Management Agreements in North Macedonia: Balancing Managerial Autonomy and Corporate Responsibility

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Management Agreements in North Macedonia

The management agreement is a distinctive form of employment agreement that reflects the particular nature of managerial positions and the responsibilities associated with them. It enables companies and managers to establish a contractual framework tailored to the specific requirements of the position, including remuneration, benefits, working arrangements, performance expectations, responsibilities and termination arrangements.

Under North Macedonian law, the legal framework applicable to management agreements derives primarily from the Labor Law, while the Companies Law is relevant to the manager's corporate status, appointment, powers, responsibilities and termination of the managerial mandate. The interaction between these two areas of law is particularly important in practice, as the termination or change of a manager's corporate position may have consequences that are distinct from those arising from the termination of the employment relationship.

Statutory Basis under the Labor Law

Article 54 of the Labor Law provides that, where an employment agreement is concluded with business persons – managers – the parties may regulate certain rights, obligations and responsibilities arising from the employment relationship differently from the general rules applicable to other employees, particularly in relation to:

- the conditions and limitations of fixed-term employment;
- working hours;
- the provision of daily and annual leave;
- remuneration for work; and
- termination of the employment agreement.

Article 55 of the Labor Law further provides that the manager exercises the rights and obligations arising from the employment relationship with the employer to which he or she has been appointed or elected, in accordance with the Labor Law, the applicable collective agreement and the agreement governing the employment of business persons, namely the management agreement.

These provisions establish the specific legal framework applicable to managerial employment and provide the parties with greater flexibility in regulating certain aspects of their relationship. Such flexibility, however, does not amount to unrestricted contractual freedom, and the management agreement remains subject to the mandatory provisions of applicable labor legislation.

The Interaction between Employment and Corporate Law

A key feature of management agreements is the distinction between the manager's employment relationship and his or her corporate mandate. A manager may simultaneously have an employment relationship with the company and hold a managerial or corporate position within the company. These two legal relationships are connected but are not necessarily identical. Accordingly, a management agreement should clearly address the consequences of the appointment, expiry or termination of the manager's mandate, including the impact on the employment relationship and any applicable contractual compensation.

This distinction is particularly important when drafting termination provisions. The removal of a manager from a corporate position does not, in itself, necessarily resolve all questions concerning the manager's employment relationship. The management agreement should therefore seek to establish a clear contractual framework for such circumstances.

Scope for Contractual Autonomy

The specific nature of managerial employment allows the parties to negotiate terms that reflect the scope and significance of the managerial position. Within the limits of applicable mandatory law, the manager may negotiate individually tailored rights and benefits corresponding to the level of responsibility, expertise and expectations associated with the role.

Depending on the position and the company's structure, the manager's benefits may include:

- performance-based bonuses and other incentive arrangements;
- annual leave exceeding the standard entitlement;
- flexible working arrangements;
- private health and life insurance for the manager and/or his or her closest family members;
- use of a company vehicle;
- use of a company mobile phone, including coverage of related usage costs for the manager and, where applicable, a family plan for his or her closest family members;
- housing or other relocation allowances;
- private education or tuition benefits for the manager's children;
- shares, share options or other equity-based incentives; and
- contractual compensation upon termination of the management agreement.

At the same time, the company may expect a manager to assume a substantially broader scope of responsibility than an ordinary employee, including responsibility for strategic decision-making, financial performance, business development, compliance, supervision of employees and, where applicable, the management of subsidiaries or operations in multiple jurisdictions.

The management agreement should therefore establish a clear balance between the benefits granted to the manager and the responsibilities and performance expectations assumed by the manager.

Working Time and Managerial Responsibilities

The nature of managerial functions often requires a degree of flexibility that differs from the working arrangements applicable to other employees. Management agreements may therefore regulate working hours and their organization in a manner appropriate to the responsibilities of the position, within the limits imposed by mandatory labor legislation.

Rather than focusing solely on the number of hours worked, managerial arrangements commonly emphasize the manager's availability, responsibilities, achievement of agreed objectives and overall performance.

Where the position involves responsibility beyond the company's regular working hours, the agreement should clearly define the applicable working-time arrangements and the parties' respective rights and obligations, rather than relying on a general assumption that managerial status automatically permits unlimited working hours.

Performance-Based Remuneration

One of the most important practical features of a management agreement is the possibility of linking part of the manager's remuneration to performance.

In addition to a fixed salary, the parties may agree on variable remuneration based on objectively defined financial, operational or strategic targets, such as revenue, profitability, business growth or other agreed key performance indicators (KPIs).

Where performance-based remuneration is included, the agreement should clearly define the relevant targets, measurement period, calculation methodology, eligibility requirements and payment conditions. Clear drafting is particularly important where the parties intend variable remuneration to constitute a contractual entitlement rather than a discretionary benefit.

This approach enables the remuneration structure to reflect both the manager's individual contribution and the company's overall performance.

Aligning Managerial Autonomy with Corporate Accountability

The flexibility offered by a management agreement comes with a corresponding level of responsibility. Managers are typically entrusted with significant decision-making powers and may exercise substantial influence over the company's operations, financial performance and strategic direction.

For this reason, a well-drafted management agreement should not focus exclusively on remuneration and benefits. It should also clearly regulate the manager's responsibilities, performance obligations, confidentiality, conflicts of interest, compliance obligations, protection of company interests and, where appropriate, post-termination restrictions.

The agreement should ultimately achieve a balance between managerial autonomy and corporate accountability: providing the manager with sufficient flexibility and incentives to perform the role effectively, while ensuring that the company's interests, assets and legitimate business objectives remain adequately protected.

Conclusion

Management agreements provide a flexible contractual framework for regulating the employment of managers in North Macedonia. Their particular value lies in the possibility of tailoring the employment relationship to the specific demands of a managerial position while taking into account the manager's corporate role and responsibilities.

For managers, the agreement provides an opportunity to negotiate remuneration, benefits, performance incentives and protection in the event of termination. For companies, it provides a framework for defining managerial responsibilities, performance expectations and accountability.

The careful coordination of the employment and corporate-law aspects of the relationship is therefore essential. A well-structured management agreement should not merely reflect the manager's position within the company, but should establish a clear and balanced framework that aligns managerial autonomy, performance and corporate responsibility.

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