

## Macedonia: education vs. unemployment – a way out of poverty?

### Abstract

In Macedonia, unemployment and levels of relative poverty are very high. The country is putting forward measures to increase the employability of the long-term unemployed and first-time job seekers by reducing illiteracy and providing mandatory primary and secondary education. Simultaneously striking is that the number of people enrolled in higher education is very high and on the increase but, unfortunately, this is only deceptively consolatory: for this approach to become a long-term policy for labour quality improvement, it needs to be coupled with education policy changes and assessments of and adaptation to the labour market. In order to lessen trade-offs between social, employment and education policies, these actions should be considered: an increase in co-ordination between key institutions; ensuring their coherence; strategic, realistic planning in the short-, medium- and long-term; regular research and analysis; the design and full utilisation of monitoring mechanisms for the implementation of policies that will enable timely and prompt reactions; and, finally, the sufficient allocation of financial and human resources.

**Keywords:** decentralisation, transition, EU integration, poverty, de-institutionalisation, unemployment, active labour measures, mismatch in labour supply and demand, drop-outs, reform

### Introduction

The Republic of Macedonia (Macedonia) is, under its 1991 Constitution, a sovereign, independent, democratic and social state that has as its fundamental values, among others, humanity, social justice and solidarity; as well as freedom of the market and of entrepreneurship.<sup>1</sup> This south-east European landlocked country has a territory of 25 713 km<sup>2</sup>, bordering (north to west) Kosovo, Serbia, Bulgaria, Greece and Albania.

According to the 2002 Census,<sup>2</sup> Macedonia has 2 022 547 inhabitants, 1 015 377 (50.2 %) being male and 1 007 170 (49.8 %) female, although the population was estimated at the end of 2009 at 2 052 722 inhabitants.<sup>3</sup> The majority of the population is

1 Constitution of the Republic of Macedonia *Official Gazette of the Republic of Macedonia* No. 52/91, 1/92, 31/98, 91/01, 84/03, 107/05, 3/09 <http://www.slvesnik.com.mk/WBStorage/Files/USTAV-eng.pdf> [last accessed 6 November 2010]. Art. 1 and 8.

2 These numbers are from the last Census that took place in 2002. A new census is scheduled for 2012.

3 Table of indicators, State Statistical Office website <http://www.stat.gov.mk> [last accessed 7 November 2010].

between fifteen and sixty four years of age, followed by the group which is under fourteen and then the group above sixty five years of age.<sup>4</sup>

The activity rate is 56 %, out of which 38.1 % are employed and 32.1 % are unemployed. The majority of the unemployed comes from the 20-29 age group and is female, while the majority of the inactive population (64.9 %) is also female.<sup>5</sup> Over 25 % live below the poverty line.<sup>6</sup> The number of under-age recipients of social welfare is 21 836, while there are 53 233 adult recipients.<sup>7</sup> Illiteracy rates are higher among the female population; the illiteracy rate of the population over ten years of age is 3.6 %. The highest share – 36.9 % of the population – has a completed high school education, followed by 35.1 % with primary education; 13.8 % without any completed education; and 10 % with higher education.<sup>8</sup>

The ethnic composition of the population is as follows: 1 297 981 Macedonians; 509 083 Albanians; 77 959 Turks; 53 879 Roma; 35 939 Serbs; 17 018 Bosnians; 9 695 Vlachs; and 20 993 of other, or unstated, ethnicity.<sup>9</sup>

Before proclaiming its independence, Macedonia was part of the Socialist Federal Republic of Yugoslavia (SFRY). It was one of the least developed republics of the SFRY (including the one with the highest rates of unemployment), and the only one that was not directly drawn into the vortex of the Yugoslav wars in the 1990s. However, this does not mean that it had a smooth transition from socialism to democracy: Macedonia also suffered greatly from the events of the 1990s in that the country had a very difficult transition from a planned to a market economy, with a highly contested privatisation process. Its economic development was hindered until 1996 by the lack of infrastructure in the country, the UN weapons embargo, the war heating up in the north and a southern neighbour which opposed the very existence of the new state. It received refugees fleeing from the wars and opened its doors to all holders of SFRY citizenship who wanted to acquire Macedonian citizenship. The overall security situation called for the international protection of Macedonia until it was able to stand on its own feet as an independent country. Thus, the UN sent two missions<sup>10</sup> in the period 1992-1999

- 4 Census 2002 – Book I: *Total population according to reasons of presence – absence, age, sex and national affiliation* State Statistical Office website <http://www.stat.gov.mk/publikacii/knigal.pdf> [last accessed 7 November 2010].
- 5 *Active Population in the Republic of Macedonia – Results from the Labour Force Survey* 2nd Quarter 2010, State Statistical Office website <http://www.stat.gov.mk/pdf/2010/2.1.10.28.pdf> [last accessed 7 November 2010].
- 6 Poverty Line: News Release 4.1.10.64. State Statistical Office website <http://www.stat.gov.mk/pdf/2010/4.1.10.64.pdf> [last accessed 7 November 2010].
- 7 Social Statistics: News Release 2.1.10.19. State Statistical Office website <http://www.stat.gov.mk/pdf/2010/2.1.10.19.pdf> [last accessed 7 November 2010].
- 8 Census 2002 – Book V: *Educational Characteristics* State Statistical Office website <http://www.stat.gov.mk/publikacii/knigaV.pdf> [last accessed 7 November 2010].
- 9 Census 2002 – Book X: *Total population according to the ethnic affiliation, mother tongue and religion* State Statistical Office website <http://www.stat.gov.mk/publikacii/knigaX.pdf> [last accessed 7 November 2010].
- 10 United Nations Protection Force (1992-1995) and its successor: the United Nations Preventive Deployment Force mission (1995-1999).

to prevent spill-over from the conflict. In the meantime, Macedonia was admitted as a member of the UN, the Council of Europe and the OSCE.<sup>11</sup>

After 1996, a rise in GDP was registered<sup>12</sup> and continued until 2000.

In 1999, the Kosovo crisis brought an influx of over 350 000 refugees<sup>13</sup> into the country. These events obstructed economic development and halted the growth of GDP.

The Kosovo crisis was followed by conflict in Macedonia in 2001. Prior to the onset of the conflict, the country had signed a Stabilisation and Association Agreement (SAA) with the European Union (EU), paving the way for deepening co-operation with the EU as well as embodying a more solid promise of future EU membership. However, the conflict was rapidly escalating and brought the country to the brink of civil war. Under international mediation, further intensification of the conflict was prevented by the Ohrid Framework Agreement (OFA), signed by the major party leaders.<sup>14</sup> The OFA foresaw a series of reforms towards decentralisation and, in many areas, an increase in the rights of ethnic communities through their increased, equitable and just representation in the political and administrative governance of the country.

GDP rose continuously between 2001 and 2009, when a fall in GDP was registered. A series of economic reforms was implemented, although it is the implementation of the OFA which characterises the reform efforts of all governments during the past decade. A large percentage of reform efforts have, consequently, been focused on the decentralisation of the country (an ongoing process), although others are, ultimately, intended to lead to full NATO and EU membership. Eventually, the reforms brought Macedonia the status of candidate country for EU membership (albeit without a recommendation for the opening of negotiations).

However, the reforms in public administration and the judiciary – which are often pointed out as the areas in the most burning need of reform – do not seem to be delivering the expected results. Moreover, the dynamics and effectiveness of these reforms have slowed in the last two years. This, coupled with the continuing name dispute with Greece, caused stagnation in the country's Euro-Atlantic integration agenda. In 2008, Macedonia was the only country of the Adriatic Charter that was not extended an invitation to join NATO; it received only the promise of the extension of an invitation once the name dispute with Greece had been resolved. The same dispute is also part of the reasoning why, even though a recommendation for the start of accession negotia-

- 11 The Republic of Macedonia was admitted to these organisations under the temporary reference 'The Former Yugoslav Republic of Macedonia' because of the opposition of Greece to the right of the country to use its constitutional name. The dispute over the name still continues.
- 12 Gross Domestic Product: News Release 3.1.10.08. State Statistical Office website <http://www.stat.gov.mk/pdf/2010/3.1.10.08.pdf> [last accessed 7 November 2010].
- 13 United Nations High Commissioner for Refugees *Refugees and Others of Concern to UNHCR – 1999 Statistical Overview* <http://www.unhcr.org/3ae6bc834.html> [last accessed 9 November 2010].
- 14 Republic of Macedonia – Agency of Information *Ohrid Framework Agreement* [http://www.coe.int/t/e/legal\\_affairs/legal\\_co-operation/police\\_and\\_internal\\_security/OHRID%20Agreement%2013august2001.asp](http://www.coe.int/t/e/legal_affairs/legal_co-operation/police_and_internal_security/OHRID%20Agreement%2013august2001.asp) [last accessed 7 November 2010].

tions has been given by the European Commission (EC), no date has still been set for the official opening of accession negotiations.

### The case for a trade-off in social policy

In order to look into the case for a trade-off in social policy in Macedonia, we need to look first at several of the parameters that may assist us. First of all, we examine the main aspects of the legislative, policy and institutional framework on social policy that will contribute to an assessment of the trade-off. Afterwards, we need to take a look at the situation with regard to poverty (both relative and absolute) in Macedonia, as well as those aspects which influence poverty, such as: family structure; gender aspects; education aspects; the span of poverty for children; and the territorial distribution of poverty (rural/urban areas). This section will close with an overview of those aspects in which there can be intervention with a view to assisting a reduction in the trade-off between equity and efficiency in social policy.

The social policy of Macedonia is outlined in the laws and policies adopted in this area. The legislative framework is of importance for this policy and comprises the following laws: the 2009 Law on Social Protection; laws regulating the protection and promotion of the principles of equality and non-discrimination (such as the 2006 Law on Equal Opportunities between Women and Men; and the 2010 Law on the Prevention of and Protection against Discrimination); the 1992 Law on the Family; the 2000 Law on the Protection of Children (and amendments); the 2003 Law on Asylum and Temporary Protection (and amendments); the Law on Juvenile Justice (and amendments); laws pertaining to the rights of people with disabilities; laws on pensions (insurance and documentation); laws related to the rights of people left without employment in the process of enterprise privatisation; and laws dealing with the rights of veterans and of members of their families.

A number of policy and strategic documents in this area have also been adopted: the National Employment Strategy 2010; the National Programme for the Development of Social Protection, 2010-2021; the National Strategy for the De-institutionalisation of the System of Social Protection in the Republic of Macedonia, 2008-2018; the National Strategy for Gender Equality; the National Strategy on the Equality of the Rights of People with Disabilities, 2010-2018; and the Strategy on Poverty Reduction and Social Inclusion. Obviously, most social issues and socially-vulnerable groups are targeted; however, as in many other fields, the implementation of these documents has a very limited scope and their full operationalisation remains a goal for a distant future.

The main institutions involved in the implementation of these documents, aside from the judicial and the executive branch, are the various public institutions involved in social protection, such as institutions for asylum seekers, unemployed people, children without parents or parental care, children with various forms of disability and children demonstrating deviant behaviour. There are also de-institutionalised forms of social protection, such as foster families and day-care centres.

These policy documents foresee the following rights and services to be at the disposal of potential users: social prevention; the possibility for institutional protection; the possibility for de-institutionalised protection; and the right to social assistance. Statistics are available for the amounts which are spent on social welfare. However,

the frequent amendment of the laws can cause a degree of confusion for users, as well as uncertainty about the costs of using them. Indeed, many reforms are underway in this area, but one can rightly argue that these changes were more than needed in order to reform the system of social protection.

Budget austerity is cutting the already low administrative and financial resources that had been put at the disposal of the institutions in charge and implementation is now being put further into question. The Law on Social Protection foresees new mechanisms in relation to social welfare benefits; however, its implementation is very slow. Administrative capacity is still insufficient to develop a sustainable and equitable social protection system.<sup>15</sup> The de-institutionalisation of social protection is underway and, although at present it is very much under-developed, there are grounds to believe that there will soon be improvements. With the amendment of the Law on Social Protection and the two major strategic documents that have been adopted (on social protection and on de-institutionalisation), the framework is slowly being constructed. The first instances of such protection to start operation are foster families and care centres, as previously mentioned.

The percentage of relative poverty<sup>16</sup> in Macedonia in 2010, according to the State Statistical Office, is 31.1 %, representing a rise compared to previous years:<sup>17</sup> in 2008 and 2007, this percentage was 28.7 % and 29.4 %, respectively. The poverty gap index has also increased to 10.1 % in 2010, compared to 9.7 % in 2007 and 9.2 % in 2008. There is also a need to look at absolute poverty – i.e. the condition characterised by a severe deprivation of basic human needs, including food, safe drinking water, sanitation facilities, health, shelter, education and information, depending not only on income but also on access to social services.<sup>18</sup> According to data available from the World Bank,

- 15 European Commission *The Former Yugoslav Republic of Macedonia 2010 Progress Report accompanying the communication from the Commission to the European Parliament and the Council – Enlargement Strategy and Main Challenges 2010-2011*  
[http://ec.europa.eu/enlargement/pdf/key\\_documents/2010/package/mk\\_report\\_2010\\_en.pdf](http://ec.europa.eu/enlargement/pdf/key_documents/2010/package/mk_report_2010_en.pdf) [last accessed 9 November 2010].
- 16 Poverty statistics are as presented by the State Statistical Office of the Republic of Macedonia, which uses the EUROSTAT definitions of poverty and the poverty line. This means that they define poor to mean ‘Persons, families and groups of persons whose resources (material, cultural and social) are so limited as to exclude them from a minimum acceptable way of life in the Member State in which they live’, and poverty lines as the ‘Level of living standard which should be attained for one person/household not to be classified as poor.’ The relative poverty line is a relative standard of subsistence determined as the necessary level of expenditure; while the subjective poverty line is a subjective standard of subsistence based on the opinion of the whole population for the level of income necessary to avoid poverty.
- 17 Poverty Line: News Release 4.1.10.64. State Statistical Office website  
<http://www.stat.gov.mk/pdf/2010/4.1.10.64.pdf> [last accessed 7 November 2010].
- 18 United Nations *Report of the World Summit for Social Development*  
<http://www.un.org/documents/ga/conf/166/aconf166-9.htm> [last accessed 7 November 2010].

the percentage in absolute poverty in Macedonia has stayed below 2.0 % other than in 2000 when the percentage rose to 2.94 %.<sup>19</sup>

The largest number of families living in relative poverty is those in which none of the members are employed, followed by those with only one employed person and those with two or more employed people. The largest percentage of the poor are without completed education, followed by those that have dropped out of primary education. The other groups that participate in this percentage have completed (in specific order): primary; secondary; higher; and post-higher education. Additionally, the largest percentage of the poor lives in rural areas. Households with three or more children represent almost one-half of the percentage of people that live in poverty, followed by those with two children and then households with only one child. An estimated 34.1 % of children live in relative poverty, the largest number of which live in rural areas.

The methodology for the allocation of social assistance when it comes to poverty needs to be revised. In the current methodology, the structure of the family (i.e. the number of women and children) is not a criterion for the amount of social assistance awarded to the family, but rather the number of members of the family. This should be altered since statistics show that the largest percentage of families living in poverty is those with the largest number of children within the family. Consideration should also be had with regard to the area in which these people live – people in rural areas usually have fewer opportunities and are more likely to fall into poverty than people living in urban areas.

Given the number of people living in poverty in the country, the amount of social assistance provided to them and the recent trend towards the institutionalisation of social protection in the country, one cannot say that, until recently, there has been much of either effectiveness or equity in social policy. The principle of equity fails when it comes to the amount of assistance provided to families in need (those living in poverty). This financial assistance does add a substantial amount to their close-to-non-existent family budgets. However, it does not bring them closer to a position of being able to pay for all their monthly expenses, let alone to consider undertaking activities that will assist them improve their position, such as increasing their employability or opportunities for employment.

It is noted in the assessments of the situation included in some of the policy documents mentioned above that the current position does not deliver best value for the funds being spent. The strategic documents do acknowledge the side effects of the system as was (especially regarding the institutionalisation of people in need of social protection). These documents also foresee a larger decentralisation of these services and a more influential say for municipalities and communities in the shaping and implementation of social policy. Additionally, they encourage the good management of funds. This means that funds that have been allocated to a social protection institution, but which have not been completely spent due to savings resulting from good management, do not have to be returned and may be redirected to another activity. Thus,

19 World Bank *Data Bank on Macedonia, FYR*  
[http://data.worldbank.org/sites/default/files/countries/en/macedonia-fyr\\_en.xls](http://data.worldbank.org/sites/default/files/countries/en/macedonia-fyr_en.xls) [last accessed 7 November 2010].

this type of savings cannot provide arguments or grounds for a decrease in the budget in the following year but, rather, a motive for better management.

### The case for a trade-off in employment policy

Employment greatly influences everyone's life and to a considerable extent. Poverty and unemployment are, clearly, inter-related. Furthermore, it is shown in the next section that this inter-relatedness is substantial when it comes to the degree of education and employability, and the level of wages, as well as the very status of being employed or unemployed.

In order to assess the trade-off between equity and efficiency in employment policy, we start by looking at the aspects of the legislative, policy and institutional framework which are important in any assessment of the level of this trade-off. To see the situation on the ground, we will look at the relevant statistics which can serve as pointers in this process. This section will close with conclusions on the trade-off and recommendations for lessening it.

The employment legislative and policy framework is determined by several major laws and policies, and is being implemented by several main institutions. The most important laws in this regard are: the Law on Labour Relations; the Law on the Employment of Foreigners; and the Law on the Employment of People with a Disability. An applied policy framework devised to answer issues in this area is encompassed by the following documents: the National Employment Strategy for 2010; the National Action Plan for Employment (2006-2008 and 2009-2010, including the annual operational programmes for employment); action plans for the reduction of the grey economy; and a policy document targeting gender equality, which also contains measures on employment.

Macedonia has high rates of unemployment, as do most economies in transition. Even within SFRY, it had the highest unemployment rate (the overall unemployment rate in SFRY was 15 %, <sup>20</sup> while Macedonia's unemployment rate was 24 %). <sup>21</sup> This has not changed much today, since the rates of unemployment in Macedonia are still much higher than those in the countries of the region (aside of Kosovo, which has an unemployment rate of 45.4 %). <sup>22</sup> Unemployment rates were on the rise from independence until 2000, when a declining trend was observed until 2002, returning to an increasing trend up to 2006. After 2006, the policies which have been implemented have shown a positive change since, for the first time, rates of employment have been higher than those of unemployment. This dynamic coincides with developments in the

20 *CIA World Fact Book 1990* <http://www.gutenberg.org/cache/epub/14/pg14.html> [last accessed 10 November 2010].

21 European Commission (2005) *EU Candidate and Pre-Accession Countries Economies Quarterly* (CCEQ), special edition, p. 5  
[http://ec.europa.eu/economy\\_finance/international/non\\_eu/candidate/fyrom\\_en.htm](http://ec.europa.eu/economy_finance/international/non_eu/candidate/fyrom_en.htm) [last accessed 8 November 2010].

22 Statistical Office of Kosova *Results of the labour force survey 2009* Ministry of Public Administration website  
[http://esk.rks-gov.net/eng/index.php?option=com\\_docman&task=doc\\_download&gid=870&Itemid=8](http://esk.rks-gov.net/eng/index.php?option=com_docman&task=doc_download&gid=870&Itemid=8) [last accessed: 10 November 2010]

percentages of the active labour force which are much higher among men than among women, as are rates of employment.

Some of these documents and measures have been adopted rather recently, so it is too soon to judge their effectiveness. What can be seen from the current situation is that the government is making efforts to open up the labour market as widely as possible (both to citizens and to foreigners). However, what also needs to be taken into specific consideration are the several issues which can, based on previous research, be expected to present particular problems as regards implementation. We will take a look at the aspects pertaining to effectiveness and equity.

A labour market profile of Macedonia carried out by the World Bank for 2004-2007 shows that the highest number of unemployed people are those entering the market for the first time. This type of unemployment needs to be fought with active labour measures geared towards enabling such people to re-qualify and equip themselves with the skills demanded on the market. However, budget austerity measures are also cutting down the already-insufficient active labour measures, putting their effectiveness into question.<sup>23</sup>

Additionally, over 90 % of people who are either first-time job seekers or are currently unemployed fall into the category of long-term unemployed.<sup>24</sup>

What is important to point out, and which was underlined in this research study, are the methodological deficiencies which need to be addressed (albeit that some of them are). One of these methodological issues was determining a precise description of people actively seeking employment, as many people reporting themselves unemployed and as actively seeking employment were thought to be only doing so in order to obtain free state-paid health insurance. Consequently, it was expected that the amendment of the Law on Health Insurance would cause a decrease in the number of the unemployed, since this condition was lifted as a result of the introduction of so-called citizenship-based health insurance in 2009. However, this has not happened. The reasons for this might be many, including the coinciding global economic crisis which has not missed out Macedonia.

Another reason for the high rates of unemployment is usually tied to the presence of the grey economy and the informal labour market (pertaining to jobs that are not registered with the pension funds). Measures to mitigate this situation have, additionally, been implemented. Lower tax rates for new employment and for the employment of young people, as well as general and targeted policies for the reduction of fringe benefits, have also been introduced. However, these also do not seem to be having the desired and expected effects.

The third reason that can be attributed to high unemployment rates is the discrepancy between supply and demand; some studies have shown that unemployed people

23 European Commission *Progress Report 2010 op. cit.*

24 World Bank *Labour market profile of Macedonia for the period 2004-2007* <http://www.google.com/url?sa=t&source=web&cd=2&ved=0CBYQFjAB&url=http%3A%2F%2Fsitesources.worldbank.org%2FMACEDONIAEXTN%2FResources%2FMK.LMprofile.doc&ei=n9fZTNecGpH0sgaxzMjHCw&usq=AFQjCNEaaUrxix3i-brzohd914Pky9h3A> [last accessed 9 November 2010].

do not have the skills demanded on the labour market. The search for the underlying cause of this is often rooted in the adequacy of curricula both in higher education and on vocational education programmes. This also coincides with the largest share of unemployed people having no education, or else only primary education. Thus, in the case of Macedonia it seems that there is a return on investment when it comes to education. Additionally, there seems to be a positive correlation between the level of education and the average net wage. Employees with university and higher education display significantly higher than average net wage rates.<sup>25</sup>

This also leads us to another occurrence which is relevant to labour markets in transition economies. On the one side, unemployment rates are very high; on the other, employers are signifying that they cannot find suitable employees – thus, the labour force that is at their disposal on the market does not suit the requirement.

This emphasises the need for a close examination of education policy in order to understand the complex interdependence between the measures adopted within any of these policies, as well as on effectiveness and equity within it.

### The case for a trade-off in education policy

It was shown in the previous section on employment that education, and the level of education, is undoubtedly linked with employment. Education acts as a determinant, to a certain extent, on whether a person is employed, the length of any unemployment, the level of the wage, and, to some degree as well, the return on education.

Education policy in Macedonia is determined on the basis of separate laws for primary, secondary and higher education. Additionally, there are specially-defined conditions as well as a framework for volunteering, professional exams and vocational training. Macedonia's main strategic document is the National Programme for the Development of Education, 2006-2015; and the recently-adopted Strategy on Integrated Education.

Statistics show that, in 2009/2010, a total of 210 381 pupils (including 101 765 females) were enrolled in primary education (including those enrolled in special schools and in primary education for adults). At the end of the school year, the number of students that had completed the grade dropped by 2.6 % compared to the previous school year. For the same school year, 93 843 students (of which 44 595 were females) were enrolled into high school (including those enrolled in private schools).<sup>26</sup> At the end of the school year, the number of students that completed the secondary education year dropped by 0.4 % compared to the previous year.<sup>27</sup> In higher education, for the academic 2008/2009 year, a total of 63 437 students were enrolled, of which 51 795

25 *ibid.*

26 Education: News Release 2.1.10.10. State Statistical Office website <http://www.stat.gov.mk/pdf/2010/2.1.10.10.pdf> [last accessed 7 November 2010].

27 Education: News Release 2.1.10.08. State Statistical Office website <http://www.stat.gov.mk/pdf/2010/2.1.10.08.pdf> [last accessed 7 November 2010].

were in public and 11 425 in private universities.<sup>28</sup> There were 10 232 graduates in 2009, of which 8 131 were from public and 2 090 from private universities.<sup>29</sup>

In Macedonia, both primary and secondary education is mandatory. Primary education is still solely provided by the state, whereas secondary education is provided by both state and privately-owned schools. For state schools, the state provides targeted funding for books and transport, as well as funds for other administrative costs involved with state secondary education so that all students can complete this level of education. Additionally, as of the 2010/2011 school year, and with funds secured for the programme until 2014,<sup>30</sup> a conditional cash transfer (CCT) system has been established for all recipients of social financial assistance whose children are enrolled in secondary education; the amount of the CCT is MKD 1 000 (approximately €17) per month. The underpinning aim of the programme is to assist the alleviation of inter-generational poverty, yet its more obvious and measurable effect lies in lessening drop-out rates, since the condition for these transfers is regular attendance, confirmed by the school management. The ministry estimates that 15 000 students make use of this benefit.

Higher education is also offered by both public and private universities. The last two years have shown a rise in the numbers of high school graduates opting for higher education. Notably, in 2009 this number rose to a staggering 85 %. In recent years, there has been a strong rise in the presence of higher education institutions in the country – in the past five years, the number of faculties and universities has increased from 38 to 99.<sup>31</sup>

Besides the expansion of private investment in the education sector, another reason is the government's focus on extending public universities into a dispersed system of study in multiple cities in the country in the attempt to improve equal opportunities for all and to put higher education closer to the citizens. The rationale behind this was that education costs would be transferred from the student (and their family) to the state, where the costs of opening and maintaining new branches of state universities are taken over at the expense of the living and study costs for students in another city.

Yet, what this policy had so clearly stated is that, by encouraging the whole population to enrol in higher education, including multiple enrolments, the unemployment rate is artificially decreased and, worse – the lack of jobs on the market is only post-

- 28 Education: News Release 2.1.10.01. State Statistical Office website <http://www.stat.gov.mk/pdf/2010/2.1.10.01.pdf> [last accessed 7 November 2010].
- 29 Education: News Release 2.1.10.26. State Statistical Office website <http://www.stat.gov.mk/pdf/2010/2.1.10.26.pdf> [last accessed 7 November 2010].
- 30 These funds were secured through a \$25m loan from the World Bank. Source: Ministry of labour and social policy *Start of the application process for conditional cash transfers for high-school students from families at social risk* [Стартува аплицирањето за условен паричен надоместок за средношколиците од социјално загорзени семејства] Ministry of labour and social policy website <http://www.mtsp.gov.mk/?ItemID=6D-B8ABBF2A6E5C4BBDD37DEDDEF8944B> [last accessed 9 November 2010].
- 31 'To higher degrees with lower education' [До високи титули со ниско образование] *Dnevnik* 24 August 2010 <http://www.dnevnik.com.mk/default.asp?itemID=286AA3779F05CA4D-B037545E53F140D3&arc=1> [last accessed 14 November 2010].

poned for a short period of time. Instead of a more profound improvement in the quality of education *vis-à-vis* the requirements of the labour market, the policy framework is mainly dealing with making extensive and redundant investments in people with unwanted skills and capacities.

However, this step towards equity has shown, in practice, that it is a step away from efficiency. The quality of the education provided in these institutions has been publicly challenged on several occasions, both in terms of the technical conditions of these institutions and in the teaching staff. This decreases the likelihood that these individuals will profit from their education, once they try to enter the labour market, since their qualities and profiles will not correspond to those demanded by the labour market. Thus, a supposition of one entering the higher education system is usually equated with a postponement of the moment when one becomes unemployed, and not because of a real belief in the benefits that education can bring to an individual.

When speaking about effectiveness and equity, one needs to limit oneself to public education facilities. Thus, when reading the above statistics, one has to take into consideration that, in higher education, students studying in private universities comprise almost 20 % of the total number of students in the country. Thus, this is a part of the labour force that should also be considered in the upper section. Differences in opting for one type of education over another are diverse. Studies show that the reasons vary as regards personal preferences for reputation, the curricula offered, technical capacities, financial constraints, preferences for learning methods, devotion to studies, reasons for opting for education in general, and so on.<sup>32</sup>

Judging by the current level of feedback from the labour market, as already explained, it is arguable that there is a need to undertake the planned reforms in education policy more seriously, starting with vocational secondary and higher education. These reforms must ensure, as an end result, that individuals undergoing education in these institutions eventually enter the labour market as professionals equipped with qualities that will act as a response to the demands of the labour market, as well as with the skills to assist them in swiftly adjusting to these demands.

## Conclusions and recommendations

By some distance a leader in unemployment (after Kosovo), one can say that, otherwise, Macedonia is no different to other transition countries. Additionally, it struggles to find the most suitable model for social policy, employment and education that will optimally fit its context. Struggling with poverty, unemployment, drop-out rates and, to some extent, illiteracy (especially among minority ethnic groups); facing the politicisation of its administration, which is on the rise with every change of government; striving to enhance decentralisation and to achieve better developments in every region throughout the country, thus reducing the gaps in the quality of life between urban and rural areas – all these things proceed in parallel in this south-east European country with the desire to shape its laws and policies according to the standards which exist in

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<http://www.crpm.org.mk/Papers/EducationENG.pdf> [last accessed 9 November 2010].

EU countries, to open up its economy and attract foreign investment and to increase the quality of education and the competitiveness of the workforce in the country.

The interconnectedness between the three areas, as we have explored in this article, is more than evident. Measures undertaken in each of them reflect upon the others. Education acts as a determinant (to a certain extent) on whether a person is employed, on the length of any spell of unemployment, the level of earnings and, to an extent, the return on education.

Social policy has been thoroughly revised in the past several years. De-institutionalisation is underway and social assistance is striving to be more directed towards those in most need. However, the strategic documents and actions plans need to be put into practice. There has to be a continuity and consistency in the implementation of the actions foreseen in these documents, together with the regular monitoring of progress and the advancement of constructive measures for improvement.

Enhancing the capacity of the administration and of the personnel working in institutions for social protection and unemployment is a step that needs to be made for both policies. This goes in hand with the proven low capacity of these institutions to provide adequate services to their users. A strategic step has been taken as regards planning, but the economic crisis has had its impact on these plans and their actualisation.

Employment policy still lacks sufficient active labour measures. Furthermore, Macedonia is one of the countries that is in danger of falling into a spiral of unemployment with both very high unemployment rates on the one hand while, on the other, and existing at the same time, there is a problem of employers finding adequately skilled employees – thus, the labour force which is at the disposal of the market does not suit the needs of the market. This indicates a need for radical changes in education and employment policies based on the evidence, such as acquired education and skills, and the needs of the labour market, especially in the service sector.

Education policy needs change in order to be able to include the greatest number of individuals in the education process and to ensure, at the same time, a return on investment. Expanding the network of state universities should go hand-in-hand with maintaining a certain level of the quality of the education provided in these institutions. This should seek to ensure that the individuals undertaking education courses will subsequently be able to enter the labour market equipped with the qualities which respond to the demands of the market, as well as with the skills to assist them swiftly to adjust to these demands.

To sum up, in order to lessen the trade-off in social, employment and education policy, the following actions should be considered: an increase in co-ordination among the institutions dealing with these policies, both in their design and in their implementation; ensuring their coherence; strategic and realistic planning for the short-, medium- and long term; regular research and analysis of past, current and anticipated developments; the design and full utilisation of monitoring mechanisms for the implementation of these policies that will enable timely and prompt reactions; and, on the other side – a sufficient allocation of financial and human resources.

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