OVERCOMING THE ECONOMIC CONSEQUENCES OF COVID-19

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Abstract.

Nowadays COVID-19 pandemic is the most urgent challenge of the global community. Its consequences are significant as for economy, policy, culture, human health and safety. So, the challenge faced by society to reduce the adverse effects of the crisis, caused by pandemic.

In the article, the authors have viewed the issues of managing the risk of the companies. They have proposed the crisis strategy for the national governments.

Keywords: COVID-19 pandemic, economic consequences, risk management, crisis exist strategy.

I. Introduction

Today, the state of preparedness of governments and health systems for the COVID-19 pandemic and the overall level of effectiveness of national health systems are controversial. This discussion is due to the pandemic COVID-19 (2019-2020), which outbreak began in December 2019 in Wuhan (China), and on March 11, 2020, the disease was identified by the WHO as a pandemic.

It has become apparent that most national health systems have failed to respond quickly and effectively to the emergence of the SARS-CoV-2 virus, even those that are identified in the world

ranking on bases of healthcare safety as leaders among other countries. The emergence of the new virus has exposed a number of problems in most national health systems, namely:

1) Inability to respond quickly to exceptional force majeure on a large scale;

2) Low "capacity" of health care facilities;

3) Low level of flexibility in making management decisions (introduction of large-scale quarantine measures, testing, rapid change of treatment protocols, etc.);

4) Shortage of medical equipment and medical supplies needed to support the lives of patients and lack of pharmaceuticals to overcome the SARS-CoV-2 virus;

5) Shortage of qualified medical staff (doctors, middle medical staff, laboratory workers);

6) Lack of mechanisms to solve the problem of psychological and physical stress on medical staff.

The list of problems is not exhaustive and differs from the level of economic and social development of the country, mentality and cultural characteristics that have developed in the countries, etc. However, it is safe to say that most national health systems around the world (with some exceptions where urgent action has been taken and there is no high incidence and mortality from COVID-19) have not been prepared to spread the disease globally.

The key issue today is the effectiveness of government decisions and coping strategies for COVID-19. The coronavirus pandemic has long-term consequences, in addition to the actual spread of the disease and the introduction of quarantine measures, which have already significantly affected the economies of most countries.

Thus, as of 1 June 2020, according to the WHO, globally there have been 6,057,853 confirmed cases of COVID-19, including 371,166 deaths, reported to WHO [7]. The WHO estimates that the worldwide mortality rate from COVID-19 is 3.4% (as of March 3, 2020), compared to the annual mortality rate from influenza, which is below 1% [8]. The virus is now presented in more than 150 countries and territories.

As the SARS-CoV-2 virus has spread around the world, concerns have shifted from the problem of manufacturing the health care system to overcoming the crisis due to the temporary complete or partial suspension of business in many countries around the world [5].

In response to the pandemic, governments have taken drastic measures to reduce the level of infection and protect the population. These measures consist of total (for the entire population of the country) or partial (for risk groups) quarantine and lockdown of enterprises, organizations,

institutions of industrial and non-industrial spheres. However, they have a direct immediate impact on the level of economic activity in certain industries.

Today, the economic consequences of COVID-19 far outweigh the direct impact of the pandemic, namely:

1) Rising unemployment in many countries around the world and lowering wages, which, in turn, reduce the purchasing power of the population, and hence demand;

2) A high level of uncertainty leads to the suspension of investment activities both in the business environment and from households;

3) A decrease in the production capacity of economic entities leads to an increase in the level of bankruptcy.

Analysts say that the crisis caused by the COVID-19 pandemic has no analogues: it has led to the largest global downturn in economic history, with more than a third of the world's population currently in lockdown [4].

II. Risk management during the COVID-19 pandemic

Most countries around the world have introduced national risk assessment scales and established crisis preparedness monitoring processes and systems.

For example, *Schlumberger* proposed a ranking of management risks by levels, which is based on the assessment of geographical risk criteria, effective communication and management of crises and emergencies (force majeure).

Criteria such as the availability and effectiveness of local health authorities to verify cases or provide medical care, compliance with the recommendations of international health organizations (such as the WHO), the effectiveness of health care providers, etc. may also be included. To effectively evaluate risk in a pandemic, countries need to focus on the right metrics and consider all dimensions of risk: severity, likelihood, and velocity.

At the same time, the level of risk of exposure to COVID-19 in the country can be reduced on the basis of the following criteria: reduction of infection, increase of recovery, improvement of mortality per capita, level of achievements in treatment or vaccination, etc.

Thus, *Schlumberger* proposes to identify and implement certain restrictive actions at four levels, which should help minimize health risks and negative impacts on business activities, namely:

1) Schlumberger COVID-19 Level 0: for countries where no human COVID-19 cases have been reported;

2) Schlumberger COVID-19 Level 1: for regions where less than 25 human COVID-19 cases have been reported;

3) Schlumberger COVID-19 Level 2: for a country with limited impact, where 25 to 100 human cases of COVID-19 have been reported;

4) Schlumberger COVID-19 Level 3: for severely affected countries with more than 100 cases of human COVID-19 [1, p. 3].

We can define risks of organization in the following way:

- Internally, those which involves identifying business critical functions, equipment and employees, and determining how, where and by whom critical services are provided. Top management considers suspending non-essential work to reduce risk of exposure, to support social distancing and to reduce unnecessary cash expenditures. Also, they need carefully to monitor employee availability, health and safety.
- Externally, which requires a supply chain analysis and assessment of the possible risks faced by vendors, manufacturers, suppliers, distributors, purchasers and all organizations and stakeholders that you interact with and rely upon.

In [3, p. 4], the long-term economic impact of the COVID-19 pandemic, which is based on the pace of the pandemic and the duration of quarantine measures, was assessed. Extensive quarantine measures are aimed at protecting the population that is most vulnerable to the SARS-CoV-2 virus and at reducing the burden on countries' health systems. Therefore, given these main objectives, the duration of quarantine depends on:

– How quickly it will be possible to build capacity to quickly overcome difficult cases (population testing, staff involvement, technology and treatment protocols, etc.);

– How quickly immunity will be formed in a significant number of the population, which will allow the economically active population to return to work.

But nevertheless, all organizations can use the basic principles of risk management to shape a path through the COVID-19 pandemic and minimize the lasting negative impacts, among which are:

1) *Determining the risk*. Organizations have to use risk management to predict the risks. To that end it is necessary to: (a) consider all kinds of risks, including operational, strategic, financial

and reputational; (b) gather information from all employee levels and from a large cross-section of stakeholders (clients, vendors, etc.), since they might be in a position to identify risks that you would not think of; (c) look at other organizations, domestically and abroad, and consider what they are facing; their risks might be the same or perhaps their risks will create risks for you down the line (think supply chains).

2) *Providing "agile" principle*. It needs the flexibility from the organization in decision-making process and all other business-processes.

3) *Staff is the main resource of the organization*. In the conditions of COVID-19 pandemic organizational risks are associated with mismanaging your employees and could be significant (eg. health and safety, financial, reputational, legal, operational, to name a few). Thus, the top-management of the organization must provide the qualitative communications with its staff, with the feedback (for example, regarding risk plan, a business continuity plan, and a crisis plan).

4) *Providing the business continuity*. So, the main purpose here is to ensure the company is able to survive a critical incident. Top management has to draw up a series of plans implemented over phases to shorten recovery time and mitigate impact. As all people are at risk of being personally impacted by COVID-19, a continuity plan must be developed for all business critical employees that can be easily triggered should they become indisposed. The chain of command must be clearly identified and alternates and designates put in place for all critical functions. Thus, it is important to form internal and external communication plan [2].

Therefore, four basic questions have to be ask during managing the risk:

1. Identify risks: *what can happen?*
2. Determine probability of loss: *how likely is it to happen?*
3. Assess severity of outcome: *what are the consequences if it does happen?*
4. Mitigate risk: *what can be done to manage the consequences?*

Thus, the top management has to determine the holistic approach to identifying, analyzing, evaluating and treating risk.

For organizations it is necessary to develop a pandemic-specific preparedness plan, which purpose is to serve as a reference for a safe and healthy workplace for all employees. It needs next steps: (1) to **overview the policy**; (2) to determine the e**ssential roles** (Who within the organization will be responsible for implementing the pandemic plan? Such roles include safety, training, technology, inventory, communication, and business decisions. This team of individuals

will be responsible for managing the organization through a pandemic); (3) to **measure employee risk mitigation (**What should the business and employees do to lessen the spread of the virus? Top management must consider measures such as making hand sanitizer and other cleaning products available for daily use by employees, providing sufficient workspace between employees, and encouraging employees to remain home when ill. And also top management must encourage employees to have regular medical check-ups, including appropriate immunizations); (4) to from the p**rotocol for returning to work after a serious illness (**What mandates should the business impose upon a person returning to work following a serious illness? For example, a signed release from a medical provider could be an appropriate measure); (5) to t**rain staff on medical and health concerns** (What training will be provided to employees on health issues including the spread of a disease? The training should include initial symptoms, best practices for mitigation of risk, and prevention of spread); (6) to provide the r**emote work** (What allowances will be made to support employees working remotely during times of quarantine?); (7) to t**rain on technology to work remotely** (What technology will the employees need to work remotely? It is very important to instruct them on how to use software for meetings, collaborations, and communication); (8) to provide e**mergency communication** (How will the organization communicate with its employees to notify them of important and urgent matters?).

Analysts have identified three main scenarios:

I. Optimistic scenario: SARS-CoV-2 virus control measures are effective, the duration of quarantine measures can be completed in the second quarter of 2020, which allows for a rapid economic and industrial recovery.

II. Intermediate scenario: measures to combat the SARS-CoV-2 virus are characterized by medium efficiency, blocking of the economy is lifted in the third quarter of 2020, when economic recovery may begin.

III. Severe scenario: SARS-CoV-2 virus control measures are less effective and take longer, which could lead to a second wave of the pandemic, so unlocking economic and production activities is possible before an effective vaccine is produced around the beginning of 2021.

Thus, the key task of governments is to determine the way to restore the business cycle as a whole for the economy. As noted earlier, the depth of the economic shock depends on the duration of quarantine measures. Therefore, in [3] is presented economic recovery in accordance with three scenarios (Fig. 1).

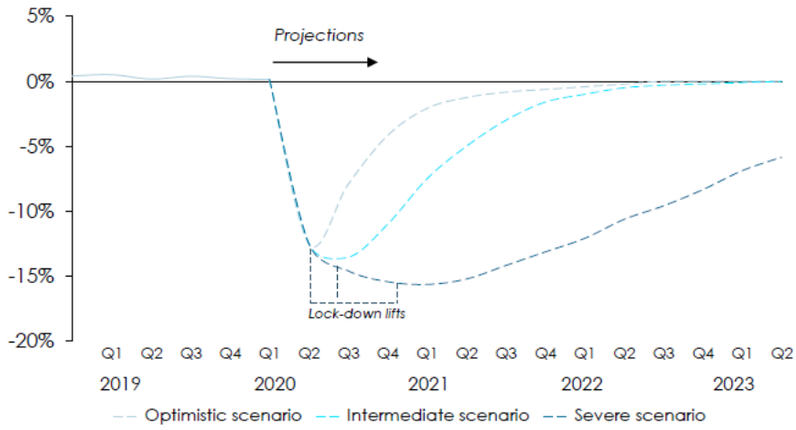

Fig. 1. Illustrative path of recovery in accordance to the three scenarios. Quarterly output gap (% of long-run GDP) *(Source: [3, p. 9]).*

III. Crisis exist strategies

Thus, the key efforts of governments, local governments and companies of various forms of ownership should be aimed at minimizing the negative impact based on the management of risks arising from the COVID-19 pandemic. To this end, risk management strategies based on the principles of crisis management should be formed. Based on the risk levels defined, for example, above, plans / programs of measures to minimize losses from COVID-19 should be formed and implemented, which requires addressing the following issues, which were identified by WHO as necessary conditions:

1) Ensuring the implementation of an effective mechanism to prevent infection with the SARS-CoV-2 virus (communications, distancing, isolation and quarantine, restrictions on transportation, control and monitoring of information on the development of the disease, testing);

2) Providing sufficient infrastructure and manpower;

3) Ensuring the effectiveness of medical care (medical care planning, medical care, support of the medical system);

4) Provision of financial support (financing of medical care, provision of guaranteed medical care and access of all segments of the population to medical care);

5) Ensuring an effective management mechanism;

6) Ensuring the implementation of an effective communication mechanism;

7) Ensuring the implementation of the economic and management mechanism to minimize the effects of COVID-19 on the business activities of regions, countries and organizations;

8) application of crisis management tools;

9) Constant control and analysis of the implementation of the above mechanisms in order to coordinate and regulate the activities and development of forecasts and possible plans / programs for overcoming the crisis.

In general, measures to overcome the crisis caused by COVID-19 can be presented as follows:

I. Improving health care efficiency

1.1. Active anti-epidemiological policy in the field of combating COVID-19

1.2. Formation of an extensive national network of institutions that are defined as basic in the fight against COVID-19

1.3. Providing financial and logistical support to health care facilities

1.4. Strengthening measures to ensure occupational safety and health for health workers

1.5. Incentives for medical personnel involved in the fight against COVID-19

II. Stimulating the economy and employment

2.1. Active fiscal policy

2.2. Liberalization of credit policy

2.3. Preferential lending and financial support to specific sectors of the economy, including health care

III. Support for entrepreneurship, business and the labor market

3.1. Providing social protection for the population of the country

3.2. Introduction of measures to maintain the level of employment

3.3. Providing financial / tax and other business support

IV. Protection of workers in the workplace

4.1. Strengthening measures to ensure occupational safety and health

4.2. Providing flexible working conditions

4.3. Prevention of discrimination and social isolation

4.4. Ensuring equal access to health care

4.5. Expanding the availability of paid leave

V. Ensuring communication with the community

5.1. Strengthening the capacity and capacity of trade unions and professional associations

5.2. Strengthening the capacity of authorities

5.3. Strengthening social dialogue, collective agreements and labor relations institutions [6].

In our opinion, the best and most effective way to maintain the security of personnel and the

public worldwide, while maintaining business continuity and minimal disruption, is the constant cooperation of governments and management of large companies, which should be based on effective communication based on mutual information exchange. coordination of approaches to treatment and preventive measures, risk minimization, planning and forecasting of actions.

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