

Wage developments in south-east Europe and the influence of economic policy

Abstract

This article analyses economic development in five western Balkan countries – Albania; Bosnia and Herzegovina; Montenegro; North Macedonia; and Serbia – between 2008 and 2018. Data on the status of the economy and on the situation of wages were provided for the study by trade union economic experts from each of the countries in the region and based on a questionnaire, for which the data was collected in December 2018 and then supplemented by the authors during 2019. In most western Balkan countries, the economic situation may be characterised, among others, by low salaries and low purchasing power, a high unemployment rate, plenty of corruption, a considerably-sized grey economy, a low GDP growth rate, massive participation of public and foreign debt in GDP, the widespread phenomenon of the non-payment of taxes and contributions, low economic competitiveness, sizable inequalities in pay between men and women, a high poverty rate and other social disparities. The authors conclude that, in such circumstances, the need for an effective worker voice, and for true social dialogue, remains as important as ever.

Keywords: wages and salaries, minimum wage, productivity, income tax, contributions, south-eastern Europe

Introduction

The economies of western Balkan countries still far lag behind the rest of Europe. Regional average income levels are as low as only thirty per cent of the EU-28 average and, at current growth rates, for example, it will take five decades for the western Balkans region to reach Germany's current standard of living. Unless the situation changes significantly, the idea of convergence with EU countries will be difficult to reach.

Perhaps no other region in Europe has experienced greater economic shocks than the western Balkans. At the same time, despite the severe economic impact that the crisis has had on these countries and on their economies, as well as on the living standards of their populations, this analysis clearly confirms the pro-European orientation of western Balkan countries.

The aim of this article is to provide a detailed overview of research on the regulated/unregulated system of wages, wage setting mechanisms and institutional factors which determine wage differences in the western Balkans (in terms not least of the structure of net/gross wages, but also taxes, social insurance contributions, etc.) and to compare the magnitude of such differences between the countries. Additional-

ly, we have analysed models of wage setting, government legislative decisions and the power of collective bargaining.

Theoretically, in a situation in which collective bargaining is the dominant wage-setting model, wages should be higher as workers have higher bargaining power; but, when government has greater monopsonistic power, its bargaining position is better and it can set wages at a lower level. This is the case with the countries observed here. Furthermore, in economic transition, countries' budgets are tightly controlled due to significant fiscal and inflationary pressures, in which circumstances the impact of trade unions on wages is relatively low. In this context, some governments across the region were led to impose fiscal consolidation measures in 2014, which resulted in a significant drop of wages in 2015.

A common feature of the entire western Balkans is people's capacity to put up with a lot of things over a long period of time. The limits of endurance are frequently breached only when one can no longer pay the bills. Often, people do not receive their salaries, or receive them only with delay. The problem of unpaid wages is, according to our research, particularly common in certain industry sectors, as well as in construction and in services.

The biggest failures of the transition process in western Balkan countries has been the undermining of the market economy by the informal economy and widening social disparities. Poverty and inequality also trigger other challenges such as migration towards EU countries and social dissatisfaction. In particular, the number of emigrants has dramatically increased over the past years.

At the same time, these circumstances mean that regional economic integration is imperative – increasing regional trade and investment cooperation would help the individual countries collectively to achieve more on the international stage and bring a multitude of positive effects for each one.

Demographic data

The population of the five countries encompassed by our study – Albania, Bosnia and Herzegovina (BiH), Montenegro, North Macedonia and Serbia – was estimated as at 1 January 2018 at about 3.14 per cent of the EU-28 population. In spite of these population numbers, the region has, given its strategic location, been able to play an integral role in the business and commercial development of Europe over centuries.

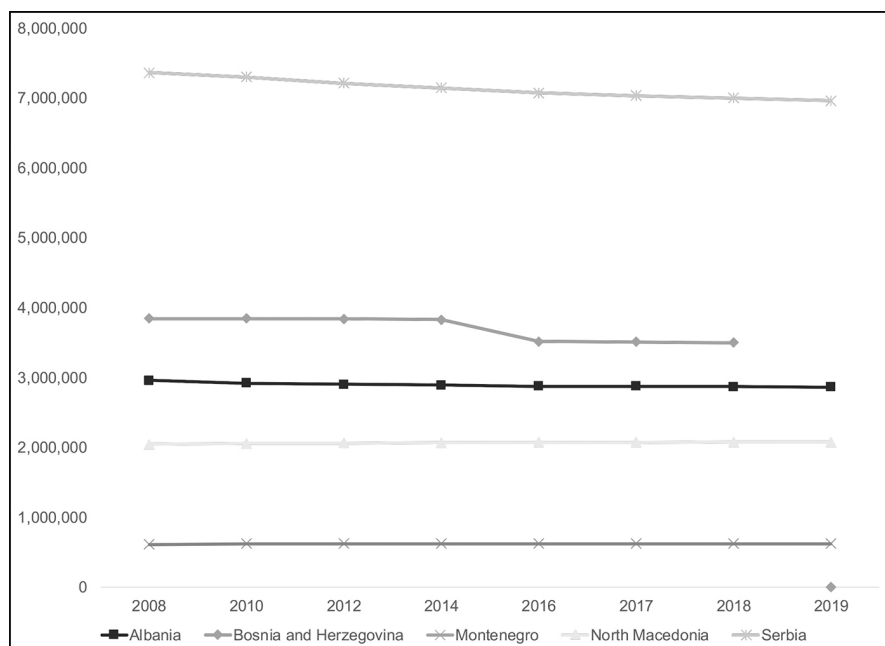
Table 1 – Population of western Balkans countries

	Albania	Bosnia and Herzegovina	Montenegro	North Macedonia	Serbia
2008	2,958,266	3,843,846	615,543	2,045,177	7,365,507
2010	2,918,674	3,844,046	619,001	2,052,722	7,306,677
2012	2,903,008	3,839,265	620,308	2,059,794	7,216,649
2014	2,892,394	3,830,911	621,521	2,065,769	7,146,759
2016	2,875,592	3,515,982	622,218	2,071,278	7,076,372

	Albania	Bosnia and Herzegovina	Montenegro	North Macedonia	Serbia
2017	2,876,591	3,509,728	622,387	2,073,702	7,040,272
2018	2,870,324	3,502,550	622,359	2,075,301	7,001,444
2019	2,862,427	n.a.	622,182	2,077,132	6,963,764

The impact of demographic ageing is likely to be of major significance in the coming decades. Consistently low birth rates and higher life expectancy are probably among the most important developments leading, in turn, to a transition towards a much older population structure. Additionally, the proportion of people of working age is shrinking while the relative number of those who are retired is expanding. The share of older people in the total population will increase significantly in the coming decades as an increasing proportion of the post-war baby-boom generation reaches retirement. This will lead to an increased burden on those who are of working age in terms of providing for the social expenditure which will required by an ageing population across a range of related services.

Figure 1 – Population of western Balkans countries



Influence of economic policy on wages

Our continuing research into these topics covers many interesting questions about wages and salaries, including among them:

- what is the structure of the average wage calculated in euros (net/gross wage, taxes, social contributions)?
- how big is the fiscal burden – i.e. taxes and social contributions – on wages?
- what is the level of increases to wages?
- what is the level of compensation in cases of temporary incapacity for work?
- are real needs at work calculated and how much are they covered by the employer (a meal allowance (or hot meal) and annual leave allowance)?
- what are the most frequent problems related to the payment of wages?
- how are wages indexed (to cover rises in the cost of living)? etc.

In the following section, we provide a country-by-country review of the current position and recent developments. At the outset, it is interesting to observe that, in Albania, BiH, North Macedonia and Serbia, economic policy measures and the introduction of austerity measures have clearly influenced a decrease in wages and salaries. Meanwhile, in Albania, BiH and Serbia, arrangements with the IMF have placed additional pressure on economic policy.

Albania

Austerity policies in Albania, within the framework of an agreement between the Government of Albania and the IMF, is an example of the huge burden such policies put on employees and groups in need.

The foundation of the agreement was a €330m loan granted by the IMF under a programme extending from 2014 to 2017. This loan obliged the Albanian government to impose a series of austerity measures comprising a fiscal package consisting substantially of raised taxes. However, instead of reaching fiscal discipline, the government paved the way – and provided the basis for – an increase in tax evasion, informality and corruption.

Under such circumstances, the economy experienced a period of low performance. In 2013, GDP increased by 1.1 per cent and, in 2014, it increased by 1.7%. Data from INSTAT (the Albanian Institute of Statistics) show that, in recent years, the business climate has deteriorated, risk in the banking system has increased, public debt has grown by 70 per cent and the rate of employment has decreased.

In Albania during 2013, the average wage in state institutions increased from 21,325 ALL to 52,000 ALL.¹ However, there was no wage increase at all between 2013 and 2017. Furthermore, Law No. 10405, dated 24 March 2011, *On the Competences of Defining Wages and Remunerations* restricts the increase of wages.

The IMF board, on 19 March 2014, recommended a second fiscal package containing ten types of mainly new taxes, thus providing a general fiscal framework consisting of 21 types of austerity tax. This led to adverse consequences and also had a direct impact in decreasing the living standards of many Albanian families as well as delivering a poor climate for businesses. These measures affected the following key areas:

1 €1 = 123.5 ALL (Albanian *lek*).

- a) freeze of wages and pensions for a period of three years
- b) increase in the price of electricity and water supply
- c) increase in the retirement age
- d) increase in the tax base and the imposition of new taxes.

In the system for public sector employees in Albania, wages are set by the Ministry of Finance for classified groups. The wages of employees in private enterprises are determined by way of negotiation in collective agreements.

Sectors with the highest average wages include the finance sector, the mining industry and the scientific and economic sector. The category of employees with the highest wages are directors and managers. Medium-level wages are provided by the construction and trade sectors. The lowest average wages are found in the sales sector and numerous services; among farm workers and agricultural producers; those employed in the food, wood and textile processing sectors and the like; and in the handcrafted products sector. Based on trade union experience, the influence of wages on poverty is most pronounced for workers aged fifty.

As a rule, employees are paid every month but, in the construction sector, there are certain cases of delays of up to three months.

For the most part, Albanian trade unions can have an impact on wage increases by means of negotiation; however, in rare cases, they can organise strikes.

North Macedonia

A law that restricts the increase of wages does not exist in North Macedonia. Wages increase under government order, rising five per cent each September, but prices are of course rising in the meantime.

Macedonia's consumer basket in September 2018 was 32,263 MKD² for a four-member family. The average salary in North Macedonia that same month amounted to 24,355 MKD and thus it can be concluded that the average salary does not satisfy all the needs of an average four-person family.

Sectorally-speaking, the highest salaries are held by employees in computer programming (60,656 MKD), air transport (52,058 MKD) and pharmaceutical products (43,368 MKD). Directors of institutions, managers in communications and the banking sector, and professionals in higher education and scientists have the highest wages. In contrast, the lowest average wages are provided in fisheries and aquaculture, leather and related products and clothing production.

The most frequent problems related to the payment of wages are the untimely payment of salaries due to company insolvency and bankruptcy, the mismanagement of funds, the lack of trade unions and judicial inefficiency in labour relations cases, amid many others.

There is an additional problem in that, according to the law on temporary employment agencies, those employed in this way should have the same conditions as other employees in the company. But, in practice, it is shown that they do not have the same rights as regular employees, including when it comes to salary for the job.

2 €1 euro = 61.5 MKD (Macedonian denar).

The number of members of a family who are of working age and in employment is the most important indicator of the level of household poverty. Furthermore, having employment throughout a working life affects the extent of poverty following retirement. The poverty ratio among people in North Macedonia in 2017 was 22.2 per cent, while the poverty ratio among employees was 9.0 per cent.

Trade unions do have an influence on wage rises in North Macedonia, firstly through their participation in the Economic and Social Council where they, as one of the social partners, give their opinions on the laws that are of importance to the economic and social position of workers. Influence is also had via the negotiation of the general collective agreement and through the establishment of collective agreements at branch level, which lately have been increasing in number. Thirdly, trade union influence is felt through ongoing activities aimed at improving the status of the employee.

Serbia

After the successful completion of fiscal consolidation (from a fiscal deficit which had amounted to €2.2bn (6.6 per cent of GDP) in 2014 to a surplus in 2017 and 2018, and a reduction of the share of public debt in GDP from over 70 per cent to below 60 per cent), fiscal policy in 2019 and in the following years in Serbia must, according to the Fiscal Council, respond to two remaining significant, and related, challenges:

- a) structural disharmony in public finances, and
- b) low economic growth.

Despite fiscal consolidation, the Council's view is that Serbia's public finances still have major structural weaknesses: public companies are not reformed; the budgets of local self-government units are not harmonised; the tax administration is inefficient; the education and health care systems are unreformed; etc. From a worker's point of view, the problem is that the pensions system is not reformed and neither is the general system of wages and employment across the state.

As for incentives for economic growth, the Council believes that the two most efficient fiscal measures are: a reduction in the fiscal burden on wages; and an increase in public investment.

The implementation of fiscal consolidation measures resulted, among other things, in a reduction in wages in the public sector by ten per cent between November 2014 and today (a law that is still in force).³

Low wages in Serbia are one of the ways used to attract foreign investment (foreign investors are granted subsidies amounting to, on average, €10,000 for any new job created; these are investments which, on the whole, employ a lower-skilled labour force and do not encompass the transfer of modern technology).

3 The *Law on the temporary determination of bases for the calculation and payment of wages and/or wages and other permanent income of public budget beneficiaries* was adopted in October 2014.

The average net salary in Serbia in 2008 was €402 and in 2018 it was €420 euros. In comparison, the average consumer basket for 2018 totalled €600 so it was necessary to have 1.43 average wages to cover average consumer needs.

The highest wages in August 2018 were accounted for in air traffic – 133,879 RSD,⁴ which is three times the level of the average wage across Serbia. The average wage in mining services was 111,951 dinars, while those working in computer programming and consultancy earned 111,215 dinars. The highest wages are made by those in managerial positions both in private companies and public ones. The lowest wage represented 22.2 per cent of the highest wage in August 2018. Employees in the preparation and serving of food and drinks had a net wage of only 29,697 dinars in August 2018; those working in other personal services earned 30,480 dinars; while wood processing and wood products employees received a wage of 31,524 dinars.

The most frequent problems related to the payment of salaries and wages, in the opinion of the trade unions, continue to be as follows (Kosanović *et al.* 2017):

- low salaries
- the non-payment of salaries, or their irregular payment
- the payment of part of the salary into a current account and the rest in cash as a means of avoiding tax and social contributions; this damages both the state and the employee upon retirement
- the low percentage with which salaries are able to cover the average consumer basket
- insufficient financial controls leading to problems with the payment of salaries
- non-implementation of the prescribed sanctions in connection with the inadequate calculation and (non-)payment of salaries
- the reduction of employees' acquired rights – the non-payment of premia for overtime, shift working and labour in previous workplaces
- disrespect for the provisions of collective agreements (primarily in the public sector) concerning the salary level and method of calculation
- the limitation of the salary level in the public sector by the *Law on the Budget* and the *Law on the Budgetary System*
- several levels of skills being encompassed within a single area (with employers intending to pay at the lowest envisaged skill level)
- differences in the income level between employees in the public sector (IT sector, financial services, oil processing, etc.) on the one hand and employees similarly engaged elsewhere
- major differences in the average salary in the Republic of Serbia compared to EU member states (especially west European countries)
- the low salaries of employees as a factor in attracting sources of foreign investment
- salaries being insufficient to cover even the basic costs of living (so employees remain poor and unable to exit from a state of social jeopardy).

4 €1 = 118.27 RSD (Serbian dinar).

Serbia still does not have a *Law on temporary employment through temporary work agencies*, so the difference in wages between those working through an agency and full-time employees of the same employer can be as big as fifty per cent.

Half a million citizens of Serbia – i.e. around 7.2 per cent of the population – earned less than 12,045 dinars (around €100) a month in 2017 – which leaves them on the edge of absolute poverty. Furthermore, social support is granted to around 268,000 residents of Serbia while, through a programme of public kitchens, food is prepared for 35,300 beneficiaries in 77 places in Serbia.

Trade unions in Serbia are able to have an influence on the growth of the minimum wage at national level through the national collective bargaining process in which they are engaged with representatives of the association of employers and those of the state. This could indirectly influence the growth of other wages, although there is no direct link between these and the minimum wage.

At company level, trade unions may influence wage growth again through collective bargaining and the execution of collective agreements. Collective agreements in Serbia, in line with the law, define the elements of the calculation and payment of the basic wage and any performance-based premia, including the right to increased wages and other emoluments. Individual labour contracts allow an employer to define a basic wage which is higher than that generally-determined.

Montenegro

The economic policy of Montenegro does not suppress the market but rather maintains and develops the autonomy of companies through a series of measures and instruments (IT structure, motivation and influence on companies and on the system of social values).

In 2008, the average net⁵ wage in Montenegro was €416 while this had risen by August 2018 to €511. The minimum consumer basket in the same month was €639, meaning that 1.25 average wages were required to cover minimum consumer needs.

The highest salaries are held by employees in the financial sector of €917 (although this average is boosted by the enormously high wages of top management). Workers in the energy sector see an average of €818; while property professionals and IT workers receive an average €618. The highest wages are earned by senior management employees both in private companies and public ones. In contrast, the lowest average wages are in public administration (€336); wholesale and retail trade (€350); and hospitality (€388).⁶

The most frequent problems related to the payment of wages are:

- failure to pay full social contributions in line with the Law
- the payment of one part of wages in hand and the other via a bank account, thus avoiding tax obligations

5 All the figures quoted here and in the next paragraph are net.

6 All the figures quoted in this paragraph represent official data as they are drawn from MON-STAT (Statistical Office of Montenegro), although they are means and thus inflated by the largest wages.

- the irregular payment of wages
- failure to pay for overtime, shift work and work during holidays.

Employees working in temporary employment agencies have lower wages and they cannot organise in trade unions; frequently, they work overtime and are completely deprived of rights.

The absolute poverty line for Montenegro in 2013 amounted to €186, with a poverty rate of 8.6%. MONSTAT has not published any more recent data, however.

There is a limitation on wages in the public sector, adopted in parliament following the proposal of the government and the competent ministry. The government, under its fiscal strategy for 2017-2020, opted for austerity measures to reduce the public debt in which, among other things, the income of public officers was reduced by six per cent. There are no limitations on wages outside the public sector.

Trade unions are able to influence the increase of wages in Montenegro where the government is the employer and where collective agreements are signed. In such cases, the general situation is better. Based on a general collective agreement, there is a formula according to which one part of the calculation of the wage coefficient is agreed with the trade unions.

Outside the public sector, particularly in multinational companies, the majority of workers do not benefit from collective agreements and, in such cases, wages are subject to contract.

Bosnia and Herzegovina

The average wage in BiH in the last ten years has increased by only thirteen per cent, representing a moderate growth from one year to the next of just 1.3 per cent on average. There is no law restricting the increase of wages in BiH.

There are no official records in BiH for the average consumer basket. However, if we consider a projected figure, amounting to approximately €1,050, then this would be covered between 42 and 45 per cent by the average wage.

The highest wages are earned in the following sectors: information and communications; financial activities; and electrical power supply. The highest wages in BiH are received by executive directors, sales managers, managers in financial institutions and the directors of BiH public companies. The lowest wages are earned in the processing industry (textiles, leather, metal); the timber industry; and the trade and services sector. Extremely low minimum wages, extending also to the average wage, in relation to the average consumer basket means that poverty continues at a high level.

The most frequent problems related to the payment of wages are caused by the weak solvency of companies, particularly in current terms, as well as irresponsible actions by management and capital owners, a lack of reaction by the authorities in response, and the lack of legislation or its poor implementation.

BiH is a case in which the value of wages is regulated by collective agreements, and to a fairly substantial extent. If an agreement is not reached at sector level, the general collective agreement applies and this guarantees the minimum wage. Trade unions in BiH certainly try and, in certain sectors, are successful in influencing wage

increases. The basic instrument of trade unions, in addition to collective bargaining, is the threat of strikes and protests.

The influence of particular interest groups on the reduction of wages

In Albania, stakeholders – namely foreign investors – and business directors generally have an impact on wages not being increased such as was the case, for example, with apparel companies with 80,000 employees in the country.

Several interest groups also influence wages in Serbia. In January 2017, the government also adopted the *Decision on the establishment of a working group for the implementation of recommendations from the 'White Book' of the Council of Foreign Investors*. The working group comprises, among others, the Prime Minister and six ministers: the Minister for Labour, Employment, Veteran and Social Affairs; the Minister of Finance; the Minister of the Economy; the Minister of State Administration and Local Self-Government; the Minister of Agriculture; and the Minister of Trade, Tourism and Telecommunications.

The Council of Foreign Investors, in its 'White Book', made some recommendations which have, among other things, resulted in wage reductions.

There are also certain groups actively influencing the decrease of wages in Montenegro in the sense that some investors do not want to sign a collective agreement or, where there is a collective agreement in place, they do not respect it in full. Multi-national companies do not pay overtime at all and the labour inspectorates are weak.

The influence of investor groups in wage cuts in BiH is realised both formally and informally. This is achieved through mounting various pressures on governing structures, threatening to move production to other countries, etc.

Relationship between wages and productivity

The productivity of labour is not a parameter much used in analysis anywhere across the region. In Albania, there is even no publicly-available information on this point.

The only official study which could be found in this area is in BiH, produced by the Federal Development Planning Institution (2016) for the period 2011-2015. In this analysis, they represented labour productivity as the ratio between GDP and the total number of employees. Labour productivity in BiH is at a rather low level – just thirty per cent of the European average (Republika Srpska at 28.56 per cent; and the Federation of BiH at 31.36 per cent). The problem is even more pronounced if we look only at manufacturing industry, where labour productivity is six to seven times lower than the EU average. Low labour productivity limits opportunities for wage increases to be sustainable, both in the public sector and elsewhere in the economy. For these reasons, economic policy measures need to stimulate significant investment in human capital, technology and infrastructure.

In North Macedonia, the lagging of productivity has led to a stagnation of wages and a lack of quality employment opportunities. The more productive companies usually pay better wages than the less productive ones, while salaries there often grow faster. Meanwhile, the incomplete structural transformation of the country clos-

es off a large part of employees in sectors with relatively low productivity, especially in agriculture and textiles.

Furthermore, poor results of investment in education, a high rate of migration and long periods of economic inactivity also contribute to a low marginal productivity of labour that hampers wage growth. The economy continues to grow, but not fast enough to begin to realise targets such as reducing unemployment, increasing productivity and wages, and improving the chances of workers in the middle. In order to achieve productivity growth, it is necessary for the country to invest more in human and physical capital and to create an enabling environment for the private sector. To become more competitive and dynamic, the country will need modern technologies and a workforce with a higher level of skills.

In Montenegro, high wages do not depend on productivity in general but more on the objectives of the employer. This is because the price of labour is permanently declining as a result of the large size of that part of the labour force which is prepared to work for lower salaries, a situation which employers frequently abuse.

In Serbia, there is no firm relationship between wage growth and productivity, due to the wage system being unregulated. The lack of this relationship is particularly obvious in the determination of the minimum wage.

Structure of the calculation of the wages and allowances

The structure of the calculation of wages and salaries varies by country across the region, as does the burden on the average wage of taxes and social contributions. All the countries under observation deploy calculations based both on gross and on net wages and salaries.

In this section, we outline the structure of the calculation of wages, taking a country-by-country approach, in the way that our union experts saw them.

Serbia

Employees in the Republic of Serbia pay income tax at 10 per cent; a contribution for pensions and disability insurance of 14 per cent; a contribution towards health insurance of 5.15 per cent; and a contribution for insurance in the case of unemployment of 0.75 per cent.

Meanwhile, the employer pays a contribution for pensions and disability insurance of 12 per cent while the contributions for health insurance and in the case of unemployment have been, until recently, the same as those paid by employees. Employers' contributions for health insurance remain at 5.15 per cent, but employers' unemployment insurance contributions were abolished on 1 January 2019 as government compensation to employers in view of the raising of the minimum wage from €1.21/hour to €1.32/hour.

The structure of the calculation of the wage is presented in Table 2, using as our example someone on the average wage in 2017 (i.e. before the 2019 abolition of employers' unemployment insurance contributions).

Table 2 – Burden on the average wage of taxes and social contributions in the Republic of Serbia (average; January-December 2017)

	Calculation of wage	Dinars	Euro (€1 = 121.34 dinars)
1.	Net wage – before contributions and tax	47,893.00	395
2.	Gross 1 wage (equivalent to 1+4+5)	66,639.09	549
3.	Basis for calculation of income tax (66,639 less income tax threshold of 11,790)	54,849.09	452
4.	Income tax @ 10%	5,484.91	45
5.	Social contributions, as follows: Gross wage multiplied by employee contribution rate, i.e: a) pensions and disability – 14% b) healthcare – 5.15% c) unemployment – 0.75% Total social contributions paid by employee:	9,329.48 3,431.91 499.79 13,261.18	77 28 4 109
6.	Social contributions paid by employer: 12% + 5.15% + 0.75%	11,928.39	99
7.	Total of taxes and contributions (i.e. 4+5+6)	30,674.48	253
8.	Gross 2 wage (expressed as 1+7 or, otherwise, 2+6)	78,567.48	648
9.	Total burden per 100 dinars of net wage (i.e. 7 as a percentage of 1)	64.05%	
10.	Tax wedge (i.e. 7 as a percentage of 8)	39.04%	

NB 'gross 1 wage' = net wage plus income tax and employees' social insurance contributions

'gross 2 wage' = 'gross 1 wage' plus employers' social contributions

One of the most relevant indicators of the fiscal burden on labour and/or wages of taxes and social contributions is the scale of the tax 'wedge'. The tax wedge is the percentage of the sum of income tax and all mandatory social insurance contributions within total labour costs (both employee and employer), i.e. labour costs equal the 'gross 2 wage'. The tax wedge, calculated on the basis of the average wage in the Republic of Serbia was, in 2015 – 38.97 per cent; in 2016 – 39.0 per cent; and in 2017 – 39.04 per cent.

Alternatively, the burden of taxes and mandatory social insurance contributions (both employee and employer) on the average wage may be calculated:

1. as a percentage of the net wage (in 2017 – 64.04 per cent)
2. as a percentage of the 'gross 1 wage' (in 2017 – 46.03 per cent)

An employee remains entitled, in line with the general laws (i.e. the Labour Code and any applicable collective agreements) and the contract of employment, to compensation for work-related items as follows:

1. commuting to and from work, to the value of a public transport ticket, if the employer fails to provide transport
2. during business trips within the country
3. during business trips out of the country
4. accommodation and meals during fieldwork, if the employer fails to provide the accommodation and food free of charge
5. for meals during work, if the employer fails to support this otherwise
6. in respect of the annual leave allowance.

It is worth noting that meal allowances during work and the annual leave allowance, being part of employees' income, are paid in amounts which are lower than the basis for tax and social contributions. Consequently, their amount is much less than the real need.

The system of wages in the state sector in Serbia is unregulated, unfair and non-transparent. Wages are determined without any objective criteria (such as, for example, the rate of GDP growth), based on dozens of different bases and hundreds of coefficients. Wages are, all in all, formulated on 22 different bases, with more than 500 coefficients and the availability of over 200 allowances on top of the basic wage. Meanwhile, wages in state sectors are also determined by long lists of sectoral laws as well as government decrees and conclusions. This all results in different wages for the same job; and the same wage for different jobs.

All employees working within the state sector should be included in a single systemic law on wages, which would permanently regulate the mutual relationships between wages and achieve the goal that all employees within state administration are subject to the same objective criteria applicable to the determination of their wages.

The principle should be that the same (generic) jobs in state administration should be paid equally. For those jobs which have a requirement for a job description, and the same skills and qualifications, levels of experience and other features, there is no reason to see differences in wages, regardless of the institution or state administrative body for which the employee works.

This is, however, not the case in this system given the enormous derogations from the principle of equality. Thus, for example, the wage of a lawyer depends significantly on the sector of the state administration in which s/he works even though, in the majority of cases, these are the same jobs. The lowest and highest wage for a lawyer may differ by as much as seventy per cent. The other obvious example is the case of administrative staff in the Ministry of the Interior, who have special emoluments on top of their wage (which should apply only to sworn officers) and which do not exist for comparable jobs in other state administration sectors.

Other individual state sectors enjoy special privileges in terms of their wages (police service), while wages in other sectors are objectively low (education and health). The average wage in the health sector in 2018 is more than thirty per cent lower than the average wage of employees in the Ministry of the Interior. In terms of education, Serbia is one of the rare countries in Europe in which wages in primary and secondary schools lag behind the average wage.

Meanwhile, the average wage in the Ministry of the Interior is not only bigger than in other sectors of the state administration; it is much higher than the relative level of wages in this sector in other countries in central and eastern Europe.

Following the adoption of the umbrella *Systemic law on wages in the state administration sector in Serbia* in early 2016, new sectoral regulations on wages were proposed in 2017 and 2018. Therefore, known ways do exist to determine the wage, per number of employees, in some of the smaller sectors, i.e. in public agencies and local self-government. Other solutions for other important and substantial sectors are nearly complete: education; health; cultural institutions and those in social protection; and special organisations (the Republic Health Insurance Fund, the Pensions and Disability Fund, the National Employment Service, and others); as well as for so-called generic job posts (jobs of the same type in different parts of the state administration – record takers, lawyers, couriers, interpreters, accountants, etc.). In this way, an understanding of the method of the calculation and the level of the wage for nearly 390,000 employees (85 per cent of the total number employees within state administration) would be achieved.

However, the government has recently planned to postpone the reform of the system of wages until 2020.

Bosnia and Herzegovina

As for the Federation of BiH, in the case of a net wage of €1,000, the total contribution for pensions and disability insurance would €359.26 (35.92 per cent); the contribution for health insurance would be €257.73 (25.77 per cent); and the total contribution for unemployment would be €31.24 (3.12 per cent). Income tax is also assessed, and this would amount to €77.78 (7.77 per cent) – income tax is calculated at 10 per cent and then reduced by the personal deduction factor. Total taxes and social contributions in FBiH are, therefore, around 72.6 per cent.

Workplace meal allowance (for a hot meal) amounts to 1 per cent/day of the average wage in the Federation of BiH and totals around €4.50. This is not taxable; and neither is annual leave allowance, which works out at fifty per cent of the average wage in the Federation, i.e. around €225.

Some sectoral collective agreements include the obligation to index wages against the rate of inflation. Even in these cases, trade unions have difficulties in achieving this and, in low accumulation sectors, there is neither indexation nor even the mechanisms for automatic indexation.

Inspectorates have a strong influence on the calculation and payment of wages; indeed, they are the only instrument available for supervising that the employer has acted correctly.

The salary system in BiH is quite poor having been, for the most part, taken over from the earlier system. Also, it should be acknowledged that there is a difference between the entities – the Federation of BiH and Republika Srpska – in terms of social contributions, billing and taxes on individual allowances.

Albania

In Albania, wage structure calculations (gross/net wages, tax and social contributions) is carried out by the Ministry of Finance within the Taxation Directorate, and the trade union does not have any direct information.

In line with the provisions of the Labour Code, deductions from employees' wages must include only income tax and the relevant social and health contributions.

North Macedonia

In North Macedonia, the calculation of the salary for a worker who has worked his or her full number of hours in a month is as follows:

1. gross salary *less* social contributions *less* personal exemption = base income for personal income tax calculation (PDD)
2. basis for income tax calculation = PDD x 10 per cent
3. gross salary *less* social contributions *less* PDD = net salary

Social deductions include, on top of income tax at 10 per cent: health insurance contribution of 7.3 per cent; pension contribution of 18 per cent; contribution for unemployment of 1.2 per cent; and contribution for occupational illness and diseases of 0.5 per cent.

The employer may provide transport to and from the workplace as well as a meal during working hours. The cost of the food can be up to twenty per cent of the average net salary paid per worker in the previous year; while the allowable cost of transportation is the amount of the real cost for the journey on public transport.

Legally, the right to indexation is covered but there are many cases in which it is not respected in practice.

Annual leave is paid once per year to an amount of at least forty per cent of the base wage where the employee has worked for the same employer for at least six months in a calendar year. The level of the payment is determined according to the base wage applicable on the date of the payment decision. Sectoral collective agreements determine the precise amount of recompense both for annual leave and the New Year allowance. However, paid annual leave is a legal right only up to the point that the employer is able to pay it. Therefore, the trade unions in North Macedonia are still struggling to amend the legal framework (i.e. the general collective agreement) so as to include a provision making paid annual leave mandatory.

The Labour Inspectorate is a specialist body within the Ministry of Labour and Social Policy with competency over labour matters. If a certain employment right is violated, the employee has the right to address the breach to a labour inspector; however, the most recent period has proved that inspectors do not carry out their activities accordingly, typically declaring that they do not have jurisdiction for the complaint, contrary to the reason for which the Inspectorate exists.

The general situation on wages is reflective of the position that salaries are simply too low and do not meet the costs of a worker's basic standard of living. In order to achieve some balance with the cost of living, salaries need to be doubled.

Montenegro

The structure of the calculation of wages and salaries – based on the average wage – in Montenegro is as follows:

Net wage = €512 (before social contributions and tax)

Total contribution paid by an employee:

£68.80 (9 per cent) = income tax

€183.60 (24 per cent) = pensions and disability fund (15 per cent); health insurance (8.5 per cent); contribution in case of unemployment (0.5 per cent).

This implies a ‘gross 1 wage’ of €765.

In terms of the contributions which are paid by an employer, these mount up as follows: €94 = pensions and disability insurance (5.5 per cent); health insurance (4.3 per cent); unemployment insurance (0.5 per cent); chamber of commerce affiliation (0.27 per cent); workers’ recreation fund (0.2 per cent); surcharge to tax (in three bands: 0 per cent; 13 per cent; and 15 per cent); and labour fund for unemployment (0.2 per cent).

This implies a ‘gross 2 wage’ of €859.

The workplace meal allowance is calculated in line with the regulations and constitutes an integral part of the basic wage. Employees receive, on a monthly basis, €18. Annual leave allowance, in line with the law, amounts to €24 and therefore, together with the meal allowance, comes to €42 net.

The general trend is that employers in Montenegro do no more than pay the legal minimum wage. Where they make profits or increase productivity, they still continue to pay the minimum wage. That is not justified. The problem is that the laws are not fully enforced – they are set out in terms of ‘the circumstances under which the minimum wage is paid’ – and labour inspectors do not have the capacity to provide oversight on all employers.

Furthermore, the government needs to be more aware of the position of the most vulnerable categories of employees on the lowest wages. It should, every six months – which is actually the legal obligation – provide the resources for an indexation of the absolute poverty line. Instead, this has not changed since 2013, when it amounted to €186.

Salary premia, overtime, etc.

The Albanian Labour Code sets down detailed provisions prescribing working hours and forms of compensation for hours worked outside the norm.

Night work is compensated with a premium of not lower than twenty per cent for every working hour worked between 19:00 and 22:00; while the premium for hours worked between 22:00 and 06:00 is not lower than fifty per cent.

Work conducted outside normal working days is compensated with an addition to the wage of not less than 25% (or with equivalent leave), while regarding days off or official holidays, the compensation can reach fifty per cent where the employee has also exceeded the maximum working hours. As a rule, long hours can be compensated with time off.

In BiH, the situation is as follows:

- work during holidays: 25-50 per cent premium on the worked hours
- work at night: 30-35 per cent on the worked hours
- shift work: here, there is an accumulation of emoluments
- overtime: 25-50 per cent on the worked hours
- work during the weekend: 30-35 per cent on the worked hours
- prior experience: a premium of 0.5-0.6 per cent is added annually
- a number of other emoluments may also be payable.

In North Macedonia, the salary for time spent at work outside the norm is increased as follows:

- work on holidays: 50 per cent
- night work: 35 per cent
- shift work: 5 per cent
- overtime: 35 per cent
- work during days of normal weekly break: 35 per cent
- prior experience: a premium of 0.5 per cent.

In Montenegro, the salary for time spent working outside the norm is increased in line with the following premia (NB there is no premia for shift working envisaged under the national legislation):

- work during holidays: 150 per cent
- work at night: 40 per cent
- overtime: 40 per cent
- work during a weekend is counted as overtime; although a collective agreement could prescribe a percentage
- prior experience: up to ten years = 0.5 per cent per year of service; ten to twenty years = 0.75 per cent; and over twenty years = 1 per cent.

In Serbia, non-standard working hours entitles the employee to an increased wage in an amount determined by the general laws and the contract of employment, as follows:

- on holidays and non-working days: at least 110 per cent of the basic wage
- for night work, if such work is not accounted for within the basic wage: at least 26 per cent of the basic wage
- overtime: at least 26 per cent of the basic wage
- prior experience: for each year spent with the employer: at least 0.4 per cent of the basic wage.

If several of these grounds are met, the percentage of the increase to the wage cannot be smaller than the sum of the percentages set down for each of the grounds for the increase.

The general laws and the labour contract may define other cases in which an employee is entitled to a premium on the hourly wage, such as for shift work.

The basis for the calculation of wage premia is the basic wage, determined in line with the Labour Code, any applicable collective agreement and the contract of employment.

Compensation for absence from work due to incapacity, sick leave, etc.

In cases of temporary incapacity for work, an employee in Albania receives from their employer a payment of no less than eighty per cent of their earnings for a period of fourteen days.

In BiH, salary compensation where there is a temporary work disability amounts also to a minimum of eighty per cent of the wage and, depending on the sector, this could rise to 100 per cent.

The right to salary compensation paid by the state fund is realised in North Macedonia based on a request for a temporary work-related disability payment due to sickness and injury, or due to pregnancy and birth. For absences due to illness for fifteen days, 70 per cent of the salary is paid; for those of up to thirty days the payment is 90 per cent; and, for those lasting over thirty days, 100 per cent is paid. Full compensation is also paid in cases of injury at work and for absences due to pregnancy and birth.

Salary compensation in cases of temporary work disability amounts to 70 per cent in Montenegro, unless otherwise provided in a collective agreement.

In Serbia, employees are entitled to compensation during periods of a temporary inability to work of up to thirty days as follows:

1. at least 65 per cent of the average wage earned in the previous twelve months prior to the month when the temporary disability occurred, with the proviso that this cannot be lower than the minimum wage determined in line with the law, where the disability is caused by illness or injury taking place outside work (unless otherwise provided for in the law)
2. 100 per cent of the average wage earned in the previous twelve months prior to the month when the temporary disability occurred, again on the basis that this can be no lower than the minimum wage determined in line with the law, where the disability is caused by an injury at work or an occupational illness (unless otherwise provided for in the law).

An employee is entitled to compensation of at least sixty per cent of the average wage for the previous twelve months, again as long as this is higher than the minimum wage, for periods of a break in work and/or a decrease in labour demand for which the employee is not responsible for a maximum of 45 working days within a calendar year. Exceptionally, in cases of a break in work and/or a decrease in labour demand which requires a longer absence, an employer may, after prior approval by the minister, grant absence to an employee for a period longer than 45 days, along with the appropriate wage compensation.

An employee is entitled to compensation as determined by the general laws and the contract of employment during breaks in work which are caused by an order of a competent state authority or a competent organ of the employer on the grounds of poor safety and in view of the need to protect life and health at work.

The general laws and the employment contract may define other cases in which employees are entitled to compensation.

Minimum wage and the parameters for determining it

Differences between minimum wage levels were small in the countries of south-eastern Europe observed here, while their growth was extremely weak and negligible compared to western European countries.

In Albania, the minimum wage is set by the government subject to employee-employer negotiations. The Labour Code sets down that the wage shall be determined with a view to the following factors:

- a) the need for economic development and a decrease in unemployment, as well as an increase in production
- b) the needs of employees and their families, taking into consideration the general living standard of employees in the country, the level of assistance received from social insurance, and the living standards of different social groups.

In North Macedonia, the *Law on the minimum wage* sets the minimum wage for the country at 39.6 per cent of the average gross salary in the previous year.

The gross amount of the minimum wage for the previous year should then be adjusted each March in line with the following: one-third of the increase in the average salary paid in North Macedonia; one-third of the increase in the cost of living index; and one-third of the real increase in Gross Domestic Product in the previous year, according to the data of the State Statistical Office.

The minimum wage arises out of an agreement with the social partners and is subject to comments and remarks at the Economic and Social Council, in which the trade unions, employers and the government take part. Each change to the minimum wage must first be considered at a session of the ESC.

In Montenegro, the parameters for the determination of the minimum wage are: living costs; movements in average wages in the country; the survival and social needs of employees and their families; unemployment rates; changes in employment rates in the labour market; and the general level of economic development in Montenegro. The government is responsible for determining the level of the minimum wage, based on a proposal of the Social Council.

In BiH, the minimum wage is determined by collective agreement on the basis of a minimum net hourly rate multiplied by the number of hours worked monthly. The actual rate is dependent on the sector in which collective bargaining takes place but, in principle, this is the unilateral decision of the government.

In Serbia, the parameters for the determination of the minimum wage (i.e. the amount obtained after multiplying the minimum labour price per hour by the number of hours worked in the month) are: the survival and social needs of the employee and his/her family, as expressed through the value of the minimum consumer basket; changes in the rate of employment in the labour market; the rate of growth in GDP; changes in consumer prices (inflation); changes in productivity; and changes in the average wage in Serbia.

The minimum hourly labour price is determined for each calendar year, on a gross basis (i.e. without taking into account taxes and social contributions), no later than 15 September of the current year and comes into force as of 1 January the fol-

lowing year. The minimum labour price per hour cannot be lower than the equivalent figure determined for the previous year.

The minimum hourly price for labour is determined by a Decision of the Socio-Economic Council for the Republic of Serbia (a body made up of eighteen representatives: six apiece from the representative trade unions, the representative employer associations and the government). If the Socio-Economic Council does not adopt a decision within fifteen days from the beginning of bargaining, the government must do so within the following fifteen days. For example, the minimum labour price per working hour for 2019, amounting to 155.30 dinars (€1.32), was a decision adopted by the government as the social partners did not reach consensus on the appropriate value at the Socio-Economic Council.

Table 3 – Growth in minimum wages, ⁷ 2013-2019 (€/month)

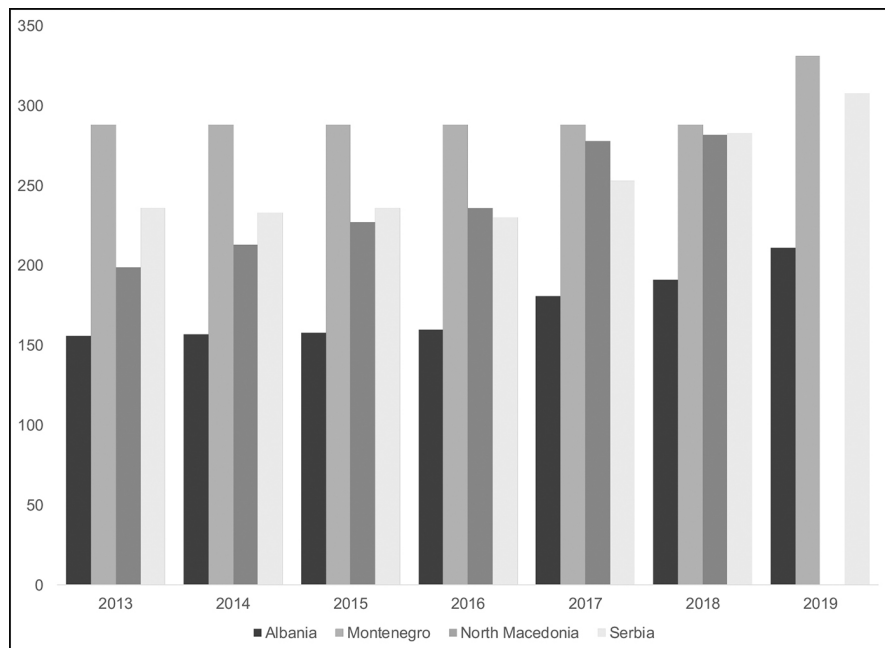
	Albania	Montenegro	North Macedonia	Serbia
2013	156	288	199	236
2014	157	288	213	233
2015	158	288	227	236
2016	160	288	236	230
2017	181	288	278	253
2018	191	288	282	283
2019	211	331		308

Source: Eurostat, 2 October 2019. https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Minimum_wage_statistics#Proportion_of_minimum_wage_earners.

Note: Eurostat does not collect comparable statistics for BiH, a potential candidate country for EU membership.

⁷ According to Eurostat: ‘Minimum wages are presented as monthly wage rates for gross earnings, that is, before the deduction of income tax and social security contributions payable by the employee; these deductions vary from country to country. National minimum wages are published by Eurostat bi-annually.’ In this table, minimum wages reflect the situation as of 1 July of each year. In all observed countries, national minimum wages were substantially lower than €500/month between 2013 and 2019.

Chart 2 – Growth in minimum wages, 2013-2019 (nominal terms, in Euros)



Source: Eurostat.

Differences between the wages of women and men

Our results point to the presence of an unadjusted gender pay gap, to the disadvantage of women, in Albania, Serbia, North Macedonia and Montenegro. The difference between the average salaries of men and women in each of the countries observed clearly exists and is very pronounced.

In Albania, the extent of pay discrimination varies across the different sectors of the economy. The financial and banking sectors, telecommunications, the extraction and processing industry, power and gas have the largest wage gaps. Women face discrimination even in public administration, where there is a gender gap of 13.6 per cent.

The gender pay gap in some state and private sectors, as well as in foreign and domestic enterprises, rises to up to twenty per cent.

In North Macedonia, the difference in wages between women and men is 12.5 per cent. Such statistics mean that women work for free for 33 days each year in order to reach the same salary as men. The wage difference is most pronounced in the private sector although in the public sector it is much lower. Social and economic factors, the under-valuation of work done by women, the unequal balance between work and private life, and the persistence of stereotypes are just some of the reasons

for the gender difference in earnings. All of these need to be resolved in order to overcome the gender pay gap.

In Montenegro, women earn 14 per cent less than men for the same labour, according to a recent survey from Ipsos. Women are more predominantly employed in lower-paid jobs; while, furthermore, societal attitudes mean that they are less likely to be selected for overtime on the grounds of family obligations whereas men have greater possibilities, as well as the time, to add to their wage in this way.

In Serbia, women earn 16 per cent less than men, on average.

Conclusions

In most western Balkans countries, the economic situation is characterised by low salaries and low purchasing power, a high unemployment rate, plenty of corruption, a grey economy which continues to prevail at a high level, a low GDP growth rate, massive participation of public and foreign debt in GDP, widespread non-payment of taxes and contributions, low economic competitiveness and a high poverty rate, amid plenty of other issues.

In the last two decades, western Balkans countries have emerged as open economies that are making progress in terms of liberalising investment and improving business conditions. But, despite growth in key manufacturing sectors, wage increases in the export sector are higher than productivity growth, thus blunting the region's competitive edge.

Innovative growth strategies are needed to ensure the region can circumvent the middle-income trap, while structural reforms can help pave the way for more inclusive and sustainable growth in knowledge-based sectors.

The process of privatisation must operate in the interests of improving the production and market characteristics of the companies that are involved. In particular, structural adjustment loads must not be transferred exclusively to employees who must, alternatively, be looked after via job creation mechanisms or through appropriate social programmes. The conditions for long-term investment to enhance economic performance and the well-being of citizens should also be improved. Here, an important driver of reform is the prospect of accession to the European Union (EU), where western Balkan economies can benefit from the recent experiences of Bulgaria, Croatia and Romania.

Among other things, the data that has been submitted to us in the course of our project lead us to conclude as follows:

1. In all countries, to a greater or lesser degree, economic policy has a significant influence on the development of salaries; this occurs frequently because of existing arrangements with the IMF or because of the need to attract foreign investment, implement fiscal consolidation measures, or other reasons.
2. For a long time, social dialogue has not been able to influence the labour and social rights of workers and citizens. Laws are passed in line with the interests of the world of capital, but to the detriment of workers' rights. Labour legislation is becoming rigorous to workers, while social rights generally are becoming increasingly reduced up to the point that individuals, and whole families, find it

more worthwhile to leave everything behind and go to one of those countries offering 'a job and a salary'.

3. The paths of trade union influence on salary growth are negotiations, strikes and protests. The possibilities to influence salary growth are more substantial where collective agreements have been signed.
4. The level of salary tends to be regulated by collective agreements (company collective agreements). Among other things, the collective agreement determines the elements of the calculation and payment both of the basic salary and work performance, as well as the right to an increased salary and other forms of income.
5. There is no strong connection between salary growth and productivity growth. In most cases, the salary level does not depend on productivity but on the aims and intentions of the employer.
6. For the past ten years, realistic salary growth has, in most of the countries under observation, been meagre.
7. Regarding laws which limit salary growth, the situation varies: in some countries, such a law does exist (for example in Serbia and in Albania), although this is not the case in Bosnia and Herzegovina or in North Macedonia. In Montenegro, salary growth has been limited by the measures included in the Fiscal Strategy 2017-2020.
8. In most countries, the average salary is sufficient to cover the average consumer basket.
9. Sectors with the highest salaries are air traffic, mining, the IT sector, the financial sector and the electricity power supply industry. In contrast, the lowest salaries are in the textiles industry, the processing industry, hotels and catering, and timber processing, among others.
10. The highest salaries are earned by directors and managers (bank managers, sales managers, managers of financial institutions and others), as well as directors of public enterprises.
11. The prevailing level of salary has a substantial influence on poverty in all countries. The risk of poverty and the social exclusion rate amounted in 2016 in North Macedonia to 41.1 per cent, in Serbia to 38.5 per cent and in Montenegro to 27.9 per cent.
12. Data received in response to our questionnaire show that a considerable number of people have jobs which do not support the decent life of their families. Around one-quarter of people work in the informal sector, while one-third are working in precarious jobs.
13. The salaries of those who are hired by temporary employment agencies and those who are full-time employees in a company may differ by as much as fifty per cent, to the detriment of those employed by agencies.
14. The most frequent problems related to the payment of salaries are as follows:
 - low salaries
 - the non-payment of salaries, or their irregular payment

- the payment of a part of salary in cash and the rest through a current account, facilitating the avoidance of taxes and contributions even though this damages both the state and employees upon retirement
 - the low percentage with which salary can be compared to the average consumer basket
 - the lack of adequate controls over salary calculations and payments
 - the non-implementation of prescribed sanctions for the inadequate calculation and (non-)payment of salaries
 - the reduction of employees' acquired rights – i.e. the non-payment of premia for overtime work and shift work, and for accumulated experience
 - disrespect for the provisions of collective agreements (primarily in the public sector) related to the level of the salary and the methods of calculation
 - limitations on the level of salary in the public sector by laws on the budget and on the budgetary system
 - distinct levels of skills and qualifications (where the employer intends to pay only at the lowest) being envisaged within a single workplace
 - the existence of significant differences in the incomes of those employed in the services sector on the one hand (the IT sector, financial services and oil processing) and those employed in the public sector on the other
 - major differences in the average wage level compared to EU countries (especially west European ones)
 - low employee salaries being touted as a factor in attracting foreign investment
 - the salary level being insufficient to cover basic living standards (since employees remain poor) and to exit from a state of social vulnerability.
15. Institutions which are regarded as having competency in the area do have an influence on the regularity of salary calculations and payment. However, the most frequent problem that occurs is an insufficient number of inspectors.
 16. In most countries, objective criteria for indexation that are prepared beforehand and which are aimed at raising the level of wages and salaries, such as the rate of growth in GDP or the rise in inflation, do not exist.
 17. In all countries, different interest groups such as foreign investors, members of the business community and others have a substantial influence in terms of limiting and reducing salary growth.
 18. The basic parameters for determining the minimum wage are: the survival and the social needs of employees and their family, expressed through the value of the minimum consumer basket; developments in labour market employment rates; the GDP growth rate; developments in consumer prices (inflation); developments in productivity; and developments in average wages.
 19. The minimum wage is, mostly, the result of agreement between the social partners and, if such an agreement does not exist, it is governments which make the decision unilaterally.
 20. In almost all countries, there are significant differences between the salaries of men and women, and they range from 12.5 per cent (in North Macedonia) to twenty per cent (in Albania).

21. In all the countries of the south-east European region, there is a considerable fiscal burden on salaries.
22. Increases to the basic salary are envisaged right across the region in the presence of some circumstances, i.e: work during holidays; night work; shift work; overtime; Sunday working; temporary incapacity for work; and so on.
23. Employees in all countries have the right to be compensated for meal expenses during working hours and for paid holidays.

The salary system in south-east European countries, as shown by the data submitted by experts for this report, is hugely unregulated, unjust and non-transparent. As a rule, salaries are determined without objective criteria and are often regulated by a sizable number of laws and by-laws.

These points relate especially to the salary system in the public sector. Namely, certain groups of employees enjoy privileged status (for example in the police service), whereas in other sectors salaries are relatively low (for example in education and health). In some countries (for example Serbia) reforms to the salary system have been delayed year-in, year-out or, in current language terms, have been postponed at least to 2020.

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Annex: Basic macroeconomic indicators for the five western Balkans countries

Countries	Albania		BIH		Montenegro		North Macedonia		Serbia	
	2008	2018	2008	2018	2008	2018	2008	2018	2008	2018
Population (000)	2,958	2,870	3,843	3,502	615.5	622.3	2,045	2,075	7,365	7,001
Gross domestic product (GDP) (€m)	8,800	10,974	13,086	16,759	3,103	4,299*	6,772	8,490	33,704	36,239
GDP (€/capita)	3,000	4,000*	3,695	4,572*	5,030	6,908*	3,300	4,700**	4,900	5,600*
GDP per capita (€ in purchasing power standards (PPS))	6,500	8,700*	7,600	9,500*	10,700	13,700*	8,300	11,000*	9,400	10,900*
Real GDP growth rate: change in relation to previous year of GDP volume (%)	7.5	4.1	5.4	3.1	7.2	4.5	5.	2.7	5.7	4.1
Average gross wage (€)	n/a	n/a	571	677*	609	765*	418	571*	561	533*
Average net wage (€)	n/a	n/a	386	436*	416	510	257	390*	402	384*
Monthly minimum wage (€)	139	191	n/a	n/a	n/a	331	n/a	282	233	308
Registered employees (000)	n/a	1,162*	694	783*	n/a	182*	554	755	2,081	2,053
Registered unemployed (000)	n/a	189*	493	489*	n/a	50*	343	102*	727	583
Employment rate (15+), %	n/a	55.9**	33.6	33.9*	43.2	45.9*	37.3	44.2*	44.4	47.6
Unemployment rate (15+), %	n/a	14.3*	23.4	20.5*	n/a	n/a	33.8	22.1*	13.6	12.7
Informal employment rate (15+), %	n/a	n/a	n/a	n/a	16.8	16.1*	29.3	19.5*	n/a	20.7*
Inflation rate (change relative to the previous year (%) – average on the period)	n/a	n/a	7.4	1.3*	n/a	n/a	8.3	1.0*	11.7	2.1

Wage developments in south-east Europe and the influence of economic policy

Countries	Albania		BIH		Montenegro		North Macedonia		Serbia	
	2008	2018	2008	2018	2008	2018	2008	2018	2008	2018
Poverty line – poverty line and social exclusion rates (in %)	n/a	n/a	n/a	n/a	n/a	n/a	n/a	41.6*	n/a	36.7*
Gini coefficient	n/a	n/a	n/a	n/a	25.3	n/a	36.5	32.4*	n/a	37.8*
Euro exchange rates: (€1 = ... national currency)	n/a	n/a	1.95	1.95	Uses the euro	Uses the euro	61.5	61.5	81.44	118.2
Gross external debt, (% GDP)	n/a	n/a	16.63	25.84*	14.4	52.26*	48.8	73.5*	62.3	69.9*

Note: *- data for 2017; **- data for 2016; n/a – not available

