

Support for the Polish labour market in the governmental programmes in the period of pandemic

Wsparcie polskiego rynku pracy
w okresie pandemii w programach rządowych

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Summary: *The article presents measures taken by the Polish government and public institutions to counteract the negative effects of the coronavirus pandemic on the labour market and in the sphere of social security. It discusses the solutions adopted as part of the aid package (the so-called Anti-crisis Shields), giving the scale and costs of this support.*

Key words: *labour market, support, COVID-19, government programmes, social security*

Streszczenie: *Artykuł przedstawia działania, jakie zostały podjęte przez rząd polski i instytucje publiczne, aby przeciwdziałać negatywnym skutkom pandemii koronawirusa na rynku pracy i w sferze zabezpieczenia społecznego. Omówiono rozwiązania, jakie zostały przyjęte w ramach pakietu pomocowego (tzw. tarcze antykryzysowe), podając skalę i koszty tego wsparcia.*

Słowa kluczowe: *rynek pracy, wsparcie, COVID-19, programy rządowe, zabezpieczenie społeczne*

Introduction

The COVID-19 pandemic has profoundly changed the socio-economic reality around the world. Due to the need to contain the spread of the coronavirus, the governments of many affected countries decided to restrict economic freedom and apply lockdown in order to protect the economy and the sense of social security of their citizens. It was therefore necessary to introduce large-scale aid measures aimed to stabilise and mitigate the effects of these restrictions.

Poland has launched a government aid scheme addressed mainly to entrepreneurs, based on the assumption that costs associated with the current economic situation should be shared among entrepreneurs, em-

ployees, the financial system and the public sector. Protection of jobs and ensuring financial and health security of citizens were considered the priority objectives of the government policy. A significant part of the government support was allocated to the labour market, which is strongly affected by the introduced restrictions.

Anti-crisis Shields

From March 2020, the Polish government started implementing aid projects, including the so-called anti-crisis shields. The assumptions and principles of the scheme introducing successive shields (six shields have been introduced so far) were developed by the Ministry of Development, the then Ministry

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of the Family, Labour and Social Policy, the Ministry of Finance, the Social Insurance Institution – one of the main implementers of these schemes), the Financial Supervision Authority, the Polish Development Fund, the Ministry of Justice and the Ministry of Interior and Administration. The work was carried out under the supervision of the Chancellery of the Prime Minister, in cooperation with other ministries and public institutions.

The authors of the scheme analysed current socio-economic changes under the conditions of the pandemic and extrapolated their effects. They identified the most sensitive areas, estimated needs and identified the directions and possibilities for optimal support to economic entities.

The anti-crisis shields, implemented thanks to amendments to the existing law, covered five basic areas of activity, called **support pillars**. The adopted solutions were aimed at:

- 1) jobs protection and employee security, through proposed solutions that enable employers to maintain their staffing levels,
- 2) financing entrepreneurs,
- 3) strengthening the financial system,
- 4) public investment,
- 5) health protection.

The amount allocated for these purposes in the next five shields was PLN 212 billion¹, i.e. almost 10% of GDP, including about PLN 30 billion for direct protection of workplaces.

At the beginning of 2020, three main components were included in the financial structure of the shields. The first is the government cash component worth about PLN 67 billion (2.9% of GDP). It includes state budget expenditures, resources from the Social Insurance Fund and special purpose funds. The second component is the

government liquidity component worth about PLN 75.5 billion (3.3% of GDP). It contains solutions such as credit holidays and deferred taxes, as well as liquidity financing in the form of loans and equity; mainly using financial instruments of the Polish Development Fund Group. This part of the government aid scheme was introduced through solutions implemented by the Polish Development Fund, Bank Gospodarstwa Krajowego, the Export Credit Insurance Corporation and the Enterprise Development Agency. The third component is the liquidity package of the National Bank of Poland, worth about PLN 70 billion, providing companies with the necessary liquidity and special credit conditions.

By the end of December 2020, the Government has implemented five further anti-crisis shields, relevant to the labour market situation. In the last days of 2020, the sixth shield was launched, and from 1 February 2021, shield 7.0 will be implemented. Each of the already implemented shields includes targeted solutions, addressed mainly to a specific category of entities, recognised as most affected by the pandemic in its subsequent stages.

The first of the implemented crisis shields has become effective as of 1 April 2020², while the last one (shield 6.0) has been in operation since 16 December 2020³. An entitlement to aid under shield 6.0 depends, inter alia, on the business activity code in the Polish Classification of Activities (PKD). The shield provides for such forms of support as: exemption from ZUS contributions for November 2020, granting a one-off downtime benefit and additional downtime benefit, or awarding a non-refundable grant of PLN 5,000 to cover current business costs.

¹ Apart from the aid under the anti-crisis shield, the government has also launched the so-called financial shield, offering additional support in a total amount of PLN 100 billion.

² Act of 31 March 2020 amending the Act on special solutions related to preventing, counteracting and combating COVID-19, other infectious diseases and crisis situations caused by them and amending some other acts, Journal of Laws 2020, item 568.

³ Act of 9 December 2020 amending the Act on special solutions related to prevention, counteraction and combating COVID-19, other infectious diseases and crisis situations caused by them and amending some other acts, Journal of Laws 2020, item 2255.

In parallel with support provided under the anti-crisis shields, in connection with the restrictions on the use of childcare services and remote teaching, an additional childcare benefit has been granted to parents since March 2020, allowing them to provide personal care for children under 8 years of age.

Job protection in the anti-crisis shield programmes

The package of measures aimed at protecting jobs (defined as the first pillar: employee security) has a permanent, important place in each of the successive anti-crisis shields. The aim of the support is to maintain employment, which is not only a prerequisite for the economic and social security of workers and their families, but is also indispensable for the economic development of the country, overcoming instability and economic downturns and returning to the pre-pandemic state of the economy.

The first anti-crisis shield already included various forms of support for employers aimed at protecting jobs. These included solutions – introduced on the basis of amendments to the Labour Code – **allowing for changes in the organisation of work and working time**. In order to limit employee redundancies, a possibility was introduced (on principles similar to those specified in the Labour Code for economic downtime) for the employer to reduce employee's working time by 20% (for reasons not related to the employee), but not more than to half of the working time.

In addition, there have been introduced solutions making the working time more flexible through the possibility to limit the uninterrupted daily rest to no less than 8 hours (the basic Labour Code standard is 11 hours) and uninterrupted weekly rest to no less than 32 hours (the Labour Code standard is 35 hours).

It was also made possible to conclude an agreement on applying less favourable conditions of employment than those resulting from employment contracts within the scope and for the period agreed with the trade

unions, and in the absence of unions – with an employee representative.

The negative effects of changes in work organisation and working time solutions introduced in companies due to the pandemic were taken into account in the package of financial aid for employees and companies.

In this regard, the anti-crisis shield 1.0, implemented as of 1 April 2020, offered a subsidy for the salaries of employees subject to economic downtime and the salaries of employees subject to reduced working hours. The source of funding is the Guaranteed Employee Benefits Fund (Fundusz Gwarantowanych Świadczeń Pracowniczych, FGŚP). The downtime benefit, introduced for persons running a business, was payable for a period of up to 3 months and was addressed to:

- 1) persons operating on the basis of civil law contracts, whose income, as a result of restrictions caused by the pandemic, decreased by 15% as compared to the month preceding the one to which the claim for the benefit related;
- 2) entrepreneurs (from micro-, small and medium-sized enterprises) for co-financing the costs of employees' salaries and due insurance contributions in the case of a fall – due to COVID-19 – in the economic turnover by 30-80% in any given consecutive two months. Importantly, this support was granted on the condition that the employees covered by the co-financing remain in employment for the period of co-financing and for the same period after the end of co-financing, i.e. for a maximum of 6 months;
- 3) the self-employed in the event of a fall – due to COVID-19 – in the economic turnover by 30–80%.

At the same time, micro-entrepreneurs were offered **micro-loans**, which are subject to redemption if the borrower does not reduce employment in full-time equivalents (FTE) during 3 months of granting the loan.

Exemptions from the payment of insurance contributions transferred to the Social Insurance Institution for the period of

3 months (in shield 1.0 – for the period from March to May 2020) were also applied on a very large scale. They concern contributions for social insurance, the Labour Fund, the Guaranteed Employee Benefits Fund, the Solidarity Fund and the Bridging Pension Fund as well as contributions for health insurance. The entrepreneur does not bear any costs of exemption from ZUS contributions during the suspension period as well as after its termination. In the case of sole traders, paying contributions exclusively for their own insurance, the exemption from contributions was granted if the income from the business activity in the month preceding the submission of the request for exemption was not higher than 300% of the projected average monthly gross wage/salary in the national economy in 2020.

It should be noted that people using this solution, despite the lack of contributions inflow to their account, have retained the right to sickness and maternity benefits, and the period of exemption is marked as a contributory period in pension accounts.

In addition, sole traders and entrepreneurs have been given more time to submit tax returns and advance payments of payroll taxes. **Tax relief or redemption** has been introduced for entrepreneurs experiencing difficulties in timely payment of dues to tax offices. The prolongation fee has been abandoned and the sanctions for errors in tax records have been waived. There were also introduced, inter alia, the possibilities of property tax exemptions and tax credits for donations for the fight against coronavirus.

In the anti-crisis shield 2.0,⁴ which has become effective as of 17 April 2020, the mentioned forms of support were maintained, but at the same time the scope of persons eligible and the criteria justifying re-

quests for aid were revised, corresponding to the changes in the economic situation of the country and the experience gained during the implementation of the first shield. Thus, as regards the co-financing of salaries using the resources of FGŚP, **the group of beneficiaries** has been expanded to include non-governmental organisations and state legal entities. **The criterion of the maximum income** conditioning the right to apply for the downtime benefit was removed and at the same time it was allowed to apply for this benefit at most three times. Entrepreneurs who do not employ people have been also granted the right to micro-loans.

In addition, **the group of those eligible for exemption from contributions payable to ZUS** has been extended to entities employing 10-49 people and ZUS has been allowed to waive the recovery of interest for late payment in relation to contributions due for the first months of 2020. The possibility has been also granted to defer tax payment dates, spread payments into instalments or remit certain tax liabilities in connection with COVID-19.

In shield 3.0, which has been implemented since 18 May 2020⁵ the government has further expanded the group of those eligible for support. First and foremost, however, the deadline for the period of running business that entitled entrepreneurs to apply for support was moved from 1 February to 1 April 2020. In this way, entrepreneurs who started their business already during the pandemic were also eligible for aid. At the same time, the right to exemption from the payment of insurance contributions was also granted to the “beginners” taking advantage of the “start-up relief”.

In shield 4.0⁶, which has become effective as of 24 June 2020, the earlier forms of

⁴ Act of 16 April 2020 on special support instruments in connection with the spread of the SARS-CoV-2 virus, Journal of Laws 2020, item 695.

⁵ Act of 14 May 2020 amending certain acts in respect of shielding measures in connection with the spread of the SARS-CoV-2 virus, Journal of Laws 2020, item 875.

⁶ Act of 19 June 2020 on subsidies to interest on bank loans granted to entrepreneurs affected by COVID-19 and on simplified procedures for approval of an arrangement in connection with the occurrence of COVID-19, Journal of Laws 2020, item 1086.

support were maintained, but once again the group of potential beneficiaries was extended – by changing, inter alia, the income calculation criteria. The settlement period taken into account was extended from 1 February 2020 to 31 December 2019. Above all, however, thanks to the introduction of procedural changes and the procedure for handling applications, the receipt of support was facilitated and accelerated.

The pandemic, its severity and the consequent conditions for running business have affected individual industries to a varying degree. In response to the particularly difficult operating conditions of the tourism, events and exhibition industries, i.e. those that have been affected by lockdown in the long term mainly due to restrictions in the movement of the population, another government support project was launched on 15 October 2020 – **shield 5.0**, also known as **the industry shield**. Although the previous anti-crisis shields did not exclude these industries from applying for support, however, due to the specifics of their activities (e.g. periodic operation and income generation) they often could not meet the criteria for access to this aid.

The industry shield, taking into account the specificity of the aforementioned forms of economic activity, offered entrepreneurs the same forms of aid, which have been previously granted to persons running business under the previous shields: downtime benefit, additional downtime benefits (for entrepreneurs for whom the predominant type of business specified in the Polish Classification of Activities (PKD) is tourist transport, staging and performing in theatrical, opera, ballet and circus performances, running riddle rooms, houses of fear, discos, electronic game rooms, beaches, fairs, etc.) and three-month (for July, August and September 2020) exemption from contributions payable to ZUS.

As a result of the successive waves of the pandemic the government has introduced

further restrictions on the freedom of economic activity, affecting different industries to varying degrees. With these differences in mind, the underlying premises for **the anti-crisis shield 6.0** were prepared. It has become effective as of 16 December 2020. The forms of support offered to entrepreneurs include the continuation of exemptions from paying contributions to ZUS (for the period July-September 2020 for industries related to specific areas of culture, sport, tourism and education, and for November 2020 for a much broader group of businesses operating in over 40 sections of the Polish Classification of Activities (PKD)).

The government is also offering additional and one-off downtime benefits. As of 1 January 2021, people working under the civil law contracts may obtain an exemption from the obligation to calculate contributions on these contracts, and from 15 January 2021 they may apply for one-off downtime benefits.

As the negative consequences of restrictions on the functioning of the economy accumulate over time, the government has prepared further supportive solutions – shield 7.0⁷. Aid for entrepreneurs under this shield includes four forms of support:

- additional downtime benefits,
- further exemptions from contributions payable to ZUS,
- benefits for the protection of jobs in the hotel and tourism industry, and
- a one-off subsidy to cover current business costs in nearly 50 industries, including catering, retail, tourism and others.

Entrepreneurs whose business concerns the retail sale of food, beverages, tobacco products, clothing and footwear in specialised shops and at stalls and market places have been granted the right to apply once for an additional downtime benefit. They have also gained the right to apply for exemption from paying insurance contributions for January 2021. And entrepreneurs from

⁷ Regulation of the Council of Ministers of 19 January 2021 on support for economic operators affected by the COVID-19 pandemic, published on 22 January 2021, Journal of Laws 2021, item 152.

more than 40 sections of the Polish Classification of Activities (PKD), most affected by the pandemic, are entitled to two additional downtime benefits and exemption from paying insurance contributions for December 2020 and January 2021.

Instruments for indirect support of employment and labour market protection

Additional forms of eliminating the negative effects of COVID-19 on the labour market included:

- **Polish Tourist Voucher**⁸, an original instrument for supporting the tourism and hotel industry and at the same time an element of income support for families;
- **additional care allowance**⁹, supplementing the employee rights of parents of children under 8 years of age, granted when the effects of lockdown make it particularly difficult to combine work with care responsibilities in the family;
- **solidarity allowance**¹⁰, which was available from 1 June 2020 for the next 3 months to people who have lost their jobs or their contract has expired after 15 March 2020, as a result of COVID-19. The solidarity allowance was granted under the condition of being covered by the social insurance under an employment contract for a total period of at least 60 days in 2020.

Financial value of the government support for the labour market

The aid provided to entrepreneurs has its concrete, not insignificant financial expression.

Under the successive projects, ZUS has accepted about 7 million applications, providing support in the amount of over PLN 29 billion, including:

- 1) shields from 1.0 to 4.0: downtime benefit – PLN 5.3 billion, exemptions from paying contributions – PLN 13.1 billion,

- 2) shield 5.0: downtime benefit – PLN 35 million, exemptions – PLN 70 million,
- 3) shield 6.0: downtime benefit – PLN 93 million, exemptions – PLN 172 million,
- 4) deferment of contributions payment date and instalment arrangements (over PLN 9 billion),
- 5) solidarity allowance: PLN 313 million, 130 thousand people,
- 6) additional care allowance: PLN 1 billion,
- 7) Polish Tourist Voucher: payments in total amount of PLN 245 million (activation of 1.2 million vouchers in total amount of PLN 1.02 billion).

Apart from the activities described above, the Polish Development Foundation has provided companies with over PLN 60 billion in the form of subsidies. Under the Financial Shield, the Polish Development Foundation has provided support to more than 345,000 micro, small and medium-sized enterprises with a total of more than 3 million employees. In addition, the amount of loan collaterals provided by Bank Gospodarstwa Krajowego is estimated at over 35.5 billion.

Support provided by ZUS, labour offices, Bank Gospodarstwa Krajowego and the Polish Development Foundation totals over PLN 175 billion.

According to the estimates of the Ministry of Labour, the programmes of government support for entrepreneurs have made it possible to prevent the liquidation of over 6 million jobs.

Summary

Restrictions on business activity caused by the pandemic have been significantly counteracted by the government policy. The funds transferred to entrepreneurs support both the activity of companies and directly employment in these entities.

Successively introduced anti-crisis shields were addressed to entities of different legal forms (including the self-employed and per-

⁸ Act of 15 July 2020 on the Polish Tourist Voucher, Journal of Laws 2020, item 1262.

⁹ Consolidated text Journal of Laws 2020, item 1842.

¹⁰ Act of 19 June 2020 on solidarity allowance granted to counteract the negative effects of COVID-19, Journal of Laws 2020, item 1068.

sons performing tasks under the civil-law contracts), of different sizes and from different industries. Changes were introduced on the basis of successively conducted analyses of the economic situation, social behaviour and health situation.

Labour market statistics showing changes in the number of the employed and the unemployed, as well as data from the Social Insurance Institution on the number of

contribution payers showing changes in the number of business entities operating and the number of people they employ for whom contributions are paid to ZUS, indicate that these programmes worked as intended. They have supported the economy and employment (employers and employees), thus avoiding a catastrophic economic collapse, protecting jobs and at the same time protecting the health of citizens.

LEGAL ACTS

Act of 31 March 2020 amending the Act on special solutions related to preventing, counteracting and combating COVID-19, other infectious diseases and crisis situations caused by them and amending some other acts, Journal of Laws 2020, item 568.

Act of 16 April 2020 on special support instruments in connection with the spread of the SARS-CoV-2 virus, Journal of Laws 2020, item 695.

Act of 14 May 2020 amending certain acts in respect of shielding measures in connection with the spread of the SARS-CoV-2 virus, Journal of Laws 2020, item 875.

Act of 19 June 2020 on solidarity allowance granted to counteract the negative effects of COVID-19, Journal of Laws 2020, item 1068.

Act of 19 June 2020 on subsidies to interest on bank loans granted to entrepreneurs affected by COVID-19 and on simplified procedures for approval of an arrangement in connection with the occurrence of COVID-19, Journal of Laws 2020, item 1086.

Act of 15 July 2020 on the Polish Tourist Voucher, Journal of Laws 2020, item 1262.

Announcement of the Marshal of the Sejm of the Republic of Poland of 16 October 2020 on the announcement of the consolidated text of the Act on special solutions related to prevention, counteraction and combating COVID-19, other infectious diseases and crisis situations caused by them, Journal of Laws 2020, item 1842.

Act of 9 December 2020 amending the Act on special solutions related to prevention, counteraction and combating COVID-19, other infectious diseases and crisis situations caused by them and amending some other acts, Journal of Laws 2020, item 2255.

Regulation of the Council of Ministers of 19 January 2021 on support for economic operators affected by the COVID-19 pandemic, Journal of Laws 2021, item 152.