

# NATIONAL REPORT

**The Impact of Economic Crisis on Industrial Relations System in Macedonia: Policy Responses as Key Recovery Tools**





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# “The Impact of Economic Crisis on Industrial Relations System in Macedonia: Policy Responses as Key Recovery Tools”

Skopje, 2012

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National Report

“The impact of economic crisis on industrial relations national systems: policy responses as key recovery tools” developed by Centre for Research and Policy Making

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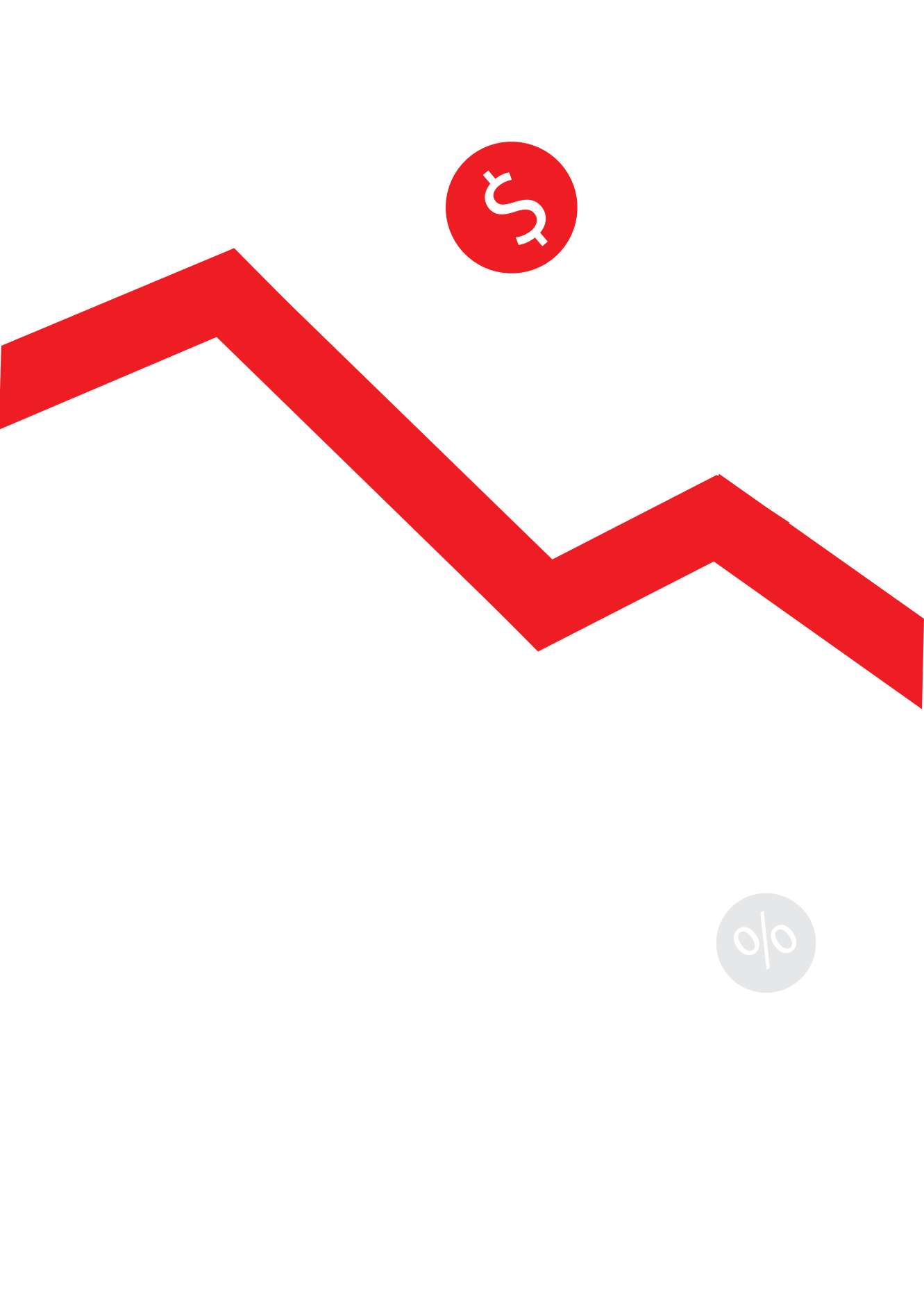
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## EXECUTIVE SUMMARY

The policy actors, the social dialogue partners and the citizens were faced with remarkable challenges: decrease of the economic growth and employment rates, rapid increase of unemployment, of social benefits. In this period in the European Union a trend occurs of mutual negotiations between social partners (employers and unions) in the auspices of the social dialogue on national, sectoral and enterprise level. Through this dialogue the partners found ways how to maintain the jobs in the economic crises. In Republic of Macedonia, the Government promoted five packages of anti-crises measures that aimed to decrease the impact the crises had on the economy. Unfortunately in the process of development of these policy measures the potential of the social dialogue as a forum through which such measures can be identified remained unutilized.

In order to analyse the social dialogue in times of crises the report presents the main indicators for the crises, its consequences and the policy responses that aimed to decrease the negative impact the crises had on national economy. The challenges are analyzed from the perspective of the social partners and focus on the economic dimensions of the crises and its impact on the salaries, the employment, the safety at work and education. In the same time the report allows space for analysis of the policy responses of the government on the crises. In this respect the report focuses on the legislative changes, the introduction of fiscal instruments and the enhancement of competitiveness, consumption and introduction of saving measures.

In order to depict the impact social partners had on the formulation of policy responses and the role social dialogue had in that process the report analysis the different perspectives and proposed measures social partners provided to the government and the ones that were approved by the government. On the basis of the gap analysis the report makes an important conclusion that the potential of the social dialogue remained unutilized as a forum in times of crises.





# I INTRODUCTION



## I INTRODUCTION

Global economic crisis has put the political actors, social partners and citizens in front of unprecedented challenges. While different EU member states faced different problems caused by the crisis (some facing massive unemployment), in Macedonia the major impact remained to be on creating new workplaces as a result of historically great unemployment rates. In EU the social dialogue represents important factor in determining the possibility of establishing a compromise and agreement between the social partners. Since 'a general consensus has emerged on the need for long-term reforms and forward-looking responses to the crisis, the disagreements on specific policy measures may stem from a more fundamental divergence of views between the two sides of industry about the root causes of the crisis'<sup>1</sup>.

## GOALS

This report aims to give an overview of the industrial relations in Macedonia in an economic crisis environment. It also gives overall image of social partners and their role as active actors in policy making.

In order to analyze social dialogue in crisis environment, the report presents the key crisis indicators, its consequences and political responses aimed to address the negative consequences of the crisis.

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1 European Commission 2010, Industrial Relations in Europe 2010

Finally, to reflect the influence of the social partners and the role of social dialogue over adopted political responses to the crisis, the report discusses different perspectives and measures proposed by the social partners to address the crisis and conducts gap analysis of the Government's anti-crisis measures in the Republic of Macedonia.

## METODOLOGY

The economic crisis and its impact are insufficiently researched in Macedonia. In this sense we depended on the State Statistical Office data (further in the text SSO) that are annexed to this report in order to facilitate understanding of the crisis. However, bearing in mind the difficulties to make realistic assessment there is great possibility to oversee the important differences between economic indicators in the period of high growth (until 2007) and crisis period between 2008-2012.

The social dialogue was a special challenge for us since there are very little secondary sources available. Although we learned a lot and greatly benefited from the government policy reports, as well as surveys, analytical work and monitoring by several NGOs and academic institutions, we still generated and analyzed primary data. The survey was planned such as to be able to learn from it and to point to the disadvantages of the other secondary sources in this study area, but also to advance in areas that have not been surveyed before. Within the survey, we interviewed several policy makers in order to describe the capacity and influence of the social dialogue over the adoption of transformation policies that can respond to the crisis. In order to get more realistic picture how the crises was reflected in the operation and the viability of the firms in Macedonia and what was the impact of the social dialogue at the level of employer-workers, we talked directly with the managers and the union leaders of certain companies from the metal, textile industry and construction.

## REPORT STRUCTURE

When writing this report, at first it began with defining the social dialogue, the way it is legally regulated, the actors in it and their capacity, market position and influence in the policy making process. This is discussed in details in Chapter 1 of this Report. Then, we tried to describe various factors that influence the economic crisis in Macedonia and that are major questions for the social partners in the crisis (Chapter 2). Then, the Chapter 3 is dedicated to the negotiations in crisis, as well as the analysis of the political responses to the crisis. Finally, chapter 4 describes the conclusions, lessons learned and recommendations for the policies to stimulate more intensive social dialogue in the country.





# CHAPTER 1

## Social Dialogue in Macedonia



## **CHAPTER 1**

### **Social Dialogue in Macedonia**

#### **1.1. Historical Development and trends**

The process of creating legal and institutional frames of social dialogue in Macedonia has been very slow. Tripartite and bipartite social dialogue had not developed with equal dynamics and quality. Development process of bipartite social dialogue (mainly realized through collective agreements) was better as a result of legal framework passed in 2009 (upon changes and amendments of the Labor Law. Tripartite social dialogue is exclusively realized at national level within Economic Social Council (further in text ESC).

Industrial relations in Macedonia are still in the phase of regulation between labor and the quality. The process develops slowly and is overburdened with the malfunctioning of a real labour market. Namely, high unemployment rate and constant disproportion of workplace demand and number of workplaces offered, overburdens the dialogue among the Government, employers and workers, especially in the part of labor and its representatives. The quality of industrial relations, on the other hand, shows that it mostly depends on the will of the social partners to get involved in it, particularly the political will of the Government (or Minister of Labor and Social Policy that manages the Economic Social Council – ESC), than by the employers and workers representatives' initiatives and readiness to begin a dialogue with the government.



There are three periods of tripartite social dialogue development known in the country:

- (I) 1991-2003 = period of capital transition and transformation influencing the social dialogue through lowering union membership and when employers did not have legitimate representatives (associated in chambers representing their business interests, and not in employers' associations that have negotiation power in labour relations);

Weak legal and institutional framework of social dialogue influenced the lack of formal social dialogue mechanisms to be compensated by informal mechanisms: negotiations with the Government of Macedonia or with the line ministries. This dialogue was almost always bipartite (between the Government and Federation of Trade Unions of Macedonia- FTUM) lacking legitimate partner to represent employers in the negotiation process. This informal negotiation mechanism out of ESC resulted in three documents:

- **Privatization Agreement between Government of Macedonia and FTUM** signed in 1995 that regulates more benefits for the workers (such as redemption right of 30% of company's capital sold for preferential price, with grace period of 2 years and 5 years payment deadline; FTUM joined Management Board of Privatization Agency having its own representative, etc.);
- **Agreement of Solving Public Sector Problems** signed in 2002 that for the first time defines lowest guaranteed salary in public administration and parts of the public sector;
- **Social Agreement** signed at the end of 2002 immediately after the parliament elections, the Federation of the Trade Unions of the Republic of Macedonia for which the Government did not show any interest in its implementation.

- (II) 2003-2009 = period of stagnation in the work of Economic Social Council and development and adopting of consultatively most important changes and amendments of the acts regulating the employment policies in Macedonia (Labor Law, Strategy for Reducing Unemployment, Employment Action Plan, Active Employment Measures, etc.) and when the principle of social partners' representation is adopted.

The process of defining union's and employers' organization representativeness, implemented in 2010, is a consequence of the changes in the Labor Law, after defining lower representativeness threshold (10% for Union Councils and

Employers' Organizations at national level, or 20% on branch level). This process gives new stimulus to the social dialogue development in the country. Unlike other European countries, in Macedonia representativeness did not influence union organization restructuring. Until now there are no remarkable integrations between the unions, although it would be desirable for some unions with little membership (in numbers) and insufficient capacities. While representativeness influences joining employers' organizations there is intense integration process in the last three years. Integration process with international union associations still hasn't influenced the national unions to a large extent. However, some unions work on joint projects and try to make a joint action platform (ex. metalwork, agriculture and construction unions).

- (III) 2010 – 2012 = period when general collective agreement in the public sector is signed through the process of social dialogue between employers organizations and workers unions (Federation of Trade Unions of Macedonia, Free Unions Confederations – FEC and Employers' Organization of Macedonia – EOM), the new general collective agreement (GCA) in the private sector in June 2010 (negotiations still in progress).

However, social dialogue must not and should not be seen as equal to tripartite dialogue implemented in Economic Social Council. It should also exist on sectoral level (bipartite and tripartite) and company level (bipartite). The most important form of social dialogue at sector and company level is collective bargaining. In the last five years, through this process, there has been great progress by determining general collective agreements for private and public sector, which are compulsory for all employers in both private and public sector. In this way, all employees in the private sector are covered with the general collective agreement (GCA). But, it does not work that way in practice, bearing in mind that there is controlled application of GCA only for the workers that are union members, while for those that are not associated, there are no information. Labor inspection does not have enough capacities to monitor the application adequately. On the other hand, the biggest fear is of losing the job, due to which these workers do not decide to ask for their rights guaranteed with GCA or to complain due to its failure.

The situation in separate sectors has not changed a lot: there are still sectors where there is no registered sector level collective agreement (ex. Metal sector, construction). Current branch collective agreements are in power only for the signatories (meaning employers' organization members that sign the contract) and there is no possibility to expand it to other employers. Additional problem

is that the Labor Law has been changed 8 times in the last 5 years, and the changes made in 2008 and 2009 imposed repeated compliance of the signed collective agreements.

The social dialogue at regional and local level in Macedonia is not completely implemented. This process was supported in 2007 through implementation of the project “Social Dialogue and Local Economic Development” funded by USAID. It was initiated by including 5-6 municipalities, intending to cover 30 municipalities. This is an attempt to support the creation of local economic councils on regional level. Today three regional offices exist. However, the tripartite dialogue at regional and local level is still in its initial phase. There is regional body in only one region until the moment of writing the report, but there are no serious efforts for it to become more efficient tool in the social-economic sphere. In the municipalities of Tetovo, Bitola, Strumica, Prilep, Gostivar and Stip there were local economic councils formed, which involve employers’ organizations representatives, community representatives and union associations. Yet, in Prilep the unions association participation is disabled, thus bringing to a conclusion that the local economic council lacks social dimension in order to transform from bipartite to tripartite body.

There is no formal (institutional) social dialogue on sector (branch) level either. CRPM research shows that there is Industry, Energy and Mining Union (IEMU), member of FTUM, most of all branch unions uses mechanisms of direct talks, and sometimes negotiations with adequate ministries of questions of interest to the whole IEMU branch, as well as solving concrete problems in bigger companies hit by unfavorable economic environment.

The culture of social dialogue and social partners’ mutual recognition is still very low. Our interlocutors confirm that until 2010 ESC operated in a limited manner or did not function at all. Besides that, ESC was not always capable of constructing recommendations to advise the Government and line ministries about the policies they should adopt<sup>2</sup>. Moreover, due to unequal negotiation position (Chambers with the Government and Unions with the Government) often the accent was put on union’s opinion<sup>3</sup>. Currently, through public appearances of the ESC members, there are noticeable signals that the things

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2 Mare Anceva, 2011 “Annual review for working relations and social dialogue in the South-East Europe countries-Report on Macedonia, 2010”, FES

3 Ibid.

are significantly improving. But, Government's overall orientation is not in the direction of encouraging social dialogue and the unions are worried that ESC will continue to exist as pro-form, in order to present that there is fulfillment of some social dialogue norms. This trend is especially evident regarding the method of negotiation and adoption of anti-crisis measures. The role of social dialogue is discussed in Chapter 2.3.

## 1.2. Legal and Political Social Dialogue Framework

Industrial relations and social dialogue in the republic of Macedonia are regulated in a legal framework constituted by several laws that clearly define workers' rights and protection. This legal framework at the beginning of Macedonia's independence had been inherited, and later by capital and social relations reforms it has been changed and amended. Thus, worker's rights has not been regulated equally, but differently, by different laws depending on whether the workers are employed in the private or public sector.

### Box 1 – Sources of Information

Labor Law (Official Gazette of RM No. 158/2010; 47/2011, 11/ 12 and 39/2012); Law on Civil Servants (Official Gazette of RM No. 59/2000), Law on Public Servants (Official Gazette of RM No. 52/2010), Law on Court Service (Official Gazette of RM No. 98/2008), Law on Internal Affairs (Official Gazette of RM No. 92/2009), Police Law (Official Gazette of RM No. 114/2006), Defense Law (Official Gazette of RM No. 42/2001), Law on Army Service in the Republic of Macedonia (Official Gazette of RM No. 36/2010), Law on peaceful resolution of Labour disputes (Official Gazette of RM No. 87/2007) and Law on Labor Register (Official Gazette of RM No. 16/2004 and 17/2011); Law on Work Safety and Wellbeing (Official Gazette of RM No. 92/07, 136/2011); Healthcare Law (Official Gazette of RM No. 17/1997 and 43/2012)

### 1.2.1. Labor law

The Labor Law (Official Gazette of RM No. 158/2010; 47/2011, and 11/ 12) besides providing basic work and work relation rights (salary, benefits, financial contributions, minimal wage, working hours, etc.) also foresees work safety regulations, safe working environment, information and consultation, equal payment to men and women and their representation through workers' representatives predicted by the law and EU member states legislations (article 40, 41, 42, 43, 44, 94-a, 95 of the Labor Law).

The law also predicts work breaks and leaves (daily, weekly and annual leave), paid and unpaid leave, special protection due to pregnancy and parenthood, protection of workers under 18, protection of disabled people with professional rehabilitation rights, protection of elderly workers (article 137, 146, 147, 161, 172, 177, 179 of Labor Law).

The employer also is obliged to provide living and healthy conditions for the workers in accordance with the special work health and safety regulations and to take the necessary measures to guarantee that each worker has received training adequate to his workplace special needs and characteristics article 42 of Labor Law). Also, there is provided legal obligation of respect and protection of worker's personality by forbidding discrimination on all grounds and ban of sexual and psychosocial harassment – mobbing (Art. 6-9 Law on Labour relations) and dignity and protection of his personal data (article 43 and 44 of the Labour Law).

### 1.2.1.1. Union Associations and Employers Organization

The Labour Law regulates workers' union organization. Namely, according to the Labour Law the workers have right, as its discretion, to establish unions. The employers, on the other hand, have the right to organize themselves in associations and to become members, under conditions regulated by union and organization statutes and regulations. The unions and organizations are individual, democratic and independent organizations that workers and employers join voluntarily due to advocacy, representation, promotion and protection of their economic, social and other individual and collective interests, without any previous approval. The worker or employer voluntarily decides about their joining and leaving the union, or employers' organization. Thus no one can be put in a disadvantage position due to being or not being a member of the union or organization (article 184 and 185 of the Labour Law).

Union and employers' organization are legally protected. The union and the organization cannot be dismissed or their work cannot be prohibited through administration, if they are founded and do their work according to the law. The employer cannot limit the union's services and its representatives' services by his personal act (article 186 of the Labour Law).

Until recently, the unions on company level, the union on higher level, the employers' association on higher level could acquire legal entity status with the registration in the Central registry. The changes of the Law on labour relations enacted in 2012, no longer regulates the responsibility of the unions and employers association to register in the Central registry of the country and thereof they do not acquire legal entity status. The higher level is composed of the workers unions or other forms of union association, or employers' associations.

Higher level workers unions and employers' organisations are registered in the unions registry book, or employers association registry kept at the Ministry in charge of labour affairs (article 187 of the Labour Law). This gives them legal subjectivity.

### 1.2.1.2. Collective Agreements

Besides the rights and regulations defined by this law, also there is legal possibility for the unions to conclude collective agreements. The collective agreements define the rights and regulations between the contracted parties that concluded the agreement, and can contain legal regulations to regulate conclusion, contents and termination of working relations and other issues about the working relations or related to working relations. The legal norms included in the collective agreement are applicable and compulsory to the contracted parties. The collective agreement is concluded between the employer or employers' organization representative and the workers' union representative, through the process of collective negotiations. Workers' unions and employers' organization representatives that participate in the negotiations for the collective agreement and that conclude the collective agreement, must have authorization from their original organization. The collective agreements can be concluded temporarily for a period of two years, with the extension option, having written consent by the contracted parties.

There are three types of collective agreements:

- **General Collective Agreement** for the private sector, concluded by the employers' organization representative and the private sector workers' union representative in the commerce field, and for the public sector, the public sector workers' union representative and the ministry in charge.

- **Special collective Agreement** for the branch, department, is concluded by the union's and employers' organisation representative at sector, branch level. Special collective agreement for public institutions and enterprises is concluded by the founder or the authorized organ by the worker's union representative, and for people that are self-employed in the field of art and culture it is concluded by the union's representative and employer's organization representative.
- **Single Collective Agreement** is concluded by the union's representative at the employer's and the representative authorized by the employer.

In a environment when one of the parties has not defined representativeness until fulfilling the conditions and defining representativeness, the collective agreement is signed by the employer or employers' organization and the union with largest membership, on the basis of the list delivered along with the request of defining representativeness (article 9 of the Law on Changes and Amendments to the Labor Law, Official Gazette 11/2012). This enables collective negotiations in all sectors/branches and extended range of workers' rights protection.

### 1.2.1.3. Strike

In order to ensure the respect of their work relation rights, men as workers have the opportunity and right to ask for protection of his rights from his employer, in front of the court in charge, the inspection bodies and other state bodies.

Besides these mechanisms, workers can also seek for their right to protection through strike. Between 1991 and 2005, the strike was regulated by a special Strike Law, and since 2005, the Labour Law is the main legal act that regulates the strike and workers' rights and obligations during strike. Also, the strike regulations can be found in all other legal regulations that define the work relations in state and public service, court service, the police and army service.

The union and its higher level associations have right to call strike and lead it in order to protect the economic and social rights of its employed members, in accordance to the law. The strike needs to be announced to the employer in writing, or to the employers' association subjected to the strike, and the solidarity strike to the employer subjected to the strike. In the letter announcing

the strike must be stated the reasons for the strike, the place and the day and time of the beginning of the strike.

Before the beginning of the strike, there is a procedure of reconciliation that does not limit the right to strike.

Organizing or joining a strike organized according to the law and the collective agreement, does not represent violation of employment agreement. The worker that joins the strike must not be put in a more unfavorable position than the other workers, and also it must not be forced to join the strike in any way. However, the employer can take out the workers from the working process only as a response to the strike that has already begun and it cannot be more than 2% of the number of workers that have joined the strike. The employer can take out from the work process those workers that provoke violent behavior with their own behavior, thus disabling the negotiations between the workers and the employer. During the time the workers are out of work, the employer is obliged to pay the contributions defined with the special regulations for lowest contribution threshold.

In the case of illegal strike and compensation, the law predicts that the employer or employers' organization are able to ask the court in charge to prohibit the strike's organization and implementation, opposite to the provisions of this law. The union can ask the court in charge for court prohibition of illegal removal from work and compensation to the workers.

The experience in strike organization in Macedonia in the past 20 years shows that workers face pressures of any type in order to silently suffer the violation of their rights and not organize strikes for ending this practice. Certain legal experts (Savevski et al., 2011) think that in Macedonia the legal framework of realizing the established constitutional guaranteed right to strike is so restrictive that it makes legal strike organization extremely difficult. The social justice movement – Lenka, in its study titled “Strike – experiences and conditions” shows examples of where strike organization despite all pressures and legal constraints, is not predefined to failure it can succeed in its intentions and it represents something inspiring in all senses (page 113).



### **Box 2: Strike Organization and Implementation in the Mine of “Toranica”**

Union organization in the mine has a long history behind, so during the period it was in the ownership of the state (it was privatized later in 2002-2006), the union organization conducted several strikes, in the period after 1995 (when the mine entered the group of bankruptcy enterprises). Since then the outstanding strike was in 2001 that lasted almost fifteen weeks. The result of this strike was privatization annulation, returning the mine into state ownership, regulation of working experience until the last day of the strike (unpaid contributions were covered by the state) and opening bankruptcy procedure involving putting the workers under the hospice of employment agency. After privatizing the mine, in late 2007, the union organization was renewed on the company level. Within that period, the workers were employed by fixed-term contracts and by unanimous support on 01 April 2008 began a two-days strike requesting indefinite contracts and salary correction of 50%. The strike was successful, so the management stated that the request of developing a work-place and salary systematization will be accelerated, but not later than the end of the month, the salaries will be corrected for about 30%, and the working contracts will be fixed to one year.

Savevski, Z. “Strike – Experience and Environment” Lenka, 2011 (page 26-36)

#### **1.2.1.4. Economic-Social Council**

In order to determine and realize their complementary services, and protect and promote the economic and social rights, and workers’ and employers’ interests, leading complementary economic, developmental and social policy, encouraging the social dialogue and concluding collective agreements and their compliance with the economic, social and developmental policy measures represents the basis of Economic Social Council.

The Economic Social Council was founded by an Agreement between the Government, unions’ representative and employers’ organization representative on the territory of Macedonia. Economic Social Council’s service is based on the need of tripartite collaboration between the Government of Macedonia, the unions and employers’ association in resolving economic-social issues and problems. Economic Social Council monitors, reviews and evaluates the influence of the economic policy and its social stability and development measures, as well as social policy influence over the economic stability and development, and the price and wage changes in the period of economic stability. At the same time, it gives detailed opinion to the minister of labor and social policy regarding issues and problems related to conclusion and application of collective agreements and provide opinion as per draft-laws in the field of labor and social stability

The foundation of ESC started a new epoch in the social dialogue at national level. Namely, although the Economic Social Council was first founded on 30 December 1996, this institution has not been very much active until 2010, or 25 August 2010, when it signed a new foundation agreement. Its signatories are the Government of RM, Unions' Association of Macedonia, Free Union's Confederation of Macedonia and Employers' Organization of Macedonia. The three social partners are represented by four members in the Economic Social Council. Economic Social Council proposes to the Government, employers and unions, or their associations, to lead compliant prices and wages policy. It also stimulates and promotes the need of tripartite collaboration (tripartite social dialogue) between the social partners to resolve economic and social issues and problems, stimulates peaceful collective labor disputes solving and gives an opinion and suggestions to the Minister of Labor and Social Policy related to other issues defined in the law (article 246, 247 of the Labor Law). Although the Labor Law defines that all economic and social issues and problems need to be discussed within the ESC, it usually resolves issues related to the working relations.

As reasons for ESC's dysfunction before 2010, the trade union state the lack of political will, split among unions' organizations, as well as the unclear criteria of defining their representativeness. On the other hand, the employers take the blame of ESC dysfunction, or their lateness in the organization of employers' association. Thus the impression prevails that the method of ESC functioning in the past was more like 'acting social dialogue'. As a result, many issues that would normally be considered by ESC were not even put on the agenda. Or, the ESC meetings were not gathered at all, and the Parliament passed legal resolutions without having the opinion by the social partners. The ESC assembly meetings and agenda still largely depend on the minister of Labour and Social Policy. Although lately there is greater activity and initiative noticed with the other partners as well. However, the biggest weakness that defines success of the whole social dialogue is to be found in the ESC's attitudes and opinions, which are not seen as mandatory by neither the Government as proposer, nor the Parliament as holder of laws. With this, unions and employers' associations do not fully impose on as an important factor in the public policy creation, although they need to take much more important role in the whole process<sup>4</sup>.

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4 Mare Anceva, 2011 "Annual Review for the working realtions and social dialogue in the South-East Europe countries – Report on Macedonia, 2010"

According to the interlocutors from the Ministry of Labour and Social Policy, the ESC efficiency would be greater if there were more ESC bodies formed in different fields that would discuss very specific issues in several fields and would come in front of the ESC with a final viable proposal. It would gain time, quality and previously prepared professional problem and proposal analysis. For now the only active body is the working relations body<sup>5</sup>.

According to the interlocutors, social partners' representatives, ESC would be more efficient if it is independent by its status and separate from the ministry of Labour and Social Policy, and it forms its own service, gets budget and strengthens the influence of their recommendations to be compulsory<sup>6</sup>.

## 1.2.2. Law on Work Safety and Health

The Health Care Law regulates citizens' health care rights and the system and organisation of health care (Official Gazette of RM, No. 17/1997, 43/2012). Health care consists of protection measures, activities and procedures of maintaining and improving health and living and working environment, rights and obligations achieved through health insurance, as well as prevention and suppression of diseases, injuries and other health disorders (Article 2 of Healthcare Law).

This law also regulates health care in emergency environment and strike environment. Ministry of Health and healthcare institutions are obliged by the general acts of the law, to define their tasks of ensuring healthcare in emergency environment (natural and other severe accidents and extraordinary conditions). Healthcare institutions are obliged to adapt their work organization, to take measures of continuing smooth operation and removing the consequences of such conditions (article 168, 169 of the Healthcare Law). Healthcare providers can realize their right to strike under conditions not to put to risk the lives and health of the citizens seeking healthcare (article 171-a of the Healthcare Law).

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5 Interview with Mirjanka Aleksovska, Ministry of Labour and Social Policy, 04/06/2012 година

6 Interview with Rade Nenadik, President of the National federation of the agencies for temporary employments, 14/02/2012

### 1.2.3. Health Care Law

The Health Care Law regulates citizens' health care rights and the system and organisation of health care (Official Gazette of RM, No. 17/1997, 43/2012). Health care consists of protection measures, activities and procedures of maintaining and improving health and living and working environment, rights and obligations achieved through health insurance, as well as prevention and suppression of diseases, injuries and other health disorders (Article 2 of Healthcare Law).

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### 1.2.4. Social Protection Law

Republic of Macedonia is the basic bearer of citizens' social protection and provides conditions of its realization. The Government of Macedonia passes a Social Protection Realization Program, and the service is considered public. Social protection is organises service of prevention and reduction of basic social risks for the citizen, family and population groups during their lifetime (article 1 and 2 of Social Protection Law, Official Gazette of RM No. 50/1997; 16/2000)

The Law provides services and measures of social protection and social work, such as social prevention, non-institutional and institutional care, right to training to become able to work, right to accommodation in a social protection institutions (social welfare, allowance for assistance and care, right to health

care, salary compensation for shortened working hours due to care of physically or intellectually impaired child, onetime financial aid or assistance in kind, the right to housing and allowance to a person under 18 that had the status of an orphan without parental care; Chapter II of Social Protection Law).

## **1.3. Actors in the Social Dialogue in Macedonia**

### **1.3.1. Employers' Representatives**

In Macedonia there are two employers' organisations and Federation of Temporary Employment Agencies of Macedonia: Employers' Organisation of Macedonia, Business Employers' Confederation of Macedonia and National Federation of Temporary Employment Agencies of Macedonia.

#### **1.3.1.1. Employers' Organisation of Macedonia - EOM**

Employers' Organisation of Macedonia (EOM) is the largest employers' organisation in the country, founded in 2004. EOM's main goal is to represent employers' interests in general, and especially in social partnership, to take care of development and realisation of employers' rights and freedoms in the economic and social sphere. EOM represents over 20 employers' organisations, with over 1,000 companies that employ over 70,000 workers in the private sector. They cover almost all business sectors including small and medium enterprises, as well as all larger corporate enterprises in the country.

With the changes and amendments of the Labour Law and introduction of representativeness, the Committee has defined EOM's representativeness and as such it is a legitimate employers' representative in the negotiation process with the Unions and the Government, when it comes to economic and social issues and it becomes a member of Economic Social Council of the Republic of Macedonia. With the workers' Unions, EOM has active collaboration not only in tripartite, but also in bipartite dialogue and leads the negotiations at both national and sector level. The sectorial activities are most noticeable in the field of collective bargaining and until now they have signed 10 collective agreements with the workers' unions at branch level and general Collective Agreement for the private sector, which is obligatory for all businessmen.

EOM also goes internationally, i.e. it represents the employers in the International Labour Organisation – ILO, it participates in the annual world conference that passes new conventions in the field of work relations, which are later ratified by the governments of participant-states. The organisation is also active in civil society, as a member of the civil society consultative committee between EU and Macedonia, and it was its president in 2011.

Unlike commercial chambers that are highly developed and have strong institutional capacity that is continuously developing, the organisation is of limited capacity (two regularly employed persons and on temporary employed) and operational management bodies such as Management Board of 21 members (one from all services or sectors) and Supervision Board. The decisions are brought at the Management Board level and Associations' Management Board levels. Structure development is especially visible in the fact that EOM acts only nationally, since there are no regional associations and offices formed. However, the organisation representatives think that the regional level work would increase trust and results of the work<sup>7</sup>.

As a result of the introduction of EOM representativeness began the process of consolidation. Since 2005 other associations have joined EOM in order to act together in the social dialogue: HOTAM (Association of Hotel, Restaurants and Cafes' Employers), ATAM (Association of Tourist Employers) and ZAPOVIM (Association of Employers from Protected Organisations).

### 1.3.1.2. Business Employers' Confederation of Macedonia - Business Macedonia

Business Employers' Confederation of Macedonia – BusinessMacedonia is an employers' organization registered in 2001, with clearly defined goals and services: representing the interests of its members in front of the social partners, realising the rights and interests of the employers, raising the capacity of its members and business community, raising competitiveness in the Macedonian economy.

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7 Interview with Angel Dimitrov, EOM President; and Belinda Nikolovska, EOM Secretary General, 07 March 2012

Besides this, the Business Confederation is also active in lobbying with the local, national and international institutions, it influences the passing or changing and amending the laws and it supports the application in EU and other funds. The Business Confederation also works on providing legal services – laws and its interpretation, collective negotiations and interpretation of collective agreements, services in contributions' calculations, services of temporary employment, organising joint approach, risk assessment, work safety and health and information regarding funds and development programs. At the same time it works on internet information and communication and web sites, through newsletters, direct mail blasting to the members, media relations, electronic forum and conferences/webinars.

Business Employers' Confederation of Macedonia, as well as EOM, is a member of the civil society consultative committee between EU and Macedonia, founder and member of Human Resources Development Fund, and an active participant in the sector committee of monitoring the human resources development operational program.

Associated members of the Business Confederation are the following organisations: cluster-wood industry, national association of public operators and cable networks, national association of driving schools and driving instructors, Artisans – Skopje, National Association of Food Industry, Construction Association, National Association of Temporary Employment, Association of Transport and Relations, North-western Commercial Chamber, Farmers' Federation, Macedonian Association of Industry Hygiene and Professional Health.

Main activities and priorities of Business Confederation are connected to the free movement of work force and capital, new forms of employment – temporary, short (smaller burden), tax relief (poverty decreasing), energy production subvention, fines and costs decrease, increased inspectorate control – joint actions, non-loyal competition elimination.

### 1.3.1.3. National Federation of Temporary employment Agencies

The Federation was formed in 2008 on voluntary basis by signing access statements from the interested Temporary Employment Agencies. In 2012, there are 8 Temporary Employment Agencies which are members in the Federation covering 38% of the market.

Within the Federation there is no sector and regional division, nor there are any employed. The Federation is a member of EUROCIETT (European Association of the Temporary Employment Agencies) and its representatives regularly attend their meeting, seminars and workshops.

The Federation does not have an adequate social dialogue partner because temporary employed workers are not members of the union. For the issues that need to be discussed with the unions and the government, decision is made on National Federation's meetings. . So, the Federation has given the Government proposals regarding changes and amendments in the Temporary Employment Law and Battle against Non-Loyal Competition, which are currently under implementation.

### 1.3.2. Workers' Representatives

In Macedonia there are three Workers' Unions Associations: Federation of Trade Unions of Macedonia – FTUM, Confederation of Free Unions of Macedonia – CFU, and Union of Independent and Autonomous Unions of Macedonia – UIAUM.

#### 1.3.2.1. Federation of Trade Unions of Macedonia - FTUM

Federation of Trade Unions of Macedonia was formed in 1948 and consists of 18 unions. FTUM covers 17.47% of national level representativeness and 23.34% of the public sector or it has more than 78,000 members. FTUM division is based on branch principle. FTUM has regional union representative offices and coordinators in Bitola (covering Resen and Demir Hisar), Veles (covering Sveti Nikole), Delcevo (covering Berovo, Vinica and Kocani), Kavadarci (covering Valandovo, Gevgelija and Negotino), Kumanovo (covering Kratovo and Kriva



Palanka), Ohrid (covering Debar and Struga), Prilep (covering Krusevo and Makedonski Brod), Tetovo (covering Gostivar and Kicevo), Stip (covering Probistip, Redovis and Strumica ) and Skopje.

Federation of Trade Unions of Macedonia is institutionally developed, employing 49 workers. In 2010, by introducing unions' representativeness, and due to participating in tripartite social dialogue bodies, FTUM counted its members and according to the legal framework it gained representativeness on 18 June 2010 by a decision from the Ministry of Labour and Social Policy. Thus FTUM has strengthened its negotiation position demonstrated by concluding the Basic Collective Agreement for the private sector in the field of economy (18 June 2010) and Basic Collective Agreement for the public sector, which is still in negotiation process.

According to the functions and tasks defined in the FTUM Statute, FTUM is engaged in providing more favourable regulation of workers' rights by law and collective agreement, their full implementation and taking all available means and methods in protecting workers' rights.

**Box 3: Trade Union of Workers in Textile, Leather and Shoe Industry of Republic of Macedonia (STKC)**

STKC as an independent union exists from 1991. It was formed as branch union of the workers in this sector. The union functions as sector-branch without professional division. By counting its members, the union determined that with 4917 members it represents 10% of the employed in textile, leather and shoes industry in Macedonia and this it has negotiation position on the market and as a result, it has signed a Collective Agreement for Textile Industry in 2009 and Collective Agreement for the Leather Industry in 2010.

STKC is a member of International Textile, Garment and Leather Workers Federation ITGLWF and European Trade Union Federation of Textiles, Clothing and Leather ETUC-TCL

#### **Box 4: Union of Construction Industry and Architecture of RM - SGIP**

SGIP is a branch union consisted of union organizations at the employers' level, founded by construction workers that participated in the big strike on 20 June 1936, and is one of the oldest unions in Macedonia. In 1991 was reregistered as independent union in accordance with the current regulations and it functions as such since then.

In 2010, according to the regulations, SGIP gained representativeness as a branch union with 6800 members, of which 5440 men and 1360 women, which is 27.73% of the total number of sector employees. The members come fully from the private sector or real sector and are employed on fixed-terms or permanently. SGIP has negotiation position and negotiation rights for collective agreements in construction sector, construction materials industry and architecture – the only representative union for negotiating branch collective agreement. The last collective agreements in this branch were signed in 2003.

SGIP is a member of Building and Wood Worker's International BWI and International Federation of Chemical, Energy, Mine and

#### **Box 5: Union of Industry, Energetics and Mining in Macedonia (SIER)**

SIER existed even before 1940, but it is more active after 1940. In 1991 it was reregistered as an independent union that acts in several sectors, metallurgy, metal processing, mining, chemical, or it is heterogeneous.

Besides acting on sector level, it also acts on regional level and has opened 3 regional offices so far. The union provides the opportunity of individuals to become its members.

In SIER there are more than 11000 members of which 85% are men. The Union constantly collaborates with the employers and workers to determine workers wage levels on annual basis (Archelor Mittal, Okta, Feni Industry).

SIER is a member of several international organisations such as International Metalworkers' Federation-IMF, International Federation of Industry Workers (ICM), European Metal Federation.

### **1.3.2.2. Confederation of Free Trade Unions of Macedonia - CFU**

Confederation of Free Trade Unions of Macedonia (CFU) was formed in 2005 by Autonomous Trade Union of Education, Science and Culture of Macedonia (SONK); Autonomous Trade Union of Employees in the Defence (SSVO); Trade Union of Financial Organisations of Macedonia (SFOM) and Federation of Transportation and Communications (FTV). At the beginning of its formation, CFU had 53.000 members, which grew to over 70.000 as the time passed. According to the Statute, the membership is organized in branch unions that

form two federations: Federation of Public Sector Workers and Federation of Private Sector Workers. Even though relatively young, CFU in the past period set up new branch unions.

CFU membership largely consists of women rather than men due to the larger number of women employed in the public sector. The majority of members work on open ended contract and very small number on fix-term employed, and only smaller part permanently employed. Its members are also self-employed workers, farmers, etc.

CFU has concluded 4 Collective Agreements, while on employers' level it has concluded more agreements.

The branch collective agreements are in the area of primary and secondary education, culture and child care. They are concluded between SONK, the line ministries and partners in collective bargaining process.

The Confederation and affiliated branch unions have intensive international collaboration with the unions in the region and beyond. CFU branch unions are members of its common international branch federations, such as EI (Education International), ICEM (International Federation of Chemical, Energy, Mine and General Workers' Unions), PSI (Public Services International), ITF/ETF (International/European Transport Federation), EUROMAIL (European Organization of Military Associations).

CFU also participates in several local, regional and international activities through its PERC (Pan-European Regional Council) membership, which functions within ITUC (International Trade Unions Confederation), and where CFU is an associate member since March 2011. Along with country's EU integration, the Confederation became observer in the European Trade Unions Confederation ETUC this year.

#### 1.3.2.3. Alliance of Autonomous Trade Unions of Macedonia - UIAUM

Alliance of Autonomous Trade Unions of Macedonia was formed in 1991 as a national level Confederation by the National Trade Union of Train Drivers of

Macedonia, Union of EMO Ohrid and Autonomous Union of Mines and Ironworks Skopje. It consists of 6 federations organised in 78 union organisations. The union is divided in sectors and regions. In those sectors where UIAUM is in negotiation position, it has signed 5 bipartite collective agreements, such as in: construction industry, textile, metal works, metal and food industry. UIAUM has opened 5 regional offices. This survey will present regional office in Prilep that covers the region of Prilep, Krusevo, Bitola, Krivogastani and Kavadarci (interview of the regional office employees on 20 March 2012).

The union has 61,000 members of which 72% are men, and 28% women, from the private sector and mainly fix-term employed. There are cases that the members are employed on short working hours, but they actually work full time. The union gives membership opportunity to the following categories: employed, self-employed and black market workers illegal staff. UIAUM has not applied for defining representativeness and does not participate in the ESC activities, although it has been invited as an observer.

UIAUM has signed memorandum of understanding with the three confederations: UIAUM, CFU and FTUM in 2001. UIAUM is a member of ITUC and EZA with the right to vote. Also, it has international cooperation with ITUC/PERC Women's Network in the SEE countries.

#### **Box 6: UIAUM Regional Office in Prilep**

The regional office was formed in 2008, and it has two employed. There are 300 members of the regional office from textile, food industry, young members, farmers, etc. 90% of the members are women who are seasonal workers, fix-term or illegal workers.

This regional office assisted in establishing workers' union organization in a textile factory for the first time in Macedonia. The office lobbies, trains, holds educational workshops, develops labour law manuals, etc. Workers employed in the office state that at the onset of the regional office, there was a feeling of fear among the textile workers to become members, since during the financial crisis there were massive dismissals of workers.

## **1.4. Representativeness**

The changes and amendments of the Labour Law from 2010 introduced unions' and employers' organisations representativeness. The representativeness is given due to participation in the collective bargaining process and tripartite social partnership bodies (ECS).

Defining representativeness is done according to legal procedure by submitting an application and documents according to the law, upon proposal by the Committee of Defining Representativeness, and it is determined by the Minister in charge of labour services.

The committee consists of nine members, of which one representative from the Ministry of Labour and Social Policy, Ministry of Justice, Ministry of Economy and three representatives from employers' organisations and workers' unions, members of Economic Social Council.

In the Republic of Macedonia, there are two representative unions' associations: Federation of Trade Unions of Macedonia (FTUM) and Confederation of Free Trade Unions (CFU) and Employers' Organisation of Macedonia.

Related to introducing representativeness and counting the members, UIAUM thinks that unions reregistration according to the last changes of the Labour Law brought additional difficulties to the confederations both financial and administrative, and considers that process as inadequate when it comes to defining representativeness. Thus UIAUM did not apply for representativeness, and also all confederations are not treated equally.

### 1.4.1. Unions' Representativeness

In defining representativeness, the union needs to fulfil certain criteria, defined by the Labour Law. The union is considered representative when it is registered in the union register kept at MLSP; that has members of and receives membership fees from 10% of the total number of employees in the country; that joins together at least three national level unions from different branches; that acts at national level and has registered members from at least 1/5 of the municipalities in Macedonia.

Representative union at the private sector level in the field of economy is the union that is registered at the ministry in charge and that has membership of at least 20% of the number of employees in the private economy sector that pay membership fee. The same criteria are applied to define public sector union representativeness, branch level union representativeness and employer level union representativeness.

### 1.4.2. Employers' Representativeness

The criteria of defining employers' representativeness foresees the employers' organisation to be registered in the book of registry at MLSP; to have members of and receive membership fees of at least 10% of the total number of employers in the country; those to employ at least 10% of the total number of private sector employees; or to represent at least 10% of the total number of employers in the branch and 10% of the total number of employees in the branch.

## 1.5. Density

Official data of the level of organisation received after defining unions' representativeness show decrease of union membership density. But, these official data can be of certain discrepancy with the realistic data, since according to the Law, the membership can also be determined by signed admission statements and membership fee payment receipts. In this way, those members that are not able to pay membership fee within certain period (mainly because of irregular salary) cannot be considered. It means that the unions can count for more members than those considered in the process of defining representativeness.

#### Box 7: Social Partners Density

##### Unions' density in RM:

Public sector: 54%  
Private sector 31%

##### By sectors:

Agriculture and food industry 34%  
Construction 28%  
Education and science 80%  
Metal and electro industry 55%  
Banks and financial services 68%  
Communal services 86%  
Chemistry and metals 59%  
Healthcare 44%  
Administration and judiciary 33%  
Forestry and wood industry 74%  
Textile industry 33%

Employers' organisation of Macedonia – EOM by defining representatives in the private sector has determined its density to 24% of the total number of employees in the private sector. Since, according to Labour Law, employers' organisation representativeness is defined by the number of employees with the employers, while organisation members are not disposed, there are still no data available of the number of enterprises-members of EOM. On the other hand, Employers' Confederation of Macedonia – BusinessMacedonia has not applied for defining representativeness, so there is no data of this organisation's membership density.

## 1.6. Collective Negotiation

The Collective negotiation system is regulated by the Labour Law, where it foresees conclusion of three types collective agreements: general collective agreement (separately for the private and public sector), separately on a sector level (branch level) and individual agreement (with single employer).

General Collective Agreements are concluded by the representative union federations and employers' organisations (for the private sector), and representative union federations and ministry of labour (for the public sector).

### Box 8: Collective Agreements in Macedonia

#### General Collective Agreements:

- General Collective Agreement in the private sector
- General Collective Agreement in the public sector (in the negotiation phase)

#### Грански колективни договори:

- Collective agreement - banks
- Collective agreement of agriculture and food industry
- Collective agreement – tobacco industry
- Collective agreement – chemical industry
- Collective agreement – communal industry
- Collective agreement for leather and shoes industry
- Collective agreement – textile industry
- Collective agreement – catering services
- Collective agreement – security companies

Branch Collective Agreements are concluded by the adequate representative unions and employers' organisations. Individual collective agreements are concluded by the representative union organisations at company level and the employer.

According to the law, all levels of collective bargaining are independent. But, regarding the fact that unions negotiate their conclusion at all levels, it is generally accepted and applied rule that each higher level can only foresee extended rights from the previous level. It means that the individual collective agreement most often foresees largest workers' rights.

In Macedonia, General Collective Agreement for the private sector is now in force, as well as several other branch collective agreements and more individual collective agreements. But, bearing in mind that collective agreements are compulsory for all employers, both in private and public sector, workers coverage with collective agreement is full, or 100%





# CHAPTER 2

## Crisis and Challenges



## **CHAPTER 2**

### **Crisis and Challenges**

#### **2.1. Economic Dimensions of the Crisis**

The Macedonian economy so far is dealing with the global crisis better than most of the countries in the region. The crisis led to collapse of the external demands and sharp decline in the private capital flows. The first signs of slowing development emerged in the second half of 2008, and by mid 2009 the economy officially entered into a recession, while the GDP at the end the third quarter of the year fell by 1.4 %. However, this decrease was less in comparison to other countries in the region. This is due to the slower adjustment of the domestic demand, as a result of substantial financial expansion at the end of 2008 and the relatively healthy financial sector. The economy registered positive growth in the last quarter of 2009 after the partial recovery in the construction sector and the private consumption, which contributed the overall negative growth rate for the year to be only -0,7%.

The small national economy is quite open, and certain sectors are fully export oriented or they have huge export but are dependent.

The impact of the transition reforms were with negative effects in terms of loss of jobs. Increasing the rate of unemployment and poverty level.

As in most of the world, 2009 was difficult for the Macedonian economy due to the impact of the economic crisis. The situation was most critical in the manufacturing industry, particularly in the ferrous metal industry, manufacturing parts for the automotive industry and textile. However,

compared with other countries of the region, it seems that the negative trends in Macedonia are least expressed.( Source> Review of development and prospects in the metal and textile industries in the Sout-East Europe – Report for Macedonia , Mare Anceva).

Macedonia is one of the poorest countries in Europe with GDP per capita of one quarter of European average (measured according to purchasing power parity). In 2006 Macedonian BDP was valued as 28% of the average GDP in EU-27, significantly lower than the average purchasing power per capita in the rest of the Balkan countries that are EU member-states (Bulgaria and Romania) or are joining EU (Croatia).

In 2007, before the outset of the crisis, GDP per capita in Macedonia was 30.9% of the EU average. The only countries in the region with lower GDP rates than Macedonia were Albania (26%) and Bosnia (28%). These numbers show that the country has low economic growth, and although it is higher than the European average, it is lower than the average in the neighbouring countries in the last 5 years.

**Table 1:** Economic Growth Comparison in Selected Countries

	2004	2005	2006	2007	2008
<b>EU 27</b>	2.5	2	3.2	3	0.5
<b>Macedonia</b>	4.1	4.1	4	5.9	10*
<b>Bulgaria</b>	6.7	6.4	6.5	6.4	6.2
<b>Romania</b>	8.5	4.2	7.9	6.3	7.3
<b>Slovenia</b>	4.3	4.5	5.9	6.9	3.7
<b>Turkey</b>	9.4	8.4	6.9	4.7	0.4
<b>Croatia</b>	4.2	4.2	4.7	5.5	2.4

**Source:** Eurostat all years

Global financial crisis had significant influence over Macedonian economic growth, which was slightly negative in 2009 (when it dropped to -0.9). However, this result is better when compared to EU-27 where the average economic growth was assessed to -4.2. Actually the country lived to see the lowest fall in the economic growth in the Euro Zone. Still, the small and non-competitive Macedonian economy, highly dependent on import and global demand of exported goods (see Table 2), suffered severely when the world economic crisis reached its peak in 2009.

**Table 2:** Influence of import and export over the GDP growth rates

Period	GDP growth	Export	Import
<b>2009</b>	0.9	10.7	11.1
<b>2010</b>	0.7	22.7	10.7

**Source:** The World Bank

Recovering the crisis is noticeable in the data from 2010 and 2011. They are result of joint activities taken for the country to avoid global economic countries effects – import decrease responding to protectionist measures of the countries with higher trade exchange with Macedonia. This import decrease influenced the fall in GDP growth and foreign trade.<sup>8</sup>

**Table 3:** GDP Growth Rate in Selected Countries

Country	2008	2009	2010	2011 projections (IMF-WEO)
<b>Macedonia</b>	5.0	-0.9	0.7	3.0
<b>Croatia</b>	2.2	-6.0	-1.2	1.3
<b>Romania</b>	7.3	-7.1	-1.3	1.5
<b>Bulgaria</b>	6.2	-5.5	0.2	3.0
<b>Turkey</b>	0.7	-4.7	8.5	4.6
<b>Albania</b>	7.7	3.3	3.5	3.4
<b>Eurozone</b>	0.4	-4.1	1.7	1.6

**Source:** World Bank

<sup>8</sup> In 2009, foreign trade exchange of Macedonia was only one third of the volume compared to previous years

As a result of the crisis, decrease in the export, also the industrial production has ceased (see Table 4). Major influence here falls to the decrease in the metal demand at world's markets, which production was most dominant in the country's industrial production. In October 2011, the industrial production fell for 3.8%; in November for 5.3%, in December for 4.8%. Except in the metal industry, there are noticeable falls in the textile and leather industries.

**Table 4:** Industrial production

2006	2007	2008	2009	2010
105.9	110.0	115.6	105.6	100.5

**Source:** State Statistical Office

Global economic crisis influenced the poverty. Poverty rate has been growing slowly from 1997 till 2002, when it stabilized to 30% in the period from 2002-2009 (Muggal, 2009). In 2009, the poverty rate grew a little (to 31.1%) and directly influenced the increase in the poverty index (10.1 in 2009). The data show that vulnerable groups are mostly affected (see Table 5), especially those without education and families with many children.

**Table 5:** Vulnerable Groups Poverty (2009)

Group	Relative Poverty Rate	Index of poverty
Households with children	36.8	12.2
Households with more than 6 children	42.8	14.9
Rural families	42.3	14.4
Unemployed	40.5	13.7
Without any education	54.2	22.7
Without primary school	43.4	14.3
Primary school	42.6	14.3

**Source:** Republic of Macedonia, State Statistical Office, News release: 4.1.10.64 of 13.09.2010

## 2.2. Employment and the Crisis

The Labour market in Macedonia is static in the last decade, with minimal changes in the number of employed and unemployed (WB 48510 – MK, 2009) where the employed mostly remain employed, and the unemployed remain unemployed for a long time. Labour participation on the market during the last years was very low, only 58% to 62% of the total working population which is economically active (see Table 6). Employment rate is very low and sometimes almost equal to the unemployment rate (according to MOT standards). The informal economy is officially assessed to be 35% of the GDP (in 2004) when 30% of the unemployed (or 166,000 people) are working.

**Table 6:** Labour Market Indicators

	2004	2005	2006	2007	2008	2009	2010
Activity rate	58,8	60,7	62,2	62,8	63,5	64	64,2
Inactivity rate	41,2	39,3	37,8	37,3	36,5	36	35,8
Employment rate	36,8	37,9	39,6	40,7	41,9	43,3	43,5
Unemployment rate	37,4	37,6	36,3	35,2	34	32,3	32,2

**Source:** State Statistical Office, all years

In the years of high growth, 2007 and 2008, there was noticeable fall in the unemployment – from 36% in 2006 to 34.9% in 2007, to 33.8% in 2008, and to 32.2% in 2009. However, this decrease did not appear to be significant since Macedonia still has the highest unemployment rates in Europe. In 2009, as a result of economic crisis there are noticeable dismissals in the industry, which is a result of the austerity measures taken by the Government to address the global financial crisis.

Unlike in the European Union during the crisis, in Macedonia the employment grows, namely there are about 20.000 new work places created. If you analyse the condition with the employed per service sectors and business entities proprietorship type (see Table 7), one can notice that the majority of the new work places are in the private sector (in the period between 2008-2010 there are 37,000 new work places created), and the decrease of employment is noticed in the state-owned manufacturing industry (7,000 work places), while about 5,000 new work places are opened in the public sector (mainly in the education).

**Table 7:** Employed per Sectors and Proprietorship Type

	Total			Private property			Other property		
	2008	2009	2010	2008	2009	2010	2008	2009	2010
<b>Total</b>	609 015	629 901	637 855	434 819	463 683	470 018	174 197	166 218	167 637
<b>Manufacturing Industry</b>	128 953	126 779	124 282	112 199	114 375	114 428	16 775	12403	9 854
<b>Construction</b>	39 381	40 749	40 953	33 254	37 068	36 777	6 127	3681	4 176
<b>Wholesale and Retail</b>	86 553	96 761	96 206	83 243	94 916	94 974	3 310	1 845	1 232
<b>Transport, storage and communications</b>	37 726	38 300	35 900	27 503	28 931	27 138	10 223	9 369	8 770
<b>Mining and quarrying</b>	6 680	4 253	4 964	4 895	3 685	4 066	1 785	568	898
<b>Agriculture and forestry</b>	119 498	116 801	121 521	112 528	111489	117 101	6 969	5 112	4 420
<b>Fishing</b>	251	67	250	237	67	224	14		26
<b>Electric power, gas and water supply</b>	15 516	15 296	15 043	3 308	3 251	3 661	12 208	12 045	11 382
<b>Hotels and restaurants</b>	19 117	21 193	21 522	18 164	20 866	21 404	954	327	118
<b>Financial intermediation</b>	7 739	8 654	8 907	5 117	7 420	7 374	2 622	1234	1 533
<b>Real estate activities</b>	16 298	19 560	21 058	12 737	15 565	16 871	3 560	3 904	4 186
<b>Administration and defence</b>	42 227	44 471	46 415				42 227	44 471	46 415
<b>Education</b>	33 615	37 433	38 862	3 218	4 403	3 064	30 398	33 030	35 798
<b>Healthcare and Social services</b>	32 906	35 905	35 959	8 181	9 099	9 589	24 725	26 806	26 321
<b>Other communal cultures, general and personal services</b>	21 008	22 133	23 939	9 502	11 354	11 938	11 507	10 779	12 001
<b>Private households that employ home staff and undefined household services for production of goods for satisfying personal needs</b>	733	1 103	1 408	733	1 103	1 408			
<b>Exterritorial organisations and bodies</b>	814	644	656				814	644	656

**Source:** State Statistical Office, all years

Most of the employees still work in the food industry (21.6%, which along with the public sector, administration and defence services (7.0%), education (5.8%) and healthcare and social protection (5.7%) employs the largest number of people. In the crisis period there is noticeable fall of the employment in the food industry (in the period between 2008-2010, about 4,500 work places have been closed), in the mine and transport, storage and communications (in both

sectors about 2,000 work places are closed during the same period of time); and increase in the wholesale and retail sector (in the period from 2008-2010 about 10,000 new work places); hotels and restaurants (about 3.000 new work places in the period from 2008-2010) and real-estate activities (new 5,000 work places opened during the same period).

It is interesting to point out that in the crisis period the number of self-employed increases (see Table 8). Namely, as a result of numerous measures from 2007 to 2011, there is significant growth of 10,000 self-employed people. At the same time there is increase in the number of employers.

**Table 8:** Employed according to Economic Status

	Employed total	%	employees	%	employers	%	Self-employed	%	Self-employed family workers	%
2006	570,404	100	403,564	71	33,853	6	70,789	12	62,193	11
2007	590,234	100	426,662	72	32,655	6	71,245	12	59,672	10
2008	609,015	100	437,475	72	30,084	5	78,824	13	62,632	10
2009	629,901	100	453,031	72	32,469	5	80,053	13	64,349	10
2010	637,855	100	462,445	72	34,395	5	85,068	13	56,948	9
2011	642,809	100	454,428	71	42,227	7	81,118	13	65,036	10

**Source:** State Statistical Office, all years

## 2.3. The Crisis and Wages

Average gross and net wages were about the same until 2009 when the Government introduced flat tax rate, instead of progressive taxation that was used before. This measure led to a little raise in the gross wages. But, introducing the concept of calculating gross wage there is noticeable raise of average 26% (period 2006-2011). The biggest raise is noticed in industrial and service sectors (see Table 9). In this way and during crisis, there is maintained trend of wage increase in the country.



**Table 9:** Average Monthly Wages per Branch in Euro

	2006	2007	2008	2009	2010	2011*
<b>Total</b>	375	394	428	488	503	503
<b>Agriculture</b>	318	286	283	315	353	358
<b>Industry</b>	384	390	415	473	499	534
<b>Services</b>	418	433	465	539	544	554

**Source:** SSO, all years

\* The data are from the last quarter of year 2011.

## 2.2. Social Partners' Perspectives on Crisis

This part is with double aim. Firstly, to identify the perspectives of employers' organisations and workers' unions regarding the economic crisis in the country, thus outlining the subjects/issues that are most important for them during crisis. Secondly, to establish social partners' common points of view and perspectives volume, as well as their differences in order to be able to reflect their position and opinion/view of the negotiations in crisis environment.

When studying the perspectives of the national social partners' organizations towards addressing the effects of the crisis, there are two main phases differentiated. In the first phase, from the beginning of the crisis in mid-2008, until early 2010, the accent is put on restarting social dialogue and regulating work relations through it (mainly by concluding collective agreements). Noticeable in this period is that government's austerity measures have not been communicated nor discussed with the social partners. Lacking legitimate employers' and workers' representatives (before defining representativeness) and Economic Social Council not functioning before passing first, second and partially third package of measures that were presented to the public twice, once as regulatory guillotine and as austerity measures, were consulted with the commercial chambers, and not with the social partners. Commercial chambers, representing the business interests of its members, put the accent during negotiations with the Government to decreasing the administrative burden over the business that allows the government to abandon many laws and articles of the laws, to simplify the economic business procedures and establishing the so-called Businesscratia<sup>9</sup>.

<sup>9</sup> Businesscratia is the term used by the Macedonian government to denote the whole legislation reform package for the businesses that began the regulation simplification process (regulatory guillotine), and continued introducing regulative influence assessment over the businesses (RIA).

In the second period from 2010 to 2012, the social partners had more active dialogue within ECS and participated in the discussion of many important laws. It is a period when crisis awareness and its influence grows and different, sometimes opposite, employers' and workers' opinions are clearly recognisable. Finally, this is still a period when there is consensus that the Government should politically respond to the crisis although there are differences in the magnitude of the necessary stimulus and the means to achieve the stimulus.

## 2.2.1. Major themes/issues

Based on the study that involved interviews and analysis of questionnaires filled in by the social partners, the following subjects were identified as crucial for the social dialogue in the country: employment, wages, social protection and healthcare and education.

### 2.2.1.1. Employment

There is a consensus with the employers' and workers' union organisations that the financial crisis in Macedonia mostly affected the metal and textile industry due to decrease in the demand of manufacturing products that these two branches exported mainly in the European Union.

The biggest losers according to both social partners are still persons employed on fix-term basis in these branch industries, because they were easily fired from work. Our interlocutors have proven these statements with statistical data. Namely, in 2010 compared to 2009, the participation of the industry employees decreased from 29.7% to 28,9%, while in agriculture it was increased from 18.5% to 19.3% and in the service sector from 51.7% to 51.9%, and fix-term contracts increased from 8.5% in 2005 to 12% in 2010. The crisis has increased the participation of self-employment and the family unpaid workers which rate is 23% of the total employment in Macedonia.

## Case study 1 – ARCELOR MITAL Skopje

Metal producing company that produces galvanized and plastic sheet of metal is located in Skopje and employs 550 workers. Its production is 95% exported.

In the times of the crises (2007-2008) the company felt the repercussions of the global economic crises as the number of orders decreased and so did the production for a period of 3-5 months and in one period even stopped which resulted with 180-200 lay offs. Most notable was the crises in 2008 when the production was downsized for 5 months, and the workers were sent to vacation. In this period forced their wages were cut up to 70% of the basic salaries. In this period the the sister company seized operations and 300 workers remained jobless.

*Interview with Igor Gerasov, union leader (04.04.2012)*

However, related to the employment issue, according the interest that they represent, there are important differences in the social partners' perspectives. While EOM especially expresses concern regarding competition of the economy and its capacity of creating new work places, FTUM is concerned about maintaining the current work places.<sup>10</sup> Namely, the employers argue that if from 2005 to 2009 in Macedonia there were 20,000 work places created annually, in 2010 this number decreased to 7,034 new work places . Unions' organisation put more accents to losing work places in some sectors, increased fear of losing the job that results in increasing employment in the informal sector, particularly in the construction sector.<sup>11</sup> In FTUM they have especially felt the membership increase and massification through joining of another branch union to the association.<sup>12</sup>

Employment is not of concern to the Confederation of Free Trade Unions in the crisis, since this union did not notice dismissals because most of its members are employed in the public sector where the crisis did not affect in that way, but n increasing the employment. <sup>13</sup>

10 Interview with Angel Dimitrov, President of EOM, 07/03/2012

11 Interview with Павел Трендафилов President of SIGP, 28.02.2012

12 Interview with Ангелко Ангелески, Secretary General of SSM, 14.02.2012

13 Interview with Биљана Чкаловска, Legal Advisor in KSS, 21.03.2012

### 2.2.1.2. Wages

The wages are defined in the process of collective negotiation at national, branch and enterprise level. It means that in the branches where there are workers' unions and employers' organisations the wages are regulated by collective agreements.<sup>14</sup>

In the private sector, workers are not organised in unions, and employers are not organised in employers' organisations that disables the regulation of working conditions with collective agreements. In such cases, workers negotiate their rights directly with the employer. However, in cases when the worker negotiates with the employer individually, result may be to the detriment of the employee. In most cases, the employer defines the wage without any bargaining with the worker.<sup>15</sup>



#### Case study 2 – AD Bargala Shtip

The damages in the work of the company the crises made are visible. Namely if the shoe producing company in previous years produced one million pairs of shoes per year, in 2010 the production decreased to 820 000 pairs of shoes. Therefore, the two years 2010 and 2011 may be characterized as years in which the crises had negative impact, but did not affected on halt of production neither laying off workers.

The measures undertaken by the government had positive impact on the operations of the company especially the decrease of the wage taxes with which the company managed to regularly pay all social contributions and benefits to the workers and the taxes to the government. The average wage in times of crises also increased as a result of the introduction of the minimum wage which had severe impact on this labour intensive sector (made of the shoe and textile industry) – from 7500 denars in 2008 to 9500 denars in 2012

*Interview with Naum Barzov, Executive Director  
of bargala Shtip (20.04.2012)*

14 For example, in the trade and energy sector, employers are not organized in associations, so the unions in these branches cannot negotiate for collective agreements in the branch.

15 Kazandziska, M. Risteska, M. Schmidt, V. Gender pay-gap in FYP Macedonia, ILO 2012

For the conditions with the wages, or their increase or decrease during crisis, there is a consensus between the social partners. EOM thinks that introducing the gross wages concept in 2009 and 2010 brought increase in the wages, when the compensation for travel and meals became an integral part of the gross wage, mostly in the services sector and administration, education and healthcare. FTUM that represents majority of the private sector employees claims that the wages in the crisis period have been nominally increased in 2011 for 1.5% compared to 2010.

Per professions, the wages were mostly increased for the qualified workers, unlike the workers with high-school education and low qualified workers. This is a result of the lack of qualified workers for certain professions at the labour market and because the employed in the primary sector are mostly low qualified workers with much lower average salary compared to the workers in the energy sector and financial intermediation sector.

In the time of financial crisis, FTUM thinks that most affected were the fix-term workers, or workers in certain sectors (metal industry), employed on contract basis and season workers by losing their jobs, decreasing their wages and breaking their work relation rights regulated in the Labour Law<sup>16</sup>. Wages level in the time of crisis remained the same only in textile industry, because the wages were and still are very low, or in most cases under the minimal wage threshold.<sup>17</sup>

### 2.2.1.3. Work Protection

In an environment when the labour market in RM is disordered, and the economy is in difficult condition, these factors influence the employers to avoid safety rules and working conditions. Regarding this issue the consequences of the world economic crisis are widely felt. As a result of the unemployment, increasing trend of job losses and illegal work, in the race for profit, some employers avoid the legal obligation of providing working conditions. Especially vulnerable categories are the young workers, women and elderly workers. In certain services workers are more exposed to risks, such as in construction, agriculture, transport, metal industry and other branches.

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16 Interview with Илија Хаџи Николов, Representative of FENI Industry Kavadarci, 06.04.2012

17 Angelko Angeleski, SSM Secretary General, 14.02.2012

This is one of the issues where social partners' opinions are markedly different – work protection during crisis. Although employers' priority should be achieving highest possible rank of physical, mental and social wellbeing for the workers, preventing unwanted consequences and risk protection; EOM does not monitor the condition with work injuries, but thinks that passing and implementing the Law on Work Safety and Health has brought to decreasing work injuries. This is a crucial issue for unions' organisations. FTUM also works on increasing the capacities and awareness of the workers to create pressure groups and provide better working conditions, better work safety. Macedonian Association of Work Safety monitors the conditions and notices increase in the death cases during the work and a trend of decreasing the work injuries and accidents (see Table 10).

**Table 10: Trend of Work Injuries**

	2007	2008	2009	2010	2011
<b>Total</b>	98	178	139	129	123
<b>Deaths</b>	41	62	44	44	79
<b>Injuries</b>	57	116	95	85	44

**Source:** Macedonian Association of Work Safety

Largest number of accidents that ended in death is found in construction industry. The informal sector characterises with high number of accidents, especially of death ends. This is due to the large number of accidents with tractors, as well as doing household work as assistance to other person.

**Table 11: Accidents per Services**

Year	Service
<b>2007</b>	Construction
<b>2008</b>	Administration, Defence, Construction
<b>2009</b>	Construction, Manufacturing Industry
<b>2010</b>	Administration, Defence, Construction, Mining, Manufacturing Industry
<b>2011</b>	Administration, Defence, Construction

**Source:** Macedonian Association of Work Safety

Due to improving work safety and health, FTUM insists on leading social dialogue for this complex of issues. The aim is to control work dangers in the core, permanently keep data of risk explosion, the workers to be informed and trained for the risks, to form a commission of workers' representatives and the management and to have continuous quality of the safety. SSM thinks that it is not enough that the workers only discuss these issues, but also to participate in the decision making process. To have a collective agreement to regulate the formation, method and authorisation of mixed committees according to the experience of many EU countries, that will consist of employers' representatives and workers and a safety and health professional, as well as occupational medicine specialist.

#### 2.2.1.4. Education

Independent of the financial crisis, employers continuously seek from the Ministry of Education and Science to adapt the education and the system for (practice) to the employers' needs. This request is especially accented during crisis when in order to help the industries that faced greatest production fall (textile and leather-shoes industry), EOM suggested that in order to surpass the problem, and due to lack of professional enologists, butchers staff, to introduce compulsory practice work in high-schools of two-three days a week. It is determined that the practical work lacks in the university education as well, especially in recognising standardisation process and implementing the standards in the production process. Particularly is expressed the need to educate professionals in the construction profession (masons, etc) due to the increased need for such staff in the market when the education system does not produce such staff.



#### Case study 3 –AD BETON and AD GRANIT

In the times of crises these two companies increased their operations. They used the crises and increase of workload to rejuvenile the workforce. Some of the older workers were made redundant and paid off rudandancy benefit. Because the economic activities of the contrsuction sector increased rapidly in the times of crises the companies needed new workers with adequate education (vocational training) which proved to be in deficit in the times of crises. The companies wequired from the Government to align the education system with the needs of the employers.

*Interview with Krste Micevski and Violeta Gadzovska, union leaders in AD BETON AND AD GRANIT (02.05.2012)*





# CHAPTER 3

## Political Response to the Crisis



## **ПОГЛАВЈЕ 3**

### **Политички одговор на кризата**

#### **3.1. Social Dialogue in Crisis Period**

Social partners agree that the social dialogue in crisis period did not function until 2010 because in that period the social partners' representativeness was defining. After defining unions' and employers' organisations representativeness and change in FTUM leadership, the social dialogue at national level started functioning.

Social partners during this period discussed the changes and amendments of Labour Law, Law on European Work Councils, and Law on Minimal Wage, Operational Plan on Active Programs and Employment Measures in 2011, Employment National Strategy of RM 2010-2015, National Employment Action Plan 2011-2013. Also, there were several activities regarding organising seminars, workshops, conferences, as well as implementing the Strategies for supporting the crisis recovery in SEE project, consolidating the legal and institutional basis of the social dialogue in the Western Balkan Countries and Moldova. Most of the time during this period was committed to negotiations and procedure of concluding General Collective Agreement in the public sector in Macedonia, which is currently under way.

### Box 9: Social Dialogue in Textile and Leather Industry

Financial crisis reflected in this sector on the employment, so the employment decreased for 5000 to 6000 employees in the textile, leather and shoes industry in RM. The reason for this is the insufficient work supply in the companies (dependence on foreign partner – loan system work) and bankruptcy. Most of the employed become unemployed, and only a smaller part transit to the informal sector, thus decreasing union membership for 3000-4000 members.

In the financial crisis period there was sector level social dialogue in textile and leather industry through meetings with the unions and employers where there were negotiations and proposed measures of decreasing the crisis and workers' dismissals, and the agreed solutions were implemented by all contracting parties.

*Interview Angelko Angeleski, President of SSM, 14.02.2012*

In the crisis period, FTUM was active and according to Global Unions' declaration presented on London Summit of G-20 in April 2009, it requested the Government to start investment programs in the infrastructure to stimulate the raise of demand in short terms and stimulate the raise in the production within the whole real economy in mid-terms. As a result, and in order to substitute both falling sectors (metal and textile industry) the Government directed large part of public finances towards infrastructure projects. This is the witnessing of our interlocutors from SGIP, which influenced over the employment increase in the informal sector, and especially the construction. Unlike the other branch unions, membership in SGIP decreased during the crisis, for 10%-q5%, although the sector itself marks production increase.

Social dialogue in the crisis period functioned and to mitigate the crisis there were implemented jointly agreed measures with consensus from the workers, employers and unions, such as decreasing the wages due to decreased production, but aiming to continue the employment. ESC activities and Government's direct measures were less compared to the internal measures taken by the employers and unions and brought to mitigating the crisis consequences <sup>18</sup>.

18 Mare Anceva, 2011 "Annual review for the working relations and social dialogue in the South-East Europe countries – Report for Macedonia, 2010" FES

#### **Box 10: Social Dialogue in the Industrial Sector**

SIER Council decided that metal, traffic parts manufacturing, mining and electro industry are most severely hit, as follows:

„SIER constantly monitors this situation here, in the closer region, but also throughout Europe. General conditions with all consequences are similar, but the measures taken in different countries differ than ours. SIER also studied the MOT recommendations contained in the Global Work Places Pact, passed at the last General Assembly. It could be said that (in global terms) the most dangerous are considered losing the job and concessions, as well as discounts that the unions are forced to do in the part of workers' wage threshold, trying to choose the better, or to stop job dismissals. Decrease in the total incomes leads to further decrease in the overall demand and deepening the recession, which certainly does not lead out of the crisis. Starting from the fact that keeping the work places should be the first priority at this moment, the measures to recover the crisis' consequences should be developed in such way.”

Letter No. 0201-43/3 dated 13.07.2009, sent to the  
Macedonian Prime Minister

### **3.2. Political Measures to Address the Crisis**

Real negotiations or dialogue with the Government to adopt the measures to address the crisis in Macedonia never happened. Still, it does not mean that the social partners did not make any suggestions to adopt austerity measures. After discussing it with their bodies and employers' organisations and unions, they wrote letters to the Government giving proposed measures. Most of them did not get a reply or only got confirmation of the receipt and a reply that it will be discussed.

In such “dialogue” with the Government to define the measures to address the crisis, employers' organisations put the priority to renewing competition, including fiscal burden relief, greater solvency through regular VAT refund and strict control over the labour force costs – which is evident for further strengthening of labour market flexibility and at the workplace.

Unions, on the other hand, put the priority to employment safety - for example through introducing short working hours, and full social protection.

They also fear that the measures to increase the flexibility would negatively influence further employment safety.

Governments are central in the “dialogue”, they propose austerity measures that have the biggest implications over the public sector employees because they involve public sector wages freeze, but also temporary employment prohibition. Due to strong political pressures from the employers and unions, and as a result of austerity measures in order to maintain the budget balance, there can be neither cuts in the public services budget, nor increase in the taxes. In this aspect, the unions favoured retaining public services at cost of bigger taxes, while employers tend not to increase the taxes.

Government of the Republic of Macedonia in the crisis period adopted five (5) austerity measures packages. The first and second package were adopted at the onset of the crisis in 2008, third was passed at the peak of the crisis – in 2009, fourth was brought in 2010, and the fifth recently, in 2012.

### 3.2.1. Legislation Changes

The major instruments of policy creation in crisis were the laws. The Government of the Republic of Macedonia introduced a regulatory simplification as a tool to improve legislation quality and decrease the administrative burden for the businesses. This initiative was called “Regulatory Guillotine”<sup>19</sup>, which was presented in the public as First and Second Package of Austerity Measures. The Report for assessment of policy creation and coordination by SIGMA from 2008 contained what was mostly stated by the governments’ representatives that this initiative of regulatory simplification gave very significant results – 341 bylaws have been completely abandoned.

These changes in the legislation are a response to the request made by the Commercial Chambers, and are aimed to increase the competition of Macedonian businesses. Their role in the process of recovering the crisis is not only to improve the conditions created with the crisis, but also to generally improve the business climate in the country.

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19 Extensive information about the regulatory guillotine is available at:  
<http://www.vlada.mk/?q=6pde/65>

Social partners' participation in this process is of great interest. Namely, by opening the public consultations process, the business associations became extremely active and gave its contribution to the dialogue with the Government, and directed towards changes in the legislation. Namely the representatives of Commercial Chambers' Association and Commercial Chamber of Macedonia stated that the trend increased of creating legal capacities in their offices and within the enterprises, in order for them to be able to contribute with their comments in developing the bylaws that regulate the branch they work in or to assist in defining the potential influences of the legal solutions that are subject to discussions<sup>20</sup>. These entities engage lawyers, conduct surveys to define the opinion and interest of their members and submit their suggestions and comments for the proposed laws that present their members' interest.

On the other hand, Employers' organisations have more limited capacity and do not equally participate in the consultation process. As a result to such misbalance, the Government during the crisis consulted with the Commercial Chambers, and not employers' organisations, which led to leaving the latter as marginal. Unions' organisations as social partners were hardly consulted in the process of defining the laws which are to be changed with the "Regulatory Guillotine".

### 3.2.2. Fiscal Instruments

The third austerity measures package promotes number of fiscal instruments as a result of Commercial Chambers' requests. Part of the requests refer to the labour costs reflected through the measures of: (i) providing payment incentives for public salary costs through decreasing the contributions' rates and taxes (introducing flat tax rate); and (ii) allowing deferred payment of delinquent unpaid public costs with the possibility of tax writing off.

Further on, the third package contained measures that provided VAT payment incentives, such as deferred payment during import that led to the state not being able to refund the VAT in time, and caused the Commercial Chambers to seek measures for VAT refund in time (contained in the fourth package of austerity measures). The fourth package of measures promoted the measure that enabled the balance in the trade deficit in the country through protecting

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20 Jadranka Arizakovska, Commercial Chamber of Macedonia, interview from July 2010

domestic manufacturers and consumers by introducing import tax for those products that are not produced according to certain defined standards.

Also it is noticeable that the third and fourth austerity measures package there are introduced incentives in terms of paying the administrative taxes through decreasing the compensation of veterinary-sanitary check at the border crossings, the compensation of using the service of short financial statement from the final state of accounts from the State of Accounts' Register, and decrease of the compensation for the transporters, and abolition (of for ex. the tax of submitting customs declaration and issuing origin certificate).

### 3.2.3. Competition Improvement Instruments

The biggest number of measures in the third and fourth package refers to improving the competition of the Macedonian enterprises and products. They can be divided in measures to increase the access to funding; measures to strengthen the land proprietorship; labour market measures.

Measures to enable easier access to funding are promotion of the EIB and MBPR credit lines; financial support for the agriculture through IPARD program; introducing direct crediting to micro, small and middle enterprises, as well as facilitated access to credits with lower costs and support to export-oriented companies by MBPR; the establishment of a fund for agricultural land for farming aimed to be entitled to unemployed persons from the rural areas.

Measures to strengthen proprietorship and stimulate the construction are also many and refer to extending the deadlines of taking construction licences, allowing purchase of an apartments in state ownership by the holders of tenancy rights that have debt on the basis of unpaid rents; 30% decrease of the compensation for privatisation of construction land with the legal entities.

Measures to support labour market are the active measures of stimulating the employment; for the long-term unemployed and vulnerable groups of citizens; and enabling training for the employed/unemployed in order to faster integrate in the changes. Also the Government brought a decision to financially support those that became redundant workers.

### 3.2.4. Instruments to Improve Consumption

Very few instruments to improve the consumption were promoted during the crisis. Namely, although FTUM explicitly requested to pass such measures, the Government passed measures to stimulate the construction of commercial objects along the highways in order to provide income by transit travellers through Macedonia and construction of several overpasses at Corridor 8 and Corridor 10 and definition of construction licences for commercial objects which would enable the transit travellers contribute to the development of national economy.

### 3.2.5. Austerity Measures (public finances balance)

In the time when the crisis was in its highest peak, the Government passed the third measures package that mainly promoted the austerity measures aimed to balance the public finances in the country. So, it was introduced a temporary prohibition of new employment in the state administration and public sector (except the employment predicted by the National Program of Adopting the Acquits and implementing the Framework Agreement). There was no foreseen replacement for all permanently emptied places (retirement, etc.).

The savings are also seen in postponing the decision of wage increase in 2009 for 10% and decrease of current costs in the public sector work (such as decrease in the item line for current expenditures for all budget beneficiaries in average of 16% compared to the current budget; extending the prohibition of purchasing furniture, equipment, vehicles and other unproductive expenditures; decrease in the number of business trips and significant decrease in the number of delegation members for trips abroad; decrease of the costs for representation, advertising sponsorship to all budget beneficiaries; strict control over the compensation and other costs for the members of management and supervision boards in the public enterprises, agencies, funds, institutions and joint venture companies that are predominantly state owned and decrease in the costs for mobile phones, travels abroad, etc., as well as predicting flat payment per performance (assembly meeting presence); prohibition to pay fees for the committees formed within the ministries, agencies, funds, institutions, public enterprises and joint venture companies that are predominantly state owned in doing their regular tasks, decreasing the limit of using company mobile phone



to the whole public administration, which is recommended to all ministries, public enterprises, agencies, funds, institutions to harmonize the criteria of giving company mobile phone; control of the employment through temporary employment agencies, and control of the wages paid to the temporary employed staff in the public institutions; decrease of the current and capital expenditures at the public enterprises, funds, agencies, institutes, joint venture companies that are predominantly owned by the state; compulsory cut of the bonuses and decrease of the other costs at the public enterprises, funds, agencies, institutes, joint venture companies that are predominantly owned by the state.



# CHAPTER 4

## Conclusions and Recommendations



## **CHAPTER 4**

### **Conclusions and Recommendations**

#### **4.1. Conclusions**

Study data show that the global financial crisis influences the Macedonian economy. It is reflected mostly over the manufacturing sectors (textile and metal industry) that are the biggest export branches in the country. Major economic results of the crisis are fall of manufacturing production, increase in the deficit of foreign trade exchange and decrease in the manufacture industry employment, unlike the increase of the service and public sector employment.

Social partners are aware of such conditions and actively participated with their own suggestions to the Government to pass measures in the dialogue to surpass the negative crisis effects. However, institutional formal mechanisms that allow tripartite dialogue were not used during the crisis in order to define the austerity measures. On the contrary, Economic Social Council was used to reregulate the employment policies. Thus, the Government did not use the social dialogue as a mechanism to address the crisis

Actually, when defining the anti-crisis measures, the government acts consultatively and presents them for comments to the commercial chambers representatives. Regarding the fact that commercial chambers represent the business interests of their members and are not legitimate partners in the social dialogue, their influence over passing the measures results in passing those measures that improve business competitiveness, in the direction of creating

new work places and thus opposite to the unions' interests where the accent falls on maintaining the current work places.

By analysing the gap of the proposed measures by the social partners and passed measures by the Government (see Table 12), social dimension of the anti-crisis measures can be defined, which shows that even though the unions were ignored and were not formally involved in the dialogue related to anti-crisis measures, still the role of the state to protect public interest (and workers interest) has been respected. Namely, the Government decides not to pass the proposed measures of cutting the basis of contributions calculations in the textile industry, passes the minimal wage and passes the compensation for workers that became redundant. However, the unions' innovative proposals inspired by the measures taken during the crisis in the European countries (such as short working hours, temporary unemployment, etc.) were not accepted.

**Table 12:** Gap Analysis: proposed and adopted

Employers' Organisations	Workers' Union	Government
<ul style="list-style-type: none"> <li>• Purchasing land for a price of 1 euro per m2 for the legal entities</li> <li>• Change in the Cash Payment Law in the fiscal cases part,</li> <li>• Ministry of Education to adapt the education and training system</li> <li>• Changes of the Work Safety and Health Law,</li> <li>• Changes in the Law in Road Transport,</li> <li>• Changes of the lowest threshold for contributions payment</li> <li>• Changes in the Law on Compulsory Social Insurance,</li> <li>• Changes in several laws in the part of penalty policy</li> <li>• Changes in the Law on TV bills payment</li> </ul>	<ul style="list-style-type: none"> <li>• To pass special decree to subsidize short working hours (temporary unemployment)</li> <li>• By the budget rebalance to increase the predicted investment lines at the expense of the lines that are mostly consumption.</li> <li>• To allow early retirement under certain criteria,</li> <li>• To provide favourable crediting, especially for the exporters</li> <li>• To provide additional export incentives</li> <li>• To adapt legal and bylegal public procurement regulations</li> <li>• To pass a law and define minimal wage in the state that would improve the efficiency in the introduced gross wage system.</li> </ul>	<ul style="list-style-type: none"> <li>• Adopted measures of purchasing land and construction facilitation;</li> <li>• Adopted fiscal incentives (including lower salary taxes and other compensations)</li> <li>• Introduced minimal wage</li> <li>• Introduced redundancy compensations</li> <li>• Adopted crediting programs through MBPR</li> <li>• Adopted measures of prohibiting the import of products without standards</li> </ul>

**Source:** Interviews with representatives of the social partners and information by the Government of RM

The experience from the EU member-states shows that social dialogue in crisis is of vital significance in decreasing the recession effects, although all countries do not achieve the same level of success. The consensus of the need of fast action to maintain the employment and stimulate the economy among the social partners enabled Europe to control the crisis better than expected and minimize the job loss. In Macedonia there is a consensus that the social dialogue can be of great importance to pass the measures to help recover the crisis. Since the industrial relations potentials are not fully used during crisis, its effect cannot be assessed if the anti-crisis measures social dialogue existed in the period between 2010-2012.

## 4.2. Recommendations

### I. To develop further the national system of social dialogue through:

#### a. **Development of institutional capacities of the social partners.**

The national system of industrial relations in Macedonia is limited as a result of the limited capacities and weaknesses the employers associations and the unions have. In expalme the collective agreements could not be signed for a long time for the very reason of the employers not being associated in an association.

#### b. **Development of the social dialogue on local level in Republic of Macedonia.**

The social dialogue in the country on national level functions well. However, forms of social dialogue on regional level hardly exist and on sectoral level it is invisible. In some regions the social dialogue includes representatives of the local self government, the employers and the employees. There is a need for development and support of the social dialogue and collective burgaining on regional and sectoral level which will inevitably contribute to the economic development as well.

#### c. **ESC utilized as a forum through which the problems from the economic crises can be overcome.**

There is high awareness among the social partners on the importance the social dialogue has and the potential it offer for enhancing the effectiveness of cooperation.

## **II. To promote the social dialogue in times of crises**

- a. Over 70% of the proposed measures by the Employer's association to be adopted as policy response of the government against the crises were reviewed and accepted and adopted by the Government. In the times of the crises both social partners were active in proposing measures. Unfortunately the proposals from the unions were ignored.
- b. The government adopted five packages of anticrises measures in order to decrease the negative consequences from the global economic crises. The undertaken measures from the Government, according to the Unions and the Employers associations allowed for massive lay offs, closure of companies and wage decreases to not happen.
- c. The cases studies presented in the report show that in time of crises the social dialogue on company level existed in a form of informing the workers what measures the employers will undertake in order not to be negatively affected by the crises, and there were cases of mutually agreed decisions and measures undertaken. The effects of this company level social dialogue were: continuous operation and survival of the companies in times of crises.

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## Interviews

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Interview with Rade Nenadic, President of the national federation of the temporary employment agencies, 14/02/2012

Interview with Angel Dimitroc, President of EOM, 07/03/2012

Interview with PAvel Trendafilov, President of SGIP 28.02.2012

Interview with Angelko Angeleski, General Secretary of SSM, 14.02.2012

Interview with Biljana Chkalovska, Legal adviser at KSS, 21.03.2012

Interview with Ilija Hadzi Nikolov, Representative of FENI Industry, Kavadarci 06.04.2012

Interview with Jadranka Arizankovska, July 2010 National Business Chamber