



**UEARS**

Union of Employers' Associations of  
Republika Srpska

# The evolving impact of COVID-19 on enterprises in Republika Srpska

Second edition





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International  
Labour  
Organization

The responsibility for the survey analysis and recommendations rests solely with their authors and publication does not constitute an endorsement by the International Labour Office of the opinions expressed in them.



# Contents

|  |    |
|--|----|
| About the survey                               | 4  |
| Executive summary and recommendations          | 5  |
| I. Impact of COVID-19 on business operations   | 9  |
| II. Impact of COVID-19 on enterprise revenue   | 18 |
| III. Assessment of Government support measures | 23 |
| IV. Business expectations for recovery         | 27 |
| Annex: Survey demographics                     | 34 |





## About the survey

The Union of Employers' Associations of Republika Srpska (UEARS) with the technical support of the International Labour Organization (ILO) conducted a second enterprise survey to track business challenges and needs resulting from the protracted COVID-19 crisis. Carried out online between 3 and 7 November 2020, the survey report provides the views of 291 enterprises that completed the survey.

The on-line survey was developed based on the [ILO Enterprise survey tool: Assessing the needs of enterprises resulting from COVID-19](#). The survey measured the perception of enterprises in relations to their operational continuity, financial health, effectiveness of current government support measures and business sentiments. Likewise, the survey sought to define a set of actionable recommendations based on the evolving enterprise needs.

The survey data has been reflected through three dimensions: overall impact, size of the enterprise and sector perspective. The sectoral analysis covers seven sectors that have been selected based on their strategic importance, vulnerability to the crisis and representation in the sample, which are the following: construction; wood processing industry; HORECA, retail and sales; textile, leather and apparel industry; transportation and transportation equipment; and other service activities.

UEARS used the survey findings in defining its [Proposals and Recommendations for the Program of Economic Reforms of Republika Srpska for 2021-2023](#).

[The First Assessment on the Impact of COVID-19 on Enterprises in Republika Srpska](#) was conducted between 14 and 30 April 2020.



## Executive summary

**The COVID-19 pandemic affected the operational viability and financial health of enterprises in Republika Srpska due to severe market disruptions and administrative restrictions put in place to contain the spread of the virus.** Government imposed measures constrained the operations of almost half of surveyed enterprises in November 2020. The restrictions were lifted and re-imposed for 37 per cent of surveyed enterprises, while for 9 per cent of enterprises the restrictions remained in place since March 2020. A further 40 per cent of enterprises reported that restrictions on operations had been lifted. Only 14 per cent of enterprises were not affected by government-imposed restrictions throughout the crisis period. By size, enterprises with up to ten employees and those with 11–100 employees were most affected. Sector wise, HORECA was disrupted most severely with an overwhelming majority of enterprises (84 per cent) reporting that their operations were under restrictions at the time of the survey, of which 30 per cent noted that restrictions had remained in place continuously since March 2020.

**Following the gradual lifting of the restrictions almost half of enterprises resumed operations at their premises and a further 13 per cent switched to full-time teleworking to be able to maintain their operations.** Almost a third of enterprises were operating partially and 1 per cent had not resumed operations at the time of the survey. As expected, enterprises that were still subject to government restrictions reported a lower operational capacity. Enterprises with up to ten employees portrayed the lowest capacity to rebound. HORECA and transportation enterprises that were still under restrictions portrayed a very worrying picture. Only 35 per cent of HORECA enterprises operated on site and a further 58 per cent operated with difficulties. Some 8 per cent did not resume operations at all. In the transportation sector, only 13 per cent operated fully, but remotely, while the remaining enterprises operated below optimal levels.

**Enterprise revenue has been affected severely by the crisis with the vast majority of enterprises (80 per cent) anticipating a drop in revenue compared to the same period last year.** Overall, the sharp decline in demand, reported by 80 per cent of respondents entailed a domino effect, causing a drop in enterprise output/production (79 per cent), which induced a subsequent liquidity shortage (71 per cent) and a steep decline in net income/profit (85 per cent). Of enterprises anticipating a revenue shortfall, 27 per cent estimated a decline of less than 25 per cent. A further 35 per cent of enterprises estimated a revenue shortfall of 25–50 per cent, while 18 per cent estimated a drop exceeding 50 per cent. The largest revenue decline was anticipated by enterprises with up to ten employees. Of these enterprises, 38 per cent reported a decline between 25 and 50 per cent, while a further 30 per cent reported a decline of more than 50 per cent. HORECA and transportation enterprises expected the most significant revenue shortfall. About half of enterprises in both sectors anticipated a decline of more than 50 per cent.



**To optimize staff costs more than half of enterprises resorted to reducing or completely freezing the recruitment of new staff and reducing or delaying the increase of wages or annual bonuses.** About 40 per cent of enterprises reduced or planned to reduce the staff development costs and a relatively small share (11 per cent) implemented compulsory leave without pay to preserve the workforce. Nearly half of surveyed enterprises reported that they had resorted to cutting various operational costs. The most important strategies to raise revenue during the crisis were the development of new products or services (47 per cent) and the development of business contingency plans (43 per cent). A further quarter of enterprises opted for various strategies, such as diversifying markets, decreasing the price of products/services, building partnerships to reach more customers and changing the payment terms.

**More than half of surveyed enterprises applied for and received government support during the crisis.** A quarter of enterprises applied for support but did not meet the eligibility criteria and another one quarter did not need any support from the Government. Among survey respondents, those with up to ten employees displayed highest share (84 per cent) of enterprises in need of economic support measures. Of these enterprises 56 per cent benefitted from support, while almost 30 per cent did not qualify for it. By sector, more than 70 per cent of enterprises in HORECA, retail/sales and transportation benefitted from state aid. Wage subsidy schemes applied between March and May 2020 were cited by the largest share of surveyed enterprises as a type of support they used. Of enterprises that received government support, almost half assessed it positively, while a further 30 per cent found the measures to be ineffective.

**An overwhelming 73 per cent of enterprises need additional economic measures to ensure their sustainability.** The highest share of enterprise that will not be able to remain sustainable without additional economic support had up to ten employees (82 per cent), while the smallest share was among enterprises with 251 employees or more, yet the share is not a negligible one (53 per cent). HORECA and the transportation sector portrayed the highest vulnerability with 93 per cent and 94 per cent respectively reporting they would not survive without additional support. The reduction of income taxes and social contributions and direct subsidies to enterprises, including wage support, were identified by the largest share of enterprises (85 per cent and 80 per cent of enterprises respectively) as the types of measures they need. Slightly over one third of enterprises opted for tax deferrals and liquidity loans under favourable conditions.

**Overall, enterprises anticipate the recovery from COVID-19 to be a long haul.** Almost equal shares (some 40 per cent each) expected the recovery process would be completed within one year or two years respectively. About 9 per cent were more optimistic about the recovery prospects, anticipating they would recover completely in less than six months. The share of those which reported they needed up to three months for recovery (2 per cent) or were already doing fine at the time of the survey (1 per cent) were insignificant. In contrast, it is worrisome that some 8 per cent expressed pessimism with regard to prospects for recovery anticipating business closure. Enterprises with up to ten employees expected a somewhat faster recovery. The largest share of enterprises with up to ten employees (41 per cent) expected to recover within one year, while some 41–46 per cent of larger enterprises noted they would need up to two years to complete their recovery. It is also notable that enterprises with up to ten employees reported higher shares of respondents that anticipated business closure (13 per cent).



# Recommendations

Findings of the second survey showed that enterprises in Republika Srpska need further support measures to be able to navigate the prolonged crisis period. In addition to immediate support, enterprises need mid- and long-term measures that will strengthen their resilience in the future. Based on the findings of the survey and consultations with member enterprises, UEARS proposes the following measures to the Government:

## **Facilitate enterprise access to short-term loans under favourable conditions to ease liquidity shortages**

Despite huge liquidity problems enterprises are facing, only 2 per cent of surveyed enterprises applied for loans via the banking guarantee scheme. However, one third of enterprises noted that they would need favourable loans to be able to keep their operations afloat in the coming period. To address this challenge, enterprises need support from the Central Bank of Bosnia and Herzegovina. Specifically, the Central Bank can lower the reserve ratio through an expansionary monetary policy. In addition, the eligibility criteria for loan credits via the Guarantee Fund should be reviewed to broaden the pool of potential beneficiaries. This measure should be particularly targeting entrepreneurs and microenterprises, which reported encountering major problems while accessing credit loans.

## **Ease enterprise access to long-term loans and co-finance enterprises' investment activities**

The crisis has had a severe impact on enterprise investments as reported by 75 per cent of surveyed enterprises. The lowered investments projected for the future may have serious repercussions in the medium and long term. It is recommended that the Government should create a special fund to support enterprises wishing to invest in new technologies and innovation. This is of particular importance especially in the context of increasing public debt. Enterprises need to invest in more efficient business processes and employee productivity to support economic recovery and growth.

## **Pursue the expansionary fiscal and monetary policy of the State to moderate the economic downturn**

Due to severe consequences of the crisis, enterprises have requested to continue the expansionary fiscal policy of the State to support the economy by boosting aggregate demand through monetary and fiscal stimulus. Among other things, this will oblige commercial banks to keep less cash on hand and will enable them to increase the number of loans to consumers and businesses. Although this can involve significant costs and risks, the opportunity cost of not taking urgent measures would be even higher. The anticipated decline in private investment and decline in public spending will sharply decrease aggregate demand and almost inevitably lead to a decline in GDP in 2021, among other negative scenarios.



## **Continue providing employment retention subsidies to support enterprises to retain their workforce**

The provision of wage subsidy schemes was the type of support that the largest share of enterprises used. Specifically, the payment of income taxes and social security contributions in the full amount proportional to employees' wages was used by 57 per cent of enterprises. The subsidy covering the gross minimum wage for each employee was used by 42 per cent of surveyed enterprises. Enterprises need further support to retain employment as shown by the survey results. One such measure could be the decrease in income tax and social security contributions as requested by some 85 per cent of enterprises. In addition, direct subsidies in the form of wage support should be further provided to enterprises based on strict and transparent eligibility criteria, targeting the most vulnerable businesses.

## **Extend the support measures for the most vulnerable sectors affected by the crisis**

The government of Republika Srpska implemented a special support programme for tourism and hospitality businesses to enable them to survive the crisis and preserve employment. The crisis shows no sign of abating and thus will further impact consumer demand. The re-introduction of various restrictive measures affected other sectors such as transportation, services and trade. It is recommended to assess the needs, as well as financial viability of enterprises in these sectors and develop measures to support the most affected businesses. As the survey findings show the situation varies significantly not only across sectors but also within sectors with enterprises showing strong resilience and with enterprises struggling to stay afloat within the same sector.

## **Ensure adequate and prompt measures are taken by the Government to support exporting businesses**

The survey findings show that enterprises, especially larger exporting businesses, anticipated that exports could be seriously affected in the future if protectionist measures were put in place by the main trading partners of Republika Srpska. Enterprises requested the Government to engage in discussions with partners in the European Union (especially Germany, Italy, Croatia, Slovenia, Austria, among others) to ensure that the measures they plan to introduce will not discriminate or put Bosnia and Herzegovina producers in a disadvantaged position. In parallel, the Government should conduct similar discussions with other CEFTA countries, as well as with the Russian Federation and Turkey.

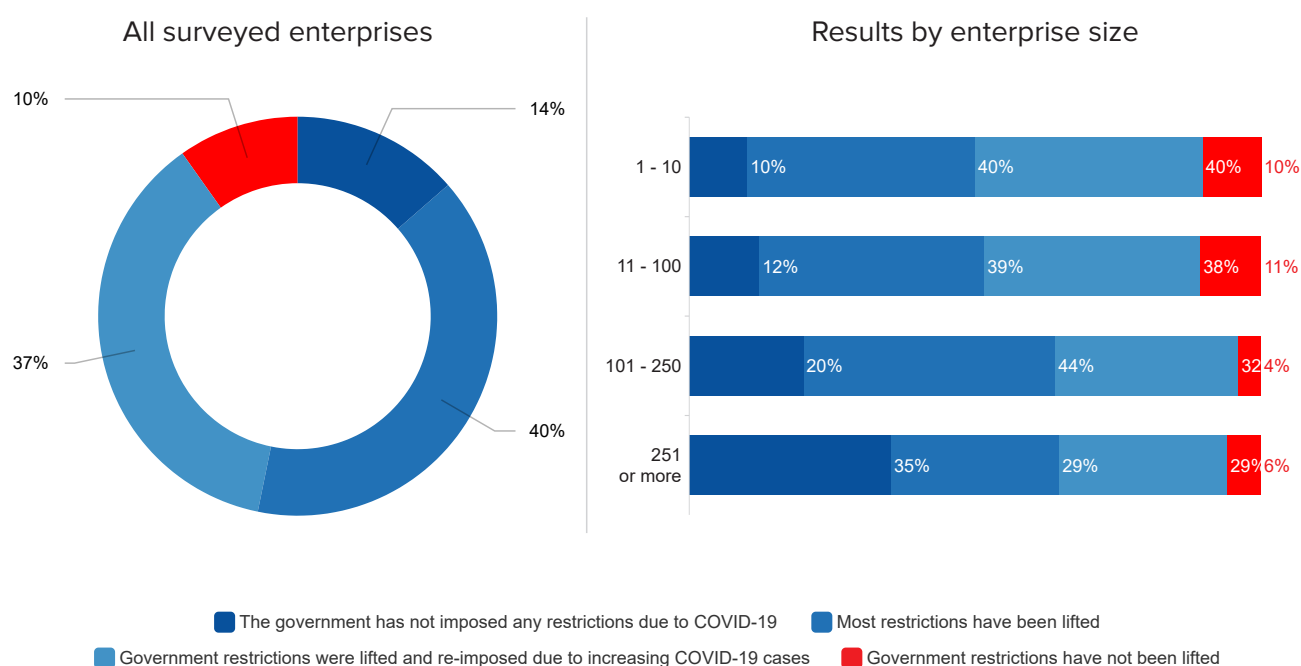


# I. Impact of COVID-19 on business operations

**Government-imposed measures constrained the operations of almost half of surveyed enterprises in November 2020.** The restrictions were lifted and re-imposed for 37 per cent of surveyed enterprises, while for 9 per cent the restrictions remained continuously in place since March 2020. A further 40 per cent of enterprises noted that restrictions on operations had been lifted. Only 14 per cent of enterprises have not been affected by government restrictions throughout the crisis period.

**By size, enterprises with up to ten employees and those with 11–100 employees were most affected by the administrative decisions.** Half of these enterprises noted that restrictions were either lifted and re-imposed or were never lifted since they had been enacted in March 2020. In addition, compared to larger enterprises, those with up to 100 employees had the lowest share of respondents that were spared from the restrictions (10 per cent among enterprises with up to ten employees and 12 per cent among enterprises with 11–100 employees). In contrast, enterprises with 101–250 employees and enterprises with 251 employees or more were impacted by the restrictions to a lesser extent. Nearly 65 per cent of these enterprises were operating without restrictions. Furthermore, 20 per cent of enterprises with 101–250 employees and 35 per cent of enterprises with 251 employees or more reported their operations were never affected by restrictive measures.

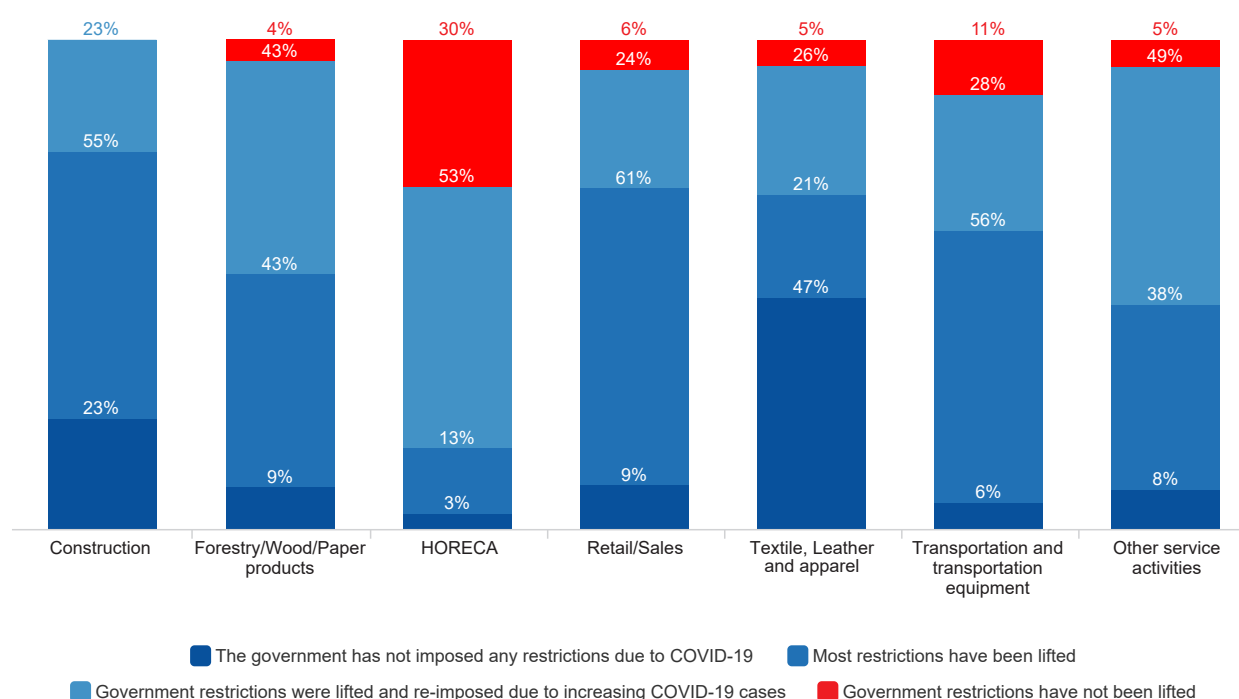
Figure 1. **What would be the best description of the current state of government-imposed restrictions (such as lockdowns, curfews) due to COVID-19?**





**HORECA sector was disrupted most severely by the administrative restrictions.** An overwhelming majority of HORECA enterprises (84 per cent) reported that their operations were under restrictions, of which 30 per cent reported that restrictions were in place all the time since they had been imposed. In transportation sector, some 40 per cent of enterprises were facing operational challenges induced by the administrative bans. Similar restrictions were reported by about half of enterprises in other service activities and wood processing industry and some 30 per cent of enterprises in retail/sales and textile/leather industry. The construction sector fared relatively better, with less than a quarter of enterprises affected by restrictions. In addition, almost a quarter of construction enterprises were not impacted at all while for 55 per cent the restrictions imposed previously have been lifted.

Figure 2. **What would be best description of the current state of government-imposed restrictions (such as lockdowns, curfews) due to COVID-19?** Results by sector



## Current state of business operations

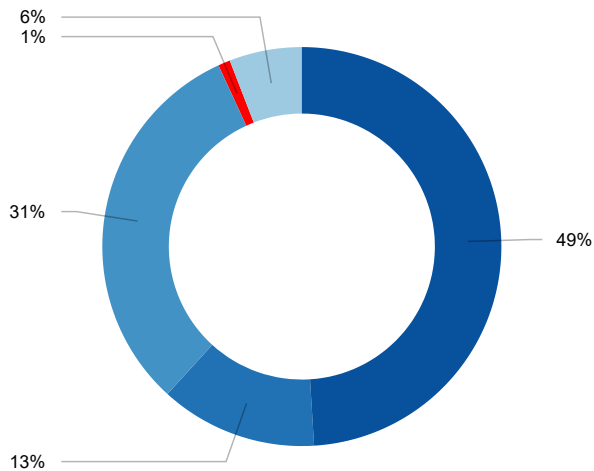
**Following the lifting of the restrictions almost half of enterprises operated fully at their premises and a further 13 per cent switched to full-time teleworking to be able to maintain their operations.** Almost a third of enterprises were operating partially and 1 per cent did not resume operations in November 2020. Enterprises that were subject to government restrictions reported a lower operational level. Specifically, 43 per cent were operating on site and some 9 per cent operated remotely. The share of enterprises operating below expected levels was higher compared to enterprises which were not affected any longer by the restrictions (43 per cent vs 49 per cent respectively). In addition, the share of enterprises that did not resume operations was also higher among enterprises affected by restrictions (3 per cent vs 1 per cent respectively).



Figure 3.

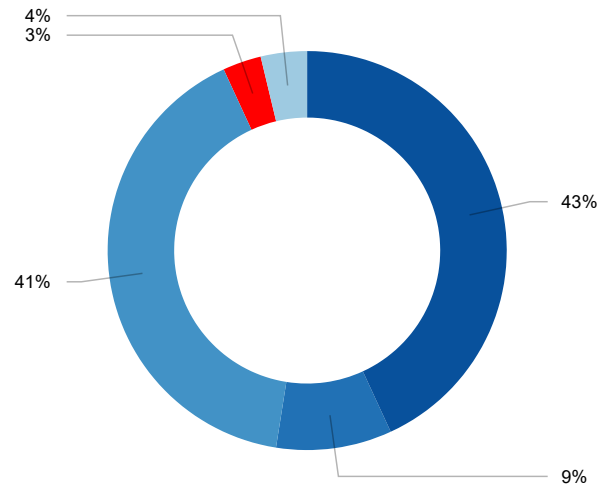
**Following the lifting of government restrictions, has your enterprise restored operations?**

Enterprises operating with no restrictions:  
All surveyed enterprises



**Has your enterprise restored operations under the current restrictions?**

Enterprises operating under restrictions:  
All surveyed enterprises



■ Yes, we are operating fully on site   
 ■ Yes, we are operating fully but teleworking   
 ■ Yes, we are operating partially (working on site and/or teleworking)   
 ■ No, we are not operating   
 ■ Our company was not impacted by COVID-19

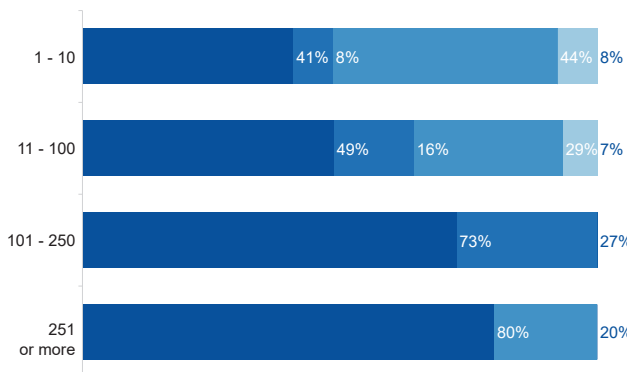
**Enterprises with up to ten employees displayed the lowest capacity to rebound.** The operational status of enterprises improves with the increase in enterprise size, although their capacity to restore operations was obviously lower if they were impacted by administrative orders. The discrepancy was particularly apparent among enterprises with 101–250 employees and enterprises with 251 employees or more. Some 73 per cent of enterprises with 101–205 employees and 80 per cent of enterprises with 251 employees or more that were not impacted by restrictions operated fully on site, compared to only half of enterprises that were operating under restrictions.



Figure 4.

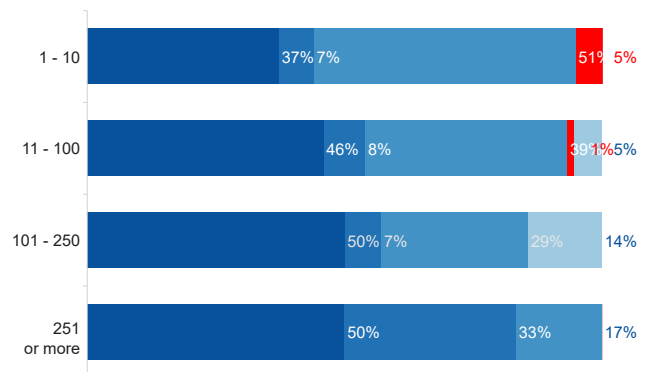
**Following the lifting of government restrictions, has your enterprise restored operations?**

Enterprises operating with no restrictions:  
Results by enterprise size



**Has your enterprise restored operations under the current restrictions?**

Enterprises operating under restrictions:  
Results by enterprise size

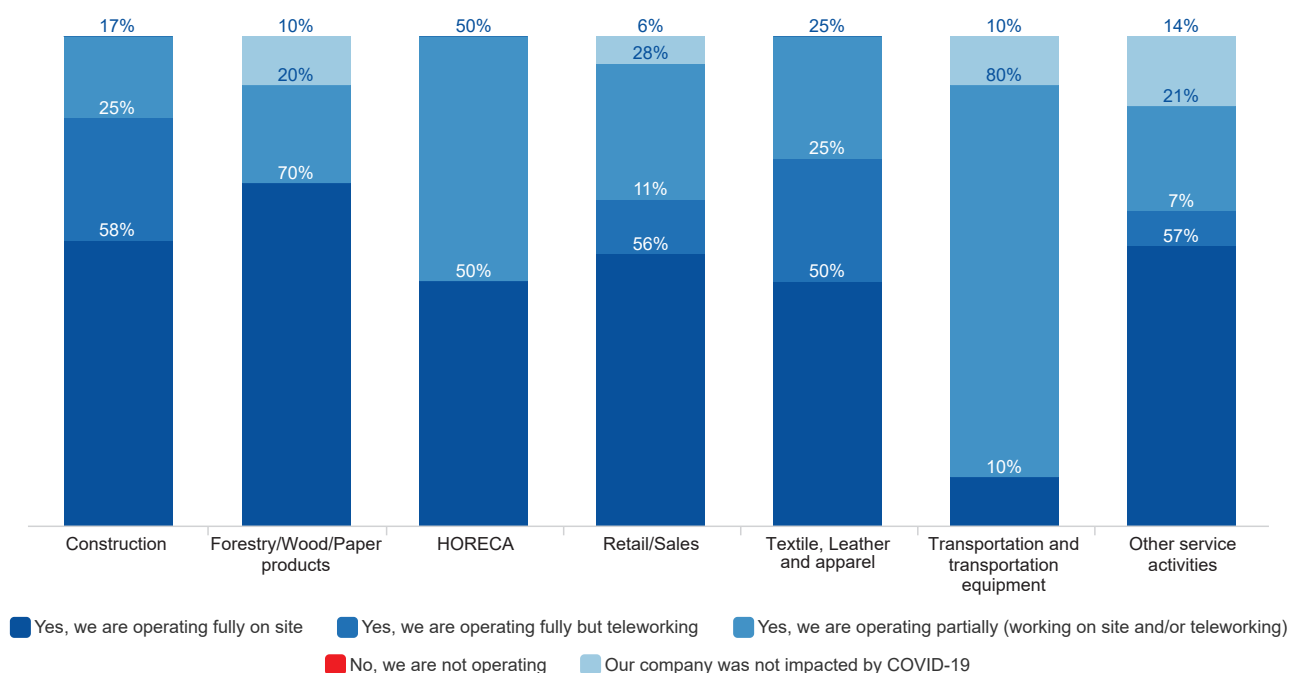


■ Yes, we are operating fully on site   
 ■ Yes, we are operating fully but teleworking   
 ■ Yes, we are operating partially (working on site and/or teleworking)   
 ■ No, we are not operating   
 ■ Our company was not impacted by COVID-19

**HORECA and transportation enterprises portrayed highly unsatisfactory levels even after the lifting of restrictions.** Specifically, half of enterprises operated on site, while the other half operated only partially in HORECA, while in the transportation sector only 10 per cent of surveyed enterprises operated on site, while the majority (80 per cent) operated below the normal levels. Although half of textile and leather businesses operated on site (similar to HORECA), however, a quarter were able to keep their operations up by switching to remote work. Nearly 60 per cent of construction, retail/sales and enterprises in other service activities reported that they operated fully on their premises, while the same was true for some 70 per cent of enterprises from wood processing industry, which displayed the best results.

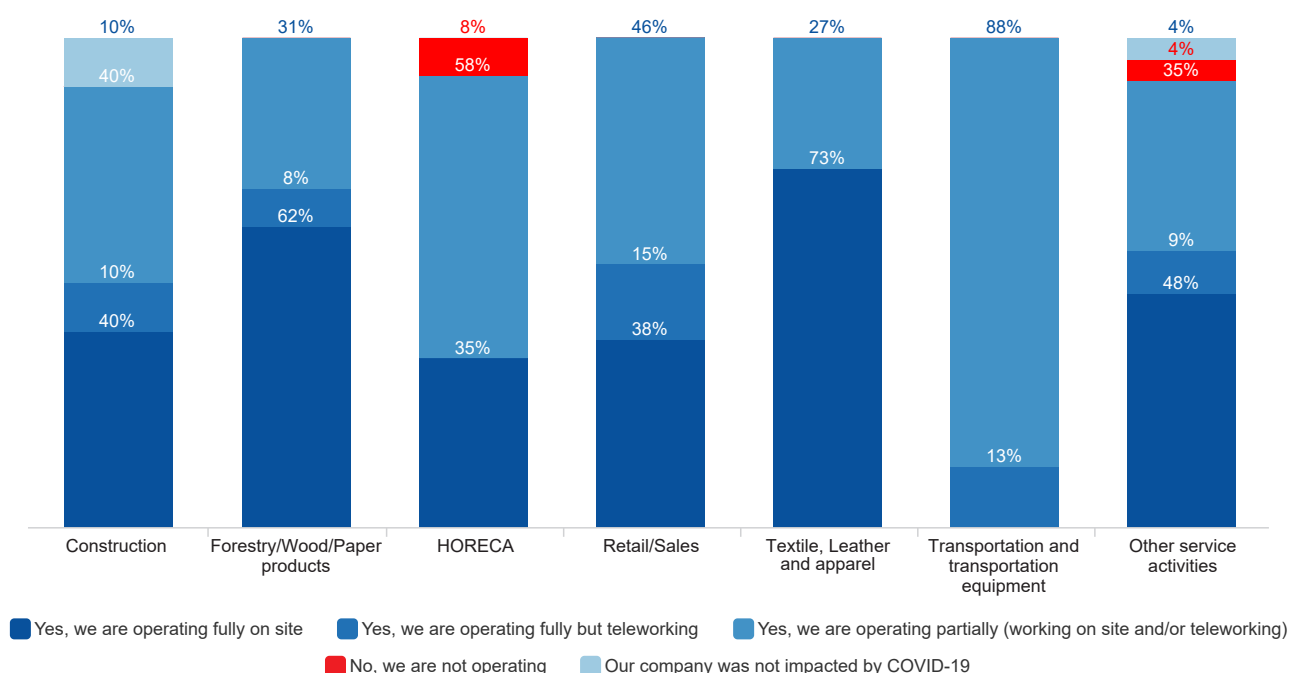


Figure 5. **Following the lifting of government restrictions, has your enterprise restored operations?** Enterprises operating with no restrictions: Results by sector



**Enterprises that were subject to government restrictions reported expectedly lower operational levels.** Unsurprisingly, HORECA and transportation enterprises portrayed a very worrying picture. In HORECA, only 35 per cent of enterprises operated on site and a further 58 per cent operated with difficulties. Some 8 per cent did not resume operations at all. In transportation sector, only 13 per cent operated fully, but remotely, while the remaining enterprises operated below optimal levels. Overall, the share of enterprises that operated on site decreased from some 10 per cent to nearly 20 per cent across all sectors compared to enterprise that operated without restrictions.

Figure 6. **Has your enterprise restored operations under the current restrictions?** Enterprises operating under restrictions: Results by sector

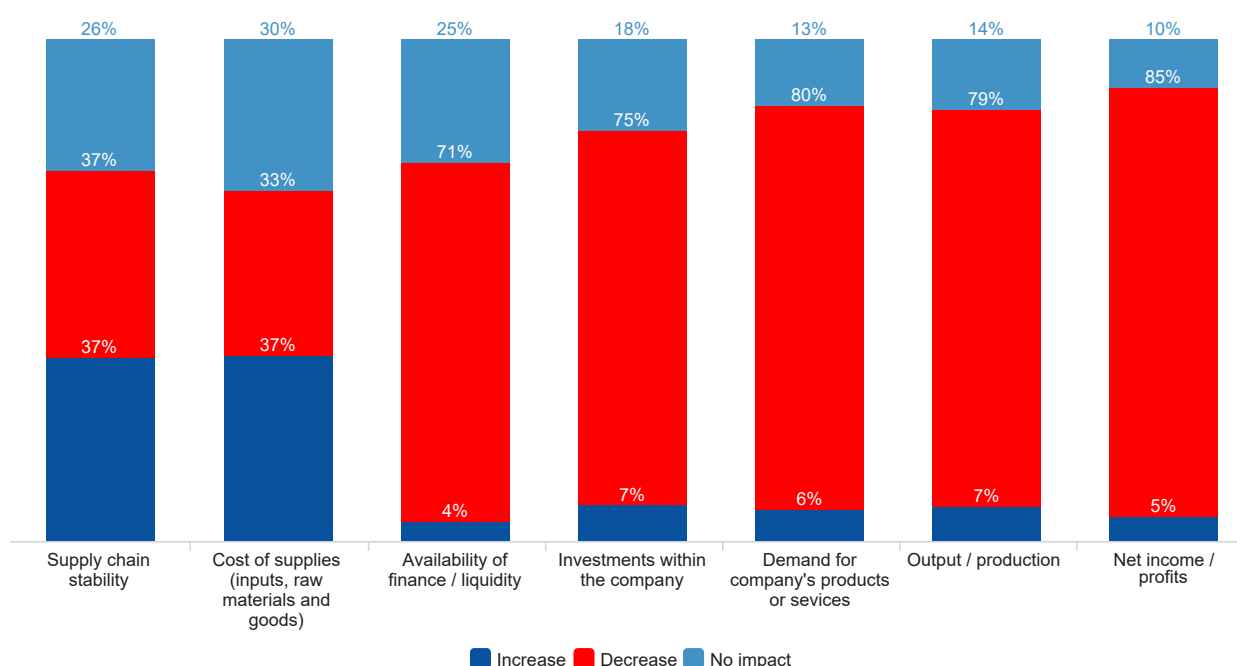




## Factor change in business operations and sustainability

**Enterprise operational and financial viability has deteriorated significantly compared to the same period last year.** The sharp decline in demand, reported by 80 per cent of respondents entailed a domino effect, causing a drop in enterprise output/production (79 per cent), which induced a subsequent liquidity shortage (71 per cent) and a steep decline in net income/profit (85 per cent). As a result, the vast majority of surveyed enterprises (74 per cent) reported that investments in enterprise development have decreased substantially (including purchase of new equipment and technology, improvement of business processes, upgrading of internal infrastructure and working conditions etc.).

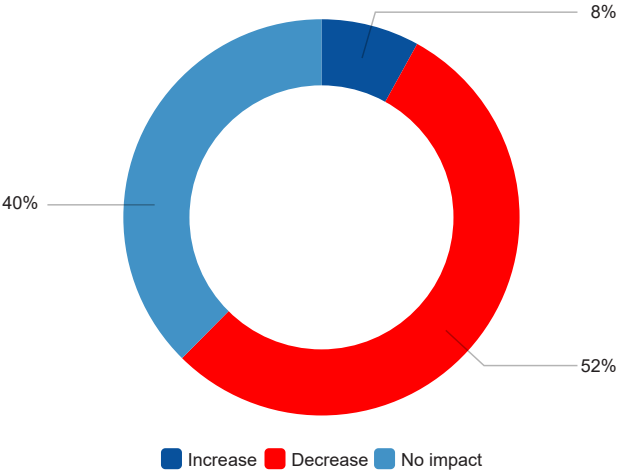
Figure 7. **How have business operations changed in the past 6 months (March-October 2020), compared to the same period last year?** All surveyed enterprises



**Over half of surveyed enterprises reported that the workforce levels (both full-time and part-time employees) has decreased compared to the same period last year.** A further 40 per cent reported no changes and only a small share (some 8 per cent) had an increase in the number of employees. In addition, nearly 60 per cent of enterprises reported that employees' productivity decreased, while only an insignificant 5 per cent experienced an increase in productivity. Some 35 per cent did not report any changes.



Figure 8. **How have workforce levels changed in the past 6 months (March-October 2020), compared to the same period last year?** All surveyed enterprises



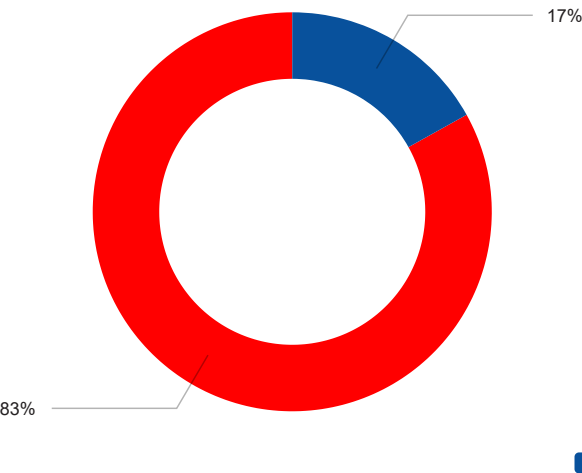
## Business continuity management

**Only 17 per cent of enterprises had a written business continuity plan prior to COVID-19, meaning that the largest majority lacked preparedness for the crisis.** Despite all operational disruptions caused by the prolonged crisis that are threatening enterprise sustainability, only an insignificant share of enterprises (16 per cent) resorted to preparing business contingency plans.

Figure 9.

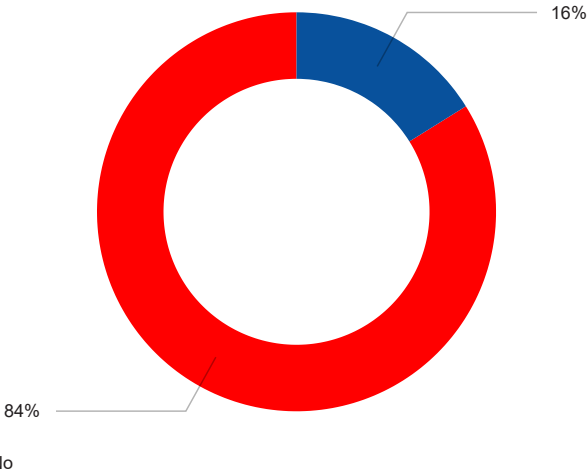
**Did your enterprise have a written business continuity plan prior to COVID-19?**

All surveyed enterprises



**Did your enterprise develop a written business continuity plan following the COVID-19 outbreak?**

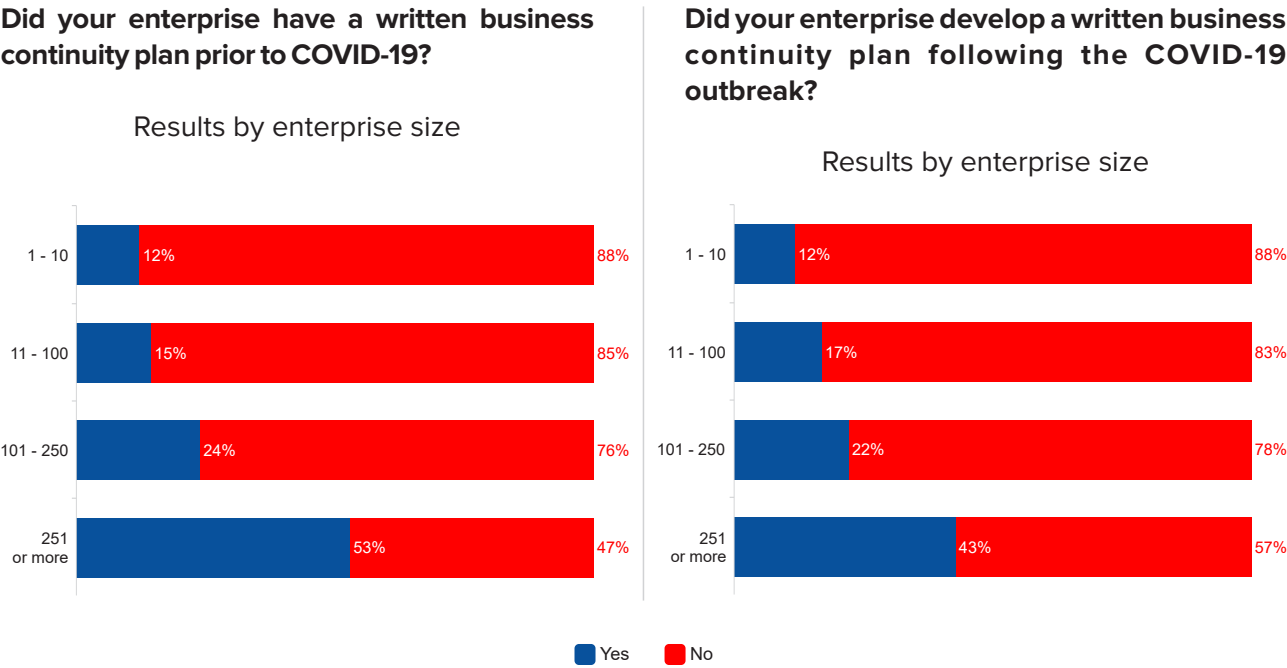
All surveyed enterprises



**Enterprises with up to ten employees showed the least preparedness for crisis situations.** Only 12 per cent of these enterprises indicated that they had a business continuity plan prior to COVID-19. Enterprise preparedness to deal with potential threats to business continuity increased with enterprise size, with 53 per cent of enterprises with 251 employees or more confirming the existence of such a plan. Interestingly, the picture did not change significantly after the outbreak of the crisis. Enterprises with up to ten employees displayed repeatedly the lowest share of respondents that prepared a business continuity plan (12 per cent), while enterprises with 251 employees or more reported the highest shares (43 per cent) of enterprises that embarked on developing business continuity plans after the crisis started.

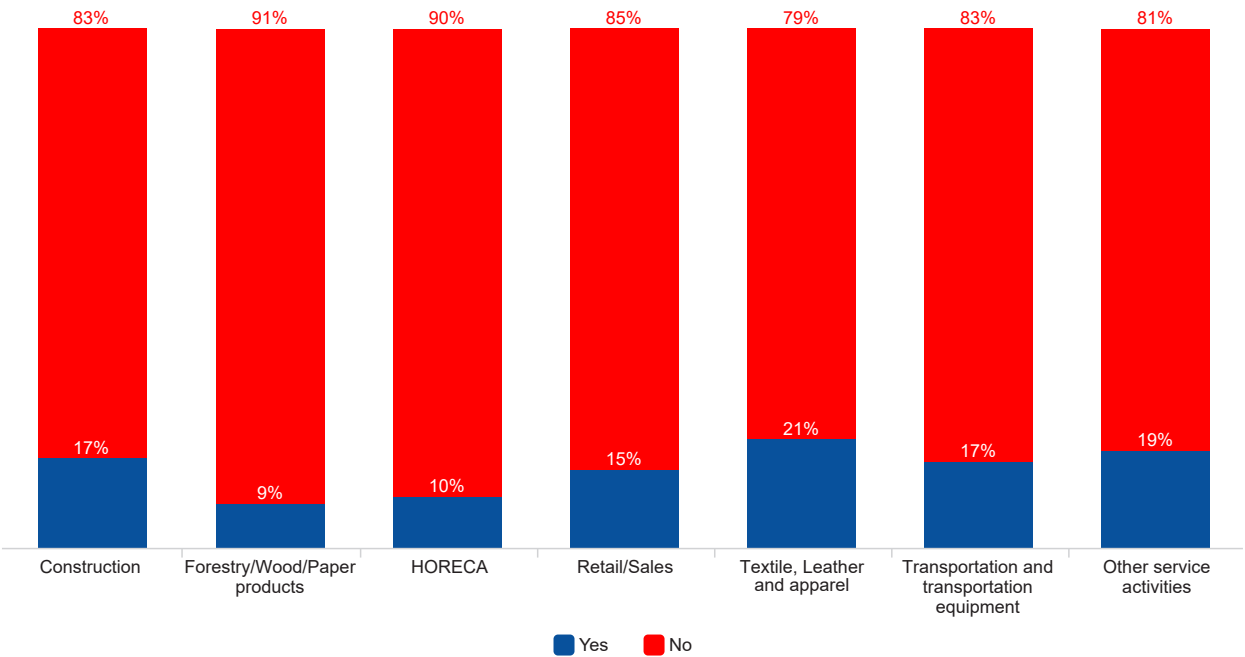


Figure 10.



**Overall, all sectors portrayed weak preparedness in terms of business continuity.** On average, some 20 per cent of enterprises in textile and leather, transportation, construction, other service activities and retail/sales reported having a business continuity plan before the outbreak of the crisis. Wood processing industry and HORECA had the lowest shares of enterprises equipped with a business continuity plan (9 per cent and 10 per cent, respectively).

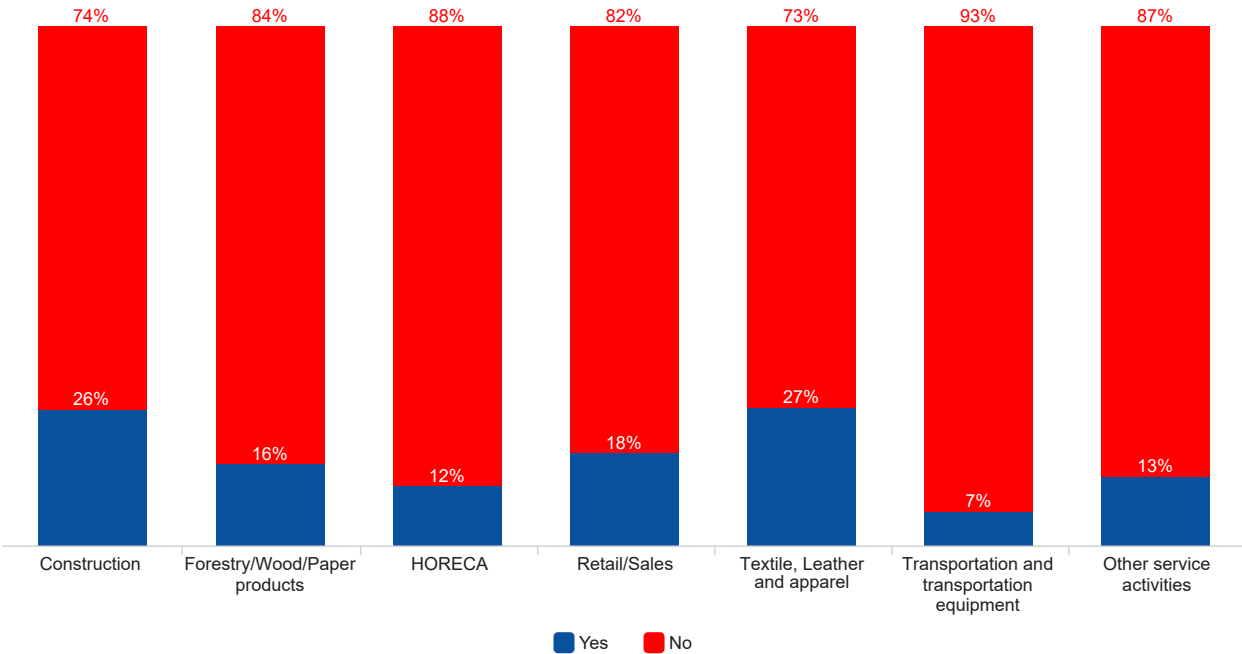
Figure 11. **Did your enterprise have a written business continuity plan prior to COVID-19?** Results by sector





**Although the share of enterprises that developed a business continuity plan after the outbreak of the crisis has slightly improved, overall it remains relatively low across all sectors.** Nearly 30 per cent of textile and leather enterprises (which reported best results prior to COVID-19) and construction enterprises prepared a business continuity plan. On average, some 15 per cent of enterprises reported they developed such plans after the crisis. HORECA (12 per cent) and transportation (7 per cent) displayed the weakest results.

Figure 12. **Did your enterprise develop a written business continuity plan following the COVID-19 outbreak?** Results by sector

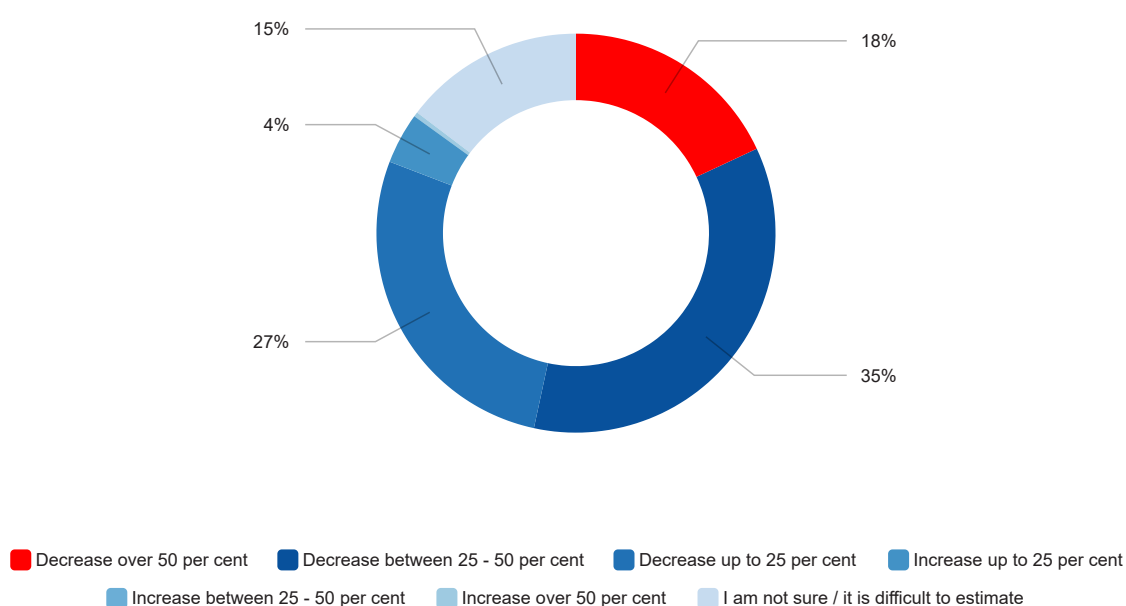




## II. Impact of COVID-19 on enterprise revenue

**Enterprise revenue has been affected severely by the crisis.** The vast majority of enterprises (80 per cent) anticipated a drop in revenue compared to the same period of the previous year. Of these enterprises, 27 per cent estimated a decline of less than 25 per cent. A further 35 per cent of enterprises estimated a revenue shortfall of 25–50 per cent, while 18 per cent estimated a drop exceeding 50 per cent. Only 4 per cent anticipated an increase of up to 25 per cent. Some 15 per cent of enterprises did not know or found it difficult to estimate the impact of financial losses at the time of the survey.

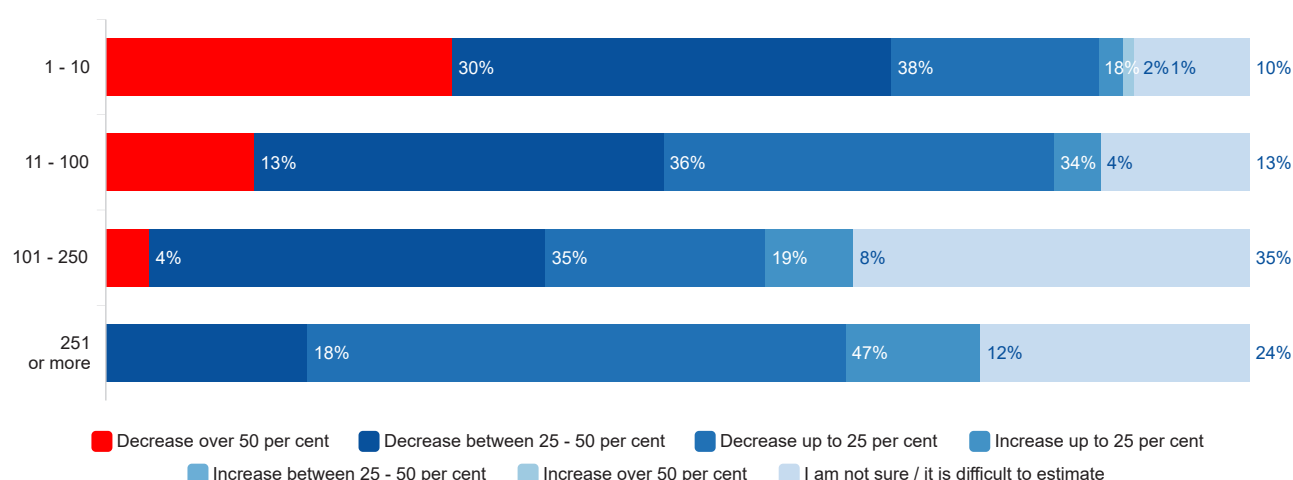
Figure 13. **What impact do you expect on your enterprise's revenue for 2020 as a result of COVID-19 compared to last year?** All surveyed enterprises



**The largest revenue decline was anticipated by enterprises with up to ten employees.** Of these enterprises, 38 per cent reported a decline of 25–50 per cent, while a further 30 per cent reported a decline of more than 50 per cent. The magnitude of financial losses decreases with the increase in enterprise size. In addition, 12 per cent of enterprises with 251 employees or more reported a revenue increase. This share is significantly lower across MSMEs, among which enterprises with up to ten employees reported the lowest results (only 2 per cent of enterprises).

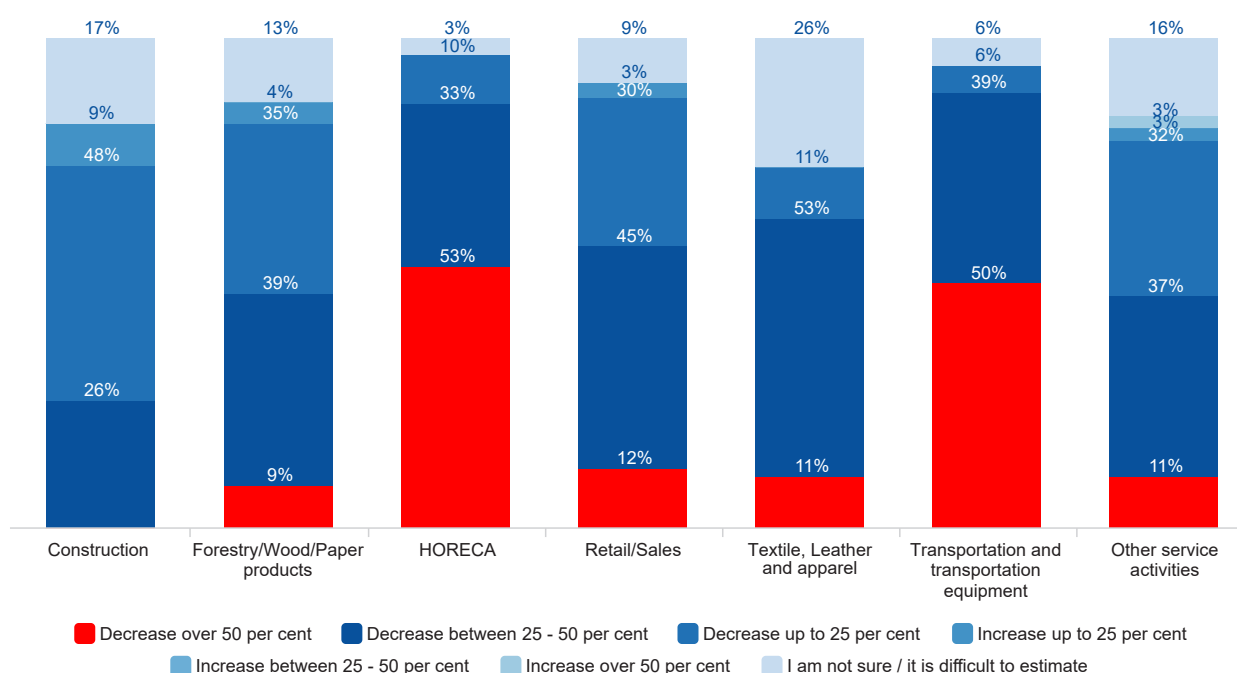


Figure 14. **What impact do you expect on your enterprise's revenue for 2020 as a result of COVID-19 compared to last year?** Results by enterprise size



**Enterprises in HORECA and transportation anticipated the most significant revenue shortfall.** About half of enterprises in both sectors reported a decline of more than 50 per cent. In addition, one third of enterprises in HORECA and nearly 40 per cent of transportation enterprises reported a decline ranging between 25 and 50 per cent. The crisis has not spared any sector and the level of impact varies significantly within sectors. The largest shares of enterprises in the wood processing industry (39 per cent), retail/sales (45 per cent), textile and leather (53 per cent), and other service activities (37 per cent) reported a decline between 25 and 50 per cent. However, about 10 per cent of enterprises in these sectors experienced a decline of more than 50 per cent. At the same time, an increase in revenue was reported by enterprises in other service activities (6 per cent), the wood processing industry (4 per cent) and retail/sales (3 per cent). The construction sector portrayed a better financial durability. Nearly half of these enterprises reported a revenue shortfall of less than 25 per cent, while 9 per cent noted their revenue had increased.

Figure 15. **What impact do you expect on your enterprise's revenue for 2020 as a result of COVID-19 compared to last year?** Results by sector

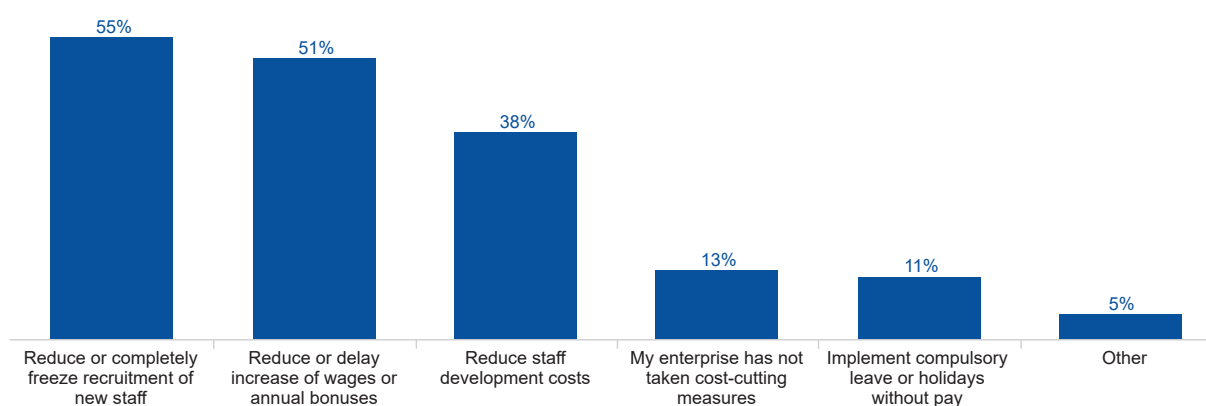




## Cost-cutting measures taken by enterprises

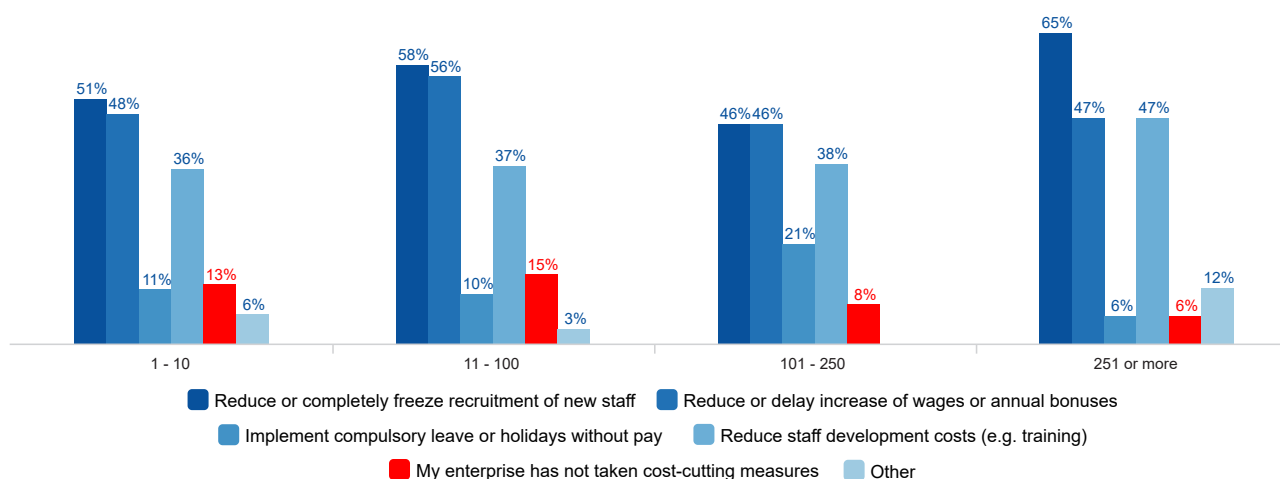
The most widespread cost-cutting measures taken (or planned) by enterprises to optimize staff costs were reducing or completely freezing the recruitment of new staff and reducing or delaying wage increases or annual bonuses, as reported by more than half of surveyed enterprises. About 40 per cent of enterprises reduced or planned to reduce staff development costs. A relatively small share (11 per cent) implemented compulsory leave or holidays without pay to be able to preserve the workforce. Some 13 per cent of enterprises did not take any cost-cutting measures.

Figure 16. **What cost-cutting measures have you taken or plan to take, if any with regard to your workforce?** All surveyed enterprises



**Relatively similar cost-cutting measures were taken by enterprises, irrespective of their size.** The largest share of enterprises resorted to reducing or freezing the recruitment of new staff and reducing or delaying wage increases and/or annual bonuses. However, a relatively higher share of enterprises with 251 employees or more reduced or froze the recruitment of new staff compared to micro, small and medium-sized enterprises (MSMEs). In addition, a larger proportion of enterprises with 251 employees or more reduced or planned to reduce staff costs compared to MSMEs. Interestingly, the highest shares of enterprises that had not taken any cost-cutting measures were those with up to ten employees and those with 11–100 employees (13 per cent and 15 per cent respectively) compared to enterprises with 101–250 employees and enterprises with 251 employees or more (8 per cent and 6 per cent respectively).

Figure 17. **What cost-cutting measures have you taken or plan to take, if any with regard to your workforce?** Results by enterprise size





**Measures taken by enterprises with regard to their workforce vary across the sectors.** Construction, wood processing industry and transportation enterprises opted primarily for compulsory leaves or holidays without pay (23 per cent, 13 per cent and 10 per cent respectively). The priority measures for enterprises in HORECA, retail/sales and textiles and leather were reducing or freezing the recruitment of new staff (15 per cent, 13 per cent and 9 per cent, respectively). The choice in other sectors was divided with equal shares (13 per cent) opting for reducing staff development costs, reducing or delaying the increase of wages or annual bonuses and implementation of compulsory leave without pay. The largest shares of enterprises that did not implement any cost cutting measures were in other service activities (21 per cent) and retail/sales (18 per cent).

Table 1. **What cost-cutting measures have you conducted or plan to conduct, if any with regard to your workforce?** Results by sector

| Cost - cutting measures                              | Construction | Forestry/<br>wood/<br>paper products | HORECA | Retail/sales | Textile,<br>leather and<br>apparel | Transport and<br>transportation<br>equipment | Other<br>service<br>activities |
|--|--------------|--------------------------------------|--------|--------------|------------------------------------|--|--------------------------------|
| Reduce staff development costs (e.g. training)       | 15%          | 5%                                   | 9%     | 11%          | 7%                                 | 8%   | 13%                            |
| Reduce or delay increase of wages or annual bonuses  | 8%           | 6%                                   | 12%    | 12%          | 5%                                 | 9%   | 13%                            |
| Reduce or completely freeze recruitment of new staff | 7%           | 9%                                   | 15%    | 13%          | 9%                                 | 9%   | 11%                            |
| My enterprise has not taken cost-cutting measures    | 6%           | 9%                                   | 3%     | 18%          | 6%                                 | 0%   | 21%                            |
| Implement compulsory leave or holidays without pay   | 23%          | 13%                                  | 7%     | 3%           | 3%                                 | 10%  | 13%                            |

**Note:** The colour scale is used to demonstrate the percentage of enterprises by sector that selected different cost-cutting measures. The darker the colour, the more a measure was selected.

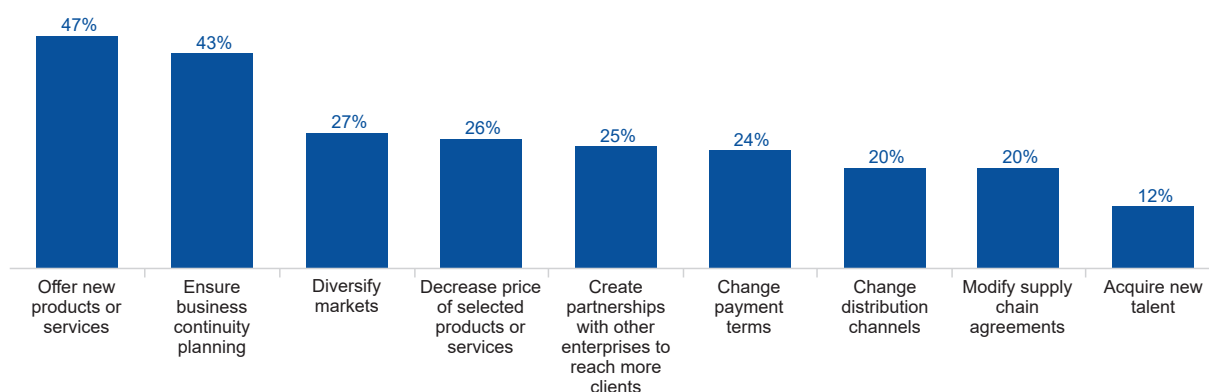
**To optimize other costs, nearly half of surveyed enterprises reported they had reduced operational costs** (such as for electricity, logistics, mail, transport etc.). About 40 per cent reduced costs related to upgrading and maintaining of their physical assets (such as buildings, equipment, vehicles etc.). About one quarter of enterprises resorted to reducing the borrowing costs (such as loans, debts) and some 17 per cent opted for decreasing the rent costs (moved to a cheaper location etc.)

## Revenue increase strategies

**The development of new products or services (47 per cent) and business continuity planning (43 per cent) have been prioritized as the most important strategies to increase revenues during and beyond the crisis.** On average, a quarter of enterprises opted for various strategies, such as diversifying markets, decreasing the price or products/services, building partnerships to reach more customers and changing the payment terms. Equal shares (20 per cent) were considering changing distribution channels and amending supply chain agreements. Acquiring new talent was an option selected by only some 12 per cent of respondents.



Figure 18. **Which are the most important strategies to increase your revenue during and following the COVID-19 pandemics?** All surveyed enterprises



**By size, enterprises with up to ten employees and those with 11–100 employees resorted more frequently to various revenue increase strategies compared to larger scale enterprises.** Notably, enterprises with up to ten employees opted to decrease the prices of their products (45 per cent), diversify markets and client bases (37 per cent) and change the payment terms given that customers were late with payments (35 per cent). Interestingly, nearly half of enterprises with 11–100 employees found all proposed options effective, with the exception of market diversification, which was rated slightly lower (39 per cent).

Table 2. **Which are the most important strategies to increase your revenue during and following the COVID-19 pandemic?** Results by enterprise size

| Strategies to increase revenue  | Number of employees |          |           |             |
|---|---------------------|----------|-----------|-------------|
|   | 1 – 10              | 11 – 100 | 101 – 250 | 251 or more |
| Offer new products or services  | 28%                 | 48%      | 14%       | 10%         |
| Decrease price of selected products or services   | 45%                 | 46%      | 3%        | 6%          |
| Change payment terms (for example, establish a payment plan)  | 35%                 | 53%      | 5%        | 7%          |
| Change distribution channels (for example, promote delivery or online purchases)                    | 27%                 | 47%      | 14%       | 12%         |
| Diversify markets (for example, operate in different locations or with new clients)                 | 37%                 | 39%      | 16%       | 9%          |
| Modify supply chain agreements (for example, source from other suppliers, negotiate with suppliers) | 27%                 | 49%      | 12%       | 12%         |
| Create partnerships with other enterprises or develop loyalty plans to reach more clients           | 33%                 | 46%      | 13%       | 8%          |
| Ensure business continuity planning   | 32%                 | 47%      | 8%        | 14%         |
| Acquire new talent  | 25%                 | 47%      | 16%       | 13%         |

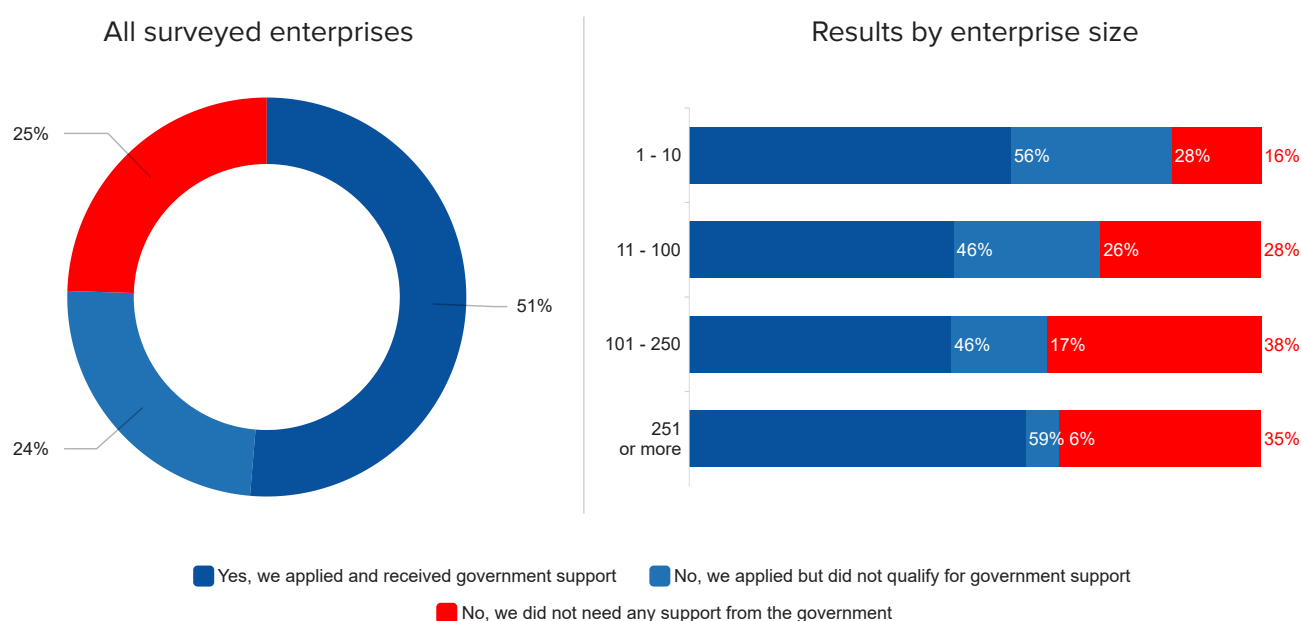
**Note:** The colour scale is used to demonstrate the percentage of enterprises by sector that selected different strategies to increase revenue. The darker the colour, the more a strategy was selected.



### III. Assessment of Government support measures

**More than half of surveyed enterprises applied for and received government support to be able to cope with the crisis.** A quarter of enterprises applied for support but did not meet the eligibility criteria and another one quarter did not need any support from the Government. Enterprises with up to ten employees displayed highest shares of enterprises (84 per cent) that needed economic support measures. Of these enterprises 56 per cent benefitted from support, while almost 30 per cent did not qualify for it. The need for support measures decreased with the increase in enterprise size. Interestingly, enterprises with 251 employees or more had the highest share of respondents that benefitted from support (59 per cent) and the lowest share of enterprises (6 per cent) that were rejected.

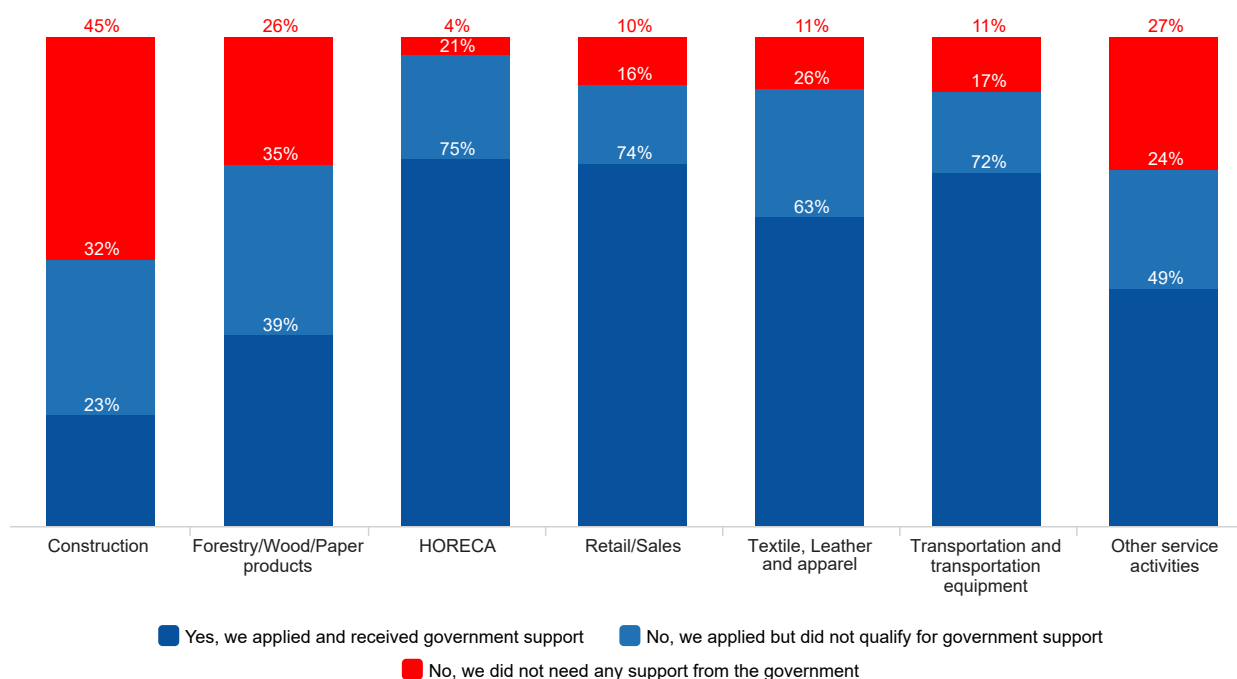
Figure 19. **Did your enterprise receive any specific government support measure to deal with the COVID-19 outbreak?**



**An overwhelming 96 per cent of enterprises in HORECA need support measures, followed by some 90 per cent of enterprises in retail sales, transportation and the textile and leather industry.** Over 70 per cent of enterprises in HORECA, retail/sales and transportation benefitted from state aid. Interestingly, these sectors also reported the lowest rejection rate. The sectors in which enterprises depend to a relatively lesser extent on support measures are the wood processing industry and other service activities (some 75 per cent) and construction (55 per cent). The construction sector had the lowest share of enterprises that received support but also one of the highest rejection rates (32 per cent) compared to other sectors.



Figure 20. **Did your enterprise receive any specific government support measure to deal with the COVID-19 outbreak?** Results by sector



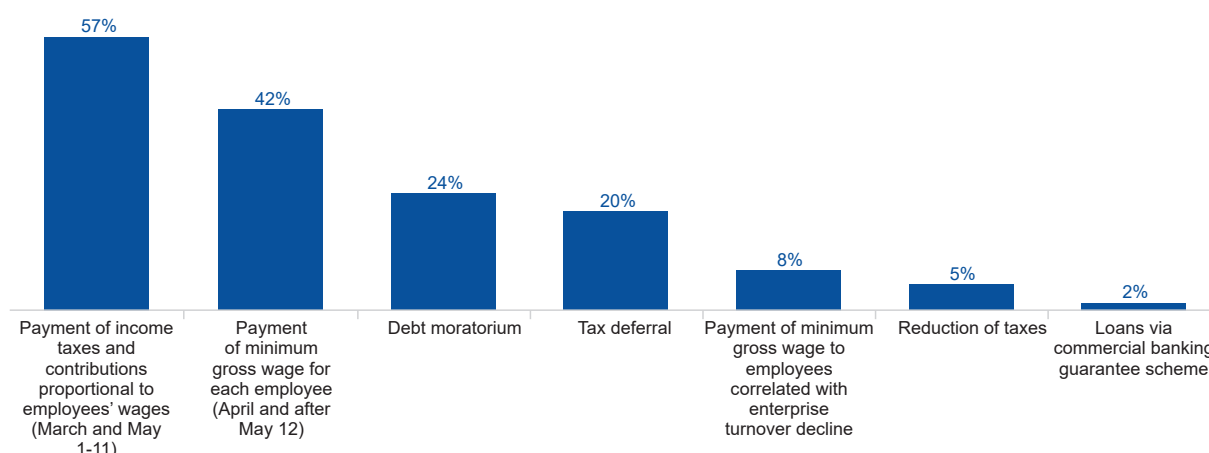
**Note:** Due to limited sub-sample size (comprising 50 per cent of all surveyed enterprises), the following question in this section will be analysed only from overall and enterprise size perspective.

## Types of economic support measures

**Wage subsidy schemes offered between March and May 2020 were the most-cited type of support among surveyed enterprises.** Specifically, the subsidy scheme covering the full amount of income taxes and social security contributions proportional to employees' wages was used by 57 per cent of enterprises. This type of support was available in March and 1–11 May for employers that were prohibited to operate until 11 May. The subsidy covering the gross minimum wage for each employee was used by 42 per cent of surveyed enterprises. This scheme was applied in April and after 12 May to employers that suspended their operations due to government restrictions or as a result of difficulties caused by the crisis. It should be noted that the subsidy was paid directly to employees. The moratorium on debt payment and tax deferrals were used by nearly one quarter and one fifth of respondents respectively. Other support measures were used less frequently.



Figure 21. **What kind of government measures did your company use?** All surveyed enterprises



**Wage subsidies were used by all types of enterprises, with some differences in the type of subsidy scheme.** Specifically, the largest shares of enterprises with up to ten employees and those with 11–100 employees relied on subsidies that fully covered income taxes and social contributions proportional to employees' wages, with 63 per cent and 57 per cent respectively reporting to have used this measure. The subsidy covering the gross minimum wage was the second most used type of support measure. In contrast, enterprises with 101–250 employees and those with 251 employees or more reported having used primarily the subsidy covering the minimum wage (55 per cent and 60 per cent respectively), which also included the social security contributions for employees. The subsidy covering income taxes and contributions was the second most used measure among these enterprises.

Table 3. **What kind of government measures did your company use?** Results by enterprise size

| Government measures  | 1–10 | 11–100 | 101–250 | 251 or more |
|--|------|--------|---------|-------------|
| Payment of income taxes and social contributions proportional to employees' wages (March and 1–11 May) | 63%  | 57%    | 45%     | 40%         |
| Payment of minimum gross wage to employees correlated with enterprise turnover decline                 | 11%  | 9%     | 0%      | 0%          |
| Payment of minimum gross wage for each employee (April and after May 12)                               | 33%  | 43%    | 55%     | 60%         |
| Debt moratorium  | 20%  | 25%    | 36%     | 30%         |
| Loans via commercial banking guarantee scheme  | 4%   | 0%     | 0%      | 0%          |
| Reduction of taxes   | 4%   | 5%     | 0%      | 20%         |
| Tax deferrals  | 11%  | 27%    | 27%     | 30%         |

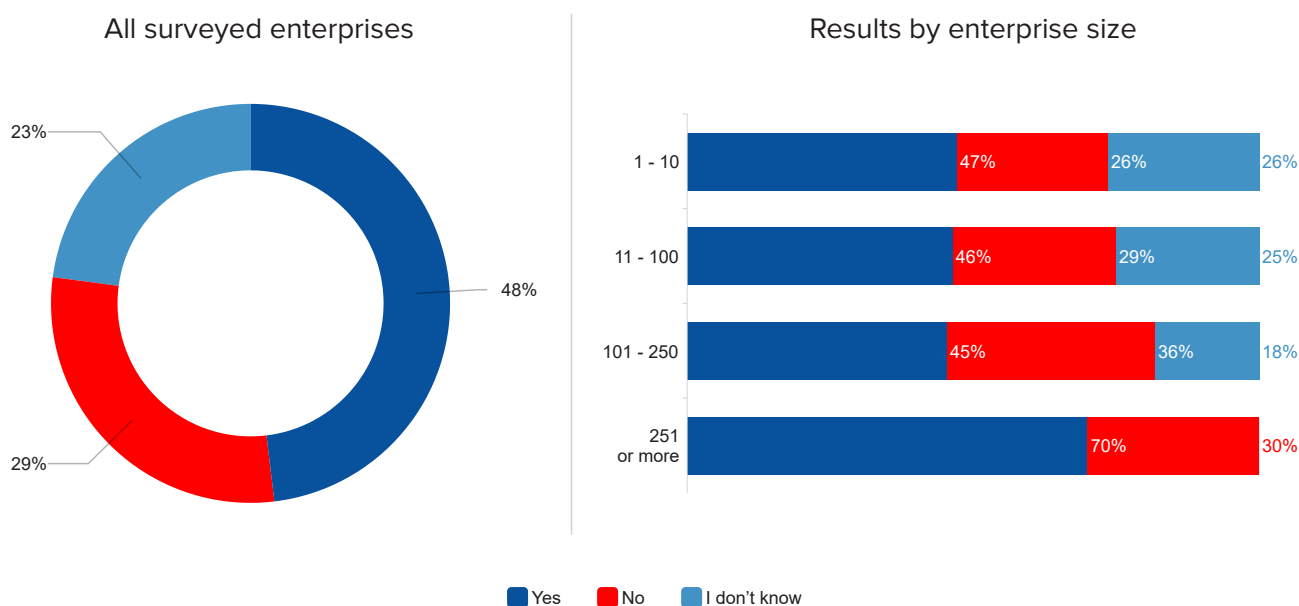
**Note:** The colour scale is used to demonstrate the percentage of enterprises by sector that selected different government measures. The darker the colour, the more a measure was selected.



## Effectiveness of government support measures

**Of enterprises that received government support, almost half assessed it positively.** A further 30 per cent found the measures to be ineffective, while nearly one quarter did not express any opinion about the support received. Interestingly, MSMEs (46 per cent on average) displayed lower levels of satisfaction compared to large enterprises (70 per cent), while the dissatisfaction level was highest among enterprises with 101–250 employees (36 per cent). Furthermore, uncertainty with regard to the effectiveness of government measures decreased with the increase in enterprise size.

Figure 22. **If you received government support, did you find it effective?**

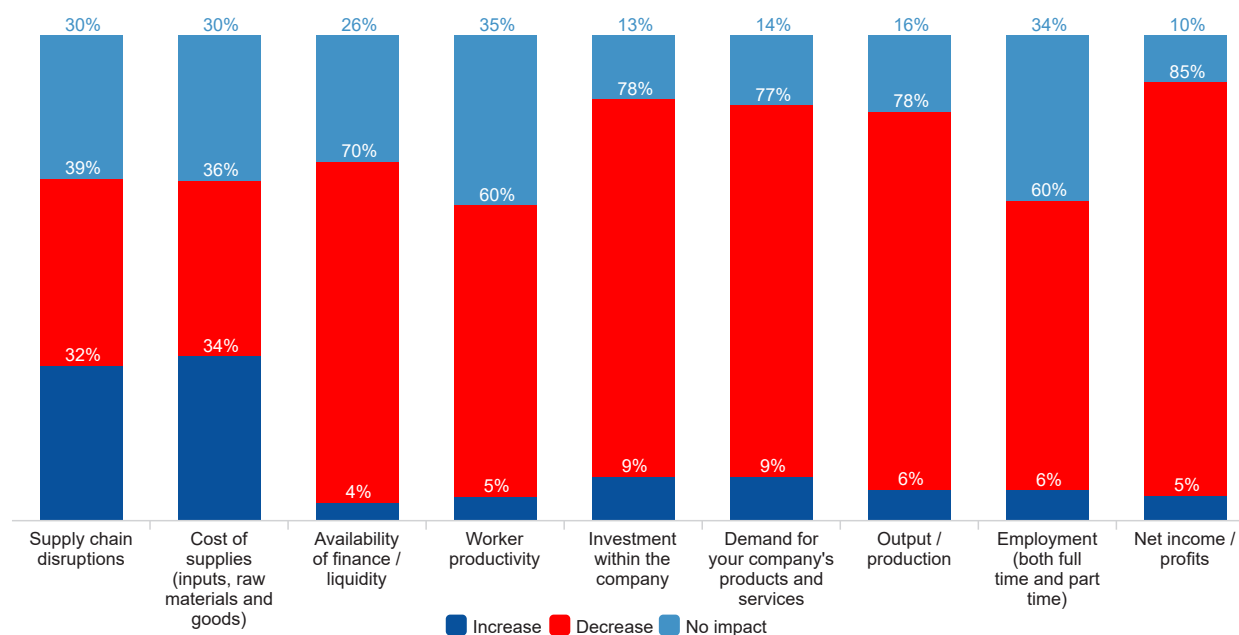




## IV. Business expectations for recovery

**Enterprises do not anticipate any improvements in the short term.** Overall, 80 per cent of surveyed enterprises expect the demand for their products or services to remain low, leading to low output levels and a decrease in cash flow and enterprise profit. Moreover, close to 80 per cent of enterprises reported that they would not invest in enterprise development in the near future. Enterprises do not foresee any positive change in supply chain stability and costs of supplies.

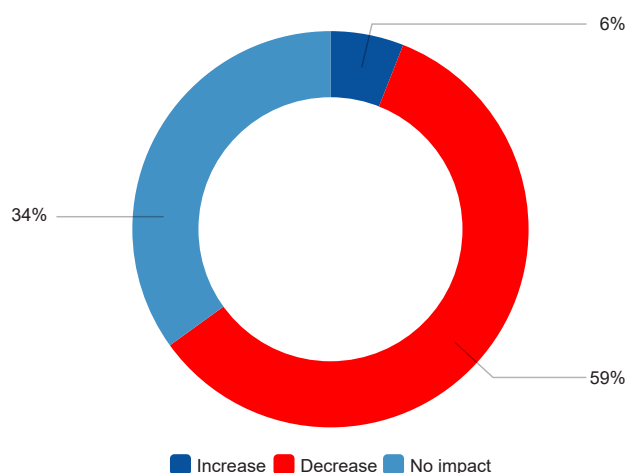
Figure 23. **How do you foresee business operations changing in the short term?** All surveyed enterprises



**Note:** For enterprise perception on business operations between March–October 2020, see Figure 7.

**Enterprises foresee a further deterioration of employment levels in the short-term perspective.** About 60 per cent of enterprises expect the workforce levels to decline further compared to 52 per cent that reported a decline in the past six months. Respectively, the prospects of increasing the number of employees are also worsening, with 6 per cent of enterprises anticipating such trends, compared to 8 per cent that planned to increase the workforce in the past six months.

Figure 24. **How do you foresee the workforce levels changing in the short term?** All surveyed enterprises



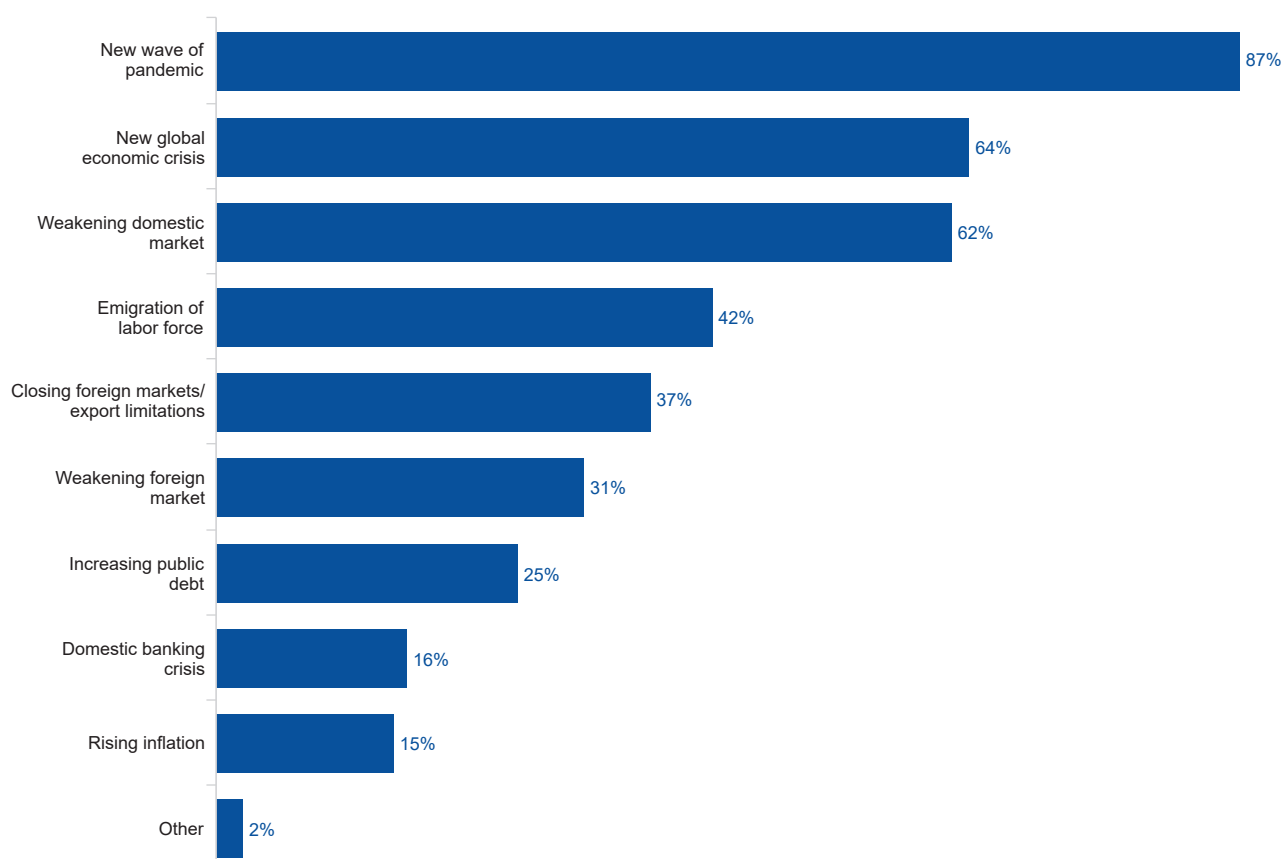
**Note:** For enterprise perception on employment levels between March–October 2020, see Figure 8.



## Anticipated future risks by enterprises

**The most serious threat to enterprise sustainability is a new wave of the pandemic as reported by 87 per cent of enterprises.** In the view of 64 per cent of respondents, the protracted crisis may lead to a more profound global economic crisis and weaken significantly the domestic market. Workforce shortages caused by the emigration of the labour force could pose another major threat for enterprise sustainability in 2021. Weakening foreign markets and constraints on exporting activities were perceived as a risks by nearly 37 per cent and 30 per cent of enterprises respectively, affecting primarily exporting enterprises. About one quarter of respondents expressed concerns about public debt. A potential banking crisis and rising inflation were assessed as potential threats by some 15 per cent of enterprises.

Figure 25. **What are the main risk sources for your enterprise in 2021?** All surveyed enterprises



**Enterprises of all sizes are primarily concerned about the prospects of a new wave of the pandemic.**

There is a noticeable pattern of interdependence, however, between enterprise size and anticipated types of risk. Enterprises with up to ten employees and those with 11–100 employees are more concerned about the prospects of weakening domestic market, at 68 per cent and 63 per cent respectively, compared to larger enterprises. Greater shares of larger enterprises (those employing 101–250 employees and 251 employees or more) were worried about the weakening of foreign markets and incapacity to export their products/services. Similarly, greater shares of larger scale enterprises (employing 101–250 employees and 251 employees or more) were concerned about a potential global economic crisis, at 73 per cent and 82 per cent respectively, compared to smaller enterprises. Emigration of the labour force is seen as a risk by nearly 60 per cent of enterprises with 251 employees or more, as well as 47 per cent of enterprises with 11–100 employees and 42 per cent of those with 101–250 employees, shares that are definitely not negligible. A third of enterprises with fewer than ten employees also anticipated challenges resulting from the emigration of labour force abroad.

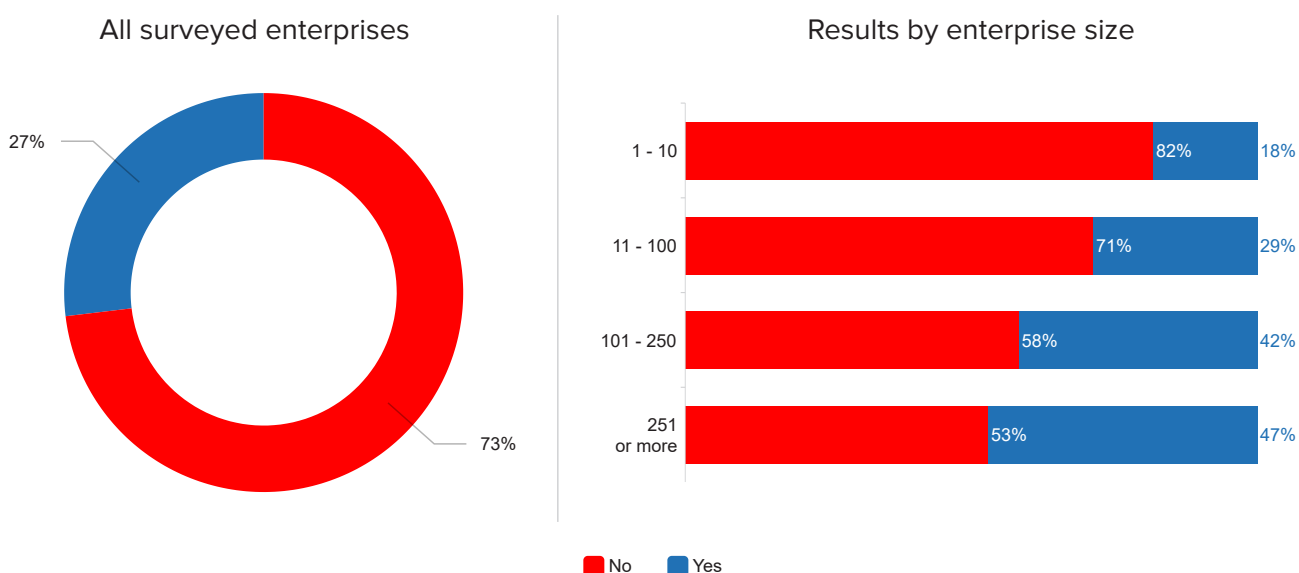


**The sectoral breakout is a near replica of the overall picture.** All sectors rated a new wave of the pandemic as the most serious threat to enterprise sustainability in 2021. The risk of weakening foreign demand was most frequently indicated by wood processing (78 per cent) and textile industry (75 per cent). Therefore, these sectors are also most frequently concerned about difficulties that may arise as exports will be constrained (78 per cent in wood processing and 59 per cent in the textile industry). However, weakening domestic demand and consumption was seen as a risk mainly by enterprises in retail/sales (89 per cent), construction (74 per cent), and enterprise in other service activities (64 per cent). The risk of a new global economic crisis was seen as a threat by about two thirds of enterprise across all sectors, with the textile sector displaying a slightly higher share (75 per cent). Labour force emigration might impact negatively between 40 per cent and 50 per cent of enterprise across all sectors.

## Type of additional support needed by enterprises

**An overwhelming 73 per cent of enterprises need additional economic measures to ensure their sustainability, but the need for such measures decreases with the increase in enterprise size.** Specifically, the highest share of enterprise that will not be able to remain sustainable without additional economic support comes from enterprises with up to ten employees (82 per cent), while enterprises with 251 employees or more displayed the lowest, yet not negligible, share (53 per cent).

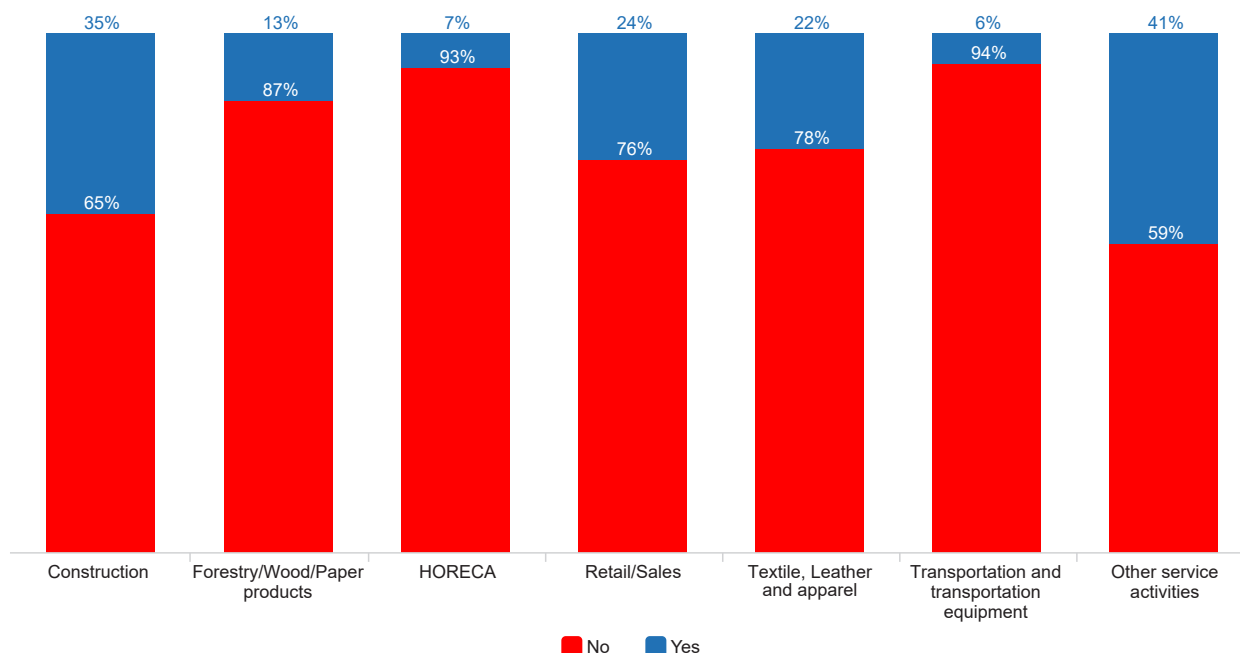
Figure 26. **Would your enterprise be sustainable without additional economic measures from the government?**



**The demand for additional support measures is very high across all sectors.** HORECA and the transportation sector portrayed the highest vulnerability with 93 per cent and 94 per cent, respectively, reporting their sustainability was endangered if they did not receive additional support. Close to 90 per cent of enterprises in wood processing and nearly 80 per cent of enterprises in retail/sales and the textile industry needed additional government support. Construction (65 per cent) and other service activities (59 per cent) reported lower shares of enterprises that needed additional support relative to other sectors, and yet these figures are not negligible.

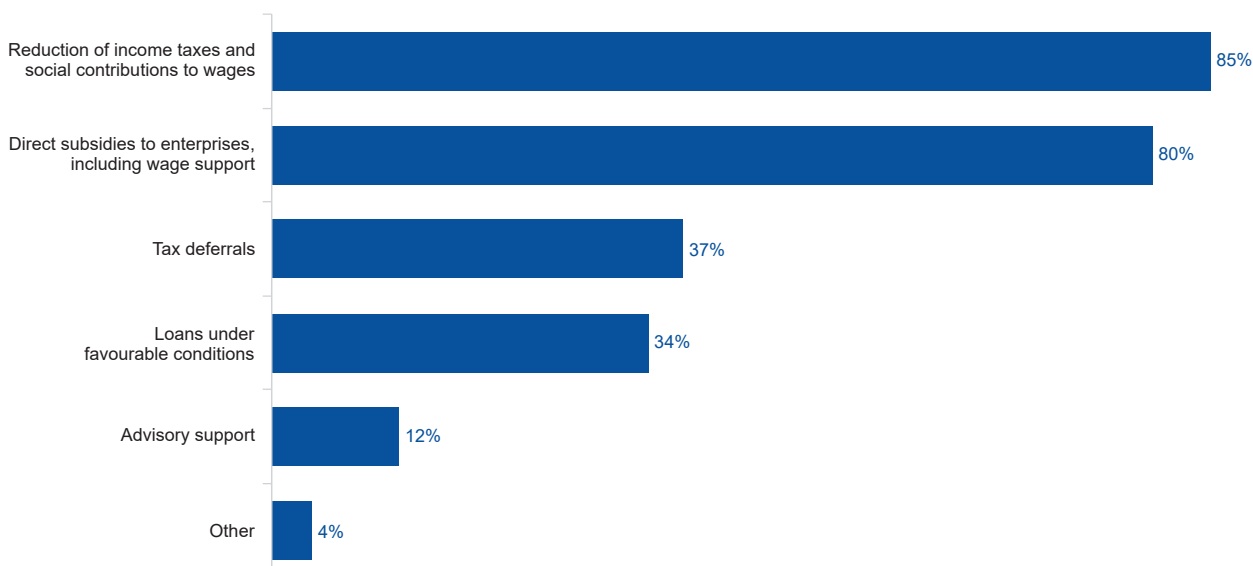


Figure 27. **Would your enterprise be sustainable without additional economic measures from the government?** Results by sector



**The reduction of income taxes and social contributions and direct subsidies to enterprises, including wage support, were identified as the two most needed types of support by 85 per cent and 80 per cent of enterprises respectively.** Slightly over one third of enterprises opted for tax deferrals and liquidity loans under favourable conditions. In addition, some 12 per cent of enterprises reported they would need advisory support during the crisis period. By size, the reduction of income taxes and social contributions as well as the provision of wage support were the two types of support cited by the largest share of MSMEs. Enterprises with 251 employees or more requested primarily advisory support, followed by favourable liquidity loans and further tax payment deferrals.

Figure 28. **What kind of measures would help your enterprise to fully recover?** All surveyed enterprises





**Enterprises in all sectors in the survey identified the reduction of income taxes and direct subsidies, including wage support, as the two types of support they needed.** It should be noted that the proportion of enterprises opting for the two abovementioned types of support (ranging from nearly 60 per cent to 100 per cent) is significantly higher compared to those who opted for other types of support. However, loans under favourable conditions were particularly requested by wood processing (42 per cent), retail/sales (40 per cent), transportation (38 per cent) and enterprises in other service activities (36 per cent). Tax deferrals was identified as beneficial mostly by construction (60 per cent), wood processing (47 per cent), textiles (43 per cent) and enterprises in retail/sales and other service activities (about 40 per cent each).

Table 4. **What kind of measures would help your enterprise to fully recover?** Results by sector

| Measures   | Construction | Forestry/<br>wood/paper<br>products | HORECA | Retail/sales | Textile,<br>leather and<br>apparel | Transport and<br>transportation<br>equipment | Other<br>service<br>activities |
|--|--------------|-------------------------------------|--------|--------------|------------------------------------|--|--------------------------------|
| Loans under favourable conditions                  | 33%          | 42%                                 | 19%    | 40%          | 21%                                | 38%  | 36%                            |
| Tax deferrals                                      | 60%          | 47%                                 | 33%    | 40%          | 43%                                | 19%  | 41%                            |
| Reduction of income taxes and social contributions | 100%         | 79%                                 | 89%    | 84%          | 57%                                | 94%  | 86%                            |
| Direct subsidies, including wage support           | 87%          | 84%                                 | 78%    | 72%          | 93%                                | 88%  | 77%                            |
| Advisory support                                   | 7%           | 16%                                 | 11%    | 4%           | 14%                                | 0%   | 23%                            |
| Other  | 7%           | 0%                                  | 4%     | 16%          | 7%                                 | 0%   | 0%                             |

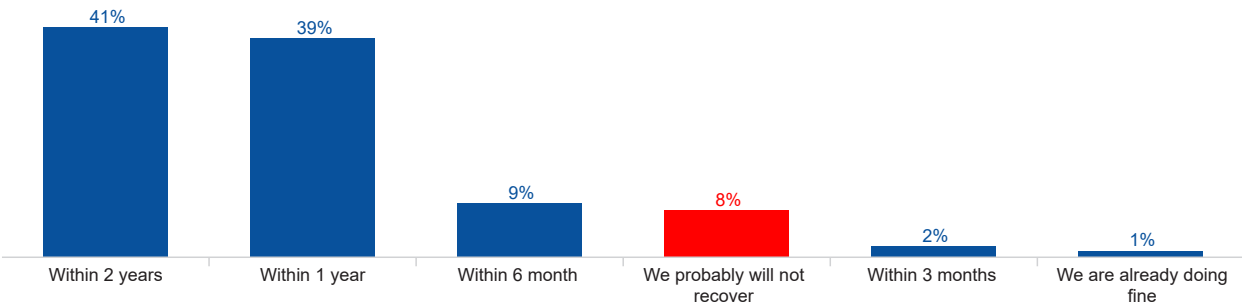
**Note:** The colour scale is used to demonstrate the percentage of enterprises by sector that selected different recovery measures. The darker the colour, the more a measure was selected.

## Anticipated time for enterprise recovery

**Overall, enterprises anticipated a relatively long recovery.** Almost equal shares (some 40 per cent) expected the recovery process would be completed within one year and two years respectively. About 9 per cent were more optimistic about the recovery prospects and anticipating they would recover completely in less than six months. The share of enterprises that reported they needed up to three months for recovery (2 per cent) or were already doing fine at the time of the survey (1 per cent) are insignificant. In contrast, it is worrisome that some 8 per cent of enterprises expressed pessimism with regard to prospects for recovery and anticipated business closure.

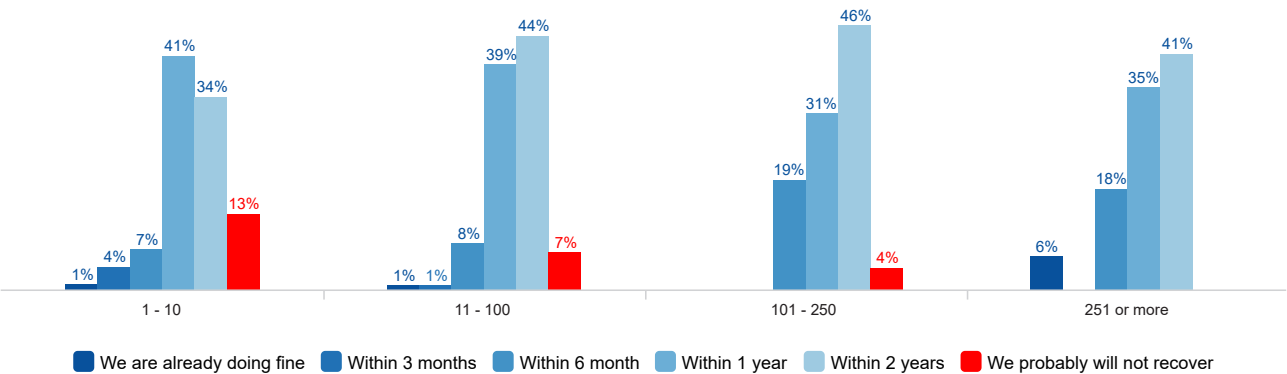


Figure 29. **Having in mind the current situation, when do you expect your company will recover?** All surveyed enterprises



**Enterprises with up to ten employees expected a somewhat faster recovery.** The largest share of enterprises with up to ten employees (41 per cent) expected to recover within one year, while other types of enterprises (ranging between 41 per cent and 46 per cent) noted they would need up to two years to complete their recovery. It is also notable that enterprises with up to ten employees reported higher shares of respondents anticipating business closure (13 per cent), while enterprises with 251 employees or more reported higher shares of enterprises (6 per cent) that were operating normally at the time of the survey.

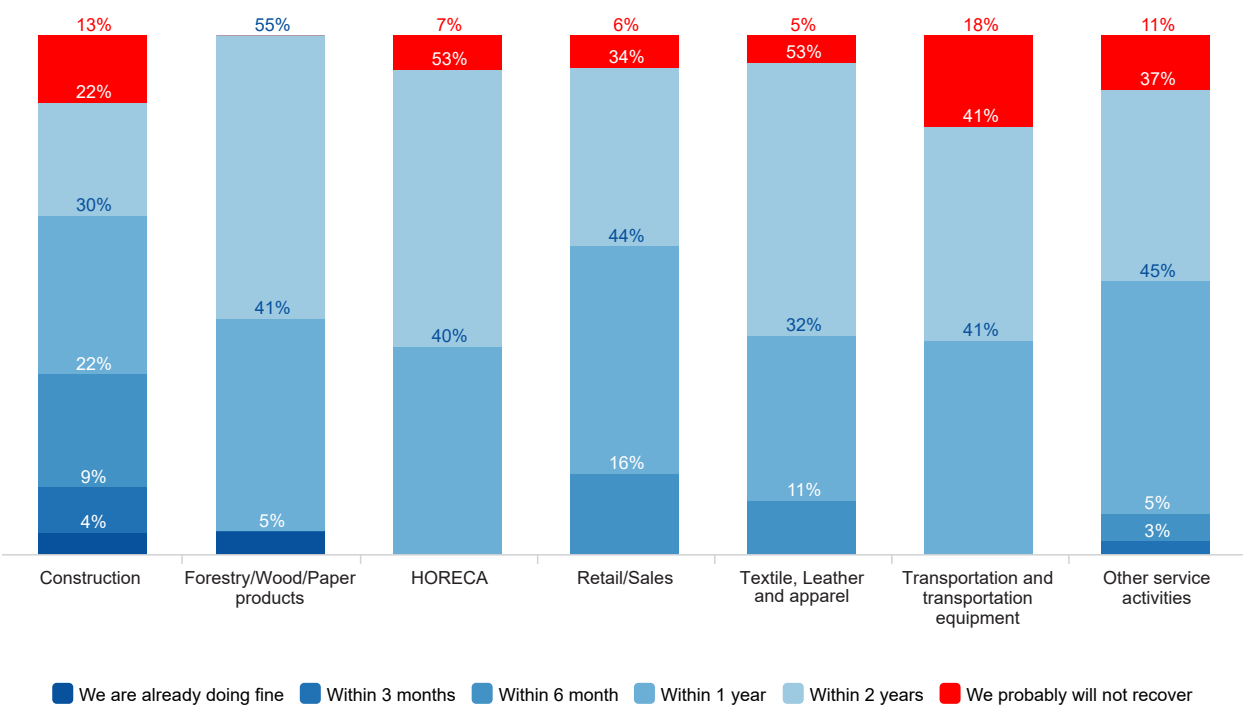
Figure 30. **Having in mind the current situation, when do you expect your company will recover?** Results by enterprise size



**Enterprise assessments of their recovery capacity varied across sectors and within sectors.** More than half of enterprises in wood processing, HORECA and the textile and leather industry anticipate a long recovery taking up to two years. Over 40 per cent of enterprises in wood processing, HORECA, retail/sales, other service activities and transportation expected to be able to recover within one year. The perception of transportation enterprises is of particular interest. Equal shares (41 per cent) think they will recover either within one year or two years, but they also displayed the highest share of pessimism, with 18 per cent of respondents anticipating they would not recover.



Figure 31. **Having in mind the current situation, when do you expect your company will recover?**  
Results by sector





## ANNEX: Survey demographics

Figure 1. **Distribution of surveyed enterprises by location**

| Location   | %    |
|--|------|
| Banja Luka   | 35%  |
| Derventa   | 6%   |
| Prijedor   | 6%   |
| Bijeljina  | 5%   |
| Laktaši  | 5%   |
| Prnjavor   | 5%   |
| Doboj  | 4%   |
| Gradiška   | 3%   |
| <b>Other:</b> Zvornik, Pale, East New Sarajevo, Foča, Trebinje, Petrovo Kozarska, Kostajnica, Kotor, Varoš, Sokolac, Bileća, Bratunac, Teslić, Brod, Milići, Ugljevik, Vlasenica, Modriča, Mrkonjić Grad, Čelinac, Šamac | 31%  |
| Total  | 100% |

Figure 2. **Distribution of surveyed enterprises by type of ownership**

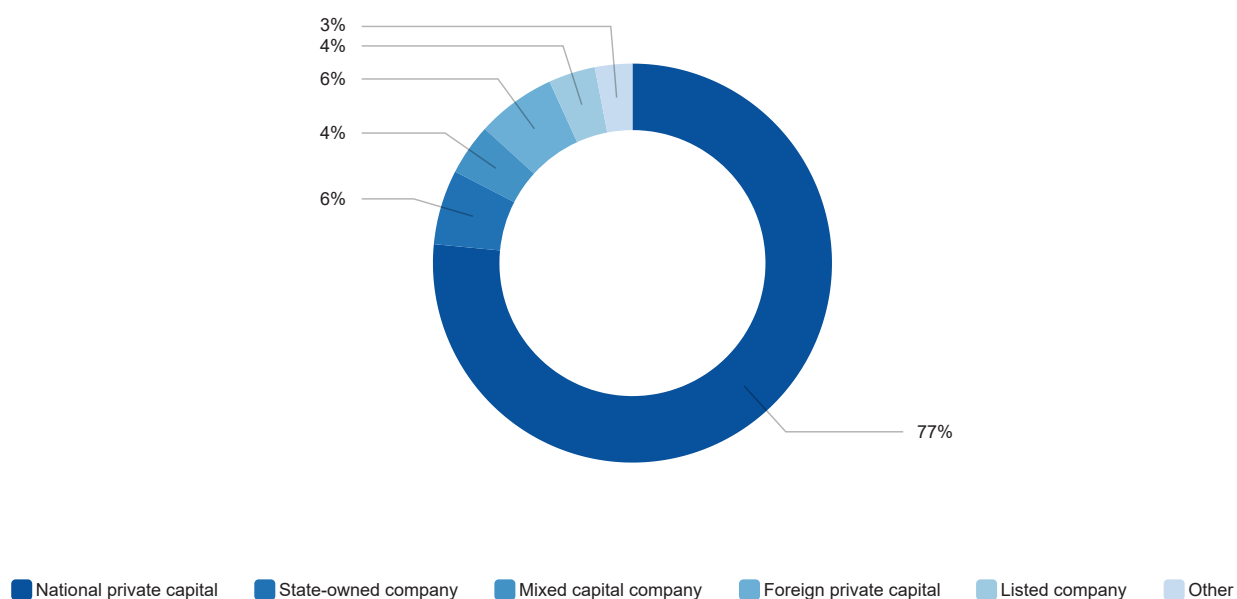
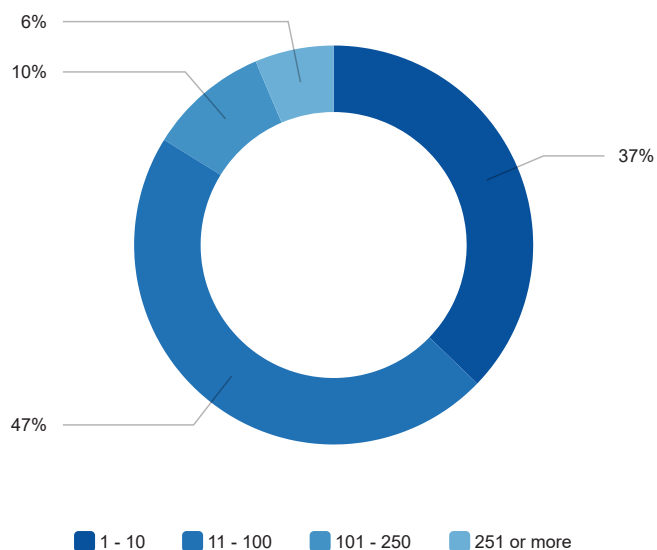




Figure 3. **Distribution of surveyed enterprises by size**



**Note:** It has been estimated that a total of 11, 448 employees are employed in the enterprises that participated in the survey.

Figure 4. **Distribution of surveyed enterprises by sector**

| Sector  | %    |
|---|------|
| Construction  | 8%   |
| Forestry/wood/paper products  | 8%   |
| HORECA  | 13%  |
| Retail and sales  | 16%  |
| Textile/leather and apparel   | 6%   |
| Transport and transportation equipment  | 7%   |
| Other service activities  | 16%  |
| Other: agriculture, food industry, chemical industry; metal fabrication; financial activities, energy sector, ICT, mining, health and education | 26%  |
| Total   | 100% |



Figure 5. **Distribution of surveyed enterprises by level of annual turnover in 2019**

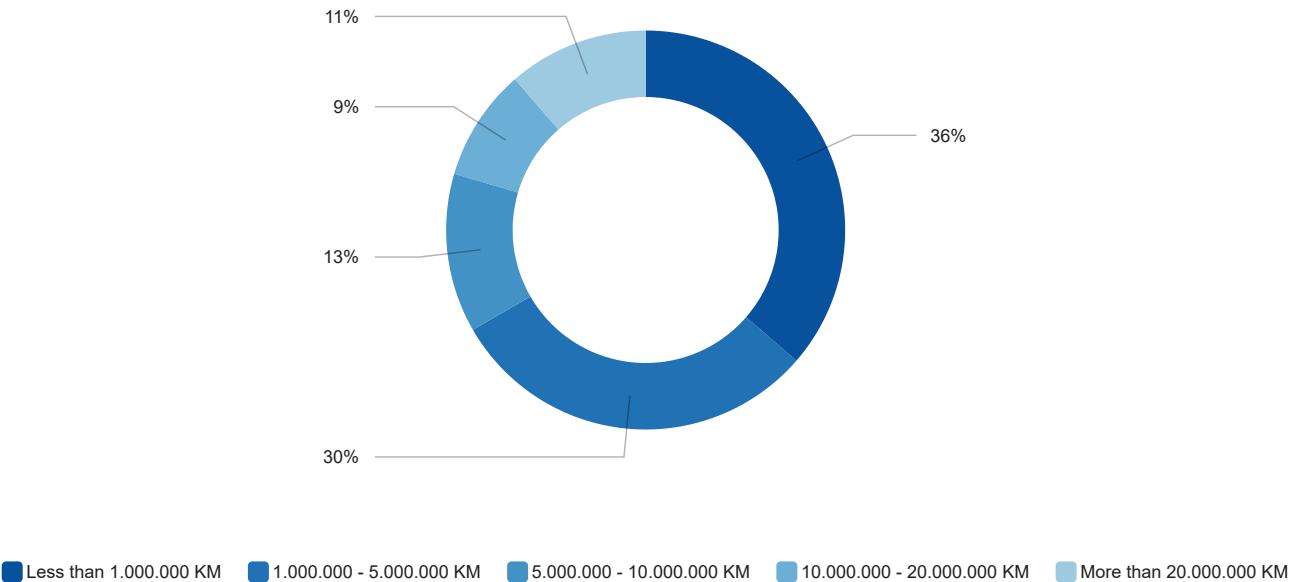


Figure 6. **Distribution of surveyed enterprises by the respondent status**

| Position   | %    |
|--|------|
| Board member   | 2%   |
| CEO/President/Managing director                      | 50%  |
| CFO/Finance Director/Treasurer                       | 7%   |
| CIO/Technology director                              | 2%   |
| Other C-level executive                              | 5%   |
| Head of business unit / Head of department / Manager | 6%   |
| Other  | 28%  |
| Total  | 100% |



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