



Personal and household services in Central and Eastern European Countries: Improving working conditions and services through industrial relations.

**National report for North Macedonia**

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## List of Abbreviations

Abbreviation	Full text
PHS	Personal and Household Services
CEE	Central and Eastern European
EU	European Union
SSO	State Statistical Office
EURs	Euros
MLSP	Ministry of Labour and Social Policy
UNPRPD	United Nations Partnership on the Rights of Persons with Disabilities
NGOs	Non-Governmental Organizations
LRL	Labour Relations Law
ESA	Employment Service Agency
UNICEF	United Nations Children's Fund
NACE	Statistical Classification of Economic Activities in the European Community
LFS	Labour Force Survey
COVID19	Coronavirus Disease 2019
IOM	International Organization for Migration

ILO	International Labour Organization
FGs	Focus Groups
GMA	Guaranteed Minimum Assistance
MKD	Macedonian Denar (currency of North Macedonia)
FGD	Focus Group Discussions
ORM	Organization of Employers
BCM	Business Confederation of Macedonia
SONK	Independent trade union for education and science
KSS	Confederation of Free Trade Unions of Macedonia
SSM	Federation of Trade Unions of Macedonia
UNASM	Union of Independent and Autonomous Trade Unions of Macedonia
KSOM	Confederation of Trade Union Organizations of Macedonia
CA	Collective Agreement
GCA	General Collective Agreement
SCA	Special Collective Agreement
ICA	Individual Collective Agreement

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## Executive summary

The Personal and Household Services (PHS) sector in North Macedonia stands as a cornerstone of both the economy and societal well-being, offering a diverse array of essential services ranging from childcare and adult/senior care to a variety of non-care services such as cleaning and minor repairs. This sector is currently undergoing a significant transition and reform, particularly within care services, aiming to adapt to the evolving demographic shifts, cultural transformations, and a general movement towards more community-based care solutions.

One of the pivotal challenges facing the PHS sector in North Macedonia pertains to job quality, notably influenced by labour shortages primarily driven by the "care drain" phenomenon, where professionals seek better opportunities abroad. Compounded by a large and persistent informality, the sector sees many of its services delivered through informal arrangements, leading to precarious employment conditions without an access to a social protection. This situation is further complicated by regulatory ambiguities and substantial administrative and legislative burdens for employers, all of which underscore the urgent need for enhancements in job quality and the establishment of formal employment relationships.

The social dialogue within the PHS sector involves a dynamic interaction among trade unions, employers' organizations, and governmental bodies, with collective bargaining efforts predominantly concentrated in the public care sector. However, the private care and non-care segments exhibit notably weaker (or complete lack of any) unionization and collective bargaining activities, partly attributed to legislative uncertainties and a lack of clarity regarding the applicability of sectoral agreements. This sets a critical area for improvement, emphasizing the need to foster stronger social dialogue mechanisms that can advocate for fair labour standards across all segments of the sector.

Social dialogue emerges as a potent tool for addressing the many challenges within the PHS sector, holding the potential to significantly uplift working conditions, mitigate labour shortages, and promote workforce professionalization. There exists a pronounced need for extending the reach of social dialogue and collective bargaining to encompass the private sector and informal PHS workers, thereby ensuring equitable labour standards throughout the sector.

The endeavour to align social dialogue practices and labour policies within the PHS sector with European Union (EU) standards is of paramount importance. By enhancing social dialogue and addressing the sector's prevalent challenges, North Macedonia is making strides towards aligning its labour practices with EU directives, particularly concerning collective bargaining coverage and the advancement of decent work conditions. This alignment not only fosters improvements within the domestic PHS sector but also facilitates North Macedonia's integration into broader European labour frameworks.

In conclusion, the PHS sector in North Macedonia is at a critical stage, facing both challenges and opportunities for growth and improvement. Through targeted interventions and enhanced social dialogue, there lies a tangible pathway toward uplifting the sector—ensuring it can effectively meet societal needs, provide sustainable employment conditions, and align with European labour standards.

## Introduction

The PERHOUSE initiative entails a comprehensive analysis of the prevailing characteristics and challenges of the personal and household services (hereinafter PHS) sectors with regards to service provision and working conditions, in the 11 Central and Eastern European (CEE) countries including 10 EU Member States and one EU Candidate Country (North Macedonia). This project emerged as a response to the growing demand for PHS services, which is being propelled by the broader trend of deinstitutionalization of the care sector and the insufficiency of integrated care and non-care services. By comprehending and reinforcing the role of industrial relations, the project aims not only to improve working conditions in the PHS sector of CEE countries but also to establish fundamental definitions for different workplaces, set benchmarks for service quality, working conditions, as well as access to care/non-care services in domestic settings.

The key objectives of the National report are to analyse:

- the current state and structure of service provision of PHS in North Macedonia, including the working conditions and
- the role of social dialogue in regulating and improving the work patterns in the personal and household services (PHS) sector of domestic workers in North Macedonia

## Methodology and analysis

A mixed-methods approach was applied to meet research objectives and answer major research questions. The mixed methods approach combined qualitative and quantitative research techniques such as a documentary analysis (literature review), surveys, focus group discussions and interviews. The literature review was conducted to provide a solid foundation for fieldwork and to serve as an introduction to the current PHS system in North Macedonia. It included analysis of the available policy instruments, qualitative and quantitative studies, technical reports, and statistics. This review helped the research team to assess political and legislative provisions for PHS in North Macedonia, and gain an understanding of the background, context, and status of the PHS services. A total of 65 people responded to the **demand survey, i.e. the survey on use of the PHS services**. The respondents gave information regarding types, frequency, and reasons of usage of the PHS services, quality of the services, working arrangements (working contract, working time, payment etc.) and well as challenges and future needs for PHS services. In addition, a **survey of social dialogue in the PHS sector** has been implemented within the project. A total of 10 participants as providers in the PHS sector responded on the survey and gave insight into the social dialogue practices within the organization as well as challenges in the PHS sector including working conditions and service quality. **Three focus groups with PHS employees** were organized within this research. A total of 21 persons participated from private care and non-care institutions, as well as individuals who provide care and non-care services as informal workers. The response rate of the FGD was 70%. This qualitative part of the research gave insight into the types of services, the working conditions in the PHS sector, challenges related to the working arrangements and conditions and recommendations for the PHS service development. Furthermore, a total of **10 high level interviews** were held with the representatives of private PHS providers, decision makers, trade union, employer's organization and experts that work in the field of labour relations. The gathered data was subjected to thorough analysis, which resulted in creation of national report, policy briefs, and dissemination materials, which aim is to ensure that the project's findings would reach a wide audience and contribute to substantial and meaningful changes within the sector, both in terms of legislation and practice.

The National report is organized as follows: Section 1 discusses the current state of the PHS in North Macedonia including the characteristics of the sector, supply, and demand of the PHS sector, regulation and governance, and job quality whereas Section 2 analyses the role of the social dialogue, social actors and challenges in the PHS sector. In Section 3 we present the conclusions and recommendations.

The findings from this report will be further used for a comprehensive comparative analysis related to the state and structure, working condition and the role of social dialogue in PHS sector in the CEE countries.

## 1. Current state of the personal and household services in North Macedonia

### 1.1. Characteristics of the sector

The personal and household service (PHS) sector in North Macedonia assumes a noteworthy position in the economy and society of the country. It comprises a variety of services intended to address the daily necessities and welfare of individuals and households. The sector is distinguished by its multifarious subsectors, each serving different facets of personal and domestic life, such as home childcare, home adult/senior care, as well as a variety of non-care services.

The care system in North Macedonia might be characterized as being in transition and following the broader trends and changes in the labour market, in the population's dynamics (ageing of population), emigration, cultural shifts, changes in the intra-family relations, institutional changes, etc. The public and private institutions for childcare and care for adults and dependent persons underwent significant reforms during the past 20 years in terms of development of the network of institutions, legislative changes and regulation of the private care institutions, the coverage of beneficiaries and types of the service providers. In respect to 2015, in 2023 the number of institutions for care of adults and the number of beneficiaries doubled, reaching a total of 45 public and private institutions (5 public institutions and 40 private institutions) that provide services to 2008 beneficiaries (SSO, 2022). Both public and private institutions are registered as social protection institutions that provide public services. However, the country faces a great need for homes for elderly persons, given the exhausted capacities of the five public institutions and the long waiting lists. On the other side, the average price for care of the senior persons in private institutions is around 500 EURs per month or higher depending of the health condition of the beneficiary (INT1). Considering that 89.7% of the pension beneficiaries in the country receive pension benefits that are equal or lower than the cost of the care offered by private institutions (61.7% below the national average pension of 330 EURs and 28% receive pension in range from 330 - 500 EURs), not all in need can afford the care in private institutions, as the high prices are far above their monthly pension income. (MLSP data, October, 2023).

Moreover, the country undertook significant reforms related to the deinstitutionalization of the care of people with disabilities by transitioning the provision of care from institutions for social protection to accommodation of the dependent persons in group homes or housing units. This reform also supported the establishment of the day care centres for disabled persons, personalization of support and care, flexible services that adapt to the needs of the beneficiaries, as well as introduction of pluralism in the provision of care for people with disabilities, in favour of community-based social care (Revised ESRP, 2022). However the study of UNPRPD (2021) reveals that there is a significant room for improvement related to the accessibility of the social and healthcare services, education and employment for this category of population. Even though the Social Protection Law anticipates provision of other care services as mobile and outreach services including variety of services for home help and home care, personal assistance and personal care packages (including personal planning and care coordination) and other minor services, like delivery of meals, escorting, befriending, attending to personal hygiene etc., still home help has been marginally introduced and only by few NGOs (Petreski, et al, 2020). The decentralization of the provision of the care services for senior and disabled persons to the municipalities also did not provide significant improvement in the care sector. The investments for opening homes at the municipality level are high and the municipalities lack sufficient funds. In order to support the development of the care services at local level in 2020 the Government together with the Social Services Improvement project (World Bank) awarded grants to 22 municipalities for establishing and development of the social services as home care and assistance of older persons, day care for people with disabilities, service for rehabilitation and reintegration of people with disabilities, day care for older persons, etc. The objective of this project was to make an outreach to 995 people, where 95% of the users would be people over 65 years of age (MLSP, 2021).

The childcare services are provided by public and private institutions. This sector underwent reforms in the past years related to the increase of the number of institutions that provide childcare services as well as outreach of children. The number of kindergartens has continuously increased over the years. In 2022, 113

kindergartens and centres for early childhood development operated in the country out of which 1/3 were private kindergartens. There are significant improvements over the years in respect to the enrolment rates of the children in kindergartens. Around 1/3 of all children up to 6 years of age are enrolled in the kindergartens (35,932) out of which 96% are enrolled in the public kindergartens (SSO, 2022). Even though the government has announced that with the World Bank loan, the capacity of pre-school system will increase by 7,500 places for children from 3 to 6 years of age, hence reaching a 50% enrolment rate for children in this age bracket, still the country is lagging far beyond the EU target rate of 95%. Namely, the country lacks preschool facilities, particularly in impoverished rural areas, where they are most needed, and the high prices for placement of children in the private preschool facilities make them less accessible to the citizens in need. (UNICEF, 2023)

Common private providers in the PHS sector are agencies offering non care services, primarily cleaning and small house repairs services. There is only one agency that formally offers babysitting services on the market. The agencies are registered as companies based on entrepreneurship license. Workers are employed in the private service provider company that is selling the services to the household (triangular working relationship). There is a lack of official data about the incidence of informal workers in these private service providers even though the informality has high incidence in the private services providers in the PHS market (further discussed in this report).

From legislative perspective, households can act as direct employers and can sign direct working contracts with the domestic workers referred in the Labour Law (LRL) as “housemaids”. However, in order the household to act as a direct employer it would need to register the contract in the Employment Service Agency (ESA) but also in at least three other institutions (healthcare insurance, social insurance and the tax office) and follow the accounting agenda as a regular employer. Thus, the household would be obliged to pay monthly social and healthcare contributions and taxes to the three different offices. This implies that in practice such an arrangement imposes large financial and administrative costs and little or no benefits for the households. That influences the households’ decisions to opt for the easier and cheaper options of either hiring agencies that offer non care services or ‘hiring’ without any form of contract (informal workers) and impose rare usage of this legislative possibility. In 2023, only 5 contracts for hiring domestic workers by household as direct employer were registered in the Employment Service Agency (INT8).

Many groups of providers and clients of domestic care and non-care services are established on various social platforms, primarily on Facebook, which testify for the size of the market as well as its mostly informal character. The number of such social groups has risen over time and, we have identified that in 2023 there were at least 15 social network groups on this platform with more than 70,000 members. These groups are widely used by the citizens to seek and acquire care and non-care services by informal workers in the PHS sector. However, such social media groups are not registered as digital platform companies but act as any other social network group in which people share posts about the demand/supply of various informal care and non-care services, where they share experiences about the quality of the services, working conditions, fair payments, positive and negative experiences about the working place conditions etc.

## 1.2. Supply and demand of personal and household services

The great distribution of the PHS services into many NACE 97 different categories imposes major difficulties when measuring the size and extent of the workers in formal and informal PHS sector in the country. In order to identify the PHS workers we used the task-based approach and estimated the workers in the PHS sector in the unit groups with typical domestic tasks in the various NACE 97 categories using the latest LFS data. According to the NACE 97 categories the care activities are listed under the category “social work without accommodation” (NACE 88) but non-care activities such as cleaning, ironing and other services that improve the wellbeing of the households are distributed among various other categories such as “repair of computers and personal and household goods” (S95), “other personal service activities (S96) and the “activities of households as employers of domestic personal” (T97).

The study found that formal PHS is an important source of employment in the country. In 2020, 2.4% of the total employment or nearly 18,600 workers in North Macedonia were employed in the PHS sector. More than half of them were engaged in non-care services (54.3%) while the share of workers in the care sector

is slightly less than a half (45.7%). The demand for the care services is significant. The number of formally employed persons in the care sector has doubled, from 4.100 workers in 2014 to 8.500 in 2020 (*Table 1*). Moreover, the female employment in the care PHS sector also witnessed a consistent upward trajectory. The number of females employed in this sector has significantly increased, from 2,800 persons in 2011 to 7,600 persons in 2020 (LFS, 2020). Almost 90% of all employees in the social support care sector in 2020 are females. This substantial increase in female employment highlights the evolving dynamics in women's workforce participation and shifting priorities (demand) within the sector. On the other hand, the demand of the formal non-care PHS services increased at a slower pace, from 8.600 workers in 2014 to 10.100 in 2020. Surprisingly, the formal non-care sector is not characterized by the predominant female employments (45%) as is the care sector (90%) neither it is exhibiting a substantial growth in formal female employments over the years.

Furthermore, the analysis of the data before and after COVID-19 pandemic shows that around 1,500 net new jobs were created in the PHS sector overall within this period. Approximately 2,600 new jobs were created in the care sector imposing that the demand for care services in the country has been significantly increasing and was not hindered by the COVID-19 pandemic (*Table 1*). Even though the country faced overall job losses due to the negative impact of the COVID-19 pandemic on the economy still, the demand in the care sector demonstrated resilience. On the contrary, the non-care sector was significantly hindered by the COVID-19 pandemic, which may be explained by the fact that many people stayed at home and worked from home and could at least partly complete household tasks by themselves and/or feared to bring non-family members to their homes due to potential contagion.

Table 1: Changes of the number of the formal PHS sector workers

	All formal PHS workers	Of which: PHS workers in care sector		Rest (PHS workers in non-care sector)		Total
		All	Female	All	Female <sup>1</sup>	
<b>Before the pandemic</b>	17,100	5,900	5,800	11,200	4,900	788,200
<b>During pandemic (2020)</b>	18,600	8,500	7,600	10,100	4,500	784,000
<b>Change</b>	1,500	2,600	1,800	-1,100	-400	-4,200
	8.8%	44.1%	31.0%	-9.8%	-8.2%	-0.5%

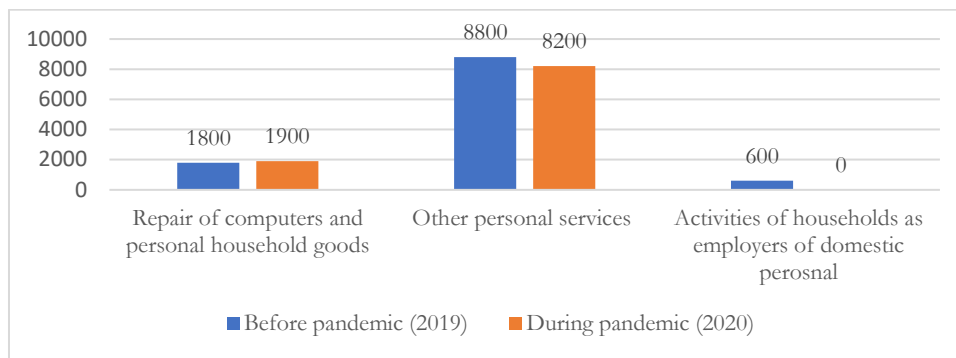
Source: Labour Force Survey, 2018-2020, Employment by economic activities; Total number of persons working in Q88 - Social work without accommodation, S95 - Repair of computers and personal and household goods, S96 - Other personal service activities, T97 - Activities of households as employers of domestic personal.

Around 1.100 non-care workers lost their jobs during the pandemic, which is 26.1% of all jobs lost during the pandemic or 10% of the pre-pandemic total employment in the sector. Even though the sector “repair of computers and personal household goods” generated 100 new jobs as a result of the increased demand during the pandemic for the use of technology, still 1,200 workers that provide personal services overall or in the households as employers of domestic workers, lost their jobs, indicating that the domestic workers in North Macedonia that work in the non-care sector (cleaning and other services that improve the wellbeing of the household recipients) are usually in precarious employment, which makes them highly sensitive to the pandemic shocks. ( Figure 1 )

<sup>1</sup> The female participation is included only for NACE category “other personal services” whereas the LFS data for female participation in categories “repair of computers and other personal goods” and “activities of households of domestic personal is marked with sign : that is the data is statistically insignificant.



Figure 1: Changes of the number of formal PHS non care sector workers



Source: Labour Force Survey, 2018-2020, Employment by economic activities; Total number of persons working in S95 - Repair of computers and personal and household goods, S96 - Other personal service activities, T97 - Activities of households as employers of domestic personal.

The slower growth of the formal non-care sector compared to the formal care sector might also impose that the informality is higher in the non-care sector due to the different nature but also different preferences for informality on both sides of the market (supply and demand). The study of the Tumanoska et. al. (2021) reveals that around 17.5% of the total employment or nearly 134,000 workers in the country are informally employed out of which 5.9% are in the “other services” activities sector. Around 2% of all informal workers work at the employer’s home that gives sufficient ground for the assumption that all of those workers are actually the workers in the PHS sector. The study also found that nearly 23.000 informal jobs have been lost during the COVID-19 pandemic and that a significant part of such jobs has been observed among the domestic paid workers, which are usually informal. The prevalence of the informality in the PHS sector is also confirmed through the demand survey data. In particular, the demand survey reveals that the PHS services are widely used in the country (95% of the respondents used PHS service in the last 5 years). However, 83% of the respondents hired PHS service worker informally i.e. they did not have a signed contract with the service provider and none of the respondents used the service provided by the intermediary private service providers. Given that most of these services are offered informally, many employers find service providers through personal recommendations. The demand survey showed that cleaning services were the most regularly used personal household service. Seven out of 10 respondents most frequently used cleaning services in the last five years compared to three out of 10 respondents that used childcare (babysitting or supervising a child) and care for a dependant adult services (assistance with mobility and transport for people with mobility difficulties). Almost 78% of the respondents stated that they used the PHS services very frequently during the month due to the lack of time to perform these tasks themselves (53.7%) and that they do not have the right skills to do such tasks by themselves (37%). The respondents that decided not to hire PHS workers made such a decision not because they do not need such service but rather due to the preference for taking care of their home and family members personally, or as a consequence of lack of trust in allowing others into their house. Furthermore, the demand survey also revealed that most nonusers of the PHS services believe that they may change their decision about those services in case of higher service quality, professionalization of the workers providing these services as well as simplified procedures for using such services.

The data from the demand survey also revealed that there will be a significant future need of the PHS services. The respondents agree/strongly agree that they would mostly need the non-care services in the future such as cleaning (89%) and small repairs (75%) as well as services for care of children and care of a dependent person (53% and 50% respectively). The demand for the domestic work is also expected to grow in the country in light with the demographic changes, population aging and increasing long term care needs. The National strategy for deinstitutionalization (2008-2027) presumes that on average 17% of the people above 65 years old need support and services. It can be concluded that for the population of 315,331 that are older than 65 years in North Macedonia (SSO, Census data, 2021) that the number of seniors needing different types of support and services may be up to 53.606 persons. This is far beyond the capacity of the public and private institutions altogether and the number of the planned beneficiaries. Moreover, given that the country is facing a low fertility rate, constant mortality rate as well as high emigration rates

(almost a third of the countries resident population is staying abroad, IOM, 2021) it is anticipated that the population over 65 years by 2030 would reach 365,884 and the number of seniors in need would increase to 62.193 (SSO, Census data, 2021). This shows a large increase in the dependency rates, both in terms of economic and social perspective. From economic perspective, the ratio of pensioners to employees will increase significantly, thereby putting pressure on the national social security funds (predominantly the Pension Insurance Fund). From a social perspective, more and more households will be old households without younger members who can potentially take care of the senior, which has been traditionally the case in North Macedonia. This implies that the demand for senior care will increase, but also the demand for health services will change and cause large implications on the health insurance system.

The high emigration rates in the country would also make a significant impact on the labour shortages and supply of the PHS services. The poverty and economic factors are one of the major factors that influence the decision of men and women to migrate to higher income countries. While this is a general trend, it is also highly present among the care and non-care PHS services given that the employment prospects, wages and working conditions in EU countries are better than in North Macedonia. In order to address the skilled labour shortage in the country, especially in the realm of social protection and care, and to influence the formalization of the PHS workers, in 2021 the Government launched the Care Economy Program (under the Operational Plan for Employment) that aimed to train 300 woman and men without any previous professional skills or formal education to obtain nationally recognized certificates as caregivers. To date, almost 200 certified caregivers were formally employed at non-governmental organizations licensed as social providers. However, there is a lack of more coherent and streamlined public policies to foster the emergence of the formal PHS supply side and prevent the possible labour shortages.

### 1.3. Regulations and governance

The Law on labour relations (LRL) serves as the governing law for all workers, including those that work in the private and public PHS sector. The LRL considers “employment relationship” and “employment contract” as equal. The employment contract in the Macedonian labour system is limited to a strict formality as a condition for its validity and is defined as a formal written contract. Any contract that is not formal and written does not produce a legal effect and cannot be considered as a proof of the existence of the employment relationship. Such equating of the employment relationship to the employment contract leads to limiting the scope of application of the labour law and protection of the workers, thereby excluding workers that entered into “factual” but informal working relationship (informal workers).

Workers in the formal public and private PHS sector must adhere to the provisions of the LRL and other laws that regulate their work, including Law on Child Protection, Law on Social Protection, Law on Companies, Law on Minimum Wage, and Law on Contributions from Mandatory Social Insurance etc.

The LRL specifically addresses the type of employment contract for domestic workers. Specifically, the LRL designates employment contracts for domestic workers, referred as "housemaids", as a form of flexible employment contract. The law does not define which jobs can be performed based on this type of employment contract. However, drawing from established practices, these jobs are in primary PHS care and non-care services. The LRL does not distinguish the working rights of the domestic worker and other workers except for the in-kind salary. The domestic workers can receive a salary, both in cash and in-kind, including accommodation and food, however, the employment contract must quantify in-kind payments in monetary terms and the cash payments cannot be less than 50 per cent of the total amount of the employee's salary. On the contrary, the salary of other categories of workers must be fully paid in monetary terms. The Law does not regulate the minimum wage for the domestic workers, therefore imposing that the domestic workers can be paid with a minimum wage that is lower than the legislative minimum for the other workers. However, the Ministry of Labour and Social Policy is currently working on the amendments to the LRL and proposes several changes of this article *inter alia* ensuring that the minimum wage for domestic workers matches the national minimum wage and eliminating combined payment methods (INT9). As already noted, the legal possibility to hire housemaids is rarely used in practice with only 5 employment contracts registered in Employment Service Agency in 2023 (INT8). This implies that the large majority of domestic workers do not have access to the statutory labour rights (such as paid annual leave, maternity leave, etc.).

Self-employed workers and those in non-formal employment relationships are subject to civil and commercial legal frameworks. The rights and responsibilities of self-employed individuals predominantly adhere to the Law on Obligations, diverging from the LRL, which lacks jurisdiction over non-employment relations. The service contracts are bilateral contracts signed between two physical persons for a delivery of a service. The persons that are hired under the service contract are not socially insured, as the service contract is not equated to the employment contract, so, these contracts anticipate only payment of a gross fee of the service, which includes the price of the service plus personal income tax and does not include any payment of the social contributions (pension, health insurance and insurance in case of unemployment). These contracts are more frequently used by the citizens for formalization of the bilateral relationship without imposing additional cost (financial burden) for payment of the social contributions. Considering that the health insurance in the country is universal and it is linked to the employment status or to the unemployment status, those that are “hired” under the service contracts can be registered as unemployed in the Employment Service Agency and still have free health insurance due to their status of unemployed.

The current Law on Labour Inspectorate does not provide authorizations of the labour inspectors to inspect the workplaces of the domestic workers. The planned amendments of the LRL would provide such an authorizations for the Labor Inspectorate. Considering that the employment relationship is strongly linked to the possession of the employment contract, this raises a concern among the policymakers on the practical application of this authorization in the cases of informal domestic workers, as inspectors cannot enter and inspect the homes based on a report made by the “physical person” who claims that they work in the house premises without contract. Acting upon such claims can interfere with other laws, especially with the Law on Ownership and Other Real Rights. However, the authorization will be integrated in the amendments to the LRL and its application shall be monitored and revised subsequently, if needed (INT5, INT8, INT9).

Moreover, the MLSP is considering the adoption of a new Law on Seasonal and Occasional Work that aims, among others, to simplify the complex administrative procedure that households must undergo to register as employers for domestic workers. The new simplified administrative procedure will anticipate registration of the domestic workers on a digital labour platform managed by the Tax Office. The intention of the authorities is to replicate the system established in Serbia, in which all workers can be registered online, the workers will be socially insured on a monthly subsidized rate at approximately 250 denars (EUR 4) and the working time will be limited to 12 hours a day or 48 hours a week. The authorities believe that this new approach will significantly influence formalization of the work of informal domestic workers, increase of the job and social security of the workers and will boost the demand for formal PHS services (INT8).

#### 1.4. Job quality in personal and household services

The job quality in the PHS sector is evaluated in terms of the dimensions of the precarious job, including the type of the working contract, income, job security, social security, working time, trade union membership, etc. The study found that there are differences in the job quality on all these dimensions depending on the type of employer and the formality of the contract. As can be expected, the job quality of the workers in the public and private childcare institutions and institutions for adults and dependent persons is better than of those hired by private service providers, households as direct employers and of the informal workers.

Those that work in the private and public childcare institutions and institutions for adults and dependent persons have secure working places/jobs, regular income that is at the level on or above the national average wage in the country, have regular working time, are socially secured, and unionized.

However, there are differences among the public and private institutions in respect to the type of the working contracts. While the most common type of working contract in the public sector is the full-time contract with indefinite duration, the private institutions more frequently sign full-time contracts for a definite period of time (6 months), which can be extended to additional 6 months depending on the workers’ performance. The transformation of the contract from definite to indefinite duration is done only for workers that have good performance results (INT4).

The unionization is significantly higher among the workers in public institutions than in the private ones (elaborated in detail in Section 2 below). “Those that work in the public institutions have strong trade unions and enjoy better working rights than those in the private companies, meaning that they are better paid than us, have more rights for leaves and work less hours than we do. If I have a possibility to change I would work for sure in a public institution” – (FG3). The perception of the workers in the private institutions for the working conditions in public institutions is probably correct and it is a result of active trade unions in the public institutions which manage to negotiate better working conditions for their members than those in the private institutions. This makes working in public institutions preferable to working for private companies.

The study also found that the workers in the care sector are frequently combining the formal and informal work to earn more income. Due to the increasing demand for the care services, some care workers work two jobs (formal and informal) to earn more. Here are some of the personal experiences of the care workers shared during the focus group discussions: “I am a nurse in a care institution and work two shifts. Also, I am offering informal care services for adults. So, I am working two shifts (one shift at my formal job and one shift at my informal job) and I earn good income”(FG2); “I work as a nanny in a childcare institution, I work one shift there and at the afternoon I provide extracurricular teaching classes for pupils in 1-5 grade in primary school, which is my informal job” (FG1); I work as a physiologist in a public secondary school and work informally as a caregiver to a dependent child with autism” (FG3) etc.

On the other hand, those that are formally employed by the private service providers are precarious in several dimensions including: the job uncertainty imposed by the type of the working contract signed on a defined (limited) period of time, the workers do not have specific working place, have irregular working hours, are paid less than public sector workers and barely have any knowledge about the unionization and its importance. Even though the employers are legally obligated to sign formal working contracts with the employees that guarantee the minimum working rights, still the study found that workers differ among each other based on the type of the working contracts, full-time and part-time working contract, with indefinite and definite duration.

The most used working contracts in this sector are full-time working contracts with definite working period usually 3-6 months. The contracts are extended to additional 3-6 months as needed. “I am facing a great uncertainty about my job prospects after 6 months period. I do not know whether the employer will extend my working contract, or I will be jobless. This imposes a great physiological burden on me.” (FG3). The working contracts signed for a definite period of 3-6 months prevent workers from planning investments on a long run as the workers cannot opt for commercial bank loans for financing home repairs, or other long-term investments because they do not have a proof of regular income for a longer period of time.

The non-care workers at the private service providers do not have fixed working place and have irregular working hours. The service providers are combining their 8-hour daily working time among few or several clients (e.g. 2 hours cleaning services in an office, 2 hours cleaning service in a residential building with which they signed maintenance contract and 4 hours in some household, etc.) leading to interrupted working hours per day in working intervals upon the clients’ demand. In practice, the workers in such working arrangements can work 4 hours in the household in the morning, 2 hours at noon and then if the client demands the cleaning of the offices to be in the late afternoon or at night, the worker can go home and come back in the afternoon or evening to clean the client’s office (INT2 and INT3). Such interrupted, irregular working hours make significant impact on the work family balance of the workers. “The uncertainty in the work schedule made significant impact on the work-family balance. It is hard to organize the childcare responsibilities with my husband because I do not know what my work arrangements for the next day will be” – (FG2).

Additionally, some workers that are hired on a part-time basis and those with irregular, long working hours are combining the formal non-care work with informal work arrangements. They work two jobs. “After the end of the working time I am continuing to work for other clients, informally. Most frequently cleaning of offices at late afternoon or evening is a good job option to gain additional income. There are days when I work for more than 12 hours but I am earning well. On one side I have minimum wage and social security

from my regular job and gain additional income from the informal work” (FG2). The wage of the non-care workers is at the level of the national minimum wage and are socially secured (pension and health insurance).

The non-care workers in the private service providers are not unionized and barely have some knowledge about the unionization and its importance. “I do not know what the unions are for”, “We do not know how to unionize and why that is important for us”, “We do not believe in any union leaders, the leaders always take care of themselves and not for the workers” are the most common views of the workers in the non-care sector. (FG2).

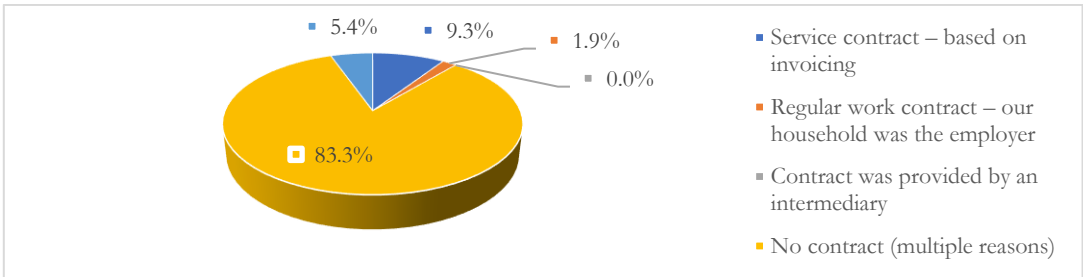
The private service providers argue that they do not receive any subsidies by the state for training and pre-qualification of the workers. “Even though one might say that cleaning services require no specific knowledge or skills but believe me that many of the workers that work in our company are without any education and have no or very little experience in cleaning so we must provide them with training, as in this sector the quality of the service provided will make your business succeed or fail” – (INT2).

The study couldn’t identify any households that are direct employers of the domestic workers as well as workers that were directly hired by the households. Given that the legal possibility for hiring domestic workers is rarely used by the households (only one respondent in the demand survey declared that the household is an employer and only 5 contracts were registered in 2023 in the Employment Service Agency) we were not able to analyse and assess the dimensions of the precarious job for this category.

However, it is interesting that the study found that some care workers are formally employed by the households but as employees in the private companies of the household members and not directly by the households. In practice, the households, in order to avoid the huge administrative burden as direct employers that are required to register the contract in the Employment Service Agency but also in three other different institutions (healthcare insurance, social insurance and the tax office), opt for easier option and employ such workers as regular employees in their privately owned enterprises but under different positions, depending on the nature of their company’s business. “I worked for 4 years as a babysitter in the household that owned a private company for transport and logistics. I was employed on a position as administrative assistant but I worked as a nanny in the household. I received a wage from the company as a regular employee. Even though I was socially insured and was receiving a regular wage, when the employment contract expired, I was faced with the problem of referencing this job as a work experience in babysitting services when searching for a job. Formally I was employed as an administrative assistant and not as a nanny” – (FG2).

The informal workers in the PHS sector are precarious in almost all job quality dimensions. They do not have formal employment contracts meaning that they cannot benefit from the workers’ rights prescribed in the LRL. The demand survey revealed that 83% of the respondents hired service worker informally i.e. the service was provided based on a verbal agreement (Figure 2). Such informality imposes job uncertainty, questionable working conditions, irregular working hours and no right for the unionization. The latter is discussed in detail in Section 2.

Figure 2: Type of contract with the last service provider (as a % of total responses)



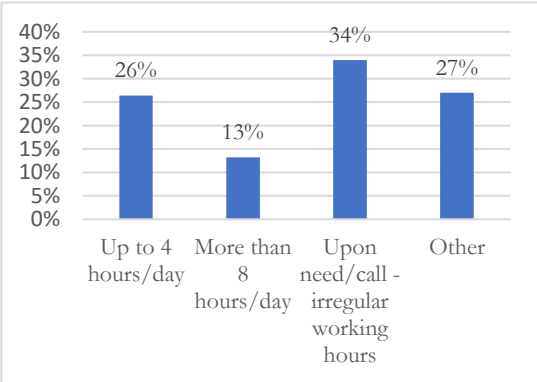
Source: Demand survey.

The informal workers for their own account and they work for one or few clients. The job uncertainty is significant among informal workers. Even though there is a growing demand of the care and non-care services still the job uncertainty persists. Many workers reported that they find clients on the social network groups, recommendations made by other clients and word of mouth. As such they bear a huge risk as they work in the homes of people they do not know and have no control over the working conditions at place. “We must be careful with the selection of our clients, as we are females and we must protect ourselves” (FG3). Moreover, the difficulty of the working conditions might be evaluated through the workload. Given that most of the work is agreed verbally, including the workload and the price for the work done, the workers gain understanding of the actual workload once they arrive the household place. “I faced in many cases a very difficult working conditions and workload. Even when we’d agreed on a certain payment for the overall workload, when I’d arrive at the workplace I’d find a completely different situation. The workload was twice as big as the client presented and we agreed for the price. When I complained that this is contrary to the agreed workload the client became nervous and started with physical treats. I started to work and waited for the client to leave the house so I could run away”. “Even if we call the police to protect us, more often the owners report that they found us stealing from the house, so instead of being protected we are then investigated by the police for the falsely reported robbery”- (FG2.)

The analysis of the working time arrangements revealed that almost half of the informal workers are hired during the working days (49.1%), on a call (20.8%), during weekends (13.2%) whereas 7.6% reported other working arrangements not specifically mentioned and 3.8% work during working days, weekends and holidays. Day shifts (from 6.00-22.00) are a preferred option for the employers than night shifts (5.7% and 0% respectively) (Figure 4). In order to minimize the job insecurity there is a strong belief among informal workers that they must be always at the disposal to the clients especially when it comes to “good clients” so they can hire them more frequently or they can keep “job” (FG1). The informal workers do not have paid annual and maternity leave on top of irregular daily working hours.

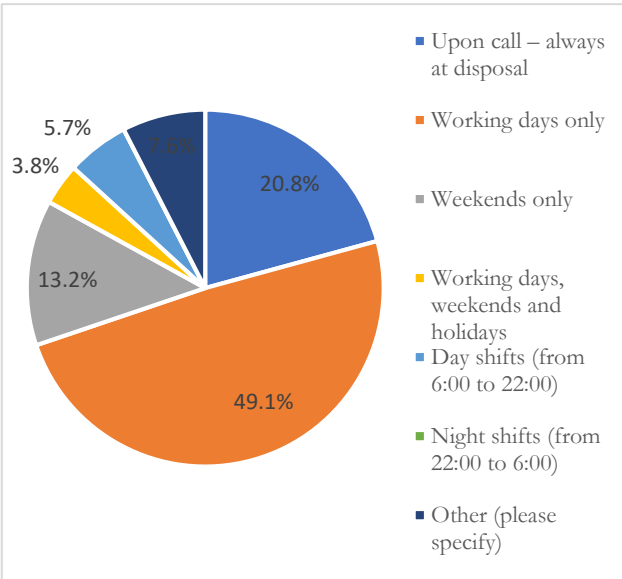
There is a discrepancy in the working-time arrangements between the data collected form the demand survey and the information provided by the workers in the focus group discussions. The demand survey revealed that 34% of the workers have irregular working hours, 26% work up to 4 hours a day and 13% work more than 8 hours a day, whereas 27% have other working time arrangements not specifically mentioned (Figure 3). On the other hand, almost all informal workers in the focus groups reported that they were engaged in lengthy work shifts, by combining the day work for two or more clients, they have unpredictable work schedules, and very frequently work during weekends (FG1, FG2 and FG3).

Figure 3: Hours per day worked (expressed as a percentage of total responses)



Source: Demand survey

Figure 4: Working time arrangements (expressed as a percentage of total responses)



The demand survey revealed that the average pay per hour in the country for PHS services is 4.3 EUR. For the purposes of the study, to put the earnings in comparative perspective, we have calculated that the informal workers will earn 688 EUR per month (net pay) if they work 40 hours a week. This earning is almost twice above the national minimum wage but also above the national average net wage (SSO, October, 2023). The strict policy option for formalization of the care and non-care domestic workers based on the current LRL provisions inflict excessive costs and no benefits for the employers. Namely, if the employers keep the average net pay per hour as an actual cost, they need to pay 51% higher costs in order to cover the social security contributions for the workers, equating to 6.5 EUR gross average pay per hour or a monthly gross pay of 1.039 EUR. On the contrary, the formalization might also influence the average pay per hour for the workers, meaning that if the market net price per hour is converted in a gross pay per hour the workers would receive 49% lower net pay but will be socially insured. (Table 2). This trade-off between the costs and benefits for the workers and employers, on a short run stimulate the workers to accept the informality that leads to higher current earnings and employers to practice informality as a less costly option. This leaves the workers without any social protection and potential poverty at old age.

Table 2: The Service Price

	NET PAY		GROSS PAY (author calculation based on the reported net value)		ADJUSTED NET PAY <sup>2</sup> (author calculations)		National NET minimum wage		National NET average net wage	
	MKD	EUR	MKD	EUR	MKD	EUR	MKD	EUR	MKD	EUR
Average pay per hour	264	4.3	399	6.5	177	2.9	126	2.1		
40 hours per week	10,578	172	15,976	260	7,080	115	5,044	82		
Monthly	42,312	688	63,903	1,039	28,321	461	20,175	328	38,843	632

Source: Authors calculations based on the demand survey data. The data is calculated based on the responses on the demand survey question - How much did you pay for the last service delivered? Please estimate the pay per hour and enter the amount in the box below

However, the study found that some workers prefer informal work arrangements because they are social assistance beneficiaries (beneficiaries of a guaranteed minimum assistance-GMA) and they see opportunities for additional earning from the informal work (FG2). The study of Blazeovski, et al. (2022), found that the social protection system in the country is rather generous and is likely to demotivate the GMA beneficiaries to accept formal job offers due to the disincentives for activation which are inherited in the design of the social protection system, such as indefinite duration of the assistance and the flat benefit schedule. The study estimated that the income from GMA (combined with other entitlements) is higher compared to the potential income from work (wage) given that GMA beneficiaries are low pay workers, which presents a major barrier for the activation and integration of GMA beneficiaries, which is further amplified by the uncertainties of the open labour market. The low probability for detection of informal work especially in the PHS sector and the insignificant threat of sanctions make the GMA recipients “comfortable” in working informally and cease the opportunity for additional earnings from such informal work.

Additionally, the study found the disparity in income among the participants especially the gender pay gap in informal PHS sector. Female workers more frequently reported that they earn less than their male counterparts for similar jobs in the PHS sector (FG3).

There is a consensus among all participants in the study on the significant need for establishment of digital work platforms for the PHS market that will act as aggregators of the demand and the supply of the PHS services. Such digital work platforms will help the informal suppliers to follow the demand for the services on one or more platforms, so they can plan their working days and working hours. Moreover, the price of the services can be public, and also the quality of workers and employers can be evaluated publicly, whereby both sides will have information about the type of the worker and the employer (FG2) and suppliers.

<sup>2</sup> The adjusted net pay is calculated for the cases where the net pay per hour is converted in a gross pay by hour.

## 1.5. Summary – main challenges of the personal and household services

In summary, the National report on personal and household services (PHS) in North Macedonia sheds light on the crucial findings and challenges that offer valuable insight into the dynamics of this industry of the country.

Primarily, the PHS sector in North Macedonia is distinguished by its heterogeneity, encompassing a broad spectrum of services such as childcare, care for adults and seniors, and non-care services. The importance of this sector in contributing to the national economy and the well-being of the society is significant. This sector in North Macedonia is going through a transition and reform, especially in the care services subsector, as it shifts towards community-based care.

The study identified the various suppliers in the PHS sector involving the public and private kindergartens for childcare, public and private institutions for care of senior people, private agencies offering non-care services and informal workers, both in care and non-care sector. However, the demand for the childcare services and services for care of senior people is not met by the supply. Around one-third of all children, up to 6 years of age, are not enrolled in the kindergartens due to lack of preschool facilities. On the other hand, even though the policy makers estimate that on average 17% of the people over 65 years of age are in need of support and services, still only 0.6% of the population use the care services in the public and private institutions for the care of senior people. The poverty and the economic conditions in the country are the major factor that influence the citizens' decisions to seek services from public institutions rather than private ones, imposing high pressure on the public institutions that could not meet the demand. The costs of care services in private institutions for the care of senior people could not be met by around 90% of the pension beneficiaries in the country, as they receive the pension in the amount equal or lower than the cost of the care in private institution.

On the other side, the demand for care services is increasing continually and the formal employments in the care sector have doubled from 2014 to 2020. Furthermore, the study found that the demand in the care sector demonstrated resilience to COVID 19 pandemic, as 2,600 new jobs were created in the care sector in the country during the period of the pandemic. On the contrary, the non-care sector was significantly hindered by the COVID 19 pandemic, as this sector faced job losses. Around 1,200 workers in the non-care sector lost their jobs, imposing the conclusion that those workers are usually in precarious employment and are highly sensitive and suffered a lot from the pandemic shocks. The study also found that due to demographic changes and social trends in country (low fertility rates, population aging and high emigration rates) the need for the PHS services will be significant in the future, especially for the long-term care.

Expectedly, the growing demand for direct and indirect care services as well as high emigration rates would significantly influence the increased demand for care and non-care occupations and would impact the labour shortages and supply of the PHS services.

Considering the job quality, the study found that the workers in the public and private institutions for childcare and care of senior persons are better off than those hired by private services providers (agencies) and of the informal workers in terms of safe working places, regular income, working time and social insurance.

However, the unionization of the workers is practiced only in public institutions and the improvement in this area will significantly influence the improvement of the job quality in the private institutions especially related to the type of the working contracts in these institutions that influence on the job uncertainty of the employees.

On the other side, the most vulnerable PHS workers that are identified in the study are those workers that work for the private service providers (agencies offering non-care services) and informal workers. The workers of the former face job uncertainty, do not have specific work place, have irregular working hours,



earn less than the public sector workers and barely have some knowledge about the unionization and the possibilities on how they can influence the employers' decision to improve their working rights. The informal workers in addition to the above-mentioned vulnerabilities, do not even have basic working rights guaranteed by the legislation as do not have working contracts, and are also faced with gender pay gap for the informal non-care workers. Given that the study found that 83% of the demand survey respondents hired PHS service worker informally, based on a verbal agreement, results in a conclusion that vast majority of the workers in the PHS sector are precarious in almost all job quality dimensions.

The analysis of the legislative and policy framework for PHS in North Macedonia identified that there is significant room for legislative improvements, especially for formalization of the jobs that will support the sector growth and improve the job quality.

## 2. The role of the social dialogue in personal and household services

### 2.1. Social actors in the PHS (state, social partners, social actors)

The Law on Labour regulates the establishment of organizations and the legal and institutional framework of the tripartite social dialogue and collective bargaining. The collective bargaining in North Macedonia takes place at three levels: national level; branch or department according to the National Classification of Activities (i.e. sectoral or industrial level) and at the level of employer (i.e. company level). Moreover, the country labour regulation assumes hierarchical scale that means that lower labour sources, such as collective agreements and individual employment contracts, may provide only more favourable rights to employees. In case of discrepancy between the lower labour sources and higher ones, meaning that certain rights regulated in the lower source are less favourable than the ones regulated in the higher source, the former rights are invalid and require immediate application of the workers' rights stipulated in the higher source.

Collective bargaining at the national level results in conclusion of the General Collective agreement (GCA) for the public sector and for the private business sector (General – ZTSP, n.d), both applying directly to all employers and employees in the private and public sectors. On the other hand, the collective bargaining at the level of branch or department in accordance with NACE (sectoral level) results in Special Collective Agreement (SCA) that apply to members of the signatories trade unions and the employers' organizations and the collective bargaining at the employer level (single employer) produces Individual Collective Agreement (ICA) that applies to the entire company and to all employees, regardless whether of their membership status in the trade union. However, in order for the employees to sign the ICA, they must establish a union at the employer level would be affiliated to the sectoral trade union. If more than half of the employees are willing to unionize and sign the ICA, then the ICA is obligatory for the rest of the employees that are not members of the trade union. The GCAs and SCAs must be submitted and registered in the Ministry of Labour and Social Policy (MLSP) and published in the Official Gazette of the Republic of North Macedonia whereas the ICAs are not registered in the MLSP and are publicly disclosed as stipulated with the Agreement.

In respect to the social actors there are four trade union confederations in the Republic of North Macedonia, the Federation of Trade Unions of Macedonia (SSM), the Confederation of Free Trade Unions of Macedonia (KSS), the Union of Independent and Autonomous Trade Unions of Macedonia (UNASM) and the Confederation of Trade Union Organizations of Macedonia (KSOM).

The ILO study, 2021, found that the SSM has a total of 65,900 members, which is 10.8% of the total employment in the country, out of which 23,343 employees are from the private sector (amounting to 6% of the overall employment in the private sector). SSM is the largest workers' organization and has eighteen affiliated trade unions, out of which 11 have a status of branch level representative unions.

KSS is the second largest workers' organization that is a signatory of the public sector GCA and is representative trade union at the level of the public sector. KSS has eleven branch unions, most of them from the public sector.

On the other side, the most important employers' organizations is the Organization of Employers of Macedonia (ORM) and the Business Confederation of Macedonia (BCM). The ORM is representative at the national level, and its members at the branch level are signatories of several SCAs.

North Macedonia lacks coherent data on collective bargaining. According to the 2019 data, the trade union density rate at the national level is estimated at 16.7% (ILO, 2021). However, the Report on the implementation of the Revised European Social Charter, 2022 found that the trade union density rate is 17.29% (Ministry of Labour and Social Policy, 2022). The collective bargaining coverage rate is 68.7% in the private sector and 31.35% in the public sector, which is far below the target set by the EU directive on the promotion of collective bargaining and adequacy of the minimum wages of 80% collective bargaining coverage (Ministry of Labour and Social Policy, 2022).

The collective bargaining practices in the PHS sector is analysed based on the characteristics of the service suppliers and the type of the PHS service. Part 1 of this report identified various types of PHS service suppliers in the country, including public and private childcare institutions, public and private institutions for care of senior people, agencies that offer care and non-care services, households as direct employers as well as informal PHS workers.

There are two SCAs that closely regulate the rights, obligations and responsibilities of the workers and the employers in the public institutions for care of children and care of senior persons.

The SCA for public childcare institutions covers the activity of care and upbringing of children of pre-school age and the activities related to children's rest and recreation (Separate and individual – ZTSP, n.d.). This collective agreement regulates the rights and obligations of workers and employers from employment in the activity of childcare and education and in the activity of children's rest and recreation. The SCA applies to public institutions and is signed between the Independent trade union for education, science and culture (SONK) that is a branch affiliated to the KSS and the Ministry of Labour and Social Policy.

The study of Ristovski, 2022 establishes that the representativeness of SONK at the branch level i.e. NACE 88 – Activities of social protection without accommodation is 51.25% and currently has an active representative status.

Even though this SCA applies to public institutions, still Article 2 of this SCA stipulates that an employer can be a private kindergarten and a private children's resort that have notified the signatories of the SCA in writing about their accession in the SCA. However, in practice, this SCA is mandatory only for public childcare institutions. The private childcare institutions do not adhere to the provisions of the SCA and the workers are not members of the Independent trade union for education, culture and science. There is no SCA for private childcare institutions identified during this study.

The SCA for social protection regulates the rights and responsibilities of the workers and the employers that work in the social protection activity, the scope and method of exercising the rights, their obligations, and other provisions of interest to the workers and the employer, as well as the method and procedure for resolving mutual disputes. Considering that the institutions for care of senior people are registered as social protection institutions, this SCA is applicable to such institutions as well. The SCA is signed between the Independent trade union for health, pharmacy and social protection, affiliated to the KSS. According to Article 2 of the Agreement it only applies to the public institutions established by the Government of the Republic of North Macedonia, the municipalities, and the municipalities of the City of Skopje. No SCA for private institutions for care of senior persons was identified during this study.

The representativeness of the Independent Trade Union for health, pharmacy, and social protection at branch level, i.e. department, for NACE 86 – Health care activities, department 87 – Activities of social protection with accommodation and the department, NACE 88 – Activities of social protection without

accommodation is 26.95%. (Ristovski, 2022). The study of Ristovski, 2022, also reveals that the coverage rate of the SCA is 100% in public sector, excluding the private sector. Moreover even though the SCA is concluded at the department level according to NACE (Section 86 – Health care activities), the representativeness of the Independent Trade Union for health, pharmacy and social protection has been acquired at the sector level (Activities of health and social protection) including several NACE categories (NACE 86, NACE 87 and NACE 88).

The representation gap between the public and private childcare institutions for and care of senior persons might derive from the misunderstanding of the legal status of these institutions, private and providers of services of public interest. Therefore, ORM understands that in such case the GCA and SCAs for the public sector shall apply to the private institutions that provide services of public interest and not the GCA for the private sector (INT6). Moreover, in order to clarify this representation gap, the ORM required authentic interpretation of the legal status of these institutions from the Parliament of the Republic of North Macedonia, which was never received (INT6).

This situation is expected to be mitigated with the new Law on Labour that awaits its adoption, in which the legislator presents clear resolution about the prevalence of the type of ownership, regardless of the economic activity of the entity. This means that even though the private institutions for childcare and care of senior persons provide services of public interest, still they cannot be treated as public institutions, thereby they shall fall under the GCA for private sector (INT5 and INT8). As such it will provide legal grounds for the ORM, other employers' organizations and trade unions to start the collective bargaining in this area and mitigate the current representation gap.

Moreover, this doubtful situation imposes burdens to the Labor inspectorate and its inconsistent practices of control over these institutions. Some inspectors base their inspection on the GCA for public sector but there are cases when some inspectors made controls based on the GCA for the private sector (INT6).

No trade union or employers' organization represent the care and non-care services provided by intermediary agencies, households as direct employers as well as domestic workers..

## 2.2. Social dialogue related to personal and household services

The collective bargaining and social dialogue in the public care sector is well organized and practiced. The GCAs for public sector and the respective SCAs (childcare and care of senior persons) addresses the protection of the workers' rights including securing higher wages, defining the job security, social insurance, working time, trade union membership etc. However, the training, professionalization, career advancement opportunities are underdeveloped in the SCA, meaning that the greatest effort during the collective bargaining process was put on the wage determination.

Trade unions in the public sector are very active in terms of organization, membership, negotiating better conditions for the workers. On the other side the private childcare institutions and institutions for care of senior people lack strong and organized unionization. The latter is mostly a consequence of the unclear legislation that does not specifically refers which GCA shall be applied to these institutions.

In practice the study found that some private childcare institutions have Individual Collective Agreements. The private institutions practice the collective bargaining rather "informally", meaning that the director of the private childcare institution signs the ICA with the representative of the employees (INT4). However, the workers do not have registered trade union neither they are affiliated to a branch trade union i.e. SONK (FGD1). The managers of the private childcare institutions have established "informal" industry standards in respect to wages, working conditions etc., that are then reflected in the respective ICAs.

Due to the confidentiality clauses in the ICAs the study could not identify whether the respective ICAs follow the legislative hierarchy establish by the GCAs and SCA.

Even though there is strong openness among the workers in the private child care institutions for unionization and collective bargaining, still there is an impression that many of them lack a knowledge on

the formal rules for unionization, limited understanding of the legal rights and responsibilities for collective bargaining as well as there is a significant lack of knowledge among the private childcare institutions about the possibilities of the SCA that can apply to private sector as well (FG1, FG2 and FG3). All the above can significantly influence on their efforts for effective organization and unionization, bargaining power, ability to effectively advocate for their rights etc. On the other hand, the Federation of Trade Unions of Macedonia (SSM) expresses reservation in respect to the findings related to the lack of knowledge on both sides, employers and workers. They believe that employers are aware on the collective bargaining process and the rules that needs to be followed but they are inclined to misuse the “vacuum” given in the legislation and continue to negotiate less favourable ICA than the higher order CA. So, the workers are actually not fairly represented by the employee that represents their rights (signee of the ICA) as usually those employees are frightened for their working status and do not question employers’ decisions (INT7).

In such circumstances, the workers perceive that the working conditions are better in the public institutions, which is probably correct, given that the trade unions in the public institutions are well organized, act effectively and manage to negotiate better working conditions than the small “trade” unions at the private employer level, which are not affiliated to any branch trade union.

Therefore, it is of ultimate importance to improve the collective bargaining in the childcare service sector in order to create industry-wide standards, regardless of the type of the service providers (private or public). The social dialogue in the sector will establish common standards on wages, working conditions and professional development opportunities, allowing for more fairness within the industry.

On the other side, the social dialogue in the institutions for care of senior people follows the same pattern of unclear legislative grounds as in the institutions for childcare. Even though 89% of the institutions for care of senior people are private, still the SCA for social protection is applicable only to the public institutions. The study did not find an ICA signed in the private institutions. The private institutions are also complaining on their “public/private” status. They complain that they feel that the state uses their status as “private” and “public services providers” as it sees fit. In some cases, they consider them as institutions that provide services of public interest and the strict regulations for the public sector apply to the private one. However, the private institutions are regularly not included in the projects or programs for training and professionalization of staff for care of senior people financed by the Government that aim to improve the quality of the public services for care of senior people because the private service providers are considered as ineligible for public financing. The private service providers understand that the investments in the private business are their responsibility but due to the fact that they are struggling with recruitment of qualified workforce for care of senior people it would be of significant help for the private institutions if the state would provide waive some of the established policies in favour of such institutions and include their staff in the projects that finance the training and capacity building of the staff. (INT1).

Considering that the care sector is significantly affected by the brain drain and labour shortages there is a consensus among the stakeholders that the social dialogue can significantly improve the challenges in the sector and would influence the development of the industry’s broad common standards on wages, working conditions and professional development opportunities. Works council or similar (union or non-union) based institutions of employee representation confronting management do not exist.

Moreover, there is a constraint in the identification of the ICA on employer’s level because there are no centralized statistics about the prevalence of the ICA among the companies nor these contracts are publicly available. Even in the case of the ICA identified in the companies, we were not provided with the documents, due to the non-disclosure clauses in the Agreements. Therefore, it is hard to estimate the content of the ICA and whether the individual collective agreements provide more working rights than the SCA, GCA and the labour regulations.

It is important to note that the working conditions and the workers’ rights are far better for care services professionals than for those working in non-care service. Both social partners mostly address problems associated with the functioning of the public part of the care sector (financing, quality of services and sustainability), while the informality and working conditions in the informal part of the sector are rarely revealed.

### **Intermediary agencies (agencies offering the non-care services)**

Another challenge that the PHS workers face is the placement of the certain categories of domestic workers in households by intermediary agencies i.e. agencies that offer primarily non care services. When there is a direct employment relationship with the householder, then it is clear that the householder is the employer. However, these types of working arrangements mean that workers work for different “householders” but are employed by intermediary service provider.

These intermediary agencies in the country are considered as private companies that provide services. There is no SCA for this sector. Moreover, the study could not identify any individual collective bargaining practice in this sector (INT2, INT3). The workers in this sector expressed significant concern about bridging of their working rights and the absence of knowledge about the collective bargaining process. The workers that work in the non-care sector, in provision of cleaning services mostly, are less educated and have limited knowledge about the unionization (FG2 and FG3).

### **Informal domestic workers**

The study found that many workers in the PHS sector especially in the non-care sector works informally. The informality means that those workers does not have individual employment contracts, as such are very isolated and precarious in many aspects.

Even though there is no explicit exception for collective bargaining on the part of the employers and workers, the informality of the PHS workers are not recognized as ‘workers’ and as such cannot join trade unions due to membership prerequisites tied to employment status. Membership fees, a percentage of wages, are typically paid by employers on behalf of employees.

In order to boost the formalization of the work in all sectors including the PHS sector, the Ministry of Labour and Social Protection prepared and submitted to the Government for adoption, a new Law on seasonal and occasional work that aims at fostering the formalization of the work through simplifying the administrative procedures for employment of the seasonal and occasional workers as well as providing financial incentives for employer to formally employ the workers, by subsidizing the social contributions rates on a monthly level. The working time will be limited to 12 hours a day or 48 hours a week and the workers may be engaged for a maximum of 190 days per year.

The authorities believe that this innovative approach will significantly influence the formalization of the work of the informal domestic workers (INT8). Moreover, they tend to believe that the digitalization of the registration process for seasonal and occupational workers will bring added value for data collection and identification of the PHS workers in the country. This e-data collected on the digital platform can become a valuable source for estimations of the number of domestic workers, their demographic characteristics, identification of individual employers, working conditions etc. As such, it can serve the policy makers for analysing policy measures but also trade unions and employers’ organization for identification of the workers and individual employers in the PHS service sector.

Additional changes that are stipulated with the Law and are expected to make significant changes in the activation and formalization of the workers foresee that social protection beneficiaries can be formally activated for seasonal and occasional work and they will not lose their social benefits. The Ministry of Labour and Social Policy estimates that a significant proportion of the workers in the non-care sector are those that receive social benefits and do not want to formalize their working status as such decision will impact their financial situation and they would lose their stable income i.e. income from social security benefits.

However, the trade unions disapprove the adoption of the Law. Even though they support the simplification of the administrative procedures and introduction of digital platforms still they strongly believe that the new Law will cause a stir on the labour market. Many employers that employ workers according to the Law on Labour will transform the employment contracts and employ the workers according the new Law on

seasonal and occasional work that provides less and lower rights, and less favourable working conditions than the minimum rights guaranteed by the Labour Law (INT7).

In addition, there is resistance among the other stakeholders in the sector about the new Law, primarily academia and experts. They perceive that instead of enforcing and improving the working rights according to the Law on Labour, the Ministry will introduce the new Law that provides less working rights. (INT5, INT9)

On the other side there is a resistance among the informal PHS workers in respect to the new Law. Many of them have debts related to the payment of the electricity, water bills etc., so, if they formalize their work according to the new Law, the income from seasonal and occupational work will be withheld from their accounts for payment of the debt according to the Law on debt execution. (INT10)

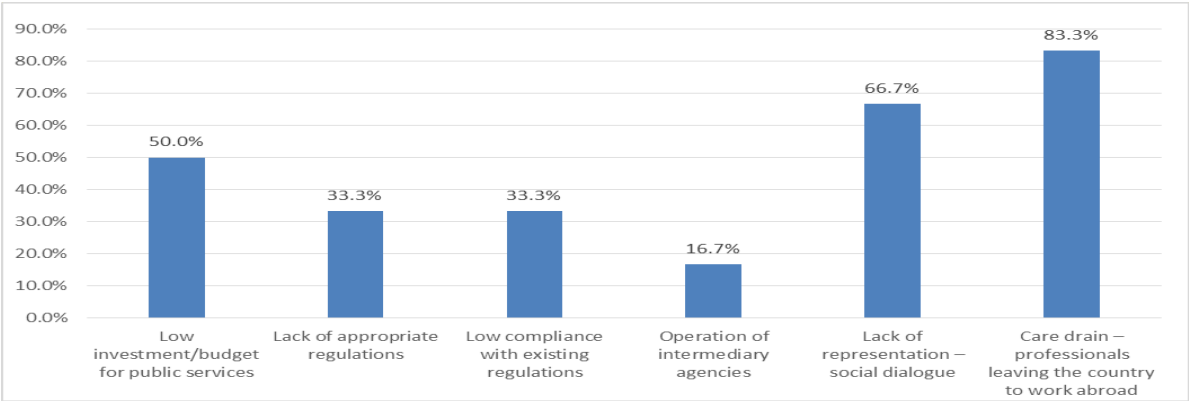
Even though the social dialogue structures in the PHS non-care sector are weak or non-existent still the organization of the collective bargaining process for the domestic workers is perceived as hard by both sides, trade unions and the employers' organization. Even in the case the laws are in place, the trade unions argue that it is hard to organize domestic workers due to logistical barriers including that this sector is totally decentralized as one domestic worker might work for one, two or several employers, many of them are less educated, work very long hours and must also care for their families, meaning they are left with little time for organizing in trade unions. They also fear that due to the unionization they can lose the job. On the other hand, the individual employers are not connected in formal structures in which they set common standards and they might be excluded from the right to organize as the individual employers are not profit-making institutions. (INT7)

### 2.3. Addressing the challenges in PHS by social dialogue

The social dialogue in the PHS sector in the country differs among the care and non-care sector as well as between the public and private care service providers. The practices of social dialogue in the public care sector confirmed that the social dialogue can significantly influence the improvement of the working conditions of the workers. However, the weak or non-existent social dialogue of the private care providers, domestic and informal workers impose significant challenges in the sector.

The social dialogue survey revealed that major challenges in the PHS sector is the "care drain" phenomenon where professionals migrate abroad for better opportunities. Four out of five respondents in the social dialogue survey identified that the major challenge in the PHS sector is the brain drain of care workers i.e. professionals leaving the country. Moreover, the stakeholders identified the lack of representation and the social dialogue as the second most important challenge in the PHS sector in the country (67%). Other challenges are identified by the stakeholders include low investments in public services (50%), lack of appropriate regulations as well as low compliance with the existing regulations (33%) and the operations of the intermediary agencies (17%) (Figure 5).

Figure 5: Main challenges in the PHS sector (as a % of total responses)



Source: Social Dialogue Survey. Data in the graph presents cumulative responses for agree and strong agree and is expressed as a percentage of total responses.

Brain drain of care workers already impacts the labour shortages in the PHS sector in the country. The care service providers struggle with recruitment of workers and their retention that significantly impedes the delivery of the services. The demographic changes, the aging of the population as well as the high emigration rates in the country influence the increased demand of the services especially for care of senior people, which pressures the suppliers of the services that do not have the capacity to respond to the current demand due to the infrastructural capacities, on top of the challenges related to the labour force shortages.

The lack of coherent national policies to tackle the migration challenges would surely influence the future adverse trends related to the labour shortages.

The low investments or budgets for public services such as childcare and senior care result in limited availability of these services. Hence, individuals and families rely more heavily on private PHS providers to meet their needs. The limited access to affordable public services increases the demand for private PHS providers to fill the gap. This situation is evident in the sector for care of senior people in the country. The current institutional setting in this regard of 40 private institutions and 5 public institutions anticipates only 2008 beneficiaries out of the estimated 53,306 persons that are in need of support and services (The National strategy for deinstitutionalization (2008-2027)). The increased demand of the services for care of senior people combined with insufficient institutional supply of the services strain the private providers. They face such challenges as understaffing and difficulty in meeting the clients' needs due to the limited resources and capacities. On the other side, the high prices of the care services in private institutions impose significant financial burden on the individuals and families.

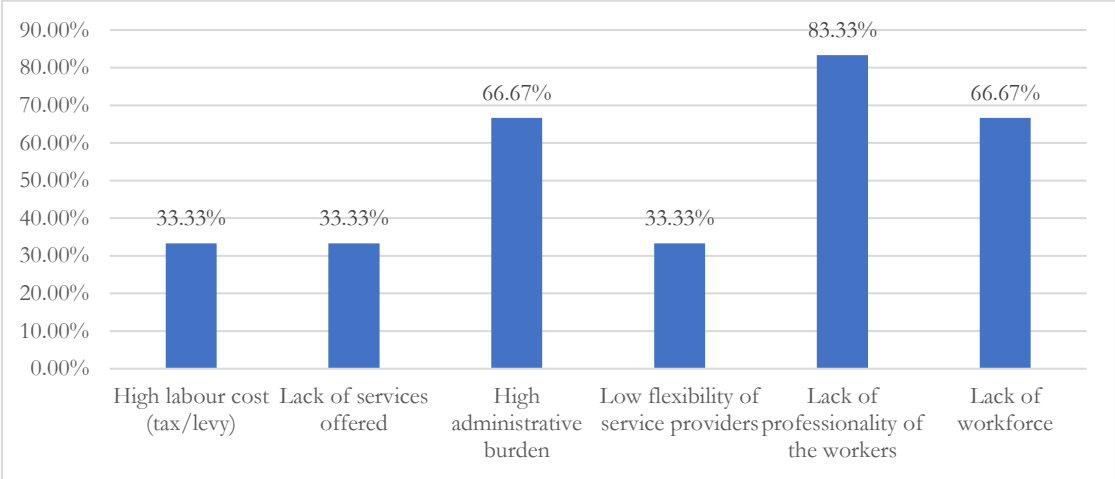
However, due to limited capacities of the private institutions to meet the relentless demand for the services, as well as the higher prices for institutional provision of services than hiring a domestic "informal" worker, might impact the increased demand for the domestic workers. The latter in the current legislative setting might make significant pressure on the increase of the informality of such services.

The "brain drain of care workers" challenge could be correlated to the findings from the social dialogue survey where the respondents identified the lack of professionalism of the workers and the lack of workforce as the major challenges in respect to the services quality (83% of the respondents and 67% respectively) (*Figure 6*). The work force that is engaged in the informal sector might lack appropriate work skills for higher-ordered tasks (care services), hence such work force is more frequently engaged in the non-care sector that requires, to a certain extent, lower-ordered skill workers, mostly cleaning staff.

The social dialogue survey reveals that in addition to the abovementioned challenges, related to the brain drain and lack of workforce and professionals in the care sector, the country faces challenges in respect to the administrative burden and high labour costs (67% of the respondents and 33% respectively) (*Figure 6*). The study identified that the householder may act as a direct employer, but due to the high administrative burden for registration of the employers as well as large administrative and financial costs, they opt for easier and cheaper options and hence hire workers informally.

Moreover, one of three respondents identified the lack of services offered and low flexibility of services providers as challenging for the quality of the services delivered. Flexibility is a key factor that the service providers must meet, because clients often have diverse needs and preferences regarding the timing, frequency and the nature of the services. The inability of the service providers to offer flexible and adaptable services can result in reduced client satisfaction leading to potential loss of business. Additionally, the lack of flexibility can make a significant impact on the workers' well-being in the form of inefficiencies in the service delivery, meaning underutilization of the staff during slow periods and overburden of the staff during peak periods of demand. Even though, the respondents did not rank these challenges as most challenging compared to others challenges, this finding might serve as sufficient signal for the service providers to adapt to the evolving needs and preference of clients, especially in the current context of the country, with growing demand of the PHS services.

Figure 6: Major challenges in respect to the service quality (expressed as a percentage of total responses)



Source: Social Dialogue Survey. Data in the graph presents cumulative responses for agree and strong agree and is expressed as a percentage of total responses.

The working conditions in the PHS services sector are challenging in several aspects. However, the social dialogue survey reveals that more than half of the respondents found unpaid family workers that are not recognized as workers, the lack of the social security, the undeclared work, financing of the services in the sector as well as working time arrangements, as main challenges in respect to the working conditions. In addition, one in three respondents identified the low wages/salaries in the sector, large share of vulnerable workers and bogus self-employment as the drivers of the challenges regarding the working conditions in the country (Figure 7).

The social dialogue survey revealed that the 67% of the respondents identified the unpaid family workers that are not recognized as workers and the lack of the social insurance as the main challenges regarding the working relations. The lack of social security coverage exacerbates income insecurity, as workers may not have access to unemployment benefits and/or pension benefits. The health insurance in the country is universal and covers all the citizens regardless of the employment status. However the workers are not protected and are not eligible for benefits in case of workplace accidents injuries, etc. and cannot receive any compensation for the lost wages thereof.

More than half of the respondents identified the undeclared work as a driver of the challenging working conditions. The undeclared work often goes hand in hand with exploitation and precarious employment conditions. Workers in undeclared arrangements lacks legal protections, such as minimum wage guarantees, limits to working hours, or access to social security benefits. Employers also may take advantage of the informality to pay lower wages, impose unsafe working conditions, or evade responsibilities such as providing sick leave or paid vacation time. The payment of the lower wages or even not payment of the wage at all for the work done contributes to income insecurity and financial instability for workers, making it difficult for them to meet their basic needs or plan for the future.

The prevalence of undeclared work also undermines labour standards and creates a race to the bottom in terms of wages and working conditions. Employers who comply with labour regulations face unfair competition from those who exploit informality to cut costs. This erosion of labour standards not only harms workers in the PHS sector but also has broader societal implications, including reduced tax revenue, increased income inequality, and diminished social cohesion.

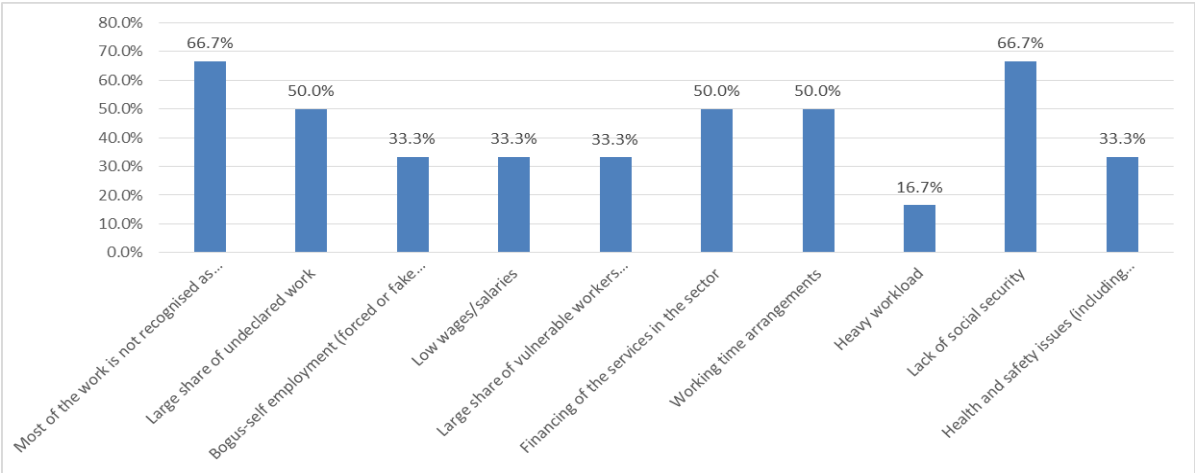
Lack of formal employment status and social security coverage also creates barriers to professionalization and skill development in the PHS sector. Workers have limited access to training programs, certification opportunities, or career advancement pathways. This perpetuates a cycle of low-skilled, low-paid work and hinders efforts to improve the quality of services provided in the sector.



The working conditions in the PHS sector directly impact the quality of services provided to clients. Workers who are overworked, underpaid, or lacking in job security may experience burnout, leading to decreased morale, productivity, and attentiveness to client needs. Clients also experience dissatisfaction if services are unreliable, inconsistent, or of inferior quality due to the precarious working conditions of PHS workers.

In conclusion, the large share of undeclared work and lack of social security coverage in the Personal and Household Service sector exacerbate exploitation, income insecurity, health and safety risks, erosion of labour standards, barriers to professionalization, and ultimately, compromise the quality of services provided.

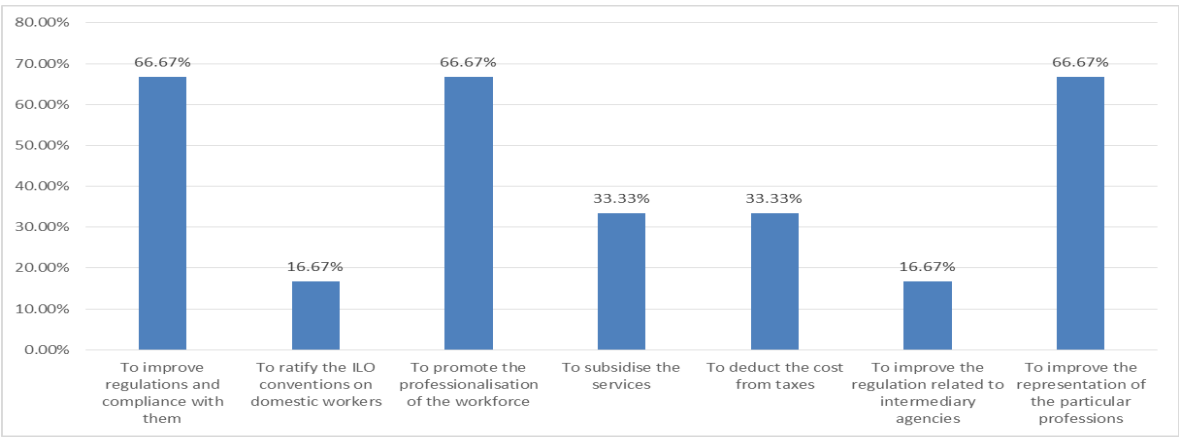
Figure 7: Challenges in respect to the working conditions (expressed as a percentage of total responses)



Source: Social Dialogue Survey. Data in the graph presents cumulative responses for agree and strong agree and is expressed as a percentage of total responses.

The social dialogue survey found that 67% of the respondents believe that the challenges of the PHS sector may be addressed with the improvement of the representation of the professions, improvement of the regulations and compliance as well as promotion of the professionalism of the workforce. On the other hand, one out of three respondents identified the provision of financial subsidies as possible solutions for such challenges. Noteworthy is the finding that only 17% believe that the ratification of the ILO convention for domestic workers may impact the improvements in the PHS sector (Figure 8). The latter might imply that there is a lack of knowledge about the purpose of the ILO convention of promoting the rights and protection of the domestic workers. Moreover, the ILO Convention No. 189 is not ratified by the country and will not be ratified for at least another three to four years (INT5).

Figure 8: Ways to address/prevent the challenges (expressed as a percentage of total responses)



Source: Social Dialogue Survey

There is significant potential for the improvement of the social dialogue in the PHS sector. The study found that the collective bargaining and social dialogue in the public care sector is well organized and practiced and the respective GCAs and SCAs for the public sector (childcare and care of senior persons) address the protection of the workers' rights, primarily the wage determination. However, there is a significant potential for improvement in respect of the CAs concerning training, professionalization, career advancement opportunities, which to some extent are underdeveloped in the SCAs.

The professionalism of the workforce in the PHS sector through respective SCAs can have several positive impacts on the sector, its workers, employers, and clients. Initially, the professionalism will increase the quality of the work force and can meet growing demand for direct and indirect care services. The professionalism in the sector can also improve the working conditions for the PHS workers as employers will be more inclined to provide fair wages, benefits, and opportunities to attract and retain the skilled workers. Moreover, the professionalism can help reduce the prevalence of the informal work as workers will be valued for their skills and expertise.

The above-mentioned practices of collective bargaining in the public care sector may serve as a good example for social dialogue and establishment of the collective bargaining in the private care sector, conditioned on a legislative changes for the status of the care institutions as "public" or "private". The social dialogue in the private care sector can promote the creation of industry-wide standards and can aid the establishment of the common standards on wages, working conditions and professional development opportunities, allowing for more fairness within the industry.

The study discovered willingness on the part of the stakeholders in the sector to be more active and to strengthen the social dialogue (86% of the respondents in the social dialogue survey and findings from the interviews).

On the other hand, there is a resistance among the stakeholders in respect to the social dialogue for the representation of the domestic workers. There is a lack of incentives for the trade unions and employers organization to activate in the area of domestic workers due to the low number of formally employed domestic workers in the country (only 5 formally employed domestic workers in 2023).

Conversely, the informality in the PHS is significant and the trade unions lack sufficient knowledge and capacity to activate in this area. In order to ensure the effective representation of the domestic and informal workers in PHS sector the unions are to consider adapting their outreach strategies and reflect the specific situation of the domestic workers as scattered workplaces, and most importantly reflect time constraints. Organizing the outreach process for such workers shall require specific capacity building and transferring the know-how to the trade unions in order to equip the leaders with sufficient knowledge on organization of the domestic workers. Moreover, the trade unions shall consider various possibilities for establishing other mechanisms for payment of the membership fees, as the informal domestic workers lack employment contracts and are not in a position to pay the membership fee.

In general, the study identified that there is a significant potential for improvement of the social dialogue in the PHS sector by addressing the formalization of employment, standardization of the working conditions, professionalization of the workforce and increase of the representation of the professions.

## 2.4. Interrelation with the EU-level social partners

The research outlines a clear gap in interaction, largely attributed to Macedonia's non-EU membership status. This disconnection significantly influences the alignment—or misalignment—of national priorities within the PHS sector with those at the EU level. The attempt to gauge participation in EU-level social partner organizations through a survey question produced a uniform non-response, suggesting a lack of engagement or direct affiliation with EU-level social partners by Macedonian entities.

This situation highlights a broader challenge for Macedonia and similar non-EU countries in synchronizing their social policy objectives with those established at the EU level, particularly in sectors such as PHS that

are critical to social welfare and employment. The absence of formal participation in EU-level dialogue and networks restricts the flow of information, best practices, and potential funding or support mechanisms that could enhance the PHS sector domestically.

Furthermore, this detachment poses significant questions regarding the convergence or divergence of priorities between the national and EU levels. With EU putting increasing emphasis on social standards, workers' rights, and quality service provision within the PHS sector, North Macedonia's lack of engagement at this level may lead to divergent approaches that could impact the sector's development and its workforce.

The report underscores the importance of creating mechanisms or platforms that could bridge this gap, facilitating exchange and possibly aligning North Macedonia's sectoral priorities with those of the EU. This would not only enhance the quality and conditions of PHS in North Macedonia but also prepare the grounds for future integration and cooperation with EU frameworks and standards.

## 2.5. Summary of the role of social dialogue in PHS

In the realm of public institutions for childcare and elderly care, there are established general and special collective agreements while private institutions lack such agreements altogether. This situation is driven primarily by the unclear legislative provisions for representation of the private care institutions that impose differing perspectives among social partners in respect to the organization of the social dialogue in this sector.

Even though, the SCA agreement for the public childcare sector extends its potential application to private entities offering public services, still the private providers of childcare services have not yet applied this agreement but rather implemented industry specific individual collective agreements that are protected by the non-disclosure clauses. The practices for collective bargaining in the private sector, that were identified during the study, might indicate that the private service providers recognised the role of the social dialogue as an important tool for improvement of the working conditions and quality of the services in the sector. However, the lack of formality in conclusion of such ICAs made significant burden on the possible legal vulnerability of such contracts. On the other hand, the private institutions for care of elderly people are excluded from the SCA for public social institutions. The lack of representation of these service providers by any trade union or organisation of employers' results in a representation gap of the private care service providers in the country. The latter is expected to be mitigated with the new Law on Labour, awaiting its adoption by the Parliament.

Additionally, even in case of legislative clearance of the application of the GCA and SCAs in private and public institutions, still there is a need for capacity building of the workers and employers in the sector for unionization as well as for preparation of the specific SCAs that would handle the challenges in the sector and would influence the development of the industry-wide common standards on wages, working conditions and professional development opportunities.

In the private sector of agencies facilitating childcare, adult care, housekeeping, and other services, no distinct collective agreements exist. It remains uncertain whether the general collective agreement for the private sector is applicable here. Notably, employers lack organization within employers' associations, and workers are not united under trade unions at the employer level.

Moreover, the informal PHS workers cannot join trade unions due to membership prerequisites tied to employment status. Employers on behalf of employees typically pay membership fees, as a percentage of wages.

The promotion of the social dialogue in the PHS sector would surely address the identified challenges in the PHS sector. Care drain phenomena already impacted the labour shortages in the PHS sector and the care service providers struggle with recruitment of the workers and their retention that significantly impede the delivery of the services. The lack of a coherent national policy to tackle the migration challenges would influence on the future adverse trends related to the labour shortages.

The undeclared work is also a driver to the challenging working conditions in the PHS sector. Workers in undeclared arrangements lack legal protections, such as minimum wage guarantees, limits on working hours, or access to social security benefits.

Lack of formal employment status and social security coverage also creates barriers to professionalization and skill development in the PHS sector.

The study also found that even in the case where the SCAs exist still little attention is given on the professionalization, capacity building, and career advancement pathways to the workers. These SCAs focus on wage determination, working time, working rights etc. than on continuous improvement of the workforce and skills development in the sector. On the other hand, those that work in the informal PHS sector or intermediary agencies are precarious in every aspect and have limited access to training programs, certification opportunities, or career advancement pathways. This perpetuates a cycle of low-skilled, low-paid work and hinders efforts to improve the quality of services provided in the sector. The working conditions in the PHS sector directly influence the quality of services provided to clients.

Even though there is a willingness of the stakeholders in the sector to activate more and strengthen the social dialogue in the care sector, still, there is resistance among the stakeholders in respect to the social dialogue for the representation of the domestic workers and informal workers, due to the low employment rates of the formal domestic workers in the country as well as the needed capacity building of the trade unions to adapt their outreach strategies and to reflect the specific situation of the PHS workers as scattered work places and most importantly reflect the time constraints.

Nonetheless, there is a significant potential for improvement of the social dialogue in the PHS sector by addressing the formalization of employment, standardization of the working conditions, professionalization of the workforce and increase of the representation of particular professions.

### 3. Conclusions and policy implications

The formal Personal and household sector (PHS) employment is an important source of employment in the country. In 2020, 2.4% of the total employment or nearly 18,600 workers in North Macedonia were employed in the PHS sector, out of which more than half were engaged in non-care services (54.3%), while the share of workers in the care sector was slightly less than half (45.7%). Even during the period of the COVID-19 pandemic, the PHS care sector created approximately 2,600 new jobs, indicating that the demand in the care sector is resilient to shocks. On the contrary, the PHS non-care sector was hindered by the COVID-19 pandemic, and around 1,100 non-care workers lost their jobs, representing 26.1% of all jobs lost during the pandemic. This suggests that workers in the non-care sector are usually in precarious employment, making them highly sensitive to pandemic shocks and suffering significantly. Moreover, the data revealed that the growth of the formal non-care sector is slower compared to the growth of the formal care sector, signifying that informality is higher in the non-care sector.

The "care drain" challenge has already impacted labour shortages in the PHS care sector in the country. Care service providers struggle with the recruitment and retention of workers, significantly impeding the delivery of services.

Due to demographic changes and social trends in the country (such as low fertility rates, population aging, and high emigration rates), the future need for PHS services will be significant, especially for long-term care needs. Moreover, limited availability of affordable public services such as childcare and senior/adult care means that individuals and families rely more heavily on private PHS care providers to meet their needs. However, private PHS care providers have limited infrastructural and labor capacity to anticipate the current demand. Given that the costs for institutional care are higher than costs for hiring a domestic "informal" worker, it is expected that the current and future demand will be met by domestic workers. However, lack of appropriate policy measures for the formalization of informal work in the PHS sector might further perpetuate the vicious cycle of informality.

There are differences in job quality across all these dimensions depending on the type of employer and the formality of the contract. Workers in public and private childcare institutions and institutions for seniors/adults have better job quality compared to those hired by private intermediary agencies, households as direct employers, and informal workers. Workers in private and public childcare institutions and institutions for seniors/adults have secure jobs, regular income at or above the national average wage, regular working hours, and social security. Conversely, workers formally employed by private intermediary agencies experience job uncertainty due to limited-duration contracts, lack of specific working places, irregular working hours, lower pay compared to public sector workers, and minimal knowledge about unionization and its importance.

Informal workers in the PHS sector face precarious working conditions, including job uncertainty, questionable working conditions, irregular working hours, and no right to unionization.

Informality in the PHS sector is primarily driven by several legislative, economic, and social factors. From a legislative perspective, households can act as direct employers and sign direct working contracts with domestic workers. However, in practice, this option is rarely used due to large financial and administrative costs and little or no benefits for households. The study revealed that the average monthly earnings of informal PHS workers are twice the national minimum wage. Such work performed under formal arrangements would increase employer costs by 51% to cover social security contributions for workers or decrease worker earnings if the current net pay is converted into gross pay. The trade-off between costs and benefits for workers and employers incentivizes workers to accept informality in the short run, leading to higher current earnings, and encourages employers to practice informality as a less costly option. This leaves workers without social protection and potentially in poverty in old age. Informal workers also prefer informal work arrangements because some of them are beneficiaries of social assistance and see opportunities for additional earnings from informal work. The low probability of detection of informal work, especially in the PHS sector, and hence a low threat of sanctions make recipients of social assistance comfortable in working informally, providing them with the opportunity for additional earnings from informal work. Moreover, there are considerations that the informal PHS sector is characterized by a gender pay gap.

Social dialogue structures in the PHS public care sector exist, resulting in established general and special collective agreements. However, social dialogue is weak or non-existent in the PHS private care sector or non-care sector, leading to the absence of distinct collective agreements.

The lack of formal employment status creates barriers for unionization of informal workers in respective trade unions due to membership prerequisites tied to employment status. Membership fees, typically a percentage of wages, are typically paid by employers on behalf of employees.

Even in cases where Special Collective Agreements (SCAs) exist, little attention is given in the contracts to professionalism, capacity building, and career advancement pathways for workers. SCAs mainly focus on wage determination, working time, working rights, and etc., rather than continuous improvement of the workforce and skills development in the sector.

Those working in the informal sector or intermediary agencies face precarious conditions and have limited access to training programs, certification opportunities, or career advancement pathways. The correlation between the challenges faced by PHS care suppliers to recruit and retain formal care workers and the lack of professionalism of workers and informality in the sector suggests that the workforce engaged in the informal sector might lack appropriate skills for higher-ordered tasks (such as care services) and are more frequently engaged in the non-care sector, predominantly in cleaning roles. The lack of access to training programs perpetuates a cycle of low-skilled, low-paid work and hinders efforts to improve the quality of services provided in the sector.

Following recommendations are proposed in order to mitigate the challenges identified during the study:

- ✓ **Enhancing Formal Employment and Legal Frameworks:** Implement legal amendments to facilitate the formalization of domestic workers' employment. Simplify administrative procedures for households to register as employers, reducing financial and administrative burdens. Encourage digital registration to promote formal employment relationships.
- ✓ **Addressing Labour Shortages and Skill Gaps:** Launch programs for training and certifying caregivers, focusing on addressing skilled labour shortages in the PHS sector. Promote the professionalization of workers to ensure quality service provision.
- ✓ **Supporting Sector-Specific Challenges through Policy Interventions:** Introduce targeted policies to address challenges specific to the PHS sector, such as the "care drain" phenomenon and the need for increased public investment in social services. Implement national strategies to mitigate the effects of demographic changes and emigration on the demand and supply of PHS.
- ✓ **Enhancing Service Quality and Accessibility:** Increase investments in public services to expand their availability and affordability. Encourage the development of flexible service offerings by private providers to meet diverse client needs and preferences.
- ✓ **Promoting Digital Platforms for Labour Registration:** Utilize digital platforms for the registration of seasonal and occasional workers to facilitate formalization and provide valuable data for policy analysis and decision-making.
- ✓ **Incentivizing Formalization through Financial Measures:** To introduce financial incentives for employers to formalize employment relationships, such as subsidizing social contribution rates for formalized domestic workers.
- ✓ **Fostering Public-Private Partnerships:** Encourage collaboration between public institutions and private service providers to enhance the quality and accessibility of PHS. Include private service providers in government-funded training and capacity-building programs.
- ✓ **Strengthening Social Dialogue and Collective Bargaining:** Improve social dialogue in the PHS sector to establish industry-wide wage standards, working conditions, and professional development opportunities; Establish dedicated social dialogue platforms for PHS sector stakeholders; Promote inclusive representation of a broad spectrum of PHS stakeholders in social dialogue; Enhance capacities of social partners through training and support; Engage with EU-level social dialogue mechanisms to align national strategies with broader European objectives and benefit from cross-national learning and support; Increase public awareness about the role and importance of social dialogue in the PHS sector to garner wider support for its outcomes.

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## Annexes

### Sample of the survey on demand for personal and household services

Category	Number (N)	Percentage
Respondents	55	100%
<b>Gender</b>		
Female	48	87%
Male	7	13%
Other	0	0%
<b>Age categories</b>		
Under 30	2	4%
31 – 50	47	85%
51 and over	6	11%
<b>Type of household</b>		
One-person household	4	8%
Household consisting of a couple without children	3	6%
Household consisting of a couple with children	37	70%
Single parent household	5	10%
Household including extended	3	6%

### Sample of the social dialogue survey

Code of the stakeholder	Type of stakeholder
S1	Service provider
S2	Service provider
S3	State organisation/agency
S4	Service provider
S5	Service provider
S6	Service provider
S7	Service provider
S8	Employer's organization
S9	Other
S10	Other

### List of interviews with the national stakeholders

Code	Type of stakeholder	Date of the interview
INT1	Service provider	28.08.2023
INT2	Service provider	26.08.2023
INT3	Service provider	26.08.2023
INT4	Service provider	26.08.2023
INT5	Professional association	24.08.2023
INT6	Employers' organisation	22.08.2023
INT7	Trade union	18.01.2024
INT8	State organisation/agency	10.01.2024
INT9	Research institute/university	20.08.2023
INT10	Service provider	18.01.2024

Description of the focus groups (FG)

Code	Type of PHS (childcare, adult/senior care, non-care)	Number of participants		Date of the FG
		Female	Male	
FG1	Childcare	7	0	October 19th, 2023
FG2	Non-care and Adult/Senior care	5	1	October 19th, 2023
FG3	Childcare, Adult/Senior care, Non-care	9	0	November 20th, 2023