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Mapping European Social Economy:
Employment, Social Dialogue
and the European Pillar of Social Rights

Country report
NORTH MACEDONIA

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Introduction

The research questions and objectives of the MESMER+ project revolve around examining the inclusiveness of social dialogue institutions with respect to social economy players, and understanding the mechanisms through which the voices of social economy players are represented within national industrial relations systems. The specific research questions are as follows:

- ✦ To what extent do social dialogue institutions accommodate the participation of social economy players?
- ✦ How do social economy players ensure their active engagement within the national industrial relations systems?

The overarching research objective of the MESMER+ project is to provide an updated and comprehensive analysis of the representation and involvement of social economy entities within the social dialogue institutions across eight member states and one candidate country, North Macedonia.

The report starts with a short overview of the country context in terms of the evolution of industrial relations, social dialogue, welfare systems and the social economy. It is followed by a section presenting the context of the industrial relations system in the country that briefly describes the historical perspective and discusses the

industrial relations regime and social dialogue context, including its evolution, policy context and levels of social dialogue. Next come the social economy sections that provide a brief overview of the development of the sector and its policy context, and a mapping of the sector. The study concludes with a chapter that discusses how social dialogue is organised within social economy entities and in sectors where the social economy is widely present, the status of SE organisations, and success factors and obstacles to the inclusion of the social economy in social dialogue. The final chapter offers conclusions and recommendations.

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The research methodology is qualitative. The report builds upon desktop research, enriched by information provided through five in-depth interviews and a policy

lab with 12 participants. The data analysis uses a mixed-methods approach combining primary with secondary data.

Table 1: LIST OF INTERVIEWS CONDUCTED

Organisation	Position in the organisation	Representative role in social dialogue and/or other institutional bodies
Social enterprise network	Coordinator	N/A
Business confederation	Project manager	Yes, member of Economic and Social Council
Ministry of Labour and Social Policy	Adviser, social economy	Yes, coordinates the Economic and Social Council
National Resource Centre for Social Enterprises	Team leader	No
Local Support Centre for Social Enterprises	Project manager	No

Despite over three decades of development, the **industrial relations system** in the Republic of North Macedonia remains incomplete, particularly in terms of accepted standards and institutions. The system has been highly influenced by its transition from a socialist system to a market-driven economy. As part of former Yugoslavia, initially the industrial relations were characterised by self-management, workers' councils and the involvement of workers in the management of enterprises (Broekmeyer, 1977). After the country gained its independence, state-owned enterprises were privatised, which altered employment relations and diminished the influence of trade unions (Apostolov, 2014). The privatisation of state-owned enterprises led

to changes in employment relations, with a shift towards more capitalist-oriented practices. Traditionally in the country, neo-liberal policies have been favoured and these have had considerable influence on the structure of the economy and hence on industrial relations. During this transition process major efforts have been made to establish a legal framework, improve working conditions, establish mechanisms to protect workers' rights (including a minimum wage) and regulate dispute resolution processes. Major results have been achieved in establishing and strengthening tripartite social dialogue, but minor results have been achieved on the bipartite level.

Concerning **social dialogue dynamics**, social dialogue has also been significantly influenced by the transition towards a market economy. The establishment and strengthening of institutions for social dialogue have been a crucial part of this transformation. The Economic and Social Council in North Macedonia is a key institution in this regard, providing a platform for dialogue between the government, employers and workers. With the support of the International Labour Organisation (ILO) and Instrument for Pre-Accession (IPA) funds, various activities have been undertaken to strengthen the foundations of social dialogue, strengthen collaboration among stakeholders, and tackle matters associated with employment, wages and work conditions. Despite the various reforms implemented, a number of challenges remain to be addressed, including the effective representation of all workers, strengthening the capacities of all social partners and ensuring effective implementation of the regulatory framework and the collective agreements. Today, in practice industrial relations in the country feature strengthened tripartite social dialogue and limited bipartite dialogue. There is no association in the form of workers' councils, and workers come together only through trade unions.

North Macedonia's **welfare system** has been designed to extend social protection, access to healthcare, and pension benefits. However, the system has encountered obstacles related to operational efficiency, coverage, and the absence of activation strategies for social welfare beneficiaries. In common with other Western Balkan nations, North Macedonia faces high rates of poverty and social exclusion, leading to significant financial pressures on both the social protection system and society as a whole. Despite these difficulties, the

country's spending on social protection, unemployment assistance, education and healthcare lags behind the EU average, making reforms in these areas a top priority, particularly within the ongoing EU accession process. In 2019, the country introduced a comprehensive reform of the social protection system. The goal of the reform was to reduce poverty and increase the effectiveness and efficiency of social transfers. With this reform, for the first time a strategy for the activation of social assistance beneficiaries was introduced. The social assistance system consists of several schemes, the most significant of which are compensation in case of unemployment and guaranteed minimum assistance (GMA). A comprehensive and publicly available impact evaluation of the reform is not yet publicly available. Most recipients of the GMA have limited skills and work experience, making it challenging to activate them through conditional measures.

The development of **the social economy in North Macedonia** is gaining momentum. The first steps in supporting the ecosystem of development of social enterprises (SEs) are under way with the National Strategy for Development of Social Enterprises adopted in 2021 and the Social Entrepreneurship Law which is expected by the end of 2023. Along with these policy developments, local actors in the social economy operate in diverse fields of operation as locally-inspired initiatives that capacitate stakeholders and commit them to sustainable approaches to development.

1.1 RECENT EVENTS, TRENDS AND ISSUES AFFECTING THE LABOUR MARKET, SOCIAL AND ECONOMIC DIMENSIONS OF POLITICS

Following years of gradual labour market improvement, the country was confronted by COVID-19 and the war in Ukraine, which presaged a new economic crisis. Both crises had a significant impact on the North Macedonian economy and exposed the underlying disparities and fragilities within the labour market, leading to a more severe impact on certain segments of the workforce. The labour market and the social security system were disrupted by the COVID-19 pandemic, leading to structural imbalances in various industries and professions with lasting economic and social repercussions, particularly affecting vulnerable groups. Tumanoska (2022) found that low-paid workers, workers in the informal economy, paid domestic workers and unpaid family workers are among the most affected in terms of losses of jobs and income. The country's social security system faced significant challenges during the pandemic, requiring more efficient and effective post-pandemic reconciliation processes, improved delivery of social services at the local level, and addressing various shortcomings, especially in regard to the delivery of social services.

As soon as the North Macedonian economy started to recover from the COVID-19 crisis, the effects of the war between Russia and Ukraine started to be seen. A recent study on the impact of the war concludes that labour costs in North Macedonia increased due to labour scarcity and minimum wage hikes, disproportionately affecting small local businesses in lower-paying sectors (Petreski, 2023). According to the most recent Global

Economic Prospects report by the World Bank, North Macedonia holds the highest position for inflation among the nations in the region, but it is situated among the countries with the least optimistic predictions for economic growth. North Macedonia's economy is projected to grow steadily by 2.4% in 2023. The China-CEE Institute also indicates a slight acceleration in economic growth, with a forecast of 2.7% in 2024 and 2.9% in 2025. Similarly, inflation has started to decline, and is expected to reach 9.2% this year, 3.5% next year, and return to a rate of 2% by 2026. On the other hand, North Macedonia's average consumer prices went up by 11.3% year-on-year in May, after rising by an annual 13% in April (State Statistical Office, 2023).

/02

Industrial relations: national context

2.1 CONTEXT OF THE INDUSTRIAL RELATIONS

Contextual factors that shaped the context and the development of industrial relations in North Macedonia can be categorised in two main categories:

- ✦ Economic transition and independence from the former Yugoslav Republic: North Macedonia's shift from socialism to a market economy has been accompanied by economic reforms, privatisation of state-owned enterprises, and changes in industries. This transition has brought about shifts in job availability, working conditions, and the overall organisation of labour. Among the most important features of the socialist system was that enterprises were socially owned, rather than state owned. At the time of independence, socially owned enterprises accounted for 85% of enterprise sector employment (Zalduelo, 2003). Employees in socially owned companies had the right to appoint managerial staff and elect a council of workers that would review all major employment and investment decisions. In 2003, the adoption of the Law on Transformation of Social Capital initiated the process of privatizing socially owned enterprises. By the end of 2000, 1,616 companies that provided employment for 225,790 workers had been privatised (Zaduelo, 2003). With privatisation, the democratic practices that

enabled employees to appoint managerial staff and to establish works councils were lost.

- ✦ Policy development related to the European integration process and ratification of ILO conventions.
 - **European Integration**: North Macedonia's aspiration to join the European Union (EU) has led to efforts to align its labour regulations and standards with EU norms. This integration process influenced labour policies and working conditions, which, among other things, meant the adoption of new models of labour relations and social dialogue characterised by an active role of social partners in policy-making. This process of harmonising national laws with EU frameworks has enabled the development of a positive regulatory framework, particularly with regard to collective bargaining and the development and empowerment of social partners.
 - **Ratification of ILO conventions**: So far, North Macedonia has ratified in total 79 ILO conventions, including all ten fundamental conventions, including the Right to Organise and Collective Bargaining Convention (no. 98) in 1991; the Workers' Representatives Convention (no. 135) in 1991, the Tripartite Consultation (International Labour Standards) Convention (no. 144) in 2005, the Labour

Relations (Public Service) Convention (no. 151) in 2013, and the Collective Bargaining Convention (no. 154) in 2013. The process of ratification is continuous and ongoing.

- **Development of labour law:** The first Law on Labour Relations, dating from 1993, did not adequately address tripartite social dialogue or the structure of trade unions and employers' associations. The major downside of the law was the lack of clear criteria for determining the representativeness of social partners. It included a problematic provision stating that a collective agreement can be made between the majority trade union and the majority employers' organisation. As a result, only one trade union association, namely the Federation of Trade Unions of Macedonia (SSM), had the right to make collective agreements with employers. The 2005 Law on Labour Relations brought significant reforms in this regard. It established a process for registering and granting legal status to trade unions and employers' organisations. The law also enhanced protection against anti-union discrimination and initiated the Economic and Social Council for tripartite dialogue. A notable shift was the introduction of new criteria for representativeness in collective bargaining and agreement. The "representativeness" criterion (33% of employees) replaced the previous "majority" rule (50% of employees), obliging trade unions and employers' organisations to meet this threshold for representativeness.

Kalamatiev and Ristovski (2020) identify two main phases in the evolution of industrial relations in North Macedonia:

- ✦ The initial stage, spanning from the introduction of the first Law on Labour Relations in 1993 to the enactment of the second Law on Labour Relations in 2005. The 1993 law provided only superficial regulation, leaving room for autonomous development in various aspects of collective labour relations. However, this framework created legal gaps, hindering industrial relations practice and the growth of industrial democracy. The absence of an adequate regulatory framework for collective labour relations contributed to problems related to tripartite social dialogue, trade union and employers' organisations, representativeness criteria, and clear procedures for establishing employers' organisations.
- ✦ The second stage, encompassing the period from the implementation of the second Law on Labour Relations in 2005 to the present day. This stage is divided into two sub-stages:
 - The first sub-stage, covering the period from the introduction of the 2005 law until the amendments in 2009. The 2005 law improved certain aspects of the previous legislation, addressing issues like the registration and legal status of trade unions and employers' associations, anti-union discrimination protection, and establishing the Economic and Social Council for tripartite social dialogue.
 - The second sub-stage, from the 2009 amendments to the present, further refined conditions for representativeness, introducing various levels of representation based on objective criteria and thresholds, leading to a more pluralistic industrial relations system.

2.2 INDUSTRIAL RELATIONS REGIME

Generally, North Macedonia lacks systematic information on key data, capacities and characteristics of the social dialogue structures. If analysed according to the various dimensions, sub-dimensions and indicators of industrial democracy, it can be concluded that industrial relations in North Macedonia are pretty close to the state-centred model, with relatively strong associational governance (high collective bargaining coverage), albeit weaker than the social partnership model and the organised corporatism model, with centralised but quite uncoordinated collective bargaining institutions that have greater dependence on state regulation. Based on 2020 data, trade union density is estimated at 17.3%, while employers' organisations show a coverage of 23.2% (Regional Cooperation Council, 2022). In 2021, the General Collective Agreement for the private sector covered all workers classified as 'employees', constituting 76.8% of the total workforce in that sector (Regional Cooperation Council, 2023). Conversely, the general agreement for the public sector applies to all employees within that sector. Through their participation in the tripartite Economic and Social Council, social partners are involved in wage setting, as well as in government decisions on social and economic policy. A defining feature of this cluster is the limited performance in social dialogue at company level. The participation rights of employees in terms of representation at board level and social dialogue at a company level are very limited in practice, despite being enabled by the Law on Labour Relations.

/03

Social dialogue

3.1 HOW HAS THE SOCIAL DIALOGUE EVOLVED OVER TIME TO DATE?

The evolution of social dialogue in North Macedonia reflects a journey from initial establishment in the post-socialist period to ongoing efforts to strengthen and enhance its effectiveness, influence and recognition today. The country's development is characterised by slow and insufficient economic reforms. In this regard, if the agreement to establish the Economic and Social Council was signed in 1996 between the government, the Federation of Trade Unions and the Chamber of Commerce, the new Law on Labour Relations that introduced a legal framework for the functioning of the social dialogue at a tripartite level was adopted in 2005. As major obstacles to the promotion of social dialogue, participants in the MESMER+ national policy lab identified corruption, the lack of trust in public institutions and the absence of capacity in society to promote a democratic culture.

Over the course of the North Macedonian independence process, social partners have struggled to gain influence at the national level. Across various economic domains, the membership of relevant associations remained modest, impeding their capacity to effectively tackle labour conditions and entrepreneurial requirements via collective negotiations and alternative means of communal discourse (ILO, 2019). The country's EU

integration process and support from international organisations play a significant role in this evolution, driving reforms and capacity-building initiatives to ensure that social dialogue continues to contribute effectively to economic and social development.

Today, in North Macedonia, there are adequate legal provisions to enable the functioning of social dialogue. It functions on a tripartite, as well as bipartite, level. However, the participation of social partners in formulating policy and in decision-making processes remains inadequate (yearly EU progress reports 2015-2022). In the last decade, a significant improvement of the tripartite social dialogue and a stagnation of the bipartite social dialogue can be observed (ILO, 2023).

Tripartite social dialogue is institutionalised through Economic and Social Councils (ESCs) on the national and local levels, the Commission for Determining Representativeness and the National Council for Safety and Health at Work. The **Economic and Social Council** (ESC) is the leading tripartite institution for social dialogue at the national level, and has a consultative role with the government in the development and implementation of economic and social policies. The national ESC involves the participation of the Ministry of Labour and Social Policy and representative social partners, with the Union of Trade Unions and the Confederation of Free

Trade Unions of Macedonia each having two members, and the Employers' Organisation of Macedonia having four members. The **Commission for Determining Representativeness** is a tripartite body that has the authority to conduct a procedure for determining the representativeness of trade unions and employers' associations. The **National Council for Safety and Health at Work** is an advisory and consultative body of the government, responsible for occupational health and safety.

The development of the tripartite social dialogue on the national level stimulated the development of the tripartite social dialogue on local level. **The first local ESC was established in 2010.** Today there are officially 15 local ESCs, but one-third of them are not operational. The relationship between the national and local ESCs lacks a clear legal or institutional framework. These local ESCs hold annual meetings and thematic sessions, often aligned with specific programmes, without a strict obligation to convene regularly. The largest local ESC is located in Skopje and is also in the process of revival through an ILO project. On local level, the local ESCs include four representatives each from the local government, representative trade unions and the Organisation of Employers. In addition to them, representatives from local employment agencies, non-governmental organisations, businesspeople, chambers of commerce, higher education, universities and other entities participate in the work of local ESCs.

Both the in-depth interviews and the national policy lab demonstrate that there is a lack of employer participation in these local ESCs:

"Companies are not interested in participating in local social dialogue. They hardly ever attend the meetings of the councils and even when they do attend, it is not the managerial team, but other employees who are not involved in decision-making. We need to address this issue with advocacy and awareness raising activities in the business sector."

(A representative of a social partner)

Related to the evolution of the social dialogue, during the MESMER+ national policy lab, some participants emphasised that no efforts have been made to promote social dialogue at the workplace. While the existing Law on Labour Relations has formally transposed the EU directives that set out a broad structure for informing and consulting employees, especially in scenarios like collective redundancies and enterprise transfers, it is important to note that the country's labour legislation does not establish a clear process for electing employee representatives for information and consultation. Additionally, it does not delineate their roles separately from those of trade union representatives. As a response to these limitations, collective agreements play a partial role in filling these gaps, generally giving appointed or elected trade union representatives at the employer level the responsibility to inform and consult employees, with only rare deviations from this pattern.

During the transitional period, trade unions and employers' organisations were perceived as politically influenced and ineffective in safeguarding employees' interests, in contrast to the growing influence of the state. This power imbalance has shaped the country's industrial relations landscape and the development of social dialogue. Even today, particularly among

employees in the private sector, a negative perception of trade unions prevails. In practice, employees in the private sector are less unionised and their employment rights, especially in labour-intensive industries such as textiles, hospitality, construction and trade, have significantly fewer protected rights than employees in the public sector. The research provides evidence that trust in trade unions is starting to increase again, especially if the increasing numbers of reported violations are taken into consideration:

“Unpaid minimum salary, unpaid overtime hours and unpaid annual leaves are still the most frequent violations of workers’ rights in the country. Only this year, the Federation of Trade Unions recorded 4,483 complaints by individual workers.”

(A representative of a social partner)

The bipartite social dialogue faces more serious challenges, and the government and the social partners need support for the full development of collective bargaining. Participants in the national policy lab agreed that this level of dialogue remains inactive. In its current “Decent Work” programme, the ILO (2023) recommends that future collective contracts should include more substantive provisions on working conditions and terms of employment, including new forms of employment. Collective agreements typically contain provisions outlining how employers and workers, or their representatives, engage in communication and consultation. However, it is crucial to recognise that neither North Macedonia’s labour legislation nor collective agreements address employee participation in enterprise management or decision-making (Kalamatiev and Ristovski, 2019).

3.2 CURRENT LEGAL FRAMEWORK

The legal framework that regulates social dialogue and collective bargaining, consists of: 1) the Constitution of the Republic of North Macedonia; 2) the Law on Labour Relations; and 3) four ratified ILO conventions: the two fundamental ILO conventions on freedom of association and protection of the right to organise (no. 87) and protection of the right to organise and collective bargaining (no. 98), along with those on collective bargaining (no. 154) and workers’ representatives (no. 135).

Regulatory frameworks for social dialogue in North Macedonia are established through various legislative instruments, including laws and regulations that shape the functioning and participation of social partners in the decision-making process, such as:

✦ Law on Labour Relations (Official Gazette of the Republic of North Macedonia no. 62/2015 and 32/2018)

The Law on Labour Relations serves as the primary legal framework for social dialogue. It establishes the right of employees and employers to engage in collective bargaining, and outlines the procedures and conditions for collective bargaining at different levels. The law defines the minimum requirements for collective agreements, including wages, working hours, and conditions of employment. It also sets out the rules for dispute resolution and establishes the rights and obligations of social partners in the negotiation process. Moreover, the law regulates the establishment and operation of trade unions and employers’ associations, including the criteria for assessing their representatives.

The leading tripartite body for social dialogue, the Economic and Social Council, is also regulated by this law.

✦ **Decree on the Establishment and Operation of Economic and Social Councils (Official Gazette of the Republic of North Macedonia no. 126/2018)**

Tripartite social dialogue is based on the 2010 agreement between the government and the social partners for the management of the Economic and Social Council (ESC) at the national level, as well as the beneficiaries of the Economic and Social Council at the local level.

✦ **Law on the Peaceful Settlement of Labour Disputes**

The law is intended for the peaceful settlement of collective “interest-related” and “legal” labour disputes exclusively.

✦ **Law on European work councils**

This law regulates the establishment of a European works council or of a procedure for informing and consulting employees in commercial companies or groupings of commercial companies operating at the level of the European Union.

✦ **Law on Labour Relations (Article 212 and Article 2013)**

This law defines the criteria for determining the representativeness of both trade unions and employers’ associations. Trade unions and employers’ associations must be representative if they are to participate in tripartite social partnerships and collective bargaining at national, public sector, private sector, branch and company levels. A representative trade union shall: have at least 10% of the total number of employees in North Macedonia as members who pay membership fees to the union; bring together at least three trade unions at the national level from different branches; act at the national level; and have registered members in at least

1/5 of the municipalities in the country. A representative association of employers in the private sector is one that has at least 5% of all employers or employs 5% of the workforce, has members from three branches, is present in 1/5 of municipalities, has concluded three collective agreements, operates democratically, and is registered with the labour ministry, with at least 10% membership of employers or workforce at the sector or branch level.

3.3 SOCIAL DIALOGUE STRUCTURE

Generally, North Macedonia lacks systematic information on key data, capacities and characteristics of the social dialogue structures. In practice, the governance structure of social dialogue is primarily organised through the Economic and Social Council (ESC), which operates at both the national and local levels. **The most dominant and advanced level of social dialogue is the national level**, where the government, employers’ organisations and trade unions participate in negotiations on labour and social policy issues enabled through the national Economic and Social Councils (ESC), followed by the less developed local social dialogue enabled through the local Economic and Social Councils. Social partners confirm that in the last few years the ESC has played a more prominent role in shaping economic and social policies, including those on the minimum wage, anti-crisis packages and the Youth Guarantee. The ESC has an advisory role and provides opinions and recommendations to the government on issues related to economic development; labour market policies; wage and price policies in the field of labour and social insurance; social protection; health protection; environment; fiscal policy; working conditions and health and safety at work; education; culture; professional

development; professional training; and other areas of social and economic interest for employers and workers. In practice, the scope of ESC interventions is limited to areas of labour and social issues related to the competence of the Ministry of Labour and Social Policy.

At the local level, the local ESCs are foreseen as consultative and advisory bodies, and they discuss issues and provide opinions, suggestions and recommendations to the municipal councils and other bodies on socioeconomic issues, such as policies on the local economy, employment, prices and salaries, health and safety at work and education.

Today, the social partners in North Macedonia are represented by **trade unions and employers' organisations**. In the official register of trade unions, managed by the Ministry of Labour and Social Policy, there are 77 registered trade unions¹ and 13 registered associations of employers².

The largest national trade union federations are the Federation of Trade Unions of Macedonia – which is also a member of the European Trade Union Confederation (ETUC) – with 17 branch unions, and the Confederation of Free Trade Unions (KSS) with 9 branch unions. Trade unions have a long-standing history with its origins in the former Yugoslav republic, and their membership was more widespread before independence in 1991. Until 2005, social dialogue in North Macedonia was dominated by the Confederation of Trade Union

Organisations of Macedonia (KSOM) and the Chamber of Commerce, representing trade unions and employers respectively, with questions of representation being a primary concern. In 2009, after a 16-year delay, changes in labour law established membership thresholds of 10% for unions and 5% for employer organisations to address the issue of representativeness that had not been addressed in the law of 1993.

Employers' associations emerged with the advent of democracy and the transition to a market economy, introducing a new dynamic in North Macedonia. Despite being relatively young, these employers' groups confront a two-fold challenge: broadening their member base and enhancing their ability to effectively participate in governmental and trade union discussions regarding policies. Currently, there are two principal national-level employers' organisations: the Organisation of Employers of Macedonia (ORM), recognised as the most representative in the country, and the Business Confederation of Macedonia (BCM). The ORM covers 17 sectoral associations and 121 individual members, while the Business Confederation covers 12 employer and business associations and 184 individual members (ILO, 2023). Both bodies are affiliated with the International Organisation of Employers (IOE).

Public data on the size of trade union membership and the extent to which workers are covered by collective agreements is not accessible. Based on 2020 data, trade union density is estimated at 17.3%, while employers' organisations show a coverage of 23.2% (Regional Cooperation Council, 2022). In 2021, the General Collective Agreement for the private sector covered all workers classified as 'employees', constituting 76.8% of

1 Register available at: https://www.mtsp.gov.mk/registri-ns_article-registar-na-sindikati-1.nsp

2 Register available at: https://www.mtsp.gov.mk/registri-ns_article-registar-na-rabotodavaci-cel.nsp

the total workforce in that sector (Regional Cooperation Council, 2023). Conversely, the general agreement for the public sector applies to all employees within that sector. According to the European Commission report in 2022, in practice the adoption and enforcement of collective agreements in the private sector is lacking.

At the branch level: The Organisation of Employers of Macedonia (ORM) represents the interests of employers, and ensures implementation of the General Collective Agreement and sectorial collective agreements. The ORM represents 17 sectorial associations. At this level, workers are mainly represented by the Federation of Trade Unions of Macedonia, as the largest trade union organisation. This organisation operates as a representative labour organisation and a signatory of general collective agreements and sectorial or branch collective agreements. It brings together 22 trade unions in various branches.

At the workplace level, the Law on Labour Relations enables workers to establish a trade union or to join an already established union. The law also regulates employees' information and consultation rights. The obligation to inform and consult applies to commercial companies, public companies and other legal entities that have over 50 workers, and to establishments that have over 20 workers. Informing and consulting includes information on the probable trends in the activities of the employer, on the situation, structure and probable course of employment of the employer, on any measure foreseen, especially when there is a threat to employment, and on decisions that could lead to substantial changes in work organisation or contractual obligations. The law does not recognise or enable the establishment of workers' councils.

/04

Social economy

4.1 BRIEF HISTORY: KEY DATES AND EVENTS

The history of social economy organisations in North Macedonia is closely linked to the socialist self-management nurtured at the time of the Yugoslav Federation and the appearance of different forms of economic cooperation promoting solidarity and mutual self-help. Initiatives taken during the socialist era (cooperatives, sheltered workspaces, and social organisations and associations) can be seen as a positive legacy that paved the way for the emergence of today's social enterprises (Ilijevski and Iloska, 2018).

Social enterprises constitute an emerging new type of organisation in the country. North Macedonia is taking its initial steps in defining and acknowledging the social economy as an instrument for solving pressing social and economic issues. The concepts of social economy and social enterprises were first introduced into the third sector discourse in 2009-2010. Initially, these concepts were used by the third sector to describe work integration social enterprises that emerged from two types of associations. The first type provided work engagement for disadvantaged individuals, primarily for the Roma and those living with addictions. The second type worked towards the deinstitutionalisation of individuals with disabilities. As a result, the development of the social economy in North Macedonia is closely intertwined with the evolution of the third sector. This evolution includes limited financial support for

civil society organisations, the decentralisation and deinstitutionalisation of the social protection system, increased financial support for social services from the state, and the impact of international donors on funding opportunities.

More recently, the recognition of social economy entities at the EU level, their role during the COVID-19 crisis, the new European Social Economy Action Plan, and increased funding opportunities have encouraged the development and recognition of the new organisation/business model in the country. These reforms can be broadly classified into two segments: (1) policy level and institutional frameworks, and (2) appearance of social enterprise support structures.

✦ Policy level and institutional frameworks:

The wider discourse on social entrepreneurship started in 2018, when the Ministry of Labour and Social Policy launched the development of the first National Strategy on Social Enterprises. It was developed through a broad consultative and participatory process. In this process, implemented in two phases, only representatives from employers' organisations were involved, while representatives from trade unions were not recognised as actors in the ecosystem.

- In Phase 1, from November 2018 to December 2019, the main objectives of the strategy were defined, along with the strategic priorities and

the activities. In this phase, the strategy fully acknowledged the need for transparency and the inclusion of all stakeholders as key elements to strengthen legitimacy and effective policy implementation. Hence, each of the measures defined was discussed and developed through discussions with public institutions, actors in the ecosystem and social entrepreneurs;

- Phase 2, when the strategy was updated with new activities and measures developed in consultation with smaller working groups, was added as an answer to the new context that resulted from the COVID-19 crisis.

Previously, in 2015, the Ministry of Labour and Social Policy attempted to draft a Law on Social Enterprises, but it was withdrawn due to the lack of necessary conditions for its development such as a sufficient number of social economy practices that could inform the policy-making process, or strong institutional recognition of the new organisational model. However, in 2019, new laws on public procurement and social protection were introduced that promoted the concept of social procurement and greater engagement of local self-government units in social mapping of citizens' needs at the local level. These reforms are expected to provide opportunities for the development of new social enterprises.

✦ Social enterprise support structures:

In recent years, efforts to develop social entrepreneurship have become more proactive. In 2019, the Social Enterprises Network Mk was established as a communication and cooperation platform for various social enterprises. The purpose of this network is to

enhance the public perception of the sector, as well as to foster cooperation and partnership with other parties at the regional and national levels. Following identified needs for collaboration, a group of 22 social enterprises with the longest market presence initiated the creation of this network.

Next to this, in September, 2019 the Ministry of Labour and Social Policy launched the Instrument for pre-accession (IPA)-funded technical assistance project "Encouraging Social Entrepreneurship". Through this project, one National Resource Centre on Social Entrepreneurship and eight regional centres in the eight planning regions in the country have been established as a part of the system for support and development of the social economy and social entrepreneurship. The centres operate as the key points for support, development and promotion of the capacities of social entrepreneurs and enterprises. Regional centres enable communication and cooperation with local authorities, civil society organisations, social enterprises, private companies, individual experts, academic circles and all entities that can offer their expertise in support of the further development of social enterprises.

Despite the obvious progress made so far, various challenges still hamper the development of the social economy. In fact, the variety of legal forms covered by social enterprises in North Macedonia, along with the absence of precise data on which of the entities fully correspond to the EU operational definition of social enterprise, make the precise estimation of the size of the sector a rather difficult task. There is no systematic overview of social enterprises in terms of organisation numbers, their business profile and performance,

potential obstacles, access to finance, business support, types of customers etc.

An additional challenge for social enterprise development is insufficient business knowledge, capacity and experience in assisting emerging social entrepreneurs. To illustrate this, the findings of the research conducted by Ilijevski and Iloska (2019) confirm that the existing social enterprises face numerous challenges such as the registration process, ensuring financial sustainability, lack of human capital and capacities that will make them competitive in the open market, absence of political recognition and innovative financial instruments, and support mechanisms that match the development phase they are in.

4.2 BRIEF MAPPING

Official definition

Currently, there is no officially adopted legal framework that regulates the social economy and social enterprises. The only available and officially adopted policy document, the National Strategy on Social Enterprises (2021-2027), defines social enterprises but does not include a definition of the social economy. The strategy uses the European Union's Social Business Initiative criteria to define a social enterprise as a social economy operator whose main goal is to have a social impact by providing a wide range of social, economic, health, educational, cultural, environmental, and other products and services with social value that serve to solve socio-economic and environmental challenges. Social enterprises are expected to promote social well-being by providing goods and services in an innovative and entrepreneurial manner, using their profits primarily to achieve social

or environmental objectives. They should be managed transparently and accountably, involving workers, consumers and parties affected by their activities.

The draft version of the Law on Social Enterprises, expected to be adopted by the end of 2023, uses the same definition of social enterprises as used in the strategy. The law recognises two additional models of social enterprises: 1) "Social enterprises for social reintegration and work engagement" refers to social enterprises that implement activities aimed at improving or acquiring new qualifications, competences, knowledge and skills for persons at risk of social exclusion, through training and work, in order to facilitate their access to the labour market, working in the field of social work engagement; and 2) "Social enterprises for work integration" refers to social enterprises whose primary objective is the inclusion of persons from socially vulnerable groups in work, to integrate them into the labour market.

4.3 LEGAL FORMS IN NATIONAL LAW

So far, no legal framework has been established to regulate social economy entities. However, practice shows that the entities that make up the spectrum of social enterprises in the country are diverse. Despite the absence of specific legal forms for social enterprises, some of the existing legislative acts enable the establishment and functioning of entities that can be recognised as social enterprises, such as:

- ✦ the law on civil organisations and foundations
- ✦ the law on agricultural cooperatives
- ✦ the law on cooperatives
- ✦ the law on sheltered workplaces
- ✦ the law on trade companies

Consequently, measures for the development of social economy entities can be found in various strategies, such as the Strategy for Cooperation with and Development of Civil Society 2022-2024, which defines objectives for the development of social enterprises by CSOs, showing the development of social services for local communities as an area for social enterprise development. Equally so, the Strategy for Womens' Entrepreneurship mentions social entrepreneurship as a potential area of women's empowerment. The National Strategy for the Promotion and Development of Volunteering 2021-2025 includes a new measure for the involvement of volunteers in social enterprises. Until now, the engagement of volunteers was possible only in civic society organisations and in public institutions. The National Strategy on Social Responsibility 2019-2023 reflects the main principles and dimensions of social entrepreneurship such as social innovation, responsible consumerism, socially responsible investment, and ecological and social labels. Another relevant document to consider is the National Youth Strategy 2016-2025, which includes measures for promoting entrepreneurship among young people and encourages the social inclusion of vulnerable youth. Measures for the support of social enterprises are also foreseen in the National Employment Strategy 2021-2027, in terms of the preparation and implementation of training programmes, programmes for subsidy and support for social enterprises intended for the low-skilled, long-term unemployed and beneficiaries of the Guaranteed Minimum Assistance. The National Programme for Transformation of Undeclared Work among the Roma Population (2021-2023) recognises social enterprises as a potential legal form that can support the transformation process, while at the same time ensuring stable, decent and inclusive workplaces.

4.4 MAIN SECTORS

In general, social enterprises in North Macedonia are active in a narrow range of activities, such as the production and sale of organic products, including natural cosmetics, homemade food and other products, recycling and reuse. On the other hand, entities active in providing services have been identified in activities such as elderly care, deinstitutionalisation of persons with disabilities and their engagement, support for persons addicted to drugs, alcohol and gambling, and the support and education of women who are pregnant or breastfeeding. Some of them are also involved in non-formal education, culture and art, publishing, etc. In practice, social enterprises in the country have a hybrid business model and the income from the economic activities depends on the legal form of the entity.

4.5 SHARE OF EMPLOYMENT

A study conducted by Ickoski and Rajkich (2022), which aimed to establish an official register of social enterprises, concluded that out of 57 mapped social enterprises, 43 employ 271 people, of whom 38.3% are young people from vulnerable categories. First of all, young women,

then young people from other marginalised groups and young Roma³.

Based on available data from secondary resources, below we provide the following estimates on the size of the social economy sector:

Table 2: THE ESTIMATED SIZE OF THE SOCIAL ECONOMY SECTOR

Type of social enterprise	Estimated number of social enterprises	Number of employees
Associations	130	390-650
Sheltered workplaces	411	1915 disabled 4,632 total employees
Cooperatives	~61 (660 associated entities)	N/A

Source: authors' calculations

4.6 ACTORS

Umbrella organisations that represent SE interests:

The leading umbrella organisation is the National Resource Centre for Social Enterprises, which is designed to function as an incubator to support existing and new social enterprises, as well as civil society organisations that have economic activity. Another important actor is the Social Enterprises Network Mk, which was established as a communication and cooperation platform for various social enterprises and brings together 22 social enterprises. Representatives of the Social Enterprises Network have been widely involved in the development of the National Strategy

for Social Enterprises as well as in the development of a legal framework aimed at regulating the sector.

None of these organisations is involved in the officially established social dialogue at national or local level. The data from the field research show that in practice representatives from social enterprises are involved in the socio-economic policy-making process that targets mainly social services, activation of marginalised people and social exclusion.

³ <https://drive.google.com/file/d/1gGHMm8vSAh6L3Xi1ROyxkab2GIbiSydY/view>

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Social dialogue and the social economy

From the field research carried out, it can be concluded that **in practice social partners have limited knowledge of the social economy as a sector** and only few of them have been directly involved in the policy development of the sector or have a social enterprise member in their network:

"I am aware of the social economy as a sector. But I don't see a capacity in this sector to be involved in social dialogue. How we will determine their representativeness, and in the absence of information who do we consider as a social enterprise? To my knowledge, I see that we are talking about micro entities, with a very limited number of employees."

(A representative of a social partner)

"We have never had cooperation with a social enterprise. I don't have enough information on this sector."

(A representative of a social partner).

Taking into consideration the general state of development of the social economy as a sector and the poor economic development of the entities, it can be expected that social economy entities and organisations face difficulties in maintaining their participatory

governance frameworks and ensuring effective social dialogue both at the workplace and at a sectorial level. The absence of a regulatory framework and well-developed ecosystem hampers their involvement in industrial relations in general. Taking into consideration the fact that the different models of social enterprises operate under different frameworks, the assessment of the involvement of these entities in social dialogue becomes even more complex. Additionally, advocacy and lobbying efforts to involve social enterprises in social dialogue are hampered by the lack of a systematic overview of social enterprises in terms of organisation numbers, their business profile and performance, potential obstacles, access to finance, business support, types of customers etc.

The involvement of social enterprises in social dialogue is very fragmented. On the policy level, there are no enabling provisions.

The current Strategy for Social Enterprises does not foresee any measures to promote the participation of social enterprises in social dialogue, nor activities to strengthen the capacities of the National Network

of Social Enterprise and to empower its participation in policy advocacy and lobbying, nor its recognition as a potential social partner. The draft Law on Social Enterprises foresees the establishment of a National Council for Social Entrepreneurship as an expert, multi-sectoral advisory body, in order to create policies for development of social entrepreneurship, to analyse the needs for development of social entrepreneurship, and to include local authorities in determining and implementing policies for the development of the social economy. The Council will consist of 17 members appointed by the government, including representatives of relevant ministries, social enterprises, civil society organisations that provide support for the sector and financial institutions.

The individual interviews and the national policy lab bring evidence that **in practice, the different models of social economy entities and organisations engage in some forms of “social dialogue”**, discussing and often negotiating employment-related issues such as wages and working conditions. Two initiatives have been identified at sectoral and national level, both of them being widely discussed with all relevant stakeholders, including the representative bodies of the final beneficiaries:

- The programme adopted by the government that ensures social security for women workers in the agricultural sector. This programme resolves, for the first time, the right to maternity benefits for women farmers. Maternity leave for women agricultural workers is not regulated in the existing Law on Labour Relations. With the adoption of this programme, the implementation of a special measure for financial

support for a nine-month maternity allowance will begin;

- The ongoing advocacy efforts to address the working conditions of persons with disabilities in sheltered workplaces resulted in an initiative for the full transformation of the Law on Employment of Persons with Disabilities in a new reform. The Law on Employment and Professional Rehabilitation of Persons with Disabilities will enable the employment of persons with disabilities in the open labour market without discrimination and in a working environment that is open, inclusive and accessible.

Even though exceptions do exist, such as the above-mentioned initiatives, social economy organisations only rarely count as formal social partners on their own right.

As regards collective bargaining, based on the legal framework, different models of social enterprises are involved in different collective agreements, but these agreements do not cover all employees within the social economy. Small, micro entities remain neglected by industrial relations. The following legal forms are covered by collective bargaining:

- Employees in trade companies are regulated under the general collective agreement for the private sector of the economy;
- Registered social service providers are regulated under the collective agreement for social protection of 2019;
- Workers in agricultural cooperatives are regulated under the collective agreement agricultural employees and the food industry of 2015;

- ✦ Entities that are active in tourism and hospitality are regulated under the collective agreement for hospitality of 2008;
- ✦ Workers in trade companies that have the status of a sheltered workplace and that employ persons with disabilities are regulated under the collective agreement on sheltered workplaces of 2014.

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Conclusion

In conclusion, North Macedonia's journey since independence reflects a transformative shift in industrial relations towards a pluralistic model, driven by European Union aspirations and global labour standards that have positively influenced labour policy and collective bargaining frameworks. Despite the establishment of legal structures to bolster social dialogue and collective rights, the tangible influence of social partners on policy-making is constrained by limited membership and negotiation power. While there is notable advance in tripartite social dialogue, bipartite discussions and the application of labour laws, especially in the private sector, require improvement. Social enterprises, with a history rooted in Yugoslav-era cooperative practices, face their own challenges despite policy advances and support networks, and struggle with identification, business acumen and resource access, which indicates the need for further support and development in this emerging sector.

The social economy sector in North Macedonia faces challenges in maintaining participatory governance and effective social dialogue due to poor economic development and a lack of regulatory frameworks and developed ecosystems. The diversity in social enterprise models further complicates the assessment of their involvement in social dialogue, and there is a lack of systematic data on these entities, hindering advocacy and lobbying efforts. Social enterprises' participation in

social dialogue is fragmented, and current policies and strategies do not provide measures to promote their involvement or strengthen the capacities of relevant networks. Although there are isolated initiatives addressing employment-related issues and working conditions, such as government programmes for women in agriculture and advocacy for persons with disabilities in sheltered workplaces, social economy organisations rarely act as formal social partners. Collective bargaining involves different models of social enterprises, but not all employees within the social economy sector are covered, leaving small and micro entities neglected. The fragmented nature of social dialogue, the lack of enabling provisions at the policy level, and the absence of systematic data on social enterprises highlight the need for comprehensive strategies and regulatory frameworks to strengthen the social economy sector's role in industrial relations and social dialogue.

Recommendations for policy-makers and actors in the ecosystem:

+ Strengthening institutional frameworks:

Enhance the capacity of existing institutions, such as Economic and Social Councils, to foster a more inclusive and effective tripartite and bipartite social dialogue. Ensure that social enterprises are adequately represented in these bodies;

- ✦ **Enhancing data collection and research:** Develop a comprehensive database of social enterprises, capturing their numbers, business profiles, performance metrics, and challenges they face. This database should be accessible and serve as a resource for policy development and advocacy efforts;
- ✦ **Promoting legal recognition and support:** Work towards creating a legal definition for social enterprises in North Macedonia, distinguishing them from other types of entities and providing them with the necessary legal recognition. Establish supportive policy frameworks that promote their development and address specific challenges they face, including access to finance and business support;
- ✦ **Facilitating access to finance:** Develop financial instruments and support mechanisms tailored to the unique needs of social enterprises, facilitating their access to capital and enabling their growth and sustainability;
- ✦ **Building capacities:** Invest in capacity-building programmes for social enterprises, focusing on business knowledge, leadership, and advocacy skills. Encourage knowledge sharing and best practices exchange among social enterprises;
- ✦ **Improving participation in social dialogue:** Implement measures to enhance the participation of social enterprises in social dialogue at all levels. This could include establishing dedicated forums or working groups within existing social dialogue structures, ensuring that social enterprises have a voice in discussions related to labour policies and working conditions;
- ✦ **Addressing challenges in collective bargaining:** Work towards inclusive collective bargaining processes that cover all types of social enterprises and their employees, with a particular focus on small and micro entities. Explore legal mechanisms to extend the application of collective agreements to unorganised enterprises;
- ✦ **Enhancing social partner empowerment:** Strengthen the role of social partners, including social enterprises, in policy-making processes. Ensure that they are adequately consulted and that their inputs are taken into consideration in the development of labour policies and regulations;
- ✦ **Promoting best practices in participatory governance:** Encourage social enterprises to maintain and enhance their participatory governance frameworks. Share best practices and provide guidance on how to ensure effective social dialogue within organisations;
- ✦ **Raising awareness and advocacy:** Launch awareness-raising campaigns to highlight the role and potential of social enterprises in addressing social and economic challenges. Strengthen advocacy efforts to promote the inclusion of social enterprises in social dialogue and industrial relations.

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