



# **COST-BENEFIT ANALYSIS OF INTRODUCING ELECTRONIC SYSTEM FOR SIMPLIFIED REGISTRATION OF SEASONAL WORKERS IN THE AGRICULTURAL SECTOR**







Implemented by:



## **COST-BENEFIT ANALYSIS OF INTRODUCING ELECTRONIC SYSTEM FOR SIMPLIFIED REGISTRATION OF SEASONAL WORKERS IN THE AGRICULTURAL SECTOR**

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## Introduction

The informal economy as a complex social phenomenon exists to varying degrees in all countries. This is due to its resilient nature and adaptability to changes in the political, economic, and legal environment. Different motivations are drivers of the informality. For many workers, informal or undeclared work is not a choice, but necessity to provide food on the table and cover the living expenses. In these circumstances of living on the edge, these workers are willing to accept work under any conditions, including undeclared (also because of shortage of decent jobs). On the other hand, undeclared workers who are beneficiaries of certain social protection benefits from the state prefer staying out of the formal economy.

On the side of employers, informality is usually present among small or micro-companies, but also among large firms that put efforts to do business within the informal economy in order to evade taxes and payment of compulsory social security contributions. On certain occasions in activities of temporary and occasional character, such as the seasonal work in the agricultural sector, undeclared work could be a consequence of the strict legislation and complex procedures for registration that limits the opportunities of workers and employers to mutually agree on short-term work engagement.

Undeclared work cause harm to employers, workers, as well as to the country's revenues. It is affecting the rule of law, and seriously jeopardizes the wellbeing of workers, the delivery of public services, and the exercise of rights financed through public duties, which are related to the reported work. Work in the informal economy is often characterized by undefined work places, unsafe working conditions, long working hours and lack of access to information, training and technology. Workers in the informal economy are not recognized, registered, regulated or protected under the labour legislation. [1]

The unregistered workers are deprived of basic rights arising from employment such as legal and social protection, while those employers (including companies) that operate legally have significantly higher costs in comparison to their competitors in the informal economy. This additionally jeopardizes the business environment in the country and negatively affects fair competition in the market. Therefore, of paramount importance for the development of the economy and the creation of equal opportunities for the actors the country should aim to tackle the informality.

The existiting labour legislation foresees only one institutional mechanism for the employment of workers (establishment of employment relationship) which is the registration and/or deregistration of workers in the compulsory social insurance through the Employment Service Agency (ESA). [2] This applies to all workers, regardless of their form of employment or type of employment contract they have. Immediate employment of a worker is not possible, even in the case of seasonal employment. [3] The existing system has various limitations and weaknesses and does not reflect the needs of its participants. Research has shown that the informal seasonal labour in the agricultural sector is mainly related to small employers, while companies have appropriate services that perform the registration procedure of the seasonal workers and have capacity to implement all procedures set out in the legal framework. [4] The system needs to be adjusted for small employers (famers, producers, households) who have limited human and administrative capacity, since workers are hired for short and occasional work engagements that often last for several days and are repeated several times during the season. For them, the procedure for registration is overwhelming and time-consuming and for one working day of the seasonal worker, the farmer should complete the employment procedure that could last three days. [5]

Further, using the electronic system of e-Employment managed by ESA requires a digital certificate. The digital certificate is expensive for most individual farmers; while the major problem is in the e-Employment system itself, which is accessible only for legal entities and not for the individual farmers. As a result, most seasonal workers in the agricultural sector are still part of the informal economy and work undeclared. Thus, according to some estimations, currently up to 12,000 seasonal workers work undeclared and their work in the informal economy presents a major challenge for exercising their rights and decent work conditions and has a negative impact on public revenues and fair competition.

Based on the positive experiences of the Serbian model for e-registration of seasonal workers, a solution to tackle undeclared work in North Macedonia could be the introduction of a new **flexible model for temporary, occasional, and seasonal work engagements** [6] that is designed to suit the needs of workers and employers involved in these types of short-term activities. Since these work engagements are not considered as employment relationship it is recommended to adopt a new law that will define the grounds for implementation of such model. [7] Furthermore, to establish an efficient business process it is recommended to introduce a new easy-to-use electronic system for registration of workers in the agricultural sector, tourism and catering, personal and household services. [8] This will simplify the registration procedure of workers in the indicated sectors without putting an administrative burden on the employers or persons to be engaged. [9]

The Ministry of Labour and Social Policy bears the process of this reform and gives support to implement the project. In line with the main conclusions of the discussions between the stakeholders the proposed model was adjusted to the needs of the country. Based on it, this analysis aims to scrutinize the cost and benefits of the implementation of the electronic system and its impact on budget revenues from taxes and social security contributions. In that manner, the **cost-benefit analysis** will be useful for the decision-makers, as it will give a brief overview of the current situation, as well as the effects and outcome of this policy.

## **1. Informality and undeclared seasonal work in the agricultural sector**

The income and the welfare of a significant part of the population in the country depend on work in the agriculture sector. Therefore, the agricultural sector is regarded as one of the most important economic sectors in the country (especially in the rural areas), which directly and indirectly participates in the creation of the gross domestic product (GDP). In 2021, agriculture participates with 7,6% of the total GDP, [10] although it is considered that the real share is higher because citizens in the rural areas receive additional income by cultivating their agricultural land as a personal source of livelihood, but also by selling the surplus agricultural products on the green markets, outside the records of the system.

In recent years, the agriculture is not a competitive activity since the work arrangements are short lasting and erratic, and the workers on the other side prefer to get permanent and secure job or they move to the European countries. Moreover, employment in Technological Industrial Development Zones has become frequent. In the areas where free economic zones were opened, foreign investors started production (for automobile or other industries), often employing the entire available skilled and unskilled labour force. Hence, a serious shortage of work force has emerged, and the employers are pressured to engage all workers who are willing to work. This includes categories of workers who cannot be formally registered (e.g. students, pensioners, already employed etc.), but in essence do seasonal work. These categories of workers in general are hired by individual farmers and family farms.

The agriculture employs large portion of the total number of employees in the country. In 2021, 91,506 people were employed in the sector of Agriculture, forestry and fishery, out which agriculture sector is the largest share. [11] The latest available data from 2016 issued in the publication “Structure and typology of agricultural holdings”, show that 12,9% of the work done in the agricultural sector was performed by seasonal workers. [12] Further, according to recent estimations of the ILO from the 2019 Labour Force Survey, the informal work in the agricultural sector is 53,5%, [13] while older estimations set this share much higher between 82,4% and 86,1% [14] which corroborates previous findings that seasonal work in this sector is also mainly informal. [15] When these numbers are considered together, **the number of seasonal informal workers could be estimated up to 12,000**, which is the number of potential beneficiaries (from the agricultural sector) of the model for temporary, occasional and seasonal work engagements. Formalization of the labour of these potential beneficiaries of the model will provide considerable financial revenues for the country through the payment of taxes and compulsory social security contributions. These funds in the public budget can be used for further improvement of citizens' well-being.

In recent years, North Macedonia records decline in the informally employed workers as a share of the total number of employed workers in the country, both in absolute numbers and as a percentage. Yet, it is still at a high level. According to the data of the Labour Force Survey in 2011, the informally employed persons present 25% of the employed, while in 2021, there is a decrease, and the informally employed persons present 12,1% of the total. [16] Unfortunately, except disaggregated data by gender and age, there is no more data on the number of informally employed per economic sectors, which complicates the assessment of the total number of informal seasonal workers in the agricultural sector. In June, the Pilot Census of Agriculture 2022 was launched. During this operation, the State Statistical Office will check the methodology before conducting the official census. [17] This operation in the upcoming period is likely to provide new relevant information on the seasonal labour force in the sector, and other data related to the number of informally engaged workers. For now, this cost-benefit analysis will only focus on calculations and estimations based on the available data.

## 2. Proposed model for formalization of the undeclared work

The Government of the Republic of North Macedonia and the competent Ministry of Labour and Social Policy have the intention to establish the rule of law and increase the public revenues by formalizing the undeclared work. In that regard, the country adopted the “Strategy for the formalization of the informal economy 2018-2022”. One of the several specific objectives is to stimulate and support the formalization of informal economic activities through a system of preventive and incentive measures. The initial idea was to implement a voucher system. [18] However, considering the positive experiences from the Republic of Serbia, the experts focused their knowledge and expertise to propose a suitable model for the employers and workers that will include an electronic system, harmonized with the existing systems and IT networks that already are in function. The design and implementation of public policies for the formalization of the informal economy and undeclared work in the economic sectors mentioned above is complex. This is due to the need to amend the legal framework by adopting a new law that will regulate all necessary issues that arise from implementation of the agreed model for temporary, occasional and seasonal work engagements, including the functioning of the electronic system, as well as its integration into the existing systems and exchange of data with other institutions.

Throughout the whole reform process and in line with the Strategy, along with the “Better employment conditions for seasonal workers in North Macedonia” project implemented by GIZ in cooperation with CRPM, the country also receives expert support from the experts engaged in the EU IPA “Improving the Working Conditions” project implemented by Archidata s.r.l. and

its consortium partners. The two projects have been working together to develop a common business model according to the local context and needs of the institutions and will further provide support through the working groups in order to facilitate the process of drafting the law.

Regardless of whether the host of the IT system will be the Public Revenue Office (PRO) or the Employment Service Agency, implementation of this IT system for simplified registration of workers incurs expenses for expertise and development/purchase of software solution. This is in order to implement completely functional system that will exchange data between the competent institutions including the PRO, the ESA, the Pension and Disability Insurance Fund, the Health Insurance Fund, the Central register of entities, the Population Registry (and/or the databases of the Ministry of Interior), and the State Labour Inspectorate. For further reading on the business process and role of every actor in the IT system please consult the documents entitled: "Business model for temporary occasional and seasonal work-V4.2" and "Process of employment of Seasonal Workers in the Republic of North Macedonia – draft concept".

It is worth mentioning that all stakeholders involved in this reform are informed about the current Social Insurance Administration Project of the Ministry of Labour and Social Policy which is implemented for better administration of the citizens that are registered as social insurers on different grounds. The foreseen electronic system for simplified registration of temporary, occasional, and seasonal workers will be integrated and in line with the Single Register for Socially Insured Individuals.

### **3. Financial effects and implications of the reform**

This cost-benefit analysis goes from the assumption that currently, and in the following years if nothing happens the country will not have any budget revenues from taxes and compulsory social security contributions from the undeclared workers hired in these economic sectors. The legal framework does not correspond to the needs of employers and workers in the agricultural sector, tourism, catering, and personal and household services, as they have specific needs, in particular for the unplanned increase of the workload during the season which is very relevant in the agriculture and tourism sector.

It is expected that the proposed model regulated through specific law for temporary, occasional, and seasonal work engagements will overcome the issues with a high level of undeclared work. In that regard, this analysis will determine whether this reform is financially feasible for the country. The analysis also aims to reveal any possible losses in terms of finance and derogated labour rights of the workers if the decision-makers miss meeting the project goals and do not use the allocated funds of the German Development Cooperation implemented by GIZ in cooperation with CRPM as local partner which are provided through this activity. Namely, using the very basic and essential definition, public policy may be viewed as whatever governments choose to do or not to do. [19] Non-taking action on certain issues such as this one could result in missing the potential to collect additional public funds to provide new services or upgrade the existing ones. On the other hand, companies and individual employers who do business legally will continue to operate in unfair competition, while the workers will lose every chance for formal employment - missing the opportunity to acquire the right to pension and to be legally protected. Missed opportunity to complete the reform will have far-reaching negative impact, not only on the public budget, but also on the well-being of citizens.

The analysis and assessments presented further on are based on the assumption that this reform will be implemented in North Macedonia. There is great potential, given the total number of undeclared workers that are eligible to participate in the proposed model. In the agricultural sector as stated before it is expected the model to cover up to 12,000 undeclared seasonal workers and up to 5,400 undeclared workers hired in the sector tourism, and personal and household services [20] which gives opportunity to North Macedonia to formalize the work of around 17,400 undeclared workers.

### **3.1. Cost of the electronic system**

The cost of the electronic system could significantly complicate the decision-making process if it was up to the institutions to allocate enough funds for its development, maintenance, and implementation.

In this case, it is worth mentioning that the country will not bear any costs related to the introduction of the system since all the expenses are fully covered through the Project 'Better employment conditions for seasonal workers in North Macedonia'.

Namely, the Introduction of the electronic system requires the purchase of a software solution [21] that is provided by the project. Hence, the Government, nor the institution that will host the system (probably the PRO) will not have any direct costs for the introduction of the system [22] while Initial estimates are that the software development will cost approx. EUR 100,000.

#### **3.1.1. System development - software**

Given the experiences of the Republic of Serbia, there will be no need for the institutions to hire or employ additional experts or staff to manage the system or implement the reform. Macedonian institutions currently have all the necessary capacities for this action and the whole process will not affect the ongoing obligations they have. Furthermore, the electronic system will be fully automated so that it does not require human resources to function.

The electronic system will be developed by an IT company that meets the appropriate requirements (as per the Term of Reference) to conduct this type of work and in accordance with the security protocols. The company's professionals will need support from IT department staff of the relevant institutions. Considering that the whole process will probably last from two to three months there will be need for support in total of 22 working days. If we take into account that in April 2022, the average monthly net salary paid in the sector "Public administration and defence; compulsory social security" is of MKD 31,748 [23] the indirect cost for the country will be in the amount of that average net salary. If two or more persons are involved in the process, the indirect cost may increase slightly.

#### **3.1.2. Setting up the hardware part of the system**

The Public Revenue Office successfully manages several active electronic systems that are very complex - for calculation of taxes and gross-net salaries. Therefore, in the consultation process it was estimated that this public institution has all the necessary administrative capacities and human resources for hosting the electronic system for simplified registration of workers. The PRO does not have need of any additional hardware components (servers, computers or other IT equipment to host the system) to integrate or operate the software.



### 3.1.3. Deployment of the system and training of staff

**Deployment and system modification** represents the installation of equipment, applications, and databases, initial data entry, and establishment of the protection and maintenance system. **The introduction** also supports user training for use of the portal. The company that will work on developing the software will elaborate on how it intends to provide training to employees in the public institutions for use of the software application solution. In addition to the training of the appointed staff, the company will produce guidebooks for using the system tailored for the participants in the system, as well as for the staff in the institutions. Other staff from the institutions could be trained on how to publish relevant electronic resources on the software web-page (portal), such as the amended laws or bylaws, as well as relevant information for the workers and employers.

As per the technical specification for the software, the IT company must deliver the following:

- Detailed plan and programme of training for system administrators;
- Plan and programme of training for end users;
- Ensured training for end users;
- Elaboration on the training content and time schedule;
- Ensured technical training for IT staff so as to enable them for administration, maintenance and prospective further development of the solution, based on the software initially installed by the bidder;
- Planning and supervising the installation of the testing environment. [24]

The training will be fully covered by the project to prepare the staff for further maintenance and administration of the system. It is estimated that there will be need to include two persons from the relevant department in the training that might last in total of 7 working days. Therefore, if we take into consideration the same average monthly net salary paid in the sector in April 2022, and the if the net wage per hour is MKD 180 (176 working hours per month), then for these two employees the country has indirect cost in total of MKD 20,160, which again is not worth highlighting as a significant expense.

### 3.1.4. System Maintenance

The maintenance of the system is consisted of modifications aimed at improving its performances, improvements or adjustments to the way of use. Maintenance is a continuous activity that starts as soon as the system is put into operation. Regardless of how well a system may be designed, constructed and tested, occurrence of errors is inevitable. Correction of errors is in practice known as system maintenance. Maintenance in itself does not entail installation of enhancements or new options, however these are routinely made. The warranty period for the portal is 12 up to 24 months. [25]

The trained staff from the institution that will host the system will be able to maintain the system on their own after the end of the warranty period. It is estimated that this put additional workload on the IT staff of about several working hours per month, for example up to 5-8 working hours to upgrade or reboot the server which will indirectly cost around 1,440 MKD, which is not worth highlighting as a significant expense.

Briefly, in the first year or two (depending on the terms and conditions that will be given by the bidder), the country will not have any financial costs for hiring additional human resources, maintenance, and functioning of the IT system. The only cost to the country in this period is calculated as working hours spent by the appointed persons from the institution that will host

the system to gain knowledge and skills for administration and maintenance of the system, as well as for their contribution in the development process of the software solution. If in the calculation representatives from other institutions who participate in the discussions or Working groups are included, starting from 2021 until the end of the project in 2023, it is expected that the country will have indirect expenses of around EUR 6,000 – 7,000. [26]

### 3.2. Estimation of potential benefits from the reform

This chapter gives estimations of the possible financial benefits for the country from implementation of the system - revenues into the public budget based on registered work engagements for seasonal work. As part of this analysis, we made several assumptions for easier assessing the effects on the budget:

- The total number of informally employed seasonal workers in the agricultural sector will remain stable for a period of 5 years – up to 12,000 undeclared workers. [27]
- For each working day for all seasonal workers hired through the electronic system the employer will pay compulsory social security contributions calculated as 1/30 of the lowest basis for calculation and payment of compulsory contributions.
- The tax rate will remain 10%.
- Additional tax exemption will not be applicable for these payments.
- All seasonal workers will work for a period of 4 months or a total of 104 working days.
- Registered seasonal workers through the electronic system are expected to be registered again in the following years, so they will be calculated each following year in the estimations.

Taking into account that this type of work engagement is not standard employment and there is no minimum monthly salary since it is difficult to assess whether the seasonal worker will work 10 or 30 days per month (continuously or with interruptions), it is recommended to use a daily basis for calculation and payment of compulsory contributions and tax, regardless of hours worked during the day. This rate can be calculated as 1/30 of the lowest basis for calculation and payment of compulsory social security contributions. The basis cannot be lower than 50% of the average salary paid per worker, according to the Law of contributions from compulsory social insurance. [28] Thus, for July 2022, the lowest basis for calculation of the compulsory contributions is MKD 21,755, [29] which translate to a daily rate in amount to MKD 725.2 and that is the basis for payment of compulsory social security contributions and personal income tax. The rates per compulsory contributions are following translated into expenses for one daily work engagement:

- Compulsory Pension and Disability Insurance of 18.8% or **MKD 136.3**
- Compulsory Health Insurance of 7.5% or **MKD 54.4**
- Compulsory Contribution for Insurance in the Case of Unemployment 1.2% or **MKD 8.7**
- Additional Health Insurance 0.5% or **MKD 3.6**
- Personal income tax 10% or **MKD 72.5**

This means that the employer has to pay MKD 203 per day for one seasonal worker on account of compulsory social security contributions. In addition, the tax payer will pay MKD 72.5 for personal income tax. Hence, total compulsory duties for the employer will amount to **MKD 275.5**.

In the above scenario, the social security contributions and personal income tax are fixed i.e. they do not fluctuate depending on the gross amount of the daily wage.

Considering the stated conditions and preconditions, in the basic scenario, according to the positive experiences from the application of the electronic system in the Republic of Serbia we can expect at least 10% formalization of the undeclared seasonal work per year. [30]

As stated above, the assumption is that those workers whose work is formalized in the first year will be again registered in the following five years, so the 10% rate of formalization will be calculated on the number of those workers who are left undeclared including those from the previous year. There is a real possibility for more than one scenario. For example, there might be even higher interest among the participants with formalization rate up to 20% or in worst case scenario to go below 10%. Worth to mention is that it is difficult to assess the behaviour of the workers and employers in this sector. There might be high interest for formalization in the years, which can later fade out. However, with proper control of the implementation, and support of the participants in the system with specific trainings or other raising awareness activities it is reasonable to expect that on average the above-mentioned 10% formalization of the seasonal work annually will be achieved.

Considering the explained circumstances and assumptions, it could be expected that the institutions will collect revenue in total amount of MKD 28,625 for one seasonal worker that will work up to 104 days per year.

The following estimations refer to the first five years from the introduction of the new system:

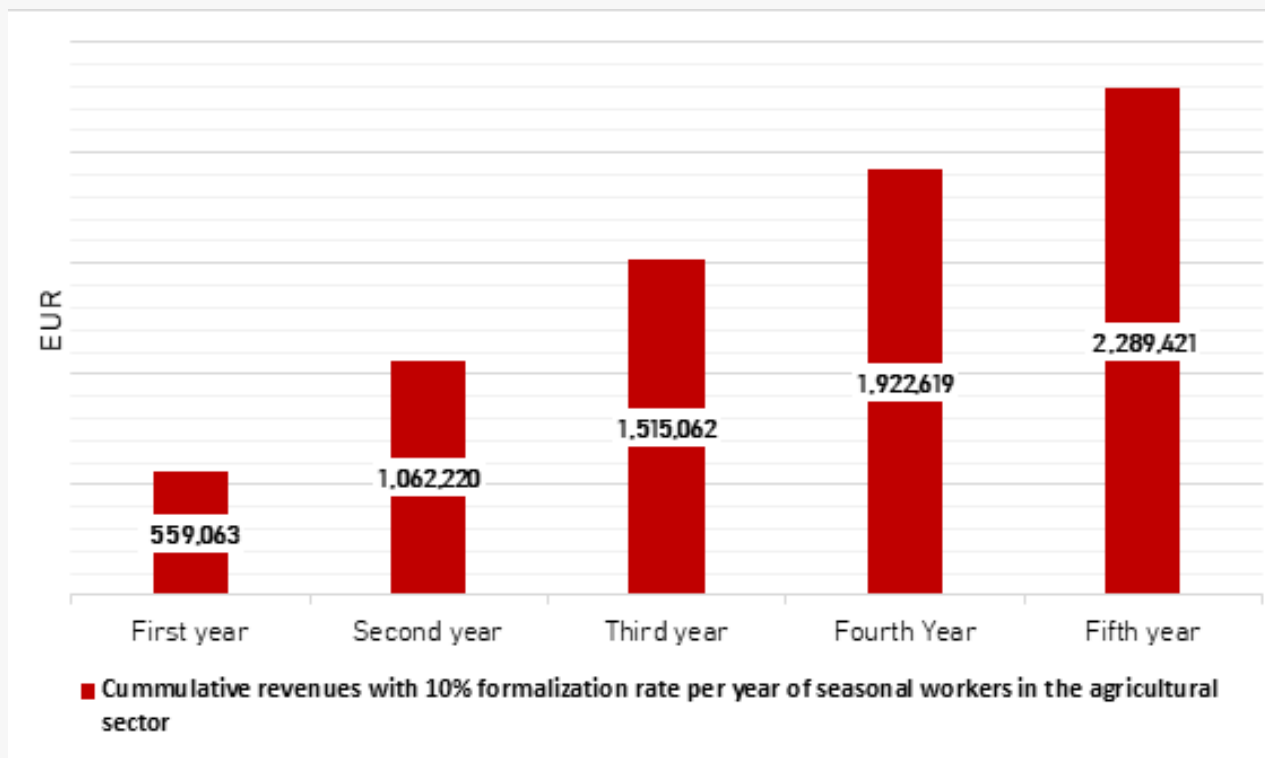
**First year:** With formalization rate of 10% based on the estimation of the total number of undeclared seasonal workers in the agriculture that is 12,000, **the number of registered workers could reach up to 1,200.** If each of the workers work 104 working days per year, using the previously presented calculations for compulsory social security contributions and personal income tax, the country will generate budget revenues in the amount of MKD 34,382,400 or around EUR 559,063. [31]

**Second year:** With formalization rate of 10% based on the estimation of the total number of undeclared seasonal workers left in the agricultural sector that is 10,800, **the number of registered workers could reach up to 1,080.** Using the previously presented calculations for compulsory social security contributions and personal income tax, the country will generate budgeted revenues in the amount of MKD 30,944,160 or around EUR 503,157. We assume that those 1,200 workers from the first year will be registered in the second year. Therefore, it could be expected for the country to collect up to EUR 1,062,220.

**Third year:** With formalization rate of 10% based on the estimation of the total number of undeclared seasonal workers left in the agricultural sector that is 9,720, **the number of registered workers could reach up to 972.** Using the previously presented calculations, the country will generate budgeted revenues in the amount of MKD 27,849,744 or around EUR 452,841. We assume that those 2,280 workers from the first two years of the reform will be registered again in the third year. Therefore, it could be expected for the country to collect up to EUR 1,515,062.

**Fourth year:** With formalization rate of 10% based on the estimation of the total number of undeclared seasonal workers left in the agricultural sector that is 8,748, **the number of registered workers could reach up to 875.** Using the previously presented calculations, the country will generate budgeted revenues in the amount of MKD 25,064,770 or EUR 407,557. We assume that those 3,252 workers from the first three years of the reform will be registered again in the fourth year. Therefore, it could be expected for the country to collect up to EUR 1,922,619.

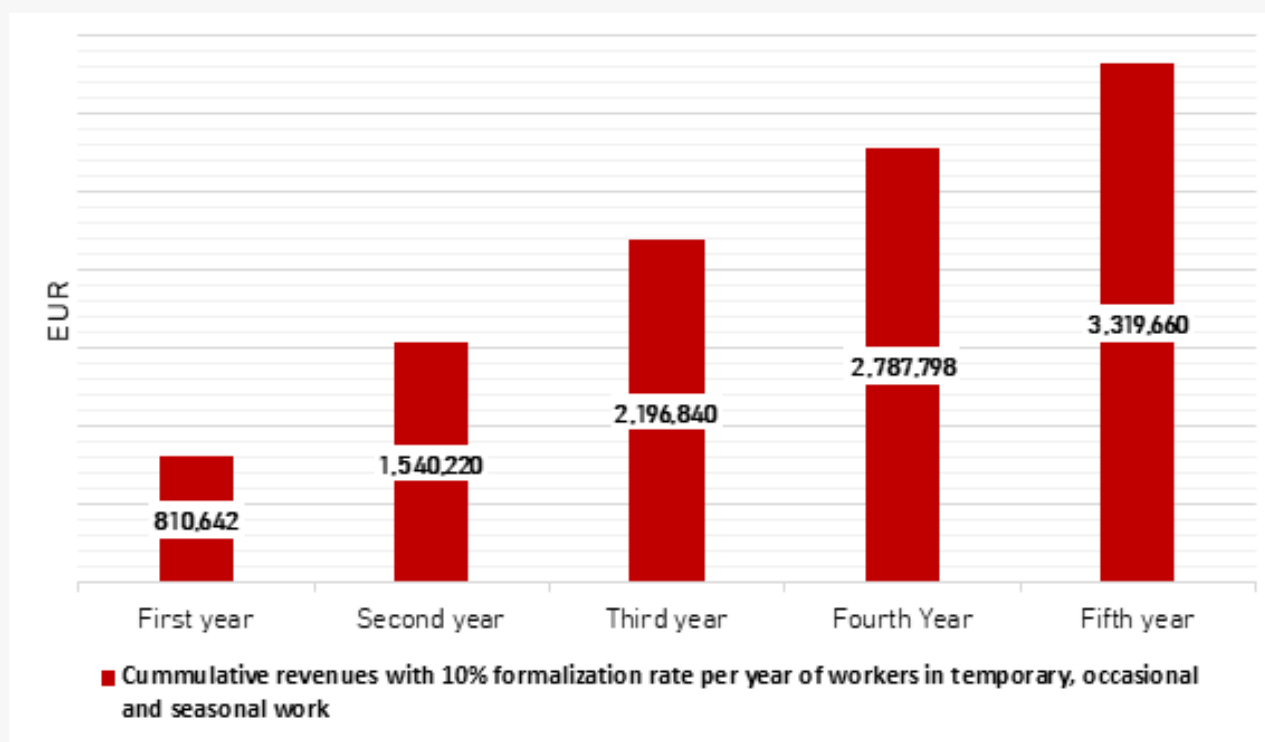
**Fifth year:** With formalization rate of 10% based on the estimation of the total number of undeclared seasonal workers left in the agricultural sector that is 7,873, the number of registered workers could reach up to 787. Using the previously presented calculations for tax and compulsory social security contributions, the country will generate budgeted revenues in the amount of MKD 22,558,293 or around EUR 366,802. We assume that those 4,127 workers from the previous years since the start of the reform will be registered again in the fifth year. Therefore, it could be expected in the fifth year the country to collect up to EUR 2,289,421.



According to the presented figures, with this stable rate of formalization per in five years there is possibility to formalize the work of up to 4,914 seasonal workers in the agricultural sector, which present almost 41% of the total estimated number of undeclared seasonal workers. It is hard to estimate whether or when the country will reach the full potential because this depends of other policies as well. If the country decides to provide certain incentives the reform could have far better results and the employers and workers will be highly motivated to formalize their labour. However, it is significant to emphasize that for a period of five years, the state would collect up to EUR 7,348,385 and this is only from formalization of the seasonal labour in the agricultural sector (see graph above).

The data presented in the graph below refers to the effects that the reform could have with the same rate of formalization of 10% on the total number of undeclared workers in all sectors that will be covered with this reform or up to 17,400 undeclared workers engaged in the agricultural sector, tourism, catering, personal and household services. In the graph is presented the total cumulative amount of revenues per year that the country is expected to collect from compulsory social security contributions and personal income tax.





From the presented data It can be noted that in the fifth year of the reform, the total benefits for the country in form of revenues from formalizing the labour of the undeclared temporary, occasional and seasonal workers reach the amount of up to EUR 3,396,357. For the same period the labour of slightly over 7,120 workers could be formalized which present almost 41% of the total estimated number of undeclared workers in these sectors.

Successful implementation of this reform in these sectors with formalization of 41% of the undeclared workers for a period of five years will generate significant revenues in the public budget in a total amount of EUR 10,655,159.

Although the focus of this calculations is mainly on the financial benefits for the public budget, it should be noted that for the same period more than 7,120 workers will enjoy legal, social and health protection and will have increased opportunities for finding decent work or employment. Some of them in this five-year period might acquire the right to a pension.

### 3.3. Indirect benefits for the country from the foreseen activities within the project

The overall objective of the project is to initiate, support and facilitate the process of reforming the system for the registration of seasonal workers through adopting a new law that will enable use of software solution that will simplify the whole registration procedure. In that regard, besides fully covering the cost of development (purchase) of the software through the project the GIZ in cooperation with CRPM will provide expert and legal support to the Working Group for implementation of the “Strategy for the formalization of the informal economy” and other institutions included in the reform in drafting the subjected law and by-laws. The team will also undertake activities to create opportunities for representatives from the institutions and legal experts to exchange experiences and best practices with their colleagues from the Republic of Serbia.

The project also foresees several important activities tailored to informing the public about the acceptance and implementation of the electronic system for registering seasonal workers in the agricultural sector, especially among employers and seasonal workers, by organizing info

days, training, and performing other activities in line with the project and the needs of participants in this process. Info-days will be organized in each of the eight statistical regions of the country, as well as training on how to use the system following a specifically tailored curriculum for end users. For this purpose, the end users will be provided with brief documents (guides) which will explain in detail each step of how to register the workers. Based on the experience of the Republic of Serbia these activities are of great importance to mitigate the risk of not accepting the system since some of the employers in the agricultural sector could be reluctant to use the system.

Additionally, the project team and experts will continuously work to promote and disseminate information related to this reform. In the final stages before starting with the application of the system, in addition to the organized events, the promotion will be done in the written and electronic media.

#### 4. Conclusion

The introduction of the electronic system for simplified registration of seasonal workers in the agricultural sector as per the presented estimations could be regarded as one effective means for the formalization of the undeclared work and creation of conditions for fair competition on the market. The cost for the country, at least in the first two years is not significant and its totals are very low (or non if the indirect costs as share of staff salaries are excluded) compared to the possible revenue for the public budget.

There is a possibility of resistance between the workers and employers for using the system, and this is a on the inspectorate bodies and the experts to raise awareness among the actors to formalize their activities and use the benefits provided by the country within the formal economy. In that regard, for successful application of the electronic system there might be need of certain incentives both for the employers and workers. Specifically tailored incentives could contribute to the wider acceptance of the system among the potential participants and mitigate the risk since some of the employers could be reluctant to use the system, at least in the first years.

Briefly in the table are presented the main conclusions that are cost and benefits for each participant in the system: **Government / institutions, employers, and seasonal workers.**

Beneficiaries	Costs	Benefits
Government / institutions	<ul style="list-style-type: none"> <li>&gt; No direct cost in the first year to introduce the electronic system (costs fully covered by the project).</li> <li>&gt; Low indirect costs generated by staff engagement in the reform and further maintenance of the system.</li> </ul>	<ul style="list-style-type: none"> <li>&gt; Financial support to purchase the software for implementation of this reform.</li> <li>&gt; Revenues by collecting taxes and payment of compulsory social contributions.</li> <li>&gt; Collection of data on the established formal work engagements.</li> <li>&gt; Improved control of the implementation of the labour legislation.</li> </ul>

Beneficiaries	Costs	Benefits
Government / institutions	<p>&gt; Low costs for system maintenance (server) compared to the potential revenues.</p>	<p>&gt; Protection of workers' rights and creation of decent jobs.</p> <p>&gt; Created conditions for fair competition on the market.</p> <p>&gt; Successful step in confronting the informal economy in the country.</p> <p>&gt; Potential to create better public policies.</p> <p>&gt; Implementation of the strategy and action plans to formalize the informal economy, which includes specific attention to business environment component which is in line with the Commission Staff Working Document (Chapter 20: Enterprise and industrial policy).</p>
Employers	<p>&gt; Risk of losing potential workers if they refuse to be registered.</p> <p>&gt; Increased costs for those employers who formally do not register seasonal workers i.e. avoid the payment of compulsory social security contributions and tax.</p>	<p>&gt; Significant reduction of the costs with using the new system compared to standard employment of workers by introducing fixed rates for taxes and compulsory social security contributions.</p> <p>&gt; Saving a lot of time by using the new system due to a fully simplified administrative procedure for registration of seasonal workers. With a few clicks on their PC, laptop, or smartphone in a couple of minutes, employers can easily establish a new formal work engagement</p> <p>&gt; Working and growing in a better business environment – fair competition.</p> <p>&gt; Working in accordance with the laws – not afraid of regular controls by the inspectorate bodies.</p> <p>&gt; Higher level of trust and better relationship with the hired seasonal workers.</p> <p>&gt; Better communication and connection with seasonal workers by using the register of seasonal workers.</p>

Beneficiaries	Costs	Benefits
Seasonal workers	<ul style="list-style-type: none"> <li>&gt; Possibility of being offered a <b>lower daily wage</b> compared to the daily wage earned within the informal economy.</li> </ul>	<ul style="list-style-type: none"> <li>&gt; <b>Registered work</b> - paid taxes, social and health contributions.</li> <li>&gt; Possibility of exercising the <b>right to a pension</b></li> <li>&gt; <b>Legal protection</b> against violation of labour rights (the right to vacation, day off, etc.).</li> <li>&gt; <b>Increasing employment opportunities</b> and acquiring new skills and/or certificates (e.g. Certificate of Production of Organic Food) by using the register of seasonal workers.</li> <li>&gt; <b>Better communication and connection with employers who hire seasonal workforce</b> by using the register of seasonal workers.</li> </ul>



## Bibliography

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- [2] Risteska Marija and Trajkovski Kristijan. From Shadow to Visible Seasonal Worker in Agriculture: Reasons, Challenges and Models for Formalization of Seasonal Labour in Agricultural Sector. CRPM. 2020.
- [3] Seasonal employment can be established without public announcement but only with the mediation of the Employment Service Agency. In this case, the worker must be registered as an unemployed person in the records of the ESA.
- [4] Risteska Marija and Trajkovski Kristijan. From Shadow to Visible Seasonal Worker in Agriculture: Reasons, Challenges and Models for Formalization of Seasonal Labour in Agricultural Sector. CRPM. 2020.
- [5] It takes several days to complete the entire procedure. The public announcement last at least three days. Given the shortage of labour and the unpredictability of the need for an additional seasonal worker, this contributes to the frequent circumvention of the provisions prescribed by the law.
- [6] The agreed model is a result of the several discussions between representatives from the project "Better employment conditions for seasonal workers in North Macedonia" and representatives from the project "Improving the Working Conditions" implemented by Archidata s.r.l. and its consortium partners under the coordination of the Ministry of Labour and Social Policy.
- [7] GIZ and CRPM proposed the adoption of a new law (lex specialis) since it is considered as the best option to regulate these issues.
- [8] The public institutions selected these economic sectors as important in the first phase of the reform.
- [9] Further readings of the effects of this reform in the other sectors such as tourism, catering, personal and household services please consult the document(s) prepared within the IWC project.
- [10] State Statistical Office. MAKStat database. Estimated data for 2021. 2022.
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- [12] Calculated based on the share of annual work units (AWU).
- [13] International Labour Organization. "Overview of the informal economy in North Macedonia". 2020.
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- [19] James E. Anderson. Public Policymaking. An Introduction. Fifth edition. 2003.
- [20] Predrag Bejakovic. The Cost-Benefit Analysis of a Legalisation of the Unregistered Work in The Republic of North Macedonia. 2022.
- [21] The project envisages full financial support for purchasing the necessary software. The hardware component (servers, computers, and other supporting IT equipment) will be used from the existing resources that the hosting institutions have (PRO).
- [22] After the expiration of the warranty for the system, the country will only bear the cost for maintenance of the system, which is seen as a percentage of the anticipated financial benefits it is a cost that will not be a burden for the institution.)
- [23] State Statistical Office. "Average monthly net wage paid per employee, April 2022." 2022.
- [24] For more information, please read the draft Technical Specification – Software for e-registration of seasonal workers in agriculture in Republic of North Macedonia. 2022.
- [25] For more information, please read the draft Technical Specification – Software for e-registration of seasonal workers in agriculture in Republic of North Macedonia. 2022.
- [26] Calculated as cost based on the full-time working hours of the employees in the institutions. This refers to engagement of representatives from all institution in meetings (1-2 hours), consultations (1-2 hours), interviews, study visit (several days), working groups (several days), and etc.
- [27] Calculated 17,400 undeclared workers in total in the agricultural sector, tourism, catering, personal and household services.
- [28] The Law of contributions from compulsory social insurance, Article 14. 2022.
- [29] Calculation of salary for the month of July 2022. Available online source: <https://rafajlovski.com.mk/plata-za-tekoven-mesec.nsp>
- [30] The estimates are conservative, considering that in the first year in the Republic of Serbia around 30% of the estimated seasonal workers were legally hired through the system.
- [31] The calculation is made with an average exchange rate of MKD 61.5.