



The Coronavirus Pandemic and Its Impact upon Companies from Bihor County

Ciprian-Benjamin Benea¹ 

Adrian Negrea² 

Adina Sacara Onita³ 

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Abstract: *As the pandemic force started to affect the whole world in the first part of 2020, Romania's economy and society made no exception; as the paper shortly presents the effects and perspectives brought by this pandemic upon humankind, the main focus of the paper is a region in Romania, Bihor county, respectively. It presents how COVID-19 influenced normal economic-social activity, and the way the Romanian government reacted to this global problem, through different instruments, such as subsidies. The main purpose of this article is to present the way COVID-19 affected a region in an Eastern European country and the way the Romanian government searched for a solution in order to reduce the negative influences of this plague. The main method of analysis is based on statistical data collected by and from a regional employment agency from Bihor county (AJOFM-Bihor).*

1. INTRODUCTION

Initial reaction to COVID-19 can be described as one which is specific to humans facing the unknown and unexpected: confusion and denial. As the reality imposed itself upon the collective psyche, the economic contraction started to manifest itself, triggering diverse effects which are hard to be evaluated for the moment; of course, there are statistics and forecasts created by IMF or ILO specialists, which describe the world economic contraction in comparison with pre-pandemic prognosis, but the long term economic, and especially social implications are hard to be quantified.

What can for sure be said now, based on figures already collected, is that this COVID-19 pandemic – whose evolution is hard to be predicted in the summer of 2021 anyway – has triggered the *deepest recession* since the end of World War II. The global economy contracted by 3,5 % in 2020 related to 2019 (Yeyati, E.L., & Filippini, F., 2021, p.1). Over 90% of the global economy experienced a reduction in the gross domestic product (GDP) per capita, the largest number of countries registering simultaneously such a trend since 1930 (World Bank Outlook, 2020).

To counter the negative impact of a pandemic due to lockdown, mobility's restrictions and contraction for both supply and demand, the great shift with long term consequences have been a general rising of states' indebtedness, which has risen: in 2010 the government indebtedness', expressed as a percentage of GDP, was on average around 75% (at global level). In 2020 it hangs on around 100%, and it is important to mention that the highest figures are registered in developed economies, with an average of indebtedness higher than 120%, related to their GDP (IMF Fiscal Monitor, 2020). According to Benmelech & Nitzan (2020), it can be noted that there is a direct connection between fiscal measures at hand, public spending rising and credit rating of a specific country. This can partially explain why developed countries could adopt such measures.

¹ University of Oradea, Bihor county, Universitatii No. 1, Oradea, Romania

² University of Oradea, Bihor county, Universitatii No. 1, Oradea, Romania

³ University of Oradea, Bihor county, Universitatii No. 1, Oradea, Romania

Beyond simple fiscal aspects, the socio-economic aspects of COVID-19 can be summarized if we take a look at working-hour losses. Concerning the situation in the last part of the year 2019, in 2020 the percentage of working hours lost due to pandemic is 8,8% globally, while for the equivalent number of full-time jobs lost (48 hours/week), the number is 255 million. For Eastern Europe, the figures are: 7,4%, and 8 million, respectively (ILO Monitor, 2021). In this context, it is important to underscore that there is a difference between sectors strongly hit by pandemic (accommodation, restaurants, arts, culture, retail) and those which requested skilled personal (communication and information technology, and financial sector), which handled better in this new economic environment; this difference will only determine rising inequality within different countries.

The most affected parts of society were young laborers, women, self-employed, and of course low-skilled employees (ILO Monitor, 2021). Furthermore, the global labor income is estimated to have declined with around US 3700 billion, or 4,4% of global gross domestic product. In this context, the post-pandemic recovery can bring an even more stratified society, leading to greater inequality within the world's states, which could trigger simultaneous political turmoil in different societies, with consequences that can hard be forecasted (Giegerich et. al. 2021).

Furthermore, as prior COVID-19 pandemic there was manifesting a relative economic stagnation, the most important point for manufacturing sector being the efficiency – it looked for production's location in the most cost-effective areas – the pandemic shock upon global trade networks has changed priorities: resilience and security of supply network have gained more importance, especially when speaking about medical and food-supply industries (Giegerich et. al. 2021). At the same time, lower consumer confidence followed the steep decrease in economic activity, bringing with it a pessimistic approach regarding the future and what it could bring.

2. MATERIALS AND METHODS

As can be noticed, this introduction has the aim of indicating the general aspects of the COVID-19 pandemic, globally, while the details connected to Bihor County are based on data obtained from this county's employment agency (AJOFM-Bihor); Bihor is a county located in the north-western part of Romania, bordering Hungary.

To protect the health of their citizens, many governments decided to take a huge risk in implementing lockdowns all over the world, without fully understanding the impact of this radical measure upon the economy and society. But choosing the most direct measure to cope with "evil" in order to save their populations should not be used to blame governments. No medical system in the world was capable of dealing with such a great number of infected people with COVID-19 or any other disease at the same time, and neither was any of the medical systems in the world capable of taking care of their patients with other medical records; so for lives to be saved, in this case, the economy had to face the hardest hit.

Starting in March 2020, most European countries imposed lockdowns, and this measure basically hit the export-oriented sectors of Bihor County. The table of March total lockdowns of non-essential economic activities in the West is as follows: 11.03.2020 Italy, 14.03.2020 Spain, 15.03.2020 Romania, 16.03.2020 Austria, 17.03.2020 Ireland, 18.03.2020 Belgium and Denmark, 22.03.2020 Germany, 24.03.2020 Britain and Portugal.

Since main Romania's economic partners are EU member countries, their decision to "close" economic activity, doubled by the similar measure taken in Romania, have brought hard times for several export-oriented sectors that were feeling the first early signs of consumption contraction in the West.

Correlating the links between mass shutdowns affecting the world economy with the effects registered by the industry and unemployment rate in Romania and making a few economic predictions based on the information gathered, the paper moves forward to observe the evolution of the same macroeconomic indicators at a smaller scale, meaning in Bihor County.

Based on data provided by AJOFM, for the period March 2020 – May 2021, several factors are analyzed in order to determine the impact of this pandemic; these factors are:

- number of companies that benefited from government subsidies, for suspended working contracts,
- total number of suspended working contracts,
- total value of government subsidies (RON).

Table 1. Number of companies, total number of suspended working contracts, total value of government subsidies (in RON) allocated from March 2020 to May 2021

Month	Number of companies	Total number of suspended working contracts	Total value in RON of government subsidies
Mar	1601	16.432	8.672.823
Apr	4639	37.625	61.866.592
May	4323	32.173	44.213.216
Jun	504	4.874	5.578.218
Jul	171	832	1.271.660
Aug	143	647	1.025.250
Sep	38	112	170.026
Oct	101	833	568.500
Nov	344	2.593	3.620.867
Dec	507	5.707	7.190.112
Ian	443	5.503	6.220.004
Feb	412	5.286	6.264.237
Mar	451	5.936	6.387.693
Apr	291	2.017	3.324.159
May	199	926	1.488.928

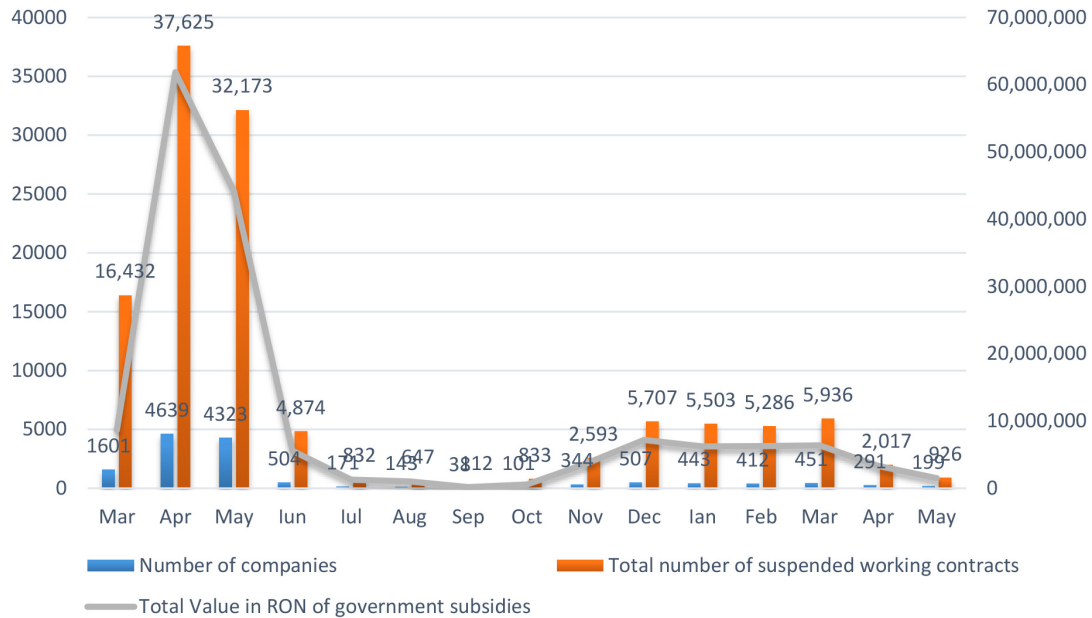
Source: Data provided by AJOFM; It requested not to disclose companies names and the amount of government help they received

The measures taken by local and governmental officials through AJOFM came as support and they tried to relieve the financial burden felt by affected companies and sectors; table 1 provides facts regarding what was done. If in March only 16.432 people got their contracts suspended, AJOFM paying them the amount 8.672.823 RON, in April and May the picture got gloomier. The number of suspended contracts rose to 37.625 and the economic relief to 61.866.592 RON, a more than 700% increase. In May things looked better, but still severe, with 32.173 suspended contracts and a cost of 44.213.216 RON supported by the Romanian government.

In Romania, the lockdown entered into force in the middle of March, and if we look just at what happened in this month, the results are quite optimistic, because only 1601 companies out of a total of 18175 – less than 9% – asked for governmental help in order to support their costs with suspended employees' contracts.

But this was only the period when dark clouds were gathering above Bihor because the storm to come was already provoking and testing the whole world economy, and Bihor county's economy couldn't make an exception in such a scenario.

For an easier understanding of the events, we can look to Graph 1.



Graph 1. Number of companies, total number of suspended working contracts, total value of government subsidies (RON) allocated from March 2020 to May 2021

Source: Data provided by AJOFM; It requested not to disclose companies names and the amount of government help they received

Graph 1, which comprises the available economic data for all the activity from March 2020 until May 2021, shows the real extent the lockdowns have created. It is a fiasco for local and national officials that see the staggering number of companies that have suspended contracts and asked for governmental relief. The crisis can be depicted in the shape of “M letter”. A huge spike arose in the first months of the pandemic due to the lockdowns that took place all over the democratic world.

The full blow was dealt with in April, and May 2020, when numerous economies are in lockdown, while the situation appears to ease when the measures are being lifted. The number of companies that benefited from government subsidies for suspended working contracts starts to decline from above 4.000 in April and May to 500 in June, and even less afterward.

The situation almost seemed to ease and pass in July, August, September, the number of companies that benefited from government subsidies for suspended working contracts decreased from 171 to 38; the number of suspended working contracts followed suit from 832 to 112 and the total value of government subsidies took a similar trend, falling from 1.271.660 to 170.026 RON.

The “M letter” shape start to emerge because the economic events, just when all things started to look better, have emerged in an already negatively affected economic landscape. The situation has gotten worsening due to an increase in numbers that started to occur after October 2020. If things seemed right for the last of the 2nd quarter and the beginning of the 3rd quarter of 2020, beginning with that period, all things went sideways.

The economic output shows that the crisis has lingering effects that start to push again. The number of companies that benefited from government subsidies for suspended working contracts starts speeding upwards from October 2020 until April 2021, from 101 to 304, reaching the highest number, 507 respectively, in December, and afterward toping 400 for each of the 1st quarter months of 2021.

The total number of suspended working contracts climb from 833 in October to 2.593 in November, reaching at the end of the year 2020, 5.707. The next three months showed no sign of relief, because all the figures point to a stalemate and figures above 5.000 suspended working contracts, with a peak of 5.936 in March 2021.

The given government subsidies during this period passed from the minimum 170.026 RON paid in September to 568.500 RON paid in October. The roller coaster of the total value of government subsidies seemed to get out of control again, reaching a staggering 7.190.112 RON paid in December. Even though the figures become moodier, a plateau being reached in the 1st quarter of 2021, the amount of subsidies paid by the Romanian government through AJOFM stabilizes at around 6 million RON/month.

In order to cope with the side-effects of this pandemic, there were taken further steps, topping up measures Romania government had already taken and which were shortly mentioned above; while they were related to a suspended activity, the 2-nd group of actions started to be implemented beginning with autumn 2020, and it has to do with supporting part-time jobs.

3. KURZARBEIT AND GOVERNMENT SUBSIDIES

Simultaneously with these measures, beginning with the autumn of 2020, another program has stepped in, helping the stressed Bihor county's economy; it was a fully-copied program, invented by the Germans regarding *Kurzarbeit* or part time-jobs, paid in order not to have a staggering soaring unemployment rate in a short period. This measure comes as a support for measures already in place, and they have strongly intensified after September 2020, when only 13 companies requested 235.078 RON for the 286 employees that were registered for part-time jobs.

Table 2. Number of companies, number of employees and Kurzarbeit government subsidies (RON) from September 2020 to March 2021

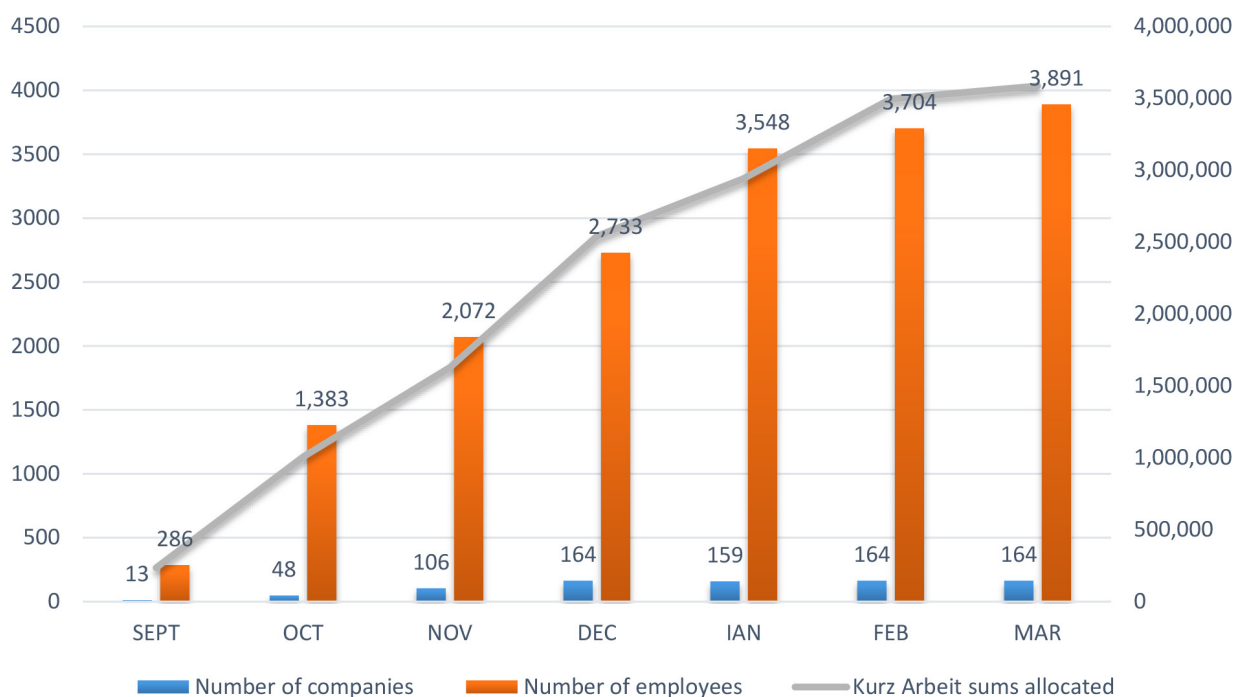
Month	Number of companies	Number of employees	Kurzarbeit government subsidies
Sep	13	286	235.078
Oct	48	1.383	1.005.457
Nov	106	2.072	1.628.509
Dec	164	2.733	2.541.905
Ian	159	3.548	2.942.318
Feb	164	3.704	3.495.621
Mar	164	3.891	3.586.369

Source: Data provided by AJOFM; It requested not to disclose companies names and the amount of government help they received

From then on, the situation dims and from November onwards the number of companies asking for government subsidies passes 100. The Figure stabilizes and reaches a plateau of 164 in the 1st quarter of 2021.

The main uphill push is seen better in Graph 2 where since the start of the Kurzarbeit governmental program has begun, more companies have enrolled employees every month.

The situation regarding Kurzarbeit government subsidies is the most relevant because from 235.078 RON paid in September to 1.005.457 RON paid in October is an increase of almost 400%. The figures haven't stopped here, they continue to rise to 2.942.318 RON paid in January and over 3 million RON paid in both next 2 months of the 1st quarter of 2021.



Graph 2. Number of companies, number of employees and Kurz Arbeit sums allocated from September 2020 – March 2021

Source: Data provided by AJOFM; It requested not to disclose companies names and the amount of government help they received

4. MIX FACTS REGARDING REACTIONS TO THIS PANDEMIC

From the beginning of the pandemic, the Romanian Government, through the support given by its local agencies – AJOFM being one of them – established swift mechanisms to help mitigate the rising danger which unemployment could bring and its consequences.

Since the start of the pandemic, the Romanian Government followed the rest of the EU and developed economies, imposing proactive measures like government subsidies in order to help businesses overpass this harsh period. The overindebtedness that followed was the only asset at hand to keep the economy going.

An “M-shaped letter” effect was registered because the future measures taken by the government prohibited businesses from fully operating at the pre-pandemic level. Economic sectors like hotels, restaurants, coffee shops could stay open only if they had a terrace at hand; if they do not, they had to close down, because indoor activities were prohibited. This is one of the main reasons why a spike in government solicitations took place starting with the 4th quarter of 2020 and the 1st quarter of 2021.

The plateau that signaled an end to the pandemic started to appear afterward. Vaccination programs, good weather, deescalating measures that were taken started to ease business life, and hotels, restaurants, coffee shops owners started to rehire again. But as the paper gets closer to its ending (October 2021), a new stressful period looms over the regional economy...

5. FUTURE RESEARCH DIRECTIONS

A thorough analysis has to be made in order to see the full impact of the COVID-19 pandemic on the entire county economy, because not all economic activities or economic sectors have suffered after the government restrictions have been imposed, and some like *IT*, goods related to *medical* activity, large *distribution* centers, *meat packaging*, *constructions* and some others simply carried out their business as usual, *or they have done even better*.

But this can be accurately done only after fully understanding of complex connections and effects generated by this pandemic, it must comprise all sectors which reduce, or increase their activity. This can be done only after some time *after* the pandemic is fully over.

For the moment perhaps an “M letter” shape is a characteristic for the county’s economy based on the analysis of the number of companies that benefited from government subsidies for suspended working contracts, the total number of suspended working contracts and the total value of government subsidies.

In Bihor county, there is an aspect that has become visible in the spring of 2021: activities connected to real-estate investments, and the construction sector have followed an upward trend, even if other sectors connected to social activity (restaurants, hotels, tourism) were not doing so well in this harsh historical period; some economic activities and sectors have suffered the brunt force of the COVID-19 pandemic dubbed by government restrictions, while other economic activities and sectors managed to thrive in this problematic period.

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