

**2014**  
**Annual Review of**  
**Labour Relations and Social Dialogue in South East Europe:**  
**Macedonia**  
**By Mare Anceva\***

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## **1. Summary**

There were extraordinary parliamentary elections in Macedonia in 2014 which did not change the balance of political powers. The governmental coalition remained the same, once again winning stable majority. However, the political crisis that culminated previous year continued, while the society is more and more polarizing with no signs that the

political dialogue can be restored and the problems could be approached in democratic and civilized manner.

The Government continued to exercise populist policies, increasing some social benefits in electoral year. The number of new foreign direct investments is growing and so is the number of new jobs created. However, those jobs can hardly qualify for 'decent' since they offer below minimum labor standards; hence the index of employed people living at at-risk-of poverty rate is growing. The unions are brought to 'thin ice' since the legal frame, which is composed to provide flex-security, in practice guarantee only flexibility for employer, but no security for employee.

The blurred line between the state and the parties (on power) influences many segments of the social life and functioning of the institutions. This was emphasized by the members of the Macedonian Academy of Science and Arts, who shared their concern that the country might not be on the right path out of the crisis, both economic and political. The academicians are not the only ones who disclose the malfunctioning of the institutions in the society and their suppression by the Government as one of the most serious problems. This problem is certainly not helping the progress of the country in EU integration process.

## **2. Socio-economic developments**

The economic recovery of the country after the crisis began in the second half of 2012, gained firmer ground in 2013 reaching annual growth of 2.2% and continued in 2014 with 3.5% and 4.3% growth in the first two quarters respectively, according to the estimated data of State Statistical Office. The growth was mostly driven by increases in wholesale and retail trade, transportation and financial services, and supported by household and final consumption. After a long period of contractions, industrial production has picked up significantly due to a strong recovery in manufacturing. However, the GDP per capita has not changed, remaining at about 35% of EU average.

In 2013 the current account deficit narrowed to 1.8% of the GDP as the trade balance somewhat improved, while the current transfers dropped. In the first half of 2014 the increase of the transfers was renewed, while the deficit in the foreign trade widened, however the current account deficit accounted for 1.4% and 1% of the GDP in first two quarters respectively.

The foreign direct investment inflows strengthened slightly in 2013, accounting for 3.5% of the GDP and remained at this level in the first half of 2014.

Gradual increase of the gross external debt was noticed. It was mainly result of increased governmental borrowing abroad and surge of foreign loans to public enterprises. The Government issued €500 million Eurobond in July 2014, further increasing the debt to 68% of the GDP according to the Central Bank data. According to the EC annual progress report, the main concern is that the foreign investment and governmental external borrowing will have to carry the burden of financing the current account deficit in terms of expected volatile transfer inflows, and it is likely that it will widen somewhat in short term, considering the substantial import needs for the public infrastructure projects and the establishment of the new foreign entities. Noticeable increase of export activities will be expected next year, when the new capacities will be fully operational.

In spite of enhanced job creation, particularly in the private sector (new foreign entities), labour market conditions improved only marginally bringing the unemployment rate to 28.2% in the second quarter of 2014 from an average of 29% in 2013. The un-

employment of youth is certainly worrying with a rate of over 50%, while four of five registered unemployed have been for a year or more. The employment rate in the second quarter of 2014 was 1.3% higher than a year before; however a large portion of new jobs were in low-productivity sectors, in informal economy and in agriculture as a result of public subsidies. The employment in the public sectors continues to grow (beyond the needs), while exact information on public sector employment has not been provided or published in years and it is just estimated that its share in total employment remains at about 20%.

The inflation rate modestly grew to 1.3% at annual level in 2013, while after stagnating in the first quarter of 2014, reached negative values in the second and third quarter of 2014 showing signs of deflation mainly due to declining prices for food, housing and utilities.

The average monthly wages in the three quarters of 2014 remained almost on the level of previous year with nominal increase of only 0.6%; however the same modest increase of the real wage index was noticed after four-year-period of decline. Although official statistics show closer amounts of wages in industry and services to the national average, an in-depth analysis shows that the average wages paid in manufacturing (private sectors) lack behind the average wages paid in most public sectors and national average for 25% and more.

The poverty rate remains very high although reduced for 0.6 percentage points to 26.2% of population at-risk-of-poverty. Unfortunately, the at-risk-of-poverty rate among employed population is growing in three consecutive years since statistic calculates Laeken poverty indicators and in 2012 it has reached index of 11.1%.

There is serious inequality of income distribution. Gini-coefficient has also been published in the last three years and its dynamics is: 40.9\* (2010); 38.5\* (2011) 38.8 (2012). (\*revised data, State Statistical Office)

### **3. Governmental policies and legislation**

In spring 2014 there were extraordinary parliamentary elections together with the presidential elections. After 2006, these were third in row extraordinary elections after which nothing changed in balance of power among political forces. The governmental coalition remained the same, only few ministers were changed or rotated their positions. However, the opposition decided to reject the won seats in the Parliament and to boycott the participation in work of the legislative body. They objected the election results because of shortcomings in the electoral code that does not provide free, fair and democratic elections. All this comes as continuation of still unresolved issues and unimplemented treaty reached in 2013 which was supposed to deal with the consequences of the events of December 24<sup>th</sup> 2012, when the opposition MP were thrown out of the Parliament in unconstitutional and illegal way. This way the political crisis is deepened, although the stable majority Government, and there is absence of any political dialogue.

Meanwhile the High Level Accession Dialogue (HLAD), which was supposed to provide an impetus to the process of reforms for EU integration in absence of determined date for opening negotiations, was practically abandoned. After the last EC Progress Report the candidate-country status was not withdrawn, however it is clear that the enlargement process is for the time being off the EC agenda, and on the other, hand the country is not progressing well enough in many areas, and in some there is deterioration.

In such political environment the Government exercised more populist policies. One of them was amending the Law on minimum wage and increasing its level for 10% in 2014 and additional 8.6% in 2015 and 5.4% in 2016. This way the net amount of the minimum wage from €131 in 2013 will gradually come to €164 in 2016. However, the increase of the minimum wage did not affect the level of wages in general and the country remains on the very bottom of the ranking by purchasing power of citizens in Europe.

In same manner the special law for financial support of the workers who lost their jobs at enterprises with dominant state ownership was amended and the scope of the beneficiaries was extended, while the amount the unemployed workers would receive until retirement was increased from €100 to €116.

In connection with the election cycles there were lot of job announcements for public positions. At the same time the number of public servants is still blurred, which is noticed in the Progress report too, while the reforms of public administration become much more issue of changes in legislation than real process.

The EC Progress Report discerns that the Government needed to work in a more integrated, coordinated and transparent manner. The lack of transparency, particularly in public money spending, is still present. After spending large portion of public budget for “beautification” of the capital with public buildings and monuments in the project “Skopje 2014”, the Government is now borrowing for infrastructural projects. In that sense, the size and scope of the public debt was subject to broad public debate, even more when through amending the legislation the definition of “public debt” was changed, which results with administrative change of the size of the debt and helps in justifying the governmental policies of further borrowing, since the country was very low indebted.

Fiscal discipline deteriorated which caused problems in planned effectuation of the budget spending. During the year the budget was re-balanced and other (deterrent) measures were undertaken in order to improve the fiscal discipline. However, impression is that economic policy and public expenditure management are driven by ad-hoc concerns rather than the long-term requirements of the economy, which are determined in more long-term programs brought by the (same) Government.

According to the EC Report, the labour market remained marked by structural rigidities, such as low labour force participation, lack of mobility of workers (geographical and sectoral), skill mismatch and slow reforms of training and education system, subdued innovation activities by companies and low labour productivity. There were attempts to tackle the labour market structural rigidity with more and broader active measures and policies, however with limited progress.

#### **4. Industrial relations**

Last period the number of people employed in the new-built industrial capacities rose substantially (according to unofficial sources over ten thousands). However, it is like unwritten rule that all new foreign investors employ for minimum wage and in short term contracts (one to three months). In environment of very high unemployment, where for one job announcement dozens of candidates apply biggest concern of every employee is to keep the job, regardless the unsatisfactory conditions. In such situation, fearing whether their contracts will be extended, the workers are reluctant to organize and be able to influence their job and social position. With more investors coming and more (hardly decent) jobs created, the overall labour standards in the country are at

risk to be undermined. The unions are under huge pressure: trying to organize in new companies (mostly in free economic zones) and to prevent undermining of labour standards (among other employers) in the country.

This autumn industrial union SIER is actualizing again the labour law's stipulation that allows short-term contracts for same job over 5 years period, launching initiative to amend the law and limit that period to maximum 2 years. They believe that this will help reducing precarious jobs and help organizing workers. Because, for the time being short term contracts are the biggest obstacle to utilizing freedom of association. The employers do not need to object organizing of workers openly; the workers are self-prevented in the concern that organizing will contribute to contract termination. Thus, the governmental policy for attracting foreign direct investments through offering law taxes and cheap labour is resulting in higher interest and more jobs creation on one hand, but also in undermining the labour standards, lowering the average wages and increasing the at-risk-of poverty rate among employees, as shown by last statistical data. Now the responsibility for improving such situation practically lies upon the unions, which put maximum efforts to organize the workers, however with little result so far. This is somewhat objective given the circumstances. Some civil organizations were trying to organize civil actions which could affect public opinion, however went almost unnoticed. Now industrial unions (particularly SIER) will not only intensify organizing activities, but try some joint actions with the civil organizations and ask for solidarity support from the international union organizations and unions in domicile countries of foreign investors.

During the summer the Trade Union of education, science and culture (SONK) delivered few social demands, including increase of salaries, and required negotiations with the resort ministries. Since there was option to go on strike, the government instead of opening dialogue, proposed amendments in the laws for elementary and secondary education introducing obstacles for strike for the teachers, counter to the Constitution and ratified ILO conventions. The laws were amended in express parliamentary procedure and entered into power before the announced strike would begin. According to the amended legislation, the striking teachers should be replaced by other teachers that are not in strike (or not even employed) during the strike, so that the pupils would not be left out of education process in that period. This situation triggered some public debates, SONK leaders were put under lot of (political) pressure and so were all members of SONK. Authorities used all possible means to discourage the union from going into strike. At the end, after establishing the dialogue, the strike was called-off; some time-frame was agreed for settling the disputes and fulfilling the demands. However the amended legislation remained on power and there is no information whether it is or will be opposed at the Constitutional court or complained at the ILO.

During 2014 social legislation was amended in few more segments besides the minimum wage and the social security of of the workers who lost their jobs at enterprises with dominant state ownership because of bankruptcy or redundancy. Amended Law on pension insurance gives employees the opportunity voluntarily to extend retirement age until 67. Amended Law on social contributions makes all temporary service contracts and royalty contracts that exceed the amount of minimum wage susceptible to payment of full amount of contributions as a gross salary from next year (so far the obligation is for personal tax only). The authorities are aware that there are many cases where instead of work-contract the temporary service contract is applied, thus increasing the level of undeclared work, evading payment of contributions and other labour rights. The Government itself (as employer) uses this pattern. Now, the law is amended in attempt to increase the payment of contributions and narrow huge deficits in the funds, but it is not related with undeclared work in the sanctions. Additional problem is

that through bylaws, when contractor, the Government is practically excluded from payment.

The unions did not object amendments to the Law on pension insurance, although there is awareness that this amendment might be first step towards general shift of the age for retirement. Regarding payment social contributions to service contracts, few unions signed special Chart demanding sanctions for abuse of service contracts instead of job contracts and relating the legal measures to undeclared work.

All those amendments were discussed in tripartite body, however, the amending of laws is most often done in summary proceedings; the period from proposal until adopting amendments is very short which practically disables broader debate or organized action by the stakeholders.

Industrial unions considered the increase of the minimum wage and amendments to the law for financial support of the workers who lost their jobs at enterprises with dominant state ownership as positive for the workers. With the mentioned law for financial support of the workers who lost their jobs at enterprises with dominant state ownership the social pressure was reduces somewhat, particularly because this law targets the workers in the last un-privatized companies, where the salaries are not paid for months back and they are deprived the health insurance. However, not all workers that are jobless because of redundancies, or their companies went bankrupt are covered by this law. Therefore, an association of so-called 'bankruptcy workers' was organizing several protests during the year, without getting any attention by the authorities.

During the year the Law on health and safety at work was amended after a campaign by the national confederation SSM, giving the union representatives in the companies more authorities in health and safety issues. As a result of similar campaign last year Law on mobbing was brought.

In 2014 renewed General Collective Agreement for the private sector entered into force (signed in December 2013). After long negotiations between SSM and ORM (see annex of data) all benefits for the workers were retained and the vacancy allowance was stipulated in minimum net amount of 40% of average net salary in the country. This amount can be increased in branch or single collective agreements. Stipulating the allowance brought very positive public reactions and is considered as "unions' victory". During 2014 few branch collective agreements were extended and/or amended, like in the energy and gas distribution, healthcare, tobacco industry, textile and garment industry, companies that employ disabled etc.

The discussion about possible merger of the two representative confederations in the country SSM and KSS has been interrupted for over a year now, after KSS entered a process of reorganization due to internal turmoil, which is not over.

Meanwhile, the government proceeded with proposals for other legislation that triggered other civil actions. Proposed amending of the law on higher (university) education was understood as disturbance of the so-called 'autonomy of the university'. Therefore, the students stood against it and went into big protest on the international students' day, which brought the government to step-back somewhat, yet not enough to make the proposals acceptable for students and university professors. New protests are expected on the subject.

## 5. Tripartite social dialogue

Tripartite social dialogue was functioning well from the administrative point of view: Economic-Social Council met regularly and decisions were brought in real dialogue manner. It is worth to mention that the unions' and employers' representatives were in most cases on same side.

However, there is feeling that the dialogue is practically working on administrative basis only, i.e. the ESC meets only to discuss amendments of existing or newly proposed legislation. There is no other initiative of the social partners to discuss issues aside amendments of the social legislation; that would give more substance and meaning of the dialogue itself.

The tripartite social dialogue went into decentralization process, with establishment of few tripartite bodies at regional and local level. However, those bodies have not found their real role and place in the local community; hence their establishment have not contributed to popularization of the tripartite dialogue as useful tool yet.

## 6. Forecasts

According to the European Economic Forecast, the economic recovery of the country will continue to progress, driven by further strengthening of domestic demand, public and foreign direct investment and dynamic export activities. However, given limited efforts in fiscal consolidation on one hand and large financial need of public infrastructure projects on the other, public debt is likely to increase further.

The unions will put pressure for changes in the labour law, for which initiative is launched, in order to narrow the possibilities for precarious work, as mentioned.

The efforts for organizing workers in free economic zones will continue and intensify, given the fact that after first satisfaction of getting job, disappointment follows because the wages are on minimum level and other labour rights are not respected. With growth of the demand for labour force the awareness for the need to organize will grow, however the unions have to increase their operational activities and utilize this opportunity too. There are plans for broadening the activities with involvement of more stakeholders, like civil organizations, international union organizations etc.

## **Annex of data**

- **Collective bargaining system**

The collective bargaining system continued as once designed before the end of the former joint state (Yugoslavia) in the last federal labour act. It has been part of each labour law brought since then (1994 and 2005).

The existing Law on Labour Relations stipulates three levels of collective bargaining: national (for the private and public sector, respectively); sectoral (branch) and single (for single employer). The national collective agreements are signed by representative confederations of unions and employers associations (for the private sector) and by representative confederations of unions and the Minister of Labour (for the public sector). The sectoral (branch) collective agreements are signed by adequate and representative unions and employers organizations. The single collective agreements are signed between the (representative) union organization in the company and the employer.

According to the law, all levels of collective agreements are independent. However, since the unions negotiate them at all levels, it is generally accepted and implemented that each next level can stipulate only broader rights than the previous. This means that the single collective agreement usually stipulates the broadest rights for the workers.

At the moment, in Macedonia the General Collective Agreement for the private sector is on power, as well as few branch collective agreements and more single collective agreements. However, since by law the general agreements are mandatory and are applied directly to all employers, both in the private and public sector, the coverage of employees appears to be 100%.

- **System of tripartite social dialogue**

The system of tripartite social dialogue is administered through the Economic Social Council - ESC, which is a consultative body, established on the basis of agreement and composed of representatives of the social partners. The current ESC was established in September 2010 and now consists of 4 representatives of each social partner: unions (two from each of the SSM and KSS), ORM (the only representative employers' association) and the Government (represented by the ministries of labour, economy, finances and the vice-prime minister). The body is governed by the Minister of Labour (no rotation in governing).

In the past the tripartite social dialogue did not produce any tangible results; one could say the ESC existed in name only. It seemed that the real chance was given to it with the last Agreement in September 2010. The ESC has met regularly during the last three years and proved that the three social partners *can* develop dialogue and reach mutually acceptable solutions. However, there remain cases of changes required in labour and social legislation (and other relevant issues from the ESC's domain) which are not discussed which is problem particularly because the Agreement contains issues for which reconciliation at the ESC is obligatory. The weakness of the ESC perhaps centres in the privileged position of the Minister of Labour who chairs and manages the work of the council, and hence decides what issues are on the agenda.

- **Social security systems**

According to the Constitution, Macedonia is declared as a social country. Social security covers:

- employees, that pay insurance contributions;
- retired persons;
- children, whose parents are covered by insurance (until the age of 26);
- Unemployed persons that actively seek for job; etc.

Generally, only people with unsolved civil status are practically outside the system of social security.

However, the number of persons registered as insured (according to the budget) is not compatible with the statistics into the number of people employed (employment survey). The number of insured persons that regularly pay insurance is 76% of the employed population, or 54% of the active population.

Table: labour force covered by insurance (December 2013)

| active population | no. of employees<br>(labour force survey) | no. of insured<br>persons |
|-------------------|---|---------------------------|
| 960,704           | 685,479                                   | 526,009                   |
| 100%              | 71.35%                                    | 54.75%                    |

Source: State Statistical Office; State Pension Fund

There are no official statistics of grey economy, but it is estimated by some experts that it has dropped below 30% of GDP; figures which are somewhat in consistency with the number of persons which consider themselves employed, but are not covered by insurance (24%).

The contributions from the gross wage are at the moment 27% (a decrease from 32% in 2008). According to the Law on contributions from mandatory social insurance, the employee is the only entity obliged to pay the contributions –obligee (for all contributions from gross wages, there is no distribution between the employer and employee), while the employer is obliged to calculate and pay the contributions on the employee's behalf. There is a minimum threshold for calculation of contributions at a level of 50% of average gross wage in the country. The maximum threshold for payment of contributions is six average wages; for amounts above that only personal tax is required. The personal tax is a flat rate, at 10% of net salary. Tax exoneration is calculated at the flat sum of four average net wages in the country (for all employees regardless the level of income).

- **Health**

The health insurance rate is 8% from the gross wage and is in process of being reduced until it reaches 7%. Chip health insurance cards were issued this year. The health insurance system is based on solidarity, but it works only for those insurants who pay the fee regularly. The delaying of wages, which is caused by problems on the employer's side, makes the insurants victims of the situation. The insurance payments are checked when asking for health services, and if it's not paid, the insurants have no access to free health service. According to statistics, 3-4% of employers do not pay wages on time; hence their employees have problems with their health security. The health system has been in constant reform for years. The insurance sums do not cover the expenditures of the Fund and the deficit has risen more than 30 times in the last 5-6 years.

- **Pensions**

The pension insurance system relies on 3 pillars:

- state obligatory fund
- private obligatory fund
- private voluntary fund.

The insurance rate is (at the moment) 18% of the gross wage (and will be reduced to 17%), which is divided between private and state obligatory funds: 33% in the private and 67% in the state fund. The required age for retirement is 64/62 (men/women), and the ultimate age is 65. However, the changes in the legislation (July 2014) allows the employee (man) to continue to work until 67. The years of service are important for the level of pension: the full amount is paid if 40/35 years of service (men/women) are completed; if less, the pension is reduced proportionally. The Law on Pension and Insurance in Case of Disability regulates family and disability pension rights. At the moment the ratio is 1.8 (insured) employees to 1 retired person. The average pension is around 200 €, while the maximum ceiling is settled at 2.4 times the average month wage.

- **Education and vocational training**

Table: Structure of labour force by education, second quarter of 2014

|   | % of labour force | % in unemployed population |
|---|-------------------|----------------------------|
| no education, incomplete primary school and lower secondary education | 24.7%             | 28.8%                      |
| 3 years secondary education   | 8.2%              | 7.5%                       |
| 4 years secondary education   | 46.0%             | 45.6%                      |
| higher (industrial college) level education                           | 2.6%              | 1.6%                       |
| academic university level education                                   | 18.4%             | 16.0%                      |

Source: State statistical office

The table shows the situation regarding the existing education structure of the labour force and unemployed population.

Life-long learning is mentioned in long-term strategies for employment and the education system is under constant upgrade; universities have started dispersed studies all over the country; secondary education is now mandatory, etc. However, the interest for education in industrial jobs is decreasing year after year and the interest for education in non-industrial jobs is rising (particularly for medical, economic or judicial education). This has a prolonged negative impact in terms of further increasing (instead of decreasing) the needs for re-qualification and inability to get suitable job. On the other hand, industry needs a skilled (young) workforce that is not available in the current labour market; hence, the structural nature of unemployment and the country's inability to cope with such high unemployment rate. Active labour market policies count measures for re-qualification and education too. According to the annual reports of the National Agency for Employment, there are funds allocated for those purposes, but sometimes remain unused because of lack of interest. At the same time, the employers complain that required skills are unavailable, while all reforms of the system of education so far are just formal, not essential.

- **Employment rate**

Table: Dynamics of Employment rate

|                   | 2009    | 2010    | 2011    | 2012    | 2013    | 2014*   |
|-------------------|---------|---------|---------|---------|---------|---------|
| active population | 928,775 | 923,323 | 936,256 | 943,055 | 956,057 | 957,790 |
| employed          | 629,901 | 627,129 | 645,085 | 650,554 | 685,480 | 687,465 |
| activity rate     | 56.7    | 56.9    | 56.8    | 56.5    | 57.2    | 57.3    |
| employment rate   | 38.4    | 38.7    | 38.9    | 39.0    | 40.6    | 41.1    |

Source: State Statistical Office

\* Last published data: second quarter of 2014

Employed by economic status

|       | employed total | %   | employee | %  | employer | % | self-employed | %  | Unpaid family worker | %  |
|-------|----------------|-----|----------|----|----------|---|---------------|----|----------------------|----|
| 2009  | 629,901        | 100 | 453,031  | 72 | 32,469   | 5 | 80,053        | 13 | 64,349               | 10 |
| 2010  | 637,855        | 100 | 462,445  | 72 | 33,394   | 5 | 85,068        | 13 | 56,948               | 9  |
| 2011  | 642,809        | 100 | 454,428  | 71 | 42,227   | 7 | 81,118        | 13 | 65,036               | 10 |
| 2012  | 650,554        | 100 | 462,991  | 71 | 29,529   | 4 | 101,136       | 16 | 54,545               | 8  |
| 2013  | 685,480        | 100 | 495,451  | 72 | 30,157   | 4 | 97,460        | 15 | 62,412               | 9  |
| 2014* | 687,465        | 100 | 500,254  | 73 | 31,692   | 4 | 101,078       | 15 | 54,441               | 8  |

Source: State Statistical Office

\* Last published data: second quarter of 2014

- **Unemployment rate**

|                   | 2009    | 2010    | 2011    | 2012    | 2013    | 2014*   |
|-------------------|---------|---------|---------|---------|---------|---------|
| Labour force      | 928,775 | 938,294 | 936,256 | 943,055 | 960,704 | 957,790 |
| unemployed        | 298,873 | 300,439 | 293,448 | 292,502 | 275,225 | 687,465 |
| unemployment rate | 32,2    | 32,0    | 31,4    | 31,0    | 28,6    | 28,2    |

Source: State Statistical Office

\* Last published data: second quarter of 2013

The unemployment rate is very high and the labour market is non-functional; the long-term high rate of unemployment, particularly for young people (over 52%), as well as the low activity of women in the workforce are structural problems that need to be addressed in strategic way. There is an inappropriate education and skill structure and incompatibility of the education system with the needs of the labour market.

- **Average monthly salaries**

Monthly average gross wage by section of activity in €\*\*

|               | 2009 | 2010 | 2011 | 2012 | 2013 | 2014* |
|---------------|------|------|------|------|------|-------|
| ∅ total       | 488  | 503  | 498  | 501  | 506  | 506   |
| ∅ agriculture | 315  | 353  | 348  | 366  | 362  | 367   |
| ∅ industry    | 473  | 499  | 518  | 521  | 537  | 545   |
| ∅ services    | 539  | 544  | 563  | 555  | 564  | 572   |

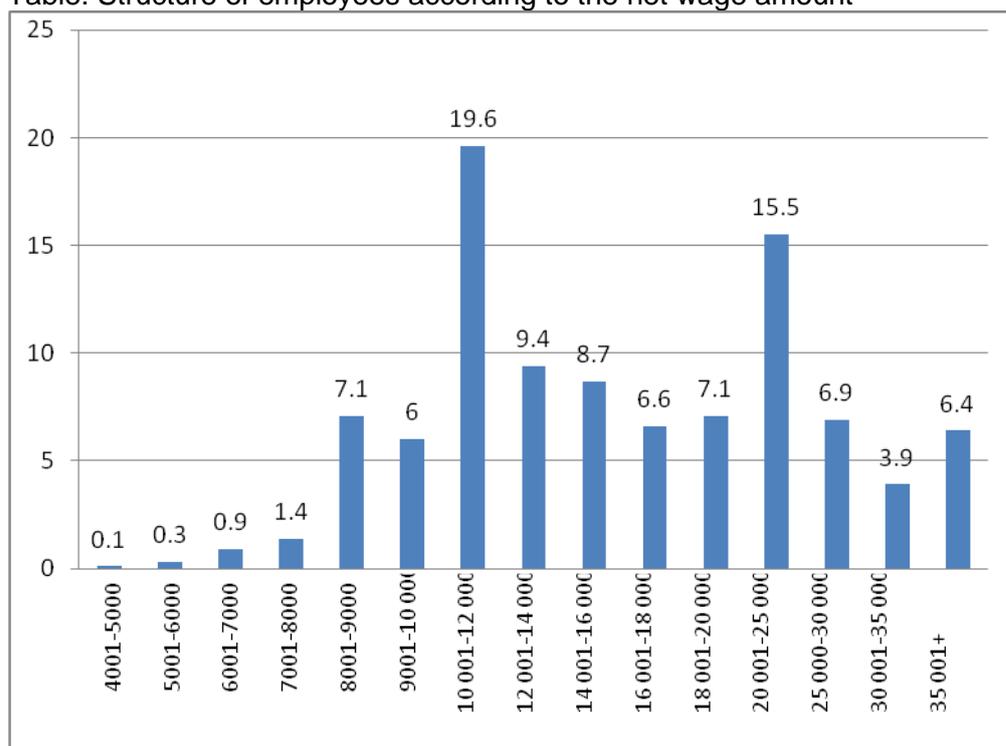
Source: State Statistical Office

\* Last published data average wages I-IX/2014; State Statistical Office

\*\* Own calculations in €, by middle exchange rate

Nominal wages increased 0.6% for the first 9 months of 2014; the real wages increased 0.8%.

Table: Structure of employees according to the net wage amount



Source: State Statistical Office

The chart shows the structure of employees according to the net wages. Two peaks are noticeable in the above chart. The highest peak shows that most numerous are workers with net wages between 164 and 197 euro (10,000-12,000 denars). Most industrial and construction workers come in this area. The second peak shows the wages around and just above the average (between 328 and 410 euro; 20,000-25,000 denars), where are located most public administration workers. Overall the table proves that 70% of employees earn lower than the average wage, which is fairly low in itself. Therefore, substantial part of employees is at or near the at-risk-of-poverty threshold.

#### • Gender pay gap

There is gender pay gap, which is officially confirmed by the State Statistical Office. The situation is best illustrated by examining the structure of earnings by occupation and by regions, (given in national currency).

The first table shows that the gender pay gap varies from +2% (women better paid than men) to -34%.

Structure of earnings per hour by occupation and gender

|  | total | men | women | Difference |
|--|-------|-----|-------|------------|
| managers   | 342   | 350 | 330   | - 6%       |
| professionals                                      | 241   | 252 | 232   | - 8%       |
| technicians  | 190   | 201 | 177   | - 12%      |
| clerical support workers                           | 171   | 170 | 173   | + 2%       |
| service and sales workers                          | 134   | 145 | 119   | - 18%      |
| skilled agricultural, forestry and fishery workers | 123   | 123 | 124   | + 0%       |
| craft and trade workers                            | 115   | 128 | 90    | - 30%      |
| plant and machine operators                        | 120   | 138 | 91    | - 34%      |
| elementary occupations                             | 113   | 117 | 108   | - 8%       |

Source: State Statistical Office

The second table shows that in all regions earnings are worse compared to Skopje (capital) region, while the gender pay gap is noticeable in all regions with some variations.

#### Structure of earnings per hour by regions and gender

| regions          | total | men | women | %*    | %*    | %*    |
|------------------|-------|-----|-------|-------|-------|-------|
| Vardar Region    | 139   | 140 | 138   | 76.4  | 74.5  | 78.4  |
| East Region      | 130   | 140 | 122   | 71.4  | 74.5  | 69.3  |
| Southwest Region | 149   | 150 | 149   | 81.9  | 79.8  | 84.6  |
| Southeast Region | 136   | 140 | 131   | 74.7  | 74.5  | 74.4  |
| Pelagonia Region | 151   | 154 | 148   | 83.0  | 81.9  | 84.1  |
| Polog Region     | 168   | 174 | 158   | 92.3  | 92.5  | 89.8  |
| Northeast region | 148   | 149 | 148   | 81.3  | 79.2  | 84.1  |
| Skopje Region    | 216   | 221 | 211   | 118.7 | 117.5 | 119.9 |
| Country average  | 182   | 188 | 176   | 100   | 100   | 100   |

Source: State Statistical Office

\* % of Country average = 100%

- **Monthly minimum salary**

The Law on Minimum Salary was brought in January 2012. The minimum salary was established as a % of the average wage in the country (39.6%, contrary to the OECD recommendations). In February the law was amended and the minimum salary is now given in fixed amount for 2014 (€200), 2015 (€220), and 2016 (€232). At the same time, the minimum threshold for payment of contributions remains on power. The threshold was established few years ago at an amount of 50% of the average salary, and at the moment is €252. Therefore, in the case of a lower salary than 252 € (gross amount) additional payment has to be made only in the contributions (not in the net amount). For the time being, the additional payment goes on the account of the employer, although the employee is obligated for the contributions. This way the lowest salaries pay effectively higher percentage in contributions than proscribed by law; example: average gross salary pays contributions and tax in amount of 31.9%, while the minimum salary pays contributions and tax in amount of 34.2%.

Unions demanded that the minimum salary is established at the same amount as the threshold for contributions to the salary (252€ in gross amount), but the employers strongly objected claiming that it would lead to job cuts and closure of businesses.

- **Actual weekly working hours**

Actual weekly working hours are 37.5. The ½ hour daily break is considered as part of the working hours of 40 hours per week. Collective agreements have no different stipulations. The legal possibility for shorter working hours on more (physically) demanding and risky jobs is not used in practice. Over-time is legally limited to a maximum of 8 hours per week and 190 hours per year. Having more than 150 over-time hours in the year (and not being on sick-leave more than 21 days), the worker is entitled to a bonus in the amount of one average month's state salary. In spite of all limitations, actual over-time work is much longer than limited by law.

- **Normal work /atypical work**

| year | number of contracts | %   | normal contracts | %           | atypical contracts | %           |
|------|---------------------|-----|------------------|-------------|--------------------|-------------|
| 2008 | 210,010             | 100 | 89,039           | <b>42.4</b> | 120,971            | <b>57.6</b> |
| 2009 | 245,314             | 100 | 101,292          | <b>41.3</b> | 144,022            | <b>58.7</b> |

|      |         |     |        |             |         |             |
|------|---------|-----|--------|-------------|---------|-------------|
| 2010 | 232,499 | 100 | 87,872 | <b>37.8</b> | 144,627 | <b>62.2</b> |
| 2011 | 225,347 | 100 | 86,085 | <b>38.2</b> | 139,262 | <b>61.8</b> |
| 2012 | 194,951 | 100 | 85,529 | <b>43.9</b> | 109,422 | <b>56.1</b> |
| 2013 | 167,575 | 100 | 77,291 | <b>46.1</b> | 90,284  | <b>53.9</b> |

Source: Agency of Employment, annual reports

Atypical work is most often takes the form of short-term employment contracts (from one month duration and upwards), regardless whether it is for normal or seasonal work. The Law on Labour relations allows the keeping of short term-contracts for the same or similar positions for up to five years, when transformation into a normal contract is obligatory.

Employment through agencies for temporary employment is not prevailing, and the global crisis has taken its toll in reducing agency work too. The total number of contracts concluded and the number of licensed agencies is given in the table:

| year  | Number of contracts | Number of agencies |
|-------|---------------------|--------------------|
| 2008  | 70,608              | 21                 |
| 2009  | 93,303              | 24                 |
| 2010  | 106,620             | 29                 |
| 2011  | 77,741              | 29                 |
| 2012  | 81,332              | 28                 |
| 2013* | 62,617              | 18                 |

Source: Association of Agencies for Temporary Employment

- 10 months of 2013

#### • Migration

Only external (from Macedonia to other countries) migration is observed. The number of persons that emigrated is as follows:

| Year                | 2006 | 2007 | 2008 | 2009 | 2010 | 2011  | 2012 | 2013 |
|---------------------|------|------|------|------|------|-------|------|------|
| Number of emigrants | 1073 | 224  | 740  | 769  | 923  | 1,143 | 1330 | 945  |

Source: State statistical office

According to official statistics, the migration to other countries is not a social problem since in 2013 total of only 945 persons emigrated from Macedonia. By qualifications, there were:

- 20 with no education
- 177 with uncompleted primary or primary school education
- 325 with secondary school education
- 30 with higher education
- 90 with university degree education
- 16 with master degree
- 1 with phd degree
- 286 with unknown education

However, official statistics are one thing; real life apparently is something else. According to WB and IMF statistics, in the last 10 years nearly 430.000 persons left the country. Without the population census it is hard to check the validity of this figure. Unofficially, the brain-drain is severely in progress, particularly among young and highly educated population who leaves the country for better perspectives abroad.

- **Collective agreement coverage**

With amending the Labour Law in November 2009, general collective agreements became mandatory for all employers in private and in public sectors. Therefore, by power of the law the coverage became universal. Therefore, the coverage at the moment is:

- Public sector 100%
- Private sector 100%

However, the GCA for the public sector is not yet concluded and there is no full control procedure to enforce the collective agreements, particularly in unorganized companies.

- **Ongoing important collective bargaining agreements**

After the Law on labour relations was amended and national collective agreements became mandatory for all employers, the national collective agreement was re-signed for the private sector in June 2010 and extended again in 2012. At the end of 2013 it was amended and signed, with effective coming on power since 01.01.2014. Minimum vacancy allowance was agreed and all other stipulations were confirmed. The GCA for the public sector has been prepared, but not finalized yet.

Few important branch collective agreements were amended or extended for; agriculture; the food industry and tobacco industries, health and social protection, and for employees in the Ministry of internal affairs (police) and leather and shoemakers. For the metal industry, there is still no organization of employers registered. The union has been putting pressure and organising activities in an attempt to accelerate formal registration of such organization, but without success so far. Therefore, single collective agreements are signed (with each employer separately). There are sectors where representative organization of employers exists, but CAs are not signed because of the impossibility to come to commonly acceptable solutions, (e.g. in Construction). Usually, the employers are in such different conditions than is required of them that it is not possible for them to meet the optimal stipulations. On the other hand, it is not the best solution to minimize the stipulations to a level that the even conditions can be accepted. Therefore, the unions would not accept signing *any* CA, but the one that meets with some normal criteria and values.

- **Trade union density**

There is decline in union membership, the new certificates for representativeness show. Although, according to the law, the Comity for examining representativity takes in account only the members who pay the fee out of their salaries, thus excluding the members who pay from own their own accounts or are exonerated out different reasons (mainly because they don't earn a regular wage). Also, this way is impossible to keep as members people who lose their jobs, or retire. Overall, it means that the unions count more members than taken into account when establishing representativeness. However, officially the situation is as follows:

- The confederations have not submitted data yet for the situation in public and private sector.

Or by separate sectors:

- Agriculture, tobacco and food industry 22%
- construction 17%
- education and science 62%

|                                       |     |
|---------------------------------------|-----|
| ○ mining, metal and electro industry  | 35% |
| ○ water supply and garbage disposal   | 72% |
| ○ police forces union                 | 63% |
| ○ health and social care              | 24% |
| ○ public administration and judiciary | 60% |
| ○ forestry and wood industry          | 49% |

Mainly, in the private sector more bankruptcies of companies in the period 2009-2012 occurred, as well as redundancies thus weakening the main unions organized in the private sector. All new employers are offering only short-term contracts and it is very difficult to organize those workers.

- **Employer's organizations density**

The Organization of Employers of Macedonia-ORM has proved representativeness again with membership of employers that engage 18% of the employees (according to the labour law, the representativeness is counted only on basis of number of employees; the information on employers-members of ORM is not publicly disclosed).

There is also the Confederation of Employers of Macedonia, which has not applied for establishing representativeness; hence, there is no data on density regarding this organization. This is the organization where mostly micro and small companies are members.

- **Workplace representation**

There was no change in the workplace representation situation during the observed period. Although expected, no changes in the legislation were made in that direction. Therefore, the workplace representation is covered by trade unions. If there is a local union organization organized at the employer's site, the board of shop-stewards (elected by the members) is responsible to observe the implementation of laws and collective agreements, to react in case of violations and/or non-implementation of the legislation (regulation) etc. However, the trade union reacts only on behalf of the members (not of employees). The employer will address the trade union for issues that require information and consultation. In case there is no local union organization at the employer's (which is most typical for many small private employers) than there is practically no workplace representation at all. This is the situation so far. The demands of the unions go in direction of legal changes that would provide a system of co-determination.

- **Trade unions**

- **National Trade Union Confederations:**
- 
- 1. Sojuz na sindikati na Makedonija - SSM; Trade Union Federation of Macedonia (figure of members to be disclosed), affiliated to ITUC and ETUC in 2013; 18 branch unions.
- 2. Konfederacija na slobodni sindikati na Makedonija - KSS; Confederation of Free Trade Unions of Macedonia (figure of members to be disclosed), application for membership in international associations; 10 branch unions; affiliated to ETUC.
- 3. Unija na avtonomni sindikati na Makedonija - UNASM; Alliance of Autonomous Trade Unions of Macedonia; no data for membership; 5 branch organizations; member of ITUC.

4. Konfederacija na sindikalni organizacii na Makedonija - KOSOM Confederation of Trade Union Organizations of Macedonia; no data for membership; 2 branch unions; no data for international membership.

#### **Trade Union Federations by branches:**

1. Sindikat na industrija, energetika i rudarstvo na Makedonija - SIER; Trade Union of Industry, Energy and Mining of Macedonia, 8.500 members; member of IndustriAll-global and IndustriAll-EU.
2. Sindikat na rabotnicite od agroindustrijskiot kompleks na R.M. - Agro Sindikat; Trade Union of the workers from the Agricultural, Water, Tobacco and Food-Processing Complex of the Republic of Macedonia; (SSM) 6,500 members; member of IUF/EFFAT;
3. Sindikat za gradeznistvo, industrija i proektiranje na RM - SGIP; (SSM) Trade Union of civil engineering, industry and planning of Macedonia, 6,000 members, member of BWI and IndustriAll-global;
4. Sindikat za obrazovanie, nauka i kultura na Makedonija- SONK, Trade Union of Education, Science and Culture of Macedonia; (KSS) 26,000 (figure from 2014) members; member of EI;
5. Samostoen sindikat za zdravstvo, farmacija i socijalna zaštita na RM; Autonomous Trade Union of Health care, Pharmaceuticals and Social Work; (SSM) 10,000 members; member of EPSU/PSI.
6. Makedonski policiski sindikat - MPS; Macedonian Trade Union of Police Force (SSM); 12,000 members; member of PSI.
7. Sindikat na vrabotenite vo uprava, pravosudstvo i zdruzenija na gradjani - UPOZ; Trade Union of employees in Administration, Judiciary and Civil Associations (SSM); 6,500 members; member of PSI/EPSU.

#### **• Employer's Organisations**

1. Organizacija na rabotodavači na Makedonija - ORM; Employers' Organization of Macedonia; members: employers that employ (figure of members to be disclosed) workers, member of SEEEF;
2. Konfederacija na rabotodavači na Makedonija - KERM; Confederation of Employers of RM; no data for membership (collective, like National Federation of Agencies for Temporary Employment, and individual); member of few European and SEE employers' associations (no data which).