



**ETF COUNTRY ANALYSIS:  
THE FORMER YUGOSLAV REPUBLIC OF MACEDONIA**

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## Abbreviations

ALMM	Active Labour Market Measures
ALMP	Active Labour Market Policies
BDE	Bureau for the Development of Education
CPESSEC	Centre of Public Employment Services of Southeast European Countries
EES	European Employment Strategy
EMP	Education Modernisation Project
EMIS	Education Management Information System
ESA	Employment Service Agency
ESC	Economic and Social Council
IAP	Individual Action Plan
ILO	International Labour Organisation
LFS	Labour Force Survey
MES	Ministry of Education and Science
MLSG	Ministry of Local Self Government
MLSP	Ministry of Labour and Social Policy
NAPE	National Action Plan for Employment
NES	National Employment Strategy
NQF	National Qualifications Framework
OFA	Ohrid Framework Agreement
OSCE	Organisation for Security and Cooperation in Europe
SAA	Stabilisation and Association Agreement
SSO	State Statistical Office
SME	Small and Medium Enterprises
UNDP	United Nations Development Programme
UNICEF	United Nations Children's Fund
VET	Vocational Education and Training
WAPES	World Association of Public Employment Services
ZELS	Association of Units for Local Self-government

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## Introduction

The purpose of this ETF country analysis is to provide an overview of current issues, trends and strategies in education, training, employment and the labour market with a view towards improvements in lifelong learning, social inclusion and social cohesion in the former Yugoslav Republic of Macedonia.

A draft of the country analysis was translated into Macedonian and Albanian languages and presented at a workshop in Skopje on the 10 June 2009. We wish to thank all those who participated in the consultation and provided their comments and inputs for this revised version.

## 1. Socio-economic and political context

The former Yugoslav Republic of Macedonia became an independent state in 1991. The territorial organisation of the country consists of 8 statistical (non-administrative) regions (NUTS 3 level) and 84 municipalities as administrative units (NUTS 4 level), adopted by the Government in 2001<sup>1</sup>. In April 2009 in peaceful elections the country elected Gjorgje Ivanov, of the centre-right ruling party (VMRO-DPMNE), as President.

The Stabilisation and Association Agreement (SAA) entered into force on April 1 2004, marking a step forward in the country's efforts to become a member of the European Union. In December 2005 the Former Yugoslav Republic of Macedonia was granted the status of a candidate country. In March 2009 the European Parliament adopted a resolution for the country in which they reaffirm their support to the European perspective. The European Parliament also asked the Council to decide on a date for the beginning of accession negotiations during the current year<sup>2</sup> and on 14 October 2009 the European Commission judged the country as ready to begin accession talks.

## 2. Key policy issues and strategies in education and training

### 2.1. Financing

With the expansion of primary education to nine years (ages 6 to 14) from 2007/8, and the introduction of compulsory secondary education (ages 15 to 18/19), the MOE education budget has been increasing. However, the Association of Units of Local Government (ZELS) has 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)<sup>3</sup>. Although the law states that education is 'free of charge', in reality a number of expenses for schooling have to be borne by parents such as insurance, meals and school outings. Textbooks will be free of charge for all students in primary and secondary education starting from the 2009/10 school year. The Ministry of Education and Science supports students by allocating scholarships, especially for all the Roma students in the secondary education. There are loans for disadvantaged students aimed at increasing their attendance. Free transport is provided for secondary school students and accommodation in dormitories is available if the students live away.

Heavy investments would be needed not only in the overall infrastructure but also in continuous reforms to ensure equal access to secondary education, more choice in all parts of the country and a higher quality. However the financial and economic crisis presents a formidable challenge for the public sector and education in particular as many schools are in urgent need of repair and in many cases suffer from a lack of adequate equipment.

The higher education sector has been subject to various cuts in public funding, accompanied by changes in funding formulae and pressures to seek alternative sources of funding. 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%. Scholarships are provided for some students in state and private universities and some higher education students receive state scholarships to study abroad,

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<sup>1</sup> SSO. 2007. Regions of the Republic of Macedonia. Regional Yearbook.

<sup>2</sup> European Union Newsletter, January to March 2009, European Union Mission, Skopje, p.1.

<sup>3</sup> Interview, 10 September 2008.

## 2.2. Lifelong learning

The education system used to be, and to some extent still is, a hierarchical, under-resourced 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.

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 (Bachelor, Masters and PhD) are being introduced in higher education. Subsector strategies and laws, including for primary education, secondary education, vocational education and training, higher education and adult education, have been developed, but separately rather than as part of a closely interlinked system.

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. Education policy is mainly focused on dealing with segmented systems of provision, with limited attention to employability. Once out of the education and training system it is very difficult to get back in and although many VET graduates do continue to university, higher attainment among them is not necessarily leading to higher employment levels.

Funds are lacking to considerably broaden and improve the quality of the adult learning offered, to bring it closer to where people live, and to support those who need it most. In January 2008 a new Law on Adult Education was adopted, establishing the Centre for Adult Education and the Council for Adult Education. The law has helped to secure MES funding for second-chance primary and (lower) secondary education of adults.

Post-secondary level VET (ISCED 4, EQF5) programmes are almost completely lacking. Some courses provided by VET schools 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.

After earlier attempts that have not borne fruit, a new initiative has been launched to develop a National Qualification Framework (NQF), and related accreditation systems, which is intended to ensure greater consistency and comparability of learning outcomes across the country, and with qualifications in Europe. A working group for the NQF has been established and this is supported by two technical groups, one looking at the design of the framework and the other looking at quality assurance<sup>4</sup>. There are also efforts underway in the country towards the development of a careers and lifelong learning guidance system. The success of this NQF initiative will depend on the linkages made with wider policy reforms, including adult learning, VET, higher education and second chance education.

## 2.3 Monitoring and evaluation of the (formal) education system

The Education Modernisation Project (EMP) is providing assistance to set up an Education Management Information System (EMIS) in the country. This is likely to become a valuable planning tool as there are currently only limited data available on the trajectories of students, drop outs and graduates. It is intended to collect and process data with a view to helping to plan and steer the education and training system and monitor its quality. 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. 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. In higher education future monitoring and evaluation envisages (i) a national coordinating body, (ii) institutional self-evaluation and (iii) external peer evaluations (Kuzmanoska et al., 2007).

## 2.4 Non-enrolments and early school-leavers

Under-enrolment in education continues to be an issue, particularly for Roma children, and students including migrants who may lack the correct personal documents, or whose parents have not attended school or have insufficient knowledge of the language of instruction. There are large urban-rural disparities and children may also be outside the education system if they are above the age limit for enrolment. The number of Roma children enrolled in primary and lower secondary education has been increasing in the past few years, due in part to a campaign for education of Roma, 'The Key is in Our Hands', but more needs to be done. Roma children are particularly affected by poverty, low socio-economic status of their families, illiterate and not informed parents and migration. Of the poorest

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<sup>4</sup> John Hart, personal communication.

wealth quintile of the whole population, the net attendance ratio in the first year of upper secondary education (ISCED level 3) was only 33.7%, and for Roma children only 17.4% (UNICEF, 2008). Despite high transition rates from lower to upper secondary education UNICEF has estimated that as few as 40% of the young people in the country complete upper secondary education (ibid. 2008).

The problem of early school leavers is being remedied to some extent by targeted support and setting up new classes or schools that provide instruction in the mother tongues of ethnic groups (primarily Albanian, Turkish and Serbian). There are optional lessons for Roma students, Vlachs (Aromanians) and Bosniaks. As a requirement of the Ohrid Framework Agreement, there are efforts to support disadvantaged students to enter and complete primary education. In primary education 282 out of the total number of 1,043 regular schools teach in Albanian, 55 in Turkish and 14 in Serbian.

Other impeding factors include poor physical access to schools in some regions, a lack of facilities and insufficient scholarship provisions for secondary education, combined with quality and relevance deficits especially in 2-year and 3-year VET programmes. Political factors strongly influence social inclusion and exclusion, for example, the inclusion of the Roma population depends greatly on the support that the state provides for children and their parents.

## **2.5 Secondary education, including VET**

Around 40% of the secondary education students attend the academic gymnasium education, four-year VET ('technicians' level) programmes are attended by slightly over 50% of the students and the rest enrol in 3-year or 2-year VET programmes.

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 4-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. A positive feature is 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 still then take the State Matura exam later on in life.

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, 44 profiles were newly developed or revised (one was not implemented).

Three-year programmes are still largely unrevised, profiles and curricula are too narrow and considered partly outdated, with too little practical work experience. Adequate workshop equipment and closer links with employers would enable young people to develop the necessary practical skills. The 2-year programmes have not been reformed, even though these could be suitable for many of the additional students staying on following the extension of the school leaving age.

## **2.6 Teacher education and training**

The education and training system as a whole would benefit from greater attention to teachers and pedagogy. Despite efforts to recruit more teachers from all ethnic groups, the number of qualified teachers is still insufficient. Although teacher salaries form the bulk of educational expenses the teaching profession is often not seen as a very attractive career option.

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. School improvement grants provided through the EMP put a new emphasis on a decentralised, school-based and demand-led professional development of teachers. The BDE has a unit for the accreditation of programmes and providers of teacher education. Many of the programmes are donor-led with support from USAID, UNDP, the World Bank the European Commission and others. Training includes the introduction of new methods and techniques as well as to support new taught programmes. Under joint plans between the government and the Intel World Ahead Program, Intel Corporation will train 1,000 primary school teachers to integrate technology into the curriculum, and 22,000 netbooks will be distributed for use by primary school teachers<sup>5</sup>.

Whilst mother tongue instruction supports student learning, putting children from ethnic communities into separate classes or even schools does not help the process of social integration but in fact promotes further segregation, may weaken inter-ethnic relations and lead to social exclusion if children are not given equal chances (see Verbole, 2007).

<sup>5</sup> Intel News Release, [www.intel.com/pressroom/archive/releases/20091006edu.htm](http://www.intel.com/pressroom/archive/releases/20091006edu.htm)

## 2.7 Higher education reforms

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 working 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 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).

Following the Bologna Declaration, universities are gradually introducing the Bachelor–Master–PhD cycles. 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: the European Credit Transfer System and the Diploma Supplement. Moreover, with a growing number of students entering higher education, and many new institutions, quality assurance, quality improvement and employability are particularly important challenges.

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. Attempts to integrate general and vocational content in the same programmes, and to build bridges and ladders between separate general and vocational tracks, should all help to contribute to the parity of appreciation and comparative value of general-academic and vocational-technical education at higher education level.

In June 2009 a declaration of cooperation was signed between the Minister of Economy and the Minister of Education and Science for the promotion of entrepreneurial learning, with a focus on higher education.

## 2.8 Transparency of qualifications, their recognition and the validation of non-formal and informal learning

With the exception of the State Matura exams in a few subjects, examination specifications are not defined on the basis of agreed qualifications or standards of knowledge or competence. 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 yet 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. The development of a National Qualifications Framework (NQF) has been declared by some staff from the MES to be among the priorities for policy attention. The adult education strategy also 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. The EC CARDS lifelong learning project is assisting the MES to develop a NQF and related accreditation system. There is a new working group of the project which aims to present and field test detailed proposals by the end of 2009<sup>6</sup>.

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<sup>6</sup> David Handley, personal communication.

## 3. Key policy issues and strategies in employment and the labour market

### 3.1 Labour market characteristic and developments

The country's labour market is characterised by extremely low employment rates and extremely high unemployment rates. Job creation is too low and may be further deteriorated by the current economic crisis<sup>7</sup>. Youth unemployment and long term unemployment are at a high level, and labour market exclusion of vulnerable groups and gender inequalities are striking problems. There is a mismatch between the supply of workforce from the education system and the demand of the economy. Undeclared labour is a persisting phenomenon. Overall, labour market performance has been improving continuously since 2005, but at a slow pace. Migration has been an option of some importance: 10% of the population report that a family member is currently working abroad, and 11% the population intent to work temporarily abroad<sup>8</sup>. The percentage of the country's population working in the EU-15 is about the same as for Croatia (7.1% in 2007), with Greece and Germany as main destinations. Workers remittances amount for 4.9% of the GDP<sup>9</sup>. The motivation for outmigration gains momentum because the former Yugoslav Republic of Macedonia has been granted visa free travel starting in January 2010.

#### 3.1.1 Activity, employment and unemployment rates

The jobs lost during transition when firms closed down or downsized their operations were not sufficiently compensated with new jobs. After a historic low in 2004 the overall employment rate has raised to 41.9% in 2008<sup>10</sup>, still far away from the target of 45% for 2009 and 48% for 2010 as set by the government<sup>11</sup>. The employment rate for women is with 32.9%<sup>12</sup> one of the lowest in Europe and also far from the NAPE target of 38% for 2010 (see Tables 1 and 2 in the Annex). The overall unemployment rate, slightly decreasing since 2005, was 34.0% in 2008 (LFS), with highest rates among persons with low skills, and considerable regional differences.

Youth unemployment is still extremely high, although decreasing from 66% in 2003 to 56.4% in 2008 (age group of 15-24, LFS). The reduction of youth unemployment was more in favour of young men than of young women. The gender difference increases when we focus on the age cohort of 25-34 years old, there is already a marked disadvantage for women with a 5% higher unemployment rate. The female unemployment rate in this group dropped down from 48.2% in 2004 to 43.7% in 2006, whereas men's unemployment rate dropped down from 43.14% to 38.68% in the same period (LFS, see Graph 1).

#### 3.1.2 Structure of employment

Business expansion, especially also into new fields of business activity, has not offset the massive job-shedding of the transition period. The export oriented industries (metal, textiles) are facing shrinking demands. SME support provided in the form of business centres and clusters is expected to result in (moderate) job increase<sup>13</sup>; further initiatives (e.g. introduction of a voucher system for business counselling) are planned. In the framework of active labour market measures (ALMMs), the support for self-employment and start up schemes with micro credits has increased.

According their economic status, 71.83% of the working population (609,015) are wage-employed, and 12.94% are self-employed; 10.28% are unpaid family workers and 4.95% are employers. The majority of unpaid family workers (90.7%) are working in agriculture (Table 3).

<sup>7</sup> The IMF forecasts a GDP growth of minus 2 percent, and the government a plus of 1 percent for 2009. [www.balkaninsight.com](http://www.balkaninsight.com), accessed on 25.5.2009.

<sup>8</sup> Bilali, M et al (2005).

<sup>9</sup> DG Economic and Financial Affairs and Vienna Institute for International Economic Studies (2008), p.45 and 49.

<sup>10</sup> SSO. 2009, op.cit.

<sup>11</sup> NAPE 2009-2010.

<sup>12</sup> SSO. 2009. News Release No. 2.1.9.08 of 4.5.2009. Labour Force Survey data for 2008, EUROSTAT methodology with working age population of 15 to 64 years old. <sup>13</sup> Analysis of National Roma Centrum Employment Agency of the Republic of Macedonia, February 2008

<http://www.zvrm.gov.mk/WBStorage/Files/lzvestaj%20na%20AVRM%20za%202007.pdf>

<sup>12</sup> Job creation within clusters is expected to reach 2%. NAPE 2009-2010. p.15.

**Employment by economic sector** has not changed much during the last four years (2004-2008). Employment is distributed to economic sectors as follows (2008): 19.7% work in agriculture, 31.3% in industry and 48.8% in services (0.2% in other sectors). The total number of jobs increased by 16.4% between 2004 and 2008, with the highest percentage increase in agriculture (36.0%), 11.2% in industry, and 13.5% in services (see Graph 2). The share of agriculture - a buffer for underemployment in other sectors - increased since 2004 both in absolute terms and in percentage.

**Fixed term work is the most common form of flexible employment.** There is a relatively high share of fixed term contracts, but a low share of part-time work: In 2007, 53.8% worked in a fixed-term or seasonal job, but only 7% worked part-time. These figures have been more or less constant over the years 2006-2008. Twenty-one temporary work agencies are operating in the country.

**Large enterprises employ one third of the workforce.** Whereas the large majority (93.8%) of all business establishments are micro enterprises with less than 9 employees and are providing jobs for 28.1% of the workforce, a relatively large share of 32.9 of the workforce is employed with the 130 large enterprises (see Table 4 for more details).

Various measures have been taken to tackle the problem of **informal labour**. Sanctions were increased (the activities of the labour inspectorates were enforced), and a low flat tax rate (10%) for personal incomes was introduced to motivate legalisation of employment. The share of the grey economy is estimated with 20% of GDP, although it accounts for a much higher proportion of overall employment.

## 3.2 Structure and capacities of labour market institutions

### 3.2.1 Institutional set up

The political responsibility for labour market policies lies with the Ministry of Labour and Social Policy, where the Ministry's Labour Department coordinates labour market and employment issues with a relatively small staff. The Departments of Social Protection assume also responsibility for placement of persons with disabilities, with development impediments, of refugees and socially excluded.

The **Employment Service Agency (ESA)**, the public employment service of the former Yugoslav Republic of Macedonia, is providing labour market services to employers and to the unemployed. It is regulated by law<sup>14</sup> and governed by a management board (consisting of five members nominated by the government and four members nominated by the social partners) which is chaired by the director of ESA. The core tasks of ESA are registration of unemployed persons and administration of unemployment insurance benefits, registration of job vacancies, of employment contracts and of termination of contracts; further labour market matching, collection and provision of labour market information, and implementation of active labour market measures. The responsibility for administration of health insurance issues will soon be passed over to the Health Insurance Fund; this should enable ESA to concentrate more on their core tasks and at the same time avoid registration of persons who are not really jobseekers. ESA participates in the Bucharest process and is a member of WAPES (World Association of Public Employment Services) and CPESSEE (Centre of Public Employment Services of Southeast European Countries).

**Relevant legislation and policy framework:** The Law on Labour Relations, adopted in 2005 to include principles of the European directives and the provisions of the European Social Charter, has been amended to increase flexibility. The Law on Employment and Unemployment Benefit was amended in 2007 to permit allocation of 5% of employment contributions for active employment measures<sup>15</sup>. With regards to more labour market flexibility, a law on temporary employment agencies was adopted 2006<sup>16</sup>. Full harmonisation of labour legislation with EU standards has started.

A National Employment Strategy (NES) 2010 and National Action Plans for Employment (NAPE 2006–2008 and NAPE 2009-2010) have been elaborated under the coordination of the MLSP and with the help of EC CARDS projects<sup>17</sup>, involving the relevant ministries, the ESA, the State Statistical Office (SSO), the Association of Units for Local Self-government (ZELS) and the social partners.

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<sup>14</sup> Act of 27 February 2007 to amend and supplement the Act on employment and unemployment insurance, other laws and by-laws and the statute of the ESA.

<sup>15</sup> NAPE 2009-2010, p.18.

<sup>16</sup> Official Gazette of the Republic of Macedonia No.49/06.

<sup>17</sup> CARDS projects "Employment Policy II" and "Technical Assistance to Support Employment Policy III".

## 3.3 The Employment Service Agency

### 3.3.1 Clients of the Employment Service Agency

A striking feature is that the number of persons who are registered as unemployed with ESA is higher than the number of unemployed persons according to the LFS. However, a more than 20% (with a higher percentage in rural areas) of the registered people in 2007 were not jobseekers but registered only to qualify for health insurance<sup>18</sup>. This made it difficult for the ESA to provide useful services to those who are really jobseekers. As recommended in many previous policy assessment papers, changes to the current health insurance provisions were made and this problem was solved recently with a legal reform.

Eighty-three percent of ESA clients are **long term unemployed** persons. The large majority of registered unemployed persons have been out of (regular) work for an extremely long period, 30% have been out of work for more than 8 years (2007) and another 37.4% for a time between 2 and 8 years (table 5). Another remarkable statistic is that the vast majority of the ESA's clients are unskilled or low skilled persons (51.9% of registered unemployed persons).

From these data, it becomes clear that not only the institutional capacity of the ESA must be improved, but also the issues of profiling, screening and the definition of rights and obligations of the registered unemployed need to be solved with priority.

The share of those registered unemployed who receive **unemployment benefits** is relatively low. With 7.4% (26,938 persons) of them received benefits (2007)<sup>19</sup>. The maximum duration for receiving the benefit varies between 1 month and 1 year (for those who have previously worked for 25 years). It can be concluded that the social protection function of the unemployment benefit scheme is rather limited. Total government expenditure for all forms of social cash benefits reaches 4.3% of all government spending or 1.4% of the GDP<sup>20</sup>.

### 3.3.2 Institutional capacity of the ESA

ESA's staff of 525 (end of in 2007) is allocated to the central office and 30 Employment Centres (with inter-municipal teams in eight of them). The low share of staff directly working with clients - two thirds are involved in implementation of ALMMs and placement services (276) and services for employers (44) is likely to increase, since the Agency has been recently relieved from health insurance administration. Nevertheless, the caseload will remain high (1,116 clients per staff member in direct contact with clients) and this is considerably higher than in other countries (791 in Serbia, 416 in Croatia and 150 in Montenegro; see Table 6)<sup>21</sup>.

Institutional capacity development and modernisation of ESA (including ICT systems) is an ongoing process. Much progress was made in the course of the implementation of three successive CARDS projects (Technical Assistance to Support Employment Policy I, II, III). Active labour market measures as defined in the National Action Plan for Employment 2006-2008 were implemented as planned by ESA. Local employment action plans have been piloted in the framework of the "Employment Policy III" project.

The budget of the ESA (5.15 billion MKD in 2007<sup>22</sup>) derives partly from a portion of the social contributions (1.6% of gross salary paid by employers into the Employment Fund), but the bulk of the budget comes from the government (68.25% of the budget). 5% of the budget was spent for administration (including staff), approximately 4% was dedicated to ALMMs, and the remaining 91% was used for passive measures. Recently, the government has significantly increased the budget allocation for ALMMs (from 294 million MKD (approx. 4.8 million EUR) in 2008 to 593 million MKD in 2009, plus 184 million for credits for self-employment)<sup>23</sup>. The budget increase for ALMM is also visible in terms of GDP relation: ALMPs accounted for 0.1% of GDP in 2007 and for 0.2% in 2008<sup>24</sup>.

<sup>18</sup> According to the ESA annual report of 2008, 21.1% of the registered unemployed were not job-seekers. Since 2006 ESA has conducted surveys to find out who only registers for the purpose of health insurance.

<sup>19</sup> Republic of Macedonia – MLSP. 2008b, p.9.

<sup>20</sup> Ibid.

<sup>21</sup> Statistical bulletin No.1 of CPESSEC. 2008.

<sup>22</sup> ESA Annual Report 2007.

<sup>23</sup> GVG. 2009. CARDS final report "Technical assistance to support employment policy, phase III", p. 12.

<sup>24</sup> NAPE 2009-2010, p.18.

### 3.4 The role of social partners

The Labour Relations Act (2005) provides the legal basis for the 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 economic, labour and social issues. Social partners are represented in the executive boards of the ESA and the Fund for Pension and Disability Insurance.

Within the CARDS project “Technical assistance to support employment policy, phase III”, mapping of social partners and capacity development for their staff was carried out. But the issues of representativeness, especially among trade unions, and weak institutional capacities (at the national and the local level) are still obstacles for a functioning tripartite and bipartite social dialogue.

### 3.5 Policy responses and implementation of labour market and employment policies

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 to increase labour market flexibility. The 2005 amendments to the labour law, included a reduction of maximum severance payments from eight to six months, the removal of some restrictions on fixed-term and part-time contracts and a reduction of employers' obligation on sick pay from 60 to 21 days. On the other hand, social security is to come from a strengthened rule of law and effective measures to combat the grey economy, a higher efficiency of labour courts, the establishment of alternative dispute resolution mechanisms, and the improvement of the capacities of the state labour inspection.

**Active labour market measures** include all approaches aimed at effective labour market management, job placement of jobseekers and activation of persons far from the labour market. The data published for the former Yugoslav Republic of Macedonia is scarce and there is as yet no information available to assess effectiveness, efficiency and impact of the measures<sup>25</sup>.

The following active labour market measures have been reported by the ESA for 2007 (see table 7): With the exception of “vocational guidance” (23,473 participants, among them a large share of students) and “job clubs” (26,006 participants), the scope of the measures is rather limited and needs to be further extended to cover a larger number of the unemployed. About 500 persons were supported to become self-employed. In 2008, an additional self-employment schemes with micro credits resulted in another 2050 start-ups; this programme is continued 2009<sup>26</sup>. 1,394 persons participated in public works schemes. The ‘first job of young persons’ programme was introduced 2007 with a participation of 600 young persons and resulted in regular employment of 156 participants.

In response to the current financial and economic crisis, the government has announced an upgrade of the public works scheme, engaging 5,000 unemployed persons in the second half of 2009. The scheme will be managed by ESA and supported by ZELS<sup>27</sup>.

It is remarkable that women are overrepresented among the beneficiaries of training measures, but underrepresented among schemes for entrepreneurship development. In relation to the total number of registered unemployed, it can be concluded that roughly 17% of all registered unemployed persons have been involved in some kind of ALMM<sup>28</sup>. However, there is scarce information available about the efficiency, effectiveness and impact of these measures; also double counting (participation both in job clubs and in training) is possible. An impact evaluation would be needed to inform decision makers how to optimize the mix of activation measures.

Self-employment schemes are expected to provide a solution for various target groups which are difficult to be placed in regular jobs (e.g. elder persons, long-term unemployed, and persons furthest from the labour market)<sup>29</sup>, but it remains to be seen whether these are the appropriate target groups for successful entrepreneurial start-ups.

<sup>25</sup> An informative qualitative analysis was provided by Avro Kuddo (2008). Active Labor Market Programs in FYR Macedonia. Document of the World Bank.

<sup>26</sup> Information provided by ESA in June 2009

<sup>27</sup> <http://www.mia.com.mk/> accessed on 18.6.2009.

<sup>28</sup> Own calculation, after deduction of the number of students participating in vocational guidance.

<sup>29</sup> NAPE 2009-2010.

Overall, in the comparison of 2007 and 2008 there are quite large differences in the deployment of unemployed participants to the various types of ALMMs. The outcome and impact of ALMMs need to be further analysed and monitored to provide information for effective management. Instead of cash benefits for unemployed and wage subsidies, which dominate the current active labour market policy, ALMMs should focus more on demand oriented skills upgrading and improvement of the employability of the unemployed.

**Skill needs analysis** is carried out on an annual basis. Further to a pilot phase in 2006, the ESA is conducting surveys on skill demands among employers as a regular activity. The objective of the skill needs analysis is to gather information from employers regarding planned recruitments and demand profiles during the next 6 to 12 months. The survey is based on a sample of employers (stratified random sample) with 10 and more employees, and the selection of sample enterprises is made across all economic sectors (covering only private enterprises). The skill needs analysis thus provides relevant mid-term information about employers' personnel and skill demands to the ESA<sup>30</sup>. However, a meso- or macro economic skill needs forecast, applying a state-of-the-art methodology would also be needed to provide information for the education and training sector and for professional orientation and guidance of the youth.

The issue of **youth unemployment** is addressed in the NAPE 2009-2010 as "a renewed endeavour to build employment pathways for young people and reduce youth unemployment, as called for in the European Youth Pact", but the achievements so far are marginal. A cornerstone of the activities planned is to carry out "an individual employment action plan for each newly registered young person". The ESA has set the objective to draw up individual action plans (IAPs) with all new jobseekers. This has started with more than 4000 IAPs in 2007.

**Placement services, guidance and counselling services:** In the context of a public employment service, guidance and counselling is mainly associated with job placement activities. However, job placement should be seen as just one of the possible options for a person receiving guidance and counselling – others include education and training for example. ESA is providing professional information as well as professional counselling and orientation services. These services are not only provided to registered unemployed but also to students of various educational levels. In 2007 about 16,000 persons (59% of them students) received professional information and 6,410 persons (35% of them students) benefitted from professional counselling and orientation. Whereas a quite holistic range of services is provided by ESA in the field of professional guidance and counselling to registered unemployed as well as to other target groups, labour exchange services (eg intensive placement services) for job seekers should be further developed and strengthened.

## 4. Challenges and opportunities

### 4.1 Education and training

As this analysis has shown the current context of education and training is one of institutional and systemic reforms at all levels driven both by country agendas and by European and international trends. With the prospect of EU accession talks commencing the opportunities for reform are great and yet the challenges are daunting, not least in the context of economic crisis.

The newly appointed Minister of Education and Science, Nikola Todorov, has a wide ranging reform agenda and among other initiatives he has recently announced a review of the secondary education curriculum. There is growing interest within the Ministry of Education and Science in the contribution of education and training to socio-economic development, and in enhancing the relevant institutional capacities for policy analysis, monitoring and evaluation.

The fragmented institutional context is a major constraint to the development of a coherent lifelong learning system. Not only are there legal and bureaucratic factors but - despite efforts to improve equity and the inclusion of disadvantaged learners - the organisation of education and training continues to reflect, and even reinforce, some of the current social and political divisions in the country. All levels of education and training are currently characterised by social segregation (especially gender, ethnicity and class) as much as by social integration. Education policy is mainly focused on dealing with segmented systems of provision, with limited attention to employability. Despite the fact that many students now continue to university, higher attainment among them is not necessarily leading to higher employment levels. Pathways for horizontal mobility between general and vocational streams of

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<sup>30</sup> ESA. 2008. Annual report 2007.

education remain limited. Whilst much has been done to modernise the four year secondary VET curriculum, attention has not yet been directed to the 2 and 3 year VET programmes. These programmes of study are often taken by the most disadvantaged learners and yet at the same time these programmes are the most out-dated and least likely to equip students with the skills they need for the future.

Donor commitment to education and training is strong although this will not necessarily continue indefinitely. In addition to European support, Austrian assistance, the British Council, German assistance, the Netherlands, the Open Society Institute, the OSCE, UNDP, UNICEF, USAID and the World Bank have been active in recent years. For example, in 2009 USAID conducted an institutional assessment of the VET Centre and is proposing a multi-annual programme of interventions. By comparison, social partners in the country still have limited engagement with education and training reforms. Coordination within government structures, between government and donors, and between donors themselves remains a challenge and a potential threat to full country ownership and the sustainability of reforms.

## 4.2 Employment and the labour market

Policy priorities for the labour market of the Former Yugoslav Republic of Macedonia are to **increase** the overall **employment rate**, the employment rate of women and of older workers. To raise the employment rate of women will be a key to raise overall labour market participation. The lack of child care facilities is an obstacle to higher female labour market participation: only about half of the municipalities provide child care facilities, providing care for a total of 23,000 children in preschool age all over the country. The goal of the government to increase the employment rates to 48% (overall), to 38% for women and to 33% for elder workers by 2010<sup>31</sup> is more than ambitious and will be difficult to achieve under the given economic conditions, the current capacities, resources and the level of employment promotion measures. Any substantial achievement depends also on combating undeclared labour.

An **enforcement of ALMMs**, further developed and clearly targeted and with a wider outreach will require more and better trained staff to manage these schemes and to build up evaluation capacity.

**Youth unemployment** is an urgent problem, leading to a waste of human resources, de-evaluation of acquired skills and is a further motivation for emigration of the young population. This in turn is aggravating the demographic problem of the country that is facing the problem of an ageing society. An important approach to tackle the problem of youth unemployment is the creation and establishment of a fully-fledged career guidance and counselling system, reaching larger numbers of students at schools, colleges and universities.

The CARDS project “Technical Assistance to Support Employment Policy Phase III” provided a valuable basis for the further development of labour market institutions. The procedures and methods developed and initiated should be continued and strengthened to achieve sustainable impacts. The IPA Operational Programme for Human Resources Development 2007-2013 provides the opportunity to carry out and finance projects for further capacity building of the ESA and for social partners, for implementing an evaluation system for ALMP and an appropriate labour market management and labour market information system.

## 4.3 Conclusions

Of general concern for education, training, employment and social inclusion is the weak **institutional capacity**, leading to an insufficient cooperation and coordination at both horizontal and vertical levels. The Ministry of Labour and Social Policy does not have the staff needed for adequately designing and controlling labour market and employment policies.

The MES, the MLSP and other stakeholders need to realise their joint responsibilities to increase employability of the workforce and to strengthen social cohesion. Continuous adjustments of education and training provision for young people and adults, adequate information, counselling and guidance, and collaboration between ministries and relevant stakeholders at national and local levels will be essential to ensure improvements in the field of lifelong learning.

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<sup>31</sup> National Employment Strategy 2010.

## Annex 1: Tables and Graphs

### Education and training

**Table 1: Enrolment in secondary education, Activity-, employment- and unemployment rates**

Year	2003	2004	2005	2006	2007
Enrolment in total secondary. Public and private. All programmes. Total	218649	215760	214005	...	208364
Enrolment in total secondary. Public and private. All programmes. Female	105116	103618	102764	...	99675
Enrolment in total secondary. Public and private. General programmes. Total	159758	157500	155946	...	150249
Enrolment in total secondary. Public and private. General programmes. Female	79879	78707	78062	...	75016
Enrolment in total secondary. Public and private. Technical/vocational programmes. Total	58891	58260	58059	...	58115
Enrolment in total secondary. Public and private. Technical/vocational programmes. Female	25237	24911	24702	...	24659
Enrolment in secondary technical/vocational programmes. Public and private. As a percentage of total secondary programmes.	26.9%	27.0%	27.1%	...	27.9%
Enrolment in secondary technical/vocational programmes (public and private). Female. As a percentage of enrolment in total secondary programmes. Female	24.0%	24.0%	24.0%	...	24.7%

Source: UNESCO Institute for Statistics

### Employment and the labour market

**Table 2: Activity, employment and unemployment rates**

Year	2003	2004	2005	2006	2007	2008
<b>Total (15-64)</b>						
overall activity rate			60.7	62.2	62.8	63.5
overall employment rate	38.5	36.8	37.9	39.6	40.7	41.9
overall unemployment rate	37.1	37.4	37.6	36.3	35.2	34.0
<b>Women (15-64)</b>						
activity rate (15-64)			49.1	49.2	50.4	50.2
employment rate		28.9	30.1	30.7	32.3	32.9
unemployment rate		38.0	38.8	37.5	35.8	34.3
<b>Men (15-64)</b>						
activity rate (15-64)			71.9	74.9	74.8	76.6
employment rate		44.4	45.4	48.3	48.8	50.7
unemployment rate		37.1	36.9	35.6	34.8	33.7
<b>Youth unemployment rate (15-24)</b>	66.0	64.8	62.6	59.8	57.7	56.4
<b>Elder persons (55-64)</b>						
activity rate			37.0	38.9	40.0	
employment rate			26.2	27.9	28.8	
unemployment rate			29.1	28.4	28.0	

Source: State Statistical Office, LFS (working population of 15-64 years old)

**Table 3: International comparison of key labour market indicators**

	<i>Former Yugoslav Republic of Macedonia (2008)</i>	<i>Croatia (2008)</i>	<i>EU-27* (2007)</i>	<i>Lisbon Target 2010</i>
Overall employment rate (15-64)	41.9	57.8	65.4	70.0
Employment rate women (15-64)	32.9	50.7	58.3	60.0
Employment rate elder persons (55-64)	31.7	34.3 (2006)	44.7	50.0
Overall unemployment rate	34.0	9.0	7.1	--
Youth unemployment rate (15-24)	56.4	22.6	15.3	--

Sources: SSO LFS 2008. For Croatia: CPESSEE Statistical Bulletin No.1. \*) EU-27: European Commission. 2008. Employment in Europe 2008.

**Table 4: Employment by economic status (2008)**

	No.	%
employed	437,475	71.83%
employer	30,084	4.94%
self-employed	78,824	12.94%
unpaid family worker	62,632	10.28%
Total employed	609,015	100.00%

Source: SSO, LFS 2008, own calculation

**Table 5: Distribution of employees and enterprises according the size of enterprise**

<i>Year: 2004</i>	<i>Employees (%)</i>	<i>Enterprises (%)</i>	<i>No. of Enterprises</i>
Micro enterprises (< 9 employees)	28.1	93.8	38,973
Small enterprises (10-49)	15.3	4.6	1,929
Medium enterprises (50-250)	23.7	1.3	550
Large enterprises (>250)	32.9	0.3	130
TOTAL	100.0	100,0	41,582

Source: MLSP. 2006. National Employment Strategy 2010, own calculation.

**Table 6: Registered unemployed persons (2007)**

Duration of unemployment	2007		2008	
	persons	%	persons	%
up to 1 year	62,442	17.5	61,365	17.9
>1-2 years	53,943	15.1	43,821	12.8
>2-3 years	29,007	8.1	38,905	11.3
>3-5 years	53,734	15.0	44,162	12.8
>5-8 years	50,857	14.3	49,414	14.4
over 8 years	107,183	30.0	105,696	30.8
Total registered unemployed	357,166	100,00	343,363	100,00

Source: CPESSEC. Statistical Bulletin No.1 and No.2.

**Table 7: Key benchmarks of Public Employment Services in Europe (2006)<sup>32</sup>:**

Country	Population (1000)*	No. of registered unemployed (1000)	Total number of PES staff	PES staff in direct contact with clients	Caseload (clients/staff)	Annual budget for ALMP (USD 1000)	ALMP budget as % of GDP
<b>Former Yugoslav Republic of Macedonia</b>	<b>2,022.5</b>	<b>357</b> (2007)	<b>525</b> (2007)	<b>320</b> (2007)	<b>1116<sup>33</sup></b>	13,323 (2005)** 18,055 (2008)***	<b>0.0642 (2005)**</b> <b>0.2 (2008)****</b>
Other IPA countries:							
Croatia	4,437.5	301	1,185	723	416	27,979	0.04 (2008)
Montenegro	620.1	43	342	285	150	20,205	
Serbia	9,396.4	911	1,807	1,151	791	11,555	0.12 (2008)
Examples of EU member states:							
Bulgaria	7,385.3		2,825	2678			0.432 (2005) **
Hungary	9,981.3	407	3,500	2,280	178	289,806	0.197 (2005) **
Austria	8,192.8	222 (2007)	4,348	3,224	69	1,641,217 (1,157,879 EUR)	0.15 (2005) **

Sources: Figures for the former Yugoslav Republic of Macedonia staff and registered unemployed: ESA annual report 2007. Other countries: WAPES member survey 2006, \*Statistical bulletin No.1 of CPESSEC. 2008. \*\*) EUROSTAT, (\*\*\*) 777,260 MDK, CARDS Employment Policy III, Final Report. p.12. \*\*\*\*) NAPE 2009-2010, p.18.

<sup>32</sup> Because of the data source and the comparability of data, most of the figures are from 2006. There might be some changes, but for the purpose of a rough comparison, the 2006 date was used.

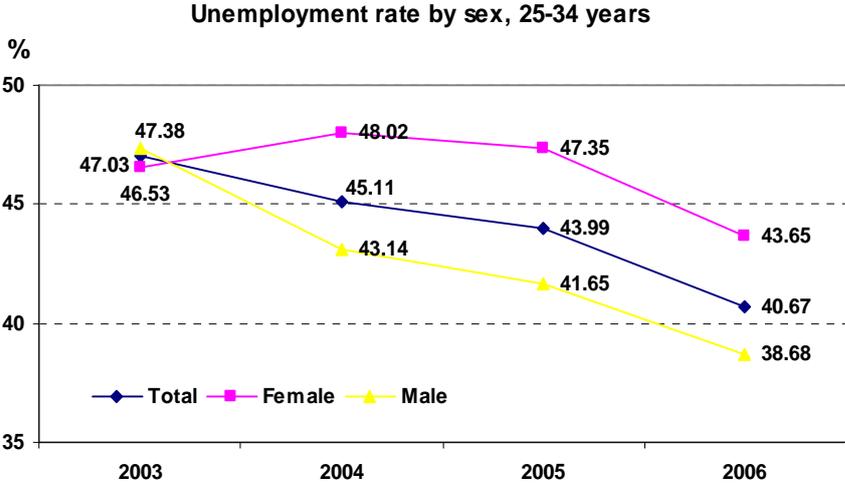
<sup>33</sup> The NAPE 2009-2010 counts with different figures: 278 staff members in charge for active measures, dealing with 344,000 unemployed persons (Sept 2008), resulting in a caseload of 1:1237. NAPE 2009-2010. p.27).

**Table 8: Participants in active labour market measures (ALMM), 2007 and 2008**

<i>Measure</i>	<i>2007</i>		<i>2008</i>	
	<i>No. of participants</i>	<i>Thereof women</i>	<i>No. of participants</i>	<i>Thereof women</i>
<b>Information, placement, guidance</b>				
Vocational guidance (provision of labour market information, job counselling, job referral)	23,473	14,130	26,376	13,740
Job Clubs	26,006	14,422	22,062	11,258
<b>Training</b>				
Training or retraining for specific job	3,826	2,271	2,543	2,020
Thereof employed after training	2,829	(n.a.)	1,829	(n.a.)
Language and computer training in job clubs	3,339	2,251	2,278	1,602
Pilot training for specific vacancies and skills			57	0
Training for business start-up			820	n.a.
<b>Self-employment and start-up programmes</b>				
Self-employment programme	500	127	529	203
Support to formalize existing business			113	35
Programme for self-employment by accreditation			2,050	601
Public works	1,394	n.a.	n.a.	n.a.
<b>Subsidizes employment</b>				
Subsidised employment of:				
- single parents and orphans	84	n.a.	106	90
- persons with disabilities	267	n.a.	156	53
- elder persons (55-64)	--	--	142	68
- first job of young p. < 27 yrs	600	n.a.	141	86
Thereof remained employed	156			
<b>TOTAL</b>	<b>59,489</b>		<b>57,373</b>	
Percentage of registered unemployed	16.7		16.7	

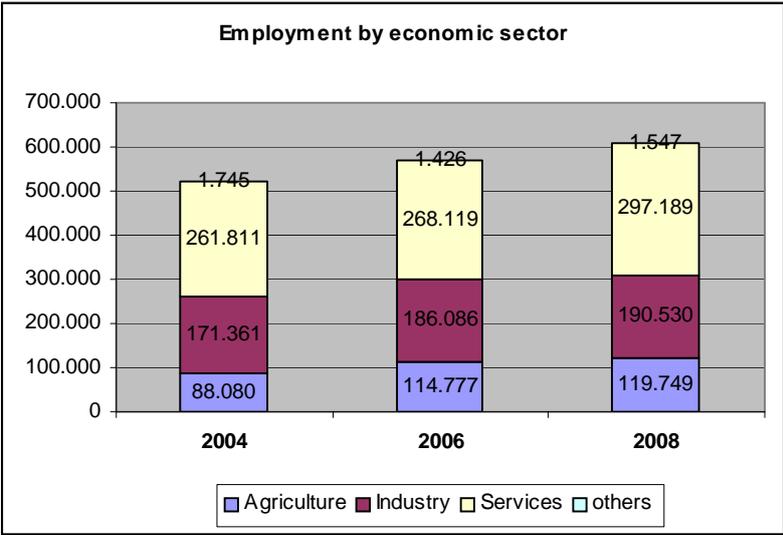
Source: CPESSEC. Statistical Bulletins No.1 and 2, data from the Annex as reported by ESA.

**Graph 1:**



Source: SSO, LFS 2003, 2004, 2005 and 2006.

**Graph 2: Dynamic of employment by sectors**



Source: SSO, own calculation

## Annex 2: Former Yugoslav Republic of Macedonia and EU Benchmarks in Education, Training and Employment

### The former Yugoslav Republic of Macedonia and the EU benchmarks in education and training

EU Benchmarks Education and Training	EU 27	EU 2010	Recent EU members and CCs	SEE, W. Balkans
Early school leavers (2006) % of 18-24 with at most lower secondary educ.(ISCED 2) and not in further education	15.3%	10%	BG 22.4%, RO 19.0% HR 5.3%, MK* 36.2% TR 50.0%	AL* 61.2%
Youth educational attainment % of 20-24 having completed at least ISCED 3 level (2006)	77.8%	85%	BG 76%, RO 74.8% HR* 93.8% TR* 44.0%	
Yearly growth in tertiary education graduates in maths, science and technology (2000- 2005)	4.7%	746 000 Increase by 15%	BG 3.8%, RO 6.7% HR 1.5%, MK 1.7% TR 6.0%	
% of pupils with low reading literacy Level 1 or below (PISA 2003)	19.8%	Decrease by 20%	BG* 40.3% RO* 41.3% MK* 62.6% TR 36.8%	AL* 70.3% SR 46.7%
Lifelong learning (2006) % of 25-64 participating in education and training	9.6%	12.5%	BG 1.3%, RO 1.6% HR* 2.1%, MK* 1.9% TR* 2.3%	SR* 3.8%

### The former Yugoslav Republic of Macedonia and the EU benchmarks in employment

	EU 27 (2007)	EU 2010	CCs (2006)	SEE, W. BALKANS
Employment rate	65.4%	70%	HR* 55.6% <b>MK* 41.9% (2008)</b> TR* 45.9%	AL* 53.7% BIH 36.8% KOS 28.7% MON*50.2% SR* 41.8%
Female employment rate	58.3%	60%	HR* 49.4% <b>MK* 32.9% (2008)</b> TR 23.8%	AL* 40.1% BIH 25.0% KOS 11.8% MON 42.5% SR* 33.8%
Employment rate of older workers (55-64)	43.5%	50%	HR* 34.3% <b>MK* 31.7% (2008)</b> TR* 30.1%	AL* 27.5%
Employment in agriculture (% of total)	5.2%[*]		HR* 17.3% <b>MK 19.7% (2008)</b> TR* 29.5%	AL* 58.4% MON* 21.4% SR* 25%
Employment in services (% of total)	69.2%[*]		HR* 54% <b>MK 48.8 % (2008)</b> TR* 45.8%	AL* 27.8% MON* 62.2% SR* 46%
Unemployment rate	7.1%		HR* 9.1% <b>MK 34.00% (2008)</b> TR* 8.7%	AL* 15.8% BIH 29.6% KOS 44.6% MON*19.4 % SR* 18.8%
Youth unemployment rate (15-24)	15.4%[*]		HR* 22.9% <b>MK 56.4% (2008)</b> TR 19%	AL* 35.5% MON*51.3%

Sources: Eurostat (Structural Indicators), OECD, (PISA database),  
ETF (Key indicators database) (\*) most recent year for which data is available

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