

## **Enhancing Workforce Competitiveness in Macedonia**

Report on a Workforce Assessment conducted by  
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### **Introduction**

Previous labor market and education sector assessments have documented high levels of un- and under-employment, a large grey economy, low levels of economic activity and an education system that is still not meeting the needs of individuals and businesses in Macedonia's increasingly market-oriented and technologically advancing economy.

This report builds on the previous studies and makes recommendations regarding practical strategies USAID can support for strengthening the demand for and supply of skilled workers in Macedonia. The report was prepared by Evelyn Ganzglass, director of USAID's Global Workforce in Transition (GWIT) initiative based on a workforce assessment conducted in Macedonia from September 28-October 6, 2004. Ms. Ganzglass conducted interviews with USAID staff, USAID contractors, Macedonia government officials, several members of the National Entrepreneurship and Competitiveness Council (NECC), and several other key informants. (See attached list of people interviewed) The assessment was carried out with the support of USAID's Europe and Eurasia (E&E) Bureau.

### **Objectives**

The strategies proposed below are directed at achieving the following objectives:

- Improve management and human resources policies and practices in the private sector. Improving management capacity in Macedonia is one of the NECC's priorities. This together with strategic investment in workforce skills will lead to productivity improvement which is the only sustainable strategy for creation of good jobs and increased prosperity.
- Increase labor market flexibility and transparency for employers and individuals, especially youth. Labor market policy reform will reduce barriers to job creation and promote innovation and productivity improvement in the workplace. Career information and related activities will help individuals find jobs and employers recruit qualified workers.
- Help youth gain employment and see a future for themselves in Macedonia. This will slow brain drain/out-migration and make better use of young people's motivation, imagination, and other skills to help Macedonia achieve greater prosperity.
- Strengthen the workforce focus in the Mission's existing education, economic growth and democracy and local governance programs. Although many good workforce-related things are already being done, more explicit attention to labor market and workforce competitiveness issues is needed to demonstrate and give

people a clear vision of what can be done to increase opportunity and prosperity in Macedonia.

#### Proposed Activities

The activities proposed build on US comparative strengths and complement the assistance already being provided by USAID and other donors. For example, a number of the proposed activities are directed at building up the demand for and supply of flexible and relevant workforce training and human resources practices in the private sector rather than trying to enhance the capacity of Macedonia's public education and employment service systems that is being done under numerous other projects.

**1. Build the capacity of the NECC and the new private sector chambers to provide leadership on labor market and workforce competitiveness issues.** USAID should consider supporting the following activities with the NECC and/or Chambers:

- A. Convening a series of forums and other activities by these organizations to facilitate public-private and interagency dialogue and generate bottom-up pressure for tax and labor market reform and actions to improve the country's workforce competitiveness. As discussed in previous workforce assessments, although wages are low, taxes and benefit contributions make the cost of labor high relative to worker productivity. The labor market lacks transparency and there are also constraints on self-employment. The proposed meetings could focus on how to improve Macedonia's standing in the just released 2004-2005 Global Competitiveness Report issued by the World Economic Forum. For the first time, this report contains data on Macedonia's business competitiveness. (We don't know what the data shows since the report is being issued on October 13 and although we have ordered a copy, we won't receive it for another week or so.) Analytical work related to producing materials for these meetings could be done by the Economic Think Tank or another Macedonian group. This analysis would inform the NECC's and clusters' work and be useful in getting the broader Macedonian public to understand and support competitiveness activities.
- B. Identifying specific examples of the negative impacts of labor market and tax policies on different industries' or clusters' ability to improve productivity, compete internationally and create new jobs so that these examples can be used to mobilize support for removing these constraints. The information would be drawn from member companies and other companies, associations, unions involved in various USAID and other donor-funded projects. This activity could be supplemented by (as previously recommended by the E&E Bureau's Liz McKeon in her July 2002 memorandum to the Mission), convening focus groups of employers and workers operating in the grey economy to identify their perspective on the most and least constraining labor market policies.
- C. Drafting and/or vetting regulations implementing labor market reforms to promote effective implementation of pending changes.

- D. Advising and supporting the Ministry of Employment's implementation of active labor market measures to increase employment among long-term unemployed. This would assure that policies and programs implemented provide the right kind of incentives for employers and that employers are aware of and avail themselves of these incentives to create jobs.
- E. Conducting a youth employment campaign, perhaps in conjunction with the national labor federation to promote summer youth employment and the expansion of internships, apprenticeships, mentoring arrangements and career days. Such a campaign would create much needed work experience opportunities for young people. Outreach to companies could emphasize the importance of quality and skill development for competitiveness. Technical assistance to participating companies could promote good supervisory and on-the-job learning practices in firms. USAID could complement this effort by encouraging its contractors and local partners to take interns and apprentices, and hire students for summer jobs.
- F. Suggesting to the NECC Council that it consider strengthening the representation of the education sector (particularly higher education and non-formal lifelong learning) on the council in order to support a greater focus on workforce competitiveness issues.
- G. Conducting a follow-up trip to the NECC's planned trip to Ireland that would involve secondary and tertiary level educators to learn about how Ireland used these institutions to help transform its economy.

**2. Enhance the capacity of Macedonian management consultants, trainers and human resources (HR) specialists in industry.** USAID should support the fledgling professional associations of these groups to promote workplace-based learning and demonstrate the bottom-line results that can be achieved by strategic upgrading the skills of the current workforce. For example, USAID might consider developing a possible Global Development Alliance (GDA) with Coca Cola, IBM and/or other US firms to tap their HR and training expertise and build capacity of Macedonian HR and training specialists. USAID could also strengthen the capacity of the associations by supporting an outreach campaign to companies to educate owners and managers on the value of human resource investments for their bottom line. USAID could start assisting the associations with a small contract under which they would conduct a series of case studies that would document how foreign companies who have invested in Macedonia have changed HR practices in the companies they took over. These case studies would provide lessons for trainers/consultants as well as document the bottom-line results that can be achieved for businesses. The case studies could be used in courses offered through the E-Biz Management Center. USAID could also support the associations' start-up and outreach activities for example by helping them update databases of members and develop their websites. The E-Biz Centers, the Macedonia Competitiveness Activity (MCA) and other projects working with firms could encourage their local partners to use local trainers and consultants.

This project would address the NECC's management improvement priority and complement USAID and other donors' assistance to strengthen Macedonia's educational institutions, E-Biz activities, the Human Resources Development Fund and Center being developed by the European Reconstruction and Development Fund, and MCA's attempt to get western type management school to Macedonia.

**3. Promote creation of privately operated "one-stop" lifelong learning and employment centers in different parts of the country.** The services provided through such centers would include:

- Short-term certificate and customized training that enables individuals to increase their employability and employers to upgrade workforce skills. All courses would be required to meet EU and industry skill requirements;
- Entrepreneurship training and information about available SME financing and supports;
- Job finding club, placement and information services (including internet based services) for individuals, especially youth, and employers
- Consultancy on human resources management, potentially including consultancy, assessment and certification services related to ISO and *Investors in People* certification. The *Investors in People* standard sets out a level of good practice for training and development of people to achieve business goals. It was developed in the UK in the 1990's and is now being adopted in countries throughout the world.

Such one-stop lifelong learning and employment centers would provide more flexible, demand-driven training and employment services than are likely ever to be provided through the public education and employment institutions. They could serve as a model for Macedonia's fledgling lifelong learning system. (A Lifelong Learning Commission is just being established). One option that might be included is the inclusion of temporary placement firm types of services to generate short-term employment in high unemployment rural areas. This idea was recommended by Liz McKeon in her July 2002 memorandum. It remains a potentially useful option especially now that labor code changes provide greater flexibility regarding temporary employment. However, this concept would have to be further explored including its legality, site selection and costs.

The centers could bring these services together in a physical location or be virtual centers that effectively link and provide easy access to services. As with the E-Biz centers, these would be bid on a competitive basis, require seed money to get started, but then provide services on a self-sustaining, fee for service basis. People interviewed say that there is an unmet demand for easily accessible and affordable services to employers, job seekers and people interested in upgrading their skills. They say that people would be willing to pay for such services, but clearly this assumption would have to be tested.

Potentially, the centers could build on SEEU activities with certificate programs, the job referral center, the on-site E-Biz center and the e-learning platform it is developing. Other potential partners include the already privatized workers' universities, Jr. Achievement that has been spun off by the Soros Foundation as a separate NGO, and post-secondary

vocational schools that participated in Phare 2 and that are already providing short-term certificate courses on a fee basis. Depending on arrangements with Skillssoft, some of their courses could be made available.

Such centers could also complement the consultancy strengthening activity discussed above. Internet access would be facilitated through the Macedonia Connects, Last Mile and e-schools initiatives, possibly providing training support for ICT users and providers. Access to e-learning options could be facilitated through linkages with the e-learning platform being developed through the E- Biz Centers. In addition, centers could be structured to support local economic needs and development priorities, perhaps requesting bids for centers in some of the 13 local economic development pilot sites.

#### **4. Support the development of career information activities for university students.**

USAID should consider stimulating the creation of (or support existing) university student associations to help them organize career days and alumni associations, develop an internet portal with information about jobs; part-time jobs; service opportunities; apprenticeships; fellowships entrepreneurship opportunities. Currently, Macedonia's public universities have no such activities and their graduates are left to flounder on their own. The South Eastern European University is developing a career center this year that may serve at least as a partial model as may a internet based Infostud portal started several years ago by university students in Novi Sad, Serbia ([www.infostud.com](http://www.infostud.com)). This portal provides information on jobs and professional and personal development opportunities such as scholarships, seminars and international travel opportunities. Demand for such information is evidenced by the fact that this portal gets 100,000 visits a month and is now beginning to turn a small profit from fees employers pay to list job openings and advertisements. This activity could potentially be coordinated with activities being carried out under an EU project to strengthen career guidance at the secondary level where there is also a great unmet need.

**5. Implement a Youth Conservation Corps to clear hiking trails, improve the environment and otherwise enhance the natural infrastructure for tourism.** This activity would contribute to tourism and local economic development as well as improve the employability of young people. In addition to the work component, the program would:

- Teach out-of-school unemployed youth marketable construction and environmental skills (potentially waste management);
- Teach employability and job search skills
- Promote entrepreneurship through training, and information and linkages to micro-credit and SME support services;
- Provide career information and job placement services; and
- Serve as a forum for bring youth from different ethnic groups together in a positive service and learning context.

The program could be designed to serve a broad segment of youth including secondary and university graduates or be targeted to school dropouts or youth in areas with particularly high youth unemployment. The program would build on the previous

USAID/ UNDP/Norway youth employment support program. Conservation Corps in the U.S. and service programs in other countries could provide assistance.

**6. Build a stronger workforce focus into the E-School project.** The learner-centered pedagogy being promoted by this project will help students learn decision-making, communication and other skills needed for employment. In addition, good workforce development linkages that have been made between the E-schools and MCA projects related to animation training provide a useful model for other clusters. However, the E-schools project offers the potential for additional work in the workforce development arena. For example, as originally proposed, the project could, if new resources become available, become a vehicle for forging stronger linkages between the participating schools and the local business community and for developing skill standards of what students in the participating vocational schools need to know and be able to do when they graduate. The project could also be used to demonstrate innovative business-education linkages in vocational schools to provide a vision of what can be done to create good jobs for youth at the local level. As part of its current field reviews, the E-schools project will identify potential projects that demonstrate how to use the technology and instructional innovation provided through the project for sustainable income-generating activities. Such activities would complement workforce development related activities being carried out under the Secondary Education Activity.

**7. Enhance MCA capacity to address labor market and workforce competitiveness issues.** Several ideas related to a potential leadership role for the NECC have been discussed above. In addition, the tourism cluster faces numerous workforce development challenges from recruiting people into the industry to upgrading the skills of those already there. A more in-depth assessment of the workforce needs of this cluster and perhaps others that express an interest should be done if there are resources that could be devoted to addressing the needs identified.

Also, if the region decides to proceed with a regional tourism initiative, it should build a strong workforce development component into it. For example, under such an initiative, industry representatives and educators from participating countries could reach agreement on skill requirements and certification criteria for different professional fields. (Much work on such criteria has been done in other countries so it would just be a matter of adapting them to the unique needs and circumstances in the region.) These “standards” could then be used as the basis for a coordinated training strategy and way of assuring quality of service, health standards etc. to potential tourists. A Regional Training Institute, including an e-learning component, could be developed that would share training capacity across countries. This could be set up as a public-private entity involving the participating countries’ publicly financed tourism schools and programs.

Training institutions working with the various MCA clusters could also be linked to institutions that provide relevant industry-based training in other countries. This could be done through Innovation and Learning Networks of the TA<sup>3</sup> consortium. The consortium is made up of leading community and technical colleges in the U.S., Europe and South Africa that provide industry-based training and technical assistance to small

and medium-sized enterprises and entrepreneurs in support of regional economies. This membership consortium is managed by Regional Technology Strategies Inc., one of the GWIT partner organizations.

**8. Build a stronger workforce focus into assistance to local government.** With upcoming local elections and planned decentralization of government functions, including local economic development, this is an opportune time to build a stronger focus on workforce development into the activities of the Association of the Units of Local self-Government (ZELS) and/or the Mission's new local governance project. It is generally understood that a skilled workforce contributes significantly to a community's ability to attract investment and grow the local economy. But newly elected local government officials will lack experience in local economic development and therefore will need a vision of what can be done at the local level to build a skilled workforce that can help improve productivity and competitiveness of existing firms and attract much needed new investment. At the same time, various education reform activities at the secondary and higher education levels and in vocational education are increasing the capacity of educational institutions to respond to local economic development priorities in positive ways.

Training and technical assistance provided to local elected officials should therefore include a workforce component that helps local officials understand labor market issues and learn how to effectively use ICT capacity being developed in their communities and different formal and non-formal education approaches for raising workforce skills in their communities. Local elected officials should also be encouraged to revitalize public-private partnerships started under the previous PRISMa project that are generally acknowledged to have created jobs, at least in the short term, and contributed to public-private dialogue on longer-term local economic development issues.

### **Conclusion**

The USAID Mission in Macedonia is already making strategic investments in education, economic growth and other areas that are contributing to the country's economic and social revitalization. However, Macedonia's high unemployment, low job creation and low productivity rates warrant additional attention to labor market and workforce competitiveness issues. The activities proposed above attempt to address critical aspects of Macedonia's labor market problems. The cost and duration of these activities range from less than \$25,000 and a few months for case studies on Macedonian HR best practices to several million dollars for a multi-year youth conservation corps program.

The Mission will have to decide how much it wants to spend to address these needs and in what manner it wishes to do this. The Mission should consider implementing some of these activities now to the extent that resources permit under its current economic growth, education and democracy and local governance strategic objectives. In addition, the Mission should consider developing a new cross-sectoral workforce development strategic objective as part of its new 2006-2010 strategy. This strategic objective should include a strong youth employment focus. Adopting such a strategic objective would highlight the importance of employment issues and provide a framework for

implementing projects such as the ones proposed on a broader, more comprehensive Mission-wide basis.

Attachment

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