

THE CATERING SECTOR IN THE MUNICIPALITY CENTAR AND THE COVID-19 CRISIS SKOPJE REGION



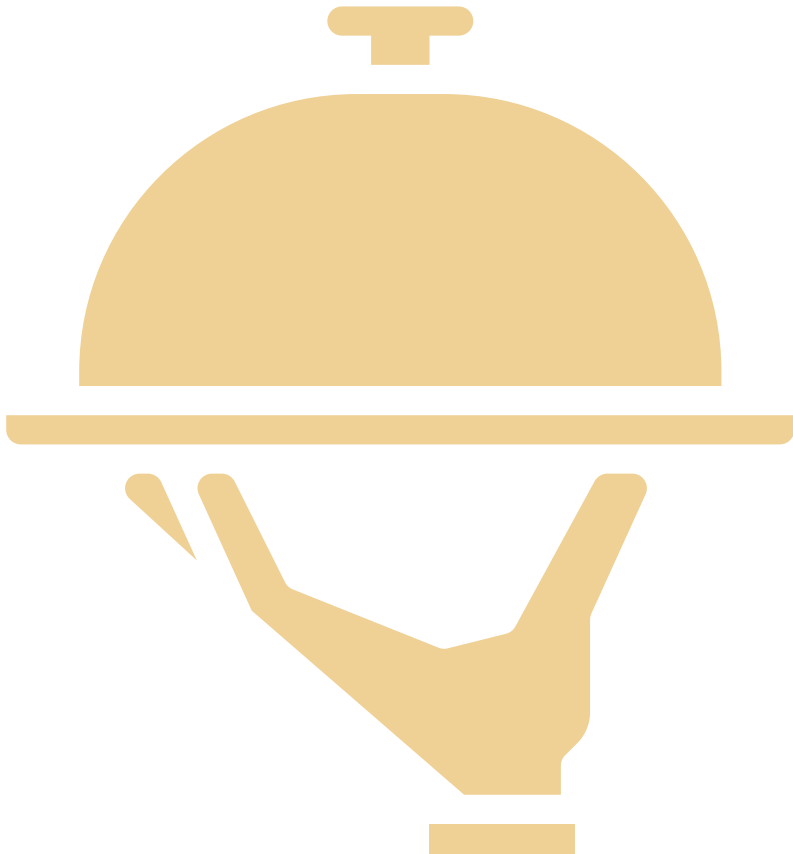
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**The Catering Sector in the
Municipality Centar and the
COVID-19 Crisis
–Skopje Region
Case Study**



MA Diana Milenkovska

Case Study

The Catering Sector in the Municipality Centar and the COVID-19 Crisis –Skopje Region

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The fight against COVID-19 will last for years and will necessitate a coherent systemic approach. What had started as public health crisis inevitably triggered educational and socio-economic implications in the society. Hence the need to develop reports on measures adopted to tackle the crisis caused by COVID-19 and their impact on health and education sectors and socio-economic policies at national and local level, which will not focus on one sector, but will contribute to development of comprehensive systemic solutions.

Even at times of declared state of emergency, citizens should be in the centre of crisis management actions, while adequate solutions must be designed at community level. By the nature of their work, CSOs are very close to their communities, especially to marginalized groups. In order to create the most adequate response to emerging conditions due to the pandemic, CSOs are encouraged to network their capacity and to self-mobilize within the structural dialogue at local and national level. On that account, the EU-funded project “CSO Dialogue – Platform for Structural Participation in EU Integrations” announced an open call for development of 6 reports concerning measures adopted to tackle the COVID-19 crisis and their impact on health and education sectors and socio-economic policies at national and local level. The purpose of these research papers is to identify and to assess adequacy of measures adopted by the Government of RNM during the declared state of emergency, to support researchers and civil society organizations operating at local and national level, to increase the pool of evidence-based information and to strengthen capacity of civil society organizations for participation in sector policies at times of crisis, but also to strengthen and to promote the structural dialogue between institutions and the civil society.

We believe that reliable institutions and informed, consulted and conscious citizens and civil society organizations are able to re-design the approach, to evaluate the crisis and to anticipate the recovery. Through the prism of impacts from implemented policies, this publication contributes to mitigation of consequences from the COVID-19 crisis for citizens.

The project “CSO Dialogue – Platform for Structural Participation in EU Integrations” is implemented by the Foundation Open Society – Macedonia, in partnership with the Center for Civil Communications (CCC), Eurothink – Center for European Strategies and Reactor – Research in Action, and is financially supported by the European Union.

One of the project’s overall objectives is to increase the civil society impact in the country’s accession to the EU, by means of evidence-based policy creation and development of policy briefs on key sector and reform policies within the EU accession process. For more information about the project, visit the website: www.dijalogkoneu.mk.



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1. ABSTRACT

The purpose of this study is to assess the effects and the absorption of the governmental COVID-19-related assistance measures for the catering sector as one of the most affected and key sectors of the economy, in the period March-December 2020 in the Municipality Centar, Skopje. Methodology/approach: Eight (8) in-depth interviews were conducted with entrepreneurs (owners/managers of coffee shops and restaurants) on the territory of the Municipality Centar by using a previously developed discussion guide. Data was collected in the period February-March 2021. Findings: The health crisis caused by the COVID-19 pandemic had negative effect and serious ramifications on the catering sector in the Municipality Centar. The problems encountered by the caterers in the municipality were: lower income, reduction of employees, decrease of salaries and additional fixed operational costs. The economic set of measures (three sets) adopted by the Government were evaluated as useful, but insufficient for overcoming the crisis. The measure applied most was subsidizing payroll contributions for company staff for the first three months (April, May, and June 2020). The respondents stated that they had difficulties applying for loans, which stresses the difficult bureaucratic procedures and frivolous attitude of institutions in their communication with companies from this sector. The continuation of restrictive measures will worsen the financial losses and increase the number of layoffs in this sector. Practical implications: Such results identify the needs and directions for further assistance as to overcome the consequences of the health crisis caused by the COVID-19 pandemic, for the catering sector in the Municipality Centar.

Key words: catering sector; COVID-19; pandemic; Municipality Centar; Governmental measures



2. INTRODUCTION

The Coronavirus (COVID-19) pandemic is a global crisis with no precedence up to date. No expert or government knows how long it will last, nor how big the ultimate economic damage will be. COVID-19 was not only a destructive crisis of public healthcare, but also the biggest challenge for the catering sector in our country and worldwide. Never before were so many restaurants, cafes and other catering facilities forced to stop operation, and some will never re-open again.

The pandemic compelled the Government of the Republic of North Macedonia to undertake initial concrete steps towards preventing the spread of COVID-19 by closing down educational institutions followed by declaring emergency state in Debar and Centre Zupa and announcing a general state of emergency. The first measures introduced included closing of catering facilities and trading centres. Restricted movement was introduced after that, which depending on how the crisis was developing, covered different time intervals. As part of the healthcare measures, additional safety at work measures were introduced imposing distance-keeping between employees, recommended work in shifts, wearing personal protection gear – disposable masks and gloves, etc., and securing higher hygienic standards (access to water, soap, waste management, disinfectants etc.).¹

Apart from the healthcare measures, the Government adopted a series of economic measures grouped into three sets directed, above all, towards mitigating the damages inflicted on the economy by the pandemic, i.e., preserving jobs in all economic activities, including the catering business.

The City of Skopje is a political, administrative, cultural, and economic centre of the Republic of North Macedonia, recognized as a catering-touristic destination for many visitors. In addition, the Macedonian traditional cuisine and gastronomy is an inherent part of the culture of our country. Catering facilities such as restaurants, cafes, pubs and other are located in the heart of many communities. Those are the places where many citizens and tourists enjoy their daily and evening routines.

1 STUDY ON THE EFFECTS ON THE PRIVATE SECTOR – TOURISM AND CATERING affected by the health- and-economic crisis caused by the COVID-19 pandemic, with recommendations how to deal with the economic effects.

According to the State Statistical Office, the last census of catering facilities on the territory of the Republic of North Macedonia from 2016 registered 4,378 catering facilities, out of which 1,116 were located in the Skopje region. There were 319 catering facilities registered in the Municipality Centar, thereby identifying the Skopje region as the region with most registered catering facilities.²

The following is the analysis and key findings on how the health and economic crisis affected the catering sector in the Municipality Centar .



3. METHODOLOGY APPLIED FOR THE CASE-STUDY

The purpose of this study is to provide a detailed outlook of the situation and challenges faced by the catering sector in the Municipality Centar in the process of implementing the measures adopted by the Government of the RNM dealing with the COVID-19 pandemic, specifically in the period March-December 2020.

The study analyzes the effects of the measures adopted by the Government and their impact in COVID-19 conditions from the perspective of the catering sector as one of the sectors most affected by the pandemic. The analysis of the catering sector in the Municipality Centar will help:

- ▶ Identify the main challenges encountered by the catering sector in the Municipality Centar,
- ▶ Assess whether the measures adopted by the Government of RNM corresponded with the needs of the sector,
- ▶ Determine the level of stakeholder involvement (caterers) in the process of developing and implementing measures i.e., were caterers included or consulted in the creation of the measures intended for them?
- ▶ Determine the degree of absorption of the measures, and
- ▶ Assess the effects the measures implemented had on the catering sector in terms of fulfilling their needs.

² Census of catering capacities in the Republic of Macedonia, 2016.

The steps undertaken and the methodology applied in the development of this study are shown in Diagram 1 below.

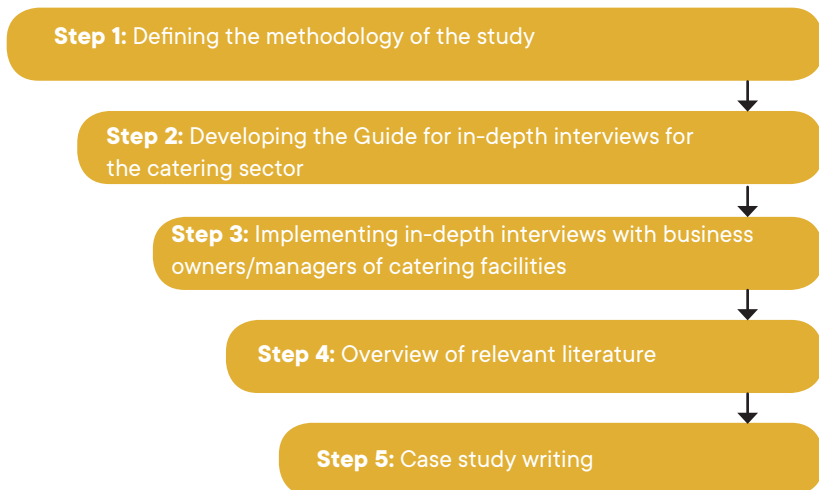


Diagram 1: Steps undertaken in the development of the study

For the purpose of this study, the catering sector on the territory of the Municipality Centar was analyzed as part of the Skopje region. This municipality was chosen because of the large number of catering facilities in the region visited by the local population and the tourists in the capital city.

The primary data for this study was collected through in-depth interviews with restaurants and other facilities for preparation and serving meals (industry for preparation and serving meals) on the territory of the Municipality Centar through a purposeful sample based on voluntary response of the entrepreneurs of the catering sector. Eight (8) in-depth interviews with entrepreneurs (owners/managers of cafes, restaurants or other services in this category) were conducted on the territory of the municipality. To that end, a discussion guide with open-ended questions was developed for the entrepreneurs who participated in the study. The Guide for in-depth interviews can be found attached to this study. Data was collected in the period 01.2.2021 – 01.3.2021.

Additional relevant literature related to the catering sector and COVID-19 crisis, as well as Internet-based data were used as secondary source in the development of this study.

4. ANALYSIS OF CONDUCTED INTERVIEWS

The newly developed global situation i.e., the rise of a pandemic for which initially very little information was available of what could be expected and what were the next steps, created a dilemma about where relevant information can be found and what would be the best source of information. In our country, as elsewhere, the first and most frequent source of information for the caterers on COVID-19 preventive measures, risks, including the strategies dealing with the virus, was television. In addition to television, other sources of information were used also i.e., caterers informed themselves through the Internet, official announcements of the institutions, and additional information was received by consultancy and accounting firms. A very small number of caterers from the Municipality Centar included in this study informed themselves through the Independent Catering Chamber. Despite of their accessibility, generally the caterers from the Municipality Centar deemed that measures adopted by the Government were confusing, vague, insufficiently clear, and difficult to understand. Most of the caterers needed to additionally consult accountancy and consultancy firms in order to better understand the measures intended for the catering sector.

“I usually keep informed through television news because fake news can be found on the Internet. Somehow, I found the news most relevant.”

“Initially, through Pro-Agens that we have subscribed to... then through accountancy firms and discussions with friends. I think I am not well-informed about the measures and protocols. I think we are not promptly informed since the measures change frequently, therefore I don't think I am sufficiently informed.”

“We are not well-informed about the measures for the catering sector because one thing is said, another is done, and therefore, nothing is very clear and precise. If you search the Internet, you will find the measures... But honestly, I think that even the inspectorates don't know the measures and protocols well enough – who does what and how. I say this bearing in mind that we were confused on two occasions. It wasn't always clear what was the number of permitted guests, how they should seat, indoors or outdoors, can we serve coffee or not, can we serve coffee with juice... All measures were not explained precisely and clearly.”

“I’m informed through social networks and the group we have created through the ICC, and through TV. More or less, I think I am informed.”

“The measures were not clear at all. We had to ask questions, read laws, consult accountancy and consultancy firms, and talk to people. We try to get information from as many sources as possible.”

Generally, caterers are not members of unions, associations, or chambers. They do not believe that these organizations can help them in any way. Only two caterers from this study were members of the newly established Independent Catering Chamber. None of the caterers from the Municipality Centar were involved in the creation of measures because they were not members of a union or chamber. On the other hand, members of the Independent Catering Chamber reported that they contacted, informed, and included their members in developing measures. Members of this chamber were involved by providing proposals and recommendations that were further communicated to competent bodies.

“Yes, as proposals of ICC... We provided proposals to ICC, then ICC made a summary and sent the proposals to the Health or Finance Commission or the Government depending on the meetings they had. When it comes to taking them on board, it is a bit different. But then the Government cannot accept everything, it summarizes and takes parts. Generally, the Government takes them in consideration.”

“We are not part of any association or union of caterers. I don’t see a reason for being a member anywhere.”

“As a pub, we were not involved in the process...”

On the 19th Session of the Government of the Republic of North Macedonia dated 14th March 2020, a decision was adopted banning the work of cafes, bars, clubs, casinos, and sport betting houses. More specifically, this decision closed down all catering facilities and restaurants that prepared and sold food for visitors/guests, enabling them, however to do business without visitors/guests by applying alternative methods (online orders, phone orders etc.), and delivery, including picking up the order from the catering facility or restaurant (over the counter/access point).³ Therefore, the pandemic, definitely, presents an enormous threat to the jobs in the catering sector and the entire economy in general. During last year, the caterers encountered a large number of problems and challenges, especially in the beginning of the pandemic when fear and ignorance about the virus were dominant in society. The full lockdown period was a period of fear, but also challenges that this sector had to face.

3 Decision amending the Decision on Measures for Prevention of Spreading Coronavirus Covid-19 – “Official Gazette of the Republic of Macedonia” No.: 66/04, 139/08, 99/09, 149/14, 150/15 and 37/16.

“That was the worst period in the entire year.”

“We are the most affected of all, because we were stricken by bans and restrictions, while all the rest were allowed to work regardless of how much income they had.”

“We had a problem with “Coffee to Go” because they banned the cafes from selling takeaway coffee. Some were selling sandwiches with the coffee, making it compulsory, because selling food was allowed. We were afraid to open and that was why we were fully closed. How did we survive? Well, with friends, nothing else, because we were not given loans from the Government with assistance measures...”

And while some of the caterers closed their facilities believing that the pandemic would end quickly or waiting to see what will happen further and when they will be able to go back to work, only one catering facility included in this study used the lockdown period to look for new innovative solutions, to restructure and introduce new systems of operation corresponding to the “new normal”. The purpose of that planning and redefining of their new model of restaurant for the “new normal” was to be better positioned as to revive profitability on the level before the crisis. Other caterers, by adhering to the health measures and operational protocols were fighting the detrimental effect of COVID-19 on their businesses.

“We made a plan and restructured. We started to work with deliveries through the platform “Klikni Jadi” (“Click & Eat”) and we received many orders. Afterwards, we decided to open a website of the restaurant where orders could be placed, and finally, we concluded an agreement with Grouper as another source for receiving food orders. We also enriched our menu of offered meals; we have a new online menu and takeaway coffee the consumption of which increased a lot during the pandemic due to the location of the restaurant. We started making doughnuts, meaning we did everything that could help us survive, and if not making a profit, then at least we could break even.”

“We were completely closed. We did not deliver food because we thought that the whole pandemic and crisis will last a short while, so we did not get into delivery. Once we realized how things are developing and that the pandemic will last, it was uncertain if there will be another lockdown or not, so we started delivering food. Still, it wouldn’t be enough for survival.”

In general, the problems that caterers are still facing in this health crisis, additionally burdened with restrictive measures related to working hours and curfew affect sales, salaries of employees in the sector, and even lead to losing jobs. The health crisis caused by COVID-19 created enormous damages for the caterers. The basic income during the health crisis was reduced within the

range of 50% to 80%, report caterers that were part of this study. The analysis takes into consideration the size of the facility and the number of employees, regarding the jobs and indicates that most caterers were forced to lay-off some of the staff, whereas caterers with a small number of staff tried to retain the employees. From the shared experience, in certain cases employees were not laid-off but with the reduction of salaries, some employees decided to quit.

Apart from the primary problems pointed out by the caterers, the exposure to additional costs was also stressed – rent, utility bills, old debts, unpaid invoices etc. Food and fresh brewed beer supplies that were not sold due to restrictions were additional costs for caterers who offer these products in their facilities. The difference in the additional costs was mostly reflected in the rents of the various facilities. Most of the caterers who were part of the study paid rent and they stressed that rent was one of the main costs. In addition, the pandemic postponed the big, planned enlargement strategies and business investments of some caterers in the Municipality Centar.

“We suffered great damage. First with the staff, then financially, sales, everything! That period was really tough. We were completely closed and did not work with deliveries at the time.”

“When sales decreased over 60%, the number of staff was reduced. If I compare 2019 with 2020, the difference is quite obvious in terms of work and turnover. The Corona reduced the movement of citizens. Some citizens refuse to sit because they are skeptics and afraid. The tourists were not there... We used to have them a lot here along the promenade. On top of that, we have additional costs for food, rent, electricity, water etc.”

“At first we thought that it was our responsibility to retain all employees. Initially, we managed to keep all of them. Don't ask how we did it! It was almost impossible, and we are still paying the price for that. However, when we saw that it will last more than 2, 3 months, we were forced to let go some of the employees and that was a really tough decision. Before the pandemic, we had about 50 employees and during the crisis about 10 people were laid off. The salaries were not reduced.”

“As a pub, we serve fresh brewed beer. The measures were adopted last minute... I supplied the beer and started brewing it... and of course, if you do not sell that beer within 2 to 3 days, it gets spoilt. The Government announces that work will not be allowed from Monday to Friday and the beer is already opened and it will go bad and must be thrown away and that is an additional cost. The same is true for the food... food supplies with limited shelf life, have to be thrown away!”

“The main problems are unpaid invoices and debts. That is the biggest problem!”

“We are now 35 employees. The number is not the same before and after the pandemic. Before the pandemic, the number was 10 employees more. Those 10 workers quit because the salaries were reduced and for some of them it wasn't worth staying under such conditions, so they looked for opportunities in the other sectors.”

“We had a serious strategy for this year – to expand, upgrade and modernize the hotel and the restaurant. Now, all that is on stand-by. The situation is still critical. I can say that with the restaurant we came out of the crisis; however, it is still very critical in terms of income.”

Apart from the problems faced by this sector, the caterers have to comply with health measures and protocols. All measures and protocols serve the purpose of safety at work and care for the health and welfare of both the employees and the guests/visitors thereby not contributing to the spread of the virus during the pandemic. All caterers agreed with the adopted health measures such as enhanced sanitary-hygienic measures, use of disinfectants, distance between tables, wearing masks etc. However, everyone agreed that two of the measures – working hours of catering facilities and four people seated at one table – were contradictory. Regarding working hours, caterers believed that restrictions should not be in place provided the measures were complied with. According to them, sanctioning the caterers who do not adhere to the rules regardless of all the protocols and measures should suffice. Compliance was also monitored by means of frequent extraordinary inspections of catering facilities that, according to the caterers, were quite professional in carrying out their duty.

“Protocols were introduced to protect guests and ourselves. All measures are applied like disinfectants on every table, space between tables etc. Protocols adopted for work I believe were appropriate. Unfortunately, not everyone complies with the measures. Because of non-compliance of a few caterers, a very bad public impression prevails that Covid is spread in the catering business – in cafes, restaurants...”

“Regarding the rest of the protocols (4 at a table, distancing, disinfection) I can say that since it was decided that way, I support that, and we will comply with all protocols. I see that the guests are also happy to see that all protocols are respected.”

“Measures change too often, even we cannot keep pace anymore... was it until 6 o'clock or until 11? We talk about that very often. Even the guests are confused. They keep asking: Is there music or isn't there? What time do you close? How many people to a table? They should be more precise here, and working hours, I think, are not a problem.”

“There were inspections. We were inspected the second day we opened. We got a warning, although we did close on time... Generally, it was ok.”

Absorption of economic measures adopted by the Government

Catering companies continue their struggle to survive and retain thousands of jobs. Further to their joint position in “support of the catering sector”, the Government of the Republic of North Macedonia adopted a set of measures targeting the sector. The period of crisis from May to December (which is also subject of this study), the Government adopted three (3) sets of measures, mainly referring to the entire economy. However, there were measures targeting specific sectors, including the catering sector.

From the measures targeting this sector, most of the caterers utilized the measure of subsidizing payroll contributions of the company. This measure covered the period of April, May, and June 2020. The same subsidizing measure was available for the months of October, November, and December 2020, but it was used by a small number of catering companies involved in this study.

“We only used subsidies for salaries of employees... payroll subsidies for first months.”

“We used payroll subsidies from the second set of measures for 10th, 11th, and 12th month. We didn't use the other measures.”

“We received all means offered to the catering sector, the first three months, then there was a delay, and another 3 months. They announced we will be receiving for February and March now. That suits all of us. That's great, personally speaking. We are all different. We are small, some are bigger, everything is different.”

“We received salary for April and May... They did not allow us for June. Employees' salary subsidizing measure helped us a lot, especially in the period when we were completely closed.”

Apart from the salary subsidies measure, a small number of caterers tried to apply for a loan, however their experience with this measure was not positive. Those that applied for the measure did not receive a reply from the institutions at all. On the other side, the caterers that needed additional funds decided to secure private loans as the best solution instead of using the assistance offered by the State. The reasons they listed for their decision were the expediency, efficiency, and trust in the banks against the aid offered by the State in the form of loans. In addition, the measure for reducing VAT by 10% for restaurant services and serving food and drinks was assessed positively by the caterers, but it was not subject of this study.

“We got a private loan to cover the costs. We decided for that option because the procedure was much easier... Easier and faster, I might add. The uncertainty

is enormous when you apply for the governmental assistance. You know that the bank will approve your application, but here you're not sure and uncertain of the outcome. The VAT reduction measure is a relatively good and positive measure."

"We took a private loan to help the business survive."

"We applied for 2-3 loans, and I am very disappointed that we did not receive a reply, neither an e-mail nor any other way to inform us of the rejected application. Otherwise, we pay out salaries regularly."

"The VAT reduction measure is a relatively good and positive measure."

Generally, the economic measures for the catering sector (more specifically, the minimum wage and loans availability) were positively assessed i.e., caterers believe they were useful. However, they are not sufficient to help the sector. Regarding the application for the measures, they were submitted by the accountancy companies of the caterers. Nevertheless, the "red tape", application conditions as well as the absence of response by the institutions were stressed. All that indicated the need of additional measures with longer deadlines and better conditions for possible use of the measures.

"I think that regardless of how much will be given, nobody will ever be satisfied. Every society is like that. I think it's good that we have assistance measures at all. Unfortunately, we started applying quite late. The measures were approved, but the funds haven't been transferred yet."

"Those measures were during the crisis and that was good. However, we have to return those funds, it's a kind of a loan. Aid was there, but it wasn't. We contact with peers from other countries, and we realize that the assistance is much bigger there. In our countries, it's like there was nothing."

"Of course, the measures had a positive effect in keeping us alive. If it wasn't for the measures, I don't know how we would have survived although we own the place."

"When we first applied, we gave up because of the red-tape. They started asking for documents, paid debts for things that were not even recorded in the books as they asked. That's when we gave up because of the administrative challenges. Time was passing; employees were waiting to get paid. The second time around, we went through an accountancy and let them do the job. I can only talk about the outcome – we still haven't received any assistance!"

"We haven't used anything. I mentioned that we applied for a measure from the first set but haven't received an answer."

"There is a procedure for the measures. You need balance sheets from the Central Registry, so it was easy to apply. However, we received no answer that we have been rejected."

The aid provided through the economic measures of the Government is the only assistance that this sector has received during the health crisis. The catering sector has not received additional aid (monetary and non-monetary) neither from the municipality and the City of Skopje, nor from non-governmental or other non-profit organizations. While talking to some of the caterers from the Municipality Centar, we found out that most of the caterers had “unofficial” permission to expand their summer terraces. In other words, the caterers were not sanctioned by the inspection bodies for expanding their summer terraces as to comply with the table-distancing measure.

“We were exempt from paying the so-called rent for using summer terraces. We had an approval to expand the terraces by the Municipality, which was extremely helpful.”

“That is a more complex problem. Our terrace is in the area of the Municipality Centar - and no inspection came from there, allowing us to expand as much as we wanted free of charge. City of Skopje, however, was charging the facilities on the main streets under its jurisdiction and some of the fees were quite significant in times of pandemic. And I, as their colleague, cannot ignore that. I don't know other ways of how the Municipality can help employers, except for contributing to my sales.”

“That wasn't aid, but more of a rumour. Caterers were allowed to expand the terraces for the sake of keeping distance and we could go outside the designated area. Well, that was never uttered publicly, but inspection services never came to measure the area rented. They were probably told to let us work and keep the distance.”

“Municipality Centar was very positive and flexible. The mayor was quite fair and told us that due to the limited capacity for guests we can put tables and keep the distance, beyond the space we are paying for. So, concerning Covid, the Municipality was flexible, and it was all right. I noticed a positive attitude. That was a good sign!”

“We did not receive any aid! Even when we were renting the summer terrace, we asked for installment payment or some kind of easement since... let's be honest... paying for the whole year is quite a cost to pay at once. However, no consideration was given.”

“We received no help from the Municipality, nor the City of Skopje. We paid for the use of terrace this year as well. We thought we would be exempt from those costs, but that didn't happen.”

Undoubtedly, the entire health COVID-19 crisis had and still has a negative impact on this sector. The extension of the restrictive measures related to the spread of COVID-19 can additionally deepen the financial losses and the re-

duction of jobs. On the other hand, the continuation of the restrictive measures can increase fixed costs, bills, and variable costs for supplies (foodstuffs and drinks) and cause additional financial debts as the only survival opportunity of the business. Some of the caterers are also afraid of possible closing down of their facilities. The longer the health crisis lasts, along with the restrictive measures, the more difficult it will be for the caterers to overcome the crisis and fully recover from the consequences of the pandemic. According to the assumptions of the caterers, after the crisis, a period of 1 to 3 years will be required for full recovery of the companies and operation with increased profitability and liquidity. Approximately one year was the period identified by the caterers as the end of the health crisis and the return to regular life.

“Although we survived the crisis, we cannot say that we are still not standing on our own feet. According to our analysis and assessment of the entire situation, in April we recruited an evaluation team, and the projection was October 2021 could be when we might be able to return to 30% as two years ago in October.”

“We will probably need another loan if the restrictive measures persist. For full recovery, we will need one to two, or maybe three years. I really can't tell. It all depends on the crisis. The sooner the crisis is resolved, the sooner we can recover and return to where we were in the past.”

“I think we shall need approximately 3 years to be able to return our debts and work profitably with increased income.”

“One year, with parties and without restrictions, maybe even longer, that is my projection. If people let go and if there is no pressure like now, it will take 1 to 2 years to fully recover.”

“In my opinion, we got used to the masks and distance. Therefore, to return to the regular, to walk without masks and have positive attitude, I think we shall need a year or more.”

The entire crisis and the perception that the catering sector was left unsupported motivated the caterers to propose their own measures that could help the sector. Some of the proposals for easier overcoming COVID-19 were tax reliefs, continuation of subsidizing salaries and payroll contributions, earmarked loans and loans with lower interest rates, exemptions from utility costs as well as full VAT exemption. One of the proposals was to completely close the entire sector in the country and fully subsidize salaries of the employees, in order to overcome the health crisis caused by the COVID-19 pandemic sooner.

“I have an idea. The Government should provide us small companies, and even the big companies, with funds with an interest rate of 1, 2, 3 or 5% the most, to service old debts such as liabilities from invoices, debts for bailiffs and utilities (water, electricity, waste management etc.). I also think that we should be given earmarked loans with low interest rate, which will help us relive the stress.”

“As I hear, they cover the loss of the owners abroad so that they can cover their operational costs such as salaries, rent and other costs. With that kind of assistance, you are even – neither profit nor loss. That would be an ideal solution. But I think that in our case the maximum was done. It would be good if the State can help us at least to cover our loss.”

“Subsidizing the minimum wage of the employees would be of great help. Initially, it could be that and tax exemption, if possible... I think these are the two key measures that could be of great help by the State.”

“Maybe the caterers should be VAT exempt... There is a measure reducing the 18% VAT to 10%, but even 10% is too high in such a situation. It will be better if 3 or 6 months could be VAT exempt because 18% is too high, at least for me. That is like the State holding 18% shares in my company.”

“The best solution in this crisis, in my opinion, is to fully close catering facilities and the State to fully cover salaries in this sector. That way the whole crisis in the sector would be resolved. Many countries have this. However, we are aware that our country cannot afford that because of the insufficient economic stability.”



5. CONCLUSION

Generally, the health crisis caused by the COVID-19 pandemic has a negative impact and bad consequences on the catering sector. Apart from the accessible information, the caterers of the Municipality Center deem that the measures adopted by the Government are confusing, not precise enough, unclear, and not understandable. That demands additional interpretation of the measures by accountancy and consultancy companies.

The following were listed as main problems faced by the caterers: decrease of income in the period March – December 2020, which was about 50-80% and is still ongoing, reducing the number of employees, reduction of salaries and additional fixed operational costs that are part of every company.

Regarding the first three sets of economic measures adopted by the Government, the caterers believe that they are useful, but not sufficient for overcoming the crisis. Apart from that, the poor application conditions, difficult red-tape procedures, and the weak response of the institutions in the communication with the companies from this sector were also criticized.

The most utilized measure by the caterers from the Municipality Center is subsidizing payroll contributions for employees in the company covering the period April, May, and June 2020. On the other hand, the experience with applying for loans is negative. Although the caterers expressed interest, the institutions did not respond to their applications. The poor application conditions and the administrative difficulties, as well as the mistrust in the institutions forced some of the caterers to apply for private loans instead of using this measure of the State.

Apart from the economic measures adopted by the Government, the caterers have not received other aid during this pandemic. The act of the Municipality Center was a kind of assistance when unofficially it allowed the caterers to expand their summer terraces to comply with the health measures and protocols in order to continue working in times of pandemic.

The continuance of the restrictive measures related to the spread of COVID-19 can additionally deepen the financial losses in this sector and

additionally provoke loss of jobs in the catering sector. On the other hand, the fixed operational and variable costs will increase causing additional financial difficulties and debts as the only possibility of survival of their business.

The caterers from the Municipality Centar proposed the following measures that they believe will help overcome the COVID-19 crisis: tax reliefs, further subsidizing salaries and payroll contributions, earmarked loans as well as loans with low interest rates, exemption from operational costs, full exemption of VAT as well as completely closing down the catering sector with full coverage of the salaries on the part of the State.

6. ATTACHMENT: GUIDE TO IN-DEPTH INTERVIEWS

Qualitative research

Discussion Guide for in-depth interviews

Outline

This in-depth interview aims at:

- ▶ Researching the opinion of the business sector, specifically the owners of catering facilities about the measures adopted during the Covid-19 pandemic in the period March – December.

The interview will last not more than 45 minutes.

Section 1: (5 min.) Information about the respondent

1. First, please explain your role/function within company/organization [name of organization/company]?
 - a. How long have you been playing this role/function?
 - b. What are your key responsibilities in the role/function?
 - c. How long (years) does the organization/company exist?
 - d. Are you a member of a Union, organization, Association of Caterers? (Catering and Tourism Union (CTU), Association of Catering, Hospitality and Tourism)

Section 2: Assessing the relevance of the adopted measures to the needs of the catering sector (15 min.) **Period March - December 2020**

1. Please explain which is your main source of information related to COVID-19 (*risks, recommended preventive measures, managing strategies*)? How do you keep informed about adopted measures related to your activity (*Internet, official websites of institutions, news*) in the period March - December 2020?
2. Please explain how the complete lockdown of restaurants, as well as the other restrictive measures (limited work, curfew) affected your work, as part of the catering industry in the period March - December 2020? Did the work of your company suffer in any way from the spreading of the Coronavirus / COVID-19?
3. Were you included in the process of creating the measures of the Government? Were the unions, associations involved in the process of creating and implementing the measures of the Government?
4. To what degree is the COVID-19 pandemic a threat to your work/job?
5. **Moderator prodding questions:** How was your business affected i.e., what specific problems, if any, was your business faced with during the pandemic (period March - December)?

Section 3: Assessing the level of absorption of the adopted measures (15 min.)

1. What did you do to reduce the harmful effect of Covid-19 on your business in the period March - December?
2. What is the biggest problem that your business is facing at the moment? What are the biggest concerns of your business at the moment (*possible closing down, laying off employees, lost income, etc.*)?
3. **Moderator prodding questions if not mentioned:** How many employees did your company have before the pandemic and how many now? What status do your employees have in the company?
4. Generally, what is your opinion about the measures adopted by the Government? Please explain.
5. **Moderator prodding questions if not mentioned:** What is good and what is bad about the measures you mentioned? Please explain.
6. **Moderator prodding questions if not mentioned:** Which measures have you used? Please explain more specifically.
7. What was the approach in using these measures? Did you have difficulties? If yes, in what way? (Please explain, list the reasons for difficulties, and give an example.)
8. What kind of effect did the measures of the Government (positive/negative) have on the operation of your company? Please explain.

Section 4: Assessing the effects of the measures on the catering sector (15 min.)

1. Have you received any non-monetary aid from the municipality since the beginning of the spread of COVID-19? If yes, what kind? Please explain.
2. Do you receive any non-monetary aid from a non-governmental/civic organization or other non-profit organizations? If yes, what kind? Please explain.
3. Which of the Government measures helped your business the most in overcoming the crisis caused by COVID-19 pandemic?
4. If the restrictive measures related to the spread of COVID-19 continue, what will probably happen to your company?
5. What do you think, how much time will be required for your business to recover once the complete closing from COVID-19 will end?
6. When do you think that the Coronavirus/COVID-19 pandemic will end, and life will return to normal?
7. What are your proposals/measures that the Government should adopt to easier deal with the crisis caused by Covid-19 pandemic? And, specifically about your company? Please explain.

The End (5 min.)

1. At the end, is there anything that you would like to say? Was there anything that we needed to talk about, but we didn't?

Thank you very much for your participation today. Allow me to remind you that this discussion will be confidential and that everything discussed should not be disseminated outside the room.

