

EU Enlargement and its impact on the
social policy and labor markets of
accession and non-accession countries

Country report for R.Macedonia

Silvana Mojsovska
Euro-Balkan Institute

Focus of the project:

- Labor market
- Social policy
- Migration policy

Macroeconomic overview for R.Macedonia

	1997	1998	1999	2000	2001	2002
GDP (in millions USD)	3458	3575	3730	3899	3723	/
GDP per capita (PPS) in USD	4305	4483	4724	5018	4482	/
Inflation CPI (average)	2.6	-0.1	-0.7	5.8	5.5	1.8
Current Account Balance (as % of GDP)	-7.2	-8.7	-3.0	-3.1	-10.1	/
FDI (% of GDP)	0.45	3.29	0.86	4.49	11.89	/
Exchange rate-average (DEN/ 1 USD)	42.82	54.45	56.89	65.88	68.04	/
Exchange rate-end of the period (DEN/ 1 USD)	55.4	51.8	60.3	67.63	69.17	62.37
External debt (in millions USD)	1131	1398	1438	1437	1418	1517
External debt (as % of GDP)	30.6	38.5	39.1	40	39.7	/
Foreign Currency Reserves (in millions USD)	280	334	478	714	775	733

Source: Ministry of Finance, National Bank of the Republic of Macedonia

Main characteristics:

- **Economic crises**
- **Political instability**
- **Stabilization and Association Process (SAP) – specially designed process of EU enlargement for Western Balkan countries**

Labor market

- **Demographic trends**
- **Employment**
- **Unemployment**

Factors on the labor market

- Long-lasting problems
- “Transitional” shock
- Lost of the Yugoslav market
- Process of privatization
- Political instability of the region
- Economic isolation
- Grey economy

Main features of employment in R.Macedonia

	1997	1998	1999	2000	2001	2002
Registered employment	319453	310213	315792	310213	313558	280989
Total number of employed-LFS	512301	539762	545222	549846	599308	561341
Employment rate	34.4	35.9	35.9	35.8	38.6	35.8

Private sector – 52,4% (2002)

Self-employed – 10,3% (2002)

Low educated – 45,0% (2002)

Main features of unemployment in R.Macedonia

Unemployment rates	1997	1998	1999	2000	2001	2002
Employment Agency	44.0	47.0	51.3	53.9	54.8	57.1
Labor force survey (LFS)	36.0	34.5	32.4	32.2	30.5	31.9

- Huge rate of unemployment – above 30%
- Long-term unemployment - 63% (2002)
- Low educated – 57,4% (2002)
- Youth unemployment – 35,1% (1997) & 25,6% (2002)

Labor market policies

- **Active policies:**
 - Primarily focused on qualification measures
 - Job creation is presented at lesser extent
- **Passive policies:**
 - Highly important for alleviation of social tensions
 - Pecuniary compensation (number of beneficiaries was above 46.000 in 2002)

Challenges of EU accession

- **Preconditions:**

- Labor market flexibility
- Economic development
- Human capital development

- **Steps:**

- Harmonization of legislation
- Directives
- Economic reforms

Social Policy

- **Social insurance**
 - Pension and disability insurance
- **Social assistance**
 - Social financial aid
- Social Dialogue

Pension system

- Reform aimed to approaching European systems
 - Development of three pillar system
 - Compulsory pension insurance
 - Compulsory capital financed pension insurance
 - Voluntary capital financed pension insurance

Social assistance

- Social financial aid
 - **Primary role in the system of social protection in Macedonia**
 - **Beneficiaries:**
 - 65.000 households in 1997
 - 81.000 households in 2002
 - Share of unemployed persons in total number – 92% in 2002

Social dialogue

- **Bipartite and three-partite level**
 - Government
 - Trade union
 - Employees

- **The Economic-Social Council**
- **Issues of interest:**
 - Labor market problems
 - Job conditions and job protection
 - Economic development
 - Social security, etc.

Policies

- Focus is on poverty alleviation
- Stimulation of employment
- Labor market flexibility

Challenges of EU accession

- No specific Directives regarding social policy for the first phase of harmonization
- Bilateral conventions

Migration policy

- **Push and pull factors**
 - **Labor market situation**
 - High rate of unemployment
 - Low salaries and standard of living
 - **Income gap**
 - Germany – 31,88\$/per hour
 - Switzerland – 29,28\$/per hour
 - Macedonia – 2,20\$/per hour
 - **Tradition and networks**

Emigration

- Large migratory potential
- More than 100.000 persons have emigrated from Macedonia in 1990's
- The most attractive countries:
 - Switzerland
 - Germany
 - Italy

Immigration

- No economic attractiveness of the country for immigration
- Immigration has occurred mostly because of the refugee crises in the region in the 1990's
- Language and cultural similarities are important for immigration
- Illegal and transit migration are issues of concern

Brain-Drain

- **Highest potential for brain drain:**
 - Technical and information sciences
 - Medical and pharmaceutical
- **Research results have shown:**
 - 88% of the students in the survey sample at Electrical and Mechanical Engineering Faculty have intention to leave the country
 - more than 35% are thinking of permanent leaving

Main reasons for emigration

- Higher salaries and higher standard of living abroad
- Better opportunities for employment abroad
- Possibilities for professional promotion and high technological job equipment abroad
- Economic crises and political instability in the country

Policies for labor migration

- **There is no consistent policy for labor migration**
- **Migration and Asylum Initiative (MAI)**

Challenges of EU accession

- **Expected changes with EU enlargement**
 - **Visa regime –main obstacle**
 - **Continuation of brain-drain**
 - **Increase of illegal and transit migration**
- **Directives for mutual recognition of certain university degrees (mostly medical sciences)**

Policy recommendations

■ Labor market

- Reforms toward economic growth
- Building of employment oriented strategy
- Development of consistent employment policy, based on cross-sectoral analyses
- Focus on active labor policies in order for increase of labor market flexibility
- Building of valid labor market statistics and information system

Policy recommendations

■ Social policy

- Need for coherence of social policy with labor market policy
- Creation of mechanisms for involvement of the social aid beneficiaries on the labor market (Laws, programs, etc)
- Development of system for more justified distribution of the social assistance
- Focus on programs for alleviation of poverty thought increase of labor market flexibility

Policy recommendations

■ Migration policy

- Building of the long-term strategy for labor force migration
- Development of legislation
- Development of effective border management