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Mitigating the COVID-19 effect: Emergency economic policy-making in Central Europe

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Ana Podvršič, Joachim Becker, Dóra Piroska,
Tomáš Profant and Vladan Hodulák

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Abstract

The paper analyses the economic policy-making in the first phase of the epidemic in five Central Europe countries, Austria, Czechia, Hungary, Slovakia and Slovenia, whose economic structure is characterized by strong export orientation. We focus on the participatory character of the governments' COVID-19 packages, on their design, and targets. We find that while social actors were selectively integrated in the policy-making, depending on the established tripartite framework and government political composition, support packages deployed similar tools (such as short-time work provisions, loan and guarantee programmes through development banks, tax/security payment deferrals) though with varying weight and scope. Only in Austria and Czechia the governments adopted specific measures for the export sector. We also find that the scope of the fiscally immediately relevant measures is rather limited, resulting in lesser loan programs and social provisions. Although the budgetary limitations have been temporarily suspended by the European Union, the governments in the periphery, regardless of their political inclinations, remain constrained by their uneven integration into the EU's single market, as well as by their limited access to international financial markets.

Introduction

The Corona sanitary crisis and subsequent lockdowns have severely affected economic activities in the European Union (EU). Governments in core EU countries such as France and Germany reacted swiftly to the looming economic and social crises and announced large economic packages to stabilise their economies. In contrast, most central European governments acted with some delay. Developments in core EU members have a profound impact on smaller countries in the EU periphery.

This study focuses on five central European countries – Austria, Czechia, Hungary, Slovakia and Slovenia – whose economic structure is characterised by strong export orientation. Poland has a much larger domestic market and is, therefore, internationally less exposed. Our specific focus is policy-making during the formation of economic emergency packages during the initial phase of economic crisis management, i.e. March and April. The paper contends that, while economic contraction at this point is largely a result of necessary closures and lockdowns both at home and along the value chains, the policy-making process for drafting the initial economic and social emergency measures and the resulting packages reveal social and economic priorities concerning the safeguarding of specific social groups and sectors.

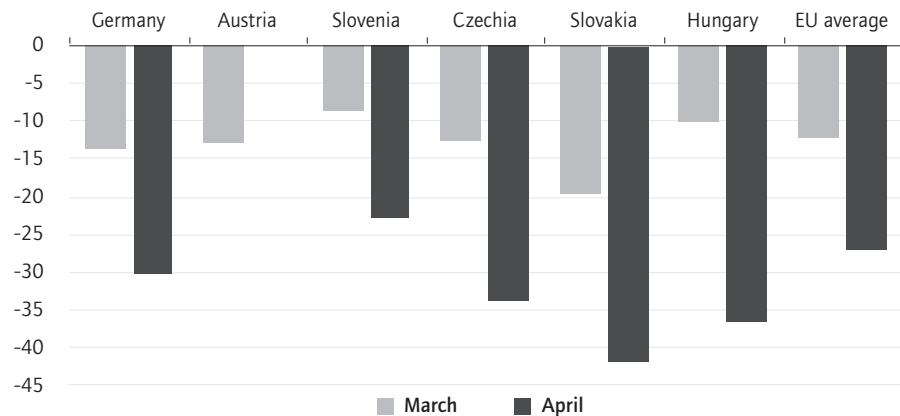
The paper first analyses how governments in central Europe drafted their economic emergency packages during the initial period of the confinement and the degree to which they included representatives of labour and capital in designing the packages. Second, it compares the basic contours of these packages by focusing on the target groups and instruments of the programmes. The actual implementation and impacts of the adopted packages are not discussed because it is still too early to evaluate them meaningfully. In the first two sections below, we briefly discuss the economic and political background to COVID-19 crisis policy-making and then present country case studies in the order of their developed participatory institutional frameworks. Thus, Austria comes first, followed by Slovenia, Czechia, Slovakia and Hungary. We conclude with a discussion of the differences and similarities in COVID-19 crisis policy-making.

Central European economies and the COVID-19 crisis

The manufacturing sector of central European countries is closely integrated into global value chains through the German export complex (Popławski 2016: 15). Due to their strong reliance on foreign direct investment (FDI) and manufacturing exports, Czechia, Hungary, Slovakia and Slovenia are considered as dependent market economies (DMEs) (Nölke and Vliegenhart 2009; Myant and Drahokoupil 2011). Manufacturing production in Austria is, meanwhile, higher up in the value chains than in central east European (CEE) economies. However, it also relies significantly on German FDI, but Austrian industrial companies have also outsourced important segments of production to CEE countries (Becker *et al.* 2015: 133, 141).

A strong reliance on exports has rendered all the countries analysed here highly vulnerable to the international evolution of the Corona-induced economic crisis (see Figure 1). In the DMEs, and to some extent in Austria, the immediate fate of foreign-owned subsidiaries in the Corona crisis is dependent on the decisions of their mother companies as well as on the support measures, especially for transnational corporations, set out in the core countries. All other sectors' performance, however, has been dependent on governments' own COVID-19 crisis policy-making.

Figure 1 Industrial production in March and April 2020, % change compared with the same month of the previous year



Source: Eurostat 2020

Note: Data for Austria for April not available.

In contrast to the 2007/08 financial crisis, the lockdown declared in mid-March in the five countries deeply affected many areas of the service sector (commerce, tourism and personal social services). The basic patterns of the lockdown were similar among the countries. The sudden decline in business has created severe liquidity problems while, in the service sector, many small companies and the self-employed have been significantly affected by the crisis.

The financial scope for anti-crisis packages is conditioned by the countries' fiscal balances and their access to (international) financing. EU fiscal restrictions may have been temporarily loosened, but borrowing capacity is dependent on countries' international rating and the confidence of financial markets. The rating of central European countries shows significant differences between Austria (AA+) at the one end and Hungary (BBB) at the other (tradingeconomics.com 2020). Austria, Slovakia and Slovenia, as members of the Eurozone, are covered by the European Central Bank (ECB) while Czechia and Hungary rely on their central banks.

COVID-19 crisis policy-making depends on government institutions; however, state institutions provide social actors with unequal access to decision-making centres and processes (Offe 1973: 61). For labour organisations, access to crisis policy-making can be mediated through tripartite institutions and/or through their political party connections. Among the observed countries, Austria has the strongest neo-corporatist tradition. Nevertheless, the right-wing governments in place from 2000 to 2006, and again from 2017 to 2019, have significantly hollowed out tripartite arrangements. In Slovenia, strong neo-corporatism started to weaken in the 2000s during preparations for the Eurozone under a right-wing government. During the global financial and economic crisis, conflictual relationships among the institutional social partners intensified further under unilateral or fast-track decision-making processes (Piroska and Podvršič 2019); however, major reform packages were implemented with trade union approval (Stanojević *et al.* 2016). In Czechia, tripartite bargaining is institutionalised in the Council of Economic and Social Agreement that became relatively effective in managing the social dialogue's participants prior to the COVID-19 crisis (Martišková and Sedláková 2017: 59). In Slovakia, the tripartite institutions have frequently been interrupted since the early 1990s (Úrad vlády Slovenskej Republiky 2020) and neoliberal governments have been openly hostile to trade unions and tripartite arrangements. Slovak unions succeeded, however, in getting pro-labour legislation adopted during the time of social democrat dominance of governments between 2012 and 2020 (Kahancová 2017: 181). In Hungary, tripartite institutions had already been formed in 1988. However, since 2010, Fidesz governments have systematically diluted their policy-making capacities (Neumann and Tóth 2017: 142).

The bargaining capacities of labour also depend on political factors. In two countries, Slovenia and Slovakia, the outbreak of the epidemic coincided with political change and a shift from centre-left governments towards right-wing ones. In Austria, a conservative-green coalition assumed office just a few weeks ahead of the epidemic. In contrast, the ruling coalitions of Hungary and Czechia have already been governing for several years during which time their leaders have established close relationships with domestic capital groups.

In the following, policy-making processes in Austria, Slovenia, Czechia, Slovakia and Hungary are discussed. The annex to this Working Paper provides tables summarising the main economic measures adopted in each

country (Table 1: Main COVID-19 economic measures in central European countries) and the participation of social actors in policy-making (Table 2: The inclusionary character of COVID-19 policy-making in central Europe). Both tables include only planned or targeted spending figures. As of July 2020, it was impossible to find reliable figures on actual spending communicated by governments. Varying degrees of transparency on COVID-19 crisis management seems to correspond with CEE governments' varying degrees of interest in accountability.

Austria: concerted and all-embracing early response

The COVID crisis hit Austria only a few months after a heterogeneous government had been formed by the neoliberal conservative Österreichische Volkspartei (ÖVP) and the Greens. ÖVP has been part of Austrian governments almost without interruption since 1986. ÖVP is deeply entrenched in the state apparatus; it controls the Chamber of Business and the Chamber of Agriculture; while it has a minority representation in the Chamber of Labour and the Austrian Trade Union Federation (ÖGB) and a majority one in the public service union. It is well connected to the Industriellenvereinigung (IV), i.e. the interest representation body of the big capital groups outside neo-corporatist structures. Before the last elections, the Greens had been out of parliament for two years. The Greens have minority representations in the chambers and in the trade unions. There are clear differences between ÖVP and the Greens in policy areas, such as economic, social and environmental policies. Consequently, the coalition agreement demarcates spheres of interest with the key economic ministries (except for infrastructure) allocated to ÖVP whereas the Greens control the Ministry of Social Affairs, but without the labour portfolio.

The coalition between ÖVP and FPÖ, governing from 2017 to 2019, systematically hollowed out the neo-corporatist institutions and had marginalised the Chamber of Labour and ÖGB was institutionally and politically marginalised (cf. Stern and Hofmann 2018). The Greens were highly critical of the labour and social policies of the ÖVP/FPÖ coalition. They are more open to ÖGB and more in favour of a socially-balanced arrangement.

During the early phase of the epidemic, cooperation between capital and labour was revived in the drafting of the initial economic emergency package. For the head of the Chamber of Business, Harald Mahrer (2020: 25), ‘social partnership’ reached a new qualitative level by pursuing, ‘non-bureaucratically and efficiently,’ a ‘common goal’. At political level, the opposition was marginalised and had to take a position on all-embracing packages of legislative measures which were to be voted *en bloc*. The opposition parties, in principle, supported the measures although not necessarily in all their details (cf. Wiener Zeitung 2020a). This consensual style started to unravel towards the end of April.

In Austria, the main anti-COVID-19 support package was adopted by parliament on 20 March and has been amended on several occasions. This main package added up to €38bn, about 9.5 per cent of 2019 GDP.

Encompassing *Kurzarbeitergeld*

The reduced working time allowance, *Kurzarbeitergeld*, was one of the main features of the government’s programme. Working hours can be reduced by an average of up to 90 per cent and, in some weeks, even be cut to zero as long as a 10 per cent average is attained over the whole reference period.

This design provided flexibility beyond the formula applying hitherto. The duration was intended to be three months but this could be extended. Workers received compensation of between 80 per cent and 90 per cent of net salary, depending on income, from the company which was, in turn, reimbursed by unemployment insurance. Apprentices received compensation of 100 per cent. The works council (where one is in place) and the company were obliged to sign an agreement on shortened working hours; if a works council did not exist, the employer had to forge an agreement with all the workers concerned.¹ Through the works councils, trade unions had a crucial role in administering *Kurzarbeit*. Initially, €400m was earmarked for the programme but, at the end of April, the amount had already reached €10bn. *Kurzarbeitergeld* did not, however, cover workers with mini-jobs, while workers engaged on contracts for services were covered by a short-time working agreement only where it was possible to determine their regular working time (Koller 2020: 14).

There were also measures for the additional protection of employees who continued to work and were considered as high-risk groups due to having serious health problems. They were entitled to work from home or, if this was not feasible, to be ‘freed’ from work duties. In this case, the federal government took responsibility for the payment of wages.²

Rapid measures with loopholes regarding the self-employed and micro-enterprises

For the self-employed and micro-enterprises, the government established a special ‘Hardship Fund’ which initially amounted to €1bn but which was later increased to €2bn.³ The disbursements were divided into two phases. In the first phase, the self-employed and micro-enterprises could receive an advance payment of €500 (where annual income was lower than €6,000) or €1,000 (where income was higher than €6,000). Applications could be made from 27 March. This part of the programme took into account that such enterprises have hardly any reserves. In the second phase, starting on 20 April, they could apply for up to three monthly grants of up to €2,000, covering net income losses within a six-month timeframe. Where advance payments had been made in phase 1, there would be a deduction of up to €500. To benefit from the programme, the self-employed had either to see their work shut down by sanitary measures, suffer at least a 50 per cent fall in turnover or not being able to cover current costs.

1. <https://wien.arbeiterkammer.at/interessenvertretung/arbeitszeit/handlungsanleitung-corona-sozialpartnervereinbarung.pdf>. Accessed June 26 2020.

2. www.arbeiterkammer.at/beratung/arbeitsrecht/corona/Risikogruppen.html. Accessed June 26 2020.

3. www.bmf.gv.at/public/top-themen/corona-hilfspaket-faq.html. Accessed April 6 and May 9 2020.

Initially, the government defined minimum and maximum income thresholds and applied a restrictive definition for beneficiaries which excluded, for example, those combining self-employment with some weekly hours of salaried employment, as well as firms founded after 1 January 2020. These restrictive definitions were criticised in public debate (Ortner 2020). In the second phase, the government dropped the income thresholds and loosened other criteria, opening the programme up to a broader group of beneficiaries. The programme was to be opened for non-profit organisations, but the framework for these groups had still not been defined by the end of April 2020.⁴

The government entrusted the Chamber of Business (WKÖ) with distributing the payments (Bachler *et al.* 2020: 34). Opposition parties criticised this WKÖ-led disbursement since it meant that the WKÖ gained access to sensitive firm data. For small agricultural enterprises, the funds are distributed through Agrarmarkt Austria.⁵

In addition, income tax payments could be deferred and advance payments against income tax reduced. Social security payments in respect of social insurance and health insurance (Österreichische Gesundheitskasse) for the self-employed might also be deferred or else made in instalments.⁶ Micro-enterprises, as well as individuals, who had been gravely affected by the crisis could gain a deferral of both interest and capital repayments due between 1 April and 30 June 2020.

Loan guarantees – and a reluctant banking sector

Loans and guarantees for affected companies which were financially stable before the epidemic represented the largest part of the government package. The credit-based component was funded through the so-called Corona Aid Fund which consisted of several guarantee options. An option of an 80 per cent guarantee for SMEs had already been introduced at the beginning of March,⁷ while the guarantee level was then increased to 90 per cent. Enterprises could ask for a guarantee for loans of up to three times monthly turnover or twice their annual wage bill, subject to a ceiling of €12m. The maximum repayment period was intended to be five years although this could be extended for another five. A 100 per cent guarantee for loans of up to €500,000 was introduced

4. Unless stated otherwise, the information is available on the WKÖ website via the following links: www.wko.at/haertefall-fonds-phase-2.html; www.wko.at/service/haertefall-fonds-fonds-phase2.html; www.wko.at/haertefall-fonds-phase-2.html. Accessed 26 June 2020. Information on the first phase: www.wkoat/service/haertefall-fonds-epu-kleinunternehmen.html. Accessed 6 April 2020.

5. www.ama.at/Allgemein/presse/Presse-2020/Haertefallfonds-Antraege-fuer-Phase-2-koennen-ab-s. Accessed 26 June 2020.

6. www.wko.at/service/corona-hilfspaket-unternehmen.html. Accessed 8 May 2020.

7. www.wko.at/service/coronavirus-ueberueckungsfinanzierung.html. Accessed 26 June 2020.

later, with simplified application procedures.⁸ These 100 per cent guarantees were enabled by a special waiver granted by the European Commission.⁹ The guarantee was made conditional on directors' and managers' bonus payments not surpassing half the level awarded in the preceding year.

The subsequent introduction of higher guarantees reflected a reluctance among banks to grant loans even in the case of the rather high state guarantee (cf. *Die Presse* 2020: 8). For applicant companies, it was their *Hausbank*, which dealt with the guaranteeing institution. The programme was run by the newly-founded COFAG (COVID-19 Finanzierungsagentur), jointly administered by Austria Wirtschaftsservice (AWS); the national development bank, Oesterreichische Kontrollbank (OeKB); and the Österreichische Hotel- und Tourismusbank (ÖHT). The OeKB dealt with larger companies, the AWS with smaller ones and the ÖHT with applications from the heavily-affected tourism sector.

For exporters, the government introduced a special COVID-19 KRR-Programme, administered through OeKB, which provided a state guarantee in respect of the risks of insolvency amounting to between 50 and 70 per cent of their credit framework. The loan was limited to 10 per cent of the export turnover of large companies and to 15 per cent for small ones. The maximum amount per company group was €60m.¹⁰

Companies experiencing a reduction in turnover of 40 per cent or more could receive a subsidy to help them cover fixed costs such as rents, licence payments and energy costs. The amount of the compensation depended on the relative losses of the business.¹¹ These subsidy payments were part of the Corona Aid Fund programme. Advance corporate tax may be reduced, while corporate tax payments may also be deferred.

Unemployed and the vulnerable considered, although minimally

Unemployment benefits were, partially, increased. Austria has a two-tier unemployment benefit system: higher unemployment benefit for a relatively brief period; and, afterwards, a lower, more permanent benefit called *Notstandshilfe*. At the end of April, it was decided that those who would be transferred to the *Notstandshilfe* between mid-March and end-September would receive full unemployment benefit (*Wiener Zeitung* 2020b: 4). This measure is a half-step towards the trade union demand for a general increase in unemployment benefits. For families in financial difficulties, a special fund was created and initially endowed with €30m. At the end of April, the government announced a €50 monthly payment for a period of three months for those who were unemployed at the outbreak. In respect of this, the fund

8. www.wko.at/service/faq-corona-hilfs-fonds.html. Accessed 26 June 2020.

9. www.bmf.gv.at/public/top-themen/corona-hilfspaket-faq.html. Accessed 26 June 2020.

10. www.bmf.gv.at/public/top-themen/corona-hilfspaket-faq.html. Accessed June 26 2020.

11. www.wko.at/service/faq-corona-hilfs-fonds.html. Accessed June 26 2020.

was increased (*Wiener Zeitung* 2020b: 4). A deferral of rent payments for April to June for those severely affected by the consequences of the Corona lockdown was implemented, while evictions were suspended until the end of June 2020 (*AK für Sie* 2020: 8).

Conclusions

The initial revival of neo-corporatist arrangements was in line with the ‘crisis corporatism’ applied during the 2008/09 crisis (Urban 2015). During the early phase of the epidemic, the Chamber of Business and the trade unions even played a crucial role in implementing the emergency measures targeted at micro-enterprises, i.e. the *Kurzarbeit*. In the midst of the massive dislocation induced by the crisis, the government aimed to build broad social consensus and legitimacy. The early COVID-19 packages had relatively wide social coverage and targeted both SMEs and big export-oriented companies. It is not clear, however, how lasting the revival of social partnership arrangements will turn out to be. Due to its AA+ rating by the major ratings agencies (S&P, Fitch),¹² the government enjoyed favourable financing conditions for its programmes.

12. <https://tradingeconomics.com/euro-area/rating>. Accessed June 26 2020.

Slovenia: protection of regular employment to the fore; but social partners sidelined and strong contestation

Janez Janša and its far-right Slovenian Democratic Party (SDS) came into power one day after the official announcement of the epidemic. This was not the result of an electoral vote but stemmed from the resignation of the previous Prime Minister, Marjan Šarec, and the disintegration of the governing coalition. SDS succeeded relatively quickly in forming a new coalition with the conservative New Slovenia party and two smaller centrist parties. Note, however, that the political weaknesses of SDS's coalition partners means that the new government is practically led by the ruling party. In recent years, the SDS has established deep financial, political and ideological ties with Orbán's Fidesz.

Janša's SDS has already been in power twice, between 2004 and 2008 and in 2012/13. In both periods, it sought to advance neoliberal policies such as a flat tax rate, harsh austerity measures and weakening the institutional power of labour, but it also faced strong popular opposition (Stanojević *et al.* 2016). To manage the COVID-19 crisis, the government established an *ad hoc* advisory group with no legal basis, composed mostly of neoliberal economists, ex-state functionaries, who had already collaborated with Janša during his previous mandates, and representatives of the recently-established Slovenian Business Club (SBS) which represents managers from successful domestic SME exporters.¹³ The trade unions called on several occasions for the 'immediate restoration of social dialogue' and the 'appointment of a government representative to the Economic and Social Council (ECS).'¹⁴ Tripartite consultation was, however, reactivated only in mid-May when the third support package started to be discussed.¹⁵ Parliamentary opposition was marginalised and presented with all-embracing legislative packages that had to be voted for in a fast-track manner. Although the opposition parties were critical towards some measures, they, nevertheless, agreed with the broader framework of the adopted packages.

It is important to highlight that the initial government proposals were very modest and the packages became more encompassing only due to strong public pressures, as well as rising social mobilisation. When asked for subsidies for labour market measures in the second half of March, the representative of the Ministry of Labour replied that [p]ublic finance would not bear the pressures were the state to take on all the costs of the measures' (Hreščak 2020a). The initial modest and rather exclusionary government proposals provoked strong contestation from NGOs, interest groups as well as opposition parties whose suggestions were selectively included *ex-post* in the support packages.

13. <https://necenzurirano.si/clanek/aktualno/to-je-janseva-trinajsterica-za-boj-proti-krizi-766284>. Accessed 26 June 2020.

14. <http://www.konfederacija-sjs.si/novice/index.php?IDnovica=152>. Accessed 26 June 2020.

15. <https://www.mladina.si/197477/sindikati-po-sestanku-z-janso-premier-ni-pojasnil-zakaj-so-bili-vsi-nasi-prvi-predlogi-zavrni/>. Accessed 26 June 2020.

Nevertheless, in each legislation packages introducing measures to attenuate the consequences of the epidemic on the economy, the government intervened in the existing participatory and surveillance structures to curtail labour rights and civil society's right to participation in policy-making, extend the powers of the police and reduce environmental standards in obtaining the building permit. Such a policy-making, together with the fast replacement of leading personnel in various state agencies, including the director of the Statistical Office and Investigation Services, the eruption of the biggest corruption scandal in the history of the country around the state purchase of medical equipment and the Prime Minister humiliating attacks on journalists, especially from national radio and TV, led to a strong wave of protests that emerged at the end of April. The government resignation became one of the central demands of weekly gatherings in Ljubljana and some other larger Slovenian cities that continued in the summer period.

Regarding the adopted packages, in March, the government announced modest measures mainly concerning exemptions from social security contributions and loan provisions. In April, two more substantial programmes were announced. The first, adopted on 2 April, primarily covered labour market and social provisions but included a debt moratorium. This amounted to a value of €3bn, i.e. 6 per cent of GDP.¹⁶ The second package, adopted on 28 April, focused primarily on corporate liquidity and is valued at €2bn, i.e. 4 per cent of GDP.¹⁷ At the same time, the government amended some of the measures from the first package and loosened the eligibility criteria in respect of grants to the self-employed and in connection with one-off payments.

The Slovenian government declared the end of the epidemic on 15 May, the first in Europe to do so.¹⁸ This decision, adopted in a hasty manner, by government decree and contrary to the warnings of health experts, further fuelled social discontent. At the announcement, the government did not propose alternative social measures that would replace the ones, described below and that were to cease with the official end of epidemic. At the end of May, the subventions for the 'waiting for work' workers (see below) were prolonged, but the state maximum reimbursement was limited to the maximum unemployment benefit (€892.50).¹⁹ In addition, the short-time scheme was implemented. To help the tourism sector, the government provided loans and grants to compensate for

16. Intervention measures to mitigate the effects of the SARS-CoV-2 (COVID-19) infectious disease epidemic on citizens and the economy Act, <http://www.pisrs.si/Pis.web/pregledPredpisa?id=ZAKO8190>. Accessed 26 June 2020.

17. Additional liquidity to the economy to mitigate the effects of the COVID-19 infectious disease epidemic Act, <http://www.pisrs.si/Pis.web/pregledPredpisa?id=ZAKO8197>. Accessed 26 June 2020.

18. <https://www.gov.si/en/news/2020-05-15-slovenia-declares-the-end-of-covid-19-epidemic-no-quarantine-for-eu-citizens-from-today/>. Accessed 26 June 2020.

19. Act on Intervention Measures to Mitigate and Remedy the Consequences of the COVID-19 Epidemic, <http://www.pisrs.si/Pis.web/pregledPredpisa?id=ZAKO8206>. Accessed on 31 July 2020.

the income loss and introduced vouchers for all residents of Slovenia in the value of 200€ (persons of full age) and 50€ (persons under 18). The vouchers could also be seen as a sort of political compensation for the ending of other labour market and social measures, implemented in March and April. The government also introduced support for manufacturing activities in affected border areas and for digitalisation of companies.²⁰

Wage subsidies for the regularly employed, small supplements for the self-employed

The Slovenian equivalent of short-time working arrangements is the so-called ‘Waiting for work’ scheme where the employer has stopped providing work for an employee but under which it must pay 80 per cent of the wage basis, determined as average workers’ monthly pay for full-time work in the last three months. Initially, the government proposed to subsidise 20 per cent of the net salaries of employees working in corporations which had not experienced solvency or economic difficulties at the end of 2019.²¹ Afterwards, however, the government accepted that it should consider the demands of employers and trade unions and decided to cover employers’ costs in full. In addition, workers’ net salary should not be lower than the minimum wage. This provision reflected greater social concern than the arrangement which applied beforehand. In addition, employers could apply for salary compensation additionally for workers that were unable to work due to *force majeure*, i.e. childcare due to the closure of schools, etc. In this case, workers are eligible to receive half of the amount of her salary, but not less than 70 per cent of minimum wage.

Employers were divided into two groups. According to the initial legislation, those regularly working in 2019 had to record a decrease of more than 20 per cent of income in the first half of 2020 on the same period in 2019 as well as an income growth in the second half of 2020 no greater than 50 per cent over the same period in 2019. Employers who did not exercise activities during the whole of the previous year should record a fall in income of at least 20 per cent in March and 50 per cent in April compared to February 2020. Later the government further softened the eligibility criteria - those regularly working in 2019 have to record a 10 per cent income decrease in 2020 compared to 2019, while the new business should record a fall in income of at least 10 per cent compared to February 2020. If these conditions are not fulfilled, employers must return all the received funding at the end of the year. The demands and state reimbursement procedures are administered by the Employment Service of Slovenia which was also empowered to send

20. For more background information and details on the Slovenian government’s measures see also the reports of Maja Breznik for Eurofund COVID-19 EU PolicyWatch (Breznik 2020b).

21. <https://damijan.org/2020/03/25/update-vlada-se-heca/>. Accessed 26 June 2020.

workers on the ‘Waiting for work’ scheme for seasonal work on farms and in agricultural firms (Breznik 2020a) (see also below).

There were also specific wage-increase provisions. Public employees exposed to high health risks or work overload were eligible to bonuses of up to 100% of the hourly rate. The allocation of bonuses among public entities is decided by the government, but the decision on eligible persons and the amount of bonus was left to superiors. Workers who continued to work and whose last salary is below three minimum monthly wages were entitled to a ‘crisis bonus’ to their wages of €200, excepted from all taxes and social contributions. Disabled persons working in disability companies and the rehabilitation centres were also eligible for this ‘crisis bonus’. Companies from financial and insurance sector, employing less than 10 workers, were also eligible for this measure. Workers from the cultural sector, however, received no specific support.

The self-employed, but also farmers and religious personnel, received a monthly allocation of €350 (March) and €700 (April and May). Initially, the government proposed a uniform eligibility criterion for all self-employed people, i.e. a decrease in revenue of at least 25 per cent in March and at least 50 per cent in April and May compared to February 2020. In the face of strong opposition (Hreščak 2020b), the government softened the conditions for the self-employed and expanded the coverage of this so-called Monthly basic income from full-time to part-time self-employed as well. Beneficiaries should prove to have at least 10% lower annual income in 2020 compared to 2019, or in case of new business, at least 10% lower monthly income compared to the average monthly income. In case the annual income would decrease less, the beneficiaries will have to return the received support. Farmers and fishermen with registered agricultural activity were also eligible for financial compensation for the loss of income between 13 March and 31 August with the maximum amount of 80% of the minimum wage. Note that financial compensation and monthly income were not compatible as one ruled out the other.

For the period of epidemic, i.e. between 13 March and 31 May, the government also intervened in the labour rights of certain professional groups. The healthcare workers and medical professionals were, among others, not allowed to annual holiday leave and to go on a strike.²² Without her or his consent a public employee could be temporarily assigned to another job position or transferred to another employer. In addition, they could be required to work up to 20 additional hours a week, with maximum of 80 hours a month, by their superior.²³ Finally, the emergency legislation lifted the time restrictions regarding ‘temporary work in agriculture’, which is covered only by a limited

22. https://static.eurofound.europa.eu/covid19db/cases/SI-2020-11_441.html?utm_source=externalDashboard&utm_medium=powerbi&utm_campaign=covid-19. Accessed on 01 August 2020.

23. https://static.eurofound.europa.eu/covid19db/cases/SI-2020-11_446.html?utm_source=externalDashboard&utm_medium=powerbi&utm_campaign=covid-19. Accessed on 01 August 2020.

set of rights, and could, as a rule, take only 120 days. This limitation was suspended until the end of 2020.²⁴

The government also introduced ‘temporary unemployment benefits’ for workers losing their job between 13 March and 31 May but not meeting the requirements for unemployment benefits. These workers were entitled to wage compensation of €513.64.

Tax exemptions, a debt moratorium and loan provisions; but heavily restricted

All employers were exempted from regular payments of social security contributions and profit taxes. Except organisations, financed by the state budget, financial and insurance companies with more than 10 employees, embassies, and foreign organisations, all companies were excluded from paying pension (including the ‘occupational pension’) and disability insurance in April and May. Self-employed, clerics, associates and farmers were also exempted from social security contributions in the period between 13 March and 31 May. Those performing business activities already last year should prove to have 10% lower income in 2020 compared to 2019. In case of new business, average monthly income should be lower by 10% compared to February level. Note that total state aid, i.e. wage compensation and exemption from social security contributions, was limited to €800,000 per company; to €120,000 for a company in fisheries and aquaculture; and to €100,000 for a company in agriculture. The only exceptions were large corporations for which state aid could exceed €800,000, but here additional restrictions applied: these corporations should have at least 250 employees, revenues of more than €40m and at least €20m in assets.²⁵ As elsewhere, state aid could only be used in respect of employees that would otherwise be dismissed.

Worth about €200 million, the debt moratorium programme allowed for the delayed, or deferred, payment of loan obligations by companies, farmers, not-for-profit organizations, and individual persons for twelfth months. The inability to meet debt obligations should be related to the outbreak of the epidemic and the borrower should provide monthly reports on solving financial difficulties. The initial guarantee program, implemented in late March, was valued at only €200 million and covered 50 per cent of instalments for those enterprises whose activity was cut by the government or municipal decree on the lock down, or in other case 25 per cent of instalments. At the end of April, a bigger guarantee program estimated at about €2bn was implemented for the provision of new loans by commercial banks. The loans should have

24. https://static.eurofound.europa.eu/covid19db/cases/SI-2020-15_482.html?utm_source=externalDashboard&utm_medium=powerbi&utm_campaign=covid-19. Accessed on 01 August 2020.

25. <https://necenzurirano.si/clanek/aktualno/to-je-zakon-za-pokop-in-ne-resitev-slovenskega-gospodarstva-772943>. Accessed on 03 August 2020.

been contracted after 12 March and before the end of the year and fall for repayment within five years. Pushed by warnings from the business sector and even its own advisory group, the government reluctantly accepted to provide guarantees of 70 per cent and 80 per cent of the principal amount of the loan for, respectively, big corporations and SMEs. The value was, however, rather limited as loans must not have exceeded 10 per cent of turnover and the amount of personnel expenses in 2019. The loans should have been used for the financing of investments, working capital and repayment obligations taken between 13 March and 31 May. Only those companies that were not experiencing any economic or solvency difficulties before December 2019 and which faced difficulties because of the epidemic could apply for state guarantees. In addition, they should pay no profits and performance bonuses and do not acquire their own shares or finance obligations of parent/affiliated companies or owners. The guarantee programmes have been coordinated by the Slovenian Export and Development bank (SID bank), which received new responsibilities for this purpose.

A moratorium was declared on all the obligations of companies related to bankruptcy and insolvency procedures for enterprises which became insolvent because of the epidemic. This moratorium was valid for up to three months after the end of the lockdown, i.e. until 31 August. In addition, for the same period, the debtor had 4 months instead of previous 2 for financial restructuring to avoid bankruptcy after a creditor files for a bankruptcy proceeding over a debtor. Note that the relaxation of bankruptcy procedures also provided workers with a direct access to the Guarantee Fund for unpaid wages, sick or annual leave and severance payment. After June 2020, however, the workers could access to the Guarantee Fund only after the court's final decision in bankruptcy procedures.²⁶

Some rent provisions were put in place. The tenants of business buildings or offices which are owned by the state or by municipalities were exempted from the payment of rent between 13 March and the end of the epidemic.

Low one-off payments

Several social groups with permanent residence in Slovenian were entitled to tax-exempted monthly grants. A one-off allowance of €150 was allocated to the beneficiaries of family and childcare allowances, persons on maternity or paternity leave, family assistants, students, farmers older than 65 years and some other vulnerable groups. Those receiving child benefits received additional €50, while bigger families received 100€ (with three kids) or 200€ (with four children and more). Finally, pensioners and unemployed disabled persons with income below €700, i.e. the net minimum wage, received a supplement ranging between €130 and €300. It is most likely that this

26. https://static.eurofound.europa.eu/covid19db/cases/SI-2020-11_481.html?utm_source=externalDashboard&utm_medium=powerbi&utm_campaign=covid-19. Accessed 01 August 2020.

measure was related to the presence in the coalition of one of the two smaller parties, i.e. the Democratic Party of Pensioners of Slovenia.

Conclusions

Overall, the Slovenian government followed a pragmatic ‘minimum necessary’ approach regarding the measures to mitigate the social consequence of the lockdown. It was only due to significant public pressure that the government expanded its programmes, elaborated mostly outside the tripartite Economic and Social Council, that covered larger segments of the population, but especially reduced the burdens and risks on employers. Excluded from government support in particular, however, were workers on temporary employment and from the cultural sector, while the support for the self-employed stopped in May. When considering, in addition, the government’s aversion to participatory policy-making, it is far from surprising that, despite the lockdown, strong protest demonstrations emerged during the first months of the epidemic.

Czechia: employment protection focus; massive governmental pledges; mediocre disbursements

The current Czech minority government, in power since summer 2018, is led by the centrist *Akce nespokojených občanů* (ANO), led by Andrej Babiš, in coalition with the Czech Social Democrats (ČSSD). The government is also supported by the Czech communists (KSČM). Prime Minister Babiš is well-known for his derogatory statements about SMEs and his support for large companies.²⁷ The self-employed and small business owners are mostly represented by opposition parties. The loudest criticism of the government's conduct originated with, unsurprisingly, SMEs and self-employed people.²⁸ ČSSD has traditionally had a close affiliation with labour unions, particularly the Czech-Moravian Confederation of Trade Unions – ČMKOS,²⁹ so the demands of the unions are, therefore, reasonably well-represented (Ripka 2010: 443-444).

The government declared a state of emergency and closed its external borders on 12 March. The tripartite Council of Economic and Social Agreement (CESA) was consulted regularly during the Corona crisis, although the real influence of both employers (officially represented mainly by the Confederation of Industry of the Czech Republic – SP ČR)³⁰ and employees (mostly ČMKOS) was rather limited. There were also some internal struggles within the government regarding the leadership of the Central Crisis Committee. Contrary to the original statutes, this was initially headed by deputy Minister of Health Prymula, who is associated with ANO. After some protest, Babiš appointed the Minister of the Interior Jan Hamáček (ČSSD) as the head of the Committee. Hamáček soon created an economic advisory team including an unusually high number of the proponents of more heterodox economic strategies (Švihlíková, Fassmann). This was soon countered by ANO with the restoration, after several years of inactivity, of the National Economic Council (NERV). This Council was dominated by big business and the adherents of mainstream economics and is statutorily more senior to the Central Crisis Committee's economic advisory team.³¹

The government did not develop any comprehensive economic strategy in response to the crisis. Economic measures were approved from 9 March in a rolling programme and upgraded and supplemented on 16, 19, 23 and 26 March, etc. in response to public pressure and the immediate most urgent

27. https://www.idnes.cz/zpravy/domaci/babisovo-ano-stale-meni-program.A131022_201923_domaci_zt. Accessed 26 June 2020.

28. <https://www.ceskenoviny.cz/zpravy/opozice-vita-vladni-plan-chce-ale-detaily-o-podpore-podnikatelu/1879089>. Accessed 21 May 2020.

29. Traditionally, the leaders of ČMKOS were subsequently elected into the Czech parliament as representatives of ČSSD.

30. The Czech Chamber of Commerce was also consulted quite extensively. This organisation represents the interests of Czech business by law, but it is not a part of CESA.

31. Although Švihlíková was also admitted to the new NERV.

needs of the economy. Some of the measures were government decrees while some needed parliamentary approval, but the process was relatively smooth since most laws were funnelled through parliament in a fast-track procedure.

According to the government's announcement of 21 April, the total help provided by the government would be worth 1.19 trillion Czech koruna (CZK), which amounts to approximately 20.4 per cent of GDP. Direct help accounts for 4.6 per cent of GDP, guarantees and other forms of liquidity should provide help amounting to 15.4 per cent of GDP, while tax deferrals should amount to an additional 0.4 per cent.

Kurzarbeit in favour of large companies and compensation for the self-employed³²

The government was quick to provide support regarding the increase in unemployment (*Kurzarbeit*) and company bankruptcy; the first version of the programme being approved by the government on 19 March. The so-called 'Anti-virus programme',³³ administered by the Ministry of Labour and Social Affairs (ČSSD), was essentially a *Kurzarbeit* programme in which the state reimbursed employers for paying compensation for lost wages due to problems at work. Companies had to fulfil several conditions, like a pursuit to the Labour Code, payment of wages, etc. and also had to prove that any liquidity problems were connected to the pandemic. The amount of state compensation paid to employers was derived from the average gross wage including mandatory contributions (up to CZK 48,400) and depended on the reasons for the problems at work. The programme was intended to close on 31 August. Both ČMKOS and SP ČR actively participated in designing the programme.³⁴

Employees were provided, including retrospectively, with a carer's allowance amounting to 60 per cent of the daily wage for the entire duration of the closure of schools, kindergartens and other facilities (otherwise the maximum period would be for nine days). The same allowance, of CZK 424 per day, was also provided for those who were self-employed who have a child younger than 13 years of age going to school or other facilities which were closed due to the coronavirus. The self-employed are not normally eligible for this allowance, so this is quite a significant relief as it amounted to approximately 37 per cent of the average 2019 wage.

32. <https://www.vlada.cz/en/media-centrum/aktualne/measures-adopted-by-the-czech-government-against-coronavirus-180545/>. Accessed 23 June 2020.

33. In terms of participants, this was by far the most important measure with more than 1.4 million people benefiting from the programme by the end of June.

34. https://www.irozhlas.cz/ekonomika/program-covid-vlada-podpora-firem-josef-stredula_2004281015_jak. Accessed 8 July 2020.

Quite surprisingly, the government was relatively quick in adopting a compensation bonus for the self-employed up to an amount of CZK 25,000 (parliamentary approval given on 9 April). The designated time period was 12 March to 30 April. Later, an amendment to the Act on the Coronavirus Compensation Bonus provided the self-employed with an allowance of CZK 500 per day until 8 June.

Tax exemption, targeted loans and guarantees

The Ministry of Finance (ANO) extended the deadline for the filing of tax returns until 1 July (normal deadline: 31 March) and promised the remission of various fines. These were provided in two so-called Liberation Packages: Liberation Package I provided exemptions from fines for the late submission of various tax-related documents; while Liberation Package II included the remission of advanced personal and corporate income tax, due in June, allowing the suspension of the obligation to record revenues for entities in all phases of the Electronic Sales Control System (EET) (during the state of emergency and for three months thereafter). The Liberation Packages were extended to encompass a deferral of the payment of road tax, due in April and July, to 15 October and to include a proposal for VAT exemptions from goods supplied free of charge. Ultimately, all waves of the EET were postponed until the end of 2020.

The government also deferred the payment of employers' social security insurance premiums and contributions. All the self-employed, who have income only from their business, were given six-month holidays from the payment of health and social insurance covering the amount of the minimum insurance premium, i.e. CZK 4,896.

In the early period, the government adopted three guarantee programmes: COVID I-III. COVID I was approved on 9 March and COVID II on 19 March. These were adaptations of existing programmes in line with the new conditions and mostly redirected already-pledged money to different uses. COVID I amounted to CZK 600m in interest-free credits from the Czech-Moravian Guarantee and Development Bank (CMZRB) and was supposed to ease the situation for SMEs. Credit was provided for up to 90 per cent of eligible project expenditure. COVID II entailed interest-free loans from commercial banks, guaranteed by CMZRB. The government allocated 5bn CZK to CMZRB for this programme, with CMZRB paying interest to commercial banks. The total credit provided to businesses was envisaged as reaching CZK 30bn. The Prague area was excluded since COVID II was financed from EU cohesion funds, with the local government in Prague starting its own programme, COVID Prague (CZK 500m). COVID III was a completely new and much larger programme through which the state supported companies with up to 500 employees by securing their debts to a total exposure of CZK 500bn in guarantees. This made it by far the most important programme in terms of pledged funds. This programme was adopted much later, on 18 May. State aid covered operating loans of up to CZK 50m provided to companies before 31

December 2020. Depending on their number of employees, companies would be able to apply for an operating loan of as much as 80-90 per cent of the principal of the guaranteed loan.³⁵

The distribution of the funds was administered mostly by commercial banks. This was intended to ease the administrative burden on CMZRB which had earned much criticism for its handling of the two previous programmes.³⁶ In particular, COVID I and II were criticised by ČMKOS since they basically only redirected existing funds while the distribution process was very slow. In the case of COVID III, ČMKOS succeeded with its demand that companies asking for help cannot be located in tax havens.³⁷

In order to alleviate the situation for exporters, the government implemented the Guarantee COVID Plus programme. The state-owned Export Guarantee and Insurance Corporation (EGAP) provided an additional CZK 4bn in guarantees for exporters, while its insurance capacity was significantly strengthened (with an additional CZK 188bn) and the range of permissible conditions broadened. EGAP primarily provided guarantees for loans to large companies.

Redistribution of the burden with a debt moratorium, rent provisions and help for hospitals

The government decided to implement some regulations which would result in a *de facto* redistribution of the burden of the crisis. First, there was a moratorium on the repayment of loans and mortgages signed before 26 March 2020, binding on all banks and non-banking companies. Both individual and corporate debtors would be able to suspend their repayments for three or six months, as they chose. Second, companies which were forced to close their premises due to government orders were entitled to rent deferrals. Third, a ban was adopted on terminating the rental contracts of people who were not able to pay rent due to financial distress caused by the COVID-19 epidemic. Finally, the government passed a bill to mitigate the impact of the crisis in the tourism sector; this aimed to help travel agencies threatened with bankruptcy.

In addition to these programmes that were expected to increase state expenditure, the government decided to allocate CZK 6.5bn to infrastructure investment through the State Fund for Transport Infrastructure. In order to save some hospitals from insolvency, the government allocated almost CZK 6.6bn out of the government's budget reserve to bail out some state-run

35. <https://www.mpo.cz/en/guidepost/for-the-media/press-releases/overview-of-help-for-entrepreneurs-and-sole-traders--253718/>. Accessed 23 June 2020.

36. https://www.irozhlas.cz/ekonomika/koronavirus-cesko-covid-uver-financi-pomoc-podnikani-ekonomika_2004270721_kro. Accessed 8 July 2020.

37. https://www.irozhlas.cz/ekonomika/program-covid-vlada-podpora-firem-josef-stredula_2004281015_jak. Accessed 8 July 2020.

hospitals. This was criticised by regional governments since their hospitals faced similar problems but were not eligible for debt relief. At least a partial remedy might, however, be provided by a bill on the transfer of public health insurance premiums under which the government envisages increasing the payment for each individual insured by the state by CZK 500 per month from 1 June and by another CZK 200 per month from the beginning of 2021.³⁸

The government also proposed the abolition of property acquisition tax in order to stimulate the property market. However, this proposal includes the abolition of mortgage-related tax deductions and its overall budgetary impact is, therefore, uncertain.

Central bank's monetary interventions

The country has retained its own currency – the Czech koruna – which gives it some leeway in terms of an effective monetary and/or exchange rate response to the crisis. The Czech National Bank is in possession of massive currency reserves worth approximately \$145bn. The koruna depreciated by eight per cent between 9 March and 19 March but has since then remained stable and official statistics suggest that there has been no significant intervention on the part of the CNB. The CNB was initially hesitant to react to the crisis but, once it decided to do so, its measures were quite decisive and its representatives have announced their readiness to intervene should the koruna depreciate significantly more. The CNB has cut the interest rate twice: on 26 March by 75 base points; and by a further 75 points on 7 May. Altogether, the two-week repo rate has been lowered to 0.25 per cent. Additional measures aimed at easing conditions in the financial market, such as the relaxation of credit ratio limits for new mortgages, have also been introduced.³⁹

Coincidentally, as the crisis struck, the government was about to submit an amendment to the Act on the CNB concerning its open market operations. This amendment, passed in April, broadened the Bank's competences so that it could more easily engage in quantitative easing, if necessary.

Conclusions

The Czech government delivered a sequence of various measures intended to alleviate the economic pain caused by the COVID-19 epidemic. Unlike other countries, Czechia did not adopt a coherent comprehensive plan to combat the economic consequences of the virus; measures have instead been adopted in a rolling way as dictated by new economic developments and in response to the criticisms of various interest groups in Czech society. This rather

38. <https://www.ceskenoviny.cz/zpravy/mf-schvalilo-6-6-mld-kc-na-oddluzeni-sesti-statnich-nemocnic/1888724>. Accessed 23 June 2020.

39. <https://www.cnb.cz/en/cnb-news/press-releases/CNB-cuts-interest-rates-and-adopts-additional-measures-00002/>. Accessed 21 May 2020.

uncoordinated attitude and the lack of a clear strategy has been criticised by representatives of both employers and employees. However, the new measures tended to come into effect quickly and had retrospective impact.

Among the initial adopted measures, within the first three weeks of the epidemic, were the Anti-virus programme, extended carer's allowance, tax deferrals, COVID I and II and the compensation bonus for self-employed. New programmes and extensions of older ones followed (Anti-virus programme C, COVID III, etc.). Some of the measures, such as the original Anti-virus programme, were adopted after extensive consultation with trade unions and other partners. These programmes tended to be administered by ministries controlled by ČSSD. Other measures were designed without much participation from the social partners.

The chair of ČMKOS, Josef Středula, has voiced his criticism of the COVID I and I programmes, arguing for more rapid liquidity provision and urging even more extensive tripartite consultation. Some of the trade union proposals, such as the increase of unemployment benefits, have simply been ignored. However, this might be caused by the relatively low urgency of the matter since the Czech economy entered the crisis with record low levels of unemployment and the adopted measures have, so far, prevented any significant increase.

In terms of real economic spending/guarantees, the government fell short of its extensive promises. As of the end of June, the real economic help amounted to only about CZK 100bn, some 8.4 per cent of the total pledged. The most important measures were tax deferrals (CZK 27.8bn) and some of the programmes which provided direct help, such as the compensation bonus for self-employed people (CZK 20bn) and the Anti-virus programmes (CZK 14.24bn). The various COVID-19 guarantee programmes also provided some CZK 18bn worth of help.

Slovakia: meagre social and economic measures in a globally-exposed economy

Slovakia was in the middle of the transition from one government to another after a parliamentary election when the COVID-19 crisis hit the country. One major contributory factor to the transition was the murder of a journalist and his fiancée in February 2018, which led to massive protests against the government. A (culturally conservative) social democratic government – consisting of the largest party SMER-Social Democracy; the nationalist Slovak National Party; Most-Híd, the interethnic Hungarian-Slovak party; and the centre-right party, Sme rodina, which disintegrated soon after the election – was replaced by a large coalition dominated by a somewhat populist conservative centre-right party Obyčajní ľudia a nezávislé osobnosti (Ordinary People and Independent Personalities, OĽaNO) led by an eccentric prime minister, Igor Matovič. The coalition, which engaged in a strong anti-corruption, rule of law, conservative, xenophobic and socio-economic left-wing pre-election rhetoric, further includes the neoliberal party Sloboda a solidarita; another centre-right party, Za ľudí; and a populist party, Sme rodina.

The new government introduced various health and economic measures in reaction to the pandemic. The ‘First Aid’ package, which included compensation for lost wages and income and which included bank guarantees (detailed below), was introduced on 31 March. This was 25 days after the first confirmed patient with COVID-19. The package was complemented with ‘Second Aid’ on 14 April, which included the deferral of debt repayments.

According to the Council for Budgetary Responsibility, the economic measures adopted during the first three months of the crisis are expected to amount, in total, to 4.4 per cent of GDP (€3.836bn). From this, 1.7 per cent of GDP (€1.486bn) is accounted for by direct aid in the form of tax concessions, social and health insurance exemptions and subsidies aimed at securing jobs. These subsidies are, however, financed for the most part from the European Social Fund (85 per cent). Thus, only 0.7 per cent of GDP (€564m) is envisaged to come from national sources. The deferral of taxes and insurance makes up one per cent of GDP (€850m) and loan guarantees a further 1.7 per cent (€1.5bn).⁴⁰

Similar to the rest of the countries analysed here, Slovakia is an open economy with a particularly dominant automobile industry and it is expected to suffer greater damage from the global economic problems than from the national measures. The government, therefore, aimed merely at ‘preserving employment, liquidity for individuals and SMEs and maintaining creditworthiness in the economy.’⁴¹

According to the Confederation of Trade Unions of the Slovak Republic (KOZ SR), the first economic reaction came at the last minute (Uhlerová 2020: 9).

40. https://www.rozpoctovarada.sk/vo_download/ko_covid_19_20200430.pdf. Accessed 18 August 2020.

41. <https://www.cvp.sk/content/suhrnna-sprava-covid.pdf>. Accessed 29 April 2020.

The measures were developed without any official negotiation with the social partners and were prepared by the Ministry of Finance, although non-official discussions included a meeting with representatives of Club 500 (a lobby group for the 500 largest Slovak companies). According to Monika Uhlerová, the vice-president of KOZ SR (writing in April 2020), ‘Discussions and negotiations with the government included only entrepreneurs and employers with the exclusion of employees and their representatives’ (Uhlerová 2020). Milan Kuruc, from the NGO ‘The Working Poor’, stated on 31 March that changes in the Labour Code had been approved by the government without prior negotiation with the unions, which means that the government broke several laws.⁴² Reacting to the immediate comments of the unions, the government withdrew the disputed measures and promised to negotiate with the unions in the future (see also Uhlerová 2020: 10). A lack of tripartism may have been due to the urgencies the government faced and the fact that tripartism has not resumed immediately after the new minister entered his office. According to a comment on this paper from Marta Kahancová, employers were more active in lobbying, while unions were waiting for the formally established social dialogue.

At the end of March 2020, several employer associations demanded the creation of an economic advisory body to the Minister.⁴³ They also complained that the initial economic measures ignored large companies (with unions agreeing to this criticism).⁴⁴ On 17 April, the Minister of Finance (OLaNO) created such a body – the Economic Crisis Committee – which is now composed of 16 members. Furthermore, before that, and in reaction to the comments, support for large companies was also introduced.

The Economic Crisis Committee consists to a relevant extent of people who could be described as ideologically close to the centre-right orientation of the government and there is also only one woman in the Committee.⁴⁵ Employers’ representatives are not members of the Committee and the Federation of Employer Associations of the Slovak Republic has complained about their absence from it.⁴⁶ However, there are economists on the Committee from think tanks which are financially supported by large corporations such as INEKO or INESS. To offer a fuller picture, it should be mentioned that, at the end of April, the Committee invited a union representative to discuss the current issues.⁴⁷

42. https://www.facebook.com/milan.kuruc/posts/10157534597543649?__tn__=H-R. Accessed 28 June 2020.

43. <https://ekonomika.sme.sk/c/22372549/zamestnavatelia-pozaduju-urychlene-zriadit-hospodarsky-krizovy-stab.html>. Accessed 28 June 2020.

44. <https://ekonomika.pravda.sk/firmy-a-trhy/clanok/547197-velke-firmy-prva-pomoc-vlady-sklamala-hrozia-prepustanim/> Accessed 28 June 2020.

45. <https://www.mfsr.sk/sk/media/tlacove-spravy/clenovia-ekonomickeho-krizoveho-stabu.html>. Accessed 28 June 2020.

46. <https://www.azss.sk/2020/04/ekonomicky-krizovy-stab-bez-zastupcov-zamestnavatelov/>. Accessed 28 June 2020.

47. <https://www.kozsr.sk/2020/05/04/rokovanie-ekonomickeho-krizoveho-statu-aj-za-ucasti-zastupcu-odborov/>. Accessed 28 June 2020.

Swift, but limited, income compensation

The most important measures adopted by the parliament included financial subsidies aimed at securing jobs, the Slovak version of *Kurzarbeit* (which does not have a crisis fund that would be gradually built), with the state paying 80 per cent of the wage for an employee who could not work because the workplace was closed by the Office of Public Health.⁴⁸ Such an employee cannot be fired during a two-month period after receiving this payment from the state. The support to one company can be up to €800,000 during the crisis period, with each employee receiving a maximum of €1,100 per month. Another form of support included state subsidises for self-employed people and employees working but experiencing a decline in revenues. In this form of support, the maximum amount per employer is €200,000 per month.

The self-employed, one-person companies and individuals who could not work and had no income because of the crisis could receive €210 per month during the crisis period (€105 for March 2020).⁴⁹ Furthermore, as mentioned below, individuals were given the opportunity to defer their mortgages for nine months.

In terms of social measures, employees who were quarantined and workers looking after family members on sick leave had 55 per cent of their gross wage covered by the state. Unemployment benefit was also extended from six to seven months.⁵⁰

Debt moratorium, guarantees and bridging loans

The state also focused directly on Slovak companies with the offer of bank credits and guarantees. SMEs could apply for a loan administered by commercial banks of which 80 per cent was guaranteed by the state and, as long as employment is retained, the guarantee may be combined with interest rate relief of up to four per centage points. These loans could be for amounts up to €1.18m but could not be used for the refinancing of old loans. Furthermore, the government provided bridging loans to SMEs and the self-employed of up to €500,000, with repayments and interest deferred for one year, and again there would be interest rate relief if employment is maintained. The companies needed to meet conditions, such as the non-existence of social and health insurance arrears and not being in bankruptcy or restructuring proceedings, and they had to maintain jobs after the period of the crisis. Loans and guarantees were administered by the Export-Import Bank of Slovakia, the Slovak Guarantee and Development Bank and Slovak

48. Initially there was a €200 000 cap that was heavily criticized by large employers.

49. https://www.rozpocetovarada.sk/vo_download/ko_covid_19_20200430.pdf and <https://www.bmb.sk/wp-content/uploads/2020/04/www.bmb.sk-newsfilter-2020q1-bmb-newsfilter2020-1q-en-fin-1.pdf>. Accessed 30 and 14 April 2020, respectively.

50. <https://ekonomika.pravda.sk/ludia/clanok/547030-stat-sa-pokusa-zachranit-firmy-postaci-sedem-opatreni/>. Accessed 28 June 2020.

Investment Holdings. Finally, new European rules⁵¹ enabled the adoption of provisions for a 90 per cent guarantee for loans of up to €2m and of 80 per cent for loans up to €20m.⁵²

The state introduced not only new credits but also a debt payment moratorium. SMEs, the self-employed and individuals could have their mortgages and other loans deferred by nine months and, in the case of non-banking and financial leasing companies, by a maximum of six months. However, the interest arising during these nine (or six) months does have to be repaid. Deferral was permitted only as regards those who were not in arrears with their repayments, and applicants had first to make a reasonable attempt to reduce their fixed costs while also preserving jobs.⁵³

Another set of changes concerned taxes and social and health insurance contributions. Income tax returns were deferred until the end of the pandemic while sanctions for missing tax deadlines were lifted. Taxpayers were able to decrease their tax base by a one-off amount of the unutilised tax losses declared for 2015-2018, up to a maximum amount of €1m. In the case of a decrease in revenues of at least 40 per cent, the possibility was also created to defer advanced corporate tax, social and health insurance contributions and the tax on motor vehicles for employers and the self-employed. Those businesses that had to close in April for at least 15 days did not have to pay social and health insurance contributions for this month, a measure which the government had the power to extend.⁵⁴

Conclusions

Overall, the unions welcomed the deferral of loans and mortgage repayments, taxes, tariffs and social and health insurance contributions and exemptions, the subsidised loans for businesses and the simplification of the process of applying for a subsidy to protect a job, as well as the changes to sick leave arrangements. On the other hand, other measures have been perceived by the unions as ‘Unclear; insufficiently effective, quick or efficient; inflexible; with serious limitations narrowing the number of entitled recipients and being administratively demanding’ (Uhlerová 2020: 9). Furthermore, Uhlerová criticised the adoption of economic proposals that were not directly related

51. https://ec.europa.eu/competition/state_aid/what_is_new/sa_covid19_2nd_amendment_temporary_framework_en.pdf. Accessed 18 August 2020.

52. https://e.dennikn.sk/1891027/sef-sih-ivan-lesay-s-novym-programom-zaruk-sa-uvery-dostanu-aj-k-rizikovejsim-klientom/?_ga=2.160685689.513987920.1589226540-1920287155.1589226540. Accessed 28 June 2020.

53. https://www.rozpocovarada.sk/vo_download/ko_covid_19_20200430.pdf and <https://www.bmb.sk/wp-content/uploads/2020/04/www.bmb.sk-newsfilter-2020q1-bmb-newsfilter2020-1q-en-fin-1.pdf>. Accessed 30 and 14 April 2020, respectively.

54. https://www.rozpocovarada.sk/vo_download/ko_covid_19_20200430.pdf. Accessed 30 April 2020; <https://www.bmb.sk/wp-content/uploads/2020/04/www.bmb.sk-newsfilter-2020q1-bmb-newsfilter2020-1q-en-fin-1.pdf>. Accessed 14 April 2020; <https://www.cvp.sk/content/suhrnna-sprava-covid.pdf>. Accessed 29 April 2020.

to the negative effects of the spread of the virus, amounting to an abuse of the crisis, such as the possibility to write-off old debts.⁵⁵

As mentioned earlier, Slovakia is an open economy and the large share of GDP arising from the automobile industry makes it vulnerable in times of crisis (Uhlerová 2020: 3). From this perspective, the policy of the government will remain important if economic decline in the main trading partners, connected to this pandemic, continues.

Despite the criticisms, some of the measures, such as the deferral of loan or tax payments, were perceived positively by several prominent mainstream economists such as the former Minister of Finance, Ivan Mikloš, and the current governor of the National Bank of Slovakia, Peter Kažimír.⁵⁶ Even so, Ivan Bosňák, director of the financial department at Bratislava County, was critical of the missed opportunity to use spare money in the Cohesion Fund and the co-financing possibilities offered by the European Commission.⁵⁷

55. <https://www.kozsr.sk/2020/05/09/legislativa-pod-ruskom-korony/>. Accessed 8 June 2020.

56. <https://e.dennikn.sk/1934891/miklos-kazimir-molnarova-odor-vasakova-beblavy-hovoria-co-sa-vlade-podarilo-a-co-pokazila-panel-expertov-e/?ref=mpm>. Accessed 28 June 2020.

57. <https://e.dennikn.sk/1932010/unia-nam-ponukla-tri-miliardy-no-my-vsetko-komplikujeme-neminame-a-rozpravame-o-prazdnej-spajzi/>. Accessed 28 June 2020.

Hungary: SME funding; labour market liberalisation; lowest possible social protection⁵⁸

Since 2010, Viktor Orbán's right-wing Fidesz has governed in coalition with KDNP. In the 2018 general election, the Fidesz-KDNP coalition gained a two-thirds majority of parliament, i.e. enough votes to change the constitution. However, opposition parties gained important bastions of representation in the 2019 municipality elections. The Orbán government is characterised by nationalist and authoritarian forms of governance that has resulted in democratic backsliding, reducing the influence of political, social and civil society actors on the policy formation process. Its economic policy is defined by a mix of financial nationalism in banking and Hungarian forint dominance in finance, with almost no credit denominated in euros or Swiss francs (Johnson and Barnes 2015); a drive to enrich domestic capitalists and rely on them for the conduct of economic policy (Laki 2020); neoliberal labour and tax policies to appeal to certain foreign investors and specific measures to counter others (Toplišek 2019; Tóth 2015); and opening up to eastern markets (Jacoby and Korkut 2015).

The Corona crisis hit Hungary in mid-March 2020, followed by the official announcement of closures. The government's exceptionally strong emergency powers were in place until 16 June 2020. The measures to deal with the economic consequences of the crisis were announced in two steps: first, a smaller package was adopted in mid-March; followed by a more substantial package in late April. In parallel, the central bank launched various measures to reduce pressures on the state budget and provide funding for SMEs and large domestic corporations. These measures were developed without formal consultations with the social partners and took the form of government decrees. The crisis measures followed the path previously set out by Orbán's government. They primarily catered to the interests of domestically-controlled SMEs and Hungarian-controlled larger corporations; further liberalised the labour market to ease adjustments for multinationals; included a secret, sizable railway investment contract with Chinese investors; and utterly disregarded the needs of the poor and precarious workers. Some measures were designed to weaken opposition-controlled mayors.

Announced on 18 March, the initial package mobilised only 1 per cent of GDP. It contained the removal of legal restrictions with the aim of minimising human contact. In addition, those sectors that were hard-hit due to border closures – such as tourism, catering and the media – received government support: the tax burden was decreased; and the Hungarian Tourism Agency was allocated HUF 1 bn. The budget was also redesigned with the use of reserve appropriations made faster and more flexible.

⁵⁸. Data for this analysis comes from the Ministry of Finance (2020) and the Ministry of Innovation and Technology (2020). Data comes from these two presentations unless otherwise indicated.

Moreover, the government introduced tax breaks as well as new taxes. Tax breaks included tax holidays in certain sectors as regards employers' social security contributions and for small businesses until June. Employees' contributions were reduced to the level equivalent to the basic health insurance contribution. Finally, tax debts were declared payable after the end of the state of emergency for certain SMEs under a special tax regime called KIVA. Enforcement measures arising from tax arrears were also suspended.

Two new taxes were introduced. First, retailers with annual revenues of over HUF 500m were required to pay between 0.1 per cent and 2.5 per cent in additional tax, based on net turnover, but only those enterprises with turnover exceeding HUF 100bn were required to pay the top rate. The expected fiscal impact is HUF 36bn in 2020. Second, a one-off tax was introduced on the financial sector under which a tax of 0.19 per cent was levied on that part of the tax base which exceeded HUF 50bn. Financial institutions are, however, entitled to subtract the paid-in tax from the already-existing 'bank tax' over the next five years. Budgetary revenues of HUF 55bn are expected from this measure. The beneficiaries of the tax breaks are envisaged to be Hungarian-controlled SMEs while the subjects of the retail and financial sector tax are thought, mainly, to be multinationals although, in the case of the banking sector, large Hungarian banks are also subject to the new taxes.

Collections from the new taxes are regarded as being significantly smaller than the budgetary costs of the tax holidays and other measures, so there was clear political signalling involved in undertaking the measures.

In addition, the Orbán government also announced a debt payment moratorium (debt liability deferral). This was introduced for all debtors of credit, loan and financial lease contracts until 31 December 2020, i.e. for both enterprises and households, although borrowers may choose to opt-out. The government also announced an annual percentage rate limited to the central bank base rate plus five per cent for non-secured consumer credit taken out after 19 March 2020. No compensation or guarantee scheme for the banks was envisaged. Thus, the cost of these measures falls primarily on the banks.

Finally, as part of the initial package, a few measures provided minimal social protection. This included the extension of various expiring maternity entitlements; the suspension of evictions, confiscations and tax-related cases; and a halt to the charging of any penalties in relation to tax debts during the state of emergency. The government also sought progressively to re-introduce a thirteenth month pension, providing an additional one-week pension in each January during the next four years.

Kurzarbeit; increasing the working time reference period; side-lining trade unions

The initial programme was based only on cosmetic measures, so a broader economic programme targeting the labour market and provisioning new loans and equity programmes was announced on 7 April and implemented as from 22 April. According to the government's calculations, the announced measures, including the programmes launched by the central bank, will effect some 18-20 per cent of GDP over three years, around seven per cent in 2020 alone. The government was the sole author of these measures although the employer association also made similar suggestions.⁵⁹

The labour market measures included the introduction of a Hungarian *Kurzarbeit*, i.e. state subsidies for short-term working during the unavoidable lockdown. The measures were introduced in two steps. In the first package, the state took over 70 per cent of lost salary for those whose working time was reduced up to 50% (meaning that there was no subsidy paid for workers whose working time was reduced by more than 50%). In the second package, this limit was increased to 75% working time reduction.⁶⁰ These measures were, however, extremely limited: they only applied for three months, those not working received no compensation, and companies must have applied for it and justify that their company serves 'national interest'. They were also linked to training provisions provided by the employer. The second package also included temporary agencies into the programme and made the training provision clause more flexible (it can be provided within a two-year period). The size of the wage subsidy was also limited and could reach only HUF 112,000, much lower than in programmes in other Visegrád countries.⁶¹ However, employees working in R&D were entitled to receive up to HUF 319,000.

Moreover, another measure authorised employers to implement a working time reference period of up to 24 months without consultation with works councils or trade unions. This regulation decreased the negotiation power of trade unions as well as the effect of pre-existing collective agreements signed between employers and employees.

This legislation – like the 2018 modification to the Labour Code – served the interests of multinationals by helping them manage the challenges of the crisis-hit world economy through optimising labour costs (Gerőcs and Pinkasz 2019). Trade unions – as articulated by Magyar Szakszervezeti Szövetség

59. https://index.hu/gazdasag/2020/03/26/szakszervezeti_szovetseg_ez_a_rabszolgatorveny_a_negyzeten/. Accessed 14 May 2020.

60. https://nepszava.hu/3075238_maris-modositjak-a-magyar-kurzarbeit-szabalyait. Accessed 1 May 2020.

61. https://qubit.hu/2020/05/13/kiszivarogtak-a-kormany-gazdasagvedelmi-akciotervenek-reszletei-eddig-keves-penz-ment-munkahelyek-vedelmere-es-meg-kevesebb-szocialis-valsagkezelesre?_ga=2.59272429.1761653343.1589111012-1490388734.1586011213. Accessed 18 May 2020.

(MASZSZ) – have been critical of this approach; nevertheless, their opinion was not taken into account by policy-makers.

SME-targeted development loans and guarantees

The core of the Orbán government's COVID-19 crisis management consisted of the provision of preferential loans of up to HUF 2,000bn and guarantees worth more than HUF 500bn. The loans would be distributed through a number of state funds, sovereign wealth funds and development banks, and other development institutions (for example Széchenyi Job Retention Loan, Eximbank's Compensation Loan Programme, MFB's Competitiveness Loan Programme, Agricultural Széchenyi Card, Garantiqa Crisis Guarantee Programme). The use of development banks is a new feature of Orbán's economic policy (Piroska and Mérő 2020).

In greater detail, through the Hungarian Development Bank Group (Magyar Fejlesztési Bank, MFB), the government launched a coordinated loan, capital and guarantee programme of close to HUF 1,500bn (€4.2bn). This comprised three main elements: a) three loan programmes through the Hungarian Development Bank (€1.4bn); b) four equity programmes through Hiventures (€1bn); and c) two guarantee programmes through Garantiqa (€1.4bn) for SMEs and large firms. More than two-thirds of the total amount of the programme was targeted at Hungarian-controlled SMEs, although the larger firm beneficiaries of the programme might be either Hungarian or foreign-controlled. The package covered all kinds of the instruments used by development banks – such as credit, guarantee, equity, investment, working capital, rollovers and acquisition – which increased flexibility within the implementation of the package.

In addition to this major funding scheme, a smaller disease control fund was established with HUF 634bn. The resources for the disease control fund came from the central budget (HUF 378bn); a fifty per cent decrease in the budgetary funding of all political parties (HUF 1.272bn); the Country Protection Fund (HUF 46.941bn); the tax on retailers (HUF 36bn); the tax on financial institutions (HUF 55bn); the vehicle tax (HUF 34.4bn) (previously a revenue accruing to municipalities); and the central budget (HUF 81.894bn) in respect of increases to the incomes of healthcare workers.⁶² Thus, rather than being an economic measure, the disease control fund serves as a political tool to weaken opposition to the government.

It is noteworthy that the government also implemented economy-related decisions that either strengthened the economic position of its oligarchs (such as the decisions to purchase Mátrai Powerplant from Mészáros⁶³ and approve

62. https://index.hu/gazdasag/2020/04/07/koronavirus_koltsegvetes_orban/. Accessed 13 May 2020.

63. https://index.hu/gazdasag/2020/03/27/nagyon_dragan_vette_meg_az_allam_a_matrai_eromuvet/. Accessed 14 May 2020.

his investment in the Balatonfüred camping site⁶⁴) or increase dependence on Chinese development finance, such as the signing of the investment for the Budapest-Belgrade railway.⁶⁵ These measures, officially, are not part of crisis management packages and, most probably, only coincide with the pandemic. Nevertheless, they serve the purpose of creating new economic capacities or reorganising existing ones.

Central bank as a development bank

A unique feature of Hungarian crisis management is the active, developmental involvement of the central bank. Since 2013, the Magyar Nemzeti Bank (MNB) has mission-crept into the role of a development bank by providing funding for SMEs as well as equity to larger, domestically-controlled corporations (Mérő and Piroska 2016). During the epidemic, MNB devised measures to increase financial liquidity, developed tools to finance or decrease the financing cost of the public deficit and provided funding for SMEs and larger Hungarian-controlled corporations.

In further detail, in order to increase bank liquidity, the MNB introduced one-week fix-swap tenders which provide forint liquidity on a daily basis. It also introduced a long-term collateralised lending facility (a repo facility) with maximum five-year maturity which strengthened the government securities market. Under the new facility, the banks can use any amount of money provided by the MNB specifically to purchase government debt, not only on the secondary market but also on the primary market. In this way, the MNB increased its room for manoeuvre in fiscal policy. The MNB also introduced measures with the sole purpose of increasing the government budget: it decided to pay the government HUF 250bn (0.52 per cent of 2019 GDP) as a profit dividend and introduced a government security purchasing programme in the secondary market.

Finally, as a development actor, the MNB provided liquidity to SMEs and other corporates through the relaunched Funding for Growth programme (*Hajrá*) at a subsidised rate of interest of a maximum 2.5 per cent. The maturity ceiling is twenty years and the maximum amount that can be borrowed HUF 10bn (€28m). Large corporates could also tap the central bank's corporate bond purchasing programme. MNB also relaunched its mortgage bond purchasing programme.

64. https://index.hu/gazdasag/2020/04/28/3_2_milliardot_ker_balatonfured_a_meszaros_lorinc_atal_uzemeltett_kemping_fejlesztesere/. Accessed 14 May 2020.

65. https://index.hu/gazdasag/2020/04/24/vasut_hitel_budapest-belgrad_vasutvonal_kinai_hitel_alairtak/. Accessed 14 May 2020.

Conclusions

To sum up, the Orbán government's COVID-19 crisis management focused on domestic economic players, mainly targeting SMEs, weakening the position of certain foreign multinationals (via the new taxes in the retail sector and in finance). Next, the government operated with respect for fiscal balance. This can be depicted by the introduction of the debt moratorium, whose cost is to be borne by the banking sector; the provision of loans and guarantees by development banks instead of helicopter money; and the minimal scope of the targeted social welfare provisions. There was also a change in the instruments of economic policy in which MFB, the Hungarian development bank, emerged as a key player. Furthermore, MNB, the central bank, functioned not only as a monetary institution but also as a development bank. In the formation of the crisis package, there was no, or only minimum, consultation with the social actors. And, finally, the Orbán government used the emergency and the economic measures to strengthen its position at the expense of opposition parties and municipalities.

Concluding remarks: COVID-19 responses in central Europe on a policy-making scale

Central European economies were similarly affected by the COVID-19 crisis-induced closures at home and along their value chains, yet their anti-crisis policy-making varied significantly. Crisis packages diverged in terms of the timing and content, as well as the policy tools used to mitigate the economic and social consequences of the lockdown. These differences are related not only to differences in the countries' growth models and integration in European Union structures but also to the COVID-19 policy-making process itself, i.e. the political conjuncture, the economic and political priorities of the governing parties and the extent of pre-existing forms of social and political concertation.

This paper found that the social actors were selectively integrated in policy-making. The most inclusive government (in Austria) worked together with both business associations, most notably the Chamber of Business, and representatives of labour, most visibly ÖGB. Like in the 2008 crisis, a form of 'crisis corporatism' (Urban 2015) emerged in Austria. In Slovenia, the new right-wing coalition government visibly did not attempt to use existing tripartite channels to reach social consensus and legitimacy over the crisis measures. It is currently facing strong social opposition which is not organised by trade unions but by civil society actors and initiatives in a rather decentralised way. In Czechia, which has a weaker tripartite tradition than Slovenia, tripartite structures participated to a limited extent in the drafting of anti-crisis measures. The new and inexperienced centre-right coalition in Slovakia consulted the representatives of big corporations primarily in an informal way but it excluded the major employer association from its economic advisory board; and neither did it consult the trade unions. In Hungary, neither representatives of business nor labour were consulted.

We can also see that the institutional set-up was not the only decisive factor for crisis policy-making, but the political composition of the ruling coalition also mattered. In Austria, the inclusion of the Greens in the government seems to have been a facilitating factor for concertation with capital and labour. In Slovenia, SDS has open sympathies for, and connections to, Orbán's style of governance and this is clearly material to the government's decision to ignore the social partners. In contrast, in Czechia, the participation in the government of the Social Democrats, with their long-standing links to the trade unions, favoured the inclusion of the union movement in drafting economic anti-crisis measures. At the same time, however, the Czech measures had an open bias towards big capital and reflected the business background of Prime Minister Andrej Babiš, one of the main domestic tycoons. The new Slovak government faced criticism from both major business organisations and trade unions for its lack of consultation. In Slovenia and Hungary, there were indications of a level of bias among the two governments towards specific business groups within domestic capital. Hungary is also a particular case in so far as some of the economic measures deliberately weakened the political opposition.

Thus, relatively strong involvement in drafting the initial emergency packages was observed only in the case of Austria, which has a strong neo-corporatist tradition. In Czechia, where functioning tripartite structures exist and the minority coalition partner has strong links to the trade unions, at least a limited degree of consultation of capital and labour occurred. The three other governments consulted, at best, selected business groups. Thus, neither the main business organisations nor trade unions played a role in drafting the initial packages in Hungary, Slovakia and, at least after the new coalition had assumed its role, in Slovenia.

COVID-19 crisis packages: similar targets and Instruments, but different foci

A number of common tools, such as short-time working provisions, loans and guarantee schemes, as well as tax/social security payment deferrals, figured in all government programmes albeit with varying weight and scope. Others, such as direct support payments, figured more prominently only in some. In Austria, which has the strongest domestically-owned business sector and the most advantageous position in the international division of labour among the five countries, anti-crisis measures were targeted at companies of all sizes. In the dependent market economies, a stronger bias towards small and medium-sized businesses could be observed in the guarantee and, partially, in the short-time working programmes. In these countries, there are few big companies which would not be foreign-owned. In Czechia, where the domestically-owned sector is larger than in Hungary and Slovakia (Sass 2017), the bias towards smaller businesses was a little less pronounced.

Though micro-enterprises and the self-employed tended to be hit hard by the lockdown, they were unevenly and often only partially covered by the programmes. The most encompassing measures were charted in Austria, where the interests of micro-enterprises and the self-employed had an institutionalised voice through the Chamber of Business. Quite surprisingly, the Czech government also provided significant help, the most notable was the compensation bonus for self-employed. There were small grant programmes in Slovenia and Slovakia, although in Hungary only tax/social security deferrals applied.

In all central European countries, the core workforce received temporary protection through some forms of reduced working time programmes (*Kurzarbeit*). In Austria, this programme had the highest degree of flexibility and the highest rate of wage compensation. In the dependent market economies, there were tighter eligibility conditions for companies, particularly in Czechia and Slovakia. This also limited the social coverage of state aid. In Hungary, compensation was capped at the lowest level of all the five countries. In fact, the Fidesz government liberalised working time regulations even further, weakening unions' bargaining capacities on working time issues. Thus, the protection for securing core labour jobs was highest in

the two countries with the strongest neo-corporatist tradition, whether the social partners were included in policy-making or not. More marginal groups of workers, especially those on temporary employment contracts, were less likely to benefit from *Kurzarbeit* programmes while some categories, such as workers with mini-jobs in Austria, were even formally excluded. In addition, despite the increase in unemployment in all these countries, the unemployed remained mostly outside the realm of COVID-19 crisis packages. Some governments did, however, introduce minor improvements for the unemployed in general (Austria and Slovakia) or only as regards those who lost their jobs during the official period of the epidemic (Slovenia).

All states adopted measures on the revenue side of the budget, most notably the deferral of tax payments and the exemption from social security contributions. The Fidesz government, which pursues an aggressive and socially regressive flat tax strategy, adopted the broadest range of tax relief measures. In contrast to the other countries, the Hungarian government introduced extra taxation in selected service sector branches with a significant share of foreign capital. This corresponds to its strategy of ‘selective economic nationalism’ (Tóth 2015).

Loan and guarantee programmes fared prominently in the packages of all five countries, though with different priority target groups. It is remarkable that, in spite of the high export dependence of the economies, only the Austrian and Czech governments introduced substantial forms of support specifically for exporters. It seems that most CEE governments did not see the need to provide such support to exporting TNC subsidiaries. As with the 2008 crisis, the key tools of investment stimuli were credit-based with loan and guarantee programmes predominantly administered by national development banks. This represents an important change in the deployment of development banks that were formerly neglected as key tools of economic policy formation in CEE (Piroska and Méró 2020).

Note that, in Czechia and Hungary, with autonomy in monetary policy, domestic central banks reacted proactively. The Hungarian central bank continued its mission creep into development banking by providing loans and equity investment for SMEs and large Hungarian corporations. Meanwhile, the Eurozone countries, Austria, Slovenia and Slovakia, were covered by the €750bn ECB monetary intervention programme.

While the crisis packages resembled each other regarding the content, significant differences appeared regarding the timing. The Austrian and Czech governments responded swiftly, almost in parallel to the lockdown. The basic framework was already in place in Austria a few days after the lockdown, while the Czech measures had a more evolutionary character. In contrast, in Hungary and Slovenia, the governments adopted only small-dimensional measures in mid-March and prepared greater packages only in April. Slovakia stands out with its smallest and most late package.

All in all, we can establish a scale in which the antipodes are represented by Eurozone member Austria under its right-green coalition, which drafted the most inclusive and encompassing programmes; and by non-Eurozone state Hungary under the exclusive rule of Orbán, with a strong antipathy to the poor and a strategic focus on small domestic capital. In between, there are Czechia, Slovenia and Slovakia.

Regardless of the differences in a country's international integration, financing conditions and the institutional selectivity of the state, all the governments' anti-crisis programmes tended towards mitigating the effects of the crisis especially for capital groups – with a differing focus regarding specific capital factions – and for the core workforce. In addition, measures on the revenue side tended to predominate in all the cases analysed. The scope of fiscally immediately relevant measures was rather limited, even though budgetary limitations have been temporarily suspended by the European Union. This is in line with neoliberal fiscal approaches. Members of the Eurozone or not, central European governments seem to follow the logic of the 'European consolidation state'⁶⁶ (Streeck 2015), although its application has been made more flexible.

66. Streeck (2015) depicts an 'ongoing shift towards a consolidation state involves a deep rebuilding of the political institutions of postwar democratic capitalism and its international order. This is the case in particular in Europe where consolidation coincides with an unprecedented increase in the scale of political rule under European Monetary Union and with the transformation of the latter into an asymmetric fiscal stabilization regime.' p. 1. <https://ideas.repec.org/p/zbw/mpifgd/151.html>

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All links in this list were checked on 14 August 2020.

Annex

Table 1 Main COVID-19 economic measures in Central European countries

Austria: main package adopted on 20 March, estimated at 9.5% of GDP	
Labour market provisions	Reduced-work provisions Additional protection for high-risk groups Income subsidies for self-employment and micro-enterprises Deferral of income tax payments, social security payments and health insurance of the self-employed Respite for interests and payments for individuals and repayments
Supply-side provisions	Guarantees from 80% to 100% credit line for exporters with a state guarantee Covering insolvency risks of 50% to 70% of the credit frame for exporters Possibility for subsidies covering fixed costs like rents, licence payments, energy costs
Social policy	Partial increase of unemployment benefits Monthly allocations to families in financial difficulties Possibility for a respite for rent payments between April and June
Others	/
Slovenia: main packages adopted on 02 and 28 April, estimated at 10% of GDP	
Labour market provisions	Reduced-work provisions Wage supplement for employees working at workplace or considered as over-averagely exposed to health risks Monthly allocations for self-employed, farmers and clerics Common wage compensation for workers losing job during the epidemic
Supply-side provisions	Exemption from social security contributions Guarantees for new loans 70% and 80% for big corporations and SMEs, respectively, for new loans Debt moratorium for all actors Moratorium on obligations related to bankruptcies and insolvencies Exemption from the rent payment for tenants of tenants of the business buildings or offices, owned by the state or municipalities
Social policy	One-off allocations to beneficiaries of social security or family allowances, to students and farmers above 65, persons on maternity or paternity leave, family assistants and bigger families Income supplement for pensioners and unemployed disabled persons with incomes below minimum wage level
Others	/
Czechia: packages approved continuously since March 9, estimated at 20.4 % of GDP (disputed)	
Labour market provisions	Reduced-work provisions Allowance for self-employed with children Income subsidies for self-employment Extension of the tax returns filing deadlines Exemption from the payment of fines for late submission of personal and corporate income tax returns, for late payment of tax claims and for late submission of control tax reports Deferral of road tax Debt moratorium for individuals A ban on the termination of the rental contracts of people in financial distress
Supply-side provisions	Exemption from health and social insurance contribution 80-90% of state guarantees for big companies' loans Interest-free credits for SMEs up to 90% of eligible project expenditures Interest-free loans by commercial banks Additional guarantees for exporters Debt moratorium Tourist sector provisions: proposes a year's transition period for the reimbursement of the already paid holidays
Social policy	Caregiver's allowance Allowance for self-employed with children Bailing-out of state-run hospitals State-paid increase of payments for state-insured persons The abolition of real estate acquisition tax
Other	Central bank intervention: cutting of the interest rates, measures to ease the conditions on the financial markets; the increase of central bank's competence in quantitative easing programs

Slovakia: main packages adopted on March 31 and April 14, estimated at 4.4% of GDP	
Labour market provisions	Reduced-work provisions Income subsidies for self-employed Monthly allocations to self-employed and one-person companies with no income due to the crisis Wage subsidies for sick workers or workers with family members on a sick leave Prolongation of unemployment benefits Debt moratorium for citizens' loans
Supply-side provisions	80% guarantee for SMEs loans Bridging loans with deferred payment and interest to SMEs and self-employed persons Debt moratorium for SMEs and self-employed Deferral of the income tax return, lifted sanctions for missing tax deadlines Corporate tax deferral, social and health contributions and motor vehicles tax for employers and self-employed Exemption from social and health insurance for selected corporations
Social policy	Monthly allocations to citizens with no incomes due to the crisis
Other	/
Hungary: main packages adopted at April 7 details defined April 22, estimated at: 7 % of GDP	
Labour market provisions	Reduced-work provisions (very limited both in coverage and in eligibility) Reference period - without consultation - enlarged up to 24 months Tax deferral for self-employed, tax debt deferred
Supply-side provisions	SME-focused preferential loans and guarantees Debt moratorium for all enterprises Deferrals of various tax payment
Social policy	Debt moratorium for all citizens' loans Minimal social protection taking the form of extensions and deferrals of existing provisions, 13th month pension announced in 4 years
Other	Central bank interventions: development loans for SMEs and corporate bonds purchase program for domestic large enterprises

Note: The figures presented in the tables are related to the governments' announcements and estimations when the packages were launched. They do not correspond to the actual spending. When available, the existing figures on the actual expenditures are opaque and partial and could not be used for comparative purposes.

Table 2 The inclusionary character of COVID-19 policy-making in Central Europe

	Austria	Slovenia	Czechia	Slovakia	Hungary
Trade unions	Yes	No	Yes	No	No
Employers' organisations	Yes	No	Yes	Yes	No
Tripartite bodies	Regular consultation	Late consultations after great pressures	Regular consultations	No	No
Civil society	No	No	No	A lobby group of big companies	No
Other	/	Establishment of the government's advisory team with no legal basis Formation of a protest movement	Restoration of advisory the National Economic Council Central bank intervention	Establishment of advisory Economic Crisis Committee	Exclusive ruling by decrees Central bank intervention

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