possible misuses of personal data for the sake of biopolitical security.

Arguably, the coronavirus crisis has more revealed the weakness of the state than its dictatorial capacities. For example, in August 2020 the Health Department confessed that it does not have database of persons who are supposed to be quarantined. Oftentimes the state preferred such soft approaches as recommendations over legal prohibitions and limitations, and resorted to legally binding

restrictions (such as the obligation to wear masks in public spaces) as a measure of last resort (only in September 2020). This shows the importance of another aspect of practical biopolitics exemplified by Michel Foucault’s concept of governmentality as a key governance tool in the tackling of COVID-19. Stimulation of social responsibility was a key element of emergency governance in Estonia. For example, the Ministry of Education did not forbid final exams but “asked” schools not to hold them. In many domains of crisis management, non-governmental actors, the startup community, employers and business owners took the lead in implementing everyday sanitary measures.

It is within the domain of governmentality that some measures of soft exceptionality have been implemented during the lockdown. One example would be the permission granted by the Estonian government for world class sport events to be held in Estonia. Another example is the county of Ida Virumaa where the vaccination rate in spring 2021 was the lowest in the country, which made the government apply additional measures to incentivize the local Russophone population.

In many respects the pandemic crisis has re-contextualized Estonian political debates. One of the contributors to the discussion about a balance between liberal freedoms and anti-pandemic policies was the Estonian President Kersti Kaljulaid who was also critical of the quality of the legislative process in times of the crisis, arguing that the parliament “placed the government in the back seat in crisis management. It is certainly several large steps away from a state organization in the way I want to see it in Estonia”. The head of the Estonian Bar Association Jaanus Tehver joined the debate by pointing to some legal deficiencies in Estonia’s emergency legislation. By the same token, Chancellor of Justice Ülle Madise admitted that a set of legal amendments passed during the state of emergency received criticism for handing too much potential power to state agencies (including the Health Board) and away from the parliament and the government. She also admitted that not all restrictions introduced by the government were indispensable and reasonable, and the government was influenced by public opinion. And Allar Jõks, sworn advocate and former Estonian Chancellor of Justice, in May 2021 filed an action with the Tallinn Administrative Court over the government’s order extending coronavirus-related restrictions.

The Estonian case therefore proves that fears of a new ‘biopolitical diktat’ are overrated. The COVID-19 pandemic has engendered new administrative and managerial tools, yet in the meantime introduced new practices of contesting and challenging governmental decisions as an indispensable dimension of the democratic rule. ■

1 *The Estonian parliament*

2 *I introduce this concept by analogy with ‘practical geopolitics’ (see Kuus M. (2015) *Crafting Europe for Its Neighbourhood: Practical Geopolitics in European Institutions*. In: Bachmann V., Müller M. (eds) *Perceptions of the EU in Eastern Europe and Sub-Saharan Africa. Europe in a Global Context*. Palgrave Macmillan, London)*

Expert article • 2991

3 *Iain Munro. The Management of Circulations: Biopolitical Variations after Foucault, International Journal of Management Reviews, 2012, 14(3), 345-362.*

4 *Michael P. A. Murphy (2018): 'The continuation of sovereign capture by other means': biopolitical tattooing and the shared logic of the exception and securitisation, Critical Studies on Security, DOI: 10.1080/21624887.2018.1535210*

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# Two pandemic risks: disinformation and disease

Expert article • 2992

In the first days of the global COVID-19 pandemic, Latvian fact-finding organizations, professional media and active audiences reported examples of COVID-19 - related fake news, conspiracy theories and misleading information provided by commercial media, opinion leaders, politicians, social media influencers, medical professionals and municipal newsletters.

The researchers of the RSU Faculty of Communication decided to study the attitude to disinformation in the Latvian society by linking it with the perception of disease risk. The following data reflect the main conclusions of the part of the project "Life with COVID-19: Evaluation of overcoming the coronavirus crisis in Latvia and recommendations for societal resilience in the future" [grant number VPP-COVID-2020/1-0013] financed by Ministry of Education and Science, Republic of Latvia.

Asked to self-evaluate their and their families' risk of COVID-19, 39% of national survey respondents think it is low but realistic, 28% think it is moderate and realistic, 15% - low and almost unrealistic, 5% - high and very realistic, 2% - very high and very realistic, but 11% could not answer. According to these responses, researchers grouped the respondents in four categories: unconcerned (15%), a little concerned (39%), moderately concerned (28%), and rather and very concerned (7%)

More than half (54%) of the respondents have encountered misleading information, yet the proportion of respondents who cannot assess it (one in five) or have not encountered it (one in four) is significant. Those respondents whose life was altered by the pandemic (25%) and who see their risk of COVID-19 as high and realistic (26%; 36%; respectively) indicated that they see disinformation more often. People aged 64-75 (9%), Latvia's non-citizens (10%), and the retired (8%) acknowledge seeing disinformation less frequently.

Choosing from a list of various sources, the respondents most often identified the following as distributors of disinformation: journalists (25%), influencers on SNS (14%), celebrities (13%), the Latvian Parliament deputies (11%), and the former Health Minister Ilze Viņķele (11%). Least associated with disinformation were EU leaders and institutions, other representatives of the Ministry of Health, and other ministers.

Respondents were asked to express their attitude towards the most popular COVID-19 disinformation narratives: 30% agreed that COVID-19 is beneficial to politicians, 15% agreed that government measures can lead to a collapse of the economy, and 17% agreed that COVID-19 is just like regular influenza. The most popular conspiracy theory about the origins of COVID-19 was the claim that the pandemic is manipulated by global corporations (9%). 38% said they did not believe in any of these statements.

A large proportion of those who believed in disinformation saw their risk of disease as low. This observation suggests that belief in disinformation may lower the disease risk perception.

Data indicate that the COVID-19 disinformation diffusion in Latvia is relatively low. In general, only a minority (7%-33%) agreed with any false claim about COVID-19. Those who rated disinformation as credible indicated that they have not encountered any disinformation. This response suggests inability to recognize disinformation in this group.

Disinformation in Latvia is perceived rather passively: one third of respondents do nothing to react to it, most respondents do not check information sources, do not inform their social circle about disinformation. Sources of disinformation are more often recognized by people aged 25-34, with higher education and higher income, and the rather and very concerned. This skill is related to a realistic perception of the threat of the disease.

The unconcerned respondents indicated that they encountered disinformation less often, and conversely, the rather and very concerned noticed COVID-19 disinformation more often. They were more active in verifying sources and alerting others about misleading information. They were more likely to agree with statements that evoke strong negative emotions (restrictions are exaggerated and leading to economic collapse, mortality rate statistics is misleading). They agreed that scientists disseminate disinformation and believed that the pandemic is beneficial to politicians. These responses suggest that the rather and very concerned rely on a variety of sources and equally seriously consider both scientific facts and conspiracy theories. ■



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# Disinformation in Latvia - a self-imposed trap of best practices

Expert article • 2993

The Covid-19 pandemic catalyzed disinformation and the growth of conspiracy theories. During the first wave of the outbreak, Latvia was a “success story” amongst European Union countries – there were a small number of patients, a low level of disinformation, and high public confidence in the government, with a rich range of good experiences. However, due to the attitude, constant unpreparedness, and over-confidence of the government, it quickly fell victim to the infodemic. As a result, attempts to implement previously developed best practices only dug it into a deeper hole.

At the beginning of March 2020, the first person infected with the novel coronavirus was discovered in Latvia, and the first seedlings of Latvian disinformation appeared. The Covid-19 virus is not more harmful than the flu – this out-of-context phrase from a report by Inese Vaidere, Member of the European Parliament of Latvia, helped facilitate the rapid spread of false statements on all forms of social media. Then the Latvian government launched direct online communication between institutions – there were frequent press conferences and briefings, in which senior officials and the Prime Minister explained the actions of the government and its institutions, as well as further plans. In the spring, with the growth of the virus, new disinformation appeared about the use of natural products – a homeopathic arsenic solution, ozone therapy, colloidal silver and coral water are recommended for protection against the novel coronavirus Covid-19. This was followed by an active government response, providing citizens with verified, fact-based information, improving public awareness through the involvement of experts and professionals in the field – fact-checking programs were developed, and disinformation was successfully combated. In the summer, as the number of infections decreased, disinformation also fell silent. Latvia was then called a country with a rich range of good practices that can overcome Covid-19 morbidity and the existing infodemic.

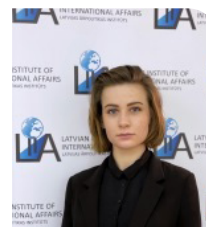
In the autumn, the virus and false news reports returned with renewed vigour. Despite an increase in the number of people affected and an increase in awareness, Covid-19 deniers still existed. It was called the flu, or a problem caused by politicians and the media. New restrictions were put in place, disinformers were threatened with criminal liability, and the public continued to be presented with an extensive range of information about Covid-19.

This crisis has highlighted another well-known problem for domestic politics in Latvian society – ethnic divisions. In families where the primary language of conversation is Latvian, Covid-19 was perceived as a very dangerous infection. In contrast, respondents whose primary language of conversation was Russian were more likely to support the view that Covid-19 was a problem inflated by politicians and the media. There were popular claims that Covid-19 tests are inaccurate, harmful, or that people who did not take the results. There was a lot of disinformation about face masks – the requirement to wear them is illegal; masks block oxygen. The government’s reaction remained unchanged. Following some experience, it continued to impose new restrictions, point out the presence of disinformation, and explain its actions. However, internal government disagreements – the

opposition’s desire for self-promotion and the many vague restrictions imposed – led to growing public confusion, misunderstanding and mistrust.

The final chapter was reached at the end of the year when a new wave of disinformation raised doubts about hospital capacity and the safety and effectiveness of vaccines. The lack of information created a basis for disinformation, which was also used by the Kremlin-related media, which reported on Latvia’s alleged inability to cope with the disease and its impact on the economy. Such media proclaimed that – the solution to the Covid-19 problem is to return to Russia. Russian media also disseminated disinformation about Western-created vaccines against Covid-19, thus increasing the number of people in Latvia who would like to be vaccinated with Sputnik-V. Surveys conducted by Latvian based polling company SKDS showed that 44% of respondents would like to be vaccinated with Sputnik V, 30% with Pfizer, 19% with Moderna, and 6% with AstraZeneca. It also found that at the beginning of the year, only 29% wanted to be vaccinated at all – today, this number has risen to 44%. In addition, emotional tensions were caused by restrictions on being outside and by arrests surrounding the dissemination of false information. The Latvian government continued to implement its intended course internally in response to the existence of infodemic. Internationally, in December 2020, alongside Australia, France, India and Indonesia, Latvia led the drafting of resolution aimed at promoting resilience to infodemic. Latvia also coordinated the EU’s position on a relevant resolution.

The central paradox was that, regardless of the Latvian government’s actions and awareness-raising, part of the public has continued to deny the dangers posed by Covid-19. Individuals are happy to spread disinformation and deny possible solutions to the crisis. The Latvian government has made no changes to its strategy to combat this, advertising it as the best way to fight the infodemic. It did not account for a changing environment, changing attitudes and behaviours in society, nor was did it act preventatively in the second and third waves of cases. Thus, in Latvia, the struggle with disinformation is comparable to the struggle with windmills, wherein the illusions of the state make it drive itself into the trap of hunting best practices. ■



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# Is it possible to protect procedural rights in court proceedings during COVID-19 pandemic (Lithuanian perspective)?

Expert article • 2994

All spheres of life, including justice system, have been affected by Covid-19 pandemic all over the world and Lithuania is of course not an exception. Speaking about court proceedings during Covid-19 pandemic and its effects, it is important to divide the situation into two huge blocks: first quarantine (from the 16th of March 2020 till the July 2020) and the second wave and second quarantine, which was introduced from the 7th of November 2020 and till this day different quarantine rules are applied.

During the first quarantine quite many court proceedings, especially criminal proceedings, were suspended or disputes have been solved in written procedure. It took time for judges, lawyers and participants of the proceedings to get used to new means of technologies and to move all proceedings to video conferencing platforms.

Notwithstanding this, it can be mentioned that courts in Lithuania, especially civil or administrative courts, have been quite modern from the technical side also till the pandemic. Already in year 2004 a unified information system of Lithuanian courts LITEKO was launched. This system is being modernised all the time. From 1 March 2013, Article 175 (2) of the Code of Civil Procedure came into force and legitimised the use of information and communication technologies (videoconferences, teleconferencing, etc.) during court hearings. Similar rules are also applied in administrative courts from year 2018. For instance, administrative courts have been already used for several years to apply special teleconference system if the applicant is in a prison. Code of Criminal Procedure does not have such rules and it will be only formally incorporated in the Code from the 1st of June 2021.

During the second quarantine almost all court hearings have been taking place remotely and so far, no huge problems have risen. It can be mentioned that in Lithuania there has been no special law on court proceedings during Covid-19 pandemic. It has been believed that legal norms of Code of Civil Procedure or Law on Administrative Proceedings are enough to apply them also for pandemic situation. The Judicial Council only introduced recommendations how court proceedings should look like during quarantine and later if the pandemic continues. Also, on the 28th of December 2020 Ministry of Health issued recommendations for court proceedings as the spread of the coronavirus has continued and the situation has deteriorated in Lithuania.

The courts decided last spring not to use any separate teleconferencing platform but to use Zoom or Microsoft Teams for

the court hearings. I believe it was a wise decision as separate local platforms would not have withstood the high number of court hearings. Till now a question arises how to identify parties or witnesses properly via Zoom and how the judge must be sure that witnesses or any party to the dispute is not in the same room with other persons who could influence them. Different courts use different techniques for that. Also, data protection issues have been raised.

Notwithstanding some problems, it is believed widely in Lithuania that it is possible to hear cases remotely and all procedural rights can be safeguarded. The biggest challenges arise in criminal proceedings and I believe that after pandemic situation gets better, almost all criminal cases will be heard again in courtrooms. Quite different situation could develop regarding civil or administrative cases. Probably possibilities will stay to hear them via Zoom or some other platforms and parties to the dispute will be able to ask the court to organize hearings remotely if both participating parties agree on that. I believe such possibility would be quite attractive for commercial disputes and for different kind of administrative disputes. To avoid possible problems, it would be better to pass some amendments and exact rules virtual court hearings in the Code of Civil Procedure and in the Law on Administrative Proceedings. Also, it is very important to safeguard principle of publicity when the case is heard remotely. ■



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ANNA MARIA DYNER

# Belarus — Economic troubles ahead

Expert article • 2995

## Instead of an introduction

Many texts written about the economy of Belarus begin the same way: That without structural reforms, its economic model will collapse within a few years. So far, however, the Belarusian economy has weathered and recovered from great turbulence, mainly thanks to Russian subsidies and credit support. When political relations with Russia were not at the best stage, the Belarusian authorities were able to obtain support from Western countries (for example, an IMF loan in 2009) and China. The favourable situation on the fuel and fertilizer markets also was working for Belarus. However, the current situation differs significantly. As a result of last year's presidential election, which was followed by a wave of protests that prompted Alexander Lukashenko blamed on Western countries, de facto breaking off political relations with them, Russia became Belarus' only political, economic, and military partner. Without doubt, none of this benefits the Belarusian economy.

## Politics and the Pandemic: What Influences the Economy of Belarus?

The two most important factors adversely affecting the Belarusian economy over the past several months are the COVID-19 pandemic and the political situation. Several indicators testify to the deepening crisis. In 2020, Belarus' GDP decreased by 0.9% compared to 2019. The country's budget in 2021 was planned with a deficit of BYN 4 billion (\$1.58 billion) with income reaching BYN 23.3 billion. The average salary last year was about BYN 1,300 (equivalent to about \$500), which is comparable to 2019's level, but \$90 less than the year before.

Moreover, Belarus' foreign exchange reserves decreased in the last year by \$1.9 billion (20.5% the state of reserves). In just the first quarter of 2021 they shrank by another \$529 million (7.3%). Belarusian international reserve assets as of 1 May 2021, according to the National Bank, amounted to \$7.277 billion and in April increased by \$337.9 million. What is more, in recent years Belarus has accumulated a record foreign debt—more than \$40 billion, which will be very difficult to pay off.

Further, inflation in 2020 amounted to 7.4% (in April, the National Bank raised its inflation forecast for the end of 2021 to 7%). Moreover, the National Bank notes risks of continued high inflation in the future. At the same time, foreign direct investment has decreased significantly (from \$7.2 billion in 2019 to \$6 billion in 2020). And plenty of private enterprises, especially in the IT sector, decided to move abroad, mainly to Poland and Lithuania. It is very likely that they will be followed by mostly young, educated people, and therefore we can expect an intensification of emigration trends in the near future.

One of the reasons for the growing budget deficit is the reduction of income tax revenues, which is one of the effects of the COVID-19 pandemic. This also shows that many companies, mainly due to the pandemic, have found themselves in serious financial difficulties. It is worth emphasising here that Belarusian businesses could not count on any support from the state, as no lockdown was formally introduced.

The problems caused by the pandemic were exacerbated by the political crisis in the country, as a result of which the Belarusian

authorities froze relations with Western states. Moreover, due to violations of human rights by the Belarusian authorities, the EU and the U.S. have re-imposed or enacted new sanctions on Belarus.

## Gloomy Prognosis

This time, the U.S. sanctions may have a serious negative impact on the Belarusian economy, especially if they affect oil processing. Naftan, one of the two Belarusian refineries, is on the sanctions list and if it turns out that because of the U.S. restrictions Russia's biggest oil companies will not sell it crude oil, this will mean serious problems not only for Naftan but also for the entire economy, for which the sale of petroleum products is one of the most important sources of currency.

Even with all this, the Belarusian authorities will be even less willing to introduce any reforms than before. Their main political goal is to stay in power, and they still count on economic support from Russia and possibly China.

However, there are no doubts that Russia will take advantage of Belarus' economic and international problems, angling to get it to sign a deeper integration plan in autumn this year. Belarus' overdependence on Russia, the effects of the COVID-19 pandemic, and lack of reform are the biggest factors that could lead to the collapse of the Belarusian economy.

At the same time, the bad economic situation will have a negative impact on the public mood, deepening the current political crisis. As long as the authorities can afford to maintain the power structures, though, the system will continue in Belarus. However, if there is not enough money to pay wages to the security services, further political upheavals can be expected. ■

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# Belarus' prospects after 2020

Expert article • 2996

In Belarus, the year 2020 brought not only COVID-19 but abrupt political changes, which nobody anticipated. Most expected that the 2020 presidential election would repeat the well-known scenario from previous political cycles. Aliaksandr Lukashenka, who has been in power since 1994, would declare an “overwhelming” victory, international observers would not recognize the elections as free and fair, and oppositional protest, if any, would be quickly crushed by the authorities. The West could also sanction Minsk for the time-being, but that would be followed by a gradual rapprochement, which would last until the next crackdown.

Instead of this usual cycle, Belarus went through its own, very belated *annus mirabilis*, a year of changes that some were quick to compare to the 1989 democratic revolutions in Central Europe. In the end, the authoritarian regime survived the protests, but lost much of its political legitimacy and had to use increasingly repressive tactics to retain control of the country.

The pandemic played an important role here. Lukashenka chose to be a COVID-19 denialist, practically leaving many people to cope with the virus on their own. This strengthened the disappointment with the regime, which had already been stagnating economically for years. It also spurred the growth of civil society networks, as people tried to organize themselves via social media. New horizontal links were growing quickly, and the pandemic was a key here.

The “three nights of terror,” as the initial brutal crackdown that followed the August 9 election was called, triggered mass political mobilization on a hitherto unprecedented scale. In a matter of days, the “Belarus Awakening” destroyed the decades old stereotypes about a hopelessly authoritarian nation that is prepared to tolerate virtually anything. However, the price that had to be paid was tremendous. Alongside several deaths, by the summer of 2021 Belarus had nearly four hundred political prisoners, thousands of people were detained, and there had been numerous reports of torture in custody.

Unprecedented political mobilization was thus met with unprecedented repression. The regime committed itself to extinguishing political protest at any cost. In that it also received full backing from Moscow. The Kremlin had shown solidarity with Lukashenka, as it was also moving in the direction of a police state, with increasingly brutal crackdowns and repressive laws becoming everyday reality in Russia. This convergence of the two regimes and the growing alienation between Moscow and the West allowed Lukashenka to, once again, seek support from the Kremlin, with whom he had previously been at odds on many occasions.

Following 2020 Belarus faced three main challenges. First, the regime in Minsk became even more dependent on Russia, which created additional opportunities for the Kremlin to strengthen its control over Belarus. That remains a problem, even if fears of an immediate Russian annexation are overblown. The surge of repressive policies isolated Minsk from the West. However, the regime will nevertheless try to play its old game of balancing between the European Union and Russia, presenting itself as the lesser evil to a hypothetical Russian occupation or the establishment of Russian military bases in Belarus. So far, Lukashenka has managed to resist the latter.

Second, the 2020 crisis changed the political environment in Belarus, taking it in the direction of a totalitarian police state. Political

activity was, by definition, unsafe in Belarus before 2020 but, as long as the majority remained passive, the regime could rely on selective punishment tactics. With mass mobilization selective punishment is being replaced with random punishment, so as to instill fear in the broader population and discourage it from political participation. This will have serious ramifications not only for Belarus' relations with the West but for the overall economic and investment climate in the country.

Consequently, the authoritarian dead end, which Belarus presently faces, also implies a grim long-term outlook. The drain of human capital has increased drastically. IT companies have been relocating from Belarus to neighboring countries. Younger and better educated Belarusians are now more likely than ever to opt for emigration. We are probably yet to see the true scale of this in the post-COVID future, when all borders reopen, and recovery growth starts.

In sum, 2020 was both tragic and inspiring for Belarus. It left the nation facing a difficult and unpredictable period, which means that solidarity of the neighboring countries and the international community is more important now than ever. However, the nation's political awakening and the growth of the civil society also create some room for optimism. Belarus is not bound to remain forever “Europe's last dictatorship,” and it may be that the seeds of a new and vibrant European democracy have just been sown. ■

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# Lessons from COVID-19 to our politicians

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The Covid-19 pandemic seemingly hit the world like a 'black swan' during the winter and spring of 2020. It was seemingly an event nobody could have anticipated. However, different viruses have emerged as potential threats to public health for decades. Time and time again, governments have been warned about the dangers of being unprepared. If one looks beyond the last century, mass deaths caused by pandemics is the norm, not the exception. These contemporary and historical lessons have however long been ignored. Despite the well-known threats pathogens pose, pre-emptive measures against potential pandemics remain rare. The coronavirus pandemic reveals the weaknesses of our contemporary political systems. While the capabilities most states revealed when they locked down their countries and confined individuals to their homes are impressive, the lack of preparation is shocking.

I will in this text discuss the unpreparedness of the Norwegian and British governments – two states revealing a general trend, as the importance of health politics tends to be ignored. As of March 2021, Statista ranks the UK as the fourth worst, and Norway as the second best when describing deaths per capita from Covid-19 within the EEA and UK. However, while Norway's death toll is relatively low, its lack of preparation is a warning sign for all countries in Europe.

This lack of preparation follows two lines. First, both states were unprepared for a health crisis at a logistical level. They have, through austerity politics, drastically reduced the capabilities of their healthcare systems. This is revealed by how they have reduced the amount of available beds. For instance, Norway reduced its overall amount of beds from 22 000 in 1980 to 11 000 in 2020 – while the population grew with 1 million, or 25 %, during the same duration. In the UK, the number has been more than halved in 30 years – from approximately 300 000 to less than 150 000 – while the population grew by just under 20 %, or 9 million, during the same duration. Therefore, hospitals are unprepared for anything outside of the ordinary. They are constantly full. Both countries have also, like most European countries, refrained from keeping emergency stocks of medical equipment like face masks. They have been unprepared for emergencies. This has not changed, despite 'close calls' and panic caused by low-mortality pandemics, like the 'swine' and 'avian' flus of recent decades.

Second, these states made an even worse error during the initial stages of the pandemic, by dismissing concerns. Even when the coronavirus pandemic was looming in early March, politicians in Norway, one of the 'high performers' of Europe, failed to act. Two weeks before Norway closed schools and most businesses on March 12, the Minister of Health, Bent Høie, and the Prime Minister, Erna Solberg, both recommended that life continued as usual. Prime Minister Boris Johnson embraced a similar stance in the UK. There, even the idea of social distancing was ridiculed and dismissed, as large sport events were allowed to continue unaffected. Both states refrained

from implementing pre-emptive measures, like fever screening and quarantines for travellers. During early March, the Norwegian government recommended the continuation of international travel, while the British government made a case for living like as if nothing had happened.

We can be grateful that Covid-19 is benign compared to pathogens such as the plague or cholera. However, this pandemic will not be the last. The lack of preparation characterizing the last decades more generally, and the months and weeks prior to lockdowns and other strict measures specifically, constitutes a major public health risk. This is seen due to the high amounts of deaths in Europe. Norway's death toll may be one of the lowest in Europe, but globally it is a middle-performer, as its deaths per capita is ranked 80th by Statista.

Moreover, this lack of preparation constitutes a threat to our political systems. Measures such as lockdowns and curfews are authoritarian. Can liberal democracy survive prolonged periods of authoritarian rule?

Evaluations of different states reactions to Covid-19 ought to see these measures with broad lenses. It is not enough to evaluate death tolls and economic costs. Evaluations must include the period prior to lockdowns and other authoritarian measures, including the austerity of recent decades. The health politics of most, if not all, liberal democracies, need reform. And these reforms must come before future, more dangerous pathogens take advantage of the weaknesses our politicians have fostered during the last decades of austerity. ■



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# What before the next pandemic?

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In the spring of 2020, professors Marin Marinov and Svetla Marinova edited a book published by Routledge, titled *COVID-19 and International Business: Change of Era*. Not only did the 50 experts in this edited book manage to predict the effects of the pandemic on international business, they also managed to predict its progression. Due to the terrible human and economic cost of the COVID-19 pandemic, we should consider the following before the next pandemic breaks out.

(1) *Don't vote for populists*: The corona pandemic has been especially deadly in states where leaders have ignored expert advice and opted to act on their personal beliefs. These false beliefs have led to hundreds of thousands of unnecessary deaths. Since it is impossible for advisors to guide a populist in a position of power, vote responsibly.

(2) *Improve the credibility of authorities*: There is a dire need of a change in attitudes or, failing that, more severe punishments: regrettably many countries are dealing with citizens who do not trust the offered vaccines or follow the official guidelines issued by authorities. Individual rights should not override an entire community's right to a safe life.

(3) *Be mindful of communications*: Communications during the corona pandemic have been unclear and inconsistent. Crisis communications should focus on short, clear messages that focus on the essential. When instructions are too complicated, people have a hard time following them. Unclear and insufficient communications also give people the impression that authorities do not have a handle on the situation.

(4) *Closer international co-operation*: A pandemic is by definition a global epidemic. So it has been confusing to witness how even neighbouring states have addressed the pandemic with significantly varying measures. You cannot put out a fire in an apartment block if the tenants of one floor are not doing their part. This is why we need to have clear rules on when to report to WHO about a local epidemic outbreak, and a harsh punishment for neglecting to make that report. In addition, we need rules on the minimum measures for battling a pandemic. We also need an educational package for national authorities developed by WHO.

(5) *Minimise travel during the pandemic*: Since SARS type viruses spread through human interaction, we need to minimise the amount of travel. Since we cannot prevent all travel, we should create a vaccine passport. We should also develop regional travel bubbles. From the perspective of national economies, it makes more sense to keep societies running with the help of COVID-19 bubbles and provide state aid to enterprises and people suffering from the restrictions rather than let the virus spread through tourism. We should have an international funding mechanism to compensate some of the lost tourism revenue to countries most dependent on the tourist income.

(6) *Don't forget the poorest ones*: As long as the virus is running rampant in Third World countries, it will bounce back to developed countries over again. If developed countries do not invest more heavily in the efforts to battle the virus in poor countries, there is a risk that the virus will mutate into a variant that spreads even quicker, becomes more deadly or becomes immune to the current vaccines. It is also essential to support the underprivileged within each country.

(7) *Be prepared for a pandemic well in advance*: We need to be prepared to go to war against a virus well before there is a pandemic. States should focus even more of their investments in health care systems and the security of supply of medicine. If we only start to put together a fire department when there is a fire, we are hopelessly late.

(8) *Don't let your guard down*: The fight against the COVID-19 pandemic will take years, which is why we cannot let our guard down. Experiences from several states have shown that a safe corona status can turn into a nightmare within a few weeks.

(9) *Work together*: Humanity is now better prepared to fight against pandemics than in any previous century. On the flip side, nations are more connected than ever before. If we want to prevent the stop of globalisation, we need to stop navel-gazing – thus, The World First.

(10) *Make a plan now how to transfer to the 'new normal' after the pandemic*: Even though the pandemic is still in full swing, we should already be planning what the 'new normal' after the pandemic will be like and how we will get there. We need to be able to stop nations' spiral into over-indebtedness spurred by the pandemic or we will be facing a pandemic of the global economy. ■

*The article series by the Centrum Balticum Foundation has featured many reports on how the COVID-19 pandemic has affected countries along the coast of the Baltic Sea.*

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*If you would like to write an article for the publication series, please contact me.*

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# BALTIC RIM ECONOMIES

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