

## Policy Brief No. 46

This policy brief recommends the Government and the Ministry of Agriculture, Forestry and Water Economy to inform and integrate registered farmers under its relief measure “salary subsidy in the amount of 14,500 MKD per employee” and to expand coverage of single-payment grants for small agriculture holdings that have suffered income decrease during the pandemic.

The Covid-19 pandemic has reduced the Macedonian economy’s scope by an average of 9.1% in the second and third quarter of 2020, with mild decrease of unemployment as a result of labour deactivation during the crisis and the government measures aimed at preservation of jobs. Trends observed in the agriculture sector, however, were contrary: production output in this sector during the same period has grown by 4.6%, but nearly 21 thousand jobs had been lost. As a result thereof, work hours have been reduced by 28% and salary earnings have decreased by 16%. Hence, it could be concluded that agriculture workers were the most impacted group by the Covid-19 crisis, but also the least protected one under government relief measures.

### PROBLEM

The labour market in North Macedonia has experienced specific movements during the coronavirus pandemic. Between the end of the first quarter in 2020 (onset of the pandemic) and the end of the third quarter (last period for which data is available), overall employment has decreased from 48.1% to 46.6%, accounting for nearly 26 thousand jobs lost or around 3% of the total number of employed. In the same period, unemployment was marked by mild decrease from 16.7% to 16.5%. Accordingly, there was a very strong labour deactivation on the market during the pandemic, which means that people who had lost their jobs and unemployed people who had previously sought work have stopped looking for jobs. This is understandable given the stringent conditions that have emerged on the labour market due to the spread of

coronavirus infections and the closure of economy sectors with high risk of infection spread (hospitality, trade, recreation), but also those dependent on import/export (transport, several manufacturing branches).

In the same period, the Government intervened with an array of relief measures grouped into four packages targeting both economy and citizens, whereby the key measure related to the labour market concerns award of salary subsidy in the amount of 14,500 MKD per employee to companies that have suffered income decrease of at least 30% during the critical months compared to their average income in 2019. [According to our assessment](#) on the effect of this measure in the period April-June 2020, the same has proved to be of crucial importance for saving around 60 thousand jobs from the estimated 27 thousand that had been on the verge

of being lost, mainly in sectors such as trade, hospitality, entertainment and recreation, construction and manufacturing. In that, this measure has injected more than 70 million euros into the economy over the indicated period of time, as portion from the total amount of around [200 million euros disbursed under the first three economic relief packages](#). It has been estimated that these measures have saved 70% to 80% of lost income for citizens, especially the measure that implied salary subsidy in the amount of 14,500 MKD per employee, which directly targeted employees, i.e. persons with regulated employment status. According to the Employment Service Agency, the number of employed in North Macedonia accounts for around 600 thousand people, which means that this measure was of crucial importance for preserving around 10% of registered workers whose jobs would have been lost otherwise.

While there is space for key factors to be satisfied with this setup of economic relief and job retention policies at the time of Covid-19, one contingent of workers that is heavily impacted by the corona crisis and which had not felt the same effect of government measures as employees in other sectors includes **agriculture workers**.

In 2019, the agriculture sector accounted for 9.4% in the total added value and 13.9% of the total number of employees. During the pandemic, i.e. second and third quarter of 2020, agriculture continued to grow under an average rate of 4.6% relative to the same period in 2019. However, in the same comparative interval, agriculture has lost almost 21 thousand workers, while the economy as a whole lost only 8 thousand. This implies that other sectors have created jobs during the pandemic, whereby the share of lost jobs in the aggregate number is

almost three times lower than jobs lost in the agriculture sector.

## OBJECTIVE

The purpose of this policy brief is to shed a light on labour market movements among agriculture workers during the Covid-19 pandemic.

## METHODOLOGY

The brief uses descriptive statistical analysis approach with microdata, access to which was obtained by means of official request for research work in protected safe room at the State Statistical Office. In that, the research team used data from the Labour Force Survey for the second and third quarter of 2019 and 2020, i.e. four quarters in total, whereby comparative figures were computed at annual level, as follows: pandemic period (second and third quarter of 2020) against the pre-pandemic period (second and third quarter of 2019). This is especially important due to the seasonal character of agriculture work, whereby comparison of the pandemic period against the average for 2019 would have provided a distorted image.

For the purpose of this analysis, agriculture workers are covered in two ways: 1) agriculture sector as a whole, i.e. codes 0111 to 0322 from the National Classification of Activities (NCA) Rev.2; and 2) occupation defined as skilled worker in agriculture, forestry and fishing, i.e. class 6 under the International Standard Classification of Occupations, ISCO 08.

In addition, quantitative findings were enriched with qualitative observations. For that purpose, we organized three focus groups with

a total of 16 participants whose selection followed a structured flow-chart. Namely, focus group participants were selected from the ranks of people working in the agriculture sector as registered individual farmers that are self-employed or employed at agriculture holdings and those performing agriculture activity but not registered as farmers, i.e. unpaid family workers.

## РЕЗУЛТАТИ

*Agriculture workers are the most affected group according to jobs lost*

During the Covid-19 pandemic, the agriculture sector has lost 20,776 workers (Table 1). According to occupation, the number of lost jobs accounts for 11,661 having in mind that not all occupations in the agriculture sector are necessarily agriculture-centric. Nevertheless, under both dimensions, the share of lost jobs accounts for 19.3% and 18.2%, respectively. For comparison purposes, the number of lost jobs in manufacturing industry over the same period accounts for slightly more than one thousand, construction has lost around 2.5 thousand jobs, transport – 2 thousand jobs, with the hospitality sector maintaining the same number of jobs, while trade noted an increase by 4.5 thousand jobs.

**Table 1:** Number of agriculture workers

	per sector	per occupation
Before the pandemic	107,656	63,994
During the pandemic	86,879	52,333
Lost jobs	20,776	11,661
		18.2%

Source: Labour Force Survey

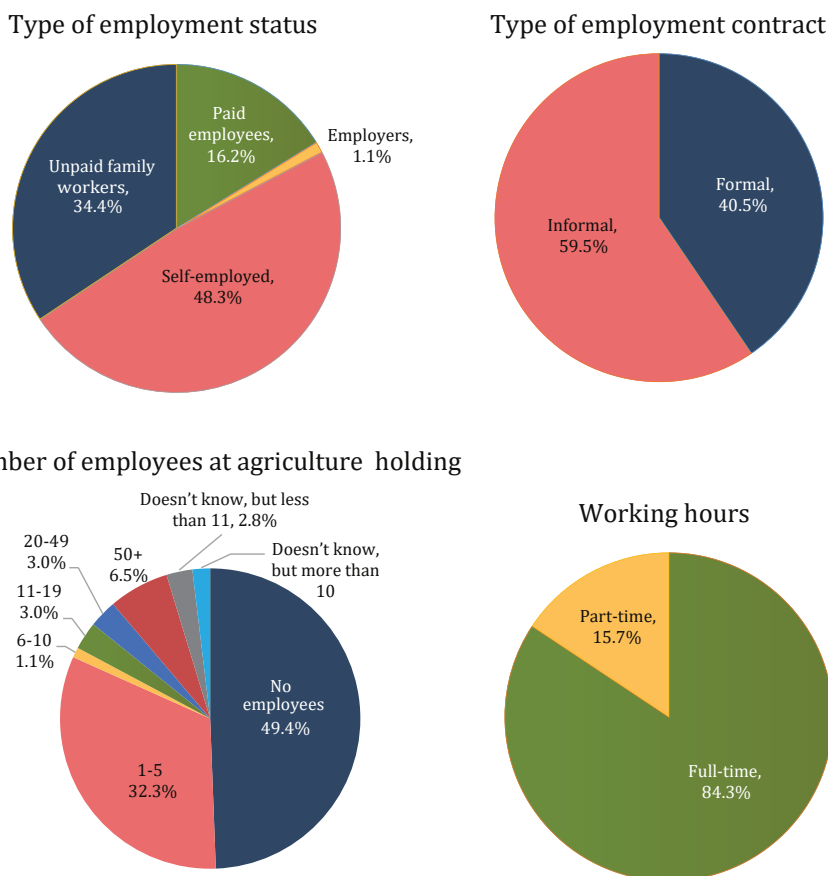


*Specific characteristics of agriculture workers further enhance impact of the crisis*

Agriculture workers are characterized by a series of vulnerabilities that make them more susceptible to be affected by the crisis and thereby hinder their access to standard relief measures which the governments used to preserve jobs in all sectors. Almost half of agriculture workers (48.3%) are self-employed, which means they are individual farmers liable to payment of personal income tax and social contributions on own behalf and for own account, in order to qualify for agriculture pension benefits upon fulfilment of law-stipulated requirements. An additional third of them are unpaid family workers, while only 16.2% of them work for salary with employers (Figure 1, upper left pie-chart). This structure is also reflected in respect to formality of jobs: namely, due to the dominant share of self-employed and unpaid family workers, 59.5% of employees are not registered and/or do not have written employment contracts (Figure 1, upper right pie-chart). Due to the same reasons, 49.4% have reported that their small agriculture holdings do not have formal employees (Figure 1, bottom left pie-chart), while 15.7% work under part-time contracts (Figure 1, bottom right pie-chart).

Hence, it becomes clear that measures implemented by state authorities at the time of Covid-19 and intended to preserve jobs, primarily the measure

**Figure1:** Agriculture workers according to several characteristics



Source: Labour Force Survey

known as “14,500 MKD per employee” and the measure for subsidizing up to 50% of social contributions, could not have been used by agriculture workers. These measures required beneficiaries to be formal employees, under written employment contracts with companies that have suffered income of at least 30% compared to 2019. This key measure covered single-traders, but the question remains whether registered agriculture workers were informed about the possibility to apply for

this measure, especially having in mind that majority of them do not use services of chartered accounting companies. These problems were also featured in qualitative findings:

*“I am registered as single-trader and was awarded by the government voucher for domestic products, but was not aware whether I could use this measure [14,500 MKD per employee, a/n], or how to apply.” - individual farmer*

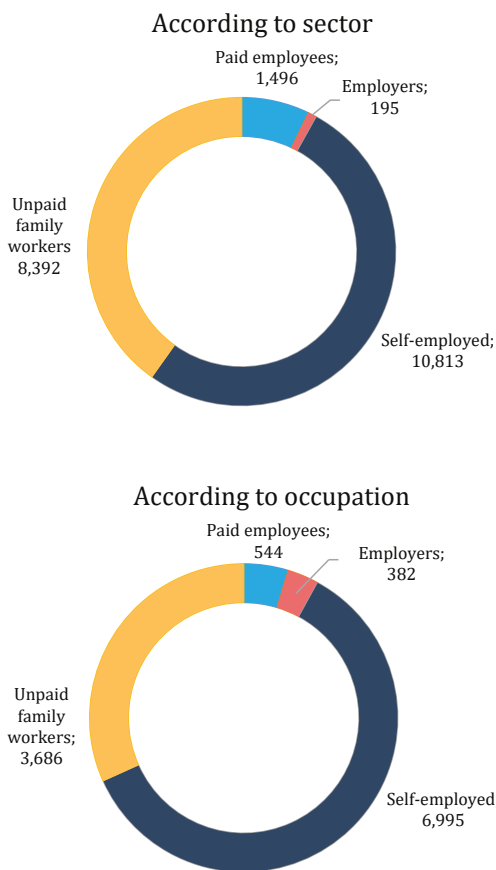
Сепак, земјоделските работници, особено нерегистрираните и неплатените семејни работници, можно е да станале подобни за мерките против Ковид-19 кои се однесуваа на граѓаните директно, и тоа проширувањето на опфатот на гарантираната минимална помош и еднократната парична помош. Немаме податок за тоа колкав дел од овие средства отишле кај земјоделски домаќинства и работници. Но, и кај овие мерки, квалитативните наоди укажуваат на несоодветност на типот и на временскиот распоред на земјоделската работа:

*“We were awarded voucher for summer vacation, but when could we ever find time to use it? We spend all summer days in the field and cannot take a break for couple of days because tobacco crops would wither.” - tobacco producer*

*The highest numbers of lost agriculture jobs are noted among self-employed and unpaid family workers*

Data presented in Figure 2 show that loss of jobs among farmers closely follows the structure of agriculture jobs. Hence, half or more jobs lost are noted among self-employed, followed by one-third or more among unpaid family workers.

**Figure 2: Lost jobs in agriculture**



Source: Labour Force Survey

*Agriculture workers have lost vast portion of their salary earnings and productive work hours during the pandemic*

Table 2 provides an overview of several important indicators about agriculture workers on the labour market during the pandemic. Notably, they have lost 25.2% to 28.3% of their productive work hours before the pandemic, which is almost double compared to the lost productive work hours among other workers (16.6%). In addition, they have lost 13% to 16.1% of their respective salary earnings before the crisis compared to other economy sectors which, on average, demonstrated an increase of such earnings by 9.4%. The last parameter shows that government measures for preservation of jobs have played an important role in other sectors, but agriculture had been heavily impacted by the crisis and had not been targeted with adequate government support.



**Table 2:** Indicators for agriculture workers

		Difference during the pandemic	
		Agriculture workers	All workers
Lost working hours	per sector	-28.3%	-16.6%
	per occupation	-25.2%	
Number of workers with reduced working hours	per sector	27.8%	155.8%
	per occupation	31.0%	
Average salary	per sector	2.4%	6.3%
	per occupation	-3.1%	
Lost salary earnings	per sector	-13.0%	9.4%
	per occupation	-16.1%	

**Source:** Labour Force Survey

Qualitative findings show that other measures aimed to stop the spread of virus infections have negatively affected income levels and productive work hours of agriculture workers. More specifically, measures adopted by the central and/or local government to close green markets in order to prevent the spread of coronavirus infections directly impacted small farmers that sell their produce in this manner:

*“We were selling our produce on the green market in Prilep, but the municipality closed it in late March and we had no place to sell our vegetables, leaving it unharvested in the field. We were left without money that we would have earned from such sale.” – farmer*

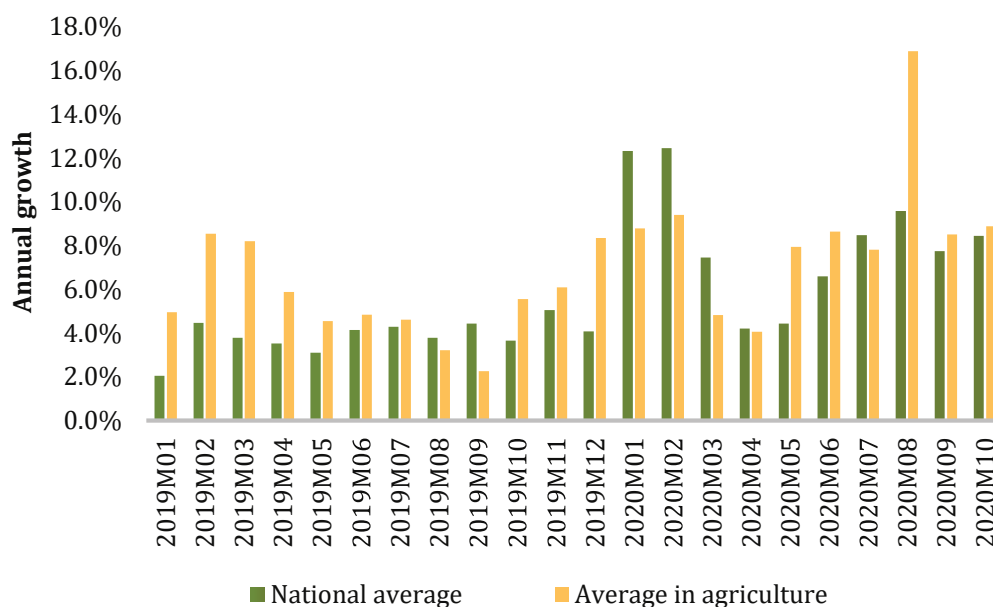
*“I can say that closure of green markets left us jobless. We did not even go in the field to grow produce. Why would we when there is no place to sell them?” – farmer*

Nevertheless, an overview of average net salary in the agriculture sector (Figure 3) provides the conclusion that it was marked by similar trend of increase, exceeding the national

average growth in some months. Comparison of average salary growth against lost salary earnings in the agriculture sector shows that the crisis had mainly resulted in loss of jobs, but not in loss of earnings from jobs that were sustained. Namely, salaries for cancelled jobs are no longer calculated into the average salary bracket, whereby the latter remains unchanged or has increased

when sustained salary-earning jobs belong to upper salary brackets and have not been subject of change during the crisis. It is highly likely that portion of remaining registered jobs had been supported by one or another government measure, but the contingent of jobs lost is rather voluminous and has contributed to loss of major share of salary earnings in agriculture.

**Figure 3:** Average monthly net salary



**Source:** SSO, administrative data



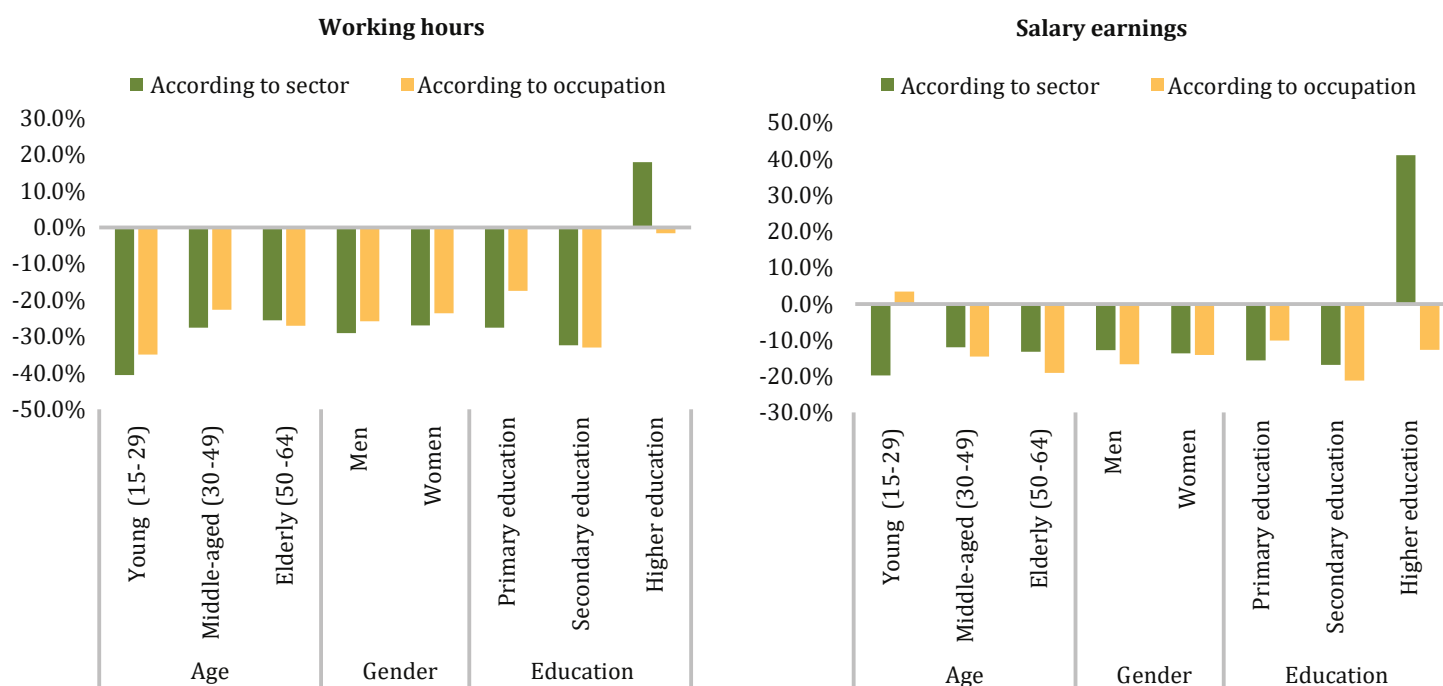
*Young farmers are the most impacted by the corona crisis, while those with higher education are the least impacted*

Viewed in terms of several key characteristics of agriculture workers, losses in agriculture during the Covid-19 crisis reveal interesting movements (Figure 4). The highest loss of jobs, and consequently of

productive work hours, is noted among young agriculture workers (age group 15 to 29 years), but there are also significant losses with other two age groups. Man and women are equally affected. According to their education background, losses are most prominent among farmers with completed secondary education, but are not different from those recorded among workers

without completed education and with completed primary education, whereas agriculture workers with completed higher education are the most protected. Analysed according to sector (not occupation), agriculture workers with completed higher education are marked by increase in terms of productive work hours and salary earnings.

**Figure 4:** Lost hours and salary earnings, according to key characteristics of workers



Source: Labour Force Survey



*Lockdown measures and closed schools have had more negative effects on farmers compared to other workers*

Farmers, especially those with bigger agriculture holdings, have faced a lack of labour force and season workers due to lockdown measures and difficulties in organizing transport and logistics. In turn, this has contributed to reduced volume of production output, income and productive work hours:

*“In the past years, we have engaged people to help in the process of tobacco production. But this year they were unable to come and help during lockdown days because they are not registered farmers and had to arrive from neighbouring villages or from Prilep.” – tobacco producer*

*“We were engaging more than 20 temporary workers who, in addition to daily wages, were also provided transport and food. However, we and most of them feared infection spread from being transported in the same van, so we decided to reduce output and produce only what we could as family unit. Just imagine how much lower was our production output compared to the previous year when there were around 30 people engaged.” – farmer*

Farmers who sell their produce under previously arranged bulk sale fear that they would face the risk of coronavirus infection during hand-over of agriculture produce.

*“We had signed bulk sale agreement before the start of the pandemic, and therefore did not fear the final sale of produce. But on the occasion*

*of produce hand-over major crowds are inevitably created, hence the fear from coronavirus infection.” – tobacco producer*

Closure of schools, kindergartens and early childhood development centres has led to increased unpaid family work among farmers, especially among women workers, including increased exploitation of child labour.

*“We have two children attending primary school. As they do not attend school, we take them with us in the field and they help as much as they can” – farmer*

*“I go to work in the field, learn together with my children, help them with school homework, then I cook, clean the house ... I work 24/7” – woman farmer*



## RECOMMENDATIONS

Having in mind that the agriculture sector and workers had been heavily impacted by the Covid-19 pandemic, while also being the least protected category under relief measures, the Government and the Ministry of Agriculture, Forestry and Water Economy must urgently redesign the measure known as “14,500 MKD per employee” to introduce provisions whereby this measure will be accessible for registered farmers. Even if the current design is maintained, this measure should more directly target registered farmers through the state’s administrative registries, in order to ensure that this type of assistance reaches them.

Following the example of single-payment grants for playground centres, beauty salons, wedding restaurants and night clubs, due consideration should be made of introducing single-payment grants to agriculture holdings that report and document decrease in income.

Finally, in September 2020, Finance-Think published its [Booklet on Empowerment of Women Farmers: Financial Assistance Measures](#) that provides an overview of measures available to women agriculture workers, most of which were also available in the pre-pandemic period. The competent ministry needs to expand coverage of these measures by possible relaxation/revision of eligibility criteria and by designing accompanying measures that would provide additional income support for beneficiaries of such measures at the time of Covid-19.

Last, but equally important, efforts are needed to increase dissemination of information to farmers about available programmes and measures that support agriculture, by means of personal visits, distribution of printed materials, establishment of information corners, especially in the rural areas where information availability is exceptionally low and where access to electronic and printed media is limited.



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