

## THE FUTURE OF LABOUR RIGHTS IN COVID 19 CONTEXT

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### Summary

This paper addresses the current issue of the employment situation in the context of the new world situation related to the Sars Kov.2 (Covid 19) virus and the consequences that we should expect in the future. The author of the paper analyses the policies undertaken at a national level in the Macedonian legal and economic system that aim to deal with the problems and consequences of the virus. The paper analyses the measures and how they reflect on the basic labour rights and the already adopted labour standards. The author of the paper answers the essential question, which is whether, in the conditions of the spread of the virus, the state bodies that create policies are ready and to what extent to restrict the basic labour rights and international standards. This paper also provides guidance and scientifically predicts the future steps to be taken to transform and give a new role to the labour law in the coming years and decades.

**Key words:** *employment, rights, pandemic, labour policies.*

### I. BEFORE THE PANDEMIC ERA

The labour and labour relations have been developing continuously in the last two centuries, but it seems that in the second decade of the twenty-first century there is an accelerated process of dynamising the changes that in certain segments have a tectonic character<sup>1</sup>. To all this additional acceleration was added with the advent of the new so-called pandemic of Covid 19 (Sars Cov 19)<sup>2</sup> which unequivocally affects the digitalisation process of labour relations in general. That is why we could say that the changes that affected the employment and the labour, and certainly manifested through changes in the economy, production and the jobs themselves, in terms of

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<sup>1</sup> The emergence of the labour legislation began in 1802 in England by the adoption of the Law on the protection of children and women, up until now, one of the basic characteristics of labour and employment is dynamics and variability. For more information on this in Gzime.S, Trudovo pravo, Prosvetno delo, Skopje, 2009, p.44

<sup>2</sup> Our country and society as a whole have faced a health crisis caused by the Coronavirus called Sars Cov 19, known as Corona 19 This phenomenon of infection, which primarily has health and sanitary reflections, due to its spread throughout almost the whole world, inevitably caused other than health consequences. One of the main secondary negative global side effects is the economic crisis or we could say an earthquake that happened in our country, as well as around the world. Namely, although the infection has started in China in November 2019, and according to some information even earlier, it still spreads rapidly worldwide, only to be declared a global outbreak by the World Health Organization (WHO) in February 2020.

dynamics are divided into a period from 2000 to 2019, and the new period, the so-called pandemic era, from 2019 onwards.

Before the outbreak of the pandemic in 2019 and 2020, labour relations were already affected by the process of change resulting from the so-called digital transformation of the economy<sup>3</sup>. But before the start of the digital transformation has started the so-called "Fourth Industrial Revolution" which, since the end of the last century, has paved the way for future changes. If the first industrial revolution meant the invention of machines, the second- mass production, the third- production automation, the fourth opened a new gate for the so-called digital economy and digitalization of production and services. This means that the digital economy needs different, digital jobs<sup>4</sup>.

In the period from the mid-70s, and especially the 80s and 90s of the last century, digitalization appeared as a project, a development platform where experiments were made on a micro level and the foundations of the new economic system were laid, which is now gaining momentum. The digitalization process is followed by a number of indicators, factors and catalysts that flow as tributaries to one goal, and that is the digital transformation of the economy. The information technology and the emergence of the e-economy are only accelerating this process and are an additional reason to see the need for digitalization. We can say that the whole process strongly influences the labour market by creating new forms of employment, where the centre is the flexibility of labour relations, supported by a degree of security<sup>5</sup>. However, when we speak about the intensity of flexibility of labour relations in the pre-Covid era, it can not be closely measured by the degree of flexibility that occurred during 2020 and continues further. Therefore, the pandemic has unequivocally left its mark on a process that began in the early 1970s and has been accelerating since the end of the second decade of this millennium. However, the maximum of the transformation has not been reached yet, which according to some comparative analyses should have its culmination by the end of the 3rd decade of this century<sup>6</sup>

## **II. THE IMPACT OF THE DIGITAL ECONOMY ON THE LABOUR MARKET - THREE DECADES AGO**

Discussions about the digital economy generally distinguish between traditional firms that aspire - with a greater or lesser degree of success - to adapt to new technologies (screen work, remote work (mobility), shared buildings) and "digital natives". which are companies that have emerged with and as a result of the new technologies and are characterized by a fundamentally different form of work organization that is "more agile, structured as a project, more open to the ecosystem and much more efficient, especially in terms of spreading innovation: open space,

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<sup>3</sup> Digital transformation as a term is used to mean change of the economy, production, and therefore labour relations and jobs by introducing digital work platforms, which either facilitate the work, or transform it, but certainly, change it. See: Digital economy reports, UN/UNCTAD/DER, 2019; Harbhajan S. Kehal, Varinder P. Singh, Digital Economy: Impacts, Influences and Challenges, IDEA GROUP PUBLISHING, 2005.

<sup>4</sup> Kowalski W. (2015) The European digital agenda: unambitious and too narrow, Social Europe, 6 July 2015. <http://www.socialeurope.eu/2015/07/european-digitalagenda-unambitious-narrow>; DegryseChristophe (2016), Digitalisation of the economy and its impact on labour markets, ETUI, Brussels, pg. 9-12.

<sup>5</sup> Degryse C., op.cit.pg. 33. The classification of 9 new forms of employment according to Euro fund are the following: Divided work / divided job, voucher-based work, employment through cooperation, internal expert management, work as needed, platform work, self-employment through portfolio work, online work.

<sup>6</sup> Ibidem, pg.34

cooperation sites, etc. <sup>7</sup> This "mobility" refers to the workplace, working hours, and the subordinate relationship between the employer and the employee. As it will become apparent, the "agility" in question is not necessarily or exclusively synonymous with greater employee freedom<sup>8</sup>.

All this has an impact on the management, as well as on new forms of unpaid work (this refers to unpaid employment as a legal form), i.e. self-employed and part-time workers which number is increasing in the United States, the Netherlands, Germany, France and elsewhere <sup>9</sup>

If - as confirmed by the ETUC Congress in 2015 - the term decent employment includes decent wages, ensuring health and safety at work, acceptable working conditions, training and promotion opportunities; and if the full-time contract and open contract "for all" should remain the norm, then the impact of the digital revolution on the labour markets can cause a number of problems<sup>10</sup>.

### *1. What will be the overall impact on the economy and labour markets?*

While all studies point out that this "revolution" will have a major impact on the labour market, they also stress that this impact will be differentiated by sector and that new jobs will emerge in many forms. Therefore, it is very difficult to make any precise measurement of the specific future consequences on all occupations, all jobs, all sectors. A general overview of the different areas of influence would be as follows:

- job creation: new sectors, new products, new services;
- change of work: digitalisation, human/intelligent machine interface, new forms of management;
- work destruction: automatisisation, robotisation;
- change (shift) of the work: digital platforms, crowd financing, "Sharing economy".

These four impacts of digitalization are considered with macroeconomic stakes arising from the development of the labour market, wages, social inequality, and the quality of newly created changed or "changed" (shifted) jobs, etc. In the context of major international studies in this field examining the regularities, the relevance and impact of these aspects indicate that it is becoming increasingly apparent that the traditional division between "industry" and "services" is becoming less relevant.

The fourth industrial revolution seems to make the boundaries between the two sectors much more porous: a symbolic (emblematic) case of this characteristic merge of the industry and the services is the so-called intelligent car, a potential "computer on wheels", which includes all the services that mobile applications can offer to the user. Significantly, the major German carmaker boasts not only the technological features of his vehicles (performance, comfort, etc.) but also with the "new form of mobility for a more dynamic way of moving" and that he is already working on various services it could offer to the passengers of its future driverless cars: entertainment, virtual reality, historical or tourist information about the places it passes through,

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<sup>7</sup> Mettling B. Transformation numérique et vie au travail, Rapport à l'attention du Ministre du Travail, de l'Emploi, de la Formation professionnelle et du Dialogue social, 2015, pg.8 <http://www.Ladocumentationfrancaise.fr/rapports-publics/154000646/>

<sup>8</sup> ibidem

<sup>9</sup> Degryse C., op.cit.pg.14-17, 24

<sup>10</sup> Degryse C., op.cit.pg.17; ETUC (2015), The digital agenda of the European Commission: preliminary ETUC assessment. Endorsed by the Executive Committee at its meeting on 17-18 June 2015. <https://www.etuc.org/sites/www.etuc.org/files/document/files/en-digitalagenda-of-the-ec-preliminary-etuc-assessment.pdf>

etc. Similarly, the International Automobile Federation (Federation Internationale de l'Automobile- FIA) recently revealed the extent to which today's cars collect all sorts of personal information about car owners. Thus, certain BMW models send to their manufacturer data about the driver, his/her location, export routes, the last hundred parking spaces, driving style, data for synchronization of mobile phones, etc <sup>11</sup>.

According to The Economist (2015), "a high-end car, for example, has a digital horsepower of 20 personal computers and generates 25 gigabytes of data per hour of driving." On the other hand, it is equally important that a company like Google should invest in the construction of autonomous vehicles that are the product of their geolocation services and online route calculation services, and so on. This development also reflects the meaning of the adjective "smart", which is often used to describe these vehicles, which, according to our hypothesis, simply reflect the combination of industry and digital services: after the "smart" phone we now have a smart car, a smart factory, a smartwatch, smart clothes, and even smart cities<sup>12</sup>.

At the same time, and in a way that is better documented, this development responds to the emergence of a service-based economy, not just property. Does anyone need to own a car or have access to mobility services? This two-way border that shifts between industry and services and between private ownership of goods and access to services seem to give substance to Jeremy Rifkin's intuition of an "access economy," or what he called the transition from an industrial economy towards cultural production economy<sup>13</sup>.

The aspect of this fourth revolution that is currently receiving more media attention is the services sector. "The same forces that shook the industrial sector - globalization and labour-saving technological innovation - are now beginning to be felt in the service sector, increasing the chances of a pronounced employment crisis - an outcome that has so far been avoided." <sup>14</sup>

The fourth industrial revolution is happening more intensively every day, and we are witnessing its rapid spread and penetration into every segment of life, jobs, social events, etc. The fact is that this industrial revolution, with its tools, increases productivity and economic growth. Industries are adapting to these developments around the world, and unfortunately, from a labour market perspective, many people around the world face the fact that they need to change their current professions, retrain, and upgrade their knowledge and skills<sup>15</sup>. People and machines are working more closely together in this revolution. These facts are a challenge for the employers, they are a challenge for the employees, especially the older generation of employees who have dedicated their lives to building a profession. But there must be a solution for this whole mass of people in jobs that move the world. Some jobs will grow and develop, while on the other hand, at the expense of these, others will start to become "surplus" jobs in the labour market<sup>16</sup>.

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<sup>11</sup> FIA (2015) FIA reveals what data is being tracked and how the public reacts to connected cars. <http://www.fia.com/news/fia-reveals-what-data-being-tracked-andhow-public-reacts-connected-cars>

<sup>12</sup> Hébel P., Siounandan N. and Van de Walle I. (2012) La seconde vie des objets : les pratiques d'acquisition et de délaissement des produits de consommation, Cahier de recherche 290. <http://www.credoc.fr/pdf/Rech/C290.pdf>

<sup>13</sup> Rifkin J. (2001) The age of access: the new culture of hypercapitalism, where all of life is a paid-for experience, New York, J.P. Tarcher/Putnam

<sup>14</sup> Roubini N. (2015) Labor in the Digital Age (Part 1 and Part 2), Roubini Global Economics, January 2015. <https://www.roubini.com/analysis>

<sup>15</sup> industrial (2015) Digitalising manufacturing whilst ensuring equality, participation and cooperation, Policy Brief 2015-07. [http://www.industrial-europe.eu/database/upload/pdf/2015112PolicyBrief\\_2015-07\\_DigitisationOfManufacturing-EN.pdf](http://www.industrial-europe.eu/database/upload/pdf/2015112PolicyBrief_2015-07_DigitisationOfManufacturing-EN.pdf)

<sup>16</sup> industrial (2015b) Digitalisation for equality, participation and cooperation in industry - More and better industrial jobs in the digital age, Position Paper 2015-02. Document adopted by the 7th Meeting of the Executive Committee,

### III. THE ROLE OF THE PANDEMIC IN THE TRANSFORMATION OF LABOUR

The transformation of labour means above all a transformation of labour relations. The digital transformation has so far strongly influenced the economic relations, especially in the EU member states (primarily in Germany, the Netherlands, Denmark), in the USA, China, in the so-called Asian tigers, but the same is true in some Arab countries, especially in the last 10 years such as the UAE, which was not the case in previous decades<sup>17</sup>. But what has been seen in the last year is that we have a resounding quantum leap in the digitalisation process caused by the Sars Cov 2 pandemic in almost every country in the world.

The transformation of labour caused by the pandemic is moving at a faster pace than the impact of the pandemic on the transformation of production relations. This is logical and expected because labour relations are transformed faster, cheaper and easier digitally than the complex production systems in factories and other economic facilities. However, the digital transformation of labour relations in the last year and a half refers primarily to those jobs where it is possible, i.e. where you can work from home through digital platforms and use flexible forms of work and employment. These flexible forms, as mentioned above, were also present in the pre-pandemic period, but their implementation was relatively moderate, especially in developing and underdeveloped countries.

North Macedonia, in the pre-pandemic period, had a relatively small number of jobs where digitalization had its place and role. It was primarily in the banking sector, but partially in some banks (Komeracijalna Banka), in the IT sector, as well as in some service activities such as online sales and telephone operators. However, the Macedonian example of digital transformation of labour relations and jobs that is happening at a dramatically fast pace, shows how motivating certain external limiting factors are in finding alternative solutions for maintaining economic relations and labour relations.

Before the Covid-19 crisis, employment in the Western Balkans was at a record high level, according to a number of surveys conducted by relevant European Union institutions, while unemployment was at a record low level. This means that many people, in line with the technology that drives society, have found a way to secure a job for themselves, in various business segments. The crisis with Covid - 19 has already reduced part of the benefits of the labour force in the Western Balkans, i.e. by April 2020, 40 per cent of the benefits due to the reduction of unemployment in 2019 were lost.

According to a survey conducted by the World Bank Group, the overall impact on employment is expected to be unprecedented and widespread. Most countries in the Western Balkans, as well as countries in Europe, support companies to retain jobs and to protect the unemployed. Once the recovery phase begins, authorities should not lose sight of overcoming the long-term challenges, such as acute labour force and skills shortages, as well as the low productivity.<sup>18</sup>

Life protection measures are expected to have a negative impact on the labour market throughout the Western Balkans, as well as Europe. Restrictions on movement and social distancing have both a visible and an invisible impact on labour supply and demand, transport and travel. Entire

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Brussels, 02-03 December 2015, industriAll 66/2015. [http://www.industriall-europe.eu/database/upload/pdf/2015929PositionPaper\\_2015-XX\\_DigitalisationOfIndustry\\_DRAFTv1.pdf](http://www.industriall-europe.eu/database/upload/pdf/2015929PositionPaper_2015-XX_DigitalisationOfIndustry_DRAFTv1.pdf)

<sup>17</sup> Degryse C., op.cit.pg. 14; Digital economy reports, UN/UNCTAD/DER, 2019

<sup>18</sup> Economic and social influence of Covid-19, Economic report on the Western Balkans no. 17

sectors of the national economies are closed - restaurants, retail, transport, tourism, hotels, and a large part of the manufacturing industry. Despite the support packages for the mentioned businesses and industries by the governments, the business in the whole economy suffers losses that are a threat to the operation and solvency. Small and medium-sized companies are most concerned, but informal businesses are concerned too. Where informal employment, temporary employment, and self-employment are disproportionate, labour markets will face greater destruction and job loss, and this problem will need to be addressed through the application of social protection measures.

Companies quickly began taking defensive measures due to the coronary crisis. Such are changes in working hours, temporary reduction of working hours, unpaid leave, forced leave, and sometimes layoffs i.e. forced closures to deal with reduced work. According to a survey conducted in early May 2020 by the Economic Chamber of Macedonia, only 19 per cent of companies sent their employees on forced leave, and only 0.8 per cent fired workers.

We consider it important to note that the return of emigrants will have an additional impact on unemployment. In 2017, about 3.7 million workers from the Western Balkans lived in Europe<sup>19</sup>. Now that restrictive measures and demand shocks have hit the labour markets in Europe negatively, migrant workers with short-term work contracts are among the first to be laid off. Most of them return home to reduce their living expenses. If only 10 per cent of them return, the number of unemployed in the states will increase by one third.

Applying the sectoral risk assessment of the labour force data of the European Union countries indicates that men over 30 years of age, with secondary education, working in small and medium-sized enterprises, with permanent contracts, will be most affected by the influence of Covid-19. About two-thirds of the workers who will most likely be affected are men, as more men than women are employed, out of the total number of employees in the European Union and in the world, and because of the different occupations in which men are most often employed.

According to a study by the World Bank Group, private sector employees will feel the greatest impact of the crisis, i.e. up to 88 per cent. This fact is not surprising given the already mentioned collapse of the private sector. Half of the affected workers will be in small companies, although in North Macedonia, over 38 per cent of the affected workers are from large companies. In the Western Balkans, as in the European Union member states, one-third of all employees work in the wholesale and retail trade sector.<sup>20</sup>

### *1. Analysis of the situation in North Macedonia - health and economic*

Under Macedonian conditions, the infection appeared during March, and in the same month, steps were undertaken to prevent the pandemic and prevent the spread of the infection. For that purpose, in the middle of the month (March 18th), a state of emergency was declared, which should last until the end of May, unless the President extends it. Without going into the details of the health aspects of the fight against the Coronavirus called Covid 19, we would dwell on the economic aspects of the situation.

It seems that economic measures do not follow the dynamics of health measures, which aim to prevent infection, while economic and financial measures are more of a reaction to the consequences than prevention. In order to help the society and the economy, on March 16 we

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<sup>19</sup> *ibidem*

<sup>20</sup> Source: State statistical office, World Bank estimates

have proposed a set of measures that can help in these circumstances. Among others, they were on the following steps:

- a. Subsidizing the salary contributions in the amount of 100% in tourism, transport and catering, as well as subsidizing 50% of the contributions in all other economic activities within three months;
- b. Subsidizing salaries in the amount of 80% in tourism, transport and catering, as well as subsidizing salaries in the amount of 40% of the minimum wage in all other sectors within three months;
- c. Payment of a special salary supplement (in addition to the regular salary and other allowances) to all health workers, members of the Ministry of Interior engaged on site and members of the ARM engaged on-site in the amount of 35% of the salary.
- d. Abolition of public transport and provision of free public transport for all companies with more than 5 employees within three months;
- e. Financial assistance for all companies that will continue with the production activities and provision of free means for the protection of all employees;
- f. State subsidy for all overtime hours of employees in the food trade, pharmacy and drug industry in the amount of 30% for each overtime hour;
- g. Financial support for all companies that will not lay off any employee, and for those who will send employees on forced leave subsidizing 50% of the compensation that companies are obliged to pay to employees who are on forced leave (compensation is 70% of salary );
- h. Subsidizing the salary and contributions of all employees of the economy who use the measure to stay at home due to chronic diseases, pregnancy and care for children of up to 10 years of age in the amount of 50%;
- i. Recognition of the state of force majeure for all companies in North Macedonia and if the company temporarily ceases to work (e.g. in catering), subsidizing contributions in the amount of 100% for all employees who are not at work and 70% of salary compensation which will be paid in accordance with Article 112 paragraph 7 of the Law on Labor Relations within 3 months;
- j. Possibility for payment of a three-week salary and contributions of all companies that must cease their activity or financial incentives for payment of salaries;
- k. Freezing of all debts on the basis of loans, execution of judgements, and other monetary claims in the amount of 100% of all citizens in the next 6 months;
- l. VAT exemption for all companies that will show a profit in the third and fourth quarter of the year;
- m. Reduction of interest rates at all commercial banks;
- n. Direct financial assistance to companies in the next three months with non-repayable state funds for which the state will borrow at least 500 million euros in the next two months;
- o. Rebalance of the budget with a decision of the Government (given the declared state of emergency it is possible) and reallocation of budget funds to priority goals for dealing with health, economic and financial problems in the next 3 months;
- p. Deferment of all tax liabilities for companies that will show a loss in the period from March to June;
- q. Redemption of government liabilities and other financial measures;

r. Turning to the domestic economy and consumption.

As can be seen from the measures we proposed at the beginning of the Corona crisis in mid-March, they were intended to help the companies and the economy, but also the employees themselves who are directly affected by future unplanned layoffs and loss of jobs. The basic idea on which the preventive policy against the economic-financial and social problems caused by the infection was to help the companies in two goals: business to survive, i.e. companies to survive, especially micro, small and self-employed, and on the other hand, the second goal is through the help of companies to directly influence the preservation of jobs. Instead, the government seems to have taken the opposite step, namely that the set of measures, the so-called three series of measures taken to deal with the economic and financial consequences and social problems, the emphasis is on helping the citizens who lost their jobs, instead of preventing the situation of layoffs and job losses. The third set of measures especially confirms this.

Say the truth, as can be seen in some of the proposals we have given in part, and some have been fully accepted by the Government, but we must still note that in some sense they are overdue. Especially the first two sets of measures, which do not have real financial and economic input in the economy and on the labour market. The third set of measures that came out on May 18 are first and foremost social measures that provide financial assistance to different categories of citizens, of which it seems that the priority for assistance are the young people. This is in a sense unclear, why young people are the focus of the third set of measures of the Government, where financial assistance is provided directly. In addition, financial assistance is provided for those active job seekers who have incomes below 15000 denars, in order to encourage the consumption of Macedonian products, which is to some extent in line with our proposals (item r).

This third set of measures is the most extensive and is basically social assistance, which we consider to be inspired by the criticism towards the Government that only about 1% of GDP is directed to help the economy and citizens to overcome the crises and help them due to the economic crisis caused by Covid 19. Now this percentage will increase to some extent, but we ask the question, does this manner of giving non-refundable funds to the citizens mean keeping the jobs and does it also mean that the economy will receive direct financial assistance?

In our opinion, the answer to both questions is negative! First of all, regarding the real dilemma, it is unequivocal that giving financial (social assistance) to the unemployed does not actually mean that these people will be employed, but on the contrary, it stimulates the awareness and will to function in the personal (individual) atmosphere of apathy and detachment of entrepreneurial spirit, especially among young people. On the other hand, this assistance does not mean that those employers who want to lay-off employees (for example, the so-called redundancy), will change their minds, but on the contrary, they will have another argument in front of workers and unions, that laid-off employees will be able to use additional social financial measures to help them function, which is ultimately true. However, we emphasize that this type of measure does not help companies, but those who lost their jobs or were not employed at all, and who have so far used certain rights based on unemployment provided by law or previous measures.

Regarding the second question, we can say that at first glance it may seem that the economy will receive some financial assistance by stimulating consumption, but if we analyse how the measures are structured, i.e. which sectors they refer to, it is inevitable to conclude that financial resources will be used for Macedonian products in the consumption of food and beverages, as well as in tourism. However, it is indisputable that retail is still not affected by the economic and

financial consequences of the infection, but on the contrary, it is growing. There were no layoffs, only redeployment and retention of workload and jobs. Regarding tourism and vouchers that were envisaged as financial assistance for citizens who are at social risk to use vacations, we can say that the measure itself is controversial and contradictory. First of all, it is said that it can be used by employees who have a salary below 15000 denars, and these are only those who have a minimum salary and which is around 14900 denars. Many of these people because of the previous regulations for using the holidays from 2019 and 2020 have already used the holidays and are not entitled to more days of vacation this year, and on the other hand, people who live on the minimum wage, should not be considered to afford to spend their holidays even with financial assistance. Moreover, the practical application of the measures so far was aimed at taking the income of the whole family, and not the individual, so that, if this is how the provisions of the Decrees are interpreted, a very small number of employees will have the right to apply.

In the context of the overall management of the economic, financial and social problems due to the Corona crisis, the question inevitably arises from where the financial aid will be provided, especially if the money is mostly given as social transfers, and a much smaller amount is allocated for direct financial assistance to companies? This, especially if we take into consideration that the Government is already late in securing funding from external sources.

#### **IV. DEALING WITH THE CONSEQUENCES OF THE PANDEMIC AND THEIR INFLUENCE ON THE LABOUR MARKET**

Countries around the world have faced the consequences of the health crisis globally, which has strongly reflected on the labour market in national economies, as well as regionally, as is the case with the EU. As mentioned earlier, the labour market is changing and the pandemic is having a catalytic effect on the digitalisation of jobs and labour itself in general. The decline of the world economy between 3 and 4.5% strongly affects and creates pressure on jobs <sup>21</sup>. The entire international community has taken steps to adopt measures and policies to overcome the economic problems caused by the pandemic as well as to prevent major shocks in the labour markets. The international community has so far acted at least in part in a coordinated manner, but still, due to the interconnectedness of the global economy, the measures are taken by one country to some extent, directly and indirectly, affect other national economies that have trade and economic ties with each other. However, in the continuation, we will dwell and briefly analyse the economic measures adopted by the Government of RN Macedonia, their impact on the Macedonian economy and labour market, their efficiency and applicability.

##### *1. Labour-economic and social measures adopted by the Government*

In 2020, the government adopted four sets of measures aimed at mitigating the transformative negative effects caused by the pandemic on the labour and economic relations in the country. The main feature of these measures was their delay, as well as a large number of ambiguities and abuses that occurred during their practical implementation. This continues in relation to the so-

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<sup>21</sup> Impact of the coronavirus pandemic on the global economy – Statistic and Facts, Statista, February 2021, <https://www.statista.com/topics/6139/covid-19-impact-on-the-global-economy/>

called fifth set of measures that have been announced since the end of 2020, but by the beginning of March 2021 has not yet been adopted.

Considering that we have already mentioned above certain aspects of the measures adopted by the Macedonian government, however, on this occasion we will give some basic characteristics of all measures, especially of the fourth set of measures and the proposal of the fifth set of measures. We can divide the measures into three basic groups of measures. The first group of measures refers to helping companies and depreciating the negative pandemic aspects of the economy in general. The second group of measures refers to the employees and are labour-legal, i.e. they aim to help preserve the jobs. The third group of measures refers to the so-called social measures, which include groups of citizens and which aim to help citizens who are marginalized in society or by strengthening their consumption to help the Macedonian economy.

From the labour-legal aspect, the measures that were adopted with the first set, and were then continued, are the measures that refer to the financial support for the payment of the workers' salaries to the employer-applicant for financial support starting from April until the end of 2020 in the amount of at most 14,500 denars per month per employee, in proportion to the achieved effective hours spent at work. In addition, a measure was adopted which provided for the so-called monthly salary (monetary compensation) for the citizens who lost their jobs due to the crisis, in the amount of 50% of the average salary of the employee. For citizens who lost their jobs due to the crisis, the state paid monetary compensation every month in the amount of 50% of the average monthly net salary of the employee for the last 24 months in accordance with the Law on Employment and Unemployment Insurance in case of unemployment and Article 68 of this law, according to which the citizens who lost their jobs will receive compensation through the Employment Agency according to their years of service. Compensation of MKD 7,000 per household was also provided for persons without employment or persons who were part of the informal economy. The measure that was not financial referred to the manner of using the annual leave, which provided for the mandatory use of the first part of the annual leave (for 2020), i.e. mandatory completion of the annual leave from last year until May 2020, which will be approved by the employer.

The fourth, last set of measures that were adopted at the beginning of autumn 2020 and which were related to labour relations can be divided into two major groups. Those measures that applied to companies and measures that were intended for craftsmen. The measures to support the companies referred to the support for payment of salaries for the last quarter of the year, i.e. for the months of October, November and December. A novelty in this measure is that the support was determined to step by step according to the decline in revenues of companies. The idea was, the greater the decline in revenues in the companies covered by this measure, the greater the support from the state for the payment of salaries which will range from the current 14,500 to 21,776 denars. The measure was planned to cover 83,000 jobs and amounted to 70 million euros, and the companies that will apply must keep the number of employees until July 31, 2020. In addition to companies, this measure also applies to self-employed persons, i.e. sole proprietors, persons engaged in agriculture, craftsmanship and persons performing other services. This measure did not affect practice and was not used.

A measure was envisaged for the companies through which, through the Development Bank of the Republic of North Macedonia, the existing users of credit lines from this bank will be provided with an additional 3 months of grace period before starting the payment of the annuities from the taken loans. In addition, new 100 million euros were provided for favourable loans for companies, which were to be placed in January 2021, and the repayment of current loans has

been postponed until the end of 2020. It was also envisaged to postpone the payment of advance payment of the profit tax, by activating the state credit guarantee and the state customs guarantee. The companies were supposed to receive postponed VAT payments. As part of the measure for support for the development of human capital, this package envisages exemption from profit tax and personal income tax for costs for employees related to retraining and team building, which will be implemented from January 1, 2021.

Measures were adopted that for the first time covered certain sectors, such as restaurants and craftsmen, as well as local governments. Support was provided for the tourism sector, which provides salaries for 150 registered tourist guides with a minimum gross salary of 21,776 denars. It was planned for 4,740 entities that organized overnight stays in 2019, to be reimbursed 2 million euros, which is the total amount of tourist tax collected in that year, as well as to 500 travel agencies to be given grants worth 3,000 up to 7,000 euros, depending on the number of employees and the total turnover in 2019, as well as whether they are holders of an A or B license. These plans have only been partially materialized, and according to statistics, about 30% of this assistance has been realized <sup>22</sup>.

Wedding restaurants were provided to receive support with this package of measures in the form of grants if they meet the requirement to be registered and licensed in the business in the amount of 3,000 to 10,000 euros, depending on the turnover in 2019. About 120 discos and nightclubs and about 7000 transporters, were planned to get an extension of the license for work in 2021 with 0 denars fee, so that the transporters will receive an exemption plus for another year, depending on when their license expires. Grants in the amount of 1,000 to 5,000 euros were to be provided for about 1,000 playrooms for children, depending on the turnover in 2019, and the total value of this measure is 2.5 million euros. There was no great interest in these measures, there were problems in the implementation and their effectiveness. As a result, during February, restaurant owners and craftsmen began protests in front of the government to help their economic survival.

This set of measures provided for some further tax breaks and reductions <sup>23</sup> as well as aspects that were supposed to help the economy recover from the shock of the pandemic and to save the jobs, but at the end of the year the unemployment rose by 56,000 new unemployed people, and a large number of companies declared forced to leave at the beginning of 2021, or are on the verge of bankruptcy or liquidation.

The fifth set of measures that have been announced for a while, and has not yet been adopted by the beginning of March 2021, is expected to contain a total of 29 measures worth 9.7 billion denars or about 160 million euros, of which 91.7 million are direct budget expenditures. The measures are divided into 4 main pillars:

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<sup>22</sup> Taken as the source are the analyses of the Government and the non-governmental sector that monitor the measures of the Government of RM.

<sup>23</sup> The craftsmen were supposed to be supported with a measure to reduce the VAT on their products from 18 to 5%, further, the VAT rate for restaurant services and food and beverage was reduced to 10% instead of the regular rate of 18%, but the measure was applied from January 1, 2021, for 9,360 registered accountants in 2020, the condition for collecting points from Continuous professional development for renewal of the license of accountants did not apply. Public donations were exempt from VAT for another 12 months, and the period for covering losses at the expense of future profits was increased. It was also planned to increase the threshold by which companies would be part of the total revenue regime, i.e. legal persons who have a total income between 5,000,001 denars and 10 million denars, to be able to choose whether to pay profit tax or to switch to a total income tax regime of 1%, but this was not realized.

1. Direct financial support for the companies in order to retain the jobs in the sectors of tourism, craftsmanship, catering, transport organisation.
2. Financial support for the liquidity of the private sector with interest-free loans to keep and increase the number of employees.
3. Creating a favourable business environment by systemic redefining the tariff code, reducing nonfiscal expenditures, and tax relief and postponing certain public expenditures.
4. Support for citizens.

Given that the measures have not been adopted yet, the analysis will follow after their adoption, primarily from the aspect that from this perspective it can not be precise which measures will be finally adopted and with what content.

## **V. CHALLENGES THAT WILL FOLLOW IN THE AREA OF LABOUR AND WORK RELATIONS**

The economic crisis caused by the Sars Cov 2 virus, given the second as well as the third wave of its spread, has a medium-term, but profound and strong negative effect on the economy. This is reflected in the jobs and the second half of 2020 and the beginning of 2021 will start to be reflected on social transfers and policies. This certainly deserves additional analysis, but for now, we can say that certain implications are felt in the social sphere. On the other hand, the economic transformation that will follow in the future, and which will have to help the economic and financial recovery of companies and the economic systems in general in the countries, will be based on certain labour practices that we are witnessing and that are occurring in this period of one year. This will mean moving labour relations more towards flexible forms of work, further accelerated digitalization of jobs, and thus a certain percentage of job losses. The digitalization of the work process will inevitably require the introduction of new digital technologies that will raise the issue of their safety, both in terms of human health and in terms of personal safety and privacy.

The possibility is not ruled out, on a global level, to face the paradox on the one hand to have intense competition in the fight for global talents, and on the other hand, to appear at the same time a vacuum of skills for which unfortunately there is no enough time to develop and to be applied in the new businesses.<sup>24</sup>

We believe that future policies and measures should go in the direction of being ready to welcome new dramatic shifts in the labour market, economic oscillations and new legal solutions. Within North Macedonia, our economy, which is relatively small and fragile, need to prepare for increased unemployment in the period ahead, new working methods and new forms of human resource management. Truth be told, as a small economy we have an advantage, and that is that large tectonic economic earthquakes so far, and from now on, partially bypass us, but the problem is that we persistently in the past 30 years have no courage and virtue to build economic and labour relationships that are tailored to people and for our common good. Unfortunately, this economic crisis shows that which we manage in confusion, in vain, with delays in taking measures and probably with a number of hidden agendas, which, if we are right, are still to come to the surface. Transparent and efficient action is needed with the involvement of all social and political entities in the country, to find quick and applicable repetitions, which

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<sup>24</sup> Gabriela Krstevska, column on Labor Market Challenges <https://msu.edu.mk/predizvitsite-na-pazarot-na-trudot-vo-bliskata-idnina-dots-d-r-gabriela-krstevska/>

are sometimes simple and sometimes served. In addition, the state must have a vision and certain goals and priorities for the protection of marginalized groups of employees, such as people with disabilities, single mothers and women in general, but also the new groups of marginalized employees that appear these years, such as older workers, young people, the self-employed and people engaged with different types of contracts in different flexible forms of work. If in the next six months active policies for the prevention of layoffs are not adopted, as well as recognition of the disease Sars Cov 2 as a special type of occupational disease with full involvement of the Health Fund after the payment of financial compensation, it is possible to deepen social and economic differences in the society<sup>25</sup>.

The conclusion is inevitable that the national economy and labour law systems, but also the global economy is facing numerous challenges and strong pressure. The world has not united in the fight against the challenges and the economic consequences of the Sars Cov 2 pandemic, although there have been some small-scale coordinated actions. It showed the pattern of vaccine distribution, as well as how stronger economies (do not) show solidarity with weaker ones. We believe that a period of uncertainty is coming, but also optimism for economic recovery. However, labour markets and labour relations will never be the same as before the pandemic era. A new phase begins on the global stage of the labour market and in the global economy. Those governments and societies that do not understand this will soon face numerous problems and possible economic collapse.

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<sup>25</sup> Precisely because of the non-recognition of Sars Cov 2 as a special type of occupational disease and not covering the full costs of hospital treatment, as well as due to the poor readiness of the health system, many citizens are treated in private hospitals, even though for decades they pay health insurance contributions, are forced to set aside huge sums of money for treatment, thus facing strong financial pressure on the home budget.

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