

The Impact of the Health Crisis on the Business Environment

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Abstract

The pandemic has hit all EU member states, without exception and continues to affect the whole world.

This acute and unprecedented crisis has affected both, companies and households, who are facing immediate liquidity problems.

Political actors now play an important role, so they need to adopt policies, strategies and measures to support companies and those sectors that may face solvency challenges as much as possible in order to survive this period of crisis. This is crucial to prevent this from causing structural unemployment and to maintain the health of public finances after the temporary shock of the crisis.

This study presents the impact of the health crisis on the business environment and the measures adopted by the governments of the affected states in order to overcome the crisis, measures that were intended to be social and economic protection and support, but with undesirable consequences on economic and social balances.

Key words: entrepreneurship, pandemic, recession, stabilization policies, economic recovery

J.E.L. classification: I25, M21, M54, J24

1. Introduction

The main concern of state governments at the moment is the health of citizens and economic recovery.

Due to the fact that the epidemic caused by coronavirus was a major shock for the European economy, but also for the world economy, each government has adopted measures to limit the spread of this virus among its citizens, followed by many other economic measures, sanitary, social.

Member States have adopted budgetary, policy and liquidity measures to support their health systems and to provide assistance to particularly affected citizens and sectors.

Although rapid steps have been taken to try to recover the economy both at European and country level, the economies of EU Member States will still face a recession this year, as the economic shock has been a major one as a result of the covid pandemic.

According to research in the field, it is estimated that production will suffer a major decline in 2020, and the recovery capacity in 2021 will vary considerably from country to country, depending on the economic stabilization policies adopted by each state.

2. Theoretical background

In order to reduce the negative effects generated by the covid pandemic, on the economy and the standard of living of the population, the European Commission formulated and instituted multiple economic measures, adopted measures to make European budgetary rules more flexible, rethought state aid and adopted measures, for the entrepreneurial and sanitary field, in response to the economic-sanitary crisis, allocating liquidity to the medical field, but also to the enterprises. (https://ec.europa.eu/info/live-work-travel-eu/health/coronavirus-response/jobs-and-economy-during-coronavirus-pandemic_ro)

In order to protect the life and standard of living of the population, multiple measures have been instituted at EU level, the European Commission in response to the covid pandemic, has redirected the available structural funds, as follows:

- measures to support the help of families by postponing the monthly payments on the credits they had, by supporting the families in which at least one member was obliged to be in technical unemployment, the allocation of financial aid for the payment of utilities, etc .;
- by paying unemployment benefits;
- in order to reduce unemployment and keep jobs, by using support tools such as the SURE Program (Support mitigating Unemployment Risks in Emergency)
- significant sums of money have been allocated to support Member States' health systems;
- support for fishermen, farmers and other people considered the most disadvantaged.

Providing support for the recovery of tourism in the European Union, as a result of the fact that this field has been deeply affected, due to restrictive measures on free movement, travel restrictions and social distancing. Support measures have been established dedicated to tourism companies and it was decided starting with June 1, 2020 the gradual opening of tourist services and units.

At EU level, several measures have been approved for tourism, including:

- providing liquidity to tourism companies, especially those small enterprises;
- saving jobs, and support through financial assistance of up to EUR 100 billion provided through the SURE instrument - unemployment risk mitigation instrument;
- promoting Europe's tourism as a safe tourist destination.

The European Commission, together with the European Investment Bank Group, aims to support small and medium-sized enterprises that have been severely affected by this pandemic.

The European Commission is working closely with national authorities, business representatives and other stakeholders to monitor as accurately as possible and be able to make an assessment of the European trade and industrial sector, sectors affected by this pandemic.

The European Commission is trying to support various industrial sectors, especially those essential for food production and supply, but not only.

3. Research methodology

The research aims at describing and understanding the concept of economic-sanitary crisis and the effects it produces on the economic, health, social field.

The basic idea of the research is the importance of plans, measures and tools used in the management of the pandemic period for economic recovery, increasing the versatility of local and national economies in the context of post-pandemic economic reconstruction.

Having an economic, political, social character, with a geopolitical substratum aimed at obtaining power, kneeling through fear and limiting freedom, this subject can be subjected to many scientific researches. There are many opinions, depending on the information held and expressions in this regard.

4. Findings

Steve Krouskos, EY Global's Vice President of Transaction Consulting, said: „The human cost was considered the most tragic due to the number of lives lost, but also to the reduction of the material situation for a fairly large number of people. In response to the effects of Covid-19, company leaders act for the well-being of employees, but also for job retention. Because business people do not have a role model, they act in real terms, depending on the evolution of events, as a result of unexpected challenges and vulnerabilities”. The head of the Transaction Assistance department, Florin Vasilică, EY Romania, is of the opinion that: „In the next period, as a result of the crisis generated by COVID, many businesses will be on the line of survival, many of the small and medium enterprises will have difficulties in obtaining financing for their own businesses. It is anticipated that during the summer there will be a stagnation, followed by a period in which the impact of the crisis and the finding of new strategies will be assessed, in order to resume activities, hoping for a complete return in 2021”. (https://www.ey.com/ro_ro/news/2020/liderii-de-business-privesc-dincolo-de-criza-si-configura-noi)

In the short term, companies will turn to government and private sources for liquidity in order to overcome the crisis with minimal impact on their business. In the long run, this crisis will change the way we think and manage our business.

In terms of merchandise supply, for many businesses, the main suppliers were from China. Supply chains are now being rethought so that the risks of supply disruption are reduced and the possibility of turning to alternative suppliers is taken into account. The importance of technology with a very important role in the internal relationship of the company, but also with the outside through the promotion of products using various platforms and promotion sites.

The attention of companies' management is currently directed towards economic recovery and rethinking post-crisis plans. Following an opinion poll:

- 54% of respondents surveyed among businessmen said they expect a slow recovery period, slowing economic activity by 2021;
- 38% consider that there will be a return in the third quarter of 2020, to normal economic activity;
- 8% of respondents say that the pandemic period will be followed by a period of recession, economic activity will take place under normal conditions only in 2022. (<https://www.ccifer.ro/ro/actualitati/n/news/impactul-crizei-covid-19-asupra-comunitatii-de-afaceri-franco-romane.html>)

The economic recovery of each country is determined by the evolution of the pandemic, by the structure of the economy at national level, but also by the stabilization policies adopted by each state. Given the interdependence of EU economies, the evolution of each Member State's recovery will also influence the degree of recovery of the other Member States

The part most affected by this pandemic remains the human component, so political leaders and business people must make a common front in order to adopt policies and strategies designed to maintain people's health and financial stability.

5. Conclusions

Business leaders are forced by nature to adapt, so they look beyond the crisis and set up new merger and acquisition plans. They focus on managing the effects of the COVID-19 pandemic on supply chains, revenue and profitability for the businesses they run.

BNR Deputy Governor, Prof. Univ. Dr. Leonardo Badea, considered that: „Because the COVID-19 recession was partially induced by the blockade established for social distancing and limiting the circulation of the virus, the tendency is to assume that the return will be short, in V-shaped.” (<https://www.capital.ro/ce-se-va-intampla-cu-economia-locala-dupa-pandemie-leonardo-badea-vine-cu-noi-precizari.html>)

Following a major economic crisis, the company's tendency is to recover and return to the previous situation. This time we must keep in mind to evolve towards a more economically secure society.

The recent crisis has shown us that we cannot rely solely on the import of goods through supply chains, but we must keep in mind that we cannot produce all the goods we need locally, especially as there will be times when locally produced goods can sometimes have higher costs than imported ones. And yet local production must be supported by financial support and government instruments to maintain its viability and maintain a competitive environment.

Regarding the resumption of our daily lives and the reopening of economic activities, we must do so knowingly because there is no zero risk, but maintaining restrictions on activity and travel will only lead to the collapse of the economy. That is why the solution is a compromise and we must learn to live and function in the given conditions, through adaptation, awareness, overcoming fears and innovation.

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