

Euro Balkan Institute

**EU Enlargement and Its Impact on the Social
Policy and Labor Markets of Accession and Non-
Accession Countries**

**The Republic of Macedonia
Country Report**

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1. Macroeconomic Picture and the Stage of EU Accession

After the breakdown of SFR Yugoslavia in 1991, The Republic of Macedonia had entered into a challenging phase of transition toward market economy and democracy. Political efforts for implementation of democracy were more successful than efforts for achievement of economic stability and growth. Indicators in the Table 1 show serious problems in functioning of the Macedonian economy in the last few years, although the problems had existed from before. Due to economic and political reasons they became worse in the last decade. Political instability in the Balkan region causes high level of political and economic risk that had affected Macedonian economy very badly.

Political and economic turbulences on the Balkan region in the last decade were not in favor of Macedonian progress toward EU. The culmination of the events for Macedonia was military conflict within the country in 2001. Seriousness of the situation in the South-east European countries (so called Western Balkans) got a lot of European Union's attention in the last decade, which have resulted in tailor-made Stabilization and Association Process (SAP) for Macedonia, Croatia, Serbia and Montenegro (including Kosovo), Bosnia & Herzegovina and Albania, in regards to EU accession. All these countries are focused to EU accession, but they'll have to achieve stable political environment in the region first, with parallel gradual work on fulfillment on EU requirements (*acquis communautaire*) underlined as compulsory for all accession countries.

Table 1 Main macroeconomic indicators for 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

Implementation of SAP includes signing of Stabilization and Association Agreements (SAA) by all aforementioned countries with EU, that regulate the main issues regarding the EU association. Macedonia was the first country that signed the Stabilization and Association Agreement, in April 2001, and so far only Croatia has done the same. The other countries from the group are still in the process of negotiations, and SAP doesn't give the expected results so far. SAP differentiates aforementioned countries from the Central and East European countries with status of accession countries to EU. The main difference lays in the status of Western Balkan countries in EU official politics, according to which these countries form a "third" group on the list for enlargement, with stressed political and economic instability. Free trade agreements with EU go along with the SAA, but free movement of persons (excluding labor force) toward EU is not applied on the "third" group (except Croatia). Considering the progress in the process of European integration of partner

countries in the project, Macedonia have to be distinguished as separate case in this project. Process of harmonization of national legislation with EU directives has started in various economic spheres, as well as labor market and social policy.

2. Labor market

2.1. Current state: factors and problems

2.1.1. Demographic trends

The current state on the labor market in Macedonia reflects the economic and political transformation in the country after the breakdown of Former Yugoslavia, although the situation on the Macedonian labor market was unfavorable from before. Demographic trends in Macedonia cannot be distinguished as significant factor for current labor market situation in Macedonia. Changes of the volume and dynamics of total, working-age and active population show that in the period 1981 and 1994, the growth of the total population in the country amounted 7,6%, of the working-age population 10,7% and of the active population 3,8%. Differences are signaling a decrease in the demographic frame of the labor force supply, and decrease of the growth of the active population. Those changes could be explained with the loss of the part of the labor force induced by intensive migratory movements towards abroad, an increase in the number of retired persons because of different reasons, primarily their premature exclusion from the labor contingent during the transition process, as well as by the changes in the professional occupations of part of the active persons (primarily from the agrarian into non-agrarian professions).

Table 2 Socio-demographic data for Macedonia

| | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 |
|--|---------|---------|---------|---------|---------|--------|
| Population (31.12.)* | 2002340 | 2012705 | 2021578 | 2031112 | 2038651 | - |
| Population (in mid-year)* | 1996869 | 2007523 | 2017142 | 2026350 | 2034882 | - |
| Working-age population (15-64)* | 1294505 | 1305964 | 1317624 | 1328752 | 1339909 | - |
| Active population (LFS data)** | | | | | | |
| Total | 800513 | 823826 | 806674 | 811557 | 862504 | 824824 |
| 15-64 | 793375 | 814835 | 798819 | 804048 | 845885 | 812650 |
| Crude activity rate (of the total population) | 40.0 | 40.9 | 39.9 | 40.0 | 42.3 | - |
| Activity rate of the working-age Population | 61.3 | 62.4 | 60.6 | 60.5 | 63.1 | - |

* population estimations

**Labor Force Survey (LFS)

Source: State Statistical Office of the Republic of Macedonia

Mentioned categories have tendency of continual changes, as shown in table 2 of main socio-demographic data for Macedonia. It could be expected that the unfavorable demographic trends will continue, which can be confirmed by the prognoses on the total and working-age population growth in the Republic of Macedonia in the period until 2020. The projections of the population indicate that after 2010 the average annual growth of the working-age population will have a negative sign. So, the influence of the demographic factor on the labor force formation will be significantly decreased in the future. Those trends are to be taken in mind when planning the economic development and creating the particular policies. However, the current changes in the volume and the structure of the

labor force in the medium-term will have unfavorable implications because of the huge growth of the number of the unemployed persons, and limited probabilities of their economic activation. Concerning the demographic trends, it also has to be taken in consideration that life expectancy have continued trend of increase in length (table 3)

Table 3 Life expectancy in Macedonia

| Life expectancy | 1996-1998 | 1997-1999 | 1998-2000 | 1999-2001 |
|-----------------|-----------|-----------|-----------|-----------|
| Total | 72.49 | 72.49 | 72.68 | 73.05 |
| Male | 70.37 | 70.37 | 70.48 | 70.68 |
| Female | 74.68 | 74.68 | 74.77 | 75.21 |

Source: State Statistical Office of the Republic of Macedonia

2.1.2. Employment

Due to transitional problems and various limiting factors (the economic and refugee crises, warlike situations, etc), the employment in the formal sector in Macedonia was encountering an accelerated decrease in the second part of the nineties. In the same time, the informal sector was spreading more intensively and the expansion of the "gray" economy reached huge proportions, but it was tolerated because it served for alleviation of social tensions. Several attempts for estimation of the size of gray economy were made, but results have shown large deviations of the approximated number of employed persons. The administrative data provided by the National Statistical Office (registered employment) do not represent the overall volume of the employed persons in the country (table 4). According to this source, the number of employed persons had decreased from approximately 320.000 in 1997 to 280.000 in 2002.

Solution was sought in the surveys that are carried out starting in 1996. The Labor Force Survey data, which besides formal sector encompasses the informal sector and economically active population in the agriculture, show that between 1997-2002, the number of employed persons amounted between 512 and 561 thousand. In 2002, about 133 thousand active persons in agriculture have been included in the number of employed persons, as well as more then 68 thousand non-paid family workers. Although, the inclusion of the un-paid family workers in the total number of employees doesn't contribute to completely real presentation of labor market situation in Macedonia, LFS data are more reliable and all further indicators regarding the employment are taken from LFS.

Table 4 Number and structure of employment in 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 |
| Employee | 402372 | 417966 | 405991 | 408698 | 419843 | 396680 |
| Employer | 17128 | 19014 | 43431 | 23675 | 38206 | 38369 |
| Self-employment | 66418 | 57951 | 39713 | 57684 | 55020 | 57594 |
| Unpaid employees in family business | 25101 | 44831 | 56087 | 59789 | 86239 | 68698 |
| Employment rate | 34.4 | 35.9 | 35.9 | 35.8 | 38.6 | 35.8 |

Source: State Statistical Office of the Republic of Macedonia

The category of unpaid family workers got an importance with the process of privatization in Macedonia, when the ownership structure of the enterprises in Macedonia

has changed. Along to that, the share of persons employed in the private sector has tendency of continual increase. In 2002, more then 50% of the total employees in Macedonia have worked in the private sector (table 5). Within this process, a change of participation of the self-employed persons (in the total number of employed) had been noticed. So, the value of this indicator is as follows: 13,0 % (1997); 10,7% (1998); 7,3% (1999); 10,5% (2000); 9,2% (2001) and 10,3% (2002). But, considering this data, we have to take in consideration the share of unpaid family workers in the total number of employees, which has noticed a significant growth. The percentage is: 4,9%; 8,3%; 10,3%; 10,9% 14,4% and 12,2%, respectively to the aforementioned years.

Table 5 Employed persons in sectors in Macedonia (%)

| | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 |
|---|------|------|------|------|------|------|
| Private sector | / | / | 41,6 | 43,9 | 50,9 | 52,4 |
| other (social, mixed, collective, state, undefined) | / | / | 58,4 | 56,1 | 49,1 | 47,6 |

Source: State Statistical Office of the Republic of Macedonia

The educational structure of employed persons (table 6) shows that share of low educated and low skilled labour force is prevailing. Given structure is poor base for reconstruction of the national economy and economic development of the country. This is not in favour of acceleration of the Macedonian accession to EU. Also, along with the upcoming EU enlargement, the shift of the offshore capital from accession to non-accession countries should be expected. The current trend of movement of capital is toward low-skilled and cheap labour force and labour intensive industries. Macedonian educational level of labour force suits mentioned requirements, so we could expect transfer of part of that capital, as positive effect from EU enlargement.

Table 6 Educational level of employed as % of total employed in Macedonia

| | 1997 | | 1998 | | 1999 | | 2000 | | 2001 | | 2002 | |
|--|--------|------|--------|------|--------|------|--------|------|--------|------|--------|------|
| | number | % |
| 1. Higher educated, | 89473 | 17.5 | 94022 | 17.4 | 97060 | 17.7 | 94824 | 17.2 | 96141 | 16.0 | 102376 | 18.2 |
| higher (bachelor, master, Ph.D) | 56766 | 11.1 | 58525 | 10.8 | 59838 | 10.9 | 55775 | 10.1 | 63120 | 10.5 | 71493 | 12.7 |
| higher (specialist) | 32707 | 6.4 | 35497 | 6.6 | 37222 | 6.8 | 39049 | 7.1 | 33021 | 5.5 | 30883 | 5.5 |
| 2. Upper secondary | 175981 | 34.4 | 189716 | 35.1 | 193301 | 35.5 | 200676 | 36.5 | 216776 | 36.2 | 206052 | 36.7 |
| 3. Lower secondary, primary and primary unfinished | 238563 | 46.6 | 256025 | 47.5 | 254860 | 46.8 | 254347 | 46.2 | 286391 | 47.7 | 252913 | 45.0 |

Source: State Statistical Office of the Republic of Macedonia

Currently, about 30% of the employed work in the industrial sector, and about 20% in the agriculture. The industry is mainly labour intensive (that corresponds with the unfavourable educational structure) and agriculture is not compatible with the European standards. The labour force price per hour is about 2,20\$ in manufacturing sector, and 2,40\$ in services. This is labor price calculated as expenditure for gross wages, while wages are paid in net amount. Based on the existing legislative, the employer is obliged to pay taxes and contributions prescribed by the Law: the contribution for the pension and disability insurance, the contribution for the health insurance, the employment contribution and personal tax. Minimum wage on national level is determined only for public sector, and it is about 87\$ (calculated by exchange rates in April 2003). There is no such regulation for other sectors and negative growth of the real salaries could be notified, as shown in table 7.

Table 7 Salaries in Macedonia

| | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 |
|--|------|------|------|-------|-------|-------|
| Average paid net salary per employee (in denars) | 9063 | 9394 | 9664 | 10193 | 10552 | 11279 |
| Nominal salaries growth rate | 2.8 | 3.7 | 2.9 | 5.5 | 3.5 | 9 |
| Real salaries growth rate | 0.2 | 3.8 | 3.6 | -0.3 | -1.9 | / |

Source: Annual economic report, Ministry of Finance of the Republic of Macedonia, 1999, 2000, 2001

2.1.3. Unemployment

Main feature of the current labor market in R. Macedonia is very high rate of unemployment, which was partially inherited from the pre-transitional period. The Republic of Macedonia had entered the transition period with unemployment rate about 20%, i.e. more than 150 thousand unemployed persons and with equal number of over employed persons because of the administrative, but unproductive employment done in the previous period. (Elka Dimitrieva, Verica Janeska, 2000). After the breakdown, economic changes had resulted in so called "organizational shock" for the companies, seen as lost of the Yugoslav market with 22 millions consumers. Yugoslav economy was structured with high level of self-sufficiency, and firms were mainly focused on Yugoslav market. Specific standards were developed for this market and its breakdown was estimated as irreversible lost for the companies. Macedonian firms were pressed to focus on domestic market of 2 millions consumers, with reduced purchasing power. Many firms were closed, process of privatization was accompanied with a lot of problems, and many people had lost their jobs.

The rate of unemployment had reached huge dimensions in 1990's. According to the administrative data of the Employment Bureau, the unemployment rate was 44% in 1997, and reached 57% in 2002 (table 8). This data cannot be considered as real, and more realistic are data from the Labor Force Survey data, according to which, the rate of unemployment was 36% in 1997, and decreased to 31,9% in 2002. Expert opinion is that unemployment rate is about 30%, so all further indicators regarding unemployment are taken from the LFS.

Table 8 Unemployment rates in the Macedonia

| Unemployment rate | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 |
|----------------------|------|------|------|------|------|------|
| Employment Agency* | 44.0 | 47.0 | 51.3 | 53.9 | 54.8 | 57.1 |
| Labor force survey** | 36.0 | 34.5 | 32.4 | 32.2 | 30.5 | 31.9 |

* Administrative data - persons at the age of 15 up to 59 for women and 64 for men.

** Labor Force Survey data are for the population over 15 years of age.

Source: National (State) Statistical Office of the Republic of Macedonia.

Within the characteristic of unemployment, special attention deserves its structure based on the degree of education. The share of the nonqualified and semi-qualified, as well as of the persons with lower education degree is constantly prevailing (table 9), which is not favorable as potential for economic development.

In addition, very concerning indicator for the unemployment in Macedonia is the unemployment duration. The unemployment duration is manifested with high absolute and relative increase of the number of persons unemployed for a longer time. The Labor Force Survey confirms the longevity of the unemployment. The share of the long-time unemployment (% of unemployed for 12 months or more of total unemployment) in the

observed period (1997-2002) is as following: 83,1% (1997); 82,9 (1998); 83,8 (1999); 83,3 (2000); 86,9 (2001); 84,5 (2002). The problem of long-term unemployment is highly serious because the participation of the persons unemployed for 4 years and longer has amounted about 63% in 2002.

Table 9 Educational level of unemployed in Macedonia, % of total unemployed, LFS, number

| | 1997 | | 1998 | | 1999 | | 2000 | | 2001 | | 2002 | |
|---|--------|------|--------|------|--------|------|--------|------|--------|------|--------|------|
| | number | % |
| 1. Higher educated, higher (bachelor, master, Ph.D) | 21519 | 7.4 | 19052 | 6.7 | 19036 | 7.2 | 20514 | 7.9 | 20561 | 7.9 | 19537 | 7.4 |
| higher (specialist) | 13221 | 4.5 | 11350 | 4.0 | 10857 | 4.0 | 12417 | 4.8 | 12584 | 4.8 | 13515 | 5.1 |
| | 8298 | 2.9 | 7702 | 2.7 | 8449 | 3.2 | 8097 | 3.1 | 8067 | 3.1 | 6022 | 2.3 |
| 2. Upper secondary | 86794 | 30.1 | 89915 | 31.7 | 90517 | 34.6 | 90167 | 34.5 | 99023 | 37.6 | 92941 | 35.3 |
| 3. Lower secondary, primary and primary unfinished | 170352 | 59.2 | 175098 | 61.6 | 151825 | 58.1 | 151030 | 57.7 | 143521 | 54.6 | 151005 | 57.4 |

Source: National (State) Statistical Office of the Republic of Macedonia.

The causes for the long-lasting unemployment and its terrifying volume should primarily be sought in the insufficient economic development, the stagnating and even contracting economic growth, the discontinued development trends significantly emphasized by the period of transition from one into another socio-economic system. Besides, the employment problem is under the influence of other limiting factors, such as the foreign debt, the problems of structural transformation and structural harmonization, the stabilization etc.

The problem of long-term unemployment exists in all categories of unemployed, without regard to their age. But, there is trend of decrease of the share of the youth unemployed in the total unemployment - from of 35 to 25%, for the period 1997-2002. Changes have resulted from the decreased inflow of new working age population in labor force supply and changes in the relative relations due to the increase of the unemployment of the older age groups from the labor pool (because of lost of jobs, bankruptcy of companies, etc.). Even though the percentage of the youth unemployment is decreasing, finding a job remains a serious problem in Macedonia.

Table 10 Youth unemployment (age group 15-24) in Macedonia

| | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 |
|-------------------------|--------|-------|-------|-------|-------|-------|
| Number, LFS | 101285 | 99820 | 78941 | 72811 | 73996 | 67348 |
| % of total unemployment | 35,1 | 35,2 | 30,2 | 27,8 | 28,1 | 25,6 |

Source: National (State) Statistical Office of the Republic of Macedonia.

Long-lasting unemployment represents a huge loss for the nation, not only as a flux of the human capital, but also as a loss of most vital part of the population, on whose generic forces, today and in the future, the development of the country should be based. The example of the Republic of Macedonia is confirming, "the enormous loss of the human resources is a sign of large inefficiency of the economic system and is provoking a deep crisis in the social sphere" (OECD, 1994, p.9). The long-term unemployment is one of the basic causes of the large poverty increase. According to the latest data, about 25 percent of the total population in the country are poor.

2.2. Legislation and Policies in the field of labor market

During the transition period, the regulation of the labor market in the Republic of Macedonia was set-up on the new basis. The Constitution and the Law on the Labor Relations, which was enacted in 1993, basically regulate the functioning of the labor market. Up until today it is harmonized with the contents of 66 conventions of the International Labor Organization. Except with the mentioned law, other special laws arrange particular issues from the labor area, such as: the Law on the Public Servants, the Law on Protection During the Work Process, and the Law on the Strike. Unfavorable economic situation in the last decade, that induced large changes on the labor market, imposed a need for undertaking the Project for Structural Reforms of the Public Sector and the Labor Market, whose realization begun in 1997 with the financial support of the international institutions.

The aim of those reforms was to improve the labor market flexibility, to increase the demand of new workers, to adapt the availability and duration of the benefits based on the unemployment status, improvement of its payoff, improvement of the organization and technology implementation in the institutions where those benefits are effectuated (Stojan Trajanov, 2002, p.19-22). In this context, two laws were brought: the Law on the Employment and Insurance During the Unemployment Status and the Law on the Social Protection. Legislation is very important for alleviation of the labor market problems, and it contains concept of the main politics regarding labor market, and especially employment.

2.2.1. Active labour policies

Active labour policies are defined within the Macroeconomic policy of the Government, Law on the Employment and Insurance During the Unemployment Status, as well as other programs and projects regarding the labor market. There is strong determination in the Macroeconomic policy of the Government for active approach toward labor market, expressed mostly by operationalization of the Program for increase of the employment and labor market flexibility. The program contains tasks for improvement of legal frame for employment stimulation, by enacting new or changes of the current legislation. In that purpose, Law for Employment stimulation was enacted in 2003, which contains measures for employers' benefits for employment of certain categories of long-term unemployed persons, through participation into employers' expenditure regarding new employees. Similar Law was already enacted in 1998 and some positive effects were notified.

At the same time, changes for improvement of labour market flexibility have been done on the Law of Labour relations, and Law on the Employment and Insurance During the Unemployment Status. The changes are focused on simplification of the procedures for labor force inflow and outflow from the labor market, financial relieves for the employers, and decrease of the unemployment benefits in order for unemployed to be more stimulated to seek for job.

Active labour market instruments are first of all focused on qualification measures - training and advanced training, retraining, management training, consultancy services and help for start up of small business, etc. Measures aimed at creating employment or preserving jobs, e.g. wage subsidies, employment programs, financial support for business start-ups, and subsidies for the employment of particular groups, were presented in a lesser extent. In that regard, the Project for Development of Small and Medium Enterprises that has begun in 1996 is of great importance. Ministry of Economy of Republic of Macedonia coordinates the project, with participation of few competent institutions. The aim of the

project is identification of initiatives, preparation of new projects and their realisation, in order of job creation. As result of this project, certain number of SME's was established, but there is evident need for financial support for start up of new businesses, as precondition for better achievements within this initiative.

Besides aforementioned project, active labour policies also are implemented by realisation of the Project for Social Reforms and technical support, financed by the World Bank. This project has started in 1997 and should end in 2003. Within different programs covered with this project, more then 31.000 unemployed persons got an employment, and more then 11.000 of them, have kept their jobs. Also, employment of 3.300 unemployed people was realised within the PRISMA Project for local development in R. Macedonia, through promotion of partnership, capacity building and municipality development in the country. Time frame of the Project is September 2000 - September 2003, and it is realized by the Ministry of labour and Social Policy of Macedonia and other competent institutions, with Financial support of USA Ministry for Labour and USAID.

In April 2003, another project focused on employment and labor market flexibility had started. It's in the frame of CARDS Programme, with aim to set base for the National Action Plan for Employment. The project should last two years, with possibility for another two years. The National Action Plan for Employment should contain defined active policies and measures for employment, based on four pillar system of EU regarding the employment and organizational promotion, as well as institutional capacity building for implementation of the active labor market policies and measures.

2.2.2. Passive labour policies

Passive labour market policies and measures are mainly defined in the Law on the Employment and Insurance During the Unemployment Status. It have to be stressed that most of the most of the state efforts in the past few years, were focused on pecuniary compensation for the temporarily unemployed persons and insurance in the case of unemployment. With the Law on Employment and Insurance in the Case of Unemployment (1997), the rights on insurance in the case of unemployment are defined, as well as the rights on health insurance for the unemployed persons that do not have health insurance. There also belong the beneficiaries of pecuniary compensation and the right on pension and disability insurance for the beneficiaries of the pecuniary compensation.

The workers that lose their jobs are applying in the Employment Office and in compliance with the mentioned Law, they realize the rights on the pecuniary compensation in the first year in the amount of 50 per cent of the salary that they earned in the last 12 months, and 40 per cent in the second year and latter on. The period of use depends on the probation years and this kind of compensation can be used between 3 and 14 months. As for the workers that have lost their jobs and are at the age of more than 55 and have a probation of more than 15 years, they can use this right until they obtain a new job or until they acquire a retirement rights.

For the persons that are beneficiaries of the pecuniary compensation, the health protection and pension and disability insurance are provided based on the mentioned Law.

The funds for the pecuniary compensation and other expenses for those persons are provided by the Employment Office - from the employment contributions, and from the Budget of the Republic of Macedonia. There is a tendency of growth of the number of beneficiaries of pecuniary compensation as follows:

Table 11 Number of beneficiaries of unemployment allowance in Macedonia

| | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 |
|---|--------|--------|--------|--------|--------|--------|
| Beneficiaries of unemployment allowance | 49,881 | 40,713 | 32,362 | 35,246 | 41,375 | 46,772 |

Source: Employment Bureau of the Republic of Macedonia

Activities in the field of the employment policy and labor market policy were up until now financed by contribution-based funding, tax-based funding i.e. funding from the government budget and other, primarily foreign sources (foreign financial institutions, PHARE-programs, grants etc.). By contribution-based funding via the employment contribution, which is amounting 1,6 percent of the gross salary, around 22 percent of the expenses related to the activities in the area of labor relations are financed. The foreign funds, inflowing by the various sources, are not too large, but having in mind the financial situation of the country, they cannot be neglected. Greatest part of the activities in the field of the employment and labor market policy were financed from the government Budget, which is high burden for the state.

2.3. The challenges of EU accession regarding labor market

2.3.1. Preconditions

The main challenge of Macedonia on its path to EU integration is achievement of political stability and economic growth. The second one is directly linked with the human resource capacities within the country and the rate of their utilization. That presupposes activation of human resource potential, i.e. increase of productivity and competitiveness that will result in increase of living standard in R. Macedonia.

In unfavorable constellation of labor market, Macedonia will face a very difficult task to accomplish balance between the level of employment protection and necessity of labor market flexibility. Thereby, Macedonia has the following tasks (Dimitrieva, Janeska, 2000, pp.80-81):

- Adverse situation in the employment distinguishes the need for dynamization of the economic development and creation of jobs. Labor market functioning is almost impossible without increase of the labor force demand;
- Considering the large participation of the informal sector - gray economy, it is necessary to decrease its dimensions, which will result negative influence on the formal sector to be avoid. At the same time, it will lead to decrease of the differences in the number of employed in both sectors;
- Elimination of the institutional inflexibilities of the labor market, highly influenced with the aforementioned tasks;
- Continual investment in the human capital in the country that should be consistent with the needs and development orientation of the country. At the same time, it presumes permanent education compatible with the EU standards.
- Enhancement of the professional mobility of the labor force, as important factor for the labor market flexibility.

Fulfillment of the aforesaid preconditions is very important in the process of association of Macedonia to EU. In that aim, political strategy and measures regarding employment, labor market, legislation, education, etc. are essential.

2.3.2. Directives

With the Stabilization and Association Agreement, Macedonia undertook the obligation for gradual harmonization of its legislation with the EU directives. Because of the complexity and time consumption of that process, the harmonization goes along with the Program of the Government of the Republic of Macedonia for the Approximation of the National Legislative to the Legislative of the European Union. Within the group of directives that are to be harmonized in priority, in the part concerning the bylaws in the area of labor, harmonization of the following directives is scheduled for the 2003:

- The Directive of the Council 75/117/EEZ - on the principle of equal salaries for men and women,
- The Directive 76/207/EEZ - on the equal accessibility to jobs, education and equal working conditions,
- The Directive 80/391/EEZ, dated 12.06.1989 - on safeguarding the health of the workers,
- The Directive 97/80/EEZ, dated 15.02.1997 - on the obligations in evidence in the case of gender discrimination,
- The Directive 92/58/EEZ - on the measures in improvement of the security and health of the pregnant mothers.

Within undertaken activities, the Directive 80/391/EEZ and the Directive 92/58/EEZ are already accepted and embedded in the Law on the Protection of the Work Place. Implementation of other three Directives (76/207/EEZ, 97/80/EEZ and 75/117/EEZ) in Macedonian legislative is underway. In that aim, the Government of the Republic of Macedonia in March of 2003 accepted the changes and supplements on the Law on Labor Relations, where the supplements in that direction are provided for.

In the Law on Labor Relations a clause is included by which any discrimination of the employers toward persons seeking for job is forbidden. In the same clause, it is defined that the men and women must be provided with equal treatment in the phases of employment, advancement in their career, work insurance, work conditions, working time and in canceling the job agreements. Besides this, the mentioned Law contains another clause by which the employer is obliged to pay the equal salary for the same conditions on the work place.

Besides the aforementioned Directives, in the next phase of the Governmental Program for Approximation, other directives regarding employment are included. They include basic and directions of the strategic aims of employment, as well programs for their realization. All that is based on four pillar system of 19 EU Directives.

The first pillar devoted on increase of the employment include few Directives (job creation, prevention of long-term unemployment, replacement of passive with active labor market measures, development of social partnership, life-time learning system, stimulation of occupation schools work, etc.)

The second pillar includes few directives linked stimulation of entrepreneurship, third pillar comprises the Directives regarding the enterprises and employees flexibility, and forth pillar includes Directives for equal employment opportunities for gender, compatibility between the professional and family life, inclusion of persons with disability on the labor market, etc.

The Directives contain the politics, strategies, measures and objectives of the labor market. The Directives aim is to help the countries in harmonization of the legislation,

introduction and implementation of strategy for labor market development, as well shaping of instruments for active labor market measures that will comprise economic and social objectives.

3. Social policy

3.1. Current state – factors, problems and policies

3.1.1. Social insurance

The negative economic movements during the transition period, which led to a significant decrease in the number of employed persons, on the one hand, and increase in the number of the unemployed persons, on the other hand, did result in drastic changes in the social security in the country. Social security in Macedonia is provided by organized system of insurance that includes: pension and disability insurance, health insurance and insurance in the case of unemployment. They are partially financed by the contributions paid on the salaries, and partially from the Budget of Macedonia.

The contributions are calculated as a particular percentage of the gross salary, and they are amounting:

- 21,2% for the pension and disability insurance,
- 9,2% for the contribution to the health insurance and
- 1,6% for employment.

Health insurance is not subject of interest in this project. Below, we'll comment pension and disability insurance, because insurance in the case of unemployment is already explained as part of the passive labor policies.

a) Pension and disability insurance

The pension system in the Republic of Macedonia was not immune to the changes that happened in the country in the last decade. In 1993, the Law on Pension and Disability Insurance was enacted, and came into force in January 1994. Several changes and supplements have been done afterwards.

Adverse movements in the economy in the last decade had generated: decrease of the number of employed persons, increase of the number of unemployed and increase of the number of retired persons. The number of pension beneficiaries was 158.964 persons in 1990 and grow to 249.421 pension beneficiaries in 2002. Analogous, the ratio between the retired and employed person has changed. In 1990, one retired persons did relate to 3.19 employed persons, in 1996 - 1,53 and in 2002 the ratio was one to 1,12 employed persons. Such circumstances led to the decrease of the revenues and increase of the expenditures of the Pension and Disability Fund and high degree of illiquidity in the pension payoff. For the sake of overcoming such situation several measures in consolidating the Fund were undertaken. Most important among them are: the increase of the contribution rate, the introduction of the excise tax on oil derivatives, the revenues on the security sale, the restriction on the claims on the pension and disability insurance and exception of part of the claims on the pension and disability system as a social claim.

With the undertaken measures, some positive effects concerning the financial consolidation of the Fund were achieved. The influx of new beneficiaries and the amount of pension were decreased, so that the relative expenditure on the pension and disability

insurance was also decreased. The regularity of the pension payoff was also improved. But, with these measures only the short-term results can be obtained, having in mind the demographic movements in Macedonia in favor of population aging. There is awareness in Macedonia that long-term results in pension system could be achieved only with its reform. The preparations for reforms were carried out in collaboration with the World Bank. The framework for a multilayer pension system was prepared and legally established within the changes and supplements of the Law on the Pension and Disability insurance enacted in March of 2002. The changes were focused on the obligatory pension and disability insurance of the employed persons and other persons performing economic activity. Also, the basic of the capital financed pension insurance was defined. The new system of the pension and disability insurance is composed of three pillars:

- compulsory pension and disability insurance based on the generational solidarity (the first pillar). This pillar is organized on the principle of the current financing with defined pensions, which resembles the current system. This kind of insurance will provide the realization of the pension and disability rights in the case of old age, disability and death,
- compulsory capital financed pension insurance (second pillar). This pillar represents a capital financed system with defined contributions. This insurance is provided for the pension insurance in the case of old-age, i.e. old-age pension will be paid. This kind of insurance is on the principle of collecting the funds by paying the contributions on the personal (private) accounts. The funds will be further invested, and together with the yield will be accumulated on the accounts. After the retirement, the accumulated funds will be paid off by the means of annuities or programmed drawings, and
- voluntary capital financed pension insurance (third pillar), where all the persons that want to ensure higher amount of material security than with the compulsory insurance, as well as all the citizens that are not encompassed with the compulsory insurance, could be included.

Within the reform of the pension system, the Law on Compulsory Capital Financed Insurance was enacted in May 2002. with which the compulsory capital financed insurance, the establishment and functioning of the pension reforms and the pension funds management societies as part of the system of the pension and disability insurance and establishment and functioning of the Agency for the Supervision of the Capital Financed Pension Insurance are arranged.

Preparation of secondary legislative for the implementation of the new system is underway. The aim of the reforms in this area, i.e. the introduction of the multi-pillar system is safeguarding the liquidity of the Fund and certitude of the rights in the medium and long-term.

The pension insurance rights are: the right on old-age pension; the right on disability pension; the right on the allocation to another work place; the right on adequate employment; the right on retraining and retraining and the right to equate allowances; the right on the family pension; the right on allowance for the physical accident and the right on the pension threshold.

The right on old-age pension is effectuated when the insured persons will reach an age of 64 (for the man) and an age of 62 (for the woman) and at least 15 years of probation, so that the condition for the age of the woman is increased every year by half a year until the woman reaches an age of 62 up until 31.12.2007. It is allowed by the Law that the insured woman that on 1.09.2000 did have a pension probation of over 30 years and the insured man that did have pension probation of over 35 years, to be able to realize the right

on old-age pension under the conditions of the former Law, i.e. when the woman will reach 35 years, and the man 40 years of probation, irrespective of age.

The Law defines the highest and the lowest amount of pension. To preserve the real value of the pensions, the possibility to adjust the pensions to the increase of the average salary in the Republic of Macedonia is provided. The funds for the pension insurance and the rights based on this insurance within the first pillar are provided, i.e. are realized in the Pension and Disability Fund of the Republic of Macedonia.

3.1.2. Social assistance

The Law on Social Protection, enacted in 1997, regulates the social protection in the Republic of Macedonia. Before, the annual Programs of the Government of the Republic of Macedonia defined social protection for the Protection of the Socially Vulnerable Population, based on the Bylaws in this area. The right on the social aid was defined according to the revenues of the household. Every household with smaller revenues than the threshold, defined by the Bylaw, did have a right to a social aid. The portion of the aid was from 25 per cent for one-member family up to 50 per cent of the average salary in Republic of Macedonia for five (or more) members household.

In 1996, a new Program on the Social Protection was prepared in cooperation with the World Bank. Preparation of the Program was part of the project for reform of the social sector in Macedonia that has started in 1995. Criteria, Levels, Manner and Procedure in Effectuating the Social Aid were defined within the Program for Social protection. The Program was based on the research for the poverty level in the country, carried out on the generally accepted international standards.

The new system of social protection was legally established in 1997, when the Law on Social Protection was enacted. Its aim is to enable the efficient manner in satisfying the social needs of the citizens. It's applicable to all the population in the Republic of Macedonia, and its implementation goes via 30 Centers for Social work and 11 institutions for social protection. Funding is provided by the Budget of the Republic of Macedonia.

The Law on Social Protection is prescribing several kinds of social protection, out of which, the most important are social benefits. The social benefits are encompassing different kinds of social aid: social pecuniary aid, permanent pecuniary aid, pecuniary compensation for the aid and care and other social benefits. Most significant among them is social pecuniary aid.

a) Social pecuniary aid

Social pecuniary aid has primary role in the system of social protection in Macedonia. It is focused to alleviate the social position of the most socially endangered population, i.e. persons that cannot provide funds for their subsistence and the subsistence of their families' members. Importance of social pecuniary aid is confirmed with huge number of users. Number of households - beneficiaries of social assistance has been increased to a great extent in the last few years. In 1997, about 65.000 households were beneficiaries of social aid, while in 2002, the number was around 81.000 households! Bearers of the right for social aid are most often: unemployed persons, employed persons that do not get salaries in prolonged period of time, the retired persons that get low pensions, as well as other households without income.

Conditions, criteria, amount and procedure in obtaining the right on social aid are defined in the special Bylaw, as documents that precise certain issues prescribed in the Law for Social Protection. The Government of Macedonia adopted bylaw in 1998.

As said above, the criteria in the Bylaw are prepared in cooperation with the World Bank. They are as follows:

- Unique level of social aid (for the urban and rural areas);
- The amount of social aid depends on the size of the household, i.e. the number of members of the family, as well as revenues;
- Time limitation of the social aid. The aid can be used in full amount only in the first two years of gaining the right; in the third, fourth and fifth year the amount is reduced by 30 per cent, and in the sixth year the aid is reduced by further 20 per cent.

The time frame is defined so that the beneficiaries will be motivated to seek for job, i.e. it comprises their inclusion in the labor market. The exception from this rule is made only for particular categories of households, prescribed with the Bylaw.

Based on the criteria contained in the mentioned Bylaw, all the citizens of the Republic of Macedonia have the right on the social aid. The basic provision for this right is a material and tenement status of the household. In proving the material status the following revenues of the household are taken into account: the salaries and descendants on the salaries, pensions, child benefits, unemployment benefits, permanent pecuniary aid, the revenues based on the property and property rights, revenues from the agricultural activities, revenues from the economic and professional activities done with the personal work, revenues from the temporary work abroad, alimonies, dividends, savings interests, civil disability aid, bonds based on the savings in hard currency and other revenues. The household, whose members, except the house or apartment where they live, are in a possession of any kind of real estate or registered motor vehicles, cannot obtain the right on social pecuniary aid.

The amount of aid is calculated based on the number of persons in the household and based on the relative poverty line. In the moment of defining the level of the social pecuniary aid in 1998, the sum for five (and more)-member household amounted 45 per cent of the average monthly salary by the worker in the Republic of Macedonia. In December of 2002, it amounted 36,4 percent of the average monthly salary by the worker in the Republic of Macedonia.

Table 12 Social Assistance beneficiaries in Macedonia

| Year | Number of Households - Social Assistance beneficiaries | Total expenditure in millions denars | Total expenditure in millions USD* |
|------|--|--------------------------------------|------------------------------------|
| 1997 | 64,486 | 2,413 | 43.54 |
| 1998 | 62,712 | 2,327 | 44.89 |
| 1999 | 68,087 | 2,521 | 41.78 |
| 2000 | 75,277 | 2,442 | 37.38 |
| 2001 | 77,309 | 2,273 | 32.86 |
| 2002 | 81,026 | 2,302 | 39.28 |

* calculated by the exchange rate on 31.12. of National Bank of the Republic of Macedonia

Source: Ministry of labor and social policy of the Republic of Macedonia

In analyzing the social pecuniary aid one can notice that it does have a positive influence on the poverty decrease.¹ This is confirmed by the information obtained in the analysis of data of the Survey of the household consumption in 2000, based on which 32.8

¹ Dr. Robert Ackland, Macedonia Technical Assistance for Poverty Monitoring Consultancy, Final Report, March 2002.

per cent of the households in the group with lowest income are social aid beneficiaries. If the social aid to poorest group would be exempt, the percentage would amount 42.9. The social aid is participating with 19.1 per cent of the total revenues of the households - social aid beneficiaries, whereas within the poorest households this participation is significantly higher and is amounting 32.6 per cent.

The structure of households based on the bearers of the right for social aid shows that the largest part (92 per cent) of them is unemployed persons. Based on the age, largest part of the bearers are aged between 30-40, or about 37 per cent, and at the age less than 30 - about 27 per cent. Based on the qualification structure, highest is the percentage of the bearers with low qualification structure (non-qualified, semi-qualified and with basic education) - about 60 per cent. Based on the size of the household, about 50 per cent are with four and five household members.

The specified data are reflecting the adverse situation on the labor market, which is alarming the need to undertake the measures by which it would be possible to employ the bearers of the social aid rights. In that context, there are activities undertaken for adoption of the special Law on Employment Stimulation, by which a particular benefits are given to the employers who will employ social aid beneficiaries. According to that Law the employer who will employ the social aid beneficiary, will be reimbursed of the payment of the contributions for the newly employed person within the period of two years.

3.1.3. Social Dialogue

Social dialogue in Macedonia had been pursued on bipartite and three-partite level. In the last few years, bipartite dialogue was quite intensive and two general collective accords were signed, first one for the economic sector (between the employees and trade Union) and the second one for the so-called public sector (between Government and the Syndicate). Also, about 30 collective accords for particular sectors of the economy were signed. Within this period, institutional and legal base for three-partite dialogue was set. In that aim, Agreement for the formation of the Economic-Social Council was signed in 1996 that should function as a tripartite body consisting of nine members, representing the Government, the Syndicate and the employers. Each social partner has three representatives in the Council, elected on four years.

The Economic - Social Council is crucial body for the social dialog in Macedonia. It deals with different economic and social issues, highly important for the Macedonian citizens. The Council considers problems with macroeconomic nature, and suggests recommendations and solutions. Especially important are considerations of measures for economic development, labor market problems, social security, employment, job conditions and job protection, health, education, social and children protection, etc. The Council is in charge of peaceful solution of the collective employment disputes, coordination of the work among social partners and development of the mechanism for tripartite cooperation.

The cooperation between the social partners is realized through preparation and implementation of the labor market projects, participation the social partners representatives in the Executive Board in the Employment Bureau, involvement in organization of seminars regarding social dialogue, on national and international level, etc. In December 2002, the members of the Council have agreed on and signed Social Agreement for the further directions, activities and measures that social partners should focus on in the upcoming period.

In aim for better achievements in the work of the Council, there is continual cooperation with the International Labor Organization, Stability Pact and Council of Europe regarding different issues related to international law regulation, especially related to social

dialogue. In the frame of international cooperation, few ILO conventions were ratified, and activities for signing and ratification of the Convention for Social Dialogue and Convention for Social Insurance are undertaken. It is expected that cooperation with international organization will act in favor of promotion of social dialogue in the country and will contribute to solution of the most problematic issues on the labor market. Also, decentralization of the social dialogue is set as tasks within the activities in local self-government, where experiences for other countries, especially EU countries would be helpful.

3.1.4. Policies

Within the policy in the system of social protection, several measures have been undertaken to decrease the poverty in the country. In the frame of the undergoing "SPIL" project of the World Bank, an analyze of the procedures and criteria for certain social benefits, as well as organizational structure of the programs for social protection should be done. Main aim of this project is improvement of administration of the benefits; in order more justified distribution of the social aid to be provided, i.e. toward poorest categories of the Macedonian population.

The activities and measures in the social protection system during 2003 and later on, will be focused and realized within the Macroeconomic policy, the implementation of the National Strategy for Poverty Alleviation and the Program on the Measures in Increasing the Employment and the Labor Market Flexibility.

Besides the specified measures, part of the measures in the area of social protection will also arise from the implementation of the undergoing PHARE project: Development of the Social Sector and the Employment, Capacity and Institution building and Development of Social Care and Protection, and other projects of the CARDS Program, as well as the projects related to the social sector reforms within the arrangements with the international financial institutions.

3.2. The challenges of EU accession regarding social policy

Considering the current stage of Macedonia in EU accession, big changes in Macedonian social situation and social policy shouldn't be expected. There are no specific EU Directives in the sphere of the social system that are defined as priority for harmonization with the Program of the Government of the Republic of Macedonia for the Approximation of the National Legislative to the Legislative of the European Union. But, already mention Directives 75/117/EEZ - on the principle of equal salaries for men and women and 76/207/EEZ - on the equal accessibility to jobs, education and equal working conditions contain regulations for certain social security issues.

There are few bilateral conventions in the area of the social insurance. In the last few years, Macedonia has signed conventions with Austria, Switzerland, Denmark, Slovenia, Croatia, SR Yugoslavia, Bulgaria and Turkey. Conventions with Germany, Holland, Czech Republic and Poland are about to be signed, and negotiations with several other countries are undertaken. Conventions with the aforementioned countries were signed in purpose to arrange the social status of the citizens that live in the other, signing country. Usually, the financial transactions among Social Funds in Macedonia and Social Funds in other countries are asymmetrical, i.e. number of Macedonian citizens that live abroad or have right on pension from another country is far bigger. Issues regarding right of pension and disability insurance, health insurance, insurance in case of unemployment and health

protection are regulated with the mentioned Conventions. There are no particular problems in use of signed Conventions and they contribute to better relations between the signing countries.

EU regulation for social insurance serves as base for new Conventions. EU regulation is respected as part of the efforts and activities for undertaken process for Harmonization of Macedonian legislation with EU laws. Very important part of the process of Harmonization is activities for signing the European Social Agreement of the Council of Europe. As one of the basic legal documents of EU, regarding the socio-economic and labor market issues, European Social Agreement is considered as base for improvement and promotion of Macedonian legislation, having in mind that all the regulations in Agreement are binding.

4. Migration policy

Concerning the international population and labor force mobility, the Republic of Macedonia is distinguished from the accession and non-accession countries by its specificities. International migrations of Macedonia were gradually liberalized and have reached significant intensity in the second half of XX century. They are characterized with the varying volume and dynamic of immigration, and with the continued increase of emigration. Big changes in the intensity and types of this migration were noticed in the period of social and economic transition. Having in mind the huge volume of emigration² as well as the large migratory potential, the stress of the analysis is on emigration. Also, brain drain is located as hot issue in Macedonia and for that regard, a project untitled as: "Migration of the highly educated and expert cadres from Republic of Macedonia - reasons and consequences" was undertaken in the period 2000-2002, by the Institute of Economics, University "Ss. Cyril and Methodius" - Skopje, Republic of Macedonia. A survey about the migration intentions of the students in final years at few faculties was undertaken within the mentioned project, and the results for migration intentions of the students from Electrical Engineering Faculty (ETF) and Mechanical Engineering Faculty (MF) are taken and presented in this study.

The analysis of the contemporary international migratory movements showed that, because of the lack of comprehensive data from the domestic and foreign sources, it is very difficult to determine the amount and dynamics of the immigration and emigration.

4.1. Push and pull factors

4.1.1. Demographic processes

Concerning the demographic processes we can conclude that, for the country as a whole, they are not significant push factor for the emigratory movements. In the last two decades the natural population increase noticed continuous decrease, which was particularly emphasized during the transition period. The low birth rates, i.e. fertility rates since 1994,

² The quantification of the total number of citizens that left the country since 1945 up until now, made on all available administrative and statistical data sources, show that it is between 525 and 540 thousand persons. The approximation of the total number of the Macedonian citizens that currently live abroad showed that it is very large, amounting between 320 and 350 thousand persons (Verica Janeska, 2001, pp. 172-178). Today it represents between 16,1% and 17,6% of the total population present in the country.

do not provide simple population reproduction, meaning generation reproduction of the total population. The analysis show that in the last decade the development of population does not have evolutionary and normal trend, but it was under influence of many external factors (social and economic transition, emigration, wars in former Yugoslav Republics, economic sanctions, military conflicts in Macedonia) (Elka Dimitrieva, 2002, pp. 37).

In the national framework, the population development by regions is characterized by different level of bioreproduction of the population. So, the rise in the number of migrants in part of the areas with high natality from the western part of the country, among the other things, is under the influence of increased population concentration, especially the agricultural population.

The population projections up to 2020, for Republic of Macedonia as a whole, show that the demographic processes will not be significant push factor for the labor force emigration in the future, because of the expected decrease of the average annual growth of the working-age population.

**Table 13 Average Annual Growth of the working -age
in Republic of Macedonia, 1994/96 (medium projection variant)**

| Period | Without migrations | With constant migrations | With reduced migrations |
|--------------|--------------------|--------------------------|-------------------------|
| 1994/96-2000 | 12.706 | 5.747 | 7.566 |
| 2001-2005 | 10.962 | 4.346 | 5.155 |
| 2006-2010 | 7.284 | 273 | 1.954 |
| 2011-2015 | 1.926 | -5.688 | -2.664 |
| 2016-2020 | -1.068 | -8.969 | -4.469 |

Source: Statistical Office of the Republic of Macedonia,
Population Projections of the Republic of Macedonia until 2020, by Age and Sex, 1998

The accomplishment of the projection variant without migrations is impossible in the current circumstances. The really accomplishing one would be a third variant, but with presupposition that the corresponding measures and activities would be undertaken. On the contrary, the Republic of Macedonia will face minimal growth in the near future, and latter on high negative growth of working-age population.

4.1.2. Labor market situation

As elaborated in the part for labor market, the main problem in Macedonia is very high rate of unemployment. In the nineties, the transition lead to significant employment decrease and enormous rise in the unemployment rate, which, based on all the estimates, is higher than 30,0%. This is one of the significant reasons for intensifying emigration from the country in the last decade. Huge supply of the labor force on the labor market, on one hand and low demand of the other, is determined by lack of job creation and low flexibility of the labor market. All this is affected by deep economic crises in the country and low investment rate influenced by high political risk of the region in the past few years.

High unemployment rate of the highly educated persons is contributing the most for emigration decision of this category of citizens. Besides the unemployment, the important factor which is influencing the decision of employed highly educated persons and young specialists to leave the country is seriously disrupted system of values in the last decade -

lack of respect to the work, workmanship underrate, limited possibilities of professional promotion, lack of responsibility which is accompanied with highly developed system of privileges etc.

Long-term unemployment is one of the main reasons for emphasizing of the unfavorable situation of the labor market that had enormous influence on the living standard, and poverty increase in the past decade. As mention before, about 25% of the total population in Macedonia are under poverty line.

4.1.3. Income gap

As result of the long-lasting economic crises in Macedonia, reduction of the dynamics of the economic growth and numerous social disruptions had happened. The development stagnation, and deep social and economic crisis were inherited from the 1980's, and were accentuated in the transition period. All this lead to continuous deeping of the income gap between developed countries and Macedonia.

One of the indicators for identifying income gap are differences in hourly labour price in developed countries and Macedonia. For example, the labour price of unskilled labour force in manufacturing is: 31,88\$ in Germany, 29,28\$ in Switzerland, 24,18\$ in Nederland, and 16,48\$ in Italy (World Bank Investment Report, 2001, pp.45), while in Macedonia, the labour price of unskilled labour force in manufacturing is 2,20\$. Normally, big income differences are strong stimulants for the emigration from Macedonia, considering the determinant influence of the incomes on the living standard.

4.1.4. Qualification of the labor force and demand for services

The educational structure of labor force in Macedonia, where low educated persons prevail is not vital push factor for emigration. The number of emigrants, as well as their educational structure is determined mostly by the development and immigration policies of the receiving countries. Having in mind the increased selectivity in the receiving countries, it is easier for the highly educated persons to emigrate from the country, although their share in the total available labor force is not high. Regarding that, emigration from Macedonia couldn't produce notable pressure on the labor market in the receiving countries.

Also, emigration is determined by the restricted movement of macedonian citizens, because of the rigid visa regimes. Free movement of persons within the EU is not applied on Macedonia, in spite of the treatment of other accession countries. That could be treated as a factor of difficulty for the Macedonians to establish contacts for work, as well to follow the demand for labor force in EU countries.

As for the demand of services, there is Convention between Macedonia and Germany for temporary employment of construction workers. Also, there are few other initiatives for signing of similar Conventions with Greece, Italy and Slovenia that are determined by the need of labor force in specific sectors in these countries.

4.1.5. Proximity

A specific characteristic of the emigration from the Republic of Macedonia is the traditionally large share of the overseas countries. The census data are showing the migrants' main destinations, even though they do not show their real amount. Namely, the

total number of Macedonian citizens in the European countries could be estimated at around 170.000 persons, and in the overseas countries at between 150.000 and 180.000 persons. We can conclude that so far, geographical distance and transport costs were not significant push factor for emigration. This conclusion is also valid for the receiving EU countries, having in mind that macedonian citizens have emigrated more in Germany, then in Greece or Italy - geographically closer to Macedonia.

4.1.6. Traditions and networks

The tradition, the formation of numerous Macedonian communities and the established migratory links represent important, if not crucial determinant of the contemporary emigration from the traditionally emigratory areas and, after 1981, from the municipalities in the western part of the country.

The economic emigration started in the first half of the sixties with the temporary employment abroad and permanent emigrations in the overseas countries. The greatest part of the migrants were from the traditionally emigratory municipalities, the areas from which the migratory movements toward abroad last from the beginning of the century.

In the last decade a relatively large number of persons with lower education level succeeded to find an employment abroad, primarily in the receiving European countries (Germany, Switzerland, Italy). It is mostly a result of the established migratory networks, by the employment in the preceding decades, mediated by the employment bureaus. The significant increase of the number of the macedonian emigrants in these countries since 1996, is result of the changes in the Bylaws of these countries that have enabled reception of the family members of the migrant workers.

The influence of the tradition and migration networks is confirmed and by applying the method of multiple straight-line regression and correlation³, used for research of the emigration and socio-economic development of Macedonia. The results of the sample from thirty municipalities in the country in 1971, as well as for the sample from the twelve municipalities with high emigration intensity in 1971 and 1981, showed that the selected independent variables represent the significant determinant of those movements. Based on the analysis of 1981 for the first sample and of 1994 for both samples, the majority or none of the selected variables in the model did not have statistical significance. So, we can conclude that the emigration rise in the last decade is under the influence of some other factors - tradition, migration links, disrupted system of values, etc.

4.1.7. Ethnic and political problems

The volume and intensity of the migratory movements of Macedonia were also determined by the political turmoil in the region and in the country, in the last decade. Because of the wars on the territory of Former Yugoslavia, Macedonia had face with two refugee crises that induced increase of the immigration. Significant part of the refugees remained in the country, and they are burden for the state, having in mind the economic crises and high unemployment of macedonian citizens.

³ The correlation between the emigration and Gross Domestic Product per capita, the unemployment rate, the crude rate of natural population increase, the agrarian population, the realized investments per capita and the share of employed in the total population was analyzed (Verica Janeska, 2001, pp. 253-261).

The political events and political instability in the country, as well as war conflict in 2001 had big influence of the Macedonian citizens to leave the country permanently or temporary. In the 1990's, an increase of the permanent emigration of big number of families in the overseas countries. At the same time, the political instability was reason for many workers migrants that were living alone in receiving European countries, to pull their families in those countries.

4.1.8. Cultural and linguistic barriers

The cultural and linguistic barriers could not be estimated as important factor for emigration. Macedonian language belongs to the group of the Slavic languages, but Slavic countries had never been attractive destination for macedonian citizens. Macedonians have been and still are focused to emigration in the developed European, as well overseas countries. Also, the young student population, where the specific brain-drain migration potential could be located, has high level of knowledge of English language. Anyhow, the attraction of the destinations for migration is determined by the estimations of possibilities for employment of potential migrants and migration policies of the receiving countries.

Regarding the immigration movements, language and culture could be considered as factor for immigration. Especially in the period up to 1980, when the most intensive immigration in Macedonia was notified from Kosovo. The immigrants were mostly Albanians that have settled in the northwestern part of the country, where most of the Albanians in Macedonia live, that mean population with the same language and culture. Also, when the Kosovo refugee crises was over, the refugees that remain in the country, stayed in the areas where Albanians live.

4.2. Migration processes

4.2.1. Emigration

The changes in the size and the character of the emigration, in second half of the XX century, are corresponding to the phases of the social and economic development of the country and the changes of the migration policies of the receiving countries. The time frame since the gain of the independence of the Republic of Macedonia up until now is observed as a separate period, when the largest emigration wave since the start of the economic emigration was encountered.

More than 100.000 persons emigrated during the 1990's. According to the Census data the number of migrants in 1994 reach an amount of 173.611 persons. About 50.000 of them left the country between 1989 and 1994. The emigration continued in the second half of nineties with the same intensity. The available data of the Council of Europe on the number of Macedonian citizens in particular European countries confirms those tendencies.

The changes in the structure of migrant workers based on the education are corresponding to selectivity criteria of the receiving countries. The number of highly educated labor force that left the Republic of Macedonia is at least twice as much as the registered one (about 11.000 persons according to the 1994 Census data). Those are highly educated and skilled persons of the different specialties, especially those of the technological and natural sciences. Part of them, having in mind their profile (engineers,

Information Technology specialists etc.) are more easily included in the labor market in the receiving countries and find suitable employment. But, besides the knowledge and qualifications, because of the fact that their diplomas are not recognized in the receiving countries, very frequently their work is valued less. Large number of them, because of the same reasons, are forced to accept lower qualification assignments, even though, based on their qualities, they do not lag behind the specialists of the domicile countries (it is especially true for the doctors of medicine, dentists, etc.)

Table 14 Macedonian citizens in particular countries

| Country | 1996 | 1997 | 1998 | 1999 | 2000 |
|---------------|-------|-------|-------|-------|-------|
| Belgium | | | | 826 | |
| Denmark | | | | | 1415 |
| Finland | | 53 | 80 | 116 | 131 |
| Germany | 33984 | 38774 | 42550 | 46167 | 49420 |
| Island | | | 3 | 6 | 10 |
| Italy | | 11596 | 13456 | 16647 | |
| Liechtenstein | 71 | 71 | 77 | | |
| Nederland | | 449 | 482 | 507 | 500 |
| Norway | | 113 | 140 | 178 | 207 |
| Portugal | | 1 | 1 | 1 | 4 |
| Romania | | | | | 1 |
| Slovenia | | 2200 | 2412 | 2277 | 3565 |
| Spain | | 19 | 33 | 36 | 58 |
| Sweden | | 1303 | 1594 | 1676 | 1819 |
| Switzerland | | 45234 | 48604 | 51142 | 54042 |

Source: Recent Demographic Development in Europe, Council of Europe Publishing, 2000, 2001

The Republic of Macedonia does not have relevant information about the number of scientist that had left the country. Based on the cognition on the flux of young highly educated persons and scientists from some faculties, and especially the intentions of larger part of young high specialists in the technical and technology sector to emigrate, one can conclude that the issue of "brain drain" in our circumstances should be treated as a highly concerning.

Today, the Republic of Macedonia is characterized by a very large migratory potential. The numbers of Macedonian citizens that temporarily or permanently leave the country is continually increased and reach panic dimensions. The potential migration consist of the unemployed persons, primarily with the University diplomas, younger highly educated persons and employed specialists that are not satisfied with their status in the country, part of the young scientists on some faculties, the final year students on the faculties of the natural and technology discipline. The special groups of potential migrants are persons educated abroad.

4.2.2. Brain-drain

The results of the survey on the migratory intentions of the students in final year of their education, on the faculties of the technology disciplines, undertaken within the project "Migration of the highly educated and expert cadres from Republic of Macedonia - reasons and consequences", by the Institute of Economics, University "Ss. Cyril and Methodius" - Skopje, Republic of Macedonia, confirm the previous conclusion. The survey questionnaire

consists of three groups of questions: personal data, migratory intentions and undertaken activities for realization of the migratory plans. The results of the survey, presented in this paper, are based on the survey sample of 117 students from Electrical Engineering Faculty (ETF) and 76 students from Mechanical Engineering Faculty (MF). These Faculties have been chosen because they produce cadres that could relatively easily find an employment abroad. Similar survey, on the same faculties was done by Macedonian Academy of Sciences and Art in 1994, but with smaller sample - 59 (ETF) and 25 students (MF). Anyhow, the results from the latest survey shown that migration intentions of the students from mentioned faculties are even more emphasized.

On the question "*do you plan/think to leave the country*", the results are as follows:

- in 1994, about three quarters of the students of ETF (76%) and MF (77%) were thinking or planning to leave the country;
- in 2003, this indicator is even higher, about 88% of the students of ETF and MF are thinking or planning to leave the country.

In spite of the high percentage (88%) of students with intentions to leave the country, relatively small number of them, have intention to leave the country permanently - 12,8% (ETF) and 13,2% (MF). Most of the students from MF are planning or thinking to leave the country for temporary employment abroad - 35,5%, while for the students from ETF, this indicator is even higher 39,3%. Very high number of the students from ETF are planning or thinking to leave the country because of the bigger opportunities for professional promotion - 43,6%, while this indicator for MF is 26,5%. Also, the share of the students from both Faculties, considering continuation of the education (on master or doctoral studies) abroad - 8,5% (ETF) and 5,3% (MF) is worth mentioning.

On the question "*in which country you would like to emigrate*", about two thirds of the students from ETF questioned in the survey, have pointed EU, as destination for their emigration. The most attractive countries are Germany, United Kingdom, Greece, France, Italy. Germany is focus country for about one third of the students from MF, and for the other third, some other EU country is indicated as favorable destination.

Very high percentage of the students from the survey sample has notified knowledge of English language - about 95% (ETF) and 85% (MF). Some of the students from both Faculties have also declared knowledge of another language. About 10% of them speak German, while French language is spoken by 10,3% (ETF) and 3,9% (MF).

In the questionnaire, a possibility for *determination of the three most important reasons for emigration* was given. The students ranging of the reasons is as following:

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

Also, students responded to the question "*What the society should do to prevent the emigration of young people*" and most of them consider that state should really put efforts for job providing. (ETF - 49,6% and MF- 43,4%), as well for increase of living standard (ETF - 41,0% and MF - 31,6%). Improvement of professional standards of work is distinguished as important precondition for emigration prevention, too (ETF - 24,8% and MF - 18,4%). In that context, students consider the advancement of the treatment of the professionals in the country as significant.

The transformation of the potential migration into definite one will depend on the future development processes in the country, changes in the personal appraisal of the persons intending to move abroad, and at a great extent, immigration policies of the potential receiving countries. Having in mind the realistically achievable slow dynamics of the economic growth and the small possibilities in resolving the unemployment problem, one can estimate that on the short and medium term, the Republic of Macedonia will face comparatively large migration potential and still intensive emigration.

4.2.3. Immigration

The number of immigrants has significantly decreased in the eighties and in the nineties. The mentioned census data (footnote 3) do not reflect the real situation of the total number of immigrants in Macedonia in the period up until 1994. The cognition based on the number of issued citizenships, as well as of those that still do not have citizenship is confirming that this number is significantly higher.

Immense changes have been encountered in the nineties, especially in the kinds of the immigration movements. Based on the data from the research mutually done by the Ministry of Interior and the State Statistical Office on the immigrated and emigrated persons, the number of immigrated between 1997 and 2001 was 5.854 persons. Those data do not reflect at all the real situation. In those data the persons that remained in the Republic of Macedonia after the two refugee crises in the region - the Bosnian and Kosovar - are not enclosed. The number of those persons could be estimated at about 20.000 persons. Besides that, the characteristic of the immigration movements of the last decade is a tendency of the growth of illegal and transit immigration. In the absence of the relevant data and profound research, its number would be hardly estimated.

First results of the Census on Population, Households and Dwellings, conducted in November 2002, show that the number of foreign citizens presents in the Republic of Macedonia less than a year, refugees, humanitarian cared persons and other amounted 23741 persons. Although they are only a first results, these data indicate a significant growth of the above-mentioned categories of immigrants.

As for the labor force immigration, it should be stressed that it doesn't have big volume in Macedonia, having in mind that the country is not attractive destination. One can conclude that is basically characterized by the unfavorable qualification structure compared to the emigration.

4.3. Policies regulating labor migration

In the last four decades, the Republic of Macedonia did not have consistent policies regulating population and labor force migration, as well as measures regarding the regulation of labor emigration and immigration. It greatly highlighted the negative effects of the international migration. The volume of the immigration was more or less uncontrolled. In the same time the emigration was at large determined by the migration policies of the receiving countries. In current circumstances of large migratory potential, if those countries would be less restrictive, the extent of the emigration would be even larger.

Anyhow, the awareness for regulation of migration issues in Macedonia was increased in the last few years. At the end of 2002 the main elements of National Action Plan on Migration and Asylum for Republic of Macedonia, were defined.

In the framework of the Stability Pact for South Eastern Europe there is a Migration and Asylum Initiative (MAI), which should contribute to the creation of national and regional regimes, providing of orderly migration and alleviation of irregular and illegal

flows. Also it should contribute to the ongoing establishment of migration and asylums systems. As important areas are identified: asylum, legal migration, illegal migration, border control, visa policies and entry policy.

Nowadays Western Balkan is a corridor for people smuggling and trafficking in human beings. It is acknowledged that present and future migration and asylum challenges require a truly regional response. So, the MAI is based on the work on Action Plans of five countries, out of which one is for Republic of Macedonia.⁴

The main objectives of the National Action Plan of the Republic of Macedonia correspond to the objectives of the Stabilization and Association Process. General objective is to set the migration and asylum systems, including on return, border management, integration and citizenship, essentially in conformity with international and European standards. Another objective is to enhance regional co-operation in this field. A basic approach is reform in the policy areas, establishment of relevant laws/regulations and institutions as well as effective management of the whole migration and asylum chain.

The existing legislation and bylaws on migration management does not meet the requirements of the international and European standards. According to the macedonian National Action Plan a draft Law on migration should be prepared before the end of 2003, in order for a new Law to enter into force on 1 January 2005 at the latest. Concerning the migration process, the visa control system should also be developed. A draft legislation on asylum has been prepared and it should enter into force not later than 1 January 2004. Bylaws, guidelines and handbooks should be drawn up and adopted within six months after the adoption of the above mentioned laws.

A necessary precondition for a successful implementation of the National Action Plan is training of all staff concerned from various ministries and authorities i.e. preparing a skilled staff of civil servants with professional and good ethic attitudes.

Having in mind the lack of comprehensive data for the international migratory movements, in the Macedonian Action Plan is pointed out that it will be necessary to introduce well functioning data system on migration and asylum. By new data system, all migration issues and whole asylum process should be covered. Also new technical equipment for effective managing of migration should be provided.

Concerning the integration policy of recognized refugees and other legal immigrants, equal rights in principle already exist on e.g. the labor market. A review of the legislation on citizenship is on going, and the amendments to the law are expected to be approved by the end of 2003.

4.4. Challenges of EU accession regarding migration movements

4.4.1. Expected changes in the emigration and the immigration

Having in mind the current situation and the expected changes in the international migration movements, from the point of view of the European Union enlargement and its influence on the Republic of Macedonia, we could emphasize the following considerations.

The characteristic of the international migrations is a tendency of continued increase of the emigration, especially labor force emigration from the Republic of Macedonia into the European Union countries. In the last decade it encountered emphasized intensity, with

⁴ The MAI Support Unit and the international organisations within the Country Team provide assistance. The Country Team for Republic of Macedonia consists of this country and the partner countries Sweden (lead country), Bulgaria, Denmark and Norway, with the participation also of United Nations High Commissioner for Refugees (UNHCR), International Organisation for Migration (IOM) and International Centre for Migration Policy Development (ICMPD).

especially large volume of permanent emigration of highly educated labor force. After the accession of the transition countries into the European Union it can be really expected to diminish the possibilities for the Macedonian citizens to immigrate into the European Union countries. But, when there are numerous communities and broadly spread networks of the Macedonian citizens, especially in some of those countries, it is possible that the emigration will continue, but with smaller intensity and with emphasized selectivity. As for the highly educated emigration, we think that it will continue depending on the needs of the labor market in the Union for specific professionals. In any case, the doors of the Union for the most qualified cadres, especially from the technical and natural sciences, will remain open, according to the labor market needs in those countries.

The current legislative concerning the employment of foreign persons in the Republic of Macedonia is incomplete and inconsistent, so the changes to secure the provisions for free labor force mobility are inevitable. Because of the adverse conditions on the labor market, one cannot expect more intensive employment of foreign persons in a foreseeable future. But, having in mind the intention to attract the foreign direct investments and joint ventures, as well as the special services based on the long-term industrial cooperation, it is necessary to adequately regulate labor force immigration (Elka Dimitrieva, Verica Janeska, 2000, pp. 90). It primarily implies a compatibility with the regulation of the European Union countries. As for the labor force, in issuing the permits for stay, the Republic of Macedonia will have to respect the criteria of the equal employment treatment and conditions, payment and other work conditions, duration of stay and work engagement, as well as to ensure the security and health conditions.

The illegal and transit immigration in the second half of the nineties is encountering an increase. In the present circumstances of transition and insufficient economic development, one can expect intensification of those movements. With the current enlargement of the European Union in 2004 with new six member countries, and latter with the other countries scheduled for the second enlargement phase, the presupposition is real that large part of the illegal and transit migration from those countries will be into non-accession countries, including the Republic of Macedonia. In such circumstances the need to formulate a suitable immigration policy and to alleviate this unfavorable situation is urgent. Having in mind the tendency toward Euro-integration, it should contain the criteria for free population and labor force movement in accordance with the policy of the European Union.

4.4.2. Directives

In this phase of approximation of the Macedonian legislation to the legislation of the European Union, and in accordance with the Program of the Government of the Republic of Macedonia, the directives concerning the freedom of movement of persons are not subject of approximation. Those are concerning: the Shengen Agreement, the European citizenship, the rights on residence, the social insurance, the right to acquire real estate by the citizens of the Union, the professional training etc.

Having in mind the mentioned problems about the recognition of the diplomas of the highly educated cadres that are appearing on the labor market in the European Union countries, it is important to underline the need to change and improve the quality of education. It implies timely undertaking the activities and measures to modify the education programs whose aim would be the recognition of diplomas and qualifications. In accordance with the Stabilization and Association Agreement between the European Union and the Republic of Macedonia in the section of the education, science and technology, it is foreseen that until 2004 an appropriate number of Directives concerning the recognition of

the qualifications will be implemented. Those are Directive for free movement and mutual recognition of diplomas of the doctors (93/16/EEZ); dentists (78/687/EEZ); pharmacists (85/432/EEZ); veterinary surgeons (1027/78/EEZ); architects (85/384/EEZ); nurses (77/453/EEZ); baby bearing nurses (80/155/EEZ). The aim of its implementation is to secure similar education for those professions within the Union and to define minimum education criteria.

5. Conclusions and Policy Recommendations

5.1. Labor market

During the transition period the development of the labor market in Republic of Macedonia faces a number of problems. Some of them should be outlined as being most important.

- First and most important problem is *unemployment*. *Very high unemployment rates* and *significant long-term unemployment* that Macedonian labor market faces are result of the registered employment decrease and the high labor force supply compared with the low labor demand,
- The second problem concerns the *lack of job creation*. The privatization process, the economic reforms and the restructuring of the economy, as well as poor investment, in the last decade lead to a continuous job destruction instead of job creation.
- The third problem is related to *lack of employment policy* and relatively small participation of the active market-market policies.
- The next problem results from the *unclear division of responsibilities* between different levels of governmental structures and civil society in establishment, implementation, management and monitoring of market activities.
- Particular problem is *lack of valid market statistics and information system* on employment development as prerequisite for good prognosis of the true dimensions of the unemployment problem.

Having in mind the size and the character of the unemployment in the Republic of Macedonia, a basic presupposition for its decrease is the *development and the economic growth*. In that context, within the development strategy of the country special care should be taken to the development of the industrial and agrarian sector. Because of insufficient economic development, opening the new jobs will primarily be under the influence of the new investments – domestic and foreign. In that sense the government would primarily have to generate a new conditions to stimulate the development of the market economy and intensification of the investment activities in the country.

Concerning the complexity of the unemployment problem, the Republic of Macedonia would have to build an *employment-oriented strategy* as soon as possible. It should be funded on a coordinated and integrated approach that the factors in the institutional and macroeconomic framework include both employment and labor-market policy interventions.

Macedonia needs consistent *employment policy* as a cross-sectoral policy that include all policy field, affecting directly or indirectly the employment of labor force as a factor of production. Concerning the sectoral policy spheres particular attention should be devoted to the regional, industrial and agricultural policy. Within the regulative and macroeconomic spheres of the economic policy adequate employment and labor market-related measures in the financial policy (taxes, contributions, subsidies) should be taken.

Also, adequate measures in the monetary policy (for further preserving maintaining monetary stability) and in the wage policy (use of the minimum wage as an instrument of social policy) should be taken (Verica Janeska, 2003).

The qualitative characteristics of the labour force are increasingly becoming the important precondition for the modern organized production. The changes in the education system in Macedonia should largely be coordinated with the development orientation of the country. So, within the education policy particular attention should be devoted to the professional orientation and the permanent education.

The *labor market policies* should primarily be oriented toward active measures and programs, particularly in job creation. As for the passive measures on the labor market, the need of its more sizeable use will also remain in the medium term. It will be under the influence of the size of the current unemployment, of the solution of the problem of the enterprises-losers, the pressure that is expected because of the liberalization of the labor market, as well as of the inflow of new job seeking persons.

In Macedonia valid labor market statistics and information system on employment development are necessary for good analysis and prognosis of the true dimensions of the unemployment problem. In the same time this is prerequisite for creating an employment-oriented policy and labor market policy, as well as for special programs for particular risky groups on the labour market (young persons seeking for job for a longer time, the persons with higher and high education, persons with lower education level, persons belonging to adult groups seeking for job etc.).

5.2. Social Policy

Unfavorable situation on the labor market had caused changes in the *social sphere*, especially in the field of social benefits. Increase of the number of unemployed persons had lead to the increase of the number of household - beneficiaries of the social pecuniary aid because over 90% of bearers of this aid are unemployed persons. This situation is an indicator of the high level of dependency between the unemployment and poverty in the country. Programs, measures and activities for decrease of unemployment are necessary for poverty alleviation in Macedonia. As primary goal in the macroeconomic policy of the Republic of Macedonia for 2003 is creation of policies that should result in active involvement of the social aid beneficiaries in the labor market. The legal aspects of this program are contained in the mentioned Law for Stimulation of Employment. Also, the need for increase of the flexibility of the labor market is already shaped into the Program for increase of employment and flexibility of the labor market. The main aim of the Program is promotion and implementation of different measures and projects focused on active labor market policies, in purpose of alleviation of poverty by employment of the most jeopardized groups of social bearers.

Alongside to the Program, activities should be undertaken for improvement of the system of social protection, in function of more justified distribution of the social aid and it's transmit ion toward the poorest categories in Macedonia. That means, revision of the criteria for rights on social aid, in order of their stimulation for employment and active participation on the labor market.

The reform the social protection system should be according to the European standards, with introduction of the pluralism in the social protection. Also, general international standards should be respected, especially in the process of deinstitutionalization of social protection that is underway in Macedonia. All this is important in the accession

process to EU, as well as experience of other countries that are in the first two groups for EU enlargement.

5.3. Migration

Concerning the consequences and implications of upcoming EU enlargement on the international migrations of Macedonia, it could be stressed that most probably, the possibilities for legal migration of Macedonian citizens to the EU countries, especially low skilled, will be smaller, due to the enlargement of the labor market of the Union. But, beside that, the migration will continue with some volume and dynamics, because Macedonia has already very strong migration networks in few countries of EU. As far as the migration of the highly educated labor force is concerned, especially from certain professions will continue without particular problems. Therefore, the existing problem of brain drain will remain.

Further intensive emigration of the highly educated persons will contribute to the serious distortions in the structural and sectoral labor force distribution in Macedonia, which is one of the most significant factors for the country's socio-economic development. In those circumstances, defining and acquiring the consistent and transparent long-term migration policy is imposed as inevitable. It should be directed toward overcoming the current situation of extensive permanent moving away, especially by the young persons with higher education levels. For that aim, the appropriate measures and instruments are necessary to be included in the migration policy.

The problem of the intensive labor force emigration could not be overcome by the partial short-term measures. The solution should be sought in a well-defined short-term and long-term development policy. It is influenced by numerous limitation factors. They impose the selective approach to the problem and a socially rational priority selection. In that context, the need for socio-economic measures, which on the medium-term should get a priority, is inevitable. Those are: the overcome of the social and economic crisis, the creation of the conditions for the employment increase, the alleviation of the problem of the unemployment, the creation of the real conditions for the intensification of the return streams, stimulation and support of the science and research etc.

Migration policy should be also directed toward the labor force immigration and overcoming of growth of the uncontrolled, particularly illegal and transit immigration. Concerning the labor force immigration, a Law on employment of foreign citizens should be drafted and enacted. The regulation of illegal and transit immigration is extremely important, because of expected increase of its volume, due to the restrictions of their volume in the new members of EU. In the Macedonia, a National Program against people smuggling and trafficking in human beings already exists. So, the effective implementation of the program must be ensured.

Within the laws on migration and asylum the return policy and procedures should be developed. Existing readmission agreements should be implemented in accordance with EU standards.

Effective border management is of high importance for the migration and asylum system as a whole. To achieve this aim it is necessary: clearly demarcated borders; a sound legal basis; non-military structures; well trained, equipped and managed services; good co-operation with the services of neighboring countries; bilateral and multilateral co-operation. Activities for improved border control are already on going through the Integrated Border Management Project funded through the CARDS programme.

As far as provision of relevant data and information for the international migratory movements is concerned, a well functioning data system on all migration issues is necessary to be introduced as soon as possible. As for the managing migration and asylum issues, special projects for an information system including new computer equipment should be initiated.

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Statistical Appendix

Main macroeconomic indicators:

| | 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 R.Macedonia

Socio-demographic data:

| | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 |
|--|---------|---------|---------|---------|---------|--------|
| Population (31.12.)* | 2002340 | 2012705 | 2021578 | 2031112 | 2038651 | - |
| Population (in mid-year)* | 1996869 | 2007523 | 2017142 | 2026350 | 2034882 | - |
| Working-age population (15-64)* | 1294505 | 1305964 | 1317624 | 1328752 | 1339909 | - |
| Active population (LFS data)** | | | | | | |
| Total | 800513 | 823826 | 806674 | 811557 | 862504 | 824824 |
| 15-64 | 793375 | 814835 | 798819 | 804048 | 845885 | 812650 |
| Crude activity rate (of the total population) | 40.0 | 40.9 | 39.9 | 40.0 | 42.3 | - |
| Activity rate of the working-age Population | 61.3 | 62.4 | 60.6 | 60.5 | 63.1 | - |

* population estimations

**Labor Force Survey (LFS)

Source: State Statistical Office of R.Macedonia

Life expectancy in R.Macedonia

| Life expectancy | 1996-1998 | 1997-1999 | 1998-2000 | 1999-2001 |
|-----------------|-----------|-----------|-----------|-----------|
| Total | 72.49 | 72.49 | 72.68 | 73.05 |
| Male | 70.37 | 70.37 | 70.48 | 70.68 |
| Female | 74.68 | 74.68 | 74.77 | 75.21 |

Households incomes and expenditures in R.Macedonia (in USD)

| | 1997 | 1998 | 1999 | 2000 | 2001 |
|----------------------|---------|--------|---------|--------|--------|
| total income | 1232.55 | 968.76 | 1039.16 | 967.3 | 897.4 |
| total expenditure | 1227.72 | 963.78 | 1037.11 | 966.77 | 898.12 |
| monetary income | 1128.91 | 892.07 | 974.02 | 906.13 | 819.03 |
| monetary expenditure | 943.13 | 759.72 | 840.13 | 759.11 | 713.21 |

Structure of household expenditures in R.Macedonia

| | 1997 | 1998 | 1999 | 2000 | 2001 |
|---|------|------|------|------|------|
| personal consumption | 85.1 | 87.7 | 88.3 | 85.7 | 87.9 |
| contributions, membership fees and other | 1.3 | 1.5 | 1.6 | 1.9 | 1.4 |
| expenditures on dwelling house and property | 2.1 | 1.5 | 1.7 | 3.1 | 2.6 |
| savings | 11.5 | 9.3 | 8.5 | 9.3 | 8.1 |

Key labor market indicators

Number and structure of employment for 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 |
| Employee | 402372 | 417966 | 405991 | 408698 | 419843 | 396680 |
| Employer | 17128 | 19014 | 43431 | 23675 | 38206 | 38369 |
| Self-employment | 66418 | 57951 | 39713 | 57684 | 55020 | 57594 |
| Unpaid employees in family business | 25101 | 44831 | 56087 | 59789 | 86239 | 68698 |
| Employment rate | 34.4 | 35.9 | 35.9 | 35.8 | 38.6 | 35.8 |

Source: State Statistical Office of R.Macedonia

Employment in agriculture, industry and services

| % of total employment in | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 |
|--------------------------|------|------|------|------|------|------|
| a) Agriculture - LFS | 16.4 | 17.6 | 18.6 | 19.7 | 21.9 | / |
| b) Industry - LFS | 32.0 | 32.2 | 29.7 | 30.7 | 31.8 | / |
| c) Services - LFS | / | / | / | / | / | / |

Employed persons in sectors in R.Macedonia (%)

| | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 |
|---|------|------|------|------|------|------|
| Private sector | / | / | 41,6 | 43,9 | 50,9 | 52,4 |
| other (social, mixed, collective, state, undefined) | / | / | 58,4 | 56,1 | 49,1 | 47,6 |

Source: State Statistical Office of R.Macedonia

Self-employed and unpaid family workers as % of total employment

| | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 |
|---------------|------|------|------|------|------|------|
| Self-employed | 13.0 | 10.7 | 7.3 | 10.5 | 9.2 | 10,3 |

| | | | | | | |
|-----------------------|-----|-----|------|------|------|------|
| Unpaid family workers | 4.9 | 8.3 | 10.3 | 10.9 | 14.4 | 12.2 |
|-----------------------|-----|-----|------|------|------|------|

Unemployment rates in the R. Macedonia

| Unemployment rate | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 |
|----------------------|------|------|------|------|------|------|
| Employment Agency* | 44.0 | 47.0 | 51.3 | 53.9 | 54.8 | 57.1 |
| Labor force survey** | 36.0 | 34.5 | 32.4 | 32.2 | 30.5 | 31.9 |

* Administrative data - persons at the age of 15 up to 59 for women and 64 for men.

** Labor Force Survey data are for the population over 15 years of age.

Source: National (State) Statistical Office of the Republic of Macedonia.

Youth unemployment (age group 15-24) in R.Macedonia

| | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 |
|-------------------------|--------|-------|-------|-------|-------|-------|
| Number, LFS | 101285 | 99820 | 78941 | 72811 | 73996 | 67348 |
| % of total unemployment | 35,1 | 35,2 | 30,2 | 27,8 | 28,1 | 25,6 |

Source: National (State) Statistical Office of the Republic of Macedonia.

Long-term unemployment (% in total unemployment)

| | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 |
|------------------------|------|------|------|------|------|------|
| Long-term unemployment | 83.1 | 82.9 | 83.8 | 83.3 | 86.9 | |

Educational level of employed as % of total employed

| | 1997 | | 1998 | | 1999 | | 2000 | | 2001 | | 2002 | |
|---|--------|------|--------|------|--------|------|--------|------|--------|------|--------|------|
| | number | % |
| 1. Higher educated, higher (bachelor, master, Ph.D) | 89473 | 17.5 | 94022 | 17.4 | 97060 | 17.7 | 94824 | 17.2 | 96141 | 16.0 | 102376 | 18.2 |
| higher (specialist) | 56766 | 11.1 | 58525 | 10.8 | 59838 | 10.9 | 55775 | 10.1 | 63120 | 10.5 | 71493 | 12.7 |
| 2. Upper secondary | 32707 | 6.4 | 35497 | 6.6 | 37222 | 6.8 | 39049 | 7.1 | 33021 | 5.5 | 30883 | 5.5 |
| 3. Lower secondary, primary and primary unfinished | 175981 | 34.4 | 189716 | 35.1 | 193301 | 35.5 | 200676 | 36.5 | 216776 | 36.2 | 206052 | 36.7 |
| | 238563 | 46.6 | 256025 | 47.5 | 254860 | 46.8 | 254347 | 46.2 | 286391 | 47.7 | 252913 | 45.0 |

Source: State Statistical Office of R.Macedonia

Educational level of unemployed, % of total unemployed, LFS, number

| | 1997 | | 1998 | | 1999 | | 2000 | | 2001 | | 2002 | |
|---|--------|------|--------|------|--------|------|--------|------|--------|------|--------|------|
| | number | % |
| 1. Higher educated, higher (bachelor, master, Ph.D) | 21519 | 7.4 | 19052 | 6.7 | 19036 | 7.2 | 20514 | 7.9 | 20561 | 7.9 | 19537 | 7.4 |
| higher (specialist) | 13221 | 4.5 | 11350 | 4.0 | 10857 | 4.0 | 12417 | 4.8 | 12584 | 4.8 | 13515 | 5.1 |
| 2. Upper secondary | 8298 | 2.9 | 7702 | 2.7 | 8449 | 3.2 | 8097 | 3.1 | 8067 | 3.1 | 6022 | 2.3 |
| 3. Lower secondary, primary and primary unfinished | 86794 | 30.1 | 89915 | 31.7 | 90517 | 34.6 | 90167 | 34.5 | 99023 | 37.6 | 92941 | 35.3 |
| | 170352 | 59.2 | 175098 | 61.6 | 151825 | 58.1 | 151030 | 57.7 | 143521 | 54.6 | 151005 | 57.4 |

Source: National (State) Statistical Office of the Republic of Macedonia.

Average unit labour cost:

In manufacturing sector 2,20\$

In services 2,40\$

Salaries in R.Macedonia

| | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 |
|--|------|------|------|-------|-------|-------|
| Average paid net salary per employee (in denars) | 9063 | 9394 | 9664 | 10193 | 10552 | 11279 |
| Nominal salaries growth rate | 2.8 | 3.7 | 2.9 | 5.5 | 3.5 | 9 |
| Real salaries growth rate | 0.2 | 3.8 | 3.6 | -0.3 | -1.9 | / |

Soci
al
secu
rity

and social policy

1. The contributions are calculated from the gross salary, and they are amounting:

- 21,2% for the pension and disability insurance,
- 9,2% for the contribution to the health insurance and
- 1,6% for employment.

2. Replacement rate of unemployment allowance/ unemployment insurance

unemployment allowance is 3915 den

unemployment insurance is 2900 den.

3. Replacement rate of average old-age pension (as % to average gross wage)

Monthly average pension is 35% of monthly gross wage, calculated according to data for Jan. 2003

Migration

Emigration of Macedonian citizens in particular countries

| Country | 1996 | 1997 | 1998 | 1999 | 2000 |
|---------------|-------|-------|-------|-------|-------|
| Belgium | | | | 826 | |
| Denmark | | | | | 1415 |
| Finland | | 53 | 80 | 116 | 131 |
| Germany | 33984 | 38774 | 42550 | 46167 | 49420 |
| Island | | | 3 | 6 | 10 |
| Italy | | 11596 | 13456 | 16647 | |
| Liechtenstein | 71 | 71 | 77 | | |
| Nederland | | 449 | 482 | 507 | 500 |
| Norway | | 113 | 140 | 178 | 207 |
| Portugal | | 1 | 1 | 1 | 4 |
| Romania | | | | | 1 |
| Slovenia | | 2200 | 2412 | 2277 | 3565 |
| Spain | | 19 | 33 | 36 | 58 |
| Sweden | | 1303 | 1594 | 1676 | 1819 |
| Switzerland | | 45234 | 48604 | 51142 | 54042 |

Source: Recent Demographic Development in Europe, Council of Europe Publishing, 2000, 2001