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Active labour market policies: Challenge for the Macedonian labour market

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Abstract

Labour market outcomes in Macedonia have been improving in the past eight years, despite the lingering effects of the Global economic crisis. The unemployment rate has been declining, albeit still remains high at 26.1% at the end of 2015. At the same time, the employment rate increased from 36.2% in 2007 to 42.1% in 2015. In spite the favorable developments related to the employment and unemployment rates, the activity rate continued to be the main challenge. Activity rate improved moderately, from 55.7% in 2007 to 57% in 2015, being still much lower than the EU-28 average of 72.4%. In order to tackle the high unemployment and inactivity, the government introduced ALMPs in 2017, with key objectives: 1) social inclusion of vulnerable groups on the labour market, 2) reducing unemployment, 3) increasing employability of the long-term unemployed people, and 4) fostering competitiveness of the economy. The ALMPs include four main categories: 1) direct job creations; 2) employment incentives; 3) traineeship; and 4) community work. The main objective of this research is to investigate the success of the ALMPs and its impact to the unemployment rate in the country.

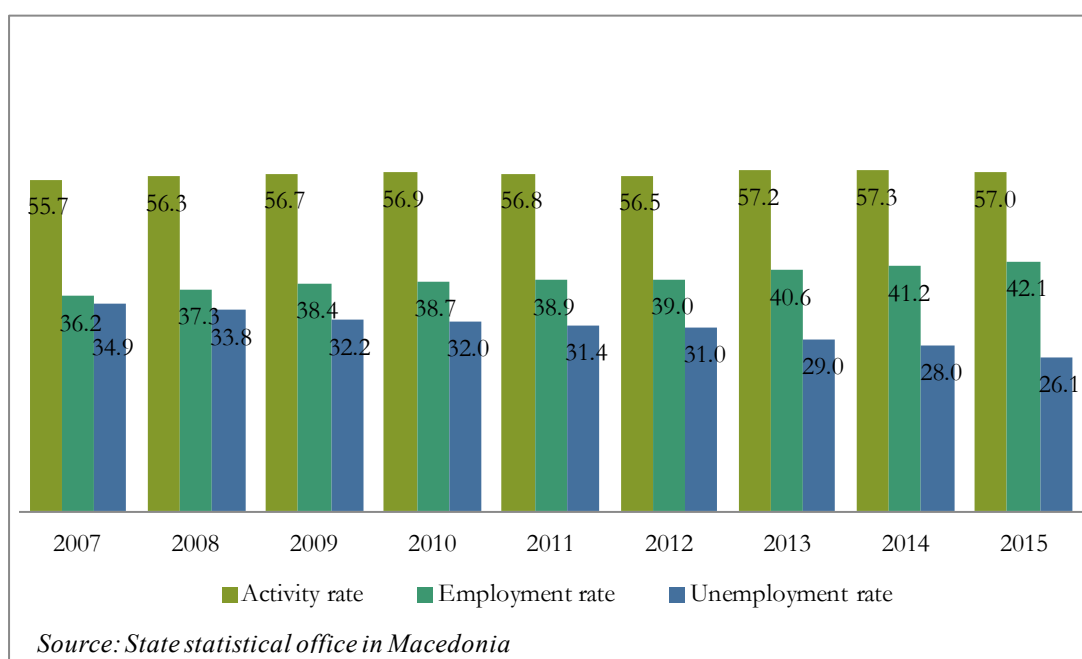
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1. Labour-market developments in Macedonia

Labour market outcomes in Macedonia have been improving in the past eight years, despite the lingering effects of the Global economic crisis. The unemployment rate has been declining, albeit still remains high at 26.1% at the end of 2015. At the same time, the employment rate increased from 36.2% in 2007 to 42.1% in 2015. In spite the favourable developments related to the employment and unemployment rates, the activity rate continued to be the main challenge. Activity rate improved moderately, from 55.7% in 2007 to 57% in 2015, being still much lower than the EU-28 average of 72.4%.¹

Figure 1: Labour market developments in Macedonia (activity, employment and unemployment rates in %) 2007-2015



The aggregate rates alone do not reveal the real picture. The developments pertinent to the labour market should be analysed in the context of labour force characteristics. Table 1 presents labour market indicators by labour force characteristics: gender, education and age. In 2015, the unemployment rate of women has been slightly lower than that of men, 25.1% versus 26.7%, respectively. Significant gender differences persist in the activity rate. More than half of female population is inactive, while male activity rates resonate those found in the EU. Reasons for female inactivity may be manifold: the increased investment in postgraduate education in the last couple of years against the low higher-pay job creation; females heading or living in female-headed households receiving remittances; females engaged as unpaid family workers in agriculture; and others – all raising the reservation wage. Petreski et al. (2014) find that inactivity plays large role in explaining gender wage gap in Macedonia. After accounting for the selection bias, the gap dwindles to about

¹ State Statistical Office in Republic of Macedonia, www.stat.gov.mk

7.5% from 17.3%. Moreover, Petreski (2015) argues that there is indeed a negative selection of females into employment: those with not-the-worst characteristics and with high reservation wage are usually outside the labour market.

Table 1: Labour market development, by gender, education and age (2007-2015)

| | Gender | | Education | | | Age | | |
|---------------------------|--------|---------|------------------|-----------|----------|-------|-------|-------|
| | Males | Females | Primary and less | Secondary | Tertiary | 15-24 | 25-49 | 50-64 |
| Unemployment rates | | | | | | | | |
| 2007 | 28.4 | 35.5 | 42.6 | 35.1 | 20.5 | 57.7 | 32.9 | 28.5 |
| 2008 | 28.8 | 34.2 | 41.1 | 33.1 | 21.4 | 56.4 | 31.6 | 28 |
| 2009 | 29.4 | 32.8 | 40.5 | 33.1 | 19.3 | 55.1 | 30.3 | 25.9 |
| 2010 | 29.8 | 32.2 | 35.9 | 31.8 | 23.3 | 53.7 | 30.7 | 26 |
| 2011 | 30.9 | 30.8 | 37.3 | 32.8 | 22.7 | 55.3 | 29.6 | 26.2 |
| 2012 | 30.8 | 30.3 | 39.1 | 29.7 | 23.4 | 53.9 | 29.9 | 24.4 |
| 2013 | 32.5 | 29 | 31.1 | 26.6 | 25.7 | 51.9 | 27.7 | 23.2 |
| 2014 | 32.4 | 28.6 | 30.7 | 28.3 | 20.4 | 53.1 | 26.5 | 22.4 |
| 2015 | 26.7 | 25.1 | 29.5 | 26.6 | 19.1 | 47.3 | 25.2 | 20.9 |
| Employment rates | | | | | | | | |
| 2007 | 44.1 | 28.4 | 30.3 | 56.1 | 71.9 | 15.2 | 53 | 37.8 |
| 2008 | 45.7 | 28.8 | 32.2 | 58.3 | 73.1 | 15.7 | 54.3 | 39.5 |
| 2009 | 47.5 | 29.4 | 33.6 | 58.7 | 74.3 | 15.7 | 55.4 | 42.4 |
| 2010 | 47.5 | 29.8 | 33.4 | 58.4 | 73.9 | 15.4 | 55.7 | 42.6 |
| 2011 | 47 | 30.9 | 34.3 | 58.3 | 72.4 | 14.4 | 56.5 | 43.1 |
| 2012 | 47.1 | 30.8 | 32.4 | 57.7 | 71.9 | 15.5 | 55.8 | 42.8 |
| 2013 | 48.7 | 32.5 | 35.4 | 60.2 | 71.4 | 16.2 | 58 | 44.9 |
| 2014 | 50.1 | 32.4 | 36.9 | 61.2 | 72.4 | 15.2 | 59.5 | 45.6 |
| 2015 | 50.5 | 33.7 | | | | 17.3 | 59.5 | 46.7 |
| Activity rates | | | | | | | | |
| 2007 | 67.3 | 44.1 | 36.3 | 69.5 | 80.2 | 35.9 | 79 | 52.9 |
| 2008 | 68.8 | 43.8 | 37.3 | 70.7 | 80.6 | 35.9 | 79.4 | 54.9 |
| 2009 | 69.6 | 43.7 | 36.8 | 70 | 81.3 | 35 | 79.5 | 57.2 |
| 2010 | 69.8 | 44 | 36.5 | 69.6 | 81.5 | 33.3 | 80.4 | 57.5 |
| 2011 | 68.8 | 44.7 | 36.3 | 68.2 | 80.9 | 32.1 | 80.2 | 58.3 |
| 2012 | 68.7 | 44.3 | 34.4 | 68.7 | 79.5 | 33.6 | 79.5 | 56.7 |
| 2013 | 68.5 | 45.8 | 35.5 | 68.8 | 79.6 | 33.6 | 80.2 | 58.5 |
| 2014 | 69.3 | 45.3 | 36.3 | 67.9 | 79.1 | 32.4 | 81 | 58.8 |
| 2015 | 68.9 | 44.9 | | | | 32.8 | 79.6 | 59.0 |

Source: State Statistical Office in Macedonia

There is large heterogeneity among the labour market indicators with regard to the educational level of the workforce. The primary-educated workers are in the worst condition: their employment rate is only 36.9% in 2015, against 72.4% of the tertiary-educated workers and 61.2% of the secondary-educated workers. Aside their skills limitation, the low employment rate of the primary-educated workers may be explained by their large engagement into the informal economy. However, the

employment rate of the low-educated individuals noted the highest improvement in the past eight years: between 2007 and 2015, the employment rate has been increasing by about 6.3 percentage points, followed by 5.1 p.p. for those with secondary school and only 0.5 p.p. for those with tertiary. The improvement may have been caused by the new jobs created mainly in the low productivity and agricultural sectors, as well expanding sectors employing such workers, like the construction. Workers with tertiary education have more than double the activity rate of primary-educated workers. The unemployment rate of tertiary educated workers is the lowest and with the lowest decline over the observed period.

The age disaggregation suggests pronounced differences in the employment and unemployment rates. Only 17.3% of youth (15-24) have been employed in 2015, as compared to 59.5% of population at age of 25-49. Looking at the dynamics over the period 2007-2015, one can note the employment rate of youth improved only a little. Similarly, the unemployment rate remains very high. Every second young individual who is seeking for the job is unemployed in Macedonia. The rate of unemployment of this age category in 2015, was 47.3%, far away from the EU-28 average youth unemployment rate of 19.6%. Youth labour force participation is low and has been falling steadily, largely owing to the increased time spent in education. Since 2005/2006, dispersed studies have been introduced in Macedonia and the number of students jumped. Additional potential explanatory factors on the low activity rate of youth include: (perception of) few employment opportunities, difficult transition from school to work, skills mismatch between employers' needs and the competencies acquired at school and the unwillingness of employers to bear the cost of training young workers (Ministry of Labour and Social Protection, 2015).

Unsurprisingly, the most active and employed are those individuals at the age of 25-49. Almost 80% of them were active in 2015, which is in line with the average activity rates of this age population in the OECD and EU-28 countries, 81.5% and 85.5%, respectively. The oldest active population faces lowest unemployment rate. "Only" 20.9% of people aged 50-64 were unemployed in 2015. The activity rate of this population group was 59% in 2015, almost same as the one in OECD countries, 60%.

2. Legal, policy and institutional framework

The right to work is one of the fundamental human rights guaranteed by the Constitution and numerous international documents which, after their ratification, became a part of the domestic legislation. The Constitution of the Republic of Macedonia, as the highest legal act, in its part entitled Economic, social and cultural rights, at Article 32, specifically guarantees the right to work. According to this article, "everyone has a right to work, to free choice of employment, protection at work and freedom, as well as material assistance during temporary unemployment. Everyone, under

equal conditions, has access to every job. Each employee is entitled to appropriate remuneration". This article further points out that "the accomplishment of these rights of employees and their position is regulated by law and collective agreements."

The domestic regulatory framework regulates the issues of employment within the Law on employment and insurance in case of unemployment (Official Gazette No. 153/2012). Specifically, this law regulates the issues of labour exchange, rights and obligations of the employers, unemployed, other job seekers and the government. According to this Law, "Everyone is entitled to access to employment without any restrictions. In accordance with the principle of equal treatment, discrimination is prohibited in employment on the basis of marital status, family status, skin colour, sex, language, political or other opinion, trade union activity, national origin, social status, disability, age, property, social or other status" (Article 1-a). The employment of disabled persons is regulated by a special law, a Law on employment of disabled persons (Official Gazette No. 87/2005), regulating the special employment conditions of this category of people.

Workers' rights deriving from employment relationships are generally regulated by the Labour Code (or Labour Law) (Official Gazette No. 52/2012). Workers' rights are also regulated by collective agreements between employers, unions and the government.

Other laws related to the employment and the labour market include the Law on employment and work with foreigners, Law on labour inspection, Law on temporary employment agencies, Law on safety and health at work and the Law on records in the field of labour. Many provisions in the mentioned laws, related to the right to employment, rights to and obligations of the employers, employees, state agencies, equal treatment, prohibition of discrimination, remuneration, the prohibition of harassment and protection from violation, are taken as a commitment of several conventions of the International Labour Organization, as well as numerous EU directives in this area. So far, Macedonia has ratified 74 International Labour Organization conventions and many EU Directives including Directive 2000/78/EC - the general framework for equal treatment in employment and occupation, Directive 2006/54/EC for the implementation of the principle of equal opportunities for men and women in matters of employment and professional engagement, and Directive 2002/73/EC for the implementation of equal opportunities for men and women in matters of employment, vocational training and improvement of working conditions.

Despite by the laws, the labour market and employment in Macedonia are regulated in many government documents like strategies, operational plans, action plans, and the like. The National Strategy for Employment of the Republic of Macedonia 2016-2020 (Ministry of Labour and Social Policy, 2015), the Operational plan for active programs and measures for employment and labour market services 2016 (Ministry of Labour and Social Policy, 2015), the Action plan for youth employment 2016-2020 (Ministry of Labour and Social Policy, 2015), are core documents related to

the labour market and employment in the country. The National strategy and the Operational plan are the framework of the employment policies in the country that determines the services and programs for employment implemented, in order to improve the functioning of the labour market, to support job creation and to increase the employability of persons. The Operational Plan for active measures and programs for employment and services at the labour market is the core document which regulates the functioning of these measures in the country. It is issued and monitored every year, by the Ministry for Labour and Social Policy. So far, there is no special law that regulates the topic of interest.

Responsible institution for the implementation of the Operational plan for active programs and measures for employment and labour market services is the Employment Service Agency of the Republic of Macedonia. Partners in plans' implementing are the Ministry of Labour and Social Policy, Ministry of Information Society and Administration, Centre for vocational education and training, educational institutions, centres for social work, certificated centres for IT training, UNDP, World Bank and Macedonian business confederation.

Beside active programs and measures for employment, the government implements an array of passive measures in order to cope with the high rates of poverty in the country. These measures are composed of various assistance programs, including: social prevention, social financial assistance, non-institutional care, child allowance, institutional protection, and so on. They mainly target people exposed to social risk. Also, there is unemployment benefit financed by social insurance, which softens the social position of a person who left jobless. Right to this benefit has an unemployed person who has been employed for at least nine months without interruption or 12 months with interruptions in the last 18 months. The amount of financial compensation, the period it is payable, the rights and obligations of the beneficiaries is regulated by the Law on employment and insurance against unemployment (Official Gazette No. 153/2012).

So far, there is no coordination and integration between active and passive measures. The recipients of passive measures are not obligated to participate at any active measure, but there is opportunity for using both passive and (several) active measures, further explained at part 4.5.

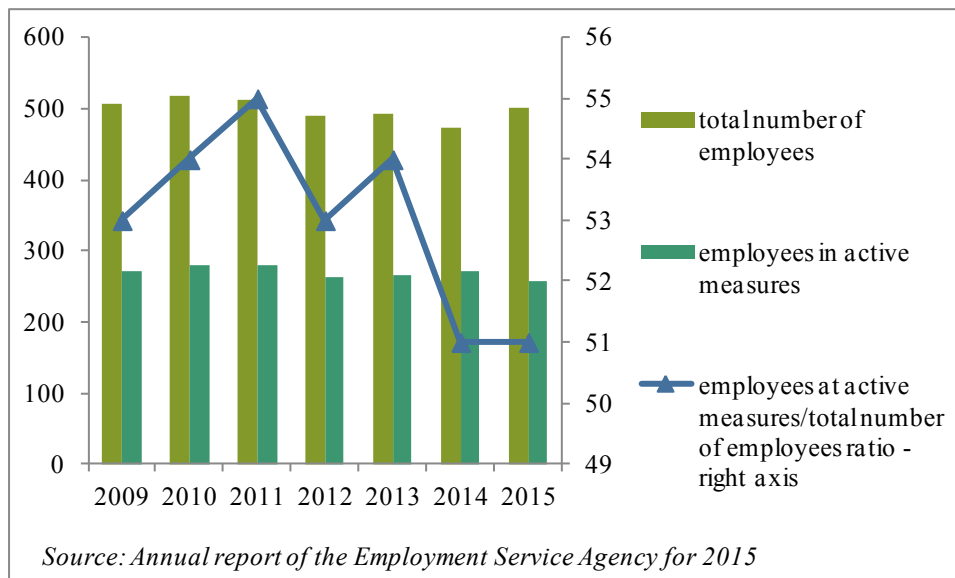
As mentioned, the Employment Service Agency² is the key intermediary between the supply and demand of labour force, affecting the promotion of the Macedonian labour market functioning. Besides the implementation of the active measures and policies for employment, the Agency is responsible for mediation and advising for employment, professional orientation, insurance in case of unemployment, creating analytical, developmental and professional materials and informing the public about the significant information related to the labour market. According to Corbanese (2015), the Agency carries out all functions of a modern public employment service – i.e. labour market

² Employment State Agency's headquarter is in Skopje. ESA has 30 local affiliates across the country, known as Centers for employment.

information, counselling and guidance, administration of active and passive employment policies – in line with the principles established in the ILO Employment Service Convention (C 88), 1948. Still, the same report points out that some areas of work – such as client segmentation, introduction of tiered of service delivery system based on clients’ profiling and labour market needs, job mediation, activation strategies and the delivery of certain active labour market measures – would warrant more attention.

In 2015, the Agency had 502 employees, half of which were responsible for the implementation of the active measures for employment. Figure 2 shows that from 2011 onwards, the total number of employees at the Agency decreases, but the number of employees responsible for implementation of the active measures increases. According to the Annual report for 2015 (Employment Service Agency of Republic of Macedonia, 2016), due to successful implementation of the active measures for employment, part of the employees at passive measures were engaged in the implementation of the active measures. This confirms the increased importance of the active measures. Measures’ beneficiary, interviewed within this research, who had direct contact with the ESA employees on active measures is satisfied from their cooperation. “I can’t complain on the employees because I was really good serviced with the necessary advices and information. They are always available for advice and help” – stated the beneficiary.

Figure 2: Human resources at the Employment Service Agency

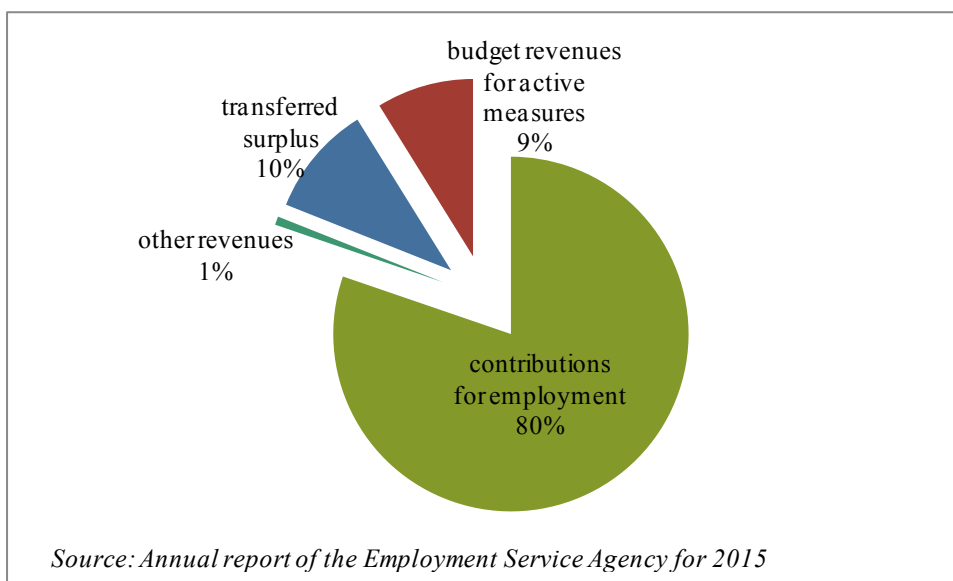


However, the scarcity of human resources within this institution is confirmed by the ratio between the number of employees at the agency and the number of active job seekers, which in Macedonia is 1:378, far above the internationally accepted ratio of 1:100 (Ministry for Labour and Social Policy, 2015). Corbanese (2015) found that the Employment Service Agency is currently lacking the human and financial resources to deliver on the objectives set forth by the National Employment Strategy, as well as the core provisions of the Action Plan on Youth Employment, i.e. the delivery of employment

services and programs aimed at promoting full, productive and freely chosen employment for young people. However, there are many trainings for employees at the ESA, in order to increase their skills for better servicing the unemployed persons. The interviewed university professor pointed that he conducted Training to the managers of the local ESA, for using statistical data, within an IPA project for modernization of ESA.

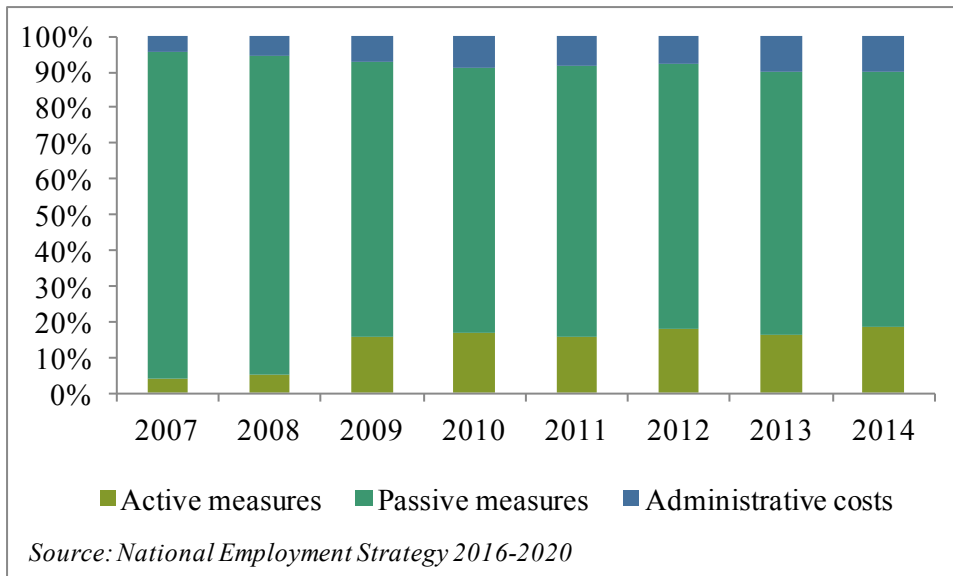
The financial statements of the Agency for 2015 (Figure 3), show that 80.26% of the revenues come from the contribution for employment, which every employee in Macedonia pays. 8.84% of agency's revenues are transferred from the central budget, intended to finance the active measures for employment.

Figure 3: Sources of revenues of the Employment Service Agency, in 2015



The importance of active measures can be seen from Figure 4 which shows the cost structure of the employment agency during the period 2007-2014. This figure suggests that passive measures have dominant role at the agency's budget, but the amount for financing the passive measures has significantly decreased over the analyzed period, at the expense of the active measures for employment. The figure shows a significant increase of the budget funds for active measures for employment in 2009, which corroborates with the government anti-crisis measures in time of the Global economic crisis. Since the introduction of active measures in 2007 until 2014, the amount for financing of the active measures has quadrupled, from 4.30% to 18.70% of ESA's budget, respectively.

Figure 4: Cost structure of the Employment Service Agency



Following aspects should be elaborated within this section:

- Is there any coordination and integration of passive and active measures (e.g. whether the recipients of unemployment benefits are obligated to participate in activation programmes).
- Can you elaborate more private employment agencies in Macedonia – do they exist, how are they funded (through commercial activities or through PPP), how are they regulated by laws etc.?

Beside Employment Service Agency, in Macedonia work private agencies for temporary employment, as mediators between the labour force and the companies, regulated by the Law on Agencies for Temporary Employment (Official Gazette No. 49/06). The temporary employment agency, based on the agreement for deviation of worker, between the agency the employer, can deviate worker to another employer for temporary work in the case of:

- 1) Replacement of temporarily absent employee;
- 2) Temporarily increased workload;
- 3) Seasonal work;
- 4) Work on a project;
- 5) Specific irregular work which is not part of the predominant business of the employer - user;
- 6) Unpredictable short-term activities that occur in the performance of main activity of the employer - user.

3. ALMP's programs / measures

Active Labour Market Policies (ALMPs) in Macedonia were introduced in 2007. The main objectives of the ALMPs were to tackle the high unemployment and inactivity in Macedonia (Program of the Government 2006-2010). The ALMPs are defined within the Annual Operational Plans of the Ministry for Labor and Social Policy. The key objectives identified within these plans include³: 1) social inclusion of vulnerable groups on the labour market, 2) reducing unemployment, 3) increasing employability of the long-term unemployed people, and 4) fostering competitiveness of the economy.

The ALMPs include four main categories:

1. **Direct job creation** composed of: self-employment programmes and new job creation measures in the SME start-up and fast-growing companies. The measures within this category have been designed to contribute directly to the main objective to decrease unemployment in Macedonia. At the same time, measures are designed to improve the skills for entrepreneurship (preparing and implementing a business plan and start-up piloting), and improve motivation for self-employment. Also, direct job creation measures could decrease the informal economy and contribute to the economic growth and investment. Unrecorded economic activity in Macedonia is estimated at 10 percent of GDP (Jovanovic, 2015), and 19.9 % of employed are informally employed (State statistical office, 2015)
2. **Employment incentives** composed of: subsidized employment for youth, vulnerable groups and hardly employable individuals, SME support by exemptions of social and work fringe benefits, financial support for employment in SMEs, and financial support for labour mobility. The employment incentives measures address several objectives: increase of the labour demand, increase of employment, enhancing employability of hardly-employable persons (vulnerable groups, long-term unemployed, people with disabilities), and faster youth school-to-work transition. They also support the business sector for smoother job creation.
3. **Traineeship** composed of: different off- and on-the-job trainings (labour-market demanded skills, basic language and IT skills, training for vulnerable groups and specific targets, etc.) and internship. The training measures are intended to improve the employability of the unemployed job seekers, specifically directed to improving the labour supply in Macedonia.

Off-the-job trainings are mainly institutionally regulated by the Employment Service Agency (ESA), Ministry of Labour and Social Policy (MLSP) and Ministry of Education and Science (MES), while a set of partner institutions provide supervision of their implementation. Most of the traineeships are conducted by certified private training centres and vocational secondary schools that also provide supervision of the efficiency of the program's

³ The Annual Operational plans have different challenges. The list of challenges is a summary of the Ops within the analyzed period.

implementation. The Ministry of Informational Society and Administration (MISA) provides additional supervision of the IT traineeships, while the chamber of private security companies offers a supervision in their own funded traineeship as it is the case of the tourism sector (Faculty of Tourism in Skopje). In the case of the on-the-job training and internship, the measures are implemented by the business sector directly, within companies.

4. **Community work** composed of part-time employment of long-term unemployed people in the local government institutions. The main objective of the program is to increase employability of the hardly-employable persons, to improve their skills, provide smoother transition to employment and increase their activity on the labour market. However, the community work is not a regular measure, and its discontinuity may have negatively affected the developments of the activity on the labour market (Employment Service Agency: Operational Plans for ALMPs, 2007-2016,).

Table 2 presents a short description of the services and benefits each measure provides to its beneficiary.

Table 2: Benefits and services provided for ALMPs beneficiaries

| Program | Measure | Description |
|------------------------------|---|---|
| Direct job creation | Self-employment | This program includes entrepreneurship training, assistance in developing a sustainable business plan and registering a business, non-refundable grants in the form of equipment and materials, and mentoring during the business start-up. |
| | SME's support for creating new jobs | Non-refundable grant in equipment and materials intended for successful and innovative micro and small enterprises, for creating new jobs |
| Employment incentives | Subsidised employment | Exemption from payment of social security contributions and personal income tax provided for employers who will hire registered unemployed persons aged 15-58 years until retirement, in accordance with the provisions of the Law on employment and insurance against unemployment. Usually, the employers are exempted from paying contributions for 12 months. |
| Traineeship | Training at known-employer | Training to unemployed people to carry out the tasks required of the job offered by the employer. |
| | Training for advanced IT skills | Training for acquiring advanced information-technology skills, organized by certified providers of training, leading to a certificate recognized nationally and internationally. This measure can engage people in employment who wish to acquire or improve their knowledge and IT skills |
| | Training for acquiring skills for old craft | In the first phase the unemployed will be supported with training, which will last from 2-6 months depending on the craft. |

| | | |
|---|-----------------------|---|
| | | After the training, participants will be able to register a business and be supported by engaging in self-employment program |
| | Internship | The program offers young unemployed persons under 29 years of age with secondary and tertiary education the opportunity to gain practical skills and experience in the private sector employer. |
| Community work | Community-useful work | The program will be implemented through engagement of registered unemployed persons in part-time provision of services according to the needs of the citizens of the local community. |
| <i>Source: Operational Plan for ALMPs, 2016</i> | | |

Apart of the ALMPs, **public services** are available and serve as a support to ALMPs. These services include: labour-market information, assistance in job search, professional and career counselling, trainings for motivation, employment mediation, services for employers, preparation for employment and work, professional orientation and services for activation of individuals who are at risk of social exclusion. **From 2015, public services are a part of the Annual Operational Plan for active programs and measures for employment.**

Table 3 presents ALMPs by category, the total number of policy measures in each category, the average number of measures per year and the share of each policy measure in total number of measures for the period 2007 and 2015. The most popular measures were those in the category of traineeships, in terms of the number of measures: 52% of total ALMPs were related to the training component, followed by employment incentives measures (28%) and direct job creation (15%).

Table 3: Breakdown of active labour-market policies by category (2007-2015)

| Category | Number of policy measures | Average, per year | Share of policy measures (in terms of number) |
|--|---------------------------|-------------------|---|
| Direct job creation | 24 | 2.4 | 15% |
| Employment incentives | 44 | 4.4 | 28% |
| Training | 80 | 8 | 52% |
| Community work | 7 | 1 | 5% |
| <i>Source: Annual Operational Plan for ALMPs</i> | | | |

Figure 5 shows the absolute (in MKD) and relative expenditures (share of GDP) for ALMPs between 2007-2016. ALMPs expenditures more than doubled in absolute terms: from 300 million MKD in 2007 to 700 million MKD in 2016. The peak occurred in 2009, due to a large increase of community work (28% of total expenditure refer to this program in this particular year), and doubled spending for the employment incentives. On the other hand, in relative terms, the share of ALMP expenditure in

GDP has been only about 0.2% in 2016, not significantly higher than previous years, but with slight increasing trend.

Figure 5: Absolute and relative expenditures on ALMPs (2007-2016)



Figure 6 plots the number of ALMP measures and the amount of the expenditures per year: there is likely a positive correlation. More numerous policy measures were followed with larger expenditures. This suggests that the increased variety of measures was unlikely traded-off with the size of the available funds, i.e. that any new measure has been supported with additional funds instead of cutting the available funds of the already introduced measures.

Figure 6: ALMPs measures and expenditures (2007-2016)

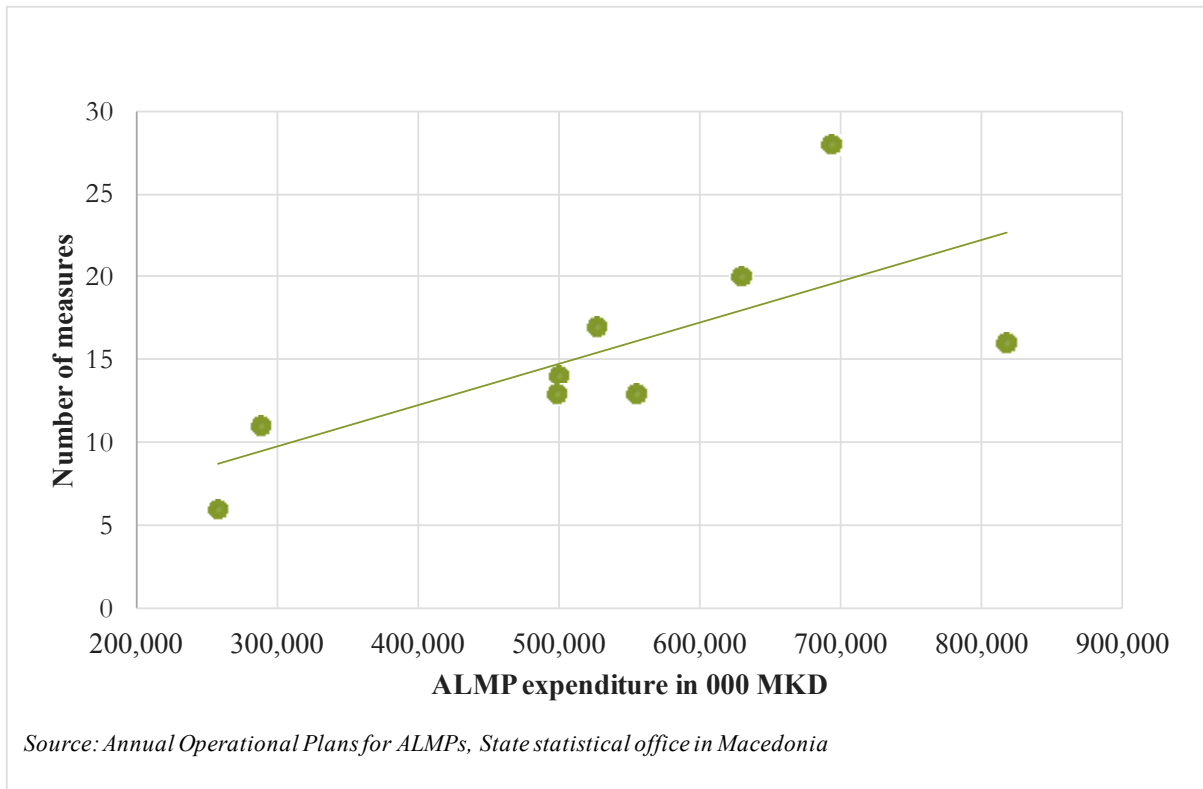
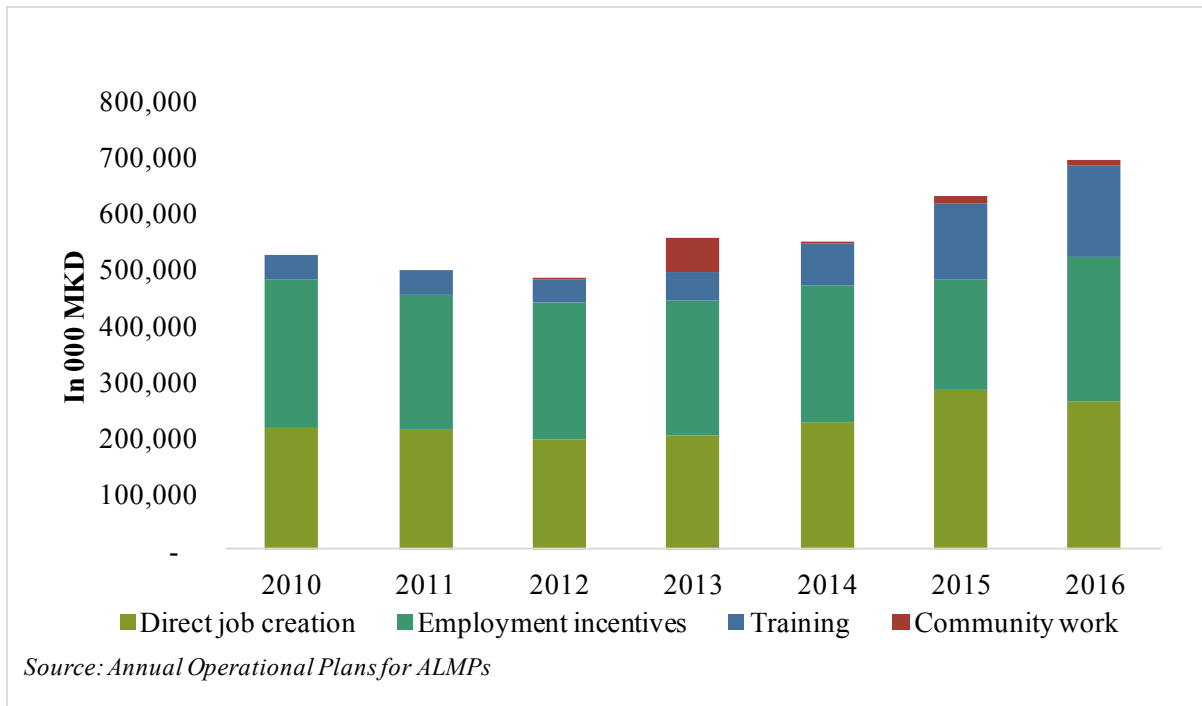


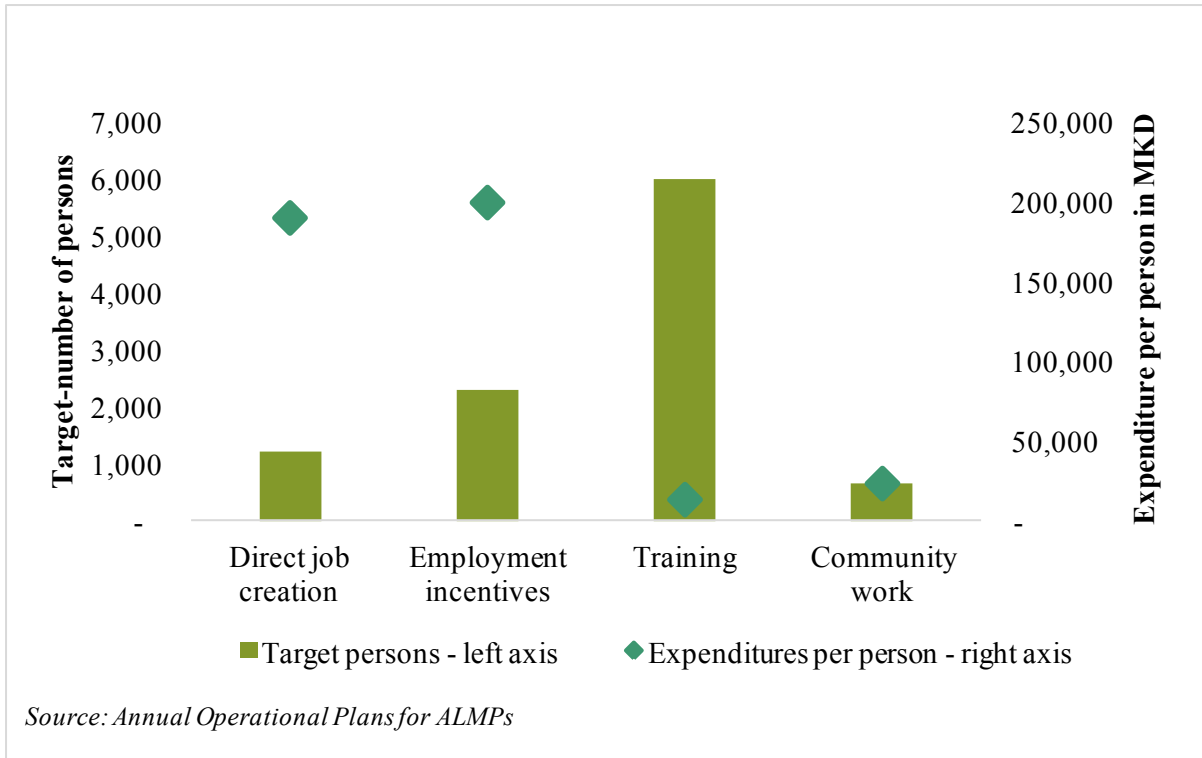
Figure 7 presents the expenditure by the four categories of ALMPs. It suggests that direct job creation and employment incentives consume, on average, 75% of total expenditure. Training expenditure participates with around 23% in the total expenditure on ALMPs. There is no significant variation in the structure of expenditure over time, except for the community work. Expenditure on training increased in the last two years due to the promotion of the internship program and the more invasive targeting of youth.

Figure 7: Expenditure by category



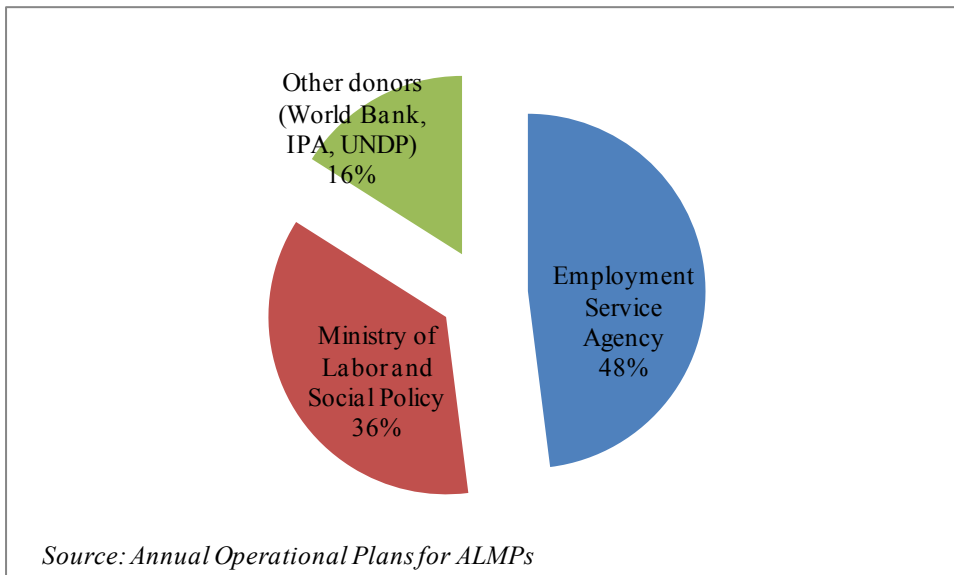
Although the level of expenditure per category gives important insights, it does not explain the size of the beneficiary groups. Figure 8 presents the number of beneficiaries and the expenditure per person for each category. The expenditure per person and the total number of targeted beneficiaries seem to vary across categories. The data suggest that the employment incentives measures are the most expensive, the average cost per person being 200,000 MKD (approx. 3,300 EUR), while the total number of targeted people as final beneficiaries of the measures has been around 2,300. The direct job creation expenditures are similar to those for employment incentives, but the total number of targeted beneficiaries is a bit less than double, suggesting halved expenditures per beneficiary. Training measures seem to be the most cost-effective, the average costs per person being 13,000 MKD (approx. 220 EUR), and targeting on average 6,000 final beneficiaries.

Figure 8: Target and expenditure per person (average 2010-2016)



Finally, Figure 9 presents the sources of funding of the ALMPs. Half of the funds come from the Employment Service Agency budget, additional 36% from the Ministry of Labour and Social Policy budget, and 16% from other donors (IPA, USAID, World Bank, UNDP).

Figure 9: Sources of ALMPs funding (2007-2016)



4. Target groups, coverage and targeting

All unemployed persons who are registered as active job seekers in the registry of the Employment Service Agency have right to use the ALMPs of the Operational plan. Each measure prescribes eligibility conditions and criteria, by which specific groups of persons have priority for participation. Moreover, equal gender representation and participation of young people up to 29 years of at least 30% in each measure, is a precondition in majority of the measures. Table 4 summarizes the programs/measures with regard to their target group(s). The officer involved in the ALMPs creation pointed: “we aim for the measure to target as many eligible persons as possible, in order to increase transparency and reduce discrimination”.

Table 4: ALMPs target groups

| Program | Target group/ priority |
|---|--|
| Self-employment | All unemployed persons/applicant for first time |
| Conditional cash allowance for subsidized employment of persons at social risk | All unemployed persons at social risk/ social protection beneficiaries at age 16-29; children without parents and users of conditional cash allowance for secondary education |
| Training at known employer | All unemployed persons/with most primary or secondary education |
| Training at the work place with subsidized employment | All unemployed persons/persons at age 50-55; persons with primary education; youth up to 29 old with primary education; long-term unemployed; social welfare beneficiaries and persons at social risk. |
| Training to meet the demand for occupations at the labour market | Deaf and blind unemployed persons |
| Internship | Youth unemployed persons with at least secondary school |
| Vocational training of people in the educational process | Pupils and students at vocational high schools or technical universities, at final year of learning/studying |
| Training on basic skills for employment | Unemployed persons who are: - youth up to 29 years, or - women, or - long-term unemployed |
| Training in the field of security | Unemployed persons who are child without parents or social protection beneficiaries |
| Community useful work | Unemployed persons at social risk or social protection beneficiaries |
| Subsidized employment of disabled persons | Unemployed persons with disability |
| Self-employment for disabled persons | Unemployed persons with disability |

Source: Annual Operational Plan for ALMPs 2016

ALMPs were introduced without specific target groups: 70% of the measures do not define any subgroup of unemployed in terms of their observable characteristics, i.e. they target all unemployed persons. Only in two out of the nine investigated years, measures had specific targets, in 2007 and 2015. The ALMPs in 2007 were designed to achieve the objectives of the National Strategy for poverty reduction and targeted the most vulnerable groups so as to stimulate their inclusive

participation in the labour market. In 2015, youth (15-29) became the main target group, with at least 30% participation in each measure.

According to the National Strategy for Employment 2016-2020, increased participation of the vulnerable categories within the ALMPs (unemployed of more than two years, social protection beneficiaries, women victims of domestic violence, persons with disabilities and reduced work capacity) is necessary. In other words, the active measures should give priority to vulnerable population groups which have little chance of finding work. In terms of long-term unemployed, the focus will be placed on those who have been unemployed for more than 2 years. In particular vulnerable groups, like, women victims of domestic violence, social welfare beneficiaries, and the like integrated employment measures may be applied, which include counselling, training and subsidized employment.

Given that almost 20% of the total unemployed have been in such a condition for more than four years and 38.2% almost one year (ESA Annual Report, 2015), the probability to find a job, even with the support of the ALMPs, probably is lower than the other categories of unemployed. Therefore, the project “Macedonia employs” started in 2015, and targeted very specific groups of people:

- Unemployed persons up to 35 years old, who have not been employed for at least 3 months;
- Unemployed persons at age of between 35-50 years, who within the last 15 years were at least 10 years unemployed and at least 3 months before the usage of the program have not been in employment;
- Unemployed persons older than 50 years of age, who have not been in employment at least 3 months before the usage of the program, and belong to one of these categories:
 - (1) Parent of 3 or more children;
 - (2) Single parent;
 - (3) Social welfare beneficiary;
 - (4) Child without parents or parental protection;
 - (5) Victim of domestic violence;
 - (6) Disabled person;
 - (7) Professional soldier;
 - (8) Parent of children with disabilities.
- Unemployed persons older than 58 years of age, who have not been in employment for at least two years before the usage of the program.

Companies who employ a person of the above categories were not obliged to pay the social contributions for certain period of time, i.e. the contributions are subsidized by the government, on the condition that the employer retains the employee for a certain period of time once the measure expires. For example, companies employing people through the program for subsidized employment

are required to maintain the subsidized employee at work for additional 12 months without reducing the total number of employees.

Besides the target groups, the Operational plan provides the size of unemployed persons covered by the ALMPs. In 2016, the total number of target persons to be covered by these measures is 37.470 unemployed persons out of a total of about 270.000 unemployed in Macedonia. More than half of them are persons covered with the public employment services, and less with ALMP measures. Figure 10 presents the total number of targeted persons with ALMP measures by category between 2010 and 2016. The total number of targeted persons has been increasing over time, with the exception of 2016. The traineeship target more than doubled between 2013 and 2015 and slightly decreased in 2016. This is mainly a result of the strategy for youth targeting and increased internship for youth. The number of beneficiaries of the employment incentives measures rapidly increased from around 900 to more than 5000 in 2015, generally due to “Macedonia employs” project where large support by exemptions of social and work fringe benefits was introduced. From the employers’ perspective, the employment incentives measures were more attractive than job creation measures.

Figure 10: ALMPs, target by category (2010-2016)

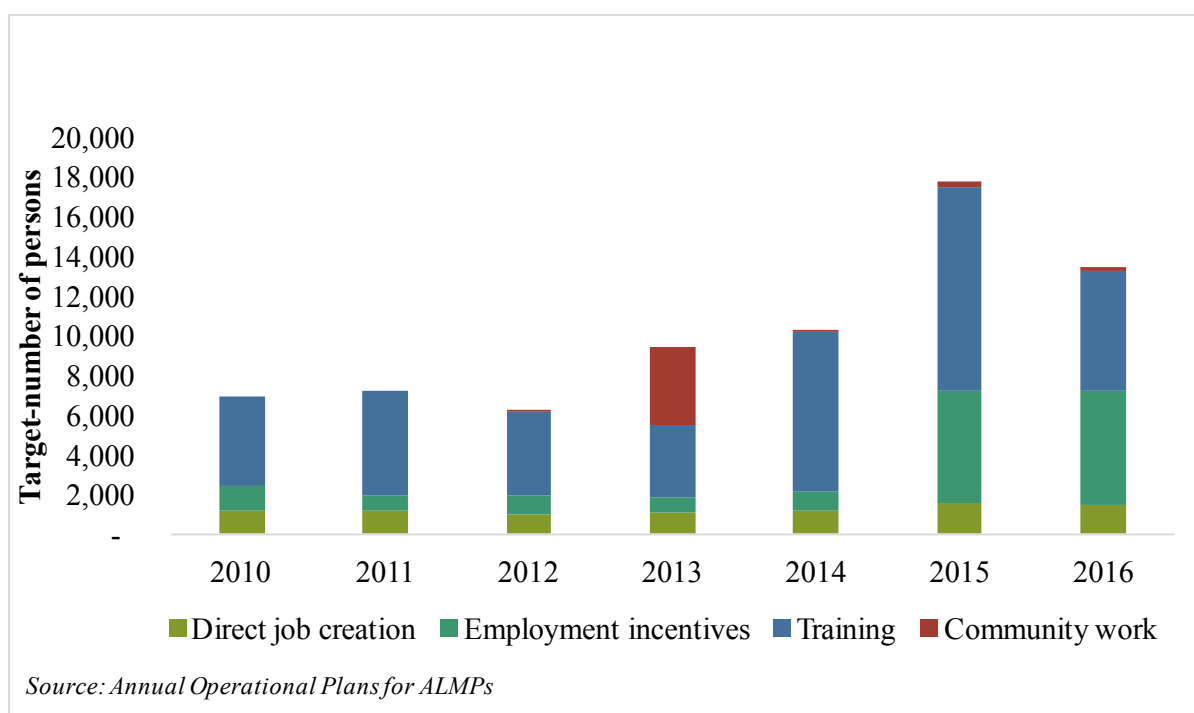


Figure 11 presents the coverage of unemployed persons with the ALMPs. The coverage ratio⁴ increased by 2016, but still is very low. Only 6.9%% of total unemployed people are covered with

⁴ The coverage ratio is calculated by dividing the number of persons within ALMPs with the number of unemployed persons in total.

ALMP measures. If we consider only the registered unemployed as active job seekers⁵ at the Employment Service Agency, than the coverage ratio increases to 14.1% in 2015. The expert in the field noted that the coverage ratio could be improved only if more budget funds are secured for the ALMPs.

Figure 11: Coverage ratio of ALMPs (2007-2015)

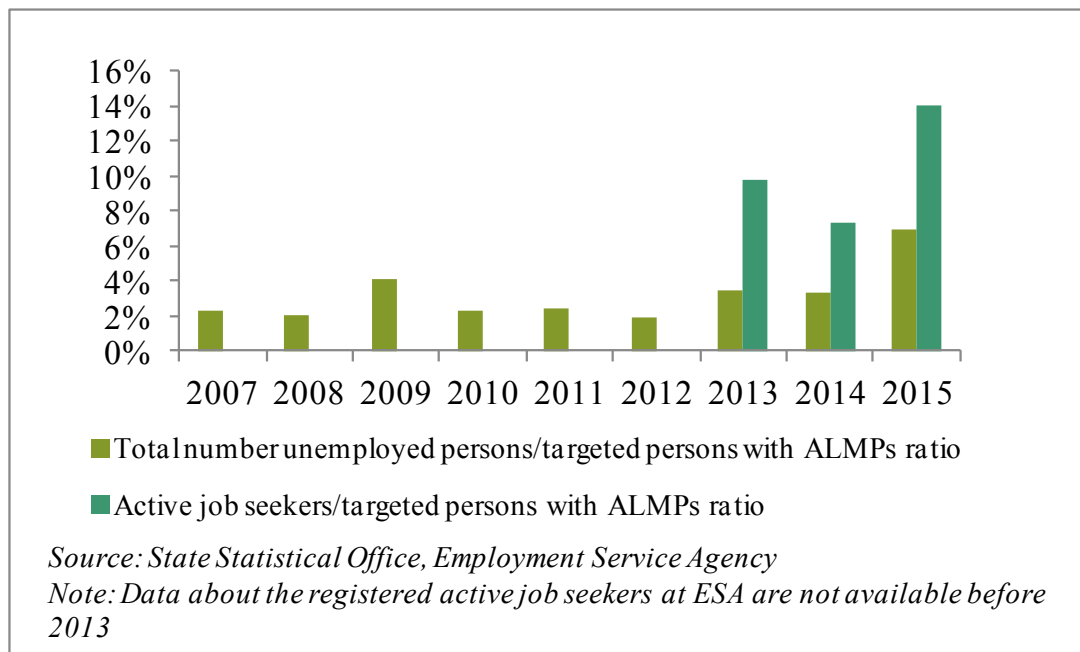
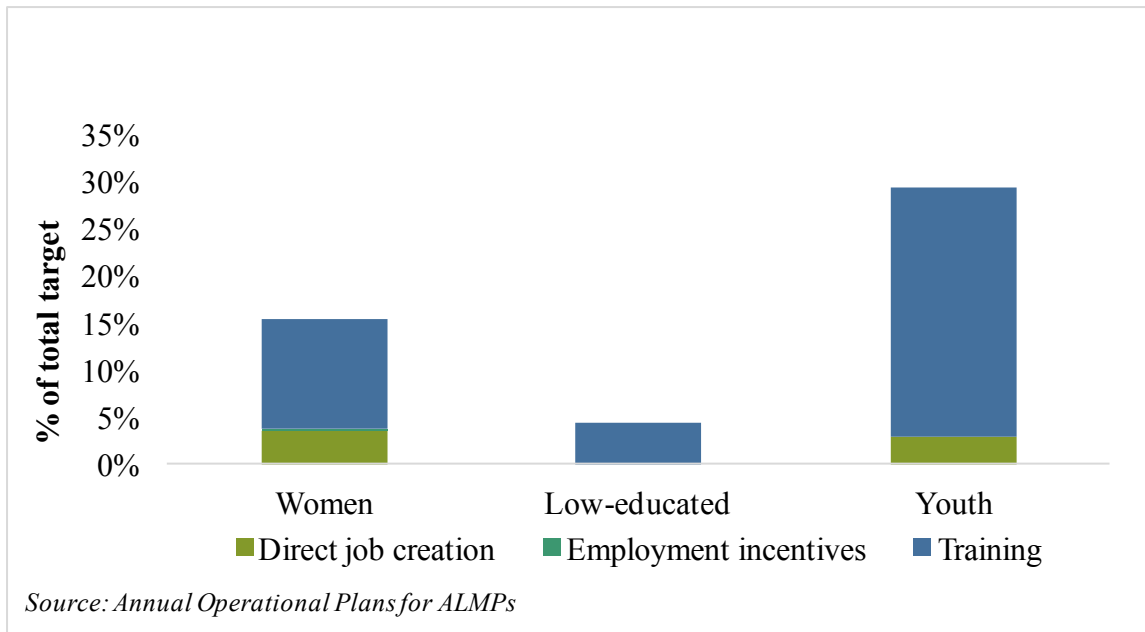


Figure 12 presents the measures’ targets by gender, education and age. There is a mismatch between the needed interventions in the labour market and the targets. Although, the females’ inactivity on the labour market is prevalent and represents the main challenge, only 15% of total measures are designed for women, out of which 88% represent the measures of the training category. Only 4% of the total measures clearly target low-educated persons. On the other hand, the primary-educated workers are faced with the largest unemployment rate, but there is no (or only minimally) designed job creation measures for them. Better targeting is designed only by age. 30% of the ALMPs target youth.

Figure 12: ALMPs by gender, education and age in 2014

⁵ According to ESA, active job seekers are those who are seeking employment (is being reported as unemployed) and need to show-up each month in the ESA.



Improved targeting has been recommended by the EU Commission within the Annual Report 2015. The expert of ILO pointed out that targeting and involvement of the persons in the ALMPs should follow a “step by step” process: “The unemployed persons should start with motivational trainings to become active on the labour market, then to be a part of a mentoring process, and finally to get involved into the employment measures.” In addition, “it is hard to achieve long-term sustainability of the employment of long-term unemployed, by using the subsidies or self-employment programs, without previously having increased the awareness and motivation for active participation on the labour market. When the program expires, there is a high probability that the person drops out of the labour market again.”

Overall, the targeting strategy of ALMPs is still in a development process, with a limited focus on the labour-force characteristics, as well absence of targeting by region. The interviewees agreed with the circumstance that targeting is merely insufficient. A professor in labour market economics pointed out: “There is no specific target group, nor specific conditions. For example, if the employer could find an employee for the subsidies program, he will choose the best one, by education, experience, and so on. Hence, not necessary the beneficiaries are those with the highest need of ALMP”. This indicates that the most employable persons will be employed and/or self-employed with the measures, i.e. those who would have found employment even without the ALMP.

Additionally, the following questions should be answered in this section:

How is targeting of participants in these programmes carried out? We know from the text what is precondition for participation but what are the criteria for selection within particular measures? This can be presented in a form of a table.

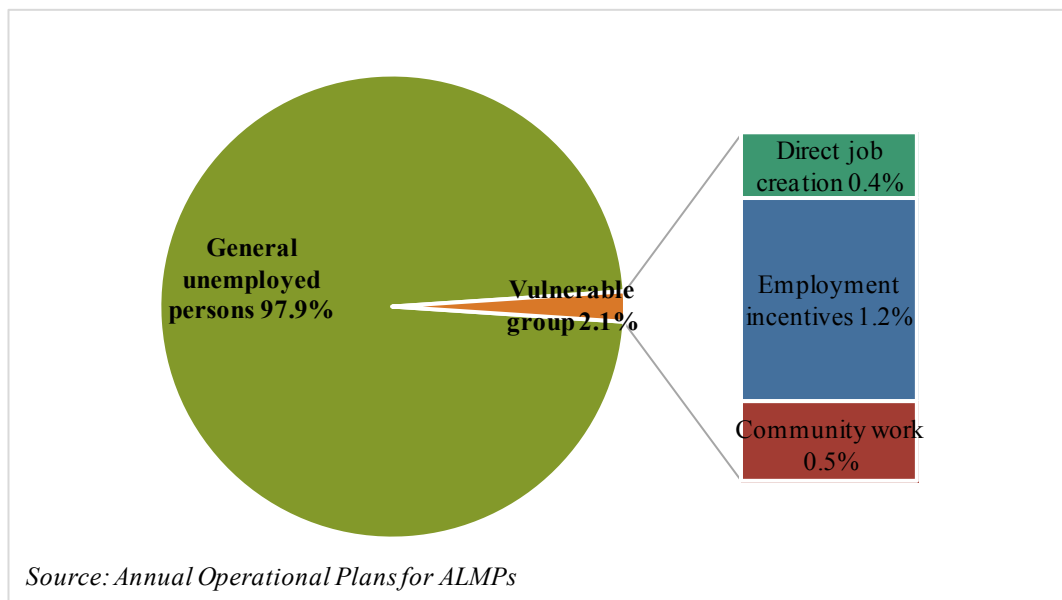
For each ALMP, The Employment State Agency published Open call for application, and each interested person can apply for suitable ALMP. But, there is no data how does the Agency select the winning application, in case when receives more applications that met the required criteria than the anticipated number of persons that should be included within specific measure.

Given that the application is on “voluntary” basis, we can assume that the most motivated unemployed will apply for ALMPs. This will cause a selection bias to occur. To overcome this problem, we suggest random selection of the participants, out of the pool of all eligible candidates.

5. ALMPs and other social services (social health care, education, social protection) – potentials for active inclusion?

The first Operational plan for ALMPs, introduced in 2007, targeted only persons at social risks, mainly long-term unemployed, social welfare beneficiaries and youth. However, over time, changes in the target groups were introduced, so, the last few plans targeted all unemployed persons registered at the ESA as active job seekers. This reduced the importance of the employability and employment of vulnerable persons; so, in 2014, only 2.1% of all ALMPs targeted persons at social risk⁶ (Figure 13).

Figure 13: ALMPs for vulnerable groups (2014)



⁶ According to the Law on social protection (Official Gazette No. 79/09) social risk refers to: health risks (illness, injury and disability), risk on aging, risk on single parent, risk of unemployment, loss of income, risk of poverty and risks of a different kind of social exclusion. According to the National Strategy for Poverty Reduction 2010-2020 (Ministry of Labor and Social Policy, 2010), persons at social risk are the following categories: young people up to 29 years with low qualifications, victim of domestic violence, child without parental care, homeless person, former user / user of drugs, parents of street children, single parent, Roma, inmate released from penitentiary correctional facility, unemployed recorded in the ESA at least 1 year, young unemployed recorded in the ESA at least 6 months, parents of children with disabilities, parent of 3 or more children, disabled person and beneficiaries of social assistance

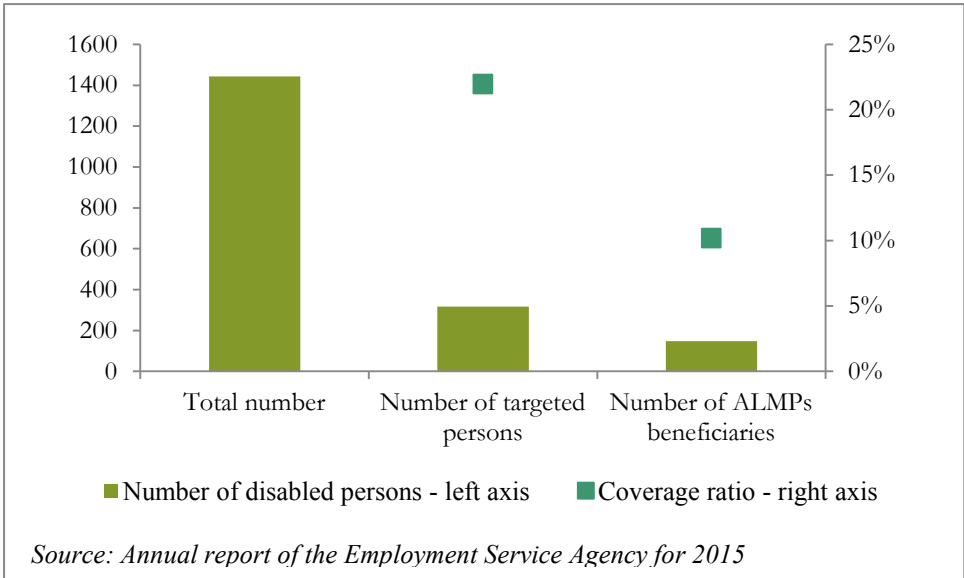
However, the labour market conditions suggest that some categories of people, like women with low qualifications, or from rural areas, youth, long-term unemployed and poor people, have very low probability of employment. Therefore, achieving higher employment rates without focusing on this category is hardly possible. The Operational plan for 2016, proposed a program for conditional cash allowance for subsidized employment of person at social risk. The main objective of this measure is to stir companies to employ this-group persons. This measure targets 166 unemployed persons at social risk, with priority given to: social welfare beneficiaries at age 16-29; persons with status of a child without parents; victims of domestic violence, plus 60 youth up to 29 years at social risk. The program offers three types of benefits that an employer can choose:

- Six months subsidizing of the gross salary for the employers who will hire registered unemployed persons who are at social risk, where the employer is obliged to keep these people employed for at least an additional six months.
- Six months subsidizing of the net salary for the employers who will hire registered unemployed persons who are at social risk and sixty-month exemption from payment of contributions for compulsory social insurance.
- Six months subsidizing of the net salary for the employers who will hire registered unemployed persons who are at social risk, and thirty-six month exemption from payment of contributions for compulsory social insurance and personal income tax, with obligation to keep the employee additional twelve months at work.

Also, there are two programs directed to the employability of disabled persons: subsidized employment and self-employment of disabled persons which aimed to increase the access to and participation of this category in the labour market. Both measures target 600 unemployed disabled persons, 38% of all registered unemployed disabled persons in 2015.

Figure 14 suggests that in 2015, the program for self-employment of disabled persons targeted 317 disabled individuals, but it was successfully completed by only 147 individuals, which is only 10% of the total number of registered unemployed disabled persons.

Figure 14: Number of targeted and beneficiaries of ALMPs for disabled persons, 2015



According to an employee at ESA: “the program for self-employment of disabled persons was introduced this year, and, so far it is very successful”. We have already 10 candidate [a number of candidates registered at the local ESA where the interviewee works, n.b.] interested for this measure and a few who are already in the process of business planning.” The users of this measure have to visit a training conducted by the Agency for entrepreneurship promotion, in order to gain skills for business management.

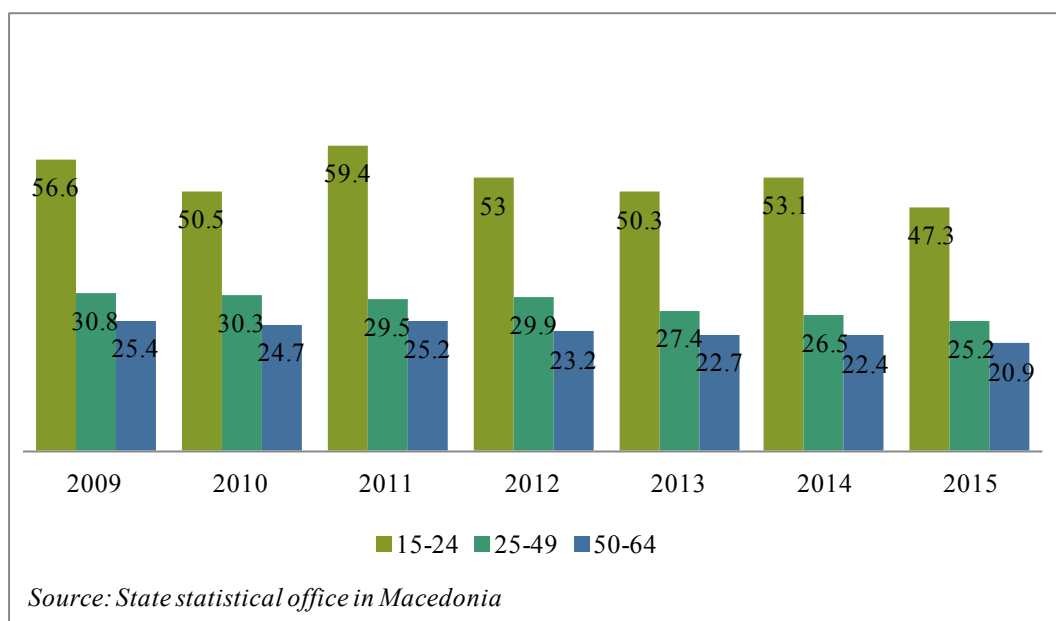
The program “On-the-job training with subsidized employment” promotes the employability of persons at social risks, who belong to one of these categories: youth with low qualifications, victims of domestic violence, children without parents, homeless persons, ex drug users, parents of children at street, single parents, Roma, unemployed for at least 1 year, parents of children with disabilities and a parent of 3 or more children.

Besides the specially designed measures for persons at social risk, the ALMPs have another social component – a concomitant use with the passive labour-market measures. Namely, the users of some ALMP do not lose the right for social financial assistance. Persons, who will participate at different trainings or municipal useful work, will obtain a monthly income of 6.200 denars (around 100 Euros) plus the designated amount of social financial assistance. This increases their motivation to participate at any ALMP, without fear of losing the state protection. If a person, social welfare beneficiary, find a job through a measure that belongs to the direct job creation and employment incentives groups, explained at Table 2, he will lose the right to receive state social welfare.

6. ALMPs for youth

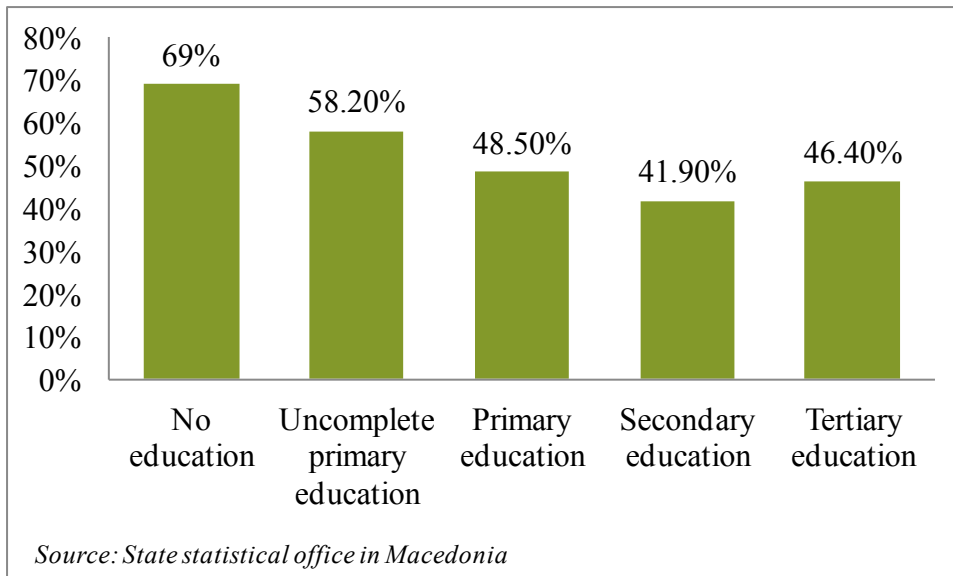
Macedonia is fighting large unemployment of youth for a long time. Figure 15 presents that, on average, half of the youth active job seekers are unemployed. According to the State Statistical Office, the unemployment rate of people at the age of 15-29 in 2015 was 44.5%, which is similar to that of 15-24 and much higher than the average unemployment rate of 15.7% in EU-28. According to the government forecasts, it is expected that by 2020, the unemployment rate of youth between 15 and 29 will decrease at 41% (Ministry of Labour and Social Policy, 2015).

Figure 15: Unemployment rate by age, in % (2009-2015)



Expectedly, youth with lower education face with higher unemployment rate. However, the fact that youth with completed tertiary education face higher unemployment rate than the ones with completed secondary school, suggests that there is likely insufficient coordination between the education policies and the labour market policies.

Figure 16: Youth (15-29) unemployment rate according to the level of education



In order to overcome the challenge of youth employment at the national level, the Government and its social partners, in 2012, have developed the first Action Plan for Youth Employment, focused on the areas crucial for promoting youth employment. Main achievements within this plan at the end of 2015 are the following (Ministry of Labour and Social Policy, 2015):

- The share of young people treated with services and employment programs (ALMPs) has increased fourfold compared to 2011;
- The number of young people (15-24) who early leave education decreased by 15.3 percent;
- Nearly 57 percent of unemployed young people who attended one of the programs offered by ESA were employed one year after completion of the program;
- More than 15,700 students received services for career counselling within the timeframe of the Action Plan, while approximately 50,000 young people were provided with information about the labour market through the services of the ESA;
- The scope of the incentives provided by the Government to engage young people increased threefold compared to 2011, with an overall investment of MKD 217 million in 2014;
- In the period from 2011 to 2014, almost 2,500 young people gained access to loans and grants for self-employment.

In 2016, Macedonian Government in cooperation with ILO prepared the second Action plan for youth employment that will be realized over the period 2016-2020. This plan targets almost 200.000 unemployed youth, which is equal to 42% of the total young population at the age of 15-29. The total amount dedicated for implementation of the plan is around 31 million euros - funds provided by the Government, the EU Instrument for pre-accession or other donors.

The ultimate goal of the National Action Plan for Youth Employment 2016- 2020 is to promote more and better jobs for young men and women. Specific objectives of this plan are:

- 1) Improving the match between the supply of skills and the requirements of the labour market, through an increase of 20 percent in the number of young people aged 15 to 29 years working in jobs that correspond to their qualifications, and a decrease of 4 percentage points in the number of low-skilled young people.
- 2) Promoting job creation led by the private sector through an increase of 5 percentage points in the share of young people (15-29) who are employed.
- 3) Facilitating the transition of young people into the world of work through an increase of 30 percent in the number of unemployed young people who have access to quality employment in the local employment centres and 15 percent of all youth registered as unemployed for the first time and gain access to targeted services.

The Operational plan for ALMPs and labour market services 2016 puts special emphasis on the unemployed youth up to 29 years of age. The participation of youth in each measure is explicitly presented, a method that was for the first time introduced in the Operational plan 2015.

Table 5 summarizes all measures, target number and expenditures for youth ALMPs in 2015 and 2016. It suggests that the number of targeted youth to participate at these programs is 13.871 and planned funds for financing the ALMPs in 2016 reached almost 180 million denars (around 3 million euro), which is only 10% of the planned funds for implementation of the Action plan for youth unemployed. In 2016, six more measures for youth employment were introduced compared to the previous year. Most of the measures for youth are different types of training which, unfortunately, “do not result with users’ employment” – stated an employee at the ESA.

Table 5: ALMP- target, expenditure, number of measures by category (2015-2016)

| Category | Target-number of youth | | Expenditure in MKD | | ALMP measures-number | |
|-----------------------------------|------------------------|------|--------------------|------------|----------------------|------|
| | 2015 | 2016 | 2015 | 2016 | 2015 | 2016 |
| Direct job creation | 398 | 389 | 66,764,990 | 81,086,351 | 1 | 3 |
| Employment incentives | 5041 | 160 | 5,400,000 | 15,302,000 | 4 | 7 |
| Training | 6348 | 3968 | 62,534,578 | 75,969,046 | 13 | 14 |
| Community work | 90 | 60 | 3,348,000 | 2,682,000 | 1 | 1 |
| Public employment services | 9206 | 9266 | 4,039,840 | 4,039,840 | 7 | 7 |

Source: Operational Plan for ALMP 2015, 2016; calculation by the authors.

Additionally, please try to identify main obstacles and shortcomings in current ALMPs for youth.

7. Effectiveness of ALMPs and systems of evaluation

The Employment Service Agency and the Ministry of Labour and Social Policy are responsible institutions for monitoring the implementation of the active measures for employment, in order to provide accurate information about their success. For this purpose, a plan for monitoring that measures their contribution to creating new vacancies, increasing the employability of the target groups and the efficiency of the usage of the resources, is prepared every year as an integral part of the Operational plan for active measures for employment. In order to obtain timely information on whether the programs and measures have been implemented according to the plan and the timetable, indicators for each measure are being developed and monitored by ESA and its partners mentioned in part 2, on a quarterly and yearly basis. “Well the monitoring before was in the contractual framework with UNDP, now is off the record, it is erased from the activities in the contract with UNDP” – stated a representative from ESA. This is the case for the last year (2015) after the Operational Plan for ALMP has been redesigned. Previously, a representative from the local centres of the ESA and a representative from UNDP conducted a field monitoring of each beneficiary of the ALMPs. Now, all beneficiaries of the subsidy employment program, for example, bring bank statements as prove of paid monthly salary.

The implementation of various active measures is monitored by similar indicators like, percentage of employed persons out of the total participants at the program, average cost per participant, percentage of program users with acquired higher skills, and so on. According to the interviewed researcher on these matters, these indicators are used for internal evaluation only. He says that there is not any external evaluation or monitoring, which is the largest weakness of the strategy for ALMP implementation, as external evaluation and monitoring would be crucial for the redesign and possible improvements in ALMPs. In addition, if the effects of the measures are being continuously monitored, it can be easily and timely seen which of them deliver better results than others, thus providing information necessary to maximize the effects of the limited resources spent on ALMPs.

Table 6 gives a detailed description of the framework for monitoring of the realization of the ALMPs for 2016.

Table 6: Indicators for monitoring

| Program | Key process indicators | Key indicators for the results |
|---|--|--|
| Program for self-employment | Total number of participants at the program Average cost per participant | % of self-employees of the total number participants Average cost per self-employee |
| Micro and small enterprises support for job creation | Total number of participants at the program Average cost per participant Average cost per enterprise | % of employed participants Total number of job creations Average cost per employed participant |
| Subsidy employment of persons at social | Total number of participants at the program | % of employed participants Average cost per employed |

| risk | Average cost per participant | participant |
|--------------------------------|--|--|
| Community useful work | Total number of participants at the program Average cost per participant | % of employed participants according to occupation Average cost per employed participant Total number of worked hours |
| Trainings | Total number of participants at the program Average cost per participant | % of participants who acquired higher competences % of employed participants according to occupation Average cost per employed participant |
| Pilot programs | Total number of participants at the program Average cost per participant | % of employed participants Total number of job creations Average cost per employed participant |
| Services for employment | Total number of service users Total number of employers, users of the service Total number of supported employers Average cost per service user | % of employed after the usage of the service Average cost per employed user |

Source: Operational Plan for ALMPs in 2016

The results of the monitoring through the mentioned indicators are published in the annual report of ESA+. But, there is only data on the number of persons who participated at some program, number of users employed using the measure, number of users who received some service for employment, number of persons who participated at some training, and the amount of money spent for the implementation of particular program or measure. Table 7 gives a comparison between the planned and realized number of participants at different measures in 2015. At first glance, it seems that almost all active measures were successful, given that a large percent of the planned number of participants was indeed realized.

Table 7: Planned and realized number of participants at the ALMPs in 2015

| Program/measure | Planned number of participants | Realized number of participants |
|---|---------------------------------------|--|
| Program for self-employment | 1248 | 947 |
| Micro and small enterprises support for job creation | 260 | 127 |
| Subsidy employment of persons at social risk | 136 | 32 |
| Employment of youth up to 29 age | 5000 | 2973 |
| Training at the work place | 476 | 446 |
| Training to satisfy labour market needs | 220 | 166 |
| Training for advanced IT skills | 270 | 90 |
| Survey on the need for labour market skills | 26 | 26 |
| Municipal useful work | 300 | 318 |
| Training for skills for building energetic effective buildings | 50 | 50 |

| | | |
|--|---|---|
| Incubator for craftsmen | 5 | 3 |
| <i>Source: Annual report of the Employment Service Agency 2015, Operational Plan for ALMPs in 2015</i> | | |

Nevertheless, the answers about the sustainability of the generated jobs; as well the number of people who acquired new knowledge and skills during the training were subsequently employed are missing. However, a robust system for tracking the participants over the long haul is largely missing. During the conducted interviews, employees at MLSP mentioned they did some kind of evaluation of the programs for self-employment, and the results show that 70% of the participants at these programs are still employed. Based on the cost-effectiveness principle, they said that the most effective measure is ‘Training at known employer’, which gives a solid level of employment of the participants at the training and is also the cheapest of all ALMPs. “15 percent of the measures are successful and sustainable after the due date of the measure”- mentioned an employee at the Employment Service Agency. On the other hand, one of the most unsuccessful measures - as a consultant stated - is on-the-job training and integrating of socially vulnerable category of people in the labour market. There is some evidence that none of them is employed, due to the fear of losing their social protection.

To overcome the insufficiency of information and evidence about the impact these measures produce, in 2012, the International Labour Organization in cooperation with the Ministry of Labour and Social Policy and the Employment Service Agency, conducted an external evaluation of the ALMPs, a performance evaluation. The survey conducted a performance measurement of three active programs: self-employment program, training for known employer and wage subsidies (Corbanese, 2012). In 2012, an evaluation has been conducted of the self-employment program (2008-2011) implemented by the UNDP (O’Higgins and Kirevska, 2012). According to this research, the self-employment program operates efficiently and effectively, has a net positive impact on the Macedonian economy and contributed to the reductions in long-term unemployment. However, there are some areas that require additional improvements: better regional distribution because grant awards do not necessarily go to those regions in most need; better understanding of the positive role of the impact evaluation that can play a constructive role in a number of ways; and decreased tendency in understanding the problem with unemployment only in terms of reduced registered unemployed persons, because a reduction in registered unemployment does not necessarily correspond to an increase in employment or to a reduction in unemployment as measured by the internationally accepted ILO criteria.

Some years later, commissioned by the ILO, Mojsoska-Blazevski and Petreski (2015) conducted a more rigorous quantitative impact evaluation of the following programs: program for self-employment (implemented in 2008), internship (implemented in 2010 and 2012), training for known employer (implemented in 2010 and 2012), wage subsidy program (2010), training for advanced IT skills (2010) and training for deficient occupations (2010). The key research question was whether participation in the active labour market programs increased the probability of participants to find and

retain gainful employment. However, in addition to this main outcome, they included other outcome variables such as: inactivity, unemployment, wages, and changes in the prospects for employment after the program, changes in financial status, subjective labour market status, etc. The evaluation produced mixed and measure-specific results: some programs bring comparatively better labour-market outcomes for program participants relative to the non-participants. The internship program and training for known employer are the only ones that bring real differences for the participants: i) higher employment today (longer-term effect) by 25 to 31 p.p (in 2010 and 2012, respectively) both in terms of the actual and perceived employment status.; ii) reduced chances for non-employment at any time after program end by 21 p.p, compared to non-participants, and iii) financial gains of 21.4 MKD higher wage per hour to the participants. The self-employment program and training in advanced IT skills bring some positive effects, but the design needs to be improved:

- Applicants in the program should not be self-selected, but rather randomly selected out of the pool of eligible candidates. Then, they should enter the filters of the program (training, motivation, developing a business plan, funding).
- The size of the program (i.e. number of program participants) could be reduced whereas the amount of the grant increased;
- The training could be designed so that it does not necessarily leads to a grant but may help participants to gain access to commercial credits.
- The amount of the grant given to applicants can vary according to the type of business and required technology for establishing and running the business,
- The government might set priority sectors/industries for which grants will be given;

Two of the programs, wage subsidies and training for deficient occupations were found without positive effects to the participants (except in one parameter of subjective well-being), and are even worsening the position of the participants. Moreover, the participants in this program have very low employment rates today.

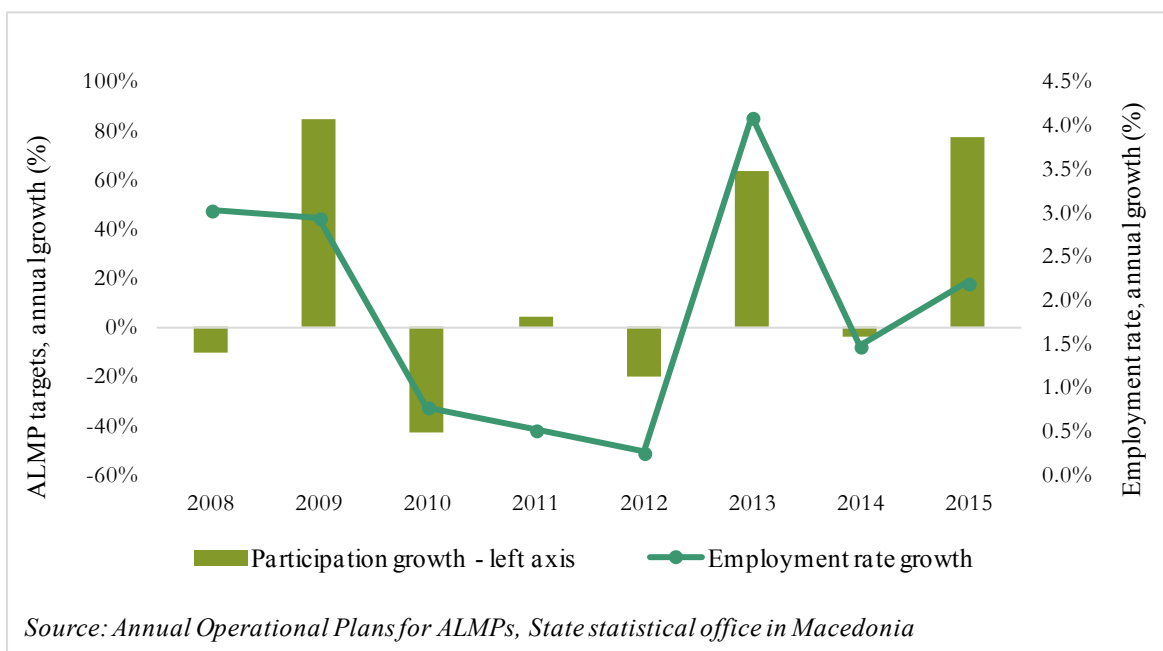
The success of the Internship program is also confirmed by the words of ILO representative who stated: “If I was a part of the government who decides how to allocate the funds, I would allocate more funds for this measure especially”. Evidence about the success of this program is also the testimonial of an interviewee who is an employer utilizing this measure. She explained that although they were not a big legal entity, they have used the measure as of the beginning. She said that most of the internships resulted with subsequent jobs. First, the new employees replaced already employed workers, and then they successfully started their career as employed in that legal entity.

On the other hand, a small entrepreneur, user of both self-employment and employment incentives measures, pointed that self-employment measures are not well designed. “The amount of 2500 Euros is not enough to start a business; the business will be started only by people with a strong intention to

open a business, while the amount will be just a support”. This indicates that although the main objective of the self-employment measure is to increase motivation for self-employment, it is not crucial for starting the business. A youth beneficiary of non-refundable loan of 3000 Euros stated: “I decided to open a business. These funds were not key motive whether to start the business or not. If I did not get the loan, I would look for other source for financing of my start-up.” The latter is also confirmed by a youth entrepreneur beneficiary of the self-employment measure for youth up to 29 years. He concludes: “We have a family business for 25 years. With the measure I wanted to open my own business, with a similar activity in the furniture production. I have the machines and infrastructure of the existing business. With the money from the self-employment measure, I bought a new machine, instead of taking a loan from a bank”.

At the end, we investigate the potential relationship between the ALMPs and the employment picture in the country. As we have seen at section 4.1, the employment rate in the country increases over the analyzed period. Figure 17 shows that there is a positive correlation between the employment rate growth and the number of beneficiaries of ALMP. There is a consensus among the interviewees that part of the increased employment rate is due to ALMP, and not that employment growth affected ALMPs coverage. An expert in the field noted: the ALMPs influence through several channels: direct job creation (e.g. through self-employment measure), increased chances for employment, and through the transformation of the informal into a formal economy.

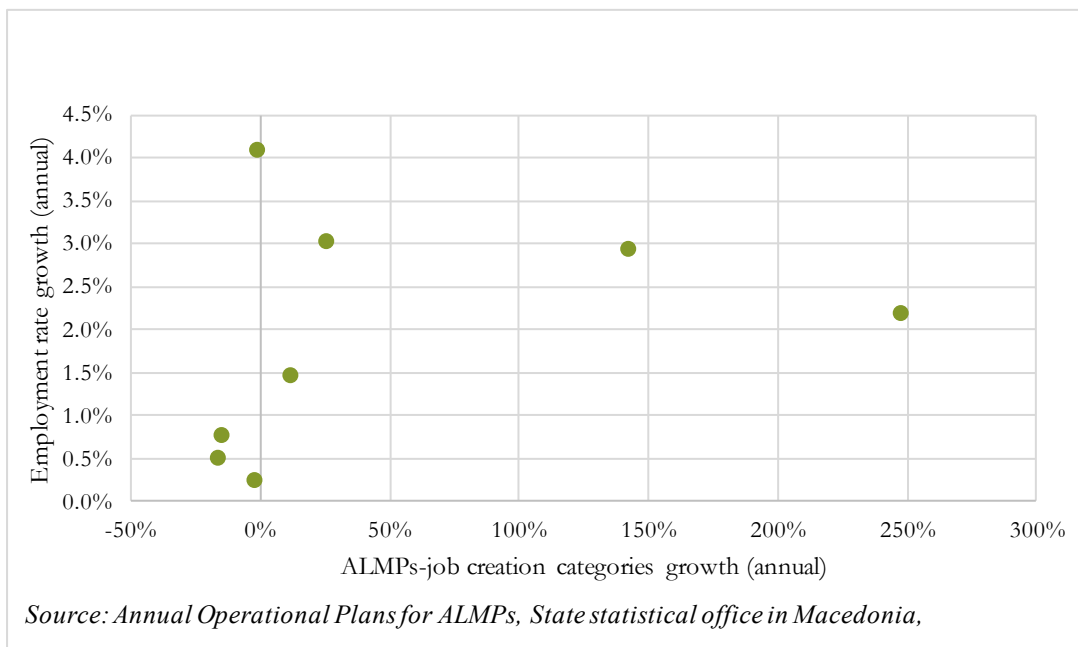
Figure 17: Targeted persons in the ALMPs and employment rate, annual growth (2008-2015)



However, only part of the ALMPs has impact on direct job creation and increased employment, given that more than half of the ALMPs belong to the traineeship program. Beneficiaries of the trainings

will improve their employability, but not necessarily will find a job. An HR manager of a bank pointed that there are successful stories: “...started with an internship and then become employed”, but they are just a few cases out of about 50 beneficiaries. Hence, if we compare the targets of job creation measures and employment rate growth, we could identify that there is likely no correlation (Figure 18). The representative of ILO concludes that the ALMPs influence onto unemployment is limited and that they should be only a corrector of the imperfections on the labour market. The consultant and professor of labour economics share the same conclusion that ALMPs could have a short-term impact only: the main doubt lies in the sustainability of the created jobs: “How many of the newly created jobs would survive in the long run? How many employees will continue to work after the measures support ends?”

Figure 18: Relationship between ALMPs for job creation and employment rate growth



Conclusion and policy recommendations

The unemployment rate in Macedonia has been declining, albeit still remains high at 26.1% at the end of 2015. At the same time, the employment rate increased from 36.2% in 2007 to 42.1% in 2015. In spite the favorable developments related to the employment and unemployment rates, the activity rate continued to be the main challenge. Activity rate improved moderately, from 55.7% in 2007 to 57% in 2015, being still much lower than the EU-28 average of 72.4%. In order to tackle the high unemployment and inactivity in Macedonia, Active Labour Market Policies (ALMPs) were introduced in 2007.

The ALMPs include four main categories: i) direct job creation, b) employment incentives, c) traineeship and d) community work. The most popular measures were those in the category of traineeships, in terms of the number of measures: 52% of total ALMPs were related to the training component, followed by employment incentives measures (28%) and direct job creation (15%). ALMPs expenditures more than doubled in absolute terms: from 300 million MKD in 2007 to 700 million MKD in 2016. On the other side, in relative terms, the share of ALMP expenditure in GDP has been only about 0.2% in 2016.

The annual number of target persons to be covered by these measures is about 15.000. Overall, the targeting strategy of ALMPs is still in a development process, with a limited focus on the labour-force characteristics, as well absence of targeting by region. There is a mismatch between the needed interventions in the labour market and the targets. Although, the females' inactivity on the labour market is prevalent and represents the main challenge, only 15% of total measures are designed for women.

In order to overcome the challenge of youth employment at the national level, the Government and its social partners, in 2012, have developed the first Action Plan for Youth Employment, focused on the areas crucial for promoting youth employment. More than 15,700 students received services for career counselling within the timeframe of the Action Plan, while approximately 50,000 young people were provided with information about the labour market through the services of the ESA. The scope of the incentives provided by the Government to engage young people increased threefold compared to 2011, with an overall investment of MKD 217 million in 2014.

Monitoring system is internal, while external evaluation is missing. A robust system for tracking the participants over the long haul is largely missing, while impact evaluation is ad hoc.

Several policy recommendations can be drawn of the conducted research:

- Increasing the budget funds for financing the ALMPs, in order to achieve higher impact on the labor market;
- Re-designing the current targeting system, through:
 - ✓ Adjustment of the ALMPs on the individual needs of the potential beneficiaries, companies and/or the region,
 - ✓ Focusing on persons who have difficulties in finding a job (long-term unemployed or persons at social risks),
 - ✓ Beside on “voluntary” basis, the choice of beneficiaries should be done of the “pool” of unemployed, in order to avoid the selection bias problem.
- Introducing a “step by step” process: the unemployed persons should start with motivational trainings to become active on the labor market, then to be a part of a mentoring process, and finally to get involved into the employment measures.
- Introducing an “adjustment period” when a social welfare beneficiary can use both passive and any active measure, in order to overcome the fear of immediate loss of the social welfare.
- Promoting the system of monitoring and evaluation through: i) implementation of external evaluation and monitoring that is crucial for the redesign and possible improvements in ALMPs; and ii) continuously monitoring of the ALMPs that will lead to easily and timely seen which of them deliver better results than others, thus providing information necessary to maximize the effects of the limited resources spent on ALMPs.

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