

Newsletter

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Businesses have key role to play in tackling the coronavirus crisis



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The coronavirus crisis has radically changed the operating environment of businesses. How this will all play out is still uncertain. What is known is that the crisis has hit all sectors. Businesses have experienced liquidity problems, disruptions to

supply chains, and obstacles to the free movement of people, goods and services. On the other hand, when the worst of the crisis has passed, it will be businesses that boost the recovery of the EU economy.

While businesses themselves have made and are making every effort to survive and recover, policymakers should provide them with the proper conditions for this. Tackling the coronavirus crisis thus requires a joint effort by the public and private sectors and close cooperation. Enterprises have practical knowledge and expertise as regards problems, needs and possible solutions. Businesses must therefore be closely and constantly engaged in planning and implementing measures to overcome the crisis and recover from it.

The Employers' Group has made its contribution to the discussion through two publications. The first – "Help businesses to survive the corona crisis" – was an emergency call to save businesses and jobs. Proper management of the emergency stage is crucial in any crisis and not least in the coronavirus crisis. If businesses are not supported in an appropriate way, this destroys the ground for the later steps of recovery and rebuilding.

The upcoming position paper entitled "Business is key to the EU's recovery from the corona crisis" looks at how to enhance the recovery in the best possible way. Well-recovering and successful businesses are key to the recovery of the whole EU economy. It is therefore of the utmost importance to prepare for the post-crisis period with a strong emphasis on business conditions.



The damage to the economy and employment will be all the greater the longer the restrictions and shutdown continue. To avoid exacerbating the impact, well-thought-out, controlled and compatible steps need to be taken towards lifting the restrictions and shifting the general restrictions to more targeted measures. This exit stage needs to be accompanied by testing, tracing and protection measures in order to minimise the health

risks. Businesses have a lot to offer at this stage too in terms of providing practical solutions for getting back to work, moving and consuming.

Money is an important element of managing the coronavirus crisis. Ensuring the liquidity of businesses was a crucial first step to help them survive and thus retain jobs and keep people in the labour market. The biggest challenge has been to get financial support to reach businesses quickly and smoothly enough. Now the focus is turning increasingly to the financial resources for the recovery stage. The new EU multiannual budget and related funding are key to financing the massive amount of investment needed to relaunch the EU economy. It is vital that the funding be allocated to measures that will improve the conditions for business, such as investment in innovation and infrastructure.

It is equally important to develop and maintain an overall favourable business environment. Restoring the single market and international trade are key measures for strengthening the economic foundations of the EU – both in the short and long run. While exceptional measures have been taken during the coronavirus crisis, in the post-crisis period the EU should again put the emphasis on innovation and competition rather than on state aid and protectionism.

It is often said that when we emerge from this crisis, we should not go back to business as usual. It is definitely important to make sure that the recovery and reconstruction measures contribute to the long-term success of the EU. The crisis has highlighted the significance of determined digital development. It also points to the need for the green transition process to be pursued hand in hand with the economic recovery. Moreover, the crisis has proved the need for an overall entrepreneurial culture across society, and has reminded us of the fundamental role of the EU's values.

The EESC Employers' Group position papers can be found under <https://europa.eu/Uy66gk>



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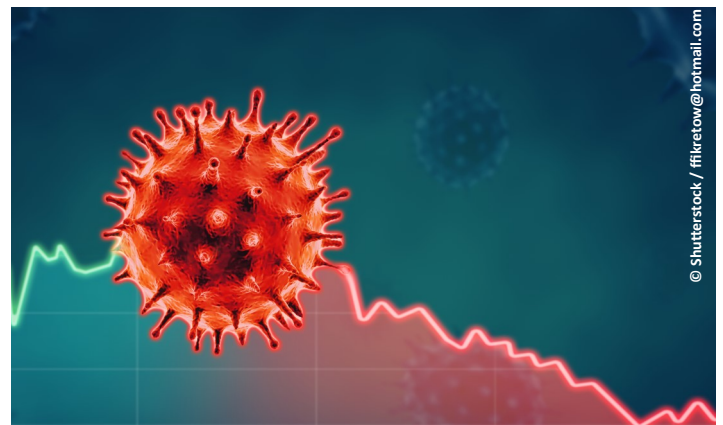
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Impact of COVID-19 on European SMEs?

The tragic and intensifying economic impact of COVID-19 has been worst for SMEs, especially micro-businesses. Some projections point to unemployment figures of 25% to 30% and a bankruptcy rate for SMEs of around 40%. Swift action and mechanisms are needed to help SMEs, which employ around 100 million people in the EU, in mitigating the negative effects on their businesses of the lockdown, social distancing and public health measures. Immediate and strong action is needed to address the unprecedented loss of growth and to prevent long-lasting negative structural effects on economies.



Priority short-term emergency measures, which are key for SMEs, especially micro-businesses, should be aimed at providing liquidity transparently and in good time, at a fair interest rate, using financial intermediaries, and without unjustified obstacles and unreasonable administrative banking burdens.

EU-level support measures need to be put in place as soon as possible, and their implementation assessed and monitored closely at EU and Member State level based on an appropriate common feedback mechanism where SME organisations, financial intermediaries, and the banking and credit guarantee sectors can share their data. The aim is to prevent unjustified delays and avoid arbitrary, discretionary decisions being made in response to the urgent liquidity needs of the craft industry and SMEs because of differences in the implementation of such measures by national credit systems and financial intermediaries. It is vital that a harmonised and rapid EU liquidity response system be devised and made fully operational, with the focus on micro and small businesses.

The free movement of goods has to be ensured and disruptions to the supply chain addressed with an integrated package of measures. As exit strategies are varying from country to country and region to region, information on the state of play has to be easily accessible and clear for SMEs operating across borders. Coordination between national authorities, especially in cross-border regions, will be key in this regard.



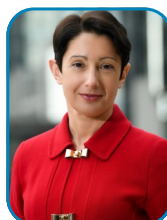
An effective recovery will need a huge amount of public and private investment to finance the twin transitions, allow companies to stay competitive and enabling new businesses to start up. To make such extraordinary investment possible, the EU will have to enlarge its existing instruments (the Multiannual Financial Framework, InvestEU, the Cohesion and Structural Funds, Horizon Europe, Digital Europe, and so on, as well as financial support from the EIB Group, plus deployment of the European Stability Mechanism) and set up a permanent recovery fund to help Member States meet the oncoming challenges. To support SMEs in financial difficulty across Europe, it is of utmost importance that countries fully implement the Insolvency Directive (which provides for preventive restructuring frameworks) and offer professional support to SMEs so that they can achieve a viable turnaround or get a second chance.

The COVID-19 outbreak has also shown how important it is to have diversified supply chains, and it is essential to help SMEs achieve this. The crisis repeatedly demonstrated how fragile the single market still is. Further efforts are needed to ensure that it operates smoothly, this being key for SMEs, and to encourage SMEs to actively expand into external markets.



The SME strategy was adopted on 10 March – just before the gravity of the crisis became clear in the EU. Implementation of the strategy is now even more important: it is not only a key tool for post-crisis recovery but also a means of supporting SMEs during the crisis. To that end, the European Commission is already making progress on a number of key actions with particular relevance to the crisis, notably:

- using the Enterprise Europe Network to provide advice and facilitate exchange: re-focusing its services to provide practical support and information to those working on innovations relevant to the crisis (e.g. help with European Innovation Council call for coronavirus-related applications), finding partners, information on re-focusing production, etc.;
- cutting red tape – notably in the context of supplies and services linked to managing the crisis;
- helping Member States to better enforce the Late Payment Directive: organising monitoring and better enforcement to help address liquidity problems;
- ESCALAR programme to provide venture capital for dealing with the impact of the crisis and scaling up; supporting the liquidity needs of scale-ups through a first-of-its-kind risk/reward mechanism to boost the availability of venture capital funds for scaling up;
- SURE (temporary Support to mitigate Unemployment Risks in an Emergency) – EUR 100 billion solidarity instrument;
- COSME Loan Guarantee Facility (LGF) to be supplemented with EUR 714 million from the European Fund for Strategic Investments: lending re-focused on working capital as well as credit holidays. This measure will be available to current LGF financial intermediaries and new ones via the EIF (European Investment Fund) simplified procedure.



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Transport and the coronavirus crisis

GETTING THE RECOVERY RIGHT

Transport is among the hardest sectors hit – but with asymmetric effects. It became painfully clear to everyone at the very beginning of the coronavirus crisis that transport is indispensable for both supply chains and mobility of people. Uncoordinated closing of frontiers by EU Member States almost created a situation with empty shops, industry at a complete standstill for lack of raw materials and/or components, and no way of crossing borders for key workers e.g. in transport or healthcare. Cross-border commuters, living in one Member State but working in another, were also hit.

Prompt action by the Commission prevented disaster and ensured continued functioning of supply chains (green lanes at border crossings, etc.) and mobility of transport staff and other key workers, as well as cross-border commuters.

But normal cross-border mobility of people, including tourism, stopped completely. The shutdown of several countries meant closed factories, considerably reduced business activities and almost no movement of people within countries.

This had a heavy negative impact on the transport sector, with reduced goods volumes and passenger transport reduced to almost nothing. For instance, aviation is down by around 90% and long-distance road passenger transport by about 95%.

Emergency measures introduced by the Commission such as easing a number of legal requirements for transport activities and temporarily introducing more lenient rules on state aid have helped save many – but not all – companies from bankruptcy.

Is the worst behind us?

Europe is now slowly opening up again. This should bring the return of business activity and a gradual increase in cross-border movement of people, including a revival of the tourist sector – hopefully this summer.

The recovery may nevertheless be long and uncertain.

- First, there is a risk that a resurgence of the coronavirus pandemic may provoke a new shutdown.
- Second, the negative economic effects of the pandemic so far have been considerable, with EU GNP expected to shrink by over 7 per cent.
- Third, the necessary protective measures in passenger transport may increase costs, reduce passenger capacity, and make recovery slower and more difficult.

This may also make it a long way back for the transport sector, with some risk of setbacks further down the line if, for instance, the pandemic flares up again.

For business, including transport, Europe starting to open up does not mark the end of the crisis – in fact, the big challenges will begin now and the road to recovery may be bumpy.



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It might therefore be prudent to extend most of the emergency measures at least until the end of 2021, since the survival of many transport businesses may remain uncertain.

Recovery – the importance of getting it right

Should – and could – we just try to get back to where we left off and then continue with business as usual? Perhaps not, as a few things have changed during the crisis. For instance, better IT capacity and guidelines on business cooperation that facilitate better use of available transport capacity have improved efficiency and sustainability.

So the crisis may have brought about some 'leapfrogging' in line with key elements of the Green Deal and the Commission's digitisation strategy that are essential elements of the Commission's recovery plan.

Certainly, measures such as developing 5G, alternative clean fuels including hydrogen, biofuels and electricity – including investment in charging stations and electric roads – may increase the sustainability and efficiency of the transport sector. This also goes for a TEN-T policy that optimises synergies between different kinds of networks and accelerates implementation of cross-border links.

Likewise measures that turns rail into a more competitive market player can only be welcomed.

But it is essential that such measures be pragmatic and realistic. Predictability and a policy that avoids sunk costs are paramount in a sector that has suffered a serious setback due to the coronavirus pandemic. Measures that create additional administrative and/or financial burdens should be avoided while the sector recovers.

This will ensure a well-balanced recovery strategy that focuses on the paramount aim of getting transport back into business.



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Impact of COVID-19 on the agricultural sector

The severe health crisis that the European Union is currently going through is having a major and direct impact on whole swathes of the economy. While agriculture has continued to operate to ensure a food supply for our citizens, some sectors have been hard hit and particularly affected by the crisis. While the responses (both speedy and not so speedy) of the European Union, the Member States and the agri-food sectors have ensured a secure food supply, this crisis has revealed weaknesses, which will need to be addressed by specific measures. Finally, since the arrival of COVID-19, agriculture and food have re-emerged as major geo-strategic issues. Let us turn this new (overdue) awareness into an opportunity to put Europe's food sovereignty at the heart of the EU strategy.

We must first welcome the fact that the supply of high-quality, safe and affordable food for European citizens has remained stable. Despite major disruptions to distribution channels due to the closure of catering establishments and restaurants and the disruptions in consumer demand arising from the lockdown, producers and agricultural sectors have been able to adapt and maintain this second line in the fight against COVID-19.

However, initially, the measures taken without coordination between Member States led to disruptions within the single market, affecting the functioning of food supply chains. While measures such as the reserved lanes were rapidly taken to improve the functioning of the single market, difficulties have arisen in keeping the agri-food chain working well.

The implementation of the Commission's guidelines on border management and on the free movement of workers have improved the situation somewhat. However, restrictions on the mobility of seasonal workers in the agricultural sector, as well as of agricultural inputs and commodities, have caused significant damage to a number of sectors, such as horticulture, wine-growing, the equine sector, and potatoes intended for industry.

While the introduction of EU market-management measures is an important step, these measures will not address the difficulties in



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all of the sectors affected. They are either generally excluded from the schemes, or those schemes do not provide a suitable response to the crisis – particularly financial – that farms are experiencing. Without a sufficient budget, the EU has left it to the Member States to help businesses. We would have liked to see deeper European solidarity, which can only be achieved with a real European budget of a much greater magnitude than what we have today.

These exceptional circumstances require exceptional measures. This support should therefore be drawn from outside of the agricultural budget. The CAP on its own is not sufficiently equipped to cope with a crisis of this magnitude.

As we look to emerge from the crisis and, crucially, revitalise the agricultural sector, a long-term strategy for European agriculture will be needed. This must combine both the economy and the competitiveness of the agricultural sector and the response to the challenges facing us: climate change, environmental protection and constructive international trade. International trade must comply with sustainable production conditions by means of appropriate social and environmental rules and conditions governing the remuneration of producers that can ensure the resilience of farms. In this respect, the Green Deal and the "farm to fork" strategy are demotivating for farmers in the EU, while FTAs are leading to unfair competition.

This recovery plan must ensure a climate and environmental transition that fosters innovative investments, particularly in new technologies, and that is duly supported by a renewed CAP laying down EU guidelines and a common framework of requirements and rights for the Member States. Economic dynamism and environmental sustainability must go hand in hand.



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The COVID-19 crisis and digitalisation

The COVID-19 pandemic and social distancing have radically altered people's lives around the world and changed our traditional patterns of work, learning, consuming and leisure. Borders have been closed again, areas of the economy fenced off, and life has become much poorer in real-life contact and much more virtual. How well prepared were countries for the digital world? Very well in some cases, less so in others. On the whole, the European Union seems, during the coronavirus pandemic, to have made significant progress on digital transformation compared with recent years. It is to be hoped that the push triggered by the crisis for innovations that will change the world will continue when the pandemic has passed.

The pandemic has also sorely tested the resilience to crisis of e-government in Estonia. However, since the country's public services had already gone 99% digital before the outbreak, the crisis brought no interruption to normal life: all essential interaction between people, businesses and the state has gone ahead seamlessly with the help of e-services. This year, like any other, we did our tax returns online. Our digital infrastructure was perfectly matched to a contactless world. To avoid further overwhelming already hard pressed healthcare workers, the public had access to their medical records online during the pandemic. Estonia's so-called [e-Residents](#) have been able to run their companies remotely with the help of the country's e-government services. Had there been elections in Estonia, the lockdown would have made no difference, since these have been digital since 2005. In educational institutions, too, the digital infrastructure needed for distance learning was already in place, as schools used e-learning on certain days before the crisis. In this exceptional situation, students and pupils are using e-learning as a matter of course to continue their learning.

While Estonia's e-government services are among the best in the world and have worked well in the exceptional circumstances of the pandemic, many companies have had to speed up the digitalisation of how they work and do business in order to survive in this new situation. The full switch to homeworking raised questions that had not been sufficiently considered before (such as access and cybersecurity when working from home). Fortunately, companies received fast and professional help from the country's [telecommunications sector](#). E-commerce has grown enormously, as consumers preferred – because of social distancing – to purchase both primary consumer goods and food as well as other necessities online. Businesses that were not doing online delivery before the crisis had to build the capacity quickly. Shops, restaurants, food shops and other retailers were all affected. [Starship's](#) delivery robots and [Cleveron's](#) automatic parcel lockers, which were already on the market, proved helpful in contactless delivery of goods. As well as businesses, cultural institutions and performers also had to quickly adapt their products and services to a contactless digital world. The Corona crisis also marked the beginning of a new phase in e-health.



This emergency has stimulated creativity and led everyone to look for innovative ways of surviving in the new circumstances. For the ICT sector, the pandemic has generated significant additional work as companies need help in digitalising their operations. Secure data exchange, including with regard to personal health data and cross-border data exchange, has become much more important. The Estonian start-up sector also showed an upward trend in the first quarter. It is too early to say whether the Corona crisis has created new "unicorns", but there is no doubt that a [wave of innovation](#) has been unleashed. Innovative [digital solutions](#) that catered to the new situation were immediately sought and put out. An e-Hackathon was staged in collaboration with the public sector under the banner [Hack the Crisis](#). This involved European start-ups, civil servants and other experts, who expanded into a global forum (Global Hack) in which 12 000 participants from 98 countries took part in a 48-hour marathon conference that worked on proposals for practical solutions to coping with the COVID-19 crisis. The StartUp DemoDay organised online brought investors from around the world together with successful start-ups from Estonia. The lockdown was a very busy time for start-ups.

The pandemic has triggered a wave of innovation and digital transformation, boosted the image of science and scientists and changed ways of working for the long term. Management of the pandemic and ongoing efforts to develop a vaccine and medicines against COVID-19 have highlighted the importance of science and researchers in our society. At the same time, we have been reminded that we need in the EU to invest more in research, innovation, business-research collaboration, digitalisation, artificial intelligence and cybersecurity, and to expedite the roll-out of 5G networks. The EU has great untapped potential for innovation. I believe it has a good chance of emerging stronger from this crisis if we tread carefully. In the meantime, however, we should use this breathing space wisely in order to be much better prepared for a possible second wave of the virus.



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Europe must continue to trade

The spread of COVID-19 has led a significant number of governments to introduce measures that have shut down businesses temporarily and restricted travel and the movement of people. These measures are leading to acute contractions in the level of output, household spending, investment and international trade.

The World Trade Organization (WTO) expects world trade to fall by between 13% and 32% in 2020. The European Commission projects a 9.7% decrease in global trade, a possible reduction of 9.2% in extra-EU27 exports of goods and services, and an 8.8% decrease in extra-EU27 imports for 2020. As one in seven EU jobs depends on exports, amounting to 36 million jobs, the impact on EU employment will be very significant.

We have witnessed large-scale disruption to supply chains, ad hoc export restrictions on crisis-relevant goods such as medical supplies, tightened customs and border controls, as well as restrictions on the free movement of workers and service suppliers. There have been major market failures in healthcare products during the COVID-19 crisis, adding emergency on top of emergency; in my opinion, a strategic trade policy will need to be developed for health, just as for defence, to make Europe self-sufficient.

The current crisis has also triggered political debate on issues such as sovereign capability, national defence, security and even deglobalisation. History has taught us how international cooperation is the only approach that can maximise overall well-being, and that trade among countries raises real income in all participant countries. The US reaction to the crisis of 1929 with the Smoot-Hawley Act, which increased tariffs steeply in the US to an average duty of 52%, helped deepen the Great Depression. Today, a trade war will lead to the same situation.

As a first consideration, the WTO reform process should continue in order to ensure a strong and effective organisation that can act against protectionism and unilateralism. The European Union should support such negotiations, whenever possible, as multilateral agreements bring maximum value to all participants. We must however be realistic; the status of relations between and



with the USA and China will not be conducive to any quick solutions to the many ongoing difficulties hindering the proper functioning of the WTO.

This crisis has unveiled a worrying fragility and significant risks related to highly fragmented and undiversified supply chains. Europe will never be self-sufficient in many areas, for instance in the supply of raw materials. Consequently, Europe will need to bolster its trade, when not possible multilaterally, through bilateral agreements. Global supply chains need to become more resilient. Diversified trade relations constitute an important element of economic sustainability as they provide insurance against disruptions in specific countries and regions. EU trade policy has an essential role to play in this regard. FTAs create a framework for companies to develop long-term relationships with new suppliers, start operations in new countries and build local capacity to meet their requirements.

As an important driver of growth, job creation and sustainable development, trade will have a key role to play in driving a sustainable economic recovery from the COVID-19 crisis and enabling companies to rebuild and re-organise their disrupted value chains, with many high-value jobs in Europe depending on that. The EU Recovery Plan should help companies to overcome the current crisis and safeguard decent employment, including through leveraging international trade. This support provided to companies operating in international markets should be at least equal to that granted to firms located in the USA and China.

While the EU's large network of preferential trade rules provides important predictability and certainty for EU businesses, this crisis demonstrates the urgent need for stronger instruments encompassing the sustainability of trade in all its dimensions, namely economic, social and environmental.



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Managing the Croatian Chamber of Trades and Crafts under exceptional circumstances during COVID-19

A RETROSPECTIVE VIEW ON FORTY DAYS OF WORKING FROM HOME

COVID-19 pandemic has resulted in new circumstances, which require fast adaptation of working processes and reshuffling of priorities within the organisation.

For example, a particularly important aspect for us was to efficiently organise work outside the workplace. Because the situation with the pandemic was developing extremely fast and the recommendations by scientists and the Government changed on a daily basis, the decision to send the staff of the Croatian Chamber of Trades and Crafts to work from home happened almost overnight. It was necessary to secure working conditions such that every employee could work right away, and the crucial part was to establish communication via digital channels.

We have introduced new internal rules on communicating with the media as well as with our members. Initially, the various communication apps were used to form communication groups as well as to group e-mail addresses. Every group was assigned its own specifically determined way to track, collect, analyse, and distribute information. Also, it was crucial for the Chamber's Management Board to assume its crisis role and, with the help of digital channels, to manage the decision-making process.

Since the exceptional circumstances had minimised our regular activities, the priority was put on the immediate needs of our members. Crisis management was of utmost importance, together with flexibility in our approach to the new environment. Our top priority was to frame proposals for emergency economic measures to help our members – the work of our institution was centred on this priority at every organisational level. Accordingly, a new system of work was established, which balanced the quality and quantity of work which needed to be done with a single important goal in mind – to promote and protect craftsmanship. In response, we have formed a team of 10 economic advisors and five advisors for the organisation of

crafts guilds, who answered phone calls and e-mail inquiries from our 88 000 members. In a matter of weeks, we received over 20 000 inquiries. To answer so many inquiries, work was organised in shifts.

All information was collected and analysed in the Croatian Chamber of Trades and Crafts as the national central point. Our lower organisational units have provided significant support in distributing information to local media, advocating for incentives from local authorities to support our members and buying disinfectants and protective equipment.

The greatest proof that we have succeeded in our efforts is the positive feedback from our members.

The most significant aspect was to remain available to our members all the time. Sadly, the Zagreb earthquake produced additional miseries by severely damaging our members' workshops and shops as well as our Chamber building. Reconstruction will take some time.

However, to function and manage in a crisis environment is not a completed process. Moreover, as time passes, adapting becomes an imperative, requiring monitoring of work processes on a daily basis and adapting to emerging circumstances.

To conclude with the lessons learned, we would like to emphasise the importance of communication channels and portable equipment when working from home, but even more significantly the support and readiness to be there for each other when needed.



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