Interventions to support enterprises during the COVID-19 pandemic and recovery

About this brief
This brief presents a range of policy actions to support enterprises in dealing with the impacts of the Coronavirus pandemic and response measures. It focuses on actions to enable business continuity and assist enterprises in laying the grounds for recovery, which are critical to mitigate expected massive job losses and pave the way out of the crisis. The brief draws upon policy measures various countries across the globe are developing and implementing during this pandemic.¹

The measures presented in this brief should be understood in the context of the four pillars the ILO recommends to be considered in policy responses, namely: stimulating the economy and employment; supporting enterprises, jobs and incomes; protecting workers in the workplace; and relying on social dialogue for solutions. The brief complements other ILO thematic papers on policy responses to the impacts of the Coronavirus on the world of work, including on occupational health and safety, social protection and the informal economy.

¹ Inventories of country responses can be found in the following papers and portals: ILO Country policy responses; OECD SME Policy Responses; UNDP Response; World Bank Pandemic Response; IMF Policy Responses to COVID-19; ILO COVID-19 Business Response Platform; International Trade Centre Supporting small businesses through the COVID-19 crisis.
Introduction

Efforts to contain the spread of the Coronavirus are essential to protect lives and avoid the collapse of health services. While necessary, these measures have led to production disruptions, caused demand for many goods and services to plummet and forced enterprises around the world to suspend or scale down operations, with enormous impacts for workers and employment. According to the ILO estimates\(^2\), full or partial lockdown measures are affecting almost 2.7 billion workers, representing around 81 per cent of the world’s workforce. Working hours will decline by 6.7 per cent in the second quarter of 2020, which is equivalent to 195 million full-time workers. Enterprises in the travel, tourism, hospitality, food service, retail and manufacturing sectors have been especially hard-hit, with large portions of their workforce vulnerable to layoffs. The ripple effect of mounting unemployment is compounding the stress on economies and is expected to lead to a global recession. OECD estimates that “for each month of containment, there will be a loss of 2 percentage points in annual GDP growth.”\(^3\) Global FDI flows have dropped, with a decline that could be between -30% to -40% during 2020-2021.\(^4\) In March 2020, emerging markets suffered a record-breaking portfolio outflow; equity and debt were -$52.4 bn and -$31.0 bn, respectively.\(^5\)

Enterprises are in extreme distress and the decline in economic activity will push many out of business. Micro, small and medium-sized enterprises (MSMEs) are particularly vulnerable, since they tend to have fewer assets and more limited cash reserves than larger enterprises, as well as lower levels of productivity. Unemployment growth is still accelerating in many countries and enterprises face additional uncertainty due to the possible “new waves” of infection many epidemiologists are predicting.

On the other hand, enterprises can play a vital role both in responding to the crisis and in propelling a sustainable and resilient recovery. For this to happen, governments, together with employers’ and workers’ organizations, must act swiftly to mitigate the economic crisis. Policy responses should be grounded in specific country contexts and circumstances. Governments, particularly in less developed countries, will face significant limitations to make large investments in support of enterprises; therefore, a comprehensive mix of public-private investment measures and international cooperation is needed.

Support to enterprises should address the specific challenges they are facing in the unique circumstances of the pandemic and fit together with broader actions to support workers who have lost their jobs, identifying synergies where possible. Government policy responses to support enterprises will need to address each of the three distinct phases of the COVID-19 crisis: (1) general reduction in economic activity due to measures to prevent spreading; (2) re-activation of business activity once the virus is contained; and (3) recovery of economic growth, promoting enterprise sustainability and resilience. Emergency interventions to address the first and second phases will help to speed up recovery in the third phase. The first phase may be recurrent so policy action should remain flexible, including operating under less than optimal conditions.

The characteristics of each phase will change in different economic and social contexts, in particular the feasibility to implement full physical distancing and lockdown. Hence, the first phase in particular may take different characteristics and require diversified interventions. Policies and programmes should also be time-bound and take into consideration future government debt burdens.

Government policies should be developed in consultation with the social partners, not only in the spirit of tripartism, but also because employers’ organizations play a vital role in delivering support services to enterprises, and workers and their organizations have a vested interest in supporting enterprises through this crisis. Tripartite dialogue also is essential to help governments to identify and prioritize which measures are likely to be the most effective and feasible, given each particular country’s situation and fiscal restraints; and to ensure that support measures maximise their contribution to the promotion of sustainable enterprises and decent work objectives more generally.

This brief seeks to help policy makers to identify the main types of support enterprises will need throughout each phase of the pandemic. It reaffirms the relevance of social dialogue as a vital way to support the measures that are needed to overcome the crisis. It is a living document, which will be updated as needed with the unfolding crisis.

---

Governments can typically mitigate the adverse impacts of recessions on enterprises and workers by reducing taxes, increasing spending on social protection and expanding public investment. Propping up demand temporarily in this way, combined with lines of credit for enterprises, provides businesses with a slower but still steady supply of customers to allow them to cover their fixed costs. However, in the present situation, the disruption to demand is not due to money shortages (at least in the initial phase) but to public health constraints that are preventing customers from going out and spending; and it involves the unusual simultaneous disruption in supply. Hence, the focus should be on supporting business continuity to save as many jobs as possible and to provide the basis for a smoother and quicker recovery by preventing permanent business closures and avoiding firms falling into the informal economy.

General support to enterprises
All enterprises need several important services to confront the crisis. Governments must provide up-to-date reliable and timely information about the status of containment measures. Many sectors will require government to coordinate distribution so that enterprises have access to essential business inputs and other goods and services, while respecting basic health recommendations. The quickest payment channels, including mobile money and other digital payment services, should also be explored and quickly operationalized. Governments should also expedite payment of any outstanding balances due to the private sector.

Enterprises operating in the informal economy have limited capacities and resources to cope with the impacts of the crisis. They operate in saturated markets with very limited profits and poor chances of survival. Given that they are often outside the purview of common government policies and programmes, tailored responses are needed to reach and support them in dealing with the shock and to pave the way for transitioning to the formal economy, including social protection systems. Challenges in reaching informal units through conventional channels and processes need to be taken into account when designing programme delivery mechanisms. Mobile technology and online channels could be utilised to provide information in real time and deliver payments and income support. Microfinance and semi-formal financial institutions can also be a safe bridge to reach the informal economy, not only with financial services and social transfers but also with information and recommendations.

Operators in the solidarity economy are a vital enterprise network to support marginalised and vulnerable populations. In the short term, they could be instrumental in distributing emergency support to these populations, particularly in countries where government networks are weak. In a number of countries, social and solidarity economy organizations are already part of governments’ emergency response strategies. Maximizing their use, in coordination with other measures, would provide the widest possible coverage of economic units.

Supporting enterprises to temporarily convert their production to help respond to the pandemic
In the immediate future, governments will need to use substantial resources to save lives. Resources could be made available to support some enterprises to transform production of goods or services to protect the public and support health care providers, patients and other essential services workers (e.g., temporary hospital facilities, beds and bedding, masks and medical equipment, hot meals and drinks, temporary shelter for staff brought in from other areas, etc.). Multinationals and large domestic enterprises in many countries are already transforming their production, which also helps them to retain jobs. Governments could support smaller enterprises to do likewise, paying them enough to cover at least their costs of shifting production, and enabling access to public procurement and distribution networks.

---

6 For specific information and guidance on COVID-19’s effects on the informal economy and policy responses see, The impact of the COVID-19 on the informal economy in Africa and the related policy responses, ILO, forthcoming.
7 Cooperatives and SSE enterprises respond to COVID-19 disruptions, ILO (2020).
Helping enterprises to cover their fixed costs

Some enterprises will be able to continue operating through virtual connections to colleagues and customers; but many more will be forced to close temporarily with no clear end in sight. If these enterprises cannot cover their fixed operating costs during this period, they risk permanent closure. Micro and small enterprises, own account operators and those operating in the informal economy are the least likely to have cash reserves to cover their fixed costs and hence are the most vulnerable.

Fixed operating costs include rent, utilities, other overheads, servicing of debts, tax payments, social security contributions and wages of essential staff. There are different options for supporting enterprises to cover their fixed costs, including waiving payments due, providing grants or making credit available.

Specific options include:

- Temporarily waive or suspend collection of payments due to various levels of government (social security contributions, tax and public utilities).
- For fixed payments due to the private sector, provide enterprises with grants at “replacement rates” for fixed costs—akin to replacement rates for unemployment insurance—which could be based on previous tax filings (averaged over 2-3 years, perhaps, to control against inflated claims).
- Provide temporary subsidies to cover labour costs, conditional on employment retention and based on enterprise size and financial capacity.
- Allow owner-operators to claim unemployment benefits for the period that their business is required to remain closed to prevent them—particularly those operating in the informal economy—from plunging into poverty.
- If cash payments to enterprises are either insufficient or simply not possible, governments should encourage financial institutions to reschedule repayments.
- Governments will most certainly also need to make available large lines of credit backed by government short-term liquidity guarantees so that financial institutions are able to provide additional loans at very low or no interest.

In this first phase, speed is vital to get cash to firms and should be a top consideration. Additionally, although loans will be a lighter fiscal burden, governments should consider all possible options to avoiding saddling firms with too much debt as they scramble to cover their fixed costs.

Supporting enterprises to adapt to new market circumstances

The duration of current public health measures to slow the spread of infection is uncertain, and there is a good chance that they will need to be repeated. Therefore, policy interventions should consider ways to help enterprises reach customers in the era of physical distancing. Government support could include the following measures, possibly delivered in collaboration with employers’ organizations:

- facilitating access to ICT tools and platforms that enterprises could use for sourcing locally and for maintaining communications with customers;
- setting up platforms for business owners to network with peers, to share information and avoid isolation;
- providing web-based training on digital marketing and service delivery to increase online capabilities;
- supporting both vendors and consumers to use digital channels for paying wages and/or goods; and
- adapting business models to changing demand and consumer behaviour more generally.

Access to capital (credit, grants or equity) may be required to help enterprises to adapt to virtual markets. The service providers that assist enterprises in these changes, such as web designers and web security specialists may also need access to credit and equity as they set up or expand their operations.
Once the pandemic has run its course, many enterprises will need support to reinitiate operations and to gradually restore and reinvigorate productivity growth. Important factors in this phase include access to financial services, market recovery measures, alternative supply chains and a conducive business environment that enables enterprises to recover more quickly from the economic crisis.9

Easing access to credit and other financial services

Until revenues improve, enterprises will require a whole array of financial services including access to credit to cover short-term cash flow problems, subsidized leasing arrangements to purchase small productive assets and make needed investments, and a digital payment system to reach new customers or receive remittances. Even in periods of strong economic growth, access to credit is the biggest challenge for MSMEs; it will be even more difficult under a global recession. Therefore, government policies to inject liquidity into the markets, mainly through private institutions, will be vital. Governments should channel funds through financial institutions and assist them to support MSMEs. Access to credit could take various forms, all of which will play an important role in restarting economic activity:

- low or no-interest loans via public and private financial institutions;
- lines of credit for trade activities;
- partial underwriting of risk to ensure loans also go to the smallest enterprises; and
- guarantees and emergency insurance.

Microfinance institutions (MFIs), financial cooperatives or other financial institution catering to the MSMEs and own account units could play an important role in directing funding to the most vulnerable populations and the smallest operators. In countries where the financial supervisory bodies are only dealing with formal banks, additional agreements should be put in place to tap into—and help to strengthen—these MSMEs-oriented institutions. This is an important area of work, as these institutions will face significant challenges due to the large defaults in their portfolios caused by the fact that the crisis hits the poor the hardest. Therefore, support policies would need to emphasize helping MFIs to stay solvent during recovery, and governments should consider establishing specific credit lines or other type of guarantees for MFIs, particularly if they wish to encourage these institutions to expand their portfolios to meet new demand from the smallest enterprises.

Business continuity of larger financial institutions also will be essential in ensuring sufficient liquidity in markets to support enterprises during the pandemic and economic recovery. New rules and support will be needed to avoid overwhelming financial institutions dealing with a massive surge in requests, while continuing to ensure adequate oversight and regulation.

Rolling-out a demand policy

During this economic recession, enterprises will need customers with cash to spend. When workers’ hours have been reduced or they have lost their jobs, government-funded income support is essential for them and their families; and it is vital for the enterprises that depend on their consumption. In many cases, unconditional cash transfers may be needed throughout the crisis until the economy starts recovering.10

Government could also boost employment and thereby further stimulate demand. Measures include employment-intensive investment, government procurement with preferences given to MSMEs, tax incentives to stimulate local sourcing of multinational enterprises. Paid training also is an effective way to support firms and get more cash into the hands of consumers at the same time.

Governments should also invest in campaigns to restore consumer confidence in the safety of in-person commercial transactions and to restore purchasing habits that help to support shops, restaurants and other service providers.

---

8 This phase will likely require large-scale fiscal stimulus to boost aggregate demand and reactivate enterprises activities. Some of the measures used in phase 1 to cover fixed costs may need to be extended to phase 2, particularly tax credits and government-guaranteed loans.

9 The rate at which restrictions are removed, or the real possibility that restrictions have to be reinstated if the infection rate starts increasing again, is likely to lead to precautionary saving by consumers and low investment by firms, leading to a slow and long recovery. As noted before, actions should therefore adapt to evolving conditions.

10 For a discussion of policy measures to stimulate demand, see, COVID-19: Responses: What are the key policies that will mitigate the impacts of COVID-19 on the world of work? ILO, 19 March 2020.
Maximizing the use of near markets

In the wake of the COVID-19 crisis, many enterprises and countries have discovered how vulnerable they are to disruptions in supplies that are concentrated in one or a few production sites, in many cases remote from their operations. Governments in cities, sub-national regions and even neighbouring countries with substantial economic ties could organize rapid and effective digital market platforms for investment, inputs, final products and technologies. They also could provide emergency special funds and information, and support the transfer of technology and know-how. Insights from big data analysis could be taken into account, to understand the scope of nearby markets to help diversify the supply base.

Making the business environment more agile and responsive

Although physical distancing and lock downs have devastated many sectors, they also have created new business opportunities and new business models. Examples include: distance servicing of clients, supply based on real time demand, on-line operations, new business alliances to respond to demand and new product and service offerings (particularly related to health). Governments should prioritize simplifying and expediting procedures for new enterprises to register and existing enterprises to alter their business proposition. Measures could include:

- waiving registration fees and minimum capital requirements, and fast-tracking procedures to register and issue licenses to operate, including through online platforms;
- providing clear guidelines on any new tax measures;
- fast-tracking public procurement procedures and simplifying them to facilitate more tenders from MSMEs;
- fast-tracking investment authorizations on priority areas and streamlining review of public-private investment projects; approving and providing access to technical production specifications for urgently needed products and services; and temporarily adapting competition provisions, including temporary licenses on intellectual property and short-term temporary emergency pricing mechanisms;
- reducing customs procedures and fast-tracking import and export activity;
- adopting emergency procedures to simplify enterprise re-structuring and make business shut-down processes less onerous; and
- establishing emergency dispute resolution mechanisms, and improving provisions to help enterprises to continue with contracts, including under insolvency.
Some enterprises will close despite governments’ best efforts to support them through the public health response to the pandemic and subsequent restoration of normal economic activity. Of those that survive, many will likely remain vulnerable as they only slowly regain revenues and start to manage accumulated debts and deferred payments. Governments will need to assist these enterprises to recover as quickly as possible so that they can transition back to healthy balance sheets and provide jobs.

These efforts will be longer-term in nature; and due to the heavy financial burden governments are already facing, many interventions will have to wait until after the most urgent issues have been addressed. Nonetheless, interventions that strengthen the position of enterprises to boost their revenues so that they can pay back their loans and deferred payments are important to help the economy fully recover and maintain strong growth of the economy and jobs. Governments are therefore encouraged to plan now for such future interventions.

The crisis is opening the possibility of new forms of cooperation between large and smaller enterprises, particularly in sectors devastated by the shock. Small and large firms could work together to prepare conditions for recovery and growth. Such alliance-building would enhance MSMEs’ capacity to scale up production, comply with market standards and buyers’ expectations. Large enterprises in vital sectors such as telecommunications could help to expand access to quality products and services at rates which are affordable for the smallest and most vulnerable enterprises.

Support to enterprises in the recovery phase needs to be mindful of the needs of units operating in the informal economy, and consider interventions that could help redirect these units to less saturated and/or new and formal segments, promote skills upgrading and create incentives for them to integrate into the formal economy.

### Upgrading infrastructure

Public investments in upgrading physical infrastructure (roads, ports, etc.) could improve enterprises’ access to supplies and markets. Expanding access to ITC and improving service likewise will help enterprises to access market information and reach more customers. These investments (either public works or public procurement from private enterprises) will also generate employment that will boost demand.

### Business services to support MSMEs

Many MSMEs will benefit greatly from programmes to help them to boost productivity improvement, manage their finances more effectively and enhance their marketing skills. Governments could expand the offerings of technical schools that help entrepreneurs to develop their management capacities; or provide vouchers so that new entrepreneurs and small businesses can access the expertise of business service providers and training programmes, including those affiliated with employers’ organizations; and, in collaboration with employers’ organizations, support market linkages.

To encourage new entrepreneurial projects, fresh thinking is needed on incentives and approaches to facilitate sustainable and inclusive growth under the new economic recovery conditions and promote greater resilience for the future. Government measures could incentivize enterprises to continue to improve the sustainability of their businesses, as well as to upgrade technology and invest in digital transformation (e.g., communication technology, cyber-security).
The central role of social dialogue for an inclusive and time-bound response

Support measures should include interventions at all levels (enterprise, sector, national and international) with consistent and complementary goals. Governments should put in place solid monitoring to maintain, adjust and phase out the interventions, depending on the amplitude and duration of the shock. Safeguards that have been temporarily relaxed in order to provide greater flexibility in responding to the crisis should be restored as soon as possible.

Social dialogue should play a central role in developing government policies, to ensure an optimal level and duration of support for enterprises that also takes into account the rights and needs of workers. Employers’ and workers’ organizations are on the frontline of the crisis and should engage actively with governments to coordinate tripartite responses with strong commitments from all three parties.

Critical issues for discussion and consultation should include the following: alternatives to layoffs through reduced worktime and re-organization of business operations; flexible methods to keep business operations running; and, most importantly, strong and rapid tripartite joint actions to ensure continuity of economic and social activities. Governments should also encourage bipartite social dialogue at the enterprise and sectoral levels, to fine tune responses to meet particular needs.

In countries with generalized institutional weaknesses, tripartite engagement is even more fundamental. Tripartite arrangements, with the support of solid international technical and financial resources, could assist constituents to reach agreement and rapidly put in place monitoring mechanisms. This tripartite base will bring together networks, local presence and credibility to act swiftly and with clear targets. Tripartite consultations should be undertaken as a matter of urgency, to immediately identify critical actions to prioritize, and a process going forward to work together towards recovery.

Coordination

The mandates of numerous ministries influence and impact the development and operation of enterprises. Governments will need to put in place, or adjust, special institutional arrangements to coordinate the responses of all relevant ministries to avoid dispersion, working at cross-purposes, missed opportunities to build synergies or poor timing. Effective national coordination mechanisms also require tripartite involvement.

In a global recession, especially of the magnitude anticipated, coordination across countries will also be essential. This is particularly important for countries with greater ability to impact the global economy (the G20) but even countries with smaller economies will benefit from coordinating with strong trading partners or neighbouring states that share an economic zone.

Funding

The severe drop in GDP and unprecedented investment outflows have raised the cost of borrowing for many countries and lead to exchange rate depreciation, higher costs on certain imported goods and loss of purchasing power. Countries with high levels of public and private debt face an increased risk of default, which in turn could aggravate the depth of the crisis. The falling prices of many commodities have reduced government revenues, further shrinking the fiscal space to support business continuity and recovery. Nonetheless, despite the limitations that these factors introduce, failure to respond to support MSMEs will likely result in even longer and deeper recessions.

In the context of this crisis, governments are encouraged to explore a mix of options to finance measures to support enterprises as well as assist their workers and provide adequate social protection to enable all to get through the crisis:

- reallocate public expenditures;
- issue bonds in domestic and foreign markets;
- borrow on concessional and non-concessional terms from international development banks, bilateral lenders and financial institutions;
- mobilize other multilateral, regional and bilateral concessional cooperation funding;
- negotiate access to international trust funds;
- mobilize other private financing, including guaranteed loans by donors and other international institutions, equity financing, private-private partnerships and blended financing from different sources;
- make use of other fiscal and monetary policy options.

The international community could help to support countries with very limited fiscal space by relieving or postponing payment of foreign debt and by providing financial assistance.
Further considerations

Governments should define criteria for programme interventions and eligibility, identify the optimal modalities to provide support and prioritize recipients. They also should ensure equal access of women entrepreneurs to the range of support measures in all three phases and address the particular needs of youth entrepreneurs.

Governments also will need to establish implementation mechanisms, in particular transparency and accountability; and designate facilities to coordinate and channel the resources. Furthermore, government should set conditions to determine when to end interventions so that their time-bound nature is clear to everyone.

Bearing in mind the urgency of this unparalleled crisis, capacity to gather and examine market data to anticipate what disruptions and opportunities exist should underpin the interventions to the extent possible. Market scenario analysis should be undertaken to help prepare enterprises to respond to market changes. Technical assistance to gather data for targeting policy interventions could be an important means of assisting countries with limited data availability.

Governments should also lay the groundwork for renewed, more sustainable, and inclusive enterprise development strategies for the medium and longer term.

International cooperation

Developing countries face even greater challenges due to lesser developed markets, widespread informality, lack of fiscal resources that greatly constrain their policy options and more limited institutional capacity. International cooperation and technical assistance will be essential to help countries recover from the economic downturn as quickly as possible and minimize human suffering.

Learning from the shock

Health experts warn that pandemics are likely to increase in frequency. Therefore, when the current health crisis has passed and economies are in recovery, governments should take stock of the situation to coordinate preventive measures and strategies to contain future epidemics and other shocks. Governments should consider:

- integrating risk prevention and mitigation strategies into planning, including mechanisms to make funds available quickly to respond to emergencies;
- adopting procedures and mechanisms for risk mitigation, including hazard risk mapping of enterprises and sectors and early warning systems;
- implementing mechanisms to activate support networks for enterprises; and
- establishing fast-acting recovery agencies with delegated powers and technical and organizational capabilities.

Governments should facilitate the establishment of effective risk management systems for MSMEs, including:

- strengthening domestic insurance markets;
- ensuring the emergence of relevant products; and
- allowing a range of distribution channels to extend coverage to unserved or under-served market segments.

Governments may also wish to consider ways to build more resilience at all levels of the globalized economy, including local communities, to ensure continued access to essential products and services. A multi-layered system could be established to coordinate both a global response and support development of strategies customized to the needs of particular regions and countries, with a possible framework put in place to coordinate between levels.
ILO support

The ILO is a leading inter-governmental organization in sustainable enterprise development, which is a core pillar of decent work. The ILO promotes an integrated approach to confront the COVID-19 crisis with actions directed to stimulating the economy and employment; supporting enterprises, jobs and income; protecting workers in the work place; and relying on social dialogue for solutions. A number of information and technical resources are available to governments and social partners on Covid-19 policy responses. In addition, ILO ENTERPRISES offers a range tools and types of assistance on sustainable enterprise development that are useful in designing enterprise support interventions. These include programmes:

- to start and improve a broad variety of business ventures of different sizes and ownership structures (e.g. conventional MSMEs, cooperative enterprises, social enterprises);
- to develop value chains and improve productivity through worker-employer cooperation;
- to create an enabling business environment for sustainable enterprises;
- to promote responsible business conduct and inclusive economic growth;
- to promote resilience to climate and other shocks; and
- to provide financial services to enterprises.

The ILO Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy could help to guide tripartite dialogues, particularly in countries that seek to engage multinational enterprises in the recovery process. Governments could make use of these resources, as well as ILO’s expertise, in designing policies and programmes to support sustainable enterprises development.

The ILO will complement this brief with specific country examples so that policy makers could learn from each other how to support enterprises most effectively throughout this crisis.

---

12 See ILO Monitor 2nd edition: COVID-19 and the world of work, updated estimates and analysis, 7 April 2020