

## THE HIGH RATE OF UNEMPLOYMENT IN REPUBLIC OF MACEDONIA

### VISOKA STOPA NEZAPOSLENOSTI U REPUBLICI MAKEDONIJI

Jeton Zuka, PhD Student<sup>44</sup>

**Abstract:** *In times of rapid change and rapid development of technology, the Republic of Macedonia is facing the most serious problem, unemployment. The difficult transition that began in 1991 with the independence of the Republic of Macedonia, as well as poor privatization degraded the situation of the labor market. From independence until today, the situation is very critical.*

*Unemployment today is a problem in all countries, it only differs by its intensity, in some countries unemployment is higher, while in others it is less pronounced. It is a social - economic phenomenon, which occurs when part of the labor force is looking for work and can not find it. Today 43% of unemployed people live in poverty. The main cause of poverty is the high rate of unemployment. To solve the problem of poverty in the country need to locate the causes of high unemployment. According to many unemployed, unemployment is a stressful experience that destroys confidence, creates financial and family problems, and in many cases brings depression.*

*Macedonia has never experienced the full potential as an economic force to engage the entire workforce. One of the key problems is the poor and insufficient developed private sector is unable to create new jobs, lack of entrepreneurship, insufficient resources, wrong policies, lack of qualification of the workforce and more. The Republic of Macedonia has to do more also in attract as many foreign investments as a way to increases economic growth, create new jobs, enabling citizens high standards of living, and must reduces poverty.*

**Key words:** *unemployment, poverty, jobs, labour market, reforms*

**Sadržaj:** *U vremenu rapidnih promena i rapidnog razvoja tehnologije, Republika Makedonija se suočava sa ozbiljnim problemom, nezaposlenošću. Teška tranzicija koja je započela 1991. godine sa proglašenjem nezavisnosti Republike Makedonije, kao i sa loša privatizacija, degradirale su situaciju na tržištu rada. Od sticanja nezavisnosti do danas, situacija je vrlo kritična.*

*Problem nezaposlenosti egzistira danas u svim zemljama, samo se razlikuje u intenzitetu; u nekim državama nezaposlenost je veća, dok je u drugima manje naglašena. To je socijalno-ekonomski fenomen koji se ogleda u tome što deo radne snage pokušava da nađe zaposlenje, ali ga ne nalazi. Danas 43% nezaposlenih žive u siromaštvu. Glavni razlog siromaštva je visoka stopa nezaposlenosti. Da bi se rešio problem siromaštva u zemlji potrebno je otkriti uzročnike visoke stope nazaposlenosti. Kako ističu mnogi nezaposleni, nezaposlenost je vrlo stresno iskustvo koje uništava samopouzdanje, kreira finansijske i porodične probleme i u mnogim slučajevima uzrokuje depresiju.*

*Makedonija nikada do sada nije iskusila puni potencijal ekonomske sile koja upošljava celokupnu radnu snagu. Jedan od problema je nizak i nedovoljan razvoj privatnog sektora koji ne kreira nove poslove, nedostatak preduzetništva, nedovoljno sredstava, pogrešne*

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<sup>44</sup> University „St. Kliment Ohridski“ – Bitola, Faculty of Economics – Prilep, doctoral studies in Management

politike, nedostatak kvalifikacija radne snage i mnogi drugi. Republika Makedonija mora učiniti više kako bi privukla novac stranih investitora i ostarila ekonomski rast, kreirala nove poslove, omogućila građanima viši životni standard i snizila stopu siromaštva.

**Ključne reči:** nezaposlenost, siromaštvo, poslovi, tržište rada, reforme

## INTRODUCTION

In times of rapid change and rapid development of technology, Macedonia is facing the most serious problem, unemployment. The difficult transition that began in 1991 with the independence of the Republic of Macedonia and poor privatization worsened the situation on the labor market. From independence until today, the situation is very bad. In 1991 in the country there were registered 24% unemployed citizens.

Today unemployment is a problem in all countries, it only differs by its intensity that is in some countries unemployment is higher, and in others it is less expressed. It is a socio - economic phenomenon, which occurs when part of the labor force looking for work cannot find it. Macedonia is in the group of countries with the highest unemployment rate in the region and in Europe. If unemployment is an indicator of poverty, the Republic of Macedonia is among the poorest countries in Europe. Unemployment and poverty are closely linked and dependent on each other. Today 43% of unemployed people live in poverty. The main cause of poverty is the high rate of unemployment. To solve the problem of poverty in the country, the reasons for high unemployment need to be located. According to many unemployed, unemployment is a stressful experience that destroys self-esteem, creates financial and family problems, and in many cases brings depression.

After gaining its independence the Republic of Macedonia came out as the poorest republic from other countries of Yugoslavia. The disintegration of the



### **EDUCATION:**

**2013** – Student at University “St. Kliment Ohridski” – Bitola, Faculty of Economics – Prilep (doctoral studies in Management)

**2009-2012** - “Ss. Cyril and Methodius” Institute of Sociological, Political and Juridical - Human Resource Management (M.Sc. in Human Resource Management)

**2006** – 9 month training course of translation and interpretation Macedonian – Albanian. National School of Government” (Training for category II Civil Servants).

**2000-2004** - State University “St. Cyril and Methodius” - Albanian language and literature

### **Research experience**

**2014** – Attended the second annual International Scientific Conference on “Global change: Economic and Legal impact”, Tirana, April 29 – 2014

University “Academy of Business”, Tirana, Albania.

*“Changes and their impact on the operation of public administration in Republic of Macedonia”*

**2014** – International conference - “SMEs Development and innovation: Building competitive future on south-eastern Europe” Ohrid, 3-4 October 2014 - *“Foreign direct investment and the impact on economic growth in the Republic of Macedonia”*.

common market, conflicts in the former Yugoslavia, sanctions against Yugoslavia, the blockade from Greece, the 2001 conflict and poor privatization of social capital (Law on Transformation of Enterprises with Social Capital 1993), greatly aggravated the economic situation in the Republic of Macedonia. It is presented that from the countries of Central Eastern Europe, the least successful is considered to be the privatization process in Macedonia. In this period of privatization in the Republic of Macedonia the worst passed the transformation of state enterprises or the so-called loss companies. In 1994 Macedonia had 25 loss companies, then in 1999 additional 12 companies gained the status of loss companies and in 2001 another 40 new loss companies were announced. This process of privatization has increased the number of unemployed, to reached even 30.5% in 2001. About 95% of enterprises have been privatized and sold mainly on management teams, who were the main obstacles to foreign direct investment as an opportunity for new jobs. Unemployment, corruption, inefficient justice, massive and inefficient administration and the grey economy, had a negative impact on the economy in the country.

Republic of Macedonia has never experienced its full potential as an economic force to engage the entire workforce in the country. One of the key problems is poor and insufficient developed private sector, which is unable to create new jobs, lack of entrepreneurship, insufficient resources, wrong policies, insufficient qualification of the workforce and others. Impaired relationship between politics and economics has led to mass unemployment, so unemployment has reached alarming numbers from independence until today.

## **THE UNEMPLOYMENT RATE IN THE REPUBLIC OF MACEDONIA**

Unemployment is one of the most serious problems today in the Republic of Macedonia. In the past, before the independence, the unemployment was also present. In 1970 Macedonia had nearly 20% unemployed, more than any other Republic in Yugoslavia. With the Independence of the Republic of Macedonia in 1991 and early transition the situation deteriorates, so in 1991, 24% of the workforce was unemployed. Losing the common market, the new barriers, conflicts in the former Yugoslavia and political insecurity in the country have made the damage and caused it the first years of independence of the Republic of Macedonia many difficulties and obstacles to the economy in the country in the creation of new jobs. In the '90s despite of the many attempts to reduce the unemployment, it stayed among the highest in Central and Eastern Europe. The bad privatization and the poor development of the private sector which managed to absorb very little of the workforce, caused to have higher unemployment rate in the past two decades compared with the region and the European Union.

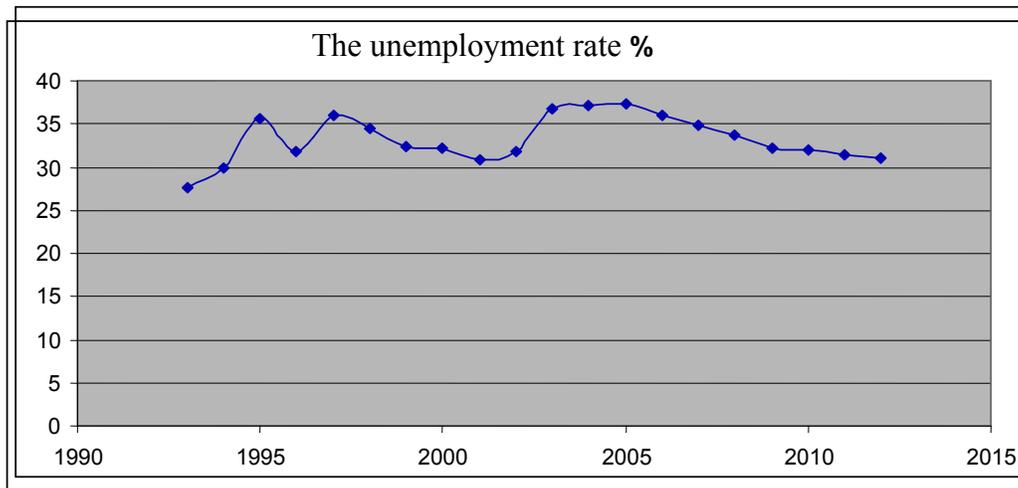
The unemployment rate is one of the main indicators of economic development of the Republic of Macedonia and the region. In Macedonia, we have two sources from which data are taken to determine the level of unemployment:

- Employment Agency of the Republic of Macedonia, where unemployed citizens are registered and apply for work.
- State Statistical Office of the Republic of Macedonia, according to the Labour Force Survey (LFS), which is based on a sample of 10,000 households, according to the standards of the International Labour Organization (ILO) and Eurostat.

There are differences in the number of unemployed between these two sources of data. The number of unemployed people is alarming and highest in comparison to the region and the European Union. So in the last decade the unemployment rate was highest in 2005, when it

achieved the record 37.3%, or 376.187 people registered as unemployed. In the following years there was a reduction of the unemployment, but not with the desired intensity.

**Table 1:** The unemployment rate in Macedonia<sup>45</sup>



From 1991 until 2014, unemployment in the country was on a very high level. This was the result of the poor privatization when many of the citizens have lost their jobs. Poor policy towards privatization or towards the companies with public capital, i.e. the government allowed the managers themselves to buy or to control the public companies, left many workers jobless. In 1991 the Republic of Macedonia had 24% unemployment rate, but in 2012 the figure was much higher or precisely achieved 265.370 persons or 27.6%.

Great unemployment since independence until today is a bad image for the economy of the country. Macedonia failed to reduce this number to the average level of the one of the European Union. The first decade of independence has gone through a very difficult transition and other problems for the economy of the country. In 90s many factories and plants were closed and the workers remained on the streets. The private sector was very weak in contrast to the former Yugoslav republics. Conflicts in the former Yugoslavia negatively influenced the development of the economy in the country, because the largest percentage of products from the Republic of Macedonia was intended for that market. The blockade against Yugoslavia and the blockade of Greece towards Macedonia worsened a lot already deteriorating economic perspective in Macedonia. At that time the unemployment was very high and in 1997 reached 36%.

Political instability in the country, the conflict in 2001, the lack of investments, the economic stability of the country, politicization of public administration in the past two decades only worsened the image of unemployment in the country. Inefficiency in supporting of the development of small and medium enterprises as generators of new jobs, as well as natural resources were the essentials for the economic growth of a country. Macedonia is a small economy with limited resources, it has only 2,071,210 inhabitants. Macedonia as a small market is not interesting for the investors. Lack of foreign investments and the economic crisis have made the damage. Macedonia as a country dependent on foreign investments is the last place in the region in attracting them. To sustain economic growth, Macedonia must work to create better conditions for investors as an opportunity for new job and the setting of new

<sup>45</sup> <http://www.nbrm.mk/?ItemID=750FC531FC3D1B49B16440313562D400>

technologies, trained personnel and modernization of production. FDI generates employment in host countries or positively affect employment. Indirectly or directly they affect the employment, with the opening of new facilities in the host country and opening new jobs for the local population, and indirectly by creating and maintaining cooperation with the other local companies for the supply of materials and product, which also is a way to create new jobs.

Macedonia as a country with continued low economic growth is a country with high unemployment. In 2011 when the employment rate was the highest, 38.9%, and the unemployment rate was 31.4%, in comparison with the countries of the European Union, where the unemployment rate is 9.7%, and even five times higher than the rate of global rate of unemployment of 6.3% (according to the International Labour Organization ILO, whose member is the Republic of Macedonia) it can be seen that Macedonia is very far in this process.

In 2008 the global financial crisis has stopped the upward trend, which resulted with reduction of production, export and reduced number that is increase of the foreign investments. This led to deterioration in the labor market and increase of poverty. The crisis differed from one country to another, and has reflected on unemployment. Many companies have closed their manufacturing plants and fired most of the staff. Mass unemployment has severely affected the young, especially the category of young people seeking their first employment, and women, who are traditionally with a higher unemployment rate than men. According to data from the State Statistical Office, in 2008 the unemployment rate was 33.8%. Republic of Macedonia as a small country and economy with liberalized foreign trade which volume reached annual level of around 100% more than the annual GDP of the country, an economy dependent on imports which is double bigger of the country's exports. In 2008 Macedonia reached 2.5 billion dollars trade deficit. Since the crisis in 2008 the main export sectors of the economy, metallurgy, textile industry and exports of agricultural products were the most affected. At the same time many employees in these industries remained without work or went on forced leave or minimally paid absences which further aggravate unemployment. As a consequence of the level of global financial crisis the foreign direct investments declined from 699.1 million dollars in 2007, to 587 million dollars in 2008, and in 2009 a drop in foreign direct investments of 197 million dollars which meant participation in GDP with only 2.1%.

In the Republic of Macedonian the job waiting period is more than a year. In 2012 even 82.1% of the unemployed were looking for employment for more than one year. According to the length of unemployment shown in Table 2, the number of those who are waiting for employment from 1 to 11 months is much lower than those that are waiting for employment for more than one year. This is an indication that in the Republic of Macedonia a person can wait for employment for years and is very difficult to find a position. Here it can be said that the creation of jobs is a difficult mission especially in times of crisis.

**Table 2:** The length of unemployment <sup>46</sup>

	<b>2002</b>	<b>2007</b>	<b>2012</b>
<b>Total</b>	263483	316905	292502
<b>to 1 month</b>	5991	7378	10831
<b>2-5 months</b>	15737	19490	22413
<b>6-11 months</b>	19431	21044	19031

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<sup>46</sup> National Statistical Bureau of Republic of Macedonia, *Macedonia in numbers*, 2013, pp. 36

<b>12-17 months</b>	10837	17962	18634
<b>18-23 months</b>	15681	14597	14032
<b>Up to 2 years</b>	3064	2622	2126
<b>4 and more years</b>	165365	206068	178201

According to the degree of education of unemployed persons dominating are the persons with 3-years high school and persons with 4 years of secondary education, while in the recent years there has been a growth of unemployment among the people with higher education. In 2012 even 14,2% of the total numbers of unemployed were highly educated, including master and doctoral students. In the three years 2010, 2011 and 2012 the number of persons with 4 years of secondary education is on the rise that is from 40.7% in 2010 up to 42.3% in 2012.

**Table 3:** The degree of education of unemployed<sup>47</sup>

	<b>2010</b>	<b>2011</b>	<b>2012</b>
Without education	1	1,2	1
Incomplete elementary education	3,5	3,5	3,5
Elementary education	29	27,2	25,5
3 years secondary education	13,1	12,3	12,2
4 years secondary education	40,7	40,7	42,3
Higher education	1,7	1,8	1,3
University level <sup>48</sup>	11	13,4	14,2

From the total number of unemployed in the last three years, 2010, 2011 and 2012, according to the age the groups of 15 -19, 20-24 and 25-29 years of age are among the most vulnerable age groups, where unemployment rate is very high. In the age group of 15-19 years, even 59.3% are unemployed in 2010, while in 2012 that figure is 58.7%.

In 2013 and in 2014 the unemployment in the country is slowly decreasing, so in 2013 the unemployment has declined to 28.6%, while the next year, in 2014 the unemployment dropped to 27.6%.

**Table 4:** Unemployment in Macedonia<sup>49</sup>

<b>Year</b>	<b>%</b>
<b>1993</b>	27,7
<b>1994</b>	30
<b>1995</b>	35,6
<b>1996</b>	31,9
<b>1997</b>	36
<b>1998</b>	34,5
<b>1999</b>	32,4
<b>2000</b>	32,2
<b>2001</b>	30,9
<b>2002</b>	31,9
<b>2003</b>	36,7
<b>2004</b>	37,2
<b>2005</b>	37,3
<b>2006</b>	36

<sup>47</sup> Statistical Yearbook of the Republic of Macedonia, 2013, page 257

<sup>48</sup> BSc, MSc and PhD holders.

<sup>49</sup> National Bank of Republic of Macedonia, www.nbrm.mk

<b>2007</b>	34,9
<b>2008</b>	33,8
<b>2009</b>	32,2
<b>2010</b>	32
<b>2011</b>	31,4
<b>2012</b>	31
<b>2013</b>	28,6
<b>2014</b>	27,6

## **CONCLUSION**

As a result of the slow economic growth in the last two decades, in the country we have high unemployment, the economy cannot open new jobs, and therefore we have social problems. Extreme high rate of unemployment among young people and an inability to enable themselves a descend life, forces young people from Macedonia to leave the country for a better life and work abroad. Therefore the decrease in the unemployment rate should be among the most serious economic and social problems that Macedonia needs to be face up with. This requires rapid changes in the economy, more dynamic economic growth, appropriate policies whether social or economic, as well as reforms in the public administration and education.

In the Republic of Macedonia there is a discrepancy between the educational system and the needs of the labor market. There is an enormous need of reforms of the educational system and its adaptation according to the needs of the real labor market, as well as increase of investments in education as a means of long-term way to stimulate the efficiency of the labor market and reducing of unemployment. Vocational trainings of the unemployed through courses can be accepted as a model for encouraging self-employment of young people and what category of persons without specific education. In this way we will have greater flexibility in the labor market and bigger competitiveness. Furthermore, an effective policy for the labor market and special treatment in hiring of certain groups of citizens, such as women, for example can be also a model to increase employment.

Government of the Republic of Macedonia in the context of unemployment adopted laws and regulations, such as the Government Programme 2006 -2010, National Employment Strategy ANNEX - Macedonian national targets for employment and others. But the unemployment rate in the future will grow if these measures remain only on paper.

The lack of foreign direct investments as well as the global economic crisis has only worsened the economic climate in Macedonia and thus caused negative impact on unemployment. The creation of a favorable climate for foreign investments and stimulation of the private sector as a generator for creation of new jobs will positively affect the social life of the citizens of Macedonia.

Macedonia must battle with the grey economy as one of the biggest problems with policies of low taxes and policies of employment stimulation especially in small and medium enterprises where the future will bring new employments. The investments in agriculture also have a major role in reducing of the unemployment in the rural areas and fostering the production of agricultural products, not only for the domestic market but also for export purposes.

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