



Impact of COVID-19 crisis on business organisation and activity

The first lockdown associated with the COVID-19 epidemic in spring 2020 resulted in an unprecedented drop in activity: 73% of companies reported that their sales fell by over 10%, and 35% by over 50% during this period. One third of companies closed for an average period of 57 days, most often as a result of administrative restrictions on admitting the public (65%), but also due to issues relating to supply (8%) or opportunities (7%). This suspension of activity primarily affected activities involving the closest contact with the public: food and beverage service activities, accommodation, personal services and cultural and recreational activities, as well as air transport. By September 2020, 1% of companies were still closed.

To cope with the sudden fall in activity, over 4 in 5 companies applied for the support put in place by the public authorities: short-time working (70% of companies), deferred payment of social security contributions (53%), State-guaranteed loans (41%). The sectors of food and beverage service activities (97%), motor trade and repair (96%) and accommodation (95%) relied on these measures particularly frequently.

In parallel, companies adapted to this new environment by varying what they offered (20%) and proposing new products or services (10%), by restructuring their logistics (52%), or by forging new partnerships (7%). They also put in place protective measures which cost as much as 20% of turnover, depending on the activity. Lastly, teleworking enabled 40% of the companies which had remained open during the lockdown to continue their activity: by September 2020, 26% of companies intended to rely on this more frequently on a temporary or permanent basis.

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A survey carried out this autumn over a short time frame (*sources*) enabled the National Institute for Statistics and Economic Studies (INSEE) to measure the impact of the COVID-19 crisis on the organisation and activity of companies with 10 or more employees (5 or more employees in the retail trade). During the first lockdown, in spring 2020, 34% of companies suspended their activity. This measure was implemented in many cases as a result of an administrative decision or recommendation (65%), or, less often, due to issues relating to supply (8%) or opportunities (7%). A minority of companies (19%) alternated between periods of being open and periods of being closed. The closures were more likely to affect companies with less than 50 employees than others (36% compared with 20% of those with 50 or

more employees), companies with 250 or more employees were less often affected.

The sectors most severely affected were those subject to administrative measures (prohibitions or restrictions on admitting the public), as a result of customer contact: food and beverage service activities (87% of companies closed, at least temporarily), accommodation (68%), personal services (56%), and cultural and recreational activities (56%). Retail trade, overall, was less severely affected (35%), although many shops also had to close temporarily. Disruption was less common in industry (26%) and transport (19%), but this was not case in construction (52%), where arrangements had to be reviewed to enable protective measures to be implemented.

57 days of closure on average

On average, closure lasted 57 days, representing the lockdown period (*figure 1*). However, this phase was longer in activities subject to an extended restriction on admitting the public (78 days, that is until the end of May, in food and beverage service activities, and 98 days, that is until mid-June, in the arts, entertainment and recreational activities) or indirectly affected by the lockdown measures (95 days, that is until mid-June, in accommodation). By September 2020, almost all companies had resumed their activity: 1% remained closed. Those companies remaining closed were primarily in food and beverage service activities (20% of the companies still closed), retail trade (14%), accommodation (13%) and specialist construction work (11%). Almost 9 in 10 had under 50 employees.

An unprecedented drop in activity in 2020

During the lockdown, over 4 in 5 companies considered that they had experienced a fall in their activity, amounting to between 10 and 50% compared with the same period in 2019, for a third of companies, and over 50%, for a further third (figure 2). Companies with between 10 and 49 employees were the most severely affected by this slump in activity (36% experienced a fall of over 50%, compared with 28% for those with 250 or more employees). Similarly, certain activities were more severely affected than others: accommodation and cultural activities (with a loss of activity exceeding 50% for over 7 in 10 companies), as well as food and beverage service activities (6 in 10 companies in this category).

At the other end of the spectrum, 6% of companies saw their activity increase during the lockdown. The sectors achieving the most positive results were retail trade (11% of companies recorded growth of over 10%) and the manufacture of basic pharmaceutical products and pharmaceutical preparations (7%).

In the first semester of 2020, activity fell on average by 17%, but a quarter of companies recorded a reduction of 30% or more (figure 3). This situation remained unchanged at the end of the summer, the level of activity over the first fortnight in September being down by 13% on average compared with the same fortnight in 2019, half of companies nevertheless considering that they had sustained a fall of 5% or less between the second semester of 2019 and the second semester of 2020. The sectors most severely affected in September were the same as during the first semester, with a drop in activity of over 30% in accommodation and cultural activities and over 25% in food and beverage service activities.

Even before a second lockdown was announced, the outlook was hardly optimistic with an expected fall of 10% of turnover on average during the second semester of 2020 (-40% in accommodation, -30% in cultural activities and -23% in food and beverage service activities).

Fall in demand and disruption to supply

Factors other than prohibitions on admitting the public also contributed to changes in activity: the fall in demand in France, reported by 66% of companies, problems with supply (58%), logistical difficulties with transport and delivery (50%), financial issues, including cash-flow problems (34%). Conversely, the availability of labour in France and the closure of the borders were only a problem for a quarter of companies (22% and 27% respectively). Company size made little difference, except in relation to international matters and financial issues. 33% of companies with 250 or more employees were affected by the change in

foreign demand, compared with 17% of companies with between 10 and 49 employees (6% for those in the retail trade with between 5 and 9 employees). Conversely, the smallest companies, lacking such robust reserves when faced with an unprecedented situation, were more severely affected by financial difficulties (43% of companies with between 10 and 49 employees, compared with 28% of those with 250 or more employees).

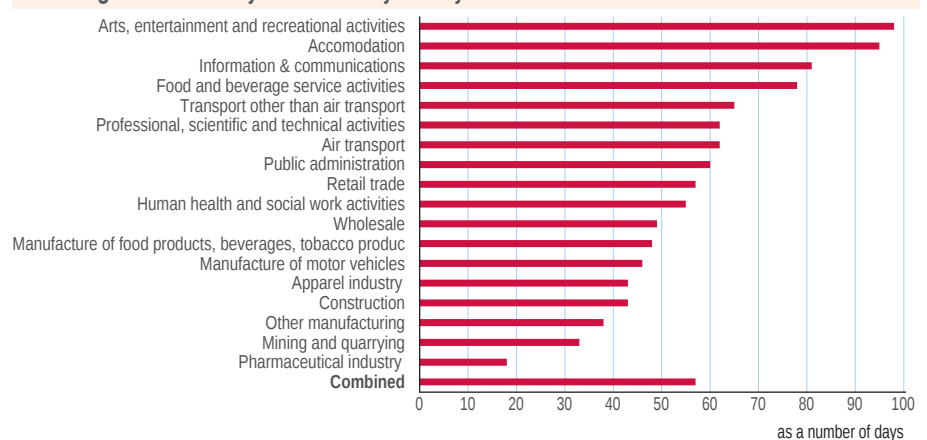
Heavy reliance on short-time working and the rescheduling of social security contributions

In the month of March, to deal with the drop in activity caused by the lockdown and the resulting fall in revenue, the government put various company support measures in place,

such as the State-guaranteed loan (PGE) and a moratorium on the payment dates for social security contributions and tax. Public and private organisations were also encouraged to defer the payment dates for rent and energy bills (water, gas, electricity) or to reschedule debts.

Over 4 in 5 companies (84%) confirmed that they had applied for one or more of these emergency measures. Whatever their activity, at least two thirds of companies relied on such measures, the highest take-up being in food and beverage service activities (97%), motor trade and repair (96%), accommodation (95%) and cultural and recreational activities (94%); only energy was an exception (36%). Nevertheless, this did not mean that they all benefited, as their applications could be refused. The measure

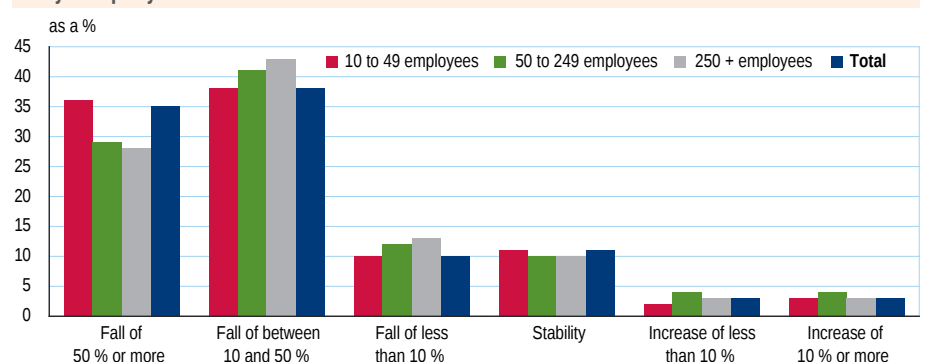
1 Average number of days of closure by activity sector since the start of the COVID-19 crisis



Reading note: as a result of COVID-19, companies in the sector of arts, entertainment and recreational activities closed for 98 days on average. Coverage: companies with 10 or more employees which were closed for at least one day as a result of COVID-19, except for retail trade (companies with 5 or more employees).

Source: National Institute for Statistics and Economic Studies (INSEE), Impact of the health crisis on business organisation and activity, 2020.

2 Changes to activity during the first lockdown of 2020 compared with the same period in 2019, by company size



Reading note: during the first lockdown, 36% of companies with between 10 and 49 employees considered that their activity had fallen by over 50% compared with 2019, and 38% by between 10% and 50%.

Coverage: companies with 10 or more employees.

Source: National Institute for Statistics and Economic Studies (INSEE), Impact of the health crisis on business organisation and activity, 2020.

3 Estimated change in activity per semester, compared with the same semester in 2019

	as a %, compared with a same semester in 2019			
	Average	1 st quartile	Median	3 rd quartile
First semester 2020	-17	-30	-15	0
Second semester 2020	-10	-20	-5	0

Reading note: in September/October, a quarter of companies considered that their activity in the 1st semester of 2020 would be at least 30% lower than for the 1st semester in 2019 (1st quartile).

Coverage: companies with 10 or more employees, except for retail trade (companies with 5 or more employees).

Source: National Institute for Statistics and Economic Studies (INSEE), Impact of the health crisis on business organisation and activity, 2020.

sought most often during the first lockdown was reliance on short-time working (70% of companies). Deferred payment of social security contributions (53% of companies), particularly in relation to URSSAF, and State-guaranteed loans (PGE) (41%) were also frequently applied for (figure 4).

Companies with between 10 and 249 employees relied on emergency measures more often than their counterparts with 250 or more employees (86% compared with 79%). As would be expected, companies with between 5 and 9 employees in the retail trade more often sought the support of 1,500 euros for VSBs (22%).

Updating usual offer and the company's logistics to respond to the health constraints

The lockdown caused many companies to adapt the products on offer. Accordingly, 20% of companies changed the products on offer. This proportion increased to 43% in teaching (for example, the expansion of remote teaching), 36% in accommodation (room service and take-away meals) and 26% in the retail trade (figure 5). Of the companies which changed what they offered, 69% withdrew products or services from sale, particularly in the sectors of accommodation (84%) and food and beverage service activities (86%). Innovations were often made in parallel with such withdrawals, with 41% of companies which had withdrawn products or services offering new products or services, for example in the textiles industry (83%) with the manufacture of masks, and in the manufacture of basic pharmaceutical products and pharmaceutical preparations (55%) with hydro-alcoholic gel.

Making changes to usual offer depended primarily on activity sector rather than company size, given that the proportion of companies involved ranged from 19% for companies with between 10 and 50 employees to 24% for those in the retail trade with between 5 and 9 employees. The latter more often chose to innovate by extending usual offer (59% of companies having changed what they offered, compared with 40% for their counterparts with 250 or more employees).

These changes to usual offer seem to have been incorporated into companies' strategies and organisation, given that 62% of those who had changed what was on offer during and after the lockdown intended to continue on this path. The size of the company had little bearing on this decision (from 62% for companies with between 50 and 249 employees, to 65% for those with between 10 and 49 employees), the converse being true for activity sector. Accordingly, whilst the great majority of information & communications companies and companies undertaking real estate activity were inclined to retain these innovations (82% and 80% respectively), only 14% in the

manufacture of basic pharmaceutical products and pharmaceutical preparations and 38% in land transport intended to do so.

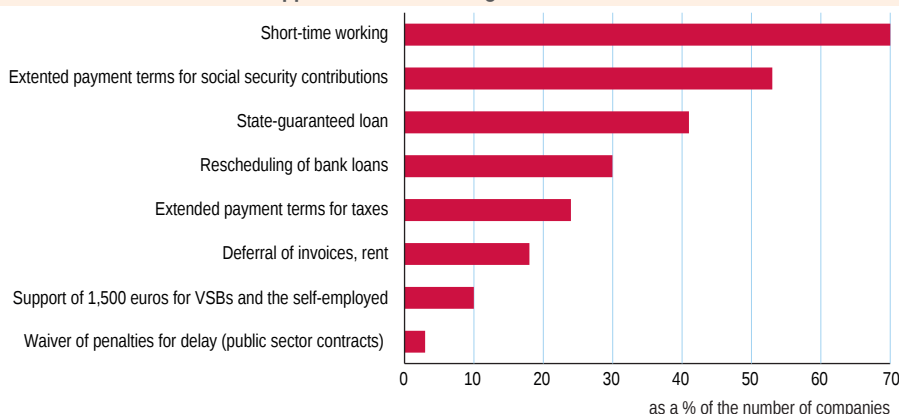
The effort to adapt to the lockdown and its aftermath was not limited to the products on offer. It also extended to commercial logistics for one company in two (52%), with the development of on-line selling (14%), the implementation of new delivery systems, such as home delivery or click and collect (10%) or selling directly or through a shared platform (1%). The three methods could also be combined. On-line selling was developed primarily by companies with 50 or more employees, and home delivery or click and collect by very small companies, such as those in the retail trade (2%).

Partnerships in jeopardy

The lockdown led many companies both in France and abroad to reconsider their partnerships and location. Accordingly, 46% of companies suspended their relations with at least some of their suppliers or customers during the period (figure 6). They did not always instigate the suspension (or termination) of relations, notably if the partner had itself ceased its activity (the

reason for the breakdown of relations was not asked for in the survey). Such changes in partnerships were more common among small companies (48% of companies with between 10 and 49 employees, compared with 30% of companies with 250 or more employees), and in food and beverage service activities (79%), accommodation (76%), cultural and recreational activities (75%) or motor trade and repair (64%). Notwithstanding these difficulties with supply or opportunities, the great majority of companies (93%) did not restructure their production arrangements. Only 7% engaged new partners. Of these, 87% chose a partner located close to their establishment, and 12% replaced foreign partners with partners located in France. Lastly, 10% signed agreements with companies located abroad. These were often large companies, in energy, the manufacture of basic pharmaceutical products and pharmaceutical preparations or the motor sector. There were various reasons for restructuring: to facilitate access to equipment, to admit individuals, to refocus activity on the local market, etc. The great majority of these new partnerships were not temporary: 84% of companies which set up such partnerships during the lockdown retained them after the lockdown.

4 Reliance on the various support measures during the first lockdown



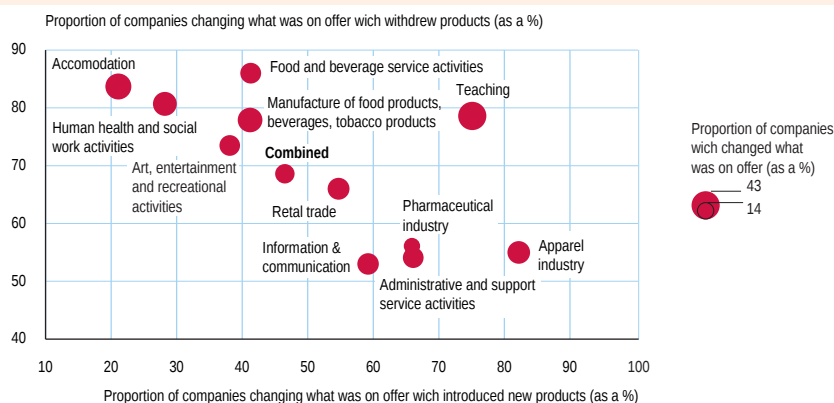
Note: categories applied for by less than 2% of companies have not been included here.

Reading note: during the first lockdown, 70% of companies relied on the short-time working mechanism.

Coverage: companies with 10 or more employees, except for retail trade (companies with 5 or more employees).

Source: National Institute for Statistics and Economic Studies (INSEE), Impact of the health crisis on business organisation and activity, 2020.

5 Changes to usual offer, withdrawal or introduction of new products or services during the first lockdown



Reading note: in the manufacture of basic pharmaceutical products and pharmaceutical preparations, 14% of companies changed what was on offer during the first lockdown. Of these, 66% offered new products or services, 56% withdrew products or services.

Coverage: companies with 10 or more employees, except for retail trade (companies with 5 or more employees).

Source: National Institute for Statistics and Economic Studies (INSEE), Impact of the health crisis on business organisation and activity, 2020.

Direct and indirect costs which were not insubstantial, correlated with activity sector

To pursue their activity, companies implemented protective measures and social distancing during or after the lockdown, aimed at their employees and customers. 44% of companies implemented protective measures. The health guidance was applied particularly widely in agribusiness industries (69%), the manufacture of basic pharmaceutical products and pharmaceutical preparations (53%), wholesale (58%), and retail (54%). The same applied in large companies with 250 or more employees (50%, compared with 42% in companies with between 10 and 49 employees).

On average, companies assessed the direct cost of purchasing masks, hydro-alcoholic gel, etc. at 3% of turnover. These costs rose to 5% in accommodation, food and beverage service activities and activities relating to human health.

Additionally, 70% of companies reported the existence of indirect costs, associated with social distancing (limits on numbers of customers admitted, spacing of meetings, reorganisation of employees in the production chain, etc.) and with limited use of space (for employees or customers). These costs represented 6% of 2019 turnover on average. They rose to 16% of 2019 turnover in food and beverage service activities, and 14% in cultural activities.

The total cost represented 20% of turnover in food and beverage service activities and 18% in cultural activities. Conversely, it represented under 5% in wholesale, the textiles industry and the manufacture of basic pharmaceutical products and pharmaceutical preparations.

A lockdown marked by short-time working and the expansion of teleworking

Employees' working conditions were changed profoundly during the lockdown. During the second fortnight in March, less than a third of the workforce of companies (29%) continued to work on site, with

6 Distribution of direct and indirect costs following the implementation of health measures

	Average	1 st quartile	Median	3 rd quartile
Direct costs	3,1	0,1	1,0	2,0
Indirect costs	5,6	0,0	1,0	5,0

Reading note: for a quarter of companies, the direct costs following the implementation of health measures represent 2% or more of turnover (3rd quartile).

Coverage: companies with 10 or more employees, except for retail trade (companies with 5 or more employees).

Source: National Institute for Statistics and Economic Studies (INSEE), *Impact of the health crisis on business organisation and activity*, 2020.

exceptions in activities which had been little affected by site closures, as a result of high demand: the agribusiness industry (55%) and the manufacture of basic pharmaceutical products and pharmaceutical preparations (56%). Almost half of the workforce (44%) benefited from short-time working during this period, the highest levels being in the sectors heavily affected by the administrative lockdown measures: food and beverage service activities (88%), accommodation (79%), cultural and recreational activities (68%). Companies with 250 or more employees relied on this measure less than their smaller counterparts (25%, compared with 47% for those with between 10 and 49 employees).

The most common reorganisation of working was teleworking, strongly encouraged by the public authorities and facilitated by the development of digital equipment (video-conferencing, etc.), which was used by 40% of companies. It was implemented primarily in large companies and in services where there was less need for people to attend the workplace: information and communication services (64%), advisory activities (53%), teaching (35%). Conversely, it was only used marginally in most industrial activities and personal services.

Following the first lockdown, 26% of companies intended to rely on teleworking more often on a permanent or temporary basis. The average volume of work to be carried out by teleworking was around 25% of working time. In information and communication technologies, three out of four companies envisaged increased teleworking, 30% on a permanent basis, for an average volume of work of 46%.

The lockdown did not lead to changes in location

The COVID-19 crisis led to less than 1% of companies deciding to change the location of part of their activity. The sectors most severely affected were the textiles industry and clothing (almost 4%), the manufacture of basic pharmaceutical products and pharmaceutical preparations (2%) and information & communications (2%).

For these very few companies, the changes in location initially took place within France. The changes related to 22% of activity on average. Transfers to France from abroad (6% of activity) and movements between foreign countries (also 6%) were more limited. ■

Sources

The results set out in this publication are based on the **survey Impact of the crisis on business organisation and activity** carried out during the fourth quarter of 2020 among 50,000 companies (legal units). The purpose of this survey was to measure, ahead of the usual sources and in addition to the traditional indicators, the impact of the COVID-19 crisis on companies' activity and organisation.

The sectoral coverage of the survey encompassed all sectors excluding agriculture and the financial sector, that is sections B (mining and quarrying) to S (other services activities) excluding section K (financial and insurance activities). The geographical coverage of the survey was the whole of France. The unit surveyed was the legal unit. The survey covered all legal units with 10 or more employees, except for retail trade (sector 47), in which units with 5 employees or more were questioned. The results were shown as a percentage of the number of companies.

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