
THE SOCIAL DIMENSION OF EUROPE AND SOCIAL POLICY IN MACEDONIA SOLIDARITY, MUTUALITY AND THE PURSUIT OF SOCIAL JUSTICE—GUIDING PRINCIPLES FOR A NEW SOCIAL AGENDA IN EUROPE

BORCE BEJKOVSKI

The European Union has a key role as a catalyst in change i.e. identifying the challenges and promoting solutions. We have much to learn from each other and Europe should provide more opportunities to share experiences, identify and share good practices, agree strategic targets and review progress.

There is no single European Social Model because each Member State has its own, specific traditions, institutions and practices. The ‘European Social Model’ should be strengthened, not weakened in the face of globalisation and the ageing of population. A European Social Model that has 20 million unemployed is not one which we should defend, but we must modernise our social models in a way that enables them to cope with today’s challenges and promotes our common values in a manner that is open, not closed to the outside world. However, the differences are underpinned by shared values—solidarity, mutuality and the pursuit of social justice—which are distinctive features of European civilization.

At the heart of these shared values lies the ambition to allow everyone to develop their true potential. High levels of employment and rewarding jobs are central factors in the realisation of this ambition. Jobs allow people to fulfil their potential while full employment allows everyone to share in rising prosperity.

A dynamic and competitive economy based on open markets, ensuring a high level of employment is the best form of social protection. The European Union must combine the economic strength of the Member States in a single open European market for the benefit of all. The Single Market allows us to trade freely with each other but should also secure a strong competitive position for European businesses in the rest of the world as well.

Economic and social objectives should mutually reinforce one another. The welfare state must enable people to make the transition from one job to another or from one stage of their career to another.

There are two major and urgent challenges the Europe has to face in the 21st century:

- Globalisation
- Demographic revolution

Firstly, let us see globalisation: Over the coming decades Europe will face increasing competition from the rapidly growing economies of China and Asia. The volume of world trade in goods gets doubled every decade with China's trade doubling every three years. Twenty years ago a mere 10 per cent of manufactured goods came from developing and emerging countries. By 2020 that figure will be 50 per cent. India's biotechnology sector will increase fivefold in just the next five years and China has trebled its spending on research and development in the last five. With 4 million graduates a year from Chinese and Indian universities—global competition means high skills and, value added goods too. 'By 2015, China is likely to have become the third largest economy in the world—contributing nearly one fifth of global output. In order to maintain and improve its growth, Europe will need to manage the resulting structural changes effectively, allowing workers to move to more productive and profitable sectors'.¹ China's current growth rate is 9.5% and India's is 7.3% as opposed to the EU's growth rate of 2.1%.

These global competitive pressures will accelerate many of the changes that have taken place in the economy and employment over recent decades, namely:

- Changes in the structure of industries and occupations;
- Changes in the nature of work, with an aging workforce and more people working flexible hours;
- Faster rates of job change for many people;
- More movement of people between jobs, industries and nations.

¹ John Hutton (14 February 2006), Minister's speeches reviving the European economic reform agenda.

Secondly, let us have a look at demographic revolution: Over the next 25 years working age population of the EU will fall by 7% while the population aged 65 and over will increase by 51%. This means that:

- the demands on the welfare state (particularly pensions and health care) will be greater than ever before and
- simultaneously, the number of people of working age who are able to provide the economic growth necessary to sustain the welfare state will be declining.

High levels of unemployment and inactivity already represent a direct threat to the sustainability of Europe's welfare state. Achieving a higher employment rate should therefore be the overriding priority.

There is a lot of ground to be made up. The EU employment rate is 63,3% compared with 71.2% in the USA and 68.7% in Japan. It has increased by only 0,5% since the Lisbon employment target of 70% was agreed 6 years ago.

The decline in the working age population means that Europe must rely increasingly on the skills of young people entering employment for the first time and on retaining the skills and experience of older workers. Several million more jobs could be generated within the EU through coordinated intelligent public investments, for example in human capital, and R & D, between Member States. However, the Union must accept that young people are becoming a rare and yet undervalued resource.

The fact is that young people are finding it hard to get integrated in the economy:

- The unemployment rate for under 25 was 17,9% in December 2004, compared to 7,7% for those aged 25 or over.
- Young people are sometimes exposed to discrimination on grounds of their age and lack of occupational experience, accentuated by other factors such as gender, social origin or race, all of which make it more difficult for them to integrate into economic life and society.
- The skills learnt at school are not always in line with the requirements of the knowledge society and the level of school failure is still a source of concern. In 2002, some 16,5% of the 18–24 year-olds left school with no qualifications. There are many reasons for this. Measures to support families and their school-age children associated with the modernisation of the teaching systems should reduce school failure rates.

The education system will have to face a significant challenge: it needs both to raise the level of initial training and to offer more flexible pathways in which, for example, young people would be more likely to alternate education at college, work and work-linked training, in order to meet the needs of the economy. They should also have greater access to the opportunities provided by distance learning.

Demographic ageing does not necessarily mean an automatic solution to the problems of unemployment and integration. The social partners, the school system, the public authorities and local actors will all have to reflect on how best to improve integration pathways and combat discrimination against young people.

European objectives have been laid down for the prevention of long-term youth unemployment, combating school drop-out and raising the level of initial training. The structural funds help to attain them at grass roots level.

Again, Europe is not starting from a strong position. The employment rate for older workers (those aged 55-64) is 41% in the EU compared with 59.9% in the USA and 63% in Japan. The unemployment rate for people under 25 is 17.9% in the EU compared with 11.8% in the USA and 9.5% in Japan.

More than ever, raising employment levels should be a priority. Having a job is the best route out of poverty and dependency. The welfare state should focus more on encouraging and enabling people to move from inactivity to employment, from social welfare to independence, while continuing to support those who cannot work. The aim should be full employment with adaptable and inclusive labour markets.

The quality of jobs and the working environment also make a significant contribution to keeping people at work by reducing the risk of occupational accidents and improving workers' health, in particular the health of the oldest workers. Anticipating these changes will help us manage the working life cycle a lot better. It will also be necessary to develop incentives to change people's behaviour with older workers and to combat discrimination.

In order to cope with the demographic changes Europe should pursue three essential priorities:

- return to demographic growth;
- ensure a balance between the generations;
- find new bridges between the stages of life.

We should foster not only full employment—but also quality employment. This means not only better health and safety conditions, worker consultation and employment rights across the EU, but also investing in research and innovation in order to facilitate job creation at the high end of the labour market. Our European social models should also address the ways in which social justice is delivered in today's changing society. Universality is at the centre of our approach, and for this reason, we must modernise social protection in order to provide it in today's world. The emergence of new disadvantaged groups in our societies—like single parent families and immigrants, including second and third generation immigrants—highlights the need to rethink our approach to social justice and assist these groups at labour market and also in societal integration. Public policies—in social protection, employment and education—should also be modernised in order to address new societal issues, for example, to ensure a smooth transition for divorcing families, a period in which many women and children fall into poverty, and to start integrating migrants as soon as they arrive in our countries (including the right to language training).

FOCUS ON MORE AND BETTER JOBS

Economic growth on its own does not increase employment. The right mix of employment and active labour market policies is crucial in increasing employment rates. Active labour policies are about getting people back in the labour force—they include policies such as lifelong learning, investing in skills and training and personal career coaching.

Member States which have invested in active labour policies see shorter periods of unemployment, vacancies are filled more rapidly, have higher and better targeted expenditure on training, and salaries are more responsive to market conditions. They have also seen an increase in more flexible working arrangements, such as part-time or fixed-term employment. Some 92 million people are inactive and 19 million unemployed in the EU. These inactive people, aged between 15 and 64 are neither working nor registered as unemployed. They are out of the labour market due to problems with education or training, not seeking work, family responsibilities or disabilities. Many of them simply cannot find jobs—inactivity rates are highest in areas with few jobs—and the EU average inactivity rate is 30% of the working age population.

'Jobs and growth must be Europe's top priority. It is a human tragedy and a terrible waste that 20 million Europeans are unemployed, which is the main cause of poverty in Europe'.²

If they are to work effectively markets, including labour markets, need to be able to respond to demand and competitive pressures allowing the necessary transfer of resources across firms, sectors and regions.

Sometimes this will be uncomfortable. Global competition means that some jobs—particularly in labour intensive, low value added sectors—are being lost as companies get restructured. The answer lies not in protecting those sectors and jobs but in encouraging and enabling businesses to improve their productivity and performance—i.e. to move up the value chain—and in providing support mechanisms that enable those affected by change to move on to new opportunities. Europe should be acting as a catalyst for change both by promoting R&D and innovation; by providing mechanisms of identifying and sharing good practice and by helping Member States to develop approaches that can assist the process of transition.

A vital element of improving European performance is to help businesses maximise the potential of their employees by encouraging a workplace culture that engages employee participation and commitment, encourages innovation and makes better use of the supply of skilled workers. This will undoubtedly lead to improved productivity and performance. Ways of working such as flatter structures, family friendly work practices, and better information sharing will help create more agile organisations with greater innovative capacity. These are goals best pursued by management working in partnership with employees and their representatives.

BALANCING EMPLOYMENT AND PROTECTION

As business and work have changed, the model of 'a full-time job for life' no longer applies. Protecting jobs through rigid employment regulation has been shown to be detrimental to employment. Europe should not focus on measures or systems that seek to protect individual jobs (or sectors) or erect barriers to competition. What we need to do is promote employability and create a business friendly investment climate that fosters job creation.

² David Blunkett, The work and pensions secretary, agenda for UK's presidency of EU with call for workplace reform.

Better regulation

Changes of this kind can and should be brought about intelligently through 'better regulation' so as not to stifle employment opportunities or workers' choice. Protection needs to be designed so as to minimise the risk that the security of those who are employed should be achieved at the expense of those who are unemployed, economically inactive and socially excluded. Legislation is not always the answer. At the European level, attempts to legislate across the different labour market traditions and structures of the Member States carry the greater risk of inflexibility.

Bringing more people into the workplace

We also need to break down barriers to work. A diverse, highly skilled and adaptable workforce is essential for a successful labour market and Europe's changing demographic profile needs more people of working age in employment over a longer working life.

Equality of opportunity is an essential principle of a modern Europe; unfair discrimination is not an option. Work must pay if we are to bring people into the workforce. Jobs must provide a better income and better long-term prospects than benefits. A modern economy should also offer flexibility and choice in ways of working so that people can successfully combine work and family life. Workers may want to work longer or shorter hours depending on their circumstances at different times in their lives; to take career breaks if necessary; to develop their potential and increase their skills; to change jobs; to work on short contracts as well as permanent jobs and to have different patterns of work. While these are not on the agenda of European legislation we can learn from each other before deciding which policies are effective in delivering results.

Mobility should be considered a natural way for workers of acquiring new skills, adapting themselves to an increasingly fluctuating labour market and obtaining better living and working conditions. It is also an important means of creating a genuine European labour market. It makes it possible for regions with specific needs to attract workers while, at the same time, reducing the overload in regions with excess skills, and therefore high levels of unemployment. Legal, administrative, and linguistic obstacles to the free movement of workers in the EU need to be tackled if we are to make mobility of labour an opportunity, not a threat.

If the EU is to promote increased levels of employment, improve the quality and benefits of work, bring more people into employment, and facilitate it for more people to stay on longer, labour market reform should be governed by the following guiding principles. It is imperative

- to promote the creation of more and better jobs in a dynamic and competitive economy with adaptable labour markets regulated according to ‘better regulation’ principles, balancing adaptability and security so as not to destroy jobs;
- to break down barriers to work promoting a diverse and highly skilled workforce underpinned by equality, opportunity and choice;
- to promote a culture of change in the labour market that can lead to an overall improvement for both business and workers—taking care that existing jobs should not be protected at the expense of those who are unemployed, economically inactive and socially excluded.

IMPLICATIONS FOR SKILLS AND LEARNING

Skills lie at the heart of the challenges Europe has to face. An inclusive society demands access to the skills and competences demanded by the modern economy. Together with innovation, enterprise, competition and investment, skills are among the key drivers of productivity and are central to European competitiveness. Higher skills are essential for an overall shift to a modern, knowledge-based and high value added economy. We urgently need to improve skills and increase the demand for skills in order to improve levels of employability and to match business needs. This can only be achieved with more emphasis on lifelong learning and not solely on the acquisition of knowledge at an early age. Europe has an important role in highlighting the impact of different approaches and sharing experiences and best practices so that Member States can develop policies most suited to their needs. Europe’s future agenda for skills and learning should be guided by the following principles:

- learning throughout life must be based on a sound education system open to all—the bedrock for social mobility;
- education and training policies should deliver skills needed by business but must also provide the means for people from all parts of society to fulfil their potential;
- expanding and developing the stock of skills requires more effective investment in people.

PRINCIPLES FOR A NEW CONSENSUS

We believe that by bringing together these key principles of welfare reform, labour market and skills, we can offer a sound basis for building a new European consensus on how to meet the challenges of globalisation and demographic change. The main steps are the following:

- to promote active inclusion, not passive welfare: the national welfare state should be a ladder of opportunity not a safety net;
- to ensure that people are enabled to respond to economic change and to benefit from it;
- to ensure that rights are balanced by responsibilities and that there is solidarity between the generations: The respect of society for the individual must be matched by the respect of the individual for society;
- to promote the creation of more and better jobs through a dynamic and competitive economy with adaptable labour markets regulated according to ‘better regulation’ principles and balancing flexibility and security so as not to destroy jobs;
- to break down barriers to work promoting a diverse and highly skilled workforce underpinned by equality, opportunity and choice.
- to promote a culture of change in the labour market leading to overall improvement for both business and workers—taking care that the existing jobs should not be protected at the expense of the unemployed, the economically inactive and the socially excluded;
- learning throughout life must be based on a sound education system open to all—the bedrock for social mobility.
- education and training policies must deliver skills needed by business but must also provide a means for people from all parts of society to fulfil their potential;
- expanding and developing the stock of skills requires more effective investment in people.

In February 2005, the European Commission proposed to revive the Lisbon Strategy and refocus efforts around two principal tasks:

- to deliver stronger, lasting growth and
- to create more and better jobs.

The redesigning of the Lisbon Strategy aims to give a new impetus to the European economy and pursue wide-ranging social and environmental policy objectives. A key element of the new Lisbon agenda is the complete overhaul of its governance mechanism making a clear distinction between responsibilities and actions at national and Community levels and improving the consistency of tasks and responsibilities. Another focus is now on enhancing the bilateral dialogue between the European Commission and the member states on a binding National Reform Programme. This dialogue is embedded in the existing Treaty-based economic policies and employment guidelines. In June 2005 the European Council adopted the Integrated Guidelines for Growth and Jobs for 2005-2008, which serve as a basis for the member states' National Programmes for Growth and Jobs. The design and implementation of the macroeconomic, micro-economic and employment policies is up to the member states as described in their National Reform Programmes (NRPs).

LABOUR MARKET AND EMPLOYMENT/UNEMPLOYMENT IN MACEDONIA

The changes within the total population, working-age population and active population (labour force) of the Republic of Macedonia have varied both in volume and intensity in the last two decades. The changes have been influenced not only by demographic factors (the natural and migratory movement of the population), but by socio-economic factors as well. The huge disproportion observed in the movements of the working-age and the active contingent whose sizes often mutually correspond signals a decrease in the demographic reproduction of the labour force and also a decrease in the growth of the active population. The changes could be explained with the loss of a part of the labour force induced by intensive migratory movements to go abroad, an increase in the number of retired persons (for different reasons, primarily their premature exclusion from the labour during the transition process), as well as changes in the occupation structure affecting a part of the active persons (primarily moving from agriculture into non-agrarian professions).

Concerning the issues of employment, the Republic of Macedonia is singled out by the very high unemployment rate it has had for several decades now as compared with other countries in South East Europe. The Republic of Macedonia entered the transition period with more than 150 thousand unemployed persons and with

an equal number of over-employed persons because of the administrative, but unproductive employment practiced in the previous period.

In the pre-transition period the Republic of Macedonia had a tendency of continuous growth in the field of employment. The largest number of employed persons was registered in 1989 (about 516,500 persons), and then the tendency of continuous decrease began. Under the influence of the problems inherent in the transition processes, as well as other limiting factors (economic crisis, refugee crises, warlike situations) the second part of the nineties brought accelerated decrease in employment. In 2002 the number of employed persons registered decreased to less than 300 thousand. The administrative data provided by the National Statistical Office do not show the overall situation of employment in the country. For example, according to the Payment Office, the number of persons earning salaries in 2001 amounted to 420 thousand.

At the same time, the informal sector began to spread more intensively, together with the number of employed persons in this sector. The expansion of the 'Grey' economy to unseen proportion served as a 'security valve' in mitigating social tensions. In those circumstances it was a hopeless endeavor to assess the size of the formal and informal sectors. Several attempts were made to assess the size of the informal sector. The results of such research projects were characterized by very large deviations in the approximated numbers of employed persons.

In the new situation the surveys started in 1996 were expected to bring a solution. The Labour Force Survey data, which encompass the informal sector and the economically active population in agriculture, show that between 1996 and 2002 the number of employed persons amounted to 537 and 561 thousand. In 2002, about 133 thousand active peasants were included in the number of employed persons, 65 thousand of whom were non-paid family workers.

The length of unemployment shows unfavourable trends that are manifest in a high absolute and relative increase in the number of persons unemployed for a longer period of time. 'On the basis of data related to registered unemployment in 1997, the share of persons seeking job for less than a year was only 6.0%. The share of persons unemployed between one and three years was 27.8% and those unemployed over three years represented two thirds of all unemployed persons (66.2%). The share of persons seeking job for longer than eight years is terrifying (27.7%). The Labour Force Survey also confirms the longevity of the unemployment'.³ The causes

for long-lasting unemployment and its terrifying volume should be primarily sought in insufficient economic development, the stagnating and even negative economic growth, the discontinued development trends significantly emphasised by the period of transition from one socio-economic system into another. Besides, employment is also influenced by other limiting factors, such as foreign debt, the problems of structural transformation and structural harmonisation, stabilisation etc.

Long-lasting unemployment represents a huge loss for the nation, not only as a waste of human capital, but also as a loss of the most vital part of the population, on whose generic forces, today and in the future, the development of the country should be based. The example of the Republic of Macedonia confirms that 'the enormous loss of the human resources is a sign of large inefficiency of the economic system and is provoking a deep crisis in the social sphere' (OECD, 1994, p. 9.). Unemployment is one of the basic causes of the large poverty increase. According to the latest data, about 25% of the total population in the country is poor. In spite of this, until now there has not been an employment-oriented strategy in the Republic of Macedonia developed with a coordinated and integrated approach that the factors in the institutional and macroeconomic framework could include both in their employment and labour-market policy interventions. Macedonia has also failed to develop a consistent employment policy as a cross-sectoral policy that includes all policy fields affecting directly or indirectly the employment of labour as a factor of production. So far only partial and short-term employment-related measures have been used, restricted to some policy fields.

As far as sectoral policy is concerned, there is no regional, industrial and agricultural policy. The regulative and macro-economic levels of economic policy have included some employment and labour market related measures in the financial policy (taxes, contributions, subsidies), in the monetary policy (maintaining monetary stability) and in the wage policy (using the minimum wage as an instrument of social policy). The experiences gained with reducing employment contributions in the case of new jobs in 1998 can be considered quite positive. It did have positive effects on employment, because quite a large number of unemployed persons could get jobs in this way. As a prerequisite for the economic development of the country, efforts were made to improve foreign-trade policy.

³ Based on those data, in 2001 the share of the persons seeking job for up to one year was 13.1 per cent and those unemployed over three years was 64.8%.

Several free trade agreements were signed, and the Republic of Macedonia became a member of the World Trade Organization in October 2002.

‘There is a promotion policy for small and medium-sized enterprises and a social policy. During the transition period, in the circumstances of growing unemployment, social policy focused on protecting social peace in the country. As far as education/training policy is concerned our government has adopted a strategy for the period up to 2010. It is important to point out that serious reforms have already started at all levels of education. Also, several training and retraining programs are going on, together with the education of older persons. But, the measures that have been undertaken so far in some particular fields of employment policy, have not produced significant results in relieving this very difficult problem because of the lack of a coordinated approach’.⁴

One of the ‘individual’ ways of solving problems related to unemployment and low standards of living is emigration from the country. Macedonia has strong traditions of migration, especially to the USA, Australia, Germany, Switzerland, Italy, etc. Emigration flows were also very strong in the last decade, in spite of unfavourable conditions. Visa requirements represent the biggest obstacle because Macedonian citizens are allowed to enter very few countries in the world without a visa. Unemployed persons face big problems in getting visas even for tourism, but the migration potential is really huge. Brain-drain is one of the biggest problems of the country, linked with loss of investment in human capital and creative work force. Macedonia does not have a migration policy, which would be an essential precondition for economic reforms. Politicians are aware of the brain-drain but without consistent policy and measures the situation cannot be improved.

⁴ For example, when there is no development policy, especially industrial and agricultural policy, also when the output is diminishing, the expected positive influence of the concluded free trade agreements and membership in the World Trade Organization will fail to materialise.

SOCIAL POLICY

Labour market changes, especially the high rate of unemployment provoked changes in the social system meant to provide social security for the citizens. The Republic of Macedonia started to build a new model of social protection in 1990's and the Act on Social Security was passed in 1997. According to the law, there are several types of social assistance:

- Regular financial assistance for persons unable to work, single parents and people over 65 without income;
- Financial assistance for the disabled and handicapped persons;
- One-time financial assistance for people who suffered from some disaster, need medical treatment, etc;
- Health protection according to different social policy criteria;
- Housing according to different social policy criteria;
- Social financial aid for the unemployed (who belong to the pool of active population), people with insufficient income for household, etc.

All of them are financed by the state (4.7% of the budget in 2002), and biggest 'social' burden in the state budget are expenses of social welfare. The number of beneficiaries is constantly increasing. The highest number of beneficiaries are the unemployed (81%) aged between 30 and 40 (37%) or up to thirty (27%), and the low skilled (60%).

The overall situation of the labour market, expressed in the high number of people who have lost their jobs, calls for some kind of a mechanism to alleviate the situation. In 1997, the Act on employment and insurance in case of unemployment was passed. It regulates the rights of both the employed and unemployed persons. According to the law, people who lost their jobs have right to regular financial aid of up to 50% of their salary (average received in the last 12 months) in the first year and 40% from the second year on. Beneficiaries can receive this aid for a period of 3 to 18 months, depending on work experience. Beneficiaries over 55 and with more than 25 years of work experience, can receive assistance till the next employment or retirement. All the beneficiaries also have right on health protection and social & pension insurance. The number of beneficiaries tends to increase.

Table 1. Number of beneficiaries of financial assistance for loss of job

	2000	2001	2002
Number of beneficiaries of financial assistance	34.002	41.375	46.772
Total number of unemployed	366.211	360.340	374.113

Today the Republic of Macedonia is considered a country with a medium developed industry, and continuing growth of industrial production. The most important sectors are agriculture and industry.

The Macedonian economy has recently made a sluggish recovery, though the extent of unemployment, the grey market, corruption and a relatively ineffective legal system hinder growth and cause significant problems. The official unemployment rate is 38% (2005). The active population totals 877,798 people, 318,096 of them unemployed. However, many of the employed go unreported, therefore it is more realistic to estimate unemployment rate around 25 percent.

Regarding the European Union's regulation concerning labour and social relations, the EU document on the basic social rights is of special interest for Macedonia together with about twenty directives. The harmonization of our laws and regulations with other directives of the Europe Union in this area is still to be done.

REFERENCES

- Craig, G. (2003). *Globalisation, migration and social development*. University of Hull, UK.
- Rasmussen, P. N. (2005). *A new Social Europe*. Conference speech.
- Hutton, J. (2006). *Reviving European economic reform agenda*. The Foreign Policy Centre.
- Karlsson, H. (2005). *A secure Europe is a growing Europe*. Minister for Employment of Sweden.
- Monks, J. (2005). *What is the European Social Model and where is it going?* General Secretary of the European Trade Union Confederation (ETUC).
- Mojsovska, S. (2002). *EU Enlargement and its impact on the Social Policy and Labour Markets of accession and non-accession countries*. Euro-Balkan Institute Republic of Macedonia.