

2016

# Annual Review of Labour Relations and Social Dialogue Macedonia

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- The political crisis that dominated 2015 continued into this year, marking all spheres of life in the country. The new elections were postponed until 11 December 2016, thus allowing the consequences of the crisis to especially affect political, economic and social life.
- The year was characteristic by the “wake-up” of civil society, organizing through social networks and protesting for democracy, justice and rule of law.
- On the other hand, there were counter-protests by supporters of the government, thus showing the deep polarization of the country’s society where (according to the latest EU Progress Report) the institutions like judicial bodies, regulatory agencies and media outlets are captured by the governing political parties. The inhibited, divisive political culture and a lack of capacity for compromise were stirred up by the governing political party, until after ten years in power the narrow party interests prevailed over the interests of the country and its citizens.
- The elections were postponed twice during the year, the opposition parties repeated the boycott of parliamentary work and the president of the country issued an abolition act for 56 persons most likely to be prosecuted for crimes involving wiretapped conversations, which caused an explosion of civil dissatisfaction. Finally, the 2015 political “Przino Agreement” was reconfirmed and the elections became viable for 11 December.
- Thus, another year in terms of making progress towards European integration was “lost” in domestic quarrels and disputes, resulting in slowed growth and alienation rather than approximation to EU values and standards.



## Content

- Socio-economic developments
- State policies and legislation
- Industrial relations
- Tripartite social dialogue
- Forecasts

Annex - Information about:

- Collective bargaining, social dialogue, social security, education & vocational training, employment, wages
- Trade unions and employer organizations

## 1. SOCIO-ECONOMIC DEVELOPMENTS

After accelerating to 3.7 per cent in 2015, driven by domestic consumption and net exports, GDP growth slowed down in 2016 in the context of the political crisis. The Central Bank revised the projection for 4 per cent growth after the first quarter to 2.3 per cent. Results of the first three quarters are proving the accuracy of this projection.

Foreign Direct Investment (FDI) has been somewhat resilient in total amount, remaining on the same level during 2014-2015 of around €200 million annually, slowing down more in the second quarter of this year. However, according to the EU Progress Report, the foreign direct investment inflows dropped to 1.9 per cent of GDP in 2015, compared to an average 2.7 per cent in the preceding five years as companies adjusted to new tax legislation and the political crisis lingered on. The investments in the technological-development-zones have contributed to increase the overall level of exports, but the net effect is negative. However, the composition of new FDI shows shifting from equity to debt financing, thus becoming more volatile and less conducive to structural change in the economy.

The current account balance deficit as a percentage of GDP, after contracting in 2013 and 2014 to -1.6 and -0.5 respectively, has increased again in 2015 (-2.1) and continued in same manner in the first half of 2016. The trade balance, however, has remained resilient during last three years at the level of around €1.7 billion. The trade deficit has been historically covered by private transfer inflows, which significantly alleviate external imbalances.

The public budget was in deficit at 3.5 per cent in 2015 and hardly coping with the projected deficit of 3.6 per cent in 2016, after two reviews during the year (the second caused by the extraordinary situation caused by the massive floods in Skopje in August). Public debt has exceeded the level of 50 per cent of GDP in 2016, practically doubling its value in a four-year period of time, while the gross external debt has reached 70 per cent of GDP.

The inflation rate has been negative as the country has been in a zone of deflation since 2014 (average rate on a cumulative basis of -0.3 per cent); the same rate was recorded in 2015 and the trend continued in the three quarters of 2016.

Wages in the first nine months of 2016 compared to the same period in the previous year have risen by 2 per cent nominally (2.3 per cent real growth due to the negative inflation rate). The minimum net wage was agreed at MKD 10,080 (€164), while the average net wage amounted to MKD 22,200 (€362). The average gross wage amounted to MKD 32,600 (€530). However, the number of persons who earn less than the average is increasing and 13.5 per cent of employees earn even less than the minimum wage. These are not only textile and apparel workers, for whom the minimum wage is still lower than the national due to a period of adjustment until 2018. Unfortunately, most employees in new green-field and brown-field investment companies in technological industrial development zones (TIDZ) earn between MKD 12,000 and 15,000 (between €200 and €250). Thus, with more jobs created in TIDZ, the average wage paid in the country is likely to stagnate and even regress.

The unemployment rate continued to decline, reaching 26.1 per cent at the end of 2015 and 24 per cent after the second quarter of 2016. However, the activity rate has slightly declined in the same period (according to the State Statistical Office by 0.5 percentage points, and according to the World Bank SEE Regular Economic Report by 1.8 percentage points) practically helping the declining of unemployment rate. The unemployment of youth remains around 50 per cent; it is double that of the working age population, which among other factors has implications for future income generations. The emigration of young and educated population is continuing to grow.

With the poverty threshold defined at 60 per cent of median equivalent income, the at-risk-of-poverty rate in 2015 was 21.5 per cent. Analysed by household types, this rate among households of two adults with two dependent children was 22.8 per cent; for employed persons it was 9.0 per cent and for



pensioners it was 7.2 per cent. The Gini coefficient dropped to 33.8 from 37.0 in 2013.

According to Eurostat the average per-capita income (purchasing power standards) amounted to 41 per cent of the EU-28 average in 2015.

## 2. STATE POLICIES

The European Commission Progress Report notices that in 2016 serious challenges for the democratic governance of the country continued, raising concerns about state capture of institutions and key sectors of the society. Independent regulatory, supervisory and advisory bodies have not been able to carry out their functions proactively, effectively and free from political pressure, which led to limited oversight of the executive.

In accordance with the political “Przino Agreement” the prime minister resigned at the end of January and a care-taker government took over in order to provide basic preconditions for credible elections in such a “captured state”. The extraordinary elections, according to the Agreement, were supposed to be in April; however they had to be postponed until 11 December 11, while the Przino Agreement had to be reconfirmed once more by the signatories in July.

Meanwhile, most of the state policies were directed to coping with the political crisis and meeting the minimum preconditions for credible elections. The Recommendations of the Senior Experts Group on systemic Rule of Law issues relating to the communication interception revealed in Spring 2015 (known as the “Priebe Report” by the leader of the group of senior experts) as well as the requirements of the Economic Reform Programme (ERP) were somewhat put in the background.

Macroeconomic stability was preserved by measures of the Central Bank (CB) to defend price stability and the currency peg. Monetary policy has been eased for several years, motivated by broader-based economic growth. However, the ample liquidity in the financial sector and strong household credit growth has led to restrictive measures since mid-2015. In response to speculation-driven pressure on banks’ deposits and amid continuing subdued price pressure, the CB raised the

key interest rate from 3.25 per cent to 4 per cent.

On the other hand, fiscal consolidation failed with the inability of the government to indicate concrete measures to underpin it. The authorities are planning an expenditure-based reduction in the general government deficit from 3.6 per cent of GDP in 2015 to 2.6 per cent in 2018, relying on optimistic assumptions of economic growth rather than specific savings. The deficit in the state pension fund is continuing to rise and the policy of ad-hoc increases of pensions, social transfers and public wages is continuing, despite the slowing pace of GDP growth and the speeding up of indebtedness.

This year there were revenue shortfalls again due to over-optimistic growth assumptions and underperforming revenue collections, as well as spending pressures, requiring adoption of supplementary budget in June 2016 and another one, with a higher deficit target in August after the big flood in Skopje. The revenues have been overestimated by an average of 6 per cent in the last five years. On average, since 2009 until 2015, 62 per cent of the total expenditure has been devoted to transfers (especially pensions), while only 84 per cent of budgeted capital expenditures have been implemented. Of course, this situation, generally driven by governmental populist policies, has contributed substantially to the rapid increase of public debt.

Such policies were also noticeable in the labour-market measures. The government is officially committed to promoting growth and employment by market-based economic policies, relying on main policy pillars such as: support to private sector competitiveness, public infrastructure development and export promotion. However, in practice, employment was boosted by large-scale government programmes as well as active labour-market measures rather than by job creation in private domestic companies.

Further, the undisclosed and large-scale benefits offered to foreign investors in technological industrial development zones, part of which is state participation in gross wages of employees through covering the personal taxes and contributions, have prolonged the negative impact to the budget and the situation of social funds.



### 3. INDUSTRIAL RELATIONS

The year was mainly marked by intense and plentiful civil society activities, huge public protests and interesting modes of expressing dissatisfaction through the so-called “colourful revolution”. The industrial relation issues were again put on the back side, although a few important moments need to be emphasised.

First of all, the leaderships of the two representative trade union federations, the Federation of Trade Unions of Macedonia (SSM) and the Confederation of Free Trade Unions of Macedonia (KSS), through their public appearances and communications, supported the governmental policies and abstained from any political, civil or social activity demanding democratic resolution of the political and social crisis in the country.

Arguing that SSM had not been conducting union policies according to the statute and programme, four trade unions signed a special Treaty for Joint Activities and Understanding. The trade unions of Industry, Energy and Mining (SIER); of Public Administration (UPOZ); of Workers in Catering, Tourism, Communal and Housing Economy (SUTKOZ) and of Defence Employees (SOB) decided to draw a line and state their dissatisfaction with the situation in SSM. In the public communication they stated that it is an attempt to bring the trade union movement to its genuine roots and regain the leading position and confidence for SSM. Those unions tried to bring changes in the Federation through democratic means, at the congress of SSM in 2015; however this attempt did not have any resolution at the congress due to strong political pressure.

The problems in the biggest union federation, SSM, appeared before the congress in 2015. After the congress the situation did not stabilize. The internal division remained as the leadership ignored the demands and proposals of the major unions, acted against the statutory provisions and refused to put issues on the board's agenda for which joint positions of the affiliated trade unions would have been important. Because of all this, the majority of the Council of SSM (the highest body after the congress) met and held the Presi-

dent of SSM responsible. Representatives of eleven unions affiliated to SSM (out of seventeen) were unanimous in the confidence vote and appointed the president of SUTKOZ as acting-president, with a mandate to organize an extraordinary congress. However, the procedure of registration of this legitimate change was not implemented, mainly because of obstruction of the institutions. It is known that the recalled president of SSM had support from governmental structures. He, together with the leadership of KSS, even publicly signed some memorandum for cooperation with the governing party, as part of the party's—electoral campaign. This was done without any decision by the board of SSM, while the signed document was never published.

The main trade union event was the strike of the judiciary administration's employees. After two warning strikes in December 2015 and April 2016, this did not bring any result and UPOZ called the judiciary administration on a general strike which started on 18 May and was put on hold on 15 July because of the start of the judiciary vacation. The demands were mainly about a pay raise (since the judges and prosecutors were given a raise, but not the administration) and changes in the Law on Judicial Service (in the section of evaluation and penalization of employees). However, the authorities remained deaf to those demands, even avoiding communication with the union, let alone to negotiate on its demands. In such a situation, UPOZ had to put the strike on hold.

The Union of Diplomatic Servants (not affiliated to any confederation) called for a warning strike in February in an attempt to draw attention to unprofessionalism in the Ministry of Foreign Affairs and inadequate treatment of professionals and administration.

There were more protests of workers in some private, but also in some public companies, mainly caused by delayed wages, unpaid contributions, etc. Two lead/zinc mines were closed due to bankruptcy and restarted by other investors; however at this moment nearly 700 workers (70 per cent of the mines' workforce) are not employed again. A private company producing silicon-alloys was ordered to stop its production because of environment issues, while the permission for building a filter station was delayed by local





authorities for 18 months. Now, all 750 workers are at risk of becoming jobless, so they protested twice against local authorities as well as environment inspection.

After the major flood in Skopje, which took 23 human lives, the General Collective Agreement was urgently amended in the section of Additional Agreed Absences for cases of natural catastrophes. Otherwise, this agreement is valid for one more year.

During the year a few branch collective agreements were amended and/or extended such as: the collective agreement for police force employees (increased supplements to wages and extended); the collective agreement for employees in public health (increased minimum wage and extended); collective agreement for agriculture and food industry (increased minimum wages); and the collective agreement for the tobacco industry (extended). In the industrial sector, many collective agreements on company level were renegotiated or extended.

Although the confirmations of the representativeness of trade unions expired (they are issued for three years) during the year no procedures for renewal were demanded by the unions or federations. Thus, no new data for organizing and membership is available.

SIER, SUTKOZ and UPOZ held their congresses during the year, without changes in the top leadership. The Congress of SIER adopted five important resolutions (on decent wages, protection of senior workers, establishment of labour courts, cutting the allowed period for short-term contracts at the same employer and increasing the minimum severance pay) thus marking its position vis-à-vis the extraordinary parliamentary elections this December.

The Organization of Employers of Macedonia (ORM) remains the only representative organization of employers. Their organizational structure has developed eleven branch associations of employers, some of which have concluded branch collective agreements with the unions for respective branches. However, in some important branches (like the metal industry) there is not yet an association of employers.

Although not directly an industrial relations issue, it is inescapable to mention the civil

society activism in 2016 because it is a very important sign that public opinion is starting to shape and people care about taking a proactive role. In a society with government-captured institutions (including the trade unions) it is very important that people feel the need to get free of all pressures and to stand up for issues that matters to them. This happened in Macedonia during 2015 and 2016, and particularly after the president of the state issued an act for amnesty of people that could be prosecuted due to allegations that came from the wire-taped conversations revealed the previous year. Organized mainly through social networks, hand-in-hand people of different ages, ethnic and social background, in huge numbers, protested day-by-day in the same intensity for more than two months, even after the amnesty act was withdrawn. People finally regained not only the courage, but also the faith that their actions can make a difference, a feeling that was practically dormant for a long period of no success of any kind from civil or industrial action.

#### 4. TRIPARTITE SOCIAL DIALOGUE

Tripartite social dialogue was more or less neglected during 2016. According to the labour law, the minister of labour is in charge of organizing and convening meetings. However, during the year this ministerial position was changed twice (in connection with implementation of the political "Przino Agreement"). All this turmoil, together with the overall situation in the country, left scarce space for institutionalized dialogue.

Thus, the Economic-Social Council met only twice during the year and discussed rather peripheral issues. On the other hand, more social and labour laws were amended, like the Law on Labour Relations, Law on Occupational Health and Safety, Law on Employment and Insurance in case of unemployment, Law on Agencies for Temporary Employment, Law on Peaceful Settlement of Labour Disputes, and Law on Health Insurance and others. Indeed, all amendments were of an administrative nature and did not affect the core regulation; however, they were passed without consultation in the Economic-Social Council, contrary to the legal provision.



The initiative for decentralized tripartite dialogue is rather well accepted if the number of established local tripartite bodies is taken as indicator. However, the local tripartite councils are still trying to find their place and the way to be of use at the community level.

## **5. FORECASTS**

After the elections from 11 December the first results show that there might be a problem to form a stable political government. In March 2017 local elections will take place. For over a year now there is official consensus that the problems indicated in the Urgent Priority Reforms document will have absolute priority on the agenda of any government, as well as the implementation of the Economic Reform Programme. Restoring democratic institutions and governing is necessary; however it seems that after ten years in power, the parties in the governing coalition VMRO-DPMNE (Democratic Party for Macedonian National Unity) and DUI (Democratic Union for Integration, party of ethnic Albanians) are not the political vehicles that could bring the changes. Unfortunately, the electoral results showed that the voters have equally supported both government and opposition parties. If the economy suffered from the political crisis during last two years and business waited for the end of the crisis, the electoral results show that the uncertainty is not over and the country will still have a period ahead in which political crisis will be recurring.

## ANNEX OF DATA

### • **Collective bargaining system**

The collective bargaining system was designed in the 1990s. It has been part of each Labour Code adopted 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 workplace (for a 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 appropriate and representative unions and employers' organizations. The workplace 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 the next level can stipulate only broader rights than the previous. This means that the workplace level collective agreement usually stipulates the broadest rights for the covered workers.

Currently in Macedonia the General Collective Agreement for the private sector is in force as well as several branch collective agreements and many single workplace collective agreements.

### • **System of tripartite social dialogue**

The system of tripartite social dialogue is administered through the Economic Social Council and the ESC 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 each from SSM and KSS), four from ORM (the only representative employers' association) and four from the government (represented by the ministries of labour, economy, finance and the vice-prime minister). The body is overseen by the Minister of Labour.

The ESC discusses and gives its opinion about issues according to the founding agreement. Although tripartite dialogue has improved significantly in the last five years, the dominant position of the Minister of Labour as ESC's chairperson sometimes affects the operation and effectiveness of this body. It is common that issues within the ESC's domain are not discussed at all, to the dissatisfaction of the union and employer social partners.

### • **Social security systems**

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

- employees who pay insurance contributions;
- retired persons;
- children and students whose parents are covered by insurance (until the age of 26);
- Unemployed persons who are actively seeking a job.

Generally, only people with an unresolved citizenship or residency status are outside the system of social security.

However, the number of persons registered as insured (according to the state funds' statistics) is not compatible with the number of people employed (based on the labour force survey). The number of insured persons who regularly pay insurance is 79 per cent (column 4/column 3) of the employed population, or 59 per cent of the active population.





Table: Labour force covered by insurance

Year	Active population	No. of employees (labour force survey)	No. of insured persons
1	2	3	4
2014	958,998 (100%)	690,188 (72%)	536,191 (56%)
2015	954,924 (100%)	705,991 (74%)	558,821 (59%)

Source: State Statistical Office; State Pension Fund

The contributions from the gross wage are at the moment 27 per cent (a decrease from 32 per cent in 2008). According to the Law on Contributions for Mandatory Social Insurance, the employee is the only entity obliged to pay the contributions (for all mandatory contributions 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 per cent of the average gross wage in the country. The maximum limit for payment of contributions is twelve times the average gross wage; for amounts above that only personal income tax is required. The personal income tax is a flat rate, at 10 per cent of net salary. Tax exoneration is calculated at the lump sum of four average net wages in the country per year (for all employees regardless of the level of income or marital and family status).

• **Health**

The health insurance rate is 8 per cent from gross wage. Health insurance cards with chips were issued last year. The health insurance system is based on solidarity but it works only for those insured persons who pay the fee regularly. A delay in payment of salaries, caused by problems on the employer's side, makes the insured persons victims of this situation. The insurance payments are checked when asking for health services and if it has not been paid, the insured person(s) have no access to free health care. According to available statistics, 3-4 per cent of employers do not pay salaries on time; hence their employees have problems with health-care coverage. The health system has been in constant reform for years. The insurance contributions do not cover the expenditures of the health-care fund and its deficit has risen more than 30 times in the last 5-6 years.

• **Pensions**

The pension insurance system relies on three pillars:

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

The contribution rate is 18 per cent of the gross wage, which is divided between the private and state obligatory funds: 33 per cent in the private and 67 per cent in the state fund. The required age for retirement is 64/62 (men/women) and the ultimate age is 65 for both men and women. However, changes in the legislation (July 2014) allows all employees to voluntarily continue to work until 67. The years of service are important for the amount of pension: the full amount is paid if 40/35 years of service (men/women) are completed; if less or more, the pension is reduced or increased proportionally. The Law on Pension and Insurance in Case of Disability regulates family and disability pension rights. At the moment the ratio is 1.85 (insured) employees to 1 retired person. The average monthly pension is €213 €; the lowest pension is €130, while the highest paid amount is €626 (October 2016). The deficit in the State obligatory fund is huge, amounting to 42 per cent this year due to: the lowered contribution rate (and low level of wages); change of the system (with division of the contribution between the state and private fund); subsidies for new-created jobs; and creating mainly lowest paid jobs. Urgent measures for preserving the sustainability of the pension system have been recommended by the World Bank.

- **Insurance in case of unemployment**

Unemployment insurance is obligatory. The contribution rate is 1.2 per cent of the gross wage and it is collected by the government's Agency for Employment. The fund is used for

payment of unemployment benefits (maximum 12 months, unless a person is 18 months before retirement) as well as active measures for increasing employment: subsidies, trainings, requalification, etc.

- **Education and vocational training**

Table: Structure of labour force by education, second quarter 2016

	<b>% of labour force</b>	<b>% in unemployed population</b>
<b>No education, incomplete primary school and lower secondary education</b>	21.4%	27.4%
<b>3 years secondary education</b>	8.8%	7.5%
<b>4 years secondary education</b>	45.1%	43.9%
<b>Higher (industrial college) level education</b>	1.9%	1.1%
<b>Academic university level education</b>	22.8%	20.1%

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, interest in education for industrial jobs is decreasing year after year and the interest in education for non-industrial jobs is rising (particularly for medical, economic or judicial education). The education system eliminated the apprenticeship model and practical work in industry for industrial-school students many years ago. This has had a prolonged negative impact in terms of further increasing (instead of decreasing) the need for re-qualification and the inability to find a 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 a high unemployment rate. Active labour market policies also include measures for requalification and education. According to the annual reports of the National Agency for Employment, there are funds allocated for those purposes but they sometimes remain unused because of lack of interest. At the same time, the employers complain that required skills are unavailable and all reforms of the system of education so far are just formal, not essential. The unions and employers are trying to influence the reform of legislation as stakeholders. However, there is no broader public discussion on this issue and stakeholders are practically not involved in the reform process.

- **Employment rate**

Table: Dynamics of Employment

	2011	2012	2013	2014	2015	2016*
<b>Active population</b>	936,256	943,055	956,057	958,998	954,924	948,376
<b>Employed</b>	645,085	650,554	685,480	690,188	705,991	720,674
<b>Activity rate</b>	56.8	56.5	57.2	57.3	57.0	56.5
<b>Employment rate</b>	38.9	39.0	40.6	41.2	42.1	42.9

Source: State Statistical Office \* Last published data: second quarter 2016

Employed by economic status

	Employed Total	%	Employee	%	Employer	%	Self-employed	%	Unpaid family worker	%
<b>2011</b>	642,809	100	454,428	71	42,227	7	81,118	13	65,036	10
<b>2012</b>	650,554	100	462,991	71	29,529	4	101,136	16	54,545	8
<b>2013</b>	685,480	100	495,451	72	30,157	4	97,460	15	62,412	9
<b>2014</b>	687,465	100	500,254	73	31,692	4	101,078	15	54,441	8
<b>2015</b>	705,991	100	521,536	74	30,407	4	98,016	14	56,032	8
<b>2016*</b>	720,674	100	550,062	76	34,768	5	92,681	13	43,163	6

Source: State Statistical Office \* Last published data: second quarter 2016

- **Unemployment rate**

	2011	2012	2013	2014	2015	2016*
<b>Labour force</b>	936,256	943,055	960,704	957,790	954,924	948,376
<b>Unemployed</b>	293,448	292,502	275,225	687,465	248,933	227,702
<b>Unemployment Rate</b>	31.4	31.0	28.6	28.2	26.1	24.0

Source: State Statistical Office \* Last published data: second quarter 2016

The situation among young population (age 15-24) for the same period is shown in following table:

Population 15-24	2011	2012	2013	2014	2015	2016*
<b>Labour force</b>	105,291	103,004	103,261	89,731	93,425	81,784
<b>Employed</b>	42,719	48,414	51,275	44,491	50,146	41,580
<b>Unemployed</b>	62,572	54,589	51,987	45,240	43,279	40,204
<b>Inactive</b>	207,875	197,735	190,394	203,923	188,976	193,652
<b>Unemployment rate</b>	59.4	53.0	50.3	50.4	46.3	49.2
<b>Activity rate</b>	33.6	34.2	35.1	30.5	33.1	29.7

Source: State Statistical Office \*Second Quarter 2016

Although contracting in last three years, the unemployment rate is still very high and the labour market is dysfunctional. The high rate of unemployment among young people (over 50 per cent) and the low activity rate of women in the workforce are structural problems that need to be addressed in a strategic way.

The low activity rate among the young population is due to mandatory secondary education. There is an inappropriate education and skill structure and mismatch between the education system and the needs of the labour market.



• **Average monthly salaries**

Monthly average gross wage by activity sector (in €\*\*)

	2010	2011	2012	2013	2014	2015	2016*
<b>Total</b>	503	498	501	506	511	523	530
<b>Agriculture</b>	353	348	366	362	374	373	398
<b>Industry</b>	499	518	521	537	551	566	580
<b>Services</b>	544	563	555	564	576	590	593

Source: State Statistical Office

\* Last published data average wages I-IX/2016; State Statistical Office

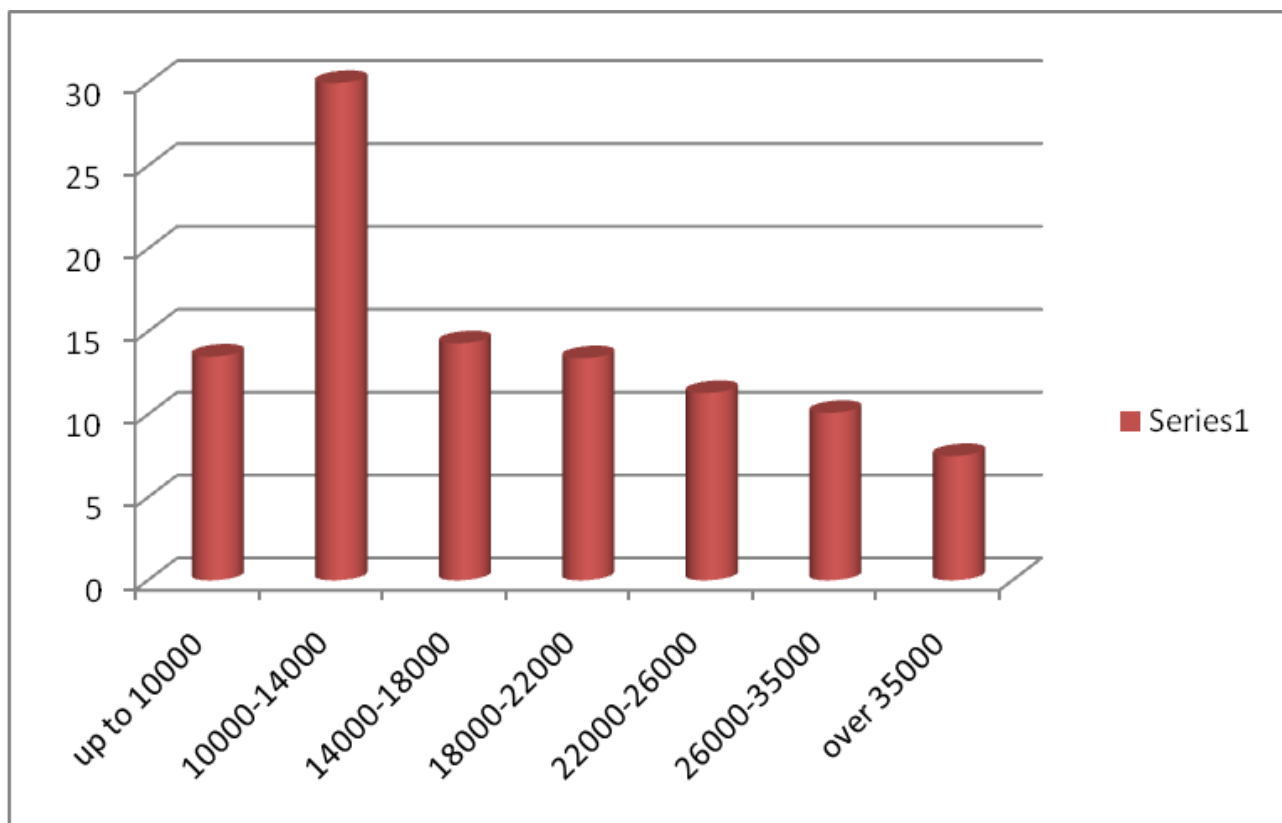
\*\* Own calculations in €, by mid-point exchange rate

Nominal wages increased by 2 per cent for the first 9 months of 2016; real wages increased by 2.3 per cent.

Unions object to the official statistical methodology. The amounts presented as the average salary in industry are particularly controversial. For instance, the average gross salary for the overall industrial sector is re-

ported to be €580, while in the same statistical publication the average salary for the manufacturing industry is reported to be €392. If the manufacturing sector employs 90 per cent of all workers in industry, how can the other 10 per cent possibly increase the average value so much?

Chart: Structure of employees by level of net salary (in denars)



Source: State Statistical Office

The chart above, which shows the structure of employees according to their net wages supports the previous statement. The highest peak shows that most workers earn net wages between €164 and €228 (10,000-14,000 denars) – mainly in agriculture, textile and some other manufacturing industries as well as construction workers. The salaries in industry go between 12,000 and 16,000 denars, while 13.5 per cent of employees earn less than the minimum wage (up to 10,000 denars). Together 28.9 per cent of employees earn over the average wage (22,000 denars). Overall the table proves that 70 per cent of employees earn less than the average wage, which is fairly low itself. Therefore, a substantial number of employees are at or near the at-risk-of-poverty threshold.

On the other hand, SSM is calculating and publishing monthly the average sum of living costs for a family of four (two adults and two children in school age). The sum of money necessary to cover the living costs is almost

unchanged in the last 5 years and is around €530. That illustrates that a family with two employees who earn less than the average net salary (and according to the statistics more than 70 per cent of employees are paid less than the average salary) practically cannot cover the minimum costs for their families.

- **Gender pay gap**

There is a gender pay gap, 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 per cent (women better paid than men) to -34 per cent. The second table shows that in all regions earnings are worse compared to the Skopje (capital) region, while the gender pay gap is noticeable in all regions with some variations.

Structure of earnings per hour by occupation and gender (in denars)

	<b>Total</b>	<b>Men</b>	<b>Women</b>	<b>Difference</b>
<b>Managers</b>	342	350	330	- 6%
<b>Professionals</b>	241	252	232	- 8%
<b>Technicians</b>	190	201	177	- 12%
<b>Clerical support workers</b>	171	170	173	+ 2%
<b>Service and sales workers</b>	134	145	119	- 18%
<b>Skilled agricultural, forestry and fishery workers</b>	123	123	124	+ 0%
<b>Craft and trade workers</b>	115	128	90	- 30%
<b>Plant and machine operators</b>	120	138	91	- 34%
<b>Elementary occupations</b>	113	117	108	- 8%

Source: State Statistical Office

Structure of earnings per hour by regions and gender (in denars)

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

Source: State Statistical Office

\* % of country average = 100%



According to these national statistical data, the average earnings per hour is 182 denars (€3.00); the average for men is 188 (€3.10) or 3.3 per cent higher than average, while for women it is 176 (€2.90), or 3.3 per cent lower than average. According to these data, the average gender pay gap is 6.8 per cent

- **Monthly minimum salary**

The Law on Minimum Salary was adopted in January 2012. The minimum salary was established as a percentage of the average wage in the country (39.6 per cent, contrary to the OECD recommendations). In February 2014 the law was amended and the minimum salary is now given in a net fixed amount for

2014 (€144), 2015 (€156) and 2016 (€164). At the same time, the minimum threshold for payment of contributions remains at 50 per cent of average salary. The threshold in 2016 corresponded to €263. Therefore, everyone with a gross salary less than €263 pays contributions as if the wage is in that amount, while they receive the net amount according to the contract. Minimum net, plus minimum contributions and tax make €240 in 2016. The additional payment for contributions goes on the account of the employer for the time being, although the employee is obligated for the contributions. Because of this system, in 2016 the employers practically payed 3.6% more in gross wage for workers who earns the minimum wage.

Year	Minimum Net	Minimum Gross	% of contributions minimum	Ø net	Ø gross	% of contributions Ø
2013	132 €	201€	34.32%	346€	506€	31.62%
2014	144€	215€	33.00%	350€	511€	31.51%
2015	156€	231€	32.47%	357€	523€	31.74%
2016	164€	240€	31.67%	362€*	530€*	31.70%

Source: State Statistical Office; Law on Minimum Wage; Own calculations

\* Last published data I-IX.2016

Unions demanded that the minimum salary be established at the same amount as the threshold for contributions based on 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 as the ½ hour daily break is considered as part of the working hours of 40 hours per week. Collective agreements have no different stipula-

tions. The law that provides for shorter working hours on more physically-demanding and risky jobs is not enforced in practice. Overtime is legally limited to a maximum of 8 hours per week and 190 hours per year. An employee who has more than 150 overtime hours in the year (and is not on sick-leave more than 21 days), is entitled to a bonus in the amount of one average month's salary. In spite of all limitations, actual overtime work is much longer than limited by law and workers generally do not complain because it is way to earn higher income.

- **Normal work /atypical work**

Year	Number of contracts	%	Standard Contracts	%	Atypical contracts	%
2010	232,499	100	87,872	37.8	144,627	62.2
2011	225,347	100	86,085	38.2	139,262	61.8
2012	194,951	100	85,529	43.9	109,422	56.1
2013	167,575	100	77,291	46.1	90,284	53.9
2014	178,115	100	81,370	45.7	96,745	54.3
2015	189,807	100	90,691	47.8	99,116	52.2

Source: Agency of Employment, annual reports



Atypical work 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 Labour Code allows keeping of short-term contracts for the same or similar positions for up to five years, after which transformation

into a standard contract is obligatory. Employment through agencies for temporary employment does not prevail 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 shown in the following table:

Table: Contracts concluded by Agencies for Temporary Employment

Year	Number of contracts	Number of agencies
2011	77,741	29
2012	81,332	28
2013	77,804	18
2014	74,801	19
2015	73,785	19
2016*	57,770	19

Source: Association of Agencies for Temporary Employment  
 \*10 months of 2016

• **Migration**

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

Year	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b>Number of emigrants</b>	1073	224	740	769	923	1,143	1330	945	740	767

Source: State Statistical Office

According to official statistics, migration to other countries is not a social problem since in 2015 total of only 767 persons emigrated from Macedonia. By qualifications, there were:

- 17 with no education
- 14 with uncompleted primary or lower secondary school education
- 84 with lower secondary school education
- 245 with secondary school education
- 25 with higher education
- 83 with university degree education
- 11 with master's degree
- 1 with PhD. degree
- 287 with unknown education

Despite these statistical data, the real-life situation looks much different. Media are speculating that the number of citizens who emigrated is between 450,000 and 600,000 in the last 10 years. Since the population

census was not enforced in 2011 it is difficult to check the accuracy of these figures. Unofficially, the brain-drain is severely progressing, particularly among the young and the highly-educated population who are leaving the country for better perspectives abroad. This year the migration crisis in the EU has affected Macedonia since the country is on the route of migrants. By 11 December 2015, 325,543 emigrants were registered who had entered Macedonia and proceeded to EU countries.

• **Collective agreement coverage**

By amending the Labour Code in November 2009, a general collective agreement (GCA) became mandatory for all employers in the private and public sectors. Therefore, by power of the law the coverage became universal. It is considered that workers in the



private sector are 100 per cent covered by this collective agreement.

However, the GCA for the public sector is not yet concluded; therefore the coverage is not full. In the public sector, however, there are branch collective agreements in a few sectors: public health, police forces, and employees in the army, but this is not the case with education and public servants in administration.

In the private sector enforcement of the General Collective Agreement is an issue, particularly for small companies with workers who do not belong to unions. Therefore, the coverage is, *de jure*, universal but this statement, *de facto*, is not fully accurate.

- **Ongoing important collective bargaining agreements**

During 2015 the General Collective Agreement for the private sector was amended in the section on allowances. Namely, the previous year's vacation allowance was introduced in a minimum amount of 40 per cent of average net salary. The amendment gives companies with financial and operational problems the opportunity to pay less (or even zero) allowance after consulting and contracting it with the union. In 2016, after the floods in Skopje, the GCA was amended again, allowing more paid leave in case of natural catastrophes. It is valid until July 2017.

A few important branch collective agreements were amended or extended: agriculture; textile and apparel; the leather and shoemaking industry; health and social protection; and police. For the metal industry, there is still no organization of employers registered. The union has been putting pressure and engaging in organising activities in an attempt to accelerate formal registration of such an organization but thus far without success so workplace level collective agreements are signed (with each employer separately) in the metal industry.

There are sectors where a 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 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 even the lowest conditions can be accepted. Therefore, the unions would not accept signing *any* CA, but only one that meets with some normal criteria and values.

- **Trade union density**

The representativeness of the unions was not challenged during 2016 so there are no new data for union density. Under the law, representativeness is determined based upon the number of members who pay the fee out of their salaries, thus excluding the members who pay from their own accounts or are exonerated from fees for various reasons (mainly because they do not earn a regular wage). For this reason it is also impossible to keep as members people who lose their jobs or retire. Overall, it means that the unions have more members than is taken into account when establishing representativeness. Anyway, the situation according to official figures is as follows:

- 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 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 again proved its representativeness with membership of employers that engage 18 per cent of the employees (according to the Labour Code, the representativeness is counted only on the basis of number of employees; information on the number of employers-members of ORM is not publicly disclosed).

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

- **Workplace representation**

There was no change in the workplace representation situation during the observed period. Therefore, there is not any form of participation and co-determination following the example of EU practices (e.g. Works' Councils). Therefore, workplace representation is covered by a trade union organization in the company. If workers are organized, there is a local union organization at the employer's site and the board of shop-stewards (elected by the members) is responsible to negotiate, communicate with the management and workers, speak-up on behalf of the workers, 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 responds only on behalf of its members (not of all employees). According to the law, the employer will address the trade union for issues that require information and consultation. If there is no local union organization at the employer (which is most typical for many small private employers) then there is practically no workplace representation. This is the situation to date. The demands of the unions go into a direction of legal changes that would provide a system of participation and co-determination.

- **Trade Unions Mapping**

- **National Trade Union Confederations:**

1. Sojuz na sindikati na Makedonija - SSM; Trade Union Federation of Macedonia (64,000 members – figure from 2013), affiliated to ITUC and ETUC in 2013; 17 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 on 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 (SSM), 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 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 projektiranje na RM - SGIP; (SSM) Trade Union of Civil Engineering, Industry and Planning of Macedonia, 6,000 members;



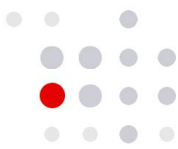
- member of BWI and IndustriAll-global;
4. Sindikat za obrazovanie, nauka i kultura na Makedonija - SONK, Trade Union of Education, Science and Culture of Macedonia; (KSS) 26,000 (figure from 2014) members; member of EI;
  5. Samostoeno sindikat za zdravstvo, farmacija i socijalna zaštita na RM; Autonomous 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.
  8. Sindikat na rabotnicite od ugostitelstvo, turizam, komunalno-stanbeno stopanstvo, zanaetnistvo

i zastitni drustva na RM - SUTKOZ; Trade Union of Workers in Catering, Tourism, Communal and Housing Economy, Handicraft and Protecting Associations of Macedonia (SSM); 6,500 members; member of PSI, IUF, EPSU, EFFAT

#### • Employer's Organisations

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





## About the Author

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Born in 1960, she holds a bachelor's degree (1984) from the Faculty of Economics at State University St. Cyril and Methodius in Skopje and received her MBA degree (2008) from City College, Sheffield University branch in Thessaloniki, Greece. She has worked for unions since 1987.

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