



Coronavirus V: Permits, activity and employment

June 17, 2020

Executive Summary

1. Permits for operating establishments or plants were issued extensively throughout the country during May so that only 15% of companies were locked down in comparison to the 54% that were locked down at the beginning of April. By June 10th only 5% of medium-large companies (between 251 and 800 employees) were not operating whereas the case for micro enterprises, under 10 employees, was 22%.
2. During May, at least 34,000 companies were given permission to operate and so 123,000 employees went back to work. Effective employment, however, will depend on the companies' achievements in production and sales.
3. Around 20,000 MSMEs -micro, small and medium enterprises- whose activity was considered non-essential yet technically allowed still await a permit. Most of them are located in the Metropolitan Area of Buenos Aires and operate mainly in construction and manufacturing. Public authorities have prioritized larger companies because the percentage of companies on hold is three times higher in medium-large companies than among micro-enterprises.
4. On the other hand, around 27,000 companies (mainly micro-enterprises) are unable to request a permit due to management or economic difficulties.
5. Municipal and provincial inspections overall did not interfere with regular operations. There were few closures and fines, particularly in smaller companies of the Metropolitan Area of Buenos Aires.
6. The impact of the lockdown on production cannot be measured by the number of companies that shut down alone. The number of staff effectively unemployed must also be taken into account. Specifically, just 20% of companies are totally active as far as staff is concerned. Most are effectively only employing between 30% and 70%.
7. How do companies cope with their inactive personnel? The next report will address the risk of labor relations in MSMEs as formal unemployment looms in the horizon.