



Thematic
analysis/diagnosis:
Labor market

Executive Summary

The future development of the Macedonian labor market should take place in the direction of additional reduction of unemployment by creating high-quality and highly productive jobs. This way, the performance of the labor force in the companies would increase, which, in turn, would lead to a higher level of economic growth. Given that the development goals of the Republic of North Macedonia are focused on its prospects for membership in the European Union, it is clear that the restructuring of the economy towards jobs with higher added value is a prerequisite for meeting the development agenda. However, the Macedonian labor market faces a number of challenges that require appropriate treatment in the coming period such as: Low labor productivity, demand mismatch with skills supply, informal sector employment, long-term unemployment and erosion of human capital, emigration and "brain drain", social exclusion and vulnerable categories.

In the past period, a number of strategic documents have been prepared in relation to the functioning of the labor market. In this context, a pivotal role is played by the National Employment Strategy 2021-2027, which aims to address the short-term consequences of the Covid-19 pandemic on the labor market, as well as the structural challenges affecting employment growth. Other strategic documents in this area are: the National Program for Dignified Work 2019-2022, Operational Plan for active programs and measures for employment and labor market services, Plan for implementation of the Youth Guarantee 2020-2022, Action Plan for employment of young people 2016-2020, Strategy for safety and health at work 2021-2025, Action plan for safety and health at work 2021-2023, Strategy for formalization of the informal economy 2018-2022, Strategy for promotion and development of volunteering 2021-2025, Action plan for implementation of the Strategy for promotion and development of volunteering, National Strategy for Development of Social Enterprises 2021-2027, Action Plan for implementation of the National Strategy for Development of Social Enterprises 2021-2023.

The labor market legislation in the Republic of North Macedonia is largely complete and follows the international labor standards. The normative framework consists of several laws, the most important of which are the Law on employment and insurance in case of unemployment and the Labor Law, which regulate the relations between the key social partners. In addition to these, it is necessary to mention other laws such as: Law on labor inspection, Law on labor records, Law on employment of disabled persons, Law on temporary employment agencies, Law on private employment agencies, Law on internship, Law on volunteering, Law on occupational safety and health, Law on payment of wages, Law on minimum wage, Law on peaceful settlement of labor disputes, Law on protection from harassment at work, Law on prohibition of and prevention from performing unregistered activity and the Law on youth allowance.

The labor market stakeholders are the representatives of workers, employers and relevant government institutions that are competent in the field of labor market. The system of collective bargaining and concluding collective agreements in the Republic of North Macedonia aims to build labor-legal relations through social dialogue. However, in many economic sectors, membership in

the relevant organizations is low, thus the ability is limited to address the issues of working conditions and corporate needs through collective bargaining and other forms of social dialogue.

Key indicators for the labor market are the rates of activity, employment and unemployment, which give a basic idea about the utilization of labor resources in the Macedonian economy. In addition to these indicators, valuable insights are obtained through the analysis of the structure of the working population, the structure of the employed, the structure of the unemployed, the structure of the inactive population and the structure of earnings. The analysis of labor demand is monitored through the vacancy rate, while the level of salaries is monitored through data on the average paid gross and net salaries. Considering the fact that labor productivity is a key factor for future development, it is necessary to monitor the indicators that indicate the efficiency and effectiveness in the use of labor resources.

Obtaining labor market indicators can only be achieved if there are adequate sources of high-quality data. Most of the data on the labor market are obtained from surveys conducted by the State Statistical Office such as: Labor Force Survey, Vacancy Survey, Labor Market Skills Survey, Adult Education Survey persons, Employee earnings structure survey, Labor cost survey and Income and living conditions survey. The State Statistical Office also provides data on the average monthly gross and net salary paid per employee. No less valuable are the administrative data obtained from the Employment Agency of the Republic of North Macedonia regarding the registered unemployed and other records. In addition, for certain purposes in the labor market analysis, data on business entities from the system of national accounts can be used.

The analyses conducted so far indicate the fact that in the Republic of North Macedonia there is a lack of additional indicators for the efficiency of the use of labor resources that could provide useful guidance for improving the functioning of the labor market. The following indicators should be mentioned here: Unemployment rate as full-time equivalent, rate of lost working hours, rate of lost human capital and indicators of skills mismatches. Furthermore, there is a need for appropriate adjustment of the employment indicators in the informal sector in order to get the right picture of its absorption capacity.

Given its specific nature, the thematic area of the labor market has points of contact with multiple other areas such as: Social inclusion, good governance, digitalization and innovation, and the gender perspective. In this regard, it is necessary to properly synchronize the objectives and to establish an integral approach in creating development scenarios that would take into account the interactions with the mentioned thematic areas. Moreover, the creation of the development strategy follows the democratic principles through the involvement of the civil society sector and a wide range of relevant stakeholders, which gives greater legitimacy to the set strategic goals.