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UDC: 338.12]:616.98:578.834}-036.2(497.7)
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**ROLI I KRIZËS PANDEMIKE MBI EKONOMINË DHE
NORMËN E PAPUNËSISË, ME THEKS TË VEÇANTË NË
REPUBLIKËN E MAQEDONISË SË VERIUT**

**ВЛИЈАНИЕТО НА КОВИД КРИЗАТА ВРЗ ЕКОНОМИЈАТА И
НЕВРАБОТЕНОСТА, СО ПОСЕБЕН ОСВРТ ВО РЕПУБЛИКА
СЕВЕРНА МАКЕДОНИЈА**

**THE IMPACT OF THE PANDEMIC CRISIS ON THE ECONOMY
AND WORKFORCE, (EMPLOYEES) WITH SPECIAL EMPHASIS
ON THE REPUBLIC OF NORTH MACEDONIA**

Abstract

The COVID-19 pandemic, at the beginning of its emergence, first caused a health crisis, and then grew into a humanitarian and socio-economic crisis that has strong negative implications for gender equality, as well as further deepening of existing inequalities. Almost all sectors were negatively affected by the crisis, such as: tourism, production, hospitality, healthcare, sale of food products, financial-service, etc.

In a few months, the COVID-19 crisis covered the territory of the entire world, disrupted the rhythm of humanity, and drastically changed people's way of life. For the first time, the COVID-19 virus appeared at the end of 2019, in China. Its rapid spread contributed to the

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declaration of a worldwide pandemic by the World Health Organization on March 11, 2020.

The COVID-19 crisis has slowed down the economy, especially small businesses feel the impact of the crisis. The government proposed that the companies prepare their own plan for restructuring, that is, for adapting operations according to the new conditions imposed by the pandemic situation. The hardest hit by the pandemic are small business, such as those that were the first to close in the hospitality industry.

However, the general task for all societies or countries is the same, i.e., they all strive for the preservation of the economy in the country, enabling its rapid and complete recovery under the influence of the COVID-19 crisis. For this purpose, it is necessary to preserve the economy in a virtual state, i.e., to behave as if the crisis does not exist, at a time when it needs to adapt to the conditions dictated by the COVID-19 pandemic.

***Keywords:** COVID-19 pandemic, crisis, economy, implications, North Macedonia*

Introduction

The Covid-19 crisis has swept the globe for months, disrupting the rhythm of humanity and drastically changing the way people live. The Covid-19 virus first appeared in late 2019 in China. Its rapid spread led to the declaration of a world pandemic by the World Health Organization on March 11, 2020.

COVID-19, as an important and unpredicted event, will have a negative impact both nationally and globally, where beside destroying the social order, it has also destroyed the economy, creating an economic collapse and great loss of human life.

As a result of the negative impacts caused by Covid-19, i.e., the quarantine measures and the decline in economic activity, the labor supply is decreasing. According to an estimate made in March 2020, we can conclude that infected workers lost 30.000 work months, resulting in a loss of income for unprotected workers. According to the above, we can conclude that the Covid-19 crisis has a negative impact on employment, which results in a loss of income for employees.

The COVID-19 crisis has launched a digitalization impulse in North Macedonia (and globally) which will last and present challenges,

but also will provide new opportunities in the economy, education, and other fields of the society. The main challenge is to ensure that all groups of society will have access to and will benefit from the digitalization process.

The slow economic growth does not provide the creation of new jobs. Unemployment comes in big dimensions and is considered as the biggest economical issue of the country, it presents an economical problem, but as a result of this issue, many other issues come into sight.

The Covid-19 crisis has slowed the economy, especially small businesses are feeling the effects of the crisis. The government proposed the companies to prepare their own plan for restructuring, to adapt the operation according to the new conditions required by the pandemic situation. The hardest hit by the pandemic their own plan for restructuring, i.e., to adapt the operation according to the new conditions required by the pandemic situation. The hardest hit by the pandemic are small businesses, such as those that first shut down catering.

The notion of the Covid crisis

Covid-19 is an unknown disease that we have not encountered so far. The Covid-19 pandemic is the secret enemy of human health and life. Pandemic is a new and unknown phenomenon, so the fear of people is justified. The Covid-19 crisis has swept across the globe for months, disrupting the rhythm of humanity and drastically changing the way people live.

The Covid-19 pandemic at the beginning of its emergency first caused a health crisis, and then grew into a humanitarian and socio-economic crisis that has strong negative implications for gender equality, as well as further deepening of existing inequalities.

The corona virus pandemic has changed the habits of domestic customers, who have shifted most of their online shopping to domestic e-commerce instead of the foreign one. The implications for this, of course, are the closing of the borders and the complexity that has emerged with the delays in delivery of foreign-purchased products, as well as the fear of ordering products that originated mainly from countries that were infected with the COVID-19 virus.

In order to prevent the rapid spread of the Covid crisis, many countries were forced to introduce partial or complete restrictions on the movement of people, isolation, quarantine, closure of kindergartens,

schools and their public institutions in order to maintain a greater social, health and economic system in conditions of the Covid crisis.

Economy in conditions of pandemic

In economics, the Covid-19 is a black swan. The black swan on the stock exchange is a symbol of unforeseen events with far-reaching consequences. Economists are discussing the consequences of the Covid crisis, that is, how bad the consequences of avoiding the Covid crisis will be.

In 2020, in late January, economist Jill Zhibo was asked if the corona virus could be a black swan, to which he replied: “Yes, maybe for companies that have a large business in China”. His position has weight, as he is the responsible strategist for the shares of Axa Investment Managers in Europe, which manage a capital of around 800 billion euros. But then it was not possible for Axa’s chief strategist, as well for other investors, to predict that the virus would affect hundreds of people around Milan. Nervousness in the world financial markets has already grown.

The state of emergency in the country, the state of emergency in the economy closed the catering facilities, shops, markets, and some of the employees lost their jobs. Many businesses are run remotely, i.e., from home. Based on the above, we can conclude that the Covid-19 crisis has slowed down the economy, especially small businesses are feeling the impact of the crisis.

The government proposed the companies to prepare their own plan for restructuring, i.e., to adapt the operation according to the new conditions required by the pandemic situation. The hardest hit by the pandemic are small businesses, such as those that first shut down catering. There are two types of losses. The first type of loss that catering faces is financial, in terms of lack of assistance, because the company is closed, does not work at all, and costs become higher, such as rent, overhead costs, etc.

The negative impact on the economy caused by the crisis became more visible with time, and the economic consequences are not as favorable neither now, nor in the short term. Because of a considerable decrease and imbalance on both the supply and demand sides, economies were faced with major shocks and weakened the resilience of economic entities. While the demand for products and certain services dramatically increased (medical equipment, connecting platforms,

electronic payment etc.), for others (tourism and catering, automobilism, etc.), the demand significantly decreased.

At the same time, suppliers cannot meet the increased demand for the certain products and services. The transport sector faces serious difficulties because of the security precautions recently imposed by every country, which shows the critical dependence on a globalized economy. Today's production is highly dependent on transport and trade as the product requires parts produced in different countries.

While the second type of loss is, if the pandemic situation is postponed and the catering facilities are closed for more than three months, there will be losses from food, i.e., materials that caterers use to prepare food. Wages are a problem for companies, and non-payment of regular salaries means inability of citizens to be able to pay their monthly expenses and loan installments. The government has come up with several measures, such as providing interest-free loans, subsidies form a fund of 74 million denars for the most affected sectors such as tourism, catering, and transport, as well as prolonging the payment of some of the taxes. The global pandemic has put large and stable economies to the test.

The impact that COVID-19 has brought to the world economy

The degree of damage in the economy will depend on many factors, such as the steps that the authorities will take to improve the health situation and how much economic support governments are willing to provide during the immediate impact of the epidemic and its aftermath. COVID-19 might cost 1 trillion dollars to the world economy during 2020. "We predict a slowdown in the global economy to less than two percent this year, and that would probably cost 1 trillion dollars, compared to what people were forecasting in September", said Richard Kozul-Wright, President, UNCTAD.

China's example showed that the economy in this situation heads toward general decline, which made Chinese exports drop by 17.2%, automobile sales by 80% in the first two months of the year alone. According to researcher Khan A.H the world is facing the perspective of a deep and sustained global recession. "Chinese GDP will drop by a few percentage points. EU will lose around two percentage points, and USA will lose between one and one and a half percent. With falling oil

prices, oil-producing economies are already experiencing economic downturns. The direct and indirect effects of COVID-19 will exacerbate this trend". OECD forecasted that COVID-19 will lower the global growth of GDP by half a percentage point for 2020 (from 2.9 to 2.4 percent). Bloomberg Economics warns that the GDP growth over the full year could drop to zero in a worst-case pandemic scenario.

The dangers posed by the pandemic in Balkan and North Macedonia

The situation can worsen even more. The main danger for the Western Balkans is that along with a complicated social and political environment, a prolonged pandemic combined with a deeper recession in the EU may make it increasingly difficult to manage the economic crisis that will unfold. In addition to rising human and social costs, a longer pandemic would reinforce the spread of global effects through trade, finance, and goods channels.

Its extension would also intensify investor risk averse behavior and consequently borrowing costs, which would have significant fiscal costs for the Western Balkan countries that have high external debt to GDP ratios. Unfavorable exchange rate developments may further increase debt service costs. The upcoming waves of COVID-19 outbursts that require isolation will further raise economic uncertainty, as well as economic and social costs.

In addition to pressure on fiscal and external accounts, there is a risk that measures responding to the socio-economic crisis will not be effective in the new context of social distancing, the imperfect rate of use of online government services and disruptions in the functioning of public administrations. North Macedonia and Serbia have postponed their spring parliamentary elections; in BH, Kosovo, and Montenegro, political instability can add to the already high level of uncertainty and cause many problems for governments' ability to respond.

The impact of the pandemic with emphasis on the economy of North Macedonia

The Covid-19 pandemic has infected most of the world's population, about 40-70%. According to the recorded number of cases of Covid-19, in the first quarter of 2020, about 170.000 people in 148

countries were infected, and 6500 deaths were recorded. Covid crisis is a shock to the economy, as well as to labor markets, because in addition to affecting the supply itself, in the production of goods and services, it also affects demand, i.e., investment and consumption.

Almost all companies in the world, regardless of size, face serious challenges from Covid-19, among which the biggest challenges are on the tourism, aviation, and catering industries, which face losses in terms of jobs, declining revenues and insolvency. The effect of the crisis is especially reflected in small and medium enterprises, making it difficult for them to maintain their business operations. As a result of taking action against the Covid crisis, the majority of workers are unable to do their jobs or get to work due to quarantine measures, border closures or travel bans, resulting in a domino effect on income, especially for temporary and informal workers.

Due to the Covid-19 crisis, consumers in many economies are reluctant or unable to buy goods or services. Due to the uncertainty and fear of the Covid crisis, companies are likely to delay procurement of goods, hiring of workers, as well as investments. The prospects of the economy, namely the quality and quantity of employment are deteriorating rapidly. In fact, all forecasts point to the negative impact caused by the Covid crisis on the global economy or the global economic recession. To mitigate the effects of the Covid crisis on the Macedonian economy, rapid and coordinated policy measures are needed at both the national and global levels with a strong multilateral level. Key to stimulating the economy are demand side measures to protect entities facing reduced activity or loss of revenue due to the Covid crisis.

The sources of risk from the Covid-19 crisis are entirely linked to the pandemic. Compared to the projections made in April, the risks are even more unfavorable, given the further downward revisions of the projected global economic activity, as well as the extremely high uncertainty about preventing the spread of the disease, as well as the effect on the economy. During the first quarter, the National Bank twice reduced the key interest rate by 0.25 percentage points in the historically lowest level of 1.5 percent. In addition, during the second quarter, the supply of treasury bills was reduced twice or by a total of 15 billion denars, in order to provide support to the Macedonian economy by maintaining credit flows and the credit cycle by the banking system.

In the absence of inflationary pressures and a solid level of foreign exchange reserves, this monetary stance was assessed as

appropriate to the current economic and financial developments, which are under strong impact of the Covid-19 pandemic, as well as restrictive measures to prevent the spread of the virus Covid-19. The National Bank intervened in the foreign exchange market during the second quarter of the year in conditions of reduced foreign exchange inflows due to the pandemic. Foreign exchange reserves in the second quarter of the year increased, mainly due to transactions at the expense of the state and according to all indicators of their adequacy, they are still in the safe zone. Favorable developments were also registered in the deposit and credit flows, which registered solid growth above the expectations according to the April projection. The data on the gross foreign reserves for the second quarter indicate an increase compared to the previous quarter, which is mainly due to the transactions at the expense of the previous quarter, which is mainly due to the transactions at the expense of the government, in the government borrowing from the International Monetary Found in April and the issuance of securities in the international financial markets.

Implications for labor income and in-work poverty

As a result of the negative impacts caused by Covid-19, i.e., the quarantine measures and the decline in economic activity, the labor supply is decreasing. According to an estimate made in March 2020, we can conclude that infected workers lost 30.000 work months, resulting in a loss of income for unprotected workers. According to the above, we can conclude that the Covid-19 crisis has a negative impact on employment, which results in a loss of income for employees.

In fact, worldwide total labor income losses as a result of the impact of the Covid-19 crisis are expected to range from US\$860 to US\$440 billion. Also, these losses of labor force income will lead to great damage to business enterprises, that is, to less consumption in the market, of goods and services.

According to the above data, the increase in unemployment as a result of the Covid-19 crisis also indicates an additional 8.8 million, that is, a total drop of 5.2 million in the number of working poor worldwide, compared to before the Covid-19 crisis with a drop of 14 million of estimated persons. According to research, there will be between 20-35 million more employed people working in poverty in 2020 than before the onset of the Covid-19 crisis.

As a result of the higher comparative base. A drop in non-tax revenues of 22.5% was recorded. While, in the case of contributions, a growth of 12.2% was observed on an annual basis, and this in the conditions of increased rates for mandatory pension and disability insurance that came into force from the beginning of 2020, as well as measures taken to increase wages. The decline in total tax revenues of 0.7% in the first quarter of 2020, resulting from lower VAT and profit tax revenues.

Conclusion

Covid-19 is an unknown disease that we have not encountered so far. The Covid-19 pandemic is the mysterious enemy of human health and life. Pandemic is a new and unknown phenomenon, so the fear of people is justified. Covid crisis with lightning speed, in just a few months swept across the world, changed the way of life of people and disrupted the pulsating phase of humanity.

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The emergency health crisis caused by the COVID-19 has directly affected the labor market in almost all the countries in the world. The movement restriction has caused a drastic decline in business activities on one hand, and the complete closure of many industries has left many employees jobless. But the easing of restrictive measures and the gradual opening of business activities does not imply an immediate return to the pre-pandemic situation. Firstly, not all economic activities are expected to open immediately. Secondly, not all activities that will open will have the same demand for the provision of goods or services. And thirdly, the post-pandemic world might demand new economic activities and services which also require new skillsets. On the other hand, the pandemic situation could have been used to test some new social protection policies. With an accurate calculation of the financial cost, some of the measures taken could be translated into long-

term government policies. Enterprises that register new workers with one-year contracts could have financial support from the state as support for their contribution to the formalization of the economy. Employees who have been employed for a certain period could have the right to a monthly allowance in the event of a job loss. Finally, the labor market may not be the same as it was before the pandemic.

A lot of jobs with low wages and abilities, especially those provided by small companies, will not return after the recovery and normalization of the situation. The changes in needs, a lot of which are accelerated by the economic upheaval caused by the pandemic, will change the future composition of the GDP. The distribution of services in the economy will continue to grow.

The Covid-19 crisis is an important issue for countries planning to integrate into the EU, considering that during global economic disturbances, fiscal policy has proven to be the first “stumbling block” to the union’s sustainable macroeconomic stability. As a representative of open and small economies - Northern Macedonia in this regard was no exception to global trends. In recent years, the strong fiscal expansion has put the country to the test, its fiscal sustainability in terms of the rapid growth dynamics of the level of indebtedness. In this regard, we should take into account all the factors and challenges we face, which make our economy extremely vulnerable to changes in the environment with further repercussions on the fiscal sphere.

Reviewers:

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