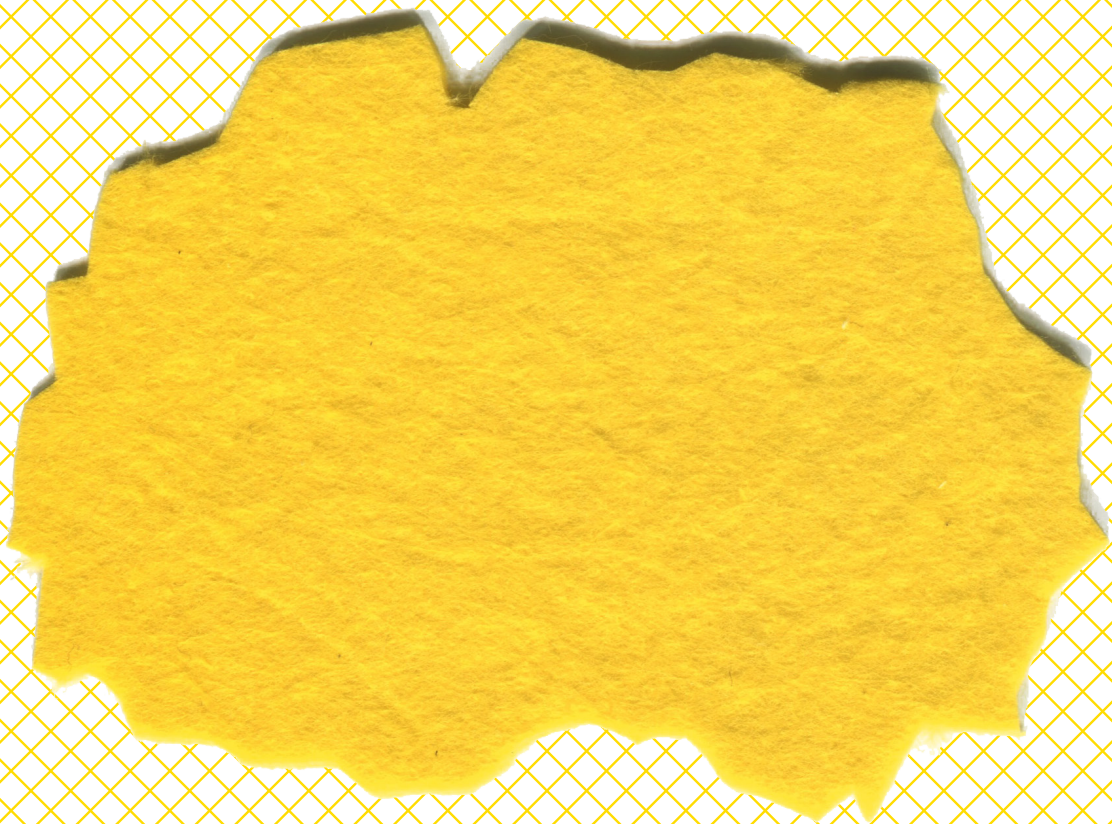




MACEDONIA

country study 2017



CONTENTS

Introduction	3
1. How to read this FWF country study	5
2. General country information	6
2.1. Economic indicators	7
2.2. Social, political & governance indicators	7
2.3. Income and poverty	7
2.4. General human rights situation	8
3. Stakeholders	10
4. Garment industry	14
5. Industrial relations	17
6. Implementation of the FWF Code of Labour Practices	25
6.1. Employment is freely chosen	25
6.2. No discrimination	28
6.3. No child labour	32
6.4. Freedom of association and the right to collective bargaining	34
6.5. Payment of a living wage	38
6.6. No excessive working hours	45
6.7. Occupational health & safety	49
6.8. Legally binding employment relationship	54
Sources used in this country study	60

INTRODUCTION

Bordering Greece to the north, Macedonia is officially known as the Federal Yugoslav Republic of Macedonia (or FYROM) to the United Nations. The textile industry is one of Macedonia's most developed economic sectors, and there are over 600 companies actively involved at various levels of production, employing over 40,000 workers and producing over €450 million worth of exports. Textiles contribute to about 12.45% of the industrial GDP (2.4% of Macedonia's GDP), and represented 12.4% of country exports in 2016.¹ The Macedonian textile industry, however, represents less than 1% of global textile exports worldwide.

Macedonia is rated in the top half of human development, according to the UN Human Development Index (HDI), ranking 82 out of 188 countries. Despite this, it is still below the average of most other countries in Western Europe, and closer to the development level of Armenia and Georgia. Human rights violations are still reported, and involve issues such as discrimination against the Roma people, electoral irregularities, the lack of judicial independence, lack of police accountability and bad prison conditions.

The country's labour market is characterised by high levels of informal employment (estimated at over 22.5% of the total employment in the country),² a high unemployment rate (23.7% in 2016) and a skewed structure for labour market participation. Unemployment is highest among those with lower levels of education, young people and people between the ages of 55-64. Furthermore, the very high rate of long-term unemployment underscores the lack of job opportunities, a social problem resulting in the impoverishment and social exclusion of significant segments of the population. The resulting imbalance between supply and demand means that labour costs are very low.

The legal framework for labour in Macedonia is well-developed, and covers all eight labour standards in the FWF Code of Labour Practices, although there are limitations on the right to strike. Several labour regulations were amended in 2016, including a new regulation on parental leave, for example. In addition, the first law over minimum wage, which was adopted in 2015 and included the textile sector, was amended in 2016 to include fines for employers who did not comply. Ratified ILO conventions are regularly reported and followed up on, although Macedonia is only beginning to align with European Union regulations.

According to a 2016 report from the European Commission, while the capacity of institutions to monitor health and safety at work has improved slightly, it remains insufficient. The report explicitly states that the "National Council for Occupational Health and Safety did not perform its duty to coordinate monitoring and implementing the Occupational Health and Safety regulations."³

Trade union membership and union density have been falling continuously since Macedonian independence in 1993. In 2013, trade union density stabilised at around 30%. Union membership rates are not increasing and, in the past, union members have transferred from one confederation to another. Still, Macedonia has a relatively high level of unionisation compared to other garment exporting countries.

1 <http://www.stat.gov.mk/Publikacii/PDFSG2016/13-NadvorTrg-ForeignTrade.pdf>

2 <http://www.ilo.org/public/english/bureau/program/dwcp/download/finalmacedonia15-18.pdf>

3 EU progress report, 2016, https://ec.europa.eu/neighbourhood-enlargement/sites/near/files/pdf/key_documents/2016/20161109_report_the_former_yugoslav_republic_of_macedonia.pdf

A national Collective Bargaining Agreement (CBA) specific to the textile, leather and shoe industry does exist. But at the factory level, CBAs are often not signed or updated. In Macedonia, there is no developed system of workers' representation at the company level, except for unions. Workers' councils are not considered in the legal framework or applied in practice. Therefore, the attempts of some companies to have worker representatives as a substitute for unionisation is understood by unions as an attempt to undermine freedom of association, and connected to the idea of yellow unionism, trade unions dominated by the employer and therefore not independent or free.

Fair Wear Foundation in Macedonia

Fair Wear Foundation (FWF) has been active in Macedonia since 2004. According to the latest FWF annual report, ten FWF member companies were sourcing from 21 Macedonian suppliers. FWF audits show some general areas of concern, of which the first is documentation. Records are often not kept properly, making it both difficult to assess if workers receive the benefits to which they are entitled, and how many hours they actually worked. Compounding the problem is the fact that workers seldom know how their wages are calculated and are therefore not able to verify whether they are paid correctly.

A second, much larger problem concerns health and safety. Factory audits often uncover problems with fire safety, ranging from faulty or absent fire detection systems to a lack of fire safety trainings. Another recurring problem is that most factories only satisfy the bare minimum legal requirements related to occupational safety and health for employees, to show compliance if the Labour Inspector visits the company premises. Few employers try to create both a positive working environment and a preventive safety culture. Most audits also report ergonomic problems at the workplace as well as missing (or unused) Personal Protective Equipment (PPE). Temperature regulation and poor electrical safety are other known problems at factories.

With the collaboration of CNV Internationaal, in 2011 FWF began developing concrete tools to support the implementation of a living wage in Macedonia. The goal was to examine the relation between wages and productivity and to identify areas where productivity increases could be used to support better wages for workers. Since then, FWF has provided technical support and guidance at the factory level. Important findings included the idea that wage increase discussions should involve all workers and that there is a need for dialogue between workers and management to ensure the sustainability of such programmes. This five-year project in collaboration with CNV Internationaal came to an end in 2016, but FWF remains committed to assisting member brands in implementing living wages in Macedonia.

FWF also continued to expand its Workplace Education Programme (WEP) in Macedonia, with 170 managers and workers actively participating in the basic training. FWF audits in Macedonia show that management-worker dialogue could be improved significantly, particularly because the rate of worker organisation is low. FWF stimulates brands sourcing from Macedonia to motivate workers to organise in ways that help improve working conditions, productivity and worker satisfaction.

1. HOW TO READ THIS COUNTRY STUDY

This country study should provide a clear and concise picture of labour law, labour conditions and industrial relations within the textile/garment industry. The reader can choose what level of detail they wish to read. For finding specific laws or compliance with certain parts of the FWF Code of Labour Practices, the country study can be used as reference.

For a general overview of the situation in Macedonia, the above introduction is the starting point. The summary gives a general picture of the level of development, the outlook for the industry in the country and the major challenges when it comes to implementing the FWF Code of Labour Practices.

Chapter 2: *General country information* describes the economic, social, political, governance and general human rights situation using international indicators and comparing them with other garment-producing countries. Appendix 1 lists and explains these indicators in detail.

Chapter 3: *Stakeholders* briefly presents the main stakeholders who are active in the garment/textile industry. The focus is on stakeholders who have actual impact on labour conditions or play an active role in monitoring the situation for workers in the industry. This chapter serves as a reference point for those who want to engage with or consult a local stakeholder in finding further information regarding their activities in the country.

Chapter 4: *Garment industry* gives an overview of the situation for the country's garment industry, including areas of production, products and projected outlook.

Chapter 5: *Industrial relations* describes the trade union situation in the country, both in general and specifically for the garment industry. This chapter gives essential information for understanding how challenges regarding working conditions in the country are handled through social dialogue.

Chapter 6: *Implementation of the FWF Code of Labour Practices* assesses implementation of every part of the FWF Code of Labour Practices through official statistics on compliance (where available), laws and regulations, as well as presenting different stakeholder views on their implementation. Text in italics are direct quotes taken from relevant laws. This chapter also contains per standard the main FWF audit findings over the last two years as well as examples of complaints received by FWF. Auditors and brands may choose to use this section as a reference resource when monitoring their activities.

2. GENERAL COUNTRY INFORMATION

The population of the Former Yugoslav Republic of Macedonia has remained relatively steady over the past decade, increasing from 2.03 million in 2004 to 2.07 million in 2015.⁴ This slow growth is partly due to low fertility rates and partly to an ageing population. Based on statistics from the International Monetary Fund's World Economic Outlook Database, Macedonia ranks 132 out of 229 countries in the world in terms of GDP.⁵ Exports accounted for about 15.9% of the total Macedonian economic output.

The economy grew at a rate of just over 3% between 2012 and 2015, making it one of the fastest growing economies in the region. However, growth slowed to 2.4% in 2016 as political uncertainty caused a drop in private investment. In 2016 growth was mainly driven by the construction sector, as manufacturing output declined.

Macedonia has a service-oriented economy; the tertiary sector accounts for two-thirds of GDP while one-quarter is generated by industrial production. Most of the country's workforce is employed in services (51% in 2015). These differences are not directly mirrored in the structure of employment, however. For example, the agricultural sector employs 20% of the workforce but only generates 10% of the GDP.

Employment grew by 2.1% in 2016, thanks in part to government stimulus programmes for job creation. Yet labour force participation fell from 57.2% in 2015 to 56.8% in 2016, the lowest rate since 2012. As a result, the average unemployment rate was 23.7% by the end of 2016. Despite a government stimulus for youth employment in the form of exemptions from social contributions, unemployment for this group rose slightly from 47.4% in 2015 to 48.3% in 2016. Of all age groups, youth is the only whose participation in the labour force has been declining since 2012. Long term unemployment remains high, at 81%.⁶

In recent years, the Macedonian political environment has become increasingly polarised. Poverty remains high, and there is increasing unemployment; social and economic disparities are growing, as is government control of the media. Additionally, bureaucracy and the judiciary sector have become more politicised, leading to an increasingly exclusive vision of nation-building.

The legislative branch has been severely weakened by the opposition's long absence from the national parliament. Opposition parliamentarians were removed by the ruling party after an incident in late 2012, and again after opposition parties refused to recognise the 2014 election results. In 2015, conversations intercepted and made public by the opposition party revealed the involvement of government officials in corruption, election fraud and interference in the judiciary sector. These revelations ignited a wave of civic protests. An EU-US brokered agreement between political parties was reached in June 2015, laying the ground for the return of the opposition to parliament. It included the appointment of a technical government, a call for early elections in April 2016 and the investigation of the communications interception case by a special prosecutor. Eventually elections were held in December 2016 with an uncertain outcome that led to a vacuum of power until June 2017.

4 [http://www.etf.europa.eu/wpubdocs.nsf/0/1EABA407EF650E85C12580BC0056C492/\\$File/CSP%20FYROM%202017-2020_External%20Distribution%20Jan%202017.pdf](http://www.etf.europa.eu/wpubdocs.nsf/0/1EABA407EF650E85C12580BC0056C492/$File/CSP%20FYROM%202017-2020_External%20Distribution%20Jan%202017.pdf)

5 <https://www.cia.gov/library/publications/the-world-factbook/rankorder/2001rank.html#mk>

6 <http://pubdocs.worldbank.org/en/310431491458109659/WBRER-11-v6.pdf>

2.1. Economic indicators

Macedonia's level of development, as measured by the UN human development index (HDI), is 0.748% – which put the country in the higher half of human development category. Also, per capita Macedonia has a GDP almost twice as high as that of Bangladesh, China and India. Macedonia has, however, shown almost no progress in its ranking in the past seven years, dropping ten places below its 2010 ranking.

2.2. Social, political & governance indicators

A prerequisite for sustainable and good labour conditions is a stable and favourable social and political environment. Compared to other garment-producing countries in Central and Eastern Europe, Macedonia is ranked 90th. Transparency International ranks Romania 57th, with Bulgaria in between.⁷ Turkey is ranked above Macedonia when it comes to corruption, although Macedonia is clearly ahead of the main garment producers in Asia. These indicators do show, however, that the importance of effective labour law enforcement, social dialogue and good governance cannot be taken for granted in the country.

2.3. Income and poverty

Because of the international economic and financial crisis, by 2010, nearly 80 million European citizens lived in poverty; that's over 16% of the population.⁸ The situation has not improved since then: people who live at risk of poverty made for almost 25% of the European population in 2013 and 2014, before social transfers. If social transfers are taken into account, the number decreases to 16.7% in 2013 and 17.2% in 2014, European Union-wide.⁹ Depending on their situation at the start of the crisis, some countries have fared better than others.¹⁰ In Macedonia, before accounting for social transfer, more than 40% of the population was living at risk of poverty in 2014. This represents a decrease from 2012, when it was 42.6%, and a large improvement from 2008, when at-risk-of-poverty levels reached 45%. When taking to account the social transfers, the situation is less dire, but not less worrisome: in 2012, more than a quarter of the population lived at risk of poverty in Macedonia. By 2014 this had decreased to

7 https://www.transparency.org/news/feature/corruption_perceptions_index_2016#regional

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

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

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

22%. Particularly worrying is the fact that 11.1% of those employed are at risk of poverty.¹¹ Finally, Macedonia has the third-highest level of inequality in Europe.¹² While the GINI coefficient for the country has gone from 0.435 in 2010, to 0.352 in 2014,¹³ the richest 1% receives 12% of the national income.

2.4. General human rights situation

Amnesty International highlights several of issues in its 2016-2017 report on Macedonia. In 2015, following the revelations of high-level corruption, prosecutions were slowed by a political power struggle while protection for witnesses was limited. Additionally, the Roma people face discrimination in accessing basic rights and services. Refugees and migrants are routinely turned back at the Greek border or face detention in poor facilities in Macedonia.

According to the EU 2016 progress report, the legal framework for protecting human rights falls broadly in line with European standards, but sometimes laws are not applied fully or correctly. Those involved in protecting and promoting human rights lack sufficient staff and financial resources, are poorly coordinated and are sometimes not considered independent. Weaknesses in the implementation of human rights standards continue to primarily affect the most vulnerable and marginalised groups in society, including children and young people, people with disabilities, and the Roma and LGBT communities.

The following human rights areas are of particular concern: (1) serious practical problems about freedom of expression due to uneven implementation of the law and political interference; (2) the heavily understaffed and mismanaged prison system, which results in systemic violations of international human rights standards; and (3) the recurring demand for the establishment of an independent oversight mechanism, necessary to ensure that complaints of police ill-treatment are investigated seriously and thoroughly.

Freedom of association is at satisfactory levels, yet freedom of assembly is lacking. Protests continue throughout the country against the backdrop of the political crisis.

Macedonia has yet to align with the European regulations regarding non-discrimination, notably lacking the prohibition of discrimination on the grounds of sexual orientation. A national Strategy for Equality and Non-discrimination 2016-2020 was adopted in June 2016. However, there is no reported systematic data collection in place, no investigation and prosecution of hate speech and hate crimes, and meanwhile data collected by civil society shows such crimes are not adequately pursued by the authorities.

Additionally, little has been done to effectively promote gender equality. For example, there are still restrictive procedural rules on the termination of pregnancy that could result in the use of illegal abortions. Domestic violence remains a concern, and the law on the prevention, protection and combating of domestic violence has serious gaps. There is no definition of other forms of gender-based violence nor accurate data on reported cases.

¹¹ Anceva, Mare. Annual Review of Labor Relations and Social Dialogue – Macedonia. Friedrich Ebert Stiftung, 2015. p. 3.

¹² Anceva, Mare. Annual Review of Labor Relations and Social Dialogue – Macedonia. Friedrich Ebert Stiftung, 2016. p. 3

¹³ <https://data.worldbank.org/indicator/SI.POV.GINI?>

Efforts are needed to further strengthen children's rights. Stigma and discrimination towards Roma children and children with disabilities are still widespread. In 2015 the Ombudsman's Office received 158 complaints concerning children's rights, of which 74 were registered as violations. Measures and resources for prevention of violence against children are still insufficient.¹⁴

¹⁴ Source: Macedonia EU progress report 2016, https://ec.europa.eu/neighbourhood-enlargement/sites/near/files/pdf/key_documents/2016/20161109_report_the_former_yugoslav_republic_of_macedonia.pdf page 62

3. STAKEHOLDERS

In this section, several stakeholders active in the garment/textile industry are briefly presented. The focus is on stakeholders who have an actual impact on labour conditions or who play an active role in monitoring the situation for workers in the industry.

GOVERNMENTAL INSTITUTIONS

Ministry of Economy

The Ministry of Economy is responsible for the preparations and implementations of governmental strategies for economy and social policy development.

www.economy.gov.mk

Labour Inspectorate of the Republic of Macedonia

The Labour Inspectorate of the Republic of Macedonia is responsible for protecting labour rights compliance with Macedonian labour laws and regulations.

www.mtsp.gov.mk

Ministry of Labour and Social Policy

The Ministry of Labour and Social Policy carries out activities related to labour relations, recruitment, employment, protection of workers at work, wages and living standards, social policy and promoting gender equality.

www.mtsp.gov.mk

EMPLOYER'S ORGANISATIONS

Organisation of employers of Macedonia (OEM)

The Organization of Employers of Macedonia (OEM) is the most important and representative association of employers in the private sector. It includes 1,012 companies in 15 sectors, employing nearly 70,000 employees (over 24% of all employees) in the private sector. The OEM works to represent the interest of the employers in general, especially in the part of establishment of social partnership. There is special emphasis on taking care of the rights and freedoms that come from collective bargaining. The OEM tries to support the employers in the processes of implementation of general CBAs on the national level as well as supporting them during implementation of sectorial agreements.

www.orm.org.mk

Textile Trade Association – Cluster of Textile (TTA-CT)

The Textile Trade Association - Cluster of Textile (TTA-CT) is a non-profit organisation established October 2003 in the industrial area of Štip and represents Macedonian companies involved in the textile industry. Its primary goal is to improve communication between members of the association to create favourable conditions for the development of the textile industry. It also aims at improving the industry's competitiveness by both sharing international trends and helping members to adapt to said trends. Its mission is to reach out to new markets, improve the productivity of textile companies, strengthen human potential and share expertise. It also promotes the Macedonian textile industry, engaging the government in issues related to the industry's competitiveness, etc.

www.tta.org.mk

Business Confederation of Macedonia (BCM)

The Business Confederation of Macedonia (BCM) was established in 2001. It started operating as an association of employers which articulated, represented and supported the interests of its members and the interests of the business community in the country. Today BCM consists of 8,500 member companies across 13 business associations, with two regional offices in Prilep and Tetovo and its headquarters in the capital city, Skopje. Apart from representing and advocating for the interests of its members, the BCM is a catalyst of the expression of the business community as well as a driver of social dialogue and industrial relations in the country.

www.bcm.mk

TRADE UNIONS

Federation of Trade Unions of Macedonia (SSM)

Originally founded in 1946 the Federation of Trade Unions of Macedonia (SSM) was re-established at Macedonia's 1990 congress. SSM was organised on a voluntary basis, with 17 independent trade unions in branches ranging from construction to the police force, affiliated according to branch (industry). There are ten regional union representative offices and ten municipal union offices within the federation, but they do not function as legal entities. The federation has a network of 2,000 primary trade union organisations with 75,997 members (with 42,219 members in the private and 33,778 in the public sector).¹⁵ SSM is the trade union representative in all tripartite bodies of the country. Branch trade unions affiliated with SSM have signed 14 branch collective agreements. The trade union in the textile, leather and shoe industry is one of the branch trade unions of SSM. It is a signatory (representative) trade union of the CBA for Textile sector.

www.ssm.org.mk

¹⁵ (Official Gazette, 2010a)

Union of Independent Autonomous Trade Unions of Macedonia (UNASM)

The Union of Independent Autonomous Trade Unions of Macedonia (UNASM) was founded in 1991. According to sources at the union's headquarters, it has about 20,000 members organised in over 100 primary trade union organisations and six federations. Ten UNASM territorial coordinators have been appointed in the larger cities. The most numerous union by itself is the Independent Union of Farmers, which has about 500 individual members. UNASM does not have representative status, but it is a full member of the International Trade Union confederation (ITUC).

<http://unasm.org.mk/>

The Confederation of Free Trade Unions of Macedonia (KSS)

On December 28, 2005, the Confederation of Free Trade Unions (KSS) was founded at a congress in Skopje as an alternative to SSM. The founding unions were the Union of Education, Science and Culture (SONK), the Union of Defence, the Union of Financial Organisations (SFO) and the Union for Traffic. They were joined by seven other trade union federations. SONK is the largest and financially most powerful union within KSS, having established its own organisational structure in 20 community centres that also perform tasks for KSS. While KSS has about 700 primary trade union organisations, SONK has about 600 local trade unions with 43,727 members (of whom 27,727 are members of SONK).¹⁶

www.kss.mk

NON-GOVERNMENTAL ORGANISATIONS

Macedonian Occupational Safety and Health Association (MOSHA)

The main goal of the Macedonian Occupational Safety and Health Association (MOSHA) is to establish a humane and safe approach to work within the working environment. The psycho-physical integrity of the worker, elevation of workers' rights and implementation and full compliance with existing safety measures are among its main objectives. MOSHA is the ILO/CIS Macedonian collaborative centre since 2008.

www.mzzpr.org.mk

¹⁶ (Official Gazette, 20106)

“Open Gate” – Association for action against violence and trafficking in human beings – La Strada

The Open Gate Association for action against violence and trafficking in human beings originated in 2000, when a group of women enthusiasts expressed concern for the growing crime of human trafficking in Macedonia, and decided to establish an organisation to help prevent it. The very same year, Open Gate was registered as an independent, critically oriented, non-political, nongovernmental and non-profit organisation, ready to promote human rights and represent the interests of victims of violence and human trafficking.

La Strada is a resource organization for Clean Clothes Campaigns and supported the development of the paper “Labour on a shoestring 2016”.

<http://www.lastrada.org.mk/>

Leftist Movement “Solidarnost”

The goal of Solidarnost (meaning ‘solidarity’) is to unite the people against all authoritarian forms of governments and systems of exploitation, and to stand against nationalism, militarism and clericalism. Established in May 2012 by a group of activists who are part of initiatives and organisations that share common goals, Solidarnost strongly believes in the principle of democratic freedom of association, freedom of political engagement and the equality of citizens, irrespective of their gender, ethnicity, religious or any other type of affiliation. The movement is open to all citizens who want to take part in developing the leftist values in Macedonian society.

<http://solidarnost.mk/platforma/angliski>

4. THE GARMENT INDUSTRY

ORGANISATION OF THE GARMENT INDUSTRY IN MACEDONIA

The gradual closing of government-owned factories after 1991 led to higher unemployment and the growth of informal and irregular labour in the Macedonian textile sector. However, since the textile industry was still relevant in post-Yugoslavia states, private companies took over the government role in managing factories. Today close to 20,000 people are employed in the textile, leather and clothing sector in Croatia, as well as in Slovenia and Bosnia-Herzegovina, and almost double that number works in Macedonia.

The textile and clothing industry is one of the sectors powering the Macedonian economy¹⁷ in terms of industrial production, employment and export earnings as it represents 12.45% of the industry's GDP,¹⁸ 12.4 % of the total country exports¹⁹ and 27% of the total number of employees in the Macedonian industry.²⁰

According to the National Classification of Activity (NCA), Macedonian textile companies are divided in two groups: textile materials manufacturers and apparel manufacturers. Spinning and fabric production account for 1.5% of industrial production, and ready-made products for 11.32%.²¹ The textile industry faces fierce and strong competition in both domestic and foreign markets, so the companies which invest in modernising production technology have a greater prospective for growth.

The minimum wage in the textile industry used to be 30% lower than in the other sectors. As of September 2017, it has been aligned with the national minimum wage and there is no more gap between different industries.

MAIN EXPORTS FROM THE GARMENT INDUSTRY

The garment industry constitutes the largest part of the national exports of Macedonia, accounting for up to 13% of the total export in 2016. Almost 92% of the production is of export quality, and goes to EU member-states, as well as the US, and the neighbouring countries. About 93% of the production is CM or CMT (Cut, Make & Trim) for foreign markets. The main export countries are Germany, Greece, the Netherlands and Great Britain.²² Full production, and own brand production are partly exported and the rest is placed in the domestic market.

17 Statistical data incorporated in the Organisation of employers of Macedonia report on Textile sector.

18 <http://tta.org.mk/index.php/mk/2016-05-26-12-20-10/2016-05-26-12-36-17>

19 <http://www.stat.gov.mk/Publikacii/PDFSG2016/13-NadvorTrg-ForeignTrade.pdf> page 5

20 <http://www.investinmacedonia.com/images/resources/Textile%2009.2015.pdf>

21 <http://www.investinmacedonia.com/images/resources/Textile%2009.2015.pdf>

22 [http://www.mchamber.org.mk/\(S\(b4a0uzifyf0hgz55fgntjn45\)\)/default.aspx?lid=2&mld=73&smlid=16&ContentContainer4\\$ctl00_page=1280](http://www.mchamber.org.mk/(S(b4a0uzifyf0hgz55fgntjn45))/default.aspx?lid=2&mld=73&smlid=16&ContentContainer4$ctl00_page=1280)

The competitive export advantages of the Macedonian apparel industry are:

- *Short period from orders to delivery*
- *Ability to produce small orders at the same prices as big orders*
- *Quality of performance*
- *Good transport and logistics services*

The Macedonian textile exports portfolio is not very diverse, as can be seen from the following table:

Articles of apparel and clothing accessories	Total Value Share Structure (%)
T-shirts, singlets and other vests, knitted or crocheted	33%
Women's or girls' blouses and shirts, knitted or crocheted	27%
Women's or girls' suits, ensembles, jackets or blazers, dresses, skirts, divided skirts, trousers, bib and brace overalls, breeches and shorts	20%
Men's or boys' underpants, brief, nightshirts, pyjamas, bathrobes, dressing gowns and similar articles, knitted or crocheted	5%
Jerseys, pullovers, cardigans, waistcoats and similar articles, knitted or crocheted	5%

Articles of apparel and clothing accessories, not knitted or crocheted	Total Value Share Structure (%)
Women's or girls' suits, ensembles, jackets, blazers, dresses, skirts, divided skirts trousers, bib and brace overalls, breeches and shorts	30%
Men's or boys' shirts	20%
Men's or boys' suits, ensembles, jackets, blazers, trousers, bib and brace overalls, breeches and shorts	19%
Women's or girls' blouses, shirts and shirts-blouses	18%
Tracksuits, ski suits and swimwear; other garments	7%
Women's or girls' overcoats, car coats, capes, cloaks, anoraks (including ski jackets) windcheaters, wind-jacket and similar articles	3%
Men's or boys' overcoats ,car coats, capes, cloaks, anoraks (including ski jackets), windcheaters, wind-jackets and similar articles	2%
Baby garments and clothing accessories	1%

Source: Invest Macedonia, Macedonian Textile and Clothing industry

Although these eight product types belong to the end of the textile production chain, they do not bring high added value, and the production of ready-made garments is made by few operations on semi-final imported products that require intensive labour.

MAIN AREAS FOR GARMENT PRODUCTION

The Macedonian textile industry has a long tradition, with companies located all over the country. Every large municipality has a company connected with the garment industry, but there are 11 main regions or areas with 50% of the capacity in the east, 30% in the centre and 20% in the west. The main locations are Štip and then some sub-centres such as Bitola (in the South), Delcevo/Vinica/Valandovo and Gevgelija (East), Tetovo (West), and Skopje (North).²³

PERCENTAGE EMPLOYED IN GARMENT INDUSTRY

Around 37% of employees in the Macedonian manufacturing industry works within the textile industry (36,877 out of 111,559 workers). The garment industry alone accounts for as much as 9-10% of all jobs in the country, employing a total of 501,788 people.²⁴

SOCIAL COMPOSITION OF THE GARMENT WORKFORCE

More than 85% of those employed in the garment sector are women.²⁵ Over 70% of them have a basic level of education. Although generally workers are not highly specialised, long experience in the textile/garments and footwear industry has created and continues to generate a qualified workforce. The development of the private sector in the production of shirts and tops has emphasised further qualification for these employees. This does not hold true for professions that require higher qualifications. The low wages in the garment industry keep away the more qualified personnel, such as managers, designers, marketing specialists, engineers and chemical specialists.²⁶

²³ State Statistical Office and Employers Organization

²⁴ Employers Organization, *Situation in the textile industry*

²⁵ According to the Statistical yearbook 2016 the women in textile and clothing industry is 81%, but based on the interviews with the stakeholders and FWF findings from the audits it is add up to 85% as an estimated average

²⁶ FWF findings from the audits, SSM

5. INDUSTRIAL RELATIONS

The social environment in Macedonia has not been favourable to the development of industrial relations. The economic context of the early 1990s political transition was characterised by low levels of both economic growth and foreign direct investment (FDI), including local investment. This was combined with a high level of unemployment (hovering over 32%) and increasing poverty levels. Over time, the legal context has become more favourable to industrial relations. During the process of harmonising the Macedonian Labour Code with EU standards, many laws were revised, and many new ones were created. The Labour Code in 2015-2016 was significantly expanded to include new provisions concerning discrimination, collective bargaining, trade unions and strikes. Nevertheless, the labour market is still characterised by low employment rates and a high share of informal employment. The number of those leaving the country in search of a better life, particularly young people, is worrying. In recent years, employment and foreign investments have seen an upward trend, but it is too early to distinguish the long-term effects.²⁷

LABOUR MARKET

The labour market is characterised by a low employment rate and high levels of informal employment, as well as a high level of unemployment among the lower educated, youth and people aged 55-64. This is probably caused by slow economic development, low demand for new types of jobs, a lack of educational opportunities and inadequate offers for young people, as well as ineffective labour market policies.

The high rate of unemployment has become a social problem, which leads to the impoverishment and social exclusion for significant segments of the population. However, unemployment is not the only issue. Since there is a clear imbalance between labour supply and demand, labour costs become low. Therefore, low-income employees, especially in sectors like the textile industry, trade and catering²⁸ also experience poverty and social exclusion.

ORGANISATION OF EMPLOYERS AND TRADE UNIONS IN THE GARMENT SECTOR²⁹

By 2012 a total of six employers' associations had been registered in Macedonia. The most important association in the private sector is the Association of Employers of Macedonia (ORM), which also has representative status. It includes 1,012 companies in 15 sectors, employing nearly 70,000 employees (over 24% of all employees in the private sector).

²⁷ EurWork, 2015; <https://www.eurofound.europa.eu/observatories/eurwork/comparative-information/national-contributions/macedonia/former-yugoslav-republic-of-macedonia-industrial-relations-profile>

²⁸ <https://www.eurofound.europa.eu/observatories/eurwork/comparative-information/national-contributions/macedonia/former-yugoslav-republic-of-macedonia-industrial-relations-profile>

²⁹ Eurofund (2015)

The ORM was established in 2004 in accordance with the Law Concerning Associations of Citizens and Foundations. In the same year, the ORM separated from the Economic Chamber of Macedonia (ECM), and started to act as a separate entity in social dialogue. In June 2006, the ORM signed the General Collective Agreement for the economy of Macedonia as an employer representative, with the SSM signing on behalf of the workers.

As of August 2010, 12 associations of employers divided by branch had been formed within ORM. The Textile Trade Association – textile cluster, the leather and shoe industry, is one of them. Associations of employers within the organisation have signed eight branch collective agreements, four of those in textiles. The leather and shoe industry, agriculture and food, have included determinations on minimum wage. The ORM became a representative body through resolution No. 08-2226/5 signed by the Minister of Labour and Social Policy on July 14, 2010.

The Business Confederation Macedonia (BCM) was registered in 2001 as an association of citizens under the name the Confederation of Employers of Macedonia (KRM). In 2006, it was entered in the register of employers in the Ministry of Labour and Social Policy, and in 2009 it was re-registered under the name Business Confederation of Macedonia ([BCM](#)) or Business Macedonia. In August 2010, the BCM had a total of 8,500 members, employing over 40,000 workers. The BCM has signed five branch collective agreements covering about 22,000 workers, which translates to about 55% collective agreement coverage. The confederation has four regional offices. However, it did not obtain representative status, and its appeal to the commission which assesses these matters was rejected.

TRENDS IN EMPLOYER ORGANISATION DEVELOPMENTS³⁰

Employers' associations in Macedonia, with minor exceptions, do not show the same tendency as unions towards fragmentation and conflict. Representative status at the national level is only held by the ORM, which represents the employers of over 23% of all employees in the private sector in Macedonia. There is little interest in establishing new boards of employers and obtaining representative status according to the national classification of activities (NCA). This hinders the process of collective bargaining in certain industries like metal, construction, metallurgy, mining, trade and forestry. Therefore, bargaining is carried out at the employer level, and not at the branch level.

TRADE UNIONS

Trade unions are interest-based, legally autonomous labour organisations. Membership is voluntary, and activities are financed through membership dues. About 20-25% of legally employed workers are dues-paying union members. However, because of the difficult economic climate and political infighting, unions generally do not have much leverage, and many are thought to be under government influence.

³⁰ <https://www.eurofound.europa.eu/observatories/eurwork/comparative-information/national-contributions/macedonia/former-yugoslav-republic-of-macedonia-industrial-relations-profile>

The main trade union confederations are:³¹

1. *Federation of Trade Unions of Macedonia* – **SSM**: 75,995 members (17.47%) member of the *European Trade Union Confederation (ETUC)*; 18 branch unions
2. *Confederation of Free Trade Unions of Macedonia* – **KSS**: 43,727 members; 9 branch unions
3. *Union of Independent and Autonomous Trade Unions of Macedonia* – **UNASM**: no data for membership; 6 branch organisations; member of the *International Trade Union Confederation (ITUC)*
4. *Confederation of Trade Union Organisations of Macedonia* – **KSOM**; 8,000 members; 2 branch unions; no data on international membership

TRENDS IN TRADE UNION DEVELOPMENTS

In the early 1990s there were two trade union federations: The Federation of Trade Unions of Macedonia (SSM) and the Union of Independent and Autonomous Trade Unions of Macedonia (UNASM). SSM was the successor of the socialist-era trade union that inherited a widespread organisational network and numerous members. It covered practically all economic and non-economic activities, and about 75%-80% of all workers were organised in this federation. UNASM was constituted in 1992 and was successful in uniting several independent trade union organisations. Initially, this alternative trade union was viewed with great distrust and even animosity. Faced with numerous difficulties, it failed to become influential. In fact, during almost the entire transition period (1990 to 2005), SSM was the dominant actor in industrial relations from the trade union side.

However, apart from SSM, other associations face serious operational problems. There is no new information of whether UNASM managed to obtain representativeness. KSS is also facing problems with its operation. For instance, the last updated post on its web page dates back to 2014, while its last documents regarding programs or platforms for operation are from December 2012, when it adopted the Program for Operation 2012-2017.³²

The largest share of the membership in trade unions is from the public sector. After the privatisation period, only employees from big enterprises managed to keep or newly establish trade unions, however, they are experiencing series of problems from low levels of participation to troubles being heard by the other social partners as well as low levels of trust.

GENERAL SITUATION ON TRADE UNION RIGHTS

Since the beginning of the political transition in the early 1990s, workers' rights have been at risk because of continuous changes and systematic violation of the legislation, and by ineffective enforcement of labour legislation. Workers' right to strike in Macedonia is constitutionally

³¹ <https://www.eurofound.europa.eu/observatories/eurwork/comparative-information/national-contributions/macedonia/former-yugoslav-republic-of-macedonia-industrial-relations-profile>

³² Confederation of Free Trade Unions of Macedonia. for more details see <http://kss.mk/>

guaranteed but limited by a total of 27 laws with provisions regulating the rights to organise strikes; moreover, since 2005 only registered unions are authorised to strike. The rules are strict and numerous, and government pressure is strong, so calling for a strike is very difficult, even in cases of a union with strong representation. Possibilities for strike or defending workers' rights are even more limited in the private sector, especially in the factories with the harshest working conditions and lowest wages, where they are mostly needed. Textile factories and some of the foreign-owned factories are known for the instant firing of workers who attempt to strike. Employers in these factories mostly hire through short-term contracts. This, paired with, high levels of unemployment, complicated legal terms for strikes, as well as the low union representations in private-sector factories keep Macedonian workers helpless and unmotivated in their struggle for better working conditions.

This short account of the labour rights, working conditions and wage levels clearly demonstrates that bargaining power has been on the side of the employers and the government. This can be difficult to understand in a country with an estimated 25% of union density, a percentage slightly above the EU average (23%). Despite Macedonia's apparently good union density, most of the workers have justified doubts in the capacities and willingness of the union representatives to protect their rights and provide better collective agreements that will secure higher wages and better working conditions. In one recent public opinion poll, 37.6% of workers stated that the trade unions' role in protecting workers rights is very low.³³

UNION DENSITY AND CBA COVERAGE IN MACEDONIA

Trade union membership, and hence union density, has continuously been diminishing. Until 1990, union density amounted to 97% or 98%, because during the socialism period all employees were members of a trade union. By 2010 union density had fallen to about 28%. In 2013, union density stabilised at around 30%. Union membership has not increased, but there are examples of union members transferring from one confederation to another such as in 2012, when the Defence Union transferred from KSS to SSM.

There are two main agreements for the public and private sectors on the national level. National collective bargaining agreements in the private sector are negotiated between representative labour unions and representative employer associations. The national Collective Bargaining Agreement (CBA) for the public sector is negotiated between the Ministry of Labour, the social welfare agency and labour unions. Separate contracts are negotiated by union branches or at the industry or company level. Key challenges faced by unions include high levels of unemployment, wage levels, application of international labour standards, unionisation of workers in the free economic zones and the effects of privatisation on inefficient state companies.

The law protects the right of employees to bargain collectively, and most branches and local unions have collective bargaining agreements. Nevertheless, employees have little practical negotiating power, as they often need the work.

The collective bargaining agreement for the textile industry is signed between SSM and the employer's association and it was latest extended in 2013.

³³ <http://fokus.mk/fokus-express/anketa-na-fokus-i-rejting-2/>

INDUSTRIAL RELATIONS CHARACTERISTICS, PAY AND WORKING TIME³⁴

Trade union density (%) (2013) (trade union members as a percentage of all employees in dependent employment)	30%
Employers' organisation density in (%) (percentage of employees employed by companies that are members of an employer organisation)	24%
Collective bargaining coverage (%) (percentage of employees covered by collective agreements)	100%
Number of working days lost through industrial action per 1,000 employees	not applicable (n.a.)
Collectively agreed pay increase (%) (annual average: 2012–2013)	n.a.
Actual pay increase (%) (annual average: 2012–2013)	n.a.
Collectively agreed weekly working hours	40
Actual weekly working hours	40

Source: EurWork, European Observatory of working life, Macedonia 2016

UNION DENSITY AND CBA COVERAGE IN THE GARMENT INDUSTRY

Many companies closed due to the economic crises in 2008 and 2012; this reduced the numbers of workers employed in the garment sector. Those changes make it difficult to give a precise estimation of union density. According to SSM, The CBA coverage in the garment sector is less than 25%. The figures are not very precise and are estimated from the number of companies that are members of the employers' association.

LOCAL GRIEVANCE MECHANISMS FOR WORKERS

Workers may ask a trade union for assistance in filing a complaint in court. SSM has appointed legal advisors at 27 local offices across the country, although they have a support and advisory role. When workers want to complain they can contact the union's local offices to receive legal help during the complaint process to the local or national courts. Trade unions and their associations can claim damages in court in the event of anti-union activities since the Law on Peaceful Settlement of Labour Disputes, adopted two years ago, introduced a system of external mediation and arbitration. Although mediators and arbiters were trained and educated to enforce the law, implementation is slow and is still partial.

³⁴ <https://www.eurofound.europa.eu/observatories/eurwork/comparative-information/national-contributions/macedonia/former-yugoslav-republic-of-macedonia-industrial-relations-profile>

In 2013, eleven strikes involving a total of 1,075 participants were organised in Macedonia, and ten social protests were also organised. The main reason for the protests was the poor material and the social position of workers, collective bargaining disputes, or violation of employees' rights. Strikes were mainly organised in the shoe industry, the metal industry, agriculture and construction, but there were also strikes in the public and communal enterprises (utilities). The main reasons for the strikes included the following: failure to sign collective agreements, low wages, non-payment of compensation for food and/or annual leave allowance and declarations of redundancy. The Law on Peaceful Resolution of Labour Disputes makes provision at the national level for a separate body to conciliate, arbitrate and mediate, but such a body has not yet been established.

STATE ROLE IN INDUSTRIAL RELATIONS

The state labour inspectorate (SLI) oversees the effective enforcement of the labour legislation to decrease the number of illegally employed persons, to protect the legal rights of workers, and to ensure safe and healthy working conditions. The Director of the SLI is appointed by the government and reports to both the government and the minister. There are three sectors within the SLI: one sector for labour relations inspection, one for OSH inspection and one for OSH Legislation.

Each separate governmental sector has a different responsibility: the Ministry of Justice has administrative inspectors who supervise the implementation of the legal provisions within public authorities; the Ministry of Economy has mining inspectors who supervise occupational safety and health in the mines according to the Law on Mining; the Ministry of Environment is entrusted with radiation protection, which is monitored by nuclear safety and environmental inspectors; the Ministry of Health has sanitary inspectors who enforce sanitary legislation and protect public health according to the Law on Health Protection.

The Law on Labour Inspection determines the organisation and operation of the state labour inspectorate, which supervises the implementation of laws and other regulations relating to labour relations, collective agreements and individual employment contracts. The supervision is carried out by state inspectors (for labour relations and health and safety at work). The inspectors must carry out an annual inspection of each workplace, ensuring that the employers' implementation of the regulations on labour relations and safety at work comply with the law. c), but also has the right to suspend the operation of the employer.

Tripartite social dialogue was re-institutionalised through the creation of the national Economic and Social Council (ESC) in 2010, after more than two years of inactivity. With the aim to better reflecting existing national industrial relations system and follow the ILO and the EC recommendations, the 2005 Labour Relations Law was amended in 2009 to include new criteria of representation of the social partners, along with a transparent procedure for their certification. Representative organisations negotiated with the government the new tripartite agreement for establishing of the national ESC, concluded in August 2010. The agreement provides for an expanded scope of the national ESC, in conformity with international labour standards. Moreover, it is now mandatory for the Government to request ESC's opinion on a

wide range of laws and regulations in the field of labour relations, employment, pension, disability insurance and occupational health and safety. Furthermore, the government has the obligation to provide feedback on the ESC's opinions and recommendations. The ESC is composed of 12 members, only two of which are women, both from the employers' organization. Since its establishment, the ESC has had regular meetings (on average six times per year), with important topics on its agenda relating to recommendations on enactment of draft amendments to the labour related legislation.

Among the most important achievements of the Economic and Social Council, was the consensus-based recommendation on the adoption of the Law on Minimum Wage in 2011, enacted by parliament in 2012. It was the first time that social partners agreed on the level of the minimum wage as well as the instrument for its enforcement. Although it has made significant progress in the past three years, the ESC continues to face challenges. There are still laws and policy documents in the socio-economic field which have been adopted without prior consultations with the ESC. Participation of policy makers in the debates is important for a good communication and trust building, which are crucial for meaningful social dialogue. A face-to-face exchange of views is likely to bring clarity, facilitate tripartite consensus based recommendations and increase the credibility of the institution. However, tripartite social dialogue at the local level is only modestly developed. Six Local Economic and Social Councils (LESC) were established, but they lack a clear vision of future development.

According to article 32 of Macedonia's constitution, the exercise of the rights of employees and their position are regulated by law and collective agreements. According to this law, general collective agreements are applicable to all workers and employers in the country, no matter whether they are members of the signatory parties or not. Collective agreements at the branch level apply only to members of signatory parties, while a collective agreement at the enterprise level applies to all workers employed in the enterprise. Lack of organised social partners in some sectors does not allow for the development of collective bargaining, or the conclusion of collective agreements at sector level. Especially in the private sector, low trade union density, along with the lack of operational employers' infrastructures, make collective bargaining difficult at the branch level. There is no reliable official data on the trade unions' density rate or on the collective agreements, making it difficult to judge how many workers or employers benefit from collective agreements. Collective agreements at enterprise level are not registered and therefore there is no data regarding the parties, content, and validity.³⁵ Moreover, trade unions report difficulties to establish trade unions in some of the companies, which prevent the workforce employed in the company from the realization of fundamental rights at work, freedom of association and the right to collective bargaining.

In 2013 the Macedonian government ratified the Collective Bargaining Convention, 1981 (C154) of the International Labour Organization (ILO) which applies to all branches of economic activity. It requires the government to take measures in promoting collective bargaining. These measures aim to make collective bargaining possible for all employers and all groups of workers covered by the convention (with the armed forces and police as exceptions). According to the ILO Collective Bargaining Convention, 1981 (No. 154), Macedonia should ensure that procedures

35 Decent work programme ILO 2015-2018 Macedonia, http://www.ilo.org/wcmsp5/groups/public/---europe/---ro-geneva/documents/project/wcms_377422.pdf

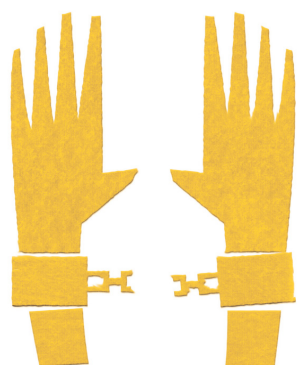
for the settlement of labour disputes contribute to the promotion of the collective bargaining. The country has also ratified the ILO Convention No. 151 on Labour Relations (public service) in 2013, which calls for settlement of disputes through independent and impartial machinery, such as mediation, conciliation and arbitration. The Law on amicable settlement of labour disputes was adopted in 2007, but has not been put into practice, which potentially undermines the foundation of the social dialogue. In September of 2013 the ILO technical assistance prepared changes to the law regarding amicable settlement of labour disputes. These changes were approved and supported by the ESC and were later adopted by the assembly.³⁶

³⁶ Decent work programme 2015-2018, Macedonia

6. IMPLEMENTATION OF THE FWF CODE OF LABOUR PRACTICES

In this chapter, the implementation of every part of the FWF Code of Labour Practices is examined by looking at official statistics on compliance (where available), laws and regulations, different stakeholders' opinions as well as analysis on implementation. Each section starts with quoting the FWF Code of Labour Practices. Text in italics is quotes from relevant laws.

6.1. Employment is freely chosen



There shall be no use of forced, including bonded or prison, labour (ILO Conventions 29 and 105).

LAWS AND REGULATIONS

The Labour Relations Law of Macedonia corresponds with the FWF Code of Labour Practices on freedom of employment. Conventions 29 and 105 were ratified by the Macedonian government and covered by the statute of the Republic of Macedonia and added into Macedonian Labour legislation, which guarantees the right to choose employment freely. According to the statute, workers' rights are regulated through law and collective bargaining agreements. The definition of employment relations is stipulated in the Labour Relations Law, Article 5:

"Labour relation" is a contractual relation between the employee and the employer whereby the employee is voluntarily included in the employer's organised working process, in which he for remuneration continuously carries out work in person according to the Instructions and under supervision of the employer.

The start of an employment relationship is regulated by article 62 in the Labour Relations Law which stipulates that these issues be determined by signing a mandatory employment contract. The employee may not commence work prior to the signing of the employment contract and registration for mandatory social insurance. The termination of an employment relationship is also regulated by the Labour Relations Law (article 62), which lists in detail the reasons admissible for terminating a labour contract.

When terminating an employment relationship, both parties must respect the minimum period of notice stipulated by law, the branch and/or the collective bargaining agreement. If the employment contract is terminated by the employee, there is a one-month notice period. The employment contract or the collective bargaining agreement may stipulate a longer period of notice, but it cannot be longer than.

If the employment contract is terminated by the employer, there is also a one-month notice period for an individual or a small number of employees, and at least two months when termination concerns more than 150 employees or 5% of the total number of employees with the employer prior to the termination.

According to the labour regulations, there are specific cases where the employer can terminate employment immediately, including: 1) the employee because of his behaviour, lack of knowledge or opportunities, or failure to meet specific conditions set by law, is not capable of performing contractual or other obligations of employment (personal reasons); 2) the employee violates the contractual obligations or other obligations of employment (the cause of the fault); and 3) there is no need to perform the work under certain conditions specified in the employment contract due to economic, organisational, technological, structural or similar reasons by the employer (business reasons).

In addition, as a protection against dismissal, the regulations determine the unfounded reasons for termination of employment: 1) membership of a trade union or worker participation in union activities in accordance with law and collective agreements; 2) filing a complaint or participation in proceedings against the employer to verify the violation of contractual and other obligations arising from employment before arbitral, judicial and administrative authorities; 3) approved absence due to illness or injury, pregnancy, birth and parenting, care of a family member and unpaid parental leave; 4) use of approved leave of absence and annual leave; 5) serving in the military or a military exercise; and 6) other cases of suspension of the employment contract stipulated by the law.

Prior to the termination of the employment contract due to the fault of employee, the employer must warn the employee in writing about the non-fulfilment of the obligations and the possibility of termination in case of repeated breach of contract.

If the employee feels that the termination of employment is illegal, the employee is entitled to submit a formal complaint to the managing body of the employer within eight days of the day that he or she received the decision for termination of the employment agreement. If the contract is terminated due to an unfounded reason, the employee can initiate a civil procedure against the employer. The civil procedure can be also taken to Macedonia's Supreme Court as an exception, regardless of the value of the case. If the employee succeeds in the civil procedure, the court may order the employer to annul the termination of the contract, or to put the employment contract into effect again. After the court's decision, the employee can initiate an executive procedure to force the employer to return the employee to work. The employee is entitled to compensation for the period that he or she did not work only if the decision to terminate employment by the employer is found to be unlawful.

Prior to the termination of the contract of employment due to a personal reason, the employer must issue the worker a warning in a written form for failing to meet obligations and the possibility of termination if the situation continues. If the employment contract is terminated, the employer is obligated to state the reasons for the termination, defined by law and the collective agreement, and the employer is required to prove the merits of the cause that justifies the termination and to provide an explanation.

The worker is entitled to appeal to the management or to the employer against the decision to terminate the employment contract within eight days from receipt of the decision for the termination. When no decision is taken on the complaint or when the worker is not satisfied with the decision taken on the complaint, the worker is entitled to take proceedings before a competent court. At the request of the worker, the union can represent workers in opposition proceedings.

The employer can settle the claim with the employee either before or after one is initiated. If the employer intends to decide to terminate the employment of several workers due to business reasons, or at least 20 employees for a period of 90 days regardless of the total number of employees, this is considered a collective dismissal due to business reasons. If the employer intends to carry out collective redundancies, the process should be initiated with consultation with the workers' representatives, at least one month before the collective dismissal. The employer is obligated to provide the representatives with all relevant information before starting consultations to reach an agreement. After the consultation with the representatives, the employer must issue written notice to the office in charge of employment issues regarding the help and services of mediation in employment. There is a €3,000 fine for the employer who fails to meet these requirements for collective dismissal.

STAKEHOLDERS' OPINION AND ANALYSIS

Bonded or forced labour is not a critical issue in Macedonia, according to stakeholders consulted. However, they did point out that high unemployment and economic situation forces many to stay in jobs where they themselves report poor working conditions. According to the [Textile Trade Association](#), in recent years the situation on bonded labour has changed drastically, as reflected in the disloyal competition on the market between FDI (Foreign Direct Investment) and domestic textile factories. FDI textile factories are subsidised by the government through free trade zones and have taken over the most qualified workforce from existing textile factories because they can pay higher salaries. In the eastern part of Macedonia there is no youth interest in enrolling in VET Schools that would prepare them for qualified labour in the textile sector. The labour market however, is more flexible to the workers than the employers, because workers are difficult to fire or dismiss.

FWF MAIN AUDIT FINDINGS OVER THE LAST THREE YEARS

There have been no findings during audits regarding this issue.

WORKER COMPLAINTS RELATED TO 'EMPLOYMENT IS FREELY CHOSEN'

FWF's complaints procedure serves as a safety net. When a complaint is filed, FWF informs the affiliate(s) sourcing from the factory in question and investigates the complaint. All the complaints are published on the FWF website. There have been no worker complaints regarding this standard.

6.2. No discrimination in employment



In recruitment, wage policy, admittance to training programs, employee promotion policy, policies of employment termination, retirement, and any other aspect of the employment relationship shall be based on the principle of equal opportunities, regardless of race, colour, sex, religion, political affiliation, union membership, nationality, social origin, deficiencies, or handicaps (ILO Conventions 100 and 111).

OFFICIAL STATISTICS ON COMPLIANCE

Macedonia is ranked 36th in the UN gender related development index rank,³⁷ a better ranking than other countries in the region, such as Bulgaria (45th) and Romania (72nd). Macedonia's ranking is also substantially better than Asian garment-producing countries like Bangladesh (119th), China (37th) and India (125th). In the wage equality for similar work rank in the 2016 Global Gender Gap, Macedonia records a decrease in female legislators, senior officials and managers, re-opens its Educational Attainment gender gap and is ranked 73rd.

LAWS AND REGULATIONS

The Macedonian government has ratified ILO Conventions 100 and 111. The FWF Code of Labour Practices section on non-discrimination corresponds with article 6 from the collective bargaining agreement for the textile industry, as well as with articles 6 and 7 from the Labour Relations Law.

Employers are not allowed to put a candidate for employment (or the employee) in an unequal position because of racial or ethnic origin, colour, sex, age, health condition or disability, religious, political or other opinion, union membership, national or social origin, family status, economic status, sexual orientation or other personal circumstances. Women and men must be provided with equal opportunities and equal treatment.³⁸

The Labour Relations Law distinguishes direct and indirect discrimination: direct discrimination is any treatment motivated by the above-mentioned reasons by which the person has been placed, or could be placed, in a less favourable position than other persons in comparable cases. Indirect discrimination exists when a certain seemingly neutral provision, criterion or practice puts, or would put, the employee at disadvantage compared to other persons, a job applicant or employee for a certain capacity, status, belief or conviction for the above reasons.

³⁷ UN Human development report 2016

³⁸ <https://www.globallegalinsights.com/practice-areas/employment-and-labour-law/global-legal-insights---employment-and-labour-law-2017-5th-ed./macedonia#chaptercontent1>

In cases of discrimination, the burden of proof is always on the employer, the person, or a group against whom the litigation for discrimination protection is initiated. The employment candidate or the employee is entitled to material compensation if he or she is discriminated against for one of the abovementioned reasons. The law determines certain exceptions to the ban on discrimination. By law, any distinction, exclusion or preference regarding specific work is not discrimination when the nature of the work or the conditions in which it is performed lead to a real and determining occupational requirement, provided that the goal that is aimed to be accomplished is legitimate and the requirement is proportionate. All measures anticipated by law, collective agreements and employment contracts referring to special protection and assistance to specific categories of employees, especially those for protection of disabled persons, elderly employees, pregnant women and women exercising any of the rights to motherhood protection, as well as the provisions referring to the special rights of parents, adoptive parents and dependants, are not considered discrimination and they cannot be considered grounds for discrimination.

The law does not state the amount of the compensation or other remedies, but only determines that the candidate for employment or the employee is entitled to damages in accordance with the law on obligations. The only regulation related to the salary for employees is the law on the minimum wage that determines the lowest salary that an employer in Macedonia is obliged to pay to employees for the performed work

Article 9 of the Constitution of the Republic of Macedonia states that all citizens are equal in their freedoms and rights, regardless of sex, race, colour of skin, national and social origin, political and religious beliefs, property and social status.

On discrimination, the Labour Relations Law has been harmonised with several European Union directives to implement the principle of equal treatment between men and women regarding access to employment, vocational training and promotion, as well as working conditions, indirect discrimination, harassment as a form of discrimination, the burden of proof in cases of discrimination based on sex, the principle of equal salaries for women and men, the health and safety at work of pregnant workers, or workers who have recently given birth or are breastfeeding and on parental leave.

Macedonian regulation guarantees the right to freely choose religious beliefs and to the free and public expression of those religious beliefs. Religion is a private, personal right and religious behaviour is neither a topic in the Labour Law, nor of labour agreements.

In compliance with article 165 of the Labour Law, workers during pregnancy, birth and parenting are entitled to paid leave from work for a period of nine consecutive months. If the worker gives birth to more than one child (i.e. twins, triplets or more), maternity leave lasts for 15 months.

A worker who uses maternity leave for pregnancy, childbirth and parenting, or to take care of a child, is entitled to remuneration. The employee whose employment contract is terminated due to an expiry of the definite time and uses the right of remuneration, due to pregnancy, childbirth and parenting, continues to exercise this right until the expiry of the absence. Employers cannot terminate employment if a worker takes maternity leave. At the end of the maternity leave, the worker is entitled to return to the same job or, if that is not possible, an adequate

position under the terms of the employment contracts. If the worker returns to work before the end of the maternity leave, they are entitled to the right of salary by the employer, as well as 50% of the determined remuneration. Following an absence due to pregnancy, childbirth and parenting, a worker who is breastfeeding, even after she starts working full-time, will be entitled to a paid break during working hours that will last one-and-a-half hours a day. The worker is entitled to the right of additional paid break time for the first year after the birth of her child.

The father is entitled to the right to take paid paternity leave up to seven working days for the birth of his child. Fathers are entitled to take paternity leave only if the mother does not use the right of the maternity leave. The employer cannot ask for information on the pregnancy of a worker, unless she herself does not submit the data related to her pregnancy.

In accordance with the law, if the employee performs work during her pregnancy that may adversely affect her health or the health of the child, the employer is obliged to provide her with another job and salary, if it is more favourable for her.

Macedonia has a law which regulates special conditions for employment and work of people with disabilities. The law also stipulates measures for the improvement of the conditions for employment and work of the person with a disability.

STAKEHOLDERS' OPINION AND ANALYSIS:

Most of the cases of discrimination mentioned by stakeholders are based on political conviction and are mostly a problem during the process of recruitment, especially in the public sectors. Employers are not discriminatory to any minority, but more often the employees from certain factories introduce an informal discriminatory climate towards certain target groups. Micro location and factors cannot be individually isolated or generalised. This trend is decreasing due to several projects implemented together with stakeholders. No claim on discrimination has been submitted to TU SSM.³⁹

Government is actively creating different measures to support the employment of specific target groups which should be considered as positive discrimination. Vulnerable groups like people with disabilities are often employed within the textile sector. Textile factories use the opportunity to apply in MLSP⁴⁰ and Employment agency for subsidies for disabled persons (tax exemption and adjustment of working place for disabled persons)⁴¹.

In general, women from ethnical minorities, especially from rural areas, are not very active in the labour market. Salary difference for males and females are not an issue in the textile industry, as 90% of people employed in this sector are women.⁴²

39 Interview with Federation of Trade Unions SSM

40 Ministry of labor and social policy

41 Interview with Employers Organisation of employers of Macedonia

42 Interview with ILO -Macedonia country office

FWF MAIN AUDIT FINDINGS OVER THE LAST TWO YEARS

There have been no findings during audits regarding this issue.

WORKER COMPLAINTS RELATED TO 'NO DISCRIMINATION'

There have been no worker complaints regarding this standard.

6.3. No child labour



‘There shall be no use of child labour. The age for admission to employment shall not be less than the age of completion of compulsory schooling and, in any case, not less than 15 years.’ (ILO Convention 138) ‘There shall be no forms of slavery or practices similar to slavery, such as the sale and trafficking of children, debt bondage and serfdom and forced or compulsory labour. [...] Children [under the age of 18] shall not perform work which, by its nature or the circumstances in which it is carried out, is likely to harm their health, safety or morals’ (ILO Convention 182).

OFFICIAL STATISTICS ON COMPLIANCE

Twelve percent of children (five to 14 years old) work in Macedonia, according to UNICEF’s 2016 report, The State of the World’s Children. This is an increase compared to 2010, when 6% of children were reported to work.

LAWS AND REGULATIONS

The Macedonian government ratified ILO Conventions 138 and 182 in the Macedonian Labour Relations Law as well as in the statute of the country. Relevant laws and regulations regarding child labour in the Labour Relations Law are in line with the FWF Code of Labour Practices.

Article 18 from the Labour Law sets the minimum working age at 15 years old. Employers are required to verify the age of the applicant before signing a contract. Required documents include a birth certificate, identification document and residence registration, all which are legally endorsed by the state. The employer is obligated to keep copies of all these documents in the employees’ personal files.

According to article 44 of the Statute of the Republic of Macedonia, every person has the right to attend school, and primary school is mandatory and free. Basic education is completed at 14 years old.

The Institutional Mechanisms for Coordination and Enforcement Laws regarding hazardous and forced child labour can be found in the following areas:

- *The Ministry of Labour and Social Policy (MLSP)*
- *The Ministry of Interior (MOI)*
- *The Ombudsman’s Office*
- *The Prosecutor’s Office*
- *The Courts*
- *Social Care Centres*

STAKEHOLDERS' OPINION AND ANALYSIS

In Macedonia child labour is not a concern in the garment sector, according to all stakeholders consulted. The reason for the relatively high level of child labour reported by UNICEF is due to child labour in the agricultural sector and in small family businesses.

According to the Bureau of International Labour Affairs, Macedonia made moderate progress in eliminating the worst forms of child labour. The government has amended its laws to classify forced begging as a human trafficking offense, and codify that children cannot provide legally valid consent to engage in prostitution. However, children in Macedonia are still engaged in child labour, including begging. Children are also exploited in the worst forms of child labour, including commercial sexual exploitation. Macedonia has not defined the areas in which child labour is prohibited.⁴³

Macedonia lacks recent, comprehensive data on the nature and extent of child labour in the country, including activities involving farming, street work and commercial sexual exploitation. No research on child labour in Macedonia was undertaken. ILO is conducting a survey in Serbia, and the results can be also relevant for Macedonia, as both countries share relative parameters.

FWF MAIN AUDIT FINDINGS OVER THE LAST TWO YEARS

There have been no findings during audits regarding the child labour in Macedonia.

WORKER COMPLAINTS RELATED TO 'EMPLOYMENT IS FREELY CHOSEN'

There have been no worker complaints regarding this standard.

⁴³ Interview with ILO -Macedonia country office

6.4. Freedom of association and the right to collective bargaining



“The right of all workers to form and join trade unions and bargain collectively shall be recognized” (ILO Conventions 87 and 98). “Workers’ representatives shall not be the subject of discrimination and shall have access to all workplaces necessary to carry out their representation functions” (ILO Convention 135 and Recommendation 143).

LAWS AND REGULATIONS

The Labour Relations Law of Macedonia corresponds with the FWF Code of Labour Practices on freedom of association. ILO Conventions 87, 98 and 135 are covered in the National Labour Relations Law, in the statute of the country and in the law for Civic Associations.

The Labour Relations Law protects the right to organise in trade unions without prior authorisation and prohibits discrimination based on trade union membership or activities. The law clearly states that employees who are members of trade unions must not be put in a less favourable position than others. Trade unions may claim damages in court in the event of anti-union activities, and they can decide on the manner of their representation at the employer. Employers are obliged to provide adequate facilities, including premises, for company-level trade unions. If several unions are present, only the most representative one is entitled to facilities. The Labour Relations Law allows unions to conduct their activities without interference. The law protects the right of employees to bargain collectively, and most branch and local unions have collective bargaining agreements (CBAs). The employer should also enable the trade unions and their representative’s timely and efficient exercise of the rights and access to data important for exercising that right.

According to law, two CBAs should be concluded at country level: a general CBA for the commercial sector, and a general CBA for the public sector. CBAs can also be concluded at branch level and/or at the level of the individual employer. The general CBAs at country level apply directly and are binding for employers that are members of the employers’ association, and signatories of the CBA. These CBAs stipulate the rights and obligations of the parties that concluded them and may also include legal regulations regarding the employment relationship and other matters related to labour relations. A CBA is negotiated and concluded between both the employer or the representative employers’ association and the representative trade union. Individual CBAs at company level are concluded between the representative trade union at the employer and a person authorised by the employer.

A CBA is concluded for a set period of two years, with the possibility of extension by written consent of all contracting parties. Unions are requested to request being entered into the register of unions kept by the ministry responsible for labour-related issues.

The union and its associations at higher levels have the right to call a strike and mobilise to protect the economic and social rights of their members in employment, in accordance with the law. The strike must be announced in writing to the employer or employers' association it is directed against, and it cannot start before the conciliation procedure established by law is finished.

The employer may suspend employees from the working process only as a response to a strike that has already started. The number of employees suspended from work must not be higher than two percent of the number of employees that participate in the strike. The employer can only suspend those employees who incite violent and undemocratic behaviour which hinders or impedes negotiations between employees and employer. The employer is obliged to pay the contributions determined by the special regulations for the lowest basic amount for contribution payment to the employees suspended from work during the period of their suspension.⁴⁴

Workers have the right to establish trade unions and become members under the conditions laid down by statute or the rules of that union. The trade union is entitled to represent, promote and protect the economic, social and other individual and collective interests of workers on a general level. The unions can constitute confederations or other forms of association in which their interests are connected to a higher level (trade unions and employers' associations). In accordance with the law, the unions have the right to associate and cooperate with international organisations established due to the realisation of their rights and interests. The union may collect registration and membership fees with the purchase, gift or any other legal way to acquire property; and forced execution can be implemented on movable and immovable property of the union necessary for holding meetings. A member of the union may seek court protection in case of a violation of his or her rights under the statute or other rules of the union or association.

A worker must not be placed in a less favourable position than other workers because of trade union membership. The trade unions with members employed by a particular employer may appoint or elect one or more union representatives who will advocate the worker's right at that employer. Trade union representatives are entitled to expect the employer to protect and promote the rights and interests of the members. The trade union representative is protected from termination of employment without the union's consent, as well as lower pay. The representative trade union is also entitled to negotiate and conclude collective agreements and to initiate a strike to protect the rights of the workers.

In accordance with Macedonian regulations, there is no obligation for employers to set up workers councils. However, in the case of informing and consulting with the workers, there is an obligation for both privately-owned and public companies (or other legal entities with more than 50 workers and institutions with more than 20 workers) to appoint a representative from the employer for information and consultation. The labour regulations do not contain any provisions regarding the matter of co-determination rights of a works council. The workers council's rights are not determined by labour regulations. The employer or the representative association of the employers are entitled to negotiate and conclude the collective agreement with the representative union of the workers. The employees are not entitled to representation or any attendance at the board level of their employer.

44 Employment & Labour Law 2017, Published: 24/03/2017

STAKEHOLDER OPINION AND ANALYSIS

Stakeholder opinions on the situation for freedom of association vary widely. The employers' association and the Ministry of Economy say that the law guarantees freedom of association and the main problem is that many of workers have lost faith in the unions over the last 15 years.

Both SSM and UNASM as well as some of the NGOs say that workers are poorly informed, unaware of their right to form and join trade unions. Employees often wrongly believe that a factory union needs the employer's approval, and do not believe that the trade union can improve their labour conditions, or protect their rights.

SSM is the only Trade Union officially registered in the garment sector and signatory to the CBA in textile industry. According to SSM, the number of members from textile sector is decreasing, and the level of activity is also very low. The 2009 economic crisis and the ripple effects from 2011 to 2013 have affected trade union membership significantly. There are cases where companies sign CBAs with trade unions that only exist on paper. These cases are initiated, organised and led by the owners or managers from within the companies. Currently around 5,000 out of 37,000 registered workers have signed the CBA for the textile and leather industry. This small number of trade unions on the factory level is mostly due to the unwillingness of employers. SSM requested social partners to raise awareness about the importance and role of trade unions, which will benefit all stakeholders⁴⁵.

The UNASM union also points out that workers may be influenced as to which trade union they join. Workers are often not familiar with their right to choose between the different trade unions that officially exist in the country. Unions are not required to belong to the Confederation of Trade Unions of Macedonia (SSM), which maintains close ties with government officials. Several new unions have been formed outside of the SSM in recent years.

UNASM highlights many cases where workers from factories throughout Macedonia, especially textile factories, are not allowed to organise or strike. Several other organisations confirm that there is a negative attitude among employers towards trade unions. Employers often try to work against unions as much as they can without breaking the law. Workers in the garment sector are afraid to organise because they think this may reduce their chance of keeping their jobs.

The first general collective agreement was signed in 2006. In 2008 the first collective agreement was signed within the textile industry. In the recent years there have been statements from SSM that employers are discouraging (or even forbidding) workers to establish trade union at the factory level. According to FWF's observation, in Macedonia there is both a lack of awareness and clear understanding of the role of trade unions for workers and employers alike.

According to the Labour Inspectorate probably there is restriction by employers for trade unions on factory level, but up to date workers had never filed a complaint to the Labour Inspectorate on freedom of association.

⁴⁵ Source: Federation of Trade Unions: SSM

FWF MAIN AUDIT FINDINGS OVER THE LAST TWO YEARS

Only two out of 21 FWF brand suppliers are members of the Textile Trade Union. Workers at factories where FWF member brands source from are not interested in becoming member of the trade union, although they do want to be part of workers' rights structures. There were two factories where clear statements were made not to join trade unions. Six of the factories audited in the last two years have established a workers' council or workers representatives body, but seem to be trying to avoid the administrative work of being a member of the textile trade union of SSM. Workers don't seem to have the proper training to run these bodies of workers representation; for example, they do not keep records of the meetings, there is a lack of clear vision for improvement workers' rights, representatives' election processes are not documented, and there is no established procedure for communication with management. Nevertheless, factories managers do not interfere in the workers decision to establish these bodies.

WORKER COMPLAINTS RELATED TO 'FREEDOM OF ASSOCIATION AND THE RIGHT TO COLLECTIVE BARGAINING'

There have been no worker complaints regarding this standard.

6.5. Payment of a living wage



“Wages and benefits paid for a standard working week shall meet at least legal or industry minimum standards and always be sufficient to meet basic needs of workers and their families and to provide some discretionary income” (ILO Conventions 26 and 131, the Universal Declaration of Human Rights, art 23(3) and art 25(1)). “Deductions from wages for disciplinary measures shall not be permitted nor shall any deductions from wages not provided for by national law be permitted. Deductions shall never constitute an amount that will lead the employee to receive less than the minimum wage. Employees shall be adequately and clearly informed about the specifications of their wages including wage rates and pay period”.

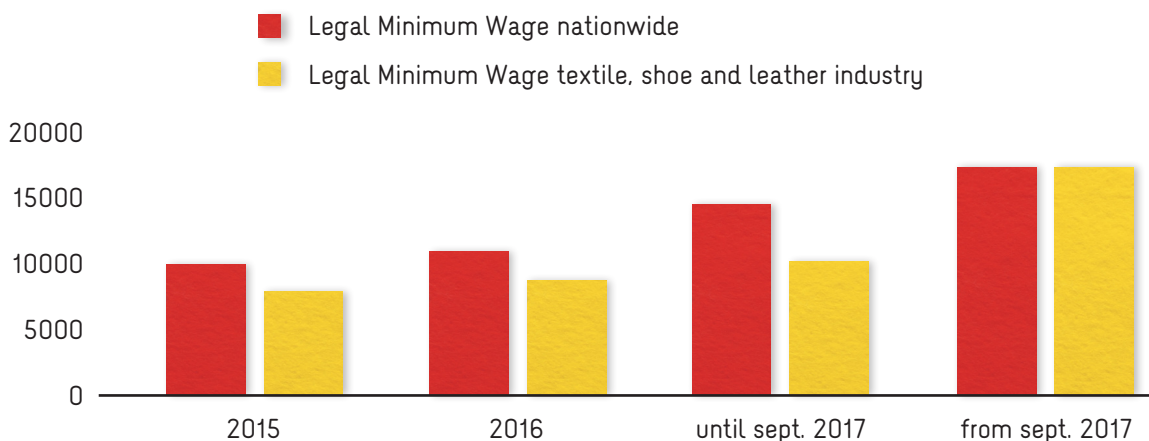
OFFICIAL STATISTICS ON COMPLIANCE

According to the final 2015 data, the at-risk-of-poverty rate in Macedonia was 21.5%. Analysed by household types, the at-risk-of-poverty rate in households of two adults with two dependent children in 2015 was 22.9%. According to the most frequent activity status, the at-risk-of-poverty rate for employed persons was 8.9%, while for pensioners it was 7.3%. The Gini coefficient (measure of income distribution inequality) was 33.7%.

State Statistical Office data 2016

According to country economy [ranking of the national minimum wage](#), Macedonia is 55th of the 97 countries with the lowest minimum salary. Until September 2017, the net minimum wage for 2017 was 10 080 MKD at country level and 9 590 MKD for the textile industry. Since then the minimum wage is the same regardless of the industry and was raised up to 12 000 MKD net.

TREND OF CHANGE OF THE GROSS LEGAL MINIMUM WAGE IN THE LAST THREE YEARS

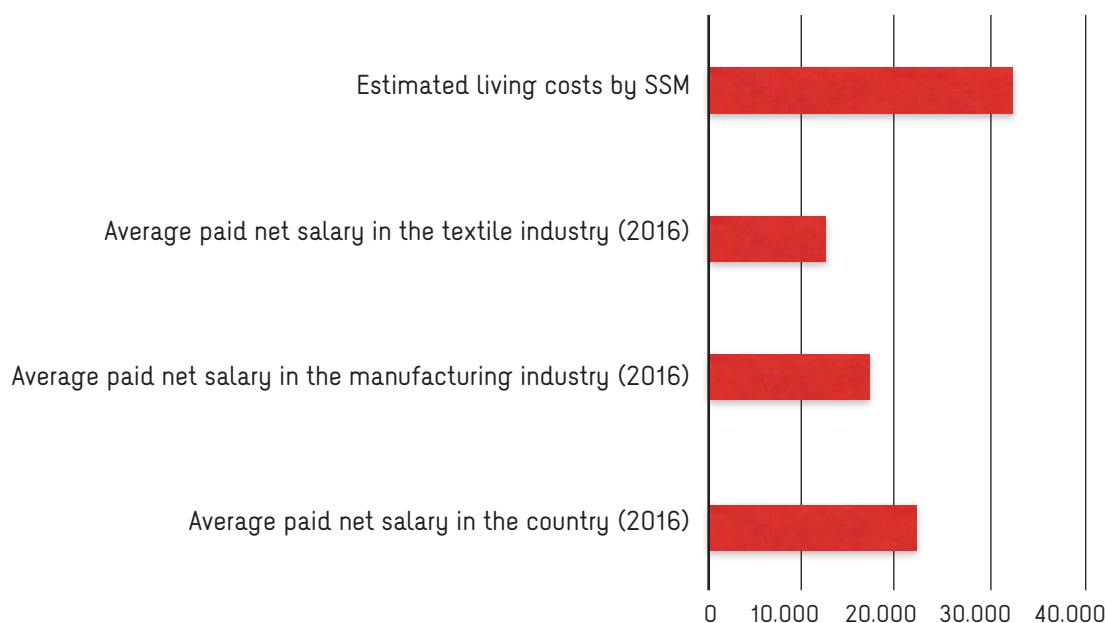


State Statistical Office data 2017

Trend of change of the legal minimum wage in the last three years

The average paid net salary for 2016 in the production of textiles is lower than the average salary paid at the country and industrial sector level. In comparison of the estimated living costs⁴⁶, the average salary in the textile sector amounts to only 39% of the estimated living costs for 2016, according to SSM.

Average paid salary (in the country v.s. in the textile sector)



According to the 2016 study "HOUSEHOLD CONSUMPTION IN THE REPUBLIC OF MACEDONIA", about 23.4% of the households believe that a monthly income between 25,000-35,000 MKD would cover the monthly needs for a family of four.

100(Index)	Number of interviewed households (2,722)
6.5 %	up to 15000 MKD
14.1 %	15001 - 25000 MKD
23.4 %	25001 - 35000 MKD
16.7 %	35001 - 45000 MKD
11.0 %	45001 - 55000 MKD
18.1 %	55001 - 65000 MKD
10.2 %	over 65001 MKD

Source: State Statistical Office⁴⁷

⁴⁶ According to the SSM estimated living costs for four-member household

⁴⁷ <http://www.stat.gov.mk/Publikacii/4.4.17.01.pdf>

LAWS AND REGULATIONS

Macedonian law clearly sets rules for payment of wages. ILO Convention 131 is ratified by the Macedonian government and is incorporated in the national labour relations law and in the national collective bargaining agreement as well as into collective bargaining agreements at branch level.

The law on a minimum monthly salary was adopted in January 2012. The minimum salary was established as a percentage of the average wage in the country (39.6%, contrary to OECD recommendations). In February 2014, the law was amended and the minimum salary was settled at a fixed amount. For 2014, €144; for 2015, €156; and for 2016, €165. At the same time, the minimum threshold for payment of contributions remains valid. The threshold was established a few years ago, as 50% of the average gross salary, which is currently set to €252. Therefore, for someone with a gross salary of less than €252, additional payment must be made only in the contributions (not in the net amount). For the time being, any additional payment goes on the account of the employer, although the employee must pay contributions. This leads to a situation in which those with the lowest salaries pay an effectively higher percentage in contributions than established by law. For example, in 2015 an employee with an average gross salary paid contributions and taxes of 31.67%, while an employee with the minimum salary paid contributions and taxes of 32.47%.

The law for the legal minimum wage used to exclude the textile, shoe and leather industry from the legal minimum wage at the country level. The minimum wage established by collective bargaining agreement in the textile industry was raised to 9.590 MKD in the first semester of 2017. It was then aligned with the country minimum wage and raised up to 12.000 MKD in September of that same year.⁴⁸

While the current legislation establishes equal remuneration for equal or same work, the principle of equal remuneration for work of equal value (as enshrined in ILO Convention No. 100 on Equal Remuneration) is not fully implemented in the National Labour Law. Equal remuneration for work of equal value would include workers performing work of a different nature which is, nevertheless, of equal value. In addition, family responsibilities affect women disproportionately, with 64% participating in unpaid household and care work which might delay or hinder their (re)entry onto the labour market. For instance, 89.3% of women have at least a month of interrupted work because of childcare (compared to 10.7% of men), and 77.9% of women have reduced their working hours for the same reason (compared to 22.1% of men). The way in which paid work schedules are organized has had an impact on the ability to balance work and private life. Maternity protection as well as work and family reconciliation measures available for women and men are essential for improving gender equality.

Since the introduction of the law on minimum wage in 2015, new amendments have been proposed. For example, if a state labour inspector concludes that the employee is paid less than the minimum wage, the employer is first obliged to pay the minimum wage within seven days. If the employer fails to act, he or she will then be fined up to €9,000. If within one year the employer does this again, the fine will be increased to up to €10,000. In addition, the

48 The Official Gazette 132

state labour inspector will prohibit the operation of the employer for 15 days, while the employer will still be liable to pay minimum wages and social contributions to workers. Changes in the Law on minimum wage is also provided for fines and responsible persons employed within the employer company in the amount of €4,000 to €5,000.

The Labour Relations Law of Macedonia states that the salary shall be composed of the basic salary with an additional salary based on the performance of the individual worker. The basic salary shall be set according to the level of difficulty of work. The job performance part of the wage should be determined according to the business-like conduct, quality and volume of the performed work, for which the employee has concluded within the employment contract.

Extra payments should be paid in situations such as working shifts, split work, night work, overtime work, Sunday work, and work on statutory holidays as well as extra payment for extended years of service.

Salary shall be paid for a period up to a month and not later than 15 days after expiration of the payment period. If the payday is a non-working day, salary shall be paid on the first following working day at the latest. Employers should pay compensation for annual leave, paid special leave, additional training, statutory holidays and days off work and in cases when the employee does not carry out the work because of business reasons.

The employer also must pay salary in case of an employee's incapability to work due to disease or injury for a period of up to 21 days. If the absence lasts for more than 21 days, the salary compensation shall be paid to the debit of the health insurance.

If the employee is not able to perform his work due to force majeure, he is entitled to half the salary he would have received if he was working – calculated as the average salary over the past 12 months.

If the operating process is interrupted for business reasons (i.e. no orders coming in), the employer can reduce the employee's salary to 70% for a maximum period of three months per year and after proper notification of employees.

The employee is entitled to compensation for certain work-related expenses, including food allowance during work and transport to and from work. The employee can be entitled to different bonus payments, for example upon retirement, as regulated by the collective bargaining agreement.

STAKEHOLDERS' OPINION AND ANALYSIS

Stakeholders agree that the former legal minimum wage in the garment industry with the law on legal minimum wage for 2017 (9,590 MKD or €155), does not come close to a living wage. In Macedonia, the "living wage" is not generally recognised as a concept. The closest category by way of comparison is the average amount of monthly living costs (estimated as an average on a subjective opinion of the stakeholders). In 2010, SSM introduced a methodology for estimating costs of basic living needs, which includes food and beverages, housing, transportation, social activities, clothing, health and education all of which are a wider

estimation of expenses and as of April 2017 amounted to at least 32,000 MKD. However, stakeholders also agreed that in the calculation of the estimated living wage, ratios for inflation and other economic and social parameters need to be included. Therefore, the SSM suggested the establishment of a social-economic fund which will be used to raise awareness, strengthening the living wage concept.

According to the employers' organisation, productivity on the national textile level is not enough to provide decent living wage. They agree with the SSM estimation, but existing economic parameters in textile industry (CMT production) cannot provide enough profit to meet living wage estimation. Employers cannot pay higher salaries due to the labour-intensive structure of textile industry, and the low use of technology. Employers are aware that minimum wage is not enough and that health and pension taxes are high. If this can be transferred into the net salary of the worker it would have different effect. As a new government was established in June of 2017, new measures announcing raising the minimum legal wage up by 12,000 MKD, including in the textile sector, have been proposed, but as of the date of publishing, everything is still in the negotiating phase.

An estimated 90% of garment factories pay piece-rate wages. The piece rate is determined by management and varies from factory to factory. In practise, management pays the legally prescribed minimum wage, supplementing it with a piece-rate based wage calculated at the end of each month. The piece rate system is used in practice mostly as stimulation. According to the employers' association, the rates are also acceptable to business. SSM has reportedly developed piece rate standards by an international methodology and in collaboration with educational institutions.

An ageing workforce in the textile industry directly affects the piece rate. Collective agreements reflect the SSM position, including how elderly workers can reach their pieces target.

The average paid net salary for 2016 in the production of textile is lower than the average salary paid on the country and industry level, at only 39% of estimated living costs in 2016 (according to SSM). According to the State Labour Inspectorate, it is common practice to pay only the legal minimum wage and not above it in textile factories. Payment of minimum wage to the workers in Macedonia should be an exception but it's becoming a trend. The collective agreement should clearly state the complexity of each working position, but the perception is that this is not fully implemented in practice, which enable employers to pay minimum wage to most of the workers.

The Textile Trade Association (TTA) stated that the textile industry in eastern Macedonia plays an important role in employment. Highly qualified workers have already been hired by textile factories, leaving other factories lacking a labour force interested in textile work. The interest in working in the textile sector is decreasing along with the sector's reputation. This has influenced the labour market, causing more men to be employed in the textile industry since 2010. This has also influenced an increase in wages (i.e. in Štip textile workers are paid way above the legal minimum wage, an estimated 12,000 MKD).

Some stakeholders believe that employers need to bargain for better prices with the buyers, but faced with competition from Asia coupled with a lack of management skills, employers end up cutting employees' salaries to meet buyers' demands. According to the trade unions

there are a lot of actors in the supply chain influencing profit distribution to workers. Progress may be made by encouraging brands to make decent payment to factories.

According to the published ILO paper on decent work entitled Country Programme with Proper Design, a minimum wage can be an effective policy tool, ensuring a decent living standard for workers. Moreover, a minimum wage acts as an automatic stabilizer, supporting the aggregate demand and is often associated with strategies targeting poverty reduction.

As of now there are no official reports on state labour inspectorate executions in textile factories.

1 € eq. 61.5 MKD			
Source	Wage measure	Net figures in MKD	Period
Law for legal minimum wage	National legal minimum wage	12.000 MKD	September, 2017
State statistical office	Average paid net salary in the country	22.672 MKD	April, 2017
State statistical office	Average paid net salary in manufacture production	17.096 MKD	December, 2016
State statistical office	Average paid net salary in textile sector	12.641 MKD	December, 2016
SSM (Trade Union)	Living wage estimate for four-member household	32.233 MKD	April, 2017
Organization of Employers of Macedonia	Living wage estimate for four-member household	30.000 MKD	June, 2017
MOSHA	Living wage estimate for four-member household	40.000 MKD	April, 2017
La Strada (Local NGO)	Living wage estimate for four-member household	45.000 MKD	April, 2017
Audit reports, workers in garment factories	Living wage estimate for four-member household	30.000 MKD	December, 2016

FAIR WEAR FOUNDATION LIVING WAGE APPROACH

FWF has been working on wage-related projects in Macedonia since 2010, most notably the Living Wage project. With the support of CNV International, in 2011 FWF began developing concrete tools to promote the wage ladder approach to the implementation of a living wage in Macedonia. The goal of the pilot project was to examine the relationship between wages and productivity, and to identify areas where productivity increases can be used to support better wages for workers.

In 2015 FWF continued with its work on pioneering approaches to increase wages at factories. In addition, it worked on building capacity at the factory level to encourage social dialogue. FWF used three main tools in Macedonia: factory-level wage-increase tools in Macedonia, a guide on Living Wage Costing and a series of WEP trainings. In 2016 the project impact was achieved, resulting in the factory workers who were partners in the project receiving increased salaries at the project determinate target wage. This is the first FWF coordinated project that resulted with a win-win situation for brand, factory and workers.

FWF MAIN AUDIT FINDINGS OVER THE LAST TWO YEARS

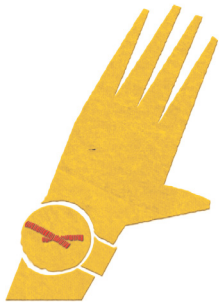
The situation on payment of the legal minimum wage is significantly improved after the 2012 adoption of the law on legal minimum wage. The employers cannot hide the payment of wage lower than legal minimum wage because the declaration for wage payment is firstly submitted to the Public Revenue Office. After it is checked and approved, the wage payments can be then processed to the bank for payment. In practice, legal minimum wage is used as a base for wage calculations, and if the workers perform better they receive higher wages than the legal minimum. In 90% of the audited factories, a piece rate system is used for wage calculation, and a daily rate applies in only 10% of the factories. In only two audited factories hourly wages were paid as a company policy. Very often the piece rate system is only used to motivate the worker. The factories have no clear and transparent wage policies, and very often the subjective opinion of the owner determines the monthly wage calculation.

According to the workers' interviews, the paid salaries in the factories cannot meet basic living costs for one four-member household.

WORKER COMPLAINTS RELATED TO 'PAYMENT OF A LIVING WAGE'

There have been no complaints regarding the payment of wages below the legal minimum wage.

6.6. No excessive working hours



Hours of work shall comply with applicable laws and industry standards. In any event, workers shall not on a regular basis be required to work in excess of 48 hours per week and shall be provided with at least one day off for every 7-day period. Overtime shall be voluntary, shall not exceed 12 hours per week, shall not be demanded on a regular basis and shall always be compensated at a premium rate (ILO Convention 1).

LAWS AND REGULATIONS

Macedonian law is stricter about working hours than the FWF Code of Labour Practices. Relevant laws and regulations regarding working hours are part of the Labour Relations Law. The Macedonian regular working time per week is 40 hours, with a maximum of 8 hours of overtime per week.

According to article 116 from this law, a full-time work week cannot exceed 40 hours a week and a regular working week lasts five working days. Working hours for a full work week can be shorter than 40 hours if agreed in a collective bargaining agreement, but should not be less than 36 hours per week (with some exceptions for special jobs). Overtime is legally limited to a maximum of eight hours per week and 190 hours per year. An employee with more than 150 overtime hours in the year (and not on sick-leave more than 21 days), is entitled to a bonus of one average month's salary.

The employer is obliged to keep complete records of working hours. If the employer wants his employees to work overtime, he must submit a request for overtime authorisation to the Ministry of Labour and Social policy in advance, informing the authorities of the overtime working period.

Employers with more than 25 employees at a single location are required to keep electronic records of regular working hours and overtime hours.

Overtime payment is regulated in the Labour Relations Law and through the collective bargaining agreements. The labour law guarantees higher payment in accordance with the collective bargaining agreement for work during public holidays, night shift work and overtime hours. Each hour of overtime should be paid by an increase of 35%, and overtime during the public holidays should be paid by 50% above the regular payment per hour.

Overview of legal framework on working time

Standard workday	8 hours
Regular working hours per week	40 hours
Maximum working days per week	6 days
Maximum overtime per week	8 hours
Premium for night work (% of hourly pay)	35%
Premium for work on weekly rest day and public holiday (% of hourly pay)	50%
Premium for overtime work (% of hourly pay)	35%
Restrictions on night work?	yes
Non-pregnant and non-nursing women permitted to work same night hours as men?*	yes
Restrictions on weekly holiday work?	no
Restrictions on overtime work?	yes
Paid annual leave for a worker with 1 year of tenure (in working days)	20 to 26 working days

STAKEHOLDERS' OPINION AND ANALYSIS:

All consulted stakeholders agree that overtime and excessive working hours are problematic in the Macedonian garment industry.

According to the employers' organisation, overtime work is regulated by the Labour Relations Law and through the branch (sectorial) CBA, articles 39, 46, 50, 51, 52 and 66. Members of this association are obliged to follow the requirements of working time as the labour inspectorate controls overtime. They believe that there are isolated business practices for overtime in the garment sector where employers are not in a position to reduce overtime due to the nature of the industry and the global competition. Frequent overtime is due to the short delivery notice by buyers and is mostly regulated by members of the Textile Trade Association. In the past there have been changes in the brand culture, a culture which traditionally wants new products every two weeks which influences short notice and small quantities ordered and increases chances of overtime work. In spite of set limitations, actual overtime work is much more important than authorised by law but workers generally do not complain because of the higher income. However, in the last years there is significant improvement in the implementation and regulation of this standard.

Trade unions report that most of the worker complaints they receive concern working hours, in particular overtime work during national holidays. Legislation is clear in defining roles and responsibilities with social partners, and need to be obeyed by the factories. Electronic registration of working hours should have GPS to directly inform the public revenue office in a timely manner. The textile sector has excessive working hours by default, but SSM members are working in factories which have flexible working hours after the order is fulfilled. How-

ever, the trade union SSM only has an overview of the factories in which employees are their members. Payment of overtime is also an issue in the sector. Overtime is often not reported to the public authorities, resulting in the employer avoiding payment of 13th salary as regulated with the CBA. Overtime for piece rate workers is often also not properly paid. SSM has developed piece rate standards using an international methodology and in collaboration with educational institutions, but it is not still reflected in actual payments.

According to the ILO Macedonia office there are no official reports on state labour inspectorate execution in textile factories. The challenge that Macedonian employers are facing is that, according to the law, lunch break is included and paid within the regular working hours. Therefore, the eight-hour workday actually has seven and a half hours of working time.

There is clear evidence that employers are exceeding overtime working hours on a weekly, monthly or annual level, as most of the complaints filed to state labour inspectorate are related to overtime working hours, (536 files submitted in 2016 by workers or group of workers). According to the inspectorate the main concern is that overtime is not properly registered by employers, if registered at all, and the real premium rate for overtime working hours is not paid to workers.

FWF MAIN AUDIT FINDINGS OVER THE LAST TWO YEARS

Overtime registration and payment issues are common findings in the factories audited by FWF. Before 2015 registration of overtime working hours was an issue in 90% of the audited factories. In most of the cases the overtime was accumulated due to working Saturdays (an additional eight hours per week). Since 2015, companies often avoid registering the overtime work to the respective labour inspectorate as it accumulates overtime working hours on annual level, and according to law this requires payment of an additional 13th salary. Management interviews showed that companies have their own systems to register overtime work and subsequent payments. One of the common findings is that overtime hours reported by the workers did not always correspond with the inspected documentation (pay slips).

Often employers do not report overtime to the public authorities with the objective to avoid official accumulation of annual working hours, for which a thirteen month salary should be paid if workers work more than 150 overtime hours in the year.

On average, factories that work every Saturday accumulate 32 overtime hours per month (and 288 overtime hours per year). Approximately 70% of all audited factories in the last two years have had workers working on Saturdays (and it is estimated that they have worked more than 150 overtime hours per year), but only 10% of factories provided a 13th salary for their employees. Very often the workers do not consider working on Saturdays as overtime. According to law; eight hours of overtime per week is the legal maximum, which means there were no excessive working hours in the audited factories in the past two years.

However, another issue is that overtime is not paid according to the law. The Law on Labour relations and CBA for the garment sector regulate additional payment for overtime hours. This

system does not account for the fact that 90% of the textile workers are paid by piece rate and that daily and hourly fees are not defined. Administratively, employers find a way to calculate and record the extra payment of overtime in the monthly pay slips, but it is often not done properly.

This inconsistency creates confusion in workers' overtime payments. An exact calculation of overtime payment for factory workers paid at the piece rate is not regulated. This is a general challenge in the sector.

WORKER COMPLAINTS RELATED TO 'EXCESSIVE WORKING HOURS'

There have been no official complaints regarding the working time but the workers often complain that they work during public holidays.

6.7. Occupational health & safety



A safe and hygienic working environment shall be provided, and best occupational health and safety practice shall be promoted, bearing in mind the prevailing knowledge of the industry and of any specific hazards. Appropriate attention shall be paid to occupational hazards specific to this branch of the industry and assure that a safe and hygienic work environment is provided for. Effective regulations shall be implemented to prevent accidents and minimise health risks as much as possible[...] Physical abuse, threats of physical abuse, unusual punishments or discipline, sexual and other harassment, and intimidation by the employer are strictly prohibited (following ILO Convention 155).

OFFICIAL STATISTICS ON COMPLIANCE

Number of reported accidents in 2016 (MOSHA report for accidents at work in 2016)

Accidents per work rate in 2016	Total	Sample	Total # of employed	Rate
Accidents	94	100,000	723,550	16%
Death cases	19	100,000	723,550	2.62%

Macedonian Occupational and Safety Association Report (2016)⁴⁹

In 2016 the total number of reported accidents in Macedonia is 94, out of which seven were reported in the manufacture production.

LAWS AND REGULATIONS

The Occupational Safety and Health Law is the leading OSH legislation in the country. Derived from the EU framework Directive 89/391 in 2007, it was not amended until 2013. The basis for the OSH law in Macedonia can be found in the Macedonian Constitution, under article 32, Paragraph 1 stating that “everyone has the right [...] to protection at work...”

The enforcement and administration of OSH in the Republic of Macedonia is a competency of the Ministry of Labour and Social Policy, whereas the state labour inspectorate (SLI) carries out OSH inspections pursuant to the Occupational Safety and Health Law and the Law on Labour Inspection.

⁴⁹ <http://mzzpr.org.mk/wp-content/uploads/2017/02/%D0%93%D0%9E%D0%94%D0%98%D0%A8%D0%95%D0%9D-%D0%98%D0%97%D0%92%D0%95%D0%A8%D0%A2%D0%90%D0%88-%D0%97%D0%90-%D0%9D%D0%95%D0%A1%D0%A0%D0%95%D0%8C%D0%98-%D0%97%D0%90-2016-%D0%93%D0%9E%D0%94%D0%98%D0%9D%D0%90.pdf>

The state labour inspectorate identifies violations of OSH law and regulations, collective agreements or employment contracts that define the rights and obligations in the area of occupational safety and health and have the power to issue orders to request the elimination of irregularities within a set period of time^[1].

The SLI is placed within the Ministry of Labour and Social Policy and is governed by a director, who is politically assigned. The inspectorate is composed by two sectors: the Sector of Occupational Safety and Health and the Sector of Labour Relations.

The Occupational Safety and Health Sector is composed by two units: the Legislative Unit, responsible for drafting laws and regulations, and the OSH Inspection Department responsible for inspections.

The inspection supervision of safety at work is carried out by state labour inspectors, except in mining operations, where the supervision is carried out by the mining inspection. The coordination between the SLI and other inspectorates, which have common competencies regarding safety at work, is carried out if a need for joint inspection arises, during which there are no problems with coordination. The labour inspectors in the field of protection and safety at work are engaged exclusively on activities related to supervision of enforcing safety and health regulations.

The general responsibility of the employer includes the following:⁵⁰

- *An employer can delegate the responsibilities and activities related to occupational safety and health, laid down in this law, to authorised legal entities and natural persons if the employer is not in a position or if there are neither employed professionals nor technical equipment available to perform such activities and duties independently.*
- *The employer shall be bound, with a collective agreement, to guarantee the right of the employees, directly or through a representative, to participate in the identification of the drawbacks and improvement of the working conditions and the working environment of the employer, by being involved in all activities of the company or institution at all levels of organisation.*
- *The employer must provide medical check-ups for the employees at least every 24 months or less, upon the risk assessment document.*
- *Employer must take specific action for fire safety, evacuation and rescue*
- *Ensure correct and timely information to be distributed to the employees*
- *To raise awareness of present risks at work and ensure that the right safety and health information is shared, tailor-made safety and health training of employees must be provided by state certified consultant.*
- *Must enable workers to elect their occupational safety and health representative, who is entitled to special protection, same as the trade union representative, as well specialized training on how the occupational safety and health representative should perform its duties.*
- *The employer, to keep the working environment and means of work safe and operational, must submit periodical tests and keep proper logs about the test*

⁵⁰ Source: MOSHA interview

- *Record keeping and reports for work accidents must be produced continuously and done properly (when an accident happens, this form is filled out in four copies. Three of them are submitted to the social security and pension fund, which is responsible for covering expenses of the injured worker during the recovery period. The form is usually accompanied with additional documents such as accident report issued by the police, medical certificate issued by the medical institution that treated the injured, or with the report from the local branch of the Labour Inspectorate).*
- *Health and safety training is mandatory by law (OSH law art 25 & 26). The company must also appoint workers in charge to carry out the defined measures for protection at work, the preventive measures against fire, evacuation of workers and first aid (OSH law art 24.6).*
- *Fire extinguishers must be appropriate for the types of possible fires in the various areas of the factory, regularly maintained and charged, must display the date of their last inspection and be mounted on the walls and columns throughout the factory so they are visible and accessible to workers in all areas. Authorised persons should check the extinguishers every year and mark this on the cylinder. The company that installed the fire systems should give a certificate for maintenance of the system.*

STAKEHOLDERS' OPINION AND ANALYSIS

According to the stakeholders, the leading role in fostering implementation of the country on this standard is the Macedonian Occupational Health and Safety Association (MOSHA) who also acts as the main partner for the ILO CI centre. According to MOSHA, although an employer has the responsibility to provide occupational safety and health for the employees in any aspect related to the work, many of them are doing just what is needed to satisfy the legal minimum. Very few employees are trying to create a positive working environment or a preventive safety culture for the benefit of all.

Each employer must prepare and implement a safety statement for each working position, stating the precise measures that need to be taken. Many of them have done this on the safety statement, but many of them don't know what they have signed. Therefore, often employers hire specialized safety and health company/consultants to prepare legally required risk assessment, which is a basic kind of safety statement. This document is kept when the state labour inspector comes and is used only then, instead of providing the employer with the relevant and timely information about the present risks at work, and how to eliminate them for the sake of their employees.

The obligation of the employer to ensure that access to risky areas within the workplace is only allowed to employees who were given special instructions to work at such workplaces is a grey area, since most cannot prove that they have done so.

Another obligation of the employer is to monitor how the working process influences the employees during the entire employment period. To do this, the employer engages medical authorisation for a periodic check of employee health. Depending on the type of activities performed by the employees, as well as on the type and level of the risk to health, at work medical examinations include the following: conducting preventive medical check-ups of

employees; providing medical services for employees suffering from occupational diseases; organising and providing first aid to the employees in case of workplace injury or collective accident and providing them with first aid training.

When planning, supplying working equipment and introducing a new technology, the employer must consult and cooperate with the employees and their representatives regarding the consequences and risks arising from the choice of the working equipment, due to their influence on the occupational safety and health, working conditions and working environment.

The great majority of workplace accidents and diseases are preventable, but good intentions have not always been implemented or sustained. While some may be tempted to cut back on occupational safety and health expenses, especially during an economic downturn, it remains true that "good safety is good business". Prevention must remain a high priority for all stakeholders who are motivated to make workplaces safer and healthier. The trade unions in the country have emphasised the need to enforce OSH legislation and strengthen effectiveness of the labour inspection. The national OSH Council is still not functioning regularly, and efforts must be made to fully implement ILO Promotional Framework for Occupational Safety and Health Convention (No.187).

SSM supports its members in submitting complaints to the courts if an accident occurs. Lack of hygiene and fresh air, as well as systems for regulating temperature are among the most common complaints by workers.

Most of the employees suffer from diseases related to the nature of their job, including back pain, Spondylosis, problems with the cardiovascular system (especially within the elderly population) and hypertension.

FWF MAIN AUDIT FINDINGS OVER THE LAST TWO YEARS

Awareness regarding OSH is very low among employees. First, they are not familiar with the hazards in their workplace that may cause accidents or injuries. Secondly, when accidents do happen they do not know how to react. Consulted trade unions confirm that workers do not know about the advantages of using personal protective equipment (PPE), although it is required to wear protection when performing some operations. Many workers were trained on recognising potential hazards and problems in the factories, but do not take risks seriously.

Among the common non-compliances with the law is the absence of a workers' representative for health and safety.

Due to poor working conditions, absenteeism in the factories can vary from 7% to as much as 20%. Mostly this absenteeism is related to the very high temperatures during the summer period inside the factories, which can reach up to 37oC, or below 13oC in winter. In turn, high absenteeism leads to higher pressure on the remaining employees, causing much overtime work, decreasing the quality of the final product and losing credibility with the buyers.

(The finding presented under chapter for stakeholder opinion by MOSHA are also related to the FWF findings during the audit)

WORKER COMPLAINTS RELATED TO 'OCCUPATIONAL SAFETY AND HEALTH"

There have been no complaints regarding this topic.

6.8. Legally binding employment relationship



Working relationships shall be legally binding, and all obligations to employees under labour or social security laws and regulations shall be respected.

OFFICIAL REPORTS ON COMPLIANCE

The most recent ILO report on Decent working country programme (c.2016) informs that informal employment is estimated at over 22.5% of the total employment in the country (58,811 of 271,307 employable women and 93,993 out of 407,531 employable men). High instances of informal employment have various negative effects on the economy, on working conditions generally and on the policy making process. Low tax revenues, due to the non-payment of payroll taxes, constrain the government's capacity to introduce an effective labour market and social protection policies. In addition, both the large informal economy and widespread practice of under-18 reporting of wages creates serious problems for the coverage and financing of social security systems, thereby rendering these workers and their families unprotected against substantial social risks. For employers, informal employment brings unfair competition and an uneven playing field. Entrepreneurs in the informal sector suffer from poor productivity, lack access to finance and markets, lack innovation and are unable to grow. For employees, working in the informal economy means being confined in an activity which is poorly paid and precarious and unsafe (as occupational safety and health standards are often neglected). The lack of training opportunities prevents informal employment workers from claiming better paid positions in the formal sector. The rights of workers are difficult to enforce in the informal economy.

LAWS AND REGULATIONS

Employment relationships are regulated by the Labour Relations Law, through collective bargaining agreements and the employment contract. The Labour Relations Law regulates labour relations which are entered into on the basis of an employment contract concluded between the employees and the employers. According to the Labour Relations Law, an employment contract is mandatory.

According to article 13 of the Labour Relations Law, the labour relation between the employee and employer is entered into by signing an employment contract. If the date of commencement of work is not determined, the date of signing the employment contract shall be considered the date of commencement of work. The rights, obligations and responsibilities arising from the labour relation should begin on the date of commencement of work, even if the employee does not begin to work on that date due to justified reasons.

Labour relations should be in written form and be verified by the local employment centres (which are part of National Employment Agency). The contract should be stored in the employer's office. A specimen of this contract is given to the employee. The contract should contain the following legal provisions:

1. *Details about the contracting parties including their residence or registered office*
2. *Date of commencement of work*
3. *Title of the position or details about the type of work for which the employee is contracted, including a brief description of the work he/she is to carry out*
4. *Location where the work is to be carried out. If no location is stated, it shall be presumed that the employee carries out the work at the employer's registered office*
5. *Duration of the employment, when a fixed-term employment contract is concluded*
6. *Stipulation stating whether the employment will work part-time or full-time*
7. *Stipulation on regular daily or weekly working hours and the allocation of working hours*
8. *Stipulation on the amount of the basic salary the employee shall receive as remuneration for carrying out work in accordance with the law, collective bargaining agreement(s) and the employment contract*
9. *Stipulation on other compensations the employee is entitled to for carrying out work according to the law and collective bargaining agreement(s)*
10. *Stipulation the manner of determining the annual leave*
11. *List of official company documents/general provisions or acts (procedure and manuals) which stipulate the employee's conditions of work*

The employment contract may also contain other rights and obligations laid down in law, or through a collective bargaining agreement. For issues not covered in the contract, the law and/or collective bargaining agreement(s) apply.

The employer shall keep records of monthly calculations of tax contributions which are conveyed to the Public Revenue Office. To transfer the salary through the bank, the employer must prepare the calculations and to cover the contribution for pension and invalidity insurance, medical insurance, contribution for employment and contribution for professional injuries. If the records have not been prepared, submitted to and approved by the Public Revenue Office, the bank can't accept payment of wages.

For the purposes of the labour inspection, tax inspection, audits and control of the social laws, the employers are obliged to keep following registers and files:

- *Legal acts for registration of the company*
- *Tax number*
- *Name of the bank and bank account number*
- *Reports of actions taken to comply with legal minimum technical conditions in working rooms*
- *Register of financial documents that can be used for verifying the payment of tax contributions (such as bank statements, calculation and payment of salaries, payment orders)*

The employer must arrange a personnel file for every employee working at his or her establishment and the personal records of the employees includes:

- *Copies of personal documents of workers (such as birth certificate, copy of identity card, bank account number)*
- *Labour contract*
- *Forms M1 & M2 (which are proof of official registration of employment) on decisions concerning annual holidays, sick leave, maternity leave.*
- *Records of attendance of workers and records for working hours and calculations for salaries and contributions*

In accordance with the labour regulations in Macedonia, there are mandatory notice periods for the employee and the employer in the case of termination of the employment contract. If the employee terminates the employment contract, the notice period is one month. A longer notice period may be negotiated in the employment contract or the collective agreement, but not exceeding three months. Furthermore, if the employer terminates the employment contract with an individual worker or few workers, the notice period is one month; in case of termination of employment of more than 150 employees or 5% of the total number of employees working for the employer prior to the termination of their employment, the notice period is two months. If the employer terminates the employment contract of employees working seasonal work, the notice period is seven working days.

The employee is entitled to paid annual leave of at least 20 working days. The annual leave may be extended in a collective agreement, or in the employment contract, up to 26 working days. The employee is entitled to the full annual leave period if he or she reaches six months of continuous employment. The full-time employment must not exceed 40 hours per week. As a general rule, the working week means five working days. By specific law or collective agreement, a work time shorter than 40 hours a week can be determined as full-time working hours, but not less than 36 hours per week. The employee is entitled to 30 minutes' break for an eight-hour working day, or 15 minutes if the employee's working day is four hours. In accordance with the relevant collective agreement, the holiday pay is calculated in the amount of 35% of the salary, in addition to the basic salary per hour, which is the same amount as the overtime payment.

In Macedonia, there are family-friendly regulations such as the right of the employees to receive a reimbursement of costs related to separation from family. After receiving notification that an employee is pregnant, the employer is obligated to introduce multiple assessment of the risks that may affect the pregnant woman, her unborn or new-born child during the different stages of pregnancy. In accordance with the law, in case of pregnancy and parenthood, the employee is entitled to special protection in employment. The employer is obliged to enable easier harmonisation of family and professional obligations for workers. In Macedonia, regulations regarding special care during pregnancy, care during pregnancy and parenting related to night and overtime work have been established, as well as the right to additional 1.5-hour break for the nursing mother. In addition, the family-friendly employment regulations are determined in the collective agreements, depending on the sector regulated by the agreement.

As mentioned above, the employer cannot terminate the employment contract due to unfounded reasons for termination which include trade union membership, pregnancy or sick leave, employees engaged in a lawsuit with the employer, using annual leave, or service in the army.

In 2015 The Law on Labour Relations was amended a few times, regulating publication of job vacancies and compulsory social insurance. However, enacting those amendments is estimated by the unions to have no significant impact on the position of labour, like the demands and proposals of SIER for amendments submitted the previous year would have made. Namely, according to the law, a worker can have short-term contracts with the same employer for the same or similar jobs for up to five years. In practice, this stipulation is often disobeyed (the contract does not become permanent after five years unless labour inspection is involved or it is deliberately terminated before the end of the five-year period).

Social Security Institution

In Macedonia, every wage and wage-earner must be insured. The workers under a labour contract benefit from five branches of social security (personal tax 10%; pension and disability fund 18%, health insurance 8%; insurance for unemployment 1.2%; additions to the health insurance 0.5%). The contributions from the gross wage are at the moment 27% (a decrease from 32% in 2008). According to the Law on Contributions for Mandatory Social Insurance, the employee is the only entity obliged to pay the contributions (from gross wages, there is no distribution between the employer and employee), while the employer is obliged to calculate and pay the contributions on the employee's behalf. There is a minimum threshold for calculation of contributions at a level of 50% of the average gross wage in the country. The maximum limit for payment of contributions is twelve times the average gross wage; for amounts above that only personal income tax is required. The personal income tax is a flat rate, at 10% of net salary. Tax exoneration is calculated at the lump sum of four average net wages in the country per year (for all employees regardless of the level of income or marital and family status). The employer must register the employee for the obligatory social insurance and the employee should get a certified photocopy of the registration within three days after commencing work.

Health insurance is regulated by the Health Insurance Law. The health insurance rate is 8% from gross wages. Health insurance cards with chips started to be issued in 2014. Health insurance is obligatory for everyone. Additional insurance is possible for services not covered by the obligatory insurance. The obligatory insurance is handled by the Fund for Medical Care Insurance of the Yugoslav Former Republic of Macedonia.

The pension insurance system relies on three pillars: state obligatory fund, private obligatory fund and private voluntary fund. The insurance rate is 18% of the gross wage, which is divided between the private and state obligatory funds, with 33% in the private and 67% in the state fund. The required age for retirement is 64 for men, 62 for women, and the final age is 65. However, changes in the legislation (July 2014) allows a (male) employee to continue to work until 67. The years of service are important for calculating pension: the full amount is paid if 40/35 years of service (men/women) are completed; if less, the pension is reduced proportionally. The Law on Pension and Insurance in Case of Disability regulates family and disability pension rights. Currently, the ratio is 1.8 (insured) employees to one retired person. The average monthly pension is around €200, while the maximum ceiling is set at 2.4 times the country's average monthly wage.

STAKEHOLDERS' OPINION AND ANALYSIS

Local stakeholders agree that all obligations of employers which refer to legally-binding working relationship are clearly regulated through the Labour Relations Law. Employers are required by law to keep documentation regarding their employees. As these documents are always required by the Labour Inspectorate, they are usually kept in good order.

The main concern of stakeholders is the legally prescribed contributions by the employers. To avoid paying contributions, some employers fail to register workers. In the past this has led to large numbers of non-registered workers in Macedonia, especially in the textile sector, but is not as common today. Although stakeholders report that stricter government control and penalties regarding legal binding employment relationships helped decreasing the number of workers informally employed in the industry, there are still cases where workers are made to sign an undated letter before being hired, in which they agree to their dismissal. Also, there are some workers that receive part of their salaries in cash without proof of payments, with no insurance paid.

The other factor that occasionally influences non-registration of workers is introduced measures by the government to stimulate foreign direct investments (FDI). According to the trade unions, when government subsidizes wage contributions for the textile factory workers (as it is a case of Foreign Direct Investments) it affects the labour market and employers struggle with disloyal competition.

According to ILO report on decent working conditions, the capacity of labour inspection needs to be improved in terms of efficiently tackling the informal economy. Labour inspection should also foster cooperation with social partners. Social partners need to be aware of how to contribute to the prevention, identification as well as how to approach the informal economy. In order to be able to fulfil their demanding mandate, labour inspectors need training on the diver-

sity of situations related to undeclared work and informality of the employment relationship, so that they are able to correctly advise employers and workers on how to comply with the law. This knowledge is equally relevant in plan and undertake the investigation of cases of non-compliance with national labour and social security legislation regulating formal obligations of registration of workers, declaration of remuneration and payment of social contributions.

FWF MAIN AUDIT FINDINGS OVER THE LAST TWO YEARS

All audited factories pay social security or insurance fees in line with the legal requirements. Unregistered workers are not an issue. All audited factories employ workers according to the Labour Relations Law. All contracts checked comply with legal requirements.

WORKER COMPLAINTS RELATED TO 'LEGALLY-BINDING EMPLOYMENT RELATIONSHIP'

There have been no complaints regarding legally-binding employment relationship.

SOURCES USED IN THIS COUNTRY STUDY

The study was prepared by gathering information about national laws and local stakeholders' views on labour issues in the garment industry in Macedonia. Apart from this, information was also gathered from international recognised sources on the economic, social and political and human rights situation in the country. This information was gathered by FWF local service provider from Macedonia in collaboration with FWF HQ.

The following stakeholders, employers, trade unions and NGOs, were consulted in writing this country study:

I. GOVERNMENT/PUBLIC AUTHORITIES

State Labour Inspectorate,

Mr. Zlate Stojanovski, Head of the Unit for labor issues. Contact:+38975257821

<http://www.mtsp.gov.mk/drzaven-inspektorat-za-trud.nspix>

II. EMPLOYERS

Organisation of employers of Macedonia

- Svetlana Ristovska - Antik

www.orm.org.mk

Textile Trade Association

Natasha Sivevska

www.tta.org.mk

III. TRADE UNIONS

Federation of Trade Unions SSM

Elizabeta Gelevska (Secretary of the Trade Union for textile, leather and shoe industry)

www.ssm.org.mk

Union of Independent Autonomous Trade Unions of Macedonia

Slobodan Antovski/ Divna Zmejkovska; str. Vasil Gorgov 39, 1000 Skopje.

IV. LABOUR RELATED NGOS

Macedonian occupational safety and health Association MOSHA

Milan Petkovski

www.mzzpr.org.mk

[ILO -Macedonia country office](#), Mr Emil Krstanovski

Association for action against violence and trafficking in human beings

- "Open Gate - La Strada - MS Marija Todorovska

www.lastrada.org.mk

Copyright © 2017 Fair Wear Foundation
www.fairwear.org



Government of the Netherlands

'This report is published with the support of the Dutch Ministry of Foreign Affairs'

