Human Resource Development
Country Analysis
Former Yugoslav Republic of Macedonia

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Working paper¹

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<tr>
<td>ALMM</td>
<td>active labour market measure</td>
</tr>
<tr>
<td>APPRM</td>
<td>Agency for the Promotion of Entrepreneurship of the Republic of Macedonia</td>
</tr>
<tr>
<td>BDE</td>
<td>Bureau for the Development of Education</td>
</tr>
<tr>
<td>CARDS</td>
<td>[The European Union’s] Community Assistance for Reconstruction, Democracy and Stability</td>
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<td>EAR</td>
<td>European Agency for Reconstruction</td>
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<td>ECTS</td>
<td>European Credit Transfer System</td>
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<td>EMIS</td>
<td>education management information system</td>
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<td>EMP</td>
<td>Education Modernisation Project</td>
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<td>EQF</td>
<td>European Qualification Framework</td>
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<td>ESA</td>
<td>Employment Service Agency</td>
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<td>ESC</td>
<td>Economic and Social Council</td>
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<td>ETF</td>
<td>European Training Foundation</td>
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<tr>
<td>FTUM</td>
<td>Federation of Trade Unions in Macedonia [abbreviation in the local language is SSM]</td>
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<tr>
<td>GDP</td>
<td>gross domestic product</td>
</tr>
<tr>
<td>GTZ</td>
<td>Gesellschaft für Technische Zusammenarbeit [German donor agency]</td>
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<tr>
<td>HRD</td>
<td>human resources development</td>
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<td>ICT</td>
<td>information and communication technology</td>
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<td>ILO</td>
<td>International Labour Organisation</td>
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<td>IPA</td>
<td>Instrument for Pre-Accession Assistance</td>
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<td>IMF</td>
<td>International Monetary Fund</td>
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<tr>
<td>INSET</td>
<td>In-service education of teachers</td>
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<tr>
<td>ISCO</td>
<td>International Standard Classification of Occupations</td>
</tr>
<tr>
<td>IT</td>
<td>information technology</td>
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<tr>
<td>LFS</td>
<td>labour force survey</td>
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<tr>
<td>LLL</td>
<td>lifelong learning</td>
</tr>
<tr>
<td>MA</td>
<td>Master of Arts</td>
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<tr>
<td>MES</td>
<td>Ministry of Education and Science</td>
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<tr>
<td>MICS</td>
<td>Multi-indicator Cluster Survey</td>
</tr>
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</table>
MKD Macedonian Denars
MLSP Ministry of Labour and Social Policy
NAPE National Action Plan for Employment
NES National Employment Strategy
NGO Non-governmental organisation
NPDE National Programme for the Development Education
NQF National qualification framework
NUTS Nomenclature of Territorial Units for Statistics
OECD Organisation for Economic Co-operation and Development
OFA Ohrid Framework Agreement
OSCE Organization for Security and Co-operation in Europe
OSI Open Society Institute
PISA [OECD’s] Programme for International Students’ Assessment
PIRLS [OECD’s] Progress in International Reading and Literacy Study
PPS Purchasing power standards
R&D Research and development
SEA [USAID’s] Secondary Education Activity
SME small and medium-sized enterprises
SSO State Statistical Office
TIMSS [OECD’s] Trends in International Mathematics and Science Study
UNDP United Nations Development Programme
USAID United States Agency for International Development
VET vocational education and training
1. Political and socioeconomic background

1.1. EU, regional and national political contexts

The former Yugoslav Republic of Macedonia was spared a war but suffered economically

The Former Yugoslav Republic of Macedonia became independent in 1991. Contrary to other countries in the Western Balkan region, this happened without an armed conflict but through a referendum. Thus, the country did not experience the devastating effects of the Balkan war that had involved various ex-Yugoslav republics between 1991 and 1995. Nevertheless, the country suffered from a heavy economic decline. This had been due to the disintegration of the previous Yugoslav planned economic system, the international trade embargo imposed on Serbia, the interruption of traditional economic links, the collapse of state or socially owned companies, economic restructuring processes and an unfavourable economic environment, including the Greek embargo in 1994–95 and the Kosovo crisis of 1999. The economic problems increased internal tensions which, alongside spill-over effects from the Kosovo crisis, led to an interethnic conflict between extremist Albanians and the Macedonian army in 2001. Luckily, the country was spared yet another Balkan war in an example of successful international intervention. US and EU mediators helped broker the Ohrid Framework Agreement (OFA), which sets the groundwork for far-reaching reforms of the sociopolitical system, for improving the rights of ethnic groups and for the devolution of powers to municipalities in many sectors of public life.

The Ohrid Framework Agreement helped end the conflict with Albanians but is challenging to implement

The Agreement itself does not guarantee stability. The country faces several challenges, including government foot-dragging on the implementation of the OFA. Macedonians protested against the OFA several times, as they saw their own rights being undermined and were afraid that the Albanian-dominated western parts would want to break away from the country. In addition, endemic corruption continues to undermine the institutions on which the Agreement must rest.² The decentralisation effort undertaken in the Former Yugoslav Republic of Macedonia since 2001 is a dramatic and complete reversal of policies since independence, when the country had abandoned the Yugoslav tradition of local self-government and centralised all the sectors. The former 34 municipalities, which had enjoyed far-reaching autonomy and financial independence, were broken in 1996 into 124 much smaller units and much weaker jurisdictions, with highly restricted authority and budgets. Ill-defined revenues of municipalities, especially the very complex and irrational equalisation system, together with an inadequate budget control, quickly landed the municipalities in ever-growing debt (Vidanovska, Lacka and Herczynski, 2005). The unresolved question of who owes what to whom and where to take the funds from to pay all these debts, as well as the high number of small units, still loom over the decentralisation process today and form an impediment to its advancement. Furthermore, making decentralisation work is not easy when the Macedonian State has no control over some areas. Decentralisation is only possible when the State is strong and can provide a binding framework for all municipalities, which is currently not the case.

EU orientations steer the course of internal reforms in all social spheres

The EU, jointly with the US, the OSCE and NATO, have been supporting the implementation of the OFA.³ In addition, the granting of the status of candidate country for accession to the EU in December 2005 provides a further impetus and direction to the country's political and socioeconomic development. Accession negotiations have not started yet. However, the country will be able to draw on major financial support from the EU’s IPA programme,⁴ with the help of which reforms in key areas can be taken forward.

² Cf. argumentation by the International Crisis Group – see http://www.crisisgroup.org/home/index.cfm?id=1244&l=1
³ For progress on the implementation of the OFA, see the website of the so-called Sector of OFA implementation of the Macedonian Government at: http://www.siofa.gov.mk/default-en.asp.
⁴ IPA – the European Union’s Instrument for Pre-Accession Assistance for the countries of the Western Balkans.
Early parliamentary elections were held in June 2008. The Internal Macedonian Revolutionary Organisation – Democratic Party of Macedonian National Unity (VMRO-DPMNE) obtained the highest number of votes, while the ethnic Albanian Union for Integration (DUI) won more votes than its main rival DPA. Both parties, together with the Party for a European Future (PEI), form the ruling coalition now that avails of a better than two-thirds majority in parliament. VMRO-DPMNE had also been the leading coalition partner of the previous government whose activities were, according to an opinion poll carried out by UNDP (Bilali et al., 2007), assessed positively by the majority of the population, especially also by company managers.

Hurdles to join the EU are high. Initial steps towards far-reaching legal reforms, including the de-politicisation of the appointment of judges and the elimination of the major backlog of cases, have been taken. However, the courts and also the civil service have so far been institutionally weak relative to the political parties in power. As a result, they could not serve as an independent check on what elected officials can do, and this has at times led to an abuse of government power and public funds by those holding elected office and to instable government policies. Further problems are the financial involvement of the business sector in the political process and the political party-based staff selection, which considerably weakens the ability of government institutions to implement necessary reforms and in independent manner (UNDP, 2005). Hence, the rule of law, a break with the practice of taking narrow-minded political party-motivated decisions about key economic issues and an independent and competent civil service will be necessary, if the country’s economic potential is to be realised. This would also help attract more foreign direct investments, whose level is currently very low compared to other transition economies.

The name conflict with Greece is looming over the former Yugoslav Republic of Macedonia’s external relations

Greece does not fully recognise the Macedonian identity and argues over the country’s constitutional name (Republic of Macedonia). While the former Yugoslav Republic of Macedonia has signalled its readiness to compromise over the name issue, Greece blocked the country’s bid to receive an invitation to join NATO in April 2008.

1.2. Demographic developments and trends, including migration

Birth rates are declining which leads to falling student numbers

According to the 2002 population census, the former Yugoslav Republic of Macedonia has roughly 2 million inhabitants. Compared to 2002, the population shrank slightly in 2003 by 0.7%, but grew slightly again in 2004 and 2005 with 0.3% each year (percentage change compared to the given previous year). However, between 1995 and 2005 the share of those under the age of 15 decreased by almost 5%. Birth rates have been declining in particular among ethnic Macedonians, while other ethnic groups have made up for this decrease, but not to the extent that would result in population growth. This will lead to continuously falling student numbers.

The former Yugoslav Republic of Macedonia is an ethnically diverse country

As early as during Ottoman times, the former Yugoslav Republic of Macedonia was known for mirroring the ethnic structure of the entire empire, with many different ethnic communities living more or less peacefully together on a small piece of territory. Hence, it is not surprising that the name ‘Macedonia’ inspired the denotation of a ‘fruit salad’ in the Italian and French languages. In the 21st century, the former Yugoslav Republic of Macedonia is still one of the countries in Europe with the biggest ethnic mix. According to the 2002 census, Macedonians and Albanians form the biggest groups with 64.2% and 25.2%, respectively, Turks 3.9%, Roma 2.7% and other minorities 5% of the population. The Albanian community is concentrated in the western part of the country.

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5 Source: Eurostat, 2007, Chapter 1: Demographics, Table 1.2, p. 4.
6 Source: Eurostat, 2007, Chapter 1: Demographics, Figure 1.3, p. 6.
Internal migration is low ...

The degree of urbanisation in the former Yugoslav Republic of Macedonia has been relatively stable in the last decade, with the urban/rural distribution of population estimated at a ratio of approximately 60/40 (UNDP, 2004a). In terms of internal migration, people migrate primarily from rural (hilly or mountainous) areas to the Skopje region (Kjosev et al., 2006), which in the emigrant regions leads to an ageing population and an underutilisation of arable land.

... while net migration is high as people continue to leave the country searching for jobs

Migration to other countries has been a strong trend since the early years of transition. In 2005, 370,826 people, corresponding to 18.2% of the population, left the country. The top 10 destinations were Germany, Switzerland, Australia, Italy, Turkey, United States, Austria, Slovenia, Croatia and France. In the year 2000 about one-fifth (20.9%) of the emigrants were university graduates, 1.4% physicians. People leave the country in the search for jobs and a decent income. Remittances have grown constantly and reached US$226 million in 2006, which represented 4.0% of GDP in the same year (World Bank, 2007). However, there were also 121,291 immigrants in 2005, or 6.0% of the population. In the majority these immigrants were female (58.3%). The top 10 source countries were Albania, Turkey, Serbia and Montenegro, Bosnia and Herzegovina, Egypt, Croatia, Bulgaria, Slovenia, Greece and Russia.

1.3. Economic developments and trends

The former Yugoslav Republic of Macedonia is fighting with its legacy of being the poorest ex-Yugoslavia republic

The former Yugoslav Republic used to be the poorest of all Yugoslav republics. With its independence, the country lost not only the major subsidies coming from the federal centre in Belgrade but also its most important market: 80% of its exports used to go to Yugoslavia. The year 1993 saw the adoption of a law that paved the way for transforming socially owned businesses into private ones. As in the previous Yugoslav system, it was basically the workers who owned their companies, and they were also allowed to buy shares in them through a voucher system. The privatisation process was quick, but neither innovative ideas nor foreign investments guided the privatisation process. On top of that, there were a number of highly dubious cases of privatisation. All this hindered the much-needed restructuring process. Many of the bigger companies have been loss-making since then and are at the edge of being downsized or closed down.

Structural economic reforms started basically only in 1996, after the end of the Greek embargo and when the GDP had approximately halved compared to its pre-independence levels.

The former Yugoslav Republic of Macedonia’s economy today is still based on agricultural products, including tobacco, corn, potatoes and cotton. Other important export goods are sheep’s cheese, lamb meat and wine. The country is able to produce the food it needs but is forced to import, for example, all of the oil, gas and modern technology required. The small manufacturing sector is restricted to some steel, textiles, food processing and chemical industries. Natural resources exist but are close to being exhausted. The biggest trade partners today are Germany, Serbia, Montenegro, Greece, Russia and the United States.

Macroeconomic stability has been reached but further adjustments are necessary to create a supportive business environment

The former Yugoslav Republic of Macedonia has completed the first stage of transition by ensuring favourable macroeconomic conditions in terms of price and currency stability. However, major barriers remain for creating a vibrant market economy – one that can compete also on global markets and create jobs. Such barriers lie primarily in the
microeconomic sphere. GDP per capita (in PPS) amounted to slightly more than one-quarter of the EU-27 average (28% in 2006\textsuperscript{10}), while unemployment is at 35%.

The 2006 government had put economic development on top of its agenda and had taken some positive measures. These included the process of restarting large companies, activating small industrial capacities and streamlining procedures for starting new businesses. Judicial reforms are under way and the quality of government regulation is improving. A flat tax of 10% on both profit and income were introduced in January 2008, as well as a 0% tax on reinvested profit.

The World Bank, through its Doing business 2008 database\textsuperscript{11}, ranked the former Yugoslav Republic of Macedonia among the global top-10 reformers in 2006/07, in terms of the revision of the regulatory framework. The country was praised, among others, for the introduction of one-stop shops for business registration.

Additional measures are needed, which include the continuous fight against corruption and ensuring a functioning legal system, the rapid resolution of contract and property disputes, the completion of the land registry system and ways to encourage the sales of state or privately owned plots of land, better and cheaper infrastructure, and further relief from some unnecessary regulatory burdens faced by companies of all sizes. To give an example of the latter, the registration requirements for plant protection agents and veterinary drugs needed in agriculture are cumbersome and time-consuming, as are the regulations for importing technology. More detailed suggestions are contained in the World Bank Doing Business in South East Europe report (World Bank, 2008a).

UNDP (2005a) and others hold that the tax system should be simplified, eliminating firm- or sector-specific exemptions that serve no purpose; it should be made more transparent and less costly to administer. If tax incentives are to be granted, then they should promote investment, the formation of small companies and the development of human capital. The tax wedge at low wage levels is relatively high, which may impede formal employment and affect in particular lower-skilled workers and women. Leibfritz (2008) argues that ‘with the transformation of the personal income tax into a flat tax of only 10%, the former Yugoslav Republic of Macedonia now belongs to the group of countries with the lowest personal income tax in the world. However, the overall tax burden remains relatively high, in particular for low-skilled labour, which is the most vulnerable to unemployment and informality. The high tax burden on low-wage labour is caused by the minimum social insurance contributions which are based on percentages of the national average wage rather than on individual wages.’

The banking sector, which consists of many small banks with a weak financial basis, needs consolidation by improved regulation and the entry of foreign banks, with a view to ensuring adequate support to the financing of new and growing businesses. Measures are needed to improve access to credit and capital for small business start-ups. These should also reach vulnerable households, including currently inactive people. Micro-lending would play a key role in this respect.

Also, as mentioned above, reducing the excessive influence of political parties on economic decisions and on the staffing in companies, government institutions, municipalities and the legal system, as well as an effective administrative system, will be crucial for further reforms and economic growth.

The former Yugoslav Republic of Macedonia has an enormous potential market open to it because of the many free trade agreements it has signed, including one with the EU. However, this has not so far stimulated Macedonian exports to any great extent, suggesting weaknesses related to Macedonian producers, as well as deficiencies in information, advice and support. Shortcomings can be found in environmental standards, packaging, quality, marketing, management techniques and knowledge of the EU market. Also, faster customs services and payments of rebates to exporters are important. However, the last year has seen some acceleration in the growth of exports and increasing interest by foreign investors, which

\textsuperscript{10} Source: Eurostat. The database also includes a forecast of 30% for 2007.

may also be thanks to the ‘Invest in Macedonia’ campaign recently started by the government.

Agriculture and food processing, tourism, medical services, transport, construction and other sectors may have an economic growth potential

The textiles industry is still an important sector, for example, in the area around Shkodër, which offers however very low wages. The sector may lose its importance over time when wages rise.

Global conditions for farming in the former Yugoslav Republic of Macedonia are good and the country used to be the main food supplier of the former Yugoslav market. However, agricultural output stagnated in the transition period. What hinders development are the many small family farms and the small and medium-sized food processing facilities. The excessive division of privately owned agricultural land and related barriers to both efficiency and the introduction of modern technologies can only be overcome by an efficient functioning of the land market. In addition, government assistance is needed in the form of deregulating the activities of private farmers and cooperatives, promoting business clusters and training and providing information about foreign markets and related regulations, if Macedonian food production is to penetrate European markets. The USAID-funded rural microcredit scheme should be sustained and expanded.

Tourism is seen as a service sector with some potential. At present, tourist services are not well developed, which is reflected in the low presence of leading international hotel chains in the country. The number of tourists fell sharply after independence. A national tourism sector development strategy was finalised in December 2007 (UNDP and the Government of the Republic of Macedonia, 2007). The strategy calls for investments in the airport and the development of airline services, in recreational and world heritage sites, and in transport, accommodation, catering, tourist guide and other services.

Furthermore, medical services for foreigners, transport services using the country’s transit corridors, and construction services, also in other countries, could potentially become important fields of economic activity (UNDP, 2005a). Other, more traditional, sectors that are all experiencing considerable difficulties but could be attractive for foreign investors include: infrastructure development (utilities, building and construction), banking and financial services, iron, steel, non-ferrous metals, chemicals, textiles and clothing, as well as tobacco, wine and organic food production.

Overall growth prospects are good

The IMF report from February 2008 provided a positive outlook by confirming that economic recovery continues: ‘Growth has increased to around 5 percent, reserves are growing, fiscal targets have been met due to strong revenue performance and interest rates have fallen towards those in the Euro area. Structural reforms are aimed at attracting foreign direct investment and boosting economic growth. These include lower taxes, improved revenue administration, simpler business regulations, strengthening of property rights and telecoms liberalization’ (IMF, 2008).

1.4. Labour market developments and trends

Many jobs were lost during transition but employment has been rising again since 2004

Structural change in the former Yugoslav Republic of Macedonia since independence has been of the negative variety, with firms shutting down or downsizing their operations. Business expansion, especially also into new fields of business activity, has not offset the massive job-shedding that has occurred. The high levels of unemployment are a major source of concern and the cause of serious social problems in Macedonian society.

Since the start of transition the employment rate decreased by approximately one-third. Since 2004 when the rate had reached its historic low, there has been a slight upward trend. In 2007 the employment rate of the 15–64 age group reached 40.7%, which represents an increase of 0.9% compared to the previous year (with an activity rate of 62.8% in the 15–64
age group, 2007\textsuperscript{12}). This was in particular thanks to an improved situation for males, but not for females. However, the former Yugoslav Republic of Macedonia’s employment rate is still very low compared to the EU: 40.7% compare to the EU-27 average of 65.4% in 2007\textsuperscript{13} and is far from the EU 2010 target of 70%. The country has set itself a target of 48% by 2010. As regards the female employment rate, the difference is even bigger: the former Yugoslav Republic of Macedonia’s 32.3% compares to the EU-27 average of 58.3% in 2007.

**Graph 1:**

![Graph showing employment rates by gender, 15-64 years, period 2003 - 2007](image)


*Private sector employment is rising but accounts also for job losses*

During the transition period the number of people employed in the public sector experienced a steady decrease. As Table 1 below illustrates, the share of the private sector in total employment increased by 10% in only three years. The private sector did better in terms of job creation but also contributed considerably to job destruction. The World Bank (2008b) holds that between 2004 and 2006 the economy managed to create 47,000 new jobs in net terms. Job creation was highest in services such as education, real estate, hotel and restaurant businesses, wholesaling, retailing and motor vehicle repair (UNDP, 2005a).

**Table 1: Share of the private sector in total employment in the period 2004-2006, age group 15-64**

<table>
<thead>
<tr>
<th>Year</th>
<th>Private employment as % of total employment</th>
</tr>
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<tbody>
<tr>
<td></td>
<td>15-64 years</td>
</tr>
<tr>
<td></td>
<td>Male</td>
</tr>
<tr>
<td>2004</td>
<td>55.7</td>
</tr>
<tr>
<td>2005</td>
<td>61.1</td>
</tr>
<tr>
<td>2006</td>
<td>65.7</td>
</tr>
</tbody>
</table>


*The 2007 unemployment rate is five times the EU average*

The total surveyed unemployment rate has been decreasing since its peak in 2005, but remained at 35.2% in 2007 - a very high level. After Kosovo, this is the highest unemployment rate.

\textsuperscript{12} LFS data 2007 published by the SSO, 29.04.2008.

\textsuperscript{13} For all EU data, the source used is Eurostat.
rate of all ex-Yugoslav countries. The figure also compares unfavourably with the EU-27 average of 7.1% in 2007. The EU-27 average female unemployment rate was 7.8% and the male unemployment rate 6.6% in the same year.

Graph 2:

![Unemployment rates by gender, 15-64 years, period 2003 - 2007](image)


Job losses affected mainly the secondary sector

Job destruction early on in the transition process has mostly affected the secondary sector (manufacturing industries), as illustrated by Graph 3:

Unemployed by Activity Sector, 2003

**What was the main activity of the last legal entity you were employed?**

- Primary: 13%
- Secondary: 48%
- Tertiary: 39%

Unemployed by Activity Sector, 2006

**What was the main activity of the last legal entity you were employed?**

- Primary: 13%
- Secondary: 46%
- Tertiary: 41%

Source: Angel-Urdinola, 2008.

The contraction of employment opportunities in the other sectors of the economy was partially mitigated by the agricultural sector. The latter continues to provide employment to a significant portion of the labour force, though not in a very productive manner. Now, the sector
is plagued by underutilisation of labour, which only deepens rural poverty by not providing sufficient income. Surplus labour, alongside with market uncertainties, have pushed many family farms into subsistence or semi-subsistence farming. It should be noted, however, that during the peak harvesting periods there is a high labour demand which is satisfied by seasonal workers. In addition, there is recent evidence that labour mobility across the region is increasing, and many seasonal workers find summer agricultural jobs in EU member states (UNDP, 2005a).

**Inactivity rates are high although some people may have occasional jobs and work in the grey economy**

Particularly worrying is the high inactivity rate in the former Yugoslav Republic of Macedonia, although figures may be overstating the situation. Some people who declare themselves inactive do so despite having occasional jobs and/or working in the grey economy. The total inactivity rate established through the labour force survey in 2007 was as high as 37.2%, although it has been declining slightly since its peak in 2004.

**Graph 4:**

![Graph 4: Inactivity rates by gender, 15-64 years, period 2003 - 2007](image)


Available inactivity data for 2007, disaggregated by gender and age, reveal that:

- in total, roughly twice as many women as men are inactive;
- in the 25–49 age group, four times as many women as men are inactive.

The ETF study on barriers to labour market participation provides more detailed insights into this issue and analyses the particular problems faced by women (Viertel, 2009 forthcoming).

**Continuous labour market reforms are key**

Continuous reforms are necessary to improve the labour market situation. Measures are to support entrepreneurship and increase dynamism in the emergence of new sectors, stimulate foreign direct investment and an export-intensive economy, fight the large informal economy, further reduce rigidities enshrined in the labour legislation (see section 2.1), and strengthen law enforcement.

Labour market reforms, such as imposing hard budget constraints and closing down loss-making publicly-owned enterprises, increasing the retirement age or other measures aimed at decreasing the liabilities of the pay-as-you-go pension system, a review of other social welfare programmes, the elimination of various group privileges, etc., may be unpopular and socially painful.

Effective, but also more expensive, could be well-designed active labour market policies, including counselling and guidance, training and support for entrepreneurship, skills upgrading and retraining, subsidised employment or other schemes which further
employment in the expanding private sector, as well as improved child care facilities and measures that mobilise the inactive population.

2. Key policy issues and strategies in employment

2.1. Issues and strategies related to labour market flexibility and security

Labour legislation has increased labour market flexibility but rigidities remain regarding atypical forms of employment

According to the ILO and the Council of Europe (2006), the Former Yugoslav Republic of Macedonia was until 2003 a country with very strict employment protection legislation. Changes were introduced in 2003 and 2005 which helped to increase labour market flexibility and ease regular employment, including dismissals. However, some inflexibility remained with regard to 'atypical' forms of employment, including workers on fixed-term contracts, agency workers, seasonal workers, and employees with contracts regulated by civil law. The ILO argued that 'there is a strong disincentive against the use of non-regular, non full-time forms of employment' due to the 'high tax wedge at low wage levels' that affected in particular part-timers. Some 5.3% of workers in the Former Yugoslav Republic of Macedonia were reported to be in part-time jobs in 2004, which was much lower than in the EU-25 with around 18% (ILO and Council of Europe, 2006).

The 2005 amendments to the labour law, which received strong IMF and World Bank backing, include a reduction of maximum severance payments from eight to six months, the removal of some restrictions on fixed-term, temporary and part-time contracts and a reduction of employers’ obligation on sick pay from 60 to 21 days. Collective agreements concluded at industry level for a two-year term are binding for signatories and members of signatory associations and trade unions only. This provision exempts many smaller firms from having to enter into collective wage agreements (ILO and Council of Europe, 2006).

Most people are in precarious jobs and cannot enforce labour rights

Now, while some people in regular jobs continue to enjoy a relatively high employment security, many describe the current situation as a phase of 'early capitalism' that scarcely ensures basic social rights to people. Employees especially in the private sector are hired and fired at the discretion of the business owner or manager. Labour disputes are not commonplace, as the legal system is not functioning properly and a certain proportion of the jobs continues to be in the informal domain.

Hiring is often based on people’s relations rather than their skills or merits.

In addition, the country has in the past experienced several rounds of a considerable number of politically motivated dismissals or nominations both in the civil service and in state-owned companies. Pressures were exerted by the political parties and business interest groups to promote their protégées.

Greater labour market security is to come from a general upswing of the economy, the strengthening of the rule of law and effective measures to combat the grey economy, a higher efficiency of labour courts and the establishment of alternative dispute resolution mechanisms, and the improvement of the capacities of the state labour inspection.

An EU twinning project with the Slovak Ministry of Labour and Social Affairs will assist the Macedonian Ministry of Labour and Social Policy (MLSP) with the further harmonisation of labour legislation with EU Directives.
2.2. Issues and strategies related to fighting the grey economy

The grey economy has acted as a buffer during transition …

The grey economy developed as a buffer during transition, absorbing labour shed from industries that closed down or underwent restructuring and downsizing. Among the impediments to formal employment had been the high tax imposed on labour (changed in January 2008). This discouraged employers from hiring more workers with legal contracts. Alongside weak law enforcement, this stimulated the growth of the grey economy. It is now variously estimated at 30–40% of GDP.

Jobs in the informal economy include seasonal, temporary and part-time work. Employers hire people directly without an employment contract, which in some cases helps businesses to survive since it reduces the formal costs of labour. For many people it is essential to accept this type of job to make ends meet. Wages are generally low and people are often not insured or register with the employment service to benefit from health insurance.

... but distorts market principles and hinders economic and social development

However, the grey economy distorts competition and prevents the further development of a functioning market economy. As a result of reduced revenues, the government is also less able to meet its social obligations. Moreover, where the grey economy has become a normal way of doing business, tolerated by the local authorities and in some cases even by the state authorities, there is a risk of both entrepreneurs and young people developing a lifelong ‘evasion attitude’. The government has recognised the problem but is not doing enough to fight it in an effective manner. USAID is running a national campaign to fight the grey economy. Additional measures are needed to tackle inefficient policies in particular with regard to the low level of law enforcement and inefficient tax collection.

2.3. Issues and strategies related to rising employment levels in both small and medium-sized companies

The majority of businesses are of micro or small size and have low growth potential

Most of the active business entities registered with the Central Registry in 2005 (44,424) were of a micro or small size (43,877 or 98.8%); the remaining number (547) were medium or large enterprises. Small companies are mostly operating in the wholesale and retail trade sector (48.7%), while manufacturing (16.4%), together with transport, storage and communication (10.13%) come second in terms of importance (Stojanova, 2007). Micro and small businesses are often family businesses. They lack a sufficient capital base and management experience, which makes them rather vulnerable and hardly suitable for business and employment growth.

Resources are insufficient to implement the government’s SME policy on a wider scale

The government revised its small and medium-sized (SME) strategy in May 2007 and an action plan was adopted for the period 2007–2010. However, the country lacks sufficient human and financial resources to implement all measures. On a positive note, in the frame of the ‘regulatory guillotine’ project, legal provisions have been identified which need to be simplified or abolished and the government is committed to implementing these changes. In addition, the Agency for the Promotion of Entrepreneurship of the Republic of Macedonia (APPRM), through its regional network, has been successfully running a voucher system providing SMEs with access to training and advisory services free of charge or on a cost-sharing basis. The Agency would like to expand the voucher system and increase the amounts of vouchers.

New employment opportunities will stem from a general economic growth and increased foreign investment.

14 With the 2004 Law on Trade companies, company sizes have been adjusted to EU definitions in terms of the number of employees. However, turnover thresholds in the former Yugoslav Republic of Macedonia are still much lower than those in the EU.
2.4. Issues and strategies related to youth unemployment

Young people’s unemployment rates are high but have declined in recent years

The slight decrease in the total surveyed unemployment rate, as shown in Graph 2 above, can be attributed for a large part to reduced unemployment rates among the younger populations. The rate of youth unemployment in the 15–24 age group went down from 66% in 2003 to 59.8% in 2006\(^\text{15}\) and in the 25–34 age group from 47% in 2003 to 40.7% in 2006, which is a positive trend.

Graph 5:

Unemployment rate by sex, 15-24 years

Unemployment rate by sex, 25-34 years


The lowering of unemployment rates among young people may be attributed to the fact that young people stay longer in education, but also to the slight economic recovery, reduced

\(^{15}\) 2007 data not yet available.
labour market rigidities and partly to young people’s emigration. Nevertheless, the figures remain alarming and signal a clear relative disadvantage of young people.

Young people without work experience face difficulties to find employment

Apart from measures to help the economy recover and employment grow, continuous adjustments of the education and training system will be necessary. School graduates without work experience and often with few practical skills still find it very hard to get a job, especially outside Skopje.

Until recently, compulsory education ended after eight grades. UNICEF (2008) estimates that as many as 40% of the country’s young people currently do not finish secondary education, which generally leaves them with bleak labour market prospects. New legal provisions make secondary education compulsory from September 2008 onwards. Still, secondary school graduates who cannot go on to higher education too often find themselves in a dead-end street with almost no possibilities for further education after departure from school. This holds especially true for graduates from three-year VET programmes. There are still quite a number of vocational profiles that are no longer demanded by the labour market and programmes that equip young people poorly for today’s work and life challenges. At the same time, training provisions are needed that provide a second chance to complete education and that top up young people’s knowledge with more specialist and practical skills. Such training schemes could serve as a (temporary) compensation for the deficiencies of the initial education and training system.

The MES and the MLSP need to realise their joint responsibilities in this area

With the current focus of education reforms being on primary, general secondary and higher education, the Ministry of Education and Science (MES) does not do enough to tackle these problems. The MLSP designed a programme in 2008 to support the first work experience of young unemployed people. However, only up to 30 young people under the age of 27 will be able to benefit from this scheme.

Continuous adjustments of education and training provision for both young people and adults, adequate information, counselling and guidance, and collaboration between both the MES and the MLSP and with employers will be essential to ensure improvement in this area.

2.5. Issues and strategies related to long-term unemployment

Most unemployed people are long-term unemployed, but appropriate active measures do not exist

According to the World Bank (2008b), 90% of all unemployed people who are not first-time jobseekers are long-term unemployed. As Table 2 below shows, only 9.1% have been unemployed for less than 12 months, while 53.3% have been so for a period longer than four years. This indicator is worrying, as generally the likelihood of finding a job decreases the longer people stay unemployed.

Table 2. Long-term unemployment rates excluding first-time jobseekers in 2006

<table>
<thead>
<tr>
<th>Duration</th>
<th>% unemployed</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>15-24</td>
</tr>
<tr>
<td>&lt; 1 year</td>
<td>33.6</td>
</tr>
<tr>
<td>1-3 years</td>
<td>60.5</td>
</tr>
<tr>
<td>4 and +</td>
<td>6.0</td>
</tr>
</tbody>
</table>

So far active labour market measures have been non-existent or insufficient either to prevent unemployed people from falling into long-term unemployment or to tackle the needs of long-term unemployed people (see section 2.7 for the range of active labour market measures currently offered in the country).

2.6. Issues and strategies related to female unemployment

*Females are particularly affected by unemployment and have so far not been given specific support.*

As shown in Graph 2 above, female unemployment rates deteriorated in 2004 and 2005, but in 2006 recovered to 2003 levels with 37.5%. The situation improved in 2007 when surveyed unemployment reached 35.8%, or 2.3% less than in the year before.

In contrast to EU and neighbouring countries the difference between female and male unemployment rates is not very high in the former Yugoslav Republic of Macedonia (35.8% vs. 34.8% in 2007). This can be attributed to the fact that many females are inactive (49.6% in 2007). This in turn is due to a number of factors, including the traditional role of women in society - women in particular from non-Macedonian communities often stay at home – and/or the fact that women have given up to look for jobs in view of the general shortage of opportunities, gender-biased recruitment practices, discriminative and sometimes illegal employment patterns, lengthy working times, etc. (Viertel, 2009 forthcoming).

Measures are needed that increase female labour market participation and help them find jobs or become self-employed.

2.7. Capacities of labour market institutions in terms of funding, designing, monitoring or implementing and evaluating employment policies and related needs

*Staffing, financial and material conditions of key labour market institutions seriously constrain effective labour market policies.*

The labour department within the MLSP, which employs only a few staff, have to deal with all issues from labour regulations, work permits, and health and safety at work to labour relations and the planning, designing, monitoring and evaluating of active labour market measures (ALMMs). This puts a constraint on their work, including staff training and development activities undertaken in collaboration with donors, and on taking forward whatever innovations are proposed. A National Employment Strategy (NES) 2010 and a National Action Plan for Employment (NAPE) 2006–2008 have been defined with the help of an EC CARDS project and with the involvement of key stakeholders, including the social partners. However, overall staff and financial resources are currently insufficient to implement the ambitious employment strategies and plans.

The Employment Service Agency (ESA) is responsible for both passive and active labour market policies. It is a separate agency of the MLSP and derives a portion of its budget from a portion of the social contributions (1.6% of gross salary) paid (only) by employers into the Employment Fund. The bulk of the budget comes from the Macedonian government. About 5% of its MKD5.34 billion budget (2007) is dedicated to costs associated with its over 500 staff located in one central, eight regional and 33 local offices. Some 4% is dedicated to a range of ALMMs. The remaining 91% is used for benefits. About 60–65% of that benefit budget is dedicated to the payment of unemployment insurance benefits and the related contributions to the Pension and Health Funds for these insured unemployed people. The balance of the benefits budget is used to pay the health costs of individuals who are registered as unemployed but who are no longer eligible to collect an unemployment benefit (Vollman, 2007).

The extent and budget of ALMMs have recently increased but are still low ...

According to Koddo (2008), the Macedonian government spends only 0.06% of GDP on ALMMs. When considering all ESA activities, the figure amounts to 1.43% of GDP in 2007.
In 2006 the EU27 have, on average, invested 0.51% of their GDP on ALMMS or 1.92%, respectively, if labour market services and early retirement are included\(^\text{16}\).

However, the extent and government funding of ALMMS has increased lately. The 2008 Operational Plan by the MLSP (2008) includes programmes to support:

- self-employment;
- the ‘formalisation’ (legalisation) of existing businesses;
- training, retraining or skills upgrading of unemployed people when the employer is known;
- some foreign language and IT training (when the employer is not known);
- pilot training for occupations and skills in short supply;
- entrepreneurship training;
- subsidised employment for orphans, disabled people, single parents and people between 55 and 64 years of age;
- the first work experience of young people up to 27 years of age.

Only slightly more than 7,000 people are planned to benefit from these schemes, which presents a coverage of 2.2% of all surveyed unemployed people in 2007. MKD294 million (€4.8 million) have been made available for this, including donor funds from UNDP and USAID in the range of MKD8.7 million (ca. €142,000).

*... and a proper indicator-based planning and evaluation system is not in place*

A system for monitoring and evaluating such labour market policies has not yet been put in place. In the planning phase, an in-depth analysis should be carried out that provides the rationale for each measure and establishes its objectives and indicators, which should then be monitored and evaluated. A third Employment Policy project (EC CARDS 2006) is ongoing and assists the MLSP and the ESA in this field. A first monitoring report of the NAPE 2006–2008 has been prepared by local experts. Other areas of CARDS support include further staff development within the ESA, the development of a partnership approach to designing and implementing local employment action plans, and capacity-building of social partner organisations at the national level, especially also around the design, monitoring and evaluation of active labour market policies. Alongside social partner organisations, the MES needs to develop a bigger interest in and commitment to designing, monitoring and evaluating successive national employment action plans, including ALMMS.

The ESA has highly dedicated staff who are eager to find new ways to do their business, in which they are supported by foreign donors, including USAID, UNDP and the EU.

*An external evaluation of ALMMS makes the case for retraining and skills upgrading*

Jackman and Corbanese (2007), who undertook an evaluation of ALMMS in the Former Yugoslav Republic of Macedonia in 2007, make a strong case for such measures, as they can assist the adjustment of the labour market and institutional building to the needs of a market economy, in particular with regard to skills shortages and training needs on the part of the workforce. In the long term the main focus may switch to supporting primarily vulnerable groups. Developing the skills of the workforce, Jackman and Corbanese argue, requires a more precise definition of the areas of vocational and professional skills needed. Employers in receipt of employment subsidies should be required to provide training for recognised qualifications. With a view to a better targeting of active measures towards those who really need them, Jackman and Corbanese suggest that entitlement to social assistance be explored as a needs indicator in the context of distorted unemployment statistics. They also advocate a public works programme, but would insist on including an element of vocational training.

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\(^{16}\) The first figure includes training, job rotation and job sharing, employment incentives, supported employment and rehabilitation, direct job creation, start-up incentives, as well as out-of-work income maintenance and support. The second figure additionally includes labour market services and early retirement. Source: Eurostat. 2007 data not yet available.
Company internships for young people were considered as a successful measure, with programme participants having better job chances than those who had not participated. However, such internships focus on relatively favoured groups in the labour market and are seen as necessary mainly because of the lack of an effective school and university career information and guidance service. Thus, in the long run it may be better to build up such a service and open up the scheme to other unemployed people (Jackman and Corbanese, 2007).

The wage subsidy / on-the-job training programme was considered to bear major substitution risks, as employers were reluctant to create additional jobs, while the self-employment programme was recommended to focus in particular on the ‘small group of unemployed people who have the skills and attitudes for self-employment’ and on ‘projects with good prospects’ (Jackman and Corbanese, 2007).

Apart from increasing the funds at ESA’s disposal for ALMMs from the current 4% to at least 20-30% of the total expenditures, Koddo recommends that ‘legislation be made more stringent in relation to defining “suitable work”, […] requirements for independent job search’, etc., that ‘ESA activities be refocused on programmes deemed to be cost-effective and efficient, such as job search skills training, job clubs; vacancy and job fairs, employer contact services, and on-the-job training’, and that ‘extended unemployment benefits be replaced with social assistance’. Furthermore, he suggests that ALMMs be regularly evaluated and fine tuned, that ESA staff be ‘disentangled from functions […]’, such as employment contract registration and administration of health insurance coupons’ and that ‘the number of front-line employment counsellors be increased’ (Koddo, 2008, pp. 6-7).

A scenario for ESA’s development until 2010 suggests strategies for unemployment reduction

According to a scenario developed by Vollman (2007), a massive increase in the number of individuals participating in active measures and the speed with which they are assigned to the measures could considerably reduce the duration of unemployment. New measures are suggested, including:

- fully equipped professional career centres on the premises of schools;
- online registrations and applications for unemployment benefit;
- much improved labour market information (a first skills and vacancy survey among employers was published by the ESA in February 2007 (ESA, 2007));
- bigger efforts by ESA counsellors to locate hidden job vacancies;
- more intense Job Club sessions focusing on how to select a new career and/or search for a new job – this kind of training should be offered to everybody who needs it;
- a major expansion of the current Job Club sessions currently focusing on foreign languages and computer skills, to start from and build on intense basic literacy and mathematical skills training;
- involving unemployed university graduates in the upgrading of the ESA web portal, in particular the search for new content;
- retraining unemployed people for occupations in short supply and supporting them to get re-employed (long-term measure);
- a shift of the current focus in planning, monitoring and evaluation on outputs (i.e. the number of individuals served) to outcomes (i.e. the number of individuals employed, self-employed or retained on jobs).

However, the large number of currently ‘officially unemployed’ people, who may in fact be working in the grey economy but register so as to qualify for health insurance, makes it difficult to target active measures. Hence, to support such an effort, changes to the current health insurance provisions are necessary, as well as a significant upgrade of the agencies’ technical infrastructure and its operating systems. With the help of new hardware and software systems, job seekers could become more reliant on universally available self-service schemes. ESA’s work would potentially shift from filling out paperwork to measures
preventing unemployment, counselling and guidance, outreach activities to liaise actively with employers, updating job vacancy databases, arranging Job Clubs and training, and the like.

Private employment agencies have been established

Besides the public ESA, there are 15 licensed private employment agencies. Their role as mediators has improved in the last years. A Law on Agencies for Temporary Employment, which regulates the operations of the different agencies, was adopted in 2006. However, according to the ILO and the Council of Europe (2006), the cooperation between the ESA and the private agencies is relatively weak.

2.8. Issues and strategies related to counselling and guidance

School career centres could function as major information and guidance centres for learners

A major impetus to provide information about careers and enhance the employability of young people came though the five-year USAID Secondary Education Activity (SEA) project, which involved almost all secondary schools in the Former Yugoslav Republic of Macedonia. The project worked both with schools and local business to increase student options for real-life practical learning opportunities, such as company internship days. These internships, as well as competitive career development events, contributed to strengthening the link between school and industry. In addition, the project helped to establish both a vocational student organisation and career centres making available career information materials at the premises of the schools (Stojanov et al., 2006), which are in great part still functioning today although the project is finished.

Vollman (2007) suggests that these centres be turned into professional career centres that would be connected to the ESA office network and serve as both career information and job placement centres for all young and adult learners at the schools.

Investments in ESA’s hardware and software could free time for counselling and guidance

ESA staff are in charge of the counselling and guidance of unemployed people. This service is not available to people who are not registered as unemployed or to registered unemployed people who are not actively looking for a job. Some 269 ESA staff deal with active measures, while 272 are devoted to passive measures and office support functions (Hummasti, 2008).

To improve labour market information a first analysis among a bigger number of employers was completed by the ESA with support from the 2nd EC CARDS Employment Policy project in June 2006. It provides information concerning skills needed by employers and establishes related trends. This analysis should be repeated at regular intervals and extended to comprise also longer-term forecasts of skill needs. The USAID Labour Market Reform Activity has provided some support to the development of career information materials. In addition, an occupational classification system based on the ILO’s ISCO 88 has partly been adopted, but will, however, need to be updated, possibly using the ISCO 2008.

ESA counsellors received a lot of training through the 1st and 2nd EC CARDS Employment Policy, USAID and UNDP projects. However, a general, tiered service model for ESA counsellors does not yet exist, and tailor-made support to unemployed people, for example by drafting and monitoring individual employment plans, is still not commonplace. The EC CARDS 2006 Employment Policy III project will work in all of the above-mentioned areas.

Job clubs that help unemployed people develop their job search skills are currently available. However, funds are highly limited, so not all unemployed people benefit from this training, and it is short in duration, so its effectiveness is open to doubt.

Job changes and a quicker reintegration into the labour market in the case of job losses could be helped if information, counselling and guidance, training and other forms of support were generally available to the people concerned – ideally before they become unemployed. As argued in section 2.7 above (see Vollman, 2007), a massive investment into the upgrading of ESA software and hardware could release time for counsellors to liaise with employers and to provide support to redundant workers or unemployed people. Much improved labour market information and intensive training to enhance the vocational and job-search skills of
unemployed adults, alongside other active labour market measures, could help considerably to prevent or reduce spells of unemployment.

2.9. The role of social partners in the employment policy field

Social partners are increasingly consulted over employment policies but have yet to realise their contributions

The Labour Relations Act of 2005, which replaced that of 1993, has set the legal framework for the functioning of social dialogue in its bipartite and tripartite forms. The Act defines the rules for the establishment of workers’ and employers' organisations and for the functioning of collective bargaining and labour relations between both sides of industry. In addition, the Act provides the legal basis for the functioning of tripartite social dialogue, in particular by establishing the Economic and Social Council (ESC), which serves as a forum for tripartite consultations between the government and social partners over labour and social issues. The ESC was created by a tripartite agreement concluded by the government, the Chamber of Economy – the only player on the employers’ side at the time – and the Federation of Trade Unions of Macedonia (FTUM) in 1996 (Babuskovska et al., 2007).

Currently, the ESC is comprises the following nine members:

- The government is represented by the Minister of Labour and Social Policy, the Minister of Finance and the Deputy Minister of Economy;
- Workers are represented by the Federation of Trade Unions in Macedonia (FTUM), the AGRO Syndicate and the Trade Unions of Postal and Telecommunications;
- Employers are represented by the Organisation of Employers of Macedonia.

The ESC is chaired by the Minister of Labour and Social Policy, whose Ministry also hosts the secretariat of the ESC.

Owing to the weak traditions of social partnership in the country and the limited capacities of the social partner organisations, tripartite social dialogue has largely remained a formal undertaking. There were long arguments over the criteria for who is eligible to represent trade union interests at the national level. However, the ESC was consulted on various labour laws and employment-related papers and strategies.

In addition, representatives from trade unions and employers’ organisations take part in the negotiations around collective agreements for various economic sectors. They are represented in the managing boards of certain bodies and institutions, such as the executive boards of the ESA and the Fund for Pension and Disability Insurance, and in the steering committees and working groups of relevant donor projects. Thus, representatives from the social partners were involved in the preparation of National Action Plans for Employment (NAPE) and in the monitoring of related progress in the framework of the EC CARDS projects.

Social dialogue structures at local level do not exist

Economic and social dialogue is highly centralised; it does not exist on the local level. However, there are plans to establish multipartite structures to advise on economic and employment-related policies at a local level within a decentralised approach. The EC CARDS 2006 Employment Policy III project, which started in late 2007, will assist with setting up related structures and developing local employment action plans in eight local units chosen through a competitive bidding process.

Various donors support further capacity building

Social partner representatives participated a lot in seminars, workshops, conferences or study visits organised by the ILO, the USAID Business Environment Activity project, the Stability Pact and the Council of Europe. The EC CARDS 2006 Employment Policy III project will analyse further training needs and provide respective training. In addition, a major three-year project by the ILO, started in early 2008, will develop a strategy for the ESC, strengthen the social partners, and improve the bipartite social dialogue and work towards the peaceful resolution of labour disputes.
3. Key policy issues and strategies in education

3.1. Investments in human capital

*Insufficient state funding led to an impoverishment of schools and puts a burden on low-income families*

The economic transformation has also had a negative impact on education. Declining levels of state funding made available until 2006 affected in particular secondary and higher education and led to a quasi-suspension of MES funding for adult education. Now, with the expansion of basic education to nine years and compulsory secondary education, the MES budget for education has increased by 12-15% compared to previous years. However, the Association of Units of Local Government (ZELS) warned that facilities, teachers and funds are lacking in particular for secondary education and raised doubts that the increase can compensate even for the rise in energy prices (heating and electricity). ¹⁷

The government allocated 3.4% of GDP to education in 2004 ¹⁸, which was a major reduction from both its 1990 and 1995 levels (5.1% and 4.5% respectively). More recent, unverified sources point to a slightly increased allocation of 3.6% of GDP (MES, 2007). Approximately 57% of that budget goes to primary education, 24% to secondary education including VET, and 19% to tertiary education. Four-fifths of these funds are earmarked for teachers’ salaries, although the latter are very low and below the national average wage (around €200 per month).

Although the law states that education is ‘free of charge’, in reality a number of expenses for schooling have to be borne by parents. These include the cost of textbooks, insurance, school outings and meals. This presents a major burden for children from poor families. The amounts to be co-financed by parents depend very much on the financial capacity of the given municipality and the transfers made by the Ministry. Secondary schools even receive some 20% less than the (low) nationally prescribed minimal per capita financing standard and were forced to ask parents for small tuition fees and contributions to school repairs or similar. Tuition fees for secondary education were to be abandoned for all and textbooks made free of charge for social welfare recipients from the 2008/09 academic year onwards ¹⁹.

Kuzmanoska et al. (2007) estimate that 82% of the funds for secondary education are spent on staff costs, 6% on running costs, 6% on subsidies and 6% on capital expenditure.

Owing to the low level of funds available for maintenance costs and investments, many schools are in urgent need of repair and suffer from a lack of adequate equipment, in particular for VET programmes. Three schools in the country built with asbestos are still operating, which is an unacceptable situation. The OECD, in its education policy review report from 2001 (OECD, 2001), warned that chronic underinvestment would create long-term impoverishment of the system’s infrastructure. A big problem is that over one-fourth of all primary and lower secondary schools (1,005 in total in the academic year 2005/2006) are very small, with only up to 20 students, and a little under half of all schools have no more than 50 students. This is of course an expensive system to maintain and to invest in.

*Higher education institutions responded to budget cuts by introducing tuition fees*

The Macedonian higher education sector has been subject to various cuts in public funding as well, accompanied by changes in funding formulae and pressures to seek alternative sources of funding. The share of GDP for higher education is 0.47%, which is 2.5% lower than in 2002 and compares unfavourably to the EU average of 1.1% and the EU 2010 target of 2% (Kuzmanoska et al., 2007). The main sources of higher education institutions’ revenues include students’ tuition fees, donations, grants, contract research undertaken on behalf of local or foreign sponsors, and others. In contrast, higher education institutions’ revenues from private companies are insignificant. Hence, the increased share of private funds invested in higher education – a trend since 2003 – is not an indication of a better collaboration between

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¹⁷ Interview by the author on 10 September 2008.
state institutions and the private sector or a better linkage between science, teaching and research for industry, but was a necessity for higher education institutions to make up for reduced state allocations.

State funds invested in research and development (R&D) are also low and amount to 0.2% of GDP, while the EU average is 1.9%. Major funding assistance to higher education reforms and various R&D initiatives is provided through the EU Tempus and the 6th and 7th Framework programmes.

**Student support schemes are not sufficiently targeted to socially disadvantaged, older students and specific study disciplines**

Students with the best marks from secondary education and from university entrance tests are financially supported by enjoying reduced university tuition fees (ranging from €150 to €200 per year) – a system inherited from Yugoslav times, which is not means-tested.

Students admitted with lower marks pay between €400 and €1,200, which are high sums considering the average family income. Students’ status in this respect does not change, even if they show excellent performances during their second or third years at university. This is also why marks are said to be a major source of corruption, especially at faculties where the number of applicants exceeds the number of places available. The MES makes additional loans available to students from low-income families, but again only to those with good average marks from the tests. According to official statistics, 28,800 students, or 41.14% of all students, received some financial support by the state in 2006 (Official Gazette of RM no. 139, 2006). Once part of the system, students enjoy a number of benefits, such as the use of dormitories or university restaurants, reduced public transport costs, the use of libraries, labs and computers. Many students stay in this system for many years without necessarily having an incentive to finish their studies in time. What is worse is that the government has difficulties in collecting the repayments of students’ loans. Considering the scarce public funding, the state financial support system would need to be revised with a view to reducing inefficiencies and deadweight effects and making more funds available for young people who would otherwise not be able to study.

Under the Roma Decade action plan, specific scholarships are made available to secondary and higher education students from the Roma community.

In addition, a few scholarships are granted to young people studying abroad in fields which do not exist in the Former Yugoslav Republic of Macedonia, and for outstanding students taking their MA degree.

**Public–private partnerships are developing sporadically – out of despair rather than according to an agreed strategy – but state funding levels will increase**

Recognising the problem of the scarcity of public funds for education, the MES has thought of ways to increase private investment. It allowed for the establishment of private schools – at the moment there are nine accredited ones. In addition, following an open call from the MES for private investments and donations in 2007, 100 public–private partnership proposals for cooperation between schools and the private sector were submitted. But, despite the somewhat desperate situation, the government has declared that, by 2010, it wants to increase the state education budget to 5% of GDP, while both the higher education and the state R&D budgets are to rise to 1% of GDP.

### 3.2. Lifelong learning strategies

**Laws and structures are being changed and a strategic framework is in place**

The Macedonian education system used to be, and to some extent still is, a hierarchical, underresourced and selective system with an overemphasis on initial, ‘once-and-for-all’ education. These attributes are being changed, but of course this is a process which will take a lot of time and resources.

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20 At the time of writing this report it was not clear whether university entrance tests would be abolished after the general introduction of State Matura exams at the end of the 2007/2008 academic year. These entrance tests were considered to be an occasional source of corruption.
Initial reforms introduced by the MES have focused on changing the legal framework and the structure of the education system. Primary education has been extended from eight to nine years; secondary education has been made compulsory, and the three Bologna cycles are being introduced in higher education.

In addition, many new national agencies were or are planned to be set up in the areas of higher education, VET, adult education, national examinations and evaluations and the management of the various components of the EU lifelong learning programme. The agencies are to take forward the reforms within their (narrow) area of competence as stated in the new laws, although they are not always given the resources necessary to do so. In addition, a major decentralisation process was put in motion with donor support in July 2005, which aims to ensure a smooth and gradual transfer of responsibilities to local authorities.

The principal way of governance in the previous system used to be to decree innovations from the top by issuing new laws. That is to say that strategies or policies were not commonplace as tools to create consensus among many actors and to steer the system. Foreign donors, in particular the Open Society Institute and the World Bank in the preparation of the Education Modernization Project (EMP), have been instrumental in bringing together various actors in the sphere of education and drawing up the National Programme for the Development of Education (NPDE) 2005–2015 and subsequent annual strategies and action plans. A strategy unit within the MES has been built up with support from the EMP.

The NPDE contains various elements important for lifelong learning, such as the involvement of more children in pre-school education, the inclusion in the curriculum of some key competences, such as communication in two foreign languages and ICT skills, revisions of syllabi at all levels of education, and improved teacher training.

Resources are limited to sustain and expand pilot reform initiatives

Many foreign donors have supported the country with the implementation of parts of this strategy. However, all in all, the strategy may be considered too ambitious, as the government has limited capacities to sustain and mainstream results, once donor projects stop. Thus, it remains to be seen whether activities kick-started under the EMP, such as the strategy unit within the MES, the education management information system (EMIS), the school improvement grants, and the school manager and teacher training schemes, will be continued after 2009 when the project is finished. VET reforms continued only to a limited extent after the pilot interventions funded by the EC Phare and CARDS programmes and the German donor agency GTZ.

There are extensive changes taking place in the environments of schools and teachers, but insufficient resources to provide them with the necessary materials, training and support. Hence, officials and practitioners alike acknowledge a frequent mismatch between ‘what is in the law’ and ‘what is (or should be) implemented’.

Another problem is that most local authorities lack the necessary capacities and resources to take over their new responsibilities from the decentralisation process. The latter would be helped if regional administrative structures were redesigned and efforts invested in the building of larger regions with competent authorities.

Overall, it may be assumed that NPDE objectives – to ensure equal opportunities for all social groups and enhancing their employment and career chances, to guarantee universal access to secondary and post-secondary education, to develop the adult learning system which has to be basically re-built from scratch, and so on – are unlikely to be achieved within the indicated timeframe.

Lifelong learning concepts are not yet driving reforms

Subsector strategies and laws, including for primary education, secondary education, VET, higher education and adult education, have been developed, but separately rather than as

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21 The EMP 2005–2009 is funded by the Dutch government, a loan from the World Bank and a national contribution. The project supports the development of an education management information system (EMIS), changed financing mechanisms and capacity-building within a decentralised management setting, and training for school managers to obtain a licence. It provides school improvement grants on a wide scale, including equipment upgrading and teacher training.
part of a closely interlinked system. In general, it can be said that the lifelong learning concept – in local rhetoric often taken as a synonym for adult education and training – has not yet been fully integrated. The following facts underpin this argument:

- The fragmented institutional infrastructure at national level testifies to the compartmentalised nature of policy thinking, which does not stress the linkages between the individual subsystems within a lifelong learning context;
- The MES’s remit is limited to formal education in ‘regular’, state-funded institutions, which is why they dominate the reform agenda;
- There are serious barriers in the transition from one educational subsystem to another, both vertically and horizontally, with the biggest dividing line existing between the academic and the vocational streams of education, and no ‘bridges’ or ‘ladders’ built in between the different tracks;
- Access to education at secondary and higher levels of education is highly restricted, especially outside urban centres, making it difficult for many groups of the population to participate;
- A comprehensive key competence concept that necessitates changes in learning contents, methods and settings is not part of the current curriculum reform debate;
- Teachers, who ought to be the main agents of change, are often neither included in reform debates nor given the necessary training, support and freedom to teach;
- Funds are lacking to considerably broaden and improve the quality of the adult learning offer, to bring it closer to where people live, and to support those who need it most;
- A consistent lifelong information and guidance system does not exist.

However, this assessment is not meant to underestimate or undermine the huge reform efforts being undertaken by the MES and related actors.

**True systemic reforms within a lifelong learning context are necessary**

The challenges are huge, not only because of the reform needs which have accumulated over the years from the previous Yugoslav system, but also because of the reform challenges dictated by the accession agenda and by Macedonia’s desire to embrace EU policy orientations in education and employment.

Donors have helped to revise some of the education contents and processes at all levels. These efforts need to be sustained and expanded if a change is to also be achieved in the ‘inner logic’ of the system – the way teachers teach and students develop competences during their whole lives. VET and adult learning require high investments, as they have been the most neglected areas for many years. Given Macedonia’s current capacities, this seems to be a whole-generation project. EU investments in these areas can help to modernise further Macedonia’s education and training system bringing it closer to EU standards.

### 3.3. Monitoring and evaluation of the (formal) education system

**National quality standards may be looking at the wrong indicators and are hardly monitored**

The MES, in its Concept for nine-year primary education (2007), prescribes quality (or minimum) standards for the material conditions in schools, for the teaching process and efficient school management, and for what makes a successful teacher. The Law on the Education Inspectorate refers to quality control through comprehensive school evaluations. However, the inspectorate system is said not to function properly, as inspectors are few and would to some extent look at the wrong indicators (e.g. which page of the textbook teachers have reached with their classes). Quality standards are also difficult to respect if insufficient financing is made available to the schools.

**An information system is being set up that ought to monitor system quality**

The EMP is providing assistance to set up an education management information system (EMIS). There are plans to collect and process data with a view to helping to plan and steer
the system and monitor its quality. Management indicators will comprise data concerning the school-age population, enrolment figures, gender, language, poverty indicators, promotion, repetition, drop-out rates, graduation, transition rates, average duration of study, school mapping (location of schools and human settlements), school status, grades, options offered, school capacity in terms of classes, classrooms, double-shift classes, recruitment and deployment of teachers, teachers’ salaries and their professional training, budget planning and so on. Alongside with the design of the EMIS, efforts are being taken to enhance the ICT skills of actors concerned and to enable them to use information for policy planning and decision-making. However, at the moment it is not clear whether the EMIS will be completed and the MES able to mobilise the resources to run the system in all schools.

An increased emphasis has been put on institutions’ self-evaluation

In addition, the EMP launched the idea of schools defining school development projects which are meant to strengthen their self-evaluation and strategic planning capacities.

The model in higher education for the future envisages (i) a national coordinating body, (ii) institutional self-evaluation and (iii) external peer evaluations (Kuzmanoska et al., 2007).

3.4. Issues and strategies related to early school-leavers

Pre-school enrolment is low, which puts children at a disadvantage when enrolling at school

Currently, only 11% of all children up to the age of seven are enrolled in pre-school education. Children from families with an ethnic minority and/or poor education background are particularly disadvantaged later on in school if they do not attend pre-school education. However, there are serious barriers to expanding the coverage, as kindergarten facilities are limited and are mostly concentrated in bigger towns.

Most children enrol in primary education but the drop-out rates of Roma and poor children are considerable.

Gross enrolment ratios, which consider all pupils independent of their age, are as follows:

Table 3: Gross enrolment rates, 2005

<table>
<thead>
<tr>
<th>Programme</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>Primary education, Total</td>
<td>98(^{22})</td>
</tr>
<tr>
<td>Primary education, Females</td>
<td>98</td>
</tr>
<tr>
<td>Primary education, Males</td>
<td>98</td>
</tr>
<tr>
<td>Lower secondary, Total</td>
<td>94</td>
</tr>
<tr>
<td>Lower secondary, Females</td>
<td>94</td>
</tr>
<tr>
<td>Lower secondary, Males</td>
<td>93</td>
</tr>
<tr>
<td>Upper secondary, All programmes, Total</td>
<td>75(^{24})</td>
</tr>
<tr>
<td>Upper secondary, All programmes, Females</td>
<td>72</td>
</tr>
<tr>
<td>Upper secondary, All programmes, Males</td>
<td>77</td>
</tr>
<tr>
<td>ISCED 5 and 6, Total</td>
<td>30</td>
</tr>
<tr>
<td>ISCED 5 and 6, Females</td>
<td>35</td>
</tr>
<tr>
<td>ISCED 5 and 6, Males</td>
<td>25</td>
</tr>
</tbody>
</table>

Source: Unesco, Institute for Statistics

\(^{22}\) Latest data available.

\(^{23}\) Donevska et al. (2007) quote a gross inclusion rate in primary education of 97.1% and an annual dropout rate in primary education of 1.71%. A few Roma or immigrant children may not be included in public registers, as they were not registered at birth. The TRANSMONEE database of UNICEF’s Innocenti Research Centre suggests a gross basic education enrolment ratio (percentage of relevant population, ISCED levels 1 and 2) of 95.4 percent for 2005 and 95.7 percent for 2006; see: http://www.unicef-irc.org/databases/transmonee/2008/Country_profiles.xls.

\(^{24}\) The same database suggests a gross upper secondary enrolment ratio (all ISCED 3 programmes) of 74.4 percent for 2005 and 75.7 percent for 2006.
According to UNICEF (2008), using data from the MICS 2005/06, the percentages of children aged 14 attending the last grade of primary education were lower in the poorest wealth quintile, among children whose mothers have no education and among Roma children (45%, compared to 87% of Macedonian children).

Many children do not make the transition to secondary education or drop out from it

The biggest “loss” of pupils occurs at the stage of transition to upper secondary education (ISCED level 3). The current system cannot currently ensure inclusion in upper secondary education of a quarter of all pupils and leaves them ill-prepared to meet work and life challenges with only eight (or now nine) years of schooling or less. Girls are affected by this phenomenon to a higher degree than boys. Among the poorest wealth quintile the secondary school net attendance ratio among 14-year olds is only 33.7%, while the worst indicator is once again observed among the Roma with 17.4% (UNICEF, 2008). In total, UNICEF (2008) estimates that as many as 40% of the country’s young people currently do not finish secondary education, which generally leaves them with bleak labour market prospects.

More girls enrol in higher education than boys. Males are said to be more interested in finding jobs than in staying in education (State Statistical Office, 2006).

As regards the proportion of the population aged 18–24 who did not complete upper secondary education and are currently not in education and training, Eurostat recorded 32.2% for the Former Yugoslav Republic of Macedonia in 2002\(^{25}\) (Eurostat, 2007). This is double the EU-25 average of 16.6% in the same year and far from the EU 2010 target of no more than 10%.

Reasons for early school departure are manifold

There are many reasons for leaving school early. As mentioned above, children from poor families are more likely not to attend or drop out for a variety of reasons. These include “financial and opportunity costs, insufficient information about the benefits of education, substandard housing conditions that impede learning and studying, and children’s health status”, which particularly affects children from Roma families (Pecakovska and Lazarevska, 2008).

In addition, children in particular from ethnic family backgrounds may enrol at school ill-prepared. They hardly get any additional support from teachers or parents to make up for their language and/or learning deficiencies. As a result, they do not master the curriculum sufficiently. Repeating a class is not allowed until the end of the 4th grade. A system that is faced with an overloaded curriculum rehearsing primarily academic knowledge from the various scientific disciplines and that traditionally focuses on the better students, does not encourage teachers to help every child get along and gives little extra support to low achievers, underpins existing social inequalities.

The situation is being remedied to some extent by setting up new classes or schools that provide instruction in the mother tongues of ethnic minorities (primarily Albanian, but also Roma). This has been an OFA requirement. The system is best developed in primary education, where 282 out of the total number of 1,043 regular schools teach in Albanian, 55 in Turkish and 14 in Serbian.

However, despite many efforts, the number of qualified teachers is still insufficient and modern textbooks for languages other than Macedonian are lacking. In most cases, children from ethnic communities are put in separate classes or even schools, which does not help the process of social integration but in fact promotes further segregation and can lead to social exclusion if children are not given equal chances (cf. Verbole, 2007, among others).

Other impeding factors include poor access to schools in some regions, a lack of facilities and teaching staff and insufficient scholarship provisions for secondary education, combined with quality and relevance deficits in particular in 3-year VET programmes. However, cultural factors also play a role. The Macedonian population has the smallest school drop-out rate, while the Roma population and Albanian girls have the highest. Some Albanian, Roma or

\(^{25}\) later Eurostat data not available
Macedonian-Muslim families attribute little value to higher levels of education, especially for girls.

*Efforts are being taken to increase the participation of Roma and Albanians*

The phenomenon of exclusion has recently received more policy attention, not least thanks to the OFA process and initiatives undertaken by donors. Following OFA provisions, the MES has established an office for minority language development with a view to addressing the needs of ethnic communities. Quotas have been established for the secondary and higher education enrolment of Albanians and other minority groups (see section 3.6 for higher education enrolment rates of Albanians and Roma). The initiatives of the MES and other donors comprise free textbooks for children from poor families in primary education; free transport for students from marginalised groups; new classes for children with special needs who did not attend school because they live in remote areas; and the provision, since the academic year 2007/2008, of scholarships to children from rural areas or marginalised groups. The MES has signed partnerships with NGOs and has called upon schools to ensure quality and prevent dropping out. An INSET module dealing with integrative education policies and practices has been developed and could form an integral part of teachers’ continuous professional development.

In the framework of the Roma Decade 2005–2015 and subsequent action plans, which are supported by OSI and the World Bank, the MLSP has started an ‘Inclusion of Roma children’ project. Measures have been taken that aim at engaging more children with learning at pre-school level and making this a positive experience. In addition, scholarships are provided for the Roma population to help them raise their levels of educational attainment.

The Ss. Cyril and Methodius University, Skopje, has started to offer six of its study programmes in the Eastern Macedonian region, thus securing access to university education for 600 additional students annually. This and other measures, such as the establishment of one state and one private Albanian university, as well as financial support schemes, have helped improve university enrolments especially from among the Albanian community. With Roma, this development has been less obvious. The problems faced by the Roma people are complex and include a very high unemployment rate (estimated at 78%) and low-educated and poor parents, many living in remote or ghetto areas. Problems remain also with the access of physically disabled persons to higher education institutions because of the lack of appropriate facilities.

*The MES has set itself ambitious goals to increase secondary education completion rates*

As regards secondary education coverage, the Ministry has set itself an ambitious target: 75% of all 22-year-olds are to complete secondary education by 2010. The relevant EU target is 85%. The first step taken by the Ministry in this direction is that secondary education has been made compulsory. The positive implication of this new legal provision is that the government has in principle committed itself to making more funds available for the hitherto hugely underfunded secondary education system and to ensure access to it also in remote or rural areas. However, first, it remains to be seen to what extent the government will be able to do this. Schools should be compensated by the state for losing income through the previously raised tuition fees. Second, obliging young people to stay in education which does not always cater to their needs or interests and imposing sanctions on parents cannot, of course, be the only way to raise attainment levels.

3.5. Issues and strategies related to the access and quality of secondary and post-secondary education, including VET

*Choices are limited and the teaching quality by international standards varies*

Around 40% of the secondary education students attend the very demanding gymnasium education, four-year VET (‘technicians’ level) programmes are attended by slightly over 50% of the students and the rest enrol in two or three-year VET courses.
Choices of programmes on offer are limited at secondary and tertiary levels, especially outside urban centres and for children who do not have a sufficient command of the Macedonian language. Standards in terms of young people acquiring applied knowledge, skills and competences may vary from school to school and from programme to programme. However, the low rankings obtained by Macedonian students in international tests, such as PISA, PIRLS or TIMSS, may be an indirect indicator of a lower teaching quality. These issues are serious in the context of the limited continuing education and training opportunities which are on offer in the country, on the one hand, and the increased demand for higher and broader skills and competences to cope with today’s and tomorrow’s job and life challenges, on the other.

National Matura exams ought to raise standards of knowledge in general education

The flagship project of the EMP is, perhaps, the State Matura project, which was pilot-tested and then made compulsory for all students of four-year secondary education programmes (gymnasium and four-year VET) with the academic year 2007/2008. The State Matura makes learners’ achievements in their mother tongue, mathematics and English comparable across the country. It aims generally to raise standards of knowledge in these subjects. A positive feature is the fact that four-year VET students can alternatively take a final VET exam if they do not want to continue on to university education. They could then take the State Exam later on in life.

The EU has supported VET reforms but these remain at pilot school level

VET curricula used to be – and many still are – geared towards old industrial profiles and patterns, overemphasising theoretical knowledge of (outdated) technologies and preparing students for work in hierarchical organisations.

The EU has supported VET reform since 1999 with four successive Phare or CARDS projects. Secondary VET has been rearranged into 14 occupational fields. In the four-year VET stream, 43 profiles (said to be all) were newly developed or revised and new programmes designed for the first year (introduced in the academic year 2005/2006). Programmes were developed by teams of experts which were organised by occupation or profile and included some representatives from industry. Equipment was procured and teachers trained on active teaching methods and the use of the new equipment. An evaluation carried out among 600 teachers as part of the EC CARDS 2006 VET IV project showed positive results in that about three-quarters of the teachers confirmed they would be using the new teaching methods and simulative learning much more than before. But the evaluation also revealed that many pieces of the new modern equipment supplied to schools with EU funds were not efficiently used (Jovanovska and Hristovski, 2008).

Syllabuses for the following years will still have to be completed. There is a central requirement for 40% of the whole programme to be general education subjects, which are taken from the general secondary education curriculum and are not specific to the vocational profile chosen. The remaining 60% is divided between vocational theory and vocational practice; the latter covers only 10% in some programmes. Links with companies are very weak or have vanished completely. Schools that have neither benefited from teacher training nor received new workshop equipment though EU or other donor projects are not in a position to implement the new curricula. Hence, reforms remained encapsulated at the level of the pilot schools rather than being mainstreamed.

Three-year programmes are still largely unrevised, profiles and curricula are too narrow and considered partly outdated. Adequate workshop equipment and links with employers that would enable young people to develop the necessary practical skills are often missing.

There was at least one case where programmes revised on the initiative of a school – the excellent Skopje transport school – were endorsed by the Bureau for the Development of Education (BDE), but not by the MES, because the Ministry felt unable to cover the greater

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26 Pupils are “steered” into upper secondary education programmes on the basis of their marks from primary education. Pupils with worse marks are often left with no choice at all and would have to go on the most unpopular courses, frequently with bleak labour market prospects upon completion. This forms a major disincentive for both parents and children to continue on with education.
cost involved in the increased practical part of the programme, as suggested by the school. This an example of the way valid reform initiatives can be blocked for lack of funding.

**GTZ piloted a more practice-related VET model that could work on a broader scale**

In the three-year VET stream, GTZ implemented a curriculum reform project in the mechanical/automotive and electro-technical/electronics fields, following an adjusted ‘dual system’ model. Seven pilot schools were involved in the project. The 50% practice requirement of all programmes developed through the GTZ project was well received by the pilot schools, but is said not to be feasible in other Macedonian schools because of the lack of qualified teachers, equipment and links with industry.

**USAID arranged company internships, teacher training and school career centres**

Between 2003 and 2007, USAID also invested considerable sums of money in vocational schools and students through its Secondary Education Activity (SEA). Many school managers and teachers received training. Shopfloor ‘taster’ days were organised for students to get an insight into company and work practices. In addition, school-based career centres were established that provide information about further training and employment.

**Teacher training initiatives are not systematic and insufficiently geared to the needs of VET**

Pre-service teacher training is provided by specific university faculties. Teacher training follows a consecutive model whereby candidates first read their (technical) subject and then take (theoretical) psychology and pedagogy courses. Acquiring knowledge from these specific academic disciplines is by no means sufficient to produce competent teachers and trainers. Most of them lack the necessary teaching practice and insight into how work is organised in companies. In this way the separation of the two worlds of education and work is reinforced rather than diminished. Skopje University started to develop some VET teacher training modules in the framework of a Tempus project, but these were never completed nor implemented.

In-service teacher training until recently could be described as consisting primarily of ad hoc donor-funded measures which never covered more than a certain percentage of the teaching cohort and which were hardly sustained after the expiry of the projects. Starting from 2005, school improvement grants provided through the EMP put a new emphasis on a decentralised, school-based and demand-led professional development of teachers. At least 30% of the grant amounts have to be spent on purchasing quality training programmes from accredited providers. Although this is a positive initiative, the needs of teachers and trainers in VET are generally not sufficiently taken care of in the system.

**Post-secondary education is underdeveloped**

Some courses provided by adult training institutions may be attributed to the level of post-secondary education. However, this is difficult to assess in the absence of clear national standards and levels of competence. In any case, one cannot talk about the existence of a developed post-secondary education or higher-level VET system in the Former Yugoslav Republic of Macedonia.

**Further investments are needed to upgrade infrastructure and continue curriculum reforms**

The challenges to reform in secondary education are big. Heavy investments would be needed not only in the overall infrastructure but also in continuous reforms to ensure equal access to secondary education, more choices in all parts of the country and a higher quality. Access has to be improved in particular for children from families living in rural or remote areas. Extra financial support is needed for poor people so that they can allow their children to attend secondary school also.

The VET system needs further development to reach modern standards of teaching and equipment. Investments are needed especially in the area of three-year programmes and with a view to strengthen the practical skills of students. The national VET Centre has been charged with carrying forward VET reforms at secondary and post-secondary levels, but at present lacks the necessary resources to do so.
3.6. Issues and strategies related to the access and quality of higher education

Enrolment and graduation rates have much improved

According to Eurostat, 39.8% of all young people aged 15-24 years in the former Yugoslav Republic of Macedonia participated in education (ISCED levels 1-6) in 2006, which compares to the EU-27 average of 59.3% in the same year.

A positive development has been that since the start of transition enrolments in higher education have increased constantly. Between 1990 and 2006 numbers more than doubled, amounting to 29,349 and 61,556, respectively (Kuzmanovska et al., 2007).

Increased enrolment rates were due not least to the opening of new universities in other languages than Macedonian (Albanian, English), state scholarships and loans to students, the offering of study programmes in smaller areas and the opening of a fourth state university in the Eastern part of the country, and measures to encourage young people from ethnic minorities to enrol in higher education. Related actions have borne fruit especially among people from the Albanian community (with a share of 15.5% in tertiary enrolment in 2004, compared to a share of 25.17% in the total population), while tertiary enrolment of Roma is still marginal (0.31% in 2004 versus 2.66% share in the total population). The National Strategy for the Inclusion of the Roma set a target of 4% for this indicator (Kuzmanovska et al., 2007).

The number of graduates has also increased but is still very low, as only about half of all the enrolled students complete tertiary education.

Universities have failed so far to open up to other types of non-degree retraining courses for adult students or other non-traditional learners. The Southeast European University at Tetovo is currently the only university offering a few distance learning courses, while evening courses for adults do not exist.

Changes focus on Bologna cycles but more systemic reforms are required to raise quality

Following the Bologna Declaration, Macedonian universities are gradually introducing the Bachelor–Master–PhD cycles. This process is to be concluded by 2010. However, critical observers hold that the change of the degree structure must also be matched with proper redevelopment of the curricula and a systematic use of the commonly agreed Bologna transparency tools (European Credit Transfer System and Diploma Supplement). Both the average number of years students spent on higher education, and drop-out rates should decrease.

Institutions should offer innovative curricula, teaching methods and training programmes which include broader employment related skills as well as discipline-related knowledge, as a way to overcome the existing mismatch between skills supply and demand. The relevance of education and training programmes at universities could be enhanced through credit-bearing internships of students and researchers in industry, which must be integrated into curricula. This might also bring extra funds to the universities to expand their research capacities. In addition, the development of entrepreneurial, management and innovation skills should become an integral part of graduate education, research training and lifelong learning strategies for both students and university staff.

Much work needs to be done by the Macedonian Evaluation Agency to meet the European standards prescribed for the Quality Assurance Agencies. The existing national evaluation guidelines and procedures need to be reviewed and revised, using the European Standards and Guidelines on Quality Assurance adopted by the Ministers at the Bergen Conference in 2005. In this context, universities should develop, make publicly available and implement a strategy, policy and procedures for the continuous enhancement of quality. The new Higher Education Law (see below) assigns new roles to students and other stakeholders. In addition, teaching staff, learning resources and student support, information systems, transparency and the availability of public information should be assessed.
A modern higher education law is in place

After many years of debates a new Law on Higher Education was adopted in March 2008. The law foresees two new governing bodies – the University Council and the Board of Trustees and Cooperation with the Public – and a Students’ Parliament. Other innovations include the partial recentralisation of management functions, including decision-making over budgetary allocations, enrolment quotas, etc., at the university level; this measure is currently contested by the previously highly autonomous faculties. In addition, universities have the possibility to arrange joint degree programmes with foreign universities, higher professional (VET) courses, and shorter non-formal learning activities such as summer schools. All these innovations are positive but have yet to be implemented on a full scale.

Challenges include student-centred approaches and better links with industry

Further development or adjustment of universities’ strategies, activities and capacities to respond to the lifelong learning agenda and provide the respective services to a variety of learners is necessary. It can be achieved by strengthening the links between universities and industry, by enhancing student-centred and flexible learning approaches and student mobility, and by attracting a wider range of learners and responding better to their needs.

3.7. Issues and strategies related to apprenticeships and entrepreneurship training

Apprenticeships do not exist but entrepreneurship is taught at various levels

An apprenticeship system does not exist – VET is entirely school-based. Some pilot projects have been undertaken by the Chamber of Crafts in collaboration with the Handwerkskammer Koblenz in Germany to develop crafts trades programmes and provision, involving crafts businesses.

‘Business and entrepreneurship’ is included in the secondary education curriculum as a separate subject, but with different numbers of lessons in the various secondary education streams and profiles.

USAID, through its SEA, helped to set up virtual student companies in 44 vocational-technical and seven economics schools. In addition, the ECONET project funded by Austria and implemented through Kulturkontakt has assisted business education schools with the modernisation of their curriculum and teacher training. A key feature of the curriculum is learning through activities simulating real business operations. The revised curriculum is now being used by all economics schools in the country.

At higher education level, students at the Faculty of Economics take certain entrepreneurship subjects. In addition, there is one MA programme in entrepreneurship, offered by the Institute of Economics. The Ministry of the Economy publishes regular reports on how the country complies with the EU SME Charter, chapters 1 & 4 of which deal with entrepreneurship education.

3.8. Issues and strategies related to the participation in continuous and workplace learning

Adult learning has been the most neglected part of education for many years and participation is very low

The country has made some efforts to develop the initial education and training system. However, there are insufficient provisions for continuous education and training at post-secondary and higher levels. Adult learning has been the most neglected part of the education system since 1991.

In the Yugoslav system, there used to be a well-developed network of Workers’ Universities that catered for various adult learning needs. But the network has almost been dismantled, following the suspension of state funding for these institutions in 2001. Owing to the somewhat inflexible legislation, work in shifts and a lack of resources, public schools catering
for the young were discouraged until some years ago from providing training for adult learners.

Velkovski et al. (2008) argue that employers’ motivation to educate and train their employees is very low. Employers view investments in the education and training of employees mainly as ‘a failed investment’. The economy is expected to move in the direction of knowledge-based jobs, but so far that has not materialised. Low-skilled jobs, such as those in agriculture, trade and the textile industry, predominate and workers can easily be recruited from the existing labour force. Measures to stimulate the education and training of employed people by the government are absent.

The lack of supply is coupled with a lack of financial means and demand for adult learning in a context which generally does not reward higher skills and competences with improved career prospects, better jobs or higher pay. Large sections of the population have no access to continuing education and training. Not surprisingly, the 2005 LFS survey established a very low adult learning participation rate of 2.4%, which contrasts sharply with the EU-27 average of 9.6% in 2007 and the EU target of 12.5% by 2010.

As a consequence of the negative developments in adult education and training during the transition period, we cannot speak of the existence of an adult learning system today. Velkovski et al. (2008) hold that ‘the learning culture has been lost’. In addition, they claim ‘there is no coordination or collaboration among partners, a poor transparency and availability of the education offer, an inadequate education offer in relation to the educational needs of the population the society, inconsistent quality of the educational services, etc. The provider market is chaotic and accessible only with difficulties’ (Velkovski et al., 2008)

Needs are big in view of a generally low educational attainment rate

This picture contrasts sharply with the huge adult learning needs in view of the low educational attainment rates of the population, which were established through the 2002 census. Almost half of the population aged 15 and over (49.39%), had completed only eight years of primary education or less: 3.85% had no education, 10.77% had not completed primary education and 34.77% had completed primary education. These data suggest that there is a certain percentage of illiterate people and an even higher percentage of functionally illiterate people.

The provider market is developing slowly with donors funding most of the training

Meanwhile a relatively well-developed network of NGOs has emerged that provide all sorts of continuing training and cater to the needs of various target groups, which is mostly funded by donors. In addition, a range of public or private providers arranges publicly or privately funded training, primarily in the IT, foreign language and business management areas - for people who can afford it.

The MES has recently resumed funding for the basic education of adults, although at a low level. Since the academic year 2006/2007, 15 public schools are delivering adult education courses at primary or lower secondary level, but both funding levels and participation are still small and concentrated in Skopje. Moreover, experience from other countries, such as Croatia, shows that the simple fact of offering such courses, without respective outreach and support activities, is insufficient to attract and retain adults with basic skills problems, especially those who would need it most. Also, being taken through an (adjusted) primary school curriculum is not necessarily what adults want or need to be better able to cope with future work and life challenges. The emphasis should be on literacy and numeracy skills, as well as the development of life skills or key competences and basic vocational skills.

Company training is not widespread in view of the excess labour and the many micro-businesses

The Former Yugoslav Republic of Macedonia has not so far participated in Eurostat’s Continuing Vocational Training survey, which would help to establish a more detailed picture on training by companies. A few good examples exist, such as the Skopje Brewery, which has for many years trained even in excess of its needs.
However, business owners and their staff from the majority of micro and small companies, which make up 98.8% of all registered businesses, are not in a position to engage in major training activities. Since 2005 the EU has granted several allocations to an HRD Fund project aimed at supporting companies and managers, especially those of small companies, to develop their businesses, using group learning and coaching methods.

Career information and guidance are underdeveloped

Career information and guidance is generally not available to people who have left school and/or are not unemployed. Labour offices do provide information and offer counselling services to some people. However, staff are not always qualified to offer a more broadly based guidance service. Successive EC CARDS Employment Policy projects, as well as USAID, have invested in this area (see section 2.8). In addition, a few companies provide career planning facilities for their employees – either in-house or by using external consultants (Kuzmanoska et al., 2007).

An adult education law may trigger state funding for second-chance education but Ministry policies ought to focus more decisively on collaboration and co-investments

In January 2008 a new Law on Adult Education was adopted, which is positive in that it is to secure MES funding for second-chance primary and (lower) secondary education of adults. A focus on the recuperative function of adult learning may be a good start. However, it is by no means sufficient in view of the existing skills deficits and social inequalities in the country.

The contributions of other partners, the importance of other forms of learning, the need to extend and improve the quality of provision, the need for training adult trainers, the validation and recognition of knowledge and skills, are among the issues that have been recognised on paper, including the law and the Ministry’s Adult Education strategy.

However, to implement changes in these areas, a policy framework would be needed which would provide incentives for both employers and individuals to (co-)invest in adult learning, such as tax breaks, vouchers or subsidies. Maximum leeway should be given to local actors to deliver, while the MES would at the same time need to ensure information and guidance and equitable access, as well as quality and recognition. More discussions are needed in the country on how to do this, using experiences and good practices from other countries. Licensing institutions and programmes through Ministry-steered procedures make the system bureaucratic and inflexible, whereas providers are called upon today to respond quickly to the needs of individuals and the labour market. Also, the need for a comprehensive lifelong information and guidance system has not been duly acknowledged.

A national Centre for Adult Education is in the process of being established.

Partnership working will be essential

This will require that the MES works in true partnership with other ministries, the social partners, the NGO sector and other stakeholders – a principle which has not yet been fully implemented. The MES has announced it would set up a multi-stakeholder Adult Education Council. However, its planned composition, as defined by the law, does not put social partners on an equal footing with government. This is so not only because of the traditional pattern of centralist steering and control, but also because social partner organisations in the country have yet to assume their new roles. The MES would need to widen its remit in adult learning to cover all forms of learning, play a respective leadership role together with the MLSP, and mobilise relevant actors. It could make a start by cooperating with the MLSP and social partners in the programming of joint adult learning and social inclusion measures under the IPA HRD framework.

3.9. Identification of competence needs

Skill needs analyses are not done to inform VET development

Skill needs analyses have been undertaken on an ad hoc basis, for example, in the frame of the EC CARDS VET and the EC CARDS Employment Policy projects. In the former case, results have been used to define specific occupational profiles or VET programmes. The latter was a study (ESA, 2007, and repeated 2008) into recruitment and skill needs of employers,
which involved a large number of employers. The outcomes of the study were used by the VET Centre to arrange e.g. sought-after welders’ courses for the employment services. However, the analyses are not used in a more strategic way to inform and steer overall VET planning and provision.

What is absent is a wider view by the Ministry of the Economy, other ministries and their partners about the competences required in the country in the future into which the education and training system could invest.

3.10. Development of key competences

Computer and foreign language skills are promoted in the system …

Some key competences have been recognised as important and actions are being taken to introduce them in the country and in education. These concern in particular IT and foreign language skills.

The government, supported by donors and private companies, has been investing in IT equipment, training, multimedia services and content. Through its programme ‘Macedonia - Land of IT experts’, wireless networks and public internet cafés which were temporarily free of charge for certain age groups have been installed across the country. Some 10,000 vouchers were granted to university students to co-finance PCs and training. Higher education institutions and the for-profit IT sector had provided training to some 23,000 people by the end of 2007. In addition, in the context of the 2007 ‘Computer for every child’ project and with the help of USAID, some 150,000 PCs are to be installed in primary and secondary schools.

IT will become a compulsory subject in primary schools, once computers have been delivered to schools. In addition, according to the law, English is compulsory from the 1st grade onwards, while a second foreign language must be taken from the 5th grade onwards. However, it is not clear whether all schools have the capacity to provide high-quality IT and foreign language teaching, as new legal provisions are not always followed up by making available the necessary resources, including a sufficient number of competent teachers.

… but key competences such as learning to learn skills or sense of innovation and entrepreneurship are generally not fostered through the curriculum

Generally, many of the key competences, as defined by the EC Recommendation (European Communities, 2006), are not primarily taught through specific subjects emphasising specialist knowledge, but are rather developed over a longer period through appropriate learning methods and arrangements. For example, studying literature and learning lists of vocabulary by heart does not necessarily mean that students are able to communicate in a foreign language. Learning by heart subject-matter which has been pre-selected by the teacher does not help students develop the motivation and capacity for self-directed learning. Children have a sense of curiosity, innovation and entrepreneurship early on in life, but it needs to be nurtured throughout school life. A recent assessment (Janevski et al., 2007) has shown that teaching in Macedonian schools and universities is still highly teacher-dominated, and students play a very passive role in the classroom. Too many students view school as a negative experience. The institutions should offer innovative curricula and teaching methods which, aside from the discipline-related knowledge and skills, are suited to develop broader competences and in particular key competences for lifelong learning.

3.11. Transparency of qualifications, their recognition and the validation of non-formal and informal learning

Qualification system concepts exist but have not been followed up

The Macedonian education and training system is now, as before, traditionally focused on inputs in the form of curricula, time spent in education and a subject- rather than competence-based approach, illustrated also by the central requirement for 40% of secondary education to consist of general education subjects. This contrasts with an output-based approach whereby the competences to be acquired would be agreed at national level with the help of potential
clients of the system, i.e. the social partners and individuals. The social partners do not, by
and large, collaborate on VET (see next section).

With the exception of the Matura exams in a few subjects, examination specifications are not
defined on the basis of nationally agreed qualifications or standards of knowledge or
competence. Examinations are decided on and held by each individual school. There are no
structures or mechanisms through which skills and competences would be assessed against
agreed standards. What is attested at the end of a programme is attendance and the marks
obtained in various subjects, without specifying what knowledge, skills and competences an
individual has acquired. This is not in line with the European requirement for issuing
Certificate or Diploma Supplements, and the qualifications obtained by individuals are hence
not transparent and comparable within the country or across countries.

A pilot project on qualification standards in the framework of the EC CARDS VET II project
was never followed up; thus, the building of a national qualification system has not yet begun.
The development of qualifications is not mentioned as a priority in the NPDE 2005–2015,
either.

The importance of recognising skills acquired through non-formal or informal learning has
been acknowledged

However, the development of a national qualification framework (NQF) has been declared by
some staff from the MES to be among the priorities. The Adult Education strategy equally
mentions the need to set up a system for the recognition of knowledge, skills and
competences, including those acquired outside formal or non-formal learning. In addition, a
working group within the MES that brought together experts from higher education and the
National Accreditation Board finalised a strategy for setting up a Macedonian NQF aligned
with the eight-level competence system of the European Qualification Framework (EQF). The
so-called Bologna follow-up working group is to include also general and vocational education
and training, but there have not been any tangible results, yet.

Doubts may arise as to whether, at this stage, the country is ready to define a comprehensive
set of qualifications and set up the necessary systems, structures and implementing
mechanisms for a fully-fledged NQF. These doubts are also nurtured by the fact that the
emphasis in education system continues to be on defining the contents of curricula
(programmes) rather than qualifications. The Adult Education Law adopted in 2008 still talks
about the MES or its agency approving ‘programmes’, which contradicts with an output-/qualication-based approach. Having said this, if the concept is well understood, higher
education experts may well lead the way in creating a competence-oriented and transparent
system in which skills and competence would be recognised, not matter in which way they
were acquired. The EC CARDS 2006 Lifelong Learning project which started in early 2008 is
expected to feed into related discussions.

According to Kuzmanoska et al. (2007), part of the new modalities could be that the Chamber
of Crafts and Trades awards lower-level qualifications and the VET Centre, in collaboration
with the Centre for Adult Education, higher-level qualifications at secondary and post-
secondary levels.

3.12. The role of the social partners in VET

The new VET law attributes a major role to social partners which they do not currently
assume

The system used to be highly centralised, while social partner organisations had no role to
play at the planning level. In the education area and more specifically in VET, the actors have
largely continued to operate as before, with the MES steering and controlling the formal
education system.

Following the 2006 Law on VET, the VET centre is to cooperate with the social partners.
Some efforts have been made with no adequate response so far from the branch
representatives organised under the umbrella of the Economic Chamber. The Chamber of
Crafts has been actively promoting and developing craft trades, but has little influence over
the education agenda. A National VET Council was convened with social partner
Good practice exists and the VET Centre could lead in establishing sector councils

All EC, USAID, GTZ, Kulturkontakt and other projects in VET involved people from business or their representative organisations in the definition of occupational profiles or programmes or in other activities. Thus, they have provided examples of how cooperation could work. Involving social partners in the design and implementation of measures is also at the heart of the IPA HRD programme.

The value of involving social partner representatives in VET development and provision has been recognised, for example, in the NPDE 2005–2015 and the National Action Plan for Employment 2006–2008, and by the national VET Centre. The latter could be instrumental to institutionalising social partnerships in VET by setting up economic sector councils which would identify, develop and monitor qualifications in their sectors. This would, however, require increased interest and capacities from the economic branch organisations, professional associations and businesses.

4. Key policy issues and strategies in social inclusion

4.1. Analysis of the groups of people with a particular disadvantage

Every third person in the former Yugoslav Republic of Macedonia is poor

Poverty levels are high across the country and have been increasing throughout the transition period. Donevska et al. (2007) claim that the figure rose from 19% in 1997 to 30% in 2005. Groups at the highest poverty risk include multi-member households, persons living in jobless households (27.7% in 2004), households whose members have a low level of education, and households of elderly people.

Socially disadvantaged groups in general comprise the working poor, the rural poor, redundant workers (who often do not get paid), women from ethnic community groups living in rural places, Roma, large families (with three or more children) in particular with unemployed parents, and children living in homes (Donevska et al., 2007).

4.2. Issues and strategies related to territorial (regional) cohesion

Smaller towns and rural areas are in a state of decay

There are some parts of the country which attract the majority of domestic and foreign investment and where the economy is more vibrant, especially Skopje and a few other cities. Other parts, including many small towns and rural areas, are in a state of decay and lag far behind the more developed areas.

Differences in infrastructural endowment and income levels are big, especially between the capital city of Skopje and rural areas. GDP per capita in PPS is nearly twice as high in the capital region (approximately 50% of the EU average), while the national average amounts to some 25% of the EU average.

Agriculture has partly absorbed the labour set free from industry

Shares of employment in farming, industry and services, respectively, as well as unemployment data varied in 2002 by NUTS 3 regions, are as follows:

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27 The poverty rate is measured as 70% of medail equivalent expenditure on households.
Table 4: Regional (NUTS 3) disparities in employment and unemployment in 2002

<table>
<thead>
<tr>
<th>NUTS 3 region 28</th>
<th>EU rate</th>
<th>EU rate men</th>
<th>EU rate women</th>
<th>EU rate young people</th>
<th>Share of empl in farming</th>
<th>Share of empl in industry</th>
<th>Share of empl in service</th>
<th>Long-term EU as % of total EU</th>
<th>Activity rate of women</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pelagonia (Bitola, Demir Hisar, Krusevo, Prilep, Resen)</td>
<td>39.9</td>
<td>36.2</td>
<td>45.0</td>
<td>75.0</td>
<td>18%</td>
<td>41%</td>
<td>41%</td>
<td>85.7%</td>
<td>55.6%</td>
</tr>
<tr>
<td>Vardar (Veles, Kavadarci, Negotino)</td>
<td>43.9</td>
<td>38.8</td>
<td>51.4</td>
<td>80.6</td>
<td>13%</td>
<td>40%</td>
<td>47%</td>
<td>80.0%</td>
<td>50.3%</td>
</tr>
<tr>
<td>Northeast (Kratovo, Kriva Palanka, Kumanovo)</td>
<td>48.6</td>
<td>45.6</td>
<td>54.0</td>
<td>80.3</td>
<td>8%</td>
<td>40%</td>
<td>47%</td>
<td>83.1%</td>
<td>38.6%</td>
</tr>
<tr>
<td>Southwest (Debar, Kicevo, Makedonski Brod, Ohrid, Struga)</td>
<td>42.4</td>
<td>41.5</td>
<td>44.0</td>
<td>75.4</td>
<td>4%</td>
<td>40%</td>
<td>52%</td>
<td>82.4%</td>
<td>35.0%</td>
</tr>
<tr>
<td>Skopje</td>
<td>30.4</td>
<td>31.8</td>
<td>28.4</td>
<td>67.6</td>
<td>1%</td>
<td>40%</td>
<td>66%</td>
<td>81.4%</td>
<td>45.3%</td>
</tr>
<tr>
<td>Southeast (Valandovo, Gevgelija, Radovis, Strumica)</td>
<td>34.4</td>
<td>31.9</td>
<td>38.2</td>
<td>67.2</td>
<td>36%</td>
<td>40%</td>
<td>36%</td>
<td>83.8%</td>
<td>53.2%</td>
</tr>
<tr>
<td>Polog (Gostivar, Tetovo)</td>
<td>49.9</td>
<td>50.1</td>
<td>49.2</td>
<td>78.4</td>
<td>10%</td>
<td>40%</td>
<td>50%</td>
<td>86.9%</td>
<td>18.5%</td>
</tr>
<tr>
<td>East (Berovo, Vinica, Delcevo, Kocani, Probishtip, Sveti Nikole, Shtip)</td>
<td>34.5</td>
<td>34.5</td>
<td>34.6</td>
<td>65.4</td>
<td>12%</td>
<td>40%</td>
<td>38%</td>
<td>75.6%</td>
<td>50.3%</td>
</tr>
</tbody>
</table>

Source: UNDP, 2004 (b) 29

The unemployment rate was highest in the Polog, Northeast (Kumanovo) and Vardar regions – regions that had a lower share of employment in farming compared to the other regions, which testifies to the fact that agriculture, and in particular subsistence agriculture, has to some extent absorbed the labour set free from industry. The share of long-term unemployment in total unemployment was high across all regions, but highest in the Polog and Pelagonia (Bitola) regions. In the Polog region the activity rate of women was with 18.5% especially low, while the Northeast (Kumanovo) and the Southeast (Strumica) regions had the second and third lowest activity rates.

Kumanovo, Shtip, Ohrid and Veles regions have the highest unemployment rates

Graph 6 below illustrates unemployment rates by regions 30 between 2003 and 2006. Unemployment rates are highest in the Kumanovo (Northeast), Shtip (East), Ohrid

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28 Names of main cities in the given region in brackets were added by the author.
29 The United Nations Development Program (UNDP) and the Ministry of Local Self-government initiated in 2003 a project called “Mapping the Socio-economic Disparities between the Macedonian Municipalities”. Project results include four publications comprising: Socio-economic Disparities between the Municipalities in Macedonia; Data and Indicators of Municipalities in Macedonia, and Municipal Indicators – Definitions and Sources (available on: http://europeandcis.undp.org/poverty/mdghdpm/show/DB57172A-F203-1EE9-BD6BF5A8159FA8CD).
(Southwest) and Veles (Vardar) regions. Data confirm the above-mentioned trend: rates decreased slightly in regions with active primary sectors, such as Strumica (Southeast) and Bitola (Pelagonia). Nevertheless, rural areas need urgent attention as many people are poor and live on subsistence agriculture.

Tetovo (Polog) does not have such a big primary sector. The region, which is predominantly inhabited by Albanians, is currently experiencing a construction boom. Even during Yugoslav times Albanians used to be less reliant on the state. Many of them emigrated and worked abroad. Now that independent initiative is asked for, these Albanians – not least through their entrepreneurship skills and by making use of their contacts and remittances – are economically more successful. This explains the lower unemployment rate especially among males in this region.

**Graph 6:**

![Unemployment Rates by Region, 15-64 years](image)


**Initial steps are being taken to promote regional development**

A first step in promoting regional development has been taken with the entry into force of the Law on Regional Development on 1 January 2008. This law provides a framework and stipulates the objectives and structures of regional development policy. On 1 June 2008 the first Centre for Regional Development was opened in Shtip whose tasks include policy design and implementation, among others, in the areas of agricultural, ecological and infrastructure development. Other centres are planned to be established.

### 4.3. Issues and strategies related to social inclusion in education

**Roma, Turks and Albanians have the lowest educational attainment rates**

The illiteracy rate in the Former Yugoslav Republic of Macedonia, measured according to the 2002 Census as the percentage of persons aged 15 and over who cannot read and write, is 3.62%. This rate is lower among Macedonians and Serbs, but higher among Albanians (4.80%), Turks (7.34%) and Roma (20.63%). Women are the majority of illiterate people (76.41%); 7.54% of all female Albanians, 10.66% of female Turks and 28.55% of female Roma are illiterate.

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30 UNDP and the SSO (for the LFS) use different names for the regions, which is why a second name is given in brackets.
Pre-school education coverage is restricted outside Skopje

As mentioned in section 3.4, exclusion starts with barriers to accessing pre-school education, especially for children from families who live outside Skopje and some other urban centres, where there is a serious shortage of facilities, or who cannot pay the fee of about €25 per child for kindergarten education or cover the costs for transport and clothing. Furthermore, the low pre-school inclusion rate among Roma and some of the Albanians may be due to their tradition of keeping children at home (Donevska et al., 2007).

Roma children leave school early but the participation of Albanians has improved lately

Roma children and to some extent ethnic Albanians are at the highest risk of being excluded from education at an early stage. This is due to the restricted inclusion of the former, especially Roma girls, in primary education and the high percentage of drop-outs during schooling. According to Donevska et al. (2007), the participation of Albanian girls in education is improving at all levels since schools or classes providing instruction in their language were opened, including secondary school classes with particular specialisations, such as nursing.

Barriers to further progress still include family attitudes that do not value education, as well as the lack of financial resources. An analysis of the (draft) Law on Primary Education and the recently amended Law on Secondary Education reveals that, although on paper all children have the right and obligation to attend primary and secondary education, the laws do not mention that it is free of charge. In reality, there are many hurdles that prevent some categories of children from participation or completion. Among them are insufficiently developed school networks, the lack of financial support, ill-equipped schools, ill-prepared teachers who tend to focus on the better students, an irrational marking system which selects rather than supports children, and the lack of additional tutoring support for disadvantaged children.

As regards access to higher education, the state provides scholarships and grants quotas for ethnic communities in higher education institutions, but these are not filled because too few children from the communities concerned make it to this level. Some progress can, however, be reported in the enrolment of Roma students at university, thanks to the Roma Decade initiative and related action plans. However, the percentage of enrolled students is still disproportionate to their share in the population.

Children with disabilities are insuffciently catered for

Another problem is the limited access to regular school education of children with disabilities, which leads to segregation, discrimination and exclusion.

Adult learning provision does not compensate for skills gaps

Adult learning provision is inadequate, as mentioned in section 3.8. Hence, adults cannot make up for their skills deficits after having left school, which deepens the disadvantages of low-skilled adults and often traps not only them but also their children in a vicious circle.

4.4. Issues and strategies related to social inclusion in employment

Female ethnic Albanians participate the least in the labour force

Some groups of the population participate less than others in the labour force. Data from the 2002 census revealed major differences in the labour force participation rates of the various ethnic groups: Macedonians participated the most, at 58%, followed by Vlachs (54.7%), Roma (54.2%), Serbs (47.3%) and Turks (44.3%). Ethnic Albanians participate the least with a rate of 37.9%, which is due to the traditional role of Albanian women.

Young people without work experience, people with disabilities, Roma, older women and women with young children face the biggest difficulties on the labour market

The NAPE 2004–2005 identified young people without work experience and persons with disabilities, but also ethnic minority groups, in particular the Roma, as the groups facing the biggest difficulties on the labour market and the highest risk of social exclusion. State data
indicated that 71.3% of the Roma population were unemployed, while Roma sources claim that the true figure would be around 95%. According to UNDP (2005b), Roma are grossly underrepresented in both private and public sector employment.

The ILO holds that older women or women with young children may face discrimination in hiring and firing and even when seeking services of employment agencies. Labour inspection is unlikely to uncover these cases and legislation is not implemented. In addition, childcare is not always available, or is not available in a sufficiently flexible way to help parents (especially women) to participate in the labour force. Moreover, flexible and part-time work options are largely unavailable. Finally, structural factors, such as the closing down and restructuring of sectors with a female-dominated population, may also contribute to women’s difficulty in gaining paid employment (ILO and Council of Europe, 2006).

**Representation of ethnic minorities in public sector employment is not yet equitable**

The OFA provides for a proportional representation of ethnicities in state institutions at all levels. This has furthered the employment of people from ethnic minorities in the public sector, including ministries, state institutions, judicial institutions and public enterprises. However, the country is still a long way from an equitable representation of ethnic communities, with 74.19% Macedonians, 8.93% Albanians, 1.74% Serbs, 0.93% Turks, 0.55% Vlachs, 0.26% Bosnians, 0.42 Roma and 0.91% others employed in the public sector on 31 August 2006.

5. Synthesis of key issues and challenges

**Key issues and challenges in the labour market and employment**

The Macedonian economy, which is primarily based on agricultural produce, is still struggling with its legacy of being the poorest of all the former Yugoslav republics. Additionally, it suffered from a heavy economic decline through mainly external factors. Economic change has been of the negative variety, with job creation not being able to make up for the many job losses. Labour market participation, especially of young people without work experience, people with disabilities, female ethnic Albanians and Roma is low. With 35.2% in 2007, surveyed unemployed is the second highest in the region after Kosovo, and most unemployed are long-term unemployed. The grey economy, which is estimated at 30–40% of GDP, has acted as a temporary buffer, but distorts market principles and is hindering economic and social development. Also, 98.8% of all businesses are of a micro or small size, which makes them vulnerable and hardly suitable for business and employment growth.

Nevertheless, economic growth prospects look good and both labour force participation and unemployment rates have shown reverse trends since 2004. The country has reached macroeconomic stability but faces further challenges in creating a supportive business environment. These include the continuing fight against corruption and ensuring a functioning legal system, the rapid resolution of contract and property disputes, the completion of the land cadastre system and ways to encourage the sales of state or privately owned plots of land, better and cheaper infrastructure, and relief from excessive regulatory and tax burdens on companies of all sizes.

Labour legislation could be made more flexible also in the sphere of ‘atypical’, i.e. non-full-time employment. Active labour market policies are needed that include counselling and guidance, training and support for entrepreneurship, skills upgrading and retraining, subsidised employment or other schemes which further employment in the expanding private sector, improved child care facilities, and measures that mobilise the inactive population.

**Key issues and challenges in education**

The 2002 census had revealed a low educational attainment rate among the Macedonian population: almost half of the population at the age of 15 and over, or 49.4%, had completed only eight years or fewer of primary education.

Cuts in government spending in education led to increased impoverishment of infrastructure and declining participation rates, in particular in secondary education. Laws governing the various educational subsystems and related structures are being changed and an overall
strategic framework is in place, but reforms of curricula and, more importantly, of the way teachers teach and students acquire competences remain restricted to a pilot level. The government has limited capacities to sustain and mainstream results once donor projects stop.

Pre-school inclusion is very low, at 11%. Children drop out from all levels of schooling, but the rate is highest at the point of transition from primary to secondary education. There are serious barriers to access to secondary education, especially outside urban centres. Choices are limited and families lack the necessary means to send their children to school. One-third of young people aged 18–24 who did not complete upper secondary education are no longer in education and training. This is serious in view of the lack of second-chance education measures.

Continuing VET reforms are necessary especially in the area of three-year VET programmes and with a view both to enhance the practical skills of students and to develop post-secondary and higher VET. Social partnerships as provided for the VET law should be implemented both at national, sectoral and local levels.

Alongside the introduction of the Bologna cycle in higher education, systemic reforms at university level should target better-quality, innovative curricula, student-centred approaches and better links with industry.

Adult learning, which is currently underdeveloped, needs to be revitalised covering all areas from (second-chance) basic skills courses to training, retraining and skills upgrading courses tailored to the needs of individuals and companies. This can be achieved only if the government acts in partnership with all stakeholders and provides a facilitative framework that would give incentives to individuals and companies to co-invest and leave maximum leeway to local actors to deliver, but ensure at the same time information and guidance, equitable access, quality and recognition.

Key issues in social inclusion

Every third person in the Former Yugoslav Republic of Macedonia is poor. Large households, persons living in jobless households (27.7% in 2004), households whose members have a low level of education and households of elderly people are at the highest risk of poverty and social exclusion. Other socially disadvantaged groups are the working poor, the rural poor, redundant workers (who often do not get paid), women from ethnic community groups living in rural places, Roma, children from large families (three or more children) in particular with unemployed parents, and children living in homes.

Female ethnic Albanians participate the least in the labour force, mostly due to family traditions. Young people without work experience, people with disabilities, Roma, older women and young women with young children face the biggest difficulties on the labour market. Specific labour market measures do not exist, except for young people without work experience, but the scheme is still narrowly restricted to a few beneficiaries only. The provision of support to the employment of Roma people is planned through the national action plan under the Roma Decade 2005–2015.

Surveyed unemployment is highest in the Kumanovo, Shtip, Ohrid and Veles regions. Strumica and Bitola, two agricultural regions, as well as Tetovo and Skopje, are doing the best in terms of unemployment rates. Tetovo is inhabited primarily by Albanians who have used their entrepreneurial skills, contacts and remittances from working abroad to set up small businesses. Skopje is the region with most government jobs and other job opportunities. Regional development is being taken up as an issue by the government, but concrete actions are still to follow. The local employment action plans currently designed for eight pilot regions (municipalities) through the EC CARDS 2006 Employment Policy projects should be expanded both countrywide and to a multi-municipal or regional level and should be implemented, perhaps with the help of the IPA HRD programme.

Measures are being taken by the MES and donors to increase participation and completion rates in particular of Albanians and Roma in primary, secondary and higher education, but efforts need to continue by including also outreach activities, as well as extra funding and tuition support.
6. Bibliography


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