

# Country Evaluation Report

## The Former Yugoslav Republic of Macedonia

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The Western Balkan Benchlearning (WB-BL) external assessment of Employment Service Agency in The Former Yugoslav Republic of Macedonia (ESARM), took place on the 4-6 December 2017. The team of seven external assessors comprised of three peer PES staff (Bosnian and Montenegro PES), two PES experts from RCC and two national experts (country experts from BiH and the Former Yugoslav Republic of Macedonia). The programme of the 2.5-day visit included meetings in ESARM Head Office with senior management/Directorates and a visit to a local PES office in Stip located 100KM to the south of Skopje.

A pre-visit country profile document was prepared by country expert and, together with other background materials on ESARM, was shared and reviewed by the team of external assessors prior to the visit. Much of the material prepared for the visit was supplied by ESARM and their webpage. They also provided their own filled self-assessment form prior to the visit. This was all extremely helpful, and the time and resources invested in the preparation were regarded by the team as a key support to the success of the WB-BL external assessment process.

The aim of this report is to provide a detailed information on ESARM based on their annual reports, performance indicators and evaluations based on the results of the Western Balkan Benchlearning (WB-BL) of ESARM (conducted on 4-6 December 2018), together with the post-site-visit discussion with the PES (conducted on 2 February 2018). It should be highlighted that, based on the impression that the evaluators got during the visit, one can say that the ESARM is functioning independently, without any political pressure.

## 1. INTRODUCTION

The institution responsible, among other activities, for the implementation of the Operational plan for active programs and measures for employment and labour market services, is the Employment Service Agency (ESARM). Partners in implementing plans are the Ministry of Labour and Social Policy, Ministry of Information Society and Administration, Centre for vocational education and training, educational institutions, centres for social work, centres certificated for IT training, UNDP, World Bank and business confederation.

The public employment service is a public agency supervised by the Ministry of Labour and Social Policy. A tripartite Management Board (including delegates from the state, employer, and employee organizations) is involved in designing policies and programs and in decision-making about budget allocations and budget shifts.

The Employment Service Agency is the key intermediary between the supply and demand of labour force, affecting the promotion of the labour market functioning. Besides the implementation of the active measures and policies for employment, the Agency is responsible for mediation and counselling in employment, professional orientation, insurance in case of unemployment, creating analytical, developmental and professional materials and informing the public about the significant information related to the labour market.

ESARM consists of 30 local offices, supported by 15 branch offices. The ESARM staff consists of 51 at headquarters and 441 at the local offices. The Central services function through eight different departments (units) and internal audit department. The eight departments are for communication, ALMP, market research, law, insurance, financial issues, informatics and HR. This makes ESARM with a total of approximately 500 staff in 2016, and 52.8% of them are frontline staff.

During the visit, it was apparent that the staff at headquarters and local offices communicate on a daily basis.

Legally assigned duties of ESARM are job placement, labour market information, ALMP, labour migration, and the administration of unemployment and other social benefits. Specifically, the ESARM keeps the records of employers, users of public funds, unemployed and other jobseekers, the needs of workers, and foreign citizens and stateless persons employed.

At the same time, pursuant to Article 13 paragraph 4 of the Law on Labour Relations, the ESARM, the pension fund, and the health insurance fund are obliged to permanently keep and track the records of individuals who join and leave social insurance.

The main strategic developments that ESARM aims at include cooperation with employers, activities with unemployed persons, and services for professional orientation and carrier development.

## **2. CONTEXT**

### **2.1. Labour market issues that pose a challenge to the ESARM**

The labour market is characterised by high unemployment rates during the transition period. In this matter, ESARM has undertaken the role of the intermediary in balancing between the demand and supply in the labour market. Thus, ESARM keeps the record of the unemployed (active job seekers) and other job seekers (passive job seekers). As of 31 December 2016, ESARM has recorded 104535 unemployed and 96251 other job seekers.

The main challenges faced by the ESARM may be summarised as follows:

- There is a mismatch between the demand and supply in the labour market.
- Very high unemployment rate among young people (16%), as recorded by NEET statistics.
- Gender gap -According to Petreski (2015), there is a negative selection of females into employment: those with not-the-worst characteristics and high reservation wage are usually outside the labour market.

- Grey economy – There is a high tendency to underreport employment.
- Inactive or discouraged workers – Especially among low educated population (employment rate is less than 50%).
- Lack of motivation and concern among remaining youth to stay in the country and work.
- The centralisation of the funds – even though ESARM has sufficient budget mainly from contributions (80.26%), the funds are centralised at the republican level, thus, posing challenge on both management of funds and fulfilling the needs of the branch offices.

## 2.2. Recent changes in employment/social policy that pose a challenge to the PES

An ILO study showed that the introduction of a minimum wage in 2012 may have contributed to a reduction in the gender pay gap between 2011 and 2014. In 2013-2017, minimum wages averaged 216.92 EUR/Month.

The National Strategy is based on a thorough situation analysis and consequent pointing to the needs in order for the Government to make appropriate decisions concerning the protection, education, rehabilitation, vocational training and employment of persons with disabilities. It refers to the following:

- Prevention, early detection, early diagnoses and early treatment;
- Preschool education, primary education, secondary education and higher education for all those where possible;
- Vocational training and employment, family life, social life, rest and recreation;
- Creation of conditions (in families, Centers for Half - Day and Daily Care, as well as housing in small capacity institutions and in homes for small groups of persons with disabilities) for all those persons with a more severe disability who need such help.

### 1.1 Labour market indicators for the period 2010-2016

The labour market is characterised by high unemployment rates. It is important to note that during the last years the labour market context has been improving. Despite the improvements (declining pattern) in the unemployment rate during 2010-2016, in 2016, it still remained as high as 26.7%. Table 1 presents an overview of the labour market situation during 2010-2016.

Table 1. Labour market indicators during 2010-2016

Indicator	2010	2011	2012	2013	2014	2015	2016
Annual real GDP growth rate	3.4	2.3	-0.5	2.9	3.6	3.8	2.4
Employment rate	38.69	38.95	38.96	40.59	41.24	42.11	43.1
Unemployment rate (ILO definition)	32.0	31.4	31.0	29.0	28.0	26.0	23.7
LTU rate (share of active population)	26.7	25.9	25.5	23.9	23.4	21.3	19.1

Youth unemployment rate	53.9	55.5	53.9	51.9	53.2	47.3	49.5
NEET (Young people not in employment, education or training aged 15-24)	25.5	25.2	24.8	24.2	25.2	24.7	24.3
Employment rate by education							
ISCED 0-2	43.5	43.9	44.0	46.0	46.9	47.8	49.1
ISCED 3-4	49.9	49.4	50.1	52.4	52.5	53.5	55.4
ISCED 5-8	71.9	72.7	72.9	73.7	72.8	72.0	72.4

All economic indicators have improved during 2010-2016, however, the levels are still unsatisfactory, especially the unemployment rate. The NEET rate is also high: the percentage of young people not in employment, education or training aged 15 was around 25% which is almost double the EU average.

## 2. STRENGTHS AND WEAKNESSES

### 3.1. Strengths

ESARM plays a crucial role in the labour market, especially in delivering efficient and effective PES services.

ESARM keeps very neat records of the unemployed, thus, possesses a very good database with information on unemployed and employed. Based on an Agreement with the Government, employers are obliged to report all hiring and firing activities to ESARM. Thus the department has all the necessary data and the possibility to monitor the movement from unemployment to employment and vice versa. This was the basis for procurement of the best IT system. ESARM obtained access to all other data from the central register of citizens, health fund, tax administration, etc.

ESARM has a sufficient number of customer-oriented counsellors who deal with the unemployed people with a need for advice.

The Human Resource Department at ESARM ensures high flexibility in case an employee wants to change positions within the organisation. This is a strong point when dealing with the motivation of the PES staff.

ESARM also conducts interviews with employees twice a year which enables them to carry out a SWOT analysis of interviews. Based on the results of these surveys, ESARM organises continuous training to the employees.

Apart from job matching, the strength of the ESARM is their proactive approach to the needs of employers. Forums, fairs and other gatherings are organised in order to keep good cooperation with employers.

In addition, ESARM interviews employers in order to identify their needs for knowledge, skills and abilities of the employees. They offer different trainings, fairs, etc. in order to improve the skills of the unemployed (e.g. motivation training).

With regard to cooperation, it is important to highlight the collaboration that ESARM has with the Municipality economic council. Even though this is not on a systemic level, it should be mentioned as collaboration which fosters partnership among all stakeholders such as Employment agency, Union, Regional Economic Chamber, UNDP, and the Municipality to discuss issues of concern. The focus of the discussion has been the additional support needed by the Municipality for the unemployed with difficulties. Thus, apart from educational assistance for children with special needs, there is also support for the unemployed with difficulties, i.e. 6 months part-time employment with salary.

Another strength of ESARM is their awareness of the evaluation process of their programs and procedures, as they already have experience with external evaluation. They conducted evaluations of several of their ALMPs in 2001, with ILO support, which resulted in redesign of their future ALMPs based on recommendations from the evaluation reports. They also intend to conduct evaluations of ALMPs in 2018 with UNDP support. Even though, as a procedure, this is an ad-hoc evaluation, again, it provides a feedback which is much appreciated by the PES when dealing with action plan.

### **3.2. Weaknesses**

There are several spheres where ESARM can be improved.

The motivation platform of the PES staff can be improved. Some financial stimulation might be considered as a positive approach. So far, the one that is conducted is not well-thought-out (10 best performing staff members at ESARM get a payment of 5% of their wages).

Furthermore, the ESRAM employees receive a low pay but have a big workload. Thus, some increase in the wage might help, especially in the central unit, as they coordinate with the overall ALMP done on other centres.

And finally, the PES lacks some clear quantitative indicators. There is a need to identify specific performance measures. One possible solution might be a list of measurable outputs to be provided by the WB-BL report (i.e. the minimum standard that each employee should fulfil). This will enable to differentiate those who perform better.

## **4. POTENTIAL GOOD PRACTICES**

The strengths that ESARM has can bring out some potential good practices that can serve as a model for other WB PES. One can outline the following good practices of ESARM:

- The ESARM has already established a regular assessment of skills needs based on 2,960 SMEs that cover 15 sectors. Specifically, there is a form, consisting of questions that identify the skills of the unemployed gained through education, trainings, etc. and respective certificates that they have. This defines their needs for additional skills. On the other hand, ESARM has conducted a survey to identify the skills needs in the labour market, which provides some short-term indicators of employers' expectations in terms of new employments and the skills needs

that the unemployed should have in order to be more competitive on the labour market. The consultant, being aware of the skills needs of candidates, suggests the unemployed to attend AMPL trainings, internship, etc. Furthermore, the findings obtained from the skills needs survey provide the basis for creating ALMP which would prepare for employment by improving the skills of the unemployed and increasing their competitiveness in the labour market, making re-employment faster.

- ESARM has good collaboration with employers. In general, the PES staff considers the unemployed as their 'product'. In this term, they indicate that we are 'selling our products' to the employers, thus, employers receive special treatment.
- The clear and high investment in the AMPL can be considered as a good practice. The level of engagement of the staff is very high (to the point that they consider themselves as insufficient and that additional staff is required).
- Change of the work places within the organisation can be considered as good practice. During the time of the visit, dozens of PES staff were approved to change positions. This is positive for the staff and for the organization itself as the staff feels motivated and satisfied with the changes.
- Another good practice is the everyday communication of senior management with middle management and across all staff levels, especially in reaching the tasks. Meetings (once a week) in the headquarters provide a continuous coordination. Also, the headquarters organises weekly meetings with other units. The form of communication is through e-mail, or telephone when required, to keep in touch with the local units.
- Mentioning that staff surveys were conducted twice a year was an indication of a good practice. As these are conducted in the form of interviews, this practice is likely to bring good feedback and internal information on the possible improvements that can be done.
- ESARM also offers entrepreneurship trainings to unemployed. This includes activities and measures on how to start own business. One of the measures was to provide salary for one new employee in the start-up.

## 5. RECOMMENDATIONS

Based on the impressions that we got during the visit, one can say that the ESARM functions independently, without any political pressure. Its functioning is practically on a good level, one can highlight some recommendations in the following spheres: (i) staff advancement and motivation; (ii) increase the number of employees; (iii) provide the unemployed with the required services; (iv) attend to the needs of the employers; and (v) create an adaptable labour market.

### 5.1. Short-term and relatively less costly

In order to enrich the ESARM database, it is suggested to continue the development of the data by tracking the successful cases that leave the ESARM registry.

### 5.2. Short-term, more resource intensive

It is suggested to either engage additional staff who deals with the active measures, or provide better IT support, as the AMPLs are crucial for the performance of PES.

### **5.3. Long-term, but relatively less costly**

It is suggested to develop a system of motivation and reward for the well performing staff, while maintaining and improving the current approach to avoid negative effects in this area.

### **5.4. Long-term and costly but important**

As one of the challenges faced by ESARM is the migration of youth, it is suggested that the active measures incorporate the inclusion of youth. The suggestions for youth unemployment can be summarized as follows: (i) the ESARM should initiate a dialogue with the Ministry of education and educational institutions to undertake reforms of the curricula that would increase the quality of learning, especially in basic skills that support the ability of the labour force to upgrade skills during their working life; (ii) the ESARM should invest in upgrading the skills of the unemployed; (iii) they could offer short term wage subsidies (ideally, combined with subsidised training) to employers hiring youth, that would help youth to acquire some experience; (4) cooperate with social work centres to reach out to and motivate young people to actively look for work or continue education; etc.

It is also suggested to promote successful cases either in employment or start-ups, so that the youth who consider to leave the country are convinced to stay.

### **5.5. Related to institutional framework conditions**

It seems that there is a slow rise in employment. Our recommendation is to consider reforms that the ESARM can undergo in order to create an adaptable labour market. The suggestion for ESARM is to analyse the causes of jobless growth and initiate a cross-ministerial dialogue on recommendations for future steps. Furthermore, the problem of slow rise in employment should be communicated to the general public, as this may help by putting the problem a bit higher on the political agenda.

This way, one may expect improvement in employers' incentives to hire workers, and, on the other hand, would improve the motivational schemes for workers (especially youth) and improve their skills so that they meet the requirements of the available jobs.

As ESARM has many supportive projects to improve their ALMP performance, one would expect that their ALMPs target youth and, thus, require a reasonably buoyant supply of job vacancies.

### **5.6. Reception of recommendations, any next steps identified**

The post-site-visit discussion with the PES was conducted on the 2 February 2018. The meeting was held between three of ESARM staff and the national expert from Center for Development Evaluation and Social Science Research (BIH) (the supporting contractor). The half-day meeting held in ESARM Head Office resulted in a constructive discussion regarding the recommendations and WB-BL feedback.

As for the recommendations, generally, the PES staff members were satisfied and open for change in terms of additional engagement of motivated staff in ALMP. Whereas they did not support further advancement of the counsellors and instead suggested to stick with the good practices. This is

because ESARM already implements development of human resource, which specifically incorporates advancement of PES staff.

As for the WB-BL feedback form, all questions were rated as 'high'. The recommendation on further increasing the impact of the visit is to concretise the opportunities for improvement of the ESARM work.