



# A BETTER NORMAL FOR BUSINESSES:

How ASEAN micro, small and medium enterprises (MSMEs) can recover and thrive in and beyond COVID-19

Micro, small and medium enterprises (MSMEs) play a pivotal role in employment generation and economic growth in the ASEAN region. Yet, in the middle of a pandemic that threatens to undo decades of development in the sector, MSMEs must rely on sustainable policy actions to keep them afloat. Now more than ever, ASEAN governments must address short-term business survival needs and implement changes required to support MSMEs to adapt to a new normal and transform the sector in the long run.

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This paper was written by Tuan Anh Vu (CFA) and Shubert Ciencia. Oxfam acknowledges the contributions of Kalayaan Constantino, Oskar Haq, Lies Craeynest, Vu Thi Quynh Hoa, Nguyen Quang Thai, Nipuna Kumbalathara, Ella Quiogue, and Mark Vincent Aranas in its production. It is part of a series of papers written to inform public debate on development and humanitarian policy issues.

For further information on the issues raised in this paper please email [asia@oxfam.org](mailto:asia@oxfam.org).

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The information in this publication is correct at the time of going to press.

Published by Oxfam International  
PO Box 30919, 2500GX, The Hague, The Netherlands

Cover photo: A street vendor in Hanoi, Vietnam. Photo by Jack Young/Unsplash.com

# EXECUTIVE SUMMARY

The impact of the COVID-19 pandemic on micro, small and medium enterprises (MSMEs) is significantly negative from both the economic and social perspectives. MSMEs are amongst the worst affected, and yet they provide the majority of jobs and income for vulnerable groups, such as migrant workers, women workers, low-income earners, and people living in remote or less-developed areas unlikely to be reached by bigger businesses.

Fiscal and monetary support measures by governments have been critical for the survival of business during the crisis, so that workers can maintain their employment and have some support during this difficult period. The Association of Southeast Asian Nations (ASEAN) and its member-states are encouraged to continue allocating resources and take policy actions to support MSMEs. The following policy interventions are suggested:

## **1. Create an environment that is conducive for MSMEs to adapt their business operations as quickly as possible to a new normal:**

- Ensure trade flows both in domestic and regional markets
- Facilitate MSME business reopening safely
- Support MSME adaptation to a new normal
- Encourage MSME financing flows
- Protect MSMEs from being crowded out and dominated by the interest of big business

## **2. In the long run, policy actions should transform MSMEs to a stronger strategic positioning through:**

- Promoting the ASEAN common market as an attractive investment destination as global value chains are being restructured due to disruption risks and geopolitics
- Supporting business digitalization for MSMEs
- Facilitating the MSMEs' adjustment to changes in consumer behavior, demand, and sectoral and market changes
- Creating a favorable environment and supporting MSME to embrace e-commerce
- Enabling MSMEs to grow in responsible, sustainable, and environment-friendly ways to ensure a more resilient business development for the whole region

## **3. Parallel to providing business support, policy actions are needed to ensure better social protection and development for MSME employees from the formal and informal sectors. This may include:**

- Expanding healthcare insurance coverage where it is still not universally available
- Expanding social and unemployment insurance coverage

- Facilitating the transition of informal businesses into the formal sector
- Providing skill training/skill upgrading for workers from both formal and informal sectors
- Design and deliver special programs to reach women workers and people from disadvantaged groups including those from the informal sector or less developed areas

These policy actions, implemented in coordination, will contribute to realizing the vision of **globally competitive, innovative, inclusive, and resilient MSMEs** in 2025 in the ASEAN region.



An Indonesian woman selling *batik* cloth near Suluban Beach in Bali. Photo by Adli Wahid/Unsplash.com

# 1 COVID-19 & ITS IMPACT ON ASEAN MSMEs

## THE ECONOMIC IMPACT OF COVID-19

As the coronavirus pandemic continues to spread across the globe, most people are or had been under some form of travel restriction. People cannot go to work, supply chains are disrupted, jobs are lost, consumer demand is suppressed, leading to a vicious cycle of economic recession or possible depression. The world economy is expected to contract -4.9% in 2020, according to recent International Monetary Fund (IMF) forecasts, which is a worsening outlook comparing to earlier forecast of -3% in April 2020.<sup>1</sup>

On March 17, the International Labor Organization (ILO) estimated that between 5.3 to 24.7 million jobs could be lost. Later, the figure was quickly revised to 195 million full-time equivalents (FTE) on April 7, 305 million FTE on April 29, and again to 400 million FTE on June 30, reflecting the escalating challenges. Worldwide, 47 million enterprises and 389 million self-employed workers could face business disruption; 67% of two billion people working in the informal sectors are under lockdown or travel restrictions.<sup>2</sup>

Although the ASEAN is not amongst the worst COVID-19 hotspots in the world, there is a sharp slowdown and worsening economic outlook in all member state countries. The IMF forecasted that the ASEAN 5 (including Indonesia, Malaysia, the Philippines, Thailand, and Vietnam) may see their economies shrink by -2.0%, down from positive growth of 4.9% in 2019.

World Bank estimated that 41 million people in East Asia and the Pacific, which includes ASEAN, will be pushed to poverty mainly due to job losses or reduced income due to COVID-19.<sup>3</sup> ILO reported disproportionate impact on women, which accounts for a large proportion in the most affected sectors, such as tourism, hospitality, and retail.<sup>4</sup>

The overwhelming majority of job losses will hit men and women working in micro, small and medium enterprises (MSMEs),<sup>5</sup> which on average account for 66.3% of employment. Job losses in MSMEs will push many people back to poverty—especially women, migrant workers, and people from remote and disadvantaged areas. Urgent policy responses on social protection and business survival support are required.

## THE ROLE OF MSMEs IN THE ASEAN

MSMEs are critical to economic development and job creation in developing countries. OECD statistics estimated that MSMEs with less than 250 workers employ between 59% to 78% of the total workforce,

and the percentage tends to be higher in low and lower-middle-income countries.<sup>6</sup>

In the ASEAN, MSMEs also dominate in the share of total enterprises (88.8% and 99.9%) and the share of total employment (between 51.7% to 97.2%). These enterprises account for 42.2% of the gross value added to the ASEAN economy.<sup>7</sup>

In some remote or under-developed areas, MSMEs are the only option that can reach and offer formal employment to local communities. As such, MSMEs play an important role in moving people out of poverty and building resilience in local communities.

Given such significant contributions to national outputs and employment, the MSME sector has been identified as one of the key pillars of growth by the ASEAN Economic Community (AEC). The ASEAN Secretariat has published the *Strategic Action Plan for SME Development 2016–2025*,<sup>8</sup> which set a vision for “ASEAN MSMEs to become globally competitive, innovative, inclusive, and resilient.”<sup>9</sup>

## COVID-19 IMPACT ON ASEAN MSMEs

Household businesses and MSMEs are among the hardest-hit sectors in ASEAN. Especially, a large number of businesses in or relating to tourism and travel, which include but are not limited to accommodation, restaurant, food, and entertainment businesses, have been hit severely. Hardest-hit countries are those depending on tourism and travel, such as Cambodia where this sector generated 32% of GDP and 31.6% of total employment. The corresponding figures are also very significant for the Philippines (24.7% of GDP, of 26.4% employment) and Thailand (21.6% of GDP, 15.9% of employment).<sup>10</sup>

Depending on the context and COVID-19 situation in different countries, other hard-hit sectors could be manufacturing, retail trade, and retail service.<sup>11</sup> Again, the biggest impact is seen in small and medium enterprises (SMEs) and small and microbusinesses from the informal sector, as they do not have the resources to handle the impact of the crisis.

Very often in those businesses, migrant workers and women are overrepresented, and their conditions could be worsened due to additional responsibilities of supporting or taking care of their children or family members.

In Vietnam, for example, although the COVID-19 pandemic is relatively well contained,<sup>12</sup> ILO estimated that the livelihoods of 4.6 to 10.3 million workers will be impacted due to reduced income or job loss.<sup>13</sup> The situation could be worse in other countries, which are under prolonged lockdowns and are much more dependent on tourism to generate jobs.

A survey in early April 2020 conducted by Asia-Pacific MSME Trade Coalition<sup>14</sup> has revealed that:

- *Almost 50% of SMEs have cash reserves for just a month or less.*
- *Nearly 30% of SMEs expect that they may have to lay-off 50% or more of their workers.*
- *Only 35% are confident that they will not have any layoffs.*

In the Philippines, an Inter-Agency Task Force on COVID-19 estimated that “with another month of enhanced community quarantine (ECQ) extension, 80% of enterprises will be unable to operate. After lifting of the ECQ, 31% still do not see good prospects for their business.”<sup>15</sup>

In general, we can observe the following impacts on MSMEs and their employees in the region:

- Large scale operational freezing of small and microbusinesses due to lockdown and/or travel restrictions, especially for small businesses in urban and suburban areas.
- MSMEs in sectors such as textile and manufacturing are facing suppressed demand from both local and export markets. These sectors employed up to 80% of women workers, making the impact significantly painful for them and their family members.
- MSMEs face operational difficulties due to supply chain disruptions (raw material supply, transport and logistic disruptions, border control, and customs clearance).
- Low financial liquidity due to the impact of the crisis, especially when or if lockdowns are longer than expected. This could lead to mass insolvency as businesses cannot meet short-term financial commitments including salaries for their employees.
- Prolonged disruption or subdued demand could lead to large-scale bankruptcy, especially among smaller businesses that have fewer resources for survival.
- Large-scale furlough or job loss among low skilled workers due to business bankruptcy or difficulty faced by MSME.
- Temporary shortages of manpower in some businesses due to lockdown as people cannot return to work.
- Temporary reverse migration from cities to rural areas due to lockdown or job losses. Backward migration from workers in overseas markets could add stress to the domestic job market in countries like the Philippines, Indonesia, Myanmar, Cambodia, or Vietnam.

Therefore, member-states and the ASEAN as an economic community must urgently formulate policy responses to help small businesses not only to survive but also to position them towards recovery and adaptation to new social and economic realities in the region.

## 2 THE NEW NORMAL & EMERGING BUSINESS TRENDS

Knowing what the future will look like is difficult, but it is certain that **“the future is not what it used to be.”** However, building an understanding of what the future may hold will help governments and businesses strategize their positioning to make “ASEAN MSMEs globally competitive, innovative, inclusive, and resilient.”<sup>16</sup>

In this section, the new normal for businesses is discussed, and ongoing and emerging business trends are explored. Suggestions are provided in section 3 on how to transform ASEAN MSMEs for a better future.

### THE NEW NORMAL THAT MSMEs ARE FACING

Despite some initial containment success in countries like Vietnam, New Zealand, Korea, and China, the COVID-19 pandemic remains complex, especially in ASEAN's key markets, such as the US and Europe. Within ASEAN, the virus is not yet under control in countries like Indonesia, Singapore, and the Philippines.

Risk of re-emergence exists in all countries leading to a winding and prolonged recovery path under the new normal.

Although about 200 research groups are working on vaccine development, a COVID-19 vaccine is not likely to be available for mass application until mid-2021.<sup>17</sup> There are also chances that an effective vaccine may not come to fruition in the foreseeable future similar to what happened with the quest for an HIV vaccine<sup>18</sup> or that a vaccine may have limited effectiveness due to virus mutations.<sup>19</sup> A total lockdown like in Wuhan is no longer possible to eradicate the virus due to its wide spread and heavy cost on society.

The Center for Infectious Diseases Research and Policy at the University of Minnesota forecasted that: “Whichever scenario the pandemic follows (assuming at least some level of ongoing mitigation measures), we must be prepared for at least another 18 to 24 months of significant COVID-19 activity, with hot spots popping up periodically in diverse geographic areas.”<sup>20</sup>

Within the current context, the *operating environments* for businesses remain difficult. For example:

- International travel will remain difficult, impacting MSMEs in tourism-dependent businesses, especially in countries like the Philippines, Cambodia, Thailand, or Vietnam.
- While small businesses in informal sectors (including domestic tourism) could recover in countries where the pandemic is well contained, the operating environment for MSMEs will remain difficult in places where COVID-19 spread is still a challenge.



- Depressed consumer demand in major export markets means that manufacturing industries (especially textile, shoe-making, consumer electronics) in countries like Cambodia, Indonesia, Malaysia, Vietnam, or Thailand can not secure enough orders to prevent job losses.
- If the situation does not improve, many migrant workers will move to other sectors or move back to agriculture. Permanent skill loss will make recovery difficult for businesses when the demand rebounds.
- Businesses and social activities are increasingly moving online. Not only is e-commerce becoming popular, but government agencies are also increasingly utilizing technology platforms to improve efficiency and transparency, as well as to comply with social distancing measures. Moving to digital gives competitive advantages not only to big businesses but also to MSMEs.



Women factory workers in Vietnam. Photo by Eleanor Farmer/Oxfam

## BUSINESS TRENDS

The world must find a way to live with a new normal in the months and maybe years to come in new operating environments. New business trends have been emerging, or ongoing business trends are accelerating requiring longer-term vision and responses.

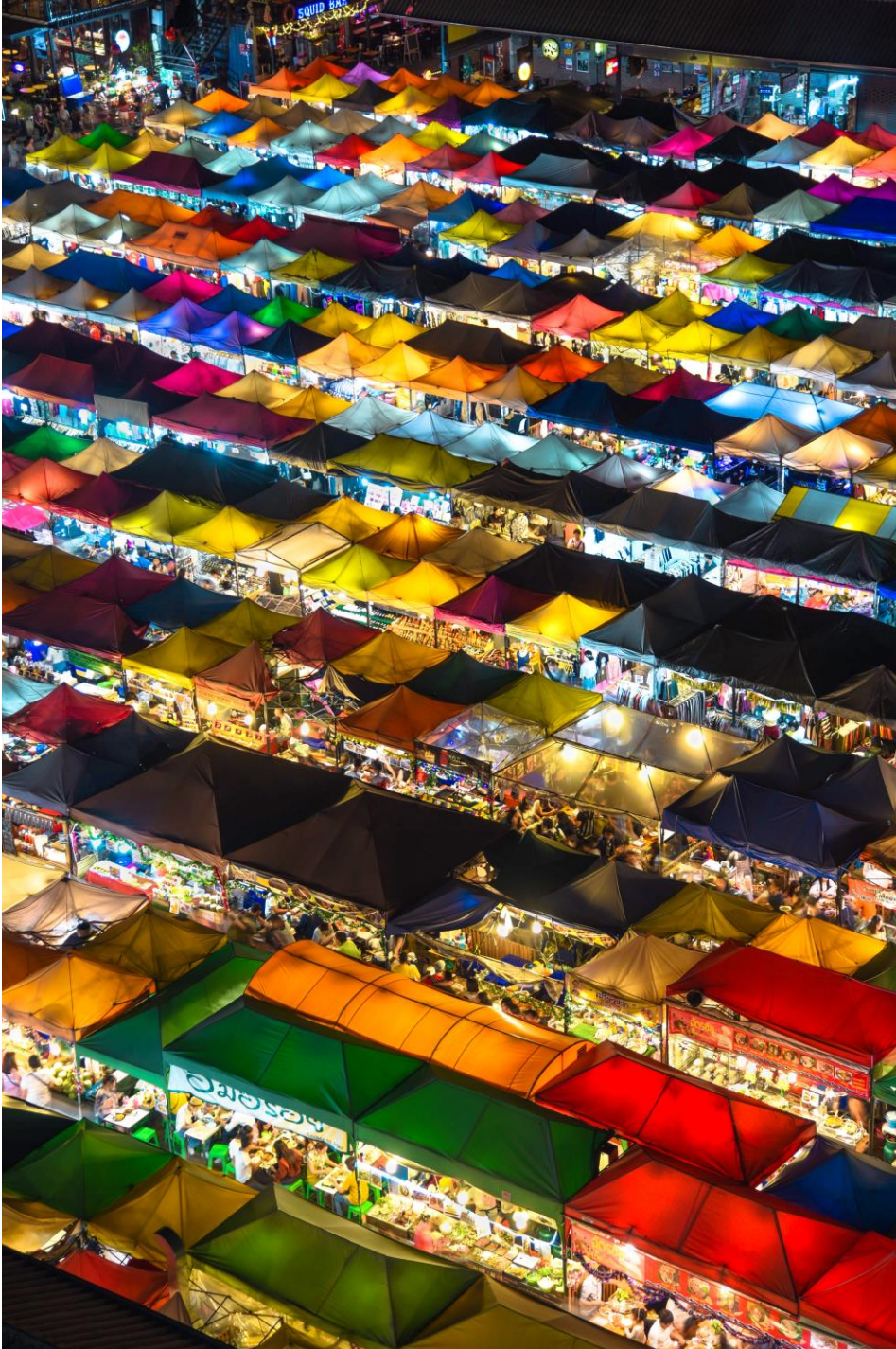
Key trends that have a significant impact on ASEAN MSMEs include but are not limited to:

- **Global supply chain restructuring.** Global supply chains need to be restructured for protection from possible future disruptions. Companies will need to diversify their manufacturing bases to depend less on a single sourcing model. US-China geo-competition could accelerate the process, and ASEAN could be one of the preferred locations. Local MSMEs in the region could greatly benefit from this.

- **Digitalization is accelerating.** Under a lockdown, employees must work from home, businesses move online, and government agencies cannot provide face-to-face services. Suddenly, the potential of digitalization is realized, which is also becoming increasingly affordable for small businesses. It is reported that only 10% of ASEAN MSMEs use advanced digital tools or make it part of their core business model pointing to a vast potential for improvement.<sup>21</sup> As such, business digitalization needs to be accelerated.
- **Consumer behavior and demand will change significantly:** (1) since more people will work from home and, therefore, shop online and prioritize locally-made products; (2) consumers will be more sustainability-conscious and focused on healthcare and basic needs that decrease demand for non-critical products like textile or consumer electronics; and (3) spending power will be less as people are worried about jobs, their investment savings, and overall economic performance.<sup>22</sup>
- **Sectoral changes.** There will be sectoral changes that will have significant implications for MSMEs, which include but are not limited to: (1) international tourism and travel that will continue to be depressed while domestic tourism could recover, (2) the reduced demand for textile and other non-essential products and automation will add more pressure on low-skill jobs, and (3) a significant portion of the retail sector will be moving online. Impact on different sectors could lead to temporary or permanent changes, which MSMEs need to prepare for.
- **Supply chain disruption leads to local supply preference.** As supply disruption deepens, buyers may realize the importance of local goods that are easier to obtain and have a more secure supply. There is also an increasing trend for consumers to opt for products and services that are locally available or in close geographic proximity. Hence, MSMEs will be in a better position to cater to the domestic market as countries reopen after controlling the virus. Countries that have contained the pandemic might open their markets to each other thereby creating a regionally connected market for businesses to recover and grow.
- **E-commerce will be increasingly popular and will have competitive advantages.** Aside from big businesses, smaller ones will also go online. An example is the significant number of small farming households that have utilized digital platforms to reach their consumers. The pandemic has accelerated the process and boosted mobile commerce, e-payment, and delivery services. MSMEs from different sectors could tap into the potentials of e-commerce to create intimacy with customers more effectively and efficiently.
- **Responsible and sustainable business become norms.** Lockdowns have created a huge negative impact on the world economy, but—on the positive side—they have helped to improve air and water quality significantly. The reduction of pollution during the two-month lockdown might have saved 77,000 lives in China alone.<sup>23</sup> This indicates an urgent need to rethink the economic development model, which must be more environment-friendly and more

sustainable. The lockdown impact also indicates the need to ensure social protection and wellbeing for most vulnerable groups, including migrant workers, women employees, and workers from small businesses and the informal economy who were the first to suffer during the pandemic.

Business trends bring not only challenges to MSMEs but also opportunities for those who are more flexible, innovative, and responsible. Policy support is critical to facilitate the changes to move enterprises in the right direction.



Scene at a night market in Bangkok, Thailand. Photo by Sam Beasley/Unsplash.com

# 3 MSME POLICY RESPONSE & RECOMMENDATIONS

## OVERVIEW

On-going crises due to the pandemic, the new operating environment, and on-going and emerging business trends require MSME adaptation, as well as material and policy support from governments. These are essential not only to keep businesses afloat but also to help them adapt and transform themselves to be more resilient, innovative, inclusive, and sustainable.

Policy support for MSME during the COVID-19 pandemic should not only target businesses alone but must also ensure the employment and wellbeing of employees and enhance the resilience and competitiveness of ASEAN enterprises in the future.

Specifically, government support for MSMEs and their workers should include:

1. Short-term support should be provided to help MSME to stay afloat, recover, and keep workers, especially for men and women from vulnerable groups such as low-income people, migrant workers, and workers in the informal sector.
2. In the longer term, policy support should be designed, so that MSMEs can:
  - Adjust businesses to a new normal and upgrade operating models to be more resilient in future crises, such as rapid events like COVID-19 and disasters including both sudden-onset emergencies and slow-onset disasters like the climate crisis.
  - Transform MSMEs as an inclusive economic sector to be more innovative, responsible, and competitive as the economic backbone for the ASEAN and its member-states.
3. In parallel, policy actions are needed to expand social coverage for workers and employees of MSMEs including those from informal sectors, so that they are better protected, more secure, and resilient in future crises.

## WHAT HAS BEEN DONE?

Many ASEAN countries have been swift in supporting MSMEs to cope with COVID-19 and associated lockdowns. Most of the measures taken to support business survival are to keep jobs and reduce negative impacts on the economy.

Each country in ASEAN has taken a number of fiscal or monetary policy actions that could be classified as follows:<sup>24</sup>

- **Monetary** such as injecting liquidity into the financial system, lowering interest rates, reclassifying/restructuring bank debt.
- **Direct financial support** such as direct cash transfers for micro/household businesses and providing low-interest loans for MSME to keep the businesses functional.
- **Taxation** such as deferring tax payment, reducing income tax, tax exemptions or rebates, or deferring VAT and import/export taxes.
- **Employment support** such as providing direct income support for workers on furlough, low-interest loans to provide income for employees, and deferring payment of social/unemployment insurance.
- **Other measures** include providing sector-specific support packages, and rebate/deferment of rent and property taxes and fees.

Singapore's total package to support its economy, for example, is around USD 70 billion in total and equivalent to 20% of its GDP leading to a forecasted budget deficit of 15.4% this year.<sup>25</sup> Direct economic support requires resources, and actions taken vary between countries depending on the context. While more comprehensive support for MSMEs has been observed in Malaysia and Singapore, less ambitious actions can be seen elsewhere in ASEAN.

Not all countries have the required resources to support MSMEs the way they wanted to. Resources are limited as governments' budget collections decrease due to business slowdown, while the spending needed for COVID-19 control, social protection, and economic stimulus continue to escalate. In some cases, the support cannot reach businesses and people in need, especially those from informal sectors.<sup>26</sup>

Stimulus measures might keep MSMEs surviving and help many of them to recover if the pandemic could be controlled in the next few months and should still be prioritized by ASEAN governments. However, it will not help if the pandemic and associated lockdown persist in the long run. There are currently very few support measures to help businesses prepare for the new normal,<sup>27</sup> adapt to market structural changes, and become more resilient against future crises.

## SHORT-TERM PRIORITY: CONTROL THE PANDEMIC & SUPPORT BUSINESS CONTINUITY

In the short term, governments should prioritize containing the pandemic and ensuring public health, so businesses could reopen/safely resume their operations as soon as possible. This is the essential condition for any economic stimulus or material support to be effective. Countries will not be able to continue expansionary fiscal and monetary policies indefinitely. Interventions should be selective and include smart policy responses that will facilitate economic resilience, recovery, and preparation for the future.

To facilitate business continuity and recovery, ASEAN governments should:

- **Intensify efforts to keep the flow of goods open in domestic markets within the ASEAN community, as well as with key trading partners.** ASEAN economies are highly open and well-integrated in international value chains. Thus, ensuring the domestic and cross-border movement of goods during travel restrictions is critical to supporting businesses including many MSMEs that are direct or indirect participants in the value chains. The flow of food and agriculture products is even more important to ensure food security in the region.
- **Facilitate MSME business continuity wherever possible** by allowing businesses to reopen in low-risk areas/sectors, provide safety guidelines, and bring business support services online to reduce both administrative bureaucracy and physical contact.
- **Ensure the adaptation of MSME operations in the new normal** by developing risk assessment and risk mitigation guidelines, safety evaluation criteria, business operations guidelines for specific forms of businesses (i.e., restaurant, factory, retail shop), and ensuring access to the right information.
- **Encourage financing flow to MSMEs** by providing soft loans, interest subsidies, or debt underwriting; providing technical support in business planning and credit assessment; and encouraging impact investing for the MSME.
- **Avoid MSMEs being crowded out by big businesses.** Big businesses normally have not only more resources to survive but also better networking/policy lobbying capacity to present their case and compete for support. This very often happens at the expense of smaller companies. Policymakers should ensure that sufficient resources are allocated to support vulnerable MSMEs who often provide most of the employment opportunities especially in areas where it is difficult or not attractive for big businesses to reach.

Strong MSMEs are fundamental for strong and competitive national economies as smaller businesses are not only suppliers to bigger companies but very often also play the role of healthy competitors and provide employment choices for the community. Ensuring MSME survival and recovery in under a post-pandemic new normal is crucial in all countries.



Women from a community in Quezon City, Philippines, line up to enter a market as the local government strictly imposes social distancing in public places. They also received flyers from IDEALS and Oxfam containing relevant information about COVID-19 and essential tips on how to cope with the enhanced community quarantine. Photo by IDEALS

## LONG-TERM VISION: INNOVATING & TRANSFORMING FOR A BETTER FUTURE

In the long term, ASEAN governments should enable MSMEs to respond to business trends and transform themselves to be more resilient, innovative, inclusive, and responsible. Following policy actions are suggested:

### **Promoting ASEAN as a preferred investment location in response to global supply chain restructuring:**

- ASEAN countries will need stronger cooperation to promote the ASEAN Economic Community as a preferred investment location for the global supply chain restructuring. An integrated market of over 650 million consumers in a dynamic region is certainly an attractive investment destination.
- ASEAN should aim to attract green and high-tech investments that not only add value but keep the environment clean and sustainable. Investments should also create decent jobs and facilitate the integration of local suppliers for the benefit of MSME.

### **Facilitate MSME business digitalization:**

- MSMEs need to be supported with business digitalization and governments need to ensure that digitalization can reach and bring tangible benefits to small businesses.
- Local businesses will need to build up capacity and have support to go digital and be ready for global changes in e-commerce, working

from home, operational digitalization, and online public services.

- Training, capacity building, and seed investment are needed to kick-start the digitalization process in many small and medium businesses. Experience from more advanced countries such as Singapore could greatly benefit other countries in the region.
- Governments should invest in their own digitalization program to make e-government platforms more user-friendly and effective for micro, small and medium-sized businesses.

**Support MSMEs to embrace consumer behavior changes, supply chain disruption, and sectoral adjustment, governments could:**

- Provide information, analysis, and insights on consumer behavior change to facilitate business and sectoral adjustments.
- Support MSMEs that will be restructured due to sectoral changes. There will be employment shifts from slowing sectors such as textile and in-bound tourism to other sectors such as delivery and logistics, e-commerce, or domestic tourism in selected countries. Many workers will possibly need skill re-training.
- Facilitate economic and social reopening when and, if it is safe to do so, including connection/reopening between countries where the pandemic is well contained.
- Providing stimulus support for businesses to refocus on domestic and regional markets as some businesses will need support to develop new markets or to refocus on the domestic market.

**Encourage MSMEs to embrace e-commerce.** To facilitate MSMEs doing e-commerce, governments could:

- Ensure a digital/telecommunication infrastructure.
- Facilitate convenient e-payment options, enabling mobile money services.
- Improve infrastructure on logistics/storage and delivery.
- Provide training for small enterprises and business owners on how to operate and build up the credibility of online businesses.

**Develop inclusive, responsible, and sustainable MSMEs in the ASEAN:**

- ASEAN should develop and adopt its Guideline on Inclusive and Responsible Businesses.
- The guideline should address: (1) integration of low-income population and disadvantaged groups into the core value chains; (2) business sustainability practices, such as environmental protection and climate change resilience; (3) gender inclusion and women's economic empowerment; and (4) wellbeing and social protection for workers including those working in the informal sector. The guideline should also encourage "green, responsible, and sustainable" domestic and cross-border investments in the ASEAN.



# SOCIAL PROTECTION & THE WORKFORCE FOR THE FUTURE

According to ILO,<sup>28</sup> 244 million people—or 79% of the workforce—in ASEAN are employed informally, especially in agriculture, “small” services, and in industries like construction. Significant numbers of them are women.

The lack of social protection measures, such as social benefits including maternity or sick leave and unemployment and medical insurance, have negatively affected the lives of millions of men and women across ASEAN member-states during the COVID-19 pandemic. That the infection rates being highest amongst underserved migrant workers in Singapore is a case in point.

It is then imperative that alongside emergency social protection measures—such as direct income, food, and healthcare provided to those who are in most difficulty during the pandemic—governments must expand social protection coverage and prepare the ASEAN’s workforce for the future. The following recommendations are presented for this purpose:

- Improve healthcare insurance in the countries where medical insurance coverage is not yet universal (i.e., of the 10 ASEAN member-states, only four—Singapore, Brunei Darussalam, Malaysia, and Thailand—have almost universal coverage for their citizens, while the coverage is still low in some other countries like Cambodia and Lao PDR).<sup>29</sup>
- Expand social and unemployment insurance coverage to include workers from informal sectors. The cover should include but not limited to accident, medical, and maternity leave for women workers.
- Support the seamless transition of informal enterprises into formal ones without imposing additional administrative and/or financial burdens on small enterprises.
- Provide skills training and capacity building for workers, including migrant and women workers, to facilitate inter-sector movements and improve worker’s adaptability and readiness in an increasingly digitalized, knowledge-based economy.
- Design and deliver special programs on social protection, skills-retraining, and microbusiness support, among others, to reach women and disadvantaged groups, including those from less developed areas and those who work in the informal sector.

## 4 CONCLUSIONS

MSMEs are playing a pivotal role in employment generation and economic growth. Strong MSMEs fill gaps where big businesses find it difficult or infeasible to reach, and they participate in national and international supply chains and keep healthy market competition alive. Collectively, MSMEs and bigger businesses provide a strong foundation for national economies.

MSMEs are amongst the most vulnerable sectors during crises like COVID-19 due to limited resources, but they could also be the most flexible and adaptable to the changing environments, reducing the pandemic's impact on the society if governments can create conducive environments and provide timely policy support.

Policy actions should not only address short-term business survival needs but also the changes required to adapt to a new normal and transform MSMEs in the long run, so that these businesses can grow and be more innovative, resilient, and responsible.

Businesses should likewise fulfil sustainability mandates such as environmental protection, climate adaptation, and women's economic empowerment. To prepare for future shocks, governments' actions should increase the social protection coverage and promote the wellbeing of men and women—not only those working in smaller enterprises but also those from informal sectors.

Each government of the ASEAN member-states should act based on their specific context. The interventions will be much more impactful if they coordinate their strategies and actions to build a strong, inclusive, and responsible MSME sector in the region.

# NOTES

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