International Labour Organization

ORGANIZATION OF EMPLOYERS OF MACEDONIA

BUSINESS CONFEDERATION OF MACEDONIA

Evolving challenges and expectations facing Macedonian enterprises during the COVID-19 pandemic

Second edition

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Abbreviations

BCM	Business Confederation of Macedonia
ILO	International Labour Organization
MSMEs	Micro, small and medium-sized enterprise
OEM	Organization of Employers of Macedonia

About the survey

After almost one year of the COVID-19 crisis in North Macedonia, the future is still uncertain. While the various vaccines provide some cause for optimism, the causes for concern include the mutations of the virus and new information from the World Health Organization on the likely persistence of the pandemic in 2021. The present report is part of the joint efforts of the Organization of Employers of Macedonia (OEM) and the Business Confederation of Macedonia (BCM) to collect evidence on how the crisis is affecting business operations and viability and to influence the Government's new economic emergency measures so that they are supportive of business needs.

The pandemic has negatively impacted overall economic activity in North Macedonia, where average GDP decrease was -5.3 per cent in the first three quarters of 2020. The labour market showed some resilience, according to Labour Force Survey data. The employment rate in Q3 2020 was 54.1 per cent, while the first quarter of 2020 saw falling employment on an annualized basis (0.7 percentage points lower than in Q3 2019). Within this period, 13,700 jobs were lost, which accounts for 1.8 per cent of total employment. The unemployment rate declined throughout 2020, reaching 16.5 per cent in Q3, which is 0.6 percentage points lower than the previous year. In a recent interview, the Minister for Economic Affairs stated that the Government had saved some 80,000 jobs with its emergency economic stimulus packages.[1]

Recently, two ILO-supported reports were published in North Macedonia. The report on the impact of COVID-19 pandemic on enterprises in North Macedonia[2] presents the results of the first enterprise survey and provides recommendations for policy makers, while the ILO rapid assessment evaluates the employment impacts of the pandemic and policy responses.[3]

With technical support from the ILO, the second edition of the enterprise survey was conducted in North Macedonia from October to December 2020. The survey was administered in an electronic format through a number of channels and the survey questionnaire was similar to the one used for the first edition in April- May

1 Statement of the Minister for Economic Affairs, Coordination of Public Economic Institutions and Investment on 26 January 2021. Available at https://iportal.mk/makedonija/bitikji-spasivme-na-jmalku-80-000-rabotni-mesta-kreirame-novi-antikrizni-merki-od-pedesetina-predlozi/.

2 Macedonia 2025. The Impact of the COVID-19 Pandemic on Enterprises in North Macedonia. May 2020. Available at: https://socijalendijalog.mk/wp-content/uploads/2020/08/ENG-Report-on-the-impact-of-Covid-19-FINAL-rev-4-17-8-20.pdf

3 International Labour Organization 2020. COVID-19 and the World of Work: Rapid Assessment of the Employment Impacts and Policy Responses. North Macedonia. First edition. May 15 2020. Available at: https://www.ilo.org/wcmsp5/groups/public/---europe/---ro-geneva/---sro-budapest/documents/publication/wcms_746124.pdf

2020, to allow for some comparison. The survey was not intended to be representative in a purely statistical sense; rather the goal was to collect as many responses as possible.

Details of the survey demographics can be found in the Annex. Most of the surveyed enterprises were small (35 per cent) or microenterprises (32 per cent). Many of the surveyed enterprises (30 per cent) are in the manufacturing sector, 15 per cent are in other service activities and 12 per cent are in wholesale and retail trade. Some 246 enterprises completed the survey.

The second edition of the survey is shorter and the questions are better suited to studying the current economic and pandemic situation. It also provides richer data from a gender perspective and teleworking. It measures enterprise perceptions with regard to their operational continuity, financial health, workforce status, effectiveness of current government support measures and business sentiment. The survey responses were used to define a set of actionable recommendations based on the needs of enterprises.

Key findings and policy recommendations

The situation facing Macedonian enterprises has significantly improved since the time of the first survey, implemented at the beginning of the COVID-19 pandemic, in the second quarter of 2020 (April–May). The second edition of the survey was conducted in the fourth quarter of 2020 (October–December).

The vast majority of enterprises (83 per cent) resumed their operations in the fourth quarter of 2020. This was the case for only 44 per cent of enterprises that responded to the first survey (April–May). Of the enterprises operating at full capacity in the fourth quarter of 2020, 54 per cent were operating fully on site, compared with only 22 per cent during April–May. About a quarter of enterprises were operating at full capacity by combining on-site operations and teleworking. Only 7 per cent of enterprises in the fourth quarter of 2020 were working at significantly reduced capacity compared with 19 per cent in April–May. Slightly more than 50 per cent of surveyed enterprises reported that the main operational challenges were the absence of employees from work due to illness or government orders, a large decline in demand for the company's products, and late payments by customers. Additional challenge included the inability to organize teleworking, reported by 44 per cent of the surveyed companies.

Most of the surveyed enterprises (86 per cent) recorded a decline in revenues due to COVID-19 compared with the previous year. Positively, the extent of revenue declines has improved over the two survey periods. During the fourth quarter, 31 per cent of enterprises experienced a decline in revenues of more than 40 per cent, while another third experienced a decline in revenues of 20 and 40 per cent compared with the same period in 2019. Microenterprises experienced the greatest loss in revenues relative to small, medium-sized and large enterprises. The majority of enterprises, (72 per cent) noted that profitability in 2020 would be lower than in 2019. This is similar to the findings of the April–May survey, which found that 78 per cent of enterprises expected a decline in profitability. Only 3 per cent of enterprises expected an increase in revenues in 2020 and 8 per cent expected to be more profitable in 2020 relative to 2019.

A significant share of enterprises (64 per cent) mainly used their own reserves to make up for inconsistent or insufficient cash flow resulting from the pandemic. About a third of enterprises resorted to loans, of which 24 per cent relied on commercial loans and 11 per cent on loans from the Development Bank of North Macedonia. About 17 per cent of enterprises did not experience any cash flow difficulties. A comparison between the two surveys suggests that the government measures overall provided support to enterprises by improving access to finance (mainly involving the Development Bank, but also commercial banks).

To improve their business resilience, over half of enterprises surveyed (52 per cent) offered new products and services or made modifications to existing ones. About 35 per cent of enterprises decreased the price of selected products and services; a quarter of enterprises deployed alternative means to reach out to their customers by providing delivery and/or online purchasing; and 9 per cent reported that they had recruited new employees as a strategy to increase revenues. Nevertheless, critical challenges – specifically in the value chain – were also reported, including insufficient domestic demand (57 per cent) and low external demand (27 per cent).

Similar to the results of the first survey, the findings from the fourth quarter showed that only a small proportion of enterprises (12 per cent) resorted to dismissing workers despite the massive economic challenges brought by the pandemic. Enterprises used alternatives to reduce staff costs, such as reducing/delaying increases in annual wage bonuses, reducing/freezing recruitment of new staff and reducing staff development costs. Of the companies that dismissed staff, most dismissed less than 10 per cent of their workers. At the time of the survey, 3 per cent of enterprises reported that they would definitely dismiss staff by the end of the year, and 20 per cent responded that they would probably do so.

Unsurprisingly, a significant share of enterprises in North Macedonia have implemented teleworking, an option that was very rarely used prior to the pandemic (9 per cent of enterprises). Some 67 per cent of enterprises used teleworking at the peak of COVID-19[4], and about a third indicated that they would continue to implement teleworking even when the pandemic is over. That being the case, the pandemic has brought about a substantial change in the mode of working in North Macedonia. About 26 per cent of enterprises responded that they would amend their practices to allow for greater use of remote work and flexible work arrangements.

With regard to government support, enterprises showed relative dissatisfaction (expressed by 61 per cent) with the adequacy of the measures to tackle the negative effects of COVID-19 on the economy. Of these, 18 per cent believed the measures were totally inadequate and 43 per cent believed the measures could have been better. The measures saved 3 per cent of the responding enterprises. Similar to the findings of the first survey, the measure enterprises valued most was wage support (wage subsidy), as reported by 50 per cent of enterprises, while 11 per cent noted that this measure saved their business. This was followed by the moratorium on debt payments and the reduction of VAT for some industries. Of all responding enterprises, 22 per cent stated they would certainly apply

4 In North Macedonia, April-May 2020 was the period with most intensive lockdowns, curfews and restrictions on operations on certain sectors (such as restaurants, hotels, etc.). Most of the activities have been restored (close to normal) since then. Hence, despite that the peak of the COVID-19 cases was recorded in November 2020, the term peak is commonly associated with the period April-May, i.e. when the first survey was conducted.

for the measures of the fourth package of emergency economic measures, and 29 per cent stated they would probably apply. Of those enterprises that would apply for the fourth package of measures, 46 per cent intended to apply for wage support, 16 per cent intended to apply for grants for specific industries and 14 per cent for deferral of loan payments.

Less than half of the responding enterprises (47 per cent) held the view that the Government had incorporated the main demands of the business community in designing the fourth package of economic support measures. A large proportion of enterprises (41 per cent) expressed the need for a fifth package of measures. Wage support was reported to be the most helpful additional measure to include in the fifth package of measures, followed by additional loans subsidized or guaranteed by the Development Bank of North Macedonia. Respondents also mentioned the deferral of tax credits, as well as some "soft" measures, such as better information about the available measures and related contact information, and the regular work of state institutions. Large enterprises are less in need of additional measures, although wage support is the most important measure for them, too.

While most enterprises expected to make a full recovery, they expected the recovery would be relatively slow. About 41 per cent of enterprises expected the recovery would take more than a year and 35 per cent expected it would take 6–12 months.

Policy recommendations

Findings from the second enterprise survey provide systematic evidence on the magnitude of the impact of COVID-19 on Macedonian enterprises. So far, enterprises have benefited from government support and measures, although it is difficult to estimate whether this support was sufficient. At one end of the spectrum, some enterprises reported that the measures saved their business (from 1 per cent to 11 per cent of businesses, depending on the measure), whereas at the other end, some enterprises did not benefit from any of the available measures because they did not need them or because they were ineligible. Approximately 9 per cent of enterprises (on average) reported that the measures were adequate but that the company would have survived without them (showing a deadweight loss).

Based on the findings of the survey and consultations (including focus group discussions) with business representatives, the Organization of Employers of Macedonia and the Business Confederation of Macedonia collectively propose the below recommendations to the Government:

▶ Adopt a fifth package of economic measures to further support enterprises to sustain their operations

Based on the survey findings and acknowledging that the pandemic has become a protracted one and that vaccination in North Macedonia is expected to start later than in the European Union countries, enterprises will need additional support to be able to maintain their operations and accelerate recovery.

- **Develop stricter and more appropriate eligibility criteria for enterprises qualifying for government support**

After the initial shocks to the economy and businesses, enterprises have adapted to the new environment and some of them will soon recover fully (after implementing some adjustment policies). Hence, the fifth package should include stricter criteria and be available only for those companies that are still experiencing financial losses and an uncertain future. This is important to reduce deadweight losses and the price that will be paid by citizens in the future (amid rising public debt).

Moreover, in the view of Macedonian enterprises, the criteria used for some economic support measure were not fit-for-purpose. One example is the criterion of a decline in turnover (as a business success measure), which is the main eligibility rule for wage support (job retention measures). In the employers' view, a decline in turnover should be used as a criterion for direct support to enterprises, not as a means to support the payment of wages.

- **Continue providing wage subsidies to the hardest hit enterprises, with changes in the targeting and eligibility criteria**

The Government should reassess the need for continuing the wage subsidy programme after January 2021. It is the programme/measure that enterprises most want (as part of the fifth package). However, enterprises have also voiced a desire for some changes in targeting and criteria. In particular, while this measure has saved many jobs, in many cases workers are not performing any work because the workload is low. The targeting for this measure to date has been broad, which may have been justified in the past when there were many unknowns. If support for wages continues, it should be much better planned and designed. A more important issue for enterprises is the number of lost working hours. During the COVID-19 pandemic, enterprises have experienced major losses in hours worked for several reasons: paid leave, forced paid or unpaid leave, COVID-19 infections and self-isolation measures, reduced workloads, lockdowns and so on. The ILO has developed a detailed design proposal for such a measure (initially proposed to be implemented in July–December 2020) and calculated the costing. The monthly cost of this measure was calculated at approximately EUR 19.7 million,[5] much lower than the wage support measure in the current design, which on average cost EUR 28 million per month.[6] According to the criterion proposed by the ILO (a combination of hours worked, employment and turnover) the wage subsidy will cover

5 ILO calculations (monthly amount) based on the proposal for job retention measure, available upon request.

6 Average monthly cost of actual wage subsidy support for the period April–June using official government information.

approximately 84,000 workers per month compared with approximately 117,000 workers covered by the wage subsidy in the period April–June 2020, on average.

Moreover, enterprises have expressed criticism of the qualification criteria for wage subsidies. For instance, the wage subsidy programme for the period October–December 2020 required enterprises to maintain the same number of employees as in August 2020. This criterion is difficult (and costly) to comply with in some sectors with large seasonal fluctuations, such as hotels and restaurants in summer tourist destinations. Instead, comparisons should be made with the same period in 2019.

▶ Provide direct support to enterprises to partially cover their losses

Macedonian enterprises reported that government support should be provided in the form of direct aid and grants, to cover (a portion of) losses so that enterprises can survive and retain employees or expand in the future, rather than to "artificially" retain employees when there is little to no work. Enterprises argue that while low-cost or no-cost credit lines can provide liquidity to enterprises, it is still a loan that will have to be repaid in future. Direct support in the form of grants has been implemented in some countries of the European Union (for instance, Germany), but the criteria/targeting must be carefully defined and should be directed only to enterprises hard hit by the pandemic (the ILO has proposed a set of criteria to distinguish enterprises that have been most heavily affected[7]).

▶ Adjust the criteria by which enterprises may access liquidity loans

We recommend that more liquidity loans be offered to companies through the Macedonian Development Bank. However, it may be necessary to change the criteria. Some enterprises take the view that access to loans was limited to financially fit enterprises (those without debt), which would survive even without loans. Similarly, large enterprises were excluded from support.

▶ Accelerate the return of state institutions to full administrative functions and provision of services to support enterprises

We reiterate the need for institutions to resume the provision of services and administrative functions that support business. Respondents to this survey repeated the need for state institutions to function well and to provide proper services to enterprises (and citizens). Enterprises also voiced the need for reduced parafiscal charges and burdens, such as payments related to licences for environmental protection, for running laboratories and so on. This may be sector-specific and thus the government may consult employers' organizations and associations from different industries to identify the most burdensome parafiscal charges and plan which ones to ease during the pandemic.

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7 The proposal for job retention measure is available upon request.

- **Focus on long-term measures related to supporting and co-financing enterprises' investment activities**

We fully support measures that include an investment component and that will help enterprises to increase their productivity, as there is an urgent need to increase the growth of the Macedonian economy, especially in the context of rising public debt.

We suggest that some temporary changes be made in the Law on Financial Support for Investments,[8] easing the access criteria and providing more support for enterprises wishing to invest in this difficult and uncertain time. For instance, one eligibility criterion for financial support (Article 9) is that enterprises should have recorded an increase in their revenues in the year before the application. This is difficult to comply with for 2020. The Government should consult with the employers' organizations on this and on similar changes to the Law to improve access and support enterprises in investments and productivity increases.

- **Improve the regulation on teleworking, which is becoming more widespread among Macedonian enterprises**

More and more enterprises have turned to teleworking during the pandemic out of necessity, and it is evident that teleworking will continue to be used after the pandemic. An appropriate legal framework is needed for the implementation of this non-standard form of work in North Macedonia. While there have always been regulations on non-standard forms of working (performed in a separate workspace) in Macedonian labour legislation, there is a need for further regulation to resolve legal uncertainties for both employers and employees.

8 Official Gazette No. 83/2018, with some subsequent amendments.

I. Overview of Government response to the COVID-19 crisis

By 15 January 2021, the Government of North Macedonia had adopted and implemented four economic emergency packages, which contained 70 measures to provide relief during the COVID-19 crisis. The total value of the packages is EUR 1 billion (9.2 per cent of 2020 GDP).[9] Because of the political situation (the so-called technocratic government and the fact that parliament has not been functioning properly because of postponed elections), most of the measures from the first two packages were adopted in the form of Government Decrees with the power of law.[10] This enabled a rapid response to the pandemic (even faster than the regular parliamentary procedure).

The economic emergency packages in North Macedonia have generally focused on the following areas: (i) macroeconomic measures to support the economy and prevent large declines in economic activity; (ii) support for businesses to survive this period and preserve jobs (especially those directly impacted by the pandemic); (iii) extension of social protection to the most vulnerable citizens, including the informally employed; (iv) stimulate domestic consumption and domestic production through one-off payments to poor citizens; and (v) protect workers' health and safety and the health of the overall population.

The first two packages of emergency measures were adopted on 10 March[11] as rapid intervention measures, including a lockdown, mandatory quarantine, travel restrictions, school closures and closure of national borders. The first sets of measures aimed at helping businesses and vulnerable citizens to cope with the difficult time were adopted on 18 and 31 March 2020. The main business support measures were as follows: intensified safety measures at workplaces; subsidies for wages and/or social contributions to the level of the minimum wage (MKD 14,500 per employee); temporary income support measures, namely the payment of a minimum wage for athletes and artists, as well as self-employed persons (sole proprietors), craftspeople, and farmers; deferral of the payment of tax advances; schemes for no-interest or low-interest loans through the Development Bank.[12] The third package of measures (expected to cost EUR 355 million in case of full implementation) was focused mainly on providing additional income

9 The Government opened a dedicated website for COVID-19, as well as for COVID-19 economic measures. All measures are explained here: https://vlada.mk/ekonomski-merki-COVID19.

10 President of North Macedonia proclaimed the state of emergency on March 18, which gave a mandate to the technical government to enact Decrees with a power of a law.

11 For a description of the measures in English, see https://vlada.mk/node/20488?ln=en-gb.

12 Farmers registered under the Law on Pension and Disability Insurance were exempted from this measure.

support mainly to poorer citizens.[13] Some of the measures included: consumption vouchers for unemployed and low income earners (aged 16+) for Macedonian products; support for students and young people in the form of training grants; VAT-free weekends to stimulate consumption; and support for micro, small and medium-sized enterprises (MSMEs) in the agriculture sector.

In October 2020 the Government adopted a second supplementary budget to take into account the fourth package of economic measures to mitigate the effects of COVID-19. The fourth set of measures included 31 measures grouped into four categories, as follows: direct financial support to companies; financial support to citizens; tax relief; and measures for systemic solutions. The supplementary budget includes EUR 160 million for the fourth package of measures. Most of the measures from this package required some amendments to legislation, hence the implementation of some measures will start in 2021. However, some measures, such as the wage subsidy, were implemented immediately in November (for October wages). New categories of vulnerable and low-income citizens were included in this package, and one-off financial support of MKD 6,000 (approximately EUR 98) was provided to them. They include single-parent families, passive job seekers and retirees with monthly pensions of up to MKD 15,000 (EUR 244).

It is noteworthy that a number of proposals and recommendations stemming from the first enterprise survey (April–May 2020) have been incorporated in the packages of emergency economic measures adopted by the Government, as follows:

- **An extension of the wage subsidy programme initially to June and then starting again in October, after the new Government took office;**
- **A change in the design of the wage subsidy programme (scalable subsidy depending on the enterprise's losses);**
- **Additional liquidity loans through the Macedonian Development Bank;**
- **Lifting of the restrictions for employees who are parents, who stayed at home, thereby disrupting the regular operations of some businesses (also ending prolonged maternity leave).**

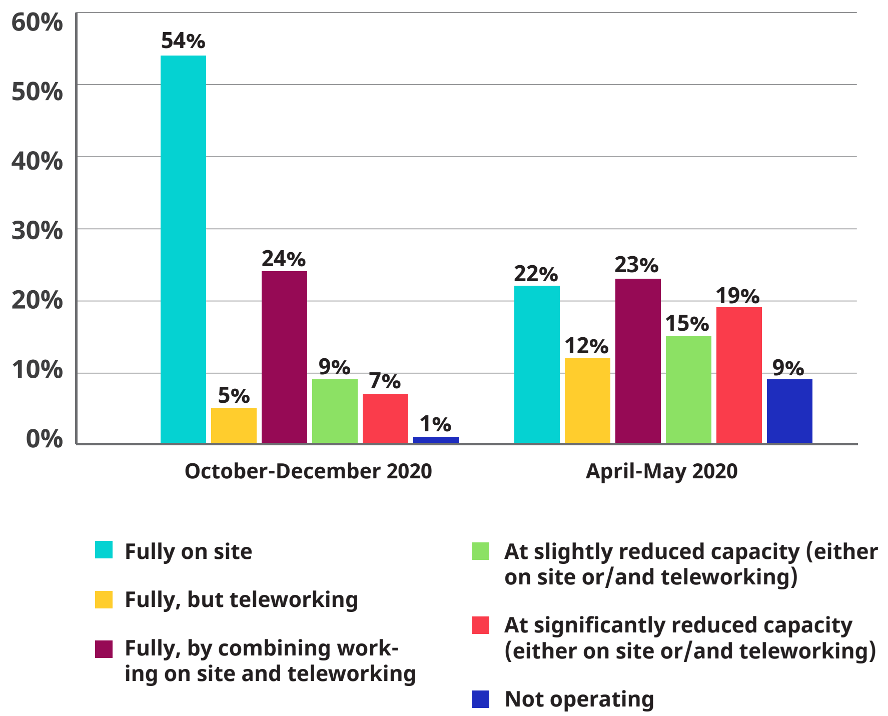
At the time of writing this report, the Government is working on a new package of emergency measures. The total amount to be expended on this package is EUR 50 million, and it will be directed towards microenterprises. The Government is consulting with employers' organizations and other business organizations on the design of specific measures in the package.

13 https://vlada.mk/node/21431

▸ II. Impact of COVID-19 on enterprise operations and revenues

Survey data show that enterprise operations have significantly improved since easing the lockdowns and other restrictions on movement (such as curfews) that were imposed during the period March–May 2020. In particular, at the time of the second survey some 83 per cent of surveyed enterprises were operating at full capacity, though in different modes of work. Some 54 per cent of enterprises were operating fully on site, compared with only 22 per cent during the lockdown (Figure 1). About a quarter of enterprises were combining work on site and teleworking, and they were operating at full capacity, both in the lockdown and at the time of the survey. While during the lockdowns 19 per cent of enterprises were working at significantly reduced capacity, this rate fell to only 7 per cent of enterprises in the fourth quarter of 2020.

Figure 1. Level of operation of companies, at the time of survey and during the lockdown (percentage of all surveyed enterprises)

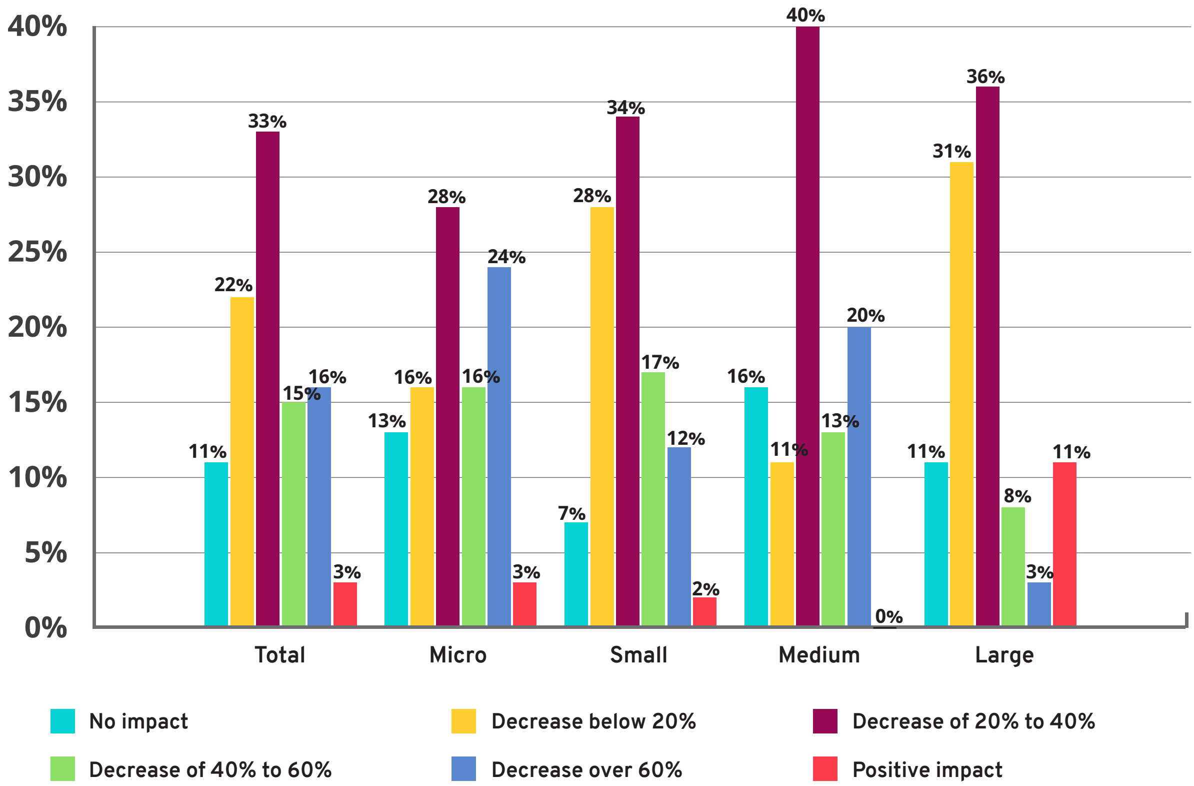


Source: Enterprise survey, October–December 2020.

By comparison, during April–May at the time of lockdowns and curfews, only 57 per cent of enterprises were operating at full capacity (either on-site or teleworking), and 9 per cent were not operating.

As expected, the large majority of surveyed enterprises recorded a decline in revenue during the COVID-19 pandemic compared with the previous year. Only 3 per cent overall reported an increase (Figure 2). About 31 per cent of enterprises experienced a decline in revenues of more than 40 per cent, whereas one third of enterprises saw a decline of 20–40 per cent, compared with the same period in 2019. The data showed some recovery among enterprises, as in April–May about 43 per cent recorded decreased revenue of over 50 per cent.[14] An analysis by enterprise size shows that large companies suffered least in terms of falling revenue, whereas microenterprises suffered the most (40 per cent of microenterprises recorded a decline of more than 40 per cent).

Figure 2. Impact of the COVID-19 crisis on enterprise revenues by enterprise size, 2019–2020 (percentage of respondents)



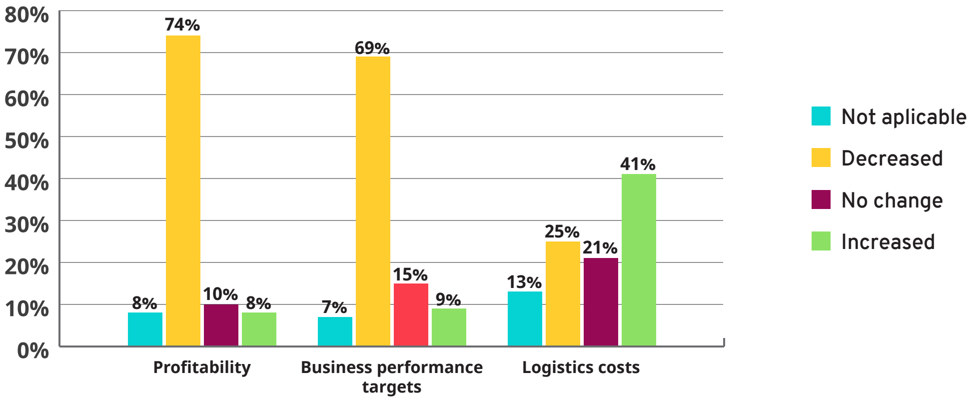
Source: Enterprise survey, October–December 2020.

For 74 per cent of enterprises, profitability in 2020 was lower than in 2019 (Figure 3). This is similar to the findings of the April–May survey, which showed that 78 per cent of enterprises expected a decline in profitability. About 10 per cent

14 A distinction was drawn between minor (less than 20 per cent decline), moderate (20–50 per cent) and significant impacts (over 50 per cent).

reported no change in profitability and 8 per cent expect to be more profitable in 2020 relative to the previous year. Most enterprises also reported that they reduced their business performance targets (69 per cent) and that their logistics costs had increased (41 per cent).

Figure 3. Expected impact of COVID-19 on the financial performance and business success in 2020 (percentage of enterprises)



Source: Enterprise survey, October-December 2020.

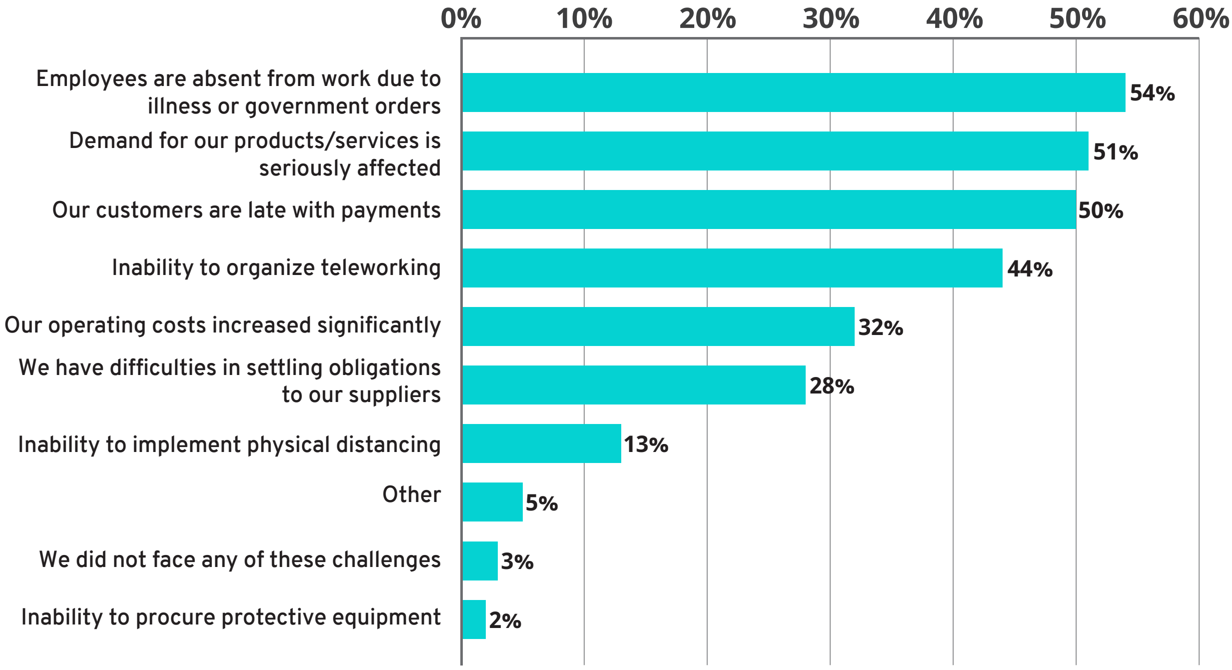
All enterprises irrespective of size experienced similar declines in profitability, although the intensity is somewhat higher for large enterprises (80 per cent reporting a decline in profitability) and for small ones (74 per cent). Regarding performance targets, data show that the least hard-hit were microenterprises. Across sectors, the biggest decline in profitability was recorded in professional, scientific and technical services, construction and trade.

III. Main challenges and adjustment strategies

Fewer than half of the surveyed enterprises (47 per cent) had a contingency plan prior to the COVID-19 pandemic. However, only 13 per cent of the enterprises without a contingency plan prepared a written business continuity plan following the outbreak of COVID-19.

The top three operational challenges facing enterprises because of COVID-19 were: the absence of employees from work due to illness or government orders (reported by 54 per cent of companies); a substantial decline in demand for company's products and services (51 per cent), and late payments by customers (50 per cent) (Figure 4).

Figure 4. Main operational difficulties faced by companies as a result of COVID-19



Source: Enterprise survey, October–December 2020.

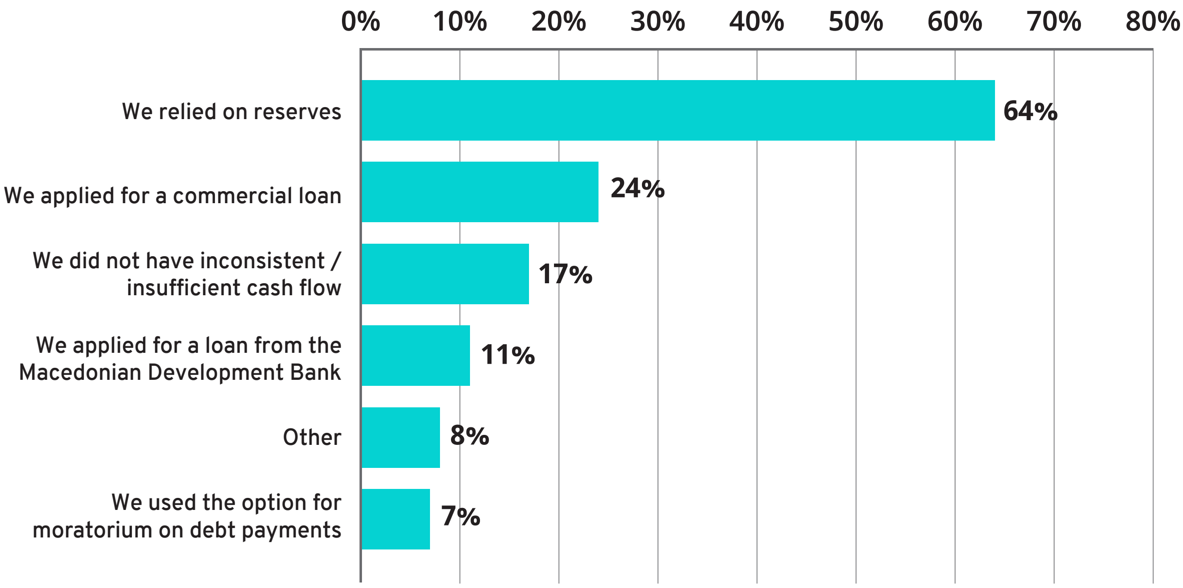
Some 64 per cent of respondents said they used their reserves to make up for inconsistent/insufficient cash flow during the pandemic (Figure 5).[15] About one third of enterprises resorted to loans, 24 per cent relied on commercial loans

15 Respondents were given an option to select all answers/options that apply to their situation.

and 11 per cent relied on loans from the Development Bank of North Macedonia. Some 17 per cent of enterprises did not experience any difficulties with cash flow. The findings of the April–May survey indicated that 47 per cent of enterprises had their own funds or accessed external funding. This was much lower than the share of enterprises that reported the use of these two options for financing in the October–December survey. This may suggest that enterprises were more pessimistic in the first survey (especially related to their own funds) and/or that the government measures that improved access to finance (mainly involving the Development Bank but also commercial banks) were the right policy.

Besides the options provided for answering this question, respondents indicated they had other means of overcoming cash flow struggles, including the use of private funds. Some also reported that they had applied for loans from the Development Bank of North Macedonia, but they had not received any response.

Figure 5. Ways enterprises coped with inconsistent/insufficient cash flow

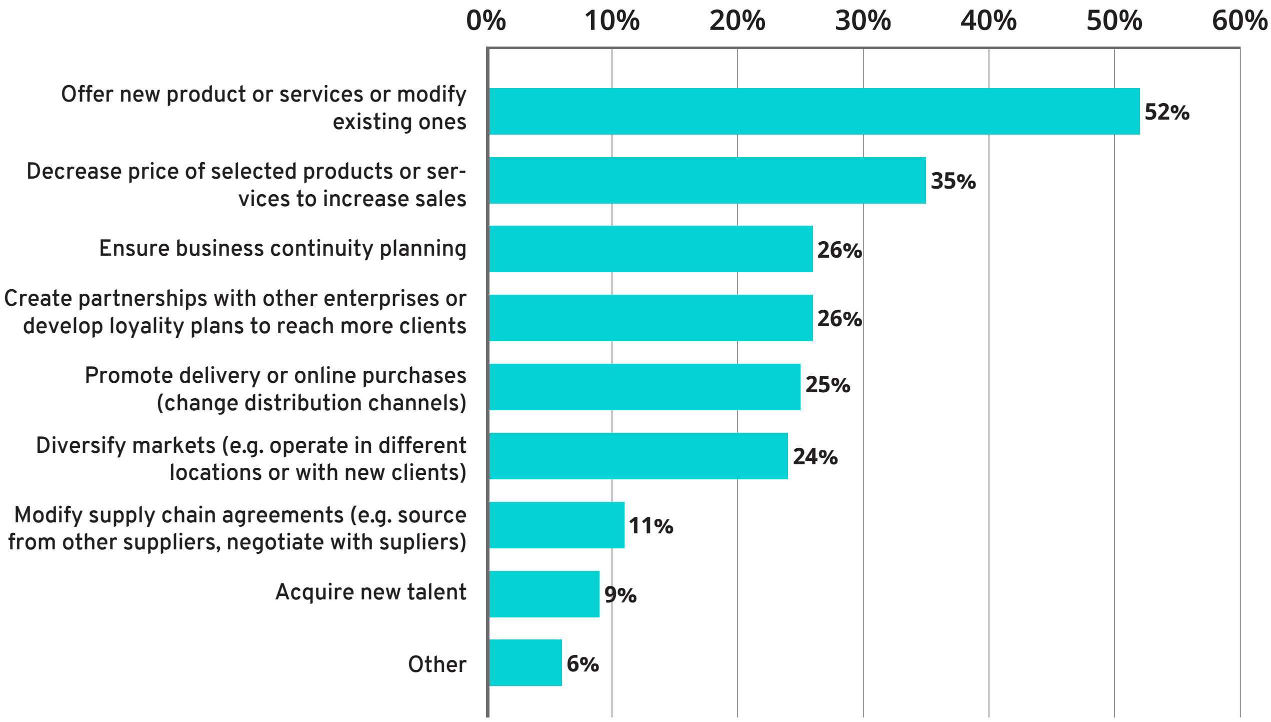


Source: Enterprise survey, October–December 2020.

Enterprises turned to different strategies to increase their revenue during the COVID-19 crisis. Slightly more than half of enterprises (52 per cent) offered new products or services, or they modified existing ones (Figure 6). About 35 per cent of enterprises decreased the price of selected products/services with a view to increasing sales and revenues (assuming customers were highly price sensitive). A quarter of enterprises reached out to customers by providing delivery and/or online purchasing. Only 9 per cent reported that they had taken on new staff as a strategy to increase revenues.

The survey results show some changes in the revenue-enhancing strategies of enterprises compared with the results of the April–May survey (though the question is not the same). In particular, in the April–May survey, a similar share (28 per cent) of companies responded that they were reaching customers in new ways (such as introducing online sales). This was a rapid change, but few enterprises (14 per cent) diversified their production or began offering products that were in higher demand. Even if it took a while, this suggests that Macedonian enterprises managed to adapt to the health and economic crisis.

Figure 6. Main strategies for increasing revenues during and following COVID-19

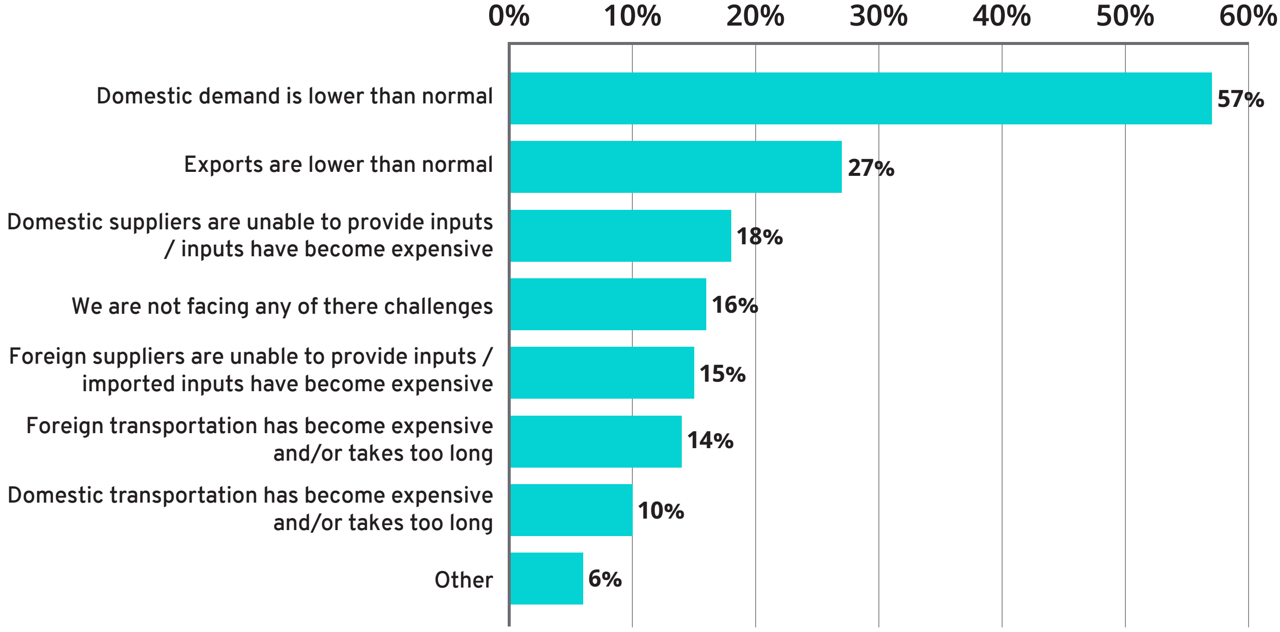


Source: Enterprise survey, October–December 2020.

The main challenge for the surveyed enterprises within the value chain is insufficient domestic demand, which was reported by 57 per cent of the responding companies. This is partly related to the characteristics of the survey respondents, of which 61 per cent operate only domestically. About 27 per cent of the companies also reported facing lower external demand, and 16 per cent of all enterprises did not experience any difficulty within the supply chain. (Figure 7).

Few enterprises resorted to firing workers during the economic challenges brought by the pandemic: only 12 per cent of enterprises reported having dismissed staff, while 7 per cent even increased the number of employees (Figure 8). A relatively high share of enterprises (39 per cent) reduced or delayed increases in wages and annual bonuses or reduced/froze recruitment of new staff. In addition, many enterprises (36 per cent) reduced staff development costs. In the April–May survey, 9 per cent of enterprises reported that they had fired workers, in most cases less

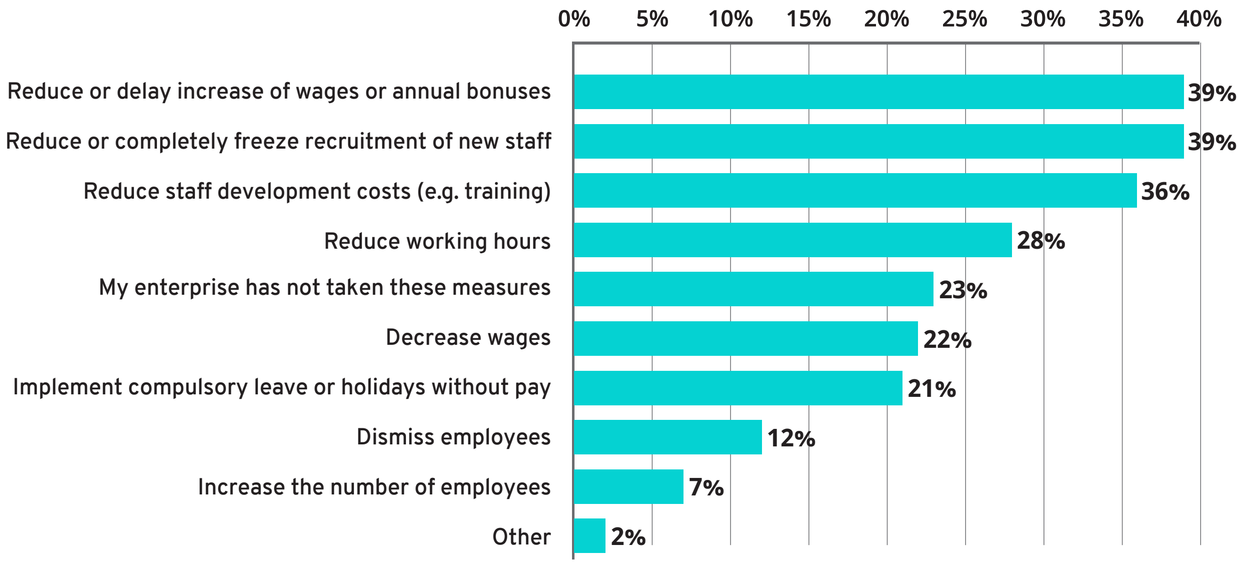
Figure 7. Main challenges of enterprises within their value chain



Source: Enterprise survey, October–December 2020.

than 10 per cent of their workforce.[16] Most enterprises reduced working hours (69 per cent). The share of enterprises that implemented compulsory leave/involuntary vacation is similar in the two surveys.

Figure 8. Measures used by enterprises related to the workforce

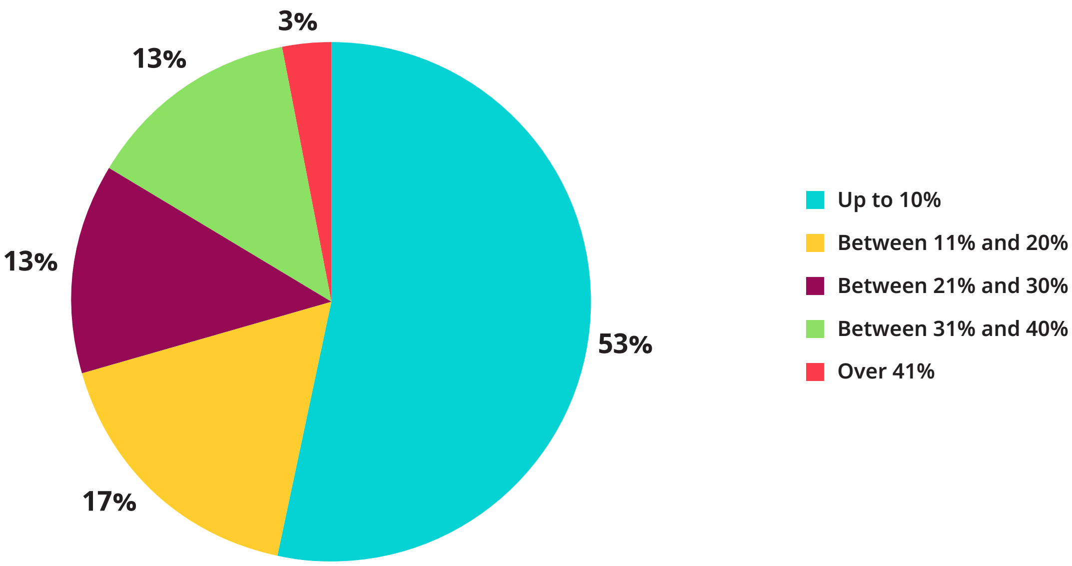


Source: Enterprise survey, October–December 2020.

16 The answer options to this question in the two surveys are similar but not identical. This prevents direct comparison.

Of those companies that dismissed staff, the majority (53 per cent) dismissed less than 10 per cent of their workers. This is similar to the situation reported by enterprises in the April–May survey.

Figure 9. Proportion of dismissed workers compared with total workforce



Source: Enterprise survey, October–December 2020.

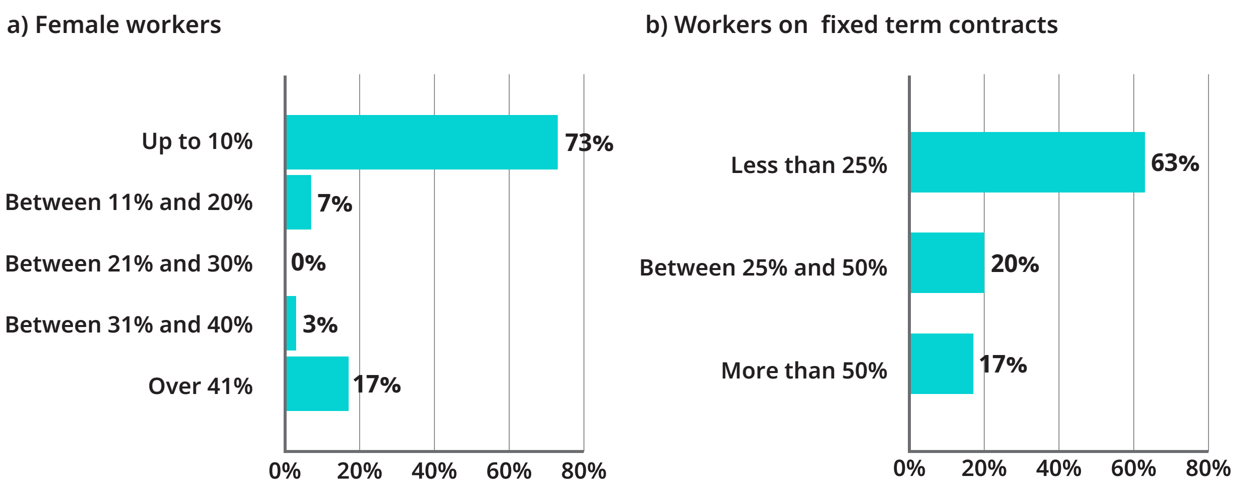
Note: This figure includes only those enterprises that dismissed workers. They constitute 12.2 per cent of all enterprises in the survey (30 enterprises).

Survey data show that 73 per cent of enterprises that dismissed workers reported that women made up less than 10 per cent of the total. In 17 per cent of the enterprises that dismissed workers, over 41 per cent were women (Figure 10a). In terms of the relative labour market positions of women and men during the pandemic, the available data show inconclusive and opposite developments. While the Labour Force Survey data show increasing employment and decreasing unemployment of women (although also declining activity), the Agency for Employment recorded a higher inflow into the unemployment register from the employment of women relative to men, in the period March–October 2020.

Data also suggest that workers with fixed term contracts were not at the forefront among dismissals. Some 63 per cent of enterprises that dismissed workers reported that less than 25 per cent of those they had let go were on fixed term contracts (Figure 10b). In 17 per cent of cases, more than 50 per cent of dismissed workers had fixed term contracts.[17]

17 This does not necessarily imply the dismissal of workers on short-term contracts. Their contracts may have just expired and not been renewed.

Figure 10. Share of dismissed workers by workforce characteristics

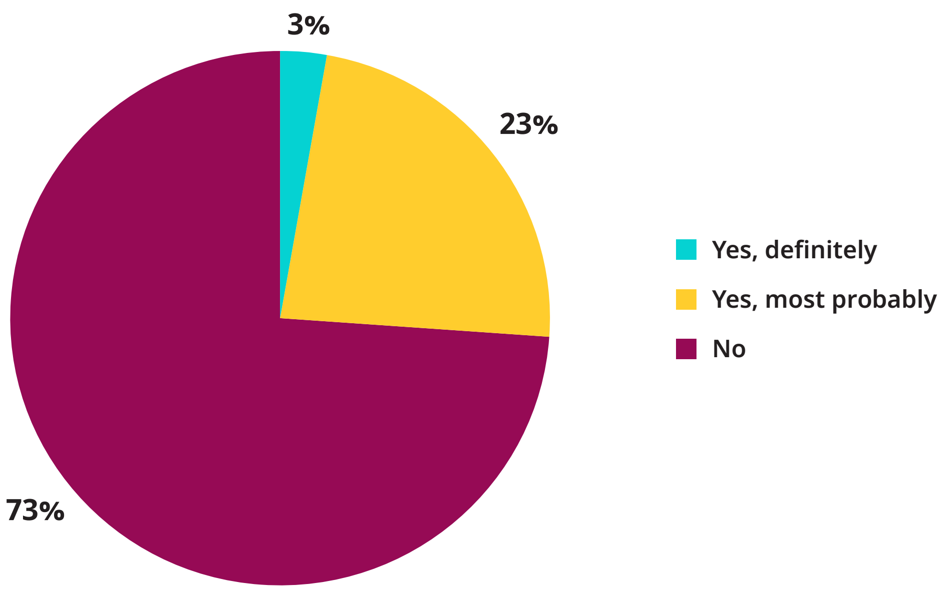


Source: Enterprise survey, October–December 2020.

Note: This figure includes only those enterprises that dismissed workers. They constitute 12.2 per cent of all enterprises in the survey (30 enterprises).

A very small share of enterprises (3 per cent) that laid off workers stated that they planned to bring back the dismissed workers by the end of 2020. Some 23 per cent of enterprises indicated the strong possibility of re-hiring formerly dismissed workers. Some 73 per cent of enterprises do not plan to lay off additional workers by the end of 2020. Three per cent will definitely dismiss more staff and 23 per cent will probably dismiss staff.

Figure 11. Enterprises anticipating the re-hiring of employees dismissed due to COVID-19

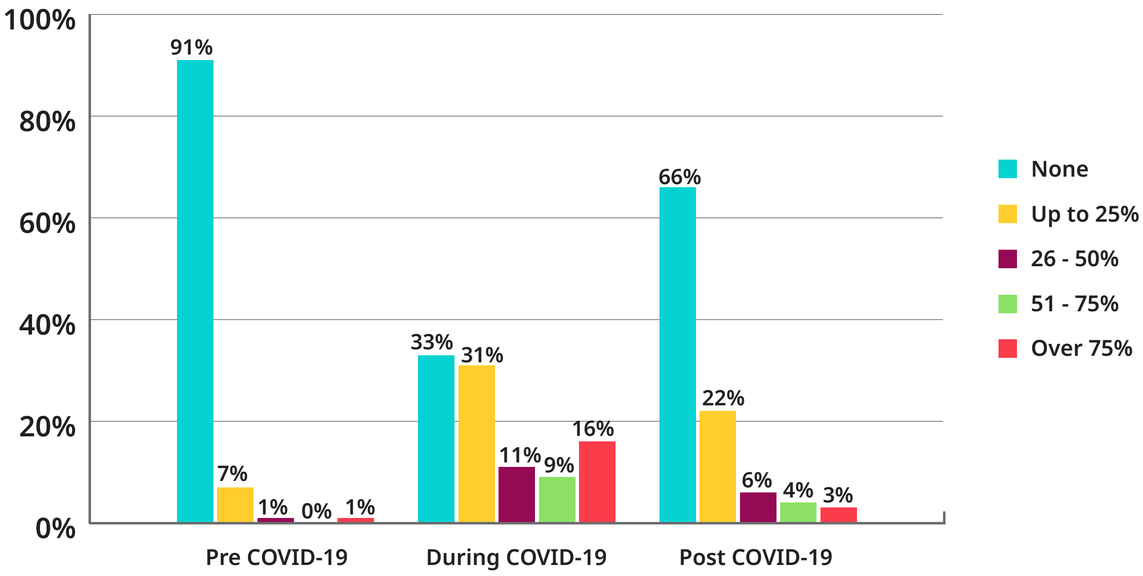


Source: Enterprise survey, October–December 2020.

The second survey involved questions related to teleworking, as the COVID-19 pandemic has resulted in major changes in the mode of work for many businesses across the globe and in North Macedonia.

According to the survey, teleworking was previously very rarely used by Macedonian enterprises and workers. Some 91 per cent of enterprises responded that they had not used teleworking at all prior to the pandemic, and 7 per cent of companies reported that they had used teleworking for less than 25 per cent of their employees (Figure 12). During the pandemic two thirds of enterprises allowed teleworking for a number of reasons. First, government restrictions on the movement of people, such as lockdowns and curfews, drove some enterprises and workers into teleworking. Second, a government decision allowed working parents (one of the parents) of children below the age of 10 to stay at home to care for them, as well as allowing extended paid leave for pregnancy, childbirth and parenting. In this regard, employees in the public and private sector who have a minor child up to 10 years of age for whom home care is necessary were released from work and were allowed to work from home (one parent).[18] Employers did not receive any financial compensation for the loss of working hours while their employees focused on family responsibilities. This put substantial pressure on employees (predominantly working mothers) who had to juggle working from home with an additional part-time role as educators for younger children. Third, workers infected by COVID-19 or who had to remain in isolation due to contact with an infected person also switched to teleworking. During the COVID-19 pandemic, 16 per cent of enterprises reported that over 75 per cent of their employees were teleworking. One third did not use teleworking at all (compared with 91 per cent prior to COVID-19).

Figure 12. Share of employees in teleworking arrangements, results by pre-, during, and post- COVID-19 period [19]



Source: Enterprise survey, October–December 2020.

18 There are no official data on how many workers and companies used this possibility.

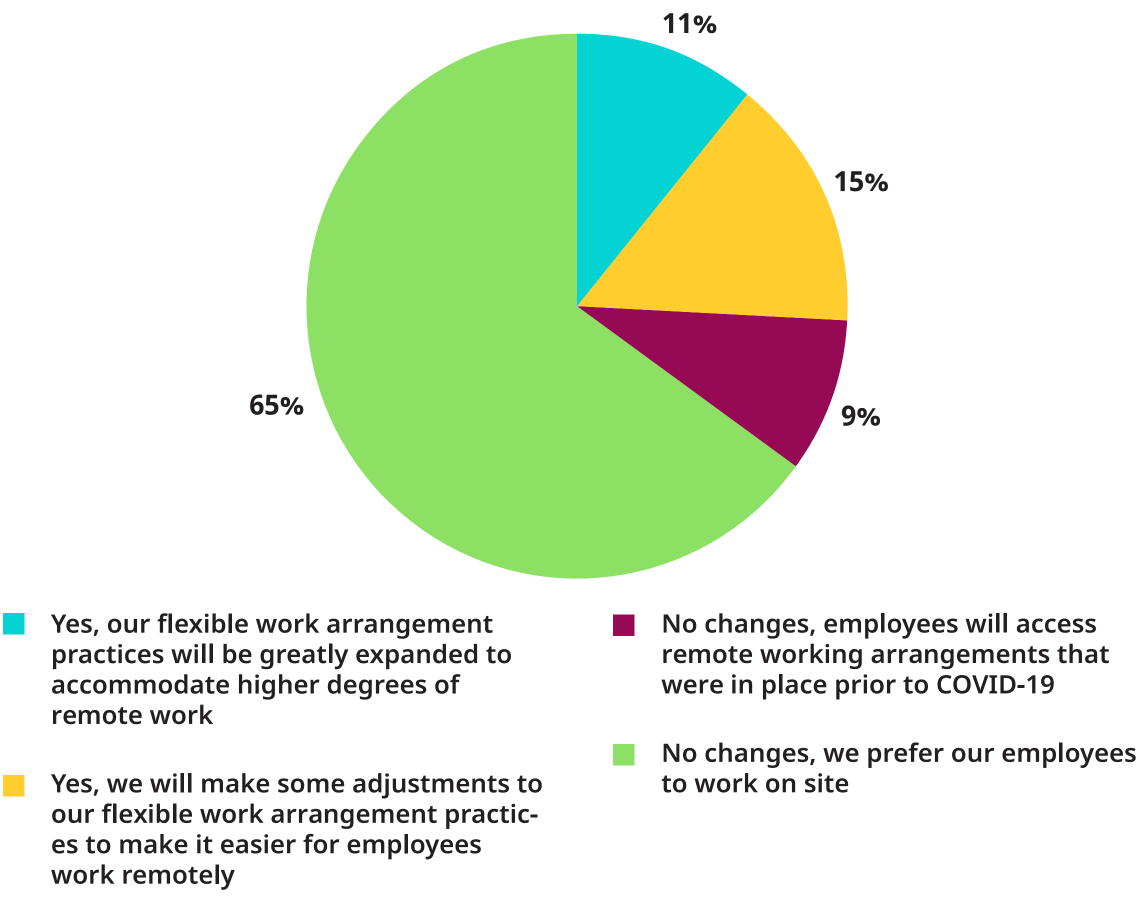
19 A worker is considered to be teleworking if working from home at least once per week.

While 66 per cent of enterprises answered that they would not use teleworking after the pandemic, a sizeable share of enterprises said they would continue to use it. The pandemic has thus brought about a change in the mode of work in North Macedonia. Some 22 per cent of enterprises responded that they would use teleworking for less than 25 per cent of their employees and 3 per cent would use teleworking for over 75 per cent of their employees.

Microenterprises and large enterprises were more likely to use teleworking during the pandemic than small and medium-sized enterprises, although with different intensities. Microenterprises shifted most of their staff (over 75 per cent) to remote working, whereas large enterprises used teleworking for less than a quarter of their workforce.

Some 26 per cent of enterprises responded that they planned to shift to flexible work arrangements to allow for greater use of remote working. Of these, 11 per cent planned to make major changes to current practices, and 15 per cent planned some changes. Some 65 per cent of enterprises still preferred their employees to work on site, usually because of the nature of the business (such as manufacturing).

Figure 13. Future preferences as regards working arrangements

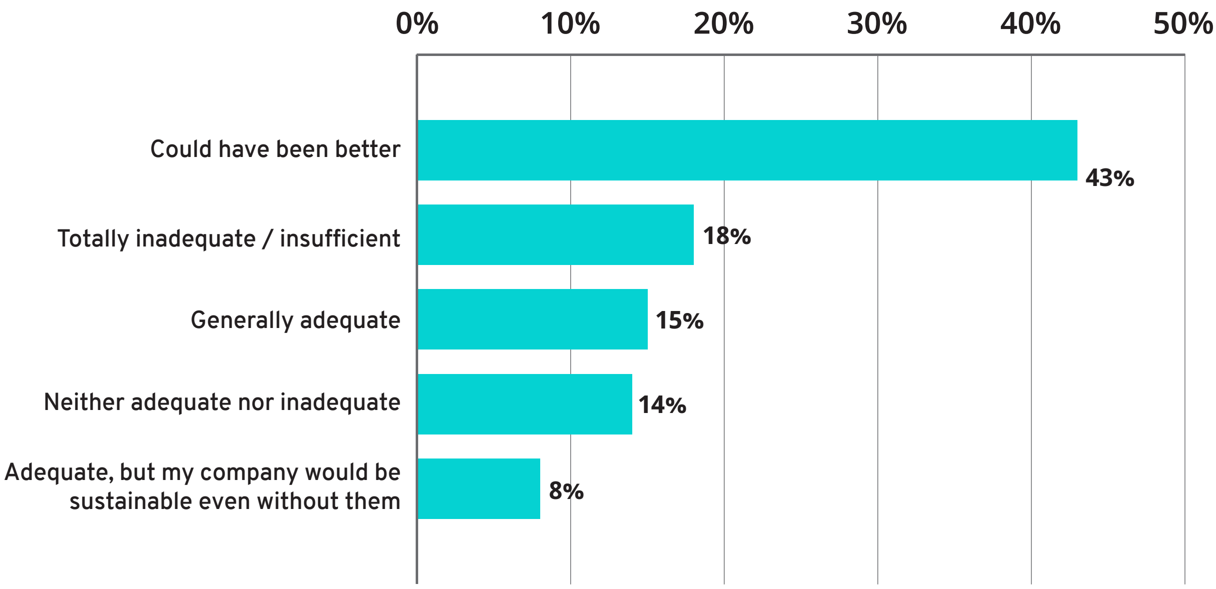


Source: Enterprise survey, October–December 2020.

▸ IV. Enterprise perceptions of Government support measures

In general, enterprises were relatively dissatisfied with the government measures to tackle the negative effects of COVID-19 on the economy. In particular, 61 per cent of enterprises showed dissatisfaction with the package of emergency measures provided by the Government: 18 per cent believed that the measures were totally inadequate and 43 per cent thought that they could have been better (Figure 14). About 3 per cent responded that the measures saved their company, whereas 8 per cent responded that the measures were adequate but not of the utmost importance for their company.

Figure 14. Assessment of Government economic measures in relation to company needs



Source: Enterprise survey, October–December 2020.

The single most valued measure was wage support (wage subsidy), aimed at preserving employment. This measure was considered adequate by 50 per cent of enterprises; and according to 11 per cent of them, it saved the company (Table 1). Wage subsidies were the most costly measure implemented during the pandemic. The wage subsidy for the private sector was set at MKD 14,500 (minimum wage level), initially for April and May, extended through June, intended for companies and self-employed people that had suffered at least a 30 per cent decline in revenues. A total of EUR 84 million (0.8 per cent of GDP) was spent on this measure for the period April–June (the single most costly emergency economic measure), covering:

- 19,300 companies on average per month, supporting about 117,000 jobs/workers on average per month, which is around 18 per cent of total employees; and

- 5,900 self-employed people per month, accounting for almost 8 per cent of total self-employed.

The cost of the programme so far is about 6 per cent of the overall wage bill in the country, which is still relatively small. The cost is close to the ILO projection of 4 per cent of the wage bill.

Implementation of this measure continued with the fourth package of government emergency support, although it was modified somewhat. The subsidy ranged between MKD 14,500 and MKD 21,776, depending on the enterprise's revenue losses.[20]

Table 1. Enterprises' evaluation of the individual Government assistance measures (percentage of respondents)

Measure	Not applicable	Inadequate / insufficient	Neither adequate nor inadequate	Generally adequate	Measure saved the company	Adequate, but the company would be sustainable even without it
Tax deferrals	23	19	17	28	2	11
Wage support	14	18	11	39	11	7
Moratorium on debt payments	20	15	14	39	5	8
Deferral of loan repayments	26	12	22	28	3	10
Macedonian Development Bank liquidity loans	30	14	18	26	3	8
Vouchers for tourism	32	10	18	28	2	9
Vouchers for consumption of domestic products	24	10	16	39	2	9
Reduction of parafiscal charges	24	13	22	33	1	6
Reduction of VAT for certain industries	22	10	15	42	1	10

Source: Enterprise survey, October–December 2020.

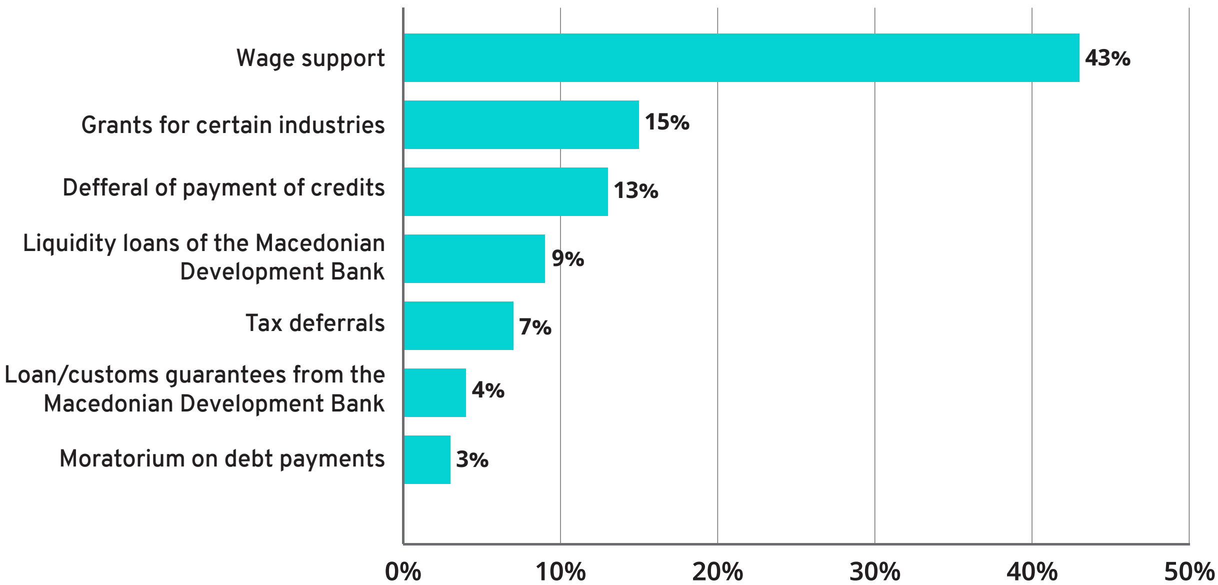
20 October data show that EUR 15.5 million were spent on supporting almost 61,000 jobs in about 12,500 companies. In addition, EUR 5.4 million were spent on supporting about 4,300 self-employed people. The support for both categories represents about 9 per cent of the total number of workers and self-employed people.

The second most appreciated measure was the moratorium on debt payments (reported by 44 per cent of enterprises), followed by VAT reductions for some industries (for 43 per cent of respondents). Wage support was also assessed as the most beneficial government measure in the April–May survey, followed by support in the form of subsidized/guaranteed loans. Tax deferrals were regarded as the third most useful measure.[21]

Out of all responding enterprises, 22 per cent stated that they would certainly apply for the fourth package of economic measures, and 29 per cent would probably apply. Slightly less than half of the enterprises (48 per cent) stated they would not apply for the fourth package. Findings from the first survey showed that 46 per cent of the companies applied for the government support measures.

Most of the companies that reported their intention to apply for the fourth package (46 per cent) would apply for wage support. About 16 per cent stated they would apply for grants for specific industries and 14 per cent for deferral of loan payments (Figure 15).

Figure 15. Enterprise intention to apply for support measures under the fourth package of economic support measures

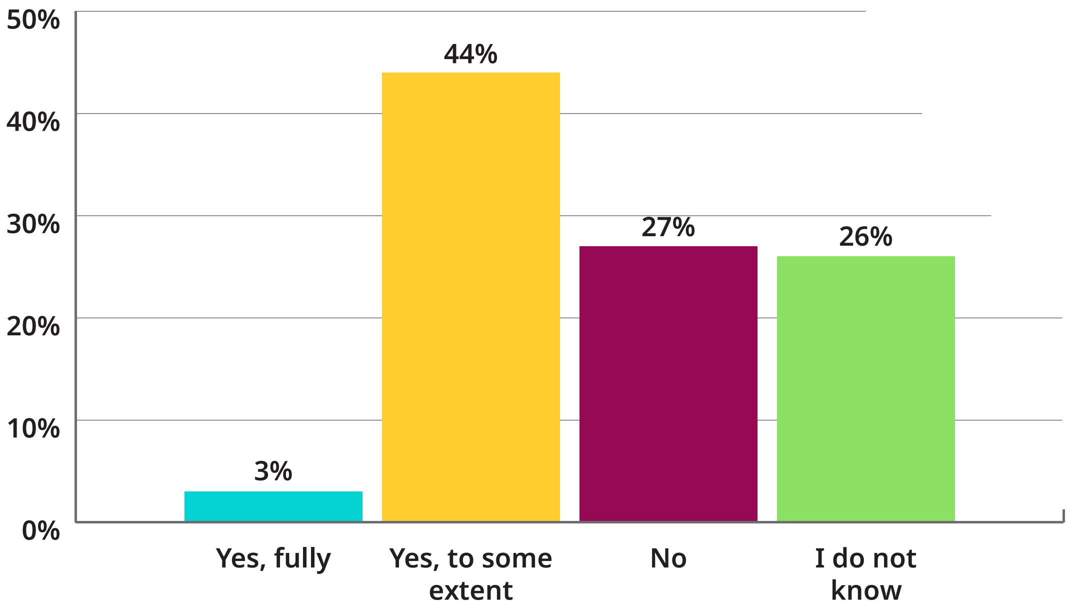


Source: Enterprise survey, October–December 2020.

About 47 per cent of the surveyed enterprises believed the Government had incorporated the main demands of the business community in the design of the fourth package of economic support measures (Figure 16). Some 27 per cent of respondents thought otherwise.

21 In the first survey, the question was asked in a slightly different format, so that the data are not directly comparable, but the ranking of the most beneficial measures provides useful information.

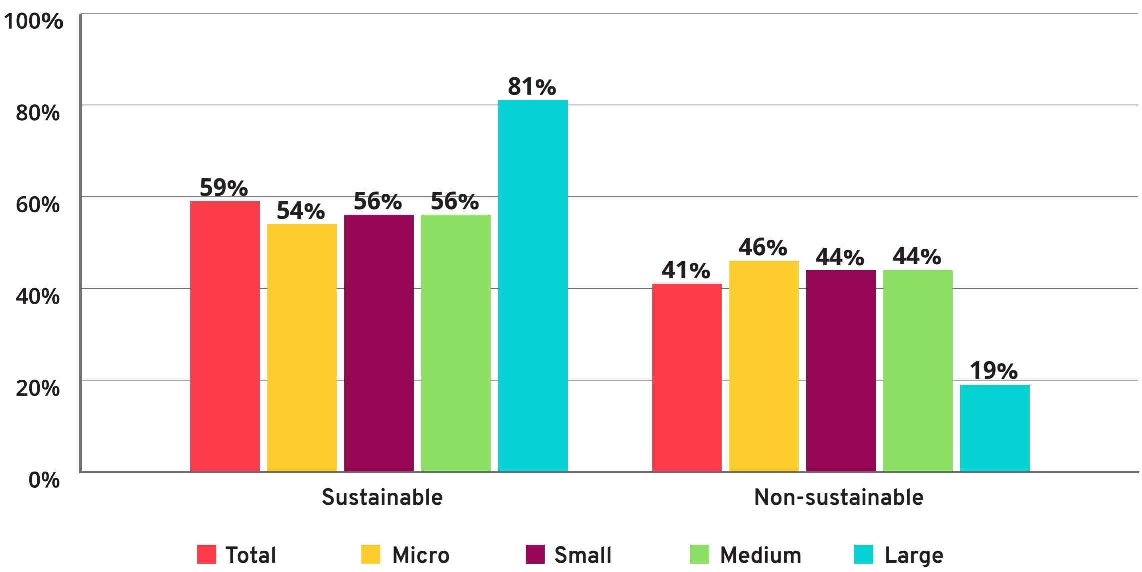
Figure 16. Extent to which enterprises agree/disagree that government responded to business demands



Source: Enterprise survey, October–December 2020.

Despite the government support during the COVID-19 crisis through the four packages of measures, 41 per cent of enterprises responded that their enterprise could not sustain itself without an additional, fifth package of measures. The

Figure 17. The sustainability of enterprises in the absence of a new package of economic support measures



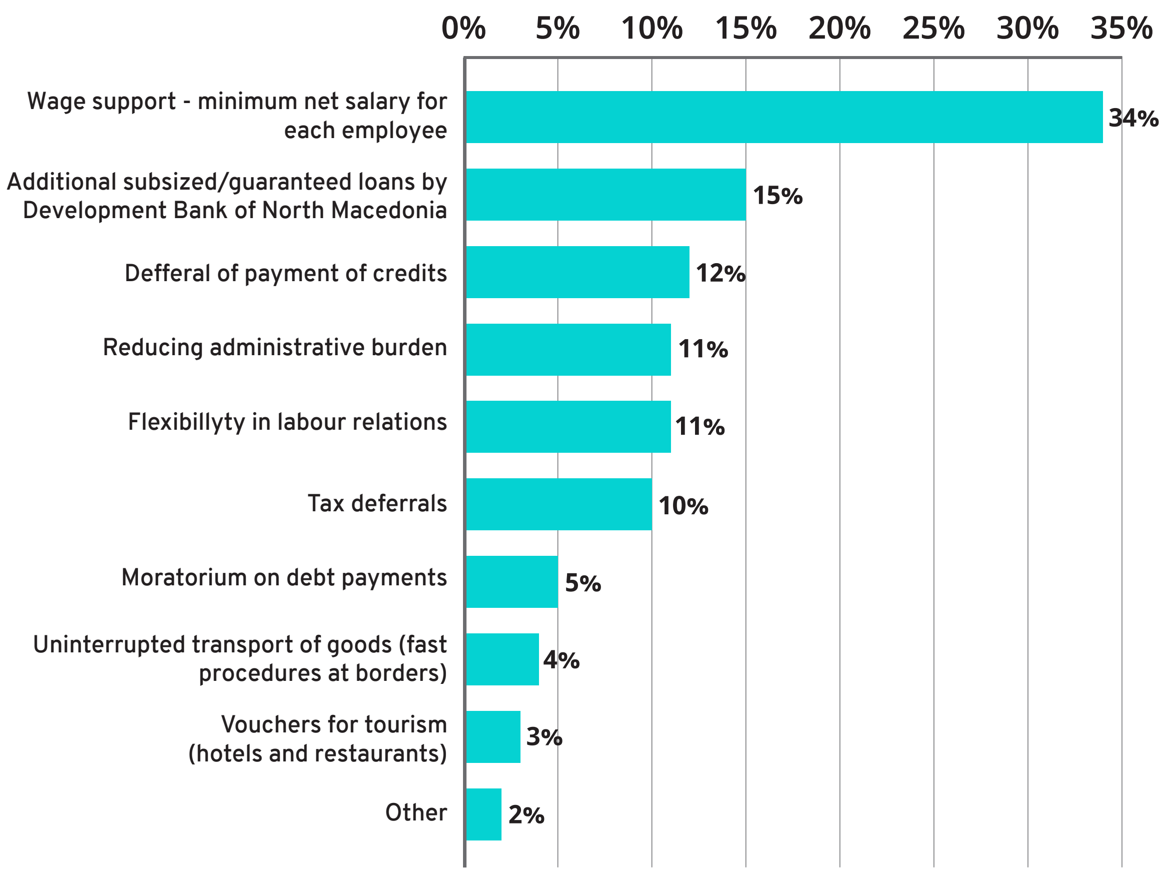
Source: Enterprise survey, October–December 2020.

urgency of further support measures was echoed very clearly in the first survey when 43 per cent of the enterprises reported that they would survive at most 1–3 months if the current situation continued. Since then the Government has designed two additional emergency packages, but as the situation with the pandemic has not improved, additional support measures are needed for the economy and for enterprises.

Similar shares of microenterprises and small and medium-sized enterprises responded that they needed a new package of economic measures, whereas only one fifth of large enterprises require new support measures.

Wage support was reported as the most helpful additional measure for a fifth package of economic support measures (companies were asked to select up to three measures from a general list of potential measures). Among the respondents that stated that they would certainly or most likely apply for the fifth package of measures, about 83 per cent selected wage subsidies as the most important measure for their sustainability (Figure 18). This was followed by additional subsidized or guaranteed loans from the Development Bank of North Macedonia (37 per cent) and deferral of tax credits (29 per cent).

Figure 18. Additional support measures for enterprise sustainability



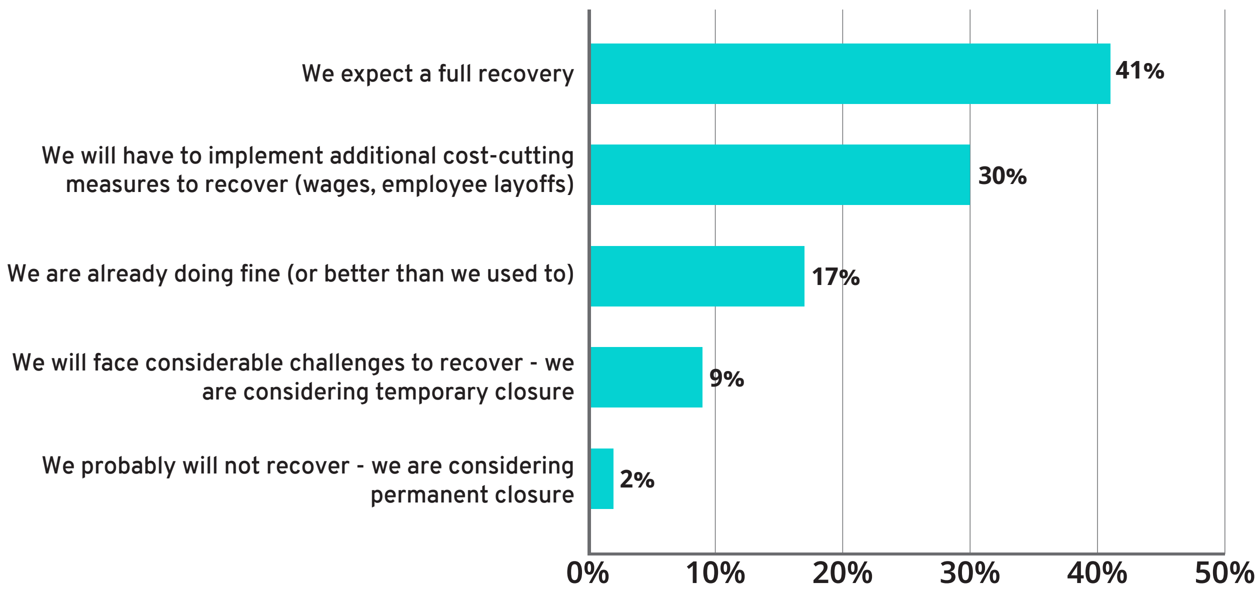
Source: Enterprise survey, October–December 2020.

All sizes of enterprises identified wage subsidies as the most beneficial support measure. However, the proportion of enterprises that indicated that they would apply for this measure declines gradually with enterprise size, from 52 per cent of microenterprises to 25 per cent of large enterprises.

Besides the above measures, enterprises also reported two additional measures that may be of help for their sustainability. These include better information and contact information for the available measures, and regular efforts by state institutions.

Respondents in general had a relatively positive outlook for the future of their enterprises. Bearing in mind the current situation (and sector) some 42 per cent of enterprises expected a full recovery and 17 per cent were already doing better at the time of the survey. About 31 per cent expected they would have to implement additional cost-cutting measures to fully recover from the economic crisis, which could include additional layoffs (Figure 19). About 2 per cent were considering permanent closure. Enterprises from accommodation and food services, construction, education and other service activities were most pessimistic about the recovery, stating either that they would temporarily close the business or that they would not recover.

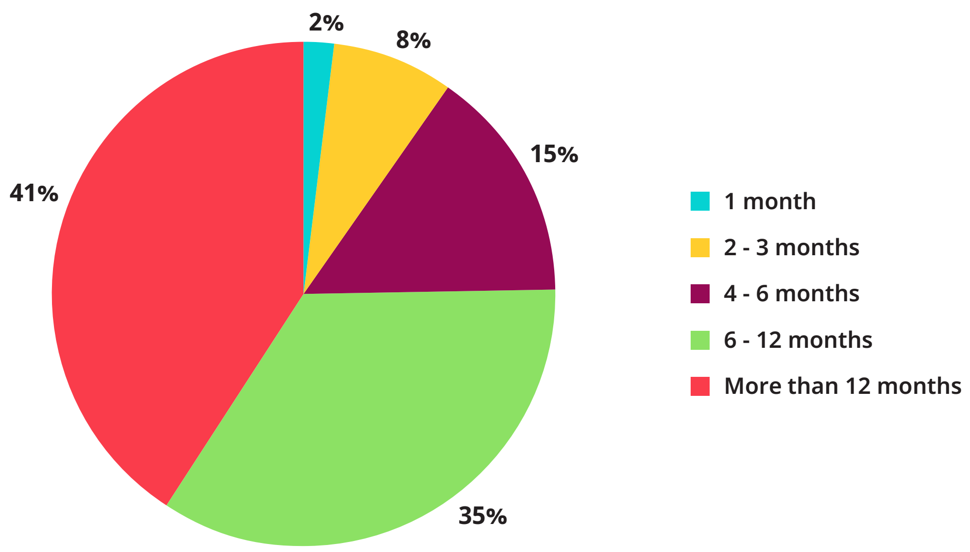
Figure 19. Prospects for enterprise recovery



Source: Enterprise survey, October–December 2020.

The surveyed enterprises expected recovery to take quite a long time. In particular, 41 per cent of enterprises that expected to recover (see previous question) anticipated that the recovery would take more than a year, and 35 per cent expected that the recovery would take about 6–12 months (Figure 20).

Figure 20. The estimated time required to restore operations



Source: Enterprise survey, October–December 2020.

The enterprises that expected a long recovery (over 12 months) belong to the following economic sectors: other industrial activities (67 per cent), financial and insurance activities (43 per cent), education (33 per cent), accommodation and food services (33 per cent), construction (32 per cent) and manufacturing (32 per cent).

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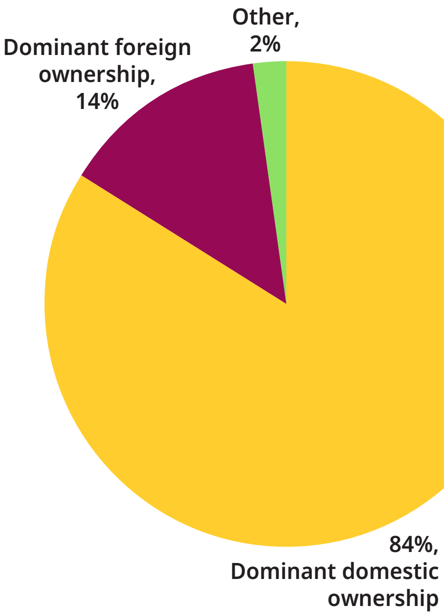
International Labour Organization 2020. COVID-19 and the World of Work: Rapid Assessment of the Employment Impacts and Policy Responses. North Macedonia. First Edition. May 15, 2020. Available at: https://www.ilo.org/budapest/what-we-do/publications/WCMS_746124/lang--en/index.htm.

Macedonia 2025. The Impact of the COVID-19 Pandemic on Enterprises in North Macedonia. May 2020. Available at: https://socijalendijalog.mk/wp-content/uploads/2020/08/ENG-Report-on-the-impact-of-COVID-19-FINAL-rev-4-17-8-20.pdf.

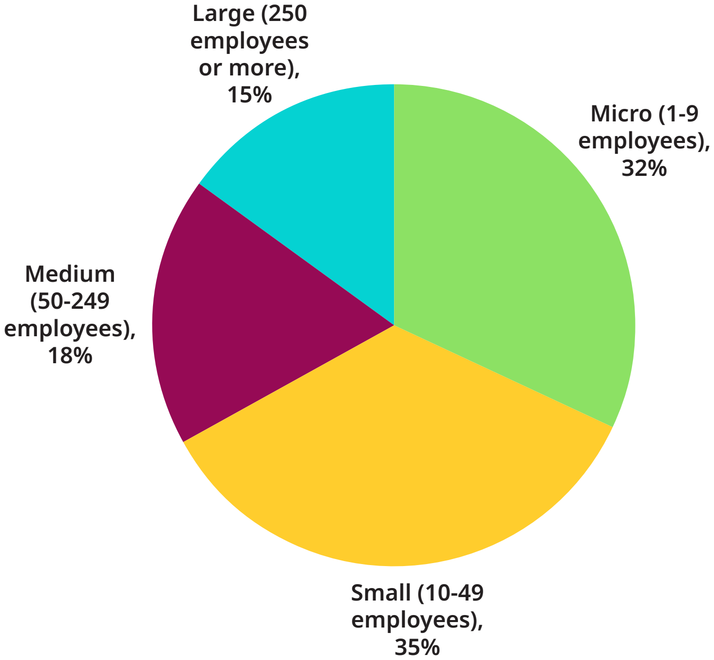
Annex: Descriptive statistics of surveyed enterprises

Figure A1. Type of business ownership



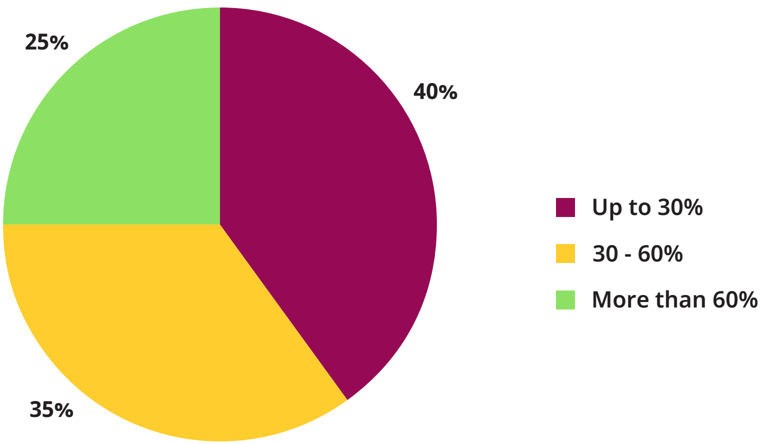
Source: Enterprise survey, October–December 2020.

Figure A2. Enterprise size by number of employees



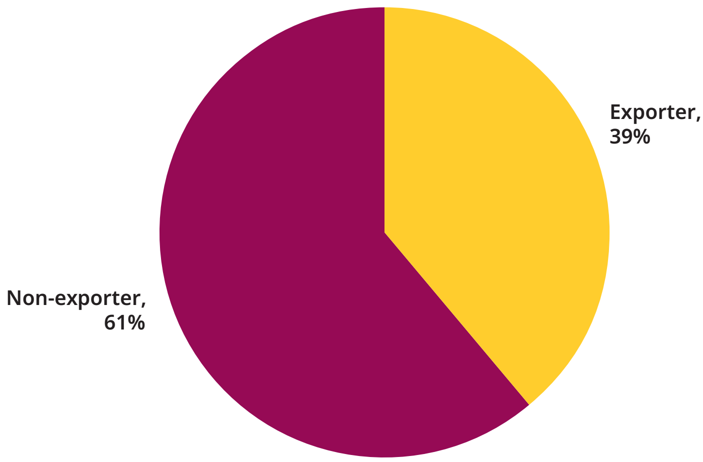
Source: Enterprise survey, October–December 2020.

Figure A3. Share of women in total workforce



Source: Enterprise survey, October–December 2020.

Figure A4. Export activities of enterprises



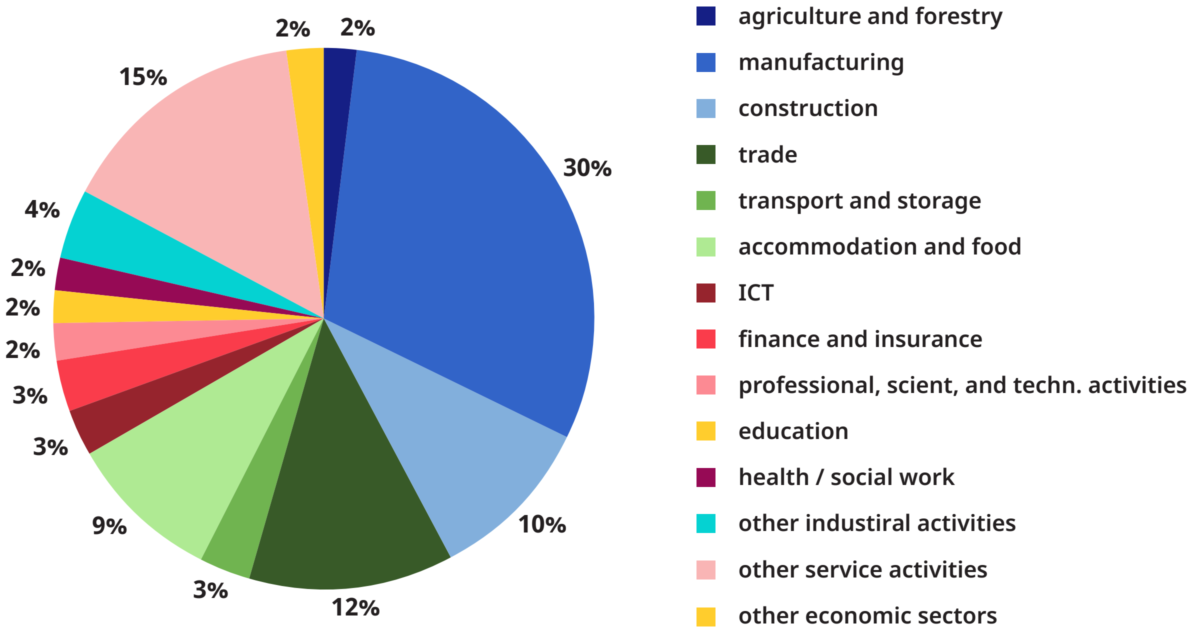
Source: Enterprise survey, October–December 2020.

Figure A5. Operational status of enterprises

Source: Enterprise survey, October–December 2020.

Note: None of the enterprises reported permanently closure.

Figure A6. Main sector of activity



Source: Enterprise survey, October–December 2020.

Note: Several sectors in the survey sample have only 1-2 enterprises among the respondents. They include mining and quarrying; real estate; arts, entertainment and recreation; water supply, sewerage, waste management; electricity, gas, steam and air conditioning supply. These sectors are grouped in "other economic sectors". These sectors/enterprises are excluded from the sectoral analysis in the report.

Figure A7. Location of enterprises

City	%
Skopje	48%
Bitola	7%
Kumanovo	7%
Prilep	6%
Ohrid	5%
Shtip	3%
Sveti Nikole	3%
Struga	2%
Gevgelija	2%
Kocani	2%
Tetovo	2%
Veles	2%
Radovis	2%
Resen	2%
Gostivar	1%
Kavadarci	1%
Strumica	1%
Valandovo	1%
Other	17%

Source: Enterprise survey, October–December 2020.

Note: Enterprises come from 26 municipalities, out of a total of 84. Municipalities with frequency (count) of 1 are grouped in the category "other".

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