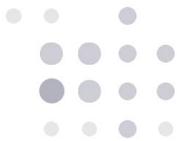


2015

Annual Review of Labour Relations and Social Dialogue Macedonia

MARE ANCEVA
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- In 2015 Macedonia faced the most serious political crisis since 2001 when the armed conflict occurred. The public was shocked with the content of wire-tapped phone conversations, released by an opposition party, indicating corruption, election fraud, direct interference in the judiciary and media, and other serious wrongdoings by members of the Government.
- The public in Macedonia remained deeply divided between those who were appalled by the content of the conversations and those who were mainly “concerned about the origin” or denied the authenticity of the wire-taps, trying to minimize the obvious main role of the members of the Government at the highest positions.
- The hostility between the governing and opposition parties continued over the course of the year and the situation was supposed to come to political and legal resolution with the signing of the so-called “Przino Agreement” under high pressure by the international community.
- This agreement, signed by leaders of the four most significant political parties in the country, stipulated strict dates and obligations for political actors, ending with extraordinary elections on 26 April 2016. However, all agreed actions and procedures have not been completely met so far.
- The tense political situation affected the economic policies to some extent, since GDP growth modestly slowed down and fiscal discipline somewhat deteriorated, while the FDI volume is not adequate in relation to what has been invested in attracting it.
- The public pressure and demonstrations, increased civil action and other manifestations forced the Government to step-back and withdraw some changes in social legislation.



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1. SOCIO-ECONOMIC DEVELOPMENTS

After several downward corrections, GDP growth in 2014 was estimated at 3.2 per cent. The projection for 2015 is very likely to be mismatched again since the results in the first two quarters are already below the projection of 3.5 per cent.

GDP growth is connected to the public budget situation because the public budget is tailored according to the growth expectations. In the past years the Government has always been overly optimistic in its predictions of growth, which resulted in inflation of the public budget deficit despite budget revisions, as was the case in 2014 (twice) and 2015 (twice). While GDP increased 57 per cent between 2006 and 2015, public debt increased 116 per cent in the same period.

In the process of monitoring the preparation of the country regarding the economic criteria, in 2015 the enlargement countries were asked to prepare Economic Reform Programmes (ERP), which would set out a medium-term macro-fiscal policy framework together with key structural reforms aimed at supporting that framework and boosting the competitiveness according to the Copenhagen criteria. On the basis of ERPs, country-specific recommendations were jointly adopted by the EU and the Western Balkans and Turkey in the Economic and Financial dialogue meeting held in Istanbul in May 2015. According to those recommendations, the Government has committed to reduce the budget deficit to 2.9 per cent of GDP in 2017; however, the target deficit in 2014 was raised from 3.5 per cent to 3.7 per cent and eventually the revised target was exceeded by 0.5 per cent. The situation did not improve in 2015 since the target deficit of 3.4 per cent was raised to 3.6 per cent.

According to the National Bank statistics, Foreign Direct Investment (FDI) remains at the same level as a percentage of GDP: 197 million € in 2014 (2.3 per cent of GDP) and 110 million € in the first half of 2015. Taking in consideration the Government efforts to attract more FDI, making many roadshows to present Macedonia as an attractive business destination, opening technological-development-in-

vestment-zones and offering much (undisclosed) in subsidies to foreign investors, the result is certainly not affirmative.

The balance of payments and trade balance remain negative, and rose from 0.8 per cent in 2014 (per cent of GDP) to -3.0 per cent in the first 6 months of 2015 and 2014 ended with deflation of -0.3 per cent (average value on a cumulative basis) and the same trend has continued for three quarters in row in 2015.

Nominal wages increased 0.4 per cent in the first 8 months of 2015 (period-to-period) while real wages increased 0.6 per cent. The average gross wage in the country is around 520€, however over 70 per cent of all employees earn less than the average.

The unemployment rate is still very high, although slowly decreasing in recent years, from 28 per cent in 2014, to 26.8 by the end of the second quarter of 2015. However, the activity rate remains low at 57 per cent, while the employment rate is increasing twice slower than the decrease of the unemployment rate. Specifically, in a year-to-year period (second quarter of the year) the employment rate increased from 41.1 per cent (2014) to 41.7 per cent (2015) while the unemployment rate for the same period decreased from 28.0 per cent to 26.8 per cent. This might indicate that unemployment is not contracting because the unemployed find employment but because of active state policies, as it has already been the case in the past.

According to the State Statistical Office, the at-risk-of-poverty rate is slightly decreasing, to 24.2 per cent of the population. However, the number of persons living below at-risk-of-poverty threshold amounts to one quarter of the population.

The inequality of income distribution (Gini-coefficient) published in 2015, covers 2013, when it was 37 per cent (a decrease from 38.8 per cent in the previous year). However, according to some social analysts, the richest 1 per cent of the population receive 12 per cent of the total national income (in 1990 it was 4.5 per cent), which puts Macedonia at the third highest level in Europe in inequality of wealth distribution.



2. STATE POLICIES

In light of the systemic problems which have been revealed and/or confirmed by revealed intercepted communication, the European Commission recruited a group of independent, senior rule of law experts to carry out a rapid analysis of the situation in Macedonia and provide recommendations to address these issues. This interim report, known in public as the Priebe Report (by Reinhard Priebe, retired Commission Director, who was the leader of team of experts), was published on 8 June 2015. This report highlighted more systemic deficiencies, shortcomings, difficulties and problems, for which the Government (which is in power for nine years now) is mostly responsible for.

The Priebe Report underlined five main areas of concern: interception of communications; judiciary and prosecution services; external oversight by independent bodies; elections; and media. It was particularly noted that the existing legal framework does not raise particular problems and relevant services are generally competent and professional; however, there is a lack of proper, objective and unbiased implementation and considerable gap between legislation and practice that needs to be addressed and overcome urgently.

During 2015 there was almost no space for other governmental policies than those required by the extraordinary situation (political and general) in the country, described in the report. The situation, which deteriorated ever since the opposition was thrown out of the Parliament in December 2012, has been worsened by the divisive political culture in the country, a total breakdown in political dialogue and (meanwhile) a completely blurred distinction between the (governing) parties and the Government itself, which were also noted in previous EU Progress Reports. The opposition and governing parties came to a dialogue process facilitated by members of the European Parliament, Commissioner Johannes Hahn and other representatives of international community, after the opposition disclosed part of the intercepted communication (wire-taped conversations during a three-year period).

The members of the Government did not take political responsibility, counting mainly on that divisive political culture and previously conducted populist policies. The opposition accepted the negotiations in order to avoid opening confrontations and jeopardizing stability in the country. The result was the twice revised "Przino Agreement" that was first signed on 2 June but had to be reconfirmed on 15 July 2015. Upon its implementation now lies the EU perspective of the country. This agreement stipulates more issues regarding the five previously mentioned issues of concern (among other things establishing a Special Prosecution office for investigating possible crimes indicated in the intercepted communications, a change of legislation regarding media, nominating ministers of labour and interior, as well as special deputy-ministers of finance, agriculture and administration by the opposition, the resignation of the Prime Minister three months before the elections, etc.). At this stage it is obvious that there are more problems and delays in its implementation, which might influence the overall outcome of the process.

The major developments in state policies were related to above-mentioned issues, which are in direct correlation with the adjustment to EU norms and standards. However, a few economic and social matters have to be highlighted too.

As mentioned, the Government prepared an Economic Reform Programme, upon which country-specific recommendations were adopted within the Economic and Financial Dialogue meeting in Istanbul, which took place during the EU and the Western Balkans summit. Those recommendations, among others, point out the need of:

- 1) Improving the management of public finances by adhering rigorously to the fiscal targets and consolidate the budget deficit according to the target of 2.9 per cent in 2017. However, the targeted deficit for 2015 was revised upwards from 3.4 per cent to 3.6 per cent of GDP, while the actual deficit was even higher, at 4.2 per cent on account of ad-hoc increases in spending on pensions, social benefits and subsidies, as well as additional resources required for the construction of an in-

- frastructure project, the Corridor X motorway. The targeted deficit for 2016 is again high, 3.8 per cent of GDP. Given the 2015 supplementary budget and in anticipation of a further increase in spending in the upcoming pre-election period, the given targets for 2017 are obviously overly ambitious.
- 2) Improving the composition of spending, by prioritising investment projects according to their productive potential and being more transparent on cost-benefit analysis underlying transfer and investment spending items in the budget. Meanwhile, the spending on buildings and monuments connected to the so-called “Skopje 2014 project” still goes on, after absorbing between 600 and 700 million € in the past four-five years, while the subsidies to foreign investors remain completely non-transparent.
 - 3) Improving fiscal transparency, including more comprehensive data on the debt of public companies and contingent liabilities in the government’s debt management strategy, as well as informing about arrears. In reality, this issue remains at the lowest possible transparency level, while the increase in public debt is speeding up. In order to diminish the level of indebtedness the Government even changed the legislation defining the public debt in 2014.
 - 4) Improving the employability of workers by better aligning skills with labour market demand, notably by developing the education system. At the same time the EU Progress Report notices that measures taken by the government in this area did not adequately address the underlying structural causes of unemployment and were not sufficiently subjected to performance evaluations. Labour productivity remains at around 18 per cent of the EU average. The implementation of the 2013-2020 vocation and education training strategy is lagging behind in many areas, while changes in the education system are planned without any participation of other stakeholders (like employers, for instance).

3. INDUSTRIAL RELATIONS

Although the extraordinary political situation put the industrial relations issues in the background, there were several important events during the year. However, the general situation in the country emanated to all domains of life, most often putting political labels to activities and events that were not connected to political parties’ agendas.

The Trade Union of Education Science and Culture (SONK) went on strike in January 2015, after calling off a strike in September 2014, giving a chance to negotiations which did not materialize. The trade union protested against a new regulation which provides for external assessment of teachers’ performance and introduces penalties, including termination of the work contract, in case of negative scores. After two weeks the strike ended with an agreement between SONK and the Ministry of Education according to which a joint work group will review the legal provisions and try to find mutually agreeable solutions. However, there was enormous pressure and threats to union members before and during the strike, a negative public campaign and internal divisions in the union. The turbulence in SONK continued through the year, taking attention away from the problems in the sector and resulting with internal disputes instead of a struggle for the benefit of members.

The Trade Union of Employees in Administration, Judiciary and Civil Associations (UPOZ) called for a two-hour warning strike on 3 December in the judiciary administration. The trade union was protesting against the Law on Judicial Service, which is very unfavourable for judicial administrative employees. UPOZ is planning to continue with longer stoppages of work in judiciary administration until the main issue is resolved in favour of the workers.

The Trade Union of Industry, Energy and Mining in Macedonia (SIER) organized several public protests with workers from companies in state ownership, which were not privatized, demanding resolution of the companies’ status and unpaid salaries. This will continue in the next period since the Government might be more willing in pre-election time to find a solution and some positive outcome for the workers.



The Law on Obligatory Social Insurance was amended in 2014, which caused mass protests organized by civil associations and NGOs. The pressure resulted in annulling the changes in the law. At the same time, under pressure of mass students' protests at the end of 2014 the government decided to postpone the effectuation of changes in laws on education until discussing best solutions with students, professors and others.

Social dialogue continued with variable success. The General Collective Agreement for the private sector was slightly amended on demand by the employers' organization in precisely the section that was estimated as a big success of the union in the previous year, the vacation allowance, a lump sum that is paid once a year in minimum amount of 40% of the national average salary. The amendment gives opportunity to companies with financial and operational problems to pay less in the allowance (or even nothing), after consulting and contracting it with the union.

The negotiations for the General Collective Agreement for the public sector were not effectuated; the representative union federations which negotiate (SSM and KSS) are not putting enough pressure for that.

The collective agreement for the energy sector was concluded, after the respective organization of employers was founded. A few branch collective agreements were extended or amended: for employees in police, in public health, agriculture, textile and apparel as well as leather and shoemaking.

The Law on Labour Relations was amended a few times, regulating publication of job vacancies and compulsory social insurance. However, enacting those amendments is estimated by the unions to have no significant impact on the position of labour, like the demands and proposals of SIER for amendments submitted the previous year would have made. Namely, according to the law, a worker can have short-term contracts with the same employer for the same or similar jobs for up to 5 years. In practice, this stipulation is often disobeyed (the contract is not transformed into a permanent one after five years unless labour inspection is involved or it is deliberately terminated before the end of the five-year period).

Although the problem affects all employees (particularly the young, among whom the rate of unemployment exceeds 50 per cent) the main union federations are not reacting to change the legislation. SIER remained alone in putting the issue of short-term contracts on the agenda and this issue remains a major obstacle for organizing new members, since all employees in newly-built industrial facilities have short-term contracts and precarious jobs.

In Macedonia there is no other developed system of workers' participation on the company level other than through union organization. Institutions like Workers' Councils of any kind are unknown in the legal framework and in practice. Therefore, the attempts of some companies, originating from countries where such practice and institutions exist, to impose nomination of workers' representatives as a substitute to union organizing, is understood by the industrial unions as attempt to undermine the freedom of association ultimately leading to "yellow unionism".

The Law on Occupational Health and Safety was also amended, giving the union representatives more authority in dealing with health and safety issues in companies. The amendment was enforced after a campaign initiated by SSM.

The Federation of Unions of Macedonia (SSM) had its congress in May 2015, re-electing the same leadership. However, the internal turbulence that started before the congress (mainly regarding the candidacy regulation and acceptance, as well as some statutory solutions) continued after the congress. The pressure for resignation of the president (who was the only candidate at the congress, after eliminating the second candidate) is growing stronger. Most of the branch unions in SSM had their congresses too, without major changes in their leadership or strategic documents.

The second representative confederation, KSS, is also having internal problems. Within two years three acting presidents were changed, without calling a new congress for elections and without trying to resolve the problems. SONK, the most significant branch union in KSS just held its 6th Congress and



elected the same leadership. Information regarding congresses or internal organizational issues for other existing union associations in the country is not publicly available.

On the employers' side, the Organization of Employers of Macedonia (ORM) just celebrated its 10th anniversary, stating that its membership is growing and it will continue to work hard on improving social dialogue as powerful tool for development and improvement of industrial and social relations.

A remarkable growth in civil society activism was noticeable during the reporting period, particularly among students, civil organizations, from the leftist movement, and from other NGOs that stepped forward against government policies in the light of the political crisis.

4. TRIPARTITE SOCIAL DIALOGUE

According to the 2015 EU Progress Report, the role of the Economic and Social Council (ESC) as the leading institution of tripartite social dialogue was strengthened. The process of decentralization of the tripartite social dialogue to the municipality level is going on; so far tripartite bodies have been founded in 12 municipalities. However, trust in social dialogue should be further strengthened among both employers and employees. Further, the capacity of social partners should be advanced, particularly in shaping policies. Overall, the EU Progress Report notes that consultation between the social partners in the policy-making process remains limited, as does the influence of unions' and employers' organizations, and their capacities remain weak.

This observation is certainly accurate, and the main reason for that should be looked for in the general governmental policy and practice of undermining and avoiding the dialogue itself in any field, not only in the social one. For many years the practice of imposing policies without taking into consideration any other opinions has been followed by the government, turning the institutions into either protagonists or numb spectators of governmental policies. As a consequence, the ESC has not been performing in all areas of required consultation by social partners.

The Law on Peaceful Settlement of Labour Disputes, adopted two years ago, introduced a system of external mediation and arbitration. Although mediators and arbiters were trained and educated to enforce the law, the implementation is slow and is still just partial.

5. FORECASTS

The forecast and perspectives for Macedonia are that expectations should be modest. Domestic and external uncertainties, which have already impacted negatively on investment activity, will continue to have restraining impact, affecting the expected GDP growth. It is likely that domestic demand, spurred by household and planned public infrastructure spending, will remain the sole drivers of growth. On the other hand, the concerns about fiscal consolidation, and particularly debt sustainability, are growing. The current budget deficit situation and expected growth rates at a more moderate pace than anticipated earlier are not supporting the likelihood of meeting the government's commitments to reducing the deficit below 3 per cent by 2017.

Overall, the implementation of the Przino Agreement will determine the political and economic prospects of the country generally, and not only in the next year.



ANNEX OF DATA

• **Collective bargaining system**

The collective bargaining system in the last federal Labour Code continued as previously designed before the end of the former joint state (Yugoslavia). That history 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, the ESC as 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, whose parents are covered by insurance (until the age of 26);
- Unemployed persons that 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 budget) is not compatible with the statistics about the number of people employed (based on a labour force survey). The number of insured persons who regularly pay insurance is 78 per cent (column 3/column 2) of the employed population, or 56 per cent of the active population.



Table: Labour force covered by insurance 2014

Active population	No. of employees (labour force survey)	No. of insured persons
1	2	3
958,998	690,188	536,191
100%	72 % _(2:1x100)	56 % _(3:1x100)

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 contributions from gross wages, there is no distribution between the employer and employee), while the employer is obliged to calculate and pay the contributions on the employee's behalf. There is a minimum threshold for calculation of contributions at a level of 50 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 wages. 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**

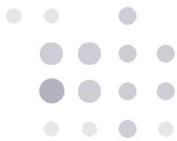
The pension insurance system relies on three pillars:

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

The 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. However, changes in the legislation (July 2014) allows an employee (man) to 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, the pension is reduced proportionally. The Law on Pension and Insurance in Case of Disability regulates family and disability pension rights. At the moment the ratio is 1.8 (insured) employees to 1 retired person. The average monthly pension is around 200 €, while the maximum ceiling is set at 2.4 times the country's average monthly wage.

• **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 of employment: subsidies, trainings, requalification, etc.



• **Education and vocational training**

Table: Structure of labour force by education, second quarter 2015

	% of labour force	% in unemployed population
No education, incomplete primary school and lower secondary education	24.3%	27.6%
3 years secondary education	7.1%	7.5%
4 years secondary education	46.6%	47.3%
Higher (industrial college) level education	2.5%	1.7%
Academic university level education	19.5%	15.9%

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 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**

Table: Dynamics of Employment

	2010	2011	2012	2013	2014	2015*
Active population	923,323	936,256	943,055	956,057	958,998	956,174
Employed	627,129	645,085	650,554	685,480	690,188	699,578
Activity rate	56.9	56.8	56.5	57.2	57.3	57.0
Employment rate	38.7	38.9	39.0	40.6	41.2	41.7

Source: State Statistical Office * Last published data: second quarter 2015



Employed by economic status

	Employed total	%	Employee	%	Employer	%	Self-employed	%	Unpaid family worker	%
2010	637,855	100	462,445	72	33,394	5	85,068	13	56,948	9
2011	642,809	100	454,428	71	42,227	7	81,118	13	65,036	10
2012	650,554	100	462,991	71	29,529	4	101,136	16	54,545	8
2013	685,480	100	495,451	72	30,157	4	97,460	15	62,412	9
2014	687,465	100	500,254	73	31,692	4	101,078	15	54,441	8
2015*	699,578	100	510,527	73	31,450	4	97,780	14	59,821	9

Source: State Statistical Office

* Last published data: second quarter 2015

• Unemployment rate

	2010	2011	2012	2013	2014	2015*
Labour force	938,294	936,256	943,055	960,704	957,790	699,578
Unemployed	300,439	293,448	292,502	275,225	687,465	256,596
Unemployment rate	32.0	31.4	31.0	28.6	28.2	26.8

Source: State Statistical Office

* Last published data: second quarter 2015

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

Population 15-24	2010	2011	2012	2013	2014	2015*
Labour force	103,714	105,291	103,004	103,261	89,731	93,425
Employed	51,292	42,719	48,414	51,275	44,491	50,146
Unemployed	52,423	62,572	54,589	51,987	45,240	43,279
Inactive	214,301	207,875	197,735	190,394	203,923	188,976
Unemployment rate	50.5	59.4	53.0	50.3	50.4	46.3
Activity rate	32.6	33.6	34.2	35.1	30.5	33.0

Source: State Statistical Office

*Second Quarter 2015

The unemployment rate is very high and the labour market is non-functional; the long-term high rate of unemployment, particularly for young people (over 50 per cent), as well as the low activity 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 a 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*
Total	503	498	501	506	511	521
Agriculture	353	348	366	362	374	370
Industry	499	518	521	537	551	564
Services	544	563	555	564	576	588

Source: State Statistical Office

* Last published data average wages I-VIII/2015; State Statistical Office

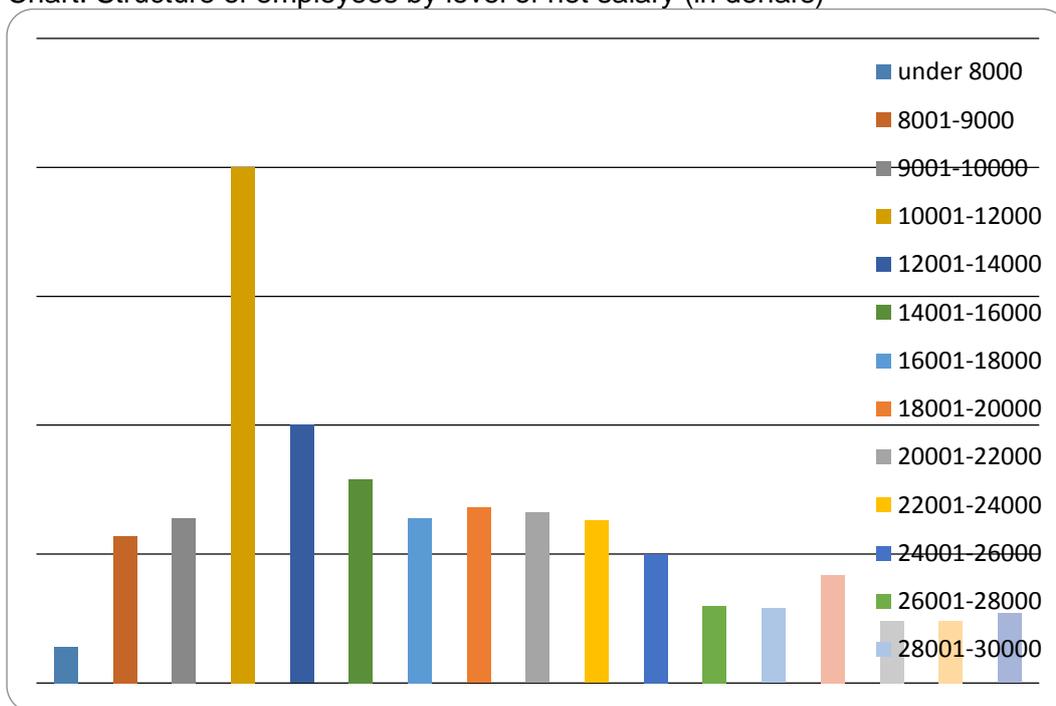
** Own calculations in €, by mid-point exchange rate

Nominal wages increased 0.4 per cent for the first 8 months of 2015; real wages increased 0.6 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 reported to be €564,

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 the net wages, supports the previous statement. Two peaks are noticeable in the chart. The highest peak shows that most workers earn net wages between 164 and 197 € (10,000-12,000 denars) – mostly industrial and construction workers. The second peak shows the wages around and just above the average (between 328 and 410 €; 20,000-25,000 denars) – mostly public administration workers. Overall the table

proves that 70 per cent of employees earn less than the average wage, which is fairly low in itself. Therefore, a substantial number of employees are at or near the at-risk-of-poverty threshold.

- **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 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)

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

Source: State Statistical Office

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

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

Source: State Statistical Office

* % of Country average = 100%

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 (€165). At the same time, the minimum threshold for

payment of contributions remains valid. The threshold was established a few years ago in the amount of 50 per cent of the average gross salary, which at the moment corresponds to €252. Therefore, someone with a gross salary less than €252 additional payment must be made only in the contributions (not in the net amount). For the time being, the additional payment goes on the account of the employer, although the employee is obligated for the contributions. In this way those with the lowest salaries pay an effectively higher percentage in contributions than prescribed by law; example: an employee with an average gross salary pays contributions and taxes in the amount of 31.67 per cent in 2015 while an employee with the minimum salary pays contributions and taxes in the amount of 32.47 per cent in 2015, and this difference was even higher in previous years.



	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%	356€*	521€*	31.67%
2016	165€	241€	31.54%			

Source: State Statistical Office; Law on Minimum Wage; Own calculations
 * last published data I-IX.2015

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 stipulations. 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

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 the 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 temporary agencies 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:

Year	Number of contracts	Number of agencies
2010	106,620	29
2011	77,741	29
2012	81,332	28
2013	77,804	18
2014	74,801	19
2015*	61,488	19

Source: Association of Agencies for Temporary Employment
 *10 months of 2015



• Migration

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

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

Source: State statistical office

According to official statistics, migration to other countries is not a social problem since in 2014 total of only 740 persons emigrated from Macedonia. By qualifications, there were:

- 15 with no education
- 114 with uncompleted primary or primary school education
- 229 with secondary school education
- 38 with higher education
- 75 with university degree education
- 4 with master's degree
- 3 with PhD. degree
- 262 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

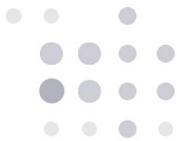
By amending the Labour Code in November 2009, general collective agreements became mandatory for all employers in the private and public sectors. Therefore, by power of the law the coverage became universal, or it is considered that workers in the private sector are 100 per cent covered by a collective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

army but this is not the case with education (in preparation) and administrative workers. 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.

• 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 no) allowance, after consulting and contracting it with the union.

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 without success so far. Therefore, workplace level collective agreements are signed (with each employer separately). There are sectors where representative organization of employers exists, but CAs are not signed because of the impossibility to come to commonly acceptable solutions, (e.g. in construction). Usually, the employers are in such different conditions 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 new certificates for representativeness show there has been a decline in union membership. However, under the law, the committee for examining representativeness takes in account only the members who pay the fee out of their salaries, thus excluding the members who pay from own their own accounts or are exonerated 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, it means that the unions have more members than is taken into account when establishing representativeness. The confederations have not submitted their own data yet for the situation in public and private sector or by separate sectors. However, 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 are members.

- **Workplace representation**

There was no change in the workplace representation situation during the observed period. Although expected, no changes in the legislation were made in that regard. 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 observe the implementation of laws and collective agreements, to react in case of violations and/or non-implementation of the legislation (regulation), etc.

However, the trade union reacts only on behalf of 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 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 unions Mapping**

- **National Trade Union Confederations:**

1. Sojuz na sindikati na Makedonija - SSM; Trade Union Federation of Macedonia

(figure of members to be disclosed), affiliated to ITUC and ETUC in 2013; 18 branch unions.

2. Konfederacija na slobodni sindikati na Makedonija - KSS; Confederation of Free Trade Unions of Macedonia (figure of members to be disclosed), application for membership in international associations; 10 branch unions; affiliated to ETUC.
3. Unija na avtonomni sindikati na Makedonija - UNASM; Alliance of Autonomous Trade Unions of Macedonia; no data for membership; 5 branch organizations; member of ITUC.
4. Konfederacija na sindikalni organizacii na Makedonija – KOSOM; Confederation of Trade Union Organizations of Macedonia; no data for membership; 2 branch unions; no data 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, 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 proektiranje na RM - SGIP; (SSM) Trade Union of Civil Engineering, Industry and Planning of Macedonia, 6,000 members; member of BWI and IndustriAll-global;
4. Sindikat za obrazovanie, nauka i kultura na Makedonija- SONK, Trade Union of Education, Science and Culture of Macedonia; (KSS) 26,000 (figure from 2014) members; member of EI;
5. 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.



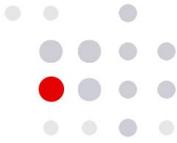
6. Makedonski policiski sindikat - MPS; Macedonian Trade Union of Police Force (SSM); 12,000 members; member of PSI.
7. Sindikat na vrabotenite vo uprava, pravosudstvo i zdruzenija na gradjani -

- **Employer's Organisations**

1. Organizacija na rabotodavači na Makedonija - ORM; Employers' Organization of Macedonia; (figure of members to be disclosed); member of SEEFF;

UPOZ; Trade Union of Employees in Administration, Judiciary and Civil Associations (SSM); 6,500 members; member of PSI/EPSU.

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).



About the Author

Mare Anceva is General Secretary of the Trade Union of Industry, Energy and Mines of Macedonia (SIER)

Responsible:
Valeska Hesse

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www.fes-socialdialogue.org

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