

The Economic Crisis and Industrial Relations System in the Republic of Macedonia

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Abstract

Global economic crisis has caused the political actors, social partners and citizens with unprecedented challenges. This paper aims to give an overview of the industrial relations in Macedonia in an economic crisis environment. It also gives an overall image of social partners, the key crisis indicators, its consequences and political responses proposed to address the negative consequences of the crisis. Finally, to reflect the influence of the social partners and the role of social dialogue over adopted political responses to the crisis, the paper discusses different perspectives and measures proposed by the social partners to address the crisis. The paper will also present gap analysis of the Governments anti-crisis measures in the Macedonia. In Republic of Macedonia, the Government has promoted five packages of anti-crisis measures that aimed to decrease the impact the crises on the economy. The challenges are analyzed from the perspective of the social partners and focus on the economic dimensions of the crises and its impact of the employment, on the salaries, the safety at work, education etc.

Key words: global economic crisis, industrial relations, social dialogue, political responses.

Introduction

Although the industrial relations system in the Republic of Macedonia has been developing for more than 20 years, it is still not complete, particularly regarding the aspect of norms and institutions. Industrial relations, as legislation, theory and practice became significant at the beginning of the transition process, particularly in the first half of the 90s, especially when relations between unions and employers were coming more into conflict. Reform or privatization as a complex and contradictory economic, political and social process imposed the establishment of basic legal and institutional requisites for the development and operation of the system of industrial relations. Under conditions of transition, the unions, employers and the State as entities (actors) of industrial relations had to

adjust their role to the needs of the new social system, which was being created and developed.

1. Definition of industrial relations

Some authors, mainly from Europe, usually use terms such as labor relations, or employment relations, or bipartite or tripartite social dialogue social dialogue to describe the concept of industrial relations.

The field of industrial relations, according to Kaufman, is basically determined with two paradigms. The first paradigm, which is represented in the United States, examines the relationship between workers (unions) and employers in the broadest sense, encompassing all aspects. The second paradigm, which has a narrower sense and focuses on trade union organization and activity, such as collective bargaining, relationship between workers and management, national policies on labor and etc.

Over time, the meaning of industrial relations has expanded to other areas and relationships that are established between the state, employers and unions. The term industrial relations is often described by the term collective labor law or collective labor relations, as it covers the relations between subjects of collective labor law that are established in the field of labor and employment relations whether they take place in the private or public sector. In contemporary theory and practice a number of attempts have been made to define the essence of this concept. This term can be determined as a relation between employers and unions established in the industry. The relations of both parties (entities) do not occur spontaneously, but their relations are regulated by norms, such as the laws of the state and by the autonomous (internal) regulation.

2. Legal framework of industrial relations

The changes in 1991 began a process of building new industrial relations in the Macedonia in normative and institutional terms. In normative terms the new industrial relations include more legal acts, institutions, norms and standards. Collective bargaining found its place in the highest legal act of the state, the Constitution of the Republic of Macedonia (RM), by which it was given great legal importance, it became a constitutional category. Relations between the social

partners in the field of labor relations are regulated or amended by collective bargaining in an autonomous manner, through dialogue and mutual respect for the different views. In institutional terms, the new industrial relations include more institutional forms in which an important place is given to the tripartite bodies (Economic and Social Council (ESC), Council for Safety and Health at Work (CSHW), Committee for selection of candidates for mediators and arbitrators.). In 2009 a commission was established to determine representativeness as the latest institution. In Macedonia, these tripartite bodies and institutions were introduced successively over a longer period, from 1996 to 2009. The ESC was first institution formed in RM in 1996., The Commission for determination of representation was the last (2009), which was established by the Law Amending the Labor Code.

The Republic of Macedonia, as a member of the ILO and candidate to join the EU, has pledged to implement all the provisions of the International Conventions, Recommendations, Declarations and Directives, Charters of the ILO, the UN and the EU relating to collective bargaining

The main reason for creating the legal framework as a foundation for the functioning of collective bargaining or negotiating in RM is certainly the overwhelmingly positive experience of a number of countries with developed market relations, where collective bargaining plays a large role in the regulation of labor relations, especially in terms of wages, working conditions, etc. This means that collective bargaining plays an invaluable role in the development of social dialogue and social partnership, building mutual trust and establishing social harmony in society. The present legal framework consists of the following legal acts: the Constitution of the Republic of Macedonia from 17.11.1991, the Labour Law (Official Gazette 62/05) and the Treaty establishing the Economic - Social Council of Macedonia between the Government, SSM and Economic Chamber of Macedonia 30.12.1996.

The constitution of the Republic of Macedonia: Under the Constitution, the Republic of Macedonia is defined as a sovereign, independent, democratic and social state whose sovereignty derives from the people and belongs to the people¹, while Article 8 defines the fundamental values of the constitutional regulation of the Republic, which among other things includes humanism, social justice and solidarity.

1 Constitution of the Republic of Macedonia, 17.11.1991, Official Gazette no. 52 of 22.11.1991

Chapter, II titled Basic rights and freedoms of man and citizen, part 1 containing 9-29 articles, concerning civil and political freedoms and rights includes the right of association and the establishment of associations and political parties.²

Chapter II, titled Basic rights and freedoms of man and citizen, part 2 contains articles 30-49, relating to economic, social and cultural rights and the exercise especially regulation of rights of employees and their position by law and collective agreement, establishment of trade unions and strike.³

From the cited constitutional provisions, it is evident that the Constitution of RM explicitly uses the term collective agreement, where employees have a right to their position determined by **collective agreement**.⁴

The Constitution of RM guarantees the citizens the freedom of association to exercise and protect their political, economic, social, cultural and other rights and beliefs (Article 20). In close correlation of this constitutional provision is Article 37 of the Constitution, which refers to the right of citizens to establish trade unions for the protection and promotion of economic and social rights through various methods, institutional forms and mechanisms, including the right of unions (originally majority and later representative) to participate in the process of collective bargaining.

The Labour Code⁵ devotes four chapters to industrial relations. These are chapters on unions and employers' associations (XVIII, of Art. 184-202), collective agreements (Chapter XIX, of Art. 203-235) to strike (Chapter XX, of Art. 236-245) and economic and social Council (Chapter XXI, of Art. 246-247). The Chapter that refers to the collective agreements retains some old solutions, but also introduces many new. The most important innovations introduced by the labor law relates to the application of collective agreements, where Article 205 states that it is mandatory for all employers to be members of associations or further access it..

Also, the Act establishes a normative framework for the application of the principle of *in favorem laboratoris*, which removed the present dilemma of whether such collective agreement may contain more rights for workers relating to

2 Chapter 2, fundamental freedoms and rights of man and citizen, Constitution of the Republic of 17.11.199

3 Ibid

4 Constitution of RM, article 32

5 Official Gazette of RM (62/05)

the law. A crucial novelty of the law is the introduction of the the principle of good faith (bona fide) in negotiations.⁶ This means that the parties in the negotiations are required to act in good faith and intention to make an agreement.

The biggest innovation, which radically change the concept of industrial relations or collective bargaining in the country, was certainly the introduction of the representation⁷ for negotiating subjects.

A novelty will be pointed out concerning the peaceful settlement of collective disputes, which is included in a separate chapter of the law (Chapter XVII), for the optional creation of a peace council that makes no mandatory decision. This part of the Act provides for the existence of alternative arbitration, which carries a mandatory decision.

The **Treaty establishing the Economic and Social Council** of the Republic adopted on 30.12.1996, and the new agreement for the establishment of ESC from 25.08.2010, state that This council was established to achieve the fundamental values of the Constitution of Macedonia as a democratic and social state and ensuring social justice for the harmonious development of social processes to promote social dialogue, tripartism and implementation of international conventions and recommendations.⁸ Council has advisory and consultative functions, which take place through social dialogue and, to a considerable part, through the negotiating function of the social partners on economic and social issues, which are of interest to the state.

According to these functions, the Council considers issues and gives opinions, suggestions and recommendations on specific issues of economic policy and measures for economic and social stability and development, price policy and wages, labor and social security, **collective bargaining and collective agreement**,⁹ living standards, employment, working conditions and job protection, health care, pension and disability insurance etc.

6 Article 207 of Labour Law

7 Article 212 of Labor Code

8 Article 1 of Treaty Establishing the Economic and Social Council

9 Ibid. Article 3.

3. The actors of the industrial relations in the Republic of Macedonia

The main subjects (actors) of industrial relations in the country are government, trade union and employers' organization.

3.1. Trade Unions

In 1990 there was only one registered trade union confederation (SSM) in RM, which had its roots in the previous one-party communist system (1945-1989). The democratization of the total social relations in the country introduced political pluralism and began the process of creating within the a union movement. By the end of 2010, 49 labor unions were registered in RM. The most important trade union confederations who left their imprint on industrial relations were the Federation of Trade Unions of Macedonia (SSM), the Union of Independent and Autonomous Trade Unions of Macedonia (UIATUM), Confederation of Free Trade Unions (SSM) and the Conference of Trade Union Organizations of Macedonia (KSOM).

Federation of Trade Unions of Macedonia (SSM) was founded at the Congress of the SSM in 1990. At this time 18 individual branches of the professional unions voluntarily agreed to form an association.¹⁰ The SSM is organized on the branch (industrial) *principle*. To achieve common goals and objectives in the territory, 10 regional union representative (former councils) and 10 municipal trade union offices operate. The SSM has established its own structure in all cities and regions of the country, making it thus far it has been the best organized union. Today SSM has a network of 2.000 primary¹⁰ trade union organizations that have members 75,997,¹¹ of which 42,219 are in the private sector, and 33,778 in the public sector. SSM is present in all tripartite bodies in the country. Branch unions that are affiliated to SSM have signed 14 collective agreements.

10 Information bulletin of the SSM, 2008. We argue that the number today does not correspond with reality, that it is significantly smaller

11 Commission for representation has established in proceedings that SSM has a total of 75 779 members, 42 219 of which are in the economy, and 33,778 in the public sector (Official Gazette of RM br.105/10).

Union of Independent and Autonomous Trade Unions of Macedonia (UNASM) was formed in 1991 when a number of independent trade unions broke away from of SSM. UNASM at the beginning of its work was recognized by radical and non-institutional methods of trade union struggle (strikes, protests, blocking the factory gates, roads, etc.) Although UNASM has been active in the territory of RM for more than 20 years, it has not gained representative status until recently and has signed only one collective agreement involving the transportation enterprise "Maktrans". According to sources from the headquarters of UNASM, this union has approximately 20,000 members organized in over 100 primary trade union organizations and federations 6 (branch unions).¹² In the major municipal centers in the country, it has appointed 10 territorial coordinators to implement the policy and activities of the Confederation and Federations.

Confederation of Free Trade Unions (KSS). The founding congress of KSS was held on December 28, 2005 in Skopje, and was registered at the beginning of 2006. The main initiators of the KSS were four main branch unions.¹³ By 2010, this union joined seven other unions¹⁴, bringing the number of federations to 11 unions. Most numerous and most powerful financial union within SSM is SONK, which has established its own organizational structure in 20 major municipal centers, and SSM. According to information received from the Head Office, KSS has a total of 700 primary trade union organizations (SONK only has

12 UNASM consists of the following federations (branch unions): Federation of Unions of Agriculture, Federation of Unions of Transport (7,000 taxi drivers), Federation of Trade Unions, tourism and hospitality, Federation of Unions of Construction and Wood Industry, Federation of Trade Unions for non-economy Federation of Trade Unions and industry.

13 These unions are: Union of Education, Science and Culture (Trade Union), the Union Defence Union financial organizations (SFO), the Union of traffic.

14 KSS was by joined the following branch unions: Union of Energy, Mining and Industry, Union of Agriculture, Union of Hospitality and Tourism, Union of Local Government Union employees in the state administration, Union of employees in the electronic and print media in Macedonia and Union of housing and communal organizations of RM

600 union organizations) with 43.727 members, 27.727 of which are members of the SONK.¹⁵ KSS in 2007 became the representative union in the public sector, and therefore it became a legitimate subject of collective bargaining. In January of 2008 this union signed the General Collective Agreement (GCA) for public employees. In addition, KSS have signed seven branches Collective Agreement.

According Art. 275 of Labor Law (Consolidation - Fig. Gazette of RM br.16/10) on 21.12.2009 KSS is reregistered in the ministry responsible for the affairs of labor.

The Confederation of Trade Union Organizations of Macedonia (KSOM) was formed in 2006, when a large number of employees of JP "Macedonian Railways" decided to secede from SSM. They were dissatisfied with the transformation of the enterprise by the government when about 800 workers were left unemployed. The main core of this union are employees of JP "Macedonian Railways", but lately this trade union created trade union cells in other sectors: agriculture, the textile industry, metal industry, construction, public sector (Independent Police Union and the Independent Union firefighters of Macedonia), etc. According to information received from the trade union headquarters, this union has members in 50 local organizations with 8,000 members. This union has no representative status.

3.2. Associations of the Employers

Employers' associations in the business community, relating to the Chamber of Commerce, is another interesting form of organization. However, the function of employers' associations should not be linked and equated with the function of the Chamber of Commerce. These two forms of organization have different interests, goals and functions. The employers' associations can include private employers or employers in the public sector.

Employers' associations are actors in the social dialogue and collective bargaining at the national level, by activities, and with globalization, such

15 According to data obtained from the Commission representative, KSS has a total of 43,727 of which over 27,000 are members of the Trade Union. Also, the total number of members of KSS, 43,391 are in the public sector and 336 in economy (Official Gazette of RM br.105/10 of 5.08.2010).

associations are formed at the level of broader regions, such as EU.¹⁶ Organization of Employers is an independent specialized organization of employers that protects the interests of employers within the social dialogue. This includes participation as a subject in collective bargaining with the union, or the government, when it comes to negotiations in the public sector. Furthermore, the organization protects and represents the interests of employers within certain tripartite bodies within the social dialogue such as the ESC. The existence of a separate organization of employers is an essential prerequisite for a healthy and qualitative social dialogue. Thus, the dilemma is rejected that a separate organization of employers exists versus the Chamber of Commerce.

The Organization of Employers of Macedonia (ORM) was established in 2004 under the Law on Citizens' Associations and Foundations. Through the amendments to the Law on Labour Relations, the Organization of Employers of

16 Within the EU there are more functional Confederations of Employers of which the most relevant are: **BUSINESSEUROPE**-Confederation of European Business, was established in 1958 representing the business interests of the industry-economy, formerly known as the Federation of Industries of the European Community (UNICE-Union des industries de Communauté européenne), and represents the largest employers' organization in Europe. It includes 41 employers organizations from 34 countries (among them all EU member states), but the present members, and their economic and industrial interests at European level. The Confederation currently represents 20 million businesses in Europe, including the field of social dialogue. Decisions are adopted by the Council of Presidents unanimously (consensus).

CEEP (Centre européen de l'entreprise public)-Confederation of employers in the public sector (local transport, post offices, power, water, ports) formed in 1961, known as the European Centre for Public Enterprise. CEEP has national sections in 17 European countries. Decisions are made in the Confederation of the General Assembly session.

UEAPME (European Association of Craft, and Medial Seized Enterprise)-Confederation of employers of small and medium businesses formed in 1979 and represents the interests of crafts, trade, and small businesses in the EU. It has 44 member-organizations from 26 EU Member States, including national departments. The Confederation represents 11 million businesses that employ 50 million workers across Europe. In December 1998 UEAPME agreed with BUSINESSEUROPE to be included in the European social dialogue.

Macedonia is registered at the Ministry of Labour and Social Policy (MLSP) March 3, 2006. In 2004 ORM separated from the Chamber of Commerce of Macedonia, and began to act as a separate entity in the social dialogue. In June 2006, ORM signed a general collective agreement for the economy of the Republic, on the side of employers and SSM, on the side of workers. A form of organization of the members of ORM from an appropriate branch is the Association of Accordingly, within the ORM as of August 2012, 12 associations of employers were established by sectors (industries) and activities¹⁷, which have formed the Board of collective agreement.

According to the changes to the Labor Code (Official Gazette of RM br.130/09) as of December 21, 2009 ORM was re-registered in Ministry of Labour and Social Affairs (MTSP). This was a requirement to apply for determining the representativeness. Upon request and documentation filed, ORM, by the Decree of the Minister no. 08-2226/5 of 14.07.2010, gained an approval for representation.

Business Chamber of Macedonia (BCM), formerly the Confederation of Employers of Macedonia (KRM) was registered in 2001 as an Association under the name Confederation of Employers of Macedonia (KRM). With the adoption of the Labour Law in 2005, it was registered with the Ministry of Labour in 2006 in the registry of employers. As of August, 2013, this Confederation had a total of 8,500 members, employing over 40,000 workers. The Chamber of Craftsmen with its over 1.500 craft businesses, became a collective member of KRM in 2006.¹⁸

17 See Article 25 paragraph 1 of the Statute of ORM

18 Association of Employers for the textile industry and TTA cluster has concluded a collective agreement for the textile industry 2. Association of Employers for leather and shoe industry has concluded a collective agreement 3. Association of Employers of the tobacco sector has concluded a collective agreement for the tobacco industry 4. Associations of employers for utilities has signed a collective agreement for utility services; 4. Association of employers for hotels, restaurants and cafes (HOTAM) has concluded a collective agreement for catering 6. Association of Employers of protected companies has concluded a collective agreement for protected companies 7. Employers' Association of Chemical Industry has concluded a collective agreement for the chemical industry 8. Association of Employers of Agriculture, Food and milk and bakery industry has concluded collective agreements for employees in agriculture and food industry 9. Association of Employers in

The Confederation has signed five (5) branches collective agreements.

The Business Chamber has 3 regional offices in Skopje, Prilep and Strumica employing 6 people, and soon plans to open one in Kavadarci. In April, 2010, this Employers' Association filed a request to gain representative status, but the Minister of Labour and Social Affairs did not issue a licence for representation as The Business Chamber had not fulfilled the legal requirements. According to the amendments to the Labor Code, on 21.12.2009 The Business chamber was registered with a new name in the "*Business Chamber of Macedonia*" or "*Business Macedonia*". The Chamber is involved in the structure of the Economic and Social Council of Strumica and Kavadarci, as well as a member of the Coordinating Body for corporate social responsibility at the Ministry of Economy's associate body of the Economic Social Council of the Republic of Macedonia.

The Association of Employers for Traffic and Communications in Macedonia was registered by the Labour LAW towards the end of 2006 and counts as its members over 300 small business owners from across the country exclusively in the field of traffic and transportation which employ about 1,000 employees. This association of employers does not have a representative status and therefore is not included in the social dialogue and tripartite bodies in the country.

The National Federation of temporary employment agencies was established in 2008. It is comprised of six private agencies for temporary employment in Macedonia. Its members are mainly employed in the textile and food sectors. Annually, these agencies employ about 6,500 temporary workers which represent 1.5% of all jobs in the state. National Federation is an associate member of the Organisation of Employers and currently has no representation.

The National Association of operators of public communications networks (NAOJKM), based in Prilep was reregistered December 21, 2009. It has 17 members, business operators in the area of public communications networks from Macedonia.

construction, industry of construction materials and metals 10. Association of Employers of the paper industry and cellulose, graphics and publishing activities 11. Employers' Association of Tourism and 12. Association of Employers of temporary agencies. The above associations have signed a total of eight (8) collective agreements.

The Employers' Association of Water Management of RM (ZRV) is reregistered on December 21, 2009. It is comprised of nine public companies¹⁹ in the field of water management from across the country. No representative status has been established.

4. Institutional forms of the industrial relations

Several institutional forms have been established that have very important responsibilities for the development and operation of industrial relations. They are: Economic and Social Council, the Commission for determining the representativeness and authorized bodies of trade unions and employers' associations in collective bargaining.

The Economic and Social Council (ESC) in its perennial existence from 1996 to 2013 held a total of 45 sessions. During the period of 2008-2010, the institution has not held any meeting because of the procedure for amending the Labour Code regarding the criteria for representativeness. According to it, one of the primary responsibilities of the ESC is to "give a reasoned opinion to the Minister of Labour on issues and problems related to the application of the collective agreement."²⁰

The committee to determine the representativeness was established by amendments to the Labour Law (Official Gazette of RM br.130/09), and was formed in early 2010.

The role of this Committee is very important and responsible, because it conducts the entire procedure for determining the representativeness or checking the evidence that the applicant meets the requirements for representation. Once the Commission reviews the evidence and determines that the applicant has met the

19 Members of the Association of Employers of water management (ZRV) are the following public companies in the field of water management: "Union of aquatic communities" Gostivar, Water Management "Prilepsko pole" Prilep; Water Management "Tikvesh" Kavadarci, PE "Strezevo" Bitola, Water Management "Berovo "Berovo", Water Management "Kumanovsko-Lipkovsko Pole" Kumanovo, "Radovishko Pole" Radovish, Water Management "Skopsko Pole" Skopje, "Institute for Water Management of Macedonia" Skopje.

20 See Art. 246, paragraph 3, line 4 of the Labor Law.

requirements under the Law on Labour Relations, the Minister is responsible for the affairs of the paper, and shall, at a proposal from the Commission, adopt a decision on representation. Those who will gain representative status automatically acquire the right to participate in the establishment and operation of other tripartite bodies, especially the ESC, the Council for Safety and Health and the Commission for the selection of candidates for mediators and arbitrators, boards of social funds, etc. .

Apart from the above institutions, there are other institutional forms that are important for the functioning of industrial relations. These institutions are **authorized organs of the Union** (*Council, Presidency, the Executive Board, Union Board, Negotiation Committee*) and **employers' associations** (*Boards of employers for a particular industry, activity*). The union and employers' associations are organized at national and branch level. Under the employers' associations at the national level the Employers Board was established, which is responsible for collective bargaining in the economy and the Boards of employers at the branch and activities level,²¹ which are responsible for collective bargaining and concluding a collective agreement on appropriate industry or activity.

The same principle applies to work in the unions. Competent authority that is determined for collective bargaining at the level of the state, territory level and at branch unions level are narrower executive bodies of the representative trade unions (earlier it was the majority of the union) are commonly called Council Presidency, the Executive Board, Union board or special negotiating body elected by a small number of members with different names (Negotiating Committee, Board of negotiations, etc.).

The Labour Code (Article 188, paragraph 3) states that the Statute of the Union shall contain provisions for the bodies authorized to conclude collective agreements or specifically state that bodies are authorized to conclude collective

21 Within the Organization of Employers of Macedonia there are formed 12 Boards of employers for additional industries and sectors eg. Board of Employers for the textile industry, the Board of Construction Employers, Board of Employers for metal industry, Board of Employers of mill-processing industry, the Board of employers for the tobacco industry, etc. According to the changes and amendments to the Labor Code (Official Gazette br.130/09) Boards of employers are to apply for proof of representative status. As o 30.09.2010 no Board had made such a request, so it is expected to be done in the period ahead, otherwise collective bargaining in Macedonia will be completely paralyzed.

agreements. Thus, the Statutes SONK and STKC provide that this power has the **Council of SONK** (Article 48) or the **Council of STKC** (Article 16), in the Agro-union, this right is the responsibility of the Union Board (Article 24), according to the Statute of the **Union of employees** in trade (SRT) the right to collective bargaining is vested in the **Presidency** (Article 12), this right of the **Presidency** with the SIER (art. 61), the Union of UPOZ collective bargaining is entrusted to the **Council** (Article 55), SUTKOZ-**Presidency** (Article 13) etc. The Labor Code sets the institution of **Negotiating Board**.²² This body is formed when in the process of concluding a collective agreement for the territory of the Republic, or at the branch or department, according to the National Classification of Activities, more representative unions are included, or more representative associations of employers whose composition determines the representative trade unions or representative associations of employers (Labor Code of the Republic, Art. 221).

What can we conclude?

The legal framework of industrial relations in the country can be assessed as relatively good, but the system and institutions aren't yet developed enough and do not fit the needs of the social partners, or the state as a whole.

Therefore, in the future it is necessary to introduce new institutions and mechanisms that will serve the purpose of rapid and dynamic development of collective bargaining, such as the establishment of a *National Council - Commission for collective bargaining* within the Government or the Ministry of Labour and Social Policy with the sole task of encouraging and accelerating collective bargaining.

5. The Economic Crisis and Challenges

5.1. Economic Dimension of the Crisis in the Republic of Macedonia

Global economic crisis dramatically affected the world economy. The Macedonian economy, although small and able to handle such circumstance better than most in the region, was still hit by the global crisis. The Macedonian economy in the period 2004-2007, was growing at a healthy rate of, 4.1% in 2004

22 Arts. 221 of the Labor Law.

and 5.9% in 2007.²³ The first signs of slowing growth occurred in the second half of 2008 and by mid-2009 the economy officially entered a recession. The economy registered a positive growth rate in the last quarter of 2009 after partial recovery was achieved in construction and private consumption. 2009 was tough for the Macedonian economy which had a total negative growth rate of -0.9%. This result is better than the EU-27 where average economic growth was -4.2%. The situation was most critical in manufacturing, the textile industry, ferrous metallurgy, the manufacture of parts for the automotive. However, compared with other national economies in the region, adverse movements in Macedonia are less pronounced. In 2007, before the crisis, GDP per capita in Macedonia, was 30.9% of the EU average, and in this respect we are only better than Albania (26%) and Bosnia and Herzegovina (28%) in the region.²⁴

The global economic crisis has also had an impact on poverty. In the period 2002-2009 poverty was fixed at 30%, which in 2009 rose to 31.1%

The labor market in the period 2002-2012 was static with minimal changes. The informal economy is officially estimated to represent 35% of GDP (in 2004) in which 30% or 166,000 of the unemployed have work.²⁵

The unemployment rate in 2012 was 30.1%, and in May 2013 fell below 30%. It is interesting to note that during the crisis there was a growing number of self-employed. From 2007 to 2011 the number of self-employed people increased by 10,000. At the same time, the number of employers increases by the same amount. These jobs are a result of the numerous incentives and government policies.

5.2. The Social Partners and Crisis

Since the beginning of the crisis in mid-2008 up to the early 2010, the social partners put an emphasis on establishing effective social dialogue. The Government anti-crisis measures during the global economic crisis were the result of a joint agreement with the social partners, because there were no legitimate

23 Study author: Ms. Marija Risteska, PhD, National Report: The Economic Crisis Impact on Industrial Relations national Systems Skopje, 2012, p.44-45;

24 National Report: The Impact of Economic Crisis on Industrial Relations System in Macedonia: Policy Responses as Key Recovery Tools, CRPM, Skopje, 2012, p. 45

25 Ibid, p. 48.

representatives of employers and workers. The Economic and Social Council was in the process of constitution and the government consulted only business chambers about the anti-crisis measures rather than partners. In August 2010, a new Economic and Social Council was constituted. In the period from 2010 to 2012 the social partners led the dialogue and consultations on specific laws within the Economic and Social Council. Based on our research we found that the main topics of tripartite social dialogue within the Council were employment, wages, social security and health care, education.

1. In terms of **employment** the Organization of employers focused on the competitiveness of the economy, SSM was concerned with the preservation of existing jobs. The union was concerned with the loss of jobs in some sectors, particularly the textile industry, and feared job loss. The Confederation of Free Trade Unions were not concerned with the problem of employment at the time of crisis because most of their members were employed in the public sector which was not adversely affected by the crisis²⁶

2. Salaries are determined by collective agreements and branch nationwide. The amount of wages during the financial crisis remained at the same level except in the textile industry, which saw a reduction in wages. By introducing the concept of calculating gross wages, a rise by 26% on average was noted (period 2006-2011). The largest increase (see Table. 1) was in the industry and services sectors.

Table 1: Average monthly wages by branches in euro

Year	2006	2007	2008	2009	2010	2011²⁷
Total	375	394	428	488	503	503
Agriculture	318	286	283	315	353	358
Industry	384	390	415	473	499	534
Services	418	433	465	539	544	554

Source: State Statistical Office, all years

26 National Report, The Impact of Economic Crisis on Industrial Relations System in Macedonia, Center for Research and Policy Making, Skopje, 2012, p. 54

27 The data for 2011 to the third quarter

(The SSM argue that wages in 2011 in the economy grew by 1.5% nominal value compared to 2010.)

The Law on Minimum Wages which was enacted through social dialogue in 2012 and established minimum wage of 8.060.00 Denars (EUR 132) for the 60 thousands of workers, increasing their wages by an average of 5-10%, also contributed to the wage increases in the economy.

3. Amid the economic crisis, when the labor market was disturbed, some employers do not pay enough attention to **safety and health at work**. Macedonian Organization for Work Safety and Health monitors developments in this area and found an increase in deaths at work, though there is a trend to reduce injuries and accidents at work (see Table 2).

Table 2. Trend of injuries at work

Year	2007	2008	2009	2010	2011
Fatalities	41	62	44	44	79
Injuries	57	116	95	85	44
Total	98	178	139	129	123

Source: Macedonian Association for Occupational Safety

4. Education: Employers continually ask the Ministry of Education and Science to tailor education to the needs of employers where practical training will be given greater place. This requirement was particularly highlighted during the crisis, primarily in construction, due to increased need for such personnel as builders, carpenters, reinforcing, and ironworker. It was also determined that practical experience is missing in higher education institutions.

6. Policy responses to the crises

Social partners openly emphasize that social dialogue during the crisis was not functional until 2010, due to lack of precise rules for determining the representativeness. After determining the representativeness of trade unions and employers' associations, social dialogue became functional at the national level. Much of the time was devoted to negotiations for the general collective agreement for the public sector. During the crisis, the RM government adopted five packages of anti-crisis measures. The first and second packages were adopted at the

beginning of the crisis in 2008, the third was adopted in 2009 when the crisis experienced its peak. The fourth was adopted in 2010 and fifth in 2012. The main instrument for creating the anti-crisis policies were laws for simplifying administrative procedures for businesses, the regulatory guillotine with 341 laws was phased out. In this process chambers of commerce, trade unions and employers' associations were consulted.

The **third package** of anti-crisis measures promoted numerous fiscal measures relating to labor costs as well as benefits for payment of VAT to the state, reduction and elimination of some administrative fees, etc.

The government adopted a set of measures that promoted austerity measures aimed at balancing the public finances of the state.

A temporary ban on new recruitments in civil service and public sector, except for employment arising from national program for implementation of the Framework Agreement was introduced in 2009. Job vacancies on the basis of retirement are not filled with new staff.

A decision was reached to delay the increase in public sector wages in 2009 by 10% and reduce ongoing operational costs of the public sector such as reduction of current expenditures in all budget users an average of 16% compared to the current budget .

7. Conclusions and Recommendations

7.1. Conclusion

From the research we can conclude that the global economic crisis has had impact on the economy of Macedonia, which is mainly reflected in the fall in industrial production in the textile and metal industry.

Besides the drop in industrial production, the crisis also increased the foreign trade deficit, increased the number of unemployed in the industry at the expense of increased employment in the public sector and service.

Social partners have shown great initiative by proposing measures and activities to reduce the impact of the economic crisis. Due to the implementation of the procedure for determining the representativeness of trade unions and employers' associations in 2009 and 2010, the Economic and Social Council did not operate at full capacity during the crisis because it was not used in full tripartite social dialogue as a mechanism for dealing with the crisis. The anti-crisis measures

of the government recognized the social dimension, which shows that the state paid attention to the wider public interest and the interest of the workers. The measures that were proposed by the union to mitigate the economic crisis such as part-timwork and forced leave were not accepted by the other social partners.

7.2. Recommendations

1. Development of the institutional capacity of the social partners.

Consequently, the system of industrial relations in Macedonia is limited by the lack of Boards of employers in certain industries and representative unions. For example, for a while it is unable to conclude collective agreements due to the lack of organization of employers in the energy, metal industry sectors.

2. Development of social dialogue at the regional and local level with the formation of the Economic and social councils at the local level and the level of economic regions (the country has 8 regional planning regions).

3. During an economic crisis, social partners should maximally use tripartism and tripartite social dialogue as an effective model for proposing and bringing their economic and social interests.

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