

## **National Workshop “Tackling Informal Employment in the Republic of North Macedonia: Current Situation and the Way Forward”**

**17 April 2019, Skopje**

### **Report**

On April 17, 2019 the *Employment and Social Affairs Platform, Regional Cooperation Council* organised a national workshop on informal employment in Skopje, which brought together officials from the office of the Deputy Prime Minister, Ministries of Labour and Economy, Labour Inspectorate, Tax Administration, Central Bank, Employment Service, employers and employees’ organisation, and international organisations. The purpose of this workshop was to present the findings of the diagnostic report on informal employment and to share and discuss recommendations for effectively tackling informal employment from a holistic perspective.

**Mr. Gonul Bajraktar, , Deputy Minister of Labour and Social Affairs**, welcomed the participants and recognized that complexity of informality, which requires a systematic approach. Since 2017, the government has worked on the preparation of a strategy for tackling informality and has established a coordination body to implement the strategy. The actual action plan is comprised of 29 different measures that should be implemented until 2020. This workshop is important for further promoting a comprehensive approach to tackling informality and aligning the Western Balkans with EU practices.

**Mr. Nand Shani, ESAP team leader**, gave a short overview of the RCC and the ESAP project, jointly implemented by RCC and the ILO. He emphasized that tackling informality is an important national priority in each Western Balkan economy, which is also recognized by the EU. ESAP has developed comprehensive reports for each WB6 economy on the current state of affairs on informal employment, which also include policy recommendations based on the holistic approach towards formalization, used by EU member states through the EU platform on undeclared work. Informal employment will continue to be a priority topic of the second phase of ESAP project, that will start later this year, through the establishment of a similar platform and closer linkages with the work of the EU. After the round of national workshops in Western Balkan capitals, a regional event will be organized to discuss the operationalisation of WB6 platform on informal employment, as well as the priorities identified by respective institutions on national level. RCC and ILO will support the implementation of the recommendations in the next 3 years by creating a platform to tackle undeclared work in the Western Balkans, drawing on the experience of the European Union.

Participants were also informed about the EU platform tackling undeclared work, which serves to exchange information and good practices, learn from each other and together, develop knowledge and evidence, engage in closer cross-border cooperation and joint activities. The legislation was passed in 2016, according to which the platform adopted a holistic approach, i.e.

joining-up all enforcement agencies on the level of both strategy and operations in the policy fields of labour, tax and social security law, and involving social partners. It uses the full range of direct and indirect policy measures available to enhance the power of, and trust in, authorities respectively. Direct measures are based on the premise that people engage in undeclared work only if the costs of doing so exceed the benefits. Therefore, they focus on deterring engagement in undeclared work by increasing the penalties and risks of detection and implementing stimulative measures for purchasers and suppliers of undeclared work to formalize. Indirect measures relate to actions that try to reform both formal and informal institutions in order to align norms, values & beliefs of citizens with the rules and norms of formal institutions.

EU countries still use more heavily measures related to detecting and punishing of non-compliance. Improving the benefits of declared work in order to transform informal to formal work is used in some countries, while the Nordic countries use more frequently various campaigns to change their formal institutions and the perceptions of citizens. Overall, the best approach is to apply a full range of direct control (e.g., workplace inspections) to enhance the power of authorities and at the same time the indirect measures (e.g., awareness raising) to enhance trust in authorities.

**Ms. Nikica Mojsoska Blazevski, the RCC External Expert**, presented key features of informality in the Republic of North Macedonia and the main recommendations of the study.

- Informality is an extensive phenomenon – ranging from 17% to 40%, depending on the estimation method used;
- Envelope wages range from a low of 7.7% of formal employees to a high of 50% (commonly paid based on mutual consent);
- The demand (i.e. purchase) of goods produced in undeclared economy is relatively high (18%-32% of the citizens bought some informally produced good).

The institutional framework has witnessed some progress with the move from the “departments silos” approach to increased cooperation since 2014, with the adoption of the Law for prohibition and prevention of unregistered activities (joined up approaches of several inspection bodies, coordinated by the Inspection Council). Also, the strategy for formalization of the undeclared economy 2018-2022 is an important reference.

Current policy approaches focus on repressive penalties and increasing risk of detection with less emphasis on improving the benefits of and incentives for declared work and little use of indirect tools to deal with the formal institutional failings such as awareness raising campaigns and dealing with the imperfections and failings of formal institutions (for instance, justice and fairness).

Some of the specific report recommendations include:

- To adopt the legal amendments regarding a legal definition of undeclared work or to make a list of situations to be considered as undeclared work;
- Promote a coordinated national approach towards undeclared work on the level of strategy, operations and data mining, sharing and analysis;
- Set up undeclared economy information unit to enable more effective data mining, sharing and analysis across government;

- To improve the perceived and actual risk of detection of businesses engaged in under-declared employment, send friendly notification letters so as to push them towards compliance and introduce risk-based approaches in targeting and planning inspections;
- Provide incentives to businesses to formalize including through reduction of costs to formalize;
- Encourage electronic payments, introduce tax rebate incentives and service vouchers to incentivize consumers to use declared goods and services;
- Better coordination of social partners in the fight against undeclared work based on the combined knowledge of undeclared work;
- Strengthen human resources of key institutions, while continuing to educate citizens about tax morality.

**Mr. Goran Veleski from the Labour Department of the Ministry of Labour and Social Affairs** presented the Strategy for Formalization of the Informal Economy 2018-2022, which aims at improving the process of measurement, monitoring and detection of informal economy, enabling better business environment for companies, supporting formalization of informal economic activities and strengthening tax morality.

All institutions present in the workshop are members of the coordinating body that implements the action plan for the formalization of the informal economy. The action plan includes the following activities and the first progress report on them will be prepared in mid-2019:

- Establishing a system to monitor informal economy;
- Developing tools that make procedures for inspection of undeclared work easier;
- Designing vouchers or equivalent mechanisms which promote better working conditions;
- Awareness raising on benefits from transition to formality;
- Reporting on peculiarities of informal activities in different sectors;
- Improving the law on preventing unregistered activity;
- Creating a white list of companies;
- Creating a system for self-testing of 'gray' behavior.

**Mr. Zlate Stojanovski, Chief Inspector at the State Labour Inspectorate**, briefly described the work of the organization, with a focus on recent development including efforts to broaden the spectrum of measures other than sanctions and fines. The flexible labour legislation and simplification of company registration have already produced positive results, as have the introduction of ID cards at work, so that inspectors can identify workers and the voucher system for short engagements.

**Mr. Aleksandar Andreeski**, Tax Advisor for Risk Analysis in General Tax Inspectorate, shared some of their main activities such as the strategy for decreasing payments in cash, the national campaign on fiscalization and awareness raising, the inclusion of local government and the use of IT technology to develop a risk calculator and demographic map that takes into account features of different municipalities and uses evidence for campaigns and inspection

actions. The demographic map covers 85 municipalities and provides a realistic view of gray activity at municipal level.

**Mr. Nand Shani, ESAP Team Leader** encouraged participants to use the recommendations from the report in national actions, the implementation of which can also be supported through the ESAP Project technical assistance facility during the next phase of the project, which should start before the end of this year. The project will support the economies to develop and implement the holistic approach through the close coordination of stakeholders, improving knowledge and evidence on informality and building capacities of national institutions through mutual assistance programmes. It will support the improvement of data on informality, make sure that the labour force surveys are harmonised across the region and test interventions on what works in a particular economy to address the informality. All relevant institutions, such as Ministry of Labour, Ministry of Economy, Labour Inspectorate, Tax Authority etc. will be invited to start the mutual learning and sharing of best practices on how they tackle the informal employment. The long-term goal is to come as close as possible to the EU Platform on Undeclared Work.

N.B. This report also serves for the purpose of a duty trip report for Nand Shani and Sanda Topic.

## **Annex 1 –List of participants**

### ***Ministry of Labour and Social Affairs***

|                          |  |
|--------------------------|--|
| Mr. Gjonul Bajraktar     | Deputy Minister  |
| Mr. Mile Stojanovski     | <i>State Advisor, Labour Department</i>                                      |
| Mr. Darko Dochinski      | <i>Deputy Head, Labour Department</i>  |
| Mr. Mladen Frchkovski    | <i>Head of Unit, Labour Department</i>                                       |
| Mr. Goran Veleski        | <i>Labour Department</i>   |
| Ms. Aleksandra Slavkoska | <i>Head of European Integration and International Cooperation Department</i> |
| Mr. Elvis Memeti         | <i>Head of Unit for Implementation of Roma Strategy and Roma Decade</i>      |
| Ms. Sanja Smilevska      | <i>Social Protection Department</i>  |
| Ms. Aleksandra Mitovska  | <i>Social Protection Department</i>  |
| Ms. Milica Kocevski      | <i>Social Protection Department</i>  |

### ***Cabinet of the Deputy to the President of the Government of the Republic of North Macedonia***

|                    |  |
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| Ms. Ana Jovanovska | <i>Head of Economic Affairs Department</i> |
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### ***Ministry of Economy***

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| Ms. Elizabeta Todorova | <i>Head of Entrepreneurship Unit</i> |
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### ***State Labour Inspectorate***

|                        |   |
|------------------------|---|
| Mr. Zlate Stojanovski  | <i>Chief Inspector</i>                                    |
| Ms. Olivera Lazarevska | <i>Inspector-Advisor in the Field of Labour Relations</i> |
| Ms. Sonja Gjorgijeva   | <i>Inspector</i>  |

### ***Public Revenue Office***

Ms. Sasho Josifovski *Independent Tax Adviser for Registration of Cash Payments in Sector for Registration and Assessment of Taxes*  
Mr. Aleksandar Andreeski *Tax Advisor for Risk Analysis in General Tax Inspectorate*

**State Market Inspectorate**

Ms. Tina Temovska *Head of Department for Risk Management*

**State Statistics Office**

Ms. Lence Nadanovska *Advisor*  
Mr. Jane Mircevski *Junior Associate*

**Employment Service**

Ms. Frosina Velkovska Petkovska *Head of Unit for Normative and Legal-Administrative Issues*  
Ms. Tatjana Shestovikj *Advisor for Active Labour Market Measures*

**National Bank of the Republic of North Macedonia**

Ms. Maja Andreevska *Assistant to the Vice Governor, Sector of Monetary Policy, Research and Statistics*

**Chamber of Commerce**

Ms. Maja Saveska *Advisor*

**Association of Trade Unions**

Ms. Ljubica Dekovska  
Ms. Svetlana Dimoski

**International organisations and other participants**

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**International Labour Organisation**

Ms. Emil Krstanovski *National Coordinator*

**Regional Cooperation Council**

Mr. Nand Shani *Team Leader of Employment and Social Affairs Platform Project*  
Ms. Sanda Topić *Administrative Assistant, Employment and Social Affairs Platform Project*

**RCC External Expert**

Mr. Colin Williams  
Ms. Nikica Mojsoska-Blaževski