



## ▶ The impact of the Covid-19 crisis on MSMEs and policy measures

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Sustainable Enterprises  
for innovation, growth, more and better jobs

## ▶ SCOPE

### 1. Impact of Covid-19 on SMEs

### 2. Policy Measures

- Phase 1: Reduction of business activities
- Phase 2: Reactivation
- Phase 3: Recovery and rebuilding

### 3. Informality challenge



## ▶ THE ILO & SME Unit

The ILO is a specialized UN agency, Decent Work vision and SDG 8, International Labour Standard, Social Dialogue, Social Protection and Employment, Enterprise development, Formalization etc.

The SME Unit supports the self-employed, and MSMEs to start and/or grow sustainably and create more and better jobs



▶ **“Small is big”, but collectively.**

*ILO 2019 Small Matters report: 70% of global employment in small economic units.*

Strong GDP contribution, usually over 50% in developing countries,

Yet, *in general*, they are very fragile, light on assets and cash, low productivity, poorer working conditions, skills shortages, less technology etc.

## ▶ Major impact of Covid-19 crisis on SMEs

Disrupted supply chains, workforce lockdown, loss of orders, loss of revenues = cash crisis

Business closures and massive job losses (ILO estimated over 300 million jobs lost in 2<sup>nd</sup> quarter)

April 2020, ILO global survey, 1100 SMEs (Africa, Asia, Latin America) 7/10 closed, and 9/10 experienced cash crisis

...but also some success stories, new business model emerging

## ► Policy responses

Four key pillars to fight Covid-19	Phase 1: Reduction in economic activity (lockdown)
Pillar 1 Stimulating the economy and employment	Fiscal and Monetary policy
Pillar 2 Supporting enterprises, jobs and incomes	Financial support, special credit lines, grants; debt relief, tax and social contribution relief, rent and utility payment relief;, wage subsidies; digital platforms; extension of social protection
Pillar 3 Protecting workers in the workplace	Strengthen OSH measures, TW arrangement, no discrimination, healthcare for all
Pillar 4 Relying on social dialogue for solutions	Strengthening of social dialogue, CBAs, capacity building on social partners and governments

## Phase 2: Reactivation of business

- Back to business: OSH/COVID-19 and business continuity and resilience support
- Access to finance (no red tape, simple procedures, risk sharing, low interest rates – but still need to pay it back!)
- Support for digitization, equipment and training
- Enabling business environment, more predictable, simple, transparent
- Create conditions for private sector recovery

## Phase 3: Recovery and rebuilding



Crisis as a means for large scale reforms? Better, safer, more sustainable?

Economic and structural transformation

Public investments in upgrading physical and digital infrastructure

Global partnerships and social dialogue

Funding: Reallocation of public expenditure, bond markets, borrowing from development banks etc.



## ▶ Informality challenge

62% of the global workforce is engaged in informal economy

The smallest economic units (self-employed and micro firms), in seven sectors at risk provide a *livelihood for over 800 million workers (over ½ of total jobs)*.

Approximately 8 out of 10 of these workers are in the informal economy. For example, over 260 million informal, self-employed in Asia, 80 Million in Africa and 44 million in Latin America are at significant risk linked to lockdown and recession.



## ▶ Informality – policy challenges

Fiscal space? Balance health and economic crisis. Balance support for the formal and informal sector.

What kind of measures? Short term: cash transfers? payments on utilities? More systematic such as extension of social protection?

How to identify the “invisible” enterprises and workers? Estimated 1 billion have no formal IDs. How to distribute support?

Is this the opportunity to “formalize” the enterprises and workers?

What happens if we do little or nothing? Do we have an option?





- ▶ **Thank you**  
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