

DEVELOPMENT OF THE LABOR MARKET IN THE REPUBLIC OF MACEDONIA

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Abstract

The paper offers a more comprehensive analysis of the condition of the labor market regulation, which is supported by the relevant legislation. Detailed analyzes of the set regulatory employment laws are offered, especially with regard to the areas of employment, working hours and dismissal. This paper will consider and compare aspects that affect the quality of work, such as the availability of maternity leave, paid sick leave and equal treatment of men and women in the workplace. Standard assumptions are used when data is collected. The data on labor market regulation are based on detailed questionnaires on employment regulations, the laws and regulations on employment are analyzed, and secondary data sources are considered.

To make the data comparable in all economies, several assumptions about the worker and business, which support policymakers in designing regulatory labor market reforms, are used.

Keywords: labor market, regulation, employees, Macedonia.

INTRODUCTION

The flexibility of employment regulation as far as employment, is concerned is working hours and dismissal. Aspects affecting the quality of work would be the availability of maternity leave, paid sick leave and equal treatment of men and women in the workplace. Transition countries, including Macedonia, are carefully and rapidly trying to bring legislation that will regulate the labor market closer to the European.

1. LITERATURE REVIEW

The Keynesian economy focuses on the fact that unemployment is the result of an insufficiently effective demand for products and services in the economy. According to (Romer 1990: 64) economic growth led to internal sectoral economic changes. These changes lead to structural unemployment. Technological development changed the way of production by reducing the number of employees. While (Pissarides 1990) and (Postel Vinay, 1998: 1091-1115) state that technological development helped for the reduction of unemployment due to the effect of capitalism. (Zaglar, 2006: 53) analyzed the ratio between economic growth and unemployment in the United Kingdom in the period 1982-1999, and the results showed a strong and negative correlation between economic growth and unemployment. According to him, fast-moving economies will face structural unemployment for a short period. Unemployment can be minimized by effective planning and human capital improvement. Many economists analyze this ratio between economic growth and unemployment to make estimates from the Okun coefficient. In particular, Okun (1962) at the time of the Kenyanism referred to a stable ratio between the GDP growth and the change in the percentage of employment. The others on the list were Smith (1975), Gordon (1984), Knoester (1986), Kaufman (1988), Prachowny (1993), Weber (1995), Musa (1997a, 1999), Attfield и Silverstone (1998), Lee (2000), Harris dhe Silverstone (2001), Sogner и Stiassny (2002), and Silvapulle et al (2004).

2. GLOBAL PERSPECTIVE

In the domain of the labor market, the transition was prompted by two driving forces: ownership restructure and sectoral reallocation (Blanchard, 1997). As a result, the transition countries, in which the Republic of Macedonia belongs, represent a heterogeneous group and differ according to the experiences, as well as the degree of success in the implementation of the transitional employment reforms (Svejnar, 2002: 3-28). The countries of Central Europe (CEE), the Baltic countries and Slovenia were most successful in overcoming the initial recession, achieving dynamics of their GDP and employment, which can stylizedly be represented in the form of the Latin letter U. For the success of the transition process in these countries, recently accompanied by Romania and Bulgaria, speaks of the fact that they are today full-fledged EU members. Contrary to this group of countries, the countries that originate from the former Soviet Union, and today constitute the Commonwealth

of Independent States (CIS) and the countries of Southeast Europe (SEE), still face high and persistent unemployment as a consequence of their low institutional capacity which generates modest development opportunities (Boeri, 2000: 274). Among the above groups of countries, this paper will focus on the functioning of the labor markets in the SEE countries, of which Macedonia is an integral part. Unemployment at the start of the transition has reached high rates in almost all transition countries, and especially in SEE and as such is the only historical phenomenon that requires the need to be thoroughly explored (Tichit, 2006:351). This unemployment is still termed 'transition unemployment' because it is a result of the shock of systemic reforms and, as such, differs in many respects from other types of unemployment (Mickiewicz and Bell, 2000). General characteristics of transitional unemployment are: pronounced segmentation of the labor market, long duration of unemployment and low likelihood of exit from the status of unemployment (Cazes and Nesporova, 2003). Almost all transition countries, at the beginning of the transition process, have introduced passive labor market policies that, according to their 'broad-based', are similar to those encountered in the developed countries of the OECD (Riboud et al., 2002). However, this kind of 'natural experiment' has proved unsustainable and has forced governments to shorten the rights enjoyed by the unemployed quickly (Boeri, 2000; Vodopivec et al., 2003).

3. NATIONAL PERSPECTIVE

According to the presented presented challenges faced by the labor market, selected by the National Employment Strategy of the Republic of Macedonia 2016-2020, they would indicate:

- Low employment rate, high gender gap in employment and low employment of young people;
- Highly vulnerable employment;
- Unfavorable employment structure, dominated by low levels of occupation. High unemployment rate that especially affects young people;
- High long-term unemployment. Relatively low activity rate resulting from low activity of women and low-education;

- Inactive women are disproportionately distributed among young women, women in rural areas and unskilled, with one of the most important reasons for female inactivity being household responsibilities;
- High youth unemployment and a long transition period from education to the labor market. Possible growth of the unemployment of highly educated persons (large growth in the supply); possibility to increase the phenomenon of over-education (Selected part of the National Strategy for Employment of the Republic of Macedonia 2016-2020: 27).

4. METODOLOGY AND RESEARCH FRAME

The study includes analysis of data from the survey conducted in 2016. In order to make data comparable in all economies, several assumptions are used for employees and businesses:

- Employees are employed in trade, aged 19, with one year work experience, full-time and not members of the trade union.
- Businesses are limited liability companies (or equivalent in the economy), engage in trade activity in the largest business city of the economy. For 11 economies data are collected for the second largest business city, having 60 employees. They adhere to any law and regulation, but do not give workers more benefits than those provided by law, regulation or (if applicable) collective agreements.
- Analyze the relationship of Employment Laws and Regulations, as well as secondary sources that are considered to ensure accuracy.

Examined aspects of employment, working hours, redundancy rules, redundancy costs and quality of work.

Employment laws need to protect workers from arbitrary or unfair treatment and to ensure effective bargaining between employers and workers. Many economies that have changed the regulation of the labor market for the past 5 years do so in a way that has increased its flexibility. The changes that Macedonia made to regulate the labor market are shown in Table 1.

Table 1: Changes in market regulation in Macedonia

Year	Reform
2016	1) Macedonia introduced amendments to its Labor Relations Act relating to social contributions, employment contracts, independent contractors, annual leave, overtime work, health inspections and labor disputes. 2) Macedonia increased the minimum wage.

Source: Doing Business *database*

The data for Macedonia is based on a detailed overview of the labor market regulations, prepared by lawyers and public officials.

4.1 Employment

Work engagement data covers five areas:

- prohibiting fixed-term contracts for permanent tasks;
- maximum cumulative duration of fixed-term contracts;
- the minimum wage in the commercial activity, 19 years of age, with one year work experience; and
- the relationship of the Employment Laws and Regulations, and the secondary sources considered to ensure accuracy.
- minimum wage of the average added value per worker (ratio of GDP per capita to the working-age population as a percentage of the total population).

Table 2: Data for working engagement

Hiring	Data
Fixed-term contracts prohibited for permanent tasks?	No
Maximum length of a single fixed-term contract (months)	60 months (Art
Maximum length of fixed-term contracts, including	60.0
Minimum wage applicable to the worker assumed in the case study (US\$/month)	287.5
Ratio of minimum wage to value added per worker	0.5

Source: Doing Business *database*

4.2 Working hours

Working hours include nine areas:

- the maximum number of working days per week;
- night work premium (as a percentage of hourly wage);
- a weekly working holiday allowance (as a percentage of an hourly wage);
- overtime work (as a percentage of hourly wage);
- whether there are restrictions on night work;
- whether single and unmarried women can work the same night time as men;
- whether there are restrictions on weekly rest;
- whether there are restrictions on overtime work; and
- average paid annual leave for workers with 1, 5 and 10 years of work experience;

Table 3: Data on working hours

Working Hours	Data
Maximum number of working days per week	6.0
Premium for night work (% of hourly pay)	35.0
Premium for work on weekly rest day (% of hourly pay)	50.0
Premium for overtime work (% of hourly pay)	35.0
Restrictions on night work?	Yes
Whether nonpregnant and nonnursing women can work the same night hours as men	Yes
Restrictions on weekly holiday?	No
Restrictions on overtime work?	No
Paid annual leave for a worker with 1 year of tenure (working days)	20.0
Paid annual leave for a worker with 5 years of tenure (working days)	20.0
Paid annual leave for a worker with 10 years of tenure (working days)	20.0
Paid annual leave (average for workers with 1, 5 and 10 years of tenure, in working days)	20.0

Source: Doing Business database

4.3 Redundancy rules

The data on redundancy cover nine areas:

- the length of the maximum probation period (in months) for permanent employees;
- whether the excess is permitted as a basis for termination of workers;
- whether the employer should notify a third party (such as the government agency) of terminating a redundant worker;
- whether the employer should notify a third party about the termination of a group of nine workers;
- whether the employer needs a third party approval to terminate a redundant worker;
- whether the employer needs a third party approval to terminate a group of nine redundant workers;
- whether the law requires the employer to redistribute or retrain the worker before becoming overburdened;
- whether the priority rules for redundancy apply; and
- Are the priority employment rules applied?

Table 4: Data on redundancy

Redundancy rules	Data
Maximum length of probationary period (months)	6.0
Dismissal due to redundancy allowed by law?	Yes
Third-party notification if one worker is dismissed?	No
Third-party approval if one worker is dismissed?	No
Third-party notification if nine workers are dismissed?	No
Third-party approval if nine workers are dismissed?	No
Retraining or reassignment obligation before redundancy?	No
Priority rules for redundancies?	No
Priority rules for reemployment?	No

Source: Doing Business database

4.4 Redundancy costs

The cost of redundancy measures the cost of the advance notice and the severance pay payments due when the excess employee is terminated,

expressed in weeks and salary. The average value of the claims for notice and payment of severance pay applicable to a worker with 1 year, a worker with 5 years and a worker with 10 years of service.

Table 5: Data on the cost of redundancy

Redundancy cost indicator (in salary weeks)	Data
Notice period for redundancy dismissal for a worker with 1 year of tenure	4.3
Notice period for redundancy dismissal for a worker with 5 years of tenure	4.3
Notice period for redundancy dismissal for a worker with 10 years of tenure	4.3
Notice period for redundancy dismissal (average for workers with 1, 5 and 10 years of tenure)	4.3
Severance pay for redundancy dismissal for a worker with 1 year of tenure	4.3
Severance pay for redundancy dismissal for a worker with 5 years of tenure	8.7
Severance pay for redundancy dismissal for a worker with 10 years of tenure	13.0
Severance pay for redundancy dismissal (average for workers with 1, 5 and 10 years of tenure)	8.7

Source: Doing Business database

4.5 Quality of work

Doing Business in its research has introduced new data on job quality in 2015 and covers eight quality issues:

- whether the law provides for equal reward for work of equal value;
- whether the law provides for non-discrimination based on gender in employment;
- whether the law provides paid or unpaid maternity leave;
- the minimum length of paid maternity leave (in calendar days);
- whether the employees receive maternity wages 100%;
- whether the employee is eligible for protection against unemployment after one year of work experience; and

- the minimum duration of the contribution period (in months) that is required for protection against unemployment.

Table 6: Performance data

Job Quality	Data
Equal remuneration for work of equal value?	No
Gender nondiscrimination in hiring?	Yes
Paid or unpaid maternity leave mandated by law?	Yes
Minimum length of maternity leave (calendar days)?	270 (for one
Receive 100% of wages on maternity leave?	Yes
Five fully paid days of sick leave a year?	Yes
Unemployment protection after one year of	Yes
Minimum contribution period for unemployment protection (months)?	12.0

Source: Doing Business *database*

5. ANALYSIS AND FINDINGS

Based on the abovementioned, it is clear that the challenge facing Macedonia is to reduce the unemployment rate and encourage employment through sound legal legislation. Some of the recommendations that can ease the process itself are that despite good progress in labor market conditions, the country still faces a high unemployment rate and low employment and activity rates.

The overall employment rate is low as a result of the low employment of women and young people. Both the quality of jobs and employment may be better. In the structure of employment there is dominance of elementary occupations that are low-productive, pay low wages, and do not exploit human potential, and one fifth of Macedonian workers work at the level of elementary occupations. In the structure of employment and free (unfilled) jobs, the most occupied occupations are secondary occupations, which require workers with secondary (vocational) education. The highest growth rates of the number of employed persons (newly created jobs) have among the highly educated persons. However, the high growth of the offer of highly educated personnel (which slightly exceeds the demand growth) caused a slight increase in the unemployment of highly educated persons and an increase in the phenomenon of over-education. The transition from education to the labor market of young people is difficult, and on average it takes about 6 years. About 80% of unemployment is long-term (even among young

people), leaving unemployed people losing their knowledge and skills, their productivity decreases, and thus the chances of finding work. In this way, the investments made in their previous education are falling, and new, additional investments are needed in order to preserve and advance their knowledge. The activity of the able-bodied population is low as a result of the low activity of women and low-educated persons. Inactive women are disproportionately distributed among young women, women in rural areas and unskilled, with one of the most important reasons for female inactivity being the household responsibilities.

6. CONCLUSION

An efficient labor market that works well is an important part of the overall business environment. According to the Labor Market Performance Indicator (GIC), the labor market efficiency was assessed at 4.2, making Macedonia ranked 71th. Although there is some improvement, work efficiency needs to continue to improve. The ILO survey (2013) shows that firms generally consider that legislation on the labor market is relatively good, but certain aspects need to be significantly improved. As main areas, the ILO (2016) Enabling Environment for Sustainable Enterprises, where necessary improvements to the regulations state: termination of employment and dismissal of workers, days of annual leave, types of work contracts and employment. , for half of employers, the regulation on safety and protection at work presents a great financial burden. It is quite clear that the processes for advancing the legislation and its adjustment to the European legislation are positives ivni because improve standards and working conditions. But on the other hand, they represent a financial burden and time consuming large companies to respect the law.

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