COVID-19, née Wuhan Novel Coronavirus, is certainly achieving celebrity status as viruses go. Google alone suggests it can find over 300,000,000 results for the subject. By contrast, the new Bond film, No Time to Die, is just under 180,000,000.

COVID-19 is not a straightforward influenza virus, as it is often simplistically portrayed, but instead is a member of the Coronavirus family. This means that it is in fact closer to SARS than, for example, Avian Flu. Following this logic, a comparison to the SARS outbreak of 2002/3 may provide some insight with respect to the potential impacts of the outbreak.

SARS 2002-2003

The emergence of the new and virulent virus Severe Acute Respiratory Syndrome (SARS) in 2002 and 2003 claimed the lives of 774 people and infected over 8,098 people worldwide. The mortality rate for this virus hovered at around 10% whilst the estimated mortality rate for COVID-19 - at 27 February 2020 - 3.4% (based on 2804 deaths against 82,294 infections). Nevertheless, it is early to draw accurate conclusions as the data is still relatively new. Compare this rate to a seasonal flu where the average mortality rate is typically below 1%.

One of the main characteristics of the SARS outbreak was the ‘fear multiplier’ i.e. the reaction of the population to outbreaks in their communities. For example, the economies in China, Hong Kong, Taiwan and Singapore were badly affected and overall Asian currencies sustained big losses as traders converted into the safe haven of US dollars, and there were increases in the risk premiums associated with these economies in international capital markets.

One particular example highlights the power of the fear multiplier. In March 2003 a tourist infected by SARS travelled from Hong Kong to Canada and effectively transported the virus there. Although the episode was contained it resulted in 44 deaths. The interesting thing is that a US survey at that time revealed that 35% of U.S. nationals felt that it was unsafe to travel to Canada. The economic fallout for Canada was considerable: Canadian hotels lost many millions of dollars, a third of the Toronto tourism workforce was laid off, and the Bank of Canada estimated that SARS cut Canadian GDP by 0.6% in Q2 of 2003.

1 https://www.cdc.gov/sars/about/fs-sars.html
Ebola 2014

The 2014 Ebola outbreak offers another example. The WHO reported 28,616 Ebola cases with a very high mortality rate i.e. 11,310 deaths (ca 39%). Whilst the mortality comparison to today’s virus is fortunately very different there may still be some lessons to be learned.

Following the death of a Liberian patient, Thomas Duncan, in Dallas, Texas, on October 8, 2014 the economic consequences of the fear effect induced by Ebola became apparent:

- Parents kept their children from going to school
- The number of diners at restaurants dropped 5% from the same period a year earlier
- Bars and clubs saw custom reduce by 11%
- Hotel occupancy was down 7%, as people cancelled business trips and meetings in the city5. Not all businesses suffered however: Army-Navy stores in East Texas reported a spike in people buying survivalist equipment such as water purification tablets, gas masks, and emergency fuel6.

Are we seeing a similar pattern today?

On January 29 2020, British Airways became the first major airline to cancel all flights to mainland China. Many other international airlines, including Air Canada, the Lufthansa Group, United Airlines and Delta Airlines have restricted or suspended travel.

The United Arab Emirates have suspended all China flights, except for Beijing, and countries like Australia and the US have adopted various restrictions on entry for foreign nationals who have been in mainland China.

The Guardian writes that Chinese in the UK report ‘shocking’ levels of racism after the coronavirus outbreak7 and Sky News report that Chinese people in the UK say they are facing increasing levels of racist abuse - and some have had “coronavirus” shouted at them in the street8.

One college in Cambridge issued a strongly worded email to its students and fellows underlining that discriminative behaviour is unacceptable following an incident where a group of Chinese students were apparently turned away from empty seats with a disparaging remark by people already eating at the table.

The hard-economic impact is also being felt as it is being reported that some 400,000 Chinese tourists are forecast to cancel trips to Japan by the end of March.9 One large cruise ship in Asia was turned away by five countries because scores on board are infected (Cambodia at last allowed it to dock). The Singapore Air Show earned the city-state some $250m in 2018, but far less this week owing to cancellations by 70 companies including Lockheed Martin, an American defence giant.10 The Mobile World Congress, a giant telecoms conference due to take place in Barcelona this month, has been cancelled after companies from Vodafone and BT to Facebook and Amazon pulled out.

JCB, one of Britain's largest manufacturers, is cutting down production at its factories and reducing worker hours in an effort to mitigate significant supply shortages triggered by the coronavirus outbreak.

Although world markets seem to be stabilizing Reuters writes that banks and asset managers have begun forecasting the potential impact the coronavirus could have on the global economy11. Most project that it will reduce global gross domestic product by 0.2 to 0.3 percentage points. Of course, this must be considered against a backdrop of general unease given factors such as climate change, global protectionism and other geopolitical risks. In any case the impacts of the virus will inevitably affect China’s economy and global trade capability for months to come which will have a direct or indirect effect on many countries.

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1 https://www.who.int/csr/disease/ebola/en/
2 GuestMetrics Data, reported in ‘Consumers hunkered down during Dallas Ebola scare’, Sara Eisen, CNBC, 27 Oct 2014
3 How a Minimal Ebola Outbreak Will Devastate the U.S. Economy, D Hodges, 13 Oct 2014
4 How a Minimal Ebola Outbreak Will Devastate the U.S. Economy, D Hodges, 13 Oct 2014
7https://www.economist.com/international/2020/02/16/the-new-coronavirus-could-have-a-lasting-impact-on-global-supply-chains
How could this affect your business?

Precise impacts are impossible to predict as these will be linked to a range of socio-economic factors, coupled with the infection and mortality rates experienced in that territory.

Fear of human contact can lead to people staying at home and taking 'sick days'. With modern technology, most jobs can now accommodate flexible working conditions (i.e. telecommuting) but significant share of jobs still require physical presence. It is plausible that some businesses, and potentially your suppliers, will also close during peak fear.

Your workforce could suffer high levels of absenteeism during the infection wave, not just from those who are ill, but also from employees caring for someone who is ill or from fear. Absenteeism will not be uniform and might be more severe in some departments and regions than others. Critical operations within your business could fail, due to unexpected understaffing in that operational area. Hiring costs for staff may increase.

There may be some deaths in your employees, as even otherwise healthy individuals can experience severe reactions to infection. Your suppliers and counterparties may also have high absenteeism thus impacting the supply chain (as in the JCB situation). Consumers could reduce their purchasing, the economy might slow and of course markets could react badly to a change in virus pattern, causing investment portfolios to suffer devaluation.

Panic behaviour is another concern. When the threat of tankers strike became apparent in 2012 the UK Energy Secretary was criticised for suggesting that people “just need to do the sensible thing... get a full tank of petrol, not a half-tank.”. Queues formed at petrol stations and some garages ran dry.

At some point, Brexit briefly began to move in the direction of potential panic buying and the Financial Times commented that ‘terror’ of going hungry began to take hold as people worried about gridlocked ports and empty shelves.12

One other factor which is not mentioned often is that the initial pandemic infection waves passes around the world in 9-12 months but is usually followed by a second wave as the timeline chart illustrates below:

![Timeline Chart]

Whilst the second wave is not normally as virulent as the first it does add further pressure on already disrupted economies.

Of course, infection rates will vary by town or city and can be much higher than the average i.e. rates as high as 3-5x of average13 could occur locally. This means that some workplaces could be affected more than others through simply ill fortune.

9https://www.ft.com/content/dabb958e-1586-11e9-a581-4ff78404524e
10Pandemic: Scenario Briefing. Highly Infectious Influenza Virus V 0.9 August 2019 Cambridge Centre for Risk Studies
In terms of responding to current events consider the following:

- Ensure you have established a Pandemic response group with defined roles and responsibilities for preparedness and response planning. The group should be led by a Pandemic Co-ordinator who has a direct link to senior management within the organisation. The group should include a wide range of membership from within the organisation.

- Identify the critical activities undertaken by your business which would have to continue during a pandemic, as well as the employees and other inputs that support those activities (e.g. raw materials, suppliers, sub-contractor services/products, logistics, process controls, security). Consider how internal resources could be re-allocated to ensure those activities are maintained.

- Discuss with your suppliers/sub-contractors whether they have robust Business Continuity plans in place – your organisation is only as good as those on which it depends.

- Expect absenteeism. Keep a careful track of attendance and implement a buddy system to have staff check on each other. Prepare for the potential of essential departments and functions being understaffed for a period of time. Have additional ‘overlap’ staff who have skills and training to perform tasks in essential departments and functions. Consider preparing an additional pool of workers to undertake key tasks and provide training where appropriate (e.g. contractors, cross train employees, retirees). Remember that absenteeism could rise as a result of several factors including personal illness, family member illness, bereavement and possible disruption to other sectors (e.g. closures of nurseries and schools or reduced public transport).

- Determine the potential impact of a pandemic on your business-related travel (e.g. should international travel be curtailed in certain countries due to quarantines and/or border closures).

Higher end impacts could include:

- Different global areas will be hit at different times, and hence disruption may be occurring in different parts of the world for many months

- Country risk premiums may increase

- Exchange rates can be strongly affected in markets where the rates of infection are worst

- Some sectors of the economy may be particularly battered, including airline stocks, tourism and hospitality sectors

- Interest rates could increase, and

- Markets could fall, as investment portfolios suffer devaluation

What contingencies should be considered?

There is no one size fits all solution, but a few basic questions are worth asking:

| What levels of absenteeism would cause problems for operational continuity of your business? |
| What if key departments suffered higher absenteeism than others? |
| What contingency arrangements are there in place to manage supply shortages? |
| Are there clear HR policies for managing absenteeism during a pandemic? |
| What are the communication strategies to your customers, shareholders, unions and other key stakeholders? |
Conclusions
Regrettably, we do not have the option of ignoring the risk of COVID-19 and its possible effect on the economy and society in general. However, preparing and being able to respond in a timely fashion will help to manage the consequences more effectively and thereby mitigate health risks and damage to reputation, operations and profits which ultimately is what we have a moral and professional obligation to do.

- Guided by advice issued by Government, establish policies for sick-leave absences unique to a pandemic, including policies on when a previously ill person is no longer infectious and can return to work after illness (i.e. when they are no longer showing symptoms and feel better) and reach agreement with trade unions and other professional representative bodies on such policies.

- Establish policies for flexible worksite (e.g. working from home) and flexible work hours (e.g. staggered shifts) and policies for reducing spread of influenza at the worksite (e.g. promoting respiratory hygiene/cough etiquette and asking those with influenza symptoms to stay at home). Consider policies for employees who are suspected of illness, or who become ill at the worksite (e.g. infection control response, sick leave policies).

- Establish an emergency communications plan and revise it periodically. This plan should identify key contacts (with back-ups), chain of communications (including suppliers, customers and employees), and processes for tracking and communicating business and employee status.

- Implement an exercise to test your plan and revise periodically taking into account updated advice and guidance from Government.

- As a general approach to reducing the spread of the infection across the country, assess your business needs for continued face to face contact with your customers/suppliers. Consider plans to modify the frequency and/or type of face-to-face contact (e.g. video or tele-conferencing instead of travelling to meetings) among employees and between employees and customers. Consider whether enhanced communications and information technology infrastructures are needed to support employees working from home, tele-conferencing instead of face to face meetings and remote customer access.

- Plan for a likely increase in demand for employee's welfare services, if they are available, during the pandemic. Identify employees and key customers with special requirements and incorporate the requirements of such persons and entities into your preparedness plan.

- Consider your customers’ needs during a pandemic and whether to review your business model and arrangements to continue to meet those needs. (e.g. enhance mail ordering and internet shopping capacities)

- Set up authorities, triggers, and procedures for activating and terminating the company's response plan, altering business operations (e.g. reducing operations as necessary in affected areas), and transferring business knowledge to key employees. This should include nominating deputies for key employees in advance, in case of absence.

- Consider your policy on access to medical treatment for UK staff working overseas, and whether any specific arrangements need to be put in place. More generally develop policies, based on duty of care, on managing your overseas staff considering possible reduced access to consular services.
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