

Market and Benchmark Insight Report for Republic of North Macedonia – 2021

Competitive benefit norms for mid-market employers in Republic of North Macedonia

Introduction

MAI CEE group was founded in Hungary in 1991, and for 30 years, has provided insurance solutions and employee benefits consulting across Eastern Europe, the Commonwealth of Independent States, and the Caucasus region. With steady growth, MAI CEE now provides insurance advice and services to the 29 countries in the region while having a physical presence in 25.

Today, MAI CEE is the leading insurance broker in the region and enjoys strong and long-lasting ties with its associate Partners. The company prides itself on delivering excellent service with the highest levels of integrity to its clients and partners.

It has specialist divisions to assist multinational businesses as brokers with specific expertise in employee benefits, construction and real estate, cyber, marine and logistics, and claims. MAI-CEE's employee benefits consulting services include:

- A separate Employee Benefits Department Personal Manager for each client
- Significant staff experience ranging from three to 20 plus years in employee benefits management
- Effective resolution of all disputed issues during the insurance period, contract follow-up support, and advocacy for clients' interests
- Complimentary review of clients' existing insurance coverage and recommendations to improve financial and medical efficiencies
- Ongoing contract review to maintain quality and ensure client satisfaction

MAI CEE is proud to be an Asinta Partner and hopes this document is of use to you.



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1. Mandatory Benefits

Pension Insurance

The pension insurance system in the Republic of North Macedonia is multi-pillar and has three components.

Pillar 1 – Mandatory and State Organized

This pillar is defined by the law on pension and disability pension insurance that requires all employed people to be registered and defined as pension contributors. The system is led by the state fund for pension and disability insurance. The date of the funds' entry is related to the date of first employment; a record acquired and maintained by the Agency of Employment. The insurance type is a pay-as-you-go system and defined benefit scheme, determined by the:

- a. Volume of the pension contribution
- b. Replacement rate (defined in relation to the employment period and the time of retirement) that amounts to an 80% maximum of total employment earnings
- c. Length of the insurance period
- d. Type of working time (full/part-time job), namely 40 hours/20 hours (or less) per week

The pension benefit is related to the retirement age of 62 years for women and 64 years for men, while the Law offers the possibility for optional (upon employee request) late retirement at the age of 67 (both for women and men) and minimal employment period of 15 years.



Pillar 2 – Mandatory

Pillar 2 is a mandatory defined contribution pension plan for all employees that formally started their employment after January 1, 2003, and are registered by the fund for pension and disability insurance. This pension is voluntary for people employed before January 1, 2003 (in 2019). This category of insured persons received the right to re-define their status by remaining in the combined pension system or by moving to pillar 1 as a one-time irrevocable decision).

Pillar 2 became mandatory for all new, first-time employees after January 1, 2019, if they were younger than 40. The retirement age is linked to pillar 1, thus offering combined pensions for this category of pension-insured employees.

Three pension funds organize pillar 2 pensions and operate as open investments funds, with one portfolio for all the contributors and without particular guaranties for return on investment. The system is supervised by the independent regulatory body (MAPAS) and accountable to the country's National Assembly. Pillars 1 and 2 make up 87% of the integral total pension system contributors (as of January 1, 2020, according to the MAPAS Annual Report).

Pillar 3 – Voluntary

The third pillar is a voluntary defined contribution plan (comprised primarily of professional pension schemes) used by mainly medium and large-size foreign companies (FDI) to motivate and retain their employees. Foreigners can contribute to the third pillar membership regardless of employment or membership in pillars 1 and 2.

Disability pension is acquirable by employees that have a general work disability or cannot overcome the disability through professional rehabilitation, defined by the following criteria:

- Disability caused by professional disease or working injury, regardless of pension contribution period's length
- Disability caused injury or disease outside of the workplace if the employee is:
 - Older than 45 years of age and has at least 12 years of pension contribution period, or
 - Age 30-37 and made pension contributions for at least 30% of the working period, or
 - Age 37-45 and made pension contributions covering 40% of the working period



Pension Contributors

According to the laws, the legal contributor is the employed person. However, the calculation and the payment of the pensions at the integral pension system, namely for pillar 1 pension contributors (mainly older employees) and for pillar 1+2 system contributors (majority of the employees), is done by the employer, on a gross wage, declared, confirmed and accepted by the Public Revenue Office (PRO). The same procedure applies to the rest of the social contributions (described below). The gross wage must be paid to PRO by the 15th of the month, while employees receive the net wage, and the social contributions are transferred to the respected funds by the PRO.

Contribution Rate

The Ministry of Finance defines the contribution rate as 18.8% of the gross wage. For people with membership to only pillar 1, the total percentage of 18.8% distributes to the State Pension Fund. The combined pension system distribution is 12.8% for pillar 1 and 6% for pillar 2. However, the latter is distributed as a back-office process at PRO and MAPAS, while the employer calculates and pays a total of 18.8%

Hazardous Jobs

Employees working hazardous and arduous jobs receive extended service benefits that allow early retirement by different categories and work complexity. In addition, these employees are mandatory members of pillar 1, regardless of age and employment period.

Contribution Limits

Social contribution calculations have two limits. The minimal base for the contribution calculation is set at 50% of the average salary paid in January for the current year (€448, January 2020, State Statistical Office). However, the maximum level is set at 16 times the average salary paid in January for the current year. For the maximum, the employer does not calculate and pay the social contributions (pension, health, professional illness, and employment insurance). However, the personal tax is payable at 10% of the gross wage.

Pension Amounts

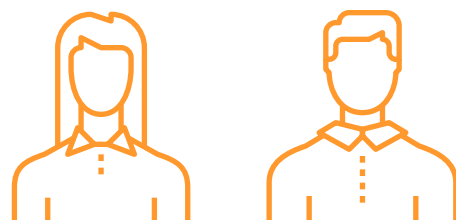
Employees contributing to pillar 1 receive a mandatory pension ranging from the minimum of €150 (regardless of the contributions and salaries), the average of €250, or the maximum of €700 (a marginal group). The combined pensions are yet to be delivered. They will consist of the defined benefit pillar 1 part (up to 40% replacement rate) and the rest depending on the capitalization and the return of the invested assets.

Health Insurance

Health insurance for employees consists of mandatory health insurance, defined by the law on health insurance. As an integrated part of social contributions, even though the individual employees are defined as contributors, employers calculate and paying health insurance contributions on behalf of the employee. As with the pension contribution, payment is based on the gross wage, respecting the minimal and maximum base for the social contribution calculation. Currently, it is set at 7.5% of the gross wage for the employee. The transfers are directed to the fund for health insurance as the state-managed public health system. The average monthly contribution for the Health Fund was €33 (Health Fund 2019 Annual Report). The health contributors can contribute and cover the health insurance for the family members (spouse), dependent until 18, or dependent in the process of higher education until 26.

The public health insurance covers all employees' needs for primary, secondary, and tertiary healthcare, with individual participation for health service and selected pharmaceutical goods at 20% cost-share.

Voluntary and complementary private health insurance for individual/family health coverage is available through non-life and life insurance carriers. Currently, 11 non-life companies and 5 life companies (as complementary to the life insurance) offer these policies that vary by the covered risks and insured sums.





Paid Time Off

Maternity / Paternity Pay – Maternity Benefits

According to the health insurance law, women have the right to benefits for pregnancy, delivery, and maternity. The integral benefits pay to the biological mother (including surrogate mother) for a continuous period of 9 months or 15 months for twins or more delivered at once.

Upon the Report of the Health Authority, women may start using the benefit 45 days preceding the expected week of delivery since the mandatory benefit period starts 28 days preceding the expected delivery time. That time is calculated within 9 months of maternity pay. The benefit is payable at 100% of the wage and is transferred by the Fund of Health Insurance on behalf of the Ministry of Labor and Social Affairs. In addition, if there are objective reasons for absence early in the pregnancy, the period of maternity pay can start as early as the Health Fund Specialist Commission confirms the need. Thus, 100% of the wage benefits are applied earlier as the 9-month maternity pay starts with the delivery. In these cases, the Fund of Health Insurance pays the benefits on behalf of the Ministry of Labor and Social Affairs.

Women can apply for the same benefits for the adoption of one child (for nine months) or for more than one child (for a period of 15 months).

If the mother/women decide to return to work earlier, it can be done 45 days after delivery, in which case she has the right to an additional benefit of 50% of the wage, not excluding the initial wage.

The maternity benefit can be transferred to paternity, both in the case of delivery and adoption of a child/children.

Parental Leave

As previously stated, parental leave is declared up to 9 months (for a child) and up to 15 months (for more than one child). Benefits pay monthly at 100% of the parent's last wage, but not exceeding 4 times the national average wage for the respective year. Parental leave can be an unpaid benefit for a maximum of 3 months in a total time frame of 3 years concerning the need for childcare and support for growth.

Leave Relief

Leave (Relief) is for sickness, professional disease, and a benefit for travel expenses related to health services. The volume of the benefit is set at 75% of the worker's 12-month average wage before the beginning of the temporary leave, in general cases. The exemptions are applied for cancer diseases when the benefit is 85% of the worker's wage and 100% of the workers' wage in instances of pregnancy/delivery/maternity/paternity cases, injuries at work, professional disease, and in periods of blood, tissue, and body part donation and transfer.

In cases of care for children up to age 3, and cases of pregnancy/delivery/maternity/paternity, injuries at work, professional disease, and in periods of blood, tissue, and body part donation and transfer, the benefits are paid by the Health Fund as from the first day of the leave. In all other cases, the employer pays the benefits for the first 30 days, while the Health Fund undertakes the responsibility for the rest of the time.

For short-term leave up to 21 days, there are different percentages for salary compensation (benefit) paid by the employer, ranging from 70% to 90%. However, the exemptions defined above apply consequently in such cases, and the volume of benefit can rise.

For all the cases, general and particular conditions apply, such as:

- The need for continuity of health insurance status, at least for 6 months
- The obligation for continuous payment of the health contribution (by the employer or by other institutions according to the laws) or by the maximum delay time of 60 days
- Particular and defined health documentation to be supplied

Professional Disease Insurance

Employees have the right to professional disease benefits. The employer pays a 0.5% gross salary contribution rate for the benefit, covering employees for professional disease confirmed by a primary personal physician and doctors from the secondary and tertiary health sectors (specialists). This process is integrated into the State Pension Fund Commission for evaluating the ability to work.



Employment Insurance

All employees are covered by mandatory unemployment insurance. Employers calculate and pay 1.2% of the gross salary, which provides employees with:

- Income
- Support for employment such as training, re-qualification, and sub-qualification
- Health insurance
- Pension insurance for 18 months

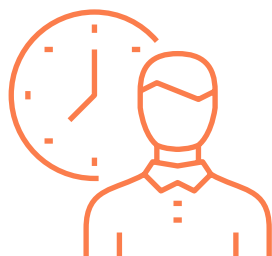
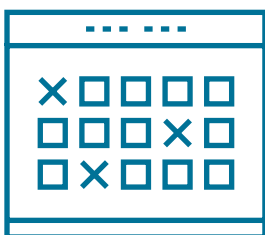
Employees are eligible for this benefit if they were:

- Employed (in different capacities) continuously for 9 months
- Discontinuously employed for at least 12 months over a total employment period of 18 months

The benefit amount depends on the calculated and paid salaries by the employer (e.g., 50% of the average monthly net employees' compensation in the last 24 months) if the person is eligible for benefits up to 12 months. If an employee is eligible for benefits past 12 months, the benefit for the first year is 50% of the average monthly net salary and 40% for the rest of the allowed period. In all the cases, the maximum amount of the benefit must not exceed 80% of the declared national wage average for the last available month.

The benefit can last from 1 month till 12 months depending on the continuity or discontinuity of the employment status, exempt for the insured persons that have the opportunity for obtaining the age pension when the duration can be prolonged to 18 months.

The agency of employment transfers the benefit, and the person receives full benefits and rights for healthcare, particularly for the benefits defined above.



Annual Vacation Days

Full-time employees must receive a minimum of 20 vacation days and a maximum of 26 days. Part-time employees receive 10 days. An additional 7 days is offered for planned or sudden events and needs related to family matters, education, and defined circumstances. The legally defined benefit for vacation is 40% of the average last three months of net salary, thus ranging the benefit between €160 and €200.

Health Exams

According to the law regarding work security and health, all employers must cover several categories of employees' health exams at accredited health institutions, public or private. Particular by-laws determine these exams and include:

- Periodical exams
- Targeted (focused) exams
- Systematic exams

Health exams must be done at least once every 24 months, and the employer covers all costs for the following:

- General and detailed anamnesis
- Exams of the various body indices
- Basic blood laboratory exams
- Eye exams
- Audiometric exams
- Spirometric exams
- ECG

Overtime

Overtime pay is mandatory at the rate of an additional:

- 35% for day and nighttime work
- 5% for a triple shift
- 50% for working on Sunday and national holidays



2. Supplementary Employee Benefits

Education

Following the growing demands for skilled and professional talent, medium and larger domestic and foreign companies offer programs for employees to continue their formal education at both master and doctoral levels (nationally and abroad). Employers also sponsor short to medium-term specialist training and courses, but the employee must stay with the company for a determined time after the coursework is completed. Unfortunately, even though the law on labor relations defines employees' rights and benefits for continuous education and specialization, most employers rarely practice them.

Retirement

Individual retirement savings is not a developed benefit. Hence the pillar 3 option has low utilization. However, professional pension schemes organized by the large domestic or foreign companies (within the ICT industry, corporate financial sector, or larger production companies) do exist and focus on middle management and executive employees.

Managerial Insurance and Private Health Insurance

Medium and predominantly larger domestic and foreign corporations within the ICT, financial, and production industries offer particular managerial insurance and health insurance. These benefits are provided through the non-life insurance industry, and there are very few examples of individual or group life insurance benefits in the country.

The program consists of outpatient and inpatient insurance.

- Out-of-hospital treatment insurance provides insurance coverage in illness and pre-arranged services, namely Systematic Examination and COVID testing conducted during the insurance period.
- Other outpatient services are cost insurance for diagnosing and treating newly emerging acute and chronic conditions within the policy limit, including prescription drugs, performing diagnostics using state-of-the-art equipment, staying in a one-day hospital and laboratory tests, provision of aids, all prescribed by doctors.
- Coverage also includes specialist outpatient and inpatient treatments, surgeries, serious diseases, dental, ophthalmology, diagnosis, seasonal flu, and childbirth, all within adequate sub-limits.

Hospital treatment insurance covers all services and surgeries in a hospital. This is a premium product whose popularity has quickly risen over the past three years.

Life Insurance

The first model of life insurance is where the sum insured is usually approximate, equal to, or higher than the amount of the total premium paid for the duration of the insurance period. This coverage pays upon the death of an insured employee to the beneficiary if the death was due to an accident. In the case of serious illness insurance (after 3 months from the start), the insurer pays a compensation equal to that of a fatal outcome, and the policy is terminated.

The second model is related to shares in mutual funds and is quite attractive. The insured assumes the investment risk related to the value of investment coupons or other securities from investment funds known as Unit Link insurance. The growth of premiums and the number of policies relate to the second model.

Combined health and life insurance is not available.





3. Perks

Sport and Leisure Activities

Very few large domestic and foreign companies offer employees incentives or sponsored activities for sport and leisure activities within the concepts of organizational health. Company gyms are non-existent, and programs encouraging health behaviors are minimal. Sometimes an employee's participation in charitable sporting events (skiing or marathons) is supported by an employer.

Workplace Canteens

Traditional food and travel benefits, which were considered taxable income, were abolished in 2008. However, foreign production companies located at the Technological Industrial Development Zones (TIDZ) and larger domestic and foreign financial and ICT companies offer employees free catering or discounted canteens and food/beverage corners.

Transportation services

For companies with remote locations, employees must be offered organized transportation or reimbursement for travel to these locations if company-sponsored transportation is not arranged.

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