

Declining youth unemployment in Macedonia: Different (macro) policies?

- Policy dialogue on “Jobs Wanted: Youth in Southeast Europe” –

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- Macedonian unemployment rate constantly declining since the onset of the crisis
 - About 36% in 2006
 - 28.8% at the end of Q2-2013
- Unemployment of youth follows this trend
 - About 60% in 2006
 - 51.7% at the end of Q2-2013
- Population changes
 - 3.5% decline of the population aged 15-24
- Are labor market trends in Macedonia different?
 - Any role for macro-policies?

- Strengthened public investment
 - Concentrated in one sector – construction; other sectors moderated or declined
 - Though, increasing subsidies in agriculture contributed significantly to youth unemployment reduction as it is the largest job provider for youth, 27% of total jobs provided
 - However, fiscal deficit may be prone to upward risks: think of cutting spending with lower multiplier more than spending with higher multiplier?
 - Debt with clear investment purpose, including debt generated to support micro-entrepreneurs, many of which are young

The role of macro-policies (cont'd)

- Lax policy mix
 - Prolonged macro-stability produces certainty in the macro-environment
 - This, along with the largely prudent fiscal policy and moderate foreign debt may exert a stabilizing role for the saving-investment decisions (of youth)
 - Though declining interest rates do not support credit increase as micro risks remain persistent
 - Lack of other capital to support ideas despite general campaign to support entrepreneurial spirit
- But:
 - Is the problem of youth unemployment in Macedonia really cyclical or rather structural?

The role of structural policies

- Bunch of active LMPs in place
 - E.g. Grant and loan schemes for starting a business; compulsory internships; variety of trainings; counseling for career etc.
 - The progress of their implementation recently assessed as satisfactory by ILO
- The constraints still in place:
 - High tax wedge (especially stemming from the side of social contributions, which are especially high for low-skilled jobs)
 - Skills mismatch – high cost to train individuals?
 - Still persistent wage rigidities?
- What could be further done?
 - Invest in quality education – may exert large multiplier (in the long-run)
 - Steer formal self-employment through tailoring the policies for minimum wage and the employment protection legislation
 - Strengthen active LMPs
- Still, a critique in the recent EU Report on Macedonia 2013 for the insufficiency and inefficiency of the Active LMPs

- On the positive side
 - Macro: As fiscal stimulus may be fading out due to deficit pressures, the effect of FDIs having established in the country may be emerging
 - Micro: Active LMPs – executed by the Ministry itself, or with the support of the international organizations – should stay and strengthen
- On the negative side
 - Brain drain remains the most alarming factor
 - Lack of entrepreneurial spirit, pro-activity, persistence among youth
 - Prevalence to get a job in the public sector (higher initial wages, but also element of 'secure job')
 - Low quality of the tertiary education and lack of concern for acquiring soft skills
 - Companies' apathy to invest in innovation and research and to hire highly-skilled individuals

Thank you!

- Questions and comments welcome!
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