

# Coronavirus crisis drives shift to flexible and digital working in SMEs



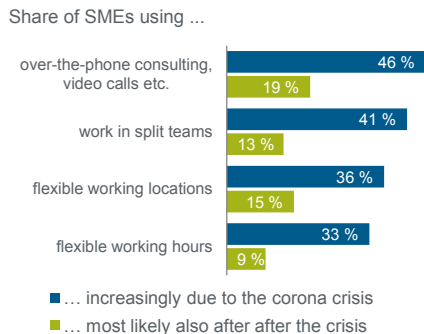
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## Absence of employees disrupts business operations

The coronavirus pandemic has not only caused a decline in demand in the SME sector<sup>1</sup> but also led to employee absences due to illness, quarantine or the need to mind children because of closed daycare centres and schools. This is disrupting the business operations of one in four SMEs. The new distancing and hygiene rules also pose organisational challenges for enterprises. In order to stay in business and protect their employees, many SMEs have increasingly transitioned to flexible and digital working during the coronavirus crisis (Figure 1).

**Figure 1: SMEs are responding with more flexible working arrangements**



Source: Supplementary survey to the KfW SME Panel of April 2020

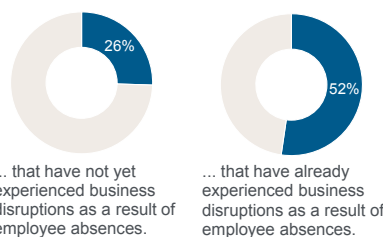
More than one third of enterprises have offered their staff more options to work from home. A similar share has introduced more flexible working hours to avoid missing employees who would otherwise have to take leave because of family obligations. Another measure aimed at reducing the risk of contagion that has been adopted by four in ten companies is to work in split teams. Digital forms of cooperation such as vid-

eo conferences now play a significantly larger role than before the coronavirus pandemic. One in two enterprises are making greater use of such options.

SMEs that have already experienced business disruptions as a result of employee absences are feeling particular pressure to adapt. They have introduced flexible working hours twice as often as those that have not yet been affected by disruptions to business operations because of employee absences (Figure 2).

**Figure 2: Business disruptions increase the pressure to adapt**

Share of SMEs that have introduced more flexible working hours during the coronavirus crisis ...



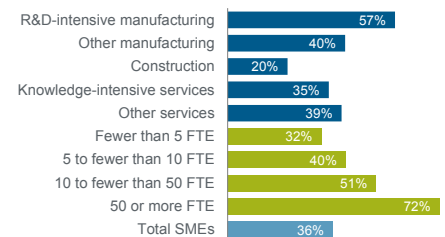
Source: Supplementary survey to the KfW SME Panel of April 2020

## Adapting is easier for large enterprises

However, not all SMEs are able to make working hours more flexible or let their employees work from home. The sector plays a role here but so does the size of the enterprise (Figure 3). Thus, larger enterprises in particular were able to expand their capacities for remote working, while smaller SMEs more often lacked the technological means to do this. The percentage of companies that are pushing remote working during the coronavirus crisis is surprisingly high in the manufacturing sector. Many tasks here

require employees to be present and are tied to fixed production procedures. But even in the manufacturing sector there are certain activities, for example in research and development or in the commercial area, that can indeed be carried out from anywhere. For these areas, working from home is sometimes mandatory to keep the risk of contagion as low as possible for employees performing tasks that require their physical presence.

**Figure 3: Remote working has expanded most in the manufacturing sector**



Source: Supplementary survey to the KfW SME Panel of April 2020

## Some businesses want to continue remote working arrangements

Will the coronavirus crisis lead to more remote and flexible working in the long term? Some SMEs at least think this will be the case (Figure 1). Around 15% believe that working from home will play a larger role in their business even after the crisis. But many SMEs regard the current adjustments as temporary. That is not necessarily in conflict with the interests of their employees. Of those who have worked from home in the past weeks, 54% would like to be able to return to their workplaces again.<sup>2</sup>

<sup>1</sup> Cf. Gerstenberger, J. and Schwartz, M. (2020): **SMEs are firmly in the grip of the coronavirus crisis but (still) holding on strong**, Focus on Economics No. 286, KfW Research.

<sup>2</sup> Cf. <https://www.hessenschau.de/wirtschaft/hr-umfrage-mehrzahl-der-hessen-will-nicht-im-homeoffice-arbeiten,homeoffice-zahlen-100.html>