



**ISCTBL 2022**  
INTERNATIONAL SCIENTIFIC CONFERENCE

Универзитет „Гоце Делчев“ –  
Штип

**Goce Delchev University  
Shtip**

Факултет за туризам и бизнис  
логистика

**Faculty of Tourism and  
Business Logistics**

**Петта Меѓународна Научна Конференција  
Fifth International Scientific Conference**

**ПРЕДИЗВИЦИТЕ ВО ТУРИЗМОТ И БИЗНИС  
ЛОГИСТИКАТА ВО 21 ВЕК  
CHALLENGES OF TOURISM AND BUSINESS  
LOGISTICS IN THE 21ST CENTURY**

**ЗБОРНИК НА ТРУДОВИ  
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## PANEL SESSION

### **Challenges and implications of COVID-19: reducing disparities and addressing distributional impacts in different sectors**

Session chair: Tatjana Boshkov, Assoc.professor and Dean at Faculty of tourism and business logistics, „Goce Delcev University – Stip, N. Macedonia

#### Panelists

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12. Prof. Dr. Slavi Dimitrov Ph.D., Department of Tourism, Deputy Dean of the Faculty of Economics, "St. Cyril and Methodius" University of Veliko Tarnovo, Bulgaria
13. Dr. Žarko Rađenović, Research Associate, University of NišInnovation Center, Serbia
14. Prof. Dr. Boban Melovic, Ph.D., Vice-Dean for international cooperation, Faculty of Economics Podgorica, University of Montenegro

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##### **First session: Business logistics and business administration**

Natasha Miteva, PhD, Vice-Dean for Education, Faculty of Tourism and Business Logistics, Goce Delcev University – Stip, N. Macedonia

##### **Second session: Tourism, hospitality and gastronomy**

Natasha Miteva, PhD, Vice-Dean for Education, Faculty of Tourism and Business Logistics, Goce Delcev University – Stip, N. Macedonia





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**FACULTY OF TOURISM AND BUSINESS LOGISTICS**

**ПЕТТА МЕЃУНАРОДНА**  
**НАУЧНА КОНФЕРЕНЦИЈА**

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## LABOUR MARKET, UNEMPLOYMENT AND COMPANIES: OVERVIEW OF THE SITUATION IN N. MACEDONIA DUE TO COVID-19 CRISIS

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### Abstract

In this paper, we simulated the effect that the economic and social crisis caused by the outbreak and spread of the Coronavirus has had on businesses in N. Macedonia, focusing on three questions. First, how did the virus affected the Macedonian economy? Second, how much has the labor market and employment, ie unemployment changed during the crisis? And third, what challenges did the companies face and how did they respond to it?

**Key words:** *employment, Covid-19, recovery, companies, N.Macedonia*

### Introduction and Literature Review

The COVID-19 (coronavirus) pandemic has taken a drastic human toll, and the economic and social impacts of the pandemic are reverberating globally. Through a combination of new projects, restructuring and emergency components of existing projects, and deployment of our disaster finance instruments, *the World Bank Group's* response is targeted in four key areas: Saving lives threatened by the pandemic; Protecting the poor and vulnerable; Helping save jobs and businesses; Working to build a more resilient recovery. Given the rapid spread of COVID-19, countries across the World have adopted several public health measures intended to prevent its spread, including social distancing (*Fong et al., 2020*). The goal of these measures is to facilitate a “flattening the curve,” that is, a reduction in the number of new daily cases of COVID-19 in order to halt their exponential growth and, hence, reduce pressure on medical services (*John Hopkins University, 2020*). The spread of COVID-19 has resulted in a considerable slowdown in economic activities. According to an early forecast of The World Bank (2020), global GDP in 2020 relative to 2019 is forecasted to fall by 5.2%.

Similarly, the OECD (2020) forecasts a fall in global GDP by 6 to 7.6%, depending on whether or not a second wave of COVID-19 emerges. In its latest forecast, the *International Monetary Fund (2020)* projected a contraction of 4.4% in light of the stronger than expected recoveries in advanced economies which lifted lockdowns during May and June of 2020. A large number of studies document the effects on the variables of hours of work and job losses (*e.g., Kahn et al., 2020*). To understand the potential negative economic impact of COVID-19, it is important to understand the economic transmission channels through which the shocks will adversely affect the economy. According to *Carlsson-Szlezak et al. (2020a)* and *Carlsson-Szlezak et al. (2020b)*, there are three main transmission channels. The first is the direct impact, which is related to the reduced consumption of goods and services. Prolonged lengths of the pandemic and the social distancing measures might reduce consumer confidence by keeping consumers at home, wary of

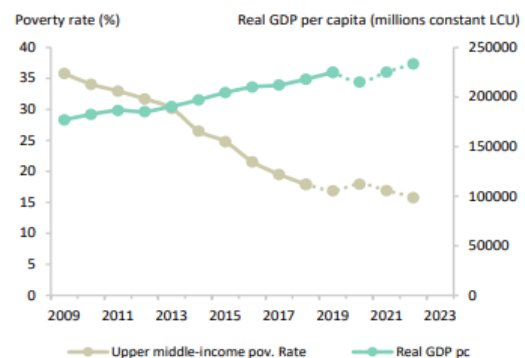
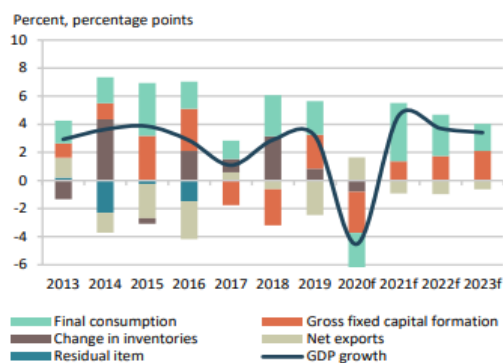
discretionary spending and pessimistic about the long-term economic prospects. The second one is the indirect impact working through financial market shocks and their effects on the real economy. Household wealth will likely fall, savings will increase, and consumption spending will decrease further. The third consists of supply-side disruptions; as COVID-19 keeps production halted, it will negatively impact supply chains, labor demand, and employment, leading to prolonged periods of lay-offs and rising unemployment. It is also important to understand the processes that generate recoveries from economic crises. (Carlsson-Szlezak et al., 2020a) The pandemic is heavily affecting labour markets, economies and enterprises, including global supply chains, leading to widespread business disruptions. (Serafimova, M., Stefanoska, B., 2021)

### Economic impact of COVID-19 crisis

The coronavirus pandemic (Covid-19) not only caused a health crisis, but also caused human behavior and critical habits, and thus caused changes in the economy. The crisis caused by Covid-19, in the world, but also in the countries in the region, most affected the tourism sector, as well as other sectors related to tourism, ie catering, handicrafts and transport, but also delayed investments in construction and other numerous investment projects in both the public and private sectors. (Anadolia Agency AA <https://www.aa.com.tr/mk>) The rapid spread of the Covid-19 coronavirus has disrupted global economic trends. In general, the economic shock caused by the coronavirus affects through two channels: Decrease in the supply of goods and services due to disrupted supply chains and Decrease in demand for goods and services due to increased uncertainty, investment restraint and cautious behavior in consumers. (Finance Thin, Policy Brief no. 39 <https://www.financethink.mk/wp-content/uploads/2020/11/PB39.pdf>) All the countries in the world faced huge consequences for their economies. Factories and shops were closed, and some sectors were particularly affected as a result of the closure of borders. (Serafimova, M., Stefanoska., B., 2021)

Three-quarters of employees and companies in N.Macedonia are affected by the economic crisis in 2020 caused by the spread of Covid-19. The situation of the self-employed and micro-businesses was additionally critical. The most common mechanism used by employers to adjust to the corona crisis is to reduce wages and cut off any additional payments. The unemployed lost hope of finding work, and their household income declined. The COVID-19 crisis hit the economy after years of unprecedented export growth, worsening expectations that both net exports and FDI would continue to make a positive and increasing contribution to economic growth in the short to long term. Hit hard by the pandemic, the economy slipped into recession in 2020, with gradual recovery in 2021.

Figure 1: Contributions to annual GDP growth and real GDP per capita  
 Figure 2: Actual and projected poverty rates



Source: N.Macedonia State Statistics Office and World Bank calculations  
<https://thedocs.worldbank.org/en/doc/d5f32ef28464d01f195827b7e020a3e8-0500022021/related/mpo-mkd.pdf>

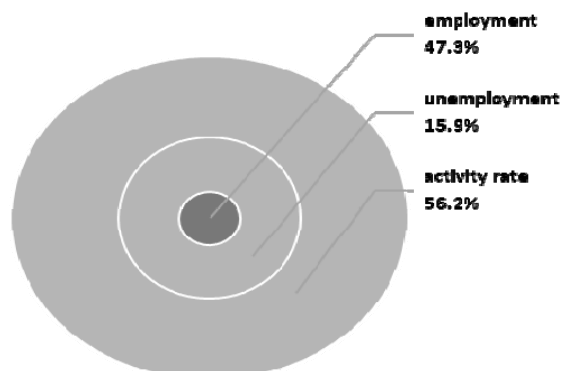
The pandemic has had a negative impact on overall economic activity in North Macedonia. (Fig.1&Fig.2) A GDP growth in 2021 was forecasted to 3.5%, compared to GDP 2020 decline by -4.5%. Exports of goods and services fell by 10.9% in nominal terms, while imports declined by 10.5%. Household final consumption decreased by an estimated 5.6% in 2020. The unemployment rate declined throughout 2020, reaching 15.9% in the second quarter of 2021. (<https://www.fairwear.org/covid-19-dossier/worker-engagement-and-monitoring/country-specific-guidance/covid19-north-macedonia/>) The government implemented a strong fiscal response to mitigate the crisis impact on households and firms. The fiscal deficit rose to 8.2 % of GDP in 2020 while the public debt level rose sharply to 60.2 % of GDP. Cumulative output losses for 2020 and 2021 are estimated at EUR 3.7 billion. Based on more recent projections, the National Bank forecasts a 17.1% decline in exports of goods and services in real terms.

The economy resumed growth in 2021 helped by robust external demand and unlocked private consumption. Yet, while outlook for the near term remains positive, continued containment measures, a slow vaccine rollout, and unresolved structural bottlenecks pose challenges. Weak human capital development, and a low labor participation rate, have led to underutilized labor resources amidst demographic decline. Further, state involvement in the market through direct ownership, tax exemptions, and subsidies remains high. Growth is expected to continue in 2022 as the economy gradually starts to stabilize.

#### Macedonian labour market (2019-2022)

The labor intensity was an important company characteristic explaining the variation in COVID-19 and post-COVID-19 growth rates, however the labor considerations arise as a long-term problem in the Macedonian economy. The COVID-19 impact has put in the spotlight the labor intensity and labor market constraints, which factors are also relevant for long-term labor productivity. (<https://www.financethink.mk/wp-content/uploads/2021/01/The-potential-of-export-oriented-companies-to-contribute-to-post-COVID-19-economic-recovery-in-North-Macedonia-1-4.pdf>)

Figure 1: Active population in the Republic of Northern Macedonia Results of the Labor Force Survey, 2021



Source: Authors work according to State Statistical Office, 2021

In the second quarter of 2021, the active population in Macedonia is 945,412 people, of which 795,271 are employed and 150,141 are unemployed. The activity rate in this period is 56.2, the employment rate 47.3, while the unemployment rate is 15.9. show the data of the State Statistical

Office. (State Statistical Office). (Fig.1) As of 31.12.2020, 17026 unemployed persons were registered on the basis of employment inflow, for which the termination of the compulsory social insurance was registered in the period after 11.03.2020, ie in the period of the crisis caused by the COVID-19 virus. As of 31.12.2021, 16073 unemployed persons were registered on the basis of employment inflow, for which the termination of the compulsory social insurance was registered in the period after 11.03.2020, ie in the period of the crisis caused by the COVID-19 virus. As of 28.02.2022, 15755 unemployed persons were registered on the basis of employment inflow, for which the termination of the compulsory social insurance was registered in the period after 11.03.2020, ie in the period of the crisis caused by the COVID-19 virus. (Fig.2)

Figure 2: Unemployment from 2019-2022

	Dec. 2019	Dec. 2020	Dec. 2021	Feb. 2022
Unemployed	101748	156432	130982	127037
Other job seekers	87463	89211	54638	50395

Source: Authors work according to The Employment Agency of the Republic of Northern Macedonia <https://av.gov.mk/pregled-na-evidentirani-nevraboteni-lica-vo-2007-2016-godina.nspix>

Workers who suffer a loss of employment find themselves either “unemployed” (actively searching for new jobs) or “inactive” (withdrawing from the labour market because they are not available to work and/or do not search for a job). (Serafimova, M., Stefanoska, B., 2021) SSO data show that 59.1 percent of employees, ie 469,733 people are men, while 40.9%, or 325,538 are women. Of the unemployed, 95,883 are men and 54,258 are women. (Fig.3) The number of inactive population in the country is 736,450, of which 275,646 are men and 460,804 women. The total number of able-bodied population in the country in the second quarter of the year was 1,681,862. If we analyze the data by age groups and by gender, it can be noticed that most of the working age population is aged 25 to 49 years (627,927), and consequently the number of employed and unemployed is the highest in that age group - 534,498 employees and 93,429 unemployed are at that age. Of those 534,498 employees, 304,570 are men and 229,928 are women. Regarding the unemployed 93,429 people aged 25 to 49, 56,978 are men and 36,451 are women. (<https://www.fakulteti.mk/news/03092021/vo-makedonija-ima-150-141-nevraboten-od-koi-93-429-se-na-voznost-od-25-do-49-godini>)

Figure 3: Unemployed by gender 2021

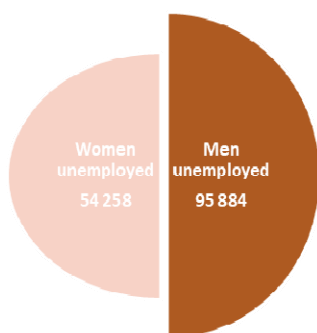
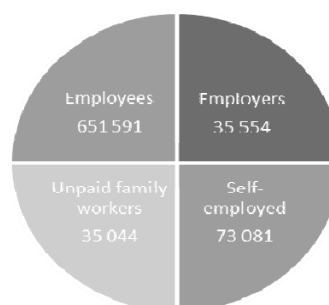


Figure 4: Employed by economic status, December 2021



Source: Authors work according to State Statistical Office, 2021

When it comes to inactive population, the most numerous are those aged 65 and over (244,771), followed by those aged 15 to 24 (175,664), those aged 50 to 64 (167,737) and last those aged 25 to 49 (148,278). The analysis of the data on the employees according to the sectors of activity and the type of ownership of the business entities shows that 597,741 persons work in business

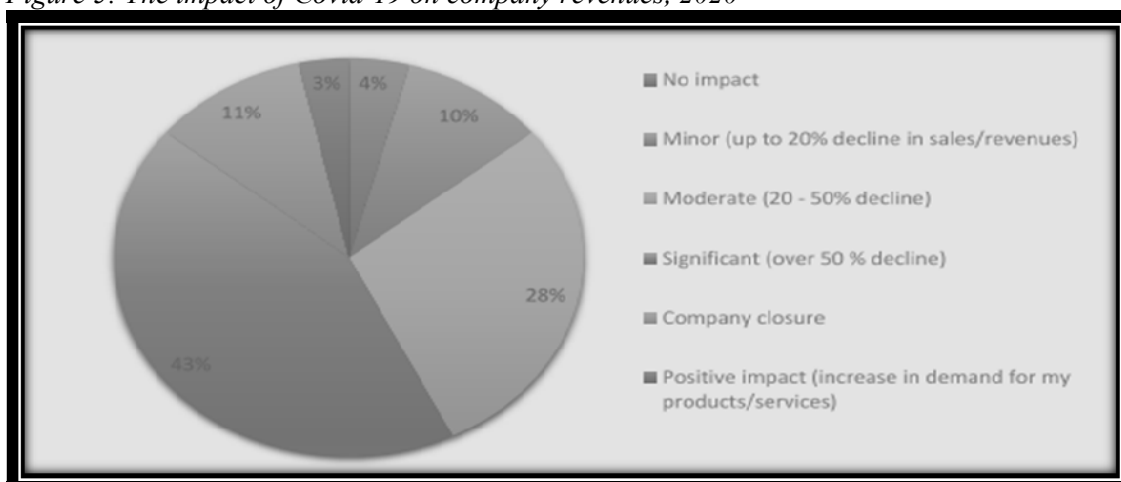
entities in private ownership, while 197,530 in entities in other ownership. The largest number of employees is in the processing industry sector (156,256), followed by the wholesale and retail trade sectors; repair of motor vehicles and motorcycles (120,782), agriculture, forestry and fisheries (93,072), etc. The number of employees in education is 50,567 people. Out of the total number of employees 795,271 in the country, 651,591 are employees, 35,554 are employers, 73,081 are self-employed and 35,044 are unpaid family workers.

#### **Impact of COVID-19 on Macedonian companies**

In a period of uncertainty and with insufficient official data on the level of business losses and interruptions for Macedonian companies, the *Organization of Employers of Macedonia (ORM)* and the *Business Confederation of Macedonia (BKM)*, with the support of the *International Labor Organization (ILO)*, and in cooperation with the European Bank for Reconstruction and Development (EBRD), conducted a joint survey. The aim was to gather evidence of the impact of the pandemic on corporate performance and resilience, as well as to identify appropriate support measures that would be most useful for companies to overcome the crisis.

The crisis caused by COVID-19 seriously affected about 82 percent of the surveyed companies, which reported significant financial losses and temporary cessation of their business operations. About 43 percent of the companies surveyed saw their revenues fall by more than 50 percent, while 11 percent temporarily closed their businesses. Micro-enterprises showed the highest vulnerability, 50 percent of micro-enterprises reported halving their revenues, and 19 percent reported closing their businesses. Although large companies showed greater resilience (none reported temporary closure), many (48 percent) still saw revenue fall by more than 50 percent. Most of the companies that reported a decline in revenues operate in the sectors affected by the government ban on working and curfews, especially transport, storage services, accommodation and food services; construction, trade and professional, scientific and technical activities. Companies identified several common challenges affecting their business operations, including declining demand for products and services (45 percent), weaker trust in supply chain partners (38 percent), and downtime (35 percent). These challenges mainly affected the profitability and turnover of enterprises (90 percent), followed by reduced productivity and inability to achieve business goals for 2020 (78 percent).

*Figure 5: The impact of Covid-19 on company revenues, 2020*

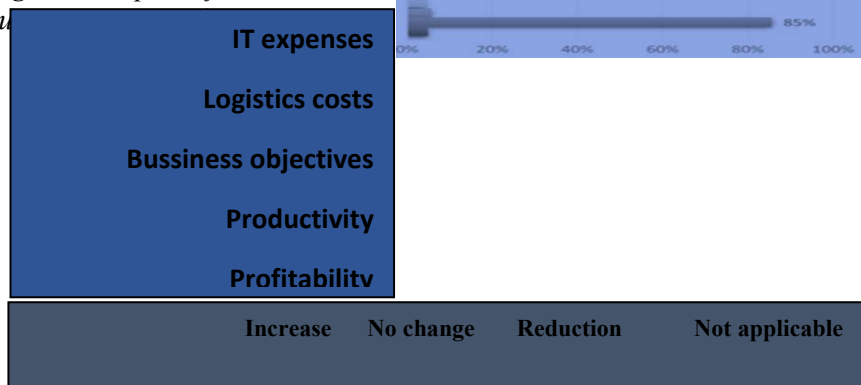


*Source: Enterprise survey made by BKM, ORM and ILO*

Most businesses (82 percent) are significantly affected by the pandemic, with revenue losses of more than 20 percent. A significant proportion of businesses surveyed (43 percent) reported that the pandemic significantly reduced their revenue by 50 percent or more (Figure 5). For an additional 28 percent, revenues fell by 20-50 percent, while 11 percent temporarily closed

businesses. In contrast, about 3 percent of companies surveyed reported revenue increases, and for 10 percent of them, the revenue decline was very small. (*International Business Organization, Organization of Macedonia, Organization of Macedonia 2020*)

Figure 6: Impact of Covid-19 on su

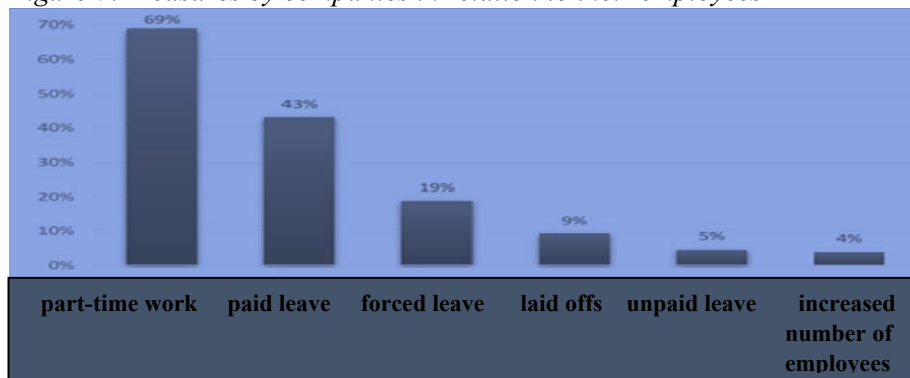


revenue decline  
 Labour confederation of employers of enterprise

Source: Enterprise survey

Regarding the impact of COVID-19 on the profitability of enterprises, 87 percent of enterprises reported a decrease in profits, followed by 85 percent of enterprises with loss of revenue. About 78 percent of firms reported productivity decline and inability to meet business targets for 2020 (Figure 6), while 47 percent of firms reported no change in IT spending, although many firms faced declining logistics costs. (45 percent of respondents).

Figure 7: Measures by companies in relation to their employees



Source: Enterprise survey

Figure 7 shows that the most commonly applied measure by companies in relation to employees is the reduction of working hours, which is implemented by 69 percent of companies. This is followed by paid leave (43 percent). About 9 percent of companies said they simply laid off employees. SMEs are more likely to lay off employees (11 percent of both categories did), while only 7 percent of micro-enterprises and 8 percent of medium-sized enterprises laid off. This seems a bit counterintuitive, as micro-enterprises reported the biggest revenue cuts and laid off the least number of workers, but this can be explained by the fact that self-employed employees dominate the micro-firm structure, so the owner has no one to fire.

## Recovery

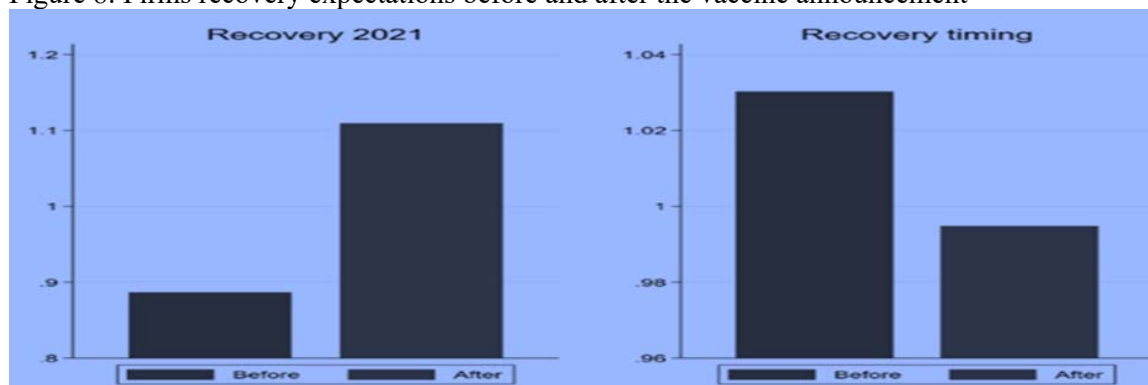


While the Covid-19 crisis is unique in many dimensions, two aspects are worth highlighting: first, its heterogeneous impact across sectors, regions, workers, and firms (*Puy and Rawdanowicz 2021, Bloom et al. 2021, Crossley et al. 2021*); Second, the presence of an unprecedented level of uncertainty both on the epidemiological and economic side, which has only started to decrease recently thanks to vaccine developments (*Altig et al. 2020, Ahir et al. 2021*). An uncertain recovery path generally makes firms more cautious, possibly retarding their investment and hiring decisions.

Since the beginning of the COVID-19 crisis in the Republic of North Macedonia, the future is still uncertain. While the various vaccines give cause for optimism, mutations in the virus and new information from the World Health Organization about the likely persistence of the pandemic in 2021 are cause for concern. In the late summer of 2021, the country was hit by a new and strong wave of COVID-19 – in large part a result of very low vaccination rates. By October 31, 2021, 38% of our country’s entire population had been vaccinated, and 35% of the country’s population had received two doses of vaccine.

During the pandemic, all efforts are aimed at overcoming the crisis by preserving jobs, helping the most vulnerable groups, maintaining the functioning of companies. Human capital and human health is a priority. ([https://www.mtsp.gov.mk/covid-19-ns\\_article-shahpaska-zacuvuvanje-na-rabotnite-mesta-pomosh-za-ranlivite-kategorii-gragjani-i-odrzuvanje-na-funk.nspk](https://www.mtsp.gov.mk/covid-19-ns_article-shahpaska-zacuvuvanje-na-rabotnite-mesta-pomosh-za-ranlivite-kategorii-gragjani-i-odrzuvanje-na-funk.nspk)) A robust recovery is underway despite a prolonged adverse pandemic impact. Continued government support measures helped mitigate the impact on households and firms but are further increasing public debt—now above 62 percent of GDP. As the recovery takes hold, carefully balancing the withdrawal of fiscal support to restore public finance sustainability with structural and institutional reforms is key. The central bank will also need to find the right balance between supporting domestic demand and responding to rising inflationary pressures. (*World Bank, 2021*) The government continuously supports the real sector for dealing with the crisis through economic measures. The goal is to preserve as many jobs as possible for the citizens and to help the economy!

Figure 8: Firms recovery expectations before and after the vaccine announcement

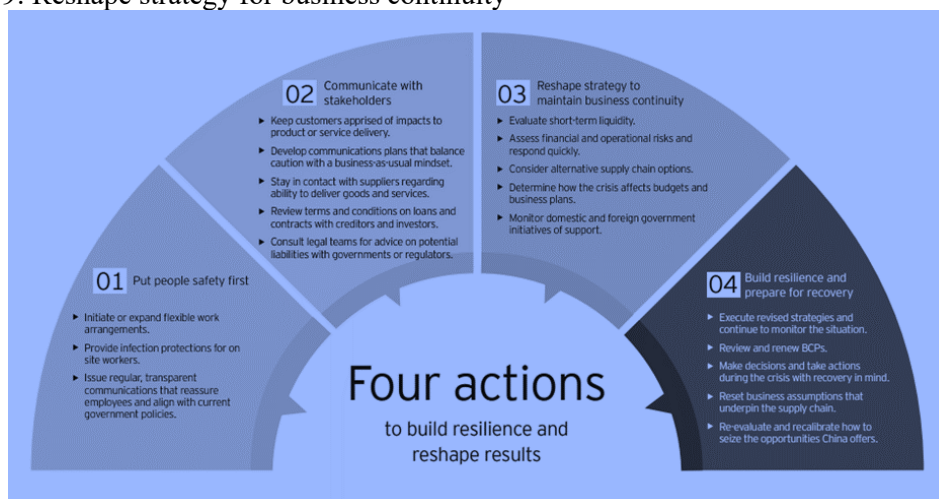


Source: <https://voxeu.org/article/impact-covid-19-firms-and-role-vaccines-recovery-expectations>

Figure 8 shows the differences in firms’ recovery expectations before and after the vaccine announcement. The left panel indicates that the share of firms expecting full recovery by the end of 2021 increased by nearly 25% after the vaccine announcement, while the right panel shows that the expected time-to-recovery was also reduced. Moreover, the differences reported in Figure 8 are statistically significant when accounting for firm’s characteristics within the same sector-region pair and remain robust when only considering responses the three days immediately before and after the announcement (*Fernández-Cerezo et al. 2021*).



Figure 9: Reshape strategy for business continuity



Source: <file:///C:/Users/xxx/Downloads/ey-companies-reshape-results-and-plan-for-covid-19-recovery.pdf>

## Conclusion

The Covid-19 pandemic has had major economic, as well as health, impacts on every nation in the world. It has amplified existing inequalities, created new ones, and destabilized communities — reversing development gains made in recent decades. The enormous socioeconomic impacts of Covid-19 are wide-ranging and have not affected everyone equally. The Covid-19 shock has been severe and widespread across firms, with persistent negative impact on sales. The employment adjustment has operated mostly along the intensive margin (that is leave of absence and reduction in hours), with a small share of firms laying off workers. There is great uncertainty about the future, especially among firms that have experienced a larger drop in sales, which is associated with job losses. The extent and effects of long-term unemployment during the Covid-19 induced crisis will have long-term implications for the widening vulnerabilities in the labour market. These findings provide a better understanding of the magnitude and distribution of the shock, the main channels affecting businesses, and how firms are adjusting. As vaccines are rolled out and economy activity is, once more, able to resume across the board, there is hope that excess savings have created a strong demand potential that may drive forward the eventual recovery. Global companies have to be predictive and proactive in their decision-making to preserve continuity and build resilience.

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