

Industrial Relations in Macedonia: Challenges Ahead of Economic Recovery

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List of Abbreviations

BCM	Business Confederation of Macedonia
CRPM	Center for Research and Policy Making
ESC	Economic and Social Council
ETUC	European Trade Union Confederation
EU	European Union
FES	Friedrich Ebert Stiftung
GCA	General Collective Agreement
ILO	International Labor Organization
ITUC	International Trade Union Confederation
KSOM	Confederation of Trade Unions Organization of Macedonia
KSS	Confederation of Free Trade Unions of Macedonia
LESC	Local Economic and Social Council
LL	Labor Law
MLSP	Ministry of Labor and Social Policy
NBRM	National Bank of the Republic of Macedonia
ORM	Employers' Organization of Macedonia
SONK	Trade Union for Education, Culture and Science of Macedonia
SSM	Federation of Trade Unions of Macedonia
SSO	State Statistical Office of Macedonia
TU	Trade Union
STKC	Trade Union of Workers in Textile, Leather and Shoe Industry of Republic of Macedonia
UNASM	Independent and Autonomous Trade Unions of Macedonia
WB	World Bank

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Introduction

1.

The impact of technology on the business world is immense and should not be underestimated. Instead, it should be used for its benefits. This requires shifts in the skills required for workers and changes in industrial relations and employment. In this process, the most important link in the organization community shall be the role of human resources, as a transitory step.

Macedonian neo-liberal agenda strongly influenced the industrial relations in the country. However, since its independence, the country struggled for pluralism in social organization and achieving representativeness. Until 2005, there was only one trade union, namely the Confederation of Trade Unions of Macedonia, whilst the employers were represented by the Chamber of Commerce. Since the amendments in the Labor Law, the representativeness levels were fixed at 10% for TU and 5% for employers. Problems that persevered since are that TU are regarded as too close to the political and economic elites and consequently not representing the interests of the employees. The establishment of the Employers' Organization was faced with the same situation.

The European commitment of Macedonia has also contributed to some changes in this area. The country opened its economy to the European market, which represents the largest share of Macedonia's trade. As a result, the EU accession process in transitional countries introduced a series of new requirements which implied the adoption of the new models of labor relations and social dialogue characterized by active role of the social partners in the policy-making processes. Since its independence, Macedonia made efforts to harmonize its Labor Law with the EU standards. This process of aligning the law with the *Acquis* enabled many new laws and provisions to be drafted and include points against discrimination, collective bargaining, trade unions and strikes. However, the effects of the economic and political transition process are still felt.

This report aims to shed light on the challenges of the industrial relations after the economic crisis with particular attention on the impact of digitalization and new forms of employment on the development of the social dialogue in the country. It also aims to provide some viable solutions on how to deal with these challenges.



Methodology

2.

The challenges of the economic crisis on the industrial relations Macedonia and the impact of the new forms of employment, digitalization as well as the development of social dialogue through the Economic and Social Council do not gain sufficient research focus in Macedonia. In this regard it was difficult to obtain data from the national institutions in Macedonia, which deal with this issue.

The methodology of the research was developed in cooperation with all project partners during a workshop meeting. At the focus of the analysis were the challenges of the industrial relations after the economic crisis and the impact of the new forms of employment and digitalization on developing the social dialogue in Macedonia. In order to better assess the situation, we have used primary and secondary resources. As secondary resources we used policy briefs on the topic, prior NGO analysis, and reports from some national institutions. The analysis from secondary resources was extremely limited, and therefore most of our conclusions and analysis shall be based on our findings from the field research conducted for the aim of this study.

As primary statistical resources, the following sources were consulted: the Eurostat data, the data from State Statistical Office (SSO), data from the National Bank of the Republic of Macedonia (NBRM), and World Bank data.

The research consisted of three parts. First, three in-depth interviews with representatives from individual companies and their respective trade unions were conducted. The three companies interviewed in the report were Makstil-Duferco Group (representative of the metallurgy sector), Komercijalna Banka - JSC Skopje (from the financial sector) and Vero – JSC Sveti Nikole (from the textile sector) (see review of companies in Text box 1). These three sectors have greatest impact on the Macedonian economy. Second, we have organized two focus groups. The first focus group invited representatives from the trade unions and a representative from the Ministry of Labor and Social Policy, who deals with issues from the Economic and Social Council. The second focus group entailed representatives from the employers' organizations. Finally during the foresight workshops we were able to gain some insight of how are the social partners reacting to the new challenges ahead.

Text box 1. Information on companies consulted

Company 1: Makstil

“Former Mines and Iron & Steelworks Skopje (founded in 1967) as an integrated producer of flat rolled products such as: hot rolled plates, hot rolled coils, cold rolled strips and sheets, galvanized strips and sheets and pre-painted coated strips and sheets with annual production of about 1.200.000 mt. of finished products. During the mid 90s the various production units were divided into 10 independent entities pursuant to the decision of the Government of the Republic of Macedonia. As an independent entity out of the above 10, Makstil AD runs steel slabs production with EAF steelmaking and continuous casting as well as plates production with Duferco Group as a main partner and major shareholder.”¹ After a troubling period in the 1990s and upon being taken over by the investment fund Duferco, the company tries to be competitive on the market by diversifying its production and its flexibility, i.e. offering small quantities of products with different size.

The beginning of the new century was marked with continuous growth, particularly between 2002 and 2008. The global financial and mortgage crisis, which started in 2007 in the US, severely affected the production capacities of the company, as their production is heavily dependent on the global prices of the metals. The production sharply fell inflicting serious damages to the stability of the company and its production capacities, dropping to only ¼ of its capacities. Following this, the company has also been affected by the Eurozone and debt crisis.

One problem of Makstil is to find suitable, competent and equipped staff. The workers that apply for a position usually lack practical experience and due to the differences of the market demand and the study program, they lack the required skills. Instead, the company is forced to “re-educate” them and invest a lot, before they even start working.

1 Makstil Duferco Group. Available at <http://www.makstil.com/02-About/about.aspx?page=About&lang=EN>



Company 2: Komercijalna Banka²

The Bank was founded in 1955 as Communal Bank of the City of Skopje. Today it offers a wide spectrum of banking activities: deposits, loans and credits to mediating activities for purchasing of foreign exchange, securities etc; it is one of the major banks on the Macedonian market and internationally organized entity. The most important values of the bank are tradition, efficiency, trust, transparency etc.

The employees of the bank are organized in a trade union, which is a member of the Trade Union of the Workers in Finance Organizations of Republic of Macedonia. Komercijalna Banka has signed the General Collective Agreement, and is currently working on signing its collective agreement at company level. Negotiations between employers and trade union are still underway as there are still some major points to be resolved.

Company 3: JSC Vero Moda³

The company is a legal successor of the former quilt production company "Silk" from SvetiNikole, and it was founded in 1955. In 1991 "Moda" was transformed as a Joint Stock Company in mixed ownership.

On 02/06/1995 based on the law of transformation of enterprises with social capital, the Board of JSC "Moda" make decisions for the rest of the transformation of social capital. In 1996, the company is sold to the German firm "CASA MODA Heinrich Katt" for sale by JSC "Moda" – Sveti Nikole. Today the company continues its successful textile production of shirts. The company is member of the Employers' Organization of Macedonia and its non-executive director is president of the same organization.

2 More information about Komercijalna Banka can be found at <http://www.kb.com.mk/>

3 More information about the company can be found at <http://ad-moda.com/public/?lang=en>



Framework of the Industrial Relations in Macedonia

3.

3.1. Legislative Framework

The employment issues in Macedonia are regulated by the Constitution of the Republic of Macedonia and the Labor Law. Other more specific regulations are stipulated in the appropriate laws from the field. This framework originates from the previous system, and since the independence is amended and changed on several occasions to suit the needs of today's society. The Labor Law protects anyone who has concluded employment contract with an employer and pursuant to the law has the right to know under which conditions he/she is entering the contract.⁴ Since its adoption in 2005, the Labor Law was amended 17 times, with the last amendment in February 2016. However, it still does not fully reflect the challenges of the new world economy. According to some stakeholders *"it is outdated as it is, and does not offer flexibility to either party."*⁵ LL envisages regulating fundamental rights and working rights, protection at work, remuneration, minimum salary, safe working conditions, consultations, equal pay and their representation in unions or other organization.⁶ In addition, it regulates associations in Unions and Employers, (general and sectorial) collective agreements, right to strike and the Economic and Social Councils, at national and local level. The biggest challenge for the Labor Law took place in 2009 when it underwent amendments that were not in line with the conventions of the ILO. Establishing

4 International Comperative Legal Guides. *Macedonia: Employment and Labor Law 2016*, retrieved from <http://www.iclg.co.uk/practice-areas/employment-and-labour-law/employment-and-labour-law-2016/macedonia#chapter-content1>. Accessed 21 December 2016.

5 Interview with management personal from Komercijalna Banka, conducted on 7 September 2016 (interviewed by Zdravko Veljanov); Focus Groups, conducted on 2 and 3 November; Veljanovski, Milcho. Закон за работни односи – фабрика на дилеми што не застарови (Labor Law – source of dilemmas that never get old). Академик. Available at <http://www.akademik.mk/zakonot-za-rabotni-odnosi-fabrika-na-dilemi-shto-ne-zastaruvaat/>. Last Accessed 14 December 2016.

6 Risteska, Marija. *National Report - The Impact of Economic Crisis on Industrial Relations System in Macedonia: Policy Responses as Key Recovery Tools*. Center for Research and Policy Making, Skopje 2012.



representativeness and the manner in which collective bargaining process is carried out, are just to examples of this. According to the representative from FES,

“...[I]t is all contained in Conventions 87 and 98, which are ratified by the Republic of Macedonia, and it is not necessary to align laws up until the moment they are contrary to the Conventions. The Labor Law is contrary to these two Conventions... This led to granting legal legitimacy of companies' trade unions...creating space for micromanagement by third parties.”

The amendments from 2013 include changes in the selection of candidates for a job post and its timeframe; the duration of seasonal work (8 months during a calendar year) and working hours for seasonal work (not longer than 12 h/day or 55 h/w for a period of 4 months); protection against discrimination against female employees on the grounds of pregnancy, birth and parenthood. The 2014 amendments encompass more detailed preview of the hiring procedure via public announcement; and continuance of the working age (up to 67 for men and 65 for women) upon request of the employee. The amendments from 2015 make changes and clearer specifications on the overtime work (max. 8 h/w or 190h/y); vacation (it cannot be used separately, but one part of it has to last for at least 2 weeks); fines and conditions for not regulated status of employees. The changes in the 2016 law amendments are of more technical character.

3.2. Recent Activities and Projects

In 2012, SSM in cooperation with its counterparts from Slovenia and Montenegro carried out a European project whose main aim was to strengthen the capacities of social dialogue in trade, agriculture and food industry. Through this project SSM implemented workshops, panel discussions, wrote up publications.⁸

In order to promote social dialogue and bring the workers' rights closer to the people, the three trade union associations (SSM, UNASM and KSS), designed the web page <http://rabortnickiprava.mk/> [Workers rights]. It is project implemented by the ILO and financed by the European Union. The web page provides overview of the trade unions (structure, mission and goals), and divides the workers' rights into categories, making it easier to search through explanations. The explanations are provided as

7 Focus Group, *Representative from Friedrich Ebert Stiftung*. Conducted on 2 November 2016.

8 SSD-SSM. *Заякнување на социјалниот дијалог во секторите со трговија на мало, прехранбена индустрија и земјоделскиот сектор во Словенија, Македонија и Црна Гора*. Available at http://www.orm.org.mk/images/documents/publication%20ssd-smm_macedonian_final.pdf. Accessed 15 December 2016.



question and answer, after brief introduction to the issue that has been reviewed. Overall, the tool, which provides good explanations and makes it possible to search through it in categories, could serve workers well.

Peaceful resolution of disputes was also an initiative undertaken by trade unions to improve the social dialogue. In this regard trade unions in cooperation with Friedrich-Ebert Stiftung organized public discussions and training to gather ideas and exchange opinions. This initiative should amend the Law on Peaceful Labor Disputes Resolution⁹, i.e. it should see establishing special courts to deal with labor disputes with the sole purpose of greater protection of workers' rights.¹⁰

Another issue of great importance in the past period was raising awareness about mobbing and how to protect workers. For the purpose, and in cooperation with a similar initiative in Croatia, there was a working group developing a legislative solution.¹¹ In addition, SSM has also been trying to raise awareness about the issue, and train and equip TU representatives to effectively deal with this and create a network of anti-mobbing councilors.¹² However, the final product of the working group and the efforts put in training, according to the SSFD representative, might not have yielded the desired effects. The legal solutions are not as effective as foreseen and the office¹³ was also closed.¹⁴

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- 9 Official Gazette of the Republic of Macedonia. *Закон за мирно решавање на работните спорови (Law on Peaceful Labor Disputes Resolution)*. Official Gazette of the Republic of Macedonia No. 87, 12 July 2007. Available at <http://www.mtsp.gov.mk/WBStorage/Files/Zakon%20za%20mirno%20resavanje%20na%20rab.%20sporovi.pdf>. Accessed 15 December 2016
- 10 Naumovski, Michel. *Посебен суд за работнички спорови (Special Court for Labor Disputes)*. Available at <http://tvm.mk/vesti/ohrid/10535-poseben-sud-rabotnicki-sporovi>. Accessed 15 December 2016; SSM. *Трибина за мирно решавање на работните спорови (Forum for Peaceful Resolution of Labor Disputes)*. Available at <http://www.ssm.org.mk/mk/tribina-za-mirno-reshavanje-na-rabotnite-sporovi>. Accessed 15 December 2016.; *Работни спорови: мирно решавање на работните спорови (Labor Disputes: Peaceful Resolution of Labor Disputes)*. Available at http://mk.promotingsocialdialogue.mk/?page_id=315. Accessed 15 December 2016.
- 11 Focus Group. *Representative from the Trade Union of the Workers in Finance Organizations of the Republic of Macedonia*. Conducted on 2 November 2016.
- 12 SSM. *Антимобинг обука во ССМ (Anti-mobbing training in SSM)*. Available at <http://www.ssm.org.mk/mk/antimobing-obuka-vo-ssm>. Accessed 15 December 2016.
- 13 Last posts of the office date back from November 2012. It can be accessed at <http://sfdm-stopmobbing.blogspot.mk/>.
- 14 Focus Group, *Representative from Friedrich Ebert Stiftung*. Conducted on 2 November 2016.



3.3. Main actors and social dialogue

While employers in Macedonia are organized in three organizations/associations: Organization of Employers of Macedonia, Business Confederation of Macedonia and National Federation of Temporary Employment Agencies of Macedonia; employees are organized within three main trade union associations: Federation of Trade Unions of Macedonia, Confederation of Free Trade Unions of Macedonia and the Union of Independent and Autonomous Trade Unions of Macedonia.

The industrial relations in Macedonia are at stage of regulating labor and quality. The two forms of social dialogue, tripartite and bipartite are still taking shape and their regular application is yet to be fully achieved. The bipartite social dialogue mostly takes its shape through collective agreements (negotiations at national, sectorial or company level), whilst the tripartite dialogue is achieved via the Economic and Social Council. The development period for the tripartite social dialogue took place in three stages: 1991 – 2003, 2003-2009 and 2010 – 2012. During the last stage of the tripartite social dialogue agreements were signed between representative workers union and the organizations of employers. The two signed agreements were the new General Collective Agreement (GCA) for the private sector and for the public sector. The relations were regulated only for the members of the union and the organizations. Information on entities which did not participate cannot be found. The social dialogue has national and international framework of operation. At national level it is derived from the Constitution or related national laws, whilst international agreements and acts are basis for the international framework.

Main industrial relations actors in Macedonia include the Ministry of Labor and Social Policy, the Economic and Social Council of Macedonia (at central and local level), the Council for Safety and Health at Work and the Commission responsible for determining representations. In addition to the government institutions, trade unions and the employers' organization, the other two parts of the tripod are also important. The main trade union confederations are the Federation of Trade Unions of Macedonia (SSM), who are also members of the European Trade Union Confederation (ETUC) and has 17 branch unions; Confederation of Free Trade Unions of Macedonia (KSS), with 9 branch unions; Union of Independent and Autonomous Trade Unions of Macedonia, with 6 branch unions and a member of the International Trade Union Confederation (ITUC); and the Confederation of Trade Union Organizations of Macedonia (KSOM), with 2 branch unions. There are several employers' organizations in Macedonia, but only the Organization of Employers' of Macedonia has representativeness. It was established in 2004, and since 2006 when it separated from the Economic Chamber



of Macedonia, it acts independently in the social dialogue, where it also signed the General Collective Agreement on behalf of the employers.¹⁵

After the initial transitional period, that lasted until 2012, the tripartite dialogue started to take shape and functioned relatively well in the years that followed. The Economic and Social Council started to accept its role in the process. Nonetheless, there are still significant omissions in its functioning, such as not placing important points on the agenda of the ESC or minor technical obstructions by the Minister of Labor, who is presiding with it. For instance, in pursuing its goals regarding social and labor issues, the government has tendency to send the laws directly to the parliament following an expedient procedure, completely bypassing the opinion and the role of the ESC. The Unions role has also been reduced to minimum when it comes to their comments or contributions to new laws.¹⁶

“That very ESC at national level does not review the laws. New laws are adopted in expedient procedure, without public discussions, discussions behind closed doors, discussions where the presence of employees and employers is limited, by introducing excuses such as representativeness, does not represent inclusive discussion. Especially by not taking into consideration the Regulatory Impact Assessment (RIA).”¹⁷

3.3.1. Trade Unions

Social justice and solidarity are defined as fundamental values under Article 8 of the Constitution of Macedonia. It is also fundamental right under the Constitution (Ar. 37) for the citizens to form trade unions, unions/confederations or to become members of international trade unions. Further, the Labor Law more precisely and specifically defines the industrial relations. Arts. 184-202 are devoted to unions and employers' organizations; Arts. 203-235 to collective agreements; Arts.236-245 to the right to strike; and Arts.246-247 to the Economic and Social Council.

The registered trade union or confederation becomes a legal entity on the day of registration in the Central Register, whilst trade unions membership is also kept in the TU Register in the MLSP. There are two trade unions who have achieved representatives at national level, namely SSM and KSS. SSM is the largest trade union with

15 EurWORK. *Former Yugoslav Republic of Macedonia: Industrial Relations Profile*. Available at <http://www.eurofound.europa.eu/observatories/eurwork/comparative-information/national-contributions/macedonia/former-yugoslav-republic-of-macedonia-industrial-relations-profile>. Accessed 14 December 2016.

16 Anceva, Mare. *Annual Review of Labor Relations and Social Dialogue in South East Europe – Macedonia*. Friedrich Ebert Stiftung, 2014. p. 6

17 Focus Group, *Representative from Friedrich Ebert Stiftung*. Conducted on 2 November 2016.



75 995 members, with 17 independent trade unions, 10 regional and 10 municipal offices. Over 50% of its members come from the private sector (42 219). The second largest and representative trade union, even though that it was only established in 2005, is KSS, with 43 727 members, over 27 000 of which are part of the largest trade union within the confederation, Union of Education, Science and Culture (SONK). The Union of Independent and Autonomous Trade Unions of Macedonia is the second oldest confederation, since the independence, however it has not shown representatives and as a result is not part of the ESC. Even though it does not have representatives, UNASM is member of the ITUC. Confederation of Trade Union Organizations of Macedonia (KSOM) is relatively small and has 8 000 members with 2 branch unions and no known international affiliations.¹⁸

Table 1: trade union membership (2010)¹⁹

Name of trade union	Membership
SSM	75 995
KSS	43 727
UNASM	N/A
KSOM	8 000

Source: EurWORK

Largest share of the membership in trade unions is from the public sector. After the privatization, only employees from big enterprises managed to keep or newly establish trade unions, however, they are experiencing series of problems from low levels of participation to troubles being heard by the other social partners and low levels of trust. One instance where a major trade union separated from SSM took place when SONK left SSM to form another trade union. As main reasons behind this were the close relations of SSM president with the governing parties.²⁰ The situation complicates the functioning of the trade union and creates frictions within it, one

18 EurWORK. *Former Yugoslav Republic of Macedonia: Industrial Relations Profile*.

19 Ibid.

20 *Цветановски обвинува дека синдикатот се претворил во рекетарска организација (Cvetanovski Fires Warning that the Trade Union Turned into a Shady Organization)*, 16 October, 2006. Available at <http://star.utriniski.com.mk/?pBroj=1831&stID=39895&pR=2>. Accessed 14 December 2016.; Another, most recent, incident from this type was when the president of SSM signed Memorandum of Cooperation with the ruling party VMRO-DPMNE, just prior to the early parliamentary elections. This has caused turbulences within SSM. One fraction opposed the incumbent president Mitrevski, stated that he has been impeached and appointed Dimovski as deputy president.



the one hand, and with the other partners, particularly the MLSP, on the other hand. These frequent turbulences are mainly caused by the low level of trust and the lack of internal democracy.

Table 2: Trade union membership, by branches²¹

Trade union branch	Membership
Trade Union of Industry, Energy and Mining of Macedonia	8 500
Trade Union of Workers from the Agricultural, Water, Tobacco and Food-Processing Complex of the Republic of Macedonia	6 500
Trade Union of Civil Engineering, Industry and Planning of Macedonia	6 000
Trade Union of Education, Science and Culture of Macedonia	26 000
Autonomous Trade Union of Health Care, Pharmaceuticals and Social Work	10 000
Trade Union of Police Force	12 000
Trade Union of Employees in Administration, Judiciary and Civil Associations	6 500

Source: *Annual Review of Labor Relations and Social Dialogue, Macedonia 2015*

In recent years, many new unions were founded and trade unions are getting more and more fragmented. In 2010, the Independent Trade Union for Journalists and Media Workers was founded, and aims to protect, represent and promote the professional standards of the media employees. The TU is also full member of the International Federation of Journalists.²² Another Trade Union which is highly disputed is the Trade Union for Culture of Macedonia. There are disagreements between the Trade Union for Culture of Macedonia and the Trade Union for Education, Science and Culture, which were particularly noticeable during the latest protests of the latter.²³ Another trade union that was established recently is the Independent Academic

21 Anceva, Mare. *Annual Review of Labor Relations and Social Dialogue, Macedonia*. Friedrich Ebert Stiftung, 2016.

22 *Independent Trade Union for Journalists and Media Workers*. More information available at its web page <http://ssnm.org.mk/za-ssnm/>.

23 *СОНК „протестира“ против протестот на културните работници (SONK Protests against the Protest of the Culture Workers)*. Available at <http://plusinfo.mk/vest/67814/sonk-protetira-protiv-protetot-na-kulturnite-rabotnici>. Accessed 12 May 2016.

Trade Union, whose principal areas of interest are the recent amendments in the laws regulating the academic profession (with regard to financing, overcrowded institutions, many new universities) and with a goal to preserve the autonomy of the universities and generate collective agreement for the employees in the higher educational institutions.²⁴

In 2005, the Multiethnic Union of Education of Macedonia as a branch union for education of SSM was established. However, in 2015 the trade union membership in SSM was terminated, due to not meeting the required changes to continue its membership. However, the worrying aspect of this decision is that the trade union was not allowed to appeal the decision.²⁵ SSM, now, does not have a trade union in the field of education and the trade union is still listed under the branch TU of SSM.

In 2011, the three Trade Union associations signed “Memorandum of TU cooperation.” The memorandum commits them to improved and better collaboration in the area of social and TU affairs, and received positive feedback from its International and European counterparts (ITUC and ETUC).²⁶ In 2011 SSM and KSS became associate members of the World Confederation of Trade Unions,²⁷ and since 2015 SSM is full member of the European Trade Union Confederation.²⁸ Important steps in its full approval to ETUC were the Law on Minimum Wage, mobbing provisions in the Labor Law, creation of the ESC, creation of Local ESC etc.

However, apart from SSM, other associations face serious operational problems. There is no new information of whether UNASM managed to obtain representativeness. Moreover, KSS is also facing problems with its operation. For instance the last updated post on its web page dates back to 2014, whilst its last documents regarding programs or platforms for operation are from December 2012, when it adopted the Program for Operation 2012-2017.²⁹

24 *Формиран независен академски синдикат (Founding of Independent Academic Trade Union)*. Available at <http://b2.mk/news/formiran-nezavisen-akademski-sindikati?newsid=tQbe>. Accessed 12 May 2016; See also Popsimonova, Gordana Statement.

25 *Multiethnic Trade Union of Education of the Republic of Macedonia*. Available at <https://mesorm.wordpress.com/page/2/>. Accessed 12 May 2016; *Мултиетничкиот синдикат исклучен од ССМ (Multiethnic Trade Union excluded from SSM)*. Available at <http://24vesti.mk/multietnichkiot-sindikati-iskluchen-od-ssm>. Accessed 12 May 2016; Tomić, Maja. *Упад во синдикатот за образование (Intrusion in the Education Trade Union)*. Available at <http://www.utrinski.mk/?itemID=7F106C0F8E433347B1C36BDD07AF275>. Accessed 12 May 2016.

26 UNASM. *UNASM Bulletin*. Vol. 2, 2011. Available at <http://unasmpp.weebly.com/uploads/2/6/8/9/2689772/unasm-bilten-mk-no.2.pdf>. Accessed 21 December 2016.

27 *ССМ и КСС придружни членки на светската конфедерација на синдикати (SSM and KSS adjoint members of ITUC)*. Available at <http://www.idividi.com.mk/vesti/ekonomija/673238/>. Accessed 12 May 2016.

28 *ССМ полноправна членка на Европската конфедерација на синдикати (SSM Full Member of ETUC)*. Available at <http://lider.mk/2015/03/11/ssm-polnopravna-clenka-na-evropejskata-konfederacija-na-sindikati/>. Accessed 12 May 2016.

29 Confederation of Free Trade Unions of Macedonia. for more details see <http://kss.mk/>



3.3.2. Employers' Organizations

In total, there are three employers' organizations in Macedonia, only one of which is representative, the Organization of Employers of Macedonia (ORM). ORM, as the biggest in the private sectors, has membership of over 1 000 companies in 15 different sectors, who employ nearly 70 000 employees, and represent 24% of all employees in the private sector. In June 2006, ORM signed the General Collective Agreement with SSM and the government. Representativeness of the Organization was determined in 2010, with Resolution No. 08-2226/5. In 2012, within ORM, 12 associations of employers divided by branches were formed. The second biggest employers' organization is the Business Confederation of Macedonia (BCM), re-registered under this name in 2009, encompassing over 8 500 members, covering over 40 000 employees in Macedonia. The organization applied for representativeness, but it was not granted, for which it had complained to the Commission responsible for assessing representativeness. However, their appeal was rejected.³⁰

3.3.3. Chambers of commerce

Three associations of chambers of commerce operate within the country. The chambers are representatives of the interest of the economy as a whole. With the Law on Economic Chamber of Macedonia,³¹ "the Chamber is a business and professional association which reconciles, represents and protects the interests of its members."³²

Economic Chamber of Macedonia

In Macedonia the Economic Chamber is not part of the Economic and Social Council, however, with its size and coverage has considerable impact on the social dialogue in the country. Its opinion is always carefully weighed before making decisions or laws. It is a social partner for many issues of its interest. The Chamber comprises around 15 000 members, which are mostly representatives of small and medium enterprises.³³

Macedonian Chamber of Commerce

The Macedonian Chamber of Commerce is the largest independent business association in Macedonia. It has more than 1 000 members and it represents their interests

30 EurWORK. *Former Yugoslav Republic of Macedonia: Industrial Relations Profile*.

31 Law on Economic Chamber of Macedonia. Available at <http://www.mchamber.org.mk/data/webdata/documents/The%20Law%20on%20the%20Economic%20Chamber%20of%20Macedonia.pdf>. Accessed 21 December 2016.

32 Economic Chamber of Macedonia. *History and Background*. Available at [http://www.mchamber.mk/\(S\(q5b3j345jppjw3fl2qwyjsjk\)\)/default.aspx?mId=93&lId=2](http://www.mchamber.mk/(S(q5b3j345jppjw3fl2qwyjsjk))/default.aspx?mId=93&lId=2). Accessed 21 December 2016.

33 More information about the Economic Chamber of Macedonia can be found at [http://www.mchamber.org.mk/\(S\(obhswaha5e3y3jo45brkbjgmt\)\)/default.aspx?mId=93&lId=2](http://www.mchamber.org.mk/(S(obhswaha5e3y3jo45brkbjgmt))/default.aspx?mId=93&lId=2).



by connecting them with regional and international institutions and organizations. In addition to its good networking opportunities, the Chamber also provides access to information and databases, entrepreneurship education, legal advice. It consists of 9 chambers and it has implemented more than 6 000 projects.³⁴

Economic Chamber of North-West Macedonia

The Economic Chamber of North-West Macedonia was founded in Tetovo in 2005, and represents the interests of the business community. Since 2007 the headquarters of the Chamber are in Skopje. The Chamber has 120 companies as members and tries to organize workshops, meetings and working groups to stimulate cooperation among its members and with the institutions. Some of its most significant projects are: Protection of Products' Brands from the Cross-Border Cooperation, Capacity Building of the Economic Chamber of North-West Macedonia, Strengthening the Youth and Generating Employment etc.³⁵

3.4. Representativeness

Not all associations of employers and employees are deemed to be representative in order to participate in the tripartite social dialogue. With the Labor Law amendments from 2010, representativeness of trade unions and employers' organizations determines participation in the tripartite bodies of social partnership, i.e. the Economic and Social Council (Art. 211 LL). Two trade unions (Federation of Trade Unions of Macedonia and Confederation of Free Trade Unions of Macedonia) have applied and met the requirements for representativeness. Requirements to be considered as representative are: membership of at least 10% from the total employed people in Macedonia, to entail at least three trade unions at national level in different sectors, to act at national level and have registered members in at least 1/5 in the Macedonian municipalities (Art. 212 LL). Conversely, only one employers' organization (Organization for Employers of Macedonia) meets the requirements for representativeness. For employers it is required to have registered at least 10% from the total number of employers in the country which account for 10% of the employed people (Art. 213 LL).

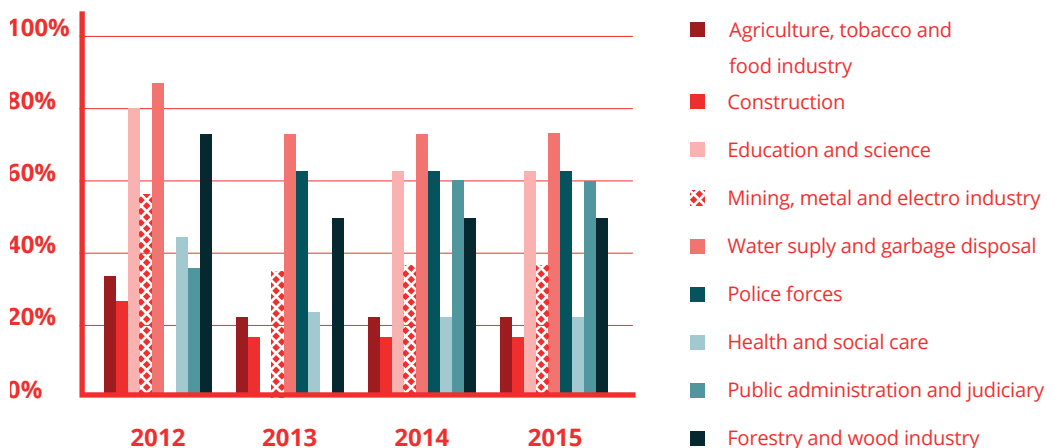
34 More information about the Macedonian Chamber of Commerce, its activities and operations can be found at <http://www.chamber.mk/en/index.php/about-us/about-us>.

35 Economic Chamber of North-West Macedonia. *History and Vision*. Available at http://oemvp.org/en/?page_id=761. Accessed 21 December 2016.



The two representative trade unions (SSM and KSS) and the only representative employers' organization are members and sit in the Economic and Social Council to negotiate with the government. With the issuance of the new representativeness certificates, it can be noticed that membership in trade unions continues to decline. The most significant drop in membership can be noticed between 2012 and 2013. Some of the main reasons for decrease in trade union membership are: closure of companies, reduction of the number of employees, new recruits are not interested to engage in union membership, etc. After 2013 the situation stabilized and the trade unions managed to preserve its members (see figure 1).³⁶ Currently, the challenge with determining the precise number of union members is that only those who pay fee directly from their salary are included, whilst those pay from their own account or those who do not earn regular wage (exempted for different reasons) are not included in the calculations. Hence, unions do have more members than the official statistics, a data that should be taken in considerations when analysis the situation with union density.³⁷

Figure 1: TU Density - TU Membership Trend 2012-2015



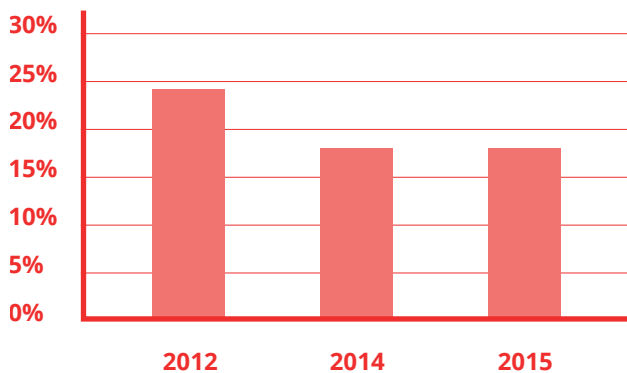
Source: Annual Reviews of Labor Relations and Social Dialogue in Macedonia 2013-2015

36 See: Anceva, Mare. *Annual Review of Labor Relations and Social Dialogue in South East Europe – Macedonia*. Friedrich Ebert Stiftung, January 2013; Anceva, Mare. *Annual Review of Labor Relations and Social Dialogue in South East Europe – Macedonia*. Friedrich Ebert Stiftung, 2014; Anceva, Mare. *Annual Review of Labor Relations and Social Dialogue in South East Europe – Macedonia*. Friedrich Ebert Stiftung, 2015.

37 Anceva, Mare. *Annual Review of Labor Relations and Social Dialogue in South East Europe – Macedonia*. Friedrich Ebert Stiftung, 2014. p. 14

The trade union density in 2013 reached 30%, the employers density stood at 24%, whilst the percentage of employees covered by collective agreements is at 100%, as a result of the general collective agreement which covers all employees. There is a sharp decline in employers' organization membership between 2012 and 2013. This is due to the closure of some big companies, which employed significant portion of the workforce. Nevertheless, what cannot be seen from the numbers is that in reality the Organization of Employers has more members than before. Many of the new members, however, are smaller compared to the closed companies and do not entail as many workers. Therefore, „*the membership is on the rise, and ORM has almost reached the same density level prior to 2012.*”³⁸ The Organization of Employers has proved its representation again in 2015.

Figure 2: Employers' Organization Density



Source: Annual Reviews of Labor Relations and Social Dialogue in Macedonia 2013-2015

Amendments to the General Collective Agreement

In 2013 there were ongoing negotiations about revising the GCA to improve the quality of the document and provide more precise and clear formulations. The amendments were adopted in December 2013 and entered into force in 2014. In the private sector, the GCA is mandatory and universal and enforced to all employers. Consequently, the coverage of collective bargaining in public and private sector in Macedonia is 100%.³⁹ However, even though *de jure* the coverage is 100%, in practice this is not the case. Specifically, the GCA for the public sector is yet to be concluded, as the negotiations

38 Interview with Angel Dimitrov – president of ORM and non-executive director of Vero Moda, Sveti Nikole. Conducted on 15 December 2016

39 EurWORK. *Former Yugoslav Republic of Macedonia: Industrial Relations Profile*. p. 2



continue to drag on. There are few branch agreements (namely health, police and army forces), but there are no agreements for workers in education and administrative workers. Additional challenge is enforcement of GCA in the private sector for small companies⁴⁰

In many sectors there is no branch employers' organization which prevents the trade unions to sign branch collective agreement, i.e. there are no collective agreements on branch level. Additional problems are from the frequent amendments to the law (17 times) since it was adopted, with the last amendments entering into force in February 2016.

3.5. Tripartite Social Dialogue

Grounds for foundation and setting up the social dialogue in Macedonia can be found in the Law on Labor Relations (Official Gazette of the Republic of Macedonia 62/2005), Agreement for the creation of the Social and Economic Council (Official Gazette 113/2010), ILO's Convention on freedom of association and protection of the right on association N. 87, ILO's Convention on right to association and collective bargaining No. 98, ILO's Convention on Tripartite Consultation No. 144, ILO's Recommendation No. 152 on international labor standards.

The central government and local governments in partnership with the other social partners form economic and social councils (ESC and LESCs, respectively) aim to facilitate the social dialogue and create conditions for economic and social stability. On regional level the tripartite social dialogue is also not fully established. What it lacks is the social dimension, since the trade unions are not taking part. Another aspect that is lacking is institutionalized social dialogue at branch level. At local level there are only few established councils, but would take time until they are fully in place and ready to take on their responsibilities.⁴¹ In 2014, the process of decentralization of the ESC began but as it was completely integrated into the local system, it is yet to become a useful tool for representation.⁴²

40 Anceva, Mare. *Annual Review of Labor Relations and Social Dialogue – Macedonia*. Friedrich Ebert Stiftung, March 2016. p. 15.

41 Anceva, Mare. *Annual Review of Labor Relations and Social Dialogue in South East Europe – Macedonia*. Friedrich Ebert Stiftung, 2014. p. 6.

42 Anceva, Mare. *Annual Review of Labor Relations and Social Dialogue in South East Europe – Macedonia*. Friedrich Ebert Stiftung, 2015. p. 7.



3.5.1. Economic and Social Council

ESC was established in 1996 to promote cooperation between TUs, employers and government. The Economic and Social Council (ESC) was established with an agreement between the government, representative trade unions and representative organization of employers to promote the tripartite cooperation between the government, trade unions and organization of employers, and its aim was to improve the social dialogue at national level in Macedonia. ESC's deliberates issues and gives suggestions, opinions and recommendations on labor and social issues among other things, as well as collective bargaining and agreements.⁴³ The new agreement for its establishment was signed in 2010 between the Government of Macedonia (represented by the ministries of labor, economy, finances and the vice-prime minister), the two representative trade unions (Federation of Trade Unions of Macedonia and Confederation of Free Trade Unions of Macedonia) and the Organization of Employers of Macedonia. The body is presided over by the Minister of Labor, which is sometimes regarded as a weakness as it is the Minister who sets and manages the agenda. However, since its establishment, the functionality of the ESC is still questionable. Since the beginning of the political crisis⁴⁴ in 2015 and frequent changes of the post Minister of Labor and Social Policy, who also presides of the ESC, it is difficult to have continuity in working.⁴⁵

The real test for the ESC came when it was required to negotiate the GCA. In this period, the ESC held regular sessions and put efforts to enable dialogue between the three social partners and reach acceptable solutions. As the government's practices to propose and adopt laws in expedient procedures continue to grow, so did the disability of the established tripartite dialogue to contribute effectively and timely to the laws. It was this instance of neglecting the input and importance of the TU opinion in the process that distorts the setup of the system. Further criticism was addressed with the adoption of the new Law on Minimum Wage, i.e. the Council has agreed to it even before the Law was officially submitted to the Parliament. Moreover, whilst STKC insisted that the Minimum Wage for the textile industry to be higher, their proposals were not taken into consideration in the law. As a result "*Youth Workers are*

43 Majhosev, Andon. *The Economic Crisis and Industrial Relations System in the Republic of Macedonia*.

44 At the beginning of 2015, the largest opposition party in Macedonia started disclosing wiretapped materials, which were allegedly carried out by have officials in the government (as main suspects were pointed the head of the government, the head of the Macedonia's counterintelligence agency and other top officials from ruling VMRO-DPMNE). The crisis resulted with signing an agreement by the leaders of the four biggest political parties, whereby some posts in the government will be occupied by the opposition party until the next elections. The new ministers shall have only technical capacities. One such post was Minister of Labor and Social Policy.

45 Partly due to the political crisis from 2015, whereby the post was identified as one of the posts to be handed to the opposition party, and technical minister was appointed to head it.



not interested in working in this sector."⁴⁶ In this regard, it showed distrust towards the institution, by not taking seriously into consideration the responsibilities of the Council in the process.⁴⁷ In many cases⁴⁸ the Regulatory Impact Procedure is not being respected and the ESC is not consulted in the process.

Text box 2: Power (Dis)balance among Social Partners

The financial crisis has skewed the power among the social partners in Macedonia. There is asymmetry of power between the government and its social partners. It has provided the government with more powers, as they were bypassing the other social partners when adopting new laws. One example for bypassing the opinion of the tripartite bodies during the crisis was during the adoption of the new law on pension insurance. Some anti-crisis measures proposed by the employers were eventually adopted, whilst the ones from the trade unions were continuously ignored. Another instance that shows the lack of coordination between the social partners, whereby the government is not taking into account the opinions and proposals of the employers' organizations and the trade unions was when deciding on the text about employment of disabled people. The newly adopted provisions, according to KB's company representative, were not at all reflecting the positions of the employers, and moreover, they were worse off than the previous provisions.

The influence of both unions and employers' organizations is limited and its capacities are weak. Consultation in the policy-making process is something that all stakeholders need to address and work on building stronger relationship and positions where each of them will be involved.⁴⁹ Because the ESC was not properly functioning in the

46 Interview with representative from the Trade Union of Workers in the Textile, Leather and Shoe Industry.

47 Anceva, Mare. *Annual Review of Labor Relations and Social Dialogue in South East Europe – Macedonia*. Friedrich Ebert Stiftung, 2013. p. 6

48 According to some participants of the focus group with TU representatives, it is the majority of new laws, proposals, and by-laws that are not being adopted in legal manner, i.e. going through the filter of the ESC.

49 Anceva, Mare. *Annual Review of Labor Relations and Social Dialogue– Macedonia*. Friedrich Ebert Stiftung, 2014. p. 7



period 2008-2010 (during the period of amending the Labor Law), the government consulted only its business partners, rather than all its partners.⁵⁰ Similarly, in absence of tripartite dialogue, companies and trade unions used the bipartite platform to look for strategic measures to improve the situation and sectorial level.

In July 2015, the ESC during its 20 sessions, among other things, adopted the National Action Plan for Youth Employment 2016-2020 as part of the strategy to overcome the long-term youth unemployment and promote jobs and measures for youth.

⁵¹ The ongoing political crisis, which started at the beginning of 2015, severely affects the functioning of the ESC. Frequent changes of the minister for labor and social policy (technical minister) hampers the regular functioning.

3.5.2. Local Economic and Social Councils

Local Economic and Social Councils started to be established in 2010. The main aim to establish LESC was to act as consultative and advisory bodies to local governments and to promote establishment of democratic and social dialogue in pursue of sustainable social state, and to involve all social partners, not only at national level, but also at local level, to engage in policy making and decision making about issues of general importance. In 2010, the first LESC were established in Kavadarci and Kumanovo. There are 9 members who sit in it, with representatives from the local self-governance and the representative trade unions.⁵² Moreover, Kumanovo's LESC within the framework of a USAID project managed to publish a manual "Guide for Local Social Dialogue" as a tool for the process.⁵³ In 2011, Strumica established its LESC, whilst in 2013 Bitola, Stip, Resen, Gostivar, Gazi Baba and for the City of Skopje. In 2012, Tetovo founded its LESC. Assistance in the establishment of the Local Councils was provided by USAID-Macedonia, and under the tutelage of the ILO as part of the project for local participation.⁵⁴ The tripartite social dialogue at local level is still in the early stages of

50 Majhosev, Andon. *The Economic Crisis and Industrial Relations System in the Republic of Macedonia*. p. 16

51 National Action Plan for Youth Employment 2016-2020 available at Ministry of Labor and Social Policy web page, <http://www.mtsp.gov.mk/content/AKCIONEN%20PLAN%202014-2015%20V8.pdf>.

52 Gjoseva, Marija Ignatova. *Извештај за функционирање на локалните Економско социјални совети и нивниот однос со националниот Економско социјален совет (Report on the Functioning of the Local Economic and Social Councils and their Relations with the National Economic and Social Council)*. Available at http://mk.promoting-socialdialogue.mk/wp-content/uploads/2015/03/Activity-1.1.1-Assessment-of-LESCs_mk.pdf. accessed on 12 May 2016.

53 Trajanov, Stojan; Gjoseva, Marija Ignatova & Kostadinov, Aleksandar. *Процена на функционирањето на трипартитниот социјален дијалог (Appraisal of the Functioning of the Tripartite Social Dialogue)*. International Labor Organization, 2015.

54 SSM. For more information, please visit http://www.ssm.org.mk/index.php?option=com_content&view=article&id=719&Itemid=168&lang=mk. Accessed 21 December 2016.



its development. In 2015 there were 12 LESC, however, further trust needs to be build and strengthened in order for them to start fulfilling their aims.⁵⁵

Major problem in the functioning of the LESC is its cooperation with the national ESC. Under its statute, cooperation with ESC is not envisaged, and consequently none is being carried out. Moreover, the points that are being discussed in the ESC are not being recommended or sent to the local level. Hence, it is necessary to raise awareness about the important role LESC can play in the tripartite social dialogue and its contribution for better functioning of the local governments and the insight they bring the ESC regarding issues of local importance.

Having regard that the LESC are (mostly) located within the premises of the municipal building and are composed of staff that works in the municipalities, the LESC can see growth in their importance. Another aspect that contributes to this is diversification and regionalization of the Macedonian economy. As more and more regions attract investments and new companies, LESC can find itself in the focus. In this sense, LESC can help to cope with the pressure and start playing the role that the ESC is playing at national level.⁵⁶

3.6. Digitalization and New Forms of Employment

The existing social security models molded in the post-World War II period were based on a different societal set up – whereby male full-time employees and fixed time contracts were dominant type of employment. Nowadays, new flexible modes of employment relationships are emerging and policymakers face challenges to bring the social protection mechanisms into line with the new flexible employment relationships and social protection.⁵⁷

Digitalization has been gathering pace for twenty years now. The development of the industrial and the economic markets, now more than ever, depend on the trends of digitalization. This rapid trend threatens to create a new industrial revolution. Hence, there is need to adopt and adapt to these changes. The importance of digitalization can be witnessed with its already large share of GDP of the US economy, representing 4% of GDP in 2010⁵⁸ (a number that has since increased, and will contin-

55 Anceva, Mare. *Annual Review of Labor Relations and Social Dialogue- Macedonia*. Friedrich Ebert Stiftung, March 2016. p. 7

56 Focus Group, Representative of *Business Confederation Macedonia*. Conducted on 3 November 2016.

57 Valsamis, Daphné; De Coen, An; Vanoeteren, Valentijn; Van Der Beken, Vim. *Employment and Skills Aspects of the Digital Single Market Strategy*. European Union, DG Internal Policies, 2015. pp. 57-58

58 European Strategy and Policy Analysis System. *2030 Global Trends to 2030: Can the EU Meet the Challenges Ahead?* European Union (Luxembourg), 2015. pp. 33-36



ue to grow). It is not just the companies and business enterprises that will be affected by it, but also the very foundation of the social dialogue within countries, first, and more significantly its transnational organization.

It also induces significant changes in the skills workers need. New skills require new forms of education, most importantly vocational education and lifelong learning, i.e. it is necessary to keep investing in these skills.⁵⁹ New types of employment are characterized with: atypical working hours, flexible contracts, pressure on wages and working times.⁶⁰ Therefore, through the Digital Agenda for Europe, the EU looks to use the potential of digital technologies to stimulate innovation and faster growth. There is constant need to up-skill and re-skill their experienced ICT professionals.

Digitalization induces major transformations how work is organized and employment relationships. *"New technologies offer flexibility on the market...one can work any-time and anywhere. And they create new types of employment relationship."*⁶¹ It helps to improve the communication within the company and keep the employees and other staff informed. In addition, it can help new employees to be more easily integrated into the union organization and can receive regular updates and information. In any case, these new trends of employment are relatively new in Macedonia and *"still insignificantly present."*⁶² Neither trade unionists nor employers are paying sufficient attention or making efforts to deal with these issues. *"We will start (worrying) about it, when it starts to develop."*⁶³ Instead, their time and effort is directed towards solving more pressing issues. Even mid- to long-term strategies (5-10 years) do not entail these new forms.

Moreover, the IT sector is in similar situation. Even though this sector has been developing intensely for quite some time, trade unions and participation in employers' organizations are missing. There is absence of trade union organizing, even in the largest IT companies. Therefore, there are no branch trade unions representing these employees and consequently workers are not protected with GCA provisions. Having regard that the IT market will continue to grow, due to future needs of the digitalized world, trade unions and employers should make efforts to organize this sector.

59 Valsamis, Daphné; De Coen, An; Vanoeteren, Valentijn; Van Der Beken, Vim. *Employment and Skills Aspects of the Digital Single Market Strategy*. European Union, DG Internal Policies, 2015. pp. 36-42

60 Ibid. pp. 43-46

61 Interview with the Head of Strategic Planning at Duferco-Makstil. Conducted on 1 September 2016.

62 Focus Group, representative of *Economic Chamber of Macedonia*. Conducted on 3 November 2016.

63 Focus Group, representative of *Business Confederation Macedonia*. Conducted on 3 November 2016.



Economic recovery in Macedonia and social dialogue trends

4.

The global financial crisis was the severest crisis since the Great Depression, when it comes to how many jobs it had affected and the overall impact on the economy. Even though Macedonia's economy is small, it was still hit by the economic crisis. The growing rates of 4.1% in 2004 up to 5.9% in 2007 dropped and in mid-2009, the country entered into recession. The initial sentiment and prognosis of the government was that Macedonia can only profit from the crisis. Most significantly hit industries in the country were the manufacturing, textile, ferrous metallurgy etc., since these parts of the economy depend on foreign demand and are dependent on the foreign market.

Text box 3: Production loses – banks gain: Effects of the crisis in the financial sector compared to the metallurgy sector

The production sector, especially the metallurgy sub-sector was the most harshly affected by the economic crisis. "The crisis in Macedonia started unexpectedly in the fall of 2008, when many orders from the industry sector were cancelled" stated Mare Ancheva in the focus group with trade unions. The representative of Makstil management board has also pointed at the global crisis as the main factor behind the slowing down of the production, even though their company managed to slightly recover due to more flexible production facilities. In effect, the financial crisis in Macedonia presented itself as a production crisis. The metallurgy sector, electrical engineering and



textile were hit the hardest. In companies organized by SIER, more than 2 000 jobs were lost as the production fell between 30-40%. For instance, in Makstil, prior to the crisis, the salaries of the employees represented 5% of the total annual expenses, whilst during the crisis it rose to 11%.

In contrast, the financial institutions were not particularly affected by the crisis, since their situation either remained the same or in some instances and aspects – improved, as noted by the representative of the Trade Union of Employees in Finance. For instance, there were new employments in this sector and consequently the number of trade union membership rose. Whilst wages in the production sector dropped, there was reverse situation in the financial sector. Both the company's representative and the TU representative stated that wages are constantly rising.

By the time the crisis hit Macedonia, the government was left exposed at the time, as there was no plan in place to fight the crisis. All ideas were coming from abroad and the other social partners. Social partners undertook initiatives and proposed measures and activities to reduce the impact of the economic crisis, however, the ESC was not working in its full capacity in 2009 and 2010, and, hence it was not fully able to use the tripartite social dialogue as a mechanism to fight the crisis.⁶⁴ Prior to the official government anti-crisis measures, the trade unions also drew up measures on how to deal with the crisis. Nevertheless, none of them were accepted, as the government in the period was *“still claiming that we are not in crisis.”*⁶⁵ One positive aspect for both employers and trade unions from the crisis was the developed solidarity to mutually assist each other in pursuit of their goals.

*“The initial response of Makstil in dealing with the crisis was reducing the number of working days and hours, trying to keep as many workers as possible. However, the protracted crisis made this impossible and the company could not continue the contracts of the workers with fixed time contracts. After the situation improved slightly, the company made efforts to bring back as many people as possible.”*⁶⁶

64 Majhosev, Andon. *The Economic Crisis and Industrial Relations System in the Republic of Macedonia*.p. 18

65 Focus Group, Representative from Trade Union of Industry, Metallurgy & Mining of Macedonia. Conducted on 2 November 2016.

66 Interview with representative of “Makstil” Management



The wages in the region, including Macedonia as a whole, were already low, and they could not be further decreased. “*Lowest wages were on the Balkans, hence, there was no sharp decline.*”⁶⁷ The government’s plan focused on attracting foreign investments and developing the technological and industrial zones. In addition, the measures adopted by the government primarily affected the public sector, whilst the private sector was left to the employers and trade unions to find solutions. As a result, five-packages of anti-crisis measures were adopted in order to combat the crisis. First, there were measures to remove business obstacles. In later stages, the government started to pay more attention to social measures.⁶⁸ The most significant change was the regulatory guillotine, which phased out 341 laws.

During the global financial crisis, the market faced serious challenges, the most overarching of which was the one that affects the welfare of the employees. Due to cuts in many sectors, it is area that needs to be continuously taken care of. The Law on Occupational Safety and Health strives to implement the highest standards of protection and risk aversion. As a result, the number of deaths has tendency to decrease, whilst injuries at the work place are still fluctuating. It is therefore necessary to pay further attention and strive to further improve the working conditions.⁶⁹

67 Interview with Director of JSC Vero Moda.

68 Butkovic, Hrvoje; Samardzija, Visnja; Tishma, Sanja; Funduk, Marina. *Industrial Relations and Social Dialogue in the Period of Crisis: a comparative perspective*. Public and Municipal Finance 3.2, 2014. p. 16

69 For more reports and information about safety at work, please see http://www.mzzpr.org.mk/index.php?option=com_content&view=article&id=1967:-2015&catid=46:mosha&Itemid=76. Accessed May, September 2016.



Analysis of macroeconomic indicators

5.

Even before the financial crisis of 2008 and the Eurocrisis (2010-2012), Macedonia's economy was in a dire situation. It has one of the highest rates of unemployment - 24.5% in June 2016 and GINI index of around 43% (higher even than in most liberal economies, and highest in South Eastern Europe), where over half of the population lives at the risk of poverty. Another worrying factor for the Macedonian economy is the per cent of workers who are living below the poverty line, which is constantly on the rise reaching 11.1% in 2012 (last available data).⁷⁰ Youth unemployment, just like the overall employment is decreasing since 2012, however in 2014 (according to ILO estimates) it is still high, with over 50% of the youth unemployed.⁷¹ In the second quarter of 2016, the youth unemployment rate dropped below 50% and it stood at 49.1%.⁷² In the third quarter, it dropped further to 46.4%.⁷³ In addition, there is a large portion of the youth population that is emigrating from Macedonia, making the numbers bleaker. Part of the reasons for moving out of the country is the high level of youth unemployment and access to educational institutions abroad. According to one research conducted on 47 returnees from educational stay, 53.2% are motivated to return abroad again.⁷⁴

70 The sharp decline of the people who live below the line of poverty is due to the change of methodology of classification. (Foresight Workshop)

71 For more see data from World Bank on youth unemployment at <http://data.worldbank.org/indicator/SL.UEM.1524.ZS?end=2014&locations=MK&start=2012>

72 *Monthly Statistical Report, November 2016*. State Statistical Office. Available at http://www.stat.gov.mk/Publikacii/1.2.16.11_mk.pdf. Accessed 16 December 2016.

73 *Стапката на невработеност во континуиран пад: Невработеноста падна на 23,4%, над 16 000 лица нашле работа (The Unemployment Rate in Continuous Drop: unemployment at 23.4%, over 16 000 people found jobs*. Dnevnik online. Available at <http://www.dnevnik.mk/default.asp?ItemID=0382ABA1B4187546948415D898D5D34B>. Accessed 20 December 2016.

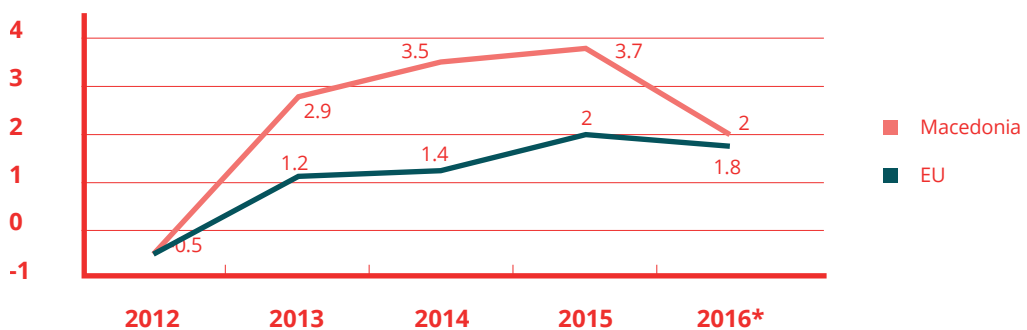
74 Zmejkoski, Riste. *The Macedonian Experience with Brain Gain Policies: positive examples and future challenges*. Edited by Tanja Pavlov. Brain Gain Policies and Practices in the Western Balkans. Group 484 Center for Migration, 2013. pp. 77-92.

To provide clearer and better picture about the social situation in Macedonia it is necessary to have greater overview of some macroeconomic indicators. The macroeconomic indicators provide greater insight into the economic performances of the country and allow for better forecast of future performance. The indicators in this report demonstrate comparison between Macedonia and the EU. They include the following: GDP Growth, FDI inflows, Budget Balance, Minimum Wage, General Government Debt, Inflation, Employment Growth, Unemployment, Poverty Rate, GINI Coefficient. It is necessary to have preview of where the country stands in terms of its economy before proceeding with the analysis of the challenges from the economic crisis on the industrial relations.

GDP Growth

The post-financial crisis data shows that both, Macedonia and EU, were in recession immediately after the most severe hit. Following a year of recession, both economies started to pick up, resulting in growth of real GDP (figure 3) of 2.9 (Macedonia) and 1.2 (EU). The real GDP growth rate stabilized since, and grew slightly in the following two years, reaching 3.5 and 3.7 in Macedonia, and 1.4 and 2.0 in the EU. The EU forecast GDP growth rate of 1.8 for the EU in 2016, a slowdown compared to the growth rate in 2015, mostly due to slowing down of the activities of key trading partners.⁷⁵

Figure 3: GDP Growth: Macedonia and EU



Source: Eurostat & NBRM

Macedonia, on the other hand experienced political crisis, which also affected the economy, slowing it down to mere 2.0% growth in the first quarter of 2016. The growth in

⁷⁵ Spring 2016 Forecast: *Staying the course amid high risks*. Available at http://ec.europa.eu/economy_finance/eu/forecasts/2016_spring_forecast_en.htm. Accessed July-August 2016.

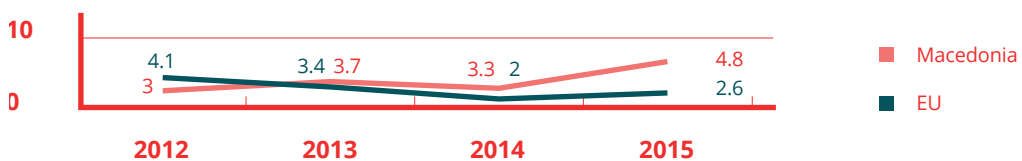


Macedonia in 2013 was due to the increase of FDIs (see table below) in the first two quarters, followed by increase of private consumption, industrial production and exports.⁷⁶ Despite, higher GDP growth compared to the EU, the average per capita income in purchasing power standards remained at 35% of the EU, in both 2013 and 2014 (the years with most significant growth difference between the two economies).⁷⁷ Another issue that Macedonia was facing in the process of predicting GDP growth was the overly optimistic predictions. Namely, the budget needed to be revised on several occasions both in 2014 and 2015, resulting in inflated budget. Despite increasing the GDP by 57% between 2006 and 2015, it was followed with sharp increase of public debt (by 116%).⁷⁸

FDI Inflows

Much as the real GDP growth rate, the FDI inflows (figure 4) in Macedonia and the EU fluctuated since 2012. After marginal increase between 2012 and 2013, from 3.0% to 3.7% of GDP, in 2014 there was decline, resulting in only 3.3% FDI inflow of GDP. The economy recovered somewhat in 2015, where the per cent stood at 4.8 of GDP.⁷⁹ The situation in the EU did not experience as big volatility as Macedonia's, but from 2012 to 2014, the FDI inflows continuously decreased and halved from 4.1% in 2012 to 2% in 2014. The situation started to look better in 2015, when the FDI inflows increased compared to 2014 and reached 2.6% of GDP.⁸⁰

Figure 4: FDI Inflows: Macedonia and EU, as % of GDP



Source: World Bank & Rabo Bank

76 Anceva, Mare. *Annual Review of Labor Relations and Social Dialogue in South East Europe – Macedonia*. Friedrich Ebert Stiftung, 2014. p. 2.

77 Anceva, Mare. *Annual Review of Labor Relations and Social Dialogue in South East Europe – Macedonia*. Friedrich Ebert Stiftung, 2013. p. 2; Anceva, Mare. *Annual Review of Labor Relations and Social Dialogue – Macedonia*. Friedrich Ebert Stiftung, 2015. p. 2.

78 Anceva, Mare. *Annual Review of Labor Relations and Social Dialogue – Macedonia*. Friedrich Ebert Stiftung, 2016. p. 7=3,

79 Country Report, Macedonia. Available at <https://economics.rabobank.com/publications/2014/july/country-report-macedonia/>

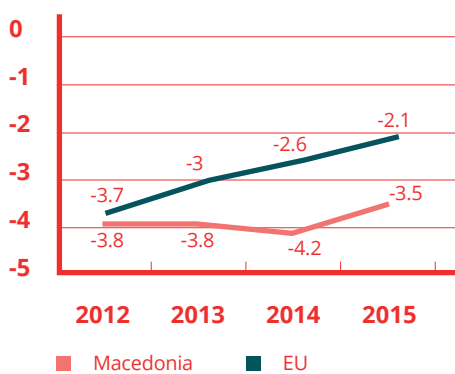
80 *Foreign Direct Investments, net inflows (% of GDP)*. Available at <http://data.worldbank.org/indicator/BX.KLT.DINV.WD.GD.ZS?end=2015&locations=MK-EU&start=2012>



Budget Balance and General Government Debt

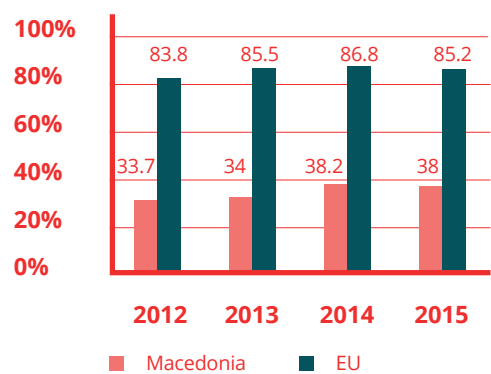
The initial impact of the global financial crisis in 2009 resulted in increasing the budget deficits in the EU from -2.4% to -6.7%. Somewhat the same effects experienced the Macedonian economy where the budget deficit dropped to -2.6% (figure 5). The austerity measures employed by the EU institutions and the Macedonian government decreased the budget deficit closer to 3% (as envisaged with the EMU criteria for the Eurozone member states).

Figure 5: Budget Balance: Macedonia and EU



Source: Eurostat

Figure 7: Government Debt (% of GDP)



Source: Eurostat & NBRM

Since 2012, the government debt as % of GDP in Macedonia (figure 7) is constantly increasing reaching 38% in 2015. In EU for the same period initially slightly increased, but it was followed by decrease and reached 85.2% in 2015 (highest in Greece at 176.9%, and lowest in Estonia at 9.7%).⁸¹

Whilst the debt in the EU (figure 7) is higher than in Macedonia, it should be analyzed carefully, as the EU economy is much more diverse, and the economically-strongest states have access to loans with low interest rates and are more capable of servicing their debt. Macedonia's economy, on the other hand, is still developing and should avoid accruing high levels of debt.

81 General Government Gross Debt. Available at <http://ec.europa.eu/eurostat/tgm/graph.do?tab=graph&plugin=1&language=en&pcode=teina225&toolbox=type>. Accessed July-August 2016.



In the EU, the budget deficit in 2012 was -3.7% of GDP (figure 5), a rise of 3% compared to 2011,⁸² whilst the numbers continued to improve year by year and in 2015 the budget balance reached -2.1%. But unlike the EU, the Macedonian budget balance stagnated at -3.8% in 2012 and 2013 and then in 2014 increased to -4.2%. The balance improved slightly in 2015, when the budget balance levels stood at -3.5%.

Minimum Wage

Important indicators to be considered in the analysis are the average monthly salary and the minimum salary. However, it is difficult to compare Macedonia to the European Union as a whole as firstly, there is not EU-wide determined minimum wage (and individual members of the Union which do not have legally determined minimum wage), as secondly with regard to the average wage there are significant differences even between the EU countries themselves (highest net being in Luxembourg and Sweden, 3149 EUR and 2 551 EUR respectively, whilst the lowest in Romania and Bulgaria, 417 EUR and 356 EUR respectively.⁸³ The average gross wages in Macedonia in 2015 stood at 521 EUR.⁸⁴

Figure 6: Minimum Wage changes in Macedonia, in EUR (gross)



Source: NBRM & PRO

The Law on Minimum Wage⁸⁵ was introduced in 2012 after long negotiations, whereby the trade unions proposal was to set the floor at 50% of the average wage, the minimum wage was set at 39% of the average (transitional period was allowed for the textile industry of 3 years to reach the level of 39%) despite warnings by the OECD

82 Anceva, Mare. *Annual Review of Labor Relations and Social Dialogue in South East Europe – Macedonia*. Friedrich Ebert Stiftung, 2013 p. 2

83 *Average Salary in the European Union 2015*. For more see <https://www.reinischfischer.com/average-salary-europe-an-union-2015>. Accessed July-August 2016.

84 Gross Salary 2016. For more see <http://www.ujp.gov.mk/e/javnost/soopstenija/pogledni/547>. Accessed July-August 2016.

85 Law on Minimal Wage of the Republic of Macedonia, *Official Gazette of the Republic of Macedonia No. 11*, 24 January 2014.

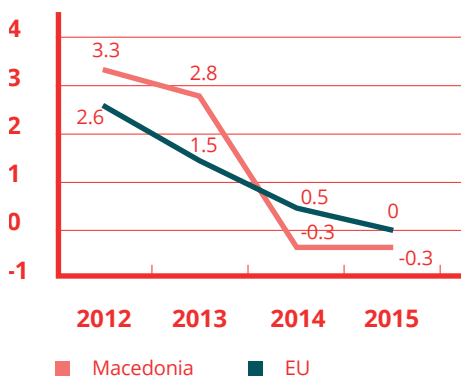


against doing so.⁸⁶ Later, the minimum gross wage was set at 200 EUR (2014), 220 EUR (2015), 232 EUR (2016) – (figure 6).⁸⁷ Even though the average net salary in 2012 increased slightly over 2011, still the real average gross wage is 2.6% lower compared to the same period the year before.⁸⁸

Inflation

With the signing of Maastricht Treaty in 1992, EU's member states agreed to create an Economic and Monetary Union, whereby one of the conditions (if not the most important one) was to maintain price stability, i.e. to keep inflation levels below 1.5%. However, most of the years it struggled to maintain, constantly exceeding the floor levels. In the years after the global financial crisis and during the most severe euro crisis, the Union maintained slightly higher levels of inflation. But, the insistence on austerity measures, resulted in decreased spending and low levels of inflation (figure 8), bordering deflation. In the period between 2012 and 2015 the inflation levels declined from 2.6 to 0.

Figure 8: Inflation Rate in Macedonia and EU (average annual)



Source: Eurostat & NBRM

The situation in Macedonia was more volatile as the inflation rates rose and fell year after year prior to 2012. Between 2012 and 2013, the situation was moderate as the inflation rates decreased only slightly from 3.3% to 3.1% for the first ten months in 2013, and finally to 2.8% at the end of the year. A significant drop occurred between 2013 and 2014 where from 2.8% dropped to -0.3 (figure 8), or the country entered period of deflation, mainly due to decreasing prices of food, housing and utilities.⁸⁹ What is worrying for the economy, in this sense is that it does not manage to get out of this vicious circle.

86 Anceva, Mare. *Annual Review of Labor Relations and Social Dialogue in South East Europe – Macedonia*. Friedrich Ebert Stiftung, 2013. pp.4-5

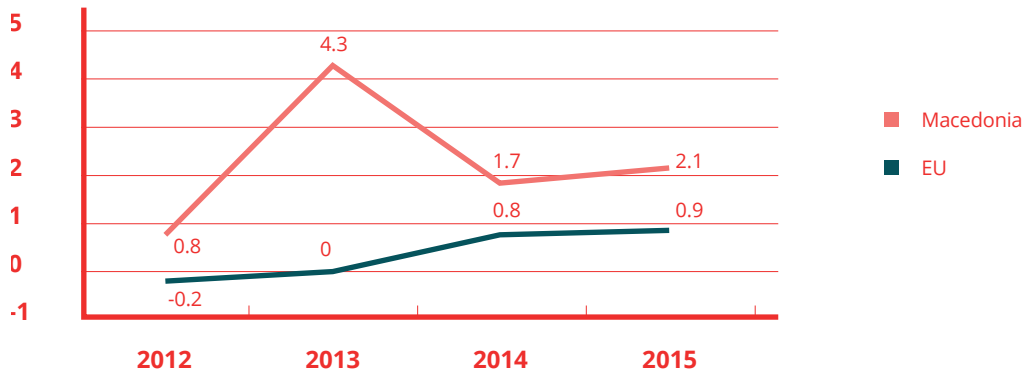
87 Anceva, Mare. *Annual Review of Labor Relations and Social Dialogue in – Macedonia*. Friedrich Ebert Stiftung, 2015. p.13

88 Anceva, Mare. *Annual Review of Labor Relations and Social Dialogue in South East Europe – Macedonia*. Friedrich Ebert Stiftung, 2013.

89 Anceva, Mare. *Annual Review of Labor Relations and Social Dialogue in South East Europe – Macedonia*. Friedrich Ebert Stiftung, 2015. p. 3.

Employment Growth

Figure 9: Employment Growth in Macedonia and EU, annual % change



Source: SSO of Macedonia & Eurostat

Figure 9 shows that the share of employed people is growing. It has been increased with different dynamics since 2012, when the lowest increase of employment was recorded, compared to the highest increase in 2013 of 4.3%. There was also increase in 2014 and 2015, though slightly more modest compared to 2013. The EU's economy, which was more severely affected by the crisis, experienced different path. In 2012, more people lost their jobs, and as a result there was negative employment growth. After no growth in 2013, 0%, in 2014 and 2015 the situation somewhat improved with 0.8% and 0.9% growth compared to the previous years. Nevertheless, other factors should also be taken into account when considering the growth of employment that go along, such as level of unemployment (see next subsection), which significantly differs between Macedonia and the EU, as well as the starting point of unemployment, i.e. what was the unemployment level before 2012.

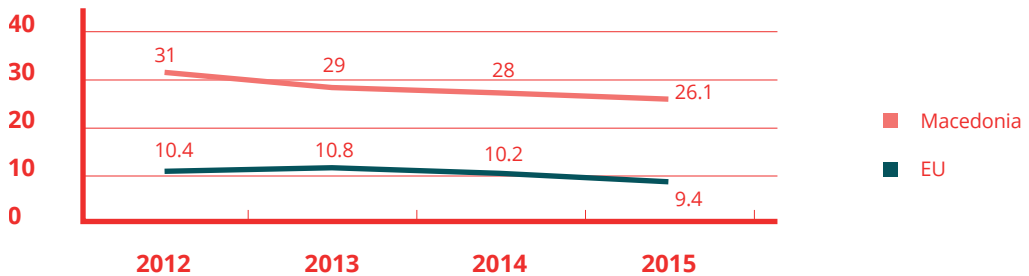
Unemployment

The unemployment in Macedonia (figure 10) has been falling down in the period post-2012. It declined from 31% in 2012 to 29% in 2013, reaching levels below 30% for the first time. It continued to drop to 28% in 2014 and 26.1% in 2015. In June 2016, the unemployment reached record low at 24.5%,⁹⁰ whilst in the third quarter of 2016 it

90 State Statistical Office. Available at <http://www.stat.gov.mk/PrikaziSoopstenie.aspx?rbrtxt=98>.

went below 24% reaching 23.4%.⁹¹ Even though the official data indicates that it is a result of increased employment, there is suspicion that it might be as a side-effect of changes

Figure 10: Unemployment Rate in Macedonia and EU (% of active population)



Source: *Annual Review of Labor Relations and Social Dialogue*

in the registration process of unemployed people and economic emigration.⁹² The unemployment issue in Macedonia is characterized by long-term unemployment of more than 80% of the unemployed, and the fact that is most prevalent among vulnerable groups in the society, especially women and youth.⁹³ Another worrying trend that should be taken into account is that the rate of employment is increasing twice as slow as the level of unemployment is decreasing⁹⁴ (for example from 2014 to 2015, unemployment decreased by 1.9%, whilst the employment increased by mere 0.4%). Another possible explanation is that employment is not decreasing, as most the newly employed people find employment due to active labor market measures implemented by the Government.⁹⁵ The data (figure 10) shows that in the EU in 2013 there was small increase in unemployment compared to 2012, to 10.8% from 10.4%. Following this, the unemployment decreased to below 10% in 2015, i.e. 9.4%.

During the crisis period, most jobs were lost in the area of production. Consequently, trade unions had to negotiate with employers to cut jobs, benefits, wages etc. in order to protect the majority of workers. The share decline of production forced many

91 State Statistical Office. Available at <http://www.stat.gov.mk/KlucniIndikator.aspx>.

92 Anceva, Mare. *Annual Review of Labor Relations and Social Dialogue in South East Europe – Macedonia*. Friedrich Ebert Stiftung, 2014. p. 3.

93 Kamilovska, Sneza; Stojanovski, Vlatko. *БЕЛА книга 2014-2015 (White Book 2014-2015)*. Foreign Investors Council. Napredok, Tetovo, 2013. p.8.

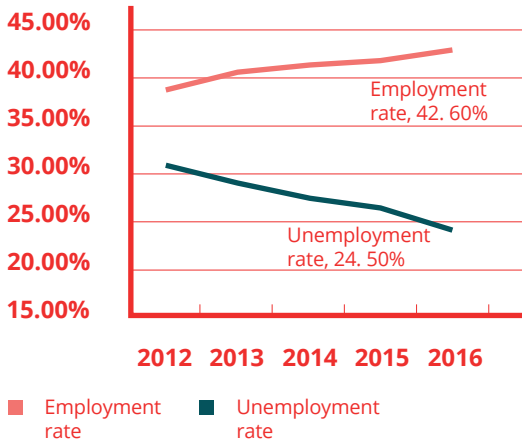
94 Anceva, Mare. *Annual Review of Labor Relations and Social Dialogue in South East Europe – Macedonia*. Friedrich Ebert Stiftung, 2016. p. 3.

95 Ibid.



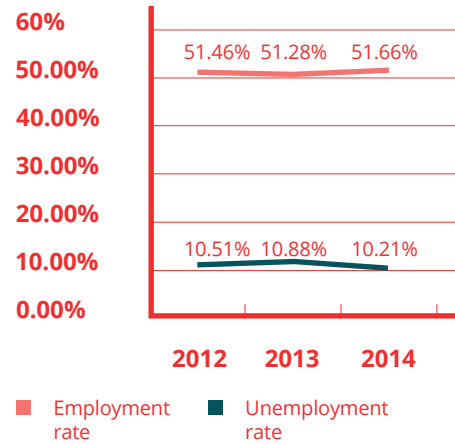
companies to release workers or not to extend their work contract, or in cases of retirement not to hire new workers.

Figure 11: Unemployment & Employment Rates - Macedonia



Source: State Statistical Office

Figure 12: Unemployment & Employment Rates - EU

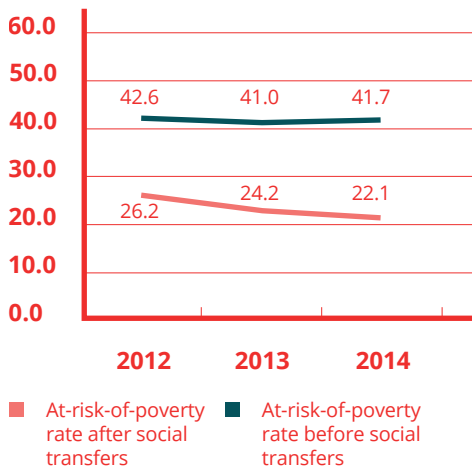


Source: State Statistical Office



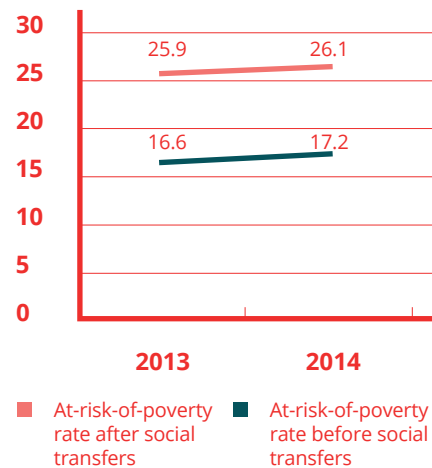
Poverty Rate

Figure 13: Poverty and Exclusion Indicators - Macedonia



Source: *Inequality Watch, Eurostat, World Bank*

Figure 14: Poverty and Exclusion Indicators - EU



Source: *Inequality Watch, Eurostat, World Bank*

In the midst of the crisis, in 2010, 16.4% or nearly 80 million lived in poverty.⁹⁶ Since then, the situation only worsened. People who live at risk of poverty in 2013 and 2014 were almost ¼ (figures 13 & 14) of the EU population. Nevertheless, this data is only before social transfers take place. After completion of social transfers the per cent decrease, though it is still high standing at 16.8%, 16.7% and 17.2%, in 2012, 2013 and 2014 respectively.⁹⁷ In EU countries numbers vary depending on the strength of the economy, how badly it was affected by the crisis and which measures it undertook to deal with it. Consequently, some countries managed to decrease the per cent of people living at the threshold of poverty.⁹⁸ In Macedonia, before social transfers take place, the situation looks extremely bad, as more than 40% of the population living at risk of poverty in 2014 (41.7%), a decrease from 2012 when it was 42.6%⁹⁹ and 2008 when it was

96 *Poverty in Europe: the current situation*. Available at <http://www.inequalitywatch.eu/spip.php?article99&lang=en>. Accessed 24 November 2016.

97 *At-risk-of-poverty and At-risk-of-poverty threshold 2013 & 2014*. Available at [http://ec.europa.eu/eurostat/statistics-explained/index.php/File:At-risk-of-poverty_rate_and_at-risk-of-poverty_threshold_\(for_a_single_person\),_2013_and_2014.png](http://ec.europa.eu/eurostat/statistics-explained/index.php/File:At-risk-of-poverty_rate_and_at-risk-of-poverty_threshold_(for_a_single_person),_2013_and_2014.png). Accessed July-August 2016.

98 *At-risk-of-poverty before social transfers (pensions included in social transfers), by poverty threshold, age and sex – EU-SILC survey*. Available at <http://ec.europa.eu/eurostat/tgm/table.do?tab=table&plugin=1&language=en&pcode=tespm010>. Accessed July-August 2016.

99 *At-risk-of-poverty (%)*. Available at <http://ec.europa.eu/eurostat/tgm/table.do?tab=table&plugin=1&language=en&pcode=tespm010>. Accessed July-August 2016.

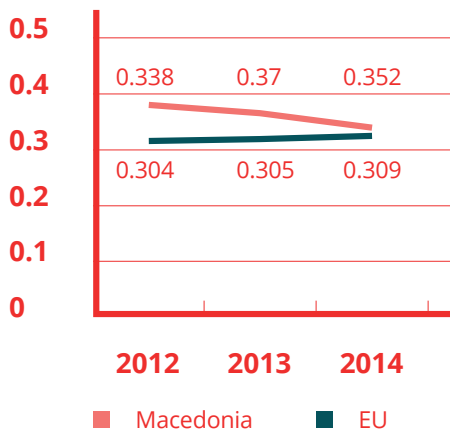


more than 45%. After occurrence of social transfer, the situation is better though the numbers are still worrying, as more than a quarter of the population (26.2%) in 2012 lived at risk of poverty. The situation slightly improved in 2014, whereby “only” 22.1% were at risk of poverty. Especially worrying is the rate of people living at the risk of poverty among the employed people, which grew and in 2012 reached index of 11.1%.¹⁰⁰

GINI Coefficient

Analyzing GINI helps quantifying the differences in welfare and compensation policies and presents the scale of wealth distribution within the country. It should be analyzed carefully and take into consideration other factors such as aging population, baby booms, whether it is big or small country.

Figure 15: GINI - Macedonia & EU - Total Employment Growth (annual % change)



Data (figure 15) indicates differences in the GINI coefficient¹⁰¹ between Macedonia and the EU. The Coefficient for Macedonia is constantly declining from 0.388 in 2012 (In 2010 was as high as 0.435) to 0.352 in 2014.¹⁰² However, there is one point that needs to be taken into account. Even though GINI coefficient decreased over the last couple of years the richest 1% receives 12% of the national income, ranking the country as third highest in inequality in Europe.¹⁰³ Conversely, in the EU it is more or less stagnant, varying only to a small extent, from 0.304 in 2012 to 0.309 in 2014.

Sources: Eurostat & Quandl

100 Anceva, Mare. *Annual Review of Labor Relations and Social Dialogue – Macedonia*. Friedrich Ebert Stiftung, 2015. p. 3.

101 *GINI Coefficient of Equalized Disposable Income – EU-SILC Survey*. Available at <http://ec.europa.eu/eurostat/tgm/table.do?tab=table&init=1&plugin=1&pcode=tessi190&language=en>. Accessed July-August 2016.

102 For more see <https://www.quandl.com/collections/demography/gini-index-by-country>

103 Anceva, Mare. *Annual Review of Labor Relations and Social Dialogue – Macedonia*. Friedrich Ebert Stiftung, 2016. p. 3.



Social dialogue and competitiveness at national and enterprise level

6.

Ever since the transitional period, the workers' rights in Macedonia are constantly being abrogated. This has been done through various measures. On the one hand, there is systematic violation and, on the other hand, ineffective labor legislation enforcement. Since 2005, only registered trade unions in Macedonia have the right to vote. The right to strike is constitutionally guaranteed, but also highly limited.¹⁰⁴ Today, there are as much as 27 laws where one can find provisions on organizing strikes. The rules for striking are so strict and numerous, making it rather difficult to organize strikes.¹⁰⁵ With the new companies opened in the TDIZ, the situation is even worse, as they face many obstacles when trying to organize themselves in unions, and any effort to organize the workers or call for strike end up with dismissals (see text box XX). The main reason for the dismissal of these workers was cited that the strike was not registered.¹⁰⁶ Workers' rights are being constantly violated, mostly through mobbing, unpaid weekend work, no free days, sometimes even physiological needs are being violated by locking workers in the big halls.¹⁰⁷ Workers are usually hired for "minimal wage" and on short term contracts. Many workers, especially from the textile sector, have problems to organize, and as the representative from STKC underlined "*some factories in Stip even forbid them to join trade unions. It is a public secret.*"¹⁰⁸

104 Saveski, Zdravko; ApasievDimitar; Kovachevski, Aleksandar; Vasilev, Kire. *Обезвреднување на трудот: анализа на трудово-правната легислатива во периодот на транзицијата*. Движење за социјална правда – Ленка, 2010.

105 Saveski, Zdravko. *The Right to Strike and its Legal Limitations in the Republic of Macedonia*. Available at <https://me-sorm.wordpress.com/2015/04/11/right-to-strike-and-its-legal-limitations/>. Accessed 24 November 2016.

106 Jovanovic, Branimir. *Вистинската цена на евтината работна сила (True Value of Cheap Labor Force)*. Institute for Social Sciences and Humanities Skopje. pp. 10-11, 48, 2017; *Дрекслмајер дели откази!* (Draexlmaier fires people!). Available at <http://www.time.mk/c/5569ef85ea/drekslmaier-deli-otkazi.html>. Accessed 16 December 2016.

107 Jovanovic, Branimir. *Вистинската цена на евтината работна сила (True Value of Cheap Labor Force)*. Institute for Social Sciences and Humanities Skopje. p. 11, 54-59, 2017.

108 Interview with representative from STKC.



Text box 4. Employment and Prospects of Unionization in the Technological Industrial Development Zones¹⁰⁹

The employees in the newly opened companies in the technological industrial zones are especially vulnerable when it comes to organizing with the aim to protect their workers' rights. All efforts to organize them in trade unions are futile, as the types of contract they receive in reality prevent this. The most dominant form of contract the employees receive is fixed employment contract time for a period up to 1 year. In essence, it is difficult to assess if this contract will be extended after this period. Therefore, if the employees try to organize themselves in trade unions, they risk the chance of their contracts being extended.

What did the trade unions do about this? One measure to overcome this issue was to have secret/confidential membership to a trade union. However this goes against the law for the stage of determining representativeness of trade unions, as it is stipulated that trade unions need to present list of their members with signature and stamp from both, the trade union and the employer, which in turn reveals the names of the employees who are part of the trade unions. In this regard, the Trade Union for Industry, Energy and Mining is making efforts to adopt its regulations.

Second point that was made during the focus group was that shady conditions under which the new companies invest in the countries. There are no transparent information about the investment, i.e. what has been promised to them concerning work force and the role of trade unions. In other words, the employees are not fully aware of the conditions they will have to work under in the TDIZ.

Consequently, the country is faced with double-edged sword. On the one hand, the government offers low taxes and cheap labor for the new foreign investments increasing more jobs creation, but on the other hand, it lowers labor standards and increases the rate of employed people at risk-of-poverty.

109 Eurostat Statistics Explained. *People at risk of poverty or social exclusion, by country 2008 and 2014*. Available at http://ec.europa.eu/eurostat/statistics-explained/index.php/File:People_at_risk_of_poverty_or_social_exclusion,_by_country,_2008_and_2014.JPG; The Global Economy. *Macedonia: Economic Growth*. Available at http://www.theglobaleconomy.com/Macedonia/Economic_growth/.



Social dialogue and collective bargaining in Macedonia in the context of economic recovery

7.

The most severe financial crisis since the Great Depression saw many people lose their jobs on the world market, many lost the standard of living they have worked for, and many are still struggling to return to the pre-crisis levels.¹¹⁰ After its initial impact in the United States, the interconnectedness of the market contributed to spreading the crisis in Europe. The EU was initially hit by the global financial and mortgage crisis, and followed up by the Eurocrisis and the public debt crisis. Macedonia's small market, which is heavily dependent on foreign capital, has also suffered the consequences. The production dropped,¹¹¹ and people were either laid off or had to accept decrease of wages.

The time of the crisis coincided with completing the last stages of the social dialogue development, i.e. signing general collective agreements for the private and public sector. In turn, it has effectuated that 100% of the working force was covered by a collective agreement. However, the situation in practice was different. One thing all social actors agree upon is that *"the social dialogue in Macedonia is underdeveloped."*¹¹² Despite the existence of general collective agreement, the tripartite dialogue in Macedonia is not functional. *"There are obstacles in some sectors to sign branch agreements, as there are no employers' representatives."*¹¹³

110 Tyson, Laura; Madgavkar, Anu. *The Great Income Stagnation*. Available at <https://www.project-syndicate.org/print/stagnating-wages-advanced-economies-by-laura-tyson-and-anu-madgavkar-2016-09>. Accessed September 2016.

111 Interview with the Head of Strategic Planning and Head of Makstil's Trade Union. Conducted on 1 September (interviewed by Zdravko Veljanov).

112 Focus Groups Trade Unions and Employers, conducted on 2 & 3 November 2016. Interview with the Head of Makstil's Trade Union; Interview with Komercijalna Banka.

113 Focus Groups Trade Unions and Employers, conducted on 2 & 3 November 2016. Interview with the Head of Makstil's Trade Union.



Komercijalna Banka has also yet to sign branch agreement, as according to the representative of the Human Resources and General Affairs Sector, the trade union is obstructing the process. Moreover, there is no effective communication between the social actors. Even though the communication between employers and government is somewhat functional at a basic level, there is lack of communication between the government and trade unions. The relationship is practically non-existent, and according to the TU representative from Komercijalna Banka, the last time they were invited to a consultation meeting was with the former Minister of Finance.¹¹⁴ This is something that all representatives of trade unions agreed upon in the interviews. The relation between employers and trade unions has improved after the government adopted the anti-crisis measures, which were largely unpopular among trade unions and employers¹¹⁵. On company level it is easiest to communicate between employers and trade unions, and what helps in this process are the regular meetings between the two.¹¹⁶ In regard with the trade union and government communication, unfortunately, not even the new forms of communication and the digitalization process can help to mend the relationship. Instead the focus should be on trying to improve the relations within the ESC. The dynamics of the social dialogue in Macedonia are much dependent on the activity of the Minister of Labor and Social Policy, and as the Director of JSC Vero Moda points *"If the Minister understands the essence of the social dialogue, then it will function better, and not just pro-form."*¹¹⁷

114 Interview with Management Personnel from Komercijalna Banka.

115 Focus Group with Representatives from the Trade Union, 2 November 2016.

116 Interview with Representatives from Makstil.

117 Interview with the Director of JSC Vero Moda



Conclusion & forecasts

8.

Overall the situation with the social dialogue and workers' rights in Macedonia needs to be worked on, mildly said. The Labor Law, as it is, does not respond to the challenges of the market and the social partners; the influence of the executive power (only 1 part of the tripartite dialogue) over trade unions and employers is significant and it is not balancing, workers are not familiar with their rights and the provisions from their contracts. And even when they are familiar with, the provisions are rarely being carried out.¹¹⁸

Digitalization and new forms of employment, benefits from the TIDZ, preserving and increasing union and employers' membership are some of the challenges that need to be addressed in near future. Additional uncertainties for Macedonia are the worrying trend of GDP growth, which is mainly dependent on domestic and public infrastructure spending, and the continuous budget deficit of more than 3 per cent.

Macedonia needs to develop strategy and detailed assessment of the "industrial revolution." It should try to fit the welfare state with the new forms of employment and the digital market. Moreover, middle-skilled workers are also going to be under more intense pressure of digitalization. Many new processes will become automated. New jobs will require specialized knowledge and highly developed skills. They will also entail new forms of employment, such as flexible working hours, teleworking, free-lens employment, etc.

The chaos in the social dialogue and industrial relations system in the country disables the stakeholder groups to focus on the long run. Even though more and more jobs are becoming unconventional, employers' and trade unions do not have strategy in place how to deal with this situation. According to most, these types of employment are more typical for the service sectors, while the industry will not see much shift in this regard. Hence, little to no effort is focused on this. Instead the focus is on the existing problems, such as improving the situation of the tripartite dialogue and probably attracting the youth workers in the industrial sectors. However, there is

118 Bashevska, Marija and Stavrevska B., Elena. *Жени и синдикату: застапеност и работнички права во Република Македонија (Women and Trade Unions: representativeness and workers' rights in Macedonia)*. Левичарско движење, „Солидарност“, 2017. pp.23-27.



also lack of strategy for this task as well, as companies face greater difficulties each year when trying to find appropriate workforce.¹¹⁹

Social Partners' Situation in Macedonia

Level of trust in the TU is extremely low, at 35.9% in 2013,¹²⁰ which impacts the perception of the Trade Union as a weak social partner, and results in decreased membership. The main culprit behind this deplorable situation is the LL. Workers are aware that TU cannot do much to protect them, resulting in low level of willingness to organize and trust specifically. TUs are not able to undertake measures to protect workers' rights. One instance is lodging of appeals by workers against the employers. With the new amendments, it is not possible to lodge group appeals against one entity for the same case. Therefore, TU and workers need to lodge individual claims which is expensive and does not produce the same effect as group appeals. The state indirectly interferes with the powers of the other social actors, positioning itself as the dominant actor. Despite the fact that it would be beneficial both for the economy and the state to have powerful trade unions in the public and private sector, trade unions are gradually becoming powerless. In contrast, if the trade unions are powerful in the private sector, then workers will have higher salaries, there will be more contributions to the state budget, and the workers will be more powerful to spend more on goods and services, increasing consumption.

The economic chambers and the Employers' Organization do not fare any better as well. In 2013 the trust level in the economic chambers was 36.8% and in the Employers' Organization at 35.6%.¹²¹ Further challenge is that while it is easier to negotiate at sectorial level, there is problem with the associations of employers. For instance, there is no corresponding employers' organization with SIER, and the trade union is finding hard time to negotiate a sectorial collective agreement. While all social partners bear the burden of improving the social dialogue, most agree that there should be greater involvement of the 3rd social partner – the Government. Both ESC and LESC have the necessary technical equipment for organizational affairs, but what is lacking is will to carry out their obligations. They should be the driving institutional force and engage actively with the other two partners, namely employers and trade unions.

119 Focus group with employer organizations

120 Nuredinovska, Emina; Krzhalovski, Aleksandar; Stojanova, Daniela. *Доверба во граѓанското општество (Trust in the Civil Society)*. Macedonian Center for International Relations. July, 2013. Available at <http://www.deso.mk/GetFile.ashx?f=3&pd=1226&pdf=3>. Accessed 20 December 2016.

121 Ibid.



Apart from trust, further issue is the existing normativization. Representatives from both trade unions and employers' organizations, stated that the industrial relations in Macedonia are too normativized. All aspects are regulated by laws or bylaws, which leaves little or no space for 'maneuvering' for the provisions from the collective agreement. Instead of legislating and over-regulating, focus should be put on providing more space for the social partners to negotiate. As the market is getting more flexible, the provisions from the relevant laws and the general collective agreement should also be flexible. However, employers and trade unions need to convince and show to the government they represent sufficient per cent of workers, and the provisions adopted with their negotiations will have impacted large proportion of the workforce.¹²²

FDIs

Macedonia's dependence on looking for *FDIs* is going to continue in the upcoming period, and as a result the FDI will likely continue to increase, but it is expected to be followed by increase of the public debt.¹²³ However, this process should be followed by efforts to organize the workforce in the TDIZ. Workers in the free trade industrial zones will continue to make efforts to organize themselves into trade unions, as the conditions and the wages (and benefits that go along) are not as acceptable as initially thought. So far it has proven to be an area that is extremely difficult to be organized from several aspects, from job insecurity of workers to unwillingness of employers to facilitate the process. These efforts should be met by the existing trade union organizations and assist them in any way possible.¹²⁴ The legal regulations for organizing workers in TDIZ should be appropriately amended by changing the maximum length of extending fixed term contracts, and ability to obtain contracts with indefinite duration. This will offer more security, safety and workers can think more long term to organize.

When it comes to benefits from the TDIZ, it has been emphasized during the employers' focus group that Macedonian companies should also be able to use some of the benefits now available only for the *FDIs*.¹²⁵

122 Interview with Director of JSC Vero Moda

123 Anceva, Mare. *Annual Review of Labor Relations and Social Dialogue – Macedonia*. Friedrich Ebert Stiftung, 2015. p. 7.

124 Ibid.

125 At present it is possible only if they are 100% export oriented, criteria which is difficult to satisfy.



Digitalization

Digitalization creates significant transformations in the organization of work and employment, both within the company and at labor or national market level. Many new forms of employment that emerged as a direct result of digitalization require appropriate changes in the society. Flexibility, teleworking, telecommuting, freelance working, are just to name a few of the new forms of employment relationships. As much benefit they bring to the individuals in the society, it also generates negative side effects, such as access to social protection or non-defined arrangements.¹²⁶

As a result, the social security model is under severe strain to perform and adjust itself to the new circumstances. This call for shift in the required labor skills, i.e. generic and specialized e-skills in today's labor market are seen as basic skills necessary to perform ones work. It also creates space for new modes of learning, training and specializing. E-learning, distance study, online programs are flexible tools to be used by the workforce.¹²⁷

Therefore, government and policy making institutions face the biggest challenge of social protection in the 21st century, yet. How to incorporate social and health protection and preserve safety standards in an ever more flexible market? The task becomes even more difficult, when the countries are faced with financial crisis with global impact. The European agenda on this issue is clear. What EU needs now is single digital market. It came long way from the single market for goods and services. But now it needs shift of focus. A study by DG for Internal Policies shows that the service sector will be the most affected by digitalization, as it is going to experience "*major processes of change and restructuring*."¹²⁸ The new vivacious knowledge-based society and young job seekers need new forms of organizing and jobs that will take into account their diversified skills and abilities. In order to reap the benefits of the digital era, digital technology should be fully integrated and human capital should develop advanced digital skills to enhance productivity.¹²⁹ Trade Unions should follow the trend and use the digital technology to its advantage and make efforts to organize the self-employed workers.

126 Valsamis, Daphné; De Coen, An; Vanoeteren, Valentijn; Van Der Beken, Vim. *Employment and Skills Aspects of the Digital Single Market Strategy*. European Union, DG Internal Policies, 2015. pp. 8-9

127 Ibid.

128 Ibid. p. 19.

129 Ibid. pp. 9-11, 15.



Individualization

Individualization of work is a global trend and it has significant impact on the union organization. Even though globally union membership drops, this does not mean that the trade unions should be prevented to perform their role in the social dialogue. Instead, trade unions should look to find ways how to deal with this issue. After all, the trade unions are a product of capitalism, and there will be need for it. For instance if ETUC and Europe's Business Partners want something to be regulated, they can work together and develop a text to be incorporated into Directive. Within the Union therefore workers strive to organize themselves into trade unions. In Macedonia, paradoxically, the Labor Law prevents this. Freelancers cannot be members, they cannot call upon a collective agreement, as the LL requires list of representativeness, and consequently they are left out of the social dialogue negotiation.



Recommendations

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- **Democratization of Trade Unions** – low levels of trust in trade unions stem from the lack of democratic structures within the unions. Leaders do not trust each other and members do not trust leaders, as they perceive them as walking along a thin line between representing the workers and cooperation with employers and the Government
- **Restart of the Social Dialogue consultations** – the prolonged political crisis has severely affected the fragile situation of the ESC and its consolidation is essential. At the beginning when it was found, it was envisaged that the ESC will have monthly sessions. However, there are no information when was the last session, even though it has legal obligations to act in accordance with the RIA. The process is not being respected and the laws are adopted in expedient procedures, without negotiations and dialogue. After the parliamentary elections it is essential for the MLSP to start running the ESC meetings and consult its social partners on relevant issues.
- **For TDIZ**– reduce the length of fixed time contracts extension. With the existing legal regulations an employer is able to prolong the fixed time contract for a period of up to five years. It is provision that is most frequently used by many employers. This prevents workers to organize themselves, out of concern for canceling their contract. When the government negotiates new foreign investments, workers' salaries are the last and least important item on the negotiation table. In order to address this issue, during negotiations with FDIs, there should be an adopted rate of the share of employees with fixed term contract in a company.
- **Union membership** – many newly employed are discouraged to join trade unions due to the fees that need to be paid and it is time consuming. Therefore there should be different union membership, such as active members and passive members. Passive members will not have to pay the exact fee, and both will enjoy the benefits of being unionized. Moreover, in this manner it will be easier to organize people with non-standard working hours or jobs, such as the new emerging jobs.



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- Regarding **representativeness**. The procedure for obtaining representativeness should be either simplified or there should be other ways for some trade unions and employers' organizations that are not representative to be part of the Economic and Social Council and actively participate in the process.
 - **New technologies** can help organize and coordinate the activities of the ESC, making it easier to communicate. It is also an advantage for organizing workers in the new and unconventional areas, such as teleworking. Their working hours are more flexible and usually find it difficult to identify with the company. However, in order to protect their workers' rights, it is necessary for them to organize and act jointly. Digitalization can help the process making it easier to communicate and coordinate.