

2017

MACEDONIA

By Mare Anceva

Socio-economic developments

Industrial relations

Forecasts

Annual Review

of Labour Relations and Social Dialogue

State policies

Tripartite social dialogue



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- By many parameters 2017 was a turning point for Macedonia. The prolonged political crisis, which seriously affected the whole society, finally reached its climax in the spring of 2017. After the early elections held in December 2016 failed to produce a clear winner, it took five months until the new government was approved. In this period the transition of governing was interrupted not only by political upheaval, but also physical violence. However, the social-democrats in coalition with ethnic Albanian parties made a tight majority and the Parliament approved the new government on 1st June, which was the turning point towards political and overall stabilization of the country.
- For more than two years the country was in a political stalemate in which protracted political fights and mutual allegations were absorbing all efforts, while the reform processes in EU integration aspirations were put aside. Not progress, but backsliding was obvious in many areas and particularly in the judiciary, economy, education, industrial relations etc. Therefore, the expectations for radical changes in society and particularly in methods of governing are very high. However, these processes will take time and require huge efforts by all stakeholders.
- The violent methods were not engaged in only by the political parties but also among the unions in the biggest national federation –SSM. Four major unions were illegitimately excluded and literally thrown out of their premises which had been unseen in trade union history.
- Unfortunately, in the last ten years the whole society was brought to such stage of po-larization that the recovery will be neither fast, nor easy. However, there is determination about it, and the process is opened now. The support and recognition that the country is returning to the real path has already been given by EU institutions and authorities. Hence, the expectations that the EU integration process will finally move forward are high.



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Socio-economic developments

The economic recovery since the global financial crisis is estimated as solid, however the domestic political situation somewhat influenced the rate of economic growth, which slowed down to 2.4 per cent in 2016 and further contracted by 0.9 per cent in first half of 2017.

The economic activity in this period was supported by private consumption and exports while restraints in investment and slowed down corporate credit growth were recorded. Projections of the National Bank are that 2017 will end with 1.9 per cent growth.

After contracting in 2015 compared to average in the last five years, Foreign Direct Investment (FDI) accelerated again in 2016, ascending to 3.2 per cent of GDP (compared to 2.2 per cent in 2015). This trend continued in the first quarter of 2017. However in the second quarter a negative balance was recorded, which indicates higher profit repatriation by the foreign investors.

The current account deficit widened somewhat, particularly due to weaker remittances and higher foreign currency cash holdings by households, from 2.0 per cent of GDP in 2015 to 2.7 per cent in 2016. However, it is expected to decline at least to the level of 2015 this year. At the same time, the trade balance is more or less resilient, with a negative balance of €1.7 billion.

The public budget deficit narrowed from 3.5 per cent of GDP in 2015 to 2.6 per cent in 2016, which is largely due to under-execution of planned capital investment, spending constraints imposed during the pre-election period and accumulation of payment arrears. The deficit is expected to be around 3 per cent in 2017, since the under-execution of spending continued in the first half of 2017; however, the new government must deal with the accumulated arrears. The public and publicly-guaranteed debt continued to rise, from 45.7 per cent of GDP in 2016 to 47.1 per cent in 2017, and projections shows it will be more in the coming years. The government is preparing a special economic program to address this issue because there is need for fiscal consolidation in light of the rapid rise of public debt and high gross financing needs.

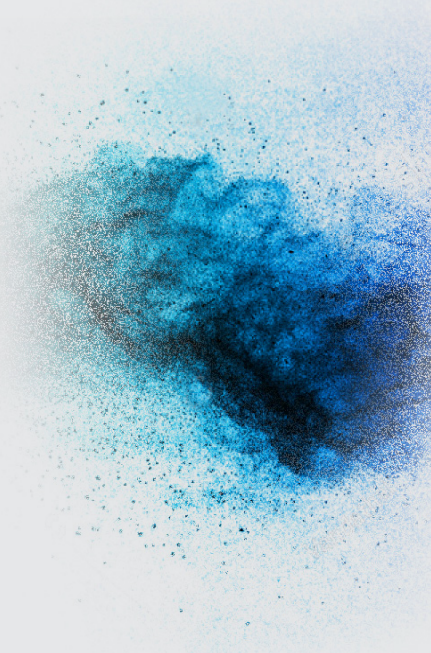
Monetary policy is estimated as accommodative in light of low inflation, weak credit growth and a negative output gap. The inflation rate gradually picked up in 2017 (to 1.1 per cent in the third quarter) after having negative values in the previous three years, mainly driven by increasing prices of services and (to smaller extent) food.

Wages have risen nominally by 2.5 per cent after the three quarters, compared to the same period 2016, and 1.3 per cent in real terms. The minimum wage was increased by 19 per cent and brought a net amount of €200 as of 1 September. However, in the past five years (ever since the Law on Minimum Wage was enacted) it has increased from an initial MKD 8,050 (€130) in 2012 to MKD 10,080 (€163) in 2016 and 2017, or by 25 per cent and in the same period the average wage has increased only by 6.8 per cent. The level of average wage has been somewhat resilient vis-à-vis the increase of the minimum wage because often only the lowest levels of wages rise up to the minimum required, and not all categories, or groups of wages follow. Thus, the average gross wage reached MKD 33,433 (€543) in the first nine months of 2017; however, two-thirds of employees earn less than the average, while 3 per cent earn even less than the minimum wage.

The employment rate in the first half of 2017 increased for one percentage point to 44.1 per cent compared to 2016, following the increase in the activity rate of 0.4 per cent to 56.9 per cent and decline of the unemployment rate by 1.1 per cent in the same period. Nevertheless, the unemployment rate remains very high at 22.6 per cent of the labour force.

The at-risk-of-poverty rate in 2016 was 21.6 per cent and before social transfers and pensions it is 41.6 per cent. The highest at-risk-of-poverty rate is for households with three and more dependent children (50.6 per cent) and also households of single parents with dependent children (37.5 per cent).

The Gini coefficient in 2016 was 33.6 per cent indicating high income distribution inequality. It has contracted only by 0.1 percentage point compared to the previous year.



State policies

The EC Progress Reports for 2015 and 2016 and the “Recommendations of the Senior Experts Group on Systemic Rule of Law Issues relating to the communication interception revealed in Spring 2015” (known as “Priebe Report” after the leader of the Senior Experts Group) revealed serious wrongdoings by the former government, which eventually brought to stage the “captured state” where no institution was independent and operating according to the Constitution and legislation, but under influence of the governing political party. These political forces obstructed the election of a new government for five months and tried to cause a new crisis with an intrusion into the Parliament and a physical attack on MPs on 27th April.

The new government was approved on 1st June and immediately started an ambitious battle for bringing back the state to the reform track, transparency and democracy. After a two-year stalemate the expectations of the public are enormous, as are the obstacles, since it is a minority government, with a tight majority in the Parliament. Anyway, a 3-6-9 Plan was prepared for the first three, six and nine month's work of the government and urgent steps have been taken on priority issues. The judiciary is certainly the highest priority issue, together with reforms of the intelligent services and some reforms in public administration. Those were the tasks that the government took to resolve by the end of 2017 in order to unblock the EU approximation process and to finally get a date for opening negotiations next spring.

Meanwhile, local elections were successfully conducted in October. The results strongly confirmed the support to the new policies, since the reform option was absolute winner. The new government reintroduced the process of public debate for most of the measures taken. The debate for changes in the Law on Minimum Wage, for instance, was opened with involvement of all unions and employers' organizations in the country. Debates were opened on reforms in the media sector, public administration, and other issues.

The Law on Minimum Wage was amended and the net amount was increased from MKD 10,080 to MKD 12,000. The law provides subsidies for a period of 12 months for employers who will not be able to reach the amount immediately, under given conditions. However, the provision which makes the minimum wage dependent on so-called “accord performance” remained in the law, to the great disappointment of the unions. Therefore, the Law on Minimum Wage practically does not guarantee a minimum amount to be paid for full-time work. Therefore, the national confederation SSM made an appeal to the Constitutional court for assessment of this provision.

Although promising different policies towards green-field investors, who are being paid undisclosed subsidies from the state budget, the government had to step back. The subsidies for the existing investors could not be disclosed or interrupted without legal and financial consequences and the issue has been dropped for the time being. However, the governmental policy for future investors is changing and support will be offered to domestic investors under same conditions as for foreign investors. Reforms in fiscal policy are expected. The government announced changes in the personal income tax, with dropping a flat rate and introducing a progressive scale, however such a change is still in discussion. A rise in the property tax together with an increased excise duty for diesel fuel is expected sooner. Also, subsidies for newly created jobs which pay 50 per cent more than the minimum wage are planned as a measure for a pay-raise boost. However, the IMF/WB mission is objecting to the shift of the minimum wage and the support for employers for the minimum and higher paid jobs, as well as all fiscal stimulus measures to support investments, job creation and the rise of living standards. They warn that such measures are a significant risk to fiscal sustainability and might undermine the intentions of the government to include budgetary safeguards. The IMF staff recommends strengthening tax administration, increasing property and energy taxation and improving spending efficiency through subsidy rationalization and better targeting of social spending.

In the short period of governing so far, the new political establishment has won clear support in Brussels and Washington and if the tasks for urgent reform steps are fulfilled by the end of 2017, it is expected that the country will move forward in the EU integration process, which had been idle for some time.

Industrial Relations

As reported for 2016, the controversy in the oldest and biggest national federation, SSM, escalated after a long period of abuse of power and position by its president. After he personally (without consulting the bodies) supported the then-governing political party on behalf of the federation, the Council of SSM conducted a no-confidence vote and nominated an acting president. However, before the change was registered, the incumbent president managed to manipulate the bodies and pass decisions to exclude four unions from the federation, which together had almost half of the membership: SIER (Industry, Energy and Mining), Agro-Union (Agriculture and Food-processing), SUTKOZ (Catering, Tourism, Communal and Housing Economy) and UPOZ (Public Administration). Those unions were immediately denied access to the union building and their offices and equipment. After they refused to leave the premises they were literally thrown out on 6th January by external security forces ordered by the incumbent president.

The excluded unions started legal complaint processes, which were very slow, in spite of the urgent character of the eviction. The unions had to rent new work space and organize their work without any equipment or documentation, which remained confiscated in their offices.

Finally, the imposed exile ended on 14th August when the Central Registration Office accepted the decision of the Administrative Court and registered the acting president. After that, preparations for an extraordinary congress started, however, not without complications and mutual disagreements. The congress started on 13th November but was postponed till 6th December. European and global union federations were informed about the situation from both sides (the incumbent president and the excluded unions). Prior to the congress they warned the acting leadership that the mistakes from the past should not be repeated again if SSM wanted to keep its membership in the ETUC and ITUC. Thereafter, the already-called congress was opened and then postponed after adopting the agenda and Rules of Procedure. On the continuation of the congress there were two candidates (both coming from the excluded unions) and the president of SUTKOZ was elected president of SSM.

There is awareness that SSM needs deep reforms and reconstruction but it is not clear yet whether the reform wing will prevail over some personal resistance. Both representative union federations, SSM and KSS, were in the past few years more concerned to go along with governmental policies than to protect their members' interests. The so-called "clientelistic" behaviour was a trademark of the whole society. That affected the reputation and trust in the union as an institution in general. Now a lot

of efforts and work are necessary to get back to normal. In the period of the most severe political turbulences most of the capacities of the trade unions were engaged in resolving internal disputes in SSM while KSS remained silent until election of the new government. This was also the case for the employers' organizations.

The 1st of May rally was organized by the excluded unions and some independent unions (not belonging to any national federation), the KOSOM and some leftist NGOs. In the debate on amending the Law on Minimum Wage almost all unions participated, approving the increase of the amount and objecting to the accord performance provision. The draft text was adjusted and approved by the Economic- Social Council without the provision on accord performance; however it was reinserted in the text that was adopted by the Parliament. Under the pressure of SIER and UPOZ, SSM made an appeal to the Constitutional Court. SIER's Congress in autumn 2016 adopted few resolutions that require changes in the legislation. Now SSM unofficially stands for those demands too. With the increase in the minimum wage one requirement is fulfilled but a few others need to be addressed. There is a demand for reducing the period of five years in which an employer can keep an employee on a short-term contract and limiting the portion of employees in a company with short-term contracts. There is also a demand for increase the minimum severance pay and better protection for senior workers in case of redundancy or bankruptcy, as well as for establishing special labour courts. To properly address these issues, the unions demand immediate discussion with the Ministry of Labour and other responsible ministries. This demand has stood for five months now without the opening of any discussion on these issues. The unions, like the general public, have great expectations from the government. However, they want to establish normal and regular communication first of all and to be able to present their own arguments in discussion about labour and social issues.

The General Collective Agreement (GCA) for the private sector expired in July 2017. It came in the period when the disputes within SSM were not over and SSM is the signatory as the only representative federation in the private sector. Therefore, some tacit consent was reached with the organization of employers that extending or amending the GCA will be postponed. Meanwhile, the labour law says that all provisions will continue to be administered until there is a new agreement.

The problem with organizing new members, particularly in the new green-field investments remains. The biggest obstacles are the short-term contracts, namely all newly-created jobs are precarious. In such circumstances, the

workers are at risk – not to be literally terminated – but to lose the job when the contract expires. For example, SIER organized the workers in Key Safety Systems (USA) branch in Macedonia, however as soon as the shop-stewards were nominated the employer informed them that their contracts will not be extended. Unfortunately, the legal protection of union representatives does not apply in

case of short-term contracts because the employer solely decides whether the contract will be extended or not. In such case there is no complaint possibility. SIER and other unions are trying to revive the process of organizing through transnational cooperation with the unions in the countries of the employers' origin and engaging in some joint activities where it is possible.

Tripartite social dialogue

Tripartite dialog was idle for some time because the position of Minister of Labour (who presides in the Economic-Social Council) was subdued due to changes in the technical government during the process of resolving the political crisis. In a period of two years the person in this position was changed four times, which affected the modus operandi of the Council itself.

After being appointed the new minister of labour has revived tripartite dialogue on a much broader basis than before. All stakeholders (unions and organizations of employers) were invited to the ESC discussion without strictly minding the issue of representativeness.

This is counter to the agreement according to which the ESC was founded, which says that members of the ESC are representative federations and organizations of employers; however this practice is more democratic, involves more participants in important discussions and apparently has contributed to the quality of the discussion. After all, the role of ESC is advisory in any case and if the opinions of this tripartite body should reflect the stakeholders then a broader approach might be fairer. However, the impression of just the protocol role of the Economic-Social Council still stands and so far is the only form of tripartite dialogue practiced in the country, on a national and local level.

Forecasts

Optimistic forecasts prevail for next year in the political, economic, social and every other domain. It is expected that the date for opening negotiations with the EU will be rewarded and the process will be speeded up while membership in NATO will be effectuated in July next year. If those processes are opened, a positive reflection is expected in FDI, higher growth rates, better economic recovery and faster reforms. Macedonia's small and open economy needs impetus from outside in form of more FDI, as well as an absolute reaffirmation of responsibility and accountability of all institutions inside. All required changes and reforms will be much more viable if negotiations for EU membership finally start.

Annex - Information About:

• 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.

So far in Macedonia the General Collective Agreement for the private sector was concluded. It expired in July 2017; however its provisions are applied until the signing of a new one. The General Collective Agreement for the public sector has not been concluded yet while several branch collective agreements both in the private and public sectors are in force, as well as many single workplace collective agreements (for particular employers).

• System of tripartite social dialogue

The system of tripartite social dialogue is administered through the Economic-Social Council. The ESC as a consultative body is 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 statistics of state funds) is not compatible with the number of people employed (based on a 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. Some portion of the active population is still in the education process, however the difference compared to the labour force indicates the scope of the informal economy.

Labour force covered by insurance

Year	Active population	No. of employees (labour force survey)	No. of insured Persons
1	2	3	4
2015	954,924 (100%)	705,991 (74%)	558,821 (59%)
2016	955,699 (100%)	739,892 (77%)	570,168 (60%)

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 sixteen 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 the gross wage. The health insurance system is based on solidarity but it covers only those insured persons who pay the fee regularly. A delay in payment of salaries, caused by problems on the employer's side, deprives the insured persons from health services. According to available

statistics, 1 to 4 per cent of employers do not pay salaries on time; hence their employees have problems with healthcare coverage. The health system has been in constant reform for years. The insurance contributions do not cover the expenditures of the healthcare fund and it is in constant deficit.

• Pensions

The pension insurance system relies on three pillars:

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

The insurance 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 both for 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 (men/women) of service are completed; if less/more, the pension is lower/higher 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 €224; the lowest pension is €140 while the highest paid amount is €789 (October 2017). The deficit in the State Fund is huge, amounting to 42 per cent in 2016 and it is growing due to a 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 newly-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

Structure of labour force by education, second quarter 2017

	% of labour force	% in unemployed population
No education, incomplete primary school and lower secondary education	18.4%	20.8%
3 years secondary education	7.0%	5.1%
4 years secondary education	49.0%	52.7%
Higher (industrial college) level education	2.0%	0.9%
Academic university level education	23.6%	20.0%

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, 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 requalification and the inability to get 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

Dynamics of Employment

	2012	2013	2014	2015	2016	2017*
Active population	943,055	956,057	958,998	954,924	948,599	955,699
Employed	650,554	685,480	690,188	705,991	723,550	739,892
Activity rate	56.5	57.2	57.3	57.0	56.5	56.9
Employment rate	39.0	40.6	41.2	42.1	43.1	44.1

Source: State Statistical Office * Last published data: second quarter 2017

Employed by economic status

	Employed total	%	Employee	%	Employer	%	Self-employed	%	Unpaid family worker	%
2012	650,554	100	462,991	71	29,529	7	101,136	13	54,545	10
2013	685,480	100	495,451	71	30,157	4	97,460	16	62,412	8
2014	687,465	100	500,254	72	31,692	4	101,078	15	54,441	9
2015	705,991	100	521,536	73	30,407	4	98,016	15	56,032	8
2016	723,550	100	552,941	76	34,768	5	92,681	13	43,163	6
2017*	739,892	100	558,599	75	35,289	5	96,434	13	49,570	7

Source: State Statistical Office

* Last published data: second quarter 2017

• Unemployment rate

	2012	2013	2014	2015	2016	2017*
Labour force	943,055	956,057	958,998	954,924	948,599	955,699
Unemployed	292,502	275,225	268,809	248,933	225,049	215,807
Unemployed rate	31.0	28.8	28.8	26.1	23.7	22.6

Source: State Statistical Office

* Last published data: second quarter 2017

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

Population 15-24	2012	2013	2014	2015	2016	2017*
Labour force	103,004	103,261	89,731	93,425	85,945	88,994
Employed	48,414	51,275	44,491	50,146	44,493	47,075
Unemployed	54,589	51,987	45,240	43,279	41,451	41,919
Inactive	197,735	190,394	203,923	188,976	188,498	178,371
Unemployment rate	53.0	50.3	50.4	46.3	48.2	47.1
Activity rate	34.2	35.1	30.5	33.1	31.3	33.3

Source: State Statistical Office

* Second quarter 2017

Although contracting in the past three years, the unemployment rate is still very high and the labour market is non-functional. The high rate of unemployment among young people (around 50 per cent) as well as the low activity rate of women in the workforce are structural problems that need to be addressed in 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 €**)*

	2011	2012	2013	2014	2015	2016	2017*
Total	498	501	506	511	523	534	544
Agriculture	353	348	366	362	374	399	412
Industry	499	518	521	537	551	584	596
Services	544	563	555	564	576	591	609

Source: State Statistical Office

* Last published data average wages I-IX/2017; State Statistical Office

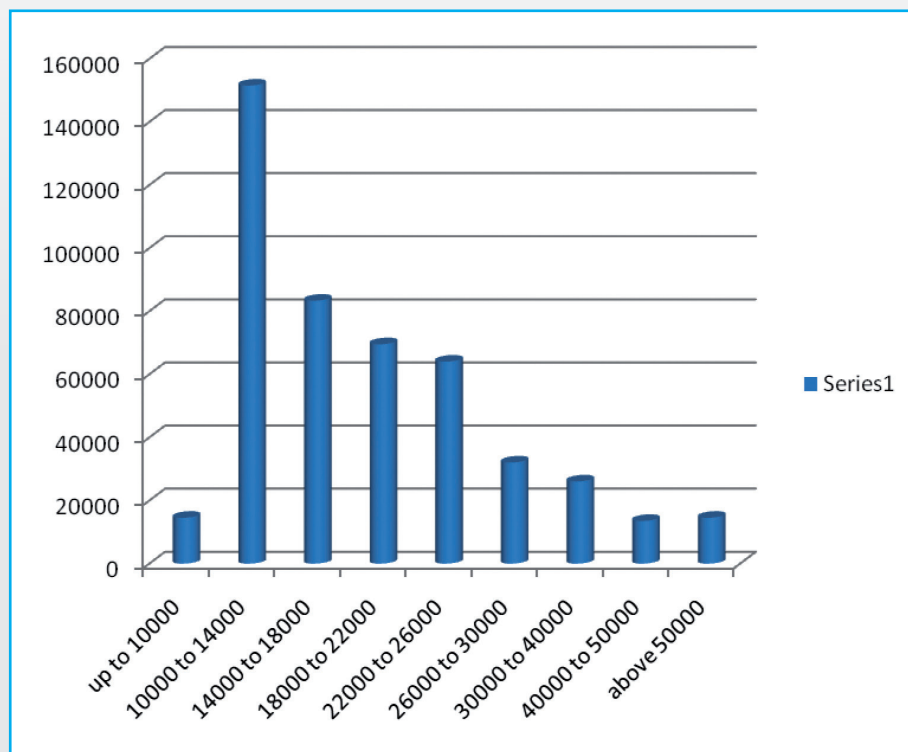
** Own calculations in €, by mid-point exchange rate

Nominally wages increased 2.5 per cent for the first 9 months of 2017; real wages increased by 1.4 per cent.

The amounts presented as the average salary in industry are particularly controversial. For instance, the average gross salary for the overall industrial sector is reported to be €596 while in the same statistical publication the average salary for the manufacturing industry is reported to be €420. If the manufacturing sector employs 90 per cent of all workers in industry how can the average for the Industry sector be so high?

The State Statistical Office does not publish information for the median income. According to the data on structure of employees by level of salary, the median gross salary would be around €400, which is 36 per cent lower than the published average gross salary.

Structure of employees by level of net salary (in MKD)



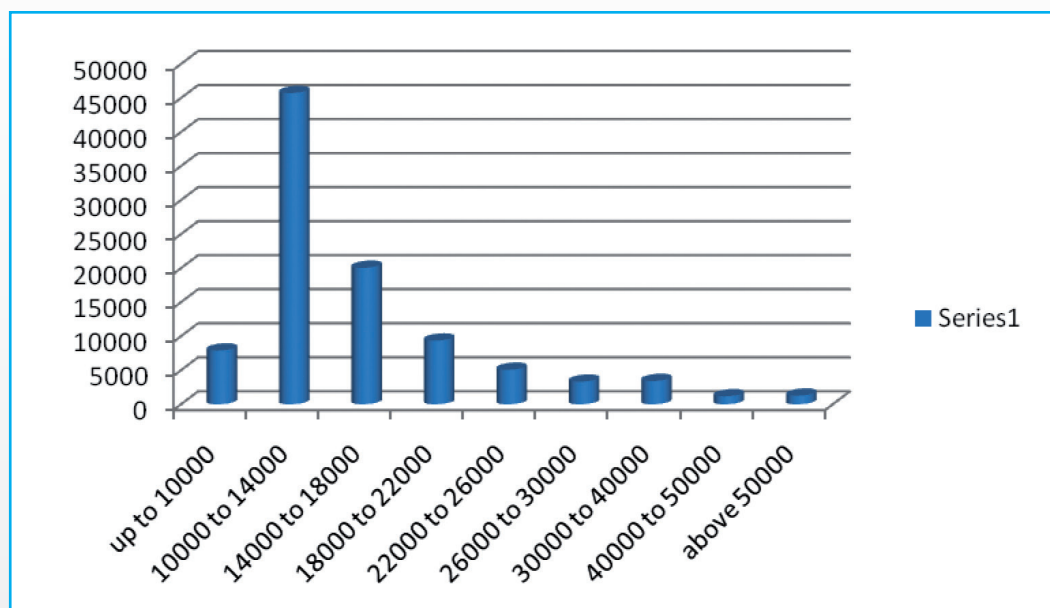
Source: State Statistical Office

The chart above shows the structure of employees according to the net salaries in 2016. The highest peak shows that most workers earn net salaries between €164 and €228 (MKD10, 000-14,000) – mainly in agriculture, textile and some other manufacturing industries as well as construction workers. From the total population, 3 per cent earn less than the minimum salary, 66.8 per cent earn less

than average, while 33.2 per cent of employees earn more than the average salary. The average salary is fairly low itself. Therefore, the percentage of employed persons that are at the at-risk-of-poverty threshold is 9 per cent.

The structure of salaries in the sector Manufacturing industries is shown in the chart below.

Structure of employees in Manufacturing industries by level of net salary (in MKD)



Source: State Statistical Office

This chart illustrates best the level of salaries in the private sector, where the largest proportion of the population earn between MKD 12,000 and MKD 18,000 while 8.1 per cent of employees earn less than the minimum wage (up to MKD10,000).

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

of money necessary to cover these living costs is almost unchanged in the last five years and is around €530. This shows that a family with two employees who earn less than the average net salary (and according to the statistics it is almost 70 per cent of employees) practically cannot cover the minimum living 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 gender (given in national currency). The table shows that the gender pay gap varies from -4 per cent per cent to -46 per cent. Apparently, the gender pay gap has broadened compared to the previous observed period, where the differences were from +2 per cent to -34 per cent.

Actually, the differences are biggest in occupations where women are less frequent. If looked at in a more-detailed table with 39 types of occupations, there are only three occupations where women are paid better than men: as administrative and commercial managers; as legal, social and cultural associates; and as office and service clerks.

Structure of average 4-year gross earnings by occupation and gender 2014 (in MKD)

	Total	men	women	Difference
Managers	799795	828928	745948	- 11%
Professionals and scientists	545022	611053	493116	- 24%
Technicians	412758	426929	395838	- 8%
Clerical support workers	346527	353867	339480	-4%
Service and sales workers	264295	295208	217501	- 36%
Skilled agricultural, forestry and fishery workers	244967	252118	203190	-24%
Occupations for non-industrial work in production	270975	300882	205445	- 46%
Plant and machine operators	270222	295995	219887	- 34%
Elementary occupations	239745	271920	201662	- 35%

Source: Agency of Employment, annual reports

• 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 was given in a net fixed amount for 2014 (€144), 2015 (€156), and 2016 (€164). With the last amendments since September 2017 the minimum salary is settled in a net amount of MKD 12,000 (€195) or gross amount of MKD 17,130 (€279) per month. However, it is not minimum amount that an employee should get for a full-time job but also for achieved accord

(normative) performance. The employer should settle the norms in cooperation with the workers and at least 80 per cent of the workers should achieve the norm. It is not clear yet whether the workers who will not perform at 100 per cent norm will be paid less than the minimum salary. This is the regulation the unions demanded to be removed from the law so that the minimum amount for full-time work is guaranteed. In the previous period, particularly in the textile and garment industry, the workers worked 30 per cent overtime for the minimum salary because the employers claimed that norms were not performed as required.

	Minimum net	Minimum gross	Average net	Average gross
2013	132 €	201€	346€	506€
2014	144€	215€	350€	511€
2015	156€	231€	357€	523€
2016	164€	240€	363€	534€
2017	195€*	279€*	370€**	544€**

Source: State Statistical Office; Law on Minimum Wage

* after IX.2017

** last published data I-IX.2017

• 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 stipulations. The law gives a possibility for shorter working hours on more physically-demanding and risky jobs, however this possibility 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 had

more than 150 overtime hours in the year (and was 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 a way to earn higher income.

- Normal work / atypical work

Year	Number of contracts	%	Standard Contracts	%	Atypical contracts	%
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
2016	184,877	100	84,805	45.9	100,072	54.1

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 regular or seasonal work. The Labour Code permits the employer to repeat the short-term contracts for an employee up to five years, after which transformation into a standard contract is mandatory.

Employment through agencies for temporary employment does not prevail. The number of agencies is declining; perhaps there were too many on a small market.

The number of contracts per year is more or less stable, which is shown in the following 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	71,550	17
2017*	50,774	16

Source: Association of Agencies for Temporary Employment
*9 months of 2017

- Migration

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

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Number of emigrants	1073	224	740	769	923	1,143	1330	945	740	767	440

Source: State Statistical Office

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

- 8 with no education
- 5 with uncompleted primary or lower secondary school education
- 27 with lower secondary school education
- 110 with secondary school education
- 11 with higher education
- 30 with university degree education
- 2 with master's degree
- 1 with PhD degree
- 246 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. During 2017 migrants that are passing on towards the EU countries were only sporadic compared to previous years. Overall, only an insignificant number of around 20 migrants asked to remain in Macedonia.

• Collective agreement coverage

By amending the Labour Code in November 2009, general collective agreements became mandatory for all employers in the private and public sectors. Therefore, by power of the law the coverage became universal or it is considered that workers in the private sector are 100 per cent covered by a collective agreement.

In the private sector enforcement of the General Collective Agreement is an issue, particularly for small companies with unorganized workers. Therefore, the coverage is (de-jure) universal but this statement (de-facto) is not fully accurate.

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 not for education and public servants in administration.

• Ongoing important collective bargaining agreements

The General Collective Agreement for the private sector expired in July 2017. However, due to extraordinary circumstances the social partners did not enter negotiations for extending or amending the agreement. That is expected in 2018. Meanwhile, the provisions are fully implemented, since the labour law has strict regulation for such an occasion.

No significant events were recorded at the branch/sector level.

At the workplace/employer level collective agreements are signed or amended regularly if, of course, the workers are organized.



• Trade union density

Trade union density is declining. 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 for different 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, the unions sometimes count more members than is taken into account when establishing representativeness.

Union density by the most important sectors is as follows:

○ Agriculture, tobacco and food industry	22%
○ Construction	11%
○ Education and science	62%
○ Mining, metal and electro industry	30%
○ Water supply and garbage disposal	72%
○ Police forces	63%
○ Health and social care	27%
○ Public and judiciary administration	60%
○ Forestry and wood industry	40%

Mainly in the private sector, more bankruptcies of companies in the last two years occurred, as well as redundancies, thus weakening the main unions organized

In 2017 new figures were published for the unions in health&social care; forestry&wood industry and for construction. The national federations SSM and KSS remain representative on the national level: SSM in both the private and public sector, while KSS only is representative in the public sector.

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 20.5 per cent of the employees on the national level (according to the Labour Code, 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 in 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), and so forth.

However, the trade union acts only on behalf of its members (not 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 so far. The demands of the unions go into a direction of legal changes that would provide a system of participation and co-determination.

• Trade Union 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), 7,500 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. 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.
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, PSU, 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, like National Federation of Agencies for Temporary Employment, and individual); member of a few European and SEE employers' associations (no further data).



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About the Author

Mare Anceva is General Secretary of the Trade Union of Industry, Energy and Mines of Macedonia (SIER). Born in 1960, she has a bachelor degree from the Faculty of Economics at State University St.Cyril and Methodius in Skopje, 1984 and received an MBA degree at City College, Sheffield University branch in Thessalonica (Greece) in 2008 and has worked for unions since 1987.

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Friedrich-Ebert-Stiftung | Regional Project on Labour Relations and Social Dialogue
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Responsible:

Matthias Weber

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