European Economic
and Social Committee
Employers' Group

Newsletter

April 2020

Coping with COVID-19 crisis: EMPLOYERS' RESPONSE

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Dear readers,

Never before in history have the citizens of the European Union had to face such unprecedented uncertainty. The COVID-19 crisis has brought into sharp relief the fragility of our way of life and of the assumptions our societies and economies are based on. While the battle to flatten the curve appears to be producing certain results, the other battle – to save the European economy – seems to be even more challenging.

The estimation of losses for the economy is shocking. According to the UN, COVID-19 will cost the global economy USD 2 trillion this year alone. To face this crisis, we need extraordinary and unprecedented economic measures and true, unconditional European solidarity. This moment calls for strong political leadership and a unanimous act of courage by Europe's political leaders.

Preserving jobs should be a priority for the EU. The more companies survive these tough times, the fewer people will lose their jobs and thus need help from the state. I believe that initiatives such as the European instrument for temporary support (SURE) and the release of EUR 1 billion from the European Fund for Strategic Investments (EFSI) to provide liquidity to SMEs, as well as actions by the European Central Bank, are steps in the right direction, but the scale of the crisis means that the flow of funds must be even larger.

In addressing the current crisis, time matters more than ever before. In numerous sectors of the economy, companies will not survive without help for more than a month or two. It is crucial for aid – coming from both national and European level – to reach the recipients as quickly as possible, without red tape. This is a challenge that both European and national administrations have to address. Efficiency and proper information are more important than ever before.

The decision of the recent European Council to link recovery fund within new proposal of the MFF (Multiannual Financial Framework) is a step in right direction. It allowed reducing tensions between Member States, having different visions on how to finance the recovery. Now Commission must transform this political consensus into concrete proposal, agree on MFF and implement it as quickly as possible.

Access to recovery fund must be equal across all Member States. Every week makes a huge difference for thousands of companies. Once health emergency is over, we must have all necessary tools to kick-start the European economy as quickly as possible.

The outbreak of COVID-19 has shaken one of the foundations of the European Union – the Single Market. Efforts to combat the spread of coronavirus should not lead to limitations on the free flow of goods. We must protect the Single Market and keep it operational. Once the emergency is over, completion of the Single Market will be one of the cornerstones of the recovery.

While some EU countries are making their first modest moves to relaunch their economies, it is now obvious that certain restrictions and limitations will be with us for months. Going back to normal will not mean going back to how things used to be. The need to rethink certain daily operations or even whole business models provides a unique opportunity for innovation and an outside- the- box approach.

The COVID-19 pandemic has brought to the fore the harsh reality that the EU lacks the necessary rules and conditions to respond quickly and coherently to such an emergency. The lessons being learned from this health emergency must put the creation of an "EU Health Union" on the European agenda. The pandemic has also once again reminded us of the importance of proper investment both in health care and in medical R&D.

In the past, crises provided the EU with an opportunity to deepen integration, and I believe this should also be the case today. The current crisis has shown how deeply interconnected we are due to globalisation. In some cases, the architecture of global value chains has backfired during the pandemic. This is another lesson to be learned. I fully agree with the former President of the European Council, Herman van Rompuy, who stated that the EU as a whole needed to be much more sovereign in the economic, technological, energy, medical and agricultural fields.

In this edition of our newsletter, you will find the views of the major European employers' organisations on what measures are needed to overcome the current crisis. We invited them all to contribute because we believe that the economic difficulties caused by COVID-19 can only be overcome through courageous action and unprecedented solidarity. The employers' organisations, thanks to the direct feedback they get from their members, are best placed to know what is needed on the ground to save the European economy. We provide this feedback to our governments on a daily basis and we want to provide it to EU policy-makers too. The business community cannot be left out of this debate!

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COVID-19's impact on SMEs and measures to support them

COVID-19 has hit small and medium-sized enterprises all over Europe. On average, about 90% of SMEs report that they have been economically affected. In particular, the most heavily impacted sectors are hotels/restaurants/cafés, events and fairs, personal services, construction, and production. For instance, 90% of SMEs in France and 95% in Spain say they are experiencing a negative impact from the confinement measures.

Moreover, 30% of SMEs report that their turnover is suffering at least an 80% loss. The EU average is approximately 50% loss in turnover. For instance, 72% of Belgian SMEs report a decline in turnover, with 28% of them suffering a loss of more than 75%. German SMEs report a decline of 50%, and in France and Spain the decline in turnover rises to 80% and 75% respectively in the sectors subject to confinement.

In addition, although a detailed employment forecast would be premature at this stage, SMEs are expecting an increase in the unemployment rate of between 3% and 5%. In some countries, the impact is already causing job losses.

What is required for the future

1) Ensure liquidity support

Liquidity support remains crucial in order to allow viable companies to exit the crisis and make a fresh start. In the later phases the support will need to shift from assistance for working capital to instruments that allow the financing of investment and innovation. This must be kept in mind when designing the new schemes using the EIB's pan-European Fund and any kind of European recovery programmes.

2) Continue income support and Short-time work

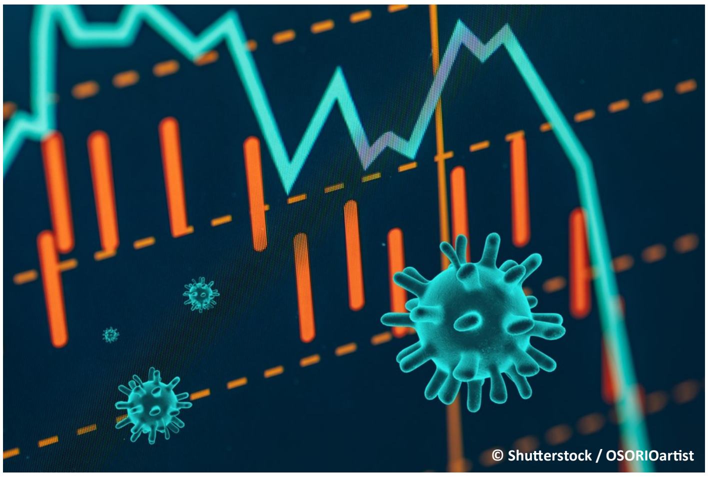
Member States should continue to provide support for self-employed people to compensate for their lost income and for SMEs to be able to restart their activities with all of their workers as quickly as possible. Nevertheless, we should also consider the possibility of continuing short-time work schemes to aid compliance with the health and safety rules to prevent or mitigate the risk of COVID-19.

3) Enhance professional advice to companies in difficulty

SMEunited urges Member States to fully implement Articles 3 and 4 of the Insolvency Directive (EU) 2019/1023 concerning preventive restructuring frameworks to provide professional advice to SMEs to help them recover viability or to give them a second chance. The Commission can facilitate access to existing good practices in different Member States (cf. Early Warning Europe). The Cohesion Funds should help SME organisations to step up coaching and mentoring services to SMEs impacted by the crisis.

4) Organise a gradual, tailored lifting of confinement

SMEunited supports a gradual, tailored lifting of containment measures that respects specific local and regional circumstances. Nevertheless, this must be coordinated among Member States in order to avoid cross-country spill-over effects. A gradual restart of work must be accompanied by simple Occupational Health and Safety (OSH) guidance, which can be adapted to different national, sectoral and enterprise-level situations. Such guidelines and protocols should be drafted together with national social partners. SMEs will need the support of OSH inspectorates and specialised external OSH services to assess this new risk, to correctly



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implement such measures and to reduce the related burdens and costs. Moreover, it will be vital to provide the necessary personal protective equipment for employees to be able to go back to work. SMEunited is exchanging protocols and practices among its members to facilitate implementation.

5) Review SME strategy

Although the SME Strategy was published only a few weeks ago, the business environment for SMEs has dramatically changed for the worse. Because of the unprecedented challenges facing SMEs, SMEunited calls on the Commission to reconsider the SME Strategy in light of the completely new context we are living and working in. The focus needs to be on providing access to finance, developing new skills and taking on the twin transition along with the new challenges posed by the COVID-19 pandemic.

6) Develop a strategic approach to digital & green transformation of SMEs

The recovery of our economy will depend on how the digital and green transformation of craft trades and SMEs is fostered. Especially now that entrepreneurs are dealing with the simultaneous challenges of surviving the COVID-19 crisis and preparing for the twin transition, we need to develop a more detailed strategic approach for achieving this. SMEs function in a specific investment timeframe that must be taken into account when setting out policy and putting in place new requirements.

7) Provide resources for public spending

An effective recovery will need a huge amount of investment, especially to finance the twin transition, and also to allow companies to stay competitive and enable new enterprises to start up. In order to make such extraordinary investment possible, the European Union will have to expand its existing instruments, such as the MFF, and find additional instruments to help Member States master the upcoming challenges. These instruments should also be used to "crowd in" private investment.

There are 24 million SMEs in Europe, representing 100 million workers. Their future depends on these 7 requirements.

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Responsibility, action and solidarity ESSENTIAL FOR CRISIS MANAGEMENT

We are currently facing an extraordinary challenge due to the outbreak of COVID-19. European leaders have now a historic opportunity to put EU solidarity, action, and responsibility at the heart of our response to this crisis. Europe's prosperity can only be secured if we are willing to do whatever it takes to preserve our Economic and Monetary Union and our Single Market. Both are vital to our economic prosperity, long-term growth and employment. It is essential to ensure that all businesses with viable business models survive this crisis.

Only through coordinated action by all parties can we meet the challenge of controlling the virus while preserving our economies and societies. In the last few weeks, we have seen an extraordinary response from government, businesses and citizens alike.

At EU level, we welcome the measures proposed, including the launch of a €37 billion Coronavirus Response Investment Initiative, using increased flexibility to rapidly deploy unallocated cohesion policy funds in the priority areas of healthcare, short-time work schemes and SMEs' working capital. We also welcome the rapid action taken by both the Commission and the Council to ease the requirements of the SGP by activating the general escape clause, the temporary state aid regime, the robust action taken by the ECB to increase financial stability, and the Eurogroup deal allowing for further European solidarity for COVID-19 related spending.

However, more will need to be done. We need:

- a coordinated and well-communicated European response to the present coronavirus emergency;
- a risk-based approach to allow our economies to safely exit from current emergency measures;
- a coordinated EU recovery plan to help our economy get back on track.

COVID-19 will have an impact on short-term EU growth

COVID-19 will have an impact on EU growth in 2020. The scale of the short-term fall in economic activity will depend on the spread of the virus and the extent of measures taken to control it. Nevertheless, it is already clear that the impact will be substantial, with it looking likely that many Member States will experience a significant short-term downturn. Our analysis is that GDP will, on average, fall by at least 2 percentage points for every month that the present shutdown in Member States continues, and that the costs will increase exponentially as the shutdowns lengthen, with the impact also expected to be more dramatic in those Member States where the shutdown has been more extensive. The International Monetary Fund predicts a contraction of 7.5% for the euro area in 2020.

Moreover, even once the restrictions on activity are lifted, it will take some time for our economies to return to their previous levels. Our ability to bounce back is likely to be reduced significantly the longer the restrictions continue and the more businesses are forced to close or lay off workers, despite everyone's best efforts.

Whilst much of the support needs to come from Member States, it is crucial that the EU continue to play a supportive and coordinating role, making full use of all the tools it has.

Supply chains must be maintained and Europe's Single Market protected

Europe can only meet the challenge if our vital business ecosystem remains intact and ready to drive the recovery. We must maintain both European and international supply chains, as they are tightly interlinked and preserve the flow of goods and services within the European Single Market. This is vital in order to deliver the goods we depend upon in the coming weeks and months. This strong interconnection makes it paramount to take a broad approach to value chains when gradually re-opening and ramping up industrial activities.

Tackling the crisis requires solidarity across Europe

Solidarity must extend across the business community, between the smallest SME and the largest multi-national, between businesses and governments, and between countries across our continent. Member States must demonstrate their solidarity by reaching rapid agreement on an ambitious new multi-annual financial framework. We need a bold and coordinated approach to overcome the crisis in the best possible way.

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BUSINESSEUROPE

COVID-19's impact on European retailers and wholesalers

March has been complicated for retailers & wholesalers worldwide, and Europe is no exception. Individual governments have imposed strict controls on movements, with multiple impacts on our sector. Countries closing borders have meant massive delays for lorries carrying vital products, drivers reluctant to leave their home countries for fear of not being let back in, and freight prices rising. Retail workers in border regions could not get to work on the other side of the frontier. EU leaders have promptly agreed a set of guidelines including 'green lanes' for lorries at borders, and the situation has eased since then.

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Demand has been a real problem. On the one hand, the closure of many non-food shops has meant no sales and a real threat of as many as 50% of those affected never opening again, and those allowed to open seeing footfall and sales reduced by up to 80%.

On the other, in the grocery sector, panic-buying has led to peaks of over 200% of normal demand, particularly for some products - and empty shelves. This has cost retailers - extra staff, extra (expensive) deliveries, and from regulations on the number of, and minimum distance among, customers and between them and staff, including physical barriers and providing personal protective equipment to ensure this.

With shop closures, e-commerce has picked up initially, both in food and in non-food, but with the lockdown and other restrictions, demand is slowing down as well, as consumer confidence wanes. Recent McKinsey analysis suggests that consumer confidence, and therefore future demand for all kinds of retail products, is likely to weaken considerably for quite some time.

Governments, the European Commission, and the ECB have stepped in with aid measures, particularly for small business and to support staff wages, along with some relaxations of tax. The ECB and national finance ministers have injected massive capital into the economy. But retailers' end-year results in Europe are uncertain, given added costs and possibly depressed demand across the board, with non-food particularly vulnerable.

Staff in food retail have been working hard to keep goods in the shelves, and I pay tribute to them in carrying on despite the pressures, and the daily worry that contact with customers could risk them catching the virus, which employers have been working equally hard to minimise.

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Retailers across Europe are providing reserved slots for elderly consumers and health workers, sending out boxes of essentials to people kept at home due to illness or age, and donating food to help food banks seeing additional demand from families affected by the shutdown. A website compiling best practices from retailers and wholesalers is available at www.commerce4people/covid19response. We are proud to work for retail and wholesale, and hope that our customers - and policymakers - will appreciate the vital social service our sector provides every day, and understand the challenges we all face.

As weeks have passed, European retail, today, is still disrupted, but with some return to normality. The massive spike in demand from panic grocery buying has flattened, although sales in some product lines are still higher than normal, and supply chains are still under pressure. Consumers are cautious, and seem to be choosing cheaper categories. The situation in non-food is still critical. Some governments have started to allow re-openings, e.g. DIY and garden centres (Belgium), or shops smaller than 400 m^2 (Austria) or 800 m^2 (Germany), but most non-food stores across Europe remain closed. This is particularly hard for textile and fashion, who have their spring collections delivered but unable to be sold. National governments are starting to discuss possible exit strategies, but with the virus at various stages in member states, have resisted European Commission efforts to coordinate relaxation of the restrictions. We have supported Commission efforts, and underlined the need to make the Single Market work to revive the European economy. At a global level, we have warned that we face a recession as bad as the 1930s, and pressed governments to remove, rather than erect new trade barriers and tariffs if we are to avoid a long period of stagnation which will devastate retail worldwide and thus accelerate a decline in the private consumption vital for economic growth.

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Public Services and Services of General Interest on the frontline of the COVID-19 crisis

The COVID-19 outbreak calls for genuine EU cooperation to overcome the social and economic consequences of the outbreak across the continent. Public services and services of general, serving citizens and businesses alike, should be instrumental in the response at all levels.


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Century-defining, the current crisis has already had an impact on multiple domains in European societies, affecting Europe's future development – in terms of the timing, geography and intensity thereof – in ways which are hard to predict.

The spread of the virus across Europe has caused tens of thousands of deaths, and many people are still fighting for their lives in intensive care units. Hundreds of millions of Europeans are currently in lockdown. The economy is in slowdown, and the impact of all this is expected to be as drastic as that of the Great Depression or the 2008 crash.

SGI employers and providers at the heart of the crisis

In a context where the threat is economic, social and health-driven, the provision of services of general interest (SGIs) is even more crucial to the well-being of citizens, businesses and to the overall economic resilience of the EU. Services such as healthcare, water and energy, waste management, telecommunications, education and transport must remain fully operational, regardless of the challenges involved.

SGI employers must ensure that a sufficient number of workers are available to maintain operations. Additional measures to protect health and safety also have to be taken, requiring further management input and entailing higher financial costs.

In this crisis, many SGIs are also facing significant changes in the way they are being used. Some sectors, such as healthcare, are experiencing a sharp surge in demand. Managing life-threatening emergencies, many healthcare structures already are anticipating financial difficulties in the medium term due to the cancellation of most of the services that provide a significant source of income. Telecommunication services are also increasing in demand and have been making considerable efforts to ensure stability and quality of service. On the other hand, the transport sector – and more specifically public transport – has to continue operations and to adapt services, such as limiting the number of users per vehicle, inducing additional costs and limited income.

Crisis-motivated disruptions, such as difficulties in accessing supplies or the sudden drop in the ETS (Emissions Trading System) price, exert considerable pressure on resources for services to be kept running. Price fluctuations must be closely monitored and no effort should be spared to guarantee that prices remain at sustainable levels for the preservation of high-quality, efficient SGIs.

A call for action at EU level

After the outbreak of the crisis, EU institutions acted quickly to ensure a response to the challenges arising. Temporary suspension of the SGP (Stability and Growth Pact), adoption of SURE (Support to mitigate Unemployment Risks in an Emergency), the Coronavirus Response Investment Initiative, as well as a temporary framework for State aid: all these should help partly absorb the shock. Building up on this initial response, Member States should now step up to support economic actors, including employers and providers of SGI.

In support of this call for specific support to frontline players, CEEP (European Centre of Employers and Enterprises providing Public Services and Services of General Interest) has reached out to SGI organisations operating at EU level to set up a dedicated 'SGIs facing COVID-19' platform. Featuring practices, this platform, as well as the network of associations supporting it, will highlight to institutions the impacts of the crisis on the ground and serve to contribute to a coordinated exit strategy and comprehensive recovery plan.

The way forward

Going beyond the immediate emergency, EU institutions and Member States have rightly engaged in talks aimed fostering recovery in the medium-term. This recovery must rely on two main pillars:

- The EU must put forward a well-designed MFF (Multiannual Financial Framework), relying on a strong cohesion policy to help those regions most severely hit, an effective digital agenda and a sustainable growth agenda based on the ambition to make Europe the first climate-neutral continent by 2050, as well as the creation of an investment strategy,
- A Recovery Fund and an investment-led Recovery Plan based on a joint instrument that would allow for a genuine capacity to share the burden of the crisis without involving the mutualisation of existing debts.

The COVID-19 outbreak calls for genuine EU cooperation to overcome the social and economic consequences of the outbreak across the continent. EU institutions, Member States, social partners and civil society should come together to provide responses to this challenge and supply answers to meet the expectation of the citizens.

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Impact of the COVID-19 crisis on the EU's agriculture sector

For many decades, Europeans have had the luxury of not having to worry about food security. The COVID-19 crisis has, however, brought this topic back into the spotlight in a very short space of time. Despite the pandemic and its terrible consequences worldwide, EU farmers and agri-cooperatives have been able to maintain the food supply to people across the EU, thus ensuring European food security. Moreover, the timely assessment by the EFSA that food is not a route for transmitting the virus has been crucial to ensuring that Europeans continue trusting our food production system.

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However, many problems have hit the agriculture sector all of a sudden. With the re-introduction of borders, we have found ourselves emphasising the importance of maintaining a single market that functions smoothly, including matters relating to the workforce, inputs (such as feed, seeds, PPPs, fertilisers, pharmaceutical products for veterinary use, spare parts, etc.) and output (agricultural goods in the EU and internationally). We, Copa and Cogeca, have therefore called on the EU institutions and the Member States to ensure the smooth operation of the single market and the free movement of goods and workers.

Due to the COVID-19 crisis, our sectors have encountered some major employment challenges which will most likely worsen over the coming weeks. These labour shortages have occurred due to restrictions on the movement of people, the closure of national borders and the indirect consequences of non-coordinated national measures. EU farmers are increasingly dependent on seasonal workers who provide valuable assistance during peak periods of agricultural activity. The European Commission's action in issuing guidelines on the movement of key workers, including seasonal workers in agriculture, between regions and Members States is crucial and very much welcomed by the sector. We hope that Member States will implement these guidelines and facilitate the movement of these key workers for the sector. Moreover, it is vitally important to allow lorry drivers to transport agri-food goods across the EU's internal borders through 'green lanes', which are in fact 'lifelines'.

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During the past weeks we have, together with our members, conducted a series of impact assessments and asked the European Commission to make emergency support available to the agricultural and agri-tourism sectors from outside the CAP budget. Many sectors are facing drastic losses due to closure of food services and catering, with no alternative outlets readily available. Most of these are perishable products, for which additional private storage schemes are also needed. While we should maintain our internal and external trade flows, some major changes in EU consumption should be taken into account in tariff rate quota management, for instance in relation to imports of high value beef cuts, especially from Mercosur.

We welcome the Commission's and Member States' measures to streamline aid application this year, including the postponement of deadlines, and we hope further simplification of the rules will follow, allowing farmers to put all their energy into overcoming this crisis.

The sector is, moreover, concerned about sanitary measures that could be applied by authorities to agri-food processors, where workers might test positive for the virus. Specific and appropriate procedures should be planned in order to avoid the closure of these activities and to maintain the smooth operation of the food supply chain. The health of workers is a priority for our farmers and agri-cooperatives and, given their crucial role in ensuring food security, additional assistance in the provision of protective gear is needed.

We, European farmers and agri-cooperatives, are fully committed to the EU's common policies and remain united in solidarity, providing safe, high quality and affordable food for the people of Europe.

We are counting on the full support of, and assistance from, all the EU's institutions in this difficult period.

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copa cogeca
european farmers european agri-cooperatives

European Union must adopt an effective and coherent strategy to address the consequences of the COVID-19 crisis

EUROCHAMBRES, the Association of European Chambers of Commerce and Industry, has been in continuous contact with the Commission, Parliament and Council since the beginning of the COVID-19 crisis. This is of course a public health crisis first and foremost, but our political leaders must in parallel take measures to mitigate the scale of the economic crisis, in both the short and long term. We need to keep our millions of SMEs afloat and the jobs that they provide viable during this period of inevitable economic slowdown.


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The main message is that Europe needs to act as a bloc to tackle the COVID-19 crisis. Member states must reach agreement on a recalibrated EU multiannual budget, considering that measures in the field of innovation, research, sustainability and skills, as well as financial instruments to stimulate investment, will be crucial in driving the recovery.

The EUROCHAMBRES Presidency has presented a declaration of European Solidarity and Recovery and submitted proposals for the COVID-19 recovery plan to the Presidents of the Commission, Council and Parliament. The recommendations revolve around the need to revive the supply of goods and services, uphold free movement, and stimulate demand. We will follow up on the recommendations via the EUROCHAMBRES committees over the coming weeks as we seek to maximise EU level support to the millions of businesses across Europe that are struggling during this severe economic slowdown.

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Chambers of Commerce and Industry are closer than ever to the business community during this hugely challenging period. The EUROCHAMBRES COVID-19 webpage on crisis actions across the Chamber network showcases the activities of the Chamber network across Europe.

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