

# Family and Firm Support to Face the COVID-19 Crisis

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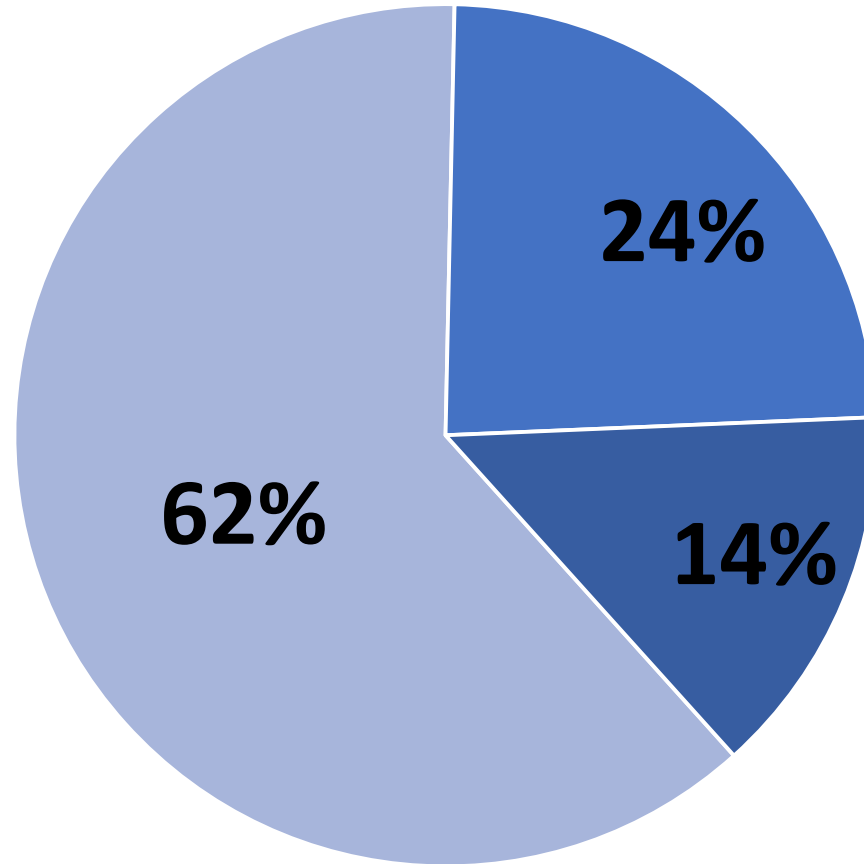
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What has been done to support families and firms around the world?

# What has been done to support families?

## Social assistance programs:

Conditional & unconditional cash transfer, social pensions schemes, in-kind transfers, school-feeding schemes



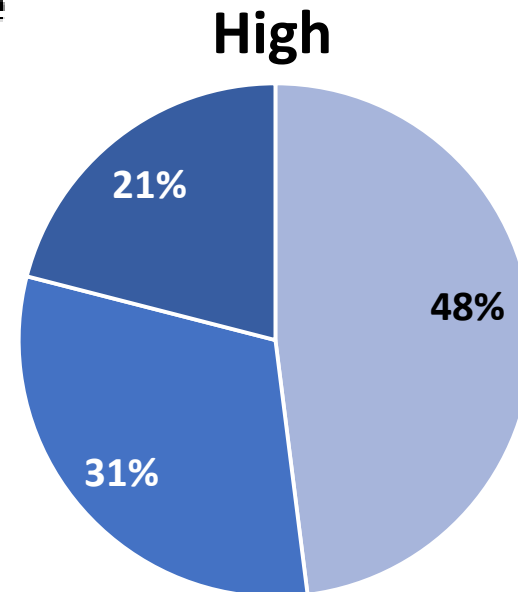
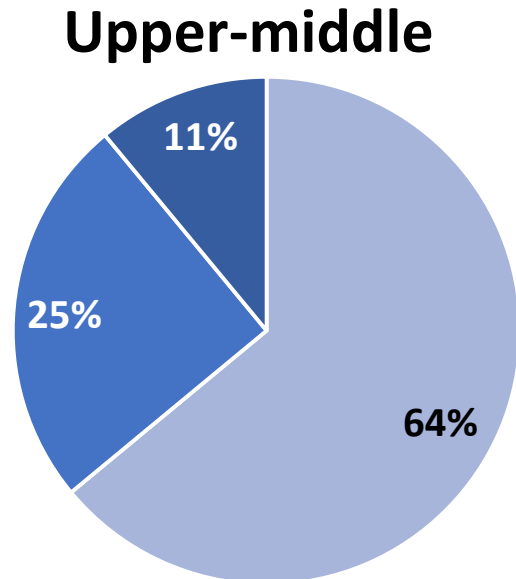
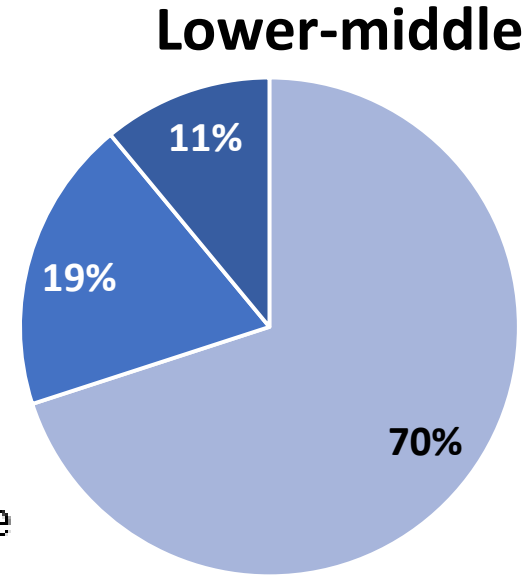
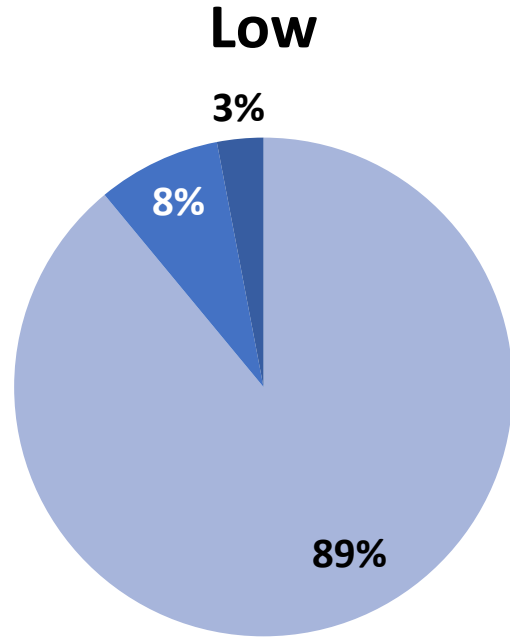
## Social insurance programs:

Unemployment benefits, paid sick leave, social security contribution waiver or subsidy, healthcare insurance support

## Active labor market programs:

Wage subsidies, training, labor market regulations, reduced work time

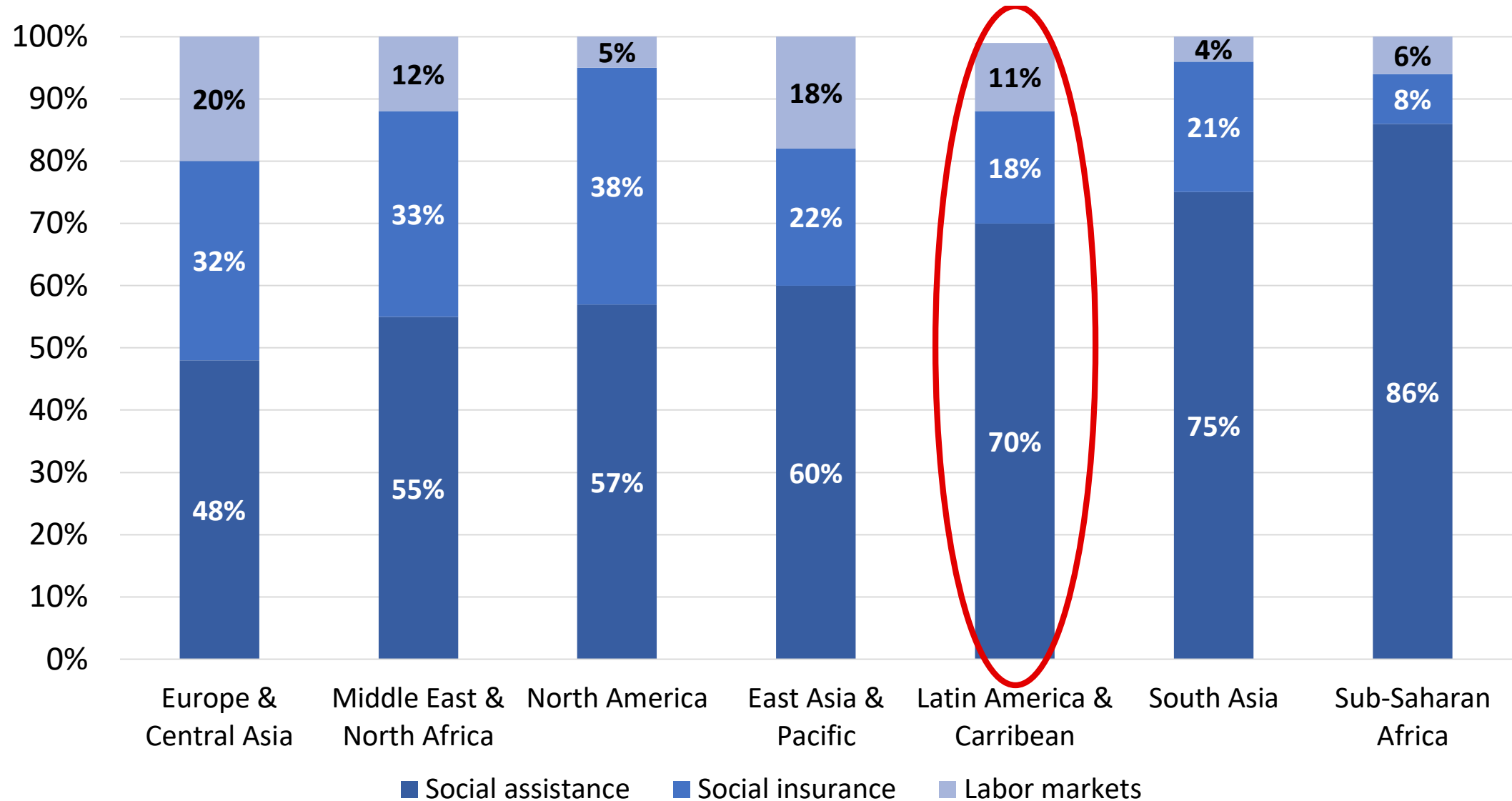
# Type of social protection by income



- Social assistance
- Social insurance
- Labor markets

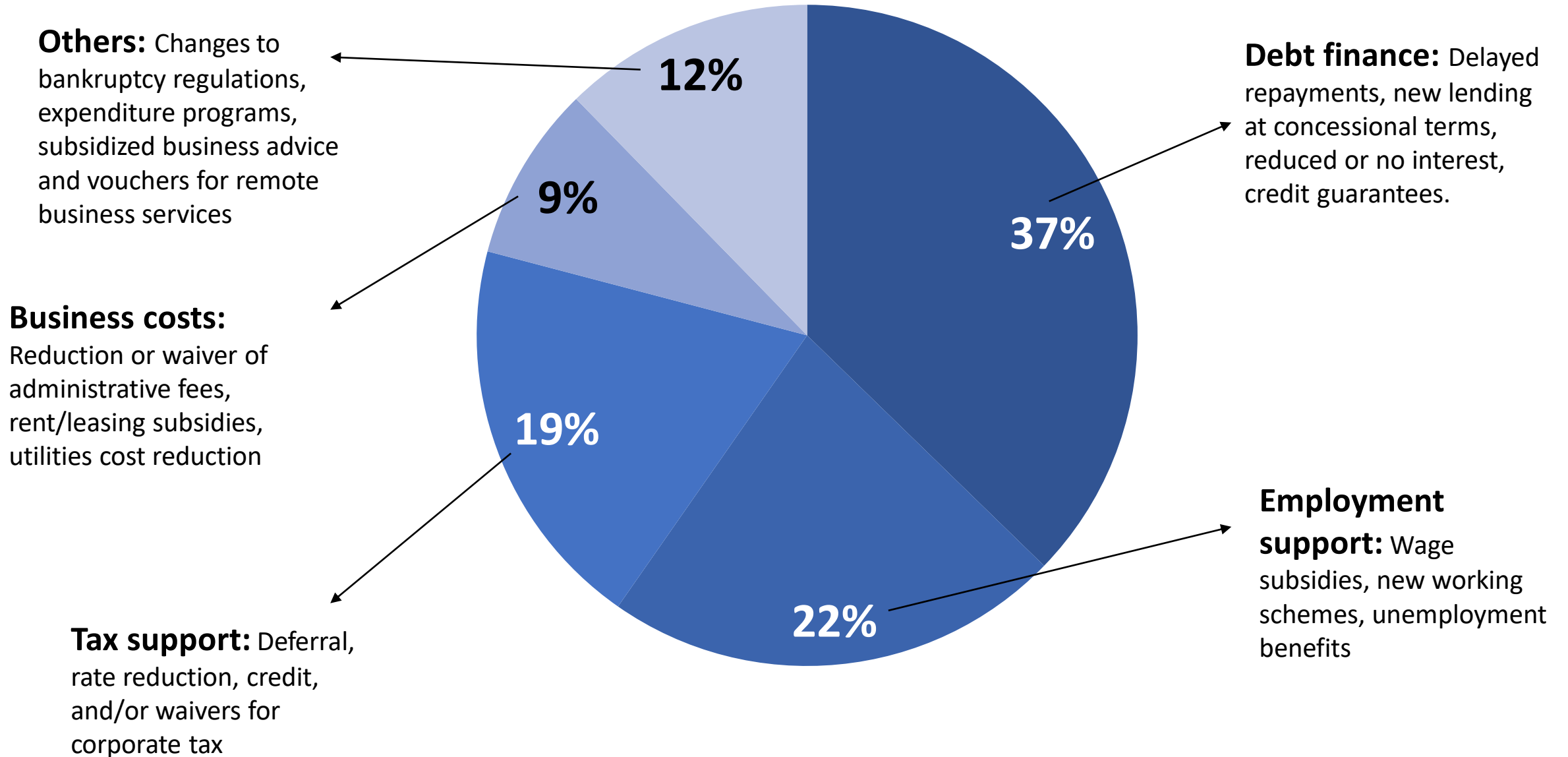
Source: Gentilini, Almenfi, and Dale (2020)

# Type of social protection by region



Source: Gentilini, Almenfi, and Dale (2020)

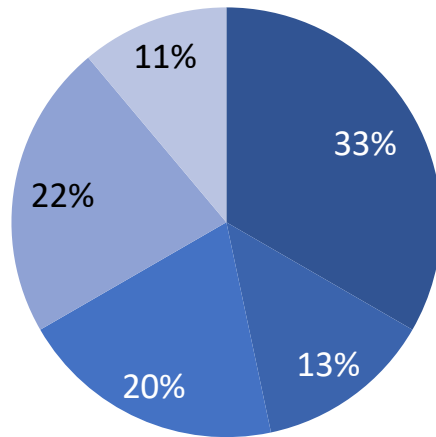
# What has been done to support SME firms?



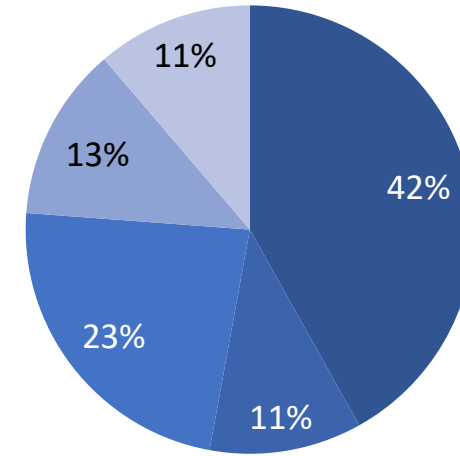
Source: "Map of SME-Support Measures in Response to COVID-19," World Bank (2020)

# Type of SME support by income level

## Low-income

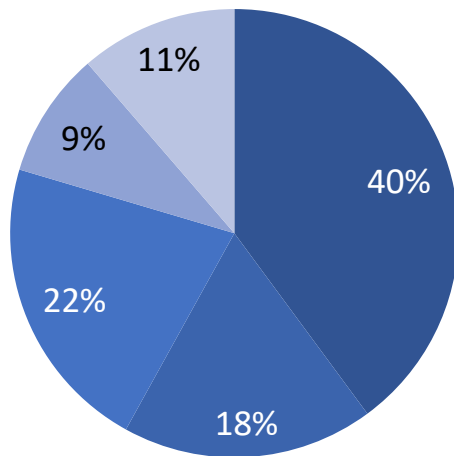


## Lower-middle-income

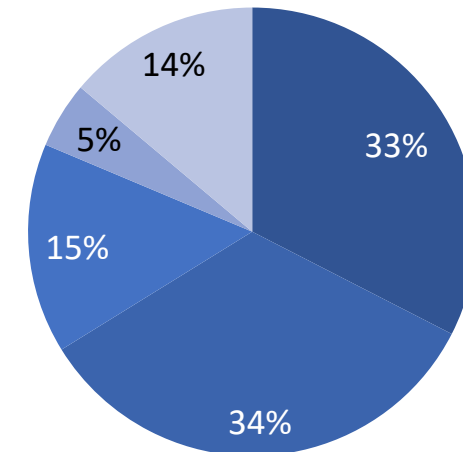


- Debt finance
- Employment support
- Tax support
- Business costs
- Others

## Upper-middle-income

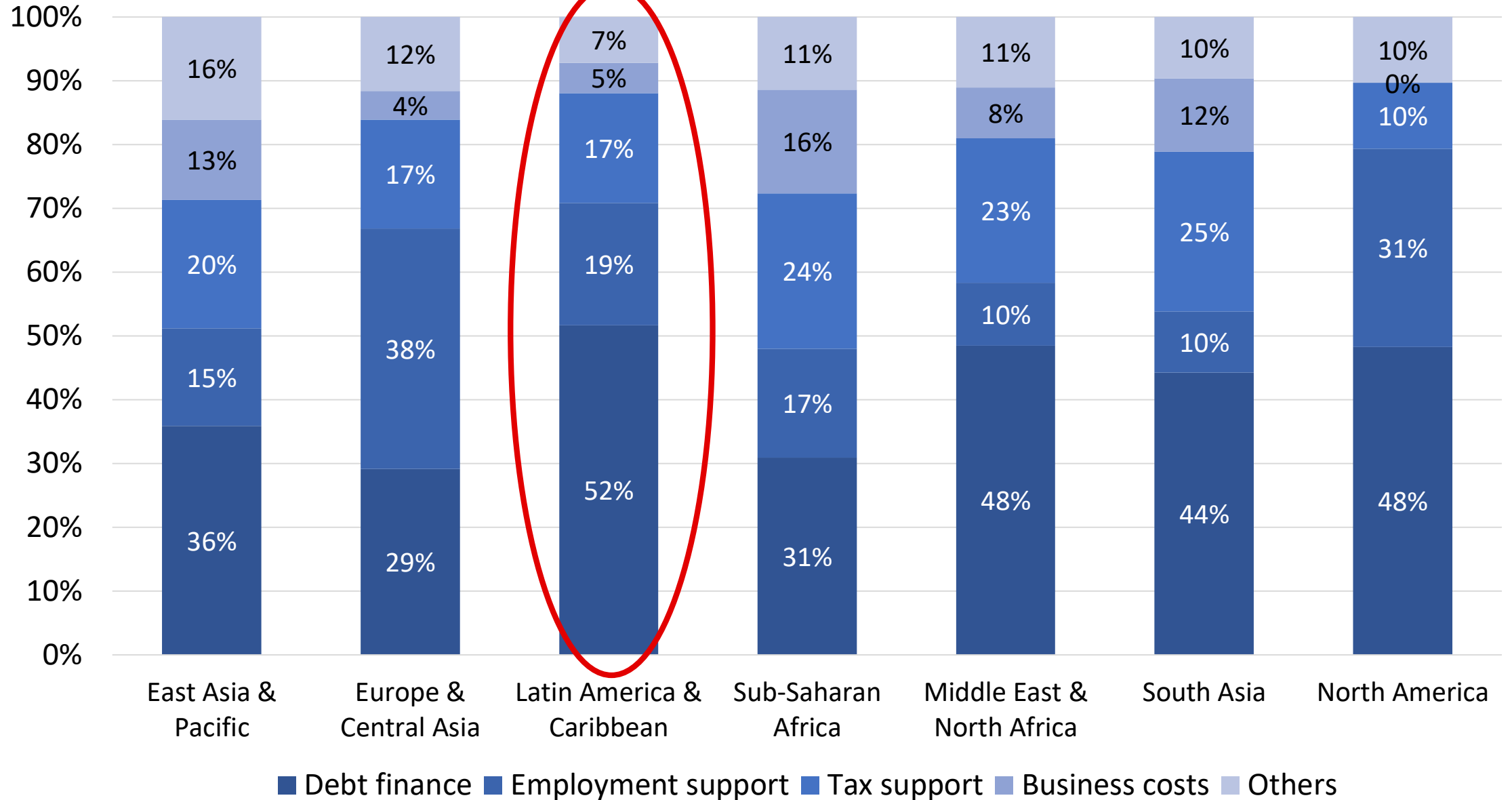


## High-income



Source: "Map of SME-Support Measures in Response to COVID-19," World Bank (2020)

# Type of SME support by Region



Source: "Map of SME-Support Measures in Response to COVID-19", World Bank (2020)



Assessing success in the support to  
families and firms

# Assessing success in the support to families



**When has the support to families been successful?**

**Comprehensive coverage**

✓ Including the poor, vulnerable, and informal

**Timely distribution**

✓ Implemented to match lockdown restrictions and economic bust

**Sustained and sufficient support**

✓ Proportional to loss of income to cover basic necessities

**Pre-existing delivery capacity**

- ✓ Social protection programs
- ✓ Financial inclusion
- ✓ Digital inclusion
- ✓ National ID
- ✓ Fiscal space

# The trade-offs in social protection

- Comprehensive coverage, timely distribution, and sustained and sufficient support are often competing goals of social protection. Limited resources force unpleasant trade-offs between them
- These trade-offs can be eased by improved delivery capabilities, from digital inclusion to effective governance
- The contrast between East Asia & Pacific and Latin America is illustrative:
  - Latin America had preexisting systems of social protection but lacked financial inclusion, fiscal resources, and digital inclusion to use those systems effectively during the pandemic: Only 10% of the population were helped with small amounts, minor even to minimum wages (UNDP 2020)
  - East Asia & Pacific, in contrast, did not have the social protection systems but was able to scale up, to some extent, support to families because it had the preexisting capabilities. EAP will be well-advised to develop permanent social protection systems (World Bank 2020)

# Assessing success in the support to firms



**When has the support to firms been successful?**

**Firm-worker continuity**

- ✓ Support conditional on retaining workers (e.g., wage subsidies)

**Innovation and firm renewal**

- ✓ Support to open new business lines and processes
- ✓ Unemployment insurance

**Well-targeted**

- ✓ Support to most affected sectors and firms

**Economy-wide productivity**

- ✓ Facilitating digital transformation
- ✓ Reducing policy uncertainty
- ✓ Ensuring fiscal sustainability

# The trade-offs in supporting firms

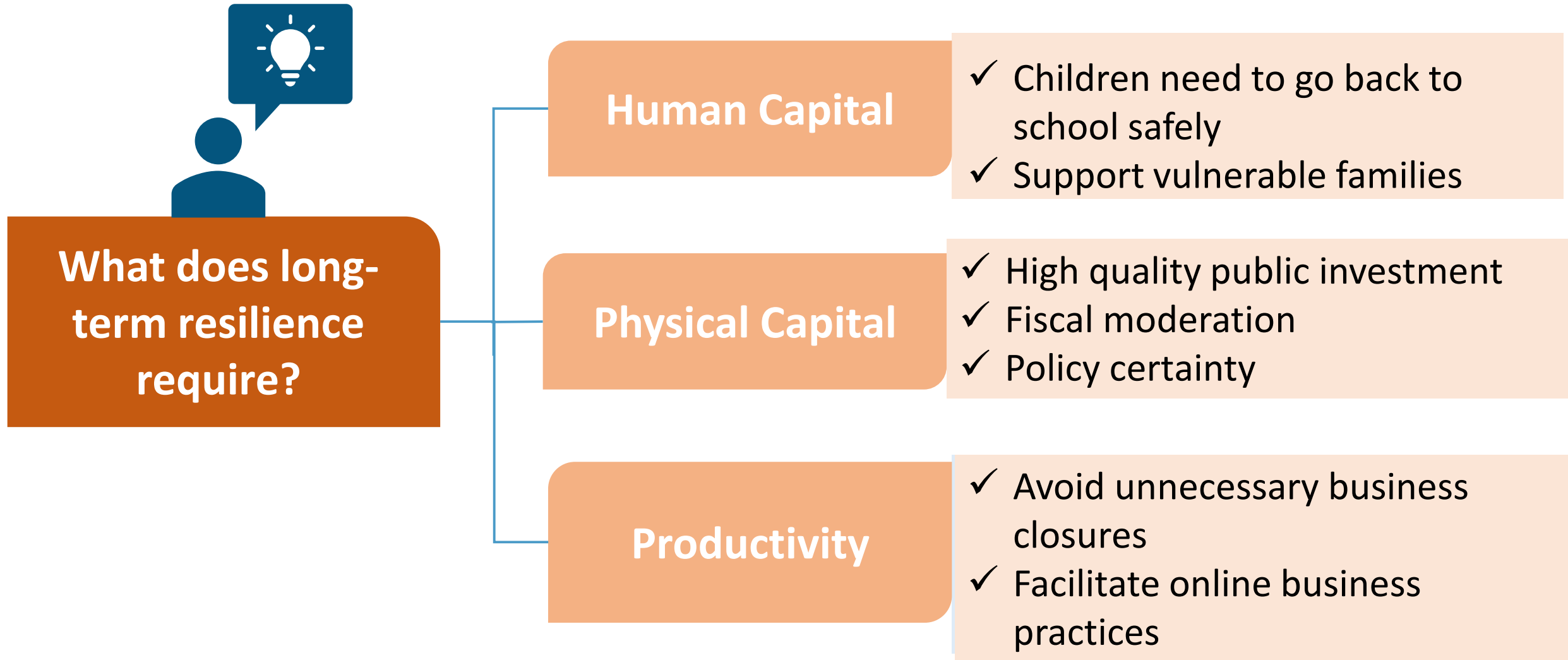
- Ensuring firm continuity and allowing for renewal and innovation may also be competing goals of firm support
- These trade-offs can be eased by improving the targeting of support (to firms most affected and most able to recover) and increasing overall economic productivity (e.g., digital transformation) (Apedo-Amah et al. 2020, and Vargas Da Cruz et al. 2020)
- The contrast between the approaches in the Europe and US is illustrative:
  - In Europe (especially Germany and France), support was given directly to firms conditional on keeping employment. This led to low unemployment and firm stability
  - In the US, support was given primarily to unemployed workers and to a lower extent to firms themselves. This led to a spike of unemployment but possibly also higher innovation and firm flexibility (Betcherman and Testaverde 2020)
  - A compromise between the two approaches may be best, recognizing the importance of stability in the middle of the crisis and of transformation in the aftermath (Didier, Huneus, Larrain, and Schmukler 2020)

# Resilience and reform

# Sine qua non of economic recovery: Resolution of the pandemic

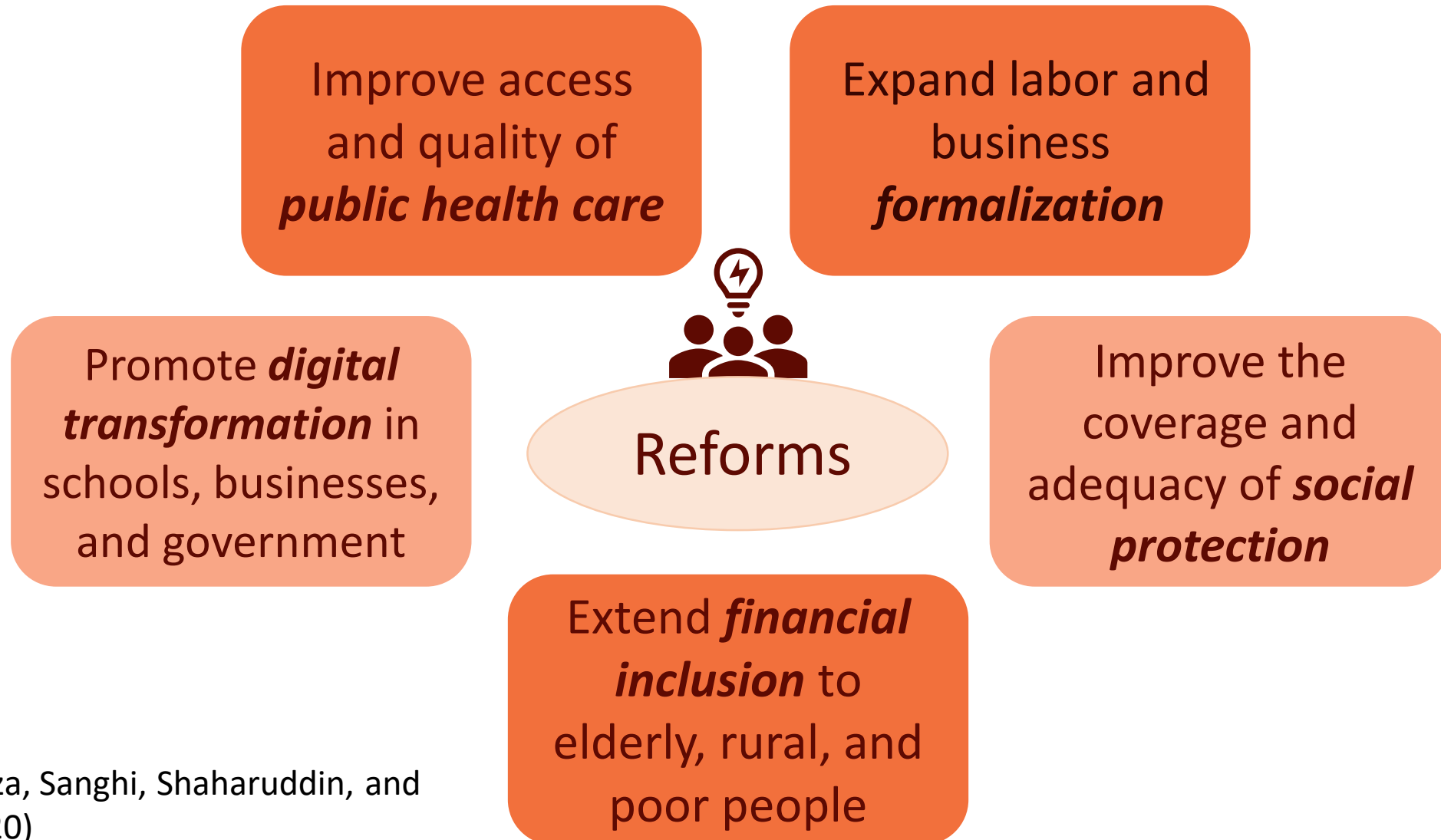
“Smart” public health policies (testing/tracing/isolating, insulating the vulnerable, wearing masks, reasonable social distancing) will be crucially needed until the vaccine is obtained and deployed and community immunity is achieved

# Beyond quick recovery, long-term resilience as a goal





# Leveraging the Crisis to Promote Necessary Reforms



Source: Loayza, Sanghi, Shaharuddin, and Wuester (2020)

# Gracias!

And special thanks to Nurlina Shaharuddin and Izzati Ab Razak for excellent research assistance

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