

Anti-Crisis Shield as Support Related to Preventing and Counteracting the Coronavirus Pandemic*

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Abstract

In the article an attempt was made to answer the question as to which of the available benefits of the anti-crisis shield have been used by enterprises in the catering and cosmetics industry in the Olsztyn and Lidzbark Districts in the province of Warmia and Mazury. The existing support for entrepreneurs to mitigate the negative effects of the pandemic has been evaluated. The study demonstrated that respondents benefited from various forms of anti-crisis shield support. The most common were exemption from payment of social security contributions, an economic downtime benefit for persons engaged in economic activity, a subsidy of part of the costs of employees' wages and social security contributions, a subsidy of part of the costs of economic activity for an enterprise not employing workers, the granting of benefits for the protection of workplaces, and, finally, one-off redeemable micro-loans. The research conducted has demonstrated that the majority of the surveyed entrepreneurs rated the governmental measures as satisfactory. In the group of the surveyed entities, loans to cover current business costs proved to be the most popular instrument of the anti-crisis shield. Entrepreneurs have not closed or suspended their businesses as a result of the anti-crisis shield support, among other things.

Keywords: Coronavirus, Pandemic, Anti-crisis.

Introduction

Over the years, various diseases of unknown aetiology have been detected. Many of these diseases are of viral origin. In 2019, a virus codenamed SARS-CoV-2, which causes dangerous pneumonia, and is the most pathogenic human coronavirus detected so far, was identified (Van der Hoek et al., 2004, p.4).

The coronavirus pandemic reached Poland in March 2020. Shops, businesses, borders were closed, and schools and universities transitioned to remote learning mode. The epidemic put numerous enterprises in a difficult situation. The first half of 2020 saw one of the biggest global recessions recorded in the economic history of the 21st century, for the European and global economies. Markets became volatile, faced with a sharp deterioration in economic data and entrepreneurs saw the impact of the virus in achieving lower financial returns (Reuters, 2020). According to the National Bureau of Economic Research, the coronavirus pandemic is mainly a humanitarian crisis, but with socio-economic consequences. Most notably, the growth of the 2020 recession, although it may be the shortest on record, may also feature the largest decline (Reuters, 2020).

By providing immediate aid to citizens and businesses, countries have prevented business and consumer insolvency and thus reduced the risk of another economic crisis (Reuters, 2020). The enormous costs that countries incur to fight coronavirus illustrate the economic situation of the country, the state of the economy and the increase in the wealth of society in recent

years. Owing to the economic growth of society, states have the means for supportive measures, even such drastic ones as lockdown (involving the closure of many industries, restrictions on trade and the provision of services, among others). Several decades ago, no one would have thought of such radical measures in response to a pandemic with a moderate mortality rate (Uni.Wroc., 2020).

The range of research on support related to coronavirus prevention and counteracting is scarce. In the course of the analysis, an attempt was made to answer the question as to which of the available benefits of the anti-crisis shield have been used by enterprises in the catering and cosmetics industry in the Olsztyn and Lidzbark Districts in the province of Warmia and Mazury. The existing support for entrepreneurs to mitigate the negative effects of the pandemic has been evaluated. To achieve the outlined objective, a survey was conducted among self-employed and small and micro-enterprises during the coronavirus pandemic in the second and the third quarter of 2020. Respondents for the research survey were selected using a non-probability method of convenience sampling, which involves selecting the sample in a manner helping to maximise gathered information. A questionnaire containing five questions was distributed among the selected entities. The research sample consisted of 60 entities from the small and micro-enterprise sector, the owners of which agreed to complete the questionnaire. The research encompassed enterprises of the catering and cosmetics industries, diversified in terms of their size, number of employees and their period of operation in the market.

According to the data provided by Statistics Poland, there are over 2 million micro-enterprises in Poland. They account for 96% of all businesses and generate every third zloty in GDP. Of this number, a significant share, i.e. two-thirds, is represented by sole trader enterprises. Small enterprises account for over 52 thousand registered companies in Poland (GUS, 2020). Risk management is a major issue for companies (Verbano, Venturini, 2013). But risk and risk management are cause difficulties to companies, and specifically small- and medium-sized enterprises which are particularly sensitive to business risk and competition (Blanc Alquier, Lagasse Tignol, 2006, p.273). Companies face onerous barriers to their operations, such as high taxes, employment costs and competition from shadow economy businesses. This paper focuses on companies from the small and micro-enterprise sector from the Olsztyn and Lidzbark Districts in Warmia and Mazury. The research conducted demonstrated that enterprises in the cosmetics industry made up a larger group, which accounted for 58% of the surveyed entities, while the remaining 42% were enterprises in the catering industry. Self-employed enterprises (41.66%) and enterprises employing between five and ten persons (full-time equivalent) (35%) prevailed among the surveyed entities. Companies employing from one to five employees (16.66%) were distinguished, while the smallest number of companies were those employing more than ten persons (6.66%). The research sample was dominated by entities with a long period of operation in the market. Nearly 33 companies (55%) had been operating for more than five years at the time of the survey. A significant group (25%) consisted of companies existing for two-five years, while 20% were entities operating in the industry for less than two years, which represented the smallest group.

Methodology

In December 2019, a local outbreak of pneumonia, of initially unknown cause, was detected in Wuhan, China. The virus was quickly identified, it was found to be an acute respiratory syndrome, a "coronavirus". Since then, the epidemic has spread to all regions of China, as well as other countries around the world. On 17 February 2020, 70,000 cases of coronavirus infection were confirmed, and on 11 March 2020, the World Health Organisation declared the outbreak of a coronavirus pandemic (WHO, 2020).

In Poland, socioeconomic policies have been introduced to limit the long-term negative economic effects (Kupiec, Wierzbicka, 2017, p.51). They are intended to support society and provide rapid economic recovery. Support has been made available to entrepreneurs, using state aid or the anti-crisis shield. The support from state institutions is primarily available to entrepreneurs who have suffered negative consequences related to the prevailing outbreak of the coronavirus. The temporary framework for state aid measures to support the economy, in the context of the ongoing epidemic, constitutes state aid aimed at preventing economic disruption (PoradnikPrzedsiębiorcy, 2020). The Polish economy should be less affected by a pandemic than other European countries. Poland is less export-dependent and less economically linked to China than, for example, the German economy. It demonstrates a higher rate of economic growth, as compared to other western European countries and the tourism sector accounts for a smaller percentage of GDP, compared to southern European countries. However, according to the National Bank of Poland, economic growth is forecast to weaken, falling below three per cent in 2020. In addition, the suspension of some activities will mean that more workers will stay at home to look after children, which will have a negative impact on economic activity (Uni.Wroc., 2020).

Public health and social care activities are those undertaken by:

- institutions (e.g. Offices, Ministry, Inspectorates),
- local community,
- local and regional authorities,
- individuals,
- state government,
- international bodies.

Measures such as lockdown and reorganisation of health care are aimed at limiting the spread of the coronavirus. Lockdown or actions for the general public include the introduction of flexible working and remote education, avoiding crowded places and closing various establishments for stationary use. In addition, the protection of vulnerable population groups, local or national restrictions on movement and measures relating to staying at home and, above all, the reorganisation of health care and social services. These precautions are used in conjunction with individual measures to protect against the virus, such as frequent hand washing and covering the nose and mouth (WHO, 2020).

Macroeconomic stability is based on economic growth. In the 21st century, we are observing the increasingly rapid development of financial markets that link the economies of numerous countries. Both financial and fiscal factors are becoming more important in maintaining macroeconomic stability (Włodarczyk et al., 2018, p.132). Business operators are particularly focused on profit maximisation. In a crisis, a rapid expansion of income can lead to the disappearance of rational actions, with negative consequences for the entire economy (Włodarczyk, Ostrowska, 2017). The increased development of financial markets poses an additional threat to macroeconomic stability, as the recent financial crisis has shown in numerous countries (Włodarczyk et al., 2018, p.133).

In a global economic and market perspective, the fourth quarter of 2020 is an uninterrupted economic recovery. Half of the decline in global economic activity in the first half of 2020 was recovered in the third quarter. Using the publication of estimated GDP of several countries, it was concluded that the available data indicate a gradual economic recovery. Identified coronavirus infections have stabilised at around 270,000 per day. Most of the new cases in recent weeks have occurred in the United States, Brazil and India (Reuters, 2020). The epidemic is unfolding at a rapid pace and the ultimate goal is to gradually lift precautions and return to pre-pandemic life (Heymann, 2020, p.470).

Results

The anti-crisis shield is a package of solutions aimed at protecting Polish enterprises and citizens from the crisis caused by the coronavirus pandemic. It is based on five pillars:

- protection of jobs and safety of workers,
- sources of company financing,
- health care,
- strengthening the financial system,
- public investment.

The shield stabilises the Polish economy and also provides an investment boost. It has been estimated that the value of support offered under the anti-crisis shield and the financial shield will amount to over PLN 312 billion (GOV, 2020).

Small and micro-enterprises could benefit from several anti-crisis shield support programmes, including:

- co-financing of employees' wages and social security contributions,
- economic downtime benefit,
- the possibility of deferring and instalment payment of social security contributions,
- temporary exemption from social security contributions,
- the possibility of retrospective offsetting of losses,
- PLN 5,000 loan for micro-enterprises,
- the possibility of deferring the payment of PIT, CIT and VAT taxes,
- credit holiday,
- postponement of utility payments (GOV, 2020).

For an entrepreneur to be classified in a particular group of entities, specific cumulative conditions must be met, both in terms of the number of persons employed and the profits earned. The table below provides a summary of the conditions to be met for small and micro-enterprises (GOV, 2020).

Table 1: Graphical representation of the membership in the group of small and micro enterprises

Size of the entity	Average annual employment	Annual net turnover	Balance sheet total assets
Micro-enterprise	Fewer than 10 persons	Less than the PLN equivalent of EUR 2 million	Less than the PLN equivalent of EUR 2 million

Small enterprise	Fewer than 50 persons	Less than the PLN equivalent of EUR 10 million	Less than the PLN equivalent of EUR 10 million
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Source: Own work based on Commission Regulation (EU) No. 651/2014 of June 17, 2014.

The study demonstrated that respondents benefited from various forms of anti-crisis shield support. The most common were exemption from payment of social security contributions, an economic downtime benefit for persons engaged in economic activity, a subsidy of part of the costs of employees' wages and social security contributions, a subsidy of part of the costs of economic activity for an enterprise not employing workers, the granting of benefits for the protection of workplaces, and, finally, one-off redeemable micro-loans.

The first and basic assistance of the anti-crisis shield, with the participation of the Social Insurance Institution (Zakład Ubezpieczeń Społecznych), was the exemption from the obligation to pay contributions of 100% or 50% of their total amount. The amount of the exemption depended on the number of persons registered for social insurance on a given date, or the amount of contributions calculated from the lowest basis of assessment. The application for exemption from payment of contributions for three months (March-May 2020) could be submitted till 30 June 2020 (ZUS, 2020).

Another form of support is an economic downtime benefit for entrepreneurs and persons performing work under civil law contracts. The economic downtime benefit was to compensate for the loss of income and amounted to PLN 2,080 or PLN 1,300. Economic downtime benefits for entrepreneurs as well as persons employed under civil law contracts could be received for a maximum of three months. It was sufficient to show, in a relevant declaration, that the material situation stated in a previous application had not improved in the following months (GOV, 2020). Table 2 presents the use of the anti-crisis shield support, with the participation of the institutions of the Social Insurance Institution by the examined entities.

Table 2: Use of the support offered from the coronavirus anti-crisis shield with the assistance of the Social Insurance Institution by the examined entities

Available aid schemes for entrepreneurs	Percentage use of the support scheme offered to entrepreneurs	Number of entities that received the offered support
Exemption from paying social security contributions for 3 months (March, April, May)	95%	57
Economic downtime benefit	75%	45
Economic downtime benefit - continuation	%	29

Source: Own work based on the conducted survey.

The survey showed that 57 (95%) of the respondents declared the use of an exemption from the payment of dues for social security contributions, which means that three companies out of all surveyed were not granted the exemption. A large number (75%) of companies also benefited from the economic downtime benefit, only fifteen surveyed entities did not receive the offered support. The economic downtime benefit could be claimed three times, the condition for using successive allowances was an unimproved financial situation. The survey showed that less than 50% of the surveyed respondents used the continued economic downtime benefit and almost half of the entrepreneurs were not granted the subsequent allowance. In addition, entrepreneurs who faced financial difficulties due to the increase in the incidence of coronavirus could benefit from a deferral of contributions or an instalment arrangement. However, none of the entities surveyed benefited from specific assistance.

Table 3: Use of the aid offered through the anti-crisis shield among the examined entities

	CATERING INDUSTRY		COSMETIC INDUSTRY	
Number of survey industry entities	25 entities		35 entities	
	Number of entities	Percentage use (%)	Number of entities	Percentage use (%)
Use of a loan to cover ongoing business costs	21	84%	35	100%

Use of partial subsidy for business activity for entrepreneurs with no employees	3	12%	12	34%
Use of partial subsidy for the cost of employees' wages and social security contributions	9	36%	12	34%

Source: Own work based on the survey study.

The first and also the most popular among the surveyed entities proved to be the loan for covering the current business expenses of micro-enterprises (Table 3). In the catering sector (25 companies), the research showed that 21 entities (84%) declared using this form of support. It is important to note that 100% of cosmetic industry entities used the loan. Its value is PLN 5,000 and it is granted only to micro-enterprises. Interestingly, the loan is redeemable, and the only condition for redemption is that the business has been operating for three months after the loan has been granted. Another form of support under the anti-crisis shield used by respondents was the co-financing of a portion of employees' wages costs and social security contributions. Both industries achieved similar results (34% and 36%). As the last form of support, co-financing of a portion of the costs of business activity for enterprises that do not employ any staff was identified. It only applies to entities that recorded a decrease in turnover as a ratio of total turnover in any two consecutive calendar months in 2020, compared to the corresponding two months in the previous year, with the provision that the selected months should fall within a period after 1 January 2020 and end no later than the day before the application is submitted (PracaGov, 2020). More entities (twelve companies) in the cosmetic industry benefited from this form of support, accounting for 34% of all entities in this sector. A small percentage (12%) of catering industry enterprises benefited from this subsidy, probably due to the fact that this sector, in most cases, employs workers.

An important indication is the evaluation of the support aimed at mitigating the negative effects of the coronavirus pandemic. The following table illustrates the attitudes of entrepreneurs towards this aspect and provides four sample rating categories (very good, good, satisfactory and poor).

Table 4: Evaluation of the support so far offered by the state to enterprises during the coronavirus pandemic

	NUMBER OF ENTITIES	EVALUATION			
		VERY GOOD	GOOD	SATISFACTORY	POOR
CATERING INDUSTRY	25	1	5	12	7
COSMETIC INDUSTRY	35	0	4	18	13
TOTAL	60	1	9	30	20

Source: Own work based on the survey study.

The study shows (Table 4) that when a record-high number of coronavirus infections were reported in Poland, the assessment of the state's effectiveness in combating the epidemic deteriorated. The majority of enterprises in the catering and cosmetic industries evaluate the measures taken by the government to help entrepreneurs during the epidemic as satisfactory. The restrictions in force are generally considered to be adequate for the situation, although over time the measures intended to help Polish enterprises and their employees have received increasingly lower ratings. The majority of the examined enterprises (30 companies) rated the government's actions as sufficient. Twenty companies assessed the state support as definitely poor, while nine surveyed entities evaluated state measures aimed at counteracting the epidemic as good. The survey shows that only one company rated the support as very good. It is worth noting that the average ratings of the support offered to counteract the coronavirus were similar in both sectors.

Discussion

Undoubtedly, 2020 was dominated by the coronavirus epidemic. Currently (13.11.2020) over 50 million people are infected worldwide, including nearly 700,000 in Poland. More than 10,000 deaths have been reported in the country (Reuters, 2020). The research conducted has demonstrated that companies in both industries have resorted to a variety of available anti-crisis shield instruments to improve the current financial situation caused by the epidemic. The majority of the surveyed

entrepreneurs rated the governmental measures as satisfactory. In the group of the surveyed entities, loans to cover current business costs proved to be the most popular instrument of the anti-crisis shield. Enterprises also benefited from a subsidy for a portion of the costs of business activity for an entrepreneur not employing employees and a subsidy for a portion of the employees' wages costs and social security contributions. Public support instruments, namely exemptions from payment of social security contributions and economic downtime benefit, were widely used. Entrepreneurs have not closed or suspended their businesses as a result of the anti-crisis shield support, among other things. The surveyed respondents have benefited from several forms of support and are still applying for more. Currently, the examined enterprises have declared their application for Working Capital Grants from the resources of the Regional Operational Programme under the European Regional Development Fund. This service provides support to small and micro-enterprises that find themselves in a difficult economic situation due to the disruption of the economy as a result of the pandemic.

The mood of entrepreneurs is mostly optimistic as the prospects of mass vaccination move closer. The risks associated with effective implementation of the vaccination programme and the increasing trend of infections in terms of the number of cases worldwide should not be overlooked.

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