

LABOUR MARKET FUNCTIONING IN THE REPUBLIC OF MACEDONIA

TRŽIŠTE RADNE SNAGE U REPUBLICI MAKEDONIJI

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Abstract: *The efficient functioning of the labour force market refers to alignment of the labour force supply and demand. Identifying the relevant aspects of the functioning of this market is important in determining the employment policy and the labour market policy. The aim of this paper is to show that in the last two decades in the Republic of Macedonia the quantitative and structural mismatch between the supply and demand of labour has increased. The analysis is confirming that the inefficient functioning of the Macedonian's labour market will deepen until the economic activities get recovered and intensified, and until the investments get increased in sectors that will allow greater absorption of the unemployed and will create more opportunities for new jobs.*

Key words: *labour market, labour demand, labour supply, functioning, employment policy*

Sadržaj: *Efikasno funkcionisanje tržišta radne snage se odnosi na usklađivanje ponude i potražnje radne snage. Identifikacija relevantnih aspekata funkcionisanja ovog tržišta je važna u cilju određivanja politike zapošljavanja i politike tržišta rada.*

Cilj ovog rada je da pokaže da je u poslednje dve decenije u Republici Makedoniji kvantitativna i strukturna neusklađenost između ponude i potražnje radne snage značajnija. Analiza potvrđuje da će neefikasno funkcionisanje makedonskog tržišta rada biti sve izraženije dok se ekonomske aktivnosti ne oporave i intenziviraju, i sve dok se investicije ne povećaju u sektorima koji će omogućiti veću apsorpciju nezaposlenih i stvoriti više mogućnosti za otvaranje novih radnih mesta.

Ključne reči: *tržište rada, tražnja, ponuda, funkcionisanje, politika zapošljavanja*

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INTRODUCTION

The efficient functioning of the labour market depends on the alignment of the labour supply and demand. Identifying the relevant aspects of labour market functioning is significant for determining the employment policy and labour market policy. It is an important assumption for drafting an appropriate policy aimed at reducing unemployment. In that sense, the paper elaborates the features of the labour market functioning, the changes in the labour force supply and demand, as well as the employment and unemployment situation in the Republic of Macedonia in period 2000-2013.

1. FEATURES OF THE LABOUR MARKET FUNCTIONING

Republic of Macedonia has started the transition period with high absolute unemployment (156323 persons in 1990) and high unemployment rate (23.6%). The process of ownership and industrial restructuring in the nineties of the last century, led to a drastic decline in the economic and investment activities, layoffs and reduction of employment, as well as to the enormous rise of unemployment. The national economy was forced to open up to the world market, introducing price liberalization and tighter macroeconomic stabilization policy. It faced the country with stagnation of the economic development, which also caused a decrease of the labour demand and employment.

With the reduction of the formal employment, the employment in the informal sector started to increase. The functioning of the informal sector had deepened the imbalance between the labour supply and demand and has highlighted the problems. The available information of the informal sector employment structure shows that it is most prevalent among young people, ethnic minorities, then in the private and the primary sector, and in rural areas. The informal jobs are characterized with lower standards of work quality. While the majority of formal workers are engaged with



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written contracts and on indefinite time, the informal workers are working without employment contracts (52%) or are on temporary jobs (77%) [1].

Effective functioning of the labour market needs educated and qualified workforce. The educational system of the Republic of Macedonia had a major impact on the labour market. Narrow specialization in the vocational education that was characteristic for the country as a transitional economy; have created numerous labour forces with outdated and limited skills. It imposed the need for development and support of adult education, but also for conducting trainings for the unemployed, for workers who are facing risk to remain unemployed or for those who need to upgrade their skills and knowledge. Therefore, it is very important to develop the educational system to align labour force needs and the requirements of the labour market.

In the last decade, in the country, despite the large number of unemployed, much bigger problem was to provide workers from certain occupations. In order to identify the short-term needs for labour force in the country, since 2007 the Employment Agency of the Republic of Macedonia is conducting skills needs analysis. The last analysis was conducted in 2013 and refers to the period 2013-2014. It covered 38.1% of the companies in the private sector with 7 and more employees. Over a half of the surveyed employers predicted more than 10.000 new jobs in the next 12 months, of which 30.4% in SMEs. According to this survey, the expectations of the employers are most of the employments to be realized in the manufacturing industry (40.0%) and wholesale and retail trade (23.1%). [2]

The data from the skill needs analysis, in terms of labour force educational level are showing that from the expected future employment, even 61.6% will be for people with secondary education and only 10.0% for people with higher education. All previously conducted skills needs analysis confirm that the majority of people with secondary education should have a certain vocational education. Concerning the higher education, greater demand is expected for the technical sciences.

In the last decade the country has taken a number of reforms to improve the quality of the educational system. Among the most important were: the introduction of compulsory



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secondary education and the opening of dispersed studies throughout the country. These reforms raised the educational level of the population, but made distortion of the labour market needs. Namely, the skills needs analysis, continuously show a growing demand for people with vocational education and deficit of certain professions. This means that there is insufficient supply of labour with vocational education despite the expressed demand for this degree and type of education. On the other hand, there are a growing number of people with higher education, while their unemployment rate tends to grow. Therefore, it can be concluded that the educational reforms did not contributed to reducing the imbalance between supply and demand of labour and to improving the labour market functioning in the country.

2. CHANGES IN THE LABOUR FORCE SUPPLY AND DEMAND

The unfavourable situation of the labour market functioning is also perceived through the changes in the labour force supply and demand. On the supply side, the activity rate of the working age contingent starting from 2004 has a tendency of continuous growth until 2011 (64.2%), and then started to decline (57.2% in 2013). The value of this parameter indicates the reduction of the absolute volume and relative share of the economically inactive working age population. According the data from the Labour Force Survey (LFS), in the recent years, the demographic reserves of the labour force in the country are significantly decreasing. However, their size remains relatively large and in 2013 reached more than 513000 people. [4]

The period 2000-2013 was characterized with a higher share of the inactive women, which from 62.6% (2000) has increased to 66.5% (2013). The difference compared to the inactive male population, is suggesting that the females are marginalized regarding their economic activation on the labour market. This position of women is determined by their traditional role in the society, as they were more housewives and have decided not to work.

Unfavourable situation is the increase of the inactive population aged 25 to 40 years, whose share in the total inactive population in 2013 was 18.0%, or nearly 93.000 people. The problem is that they are young or younger middle age people, whose work potential is the highest, but they are neither employed nor looking for work. The position of these people is deepening the labour market problems, especially because in the country there are insufficient vacancies, poor working conditions, low pay, inadequate education, lack of care by the state, etc.



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The overall activity rate of young people from 15 to 19 years in the analyzed period, with certain exceptions, tends to decrease from 17.5% (2000) to 12.7% (2013). These changes are due to the introduction of the compulsory secondary education. At the same time, there was a reduction in the activity rate of persons aged 20 to 24 years (from 58.5% in 2000 to 52.2% in 2013). This change is determined by the continuous number increase of the people who continue their education on undergraduate and postgraduate studies.

Regarding the educational structure of the labour market, in the Republic of Macedonia characteristic is larger share of the active population with higher education, which shows that the country has significant educational potential that is on the labour force market. This potential can foster the economic development, only if the participation of the employees with higher education is greater than the share of the unemployed. On the other hand, despite the reduction of the share of inactive persons with higher education from 21.6% (2000) to 20.5% (2013), their absolute number is not negligible, because it is around 50.000 people. The withdrawal of the highly educated labour force from the market means loss of a significant part of the human capital in the country.

3. THE EMPLOYMENT SITUATION IN THE COUNTRY

The available sources of employment data in Macedonia are characterized by more or less pronounced differences in the number of employees, but all of them are pointing out the rise in the employment. Continuous upward trend, starting from 2004, is also characteristic for the employment rate. The LFS data show that the employment rate according ILO methodology has increased from 32.8% (2004) to 40.6% (2013), while according Eurostat from 36.8% to 46.0%, respectively. Despite this rise, the value of this indicator is still significantly lower than the employment rate of the EU 28 (64.1% in 2013). It only confirms the inefficient functioning of the labour force market in Macedonia. [4]

The problems in the labour market functioning are even more pronounced if the changes in the structural characteristics of employees are taken into account. The employment rate of young people (15-24 years) has increased from 16.8% (1999) to 18.9% (2013) in males and from 11.9% to 13.3%, respectively, in females. The employment rate of the elderly population (55-64 years) increased from 40.3% to 49.4% (men), and from 12.6% to 26.6% (women). The difference in the numerical values of these indicators confirms that despite the manifested changes, the economic activity of women in Macedonia was and remains relatively smaller. [4]

In terms of the employment rate by educational attainment, it is higher and has the tendency to increase since 2004 for the people with secondary education (49.0% in 2013). The highest value this indicator has among persons with higher education, but with a downward trend (from 66.2% in 1999 to 60.9% in 2013). This reduction in the recent years has been caused by the sharp increase in the number of people who complete higher education. [4]

The share of employees is characterized with a reduction in the sectors of agriculture, hunting and forestry and manufacturing industry, and with increase in public administration and defence; compulsory social security; education; health care. These changes are implicating that the number of employees is decreasing in the sectors which should be crucial for the economic development, i.e. in the real sector, while is increasing in the public sector which is funded by the state, and doesn't accelerate the economic growth.

4. OVERVIEW OF THE UNEMPLOYMENT STRUCTURE

The unemployment can be analyzed through different sources of data, which are characterized by minor or major differences in scope, dynamics and unemployment rates. According the registered unemployment, the number of unemployed was increasing from 1990 (23.6%) until 2004 (45.4%) and then started to decrease. While, concerning the LFS the unemployment rate was rising until 2005 (37.6%) and then started to decline (29.0% in 2013). [4]

Regarding the structural characteristics of the unemployed, in 2013 the unemployment rate for men and women is the same (29.0%). The unemployment rate is declining for the young population (15-19 years) from 76.6% (1998) to 62.3% (2013). Downward trend, with exceptions in some years, is also characteristic for the unemployment rates of the age groups 20-24 and 25-29. Changes in the unemployment rates of these three age groups are showing that the youth unemployment in Macedonia was and remains a very serious problem. [4]

As for the unemployment rates by educational attainment in the period 1998-2013, a significant reduction of their numerical value is noticeable for the persons with elementary (from 44.7% to 34.0%) and secondary education (from 33.8% to 28.7%). But a very negative trend is the rise of the unemployment rates highly educated persons (from 16.8% to 23.5%). [4]

Republic of Macedonia is characterized with long-term unemployment. Moreover, in the period 2000-2013, the share of this category of unemployed is constantly higher than 80%, (82.5% in 2013). Very unfavourable aspect is the increase of the long-term unemployment of the labour force that has already reached a certain educational level. That means a loss of invested human capital. At the same time, the knowledge of the long-term unemployed becomes obsolete, they are disincentives in terms of finding job, more difficult are deciding to get training or retraining, and often are forced to work in jobs that do not correspond to the educational level they have acquired.

CONCLUSION

The effective labour market functioning implies on a fulfilment of certain assumptions, such as: investment in human capital, greater access to the funds for work, increase of the opportunities for obtaining loans, greater awareness of all stakeholders about the chances on the labour force market, adequate infrastructure equipment, adoption of appropriate legislation, equal participation of all persons on the labour market, etc. Therefore the employment policy should be aimed at making conditions for job creation, both for the unemployed and for the new persons who are arriving in the active contingent. It should increase the aggregate demand and create conditions to encourage the economic development.

Considering the above analyzed indicators, it can be concluded that, when the labour market is limited in increasing the labour demand, while there is a high and differentiated offer, it is necessary to take measures to foster the economic development and the opportunities for greater absorption of labour. These measures should enable the employment growth and contribute to reduce the unemployment in the country. On the supply side of the labour force, though, in order to provide greater flexibility, more activities and measures that will enable greater involvement of the labour force are needed. They relate to different forms of employment (full or part-time, contract work, volunteering or internships), then more

professional and spatial labour mobility, vocational trainings (through additional qualification, requalification, trainings) and others.

The comprehensive analysis of the labour market functioning is a prerequisite for designing appropriate and effective policies and measures. It highlights the need for a unified, comprehensive and valid labour market statistics and a qualitative information system about the requirements and conditions of the individual jobs, as well as of the qualification that the employees and unemployed are possessing. The investments in the labour force education and training are very important for the alignment of the labour force supply and demand. They should be carried out through various forms of training, retraining, and through intensifying the process of continuous education.

The mismatches between labour supply and demand, i.e. the inefficient functioning of the labour market in the country will deepen until the revival and intensive expansion of the economic activities. For that reason, investments in activities that will allow greater absorption of the unemployed and will create more opportunities for new jobs should be priority.

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