BARSERVICE

Towards smart bargaining in the finance sector in North Macedonia

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Executive summary

The finance sector in Macedonia has experienced significant changes driven by technological advancements, regulatory pressures, and evolving customer preferences. Despite these advancements, collective bargaining in the sector remains fragmented and decentralized, with firm-level agreements dominating. Challenges such as weak union representation and rapid digitalization persist, but opportunities for smart bargaining strategies aligned with European standards present a pathway to improved conditions and representation. This report examines the sector's trends, challenges, and potential for adopting smart bargaining practices.

I. Sector identification and trends

Key Economic Characteristics and Recent Trends in the Sector

The finance sector in Macedonia is characterized by a skilled workforce, with a growing emphasis on technological proficiency due to the rise of digital financial services. Mobile banking applications have become prevalent, reflecting customer demand for convenience and accessibility. As one interviewee stated, "The shift towards mobile banking has reshaped customer expectations and demands, compelling institutions to innovate" (INT2, 2024) Additionally, sustainability has emerged as a priority, with financial institutions increasingly integrating ESG (Environmental, Social, and Governance) principles into their operations. These trends illustrate a dynamic and rapidly evolving sector shaped by both global standards and local demands.

Processes Affecting These Trends

Several factors contribute to the ongoing evolution of the finance sector. Technological innovation, particularly in fintech, has reshaped service delivery models and created new opportunities for efficiency. "Digital transformation is no longer optional; it is essential for survival," noted an executive from VWP Fund Management (INT1, 2024) Regulatory frameworks, often influenced by EU directives such as those on anti-money laundering, have introduced stricter compliance standards. Furthermore, globalization and competitive pressures have driven institutions to enhance transparency and corporate responsibility, aligning with international best practices (General Collective Agreements Database, 2024).

II. Current state of collective bargaining

In North Macedonia's finance sector, collective bargaining predominantly occurs at the firm level. The Sector Collective Agreement (SCA) for companies in "Other Monetary Intermediation" serves as a key regulatory framework, establishing baseline rights and responsibilities for employers and employees. However, while the SCA outlines general labor provisions, it has not fully adapted to modern challenges such as digitalization, flexible working arrangements, and diversity and inclusion practices. Addressing these gaps is critical to ensuring the SCA remains effective in a rapidly evolving financial landscape.

Sector-wide agreements are minimal, reflecting a decentralized approach to labor relations. This structure allows firms to address specific operational needs but limits broader coordination across the industry. As a representative from the Finance Association at the Chamber of Commerce noted, "Firm-level agreements work well for immediate issues but fail to address systemic challenges across the sector" (INT3, 2024). Consequently, collective bargaining remains largely reactive, focusing on immediate operational concerns. While this approach offers flexibility, it often results in inconsistent standards and limited collaboration among stakeholders.

Agreements are typically company-specific, addressing issues such as performance incentives and remote work policies, but rarely extending to sector-wide standards. The primary strength of the current bargaining framework lies in its adaptability to individual firm needs. However, this flexibility comes at the expense of broader sectoral cohesion. The weak union presence and limited collective representation exacerbate these challenges, leaving employees with fewer avenues for advocacy and support.

The financial sector is characterized by an intricate network of trade unions. Each financial organization—including banks, insurance companies, the National Bank, and other financial institutions such as the Capital-Funded Pension Insurance Supervision Agency and the Securities Commission—operates its own firm-level trade union. These unions collectively contribute membership fees to the Trade Union of Financial Activities of the Republic of Macedonia, which serves as an umbrella organization. This decentralized structure highlights the prominence of firm-level unions in negotiating agreements tailored to specific organizational needs but underscores the lack of sector-wide cohesion.

Employers hold significant power within this dynamic, often shaping agreements unilaterally. Over the past decade, the influence of unions has diminished, while employers have consolidated their position. This shift is partly due to the decentralized nature of bargaining and the absence of strong sector-wide representation. The predominance of firm-level trade unions has led to significant disparities in working conditions and employee benefits across financial organizations. While this approach provides flexibility, it limits the ability to address systemic challenges, such as workforce upskilling, digital transformation, and wage equity.

Collective Bargaining Agreements (CBAs) in the sector are primarily focused on single-employer agreements, addressing topics such as remote work arrangements and performance-based remuneration. However, these agreements often lack depth and fail to address broader workforce concerns comprehensively. The decline in bargaining coverage at the sectoral level reflects a preference for decentralized negotiations, driven by the need for operational flexibility and efficiency. This fragmented approach has limited the development of comprehensive agreements that can effectively address shared challenges.

To overcome these inconsistencies, there is a need to strengthen coordination among trade unions and foster broader collective agreements. Legal mechanisms, such as extending agreements to cover a broader base of employees, represent a viable option for enhancing bargaining coverage. Additionally, fostering collaboration among unions and employers could help establish more inclusive agreements, creating a foundation for consistent standards in wages, working conditions, and employee benefits across the sector.

III. Challenges to collective bargaining

The finance sector in Macedonia faces a complex array of challenges that impede the effectiveness of collective bargaining. Each challenge is rooted in broader structural and technological transformations, necessitating focused interventions to create a more equitable and efficient bargaining system.

Deregulation of Labor Markets: Over the past decade, labor market deregulation has reduced worker protections in the name of flexibility. This deregulation complicates efforts to negotiate comprehensive agreements that address the needs of workers, particularly in an industry as competitive as finance. Flexible labor laws have prioritized employer interests, leaving employees with less bargaining power and fewer legal safeguards to support their demands (INT1).

Digitalization: The rapid pace of digital transformation in the finance sector has introduced new challenges, such as the need for constant upskilling and reskilling.

Employees are required to adapt to emerging technologies, including mobile banking platforms, automated financial services, and advanced data analytics. This shift places additional pressure on both workers and employers, as collective agreements often fail to adequately address the training and resources necessary to meet these demands (INT2). “As noted by Ristovski (2023), the finance sector’s rapid digitalization demands innovative bargaining strategies to address workforce needs.”

Weak Union Presence: Unions in the finance sector are notably underrepresented, limiting their ability to organize effectively and advocate for workers’ interests. The fragmented nature of union activity further exacerbates this issue, with many unions lacking the resources or influence to negotiate on a broader scale. This weakness undermines the collective voice of employees, leaving employers with significant leverage in negotiations (INT3).

Fragmentation of Bargaining: Collective bargaining in the finance sector is predominantly decentralized, occurring at the firm level rather than through sector-wide agreements. This fragmentation leads to inconsistencies in working conditions, wages, and benefits across different organizations. Employees in smaller firms, in particular, may find themselves at a disadvantage compared to those in larger institutions with more comprehensive agreements.

Addressing these challenges requires a combination of strategic interventions and policy reforms, focusing on both immediate and long-term solutions:

1. Strengthening Union Capacity: Enhancing the organizational and advocacy capabilities of unions is critical. This can be achieved through targeted training programs, increased funding, and the establishment of partnerships with international labor organizations. Stronger unions will be better equipped to negotiate robust agreements and advocate for the rights of workers across the sector (General Collective Agreements Database, 2024).

2. Developing Negotiation Skills: Both employers and employees stand to benefit from improved negotiation skills. Workshops and training sessions focused on collaborative bargaining techniques can foster a more cooperative and productive dialogue. This approach can help bridge the gap between employer and employee priorities, leading to agreements that are both fair and sustainable (INT2, 2024).

3. Advocating for Legislative Reforms: Legislative support is essential to create an environment conducive to sector-wide bargaining. Policymakers should consider reforms that encourage broader coverage of collective agreements,

such as mechanisms for extending agreements to include non-unionized workers. Additionally, laws that mandate minimum standards for digital training and worker protections can address the challenges posed by technological advancements (General Collective Agreements for Private Sector, 2023).

4. Promoting Collaboration Across the Sector: Encouraging greater collaboration between unions, employers, and regulatory bodies can help mitigate the fragmentation of bargaining. Sectoral agreements that set baseline standards for wages, working conditions, and benefits can create a more level playing field, ensuring that all employees in the finance sector benefit from collective bargaining outcomes (INT3).

By addressing these challenges through a combination of capacity building, skill development, legislative reform, and collaborative approaches, the finance sector in Macedonia can create a more equitable and effective collective bargaining system that meets the needs of all stakeholders.

IV. Towards Smart Bargaining

Definition of Smart Bargaining in the Sector

Smart bargaining in the finance sector represents a progressive approach to labor relations that seeks to balance the operational flexibility desired by employers with the equitable agreements needed by employees. This approach goes beyond traditional bargaining mechanisms to incorporate transparency, collaboration, and adaptability as core principles. By addressing sector-specific challenges such as digitalization, fragmented union presence, and evolving workforce dynamics, smart bargaining aims to create a more inclusive and effective framework for negotiation. For instance, the growing role of technology in the sector necessitates agreements that prioritize digital training and workforce adaptability while ensuring fair working conditions.

Smart bargaining also emphasizes proactive rather than reactive agreements, aligning with broader societal and economic goals such as sustainability, equality, and competitiveness. In practical terms, this means leveraging data-driven insights and innovative negotiation strategies to craft agreements that meet the shared interests of all parties involved.

Actions and Actors Necessary for Increasing Bargaining Coverage

To achieve smart bargaining in Macedonia's finance sector, coordinated actions from multiple stakeholders are essential:

- Unions: Enhancing union capacity is a top priority. This includes improving organizational structures, increasing membership, and providing targeted training programs to equip union leaders with advanced negotiation skills. Unions must also strengthen their advocacy to ensure a stronger voice in sector-wide agreements.

- Employers: Employers should engage in good faith negotiations and recognize the value of collective bargaining as a tool for fostering long-term stability and productivity. By participating in collaborative frameworks, employers can contribute to agreements that address both business needs and worker welfare.
- Regulatory Bodies and Policymakers: These actors play a crucial role in creating an enabling environment for bargaining. Legislative reforms that promote sectoral agreements, enforce labor standards, and address gaps in representation can significantly enhance bargaining coverage. Regulatory bodies should also facilitate dialogue between unions and employers to ensure balanced power dynamics.
- Civil Society and International Organizations: Partnerships with international labor organizations and local NGOs can provide additional resources and expertise, helping to align Macedonia's labor practices with global standards. For example, sharing best practices from EU-level social partners can inspire innovative approaches to bargaining.

By fostering trust and collaboration among these stakeholders, the finance sector can build a foundation for comprehensive agreements that reflect the sector's unique challenges and opportunities.

<u>Relationship Between Legal Regulation and Collective Bargaining</u>

Legal regulation is integral to the success of smart bargaining, serving as both a foundation and a catalyst for enhanced labor relations. In Macedonia, existing labor laws provide the basic framework for collective bargaining, but there are significant gaps in enforcement and coverage. For instance, current legislation does not adequately address the needs of non-unionized workers, limiting the reach of collective agreements. Moreover, the lack of sectoral agreements highlights the need for legislative reforms that promote broader bargaining mechanisms.

Enhanced legal support can bridge these gaps by introducing policies that encourage inclusive bargaining practices. For example, mechanisms for extending collective agreements to cover entire sectors can ensure consistent standards for wages and working conditions. Additionally, legal mandates for digital training and workforce development can address the challenges posed by technological advancements.

Regulatory bodies must also ensure that legal frameworks are enforced effectively, holding both employers and unions accountable for their roles in the bargaining process. By strengthening the relationship between legal regulation and collective bargaining, Macedonia's finance sector can move towards a more equitable and efficient system that benefits all stakeholders.

V. European Perspectives

The European Commission (EC) Directive on Adequate Minimum Wages provides a crucial framework for establishing fair pay across all EU member states and associated countries. This directive sets minimum wage standards, ensuring a baseline of financial security for workers, which has a significant impact on collective bargaining. By addressing systemic wage disparities, the directive fosters broader sectoral agreements and encourages inclusive labor relations. Aligning with EU standards, as highlighted by Ristovski (2023), offers a pathway to strengthening collective bargaining coverage in North Macedonia. In Macedonia's finance sector, this directive serves as a benchmark to promote equitable practices, aligning national standards with EU expectations and reducing income inequality. It also compels stakeholders to prioritize fair compensation as a core component of their bargaining strategies.

EU-level social partners, such as the European Trade Union Confederation (ETUC) and Business Europe, play a pivotal role in enhancing bargaining frameworks. These entities provide valuable resources, including training modules, policy recommendations, and data-driven insights, to empower national stakeholders. By facilitating knowledge sharing and promoting best practices, they help align Macedonia's finance sector with European labor standards. Their efforts also extend to advocacy for legislative improvements and fostering dialogue between unions and employers, ensuring that bargaining processes remain collaborative and effective. This support is instrumental in bridging gaps in expertise and fostering a culture of cooperative labor relations.

Mutual learning initiatives among social partners across countries offer a unique opportunity to address shared challenges and explore innovative solutions. Through workshops, cross-border exchanges, and collaborative projects, stakeholders in Macedonia's finance sector can gain insights into successful bargaining strategies implemented elsewhere. For instance, studying approaches to digitalization and gender equity in labor agreements from other EU countries can inspire tailored solutions for local contexts. Such cooperation strengthens the overall bargaining process, enhancing its adaptability and resilience. By fostering cross-border solidarity and shared accountability, mutual learning creates a dynamic framework for continuous improvement in collective bargaining practices.

VI. Conclusions

The finance sector in Macedonia presents significant opportunities for adopting smart bargaining practices, offering a pathway to improved labor relations and sustainable development. By confronting persistent challenges such as weak union presence, fragmented bargaining mechanisms, and the rapid pace of digital transformation, the sector can enhance its capacity for equitable negotiations. Leveraging European support, particularly through frameworks like the EC Directive on Adequate Minimum Wages, provides a robust foundation for fostering inclusive agreements that align with global standards.

Smart bargaining practices emphasize transparency, adaptability, and collaboration, addressing not only immediate operational needs but also long-term sectoral goals such as workforce sustainability and technological adaptation. Collaboration among unions, employers, and policymakers is essential for establishing sector-wide agreements that set consistent standards for wages, working conditions, and employee benefits. International partnerships and knowledge-sharing initiatives further strengthen these efforts, enabling Macedonian stakeholders to adopt best practices and innovative solutions tailored to local conditions.

Achieving these goals requires a multifaceted approach, including legislative reforms to expand bargaining coverage, targeted training to strengthen union capacities, and the adoption of digital tools to streamline negotiation processes. By prioritizing these measures, the finance sector can transform its collective bargaining landscape, ensuring that both employers and employees benefit from a more equitable and forward-looking system. Strengthening collaboration and aligning with international standards will be instrumental in realizing these aspirations, ultimately contributing to a resilient and competitive financial ecosystem in Macedonia.

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Annex

Table 1:

INT1	Representative from VWP Fund Management Skopje
INT2	Representative from Halk Bank Skopje
INT3	Representative from the Finance Association at the Chamber of Commerce of North Macedonia