

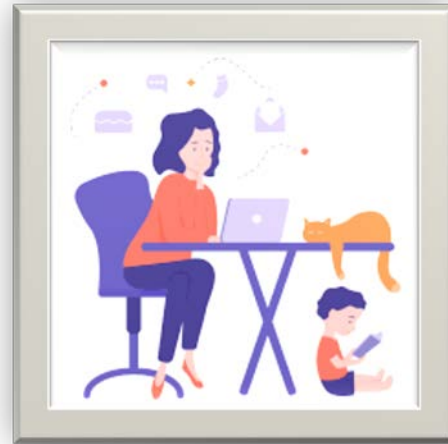
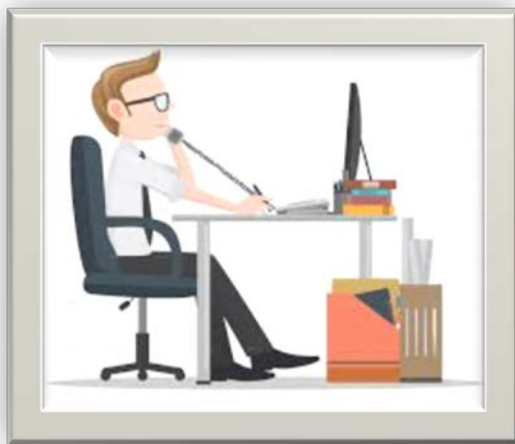


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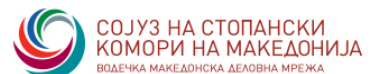


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STUDY FOR THE EFFECTS ON THE PRIVATE SECTOR OF THE ICT INDUSTRY AFFECTED BY THE HEALTH-ECONOMIC CRISIS CAUSED BY THE COVID-19 PANDEMIC WITH RECOMMENDATIONS FOR THE MANAGEMENT OF CONSEQUENCES



Skopje, May 2020



Notice:

This study was prepared by Mariana Andric, in cooperation with the Platform for Public-Private Dialogue consisting of the Economic Chamber of Macedonia, the Economic Chamber of Information and Communication Technologies – MASIT, the Economic Chamber of North-West Macedonia and the Association of Economic Chambers of Macedonia. The study was prepared in coordination with EPI CENTER International and with the support of the American people through the United States Agency for International Development (USAID). The views expressed in this study on the effects on the ICT industry caused by the COVID-19 pandemic, with suggestions for the management of the consequences, belong to the authors and do not reflect the views of the United States Agency for International Development or the United States Government.

1. Introduction

The Information and Communication Technologies Industry faced the crisis caused by the coronavirus with an fast reorganization of the work from home. In general, companies from the industries where the work can be performed remotely (including the ICT industry) were forced to organize their work from home for a more extended time.

It primarily led to investments in technical equipment and telecommunications infrastructure to create uninterrupted working conditions at home while maintaining the level of the quality set when performing work tasks from office.

On the other hand, the value of the digital transformation has never been more significant. The application of digital technology in the newly created situation is invaluable for both the economy and the general population. The statistics show a massive increase in the accomplished activities through the digital channels, mainly in households in running the necessary errands and of course in businesses that inevitably moved to the application of specific tools, whether it's communication as a basic need or to improve the business processes and the overall business activity.

Using various tools for virtual meetings such as Zoom, GoToMeeting, Skype, Slack, and the like, it replaced the traditional physical communication meetings, that may affect the efficiency but without any significant meaning.

The communication of the documents is the next segment, which was subject to intervention, and the digital reception, archiving, approval, and processing of the documentation greatly influenced the improvement of the administrative work and the other segments of daily operations. The changes in this section are something that should have happened sooner or later. Still, the newly created situation accelerated the decision-making among the entrepreneurs to take steps towards digitalization that otherwise could have been further postponed in some different circumstances.

In a short time, everything was digitalized, including entertainment, sports, and recreation channels. We are witnessing virtual concerts, fitness classes, and even sports competitions where it's feasible.

Certainly, the digital functioning which was adopted as a necessity will not be temporary. Still, it will remain a benefit from these turbulent times, which will also contribute to the improvement of entrepreneurs' performances in the future.

All this makes the ICT industry a vital facilitator of the business adjustment during the crisis as well as for the revitalization in the next phase when exceptional agility and constructive strategy will be needed to set the economy at a level that will mitigate the negative consequences in the shortest possible time.

When it comes to industries or business entities affected by the crisis, the basic parameter is the reduction of revenues in the current period compared to the same period last year, or the average generated revenues during the previous calendar year. That would be a simple indicator for hospitality, tourism, and retail because, in those sectors, the income is equated with the inflow of money, i.e., claims. In the other industries where the ICT is also included, where the wholesale is prevailing, and the results are measurable with invoices, it does not coincide with the claims, i.e., the cash flow for the same period. In these entities and cases of equally realized income from the sale of goods and services, the effect of the crisis may also appear if the collection is difficult or the claims move to a risk group, i.e., in disputed or unpaid claims.

These effects will not be taken into account when assessing eligibility for the subsidies in the first phase. Still, they should be taken into account when creating measures in the next phase, focusing on the revitalization of the economy.

2. Methodology of compiling the study

- Survey
- Interview
- Data from the annual accounts register

3. International experiences concerning the impact of COVID 19 crisis in the ICT sector

Research by the International Data Corporation (IDC) as a global provider of consulting services for the ICT and telecommunications industry that was conducted in February 2020 (originally in China), sublimed the effects of the epidemic on the business world (Wang, 2020):

Top 3 negative effects of the COVID-19 epidemic on companies:

- Unable to visit clients
- Significant decline in sales performances
- Difficulties in providing production resources

Many projects and new business deals have been canceled due to lack of communication, including the requests for meetings that insist on "on-site" presentations. The problems also occur internally, where working in isolation from home leads to communication problems between employees. Difficult communication, insufficient synchronization, and disabled surveillance are the leading causes of mistakes and reduced intensity of operational activities.

On the other hand, production facilities have a completely different problem. Lack of resources stands out as the leading cause of stagnation if we consider the import of raw materials. Closed borders are a significant obstacle. On the other hand, the waves in which COVID-19 appears, are not making the cooperation any easier. A country in the east (for example, China) has recovered from the pandemic, with full capacity for work and export, is unable to cooperate with a country from the west (European country) due to the presence of the virus which is not in a phase of reduced intensity. Inequality also occurs across the oceans.

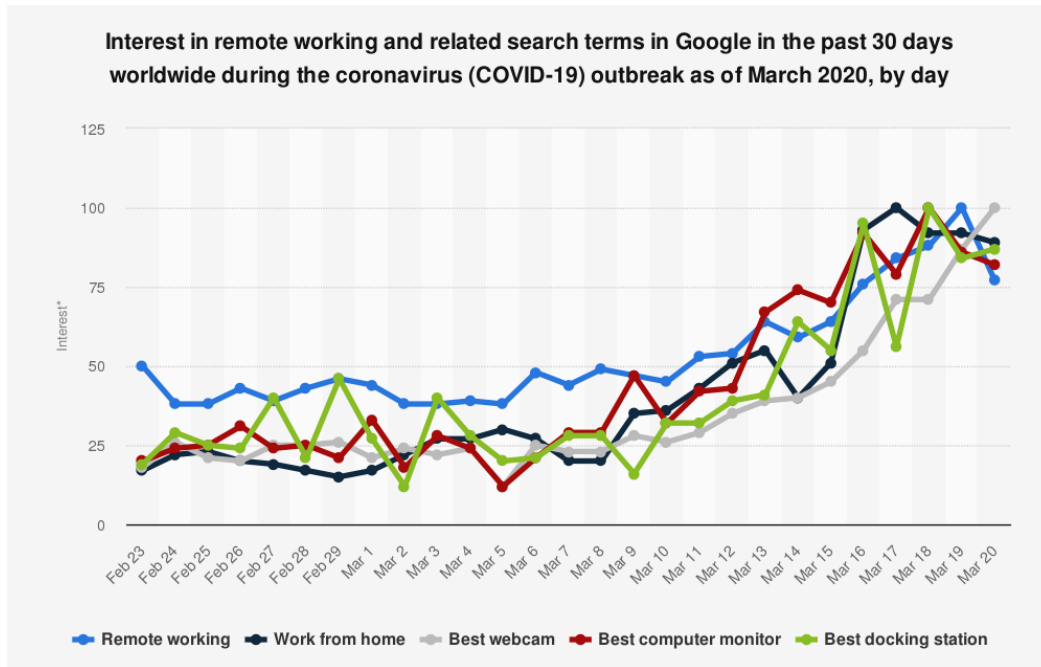
Top 3 positive effects of the COVID-19 epidemic on companies:

- Improved corporate ability for online cooperation
- Wide recognition of the value of the digital transformation and the information technology by all employees
- Gaining marketing abilities and developing business activities online

The ICT sector (as a carrier of change) is already familiar with the values and facilitation brought by the technology and the digital transformation. However, the pandemic also forced other industries to feel the benefits inevitably, and increasingly focus on the optional digital channels

of communication and of doing business. In North Macedonia, this significantly brought more interaction between the various industries in the private and also in the public sector. Public institutions that have long been resistant to digital tools have increasingly turned to optional digital solutions.

Below is an overview of the interest in remote working worldwide (Clement, 2020):



Source: Statista 2020

The easiest way and how to quickly measure the examples of the direct effects of the crisis, positively, are the cases of the enormous growth of job vacancies in Amazon and the successful example of a sharp jump in the value of shares of the Finnish creator of the remote video conferencing tool, Pexip.

The inevitable rise of e-commerce and regular online orders have created the need for additional jobs at Amazon, so only in March 2020, the company employed 100.000 people. The wages of the employees and associates who are directly involved in distribution centers, shipping operations, stores and delivering packages, raised by 2 US \$/hour in the US, 2 Canadian \$/hour in Canada, 2 BP/hour in the UK and approximately 2 €/hour in the majority of EU countries. The purpose of such a strategy is to observe the recommendations for the population to stay at home.

On May 14, 2020, The Financial Times Ltd. Published the news that shares of Pexip, the maker of the video conference tool (Scandinavia's largest IPO software), grew by 40%. Subscriber-based sales increased by 72% compared to 2019, while operating profit more than doubled. This year, the achieved ROIC (return on invested capital) in the first quarter increased

by 100% compared to the same period in 2019. What Sverre Østlie sees as a particular benefit is that even after the crisis, users will be much more accustomed to using video meetings, often re-considering the fact: "Is it necessary to travel for hours for a specific meeting, or can I keep it remotely with a video?"

4. World experiences in supporting the ICT sector by the governments of individual countries

Experiences in neighboring countries and beyond are not showing a universal recipe for the support to the ICT industry as a sector that has proved to be vital for the economy. We can freely say that it has not received any direct attention, but in some countries, it is indirectly covered by measures that do not exclude it.

The **UK** government has announced 20 million GBP financial assistance to help businesses develop technologies that will improve the country's resilience against coronavirus. Each project will receive funding between 25.000 and 50.000 GBP. It is an example where the focus may be on industries where the negative effects are directly measurable, but through the productive use of those funds, they create consumption for ICT products and services.

The Government of **Croatia** has introduced several measures to delay tax liabilities and subsidize contributions for salaries in the affected industries such as tourism and transport. Taxpayers who have suffered at least 20% reduction in income, have the right to request a delay in the payment of VAT and those companies which will prove that the overdue VAT liability arises from issued invoices that have not been claimed. It would mean a reduced risk for all taxpayers who collaborate with clients from affected industries, to be able to allocate funds to pay VAT shown in the issued invoices that may never be claimed.

5. General macroeconomic indicators for the sector and its share in the Macedonian economy

In 2019, the number of registered companies as ICT companies was 2.198, which is an increase of 8% compared to 2018. The number of employees in ICT companies in 2019 was 15.514 and is 7% higher than in 2018 when there were 14.541 employees.

	Number of companies	Number of employees based on working hours	Operating income	Average income per employee
2019	2.198	15.514	54.262.729.287	3.497.662
2018	2.021	14.541	53.034.073.371	3.647.210

In 2019, ICT companies paid off taxes for salaries and salary allowances for 824 million denars, which, compared to 2018, is 22% more. In 2019, ICT companies paid for their employees' contributions for compulsory social insurance for 2.953 million denars.

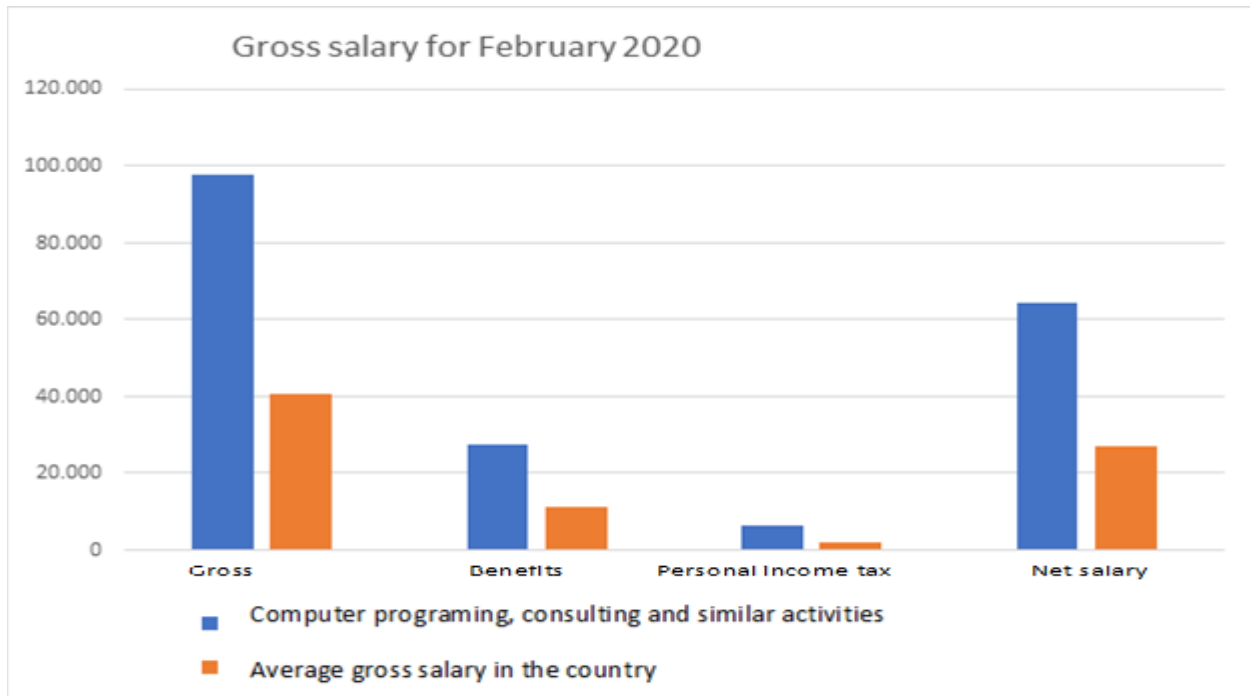
	Cost of salary taxes and salary allowances	Contributions for compulsory social insurance	Other employee costs
2019	824.240.869	2.953.851.814	966.074.074
2018	676.400.051	2.426.810.840	925.528.103

In this industry, it is specific that there is an item called *other expenses* of employees (not the case with other industries), which is higher than the personal income tax. In 2019, based on these expenses, employers paid 966 million denars or 62.271 MKD per employee per year. These are expenses for vacations, New Year's allowance, travel and daily expenses, food, various training, and certifications, which is an additional item in setting the price of labor. In this case, we note that this further increases the cost of labor by 9%. Such expenses do not occur in the balance sheets of employers from other industries. The most common item is only the expenses of vacation bonuses, as a mandatory compensation in the gross amount of **11.302 MKD per employee**.

If we compare the amount of mandatory social contributions paid for employees in industries that pay minimum wages, which is 4.952 MKD per month, we get an index of 3.2 because the average contribution per employee for 2019 in the ICT industry was 15.896 MKD.

This indicator shows that the total contributions paid by the ICT industry for pensions, health insurance, and insurance in unemployment would settle the contributions for 49.709 employees in industries receiving minimum wage.

According to the officially published data on the Public Revenue Office website, the total paid contributions for 2019 are 72.956.724.055 MKD, hence the share of contributions paid by employers in the ICT industry is 4%.



In this industry, employee salary expenses signify a dominant item in budgets. In conditions of deficit of adequate staff, reducing additional taxes is essential for the improvement of the business conditions.

According to official data published by the State Statistical Office, employers in the ICT industry (computer programming, other services related to information technology and computers, computer consulting activities, computer equipment management activities, data processing, hosting and similar activities and internet portals) paid 97.781 MKD average gross salaries per employee in February 2020. Compared to the same period in 2019, when it was 85.380 MKD, a continuous increase reached 14%.

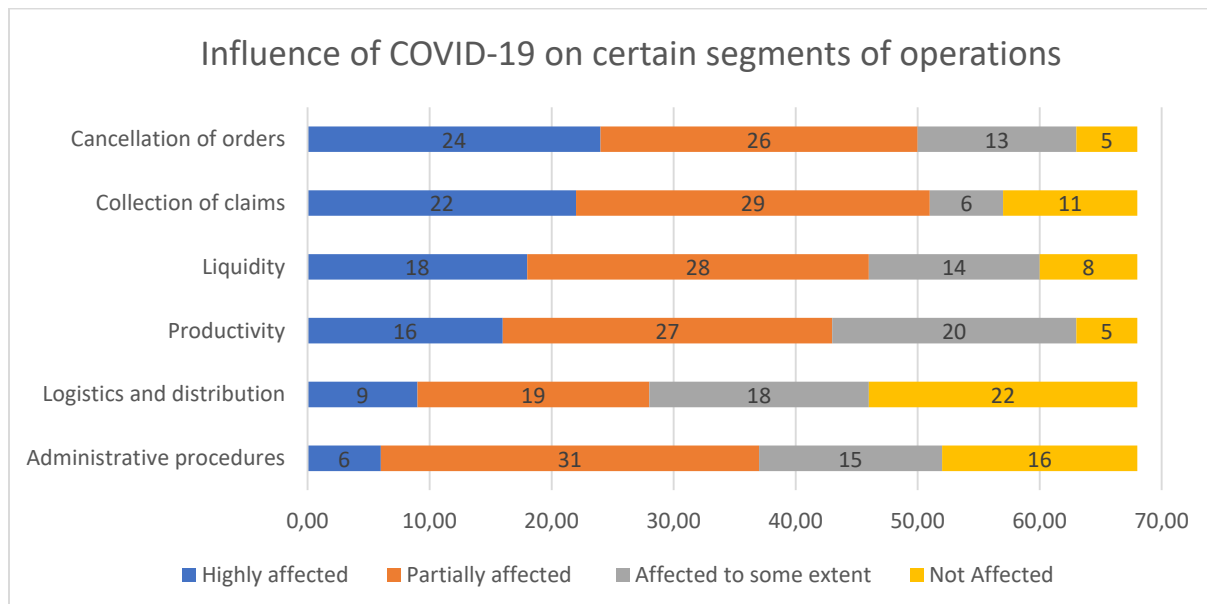
6. Analysis of survey questionnaires conducted in the ICT sector on the effects of the COVID-19 crisis

6.1. Purpose of the survey and description of the surveyed companies

To quantitatively analyze the effects of the COVID-19 crisis on the ICT sector situation, we conducted a sectorial survey questionnaire with 68 respondents who are part of the ICT companies in the country. According to the structure of the companies, most of them are in the micro or small enterprises (54), of which 28 have up to 10 employees, and 26 have from 11-50 employees. The rest of the respondents or 11 are identified as medium-sized companies and 3 as large enterprises. According to the geographical distribution, most companies are based in the Skopje region, while the next region with the most ICT companies is in the Pelagonija region, and several companies are based in other regions in the country. The main activity of the analyzed companies is software development (51%), followed by outsourcing of software/technical services (15%), ICT consulting services/integration system (9%), wholesale of hardware (4%), telecom provider (3%) and a training provider (3%).

6.2. Impact of COVID-19 crisis on companies' performance and economic results

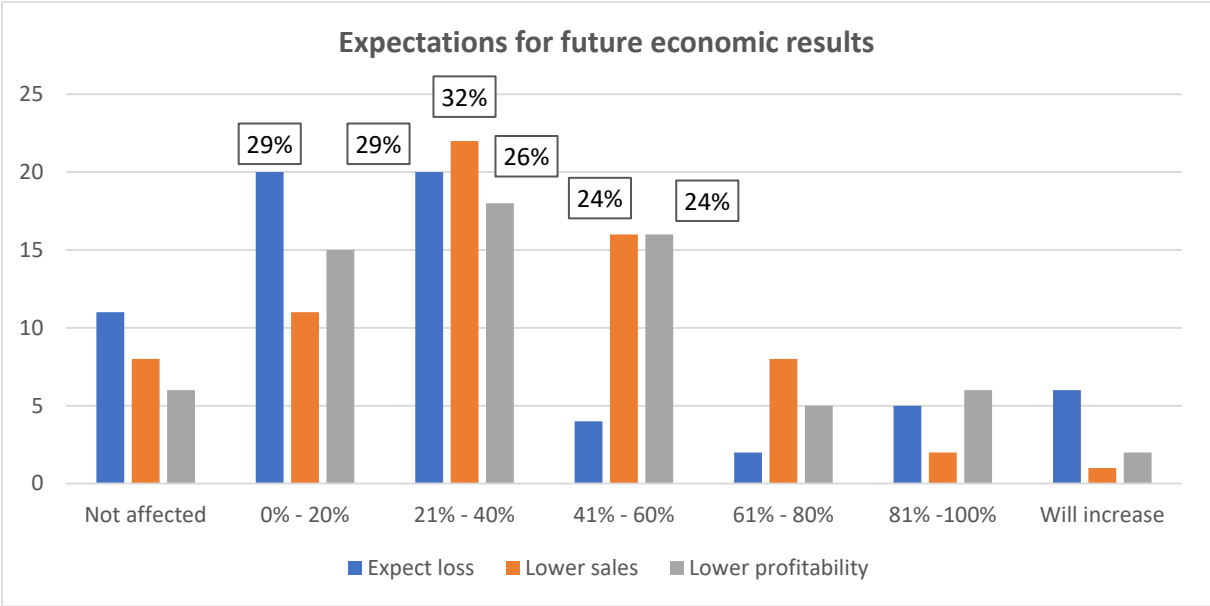
This section analyzes the impact of the COVID-19 crisis on specific aspects of ICT companies' operations, such as cancellation of orders, collection of claims, liquidity, productivity, logistics and distribution, and administrative procedures.



At the same time, the companies state that the cancellation of orders, as a consequence of the COVID-19 crisis, has the biggest negative impact on their operations. Over 35% are highly affected, and 38% are partially affected by the cancellation of orders. The difficulties in collecting claims can also affect companies' performance, with 32% saying that they have been

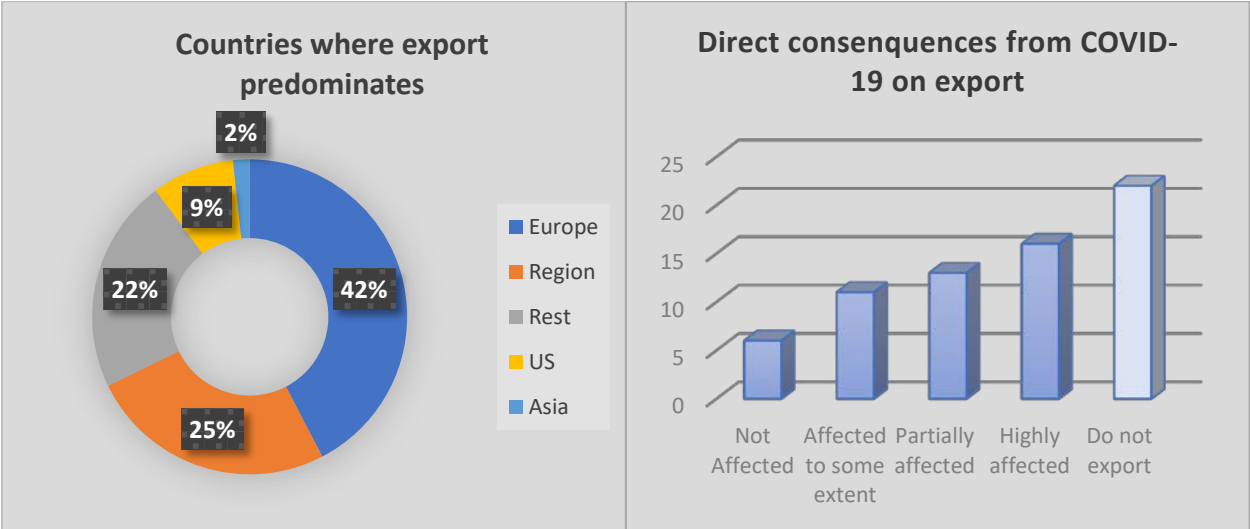
largely affected, while 43% partially affected. Reduced liquidity has a relatively high impact on companies, as well as the decline in productivity of operations, where 41% and 40% respectively responded that they have a partial effect on them. From logistics and distribution, a large part of the companies is affected to some extent. However, 32% believe that they don't have an impact on these processes. In contrast, from the administrative work aspect, i.e., providing documents from state institutions, most companies say they are partially affected (46%).

As a result of the COVID-19 crisis, most companies expect to have an impact on their performance results in the near future. 29% of companies expect losses between 0% - 40% in the first quarter of 2020. This prediction is explained by the expectations of companies for a reduction in sales in 2020, where 32% of companies expect a 21% - 40% drop in sales, and 24% expect a 41% -60% drop in sales. Therefore, the expectations for profitability are similar, with an expected decline of 21% -40% in 26% of companies and reduced profitability by 41% -60% in 24% of companies.

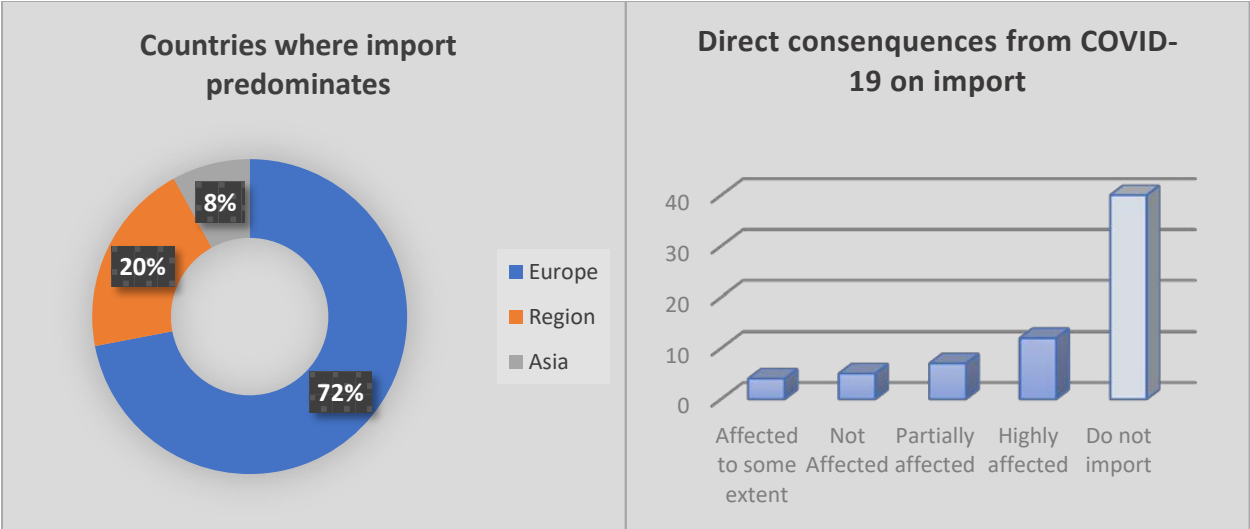


6.3.Impact on the export and import of ICT services and products

The majority of surveyed companies from the ICT sector are export-oriented since 68% answered that they export abroad. Most of them export their services and products to Europe, while others export further in the US and Asia. Most of the ICT companies that do exports believe that the consequences of COVID-19 had a significant impact on their operations. Many of them say that their operations are partially affected, followed by companies whose operations are poorly affected or have not experienced any impact on exports.

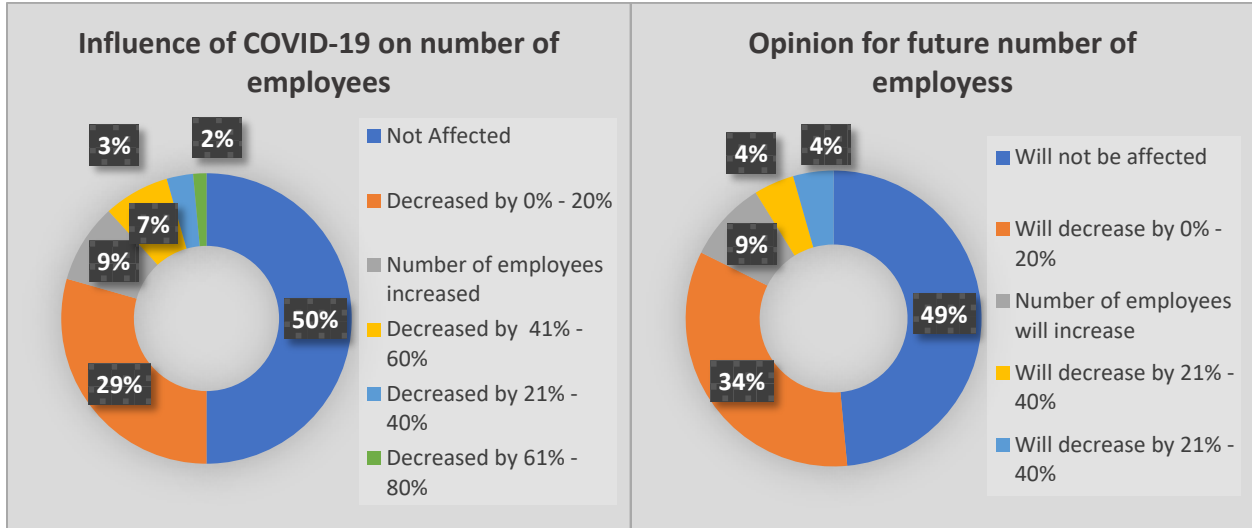


In terms of imports, 56% of companies answered that they don't import services or products. The companies that do imports say that it mostly comes from Europe, followed by the countries from the neighboring region. Companies that are dependent on imports, most of them say their operations are seriously impacted; some are partially impacted, followed by a smaller number who are not affected or poorly affected by the COVID-19 situation.

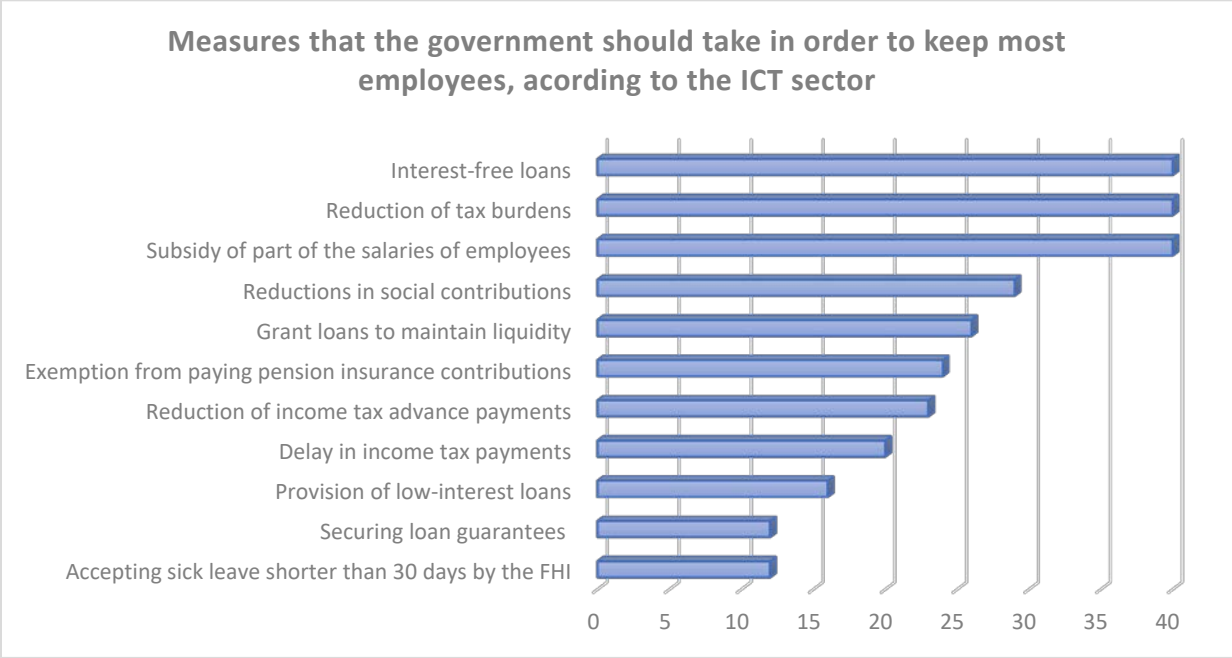


6.4 The influence of COVID-19 crisis on employees

50% of ICT companies say that the COVID-19 crisis does not affect the number of their employees, while 29% have had to reduce the number of employees from 0% -20%. However, during the crisis, 9% of companies experienced employee growth. 7% of the companies were strongly affected by the crisis, where the number of employees decreased from 41-60%. In 3% of the companies, the number of employees decreased from 21%-40%. And in 2% of companies, the number of employees decreased from 61-80%.



Predictions for future impacts on the number of employees, influenced by the COVID-19 crisis, are similar to the current impact, where 49% of employers believe that the situation will not lead to a reduction in the number of employees in the future. 34% of the respondents think that they will have a relatively small cut of the employees from 0% -20%. 9% believe that the number of employees will increase from 21% -40%. And 4% think that the number of employees will decrease from 41% -60.

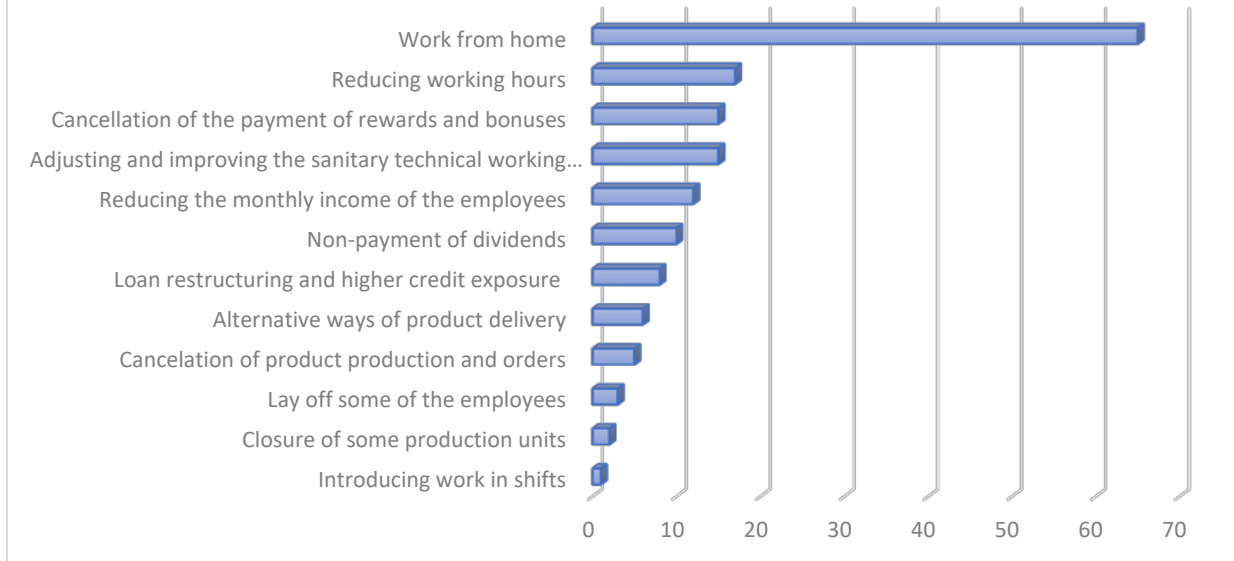


To alleviate the consequences of the COVID-19 crisis on the employees in the ICT sector, companies believe that the government can choose from several measures to keep most of them employed. Also, most companies consider the measures that could have a particular impact are the provision of interest-free loans, reduction of tax burdens, and subsidy of part of the salaries of employees. The next measures concerning the effectiveness of above mentioned, are reductions in social contributions, grant loans to maintain liquidity and working capital for companies, exemption from paying pension insurance contributions, reduction of income tax advance payments, delay in income tax payments, provision of low-interest loans, securing loan guarantees and working capital loan, and accepting sick leave shorter than 30 days by the FHI.

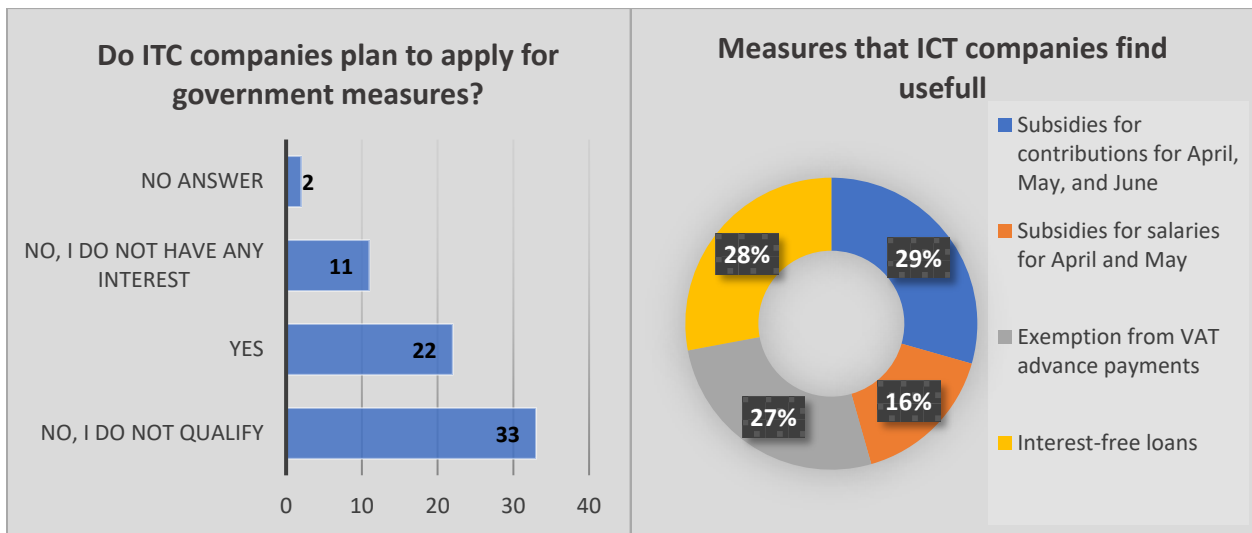
6.5 Measures taken by ICT companies and economic measures by the Government

Faced with the new situation, many companies had to take swift measures to adjust or to plan for the future. Under such conditions, most of the companies started organizing some of their employees to work from home. The ICT sector shows high flexibility for the work from home, as 62% of companies can fully adjust their operations regardless of the workspace, and 37% partially. Some of the frequent adjustment measures to the crisis by the ICT companies include reducing working hours and adjusting and improving the sanitary technical working conditions. But on the other hand, other adopted measures are the cancellation of the payment of rewards and bonuses, reducing the monthly income of the employees, and the non-payment of dividends.

Measures taken by ICT companies as a result of COVID-19

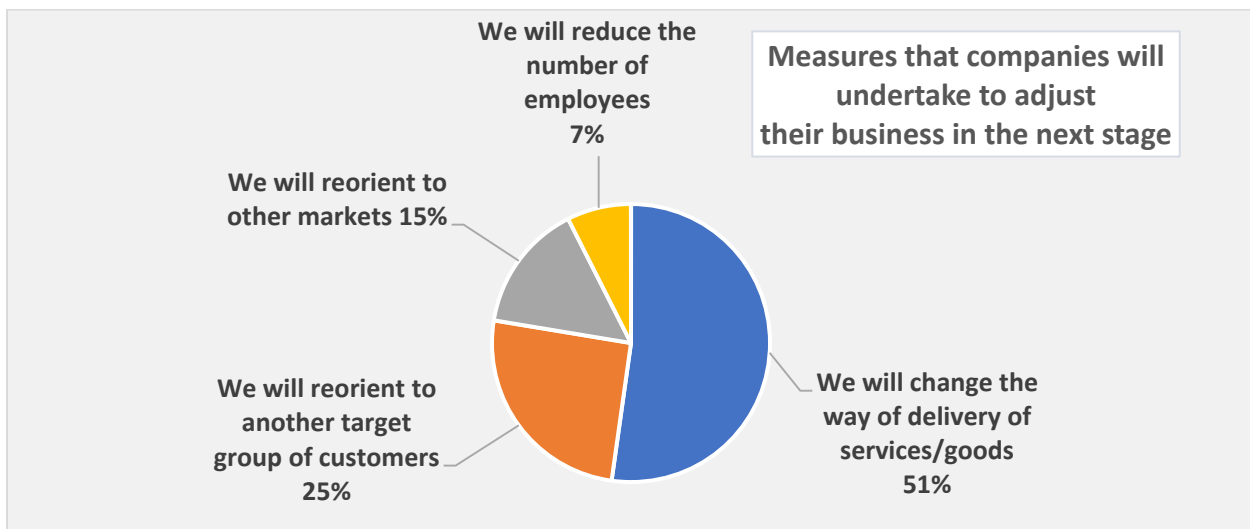
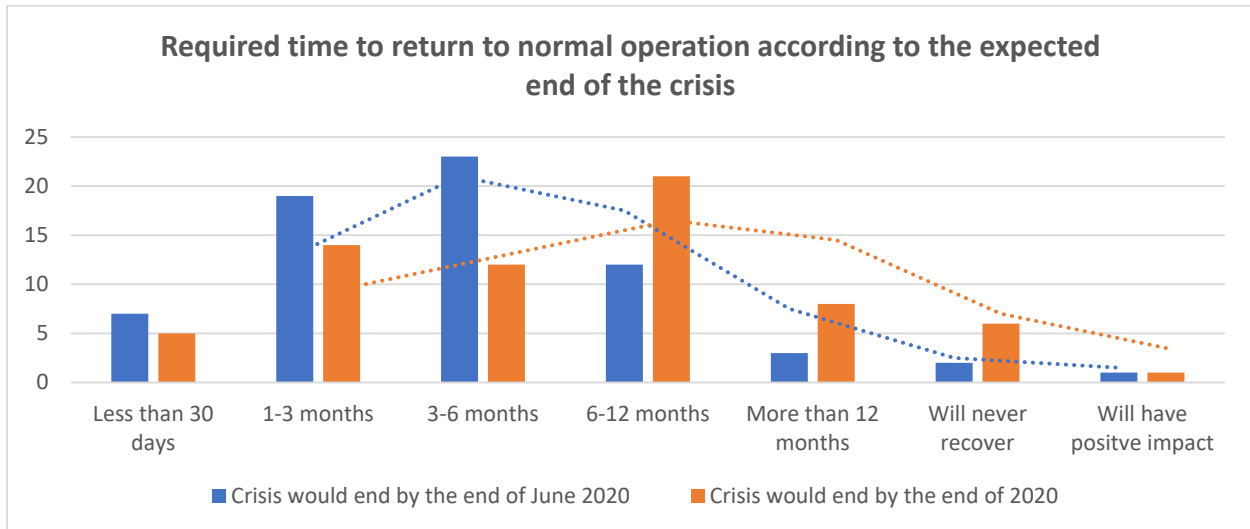


In terms of the government's economic measures to alleviate the impact of the crisis, most ICT companies would not apply for them because they believe they do not qualify. Many companies plan to apply, while some would not because they have no interest. In terms of the measures they would use, subsidies for contributions for April, May, and June, interest-free loans and exemption from VAT advance payments, are the most popular, followed by subsidies for April and May.



6. 6 Adjusting operations for the end of the crisis and measures in the future phases

With two scenarios for the expected end of the crisis, the first that the crisis would end by the end of June 2020, and the second that the crisis would end by the end of 2020, we can see that companies would need less time to return to the normal level of work.



The ICT companies are faced with the next phase of adjusting their businesses so that they can move out of the crisis with the least consequences on their operations and the overall success. From that point of view, most companies anticipate that they will adapt to the new conditions and make changes in the manners they deliver their goods/services. Some companies believe that there is a possibility of reorienting to another target group of customers or reorienting to other markets. In contrast, a small number of companies believe that it is inevitable to reduce the number of employees.

7. Analysis of interviews in the ICT sector

Due to the very short deadline for measuring the quantitative effects of the coronavirus's crisis, the emphasis in the research was placed on the interviews that provide information about the qualitative impact faced by employers in the ICT industry. It was enriched with suggestions and ideas for concrete steps that would effectively contribute to adjusting the operation to the next stage, commonly referred to as the "new normal." When the survey was taking place (April 2020), there was talk of possible scenarios after the crisis. It is not the case because it is increasingly sure that the end of the crisis cannot be predicted, so the analysis is aimed at predicting the manners of functioning in the new conditions that will set new norms and standards in the professional world.

The interviewed participants were managers and owners of legal entities from the ICT sector. The questions asked were open to capture in more detail the key points through open conversation. The conversation was conducted in the framework of 10 items. The interlocutors gave different answers that generally depend on which areas the users of their goods and services come from.

1. *How do you evaluate the operations in the past two months?*

Here the answers were very similar because, in general, in this industry, the expression *work from home* (currently during the coronavirus crisis) or instead *work from everywhere* is not something unfamiliar because even before the crisis, it was increasingly accepted as a practice. All the interviewed companies moved the offices to their own homes quickly, where the work continued smoothly.

What still affects the quality of performance of work responsibilities are the difficult conditions in terms of setting working conditions, unequal quality of infrastructure (internet, electricity, office furniture), harmonization of domestic obligations among the parents of minor children, etc.

2. *What was the biggest problem/challenge you faced?*

The most common answers in this section are: unplanned investments in technical equipment, expenses for external collaborators and coaching experts, reduced coordination between teams, reduced employee motivation, difficult monitoring of work intensity, uneven distribution of tasks between employees leading to overload some employees or insufficient use of others.

3. *How do you plan to organize the work in the following period?*

Partial return of the teams and employee rotation was the most common response. They plan to reorganize the business space, which will create conditions for the mandatory distance, but wearing a mask during 8 working hours is difficult to apply, and according to the respondents, it is unnecessary during an employee's shift at his workplace. Of course, it is necessary when

moving through the shared space. Still, the obligation for mandatory use of masks even in cases when, for example, only 2 people sit in 30 m², according to the respondents, it should be revised. The obligation to wear masks, gloves and to keep a distance of 2 meters will be respected.

The difficult completion of work responsibilities at home for parents with children up to 10 years of age was especially emphasized in terms of the consequences of the long run. In the long run, this part needs to get reorganized because of the reduced productivity of this category of employees. The employers will be forced to hire additional resources to complete their tasks and obligations on due time. According to the current regulations, the total costs for these activities are on the burden of the employer.

4. What are the repercussions on the financial results?

Companies face reduced turnover, but still insignificant. Having no growth and development is a very problematic issue because turnover remains within a particular limit/normal as before, but the opportunities for development and finding new customers and projects are reduced to a minimum.

5. Do you cooperate with other industries in this period? With which sector is the cooperation intensified and with which is reduced??

The cooperation with companies from industries such as hospitality, tourism, and transportation has been reduced, while it has increased with companies from the health sector and online entertainment. There is potential for intensifying cooperation with almost all industries. Still, the key is the willingness of businessmen to accept the need to introduce or promote digitalization in many segments of functioning.

6. What are the recommendations for businesses in other industries in terms of the reorganization of operations by intensifying the application of ICT tools?

The answers are repeated to improve digital literacy, create a habit of people to read and write e-mails, work online, and generally use computers and mobile phones in everyday life.

7. What are your recommendations for measures that the government should adopt for the ICT industry?

- Reduction of costs for the labor force through reduced mandatory contributions to the state,
- Focus on economic operators who are in a position to maintain a healthy economy
- Fast and timely information
- Exclusion from taxation of non-resident entities (burden on payers in cases where there is no agreement to avoid double taxation)
- Introduction of flexible law on employment
- Delivery of electronic documents to the competent institutions

8. *Do you pay additional employee benefits?*

The respondents have different approaches concerning the additional benefits paid to the employees. The policy for using private health insurance, life insurance, payments in private pension schemes is regulated depending on the staff's profile and the level of their deficit in the market. None of this is practiced by those employers who employ a less-skilled workforce and with less work experience.

9. *Would you hire additional workforce/ interns if you get the opportunity for subsidized employment?*

The reason for asking this question was to anticipate the potential for new jobs to take over the fired employees who would appear on the labor market in the next phase as a result of the crisis. Various retraining programs open up ways to create an affordable workforce. Still, for most respondents, the reason for refraining from such steps is long-term uncertainty, so they suggest removing restrictive conditions when subsidizing new jobs or internships. These restrictions are being put in place to reduce the possibility of abuse by employers, which is justified in other industries but not in ICT, where the risk is minimal due to labor shortages..

10. *Would you organize a teambuilding and/or paid vacation for employees (and their families) in domestic tourist facilities if you did not have additional tax burdens?*

Since the performance of work tasks in this industry inevitably imposes the need for various training, professional development, visiting conferences, and similar activities resulting from frequent travel, the travel expenses, accommodation, and food are common in the budgets of these companies. Employers do not refrain from spending despite the additional duties to the government, so since all such trips are postponed, it remains to be organized within our country. If an exemption from tax liabilities is introduced, it would certainly be more acceptable for them. Most of the respondents answered that they could allocate about 6.000 MKD per employee for this purpose and in the current situation.

8. Activities of the Government of North Macedonia related to the ICT sector

With the onset of the crisis, the government of North Macedonia announced measures designed to help the economy withstand the first blow due to the introduction of restrictions for protecting the health of the population and preventing the spread of coronavirus infection. The measures are separated in 2 sets, and implemented with the following chronology:

- a) Interest-free credit lines for the improvement of the liquidity were announced on two occasions. The credit lines for the reduction of the impact of COVID-19 in the economy – COVID-1, following the Public Call posted on 26.03.2020, valid until 25.04.2020, with a total available fund of 338.250.000 denars. The funds are fully exhausted with the last

approved loans from the received applications on 06.04.2020 (until the end of the business hours). During this period, a total of 1.024 loan applications were registered, of which 738 were approved, and 286 applications were rejected due to non-compliance with the terms and criteria of the public call. This line applied only to directly affected industries (hospitality, tourism, transportation) where the ICT industry companies were not included.

- b) The companies that have suffered losses in their operations due to the implementation of measures to prevent the outbreak of COVID-19 pandemic to be Exempted from paying profit tax advance payments for March, April, and May 2020.

This measure also applies to taxpayers whose activity is specified in the National Classification of Activities: Tourism, Hospitality, and Transportation. It also applies to all other companies that had a decline in revenues for March for more than 40% compared to February 2020 and to those whose reduction in total revenues for 2020 is more than 40% compared to the same period last year. The second alternative requirement is the number of employees who do not contribute to the employer's economic activity, due to the implementation of the measures, to be at least 25% compared to the total number of employees in February 2020. The third alternative requirement is the employer to close at least 50% of the sales outlets through which it made the turnover. According to the announcement published by the Public Revenue Office on 08.05.2020, a total of 1019 taxpayers submitted requests, of which 747 were accepted with the following structure by activities: 149 by transportation activity; 114 in the hospitality industry; 79 from tourism industry; and 405 are from other businesses.

- c) Subsidizing salaries from a total of 14.500 denars per month/employee for those workers who have received salaries lower than 39.900 for each month individually. The basic requirement is the verified decline in revenues during the month for which the support is required of at least 30% compared to the average monthly income in 2019 or the seasonal average for the last 4 months with that of the same period for 2019. Although the announced measure was defined by a Decree that was published (Official Gazette No. 93/20 dated 07.04.2020), it was amended on 09.04.2020 (Official Gazette No. 97/20). On 28.04.2020, (Official Gazette No. 111/20) a completely new Decree was published, which repeals the importance of the previous one, and on 01.05.2020, (Official Gazette No. 113/20), an appropriate supplement was published. This process of adopting, supplementing and amending the Decree has been sharply criticized by the public because something that was supposed to mean first aid for the economy has been implemented for almost a month.

Substantial changes to this decree have been made by introducing the possibility to convert this assistance into a grant if separate investments are realized to the level assistance as well as precise definition of the conditions under which employers will be able to reduce the number of employees in the period until the payment deadline of the salaries for the month of May.

- d) The measure for subsidizing the payment of compulsory social security contributions allows employers for the months April, May and June 2020 to use a subsidy for the mandatory

payment of insurance contributions for each insured person, mostly at 50% calculated on the average gross salary per employee in RNM, according to data from the State Statistical Office published in January 2020. This measure was mainly used by those taxpayers who do not meet the requirements for financial assistance for salaries, mainly due to the salaries paid in the last 3 months

- e) The application conditions for the second Credit Line for the reduction of the impact of COVID - 19 in the economy - COVID2 - were almost identical. The call for applications started on April 29, allowing all companies that meet the conditions, regardless of which industry they belong, to participate. The application deadline was 13.05, and the results for the number of submitted applications and approved loans are expected to be published by the end of May.

9. Short-term/long-term measures for the duration of the crisis

Recommendations from top analysts around the world are that the innovative companies that will create new jobs are the driving force behind the economic crisis after the crisis. It is inevitable to face layoffs due to a sharp decline in industrial production, which is expected to occur in the second half of June, especially since the deadline for the inability to lay off workers expires at that time. At that time, all those employers who have adapted to work in the new conditions and who have the potential to expand the scope of work would be the drivers of the recovery process and overcoming the consequences.

The ideas should come from innovative companies. They should be the main advisers of governments that are facing serious dilemmas whether to concentrate on the short-term measures that will help the liquidity of a limited number of companies in the near future or long-term measures that will help the economy in the country.

The ICT industry is crucial because of the possible solutions it can offer to businesses to adapt to the new conditions. With various digital tools, the processes that will increase the efficiency of operations can be improved, which would mean the possibility of saving and reallocating material and human resources.

1. Support for innovative projects for easier access to foreign markets/export of services

Given that new solutions are being offered worldwide for the adaptation of the businesses in the new situation, we are witnessing the use of various tools for virtual offices, classrooms, shops, etc., it is necessary to pay special attention to local facilities.

We need to find ways to encourage and support local providers to build capacity to reduce the economy's dependence on imported resources and to expand into foreign markets.

It could be achieved with a dedicated project of the Fund for Innovation and Technological Development that would be based on pre-identified areas arising from the need to adapt businesses to the new conditions by defining the processes that require digitalization.

2. Electronic documentation - the physical transfer of paper would turn into a movement through the virtual space by applying sophisticated information systems, in the communication of all stakeholders in the economy. It refers to:

- Documentation circulating between economic entities (orders, invoices, contracts)
- Documentation that communicates with state bodies – so far the communication has been introduced electronically in some domains, but there is still room for improvement (Certificate of paid duties from the PRO, forms for exemption from withheld tax, various certificates from courts, municipalities and other institutions with public authorities that issue various certificates)
- Exchange of internal acts between employers and workers within the frames of the employment (payment lists for each type of payment, employment contracts, annual leave claims, annual leave approval)

It would be a measure that would make it easier to do business by saving money and contributing to environmental protection by reducing the use of paper.

The conclusion is that the introduction of this measure will preserve 1.717 trees annually if we analyze only the printed documentation that is reproduced based on labor regulations and communicates between employers and employees.

3. Increasing competitiveness for the engagement of labor in comparison to informal employers from abroad

If we see that many professions can be worked remotely, why work for a domestic employer and not for a European or American informal employer. More and more companies that recruit staff for remote work are present in Macedonia, offering salaries that in net amount do not differ much from those paid by domestic employers. Electronic media's long-term stay makes it easily feasible for the accepted conditions, taking into account the other key factors when choosing an employee engagement and an employer.

The main competitive advantage of informal employers, with businesses around the world, is the lack of obligation to pay pensions and health insurance. It means a serious blow to the funds that should ensure the smooth functioning of the health system, as well as existential security for the population after leaving their jobs.

In such a crisis, the most vulnerable are those who have worked outside the employment system. Those people earn money that only applies to meet current needs. In the ICT industry, these are people hired by foreign informal employers. They, for the received funds through PayPal, Pioneer, Revolut, and similar platforms for electronic payments from abroad, belong to the group of the unemployed population that will be subject to social assistance, with the envisaged third set of measures of the RNM government.

4. Conditional subsidy of new employments

Measures must not be aimed at one-time assistance to vulnerable social groups. It's a dangerous trap that will lead to an increase in the number of members of this group. The projected budgets should focus on conditional subsidies to employers, which would be encouraged to invest in new jobs, creating new jobs that will help amortize the expected shock of mass layoffs. A possible and realistically applicable measure would be to lower the maximum dream threshold for calculating contributions from employers in the ICT industry.

The right to health insurance is equally independent of the amount of the paid contribution per taxpayer, which in the ICT industry is far above the average. The highest prescribed amount for pension will be guaranteed because the pension insurance contribution is paid above the maximum. The concrete proposal on this issue is to limit or set an upper threshold for calculating contributions, which would mean calculating contributions for employees in the ICT industry for the maximum amount of salary that is determined as the average salary paid in the industry.

5. Supporting for the retraining of staff to create greater potential of the ICT sector

The issue of staff retraining for possible employment in the ICT industry has long been a frequently discussed topic. Specific steps have already been taken through the Annual Operational Plans for Active Employment Programs and Measures at the Employment Agency, but we are also talking about a different approach.

The agility in adapting to new conditions has been a critical factor in surviving in times of crisis where employers have been forced to invest in educating their employees about appropriate skills and tools. Employers from all industries are facing this, but this branch can most contribute to modeling staff for companies that accept the digitalization process as inevitable.

Employers are encouraged to hire unemployed people based on practice, training, probation, part-time employment, without special long-term restrictions. They should also be subsidized for social duties; it opens the possibility for potential acceptance of those who are laid off due to the situation.

6. Reduction of tax burden on employee benefits

A possible measure to help tourism in RNM would be a campaign for the intensive use of facilities by employers for their employees and their families. It is possible if employers are exempted from paying additional fees (personal income tax and income tax due to the treatment of unrecognized expenses) for the accommodation in the hotels and other facilities.

According to the data from the register of annual accounts for 2019, the total amount of other expenses for employees expressed in section AOP 217, in the income statement is 966.074.074 MKD. This item contains all other expenses that the employer pays for the employee based on travel and daily expenditures, vacation pay, and similar allowances. On average, for the analyzed subjects, it is 62.271 MKD. If we assume that the amount contains the bonus for the annual leave of 12.000 MKD, then the rest is 50.000 MKD or 12.500 MKD distributed per quarter.

With the current situation impacted with the presence of the COVID-19 when work was conducted only for a half a quarter, for this period we can calculate the amount of 18.750 MKD (equivalent to 1.5 quarters) that could be allocated provided that the employer does not face reduced volume of activities and consequently revenues.

From the interviews with employers from the ICT industry, we can say that employers are ready to allocate at least 6.000 MKD per employee for this purpose. Compared to the data on expenditures for the employees in the industry in 2019, the potential could reach 4.73 million EUR. The introduction of such a measure would not have any budgetary implications because we are talking about funds from the economy that would be allocated directly to tourism.

7. Formal basis for organizing work from home

One of the recommendations to deal with the pandemic is the Recommendation adopted by the government on March 19, 2020. It recommends that all employers, i.e., every person in charge of an institution, depending on the type of work and opportunities, should organize the work through work from home without disturbing the institution's regular and normal functioning. It removes all barriers imposed by the existing Labor Law through restrictive provisions by imposing obligations inapplicable in today's way of doing business.

Due to the inability to predict the duration of the period in which we will be forced to function in an appropriate way, working from home will remain necessary in all activities where possible, not only for the ICT industry.

Therefore, the Government should adopt a Decree that will suspend the provisions of the Law on Labor Relations (Articles 50, 51 and 52) that refer to work outside the working premises that would be valid even after the end of the state of emergency, i.e., at least until 31.12.2020.

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