

POLICY BRIEF 2

IMPACT ASSESSMENT OF CRAFTS LEGISLATION FOR IMPROVEMENT OF BUSINESS CLIMATE



PROJECT:

“THROUGH IMPACT
ASSESSMENT OF CRAFTS
LEGISLATION TO BUSINESS
CLIMATE IMPROVEMENT”

**THIS POLICY BRIEF
PROVIDES A REVIEW AND
RECOMMENDATIONS
REGARDING THE LEGISLATION
THAT DEFINES THE RULES
ON CRAFTSMANSHIP AS A
BUSINESS. IT REGARDS A WIDE
LEGAL FRAMEWORK THAT
REGULATES CRAFTSMANSHIP,
WHICH, BECAUSE OF
ITS COMPLEXITY AND
CONTRADICTION, CAN HAVE A
NEGATIVE IMPACT
ON PERFORMING
CRAFTS ACTIVITIES.**



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INTRODUCTION

Why is craftsmanship significant?

Craftsmanship is often underestimated in policies, compared to industry and trade. Nevertheless, experience and practice show that this sector can generate considerable economic benefits in favour of the individual (the craftsman), the economy and society overall. Craftsmanship can have a positive impact on job creation and fostering competitiveness. Providers of craftsmanship services often operate in areas where there is no need of huge capital for starting and running a business. Furthermore, another advantage of craftsmanship is that it can quickly adapt to the needs of customers and the market. It is important to note that a significant part of the sectors that are included in craftsmanship activities can contribute to stimulating tourism. In modern conditions of open economies, this type of action is a prerequisite for economic progress and the achievement of long-term gains.

What is the legal framework for craftsmanship activities?

The basic law regulating craftsmanship is the Law on Craftsmanship from 2015. The performance of craftsmanship as a business is directly or indirectly related to a number of other laws, such as: the Law on Trade Companies, the Law on the One Stop Shop System and Keeping a Trade Registry and the Register of Other Legal Entities, the Law on Vocational Education and Training, the Law on Secondary Education, Law on Adult Education, Law on Safety and Health at Work, Labour Law, Law on Open Civil Universities for Lifelong Learning, Law on Prohibition and Prevention of Performance of Unregistered Activities etc. A number of laws that refer to the performance of the particular activity should also be added to this list of laws (for example: for a confectionary craftsperson, the Law on Food Safety also applies). At least as many by-laws are added to this list of regulations.

As at 2014, 7,000 craftsmen engaged in 300 different craftsmanship activities were registered.

Within the Chamber of crafts of the City of Skopje, in the course of 2018, 68 new craftsmen were registered, in 2017 - 131 new craftsmen, while in 2016 - 124 new craftsmen.

As at April 30th, 2018, a total of 812 craftsmen were registered in the Tetovo Chamber of crafts.

The comparative experiences show that precisely the bureaucratic procedures and complicated legal regulations are a significant obstacle to performing craftsmanship activities.

In order to overcome administrative obstacles, the European Union:

- a) withdrew 78 laws while in the process of enactment;
- b) simplified 54 initiatives; and
- c) identified 2,500 non-functional acts that should be nullified.

The analysis of the legal framework covered over 20 laws and other legislative acts.

The survey included a sample of 30 craftspeople.

Two focus groups with craftspeople in Skopje and Tetovo were conducted, as well as interviews with other key stakeholders.

A significant majority of craftspeople said they did not face additional costs for obtaining a craftsmanship license.

Craftsmanship as a business activity helps in solving the problem of unemployment of several members within one family, given that in 36 percent of cases there is a member of the immediate family who is employed.

The average craftsperson is approximately 40 years of age. There is a realistic possibility that some crafts will disappear shortly.

The practical training that is part of the educational process for secondary school students is lacking.

The purpose of the conducted research is to contribute to the improvement of the business climate in the field of craftsmanship, in particular: 1) to identify and measure the effects of the implementation of the Law on Craftsmanship; 2) to strengthen the capacities of providers of craftsmanship services to produce specific evidence-based recommendations; 3) to encourage public debate on the need for involvement of all stakeholders in the adoption of public policies, as well as their continuous evaluation; as well as 4) to improve public awareness. The research was carried out with the support of the re-granting program of the project "Strengthening Capacities and Mechanisms for Supporting Chapter 20 Reform Processes".

APPROACH AND CONCLUSIONS

The methodology of the conducted research was based on two key points:

1. Analysis of the existing legal solution for the regulation of craftsmanship, its implementation, as well as the comparative experiences in this area;
2. Analysis of the collected empirical data (provided through requests for access to public information, survey, focus groups and semi-structured interviews).

All research findings are available in the legislation assessment study, and the recommendations and conclusions were presented before the wider public at the round table titled "Challenges in the implementation of the new Law on Craftsmanship from a craftsperson perspective", organized in cooperation with the Chamber of crafts Skopje (June 13 2018).

Conclusions from the conducted survey

- The costs for registration in the Register of Craftspeople are objective (ranging from MKD 6,000 to 9,000).
- The measures for faster development of craftsmanship or for increasing the competitiveness and innovation of craft products and services provided by the state are relatively underutilized by craftspeople.

- Craftsmanship activity has the potential to reduce unemployment in the country, since the majority of the providers of craft services have more than one employee.

Conclusions from focus groups and interviews

- The Law on Craftsmanship from 2015 is a novelty with which a significant part of the craftspeople are not familiar.
- Craftsmanship as an activity is regulated by several legislation acts that sometimes contradict each other and create potential chaos in their application.
- The existing measures to support craftspeople by the state and local self-governments are not enough and are not sufficiently familiar to craftspeople.
- A particular problem is that there is no interest in apprenticeships, i.e. there are no new craftspeople trained.
- There is no link between secondary vocational schools, the programmes they offer and the practical training, i.e. working with craftspeople.
- There is a negative perception of the opportunities offered by craftsmanship, both for parents and for young people. In conditions of high youth unemployment, there is a lack of information on the advantages offered by craftsmanship.
- Most people entering the craftsmanship business are older (30-40 years old) and they already have certain qualifications, but were left without a job and have been re-trained to be able to perform some sort of craftsmanship activity.
- Small craftsmanship organizations/individuals are lump-sum taxed and, to a large extent, are satisfied with the administrative obligations they have towards the Public Revenue Office. On the other hand, the larger craftsmanship organizations are burdened with a large number of duties and fees, as well as high fines.
- There is a high level of unfair competition. This problem is evident both for small and large craftsmanship organizations. In addition, there are craftspeople who are not members of the Crafts Chamber.
- Special measures are lacking in support of creative and cultural crafts, as well as the crafts that are in extinction.

FOR CERTAIN CRAFTS, THERE ARE ONLY A FEW CRAFTSMEN LEFT IN THE WHOLE COUNTRY, (QUILT MAKERS, CLOTH REPAIRMEN, HAT MAKERS, SADDLE MAKERS ETC.). BY PROMOTING SO CALLED "OLD CRAFTS" THE TOURIST OFFER CAN BE ENRICHED.

Conclusions based on data obtained through requests for free access to public information

From the data obtained from the Ministry of Economy, through a request for free access to information of public character, it was established that as part the measure for subsidizing the costs of craftsmen and providers of craftsmanship services, in the period 2012-2017, a total of MKD 5,959,554 was allocated, to a total of 61 craftsmen. On the other hand, as part of the measure for co-financing projects of crafts chambers and foundations and associations of citizens for development and promotion of crafts, in the period 2010-2017, funds in the total amount of MKD 5,557,300 were allocated to a total of 44 projects. Within the Agency for Promotion of Entrepreneurship, the Strategic Plan 2018-2020 envisages a series of activities for support of small and medium-sized enterprises aimed at increasing the number of small and medium-sized enterprises, increasing the number of jobs, reducing the grey economy and similar, for which activities MKD 62.154.900 are envisaged.

RECOMMENDATIONS FOR POLICY MAKERS

Special attention should be paid to a new program for subsidizing apprentices and craftspeople as well as more precise sustainable regulation of the status of apprentices.

With practical training in craft workshops, students will gain more experience and will create a link between the potential employer and the secondary school student.

The number of craftsmen is important in order for policy makers to have an idea of the actual situation. Only in this way will policies be created according to the needs of the practice and the real economy.

It is advisable that “old crafts” be included in the tour guide programmes, because, basically, their success as a tourist attraction would be greater than as trades that create marketable products and services.

To the Ministry of Economy

- Bearing in mind that the legal framework for craftsmanship is complex and contradictory, it is necessary to adopt all bylaws envisaged by the Law on Craftsmanship as soon as possible.
- It is necessary to take decisive measures for the implementation of the Law on Prohibition and Prevention of Unregistered Activities, in order to reduce unfair competition.
- Regarding the legal framework, tax regulations should also be simplified. In addition, it is necessary to consider and assess the threshold for VAT payers in accordance with the Law on Value Added Tax and to make accommodations relative to the comparative experiences of the region.
- There is a need to create a subsidy system that will involve much more financial resources than the existing ones and will be evenly directed towards the needs of the various craftspeople, depending on their type or size.
- Given the complex legal matter that refers to craftsmanship, supervision by competent inspections should include warning and informing craftspeople, and not exclusively penalizing.
- It is recommended to allow self-regulation of craftsmanship to a greater extent, so that professional organizations, such as crafts chambers, have greater competences in the regulation of the activity.

To the Ministry of Education and Science

- Secondary vocational education should be reformed in order to incorporate practical teaching to a much larger scale than it is currently included.
- It is advisable for practical teaching to be practiced with craftspeople in addition to school workshops.
- A thorough assessment of the advantages and disadvantages of compulsory secondary education should be carried out.

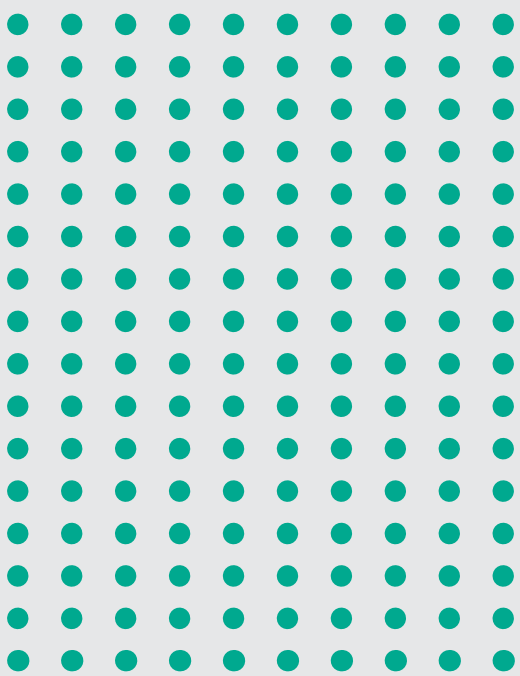
To the chambers of crafts

- An electronic register of craftspeople should be introduced as soon as possible, in order to get the right picture of the situation regarding this business activity in the country.
- Measures should be taken to promote the knowledge of craftspeople in relation to the new legislation through new channels of communication.
- The benefits of membership in chambers should be promoted and unregistered craftspeople should be encouraged to join chamber organizations.
- In co-operation with media and schools, a more modern approach should be taken in promoting the crafts profession.

THE LAW ON CRAFTSMANSHIP IS RESTRICTED IN RESPECT OF THE FORMS OF PROVIDERS OF CRAFTSMANSHIP ACTIVITIES, BEING ONLY SOLE PROPRIETORS AND COMPANIES WITH LIMITED LIABILITY. THIS EXCLUDES SOME OTHER FORMS OF COMPANIES, SUCH AS JOINT STOCK COMPANIES, AS AN EXAMPLE. HENCE, THIS PROVISION SHOULD BE EXPANDED.

To the municipalities

- The maintenance of the so-called "old crafts" that gravitate to city/municipal centres should be encouraged.
- Logistical support for the maintenance of hygiene in the bazaars should be improved.
- Together with other stakeholders, a new and modern approach to promoting craftsmanship as a profession should be initiated.



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