

ENTREPRENEURS: A SENSE OF THE CRISIS AND DECLINING NEED FOR REFORMS

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The study on entrepreneurs' attitude towards reforms that BISS conducted at the end of 2015 revealed this group's decreasing interest in the need for reforms in general and growing interest in reforms of state institutions when considered from the perspective of the entire country's benefits. Entrepreneurs still view the economy as the most important sphere requiring reforms, both for personal gains and for the benefit of the entire country.

The economic crisis has aggravated some problems concerning the activities of entrepreneurs, who are now more actively expressing the need for measures relating to the labor market.

BISS presents the conclusions of the next (second) research wave conducted among representatives of: a) business (hereinafter called "entrepreneurs"); b) state power (hereinafter "officials"); c) civil society and political opposition. The first stage of surveys was conducted in September 2014, whereas the second one in the period from October 18 until November 2015. The method of individual structured face-to-face interview was employed, with the following numbers of respondents in each wave: business (50), state power (50), civil society and political opposition (100).

The maximum margin of error for one group was 11.6% (the representativeness level of 90%). Consequently, many differences that we found in the study are not statistically significant and can be considered only as trends. Being aware of those limitations and offering tentative conclusions, we, nevertheless, believe that this study helps to come closer to an understanding of group views and interests. Moreover, the results of the study should be regarded as meaningful because of the complicated access to respondents from the group "state power" and the fact that the 50 surveyed officials occupy important positions.

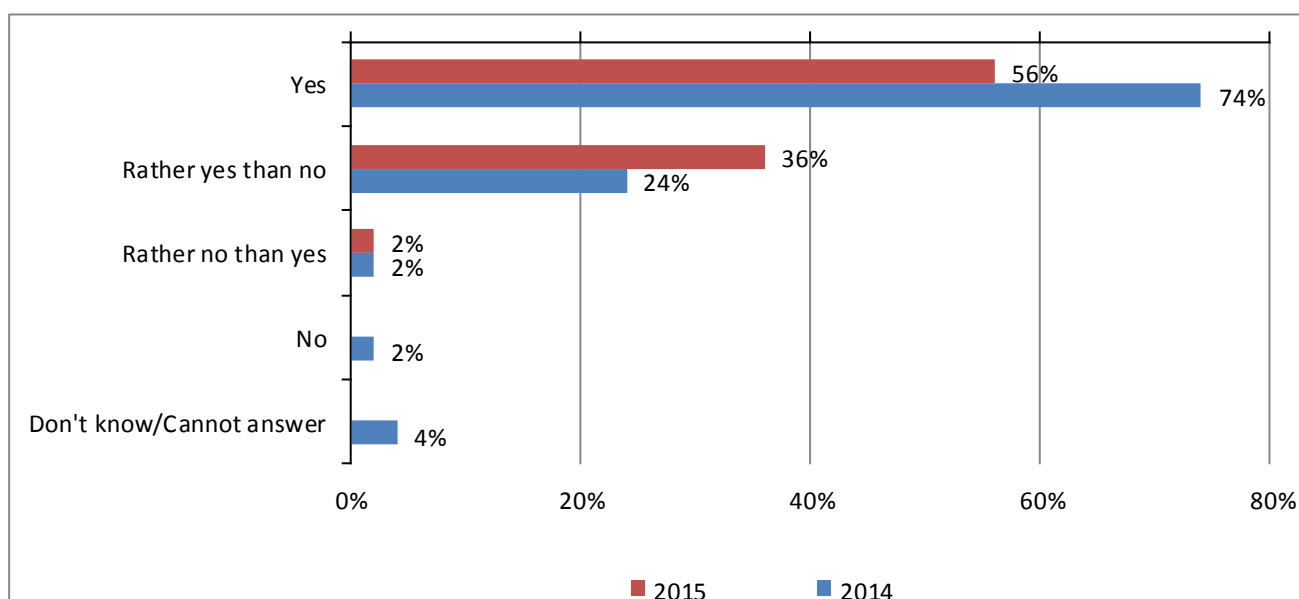
The results of the survey among entrepreneurs demonstrate their attitude towards conducting reforms: entrepreneurs were asked to evaluate their priorities, urgency, and effectiveness, as well as to express their views on specific measures within the framework of possible reforms. A major conclusion which can be drawn on the basis of the survey data is that entrepreneurs, as in the previous year, have the need for diminishing state control and influence over the economy and society and consider the need for conducting reforms as rather high.

Overall attitude towards reforms

By comparison with September 2014, entrepreneurs now have a weaker need for reforms (see diagram 1). Whereas in 2014 almost two thirds of the surveyed entrepreneurs (74%) felt absolutely certain of the need for reforms in Belarus, in 2015, the share of such entrepreneurs was 56%. The decline in certainty about the need for reforms may explained by the economic crisis: entrepreneurs fear that that conducting reforms during the crisis will worsen their well-being.

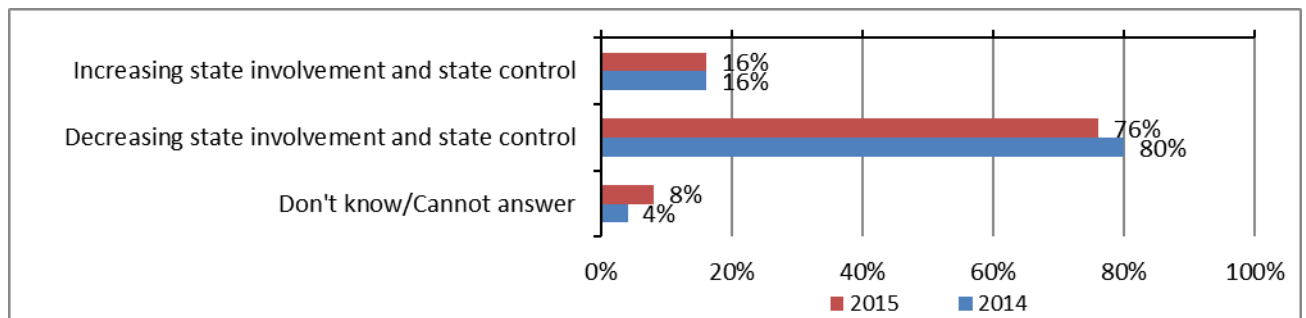
At the same time, there is now a small group of entrepreneurs who cannot give an unequivocal answer about the need for reforms (4%), as well as of those who believe that Belarus does not need reforms (2%).

Diagram 1. In your opinion, does Belarus need reforms?



Moreover, entrepreneurs' certainty about the direction of future reforms – whether they should bring more or less state regulation – is diminishing, though not significantly (see diagram 2).

While in the previous year, 80% of entrepreneurs were sure that reforms should aim at *reducing* state involvement, by the end of 2015, the share of such entrepreneurs decreased by 4% – to 76%. The number of entrepreneurs who are certain that reforms should *increase* state involvement did not changed: their share is still 16%. The number of those supporting a lesser degree of state regulation dropped due to the growth in numbers of those who are uncertain about the direction of reforms (the increase from 4% to 8%).

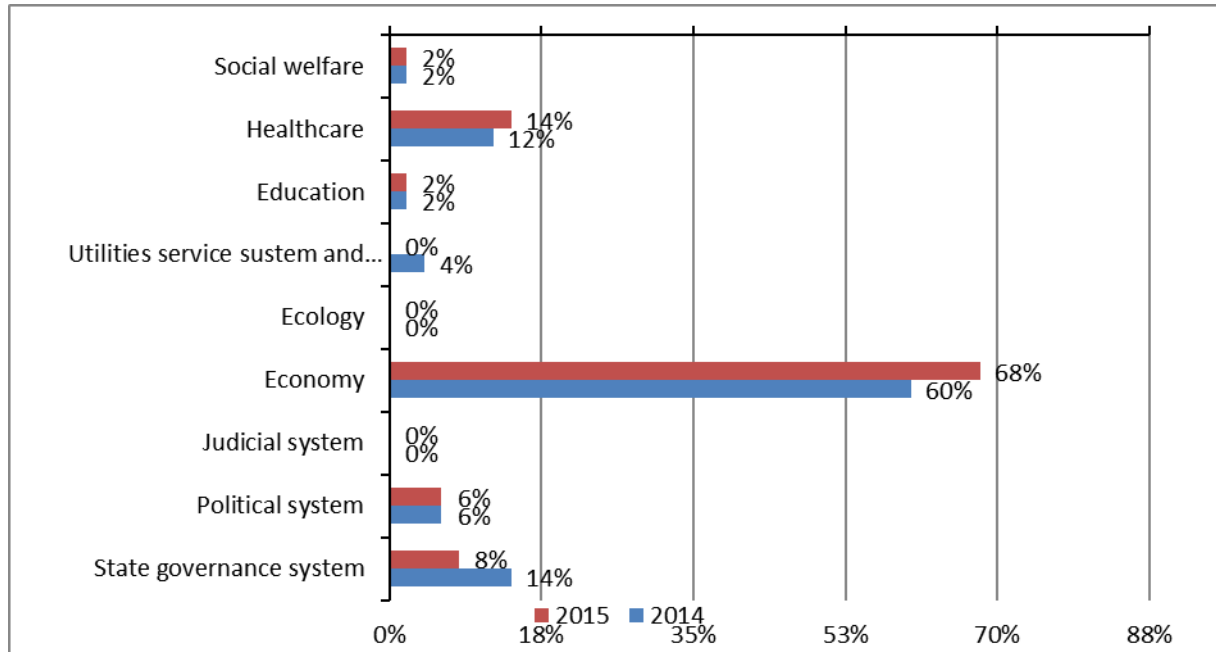
Diagram 2. Reforms in various aspects of the country's life should primarily aim at...

Reform priorities

The question about priority spheres in terms of reforming was asked to entrepreneurs from two perspectives. First, entrepreneurs were asked to evaluate reform priorities judging from their own needs and the needs of organizations where they work. Second, entrepreneurs were asked to evaluate reform priorities taking into consideration the entire country's needs.

By comparison with 2014, entrepreneurs are now more certain that the economy and healthcare are the main priorities in reforming if to consider only their own interests. The perceived importance of these spheres increased by 8% (to 68%) and 2% (to 14%) respectively. The importance of other spheres did not change, except for the communal services system and state governance system (see diagram 3).

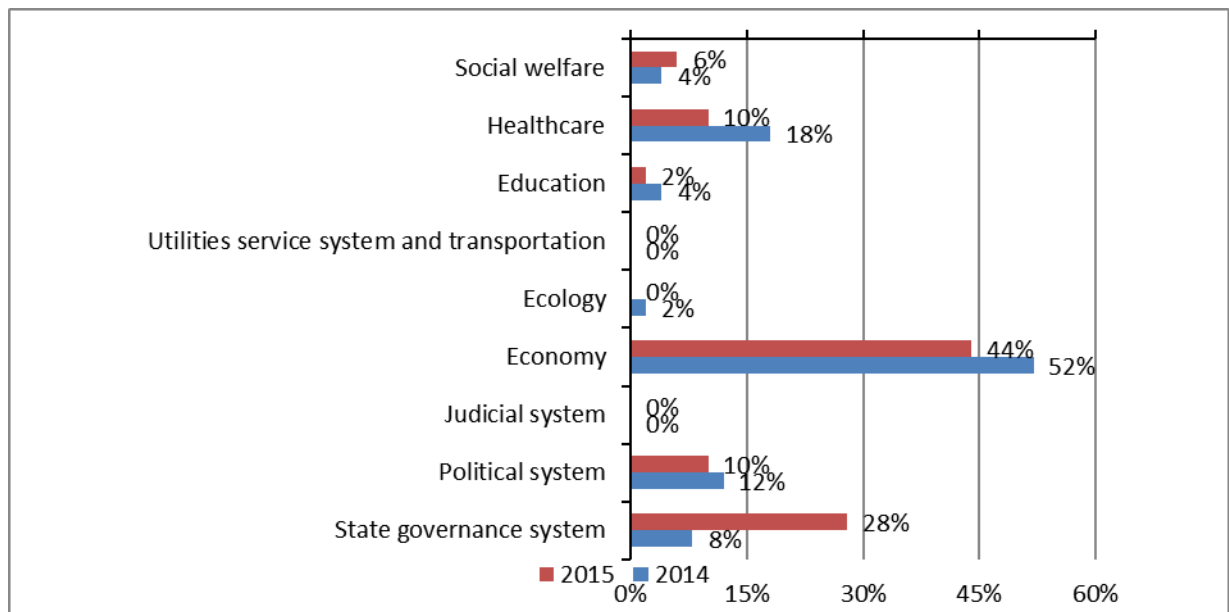
It is worth noting there were no entrepreneurs – as in the previous year – who designated the judicial system as the top reform priority. This is so perhaps because entrepreneurs rarely go to courts in relation with their professional activities.

Diagram 3. Spheres of priority reforms for entrepreneurs¹

The economic crisis has bolstered entrepreneurs' certainty that conducting reforms for the country's benefit is necessary not just in separate spheres but that it should primarily concern the state governance system. In relation to 2014, in 2015, entrepreneurs considered reforms in the economy and healthcare as having less priority for the country's benefit. At the same time, almost one third of the surveyed entrepreneurs (28%) defined reforming the state governance system as having the highest priority. One year earlier, only 8% of entrepreneurs made this choice (see diagram 4).

¹ Percent of those who put a specific sphere on the 1st place in terms of priority when answering to the question "Range the following social spheres in such an order where the 1st place should be given to a sphere where reforms are needed most of all judging from the interests of your organization/firm, a government institution you represent, while the 9th place should be given to a sphere that requires reforms least of all".

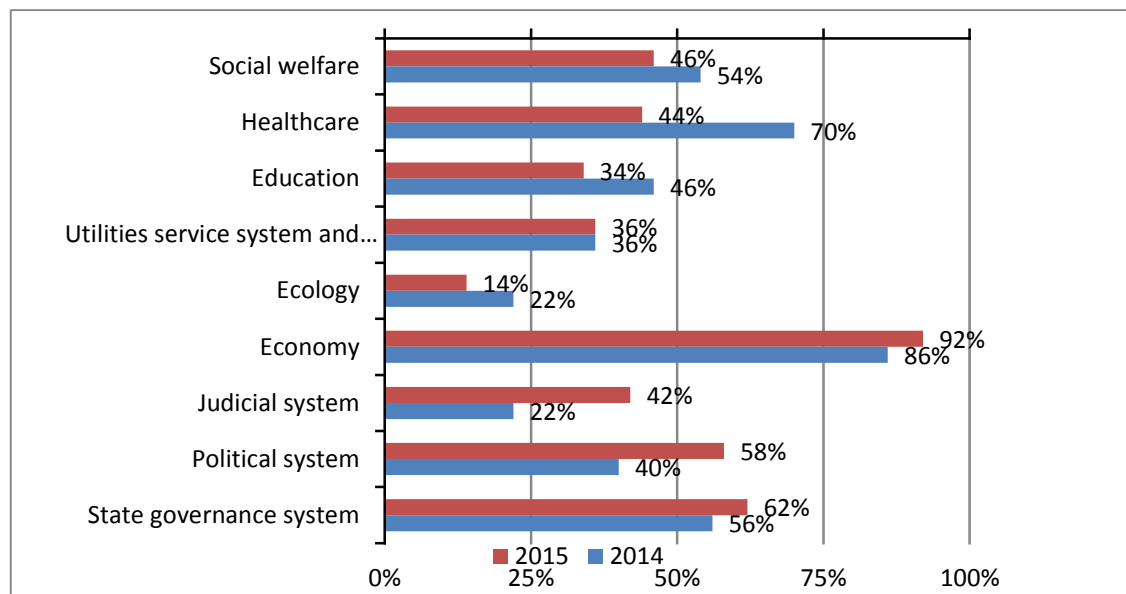
Diagram 4. Spheres of priority reforms for the entire country, according to entrepreneurs²



Speaking about the *urgency* of conducting reforms in various spheres (for the country's benefit), the economy is still on the first place, according to entrepreneurs' evaluations, just like in the previous year (diagram 5). At the same time, entrepreneurs began more frequently pointing out the need for reforming state institutions, namely the political and judicial systems (+20% and 18% respectively if to compare with the year of 2014), as well as the state governance system (+6%). The shares of respondents who pointed out the need for urgent reforms in social spheres – healthcare and social welfare – plummeted: by 26% and 8% respectively.

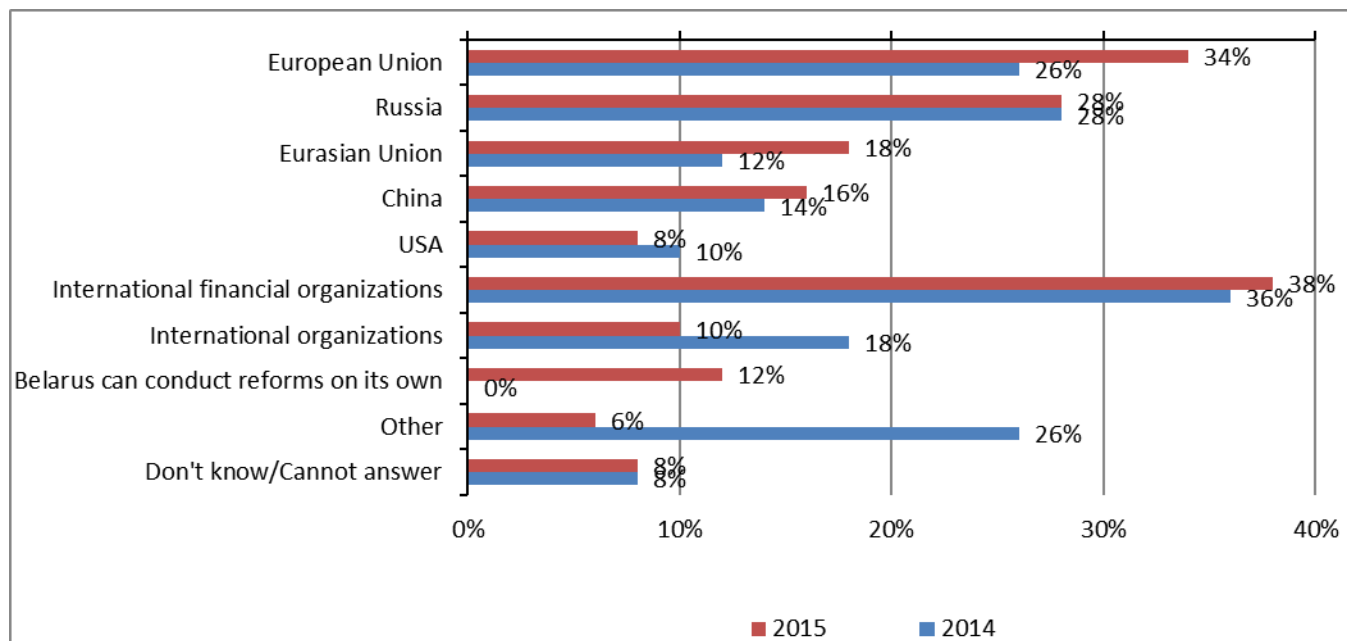
² Percent of those who put a specific sphere on the 1st place in terms of priority when answering to the question "Range the following social spheres in such an order where the 1st place should be given to a sphere where reforms are needed most of all for the country in general, while the 9th place should be given to a sphere that requires reforms least of all".

Diagram 5. Urgency of conducting reforms in specific spheres (for the country's benefits), according to entrepreneurs



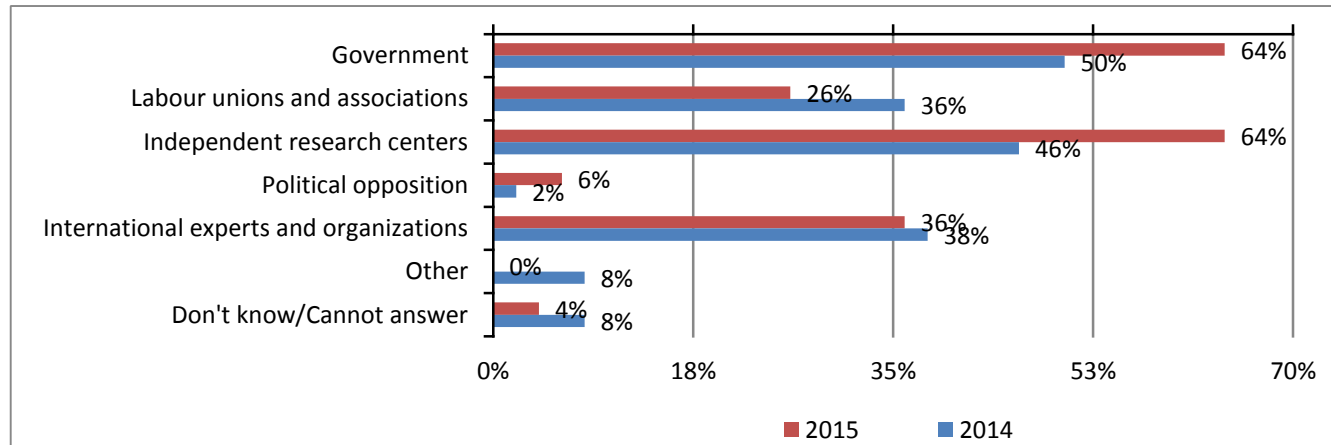
As in the previous year, entrepreneurs are skeptical about the perspective of conducting reforms in Belarus through involving assistance from the Eurasian Union (18% of entrepreneurs said "yes" in 2015), China (16%), and the USA (8%). In entrepreneurs' opinions, such assistance can be provided, first of all, by international financial organizations (38%), the European Union (34%), and Russia (28%).

Diagram 6. In your opinion, who can aid Belarus in conducting structural reforms?

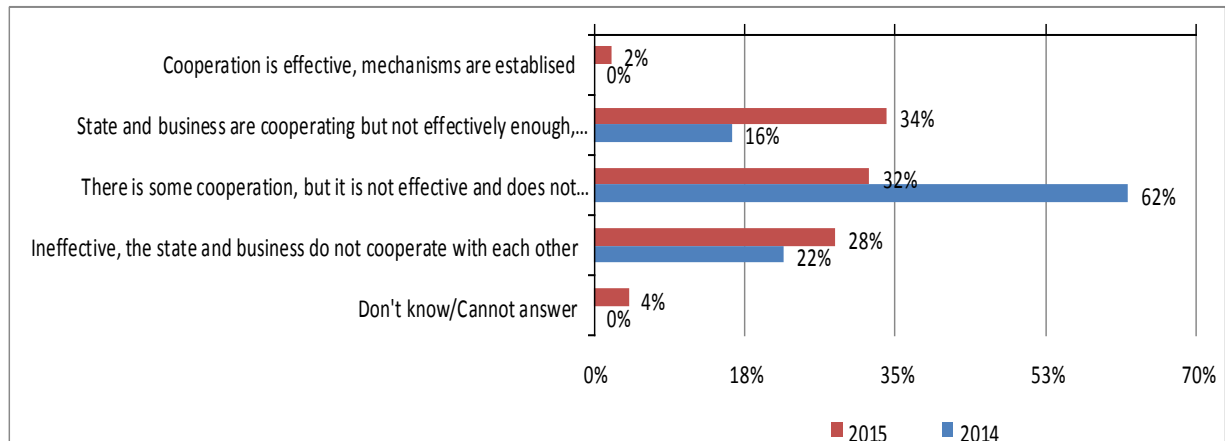


In 2015, entrepreneurs felt much more positive about seeing governmental institutions and independent research centers among domestic actors who should participate in developing reforms for Belarus (+14% and +18% respectively). There was a negligent increase (+4%) in the share of those who believe that the political opposition should participate in preparing reforms. Moreover, there was a decrease in the number of entrepreneurs who would like to see labor unions among authors of reforms (-10%).

Diagram 7. In your opinion, who should develop reforms in Belarus?



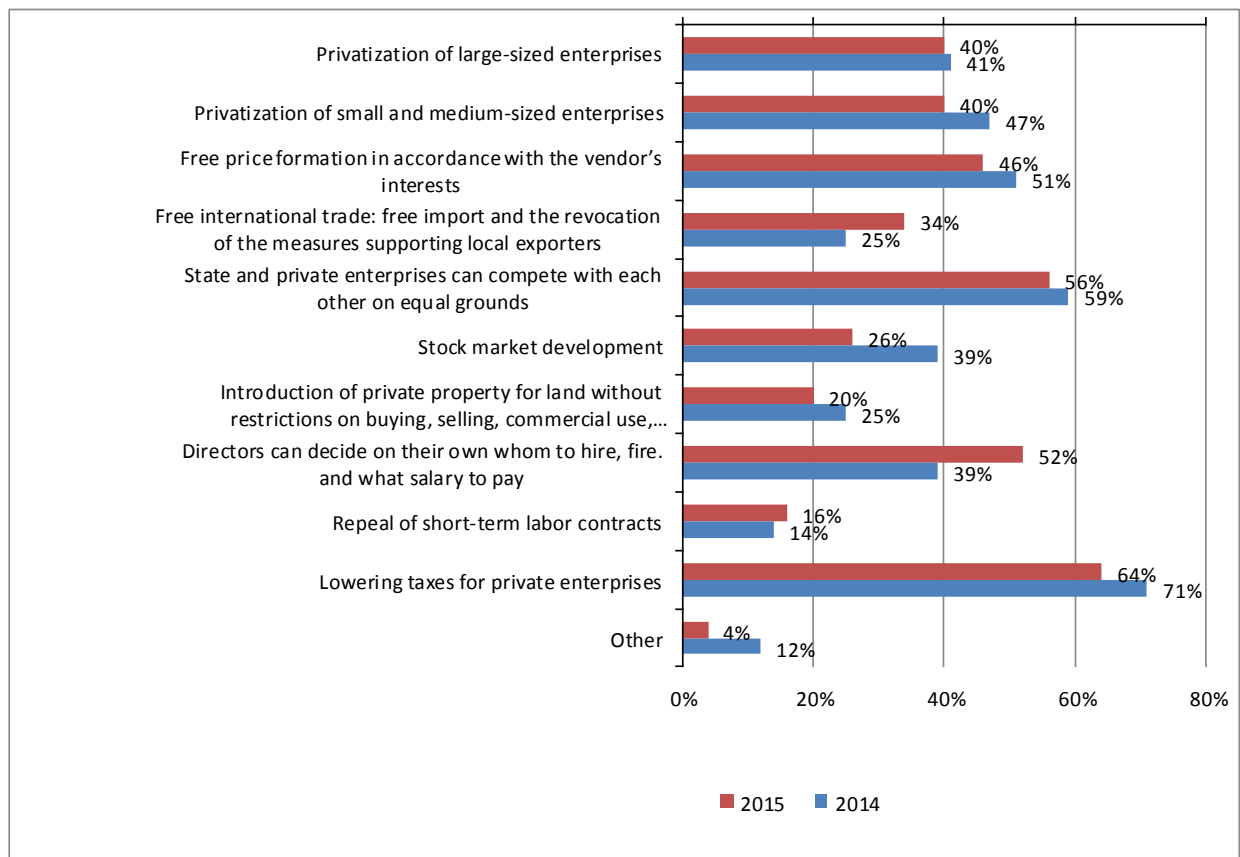
In 2015, entrepreneurs gave a more positive evaluation of the cooperation between business and the state. The majority of the respondents still point out that such cooperation either has low effectiveness or does not exist (50% in sum). However, a much greater number of the surveyed entrepreneurs pointed out that the cooperation in general takes place. In 2014, only 16% of entrepreneurs noted this, while in 2015, their share rose to 34%. The share of entrepreneurs who pointed out that the existing cooperation has low effectiveness dropped almost two times: from 62% to 32%.

Diagram 8. Entrepreneurs' evaluation of the intensity and effectiveness of the cooperation with the state³**Attitude towards economic reforms**

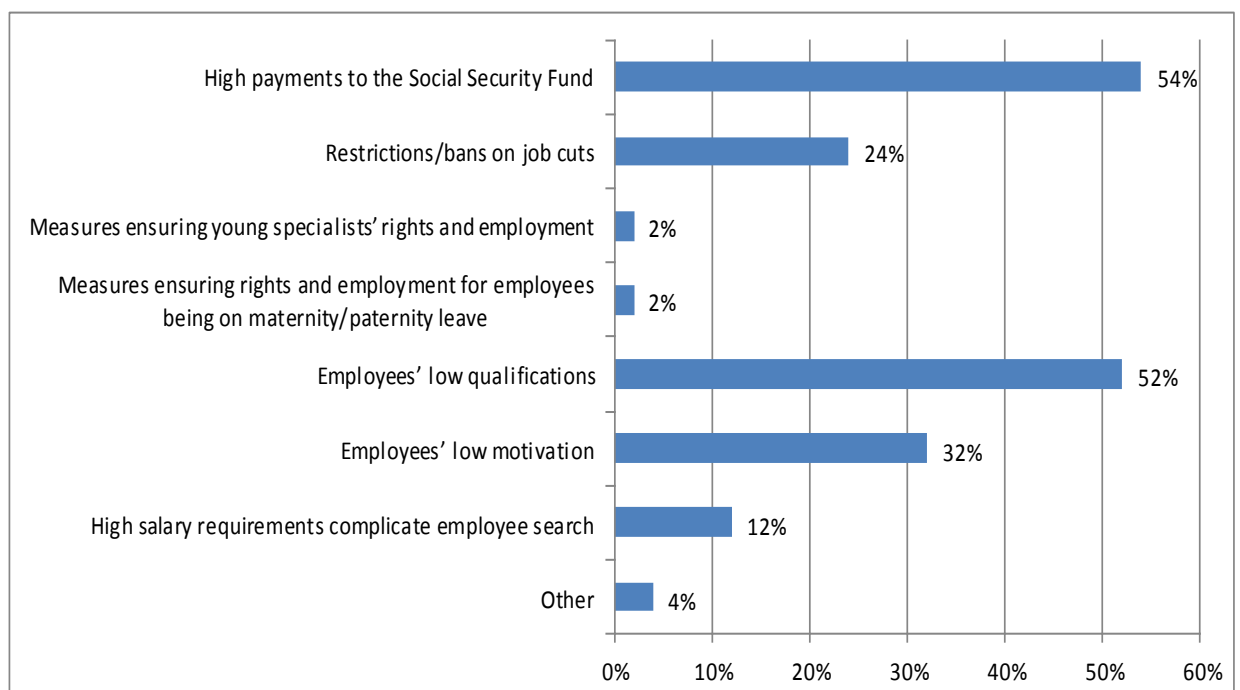
As noted above, when business interests are discussed, entrepreneurs consider the economy as the most priority sphere requiring reforms. Entrepreneurs consider lowering taxes for enterprises (64% in 2015), creating equal economic conditions for state and private enterprises (56%), and free price formation (51%) as the most important specific measures to reform the economy (see diagram 9).

In 2015, entrepreneurs' interest in all measures, except for in reforming the labor market and free international trade, declined. The share of entrepreneurs who pointed out the need for reforms in the sphere of hiring employees and setting salaries rose from 39% to 51%; the share of those who believe that short-term labor contracts should be repealed grew from 14% to 16%.

³ Distribution of the answers to the question "In your opinion, at present, what is the effectiveness of the cooperation between the state and private businesses, business associations?"

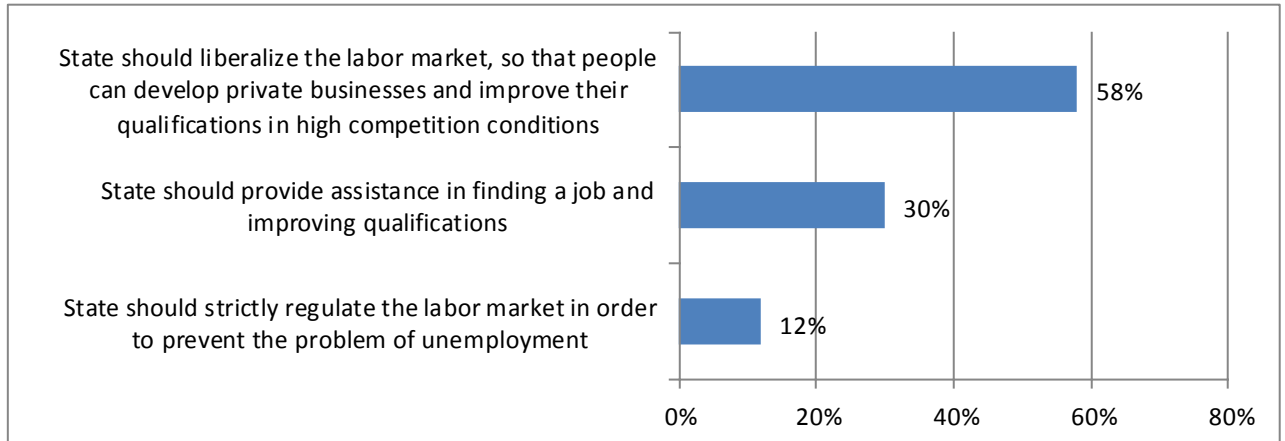
Diagram 9. What measures are needed to reform the economy?

Speaking specifically about the measures for reforming the labor market (see diagram 10), entrepreneurs pointed out the excessively high level of payments to the Social Security Fund (54%), employees' low qualifications (34%), their low motivation (32%), as well as restrictions on hiring and firing employees (24%).

Diagram 10. Which of the following characteristics of the labor market, in your opinion, have the greatest negative impact on the economic well-being of enterprises and business development in Belarus?

Speaking about the risk of growing unemployment during the crisis (see diagram 11), entrepreneurs insist on the liberalization of the labor market as the main mechanism that could guarantee employment for citizens after losing their jobs (58%). Much lesser numbers of entrepreneurs believe that employment rates should be sustained by direct state assistance or stringent regulations of the labor market (30% and 12% respectively).

Diagram 11. Attitudes towards the measures regulating unemployment⁴



⁴ Distribution of the answers to the question "Taking into consideration that structural reforms are highly likely to lead to higher unemployment rates, which of these state roles in solving unemployment problems do you consider as the most appropriate ones?"

Major conclusions:

- Entrepreneurs believe that conducting reforms in Belarus is **necessary**; however, their certainty about this point is declining. The share of those who believe that Belarus needs reforms fell from 74% to 56%.
- Entrepreneurs still consider economic reforms as the most important ones, both for business (68%) and for the entire country (44%). At the same time, when discussing the reform priorities of the entire country, entrepreneurs are now much more concerned about the need for reforming **state institutions**: the judicial (42% of entrepreneurs), political (52%), and state governance system (62%).
- As before, entrepreneurs are confident that major assistance should come from the EU (34%), Russia (28%), and international financial organizations (38%). However, according to entrepreneurs' views, the **government** and **independent research centers** should become those domestic actors who will be developing reforms (64%).
- In the midst of the economic crisis, entrepreneurs are experiencing a greater need for introducing changes in the labor market: repeal of short-term contracts (16%), liberalization of the hiring rules (52%), as well as the general liberalization of the **labor market** as a protection measure against unemployment (58%).