

## The Coronavirus and Company Survival

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At a country level what is evident is that even those with deep pockets are struggling with a shortage of resources to contain the spread of the virus. The good news for those in developed countries is that they have come up with various stimulus packages to cushion their population against the consequences of lack of business activity. The United States, for example, has come up with a stimulus package of around 2 trillion dollars to assist individual families, big businesses and small businesses to navigate this uncharted terrain resulting from the impact of this epidemic. Australia and many other developed countries have come up with similar packages for citizens and companies. This is not the case in Africa.

In Africa, only Rwanda seems to have come up with a package for the vulnerable groups. Most African countries have not done anything largely due to lack of resources and in some cases poor governance. Because Africa is constrained resources wise the impact is going to be huge. Companies are going to close and some for good. Individuals are going to lose jobs. Those who are lucky to keep their jobs may have to contend with reduced earnings as companies struggle to pay their employees at a time when most of them are not earning an income.

Lets us look at some of the challenges and strategies Zimbabwean companies are experiencing as a result of the lockdown:

1. No income – some companies are going to be earning zero cents during the time of the lockdown. The same companies have creditors to pay. How such companies are going to navigate and survive is a guess at the moment
2. No working capital – with no working capital it means companies will fail to meet working capital obligations.
3. Statutory payments- Some statutory payments do not depend on on earnings and these would need to be paid. The majority of Zimbabwean companies have no cash reserves to cover times like these. The consequence is that most of them will fail to the owner the statutory payments.
4. Paying employees – In an online {zoom} discussion with HR professionals held today, it is evident that most companies will struggle to meet salary obligations for March and even more difficult for April. Some indicated that they have negotiated for part payments for March with

their employees. Others managed to pay full salaries for March but are not sure how April salaries will be funded given that their businesses are on 100% lockdown.

5. Lockdown days – there is a raging debate on how employee days must be treated when they are on lockdown and it is not possible to work from home. Others have asked such employees to take especial leave {maximum of 12 days per year}. Thereafter they will have to fill in vacation leave forms. Others have asked employees with leave days to take annual leave for the 21 days without resorting to special leave. The argument from those who have taken the vacation/annual leave option is that they are holding on to a huge leave liability, which they can reduce during this time. Others have gone the extreme and asked their employees to take unpaid leave for the duration of the lockdown. The more generous employers have not taken these days from employees. They treated them a national disaster, which the employee has no control over. Therefore, the employee will be paid in full for the duration of the lockdown with no penalty to them.

No one knows when this disease will be defeated but its impact on country economies and company survival will be huge and will last for years to come.

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