

**SME support during the crisis**

# **Employment in MSEs and COVID - do we need to change entrepreneurship promotion responses?**

**SMEs and the Urban Fabric OECD-ILO-Axson Johnson Foundation**

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► ILO Monitor:  
COVID-19 and the world  
Updated estimates and  
projections

27 October 2021

### Key messages

**Latest labour market developments**  
Return to workplace and vaccination  
Slow progress in low- and middle-income  
countries

Progress in vaccination has emerged as a key factor for labour market recovery. In early 2021, the share of fully vaccinated people globally reached 34.5 per cent – however, with considerable differences between high-income (59.8 per cent) and low-income countries (1.6 per cent). Lower vaccination rates are associated with less relaxed workplace restrictions. Overall, workplace restrictions have become increasingly targeted at specific countries and sectors.

### Hours worked: A stalled global recovery

Globally, labour market recovery from the economic pandemic shock has stalled during 2021, with progress being made since the fourth quarter of 2020. Global working hours in 2021 are estimated to remain significantly below the level attained in the last quarter of 2019, at –4.5 per cent (equivalent to 131 million full-time jobs) in the first quarter of 2021, –4.8 per cent (140 million full-time jobs) in the second quarter and –4.7 per cent (137 million jobs) in the third quarter. However, this aggregate picture masks **great divergence between** countries. Working hours in high- and upper-middle-income countries tended to recover in 2021, while middle- and low-income countries continued to suffer large losses.

### Productivity and enterprises: The disproportionate shock of COVID-19

As lower-productivity enterprises and lower-paid workers were disproportionately harmed by the pandemic, global labour productivity (output per working hour) grew in 2020 by more than twice

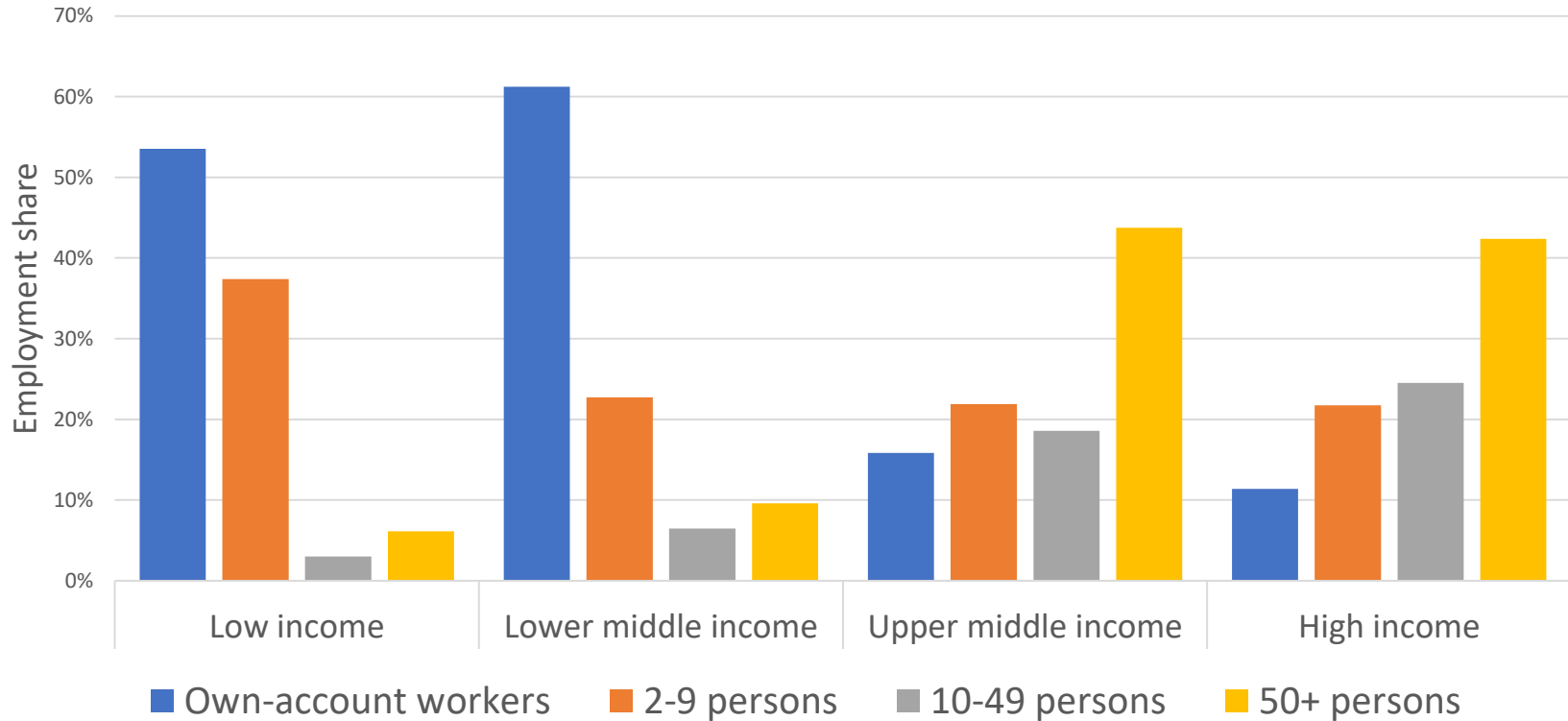


► ILO Flagship Report

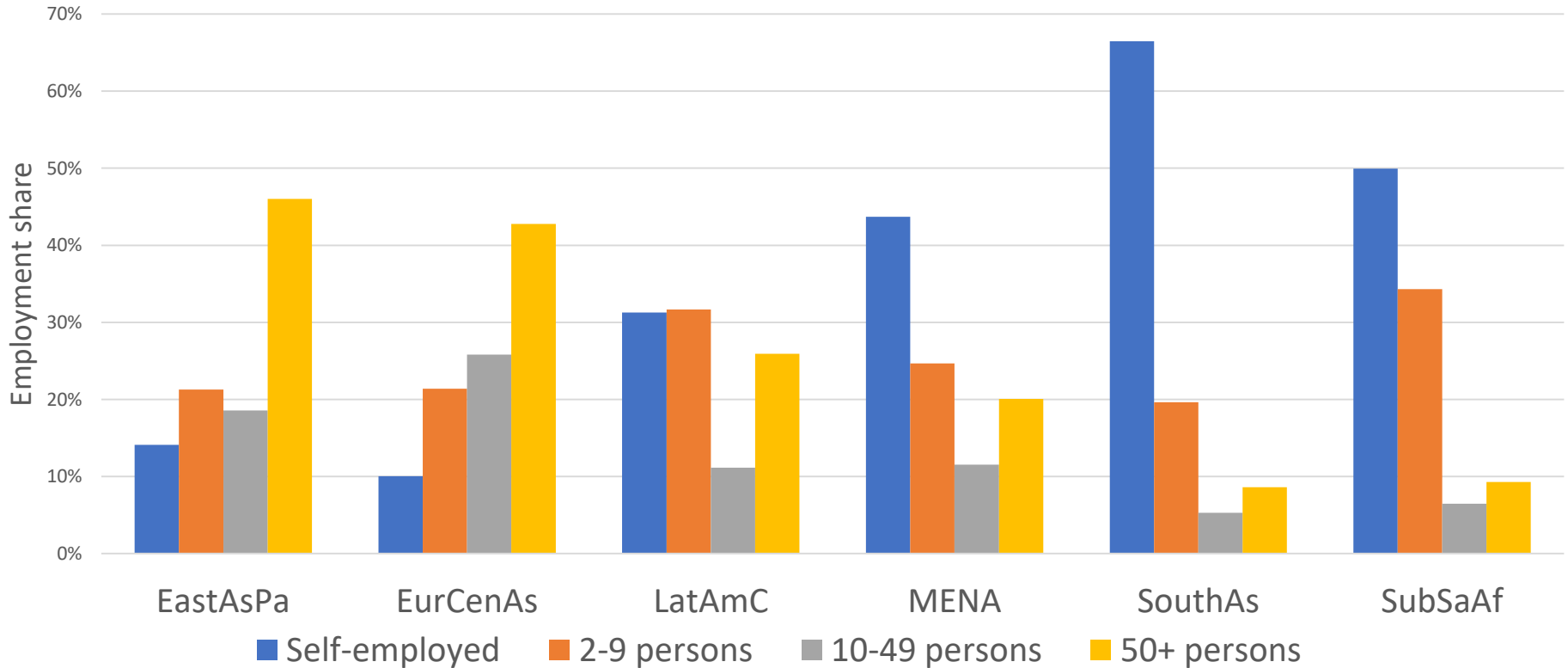
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tool to support the recovery, the fiscal stimulus gap in developing countries (particularly low-income countries) remains largely unaddressed. Estimates show that, on average, an increase in fiscal stimulus of 1 per cent of annual GDP would have increased annual working hours by 0.3 percentage points by the first quarter of 2021 relative to the last quarter of 2019.

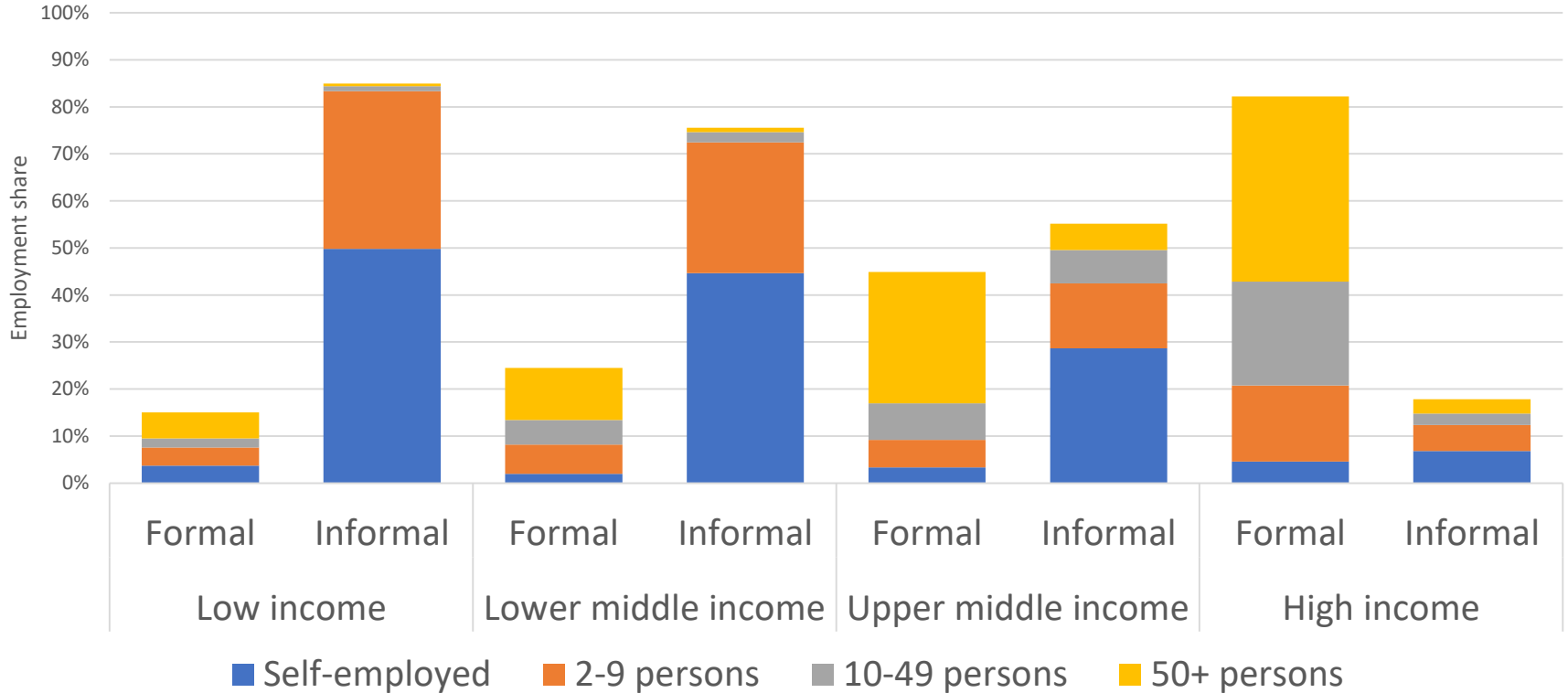
# 1. Employment in “small economic units”



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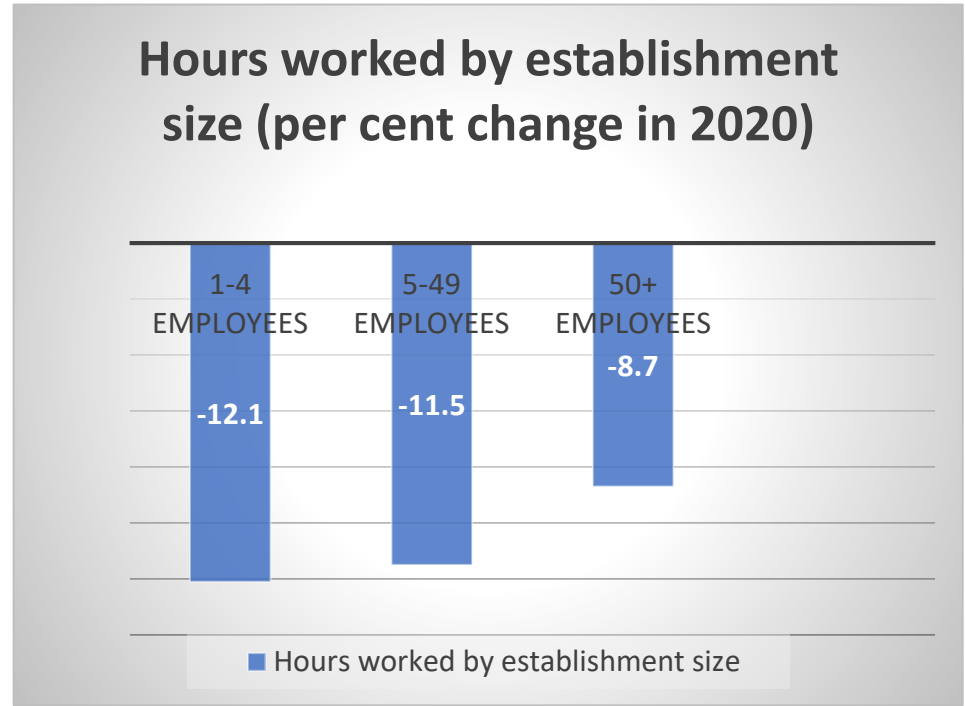


# Informal vs formal employment in “small economic units”

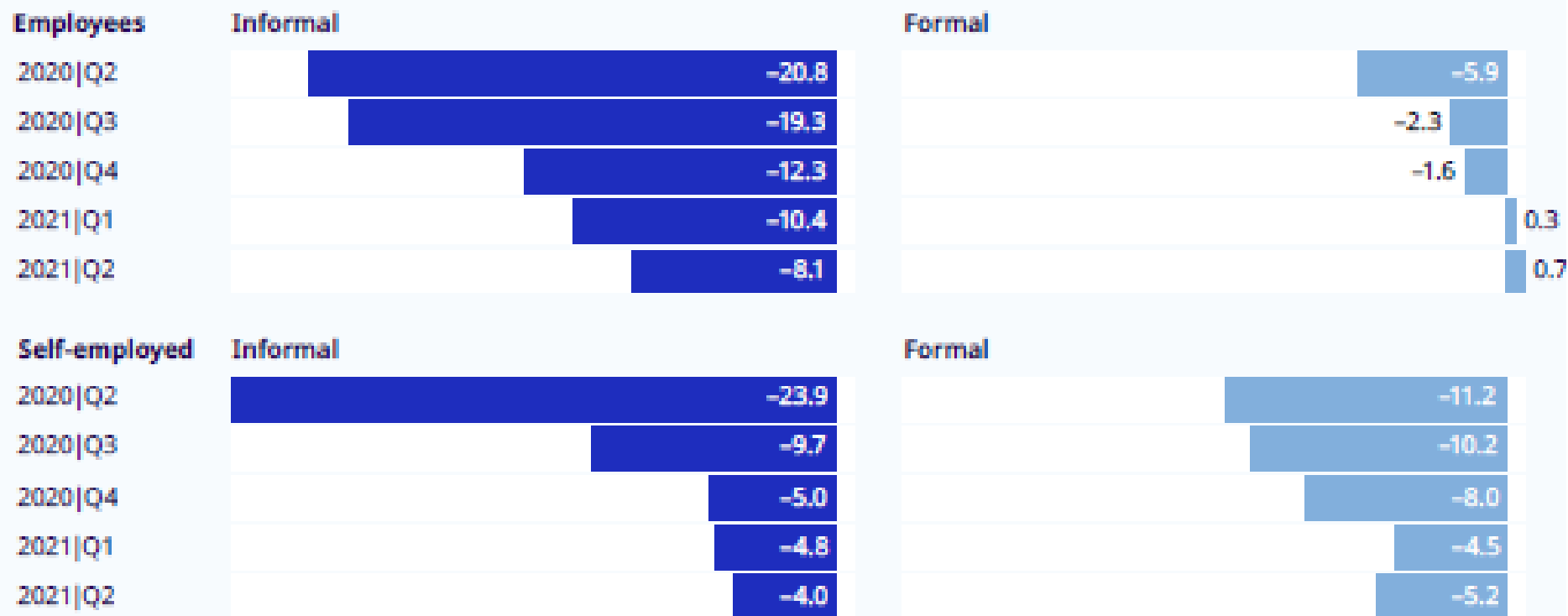


## 2. ILO COVID assessment and response

- Smaller and informal firms have seen substantially larger declines in hours worked and employment
- widening “productivity gap” between low- and high-income economies. 17.5 times more output per hour than the average worker in a low-income



► **Figure 1.7 Change in employment by formality and status, relative to the same quarter in 2019, 2020 Q2 to 2021 Q2 (percentages)**



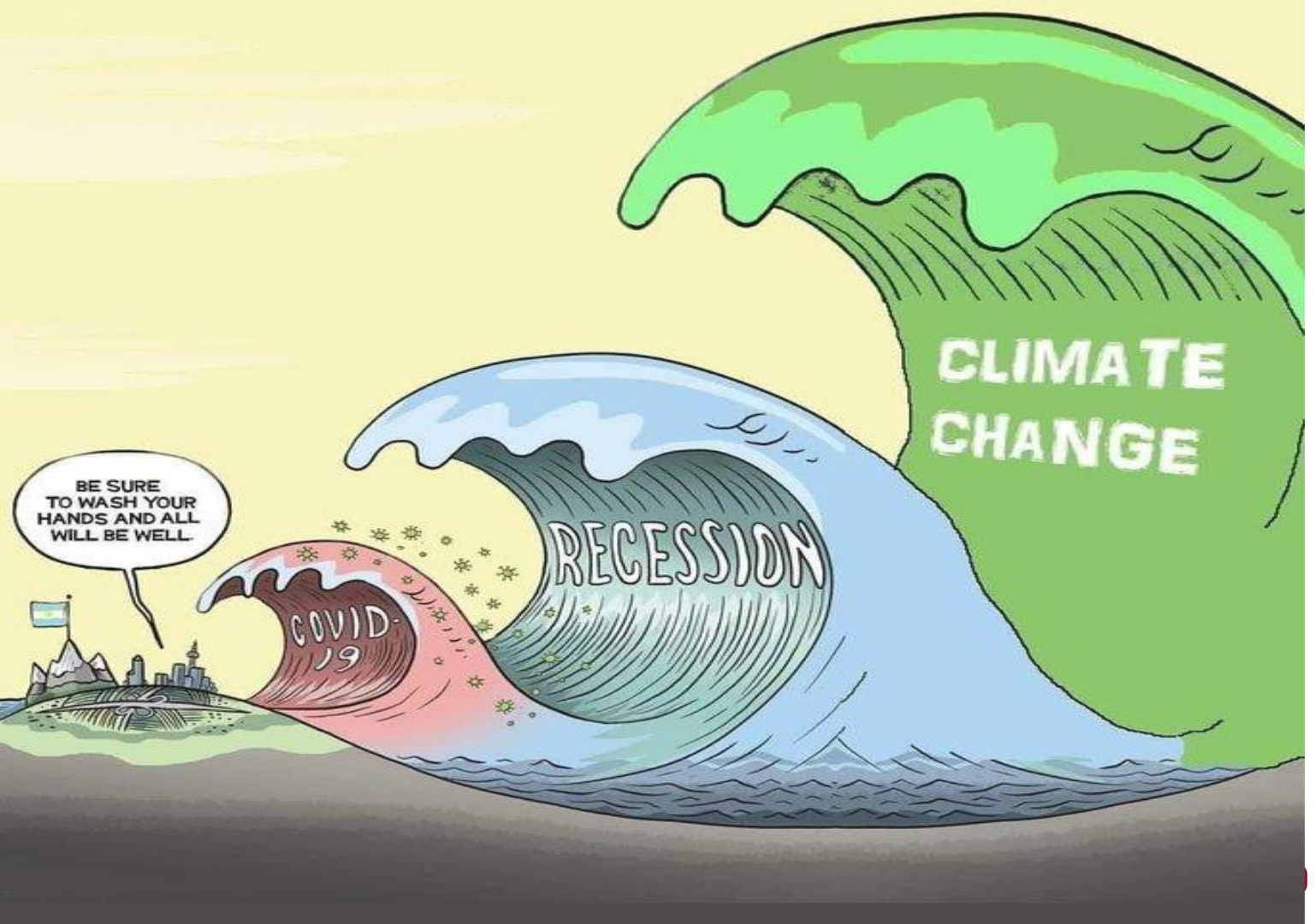
**Note:** The figure shows the median employment relative to the same quarter of 2019 for a sample of ten countries with available data for all time periods.

**Source:** Authors' calculations based on ILOSTAT

# Lessons out of the crisis?

- Uptick in business creation in some countries (O'Donnell, Newman and Fikri 2021): necessity entrepreneurs
- The vast majority of enterprises are small or micro; informal enterprises have fared worse due to lock downs
- Highly differentiated by sub-sectors
- Governments will have to do “more with less”. Strategy matters now more than ever.





BE SURE  
TO WASH YOUR  
HANDS AND ALL  
WILL BE WELL.

COVID  
19

RECESSION

CLIMATE  
CHANGE

# 3. So what for enterprise promotion?

- Start where decent work deficits are biggest!
- The scale of the challenge and the relevance of micro-enterprises for employment
- Targeting essential: sectoral and on those with potential for growth and scale
- Strategy vs activism: identify and address the underlying constraints in entrepreneurship ecosystems
- Efficiency and effectiveness: what is your cost vs impact ratio?



▶ **Thanks!**

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