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**VIRUSES DON'T NEED A PASSPORT
TO AFFECT LABOR MARKETS –
FINDINGS FROM A POLISH-
GERMAN STUDY ON COMBATING
UNEMPLOYMENT DURING THE
COVID-19 PANDEMIC****Steffen Flessa**

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ABSTRACT. Labor markets have been strongly affected by the COVID-19 crisis. Much empirical evidence exists on how they operated since the COVID-19 outbreak, illustrated predominantly by public statistics. However, there is limited primary research on labor market stakeholders who experienced significant changes in border regions. The aim of this study is to explore the perceptions and experiences of labor market experts, especially entrepreneurs, regarding labor market functioning in border regions of Poland and Germany after the COVID-19 outbreak. The main focus has been put on examining how the COVID-19 crisis affected enterprises in terms of employment and how the labor market stakeholders assessed mitigation measures undertaken in the border regions. The study utilizes a mix-method approach. Primary data have been gathered through an online questionnaire targeted at entrepreneurs and labor officers in Germany. Next, a qualitative descriptive study design has been developed, involving one-on-one interviews and focused discussions. The analysis revealed several positive and negative consequences of the COVID-19 pandemic on the functioning of the labor market in border regions. The study explored differences in the management of the unemployment crisis in Poland and Germany in measures undertaken to mitigate the negative impact of the pandemic. Crucial issues, such as cross-border cooperation and communication have also been discussed. The study highlights the role of labor market stakeholders' perceptions and experiences in defining future cross-border joint preparatory plans and strategies to combat potential threats and unpredictable situations. The findings of the study revealed that there is a strong need to establish cross-border cooperation in terms of tackling unemployment. It has also been indicated that border regions need an approach to combating crises such as pandemics that differs from that of other interior regions. That highlights the importance of joint security policy adaptations and the need to develop joint

preparatory and support plans, especially for entrepreneurs. Study findings could also be helpful for regional policymakers by providing a better understanding of border-region labor market issues. Thus, policymakers, both in Poland and Germany, should focus their economic policies more on border regions cooperation to prepare for future economic crises and disruptive situations.

JEL Classification: D02,
O17, P31

Keywords: cost of illness, cost of pandemic, COVID-19 pandemic, crisis, labor market, measures

Introduction

Economic history teaches that unexpected events such as wars and pandemics have a marked impact on both national and global economies. Throughout human history, pandemic outbreaks have negatively affected the functioning of societies, including labor markets. They influenced both the supply and the demand side, leading to crises and causing “devastation” in the world economy, and in some cases signaling a remarkable phase of economic recession (Dumitrescu, 2021; Su et al., 2021; European Parliament, 2021; Rodionov et al., 2022).

According to many researchers (Stock, 2020; Li et al., 2021), COVID-19 pandemic has resulted in the deepest contraction of the global economy since the Great Recession. The supply shock that occurred as a consequence of the pandemic-related restrictions on economic activity rapidly led to a demand shock, as consumers restricted their spending (Privara, 2020; Bieszk-Stolorz and Dmytrów, 2022; Machová et al., 2022). Moreover, the supply chains were disrupted (Gavurova et al., 2020; Cortes et al., 2021; Dvorsky et al., 2021), leading to further destabilization of markets and cessation of international trade. Consequently, major macroeconomic indicators (employment growth rate, unemployment rate, hours worked) describing the labor market fell dramatically.

In addition to the undeniable negative influence of the world’s unexpected events, some scholars hypothesize their beneficial impact. Tisdell (2020) suggests that pandemic outbreaks may affect societies not only in a negative way, but also paradoxically may contribute to the development of economics and political systems, and stimulate achievements in science. They may also lead to the improvement of technologies (for instance robots and artificial intelligence) and novel approaches to industrial processes, such as automation (Laing, 2019; Forman et al., 2020). Global economic crisis or at least imbalance may also be perceived as a challenge to the way people, governments and whole nations communicate and relate to each other. As International Labor Organization (ILO) Director-General Guy Ryder stated: “[...] *this is the largest test for international cooperation of 75 years ago*” (Radu, 2020). Consequently, the COVID-19 pandemic might have negative and positive impacts on the economy, but until today limited evidence exists on which force will dominate (Grömling, 2022).

Within the wide range of economic percussions of the pandemic, it is highly interesting to analyze its impact on deprived regions and population groups within a society. It was assumed that the pandemic and the interventions against the diffusion of the disease would have stronger negative consequences for the poor in each country, and in particular for poorer regions (König and Kunkel, 2021). Border regions, in particular, were expected to suffer more than any other place in a country where – so the expectation – unemployment will increase even more than elsewhere. However, there is no empirical evidence of whether this hypothesis is true.

In this context, this study examines the impact of the crisis on the labor markets’ performance in the border region of Germany and Poland and highlights the measures that have

been undertaken to mitigate its consequences in these two countries. The distinctiveness of this study is the differentiation of the measures and policies, which have been introduced on the Polish and German side.

The structure of this paper is as follows: in the next section we briefly present the situation of the labor markets affected by the COVID-19 pandemic and governmental policies undertaken to protect jobs and businesses. Next, the research methodology is described and research tools are presented. Afterwards, the results of the empirical research conducted both in Germany and Poland are highlighted and discussed in the following sections of the paper. Finally, conclusions including practical implications for regional governments and business organizations are presented.

1. The background – Coronavirus outbreak and labor market crisis

Since March 2020, the COVID-19 pandemic has affected almost all countries worldwide, leading to more than 629 million confirmed cases and causing over 6.5 million deaths (WHO, World Health Organization, 2022). In order to avoid the collapse of national health systems, most governments implemented steps through the different phases of the pandemic that significantly restricted economic activities. They introduced social distancing and quarantines, moved whole sectors to remote working and even stopped economic activities during comprehensive lock-downs (Privara, 2022; Caplanova et al., 2021; Pardal et al., 2020; Feng et al., 2022; Salman et al., 2021; Dumitrescu, 2021). As a consequence, worldwide economies have gone through a supply shock, leading to a decline in economic growth (Salman et al., 2021; Feng et al. 2022; Musa et al., 2022). According to The Organisation for Economic Co-operation and Development (OECD) data (OECD Stats, 2022), the growth rate of OECD member states' GDP dropped to a level of -4.3 % in 2020 (the peak period of the COVID-19 pandemic), frightening the global markets with recession. As a consequence, the real GDP per capita amounted to 45,140 \$ (in current prices, current purchasing power parity (PPPs),¹ OECD average), which was 0.98 % lower than in 2019 (OECD Stats, 2022).

The supply shock accompanied by a demand shock had a further negative impact on the labor market, leading to job layoffs (Khan et al., 2021), and finally led to a rising number of job losses (Eichhorst et al., 2020; Florișteanu, 2021; Su et al., 2021). The last phenomenon was expressed both in unemployment and inactivity after dismissal, but the latter had a higher level than the former. Based on OECD statistics it can be noted that, with respect to the OECD member states, the relative values of the mentioned indicators increased in the second quarter of 2020 during the greatest peak period of the pandemic, and further underscored the initial impact and subsequent recovery (Florișteanu, 2021). Inactivity rates rose from 27.3 % in the second quarter of 2019 to 30.4 % in the peak period of the COVID-19 pandemic, before declining to 28.2 % in the first quarter of 2021, and to a level of 25.3 % in the second quarter of 2022 (OECD Stats, 2022). The analogous trend has been observed with respect to the unemployment rate: it rose from 5.4 % (second quarter of 2019) to 8.6 % in the pandemic peak period. Later it began to decline to a level of 6.6 % in the analogous quarter of 2021 and respectively to 4.9 % in second quarter of 2022 (OECD Stats, 2022). Thus, in most countries the employment losses during the greatest hit of the COVID-19 pandemic can be associated with the increased inactivity, rather than unemployment itself. According to the International Labor Organization (ILO) (2022), blockade measures introduced worldwide to limit the spread of the crisis, affected about 81 % of the world's workforce. All in all, the number of people (aged 16 and over), who lost their jobs in OECD countries¹ in 2020 (OECD Stats, 2022) is

estimated at 114 million (81 million due to inactivity and the remaining 33 million due to unemployment).

Two other crucial indicators that illustrate the crisis in labor markets are the employment level and working hours. The employment level reflects the situation of the economy's working-age population. According to the assessments made by the ILO, the EPR (employment-to-population ratio) dropped from 57.3 % in 2019 to 54.8 % in 2020 (ILO, 2022a). Recovery is projected for years 2022 and 2023 (55.8 % and 56 % respectively).

As Florișteanu (2021) highlights, the dynamism of the indicator of working hours is particularly appropriate to illustrate the situation in the labor market. On one side, it covers the evolution of the underutilization of labor of those who remain employed (limited working hours and “zero working hours”), and, on the other side, it captures job losses. Based on ILO statistics, in the peak period of the COVID-19 pandemic the weekly working hours decreased by 8.8 % globally, from 27.5 hours on average in 2019 to 25.1 hours in 2020, which is equivalent to 255 million full-time jobs, assuming a 48-hour working week (ILO, 2022). An even worse trend has been observed in respect to OECD member states, where the total number of hours worked decreased by over 15 % (OECD, 2020). The loss of working hours usually leads to considerable reduction in revenue of those who are employed, which remains significant for their living standard and socio-economic indicators as a whole.

Moreover, the COVID-19 pandemic is likely to result in changes in terms of where and how people work. Some scholars (Adams-Prassel et al., 2020; Oliinyk et al., 2022) argue that the crisis will lead to a large reallocation of employees. In this context, special attention shall be paid to the situation of border regions, facing seasonal workers, commuters and migrant workers. Other researchers (Kniffin et al., 2020; Bauters et al., 2020; Karascony et al., 2021; Raišienė et al., 2021) point to emerging changes in work practices, e.g. remote work, telework and virtual teams. Florișteanu (2021) highlights that the COVID-19 pandemic has a tremendous impact on the quality of work, predominantly that performed remotely, both due to inefficient technical devices or low digital skills, as well as decreased cooperation and coordination within teams. Particular difficulties are visible for low-skilled workers and migrants, who demonstrate limited ability to work from home (Eichhorst et al., 2020).

All in all, there is a consensus among scholars that the pandemic had a negative impact on labor markets worldwide. In order to mitigate the negative impact, many national governments have allocated substantial resources responding to the crisis in many forms. Some of them had an immediate character as a response to acute needs, others were more structural and cross-sectoral. As Peromingo (2020) indicates, some measures lead to reforms of labor market policies and passing of new laws. By May 2020, based on an Eurofound's report, EU member states had introduced or amended more than 500 legislative and policy measures to support labor markets (Eurofound, 2020).

Considering studies on the means to combat the negative effects of the COVID-19 pandemic on the labor market, Peromingo (2020) distinguishes three common labor market policy measures; namely: (1) business support (focused on worker retention, business continuity, job innovation), (2) social assistance (one-time solidarity allowances, specific emphasis on vulnerable groups), and (3) protection of workers (aimed at short-term work support as well as occupational health and safety measures). He performed a comprehensive secondary study, highlighting the measures undertaken across the EU member states.

Furthermore, based on ILO (2022) monitoring instruments undertaken by countries in the initial stage of the epidemic crisis, one can distinguish three axes of support. The first one referred to stimulating national economies, particularly through the way of monetary policy such as new Value Added Tax (VAT) refund mechanisms and postponing tax returns submission deadlines. The second axis encompassed supporting enterprises, jobs and income,

particularly in the form of wage subsidy for workers with technical unemployment, loan guarantees for Small and Medium-sized Enterprises (SMEs), interest subsidy on loans for SMEs, lines of credit for financing working capital, guaranteed by the state. The last, third axis aimed at protecting workers at work in the form of paid parental leave, i.e. state allowance for those parents taking care of their children while day care and schools were closed.

Herzog-Stein et al. (2022) studied the emergency packages that have been adopted in Germany and the United States in 2020. The authors sorted all of them into four categories, i.e. (1) the provision of business support, (2) the expansion of unemployment benefits, (3) legislative changes regarding the respective short-time work scheme, and (4) the provision of income support for households. According to the study findings, Germany firmly emphasized the use of internal flexibility measures, especially short-time work (STW) to safeguarding employment. Moreover, the authors argue that, unlike in the U.S., discretionary changes to unemployment benefits (Social Security Package) have had only a minor impact in securing the income of the unemployed in Germany (Herzog-Stein et al., 2022).

In contrast, scholars (Peromingo, 2020, Porada-Rochoń et al., 2022) indicate that Poland has adopted strong labor supply protection, ensuring security of the income. Self-employed workers who had to close their business due to the COVID-19 pandemic could claim compensation of the loss of income of up to 80 % of the national minimum wage. Even more generous compensation (100 %) was offered to freelancers with an income reported below 50 % of the minimum wage (Peromingo, 2020).

As for the EU-level support measures, a 540 billion Euro emergency rescue package was adopted in April 2020; the pan-European Guarantee Fund is a part of this support (Eurofound, 2020) and provides 200 billion Euro in financing for companies (especially SMEs) and establishes a new fund of up to 100 billion Euro focusing on the support of EU member states introducing short-time working schemes in order to protect jobs. The scheme in question, so called SURE (Support for Mitigating Unemployment Risks in Emergency), is aimed to provide member states with soft loans on favorable terms (Radu, 2020). They help to bear the costs of national technical unemployment schemes, introduced by EU states.

As listed above, much has been done on the EU-level to mitigate the negative impact of the COVID-19 pandemic on labor markets worldwide. Thus, Porada-Rochoń et al. (2022) state that the local government units play a significant role in activating local labor markets. The dilemma is whether to assist entrepreneurs on the short- or long-term basis, and how to target those in need. The present study highlights policy responses in Germany and Poland, regarding the local labor market in the border region. The authors discuss the measures adopted in those two countries, based on secondary as well as on primary research.

2. Methods

The study is positioned in the socio-constructive paradigm, particularly applying an exploratory, descriptive research design. Employing this approach allows the researchers to develop a thorough understanding of the lived experiences of the participants involved (Soeker, 2020). The objective of this study is to explore the impact of the COVID-19 pandemic on different labor market stakeholders, particularly entrepreneurs and labor departments' representatives. The main idea behind the study is to examine how the COVID-19 crisis affected enterprises in terms of the employment situation and how the labor market stakeholders assessed mitigation measures, undertaken in the border region of Germany and Poland. For this purpose, the authors of this study applied both quantitative and qualitative research methods. The first one was to highlight the general situation of the labor market, illustrated both by facts and figures from official statistics and by perceptions and experiences of key labor market

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stakeholders, gathered with an online questionnaire. To deepen study findings, a qualitative approach has been developed. Qualitative research refers to topics taking place in their natural settings, interpreting phenomena in terms of the meaning people give them (Denzin, 2005; Green et al., 2007). In this study a qualitative descriptive approach, involving narrative interviews and focus group discussions was applied (Sandelowski, 2000).

Our study used different data sources. Data collection started with a thorough secondary data analysis in order to obtain insights into the state of the art. In the next step, labor market stakeholders were requested to fill in an online questionnaire. The questionnaire for entrepreneurs was sent out to all enterprises of the districts of Barnim, Märkisch-Oderland, Oder-Spree, Spree-Neiße, Uckermark and Vorpommern-Greifswald in the federal states of Brandenburg and Mecklenburg-Vorpommern listed in the *markus data base*. The questionnaire for the officials of labor departments was sent to 13 heads of the labor departments of 13 districts in the respective states. We received 152 completed questionnaires from enterprises and six from heads of labor departments.

Furthermore, we conducted one-by-one interviews with the representatives of public institutions (such as ministry of economy, department of economic promotion of municipal councils, chambers of commerce of the regions) to identify the most crucial characteristics of the labor market condition during the COVID-19 pandemic, both on the Polish and the German side. The selection of interviewees for the one-by-one interviews was based on their professional background in order to cover a wide field. Altogether five interviews were performed to discover targeted topics for a focus group discussion. Finally, an online focus group discussion with carefully selected experts (Table 1) was conducted. Purposive sampling was used in order to ensure that all relevant stakeholders were included (Robinson, 2014). All participants gave informed consent before study participation. A one and a half hour discussion was performed by moderators from Germany and Poland. It was transcribed verbatim. Strategies such as credibility, transferability, dependability and confirmability were used to ensure the trustworthiness of the data (Krefting, 1991, Soeker et al., 2018). The obtained data were analyzed using thematic analysis (Ritchie et al., 2013; Braun, 2013).

Table 1. Demographics of experts participating in this study

Interview	Gender	Nationality	Age
I1	Female	Poland	(30-40)
I2	Male	Poland	(41-50)
I3	Male	Poland	(41-50)
I4	Male	Poland	(41-50)
I5	Male	Poland	(51-60)
I6	Female	Germany	(41-50)
I7	Male	Germany	(51-60)
I8	Male	Germany	(51-60)
I9	Male	Germany	(51-60)

Source: own

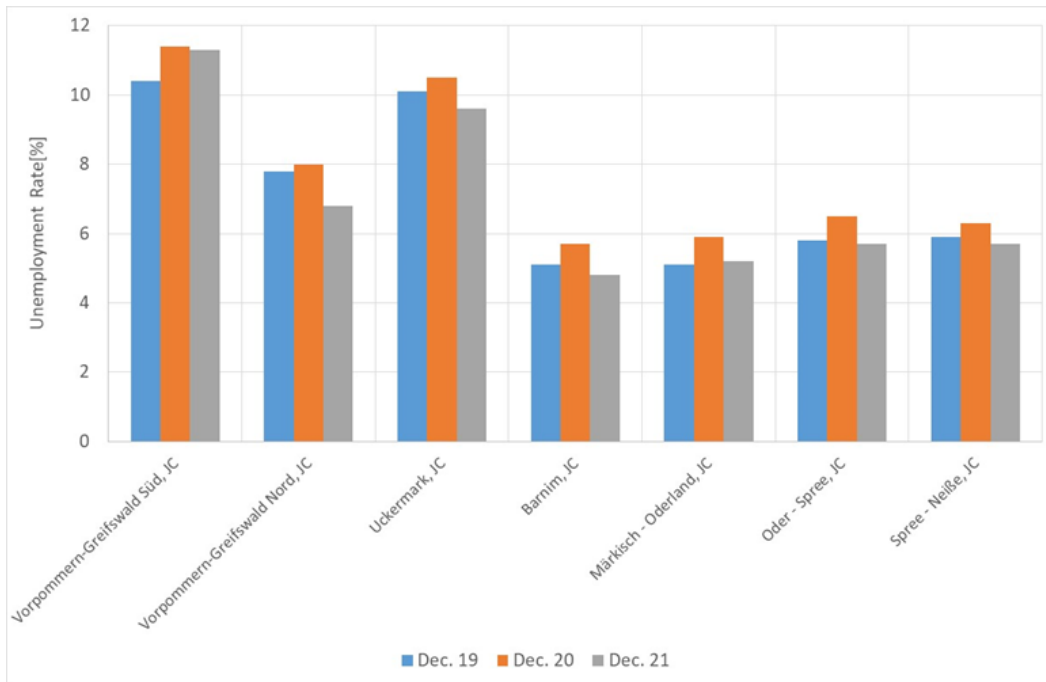
3. Conducting research and results

Based on the labor statistics of the German and Polish districts located on both sides of the border, we can state that the pandemic had very little or little impact on unemployment. It strongly increased the number of people under short-term work support, but the number of unemployed remained almost unchanged. This result is also reflected by the answers of entrepreneurs stating that 95 % of enterprises did not have to lay off personnel due to COVID

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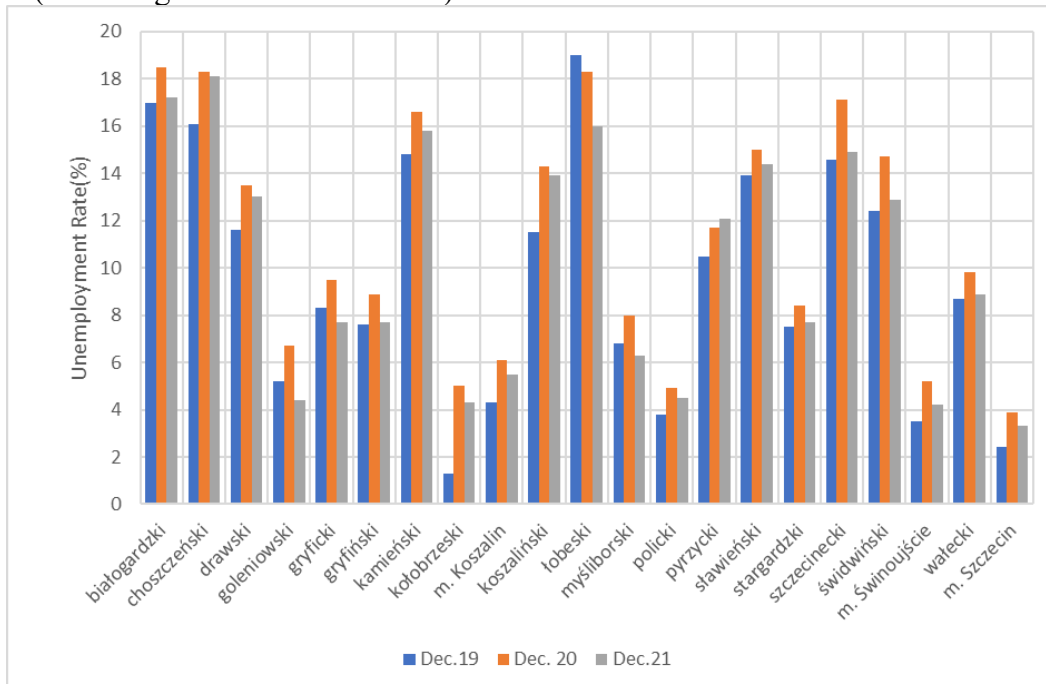
19 pandemic. Moreover, 40 % of enterprises were forced to use the instrument of short-term work, and in the worst period; 58 % of all employees were affected by short-term work.

Graph 1 and graph 2 illustrate the unemployment rates in different districts in the months of December 2019, 2020 and 2021. The year 2020 shows higher rates of unemployment for all districts compared to 2019, but in December 2021 the rates were lower than the rates in 2019 in all districts except one.



Graph 1. Unemployment rate in German districts at the Polish-German border in December 2019-2021.

Source: (Bundesagentur für Arbeit 2022).

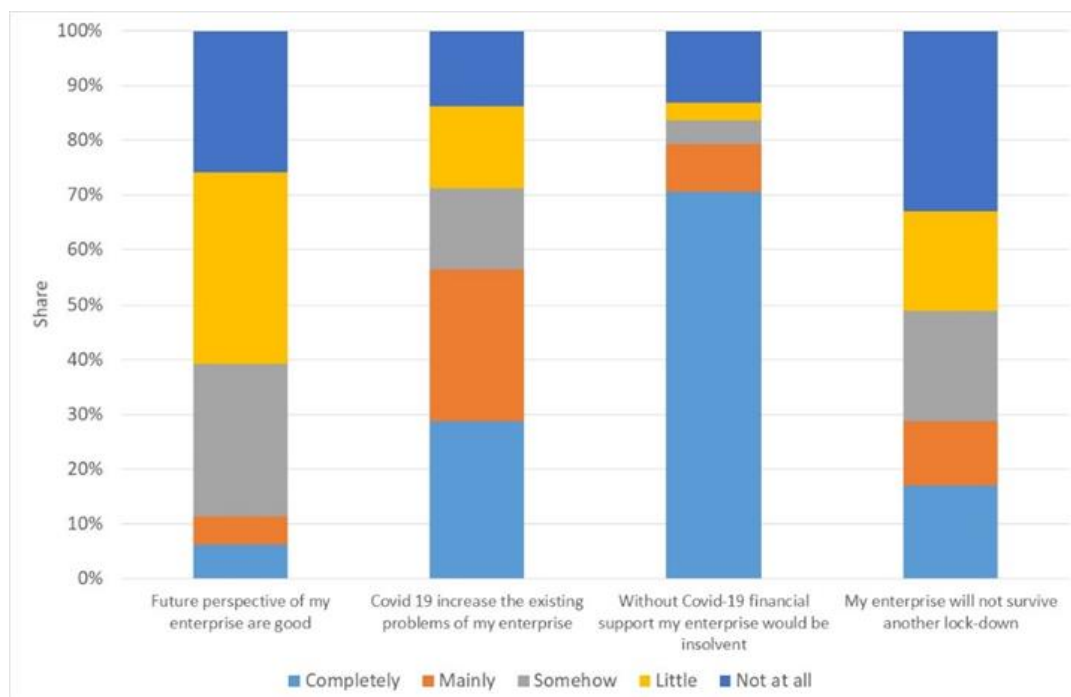


Graph 2 Unemployment rate in Polish districts at the Polish-German border (December 2019-2021).

Source: West Pomeranian Voivodship data, 2022

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Afterwards, the entrepreneurs were asked to assess the situation of their enterprises during the COVID-19 pandemic as well as the processes of governmental support during the crisis. *Graph 3* indicates that COVID-19 had strong impacts on the solvency and future perspectives of the enterprise, but the Governmental support made it possible to persist. On German territory, a number of means existed already before and could be utilized during the pandemic to support enterprises, e.g. unemployment support (Arbeitslosengeld I, Arbeitslosengeld II) and short-term work support. Other instruments were specifically developed during the crisis to protect enterprises, such as rapid support (Soforthilfe), bridging support I (Überbrückungshilfe I, March – August 2020), II (September – December 2020), III (January – June 2021) and III Plus (July – December 2021), including the so-called “re-start premium” as an element of bridging support III Plus. In addition, enterprises received direct loans, tax reductions and state warranties. Consequently, most entrepreneurs were quite satisfied with the support itself, but not with its administration.

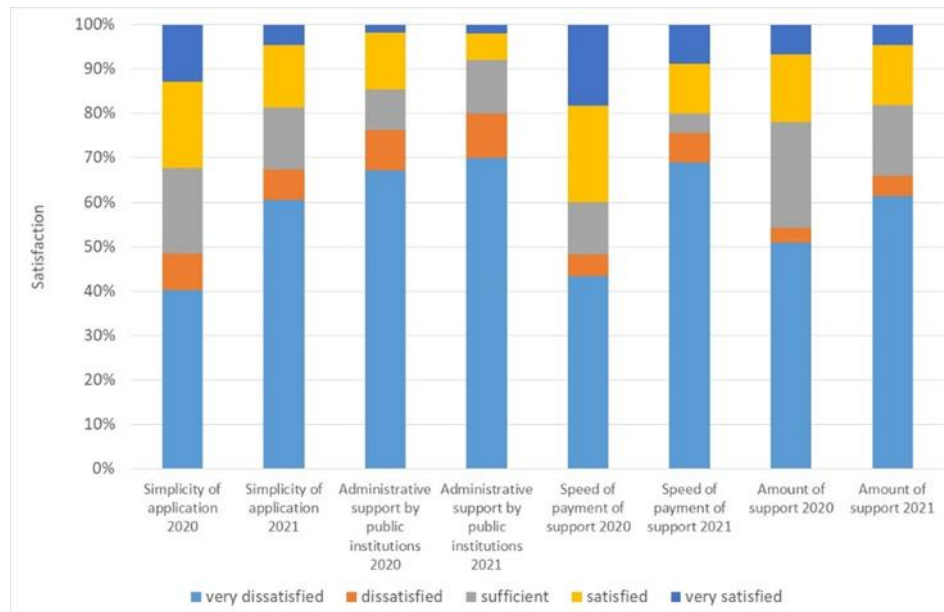


Graph 3 Assessment of future perspectives by entrepreneurs.

Source: own.

Graph 4 indicates that the vast majority of entrepreneurs was dissatisfied with the public administration and it got worse from 2020 to 2021. The processes of applying for support were too complex and too time consuming. At the same time, the support of governmental offices was limited and it took too long to receive funds. The amount of support seems to be more satisfactory than the processes to receive it.

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Graph 4 Satisfaction of entrepreneurs with the process of COVID-19 support.

Source: own.

Based on these insights from entrepreneurs, we performed a number of interviews with experts to retrieve and formulate topics for a focus group discussion. As a result, the participants agreed that COVID-19 crisis had undoubtedly both positive and negative impact, whereby negative consequences dominated. In particular, the entrepreneurs called for structural changes and saw the necessity of changing or re-defining business models in general. A major discussion point was about the lessons entrepreneurs learnt for their companies from the pandemic, primarily for their future strategies. They stated:

- *“For us, the most important thing is to work with the methodology. If we are reliant on working remotely, how can we ensure efficiency within teamwork.”*
- *“Certainly, it is important to have more business security, flexibility, openness to new ideas, innovations and technologies.”*
- *“The pandemic taught us, first of all, to work remotely, which started to work very well. We have put in place procedures, devices and software that allow us to work remotely and this is definitely a big plus, it reduces costs.”*
- *“The pandemic has shown us what future scenarios of government conduct and behavior towards businesses might look like, and we now know, thanks to this, how we should act in case of the emergence of further crisis situations.”*
- *“One should always be ready for crisis management, and many of my clients (on the German side) were already preparing for crisis procedures in February, admittedly still with a wink, thanks to the fact that as soon as the hard lockdown was announced in Poland, instructions were prepared and certain topics were already rehearsed. This showed responsibility for one's business, rather than waiting until the last minute to act.”*

However, there were also positive effects of the pandemic, such as, cooperation and solidarity between entrepreneurs in borders areas Entrepreneurs from Poland and Germany confirmed collaboration to seek new solutions together and new opportunities to function during the pandemic (e.g. using the internet and online meetings). Interestingly, even competing companies were looking for joint solutions, boosting integration and cooperation:

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- *“We are connected to each other - not fully aware of this relationship and showed the first obstacles we had to deal with. That is why our cooperation and this cross-border life functioned better. We need to think together about such a single strong center that would represent the interests of people who live along the border and represent their needs so that it would be heard and effective enough so that in the future these decisions would be thought out, but also discussed with such a center...”*
- *”We need to focus more on the regional dimension, which actually deals with those areas that show such cross-border ties, rather than on the national level, which is too general.”*
- *“We need to intensify the relationship and exchange of experience between these institutions, because the things that actually exist, that is, the movement of goods, the movement of workers but in a pandemic situation, in a crisis situation suddenly loses the legal framework. Such close cooperation, joint preparation of crisis scenarios with the participation of these key players, namely the province, the counties, brought the desired fruits in the future.”*
- *“I am convinced that companies in the border belt had more contact among themselves than with the administration in the provincial or state capital. Certainly not overlooking the essence and importance, the importance of cult exchange, that is, understanding and learning about the neighbor's culture, its language, applying the principle of respect, trust, because these very things facilitate and accelerate cooperation and dialogue, and they were most lacking in this pandemic situation.”*

Digitalization is one of the most common effects of COVID-19 crisis. No firms can achieve success by permanently relying on an existing business model, because they are under pressure from external forces to reinvent themselves continuously with the use of digital technologies. The experts share this opinion, stating that *“Digitalization has moved forward strongly during the pandemic era. The pandemic showed that these times can move quickly you have to be prepared to some extent for difficult times.”*

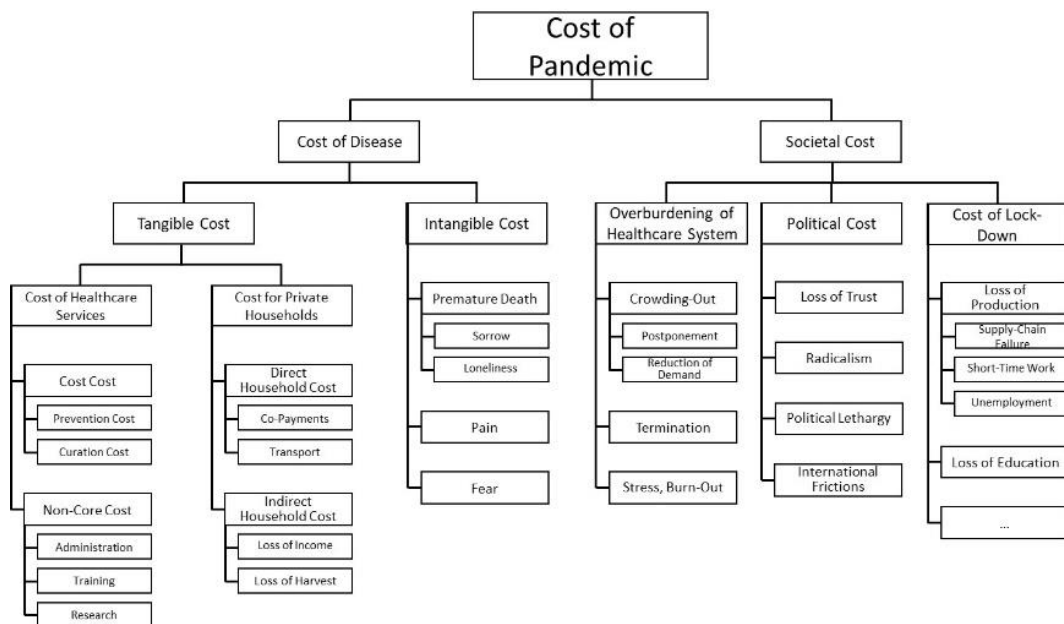
Supporting entrepreneurs is very important in times of prosperity and crucial in times of crisis. Massive economic support programs through monetary and fiscal stimulus have been implemented across the world because of the COVID-19 crisis. Hence, entrepreneurs were asked first, which of the forms of support offered to entrepreneurs in a nationwide capacity during the COVID-19 pandemic were the best:

- *”One of the best programs was the model, borrowed from the German market, of the so-called Kurzarbeit, or literally speaking, the shield, which gave the opportunity for stoppage, or produced working time with the parallel support of the state in twenty percent of the subsidy...”*
- *“As far as the situation of the programs organized by the regional offices is concerned, as far as we had opportunities within our country, because it is difficult to compare us with the German economy, it seems to me that we did it at a very good level.”*
- *“The assistance I received from the Polish Development Fund allowed me to maintain my employment, it allowed me to change my business a little bit for a few months and after a year of all this I still increased employment in my business. Also definitely helped me with this assistance and contributed to the development of my business.”*
- *”Exemption from the payment of premiums, the so-called parking, subsidies for maintaining jobs from the PFR. In my opinion, the forms of assistance that were offered were sufficient. I did not use any form of support other than national funds.”*
- *“Shield within the framework of government programs. Regionally, funds for development and loans launched by the Marshal of the province.”*

- *”Definitely, the assistance in the form of subsidies from the Polish Development Fund was the best and most relevant assistance. The exemption from Social Security premiums for three months I also rate very well.”*
- *“Quick help for small businesses at the beginning of the pandemic - helped overcome the initial shock.”*
- *“The quick relief measures helped a lot.”*
- *”As for the financial shield, in general, once the applications were properly filled out, the funds were transferred to business entities quite quickly.”*

4. Discussion

Both quantitative and qualitative findings of this study indicate that the COVID-19 pandemic had a major impact on enterprises in Poland and Germany. Although strong interventions of both governments prevented a major wave of unemployment, the financial cost of the pandemic is much higher than what one would expect. *Graph 5* summarizes the respective negative impacts as a cost-of-pandemic tree. The left-hand branch (“cost of disease”) is well-known from health economics and represented in many studies and textbooks (Schöffski and Schulenburg; 1998, Fleßa and Greiner; 2020). It indicates the direct and indirect costs of a disease or illness, including intangible costs (e.g. pain, fear, death), and costs for the private household and the healthcare services. However, the societal costs of the pandemic have been neglected by many studies before COVID-19.



Graph 5 Cost of pandemic
Source: own.

COVID-19 has over-burdened the healthcare system by stress and burn-out of staff, over-crowded hospitals full of COVID-19 patients and crowding-out of other patients. This is, however, beyond the scope of this study. The COVID-19 crisis has also caused political costs. We see from the questionnaire and from the focus group discussion that entrepreneurs have lost trust in their governments. They appreciated the support, but they are fed-up with the cumbersome administration. During the interviews, we could not sense radicalism or lethargy (which was noticed in other fields), but the international frictions were addressed several times.

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Most entrepreneurs suffered from the lock-down and related closing of borders. This led to interrupted supply-chains and short-term work and finally loss of production. The cost of the pandemic is much more than the cost of the disease – it is spanning the entire society and has brought backbones of our societies to their limits.

The costs have to be confronted with the benefits of the COVID-19 pandemic. As stated above, almost all entrepreneurs and interview partners stated that digitalization improved. Other study findings confirm this phenomenon (Priyono et al., 2020). At the same time, the value of cross-border cooperation was appreciated even more. When people realized how bad it was that the borders were closed, they started appreciating much more the “normal” situation of freedom. At the same time, the crisis has speeded-up necessary structural adjustments. However, all together the COVID-19 pandemic was a great challenge to all stakeholders included in this study.

The target group of this study were entrepreneurs and officers of public administrations in the border region of Poland and Germany. Therefore, cross-border cooperation played a major role in particular in the focus group discussions, but also in the interviews and the questionnaires. Since Poland joined the Schengen Treaty (21. December 2007), cross-border contacts have strongly increased. This is true for trade, mobility of workers, selection of settlement and all kind of services and craftsmanship. German citizens work in Poland, and in particular the gravity of Poland increased strongly. But also many Polish citizens work in Germany and are socially insured here. During the first three waves of COVID-19, the borders between Poland and Germany were partly closed for commuters in order to reduce the diffusion of SARS-CoV-2. This induced massive problems for commuters who had to cross the border (daily).

Polish citizens living in Poland and working in Germany could not reach their working place any more. This was in particular true for health care staff, i.e., Polish doctors and nurses could not reach the East-German hospitals, leading to a shortage of staff during a time where all healthcare institutions worked at their capacity limit anyhow. During the second and third wave, it was obligatory to show the results of a rapid test when crossing the border. The respective tests required a lot of time, in particular for the checks and controls. Consequently, German employers offered for their Polish employees flats and beds to stay in Germany all together. For this purpose, they rented holiday apartments so that the staff could stay. However, this was not only expensive for the employers, but banning employees from travelling to their families was a real burden for many of them.

The problem of testing was solved by many healthcare institutions by offering the respective tests to their employees. However, the rapid tests were only valid for 24 hours so that they needed another (expensive and time-consuming) test before they could come back. Consequently, rapid test centers were established right at the border. As all personnel crossing the border had to be tested and the results had to be checked, long queues resulted. While the border had (mentally) disappeared before COVID19 crisis, it came back in the mind of people. Similar problems were faced by farmers (seasonal employment), industry and craftsmen.

During the last few years, many Polish citizens decided to live in Germany close to the border. They work, for instance, in Stettin but live on the German side of the border. Closing of borders was a disaster for them as well. Furthermore, many enterprises are engaged on both sides. They have customers in both countries, purchase their materials in Poland and Germany and hire staff wherever it is available and suitable. After closing the borders, many markets collapsed.

During the pandemic support for employees and employers was in the hands of the respective national government. This issue has been elaborated by Schilirò (2020). According to our study, workers who are employed in Germany receive the full portfolio of support from

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the German government irrespective whether they are German citizens or not. The same is of course true for any person employed in Poland, i.e., they receive the support from the Polish government. Consequently, Polish citizens working, for instance, in a German hospital are entitled to all support from the German government, while German citizens working in Poland receive only the Polish support which was much less.

Samewise, all enterprises registered in Germany were entitled to the full package of support from the German government irrespective of the nationality of the owner or where they work. Polish enterprises did not receive any support from the German government even if they had their customers entirely on the German side.

The set of instruments and the total amount of support in Poland was smaller than in Germany. Already in March 2020 the “Anti-crisis-shield” was installed in order to mitigate the economic consequences of COVID-19 pandemic. It included a support of 40 % of the average monthly salary (plus contributions to social insurances). The “shield 2.0” was installed in January 2021 with 7.7-8.8 billion € (Deutsch-Polnische Industrie- und Handelskammer 2020). However, all together the situation for entrepreneurs and employees was quite different on both sides of the border irrespective of citizenship.

The interview partners were asked how they assessed the cooperation with the partners from the other side during the crisis. There was agreement that there was some exchange of information, but hardly any coordination. It is seen that mutual planning is crucial, but it did not work well during the COVID-19 pandemic in 2020 and 2021.

If we focus on the flow of goods between the two countries, we realize that the border region between Germany and Poland is a highly interdependent economic region, which was artificially separated in two parts by COVID-19. A region that belongs together was split apart, and it seems that the territorial principle of social security in Europe does not really reflect the reality of such as region anymore. As Anderson et al. (2002) state, it is necessary to analyze and understand the obstacles to cross-border cooperation in order to manage it properly and democratically. A comprehensive, cohesive and coordinated strategy is needed to address common problems on the labor markets, especially in districts close to the border. During the interviews, it was postulated that it is worth setting up a Polish-German institution, that would be responsible for this kind of cooperation on the labor market, not only during crises or emergencies.

Conclusions

The study explored the experiences and perceptions of labor market stakeholders in border regions of Poland and Germany as well as the impact of the COVID-19 crisis on employment and business. The key informants highlighted both positive as well as negative consequences of the pandemic on labor markets. The impact on the employment level revealed to be less severe than expected. Other factors, such as free movement of goods, services and personnel, were affected much more in border regions. However, there is at least one positive developing during the pandemic, i.e., digitalization and remote work were stimulated.

However, the generalizability of our findings is limited due to the qualitative approach, small sample size of experts and some contextual factors. Another general limitation of qualitative research is that the study results provide an exploration of a particular phenomenon. Therefore, further studies on bigger, representative sample sizes are needed to allow generalization. Moreover, due to limited time span of the research, it is possible that some meaningful impacts of the crisis on the labor markets have been missed.

Applying a medium-term and in-depth perspective, this study explored for the first time the experiences of labor market stakeholders. At the same time, it documented how these

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stakeholders perceived the crisis and the instruments to mitigate it. The focus was on the border regions between Poland and Germany. The findings of the study indicated that border regions need different approaches to combat crises than other regions. A pandemic is only one example for this exceptionality. The implications for public governance highlight the importance of joint security policy adaptations and the need to develop joint preparatory and support plans, especially for entrepreneurs. There is a strong need for a comprehensive, cohesive and coordinated strategy to address common problems on the labor markets of districts close to the border between the two countries. Furthermore, medium-term and long-term planning is essential, particularly to improve the capability of resilience after a crisis.

Theoretical part of this paper explains that the transitional crisis is influenced by different institutional, economic, political, cultural, and the following factors: conflicts of formal and alternative institutions, global processes, liberalization of economy, domination of politics, etc. Characteristically, they had a multiple impact through several independent variables which we have analyzed in three countries in transition (Montenegro, Serbia, and Bosnia and Herzegovina). During the socialist period, these countries had centrally-planned economies, limited economic growth, and spiral reproduction of the crisis. However, they are a typical example of the general situation in the Eastern Europe. Therefore, the results of this research are expected to contribute to the understanding the transitional crisis in the most Eastern European countries. Apart from some positive processes and improvements (in business environment, tourism, liberalization, civil society, civil and political rights, democracy, freedom of the media, the development of a knowledge society, environment for investments, etc.) the observed countries experienced the intensification of the social, political and economic crisis for the last 25 years. Conducted Empirical research has verified it. A number of negative factors provoked the transitional crisis. The most important of them (from my perspective) are selectively identified and explored in this research.

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