



# **LOCAL EMPLOYMENT PARTNERSHIP IN THE FORMER YUGOSLAV REPUBLIC OF MACEDONIA**

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## Foreword

This analysis is part of a larger project to support RCC in managing the mutual learning activities among Western Balkan economies under the Employment and Social Affairs Platform (ESAP). ESAP is a regional project financed by the European Commission and jointly implemented by RCC and ILO in Albania, Bosnia and Herzegovina, Kosovo\*<sup>1</sup>, Montenegro, Serbia and the Former Yugoslav Republic of Macedonia. The project, which began its implementation in 2016 and lasts for 3 years, aims to strengthen regional cooperation and institutional capacities of national administrations, employers' and workers' organizations, enabling them to develop and effectively implement labour market and social policy reforms in their EU enlargement process.

The issue in focus of this particular peer review is the evaluation of local employment partnerships (LEPs), by selecting 2 successful local employment partnerships in Bosnia and Herzegovina. As a result of the assignment, a national report for Bosnia and Herzegovina and 5 short reports are prepared for the other Western Balkan economies. Based on these national and regional analyses, a peer visit will be organized in Bosnia and Herzegovina whereupon officials from the Western Balkans will visit the selected municipalities and exchange views and experiences with the selected partnerships in Bosnia and Herzegovina. The aim of this research is to develop a standardized format for LEP reporting and analyses. It should not solely include the final status of outputs and immediate objectives, but also portray the factors contributing to or hindrances that affect the achievement of results. Furthermore, the aim is to illustrate how the intervention was managed, identify what could have been done differently and what methods or strategies can be replicated in other technical cooperation activities. Following the reports, an inclusive process of consultation among stakeholders, implementing partners and constituents should take place.

The purpose of this activity is to peer review different dimensions of LEP functioning (design, process and results). It addresses the policy performance of selected LEPs in a systematic and objective manner in terms of relevance, effectiveness, efficiency and strategic approach. The evaluation assesses the relevance of the approach, and is based on the following goals:

- to analyse the approach as well as to identify the extent to which the LEP has defined and approached its planned objectives,
- to identify the extent to which its strategy has proved efficient and effective,
- to identify the extent to which an anticipated long-term impact and sustainability can be expected, and
- to identify and document substantive lessons and good practices.

The peer review of different practices should be used as a knowledge base for developing future LEPs in Bosnia and Herzegovina, and in turn the Western Balkans region. A thematic evaluation of the Local Employment Partnerships as structural policy instruments

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<sup>1</sup> \* This designation is without prejudice to positions on status, and is in line with UNSCR 1244/1999 and the ICJ Opinion on the Kosovo declaration of independence.

is planned. The following elements and topics will be the consultants' focus throughout the research.

## **Summary**

The unemployment rate in the Former Yugoslav Republic of Macedonia recorded long time lowest value of 21.60% in the first quarter of 2018. The number of unemployed persons amounted to 206.700 and the number of employed 749.900.

The Former Yugoslav Republic of Macedonia does not have a specific legal framework that governs the establishment and functioning of tripartite dialogue at the local level, including the Local Economic and Social Councils (LESC). National Economic and Social Councils (ESC) are regulated, but without direct correlation with local ones, including structure and functioning of the LESAC. The Municipal Councils are establishing LESAC by their own decisions.

It is difficult to estimate the number of functioning LESACs at the moment, as ILO claims that there are 6 functional LESAC (Resen, Veles, Sveti Nikole, Struga, Kichevo and Radovish), while some EU documents refer to 15 LESACs established (some of mentioned municipalities are: Bitola, Tetovo, Gostivar, Gazi Baba, Kavadarci, Kumanovo, Strumica, Stip, and the city of Skopje).

LESACs provide adherence to the principle of tripartiteness and adequate representation of the social partners, so as to provide for the equality of all participants in the social dialogue. Kavadarci and Kumanovo can serve as examples:

- three members were from the local self-government and the Municipal Council,
- three from the Business Confederation of the Former Yugoslav Republic of Macedonia (or local representatives of the Organization of Employers) and
- three representatives of the trade unions.

In accordance with the agreement on LESAC establishment, the funds for the operation of the LESAC are provided by the members, in accordance with their abilities, and based on mutual agreement. In practice, funding for the operation of the LESAC is very often provided through donations by foreign institutions or governments.

LESAC does not implement projects, so its role is focused on policy development, monitoring and evaluation. However, there is no evidence that existing LESAC are conducting regular monitoring nor reporting on implemented policies. Evaluation activities are mostly donor driven, and implemented by external consultants.

## Introduction

The unemployment rate in the Former Yugoslav Republic of Macedonia recorded long time lowest value of 21.6% in the first quarter of 2018<sup>2</sup>. The number of unemployed persons amounted to 206.700 and the number of employed rose to 749.900. Labour force participation rate increased incrementally to 56.9%. The Former Yugoslav Republic of Macedonia is one of countries with highest youth unemployment rates. In 2017, the estimated youth unemployment rate in the Former Yugoslav Republic of Macedonia was 46.87%.

Graph: Unemployment in the Former Yugoslav Republic of Macedonia



Table: Key Labor Market Indicators

	Last	Unit
Unemployment Rate	21.60	percent
Employed Persons	749,892	
Unemployed Persons	206,748	
Wages	35,983	MKD/Month
Population	2.08	Million
Wage Growth	1	percent
Labor Force Participation Rate	56.90	percent
Long Term Unemployment Rate	15.30	percent
Minimum Wages	231.40	EUR/Month
Employment Rate	44.60	percent

<sup>2</sup> <https://tradingeconomics.com/>

For a long time, the Government of the Former Yugoslav Republic of Macedonia has been proactive in conducting economic reforms. According to the Doing Business Report 2018, the Former Yugoslav Republic of Macedonia has carried out the second highest number of reforms among the top 20<sup>3</sup>.

## **Organizational Structure**

### **Legal Status**

The Former Yugoslav Republic of Macedonia does not have a specific legal framework that governs the establishment and functioning of tripartite dialogue at the local level, including the Local Economic and Social Councils (LESC). National Economic and Social Councils (ESC) are regulated, but without direct correlation with local ones, including structure and functioning of the LESCE.

Municipal Councils establish LESCE by their decisions. The Mayor of the municipality signs the Agreement on LESCE establishment on behalf of the Municipality. The decisions on the establishment of LESCEs define their status as advisory and consultative bodies of the municipality that discusses matters, issues, opinions, proposals, and recommendations to the Municipal Council and other bodies, on issues in the economic and social sphere. The municipality itself seeks to consult the representatives of the social partners at the local level, via the LESCE.

The first LESCE in the Former Yugoslav Republic of Macedonia has been established in 2010 in the municipalities Kavadarci and Kumanovo. It is difficult to estimate the number of functional LESCE at the moment, as ILO claims that there are 6 functional LESCE<sup>4</sup> (Resen, Veles, Sveti Nikole, Struga, Kichevo and Radovish), while in EU documents, it is mentioned that 15 LESCEs are established<sup>5</sup> (some of mentioned municipalities are: Bitola, Tetovo, Gostivar, Gazi Baba, Kavadarci, Kumanovo, Strumica, Stip, and the city of Skopje). Interestingly, ILO and EU locations are not overlapping, so probably their count is related to LESCE supported from their side. Unclear numbers point to the lack of full national leadership within these processes.

An additional dilemma relates to the association between LESCE functions and its relationship to Local Employment Partnership (LEP) role in the local development system. The answer can be given through explanation of the United States Agency for International Development (USAID) funded project "Youth Employability Skills Network" (YES

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<sup>3</sup> World Bank. Doing Business Report 2018, page 3. Available at: <http://espanol.doingbusiness.org/~media/WBG/DoingBusiness/Documents/Annual-Reports/English/DB2018-Full-Report.pdf>

<sup>4</sup> ILO. Decent Work Country Programme of The Former Yugoslav Republic of Macedonia 2015-2018. Available at: [http://www.ilo.org/wcmsp5/groups/public/---ed\\_mas/---program/documents/genericdocument/wcms\\_562107.pdf](http://www.ilo.org/wcmsp5/groups/public/---ed_mas/---program/documents/genericdocument/wcms_562107.pdf); Resen, Veles, Sveti Nikole, Struga, Kichevo and Radovish

<sup>5</sup> COMMISSION IMPLEMENTING DECISION of 29.11.2017 adopting an Annual Action Programme for the former Yugoslav Republic of Macedonia for the year 2017, available at [https://ec.europa.eu/neighbourhood-enlargement/sites/near/files/ipa\\_2017\\_040200\\_040202\\_annual\\_action\\_programme\\_for\\_the\\_former\\_yugoslav\\_republic\\_of\\_macedonia.pdf](https://ec.europa.eu/neighbourhood-enlargement/sites/near/files/ipa_2017_040200_040202_annual_action_programme_for_the_former_yugoslav_republic_of_macedonia.pdf)

Network), which aimed at helping young people acquire relevant skills that would facilitate their transition to the labour market. That would be the typical role of LEP within local labour market. YES Network project started to implement activities aimed at building the public-private dialogue by establishing the LESC. Within the framework of the support provided by this project, six LESC have been established (Strumica, Stip, Bitola, Tetovo, Gostivar and the City of Skopje) with a functional role of LEP in adjusting supply and demand on the labour market.

Clearly, LESC role is to establish, promote, and develop the dialogue at the local level between the public and the private sector, in particular between the education system and the system providing support for employment, on one side, and the employers on the other.

Furthermore, the agreements establishing the LESC provide that they should also review the drafts, proposed decisions and other acts within the scope of competencies of the municipal council that are of relevance for the economic and social interests of the workers and employers, employment, labour market demand, and skills developed among the youth, prior to their deliberation within the municipal council, and to issue opinions on them.

### **Membership**

LESC provide adherence to the principle of tripartiteness and adequate representation of the social partners, so as to provide for the equality of all participants in the social dialogue. Still, although the structure is broadly defined, the total number of members is not. As a typical examples of LESC, the municipalities of Kavadarci and Kumanovo have a total of 9 members, of whom:

- three members are from the local self-government and the municipal council,
- three from the business confederation (or organization of employers in Kumanovo) and
- three representatives of the trade unions.

Taking into account the fact that there are no strict rules governing this matter, practice varies from one municipality to the other. Members are typically people who are employed in the municipal administration (usually department for development), while some of the municipalities (Kavadarci, Gazi Baba) have nominated their Mayors as their representatives in the LESC, as well as representatives of the Municipal Council (councillors, and in some cases the president of the municipal council – e.g. in Gazi Baba).

## **Strategic approach**

### **Goals and priority areas**

To address the high unemployment, low labour activity and weak capacities of the companies to create sustainable jobs, the country has introduced a comprehensive policy framework, including a National Employment Plan and Youth Employment Action Plan, Action Plan for addressing informal economy, a National Strategy for Vocational Education and Training in the context of Lifelong Learning, a National Framework on Qualifications, Skills and Competencies in the context of Labour Market Needs, a National Strategy on Innovations, a

National Strategy on Poverty Alleviation and Social Inclusion. The National Employment Action Plan (NEAP) is one of the instruments to maintain stability in the labour market and to ensure qualification acquisition and up-skilling for the labour force, as well as the employment of the disadvantaged groups in the labour market<sup>6</sup>. The activities set forth in the Plan help the implementation of the goals and commitments assumed by the state in compliance with the “Europe 2020” EU Strategy and the country-specific recommendations of the EU Council.

As earlier explained, LESC are established as policy/advisory bodies in order to identify local needs and to support policy creation in line with local and national priorities. Some of the LESC have developed Local Employment Action Plans (LEAP), which are then adopted by the municipality, and, in a way enable the LESC to influence the development of the local employment policies. One of them is the municipality of Bitola that has been supported by USAID to develop a local employment action plan. Priority areas are:

- Improvement of socio-economic situation (job creation, assessment of realistic needs of citizens, improvement of workers position);
- Social inclusion of vulnerable groups;
- Cooperation between public, private and educational sector (defining needs of the labour market, improvement of curriculums);
- Increasing LESC visibility (capacity building of LESC members, media campaigning).

Still, according to available documents LESC lack a clear vision of future development<sup>7</sup>.

## **Financing**

In accordance with the Agreement on LESC establishment, the funds for operation of the LESC are to be provided by the members, in accordance with their abilities, and based on mutual agreement. Furthermore, the funding for the operation of the LESC may also be provided through donations, contributions, sponsorships by national and foreign legal and natural persons, and from other sources.

From the very beginning, when the USAID Project “YES Network” started to discuss the establishment of LESC in partner municipalities, one of the key issues raised by representatives of the municipalities concerned the budget provision for the operation of the LESC. Project participants had an opportunity to finance their activities through the project. For the purposes of strengthening the capacities of the LESC members, so as to enable them to engage in an efficient and effective dialogue with the local authorities, a number of trainings have been provided to them, including introductory trainings on strategic planning, training in leadership skills, decision making and conflict resolution, and there are plans to provide trainings on accessing the EU funds, that might be used as a future funding opportunity.

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[https://www.mlsp.government.bg/ckfinder/userfiles/files/politiki/zaetost/nacionalni%20planove%20za%20deistvie%20po%20zaetostta/NEAP\\_2016.pdf](https://www.mlsp.government.bg/ckfinder/userfiles/files/politiki/zaetost/nacionalni%20planove%20za%20deistvie%20po%20zaetostta/NEAP_2016.pdf)

<sup>7</sup> Fair Wear Foundation (2017). Country Study. <https://www.fairwear.org/wp-content/uploads/2017/12/Macedonia-Country-Study-2017.pdf>



Contacts with some LESC, and desk research proved that none of the LESC has its own budget to finance its operation and implement its activities.

### **Implementation Mechanism**

The manner of operation and decision making of the LESC in the Former Yugoslav Republic of Macedonia is laid down by the agreement on LESC establishment, as well as by the rulebook of the LESC. The agreement, and the rulebook in particular, contain sufficiently precise and clearly defined provisions on the manner of operation of the LESC, as well as on its decision making process.

LESC discharges its duties by holding sessions, through the operation of the working bodies established by the LESC, by contracting external experts, and through the individual activities of the LESC's members. The sessions of the LESC are public and are convened and chaired by the President of the LESC.

### **Monitoring and Evaluation**

Having in mind its policy role, LESC is expected to conduct the following monitoring and evaluation tasks:

- the impact of proposed or implemented economic policy and its measures
- the impact of the social policy on the economic stability and development

In particular, monitoring and evaluation are focused on local policies' impact on economic and social stability, development and the living standard in the municipality, including employment issues.

LESC does not implement projects, so its role is focused on policy development, monitoring and evaluation. There is no evidence that existing LESC conduct regular monitoring or reporting on implemented policies. Evaluation activities are mostly donor driven, and implemented by external consultants.

### **Conclusions**

In formal and legal terms, there is no solid base and clear rules and procedures in place for the smooth operation of the LESC, so it is not surprisingly that the utilization of possibility to establish LESC is very limited.

As a good practice, the fact that LESC is directly related to tripartite social dialogue might be used, so all rules used to regulate this area are replicated on the local level through LESC. ESC regulations together with ILO Conventions ratified by the Government of the Former Yugoslav Republic of Macedonia (ILO Convention no. 87 concerning the freedom of association and protection of the right to organize, ILO Convention no. 98 concerning the right to organize and bargain collectively, ILO Convention no. 144 concerning tripartite consultations, ILO Recommendation no. 152 concerning the international labour standards)

constitute the legal grounds and expert guidance for the establishment and operation of LESC.

The introduction of the possibility for establishment of LESC in the existing legislation could be a stimulus for their further development. The establishment of the legal framework for tripartite dialogue at the local level could stimulate the extension of the scope of existence of the LESC and encourage the mayors to take initiatives to establish LESC within their municipalities and utilize them purposefully.

Securing financial support to the functioning of the LESC remains the biggest challenge. The practice indicates that none of the LESC has its own budget to finance its operation and implement its activities. It seems that there is no willingness, or possibility in scarce municipal budgets to provide the necessary funding. Thus far, all expenses relating to the operation of the LESC, concerning primarily the organization and holding of LESC sessions, delivery of invitations, printing of materials, etc. have been covered by the municipality. Very often, the creation of a technical secretariat is mentioned, which would be in the function of the ESC and the LESC and would support their activities. Donors and international organizations, such as USAID or ILO have had an important role in establishing, equipping and providing expert support to LESC, which at the end questions their sustainability.

At the end, one can conclude that tripartite LESC is directly related to the social dialogue at the local level, that is only modestly developed. Six (or more) LESC have been established, but they all lack clear vision on the direction of their future development<sup>8</sup>.

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<sup>8</sup> ILO. Decent Work Country Programme of The Former Yugoslav Republic of Macedonia 2015-2018. Available at: [http://www.ilo.org/wcmsp5/groups/public/---ed\\_mas/---program/documents/genericdocument/wcms\\_562107.pdf](http://www.ilo.org/wcmsp5/groups/public/---ed_mas/---program/documents/genericdocument/wcms_562107.pdf)

## **List of abbreviations**

**EU** – European Union

**ILO** – International Labour Organization

**LEP** – Local Employment Pact

**LESC** – Local Economic and Social Council

**ESC** – Economic and Social Council

**ORM** – Organization of Employers

**USAID** – United States Agency for International Development