

# **Analysis of Benefiting Enterprises Policies in Response to COVID-19 and Discussion on Their Effectiveness**

## **-- Taking Wenzhou City as an Example**

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### **Abstract**

**At the beginning of 2020, the sudden impact of COVID-19 brought an unprecedented blow to Wenzhou's economy. The economy of Wenzhou city declined significantly. In response to COVID-19 situation, Wenzhou government formulated and released a series of policies to help small and medium-sized enterprises overcome difficulties in early 2020. In this article, the author summarized policies of benefiting enterprises in response to COVID-19 of Wenzhou City from four aspects: help enterprises reduce operating costs, support enterprises to stabilize employees and encourage resumption of work, increase financial and credit assistance to enterprises, personalized and targeted support for different industries. Meanwhile, feedback from enterprises about benefiting enterprises policies are collected and presented in this article. Three suggestions about benefiting enterprises policies are given by the end of this article.**

### **Keywords**

**Benefiting Enterprises Policies; Policy Implement; Suggestions about Benefiting Enterprises Policies.**

## **1. Wenzhou's Economy Since the Outbreak of COVID-19**

Wenzhou City is located in southeast of China, Wenzhou people have the spirit of dare to break and dare to fight, bear hardships and stand hard work. The private economy is well developed in Wenzhou and private enterprises are very common in Wenzhou. According to the main data bulletin of the Fourth National Economic Census of Wenzhou, at the end of 2018, there were nearly 209,926 small and medium-sized enterprises and 505,425 self-employed households in Wenzhou, among them, manufacturing, wholesale and retail, leasing and business services, accommodation and catering corporate units and self-employed units ranked the top. By the end of 2018, there were 3,424,700 people working in the secondary and third industries, and 1,253,900 people working in self-employed households, among them, manufacturing, construction, wholesale and retail, accommodation and catering industries accounted for the highest proportion of workers.

At the beginning of 2020, the sudden impact of COVID-19 brought an unprecedented blow to Wenzhou's economy. According to data from Wenzhou Municipal Bureau of Statistics, in February 2020, the industrial added value of enterprises above designated scale in Wenzhou was 2.022 billion yuan, down 56.1% compared with the same month last year. The sales value of enterprises above designated scale was 9.469 billion yuan, down 54% from the same month last year. The output value of new products was 2.822 billion yuan, down 51.3% from the same month last year. In November 2020, the industrial added value of enterprises above designated scale in Wenzhou was 11.629 billion yuan, an increase of 10.1% over the same month in the previous year. The sales value of enterprises above designated scale reached 55.464 billion

yuan, an increase of 10.6% over the same month last year. The output value of new products reached 22.678 billion yuan, an increase of 22.6% over the same month last year.

From these data, it can be seen that the beginning of 2020, which was the outbreak period of COVID-19 in China, many industries had to stop production due to the epidemic. The economy of Wenzhou city declined significantly. Wenzhou is mainly composed of small and medium-sized enterprises and self-employed households, which means weak risk resistance, low liquidity, unstable employees and weak self-help ability.

In response to COVID-19 situation, Wenzhou government formulated and released a series of policies to help small and medium-sized enterprises overcome difficulties in early 2020. As we can from above data, by the end of 2020, with the effective control of COVID-19 in China, people basically resumed normal production and life, economic indicators increased significantly, with industrial added value, sales value and output value of new products all increasing compared with the same month of the previous year. Wenzhou's economy has come out of the lowest ebb affected by COVID-19 by the end of 2020.

## **2. The Policies of Benefiting Enterprises in Response to COVID-19 of Wenzhou City**

At the beginning of 2020, Wenzhou launched policies of benefiting enterprises in response to COVID-19. Wenzhou Economic and Information Bureau issued an e-book called "Policies of benefiting enterprises Compilation", which collected 142 relevant policies from the national level to urban level, and achieved good publicity and promotion effects.

Aiming at alleviating the difficulties faced by small and medium-sized enterprises and ensuring the sustainable development of Wenzhou's economy. The policies of benefiting enterprises mainly includes the following three aspects:

### **2.1. Help Enterprises Reduce Operating Costs**

On taxation, Wenzhou government encourage enterprises to make full use of tax cuts and fee reductions, such as applying for exemption of property tax and urban land use tax. At the beginning of the COVID-19, private enterprises and individual businesses which renting state-owned house property were exempted for three months. For government franchise projects, franchise revenue will be waived for 3 months. At the same time, 30% renting subsidies (500000RMB maximum) will be given to business buildings, shopping malls and hotels which had to close during the outbreak of COVID-19. Electricity price was adjusted in a timely manner in accordance with national policies, and the prices of water and piped gas reduced 10% within three months since the outbreak of COVID-19. For enterprises that do not produce or resume work because of pandemic, the basic electricity charges shall be reduced or exempted according to the actual time of suspension.

### **2.2. Support Enterprises to Stabilize Employees and Encourage Resumption of Work**

During the outbreak period of COVID-19, enterprises stopped production, had no income, and could not maintain the normal payment of employees' labor remuneration. There is a special fund for stabilizing enterprise posts. Enterprises that "keep posts and pay" for their employees will be granted subsidies according to a certain proportion of the minimum monthly wage standard. At the same time, enterprises will be allowed to refund deferred social insurance premiums to reduce labor costs. When the epidemic is alleviated and enterprises begin to resume production, government organized and implemented video recruitment, remote interview to help enterprises recruit more employees. Meantime, employees who come to Wenzhou for the first time will be given a subsidy of 1000 yuan per person. Human resource

agencies are encouraged to actively assist enterprises in solving recruitment difficulties, they have implemented non-contact methods such as video recruitment and remote interviews to meet recruitment needs during the pandemic. Human resources agencies which successfully recruited staff for Wenzhou enterprises, received a subsidy of 200-400 yuan per person.

### **2.3. Increase Financial and Credit Assistance to Enterprises**

During the outbreak and resumption period of COVID-19, enterprises will be helped to alleviate the problem of capital chain by strengthening credit guarantee, reducing financing costs and providing two-way subsidies for financing guarantee services. Increasing credit guarantees for enterprises which guarantee material supplies. The government encourages and supports financial institutions to provide low-interest loans and postponement of repayment services. The government forbids financial institutions to cut off loans to enterprises without reasonable excuse. For banks and financial institutions who undertake risk loaning to small and medium-sized enterprises, the municipal finance shall give compensation to them if losses incurred.

### **2.4. Personalized and Targeted Support for Different Industries**

At the same time, the government put forward personalized policies and targeted support for different industries in response to COVID-19. For example, the government increased export premium subsidies, optimized customs clearance services and quarantine procedures etc to help enterprises with foreign business activities; tourism and related industries were basically suspended in the pandemic outbreak period, 80% of the guarantee of tourism service quality was temporarily returned to travel agencies with standard operation and good reputation, so as to relieve the pressure on the capital chain of tourism enterprises.

Control the spread of COVID-19 must minimize the physical contact between human beings, so the government encouraged the development of "non-contact services" business model, enterprises that developed the "order online, offline distribution" business mode and achieve a certain economic scale in E-business shall be rewarded.

In order to ensure food supply for residents, subsidies were rewarded to enterprises who produce and sell primary agricultural products by the standard of 300 yuan per mu or 30,000 yuan per thousand tons, so as to solve the worries of agriculture-related enterprises in production and sales.

For enterprises which produce designated goods and materials, subsidies shall be given by the government if losses are caused. The increase of raw materials and wages in the process of manufacturing specified materials will be fully subsidized by the government after the increase is identified. As for the surplus products that may occur due to the expansion of production capacity, unified purchase will be conducted by government to remove the risk from related enterprises.

## **3. Feedback from Enterprises about Benefiting Enterprises Policies**

At the end of 2020, a telephone survey was conducted to 5 enterprises (2 enterprises from service industries, 1 from tourism industry and 2 from foreign trade industry) to collect the feedback of enterprises about benefiting enterprises policies in response to COVID-19 launched by Wenzhou government from the four dimensions of policy operability, fairness, demand fit and execution.

In view of the difficulties faced by enterprises during the pandemic, the survey showed the shortage of cash flow and insufficient market demand are prominent problems. On one hand, the cancellation or delay of orders lead to inventory accumulation which increases capital cost and the risk of price reduction; on the other hand, rigid expenditures such as employee salaries, bank loans and interest, and site leasing are unavoidable. Reducing cost expenditures to

maintain enterprise survival has become an important proposition for small and micro enterprises.

Survey showed that enterprises had a preliminary understanding of the benefiting enterprises policies launched by Wenzhou government, but lack of deep realization especially about application procedures. Some enterprises think themselves small size enterprises, allowance provided by benefiting enterprises policies is not much, so they are lack of further understanding of motivation. Meanwhile, survey showed the convenience of implementing policies needs to be improved. For example, for special low-interest loan projects, due to the "high threshold" of supervision and cumbersome application procedures, small and micro enterprises are difficult to implement because they are lack of professionals. Enterprises hope to further simplify policy implementation procedures, optimize government services, make policy implementation more convenient and improve the business environment for enterprises. The survey indicated enterprises generally pay attention to policies to reduce operating costs, especially the rent reduction policy. All surveyed enterprises have expressed concern, believing that the rent reduction policy during the pandemic period is of great help to reduce operating cost. However, among the five enterprises surveyed, only one which rented the state-owned assets was exempted rent expense. For the other three, the renter is an individual, and the rent reduction is not strong after negotiation. The last enterprise comes from service industry, due to the expiry of the lease, for the consideration of operating costs, did not renew the lease.

As for the preferential policies supporting stable employment and resumption of work, the surveyed enterprises are not production-oriented labor-intensive industries. With a small number of employees, they didn't concern about this part and haven't applied for relevant preferential policies. The enterprises from the tourism industries were basically closed during the pandemic outbreak period and it paid basic salaries to most of their original employees. However, due to the pressure of cost, some employees were laid off without violating labor laws. As for the policy of precise industry support, the two surveyed tourism enterprises applied for refund of tourism service quality deposit successfully, which alleviated the pressure of capital chain to a certain extent. One of the two service enterprises carried out the business model of "non-contact service", which brought some income during the outbreak pandemic period, but did not meet the standard of applying for rewards and subsidies due to its small scale.

## **4. Suggestions about Benefiting Enterprises Policies**

Based on the analysis of benefiting enterprises policies in response to COVID-19 in Wenzhou and the feedback from enterprises, the following suggestions are put forward:

### **4.1. Emphasizing Scientific Policy-Making**

There should be clear objectives, time requirements, and emphasis on the operability of policy formulation. The government aimed at alleviating the cash flow pressure of enterprises in short-term, and aimed at stimulating consumer demand as well as market vitality in long term.

### **4.2. Build a Sound Policy System**

The perfection of the policy system is related to whether the policy can be implemented. Only by crossing the horizontal and vertical lines, can the policy coverage have no dead corners. In the process of policy implementation, the interaction, communication and cooperation between various departments should be strengthened horizontally, policies should be verified to ensure the compatibility of between different departments. The policy implementation at all levels should be clarified vertically, the district (county) government should be the main body of promoting the policy within the administrative region.

### 4.3. Follow up on the Implementation of Policies

All leading administration departments involved in benefiting enterprises policies should formulate clear task lists, problem lists and objective list, meanwhile formulate scientific and reasonable assessment indicators. Administration department should ensure that policies can be implemented on time and in quantity by tracking and research. Centering on the original intention of policy making, the final evaluation objective is whether Wenzhou small and medium-sized enterprises really make use of benefiting enterprises policy to alleviate various difficulties to help them fighting COVID-19 pandemic economic situation.

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