

Coworking Places in Hungary During the COVID-19 Pandemic



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1 Introduction

In this chapter, we focus on the changes brought by the pandemic and the different adaptation strategies which coworking spaces needed to use to adjust to the challenges during this period. We aim to give an overview of the Hungarian situation which has one speciality for coworking spaces. In contrast to Western Europe, these places had to rely completely on their own because they did not receive any financial aid from the Hungarian government.

This study begins by introducing the context of the Hungarian COVID-19 situation shortly. Then it gives a brief overview of coworking spaces and their spatial differentiation at the national level. The legislation is discussed in the next part. Subsequently, the different adaptation strategies are explored.

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2 Context: The Hungarian COVID-19 Situation

In Hungary the first confirmed case of COVID-19 was reported nearly after three months of Wuhan cases, on 4th March 2020 [23], exactly one week before WHO declared the virus as a global pandemic. In the first year, there were two distinctive waves (in spring and in late autumn/winter), which pattern is similar to most European countries [7]. We call this first year a highly disruptive initial period when the novelty of the virus and the lack of vaccines forced governments to apply strict control measures which affect mobility, and mass gathering to reduce transmission and avoid overburdening the healthcare system [16]. In Hungary, control measures affected the entire country with negligible regional or local differentiation. Only one exception was in May 2020, when the capital (Budapest) experienced a delay in lifting earlier restrictions.

In the first wave, the diffusion followed a core-periphery pattern. Thus, early cases were reported from the capital and suburban settlements encircling Budapest [22]. Later, territorial differences started to change: the virus appeared also in settlements placed lower in the hierarchy. Similarly, to the first year, in 2021 two distinctive waves occurred with one difference; new ways of protection appeared as vaccines started to be available to the wider public. The third wave (from February to May) was the last one which required significant control measures, for example, school and restaurant closures or a night curfew between 8 pm and 5 am. The next surge started in late summer, September 2021. In 2022, the nature of the virus has changed: the active cases were the highest in the fifth wave in late January-early February. However, despite that, the death rate appeared to decrease and consequently measures, and restrictions were not as strict anymore. The latest sixth wave occurred in the summer months of 2022.

To conclude, since the virus first appeared, the initial period, especially the first wave, caused the highest disruption in nearly every aspect of life in Hungary, not because of the number of active cases but the novelty of the virus and the lack of effective treatment against it. Although later surges with new variants also influenced different activities from trade to tourism, adaptation started to develop.

3 The Rise of Alternative Workplaces

Coworking spaces started to appear in Central and Eastern Europe in the first decade of the 2000s, just like all over Europe, with the first Hungarian one starting in Budapest in 2009. They were getting more and more popular, especially within self-employed and creative industries, helped somewhat by the burgeoning start-up scene too—and spread also in some countryside towns with different owner profiles, sizes and user groups. There are some larger CSs with over 100 desks and several meeting rooms, while many are smaller with less than 20 desks, and quite a few renting out office spaces for SMEs. Managers of coworking spaces are typically under 40, many

are also owners of the CS and without exception are higher educated. In terms of users, some rely on standard members, or renting out office space, while others have a mixed crowd of local and international users (digital nomads)—in Budapest, each CS has a slightly different profile [14]. In 2019 the total number of CSs was around 54 in the country—36 in Budapest and 18 in the countryside, however the COVID pandemic has affected the sector heavily. At least 14 are suspected to have closed business forever due to the pandemic.

Just like everywhere, the number of people working from home skyrocketed in the first wave in Hungary. In May 2020, 17% of the active workers did their job outside traditional offices. This number started to decrease when the first surge ended. In autumn, parallel with the second surge, the ratio rose again to 12%. Compared to the pre-pandemic level, the proportion of remote workers increased from 2.9 to 8.6% [11]. This trend also suggests that remote work persists after the initial shock, but the range of users decreases after the peak in numbers.

Not every segment of the labor force is affected by opportunities of working from elsewhere. There are territorial, sectoral and socio-economic differences across the country in terms of telework. Sectors connected to information and communication technologies, research and education were the leading examples of telework. The level of education and the location of the workers also influenced the patterns—contributing to regional differences. Findings reflect that these are not country-specific, but similar to international trends.

4 Centre and Periphery in the Hungarian Creative Economy: Where Do New Working Spaces Fit?

Patterns of post-industrial development have inscribed multiple centre–periphery relationships on the Hungarian space economy: the country itself in relation to the EU core; the Budapest agglomeration in relation to the provinces; and (non-metropolitan) cities in relation to the spaces of small towns and rural areas. The creative sector, as a special segment of the post-industrial economy, is also structured accordingly. While post-industrial activities in the service sector make up for the bulk of employment in every region, value creation outside the capital is still heavily rooted in manufacturing activities, showing the limits of the post-industrial model in regional development [18]. Issues of both supply and (local) demand are apparent. The high value-added segments of the creative economy are metropolitan; that is, largely capital-centric in their geographies.

Tourism and the creative industries are often considered proxies for ‘culture’ in economic development [9]; and new working spaces can be counted as one facet of the latter. But as Evans remarks, smaller cities with weak agglomerations find it hard to turn their cultural profiles into effective creative industries, and risk becoming dependent on exogenous funding. van Heur [24] notes that due to the metropolitan bias of creative industries research, issues of insufficient agglomeration benefits,

connections, visibility, as well as a different orientation are often overlooked, and thus failures may result in the absence of a critical mass. Furthermore, assumed job creation and income generation effects may remain unrealised, and structures created with public assistance may be highly sensitive to exogenous crises [21]. It is therefore imperative for successful creative industry strategies to adapt to the specific circumstances and endogenous development potential. Comunian and Mould [8] emphasise the significance of focusing support on the local cultural ecosystem; and thereby urge policymakers to bridge “the structural gap between the public interventions and specifically the new flagship cultural institutions created and the local creative economy base” (p. 72).

Due to both a lower development level and the absence of strong, metropolitan regional centres, the creative economy in Hungary is more heavily concentrated than in the EU core. This concerns particularly activities involved in commercialisation and value creation. Critical mass issues are apparent across minor cities [17], and even more pressing in small towns and all but a few rural areas. Absent strong local social and financial capital, development planning remains funding-oriented, and operates along an exogenous model directed from the capital and bypassing local stakeholders with weak ability for capacity-building [10, 19, 20]. Therefore, localities are weak or absent actors in this formula, often remaining dependent on sustained public transfers for their survival. New working spaces operating outside the capital benefit from transfers to the local cultural ecosystem but find it hard to transcend funding dependency. In the long run, as Hudec and Džupka [13] show, the success factors are to be found in finding the right scale, community, and stakeholder involvement, as well as strong and focused vision. New working spaces, as places where stakeholders congregate and act, are important nodes of this development—but the peripheries merit different considerations and success criteria than the centres. Transforming exogenous support into endogenous resources (territorial capital) should be understood as their main benefit to their local and regional environment.

5 COVID-19: Hungarian Legislation and Control Measures Affecting Coworking Spaces

Hungarian legislation applied three main types of control during the epidemic. In the beginning, so-called epidemiological measures were published: Act CIV of 2020 laying down certain rules on epidemiological measures [5] and amending certain acts on epidemiological measures and Decree 409/2020 on certain rules applicable in the case of epidemiological surveillance for COVID-19 [6]. The two prior measures mainly responded to the impact on persons: introduction of quarantine obligations, role of contact persons, etc. The impact on workplaces and community offices, apart from the mandatory measures, compliance with decontamination procedures and distance, is not significant. The impact of the economic and so-called protection measures is already more significant from 2021 [3, 4]. The economic protection

measures were about different regulations in emergency situations (e.g. credit moratorium, restricted travel and accommodation). The protection measures are contained in Act CXXX of 2021—on certain regulatory issues related to emergency situations [2, 4]. Government Decree No 77/2022 abolished the obligation to wear a mask, the rules on the use of an immunity card and the restrictions on crossing borders [1].

Compared to many European countries, Hungarian restrictions were typically shorter, testing and masks not so universally provided, neither easily accessible, health care system overcrowded, vaccine take-up lower than western EU countries, which lead to greater than average deaths, yet an eventual negligence on both the part of authorities, employers and the population. The government provided some state aid to counter the economic downturn and save jobs, but only in a limited fashion—only certain sectors, specific actors were offered help. Coworking places had access to no state aid at all throughout these years.

The digital explosion created by the first total closure has had an extraordinary impact on new types of workspaces. The digital transition had to happen from one day to the next in Hungary, but neither education nor the world of work was ready for it. The period of forced closure also kept coworking spaces closed. Only online contact and one-on-one, one-key-at-a-time access on a confidential basis were possible. In Hungary, online platforms and contact spaces have been the absolute winners in the epidemic. In addition to the most popular Zoom and Microsoft Teams, the Hungarian Government has created a dedicated platform for primary and secondary education institutions. The majority of businesses have moved their day-to-day communication to MsTeams or Zoom.

Due to the epidemic restrictions, all community spaces, including coworking offices, have been forced to close. It can be seen that the pandemic has rapidly changed the habits and lifestyles of the populations in each country, and that this will have medium- and long-term effects beyond the visible short-term effects. The need for ‘social distance’ has stimulated a rethinking of working practices, and this has been particularly visible in the service industry, where teleworking has been in the spotlight [15]. If the “second location” (office) is not suitable for work and home (“first location”) is not the best option (e.g. small, crowded and noisy), the “third location” (e.g. coworking places) may better meet the needs of the worker. In Norway and Spain, the government has promoted the location of public workplaces in peripheral areas with the aim of facilitating teleworking, thereby reducing commuting to urban areas, congestion and pollution, and facilitating work-life balance. In contrast, in Hungary, coworking offices also closed down during the first waves of COVID-19.

The restrictions of the coronavirus and the quarantine period have opened new doors for many. A useful use of leisure time was learning and training [12]. In the labour market, the role of knowledge has become more important in recent decades, so those who had access to free online training materials improved their skills in the pandemic. In particular, coworking groups in the capital organised online training and lecture series, keeping in touch with co-workers.

6 Discussion and Conclusion—Different Adaptation Strategies in the Coworking Ecosystem

In Hungary, coworking spaces did not receive any financial aid during the pandemic from the government regardless of their location or their operator. Hence, these places were left on their own to adapt to the emerging challenges brought by the pandemic. The disruptive nature of the COVID-19 was particularly strong in the first wave. As the Hungarian coworking landscape is quite diverse, coping mechanisms also differed. However, one of the common responses among them was applying different precautions for coworkers' safety, for example, usage of social distancing measures and hand sanitisers. The maintenance of a safe working environment was ensured by frequent cleaning, clearly visible signs, information boards and the restructuring of offices. Because of social distancing, coworking spaces also had to limit group events, be it social or professional—which was a major disruption in their functioning, a huge revenue loss, as events used to be a major revenue source for most CSs, they typically even rented out their spaces for outside organizers. Some CSs within Budapest, that need to pay rent themselves also had to relocate from downtown to cheaper districts of the city, as they suffered significant revenue losses.

Another pattern can be identified from a spatial viewpoint. There was an observable shift in locations from city centres to the outskirts of cities, especially in suburban areas. This may have been caused by the depletion of services in the Central Business District (CBD). Because of restricted mobility, white-collar workers tended to prefer areas near their residences for remote work. Solymár and Zebegény, in the vicinity of Budapest are such examples [14], where new coworking spaces have appeared during the pandemic period (2020–2022).

The increase in the number of people moving into/out of rural areas has also shaped the spaces/locations for alternative work. In Hungary, more coworking offices have opened remote from the capital in the last ten years and also during the Covid-closures on the shores of Lake Balaton. In addition to the suburban towns, the settlements around Lake Balaton with recreational summer houses and good accessibility to Budapest also increased their popularity among high skilled co-workers/remote workers—thus these settlements were more advantageous for opening coworking spaces.

One of the main differences is that services in such touristic area CSs are more diverse in contrast to CSs located in the capital. For example, LOFFICE in Balatonföldvár and Portushome in Vászoly also operated not just as a space for working but as accommodations. Thus, they could rely on other adaptation strategies and revenue sources to survive the pandemic. It is important to note, however, that several of CSs have already been there in the pre-pandemic era as this region is one of the most important for seasonal tourism in Hungary.

In general, informality also played a significant role in the adaptation strategies. For example, one coworking place KOHO in Pécs officially stayed closed, but their regular coworker members got keys and they could use their desks at flexible times. Most people have children who worked here. Therefore, home office has not been

a favourable option for them, so they had an increased need to stay in third places as well. There was another reason why they wanted to sustain their usual routine. According to the operator, they missed the working environment which a coworking place offers for them (to socialise, collect ideas). We found that for the Hungarian coworking offices internal communication improved during this period, the community was able to survive in the online space, partially thanks to several events and trainings organized by international big coworking chains, and for some coworkers, the motivation to “go in” was maintained and regained later.

We also found examples of a complete transformation of the office function. A coworking space in a residential office closed during the epidemic and was used for family use—a kind of quarantine or separation room. The function of incubation offices and shared spaces run by municipalities has partly changed during each wave. In smaller municipalities (typically under 10,000 inhabitants), these community spaces were either completely closed or open during school hours (facilitating educational activities for disadvantaged children). Coworkers had no or only partial access to these spaces (split days and time slots). As can be seen, this type of change was unfavoured for the workers, but places find a niche brought by the pandemic (education, childcare).

To conclude, the shocks caused by the pandemic have challenged both coworking spaces and coworkers. Location change, size reduction, change of function, and relying on informal networks are the identified coping strategies which appeared in the Hungarian coworking landscape during Covid-pandemic. It is a question for future research if these strategies were successful in the long run or only offered a temporary escape for CSs and how and to what extent they need to transform themselves due to the changing nature of work.

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