



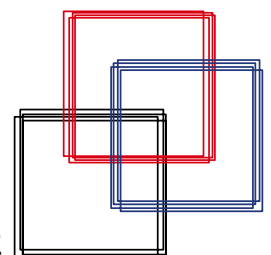
# Labour market transitions of young women and men in the former Yugoslav Republic of Macedonia

Results of the 2014  
school-to-work transition survey

Nikica Mojsoska-Blazevski and  
The State Statistical Office of Macedonia

June 2016

Youth Employment Programme  
Employment Policy Department



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the former Yugoslav Republic of Macedonia**  
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State Statistical Office of Macedonia

**International Labour Office • Geneva**

June 2016

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## Preface

Youth is a crucial time of life when young people start realizing their aspirations, assuming their economic independence and finding their place in society. The global jobs crisis has exacerbated the vulnerability of young people in terms of: (i) higher unemployment, (ii) lower quality jobs for those who find work, (iii) greater labour market inequalities among different groups of young people, (iv) longer and more insecure school-to-work transitions, and (v) increased detachment from the labour market.

In June 2012, the International Labour Conference of the ILO resolved to take urgent action to tackle the unprecedented youth employment crisis through a multi-pronged approach geared towards pro-employment growth and decent job creation. The resolution “The youth employment crisis: A call for action” contains a set of conclusions that constitute a blueprint for shaping national strategies for youth employment.<sup>1</sup> It calls for increased coherence of policies and action on youth employment across the multilateral system. In parallel, the UN Secretary-General highlighted youth as one of the five generational imperatives to be addressed through the mobilization of all the human, financial and political resources available to the United Nations (UN). As part of this agenda, the UN has developed a System-wide Action Plan on Youth, with youth employment as one of the main priorities, to strengthen youth programmes across the UN system.

The ILO supports governments and social partners in designing and implementing integrated employment policy responses. As part of this work, the ILO seeks to enhance the capacity of national and local level institutions to undertake evidence-based analysis that feeds social dialogue and the policy-making process. To assist member States in building a knowledge base on youth employment, the ILO has designed the “school-to-work transition survey” (SWTS). The current report summarizes the results of a second SWTS implemented in 2015 in the former Yugoslav Republic of Macedonia by the State Statistical Office. The surveys and subsequent reports are products of a partnership between the ILO and The MasterCard Foundation. This report will contribute to the national dialogue on how to address discrepancies between the supply and demand for youth labour more effectively in order to ensure that young people are better equipped to transition to quality employment.

It is not an easy time to be a young person in the labour market today. The hope is that, with leadership from the UN system, with the commitment of governments, trade unions and employers’ organizations and through the active participation of donors such as The MasterCard Foundation, the international community can provide the effective assistance needed to help young women and men make a good start in the world of work. If we can get this right, it will positively affect young people’s professional and personal success in all future stages of life.

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<sup>1</sup> The full text of the 2012 resolution “The youth employment crisis: A call for action” can be found on the ILO website at: [http://www.ilo.org/ilc/ILCSessions/101stSession/texts-adopted/WCMS\\_185950/lang--en/index.htm](http://www.ilo.org/ilc/ILCSessions/101stSession/texts-adopted/WCMS_185950/lang--en/index.htm).



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# 1. Introduction and main findings

## 1.1 Overview

How quickly and effectively young people enter the labour market can serve as both a dependent and an independent variable of the productive capacity of the national labour market. Where youth unemployment and underemployment are especially high, as is the case in the former Yugoslav Republic of Macedonia (hereafter “FYR Macedonia”), the transaction costs of ineffective transitions of young people from education to the labour market are also high; there are economic costs in terms of lost investment in education, a reduced tax base and high social costs. But perhaps of greater importance are the costs to the young persons themselves.

With one of the highest youth unemployment rates in the world and extremely low employment rates among youth, the urgency of addressing the issue of youth employment in FYR Macedonia is greater than in many other countries. The Government is aware of the urgency and treats youth employment as a crosscutting theme in the policy-making process. This has increasingly required coordination across a wide spectrum of national institutions and agencies and coherence in shaping economic and social policies that address youth employment.

To characterize the specific youth employment challenges and to support policy-makers in designing adequate instruments to support the transition of young people into employment, the ILO has developed its school-to-work transition survey (SWTS), a household survey of young people aged 15–29.<sup>2</sup> The SWTS was implemented by the State Statistics Office in the FYR Macedonia in 2012 and again in 2014. This report summarizes the results of the second SWTS, updates the analysis of the first survey report (Elder, Novkovska and Krsteva, 2013) and offers insights into the more recent political framework for youth employment policies in the country.

The indicators generated by the survey and analysed in this report aim to present a much more detailed picture of youth in the labour market than can usually be derived through standard surveys, including the labour force survey (LFS). Unemployment among youth is a major national concern, but it is also important to consider the quality of work made available to the young population. Does the work provide the wages and security necessary to empower young people to move towards self-sufficiency in their pending adulthood? The emphasis on quality of employment in this report should help to answer this question. The report also draws attention to the path and duration that young people’s transition from school to work takes and draws conclusions on characteristics or experiences that facilitate a smoother transition.

## 1.2 Structure of the report

Section 2 of the report sets out the socio-economic and labour market context in the country and introduces the objectives and the methodology of the survey process. Section 3 begins the presentation of the SWTS 2014 results with details on the characteristics of

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<sup>2</sup> While, in most other contexts, a young person is defined as a person aged between 15 and 24 years old, for the purpose of the SWTS, the upper age bound is extended to 29 years. This is done in recognition of the fact that some young people remain in education beyond the age of 24 and in the hope of capturing more information on the post-graduation employment experiences of young people.

surveyed youth and their households, with a particular focus on their educational outcomes. Section 4 then turns to the labour market outcomes with a detailed examination of the characteristics of young people within each labour market category – unemployed, employed and inactive. Section 5 introduces the classification of stages of labour market transition and investigates the characteristics that lead to more advantageous labour market outcomes, specifically in terms of the attainment of stable employment. The section also discusses the length of time that young men and women spend in transition and traces the various labour market experiences they have along the way. Finally, section 6 goes into more detail on the national framework guiding youth employment in the country and presents the policy implications that have been drawn from the analyses of the survey. Policy implications are also highlighted throughout the text in relation to specific findings.

### 1.3 Main findings

**Economic activity.** The distribution of young people aged 15–29 in the country by main economic activity shows that 42.0 per cent are inactive, primarily due to continued educational attendance, approximately one-third (35.2 per cent) are employed and 22.8 per cent are unemployed. Females are less active in the labour market and are less likely than men to face unemployment, meaning that women who have difficulty in finding a job stay out of the labour market rather than remaining in unemployment. Compared to the 2012 results, the inactivity rate of youth has declined (from 47.6 per cent to 40.2 per cent in 2014) and the employment rate increased (from 27.9 per cent to 35.2 per cent in 2014), although this improvement is likely (at least partially) to reflect the different age structures of the two samples.

Compared to 2012, youth in 2014 in general are more active in the labour market, with higher shares of youth in both unemployment and employment. In both years, the inactive segment of the youth population is almost entirely comprised of those young people that are still in education, but among those who are inactive and out of school, the female share dominates (young women make up as much as 75.0 per cent of inactive, non-student youth). Differences in the distribution of youth across the main economic activities between the two years may reflect recent economic growth but also a degree of positive impact resulting from recent policy measures in the education sphere, for instance, expansion of the capacity and financing of higher education, active labour market policies (ALMPs) specific targeting of young unemployed (and potentially inactive) workers, etc.

**Educational attainment.** The largest share of youth have attained secondary level education (54.1 per cent of youth who have completed their education), with the majority in vocational education. About 26.7 per cent of youth have completed tertiary education, with females being much more likely to acquire a tertiary level degree (35.4 per cent for young women and 19.0 per cent for young men). Between 2012 and 2014, the educational structure of the youth cohort improved significantly, but this is partly the result of the higher average age of those youth included in the 2014 sample. Regardless of the reason for the result, it is clear that youth in the country continue to value a high level of education, as do their employers. The lower unemployment rates of youth with higher education compared to secondary level or below confirm that investing in education still has value in terms of finding work.

There is a clear, positive link between the level of educational attainment and the relative wealth of the household: youth from poor families tend to achieve the lowest levels of education, thereby perpetuating a vicious circle of poverty. This situation requires policy-makers to pay specific attention to maintaining and adapting good education and training policies. The survey results show that most young persons have the same or a higher level of education in comparison to their mother and father, although there is some

evidence of regression in the level of education between generations, which should be of specific concern.

**Early school leaving.** A small share of youth (2.4 per cent) left school early, but this phenomenon is more apparent among young women than young men. Family and family circumstances are the main drivers behind young women leaving education early (either due to early marriages, the tendency of poorer families' to educate their male child in preference to their female child or the culture and traditions which prevent young women from acquiring a higher level of education). For young males, early school leaving is more likely to be an individual decision (due to the desire to start work or simply a lack of interest in continuing with school).

**NEETs.** About one-third (31.9 per cent) of young people in FYR Macedonia in 2014 are neither employed nor in education or training (NEET). Most of the NEETs (62.6 per cent) are unemployed non-students and the remaining third (37.4 per cent) are inactive non-students. These young people are likely to experience a deterioration of their human capital (accumulated during education), with negative consequences and substantial costs both for the individuals and for society in general.

**Unemployment.** The share of unemployed youth in the population – 22.8 per cent – is well above that of other countries where the SWTS was implemented. The 32-country average based on the SWTS data sets was 8.6 per cent, whereas the unemployment rate in FYR Macedonia in 2014 was 39.3 per cent. Although the rate is still among the highest in the world, it does demonstrate an improvement compared to the 2012 figure of 43.3 per cent. Unemployment clearly declines with increasing education, as well as with the wealth of the household. Three out of four (77.8 per cent) unemployed youth have been searching for a job for over a year (long-term unemployment), which can have negative consequences in terms of skills erosion, financial losses and damaged self-esteem. The data show that some unemployed young people are “picky” when it comes to the type of job that they want (in terms of occupation, industry and wage), but at the same time very few young people (5.7 per cent) reported having refused a job offer. Young people have a relatively high reservation wage (the lowest wage which they will accept for a job offer), in comparison to the wages prevailing in the economy. Wage reservations are further supported in the respondents' assessment of the main reason for unemployment. The primary reason given was the lack of jobs, but the secondary reason cited was the low wages in available jobs. The main job-search channels used by unemployed youth are through friends and relatives and making enquiries directly at workplaces.

**Inactivity.** The inactivity rate in 2014 is 42.0 per cent, which represents a significant decrease in inactivity since 2012, when 47.6 per cent (220,830) of youth aged 15–29 were inactive. A comparison of inactivity rates for the upper age band 25–29 – when youth are more likely to have completed their education – shows greater similarity between the two surveys (22.0 per cent in 2012 and 21.0 per cent in 2014). The most common reason for inactivity is attending education/training (73.0 per cent), followed by 16.9 per cent citing family responsibilities or housework. Young women are more likely to be inactive than young men (49.9 and 34.7 per cent, respectively) and far more likely to be inactive due to family responsibilities and housework (28.2 and 1.3 per cent, respectively). This suggests that young women face barriers to activity (and therefore employment) which are related to the general traditions and culture in the country.

**Employed youth.** The employment rate of youth aged 15–29 is 35.2 per cent. Some 79.6 per cent of the employed youth are salaried workers (employees) and 13.8 per cent are contributing family workers, while very few are own-account workers and employers. Young workers are mainly employed in the services sector (56.5 per cent) or in industry (30.1 per cent) with the remaining 13.4 per cent in agriculture. An analysis of youth employments by skill structure shows that young workers are mainly working in low-

skilled occupations, followed by medium-skill jobs. Nevertheless, the occupational structure of their employment is much better than that of the overall employed population. Young women are more likely to work in higher skilled occupations, which partly reflects their higher educational attainment and partly the more limited range of occupations open to females in the country.

**Wage employment.** Most youth in wage employment have access to medical (health) insurance, pension insurance and social security contributions – and hence can be considered as being in a formal working situation. On the other hand, few young people have access to maternity leave, to education or training courses, severance pay, etc. Salaried workers are much better educated on the whole than self-employed youth. The average wage of the salaried youth is 14,322 MKD, approximately 70 per cent of the average net wage in the country in 2014. Female workers command a slightly higher average wage compared to young male workers.

**Self-employment.** Self-employed youth are mainly engaged as contributing family workers. Self-employment is especially prevalent among workers educated only to primary level, which is also the group facing the highest unemployment rates. This suggests that self-employment among young workers is generally a second-best option (following an unsuccessful search for wage employment). Indeed, a slight majority of self-employed workers (53.4 per cent) report that the main reason for their self-employment was the inability to find a paid job. However, 41.8 per cent state that self-employment was their preferred choice. The main source of funds for starting a business is money from family and friends, followed by own savings. In 2014, some self-employed youth report having benefited from a government loan, which was not the case in 2012.

**Quality of jobs.** The quality of available jobs remains a major concern for young people in FYR Macedonia. Of particular concern is the high share of youth working in informal employment (48.1 per cent). The contradictory situation of youth who are working in jobs that offer little in terms of monetary reward, stability or security claiming a degree of job satisfaction is indicative of the unfortunate consequence of young people having to adapt to the reality of a market in which few “good” jobs exist. One particularly negative aspect of this finding is that it may also imply that the overall labour market environment depresses the ambitions of young people.

**Qualifications mismatch.** More than one in four (27.6 per cent) of the employed youth in FYR Macedonia are working in an occupation that does not match their level of education. Overeducation is more common among young female workers (affecting 26.9 per cent compared to 17.3 per cent of young men) while undereducation is more specific to young male workers (9.0 per cent compared to 2.6 per cent for young women). Between 2012 and 2014, the share of overeducated young workers increased and the share of undereducated decreased, in line with the improving educational structure of the youth cohort and the economy’s inability to keep pace by creating an adequate number of high-skilled jobs.

**Stages of transition.** The largest share of the youth population are those who are in the process of transiting from school into work that is stable and/or satisfactory (43.9 per cent), 23.9 per cent have completed the transition and the remaining 32.2 per cent of young people have not yet started the process. The distribution of youth by transition stage is similar between the two survey years. In terms of sex, young men are more likely than young women to have already completed the transition, but also to remain in transition, whereas females are more likely to have not yet started the transition (with the gender gap primarily seen in the higher share of young women who are inactive non-students with no plans to work in future). All youth with tertiary education had either completed the transition or remained in transition.

**Lengths of school-to-work transition.** It takes a young person, on average, 31.2 months (2.5 years) from the time of graduation to attainment of a first job deemed to be either stable or satisfactory. The length of transition is significantly longer for young men than for young women, with the average gap being as much as 14 months. The average school to first stable/satisfactory job transition was 37 months for young men and 23 months for young women. It is clear that the Macedonian labour market has a significant problem in absorbing its emerging young graduates, but especially those who are unable to complete higher education. The transition length to a first stable/satisfactory job is nearly tripled for those youth who graduate with a secondary degree compared to a tertiary degree (37.1 and 12.5 months, respectively). Youth with primary education only can take as long as 62 months to complete the transition. The economic and social costs of financially supporting so many youth through these lengthy transition periods are a clear hindrance to the growth potential of the country.

**Gender gaps.** Young women are more highly educated than young men and yet are more likely than young men to remain outside the labour market. Among the economically active, young women face lower unemployment rates than young men (36.5 and 41.2 per cent, respectively) and significantly shorter school-to-work transitions (see the previous paragraph). Among the employed youth, young women are also more likely than young men to work in paid employment with a written contract of unlimited duration. The fact that young women enjoy a better contract situation is mainly a reflection of the occupations in which they are concentrated, with more young women working as professionals (in education, public administration, etc.) and fewer in production-based fields, such as construction and manufacturing. Differences in occupation structures between the sexes also influence the average wages, which favour young women over young men, although the favourable wage gap only benefits women with tertiary education. Among young workers with less than tertiary education, young men earn more than young women. The data also show that young females are less mobile, and are more likely to refuse a job or be inactive for family-related reasons.

**Geographical gaps.** There is an urban bias on labour market transitions, in that a larger share of rural youth have not started their transition in comparison to urban youth (35 per cent and 30 per cent, respectively), and lower shares of rural youth remain in transition or have completed their transition. However, the young people from rural areas who have completed their transition are more likely to be in stable employment in comparison to urban youth (80.8 per cent and 74.7 per cent, respectively). Employed youth from rural areas report lower job satisfaction than young people from urban areas. Within the self-employed youth cohort, the primary reason given by rural youth for their self-employment was the greater independence offered by that employment status (reported by 44.1 per cent), whereas for urban youth it was the lack of formal salaried jobs (stated by 59.5 per cent of the self-employed).



## 2. Overview of the labour market and survey methodology

### 2.1 The socio-economic context

According to population estimates for 2014, FYR Macedonia had 2,069,200 inhabitants, an increase of 0.2 per cent compared to the previous year and 1.7 per cent more than in 2004.<sup>3</sup> However, the ageing population is presenting an ever greater challenge for the country. In the period 2004–14, the proportion of population under the age of 15 decreased from 20 per cent to 16.8 per cent, whereas the share of the elderly population (aged 65 and over) increased from 10.9 per cent to 12.7 per cent. The average age at first marriage increased for both sexes during the period of observation to reach 28.8 years for men in 2014 (compared to 27.4 years in 2004) and 26 years for women (compared to 24.3 in 2004). The number of births in the country also declined between 2004 and 2014, whereas the mortality rate increased (from 8.8 per cent in 2004 to 9.5 per cent in 2014). The combination of these two elements has caused the rate of natural increase<sup>4</sup> to drop slightly, from 11.5 per cent in 2004 to 11.4 per cent in 2014. Urban population dominates in the territorial distribution of the overall population.

**Table 2.1 Population and key economic indicators**

Indicator	2007	2008	2009	2010	2011	2012	2013	2014
Population (thousands)	2 045.2	2 048.6	2 052.7	2 057.3	2 059.8	2 062.3	2 065.8	2 069.2
Real GDP growth	6.5	5.5	-0.4	3.4	2.3	-0.5	2.9	3.5 <sup>(2)</sup>
Investment (per cent GDP)	22.7	25.8	24.6	23.1	23.5	23.4	23.7 <sup>(2)</sup>	23.4 <sup>(2)</sup>
Gross domestic savings (per cent GDP)	16.7	15.5	19.3	22.5	24.3	26.1	27.0	–
Indices of industrial production <sup>(1)</sup>	103.9	105.1	91.3	95.2	103.3	97.2	103.2	104.8
Consumer price index (CPI) <sup>(1)</sup>	102.3	108.3	99.2	101.6	103.9	103.3	102.8	99.7
Unemployment rate	34.9	33.8	32.2	32.0	31.4	31.0	29.0	28.0

Notes: (1) Previous year = 100. (2) Estimated data.

Source: Various publications of the State Statistical Office of the Republic of Macedonia: Gross domestic product 2014; LFS 2015; industrial production indexes; consumer price indexes; *Macedonia in figures*.

After several years of relatively high GDP growth, the real GDP growth started to decrease in the last quarter of 2008 as a result of the global financial and economic crises, followed by a period of negative growth in 2009 (table 2.1). This period of economic crisis also led to a decrease in industrial production, although these developments did not exert a negative effect on the labour market. Growth has recovered from 2010 onwards and has shown a relatively strong performance, with the exception of 2012. In 2014, when the second SWTS was carried out, real GDP growth was estimated at 3.5 per cent. Inflation, measured through the consumer price index, was relatively low during the period under consideration, though a period of deflation was experienced in 2014.

With positive economic growth in the country over the past few years, supported by continued public investment and strong foreign direct investment (FDI)-related export, the labour market in FYR Macedonia has also shown positive trends. The labour force participation rate in the country in 2014 was 57.3 per cent, which presents a small increase

<sup>3</sup> State Statistical Office of the Republic of Macedonia, *Macedonia in figures*, various years.

<sup>4</sup> The rate of natural increase is the “crude birth rate minus the crude death rate. Represents the portion of population growth (or decline) determined exclusively by births and deaths” (United Nations, Department of Economic and Social Affairs, Population Division).

compared to 2012 (table 2.2). In the same period, the employment-to-population ratio increased to 41.2 per cent in 2014, while the unemployment rate underwent a moderate decline to 28 per cent.

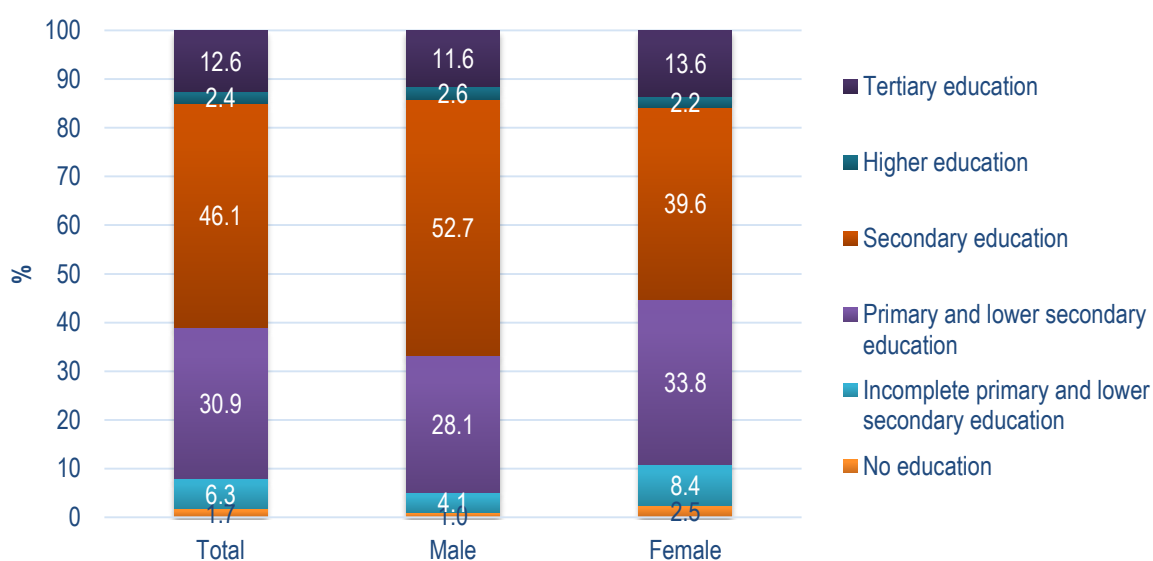
**Table 2.2 Working-age population (15+), labour force participation rate, employment-to-population ratio and unemployment rate, 2012–2014**

Year	Working age population	Total	Employed	Unemployed	Labour force participation rate (%)	Employment to population ratio (%)	Unemployment rate (%)
2012	1 669 965	943 055	650 554	292 502	56.5	39.0	31.0
2013	1 672 460	956 057	678 838	277 219	57.2	40.6	29.0
2014	1 673 494	958 998	690 188	268 809	57.3	41.2	28.0

Source: LFS, various years.

Figure 2.1 shows the distribution of the working-age population (aged 15–79) by sex and level of educational attainment.<sup>5</sup> The largest share of the total working-age population (46.1 per cent) in 2014 has completed secondary education, 30.9 per cent have attained primary and lower secondary education and 12.6 per cent hold a tertiary level degree. The gender breakdown shows that men within the working-age group are more likely to have completed secondary education than their female counterparts (52.7 per cent compared to 39.6 per cent, respectively), while females are relatively more likely to have completed primary and lower secondary education and tertiary education. Moreover, females are twice as likely as males to have either no education or incomplete primary education.

**Figure 2.1 Distribution of working-age population (15+) by level of educational attainment, 2014**



Source: LFS 2014.

<sup>5</sup> In FYR Macedonia, the main source of information about the labour market is the labour force survey (LFS), which was established in the country in 1996. The LFS is national in scope, representative of the whole population and is carried out quarterly.

## 2.2 Youth in the national labour force

The youth unemployment rate (for the population aged 15–24) in FYR Macedonia is nearly twice that of the adult unemployment rate, at 53.1 per cent in 2014 (table 2.3). The rate had been on a declining path since 2007 (prior to the economic recession), but increased slightly between 2013 and 2014 (by 1.2 percentage points). In addition to the issue of extremely high youth unemployment, the limited opportunities for young people in the Macedonian labour market are further reflected in the extremely low employment-to-population ratio (EPR) of 15.2 per cent in 2014 (18.9 per cent for young men and 11.3 per cent for young women). The only country in the European Union with a lower employment-to-population ratio in 2014 is Greece, at 13.3 per cent, but this is an effect of the economic crisis in the country since, prior to the crisis, one-fifth of young Greeks were engaged in employment.<sup>6</sup> In FYR Macedonia, in contrast, even prior to the crisis, the youth EPR was under 20 per cent, indicating that the issue is a structural one. Besides the issue of unemployment and low rates of employment, the situation is further aggravated by the number of young people who are employed under precarious working conditions, often in the informal economy, as will be further discussed in section 4.

**Table 2.3 Labour force participation rate, employment-to-population ratio and unemployment rate by age group and sex, 2012–14 (%)**

Age	Labour force participation rate			Employment-to-population ratio			Unemployment rate		
	2012	2013	2014	2012	2013	2014	2012	2013	2014
<b>Total (15+)</b>	<b>56.5</b>	<b>57.2</b>	<b>57.3</b>	<b>39.0</b>	<b>40.6</b>	<b>41.2</b>	<b>31.0</b>	<b>29.0</b>	<b>28.0</b>
15–24	33.6	33.6	32.4	15.5	16.2	15.2	53.9	51.9	53.1
25–49	79.5	80.2	81.0	55.8	58.0	59.5	29.9	27.7	26.5
50–64	56.7	58.5	58.8	42.8	44.9	45.6	24.4	23.2	22.4
65+	3.8	3.0	2.4	3.4	2.8	2.2	9.4	7.4	6.8
15–64	63.9	63.9	65.3	44.0	44.0	46.9	31.2	31.2	28.1
<b>Male</b>									
Total (15+)	68.7	68.5	69.3	47.1	48.7	50.1	31.5	29.0	27.6
15–24	40.5	39.9	39.3	18.1	18.9	18.9	55.2	52.5	52.0
25–49	92.6	92.5	93.9	64.9	67.0	69.9	29.9	27.5	25.5
50–64	73.4	74.1	74.9	54.7	56.9	57.2	25.5	23.2	23.7
65+	5.2	3.8	3.6	4.7	3.4	3.4	10.3	11.0	6.7
15–64	76.6	76.6	77.7	52.4	52.4	56.1	31.6	31.6	27.8
<b>Female</b>									
Total (15+)	44.3	45.8	45.3	30.8	32.5	32.4	30.3	29.0	28.6
15–24	26.2	27.1	25.1	12.6	13.3	11.3	51.8	51.0	55.0
25–49	65.9	67.4	67.6	46.3	48.6	48.8	29.8	27.9	27.9
50–64	40.2	43.1	42.9	31.1	33.1	34.2	22.4	23.1	20.3
65+	2.6	2.3	1.4	2.4	2.2	1.3	7.9	2.5	7.0
15–64	50.8	50.8	52.5	35.3	35.3	37.4	30.5	30.5	28.7

Source: LFS 2014.

Young women are facing a disproportionately difficult situation in the labour market, with a higher unemployment rate and lower participation and employment rates (note, the

<sup>6</sup> Data from the European labour force survey online database. Note, the EU-28 average of youth (15–24) employment rate in 2014 was 32.4 per cent, well above the rate in FYR Macedonia.

latter two trends are reflected in all age groups). Youth unemployment and underemployment represent a large cost to Macedonian society in economic, political and societal terms. A high percentage of unemployed youth means a loss of investment in education and training, a reduced tax base and higher costs in terms of social assistance. In addition, it means lost development potential for the country. At the same time, it has been proven elsewhere that long periods of unemployment in the early stages of life affect the job and wage prospects across the working lifespan of young people, so-called unemployment and wage scarring (ILO, 2015). Furthermore, the high level of unemployment among young people can be a source of social instability and tensions. As a result, political attention has increasingly been focused on boosting the employment of young people in FYR Macedonia through a combination of employment, education and social assistance policies.

In order to overcome this situation, the Macedonian Government has implemented a set of measures to create better conditions for decent employment of young people. These measures include: (i) strengthening labour market institutions (for young people); (ii) improving employment opportunities for young people, mainly through ALMPs; (iii) promoting youth employment through private sector development; (iv) ensuring the inclusion of disadvantaged youth in the labour market.

The Government's focus on improving the labour market situation of youth resulted in an Action Plan for Youth Employment, which specifically targets the areas and policies of crucial importance for youth employment. An initial Action Plan was prepared in 2012 (for the period 2012–2015), while the second one was adopted in October 2015 and covers the period 2016–2020. More details on the policy framework are provided in section 6.

## **2.3 Survey objectives and methodology**

The SWTS offers important additional information over traditional labour force surveys. First, it provides a rare opportunity to produce indicators on labour market transitions through the inclusion of questions on the history of young respondents' economic activity. Such information has, to date, been lacking, or weak at best. The second area of value-added from the survey initiative is the application of normative indicators relating to the concept of decent work. The analytical framework adopted by the ILO, and followed here, asserts that the attainment of stable or satisfactory employment is the end goal for most young people in developing economies. The stages of transition applied to SWTS results are therefore based on the various combinations of the two variables – stability and satisfaction.

The SWTS is a household survey of young people aged 15 to 29 years old. In FYR Macedonia, the SWTS was conducted by the State Statistical Office as an additional module to the LFS in the third quarters of 2012 and 2014, drawing on the same samples. The SWTS, like the LFS, allows for the calculation of indicators following the international standards defining the economically active population. The survey was introduced as part of the Work4Youth partnership, which aims to strengthen the production of labour market information specific to youth and to work with policy-makers on the interpretation of data, including on transitions to the labour market, to assist in the design and monitoring of youth employment policies and programmes (see box 1). The partnership has supported the SWTS in 34 target countries over the period 2012–16.<sup>7</sup>

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<sup>7</sup> Microdata files and national reports of the 34 countries covered by the ILO Work4Youth (W4Y) project are available at [www.ilo.org/w4y](http://www.ilo.org/w4y).

### **Box 1. Work4Youth: An ILO project in partnership with The MasterCard Foundation**

The Work4Youth (W4Y) project is a partnership between the ILO Youth Employment Programme and The MasterCard Foundation. The project has a budget of US\$14.6 million and will run for five years to mid-2016. Its aim is to “promot[e] decent work opportunities for young men and women through knowledge and action”. The immediate objective of the partnership is to produce more and better labour market information specific to youth in developing countries, focusing in particular on transition paths to the labour market. The assumption is that governments and social partners in the project’s target countries will be better prepared to design effective policy and programme initiatives once armed with detailed information on:

- what young people expect in terms of transition paths and quality of work;
- what employers expect in terms of young applicants;
- what issues prevent the two sides – supply and demand – from matching; and
- what policies and programmes can have a real impact.

#### **Work4Youth target countries:**

**Asia and the Pacific:** Bangladesh,\* Cambodia, Nepal, Samoa,\* Viet Nam\*

**Eastern Europe and Central Asia:** Armenia, Kyrgyzstan,\* the former Yugoslav Republic of Macedonia, Montenegro,\*\* the Republic of Moldova, Russian Federation, Serbia,\*\* Ukraine

**Latin America and the Caribbean:** Brazil,\* Colombia,\* Dominican Republic,\*\* El Salvador, Jamaica, Peru\*

**Middle East and North Africa:** Egypt, Jordan, Lebanon,\*\* Occupied Palestinian Territory, Tunisia\*

**Sub-Saharan Africa:** Benin, Liberia, Madagascar, Malawi, the Republic of Congo,\*\* Sierra Leone,\*\* the United Republic of Tanzania,\* Togo, Uganda, Zambia

\* One round only in 2012–13; \*\* One round only in 2014–15.

Field activities started on 7 July 2014 and lasted for 13 weeks. The work was performed by a team of six supervisors, eight regional controllers and 56 enumerators, who were distributed throughout the eight regions under consideration. The regional controllers were staff from the Regional Statistical Departments. The total number of interviewed youth aged 15 to 29 years was 2,474 (in 2012, the final sample totalled 2,544).

## **3. Characteristics of youth in the survey sample**

### **3.1 Individual characteristics of youth**

According to the survey findings, the total number of youth, defined as the population aged 15 to 29 in 2014, is 455,869 (table 3.1).<sup>8</sup> Compared to 2012, the number of young people has declined by 1.7 per cent, which is in line with the ageing trend of the overall population. Young men account for 51.8 per cent of the total population in 2014 and young women for the remaining 48.2 per cent (the same distribution as in 2012). One of the principal differences between the two survey rounds is the increased share of sampled youth in the upper age cohort. While, in 2012, youth in the age group 25–29 years old made up 33.0 per cent of the youth population, in 2014 the share jumped to nearly half (48.9 per cent). This may trigger some other differences between the two rounds as “older” young people are more likely to have started their transitions into the labour market, to have higher educational attainment, to be married, etc. When comparing results between the two rounds, it will be important to bear the demographic changes in mind.

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<sup>8</sup> Throughout the whole report, if the year is not specifically mentioned in the analyses, it means that data refer to 2014.

**Table 3.1 Distribution of the youth population by age group, geographic location and marital status, 2012 and 2014**

Characteristics	2012			2014						
	Total	Male	Female	Total		Male		Female		
	%	%	%	Number	%	Number	%	Number	%	
Age group	15–19	32.0	31.8	32.2	104 556	22.9	54 336	23.0	50 220	22.8
	20–24	35.1	35.0	35.1	128 228	28.1	66 868	28.3	61 360	27.9
	25–29	33.0	33.2	32.7	223 085	48.9	114 782	48.6	108 303	49.3
Area of residence	Rural	45.6	45.9	45.3	198 170	43.5	102 468	43.4	95 703	43.5
	Urban	54.4	54.1	54.7	257 699	56.5	133 518	56.6	124 180	56.5
Marital status	Single/never married	81.5	87.7	74.8	338 638	74.3	188 030	79.7	150 609	68.5
	Married <sup>(1)</sup>	18.5	12.3	25.2	111 508	24.5	47 032	19.9	64 476	29.3
	Separated/divorced	–	–	–	5 392	1.2	808	0.3	4 584	2.1
	Widowed	–	–	–	331	0.1	117	0.1	214	0.1
<b>Total</b>		100.0	100.0	100.0	455 869	100.0	235 986	100.0	219 883	100.0

Note: (1) For 2012, this category includes divorced and widowed.

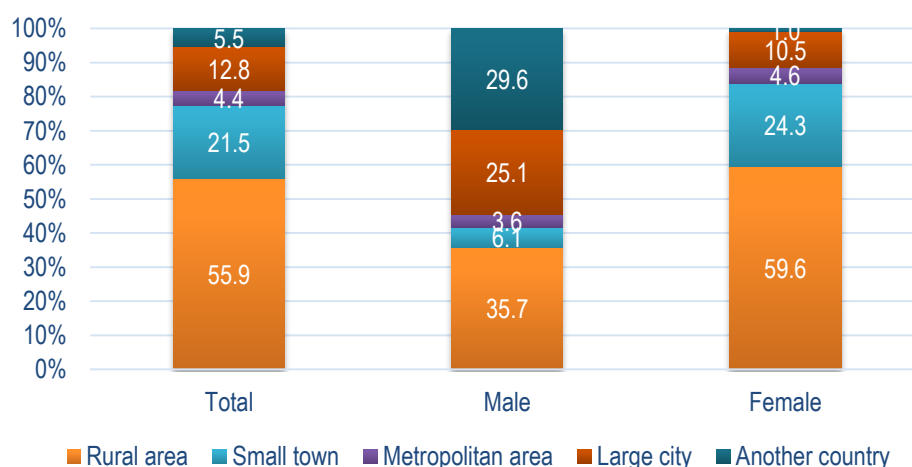
Source: SWTS Macedonia, 2014.

In terms of geographic location, a higher share of youth (56.5 per cent) lives in urban areas, while 43.5 per cent live in rural areas. The marital status of the young population shows that 74.3 per cent of youth are single and 24.5 per cent are married (the other two categories are insignificant). Young women are more likely to be married (29.3 per cent) compared to young men (19.9 per cent). The difference in the marital status between 2012 and 2014 can be attributed to the higher share of workers aged 25–29 in the 2014 sample.

### 3.2 Mobility of youth

Only a small proportion of youth has moved from their original place of residence – 8.3 per cent of the total youth population, which is slightly higher than in 2012 (7.6 per cent). Among those who have moved, 55.9 per cent moved from a rural area, 21.5 per cent from a small town/village, 12.8 per cent from a large city, 4.4 per cent from another country and 5.5 per cent from a metropolitan area (figure 3.1).

**Figure 3.1 Youth who moved from original residence by area of previous residence**

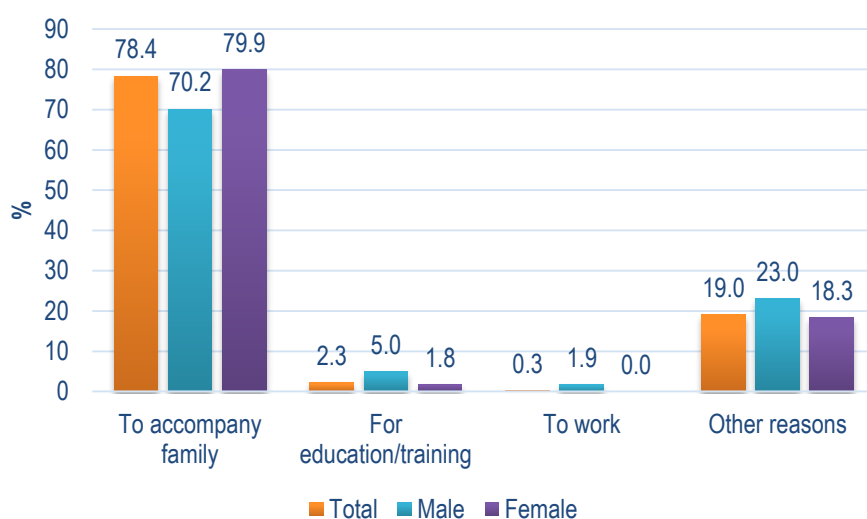


Source: SWTS Macedonia, 2014.

There are large differences in the mobility of young people by sex. While only 2.5 per cent of young men moved from their original place of residence, the share among young women was 14.6 per cent. Hence, young women represent 84.5 per cent of the total number of young persons who moved from their original residence. Young women moved mainly from rural areas (59.6 per cent) and from small towns (24.3 per cent), probably to a larger city. On the other hand, 29.6 per cent of young males had moved from another country compared to only 1.0 per cent of young females.

The main reason given for moving from the original place of residence by both sexes is for family reasons (78.4 per cent of those youth who moved), although a slightly higher share of females reported this as the main reason (79.9 per cent compared to 70.2 per cent of males; figure 3.2). Very few young people moved for work or to participate in education or training. Overall, these data show that young people in FYR Macedonia are not particularly mobile and are probably considering only the local labour market when searching for a job.

**Figure 3.2 Main reasons for moving from original residence**

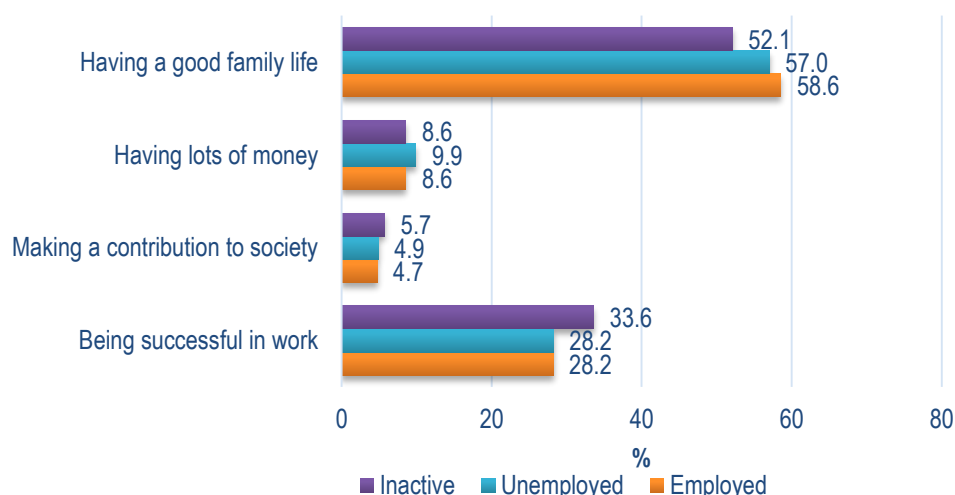


Source: SWTS Macedonia, 2014.

### 3.3 Aspirations and life goals

The primary life goal of young respondents – regardless of activity status – is to have a good family life (figure 3.3), similar to the findings from the 2012 survey. Being successful in work is the second most common life aspiration. However, one notable finding is that inactive youth are more likely to select being successful in work as their most important life goal (33.6 per cent of young inactive persons), in comparison to the employed and unemployed youth. This result may indicate that a large proportion of inactive youth do intend to enter the labour market at some point in the future and are aware of the link between success in employment and their overall well-being. A very small proportion of those surveyed selected making a contribution to society or having a lot of money as their primary life goal.

**Figure 3.3 Primary life goals of young respondents by current activity status**



Source: SWTS Macedonia, 2014.

### 3.4 Educational attainment

A majority of the youth population in 2014 had already finished their studies (57.5 per cent). Small shares had never attended school (1.5 per cent) or left school before graduation (2.4 per cent). The remaining 38.7 per cent were attending school at the time of the survey.

Most youth in FYR Macedonia have completed at least secondary education – 11.1 per cent at the general secondary level, 43.0 per cent at the vocational level (secondary or post-secondary) and a sizable 26.7 per cent at university level (table 3.2). A small share – although still worthy of attention – finished their schooling at the primary level (16.0 per cent) or even lower (3.2 per cent). In comparison to 2012,<sup>9</sup> there are larger shares of completion at the higher levels (10.2 per cent compared to 11.1 per cent with secondary general level and 21.2 per cent compared to 26.7 per cent with tertiary education). This is a reflection of the higher share of 25–29-year-old youth in the 2014 sample.

**Table 3.2 Educational attainment of youth, 2012 and 2014 (%)**

Highest level completed	2012			2014		
	Total	Male	Female	Total	Male	Female
Less than primary	3.5	3.5	3.6	3.2	1.2	5.4
Primary	22.2	19.1	25.7	16.0	12.5	20.0
Secondary	10.2	10.3	10.1	11.1	12.4	9.7
Vocational <sup>(1)</sup>	42.9	51.5	33.2	43.0	54.9	29.5
Tertiary	21.2	15.6	27.4	26.7	19.0	35.4
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

Note: (1) Includes both secondary and post-secondary vocational education.

Source: SWTS Macedonia, 2012 and 2014.

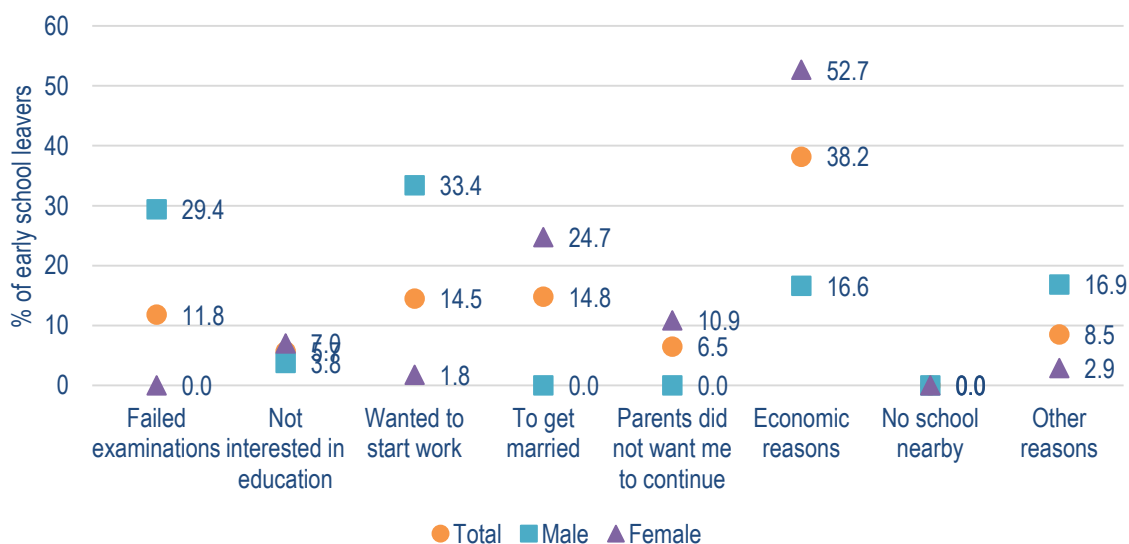
<sup>9</sup> Due to a change in the coding of education levels, the distribution of education levels shown here for 2012 do not match those presented in the first survey report by Elder, Novkovska and Krsteva (2013).



Gender differences are especially evident in the selection of education paths. Young men seem to favour vocational education while young women choose the academic (university) path. The share of young men who have completed vocational education is nearly double that of young women (54.9 and 29.5 per cent, respectively) and the opposite holds true for university level education (with 35.4 per cent of young women having a tertiary degree compared to 19.0 per cent of young men). Young women are also more likely than young men to finish schooling at the lowest level (primary or less). One-quarter (25.4 per cent) of young women finish with a less than secondary level education compared to 13.7 per cent of young men.

Regarding the 2.4 per cent of youth who started but did not complete a course of study (i.e. left school early; not shown), the most common reason for leaving school was economic in nature (including not being able to afford the costs, needing to earn money to support the family, etc.). More than one-third (38.2 per cent) of the early school leavers cited economic reasons (figure 3.4). To get married and wanting to start work were the next most commonly cited reasons for leaving school (with shares of 14.8 and 14.5 per cent, respectively), followed by failed examinations (11.8 per cent). Again, there are significant differences in the reasons for dropping out of school between the sexes. The most compelling reasons for females to drop out are economic (accounting for 52.7 per cent of the young women who left school), getting married (24.7 per cent) and parents' vetoing young women's continued school attendance (10.9 per cent). On the other hand, young men mainly dropped out because they wanted to work (33.4 per cent), failed examinations (29.4 per cent) and for economic reasons (16.6 per cent). This indicator shows that family and family circumstances are the main drivers behind young women leaving school early (either due to early marriages, poorer families' preference to educate their male child rather than their female child or the culture and traditions that prevent young women from acquiring further education). Such factors exert less influence over young men.

**Figure 3.4 Reasons for leaving school early (in % of youth that left school)**



Source: SWTS Macedonia, 2014.

In 2012, the most commonly cited reason for dropping out of school was a lack of interest in education (coming just above economic reasons), while in 2014 this reason ranked as the least important. Otherwise, the relative importance of the remaining reasons remains the same between the two years.

Table 3.3 shows a comparison of the highest educational level attained by youth and their father's and mother's educational attainment. Overall, in 47.5 per cent of cases, youth

have attained same level of education as their fathers, while 39.2 per cent of youth attained their mother's level of education. A higher level of education was attained by 41.2 per cent and 54 per cent of youth compared to their father and mother, respectively, implying a progression of education within households. However, data also reveal some regression in the educational attainment in that 11.3 per cent and 6.9 per cent of youth completed their education at a lower level than their father and mother, respectively. This regression is particularly significant for youth with no educational achievements (those with less than primary education or who never attended school), but also for youth with completed general secondary education. In the latter case, for instance, 45.1 per cent/26.1 per cent of youth who completed secondary general education have a father/mother with higher educational attainment.

**Table 3.3 Educational attainment of respondent in comparison to their parents (%)**

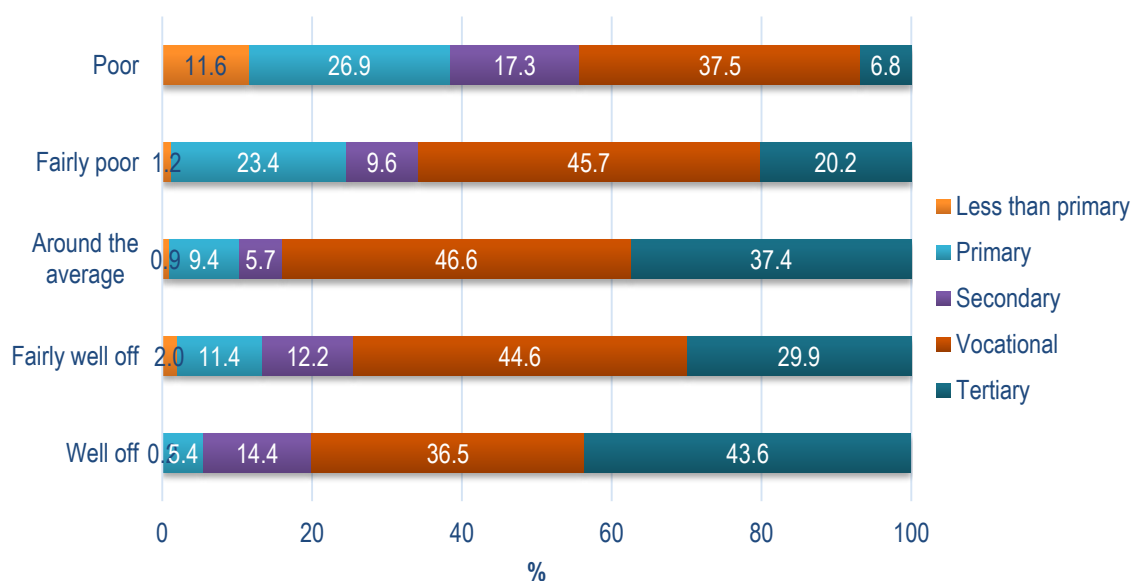
Highest level of completed education of a young person	Comparison with father			Comparison with mother		
	Same level	Parent has lower level of education	Parent has higher level of education	Same level	Parent has lower level of education	Parent has higher level of education
Less than primary and never attended school	46.2	0.0	53.8	58.2	0.0	41.8
Primary	75.2	7.6	17.1	78.5	14.8	6.7
Secondary	14.3	40.7	45.1	10.8	63.1	26.1
Vocational	59.0	36.7	4.3	46.4	49.9	3.7
University and post-graduate	57.3	42.7	0.0	57.8	50.3	0.0
<b>Total</b>	<b>47.5</b>	<b>41.2</b>	<b>11.3</b>	<b>39.2</b>	<b>54.0</b>	<b>6.9</b>

Note: Vocational includes both secondary and post-secondary vocational levels.

Source: SWTS Macedonia, 2014.

Figure 3.5 shows the distribution of youth's level of education by the family's financial circumstances, based on the individual perceptions of each young respondent. It shows a clear, positive link between a young person's level of education and the relative household income level: youth from poor households tend to acquire the lowest levels of education, which gives rise to a vicious circle of poverty. Among the poorest households, more than one-third of youth (38.5 per cent) had completed their education at the primary level or below. This situation calls for specific attention on the part of the policy-makers, through the implementation of education and training policies. Among the well-off households, almost no youth had not completed schooling to at least primary level: 5.4 per cent completed only primary education, 14.4 per cent completed secondary general education, 36.5 per cent completed vocational education and as many as 43.6 per cent have a tertiary level degree. The exception to this "linear" trend are young persons from fairly well-off households who are more likely to complete only primary level education and below than youth from averagely wealthy households and less likely to obtain a tertiary degree.

**Figure 3.5 Distribution of youth's educational attainment by household income level**



Note: Vocational includes both secondary and post-secondary vocational levels. Household income levels are based on the individual perception of each young respondent.

Source: SWTS Macedonia, 2014.

Among the current students (38.7 per cent of the population), the largest share (30.2 per cent) said that they preferred to study social sciences, business and law (table 3.4). This choice is followed by science, mathematics and computing (preferred by 14.3 per cent of students), engineering, manufacturing and construction (14.1 per cent) and health and welfare (12.7 per cent). Female students are slightly more likely to prefer social sciences, health and welfare, whereas more male students opt for science and engineering. The large share that prefer to follow a social sciences pathway reflects a continuing ignorance on the part of young students in relation to the structure of labour market demand (as signalled by the unemployment rates by occupation sought, shown in section 4.1). However, even if young students had access to accurate information about those sectors in which demand would be strongest at the time of their graduation, it is not clear that many would change their field of study. Selected fields are more frequently determined by the young person's area of interest and optimistic expectations than by practical matters relating to future prospects in the labour market.

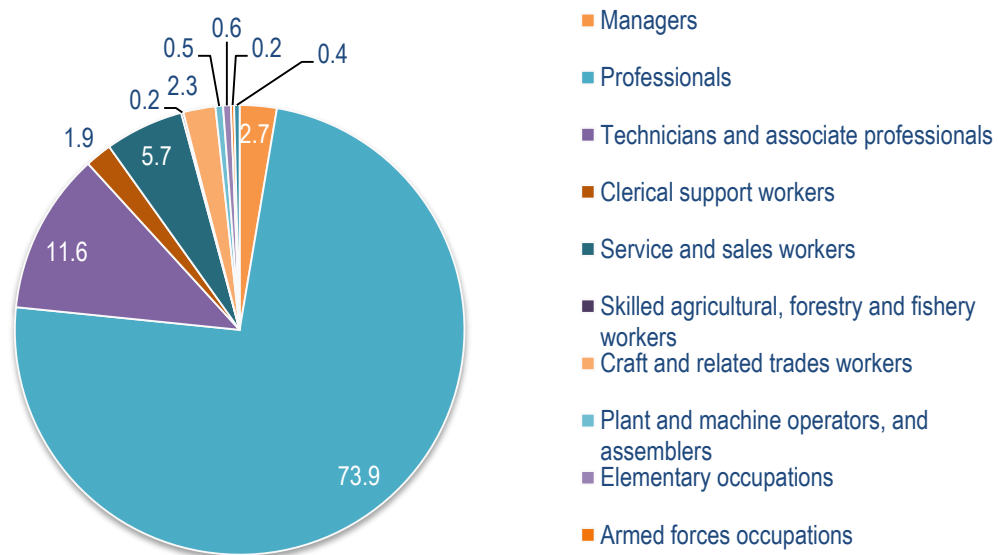
**Table 3.4 Preferred field of study of current young students**

	Total		Male		Female	
	Number	%	Number	%	Number	%
General programmes	12 119	6.9	6 330	7.2	5 790	6.5
Education	11 237	6.4	3 489	4.0	7 749	8.8
Humanities and arts	11 499	6.5	4 444	5.1	7 055	8.0
Social sciences, business and law	53 179	30.2	23 804	27.2	29 375	33.2
Science, mathematics and computing	25 081	14.3	15 874	18.2	9 207	10.4
Engineering, manufacturing and construction	24 750	14.1	17 976	20.6	6 774	7.7
Agriculture and veterinary medicine	4 472	2.5	3 262	3.7	1 210	1.4
Health and welfare	22 283	12.7	6 686	7.7	15 597	17.6
Other services	7 426	4.2	3 430	3.9	3 995	4.5
Other	3 912	2.2	2 123	2.4	1 789	2.0
<b>Total</b>	<b>175 959</b>	<b>100.0</b>	<b>87 419</b>	<b>100.0</b>	<b>88 541</b>	<b>100.0</b>

Source: SWTS Macedonia, 2014.

The optimism of youth is further reflected in the future job preferences identified by current students. As many as 73.9 per cent expect to find a job as a “professional” (figure 3.6Figure 3.). Far fewer expressed a preference for working in the future as technicians and associate professionals (11.6 per cent) or as service and sales workers (5.7 per cent). Job creation in the services sector would have to expand at a much faster rate than currently if it is to absorb the exiting cohorts of youth graduates expecting to find professional work in the future.

**Figure 3.6 Current students by type of preferred future job (%)**



Source: SWTS Macedonia, 2014.

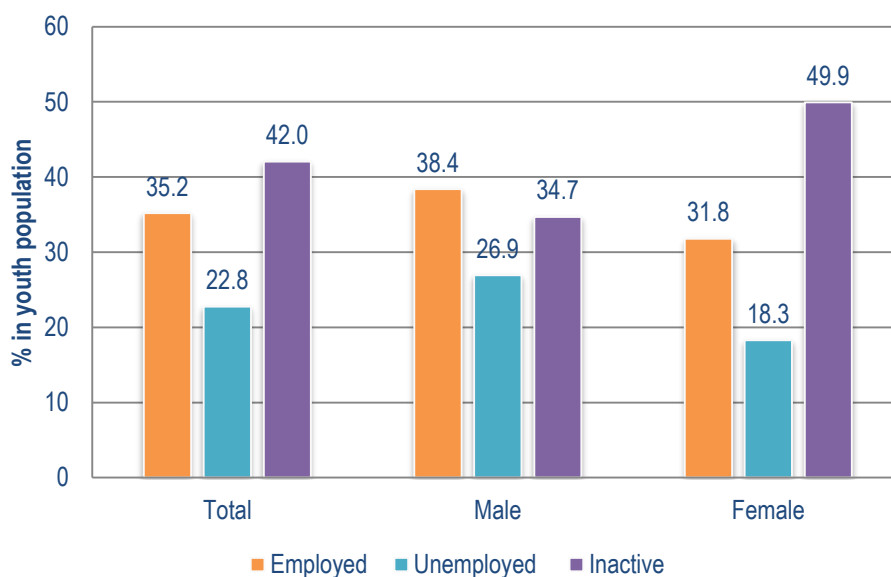
### 3.5 Main economic activity

Figure 3.7 illustrates the distribution of the youth population by main economic activity (employed, unemployed or inactive (outside the labour market)). The inactive represent the largest group, 42.0 per cent of all youth (and 49.9 per cent of young women), followed by the employed (35.2 per cent of all youth). The male–female employment gap is 6.6 percentage points. Approximately one-fifth (22.8 per cent) of active young people are unemployed, but males are much more likely to experience unemployment than females (26.9 and 18.3 per cent, respectively). The lower labour market activity of young women is both a response to and a cause of the lower tendency of young women to be unemployed.<sup>10</sup> Faced with a challenging job market, young women have a tendency to stay out of the labour market rather than look for work. Gender roles also play a major part in this respect, with women being much more likely to be tasked with the bulk of unpaid family work.<sup>11</sup>

<sup>10</sup> These data differ in magnitude from the data for young people presented in table 2.3 as here the upper age bound is extended to 29 years. The differences show that the inferior position of young females aged 15–24 decreases and even reverses in the 25–29-year-old age group, which can be related to the higher educational attainment of females.

<sup>11</sup> Elder and Kring (2016) offer a recent gender analysis of SWTS data sets in 32 developing countries, including FYR Macedonia.

**Figure 3.7 Distribution of the youth population by main economic activity**



Source: SWTS Macedonia, 2014.

Compared to the 2012 data, a higher proportion of youth in 2014 are employed (35.2 per cent compared to 27.9 per cent in 2012) and unemployed, but fewer are inactive (42 per cent in comparison to 50.7 per cent in 2012). These differences in the economic status of youth can be explained by the higher share of youth aged 24–29 in the 2014 sample (as a greater percentage of them have completed their education and are therefore active on the labour market).

In the report on the 2012 SWTS (Elder, Novkovska and Krsteva, 2013), the argument was made that comparing traditional labour market indicators with a more detailed disaggregation of indicators made available through the SWTS allows a clearer picture to be drawn of the challenges that youth face in developing countries. Figure 3.8 features the more detailed breakdown of the youth population, which shows employment categorized as “regular” or “irregular” based on the contract type and duration<sup>12</sup> and inactivity disaggregated by whether or not the inactive youth is engaged in education. The detailed distribution also applied the broader definition of unemployment.<sup>13</sup>

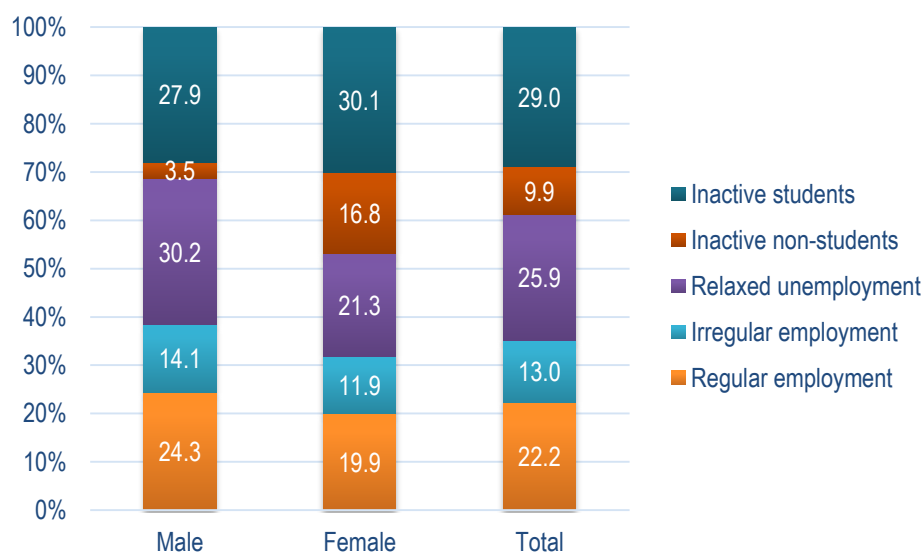
The figure confirms that the majority of the inactive youth in FYR Macedonia are in school (29.0 per cent) and a small proportion (9.9 per cent) are inactive non-students. Young persons in the latter category are neither contributing to economic production nor investing in their human capital through engagement in education or training. Since 2012, the share of inactive non-students has increased slightly, from 8.3 per cent. In addition, 13.0 per cent of young people are in irregular employment, defined as employees with a contract duration of less than 12 months plus self-employed youth. The corresponding share in 2012 was 13.5 per cent. Only 22.2 per cent of youth in 2014 hold a regular job (salaried employment with contract duration greater than 12 months) while as many as 25.9 per cent of the youth population are unemployed according to the broad definition. The corresponding shares in 2012 were 14.4 per cent in regular employment and 24.5 per

<sup>12</sup> Young workers in regular employment have a paid job with contract duration of 12 months or longer. Young workers in irregular employment include own-account workers and contributing family workers and temporary paid workers with contract duration of less than 12 months.

<sup>13</sup> The category of “broad” unemployment includes persons without work and available to work but without the additional criterion of engagement in an active job search.

cent in unemployment (broad definition). The comparatively higher shares of youth in regular employment in the more recent data set can be viewed as a positive sign.

**Figure 3.8** Distribution of the youth population by more detailed disaggregation of economic activity



Source: SWTS Macedonia, 2014.

From a policy perspective, this figure has vital implications. It shows that policy-makers should be concerned not only with the unemployed youth, but also with the element of underutilized labour, which represents the country's lost development potential. The proportion of underutilized labour (unemployed plus those in irregular employment and the inactive non-students) among youth in 2014 amounts to nearly half of the youth population, at 48.8 per cent. The labour underutilization rate shows an increase of 2.6 percentage points compared to the 2012 results.

The SWTS also enables those young people who are classified as not employed nor in education or training (NEET) to be brought into the calculations. About one-third (31.9 per cent) of young people in FYR Macedonia in 2014 qualified as NEETs (a similar result to that found in 2012, when the NEET rate was 30 per cent). The breakdown of sub-categories within the NEET classification shows that the majority within the category are unemployed non-students (62.6 per cent) while approximately one-third (37.4 per cent) are inactive non-students (table 3.5). These young people are likely to experience a loss of their human capital (accumulated during their education), which has negative consequences and large costs both for the individuals and for society as a whole. The NEET rate is higher among young women than men (34.4 and 29.4 per cent, respectively), but what is perhaps more striking is the diverse composition within the NEETs by sex. While as many as 80.7 per cent of male NEETs fall within the category due to unemployment, only 46.0 per cent of female NEETs are unemployed. Female NEETs are much more likely to fall within the sub-category of inactive non-students (54.0 per cent and 19.3 per cent, respectively). . Indeed, alarmingly, young women make up as much as 75 per cent of inactive, non-student youth. Finally, there is a slightly higher incidence of NEETs in rural areas than in urban areas (34.2 and 30.1 per cent, respectively).

**Table 3.5** Distribution of NEETs by urban/rural geography and sex

	Total		Male		Female		Rural		Urban	
	Number	%	Number	%	Number	%	Number	%	Number	%
NEET	145 212	31.9	69 484	29.4	75 728	34.4	67 711	34.2	77 501	30.1
<i>Of which</i>										
Unemployed non-students (strict)	90 923	62.6	56 067	80.7	34 857	46.0	38 431	56.8	52 492	67.7
Inactive non-students	54 289	37.4	13 418	19.3	40 871	54.0	29 280	43.2	25 009	32.3

Source: SWTS Macedonia, 2014.

## 4. Characteristics of the youth labour market

### 4.1 Unemployed youth

The difference in youth unemployment rates measured by the strict and broad definitions is not large in FYR Macedonia. The strict unemployment rate in 2014 is 39.3 per cent and the broad rate is 42.4 per cent.<sup>14</sup> Relaxing the active job-search criteria adds only 14,339 (an increase of 13.8 per cent) to the unemployed pool (table 4.1). Among the 14,339 youth who are without work, available for work but not actively seeking work, more than half (54.7 per cent) qualify as “discouraged workers”. The discouraged youth have given up on the search for jobs due to a reason that implies a sense of despair about their labour market prospects. Specific reasons include: not knowing how or where to seek work, an inability to find work that matches their skills, previous experience of looking for work has not yielded any positive results, feeling too young to find work and the sense that no jobs are available in the area. Overall, the share of discouraged youth in the youth labour force remains small at 3.0 per cent.

**Table 4.1** Youth unemployment, strict and broad definitions, and discouragement

	Total	Male	Female
Unemployment (strict)	103 743	63 540	40 203
Unemployment (broad)	118 082	71 265	46 817
Discouragement	7 841	3 912	3 929
Unemployment rate (strict, %)	39.3	41.2	36.5
Unemployment rate (broad, %)	42.4	44.0	40.1
Discouraged youth as % of labour force	3.0	2.5	3.6
Discouraged youth as % of unemployed not actively seeking work	54.7	50.6	59.4

Source: SWTS Macedonia, 2014.

Table 4.2 shows the reasons why those 14,339 youth who are without work and available for work are not actively seeking work. The biggest share of those young persons (29.8 per cent) reports a lack of jobs in the area (of residence) as their primary reason for not seeking work. It is notable that the share of young women stating this reason is double

<sup>14</sup> Note that this result differs from the youth unemployment rate derived from the LFS, for three reasons: (1) here the age range is extended by the additional group of young people aged 25–29, who are less likely to be unemployed; (2) although the SWTS was intended to be completed by the same youth who participated in the LFS (third quarter of 2014), some young people were unwilling to answer both surveys and participated in only one of them; (3) the LFS allows for proxy responses of absent youth and proxies have a tendency to overstate periods of joblessness compared to employment.

that of young men (41.1 per cent compared to 20.2 per cent). This result may show the low mobility of young persons in Macedonia (especially among women) for work-related reasons. The second most frequently cited reason for not looking for work is education or training leave. Skills mismatches and personal family responsibilities are the next most commonly given reasons why young persons who do not hold a job but are available to work are not seeking work.

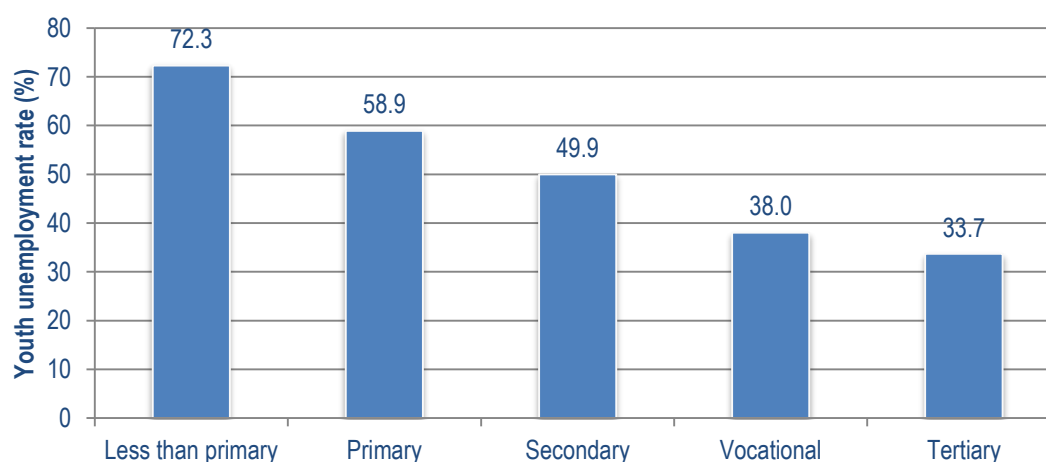
**Table 4.2 Non-job seeking unemployed by reason for not seeking work**

Reasons	Total		Male		Female	
	Number	%	Number	%	Number	%
Awaiting the season for work	905	6.3	863	11.2	42	0.6
Education or training leave	3 875	27.0	2 155	27.9	1 720	26.0
Personal family responsibilities	1 513	10.6	612	7.9	902	13.6
Pregnancy	0	0.0	0	0.0	0	0.0
Own illness, injury or disability	0	0.0	0	0.0	0	0.0
Do not know how and where to seek work	492	3.4	492	6.4	0	0.0
Unable to find work to match skills	1 783	12.4	878	11.4	905	13.7
Had looked for jobs before but had not found any	1 213	8.5	904	11.7	310	4.7
Too young to find a job	81	0.6	81	1.1	0	0.0
No jobs available in the area	4 272	29.8	1 557	20.2	2 715	41.1
Other reason	205	1.4	184	2.4	21	0.3
<b>Total</b>	<b>14 339</b>	<b>100.0</b>	<b>7 726</b>	<b>100.0</b>	<b>6 614</b>	<b>100.0</b>

Source: SWTS Macedonia, 2014.

Figure 4.1 clearly demonstrates that education can act as a safeguard against unemployment of young persons, even in a country with high overall unemployment. The figure shows that the youth unemployment rates decrease progressively with each additional level of educational attainment. A young economically active person with less than primary level education has a very high chance of being unemployed: 72.3 per cent of young persons in this group are unemployed. The unemployment rate of youth with a university degree is still high, at 33.7 per cent, but much lower than the average unemployment rate of youth. Between 2012 and 2014 there was a decline in the unemployment rate of tertiary educated young persons, from 38.1 per cent in 2012, and an increase in unemployment in all the other categories.

**Figure 4.1 Youth unemployment rates by level of educational attainment**



Note: Vocational includes both secondary and post-secondary vocational levels.

Source: SWTS Macedonia, 2014.



Those Macedonian youth who have the misfortune to be unemployed face extended job-search periods, which can have negative consequences in terms of skills erosion, financial losses and damaged self-esteem. Most of the unemployed youth – 77.8 per cent – have been searching for a job for more than one year, i.e. are long-term unemployed. Females are slightly more likely to fall within the category of long-term unemployed than young men (80.7 per cent and 76.0 per cent, respectively) (table 4.3). Only 22.2 per cent of unemployed youth have been searching for a job for less than one year.

**Table 4.3 Duration of youth unemployment**

Duration	Total		Male		Female	
	Number	%	Number	%	Number	%
Less than a week	152	0.2	0	0.0	152	0.4
1 week to less than 1 month	2 468	2.4	1 822	2.9	646	1.6
1 month to less than 3 months	7 967	7.7	3 930	6.2	4 038	10.0
3 months to less than 6 months	4 811	4.6	3 302	5.2	1 509	3.8
6 months to less than 1 year	7 648	7.4	6 211	9.8	1 437	3.6
1 year to less than 2 years	13 719	13.2	6 897	10.9	6 822	17.0
2 years or more	66 979	64.6	41 378	65.1	25 600	63.7
<b>Total</b>	<b>103 743</b>	<b>100.0</b>	<b>63 540</b>	<b>100.0</b>	<b>40 203</b>	<b>100.0</b>

Source: SWTS Macedonia, 2014.

From a policy perspective, it is important to know whether the high levels of long-term unemployment among young persons is due to the limited number of job offers available in the country (in light of low overall job creation), or whether they are “picky” in terms of the job offers they are prepared to accept, turning down those opportunities that fail to match their expectations of the sector in which they want to work, the wage that they would like to get, etc. In other words, they might not consider the first job as a stepping stone to a better job in the future.

Table 4.4 shows that there is indeed a mismatch between the occupations in which young persons expect to find jobs and the occupations in which jobs are currently available for workers (i.e. the demand for those occupations outnumbers the supply). The unemployed Macedonian youth are principally seeking work in the following occupational groups: professionals (26.1 per cent), service and sales workers (20.9 per cent) and technicians and associate professionals (17.2 per cent). However, currently, only 16.7 per cent of the employed youth are working as professionals and only 6.7 per cent as technicians. Despite government measures to support agriculture (mainly through subsidies to production), very few (if any) young men and women seek employment as a skilled agricultural and fishery worker. By sex, young women are more likely to seek professional work than young men (37.5 and 18.8 per cent, respectively), while young unemployed men are more likely than young women to be craft and related trades workers (19.5 and 5.2 per cent, respectively). The latter result can be explained in part by the higher shares of young men following the vocational education track. Compared to 2012, there is a significant decline in the share of unemployed youth seeking work in the elementary occupations, which might be explained by the higher average educational structure of the 2014 sample.

Household income level has a significant impact on youth unemployment, with young people in relatively higher income households less likely to be unemployed. Figure 4.2 shows that comparatively fewer young people living in wealthier families are unemployed relative to those living in less well-off families: 9.4 per cent of the youth from the wealthiest households were unemployed in 2014 compared to 32.8 per cent of the young persons from the poorest ones. The same trend is evident for both sexes, although it appears that the financial situation of a household has a greater impact on the unemployment status of females compared to their male counterparts.

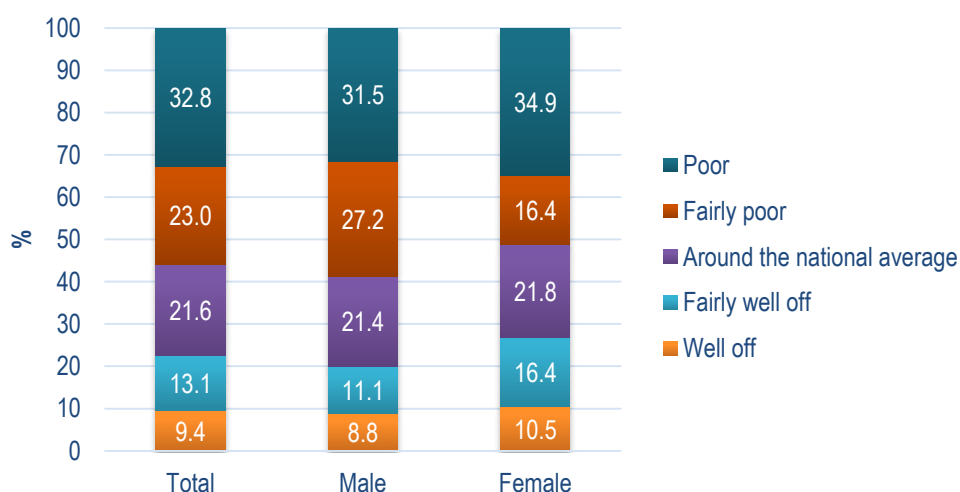
**Table 4.4** Distribution of occupations sought by unemployed youth and occupational distribution of employed youth

ISCO-08	Employed (%)	Unemployed (occupations sought, %)		
	Total	Total	Male	Female
Managers	0.8	1.0	1.1	0.9
Professionals	16.7	26.1	18.8	37.5
Technicians and associate professionals	6.7	17.2	17.7	16.3
Clerical support workers	5.1	4.0	3.6	4.6
Service and sales workers	26.3	20.9	17.8	25.9
Skilled agricultural, forestry and fishery workers	3.2	0.0	0.0	0.0
Craft and related trades workers	13.4	14.0	19.5	5.2
Plant and machine operators, and assemblers	12.0	2.7	2.9	2.3
Elementary occupations	14.5	13.8	18.4	6.6
Armed forces occupations	1.4	0.3	0.2	0.5
<b>Total</b>	100.0	100.0	100.0	100.0

Note: ISCO-08 = International Standard Classification of Occupations, 2008.

Source: SWTS Macedonia, 2014.

**Figure 4.2** Unemployed youth by household income level

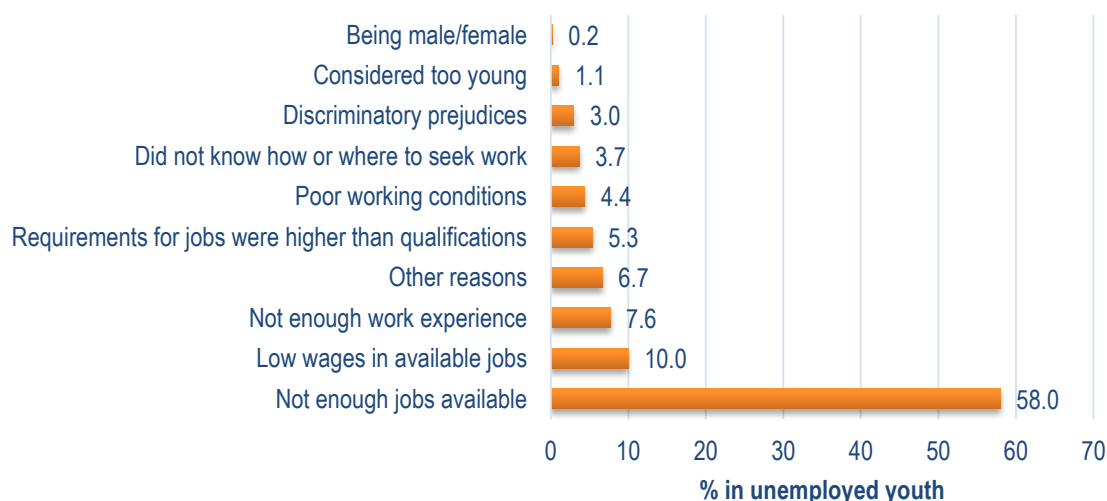


Note: The household income level is based on the individual assessment of each young respondent.

Source: SWTS Macedonia, 2014.

When asked about the main obstacle to finding work, over half of the unemployed young people – 58.0 per cent – stated that the main challenge is the lack of available jobs (figure 4.3). This is similar to the results of the 2012 survey (54.2 per cent). The second most commonly cited reason (but by far less frequently given than the first) is the low wages in available jobs (a reason stated by 10 per cent of the unemployed youth), which may confirm that young persons can be selective when searching for a job. A lack of work experience was reported as a main obstacle to finding work by 7.6 per cent of the unemployed youth.

**Figure 4.3 Unemployed youth by main obstacle to finding work**



Source: SWTS Macedonia, 2014.

Table 4.5 shows that young Macedonians mainly rely on informal search channels and networks for finding work. Friends and relatives are used by 78.7 per cent of unemployed youth (and 34 per cent of employed youth) as a method for searching for a job. Some 72.5 per cent of unemployed youth search for jobs by inquiring directly at factories, farms and other workplaces (which is also an informal channel), 56.2 per cent place or answer a job announcement and 56.8 per cent register with an employment centre. This information shows that young unemployed Macedonians are using several channels to search for employment, which may suggest that they search intensively for a job, although it is still not possible to assess precisely the intensity of their job search. Data also show that only one-fifth of the unemployed youth (had the opportunity to) take a test or have an interview for a job. Very few young workers are pursuing the possibility of self-employment (just 0.4 per cent of the unemployed youth).

**Table 4.5 Job-search method of youth**

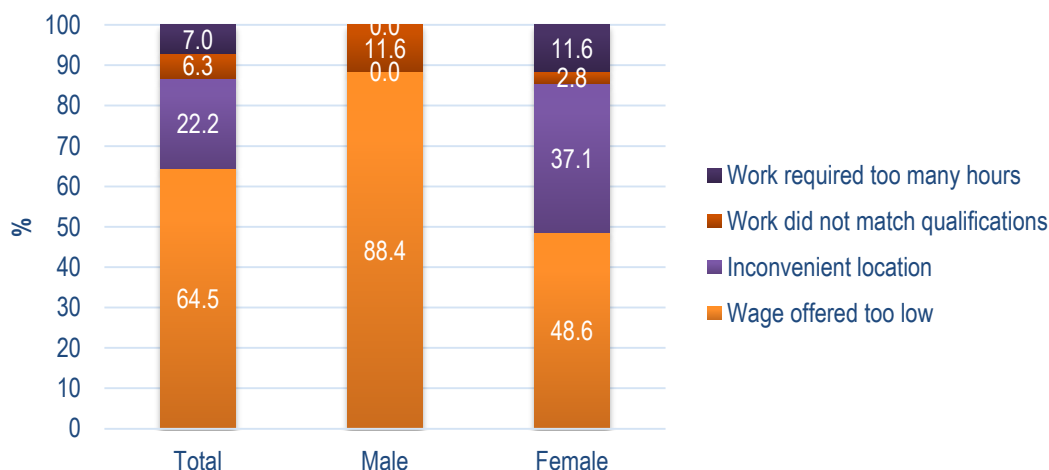
Method	Employed		Unemployed	
	Number	%	Number	%
Registered at an employment centre	6 404	4.2	58 889	56.8
Placed/answered job advertisements	29 398	19.3	58 298	56.2
Inquired directly at factories, farms or other workplaces	15 027	9.9	75 175	72.5
Took a test or an interview	15 377	10.1	21 711	20.9
Asked friends, relatives	51 848	34.0	81 616	78.7
Waited on the street to be recruited for casual work	1 152	0.8	2 783	2.7
Sought financial assistance to look for work	803	0.5	1 339	1.3
Looked for land, machinery to start own business or farming	318	0.2	414	0.4
Applied for permit or licence to start a business	1 262	0.8	530	0.5
Joined the family establishment	26 447	17.4	0	0.0
Other method	4 348	2.9	511	0.5
<b>Total</b>	<b>152 383</b>	<b>100.0</b>	<b>103 743</b>	<b>100.0</b>

Note: Multiple responses were allowed for job-search methods of unemployed youth. Employed youth identified how they searched for their current job.

Source: SWTS Macedonia, 2014.

One means of trying to gauge the relative intensity of the job search among unemployed youth is by determining (1) if the young unemployed person has ever refused a job offer and, if so, for what reasons, and (2) the conditions under which the unemployed youth would accept a job offer. Presumably, the more desperate the jobseeker (for instance, for reasons of poverty), the less selective they will be and therefore expected to accept any job, regardless of conditions. In FYR Macedonia, the share of unemployed youth who refused a job offer is low, at 5.7 per cent. Figure 4.4 shows the primary reasons for which young persons turned down job offers. Out of the ten possible reasons, respondents gave only four: low wages being the most important one (for 64.5 of the youth who refused a job offer), followed by inconvenient location (for 22.2 per cent), too many hours of work (7 per cent) and job not matching their qualifications (6.3 per cent).

**Figure 4.4 Unemployed youth (broad definition) who had refused a job by reason for refusal**



Source: SWTS Macedonia, 2014.

However, significant gender differences are evident in the reasons for refusing a job. The findings suggest that young men are more selective in accepting a job offer (having turned down jobs which pay low wages and for which their qualifications are not a good match), whereas for women the non-monetary characteristics of the offered work are also important, such as the location and number of hours of work involved, which play an important role in the family–work balance.

Table 4.6 shows the average lowest wage (reservation wage) at which young unemployed workers would accept a job offer, by education level. It shows that the minimum monthly wage at which the “average” young unemployed worker will accept a job offer is 13,688 MKD (Macedonian denars), which is approximately 223 EUR. It is also evident that females who educate themselves to a higher level (i.e. complete tertiary education) have higher reservation wage than their male peers. Note that this average reservation wage is 64 per cent of the average net wage in the country in 2014.<sup>15</sup> For a comparative perspective, the table also presents data on distribution of net wages (in selected wage ranges) in the economy by education.

<sup>15</sup> Average wage data for the economy are published by the State Statistical Office, based on a company survey.

**Table 4.6 Lowest wage expectation of unemployed youth (i.e. reference wage, in local currency) and wages in the economy**

Educational attainment	Total	Male	Female	5 000–10 000	10 001–12 000	12 001–16 000	16 001–20 000
				(in % of all workers)	(in % of all workers)	(in % of all workers)	(in % of all workers)
Less than primary	10 316	11 486	9 010	n.a.	n.a.	n.a.	n.a.
Primary	11 901	12 634	10 540	26.3	15.2	13.6	8.2
Secondary	12 564	13 264	11 437	22.1	20.5	20.5	14.2
Tertiary	16 115	15 362	16 707	16.2	19.1	22.1	16.5
<b>Total</b>	<b>13 688</b>	<b>13 644</b>	<b>13 749</b>	<b>19.6</b>	<b>16.3</b>	<b>16.7</b>	<b>14.0</b>

Note: The State Statistical Office publishes wages from the LFS by wage ranges and by frequencies of workers in each wage range. An additional 3.5 per cent of workers in 2014 received a wage below 5,000 MKD and 16.7 per cent earned a wage above 20,000 MKD (the remaining 4.3 per cent of workers did not report their wage and 8.8 per cent were unpaid family workers). Secondary education includes general and vocational education.

Source: SWTS Macedonia, 2014 and author's calculations of distribution of wages from LFS 2014.

By comparing the wage expectations and actual wages in the economy, it is apparent that youth with secondary education have somewhat unrealistic wage expectations: their average reservation wage is 12,349 and 12,780 MKD for general and vocational secondary education, respectively, but in the economy as a whole 42.6 per cent of workers with such education earn wages between 5,001 and 12,000 MKD, whereas only one-fifth of them earn wages between 12,001 and 16,000 MKD. This is even more true for workers with completed tertiary education. While the average reservation wage for these workers is 16,115 MKD, in the economy as a whole 57.4 per cent of workers with tertiary education earn less than that (even those with a degree of work experience). However, in comparison with the reported wages of salaried and self-employed youth, the wage expectations of the unemployed are higher only at the less than primary and secondary general levels of education (see section 4.3).

## 4.2 Youth outside the labour force (inactive youth)

The total number of inactive youth (strict definition) is 191,660 of which 42.7 per cent are men and the remaining 57.3 per cent are women. The inactivity rate in 2014 is 40.2 per cent, which signifies a significant decrease in inactivity since 2012 when 47.6 per cent (220,830) of the youth aged 15–29 were inactive. This substantial drop in inactivity may be partly explained by the different age structure of the two samples, in that a lower share of the youth in 2014 are still in education, since they are older. Indeed, the most common reason for inactivity, reported by 73.0 per cent of inactive youth in 2014, is attending education/training (table 4.7), whereas in 2012 the share of this category of inactive youth was 82.6 per cent.

**Table 4.7 Inactive youth by reason for inactivity**

Reason	Total		Male		Female	
	Number	%	Number	%	Number	%
Attending education/training	129 374	73.0	64 696	87.3	64 678	62.7
Family responsibilities or housework	30 030	16.9	964	1.3	29 066	28.2
Pregnancy	1 929	1.1	332	0.5	1 597	1.6
Illness, injury or disability	3 538	2.0	1 931	2.6	1 607	1.6
Too young to work	3 262	1.8	1 923	2.6	1 339	1.3
No desire to work	1 724	1.0	788	1.1	936	0.9
Other reason	7 463	4.2	3 497	4.7	3 966	3.8
<b>Total</b>	<b>177 320</b>	<b>100.0</b>	<b>74 131</b>	<b>100.0</b>	<b>103 189</b>	<b>100.0</b>

Source: SWTS Macedonia, 2014.

For 16.9 per cent of the inactive youth, family responsibilities or housework constitute the main reason for inactivity. As expected, young women are far more likely to be inactive due to family responsibilities and housework (28.2 per cent of women compared to 1.3 per cent of young men). This suggests that young women face barriers to activity (and therefore employment) which are related to the general traditions and culture in the country.

### 4.3 Youth employment by sector, status and occupation

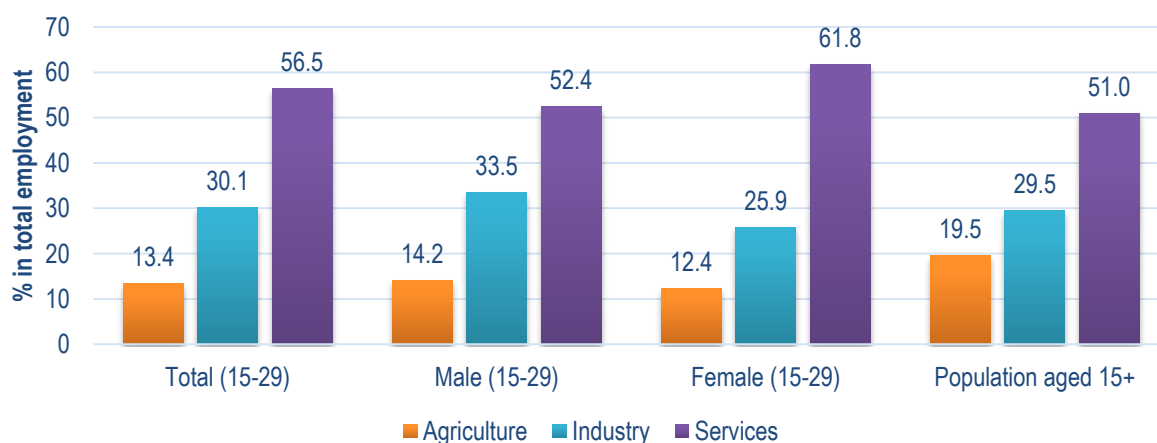
A total of 79.6 per cent of employed youth are salaried workers (employees), 13.8 per cent are contributing family workers, and 3.0 per cent own-account workers. A small share (2.1 per cent) are employers and 1.4 per cent reported “other” employment status (table 4.8). Young women are slightly more likely to be engaged as employees and contributing family members, and less likely to own and run a business either as employers or own-account workers. In comparison to the 2012 results, young workers in 2014 are more likely to be in paid employment (66.7 per cent in 2012) and less likely to be in contributing family work (the figure was as high as 21.9 per cent in 2012).

**Table 4.8** Employed youth by status in employment

Employment status	Total		Male		Female	
	Number	%	Number	%	Number	%
Employee	127 775	79.6	70 697	78.0	57 078	81.7
Employer	3 361	2.1	2 282	2.5	1 079	1.5
Own-account worker	4 828	3.0	4 481	5.0	347	0.5
Contributing family worker	22 212	13.8	12 386	13.7	9 825	14.1
Other	2 290	1.4	743	0.8	1 548	2.2
<b>Total</b>	<b>160 466</b>	<b>100.0</b>	<b>90 589</b>	<b>100.0</b>	<b>69 877</b>	<b>100.0</b>

Source: SWTS Macedonia, 2014.

**Figure 4.5** Distribution of youth employment by broad aggregate sector



Note: Agriculture includes agriculture, forestry and fishing; industry includes sectors B to F of the International Standard Industrial Classification (ISIC); and services includes sectors G to U (ISIC Rev. 4).

Source: SWTS Macedonia, 2014 and LFS for population aged 15+.

Figure 4.5 shows the distribution of employed youth by main sectoral branch. The majority of youth of both sexes are employed in services, although the share is higher for young women than men (61.8 and 52.4 per cent, respectively). The second largest sector for youth employment is industry, with a share of 30.1 per cent, while the agricultural

sector employs 13.4 per cent of the youth population. Compared to the total employment in the country (based on the LFS), the sectoral structure of youth employment shows that youth are more likely to work in services (56.5 per cent of youth compared to 51 per cent among the age group 15+, that the levels of representation in industry are fairly equal and that youth are less well represented in agriculture (13.4 per cent of youth are employed in agriculture in contrast to 19.5 per cent of total employment). As expected, young women are more likely to be employed in services, but less likely to work in the industry and agricultural sectors.

Table 4.9 shows the structure of youth employment in more detail, by 1-digit ISIC. Manufacturing absorbs most of the youth workers (24.4 per cent), with males being slightly more likely to work in that sector. Wholesale and retail trade is the second largest employer of youth workers (16.9 per cent of all employed youth), followed by agriculture (13.4 per cent). Males are much more likely to work in construction, and public administration, whereas females dominate in professional and scientific activities, education, health and social work and arts and entertainment. In terms of occupation, the three largest occupational groups of youth employment (based on ISCO-08) are service and sales workers (accounting for 26.3 per cent of total youth employment), professionals (16.7 per cent) and elementary occupations (14.5 per cent) (table 4.10).

**Table 4.9 Distribution of youth employment by 1-digit ISIC**

ISIC Revision 4	Total		Male		Female	
	Number	%	Number	%	Number	%
Agriculture, forestry and fishing	21 482	13.4	12 816	14.2	8 666	12.4
Mining	567	0.4	296	0.3	270	0.4
Manufacturing	39 077	24.4	23 575	26.0	15 502	22.2
Electricity, gas, steam	299	0.2	299	0.3	0	0.0
Water supply	402	0.3	239	0.3	163	0.2
Construction	8 019	5.0	5 895	6.5	2 124	3.0
Wholesale and retail trade	27 092	16.9	14 793	16.3	12 299	17.6
Transport	8 438	5.3	5 260	5.8	3 178	4.6
Accommodation	13 067	8.1	7 674	8.5	5 394	7.7
Information and communication	2 882	1.8	881	1.0	2 000	2.9
Financial activities	1 204	0.8	894	1.0	310	0.4
Real estate	111	0.1	111	0.1	0	0.0
Professional scientific activities	4 034	2.5	1 162	1.3	2 872	4.1
Administrative and support activities	2 498	1.6	1 651	1.8	847	1.2
Public administration	9 194	5.7	7 146	7.9	2 048	2.9
Education	9 497	5.9	3 951	4.4	5 546	7.9
Health and social work	5 247	3.3	879	1.0	4 368	6.3
Arts and entertainment	4 696	2.9	1 197	1.3	3 499	5.0
Other services	2 581	1.6	1 791	2.0	790	1.1
Private employment in households	80	0.1	80	0.1	0	0.0
<b>Total</b>	<b>160 466</b>	<b>100.0</b>	<b>90 589</b>	<b>100.0</b>	<b>69 877</b>	<b>100.0</b>

Source: SWTS Macedonia, 2014.

Compared to the occupational distribution of employment in the country (LFS data, for population aged 15+), it appears that youth are enjoying more favourable employment in terms of skill content in that they are less likely to be employed in elementary occupations and more likely than the overall population to work in medium-skilled jobs. This finding may be related to the higher educational attainment of the employed youth in comparison to the educational attainment of the total employed population, but it may also

reflect the changing nature of jobs in the economy (more new jobs being created with higher skill components). It is surprising that very few young workers are engaged in skilled agricultural, forestry and fishery work (3.2 per cent) given the much higher level of employment in agriculture (13.4 per cent, figure 4.5), which means that agricultural activities are spread across other occupations as well (most probably in elementary occupations).

**Table 4.10 Employed youth by occupation (ISCO-08)**

ISCO-08	Total		Male		Female	
	Number	%	Number	%	Number	%
Managers	1 254	0.8	898	1.0	356	0.5
Professionals	26 715	16.7	9 425	10.4	17 290	24.7
Technicians and associate professionals	10 685	7.0	3 712	4.1	6 973	10.0
Clerical support workers	8 173	5.1	3 283	3.6	4 889	7.0
Service and sales workers	42 272	26.3	23 169	25.6	19 103	27.3
Skilled agricultural, forestry and fishery workers	5 083	3.2	3 394	3.8	1 689	2.4
Craft and related trades workers	21 555	13.4	16 746	18.5	4 809	6.9
Plant and machine operators, and assemblers	19 243	12.0	13 810	15.2	5 433	7.8
Elementary occupations	23 219	14.5	13 884	15.3	9 335	13.4
Armed forces occupations	2 269	1.4	2 269	2.5	0	0.0
<b>Total</b>	<b>160 466</b>	<b>100.0</b>	<b>90 589</b>	<b>100.0</b>	<b>69 877</b>	<b>100.0</b>

Source: SWTS Macedonia, 2014.

Young female workers are much more likely to work in higher skilled occupations: 35.2 per cent of women work as managers, professionals and technicians, whereas this is true of only 15.5 per cent of young men. On the other hand, half of the young men are employed in low-skilled occupations (craft workers, plant and machine operators and elementary occupations), whereas this is the case for 28 per cent of females. This occupational structure of youth employment by sex is in line with the higher average educational attainment of young women on the labour market and also representative of the diverse education tracks followed.

### 4.3.1 Wage employment

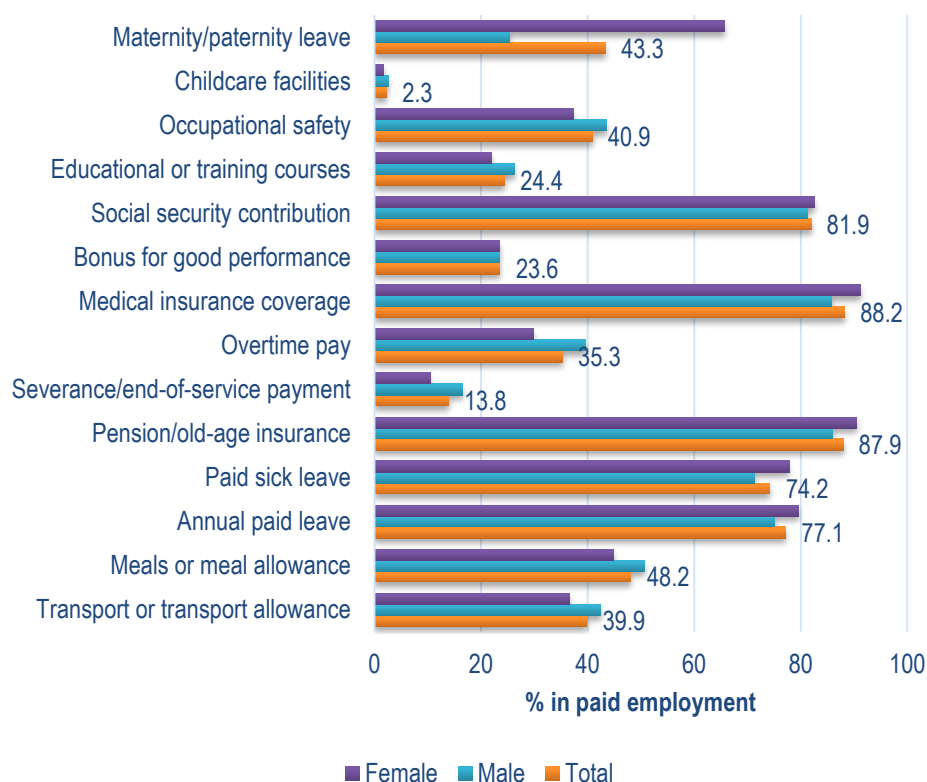
As mentioned above, the majority of young persons (79.6 per cent) are employed as salaried workers. The quality of their employment can be assessed based on the access to benefits and entitlements that they receive through their jobs. As figure 4.6 shows, most young employees have access to medical (health) insurance (88.2 per cent), pension insurance (87.9 per cent) and social security contributions (which include health, pension and unemployment insurance).<sup>16</sup> The workers who are entitled to receive those benefits can be considered as being in a formal working relationship with their employer. A large majority of youth also have access to annual paid leave (77.1 per cent) and to paid sick leave (74.2 per cent). Surprisingly, less than half of the respondents reported having access to maternity leave (43.3 per cent overall and 65.6 per cent of women), which is supposed to be a guaranteed right in the formal employment relationship. Only one-quarter of the young wage employees have access to education or training courses, and about one-third

<sup>16</sup> Mandatory social security contributions are paid by the employer, on behalf of the employees.



are paid for overtime work. Less than half of the workers have access to meals or meal allowances and 40 per cent receive transport or a transport allowance.<sup>17</sup>

**Figure 4.6 Wage and salaried young workers by access to benefits/entitlements**



Note: Multiple responses were allowed.  
Source: SWTS Macedonia, 2014.

Only a small share of employed youth receives coverage for childcare facilities (2.3 per cent), severance or end-of-service payment (13.8 per cent) and bonus payments for good performance (23.6 per cent). Despite this, it is important to acknowledge again the large proportion of employed young people with access to basic benefits, such as pension, health and social security.

The average wage of the salaried youth is 14,322 MKD (table 4.11), which is approximately 70 per cent of the average net wage in the country in 2014. Female workers command a slightly higher average wage, which only modestly reflects their higher educational attainment and superior occupational and skill structure of their employment relative to young men. At the less than primary education level, males' wages are three times higher than women's, on average. An unexpected finding is the high average wage for workers with completed primary education, for both sexes. Apart from that result, wages increase with education.

<sup>17</sup> Prior to 2009, meals and transport allowance formed part of the workers' gross wage, and were therefore not subject to social security contributions. With the gross-wage reform of 2009 (entailing a change to the system from net to gross wages and a reduction of the contribution rates), it has been left to the discretion of employers whether or not they pay such allowances.

**Table 4.11 Average monthly income of young wage and salaried workers by sex and completed educational attainment (in Macedonian denars)**

Educational attainment	Total	Male	Female
Less than primary	6 569	12 000	4 000
Primary	18 240	18 617	15 666
Secondary	11 229	12 277	10 304
Vocational	13 419	13 870	12 073
Tertiary	16 174	15 070	16 738
<b>All non-student youth</b>	<b>14 322</b>	<b>14 253</b>	<b>14 420</b>

Note: Vocational includes both secondary and post-secondary vocational levels.

Source: SWTS Macedonia, 2014.

About one-quarter (23.4 per cent) of young paid employees in FYR Macedonia are on temporary contracts, meaning less than 12 months in duration. In most cases (66 per cent), the youth engaged on a temporary contract are engaged on a “chain contract” system, meaning that their contract is likely to be renewed on termination, although renewal is not guaranteed (figure 4.7). Other reasons for working on temporary contracts include seasonal work (10.5 per cent), completing a probationary period (10.2 per cent), on-the-job training or internship (3.0 per cent) and working as a substitute for a permanent employee (2.2 per cent).

**Figure 4.7 Young employees on temporary contract by reason**



Source: SWTS Macedonia, 2014.

### 4.3.2 Self-employment

Of the total employed youth cohort, 18.9 per cent are self-employed, most of whom are contributing family workers, followed by own-account workers and employers (table 4.8). Compared to 2012, the share of self-employed youth has declined considerably, from 29.1 per cent to the current 18.9 per cent. This decline is almost entirely attributable to a reduction in the number and share of contributing family workers (from 21.9 per cent in 2012 to 13.8 per cent in 2014), but may also be related to the higher educational qualifications of the (employed) youth in 2014. In addition, the share of own-account workers has halved (from 6.3 per cent in 2012 to 3 per cent in 2014), whereas the share of employers has increased by 1.2 percentage points. The latter result can perhaps be explained by the higher average age of the 2014 sample.

More than half of the self-employed youth (53.4 per cent) started their own economic activity following an unsuccessful job search (table 4.12). Still, for about 42 per cent of the youth, own-account work is a preferred choice, either because of its greater independence (reported by 24.9 per cent), higher earnings potential (13.1 per cent of self-employed youth) or its more flexible working time (3.8 per cent). Less than 5 per cent were “pushed” into self-employment by their family. There are, however, notable differences in the reasons for self-employment between young persons from rural and from urban areas who started a business. For the rural self-employed, the most important reason was the lack of jobs (stated by 61.6 per cent of self-employed), whereas for urban youth it was the greater independence offered by self-employment (reported by 63.8 per cent).

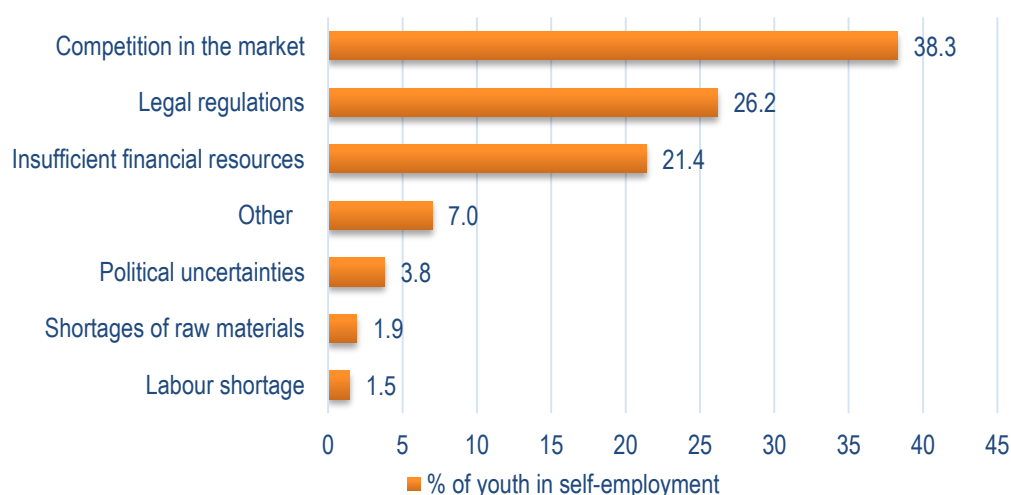
**Table 4.12 Self-employed youth by reason for self-employment**

Reason	Total		Urban		Rural	
	Number	%	Number	%	Number	%
Could not find a wage or salaried job	4 376	53.4	207	14.5	4 169	61.6
Greater independence	2 042	24.9	910	63.8	1 132	16.7
More flexible hours of work	310	3.8	310	21.8	0	0.0
Higher earning potential	1 074	13.1	0	0.0	1 074	15.9
Required by the family	388	4.7	0	0.0	388	5.7
<b>Total</b>	<b>8 189</b>	<b>100.0</b>	<b>1 426</b>	<b>100.0</b>	<b>6 763</b>	<b>100.0</b>

Source: SWTS Macedonia, 2014.

The majority of young self-employed in FYR Macedonia claim that market competition is their most significant business challenge (cited by 38.3 per cent) (figure 4.8). The subsequent primary challenges are the legal regulations and insufficient financial resources (reported by 26.2 and 21.4 per cent of self-employed youth, respectively). There are significant changes in the main challenges reported by self-employed youth between 2012 and 2014. In 2012, the most frequently cited challenge (for 46.8 per cent of youth) was insufficient financial resources, a share which has declined to 21.4 per cent in 2014. This decline can possibly be attributed to the increased scope of ALMPs in the country and their more targeted focus on youth, especially in terms of providing loans to young entrepreneurs. In contrast, market competition and legal regulations have become more significant barriers to starting and running a business during the period between 2012 and 2014.

**Figure 4.8 Self-employed youth by most significant business challenge**



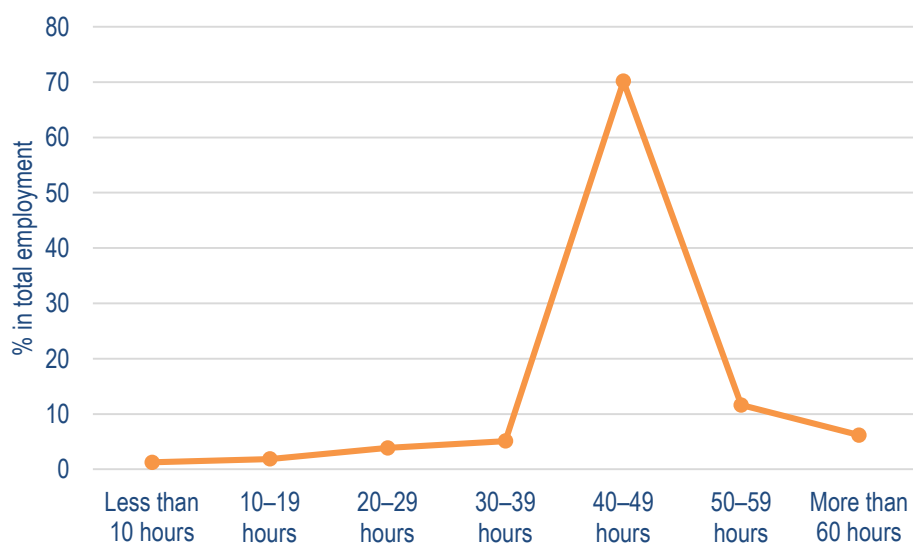
Source: SWTS Macedonia, 2014.

In terms of the initial capital outlay to start the business, 37.9 per cent of self-employed youth stated that they borrowed money from family and friends, 31.6 per cent used their own savings and 23.8 per cent reported that they did not need any money to start the business (not shown). Only 5.4 per cent took a loan from a bank and 1.3 per cent used government finances. Young persons' lack of collateral can act as an important barrier to accessing bank loans and starting (or expanding) a business. Compared to 2012, a greater proportion of the self-employed youth in 2014 used their own savings (23.6 per cent in 2012 compared to 31.6 per cent in 2014) to start a business and fewer of them borrowed from family and friends (48.2 per cent in 2012 and 37.9 per cent in 2014). Whereas in 2012, virtually no one reported having used government finances, in 2014 some 1.3 per cent of youth have done so.

#### 4.4 Working hours and informality

Figure 4.9 shows the distribution of youth employment by actual hours worked per week. Most young people (87.9 per cent of working youth) work full time, i.e. 40 hours or more per week, whereas 17.8 per cent of working youth can be said to work an excessive number of hours (50 hours or more per week). Only 12.2 per cent of youth work part-time (representing a decrease from 16.5 per cent in 2012) where part-time work is usually related to young people still being in education (16.2 per cent of total employed youth are current students). The latter finding shows that few young people in FYR Macedonia combine work and study.

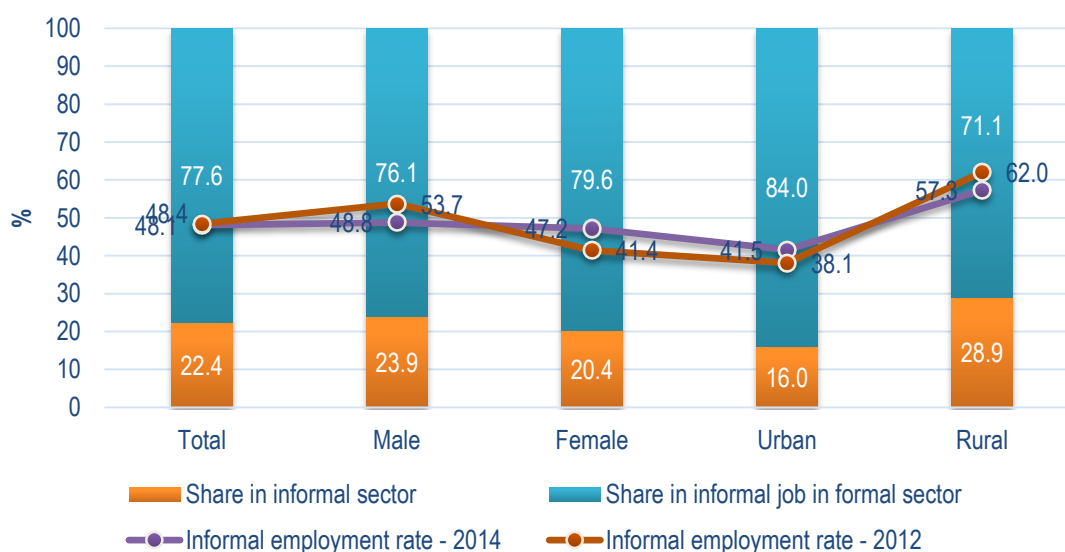
**Figure 4.9** Distribution of youth employment by actual hours worked per week



Source: SWTS Macedonia, 2014.

Informal employment<sup>18</sup> is a concern in FYR Macedonia, although it is important to acknowledge that the youth informal employment rate is considered low in relation to the region as a whole (see Elder et al., 2015). Nearly half (48.1 per cent) of the young workers are in informal employment (48.8 per cent for young men and 47.2 per cent for young women). The share in 2012 was 48.4 per cent (figure 4.10). Informal employment is significantly higher in rural areas in comparison to urban areas at 57.3 and 41.5 per cent, respectively, although the rural rate did show an improvement from 2012 (62.0 per cent). Despite the high share of young paid workers with access to basic entitlements, young workers in an informal job in the formal sector still make up the majority share (77.6 per cent) of youth in the broader category of informal employment. The remaining 22.4 per cent are young workers in unregistered enterprises and micro-enterprises or contributing family workers.

**Figure 4.10 Youth informal employment rate, 2012 and 2014, and shares of informal workers in the formal sector and workers in the informal sector, 2014**



Source: SWTS Macedonia, 2012 and 2014.

#### 4.5 Qualifications mismatch

One means of measuring the mismatch between the job that a person does and their level of educational qualifications is to apply the normative measure of occupational skills categories from the International Standard Classification of Occupations (ISCO). ISCO-08 includes the following categorization of major occupational groups (first-digit ISCO levels) by level of education in accordance with the International Standard Classification

<sup>18</sup> Informal employment is measured according to the guidelines recommended by the 17th International Conference of Labour Statisticians. The calculation applied here includes the following sub-categories of workers: (a) paid employees in “informal jobs”, i.e. jobs without entitlement to social security, paid annual leave and paid sick leave; (b) paid employees in an unregistered enterprise with size classification below five employees; (c) own-account workers in an unregistered enterprise with size classification below five employees; (d) employers in an unregistered enterprise with size classification below five employees; and (e) contributing family workers. Sub-categories (b) to (d) are used in the calculation of “employment in the informal sector”, sub-category (a) applies to “informal job in the formal sector” and sub-category (e) can fall within either grouping, depending on the registration status of the enterprise that engages the contributing family worker.

of Education (ISCED).<sup>19</sup> Table 4.13 reproduces the norms of the ISCO-based educational classification.

**Table 4.13 ISCO major groups and education levels**

ISCO major group	Broad occupation group	Skill level
1 Managers, senior officials and legislators		
2 Professionals	High-skilled non-manual	Tertiary (ISCED 5–6)
3 Technicians and associate professionals <sup>20</sup>		
4 Clerks	Low-skilled non-manual	
5 Service and sales workers		
6 Skilled agricultural and fishery workers		Secondary (ISCED 3–4)
7 Craft and related trades workers	Skilled manual	
8 Plant and machine operators, and assemblers		
9 Elementary occupations	Unskilled	Primary (ISCED 1–2)

Workers in a particular occupational/skill group who have the assigned level of education for that occupation are considered well-matched. Those who have a higher (lower) level of education are considered over- (under-) educated. For instance, a university graduate working as a clerk (a low-skilled non-manual occupation) is overeducated, while a secondary school graduate working as an engineer (a high-skilled non-manual occupation) is undereducated.

The latest data in FYR Macedonia show that 72.4 per cent of the employed youth are working in an occupation that matches their level of education. The remaining are over- or undereducated for their jobs, with more in the former category (21.3 and 6.3 per cent, respectively) (table 4.14). Overeducation is more common among young female workers (26.9 per cent compared to 17.3 per cent for young men) while undereducation is more prevalent among young male workers (9.0 per cent compared to 2.6 per cent for young women). Between 2012 and 2014, the share of undereducated young workers declined by 6 percentage points (from 12.5 per cent in 2012) and the share of overeducated young workers increased slightly (from 20.7 per cent in 2012).

**Table 4.14 Qualifications mismatch (ISCO-based) by levels of education and sex**

Sex/education	Matching qualifications (%)	Overeducated (%)	Undereducated (%)
Total	72.4	21.3	6.3
Male	73.7	17.3	9.0
Female	70.5	26.9	2.6
<i>Level of completed education:</i>			
Primary or less	39.5	0.0	60.5
Secondary	85.8	10.9	3.3
Tertiary	57.4	42.6	0.0

Note: Secondary includes general and vocational secondary education.

Source: SWTS Macedonia, 2014.

<sup>19</sup> For more information on the issue of qualifications mismatch, see Quintini (2011) and Sparreboom and Staneva (2014).

<sup>20</sup> The revised ILO methodology splits this occupation between association with tertiary and secondary education, based on the more detailed 2-digit ISCO. For this reason, results in this report differ from those published in the summary of the 2012 survey.

These results are, in part, a reflection of the levels of education attained by youth in the country. With a substantial share of employed youth holding higher level degrees in FYR Macedonia in 2014, while most of the existing and newly created jobs are in lower skilled occupations, it is not overly surprising to find more youth being classified as overeducated than undereducated. The phenomenon of overeducation tends to be found when there is an insufficient number of jobs to match a certain level of education, which forces some of the degree-holders to take up available work for which they are overqualified. Consequently, overeducated youth are likely to earn less than they otherwise could have and their productive potential in the economy is not fully maximized.

The level of qualification-matching proves to be best for youth with secondary education. Only 10.9 per cent of secondary degree holders are overeducated compared to 42.6 per cent of tertiary graduates (table 4.14). The recent policy in the country of expansion of tertiary education (through subsidies and capacity increases) is likely to have exacerbated the overeducation situation (Mojsoska-Blazevski and Ristovska, 2012). In contrast, as one might expect, undereducation is found primarily among young workers who finished their education at the primary level or below (with 60.5 per cent undereducated).

Table 4.15 provides further evidence to support the premise that some highly educated young people in FYR Macedonia are having to accept jobs for which they are overqualified. For instance, 34.4 per cent of youth employed as service and sales workers are overeducated for the job and the share is as high as 69.1 per cent among youth working in elementary occupation. On the other hand, there are also young people in positions that require a higher level of education than the one that they hold. In particular, 59.8 per cent of young managers are categorized as overeducated, although further analysis of the data has indicated that many of these “managers” are actually own-account workers engaged in small-scale business operations, so it is questionable whether an expectation of tertiary education in those cases would be justified. The other occupations hosting a significant share of undereducated young workers are technicians and associate professionals (20.9 per cent) and craft and related trades workers (13.9 per cent).

**Table 4.15 Shares of overeducated and undereducated young workers by major occupational category (ISCO-08)**

Major occupational categories (ISCO-08)	Overeducated	Undereducated
1 Managers, senior officials and legislators	0.0	59.8
2 Professionals	0.0	3.1
3 Technicians and associate professionals	3.6	20.9
4 Clerks	35.5	2.1
5 Service and sales workers	34.4	3.1
6 Skilled agricultural, forestry and fishery workers	23.9	4.4
7 Craft and related trades workers	2.6	13.9
8 Plant and machine operators, and assemblers	9.7	4.7
9 Elementary occupations	69.1	1.6

Source: SWTS Macedonia, 2014.

## 4.6 Security and satisfaction

Despite some indications of poor quality employment among some young workers, the vast majority of them still expressed satisfaction with their work (79.4 per cent). Similarly, this was the case for 72.7 per cent of youth in 2012. The seeming contradiction of a young person working in a job that offers little in terms of monetary reward, stability or security claiming job satisfaction probably reflects the ability of youth to adapt to the

reality of a market in which few “good” jobs exist. In the context of low labour market demand and high levels of unemployment, simply having a job may outweigh issues of that jobs’ quality. However, it may also suggest that the overall labour market environment depresses the ambitions and aspirations of young people.

Workers with completed vocational training, from urban areas, from well-off households, in regular and formal employment are most satisfied with their jobs (table 4.16). The results also show that overeducated workers are much more inclined to be dissatisfied with their job in comparison to youth in jobs that are well-matched to their qualifications or youth who are undereducated.

**Table 4.16 Job satisfaction rates by workers’ characteristics (%)**

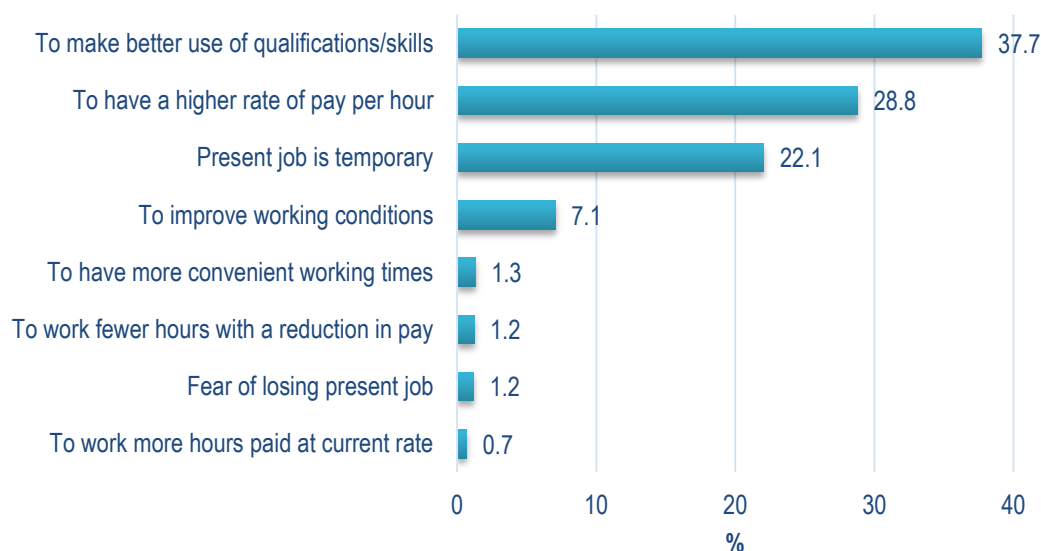
Characteristics	Total	Male	Female	
Level of completed education	Less than primary	35.7	100.0	0.0
	Primary	78.0	73.0	95.6
	Secondary	79.1	87.7	64.6
	Vocational	82.6	80.2	89.4
	Tertiary	80.2	78.4	81.1
Area of residence	Rural	76.5	77.9	74.3
	Urban	81.5	79.8	83.4
	Well off	84.3	91.2	76.8
Household income level <sup>(1)</sup>	Fairly well off	86.3	84.5	88.7
	Around the average	82.0	81.6	82.4
	Fairly poor	68.8	65.9	72.3
	Poor	67.5	64.3	75.7
Type of employment <sup>(2)</sup>	Regular	86.1	85.0	87.6
	Irregular	68.1	68.4	67.6
	Formal	86.7	87.0	86.3
	Informal	71.6	70.4	73.2
Qualifications mismatch	Overeducated	60.6	56.6	64.3
	Undereducated	79.9	82.5	66.7
	Matching	86.6	84.3	89.6
<b>Total</b>	<b>79.4</b>	<b>78.9</b>	<b>80.1</b>	

Notes: (1) Household income levels are based on the individual perception of each young respondent. (2) See the definitions in sections 3.5 and 4.4.  
Source: SWTS Macedonia, 2014.

One can dig further into issues of job satisfaction by utilizing the indicator determining whether or not the employed youth would like to change jobs. In FYR Macedonia, 40.8 per cent of working youth say they would like to change their job (figure 4.11). The most commonly cited reasons for wanting to change job are qualifications mismatch (37.7 per cent), unsatisfactory levels of pay (28.8 per cent) and the temporary nature of the work (22.1 per cent). Although these three main reasons for desiring a change in employment were the same in the two survey years, in 2012 a larger share of youth reported temporary work contract as a main reason (30.4 per cent) and a smaller share the issue of qualifications mismatch (21.6 per cent). The increase in qualifications mismatches documented above can, at least partly, explain this change.



**Figure 4.11 Employed youth who would like to change their work by reason**



Source: SWTS Macedonia, 2014.

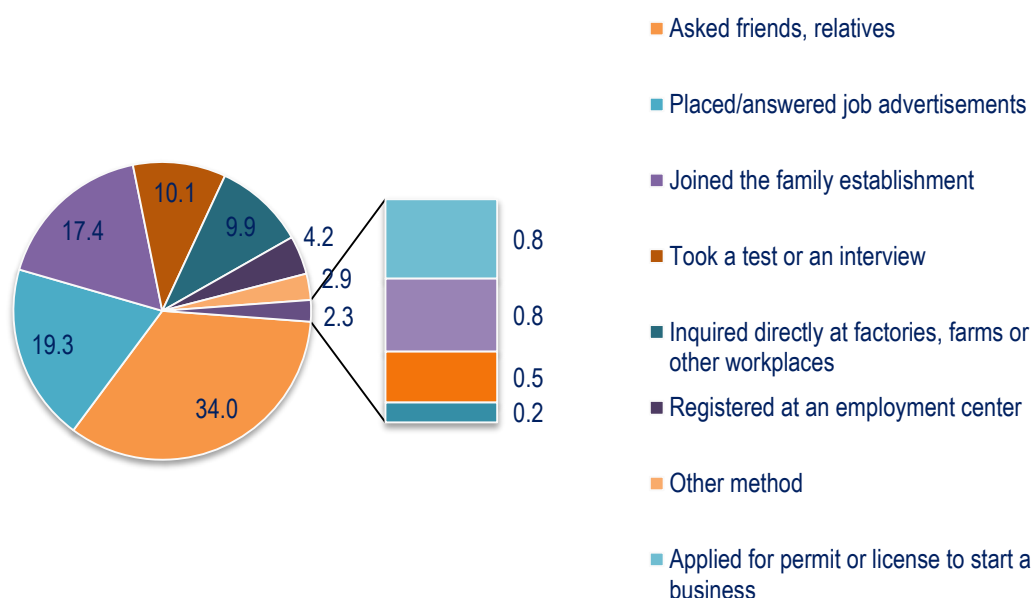
#### 4.7 Job-search methods of the employed

The largest share of currently employed youth searched for work for a period of one year or longer prior to obtaining their current job (46.7 per cent), whereas 18.7 per cent spent less than one week in attaining their current employment. Unfortunately, between 2012 and 2014, an increasing share of workers who experienced a lengthy job-search period is documented (39.9 per cent of youth in 2012 were unemployed for more than 12 months prior to gaining their first job). Moreover, a higher percentage of youth in 2012 managed to find a job in less than one week (21.9 per cent). The increasing length of the job search may not necessarily signal negative development if a longer search period is rewarded by a better job match. However, the results show that the level of qualifications mismatch has actually increased, so these two indicators, taken together, reveal the worsened situation of youth in the labour market. Lengths of transition will be discussed in more detail in section 5.3.

It is interesting to compare the job-search methods used by the currently employed youth to those of the currently unemployed (discussed in section 4.1). The hope would be that the currently employed youth used a job search method that proved to be underutilized by the currently unemployed, i.e. the employed youth use more effective search channels. Unfortunately, finding the answers to the labour market challenges in the country does not prove to be so easy. There is a substantial overlap in job-search methods used by the currently employed and unemployed. The largest share of employed youth obtained their job through asking family and friends (34.0 per cent), which also proves to be the most common job-search tool of the current jobseekers (figure 4.12). However, the next most commonly utilized job-search methods used by the unemployed (multiple answers were allowed) – direct inquiry at places of employment and registering at an employment centre – did not prove to be particularly successful for the currently employed. Only 9.9 per cent of the employed youth obtained their job through direct inquiry and just 4.2 per cent of working youth were placed in their current job through an employment centre. Less than one-fifth (19.3 per cent) of working youth responded directly to a job advertisement or placed their own advertisement, a method used by 56.2 per cent of the unemployed. This information still seems to suggest that the choice of the job-search channel has a significant effect on the success of the job search. In addition, it may be that employed

youth have very different networks (friends and family) relative to the unemployed youth, which affects the outcomes of their job search.

**Figure 4.12 Employed youth by job-search method used to attain current job (%)**



Source: SWTS Macedonia, 2014.

## 5. Stages of transition

### 5.1 Concepts and definitions<sup>21</sup>

The preceding sections analysed youth with respect to their current activity status. Another means of classifying youth is to group them according to where they stand in relation to their transition into the labour market. The labour market transition of young people concerns not only the length of time from their exit from education (either upon graduation or early exit without completion) to their first entry into any job, but also includes qualitative factors, such as whether the job is stable (measured by contract type).

The SWTS is designed to apply a stricter definition of “stable employment” than is typically used. By starting from the premise that a person has not “transited” until they are settled in a job that meets very basic criteria of stability, as defined by the duration of the employment contract, the SWTS analytical framework introduces a qualitative element to the standard definition of labour market transition. However, as seen in previous sections, few young people in Macedonia attain stable employment and, if the “end goal” does not fit the reality of the situation, then perhaps the statistics are not framed widely enough. For this reason, the ILO added job satisfaction as a component and built it into the concept of labour market transition.

More specifically, labour market transition is defined as the passage of a young person (aged 15–29) from the end of schooling (or entry into first economic activity) to the first stable or satisfactory job. Based on their experience gained in analysing data from

<sup>21</sup> This section is provided by the ILO.

2012–2013 SWTS data sets, the ILO made slight revisions to the methodology for calculating the stages of transition. The justification for the revisions, based on lessons learned in the analyses, is summarized in ILO (2015), Chapter 4.

The revised definition thus acknowledges the transitory state of current students and also the subjectivity of job satisfaction. The transition is therefore considered to be complete only when a young person has attained a stable job based on a written contract of duration greater than 12 months or oral agreement with likelihood of retention or has attained a satisfactory temporary job judged on the young respondent's willingness to stay there. The fact that all current students are counted among those "in transition", which was not the case for calculations based on the 2012 survey that distributed students according to their labour market status, unfortunately makes it impossible to make a direct comparison with the transition results presented in Elder, Novkovska and Krsteva (2013). Rather, to aid comparability across the two surveys, this section also applies the revised framework for defining the transition to the 2012 survey.

The full revised definitions of the stages of transition are as follows:

- I. **Transited** – A young person who has "transited" is one who is currently employed and not in school in:
  - i. a stable job
    - a. based on a written contract of at least 12 months' duration, or
    - b. based on an oral agreement and likely to keep the job over the next 12 months;
  - ii. a satisfactory temporary job
    - a. based on a written contract of less than 12 months' duration and does not want to change the job, or
    - b. based on an oral agreement, not certain to keep the job over the next 12 months and does not want to change the job; or
    - c. satisfactory self-employment (in self-employed status and does not want to change the job).
- II. **In transition** – A young person still "in transition" is one who is currently:
  - i. an active student (employed or unemployed);
  - ii. unemployed (non-student, broad definition);
  - iii. employed in a temporary and non-satisfactory job
    - a. based on a written contract of less than 12 months' duration and wants to change the job, or
    - b. based on an oral agreement, not certain to keep the job over the next 12 months and wants to change the job;
  - iv. in non-satisfactory self-employment (in self-employed status and wants to change the job); or
  - v. inactive and not in education or training, with the aim of looking for work later.
- III. **Transition not yet started** – A young person whose status is "transition not yet started" is one who is currently:
  - i. still in school and inactive (inactive student); or
  - ii. inactive and not in education or training (inactive non-student), with no intention of looking for work.

Two elements of this classification are noteworthy. First, the stages of transition span across the boundaries of economic activity as defined in the standard labour force framework.<sup>22</sup> The “transited” category includes a sub-set of youth classified as employed; the remaining employed fall within the category of “in transition”, which includes those who fall under the strict definition of unemployed and portions of the inactive (namely, those without work, available for work but not actively seeking work<sup>23</sup> and inactive non-students who have stated an intention to join the labour force at a later stage). The “transition not yet started” category is the residual of the inactive population.

Second, the stages of transition are not intended to be a normative framework. Because of the inclusion of youth in satisfactory self-employment and satisfactory temporary employment, one cannot say that all young people in the transited category have transited to a “good” job. In fact, many young people in self-employment – the own-account workers and unpaid family workers – are engaged in the informal economy and, by definition, make up the bulk of the country’s share of irregularly employed. Yet they have expressed a degree of satisfaction with their job, and they are likely to have finished their transition in the sense that they will remain in the self-employed classification for the remainder of their working lives.

The classification into stages of transition offers a flow concept. A person is in transition until they have reached a stable position in the labour market, meaning they have a job they are likely to maintain, regardless of whether it is good or bad. For a normative framework, it is better to look at the job-quality indicators presented in the previous sections.

## 5.2 Stages of transition

Concerning the transition stage of the youth population, the largest share of the youth population in 2014 comprises those who are in the process of transition (43.9 per cent) (table 5.1). The percentage of those who have completed the transition is 23.9 per cent, and the remaining 32.2 per cent of young people have not yet started the process of transition. Young men are more likely than young women to have completed the transition (26.7 per cent vs. 21 per cent, respectively), and to be in transition (44.9 per cent and 42.8 per cent, respectively), whereas females are more likely than males to have not yet started the transition (36.2 per cent and 28.4 per cent, respectively). The latter result can be attributed not only to the higher average educational attainment of young women, but also to their lower level of labour market participation (i.e. higher inactivity rate).

In comparison to 2012, the share of youth who have completed the transition has increased by 7.5 percentage points (from 16.4 per cent) and the share remaining in transition increased by 3 percentage points (from 40.3 per cent). The more significant change, however, was in the substantial fall in the share of youth in the category “transition not yet started” between the two years; the share was 43.3 per cent in 2012 and 32.2 per cent in 2014. The higher share of youth in the upper age range (25–29 years old) in the second survey is one of the more obvious reasons behind the differing results.

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<sup>22</sup> The international guidelines for measuring statistics on the economically active population, set out by the 13th International Conference of Labour Statisticians (ICLS) in 1982, provide the framework for measuring who is counted as employed and as unemployed according to the economic production boundaries set out by the System of National Accounts.

<sup>23</sup> This is the portion added to the “strictly” unemployed category to make up the unemployed (according to the broad definition).

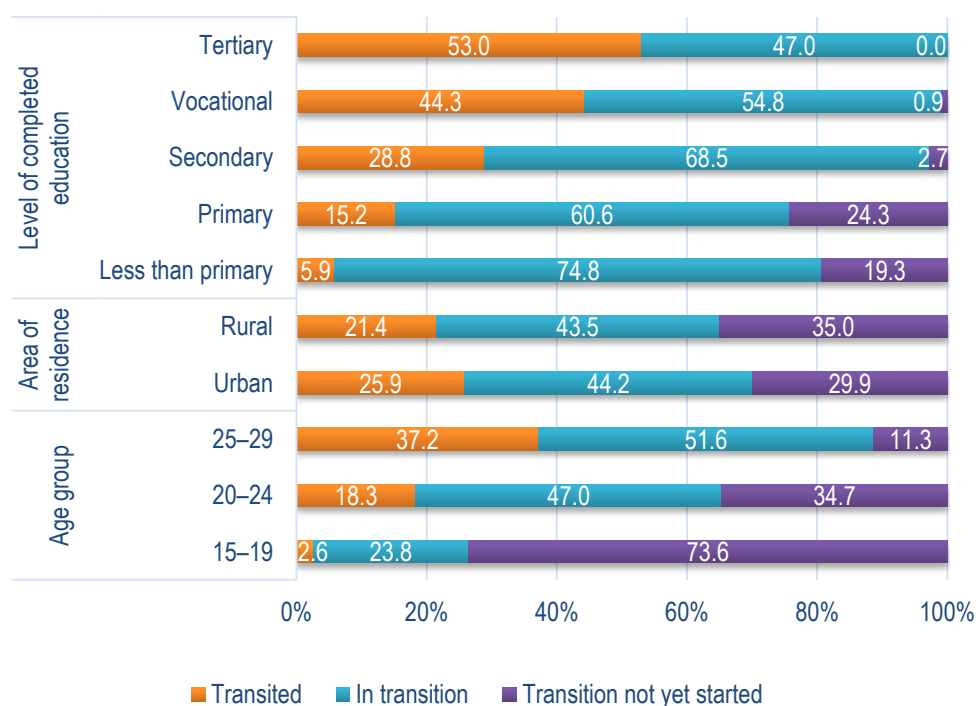
**Table 5.1 Distribution of youth population by stage of transition, 2012 and 2014**

Sex		2012			2014		
		Transited	In transition	Not yet started	Transited	In transition	Not yet started
Total	Number	76 270	186 858	200 694	109 095	200 210	146 565
	%	16.4	40.3	43.3	23.9	43.9	32.2
Male	Number	41 572	104 485	94 125	63 004	105 995	66 987
	%	17.3	43.5	39.2	26.7	44.9	28.4
Female	Number	34 698	82 373	106 569	46 091	94 214	79 578
	%	15.5	36.8	47.7	21.0	42.8	36.2

Source: SWTS Macedonia, 2014.

Figure 5.1 shows the distribution of youth characteristics – detailed age band, sex, urban/rural geography and level of educational attainment – by the stages of transition. Not surprisingly, age has a strong correlation to the stages of transition. Few of the 15–19-year-olds have started or completed the transition, while very few of the higher age band, 25–29 years old, remain in the category of transition not yet started (11.3 per cent). There is an urban bias on completed transitions, in that rural youth have a higher share of youth still in transition and youth who have not yet started the transition. Finally, all youth with tertiary education have either completed the transition (53 per cent) or remain in transition (47 per cent). On the other hand, youth with primary education are much more likely to remain in transition (60.6 per cent) and only 15.2 per cent of them have completed their transition. Data (not shown) also reveal that young people from wealthier households are more likely to have completed the transition or be in transition than individuals from poorer households.

**Figure 5.1 Stages of transition by age group, urban/rural geography, sex and level of educational attainment**



Notes: In distribution by educational attainment, only youth with completed education are considered (excluding current students).

Source: SWTS Macedonia, 2014.

## 5.2.1 Youth who have not yet started the transition

The results of the SWTS show that, among the 32.2 per cent of the youth population who have not yet started the transition from school to work, a strong majority (90.1 per cent of the category; 29.0 per cent of the overall youth population) are still in school (table 5.2). Only 9.9 per cent (3.2 per cent of the overall youth population) are currently inactive and not in school with no intention of looking for work. These results are very similar to those found in 2012. Young men and women are almost equally represented among the inactive students (49.9 per cent are male and 50.1 per cent are female; not shown). However, young women are much more likely to be inactive non-students with no plans to work (16.8 per cent of females compared to 1.6 per cent of males). This is in line with the lower overall activity of females in the labour market, which may be attributable to the country's culture and traditions and the strong role played by women within the household (see section 3.5).

**Table 5.2 Youth who have not yet started their transition**

Sub-category	Total		Male		Female	
	Number	%	Number	%	Number	%
Inactive students	132 073	90.1	65 881	98.4	66 192	83.2
Inactive non-students with no plans to work	14 492	9.9	1 105	1.6	13 387	16.8
Total	146 565	100.0	66 986	100.0	79 579	100.0

Source: SWTS Macedonia, 2014.

## 5.2.2 Youth in transition

A young person is classified as “in transition” if they are either unemployed (broad definition), engaged in non-satisfactory self-employment or in a paid temporary job that they have expressed dissatisfaction with, are an inactive non-student with an attachment to the labour market, indicated by their desire to work in the future, or an active student.

Table 5.3 presents the category of youth in transition in greater detail, with disaggregation by sub-category, sex, urban/rural geography, level of completed educational attainment and household wealth. In FYR Macedonia, the majority of youth in transition are classified as falling within this category because they are unemployed (49.9 per cent) or combining employment or unemployment with study (22.0 per cent). Only 12.7 per cent of youth who remain in transition are in non-satisfactory self- or temporary employment and 15.4 per cent are inactive non-students with plans to work. The corresponding shares in the overall youth population are: 21.9 per cent in unemployment (broad definition), 5.6 per cent in non-satisfactory temporary or self-employment, 9.7 per cent active students and 6.7 per cent inactive non-students with plans for future work. In comparison to the results in 2012, fewer youth in 2014 are in non-satisfactory self-employment while slightly more are in non-satisfactory temporary employment, active students and inactive non-students.

There are differences in the composition of youth in transition between the sexes in that young women are less likely than young men to be unemployed (41.1 and 57.8 per cent, respectively), but much more likely to be inactive with plans for future work (25.1 and 6.7 per cent, respectively). Urban youth who are still in transition are more likely to be active students and less likely to be in non-satisfactory employment relative to rural youth.

**Table 5.3 Distribution of youth in transition by sub-categories and selected characteristics (%)**

Characteristics		Unemployed (broad definition)	In non- satisfactory temporary employment	In non- satisfactory self- employment	Active students	Inactive, non- students with future work plans
Sex	Male	57.8	7.5	7.5	20.5	6.7
	Female	41.1	5.6	4.5	23.8	25.1
Area of residence	Urban	51.1	8.2	3.0	24.0	13.7
	Rural	48.3	4.5	10.1	19.5	17.6
Household income level	Well off	38.3	11.9	4.0	30.6	15.2
	Fairly well off	46.5	6.3	8.6	25.7	12.9
	Around the average	48.6	8.6	8.7	24.7	9.4
	Fairly poor	51.6	8.0	6.0	20.8	13.5
	Poor	56.0	1.9	3.3	15.5	23.3
Level of completed education	Less than primary	36.3	0.0	1.3	–	62.3
	Primary	56.4	0.6	8.0	–	35.0
	Secondary	63.6	9.8	5.5	–	21.1
	Vocational	65.5	7.9	11.0	–	15.6
	Tertiary	72.8	16.5	4.1	–	6.5
<b>Total (% in total youth in transition)</b>		<b>49.9</b>	<b>6.6</b>	<b>6.1</b>	<b>22.0</b>	<b>15.4</b>
<b>Total (% in youth population, 2014)</b>		<b>21.9</b>	<b>2.9</b>	<b>2.7</b>	<b>9.7</b>	<b>6.7</b>
<b>Total (% in youth population, 2012)</b>		<b>21.7</b>	<b>1.6</b>	<b>5.0</b>	<b>7.6</b>	<b>4.3</b>

Note: In distribution by educational attainment, only youth with completed education are considered (excluding current students). Household income levels are based on the individual perception of each young respondent.

Source: SWTS Macedonia, 2014.

There is no straightforward link between the transition sub-categories and household income levels although, in general, youth from wealthier households who remain in transition are less likely to be unemployed and more likely to be in non-satisfactory employment, active students and inactive in comparison to less well-off households. This suggests that the wealthier households are probably more able to assist their children to find a job, but that the job is not always of the quality desired by the youth. In addition, those youth from wealthier households can “afford” to remain inactive as they can be supported financially by their parents. On the other hand, about one-quarter of poor youth are also inactive (23.3 per cent), but this is probably linked to the strong correlation between poverty and early school-leaving or low levels of education. It is exactly that group of youth with the lowest levels of education who are most likely to remain in the sub-category of inactive non-student with future work intentions.

Young people with higher levels of education who are still in transition are mainly unemployed (72.8 per cent) and an additional one-fifth (20.6 per cent) were in non-satisfactory employment. This shows that even youth with completed tertiary education have difficulty in transitioning to a stable, satisfactory job. A very small proportion of the most highly educated youth categorized as in transition are inactive (6.5 per cent). As the level of education increases, more of the youth in transition are classified as unemployed, and fewer as inactive. This shows that educated youth seek a “reward” for their educational attainment in the labour market, whereas those who put less effort and time into their education are not so determined to search for a job.

### **5.2.3 Youth with completed labour market transitions**

Most of the transited young people have attained a stable job (77 per cent), 13.8 per cent have a satisfactory temporary job and 9.2 per cent are in satisfactory self-employment

(table 5.4). Considered as percentage of the overall youth population, it is still noteworthy that only 18.4 per cent of the youth population have completed their labour market transition to a stable job, while a further 5.5 per cent have transited to a temporary or self-employed job. The corresponding shares in 2012 were: 12.6 per cent (stable) and 3.8 per cent (temporary or self-employed).

Among the transited youth, those in rural areas have a higher tendency to transit into stable employment (80.8 per cent compared to 74.7 per cent of transited youth in urban areas). On the other hand, rural youth are also less likely to be in satisfactory self- or temporary employment. About 76.3 per cent of young women who have completed their transition from school to work are in stable employment (compared to 77.6 per cent of young men), 15.8 per cent are in satisfactory temporary employment (12.2 per cent of men) and the remaining 7.9 per cent are in satisfactory self-employment (10.2 per cent of young men). Young people from poor households fare better than those from well-off families in terms of achieving stable employment. While 90.7 per cent of poor youth have transited into stable employment the transition has been completed for 72.1 per cent of the youth from well-off families. However, youth from wealthier families are also much more likely to attain satisfactory self-employment.

**Table 5.4 Distribution of youth with completed transitions by sub-categories and selected characteristics**

Characteristics		Stable employment		Satisfactory temporary employment		Satisfactory self-employment	
		Number	%	Number	%	Number	%
Sex	Male	48 872	77.6	7 717	12.2	6 415	10.2
	Female	35 174	76.3	7 293	15.8	3 624	7.9
Area of residence	Urban	49 738	74.7	10 318	15.5	6 560	9.8
	Rural	34 309	80.8	4 692	11.0	3 479	8.2
	Well off	14 486	72.1	3 524	17.5	2 085	10.4
Household income level	Fairly well off	16 724	73.7	3 707	16.3	2 275	10.0
	Around the average	29 354	77.0	3 876	10.2	4 908	12.9
	Fairly poor	18 019	81.4	3 451	15.6	664	3.0
	Poor	5 463	90.7	452	7.5	106	1.8
Level of completed education	Less than primary	407	77.4	0	0.0	118	22.6
	Primary	3 348	49.3	848	12.5	2 600	38.3
	Secondary	7 016	78.4	1 177	13.1	760	8.5
	Vocational	42 199	79.3	6 698	12.6	4 341	8.2
	Tertiary	31 077	78.5	6 287	15.9	2 220	5.6
<b>Total (% in total youth in transition)</b>		<b>84 046</b>	<b>77.0</b>	<b>15 010</b>	<b>13.8</b>	<b>10 039</b>	<b>9.2</b>
<b>Total (% in youth population, 2014)</b>			<b>18.4</b>		<b>3.3</b>		<b>2.2</b>
<b>Total (% in youth population, 2012)</b>			<b>12.6</b>		<b>1.7</b>		<b>2.1</b>

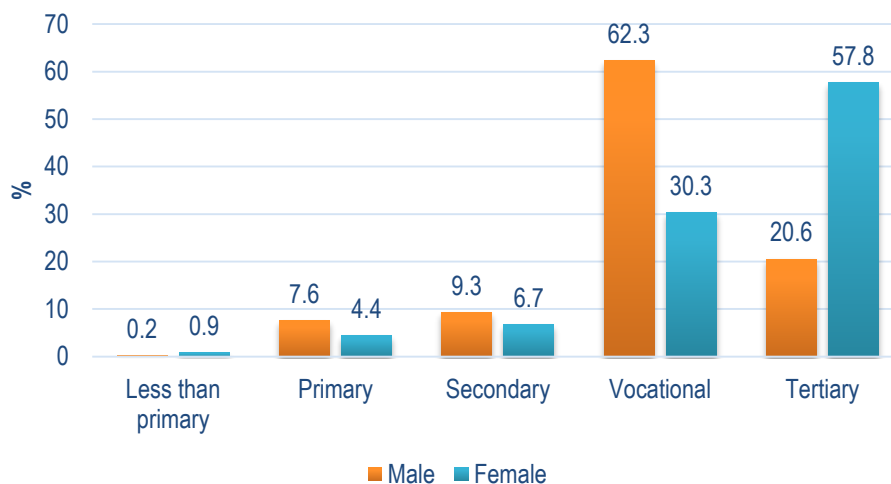
Note: In distribution by educational attainment, only youth with completed education are considered (excluding current students). Household income levels are based on the individual perception of each young respondent.  
Source: SWTS Macedonia, 2014.

There are no large differences in the chance of obtaining a stable job among youth with education above the primary level. This category of workers is much less likely to transit into stable employment but also much more likely to be in satisfactory self-employment. Still, there are interesting differences when the educational levels of transited youth by sex are considered. For young men, there is a three to one difference in the share of male youth who have transited with vocational level education compared to tertiary level (62.3 per cent compared to 20.6 per cent). For young women, however, having the higher level degree seems to carry more weight; 57.8 per cent of the transited young



women hold a tertiary degree while 30.3 per cent finished at the vocational level (figure 5.2).

**Figure 5.2 Distribution of transited youth by level of educational attainment and sex**



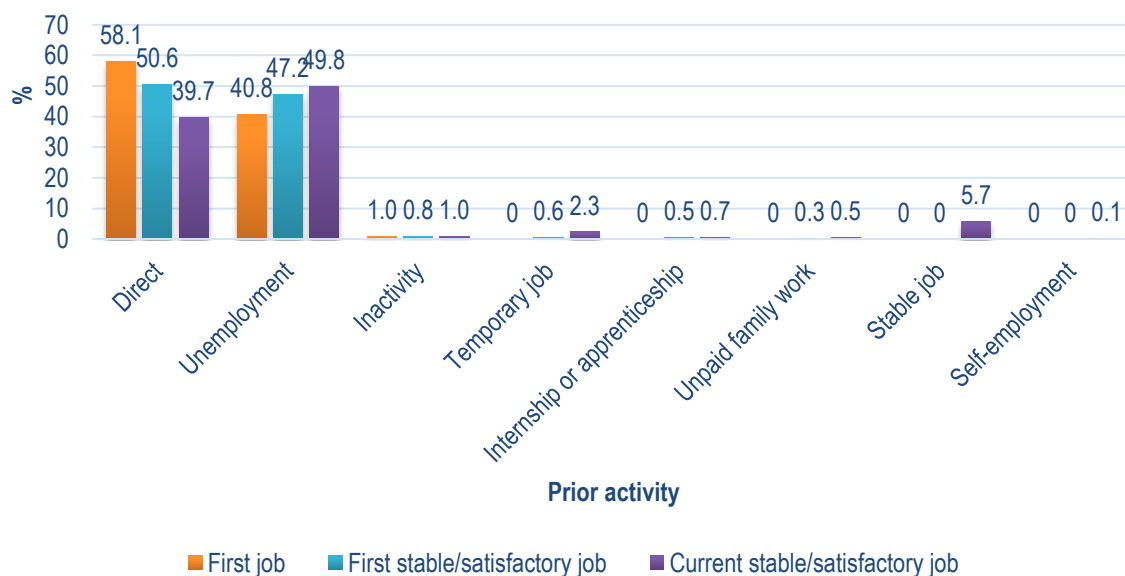
Note: Only youth with completed education are considered (excluding current students).

Source: SWTS Macedonia, 2014.

### 5.3 Transition paths and lengths of transition

The ability to review the historical path of economic activities of youth who have completed the transition is one of the SWTS’s biggest added values. Using the historical path, it is possible to identify the labour market category held by the young person prior to transiting to stable or satisfactory employment as well as prior to the first job. Figure 5.3 shows that the majority of transited youth attained their first stable and/or satisfactory job either following a period of unemployment (47.2 per cent) or directly, as their first labour market experience (50.6 per cent). The share that transited from another activity – from another job or inactivity – was nominal. The flows to the first job show a similar picture, with 58.1 per cent moving directly to their first job and 40.8 per cent experiencing an initial spell of unemployment.

**Figure 5.3 Flows to stable and/or satisfactory employment (“transited” category) and to first job**



Source: SWTS Macedonia, 2014.

Table 5.5 provides information on the lengths of the school-to-work transition. Lengths are calculated from the date of graduation to (i) the first job, (ii) the first “transited” job and (iii) the current “transited” job. The various categories may or may not overlap: a young person could have only one job experience which is deemed stable and/or satisfactory (so that the first job = first transited job = current transited job) or the young person might have held several jobs and moved into and out of transition before settling finally into the current stable and/or satisfactory job (so that the first job ≠ first transited job ≠ current transited job). In a country like FYR Macedonia, with its very high unemployment rates, frequent jumping between jobs would not be expected so the average transition lengths within the sub-categories should not vary widely (recalling figure 5.3 where 50.6 per cent of youth attained their first “transited” job as their first labour market experience).

**Table 5.5 Average lengths of labour market transitions from school graduation by sex (months)**

	Total	Male	Female
To first job (any job, including direct transitions)	25.5	32.0	16.9
To first transited job (including direct transitions)	31.2	37.1	22.8
To first transited job (excluding direct transitions)	38.2	43.5	29.8
To current transited job (including direct transitions)	38.0	45.7	27.3
To current transited job (excluding direct transitions)	44.2	49.5	35.3

Source: SWTS Macedonia, 2014.

The results show that it takes a young person, on average, 31.2 months (2.5 years) from the time of graduation to attainment of a first job that is deemed to be either stable or satisfactory. Excluding the number of youth who moved directly to that first transited job (as their first labour market experience after graduation) results in the average transition length jumping to more than three years (38.2 months). In both instances, it takes young men significantly longer than young women to make the transition from school to work; including the directly transited, the transition period of young men is 14 months longer than that of young women.

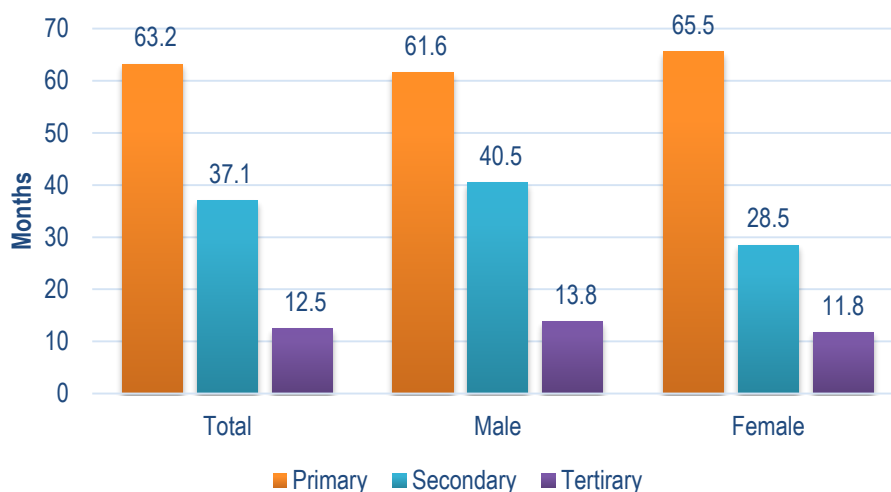
Some youth continue their pathway in the labour market even after attaining a first transited job – perhaps they are made redundant or dismissed from the job or leave to have children or for other reasons.<sup>24</sup> Regardless of the specific reason, it makes sense that the average length to current transited jobs is longer than the length to the first transited job. In FYR Macedonia, it took a young person an average of 38 months to complete the transition from school to the current transited job (45.7 months for young men and 27.3 months for young women). Excluding those who moved directly to the current transited job causes the transition duration to rise to as long as 44.2 months, or four years. Whichever form of measure is applied, it is clear that the Macedonian labour market has a significant problem in absorbing its emerging young graduates effectively. The economic and social costs of financially supporting so many youth through the lengthy transition periods are a clear hindrance to the growth potential of the country.

Figure 5.4 shows the advantage that education brings to the school-to-work transitions of youth in FYR Macedonia. The transition length to a first stable/satisfactory job is nearly tripled for those youth who graduated with a secondary degree compared to a tertiary degree (37.1 and 12.5 months, respectively). Youth with primary education only can take as long as 63 months to complete the transition. The very lengthy transition of

<sup>24</sup> The Work4Youth team will soon put out a technical brief examining the reasons why young people leave a job that they deemed to be satisfactory and stable. Interested readers should check the website: [www.ilo.org/w4y](http://www.ilo.org/w4y).

youth with low levels of education can be partly explained by their much earlier age of school leaving, but the question of what those youth do during the long interim period remains to be answered.

**Figure 5.4 Average lengths of labour market transitions from school graduation to first stable and/or satisfactory job by level of completed education and sex (months)**



Source: SWTS Macedonia, 2014.

## 6. Policy framework for youth employment in FYR Macedonia

### 6.1 Relevant policy framework

Over the past several years, the Government has strengthened its focus on improving the situation of young people in the labour market. After a long period of sporadic and uncoordinated measures in that direction, in 2012 the Government adopted the first Action Plan on Youth Employment aimed at reducing youth unemployment and underemployment, given the large costs that both factors impose on individuals and society. Following the positive effects that the Action Plan delivered, in 2015 the Government adopted the second Action Plan for Youth Employment covering the period 2016–2020. Both plans were developed with support from the ILO, within a coordinated framework involving many government agencies, under the leadership of the Ministry of Labour and Social Policy (MLSP).

During the period of development and implementation of these two Action Plans, the ILO has also assisted the Government by providing evidence and valuable information on the experiences of young people in their transitions from school to work, information that was previously completely lacking, to the detriment of quality policy-making. Findings from the first round of the SWTS provided important input for the new Action Plan and for the revision of the previous Action Plan. Similarly, it is hoped that the findings of the 2014 SWTS will be useful in the mid-term revision process of the Action Plan 2016–2020. Recently, in October 2015, the Government also adopted the new National Employment Strategy (NES) 2015–2020, preparation of which was supported by three international organizations: the ILO, World Bank and the UNDP. Youth are also an important and specific target group of the NES and the objectives and actions within the NES and the Action Plan are coordinated and synchronized.

The review of the Action Plan for Youth Employment 2012–2015 showed that significant progress has been made in improving the situation of youth in the labour market in all planned areas, namely: (i) strengthening the labour market governance system; (ii) enhancing youth employability; (iii) fostering youth employment through private sector development; and (iv) ensuring inclusive labour market conditions for youth. The Employment Service Agency (ESA) doubled the coverage ratio of unemployed youth who have been involved in an active labour market programme (ALMP), from 12.1 per cent in 2012 to 23.6 per cent in 2014. The educational attainment of youth was improved and early school leaving declined. Box 2 summarizes the main achievements in the situation of youth during the period 2012–2015.

**Box 2. Key achievements of the Action Plan on Youth Employment 2012–2015**

- The share of young people who benefitted from employment services and programmes increased fourfold compared to 2011.
- The revenue from social security contributions increased by an average of 6 per cent per year.
- The number of youth (aged 15–24) leaving school early decreased by 15.3 per cent.
- Nearly 57 per cent of young unemployed persons who attended a training programme offered by the ESA were employed one year after the programme's end.
- Over 15,700 school students received career education services within the timeframe of the Action Plan, while approximately 50,000 youth received labour market information provided through the services of the ESA.
- The volume of incentives provided by the Government for the recruitment of young people increased threefold compared to 2011, with an overall investment of MKD 217 million in 2014.
- During the period 2011–2014, nearly 2,500 youth accessed the loans and self-employment grants offered by the ESA.
- The share of workers covered by labour inspections equates to nearly half of the total employed.

Source: Ministry of Labour and Social Policy, *Action Plan on Youth Employment: Review of achievements*, May 2015.

Progress has been much slower in certain other areas. Skills mismatch remains one of the most pressing issues in the labour market, and one which is increasing with time. This report shows that there is still a significant challenge ahead in improving the linkages and signals between the education system and the labour market.

Additional useful information to aid policy-making was also provided by the first impact evaluation of ALMPs carried out in 2014, supported by the ILO (Mojsoska-Blazevski and Petreski, 2015). The impact evaluation covered several active programmes – programme for self-employment, internship, training for targeted employer, wage subsidy programme, training in advanced IT skills and training to promote occupations which were under-resourced – implemented over the period 2008–2012. Young unemployed people were participants in all these programmes but they comprised the main beneficiaries of the internship programme, and were widely represented among the participants in the training programmes for advanced IT skills and for self-employment. The findings of the evaluation showed that internships and training are the most effective ALMPs, followed by training entrepreneurship training and advanced IT skills. The other programmes proved less effective. From the perspective of young people, it appears that ALMPs do pay off, especially internship programmes. These findings and suggestions for improvements of the ALMPs were imbedded into the planning stages for forthcoming ALMPs and therefore better results are expected from the programmes in the future.

The Action Plan for Youth Employment 2016–2020 was prepared on the basis of the previous Action Plan and the results of its implementation review, as well as the newly available evidence from evaluations. It sets three strategic objectives to be achieved in the forthcoming period:

- 1. Improve the match between skills and labour market demand**, through a broad set of measures from improving skills forecasting systems, education and training, mainstreaming career education within the school curricula, counselling and guidance of young people, etc.
- 2. Promote job creation which is led by the private sector**, by strengthening incentives for companies, for instance through access to quality employment services, extension of the existing tax incentive system to promote employment of youth, providing increased support to young people intending to start a business, and expansion of business development services to support companies in their growth and job creation.
- 3. Ease the transition of youth from school to work** by improving the quality of the services offered by the ESA, adjusting the financing and design of ALMPs, establishing dedicated service lines for young unemployed persons (together with a profiling system of the unemployed), and rolling out the Youth Start programme, etc.

## 6.2 Policy implications

Addressing the issue of youth employment in FYR Macedonia is clearly a matter of urgency owing to the very high levels of youth unemployment in the country, with every second youth searching for a job but being unable to find one. And the Government's policy response shows how seriously it is taking the matter. Youth employment is included in the policy-making process as a crosscutting theme. Although there is no one-size-fits-all approach to tackling the youth employment challenge, there are still some key policy areas that need to be considered and tailored to fit national and local circumstances. These areas were identified at the International Labour Conference (ILC) in June 2012 and are included in its resolution, "The youth employment crisis: A call for action", which was adopted by representatives of governments, employers' organizations and trade unions of the 185 member States of the ILO. The call for action underlines the urgent need for immediate and targeted interventions to tackle the unprecedented youth employment crisis. It provides a global framework that can be adapted to the national circumstances of FYR Macedonia in implementing policies and strategies to promote decent work for youth that are based on a multi-pronged and balanced approach. The framework covers five main policy areas:

1. employment and economic policies to increase aggregate demand and improve access to finance;
2. education and training to ease the school-to-work transition and to prevent skills mismatches;
3. labour market policies to target employment of disadvantaged youth;
4. entrepreneurship and enterprise development training to assist potential young entrepreneurs; and
5. labour rights that are based on international labour standards to ensure that young people receive equal treatment and are afforded rights at work.

These main policy areas are briefly discussed below in light of the issues identified in this report. In parallel, the Action Plan for Youth Employment 2016–2020 provides a comprehensive policy framework for addressing the significant challenges facing the young women and men in the national labour market. In particular, the following section examines the main areas where actions and close monitoring are needed in the forthcoming period:

**1. Design macroeconomic policy to promote job growth.** Effective actions to promote youth employment involve interventions on both sides of the labour market – the supply and the demand side. On the demand side, the Government needs to implement measures that will further promote private sector growth and, consequently, stimulate job creation. This step requires an appropriate mix of macroeconomic policy measures that support aggregate demand, increased focus on investments, fostering competitiveness within the economy and an enabling environment for enterprise-led growth. All these measures are likely to boost growth, exports and job creation. As the survey showed, a lack of jobs is the main reason for youth unemployment.

There are two additional areas of concern within this macro environment. The first is related to the so-called middle-income trap – a situation in which middle-income countries are trapped in a low-level equilibrium, without the opportunity to progress to higher income and living standards. In other words, the countries are “poor” in terms of being able to innovate and compete in the high-tech sector, but “rich” in their ability to compete in low-cost industries and to attract those investors seeking low-cost investments. Indeed, the NES 2015–2020 acknowledges this issue and, within its scope, advises on measures to overcome the situation. Related to this issue is the overall structure of the economy, which is dominated by low-productivity and low-skilled jobs and occupations. For instance, most of the current jobs are in elementary occupations (21 per cent of total employment in 2014), although there is a rising share of professionals among the employed. On the other hand, young people have higher aspirations for their future jobs and the majority of them are seeking jobs as professionals (26.1 per cent of total unemployed youth). This mismatch between reality and aspirations is further exacerbated by the increasing educational attainment of youth in recent years. In other words, companies are unable to absorb the large majority of tertiary educated youth. Hence, both macro- and microeconomic policies need to focus on circumventing the middle-income trap and changing the structure of the economy to provide an environment of high-productivity, high-skilled companies and jobs.

**2. Ensure educational access for all and prevent early school leaving.** The education system is historically strong, but it is clear that not everyone is currently making the most of it. The recent expansion of provision and subsidies for higher education improved the educational structure of the youth population. However, a large share (19.2 per cent) of youth are still leaving school only having completed primary education or less. The early school leaving rate is still higher than the EU-28 average, especially for females. The SWTS also showed a degree of regression in educational attainment between parents and children. Improving equality in education requires more investment to be targeted at enhancing access and quality during the early years of education, rather than at the tertiary level, since disadvantaged youth are likely to drop out early and hence not enjoy the benefits of access to tertiary education.

Even though education is not a panacea, and there is evidence that some of the best educated youth have to accept jobs for which they are overqualified, having a higher level of education does improve the employment chances of a young person. The more highly educated are also less likely to be unemployed and inactive. This effect of education on labour market status is even more marked for young women. Keeping young people motivated to stay in school and improving the quality of education will create greater equality of opportunities among the youth population and will also raise the productive potential of the country. Possibilities should be opened up for all young persons with primary education or less to either go back to school or to be engaged in training programmes that lead to formal qualifications.

**3. Tackle long-term unemployment among youth.** Most of the unemployed youth in the country have been searching for a job for over a year, i.e. 78.8 per cent are long-term unemployed. The prolonged periods of unemployment lead to depreciation of knowledge and skills, damaged self-esteem and lower subsequent employment probability. Tackling

long-term unemployment is not an easy task, but some neighbouring European countries have managed to gain positive results by offering a comprehensive package of labour market programmes and employment services, including within the framework of youth guarantee schemes.<sup>25</sup> These can range from employment counselling, motivational training, skills development and job-readiness training, to subsidized employment for a limited period. Moreover, young people should not be simply placed into some active programme, but rather should be treated through a package of employment services and active programmes. For instance, prior to placing young people into subsidized jobs, they should receive some training to improve their job-readiness skills, etc. Full implementation of the profiling system can further improve the quality of the interventions targeting young people and can therefore reduce their average duration of unemployment. The Action Plan for Youth Employment sets a goal for utilizing the profiling system in all employment offices to identify and apportion young clients for priority intervention. Interventions could start even earlier, so that the provision of job-readiness skills becomes a mandatory part of every secondary and tertiary education institution curriculum.

**4. Improve conditions of work by ensuring equal treatment for, and rights of, young workers.** The survey results show that young people continue to suffer disproportionately from decent work deficits and low-quality jobs. Many of them are trapped in irregular employment, and slightly less than half of them (48 per cent) work informally. Labour laws and collective agreements, including through sanctioning mechanisms, can protect young workers and facilitate their transitions into stable and decent employment. Although labour inspections have been strengthened, a large share of youth are still engaged informally. Hence, along with the sanctioning mechanism, a system of incentives to invest in improving young people's working conditions can facilitate transitions from temporary to stable jobs and from the informal to the formal economy. The survey reveals another striking issue, namely that most young people are satisfied with their jobs, even though the jobs are generally of low quality. This implies that young people accept the reality of high unemployment within the country and are satisfied with any job that they can get. Such an environment stifles the aspirations of young people, with resultant negative effects on their future careers and lives and the advancement of the society as a whole.

**5. Support employers in taking an active part in the creation of decent jobs for young people.** Employers are generally encouraged to employ young people by the provision of wage subsidies as an element of the ALMPs. However, recent evaluations have shown that the wage subsidies programme has not been effective in improving the chances of participants finding and retaining a job. A better incentive for employers to employ young people might be provided by improving the skills and job-readiness of the unemployed youth. This could be achieved through the education system, or as part of the ESA activities (see section 6.1). Introducing some form of support to employers (for instance, co-financing) could promote investments in further training of their workers. However, employers should also be "educated" that better trained workers are an asset and that the benefits of better educated and trained workers are largely internalized by the company through improved productivity (which does not have to be fully compensated by a higher wage).

**6. Strengthen employment services as a crucial aspect of helping disadvantaged youth.** The SWTS shows that young people make limited use of the ESA in their search for a job, but mainly rely on informal search channels. For instance, 56.8 per cent of the unemployed youth stated that they were searching for a job through ESA (78.7 per cent through friends and relatives), whereas only 4.2 per cent of employed youth stated that they had found a job through ESA. The latter result proves the low effectiveness of ESA in

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<sup>25</sup> See ILO (2015), section 5.3.2 for more on youth guarantee schemes.

finding jobs for unemployed youth. Strengthening the provision of employment services, including by access to adequate funding, could help to raise the profile of the labour offices of the ESA, making them more attractive as a placement tool for jobseeking youth. In this regard, the Action Plan for Youth Employment 2016–2020 envisages several activities:

- (a) the acceleration of the ESA modernization process – including the upgrading of physical infrastructure, the IT system and the deployment of a human resource recruitment and development plan – as instrumental in expanding the quantity and quality of service delivery;
- (b) the adjustment of the delivery mechanism and funding envelope of ALMPs, which includes the mainstreaming of profiling approaches; the development of dedicated service lines for young unemployed and the introduction of the Youth Start programme; and a general increase in the funding available for the implementation of ALMPs;
- (c) the introduction of more and better services to employers and the strengthening of job mediation services.

The Youth Start programme that is planned to be introduced provides job-readiness training, subsidized on-the-job training and internship for first-time labour market entrants. The Action Plan envisages that it will become part of the regular portfolio of ALMPs available to the young unemployed.

**7. Ensure that appropriate resources are allocated for the implementation of ALMPs for youth.** The Action Plan calls for increasing resources to be devoted to the employment services, both financial and human resources (staff). In addition, it sets a goal that at least 40 per cent of the annual ALMP allocation should be invested in interventions to smooth the transition of youth into decent work. The increasing resources will be used to fund the Youth Start programme, as well as for increasing the size of the current employment programmes offered to youth. The findings from the impact evaluation on the effectiveness of different ALMPs can be used to determine the most appropriate use of the resources to produce the largest payoffs in future.

**8. Encourage and support more young entrepreneurs.** The SWTS shows that self-employed youth are mainly contributing family workers (13.8 per cent of total youth employment). An additional 3 per cent are own-account workers and 2.1 per cent are employers. However, self-employment is especially high among the less well-educated workers, suggesting that self-employment is a second-best alternative, which young workers settle for after an unsuccessful job search for wage employment. Between 2012 and 2014, the share of self-employed youth stating that access to finance was a major constraint to starting/running a business declined considerably and in 2014 young self-employed persons mainly complain about competition and regulations, rather than the lack of access to finance. Self-employment has only recently attracted more attention from policy-makers as an important pathway towards reducing the youth unemployment rate. Youth have therefore become a target group in the self-employment programme of the ESA, promotional campaigns have been organized by the Government based on success stories of young entrepreneurs, entrepreneurship courses have been introduced into secondary school curricula, etc. As the Action Plan states, by 2014 approximately 95,000 secondary education students had access to entrepreneurship courses and, in the period 2011–2014, nearly 2,500 youth accessed the loans and self-employment grants offered by the ESA. Still, additional efforts are required to further promote youth self-employment. This requires the cultivation of entrepreneurial spirit from an early age, implementation of different learning strategies that support critical thinking and development of ideas rather than rote memorization or learning entrepreneurship from a textbook, etc. The attitudes of society towards entrepreneurs and failure of entrepreneurs has to change as well. Jobs in



the public sector are still viewed as dream jobs for young educated jobseekers. Young people involved in the ESA self-employment programme should have access to strong business-related services, mentorship from successful business persons, etc.

**9. Enable bipartite and tripartite cooperation on youth employment to yield better employment outcomes.** Establishing an enabling environment for the successful implementation of employment and labour market interventions for young people requires bipartite and tripartite cooperation. This is confirmed by the results of evaluations of youth employment programmes. The Government, employers' organizations and trade unions of FYR Macedonia each have a role to play by fulfilling their own specific mandates and through concerted and joint efforts for the promotion of decent work for youth in the country. In addition, schools (mainly, secondary vocational schools), universities and local government should be encouraged to implement innovative strategies for building closer relationships between schools and local companies. The Government can allocate funds for piloting such incentives and, based on the results, the effective models of cooperation that produce results in terms of participant employment can be expanded.

**10. Enhance the skills forecasting mechanism in the country.** At present, education and employment policy-making are constrained by the lack of quality information on the skills which are currently in demand. As it takes time for the education system to produce the appropriate workforce, a strong skills forecasting mechanism should be established. A lack of timely and relevant information on labour market demand also leads some young people to make poor decisions regarding their education or training path and area of specialization. Currently, there are some ad hoc, fragmented attempts to collect data on the skills in current and future demand: some activities have been implemented by the MLSP (such as the macro forecasting model); some by ESA (skills demand survey); the Ministry of Education and Science (MES) has undertaken initial steps by developing a skills forecasting model and establishing the Employment Observatory; and some by international organizations (for instance, the World Bank's STEP survey).

The Action Plan for Youth Employment (and the NES 2015–2020) envisages several outcomes in this area: (i) that a skills forecasting system will be developed to inform both policy design and individuals' choices about education and work; (ii) that the educational outcomes of young Macedonians will improve over time and respond to labour market needs; and (iii) that all young people will have access to quality career education and guidance services. The skills forecasting model will be based on demographic projections, employer and vacancies surveys, education data, employment projections and sectoral studies and should be jointly fed with data and used by the MLSP and the MES. The establishment of the forecasting system should lead to the achievement of two outcomes: (i) by 2020, at least 85 per cent of young workers (aged 15–29) will be employed in jobs aligned to their qualifications; and (ii) the occupational and skills mismatch in the Macedonian labour market will be no higher than 15 per cent.

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This report presents the highlights of the 2014 School-to-work Transition Survey (SWTS) run together with the State Statistical Office of Macedonia within the framework of the ILO Work4Youth Project. Results are compared to those of the first round (2012) and the analysis is updated and expanded to supplement the portrait of the youth labour market situation presented in the first survey report.

The SWTS is a unique survey instrument that generates relevant labour market information on young people aged 15 to 29 years. The survey captures longitudinal information on transitions within the labour market, thus providing evidence of the increasingly tentative and indirect paths to decent and productive employment that today's young men and women face. The SWTS and subsequent reports are made available through the ILO "Work4Youth" (W4Y) Project. This Project is a five-year partnership between the ILO and The MasterCard Foundation that aims to promote decent work opportunities for young men and women through knowledge and action.

The W4Y Publication Series is designed to disseminate data and analyses from the SWTS administered by the ILO in 34 countries covering five regions of the world. The Series covers national reports, with main survey findings and details on current national policy interventions in the area of youth employment, regional synthesis reports that highlight regional patterns in youth labour market transitions and thematic explorations of the datasets.

# Work4Youth



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