

UNIVERSITY "Ss. CYRIL AND METHODIUS" in SKOPJE



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FOREWORD

International Conference *Challenges of Contemporary Society* takes place in the year when the Institute for sociological, political and juridical research celebrates 50 years of existence. Over the years the Institute continuously encouraged and opened research questions and issues in the different fields of social sciences, and, as a result, large number of scientific and applied projects were conducted. Within this half century of existence around 500 applied and scientific research projects had been conducted and more than 200 different publications were published. As a result of this continuous work the Institute has been involved in the management, promotion and development of socio-economic conditions in the Republic of Macedonia.

The Conference *Challenges of Contemporary Society* was in this spirit of anticipating societal changes and challenges. The aim of this Conference was to provide a forum for an interdisciplinary discussion for contemporary social issues.

The agenda of the Conference covers a wide range of very interesting issues related to the modern society and challenges from important social phenomena such as:

- Challenges for democracy and democratization;
- New media, new communication, new identities;
- Social challenges for contemporary society;
- Management, business and workforce issues in the 21st Century.

Contributions from the fields of sociology, political science, communication science, law, management, psychology, and also contributions regarding methodological issues related to how to study these phenomena, made this Conference significant and inspiring.

In this edition of the Annual of the ISPJR are several works of whose papers were successfully presented at this International Conference in the Section: Social challenges for contemporary society.

PhD Mirjana Borota Popovska

Aleksandra Lozoska, PhD

Institute of Economics – Skopje
University Ss. Cyril and Methodius in Skopje
sandra@ek-inst.ukim.edu.mk

Elizabeta Djambaska, PhD

Institute of Economics – Skopje
University Ss. Cyril and Methodius in Skopje
beti@ek-inst.ukim.edu.mk

Natasha Daniloska, PhD

Institute of Economics – Skopje
University Ss. Cyril and Methodius in Skopje
natasha.daniloska@ek-inst.ukim.edu.mk

Diana Boshkovska, PhD

Institute of Economics – Skopje
University Ss. Cyril and Methodius in Skopje
diana@ek-inst.ukim.edu.mk

**ACTION AREAS OF THE LABOUR MARKET
POLICY IN THE REPUBLIC OF MACEDONIA**

Abstract

The contemporary challenges of the socio-economic development are imposing more or less the same essence of the labour market policy areas and instruments in the developed

countries, as well as in the developing countries. They are directly dependent on the implementation of structural reforms aimed at stabilizing the economies and fostering economic development.

Concerning this, the paper is analyzing the areas for implementation of the labour market policy and activities in the Republic of Macedonia, as well as in the European Union, regarding the challenges of the contemporary society. They relate to the work of the institutions responsible for creating and implementing the labour market policy, the legislation relating to its functioning, labour force statistics and information system. The analysis is determining the target groups of the labour market and is giving certain recommendations and guidelines for possible future actions and measures that can ensure employment growth, reduction of the unemployment, and provide more efficient functioning of the overall labour market.

Key words: Republic of Macedonia, labour market, labour market policy

INTRODUCTION

The implementation of the labour market policy is aimed at achieving full employment and improving the quality and productivity at work. Its goal is to align the labour market needs through the efficient functioning of the labour market institutions, increasing the labour mobility and better forecasting of needs. Expanding and improving the human capital investments, as well as adjusting the educational and training system according the requirements for new competencies, are the most important challenges of the contemporary knowledge based economies.

The measures of the labour market policy usually are aimed at groups with greater risks in terms of unemployment or underemployment. In fact, these individuals are often under-qualified and/or do not have relevant work experience, which face them with limited mobility on the labour market. All these factors together can significantly impair the overall problem of the labour market. Therefore the labour market policy is aimed at providing equal opportunities for all on the labour market, including the most vulnerable groups such as youth, women, the elderly, etc., in order to enable them to find a stable and regular work.

The aspirations of the Republic of Macedonia towards the European Union are imposing the need in the process of creating the labour market policy, also to consider the recommendations given by the union, which can be a good base for providing efficient policy. But, in purpose to design and implement effective labour market policy, the most important is to contemplate the institutional framework necessary for its functioning, the action areas of the labour market policy, and tools that can be used to effectively realize the goals set under this policy.

LABOUR MARKET POLICY IN THE EUROPEAN UNION

The areas and instruments of the labour market policy in the developed countries, especially in the European Union (EU), have the same essence, but are directly dependent on the implementation of the structural reforms which are aimed at stabilizing the economies and fostering the economic development. The attitude is that intensifying the development and well-designed employment policy and education policy, can influence the reduction of poverty and social exclusion.

In the recent years, the EU takes structural reforms that will enable the stimulation of the economic development and will create conditions for employment growth. Therefore, the labour market measures are focused on the following areas and instruments of action: (Council of the European Union, 2011)

- Increasing the participation of women and men on the labour market and

reducing the social exclusion. Intensification of the policies to activate as many of the people who use the unemployment benefits and social assistance, especially among the young people, temporary workers, low-skilled, legal migrants and ethnic minorities. Individual assistance for finding work (individual employment plans), especially for those who need it most, and improvement of the employment agencies work, in terms of working together with other institutions and employers;

- Measures to support job creation in order to avoid the so-called growth without employment (jobless growth). Policies to create an environment that facilitates doing business and provides operation of green economies and economies with high added value, which are the basis for generating new employment opportunities. Directional and limited reduction of the labour costs which are not related to wages, which will stimulate the employment, especially of vulnerable groups;
- Taking measures to make the work attractive and to reduce the unemployment and inactivity. Tax and benefit systems should be aimed at supporting employment, by moving from labour taxes (wherever possible) to activities with negative externalities (activities that threaten the environment);
- Reducing the labour market segmentation. People who have temporary employment contracts, especially young people, will be the first exposed to the economic downturn. Providing a better balance between security and flexibility is the basis for better functioning of the labour markets and for creating more and better jobs through flexible and reliable contracts, designing systems of unemployment benefits, active policies on the labour market and lifelong learning;
- Education and training are increasing the employment prospects of the young people who are facing difficulties for entering the labour market, of workers who need to upgrade or acquire new skills, and of those who are out of work, but need to recover skills so they can be ready to work again. It is one way to respond to the labour market needs. Therefore, it is necessary to acquire the skills through general and practical training, qualitative practical and appropriate work, but also to ease the transition from school to work. The initiatives for raising the skills level should ensure transparency of information, recognition of both formal and informal trainings combined with efficient funding for that purpose, which will mainly be focused on low-skilled persons;
- The labour market reforms should be aimed at raising the level of employment and sustainable social protection system, which will help to reduce the number of people at risk of poverty and social exclusion. At the same time,

- efforts to restore the public finances and to reform the social security system, should be aimed at ensuring their sustainability and adequacy;
- Maximizing the years of employment and minimizing the adverse effects of career termination are particularly important to ensure receipt of pensions in the future and the long term sustainability of the pension systems. This means raising employment rates, effective retirement ages and pension coverage. It implicates reducing the early retirement and finding ways to adapt the pension rights in accordance with the increase of the life expectancy;
 - Taking strategies for active inclusion, access to the labour market, providing health and social services particularly for the most excluded people, all followed by increasing the efficiency of the social spending. This implies linking the social assistance to activation measures, and improving the coverage and adequacy of social security nets where needed. Therefore, a sustainable financing of high quality social services is necessary;
 - The cooperation with the social partners plays an important role. It is necessary to improve the system of wages response to the development trends on the labour market, in order the wages adequately to reflect the labour productivity. In that sense, always should be kept in mind the relationship between the national mechanisms for determining the wages and the prevention and correction of the macroeconomic imbalance.

This brief overview of the areas and tools for action on the EU labour market, suggests several conclusions. Namely, after the last financial crisis, the labour market measures are aimed at supporting structural reforms and fostering the economic development, on one hand, and mitigation of the consequences expressed in a rise of the unemployment and underemployment, on the other. Moreover, in all mentioned instruments of action can be recognized the efforts for encouraging the employment and reducing the poverty and social exclusion, but through sustainable social protection system.

POSSIBLE ACTION AREAS OF THE LABOUR MARKET POLICY IN THE REPUBLIC OF MACEDONIA

The efficient labour market functioning implies fulfillment of certain assumptions, such as investing in human capital, greater access to the means of work, increased opportunities for obtaining loans, greater awareness of all stakeholders about the opportunities of the labour market, adequate infrastructure equipment, adoption of appropriate legislation, equal market share of all persons regardless of nationality, religion and gender etc.

The Ministry of Labour and Social Policy and the Employment Agency of the Republic of Macedonia, as key institutions regarding the labour market policy, in the recent years have greatly increased their efficiency. However, there are still areas in which it is possible to improve their operations. Thus, for example, in relation to the activities of the Employment Agency it could be proposed the following:

- There is a lack of statistical data about the individual participants and movements on the labour market in the country (particularly in terms of employment and characteristics of the unemployed at the regional level). Moreover, it is not enough to collect and publish only the raw data on the size of unemployed persons and the job vacancies at the end of the reporting period. It is necessary to have continuous monitoring and detailed analysis of the labour market;
- The information on the qualifications of the job seekers and qualifications required by the employers are displayed under the highest level of education. Therefore, the Agency is facing with difficulties, because without adequate information on the specific knowledge, skills and competences required and offered on the labour market, cannot adequately plan the trainings. Therefore, it is necessary to collect more detailed information and data for the requested and offered qualifications on the labour market;
- The technical equipment and staffing of the Employment agency very often is insufficient for the implementation of all assigned tasks, which in the recent years are numerous. Moreover, it is necessary to increase the number of employees of the Agency in order to provide qualitative implementation of the new service model.

The laws pertaining to the labour market functioning (minimum wage, protection against unlawful dismissal, protection of workers, collective bargaining, etc.) have a major impact on the relationship between the employees and employers. In the Republic of Macedonia the employment legal framework is regulating the institutional responsibilities, their delegations, financing, the type and scope of the measures, as well as the services and benefits that are part of the labour market policy. Implementation of laws in the field of labour, as a rule, is more difficult to control which implies opportunities for their inconsistent application and abuse. Therefore, there is a need to make some changes in the legislation, which are referring to:

- Improving the protection and insurance for unemployment, especially for those groups of people who are not covered by the current law (e.g., the self-employed persons);
- Modification of the passive measures on the labour market in order to encourage the unemployed to accept employment quickly (e.g., reducing the duration

of unemployment benefits) and to prevent fraud for receiving these benefits (e.g., persons who are beneficiaries of some assistance while working);

- Changing the active measures towards a greater support of the measures for training, qualification and retraining of job seekers, etc.

Comprehensive analysis of the labour market situation is a prerequisite for designing appropriate and effective policies and measures. It implies the need for: a) a unified, comprehensive and valid statistics on the labour market; b) information on relevant macroeconomic trends; c) qualitative data about the requirements and conditions of the individual jobs and the qualifications of employees and the unemployed. At the same time, effective measures on the labour market can be designed only by using the relevant data and information on a regional and local level.

The main problems associated with statistics and information system on the labour market in the Republic of Macedonia are evident in the following areas: a) There is a need to strengthen the statistics on persons who are recipients of unemployment benefits and those who do not receive such assistance; b) It is necessary to strengthen the statistics about the wayshow job seekers and youth are dealing with the unemployment in the period when are not employed or during the period when they have never worked for; c) It is of great importance to take actionsfor measuring the underemployment, with its quantitative and qualitative determination. This is referring to the underemployment expressed through the revenues which are below the required living level, in terms of unsecure employment.

Beside the statistics, the effective labour market policy denotes the existence of a system to monitor the implementation and effectiveness of the measures and policies. This objective should not only apply to the Employment agency, but also to the research institutions and advisory bodies and organizations.

TARGET GROUPS OF THE LABOUR MARKET POLICY IN THE REPUBLIC OF MACEDONIA

In accordance with the European strategy for smart, sustainable and inclusive growth - Europe 2020 and the Integrated Guidelines 2020 for economic policy and employment policy of the EU member states, it is necessary to run an inclusive policy on the labour market for all job seekers and especially for the most vulnerable groups. Employment regulations are designed to protect the workers from unfair and discriminatory actions of the employers. However, despite the existence of such regulations, particularly in terms of insufficient market compliance and deep

market segmentation, there isn't equal access to employment, nor full inclusion on the labour market.

In the Republic of Macedonia, although there is a solid legal framework about the labour market, it does not provide full inclusion of the vulnerable groups, which remains one of the issues that needs more attention. The target groups of the labour market policy are identified in all strategic documents, i.e. in both National Employment Strategies (2010 and 2015), as well as in the three National Employment Action Plans (2006- 2008, 2009-2010 and 2011-2013). They are: young people, older workers, long-term unemployed and women. These are people who have relatively higher unemployment rates and are more excluded from the labour market.

Smaller employment opportunities for these vulnerable groups are a result of numerous factors: market structure, formal employment opportunities are relatively small; difficulties of young people entry in the labour force; differences in the educational attainment; the impact of relevant institutions; lack of the life-cycle access towards work, etc. (Mojsoska-Blazevski N, Najdova J, Stojkov A and Asenov L, 2009).

Young people

The reasons for high youth unemployment (15-24 years) should be sought in: a) the mismatch between the labour market needs and the education and training system; b) most employers require workers with experience; c) the existence of the informal economy, which contributes a large part of the young people to be employed, but officially registered as unemployed.

Small improvements to the situation of the young people in the labour force, starting from 2006, are due to the hiring of low-skilled workers, especially of the young on low-skilled jobs. It has contributed the unemployment to be most decreased among the young people with low levels of education (primary education or less).

The discouragement of the youth (the focus is on the young people who are not seeking for job) is pushing them towards the informal economy and to emigration abroad (especially of the highly educated). The World Bank research, regarding the quality of employment, shows that young people are facing much worse conditions compared to other age groups. According to the Labour Force Survey estimates in 2006, most of the young people are seeking for their first employment (92% of all unemployed people aged 15 to 24 have no previous work experience), work more in the informal than in the primary sector (agriculture and mining) or are employed as unpaid family workers. However, accepting low-paid job can be a profitable strategy for young workers for finding regular and better paid job. (Angel-Urdinola,

D. F. and Macias, V., 2008). Even in the last few years, the situation has not been significantly changed.

The Employment strategy for 2015 predicts comprehensive and consistent measures for improving the youth employment, which will ensure better conditions for the young people on the labour market, their smooth transition from school to work, as well as achieving the employment rate of the young by 2015 of 29% (15-29) and of 17% (15-24). Regarding this, it is expected that by achieving faster economic growth the job security for young people will increase and they will find unemployment quickly. For this purpose, the strategy proposes measures relating to harmonization of the education system with the requirements of the labour market; greater support of internships and volunteering; active employment programs; increasing the young people mobility; preventive action through training and counseling for active job search; promoting entrepreneurship and others.

The evaluation of the active labour market policies and measures conducted by the ILO, shows that young people (15-29 years) accounted for 41.6% of the total number of participants in the three programs being evaluated (program for self-employment, training programs and employment benefits). It means that these programs mostly are aimed at creating conditions to reduce the unemployment of the young active population. (ILO, 2012)

The past experience has shown that self-employment program does not suit for those aged 15 to 24 years because it should include the acquisition of vocational and entrepreneurial skills, supervision and assistance in the establishment and running of the new businesses, which requires big financial resources. Therefore, it will be more efficient if these programs are aimed at people 25-29 years old or older, who already possess knowledge, skills or experience. (ILO, 2012)

Most of the young people are involved in the training programs (55.0% in 2010), which are most effective for the unqualified people, because they allow them acquisition of certain qualifications and skills.

Employment benefits are the most expensive labour market measure. Hence, they are targeting the most vulnerable groups, which are including the young people under 29 years of age. Their inclusion in this program is seen in increasing the representation of young people in the total number of participants (28.6% in 2007 to 44.1% in 2010).

Taking into account the evaluation of the aforementioned measures, we believe that for reducing the youth unemployment the state should focus more on the employment benefits, the trainings should be aimed at young people who have lower qualification levels, while support for self-employment should cover those young people who already have some experience and knowledge.

Older workers

The employment of the older workers (55-64) in the country, in the last decade, remains very low (38.6% in 2014), compared to the national average (41.2%). At the same time, there is a decrease of their unemployment rate from 28.5% (2008) to 22.7% (2014). This change indicates that older workers gradually lose the advantage in terms of reliability of formal employment as a result of increased need for new competences and knowledge. Notably, employers now increasingly are looking for younger workers with higher education and skills that match the new production and information technologies. Part of the unemployment growth of this group can be explained by their increased participation on the labour market, a phenomenon which coincides with the process of aging of the population and labour force.

Many of the older workers, especially those with lower qualifications and education, have faced great difficulties in adapting to the changes that occurred with the transition. It has contributed to the increase of the number of the inactive elderly and to unfavorable changes in the structure of the unemployed aged 55 to 64 years. The early withdrawal from the labour market of these individuals, is due to the inability or lack of willingness to adapt to new market conditions, particularly because the state was providing financial support for early retirement on the basis of disability for work.

The evaluation of the active measures and policies show that the employment benefits mostly are aimed at older workers. However, the inactivity of this category is significantly increasing because they very quickly after the use of this benefits are retiring. So, perhaps it would be more appropriate if the employment benefits cover the elderly aged mostly 55 to 58 years. For those at retirement, though, can be provided additional unemployment benefits or certain forms of early retirement. The training programs, however, should be directed to the elderly only when a change in the occupation is needed. For better results it should be combined with the employment benefits. (ILO, 2012)

Considering the lifelong learning opportunities offered in the country and the measures and activities on the labour market designed for this category of people, we think that in order to influence on the unemployment reduction of the older persons, more attention should be focused on the available opportunities and measures which can help them to overcome barriers to employment.

Long-term unemployed

On the labour market in the Republic of Macedonia, more than 80% of the unemployed are long-term unemployed. The long-term unemployment contributes

to the loss of skills of the unemployed and to the increased social exclusion. As a result of the depreciation of knowledge, skills and work experience of the long-term unemployed, there is a negative time dependence. In fact, the longer people are unemployed, the less are their chances of finding job, which further complicates the problem of long-term unemployment. Considering that the long-term unemployment is concentrated at the most productive age groups, we are talking about long-term unused human capital.

Based on the evaluation of the active policies and measures, it can be concluded that the long-term unemployed (i.e. the persons unemployed between one and two years and more than 2 years) are most prevalent in the self-employment programs (49.3%, or 24, 1% in 2010). (ILO, 2012).

Indisputable is the fact that people who are long-term unemployed have a need of comprehensive counseling services and guidance, psychological support and re-training, before being able to join the labour market. Therefore, we estimate that self-employment programs are not enough to ensure successful return to the labour market. It is necessary these programs to be combined with training programs that will contribute to successful implementation of the self-employment measures.

Women

Among the numerous factors that contributes to the higher women unemployment on the labour market in the country are: the tradition and cultural practices, low level of education and skills they possess, ethnicity combined with education, the availability (or unavailability) and costs for childcare, the care for the older family members, discrimination against women on the labour market etc.

Since 2006, women, and in particular, certain groups of women, such as the elderly or women with small children, are facing discrimination in their employment or dismissal, even when they use the services of the employment agencies (ILO and Council of Europe, 2006). This situation is also present today. But, very often, the labour inspectorate fails to resolve these cases of discrimination or does not apply the necessary legislation.

To overcome the unfavorable situation of women, the labour market policy objective is to get their higher integration through increasing their employability in order to get the employment rate of 42% by 2015. To achieve this objective following measures should be realized: increase of their competencies (knowledge, skills and access to work), development and delivery of employment services and training according the individual needs and conditions of women, overcoming barriers to labour market integration etc. (Ministry of labor and social policy of the Republic of Macedonia, 2011).

The assessment of the effects of the labour market active policies and measures shows that in the period 2007-2010, the share of women compare to men is higher only in the training programs (78.6% versus 21.4%). (ILO, 2012) This implies that the unemployed women possess neither sufficient nor appropriate, qualifications and knowledge that would enable more secure entry into the labour market. With the inclusion in the envisaged trainings it is expected to increase their employability.

Nevertheless, in order to achieve any significant reduction in the women unemployment, it is necessary to take measures that will encourage the women to self-employment, or that will develop their entrepreneurial skills. This requires greater support of the women's entrepreneurship.

SOME RECOMMENDATIONS ABOUT THE LABOUR MARKET POLICY MEASURES

Republic of Macedonia for a long time is facing with extremely high unemployment, especially of the young, highly educated and low-skilled persons. The competent institutions in the recent years have taken a number of policies, measures and actions to overcome some of this disadvantages. However, there are additional measures and activities which can be taken in several areas:

a) Working standards and social protection of the unemployed – the provision of decent work is not just about generating any work, but also about improving the quality of jobs. Very often employees are working extra hours for which they are not paid, are working in poor and insecure conditions, then despite their work, they still cannot pull their families out of poverty. Therefore, we propose to take the following measures:

- Ensuring adequate working conditions and decent wages that for the employee and his family will provide decent living standard which includes: food, clothing, basic household items and health care. Rising the incomes of the workers, including of the young workers, will increase the domestic demand and indirectly will stimulate the economic growth.
- Improving the social protection for the unemployed, especially for the young who are mostly engaged in non-standard forms of employment. For that purpose it is necessary to adopt strategies for improving and expanding the social protection programs and undertaking further labour market reforms to achieve them. Also, it is very important to consider that such social protection measures should not be seen as a cost to the society, but as an investment. Consequently, it will positively act on the development of the population and the labour force and on the productivity increase.

b) *Social dialogue and partnership specially targeted toward the youth* – in the Republic of Macedonia the social dialogue is relatively high. Regarding this, the important areas for further action within the framework of the social dialogue can be the following:

- Developing social dialogue and partnership to increase employment of the young people, as well as taking appropriate measures and actions at national and local level, to promote decent work for the youth.
- Developing specific projects and interventions for greater youth employment, including realization of mutual partnership.
- The social partners should take measures to reduce the fear and uncertainty among the domestic investors, which will enable the private sector to reboot as the main generator of jobs, especially for the youth.

c) *Support of the system for information and analysis on the labour market* – for its efficient operation, we consider that it is necessary to make thorough analysis of the effectiveness of the labour market measures and activities. It will provide well-timed reaction if certain measures do not provide the expected results. It means that additional actions or certain modifications can be taken in order to successfully realize the planned measures and activities.

d) *Measures to reduce the inactivity of the working age population* –they should be taken as preventive, as well as direct measures to reduce the inactivity. This measures should reduce the demographic reserves, especially the prolonged exclusion of the young people from the labour market. As measures to reduce the inactivity of the working age population we point out the following:

- To pay more attention to the demographic reserves of the labour in the country, especially of the youth demographic reserves, as follows: through continuous study of the demographic reserves features; by identifying the causes of the great inactivity of the working age population; and through actions aimed at reducing the inactivity, especially of the young population;
- Introduction of programs for counseling the inactive working age population, especially the youth;
- Establishment of measures and activities to reduce the inactivity of the working age population, especially of the youth.

CONCLUSION

Taking into account the overall situation of the Macedonian labour market and the limited resources for implementation of the necessary measures and activities, targeting these groups and individuals is of great importance. For that reason, the

adopted legal framework and the active policies and measures for easier access of these vulnerable groups on the labour market, should be consistently applied.

In order to achieve progress in tackling the exclusion of the aforementioned target groups on the labour market and to ensure equal access to employment for all job seekers, it is necessary to consider several key elements. The problems can be surpassed only by a coordinated approach of the relevant institutions. The Employment agency of the Republic of Macedonia should continuously strive to integrate the excluded individuals or groups. It will mean careful implementation of the active labour market policies, while taking into account the specific needs of these individuals, as well as the cultural and traditional factors relevant to the particular groups of workers.

Considering the previously justified fields of the labour market intervention, it can be pointed out that the state should establish and develop integrated strategies, aimed at long-term, sustained and focused action to promote the employment, particularly of the young people. This requires the need to keep a coherent employment policy and labour market policy, setting measurable and realistic goals, in order to achieve attainable results.

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Nikoloski Dimitar, PhD
Faculty of Economics-Prilep
University “St. Kliment Ohridski”-Bitola
ndimitar@yahoo.com

Pechijareski Ljupcho, PhD
Faculty of Economics-Prilep
University “St. Kliment Ohridski”-Bitola
lpeci@yahoo.com

THE RECENT ECONOMIC CRISIS AND YOUTH UNEMPLOYMENT IN MACEDONIA

Abstract

Macedonia as a less developed post-transition country during the past decade struggles with high and sustained unemployment, human capital depreciation and striking labour market segmentation. A general perception is that young population that enters the labour force faces higher risk of becoming or remaining unemployed. The main reason for high unemployment among young workers is a lack of skills and work experience which make them less competitive on the labour market compared to prime-age and more mature workers. Moreover, the formal education and training systems often have been ineffective at easing the transition from school to work or slow to adapt to the changing requirements arising from the rapidly changing industrial structure. Among other factors that might cause higher incidence of youth unemployment are some labour market institutions such as

minimum wages and unemployment benefits. The problem of youth unemployment is often related to the role of the family at providing income support particularly in more traditional and collectivist societies. Finally, the unemployment among young population is highly cyclical sensitive, which means that youth are particularly hard hit in a recession which has been confirmed by the recent global economic crisis and its adverse effects on the demand for labour.

In this paper we will make an attempt to identify the impact of recent economic crisis on the youth unemployed in Macedonia. For this purpose we will use results from the survey carried out on a representative sample of registered unemployed workers. In this context, we will estimate econometric models that as a support in the process of identification of potentially relevant factors such as: personal perceptions, the role of alternative labour market adjustment mechanisms and the treatment of unemployed by the policy measures. As a result we will depict the profile of the youth unemployed workers in Macedonia and will assess to what extent they differentiate from more mature workers. Finally, we will formulate appropriate policy recommendations that target youth as disadvantaged labour market segment in order to improve their future employment prospects.

Key words: Labour market, segmentation, youth, unemployment, economic crisis.

INTRODUCTION

Macedonia as a less developed post-transition country during the past decades struggles with high and sustained unemployment, human capital depreciation and striking labour market segmentation. The general trends in the Macedonian labour market in a number of aspects resemble those typical of the transitional world. However, the Macedonian labour market shares some features which are peculiar to Western Balkan countries (WBCs). This is particularly relevant regarding the evolution of unemployment rate that sharply rose at the beginning of transition and has thereafter remained stagnant, reflecting the depressed characteristics of Macedonian labour market. Long spells of unemployment often lead to the degradation and dehumanisation of individuals in society, causing social exclusion and increasing the burden for the government of providing the necessary safety net. Consequently, the problem of unemployment is not only a personal problem for the people who experience it, but it has become a problem for the economy as a whole.

A general perception is that young population that enters the labour force faces higher risk of becoming or remaining unemployed. The main reason for high unemployment among young workers is a lack of skills and work experience which make them less competitive on the labour market compared to prime-age and more mature workers. Moreover, the formal education and training systems often have been ineffective at easing the transition from school to work or slow to adapt to the changing requirements arising from the rapidly changing industrial structure. Among other factors that might cause higher incidence of youth unemployment are some labour market institutions such as minimum wages and unemployment benefits. The problem of youth unemployment is often related to the role of the family at providing income support, particularly in more traditional and collectivist societies. Finally, the unemployment among young population is highly cyclical sensitive, which means that youth are particularly hard hit in a recession which has been confirmed by the recent global economic crisis and its adverse effects on the demand for labour.

Hence, youth needs to be offered the right chances, which makes adequate opportunities for education all the more important, as they are vital for growth, employment and prosperity. Therefore, the issue of youth unemployment remains as one of the highest priorities of the governments all around the world including WBCs. In this context, on the last Western Balkans Summit it has been pointed out that “Improving the perspectives of young generations is of paramount importance in ensuring stability, sustainable development and progress of the region” (Final Declaration by the Chair of the Vienna Western Balkans Summit, 27 August 2015). Furthermore, the participating states have underlined the need to enhance youth

mobility between the EU and the region and in the region itself. In addition, the participating States have agreed to continue with the work on the basis of the “Positive agenda for the Youth in the Western Balkans”, which was launched at the Foreign Ministers Meeting in Brdo in April 2015 and noted with satisfaction the progress that was already achieved in developing concrete proposals and ideas, welcoming the proposal of the European Commission to organise an Enlargement Conference in the first half of 2016 focusing on youth issues.

Having in mind the importance of the problem of youth unemployment, in this paper we make an attempt to identify the impact of recent economic crisis on the youth unemployed in Macedonia. For this purpose we use results from the survey carried out on a representative sample of registered unemployed workers. The paper is structured as follows. After introductory note, in the second part we present the theoretical framework about the youth on the labour market. In the empirical part we estimate econometric models as a support in the process of identification of potentially relevant factors such as: personal perceptions, the role of alternative labour market adjustment mechanisms and the treatment of unemployed by the policy measures. As a result we depict the profile of the youth unemployed workers in Macedonia and analyse to what extent they differentiate from more mature workers. Finally, we formulate appropriate policy recommendations that target youth as disadvantaged labour market segment in order to improve their future employment prospects.

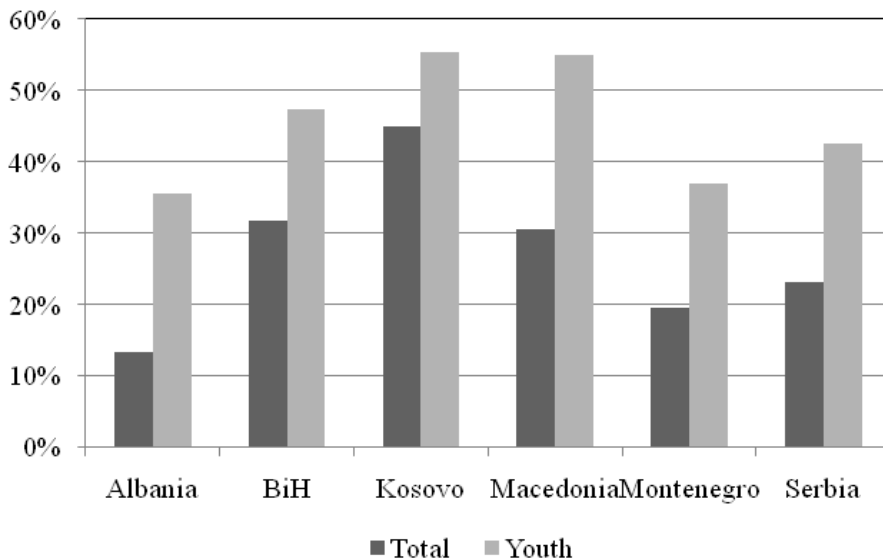
THEORETICAL BACKGROUND

The justification for analysing youth unemployment is based upon the theoretical framework commonly known as labour market segmentation theory. In the labour market context, the segmentation means that we can distinguish different segments where demand and supply for labour in each segment adjust independently from the other segments. In other words, in the case of labour segmentation the established rules of behaviour of the labour market actors in each segment are different from those in other segments. According to this theory, the labour market segments to some extent can operate independently because jobs and workers in each segment match according to particular conditions on the demand and supply side (Cain, 1976). The transition has created increased preconditions for segmentation of the society that affected the functioning of the labour markets (Nikoloski, 2009). In these circumstances, as particularly concerned can be distinguished specific demographic segments such as: youth, some ethnic minorities (for example Roma), and less skilled workers. The increased risk of unemployment and/or non-

participation among these segments than the rest of the labour force has enormous social implications such as rising poverty and income inequality.

For employment and unemployment purposes, as “youth” are generally considered people from the age when mandatory schooling ends through age 24. For most countries, that means the time span from 15 years old through 24 years old. A general rule of thumb is that young population that enters the labour force face higher risk of becoming unemployed. The empirical evidence shows that even in most developed countries the youth unemployment rates are approximately twice the adult rates (OECD, 2011). High youth unemployment is a characteristic of almost all transition countries (Blanchflower, 2001; Cazes and Nesporova, 2003). The situation in less developed regions such as Western Balkans with respect to youth unemployment is even worse. For instance, the average youth unemployment rate in WBCs economies remains 2.5 times higher than the EU average and 3 times higher than the adult unemployment rate (La Cava et al., 2006). The situation of youth unemployment rates in WBCs compared to total unemployment rates in 2012 are presented in Figure 1.

Figure 1. Unemployment rates in Western Balkan countries



Generally, the main reason for higher unemployment among young workers is a lack of skills and work experience which make them less competitive on the labour market compared to prime-age and more mature workers. Moreover, the formal education and training systems often have been ineffective at easing the transition from school to work or slow to adapt to the changing requirements arising from the

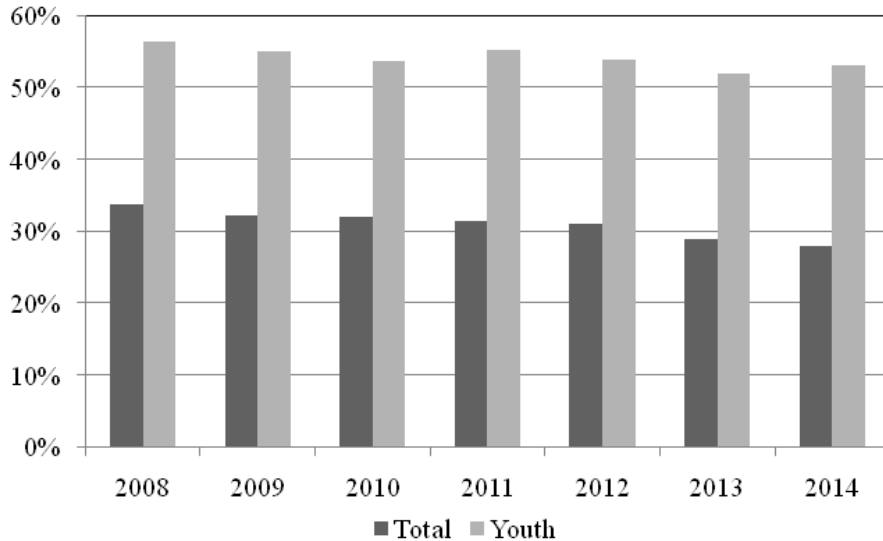
rapidly changing industrial structure (O'Higgins, 2010). Among other factors that might cause higher incidence of youth unemployment are some labour market institutions such as: minimum wages and unemployment benefits. In this context, Rutkowski (2006) points out that high fraction of young labour market entrants among the unemployed in transition countries can be partly attributed to the legacies of the old system such as the high degree of job protection granted to incumbent workers. The problem of youth unemployment is often related to the role of the family at providing income support particularly in more traditional and collectivist societies. Finally, the unemployment among young population is highly cyclical sensitive, which means that youth are particularly hard hit in a recession. This has been confirmed by the recent global economic crisis and its adverse effects on the demand for labour (Bell and Blanchflower, 2010).

The persistence of high youth unemployment rates exerts long-term scarring effects on the adult workforce of the next generations (Blanchflower and Oswald, 2007). The youth unemployment and particularly long-term unemployment causes increased probability of engagement in risk-taking practices such as violent behaviour and excessive alcohol and drug use. Moreover, due to the low employment prospects, young workers are more likely resort to various alternative labour market adjustment mechanisms such as informal work and emigration. Namely, given high unemployment in WBCs, many youth have left their countries to look for jobs abroad, which has been considered as a source of brain drain and lost investment in education in the home country. In sum, high youth unemployment rates have negative impact on the economic growth prospects in developing countries.

EMPIRICAL ANALYSIS

In the context of the previously elaborated theoretical framework we can argue that youth in Macedonia represent a marginalised labour market segment. The unfavourable labour market conditions that experience youth workforce can be illustrated by the high unemployment rates. For instance, the unemployment rate of the youth (age group from 15 to 24 years) in 2014 was 53.1%, which is considerably higher than the average unemployment rate (28%). The total and youth unemployment rates according to the data from the Macedonian Labour Force Survey for the period from 2008 to 2014 are presented on Figure 2.

From Figure 2 we can notice that unemployment rate in Macedonia during the period from 2008 to 2014 marks continuous decline from 34% to 28%. However, it is obvious that the youth unemployment rate during the same period does not show declining trend and hovers between 51% and 56%. Thus, the causes and the

Figure 2. Unemployment rates in Macedonia (2008-2014)

nature of considerably high youth unemployment rate in Macedonian during the economic crisis represent a challenging task for further investigation. Having in mind that there is a lack of consistent cross-section data regarding these issues, we have designed and carried out a survey based on a sample of registered unemployed workers. The survey was conducted during a reference period from mid October to mid November 2011, whereas the sample consisted of 2300 unemployed workers selected randomly in each of 30 branch offices of the Employment Service Agency (ESA) all over the country. Due to the lack of exhaustive lists of registered unemployed that are confidential, the interviewers had freedom to choose eligible respondents randomly. The survey was traditionally conducted in a pen and paper format by using self-administered questionnaires. Having in mind the special topic of the survey, its weakness is viewed in the fact that it cannot be used to monitor changes over time. The structure of the sample according to the basic demographic characteristics is given in Table 1.

Table 1. *The structure of the sample according to various demographic characteristics*

Gender		Place of living		Age	
Male	50.30%	Urban	77.89%	15-20	4.09%
Female	49.70%	Rural	22.11%	21-25	3.27%
				26-30	9.23%
				31-35	1.70%
				36-40	0.61%
				41-45	0.61%
				46-50	8.96%
				51-55	6.92%
				56-60	3.61%
				61-65	0.87%
				65 and more	0.13%
Education		Ethnicity			
Primary or less	15.11%	Macedonian	81.80%		
Secondary	50.35%	Albanian	10.21%		
Higher	34.54%	Turk	2.26%		
		Roma	2.26%		
		Serbian	1.95%		
		Vlahos	1.00%		
		Bosnian	0.35%		
		Other	0.17%		
Marital status					
Single	40.43%				
Married	53.66%				
Divorced	3.74%				
Widowed	2.18%				

Source: Authors' calculations

In order to assess the profile of the unemployed workers including the youth, we have designed a questionnaire which consists of 53 questions. Most of the questions are close-ended with multiple choices, i.e. they are accompanied by a range of answers from which the respondent is asked to indicate which answer best applies to him. Only two questions are open ended in order to get personal opinion from the respondent about the feeling of being unemployed and his intentions in order to get employed. Alongside the questions about the various economic activities or sources of income we attempted to assess the adjustment mechanisms indirectly by using the time allocation to various activities as well as personal values and perceptions.

Table 2. *The major dividing lines between youth and mature unemployed workers*

Dividing line	Youth	Mature
Unemployment causes stress and/or other health problems	68.9%	87.1%
The global economic crisis has negatively influenced the living standard of the household	54.2%	61.7%
Perceives himself as still unemployed after five years	3.1%	18.6%
Actively search for job	51.2%	51.2%
If has possibility would work abroad	71.1%	58.6%
Earn income from informal economic activities	26.6%	41.8%
Receive unemployment benefit	2.8%	10.2%
Participate in active labour market programmes	9.2%	10.1%

Source: Authors' calculations

When it comes to identify the differences between youth and mature workers with respect to their perceptions of the economic crisis, we further attempt to assess the major dividing lines among these two categories. For this purpose we divide the sample into two sub samples and estimate proportions of youth and mature workers who have affirmative attitudes regarding the impact of the crisis. At the first place we are interested in the impact on the subjective well-being of unemployed workers assessed through the levels of stress, living standard and perception of future labour market prospects, the role of the alternative labour market adjustment mechanisms such as emigration and employment in the informal sector and the treatment by the labour market policy measures. The major dividing lines between youth and mature unemployed workers are presented in Table 2.

From Table 2 we can notice that unemployment has caused more stress for mature than for youth workers. Similarly, the mature unemployed workers seem to be more concerned by the negative effects of the crisis on their living standard and are more discouraged about their future labour market prospects compared to youth unemployed. In contrast, youth unemployed manifest greater intention to emigrate in order to find work abroad while their involvement in the informal sector is lower compared to mature workers. Finally, the coverage of youth unemployed by the passive labour market policies is lower compared to mature workers, while this gap is closer with respect to the coverage by the active labour market policies.

In order to assess the impact of recent economic crisis upon the youth unemployed workers in Macedonia, furthermore we estimate several Logit models. The specification of the Logit model is as follows:

$$\text{logit}(E[Y_i|X_i]) = \text{logit}(p_i) = \ln\left(\frac{p_i}{1-p_i}\right) = \beta_0 + \beta_1 x_{1,i} + \dots + \beta_m x_{m,i}$$

where, Y_i is dependent variable which takes value 1 with probability p_i , and value 0 with probability $1 - p_i$. In this context, we separately estimate three models aiming to assess the factors that influence: first, the probability that unemployment causes stress and/or other health problems; second, probability to perceive as unemployed after 5 years and third, probability that the economic crisis has influenced the living standard of the respondent's household.

On the other hand, X_i is a vector of independent variables whose effect on the dependent variable is assessed by the estimated coefficients. We divide the possible determinants in three groups: Personal traits, household characteristics and policy treatment variables. The results from the estimation of the first Logit model are presented in Table 3.

Table 3. *Estimated Logit model for unemployment as a cause of stress and/or other health problems*

Variables	Coefficient	Standard error	t-value	Diff. in odd ratio
Intercept	-1.1625	1.7331	-0.6707	
Personal traits				
Male	-0.3027	0.2253	-1.3434	
Married	-0.1796	0.4034	-0.4452	
Urban	-0.1489	0.2684	-0.5546	
Higher education	0.8600	0.2771	3.1027***	136.3%
Long-term unemployed	1.0251	0.2402	4.2673***	178.7%
Actively search for job	0.7073	0.3077	2.2985**	102.9%
Has intention to emigrate	0.4021	0.2366	1.6991	
Engaged in informal employment	0.2054	0.2528	0.8125	
Household characteristics				
Household size	-0.0645	0.1205	-0.5351	
Number of employed members	-0.2680	0.1414	-1.8953*	
Has another unemployed member(s)	0.1211	0.2299	0.5269	
Has retired member(s)	0.5079	0.2591	1.9601**	
Has emigrated member(s)	-0.5885	0.3745	-1.5712	-23.5%
Policy treatment				
Social assistance beneficiary	0.1812	0.6462	0.2804	66.2%
Health insurance beneficiary	-0.3301	0.2257	-1.4624	
Unemployment benefit recipient	0.3566	0.7067	0.5046	
Participation in active programmes	-0.0159	0.3666	-0.0435	

Note: *, ** and *** represent statistical significance at the 10%, 5% and 1% levels respectively.

From Table 3 we can draw several conclusions with respect to the profile of youth unemployed who are the most psychologically affected by the unemployment problem. Regarding the personal traits, education appears to be statistically significant determinant since youth unemployed with higher education have increased probability for stress and other health problems by 136.3% compared to youth with lower levels of education. Furthermore, those who are long-term unemployed experience 178.7% higher probability of being stressed or to have other health problems caused by unemployment. Finally, the youth unemployed who actively search for job are 102.9% more affected by stress than those who do not actively search for job.

Among the household characteristics, having an additional employed member in the household will decrease the probability of being stressed or having other health problems by 23.5%. In contrast, having retired member(s) of the household increases the probability of having such psychological and health problems by 66.2%. With respect to the policy treatment variables, the health insurance benefits

and participation in active labour market programmes have negative signs, but none of these variables appears to be statistically significant.

In order to assess the factors that influence the discouragement of youth unemployed in Macedonia we further estimate a Logit model, where the dependent variable takes value one if the person perceives himself as unemployed after 5 years. In the opposite case, the dependent variable takes value zero. Similarly, as in the case of estimating the impact of unemployment as a stressor, we divide the possible determinants in three groups: Personal traits, household characteristics and policy treatment. The results from the estimated Logit model are presented in Table 4.

Table 4. *Estimated Logit model for perceiving as unemployed after 5 years*

Variables	Coefficient	Standard error	t-value	Diff. in odd ratio
Intercept	2.0212	4.6609	0.4336	
Personal traits				
Male	0.5856	0.6316	0.9272	
Married	-0.0827	1.1396	-0.0726	
Urban	-1.7288	0.6302	-2.7429***	-82.3%
Higher education	-0.0498	0.7749	-0.0642	
Long-term unemployed	1.1203	0.6827	1.6410*	206.6%
Actively search for job	-1.0817	0.6858	-1.5772	
Has intention to emigrate	-0.1845	0.6244	-0.2955	
Engaged in informal employment	-0.1766	0.6618	-0.2668	
Household characteristics				
Household size	-0.6607	0.3900	-1.6939*	-48.4%
Number of employed members	0.3073	0.4170	0.7370	
Has another unemployed member(s)	0.3630	0.6537	0.5553	
Has retired member(s)	-0.2747	0.6855	-0.4008	
Has emigrated member(s)	-4.5851	5.4765	-0.8372	
Policy treatment				
Social assistance beneficiary	1.8468	0.9818	1.8809*	534%
Health insurance beneficiary	0.0173	0.6172	0.0280	
Unemployment benefit recipient	0.9485	1.1998	0.7905	
Participation in active programmes	1.5195	0.8138	1.8671*	357%

Note: *, ** and *** represent statistical significance at the 10%, 5% and 1% levels respectively.

From Table 4 we can notice that among personal traits there are two statistically significant characteristics that make the profile of 'discouraged worker'. For instance, living in urban area will decrease the probability that person perceive himself as unemployed after 5 years for 82.3%, while being long-term unemployed will increase this probability for 206.6%. With respect to household characteristics,

an additional member in the household will decrease the probability of the respondent to perceive himself yet as unemployed after 5 years by 48.4%.

Regarding the policy treatment, being social assistance beneficiary will increase the probability for perceiving as still unemployed within the 5 years time horizon by more than 5 times. Having in mind that this category of unemployed is the most deprived it is somewhat expected that they face the poorest labour market prospects. In addition, the participation in active labour market programmes would increase the discouragement by 3.5 times which renders questionable the effectiveness of these programmes.

In order to assess the impact of global economic crisis on the living standard of youth unemployed in Macedonia we estimate a Logit model, where the dependent variable takes value one in the case where the person declared that the global economic crisis has influenced his/her living standard. In the opposite case, the dependent variable takes value zero. Similarly, as in the previous cases, we divide the possible determinants in three groups: Personal traits, household characteristics and policy treatment. The results from the estimated Logit model are presented in Table 5.

Table 5. *Estimated Logit model for the impact of the global economic crisis on the living standard of unemployed*

Variables	Coefficient	Standard error	t-value	Diff. in odd ratio
Intercept	-1.3556	1.6059	-0.8441	
Personal traits				
Male	0.0312	0.2048	0.1523	
Married	0.0935	0.3659	0.2556	
Urban	-0.3180	0.2438	-1.3042	
Higher education	0.4923	0.2476	1.9877**	63.6%
Long-term unemployed	0.2829	0.2139	1.3225	
Actively search for job	0.7179	0.2959	2.4258**	105%
Has intention to emigrate	0.5095	0.2195	2.3207**	66.4%
Engaged in informal employment	-0.0563	0.2236	-0.2520	
Household characteristics				
Household size	-0.0146	0.1084	-0.1348	
Number of employed members	-0.0847	0.1273	-0.6647	
Has another unemployed member(s)	0.2613	0.2073	1.2605	
Has retired member(s)	0.1128	0.2280	0.4946	
Has emigrated member(s)	-0.0104	0.3576	-0.0290	
Policy treatment				
Social assistance beneficiary	-0.2836	0.5565	-0.5095	
Health insurance beneficiary	-0.3097	0.2025	-1.5296	
Unemployment benefit recipient	1.0115	0.6613	1.5297	
Participation in active programmes	-0.1503	0.3363	-0.4470	

Note: *, ** and *** represent statistical significance at the 10%, 5% and 1% levels respectively.

From Table 5 we can notice that among personal traits having higher education will increase the probability that global economic crisis affect the workers living standard by 63.6%. In addition, the living standard has been particularly affected by the crisis among the long-term unemployed and those who actively search for job. Namely, these categories of workers have 105% and 66.4% respectively higher probabilities of perceiving the negative impact of the crisis on the living standard of their households.

CONCLUSIONS AND POLICY RECOMMENDATIONS

In this paper we make an attempt to identify the profile of youth unemployed who are affected by the recent economic crisis. The general perception is that despite decreasing trend of unemployment in Macedonia, the youth are still disproportionately affected by unemployment. The unemployment is stressing situation and causes other health problems for youth who have higher education, actively search for job and are long-term unemployed. Particularly discouraged with respect to the future labour market prospects are youth unemployed who live in rural areas, have low income and are long-term unemployed. The recent economic crisis has particularly affected the incomes of youth unemployed with higher education who actively search for job and indicates the potential source of brain-drain.

The previous policy actions in WBCs aiming to reduce youth unemployment covered a range of activities such as: (i) non-formal education, which would provide a much needed complement to formal education; (ii) support of well-organised and sustainable youth organisations that can provide quality services to young people; (iii) youth participation and representation at different levels of governance; and, (iv) development and implementation of National Action Plans for youth (La Cava et al., 2006). However, taking into account that the standard policy measures have so far been insufficient in curing the problem of persistent high youth unemployment, there is a need for alternatives.

Recently, the WBCs committed to the launch of the Positive Agenda for Youth in the Western Balkans (Western Balkans Foreign Ministers Meeting, Brdo, April 23, 2015). The Agenda will include concrete initiatives and proposals, which will be implemented with the help of the European Commission. This is a precise study of mechanisms that the EU already has in place for young people in the Western Balkans. In this context, their effectiveness and accessibility need to be examined and adapted to the situation on the ground, while the programmes available for young people from the EU candidates need to be extended to include the countries in the region.

Having in mind the results from this research we further formulate a set of policy recommendations that will aim to improve the position of youth unemployed on the Macedonian labour market. First, the reforms in the education system and particularly the higher education should take into account the required skills and competences by the employers. In other words, a careful analysis of the labour market needs has to be undertaken prior to any implementation of new or amendment of the existing curricula. Additionally, important guidelines might be learned from the strategic documents for the economic development that identify the core competitive industries in the country. Second, the policies on the supply side should be focused on appropriate reforms of the education system including both the vocational education and training and higher education. Given that the awareness among the social partners involved in the process of designing new curricula and modernisation of the existing ones is still on the relatively low level, incentives should be created among employers to participate in designing the study programmes for the formal vocational education and training as well as for the informal vocational education of adults. Third, the active labour market policies have to be designed carefully in order to target the most vulnerable labour market segments, particularly with respect to increased employability of the youth. Finally, the policies on the demand side have to generate incentives for additional job creation predominantly in competitive industries where the skill requirements will roughly match the qualification structure of the youth workforce segment.

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Andriana Skerlev-Chakar, PhD
Agency for Audio and Audiovisual Media Services
skerlevcakar@gmail.com

**NEW TRENDS IN IMPLEMENTING ORGANIZATIONAL
CHANGES IN THE PUBLIC ADMINISTRATION IN THE
REPUBLIC OF MACEDONIA - THE PARTICIPATIVE CONCEPT**

Abstract

Successful implementation of organizational changes in public administration is key to increasing the effectiveness and accountability, as well as the performance, of public administration in the Republic of Macedonia. It is the modernizing agenda for change which reflects the civic and social aspirations of Macedonian public administration to equal the quality and competitiveness of the best performing EU administrations.

New methods are needed to manage the organization of public administration. The application of an appropriate participatory concept for successful implementation of organizational change in public administration as a prerequisite for greater efficiency and accountability, encourages the public sector employees to participate in organizational change. It is argued that this can lead to a welcome reduction in the impact and influence of the state on these activities by developing the professionalism, expert knowledge and accountability of public administration in the Republic of Macedonia.

This requires political will as well as specific legal amendments, to ensure successful implementation of a participatory style of management in public administration. In applying an appropriate participatory concept of participation, decision making is not separated from the process of organizational change, but is an integral part of the employees' activities. This transfer and devolution of the decision-making power will leave senior managers free from the burden of making controversial decisions while retaining strategic direction. Sharing responsibility for organizational change with employees directly involved in its

implementation will reduce overall costs, increase the efficiency of the planning process, make it more rational and responsive to all parts of the organization, and reward and incentivize staff with opportunities for advancement in a better functioning organization which they have helped create.

Keywords: participation, employee perception of the style of management, public administration in the Republic of Macedonia

INTRODUCTION

Nowadays, there is virtually no segment of citizens' lives that is not brought into some kind of correlation with a certain government authority, state organ, or body of the public administration. To understand the aspect of organizational changes in terms of public administration, it is necessary to review the basic considerations of the meaning of the term 'administration'.

Starting out from the contemporary understanding of the term 'legal state', public administration carries out its social function as a regulator of the processes in society. In the complex and dynamic conditions of modern living, public administration is actually the organizational infrastructure that disposes of extensive expert knowledge, human potential and material resources for an efficient social regulation. At the same time, the growth and development of the role of public administration as an instrument of social regulation diminishes its role as an executor of the political power and coercion, which directly affects its overall activities, i.e. the work of public administration in general. Hence the conclusion that, in order to be able to answer the needs of time, public administration as a complex system of human cooperation and regulator of the social processes needs substantial transformation in terms of three significant changes: organizational, process-related, i.e. procedural, and ethical. (Milenkovic, 2009). As regards the models of administration, Dimitrijevic identifies, in general, two models of administration: the model of administration as a state administration and the model of administration as a public service. In his view, today one can perceive a third model, what is called the "new public administration" (Dimitrijevic, 2008).

REASONS FOR THE NEED TO IMPLEMENT ORGANIZATIONAL CHANGES IN PUBLIC ADMINISTRATION

The fact that the citizens as tax-payers provide the funds for the work of the public administration bodies was the reason for public administration to change its attitude both towards the citizens and towards all those affected by its work. In this sense, the following obligations arose for the public administration: achieving greater efficiency, transparency and openness in its work (above all, through accessibility of information regarding its work, etc.); strengthening legal security; more efficient implementation of the laws, as well as efficient sanctioning of the oversights made and shortcomings found in the work of public administration.

In addition to the trends mentioned above, another new tendency in the public sector is also the implementation of new trends and methods in the management of

the public administration bodies by way of modifying the way in which their work is organized, the manner in which decisions are made within these bodies, the way of motivating the public servants, so that this is not only about the implementation of certain methods and knowledge into the work, but also about the aspect of legal regulation of their status. Hence, the manner in which the public servants' system is functioning is of special importance for the purpose of implementing and abiding by the numerous EU standards introduced in the sphere of public administration.

In the past three decades, in the most developed countries in the world one can notice a reform in the management of the public sector. Namely, the need for modifying the manner in which public entities function occurred due to several reasons – above all, the fact that the public sector's share in the gross national product reached great proportions. There were also major inefficiencies that occurred in the functioning of the public sector, while the responsibility for the actions taken on its part did not reach a satisfactory level. Considered as one of its major shortcomings was the centralized manner of providing public services and goods, so as to satisfy the entire population with public goods, in a way where the basic initiatives were dictated by the centre itself, i.e. the top of the public government, not taking into account the diverse needs and interests of the different social groups. As a result, there was no opportunity to choose and production was inefficient.

In this sense, the goal of the public sector reform is to promote its accountability (more precisely, of its managerial structures), for the purpose of using public resources efficiently and effectively. The measures undertaken throughout the reform processes and the implementation of numerous organizational changes “contribute to the development of a new manner of managing the public sector – the so-called new public management – characterized by adopting styles and concepts of market operation and private sector management (Djurđev, 2003: 26-28).

The excessive growth of the public sector from the aspect of its participation in the national income, on one hand, and its growing inefficiency and low level of responsibility to meet its obligations, on the other, were the main reasons for taking the measures towards transforming the public sector. The attempts to reduce the growth rate of the public sector and motivate the employees to achieve greater efficiency have their roots in the management techniques and practices used within the frameworks of the private sector. In this regard, the overall reform measures applied via the implementation of various organizational changes, contributed to the affirmation of the so-called new public management, i.e. the “new manner of managing the public sector, characterized by adopting concepts and styles of management of the private sector and implementation of explicit standards and measuring of the performances” (Bjelica, 2012).

The implementation of the practice of managing the private sector into the public sector is linked with numerous conceptual problems that primarily arise from the many differences between these two business environments. An especially important difference is precisely the presence of political interest in the public sector. The private sector is largely run by market forces and specific regulatory processes, while the activities of the public sector are determined by the structures and processes established by bureaucratic agencies and the state legislation (Djurđev, 2003: 26-28).

In conditions where there are no dilemmas that the reformation of the public sector is a crucial process, the only considerations that of relevance are those about the necessary measures that these reforms should incorporate and the possible directions along which the public sector reforms should evolve.

CURRENT STATE OF AFFAIRS IN THE PUBLIC ADMINISTRATION IN THE REPUBLIC OF MACEDONIA FROM THE ASPECT OF SELECTING AN APPROPRIATE CONCEPT FOR IMPLEMENTING ORGANIZATIONAL CHANGES

The organizations employing the public administration in the Republic of Macedonia, practice an autocratic style of management, i.e. the traditional, control-oriented approach, which involves centralized decision-making in the highest hierarchical levels of the organization. The employees are virtually not involved at all in the decisions about the changes – not even in the decisions concerning issues that are most directly related to their work. The top-level managers are the ones who make the decisions, while the middle managers take part in making some of the decisions to a certain extent, whereas the employees only implement the decisions. It is important to determine where the power to make decisions in the public administration is concentrated, considering the fact that this is one of the four key features (information, rewards, knowledge and power) used to assess the style of management, according to Edward E. Lawler III (1988, 1992). Namely, when these are concentrated at the top, then there is a traditional control-oriented management, and when they are moved downward, then some forms of participatory management are practiced. The claim that the traditional control-oriented approach is practiced in public administration is also supported by the results obtained from the research conducted back in 2008, for the needs of the magisterial thesis of the author of this text. The research was conducted in the independent regulatory bodies in the Republic of Macedonia, which are part of the public administration in the Republic of Macedonia (Skerlev-Chakar, 2009). This research showed that even 75 % of the staff had declared that the employees were little involved in the

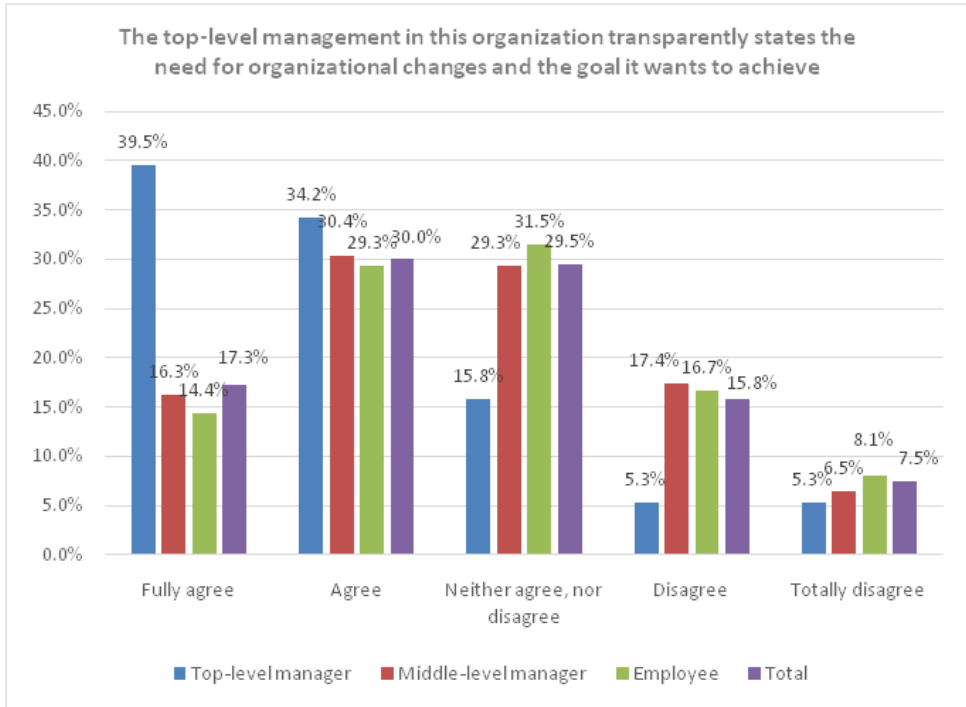
creation of the organizational structure, while 13.9 % of the staff had stated that the employees were partly involved in these processes. However, this certainly does not mean that the employees have no desire to be involved in the decision-making.

Among the other aspects that were the object of analysis, also analyzed in the research conducted in June-September 2013, for the needs of the doctoral dissertation of the author of this text (Skerlev-Chakar, 2014), was the presence of the four key features (information, rewards, knowledge and power) mentioned by Edward E. Lawler III in his work *Choosing an Involvement Strategy* (1987), which define the style of management. This was with the aim of selecting – on the basis of this and the other features – an appropriate concept for employees' involvement in the public administration of the Republic of Macedonia, in the organizational activities when implementing organizational changes. Namely, in order to confirm or deny the above-stated conclusion regarding the style of management in the public administration in the Republic of Macedonia, the degree to which these four key features – information, rewards, knowledge and power – are moved down to the lowest level in the organization was analyzed, as the verification of the conclusion depended on this.

Namely, the results of this research confirm the fact that, in the public administration in the Republic of Macedonia, the power is located in the highest hierarchical levels where the management does not announce the organizational changes transparently and the employees in the public administration do not have an opportunity to participate in the decisions concerning the organizational changes, as well as the fact that the employees do want to be involved both in the decision-making and in the implementation of organizational changes because they do have the required knowledge, but that the rewarding within the public administration is not adequate to the achievements.

With the aim of designing a concept that would contribute to a successful implementation of the organizational changes in public administration as a prerequisite for greater efficiency and accountability of the public administration – which would in turn produce the desired decrease in the influence and presence of the state in the ongoing activities on the account of increasing professionalism, expertise and accountability of the employees in the public administration in the Republic of Macedonia – the author of the text conducted a survey in the period from June to September 2013, involving a total of 400 respondents in the public administration in the Republic of Macedonia. Presented in this text will be only a small portion of the survey results.

The pictures below present some of the results of this survey, where the stances of the top-level managers, middle managers and employees are given separately, in percentages.

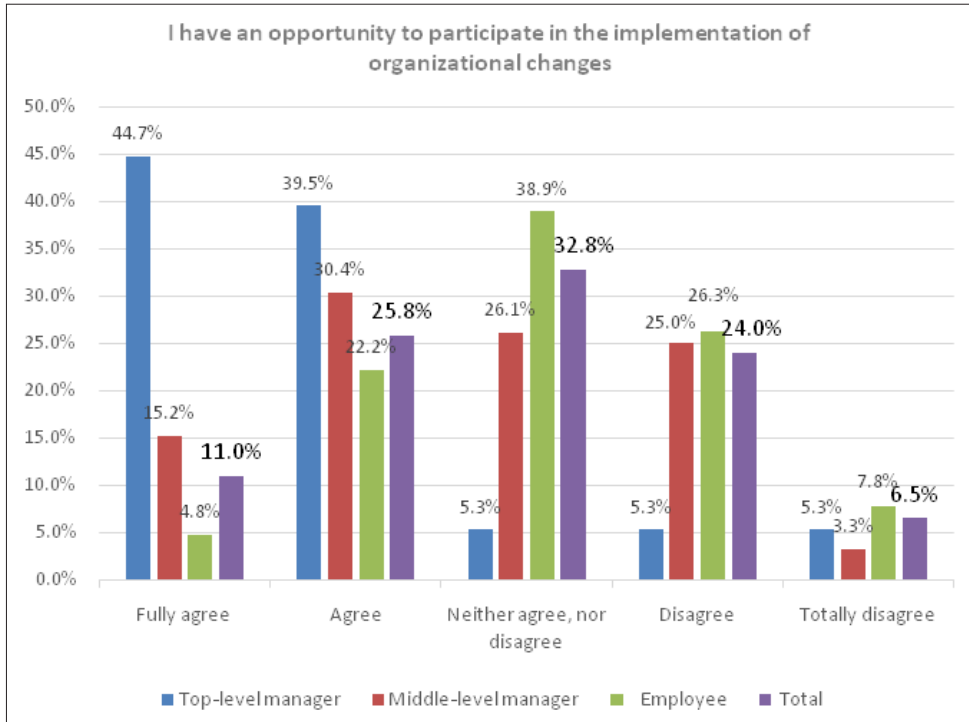
Picture 1.

Picture 1 presents the opinions of the employees regarding transparency when it comes to announcing the forthcoming organizational changes and the goals that these should achieve in the organization. The majority of employees – 31.5 % - do not have a stance concerning this issue and, along with those employees who do not agree with the stance that the organizational changes are announced transparently in the organization (16.7 %), and the employees who totally disagree with this stance (8.1 %), comprise a significant percentage of employees who think that the processes of change in the organization are not transparent. The management’s stance, however, is totally different – they think that these processes in the organization are announced transparently (39.5 % of the top-level managers fully agree and 34.2 % agree, while, at the level of middle managers, 16.3 % fully agree and 30.4 % agree with this claim).

Picture 2 presents the answers of the top-level managers, middle managers and employees concerning the stance: “I have an opportunity to participate in the implementation of the organizational changes”, where the majority of employees (38.9 %) did not have a stance of their own regarding this claim, while 22.2 % agreed with it; 4.8 % fully agreed; the majority of employees (26.3 %) did not agree, and 7.8 % totally disagreed. The situation among the top-level managers and

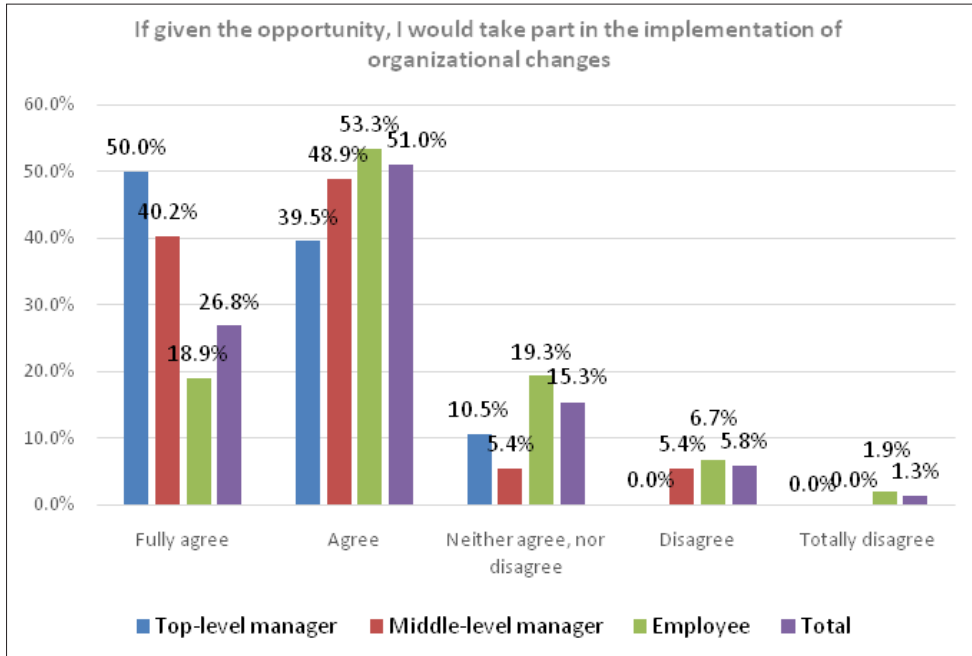
the middle managers was totally different, as they agreed with this stance. Namely, 44.7 % of the top-level managers fully agreed and 39.5 % agreed, while 15.2 % of the middle managers fully agreed and 39.5 % agreed, while 15.2 % of the middle managers fully agreed and 30.4 % agreed.

Picture 2.

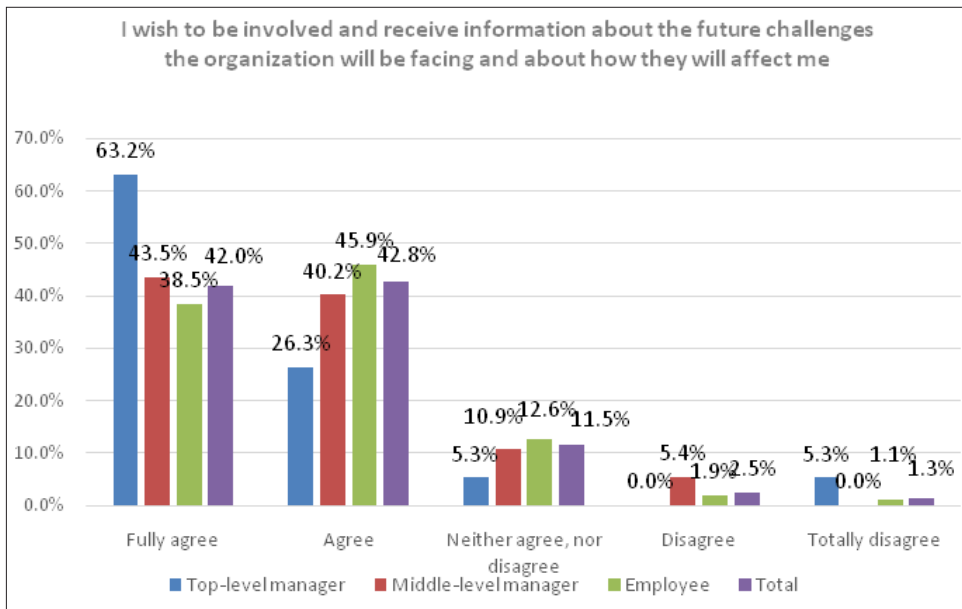


However, public administration staff would like to be involved in the implementation of organizational changes and the findings obtained through this survey showed that this desire for involvement involved the employees as well, since, by the nature of its hierarchical position, the management will understandably be fully involved in the implementation of organizational changes. The positions of the employees regarding the opportunity to be involved in the implementation of organizational changes are given below in Picture 3, where it is visible that even 53.3 % of the employees agree with this claim, while 18.9 % fully agree, which constitutes a high percentage of employees who want to be involved in the change implementation processes in the organization.

Picture 3.



Picture 4.

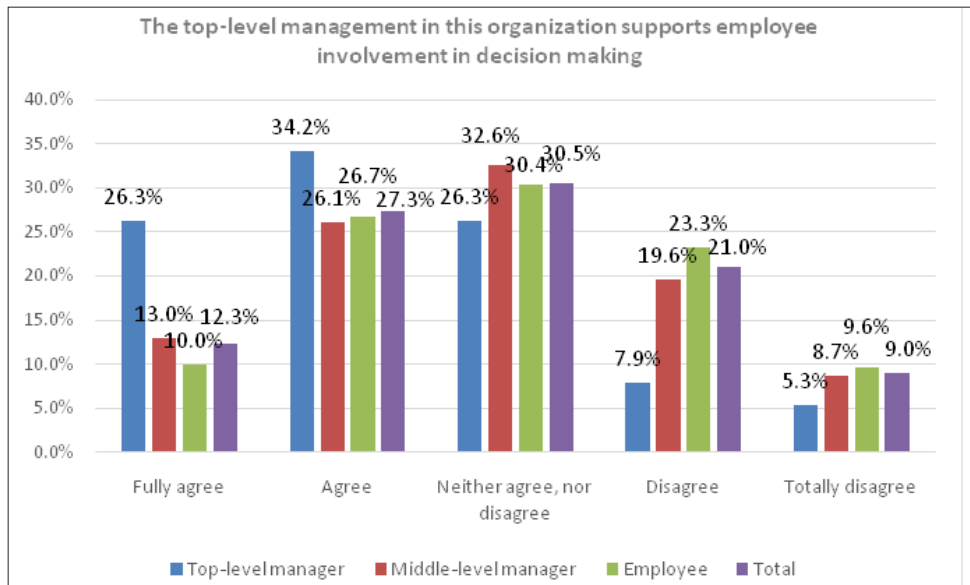


The findings obtained in this survey are along the lines of what Lawler (1988) wrote, i.e. “that there is no doubt that the employees enjoy the opportunity to participate in the problem solving”.

The survey showed that the employees would also like to be involved and receive information about the forthcoming organizational changes. A total of 45.9 % of the employees agreed with this stance, while 38.5 % fully agreed (Picture 4). As for the managers, there is again an understandably high percentage of consent with this stance, i.e. 63.2 % fully agree and 26.3 % agree with this stance, considering the fact that they possess all relevant information concerning organizational changes.

However, the results obtained from the survey showed that the managers do not provide sufficient support to the employees to participate in the decision-making about the organizational changes (Picture 5).

Picture 5.



The data presented in Picture 5 support the claim that the majority of employees agree with the stance that the top-level managers do not support their participation in the decision-making (26.7 % agree, 10 % fully agree). The percentage of employees who do not have a stance on this issue is high, which leads to the conclusion that there is no developed participatory climate when making decisions in the organization. The managers' standpoint is contrary to the stance of the employees. i.e. the managers consider that they do support

the employees in taking part in the decision-making (top-level managers: 34.2 % agree and 26.3 % fully agree; middle managers: 26.1 % agree and 13 % fully agree). However, according to Conner (1998), the managers are the ones who should involve the employees and “lead them through the emotional and sequential framework of organizational changes”. Also, they should constantly listen to the stands and opinions of the employees so as to obtain a realistic picture of the developments in the organization, on one hand, and bring the process of making decisions about the organizational activities closer to those who perform these activities directly, on the other. The research titled *Decentralization and Accountability as a Focus of Public Administration Modernization* (Christoph, Demmke, Hammerschmid, et al., 2006) confirmed the need for creating strategies, on the part of public administration, for training the managers to acquire the essential skills that would enable them to carry the responsibilities themselves, considering that there is a strong link between decentralization and the participation of a number of actors in the decision-making processes. This also confirmed the importance of additional trainings for the managers in this regard and led to the conclusion that the respondents had faith in the efficiency of their training systems.

The research was based on the premise that there is possible correlation between the *independent variables*, defined as organizational climate, organizational politics and the employee perception of the management style, on one hand, and the *independent variable*, defined as acceptance of the implementation of organizational changes in public administration. In tune with the set goals of the research, thirteen hypotheses were examined.

With regard to the style of management, considering that the author of the text advocates introduction of a participatory style of management in the public administration in the Republic of Macedonia, it was important to examine if there was a link between the *employee perception of the style of management in the organization* and the *organizational changes*. For this purpose, three hypotheses, which represented the dimension of *employee perception of the management style in the organization* at the level of middle managers and top-level managers, were tested, as it was assumed that the managers, through their style of managing the organization, would contribute to creating situations where the employees would react positively to the implementation of organizational changes and to their dedication to the implementation of organizational changes, *in this practicing the participatory management style*.

These three hypotheses referred to the research into the link between the *practicing of participatory management style* and the *acceptance of the implementation of organizational changes*; the *support from the middle managers (supervisors)* and

the *acceptance of the implementation of organizational changes*, and between the *involvement of top-level managers* and the *acceptance of the implementation of organizational changes* in the public administration in the Republic of Macedonia. For the needs of the research, the term ‘top-level manager’ also referred to the top managing officers in public administration (director, head of professional service, secretary general, state counselor, and their deputies/assistants), and the elected and appointed persons (member of an agency, commission or council, or any other elected or appointed person). The term ‘middle manager’ meant and included the heads of sectors and heads of departments (and their deputies/assistants). The term ‘employee’ meant and included the non-managing officers in the public administration.

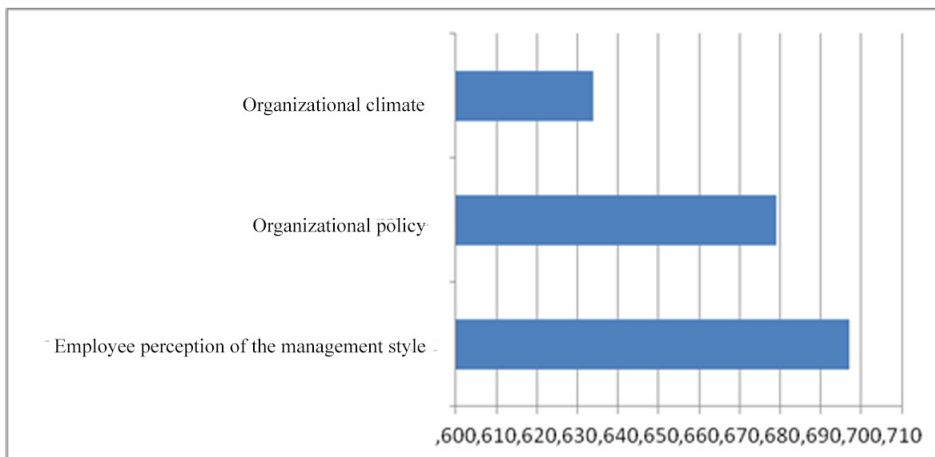
The results showed that **there is a positive link between the employee perception of the style of management** (*support from the middle managers, involvement of the top-level managers and consistency of the top-level managers*) **and the acceptance of organizational changes in public administration.**

Consequently, after the hypotheses were tested and the factors of lesser influence were separated with the help of factor analysis, the factors that had major influence on accepting the organizational changes were grouped, after which, by correlating the independent and dependent variables, those factors that could be considered as the reason for movement from resistance towards acceptance of the initiative for changes were singled out, and the data obtained were used only in an additional analysis for the purpose of confirming the data already obtained from the processed questionnaires with scales and stances, and only certain additional conclusions were drawn.

On the basis of the results obtained through testing of the hypotheses, also taking into account the additional results obtained from the factor analysis and the performed correlations, the participatory concept was finally designed and proposed as an inclusive framework for implementing organizational changes in the public administration in the Republic of Macedonia.

The sublimated results of the testing of the hypotheses, using Pearson’s χ^2 test, are summarized and presented in Picture 6. Namely, after the testing of the hypotheses, all thirteen set-up hypotheses were confirmed, i.e. the results confirmed that there is a positive link between *organizational dedication, organizational policy and employee perception of the management style* and the *acceptance of organizational changes in public administration.*

Picture 6. Middle values (Mean) of the independent variables (incorporating the factors), which produce movement from resistance towards acceptance of the initiative for changes in public administration



The picture makes it obvious that *employee perception of the management style has the greatest impact on the acceptance of the implementation of organizational changes in public administration*, followed by organizational policy and organizational climate. Considering that *participatory management style was singled out as an important factor that produces movement from resistance towards acceptance of the initiative for change, within the framework of the proposed concept, participation was an important link that connected all of its components.*

PARTICIPATORY CONCEPT FOR IMPLEMENTING ORGANIZATIONAL CHANGES IN THE PUBLIC ADMINISTRATION IN THE REPUBLIC OF MACEDONIA

The literature reviewed and the research results pointed out to the fact that *managers need to find an appropriate way to involve the employees in the organizational activities.* This involvement should be conducted in line with Kurt Lewin's model of the change process from the existing state into a new, desired state (Robbins and Coulter, 2007; Robbins, 2005), i.e. through the three steps of change: *unfreezing, movement and refreezing* (Lewin, 1991, 1997).

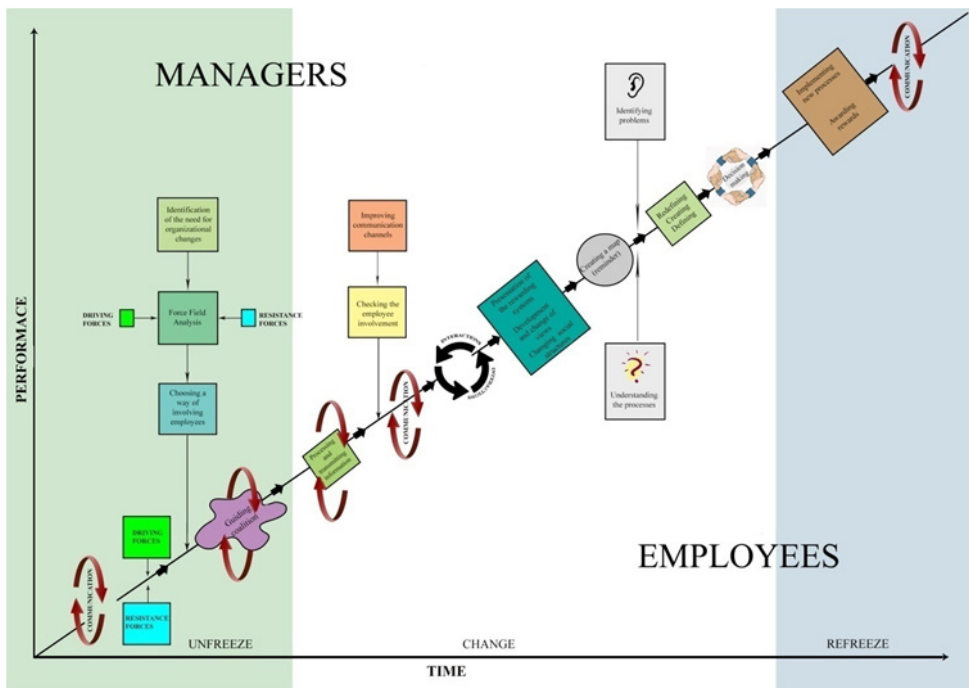
Based on the findings of the author of this text regarding the presence of the three

factors according to Lawler, which are relevant to the choice of the way in which the employees will be involved, it was concluded that, for public administration it was the most suitable to implement certain aspects of Lawler's concepts, and not a specific one – and this, depending on the goals one wishes to achieve. This means implementing those aspects of a certain concept that are the most appropriate in a specific situation, such as the quality circles or teams, where a group of employees recommend proposals and, depending on the improvement of the performance of the organization achieved through the implementation of the proposals, upgrade themselves. Further on, when it comes to adopting concrete decisions, the managers may use certain aspects of the approach to employee involvement, through individual enhancement of the work or by way of forming work teams. If the organizations are already using the benefits of the previous two concepts, then, at a certain stage, they can also implement the concept of high involvement, which differs from the previously mentioned concepts by the fact that, within it, the employees are not required to make decisions only about their work, but are required to also take part in the adoption of organizational decisions that are related to the strategy, investments and other big organizational decisions, while the rewards depend on the accomplishments of the organization. For the managers it is important to know which tools of these concepts they have at their disposal, in order to be able to implement the same at a certain stage of the organization's development, as well as the goals they want to achieve with the organizational changes.

Consequently, the author of this text considers that it is appropriate to combine practices from the three concepts of Lawler, placed within Lewin's stages of the change process, adjusted to the characteristics and needs of public administration in the Republic of Macedonia, bearing in mind the results obtained from the analyzed factors. In this, it is very important to implement the *participatory management style* in the organizations, while information about the organizational accomplishments and forthcoming changes in the organization, as well as the goals that are to be achieved, should move in two ways, i.e. there should be *two-way communication*. *Rewards should be distributed on the basis of the accomplishments, the employees should receive the needed knowledge* that will make it possible for them to understand and contribute to the organizational achievements, which will in turn increase their *job satisfaction*, and they should be given the adequate power and *freedom to participate, i.e. be involved in the process of making decisions* that influence the direction in which the organization will move with its accomplishments. In all of these processes, *managers play a very important role* – both the middle managers, who represent the link between the employees and the top-level managers and should, on one hand, support the employees in their involvement in all organizational activities, and, implement the

instructions of the top-level managers, on the other, and the top-level managers who are key to what organizational policy will be implemented in the organization. Considering the fact that *management style* has been singled out as the most important component, i.e. a determining factor that influences the employees in terms of their movement from resistance towards accepting the organizational changes, it is especially important what kind of *organizational policy* the top-level managers will implement and what *organizational climate* the latter will produce. Hence, also important is the *continuous training of the managers*, so that they could acquire the capacity to practice the participatory management style. Picture 7 presents a map of the *draft-participatory concept for implementing organizational changes in the public administration in the Republic of Macedonia*, which consists of eight stages, integrated into the three steps: defreezing, moving and refreezing.

Picture 7. Participatory concept for implementing organizational changes in the public administration in the Republic of Macedonia



Throughout all these stages of the concept, which was designed by the author of this text and which she recommends to be applied as a new trend in implementing organizational changes in the public administration in the Republic of Macedonia, permeates participativeness, i.e. the participatory management style, which the

author advocates in particular and which requires participatory environment and freedom for the employees to be involved in the implementation of organizational changes.

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Marija Magdinceva–Sopova, PhD

Faculty of Tourism and Business Logistics
Goce Delcev University – Stip
marija.magdinceva@ugd.edu.mk

Tanja Angelkova Petkova, PhD

Faculty of Tourism and Business Logistics
Goce Delcev University - Stip
tanja.angelkova@ugd.edu.mk

Aleksandar Kalinikov

Agency for Promotion and Support of Tourism
aleksandar.kalinikov@yahoo.com

**IMPLEMENTATION OF CORPORATE
ENTREPRENEURSHIP AS A MEANS OF BOOSTING
OPERATION OF ENTERPRISES IN THE TOURISM
SECTOR IN THE REPUBLIC OF MACEDONIA**

Abstract

Tourism is a particular service sector, most complex socioeconomic phenomenon and one of the fastest growing sectors in the global economy that cares for realization of tourist needs. Between the dependencies on tourism products is a direct consequence of the characteristics of the tourist offer. On the other hand, the tourist offer creates the final products that are offered to customers. Of special importance is the study of factors that are influencing the tourist

offer. The improvement of operations and the increase of the efficiency of the operations is a challenge for any enterprise. Basics of the successful operation of every enterprise are the constant establishing of new methods and forms of work. The development and establishing of the concept of corporate entrepreneurship in operation allows constant establishing of new forms of work, encouragement of teamwork and entrepreneurial concepts of behavior of the enterprises. In the applied part of the paper a survey will be conducted among the enterprises in the field of tourism for knowledge and implementation of the concept of corporate entrepreneurship. The aim of the research consists of the understanding the real situation in terms of implementation of this new concept of operations for enterprises in the field of tourism. On the basis of the received results, the possibilities offered by this concept will be indicated. The contribution of this paper consists in expanding the literature in this area and implementation of the concept of corporate entrepreneurship in enterprises in the field of tourism in order to improve their operation and meet the needs of consumers of tourism services.

Key words: tourism, corporate entrepreneurship, tourism offer, tourists.

CHARACTERISTICS OF TOURISM

Tourism is a modern phenomenon that has influenced through the whole life in society. Tourism is a set of relations and occurrences arising from the travel and stay of foreigners in one place, if it does not mean permanent settlement and if it is not bound for performing of economic activity (Hunziger and Krapf, 1942). As massive phenomenon, tourism is in interaction with almost all activities in society, encouraging economic development, regional development, employment, standard of living and educational structure of the population, the withholding of innovation and new forms and ways of working. According to the World Tourism Organization, tourism is representing the sum of the activities of people during their trips and accommodation in a place outside of their usual residence, without interruption it, but no longer than a year, mostly for leisure or for business and other reasons (WTO, 1998).

The basic condition for the development of tourist activity is the individual, human and his needs. The needs of the tourist encourage individuals, entrepreneurs take certain actions to generate tourism offer through the establishment and development of enterprises in the tourism sector. Tourism happens because of humans. The term tourism means travel, movement, change. Tourist offer at any time should meet the needs and demands of tourists that are constantly changing. For this reason, tourism offer should be complete and meet the needs of tourists that are resulting from travel, stay in a particular place and recreation for the period of stay.

Tourism is the branch that stimulates economic development and has a major role in the creation of the labor market and the establishment of enterprises in the tourism sector. Forecasting of tourism data is contained in the publications of the World Tourism Organization, under which in the tourism sector 9 million persons are employed from member states of the European Union and that represents 6% of the total number of employees with participation of 5.5% of GDP (WTO, 1998). Entrepreneurship as a fourth factor of production is driving the process of creating a tourist offer and contemporary forms of entrepreneurship as corporate entrepreneurship are allowing increased efficiency of enterprises and creation of the optimal travel offer. Tourists increasingly are seeking quality offer that highlights the culture, the heritage of a place, but also enables fulfillment of all the tourist's desires. Application of the concept of corporate entrepreneurship in tourism expresses orientation of the entrepreneur towards the approach of innovative management to the operation as a means of gaining competitive advantage and achieving optimal tourist offer.

Tourism includes all activities associated with temporary short-term movement of people to destinations outside the place where they normally live and work and

their activities during their stay in those destinations (Burkart, and Medlik, 1974). In short term spoken, tourism is associated with travel for recreation or leisure which is realized through the following four subjects: tourists, business entities or enterprises, the state of the host and the local community. All persons participating in the realization of tourist services or in the creation of the tourist offer, from the entrepreneurs, managers in tourism to travel companions are affecting the quality of the tourist offer. The concept of corporate entrepreneurship involves a situation in which companies apply new ways of working, new ideas within enterprises and entrepreneurial philosophy that covers the entire operations (Covin and Miles, 1999).

CORPORATIVE CONCEPT OF ENTREPRENEURSHIP IN THE TOURISM SECTOR

Tourism represents a separate sector in the true sense of the word that has all the features of the service activity. Contemporary working conditions and global environment surrounding are imposing new concept of operations by encouraging entrepreneurial behavior of enterprises, innovation and flexibility in operation. Dynamic developments in the tourism market, the changes in all segments of operations, competition in the tourism market and the demands of tourists is forcing the enterprises in the tourism sector towards continuous generating of their knowledge. The difference between the traditional concept of representation of entrepreneurship in tourism, according to which the entrepreneur is the sole owner of the overall activities that are realized as a result of the possession of capital and courage for taking on risk, corporate entrepreneurship is characterized by the enterprises as the driving force of all activities. The needs of establishing new services and products that are boosting the development of corporate entrepreneurship in tourism, it forces enterprises to think about the possibilities of expanding the offer by introducing new products and services. Because of that, many enterprises respond to the rapidly changing technical requirements and consumer demand through entrepreneurial behavior (Antoncic and Hisrich, 2004). The basis for creating and maintaining a competitive advantage consists in the ability to create an appropriate organizational structure that fosters entrepreneurial behavior and dedication to innovation and flexibility towards changes and market demands. The contemporary model of entrepreneurship or corporate entrepreneurship represents a development strategy, a way of gaining and retaining a competitive advantage and advancing of the operation of enterprises in the tourism sector. Enterprises that are participating in the creation of the tourist

offer, acting entrepreneurial have implemented an innovative culture of behavior and always ready to introduce changes in the organizational structure as well as changes in the mindset of all employees, owners, managers and employees in the enterprises. Corporate entrepreneurship involves activities inwards that contain news in the operation, new resources, new customers, new markets or different, new combinations of resources, consumers and markets (Ireland, Covin and Kuratko, 2009). This contemporary concept of entrepreneurship extends the notion of entrepreneurship and understanding of the entrepreneur as a person who from the individual - entrepreneur and owner of the enterprises is requiring applying flexible organizational relations based on teamwork, innovation and new ways of working. According to the Commission of communications through European Union and the promoted concept “Working together for the future of European tourism”, stand out five essential components for the development of the tourism industry:

- Information,
- Training of staff,
- Quality,
- Sustainable development,
- New technologies.

PRECONDITIONS FOR APPLYING THE CONCEPT OF CORPORATE ENTREPRENEURSHIP AT ENTERPRISES IN THE TOURISM SECTOR

The representation of the concept of corporate entrepreneurship in enterprises from the tourism sector depends on the existence of certain conditions that facilitate the way of practicing this concept. The basic condition for the application of this concept is the existence of an innovative organizational culture. The existence of organizational culture that encourages innovation provides certain conditions for applying this concept. Corporate entrepreneurship applies to those enterprises from the tourism sector that support innovation, teamwork and value the place and role of the staff in supporting and implementing the concept of development in operations. The rapid development of technology rapidly creates competitive enterprises that promote products in order to win over consumer’s competitive enterprises. Enterprises have the courage to be first to market in existing conditions (Suarez and Lanzolla, 2005). In terms of tourism enterprises the developing conception in the operations is contained in the continuity of monitoring of the work processes, evaluation of products and services that are offered to tourists or consumers, to evaluate their needs, providing conditions to meet the needs on

time, creating an appropriate teamwork and continuous training of employees. Innovative employees who implement the concept of corporate entrepreneurship carry the concept of corporate entrepreneurship, organizational conception, development of new products, processes, services and ways of working that promote the work of enterprises. Important preconditions for boosting the development conception of the work is the existence of the entrepreneurship management that supports open communication and provides resources for research and development. The identity of enterprises that implement corporate entrepreneurship varies according to five main elements: autonomy, innovation, reactivity, competitive aggressiveness and risk-taking (Dess, Ireland, Zahra, Floyd, Janney and Lane, 2003).

The introduction of the concept of corporate entrepreneurship depends on the thinking and decisions of the entrepreneur of the management of enterprises. They are the carrier's of the concept of work and therefore if they want the enterprises to be successful they should implement market principles in operation based on continuous improvement of operations and knowledge of all employees.

The application of corporate approach in operations within enterprises in the field of tourism depends on representation of the following concept of work:

- Defining of specific, transparent and clear objectives in operation,
- Defining the vision and mission of the enterprise,
- Flexible, highly motivated management,
- High motivated teamwork,
- Procurement of information technology,
- Implementing of a flexible organizational culture,
- Implementing a process of continuous learning and
- System feedback.

Managers who understand the value of employees in meeting the needs of tourists and realization of tourist offer actually recognize the concept of corporate entrepreneurship. Tourist sector represents a very dynamic market with high potential for growth primarily as a result of consumers – tourists who are constantly on the move. Therefore, enterprises should constantly adjust their conception of work and behave enterprising. It means to apply original working process and adapting to the challenges of the processes of globalization and economic integrations. Each company must be able to simultaneously run three important things: to promote, to expand and innovate (Drucker, 2005). These enterprises are currently found in the new development stages that are characterized with discovering of new possibilities of work, using contemporary technology of meeting the needs of tourists and changing in the approach to employees.

RESEARCH METHODOLOGY

The application of the concept of corporate entrepreneurship through representation of teamwork, the establishing of changes in operations, constant training of management and employees and the establishing of innovations in the work of enterprises in the tourism sector in the Republic of Macedonia is the subject of practical research that was conducted in 45 enterprises from the tourism sector. Practical research was conducted in the period from of January 1st 2015 to June 30th 2015. Through the method to a questionnaire which is consisted of fifteen questions from the surveyed 45 enterprises of the tourism sector in the country, 35 have shown interest and responded to questions.

SURVEY RESULTS

According to the results from the survey conducted among enterprises in the field of tourism and the total number of observations received for each question, is concluded that the sample consists of 35 enterprises, whereupon on the first question – Who are the users of the services and products that you are offering?, the majority of the surveyed enterprises or exactly 32 said that their customers are only domestic tourists.

The second question – Do you understand the concept of corporate entrepreneurship? The majority of the surveyed enterprise or 23 enterprises responded that they do not understand and 12 enterprises responded that they understand.

On the question – Does the owner of the enterprise have attended any types of training for improving? The majority of surveyed enterprises or 21 enterprises responded that they have attended training and 14 companies responded that constantly receiving training.

To the fourth question – What type of training has attended in the last five years? The examined were the owners of the enterprises were in the previous question have stated positively. With that 8 enterprises stated that they had attended training for protection from work, 3 enterprises have attended training for foreign language and 2 entrepreneurs have attended training in financial management.

The fifth question – Does the management is planning training for improving of employees and what type of training? - 19 entrepreneurs have spoken positively and 16 entrepreneurs are not planning training. From the entrepreneurs who are planning to conduct training for staff training, 12 enterprises will conduct a training for learning foreign language, 3 enterprises will conduct training from the field communications and 4 enterprises training from the field of catering.

The sixth question – Does in the enterprise are allocated funds for training and improving of the employees?, the majority of companies surveyed responded negatively or 32 enterprises provided funds for training and only 3 enterprises or only 8.5% allocate funds to implement training for the employees.

The next question – Does the enterprise established a list of products and services offered to consumers and it does to specify which?, the majority of enterprises are declared positive, regarding only 30 enterprises or 85% of the surveyed companies established lists of products and services in the form of menu, lists of arrangements for tours, brochures, promotional material, flyers with recorded products and services, 15% or 5 enterprises did not established a list of products and services.

On the question – Do you accept innovations in the operation?, 32 enterprises have stated that they accept innovations and only 3 enterprises have pleaded that they did not accept any innovation in operations but they work on the established way of working.

From the received answers of the eleventh question - Source of funding of the innovation in the enterprise? It's concluded that the financing of innovations is usually carried out with loans for which is stated from 25 enterprises and 7 enterprises establish innovations financed with their own funds.

On the question – In which segment of operations commonly are imposed innovations?, 32 enterprises that stated that they accept innovations in operations majority of the enterprises or 25 enterprises have stated that they establish innovations in information technology and 7 enterprises purchased new equipment.

The next question – Do you think that the success of the operation depends on the establishing of new products and services?, managers of 17 enterprises have stated that they believe that the success of the operation depends on the establishing of new products and services and 18 enterprises have stated that they do not think that the success depends of establishing new products and services.

On the question – Do you think that the success of the operation depends on the representation of teamwork? The majority of the enterprises or 28 enterprises stated that they think the success of the enterprises of the tourism sector depends on practicing teamwork and only 7 enterprises stated that the teamwork will not impact on operations.

The fourteenth question – In which way continuously is pursuing the improvement of operation? 13 enterprises have said that they introduced new business processes in the operation, 7 enterprises have said they introduced new products and services, 6 enterprises stated that they perform continuous staff training, 5 enterprises by practicing teamwork and 4 enterprises by increasing staff motivation.

The last question – Do you think you're better than competing enterprises and why?, the majority of the enterprises or 23 enterprises have stated that they believe they are

better than competing enterprises due to the establishing of new products and processes in operation and 12 enterprises think that they can't compete with rival enterprises.

CONCLUSION

The tourism sector is very dynamic market with high growth potentiality for growth primarily as a result of consumers – tourists who are constantly in motion. So enterprises in this sector should constantly adjust their concept of work and behave enterprising. The improvement of operations and the increase of the efficiency of the operations is a challenge for any enterprise. Basics of the successful operation of every enterprise are the constant establishing of new methods and forms of work. The development and establishing of the concept of corporate entrepreneurship in operation allows constant establishing of new forms of work, encouragement of teamwork and entrepreneurial concepts of behavior of the enterprises. On the basis of the received results from the conducted survey for understanding the real situation in terms of applying the concept of corporate entrepreneurship in enterprises in the field of tourism, it can be concluded that the majority of surveyed enterprises accepts the establishment of innovations, new forms of work and new business processes and the same are financed by borrowed money credits. Enterprises from the area of tourism sector do not fund for training of employees and most of them do not know the meaning of the term corporate entrepreneurship. Therefore, enterprises that decide its operations to the corporate model based on entrepreneurship have the opportunity through the establishment of learning programs for substance, meaning and application of the corporate concept of operations, practicing programs for continuous training of management and employees and establishing a fund to financing, training and improvement of employees for applying the original process of organizing the work and to be ready to adapt to the challenges of establishing new forms and methods of organization of business activities.

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Tatjana Boshkov, PhD
Faculty of Tourism and Business Logistics
University “Goce Delcev” Shtip
tatjana.boskov@ugd.edu.mk

IMPORTANCE OF EXCHANGE RATE FOR SMEs IMPROVEMENT AND ECONOMIC DEVELOPMENT

Abstract

Progressive globalization has created a new international environment for SME exports from developing countries. The process of world economic integration has involved a broadening and deepening of inter-relationships between international trade and foreign investment flows. Several influences – falling trade barriers, increasing technological progress, migration of technical and professional manpower and highly mobile multinational corporations (MNCs) seeking out new investments – have combined to drive globalization. The end result has been the creation of an international marketplace for goods and services that seems indifferent to national borders and state regulation.

In January 2014, Macedonian government published a Programme for the Support and Development of SMEs. The Programme identifies three policy areas of major importance for SMEs: internationalization; the reduction of administrative burdens, especially as regards licensing procedures; and improved access for financing micro-firms.

The aim of this paper is analyzing and giving recommendations which are necessary for small and medium enterprises to make efforts in economic development as to contribute in a way that they will make the promotion of domestic products, have organized a joint presentation on external markets, will exhibit initiatives for creation of distribution centers. In this regard, the entry of FDI in manufacturing and real exchange rate are expected to contribute for exporters in the production of high quality and distinctive products, which

would lead to higher absolute prices, higher productivity and lower unit labor costs of products.

Key words: SMEs, exchange rate, development, strategy

INTRODUCTION

SMEs are an important source of export revenues in developing economies. An interesting observation is that SMEs contribute a larger share of manufactured exports and support the intuitive understanding that medium-sized enterprises have higher export potential than small enterprises with up to 50 employees (Ayyagari, Beck, and Demirgüç-Kunt, 2003). This means that policies for the promotion of SME export potential and SME exports must be targeted.

SMEs contribute to employment and income generation as export revenues too. However, in order to tap into the potential of SMEs for development and poverty reduction, transition and developing country governments, development partners and SMEs themselves need to address a number of challenges. This underlines the essential meaning of a) creation of new and innovative firms and graduation of as many informal enterprises as possible into the formal sector, b) SMEs have to become more competitive and productive at their home base and c) SMEs have to achieve a level of competitiveness that will enable them to integrate into the global value chains through trade (exports and internationalization) and investment, including linkages with FDI (Badrinath et al., 1997). These challenges become more complex as globalization proceeds because globalization has the potential to open up access to new markets, technologies, skills and capital for SMEs. If we connect this with the effort of economic integration than it will bring a striking increase in competition from imports, the entry of new foreign investors and the strengthening of domestic, large firms that start to take over traditional, mostly local SME markets.

SMES, CHALLENGES AND COMPETITIVENESS

Challenges for SMEs development are multi-dimensional. As trade barriers, transport and communication costs fall, SMEs are required to add more value to their products to stay ahead and compete with lower cost rivals. Consumer demand is changing rapidly as incomes rise and choices increase when imported products become easily available in domestic markets. Technological advances create new products and transform almost every stage of business from production to marketing, sourcing and logistics. New rules introduced through the multilateral trade system and foreign buyers require SMEs to comply with higher technical, environmental and labor standards in domestic and export markets. Multinational enterprises seeking out new markets and investments offer capable SMEs the opportunity to insert themselves into global value chains through subcontracting

linkages, while those that are unable to do so increasingly face the danger of losing their existing markets. Competition within the developing world for export markets, foreign investment and resources is also intensifying.

According to this, Metcalf, Ramlogan and Uyarra (2003) argue that competitiveness is embodied in the characteristics of the firm:

- the current efficiency and effectiveness of the use of resources,
- the willingness and the ability to relate profitability to growth of capacity (i.e. the willingness to invest), and
- the ability to innovate to improve technology and organization and thus improve efficiency and effectiveness.

So this means that competitive advantage is determined by how efficient and effective the prevailing markets for products, labor and capital are. Also here must be created business strategy which will include:

- to know what the consumer want and what is the market
- to think of creating new product
- to be always available
- to cooperate with other firms
- pro-actively upgrade.

The last one - pro-active upgrading is also very important and this take a lot of effort because of product design capability, improving measurement, standards, quality and productivity, recruiting qualified staff and training, forging sub-contracting links with other firms, making use of technology institutions and other business services and actively seeking foreign buyers and marketing agents (Wignaraja, 2003). SME development strategies will necessarily be country specific. Each country will have its own challenges, opportunities and priorities for change. Resources available for implementation will vary by country, so that results achieved will also be different.

Notwithstanding such specificity, past and present experiences and practices of developed countries offer a menu of lessons and best practices for transition and developing countries. SME development lessons seem to hold true, independent of region and level of development among countries (UNCTAD, 2001):

- Peace and stability is a key requirement for the development of SMEs and for attracting foreign investment.
- SME development requires a crosscutting strategy, (i.e. its success depends on the ability of governments to implement sound macroeconomic policies, the capability of stakeholders to develop conducive microeconomic business environments, and the ability of SMEs to implement competitive operating practices and business strategies).
- Dialogue and partnerships between the stakeholders is essential

- Investments in physical infrastructure and business services and the implementation capacity of policy makers, local level administrators and support structures determine success. Continued dialogue and partnerships between stakeholders into implementation and review of supportive measures, particularly, those related to capacity building in institutions at all levels, yields improved outcomes.

OPPORTUNITIES FROM SMES INTERNATIONALIZATION

Internationalisation has become increasingly important to the competitiveness of enterprises of all sizes. In today's environment, SMEs that start with a global strategy can move quickly to take advantage of cross-border activities, which provide opportunities not only for revenue growth but also for the exchange of knowledge and the enhancement of capabilities, thereby strengthening the long-term competitiveness of the firm. Despite the common understanding of the importance of internationalisation, there are still many internal and external barriers that impede the internationalisation of SMEs. Moreover there is a lack of data on the actual export performance of SMEs and the challenges and issues they face.

It is important to note that while the prospects for SME success are tied with macroeconomic developments, they by no means identically mirror all of them. As the majority of SMEs operate in sectors that serve domestic demand, for example, they did not share in the benefits of increased foreign demand, which was the key macroeconomic driver of growth from 2008 to 2013. Many SMEs are not in export-oriented sectors, particularly the micro and small enterprises. Thus, programmes supporting SME exports benefit directly only a sub-set of SMEs. However, indirectly, all SMEs benefit to some extent as higher exports raises:

- a) overall income levels, and hence the demand for goods and services sold by domestic demand facing SMEs, and
- b) the demand for goods and services originating from exporting-oriented enterprises.

In an increasingly internationalised world, there are competitive advantages for those businesses that begin with a global strategy and can move quickly to take advantage of cross-border activities. Providing further, tailored support for this growing asset class would form a key step in allowing SMEs to leverage the benefits of increased foreign demand for goods and services.

Looking ahead, there is a positive outlook and the promise of a strengthening of the recovery on the horizon. Total value added generated by SMEs has already surpassed its pre-crisis level and now it is expected to rise (from 2.8% in 2014 to)

3.4% in 2015 (ACCA, 2012a). Improvements in EU SME's performance depend critically on the further evolution of the macro-economic recovery. However, specific measures for improving the SMEs business environment play an important enabling role to ensure that SMEs are able to reap the full benefits of a return to solid and sustainable macroeconomic growth. However, international activities are mostly geared towards other countries inside the internal market and only about 13% of EU SMEs are active in markets outside the EU. The results showed that export-oriented SMEs show higher growth of turnover and employment than SMEs catering for the domestic market (Wignaraja, 2003). In addition, export oriented SMEs are also more innovative. So, it is in the public interest to support the internationalization of the SMEs.

Why is important to support greater internationalisation? Could be mentioned several reason (Tas, 2002):

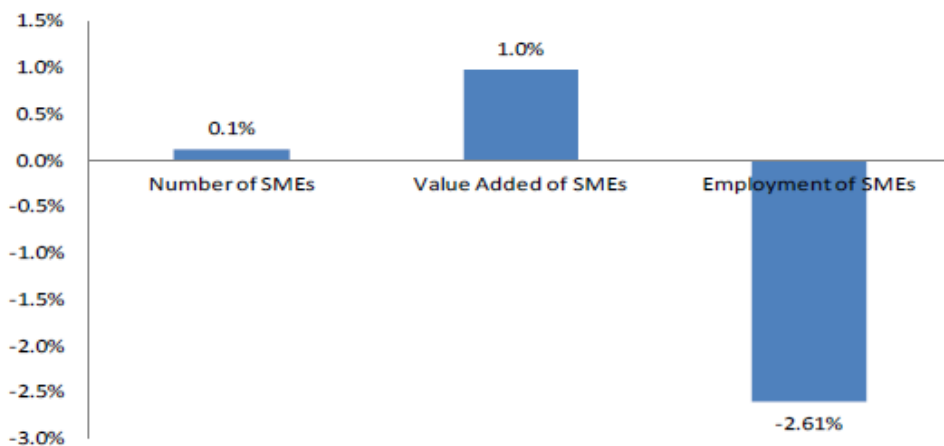
1. international SMEs create more jobs
2. international SMEs are more innovative
3. public support goes largely un-noticed
4. European SMEs are more internationally active than US and Japanese SMEs. Overall, European firms are more active than their counterparts in Japan or the US. Even if only extra EU exports are considered they still perform better;
5. most often SMEs start international activities by importing.

The opportunities from the internalization of SMEs are better connecting European SMEs to international markets, and specific measures to facilitate the access of European SMEs to these markets. The clear policy implication is that, while any measures to stimulate exports by SMEs may benefit only a limited number of SMEs, their increase in export activity will eventually benefit all SMEs, including those active in very low or low exportintensity industries. However, the overall gains are more limited for the SMEs active in low-export industries than for the SMEs active in industries with a higher propensity to export.

ECONOMIC CRISIS AND SMES RECOVERY

At the EU level, SMEs have recovered to pre-crisis levels only in terms of value added, and to a lesser extent, in terms of number of firms. Employment in 2013 was still 2.6% below levels registered in 2008 and the note is the fact that the relative importance of SMEs and large enterprises in the non-financial business sector is practically unchanged since 2008 (Figure 1).

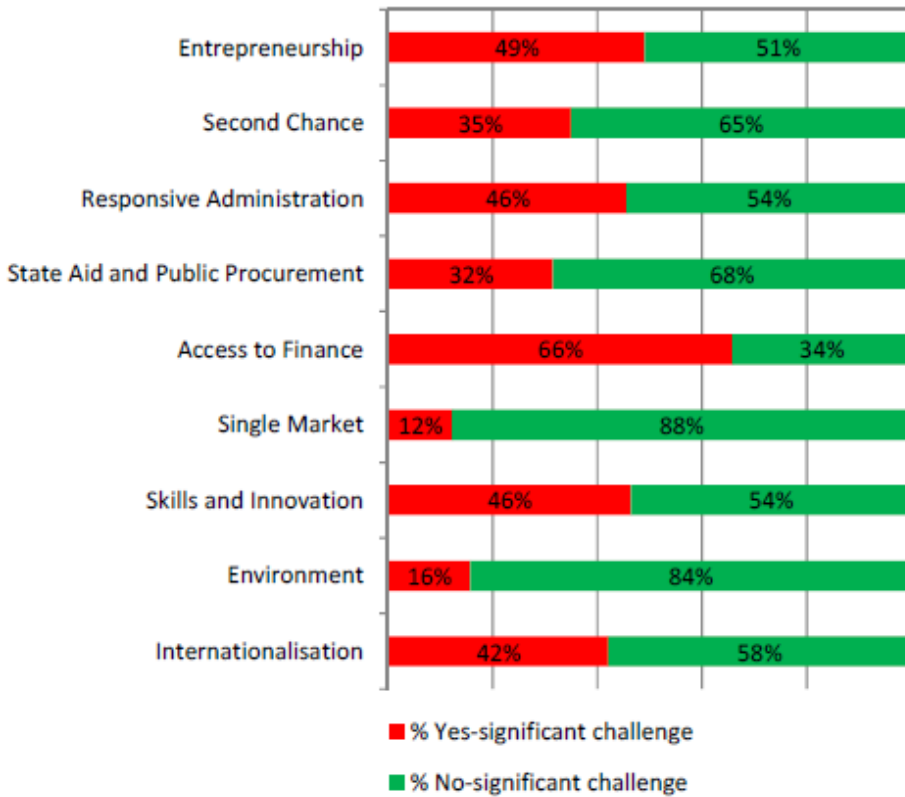
Figure 1. Recovery of EU28 SMEs in 2013 relative to 2008 (% change in 2013 levels from 2008 levels)



Source: Eurostat, National Statistical Offices and DIW Econ

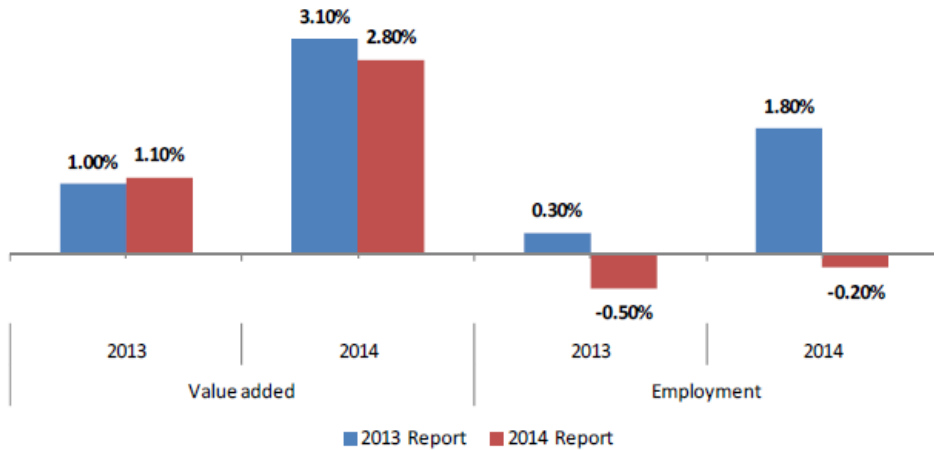
A survey conducted for measurement the SME performances show particular challenges as most significant (Figure 2) (White and Chacaltana, 2002):

- ✓ under Access to finance, the difficulty in accessing to bank credits or loans and the excessive bureaucratic procedures to access EU funds were identified as the main barriers.
- ✓ concerning Entrepreneurship, the lack of financial support measures was the main underlying barrier which also correlates to the access to finance.
- ✓ for the Responsive administration, the administrative burden was pointed out, and more specifically the difficulty in managing all of the administrative requirements and requests from various authorities.
- ✓ finally, issues related to the Skills and innovation principle focused on the lack of strategic support in converting an innovative idea into a commercial product/process/service.

Figure 2. *Most challenging principles to SMEs at national level – EU28*

Source: *White and Chacaltana, 2002.*

SME performance forecast for 2015 showed that total value added generated by SMEs in the EU28 has returned above its pre-crisis level and is expected to continue to rise by another two percentage points by 2015, expanding by 2.8% and 3.4% in 2015. Employment in EU28 SMEs is also expected to increase, growing by 0.7% in 2015. Moreover, the number of SMEs is predicted to increase by 0.38% in 2015. All three groups of SMEs are predicted to expand in 2015, with micro SMEs expected to grow somewhat less rapidly than small and medium-size SMEs. The estimate of annual growth in SME value added in 2013 and 2014 are little changed from the forecasts shown in the 2013 report (Figure 3). This reflects the fact that firms, large and small, focus much more than previously expected on improving their productivity.

Figure 3. 2013 and 2014 estimates of performance of SME sector in EU28

Source: Eurostat, 2014

SUPPORTING SME EXPORT DEVELOPMENT AND THE ROLE OF EXCHANGE RATE

At the macroeconomic level, government policies and the ability to stabilize a competitive real exchange rate is the cornerstone of promoting exports. A competitive real exchange rate provides an incentive for exports. Moreover, an outward oriented, market-friendly trade regime, which emphasizes the dismantling of import controls and tariffs, and streamlined bureaucratic procedures, *i.e.* export and import procedures, modern customs administration and efficient value added tax administration will facilitate exports, including from SMEs.

The impact of exchange rates on trade in a given country, as in Macedonia, example for small and open economy, should be seen in the context of continued integration of supply chains. Exports, generally, include high import content and impact of foreign currency-exchange appreciation or depreciation on any finished product because it is complex. If the depreciation of the exchange rate makes its exports of finished products “cheaper”, it makes imported components “expensive” for domestic producers. Maintaining growth and reducing the unemployment in a small and open economy such as Macedonia depends from improved performance of exports. Improving the performance of exports can also help to preserve macroeconomic stability by closing the gap in the current account to avoid wasting

supplies and to stop the growth of external debt. Improving performance requires improving export competitiveness. In the short term, competition may be related to the level of the real exchange rate, which provides internal and external balance. The appreciation of the real exchange rate with respect to its equilibrium level reduces the incentives and the ability of manufacturers to compete in foreign markets, since a significant part of production costs paid in local currency. In the long run, real exchange rates are assumed to converge to its equilibrium level, and competitiveness is more related to the productivity of the economy. So, firm-level strategies are fundamental to development of exports by an SME. Wignaraja (2003) suggests that globalization opens up new opportunities for export expansion and growth to about 5-10% of SMEs in developing economies (Wignaraja, 2003). These dynamic SMEs have designed well-adapted marketing strategies and invested in their manufacturing capabilities to bring them up to world standards of price, quality and delivery. Experience of exporting SMEs from developing countries illustrates the fact that they have pro-actively upgraded themselves (Srinivasan and Archana, 2011).

However, accomplishment of a pro-active upgrading menu, requires easy and cost-effective access to information on consumer demand and new technologies, training and advisory services to upgrade management practices, a skilled pool of labor in the country to select from, testing, quality assurance and certification institutions, and most importantly access to finance to upgrade technologies. Technical assistance in the areas of quality management, productivity improvement and metrology is needed to help SMEs comply with the product standards and regulations applied in export markets. In developing countries, particularly the less developed ones, technical advisory and consultancy services are scarce due to low levels of investment in developing engineering skills. Although management consultancies are emerging, the affordability of such services, especially for potential exporters are quite questionable.

Appropriate measures to maintain and to further improve the competitiveness of exporting SMEs and to draw additional SMEs into exporting might include grants for SMEs to obtain accreditation facilities, establishing productivity and design centers to upgrade SME design to international standards; and assisting SME membership organizations. Access to SME trade finance at competitive interest rates can be strengthened through export credit guarantee schemes for SMEs; and subcontracting and specialist soft loans for SME export activities. In many cases, the domestic and regional markets tend to provide a stepping stone from which SMEs can learn important lessons concerning product quality, timely deliveries and managing risk involved in international business. Where there is an inadequate domestic market, or the products are only attractive for export, considerable effort needs to be put into strategic positioning and reliable production so as to reduce risk

of failure. Such effort is obviously costly and requires capacity building of SMEs and export development institutions, including sectoral membership organizations (Hudson et al., 2001).

Developing and transition economy governments do have an option to confront the challenge of improving export competitiveness of their SMEs. This may be achieved by developing a national strategy for export development and promotion. The overall objective should increase the volume and value of exports and the number of exporting companies, including SMEs. The strategy should seek to address the needs of firms at different stages of export market development. It should also seek to integrate export support and promotion into a well developed and effective business support system.

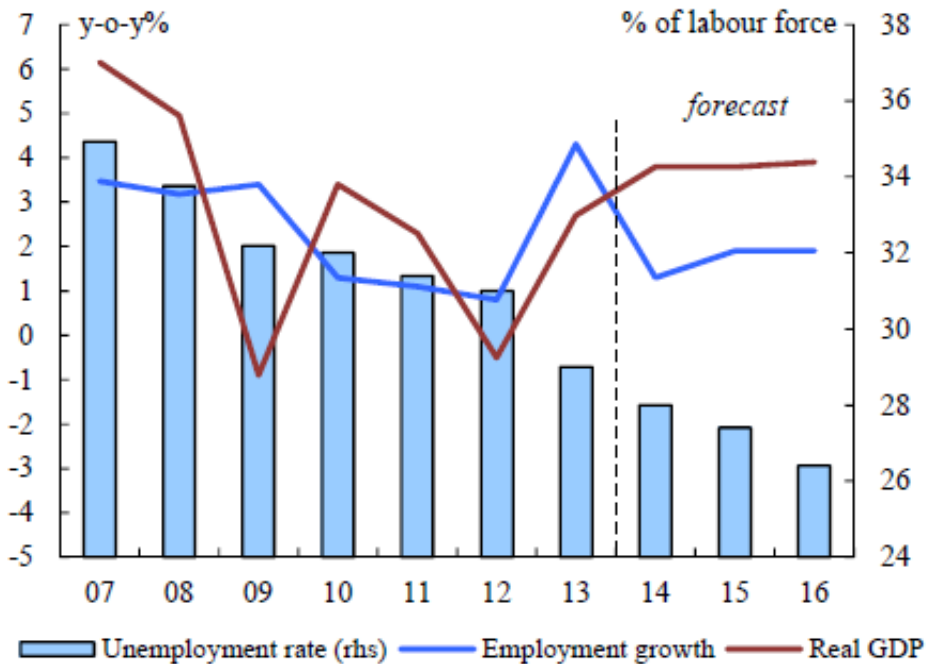
Exports and investments drive growth in Macedonia for 2014/2015

Macedonian output growth accelerated in 2014, driven by exports of foreign investors and public infrastructure investment (NBRM, 2014). Solid gains in household spending further bolstered domestic demand. Given high investment- and trade-related import demand, the foreign balance weighed down on economic activity. Further gains in domestic demand are likely to set GDP growth at an even higher pace in 2015 and 2016, while the negative contribution from net exports is expected to diminish. The government remains supportive, with plans for further infrastructure projects, and increases in entitlement spending, relaxing its mid-term fiscal consolidation strategy.

Large-scale public infrastructure projects and a surge in exports, mainly driven by foreign companies established in the country, carried the marked acceleration of real GDP growth in 2014. Given the high import content of investment and exports, the external balance made a negative contribution to growth, after having been its main support in 2013. Strong increases in overall gross fixed capital formation in the first three quarters of 2014 were followed by slack towards the end of the year, yet, on average, investment activity recovered markedly after its sharp drop in the preceding year. As of the second quarter, household spending, supported by rising real net wages, stable private transfer inflows and improved access to credit, turned into a solid second pillar of domestic demand growth. The merchandise trade balance improved in 2014, in terms of GDP, compared to the previous year. In combination with an increased surplus in the services balance, and stable private transfer inflows, accounted for a narrowing in the current account deficit, by 0.5 pps. to 1.3% of GDP. Job creation in the manufacturing sector, bolstered by active labour market measures, was the main driver of further, though decelerated employment growth, and a further decline in the unemployment rate.

Fiscal performance disappointed further in the second half of 2014. The government supported private demand by a further rise in public wages in the autumn. At the end of the year, the general government deficit amounted to 4.2% of GDP, exceeding the revised target by 0.5 pps. The increase in government debt remained contained in 2014, but borrowing by state-owned enterprises drove up public debt levels as well as contingent liabilities of the government, which provides guarantees for their loans.

Graph 1. Macedonian Labour market

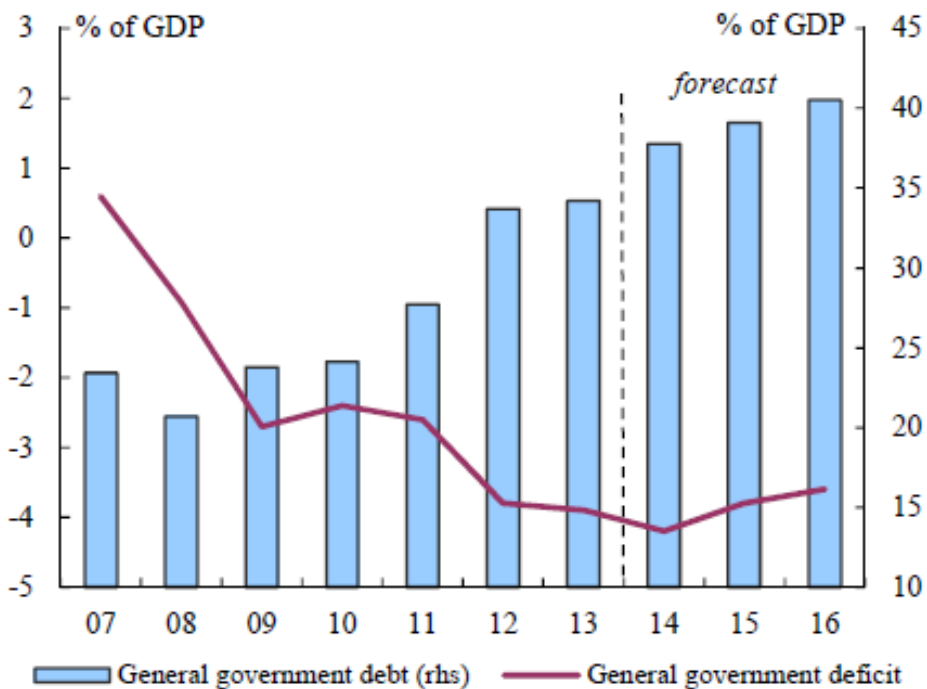


Source: NBRM (2014) *Recent Macroeconomic Indicators, Review of the Current Situation*.

Domestic demand is expected to remain the sole growth driver over the forecast horizon. Investment activity, driven by public expenditure on transport and energy projects, as well as the construction of new foreign investment facilities, is projected to post further solid gains, even though growth rates are slowing down to their long-term average. Household spending, benefitting from sound fundamentals, is likely to firm up further, and set to become the main source of output growth in 2015 and 2016.

Export performance is projected to remain solid, mainly driven by foreign exporters which are putting new production lines in operation. With investment-related imports relenting somewhat, the merchandise trade balance is likely to improve slightly this year and next, mitigating the negative contribution to GDP growth from the external balance. Still, the current account deficit is set to widen somewhat, largely accounted for by an expected normalisation of private transfer inflows to more moderate, average levels.

Graph 2. *Public finances in Macedonia*



Source: NBRM (2015) *Review of the Current Situation*.

The government is expected to continue providing a positive fiscal impulse to domestic demand this year and next, by further increasing social transfers, pensions, and public wages. At the same time, significant budget funds, and financing by state-owned enterprises, are earmarked for further public infrastructure investment. The recent and envisaged increases in entitlement spending are already leaving their mark on budget performance - in the first two months of 2015, the accumulated

budget deficit amounted to some 25% of the full-year budget target, or 0.8% of projected GDP.

Graph 3. Republic of Macedonia

	2013			Annual percentage change						
	bn MKD	Curr. prices	% GDP	95-10	2011	2012	2013	2014	2015	2016
GDP	499.6		100.0	2.7	2.3	-0.5	2.7	3.8	3.8	3.9
Private Consumption	359.2	71.9		-	-5.4	1.2	2.1	2.3	2.8	2.9
Public Consumption	88.5	17.7		-	1.2	2.4	2.5	-1.2	2.0	2.2
Gross fixed capital formation	89.4	17.9		-	13.3	6.5	-16.6	13.5	8.5	7.1
of which: equipment	-	-		-	-	-	-	-	-	-
Exports (goods and services)	218.7	43.8		-	16.1	2.0	-2.7	17.0	8.8	9.9
Imports (goods and services)	309.3	61.9		-	8.0	8.2	-10.0	14.5	6.5	7.8
GNI (GDP deflator)	484.9	97.1		-	1.8	0.0	2.6	4.4	3.4	3.7
Contribution to GDP growth:		Domestic demand		-	-0.8	2.8	-1.9	3.9	3.9	3.8
		Inventories		-	1.3	1.2	-0.9	1.4	6.0	0.3
		Net exports		-	1.8	-4.5	5.5	-1.5	-0.1	-0.2
Employment				-	1.1	0.8	4.3	1.3	1.9	1.9
Unemployment rate (a)				-	31.4	31.0	29.0	28.1	27.4	26.4
Compensation of employees / head				-	0.0	2.0	1.2	2.2	3.1	3.6
Unit labour costs whole economy				-	-1.2	3.3	2.8	-0.3	1.2	1.7
Real unit labour cost				-	-4.8	2.3	-1.4	-1.7	0.3	0.4
Saving rate of households (b)				-	-	-	-	-	-	-
GDP deflator				3.9	3.7	1.0	4.3	1.5	0.9	1.3
Consumer-price index				3.2	3.9	3.3	2.8	-0.3	1.2	1.7
Terms of trade goods				-	10.8	3.3	-0.8	1.8	-0.1	0.0
Trade balance (goods) (c)				-16.2	-25.2	-26.5	-22.9	-21.7	-21.5	-21.3
Current-account balance (c)				-5.8	-2.5	-2.9	-1.8	-1.3	-1.4	-1.8
Net lending (+) or borrowing (-) vis-a-vis ROW (c)				-	-	-	-	-	-	-
General government balance (c)				-	-2.6	-3.8	-3.9	-4.2	-3.8	-3.6
Cyclically-adjusted budget balance (d)				-	-	-	-	-	-	-
Structural budget balance (d)				-	-	-	-	-	-	-
General government gross debt (c)				-	27.7	33.7	34.2	37.8	39.1	40.5

- as a % of total labour force
- gross saving divided by gross disposable income
- as a % of GDP
- as a % of potential GDP.

Source: NBRM (2015) Review of the Current Situation.

CONCLUSIONS

SME development cuts across sectors, involves multiple stakeholders and necessitates concerted actions by the public and private sectors. Therefore, SME development should be mainstreamed into the national development framework. Building up market institutions should be accompanied by capacity building of appropriate institutional structures.

Although competitiveness is a firm level phenomenon, macroeconomic and microeconomic environments influence market signals. To enhance SME competitiveness, therefore, requires the creation of enabling legal, regulatory and

administrative environments, access to finance and capable institutional structures, and most importantly human capital and a sustainable environment. Removing supply-side constraint to trade and investment, require firms to build up their competitive advantages. However, competitive advantage is measured in relation to rivals in the markets firms compete in. Integration into regional and global trade and investment networks will require much effort, although it is not an impossible proposition. Public and private sectors in transition and developing countries must work together to improve the functioning of markets at home, while intensifying efforts to integrate into the world economy. Improving the investment climate for SMEs, and strengthening their capacities to respond to trade and investment opportunities, does strengthen the economic performance of SMEs and this in turn has a positive impact on growth and poverty reduction.

Each country has to find its own way to strengthen the legal, policy and institutional frameworks in which SMEs operate and which set the quality of the enabling environment.

Regarding the analysis, the key components of an SME strategy which Macedonia should consider includes (World Bank, 2013e):

- the ability of SMEs to implement competitive operating practices and business strategies.
- Increase efforts to develop and strengthen enabling legal, regulatory and administrative environments at local, regional and national levels, where property rights are clearly recognized, contracts are easily enforced, transaction costs in setting up and doing business are financial, judicial, and other governance systems and procedures.
- Facilitate availability of and access to loan and equity finance, particularly medium to long-term opportunities to improve trade and investment capacity of SMEs.
- Strengthen infrastructure services delivery to facilitate market access and reduce the cost of doing business. More investment is needed in key areas such as energy, transportation and communications.
- Reinforce support structures for private sector/SME development, particularly institutional support. SME development strategy should be coordinated and monitored at the central level through a lean, but high level institution and progress should be reviewed jointly by public and private sector. SMEs need business services to improve their competitiveness (*i.e.* information, consulting, training, accounting, legal, advertising, marketing, courier services, technical and technology services, including testing for standards and certification requirements abroad, product upgrading, etc.).
- Enhance policy coherence at regional, national and international level and

actively manage aid effectiveness by: 1) joined-up government nationally; 2) country-based and international donor coordination and pooling of technical and financial resources at appropriate levels; and by 3) complementing official development assistance (ODA) made available to transition and developing countries for capacity building in trade and investment with appropriate market access (World Bank, 2013d).

As final remark, taking in advance that the role of the exchange rate as a nominal anchor derives from the characteristics of the domestic economy, as a small and open economy that is highly dependent on the import of primary commodities. This means that Macedonian exchange rate can be used as an instrument for export performances of the SMEs. Macedonian policymakers should create policy with several aims focused on exchange rate policy because this will enhance the SMEs exports:

- ✓ A competitive real exchange rate provides an incentive for exports of the companies
- ✓ The impact of exchange rates on trade should be seen in the context of continued integration of supply chains
- ✓ Exports generally include high import content and impact of foreign currency-exchange appreciation or depreciation on any finished product because it is complex. If the depreciation of the exchange rate makes its exports of finished products “cheaper”, it makes imported components “expensive” for domestic producers/domestic SMEs.
- ✓ Maintaining growth and reducing the unemployment in a small and open economy such as Macedonia depends from improved performance of SMES exports.
- ✓ Improving the performance of the SMEs exports can help to preserve macroeconomic stability by closing the gap in the current account to avoid wasting supplies and to stop the growth of external debt.
- ✓ Improving performance requires improving export competitiveness.
- ✓ An outward oriented, market-friendly trade regime, which emphasizes the dismantling of import controls and tariffs (permitting access to inputs at world prices), and streamlined bureaucratic procedures, *i.e.* export and import procedures, modern customs administration and efficient value added tax administration will facilitate exports, including from SMEs.

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Zlatko Jakovlev, PhD

Faculty of Tourism and Business Logistics
Goce Delcev University - Stip
zlatko.jakovlev@ugd.edu.mk

Biljana Petrevska, PhD

Faculty of Tourism and Business Logistics
Goce Delcev University – Stip
biljana.petrevska@ugd.edu.mk

TOURISM DEVELOPMENT IN THE EAST REGION OF MACEDONIA: ECONOMIC PERSPECTIVE

Abstract

The paper clarifies tourism influence on the regional development of Macedonia in terms of basic economic parameters and tourism indicators. It gives an overview of tourism importance as a source of the economic development in the East region of Macedonia. A comparative analysis is given of the East region with other statistical regions from economic perspective. In this line, different types of statistical tests (Levene, Bonferroni and Tamhane tests) are applied. They are based on the available sources of secondary data addressing GDP and tourism flows (arrivals and overnight stays). The aim of the paper is to determine the influence of the East region by calculating the presence of significant differences between its average values of the variables compared to other regions. Finally, the paper gives recommendations for further development of the region in tourism manner, mainly by boosting the event tourism development.

Key words: Tourism development; Regional development; East Region; Event tourism.

INTRODUCTION

The variety of changes in the surrounding initiated a creation of a new ambient and challenges in front of all parties involved in tourism policy. This raised the issue of defining innovative presumptions and general directions for the tourism development. Regardless the nature, tourism has major economic and social affects at regional and local levels. So, some regions were highly positively influenced by tourism impacts. For example: mainly coastal (Emilia-Romagna in Italy), mountainous (Valais in Switzerland), urban and historic (Ile-de-France in France) or regions with exceptional natural resources (Quebec in Canada, Arizona in the United States). Additionally, regions with different profiles can also benefit from the tourism growth. Consequently, they can be rural, promoting green tourism, leisure and nature activities (Queensland in Australia); very remote (Greenland in Denmark) or regions undergoing industrial restructuring (Nord-Pas-de-Calais in France).

The study clarifies tourism contribution to the economic development of Macedonia by elaborating the case of the East region. The main objective is to make a comparative analysis of the planning regions with an emphasis on the East region. The intention is to determine the influence of this region over the regional and economic development by calculating and comparing the differences with other regions. For this purpose, the paper is structured in several sections. After the introductory part, Section two presents a brief review of the literature on tourism, economic and regional development. Section three poses some background materials in terms of legislation relevant for the regional development of Macedonia, as well as some stylized facts on the East region. Section four encompasses the methodological framework, while the main analyses, discussion and results are posted in Section five. Concluding remarks and some valuable recommendations are noted in the last section of the paper.

The paper gains additional value since it enriches the poorly developed academic work in Macedonia addressing regional tourism contribution, with certain exceptions (Petrevska, 2012; Petrevska and Manasieva Gerasimova, 2012; Petrevska and Nestoroska, 2015). Yet, some valuable contribution is noted in the work of Dimitrov and Petrevska (2012), Jeremic (1971), Marinovski (1998), Panov (1972), Petrevska and Dimitrov (2013) and Stojmilov (1993) whereas the issue of the rural tourism in Macedonia is explained by applying different approaches and attitudes that result in a territorial division of regions, counties, zones and local areas. However, only a few studies underline the necessity of introducing the planning process to the tourism flows in Macedonia (Petrevska, 2011) in the line of enhancing their modest development and creating preconditions for further advanced promotion (Petrevska and Koceski, 2013).

LITERATURE REVIEW

The issue of discussing the relationship between the tourism and economic development is present in many studies. Some argue the conventional thinking (Stabler et al., 2010; Sharpley and Telfer, 2002), while others focus on local, place-based factors that influence the tourism development (Raina and Agarwal, 2004). Likewise, a focus is put specifically on the less developed world. Subsequently many assumptions appear about the role of the tourism-in- development, which in particular highlights the dilemmas faced by destinations seeking to achieve development through tourism (Huybers, 2007; Telfer and Sharpley, 2008). Some authors even endeavour a critical approach within a multi-disciplinary framework to relook at the complex phenomenon of tourism development (Babu et al., 2008; Ramos and Jimenez, 2008). In the last twenty years, large regional differences in the quality of life have emerged within many transition economies (Bartlett et al., 2010). Hence, much attention has been directed to tourism's economic potential (Butler et al., 1998; Hall and Jenkins, 1998; Jenkins et al, 1998). Some authors underscore the significant opportunity for product development as a means to rural diversification (Bessière, 1998). Others examine the contemporary issues and reasons for tourism development as a strategy for urban revitalization (Pearce and Butler, 2002) as well as for providing the basis for a better-informed integration of tourism in the regional development strategies (Sharma, 2004). Moreover, some discussions are towards various policy innovations as activities by regions in terms of tourism development, considering a continuous growth within the sector (Giaoutzi and Nijkamp, 2006). Additionally, as the tourism and regional development are closely linked, the regions and local authorities play a key role in formulating the policy and organizing the tourism development (Constantin, 2000).

Over the past decades, the rural tourism became very popular and currently has some strong advantages on the international market. This is particularly important since the rural tourism has already played a key role in the development of some rural zones that were economically and socially depressed (Blaine and Golan, 1993; Chuang, 2010; Dernoï, 1991; Hall and Richards, 2002; Ploeg and Renting, 2000; Ploeg et al. 2000; Roberts and Hall, 2001; Simpson, 2008).

Furthermore, there is a relatively large body of studies that vary extensively in quality and accuracy, though they mostly address the economic impact analysis in the line of determining the tourism contribution (Babu et al, 2008; Crompton, 1993; Huyberg, 2007; Lundberg et al, 1995; Ramos and Jimenez, 2008; Stabler et al, 2010). In this respect, the economic impact analysis traces the flows of spending associated with the tourism activity in one region in order to identify the changes in the sales, tax revenues, income and jobs, due to the tourism activity. The principal

methods being applied are visitor-spending-surveys, analyses of secondary data, economic base models, input-output models and multipliers (Frechtling, 1994). Due to the fact that the economic development represents just one process of a complex system known as human development, it means that the economic development inevitably leads to human development and the quality of life (Osberg and Sharpe, 2003). So, the human development or the increase of the human quality of life is the main goal of the economic development (Hayami and Godo, 2005; Kanbur, 2003).

This suggests that the achieved economic and human development may be measured and presented by various indicators (Cypher and Dietz, 2009; Grabowski et al, 2007; Soubotina, 2004; Todaro and Smith, 2009):

- (i) Value aggregate indicators: dynamics and speed of growth of the total production; gross domestic product (GDP); degree of the growth of GDP; degree of saving and index of investments or economic welfare etc.;
- (ii) Natural indicators: degree of infrastructural construction; degree of residential construction assistance; degree of biological nutrition of population etc.;
- (iii) Social indicators: nutrition, health, degree of education, social security, working conditions, housing, employment etc.

BACKGROUND MATERIAL

In 2007, under the imperative to harmonize its laws with the EU, Macedonia adopted the Nomenclature of Territorial Units for Statistics (NUTS 3 level) and created eight statistical regions: Vardar, East, South-West, South-East, Pelagonia, Polog, North-East and Skopje (Figure 1). These regions serve as main units for the development planning. Moreover, they have been assigned the role of planning regions entitled for a planning process and implementation of a consistent regional development policy as well as for harmonization of the regional policy in Macedonia with the EU regional policy. Each of the planning regions has a Centre for development established for the purposes of carrying out professional tasks relevant for the development of that particular region.

Figure 1. *Statistical regions in Macedonia*

The East region is consisted of 217 settlements, out of which 11 are municipalities. According to the census of 2002, the total number of population was 181,858 inhabitants, while in 2014, 177,700 inhabitants were registered with a population density of 50.2. This region had an employment rate of 50.8% and unemployment rate of 20.1% (State Statistical Office, 2015: 34).

METHDOLOGY

The study attempts to document some different views and paradigms on the tourism regional development in an in-depth manner. The objective is to give an overview of the tourism importance as a source of the economic development in the East region of Macedonia. In order to fulfill its main aim, the paper makes different types of analysis, generally as argued in Ciotir and Scutariu (2009). Furthermore, it follows some of the main factors presented in Table 1 as a precondition for identification of the tourism regional economic impacts.

Table 1. *Tourism regional economic impacts*

Factors	Resources	Changes	Parameters and standards
Prices	Fiscal	Direct, indirect and induced changes in economic factors	Unemployment
Employment	Financial		Inflation
Investment	Infrastructure	Multiplier effects	Average weekly earnings
Imports	Marketing		Interest
Expenditure	Trade		Exchange rates
Foreign exchange	Incentives		Multiplier, etc.

Source: Atherton (1992: 294)

The calculations are performed in the SPSS package and generally are based on the statistical Levene test to study the homogeneity of the variance. In case the significance level is ≤ 0.05 , the variance is not homogeneous, so we reject the null hypothesis. Then we apply the Tamhane statistical test to determine the presence of the differences between the average values of variables in the East region compared to other regions in Macedonia. In case the significance level is ≥ 0.05 , the variance is homogeneous, so we apply the Bonferroni statistical test. In this line, the general hypothesis is:

H_0 : There are significant differences between the East region and other regions in Macedonia regarding the level of indicators addressing the economic and tourism development.

The calculations are based on the data obtained from the State Statistical Office of the Republic of Macedonia, spreading over the period 2008-2013. The data address the following indicators: gross domestic product (GDP) in denars; and the tourism flows in terms of total tourist arrivals and overnight stays.

ANALYSES, RESULTS AND DISCUSSION

Table 2 presents the summarized data (GDP, total tourist arrivals, nights spent, rooms and beds) for the East region for the sample period.

Table 2. *Data for the East region, 2008-2013*

Year	GDP (MKD den.)	Tourist arrivals	Tourist overnights	Rooms	Beds
2008	173,815	13,739	28,449	588	1,729
2009	170,486	12,680	27,509	598	1,718
2010	210,546	13,054	25,687	533	1,591
2011	224,455	13,615	28,852	544	1,606
2012	215,627	18,865	37,358	599	1,721
2013	223,425	20,747	42,222	620	1,826

Source: State Statistical Office (various years, various publications).

The calculations based on the GDP data are necessary to assess the differences between the East region and other regions in Macedonia in terms of the general development. Namely, the GDP expresses the level of social and economic development per capita per year for a region. In order to accept the suggested null hypothesis, we presume that the level of the economic development of the East region differs from other regions.

Table 3. *Tamhane test (GDP)*

(I) region	(J) region	Mean difference (I-J)	Std. Error	Sig.	95% confidence interval	
					Lower bound	Upper bound
E	V	-22213	24506.26	1.000	-8370.3707	5505.4364
	SW	23044	24506.26	1.000	-7874.8031	6001.0031
	SE	5604	24506.26	1.000	-9003.2207	6071.5864
	PE	-35175	24506.26	1.000	-10305.1531	3570.6531
	P	78538	24506.26	1.000	-9002.4707	4872.3364
	NE	51801	24506.26	1.000	-9810.8707	4075.0364
	SK	-140716	24506.26	.001	-19096.1207	-2800.1014

Note: East (E), Vardar (V), South-West (SW), South-East (SE), Pelagonia (PE), Polog (P), North-East (NE), Skopje (SK)

After calculating the Levene statistical test, we found out that the level of significance is 0.02 which is lower than the limit of 0.05 pointing out to non-homogeneity of variances of the sampled regions. Therefore, in order to compare the average value of the GDP from the East region to other regions in Macedonia, we apply the Tamhane test and reject the null hypothesis. Based on Table 3 it can be concluded that the average value of the GDP in the East region significantly

differs from the average values only of Skopje. Compared to the rest of the regions in Macedonia, no statistically significant differences are noted.

Furthermore, we test the homogeneity of dispersions for tourism flows i.e. tourist arrivals and overnights, by calculating the Levene test (Table 4). In both cases, the significance exceeds the limit of 0.05 thus pointing out to the homogeneity of variances and acceptance of the null hypothesis. Consequently, we apply the Bonferroni test. Table 5 presents the values of tourist arrivals and Table 6 the values of overnights.

Table 4. *Test of homogeneity of dispersions for tourism flows*

Tourism flows	Levene stat	df1	df2	Sig.
Arrivals	1.881	7	40	0.08
Overnights	3.329	7	40	0.07

Table 5. *Bonferroni test (Tourist arrivals)*

(I) region	(J) region	Mean difference (I-J)	Std. Error	Sig.	95% confidence interval	
					Lower bound	Upper bound
E	V	3289	3447.58	1.000	-147.2582	54.2582
	SW	-240358	3447.58	.001	-351.0250	-38.1862
	SE	-82117	3447.58	1.000	-138.7582	162.7582
	PE	-51652	3447.58	1.000	-162.1581	144.1502
	P	-13290	3447.58	1.000	-128.7581	81.7580
	NE	11469	3447.58	1.000	-118.6574	143.0007
	SK	-135966	3447.58	.001	-347.0144	-47.2973

Note: East (E), Vardar (V), South-West (SW), South-East (SE), Pelagonia (PE), Polog (P), North-East (NE), Skopje (SK)

Based on Tables 5 and 6 it can be easily concluded that the average values of tourism flows in the East region are significantly different from the average values of other regions in Macedonia. Particularly, the difference is extremely high when being compared to the South West region. This is logical since the South West planning region is the most developed region in Macedonia in tourism manner. The East region, along with the North East, Vardar and Polog region are one of the least developed regions in tourism manner. During the sample period 2008-2013,

the East region registered an average of 15,450 tourists which is only 2.4% of the average total number of tourists in Macedonia. Moreover, the East region has a negligible role in the national tourism development since it has 9.8 times fewer tourists compared to the average of the Skopje region; 16.6 times fewer tourists compared to the average of the South West region and even fantastical 40.9 times fewer arrivals when being compared to the average number of tourists who visited Macedonia. This fact indicates that the East region has extremely low level of tourism development and must introduce more aggressive strategy for enhancing its modest development.

The same conclusion can be brought out when analyzing the tourist overnight stays. Namely, only 1.3-2% of total tourist overnights were noted in the East region during 2008-2013, or 1.5% on average (31,680). This fact is not surprising at all since it is in a direct correlation with the previous outcome where tourist arrivals have been analyzed. Once again it can be concluded that the tourism in the East region has an insignificant role due to the very low tourist nights spent. The difference from other regions is even bigger when comparing the average overnights. To be precise, the East region has 9.8 times fewer overnights than the average of the Skopje region; 39.5 times less compared to the South West region and incredible 68 times fewer overnights when being compared to the average overnights registered in Macedonia.

Table 6. *Bonferroni test (Tourist overnights)*

(I) region	(J) region	Mean differ- ence (I-J)	Std. Error	Sig.	95% confidence interval	
					Lower bound	Upper bound
E	V	10147	6559.32	1.000	-128.2591	74.1592
	SW	-1219540	6559.32	.001	-393.2472	-48.1820
	SE	-259152	6559.32	1.000	-139.9845	122.7998
	PE	-139646	6559.32	1.000	-178.1009	128.1598
	P	-25061	6559.32	1.000	-134.6365	101.6523
	NE	25017	6559.32	1.000	-181.7001	113.2322
	SK	-278203	6559.32	.001	-380.8143	-97.7320

Note: East (E), Vardar (V), South-West (SW), South-East (SE), Pelagonia (PE), Polog (P), North-East (NE), Skopje (SK)

A lack of sustainability which is a precondition and a leading accelerator for tourism development is noted in the East region. Namely, this region is far below of being a well-established tourist center in Macedonia since it fulfills a very modest average length of stay. So, during 2008-2013, the average length of stay

is between 2-2.2 days, or an average of 2.1 days per year for the observed period. When compared to the average of Macedonia, which is between 3.1-3.7 days (an average for the sample period of 3.4 days), it is 1.7 times less. The gap is even bigger (2.4 times less) when compared to the South-West region which is the most developed in tourism manner with an average length of stay of 4.9 days. Apparently it may be concluded that although the tourism is often seen as a 'sun-rise industry' is not among the strategic priorities of the East region. Despite the numerous potentials for tourism development in regional frames, particularly by creating positive background for practicing the event tourism, this region urgently needs to define some adequate tourism policy.

Based on Table 2, one may find some interesting notes regarding the accommodation capacity of the East region. This issue is important in the line of drawing concluding remarks whether the key tourism actors should carry out measures and activities for enhancing the tourism competitiveness of this region. During 2008-2013, on average the East region has 580 rooms, which is higher than only in the North East region and very similar to the Vardar region. Yet, if the data are compared to other regions, it can be concluded that on average, the East region has multiple times less accommodation capacity in terms of hotel rooms (1.8 times less than Polog; 3.8 times less than South East; 4 times less than Skopje; 5.7 times less than Pelagonia and even 27.8 times less than the South West region). The situation is similar when analyzing the data presenting hotel beds. On average, the East region encompasses only 2.4% of the total number of hotel beds in Macedonia. So with an average of 1,699 hotel beds it has similar hotel bed supply to the Vardar region and 2.4 times bigger supply compared to the North East region which are the least developed regions in tourism manner.

CONCLUSION

The tourism has a strong influence on the regional development, so the developing countries as Macedonia are exploring it as a chance for economic growth. The tourism development affects the regional development and is inter-connected with a variety of other activities, like new jobs creation, traffic development and higher prices of land, from agricultural to building land, and alike. The study allows an increased understanding of the way the tourism operates in the East region of Macedonia. It identifies the potential challenges Macedonia may face in its attempt to employ the tourism as part of a comprehensive regional development strategy. At the same time, it defines some strengths that can be brought up to the tourism planning. However, numerous constraints and opportunities for regional prosperity

through tourism development arise in the case of the East region. It lacks a developed tourism product, so a way out is detected in introducing the event tourism.

The study also found that there are no substantial differences between the East region and other regions in Macedonia when addressing the GDP, with the exception of Skopje. As expected, only the Skopje region has a significantly higher value than the East region due to the intensive regional inequalities. Namely, per capita income in the capital city of Skopje is far above the rest of the country and is the main pole of development. While other regions have secondary towns that are poles for their development. None can compete with the capital. Consequently, this kind of mono centric pattern of development underpinned the huge differences in life quality among other regions.

Furthermore, the study found out that the East region differs extensively when addressing the tourism flows indicators. Specifically, the differences exist between the East region and other regions concerning tourist arrivals and overnights. The outcomes point that the region which is investigated registers significantly lower values than the majority of regions, with the exceptions of the Vardar and the North East region.

This increases the need for tourism businesses to collaborate within and across other seven regions, as it will require a number of destinations to build an experience that will justify any visitor making the trip. Beyond the tourism policy, the regional development policy generally can contribute to the innovation capacity of the region as a destination. The study in general recommends some potentials for developing the event tourism in the East region, which although being present are still insufficiently used. The reason for this lies mostly in the nonexistence of a tradition of the event tourism development, poor promotion of events that take place in the region, poor traffic network, lack of modern accommodation capacity and so forth.

There are only a few geographic areas in Macedonia, which are strongly affected by the location factors in the tourism development. This is a strong limiting element that inhibits the East region's development. With the governmental support in the past few years, generally in the line of capital investments in the infrastructure, the region notes an upward trend in the tourist arrivals, overnights and hotel accommodation supply.

Finally, the study concludes that the East region is not among the regions which outstands an intense tourism activity. It points out that the tourism must have a significant position in the regional programs and in the development strategy. It also needs to be defined as a key opportunity for the region development. However, further more substantial tourism development, particularly to the East region depends on:

- Public policies directed towards specific investments, which is tailored according to the needs of the region;
- Efforts to increase the accommodation capacity and occupancy rate by developing the event tourism; and
- Significant efforts to increase the tourism income through subsidies or tax deductions as a precondition for regions' tourism development.

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Riste Georgiev, MA student
Faculty of Tourism and Business Logistics
University “Goce Delchev” Shtip
ristegeorgiev73@yahoo.com

**CONTEMPORARY CHALLENGES AND REAL OPPORTUNITIES FOR
DEVELOPMENT OF ENTREPRENEURSHIP IN TERMS OF COMMUNAL
WASTE MANAGEMENT IN REPUBLIC OF MACEDONIA**

Abstract

The aim of this paper is to set up an analysis of the real terms for development of the idea of entrepreneurship in accordance with the possibilities of communal waste management on the territory of Republic of Macedonia. It's a question of specifics of communal waste management in the Republic of Macedonia in whose basis is too hard to penetrate. However, through the application of appropriate methodological framework will be made conclusions that are particularly important for principled explanation of the essence of causality that are related to the current conditions of communal waste management in this country.

Communal waste management (control), in all its stages is a matter that affects both the public sector and the private sector. Consequently, the idea of development of contemporary models of management through strategic use of available human resources will enable the setting of solid base of a competitive business in a new area for the private sector in developing countries. The same, especially for Republic of Macedonia, a country with lack of developed opportunities for effective and efficient communal waste management, unlike the developed countries. Therefore, and on the basis of already conducted research framework worldwide, this paper will promote the idea of encouraging the entrepreneurship in order to improve the existing terms, whereas until now the public sector was most affected. By applying qualitative methodological framework, or rather content analysis of theoretical aspects, review of the prepared reports in domain of this problem and comparative analysis

of the opportunities against contemporary challenges, efforts will be made to get a solid basis for the establishment of an appropriate approach of communal waste management within the Republic of Macedonia as initial requisite and incentive for development of entrepreneurship in this area.

Key words: management, communal waste, strategic approach, entrepreneurship, challenges

INTRODUCTION

Communal waste is generating in daily human activities. In the communal waste management important is the collection, transportation and disposal to the city dump. Due to the constant increase of the total quantities of waste product, efficient program is required for collection and transport, which can retain costs in constant growth. The constant increase in the total amount of waste products produced by industry and population require substantial changes in the traditional model of waste management. Waste management includes measures and special regulations which are modulated by international standards and current regulations in our country. These measures and regulations are applied starting from the creation of the waste, its collection, transportation until its delay (dislocation, recycling). In the new integrated industrial ecosystem consumption of energy and raw materials must be optimized and generation of waste minimized. Future activities concerning waste should be directed towards its recycling and reuse, which will achieve significant economic and environmental effects (Črnjar, 2002: 44).

The main objective of the communal waste management points to the need to ensure a high level of protection of life and health by protecting the environment. Consequently, the encouragement of new, contemporary forms of waste management, such as entrepreneurship, should be based on respect of the principles and regulations for protection of the environment or protection of people's life and health in bottom line.

The immediate concern of this paper is to find out optimal conditions for communal waste management by highlighting the potential of the private sector, and by integrating essential ideas that represent innovation for society and found applicability in modern living conditions and action, especially in the field of waste management. To fulfill this interest will be achieved several objectives that lead to achieving the ultimate goal, respectively (Koneczny et al., 2007: 67)

- minimizing the space that could possibly be contaminated by collection and transportation of communal waste;
- achieving some economic impact by achieving savings in communal waste management in the Republic of Macedonia;
- providing an opportunity for development of the entrepreneurship which presents guide for economic growth and development of a country;
- inducement on public-private partnership within the communal waste management.

Communal waste management is process of collection, transport, processing,

recycling and disposal of waste product, especially those produced by human activities, and the object is to reduce their impact on human health, appearance and hygiene on the environment. In the last few decades a growing tendency is to consider as basic objectives of waste management also its impacts on the natural environment and the possibilities of obtaining new sources of raw materials from waste. By promoting new opportunities of inducing private waste management on an individual basis or through cooperation between the public and private sectors in the Republic of Macedonia will be created favorable conditions for setting strategies for managing communal waste at a level that the long-term basically meet the needs of modern lifestyles, primarily to promote sustainable development and protection of human health and environmental protection.

MANAGEMENT (LEADING) OF COMMUNAL WASTE

Origination of the waste is result of the overall economic activity of each country, so it is in direct connection to the national economy. Due to the large quantities of virulence to the environment, waste is considered one of the most important environmental problems of the modern world. Man with his activities is a decider in the initiated change towards the environment. All those activities are related with the satisfaction of life needs. Large number of them are created artificially, and the main question which arises is whether it is needed so many different products, which after their use will become waste.

The problem of communal waste is expressed in all the cities of our planet, and the price of it's solution is estimated in the billions of dollars. The inadequate treatment of communal solid waste and its uncontrolled and unorganized delay and also disruption of the landscape characteristics of the space, inevitably leads to pollution of ground and surface water, soil, the air, but also a danger to public health. From this perspective, the management of municipal solid waste is a particular social process that affects all generations, present and future (Isoski, 2006: 116).

Communal solid waste by definition includes household waste and other waste which by its nature and composition is similar to household waste: hazardous waste industry, commercial institutions (including hospitals) and industry, administrative institutions, craft cooperation, construction waste (raw, mixed waste from construction site), garden waste, green waste from parks and the oddments of cleaning the streets (Neši, 2010: 45). In a society, the origination of communal solid waste depends on the level of industrial

development, living standards, lifestyles, social environment, consumption and so on. In terms of solid waste management, primary responsibility has the local government. It is a complex task which requires appropriate organizational capacity and cooperation between numerous stakeholders from the public and private sector.

Effective and efficient waste management means promoting opportunities for continuous public participation in making decisions that affect a certain area. In fact, management of waste in all its stages largely depends on the commitment of the currently competent service. Consequently, whether it is public, private company or public-private partnership the established legislative - legal framework should be respected and constantly evaluating of the new (non) satisfaction of the public in order to have real insight into the situation and in activities that in future should be taken further.

Furthermore, the application and implementation of the local planning for waste management shall be in accordance with the National Strategy for Waste Management of the country for which we talk about waste management (in this case the Republic of Macedonia).

Planned management of communal waste – incentive of entrepreneurship

Setting a plan / system for integrated management of municipal waste initially points to the need for drawing up plans for management of communal waste, both at the level of the region and at the level of municipalities covered in individual regions. The planned communal waste management, will greatly contribute to solving particular current problems that occur on the territory of the region (Markovic, 2007: 69-70):

- Waste management is inefficient and environmentally unacceptable;
- Waste Landfill on the territory of the region are mostly landfills that do not fulfill even the minimum measures of protection, which is necessary in the shortest procedure to be repaired and rehabilitated; and
- Rural areas in the territory of the municipalities are mostly omitted of the cycle of waste collection. As a result, especially in the villages, there are local landfills often placed on objectionable locations.

The planned waste management at regional and local level aimed at establishing sustainable management of communal waste, while embracing the formulas for resolving string of tasks and to provide detailed actions that stakeholders should take over in order locally to achieve the vision and goals that are pretend nationwide by setting up strategies for municipal solid waste.

All that has the need to coordinate action on a range of stakeholders - local government, households, enterprises, private sector, NGOs and individuals. The local government has a central role in the planning and creation of a sustainable system for communal solid waste in the municipalities in accordance with the established legislative framework (Blagojević et al., 2005: 54). Consequently, the incentive of the entrepreneurial spirit in managing communal waste is necessary to indicate the need for full coordination between local authority and the company in order to invest effort to solve all occurred problems and challenges.

Through planned communal waste management company acts more effectively in the process of minimizing the negative impact of waste on the environment, and also impacts on improving the efficiency in utilization of the resources.

A key objective of the plan for waste management is to contribute to sustainable development of the region through the establishment and development of the system of waste management that will control the occurrence of waste, will reduce the impact of the production of waste to the environment, improve efficiency of the resources, and will allow proper flow of waste until its final relocation regional landfill, stimulating investment and maximizing the economic opportunities that arise from the waste. For this purpose the company which aims to promote entrepreneurial spirit in the process of managing communal waste, aims to: (Trajkovic, 2006: 13):

- provide a system of waste management, developed according to the most acceptable options for Environment;
- Develop principles and plan activities for waste management on medium and long term, in accordance with the legal requirements;
- provide sufficient flexibility in methodical solutions for incorporation of improved technology to treat waste because of ensuring optimally utilization;
- influence on raising public awareness of the future challenges in the implementation of plans for waste management at local level, and promote the active participation of all interested parties to satisfy the objectives.

Entrepreneurship, as a process of continuous innovation, creating new ideas within the organization, taking responsibilities for proper actions as well, is in constant evolution which still follows a certain continuity. In times of transition, which is still felt in certain regions of the world, the owners of small and medium enterprises, besides being entrepreneurs also are managers or involved in the process of creating policy of the enterprise. In a new area of creation entrepreneurial potential, such as communal waste management,

planning and the mutual coordination with the already-existing institutions, as well as respect for established strategies and regulations, are the first steps that need to be taken (Strubler, 2010: 178).

DEVELOPMENT OF ENTREPRENEURIAL POTENTIAL IN COMMUNAL WASTE MANAGEMENT: STANDINGS AND OPPORTUNITIES IN THE REPUBLIC OF MACEDONIA

Entrepreneurship represents inspiring guide on improvement of the process of communal waste management, locally, regionally and nationally. That's the only way to expect creating of new ideas and designs in the process of the waste management which are beneficial to all citizens in order to improve their living and promoting sustainable development and environmental protection.

The best way to promote entrepreneurship in communal waste management is by encouraging cooperation between public and private institutions in this domain. Consequently, in that way waste management will be more efficient and economical to the citizens of the municipality and the company. In that respect, crucial importance has improvement of the infrastructure, which is one of the main tasks of the municipal sector (JLY – Finnish Solid Waste Association, 2015).

In Macedonia, currently, the services of waste collection primarily are supplied by municipal public communal utilities (JKP). Entirely, about 70% of the population in Macedonia is beneficiary of regular waste collection (in rural areas the percentage is about 10%). The practice of waste disposal does not comply with any technical or environmental standards. The majority of public utilities are faced with a shortage of funds due to the low rate of receivables and / or low prices for services related to the waste. Consequently, it is necessary to actualize the additional, entrepreneurial ventures in this area in order to improve the real situation.

Table 1. Received and deposited quantities of communal waste JP Communal Sanitation – Skopje

JP Communal sanitation - Skopje			
Month	Transported waste in tons		Index
	2013	2014	
January	9.411	10.082	1,07
February	8.794	9.772	1,11
March	10.156	11.433	1,13
April	11.810	11.562	0,98
May	11.605	12.854	1,11
June	10.772	12.152	1,13
July	12.575	12.996	1,03
August	11.777	13.314	1,13
September	11.831	13.579	1,15
October	12.818	13.011	1,02
November	11.580	11.682	1,01
December	10.142	10.947	1,08
Total:	133.271	143.384	1,08

Source: Veljanoska GD (2004) Report on the overall operation of DRISLA - SKOPJE LTD. Batinci, Studenicani, p.7.

Based on the enclosed information in the table num.1 is conceived that in the capital of the Republic of Macedonia there is a real opportunity to engage additional company form the private sector in order to improve the situation with the communal waste management.

The first step in promoting the entrepreneurial aspect of communal waste management, which is realistically feasible in the Republic of Macedonia, is to promote the concept of public-private partnership. It covers the use of a common policy between the company and public (local) authority, concerning the different phases of managing with the waste. For this purpose it is necessary to make an agreement that will be based on the current strategy for waste management. That agreement can be terminable, in order to allow analysis of the new upcoming situation through continuous evaluation to ensure improvement of the existing conditions in this domain.

Clients of the company which operates based on promotion of the entrepreneurial aspects will be the citizens of the region, public institutions and waste companies.

The company realizes the following operations:

- Waste Management
- Organization
- Counseling about waste management
- Full service for industrial capacity and companies.

Regarding the function that the municipalities have about management with the solid waste, they have the right to make decisions but also to act as operator-proprietor. However, compared to other functions or management of facilities for collection and treatment of waste, practical work, daily evaluation and improvement of the situation, for all this responsible is the enterprise that is actually a private partner.

Entrepreneurship in this domain is observed by promoting advanced, top technology which the company should apply in waste management, and which will also allow (Trajkovic, 2006: 115-122):

- Exploitation energy from the burned waste
- Heat utilization
- Biogas utilization from waste disposal
- Composting of sludge from sewage.

This is the only way to promote sustainability in the management of communal waste which also will improve the actual conditions in terms of health, environment and proper use of the available resources. All of this permits the company to have a financial benefit and turnover of the entire procedure of quality or efficient and effective management of communal solid waste, which is actually the main purpose to begin any entrepreneurial venture.

Regarding the possible obstacles that the company could confront while managing the communal waste, it usually means appearance of competition or new enterprises in this area which leads to minor quantity of received waste. Furthermore, the quantity of waste in the region declines, so additional future perceptions of modernization and sustainability of the company should be taken. All this is reflected in the additional conceived projects of the company that are not always found understanding among investors and the banking sector. This is related to the real situation in Republic of Macedonia, where we don't have enough waste for the emergence of potential competition. However, by proper communal waste management, or by applying a strategic approach in achieving these procedures, entrepreneurship is a particularly attractive tool for promotion and implementation of waste management in the Republic of Macedonia by engaging the private sector.

CONCLUSION

Inadequate treatment of communal waste and its uncontrolled and unorganized disposal violates the landscape characteristics of the space, inevitably leads to pollution of groundwater and the surface water as well, to the soil, the air but also represents a danger to public health. By that point of view, waste management is particularly important process in terms of environmental protection and represents a special social interest. This is particularly related to the countries that still do not have enough good implementation of the Strategy for waste management at national level.

In this paper were presented excellent indicators that can be useful for the future experience of the Republic of Macedonia within the communal waste management. It's a question of promoting aspects that point to the importance of expanding the branch of entrepreneurship in this domain, especially through the expression of public-private partnership promoted at local, regional and national level.

In Republic of Macedonia there are terms for development of entrepreneurship, either of aspect of the waste quantities available in the municipalities or of aspect of insufficient efficiency and effectiveness of the public communal utility. Consequently, it is necessary to promote further strategic framework that will cover the entire process of communal waste management to a higher level by involving the public integrity, as well as maximum exploitation of the available resources offered by the society, in order to stimulate long-term benefit for all involved parties.

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Marjan Kostov, MA student
Institute for Sociological, Political and Juridical Research
marjan.kostov13@gmail.com

**PROBLEMS IN THE FUNCTIONING OF THE
PENSION SYSTEM IN SOME COUNTRIES OF
SOUTHEAST EUROPE**

Abstract

Many countries in Europe and in the world are facing problems in the pension system. The problems that may arise in the pension system are as diverse as the industrialized countries and countries in transition and development. But these problems are less pronounced in industrialized countries than in the countries in transition.

Some of the factors that led to the emergence of problems in the pension system are the demographic factor, and the ratio of active workers to pensioners insured. Besides these two important factors, another factor that can cause problems is economic growth and rising unemployment.

This paper will analyze the pension systems of several countries of Southeast Europe, presenting a short history of the pension reform, and the problems that have arisen.

Key words: pension system, Southeast Europe, pension reform

INTRODUCTION

Pension insurance is a fundamental element of social protection and security of citizens. Social security is provided by the state through its program of social security and social protection programs. Pension insurance is accomplished by way of contributions. The system of pension insurance is important in the context of social security of any individual or society in which it is located. Their financing is one of the facts that determine the living standards of every pensioner or his financial and social security. Maintaining the stability of the system of pension insurance is today one of the main problems for most countries in Southeast Europe and most countries in the European Union and the world.

The provision of pensions and the pension system face great difficulties and the main reasons for this are the growing number of pensioners compared to the number of employees, i.e. working population, whose revenue is necessary for retirement. These problems, in many countries, are largely resolved by reforming the pension system. For this purpose, it is necessary to make a complete investigation of the real situation in the country, the current conditions for taking new, modified steps, and the reasons that led to the need for reforming or changing their way of functioning (Bjelic, 2002: 57).

New terms of providing pensions opened the door to exit the crisis in which the pension system works on the principle of intergenerational solidarity. The solution for the crisis that endangers the functioning of the financing of pension payments on the principle of intergenerational solidarity can be made, primarily in flux in terms of number of employees and retirees as well as dwindling of workers in terms of the number of pensioners.

Regarding the problems of functioning of the pension system in a particular country, usually the main factors that have a key role in the problems of functioning of the pension system in a particular country are: high unemployment, presence of gray economy, expressed in non-restrictively regulations governing the right of retirement, consequences of economic and political developments in the country in the last ten years, which also reflected the functioning of the pension system, and the pension and disability insurance (Basic, 2004: 89).

Analyzed from the economic aspect, the pension system is an important area of economic life which is characterized by a net cash flow of payment and payment, and which extends throughout the year. Consequently, it is necessary to find the key institutional and economic factors that predominantly affect the establishment of the balance of the election of financing pension funds and payment of pension benefits.

Southeast Europe is a particularly interesting region for conducting research on the current state and trends of the development of the pension system, especially

in terms of promoting certain issues and challenges that are currently arisen. First of all, it comes to countries that in the recent past have passed or still spend a period of transition, and countries that have managed to set up a stable structure of functioning of the pension system and thus provide an example to other countries. Therefore, it is particularly broad theme that within the paper will be viewed in a simplified way. The experience of the following countries will be considered in the paper: the Republic of Macedonia, Slovenia, Serbia, Bosnia and Herzegovina and Croatia.

PENSION SYSTEM: ESSENCE OF FUNCTIONING AND FUTURE CHALLENGES

Pension occupies a central place in the social security system in many countries. In European countries there are two basic models of retirement: a model of pension insurance (Bismarck model) and a model of universal pension (Beveridgeov model). In practice there are also mixed models that combine two basic models of pension insurance. In the first model, the pensions are insured on the basis of payment of contributions in working life, while the other model involves the provision of pensions of persons older than the determined age whose payment of pensions is done from the state budget and money for payment of pensions from the state budget. All outstanding issues such as an aging population and high unemployment, are directly endangering the functioning of the pension system. Faced with these problems, a number of European countries have undertaken significant reforms aimed at building a sustainable pension system. These changes and reforms taking place under the influence of the World Bank, which offered more-speed model for the establishment of financial balance and the creation of social security for pensioners (Van Horn, 2002: 12).

One of the dominant demographic characteristics of modern societies is the aging population. The development of medicine and science, and improving living and working conditions contribute to the continuation of human life. At the same time, in most societies there is a decline in the birth rate. The projection for the future shows that the duration of life will be longer, the aging process will be continuous and intense, while the birth rate will be low. In these conditions the insurance risk of old age becomes more and more significant on individual and societal level. Ensuring the reliable sources of income and decent standard of living after his life is important for each person. At the same time, demographic characteristics are important for the functioning of the pension system as an aging population directly threatens this system regardless of the model of pension insurance.

Commonly adopted model of pension system, should be adopted through a process of reform within the countries where they observed certain problems of functioning pension system with three poles. The first pillar is the state mandatory pension insurance, which would continue to be financed by contributions of employees and employers,. This first pillar actually represents the current financing system of the right of pension payment on the principle of intergenerational solidarity, etc. funds financed by the general distribution. The other pillar also would be a mandatory pension insurance, etc. additional pension insurance which is based on voluntary individual savings capitalization. The two pillars would be based on pension funds, whose financing works on the principle of capitalization.

The transformation of the pension system of systems that consist only of the first pillar to the construction of all three pillars of the new system can be divided into two phases. The first phase would include reform of the existing first pillar of the pension system, which would extend the conditions for retirement in parallel with the rationalization of the calculation of the salary. In this area, in the first phase it is commonly suggested: increasing the age limit for retirement and its equalization of men and women, increase the minimum period necessary for obtaining the pension insurance with appropriate proportional reduction of the pension for each year missing , reducing the use of beneficial length of service, minimizing the possibility of a temporary departure in retirement, determining the pension foundations since earnings over the whole of service, reducing the percentage for determining the amount of pension, changing the way of the revaluation of pension in terms of price growth and wages, gradually reducing risk in the amount of pension in the direction of their equalization (down), guaranteeing to all persons in an appropriate minimal pension (Schmahl and Horstman, 2002: 56).

The second phase of reform (improving the functioning) of the pension system shall encompass the following of a gradual transformation by creating a private insurance scheme which would be fully based on capitalization. The main proposal in this context would be the private insurance to be compulsory for all employees and new employees who are not at the end of service. It is assumed that this way of investing funds underlines the appropriate tax relief and exemption from the state. The rights based on private pension insurance would be determined solely on the basis of previously paid contributions and contributions realized through investment and not on the level of earnings as the largest practice of functioning pension systems. The funds would be managed separately by private agencies on a competitive basis, with precise and rigorous control by the competent state bodies (Vaughan, 2000:13).

The pension system, or the programs that are part of this system, represent the most important part of the social security system in almost all countries worldwide.

National pension system depends on a number of factors, among which are the following: the tradition, the development and goals of the system and the level of economic growth and development. Demographic change significantly affects the functioning of the pension system is founded on the model of the current distribution. An aging population, which is characteristic of a number of European countries, threatens this system because it undermines optimal terms of number of employees and retirees. Despite this problem, an additional problem is the rising unemployment due to the economic crisis. In these conditions it is difficult achievement of social policy objectives of the pension, which requires quality reforming the pension system.

FUNCTIONING OF THE PENSION SYSTEM IN SOUTHEAST EUROPE: OPPORTUNITIES AND PERSPECTIVES

In the nineties, the economic situation in Southeast Europe has significantly worsened, leading to a decline in employment over the years so that current revenues were insufficient to cover expenditure, with the payment of pensions already provided many years of donation from the state budget, as a guarantee for payment of the pension.

Pension funds in insurance organizations in developed countries are taking the biggest institutional strength of the capital market. For countries in transition, however, in common is that the early nineties of the last century, the pension system was a social category under state protection. Within the state there was a pension system operating on the principle of international solidarity. Changing the economic structure inevitably causes problems in the pension system. It happened to perform high unemployment as a result of the termination of employment of a number of factories and enterprises, due to high costs for pension and disability insurance, as well as evasion of income tax, more employers resorted to payment of earnings “on hand.”

The functioning of the pension system: the case of the Republic of Croatia

In Croatia, the pension system is based on compulsory pension insurance which in the late eighties and early nineties of the last century was divided into:

- * Fond of employees with 86% and 91% of insured pensioners,
- * Fond of independent retailers with 6% and 2% of insured and pensioners
- * Fond of individual farmers insured with 8% and 7% pensioners.

The decline in industrial production, the closure of enterprises and the

growth of unemployment in the 90s are the reasons that the ratio of the working population and retirees in 1998 was 1.48: 1 contrast ratio of 4:04 from 1980. Lack of funds from pension funds is compensated by the state budget which in 1999 amounted to 14% of GDP. There was a notable decline in pension benefits, which in the period 1987-1990 year amounted to 75% of the average wage, while in the period from 1979 to 1998 had fallen to 47% of average earnings (Bejakovic, 2000: 17-18)

Because of these problems the Republic of Croatia has acceded to reform the pension fund. The former approach of calculating pension - from ten best year's income, and indexation of pension compensation - pension harmonization with the rise in earnings was abolished. The law stipulates that the base for calculating the pension fee /it cost/ is the income during the entire length of service so that pensions also grow 50% in terms of earnings and 50% on the cost of living.

The next step in reforming the pension insurance was after 1999, when the Croatian parliament adopted a new concept of reform, which is based on three pillars:

- * Mandatory pension insurance
- * Mandatory capitalized pension insurance
- * Voluntary pension insurance based on individual calculations.

The second and third pillars are regulated by law. The application of these acts had been planned in 2000 and the reform started in 2002. However, due to poorly developed national economy, there was a delay in this process.

The first pillar pension insurance "pay as you go" system is the basis on which current employees fund the pension benefits of current retirees through the payment of contributions. In the second pillar of compulsory pension insurance are included all employees younger than 40, and for those who are 40 to 50 years of age, membership in the Fund is voluntary. The contribution is 5% of gross earnings. The third pillar represents voluntary pension insurance in Croatia is completely voluntary. The individuals who choose to access independently make their choice.

The functioning of the pension system: the case of the Republic of Slovenia

Like other countries that emerged from the breakup of Yugoslavia, Slovenia has gone the way of transition, but reforming the pension fund began earlier. However, the reform has not been implemented to the end, because it had not passed on the application of the second and third pillar pension insurance. The reform of the pension insurance is aimed at tightening the conditions for retirement, modification of the pension insurance principle of calculation of the pension and its increase.

Based on data from 1992, when the Law on Pension Insurance was adopted, the age limit for retirement was 58 for men and 53 years for women and pensions were to be financed from the budget of 4% of GDP (Puljus, 2003:23).

In the period from 1993 to 1999, the government of the Republic of Slovenia, with the help of the program PHARE, Ministry of Labor, Family and Social Security and the World Bank worked on changes to the system of pension insurance.

Act of 1999 pointed to sharper conditions for retirement, so that working men involved, according to this law can retire with 63 years and women 61 years. Besides the age, certain requirements had to be met in terms of service for which contributions are paid, which is at least 15 years of service and a maximum length of service is 40 years for men or 38 for women. The amount of the pension is determined based on the average of 18 best net incomes in the valorization coefficient which decreases annually by 1.5% for each year of service.

Through reforming their pension insurance, the Republic of Slovenia has turned to compulsory pension insurance - the first pillar.

The functioning of the pension system: the case of the Republic of Serbia

In the second half of the eighties and first half of the nineties of the last century there was a crisis in the social security of the Republic of Serbia, so the state had to undertake appropriate measures. In 1970 year it had to cover costs of the gross national income which amounted to 6.3% while in 1990 the figure was 13.7%. The crisis is particularly amplified in the nineties when the civil war broke out, leading to the disruption of the current economic situation in Yugoslavia.

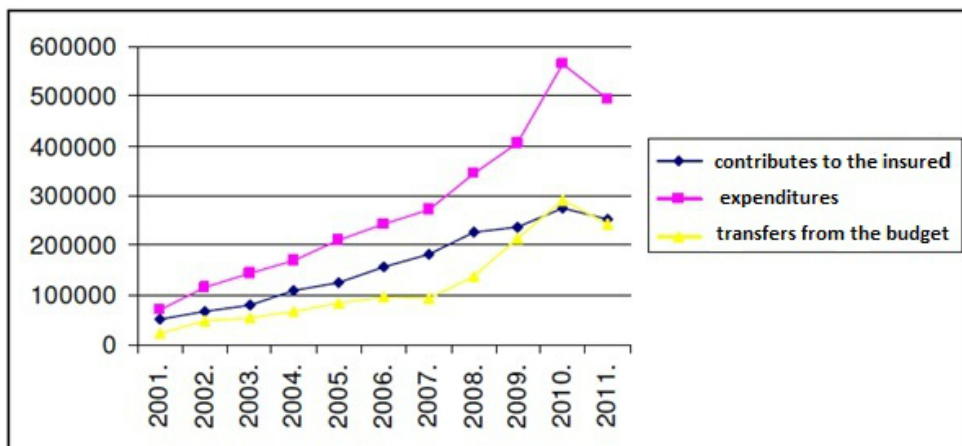
For that period it is characteristic that there was an increase in the number of pensioners. Only in 1991 in the Republic of Serbia 120 501 people retired. The proportion of the working population and the number of pensioners in 1981 was 6.6: 1 while in 1990 the difference was reduced to 3.18: 1st what is most worrying is that there is a constant trend of decline in employment in 2001 and increase in the number of retirees. In fact, the problem is that employees now cannot earn enough to settle the necessary funds for the payment of the pension, and for that reason the state donated 40% of the necessary funding to the fund for pension and disability insurance. Particularly lax requirements for retirement (especially disability) and the large presence of corruption influenced the increase in the number of pensioners, mainly disability pensions. Besides increasing the number of retired, changed and their structure. Namely, the number of old age pensioners is relatively lower compared to other countries and 45% of the total number of pensioners. On the other hand, the number of disability pensioners is 30%, and family 25% of the total number of pensioners, which is above the usual indicators

in other countries. For comparison, we can say that in most countries the number of pensioners is 60-80%, the number of disability pensions 10% of the total number of pensioners while others are family pensioners.

In 2003, the Law on pension and disability insurance was adopted, was significantly amended in 2005. A significant shift in the development of insurance in Serbia occurred with the adoption of the Law on voluntary pension funds and pension plans in 2005, which entered into force in 2006, when it introduced voluntary pension insurance. Today the Republic of Serbia has two systems of insurance: compulsory pension insurance and voluntary pension insurance.

Despite the economic self-sufficiency, the public pension system and disability insurance, the average pension benefits (pensions) are not sufficient to cover the minimal subsistence of the majority of pensioners.

Chart 1. *Expenditure on pension and disability insurance contributions of insurers and transfers from the budget (in thousands of dinars) 2001-2011*



Source: Republic Fund for Pension and Disability Insurance, <http://www.pio.rs/cir/> (accessed 8 August 2015)

The predicted values (described in figure 2) may be valid only under the assumption that the factors that acted in an observation period continue to operate the same way without significantly adding additional factors.

This forecast is a warning that in the future there will be even greater difficulties related to the proper functioning of the existing public system of pension and disability insurance, if appropriate changes are not made.

In September 2013 the number of employees, not taking into consideration the employees in the army and police in Serbia decreased to 1,705,256 persons, which is comparable with the number of employees in 1976. Average number of pensioners in 2013 was 1,711,699, although at the end of the year reached 1,722,649 persons. Relative to 1976, the number of pensioners increased by 3.9 times. Belgrade and Novi Sad have a particularly favorable relationship for the benefit of employees, compared to the rest in Vojvodina and in the Republic of Serbia, the cities of Novi Sad and Vojvodina have a relatively favorable opportunity for financial sustainability if the same would spin and split off from the rest of Vojvodina and the southern part of Serbia.

Reforming the pension system in Serbia started, but to establish a stable economic pension system a lot of work remains to be done. Almost fifty years after the end of World War II until the early years of the twentieth century in Serbia there was a system of compulsory pension insurance. The initial programs of reform of the pension system aimed at stabilizing the pension funds, payment of overdue pensions and providing regular, monthly payment and reimbursement.

The model of pension reform "three bulb" was created by the World Bank, and is accepted by countries in all continents. The model is particularly acceptable in Southeast European countries that pass through the transitional period.

The process of reforming the pension system in the Republic of Serbia, as in most countries in transition, is going in the direction of combining the pension system. In the first phase of the process is twofold: further reform of the mandatory pension insurance and introduction of voluntary pension insurance in the form of the third pillar. In the second phase when the conditions are met, realistically expected introduction of mandatory private pension insurance, etc. second pillar.

In Serbia there are currently about ten pension funds managed by ten companies. The assets of the voluntary pension funds at the end of 2013 were 19 billion dinars (about 165 million) at the end of the third quarter of 2013 were 4.4% (800 million dinars) higher than in the past quarter, while growth last year was 26%. The total number of users of voluntary pension funds which pay benefits until the end of September 2013 was 183,547. They have a total of 244 306 contracts signed for membership in voluntary pension funds in the third quarter the number of users increased by 2878.

In the Republic of Serbia, in fact the formation of several pension funds benefits the maintenance of the pension system, thereby increasing competition. The voluntary pension insurance needed developed economy, developed capital market that also omitted in this country. The economic crisis has happened, and as an active participant in the financial market, pension funds have remained immune to the adverse developments throughout the past years, so in 2008 the average contribution of the voluntary pension funds was negative.

The improvement of the pension system is a precondition for economic progress. It is necessary to build a new system, economically sustainable, which will increase individual savings and will intervene to improve economic development. At the same time, there is great dissatisfaction among citizens over the continuation of life, because it increases unemployment, which is a problem that the state must take into account in the future. The economic prospects of the development and sustainability of the pension system in this country are looking to further economic and legal equilibrium in order to provide secure payment of the pension.

Functioning of the pension system: the case of Bosnia and Herzegovina

The first forms of pension insurance in the area of Bosnia and Herzegovina appeared in the late nineteenth century. In the recent past, through the Law on Fundamental Rights of Pension and Disability Insurance in 1982, basic solutions have been set (Gnjero, 2007:25):

- Basics of the pension system, where the workers were to be provided compulsory insurance under the principle of solidarity and expired labor demand, in order to provide material and social security in case of reduction or loss of work ability, age, and compensation in case of death of family members;
- Basic rights of pension insurance:
 - Entitled to a pension based on age;
 - Right on schedule another suitable job, position, retraining, additional training and the right to adequate compensation;
 - Right to disability and family pension and allowances;
 - The right to compensation in case of physical damage.
- Special conditions for national liberation fighters or recognition of time spent in the war as a special experience.
- Determining pension plan depends on the amount of pension benefits.
- Implementation and use of pension and disability insurance.

The latest amendments to the legislation to the Law on Pension and Disability Insurance Fund were done in 1998. This Law is the grace of amending the Pension and Disability Insurance in Bosnia and Herzegovina (Vukovic, 2005: 15).

Through the mentioned Law, changes have been made in the pension and disability insurance. Significantly reduced the requirements for retirement, or moved the boundary of years. The boundary pension is set at the 55 years for women and 60 years for men. Also the percentage of the amount for pension benefit decreased to 85% in 2000 and 75% by 2005. Changes to the basis of the mentioned Law have

been made through the abolition of the rights having a social character, such as the right to protection of foreign assistance and care, the right to part-time on the basis of disability and so on. All changes are intended to make the pension and disability insurance of Bosnia and Herzegovina financially durable. In recent years, the goal is somewhat achieved, given that the payment of retirement allowance is regular and transfers of the budget intended to cover the deficit of the Institute for Pension and Disability Insurance are reduced. However, to make the realization of long-term financial durability of the system is necessary to implement a comprehensive reform in the longer term, which will include the introduction of the principle of individual capitalization, new forms of pension insurance, voluntary pension insurance.

The lack of existence of the relationship between the insurance premiums, etc. paid contributions received pension benefits, and uncertainty in the complicated way of calculating the pension, led to the contribution to be understood as a tax. Moreover, there is a difference between what the employee was willing to pay, driven by the expected income and what had to make based on the law. Such a difference is a sort of invisible income, however this condition causes three phenomena that are directly associated with jeopardizing the economy of Bosnia and Herzegovina (Lovrinovic, 2002: 45):

- Reducing employment
- Reducing the current salary
- Employment becomes more expensive.

Based on the foregoing, it can be concluded that the current pension system has a negative impact on employment in Bosnia and Herzegovina, where employment growth has been one of the main macroeconomic objectives of each country in general. Also, the system acts to reduce the current pay, and it directly reduces the standard of living and at the same time entertain the national economy as a whole. In Bosnia and Herzegovina, the development of the pension system is largely determined by:

- * Demographic movement
- * The development of the national economy
- * Legislation.

In this country there is a decrease in the birth of infants, which makes the country incapable to meet the average level of reproduction, which requires replacement of generation requiring 2 to 2.1 newborn per one woman. The decrease in the birth of children is a consequence of the economic crisis and military developments in the country. However, the awnings will continue in the future, what happens in other countries in transition, regardless of movement in economic development. When it comes to mortality, it is growing after the war, but the duration of life in general is

growing, not only in this country but also in other countries in transition.

The low levels of pension benefits indicate small payments of contributions and avoid paying them or work illegally.

The main conclusion is that the way of investing the collected funds for pension and disability insurance must be changed. Moreover, it is the responsibility shifted to policyholders. So, the risk of the venture would be adopted individually.

To ensure the development of the new pension system is necessary to ensure very formal, legal, institutional and other assumptions, such as:

- * Preparation of a consistent strategy for pension reform, a document subject to public debate;
- * Identification of interest groups such as pensioners, unions, tax authorities, etc.;
- * The establishment of expert groups to reform the pension system.
- * Identifying the legislation is necessary to adapt, and thus be harmonized and amended in accordance with the achievement of efficiency of the pension system.
- * The establishment of supervisory and regulatory authorities for a new pension system.

Functioning of the pension system: the case of the Republic of Macedonia

With the adoption of the Law on amendment to the Law on Pension and Disability Insurance, in March 2000, in the Republic of Macedonia was established multi-pillar pension system. As one of the main reasons for introducing the new system are the difficulties in the functioning of the current pension system and pension insurance, which will be particularly pronounced in the coming years as a result of poor demographics. During the years 1997-98, two employees financed pension compensation to a pensioner, and in 2000, 1.4 employees.

The newly established pension system in the country, besides the system of intergenerational solidarity, includes the system of fully funded pension insurance and consists of three pillars:

1. Compulsory Pension Insurance which operates on the principle “pay as you go “,
2. compulsory pension insurance which is based on capitalizing on savings and
3. Voluntary pension insurance is based on capitalizing on savings and can now be obtained under the offer of insurance companies.

Regarding the analysis of the pension system of the countries in Southeast Europe, particularly the countries of former Yugoslavia, the following data shows:

-In most countries, the percentage of disability pensions in relation to the total is above the EU average ratio of 10% while in some countries the figure is

doubled: 18.60% in Serbia, Bosnia and Herzegovina 20%, Republic Srpska 16%, and Montenegro 26 % and 24.70% in Croatia.

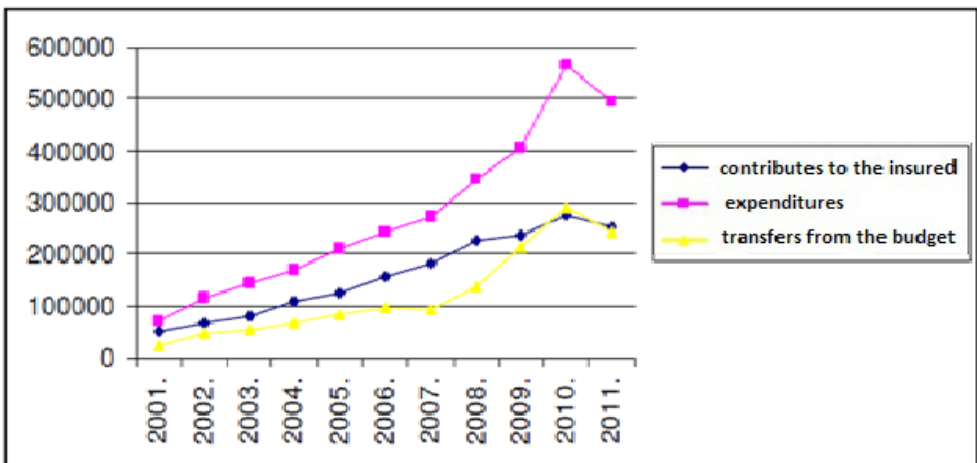
-When it comes to the differences in terms of the average pension which is significant in terms of the average wage in the countries of former Yugoslavia the following information are obtained: pensions over 50% of salary - Slovenia (56.60%), Montenegro (55.51%) and Macedonia (57.17%); pensions below 50% of salary - Serbia (46.30%), Croatia (40.00%), Bosnia and Herzegovina (40.80%), Bosnia and Herzegovina - Republic Srpska (40.80%), Federation of Bosnia and Herzegovina (44.40%).

These percentages reflect the social sensitivity in these countries.

In terms of the share of contributions to the inflow of funds, they move in a range of 53-88%, respectively:

Lowest in Macedonia 53.4%, Serbia 58% and Croatia 61% in Slovenia and Montenegro, a little more - about 66% and 70% in Bosnia and Herzegovina far the most: Republic Srpska 78.4% in the Federation of Bosnia and Herzegovina as 88%.

Chart 2. *Average pension in the countries of former Yugoslavia*



CONCLUSIONS

Pension insurance is subject to discussion and analysis in almost all countries in the world as a stable pension system is one of the prerequisites of economic growth and development. Therefore, it is important to have confidence in pensions,

regardless of whether the system can provide the revenue that would be sufficient for socially acceptable standard of living and proper funding.

The process of globalization has engulfed the pension system as an essential element of the economy (public finance). It is in this segment that used to be considered that there is no alternative in its financing, but it suggests that the maturity of time contributes to the emergence of new solutions and new concepts. As one of the solutions are pointed to partial or complete privatization of the pension system.

The problem of an aging population, the decline in fertility leads to unfavorable terms of number of employees and the number of pensioners. If to all this is added the economic crisis in the last decade, causing problems in the functioning of the national economy, it affects the increase in the contribution and the issue of payment of pensions. These aspects contribute to irregular payment of pensions and increasing impoverishment of pensioners due to small amounts of pensions often does not provide coverage to their existential needs.

All these reasons suggest that the countries of Southeast Europe, most of which were developed in detail in this paper, it is necessary to reform the pension system because the existing becomes financially unsustainable which also points to the need to introduce additional pension fund and voluntary pension insurance.

The following parameters are analyzed in this paper:

- * striving to reduce public spending and the budget deficit
- * solving the problems of aging of the population
- * Prevention of early retirement
- * the need for a wider range of insurers.

In this paper I analyzed the historical and current condition of the pension system of the countries of Southeast Europe. The states (especially in transition) go through a transformation of its system of financial, demographic and economic reasons. Also mentioned is that each country should, through its characteristics, shape its pension system and to impose the use of a mixed pension system as standard (as specified by the World Bank) for better circulation of the internal situation in this domain.

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