

CHAPTER 9.

The Impact of the Global Economic Crisis on the Labour Market and Social Services in Macedonia

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1. INTRODUCTION

Despite initial optimistic forecasts that the global economic and financial crisis that began in 2008 would end in 2010, its effects continue across the European Union through the developing euro crisis, and a rise in poverty and unemployment in individual EU member states and EU candidate countries. Similarly, the different waves of the economic crisis – global, regional (the Greek crisis) and national (economic transition since 1991), have taken their toll on economic growth and have hindered Macedonia's social development. These various crises have had visible implications on individuals affecting their well-being, and have also posed significant challenges to the effectiveness of the social welfare system.

In this context, it is interesting to identify individual perceptions concerning the social dimension of the economic crises. For that purpose, this chapter focuses on people's attitudes and on their access to the labour market, social protection, education and health during 2009. In addition to data from official statistics and administrative sources, the analysis is based on the findings from a household survey undertaken in September 2009 (FES, 2009). The survey used a standardized questionnaire delivered to a representative sample of 1,068 households in Macedonia⁵⁰.

⁵⁰ The basic aim of this public opinion research was to obtain information with standardized questionnaire in the following areas of interest: (1) The degree to which households, feel the effects from the global financial crises; (2) The impact of the crisis on the process of further stratification and increase of the social differences in the country; (3) The nature and the intensity of the basic fears and concerns of citizens in terms of crisis; (4) Confidence in the institutions and subjects with greatest power to overcome the crisis, or reduce its consequences/effects and (5) The social aspect of the crises and its impact on the education, social services and employment. This paper analyses only the fifth domain - the social aspect. The survey was financed by Friedrich Ebert Foundation and undertaken by the Rating Agency, Skopje. The author of

2. LABOUR MARKET

Even before the global economic crisis, the conditions of the Macedonian labour market were difficult. Since 1996, the rate of unemployment has not fallen below 30%. Large informal economy, labor migration as well as high inactivity among specific ethnic communities (i.e. among Turkish and Albanian women), contribute toward one of the highest unemployment rates in Europe.

However, comparisons of official statistics in the last few years show that the global economic crisis has not contributed towards increase of unemployment, but rather there is an evident albeit negligible decline in the unemployment rate.

TABLE 1: Labour force in R. Macedonia, 2008-2011

	Total population aged 15 and above	Labour Force			Activity rate	Employ- ment rate	Unem- ployment rate
		Total	Employed	Unem- ployed			
2008	1,633,341	919,424	609,015	310,409	56.3	37.3	33.8
2009	1,638,869	928,775	629,901	298,873	56.7	38.4	32.2
2010	1,648,522	938,294	637,855	300,439	56.9	38.7	32
2011	1,656,215	940,048	645,085	294,963	56.8	38	31.4

Source: State Statistical Office, Labour Force Surveys 2009-2011.

The unemployment increase is evident when the labour force participation is analyzed according to different quarters from 2009 to 2011. As seen from Table 2, at the end of 2009 and beginning of 2010 the rate of unemployment was highest.

Since then, there is a continual but limited decrease in the unemployment rate and then a rise in unemployment is also significant for the first two and the fourth quarter in 2011.

TABLE 2: Unemployment rate in R. Macedonia, 2009-2011

Year/ quarter	2009				2010				2011			
	I	II	III	IV	I	II	III	IV	I	II	III	IV
Unem- ployment rate	32.7	31.9	31.7	32.4	33.5	32.1	31.7	30.9	31.2	31.3	31.2	31.8

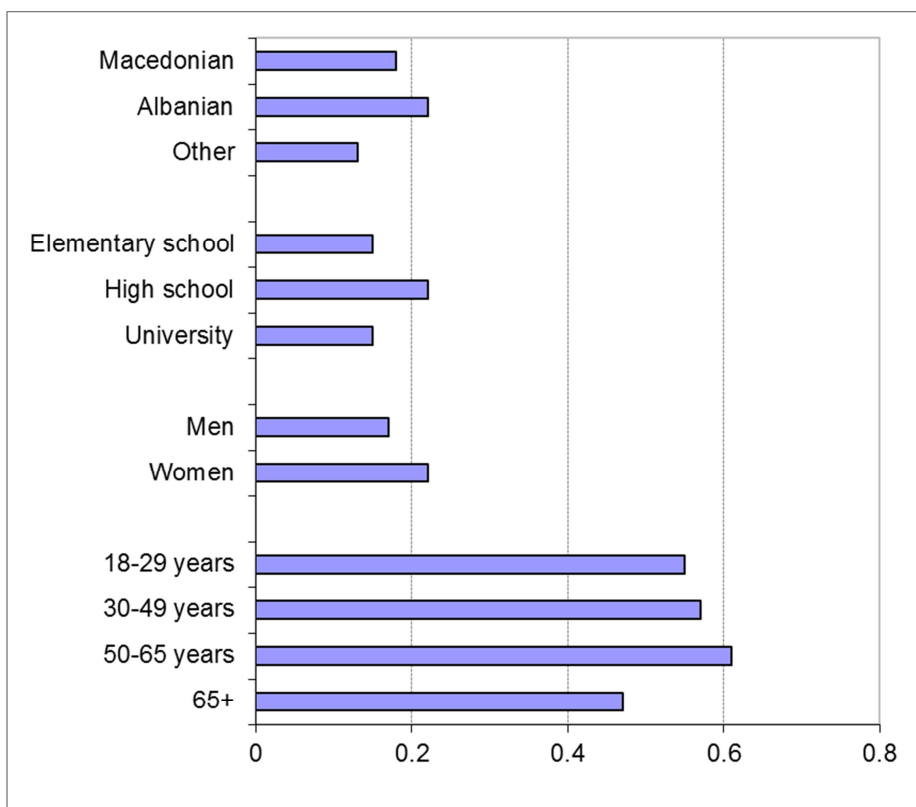
Source: State Statistical Office, Labour Force Surveys 2009-2011.

this chapter is one of the researchers/authors of this survey and the consequent report on *The Impact of the Global Financial Crisis on the Macedonian Economy and the Economic Situation in the Macedonian Households: Perceptions of the Citizens about the Nature of the Crisis and its Impact*.

Despite the negligible decline in the official unemployment rate revealed by the Labour Force Survey data, the results from the 2009 representative survey reveal a different situation. Almost half of the respondents (48%) did not participate in the labour market (i.e. they were pensioners, students or housewives), two thirds (66.7%) lived in households in which at least one person was unemployed, while 3.9% of the respondents lived in households in which all the adult members were unemployed.

The same research shows that during the period of most intense effects of the global economic crisis (from October 2008 - September 2009) the actual loss of jobs was experienced by 19% of the respondents, among which the majority were people with ethnic Albanian background. The largest number of jobs was lost in the Western region of Macedonia, involving mostly those with secondary education as well as households with monthly income up to 10,000 MKD (164 Euro). More than half of respondents (57%) said that they knew at least one person who had lost their job as a result of the economic crisis.

GRAPH 1: Profile of people who lost their job in 2009 in Macedonia



Source: FES, 2009

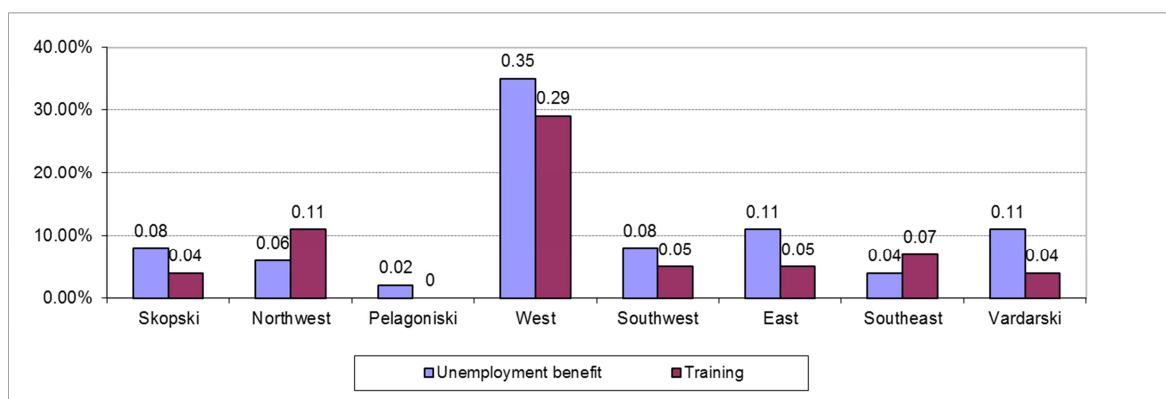
Note: The above graph gives results only for those respondents that have lost jobs during the past 12 months. For example 18% of ethnic Macedonians have lost their job (while 82% didn't).

It is evident that those with lower educational status, older workers (50-65 years) as well as women, suffered the most during the economic crisis. This is not surprising because the crisis was mostly felt in industries where a majority of people had less than university education, worked in

industries where large groups of women were employed (i.e. textiles) and in which many older workers could be found (mining and metal industry). The finding that a higher proportion of Albanians than other ethnic groups had lost their jobs may be interpreted as a result of the increased number of returnees from abroad (who tend to have mainly Albanian ethnicity), who had lost their jobs in the more developed European countries.

The survey results also show that unemployment protection has provided an important but imperfect safety net during the period of economic crisis, as 11% of the respondents (fewer than the 19% who had lost their job during the previous 12 months) had applied for the benefit. The survey also showed a lack of information and knowledge about the rights to benefits and services available from the Employment Centres, with 7% of all unemployed respondents being unaware of the possibility of applying for unemployment benefit. The use of training and retraining services (which is a right for all unemployed), was lower than the demand for unemployment benefit; only 8% of the respondents applied for retraining. Again, a significant number – 12% - were not aware of this right, implying a need for the promotion of training opportunities offered by Employment Centres.

GRAPH 2: Applicants for unemployment benefits and training services



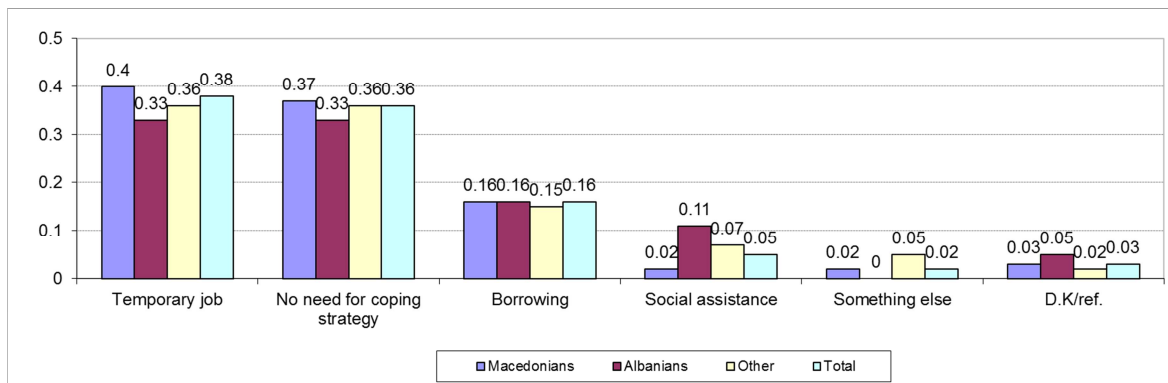
Source: FES, 2009.

The results shown in Figure 2 indicate that cash transfers or passive unemployment measures were in greater use in all regions during the period of economic crisis in comparison with active employment measures such as training and retraining with the exception of the Northwest and Southeast regions). It should be noted that the regions where these benefits are in least demand (i.e. Pelagoniski), are also regions with many people who lack information about these rights. Therefore, it is of particular importance to improve public awareness, especially during periods of economic crisis, about the opportunities unemployment insurance and retraining, which could present an important tool to improve the conditions on the labour market.

The coping strategies adopted during the economic crisis included looking for a temporary job (38% of the respondents), and borrowing money from relatives and friends (16%). The reliance on social assistance as a coping strategy was significant only for 5% of the respondents, raising concern about its relevance as a support mechanism, particularly in times of economic crisis. As

Graph 3 shows, analysis of use of social assistance as a coping mechanism was mostly evident among the Albanian ethnic community.

GRAPH 3: Coping strategies during economic crises according to ethnicity



Source: FES (2009).

Note: The above graph gives results according to ethnicity grouped according to each strategy. For example, among Macedonians 40% are looking for temporary job, 37% have no need for coping strategy, 16% borrow, 2% rely on social assistance, 2% on something else and 3% declined to answer = 100%.

The findings of the survey indicate that there is a need to improve access to available support mechanisms especially for agricultural workers and those who are not very well informed about the various opportunities for support such as those living in the Pelagoniski region. There is also a need to promote both passive and active employment measures so that people can mitigate negative effects during times of unemployment. In addition, the active labour market measures should also focus on providing more incentives for part-time jobs and flexible employment which can substitute for the loss of full-time jobs. In addition, ways of ensuring prolonged duration of support from unemployment insurance as well as higher benefits should be considered, in order to provide more effective support for the beneficiaries during periods of decreased labour demand and decreased household incomes. Contributions from the local municipal sources (i.e. local taxes) may be used to contribute to this end.

3. SOCIAL PROTECTION

The system of social protection in Macedonia consists of both contributory and non-contributory benefits. In this chapter I will only consider social assistance (a non-contributory benefit) and unemployment compensation (a contributory benefit).

Official data on the take-up of social assistance suggest that during the global economic crisis there was no increase in the number of social assistance beneficiaries. On the contrary, according to State Statistical Office data on households receiving social assistance, it can be seen that since 2008 there has been a continuous decrease in the number of households receiving this benefit. However, this should not be interpreted as a reduced need for social assistance, but rather as a tightening of the eligibility rules as well as due to the adoption of more rigorous means-testing

procedures. The number of households receiving social assistance declined from 49,515 households in 2009 to 44,940 in 2010 which represents around 8% to 9% respectively of all households in the country.

TABLE 3: Social assistance recipients in R. Macedonia, 2008-2011

Year	Number of households	Household members (together with the household head)
2008	52,974	208,797
2009	49,515	193,220
2010	44,940	176,431

Source: State Statistical Office, 2010-2011.

Unlike social assistance, the take-up of contributory unemployment benefits in Macedonia increased during the period of the global economic crisis. According to the Agency for Employment, in 2009 there was an increase in the number of unemployment compensation beneficiaries, which continued to rise in the following years.

TABLE 4: Beneficiaries of unemployment compensation, 2008-2011

Unemployment insurance beneficiaries	2008	2009	2010	2011
TOTAL	23,565	24,648	24,263	25,486
% of registered unemployed	6.90%	7.20%	7.50%	9.10%

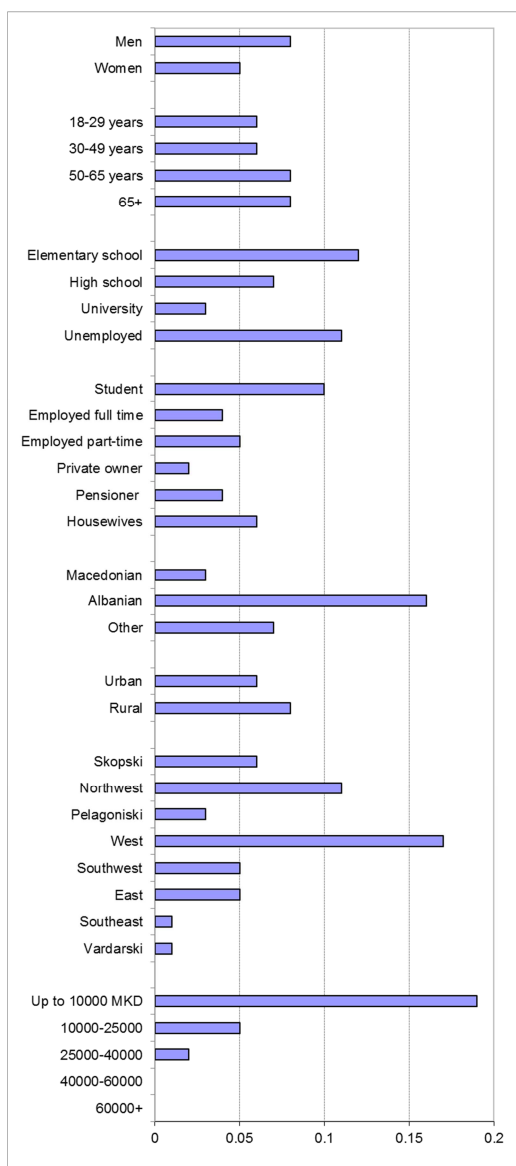
Source: Agency for employment, Statistics, www.zvrm.gov.mk

Data from the survey (FES, 2009) reveal that among 1,068 respondents, about 7% were in receipt of social assistance, a similar proportion to that indicated by the official data. Among them, most were unemployed Albanian men, aged over 50, with only primary education, living in rural areas in the Western region and belonging to households with a monthly income below 10,000 denars (164 Euro).

Administrative sources and the perceptions of survey respondents concerning the take-up of social protection benefits indicate that social transfers (particularly social assistance) in Macedonia are not an important cushion during economic crises. In addition to the stricter eligibility rules, this is also probably due to the low level of social assistance benefit, which does not support the basic needs of vulnerable households. Therefore, it is not surprising that majority of the respondents believe that during economic crises this benefit should be increased. The actual increase of the social benefits during periods of crises is also part of the EU social package regarding crises, in which member states are encouraged to prolong the time duration and amount of benefits so as to cater for the decreased incomes of vulnerable groups. The socio-demographic characteristics of the social assistance recipients during the economic crisis can

serve as an important indicator and profile towards which more comprehensive social measures and support should be provided.

GRAPH 4: Socio-demographic characteristics of social assistance recipients during the economic crisis, 2009



Source: FES (2009).

4. EDUCATION

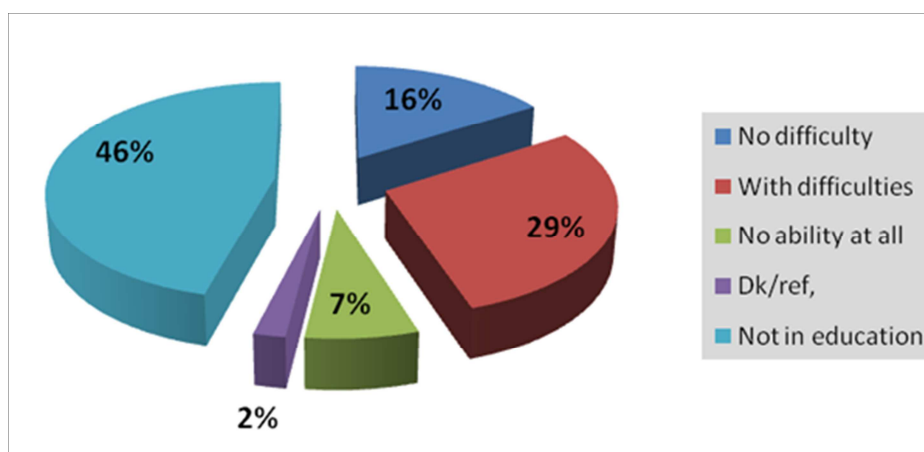
The formal education system in Macedonia is composed of pre-school education, primary education, secondary education, higher education and tertiary/university education. Despite recent policies that have made secondary education compulsory as well as the increase of tertiary education facilities throughout the country (which will probably show its effects in the long run), the data on educational enrolment still give reasons for concern. According to the State Statistical Office, the number of students in primary schools decreased by 2.8% between 2009-10 and by

3.4% between 2011-12; in secondary schools, enrolment decreased by 1.3% in 2009-10 and by 1.5% in 2011-12. Although the demographic trends have an impact on these figures, still additional set of factors need to be further investigated, in order to assess whether increase in labor migration, increase in the number of street children have any impact on these declining enrolment rates during economic crisis.

The perceptions of the survey respondents in relation to education show that the economic crisis has had a significant impact on the household expenditure on education, school attendance, attainment of further educational levels, as well as in general on lowering the government investments in education. Data from the FES survey (2009) reveal that among those who were attending or had a family member that is attending some level of education, 28% experienced an increase in household costs for education in the previous year. This implies that despite greater government subsidies for education in 2009 (i.e. free text books and transport), more than one quarter of families in Macedonia still faced difficulties in meeting the costs of education for their children.

Similarly, school attendance also proved difficult during 2008/2009 for 28% of the respondents. The major reasons given were the general expense of education (19% of respondents), costs of study material (7%) and travelling costs (2%). One worrying aspect is the difficulties experienced in pursuing further education. More than a quarter of respondents (29%) said that they would be faced with financial difficulties in providing further education for themselves or for members of their family, while 7% said they will not be able at all to support their personal or a household's member further education. In the latter category are those with a part time job, housewives, unemployed people, people of Albanian ethnic origin, people living in Northwest and Western regions, and those with monthly income below 10,000 MKD (164 Euro).

GRAPH 5: Financial ability to pursue further education in 2009



Source: FES (2009).

Note: The results given in this graph are from the 54% of respondents who were in education, which is not representative for the whole country, but still it can be taken as an indicative figure.

Finally, in relation to future investment in education, 60% of respondents considered that the crisis would have a negative effect on the government's investment in education. Such perception prevailed among all households, with no differences regarding ethnicity, gender, or region of living. These negative perceptions on educational spending suggest that the government could have been more proactive in informing people about the availability of free text books and transport which were provided as a measure to increase expenditure on education of vulnerable households during the times of increased economic insecurity, particularly in 2009.

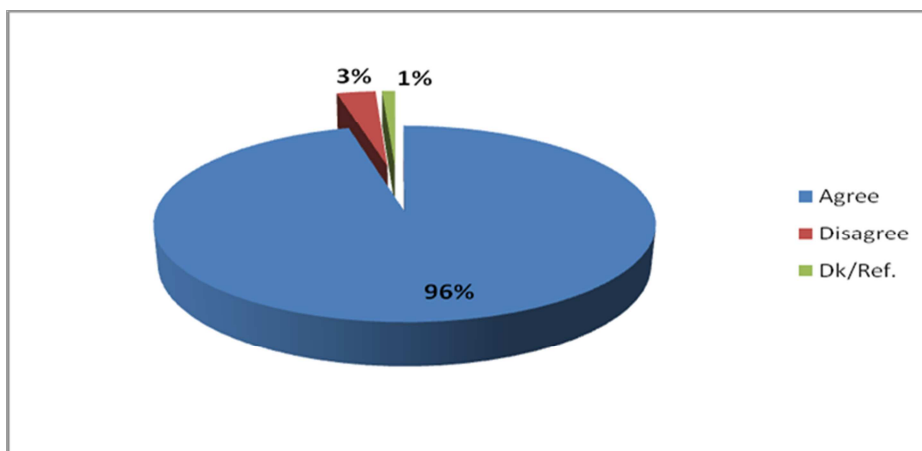
5. HEALTH

Access to health care and health insurance in Macedonia according to the Constitution and Laws is one of the basic social rights of the citizens, implying that the coverage of the health system should be universal. However, some estimates indicate that approximately 150,000 citizens of Macedonia are for one reason or another not covered by social health insurance. Representatives of some ethnic communities (i.e. Roma, ethnic Albanians), as well as some vulnerable groups, (i.e. undeclared workers, seasonal workers) are among the uninsured. Aiming to provide basic health care services to some vulnerable groups the government through a special program provides resources from the budget to cover the health care costs of this group. However, in practice those funds provided by the government are insufficient to fulfil the commitment (Donevska et al. 2007).

Data from the household survey (FES, 2009) also show that access to health insurance is not universal. In 2009, out of all respondents, 9% had no health insurance at all. Their economic and socio-demographic characteristics indicate that those excluded from health insurance in Macedonia are mainly those with elementary school, the unemployed, those with part time jobs, those that come from minority ethnic groups such as the Roma, and those that live in rural areas and in the Pelagoniski region. In addition, among those who do have health insurance, 11% have made irregular payment of their health contributions, diminishing their access to health services. The respondent's perceptions given in the survey reveal that the overwhelming majority (96%) supports free health insurance for all. Unfortunately, these perceptions are far from the current reality.

Responses in relation to use and satisfaction with public health institutions reveal that despite having health insurance, in cases of need 58% rarely use public health institutions, while 6% do not use them at all. Similarly, 45% were dissatisfied with the services provided in public health institutions, while a significant majority (88%) believed that without a bribe you cannot get good and timely service. More than half (51%) said that they could not afford the services of private health institutions, while 37% said that they could do so occasionally. These results show a rather negative picture of the health care system in Macedonia, in which access is not the only problem, but also its quality and responsiveness. Moreover few members of the socially vulnerable groups can benefit from private health care services.

GRAPH 6: Support for increased financial assistance for health care for the most vulnerable citizens, during economic crisis



Source: FES (2009).

Finally, more than half (52%) of respondents considered that during the economic crisis, the conditions within the health care system did not change while 20% thought that the crisis brought about a worsening of the situation in the health care system. As shown in the Graph 6, almost all (96%) of respondents said that in times of financial crisis the state should allocate more money for health care aimed at the most vulnerable people. Despite this universal perception, the government did not introduce any new health measures in response to the economic crisis. Even those that were planned and announced, intended to improve immunization and pre-natal health care were not implemented. Hence, improved access to health care and support for health costs for the most marginalized social groups remained a serious problem during the period of the economic crisis.

6. CONCLUSIONS

This paper has shown that the global economic crisis contributed towards worsening of the position of certain vulnerable groups in Macedonia in relation to their employment status, social protection, education and health. Although the official data do not provide evidence about high rates of unemployment growth, still its negligible decline, coupled with the evidence from the representative survey data, which showed loss of jobs among 19% of the population in 2009, speak about increased difficulties on the labor market demand. Difficulties related to high unemployment were accompanied with a reduction in the number of social assistance beneficiaries, a decrease in school attendance, and an increase in unemployment compensation. As indicated at the beginning of this paper, all these features cannot be attributed to the global financial crisis only, but they also represent an outcome of other factors, such as neighbouring crisis (i.e. socio-economic conditions in Greece) as well as previously existing difficult economic and social conditions in Macedonia.

Improving the country's performance in areas such as employment, education and poverty is not an easy task. In this respect, the EU 'Agenda 2020' provides additional support to its member and candidate countries. Namely, it stipulates agreed goals, targets and indicators in the field of employment, education and poverty, (see Gerovska and Stubbs 2012), and challenges candidate countries to update and amend their policies in the field of poverty and social exclusion.

Taking into consideration the current socio-economic conditions in the country, a renewed approach towards tackling problems of unemployment, educational exclusion and poverty should be based on more systematic and targeted policy measures. In this respect, taking into account all three EU 2020 indicators when stipulating national targets in the field of poverty and social exclusion; then targeting not only those "traditionally vulnerable categories", such as unemployed, long-term unemployed, but also others such as people experiencing in-work poverty and those materially deprived; and finally a greater alignment of policy measures with the profile of vulnerable categories, should be among the priorities within the overall socio-economic agenda of the government in Macedonia.

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