



# BUSINESS IN A DEPRESSED ECONOMY

Featured Analysis



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## ABSTRACT

In this three part series, we will take an overview and analysis of COVID-19 issues, where we are and where we are heading. We will consider the likelihood of entering a depressed economy, the impact on individuals and business and the mitigation that can be considered to manage business through a depressed economy to recovery.

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## Part I – Business in a Depressed Economy

The current COVID -19 crisis has driven the world to a complex junction. Decisions about which road to take towards recovery will be made and these choices will directly impact the working and personal life of all.

This three-part series will examine the various routes towards recovery that will likely take us through the jungle of a depressed economy. Specifically looking at the implications for the recovery of business and the new and evolving threats and vulnerabilities associated with the process.

In this series, we will take an overview and analysis of COVID-19 issues, where we are and where we are heading. We will consider the likelihood of entering a depressed economy, the impact on individuals and business and the mitigation that can be considered to manage business through a depressed economy to recovery.

- [Part I](#) - Examines where we are in the COVID-19 crisis and the journey towards a depressed economy
- [Part II](#) - will look at the impact, attitudes and response of people thrust into a depressed economy
- [Part III](#) - will consider how to prepare for and mitigate risk in a depressed economy.

### Economic Impact

The impact and reaction to COVID-19 has created an economic situation that is unprecedented in recent history, even going back as far as WW11. Compared to previous events, there are significant differences with our current situation. During WW11, economies were not flat. Some countries and continents suffered to an extent that it took many decades to fully recover. However, at the same time, some economies suffered to a lesser extent and could even be seen as *thriving* during and immediately following the war. In this case, no country appears immune from the impact of COVID.

The key difference with COVID is that, give or take a month, this crisis has impacted all countries at the same time with no single country escaping the impact, or having a head start towards recovery. Even the countries that have suffered COVID to a lesser extent have been hit by travel bans, lack of tourism, and restricted demand for goods or interruption in supply chains.

So, what is the reality of our journey going forward as it relates to the economy? We will examine the probable impact on the economy beyond the rhetoric of the thin veneer of political optimism.

A necessary factor towards the recovery, and for analyzing the state of the economy through this process, is truly understanding the extent of the damage the virus has caused to families, individuals, communities and businesses.

### Impact on Society

How do we measure the extent of the damage? Reporting infection and death rates are almost certainly inaccurate for a wide range of reasons. There are so many variables in this crisis that the accuracy of dynamic daily reporting of metrics is questionable. The reported numbers for details such as total number infected and direct casualties are most likely to be under reported by significant numbers. Under

reporting of infection rates, death and recovery rates is an inevitable consequence of no 'international rules' on collecting and presenting these numbers. In fact, we will probably find variations on reporting procedures between health authorities, if not by hospital.

No doubt, identifying the true impact and consequence of COVID-19 will occupy students and academics for many years to come. There are statistical models and data analysis techniques that will give us a more accurate recording of infection and death rates over the next few years. In all probability, these numbers will be considerably higher than the numbers reported to date. Even with adjusted approaches, and more comprehensive metrics, there is still a high probability that conspiracy theories will muddy the waters of clarity provided by true academic analysis and opinion. Examples of these include opposing thoughts on the origin of the virus, manipulation of economic markets, death rates, and a plethora of other views and ideas that seem to resonate amongst a community that lacks trust in current national/global systems.

Infection rates as of today, (worldwide 2.9m) and death rates (206,000) are without doubt a considerable underestimate. Figures are calculated based on testing. Unfortunately, COVID testing is the latest subject of this crisis to be politicized. Testing is one of the complexities of this virus that has led to headline grabbing and oversimplification of the use and understanding of data. In the media, as well as published data, there is rarely a detailed explanation of how the data should be interpreted. This is not due to any lack of diligence by the media, rather the needs and expectations of the reader/viewer generally impose their own analysis or understanding of headlines or data points, rather than referring to any detailed explanation in the 'small print'.

Most people are seeking data and information that supports their own narrative. For many people their narrative originates from long held opinions and lifestyle – Example: if they are an individual that subscribes to the latest conspiracy theory, it is very easy to find an interpretation of this crisis that fits into their own perception of reality. Much of North America is polarized in their politics, when applied to COVID, an interpretation of facts or information that is not necessarily fact but a view that reinforces their political beliefs, they become more resolute in their views and opinions.

Internationally, we are seeing illustrations of protests that declare that COVID is a hoax or less harmful than the 177,000 deaths would tend to indicate. In some cases, these protests have led to violence or threats and illustrates a selfish and worrying trend in behaviour. The increase in social and mainstream media's focus on such protests has fueled their efforts by appearing to support or at least publicize the protestors position. This validation has no doubt contributed to copycat protests. This is a difficult tap to turn off now it is turned on.

Geographic comparisons of the COVID data will be influenced by a range of variables, infection rates, testing rates and availability of tests, test criteria, health service reporting procedures, and regional health and age baselines. The virus does not recognize national or state/provincial/territorial borders but that is how data is collated and represented. There is no criticism of this method of representation of figures but the way in which the data is represented by influencers or interpreted by the man/woman in the street is where challenges occur.

It is unlikely that the infection and death rates are inflated. On the contrary, there are actually indications of underreporting. As the virus is far reaching, many of us have personal connections with those who have contracted the virus or, in some cases, may know someone who has died with the virus. Those that

are or have been sick with the virus are not counted as a statistic unless they were positively tested or confirmed medically that their sickness was due to the virus.

As those untested people or those with minor symptoms that have not sought medical opinion or assistance are not 'in the system' they are not counted as infected. Therefore, the infection rate is considerably higher than the official reports, there are variations in how deaths are reported, did you die of the virus or with the virus? Was the virus the cause of death or a contributing factor? Was a person even tested when they died? Different interpretations and recording practices leave a big question mark around comparative data. Much of the world's population does not operate within a sophisticated health system and therefore numbers from those countries are almost certainly underreported. There are also a small number of countries which would interpret high numbers as a government failure and those countries have the mechanisms to suppress the real data.

### Complicated Communication & Media Literacy

Similar to using data to support their own agenda, there is indication that fewer people than ever in history are seeking out information that provides different interpretations of news for them to formulate their own opinion. As the media and other information outlets are so polarized there is now a strong tendency only to seek the information source that reinforces their own perception of reality.

If a person's narrative is based in politics, there is more than enough fuel to reinforce their beliefs however inaccurate or misleading. If a narrative is based on their human rights taking precedence on the health and wellbeing of an entire community, then you can find data and anecdotes that support their selfish views and beliefs.

As a result of today's instant communication practices, many people simply formulate their thoughts, ideas and reality from the soundbites of information they collect on social media. For some, the mindless sharing and retweeting of information has damaged the ability to form an objective opinion or have any desire to understand the impact of their actions on their community. An example of this is the rumoured death of many famous individuals on Twitter who are in fact perfectly fine, however, many view information on Twitter as news and take the rumors seriously. Often the false information about death is only believed when an in-person public appearance follows. It is typically difficult to reverse an opinion someone has formed from social media posts, and opinions about COVID is no different.

The sharing of information and articles that are devoid of fact, are misrepresentation or simply malicious can cause a massive problem in the dissemination of information. Sadly, amongst the vast amount of information shared on social media the truth can probably be found but it is so buried in nonsense and false narrative that it is often difficult to identify. A crisis, such as COVID, provides the ideal environment where social media sharing explodes in volume. In this case, the explosion of information, false, malicious, inaccurate or true has been aggravated by isolation where, for some, social media is their main connection with others and the main topic being COVID with so many other avenues of interest temporarily closed down so much time is available for COVID discussion as they are devoid of distraction.

There has been countless shares or retweets of information claiming to be a fact about the virus that has no foundation. Examples can include statements such as "the virus can be cured by drinking hot water", "10 foods that will prevent the virus", "the virus is a hoax", the list goes on. If you have not retweeted or shared false information during this event it is almost certain you know someone who has and does. Some

of the false information is the promotion of political narrative and generated to support a personal agenda, while others can be a result of that someone gives no thought to the possible consequence of misinformation.

## Factors for Assessing Recovery

Where are we in terms of an economic depression? Political rhetoric from some sources would indicate that this temporary blip in the economy will all be resolved very quickly and a bounce back to an improved pre COVID economy is almost a guarantee. Others are talking about a multiyear, if not decade, recovery period. The reality is that without the benefit of hindsight we can only speculate on the information we have available.

Despite short term government support, many small businesses will continue to suffer long into the COVID recovery period, and likely will not survive for a range of logistic and economic reasons. The recovery of many small businesses will take longer than governments are likely to provide support. As a result, employment levels will take time to recover to pre-virus levels, if at all.

Challenges in restarting manufacturing, supply chains, supply lead times, sales leads and demand will all contribute to small businesses struggling or failing, those that are able to survive financially, will be slow out of the gate of recovery. It is easy to visualize an almost immediate return to normal for the entertainment and hospitality industries; however, this requires people to have disposable income.

The high number of unemployment resulting from the crisis, as well as the high number of households expected to incur personal debt will have a large impact on consumption, and the economic recovery. Before COVID, many North Americans lived paycheck to paycheck, and experts are concerned that those people will be not spending in the non-essential businesses that have been hit hard by the crisis, such as the entertainment and hospitality industry.

The hospitality and entertainment industries are chosen here to illustrate issues related to recovery as their almost total closure and consequent unemployment is universal and easy to visualize. The crisis has impacted these industries and the staff very severely. Recovery of these industries may, at first glance, be rapid. The knock on effect of the entertainment industry not 'instantly' gearing back to a full-on stance are all the associated businesses, suppliers of services and goods, infrastructure to support travel and tourism and the services that may be required to make good a 24/7 operation that has been mothballed for a couple of months.

The entertainment and hospitality industries are just one aspect of our complex community that cannot revert from closed to open overnight. Will it be a priority to purchase a new car immediately when restrictions are lifted? Are planned luxury purchases more likely to be delayed? Will people choose to travel for leisure over the next six months? It is not the large industries themselves that will be the only casualties, as for every large industry there are not only consumers of services and goods but there are many small businesses and millions of employees that are dependent on the success of those large businesses. This crisis has and will continue to cause a significant disruption to the circular flow of income, an essential aspect of a healthy economy.

Reemployment of those laid off during the crisis will be a gradual process. Although business came to an abrupt stop, for many it will be a slow ramping up to pre-virus production, whatever the business, which

will result in phased reemployment. Many businesses have also incurred debt and, for many this will be significant. It is reasonable to assume that businesses will attempt to recover their business on minimum expense such as operating at minimum staffing costs.

What is the future of the cruise industry? Will major airlines survive the crisis? We have seen in recent history financial institutions collapse in a scenario that was believed to be unimaginable just months prior. We will no doubt be shocked at some of the institutions and businesses that do not survive COVID.

We can absorb the political rhetoric of optimism and accept that everything will work out and our economies will be stronger than ever in a short period of time. Or we can consider the facts, trends and socio-economic indicators that would suggest the direction and recovery of our economies will be slower and a more painful process with a great number of casualties on the journey than is currently talked about in the noisiest arenas of public communication.

A detailed outline of the opportunities for terrorism in our future and their opportunity to initiate a similar lockdown that we are seeing now is beyond this paper but should not be dismissed. Terrorists and terrorist states would have welcomed an opportunity to cripple the economies of some nations as COVID has. There is no doubt that recent events will be stimulating thoughts and ideas of terrorist groups.

In conclusion it seems almost inconceivable that we are now destined to experience a global depressed economy that will result in a long road to recovery over many years even without a second wave of virus or other causes that result in similar lockdown scenarios. The road to pre-COVID employment will be long and painful.

Who are the most likely to suffer during the recovery and in a depressed economy? This will be the subject of Part II where we will look at expectations of individuals and family units and how those expectations will result in molding a new normal. We will look at the impact, attitudes and response of people thrust into a depressed economy. We will also identify those that will suffer the most and those that are most likely to benefit from this crisis.

## **Part II - Business in a Depressed Economy**

There is no doubt that the worldwide impact of COVID-19 has started to and will continue to result in economic depression. The only question remaining is how long it will last before economies reach pre-COVID levels? Some leaders would suggest that recovery is months away from the time to reopen their country, others describe a long path to recovery that will bring difficulties both to business and individuals. On balance, it seems more likely it will take some time. Not only is there a need to recover business operations to restart the economy, but North America at a national, federal and local level have serious financial recovery from the vast amounts of resources spent on supporting communities and businesses during this crisis.

The urgency to reopen economies is being weighed against the risk of a resurgence in the virus. There appears to be a political incentive to be amongst the first regions to lift restrictions as this will provide a competitive edge on the international economic stage. The risk is that the damage from the numbers of infected spiralling upwards following reopening will not only cause political damage but businesses will be more severely hurt in inevitable confusion of a second lockdowns.



The provocation and threatening behaviour of a small minorities demanding restrictions be lifted will very quickly spiral to other communities and reach a stage where restrictions are lifted or ignored due to emotion rather than medical strategy. We are now seeing this behaviour in several countries.

In addition to the health risk to individuals the larger risk is that there will be incentive to suppress the numbers of those dying from or infected by the virus to mitigate bad decision making or simply make the facts fit the reality. When the facts do not fit the political narrative, it is common to see the facts change or misrepresented rather than the narrative changing.

If the general population is convinced that their government is presenting accurate facts and analysis, they will have more confidence in their leaders to guide them back to full productivity in an organized, efficient and timely way. Where the population or parts of the population are unsure about the local/federal governments messaging and analysis, the return to full productivity may be a very bumpy road.

There are ways of characterizing the impact this crisis will have on certain sections of our society. They are generalisations, and intended as such, but here we illustrate some of the challenges that those groups are likely to encounter over the coming months and perhaps years.

## Unemployed

Pre-COVID unemployment numbers are interesting to consider as they are collated and published, generally, with a political spin. There are so many variables when looking at comparative numbers of unemployed that conveniently fit the rhetoric of the time. Does 1 million unemployed mean there are 1 million unemployed? Does it mean there are 1 million seeking and unable to find employment? How are the seasonal variations factored into the number? Dozens of other variables are relevant when taking a serious look at numbers.

When comparing unemployment numbers, they are only relevant numbers if the year on year numbers are compared using or deleting the exact same variable. In the same sense, job creation numbers are equally subject to political manipulation or presentation. That is not to say that unemployed numbers cannot be represented accurately but the numbers are generally used as headlines with the context of the number being quoted. We should read unemployment numbers with caution and listen carefully to what you know has occurred in the business sector you are most familiar with as a barometer of unemployment. We should be conscious that economic recovery requires a vast range of metrics and social factors to be considered to enable accurate assessment.

What is certain is that spiraling into a depressed economy will result in large numbers of persons who were employed pre-COVID, want to work and unable to find a job in the short to midterm. This group will significantly increase and the profile of those unemployed will include many that have not been previously unemployed or suffered the family or personal impact that is associated with the unemployment.

Unemployment alone is not only challenging for individuals that are financially impacted by the situation, but in a deeply depressed economy it has a long lead time of recovery and is part of a chain of events that can easily occur including declining industrial relations. In a market where jobs are sought after with large numbers chasing smaller numbers of jobs, the environment is ripe for employers to take advantage of workers by presenting declining working conditions, extended hours and reduced wages. When an

employee is aware of the constant threat of others seeking their job, both skilled and unskilled workers feel vulnerable and as individuals they are likely desperate to recover the harm and loss suffered in the crisis and therefore focused on retaining employment at any cost.

The employment cycle found in a depressed economy goes beyond an environment that allows for abusive employers as the next stage in that journey, at the point when the economy shows signs of improvement, the strength reverts to the unions and employees. The consequence is likely industrial action as work to rule or strikes that have previously caused crippling economic damage to communities. At the tail end of a depressed economy serious and coordinated industrial disputes can easily set back recovery.

## The Growing Wealth Gap

Before we look at particular groups of society by age and job status we should be prepared for the inevitable unrest and concern about the disproportionate impact which COVID has had on particular groups in our communities. There is emerging data revealing that the impact directly and indirectly that the virus has touched those in the lower income brackets which are disproportionately represented by certain identifiable groups that are struggling in normal times with housing and medical care. Time will only tell if this results in backlash from those communities that believe their circumstances resulted in a more devastating outcome than other sections of the community.

One of the key observations from this crisis is the strong likelihood that moving quickly to a depressed economy causes an increased gap between what is often referred to as the 'haves and have nots'. The gap in North America can generally be seen as stark and obvious. This crisis introduces a likely movement of many from the grey area between the two groups to the lower end of the scale. Financial hardship will continue to have the most impact on those that were on the thin fragile line of just keeping their heads above water.

By contrast the minorities that are at the other end of the spectrum may report a temporary but significant reduction in their wealth as a result of COVID. We are seeing reports of organisations and individuals that have lost tens of millions from their overall wealth. Many people in this position are poised to take advantage of the opportunities this provides with no concern about economic disparity. As the markets come back, even if that takes a couple of years, some individuals may only be concerned about the orders of magnitude of wealth. In fact, extremely wealthy individuals and organizations are more likely to come out of COVID stronger than they were before and will further polarise the haves and have nots.

## Pensions

A third group are those of pensionable age. For those receiving a pension there is unlikely to have been a great deal of changes in their expenses during the crisis with the stability of a regular income. Persons in this age group have also seen many crises that have had serious impacts on our society. Although this crisis is very different, this population is not inexperienced at riding through a crisis. Other than social isolation issues, they are a group that will not likely suffer additional hardship as a result of the virus.



## Vulnerable Populations

It is, for some, an inconvenient fact that there are a significant number of people in our communities who are living well below the poverty line, are homeless or in fragile/insecure housing. There is a high number of those homeless people that suffer severe mental health and addiction issues. During the crisis the restrictions and lack of social gathering has no doubt caused a disruption to the 'lifestyle' of the homeless. Some being reliant on panhandling and generosity of commuters in and around business districts, others dependent on the catering industry in cities for food by 'dumpster diving,' handouts or by the casual cash in hand kitchen type work.

Support and volunteer services have no doubt been reduced in many areas. Enforcing social distancing at locations that typically support homeless people for food and other services compounded by a reduction of staff and support centres, all of which has negatively impacted the homeless during the crisis. The homeless are often the first group in our society to be abandoned or marginalised in a crisis.

Alternative to the impact on the homeless during the crisis is that post crisis, when people and business are up and running and we have returned to some form of normal operation, the homeless are less likely to suffer long term effects of a depressed economy, other than an increase in the number in their ranks. It is extremely likely that there are individuals and families that prior to the virus were just hanging onto a low paid job and rented accommodation that the crisis and lack of a full wage or just missing a couple of weeks' pay or the absence of overtime will thrust them into homelessness.

Many of those who were just hanging onto a fragile life who were not living on the street but were dependent on income working in low paid jobs or the grey economy reliant on cash in hand pay, could now find themselves in serious trouble. Majority of the businesses employing staff under such conditions have been closed down during the crisis and are, due to their business practices, not eligible for the various pay support programs transferable to employees.

The chances that many businesses will not survive the general recovery is high, with the consequences of no income falling to those that were already hanging on by a thread. The number of people tipped over the edge from hand to mouth low paid jobs living in low cost rented accommodation to homelessness is likely to be significant. It is a long haul to come back from homelessness. Many authorities will be distracted and challenged as daily life returns to normal, it may be some time before the new wave of homeless reaches formal agendas and consequent action of authorities.

Funding for homeless programs may be stretched during the post crisis recovery but more related to the increased numbers than a reduction in the typical cyclical payments upon which they survive from the public sector and charitable donations. Therefore, it is concluded that the key impact to the homeless will be menial except to the new homeless created by the stalling of employment.

## Low-Income

Low-income families operating on minimum or below minimum wage will be significantly impacted by the post-crisis economic depression. Even if their previous business survived the crisis not all businesses will

recover or start to re-engage staff at the same time. It is perhaps an optimistic view that there is a suppressed explosive return and demand for service and goods that will reverse the unemployment rate very rapidly, indeed in some sectors this may be true but other business will be slower out of the gate just because of where they are in the supply chain or on the spectrum of required goods and services in a depressed economy.

Every paycheck missed by low income families spirals them into more debt and more challenging times. It is unlikely that governments will continue to pay subsidies until everyone is reemployed that was employed before the crisis.

Employment for low income families is more stable during a booming economy. As low-income families are more unlikely to have savings, they will suffer hardship that could have life changing consequences and take many years to recover as a result of the depressed economy.

## Skilled Workers

Skilled workers will almost certainly find the same staggered return to work as unskilled workers, which will bring a spectrum of difficulty and challenge. For older workers who have seen previous rounds of depressed economies during various financial crises and issues that have hard hit certain industries due to international conflict or serious rounds of industrial disputes will be no strangers to hardship. However, many of our younger generation have not experienced the challenges of being a worker in seriously depressed economic times. For many years now the vast majority of skilled workers have seen long periods of stability.

Skilled and professional workers in the middle-income brackets are more likely to have savings that will see them through the immediate crisis but their future will be more influenced by the speed of the opportunity for reemployment. It is reasonable to assume that productivity, manufacturing and services will return to pre COVID levels in time the question is will the employment market look the same? If businesses close, having not survived the crisis others will no doubt take up the slack, however, does this involve relocation or even sourcing to and from abroad? Skilled workers may find in the next couple of years, disruption to the stability they have experienced pre-COVID.

It is concluded that skilled and professional workers will be impacted less than those on minimum wage but that changes in their employment market are highly likely.

One of the consequences of not previously experiencing instability or working in a volatile market is that many have enjoyed the comfort of stability and strong economies and although they may think they have experienced difficult times, and some have, those hard times are relative. We have seen over the past decade, particularly younger people, seeking a 'work life balance, unlike their parents'. This is often repeated as if previous generations would not have sought a work life balance if they had a choice but most of the previous generations have sustained long work hours and commitment to business, not because it was a choice, rather that many did not have a safety net from their family or a modern social support systems or live in such a buoyant economy.

A hard-hit group in this sudden and dramatic descent into a depressed economy will undoubtedly be those that have not experienced the real-life challenges that such depressed economies.

## Immigrants

For many immigrants into North America they have suffered even greater hardship in the countries they left. Shortages, high unemployment and worse, therefore, their resilience is likely to be stronger than for those for whom this is a new experience.

## Other Social Issues

In addition to the employment situation caused by COVID there are additional social problems that will take time to surface. There is much written about increases in birth rates, divorce and mental health issues following a major crisis. The data is conflicting and is mixed with myth and urban legend. The reality of this crisis is that it has been different in nature to other events in that families have effectively been confined to their homes. It is suggested this creates a different dynamic and at this stage the outcome can only be speculation. It seems likely that we would see a spike in birth rate as a result of lockdown. It is also likely that we will see increases in divorce and separations from relationships. You may think it more likely that a couple that were struggling or relationships on a rocky foundation pre-virus are probably less likely to survive the lengthy confinement to a small space.

It is likely that there will be increases in those suffering mental health issues. Uncertainty for the future, in some cases fear, compounded with confinement are not ingredients for good mental health. It is likely that those most impacted by mental health and depression are persons who were described as particularly vulnerable to the virus for other health reasons and are living alone. A further refinement of this group would be the elderly, health vulnerable persons who may have been cut off from regular contact from others.

Over the coming weeks we may also find a rise in the number of persons living alone that have died, undiscovered, in their homes during the crisis. Not everyone has family, friends or neighbours that have been able to be supportive during this time. All these factors are likely to have a negative impact on mental health, which has already been referred to as 'lockdown syndrome'.

## Summary

In conclusion we are entering a phase of a depressed economy which will have a wide range of impact. For those who were homeless pre-COVID and those that were extremely wealthy, recovery to their normal is most likely to be the most rapid. Increases in homelessness for those that were just maintaining a low paid job and fragile rented homes will no doubt be a reality as many will have been working in the grey economy or in jobs that will not bounce back quick enough for them to pay rent.

Professionals and skilled workers are likely to recover moderately quickly but this may not be simply moving back to their old job in the same company, as many businesses will not survive the crisis despite the demand for their goods or services.

Pensioners will not likely be in any different position than they were before the crisis as they have a consistent income and their expenses have not likely changed.

Social issues including mental health, birth rates and breakdowns in relationships may emerge but, with no precedent for a crisis of this scale, the conflicting reports from smaller crisis will not assist in that estimate.

A depressed economy will also lead to industrial unrest that may take some time to revert to pre-crisis levels. The overall conclusion is that the detail and severity of the impact of this crisis on different sections of the community will be different and there will be winners and losers.

During a depressed economy, how do we mitigate negative impact to business in the context of the different groups are there measures business can consider that expedite recovery and differentiate you from competitors? Part III will consider how to prepare for and mitigate risk in a depressed economy.

## **Part III – How to Prepare for and Mitigate Risk**

It was inevitable that economics rather than science would determine how and when a state of lockdown would transition towards business as usual. Amongst the fog of political rhetoric, there are clear guidelines and advice crafted from science that illustrate the resumption is, in some places, premature. Unfortunately, much of that advice is being ignored or sidelined by many. It matters not that the number of those protesting, ignoring or simply flaunting medical advice about community safety are a small number. The number of infected people that it would take to reverse the trend of infection is small, as infection increases exponentially.

We are therefore in an uncomfortable situation where returning to normal behavior increases the risk of a resurgence of infection.

There are many measures that business can and have taken to maximize the chances of survival and recovery from this difficult crisis. Many businesses will fail and not recover, we are already seeing businesses in our community that will not even have the opportunity to recover through a depressed economy. No doubt detailed analysis will be carried out in the coming years that will show how certain sectors suffered more than others and certain business models were set up to fail in this type of crisis.

Whatever measures businesses have taken over the past weeks and months have been reactive and based on urgent best judgement. For most businesses, the concept of all employees working from home was not included in their contingency planning, or if they were, it was to tackle a local event not a worldwide event. In fact, those businesses that had contemplated something of this scale, even the majority of those that have a comprehensive pandemic plan, those plans are likely to have taken many months or longer to prepare. For those cases without a plan, they simply had to make decisions on the run. How many businesses could have maintained some activity but responded by total closure or continued operating but in a way that was not most efficient or effective for longer term benefit? For many, the outcome and working practices may be more effective than for those that had detailed comprehensive plans.

The next stage for many will be the more difficult phase of this recovery. Operating in a depressed economy will no longer attract the subsidies and tolerance that has been experienced during the crisis. During the crisis, with a few exceptions, everyone has been in the same boat, on the same learning curve with little chance of competitive advantage, the focus being survival.

When operating in the near future, as government support begins reducing, vendors and suppliers' will expect business are to operate at a level that maximizes their opportunity of rapid recovery. Those that are able to rapidly respond to demand may gain market advantage.

So, what is it that business can do to rapidly recover and survive a depressed economy, and ultimately assist the economy's growth? This paper does not know your business as well you do, so the details of recovery, timing and survival are known to you and navigating that course successfully will clearly result from the approach you take. However, there are considerations that are more unique to these circumstances that it may be worth exploring. The most likely situation to impact recovery will be further outbreaks of the virus. The scientists seem to have a universal opinion that there is a high likelihood of the virus returning later in the year. The difference of opinion revolves around the severity and timing of that recurrence.

For the community and national economies, the worst scenario is a wide scale outbreak that results in the necessity to close countries, states, provinces or territories. In those cases, encouragement to lockdown is more likely to attract government financial and practical support. Whereas, if an outbreak is more localized and just impacts a smaller area the level of support from governments is likely to be less as your 'little local difficulty' may not be a threat to the national economy, this will be more challenging to local businesses.

It is an unfortunate reality of business economics that the markets will not wait for companies to produce to standards, deadlines and volume when there is a competitor that can do so. For businesses to gain an increased market share, companies will likely reduce pricing simply to regain pre COVID market share or to attract vulnerable vendors and suppliers. The economics of price scrambling places many businesses in a vulnerable state and will contribute to the challenges of surviving in a depressed economy.

There is an assumption by many that the re-opening of businesses will attract the total support and enthusiasm of staff. There are indications that as businesses attempt to resume operating that the comfort and convenience of working from home, for those lucky enough to maintain employment, has appealed to many. There are likely to be negotiations by many to continue to operate from home after the crisis. This may, in some cases, be disguised as concern for health which will be a difficult argument to ignore. Therefore, compounding challenges of trying to resume production where staff may self-stagger a return to the workplace. Some companies may be exploring how effective staff have been working from home from the perspective of the business not their own perception. Maybe working from home for many businesses will prove a successful formula to consider for the future. The challenge is that there are so many other considerations of recovering a business that this may not be a priority consideration.

It will be interesting to see how many staff who were previously in the workplace, and of near retirement age, who have reflected during this period of confinement and decide to retire and not return to work. In the ordinary course of events this would be a staggered process, but it may unexpectedly hit businesses at the time of resumption. It may be perceived by some that the additional challenges of a company recovery are not what they want to experience during the last stages of their working life. These may be key staff and therefore those that would have most to offer during this difficult time.

It is concluded that some of the key issues to consider and mitigate in working in this upcoming depressed economy include:

- Second and third wave of the virus
- Challenging competitive business environment
- Staff returning to the workplace
- Working practices

## Second and Third Wave of the Virus

Preparation for a second and third wave should be a priority being considered now. How will our company respond? What was the learning from the first round? What will be different if the second wave is geographically localized? What vulnerabilities did we expose ourselves to in the first round that we can avoid in subsequent rounds? How would our approach be different if we had a plan?

These are just some of the questions that should, if not already, be considered. Not simply as management discussion but serious planning. For businesses that simply shut down during the crisis consideration should be given to their being a way to maintain operations, if permitted during subsequent restrictions.

For those that operated from home, next steps may be consideration to the company IT setup. If they are not cloud based, would there have been advantages? Consideration on best ways to manage online meetings and communications. Replacing some 'minute' meetings with recordings of online meetings. Taking measures to ensure the integrity of company information and data, which may be on home computers. The challenges of reintegrating records where individuals have not followed the IT practices they would normally follow in the workplace.

The examination and preparation of working practices to ensure quality and productivity should be approached in the second wave as deliberate company plans and actions not allowing events to dictate your working practices.

## Challenging Competitive Business Environment

During normal times businesses are generally aware of competitors, what they are doing and how that may cause you to react or respond. In a depressed economy the process of change will be more dynamic in terms of pricing, activity and staffing. Attracting good staff from a competitor may be seen as necessary to maintain or gain a competitive edge. This is more likely where companies are not competing for market share but competing to survive a depressed economy.

## Staff Returning to the Workplace

Retention of staff during recovery may have a direct relationship to how employees perceived they were treated during the crisis by their employer or ex-employer. Some companies have not maintained contact with staff during the crisis and will expect to simply offer them jobs back when business is resumed. Others have maintained contact and kept staff up to date with as much information as they can.



As staff are likely to return on a staggered basis, information and communication with those that are to be reemployed further down the road is critical. During a depressed economy it becomes more important to have loyal, reliable and committed staff.

## Working Practices

In the workplace, consideration should be given to maximizing your chances of not being adversely impacted by a second wave. We see many of our leaders in the same room together, around the same table at the same press conferences. In many businesses, this style is reflected by senior managers and key workers in the same building, on the same floor, adjoining offices, sharing support staff and physical facilities.

Being able to maintain a business operation, supported by COVID testing, may be the difference between your business surviving another outbreak. The more localized the new outbreak the more vulnerable your business will be. Where a small business is operating from a single location separation of staff may not be realistic and therefore the likelihood of the business closing in a second wave increases.

Consideration should be given to COVID testing strategies. This is not simply turning up for work and having a test. Ideally testing should be regular if not daily, subject to availability of tests. Testing should be at a remote location from your business. Staff engaged in testing should not come into contact with any staff once they have been tested. They should not visit your business facilities and should not have social contact with anyone who is working in the business.

Over and above the measures recommended by health professionals, considerations should be made to make your company less vulnerable. The innovation and tactics are different for most as the working environments are so varied.

Testing should not be adopted as a simple process at the door of the factory or office. Where possible, key workers should be divided into two groups, they never meet or occupy the same space until this crisis is a long way behind us. We should assume that if a management team works in close proximity, one person being infected may result in the temporary loss or quarantine of the entire team. If there are two teams that can run the company and you lose one team you may be able to effectively continue to operate. There should be no physical contact between the two teams or social connections outside the office.

Other examples are key shift managers who typically operate from the same office, albeit they work on different shifts and just meet at handover. You may consider placing them in different offices and providing a video link for handover. It is this type of contingency that seems unnecessary and perhaps over the top. However, if these inconveniences can prevent a shutdown of your entire business during a particularly difficult time, with hindsight they will be small inconveniences.

We see a stark example of how not to do this on a daily basis. President Trump and the Vice President are frequently seen in each other's presence. The likelihood if one proved positive for the virus that the other would also contract the virus would be very high. Had they, from day 1, operated at two locations and they and their staff not come into physical contact with each other, the risk of the President and Vice

President being incapacitated at the same time would be significantly reduced. This style of keeping senior teams together increases vulnerability and potentially impacts resilience. This is intended as an illustration not a criticism as the details of preventative measures in the White House are not known publicly. This style is replicated in other governments and organizations.

As an illustration, replacing the President and Vice President with your CEO and Deputy you can imagine how vulnerable your management are and the risk of losing your key team to quarantine or incapacitation increases by working in close proximity.

## Summary

In conclusion, there is little doubt that the steps towards resuming normality are economically driven rather than medically driven. Operating in the depressed economy phase we are now entering will require different thinking about how to survive in business. The assumption that staff will simply revert to pre-COVID working practices may not be a smooth path.

Planning for the imbalance we describe as the inevitable subsequent waves of the virus requires immediate reflection and planning to best position our businesses to survive. Remembering that the first time we entered this crisis most businesses were in a healthy state, by entering another round we will enter the crisis in a depressed economy with businesses fighting to recover and survive. Honest recognition of what our businesses did well and what can be improved on for the second round is essential. The recognition that a local outbreak is likely to be more damaging to your business than a larger scale outbreak.

Finally, anticipating the different working practices that will assist not only in your recovery but in the anticipation of working in a depressed economy where the dynamics of competitive business and preparation for operating into the second wave will occupy and drive your business over the next six to twelve months.