
Welfare State Realities in Macedonia: Trends and Perspectives

Maja Gerovska-Mitev

1 Introduction

Any discussion about the welfare state of a country which does not belong to the existing welfare regime typologies (Esping-Andersen 1990; Ferrera 1996; Cerami 2006) needs careful examination of its historical and institutional welfare arrangements. Macedonia, since its independence from the Socialist Federal Republic of Yugoslavia in 1991 was very rarely on the comparative welfare map. Some of the attempts to depict characteristics of the social welfare model in Macedonia sent different messages. Deacon's pioneering work on post communist social policy indicated that "parts of (ex)Yugoslavia witness emergence of a modified form of conservative corporatism in which a 'deal' is struck between some elements of old nomenklatura and some elements of the working class to modify the free play of market forces, at the price of less economic growth, in order to secure a greater degree of state protection for both nomenklatura and skilled workers" (Deacon et al. 1992, p. 179). Revising his work later in 1997, Deacon together with Stubbs noted that social integration of Macedonia is interconnected and dependent on management of ethnic divisions in the country (Deacon et al. 1997, p. 191). In addition, Deacon and Lakinska also indicated that Macedonia, like many other post communist countries does have a developed social protections system, but that it needs to be sustained in the face of economic and political pressures to cut benefits and services and meet international competitiveness' requirements (Deacon and Lakinska 1997, p. 50). In a similar fashion, Agh has pointed out that "the real stabilization of Macedonia can occur only by economic consolidation and durable solution of ethnic problems in the multi-ethnic and multicultural state" (Agh 1998, p. 179). A scholar from the region, Puljiz, has

M. Gerovska-Mitev (✉)
Faculty of Philosophy, Institute of Social Work and Social Policy, Ss. Cyril and Methodius
University, Skopje, Macedonia
e-mail: gerovska@fzf.ukim.edu.mk

argued that a “mixed” model of post socialist welfare state has emerged in Post Yugoslav countries, in which the previously existing Bismarckian model of social insurance has been complemented with elements from liberal and social democratic model (Puljiz 2008, p. 82). Similarly, Stubbs, in his research on the Western Balkan, states that “the region inherits historical legacies in social protection which are a complex product of the Austro-Hungarian Empire in the latter part of the nineteenth century, influenced by Bismarckian ideas and practices on social insurance, which came to frame modern welfare settlements (Stubbs 2009, p. 36).

Although some of these descriptions differ, still they are relevant for two purposes. First, in order to differentiate the social welfare model in Macedonia from other countries (in the region or wider) it must be emphasized that it is dependent on the degree of integration of vulnerable ethnic communities within the wider society (labour market, local municipality, etc.). Secondly, after the country’s independence in 1991, the degree of influence from the international governmental organizations (mainly the World Bank) has contributed towards major social policy reforms (introduction of the new pillar of fully funded pensions’ system, conditional cash transfers, privatization of the primary health sector, etc.), and towards incorporation of the neo-liberal principles and norms. Hence it may be said that Macedonia belongs to the club of countries in which, as argued by Vaughan-Whitehead, the dominance of international governmental organizations such as the World Bank and IMF has distanced them from the European Union, which in turn has even risked the future of Social Europe in the newly enlarged European Union (Vaughan-Whitehead 2003).

For the purpose of providing a starting point for the further country analysis, it may be argued that the socialist welfare state which existed until 1991 introduced the universal access to social welfare/care, albeit with different degrees of quality for different constituents. In addition, the social security system was created on the basis of Bismarckian contributory principles which provided social protection rights along socio-professional status. The main units that provided access to social services (Social Work Centres) were created in the 1960s and continued since then in provision of both cash benefits and institutional as well as day care support. But, these socialist legacies were largely reformed since the 1990s, with the introduction of: the principle of conditionality (social assistance scheme linked not only to the active search for a job but also with obligatory acceptance of public work at the level of local municipality), principles of individual responsibility (in addition to the pay-as-you-go pension pillar, a second mandatory fully funded pension system was introduced), as well as principle of pluralisation (on the basis of which the state gives more emphasis on private and non-formal provision of social care). All these, accompanied with the particular ethnic composition of the country¹ and continual low economic and jobless growth in the country, adds to the challenge of

¹ According to the last 2002 Census, according to their ethnic affiliation there are 64.18 % Macedonians, 25.17 % Albanians (25.17 %), 3.85 % Turks, 2.66 % Roma, 1.78 % Serbs, 0.84 % Bosniacs, 0.48 % Vlachs and 1.04 % of other ethnicities.

demystifying the particularities of the social welfare model and its viability in times of economic and demographic pressures. These general challenges facing the welfare state in Macedonia have been reinforced since 2007, with the onset of the global economic and financial crisis as well with the growing demographic imbalances.

2 Demographic Pressures

Demographic pressures on the welfare state in Macedonia although existent, are not among the primary factors for reform of the social protection system. Namely, when compared with labour market trends (high unemployment rate, low activity rate) demographic indicators show less dramatic reasons for change. This is particularly true when old-age dependency ratio is being compared for Macedonia and EU countries. While in the EU in 2012 the average old-age dependency ratio was 26.8 %, in Macedonia this ratio was 16.5 % in 2011. Still, some of the national demographic trends, particularly the fertility rate, are more concerning, which was also the reason behind the introduction of a set of governmental measures to boost population growth.

According to the official population estimations (as of 31.12.2012) in Macedonia there are 2,062,294 inhabitants, which is a negligible increase of 0.8 % compared to 2007 or 1.9 % compared to 2002. Similarly, an examination of the total fertility rate shows that in 2011 it was at a similar low level of 1.5 % as in 2007. However, there are differences in fertility rates among different ethnic communities in the country. Women that are ethnic Albanian, Turk, Roma and Bosniacs have much higher fertility rates, than women that are ethnic Macedonians, Serbs and Vlachs (Table 1).

To stimulate population growth, the government since 2009 has introduced a set of family support mechanisms, such as financial compensation for the third child (until the first child becomes 10 years old), and family pension for the (unemployed) mother of a fourth child (after retirement age). Although these measures may be welcomed as an improvement of the living standard of the families, still it is worrying that for some vulnerable multimember households this may create a “poverty trap”. Namely those on low and irregular incomes and with more than four children may see this measure as attractive, but the measure itself in terms of its amount is not adequate as an income support for the whole family, and it also only has a duration of 10 years. Hence, beneficiaries who are not active on the labour market and rely solely on these population growth-stimulant measures, may end up with inadequate and time-limited incomes that may further challenge the living conditions in their families.

Table 1 Total fertility rate

2007	2008	2009	2010	2011	2012
1.46	1.47	1.52	1.56	1.46	1.51

Source: State Statistical Office (2013a), Macedonia in numbers; Eurostat (2012), Total fertility rate

Table 2 Population forecasts

Year	1950	2013	2025	2050	2100
Population (thousands)	1254	2107	2094	1881	1327
Percentage distribution of the population in selected age groups					
0–14	n.a.	16.7	n.a.	13.3	14.2
15–59		65.3		52.1	48.8
60+		18.0		34.6	37.0
80+		2.3		7.3	13.1
Median age (years)	21.8	37.1	n.a.	49.1	49.0

Source: United Nations Department of Economic and Social Affairs/Population Division (2013)

In relation to the age structure, the Macedonian population is in continual process of ageing. In the period from 2002 till 2012 the participation of the young population (0–14) in the total population has decreased from 21 % to 17 %, while participation of the older population (65 and more) has increased from 10.6 % to 12 % (State Statistical Office 2013a). UN estimates indicate that the older population in the country will have doubled by 2050 and will continue to rise by 20 % up to 2100 (Table 2).

These demographic indicators, accompanied by worrying low rates of employment, have been the main reason behind the introduced pension reform in 2005. The previously existing PAYG pension system was complemented with the introduction of the mandatory second fully funded pension pillar. In addition, since 2009 there is a gradual reduction of the social contribution base for pension, health and unemployment insurance for 10 percentage points, namely from 32 % to 22 % of the gross wage, between the period 01.01.2009 till 01.01.2011.

Although these reforms have been based on demographic and economic projections, still their social impact was not part of the overall forecasts. Particularly, the combined impact of these two reforms, on one side reduction of the funds in the first public pension scheme (and their reallocation in the second pillar) and on the other reduced pension contribution rate (currently 18 % of the gross wage and it is expected to drop further to 15 %), meant an overall decrease of finances in the Pension and Disability Fund. In conditions of low employment, these reductions are currently supplemented by the central budget and foreign loans, which provoke fear in relation to its sustainability particularly in times of global economic crisis. In addition, recent analysis shows that pensions are the primary source of income for 24.3 % of the households in the country (Gerovska-Mitev 2012). Hence, suggested changes may further destabilise not only pensioners' benefits, but also overall family budgets in households where the main source of income is pensions.

The overall economic situation also has an impact on demographic change due to external migration. According to a recent research (Bornarova and Janeska 2012), "emigration in the country has taken three primary forms: permanent family emigration or family reunification, temporary and circular emigration for economic reasons, and illegal or refugee-motivated migration. Within this latter, comparatively small category, the number of asylum-seekers shot up dramatically following

Table 3 Crude rate of net migration per 1000 inhabitants

2007	2008	2009	2010	2011	2012
0.1	-0.3	-0.3	-0.3	-0.4	-0.5

Source: Eurostat (2013a), Crude rate of net migration, 2013

the 2010 liberalization of European Union visa rules, with a particular rise in applications by Roma and Albanians (*ibid*, p. 2) (Table 3).

Some reports say (referring to a report on migration from EUROSTAT) that from 1998 to 2011, some 230,000 people left Macedonia to live abroad legally.² The figure represents more than 10 % of the country population of 2.1 million. Some 170,000 of these people were granted temporary stays in European Union countries, mostly in Italy, Germany, Austria and Slovenia, while the report also shows an increasing number of foreign passports being issued to Macedonians in the last several years. Although Macedonia has had a long tradition of emigration, still the emigration trend after its independence since 1991 shows that lack of employment, lack of decent living standards and poverty continue to be push factors which contribute towards permanent, temporary or asylum seeking migration.

3 Fiscal and Economic Crisis

Before indicating the impact of the global economic and financial crisis in Macedonia, it is important to notice that despite some visible economic growth in the periods 1998–2000; and then from 2004 till 2008, the rate of employment is constantly low, particularly compared to European standards (Table 4). Hence the global economic crisis is not the major reason for the low economic activity, but rather an additional factor which contributed to a certain degree towards insecurity and instability of the conditions on the labour market. Some of the more profound reasons that are associated with the long standing and high unemployment rate in Macedonia include: low economic growth and particularly “jobless growth”, low educational qualifications of the unemployed, skills mismatch, as well as low participation rates particularly among women from ethnic communities, such as Albanian, Turk and Roma.

Overall expenditure on social protection as a percentage of the GDP is experiencing continual decline. Although recent estimations are not publicly available, data since 2008 show continual declining trends. Data for the 2000–2005 period, based on State Statistical Office calculations, show that the expenditure on social protection as a percentage of GDP has declined from 13.7 % in 2000 to 12.2 % in 2005 (European Commission 2007). According to a World Bank analysis (2013), social protection spending as a share of GDP in 2011 was 9.5 %, which is low by regional standards. For example, according to the ESPROSS statistics,

² Balkans News <http://www.balkans.com/open-news.php?uniquenumber=174764>

Table 4 Economic growth, employment and unemployment in Macedonia (2007–2012)

	GDP (current prices— million euros)	GDP per capita in euros (current prices)	GDP real growth rates in %	GDP quarterly growth (I–IV quarter) ^a	Central government gross debt (% of GDP)	Employment rate total
2007	5965.45	2919	6.1	6.5	n.a.	36.2
				4.8		
				5.3		
				7.9		
2008	6720.39	3283	5.0	5.2	n.a.	37.3
				6.5		
				5.9		
				2.5		
2009	6703.37	3269	−0.9	−0.6	23.8	38.4
				−1.2		
				−1.4		
				1.2		
2010	7057.01	3434	2.9	0.0	25.8	38.7
				2.5		
				4.5		
				4.0		
2011	7472.73	3630	2.8	6.1	28.3	38.9
				3.6		
				1.2		
				1.0		
2012	7490.40	3616	−0.4	−1.0	32.2	39.0
				−0.6		
				0.4		
				0.1		

Source: State Statistical Office (2013c), News release gross domestic product in the Republic of Macedonia in 2012; Eurostat (2013b), Quarterly national accounts

^aCompared to the corresponding period of the previous year, %

social spending in Croatia in 2012 amounted to 20.6 % of the country Gross Domestic Product (GDP), while Serbian social spending in 2010 (latest available data) amounted to 24.6 % of its GDP (Eurostat 2014). In Macedonia, social insurance spending represents the largest part of the overall social protection spending with around 8 % of the GDP, followed by the social assistance spending of 1.2 % and 0.3 % of GDP for active labour market programmes. These data indicate that social protection expenditure in Macedonia is not only low by regional and European standards, but also that its trend of continual decline reflects the low priority given to social protection within the overall governmental spending and policies.

Currently, the fiscal sustainability of the welfare state in Macedonia is ensured through the central budget allocations as well as loans and credits from the

international financial organizations. The European Union's structural funds (IPA) as well as some UN donor programmes also contribute to some extent towards the financing of active labour market programmes. In conditions of low economic growth, low employment and high unemployment rate, the sustainability of the existing welfare state in Macedonia is endangered.

A comparative review of Central Budget spending on social transfers from 2012 to 2014, shows that overall social transfers have increased since 2012. A particular increase was evident in 2012 and 2013 (compared to 2011), which may partly be explained by the local elections in 2013, which promised an increase in support to pensioners, social assistance beneficiaries, etc. The most worrying indicators for the proposed 2014 Central Budget are a reduction in the financial compensations for the unemployed (part of the social insurance system), low active labour market programmes, as well as a negligible increase in measures for poverty reduction. The latter are actually measures for promoting active employment among more vulnerable groups, which reflects the lack of social protection dimension in alleviating poverty. The major increase in overall social transfers is due to the increase in pensions, as well as the introduction of new family benefits, such as financial compensation for the third child and parental support for a mother with a fourth child. Overall social transfers, due to their low amount and limited scope of beneficiaries, are not expected to make significant contribution towards alleviating poverty and social exclusion, particularly among the most vulnerable groups.

The financing of social protection is facing serious challenges, due to previously mentioned reforms, such as: the reduced contribution rate for social insurance as well as the introduction of the fully funded pension pillar. The combination of these two reforms have decreased the overall budgets of the immanent insurance funds (i. e. Pension and Disability Insurance Fund, Health Insurance Fund), which indirectly have also impacted the regular provision of basic social services, (i.e. closure of primary health centres in some rural municipalities due to lack of financing), as well as the amount of benefits (reduction of pension replacement rate from 80 % to 72 %). These changes have particular negative effects on socially vulnerable categories in the country, who due to the inability to use private social services, rely on public services and benefits whose scope, quality and amount is continually decreasing.

The impact of the global economic crisis in Macedonia, judging from the aspect of labour market activity, was most evident in 2009. According to the State Agency for Employment, the number of newly registered unemployed in 2009 was greater in comparison to 2008, but also compared to the following period 2010–2012 in which there is a downward trend. In addition, the Unicef report (2009) analysing wellbeing in Macedonia in difficult economic times implies that “official data show that worst affected households are those with at least one employed in the export-oriented industries, such as metal, mining, textile, and food as well as those whose income mostly depended on remittances. Similarly, the crises has additionally worsened already difficult social conditions of households that are traditionally seen as vulnerable, such as those with no employed members, multi-member households as well as those living on subsistence agriculture (UNICEF 2009, p. 18).

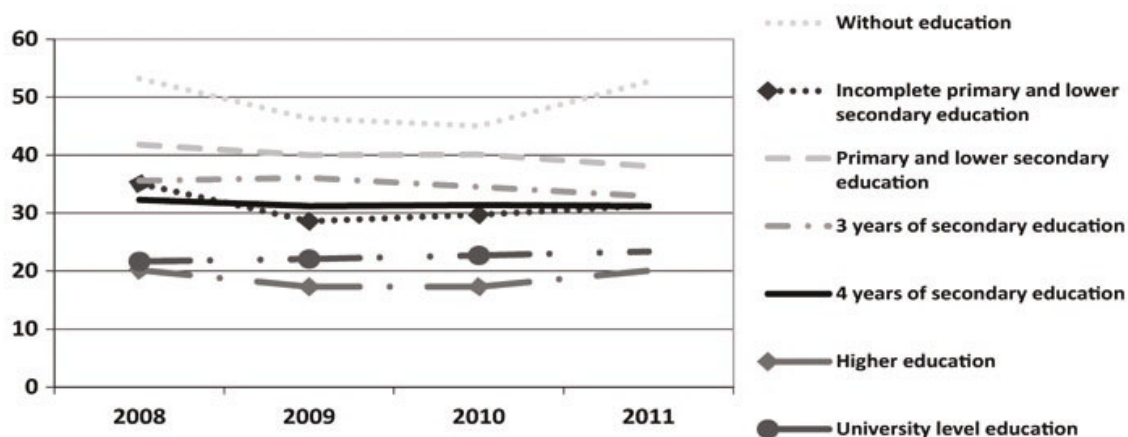


Fig. 1 Unemployment rate of the population (%) by educational attainment, 2008–2011. *Source:* State Statistical Office (2012), Labour force survey 2011, October 2012

Analysis of unemployment trends according to educational attainment of the workforce show that despite the fact that the highest level of unemployment is evidenced among those without education, there is a continual rise since 2008 in unemployment among those with university level education. Although this group is smallest in size (12.04 % of the total population), it still gives a worrying signal that a higher education degree does not easily guarantee employment in the country. Rising unemployment among those with higher education results from the tendency in the past few years of increased enrolment at university level (as a mechanism to temporarily avoid unemployment) and the lack of jobs offered for those with higher qualifications (Fig. 1).

The labour market in the country cannot be described as inclusive, since there are many groups who are excluded from it. Official statistical data show that the unemployment rate is highest among young people (15–24), standing at 53.9 % in 2012. Data from administrative sources (Employment Agency of RM 2011) indicate that when registered unemployed according to ethnicity are compared with their total ethnic representation in the country, Roma people score as the most excluded from the labour market (24.57 % registered unemployed Roma of all Roma in the country). The numbers of registered unemployed from the Albanian ethnic community in October 2012 was 52.989 or 10.4 % of all ethnic Albanians in the country. In addition, people with the lowest educational attainment (incomplete primary and secondary education) are most represented among the registered unemployed and have the highest unemployment rate (Table 5).

Due to the internal economic constraints as well as challenges rising from the global economic crisis, there were a number of governmental measures aiming to support the living standards. The latest package of measures, created and adopted in 2012,³ included: introduction of the statutory minimum wage (effective

³ In the period of final revision of this article some new governmental measures were adopted (June 2014), such as: writing off the debts of social assistance beneficiaries and other vulnerable categories, free legalization of real estate properties for vulnerable categories, etc. The overall analysis in this paper does not reflect these measures.

Table 5 Unemployment rate of the population aged 15 years and over by gender and age

	Total			15–24			25–54			55–64			65+		
	Total	Men	Women	Total	Men	Women	Total	Men	Women	Total	Men	Women	Total	Men	Women
2008	33.8	33.5	34.2	56.4	55.7	57.4	23.60	n.a.	n.a.	28.5	31.7	21.5	8.8	9.6	7.1
2009	32.2	31.8	32.8	55.1	52.7	59.4	22.48	n.a.	n.a.	26.3	27.9	22.8	12.3	9.9	16.6
2010	32.0	31.9	32.2	53.7	53.9	53.3	22.70	n.a.	n.a.	27.8	28.7	25.8	6.3	8.3	2.3
2011	31.4	31.8	30.8	55.3	55.5	54.8	21.92	n.a.	n.a.	28.2	30.2	24.2	6.8	9.2	3.0
2012	31.0	31.5	30.3	53.9	55.2	51.8	21.98	n.a.	n.a.	25.1	27.0	21.4	9.4	10.3	7.9

Source: State Statistical Office (2013b), Labour force survey for 2012, 2013 and column on 25–54 years own calculation based on LFS data from 2009 to 2012

from January 2012), governmental package of eight socio-economic measures, including: increase in the financial subsidy for energy consumption for social assistance beneficiaries (effective from August 2012); programme for public work for 4000 registered unemployed; summer/winter vacation for children from households that are social assistance beneficiaries; vouchers for computers for students and children from households that are social assistance beneficiaries, as well as continuation of opening up of public kitchens.

The focus on and expectations from the public employment programmes in the country have been increased. Despite negligible financial expenditure on active employment measures around 0.11 % of the GDP, still the majority of the international support (UNDP) as well as EU funds (IPA component four) has been targeted and used for the purpose of increasing the employment opportunities of the registered unemployed. Employment opportunities enabled through the National Action Plan for Employment 2011–2013, lack stipulation of measures targeted among those most vulnerable, and those that represent a majority among the registered unemployed—low skilled workers. There is a lack of measures providing elementary or vocational training for these groups, who remain a main problem for activation. Generally, active employment measures lack sustainability, and lack more tailor-made employment opportunities for the most vulnerable registered unemployed. The most recent policy change that has happened in the second half of 2013 is the implementation of the change in the Law for Employment and Unemployment Insurance (of December 2012), which differentiates registered unemployed as active and passive unemployed. The latter category is not in a position to benefit from active employment measures. Particularly affected with this change are long-term unemployed, as well as unemployed without education or incomplete education. Among them significant numbers are people from smaller ethnic communities. This policy change confirms the policy orientation towards increased labour market deregulation and flexibility, and leaves little room for measures and policies that aim towards unemployment support of the most vulnerable.

Access to the system of social protection in the country has been tightened in recent years. The main reasons behind such development were the previously introduced reforms insisting on reducing the amount, the coverage period and replacement rates of the social protections benefits. According to the administrative data from the Ministry of Labour and Social Policy, the number of social assistance beneficiaries decreased from 62,019 in January 2008 to 34,008 in December 2012. Such a spectacular decrease is not a result of reduction in poverty or unemployment rates, but rather a result of more tightened eligibility criteria. These among others included: more frequent and rigorous controls, as well as electronic obtaining of documents which were previously supplied by applicants themselves, which as exemplified by the representatives from the Centres of Social Work, reduced possible manipulation and fraud of documents. Also comparison of unemployment compensation beneficiaries between 2011 and 2012 shows a declining trend of –14.7 % in 2012.

The data may suggest that the welfare protection system reaction in the past few years has been one of reducing access and introducing conditionality. On the other hand, the amount of some social benefits (although still low in comparative terms) has been increased in the past 2 years (social assistance, pensions). Although the increase of these social benefits in 2012 and 2013 is more a result of the political elections campaigns, it still gives some hope that the overall social protection system is not being completely rolled back. However, the overall tendency of social welfare in the country seems to be headed towards the general goal of poverty alleviation rather than that of more universal politics of social solidarity, which, as argued by Deacon and Cohen, can “strengthen the middle class and contribute to improving the quality of life of more vulnerable populations” (Deacon and Cohen 2011, p. 233).

4 Risks and Opportunities

The current scope of the welfare state in Macedonia is conditioned by economic growth, socio-demographic trends as well as ideological preferences of the political parties in office. Among them, the main risk factor is the continuity of low economic growth, and more particularly jobless growth. Namely, even in periods when there was a continual economic growth (GDP growth between 4 % and 6 % from 2004 to 2008), the employment rate did not show a spectacular rise, and increased by 4 percentage points only. For comparison purposes, in the same period (2004–2008) the neighbouring Bulgaria evidenced continued economic growth of 6 %, and this contributed towards an increase in their employment rate of 10 percentage points. In his analysis on employment in South East Europe, Sengenberger provides some of the possible explanations for the jobless growth in the SEE countries, out of which the following correspond most with the realities in Macedonia: (i) growth of the informal economy, implying that economic growth translates into informal employment instead of (statistically recorded) formal employment; (ii) limited reliability of the recorded employment and unemployment statistics (both registered and LFS-based rates); (iii) and the net effect of labour migration: migrant workers do not show up in the national employment statistics of their home country, but may add to national economic growth in that country due to income transfers (Sengenberger 2006, p. 20).

A potential threat to the welfare state in Macedonia may be seen in the continuing trend of limited welfare spending accompanied by the lowering of overall social insurance contributions. These trends, in conjunction with the governmental policy of changing the previous progressive tax system into the flat rate tax regime (unification of personal income tax and corporate income tax rates at a flat 12 % rate from 2007, falling to 10 % from 2008) may lead to limited welfare state capacity for redistribution. Current dominant economic doctrine among political leadership, which sees an increase in foreign investment as an “*erga omnes*” solution to the problems of high unemployment, poverty and material deprivation,

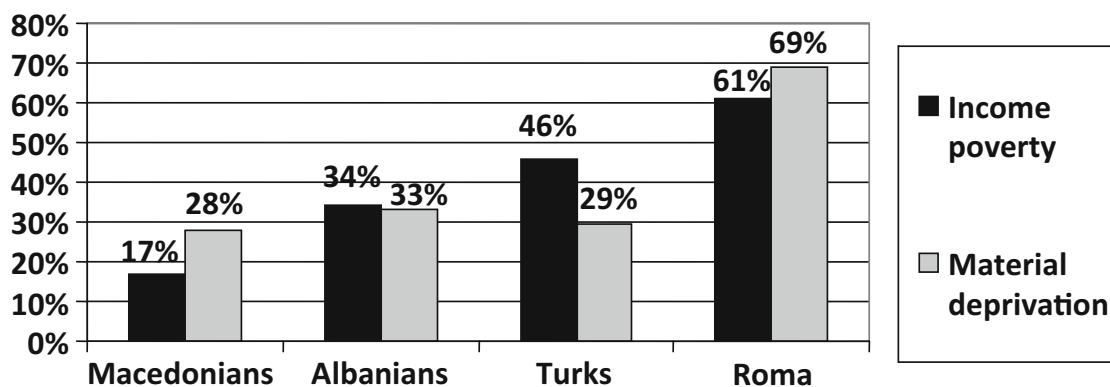


Fig. 2 Poverty according to ethnicity in Macedonia. *Source:* Gerovska-Mitev (2012, p. 29)

evident among one-third of the population in Macedonia, may prove disastrous in the long run. Such strategy, clearly supported and backed by international financial organizations (IMF, the World Bank) presents a clear neo-liberal threat, which, as indicated by Jilberto and Mommen “drives the welfare state towards decreased common welfare and wage standards, and increases social and cultural inequality between nations” (Jilberto and Mommen 2002, p. 11).

Other risks associated with the welfare state functioning and effectiveness is the scope of welfare support and social inclusion of vulnerable ethnic communities. Despite the fact that unemployment, poverty and social exclusion are common problems for the majority of the population, a number of studies (Gerovska-Mitev 2012; UNDP 2012) as well as official data has confirmed that ethnic Albanians, Turks and Roma experience higher incidences of unemployment and poverty. According to the last census from 2002, the unemployment rate among Roma was twice the national average, while also high unemployment rates were evidenced among Albanians (61.2 %) and Turks (58.2 %) (Fig. 2).

Taking into consideration that smaller ethnic communities represent one third of the country’s population, and that the highest levels of unemployment, poverty and social exclusion are found particularly among these groups, their access to and support from the welfare system represent an important factor for their overall living standard and inclusion. Unfortunately, despite separate soft legislations and measures that are aimed towards these vulnerable groups, such as Roma Decade activities,⁴ equal representation of ethnic communities in the public sector (as part of the Ohrid Framework Agreement), the strategic approach towards a solution of unemployment and poverty among smaller ethnic communities in the country is still not evident. On the contrary, some of the recent policy measures have distanced these ethnic groups from the social protection system. This is the

⁴The Decade is an international initiative that brings together governments, intergovernmental and nongovernmental organizations, as well as Romani civil society. The 12 countries currently taking part in the Decade are Albania, Bosnia and Herzegovina, Bulgaria, Croatia, the Czech Republic, Hungary, Macedonia, Montenegro, Romania, Serbia, Slovakia and Spain. Slovenia and the United States have observer status.

Table 6 Comparison between registered unemployed in 2012 and 2013 according to ethnic affiliation

	Registered unemployed (status 31.12.2012)	Registered unemployed (status 30.09.2013)	Decline in %
Macedonians	165,792	73,689	−55.5
Albanians	51,413	12,101	−76.5
Turks	9068	1529	−83.1
Roma	9037	1657	−81.6

Source: Agency for employment of RM, statistics for unemployed persons according to nationality, status 31.12.2012 and 30.09.2013

case with the changes related to registration status of the unemployed, which has led towards huge numbers of registered unemployed from smaller ethnic communities to be re-registered as passive unemployed, and as a result lost the right to active employment measures. Anecdotal evidence suggests that most of the beneficiaries from the smaller ethnic communities, such as Roma lacked the necessary qualifications to take up the active measures, and in combination with a lack of awareness they agreed to be registered as passive unemployed and hence register at/report to the Agency only twice a year, as compared to the active unemployed who need to report to the Agency every month (Table 6).

The system of social protection in Macedonia, despite facing realistic risks, is still an indisputable mechanism for tackling poverty and social exclusion. Its effectiveness is particularly visible in relation to pension transfers which reduce the poverty rate by 12.3 percentage points (compared to other social transfers which reduce the poverty rate by an additional 3.2 percentage points). Also, according to the World Bank analysis (2013), the targeting accuracy of social assistance benefits has been improved in recent years, as 68 % of total benefits are received by the poorest quintile and the total coverage of the poorest quintile is around 25 %. Opportunities related to the existing social protection system may be also seen in the introduction of new social protection transfers such as the number of new family benefits (parental allowance for the third child, financial compensation for a fourth child), introduction of financial benefit for mobility/blindness, financial assistance for those who had the status of child without parents and parental care up to the age of 18, and financial assistance for social housing. While the introduction of these new categorical benefits may additionally improve the difficult conditions of the vulnerable groups, still a potential risk lies in the inactivity of some beneficiaries who due to lack of labour market opportunities (and lack of educational qualifications) solely rely on these benefits.

Another opportunity may be seen in the possibility to use the EU funds towards programmes and support of the socially vulnerable population. Such projects have already been initiated (IPA pre-accession instrument), and they have been primarily focused towards improvement of local capacities for providing and tackling social exclusion, support to vulnerable ethnic groups on the labour market, support to women from different ethnic communities in their access to the labour market, etc.

The EU pre-accession funds if used strategically may present an important financing mechanism that will complement limited national and local resources and hence jointly contribute in the fight against poverty and social exclusion.

Finally, an opportunity must be sought in the greater use of private and the civil society sectors as contractors and partners in the provision of social support of and services to the vulnerable population. A greater degree of welfare pluralism will provide not only less bureaucratic access to social services, but may also improve the quality and innovation of social service provision. So far, the involvement of the civil society and the private sector in social protection has been limited (pensions, child care, elderly homes), serving mainly those who are financially in a position to use their services. A greater use of the private and civil sector is needed on the basis of non-profit provision of social services to vulnerable categories, supported through the financial incentives from the state (tax deduction, low tax rates, etc.).

5 Conclusion

Analysed trends and challenges of the welfare state in Macedonia show that it is difficult to identify a firm and recognizable welfare model. Taking into consideration all services and benefits provided within the social protection system, it may be argued that variants and characteristics of all three Esping-Andersen's welfare state models co-exist. The least visible or recognisable are characteristics of the social democratic elements in the Macedonian social protection system. They may only be detected within the child care system, i.e. kindergartens, which are among the rare legacies of the previous socialist system, and provide universal, affordable and quality care, without intrusion of any neo-liberal elements, such as co-financing, introduction of eligibility or conditionality criteria, etc. However, these solidaristic elements of the social protection system have been increasingly substituted with selective, conditional, targeted and means-tested services and benefits particularly associated with the social assistance, unemployment benefit, child allowances as well as activation measures for the unemployed. Subordination of the principle of solidarity to the principle of individual responsibility is also seen within the reformed PAYG pension system and the newly introduced mandatory fully funded pensions insurance. The introduction of the neo-liberal characteristics in the Macedonian social protection system may be seen as a result of the low financing capacity of the state but also as a result of lack of opposition to these elements by the trade unions, civil society organizations and other national stakeholders. Finally, due to the conservative ideology of the ruling political party in the country, the last 7 years since 2006, have seen an increased focus on family based support and benefits, promotion of traditional values within the welfare system, i.e. population growth measures, etc. The combination of all these characteristics of the Macedonian welfare model produce mixed results, as to some extent the dominant neo-liberal tendencies (i.e. cuts in social transfers, reductions in social assistance and unemployment benefits) contradict the

effectiveness of conservative dimensions of the system (the family support system and child protection). Most importantly, the undertaken reforms and overall social protection trajectory seem to be reactionary, instead of incorporating a strategic and evidenced based approach.

The global economic crisis has proved the inclination towards neo-liberal preferences in the social protection system, as unlike other European countries, Macedonia has opted for a reduction of social transfers during the crisis, the limitation of social assistance recipients and decrease in duration of benefits. Overall, the Macedonian social protection system and the welfare state itself seem to be transformed as a support mechanism for the most vulnerable. If its future orientation continues to prefer the neo-liberal path, that might endanger not only the scarce vestiges of the universal social services, but also the possibility to effectively approach the prevailing problems of unemployment, poverty and social exclusion.

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