

North Macedonia: Increase in minimum wage and its wider effects

ESPN Flash Report 2022/26

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MAY 2022

The Parliament of North Macedonia has adopted amendments to the Law on the Minimum Wage, instituting a 19.3% increase in the gross minimum wage, along with a new methodology for its calculation. The wider effects of these amendments include: potential for reduction of the in-work at-risk-of-poverty rate, impact on thresholds for access to social protection, as well as impact on other wages, most notably those in the public sector.



Description

At the beginning of February 2022, after more than a year of consultations among the social partners, the Parliament of North Macedonia adopted a Law amending the Law on the Minimum Wage (Official Gazette, No. 41/2022). Amendments include: a) a 19.3% increase in the gross minimum wage; b) stipulation of a minimum ratio of 57% between the minimum wage and the average wage; c) a change in the methodology for determining the annual adjustment of the minimum wage; and d) specification of a new level of financial support for employers for the period March-December 2022. These amendments came into force in April 2022.

The newest increase in the gross minimum wage is the highest so far since its statutory introduction in 2012. An ongoing increase in the gross minimum wage is one of the strategic priorities of the current political party which holds the majority in the government (the Social-democratic party - SDSM). Previous rises of the gross minimum wage in 2017 and 2019 were also significant: 16.2% and 17.2%, respectively. According to the government's estimate (Governmental Press Release, February 2022), the most recent 19.3% increase in the gross minimum wage will improve the living standards of approximately 80,000 workers (10% of all employed), predominantly employed in micro and small-scale enterprises, including commerce, the processing industry, textile industry, etc.

The amendments also include a stipulation of a minimum ratio of 57% between the

minimum wage and the average wage, which is an important reference introduced for the first time with these amendments. In February 2022, this ratio was 60% (State Statistical Office, 2022). This is consistent with what the International Labour Organisation (2016) has shown: in developing economies, the median wage earner is often relatively low paid, which can lead to higher minimum wage ratios than in developed economies.

There is also a new methodology to determine the annual adjustment of the minimum wage: the mean of the average wage growth and the inflation rate. The previous criterion (an adjustment based on the real growth in GDP) was taken out. According to the President of the Federation of Trade Unions, "the GDP adjustment criterion led to significant negative effects in the past, leading to failure to adjust the minimum wage to a dignified level" (Civil Today, 2022).

To mitigate the increase in labour costs, the amendments to the Law also stipulate financial assistance to employers for the payment of social security contributions, 1,197 MKD (€20) per worker, for the period March to December 2022. Following the amendments, employers eligible for the financial assistance are required to continue to employ the minimum wage worker for at least one year after the receipt of the financial assistance.



Outlook and commentary

The new increase in the minimum wage and its effective implementation may help to significantly reduce the in-work at-risk-of-poverty rate. According to the latest (2019) data from the EU Statistics on

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Income and Living Conditions (EU-SILC) available on the Eurostat website, 8.5% of all workers aged 18 years or above are at risk of poverty. This risk is even higher for workers living in households with children: 11.3% (versus 4.6% for workers living in households without children). This measure can be expected to reduce the in-work at-risk-of-poverty rate in general and also among households with children (thereby also reducing the at-risk-of-poverty rate among children). As an illustration, for a household consisting of 2 adults and two children aged less than 14, the newly set monthly minimum wage (18,000 MKD, i.e. €293) is slightly higher than the 2019 at-risk-of-poverty threshold (17,612 MKD/€287), both expressed in net terms. Similarly, the newly set monthly minimum wage is much higher than the 2019 at-risk-of-poverty threshold for a single parent with one child (10,903 MKD/€177) and higher than the 2019 at-risk-of-poverty threshold for a household consisting of 2 adults and 1 child (15,096 MKD/€245).

On the other hand, the increase in the minimum wage raises concerns related to access to social protection among certain households where the sole income is the minimum wage, or with incomes close to the level of the minimum wage. The 2019 national social protection reform gave certain categories of low-income household access to the guaranteed minimum assistance (GMA) and child allowance. Eligibility for these benefits is subject to a GMA threshold which depends on the household size and composition. Before the minimum wage increase, single parents with one child and couples with one child with incomes at the level of the (then) minimum wage had access to these benefits. Due to the fact that the GMA threshold is

not expressed in the legislation as a percentage of the minimum wage, every consequent increase in the minimum wage, if not followed with an increase in the GMA threshold, leads to a progressive erosion of social assistance benefits for vulnerable households.

The new increase in the minimum wage triggered a significant public debate, as well as a wave of public demands for similar increases in other salaries, most notably those regulated by the collective agreement in the public sector. Article 8 of the Law on the Minimum Wage (Official Gazette, No.11/2012) stipulates a harmonisation of existing collective agreements no later than six months after the law becomes effective. The representative trade union in the education sector therefore requested an increase of salaries in this sector (pre-school, primary and secondary education) in the same proportion as the new increase in the minimum wage. The same trade union called for a general strike, which lasted for three weeks in April 2022 and led to the closure of almost all primary and secondary schools, including 2/3 of pre-school facilities. In response to the government's appeal for a peaceful settlement of the dispute, the general strike was put on hold. On 21 April 2022, the government initiated negotiations with the Federation of Trade Unions (Government of North Macedonia, April 2022), with a view to discussing a new collective agreement in the public sector, which will include a linear increase in all public sector wages, as well as other rights including payment of the annual leave allowance.

The most recent increase in the minimum wage in North Macedonia shows the importance of considering the impacts on and interlinkages between the other wage segments.

Further reading

Civil Today (2022). [News release: North Macedonia raises minimum wage](#)

[Eurostat data base](#)

Government of North Macedonia (2022). Press release: [Minimum wage of 18,000 MKD](#)

Government of North Macedonia (2022). [Press release: Government and the Federation of Trade Unions initiate social dialogue on a new collective agreement in the public sector](#)

International Labour Organisation (2016). Minimum Wage Policy Guide, Geneva: ILO.

State Statistical Office (2022). [News Release: Average monthly gross wage paid per employee](#), February 2022, Skopje: SSO.

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Quoting this report: Mitev Gerovska, M. (2022), *North Macedonia: Increase in minimum wage and its wider effects*, ESPN Flash Report 2022/26, European Social Policy Network (ESPN), Brussels: European Commission.