POLICY ACTIONS DURING THE COVID-19 PANDEMIC AND ECONOMIC IMPACT

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ABSTRACT: *The Covid-19 pandemic broke out by the beginning of 2020 and became one of the most relevant political, economic and social challenges at global level. From the beginning there was a wide consensus between scholars and experts from various fields of medical expertise (biomedicine, genetics, etc.) that the transport vehicle of the virus were the vital economic branches of world economies: business environment, trade, transports and tourism. In fact, now when the virus has entered apparently in Europe and in most parts of the world endemicity, it still has a high degree of uncertainty, and continues to have significant impact on economies worsened by the ongoing geopolitical crisis. While most papers are dedicated to the so-called 'engine economies' of the world, and in particular of the European Union, we intend to present how policy actions have impacted the economy of developing economies of Central and Eastern Europe, with emphasis on the national Romanian perspective. The labor market is where the lingering effects are best seen, as it is the meeting point for employees from both public and private sector, and actually one of the main targets of the various policy actions and measures. We use a framework based on the strategic and operational level, respectively where policy-decisions are made regarding various Covid-19 outspread prevention measures, and the operational level – where the effects are identified, and possible improvements proposed. The results show that the risk of divergence and increasing disparities is higher, in particular for the New Member-States, and that next to economic policy decisions, the way in which non-pharmaceutical interventions (NPI) influenced strongly the outcomes in various economic sectors. At the same time, the economies that succeeded in making use of digitalized means in various economic, social and cultural sectors had better overall results in overcoming the impact of the pandemic.*

KEY WORDS: *pandemic, healthcare, employment, STW (short term work) schemes, SME (small and medium enterprises).*

JEL CLASSIFICATIONS: *I15, I18.*

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1. INTRODUCTION

Covid-19's main entry gate within the EU-27 was Italy, where around the 23rd of February 2020 were recorded just 133 cases, and the Venice Carnival was suddenly cancelled (https://www.france24.com/en/20200223-italy-cancels-venice-carnival-over-coronavirus-fears) in an effort to put a halt to the outbreak of the virus. Just around the same period, as winter holidays were still unfolding, the warnings for limiting the virus outspread were hindered by actors from the tourism sector who refused to reduce the numbers of tourists in most winter-holidaying resorts, one example being the Ischgl resort from Austria (https://edition.cnn.com/2020/03/24/europe/austria-ski-resort-ischgl-coronavirus-intl/index.html), despite the fact that public authorities were warned about the increased risks. These examples identify one major source in tourism, an economic sector that suffered a lot during the height of the pandemic, and has still a difficult road to recovery.

Other two major sources were international transports and the business environment, as they had contributed to outspread due to the intense relations with China, 'the factory of the world', where the first cases had been recorded already by end-November-December 2019, while the World Health Organization (WHO) hesitated to declare the novel coronavirus as the source of a pandemic (in January 2020, WHO declared for the first time Covid-19 as global health emergency) until March 11, 2020 when according to the WHO Director-General the number of cases outside China had already increased 13-fold, and the number of affected countries three-fold (Cucinotta, et al. 2020).

It was by that time that European countries, including the ones of the European Union began taking measures, and the way in which policies were developed, for hindering the outspread of the novel coronavirus and for protecting the economic sectors as well, have shown the entire vulnerability of each of the European countries, and of the European Union as a whole. In fact, we might go as far as to say that the first reactions lacked coordination and cooperation between the member-states, and that they emphasized the vulnerabilities regarding the free movement of people, goods and services alike. At the same time, these reactions showed how important are coordination, cooperation and transparency between public and private stakeholders in the economy, and for the communication with the general public, at national, sub-national, regional and European level.

In the evolution of the pandemic we identify three major periods that contributed to increased economic policy challenges and changes at EU-27 level, that had deep impact for European economies with respect to present and future labor force, to the development of the SME sector regarded as engine for EU economies as the most important employer, but also for the public sector, as the evolution of the pandemic emphasized also the necessity of continuing the implementation of reforms for the sector as a whole, and not only in the New Member-States.

The first period is the one of the three major Covid-19 waves covering the period 2020-2021, and the emergence of the vaccine, with particular mention for the second period, respectively the last half of the year 2021 when in October-November, for instance, in Romania the Delta variant generated a great number of human losses, and the third period is the current period when Covid-19 is considered as endemic, less aggressive, but still regarded as concerning, because experts still cannot assess whether it will become again more aggressive, or not.

For the first two periods, at strategic level, policies had to be developed for ensuring coordination and cooperation between the goals of the healthcare sector and all other economic and social sectors on one hand at EU- and Member-States level, and on the other hand specific policies for protecting the financial, business, and social sectors of the economies needed to be adjusted between overall EU goals and the realities of the national economies. In this respect, most decision-factors and relevant stakeholders had to assess short-, medium-, and long-term costs and benefits of, for instance, fiscal policies when addressing the needs of the main financial, economic/business, and social sectors, of employment policies for ensuring maintaining jobs, if not providing for opportunities for development of new jobs, health policies for improving the working conditions of the personnel, but also for increasing their numbers, etc.

The main concerns were: (i) addressing the issue of ensuring supplies of all kinds, and especially of medical devices, pharmaceutical products that were required for the treatment of infected patients, and protection of the population at large, along with the vital supplies for all other economic sectors: (ii) addressing employment and support for jobs, under the conditions in which lockdowns seemed the viable solution for limiting the impact of the novel coronavirus: (iii) estimating possible fiscal policy mixes to ensure the capacity of intervention with respect to households, firms, and also state and local governments; (iv) evaluating effectiveness of unemployment insurances, and short-term-work (STW) schemes for sustaining workers' incomes, as to maintain as much as possible pre-pandemic employment levels.

The responses were, at first, disparate and showed multiple vulnerabilities, as the economies of the EU-27 are at various stages of development: Old Member-States (OMS) which are all developed economies, Former Member-States of Convergence and Cohesion (FMSCC), which are close to the results of the Old Member-States, and the New Member-States (NMS) which are all still developing economies. This is why, we will analyze the economic impact of the Covid-19 pandemic based on a representative sample consisting of 4 Old Member-States (OMS) respectively Germany, France, Italy and Netherlands, 4 Former Member-States of Convergence and Cohesion (FMSCC) that is Austria, Greece, Portugal and Spain, and 4 New Member-States (NMS), respectively Romania, Hungary, Bulgaria and Poland.

These countries are relevant also for the way the operational level, which we define in the context as the business environment, educational environment and administrative environment reacted to the policies decided at the strategic level with regard to the various restrictions, including lockdowns. At the same time, it allows for observing how the economic and social outcomes were influenced by the efficiency, effectiveness and compliance with the respective policies, especially the ones targeted to economic sectors and labor market.

2. ECONOMIC POLICY CHALLENGES AND CHANGES

Economic policy depends on the economic and social context of each country, and has an overreaching goal at EU-level, that of building, maintaining, and improving a functional, social economy dedicated to general welfare and increased wealth of the EU and of the member-states. However, economic policy still is the remit of each individual member-state and, as such, the result of the level of development of the respective country which implies all facets of life, including the cultural development translated for instance, in the level of acceptability for certain types of work (for instance short-time work, remote work, self-employment), an acceptability reflected in the encouragement or discouragement measures expressed in terms of incomes, fiscal measures, and flexibility of employment protection legislation. This is the reason why, first, we address the challenges and changes that might be triggered by the initiatives and their outcomes over the couple of years that were affected by the pandemic outbreak, first at the institutional level, that is the EU economic and social governance level.

2.1 Economic and social governance of the EU during the pandemic

The pandemic required quick actions, and after the first period of un-coordinated reaction, the first considered measures were intervention at the EU governance level, and in this respect, the main interventions, from an EU perspective had first of all to meet requirements for three main components: (i) the European Stability Mechanism (ESM) which had been revised for ensuring a pandemic credit line of 240 billion euro for the Eurozone countries so as to be able to use up to 2% of their GDP for healthcare related spending; (ii) a pan-European guarantee fund established by the European Investment Bank (EIB) providing for the availability of 200 billion euro for financing companies, especially the SME sector and (iii) an European Instrument for temporary Support to mitigate Unemployment Risks in an Emergency – which became rapidly the SURE initiative with 100 billion euro of loans for member-states to support their national STW schemes, or similar measures. It can be noticed that it is complementary to the EIB initiative as it provided a possibility for ensuring income support to employees from the State for the hours not worked (European Commission 2020, p.2) by the firms affected by the health emergency.

These first quick interventions highlighted one of the challenges, which might attract further changes: the relative discriminatory nature of the ESM credit line as it addressed only the euro-zone countries, leaving outside some of the New Member-States (Romania, Hungary, Bulgaria, Poland) and even some Former Member-States of Convergence and Cohesion whether these agreed or not to shift from their national coin to the Euro, or are in the process of adhering to the Eurozone.

At the same time SURE was welcomed as timely and appropriate by most countries, as it ensured support for the businesses and workers most hit by the pandemic. It can be also affirmed that SURE reinforced the national STW schemes that had been an effective tool also during the previous financial-economic crisis.

The identified challenges and changes still leave some open questions, respectively: how prepared are the member-states to provide for systemic tools that could support mutual assistance in times of distress, pandemic or other risks, if there cannot be achieved a new level of coordination and cooperation. The other solution, in the absence of wide consensus on mutual support for the entire EU, would imply reverting to the complex mix of political and financial competition and cooperation (at the same time) which was the predominant characteristic up to 2010.

The other question, deriving from the first, is how the new policy reforms will deal with the persisting inequalities between the member-states faced with adverse conditions, like pandemic or other natural or human induced risks.

Both questions address the two main pillars regarding economic and social welfare, and how these contribute to ensuring economic growth, and welfare for the European Union as a whole and for each of the individual member states.

In brief, we might conclude that challenges and changes address both the economic and social pillar of the EU, and that policies have focused in as much as possible on financial, economic and social issues, and on their most critical and vulnerable components: investments (national and foreign direct investments, loans and credits for supporting the economy, along other fiscal incentives for supporting new or innovative forms of work for preserving existing jobs; business environment by supporting in particular the SME sector, and employment in the sectors exposed to higher risk due to pandemic; and the social sector where most initiatives were targeted to healthcare. This leaves out, however, another field with relevance for both economic and social components: the education sector, which was affected, but the impact of Covid-19 pandemic on education will be seen in the next years expressed in labor market outcomes and results in the development of the digital economy and society.

2.2 Economic and social impact at operational level

The decisions taken at the EU governance level are reflected most in the outcomes for the relevant sectors at national level, in the developments at the level of the business environment and in the evolution of the SME sector, and as regards investments, and employment, including here changes targeted at how and when work is done. The impact of Covid-19 on small and medium sized enterprises has been considerable as about 90% claim to have been economically affected. The most severe impacts were felt in services, constructions and production where the reports vary the impact between 60 and 70%. Less impacted were the enterprises in the food sector, by 10% to 15%. This results in losses, which as EU average is by 50%, whereas most individual member states report losses around 80% regarding turnover. While the data is still scarce, we might add that these losses will be reflected also in decreases in employment.

At the same time, it seems that the recovery of the SME sector is still slow, and does not correspond to expectations regarding the post-covid period. Hence, there are questions about how the measures proposed at the strategical level could be implemented at country level in the period of interest (2020-mid 2022), in the sample of selected countries.

The operational level was most affected increasingly by decreasing levels of investment, price increases, and less orders over the period, which are currently even more critical due to the increased and constantly growing inflationary pressure. All these are related to the supply chains disruptions that showed immediately the vulnerabilities of the economic sectors at EU-27 level.

The evolutions in the business sector, and the SME sector more specifically show at the same time the relevance of the strategic level mentioned above, as the conclusions of a recent EU Barometer regarding the SME Business Climate Index show that the confidence of the SME regarding recovery is stagnant or even on decrease (SME United, Spring 2022).

The reasons are to be found in the initiatives pushing for an accelerated Green Deal, while the measures for protecting vulnerable clients are still insufficient, the decreasing appetence for investments and for initiatives encouraging innovation, the slowdown of reforms. In this regard, it might be considered that periods of increased uncertainty, like the current period where the pandemic evolution is still uncertain as new variants are still assessed and it is unknown if they might decrease or increase their aggressiveness, to which is added the conflictual situation at the EU borders which brings an entire new set of unpredictable evolutions politically, economically and socially. However, as the results of the Barometer show, emphasis is expected by the SME sector to be laid on reforms and investments for the green and digital transition, associated with investments in skills (hence the relevance of education and vocational training sectors), increasing the mobility and flexibility regarding cross-border goods and especially services, improving the regulation of the platform economy, and even addressing anew how the governance might be improved as regards flexibility for investments, without putting at risk medium- and long-term fiscal sustainability.

In this respect, it is relevant that while some indicators have reached levels comparable with the pre-pandemic level (GDP, industrial production, business registrations, production in services and retail trade, even the employment and unemployment rate, which all show the willingness of the entire economic sector irrespective of the nature of the stakeholders (either private or public) to contribute to a speedy recovery, there are some other issues that remain to be dealt with, especially as regards the strategical level and which contribute to increased uncertainty even now: inflation, government surplus/deficit and debt, exports and excess mortality which reflects the total number of deaths irrespective of their causes, but which could contribute to identify those deaths that are related either directly or indirectly to the pandemic (Eurostat, European Statistical Recovery Dashboard).

3. LITERATURE REVIEW

The outbreak of the pandemic has generated an unprecedented number of working papers, studies, and even volumes covering the impact it had on the world, or focusing on the impact in various economic regions, by focusing mostly on the particularities of developed or developing countries. While the advanced economies of USA, China, South Korea, Japan, Germany, France etc., have been covered extensively, just like the BRICS and the Euro area economies, fewer studies have focused on the impact of the pandemic on developing economies of Central and Eastern Europe, respectively the countries perceived as the 'periphery' of the European Union.

The first strand focused on the effects of lockdowns, other containment measures, and non-pharmaceutical interventions like the closing of schools, interdiction of public gatherings and cultural activities, limitation of cross-border or even domestic travel etc. (Al-Awahdi, et al. 2020; Fernandes, 2020). In this context, much debate has been focused on the strategical level, and in particular on the capacity of the stakeholders to adjust and mitigate the effects of the pandemic outbreak which implied on the one hand enforcing stringent measures for containing the infection, and on the other hand how to diminish, as much as possible the macroeconomic effects, in particular to the engines (SMEs) that ensure most of employment, considering the compounded effect of the two crises that reinforced each other, respectively the crisis triggered by the disruptions in the supply and demand chains (Eichenbaum, et al. 2020, Borio, 2020; Alfano, et al., 2021, Cicatiello, et al., 2021). Obviously, the impacts were global, and they emphasized on one hand the unique characteristics of the pandemic crises, but also the overall inability to counteract with more innovative means than the means known also from history the pandemic. Here we refer to the containment measures (lockdowns, closing schools, prohibiting human interaction in public gatherings, events) that on closer examination are similar to the ones practiced over centuries, including in the times of the Spanish Flu by the beginning of the 20^{th} century.

A second strand of literature approached the strategic level, and how national governments reacted depending on the size of the country's economy, the institutional-legislative framework and flexibility thereof in particular regarding fiscal and employment legislation, and on the income level (Costa-Filho, et al., 2020; Loayza, et al., 2020), while a less explored third strand focused on the impact of these measures for economic growth by referring to either the supply or the demand chain impacts (Goel, et al., 2021), while yet other strands attempt to identify whether there are similar typologies regarding the worst affected countries, including here studies dedicated to the European countries as a whole, or specifically to EU-27 countries (Tragaki, et al., 2021), or attempted to underpin the combined economic and social effects (Vanhercke, et al., 2020) by anticipating the increasing and new emerging disparities in the wake of the pandemic.

Hence, our brief analysis pursues to analyze the evolutions during the entire period of the years 2020 and 2021 and insights into the developments of the year 2022, as the impacts of 2022 might be, actually, a combination of the pandemic uncertainty and the higher volatility due to the conflict that began in February in the proximity of EU-27 borders.

Moreover, considering that the economic policies have high heterogeneity, we opt to present, in brief, some of the data that impacted the SME sector, fiscal measures, associated with measures related to labor market aiming to preserve/maintain jobs, or even create new opportunities.

The variables used are real GDP per capita, the evolution of the SME sector as a whole, and of the research-development and innovation activity, as these are the drivers of relevance with impact on initiatives aimed to increase resilience, sustainability and ensure a smoother transition towards a greener and smarter economy.

4. DEVELOPMENTS IN THE SELECTED MEMBER-STATES OVER THE PERIOD 2020-2021/2022

4.1 Brief considerations about the evolution of the pandemic

The outbreak of the pandemic occurred for each of the member countries in the first quarter of the year 2020, as gradually measures were taken by closing borders, activities in all economic, social and cultural sectors. In fact, over the period February 2020 to end July 2020, the stringency index developed by the Oxford University, respectively the Covid-19 Government Response Tracker (OxCGRT) indicated by its scores that each of the selected countries introduced more restrictive measures for complying with the recommended non-pharmaceutical interventions (NPI)

A brief review of the NPIs, shows that the most severe containment measures were recorded in the developed countries and the maximum value by 93.52 of the score in Italy, country that also shows the highest score already by the implementation of NPIs, respectively by 19.22. The other countries have score below the 90.00 threshold (see Table 1).

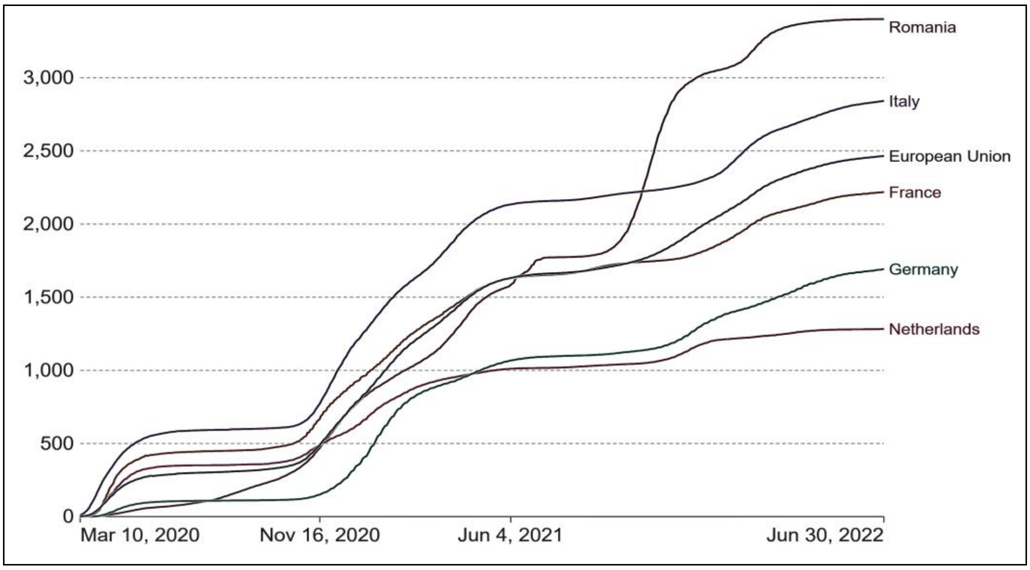
Table 1. Descriptive Statistics – Average Stringency Index for the 12 selected Member-States over the period 01.02.2020 to 31.06.2022

	Total 12 MS	Ger	Fra	Ita	Ned	Bul	Pol	Hun	Rom	Gre	Aus	Por	Spa
Mean	51.79	54.25	48.47	59.11	51.14	41.84	48.50	44.57	50.70	63.00	54.32	52.02	53.22
Median	52.78	57.87	46.305	64.81	50.93	44.44	43.77	40.74	52.78	68.52	51.61	60.65	50.46
Standard Deviation	20.86	20.17	21.18	20.19	21.11	16.54	21.31	22.67	20.90	18.62	16.88	22.33	18.28
Minimum	0	5.56	5.56	19.22	5.56	11.11	11.11	0	11.11	0	11.11	5.56	11.11
Maximum	93.52	85.19	87.96	93.52	82.41	73.15	87.04	79.63	87.04	88.89	82.41	87.96	85.19

Source: Author's own processing after Our World In Data, https://ourworldindata.org/coronavirus#explore-the-global-situation and Johns Hopkins University CSSE COVID-19 Data

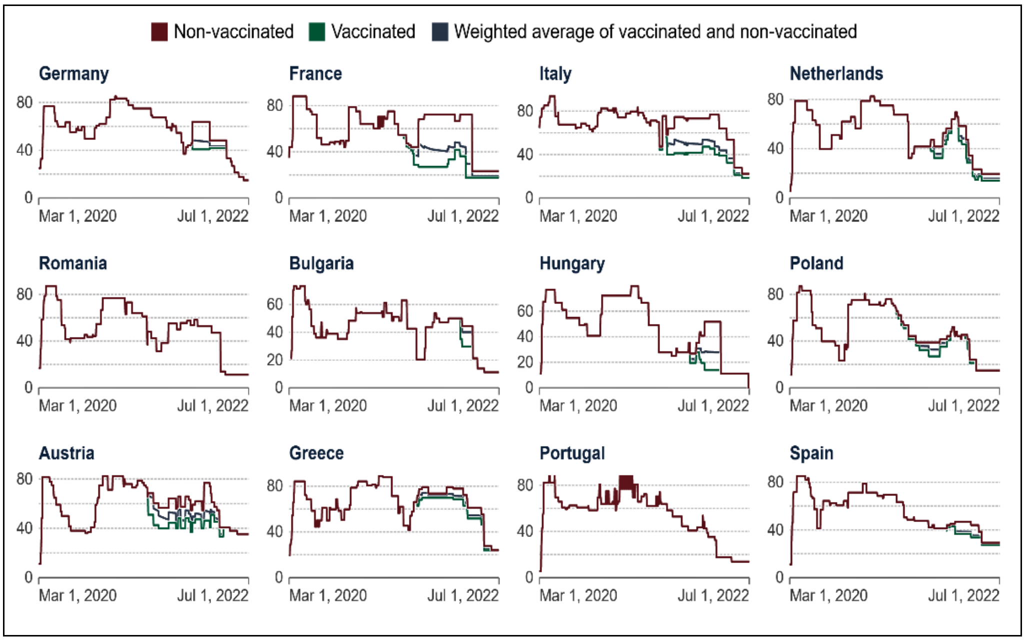
One limitation of our analysis is that there is great heterogeneity over the entire period regarding the implementation of NPIs regarding their level of restrictiveness and the field in which most restrictions were applied (for instance with emphasis on complete or partial lockdown, school closure, public transportation inside and outside the country limitation, etc.). At the same time, we observed that the number of cumulative deaths between the period March 2020 to June 30th 2022 indicates that

Romania, a New Member-States has a higher rate than even Italy, which was regarded as one of the countries worst hit by the pandemic (Fig. 1).



Source: John Hopkins University CCSE, Covid-19 data

Figure 1. Cumulative confirmed deaths because of Covid-19 per 1.000.000 people*



Source: John Hopkins University CCSE, Covid-19 data

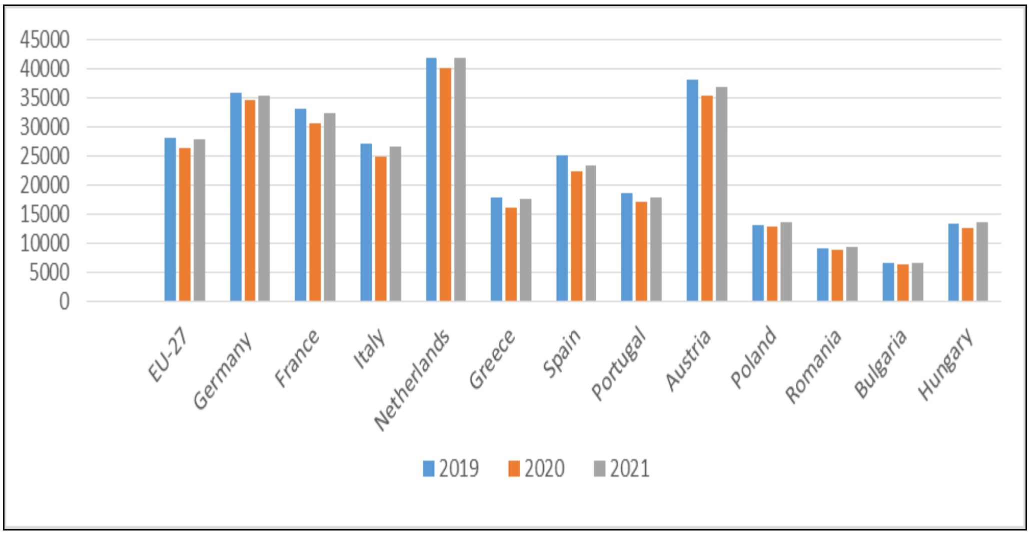
Figure 2. Covid 19 Stringency Index and Vaccination Campaigns

If we take into account also the release of the first vaccines, and the beginning of various vaccination campaigns, including boosters, we obtain an even more disturbing image, as it might be seen that the NPIs, corroborated with the vaccination campaigns, including boosters are almost insignificant at the level of our country, as compared with all other countries in the sample roughly over the same period (Fig. 2).

If we consider the data, the weighted average between the vaccinated and non-vaccinated persons is higher even in Bulgaria, while in Romania it remained at 11.11%. The question is how this is reflected in the economic development of Romania, and whether this state-of-affairs might have delayed impacts as regards labor market outcomes.

4.2 Main economic developments in selected member-states and Romania

The EU-27 economy registered a considerable plunge in the year 2020 by enforcing containment policies, and as shown in most of the studies tourism, transports and constructions were the most affected. One of the most relevant measures is GDP/capita and its development in the pre-pandemic year 2019, which can be used to reflect how the impact of Covid-19 has reflected at the level of each of the selected countries over the period 2020-2021 (Fig. 3).



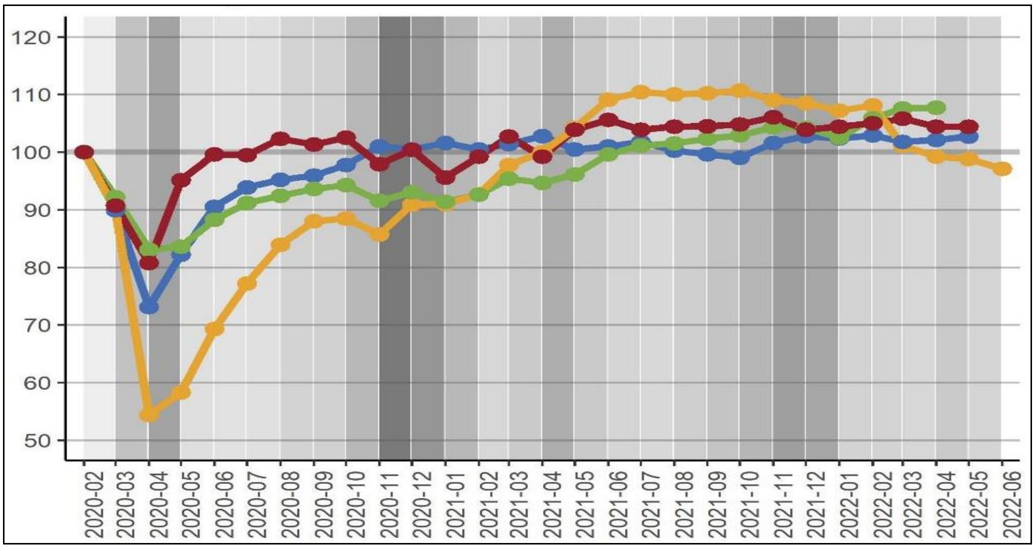
Source: Author's processing after Eurostat online code [SDG_08_10]

Figure 3. Real GDP per capita over the period 2019-2021 in the 12 selected member-states

It should be noticed that the real GDP per capita evolution shows that two member-states (Netherlands and Austria) had values above the EU-27 average over the period and even managed to maintain higher values during the pandemic.

In order to discern more specifically the impact of policy actions we present hereunder the evolutions of industrial production, of production in services, in retail trade, and the institutional measurement regarding economic sentiment that are associated with the number of excess deaths (period February 2020 to July 2022).

The results show that the evolutions within the EU are still pessimistic, and more cooperation and coordination would be required between public actors and private stakeholders to ensure recovery and moreover to adhere to the new set goals of the instrument dedicated to resilience and recovery at EU-27 level (Fig. 4).



Legend: Industrial production
Production in services
Retail trade
Economic sentiment
Excess deaths* (%): 0
10
20
30
40

*% change in the number of deaths compared with the average of the same months over the period 2016-2019

Source: Eurostat, European Recovery Dashboard

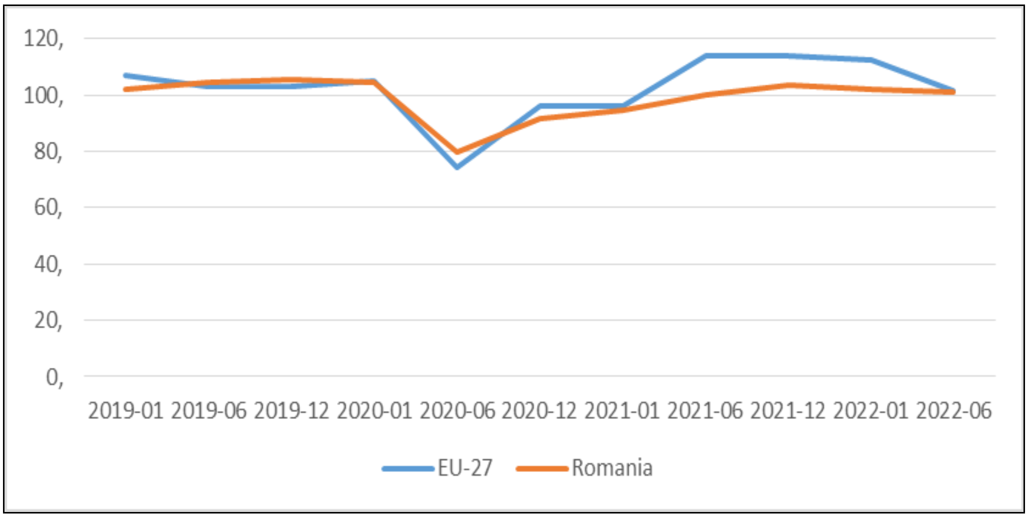
Figure 4. Overall economic and social image from 02.2020 to 06.2022 at EU-27 level

This shows also another trend, which raises more concerns, respectively that the economic recovery, and the economic sentiment are not shared, and their evolution depends also on the ‘cluster’ of countries. The evolution of the ‘economic sentiment’ has been rather sinuous as regards the selected member-states over the period, but it varied mostly according to the national perception regarding the policies implemented for maintaining the main activities (see Table 2).

Table 2. Comparative evolution of the economic sentiment in the same quarters of the years 2019, 2020, 2021 and 2022

	2019 01	2019 06	2019 12	2020 01	2020 06	2020 12	2021 01	2021 06	2021 12	2022 01	2022 06
EU-27	107.3	103.1	103.2	105.2	74.5	96.3	96.4	114.2	113.9	112.6	101.8
Bulgaria	103.8	99.3	104.9	103.2	74.7	82.7	85.6	99.4	100.9	101.9	98.6
Germany	108.0	102.2	100.6	103.2	81.1	98.1	96.1	114.8	111.9	112.9	104.7
Greece	101.1	104.8	111.1	109.6	85.9	94.9	94.1	108.8	111.0	114.1	104.1
Spain	104.5	104.7	103.3	101.9	83.3	94.3	97.0	106.9	107.7	108.7	102.1
France	102.6	103.6	101.1	106.1	78.1	95.0	94.2	112.1	113.1	111.1	102.4
Italy	102.5	101.2	100.5	101.1	72.0	92.7	94.0	116.1	115.4	109.2	105.0
Hungary	116.8	109.1	107.9	105.5	83.0	91.3	94.6	105.9	107.7	108.6	100.3
Netherl.	104.2	102.9	101.3	101.8	76.8	97.9	98.5	111.7	105.5	104.0	99.1
Austria	107.0	101.2	101.7	104.6	78.1	95.0	93.0	123.6	108.9	108.7	98.8
Poland	107.7	107.9	104.4	103.7	65.1	86.8	87.3	104.7	105.9	101.6	95.7
Portugal	111.9	109.6	106.4	108.6	74.6	92.2	92.7	110.0	108.6	106.5	106.2
Romania	102.2	104.4	105.5	104.8	79.6	91.9	94.5	100.0	103.4	102.2	100.9
EU-27	107.3	103.1	103.2	105.2	74.5	96.3	96.4	114.2	113.9	112.6	101.8
Romania	102.2	104.4	105.5	104.8	79.6	91.9	94.5	100.0	103.4	102.2	100.9

Source: Eurostat, sentiment indicators – monthly data [EI_BSSI_M_R2_custom_217532]

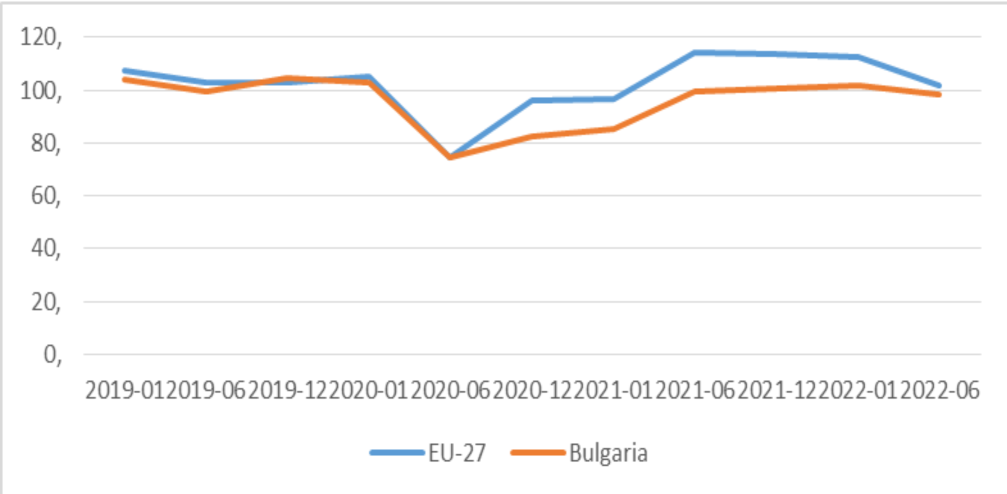


Source: Eurostat Economic sentiment indicators monthly data, online code [EI_BSSI_M_R2]

Figure 5. Economic sentiment in the EU-27 and Romania over the period 2019-01 to 2022-06

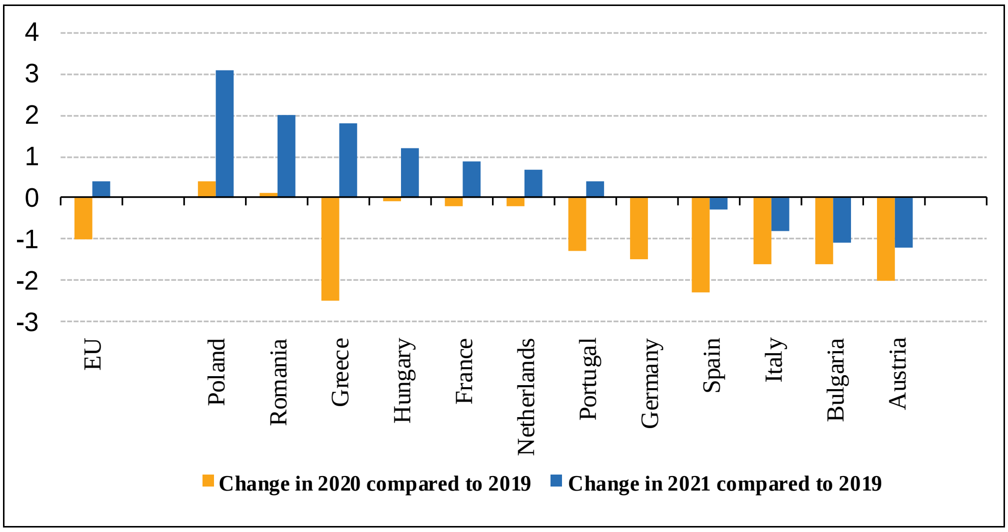
At the same time, it can be observed for Romania that the 'economic sentiment' follows approximately the evolution at EU-27 level, and that as of 2022 it tends to overlap the level of the index of the EU-27 (Fig.5).

In turn, the most pessimistic economic sentiment is recorded in Bulgaria, as the country has a rather visible drop, which began to change trend only in the beginning of 2022.



Source: Eurostat Economic sentiment indicators monthly data, online code [EI_BSSI_M_R2]

Figure 6. Economic sentiment in the EU-27 and Bulgaria over the period 2019-01 to 2022-06



Source: Eurostat, online data code

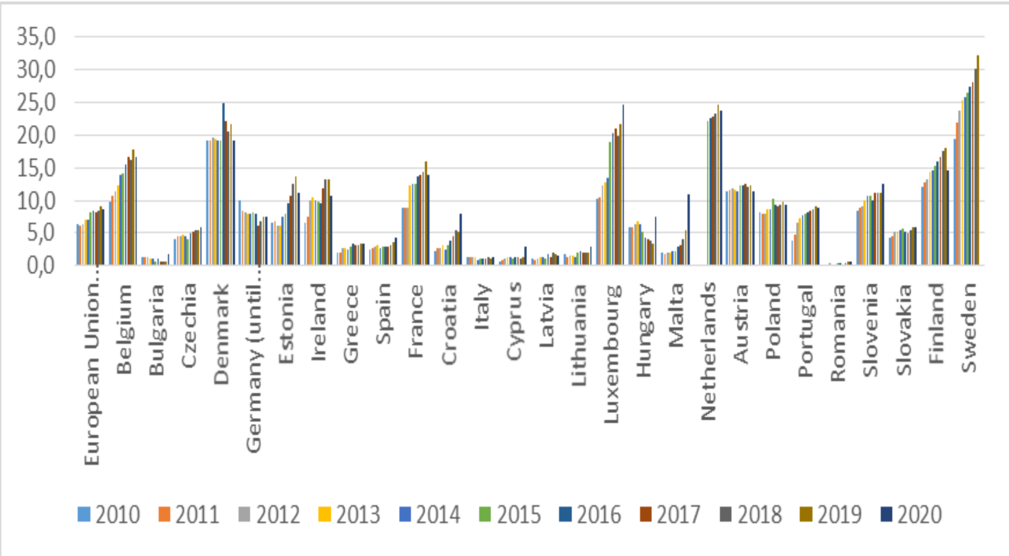
Figure 7. Employment trends over the period 2020-2021 compared with the pre-pandemic year 2019

This economic sentiment at EU-27 level, irrespective of the group of countries is closely linked to the evolution of the sectors considered, and it can be easily seen, and it has already been widely analyzed that the most affected sectors, at EU-27 level were the ones related to tourism, travel, accommodation and constructions.

These facts are reflected at best in the employment rates at EU-27 and member-states' level over the period impacted by the Covid-19 pandemic (Fig.7).

It might be assumed that the positive effects registered by Romania, as well as in Poland and Greece can be attributed to the fact that wider room was provided for STW-schemes, along with the other forms of tele- or remote working, as there was an overall slight increase in the numbers of individuals working from home. Nevertheless, the institutional-legislative framework remains rather rigid, and there is further need for improvement.

An argument in this respect is also the evolution regarding the numbers of employed working usually from home in the age group 20 to 64 years in EU member-states where there is a constant progress, especially in developed countries of increasing the numbers of these categories of workers (Fig.8).



Source: Eurostat, [lfsa_ehomp]

Figure 8. Employed working usually from home, aged 20 to 64 years, % total employment EU-27

One useful contribution to improving the legislative-institutional framework and the employment opportunities could be the contribution of the SME sector. However, as most recent analyses show, this is the sector that was affected considerably by the Covid-19 pandemic, and Romania has already a rather fragile position, as it has several aspects to improve, especially as regards activities in the field of research-development, innovation, and SMEs in the high-tech sector.

Due to the scarcity of data, we present here the last available data for the evolution of the SME sector in Romania, from which it can be seen that main deficits are recorded for SMEs in research-development and innovation, a fact which seems to be a rather common issue at the level of the EU-27 SME sector, as most mention that they need to improve their internal ICT skills, respectively 77% of SMEs, get more involved with social media platforms for improving their sales, and communications (74%), while yet another 71% are of the opinion that they need to adopt more advanced technologies.

In Romania, over the pandemic period the number of SMEs grew by 13.3% in value added and by 2.6% regarding employment, both indicated a better performance than the one of large enterprises which had an increase by 9.8% in value added and by 0.9% for employment. However, while there are some key strengths in this respect, there are several policy challenges regarding environmental sustainability where the share of Romanian companies providing green products is below the EU-27 average (32%). Other critical issues were identified with respect to the European Skill Index as Romania is affected by skill shortages, a fact which seems to be complementary and determining also the results according to the European Innovation Scoreboard where Romania is on the last place in the EU-27. At the same time, Romania has low research-development expenditures by only 0.47 of GDP which is much below the national target by 2% of GDP, and the EU average by 2.12%. (EC 2022-SME Factsheet).

From the policy actions' perspective this shows a rather mixed image as on one hand the access to finance has been self-limited by the SMEs, or limited, as a high number of SMEs did no longer apply for loans in 2021 (77%) and relied on internal resources, while for start-ups ongoing financing schemes seem to be more sustainable and diversified. On the other hand, also with respect to policies and actions in the pandemic and post-pandemic period, it shows that the national mix is rather lacking, as according to the Doing Business report of 2020/2021 Romania has dropped by 14 places in the ranking, a process that began its downturn already as of 2014 regarding the ease of starting a business and paying taxes.

5. CONCLUSIONS

Already as soon as 2021, the European Commission presented a Communication about "The EU economy after Covid-19: Implications for economic governance", which pursued to involve to a higher extent, next to policy decision factors also the wide public represented by the citizens of the EU-27. The Communication summarizes some of the issues suggested for further analysis in the present paper: the threats to labor market implied on one hand by the risks of vanishing jobs, or their transformation without proper adjustment during the pandemic period, the economic growth which continues to lag, especially regarding the digital shift, when compared with China and the USA. Other issues that are relevant and turn to a real threat for the socio-economic climate in all member-states is that incomes and wealth inequality is on increase, and some of the most needed measures for transitioning to a greener economy are associated with costs that might become unbearable for the societies of the EU.

It was a rather optimistic perspective on the changes, as the uncertainties that risk to bring even higher degrees of vulnerability for certain economic sectors on their value chains, but mostly for socio-economic categories entered a completely new stage as of February 24, 2022.

In this context, the EU-27 priorities, and the national priorities at the level of each New Member-State will require careful analysis and perhaps rearranging the order of priorities as to mitigate the worst effects of the current persistent inflationary pressure, while nurturing an improved environment for improved coordination and collaboration. The three most pressing priorities could be enumerated as follows:

- Accelerating the process of digital transformation, where Romania, despite expectations that were encouraged even with income tax exemptions for workers in the ICT sector lags behind the EU-27 average, as it is ranked on the last position (27) according to the Digital Economy and Society Index (DESI, 2021). This might be and is associated with another significant indicator, respectively the Human Capital Development Index, where Romania is placed on the second last position (26), as it scores below the average scores for all indicators. If we take one step further, we see that even regarding enterprises in the private sector, it ranks 25th in integrating digital technology (DESI, 2021). The public sector, respectively the administrative branch is ranked on the last position in this respect, as all indicators are much below the EU-27 average.
- One other essential aspect is the socio-economic resilience meant to improve economic growth, potential and job creation according to the Sustainable Development Goals. The resilience differences will play a considerable role in the future, and this means that Romania has to take decisive action regarding labor market policies, policies addressed to the educational and vocational training system, by providing for more flexible frameworks, and institutionalizing mechanisms that would allow for preserving the national workforce.
- Addressing climate change and the energy transition will need to be re-evaluated not only by taking into account the pandemic developments, but also the post-February 2022 realities. It means that at both EU-27 and at the level of each member-state the policy actions and the activities for ensuring the swifter transition, considering the increasing environmental threats (heat waves, droughts, floods other anomalous phenomena) for the European continent, will need to be reassessed and reframed at strategic and operational level not only in a quasi-post-pandemic context, but also according to the developments from the first half of 2022.

Fact is that, all in all, the pandemic has hit hard all EU-27 countries, but somewhere more prepared than others to mitigate at least some of the effects, as demonstrated also by the evolution of the ‘economic sentiment’. Currently, the worst hit companies during the pandemic (tourism, transports, constructions) have still not recovered completely, and new business-models will be required, while the labor market which is traditionally known for absorbing shocks at a slower level than the other sectors is still caught between labor force deficits in most sectors but with noticeable deficits in most of the relevant sectors for the present (for instance, healthcare and ICT) and demographic ageing. It is here, where Romania will have to take decisive action considering the particularities of the countries: marked demographic decrease because of ageing and migration, associated to high income inequality and uneven development at the level of the country's regions of development. Our future analysis will specifically focus on these last-mentioned issues in the particularized national context.

In conclusion, Romania's National Plan for Resilience and Recovery should support by specific (institutionalized) tools and mechanisms a more dynamic governance framework, which would provide for undertaking sustainable reforms for encouraging speeding up digitalization in economic and social sectors, diminishing the increasing income disparities, and last, but most important, for assuring improved and wider coordination between the public and the private sector that, in turn would bring about more support, even from the general public.

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